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BEFORE THE ARIZONA CORPORATION COMM

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- 2 COMMISSIONERS
- 3 DOUG LITTLE, Chairman
- 4 BOB STUMP
- 5 BOB BURNS
- 6 TOM FORESE
- 7 ANDY TOBIN

6 IN THE MATTER OF THE APPLICATION OF
 7 LIBERTY UTILITIES (BELLA VISTA WATER)
 8 CORP., AN ARIZONA CORPORATION, FOR
 9 A DETERMINATION OF THE FAIR VALUE
 10 OF ITS UTILITY PLANTS AND PROPERTY
 11 AND FOR INCREASES IN ITS WATER
 12 RATES AND CHARGES FOR UTILITY
 13 SERVICE BASED THEREON.

Docket No. W-02465A-15-0367

10 IN THE MATTER OF THE APPLICATION OF
 11 LIBERTY UTILITIES (BELLA VISTA WATER)
 12 CORP., AN ARIZONA CORPORATION, FOR
 13 AUTHORITY TO ISSUE EVIDENCE OF
 14 INDEBTEDNESS IN AN AMOUNT NOT TO
 15 EXCEED \$4,700,000.

Docket No. W-02465A-15-0370

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

Docket No. WS-02676A-15-0368

18 IN THE MATTER OF THE APPLICATION OF
 19 LIBERTY UTILITIES (RIO RICO WATER &
 20 SEWER) CORP., AN ARIZONA
 21 CORPORATION, FOR AUTHORITY TO
 22 ISSUE EVIDENCE OF INDEBTEDNESS IN
 23 AN AMOUNT NOT TO EXCEED \$8,900,000.

Docket No. WS-02676A-15-0371

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Arizona Corporation Commission
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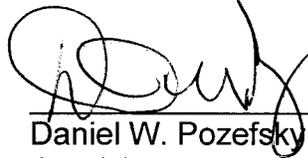
JUL 22 2016

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1 **NOTICE OF FILING**

2 The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing
3 the Surrebuttal Testimony of Robert Mease, John Cassidy, and Timothy Coley, in the
4 above referenced matter.

5 RESPECTFULLY SUBMITTED this 22nd day of July, 2016.

6 
7
8 Daniel W. Pozefsky
9 Chief Counsel

10 AN ORIGINAL AND THIRTEEN COPIES
11 of the foregoing filed this 22nd day
12 of July, 2016 with:

13 Docket Control
14 Arizona Corporation Commission
15 1200 West Washington
16 Phoenix, Arizona 85007

17 COPIES of the foregoing hand delivered/
18 mailed this 22nd day of July, 2016 to:

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LIBERTY UTILITIES CORPORATION
(BELLA VISTA WATER AND RIO RICO WATER AND SEWER)
DOCKET NOS. W-02465A-15-0367 et al.

SURREBUTTAL TESTIMONY
OF
ROBERT B. MEASE

ON BEHALF OF THE
RESIDENTIAL UTILITY CONSUMER OFFICE

JULY 22, 2016

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EXECUTIVE SUMMARY

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Liberty Utilities Corp., (“Company,” “Liberty” “Bella Vista” “Rio Rico”) filed an application for a rate increase, on October 28, 2015, for its Bella Vista Water System and its Rio Rico water and wastewater systems. Included in the Company’s application was a Fair Value Arizona Rate Evaluation Model or “FARE” that is being filed as a ratemaking mechanism designed to comply with Arizona law, including the fair value requirement.

In summary, RUCO continues to take issue with the Company’s FARE proposal for numerous reasons all of which were explained in direct testimony. In addition, RUCO continues to maintain that the FARE model as presented by the Company does not meet the Arizona constitutional requirements, as stated by the Arizona Court of Appeals, requiring that the Company find fair value at the time of setting new rates. In this case, the FARE model does not establish a fair value as the Company has chosen to eliminate the cost of capital evaluation in determining new rates.

1 **INTRODUCTION**

2 **Q. Please state your name, position, employer and address.**

3 A. My name is Robert B. Mease. I am Chief of Accounting and Rates employed by
4 the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington,
5 Suite 220, Phoenix, Arizona 85007.

6
7 **Q. Have you previously provided testimony regarding this docket?**

8 A. Yes. I filed direct testimony in this docket on May 23, 2016.

9
10 **Q. What is the purpose of your surrebuttal testimony?**

11 A. My surrebuttal testimony will address the Company's rebuttal comments related to
12 specific recommendations and conclusions that I included in my direct testimony. I
13 addressed the Company's FARE filing and will offer my recommendations after
14 reading the Company's rebuttal testimony. I will also discuss Mr. Paul Walker's
15 rebuttal testimony addressing the Company's allocated expenses.

16
17 **Q. Mr. Mease, who provided rebuttal testimony discussing the FARE model on
18 behalf of the Company?**

19 A. Messrs. Matthew Garlick, Peter Eichler, and Paul Walker provided rebuttal
20 testimony on behalf of the Company.

21
22

1 **Q. Does RUCO have any general comments or concerns regarding the rebuttal**
2 **testimonies of these individuals?**

3 A. Yes. I am very surprised by the tone of the comments included in rebuttal
4 testimonies and in particular that of Mr. Peter Eichler and Mr. Paul Walker. The
5 specific comments that RUCO finds disturbing relate to the company's allocated
6 expenses and the proposed FARE Model and will be further discussed throughout
7 my surrebuttal testimony.

8
9 **RESPONSE TO MR. MATTHEW GARLICK'S REBUTTAL TESTIMONY**

10 **Q. Have you reviewed Mr. Garlick's rebuttal testimony and if so would you care**
11 **to comment on his discussion of the FARE model?**

12 A. Yes. I have reviewed Mr. Garlick's rebuttal testimony and was somewhat
13 surprised at Mr. Garlick's testimony when discussing the impact if denial of FARE
14 would occur. More specifically Mr. Garlick stated;¹

15 "It is getting increasingly difficult to get capital from APUC for timely investment
16 in plant in Arizona. Denial of the FARE, coupled with another haircut on the
17 shared services costs, will make it extremely unlikely that we will be able to fund
18 anything but those capital projects that are absolutely necessary and cannot be
19 put off any longer. I don't think that's a good way to have to run a business, nor do
20 I think consumers benefit from making Arizona more unattractive to the
21 investment community."
22

23 **Q. What specifically surprises you about Mr. Garlick's comment?**

24 A. When reviewing the 2015 Annual Results From Operations as published on page
25 24 of ALGONQUIN Power and Utilities Corp. 2015 Annual Report, and further

¹ Rebuttal Testimony of Mr. Matthew Garlick; page 3, lines 11 through 17

1 reviewing the Key Selected Annual Financial Information, the Company's
 2 performance is quite impressive. To highlight a few of the Company's key
 3 performance indicators:
 4

Key Selected Annual Financial Information

(all dollar amounts in \$ millions except per share info)

	<u>Twelve months ended Dec. 31</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenue	\$ 1,027.9	\$ 941.6	\$ 675.3
Net earnings attributable to Shareholders			
from continuing operations	118.5	77.8	62.3
Net earnings attributable to Shareholders	117.5	75.7	20.3
Adjusted net earnings	121.5	88.2	59.5
Dividends declared to Common Shareholders	124.6	82.9	68.3
Per share			
Basic net earnings from continuing operations	\$ 0.43	\$ 0.32	\$ 0.28
Basic net earnings	\$ 0.42	\$ 0.31	\$ 0.07
Adjusted net earnings	\$ 0.46	\$ 0.37	\$ 0.26
Diluted net earnings	\$ 0.42	\$ 0.31	\$ 0.07
Dividends declared to Common Shareholders	\$ 0.49	\$ 0.37	\$ 0.33

5
 6
 7 After closely reviewing the three year annual results of Liberty Utilities parent
 8 Company and Mr. Garlick's testimony per above, it appears the Company is more
 9 interested in maintaining, and growing, shareholder value then providing adequate
 10 service to Arizona ratepayers. ALGONQUIN Power has increased revenues during
 11 the three year period as shown above by 52.2%, the Company's net diluted
 12 earnings have increased by 500.0%, and dividends declared to common
 13 shareholders have increase by 48.5%. I find Mr. Garlick's comment that capital will
 14 be difficult to obtain from APUC, except for absolutely necessary projects,
 15 somewhat difficult to comprehend based on the earnings of the parent company
 16 and dividends that have been distributed. These are the same earnings that could

1 be reinvested in the capital projects that Mr. Garlick talks about if the Company
2 considers it a priority. Not only that, but the systems involved in this case are Class
3 "B" and Class "C", and local management feels there will be difficulty obtaining
4 capital for necessary improvements. RUCO finds this statement very troublesome
5 since maintaining systems and providing safe and reliable water to ratepayers
6 should be the goal of both the local management, as well as management at the
7 parent company level. But in this case, the goal appears to be maintaining
8 shareholder value at the ever increasing cost to the ratepayer. If the above
9 mentioned dividends aren't enough to encourage investment in Arizona utilities,
10 perhaps Mr. Garlick could help us understand just how much would be enough.

11
12 **Q. Does RUCO agree with Mr. Garlick's statement that "We were surprised and**
13 **disappointed with the meager effort Staff and RUCO put into considering the**
14 **FARE as a possible improvement in ratemaking for Arizona utilities and**
15 **customers?**

16 **A.** I can't speak for Staff, but RUCO takes exception to Mr. Garlick's comment. RUCO
17 devoted significant amount of time to reviewing the FARE model. RUCO clearly
18 described their concerns and issues with the FARE as presented in the Company's
19 filing² and stated very clearly why RUCO cannot support the FARE model as
20 presented.

21

² Direct testimony of Mr. Robert Mease; Section IV; pages 5 through 11; Direct testimony of Mr. Robert Mease; Section VI. Effects on Ratepayers; page14; Direct testimony Mr. Robert Mease; Section VII. Summary and Conclusions; page15.

1 **RESPONSE TO MR. PETER EICHLER'S REBUTTAL TESTIMONY**

2 **Q. Does RUCO believe that Liberty Utilities, when proposing a new program or**
3 **model (the FARE Model in this case) that could have a long lasting effect on**
4 **ratepayers, that the filing should be a complete and well laid out program,**
5 **have calculated the projected impact(s) on ratepayers, and include a**
6 **capitalization plan prior to being considered for approval by the**
7 **Commission?**

8 A. Yes. RUCO believes it is the responsibility of the utility to prepare at a minimum, a
9 program that would address these specific items noted. At a minimum the Arizona
10 Corporation Commissioners need to be provided with certain information going
11 forward, as to the long term projected effect on ratepayers, when making their final
12 decision(s). Furthermore, providing this information is the responsibility of the
13 utility, not the Staff or RUCO, as Mr. Eichler indicates in his rebuttal testimony.³ If
14 this information is included in the initial filing, and the filing appears to be a
15 reasonable program, RUCO will get involved in developing the fine points. RUCO
16 questions the legality of the FARE. RUCO's legal challenge however, is a legal
17 argument and will be part of RUCO's closing and reply briefs.

18
19 **Q. Was RUCO ever ask to have input in the development of the FARE model or**
20 **asked to make suggestions for improving the FARE program?**

21 A. No.

³ Rebuttal testimony of Mr. Peter Eichler; page 11, lines 21 – 24. "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."

1 **Q. Did Liberty include any reference to performing cost of capital analysis when**
2 **submitting a FARE rate increase?**

3 A. Yes. Liberty chose to by-pass the preparation of a cost of capital analysis when
4 making their annual filing. Per the Company, it would take too much time and would
5 not allow RUCO sufficient time to complete a cost of capital analysis review in the
6 time requested by the Company.

7
8 **Q. Has Mr. Eichler revised his testimony discussing a cost of capital analysis?**

9 A. Yes. On page 12 of his Rebuttal Testimony he is proposing three different options.
10 RUCO is not taking a position on any of the three options at this time, but is
11 questioning why these options were not presented in his direct testimony. (In other
12 words, Mr. Eichler has given the FARE a little more thought, ref. cost of capital
13 analysis, since RUCO filed direct testimony) Rather than presenting any options in
14 his direct testimony Mr. Eichler chose to ignore a cost of capital study as too time
15 consuming and will not allow the Company to meet the time line as established in
16 the FARE program.

17
18 **Q. Is Mr. Eichler currently open to including a mechanism to update the cost of**
19 **capital in the FARE?**

20 A. Yes, if it can be done consistent with the goals of the FARE⁴. As Mr. Eichler further
21 explains in his testimony a critical aspect of the FARE is avoiding getting bogged
22 down in a fight over every number in the revenue requirement every time the cost

⁴ Rebuttal testimony of Mr. Peter Eichler, page 11, lines 18 through 22

1 of service paid by the customer needs to change. Mr. Eichler goes on to say that
2 coming up with a mechanism for something like this is exactly the type of
3 cooperative effort we had hoped our FARE proposal would give rise to. Instead,
4 Staff and RUCO only criticized the FARE; they made no suggestions on improving
5 it.

6
7 **Q. Once again, was RUCO's assistance ever requested in the Company's**
8 **development of the FARE model or ask to make suggestions for improving**
9 **the FARE program?**

10 A. No.

11
12 **Q. Mr. Eichler criticized RUCO's "unwillingness to work more efficiently is not a**
13 **reason to reject the FARE."⁵ Does RUCO agree with this synopsis?**

14 A. No. First of all, Mr. Eichler has no idea how efficient or non-efficient RUCO goes
15 about its work and to criticize RUCO for being unwilling "to work more efficiently" is
16 just not an accurate statement. RUCO has provided input over the years in many
17 Commission workshops and has worked with water industry consultants on several
18 occasions, and will continue to do so when requested. However, disregarding Mr.
19 Eichler's inaccurate comments regarding "RUCO's unwillingness" to perform such
20 a review, RUCO does not believe that the time frame established by the Company
21 is achievable. RUCO has no intention of rubber stamping any application that has

⁵ Rebuttal testimony of Mr. Peter Eichler; page 13, line 2

1 an impact on residential ratepayer's rates that has not been thoroughly reviewed,
2 and does not provide sufficient time to reach a reasonable conclusion.
3

4 **Q. Mr. Eichler once again criticizes RUCO on page 14 of his rebuttal testimony.**
5 **On line 13, "But RUCO only looks at rates," lines 16 through 18, "The horror**
6 **stories that the Commission hears over water utilities that can't pay their bills,**
7 **that can't adequately run their systems, that can't even test their water, do**
8 **not appear to mean anything to RUCO."**

9 **A.** RUCO once again takes exception to these comments. That clearly can be
10 supported by RUCO's contributions in the recent "Commission Investigation into
11 Potential Improvements to its Water Policies" Special Open Meeting held by the
12 ACC on June 24, 2016. Docket No. W-00000C-16-0151. I will cite the opening
13 sentence in the Introduction paragraph included in RUCO's Comments filed in this
14 docket; "RUCO applauds the water and wastewater industries submission of
15 suggested policies designed to improve the Commission's water and wastewater
16 policies." I will also quote the opening sentence in RUCO's second paragraph in
17 the Introduction section of this filing; "RUCO recognizes that a problem exists in the
18 state of Arizona with non-viable water and wastewater companies and that it is
19 paramount that the Commission address the issues and explore and implement
20 sound and reasonable water policies."
21

22 Chairman Little, in his opening comments at the June 24th open meeting,
23 specifically stated "Thanks to RUCO for the Very Good Comments That They

1 Offered Up in this Docket.” RUCO’s contributions, in this workshop, as stated in
2 Chairman Little’s opening remarks, indicate that RUCO does think about more than
3 only keeping rates low for residential ratepayers. RUCO understands the plight of
4 small and undercapitalized water and wastewater companies and is concerned that
5 these companies provide adequate water service to ratepayers. RUCO will do what
6 is necessary to provide all ratepayers with safe and reliable water and wastewater
7 service at a reasonable and fair cost.

8
9 Finally, I would like to add that Liberty Utilities does not fit the profile that Mr. Eichler
10 describes as “horror stories the Commission hears about over water utilities that
11 can’t pay their bills, that can’t adequately run their systems.” If Liberty Utilities can’t
12 pay their bills and can’t run their systems it’s by their own choice. All one has to do
13 is review APUC’s annual report and once again see that Liberty’s focus appears to
14 be on shareholder value and not the ratepayers in Arizona.

15
16 **Q. Have you any additional comments related to Mr. Eichler’s testimony?**

17 **A.** No. I have no additional comments except to say the remaining portions of his
18 testimony are very critical of RUCO’s direct testimony and in my opinion is very
19 disrespectful towards RUCO. Mr. Eichler’s use of rhetoric is unnecessary and
20 inappropriate.

1 **RESPONSE TO MR. PAUL WALKER'S REBUTTAL TESTIMONY**

2 **Q. When reviewing Mr. Paul Walker's rebuttal testimony what was your reaction**
3 **to the tone of his testimony?**

4 A. I will provide an excerpt from Mr. Walker's testimony that speaks for itself. On page
5 5 of Mr. Walker's testimony, when Mr. Walker opines as follows; "My opinion is that
6 the positions taken by Staff and RUCO ignore everything that has happened since
7 April 8, 2011. Similarly, if one ignores everything that has happened in the Middle
8 East since 2011, things are going very well and there is no such thing as ISIS."
9

10 **Q. What is RUCO's concern with Mr. Walker's statement?**

11 A. I was very disturbed that Mr. Walker chose to include an organization such as ISIS
12 in a comparison to what both Staff and RUCO were recommending. Again, I'm not
13 speaking on behalf of Staff, but I find this comparison disrespectful, unnecessary
14 and insulting to our entire agency. RUCO is a state agency, with eight professionals
15 that work very hard to protect the residential ratepayer while at the same time trying
16 to ensure that the utilities are both healthy and strong. As a RUCO employee, I
17 also believe that Mr. Walker's inclusion of ISIS in his testimony is non-professional,
18 derogatory, insulting and self-serving. Quite frankly, I am surprised that Liberty
19 Utilities allowed such a reference to be associated with their utility.
20
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22

1 **Q. Mr. Walker makes the statement on page 11, lines 11 and 12 of his rebuttal**
2 **testimony when discussing the Company's allocation methodology. "I am**
3 **thankful that Staff and RUCO aren't running hospitals, churches, or**
4 **businesses, particularly utilities." Can you explain why RUCO has difficulty**
5 **accepting this as a factual statement?**

6 A. First of all, there are at least two individuals, who are part of the RUCO agency, that
7 have or currently run successful businesses. Second, there are others who have
8 served in senior management positions and have participated in making top level
9 decisions. These same individuals, after carefully considering the Company's
10 allocation of costs downward, made a business decision to disallow certain costs
11 because they simply do not provide any benefit to the local utilities in Arizona. Mr.
12 Walker's statement was unprofessional and outside the scope of this proceeding.

13
14 **Q. Are there any other non-factual comments in Mr. Walker's rebuttal testimony?**

15 A. Yes. Two questions posed by Mr. Walker on page 18 of his rebuttal testimony read
16 as follows: (1) Has Staff or RUCO requested a presentation of the FARE
17 DASHBOARD? (2) Has Staff or RUCO requested access to the FARE
18 DASHBOARD portal? Mr. Walker's answer to both of these questions was simply
19 a **NO** with no additional explanation whatsoever. This is very confusing to RUCO.
20 Nowhere in the record is there any mention of a FARE DASHBOARD. RUCO finds
21 it hard to request a presentation or access to the FARE DASHBOARD that RUCO
22 didn't even know existed. This being the case, Mr. Walker's comments have no
23 basis.

1 **Q. Does RUCO have any other comments related to Mr. Walker's surrebuttal**
2 **testimony?**

3 A. Yes. RUCO requests that Mr. Walker's surrebuttal testimony be given no
4 consideration in this case. Mr. Walker did not provide testimony in the Company's
5 initial filing, his rebuttal testimony is unprofessional and insulting and in several
6 instances non-factual.

7
8 **Q. Does this conclude your testimony?**

9 A. Yes it does.
10
11
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13

LIBERTY UTILITIES CORPORATION
(BELLA VISTA WATER AND RIO RICO WATER AND SEWER)
DOCKET NOS. W-02465A-15-0367 et al.

SURREBUTTAL TESTIMONY
OF
JOHN A. CASSIDY, CRRA

ON BEHALF OF THE
RESIDENTIAL UTILITY CONSUMER OFFICE

JULY 22, 2016

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EXECUTIVE SUMMARY

RUCO recommends that the Commission adopt a 7.20 percent overall rate of return for Liberty Utilities (Bella Vista Water and Rio Rico Water & Sewer) Corp. ("Company"), based upon (i) the Company's proposed pro forma capital structure consisting of 30.00 percent long-term debt and 70.00 percent common equity, (ii) the current 2.75 percent indicated cost of long-term debt,¹ and (iii) RUCO's recommended 9.12 percent cost of equity, as shown below:

	<u>Weight</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long-Term Debt	30.00 %	2.75 %	0.82 %
Common Equity	70.00 %	9.12 %	<u>6.38 %</u>
Overall Rate of Return			<u>7.20 %</u>

RUCO's 9.12 percent cost of equity is derived from estimates obtained from three cost of equity estimation models, with the results obtained from the Discounted Cash Flow and Comparable Earnings Models assigned a weighting factor of 40 percent, and the results obtained from the Capital Asset Pricing Model assigned a weighting of 20 percent, as follows:

	<u>Cost Estimate</u>	<u>Weight Factor</u>	<u>Weighted Average Cost Estimate</u>
Discounted Cash Flow	8.71 %	40 %	3.48 %
Capital Asset Pricing Model	7.37 %	20 %	1.47 %
Comparable Earnings	<u>10.40 %</u>	40 %	<u>4.16 %</u>
Average Cost of Equity	<u>8.82 %</u>		
Weighted Average Cost of Equity			<u>9.12 %</u>

¹ In the Application, the Company proposes a 3.47 percent cost of debt. However, pursuant to the Term Sheet included in the Company's financing application, the indicated cost of debt will be the 30-day average yield on the 10-Year U.S. Treasury Note, plus an additional spread of 116 basis points. RUCO's recommended 2.75 percent cost of debt reflects the average yield on the 10-year Treasury Note over the 30-day trading period, June 1, 2016 – July 13, 2016 (1.59 percent), plus an additional 116 basis point spread (1.59% + 1.16% = 2.75%).

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I will also demonstrate that (i) the 3.46 percent proposed cost of debt, and (ii) the 10.8 percent and 11.6 percent cost of equity recommendations for Liberty Rio Rico and Liberty Bella Vista, respectively, by Company witness Mr. Thomas J. Bourassa are significantly overstated.

1 **I. INTRODUCTION**

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

3 **A.** My name is John A. Cassidy. I am a Public Utilities Analyst V with the Residential Utility
4 Consumers Office ("RUCO"). My business address is 1110 W. Washington Street, Suite
5 220, Phoenix, AZ.

6
7 **Q. Are you the same John A. Cassidy who previously filed direct cost of capital
8 testimony in this docket?**

9 **A.** Yes, I am.

10

11 **Q. Please state the purpose of your testimony.**

12 **A.** The purpose of my surrebuttal testimony is to update RUCO's cost of capital
13 recommendations in this docket and to respond to rebuttal testimony filed by Company
14 witness, Mr. Thomas J. Bourassa.

15

16 **II. RUCO RESPONSE TO COMPANY'S COST OF CAPITAL WITNESS MR. THOMAS J.
17 BOURASSA**

18 **Q. What cost of debt does Mr. Bourassa propose in rebuttal testimony, and how does
19 it compare to his proposed cost of debt when filing direct testimony in this docket?**

20 **A.** In rebuttal testimony (See Bourassa Rebuttal, p. 2, lines 8-9, and footnote 2), Mr.
21 Bourassa proposes a cost of debt of 3.46 percent. In direct testimony (See Bourassa
22 Direct, p.5, lines 1-3), he proposed a cost of debt of 3.47 percent. Thus, for purposes of
23 his updated cost of capital analysis in rebuttal testimony, Mr. Bourassa has made a 1
24

1 basis point downward adjustment to his recommended cost of debt (3.47% - 3.46% =
2 0.01%).

3
4 **Q. Pursuant to the term sheet included in the Company's financing application, the**
5 **interest rate on the Company's pending debt will be determined at the time the debt**
6 **proceeds are to be drawn down, and will equal the 30-day average yield on the 10-**
7 **Year U.S. Treasury note, plus an additional indicative spread of 116 basis points.**
8 **For purposes of his proposed 3.46 percent cost of debt in rebuttal testimony, did**
9 **Mr. Bourassa utilize a 30-day average yield on the 10-year Treasury note in his**
10 **calculations?**

11 A. No, he did not. For purposes of his analysis, Mr. Bourassa utilized a forecasted 2.3
12 percent 10-year U.S. Treasury rate obtained from *Blue Chip Financial Forecast* for the
13 first quarter of 2017.² Mr. Bourassa's 3.46 percent proposed cost of debt is computed as
14 the sum of this 2.3 percent forecasted rate plus the 116 basis point indicative spread noted
15 above (2.30% + 1.16% = 3.46%).

16
17 **Q. Does use of a forecasted 2.3 percent yield on the 10-year Treasury note significantly**
18 **overstate Mr. Bourassa's updated recommended cost of debt in this proceeding?**

19 A. Yes, it does.
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23

24

² See Bourassa Rebuttal, p. 2, footnote 2.

1 **Q. Please explain why that is.**

2 A. In direct testimony, RUCO recommended a cost of debt of 2.97 percent.³ In updating its
3 cost of capital analysis, however, as shown in Surrebuttal Schedule JAC-1 RUCO found
4 that its recommended cost of debt in this proceeding had fallen by 22 basis points to a
5 level of 2.75 percent, (2.97% - 2.75% = 0.22%). RUCO's updated cost of debt reflects
6 the recent average yield on the 10-year U.S. Treasury note over the 30-day trading period,
7 June 1, 2016 – July 13, 2016 (i.e., 1.59 percent), plus the afore mentioned indicative 116
8 basis point spread (1.59% + 1.16% = 2.75%). Thus, Mr. Bourassa's use of a 2.3 percent
9 forecasted 10-year Treasury rate overstates by 71 basis points the cost of debt for both
10 Liberty Bella Vista and Liberty Rio Rico (2.30% - 1.59% = 0.71%).

11

12 **Q. Does RUCO have reason to believe that the Company's actual cost of debt may be**
13 **lower than RUCO's recommended cost rate at the time the debt proceeds are drawn**
14 **down?**

15 A Yes. The yield on the 10-year Treasury note recently closed at an all-time low, and market
16 traders expect yields on the 10-year note to go even lower.⁴ Thus, at the time rates are
17 set in this docket RUCO believes that every effort should be made to obtain the most
18 recent, updated current measure of the 30-day average yield on the 10-year Treasury
19 note, as the actual cost of debt at the time the debt proceeds are drawn down may be
20 significantly lower than at present.

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23 ³ See Cassidy Direct, Schedule JAC-1.

24 ⁴ In market trading on Tuesday, July 5, 2016, the yield on the U.S. 10-year Treasury note settled at 1.367%,
breaching the previous closing low of 1.404% set in July 2012. <http://www.wsj.com/articles/government-bond-yields-in-u-s-europe-hit-historic-lows-1467731411>

1 **Q. Is there an additional consideration as to why obtaining an updated current**
2 **measure of the 30-day average yield on the 10-year Treasury note is important prior**
3 **to setting rates in this docket?**

4 A. Yes. In the financing applications for both Liberty Bella Vista and Liberty Rio Rico, the
5 Company makes the following statement: "Liberty Utilities will not earn a profit or return
6 on loans made to Liberty Bella Vista [Liberty Rio Rico] under the authority sought in this
7 application."⁵ (emphasis added).

8
9 **Q. For the reasons noted in direct testimony (See Cassidy Direct, pp. 38-42), you were**
10 **critical of both Mr. Bourassa's use of historical stock price growth as a metric to**
11 **estimate the dividend growth (g) component in the Constant Growth DCF model,**
12 **and especially his use of Yahoo Finance! adjusted closing prices in the**
13 **computation of stock price growth. In filing rebuttal testimony, has Mr. Bourassa**
14 **made modifications to his Constant Growth DCF methodology in response to these**
15 **stated criticisms?**

16 A. Yes, to his credit Mr. Bourassa has modified his Constant Growth DCF methodology as it
17 relates to the use of Yahoo Finance! adjusted closing prices to compute stock price
18 growth. In rebuttal testimony (See Bourassa Rebuttal, p. 5), he acknowledges that stock
19 prices adjusted for both stock splits and dividends provide a measure of total return, and
20 not stock price growth, thereby rendering their use in the computation of capital stock
21 price appreciation to be inappropriate. Nevertheless, Mr. Bourassa continues to employ
22 stock price growth as a metric to estimate the dividend growth (g) component in his
23

24 ⁵ See Liberty Bella Vista Financing Application (Docket No. W-02465A-15-0370), p. 3, lines 11-12. See also
Liberty Rio Rico Financing Application (Docket No. W-02465A-15-0371), p. 3, lines 12-13.

1 Constant Growth DCF model, but in doing so appropriately employs actual closing stock
2 prices adjusted only for stock splits in the computation.

3
4 **Q. Does RUCO believe Mr. Bourassa's continued use of stock price growth as a metric**
5 **to estimate dividend (g) growth in the Constant Growth DCF model to be**
6 **appropriate?**

7 A. No. For the reasons noted in direct testimony (See Cassidy Direct, p. 38), RUCO believes
8 use of stock price appreciation as a growth metric in the Constant Growth DCF model to
9 be improper.

10
11 **Q. Did the above noted modification to Mr. Bourassa's Constant Growth DCF**
12 **methodology significantly reduce the 5- and 10-year stock price growth rates in his**
13 **Constant Growth DCF analysis?**

14 A. Yes. As shown in Schedules D-4.4 and D-4.5 filed in direct testimony, Mr. Bourassa's 5-
15 and 10-year sample average compound annual stock price growth rates computed using
16 Yahoo Finance! adjusted closing prices were 14.90 percent and 8.58 percent,
17 respectively. In contrast, as shown in Rebuttal Schedules D-4.4 and D-4.5, Mr.
18 Bourassa's 5- and 10-year sample average compound annual stock price growth rates
19 computed using actual closing stock prices have fallen to 8.37 percent and 4.42 percent,
20 respectively.

1 **Q. In filing rebuttal testimony did Mr. Bourassa update his Constant Growth DCF**
2 **analysis?**

3 A. Yes. As shown in Rebuttal Schedules D-4.4 and D-4.5, Mr. Bourassa updated his 5- and
4 10-year historical growth metrics in stock price, book value per share ("BVPS"), earnings
5 per share ("EPS") and dividends per share ("DPS") through December 31, 2015. In direct
6 testimony, his 5- and 10-year historical analysis reflected growth through December 31,
7 2014.⁶

8
9 **Q. Did the above noted update to Mr. Bourassa's Constant Growth DCF analysis**
10 **significantly alter the 5- and 10- year growth rates in BVPS, EPS, and DPS for Mr.**
11 **Bourassa's sample group of companies?**

12 A. No, not really.⁷ The critical factor explaining the reduction to Mr. Bourassa's Constant
13 Growth DCF cost of equity estimates relate to stock price growth and the inputs used in
14 its computation (i.e., actual closing stock prices vs. adjusted closing stock prices).

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21 ⁶ As noted in direct testimony (See Cassidy Direct, p. 42), Mr. Bourassa made an additional overstatement to
22 his 5-year stock price growth rate by computing stock price growth over a 62-month period, rather than a 60-
23 month period. RUCO has confirmed that for purposes of his updated Constant Growth DCF analysis in
24 Rebuttal, Mr. Bourassa has properly computed 5-year stock price growth over a 60-month period.

⁷ A review of Schedule D-4.4 filed in Mr. Bourassa's rebuttal testimony as compared to that filed in direct
testimony reveals no change to the 5-year BVPS growth rate, with 5-year growth in EPS and DPS for Mr.
Bourassa's sample companies being slightly higher in Rebuttal than in Direct. A comparable review of
Schedule D-4.5 reveals a decrease to the 10-year BVPS growth rate in Rebuttal, with 10-year sample average
growth in EPS and DPS being slightly higher in Rebuttal than in Direct.

1 **Q. Both in Direct and Rebuttal, Mr. Bourassa presents his Constant Growth DCF**
 2 **indicated cost of equity estimates in Schedule D-4.7 (Pages 1 & 2). What impact**
 3 **did the significant reductions to Mr. Bourassa's stock price growth rates have upon**
 4 **his Constant Growth DCF indicated cost of equity estimates in this proceeding?**

5 **A.** The following presents Mr. Bourassa's Constant Growth DCF indicated cost of equity,
 6 both as presented in direct testimony and as modified in rebuttal testimony, in Schedule
 7 D-4.7 (Pages 1 & 2):

8
 9 **Constant Growth DCF – Indicated Cost of Equity**

	<u>As Filed in Direct</u>	<u>As Filed in Rebuttal</u>	
	<u>Sch. D-4.7 (p. 1)</u>	<u>Sch. D-4.7 (p. 1)</u>	<u>Basis Point Change</u>
Average	8.29 %	7.43 %	- 86 bps
Adjusted Average	8.99 %	9.03 %	+ 4 bps
	<u>Sch. D-4.7 (p. 2)</u>	<u>Sch. D-4.7 (p. 2)</u>	
Average	9.76 %	8.31 %	- 145 bps
Adjusted Average	10.23 %	9.15 %	- 108 bps

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 16 As seen above, the modification made to Mr. Bourassa's DCF methodology in rebuttal
 17 testimony resulted in an 86 basis point reduction to the sample average cost of equity
 18 estimate (8.29% - 7.43% = 0.86%) as reported in Schedule D-4.7 (Page 1), and a 145
 19 basis point reduction to the sample average cost of equity estimate (9.76% - 8.31% =
 20 1.45%) as reported in Schedule D-4.7 (Page 2). For purposes of his analysis, Mr.
 21 Bourassa relies on adjusted average cost of equity estimates derived from his Constant
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 24

1 Growth DCF model.⁸ Thus, while the adjusted average Constant Growth DCF estimate
2 as reported in Schedule D-4.7 (Page 1) essentially remained unchanged (i.e., 8.99% in
3 Direct and 9.03% in Rebuttal), there was a 108 basis point reduction to the adjusted
4 average DCF cost of equity estimate (10.23 - 9.15% = 1.08%) as reported in Schedule D-
5 4.7 (Page 2).

6
7 **Q. Are the above reductions to Mr. Bourassa's Constant Growth DCF indicated cost**
8 **of equity summarized in Rebuttal Schedule D-4.1?**

9 A. Yes. As shown in Rebuttal Schedule D-4.1, the indicated cost of equity estimates
10 obtained from Mr. Bourassa's Constant Growth DCF analyses range from a low of 9.0
11 percent to a high of 9.2 percent. As shown in Schedule D.4.1 filed in direct testimony, Mr.
12 Bourassa's Constant Growth DCF indicated cost of equity ranges from a low of 9.0
13 percent to a high of 10.2 percent. Thus, as presented in Schedule D-4.1, Mr. Bourassa's
14 rebuttal testimony reflects a 100 basis point reduction (i.e., 10.2% - 9.2% = 1.0%) to the
15 Constant Growth DCF indicated cost of equity.

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23 ⁸ For purposes of his Constant Growth DCF analysis, Mr. Bourassa relies on the adjusted average indicated
24 cost of equity as shown in Schedule D-4.7 (Pages 1 & 2) in both Direct and Rebuttal, rather than the sample
average indicated cost of equity. In direct testimony, Mr. Bourassa excludes from consideration cost of equity
estimates obtained from those sample companies which are less than 7.1 percent; in rebuttal testimony, he
excludes from consideration cost of equity estimates less than 7.0 percent. (See Bourassa Schedules D-4.7
(Pages 1 & 2), footnote 4.)

1 **Q. Turning now to Mr. Bourassa's Risk Premium analysis, does a review of Rebuttal**
2 **Schedule D-4.1 suggest that the above noted 100 basis point decrease to Mr.**
3 **Bourassa's Constant Growth DCF indicated cost of equity has been offset by a 200**
4 **basis point increase to his Risk Premium indicated cost of equity?**

5 A. Yes. As shown in Rebuttal Schedule D-4.1, Mr. Bourassa's updated Risk Premium
6 indicated cost of equity is reported to be 12.5 percent; in direct testimony, Schedule D-4.1
7 reports this same Risk Premium indicated cost of equity to be 10.5 percent (12.5% - 10.5%
8 = 2.0%).

9
10 **Q. In obtaining a 200 basis point increase to his Risk Premium indicated cost of equity,**
11 **did Mr. Bourassa modify his Risk Premium methodology in rebuttal testimony, and**
12 **if so, what is his stated justification for doing so?**

13 A. Yes, Mr. Bourassa did modify his Risk Premium methodology, but his rebuttal testimony
14 provides no meaningful explanation as to the reasons why. In Rebuttal (p. 5, lines 6-7),
15 and almost in passing, he states "I have also changed the inputs to my risk premium
16 method for total returns." Subsequently, after acknowledging that he had learned from
17 RUCO that it is possible to compute total returns using adjusted closing stock prices, he
18 states (Rebuttal, p. 6) "now that I compute the historical returns from the adjusted closing
19 stock price and provide the computations in my work papers, RUCO can confirm the
20 calculations for the historical returns listed on Rebuttal Schedule D-4.9." Finally, it is only
21 in a footnote (Rebuttal, p. 6, footnote 20) that Mr. Bourassa provides even a modicum of
22 information as to the changes actually made to his Risk Premium methodology: "Now that
23 I am computing returns from adjusted closing prices reported by Yahoo Finance, I
24

1 have expanded the number of years from 16 to 20 years as the Yahoo Finance data
2 allows me to" (emphasis added).

3
4 **Q. As shown in Schedule D-4.9, in direct testimony Mr. Bourassa's Risk Premium**
5 **model incorporated historical total returns for his sample companies over the 16-**
6 **year period, 1999-2014. In Rebuttal, over what 20-year period has Mr. Bourassa**
7 **expanded his Risk Premium analysis?**

8 A. As shown in Rebuttal Schedule D-4.9, Mr. Bourassa expanded his Risk Premium analysis
9 to include total return data for his sample group of companies over the 20-year period,
10 1996-2015. Thus, his modified Risk Premium analysis includes historical total returns for
11 the three years (i.e., 1996-1998) immediately preceding his original 16-year study period,
12 and has been updated to include total return data for the most recent year available, 2015.

13
14 **Q. Mr. Bourassa's proxy group consists of seven publicly-traded sample companies,**
15 **one of which is York Water. In checking the Yahoo Finance! website, what is the**
16 **earliest date historical stock prices are made available for York Water?**

17 A. The earliest date historical stock price information is made available for York Water on
18 the Yahoo Finance website is May 3, 1999.

1 **Q. In light of the above, is it possible for Mr. Bourassa to compute total returns for**
2 **York Water in the first three years (i.e., 1996, 1997 and 1998) of his expanded Risk**
3 **Premium analysis using, as he maintains, “adjusted closing prices reported by**
4 **Yahoo Finance?”**

5 A. No, it is not. Furthermore, for the reasons noted in direct testimony (See Cassidy Direct,
6 pp. 48-49, lines 1:8), Yahoo Finance! adjusted closing prices don't "allow" Mr. Bourassa
7 to compute a 1999 annual total return for York Water, either.

8
9 **Q. Does this mean that in expanding his Risk Premium methodology from 16 years to**
10 **20 years, total return data for York Water is entirely excluded from Mr. Bourassa's**
11 **analysis in each of the first four years (i.e., 1996-1999)?**

12 A. Yes, as 2000 is the first year in which annual total returns can be obtained for York Water
13 using adjusted closing prices from the Yahoo Finance! website.

14
15 **Q. Does Mr. Bourassa appear to be troubled by the exclusion of data for York Water**
16 **from his Risk Premium analysis in these first four years?**

17 A. Apparently not, as evidenced by his acknowledgment (See Bourassa Rebuttal, p. 14, lines
18 3-12) that in assigning a zero percent (i.e., 0.0%) total return to York Water for 1999 in
19 direct testimony, his "Risk Premium cost of equity estimate result was **understated**"
20 (emphasis added).⁹ That Mr. Bourassa can see fit to modifying his Risk Premium analysis

21
22 ⁹ As shown in Rebuttal Schedule D-4.9, the annual total return for Mr. Bourassa's sample companies in 1999
23 is reported to be 30.73 percent, and exceeds by 445 basis points the 26.28 percent 1999 total return figure
24 is explained by Mr. Bourassa having given tacit recognition to York Water as a sample company in direct
testimony, but electing not to do so in rebuttal testimony. Specifically, a review of Mr. Bourassa's work papers
indicates that the 26.28 percent sample average annual total return was obtained by adding the individual total
returns for each of the six sample companies for which Yahoo Finance! adjusted closing prices allow a 1999

1 in a manner which further excludes total return data for a sample company not only calls
2 into question his motive for doing so, but begs the question, "Why even bother having a
3 proxy group in the first place?"
4

5 **Q. Does a cursory review of Rebuttal Schedule D-4.9 provide insight into Mr.**
6 **Bourassa's motive for having expanded his Risk Premium analysis from 16 years**
7 **to 20 years?**

8 A. Yes, a review of Rebuttal Schedule D-4.9 makes it abundantly clear why Mr. Bourassa
9 elected to modify his Risk Premium analysis to cover the 20-year period, 1996-2005. As
10 can be seen, in the first four years (i.e., 1996 -1999) of his 20-year analysis, Mr. Bourassa
11 obtains (i) the three highest annual total returns in his analysis, two of which exceed 30.0
12 percent (i.e., 36.12% in 1997, and 30.73% in 1999), and (ii) the two highest annual risk
13 premiums in his analysis, both of which exceed 20.0 percent (i.e., 29.51% in 1997, and
14 24.86% in 1999). In turn, these higher metrics allow Mr. Bourassa to obtain a 20-year
15 average annual risk premium of 8.9 percent, a figure 250 basis points higher than the 6.4
16 percent 16-year average annual risk premium reported in Schedule D-4.9 of Mr.
17 Bourassa's direct testimony (8.9% - 6.4% = 2.5%).
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23 annual total return to be computed, and dividing the summation quantity by 7. In so doing, Mr. Bourassa gave
24 tacit recognition to York Water as being in his proxy group, with the 1999 total return assigned to York being,
by implication, 0.0%. For purposes of rebuttal testimony, however, Mr. Bourassa obtains the higher 30.73
percent 1999 annual total return by using the same inputs, but dividing the summation quantity by 6.

1 **Q. For the reasons noted in direct testimony (See Cassidy Direct, pp. 49-51, lines 1:16),**
2 **it is RUCO's position that Mr. Bourassa's original Risk Premium analysis should**
3 **properly have been confined to the 15-year period, 2000-2014. Given the**
4 **modifications made to Mr. Bourassa's Risk Premium methodology in Rebuttal,**
5 **does RUCO believe that his expanded Risk Premium analysis should be confined**
6 **to the 16-year period, 2000-2015?**

7 A. Yes.

8
9 **Q. Has RUCO prepared a restatement of Rebuttal Schedule D-4.9 to fully demonstrate**
10 **why this is the case?**

11 A. Yes, RUCO has prepared a restatement of Bourassa Rebuttal Schedule D-4.9 which
12 clearly demonstrates that annual total returns obtained in the first four years (i.e., 1996-
13 1999) of Mr. Bourassa's analysis are not representative of those achieved by his seven
14 sample companies over the last 16-year period, 2000-2015. As shown in Surrebuttal
15 Exhibit JAC-A, over the 4-year period, 1996-1999, annual total returns for six of Mr.
16 Bourassa's seven sample companies (York Water having been excluded) averaged 27.29
17 percent, resulting in an average annual risk premium of 21.10 percent. In contrast, over
18 the full 20-year period included in Mr. Bourassa's expanded Risk Premium analysis, 1996-
19 2015, annual total returns averaged 13.71 percent, resulting in an average annual risk
20 premium of 8.95 percent. Finally, and to demonstrate just how significant the results from
21 1996-1999 are to Mr. Bourassa's overall Risk Premium analysis, annual total returns for
22 his seven sample companies over the 16-year period, 2000-2015, averaged 10.31
23 percent, resulting in an average annual risk premium of 5.91 percent. It should be noted
24 that in absolute terms, the 27.29 percent average total return in years 1996-1999 exceeds

1 the 10.31 percent average total return in years 2000-2015 by 1,698 basis points (27.29%
2 - 10.31% = 16.98%), which in relative terms equates to a factor of 2.65X (27.29% / 10.31%
3 = 2.65). It should further be noted that in absolute terms, the 21.10 percent average
4 annual risk premium in years 1996-1999 exceeds the 5.91 percent average annual risk
5 premium in years 2000-2015 by 1,519 basis points (21.10% - 5.91% = 15.19%), which in
6 relative terms equates to a factor of 3.57X (21.10% / 5.91% = 3.57). Clearly, therefore,
7 inclusion of total returns obtained in years 1996-1999 is improper, for reasons which Mr.
8 Bourassa, himself, acknowledges (See Cassidy Direct, pp. 49-50, lines 16:5).

9
10 **Q. Mr. Cassidy, in Rebuttal (See Bourassa Rebuttal, p. 15, lines 1:11) Mr. Bourassa**
11 **asserts that your analysis is “results oriented” and “blatantly self-serving.” How**
12 **do you respond?**

13 A. Rather than dignifying his criticisms with a response, I will simply allow the above cited
14 absolute and relative differences in Mr. Bourassa’s Risk Premium results, obtained over
15 a 4-year period (i.e., 1996-1999) as compared to those obtained over a 16-year period
16 (i.e., 2000-2015), to speak on my behalf.

17
18 **Q. What long-term Treasury Bond rate did Mr. Bourassa employ in Rebuttal, and was**
19 **it different from the Treasury Bond rate used in his Risk Premium analysis as filed**
20 **in direct testimony?**

21 A. As shown in Rebuttal Schedule D-4.9, Mr. Bourassa employed a forecasted long-term
22 Treasury Bond rate of 3.6 percent, and yes, it is 50 basis points lower than the 4.1 percent
23 forecasted long-term Treasury rate used in his original Risk Premium analysis, as shown
24 in Schedule D-4.9 filed in direct testimony (4.1% - 3.6% = 0.5%).

1 **Q. Holding all other factors constant, is Mr. Bourassa's use of a lower Treasury Bond**
2 **rate in rebuttal testimony suggestive of a reduction, rather than an increase, to the**
3 **cost of equity?**

4 A. Yes, which further underscores why there can be no justification for a 200 basis point
5 increase to his Risk Premium derived estimated cost of equity in rebuttal testimony.

6
7 **Q. In closing on the issue of Mr. Bourassa's modified Risk Premium analysis, does**
8 **use of a forecasted long-term Treasury rate further overstate the estimated cost of**
9 **equity in Mr. Bourassa's Risk Premium analysis?**

10 A. Yes, as Mr. Bourassa, himself, states that the "general approach" of the Risk Premium
11 methodology calls for use of "the current debt yield" (emphasis added) in the derivation
12 of an estimated cost of equity (See Cassidy Direct, p. 49, lines 10-16; See *also*, Cassidy
13 Direct, pp. 54-55, lines 9:10).

14
15 **Q. What is the current yield on the 30-year long-term Treasury Bond, and how does it**
16 **compare to the 3.6 percent forecasted Treasury Bond rate used in Mr. Bourassa's**
17 **expanded Risk Premium analysis in rebuttal testimony?**

18 A. As shown in Surrebuttal Schedule JAC-4 (Page 1), the current 3-month average yield on
19 the 30-year U.S. Treasury Bond is 2.57 percent. Thus, Mr. Bourassa's use of a forecasted
20 3.6 percent long-term Treasury rate overstates his Risk Premium derived estimated cost
21 of equity by an additional 103 basis points ($3.60\% - 2.57\% = 1.03\%$) in rebuttal testimony.

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1 **Q. Finally, in restating Bourassa Rebuttal Schedule D-4.9, what did RUCO determine**
2 **the Risk Premium estimated cost of equity to be for Mr. Bourassa's seven sample**
3 **companies?**

4 A. As shown in Surrebuttal Exhibit JAC-A, based upon (i) a 5.91 percent sample average
5 annual risk premium obtained over the 16-year period, 2000-2015, and (ii) a 2.57 percent
6 current long-term Treasury Bond yield, RUCO determined the Risk Premium derived
7 estimated cost of equity for Mr. Bourassa's sample companies to be 8.48 percent (5.91%
8 + 2.57% = 8.48%). This 8.48 percent estimated cost rate is 402 basis points lower than
9 the 12.50 percent estimated cost of equity reported in Rebuttal Schedule D-4.9 (12.50%
10 - 8.48% = 4.02%).

11
12 **Q. Turning now to Mr. Bourassa's CAPM analysis, does RUCO have any comments**
13 **regarding his updated CAPM cost of equity estimates in rebuttal testimony?**

14 A. Only one, and that is to point out that in updating his CAPM analysis, Mr. Bourassa's
15 CAPM indicated cost of equity estimates are lower in rebuttal testimony than in direct
16 testimony. A comparison of Rebuttal Schedule D-4.11 to Schedule D-4.11 as filed in
17 Direct indicates that this reduction is attributable to the following changes: (i) a reduction
18 in the forecasted risk-free rate (from 4.1 percent to 3.6 percent); (ii) a reduced sample
19 average beta coefficient (from 0.73 to 0.69); and (iii) a reduction to the current market risk
20 premium (from 8.93 percent to 8.25 percent). As shown in Rebuttal Schedule D-4.11, Mr.
21 Bourassa's updated CAPM cost of equity estimates range from 8.4 percent to 9.3 percent,
22 for an average of 8.9 percent. In contrast, as shown in Schedule D-4.11, in direct
23 testimony Mr. Bourassa's CAPM cost of equity estimates ranged from a low of 9.2 percent
24 to a high of 10.6 percent, for an average of 9.9 percent. Thus, unlike cost of equity

1 estimates obtained from his expanded Risk Premium analysis suggesting an upward 200
2 basis point increase, Mr. Bourassa's updated CAPM analysis suggests a downward 100
3 basis point reduction (9.9% - 8.9% = 1.0%) to the cost of equity for his sample companies
4 since the filing of direct testimony in this docket.

5
6 **Q. Despite the above noted reductions made to Mr. Bourassa's CAPM cost of equity**
7 **estimates in Rebuttal, does use of a 3.6 percent forecasted risk-free rate continue**
8 **to overstate his CAPM results?**

9 A. Yes, it does. As noted earlier, the current 3-month average yield on the 30-year U.S.
10 Treasury Bond is 2.57 percent. Thus, Mr. Bourassa's forecasted 3.6 percent risk-free rate
11 overstates by an additional 103 basis points his CAPM cost of equity estimation results in
12 rebuttal testimony (3.60% - 2.57% = 1.03%).

13
14 **Q. Thank you. In Rebuttal, does Mr. Bourassa continue to make provision for upward**
15 **adjustments to the cost of equity for both Liberty Bella Vista and Liberty Rio Rico**
16 **for unique risk/small size?**

17 A. Yes. As noted (See Bourassa Rebuttal, p. 6, lines 9-19), Mr. Bourassa makes a 100 basis
18 point upward risk premium adjustment to his recommended cost of equity for Liberty Rio
19 Rico (down from 110 basis points in Direct), and a 205 basis point upward risk premium
20 adjustment to his recommended cost of equity for Liberty Bella Vista (up from 190 basis
21 points in Direct).

1 **Q. Does RUCO continue to object to upward adjustments being made to the cost of**
2 **equity for unique risk/small size for both Liberty Rio Rico and Liberty Bella Vista?**

3 A. Yes, for the reasons noted in direct testimony (See Cassidy Direct, pp. 60-63).
4

5 **Q. In Rebuttal (See Bourassa Rebuttal, p.13, lines 5-8), Mr. Bourassa makes reference**
6 **to a “simple, common-sense ‘smell test,’” and suggests that while his cost of equity**
7 **recommendations pass the test with flying colors, those put forward by both Staff**
8 **and RUCO do not. Since filing direct testimony in this docket, has RUCO obtained**
9 **information which suggests that cost of equity estimates recommended by both**
10 **Staff and RUCO are sufficient to pass the ‘smell test’ of Algonquin Power & Utilities**
11 **Corporation (“APUC”), the ultimate parent of both Liberty Rio Rico and Liberty Bella**
12 **Vista?**

13 A. Yes.
14

15 **Q. Please continue.**

16 A. In a document made available on the APUC website,¹⁰ APUC management identifies as
17 a strategic objective/financial goal sustainable, annual dividend growth of 10 percent
18 (See APUC Investor Presentation, p. 4), the achievement of which is made possible by
19 the “predictable earnings, strong cash flow and return protection” from APUC’s regulated
20 utility portfolio of water, electric and gas distribution utility systems, predicated on
21
22

23
24 ¹⁰ Algonquin Power & Utilities Corp., “Investor Presentation,” (May 2016).
<http://investors.algonquinpower.com/Cache/1500087151.PDF?Y=&O=PDF&D=&fid=1500087151&T=&iid=4142273>

1 **“Regulated ROE’s 9% - 10%”** (See APUC Investor Presentation, p. 6). A copy of the
2 May, 2016 APUC Investor Presentation is attached as RUCO Exhibit JAC-B.

3
4 **Q. Are Liberty Bella Vista and Liberty Rio Rico included among the water distribution**
5 **utility systems in the above referenced APUC regulated utility portfolio?**

6 **A. Yes, both Liberty Bella Vista and Liberty Rio Rico are regulated water utilities within**
7 **APUC’s Distribution Group (See APUC Investor Presentation, map on p. 5).**

8
9 **Q. In light of the above, should consideration be given to Mr. Bourassa’s**
10 **recommended 10.8 percent and 11.6 percent cost of equity estimates for Liberty**
11 **Rio Rico and Liberty Bella Vista, respectively, in this docket.**

12 **A. No. In fact, RUCO strongly recommends that Mr. Bourassa’s testimony be given no**
13 **weight in this proceeding, as his recommended cost of equity has remained unchanged**
14 **from Direct to Rebuttal despite significant reductions to both his Constant Growth DCF**
15 **and CAPM cost of equity estimation results. That Mr. Bourassa conveniently offsets those**
16 **reductions to his overall cost of equity results with a 200 basis point increase to his**
17 **modified Risk Premium analysis strains all credibility and discredits his analysis.**

18
19 **Q. Mr. Cassidy, are you aware of an instance in which Mr. Bourassa’s cost of capital**
20 **testimony has previously been discredited in an evidentiary proceeding before a**
21 **jurisdictional regulatory utility commission?**

22 **A. Yes. Mr. Bourassa testified at a hearing as the cost of capital witness on behalf of the**
23 **Municipality of Anchorage d/b/a Municipal Light and Power Department (“ML&P”) before**
24

1 the Regulatory Commission of Alaska,^{11, 12} In issuing its Order in this case the Alaska
2 Commission stated as follows:

3 "Equally important in our decision on a fair ROE is our weighing of the
4 testimony presented at hearing. The testimony from ML&P's ROE
5 expert at hearing left us with little confidence in the ROE advocated by
6 ML&P."¹³ (emphasis added)

7 A copy of the above passage as it appears in the discussion of Cost of Equity in the Order
8 issued by Alaska Commission is provided as RUCO Exhibit JAC-C.

9 **Q. As filed in direct testimony, Mr. Bourassa provides an exhibit summarizing his**
10 **regulatory work experience. Is Mr. Bourassa's cost of capital testimony in the**
11 **above referenced ML&P docket in Alaska (i.e., Docket No. U-13-184) listed in that**
12 **summary exhibit?**

13 **A. Yes.**¹⁴

21 ¹¹ *Municipality of Anchorage d/b/a Municipal Light and Power Department*, Docket No. U-13-184.

22 ¹² Mr. Bourassa adopted and sponsored direct cost of capital testimony prepared on behalf of ML&P by Dr. Thomas Zepp. Mr. Bourassa reviewed Dr. Zepp's direct testimony, agreed with it, and willingly adopted it as his own. Prior to the hearing Mr. Bourassa prepared pre-filed Reply testimony on behalf of ML&P. See Transcript of Bourassa Testimony (pp. 1089-1471):

23 <http://rca.alaska.gov/RCAWeb/ViewFile.aspx?id=93541019-48BF-4E0B-8C1F-64F14A716371>

24 ¹³ See Order No. 22, issued by the Regulatory Commission of Alaska in Docket No. U-13-184, dated July 16, 2015 (p. 54, lines 4-6). <http://rca.alaska.gov/RCAWeb/ViewFile.aspx?id=bb33a601-3dc1-4e83-abd5-aaac0b3fae52>

¹⁴ See Exhibit TJB-1, (Page 3 of 15).

1 **Q. As updated, RUCO's recommended cost of equity is 9.12 percent. Does RUCO**
2 **believe the Arizona Corporation Commission ("The Commission") should consider**
3 **authorization of a return on equity for Liberty Bella Vista and Liberty Rio Rico in**
4 **excess of RUCO's recommended 9.12 percent cost of equity in this proceeding?**

5 A. No, and for two primary reasons. First and foremost, APUC acknowledges that authorized
6 ROE's between 9.0 percent and 10.0 percent on its regulated utility portfolio of water
7 distribution utility systems are sufficient to allow the ultimate parent company of both
8 Liberty Bella Vista and Liberty Rio Rico to achieve sustainable dividend growth of 10.0
9 percent annually. Thus, because RUCO's 9.12 percent recommended cost of equity lies
10 within this 9.0-10.0 percent range, there is no reason to believe it should be considered
11 as something other than a fair and reasonable rate of return. Second, the beneficiary of
12 sustainable, 10.0 percent annual dividend growth are the equity investors holding shares
13 of APUC common stock, not the ratepayers served by Liberty Bella Vista and Liberty Rio
14 Rico. As such, ratepayers should not be burdened with rates established using an
15 authorized rate of return in excess of that which can provide for such 10.0 percent annual
16 growth in the dividend paid to APUC shareholders.

17
18 **Q. How does APUC's targeted 10.0 percent annual dividend growth rate compare to**
19 **the dividend growth rates experienced by RUCO's sample companies?**

20 A. For purposes of its analysis RUCO uses a composite dividend growth rate based upon
21 growth in EPS, DPS and BVPS. As shown in Surrebuttal Schedule JAC-3 (Page 2),
22 RUCO's 5-year sample average dividend growth rate is 6.2 percent, while its 5-year
23 projected dividend growth rate is 5.4 percent. Thus, APUC's targeted 10 percent annual
24 dividend growth rate far exceeds that of RUCO's sample companies.

1 **Q. How does the dividend yield paid on APUC common stock compare to the dividend**
2 **yield currently paid on common shares of RUCO's sample companies?**

3 A. As shown in Surrebuttal Schedule JAC-3 (Page 3), the sample average current dividend
4 yield on RUCO's sample group of companies is 2.22 percent. In contrast, in market
5 trading on July 11, 2016, the current indicated dividend yield on APUC common shares
6 was reported to be 4.54 percent (Source: <http://www.bloomberg.com/quote/AQN:CN>).
7 Thus, the current dividend yield on shares of APUC common stock exceeds that of
8 RUCO's proxy group of companies by a factor of 2.05X ($4.54\% / 2.22\% = 2.05$).

9
10 **Q. Does this mean that the percentage of earnings paid out in the form of a dividend**
11 **by APUC is more than twice that paid out by RUCO's sample companies on a per**
12 **share basis?**

13 A. Yes, which gives rise to the secondary reasons why RUCO believes it would be
14 inappropriate for the Commission to authorize a rate of return in excess of 9.12 percent
15 in this proceeding. As shown in RUCO Exhibit JAC-D, these secondary reasons are as
16 follows:

- 17 • APUC's dividend per share has consistently exceeded APUC's
18 earnings per share in each of the last six years, 2010-2015,
- 19 • Over the 6-year period, 2010-2015, APUC's annual dividend payout
20 ratio has averaged 215.69 percent,
- 21 • Over the 5-year period, 2011-2015, APUC's annual dividend payout
22 ratio has averaged 233.60 percent,
- 23 • Over the 5-year period, 2011-2015, APUC has experienced
24 compound annual growth in weighted average common shares
outstanding of 21.83 percent (253,172,088 weighted average
shares as of December 31, 2015, compared to 94,338,193 weighted
average shares as of December 31, 2010), and
- Over the 5-year period, 2011-2015, APUC's dividend per share has
grown at a compound annual rate of 15.34 percent (from \$0.24
Canadian in 2010 to \$0.49 Canadian in 2015).

1 **Q. Does RUCO have reason to believe that APUC's dividend payout ratio may continue**
2 **to exceed 100 percent going forward?**

3 A. Yes, for as shown in RUCO Exhibit JAC-E, APUC's dividend payout ratio is expected to
4 exceed 100 percent both this year and next (i.e., 2016 and 2017).¹⁵

5
6 **Q. Is the maintenance of a dividend payout ratio in excess of 100 percent sustainable**
7 **over the long-term?**

8 A. No, it is not. This would be true even if the dividend paid to common shareholders
9 experienced no growth. In APUC's case, however, not only has the dividend paid to
10 common shareholders experienced significant growth, but the number of common shares
11 outstanding has, likewise, grown significantly. These two factors in combination would be
12 expected to make the maintenance of a dividend payout ratio in excess of 100 percent
13 over an extended period of time even more burdensome.

14
15 **Q. In view of the above observation, and given that APUC management has identified**
16 **sustainable, annual dividend growth of 10 percent as a strategic objective/financial**
17 **goal to be achieved going forward, is there reason to believe that APUC allows**
18 **Liberty Bella Vista and Liberty Rio Rico to retain any significant portion of its**
19 **operating earnings to fund ongoing and necessary infrastructure capital projects?**

20 A. In all probability, no, as the lion's share of those operating profits would be needed to fund
21 the payment of APUC's common stock dividend to shareholders.

22
23 _____

24 ¹⁵ Source: 4-traders.com – Thompson Reuters. <http://www.4-traders.com/ALGONQUIN-POWER-UTILITI-1409025/financials/>

1 **Q. Mr. Cassidy, have you had an opportunity to read the rebuttal testimony filed by**
2 **company witness, Mr. Matthew Garlick, in this docket?**

3 A. Yes, I have.
4

5 **Q. In reading Mr. Garlick's rebuttal testimony, does he address the willingness of**
6 **APUC to make investment capital available to Liberty Bella Vista and Liberty Rio**
7 **Rico to fund ongoing and necessary investments in plant?**

8 A. Yes, he does (See Garlick Rebuttal, p. 3, lines 11-17). Mr. Garlick states "[i]t is getting
9 increasingly difficult to get capital from APUC for timely investment in plant in Arizona."
10 Although the context of his discussion is couched in terms of the FARE Program being
11 proposed by the Company, Mr. Garlick goes on to say that it is "extremely unlikely that
12 we will be able to fund anything but those capital projects that are absolutely necessary
13 and cannot be put off any longer." In closing on this matter, Mr. Garlick concludes with
14 the following observation: "I don't think that's a good way to have to run a business, nor
15 do I think consumers benefit from making Arizona more unattractive to the investment
16 community" (emphasis added).
17

18 **Q. Mr. Cassidy, how do you respond to the above comments made by Mr. Garlick?**

19 A. First, the above comments affirm the point made earlier that the maintenance of APUC's
20 excessively high dividend payout ratio does not permit Liberty Bella Vista and Liberty Rio
21 Rico to retain sufficient internally generated operating earnings to complete ongoing and
22 necessary capital projects, as needed. Second, I agree with Mr. Garlick that waiting to
23 complete a capital project until it is absolutely necessary is no way to run a business,
24 especially if that business happens to be a regulated public service company whose

1 owners have an **obligation** to provide safe and reliable service to the public. Third, I fail
2 to see how APUC's maintenance of an excessively high dividend payout ratio can, or
3 should, be construed to reflect poorly on the attractiveness of Arizona to the investment
4 community. Lastly, and returning the discussion to the issue of cost of capital, Liberty
5 Bella Vista and Liberty Rio Rico ratepayers should **not** be expected to fund APUC's
6 excessive dividend payout with an authorized return on equity in excess of RUCO's
7 recommended 9.12 percent estimated cost rate. To the extent APUC had previously
8 demonstrated a willingness to assist Liberty Rio Rico and Liberty Bella Vista in the funding
9 of necessary and timely infrastructure investment projects, then consideration of a higher
10 authorized rate of return within the range of 9.12 percent to 10.0 percent might have been
11 appropriate. In view of APUC's apparent unwillingness to do so, however, that option
12 should be off the table.

13
14 **Q. Do you have any final comments you would care to make regarding APUC?**

15 **A.** Yes, but only to point out the following:

- 16 • APUC has experienced rapid growth since 2013,
- 17 • APUC's rapid growth has largely been made possible by
unrealized foreign currency exchange gains due to the strength
of the U.S. Dollar *vis-à-vis* the Canadian Dollar,
- 18 • These foreign currency exchange gains are accounted for as
other comprehensive income,
- 19 • Over the 3-year period, 2013-2015, comprehensive income
attributable to APUC shareholders has grown from \$6,175,000
20 to \$370,004,000 (Canadian\$), which equates to 3-year
compound annual growth of 291.31 percent,
- 21 • Comprehensive income attributable to APUC shareholders is a
component of Shareholders' Equity on the Balance Sheet, and
22 strength in the U.S. Dollar has resulted in significant increases
to APUC's Shareholders' Equity, and
- 23 • Should the Canadian Dollar gain strength *vis-à-vis* the U.S.
Dollar, foreign currency exchange losses would bring about a
24 reduction to APUC's Shareholders' Equity.

1 **IV. CONCLUSION AND RECOMMENDATIONS**

2 **Q. Please summarize RUCO's cost of capital recommendations in this proceeding.**

3 A. RUCO recommends that the Commission adopt the following:

- 4 1) A pro forma capital structure composed of 30.0 percent long-term debt and
5 70.0 percent common equity;
- 6 2) A cost of debt of 2.75 percent;
- 7 3) A cost of common equity of 9.12 percent; and
- 8 4) An overall rate of return of 7.20 percent.

9

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

11 A. Yes, it does.

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SCHEDULES

WEIGHTED AVERAGE COST OF CAPITAL - BELLA VISTA WATER

Line No	Description	Capitalization Per Company	RUCO Adjustments	RUCO Adjusted Capitalization	Capital Ratio	Cost	Weighed Cost
1	Long Term Debt	\$ 2,634,864	\$ -	\$ 2,634,864	30.00%	2.75%	0.82%
2							
3	Common Equity	6,148,016	\$ -	\$ 6,148,016	70.00%	9.12%	6.38%
4							
5	TOTAL CAPITALIZATION	\$8,782,879	\$ -	\$8,782,879	100.00%		7.20%

6
 7 Indicated cost of debt: 30-day average yield (1.59%) on the 10-year Treasury Note, measured from June 1 - July 13, 2016, plus 116 basis points (.0159 + .0116 = .0275).

8

WEIGHTED AVERAGE COST OF CAPITAL - RIO RICO WATER & SEWER

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Description	Capitalization Per Company	RUCO Adjustments	RUCO Adjusted Capitalization	Capital Ratio	Cost	Weighed Cost
Long Term Debt	\$ 4,938,067	\$ -	\$ 4,938,067	30.00%	2.75%	0.82%
Common Equity	11,522,155	\$ -	\$ 11,522,155	70.00%	9.12%	6.38%
TOTAL CAPITALIZATION	\$16,460,222	\$ -	\$16,460,222	100.00%		7.20%

Indicated cost of debt: 30-day average yield (1.59%) on the 10-year Treasury Note, measured from June 1 - July 13, 2016, plus 116 basis points (.0159 + .0116 = .0275).

Line No	<u>Cost of Capital – Common Equity</u>				
		[A] <u>Cost Estimate</u>	[B] <u>Weighting Factor</u>	[C] <u>Weighted Average Cost Estimate</u>	
1	Discounted Cash Flow Model ("DCF")	Schedule JAC - 3	8.71%	40.00%	3.48%
2					
3	Capital Asset Pricing Model ("CAPM")	Schedule JAC - 4	7.37%	20.00%	1.47%
4					
5	Comparable Earnings Model ("CE")	Schedule JAC - 5	<u>10.40%</u>	<u>40.00%</u>	<u>4.16%</u>
6					
7	Cost of Common Equity		<u>8.82%</u>		<u>9.12%</u>
8					
9					
10		[A]: From Schedules JAC-3, JAC-4 and JAC-5			
11		[B]: See Testimony			
12		[C]: [A] * [B]			
13					
14					
15					
16					

PROXY GROUP -- DCF ANALYSIS

Line No	Proxy Group Companies	(A) Current Dividend Yield (D _t /P _t)	(B) Historic Retention Growth	(C) Projected Retention Growth	(D) Five Year Historic Growth Rate	(E) Projected Per Share Growth Rates	(F) Projected EPS Growth	(G) Average Growth	(H) Expected Dividend Yield (D _t /P _t)	(I) DCF Rates
1	American States Water Co.	2.2%	6.1%	6.0%	9.3%	5.7%	3.85%	6.2%	2.3%	8.5%
2	American Water Works Co., Inc	1.8%	4.2%	4.8%	8.5%	7.5%	7.27%	6.5%	1.8%	8.3%
3	Aqua America, Inc.	2.2%	5.3%	4.5%	9.2%	7.3%	6.05%	6.5%	2.2%	8.7%
4	Artesian Resources Corp.	3.0%	1.6%		3.3%		4.00%	3.0%	3.0%	6.0%
5	California Water Service Group	2.3%	3.0%	3.7%	3.7%	5.5%	9.05%	5.0%	2.3%	7.3%
6	Connecticut Water Service, Inc.	2.2%	3.5%	4.8%	6.8%	3.8%	6.00%	5.0%	2.2%	7.2%
7	Middlesex Water	2.1%	2.3%	3.3%	3.3%	3.5%	2.70%	3.0%	2.2%	5.2%
8	SJW Corporation	2.3%	5.0%	4.8%	7.5%	4.5%	14.00%	7.2%	2.4%	9.5%
9	York Water Company	2.1%	3.1%	4.0%	4.3%	5.3%	4.90%	4.3%	2.1%	6.5%
10										
11										
12										
13	Mean	2.22%	3.80%	4.50%	6.22%	5.40%	6.42%	5.18%	2.28%	7.46%
14										
15										
16	Median	2.16%	3.54%	4.67%	6.83%	5.42%	6.00%	5.01%	2.23%	7.30%
17										
18										
19	Composite-Mean		6.08%	6.78%	8.50%	7.68%	8.71%	7.46%		
20										
21										
22	Composite-Median		5.77%	6.90%	9.06%	7.65%	8.23%	7.24%		
23										
24										
25										

References:

- 27 Column (A) - Schedule JAC - 3, page 3 of 4
- 28 Column (B) - Schedule JAC - 3, page 4 of 4
- 29 Column (C) - Schedule JAC - 3, page 4 of 4
- 30 Column (D) and Column (E) - Schedule JAC - 3, page 2 of 4
- 31 Column (F) See Yahoo Finance, Growth Estimates - Next 5 Years - Attachment 7
- 32 Column (G) - Average Columns (B) through (F)
- 33 Column (H) - Column (A) * [1 + Column (G)]
- 34 Column (I) - Column (G) + Column (H)
- 35

PROXY GROUP -- PER SHARE GROWTH RATES

Line No	Proxy Group Companies	5-Year Historic Growth Rates				Est'd '13-'15 to '19-'21 Growth Rates			
		EPS	DPS	BVPS	Average	EPS	DPS	BVPS	Average
1									
2	American States Water Co.	12.0%	10.0%	6.0%	9.3%	6.0%	7.0%	4.0%	5.7%
3	American Water Works Co., Inc	13.0%	10.0%	2.5%	8.5%	8.0%	10.5%	4.0%	7.5%
4	Aqua America, Inc.	13.0%	7.5%	7.0%	9.2%	7.0%	9.0%	6.0%	7.3%
5	Artesian Resources Corp.	3.0%	3.0%	4.0%	3.3%				
6	California Water Service Group	4.0%	2.0%	5.0%	3.7%	6.0%	6.5%	4.0%	5.5%
7	Connecticut Water Service, Inc.	9.0%	2.0%	9.5%	6.8%	4.5%	4.5%	2.5%	3.8%
8	Middlesex Water	5.5%	1.5%	3.0%	3.3%	3.5%	3.0%	4.0%	3.5%
9	SJW Corporation	15.0%	2.5%	5.0%	7.5%	1.5%	6.0%	6.0%	4.5%
10	York Water Company	6.0%	2.5%	4.5%	4.3%	6.0%	6.5%	3.5%	5.3%
9									
10									
11					6.2%				5.4%
12									

Reference:

Value Line Investment Survey (April 15, 2016) - See Attachment 1

15
16
17

PROXY GROUP -- DIVIDEND YIELD

Line No	Proxy Group Companies	(A)	(B)	(C)	(D)	(E)
		DPS	April 2016 - June 2016			Yield
			High	Low	Average	
1	American States Water Co.	\$0.90	\$43.83	\$37.28	\$40.56	2.2%
2	American Water Works Co., Inc	\$1.36	\$84.54	\$68.09	\$76.31	1.8%
3	Aqua America, Inc.	\$0.71	\$35.66	\$30.31	\$32.98	2.2%
4	Artesian Resources Corp.	\$0.89	\$33.94	\$26.02	\$29.98	3.0%
5	California Water Service Group	\$0.69	\$34.95	\$26.22	\$30.59	2.3%
6	Connecticut Water Service, Inc.	\$1.07	\$56.27	\$43.16	\$49.72	2.2%
7	Middlesex Water	\$0.80	\$44.11	\$30.50	\$37.31	2.1%
8	SJW Corporation	\$0.81	\$39.38	\$31.38	\$35.38	2.3%
9	York Water Company	\$0.62	\$33.40	\$26.54	\$29.97	2.1%
10	<hr/>					
11						
12	Average					2.22%
13						
14						
15						
16						
17	<u>References:</u>					
18	Column (A) - Value Line Investment Survey (April 15, 2016) - Fourth Quarter Dividends Annualized					
19	Columns (B), (C), and (D) - Yahoo Finance					
20						

CAPITAL ASSET PRICING MODEL – HISTORICAL MARKET RISK PREMIUM

Line No	Proxy Group Companies	[A] Risk Free Rate	[B] BETA	[C] Risk Premium	[D] CAPM Rates	[E] CAPM Cost of Equity Capital
1	American States Water Co.	2.57%	0.75 X	6.91%	=	7.75%
2	American Water Works Co., Inc	2.57%	0.70 X	6.91%	=	7.41%
3	Aqua America, Inc.	2.57%	0.75 X	6.91%	=	7.75%
4	Artesian Resources Corp.	2.57%	0.55 X	6.91%	=	6.37%
5	California Water Service Group	2.57%	0.75 X	6.91%	=	7.75%
6	Connecticut Water Service, Inc.	2.57%	0.60 X	6.91%	=	6.71%
7	Middlesex Water	2.57%	0.70 X	6.91%	=	7.41%
8	SJW Corporation	2.57%	0.75 X	6.91%	=	7.75%
9	York Water Company	2.57%	0.70 X	6.91%	=	7.41%
10						
11	Average					<u>7.37%</u>
12						
13						
14						
15	<u>20 year Treasury Bonds</u>		<u>30 year Treasury Bonds</u>			
16	April, 2016	2.21%		2.62%		
17	May, 2016	2.22%		2.63%		
18	June, 2016	<u>2.02%</u>		<u>2.45%</u>		
19	Average	<u>2.15%</u>		<u>2.57%</u>		
20						
21	RUCO Risk-Free Rate		<u>2.57%</u>			
22						

REFERENCES

- 24 Column [A]: Federal Reserve Selected Interest Rates H.15 - Attachment 2
- 25 Column [B]: Value Line Investment Survey (April 15, 2016) - See Attachment 1
- 26 Column [C]: JAC - 4, Page 2 of 2
- 27 Column [D]: [B] * [C]
- Column [E]: [A] + [D]

STANDARD & POOR'S 500 COMPOSITE
 20-YEAR U.S. TREASURY BOND YIELDS
 RISK PREMIUMS

Line		[A]	[B]	[C]	[D]	[E]
<u>No.</u>	<u>Year</u>	<u>EPS</u>	<u>BVPS</u>	<u>ROE</u>	<u>20-YEAR T-BOND</u>	<u>RISK PREMIUM</u>
1	1977		\$79.07			
2	1978	\$12.33	\$85.35	15.00%	7.90%	7.10%
3	1979	\$14.86	\$94.27	16.55%	8.86%	7.69%
4	1980	\$14.82	\$102.48	15.06%	9.97%	5.09%
5	1981	\$15.36	\$109.43	14.50%	11.55%	2.95%
6	1982	\$12.64	\$112.46	11.39%	13.50%	-2.11%
7	1983	\$14.03	\$116.93	12.23%	10.38%	1.85%
8	1984	\$16.64	\$122.47	13.90%	11.74%	2.16%
9	1985	\$14.61	\$125.20	11.80%	11.25%	0.55%
10	1986	\$14.48	\$126.82	11.49%	8.98%	2.51%
11	1987	\$17.50	\$134.07	13.42%	7.92%	5.50%
12	1988	\$23.75	\$141.32	17.25%	8.97%	8.28%
13	1989	\$22.87	\$147.26	15.85%	8.81%	7.04%
14	1990	\$21.73	\$153.01	14.47%	8.19%	6.28%
15	1991	\$16.29	\$158.85	10.45%	8.22%	2.23%
16	1992	\$18.86	\$149.74	12.22%	7.29%	4.93%
17	1993	\$21.89	\$180.88	13.24%	7.17%	6.07%
18	1994	\$30.60	\$193.06	16.37%	6.59%	9.78%
19	1995	\$33.96	\$216.51	16.58%	7.60%	8.98%
20	1996	\$38.73	\$237.08	17.08%	6.18%	10.90%
21	1997	\$39.72	\$249.52	16.33%	6.64%	9.69%
22	1998	\$37.71	\$266.40	14.62%	5.83%	8.79%
23	1999	\$48.17	\$290.68	17.29%	5.57%	11.72%
24	2000	\$50.00	\$325.80	16.22%	6.50%	9.72%
25	2001	\$24.70	\$338.37	7.44%	5.53%	1.91%
26	2002	\$27.59	\$321.72	8.36%	5.59%	2.77%
27	2003	\$48.73	\$367.17	14.15%	4.80%	9.35%
28	2004	\$58.55	\$414.75	14.98%	5.02%	9.96%
29	2005	\$69.93	\$453.06	16.12%	4.69%	11.43%
30	2006	\$81.51	\$504.39	17.03%	4.68%	12.35%
31	2007	\$66.18	\$529.59	12.80%	4.86%	7.94%
32	2008	\$14.88	\$451.37	3.03%	4.45%	-1.42%
33	2009	\$50.97	\$513.58	10.56%	3.47%	7.09%
34	2010	\$77.35	\$579.14	14.16%	4.25%	9.91%
35	2011	\$86.95	\$613.14	14.59%	3.81%	10.78%
36	2012	\$86.51	\$666.97	13.52%	2.40%	11.12%
37	2013	\$100.20	\$715.84	14.49%	2.86%	11.63%
38	2014	\$102.31	\$726.96	14.18%	3.33%	10.85%
39	2015	\$86.53	\$740.29	11.79%	2.55%	9.25%
40	Average			13.70%	6.79%	6.91%

[A]: Diluted earnings per share on the S&P 500 Composite Index.

[B]: Book value per share on the S&P 500 Composite Index.

[C]: Average of current- and prior year [B] / current year [A].

[D]: Annual income returns on 20-year U.S. Treasury bonds.

[E]: [C] - [D]

Sources for [A] and [B]: Standard & Poor's 2015 Analysts' Handbook and Standard & Poor's 500 Earnings Report

https://ycharts.com/indicators/reports/sp_500_earnings

Source for [D]: Morningstar 2015 Classic Yearbook (Table A-7) and U.S. Department of the Treasury

<https://www.treasury.gov/Pages/default.aspx>

COMPARABLE EARNINGS ANALYSIS
RETURN ON COMMON EQUITY FOR RUCO'S PROXY GROUP OF COMPANIES

Company	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2019 - 2021	Historical Average 2006-2015	5-Year Historical Average 2011-2015	5-Year Projected Average 2016-2020
	American States Water Co.	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	11.9%	12.7%	12.0%	13.0%	12.5%	13.0%	13.5%	10.5%	12.0%
American Water Works	10.0%	9.7%	9.3%	5.2%	6.5%	7.2%	8.4%	7.8%	8.7%	9.4%	9.5%	10.0%	10.5%	7.6%	8.3%	10.0%
Aqua America, Inc.		7.4%	7.3%	8.0%	10.6%	11.6%	11.0%	13.4%	12.9%	11.7%	12.5%	12.5%	13.5%	11.0%	12.1%	12.8%
Artesian Resources	6.8%	8.1%	9.9%	9.4%	8.0%	6.0%	8.3%	6.8%	7.6%	8.5%	7.5%	9.5%	10.0%	7.5%	7.4%	9.0%
California Water Service Group	7.0%	8.7%	9.1%	9.4%	8.7%	8.3%	7.3%	9.2%	10.2%	10.1%	10.0%	10.0%	10.5%	8.4%	8.2%	9.0%
Connecticut Water Service, Inc.	7.8%	8.7%	8.9%	7.0%	8.2%	7.5%	7.8%	8.7%	9.3%	9.6%	10.0%	10.0%	9.0%	8.8%	9.0%	10.2%
Middlesex Water	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	8.1%	7.3%	14.4%	9.9%	9.5%	9.5%	9.0%	8.4%	8.6%	9.7%
SJW Corporation	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	9.3%	9.3%	11.0%	11.5%	11.5%	11.5%	12.5%	9.7%	10.1%	11.8%
York Water																
Mean	8.4%	8.7%	8.8%	7.9%	8.6%	8.5%	9.0%	9.2%	10.6%	10.1%	10.4%	10.8%	11.1%	8.9%	9.5%	10.7%
Median	8.1%	8.7%	9.0%	8.2%	8.6%	8.0%	8.4%	8.7%	10.2%	9.9%	10.0%	10.0%	10.5%	8.6%	9.0%	10.1%
Average of Mean and Median														8.8%	9.3%	10.4%

Source: Value Line Investment Survey (April 15, 2016).

EXHIBIT JAC-A

**RUCO Restatement of Bourassa Rebuttal Schedule D-4.9
Risk Premium Analysis Based on Total Returns**

Line No.	Year	Annual Total Return	Treasury Bond Yields	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%
5	2000	8.95%	5.94%	3.01%
6	2001	16.59%	5.49%	11.10%
7	2002	-4.05%	5.42%	-9.47%
8	2003	23.97%	5.05%	18.92%
9	2004	13.75%	5.12%	8.63%
10	2005	19.09%	4.56%	14.53%
11	2006	15.88%	4.91%	10.97%
12	2007	-2.73%	4.84%	-7.57%
13	2008	-1.81%	4.28%	-6.09%
14	2009	-0.22%	4.08%	-4.30%
15	2010	15.30%	4.25%	11.05%
16	2011	1.54%	3.91%	-2.37%
17	2012	15.08%	2.92%	12.16%
18	2013	20.44%	3.45%	16.99%
19	2014	14.98%	3.34%	11.64%
20	2015	8.23%	2.84%	5.39%
4-Year Average, 1996-1999:		27.29%	6.19%	21.1%
20-Year Average, 1996-2015:		13.71%	4.76%	8.95%
16-Year Sample Average, 2000-2015:		10.31%	4.40%	5.91%
Add: Current Yield on 30-Year U.S. Treasury Bond				2.57%
Risk Premium Derived Estimated Cost of Equity for Sample Companies				8.48%

Notes:

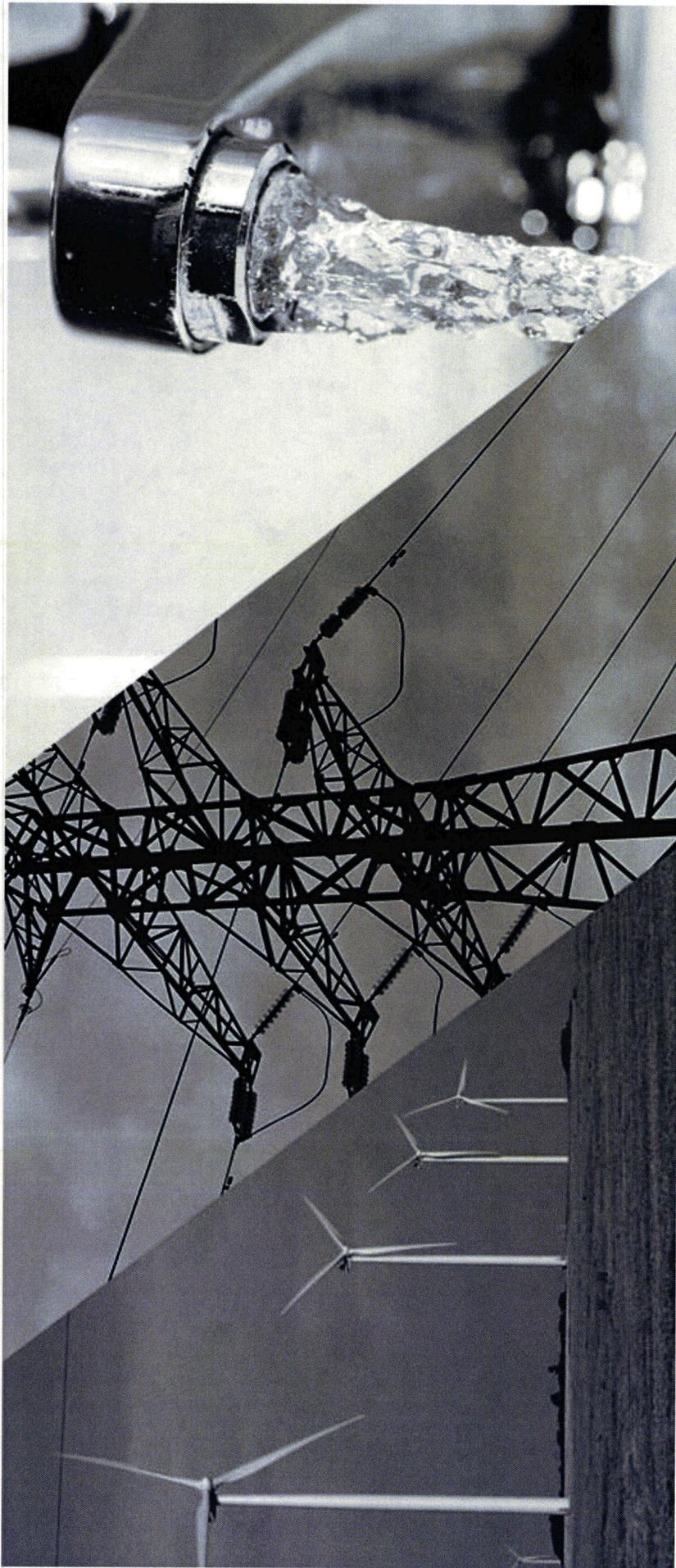
For purposes of the above presentation, the 4-, 20- and 16-year average figures have been carried to the hundredth position (i.e., two digits) rather than to the tenth position (i.e., one digit). This was done to obtain a more precise average measure, as the individual values presented in years 1999-2015 of Bourassa Rebuttal Schedule D-4.9 had, likewise, been carried to the hundredth position.

EXHIBIT JAC-B



Investor Presentation

May, 2016





FORWARD-LOOKING STATEMENTS DISCLAIMER

Certain written and oral statements contained in this presentation and discussion are forward-looking within the meaning of certain securities laws and reflect the views of Algonquin Power & Utilities Corp. (the "Company") with respect to future events, based upon assumptions relating to, among others, the performance of the Company's assets and the business, financial and regulatory climates in which it operates. These forward looking statements include, among others, statements with respect to the expected performance of the Company, its future plans and its dividends to shareholders.

Since forward-looking statements relate to future events and conditions, by their very nature they require us to make assumptions and involve inherent risks and uncertainties. We caution that although we believe our assumptions are reasonable in the circumstances, these risks and uncertainties give rise to the possibility that our actual results may differ materially from the expectations set out in the forward-looking statements. Material risk factors include those presented in the Company's annual financial results, the annual information form and most recent quarterly management's discussion and analysis. Given these risks, undue reliance should not be placed on forward-looking statements, which apply only as of their dates. Except as required by law, the Company does not intend to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

NON-GAAP FINANCIAL MEASURES

The terms "adjusted net earnings", "adjusted earnings before interest, taxes, depreciation and amortization" ("Adjusted EBITDA"), "adjusted funds from operations", "per share cash provided by adjusted funds from operations", "per share cash provided by operating activities", "net energy sales", and "net utility sales", (together the "Financial Measures") may be used in this presentation. The Financial Measures are not recognized measures under GAAP. There is no standardized measure of the Financial Measures, consequently APUC's method of calculating these measures may differ from methods used by other companies and therefore may not be comparable to similar measures presented by other companies. A calculation and analysis of the Financial Measures can be found in APUC's most recent Management Discussion & Analysis. Per share cash provided by operating activities is not a substitute measure of performance for earnings per share. Amounts represented by per share cash provided by operating activities do not represent amounts available for distribution to shareholders and should be considered in light of various charges and claims against APUC.

Overview – Algonquin Power & Utilities Corp.



GENERATION

Renewable power – high quality assets support earnings growth

- Non regulated
- 45% of 2015 EBITDA
- 45% Canada / 55% US
- \$2.3 B in power assets
- 1,160 MW installed capacity
- \$1.8 B investment potential in 711 MW development portfolio

TRANSMISSION

Regulated transmission - attractive risk-adjusted returns

- Federal/State regulated
- Natural gas pipelines and electrical transmission
- North American focus

DISTRIBUTION

US distribution utility - predictable earnings growth

- State regulated
- 50% of 2015 EBITDA
- 100% US-based
- \$2.0 B in utility assets
- 564,000 customers
- \$1.6 B investment potential - acquisitions and organic growth

The Empire District Electric Company

- 8 operational regulated rate based generation assets
- Installed capacity of 1,412 MW
- 1,208 miles of electric transmission lines
- 87 miles of natural gas transmission

- State regulated MO, OK, AR, KS
- 218,000 customers
 - 169,500 electric, 44,000 gas, 4,500 water
- \$3.5 B in total utility assets
- \$900 M investment potential

Our Strategic Objectives



Financial Goals

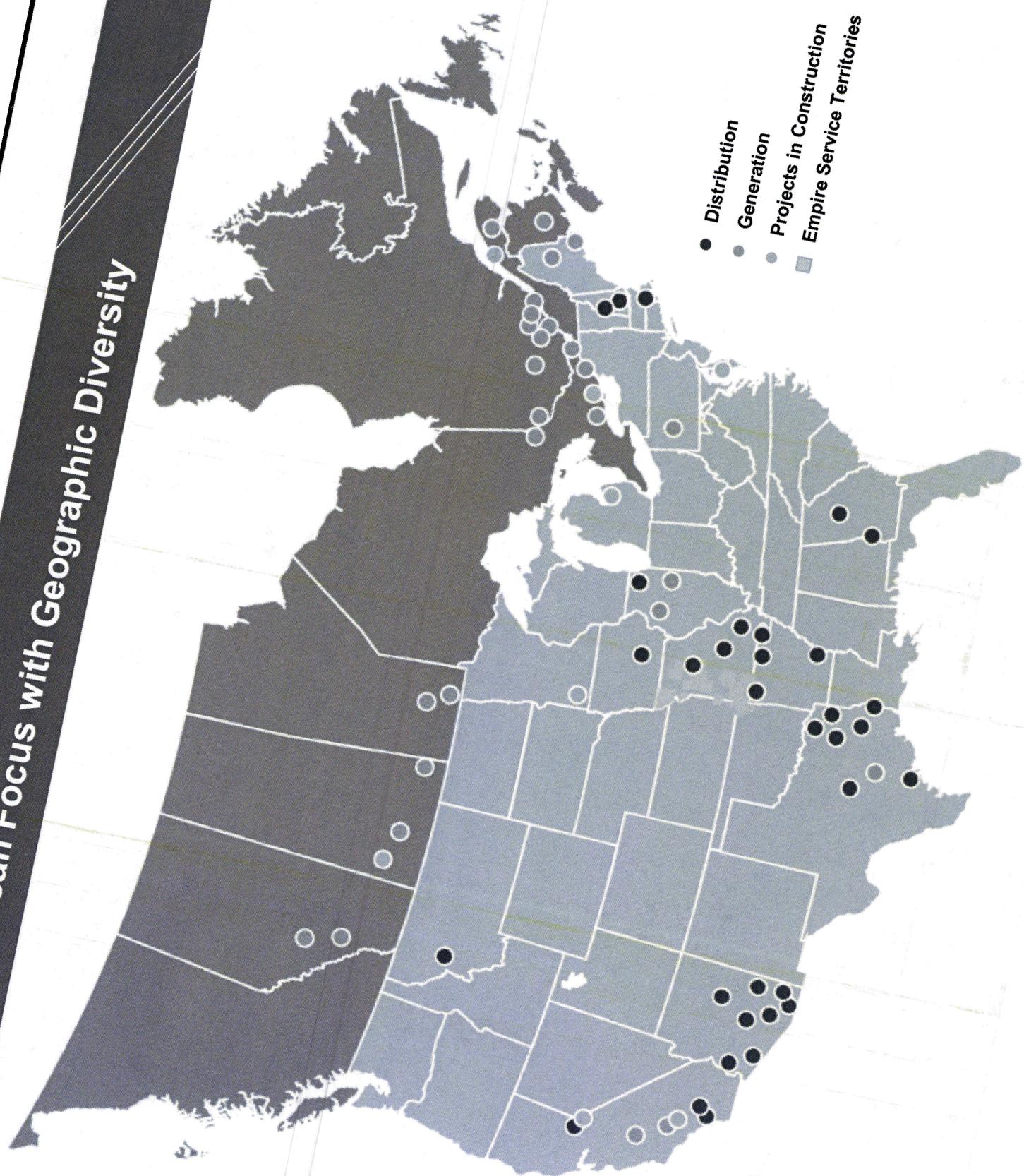
- Growth objectives are designed to deliver sustainable, annual dividend increases of 10%
- Maintain conservative dividend payout ratios through growth in per share earnings and cash flow of >10% CAGR
- Commercially secured opportunity set expected to provide growth in assets and EBITDA (15 - 20% CAGR)

Growth Opportunities

Regulated Utilities	Contracted power generation
Acquisitions	Organic growth
Canada	United States
Local expansion	Diversified modalities

Predictable, sustainable growth over the short, medium and long-term

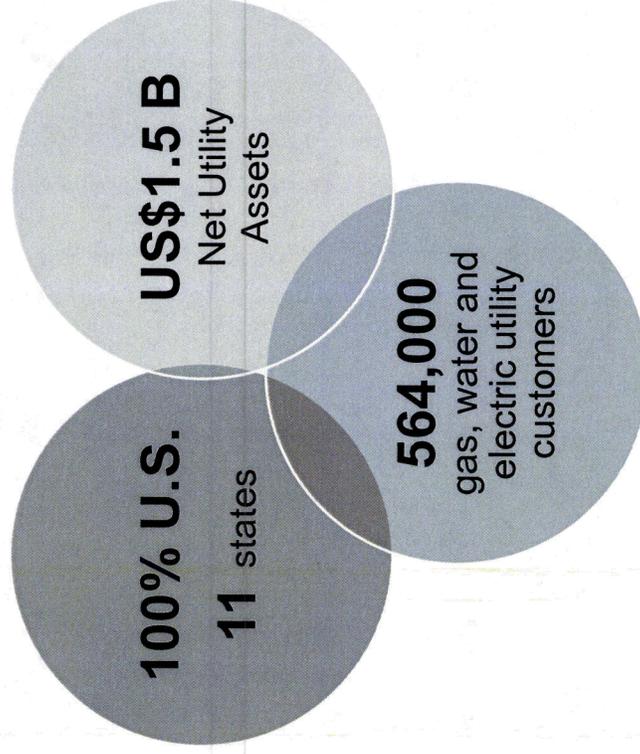
North American Focus with Geographic Diversity





REGULATED UTILITY PORTFOLIO

- Predictable earnings, strong cash flow and return protection from water, electricity and natural gas distribution utility systems
- Continued growth through investment and expansion in service territories and the pursuit of accretive acquisitions in supportive regulatory environments
- Regulated ROEs 9% - 10%
- Pending acquisition of Empire to add US\$2.7 B Net Utility Assets, 218,000 customers

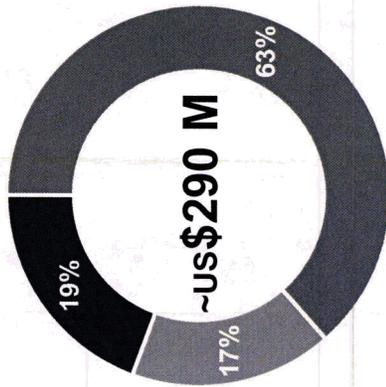


Growth through diversified regulated utility acquisitions, organic investments and rate cases

Distribution: US\$4.0 B investment potential

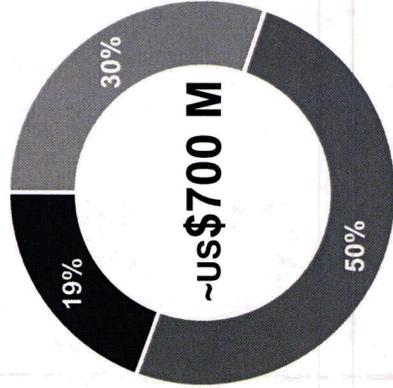


Distribution EBITDA 2016



- Natural Gas
- Electricity
- Water

Distribution EBITDA 2020¹



Investment opportunities

EBITDA Impact

Acquisitions

2016
Organic investment in system improvements, customer growth

US\$39.7 million in rate requests completed or pending in 2016

Park Water – US\$340 million water distribution utility in CA and MT with 74,000 customers

2017
Empire District Electric Company acquisition

~US\$250 – 270 million

US\$2.4 B acquisition adds 218,000 customers in MO, AK, OK, KA: 169,500 electric, 44,000 gas, 4,500 water

2017 – 2020
Organic investment in system improvements, customer growth

New rate requests expected in each of our electric, gas, and water utilities

Pursuit of accretive acquisitions that are complementary to Algonquin's existing base of regulated utility assets

1. APUC estimate. Includes Empire (acquisition pending), along with Empire's regulated generation assets.

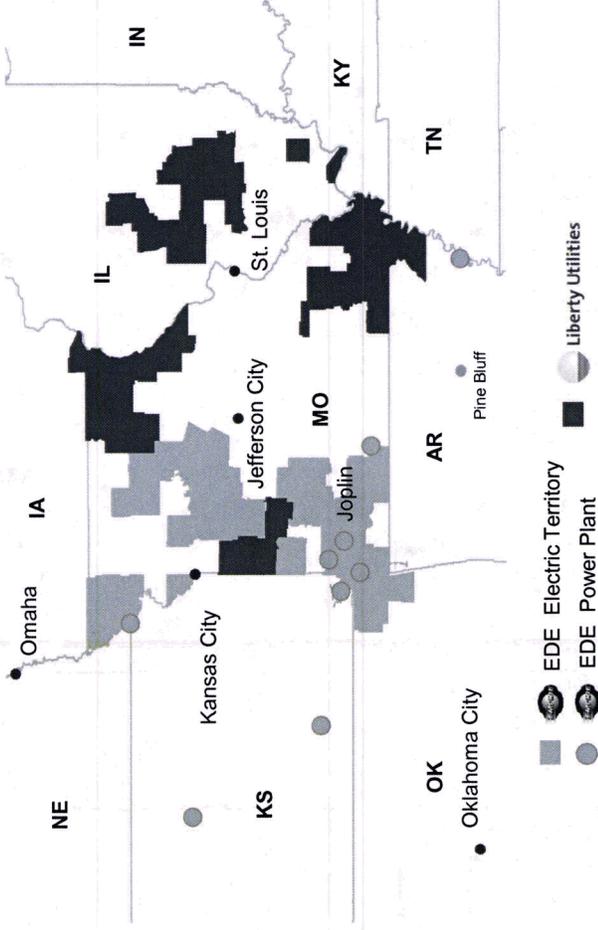
Empire Brings Scale, Accretion, Growth Platform



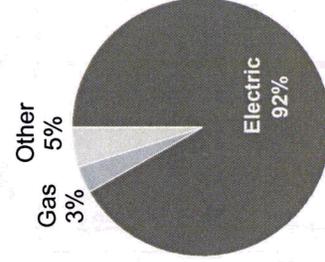
Empire District Electric Company - Overview

- Expected close in Q1, 2017
- Acquisition price of US\$2.4 billion
 - Financing maintains BBB credit metrics for APUC and Empire
 - Concurrent offering of \$1.15 billion convertible debentures fulfills equity requirements for the acquisition
 - Assumption of US\$0.9 billion of existing utility debt
 - Remaining US\$0.6 billion of debt from U.S. private placement market
- ~100% regulated utility
- Located in Missouri, Oklahoma, Arkansas, and Kansas

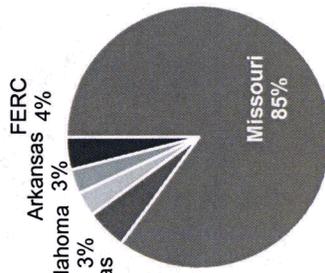
Empire's service area complements Algonquin's



Business mix



Net Income
US\$57M



Net Utility Assets
US\$2.7B

	ALGONQUIN Power & Utilities Corp.	EMPIRE	% Increase
Net Utility Assets (US\$B)	\$1.5	\$2.7	180%
Total customers	564,000	218,000	39%

Algonquin & Empire – Better Together



Strategic Rationale

- ✓ **Accretive:** Transaction is accretive to per share earning and cash flows. Consistent with Algonquin’s targeted 10% dividend CAGR
- ✓ **Scale:** Operational and financial efficacies of scale across regulated business
- ✓ **Greening of EDE Portfolio:** Pursuit of investment in coal replacement/ displacement with renewables and natural gas
- ✓ **Synergies of Expertise:** Replacement of market sourced energy with development of rate based renewable generation
- ✓ **Facilitation of Growth:** Creates opportunities for further mid-west investment

Feb 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
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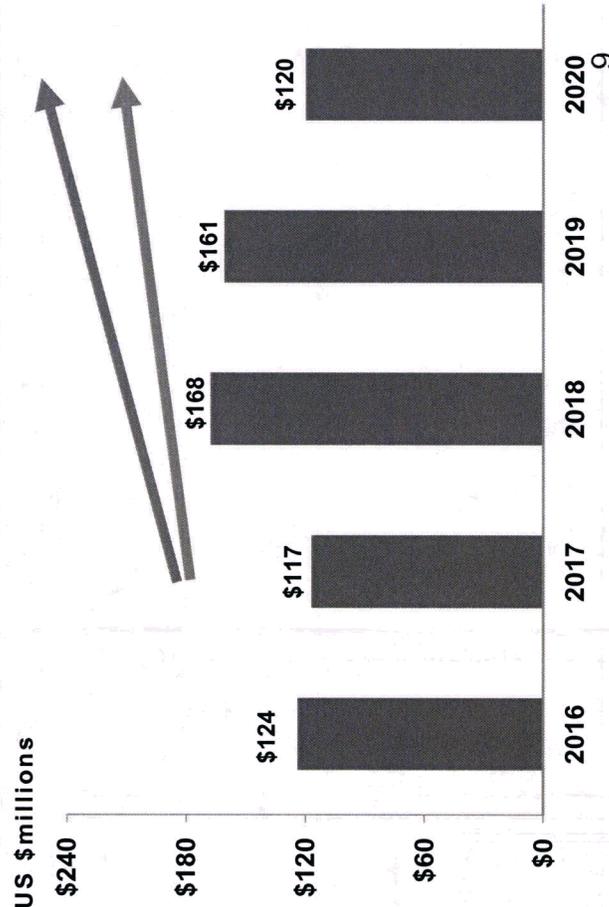
Announcement of acquisition

Empire Shareholder approval

Regulatory approvals

- ✓ FERC – Approval received
- ✓ Oklahoma – Approval received
- Kansas – December hearing
- Arkansas – June settlement conference
- Missouri – Discovery process underway

Forecasted capital expenditures within Empire



Generation Offers Growth, Secured Off-Take



RENEWABLE ENERGY PORTFOLIO

- Attractive returns and strong cash flow from renewable and clean energy generation sourced from water, wind, solar, and natural gas
- 85% of generation under long term power purchase contracts with inflation escalators
- Seven projects in pipeline, 360 MW under construction
- Target unlevered after-tax IRR of greater than 8%

35

renewable
and
clean energy
facilities

711 MW

contracted
projects in
development/
construction

**1,160
MW**

installed
capacity

14

years

Average PPA
length¹

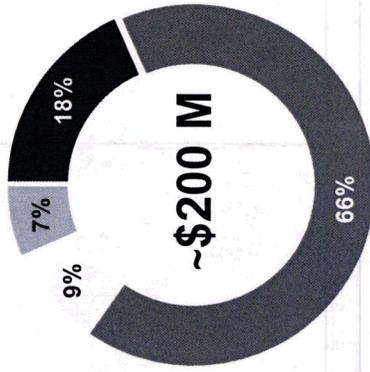
Renewable power generation providing attractive, growing returns

1. Production-weighted average, based on portfolio at year-end 2015, as reported in 2015 Annual Report

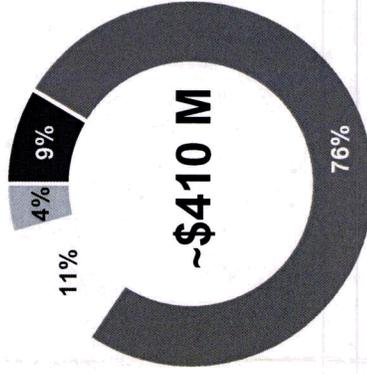
Generation: \$1.8 B investment pipeline



Generation EBITDA 2016



Generation EBITDA 2020



- Hydro
- Wind
- Solar
- Thermal

Strong Power Project Development Pipeline

Generation Type	Total Capacity (MW)	Investment Potential (\$millions)	Wtd. Average PPA Term (by production - years)	Production (GWh)
Wind	626	1,496	21.5	2,391
Solar	85	269	11.4	176
Total	711	1,765	20.8	2,567

Weighted average PPA length in 2020 to be extended to ~16 years

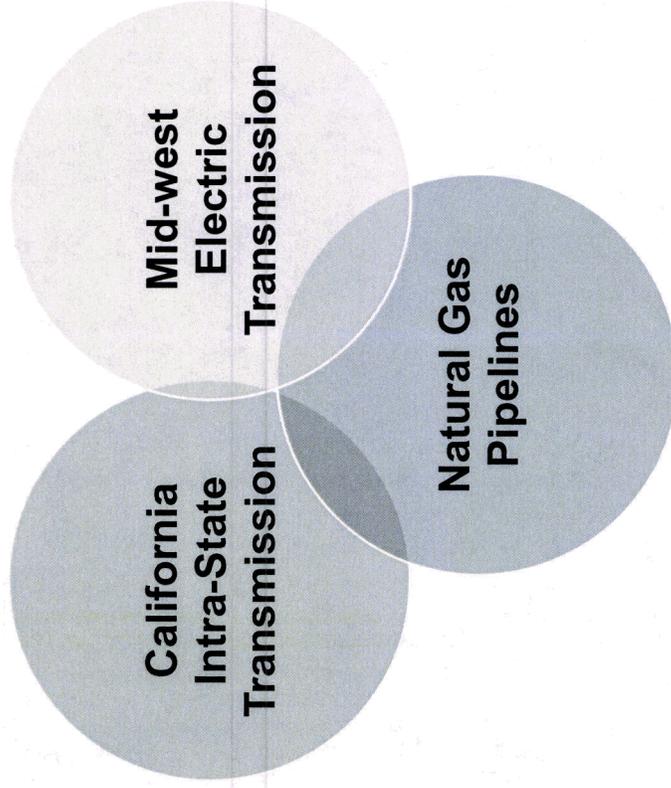
1. 2016 EBITDA based on 2015 EBITDA and Management guidance on EBITDA growth

Transmission: Additional investment potential



REGULATED TRANSMISSION PORTFOLIO

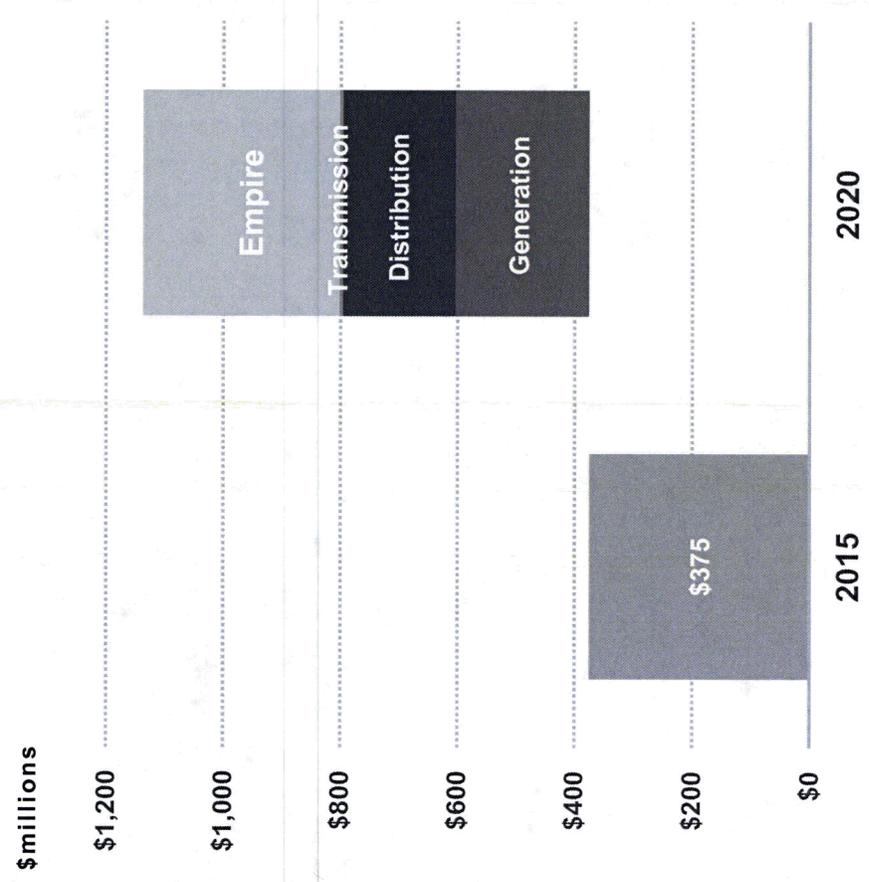
- **California Intra-State Transmission:** Regulatory approvals received, capital investment of approximately US\$55 million
- **Empire Electric transmission: EDE** acquisition brings electric transmission assets of ~\$300M together with ~\$30M/year in near term investment potential
- **Canadian transmission development:** Pursuing opportunities to underserved areas of northern Ontario (Canada)
- **Natural gas transmission investment:** Focus on alleviation of gas constraints in U.S. Northeast



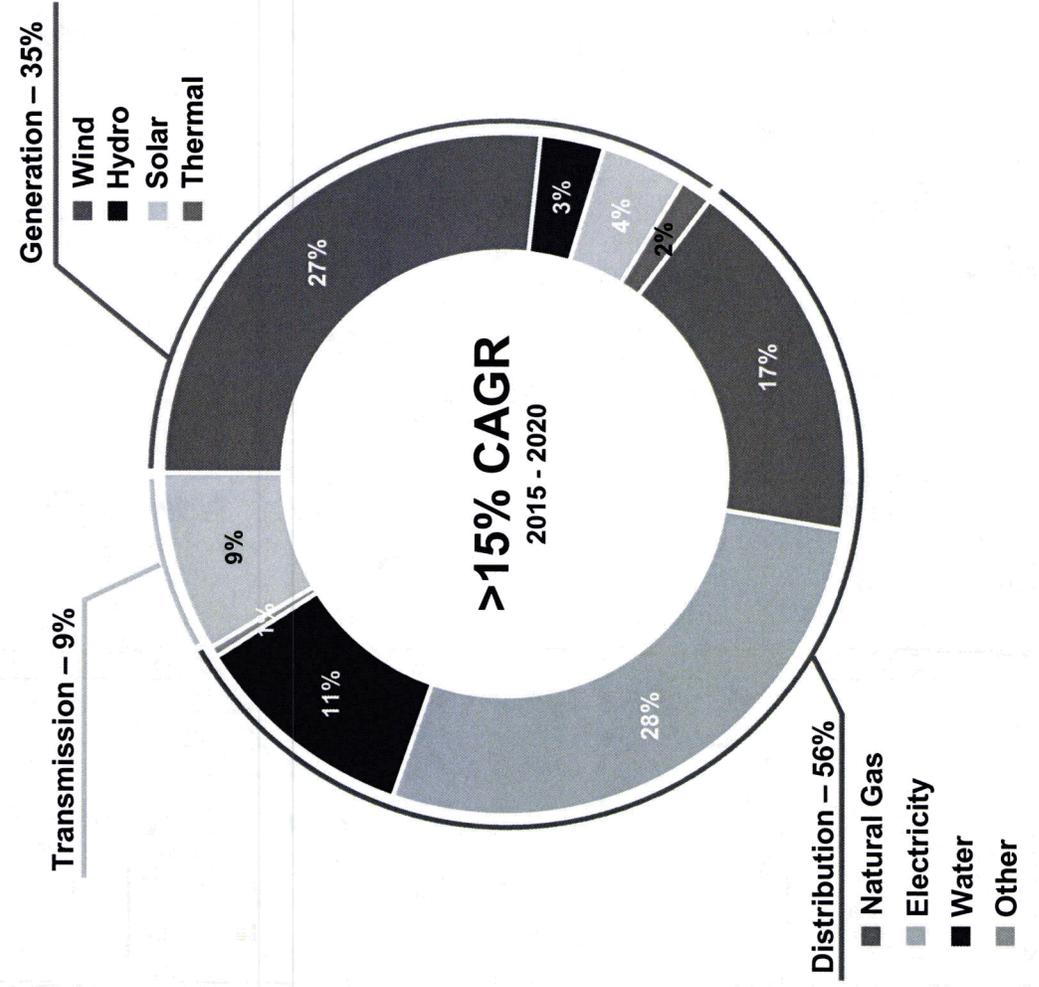
Regulated transmission opportunities provide attractive risk-adjusted returns

Evolution of Our Results Up to 2020

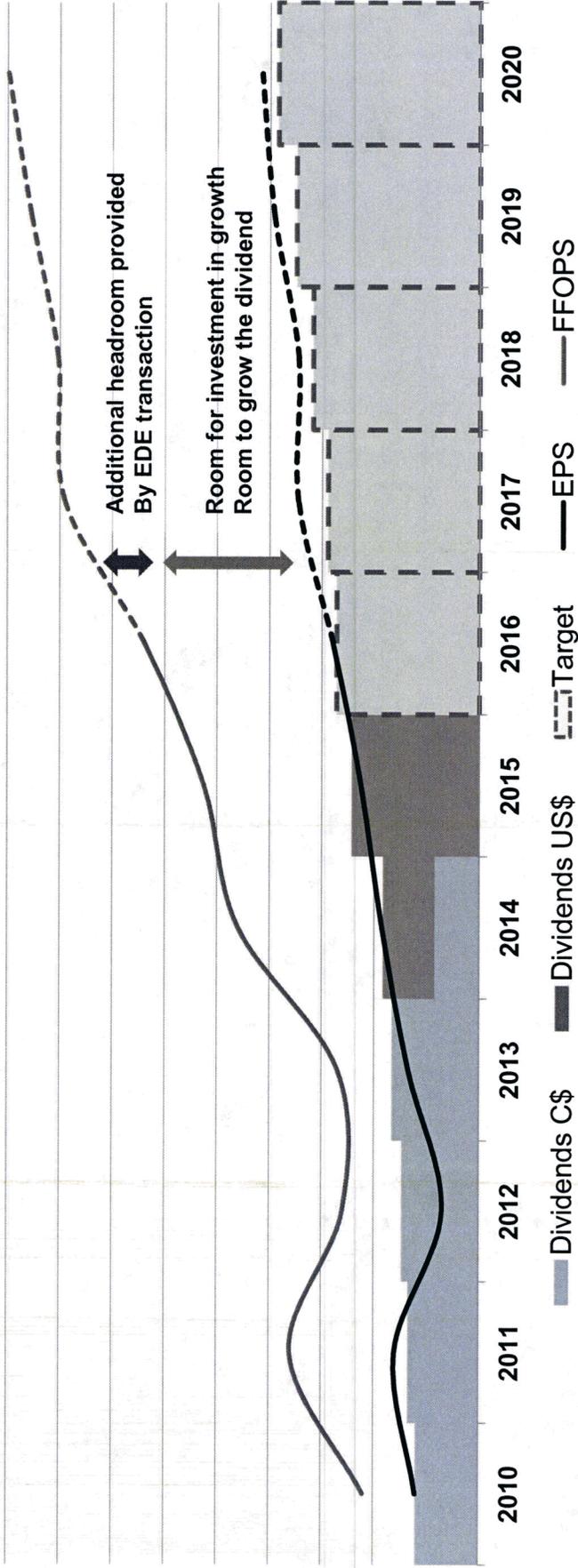
EBITDA WALK



2020 Projected EBITDA split



Performance, EDE Provide Important Headroom



Robust growth model

Diversified, conservative business platform

- ~\$8.0 billion pipeline of commercially secured investment opportunities
- Low dividend payout disconnects growth from capital markets
- Earnings/cash flow growth supports targeted dividend increase of 10% per year
- Long term investment grade BBB fixed rate debt financing
- Large proportion of earnings from regulated utility operations
- Reduced commodity price exposure through inflation indexed long term PPAs

Strong performance to date in 2016



Delivered solid results

- Three new generating stations fully contributing to financial results
- Diversified performance across portfolio
- \$14 million in incremental revenue achieved through rate cases
- Acquisition growth trajectory re-affirmed: Park Water acquisition closed, Empire acquisition announced
- Announced 10% increase in dividend - US\$0.4235 / common share

	Q1 2016	Q1 2015	Variance
(in \$ millions)			
Adjusted EBITDA	\$147.9	\$114.5	29%
Adjusted EPS	\$0.21	\$0.17	24%
Adjusted Funds From Operations	\$121.8	\$101.0	21%
Revenue, net of commodity pass-through ¹	\$235.0	\$197.6	19%
Dividend per share (USD)	\$0.105875	\$0.09625	10%
Electricity Generation (GWh)	906.6	789.8	15%

1. Revenue decreased to \$341.7 million in Q1 2016 from \$381.9 million in Q1 2015 due to lower regulated commodity pass through costs at the Company's electric and natural gas distribution utilities. Revenue, net of commodity pass through costs, grew by \$37.5 million in the quarter compared to the first quarter of 2015, an increase of 19%.

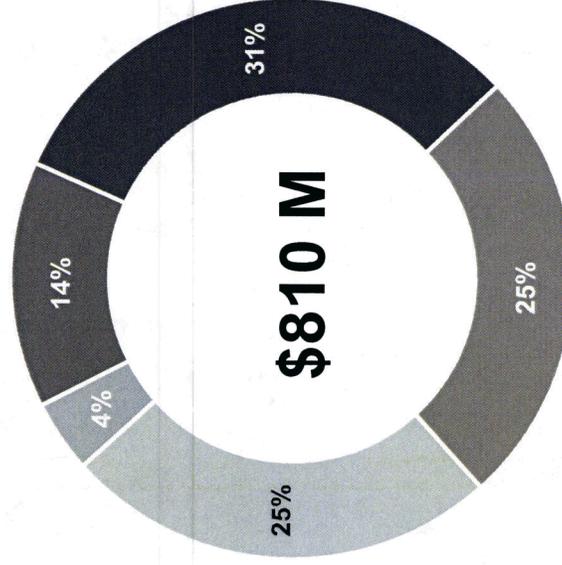
2016 Capital Program



Uses of Capital

Business Group (in \$ millions)	
Generation Group project investments	\$525
Generation Group fleet maintenance	\$30
Distribution Group rate base investments	\$230
Transmission Group development projects	\$25
Total¹	\$810

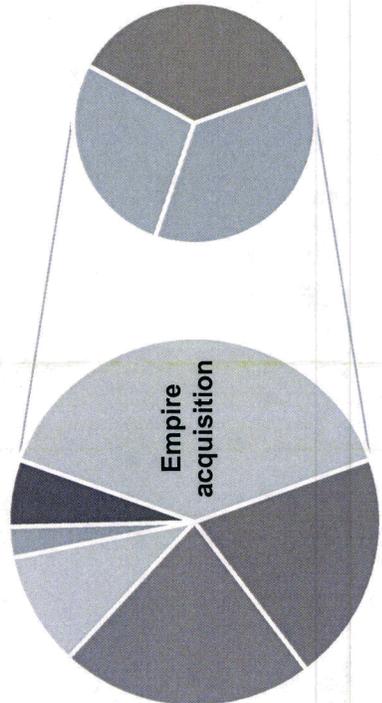
Sources of Capital²



- Cash from operations
- Equity
- DRIP & Other
- Debt
- Tax equity

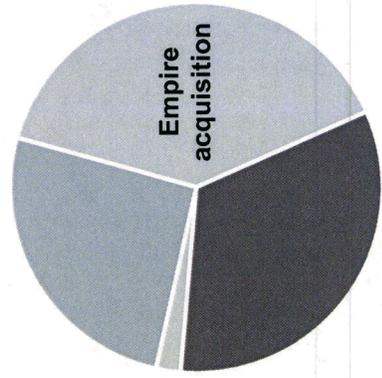
1. Uses the mid-point of CapEx guidance of \$700 million to \$925 million as provided in AQN Q1 2016 financial results disclosure
 2. Percentages do not add to 100% due to rounding

Sources of Capital



- Free Cash Flow
- DRIP
- Tax Equity
- Debt
- Common equity

Uses of Capital



- Distribution
- Generation
- Transmission
- Empire

- \$8 billion portfolio of growth opportunities
- High degree of financial flexibility to execute on growth plans
 - Relatively low payout ratio provides significant internally generated cash flows
 - DRIP program and tax equity provide additional sources of capital
 - Equity rich capital structure allows for additional leverage

Investment Grade Capital Structure



	March 31, 2016	
\$ millions		
Long term debt	1,856.6	46.1%
Preferred shares	213.8	5.3%
Common equity	1,956.1	48.6%
Total capitalization	4,026.5	100.0%

S&P: BBB

Strong Access to Capital Beyond the Equity Markets

Generation Bond platform

- Canadian public style bond platform
- \$485 million bonds issued at an average coupon of 4.93%, average life of 7.5 years

Distribution Bond Platform

- U.S. private placement market
- US\$680 million bonds issued at an average coupon of 4.58%, average life 12 years

Unsecured Bank Lines Enhance Liquidity

- \$65 million bank credit facility at APUC corporate level
- \$350 million APCo bank credit facility
- US\$200 million Liberty Utilities bank credit facility

Tax Equity and Project Finance

- Significant experience in securing tax equity for U.S.-based renewables projects
- Equity access through joint ventures & partnerships
- Low-cost debt at project level



\$2.4 Billion of Available Tax Attributes

Algonquin Power & Utilities Corp. (\$ millions)

Non-capital losses **69**

	Generation	Distribution
Non-capital losses	533	266
PP&E tax shelter	356	1,137
	\$ 889	\$ 1,403

- Efficient corporate tax structure in both Canada and the U.S.
- Significant tax attributes available to reduce future corporate income taxes
- APUC and its subsidiaries expect to begin paying corporate income taxes in 2020

Risk Management



USD debt matched to USD assets to manage Foreign Exchange exposure¹

	EBITDA	Assets	Debt
CAD	19%	14%	10%
USD	81%	86%	90%

Resource fluctuation managed through diversification

- 10-year average production of 98%
- Electricity produced on a statistically predictable basis
- Production targets are based on long-term average wind and hydrology

Other risk exposures actively managed to ensure stability of cash flows over the long term

- Minimal counterparty risk
- Minimal refinancing risk
- Minimal floating rate debt risk
- Minimal commodity risk

1. Proportions set as of March 31, 2016

Algonquin Power & Utilities Corp.: Why invest?



EARNINGS & CASH FLOWS

- Long-term contracted cash flows and regulated utility earnings
- Significant forecast growth from commercially secured pipeline

DIVIDEND GROWTH

- Annual dividend increases for 6 consecutive years
- Targeting 10% increase annually

DEVELOPMENT PROGRAM

- ~\$8B¹ of commercially secured growth over coming 3 - 5 years
- Maintaining business and technology mix

RISK MANAGEMENT

- Investment grade capital structure
- Dedicated risk and internal audit functions

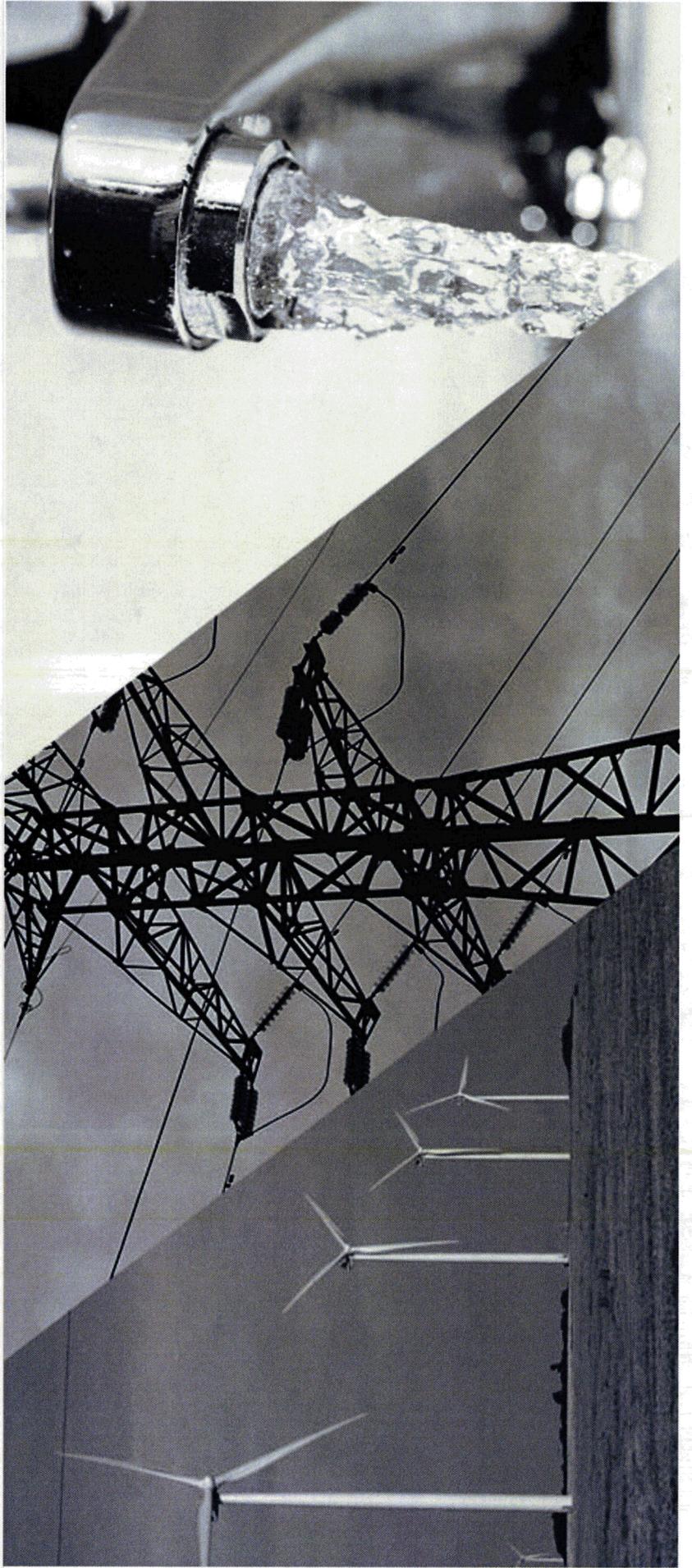
MANAGEMENT TEAM

- Over 25 years of experience in power generation development and utility expertise
- Entrepreneurial roots

1. Growth Capital includes Empire (acquisition pending)



Appendix



Financial Performance



	Annual				
	2011	2012	2013	2014	2015
in \$ millions					
Revenue	247.5	348.8	675.3	941.6	1,027.9
Net earnings from continuing operations	22.9	13.5	62.3	77.8	118.5
<i>Per share</i>	0.20	0.08	0.28	0.32	0.43
Adjusted net earnings¹	37.0	18.9	59.5	88.2	121.5
<i>Per share</i>	0.32	0.11	0.26	0.37	0.46
Adjusted EBITDA¹	94.4	88.1	228.1	290.5	375.4
AFFO¹	63.6	66.8	154.9	206.5	287.4
Dividend per share	0.27	0.30	0.33	0.37	0.49

1. Adjusted EBITDA, Adjusted Earnings Per Share, and Adjusted Funds From Operations Per Share are Non-GAAP measures that assess the operating performance without the effects of certain accounting adjustments which are derived from a number of non-operating factors, accounting methods and assumptions.

Rate Cases



Utility	State	Regulatory Proceeding Type	Requested Revenue Requirement Increase (US\$M)	Status
Completed (post Q1)				
Black Mountain Sewer System	Arizona	General Rate Case	\$0.4	April 2016 approval of US\$0.2 mln increase, effective May 1, 2016
CalPeco Electric System	California	General Rate Case	\$13.6	Application filed May 2015 seeking US\$13.6 mln revenue increase effective January 2016. Settlement agreement reached April 2016 / approval expected in Q2 2016 allowing revenue increase retroactive to Q1 2016
Pending				
Rio Rico Water/ Sewer System	Arizona	General Rate Case	\$0.9	Application filed October 2015 Final rate decision expected Q4 2016
Bella Vista Water System	Arizona	General Rate Case	\$1.6	Application filed October 2015 Final rate decision expected Q4 2016
Entrada Del Oro	Arizona	General Rate Case	\$0.3	Application filed March 2016 Final rate decision expected Q2 2017
Granite State Electric System	New Hampshire	General Rate Case	\$7.7	Application filed April 2016 Final rate decision expected 2017
Total			\$24.5	

Generation Group Growth Initiatives



Projects in Construction	Generation Type	Location	Size (MW)	Estimated Capital Cost (millions)	Commercial Operation Date	PPA Term	Production GW-hrs
Odell	Wind	Minnesota	200	\$419	2016	20	815
Bakersfield II	Solar	California	10	\$35	2016	20	24
Deerfield	Wind	Michigan	150	\$394	2016/17	20	555
Total Projects in Construction			360	\$848			1,394
Projects in Development							
Amherst Island	Wind	Ontario	75	\$273	2017	20	235
Chaplin	Wind	Saskatchewan	177	\$340	2017/18	25	720
Great Bay	Solar	Maryland	75	\$234	2017	10	152
Val Eo	Wind	Quebec	24	\$70	2016/17	20	66
Total Projects in Development			351	\$917			1,173
Total in Construction and Development			711	\$1,765			2,567

360 MW
In Construction

351 MW
In Development

20.8 years
Weighted Average
PPA Length¹

1. Production-weighted average.

CORPORATE INFORMATION

Head Office Oakville, ON
Common Share Symbol TSX: AQN
Preferred Share Symbols AQN.PR.A, AQN.PR.D
Shares Outstanding 258, 912, 456
Dividend US\$0.4235 per share annually
Price* \$11.47
Market Cap \$3.0 Billion

* Closing price on May 27, 2016

CONTACT INFORMATION

Ian Robertson
Chief Executive Officer
905-465-4510

David Bronicheski
Chief Financial Officer
905-465-4512

Ian Tharp
Vice President Investor Relations
905-465-6770



@AQN_Utilities

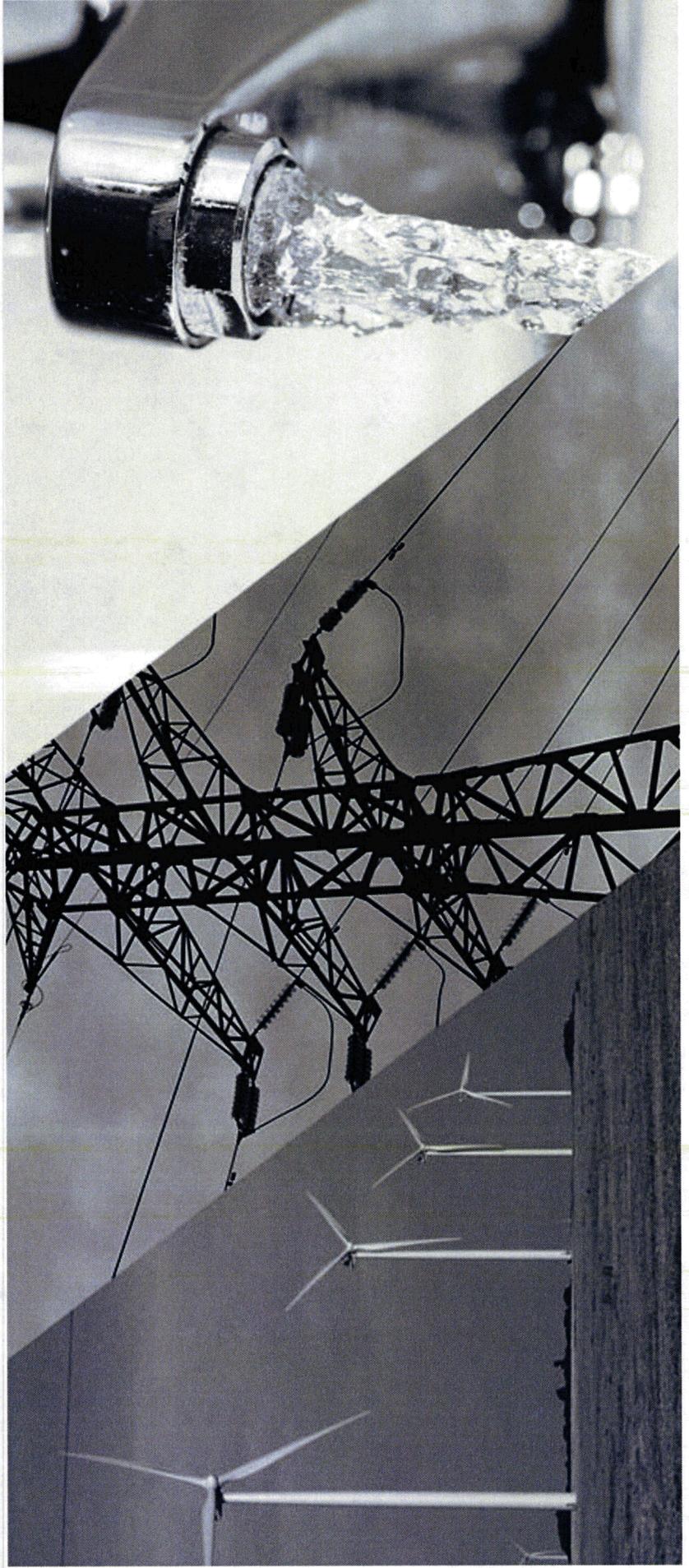


EXHIBIT JAC-C

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

T.W. Patch, Chairman
Stephen McAlpine
Robert M. Pickett
Norman Rokeberg
Janis W. Wilson

In the Matter of the Tariff Revision Designated as)
TA332-121 Filed by the MUNICIPALITY OF)
ANCHORAGE D/B/A MUNICIPAL LIGHT AND)
POWER DEPARTMENT)

U-13-184
ORDER NO. 22

In the Matter of the Investigation Into the)
Appropriate Use of the Deferred Regulatory)
Liability From Gas Sales Fund Maintained by the)
MUNICIPALITY OF ANCHORAGE D/B/A)
MUNICIPAL LIGHT AND POWER)
DEPARTMENT)

U-15-096
ORDER NO. 1

In the Matter of the Investigation Into)
Reasonableness of the Requirements Contained)
in Section 114 of Appendix A to the Tariff)
Maintained by the MUNICIPALITY OF)
ANCHORAGE D/B/A MUNICIPAL LIGHT AND)
POWER DEPARTMENT)

U-15-097
ORDER NO. 1

**ORDER ACCEPTING STIPULATION ON CERTAIN DISPUTED ISSUES, RESOLVING
REMAINING DISPUTED ISSUES, ESTABLISHING REVENUE REQUIREMENT,
MAKING INTERIM RATES PERMANENT, ESTABLISHING PERMANENT RATES,
RULING ON MOTIONS, IMPOSING DIVIDEND RESTRICTION, OPENING DOCKETS
OF INVESTIGATION, AND APPROVING TARIFF SHEETS**

BY THE COMMISSION:

Summary

We accept a stipulation of all parties resolving certain revenue requirement, rate base, and other issues. We resolve all remaining disputed issues. We determine a revenue requirement. We make the interim rates permanent and

1 Eugene A. Ori

2 Ori is the Acting Generation Division Manager for ML&P.

3 Michael J. Balhoff

4 Balhoff is the Managing Partner of Balhoff & Williams, LLC and a Senior
5 Partner of Charlesmead Advisors, LLC. He testified as an expert investment
6 professional addressing conceptual issues pertaining to ML&P's equity.⁴⁷

7 Bryant T. Robbins

8 Robbins is the Municipal Assessor for the Municipality of Anchorage
9 (MOA) and testifying on behalf of ML&P.

10 Anna C. Henderson

11 Henderson is the Rates & Tariffs Supervisor for ML&P.

12 Thomas J. Bourassa

13 Bourassa is a Certified Public Accountant and self employed providing
14 consulting and general accounting services to utility companies and general accounting
15 services. Bourassa adopted Zepp's direct testimony, reviewed Zepp's testimony,
16 agrees with it, and willing to adopt it as his own.⁴⁸

17 Gary S. Saleba

18 Saleba is the President of EES Consulting, Inc. or Economic and
19 Engineering Services, Inc. Saleba presented ML&P's COSS.

20 AG Testimony

21 Janet K. Fairchild

22 Fairchild is a Public Advocate Utility Analyst in the Regulatory Affairs &
23 Public Advocacy section of the Attorney General's office.

24 ⁴⁷T-10 (Balhoff Reply) at 4.

25 ⁴⁸T-16 (Bourassa Reply).

26

1 Cost of Equity

2 As a preliminary matter we address the statement by ML&P that the ROE
3 discussion in Order U-08-157(10)/U-08-158(10) is a “roadmap provided by the
4 Commission.”³⁰⁶ The ROE analysis in Order U-08-157(10)/U-08-158(10) represents the
5 weighing of the testimony presented in that docket by a majority of the assigned hearing
6 panel.³⁰⁷ The analysis may be instructive for future commission panels. However,
7 presented with a different record, different commission panels will weigh the testimony
8 as appropriate to determine a fair ROE.

9 Also as a preliminary matter we address the claim by FEA that a portion of
10 the equity in ML&P should be treated as a risk free investment. FEA bases its
11 argument on the use of a hypothetical capital structure in Order U-87-084(8). The
12 argument that rates calculated under a hypothetical capital structure result in risk free
13 equity for the utility is unsupported by citation to authority from this commission or from
14 any other jurisdiction. Additionally, Order U-87-084(8) was issued on September 7,
15 1988.³⁰⁸ No commission decision issued in the intervening 26 years has evidenced the
16 intent to create a class of risk free equity in Order U-87-084(8). We decline to
17 incorporate a class of risk free equity for ML&P in our calculation of its weighted
18 average cost of capital.

19 As the starting point for our determination of a fair and reasonable ROE
20 for ML&P we use its last adjudicated result, 10.93%.³⁰⁹ ML&P presented testimony
21 proposing an ROE of 11.8%. However, this testimony used proxy groups without
22

23 ³⁰⁶T-15 (Zepp Direct) at 15.

24 ³⁰⁷Order U-08-157(10)/U-08-158(10) at 29-44.

25 ³⁰⁸Order U-87-084(8).

26 ³⁰⁹Order U-10-031(15) at 12-13, 19.

1 satisfactorily explaining how the characteristics of the proxy groups matched ML&P's
 2 actual circumstances. Further, the testimony did not identify changes specific to ML&P
 3 that require a change to the adjudicated ROE.

4 Equally important in our decision on a fair ROE is our weighing of the
 5 testimony presented at hearing. The testimony from ML&P's ROE expert at hearing³¹⁰
 6 left us with little confidence in the ROE advocated by ML&P. However, in reviewing the
 7 testimony presented by all of the parties we find that the ROEs proposed by the AG and
 8 PHS are unreasonably low.

9 When we apply our own reasoned judgment to the record presented in
 10 this docket we find that a fair ROE for ML&P remains 10.93%.

11 Total Weighted Cost of Capital

12 Based on the above decisions we calculate ML&P's total weighted cost of
 13 capital as follows:

Municipal Light & Power Cost of Capital Test Year Ended December 31, 2012			
Capital Component	EMP Actual Capital Structure	Cost	Weighted Cost
Debt	55.5%	4.55%	2.53%
Equity	44.5%	10.93%	4.86%
Total Weighted Cost of Capital			7.39%

25 ³¹⁰Tr. 1089-1471 (Bourassa).

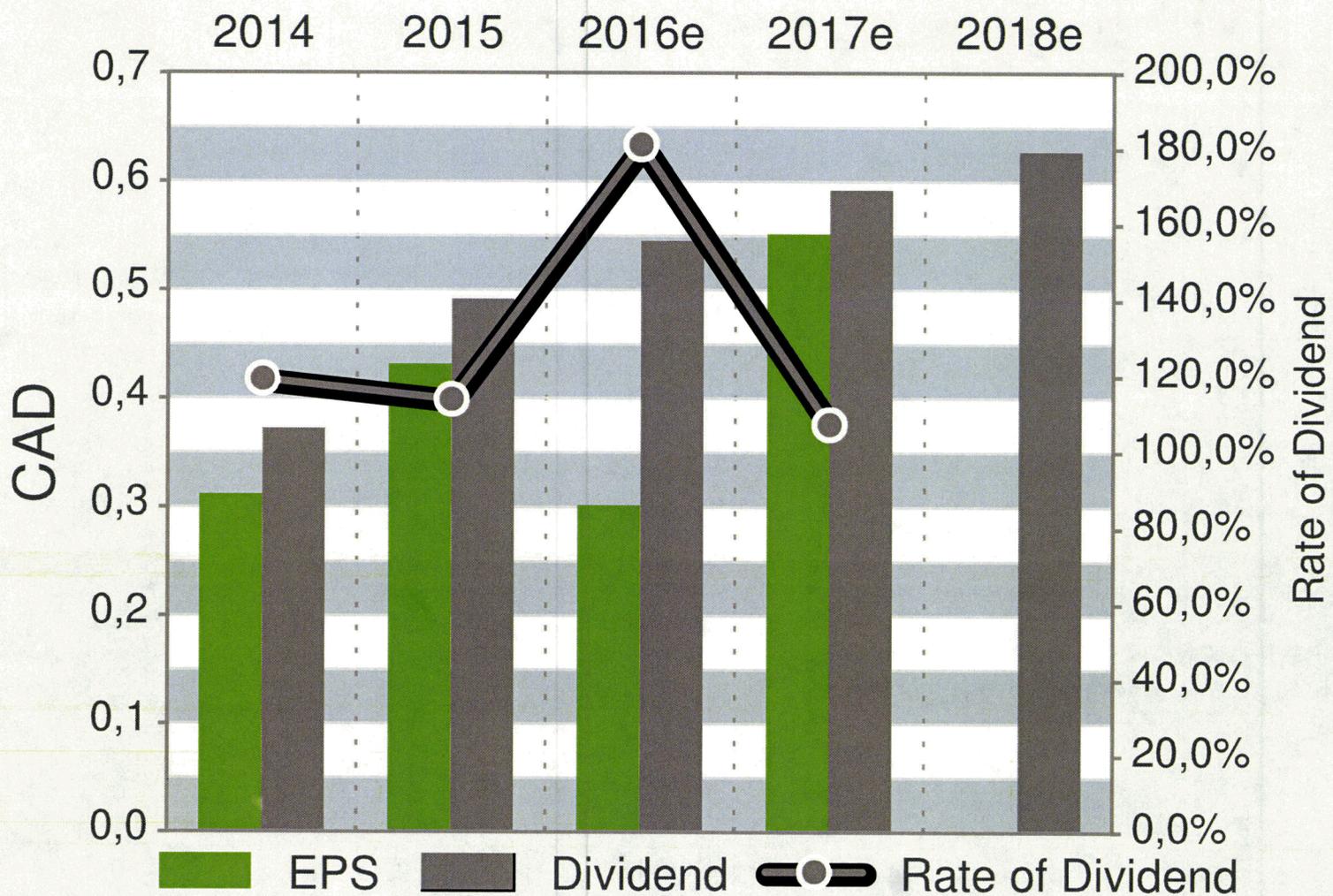
EXHIBIT JAC-D

Algonquin Power & Utilities Corp.
Analysis of Selected Balance Sheet and Income Statement Items
Including Comprehensive Income, Weighted Shares Outstanding, Earnings per Share,
Dividends per Share, Dividend Payout Ratio, and Assorted Growth Rates
(thousands of Canadian dollars, except per share amounts)

Line No.	Balance Sheet Items	2015	2014	2013	2012	2011	2010
1	Net Earnings	\$ 85,504	\$ 53,515	\$ 9,483	\$ 21,946	\$ 27,302	\$ 18,394
2	Other Comprehensive Income (Loss):						
4	Foreign Currency Translation Adjustment (net)	289,035	104,183	81,597	(9,399)	4,272	(51,133)
5	Change in Fair Value of Cash Flow Hedges (net)	16,165	2,799	17,308	5,168	-	-
6	Change in Unrealized Appreciation in Value of Available-for-Sale Investments	(73)	1	-	-	-	-
7	Change in Unrealized Pension and Other Post-Retirement Expense (net)	7,571	(35,669)	16,727	(2,458)	(48)	-
8	Other Comprehensive Income (Loss), net of tax	\$ 312,698	\$ 71,314	\$ 115,632	\$ (6,689)	\$ 4,224	\$ (51,133)
9	Comprehensive Income (Loss)	398,202	124,829	125,115	15,257	31,526	(32,739)
10	Less: Comprehensive Income Attributable to the Noncontrolling Interests	28,198	7,077	31,362	9,082	4,810	(444)
11	Comprehensive Income Attributable to APUC Shareholders	\$ 370,004	\$ 117,752	\$ 93,753	\$ 6,175	\$ 26,716	\$ (33,183)
12							
13	Total Stockholders' Equity -- As of December 31 Year-End	\$ 2,291,864	\$ 1,836,388	\$ 1,465,961	\$ 1,402,129	\$ 552,695	\$ 340,061
14	Change in Stockholders' Equity from Prior Year	\$ 455,476	\$ 370,427	\$ 63,832	\$ 849,434	\$ 212,634	
15							
16	Other Comprehensive Income as % of Change in Shareholders' Equity	68.65%	19.25%	181.15%	-0.79%	1.99%	
17	Foreign Currency Translation Adj. as % of Change in Shareholders' Equity	63.46%	28.13%	127.83%	-1.11%	2.01%	
18							
20	Weighted average common shares outstanding	253,172,088	213,953,870	204,350,689	158,304,340	116,712,934	94,338,193
21	Annual Growth in common shares outstanding	18.33%	4.70%	29.09%	35.64%	23.72%	15.99%
22	Compound 5-yr Growth - Common Shares outstanding	21.83%					
23							
24	Average U.S. Exchange Rate (\$US:\$Can)	\$ 1.2786	\$ 1.1049	\$ 1.0301	\$ 0.9990	\$ 0.9890	\$ 1.0310
25							
26							
27							
28	Income Statement Items						
29							
30	Net Earnings	\$ 85,504	\$ 53,515	\$ 9,483	\$ 21,946	\$ 27,302	\$ 18,394
31	Net Earnings (Loss) attributable to non-controlling interests	(31,976)	(22,186)	(10,813)	7,414	3,921	444
32	Net Earnings Attributable to Shareholders of Algonquin Power & Utilities Corp.	\$ 117,480	\$ 75,701	\$ 20,296	\$ 14,532	\$ 23,381	\$ 17,950
33	Less: Series A and D Preferred Stock Dividends	10,400	9,503	5,400	769	-	-
34	Net Earnings Attributable to Common Shareholders	\$ 107,080	\$ 66,198	\$ 14,896	\$ 13,763	\$ 23,381	\$ 17,950
35							
36	Weighted average common shares outstanding (in thousands)	253,172.1	213,953.9	204,350.7	158,304.3	116,712.9	94,338.2
37	Net Earnings per Share - Diluted	\$ 0.42	\$ 0.31	\$ 0.07	\$ 0.09	\$ 0.20	\$ 0.19
38	Dividends declared to Common Shareholders	\$ 0.49	\$ 0.37	\$ 0.33	\$ 0.30	\$ 0.27	\$ 0.24
39							
40	Dividend Payout	115.85%	119.59%	452.71%	345.07%	134.78%	126.13%
41							
42	6-Year Average Annual Dividend Payout Ratio	215.69%					
43	5-Year Average Annual Dividend Payout Ratio	233.60%					
44							
45	Annual EPS Growth Rate	36.70%	324.45%	-16.16%	-56.60%	5.29%	
46	Annual DPS Growth Rate	32.43%	12.12%	10.00%	11.11%	12.50%	
47							
48	Compound 5-Year EPS Growth Rate	17.32%					
49	Compound 5-Year DPS Growth Rate	15.34%					

Source: Algonquin Power & Utilities Corp., Annual Reports, Years 2010, 2011, 2012, 2013, 2014, and 2015.
<http://investors.algonquinpower.com/FinancialDocs.aspx?iid=4142273>

EXHIBIT JAC-E



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LIBERTY UTILITIES CORPORATION
(BELLA VISTA WATER AND RIO RICO WATER AND SEWER)
DOCKET NOS. W-02465A-15-0367 et al.

SURREBUTTAL TESTIMONY
OF
TIMOTHY J. COLEY

ON BEHALF OF THE
RESIDENTIAL UTILITY CONSUMER OFFICE

JULY 22, 2016

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EXECUTIVE SUMMARY

The Residential Utility Consumer Office (“RUCO”) now provides surrebuttal testimony in response to Liberty Utilities rebuttal filing for its Bella Vista Water, Rio Rico Water, and Rio Rico Sewer Corp. (collectively “Liberty BV/RR” or “Company”). Liberty BV/RR’s rebuttal testimony was filed with the Arizona Corporation Commission (“ACC” or “Commission”) on June 20, 2016. RUCO will address the Company’s rate Application and rebuttal issues as it pertains to Liberty’s BV/RR rate base, operating income, and revenue requirement. RUCO’s Chief of Accounting and Rates, Mr. Robert Mease, will provide separate testimony on RUCO’s recommendations on the Company’s proposed FARE Program. RUCO analyst, Mr. John Cassidy will provide separate testimony on RUCO’s recommended cost of capital that was requested by the Company.

The following table presents the rate base for Liberty BV/RR as initially proposed in the Company’s Application, RUCO’s direct recommendation, the Company’s proposed rebuttal position, and RUCO’s surrebuttal recommendations.

RATE BASE

<u>Divisions</u>	<u>Co. Rate Application</u>	<u>RUCO Direct</u>	<u>Company Rebuttal</u>	<u>RUCO Surrebuttal</u>
BV Water	\$ 13,205,189	\$ 11,320,677	\$ 11,616,198	\$ 10,962,383
RR Water	\$ 8,861,632	\$ 8,892,216	\$ 10,450,531	\$ 9,544,269
RR Sewer	\$ 5,355,381	\$ 4,712,971	\$ 5,275,096	\$ 5,058,613

The next table presents the required operating income for Liberty BV/RR as initially proposed by the Company in its Application, RUCO’s direct recommendation, the Company’s proposed rebuttal position, and RUCO’s surrebuttal recommendations.

REQUIRED OPERATING INCOME

<u>Divisions</u>	<u>Co. Rate Application</u>	<u>RUCO Direct</u>	<u>Company Rebuttal</u>	<u>RUCO Surrebuttal</u>
BV Water	\$ 1,209,727	\$ 827,301	\$ 1,063,811	\$ 789,802
RR Water	\$ 762,189	\$ 649,832	\$ 898,537	\$ 687,632
RR Sewer	\$ 460,616	\$ 344,418	\$ 453,553	\$ 364,456

The final two tables below presents the required revenue increase in dollars and required percentage increase in gross revenues for Liberty BV/RR as initially proposed by the Company in its Application, RUCO's direct recommendation, the Company's proposed rebuttal position, and RUCO's surrebuttal recommendations.

REQUIRED REVENUE DOLLAR INCREASE

<u>Divisions</u>	<u>Co. Rate Application</u>	<u>RUCO Direct</u>	<u>Company Rebuttal</u>	<u>RUCO Surrebuttal</u>
BV Water	\$ 1,554,297	\$ 501,806	\$ 1,285,580	\$ 552,613
RR Water	\$ 683,836	\$ 252,282	\$ 964,782	\$ 432,876
RR Sewer	\$ 226,351	\$ (31,315)	\$ 180,716	\$ 19,083

REQUIRED REVENUE PERCENTAGE INCREASE

<u>Divisions</u>	<u>Co. Rate Application</u>	<u>RUCO Direct</u>	<u>Company Rebuttal</u>	<u>RUCO Surrebuttal</u>
BV Water	33.61%	10.64%	28.21%	11.71%
RR Water	22.55%	8.06%	31.70%	13.83%
RR Sewer	15.31%	(2.12%)	12.22%	1.29%

For Liberty BV/RR's three divisions filed in this proceeding, the Company sought a 9.16 percent rate of return on its Bella Vista Division's fair value rate base in both its original rate Application and rebuttal filing. The Company is seeking an 8.60 percent rate of return in both its original and rebuttal filings on its two Rio Rico Divisions' fair value rate base. RUCO recommended a 7.31% for all three Liberty BV/RR divisions in its direct filing. RUCO's surrebuttal now recommends a 7.20 percent rate of return on all three divisions' fair value rate base. Mr. Cassidy provides his rationale for RUCO's cost of capital recommendations in his separate testimony.

For Bella Vista Water, RUCO's recommended rates where a typical residential water customer on a 5/8 x 3/4-Inch meter using the average 5,914 gallons would be \$28.24.

For Rio Rico Water & Sewer, RUCO's recommended rates where a typical residential water customer on a 5/8 x 3/4-Inch meter using the average 6,829 gallons would be \$35.59. A typical residential sewer customer on a 5/8 x 3/4-Inch meter would be \$48.75.

1 **I. INTRODUCTION**

2 **Q. Please state your name for the record.**

3 A. My name is Timothy J. Coley.

4

5 **Q. Have you previously filed testimony regarding this docket?**

6 A. Yes, I have. I filed direct testimony in this docket on May 31, 2016.

7

8 **Q. What is the purpose of your surrebuttal testimony?**

9 A. My surrebuttal testimony will address Liberty Utilities rebuttal filing for its
10 Bella Vista Water, Rio Rico Water, and Rio Rico Sewer Corp., collectively
11 and hereafter referred to as "Liberty BV/RR" or "Company".

12

13 **Q. What areas will you address in your surrebuttal testimony?**

14 A. My surrebuttal testimony will address RUCO's recommended rate base
15 adjustments, operating income adjustments, revenue requirements, and
16 rate design for Liberty BV/RR.

17

18 **Q. How is RUCO's surrebuttal testimony organized?**

19 A. RUCO's surrebuttal testimony is comprised of six abbreviated parts: 1) the
20 introduction that I've just presented; 2) rate base adjustments; 3) operating
21 income adjustments; 4) revenue requirements; 5) other issues; and 6) rate
22 design.

23

1 **Q. Please identify the schedules that you are sponsoring in RUCO's**
2 **surrebuttal testimony for Liberty BV/RR.**

3 A. I am sponsoring rate base and operating income schedules for Liberty
4 BV/RR numbered TJC-1 through TJC-34, and rate design schedules
5 labeled Surrebuttal Schedule TJC-1 and Surrebuttal Schedule TJC-2.

6
7 **II. SURREBUTTAL RATE BASE ADJUSTMENTS**

8 **Q. What are RUCO's surrebuttal rate base adjustments and briefly**
9 **identify each one?**

10 A. For all three of the Company's divisions, RUCO's surrebuttal adjustments
11 are similar to the ones that were described in my direct testimony all of
12 which are briefly identified below:

- 13 • Rate Base Adjustment No. 1 – For Bella Vista Water,
14 this adjustment is comprised of three utility plant in
15 service (UPIS) and accompanying accumulated
16 depreciation (AD) adjustments labeled A – Company
17 Rebuttal Plant Adjustments, B – Post Test-Year (PTY)
18 Plant Adjustments, and C – Corporate Plant
19 Adjustments on Schedule TJC-4 at pages 1 and 2. For
20 Rio Rico Water & Sewer, this adjustment is comprised
21 of two UPIS and accompanying AD adjustments
22 labeled A and B for the same adjustments as
23 referenced above for BV. These adjustments are also
24 reflected on Schedule TJC-4 at pages 1 and 2;
- 25 • Rate Base Adjustment No. 2 – Advances in Aid of
26 Construction (AIAC). This adjustment applies only to
27 BV. It converts AIAC to Contributions in Aid of
28 Construction (CIAC);
- 29 • Rate Base Adjustment No. 3 – Contributions in Aid of
30 Construction (CIAC). This adjustment impacts all three
31 divisions in this proceeding;
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- 33
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- Rate Base Adjustment No. 4 through 8 – Intentionally Left Blank for all three divisions in this case;
- Rate Base Adjustment No. 9 – Accumulated Deferred Income Taxes (ADIT). This adjustment applies to all three divisions;
- Rate Base Adjustment No. 10 – Cash Working Capital Adjustment. This adjustment applies to all three divisions also.

Q. Did RUCO’s rate base adjustments, described above, adopt any of the Company’s rebuttal adjustments

A. Yes. RUCO rate base adjustment one, two, and three adopted the Company’s rebuttal UPIS, AD, AIAC, and CIAC adjustments as proposed in its rebuttal testimony.

Q. Did the Company adopt any of RUCO’s direct testimony rate base adjustments identified above?

A. Yes, in part. Of the remaining two recommended rate base adjustments, adjustment number nine is the ADIT. The ADIT adjustment is essentially a fallout adjustment from various plant component balances (i.e., UPIS, AD, AIAC, CIAC, PTY Plant, and effective income tax rates etc.).

As for RUCO rate base adjustment number ten – cash working capital, the Company adopted several of RUCO and Staff’s recommendations for inputs and/or exclusions to the lead/lag study computation. All parties are now in agreement with all the revenue and expense lead/lag days as

1 components in the lead/lag calculation. The level of expenses continue to
2 remain contested.

3

4 **Q. Does that conclude your brief summary on the outstanding rate base**
5 **issues and descriptions?**

6 A. Yes.

7

8 **Q. Please provide the amounts of RUCO's recommended rate base**
9 **adjustments for each of the three divisions in this proceeding.**

10 A. RUCO's position on all issues and adjustments remain the same today as
11 they were in direct testimony. Therefore, I will provide an abbreviated
12 response following each adjustment from this point forward in this
13 testimony. The following tables will provide the amounts of the Company's
14 positions in the Application and in rebuttal. The table also reflects RUCO's
15 positions in direct and at surrebuttal. A brief synopsis of the differences will
16 follow after each of the tables for RUCO's five recommended rate base
17 adjustments. The tables will also reflect if a particular adjustment affects a
18 specific division or not as follows:

19 **Rate Base Adjustment No. 1 – Adopts Company Rebuttal Net UPIS**

<u>Divisions</u>	<u>Co. Rate Application</u>	<u>RUCO Direct</u>	<u>Company Rebuttal</u>	<u>RUCO Surrebuttal</u>
BV Water	\$ 23,237,079	\$ 22,366,275	\$ 23,137,547	\$ 22,404,928
RR Water	\$ 21,074,821	\$ 21,142,518	\$ 22,149,224	\$ 21,224,408
RR Sewer	\$ 8,732,899	\$ 8,114,540	\$ 8,262,040	\$ 8,144,088

23

1 For Bella Vista Water, the difference of \$735,938 between RUCO's
2 surrebuttal and the Company's rebuttal are due to two factors. The first
3 being RUCO's disallowance of PTY plant additions exceeding the six-
4 months in service date post the historical TY end. The second factor for the
5 remaining difference is due to RUCO's UPIS adjustment for corporate plant.
6 It appeared the Company had an Excel linking issue that captured the
7 wrong corporate plant allocations. The amount RUCO adjusted for that
8 issue was \$4,655. Other than those two issues, RUCO and the Company
9 are in agreement.

10
11 For Rio Rico Water, the difference of \$956,685 between RUCO's surrebuttal
12 and the Company's rebuttal are entirely due to RUCO's PTY plant
13 disallowances exceeding the six-months in service date post the historical
14 TY end. Other than that issue, RUCO and the Company are in agreement.

15
16 For Rio Rico Sewer, the difference of \$122,584 between RUCO's
17 surrebuttal and the Company's rebuttal is entirely due to RUCO's PTY plant
18 disallowances exceeding the six-months in service date post the historical
19 TY end. Other than this issue, RUCO and the Company are in agreement.

1 **Rate Base Adjustment No. 2 – Advances in Aid of Construction (AIAC)**

2 **Q. Briefly describe, explain, and provide the amounts of RUCO rate base**
3 **adjustment number two.**

4 A. This adjustment adopts the Company's rebuttal adjustments to AIAC. The
5 table below shows the Company's position in its Application as filed and its
6 rebuttal testimony of which RUCO is in agreement as follows:

7
8
9
10

<u>Divisions</u>	<u>Co. Rate Application</u>	<u>RUCO Direct</u>	<u>Company Rebuttal</u>	<u>RUCO Surrebuttal</u>
BV Water	\$ 9,114,847	\$ 9,114,847	\$ 8,595,621	\$ 8,595,621
RR Water	\$ 976,558	\$ 976,558	\$ 976,558	\$ 976,558
RR Sewer	\$ 529,379	\$ 529,379	\$ 529,379	\$ 529,379

11
12 As can be seen above, RUCO and the Company are in agreement on the
13 AIAC balances.

14
15 **Rate Base Adjustment No. 3 – Gross Contributions in Aid of**
16 **Construction (CIAC) and Accumulated Amortization**

17 **Q. Briefly describe, explain, and provide the amounts of RUCO rate base**
18 **adjustment number two.**

19 A. This adjustment adopts the Company's adjustments to gross CIAC and the
20 associated accumulated amortization balances. The two tables below
21 shows the Company's position in its Application as filed and its rebuttal
22 position along with RUCO's position regarding the AIAC balances in direct
23 and surrebuttal testimonies as follows:

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GROSS CIAC BALANCES

<u>Divisions</u>	<u>Co. Rate Application</u>	<u>RUCO Direct</u>	<u>Company Rebuttal</u>	<u>RUCO Surrebuttal</u>
BV Water	\$ 579,988	\$ 579,988	\$1,080,442	\$ 1,080,442
RR Water	\$ 20,261,911	\$ 20,261,911	\$ 20,261,911	\$ 20,261,911
RR Sewer	\$ 5,112,247	\$ 5,112,247	\$ 5,112,247	\$ 5,112,247

As can be seen above, RUCO and the Company are now in agreement on the AIAC balances.

CIAC ACCUMULATED AMORTIZATION

<u>Divisions</u>	<u>Co. Rate Application</u>	<u>RUCO Direct</u>	<u>Company Rebuttal</u>	<u>RUCO Surrebuttal</u>
BV Water	\$ (304,864)	\$ (304,864)	\$ (337,988)	\$ (337,988)
RR Water	\$ (10,388,151)	\$ (10,388,151)	\$ (10,380,413)	\$ (10,380,413)
RR Sewer	\$ (2,935,215)	\$ (2,935,215)	\$ (2,943,313)	\$ (2,943,313)

Again, as can be seen above, RUCO and the Company are now in agreement on the AIAC accumulated amortization balances.

Rate Base Adjustment No. 4 through 8 – Intentionally Left Blank

Rate Base Adjustment No. 9 – Accumulated Deferred Income Taxes

(ADIT)

1 **Q. What are RUCO and the Company's ADIT balances in surrebuttal and**
2 **rebuttal respectively?**

3 A. RUCO and the Company's ADIT balances are presented in the table below:

4

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<u>Divisions</u>	<u>Company Rebuttal</u>	<u>RUCO Surrebuttal</u>
BV Water	\$ 1,847,354	\$ 1,789,433
RR Water	\$ 547,332	\$ 527,596
RR Sewer	\$ 275,599	\$ 373,012

8

9

The primary differences above are due to RUCO's PTY plant disallowance
10 adjustments.

11

12

Rate Base Adjustment No. 10 – Cash Working Capital

13

14

Q. What are RUCO and the Company's cash working capital balances in
14 **surrebuttal and rebuttal respectively?**

15

16

A. RUCO and the Company's cash working capital adjustments are shown on
16 Schedule TJC-13. The balances are shown in the table below:

17

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<u>Divisions</u>	<u>Company Rebuttal</u>	<u>RUCO Surrebuttal</u>
BV Water	\$ 85,456	\$ 106,341
RR Water	\$ 37,222	\$ 36,040
RR Sewer	\$ (13,776)	\$ (14,894)

21

22

1 **Q. Does this conclude RUCO's recommended rate base adjustments and**
2 **section two of your testimony?**

3 A. Yes.

4
5 **III. OPERATING INCOME ADJUSTMENTS**

6 **Q. What are RUCO's surrebuttal operating income adjustments for**
7 **Liberty Utilities BV/RR in this case?**

8 A. RUCO recommends nine common surrebuttal operating income
9 adjustments for Bella Vista and Rio Rico Water. For Rio Rico Sewer, there
10 are seven of the same common adjustments. The sewer division does not
11 have a declining use or water testing adjustment like both water divisions
12 do. Most of the nine common water divisions' operating income
13 adjustments have went unchanged. When a dollar amount does change, I
14 will make a note of it in the individual adjustments that follow as needed.
15 This will be accomplished in sake of brevity since most were fully explained
16 in RUCO's direct testimony. RUCO's operating income adjustments are as
17 follows:

18
19 Operating Income Adjustment No. 1 – Depreciation Expense

20 **Q. Please describe RUCO's surrebuttal adjustment to depreciation**
21 **expense.**

22 A. RUCO's adjustment to depreciation expense is related to its final
23 recommended UPIS and CIAC balances for the three divisions in this case.

1 RUCO recommends the following adjustments to depreciation expense as
2 shown in the table below:

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5

<u>Divisions</u>	<u>RUCO Recommended Depreciation Expense Adjustments</u>
BV Water	\$ (55,553)
RR Water	\$ 10,170
RR Sewer	\$ (37,135)

6
7

8
9 Operating Income Adjustment No. 2 – Property Tax Expense

10 **Q. What adjustment to property tax expense does RUCO recommend?**

11 A. RUCO's adjustments to property tax expense is directly related to the
12 change in adjusted TY and recommended revenues going forward by
13 RUCO. The adjustments are reflected in the table below:

14
15

<u>Divisions</u>	<u>RUCO Adjusted Test Year Property Tax Expense Adjustments</u>
BV Water	\$ (54,349)
RR Water	\$ 4,949
RR Sewer	\$ 6

16
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19 **Q. Has RUCO included an adjustment for property taxes to account for
20 its recommended revenue increase?**

21 A. Yes. The recommended property tax expense increase due to RUCO's
22 recommended revenue increase is shown in the table below:

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<u>Divisions</u>	<u>RUCO Recommended Property Tax Expense Adjustments</u>
BV Water	\$ 6,123
RR Water	\$ 7,380
RR Sewer	\$ 327

Operating Income Adjustment No. 3 – Incentive Pay Expense

Q. What adjustment to incentive pay expense does RUCO recommend?

A. This adjustment was explained and fully discussed in RUCO's direct testimony. RUCO recommends that ratepayers should share in fifty percent of the burden. RUCO has allowed 100% of TY salaries in addition to making an adjustment to allow a three percent annual increase that was one year outside the historical TY in this case. A 50/50 sharing of this incentive pay expense is fair and reasonable in this case. The adjustments to share the cost of this expense between the ratepayers and shareholders is reflected in the table below:

<u>Divisions</u>	<u>RUCO Recommended Incentive Pay Expense Adjustments</u>
BV Water	\$ (37,969)
RR Water	\$ (20,320)
RR Sewer	\$ (8,554)

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<u>Divisions</u>	<u>RUCO Recommended 2016 Declining Use Adjustments</u>
BV Water	\$ 92,497
RR Water	\$ 96,762
RR Sewer	\$0

There was not a declining usage adjustment for Rio Rico Sewer.

Q. What result did RUCO obtain when using the known and measurable 2015 billing determinates?

A. Using Rio Rico Water as the example, the 2015 billing determinants resulted in a (\$8,122) decrease of revenues in 2015 when compared to the TY revenues of 2014. Mr. Bourassa's proposed revenue decrease in his rebuttal was (\$85,648), when taking his direct adjustment into consideration. That is over 1,000 percent greater than the actual decrease in revenues of \$8,122 known and measurable 2015 decrease in revenues.

Operating Income Adjustment No. 6 – Water Testing Expense

Q. Please explain RUCO's adjustment for water testing expense.

A. This adjustment simply adopts Commission Staff's adjustments for the Bella Vista and Rio Rico Water divisions. There is no adjustment for Rio Rico Sewer. The table reflects these adjustments below:

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Divisions RUCO Recommended
Water Testing Expense Adjustments

BV Water	\$ (45,190)
RR Water	\$ (2,394)
RR Sewer	\$0

Operating Income Adjustment No. 7 – Decrease in Postage Expense

Q. Did the Company accept RUCO’s postage expense adjustment that was based on the recent United States Postal Service’s (USPS) decrease in postage expense that went into effect on April 7, 2016?

A. In the Company’s rebuttal testimony, the Company said it had accepted RUCO’s postage expense adjustment. After reviewing the Company’s rebuttal schedules, the Company made the adjustments to Rio Rico Water & Sewer but did not make the adjustment to Bella Vista.

Q. What are RUCO’s recommended adjustments to account for the USPS decrease in postage that went into effect on April 7, 2016?

A. The adjustments are show in the table below:

Divisions RUCO Recommended
Postage Expense Adjustments

BV Water	\$ (2,341)
RR Water	\$ (1,164)
RR Sewer	\$ (374)

1 Operating Income Adjustment No. 8 – Reclassify Expenses

2 **Q. Please explain RUCO adjustment number eight that reclassifies**
3 **certain expenses from one account to another?**

4 A. The adjustment applies to all three divisions and removes an expense from
5 one account and reclassifies the expense to another account. The net
6 impact is zero. Therefore, a table isn't necessary here as the adjustments
7 are shown on the respective Schedules TJC-15 on page one.

8

9 Operating Income Adjustment No. 9 through 16 – Intentionally Left Blank

10

11 Operating Income Adjustment No. 17 – Income Taxes

12 **Q. Have you calculated income tax expense based on both RUCO's**
13 **recommended adjusted operating income?**

14 A. Yes. These adjustments for RUCO's recommended adjusted operating
15 income and the recommended operating income less income tax
16 associated with RUCO's revenue increase are shown on Schedules TJC-
17 15 with the details shown on TJC-32.

18

19 **Q. Does that conclude RUCO's recommended operating income**
20 **adjustments in section three of this testimony?**

21 A. Yes.

22

23

1 **IV. REVENUE REQUIREMENTS**

2 **Q. Please summarize the results of RUCO's analysis of the Company's**
3 **filing and state RUCO's recommended revenue requirements for**
4 **Liberty BV/RR.**

5 The revenue requirements were provided in the Executive Summary
6 section of this testimony. RUCO will show a comparison between the
7 Company's and RUCO's recommended revenue requirements for the three
8 systems in this proceeding and presented in the following tables below:

9 The following table presents the rate base for Liberty BV/RR as initially
10 proposed in the Company's Application, RUCO's direct recommendation,
11 the Company's proposed rebuttal position, and RUCO's surrebuttal
12 recommendations.

13 **RATE BASE**

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<u>Divisions</u>	<u>Co. Rate Application</u>	<u>RUCO Direct</u>	<u>Company Rebuttal</u>	<u>RUCO Surrebuttal</u>
BV Water	\$ 13,205,189	\$ 11,320,677	\$ 11,616,198	\$ 10,962,383
RR Water	\$ 8,861,632	\$ 8,892,216	\$ 10,450,531	\$ 9,544,269
RR Sewer	\$ 5,355,381	\$ 4,712,971	\$ 5,275,096	\$ 5,058,613

19 The next table presents the required operating income for Liberty BV/RR as
20 initially proposed by the Company in its Application, RUCO's direct
21 recommendation, the Company's proposed rebuttal position, and RUCO's
22 surrebuttal recommendations.
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REQUIRED OPERATING INCOME

<u>Divisions</u>	<u>Co. Rate Application</u>	<u>RUCO Direct</u>	<u>Company Rebuttal</u>	<u>RUCO Surrebuttal</u>
BV Water	\$ 1,209,727	\$ 827,301	\$ 1,063,811	\$ 789,802
RR Water	\$ 762,189	\$ 649,832	\$ 898,537	\$ 687,632
RR Sewer	\$ 460,616	\$ 344,418	\$ 453,553	\$ 364,456

The final two tables below presents the required revenue increase in dollars and required percentage increase in gross revenues for Liberty BV/RR as initially proposed by the Company in its Application, RUCO's direct recommendation, the Company's proposed rebuttal position, and RUCO's surrebuttal recommendations.

REQUIRED REVENUE DOLLAR INCREASE

<u>Divisions</u>	<u>Co. Rate Application</u>	<u>RUCO Direct</u>	<u>Company Rebuttal</u>	<u>RUCO Surrebuttal</u>
BV Water	\$ 1,554,297	\$ 501,806	\$ 1,285,580	\$ 552,613
RR Water	\$ 683,836	\$ 252,282	\$ 964,782	\$ 432,876
RR Sewer	\$ 226,351	\$ (31,315)	\$ 180,716	\$ 19,083

REQUIRED REVENUE PERCENTAGE INCREASE

<u>Divisions</u>	<u>Co. Rate Application</u>	<u>RUCO Direct</u>	<u>Company Rebuttal</u>	<u>RUCO Surrebuttal</u>
BV Water	33.61%	10.64%	28.21%	11.71%
RR Water	22.55%	8.06%	31.70%	13.83%
RR Sewer	15.31%	(2.12%)	12.22%	1.29%

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V. OTHER ISSUES

Q. What are the remaining other issues in this proceeding that RUCO needs to address?

A. There are three remaining issues that need to be addressed. Those three issues are as follows:

1. Property Tax Adjuster Mechanism (PTAM);
2. Purchased Power Adjuster Mechanism (PPAM);
3. Corporate Plant Allocations.

Property Tax Adjuster Mechanism (PTAM)

Q. Please address RUCO's position on the Company's request for a property tax adjuster mechanism.

A. RUCO recommends that the Commission deny the Company's request for a property tax adjuster mechanism (PTAM) on the following grounds:

1. Adjusters are intended for very specific expenses that 1) fluctuate widely, 2) are of such a magnitude to total expenses that an increase would 3) cause financial harm and distress to a utility, and where a decrease in the expense 4) would be unfair to pass the cost saving along to the ratepayers. A prime example of such an expense is purchased gas expense for a natural gas or electric utility. Purchased gas expense can often be 30 to 40 percent of the total expenses for a gas or electric utility. Property taxes for a water or sewer utility meets none of the four stated criteria above.

1 **Q. What percentage of total expenses are Liberty BV/RR property tax**
2 **expense in this proceeding?**

3 A. Per the Company's rebuttal filing, property tax expense for the three
4 divisions in this proceeding represent the following percentage to total
5 expenses as follows:

- 6 • Bella Vista Water = 3.36%
 - 7 • Rio Rico Water = 5.53%
 - 8 • Rio Rico Sewer = 6.53%
- 9

10 Not only do those property tax expense percentage levels compared to total
11 expenses not meet any of the four criteria pointed out above, both RUCO
12 and Staff allow the Company an adjustment in the income tax expense
13 calculation to recover the income taxes on the recommend level of property
14 tax expense.

15

16 Purchased Power Adjuster Mechanism (PPAM)

17 **Q. Please address RUCO's position on the Company's request for a**
18 **purchased power adjuster mechanism.**

19 A. RUCO recommends that the Commission deny the Company's request for
20 a purchased power adjuster mechanism (PPAM) on the same grounds as
21 RUCO provided for the PTAM earlier.

22

23

1 Q. **What percentage of total expenses are Liberty BV/RR purchased**
2 **power expense in this proceeding?**

3 A. Per the Company's rebuttal filing, purchased power expense for the three
4 divisions in this proceeding represent the following percentage to total
5 expenses as follows:

- 6 • Bella Vista Water = 10.84%
 - 7 • Rio Rico Water = 10.52%
 - 8 • Rio Rico Sewer = 14.67%
- 9

10 RUCO recommends that the Commission deny the Company of its request
11 for both the PTAM and PPAM.

12

13 Corporate Cost Allocations

14 Q. **Does RUCO recommend any corporate cost allocation (i.e., APUC,**
15 **LUC, LABS, and/or Liberty Sub Corp. South 8020) adjustments in its**
16 **surrebuttal testimony?**

17 A. Yes. At this time, RUCO continues to recommend adjustments to the
18 Company's corporate cost allocations.

19

20 Q. **Does RUCO have any suggestions for the Company to include in**
21 **future modifications to the corporate cost allocation methodology?**

22 A. RUCO strongly recommends that bonuses, voted on by the Board of
23 Directors (BOD), not be included in the cost pools

24

1 **Q. Please explain why bonuses are of concern to RUCO as being a**
2 **disallowed expense?**

3 A. First, ratepayers are already absorbing all the salaries and wages plus one
4 year of reasonable annual pay raises outside of the TY. Second, the
5 ultimate parent Company, APUC, has a Board of Directors (BOD) that must
6 vote by a majority to award the APUC executives bonuses. The BOD are
7 voted in and out by the shareholders of record. Therefore, the BOD works
8 for the shareholders and any bonuses approved by them should be borne
9 by the shareholders to whom they have a responsibility in performing their
10 tasks and duties. If the BOD approve of a bonus for the APUC executives
11 and employees, those costs should be borne 100 percent by the
12 shareholder to whom they represent.

13
14

15 **VI. RATE DESIGN**

16 Bella Vista Water Division

17 **Q. Describe RUCO's rate design for Bella Vista Water Division.**

18 A. RUCO's rate design for Bella Vista Water Division is similar to that as
19 recommended in direct testimony with the exception of the increased
20 revenues that is generated by RUCO's surrebuttal recommendations. The
21 rate design consists of a monthly minimum for the 5/8 x 3/4-Inch metered
22 residential customer of \$15.75 and a 3-Tier inverted commodity rate
23 structure for the 5/8 x 3/4-Inch metered residential customer as the

1 Company proposes. The 3-Tier commodity rates that RUCO recommends
2 for the 5/8 x 3/4-Inch metered residential customer are \$1.95, \$2.45, and
3 \$3.182. All other customer classifications consist of a 2-Tier inverted
4 commodity rate structure that reflects RUCO's tier-two and three commodity
5 rates as referenced above for the 5/8 x 3/4-Inch metered residential
6 customer as the Company proposes. RUCO maintains the same gallon
7 break-over points as recommended in direct testimony and proposed by the
8 Company.

9
10 These rates are shown in two RUCO rate design schedules labeled
11 Surrebuttal Schedule TJC-1 and Surrebuttal Schedule TJC-2.

12
13 Rio Rico Water Division

14 **Q. Describe RUCO's rate design for Rio Rico Water Division.**

15 A. RUCO's rate design for Rio Rico Water Division is similar to that as
16 recommended in direct testimony with the exception of the increased
17 revenues that is generated by RUCO's surrebuttal recommendations. The
18 rate design consists of a monthly minimum for the 5/8 x 3/4-Inch metered
19 residential customer of \$18.25 and a 3-Tier inverted commodity rate
20 structure for the 5/8 x 3/4-Inch metered residential customer as the
21 Company proposes. The school districts receive a 5 percent discount on
22 both the monthly minimums and commodity rates based on meter size. The
23 3-Tier commodity rates that RUCO recommends for the 5/8 x 3/4-Inch

1 metered residential customer are \$1.95, \$3.00, and \$4.001. All other
2 customer classifications consist of a 2-Tier inverted commodity rate
3 structure, with the lone exception of the commercial 5/8 x 3/4-Inch metered
4 customer that also has a 3-Tier commodity rate structure, that reflects
5 RUCO's tier-two and three commodity rates as referenced above for the 5/8
6 x 3/4-Inch metered residential customer as the Company proposes. RUCO
7 maintains the same gallon break-over points as recommended in direct
8 testimony and proposed by the Company. The lone exception is the 6-Inch
9 metered bulk water sales customer, Morning Star Ranch ("MSR"). These
10 rates are shown in RUCO rate design schedules labeled Surrebuttal
11 Schedule TJC-1 and Surrebuttal Schedule TJC-2.

12
13 Rio Rico Sewer Division

14 **Q. Describe RUCO's rate design for Rio Rico Sewer Division.**

15 A. RUCO's rate design for RRUI's Sewer Division is the same as
16 recommended in direct testimony with the exception of the increased
17 revenues that is generated by RUCO's surrebuttal recommendations. The
18 rate design consists of a flat monthly minimum for the 5/8 x 3/4-Inch
19 metered residential customer of \$48.75 with no commodity rate based on
20 water consumption. The school districts receive a 5 percent discount on
21 both the monthly minimums and commodity rates based on meter size.
22 RUCO does recommend a commodity rate based on water consumption for
23 the commercial, multi-tenant, and school district customer classifications as

1 the Company proposes. RUCO recommends the commodity rate of \$5.71
2 be charged on every thousand gallons of water consumption over 7,000
3 gallons as recommended in direct and proposed by the Company. These
4 rates are shown in RUCO rate design schedules labeled Surrebuttal
5 Schedule TJC-1 and Surrebuttal Schedule TJC-2.

6

7 **Q. Does this conclude your surrebuttal testimony on Liberty BV/RR?**

8 **A. Yes, it does.**

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TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - ADVANCES IN AID OF CONSTRUCTION (AIAC) ADJUSTMENT
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TJC-7	1	RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
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TJC-10	1	RATE BASE ADJUSTMENT NO. 7 - INTENTIONALLY LEFT BLANK
TJC-11	1	RATE BASE ADJUSTMENT NO. 8 - INTENTIONALLY LEFT BLANK
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TJC-34	1	COST OF CAPITAL (COC)

RUCO RECOMMENDED REVENUE REQUIREMENT

Line No.	Description	[A] Company OCRB/FVRB Cost	[B] RUCO OCRB/FVRB Cost
1	Fair Value Rate Base	\$ 13,205,189	\$ 10,962,383
2	Adjusted Test Year Operating Income (Loss)	\$ 253,574	\$ 446,792
3	Current Rate Of Return (L2 / L1)	1.92%	4.08%
4	Required Operating Income (L5 X L1)	\$ 1,209,727	\$ 789,802
5	Required Rate Of Return On Fair Value Rate Base	9.16%	7.20%
6	Operating Income Deficiency (L4 - L2)	\$ 956,154	\$ 343,010
7	Gross Revenue Conversion Factor (TJC-1, Pg 2)	1.6256	1.6111
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 1,554,297	\$ 552,613
9	Adjusted Test Year Revenues	\$ 4,624,730	\$ 4,717,227
10	Proposed Annual Revenue (L8 + L9)	\$ 6,179,027	\$ 5,269,840
11	Required Percentage Increase In Revenue (L8 / L9)	33.61%	11.71%
12	Rate Of Return On Common Equity	11.60%	9.12%

References:

Column [A]: Company Schedules A-1, B-1, C-1, and D-1;
Column [B]: RUCO Schedule TJC-2, TJC-11, TJC-30, and TJC-31.

RUCO GROSS REVENUE CONVERSION FACTOR ("GRCF")

LINE NO.	DESCRIPTION	(A)	(B)	(C)	
<i>Calculation of Gross Revenue Conversion Factor:</i>					
1	Revenue	100.0000%			
2	Uncollectible Factor	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	37.9295%			
5	Subtotal (L3 - L4)	62.0705%			
6	Revenue Conversion Factor (L1 / L5)	1.611071			
<i>Calculation of Uncollectible Factor:</i>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	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%		
<i>Calculation of Effective Tax Rate:</i>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	4.9000%			
14	Federal Taxable Income (L12 - L13)	95.1000%			
15	Applicable Federal Income Tax Rate (Col. [C], L53)	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%		
<i>Calculation of Effective Property Tax Factor</i>					
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (Col. [B], L17)	37.2340%			
20	One Minus Combined Income Tax Rate (L18-L19)	62.7660%			
21	Property Tax Factor (Sch. TJC-9, Col. [B], L24)	1.1081%			
22	Effective Property Tax Factor (L20 x L21)		0.6955%		
23	Combined Federal and State Income Tax and Property Tax Rate (Col. [B], L17 + L22)			37.9295%	
24	Required Operating Income (Sch. TJC-1, Col. [B] Line 4)				
25	Adjusted Test Year Operating Income (Loss) (Sch. TJC-1, Col. [B], L2)	\$ 789,802			
26	Required Increase in Operating Income (L24 - L25)	446,792	\$ 343,010		
27	Income Taxes on Recommended Revenue (Col. [C], L52)	\$ 414,947			
28	Income Taxes on Test Year Revenue (Col. [A], L52)	211,467			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		203,480		
30	Recommended Revenue Requirement (Sch. TJC-1, Col. [B], Line 10)	\$ 5,269,840			
31	Uncollectible Rate (L10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L30 x L31)	\$ -			
33	Adjusted Test Year Uncollectible Expense (Sch. TJC-6, Col. [C], L32)	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)				
35	Property Tax with Recommended Revenue (Sch. TJC-9, Col. [B], L19)	\$ 157,623			
36	Property Tax on Test Year Revenue (Sch. TJC-9, Col. [B], L20)	151,499			
37	Increase in Property Tax Due to Increase in Revenue (L35 - 36)		6,123		
38	Total Required Increase in Revenue (Col. [B], L26 + L29 + L34 + L37)		\$ 552,613		
<i>Calculation of Income Tax:</i>					
39	Revenue (Sch. TJC-1, Col. [B], Line 9 & Sch. TJC-1, Col. [B], L10)	\$ 4,717,227	\$ 552,613	\$ 5,269,840	
40	Operating Expenses Excluding Income Taxes	4,058,968		4,065,091	
41	Synchronized Interest (Col. [C], L57)	90,319		90,319	
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 567,940		\$ 1,114,430	
43	Arizona State Income Tax Rate	4.9000%		4.9000%	
44	Arizona Income Tax (L42 x L43)	\$ 27,829		\$ 54,607	
45	Federal Taxable Income (L42 - L44)	\$ 540,111		\$ 1,059,823	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 7,500		\$ 7,500	
47	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ 6,250		\$ 6,250	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ 8,500		\$ 8,500	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ 91,650		\$ 91,650	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ 69,738		\$ 246,440	
51	Total Federal Income Tax	\$ 183,638		\$ 380,340	
52	Combined Federal and State Income Tax (L44 + L51)	\$ 211,467		\$ 414,947	
53	Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40]			34.0000%	
54	<i>Synchronized Interest Calculation:</i>				
55	Rate Base		\$ 10,962,383		
56	x Weighted Average Cost of Debt		0.8239%		
57	Synchronized Interest		\$ 90,319		

RUCO RATE BASE SUMMARY

Line No.	Description	[A] Company As Filed OCRB/FVRB	[B] RUCO Recommended Adjustments	[C] RUCO As Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	\$ 37,612,452	\$ (764,825)	\$ 36,847,627
2	Accumulated Depreciation	(14,375,372)	(67,327)	(14,442,699)
3	Net Utility Plant In Service (L1 + L2)	\$ 23,237,079	\$ (832,152)	\$ 22,404,928
Less:				
4	Advances In Aid Of Construction ("AIAC")	\$ (9,114,847)	\$ 519,226	\$ (8,595,621)
5	Contribution In Aid Of Construction ("CIAC")	(579,988)	(500,454)	(1,080,442)
6	Accumulated Amortization of CIAC	304,864	33,125	337,988
7	Net CIAC (L5 + L6)	\$ (275,124)	\$ (467,330)	\$ (742,454)
8	Customer Meter Deposits	\$ (408,155)	\$ -	\$ (408,155)
9	Customer Security Deposits	(15,077)	-	(15,077)
10	Gross Regulatory Liability	-	-	-
11	Accumulated Amortization	-	-	-
12	Net Regulatory Liability	\$ -	\$ -	\$ -
13	Accumulated Deferred Income Taxes ("ADIT")	\$ (381,189)	\$ (1,408,244)	\$ (1,789,433)
14	Regulatory Liability - Over-Depreciated UPIS	-	-	-
Plus:				
15	Prepayments	1,855	-	1,855
16	Materials & Supplies	-	-	-
17	Cash Working Capital	160,647	(54,306)	106,341
18	TOTAL RATE BASE (Sum L's 3, 4, 7, 8, 9, 12 Thru 17)	\$ 13,205,189	\$ (2,242,806)	\$ 10,962,383

References:

Column [A]: Company Schedule B-1
Column [B]: TJC-3, Columns [B] Thru [K]
Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENTS

Line No.	Description	(A) Company As Filed OCRB/FYRB	(B) Adjust No. 1 UPS & AD Adjustments	(C) Adjust No. 2 AIAC Adjustment	(D) Adjust No. 3 CIAC Adjustment	(E) Adjust No. 4 Intentionally Left Blank	(F) Adjust No. 5 Intentionally Left Blank	(G) Adjust No. 6 Intentionally Left Blank	(H) Adjust No. 7 Intentionally Left Blank	(I) Adjust No. 8 Intentionally Left Blank	(J) Adjust No. 9 ADIT Adjustment	(K) Adjust No. 10 Working Capital Adjustments	(L) Total RUCO Adjustments	(M) RUCO Recommended OCRB/FYRB
1	Gross Utility Plant in Service	\$ 37,612,462	\$ (784,825)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (784,825)	\$ 36,847,627
2	Accumulated Depreciation	(14,375,372)	(67,327)	-	-	-	-	-	-	-	-	-	(67,327)	(14,442,699)
3	Net Utility Plant in Service (L1 + L2)	\$ 23,237,079	\$ (832,152)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (832,152)	\$ 22,404,928
	Less:													
4	Advances in Aid Of Construction ("AIAC")	\$ (9,114,847)	\$ -	\$ 519,226	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 519,226	\$ (8,595,621)
5	Contribution In Aid Of Construction ("CIAC")	(579,868)	-	-	(500,454)	-	-	-	-	-	-	-	(500,454)	(1,080,442)
6	Accumulated Amortization of CIAC	304,864	-	-	33,125	-	-	-	-	-	-	-	33,125	337,989
7	Net CIAC (L5 + L6)	(275,124)	\$ -	\$ (467,330)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (467,330)	(742,454)
8	Customer Meter Deposits	\$ (408,155)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(408,155)
9	Customer Security Deposits	(15,077)	-	-	-	-	-	-	-	-	-	-	-	(15,077)
10	Gross Regulatory Liability	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Accumulated Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Net Regulatory Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	Accumulated Deferred Income Taxes ("ADIT")	\$ (381,189)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,408,244)	\$ -	\$ (1,408,244)	\$ (1,789,433)
14	Regulatory Liability	-	-	-	-	-	-	-	-	-	-	-	-	-
	Plus:													
15	Prepayments	1,855	-	-	-	-	-	-	-	-	-	-	-	1,855
16	Materials & Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Cash Working Capital	160,647	-	-	-	-	-	-	-	-	-	(54,306)	(54,306)	106,341
18	TOTAL RATE BASE (Sum L's 3, 4, 7, 8, 9, 12 Thru 17)	\$ 13,205,189	\$ (832,152)	\$ 519,226	\$ (467,330)	\$ -	\$ (1,408,244)	\$ (54,306)	\$ (2,242,806)	\$ 10,962,383				

References:
Column (A): Company Schedule B-1
Column (B) Thru Column (K): RUCO Recommended Rate Base Adjustments
Column (L): Sum of RUCO Recommended Rate Base Adjustments of Columns (B) through (K)
Column (M): Column (A) + Column (L)

SUMMARY OF UTILITY PLANT IN SERVICE (UPIS) ADJUSTMENTS
 UTILITY PLANT IN SERVICE (UPIS) RATE BASE ADJUSTMENT #1

Line No.	NARUC Account No.	Description	Vintage Year	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
				Company Adjusted Plant in Service As Filed	RUCO Adjustment A Company Retrospective Adjustment	RUCO Adjustment B Post-Test-Year Plant Adjustment	RUCO Adjustment C Corporate Plant Adjustment	RUCO Adjustment D Intentionally Left Blank	RUCO Adjustment E Intentionally Left Blank	RUCO Adjustment F Intentionally Left Blank	RUCO Adjustment G Intentionally Left Blank	RUCO Adjustment H Intentionally Left Blank	RUCO Total UPIS Adjustments	RUCO Recommended Plant in Service
Direct Plant:														
1	301	Organization Cost		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost		98,989	-	-	-	-	-	-	-	-	-	98,989
3	303	Land & Land Rights		668,011	-	-	-	-	-	-	-	-	-	668,011
4	304	Structures & Improvements		4,235,497	(228,708)	(28,251)	-	-	-	-	-	-	-	3,978,488
5	305	Collecting & Impounding Reservoirs		105,944	(58,831)	-	-	-	-	-	-	-	(257,017)	49,813
6	306	Lake, River, and Canal Intakes		-	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs		-	-	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries		1,892,408	(19,236)	(291)	-	-	-	-	-	-	(19,527)	1,872,881
9	309	Raw Water Supply Mains		432,050	2,180	-	-	-	-	-	-	-	-	434,230
10	310	Power Generation Equipment		195,998	(581)	-	-	-	-	-	-	-	(581)	195,417
11	311	Pumping Equipment		3,195,256	66,890	(45,250)	-	-	-	-	-	-	21,430	3,219,886
12	320	Water Treatment Equipment		-	(41,228)	113	-	-	-	-	-	-	(41,115)	79,559
13	320.1	Water Treatment Plants		-	777	-	-	-	-	-	-	-	777	777
14	320.2	Solution Chemical Feeders		-	41,857	-	-	-	-	-	-	-	41,857	41,857
15	330	Distribution Reservoirs & Standpipes		3,195,343	(557,578)	-	-	-	-	-	-	-	(557,578)	2,637,765
16	330.1	Storage Tanks		-	528,888	-	-	-	-	-	-	-	528,888	528,888
17	330.2	Pressure Tanks		-	211	-	-	-	-	-	-	-	211	211
18	331	Transmission & Distribution Mains		14,654,450	182,630	(23,893)	-	-	-	-	-	-	138,987	14,793,417
19	333	Services		2,173,490	52,357	(94,954)	-	-	-	-	-	-	(42,597)	2,130,883
20	334	Meters		1,959,945	(90,800)	(58,263)	-	-	-	-	-	-	(117,153)	1,842,792
21	335	Hydrants		1,151,007	1,328	(3,138)	-	-	-	-	-	-	(1,811)	1,148,196
22	336	Backflow Prevention Devices		-	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment		189,235	-	-	-	-	-	-	-	-	-	189,235
24	340	Office Furniture & Equipment		281,034	(115,455)	(584)	-	-	-	-	-	-	(110,039)	164,995
25	340.1	Computers & Software		186,002	115,455	(341)	-	-	-	-	-	-	115,114	281,115
26	341	Transportation Equipment		519,513	38,258	-	-	-	-	-	-	-	-	557,771
27	342	Stores Equipment		-	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment		314,385	5,395	(17,888)	-	-	-	-	-	-	-	301,892
29	344	Laboratory Equipment		3,285	-	-	-	-	-	-	-	-	(12,304)	3,281
30	345	Power Operated Equipment		101,250	37	-	-	-	-	-	-	-	37	101,287
31	346	Communication Equipment		892,339	3,490	(10,379)	-	-	-	-	-	-	(8,889)	885,449
32	347	Miscellaneous Equipment		862,722	(442,442)	-	-	-	-	-	-	-	(442,442)	420,280
33	347.1	Miscellaneous Equipment - CNG Plant		-	450,582	(450,582)	-	-	-	-	-	-	-	-
34	348	Other Tangible Plant		155,378	-	-	-	-	-	-	-	-	-	155,378
35		Rounding		-	-	-	-	-	-	-	-	-	-	-
36		Total Direct Plant		\$ 37,180,903	\$ (57,059)	\$ (731,282)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (786,342)	\$ 36,392,291
Allocated Corporate Plant:														
37	903	Land & Land Rights		\$ 20,738	\$ (2,127)	\$ -	\$ 701	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,428)	\$ 19,312
38	904	Structures and Improvements		225,059	(9,229)	-	(3,798)	-	-	-	-	-	(13,027)	212,031
39	940	Office Furniture and Fixtures		24,473	8,299	-	-	-	-	-	-	-	-	30,772
40	940.1	Computers and Software		161,580	33,232	-	(1,558)	-	-	-	-	-	31,874	193,253
41		Total Allocated Corporate Plant		\$ 431,849	\$ 28,172	\$ -	\$ (4,655)	\$ -	\$ 23,517	\$ 455,369				
42		Plant Not Accounted For		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43		Total Utility Plant in Service (UPIS)		\$ 37,612,452	\$ (28,887)	\$ (731,282)	\$ (4,955)	\$ -	\$ (762,825)	\$ 36,847,627				

References:
 Column (A): Company Schedule B-2 Adjusted Test Year as Filed
 Column (B) Through (I): RUCO Recommended UPIS Adjustments
 Column (J): Sum of Columns (B) Through (I) - RUCO Sum of Total Recommended UPIS Adjustments
 Column (K): Column (A) + (J)

**SUMMARY OF ACCUMULATED DEPRECIATION (AD) ADJUSTMENTS
 UPIS ACCUMULATED DEPRECIATION RATE BASE ADJUSTMENT #1**

Line No.	NARUC Account No.	Description	Vintage Year	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
				Company Adjusted Accum. Deprs. As Filed	RUCO Adjustment A Company Rebuttal Adjustments	RUCO Adjustment B Post-Test-Year Plant Adjustment	RUCO Adjustment C Corporate Plant Adjustment	RUCO Adjustment D Intentionally Left Blank	RUCO Adjustment E Intentionally Left Blank	RUCO Adjustment F Intentionally Left Blank	RUCO Adjustment G Intentionally Left Blank	RUCO Adjustment H Intentionally Left Blank	RUCO Total Accum. Deprs. Adjustments	RUCO Recommended Accum. Deprs.
Direct Plant:														
1	301	Organization Cost		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost		-	-	-	-	-	-	-	-	-	-	-
3	303	Land & Land Rights		-	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements		870,543	(22,096)	(470)	-	-	-	-	-	-	(22,569)	847,974
5	305	Collecting & Impounding Reservoirs		8,788	-	-	-	-	-	-	-	-	-	8,788
6	306	Lake, River, and Canal Intakes		-	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs		797,497	(5,034)	(5)	-	-	-	-	-	-	-	792,458
8	308	Infiltration Galleries		-	-	-	-	-	-	-	-	-	(5,039)	787,458
9	309	Raw Water Supply Mains		4,838	22	-	-	-	-	-	-	-	-	4,860
10	310	Power Generation Equipment		447	4,948	-	-	-	-	-	-	-	-	5,200
11	311	Pumping Equipment		2,288,790	(4,341)	(2,828)	-	-	-	-	-	-	-	2,281,611
12	320	Water Treatment Equipment		23,722	(2,100)	2	-	-	-	-	-	-	-	21,624
13	320.1	Water Treatment Plants		-	13	-	-	-	-	-	-	-	-	13
14	320.2	Solution Chemical Feeders		-	13,240	-	-	-	-	-	-	-	-	13,240
15	330	Distribution Reservoirs & Standpipes		1,130,151	(18,138)	-	-	-	-	-	-	-	-	1,112,014
16	330.1	Storage Tanks		-	16,900	-	-	-	-	-	-	-	-	16,900
17	330.2	Pressure Tanks		-	37	-	-	-	-	-	-	-	-	37
18	331	Transmission & Distribution Mains		4,961,849	13,803	(237)	-	-	-	-	-	-	-	5,000,415
19	333	Services		1,064,571	1,726	(1,581)	-	-	-	-	-	-	-	1,064,716
20	334	Meters		1,296,802	135,519	(2,343)	-	-	-	-	-	-	-	1,399,978
21	335	Hydrants		395,499	31	(31)	-	-	-	-	-	-	-	395,499
22	336	Backflow Prevention Devices		-	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc. Equipment		58,367	-	-	-	-	-	-	-	-	-	58,367
24	340	Office Furniture & Equipment		183,523	(16,308)	(19)	-	-	-	-	-	-	-	167,206
25	340.1	Computers & Software		160,219	49,246	(34)	-	-	-	-	-	-	-	209,431
26	341	Transportation Equipment		234,219	3,826	-	-	-	-	-	-	-	-	238,045
27	342	Store Equipment		-	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment		127,088	489	(442)	-	-	-	-	-	-	-	127,135
29	344	Laboratory Equipment		184	-	-	-	-	-	-	-	-	-	184
30	345	Power Operated Equipment		15,936	780	-	-	-	-	-	-	-	-	16,716
31	346	Communication Equipment		359,850	681	(519)	-	-	-	-	-	-	-	359,912
32	347	Miscellaneous Equipment		109,329	-	-	-	-	-	-	-	-	-	109,329
33	347.1	Miscellaneous Equipment - CNG Plant		-	7,502	(7,502)	-	-	-	-	-	-	-	-
34	348	Other Tangible Plant		118,534	-	-	-	-	-	-	-	-	-	118,534
35		Rounding		-	-	-	-	-	-	-	-	-	-	-
36		Total Direct Plant		\$ 14,178,264	\$ 180,001	\$ (16,011)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,342,254
Allocated Corporate Plant:														
37	903	Land & Land Rights		\$ -	\$ (2,127)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,127)	\$ (2,127)
38	904	Structures and Improvements		11,964	(9,229)	-	(97)	-	-	-	-	-	-	2,638
39	940	Office Furniture and Fixtures		2,045	6,296	-	-	-	-	-	-	-	-	8,341
40	940.1	Computers and Software		58,133	33,232	-	(312)	-	-	-	-	-	-	91,053
41		Total Allocated Corporate Plant		\$ 72,081	\$ 28,172	\$ -	\$ (409)	\$ -	\$ -	\$ 99,845				
42		Plant Not Accounted For		\$ 125,028	\$ (125,028)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43		Total Utility Plant in Service (UPIS)		\$ 14,375,372	\$ 83,147	\$ (16,011)	\$ (409)	\$ -	\$ -	\$ 14,442,089				

References:

- Column (A): Company Schedule B-2 Adjusted Test Year as Filed
- Column (B) Through (I): RUCO Recommended UPIS Adjustments
- Column (J): Sum of Columns (B) Through (I) - RUCO Sum of Total Recommended UPIS Adjustments
- Column (K): Column (A) + (J)

**UTILITY PLANT IN SERVICE (UPIS) ADJUSTMENT NO. A
COMPANY REBUTTAL ADJUSTMENTS**

<u>Line No.</u>		Company Direct <u>UPIS</u>	Company Rebuttal <u>UPIS</u>	<u>RUCO Surrebuttal Adjustments</u>	
Direct Plant:					
1	301	Organization Cost	\$ -	\$ -	\$ -
2	302	Franchise Cost	98,989	98,989	-
3	303	Land & Land Rights	688,011	688,011	-
4	304	Structures & Improvements	4,235,497	4,006,731	(228,766)
5	305	Collecting & Impounding Reservoirs	105,644	46,813	(58,831)
6	306	Lake, River, and Canal Intakes	-	-	-
7	307	Wells & Springs	1,692,408	1,673,171	(19,236)
8	308	Infiltration Galleries	-	-	-
9	309	Raw Water Supply Mains	432,050	434,230	2,180
10	310	Power Generation Equipment	195,696	195,135	(561)
11	311	Pumping Equipment	3,195,256	3,261,936	66,680
12	320	Water Treatment Equipment	117,674	76,446	(41,228)
13	320.1	Water Treatment Plants	-	777	777
14	320.2	Solution Chemical Feeders	-	41,657	41,657
15	330	Distribution Reservoirs & Standpipes	3,195,343	2,637,767	(557,576)
16	330.1	Storage Tanks	-	526,889	526,889
17	330.2	Pressure Tanks	-	211	211
18	331	Transmission & Distribution Mains	14,654,450	14,817,080	162,630
19	333	Services	2,173,490	2,225,847	52,357
20	334	Meters	1,959,945	1,899,055	(60,890)
21	335	Hydrants	1,151,007	1,152,335	1,328
22	336	Backflow Prevention Devices	-	-	-
23	339	Other Plant & Misc Equipment	189,235	189,235	-
24	340	Office Furniture & Equipment	281,034	165,579	(115,455)
25	340.1	Computers & Software	166,002	281,457	115,455
26	341	Transportation Equipment	519,513	557,771	38,258
27	342	Stores Equipment	-	-	-
28	343	Tools, Shop & Garage Equipment	314,385	319,779	5,395
29	344	Laboratory Equipment	3,285	3,285	-
30	345	Power Operated Equipment	101,250	101,287	37
31	346	Communication Equipment	892,339	895,829	3,490
32	347	Miscellaneous Equipment	662,722	220,280	(442,442)
33	347.1	Miscellaneous Equipment - CNG Plant	-	450,582	450,582
34	348	Other Tangible Plant	155,378	155,378	-
35		Rounding	-	-	-
36		Total Direct Plant	\$ 37,180,603	\$ 37,123,543	\$ (57,059)
Allocated Corporate Plant:					
37	903	Land & Land Rights	\$ 20,738	\$ 18,611	\$ (2,127)
38	904	Structures and Improvements	225,059	215,830	(9,229)
39	940	Office Furniture and Fixtures	24,473	30,770	6,296
40	940.1	Computers and Software	161,580	194,811	33,232
41		Total Allocated Corporate Plant	\$ 431,849	\$ 460,022	\$ 28,172
42		Plant Not Accounted For	\$ -	\$ -	\$ -
43		Total Utility Plant in Service (UPIS)	\$ 37,612,452	\$ 37,583,565	\$ (28,887)

**UTILITY PLANT IN SERVICE (UPIS) ACCUMULATED DEPRECIATION (AD) ADJUSTMENT NO. A
COMPANY REBUTTAL ADJUSTMENTS**

Line		Company Direct <u>A/D</u>	Company Rebuttal <u>A/D</u>	RUCO Surrebuttal <u>Adjustments</u>
	<u>No.</u> Direct Plant:			
1	301 Organization Cost	\$ -	\$ -	\$ -
2	302 Franchise Cost	-	-	-
3	303 Land & Land Rights	-	-	-
4	304 Structures & Improvements	870,543	848,444	(22,099)
5	305 Collecting & Impounding Reservoirs	8,788	8,788	-
6	306 Lake, River, and Canal Intakes	-	-	-
7	307 Wells & Springs	797,497	792,463	(5,034)
8	308 Infiltration Galleries	-	-	-
9	309 Raw Water Supply Mains	4,838	4,860	22
10	310 Power Generation Equipment	447	5,293	4,846
11	311 Pumping Equipment	2,288,780	2,284,439	(4,341)
12	320 Water Treatment Equipment	23,722	21,622	(2,100)
13	320.1 Water Treatment Plants	-	13	13
14	320.2 Solution Chemical Feeders	-	13,240	13,240
15	330 Distribution Reservoirs & Standpipes	1,130,151	1,112,014	(18,138)
16	330.1 Storage Tanks	-	16,900	16,900
17	330.2 Pressure Tanks	-	37	37
18	331 Transmission & Distribution Mains	4,991,849	5,005,652	13,803
19	333 Services	1,064,571	1,066,297	1,726
20	334 Meters	1,256,602	1,392,121	135,519
21	335 Hydrants	395,469	395,500	31
22	336 Backflow Prevention Devices	-	-	-
23	339 Other Plant & Misc Equipment	58,367	58,367	-
24	340 Office Furniture & Equipment	163,523	147,215	(16,308)
25	340.1 Computers & Software	160,219	209,465	49,246
26	341 Transportation Equipment	234,219	238,045	3,826
27	342 Stores Equipment	-	-	-
28	343 Tools, Shop & Garage Equipment	127,068	127,537	469
29	344 Laboratory Equipment	164	164	-
30	345 Power Operated Equipment	15,936	16,695	760
31	346 Communication Equipment	359,650	360,331	681
32	347 Miscellaneous Equipment	109,329	109,329	-
33	347.1 Miscellaneous Equipment - CNG Plant	-	7,502	7,502
34	348 Other Tangible Plant	116,534	116,534	-
35	Rounding	-	-	-
36	Total Direct Plant	\$ 14,178,264	\$ 14,358,865	\$ 180,601
	<u>Allocated Corporate Plant:</u>			
37	903 Land & Land Rights	\$ 20,738	\$ 18,611	\$ (2,127)
38	904 Structures and Improvements	225,059	215,830	(9,229)
39	940 Office Furniture and Fixtures	24,473	30,770	6,296
40	940.1 Computers and Software	161,580	194,811	33,232
41	Total Allocated Corporate Plant	\$ 431,849	\$ 460,022	\$ 28,172
42	Plant Not Accounted For	\$ 125,026	\$ -	\$ (125,026)
43	Total Utility Plant in Service (UPIS)	\$ 14,735,140	\$ 14,818,887	\$ 83,747

**UTILITY PLANT IN SERVICE ("UPIS") ADJUSTMENT NO. B
POST TEST YEAR PLANT DISALLOWANCE EXCEEDING 6-MONTHS TEST YEAR END**

Line No.	Acct. No.	Description	[A] Company Post-Test-Year Plant Amount	[B] RUCO PTY Plant Adjustments	[C] RUCO Recommended PTY Plant
1	301	Organization Cost	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-
3	303	Land and Land Rights	-	-	-
4	304	Structures and Improvements	-	-	-
5	305	Collecting and Impounding Res.	54,692	(28,251)	26,441
6	306	Lake River and Other Intakes	-	-	-
7	307	Wells and Springs	-	-	-
8	308	Infiltration Galleries and Tunnels	15,740	(291)	15,449
9	309	Supply Mains	-	-	-
10	310	Power Generation Equipment	193,841	-	193,841
11	311	Electric Pumping Equipment	83,882	(45,250)	38,633
12	320	Water Treatment Equipment	(113)	113	-
13	320.1	Water Treatment Plant	777	-	777
14	320.2	Chemical Solution Feeders	-	-	-
15	330	Dist. Reservoirs & Standpipe	6,418	-	6,418
16	330.1	Storage tanks	-	-	-
17	330.2	Pressure Tanks	-	-	-
18	331	Trans. and Dist. Mains	40,018	(23,663)	16,356
19	333	Services	103,660	(94,954)	8,706
20	334	Meters	58,261	(56,263)	1,998
21	335	Hydrants	3,139	(3,139)	-
22	336	Backflow Prevention Devices	-	-	-
23	339	Other Plant and Misc. Equip.	-	-	-
24	340	Office Furniture and Fixtures	-	-	-
25	340.1	Computers and Software	584	(584)	-
26	341	Transportation Equipment	2,877	(341)	2,535
27	342	Stores Equipment	-	-	-
28	343	Tools, Shop & Garage Equipment	-	-	-
29	344	Laboratory Equipment	18,757	(17,698)	1,059
30	345	Power Operated Equipment	-	-	-
31	346	Communications Equipment	30,389	-	30,389
32	347	Miscellaneous Equipment	12,986	(10,379)	2,606
33	347.1	Miscellaneous Equipment - CNG Plant	-	-	-
34	348	Other Tangible Plant	450,582	(450,582)	-
			-	-	-
35		TOTALS	\$ 1,076,491	\$ (731,282)	\$ 345,208
36		RUCO Total Adjustment		\$ (731,282)	

References:

Per Company Response to RUCO DR #2.10 - See RUCO W/P

UTILITY PLANT IN SERVICE (UPIS) ACCUMULATED DEPRECIATION (AD) ADJUSTMENT NO. B
POST TEST YEAR PLANT ACCUMULATED DEPRECIATION DISALLOWANCE EXCEEDING 6-MONTHS TEST YEAR END

Line No.	Acct. No.	Description	[A] Depre. Rate	[B] RUCO Adjusted PTY Plant	[C] RUCO Disallowed PTY Plant	[D] RUCO Adjusted PTY Accum. Depre. Amount
1	301	Organization Cost	0.00%	\$ -	\$ -	\$ -
2	302	Franchise Cost	0.00%	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-
4	304	Structures and Improvements	3.33%	54,692	(28,251)	(470)
5	305	Collecting and Impounding Res.	2.50%	-	-	-
6	306	Lake River and Other Intakes	2.50%	-	-	-
7	307	Wells and Springs	3.33%	15,740	(291)	(5)
8	308	Infiltration Galleries and Tunnels	6.67%	-	-	-
9	309	Supply Mains	2.00%	-	-	-
10	310	Power Generation Equipment	5.00%	193,841	-	-
11	311	Electric Pumping Equipment	12.50%	83,882	(45,250)	(2,828)
12	320	Water Treatment Equipment	3.33%	(113)	113	2
13	320.1	Water Treatment Plant	3.33%	777	-	-
14	320.2	Chemical Solution Feeders	20.00%	6,418	-	-
15	330	Dist. Reservoirs & Standpipe	2.22%	-	-	-
16	330.1	Storage tanks	2.22%	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-
18	331	Trans. and Dist. Mains	2.00%	40,018	(23,663)	(237)
19	333	Services	3.33%	103,660	(94,954)	(1,581)
20	334	Meters	8.33%	58,261	(56,263)	(2,343)
21	335	Hydrants	2.00%	3,139	(3,139)	(31)
22	336	Backflow Prevention Devices	6.67%	-	-	-
23	339	Other Plant and Misc. Equip.	6.67%	-	-	-
24	340	Office Furniture and Fixtures	6.67%	584	(584)	(19)
25	340.1	Computers and Software	20.00%	2,877	(341)	(34)
26	341	Transportation Equipment	20.00%	-	-	-
27	342	Stores Equipment	4.00%	-	-	-
28	343	Tools and Work Equipment	5.00%	18,757	(17,698)	(442)
29	344	Laboratory Equipment	10.00%	-	-	-
30	345	Power Operated Equipment	5.00%	30,389	-	-
31	346	Communications Equipment	10.00%	12,986	(10,379)	(519)
32	347	Miscellaneous Equipment	10.00%	-	-	-
33	347.1	Miscellaneous Equipment - CNG Plant	3.33%	450,582	(450,582)	(7,502)
34	348	Other Tangible Plant	10.00%	-	-	-
35		TOTALS		<u>\$1,076,491</u>	<u>\$ (731,282)</u>	\$ (16,011)
36		Company's Accumulated Depreciation on PTY Plant				26,186
37		RUCO Total Adjustment				<u>\$ (16,011)</u>

References:

Per Company Response to RUCO DR #2.10 - See RUCO W/P and Schedule TJC-4(d) on page 1 of 2.

UPIS ACCUMULATED DEPRECIATION ADJUSTMENT NO. C
CORPORATE UPIS ACCUMULATED DEPRECIATION

Line
No.

Corporate Plant A/D

		[A]	[B]	[C]
	Acct. <u>No.</u> <u>Description</u>	RUCO <u>Corp Adj.</u>	Depreciation <u>Rate</u>	RUCO <u>Adjustments</u>
1	903 Land and Land Rights	\$ 701	0.00%	\$ -
2	904 Structures and Improvements	(3,798)	2.56%	(97)
3	940.1 Computers and Software	(1,558)	20.00%	(312)
4	RUCO Total Adjustment			\$ (409)

**RATE BASE ADJUSTMENT NO. 2
ADVANCES IN AID OF CONSTRUCTION ("AIAC")**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
<u>AIAC Adjustment:</u>		
1	Company AIAC as Filed in Direct	\$ 9,114,847
2	Company AIAC as Filed in Rebuttal	<u>8,595,621</u>
3	RUCO Recommended Increase/(Decrease)	<u>\$ (519,226)</u>

References:

Company B-1 Schedules

**RATE BASE ADJUSTMENT NO. 3
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) & AMORTIZATIONS RECONSTRUCTION SCHEDULE**

Line No.	<u>Description</u>	<u>Amount</u>
<u>Gross CIAC:</u>		
1	Company Gross CIAC as Filed in Direct	\$ 579,988
2	Company Gross CIAC as Filed in Rebuttal	1,080,442
3	RUCO Recommended Increase/(Decrease) Adjustment	<u>\$ 500,454</u>
<u>Accumulated Amortization of CIAC:</u>		
4	Company Accumulated Amortization of CIAC as Filed in Direct	\$ (304,864)
5	Company Accumulated Amortization of CIAC as Filed in Rebuttal	(337,988)
6	RUCO Recommended Increase/(Decrease) Adjustment	<u>\$ (33,125)</u>
7	Company Net CIAC as Filed in Direct	\$ 275,124
8	Company Net CIAC as Filed in Rebuttal	742,454
9	RUCO Net Increase/Decrease Adjustment	<u>\$ 467,330</u>

References:

**RATE BASE ADJUSTMENT NO. 4
INTENTIONALLY LEFT BLANK**

Line No.	Description	Amount
1		\$ -
2		\$ -
3		\$ -

References:

**RATE BASE ADJUSTMENT NO. 5
INTENTIONALLY LEFT BLANK**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**RATE BASE ADJUSTMENT NO. 6
INTENTIONALLY LEFT BLANK**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**RATE BASE ADJUSTMENT NO. 7
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<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**RATE BASE ADJUSTMENT NO. 8
INTENTIONALLY LEFT BLANK**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

RATE BASE ADJUSTMENT NO. 9
ACCUMULATED DEFERRED INCOME TAXES (ADIT)

Line No.	Deferred Income Tax as of December 31, 2014	Water & Sewer Adjusted Book Value	Water & Sewer Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non-Current	Future Tax Liability Current	Future Tax Liability Non-Current
1										
2										
3										
4										
5										
6	Plant-in-Service	\$ 35,605,261 ¹								
7	Accum. Deprec. CIAC	(14,342,854) ¹								
8		(6,759,388) ³								
9	Fed. Fixed Assets	\$ 14,503,018	\$ 6,780,274 ²	100.0%	\$ (7,722,744)	32.33%				(2,497,072)
10										
11	State Fixed Assets	\$ 14,503,018	\$ 6,629,177 ²	100.0%	\$ (7,873,841)	4.900%				(385,818)
12										
13	Fed & State AIAC		2,986,841 ⁴	100.0%	\$ 2,986,841 ⁴	37.234%	\$ 1,112,120	\$ 1,112,120	\$ -	\$ (2,882,890)
14										
15										
16										
17										
18	Net Asset (Liability)						\$ (1,770,770)			
19	Allocation Factor						1.0000			
20										
21	Net Asset (Liability) Water Division						\$ (1,770,770)			
22										
23	Allocated Corporate ADIT ⁵						\$ (18,664)			
24										
25	Total Asset (Liability) Water Division						\$ (1,789,433)			
26										
27	DIT Asset (Liability) per Company Direct						\$ (381,189)			
28										
29	Adjustment to DIT						\$ 1,408,244			
30										
31										
32										
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Footnotes - See page 7.1

RECAP SCHEDULES:
B-2, page 2

**RATE BASE ADJUSTMENT NO. 10
CASH WORKING CAPITAL LEAD / LAG STUDY**

Line No.	Description	[A] Company Adjusted Test Year As Filed	[B] RUCO Expense Adjustments	[C] RUCO Recommended Expense	[D] Revenue Lag Days	[E] Expense (Lead)/Lag Days	[F] Net (Lead)/Lag Days Col. [D] - Col. [E]	[G] (Lead)/Lag Factor Col. [F] / 365	[H] Cash Working Capital Requirement Col. [C] x Col. [G]
Operating Expenses:									
1	Salaries and Wages	\$ -	\$ -	\$ -	42.63	-	42.63	0.11679	\$ -
2	Purchased Water	3,021	-	3,021	42.63	24.34	18.29	0.05011	151
3	Purchased Power	534,813	24,001	558,815	42.63	32.09	10.54	0.02888	16,136
4	Chemicals	16,800	1,248	18,047	42.63	(24.00)	66.63	0.18255	3,294
5	Fuel for Power Production	-	-	-	42.63	-	42.63	0.11679	-
6	Repairs and Maintenance	-	-	-	42.63	16.11	26.52	0.07266	-
7	Office Supplies and Expense	39,640	-	39,640	42.63	39.26	3.37	0.00923	366
8	Outside Services	-	-	-	42.63	-	42.63	0.11679	-
9	Contractual Services - Professional	1,209,810	(106,895)	1,102,915	42.63	19.92	22.71	0.06222	68,621
10	Contractual Services - Testing	89,695	(39,345)	50,350	42.63	26.06	16.57	0.04540	2,286
11	Contractual Services - Other	673,384	(24,029)	649,355	42.63	22.70	19.93	0.05460	35,456
12	Water Testing	-	-	-	42.63	-	42.63	0.11679	-
13	Rents	6,162	-	6,162	42.63	(6.12)	48.75	0.13356	823
14	Transportation	105,295	-	105,295	42.63	25.37	17.26	0.04729	4,979
15	Insurance	45,568	-	45,568	42.63	-	42.63	0.11679	5,322
16	Materials and Supplies	63,090	-	63,090	42.63	16.11	26.52	0.07266	4,584
17	Miscellaneous	152,340	(2,100)	150,240	42.63	(8.28)	50.91	0.13948	20,955
18	Depreciation and Amortization	-	-	-	42.63	-	-	-	-
Taxes:									
19	General Taxes-Property ¹	\$ 166,220	\$ (65,448)	\$ 100,771	42.63	213.96	(171.33)	(0.46939)	(47,302)
20	General Taxes-Other	-	-	-	42.63	-	42.63	0.11679	-
21	Income Tax ¹	636,086	(221,139)	414,947	42.63	37.00	5.63	0.01542	6,400
Other:									
22	Regulatory Commission Expense	52,111	(52,111)	-	42.63	(136.54)	179.17	0.49088	-
23	Interest Expense on Proposed Long-Term Debt	-	120,576	120,576	42.63	90.25	(47.62)	(0.13047)	(15,731)
24	Total Cash Working Capital Expenses	<u>\$ 3,794,036</u>	<u>\$ (365,244)</u>	<u>\$ 3,428,793</u>					
25	Total RUCO Recommended Cash Working Capital								\$ 106,341
26	Total Company Proposed Cash Working Capital								160,647
27	RUCO Cash Working Capital Adjustment								\$ (54,306)

References:

¹ At Proposed Rates

OPERATING INCOME SUMMARY

Line No.	Description	[A] Company Adjusted Test Year As Filed	[B] RUCO Recommended Adjustments	[C] RUCO Recommended Adjusted Test Year Amounts	[D] RUCO Recommended Changes	[E] RUCO Recommended Amounts
Revenues:						
1	Metered Water Revenues	\$ 4,530,252	\$ 92,497	\$ 4,622,749	\$ 552,613	\$ 5,175,362
2	Unmetered Water Revenues	-	-	-	-	-
3	Other Water Revenues	94,478	-	94,478	-	94,478
4	Total Revenues	<u>\$ 4,624,730</u>	<u>\$ 92,497</u>	<u>\$ 4,717,227</u>	<u>\$ 552,613</u>	<u>\$ 5,269,840</u>
Operating Expenses:						
5	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
6	Purchased Water	3,021	-	3,021	-	3,021
7	Purchased Power	534,813	24,001	558,815	-	558,815
8	Chemicals	16,800	1,248	18,047	-	18,047
9	Fuel for Power Production	-	-	-	-	-
10	Repairs and Maintenance	-	-	-	-	-
11	Office Supplies and Expense	39,640	-	39,640	-	39,640
12	Outside Services	-	-	-	-	-
13	Contractual Services - Professional	1,209,810	(106,895)	1,102,915	-	1,102,915
14	Contractual Services - Testing	89,695	(39,345)	50,350	-	50,350
15	Contractual Services - Other	673,384	(24,029)	649,355	-	649,355
16	Water Testing	-	-	-	-	-
17	Rents	6,162	-	6,162	-	6,162
18	Transportation	105,295	-	105,295	-	105,295
19	Insurance	45,568	-	45,568	-	45,568
20	Regulatory Commission - Rate Case Expense	52,111	-	52,111	-	52,111
21	Materials and Supplies	63,090	-	63,090	-	63,090
22	Miscellaneous	152,340	(2,100)	150,240	-	150,240
23	Depreciation and Amortization	1,175,263	(55,553)	1,119,710	-	1,119,710
24	Taxes Other Than Income	-	-	-	-	-
25	Property Taxes	148,997	(54,349)	94,648	6,123	100,771
26	Income Taxes	55,166	156,301	211,467	203,480	414,947
27	Total Operating Expenses	<u>\$ 4,371,156</u>	<u>\$ (100,722)</u>	<u>\$ 4,270,434</u>	<u>\$ 209,603</u>	<u>\$ 4,480,038</u>
28	Operating Income	<u>\$ 253,574</u>	<u>\$ 193,219</u>	<u>\$ 446,792</u>	<u>\$ 343,010</u>	<u>\$ 789,802</u>

References:

- Column [A]: Company Schedule C-1;
- Column [B]: RUCO Recommended Total Adjustments Per Schedule TJC-12 on pages 1-2 at page 2 in Column [S] at line 26;
- Column [C]: Column [A] + [B] - RUCO Recommended Adjusted Test Year Amounts Per Schedule TJC-12 on page 2 of 2 in Column [T];
- Column [D]: RUCO Recommended Increase/(Decrease) to Revenue Requirement;
- Column [E]: Column [C] + [D] - RUCO Recommended Increase/(Decrease) Amounts for Revenue Requirement.

RUCO OPERATING INCOME ADJUSTMENTS

Line No.	Description	[A] Company Adjusted Test Year As Filed	[B] Adj. No. 1 Depreciation Expense	[C] Adj. No. 2 Property Taxes	[D] Adj. No. 3 Incentive Pay Adjustment	[E] Adj. No. 4 Pay Increase Adjustment	[F] Adj. No. 5 Declining Usage Adjustment	[G] Adj. No. 6 Water Testing Adjustment	[H] Adj. No. 7 Postage Decrease Adjustment	[I] Adj. No. 8 Reclass Expenses Adjustment	[J] Adj. No. 9 APUC Labor / Non-Labor Adjustments
Revenues:											
1	Metered Water Revenues	\$ 4,530,252	\$ -	\$ -	\$ -	\$ -	\$ 92,497	\$ -	\$ -	\$ -	\$ -
2	Unmetered Water Revenues	-	-	-	-	-	-	-	-	-	-
3	Other Water Revenues	94,478	-	-	-	-	-	-	-	-	-
4	Total Revenues	\$ 4,624,730	\$ -	\$ -	\$ -	\$ -	\$ 92,497	\$ -	\$ -	\$ -	\$ -
Operating Expenses:											
5	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Purchased Water	3,021	-	-	-	-	-	-	-	-	-
7	Purchased Power	534,813	-	-	-	-	24,001	-	-	-	-
8	Chemicals	16,800	-	-	-	-	1,248	-	-	-	-
9	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
10	Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-
11	Office Supplies and Expense	39,640	-	-	-	-	-	-	-	-	-
12	Outside Services	-	-	-	-	-	-	-	-	-	-
13	Contractual Services - Professional	1,209,810	-	-	(24,181)	-	-	-	-	-	(44,745)
14	Contractual Services - Testing	89,695	-	-	(37,969)	-	-	(45,190)	-	5,845	-
15	Contractual Services - Other	673,384	-	-	(17,943)	-	-	-	-	(6,086)	-
16	Water Testing	-	-	-	-	-	-	-	-	-	-
17	Rents	6,162	-	-	-	-	-	-	-	-	-
18	Transportation	105,295	-	-	-	-	-	-	-	-	-
19	Insurance	45,568	-	-	-	-	-	-	-	-	-
20	Regulatory Commission - Rate Case Expense	52,111	-	-	-	-	-	-	-	-	-
21	Materials and Supplies	63,090	-	-	-	-	-	-	-	-	-
22	Miscellaneous	152,340	-	-	-	-	-	-	(2,341)	241	-
23	Depreciation and Amortization	1,175,263	(55,553)	-	-	-	-	-	-	-	-
24	Taxes Other Than Income	-	-	(54,349)	-	-	-	-	-	-	-
25	Property Taxes	148,997	-	-	-	-	-	-	-	-	-
26	Income Taxes	55,166	-	-	-	-	-	-	-	-	-
27	Total Operating Expenses	\$ 4,371,156	\$ (55,553)	\$ (54,349)	\$ (37,969)	\$ (42,124)	\$ 25,249	\$ (45,190)	\$ (2,341)	\$ -	\$ (44,745)
28	Operating Income	\$ 253,574	\$ 55,553	\$ 54,349	\$ 37,969	\$ 42,124	\$ 67,248	\$ 45,190	\$ 2,341	\$ -	\$ 44,745

References:

Column [A]: Company Schedule C-1 Adjusted Test Year as Filed;
Column [B] through [J]: RUCO Recommended Adjusted Test Year Adjustments;

RUCO OPERATING INCOME ADJUSTMENTS

Line No.	Description	[K] Adj. No. 10 ALL Prof. Labor Adjustment	[L] Adj. No. 11 Intentionally Left Blank	[M] Adj. No. 12 Intentionally Left Blank	[N] Adj. No. 13 Intentionally Left Blank	[O] Adj. No. 14 Intentionally Left Blank	[P] Adj. No. 15 Intentionally Left Blank	[Q] Adj. No. 16 Intentionally Left Blank	[R] Adj. No. 17 Income Taxes	[S] Total RUCO Recommended Adjustments	[T] RUCO Adjusted Test Year Recommended
Revenues:											
1	Metered Water Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,497	\$ 4,622,749
2	Unmetered Water Revenues	-	-	-	-	-	-	-	-	-	-
3	Other Water Revenues	-	-	-	-	-	-	-	-	-	-
4	Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,497	\$ 4,622,749
Operating Expenses:											
5	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Purchased Water	-	-	-	-	-	-	-	-	-	3,021
7	Purchased Power	-	-	-	-	-	-	-	-	24,001	558,815
8	Chemicals	-	-	-	-	-	-	-	-	1,248	18,047
9	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
10	Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-
11	Office Supplies and Expense	-	-	-	-	-	-	-	-	-	-
12	Outside Services	-	-	-	-	-	-	-	-	-	39,640
13	Contractual Services - Professional	-	-	-	-	-	-	-	-	-	-
14	Contractual Services - Testing	-	-	-	-	-	-	-	-	(106,895)	1,102,915
15	Contractual Services - Other	-	-	-	-	-	-	-	-	(39,345)	50,350
16	Water Testing	-	-	-	-	-	-	-	-	(24,029)	649,355
17	Rents	-	-	-	-	-	-	-	-	-	6,162
18	Transportation	-	-	-	-	-	-	-	-	-	105,295
19	Insurance	-	-	-	-	-	-	-	-	-	45,568
20	Regulatory Commission - Rate Case Expense	-	-	-	-	-	-	-	-	-	52,111
21	Materials and Supplies	-	-	-	-	-	-	-	-	-	63,090
22	Miscellaneous	-	-	-	-	-	-	-	-	-	150,240
23	Depreciation and Amortization	-	-	-	-	-	-	-	-	(2,100)	1,119,710
24	Taxes Other Than Income	-	-	-	-	-	-	-	-	(55,553)	-
25	Property Taxes	-	-	-	-	-	-	-	-	-	94,648
26	Income Taxes	-	-	-	-	-	-	-	156,301	(54,349)	211,467
27	Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 156,301	\$ (100,722)	\$ 4,270,434
28	Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (156,301)	\$ 193,219	\$ 446,792

References:
Column [K] thru [R]: RUCO Recommended Adjusted Test Year Adjustments;
Column [S]: RUCO Total Adjusted Test Year Adjustments on Schedule TJC-12 page 1 of 2 in Columns [B] thru Schedule TJC-12 page 2 of 2 in Columns [K] thru [R];
Column [T]: Column [A] on Schedule TJC-12 at page 1 of 2 + Column [S] on Schedule TJC-12 page 2 of 2 - RUCO Recommended Adjusted Test Year Balances.

OPERATING INCOME ADJUSTMENT NO. 1
DEPRECIATION EXPENSE

Line No.	NARUC Account	Description	[A] Company As Filed	[B] RUCO Plant Adjustments	[C] RUCO Adjusted Plant Balances	[D] RUCO Non-Depre. Fully Depre.	[E] RUCO Depreciable UPIS Recommended	[F] Authorized Depreciation Rate	[G] RUCO Depreciation Expense Recommended
Direct Plant:									
1	301	Organization Cost	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2	302	Franchise Cost	98,989	-	98,989	(98,989)	-	0.00%	-
3	303	Land & Land Rights	688,011	-	688,011	(688,011)	-	0.00%	-
4	304	Structures & Improvements	4,235,497	(257,017)	3,978,480	-	3,978,480	3.33%	132,483
5	305	Collecting & Impounding Reservoirs	105,644	(58,831)	46,813	-	46,813	2.50%	1,170
6	306	Lake, River, and Canal Intakes	-	-	-	-	-	2.50%	-
7	307	Wells & Springs	1,692,408	(19,527)	1,672,881	-	1,672,881	3.33%	55,707
8	308	Infiltration Galleries	-	-	-	-	-	6.67%	-
9	309	Raw Water Supply Mains	432,050	2,180	434,230	-	434,230	2.00%	8,685
10	310	Power Generation Equipment	195,696	(561)	195,135	-	195,135	5.00%	9,757
11	311	Pumping Equipment	3,195,256	21,430	3,216,686	(2,044,359)	1,172,328	12.50%	146,541
12	320	Water Treatment Equipment	117,674	(41,115)	76,559	-	76,559	3.33%	2,549
13	320.1	Water Treatment Plants	-	777	777	-	777	3.33%	26
14	320.2	Solution Chemical Feeders	-	41,657	41,657	-	41,657	20.00%	8,331
15	330	Distribution Reservoirs & Standpipes	3,195,343	(557,576)	2,637,767	-	2,637,767	2.22%	58,558
16	330.1	Storage Tanks	-	526,889	526,889	-	526,889	2.22%	11,697
17	330.2	Pressure Tanks	-	211	211	-	211	5.00%	11
18	331	Transmission & Distribution Mains	14,654,450	138,967	14,793,417	-	14,793,417	2.00%	295,868
19	333	Services	2,173,490	(42,597)	2,130,893	-	2,130,893	3.33%	70,959
20	334	Meters	1,969,945	(117,153)	1,842,792	(1,307,033)	535,759	8.33%	44,629
21	335	Hydrants	1,151,007	(1,811)	1,149,196	-	1,149,196	2.00%	22,984
22	336	Backflow Prevention Devices	-	-	-	-	-	6.67%	-
23	339	Other Plant & Misc Equipment	189,235	-	189,235	-	189,235	6.67%	12,622
24	340	Office Furniture & Equipment	281,034	(116,039)	164,995	(144,107)	20,889	6.67%	1,393
25	340.1	Computers & Software	166,002	115,114	281,115	(159,658)	121,457	20.00%	24,291
26	341	Transportation Equipment	519,513	38,258	557,771	(190,940)	366,831	20.00%	73,366
27	342	Stores Equipment	-	-	-	-	-	4.00%	-
28	343	Tools, Shop & Garage Equipment	314,385	(12,304)	302,081	(107,417)	194,664	5.00%	9,733
29	344	Laboratory Equipment	3,285	-	3,285	-	3,285	10.00%	329
30	345	Power Operated Equipment	101,250	37	101,287	-	101,287	5.00%	5,064
31	346	Communication Equipment	892,339	(6,889)	885,449	-	885,449	10.00%	88,545
32	347	Miscellaneous Equipment	662,722	(442,442)	220,280	(101,418)	118,862	10.00%	11,686
33	348	Other Tangible Plant	155,378	-	155,378	-	155,378	10.00%	15,538
34		Direct Plant Sub-Total	\$ 37,180,603	\$ (788,342)	\$ 36,392,261	\$ (4,841,932)	\$ 31,550,329		\$ 1,112,723
Allocated Corporate Plant:									
35	903	Land & Land Rights	\$ 20,738	\$ (1,426)	\$ 19,312	\$ (19,312)	\$ -	0.00%	\$ -
36	904	Structures and Improvements	225,059	(13,027)	212,031	-	212,031	2.56%	5,428
37	940	Office Furniture and Fixtures	24,473	6,296	30,770	-	30,770	6.67%	2,052
38	940.1	Computers and Software	161,580	31,674	193,253	-	193,253	20.00%	38,651
39		Total Plant	\$ 37,612,452			(4,861,243)	\$ 31,986,384		
40		RUCO Total Depreciation Expense on Allowable UPIS							\$ 1,158,854
			<u>Gross CIAC</u>			<u>Fully Amortized CIAC</u>	<u>Gross CIAC Depra. Deduction</u>		
41		Less: Contributions in Aid of Construction	\$ (1,080,442)			\$ -	\$ (1,080,442)	3.62%	\$ (39,144)
42		Regulatory Liability						0.00%	-
43		RUCO Total Depreciation Expense							1,119,710
44		Company Adjusted Depreciation Expense As Filed							1,175,263
45		RUCO Increase/(Decrease) Expense Adjustment							\$ (55,553)

* Fully Depreciated Per Company Schedule C-2, page 2

References:

Company B-2 and C-1 Schedules, and RUCO Schedule TJC-4, pages 1 & 2

**OPERATING INCOME ADJUSTMENT NO. 2
PROPERTY TAXES**

Line No.	Property Tax Calculation	[A]	[B]
		RUCO AS ADJUSTED	RUCO RECOMMENDED
1	RUCO Adjusted Test Year Gross Revenues	\$ 4,717,227	\$ 4,717,227
2	Multiplied by 2	2	2
3	Subtotal (Line 1 * Line 2)	\$ 9,434,454	\$ 9,434,454
4a	RUCO Adjusted Test Year Gross Revenues	4,717,227	
4b	RUCO Recommended Revenue		5,269,840
5	Subtotal (Line 3 + Line 4a)	\$ 14,151,681	\$ 14,704,294
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 4,717,227	\$ 4,901,431
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 9,434,454	\$ 9,802,863
10	Plus: 10% of CWIP Per Company Schedule E-1 As Filed (Intentionally Left Blank)	-	-
11	Less: Net Book Value of Licensed Vehicles	319,726	319,726
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 9,114,728	\$ 9,483,136
13	Assessment Ratio	18.0%	18.0%
14	Assessed Value (Line 12 * Line 13)	\$ 1,640,651	\$ 1,706,965
15	Composite Property Tax Rate (Per RUCO Effective Property Tax Calculation)	9.2341%	9.2341%
16	RUCO Adjusted Test Year Property Tax Expense (Line 14 * Line 15)	\$ 151,499	
17	Company Adjusted Test Year Property Tax Expense (Per Company Schedule C-1)	205,848	
18	RUCO Test Year Adjustment (Line 16-Line 17)	\$ (54,349)	
19	Property Tax - RUCO Recommended Revenue (Line 14 * Line 15)		\$ 157,623
20	RUCO Test Year Adjusted Property Tax Expense (Line 16)		151,499
21	Increase/(Decrease) to Property Tax Expense		\$ 6,123
22	Increase/(Decrease) to Property Tax Expense		\$ 6,123
23	Increase in Revenue Requirement		552,613
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (Line 22 / Line 23)		1.1081%

References:

- RUCO Schedule TJC-11
- RUCO Schedule TJC-4 pages 1 and 2

OPERATING INCOME ADJUSTMENT NO. 3
INCENTIVE PAY

Line No.	Description	Amount
1	Incentive Pay in Test Year	\$ 636,000
2	50 / 50 Sharing Between Ratepayers and Shareholders	50.00%
3	Ratepayers Share	\$ 318,000
4	Bella Vista Allocation Factor	11.94%
5	Ratepayers 50% Sharing Adjustment	\$ (37,969)

References:

Per Company Response to RUCO DR 2.04
Bella Vista Allocation Factor per Company Response to Staff DR 2.7

**OPERATING INCOME ADJUSTMENT NO. 4
PAYROLL INCREASE**

Line No.	Description	Amount
	<u>Contractual Services - Professional:</u>	
1	Per RUCO's Company Schedule E W/P After APUC, LUC, and LABS and LU 8020 Labor Adjustments	\$ 710,502
2	RUCO Recommended Pay Increase	3.00%
3	RUCO Recommended Allowance	\$ 21,315
4	Pay Increase per Company Filing	45,496
5	RUCO Adjustment	\$ (24,181)
	<u>Contractual Services - Other:</u>	
6	Per Company Schedule C-2, Page 9	\$ 580,691
7	RUCO Recommended Pay Increase	3.00%
8	RUCO Recommended Allowance	\$ 17,421
9	Pay Increase per Company Filing	35,364
10	RUCO Adjustment	\$ (17,943)
11	Total RUCO Adjustments to Contractual Services Professional and Other	\$ (42,124)

References:

Per Company Schedule E TJB Final xls, Company Schedule C-2 on page 9, and RUCO W/P Schedule E TJB Final xls
RUCO W/P SUPP#FA#.pdf

OPERATING INCOME ADJUSTMENT NO. 5
DECLINING USAGE

Line No.	Description	Amount
Revenue:		
1	Declining Usage Revenue Adjustment per Company in Direct	\$ (92,497)
2	Declining Usage Revenue Adjustment per Company in Rebuttal	(67,033)
3	RUCO Recommended 50% Adjustment	<u>\$ (79,765)</u>
Purchased Power Expense:		
4	Declining Usage Purchased Power Expense Adjustment per Company in Direct	\$ (24,001)
5	Declining Usage Purchased Power Expense Adjustment per Company in Rebuttal	(16,483)
6	RUCO Recommended 50% Adjustment	<u>\$ (20,242)</u>
Chemical Expense:		
7	Declining Usage Chemical Expense Adjustment per Company in Direct	\$ (1,248)
8	Declining Usage Chemical Expense Adjustment per Company in Rebuttal	(857)
9	RUCO Recommended 50% Adjustment	<u>\$ (1,052)</u>
10	Total RUCO Net Adjustment	<u>\$ (58,471)</u>

References:
Per Company C-2 Schedules

**OPERATING INCOME ADJUSTMENT NO. 6
WATER TESTING EXPENSE**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Contractual Services - Testing Per Company	\$ 89,695
2	Staff Adjustment to Water Testing Expense	(45,190)
3	RUCO Adopted Staff Adjustment	(45,190)

References:

OPERATING INCOME ADJUSTMENT NO. 7
POSTAGE DECREASE

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	Number of Water Bills in Test Year with Annualized Bill Counts	117,065
2	US Postal Service Decrease in Postage Effective April 7, 2016	(0.02)
3	RUCO Adjustment	\$ (2,341)

References:

US Postal Service Price Decrease Effective April 7, 2016

OPERATING INCOME ADJUSTMENT NO. 8
RECLASS EXPENSE AMOUNTS

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	Contractual Services - Other	\$ (6,086)
2	Contractual Services - Testing	5,845
3	Miscellaneous	241
4	RUCO Net Adjustment	\$ -

References:

**OPERATING INCOME ADJUSTMENT NO. 9
APUC COST ALLOCATION ADJUSTMENTS**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
<u>APUC Non-Labor:</u>		
1	APUC Non-Labor Corporate Allocations Per Company Response to TBH 4.2 v1	\$ 38,612
2	APUC Non-Labor Corporate Allocations Per RUCO W/P	10,340
3	RUCO Adjustment	<u>\$ (28,272)</u>
<u>APUC Labor:</u>		
4	APUC Labor Corporate Allocations Per Company Schedule E W/P	\$ 22,497
5	APUC Labor Corporate Allocations Per RUCO W/P	6,024
6	RUCO Adjustment	<u>\$ (16,473)</u>
7	RUCO APUC Non-Labor & Labor Adjustments	<u>\$ (44,745)</u>

References:

Company Response to TBH 4.2 v1
Company Schedule E W/P
RUCO TBH 4.2 W/P

**OPERATING INCOME ADJUSTMENT NO. 10
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Line
No. Description

Amount

References:

Liberty Utilities (Bella Vista Water) Corp.
Docket No. W-02465A-15-0367 et al.
Test Year Ended December 31, 2014

Surrebuttal Testimony Schedules
Schedule TJC-26
Page 1 of 1

**OPERATING INCOME ADJUSTMENT NO. 11
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**OPERATING INCOME ADJUSTMENT NO. 12
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<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1		\$ -
2		-
3		\$ -

References:

OPERATING INCOME ADJUSTMENT NO. 13
INTENTIONALLY LEFT BLANK

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>[A]</u> <u>Company Allocated</u> <u>Amount</u>	<u>[B]</u> <u>RUCO Allocated</u> <u>Amount</u>	<u>[C]</u> <u>RUCO</u> <u>As Adjusted</u>

References:

**OPERATING INCOME ADJUSTMENT NO. 14
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**OPERATING INCOME ADJUSTMENT NO. 15
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

RATE BASE ADJUSTMENT NO. 16
RATE CASE EXPENSE

Line No.	Description	Amount
1	Company Rate Case Expense Requested	\$ 260,557
2	RUCO Rate Case Expense Recommended	<u>260,557</u>
3	Annual Rate Case Expense Normalized Over 5-Years (Line 2 / 5-Years)	\$ 52,111
4	RUCO Adjustment	<u>\$ -</u>

References:

Per Company Schedule C-2

**OPERATING INCOME ADJUSTMENT NO. 17
INCOME TAXES**

<u>Line No.</u>	<u>Description</u>	<u>[A] RUCO Adjusted Test Year Amount</u>	<u>[B] RUCO Recommended Amount</u>
1	RUCO Computed Adjusted Test Year Income Tax	\$ 211,467	\$ 414,947
2	Company Income Tax As Filed	55,166	636,086
3	RUCO Adjustment to Income Tax Expense	<u>\$ 156,301</u>	<u>\$ (221,139)</u>

References:

See RUCO Schedule TJC-1 at page 2 of 2;
Company Schedule C-1 Adjusted Test Year as Filed

GROSS REVENUE CONVERSION FACTOR ("GRCF")

Line No.	Description	Amount
1	Combined Federal & State Effective Income Tax Rate	37.2340%
2	Property Tax Effective Rate	0.6955%
3	Uncollectible Revenue Effective Rate	0.0000%
4	Total Cobined Federal, State, Property, and Uncollectible Effective Rates (Sum of L1 + L2 + L3)	37.9295%
5	Operating Income % = 100% Minus Combined Federal, State, Property, Uncollectible Effective Rates (100% Minus Line 4)	62.0705%
6	$\frac{1}{\text{Operating Income \% on Line 5}}$	= 1.6111

References:
 RUCO Schedule TJC-1, Page 1 of 2 and Page 2 of 2
 RUCO Schedule TJC-11

COST OF CAPITAL

Line No.	Description	[A] DOLLAR AMOUNT	[B] CAPITAL RATIO	[C] COST RATE	[D] WEIGHTED COST RATE
1	Long-Term Debt	\$ 2,634,864	30.00%	2.75%	0.82%
2	Common Equity	6,148,016	70.00%	9.12%	6.38%
3	Total Capitalization	<u>\$ 8,782,879</u>	<u>100.00%</u>		
4	WEIGHTED AVERAGE COST OF CAPITAL ("WACC")				7.20%

References:

Columns [A] Thru [D]: JAC Schedules and Testimony

TABLE OF CONTENTS TO TJC SCHEDULES

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TJC-1	2 of 2	GROSS REVENUE CONVERSION FACTOR ("GRCF")
TJC-2	1	RATE BASE SUMMARY
TJC-3	1	RATE BASE ADJUSTMENTS
TJC-4	1 of 2	RATE BASE ADJUSTMENT NO. 1 - SUMMARY OF UTILITY PLANT IN SERVICE ("UPIS") ADJUSTMENTS
TJC-4	2 of 2	RATE BASE ADJUSTMENT NO. 1 - SUMMARY OF UPIS ACCUMULATED DEPRECIATION ("AD") ADJUSTMENTS
TJC-4(a)	1 of 2	UTILITY PLANT IN SERVICE (UPIS) ADJUSTMENT NO. A - COMPANY REBUTTAL ADJUSTMENTS
TJC-4(a)	2 of 2	UTILITY PLANT IN SERVICE (UPIS) ACCUMULATED DEPRECIATION (AD) ADJUSTMENT NO. A - CO. REBUTTAL ADJMT
TJC-4(b)	1 of 2	UTILITY PLANT IN SERVICE (UPIS) ADJUSTMENT NO. B - POST TEST YEAR (PTY) PLANT ADJUSTMENTS
TJC-4(b)	2 of 2	UTILITY PLANT IN SERVICE (UPIS) ACCUMULATED DEPRECIATION (AD) ADJUSTMENT NO. B - PTY PLANT ADJMTS.
TJC-4(c)	1 of 2	UTILITY PLANT IN SERVICE (UPIS) ADJUSTMENT NO. C - CORPORATE PLANT ADJUSTMENTS
TJC-4(c)	2 of 2	UTILITY PLANT IN SERVICE (UPIS) ACCUMULATED DEPRECIATION (AD) ADJUSTMENT NO. C - CORP. PLANT ADJMTS
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - ADVANCES IN AID OF CONSTRUCTION (AIAC) ADJUSTMENT
TJC-6	1	RATE BASE ADJUSTMENT NO. 3 - CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) & ACCUM. AMORT. (AA) ADJ.
TJC-7	1	RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
TJC-8	1	RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
TJC-9	1	RATE BASE ADJUSTMENT NO. 6 - INTENTIONALLY LEFT BLANK
TJC-10	1	RATE BASE ADJUSTMENT NO. 7 - INTENTIONALLY LEFT BLANK
TJC-11	1	RATE BASE ADJUSTMENT NO. 8 - INTENTIONALLY LEFT BLANK
TJC-12	1 & 2	RATE BASE ADJUSTMENT NO. 9 - ACCUMULATED DEFERRED INCOME TAXES (ADIT)
TJC-13	1	RATE BASE ADJUSTMENT NO. 10 - CASH WORKING CAPITAL
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TJC-18	1	OPERATING INCOME ADJUSTMENT NO. 3 - INCENTIVE PAY
TJC-19	1	OPERATING INCOME ADJUSTMENT NO. 4 - REMOVE 2nd PAYROLL INCREASE
TJC-20	1	OPERATING INCOME ADJUSTMENT NO. 5 - DECLINING REVENUE
TJC-21	1	OPERATING INCOME ADJUSTMENT NO. 6 - WATER TESTING EXPENSE
TJC-22	1	OPERATING INCOME ADJUSTMENT NO. 7 - POSTAGE DECREASE
TJC-23	1	OPERATING INCOME ADJUSTMENT NO. 8 - RECLASS EXPENSES
TJC-24	1	OPERATING INCOME ADJUSTMENT NO. 9 - ALGONQUIN POWER & UTILITIES CORP (APUC) LABOR & NON-LABOR
TJC-25	1	OPERATING INCOME ADJUSTMENT NO. 10 - INTENTIONALLY LEFT BLANK
TJC-26	1	OPERATING INCOME ADJUSTMENT NO. 11 - INTENTIONALLY LEFT BLANK
TJC-27	1	OPERATING INCOME ADJUSTMENT NO. 12 - INTENTIONALLY LEFT BLANK
TJC-28	1	OPERATING INCOME ADJUSTMENT NO. 13 - INTENTIONALLY LEFT BLANK
TJC-29	1	OPERATING INCOME ADJUSTMENT NO. 14 - INTENTIONALLY LEFT BLANK
TJC-30	1	OPERATING INCOME ADJUSTMENT NO. 15 - INTENTIONALLY LEFT BLANK
TJC-31	1	OPERATING INCOME ADJUSTMENT NO. 16 - RATE CASE EXPENSE
TJC-32	1	OPERATING INCOME ADJUSTMENT NO. 17 - INCOME TAX EXPENSE
TJC-33	1	GROSS REVENUE CONVERSION FACTOR ("GRCF")
TJC-34	1	COST OF CAPITAL (COC)

RUCO RECOMMENDED REVENUE REQUIREMENT

Line No.	Description	[A] Company OCRB/FVRB Cost	[B] RUCO OCRB/FVRB Cost
1	Fair Value Rate Base	\$ 8,861,632	\$ 9,544,269
2	Adjusted Test Year Operating Income (Loss)	\$ 340,290	\$ 420,565
3	Current Rate Of Return (L2 / L1)	3.84%	4.41%
4	Required Operating Income (L5 X L1)	\$ 762,189	\$ 687,632
5	Required Rate Of Return On Fair Value Rate Base	8.60%	7.20%
6	Operating Income Deficiency (L4 - L2)	\$ 421,899	\$ 267,067
7	Gross Revenue Conversion Factor (TJC-1, Pg 2)	1.6209	1.6209
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 683,836	\$ 432,876
9	Adjusted Test Year Revenues	\$ 3,032,792	\$ 3,129,553
10	Proposed Annual Revenue (L8 + L9)	\$ 3,716,628	\$ 3,562,429
11	Required Percentage Increase In Revenue (L8 / L9)	22.55%	13.83%
12	Rate Of Return On Common Equity	10.80%	9.12%

References:

Column [A]: Company Schedules A-1, B-1, C-1, and D-1
Column [B]: RUCO Schedule TJC-2, TJC-11 and TJC-30

RUCO GROSS REVENUE CONVERSION FACTOR ("GRCF")

LINE NO.	DESCRIPTION	[A]	[B]	[C]
<u>Calculation of Gross Revenue Conversion Factor:</u>				
1	Revenue	100.0000%		
2	Uncollectible Factor	0.0000%		
3	Revenues (L1 - L2)	100.0000%		
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	38.3040%		
5	Subtotal (L3 - L4)	61.6960%		
6	Revenue Conversion Factor (L1 / L5)	1.620851		
<u>Calculation of Uncollectible Factor:</u>				
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	37.2340%		
9	One Minus Combined Income Tax Rate (L7 - L8)	62.7660%		
10	Uncollectible Rate	0.0000%		
11	Uncollectible Factor (L9 * L10)		0.0000%	
<u>Calculation of Effective Tax Rate:</u>				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	4.9000%		
14	Federal Taxable Income (L12 - L13)	95.1000%		
15	Applicable Federal Income Tax Rate (Col. [C], L53)	34.0000%		
16	Effective Federal Income Tax Rate (L14 x L15)	32.3340%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		37.2340%	
<u>Calculation of Effective Property Tax Factor</u>				
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (Col. [B], L17)	37.2340%		
20	One Minus Combined Income Tax Rate (L18-L19)	62.7660%		
21	Property Tax Factor (Sch. TJC-9, Col. [B], L24)	1.7048%		
22	Effective Property Tax Factor (L20 x L21)		1.0700%	
23	Combined Federal and State Income Tax and Property Tax Rate (Col. [B], L17 + L22)			38.3040%

24	Required Operating Income (Sch. TJC-1, Col. [B] Line 4)	\$ 687,632		
25	Adjusted Test Year Operating Income (Loss) (Sch. TJC-1, Col. [B], L2)	420,565		
26	Required Increase in Operating Income (L24 - L25)		\$ 267,067	
27	Income Taxes on Recommended Revenue (Col. [C], L52)	\$ 361,269		
28	Income Taxes on Test Year Revenue (Col. [A], L52)	202,839		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		158,429	
30	Recommended Revenue Requirement (Sch. TJC-1, Col. [B], Line 10)	\$ 6,179,027		
31	Uncollectible Rate (L10)	0.0000%		
32	Uncollectible Expense on Recommended Revenue (L30 x L31)	\$ -		
33	Adjusted Test Year Uncollectible Expense (Sch. TJC-6, Col. [C], L32)	\$ -		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)			
35	Property Tax with Recommended Revenue (Sch. TJC-9, Col. [B], L19)	\$ 166,220		
36	Property Tax on Test Year Revenue (Sch. TJC-9, Col. [B], L20)	148,997		
37	Increase in Property Tax Due to Increase in Revenue (L35 - 36)		17,223	
38	Total Required Increase in Revenue (Col. [B], L26 + L29 + L34 + L37)		\$ 442,719	

<u>Calculation of Income Tax:</u>	
39	Revenue (Sch. TJC-1, Col. [B], Line 9 & Sch. TJC-1, Col. [B], L10)
40	Operating Expenses Excluding Income Taxes
41	Synchronized Interest (Col. [C], L57)
42	Arizona Taxable Income (L39 - L40 - L41)
43	Arizona State Income Tax Rate
44	Arizona Income Tax (L42 x L43)
45	Federal Taxable Income (L42 - L44)
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%
47	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%
51	Total Federal Income Tax
52	Combined Federal and State Income Tax (L44 + L51)

Test Year	Revenue Increase/(Decrease)	RUCO Recommended
\$ 3,129,553	\$ 432,876	\$ 3,562,429
2,506,149		2,513,529
78,635		78,635
\$ 544,769		\$ 970,265
4.9000%		4.9000%
\$ 26,694		\$ 47,543
\$ 518,075		\$ 922,722
\$ 7,500	\$ 7,500	\$ 7,500
\$ 6,250	\$ 6,250	\$ 6,250
\$ 8,500	\$ 8,500	\$ 8,500
\$ 91,650	\$ 91,650	\$ 91,650
\$ 62,246	\$ 199,826	\$ 199,826
\$ 176,146	\$ 313,726	\$ 313,726
\$ 202,839	\$ 361,269	\$ 361,269

53 Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40] 34.0000%

Synchronized Interest Calculation:

55	Rate Base	\$ 9,544,269
56	x Weighted Average Cost of Debt	0.8239%
57	Synchronized Interest	\$ 78,635

RUCO RATE BASE SUMMARY

Line No.	Description	[A] Company As Filed OCRB/FVRB	[B] RUCO Recommended Adjustments	[C] RUCO As Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	\$ 37,384,534	\$ 212,748	\$ 37,597,281
2	Accumulated Depreciation	(16,309,712)	(63,161)	(16,372,873)
3	Net Utility Plant In Service (L1 + L2)	\$ 21,074,821	\$ 149,587	\$ 21,224,408
Less:				
4	Advances In Aid Of Construction ("AIAC")	\$ (976,558)	\$ -	\$ (976,558)
5	Contribution In Aid Of Construction ("CIAC")	(20,261,911)	-	(20,261,911)
6	Accumulated Amortization of CIAC	10,388,151	(7,738)	10,380,413
7	Net CIAC (L5 + L6)	\$ (9,873,760)	\$ (7,738)	\$ (9,881,498)
8	Customer Meter Deposits	\$ (332,034)	\$ -	\$ (332,034)
9	Customer Security Deposits	-	-	-
10	Gross Regulatory Liability	-	-	-
11	Accumulated Amortization	-	-	-
12	Net Regulatory Liability	\$ -	\$ -	\$ -
13	Accumulated Deferred Income Taxes ("ADIT")	\$ (1,121,537)	\$ 593,941	\$ (527,596)
Plus:				
14	Unamortized Finance Charges	-	-	-
15	Prepayments	1,508	-	1,508
16	Materials & Supplies	-	-	-
17	Cash Working Capital	89,192	(53,152)	36,040
18	TOTAL RATE BASE (Sum L's 3, 4, 7, 8, 9, 12 Thru 17)	\$ 8,861,632	\$ 682,637	\$ 9,544,269

References:

Column [A]: Company Schedule B-1
Column [B]: TJC-3, Columns [B] Thru [K]
Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENTS

Line No.	Description	(A) Company As Filed OCRB/FVRB	(B) Adjust No. 1 UPIS & AD Adjustments	(C) Adjust No. 2 AIAC Adjustment	(D) Adjust No. 3 CIAC Adjustment	(E) Adjust No. 4 Intentionally Left Blank	(F) Adjust No. 5 Intentionally Left Blank	(G) Adjust No. 6 Intentionally Left Blank	(H) Adjust No. 7 Intentionally Left Blank	(I) Adjust No. 8 Intentionally Left Blank	(J) Adjust No. 9 ADIT Adjustment	(K) Adjust No. 10 Working Capital Adjustments	(L) Total RUCO Adjustments	(M) RUCO Recommended OCRB/FVRB
1	Gross Utility Plant In Service	\$ 37,384,534	\$ 212,748										\$ 212,748	\$ 37,597,281
2	Accumulated Depreciation	(16,309,712)	(63,161)										(63,161)	(16,372,873)
3	Net Utility Plant In Service (L1 + L2)	\$ 21,074,821	\$ 149,587										\$ 149,587	\$ 21,224,408
	Less:													
4	Advances In Aid Of Construction ("AIAC")	\$ (976,558)												\$ (976,558)
5	Contribution In Aid Of Construction ("CIAC")	(20,261,911)												(20,261,911)
6	Accumulated Amortization of CIAC	10,388,151			(7,738)									(10,380,413)
7	Net CIAC (L5 + L6)	\$ (9,873,760)			\$ (7,738)								\$ (7,738)	\$ (9,881,498)
8	Customer Meter Deposits	\$ (332,034)												\$ (332,034)
9	Customer Security Deposits													
10	Gross Regulatory Liability													
11	Accumulated Amortization													
12	Net Regulatory Liability													
13	Accumulated Deferred Income Taxes ("ADIT")	\$ (1,121,537)												\$ (1,121,537)
	Plus:													
14	Unamortized Finance Charges													
15	Prepayments													
16	Materials & Supplies	1,508												1,508
17	Cash Working Capital	89,192												89,192
18	TOTAL RATE BASE (Sum L's 3, 4, 7, 8, 9, 12 Thru 17)	\$ 8,861,632	\$ 149,587		\$ (7,738)								\$ 593,941	\$ 9,544,269

References:
Column (A): Company Schedule B-1
Column (B) Thru Column (K): RUCO Recommended Rate Base Adjustments
Column (L): Sum of RUCO Recommended Rate Base Adjustments of Columns (B) through (K)
Column (M): Column (A) + Column (L)

**SUMMARY OF UTILITY PLANT IN SERVICE (UPIB) ADJUSTMENTS
 UTILITY PLANT IN SERVICE (UPIB) RATE BASE ADJUSTMENT #1**

MARUC Line Account No.	Description	Vintage Year	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
			Comearw Adjusted Plant % Service As Filed	RUCO Adjustment A Comearw/Rebutal Adjustment	RUCO Adjustment B Post-Test-Year Plant Adjustment	RUCO Adjustment C Intentionally Left Blank	RUCO Adjustment D Intentionally Left Blank	RUCO Adjustment E Intentionally Left Blank	RUCO Adjustment F Intentionally Left Blank	RUCO Adjustment G Intentionally Left Blank	RUCO Adjustment H Intentionally Left Blank	RUCO Total UPIB Adjustments	RUCO Recommended Plant % Service
Direct Plant:													
1	301	Organization Cost	\$ 5,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,785
2	302	Franchise Cost	417	-	-	-	-	-	-	-	-	-	417
3	303	Land & Land Rights	45,998	-	-	-	-	-	-	-	-	-	45,998
4	304	Structures & Improvements	3,030,713	154,058	(122,106)	-	-	-	-	-	-	-	3,262,665
5	305	Collecting & Inflowing Reservoirs	-	-	-	-	-	-	-	-	-	-	-
6	306	Lula, River, Canal Intakes	-	-	-	-	-	-	-	-	-	-	-
7	307	Walks & Service	905,608	0	-	-	-	-	-	-	-	-	905,608
8	308	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	272,522	-	-	-	-	-	-	-	-	-	272,522
10	310	Power Generation Equipment	219,360	-	-	-	-	-	-	-	-	-	219,360
11	311	Pumps/Infl. Equipment	1,052,570	368,000	(168,751)	-	-	-	-	-	-	-	1,251,819
12	320	Water Treatment Equipment	300,000	(300,000)	-	-	-	-	-	-	-	-	0
13	320.1	Water Treatment Plants	92	399,999	-	-	-	-	-	-	-	-	399,999
14	320.2	Solution Chemical Feeders	4,975	434	-	-	-	-	-	-	-	-	5,409
15	330	Distribution Reservoirs & Standpipes	759,320	-	-	-	-	-	-	-	-	-	759,320
16	330.1	Storage Tanks	1,000	-	-	-	-	-	-	-	-	-	1,000
17	330.2	Pressure Tanks	144	-	-	-	-	-	-	-	-	-	144
18	331	Transmission & Distribution Mains	22,759,403	80,006	(42,138)	-	-	-	-	-	-	-	22,797,271
19	333	Services	4,034,758	420,300	(295,191)	-	-	-	-	-	-	-	4,159,867
20	334	Meters	1,995,563	45,411	(300,725)	-	-	-	-	-	-	-	1,740,249
21	335	Hydrants	635,808	1,138	(900)	-	-	-	-	-	-	-	636,046
22	336	Backflow Prevention Devices	15,855	-	-	-	-	-	-	-	-	-	15,855
23	330	Other Plant & Misc. Equipment	123,778	-	-	-	-	-	-	-	-	-	123,778
24	340	Office Furniture & Equipment	115,867	(80,863)	(190)	-	-	-	-	-	-	-	34,814
25	340.1	Computers & Software	78,019	82,952	-	-	-	-	-	-	-	-	160,971
26	341	Transportation Equipment	141,833	-	-	-	-	-	-	-	-	-	141,833
27	342	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-
28	343	Truck, Shop & Garage Equipment	97,963	2,950	(5,954)	-	-	-	-	-	-	-	94,959
29	344	Laboratory Equipment	3,001	-	-	-	-	-	-	-	-	-	3,001
30	345	Power Operated Equipment	-	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	218,183	84,921	-	-	-	-	-	-	-	-	303,104
32	347	Miscellaneous Equipment	5,427	-	-	-	-	-	-	-	-	-	5,427
33	348	Other Tangible Plant	-	-	-	-	-	-	-	-	-	-	-
34		Rounding	(2)	-	-	-	-	-	-	-	-	-	(2)
35		Total Direct Plant	\$ 37,063,913	\$ 1,140,706	\$ (956,082)	\$ -	\$ -	\$ 37,277,237					
Allocated Corporate Plant:													
36	903	Land & Land Rights	\$ 13,958	\$ (60)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,898
37	904	Structures and Improvements	151,497	(564)	-	-	-	-	-	-	-	-	150,933
38	940	Office Furniture and Fixtures	38,326	4,810	-	-	-	-	-	-	-	-	43,136
39	940.1	Computers and Software	80,871	24,728	-	-	-	-	-	-	-	-	105,599
40		Total Allocated Corporate Plant	\$ 290,652	\$ 28,722	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 319,374
41		Plant Not Accounted For	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42		Total Utility Plant In Service (UPIB)	\$ 37,354,534	\$ 1,169,430	\$ (956,082)	\$ -	\$ -	\$ 37,907,279					

References:

- Column (A): Comearw Schedule B-2 Adjusted Test Year as Filed
- Column (B) Through (K): RUCO Recommended UPIB Adjustments
- Column (L): Sum of Column (B) Through (K) - RUCO Sum of Total Recommended UPIB Adjustments
- Column (M): Column (A) + (L)

SUMMARY OF ACCUMULATED DEPRECIATION (AD) ADJUSTMENTS
 UPSIS ACCUMULATED DEPRECIATION RATE BASE ADJUSTMENT #1

Line No.	NARUC Account No.	Description	Vintage Year	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
				Comearn Adjusted Accum. Deprs. As Filed	RUCO RUCO Adjustment A Comearn Rebuttal Adjustments	RUCO RUCO Adjustment B Post-Test-Year Plant Adjustment	RUCO RUCO Adjustment C Intentionally Left Blank	RUCO RUCO Adjustment D Intentionally Left Blank	RUCO RUCO Adjustment E Intentionally Left Blank	RUCO RUCO Adjustment F Intentionally Left Blank	RUCO RUCO Adjustment G Intentionally Left Blank	RUCO RUCO Adjustment H Intentionally Left Blank	RUCO Total Accum. Deprs. Adjustments	RUCO Recommended Accum. Deprs.
Direct Plant:														
1	301	Organization Cost		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost		-	-	-	-	-	-	-	-	-	-	-
3	303	Land & Land Rights		-	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements		878,000	2,741	(2,086)	-	-	-	-	-	-	708	878,756
5	305	Collecting & Impounding Reservoirs		-	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes		-	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs		287,468	0	-	-	-	-	-	-	-	0	287,468
8	308	Infiltration Galleries		-	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains		52,865	-	-	-	-	-	-	-	-	-	52,865
10	310	Power Generation Equipment		134,254	-	-	-	-	-	-	-	-	-	134,254
11	311	Pumping Equipment		1,460,340	23,743	(11,787)	-	-	-	-	-	-	-	1,472,296
12	330	Water Treatment Equipment		218,101	(218,101)	-	-	-	-	-	-	-	11,545	1,482,297
13	302.1	Water Treatment Plants		-	-	-	-	-	-	-	-	-	-	(0)
14	302.2	Solution Chemical Feeders		2	218,101	-	-	-	-	-	-	-	218,101	218,103
15	330	Distribution Reservoirs & Standpipes		468	43	-	-	-	-	-	-	-	43	541
16	330.1	Storage Tanks		238,624	-	-	-	-	-	-	-	-	-	238,624
17	330.2	Pressure Tanks		12	-	-	-	-	-	-	-	-	-	12
18	331	Transmission & Distribution Mains		4	-	-	-	-	-	-	-	-	-	4
19	331	Services		10,638,608	882	(421)	-	-	-	-	-	-	461	10,639,270
20	334	Service		731,730	10,435	(4,925)	-	-	-	-	-	-	5,510	737,240
21	334	Mains		703,342	26,050	(12,355)	-	-	-	-	-	-	-	717,039
22	336	Hydrants		217,184	20	(10)	-	-	-	-	-	-	-	217,194
23	336	Backflow Prevention Devices		4,180	-	-	-	-	-	-	-	-	-	4,180
24	339	Other Plant & Misc. Equipment		52,219	-	-	-	-	-	-	-	-	-	52,219
25	340	Office Furniture & Equipment		37,005	(7,900)	(7)	-	-	-	-	-	-	(8,005)	29,000
26	340.1	Computers & Software		75,919	24,204	-	-	-	-	-	-	-	24,204	101,123
27	341	Transportation Equipment		139,877	-	-	-	-	-	-	-	-	-	139,877
28	342	Stores Equipment		-	-	-	-	-	-	-	-	-	-	-
29	343	Tools, Shop & Garage Equipment		5,954	(92)	(147)	-	-	-	-	-	-	(236)	5,615
30	344	Laboratory Equipment		3,091	-	-	-	-	-	-	-	-	-	3,091
31	345	Power Operated Equipment		-	-	-	-	-	-	-	-	-	-	-
32	349	Communication Equipment		206,565	4,791	-	-	-	-	-	-	-	4,791	211,356
33	347	Miscellaneous Equipment		1,615	-	-	-	-	-	-	-	-	-	1,615
34	348	Other Tangible Plant		-	-	-	-	-	-	-	-	-	-	-
35		Total Direct Plant		\$ 16,259,017	\$ 83,720	\$ (31,867)	\$ -	\$ 91,923	\$ 16,319,840					
Allocated Corporate Plant:														
36	903	Land & Land Rights		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37	904	Structures and Improvements		8,011	1,365	-	-	-	-	-	-	-	1,365	9,406
38	940	Office Furniture and Fixtures		1,378	365	-	-	-	-	-	-	-	365	1,792
39	940.1	Computers and Software		41,308	9,457	-	-	-	-	-	-	-	9,457	50,795
40		Total Allocated Corporate Plant		\$ 50,695	\$ 11,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,238	\$ 61,933
41		Plant Not Accounted For		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42		Total Utility Plant in Service (UPIS)		\$ 16,309,712	\$ 95,026	\$ (31,867)	\$ -	\$ 103,161	\$ 16,372,873					

References:
 Column (A) - Comearn Schedule B-2 Adjusted Test Year as Filed
 Column (B) Through (H) - RUCO Recommended UPSIS Adjustments
 Column (I) - Sum of Columns (B) Through (H) - RUCO Sum of Total Recommended UPSIS Adjustments
 Column (K) - Column (A) + (I)

**UTILITY PLANT IN SERVICE (UPIS) ADJUSTMENT NO. A
COMPANY REBUTTAL ADJUSTMENTS**

Line No.		Company Direct UPIS	Company Rebuttal UPIS	RUCO Surrebuttal Adjustments	
Direct Plant:					
1	301	Organization Cost	\$ 5,785	\$ 5,785	\$ -
2	302	Franchise Cost	417	417	-
3	303	Land & Land Rights	45,968	45,968	-
4	304	Structures & Improvements	3,030,713	3,185,381	154,668
5	305	Collecting & Impounding Reservoirs	-	-	-
6	306	Lake, River, Canal Intakes	-	-	-
7	307	Wells & Springs	505,898	505,898	0
8	308	Infiltration Galleries	-	-	-
9	309	Raw Water Supply Mains	272,502	272,502	-
10	310	Power Generation Equipment	219,360	219,360	-
11	311	Pumping Equipment	1,952,570	2,321,470	368,900
12	320	Water Treatment Equipment	369,996	0	(369,996)
13	320.1	Water Treatment Plants	92	370,088	369,996
14	320.2	Solution Chemical Feeders	4,975	5,409	434
15	330	Distribution Reservoirs & Standpipe	759,320	759,320	-
16	330.1	Storage Tanks	1,066	1,066	-
17	330.2	Pressure Tanks	144	144	-
18	331	Transmission & Distribution Mains	22,759,460	22,819,558	60,098
19	333	Services	4,034,788	4,455,157	420,369
20	334	Meters	1,696,383	1,741,794	45,411
21	335	Hydrants	635,868	637,006	1,138
22	336	Backflow Prevention Devices	15,855	15,855	-
23	339	Other Plant & Misc Equipment	123,778	123,778	-
24	340	Office Furniture & Equipment	115,867	35,014	(80,853)
25	340.1	Computers & Software	76,919	159,572	82,652
26	341	Transportation Equipment	141,853	141,853	-
27	342	Stores Equipment	-	-	-
28	343	Tools, Shop & Garage Equipment	97,663	100,632	2,969
29	344	Laboratory Equipment	3,061	3,061	-
30	345	Power Operated Equipment	-	-	-
31	346	Communication Equipment	218,183	303,104	84,921
32	347	Miscellaneous Equipment	5,427	5,427	-
33	348	Other Tangible Plant	-	-	-
34		Rounding	(2)	(2)	-
35		Total Direct Plant	\$ 37,093,913	\$ 38,234,621	\$ 1,140,708
Allocated Corporate Plant:					
36	903	Land & Land Rights	\$ 13,956	\$ 13,896	\$ (60)
37	904	Structures and Improvements	151,457	150,903	(554)
38	940	Office Furniture and Fixtures	38,336	42,947	4,610
39	940.1	Computers and Software	86,871	111,597	24,726
40		Total Allocated Corporate Plant	\$ 290,620	\$ 319,342	\$ 28,722
41		Plant Not Accounted For	\$ -	\$ -	\$ -
42		Total Utility Plant in Service (UPIS)	\$ 37,384,534	\$ 38,553,964	\$ 1,169,430

**UTILITY PLANT IN SERVICE (UPIS) ACCUMULATED DEPRECIATION (AD) ADJUSTMENT NO. A
COMPANY REBUTTAL ADJUSTMENTS**

Line No.		Company Direct A/D	Company Rebuttal A/D	RUCO Surrebuttal Adjustments	
Direct Plant:					
1	301	Organization Cost	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-
3	303	Land & Land Rights	-	-	-
4	304	Structures & Improvements	876,050	878,791	2,741
5	305	Collecting & Impounding Reservoirs	-	-	-
6	306	Lake, River, Canal Intakes	-	-	-
7	307	Wells & Springs	267,496	267,496	0
8	308	Infiltration Galleries	-	-	-
9	309	Raw Water Supply Mains	52,885	52,885	-
10	310	Power Generation Equipment	134,264	134,264	-
11	311	Pumping Equipment	1,450,340	1,474,083	23,743
12	320	Water Treatment Equipment	218,101	(0)	(218,101)
13	320.1	Water Treatment Plants	2	218,103	218,101
14	320.2	Solution Chemical Feeders	498	541	43
15	330	Distribution Reservoirs & Standpipes	238,934	238,934	-
16	330.1	Storage Tanks	12	12	-
17	330.2	Pressure Tanks	4	4	-
18	331	Transmission & Distribution Mains	10,838,809	10,839,691	882
19	333	Services	731,730	742,165	10,435
20	334	Meters	705,382	730,433	25,050
21	335	Hydrants	217,184	217,204	20
22	336	Backflow Prevention Devices	4,180	4,180	-
23	339	Other Plant & Misc Equipment	52,219	52,219	-
24	340	Office Furniture & Equipment	37,006	29,007	(7,999)
25	340.1	Computers & Software	76,919	101,123	24,204
26	341	Transportation Equipment	139,877	139,877	-
27	342	Stores Equipment	-	-	-
28	343	Tools, Shop & Garage Equipment	5,654	5,562	(92)
29	344	Laboratory Equipment	3,061	3,061	-
30	345	Power Operated Equipment	-	-	-
31	346	Communication Equipment	206,595	211,356	4,761
32	347	Miscellaneous Equipment	1,815	1,815	-
33	348	Other Tangible Plant	-	-	-
34		Rounding	-	-	-
35		Total Direct Plant	\$ 16,259,017	\$ 16,342,807	\$ 83,790
Allocated Corporate Plant:					
36	903	Land & Land Rights	\$ -	\$ -	\$ -
37	904	Structures and Improvements	8,011	9,406	1,395
38	940	Office Furniture and Fixtures	1,376	1,762	385
39	940.1	Computers and Software	41,308	50,765	9,457
40		Total Allocated Corporate Plant	\$ 50,695	\$ 61,933	\$ 11,238
41		Plant Not Accounted For	\$ -	\$ -	\$ -
42		Total Utility Plant in Service (UPIS)	\$ 16,309,712	\$ 16,404,740	\$ 95,028

UTILITY PLANT IN SERVICE ("UPIS") ADJUSTMENT NO. B
POST TEST YEAR PLANT DISALLOWANCE EXCEEDING 6-MONTHS TEST YEAR END

Line No.	Acct. No.	Description	[A] RUCO PTY Plant Balance	[B] RUCO PTY Plant Adjustments	[C] RUCO Recommended PTY Plant
1	301	Organization Cost	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-
3	303	Land and Land Rights	-	-	-
4	304	Structures and Improvements	-	-	-
5	305	Collecting and Impounding Res.	244,395	(122,198)	122,198
6	306	Lake River and Other Intakes	-	-	-
7	307	Wells and Springs	-	-	-
8	308	Infiltration Galleries and Tunnels	-	-	-
9	309	Supply Mains	-	-	-
10	310	Power Generation Equipment	-	-	-
11	311	Electric Pumping Equipment	-	-	-
12	320	Water Treatment Equipment	377,503	(188,751)	188,751
13	320.1	Water Treatment Plant	-	-	-
14	320.2	Chemical Solution Feeders	-	-	-
15	330	Dist. Reservoirs & Standpipe	-	-	-
16	330.1	Storage tanks	-	-	-
17	330.2	Pressure Tanks	-	-	-
18	331	Trans. and Dist. Mains	-	-	-
19	333	Services	84,276	(42,138)	42,138
20	334	Meters	591,577	(295,788)	295,788
21	335	Hydrants	601,449	(300,725)	300,725
22	336	Backflow Prevention Devices	1,997	(999)	999
23	339	Other Plant and Misc. Equip.	-	-	-
24	340	Office Furniture and Fixtures	-	-	-
25	340.1	Computers and Software	398	(199)	199
26	341	Transportation Equipment	1,800	-	1,800
27	342	Stores Equipment	-	-	-
28	343	Tools and Work Equipment	-	-	-
29	344	Laboratory Equipment	11,769	(5,884)	5,884
30	345	Power Operated Equipment	-	-	-
31	346	Communications Equipment	-	-	-
32	347	Miscellaneous Equipment	-	-	-
33	348	Other Tangible Plant	-	-	-
34		TOTALS	<u>\$ 1,915,164</u>	<u>\$ (956,682)</u>	<u>\$ 958,482</u>
35		RUCO Total Adjustment		<u>\$ (956,682)</u>	

References:

Per Company Response to RUCO DR #2.10 - See RUCO W/P

UTILITY PLANT IN SERVICE ("UPIS") ADJUSTMENT NO. B
POST TEST YEAR PLANT ACCUMULATED DEPRECIATION DISALLOWANCE EXCEEDING 6-MONTHS TEST YEAR END

Line No.	Acct. No.	Description	[A] Depr. Rate	[B] RUCO Adjusted PTY Plant	[C] RUCO Disallowed PTY Plant	[D] RUCO Adjusted PTY Accum. Depr. Amount
1	301	Organization Cost	0.00%	\$ -	\$ -	\$ -
2	302	Franchise Cost	0.00%	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-
4	304	Structures and Improvements	3.33%	244,395	(122,198)	(2,035)
5	305	Collecting and Impounding Res.	2.50%	-	-	-
6	306	Lake River and Other Intakes	2.50%	-	-	-
7	307	Wells and Springs	3.33%	-	-	-
8	308	Infiltration Galleries and Tunnels	6.67%	-	-	-
9	309	Supply Mains	2.00%	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-
11	311	Electric Pumping Equipment	12.50%	377,503	(188,751)	(11,797)
12	320	Water Treatment Equipment	3.33%	-	-	-
13	320.1	Water Treatment Plant	3.33%	-	-	-
14	320.2	Chemical Solution Feeders	20.00%	-	-	-
15	330	Dist. Reservoirs & Standpipe	2.22%	-	-	-
16	330.1	Storage tanks	2.22%	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-
18	331	Trans. and Dist. Mains	2.00%	84,276	(42,138)	(421)
19	333	Services	3.33%	591,577	(295,788)	(4,925)
20	334	Meters	8.33%	601,449	(300,725)	(12,525)
21	335	Hydrants	2.00%	1,997	(999)	(10)
22	336	Backflow Prevention Devices	6.67%	-	-	-
23	339	Other Plant and Misc. Equip.	6.67%	-	-	-
24	340	Office Furniture and Fixtures	6.67%	-	-	-
25	340.1	Computers and Software	20.00%	398	(199)	(7)
26	341	Transportation Equipment	20.00%	1,800	-	-
27	342	Stores Equipment	4.00%	-	-	-
28	343	Tools and Work Equipment	5.00%	11,769	(5,884)	(147)
29	344	Laboratory Equipment	10.00%	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-
31	346	Communications Equipment	10.00%	-	-	-
32	347	Miscellaneous Equipment	10.00%	-	-	-
33	348	Other Tangible Plant	10.00%	-	-	-
34		TOTALS		<u>\$1,915,164</u>	<u>\$ (956,682)</u>	\$ (31,867)
35		Company's Accumulated Depreciation on PTY Plant				<u>63,913</u>
36		RUCO Total Adjustment				<u>\$ (31,867)</u>

References:

Per Company Response to RUCO DR #2.10 - See RUCO W/P and Schedule TJC-4(d) on page 1 of 2.

**RATE BASE ADJUSTMENT NO. 2
ADVANCES IN AID OF CONSTRUCTION ("AIAC")**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	<u>AIAC Adjustment #1:</u>	
1	Company AIAC as Filed in Direct	\$ 976,558
2	Company AIAC as Filed in Rebuttal	<u>976,558</u>
3	RUCO Recommended Increase/(Decrease) Adjustment	<u>\$ -</u>

References:

**RATE BASE ADJUSTMENT NO. 3
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) & AMORTIZATIONS RECONSTRUCTION SCHEDULE**

Line No.	<u>Description</u>	<u>Amount</u>
	<u>Gross CIAC:</u>	
1	Company Gross CIAC as Filed in Direct	\$ 20,261,911
2	Company Gross CIAC as Filed in Rebuttal	20,261,911
3	RUCO Recommended Increase/(Decrease) Adjustment	<u>\$ -</u>
	<u>Accumulated Amortization of CIAC:</u>	
4	Company Accumulated Amortization of CIAC as Filed in Direct	\$ (10,388,151)
5	Company Accumulated Amortization of CIAC as Filed in Rebuttal	(10,380,413)
6	RUCO Recommended Increase/(Decrease) Adjustment	<u>\$ 7,738</u>
7	Company Net CIAC as Filed	\$ 9,873,760
8	RUCO Recommended Net CIAC	9,881,498
9	RUCO Net Increase/Decrease Adjustment	<u>\$ 7,738</u>

References:

**RATE BASE ADJUSTMENT NO. 4
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Line No.	Description	Amount
1		\$ -
2		\$ -
3		\$ -

References:

**RATE BASE ADJUSTMENT NO. 5
INTENTIONALLY LEFT BLANK**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**RATE BASE ADJUSTMENT NO. 6
INTENTIONALLY LEFT BLANK**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**RATE BASE ADJUSTMENT NO. 7
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**RATE BASE ADJUSTMENT NO. 8
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**RATE BASE ADJUSTMENT NO. 9
ACCUMULATED DEFERRED INCOME TAXES (ADIT)**

Line No.	Deferred Income Tax as of December 31, 2014	Water & Sewer Adjusted Book Value	Water & Sewer Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non-Current	Future Tax Liability Current	Future Tax Liability Non-Current
1										
2										
3										
4										
5										
6	Plant-in-Service	\$ 51,162,955 ¹								
7	Accum. Deprec.	(22,198,887) ¹								
8	CIAC	(13,104,588) ³								
9	Fed. Fixed Assets	\$ 15,859,480	\$ 12,933,460 ²	100.0%	\$ (2,926,020)	32.33%				(945,982)
10										
11	State Fixed Assets	\$ 15,859,480	\$ 13,004,774 ²	100.0%	\$ (2,854,706)	4.900%				(139,881)
12										
13	Fed & State AIAC		783,815 ⁴	100.0%	\$ 783,815 ⁴	37.230%	\$	\$ 291,814	\$	\$ (1,085,863)
14										
15										
16										
17										
18	Net Asset (Liability)						\$ (794,048)			
19								0.6497		
20	Allocation Factor - Water-Division (based on rate base before ADIT)								\$ (515,855)	
21										
22	Net Asset (Liability) Water Division						\$ (11,741)			
23									\$ 527,596	
24	Allocated Corporate ADIT ⁵									
25										
26	Total Asset (Liability) Water Division									
27										
28	DIT Asset (Liability) per Company Direct									
29										
30	Adjustment to DIT									
31										
32										
33										
34										
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Footnotes - See page 7.1

RECAP SCHEDULES:
B-2, page 2

**RATE BASE ADJUSTMENT NO. 10
CASH WORKING CAPITAL LEAD / LAG STUDY**

Line No.	Description	[A] Company Adjusted Test Year As Filed	[B] RUCO Expense Adjustments	[C] RUCO Recommended Expense	[D] Revenue Lag Days	[E] Expense (Lead)/Lag Days	[F] Net (Lead)/Lag Days Col. [D] - Col. [E]	[G] (Lead)/Lag Factor Col. [F] / 365	[H] Cash Working Capital Requirement Col. [C] x Col. [G]
Operating Expenses:									
1	Salaries and Wages	\$ -	\$ -	\$ -	44.96	-	44.96	0.12317	\$ -
2	Purchased Water	69,895	-	69,895	44.96	27.48	17.48	0.04789	3,347
3	Purchased Power	324,148	21,271	345,419	44.96	29.04	15.92	0.04361	15,065
4	Chemicals	4,602	303	4,905	44.96	0.42	44.54	0.12202	599
5	Fuel for Power Production	-	-	-	44.96	-	44.96	0.12317	-
6	Repairs and Maintenance	-	-	-	44.96	32.84	12.12	0.03320	-
7	Office Supplies and Expense	34,071	-	34,071	44.96	38.69	6.27	0.01717	585
8	Outside Services	-	-	-	44.96	-	44.96	0.12317	-
9	Contractual Services - Professional	1,039,036	(430,114)	608,922	44.96	20.03	24.93	0.06830	41,588
10	Contractual Services - Testing	41,807	(2,394)	39,413	44.96	28.21	16.75	0.04589	1,809
11	Contractual Services - Other	97,904	357,767	455,671	44.96	22.20	22.76	0.06235	28,412
12	Water Testing	-	-	-	44.96	-	44.96	0.12317	-
13	Rents	4,169	-	4,169	44.96	(5.40)	50.36	0.13797	575
14	Transportation	60,352	-	60,352	44.96	28.43	16.53	0.04528	2,733
15	Insurance	27,865	-	27,865	44.96	(182.50)	227.46	0.62317	17,365
16	Materials and Supplies	29,680	-	29,680	44.96	32.84	12.12	0.03320	985
17	Miscellaneous	61,392	(1,164)	60,228	44.96	31.38	13.58	0.03720	2,241
18	Depreciation and Amortization	-	-	-	44.96	0.00	44.96	0.12317	-
19	Total Operating Expenses	\$ 1,794,920	\$ (54,330)	\$ 1,740,590					
Taxes:									
20	General Taxes-Property ¹	\$ 166,715	\$ 670	\$ 167,386	44.96	213.96	(169.00)	(0.46301)	(77,502)
21	General Taxes-Other	-	-	-	44.96	-	44.96	0.12317	-
22	Income Tax ¹	397,421	(36,152)	361,269	44.96	37.00	7.96	0.02180	7,877
Other:									
23	Regulatory Commission Expense	33,172	(33,172)	-	44.96	(136.54)	181.50	0.49726	-
24	Interest Expense on Proposed Long-Term Debt	-	108,477	77,684	44.96	90.25	(45.29)	(0.12409)	(9,639)
25	Total Cash Working Capital Expenses	\$ 2,392,228	\$ 20,975	\$ 1,818,274					
26	Total RUCO Recommended Cash Working Capital								\$ 36,040
27	Total Company Proposed Cash Working Capital								89,192
28	RUCO Cash Working Capital Adjustment								\$ (53,152)

References:

1 At Proposed Rates

OPERATING INCOME SUMMARY

Line No.	Description	[A] Company Adjusted Test Year As Filed	[B] RUCO Recommended Adjustments	[C] RUCO Recommended Adjusted Test Year Amounts	[D] RUCO Recommended Changes	[E] RUCO Recommended Amounts
Revenues:						
1	Metered Water Revenues	\$ 2,984,538	\$ 96,762	\$ 3,081,299	\$ 432,876	\$ 3,514,175
2	Unmetered Water Revenues	-	-	-	-	-
3	Other Water Revenues	48,254	-	48,254	-	48,254
4	Total Revenues	<u>\$ 3,032,792</u>	<u>\$ 96,762</u>	<u>\$ 3,129,553</u>	<u>\$ 432,876</u>	<u>\$ 3,562,429</u>
Operating Expenses:						
5	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
6	Purchased Water	69,895	-	69,895	-	69,895
7	Purchased Power	324,148	21,271	345,419	-	345,419
8	Chemicals	4,602	303	4,905	-	4,905
9	Fuel for Power Production	-	-	-	-	-
10	Repairs and Maintenance	-	-	-	-	-
11	Office Supplies and Expense	34,071	-	34,071	-	34,071
12	Outside Services	-	-	-	-	-
13	Contractual Services - Professional	1,039,036	(430,114)	608,922	-	608,922
14	Contractual Services - Testing	41,807	(2,394)	39,413	-	39,413
15	Contractual Services - Other	97,904	357,767	455,671	-	455,671
16	Water Testing	-	-	-	-	-
17	Rents	4,169	-	4,169	-	4,169
18	Transportation	60,352	-	60,352	-	60,352
19	Insurance	27,865	-	27,865	-	27,865
20	Regulatory Commission - Rate Case Expense	33,172	-	33,172	-	33,172
21	Materials and Supplies	29,680	-	29,680	-	29,680
22	Miscellaneous	61,392	(1,164)	60,228	-	60,228
23	Depreciation and Amortization	562,211	10,170	572,381	-	572,381
24	Taxes Other Than Income	-	-	-	-	-
25	Property Taxes	155,057	4,949	160,006	7,380	167,386
26	Income Taxes	147,142	55,697	202,839	158,429	361,269
27	Total Operating Expenses	<u>\$ 2,692,502</u>	<u>\$ 16,486</u>	<u>\$ 2,708,988</u>	<u>\$ 165,809</u>	<u>\$ 2,874,797</u>
28	Operating Income	<u>\$ 340,290</u>	<u>\$ 80,275</u>	<u>\$ 420,565</u>	<u>\$ 267,067</u>	<u>\$ 687,632</u>

References:

- Column [A]: Company Schedule C-1;
- Column [B]: RUCO Recommended Total Adjustments Per Schedule TJC-12 on pages 1-2 at page 2 in Column [S] at line 26;
- Column [C]: Column [A] + [B] - RUCO Recommended Adjusted Test Year Amounts Per Schedule TJC-12 on page 2 of 2 in Column [T];
- Column [D]: RUCO Recommended Increase/(Decrease) to Revenue Requirement;
- Column [E]: Column [C] + [D] - RUCO Recommended Increase/(Decrease) Amounts for Revenue Requirement.

RUCO OPERATING INCOME ADJUSTMENTS

Line No.	Description	(A) Company Adjusted Test Year As Filed	(B) Adj. No. 1 Depreciation Expense	(C) Adj. No. 2 Property Taxes	(D) Adj. No. 3 Incentive Pay Adjustment	(E) Adj. No. 4 Pay Increase Adjustment	(F) Adj. No. 5 Declining Usage Adjustment	(G) Adj. No. 6 Water Testing Adjustment	(H) Adj. No. 7 Postage Decrease Adjustment	(I) Adj. No. 8 Reclass Expenses Adjustment	(J) Adj. No. 9 APUC Non-Labor Adjustments
Revenues:											
1	Metered Water Revenues	\$ 2,984,538	\$ -	\$ -	\$ -	\$ -	\$ 96,762	\$ -	\$ -	\$ -	\$ -
2	Unmetered Water Revenues	-	-	-	-	-	-	-	-	-	-
3	Other Water Revenues	48,254	-	-	-	-	-	-	-	-	-
4	Total Revenues	<u>\$ 3,032,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses:											
5	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Purchased Water	69,895	-	-	-	-	-	-	-	-	-
7	Purchased Power	324,148	-	-	-	-	21,271	-	-	-	-
8	Chemicals	4,602	-	-	-	-	303	-	-	-	-
9	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
10	Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-
11	Office Supplies and Expense	34,071	-	-	-	-	-	-	-	-	-
12	Outside Services	-	-	-	-	-	-	-	-	-	-
13	Contractual Services - Professional	1,039,036	-	-	(20,320)	(24,609)	-	-	-	(359,789)	(25,395)
14	Contractual Services - Testing	41,807	-	-	-	-	(2,394)	-	-	-	-
15	Contractual Services - Other	97,904	-	-	-	(2,021)	-	-	-	359,789	-
16	Water Testing	-	-	-	-	-	-	-	-	-	-
17	Rents	4,169	-	-	-	-	-	-	-	-	-
18	Transportation	60,352	-	-	-	-	-	-	-	-	-
19	Insurance	27,865	-	-	-	-	-	-	-	-	-
20	Regulatory Commission - Rate Case Expense	33,172	-	-	-	-	-	-	-	-	-
21	Materials and Supplies	29,680	-	-	-	-	-	-	-	-	-
22	Miscellaneous	61,392	-	-	-	-	-	-	-	-	-
23	Depreciation and Amortization	562,211	10,170	-	-	-	-	-	(1,164)	-	-
24	Taxes Other Than Income	-	-	-	-	-	-	-	-	-	-
25	Property Taxes	155,057	-	4,949	-	-	-	-	-	-	-
26	Income Taxes	147,142	-	-	-	-	-	-	-	-	-
27	Total Operating Expenses	<u>\$ 2,692,502</u>	<u>\$ 10,170</u>	<u>\$ 4,949</u>	<u>\$ (20,320)</u>	<u>\$ (26,631)</u>	<u>\$ 21,574</u>	<u>\$ (2,394)</u>	<u>\$ (1,164)</u>	<u>\$ -</u>	<u>\$ (25,395)</u>
28	Operating Income	<u>\$ 340,290</u>	<u>\$ (10,170)</u>	<u>\$ (4,949)</u>	<u>\$ 20,320</u>	<u>\$ 26,631</u>	<u>\$ 75,187</u>	<u>\$ 2,394</u>	<u>\$ 1,164</u>	<u>\$ -</u>	<u>\$ 25,395</u>

References:
Column [A]: Company Schedule C-1 Adjusted Test Year as Filed;
Column [B] through [J]: RUCO Recommended Adjusted Test Year Adjustments;

RUCO OPERATING INCOME ADJUSTMENTS

Line No.	Description	[K] Adj. No. 10 Corporate Labor Adjustments	[L] Adj. No. 11 Intentionally Left Blank	[M] Adj. No. 12 Intentionally Left Blank	[N] Adj. No. 13 Intentionally Left Blank	[O] Adj. No. 14 Intentionally Left Blank	[P] Adj. No. 15 Intentionally Left Blank	[Q] Adj. No. 16 Intentionally Left Blank	[R] Adj. No. 17 Income Taxes	[S] Total RUCO Recommended Adjustments	[T] RUCO Adjusted Test Year Recommended
	Revenues:										
1	Metered Water Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,762	\$ 3,081,299
2	Unmetered Water Revenues	-	-	-	-	-	-	-	-	-	-
3	Other Water Revenues	-	-	-	-	-	-	-	-	-	-
4	Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,762	\$ 48,254
	Operating Expenses:										
5	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,895
6	Purchased Water	-	-	-	-	-	-	-	-	21,271	345,419
7	Chemicals	-	-	-	-	-	-	-	-	303	4,905
8	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
9	Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-
10	Office Supplies and Expense	-	-	-	-	-	-	-	-	-	-
11	Outside Services	-	-	-	-	-	-	-	-	-	34,071
12	Contractual Services - Professional	-	-	-	-	-	-	-	-	-	-
13	Contractual Services - Testing	-	-	-	-	-	-	-	-	(430,114)	608,922
14	Contractual Services - Other	-	-	-	-	-	-	-	-	(2,394)	39,413
15	Water Testing	-	-	-	-	-	-	-	-	357,767	455,671
16	Rents	-	-	-	-	-	-	-	-	-	-
17	Transportation	-	-	-	-	-	-	-	-	-	4,169
18	Insurance	-	-	-	-	-	-	-	-	-	60,352
19	Regulatory Commission - Rate Case Expense	-	-	-	-	-	-	-	-	-	27,865
20	Materials and Supplies	-	-	-	-	-	-	-	-	-	33,172
21	Miscellaneous	-	-	-	-	-	-	-	-	-	29,680
22	Depreciation and Amortization	-	-	-	-	-	-	-	-	(1,164)	60,228
23	Taxes Other Than Income	-	-	-	-	-	-	-	-	10,170	572,381
24	Property Taxes	-	-	-	-	-	-	-	-	4,949	160,006
25	Income Taxes	-	-	-	-	-	-	-	55,697	55,697	202,839
26											
27	Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,697	\$ 16,486	\$ 2,708,988
28	Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (55,697)	\$ 80,275	\$ 420,565

References:

Column [K] thru [R]: RUCO Recommended Adjusted Test Year Adjustments;
Column [S]: RUCO Total Adjusted Test Year Adjustments on Schedule TJC-12 page 1 of 2 in Columns [B] thru Schedule TJC-12 page 2 of 2 in Columns [K] thru [R];
Column [T]: Column [A] on Schedule TJC-12 at page 1 of 2 + Column [S] on Schedule TJC-12 page 2 of 2 - RUCO Recommended Adjusted Test Year Balances.

OPERATING INCOME ADJUSTMENT NO. 1
DEPRECIATION EXPENSE

Line No.	NARUC Account	Description	(A) Company As Filed	(B) RUCO Plant Adjustments	(C) RUCO Adjusted Plant Balances	(D) RUCO Non-Depr. Fully Depr.	(E) RUCO Depreciable LIPIS Recommended	(F) Authorized Depreciation Rate	(G) RUCO Depreciation Expense Recommended
Direct Plant:									
1	301	Organization Cost	\$ 5,785	\$ -	\$ 5,785	\$ (5,785)	\$ -	0.00%	\$ -
2	302	Franchise Cost	417	-	417	(417)	-	0.00%	-
3	303	Land and Land Rights	45,968	-	45,968	(45,968)	-	0.00%	-
4	304	Structures and Improvements	3,185,381	122,198	3,063,183	-	3,063,183	3.33%	102,004
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	-	505,898	3.33%	16,846
8	308	Infiltration Galleries and Tunnels	-	-	-	-	-	6.67%	-
9	309	Supply Mains	272,502	-	272,502	-	272,502	2.00%	5,450
10	310	Power Generation Equipment	219,360	-	219,360	-	219,360	5.00%	10,968
11	311	Electric Pumping Equipment	2,321,470	188,751	2,132,719	-	2,132,719	12.50%	266,590
12	320	Water Treatment Equipment	0	-	0	-	0	3.33%	0
13	320.1	Water Treatment Plant	370,088	-	370,088	-	370,088	3.33%	12,324
14	320.2	Chemical Solution Feeders	5,409	-	5,409	-	5,409	20.00%	1,082
15	330	Dist. Reservoirs & Standpipe	759,320	-	759,320	-	759,320	2.22%	16,857
16	330.1	Storage tanks	1,066	-	1,066	-	1,066	2.22%	24
17	330.2	Pressure Tanks	144	-	144	-	144	5.00%	7
18	331	Trans. and Dist. Mains	22,819,558	42,138	22,777,420	-	22,777,420	2.00%	455,548
19	333	Services	4,455,157	295,788	4,159,369	-	4,159,369	3.33%	138,507
20	334	Meters	1,741,794	300,725	1,441,069	-	1,441,069	8.33%	120,041
21	335	Hydrants	637,006	999	636,007	-	636,007	2.00%	12,720
22	336	Backflow Prevention Devices	15,855	-	15,855	-	15,855	6.67%	1,058
23	339	Other Plant and Misc. Equip.	123,778	-	123,778	-	123,778	6.67%	8,256
24	340	Office Furniture and Fixtures	35,014	199	34,815	-	34,815	6.67%	2,322
25	340.1	Computers and Software	159,572	900	159,572	(76,919)	82,652	20.00%	16,530
26	341	Transportation Equipment	141,853	-	141,853	(138,029)	3,823	20.00%	765
27	342	Stores Equipment	-	-	-	-	-	4.00%	-
28	343	Tools and Work Equipment	100,632	5,884	94,748	-	94,748	5.00%	4,737
29	344	Laboratory Equipment	3,061	-	3,061	(3,061)	-	10.00%	-
30	345	Power Operated Equipment	-	-	-	-	-	5.00%	-
31	346	Communications Equipment	303,104	-	303,104	-	303,104	10.00%	30,310
32	347	Miscellaneous Equipment	5,427	-	5,427	-	5,427	10.00%	543
33	348	Other Tangible Plant	-	-	-	-	-	10.00%	-
34			0	(2)	(2)	(2)	(2)		
35		Direct Plant Sub-Total	\$ 38,234,621	\$ 957,580	\$ 37,277,037	\$ (270,181)	\$ 37,007,758		\$ 1,223,490
Allocated Corporate Plant:									
36	903	Land & Land Rights	\$ 13,956	\$ (60)	\$ 13,896	\$ (13,896)	\$ -	0.00%	\$ -
37	904	Structures and Improvements	151,457	(554)	150,903	-	150,903	2.56%	3,863
38	940	Office Furniture and Fixtures	38,336	4,610	42,947	-	42,947	6.67%	2,865
39	940.1	Computers and Software	86,871	24,726	111,597	-	111,597	20.00%	22,319
		Sub-Totals	\$ 38,525,241	\$ 986,302	\$ 37,597,279	\$ (284,077)	\$ 37,313,204		\$ 1,252,537
		Gross CIAC				Fully Amortized CIAC	Gross CIAC Depr. Deduction		
40		Less: Contributions in Aid of Construction	\$ 20,261,911			-	\$ 20,261,911	3.36%	\$ (680,156)
41		Regulatory Liability					-	0.00%	-
42		RUCO Total Depreciation Expense							572,381
43		Company Adjusted Depreciation Expense As Filed							562,211
44		RUCO Increase/(Decrease) Expense Adjustment							\$ 10,170

* Fully Depreciated Per Company Schedule C-2, page 2

References:

Company B-2 and C-1 Schedules, and RUCO Schedule TJC-4(a), pages 1 & 2

**OPERATING INCOME ADJUSTMENT NO. 2
PROPERTY TAXES**

Line No.	Property Tax Calculation	[A]	[B]
		RUCO AS ADJUSTED	RUCO RECOMMENDED
1	RUCO Adjusted Test Year Gross Revenues	\$ 3,129,553	\$ 3,129,553
2	Multiplied by 2	2	2
3	Subtotal (Line 1 * Line 2)	\$ 6,259,107	\$ 6,259,107
4a	RUCO Adjusted Test Year Gross Revenues	3,129,553	
4b	RUCO Recommended Revenue		3,562,429
5	Subtotal (Line 3 + Line 4a)	\$ 9,388,660	\$ 9,821,536
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 3,129,553	\$ 3,273,845
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 6,259,107	\$ 6,547,691
10	Plus: 10% of CWIP Per Company Schedule E-1 As Filed (Intentionally Left Blank)	-	-
11	Less: Net Book Value of Licensed Vehicles	1,975	1,975
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 6,257,131	\$ 6,545,715
13	Assessment Ratio	18.0%	18.0%
14	Assessed Value (Line 12 * Line 13)	\$ 1,126,284	\$ 1,178,229
15	Composite Property Tax Rate (Per RUCO Effective Property Tax Calculation)	14.2066%	14.2066%
16	RUCO Adjusted Test Year Property Tax Expense (Line 14 * Line 15)	\$ 160,006	
17	Company Adjusted Test Year Property Tax Expense (Per Company Schedule C-1)	155,057	
18	RUCO Test Year Adjustment (Line 16-Line 17)	\$ 4,949	
19	Property Tax - RUCO Recommended Revenue (Line 14 * Line 15)		\$ 167,386
20	RUCO Test Year Adjusted Property Tax Expense (Line 16)		160,006
21	Increase/(Decrease) to Property Tax Expense		\$ 7,380
22	Increase/(Decrease) to Property Tax Expense		\$ 7,380
23	Increase in Revenue Requirement		432,876
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (Line 22 / Line 23)		1.7048%

References:

- RUCO Schedule TJC-11
- RUCO Schedule TJC-4(a) page 1 of 2

OPERATING INCOME ADJUSTMENT NO. 3
INCENTIVE PAY

Line No.	Description	Amount
1	Incentive Pay in Test Year	\$ 636,000
2	50 / 50 Sharing Between Ratepayers and Shareholders	50.00%
3	Ratepayers Share	\$ 318,000
4	Bella Vista Allocation Factor	6.39%
5	Ratepayers 50% Sharing Adjustment	\$ (20,320)

References:

Per Company Response to RUCO DR 2.04
Rio Rico Water Allocation Factor per Company Response to Staff DR 2.7

**OPERATING INCOME ADJUSTMENT NO. 4
PAYROLL INCREASE**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
<u>Contractual Services - Professional:</u>		
1	Per RUCO's Company Schedule E W/P After APUC, LUC, and LABS Labor Adjustments	\$ 724,150
2	RUCO Recommended Pay Increase	3.00%
3	RUCO Recommended Allowance	\$ 21,725
4	Pay Increase per Company Filing	46,334
5	RUCO Adjustment	\$ (24,609)
<u>Contractual Services - Other:</u>		
6	Per Company Schedule C-2, Page 9	\$ 65,420
7	RUCO Recommended Pay Increase	3.00%
8	RUCO Recommended Allowance	\$ 1,963
9	Pay Increase per Company Filing	3,984
10	RUCO Adjustment	\$ (2,021)
11	Total RUCO Adjustments to Contractual Services Professional and Other	\$ (26,631)

References:

Per Company Schedule E TJB Final xls, Company Schedule C-2 on page 9, and RUCO W/P Schedule E TJB Final xls
RUCO W/P SUPP#FA#.pdf

OPERATING INCOME ADJUSTMENT NO. 5
DECLINING USAGE

Line No.	Description	Amount
Revenue:		
1	Declining Usage Revenue Adjustment per Company in Direct	\$ (96,762)
2	Declining Usage Revenue Adjustment per Company in Rebuttal	11,114
3	RUCO Recommended Adjustment	<u>\$ (85,648)</u>
Purchased Power Expense:		
4	Declining Usage Purchased Power Expense Adjustment per Company in Direct	\$ (21,271)
5	RUCO Recommended Declining Usage for Purchased Power Expense in Rebuttal	3,181
6	RUCO Recommended Adjustment	<u>\$ (18,090)</u>
Chemical Expense:		
7	Declining Usage Chemical Expense Adjustment per Company in Direct	\$ (303)
8	Declining Usage Chemical Expense Adjustment per Company in Rebuttal	45
9	RUCO Recommended Adjustment	<u>\$ (258)</u>
10	Total RUCO Adjustment	<u>\$ (67,300)</u>

References:
Per Company C-2 Schedules

**OPERATING INCOME ADJUSTMENT NO. 6
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	Contractual Services - Testing Per Company	\$ 41,807
2	Staff Adjustment to Water Testing Expense	(2,394)
3	RUCO Adopted Staff Adjustment	\$ (2,394)

References:

OPERATING INCOME ADJUSTMENT NO. 7
POSTAGE DECREASE

Line No.	Description	Amount
1	Number of Water Bills in Test Year with Annualized Bill Counts	76,897
2	US Postal Service Decrease in Postage Effective April 7, 2016	(\$0.02)
3	Total Adjustment in Postage Due to Postage Price Decrease	\$ (1,538)
4	Rio Rico Water Allocation Factor	75.67%
5	RUCO Adjustment	\$ (1,164)

References:

US Postal Service Price Decrease Effective April 7, 2016

OPERATING INCOME ADJUSTMENT NO. 8
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Line No.	Description	Amount
1	Contractual Services - Other	\$ 359,789
2	Contractual Services - Professional	(359,789)
3	Miscellaneous	-
4	RUCO Net Adjustment	\$ -

References:

**OPERATING INCOME ADJUSTMENT NO. 9
APUC COST ALLOCATION ADJUSTMENTS**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
<u>APUC Non-Labor:</u>		
1	APUC Non-Labor Corporate Allocations Per Company Response to TBH 4.2 v1	\$ 22,512
2	APUC Non-Labor Corporate Allocations Per RUCO W/P	7,083
3	RUCO Adjustment	<u>\$ (15,429)</u>
<u>APUC Labor:</u>		
4	APUC Labor Corporate Allocations Per Company Schedule E W/P	\$ 14,541
5	APUC Labor Corporate Allocations Per RUCO W/P	4,575
6	RUCO Adjustment	<u>\$ (9,966)</u>
7	RUCO APUC Non-Labor & Labor Adjustments	<u>\$ (25,395)</u>

References:

Company Response to TBH 4.2 v1
Company Schedule E W/P
RUCO TBH 4.2 W/P

**OPERATING INCOME ADJUSTMENT NO. 10
INTENTIONALLY LEFT BLANK**

Line

No. Description

Amount

References:

**OPERATING INCOME ADJUSTMENT NO. 11
INTENTIONALLY LEFT BLANK**

Line
No. Description

Amount

References:

OPERATING INCOME ADJUSTMENT NO. 12
INTENTIONALLY LEFT BLANK

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1		\$ -
2		-
3		\$ -

References:

OPERATING INCOME ADJUSTMENT NO. 13
INTENTIONALLY LEFT BLANK

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>[A]</u> <u>Company Allocated</u> <u>Amount</u>	<u>[B]</u> <u>RUCO Allocated</u> <u>Amount</u>	<u>[C]</u> <u>RUCO</u> <u>As Adjusted</u>
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References:

**OPERATING INCOME ADJUSTMENT NO. 14
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**OPERATING INCOME ADJUSTMENT NO. 15
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

RATE BASE ADJUSTMENT NO. 16
RATE CASE EXPENSE

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Company Rate Case Expense Requested	\$ 165,860
2	RUCO Rate Case Expense Recommended	<u>165,860</u>
3	RUCO Adjustment	\$ -
4	Annual Rate Case Expense Normalized Over 5-Years (Line 2 / 5-Years)	<u>\$ 33,172</u>

References:
Per Company Schedule C-2

**OPERATING INCOME ADJUSTMENT NO. 17
INCOME TAXES**

<u>Line No.</u>	<u>Description</u>	<u>[A] RUCO Adjusted Test Year Amount</u>	<u>[B] RUCO Recommended Amount</u>
1	RUCO Computed Adjusted Test Year Income Tax	\$ 202,839	\$ 361,269
2	Company Income Tax As Filed	147,142	397,421
3	RUCO Adjustment to Income Tax Expense	<u>\$ 55,697</u>	<u>\$ (36,152)</u>

References:

See RUCO Schedule TJC-1 at page 2 of 2;
Company Schedule C-1 Adjusted Test Year as Filed

GROSS REVENUE CONVERSION FACTOR (GRCF)

Line No.	Description	Amount
1	Combined Federal & State Effective Income Tax Rate	37.2340%
2	Property Tax Effective Rate	1.0700%
3	Uncollectible Revenue Effective Rate	0.0000%
4	Total Cobined Federal, State, Property, and Uncollectible Effective Rates (Sum of L1 + L2 + L3)	38.3040%
5	Operating Income % = 100% Minus Combined Federal, State, Property, Uncollectible Effective Rates (100% Minus Line 4)	61.6960%
6	$\frac{1}{\text{Operating Income \% on Line 5}}$	= 1.6209

References:

RUCO Schedule TJC-1, Page 1 of 2 and Page 2 of 2
 RUCO Schedule TJC-11

COST OF CAPITAL

Line No.	Description	[A] DOLLAR AMOUNT	[B] CAPITAL RATIO	[C] COST RATE	[D] WEIGHTED COST RATE
1	Long-Term Debt	\$ 4,938,067	30.00%	2.75%	0.82%
2	Common Equity	11,522,155	70.00%	9.12%	6.38%
3	Total Capitalization	<u>\$ 16,460,222</u>	<u>100.00%</u>		
4	WEIGHTED AVERAGE COST OF CAPITAL ("WACC")				7.20%

References:

Columns [A] Thru [D]: JAC Schedules & Testimony

TABLE OF CONTENTS TO TJC SCHEDULES

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TJC-2	1	RATE BASE SUMMARY
TJC-3	1	RATE BASE ADJUSTMENTS
TJC-4	1 of 2	RATE BASE ADJUSTMENT NO. 1 - SUMMARY OF UTILITY PLANT IN SERVICE ("UPIS") ADJUSTMENTS
TJC-4	2 of 2	RATE BASE ADJUSTMENT NO. 1 - SUMMARY OF UPIS ACCUMULATED DEPRECIATION ("AD") ADJUSTMENTS
TJC-4(a)	1 of 2	UTILITY PLANT IN SERVICE (UPIS) ADJUSTMENT NO. A - COMPANY REBUTTAL ADJUSTMENTS
TJC-4(a)	2 of 2	UTILITY PLANT IN SERVICE (UPIS) ACCUMULATED DEPRECIATION (AD) ADJUSTMENT NO. A - CO. REBUTTAL ADJMTS.
TJC-4(b)	1 of 2	UTILITY PLANT IN SERVICE (UPIS) ADJUSTMENT NO. B - POST TEST YEAR (PTY) PLANT ADJUSTMENTS
TJC-4(b)	2 of 2	UTILITY PLANT IN SERVICE (UPIS) ACCUMULATED DEPRECIATION (AD) ADJUSTMENT NO. B - PTY PLANT ADJMTS.
TJC-4(c)	1 of 2	UTILITY PLANT IN SERVICE (UPIS) ADJUSTMENT NO. C - CORPORATE PLANT ADJUSTMENTS
TJC-4(c)	2 of 2	UTILITY PLANT IN SERVICE (UPIS) ACCUMULATED DEPRECIATION (AD) ADJUSTMENT NO. C - CORP. PLANT ADJMTS.
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - ADVANCES IN AID OF CONSTRUCTION (AIAC) ADJUSTMENT
TJC-6	1	RATE BASE ADJUSTMENT NO. 3 - CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) & ACCUM. AMORT. (AA) ADJ.
TJC-7	1	RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
TJC-8	1	RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
TJC-9	1	RATE BASE ADJUSTMENT NO. 6 - INTENTIONALLY LEFT BLANK
TJC-10	1	RATE BASE ADJUSTMENT NO. 7 - INTENTIONALLY LEFT BLANK
TJC-11	1	RATE BASE ADJUSTMENT NO. 8 - INTENTIONALLY LEFT BLANK
TJC-12	1 & 2	RATE BASE ADJUSTMENT NO. 9 - ACCUMULATED DEFERRED INCOME TAXES (ADIT)
TJC-13	1	RATE BASE ADJUSTMENT NO. 10 - CASH WORKING CAPITAL
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TJC-19	1	OPERATING INCOME ADJUSTMENT NO. 4 - REMOVE 2nd PAYROLL INCREASE
TJC-20	1	OPERATING INCOME ADJUSTMENT NO. 5 - DECLINING REVENUE
TJC-21	1	OPERATING INCOME ADJUSTMENT NO. 6 - WATER TESTING EXPENSE
TJC-22	1	OPERATING INCOME ADJUSTMENT NO. 7 - POSTAGE DECREASE
TJC-23	1	OPERATING INCOME ADJUSTMENT NO. 8 - RECLASS EXPENSES
TJC-24	1	OPERATING INCOME ADJUSTMENT NO. 9 - ALGONQUIN POWER & UTILITIES CORP (APUC) LABOR & NON-LABOR
TJC-25	1	OPERATING INCOME ADJUSTMENT NO. 10 - INTENTIONALLY LEFT BLANK
TJC-26	1	OPERATING INCOME ADJUSTMENT NO. 11 - INTENTIONALLY LEFT BLANK
TJC-27	1	OPERATING INCOME ADJUSTMENT NO. 12 - INTENTIONALLY LEFT BLANK
TJC-28	1	OPERATING INCOME ADJUSTMENT NO. 13 - INTENTIONALLY LEFT BLANK
TJC-29	1	OPERATING INCOME ADJUSTMENT NO. 14 - INTENTIONALLY LEFT BLANK
TJC-30	1	OPERATING INCOME ADJUSTMENT NO. 15 - INTENTIONALLY LEFT BLANK
TJC-31	1	OPERATING INCOME ADJUSTMENT NO. 16 - RATE CASE EXPENSE
TJC-32	1	OPERATING INCOME ADJUSTMENT NO. 17 - INCOME TAX EXPENSE
TJC-33	1	GROSS REVENUE CONVERSION FACTOR ("GRCF")
TJC-34	1	COST OF CAPITAL (COC)

RUCO RECOMMENDED REVENUE REQUIREMENT

Line No.	Description	[A] Company OCRB/FVRB Cost	[B] RUCO OCRB/FVRB Cost
1	Fair Value Rate Base	\$ 5,355,381	\$ 5,058,613
2	Adjusted Test Year Operating Income (Loss)	\$ 320,976	\$ 352,683
3	Current Rate Of Return (L2 / L1)	5.99%	6.97%
4	Required Operating Income (L5 X L1)	\$ 460,616	\$ 364,456
5	Required Rate Of Return On Fair Value Rate Base	8.60%	7.20%
6	Operating Income Deficiency (L4 - L2)	\$ 139,640	\$ 11,772
7	Gross Revenue Conversion Factor (TJC-1, Pg 2)	1.6210	1.6210
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 226,351	\$ 19,083
9	Adjusted Test Year Revenues	\$ 1,478,323	\$ 1,478,323
10	Proposed Annual Revenue (L8 + L9)	\$ 1,704,674	\$ 1,497,406
11	Required Percentage Increase In Revenue (L8 / L9)	15.31%	1.29%
12	Rate Of Return On Common Equity	10.80%	9.12%

References:

Column [A]: Company Schedules A-1, B-1, C-1, and D-1
Column [B]: RUCO Schedule TJC-2, TJC-11 and TJC-30

RUCO GROSS REVENUE CONVERSION FACTOR ("GRCF")

LINE NO.	DESCRIPTION	(A)	(B)	(C)
<i>Calculation of Gross Revenue Conversion Factor:</i>				
1	Revenue	100.0000%		
2	Uncollectible Factor	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		
<i>Calculation of Uncollectible Factor:</i>				
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	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%	
<i>Calculation of Effective Tax Rate:</i>				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	4.9000%		
14	Federal Taxable Income (L12 - L13)	95.1000%		
15	Applicable Federal Income Tax Rate (Col. [C], L53)	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%	
<i>Calculation of Effective Property Tax Factor</i>				
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (Col. [B], L17)	37.2340%		
20	One Minus Combined Income Tax Rate (L18-L19)	62.7660%		
21	Property Tax Factor (Sch. TJC-9, Col. [B], L24)	1.7112%		
22	Effective Property Tax Factor (L20 x L21)		1.0741%	
23	Combined Federal and State Income Tax and Property Tax Rate (Col. [B], L17 + L22)			38.3081%
24	Required Operating Income (Sch. TJC-1, Col. [B] Line 4)	\$ 364,456		
25	Adjusted Test Year Operating Income (Loss) (Sch. TJC-1, Col. [B], L2)	352,683		
26	Required Increase in Operating Income (L24 - L25)		\$ 11,772	
27	Income Taxes on Recommended Revenue (Col. [C], L52)	\$ 191,478		
28	Income Taxes on Test Year Revenue (Col. [A], L52)	184,494		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		6,984	
30	Recommended Revenue Requirement (Sch. TJC-1, Col. [B], Line 10)	\$ 1,497,406		
31	Uncollectible Rate (L10)	0.0000%		
32	Uncollectible Expense on Recommended Revenue (L30 x L31)	\$ -		
33	Adjusted Test Year Uncollectible Expense (Sch. TJC-6, Col. [C], L32)	\$ -		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)			
35	Property Tax with Recommended Revenue (Sch. TJC-9, Col. [B], L19)	\$ 76,073		
36	Property Tax on Test Year Revenue (Sch. TJC-9, Col. [B], L20)	75,747		
37	Increase in Property Tax Due to Increase in Revenue (L35 - 36)		327	
38	Total Required Increase in Revenue (Col. [B], L26 + L29 + L34 + L37)		\$ 19,083	

Calculation of Income Tax:

39	Revenue (Sch. TJC-1, Col. [B], Line 9 & Sch. TJC-1, Col. [B], L10)	\$ 1,478,323
40	Operating Expenses Excluding Income Taxes	941,146
41	Synchronized Interest (Col. [C], L57)	41,678
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 495,500
43	Arizona State Income Tax Rate	4.9000%
44	Arizona Income Tax (L42 x L43)	\$ 24,279
45	Federal Taxable Income (L42 - L44)	\$ 471,220
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 7,500
47	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ 6,250
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ 8,500
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ 91,650
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ 46,315
51	Total Federal Income Tax	\$ 160,215
52	Combined Federal and State Income Tax (L44 + L51)	\$ 184,494

Test Year	Revenue Increase/(Decrease)	RUCO Recommended
\$ 1,478,323	\$ 19,083	\$ 1,497,406
941,146		941,472
41,678		41,678
\$ 495,500		\$ 514,256
4.9000%		4.9000%
\$ 24,279		\$ 25,199
\$ 471,220		\$ 489,057
\$ 7,500		\$ 7,500
\$ 6,250		\$ 6,250
\$ 8,500		\$ 8,500
\$ 91,650		\$ 91,650
\$ 46,315		\$ 52,379
\$ 160,215		\$ 166,279
\$ 184,494		\$ 191,478

53 Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40] 34.0000%

54 Synchronized Interest Calculation:

55 Rate Base	\$ 5,058,613
56 x Weighted Average Cost of Debt	0.8239%
57 Synchronized Interest	\$ 41,678

RUCO RATE BASE SUMMARY

Line No.	Description	[A] Company As Filed OCRB/FVRB	[B] RUCO Recommended Adjustments	[C] RUCO As Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	\$ 14,636,654	\$ (588,121)	\$ 14,048,533
2	Accumulated Depreciation	(5,903,755)	(691)	(5,904,445)
3	Net Utility Plant In Service (L1 + L2)	\$ 8,732,899	\$ (588,811)	\$ 8,144,088
Less:				
4	Advances In Aid Of Construction ("AIAC")	\$ (529,379)	\$ -	\$ (529,379)
5	Contribution In Aid Of Construction ("CIAC")	(5,112,247)	-	(5,112,247)
6	Accumulated Amortization of CIAC	2,935,215	8,098	2,943,313
7	Net CIAC (L5 + L6)	\$ (2,177,032)	\$ 8,098	\$ (2,168,934)
8	Customer Meter Deposits	\$ -	\$ -	\$ -
9	Customer Security Deposits	-	-	-
10	Gross Regulatory Liability	-	-	-
11	Accumulated Amortization	-	-	-
12	Net Regulatory Liability	\$ -	\$ -	\$ -
13	Accumulated Deferred Income Taxes ("ADIT")	\$ (683,150)	\$ 310,139	\$ (373,012)
Plus:				
14	Unamortized Finance Charges	-	-	-
15	Prepayments	743	-	743
16	Materials & Supplies	-	-	-
17	Cash Working Capital	11,300	(26,194)	(14,894)
18	TOTAL RATE BASE (Sum L's 3, 4, 7, 8, 9, 12 Thru 17)	\$ 5,355,381	\$ (296,769)	\$ 5,058,613

References:

Column [A]: Company Schedule B-1
Column [B]: TJC-3, Columns [B] Thru [K]
Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENTS

Line No.	Description	[A]	[B]	[C]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]
		Company As Filed OGRB/FVRB	Adjust No. 1 UPIS & AD Adjustments	Adjust No. 2 AIAC Adjustment	Adjust No. 3 CIAC Adjustment	Adjust No. 4 Intentionally Left Blank	Adjust No. 5 Intentionally Left Blank	Adjust No. 6 Intentionally Left Blank	Adjust No. 7 Intentionally Left Blank	Adjust No. 8 Intentionally Left Blank	Adjust No. 9 ADIT Adjustment	Adjust No. 10 Working Capital Adjustments	Total RUCO Adjustments	Recommended RUCO OGRB/FVRB	
1	Gross Utility Plant In Service	\$ 14,636,654	\$ (688,121)											\$ (688,121)	\$ 14,048,533
2	Accumulated Depreciation	\$ (5,903,755)	\$ (691)											\$ (691)	\$ (5,904,445)
3	Net Utility Plant In Service (L1 + L2)	\$ 8,732,899	\$ (688,811)											\$ (688,811)	\$ 8,144,088
Less:															
4	Advances In Aid Of Construction ("AIAC")	\$ (520,379)													\$ (520,379)
5	Contribution In Aid Of Construction ("CIAC")	\$ (5,112,247)													\$ (5,112,247)
6	Accumulated Amortization of CIAC	\$ 2,935,215			8,098									8,098	\$ 2,943,313
7	Net CIAC (L5 + L6)	\$ (2,177,032)			\$ 8,098									\$ 8,098	\$ (2,168,934)
8	Customer Meter Deposits														
9	Customer Security Deposits														
10	Gross Regulatory Liability														
11	Accumulated Amortization														
12	Net Regulatory Liability														
13	Accumulated Deferred Income Taxes ("ADIT")	\$ (683,150)												\$ 310,139	\$ (373,012)
Plus:															
14	Unamortized Finance Charges														
15	Prepayments														743
16	Materials & Supplies														
17	Cash Working Capital													(28,194)	(14,894)
18	TOTAL RATE BASE (Sum L's 3, 4, 7, 8, 9, 12 Thru 17)	\$ 5,355,381	\$ (688,811)		\$ 8,098									\$ (28,194)	\$ 5,055,673

References:

- Column [A]: Company Schedule B-1
- Column [B] Thru Column [K]: RUCO Recommended Rate Base Adjustments
- Column [L]: Sum of RUCO Recommended Rate Base Adjustments of Columns [B] through [K]
- Column [M]: Column [A] + Column [L]

SUMMARY OF UTILITY PLANT IN SERVICE (UPIS) ADJUSTMENTS
 UTILITY PLANT IN SERVICE (UPIS) RATE BASE ADJUSTMENT #1

Line No.	NARUC Account No.	Description	Vintage Year	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
				Company Adjusted Plant in Service As Filed	RUCO Company Ratable Adjustment	RUCO Adjustment B Post-Test-Year Plant Adjustment	RUCO Adjustment C Intentionally Left Blank	RUCO Adjustment D Intentionally Left Blank	RUCO Adjustment E Intentionally Left Blank	RUCO Adjustment F Intentionally Left Blank	RUCO Adjustment G Intentionally Left Blank	RUCO Adjustment H Intentionally Left Blank	RUCO Total UPIS Adjustments
Direct Plant:													
1	351	Organization		\$ 5,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,785
2	352	Franchise		417	-	-	-	-	-	-	-	-	417
3	353	Land & Land Rights		7,545	-	-	-	-	-	-	-	-	7,545
4	354	Structures & Improvements		487,891	(138,052)	(82,190)	-	-	-	-	-	-	269,648
5	355	Power Generation Equipment		-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Forced		636,023	-	-	-	-	-	-	-	-	636,023
7	361	Collection Sewers - Gravity		6,999,939	824	(22,278)	-	-	-	-	-	-	6,978,487
8	362	Special Collecting Structures		-	-	-	-	-	-	-	-	-	-
9	363	Customer Services		1,286,513	850	(8,504)	-	-	-	-	-	-	1,280,859
10	364	Flow Measuring Devices		65,412	-	-	-	-	-	-	-	-	65,412
11	366	Reuse Services		-	-	-	-	-	-	-	-	-	-
12	367	Reuse Meters And Installation		-	-	-	-	-	-	-	-	-	-
13	370	Receiving Wells		887,120	-	-	-	-	-	-	-	-	887,120
14	371	Effluent Pumping Equipment		751,817	(284,540)	(19,846)	-	-	-	-	-	-	447,430
15	374	Reuse Distribution Reservoirs		-	-	-	-	-	-	-	-	-	-
16	375	Reuse Trans. and Dist. System		-	-	-	-	-	-	-	-	-	-
17	380	Treatment & Disposal Equipment		982,394	-	-	-	-	-	-	-	-	982,394
18	381	Plant Sewers		15,362	-	-	-	-	-	-	-	-	15,362
19	382	Outfall Sewer Lines		-	-	-	-	-	-	-	-	-	-
20	388	Other Sewer Plant & Misc. Equipment		63,378	(8,205)	-	-	-	-	-	-	-	57,171
21	390	Office Furniture & Equipment		142,738	(34,188)	-	-	-	-	-	-	-	108,570
22	390.1	Computers and Software		4,025	32,020	-	-	-	-	-	-	-	36,045
23	391	Transportation Equipment		117	8,205	-	-	-	-	-	-	-	8,322
24	392	Storm Equipment		-	-	-	-	-	-	-	-	-	-
25	393	Tools, Shop And Garage Equipment		19,957	370	(11,789)	-	-	-	-	-	-	8,558
26	394	Laboratory Equipment		6,152	-	-	-	-	-	-	-	-	6,152
27	395	Power Operated Equipment		29,947	-	-	-	-	-	-	-	-	29,947
28	396	Communication Equipment		6,057	-	-	-	-	-	-	-	-	6,057
29	397	Miscellaneous Equip.		-	-	-	-	-	-	-	-	-	-
30	398	Other Tangible Plant		3,913	-	-	-	-	-	-	-	-	3,913
31	398.1	Nondepreciable WWTP		2,431,717	-	-	-	-	-	-	-	-	2,431,717
32		Total Direct Plant		\$ 14,514,218	\$ (440,899)	\$ (122,585)	\$ -	\$ 13,950,935					
Allocated Corporate Plant:													
33	903	Land & Land Rights		\$ 5,890	(1,833)	-	-	-	-	-	-	-	\$ 4,247
34	904	Structures and Improvements		63,809	(17,689)	-	-	-	-	-	-	-	46,119
35	940	Office Furniture and Fixtures		8,939	(498)	-	-	-	-	-	-	-	8,443
36	940.1	Computers and Software		45,811	(5,021)	-	-	-	-	-	-	-	40,790
37		Total Allocated Corporate Plant		\$ 122,438	\$ (24,839)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,599
38		Plant Not Accounted For		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39		Total Utility Plant In Service (UPIS)		\$ 14,838,854	\$ (465,535)	\$ (122,585)	\$ -	\$ 14,048,534					

References:

- Column (A): Company Schedule B-2 Adjusted Test Year as Filed
- Column (B) Through (I): RUCO Recommended UPIS Adjustments
- Column (J): Sum of Column (B) Through (I) - RUCO Sum of Total Recommended UPIS Adjustments
- Column (K): Column (A) + (J)

SUMMARY OF ACCUMULATED DEPRECIATION (A/D) ADJUSTMENTS
 UPS ACCUMULATED DEPRECIATION RATE BASE ADJUSTMENT #1

Line No.	NARUC Account No.	Description	Vintage Year	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	
				Company Adjusted Accum. Depr. As Filed	RUCO Adjustment A Company Rebuttal Adjustment	RUCO Adjustment B Post-Test-Year Plant Adjustment	RUCO Adjustment C Intentionally Left Blank	RUCO Adjustment D Intentionally Left Blank	RUCO Adjustment E Intentionally Left Blank	RUCO Adjustment F Intentionally Left Blank	RUCO Adjustment G Intentionally Left Blank	RUCO Adjustment H Intentionally Left Blank	RUCO Total Accum. Depr. Adjustments	RUCO Recommended Accum. Depr.	
Direct Plant:															
1	351	Organization		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2	352	Franchise		-	-	-	-	-	-	-	-	-	-	-	
3	353	Land & Land Rights		-	-	-	-	-	-	-	-	-	-	-	
4	354	Structures & Improvements		48,444	798	(1,035)	-	-	-	-	-	-	-	-	
5	355	Power Generation Equipment		-	-	-	-	-	-	-	-	-	-	-	
6	360	Collection Sewers - Forced		37,951	-	-	-	-	-	-	-	-	-	46,205	
7	361	Collection Sewers - Gravity		2,984,500	231	(371)	-	-	-	-	-	-	-	37,951	
8	362	Special Collecting Structures		-	-	-	-	-	-	-	-	-	(140)	2,984,300	
9	363	Customer Services		738,949	65	(65)	-	-	-	-	-	-	-	-	
10	364	Flow Measuring Devices		65,412	-	-	-	-	-	-	-	-	0	738,949	
11	366	Raise Services		-	-	-	-	-	-	-	-	-	-	65,412	
12	367	Raise Meters And Installation		-	-	-	-	-	-	-	-	-	-	-	
13	370	Receiving Wells		411,961	-	-	-	-	-	-	-	-	-	-	
14	371	Effluent Pumping Equipment		62,965	1,240	(1,985)	-	-	-	-	-	-	-	411,961	
15	374	Raise Distribution Reservoirs		-	-	-	-	-	-	-	-	-	(744)	62,221	
16	375	Raise Trans. and Dist. System		-	-	-	-	-	-	-	-	-	-	-	
17	380	Treatment & Disposal Equipment		954,080	-	-	-	-	-	-	-	-	-	-	
18	381	Plant Sewers		2,198	-	-	-	-	-	-	-	-	-	954,080	
19	382	Outfall Sewer Lines		57,917	(207)	-	-	-	-	-	-	-	-	-	
20	389	Other Sewer Plant & Misc. Equipment		55,854	(3,212)	-	-	-	-	-	-	-	-	2,198	
21	390	Office Furniture & Equipment		4,025	9,906	-	-	-	-	-	-	-	-	-	
22	390.1	Computers and Software		78	621	-	-	-	-	-	-	-	(207)	57,710	
23	391	Transportation Equipment		-	-	-	-	-	-	-	-	-	(3,212)	52,442	
24	392	Storage Equipment		-	-	-	-	-	-	-	-	-	9,906	13,631	
25	393	Tools, Shop And Garage Equipment		-	-	-	-	-	-	-	-	-	621	897	
26	394	Laboratory Equipment		5,471	294	(1,177)	-	-	-	-	-	-	(883)	4,589	
27	395	Power Operated Equipment		308	749	-	-	-	-	-	-	-	-	308	
28	396	Communication Equipment		-	-	-	-	-	-	-	-	-	749	749	
29	397	Miscellaneous Equip.		6,057	-	-	-	-	-	-	-	-	-	6,057	
30	398	Other Tangible Plant		-	-	-	-	-	-	-	-	-	-	-	
31	398.1	Nogales WWTP		464,515	-	-	-	-	-	-	-	-	-	3,913	
32		Total Direct Plant		\$ 5,882,397	\$ 10,183	\$ (4,633)	\$ -	\$ -	\$ 5,550	\$ 5,887,947					
Allocated Corporate Plant:															
33	903	Land & Land Rights		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
34	904	Structures and Improvements		3,375	(1,900)	-	-	-	-	-	-	-	(1,000)	2,375	
35	940	Office Furniture and Fixtures		580	(83)	-	-	-	-	-	-	-	(83)	497	
36	940.1	Computers and Software		17,403	(3,778)	-	-	-	-	-	-	-	(3,778)	13,627	
37		Total Allocated Corporate Plant		\$ 21,358	\$ (4,859)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,859)	\$ 10,490	
38		Accumulated Depreciation Not Accounted For		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
39		Total Utility Plant In Service (UPI9)		\$ 5,903,755	\$ 5,324	\$ (4,633)	\$ -	\$ 991	\$ 5,904,445						

References:
 Column (A): Company Schedule B-2 Adjusted Test Year as Filed
 Column (B) Through (I): RUCO Recommended UPS Adjustments
 Column (J): Sum of Columns (B) Through (I) - RUCO Sum of Total Recommended UPS Adjustments
 Column (K): Column (A) + (J)

**UTILITY PLANT IN SERVICE (UPIS) ADJUSTMENT NO. A
COMPANY REBUTTAL ADJUSTMENTS**

			Company Direct <u>UPIS</u>	Company Rebuttal <u>UPIS</u>	RUCO Surrebuttal <u>Adjustments</u>
<u>Direct Plant:</u>					
1	351	Organization	\$ 5,785	\$ 5,785	\$ -
2	352	Franchise	417	417	-
3	353	Land	7,545	7,545	-
4	354	Structures & Improvements	487,891	331,839	(156,052)
5	355	Power Generation	-	-	-
6	360	Collection Sewer Forced	636,023	636,023	-
7	361	Collection Sewers Gravity	6,699,939	6,700,763	824
8	362	Special Collecting Structures	-	-	-
9	363	Customer Services	1,286,513	1,287,363	850
10	364	Flow Measuring Devices	65,412	65,412	-
11	366	Reuse Services	-	-	-
12	367	Reuse Meters And Installation	-	-	-
13	370	Receiving Wells	867,120	867,120	-
14	371	Pumping Equipment	751,817	467,276	(284,540)
15	374	Reuse Distribution Reservoirs	-	-	-
16	375	Reuse Trans. and Dist. System	-	-	-
17	380	Treatment & Disposal Equipment	982,394	982,394	-
18	381	Plant Sewers	15,362	15,362	-
19	382	Outfall Sewer Lines	-	-	-
20	389	Other Sewer Plant & Equipment	63,376	57,171	(6,205)
21	390	Office Furniture & Equipment	142,738	108,570	(34,168)
22	390.1	Computers and Software	4,025	36,045	32,020
23	391	Transportation Equipment	117	6,322	6,205
24	392	Stores Equipment	-	-	-
25	393	Tools, Shop And Garage Equip	19,957	20,326	370
26	394	Laboratory Equip	6,152	6,152	-
27	395	Power Operated Equipment	29,947	29,947	-
28	396	Communication Equip	6,057	6,057	-
29	397	Miscellaneous Equip	-	-	-
30	398	Other Tangible Plant	3,913	3,913	-
31	398.1	Nogales WWTP	2,431,717	2,431,717	-
32		Total Direct Plant	<u>\$ 14,514,216</u>	<u>\$ 14,073,520</u>	<u>\$ (440,696)</u>
<u>Allocated Corporate Plant:</u>					
33	903	Land & Land Rights	\$ 5,880	\$ 4,247	\$ (1,633)
34	904	Structures and Improvements	63,809	46,119	(17,689)
35	940	Office Furniture and Fixtures	6,939	6,443	(496)
36	940.1	Computers and Software	45,811	40,790	(5,021)
37		Total Allocated Corporate Plant	<u>\$ 122,438</u>	<u>\$ 97,599</u>	<u>\$ (24,839)</u>
38		Plant Not Accounted For	\$ -	\$ -	\$ -
39		Total Utility Plant in Service (UPIS)	<u>\$ 14,636,654</u>	<u>\$ 14,171,119</u>	<u>\$ (465,535)</u>

**UTILITY PLANT IN SERVICE (UPIS) ACCUMULATED DEPRECIATION (AD) ADJUSTMENT NO. A
COMPANY REBUTTAL ADJUSTMENTS**

			Company Direct A/D	Company Rebuttal A/D	RUCO Surrebuttal Adjustments
<u>Direct Plant:</u>					
1	351	Organization	\$ -	\$ -	\$ -
2	352	Franchise	-	-	-
3	353	Land	-	-	-
4	354	Structures & Improvements	46,444	47,240	796
5	355	Power Generation	-	-	-
6	360	Collection Sewer Forced	37,951	37,951	-
7	361	Collection Sewers Gravity	2,964,500	2,964,731	231
8	362	Special Collecting Structures	-	-	-
9	363	Customer Services	738,949	739,014	65
10	364	Flow Measuring Devices	65,412	65,412	-
11	366	Reuse Services	-	-	-
12	367	Reuse Meters And Installation	-	-	-
13	370	Receiving Wells	411,961	411,961	-
14	371	Pumping Equipment	62,965	64,205	1,240
15	374	Reuse Distribution Reservoirs	-	-	-
16	375	Reuse Trans. and Dist. System	-	-	-
17	380	Treatment & Disposal Equipment	954,080	954,080	-
18	381	Plant Sewers	2,198	2,198	-
19	382	Outfall Sewer Lines	-	-	-
20	389	Other Sewer Plant & Equipment	57,917	57,710	(207)
21	390	Office Furniture & Equipment	55,654	52,442	(3,212)
22	390.1	Computers and Software	4,025	13,631	9,606
23	391	Transportation Equipment	76	697	621
24	392	Stores Equipment	-	-	-
25	393	Tools, Shop And Garage Equip	5,471	5,766	294
26	394	Laboratory Equip	308	308	-
27	395	Power Operated Equipment	-	749	749
28	396	Communication Equip	6,057	6,057	-
29	397	Miscellaneous Equip	-	-	-
30	398	Other Tangible Plant	3,913	3,913	-
31	398.1	Nogales WWTP	464,515	464,515	-
32		Total Direct Plant	<u>\$ 5,882,397</u>	<u>\$ 5,892,580</u>	<u>\$ 10,183</u>
<u>Allocated Corporate Plant:</u>					
33	903	Land & Land Rights	\$ -	\$ -	\$ -
34	904	Structures and Improvements	3,375	2,375	(1,000)
35	940	Office Furniture and Fixtures	580	497	(83)
36	940.1	Computers and Software	17,403	13,627	(3,776)
37		Total Allocated Corporate Plant	<u>\$ 21,358</u>	<u>\$ 16,499</u>	<u>\$ (4,859)</u>
38		Plant Not Accounted For	\$ -	\$ -	\$ -
39		Total Utility Plant in Service (UPIS)	<u>\$ 5,903,755</u>	<u>\$ 5,909,078</u>	<u>\$ 5,324</u>

UTILITY PLANT IN SERVICE ("UPIS") ADJUSTMENT NO. B
POST TEST YEAR PLANT DISALLOWANCE EXCEEDING 6-MONTHS TEST YEAR END

Line No.	Acct. No.	Description	[A] Company Post-Test-Year Plant Amount	[B] RUCO PTY Plant Adjustments	[C] RUCO Recommended PTY Plant
1	351	Organization	\$ -	\$ -	\$ -
2	352	Franchise	-	-	-
3	353	Land	-	-	-
4	354	Structures & Improvements	-	-	-
5	355	Power Generation	62,190	(62,190)	-
6	360	Collection Sewer Forced	-	-	-
7	361	Collection Sewers Gravity	-	-	-
8	362	Special Collecting Structures	22,276	(22,276)	-
9	363	Customer Services	-	-	-
10	364	Flow Measuring Devices	6,504	(6,504)	-
11	366	Reuse Services	-	-	-
12	367	Reuse Meters And Installation	-	-	-
13	370	Receiving Wells	-	-	-
14	371	Pumping Equipment	-	-	-
15	374	Reuse Distribution Reservoirs	19,846	(19,846)	-
16	375	Reuse Trans. and Dist. System	-	-	-
17	380	Treatment & Disposal Equipment	-	-	-
18	381	Plant Sewers	-	-	-
19	382	Outfall Sewer Lines	-	-	-
20	389	Other Sewer Plant & Equipment	-	-	-
21	390	Office Furniture & Equipment	-	-	-
22	390.1	Computers and Software	-	-	-
23	391	Transportation Equipment	-	-	-
24	392	Stores Equipment	-	-	-
25	393	Tools, Shop And Garage Equip	-	-	-
26	394	Laboratory Equip	11,769	(11,769)	-
27	395	Power Operated Equip	-	-	-
28	396	Communication Equip	29,947	-	29,947
29	397	Miscellaneous Equip.	-	-	-
30	398	Other Tangible Plant	-	-	-
31	398.1	Nogales WWTP	-	-	-
32		TOTALS	\$ 152,532	\$ (122,585)	\$ 29,947
33		RUCO Total Adjustment		\$ (122,585)	

References:

Per Company Response to RUCO DR #2.10 - See RUCO W/P

**UTILITY PLANT IN SERVICE (UPIS) ACCUMULATED DEPRECIATION (AD) ADJUSTMENT NO. B
POST TEST YEAR PLANT ACCUMULATED DEPRECIATION DISALLOWANCE EXCEEDING 6-MONTHS TEST YEAR END**

Line No.	Acct. No.	Description	[A] Depre. Rate	[B] RUCO Adjusted PTY Plant	[C] RUCO Disallowed PTY Plant	[D] RUCO Adjusted PTY Accum. Depre. Amount
1	351	Organization	0.00%	\$ -	\$ -	\$ -
2	352	Franchise	0.00%	-	-	-
3	353	Land	0.00%	-	-	-
4	354	Structures & Improvements	3.33%	62,190	(62,190)	(1,035)
5	355	Power Generation	2.50%	-	-	-
6	360	Collection Sewer Forced	2.50%	-	-	-
7	361	Collection Sewers Gravity	3.33%	22,276	(22,276)	(371)
8	362	Special Collecting Structures	6.67%	-	-	-
9	363	Customer Services	2.00%	6,504	(6,504)	(65)
10	364	Flow Measuring Devices	5.00%	-	-	-
11	366	Reuse Services	12.50%	-	-	-
12	367	Reuse Meters And Installation	3.33%	-	-	-
13	370	Receiving Wells	3.33%	-	-	-
14	371	Pumping Equipment	20.00%	19,846	(19,846)	(1,985)
15	374	Reuse Distribution Reservoirs	2.22%	-	-	-
16	375	Reuse Trans. and Dist. System	2.22%	-	-	-
17	380	Treatment & Disposal Equipment	5.00%	-	-	-
18	381	Plant Sewers	2.00%	-	-	-
19	382	Outfall Sewer Lines	3.33%	-	-	-
20	389	Other Sewer Plant & Equipment	8.33%	-	-	-
21	390	Office Furniture & Equipment	2.00%	-	-	-
22	390.1	Computers and Software	6.67%	-	-	-
23	391	Transportation Equipment	6.67%	-	-	-
24	392	Stores Equipment	6.67%	-	-	-
25	393	Tools, Shop And Garage Equip	20.00%	11,769	(11,769)	(1,177)
26	394	Laboratory Equip	20.00%	-	-	-
27	395	Power Operated Equip	4.00%	29,947	-	-
28	396	Communication Equip	5.00%	-	-	-
29	397	Miscellaneous Equip.	10.00%	-	-	-
30	398	Other Tangible Plant	5.00%	-	-	-
31	398.1	Nogales WWTP	10.00%	-	-	-
32		TOTALS		\$ 152,532	\$ (122,585)	\$ (4,633)
33		Company's Accumulated Depreciation on PTY Plant				3,607
34		RUCO Total Adjustment				\$ (4,633)

References:

Per Company Response to RUCO DR #2.10 - See RUCO W/P and Schedule TJC-4(d) on page 1 of 2.

**RATE BASE ADJUSTMENT NO. 2
ADVANCES IN AID OF CONSTRUCTION ("AIAC")**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	<u>AIAC Adjustment #1:</u>	
1	Company AIAC as Filed in Direct	\$ 529,379
2	Company AIAC as Filed in Rebuttal	<u>529,379</u>
3	RUCO Recommended Increase/(Decrease) Adjustment	<u>\$ -</u>

References:

**RATE BASE ADJUSTMENT NO. 3
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) & AMORTIZATIONS RECONSTRUCTION SCHEDULE**

Line No.	<u>Description</u>	<u>Amount</u>
<u>Gross CIAC:</u>		
1	Company Gross CIAC as Filed in Direct	\$ 5,112,247
2	Company Gross CIAC as Filed in Direct	5,112,247
3	RUCO Recommended Increase/(Decrease) Adjustment	<u>\$ -</u>
<u>Accumulated Amortization of CIAC:</u>		
4	Company Accumulated Amortization of CIAC as Filed in Direct	\$ (2,935,215)
5	Company Accumulated Amortization of CIAC as Filed in Rebuttal	(2,943,313)
6	RUCO Recommended Increase/(Decrease) Adjustment	<u>\$ (8,098)</u>
7	Company Net CIAC as Filed	\$ 2,177,032
8	RUCO Recommended Net CIAC	2,168,934
9	RUCO Net Increase/Decrease Adjustment	<u>\$ (8,098)</u>

References:

RATE BASE ADJUSTMENT NO. 4
INTENTIONALLY LEFT BLANK

Line No.	Description	Amount
1		\$ -
2		\$ -
3		\$ -

References:

**RATE BASE ADJUSTMENT NO. 5
INTENTIONALLY LEFT BLANK**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**RATE BASE ADJUSTMENT NO. 6
INTENTIONALLY LEFT BLANK**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**RATE BASE ADJUSTMENT NO. 7
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**RATE BASE ADJUSTMENT NO. 8
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

RATE BASE ADJUSTMENT NO. 9
 ACCUMULATED DEFERRED INCOME TAXES (ADIT)

Line No.	Deferred Income Tax as of December 31, 2014	Water & Sewer Adjusted Book Value	Water & Sewer Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current
1										
2										
3										
4										
5										
6		Plant-in-Service \$ 51,162,955 ¹								
7		Accum. Deprec. (22,198,887) ¹								
8		CIAC (13,104,588) ³								
9	Fed.	Fixed Assets \$ 15,859,480	\$ 11,968,891 ²	100.0%	\$ (3,890,589)	32.33%	-	-		(1,257,983)
10										
11	State	Fixed Assets \$ 15,859,480	\$ 14,063,222 ²	100.0%	\$ (1,796,258)	4.900%	-	-		(88,017)
12										
13	Fed & State	AIAC	783,815 ⁴	100.0%	\$ 783,815 ⁴	37.234%	\$ 291,846	\$		
14										
15										
16										
17										
18										
19										
20										
21		Net Asset (Liability)					\$ -	\$ 291,846	\$ -	\$ (1,346,000)
22		Allocation Factor - Wastewater-Division (based on rate base before ADIT)					\$ (1,054,154)	0.3503		
23		Net Asset (Liability) Water Division					\$ (369,321)			
24		Allocated Corporate ADIT ⁵					\$ (3,690)			
25		Total Asset (Liability) Wastewater Division					\$ (373,012)			
26										
27										
28		DIT Asset (Liability) per Company Direct					\$ (683,150)			
29		Adjustment to DIT					\$ (310,139)			
30										
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Footnotes - See page 7.1

**RATE BASE ADJUSTMENT NO. 10
CASH WORKING CAPITAL LEAD / LAG STUDY**

Line No.	Description	[A] Company Adjusted Test Year As Filed	[B] RUCO Expense Adjustments	[C] RUCO Recommended Expense	[D] Revenue Lag Days	[E] ¹ Expense (Lead)/Lag Days	[F] Net (Lead)/Lag Days Col. [D] - Col. [E]	[G] (Lead)/Lag Factor Col. [F] / 365	[H] Cash Working Capital Requirement Col. [C] x Col. [G]
Operating Expenses:									
1	Salaries and Wages	\$ -	\$ -	\$ -	44.96	-	44.96	0.12318	\$ -
2	Purchased Wastewater Treatment	3,811	-	3,811	44.96	29.82	15.14	0.04148	158
3	Sludge Removal	-	-	-	44.96	-	44.96	0.12318	-
4	Purchased Power	67,788	108,999	176,787	44.96	34.96	10.00	0.02740	4,843
5	Fuel for Power Production	-	-	-	44.96	-	44.96	0.12318	-
6	Chemicals	6,030	-	6,030	44.96	3.91	41.05	0.11247	678
7	Materials and Supplies	7,433	-	7,433	44.96	17.14	27.82	0.07622	567
8	Contractual Services - Professional	167,347	(20,703)	146,643	44.96	19.99	24.97	0.06841	10,032
9	Contractual Services - Testing	405	-	405	44.96	8.50	36.46	0.09989	40
10	Contractual Services - Other	260,568	(109,657)	150,911	44.96	22.47	22.49	0.06162	9,299
11	Office Supplies and Expense	1,916	-	1,916	44.96	46.21	(1.25)	(0.00342)	(7)
12	Rents	3,379	-	3,379	44.96	46.21	(1.25)	(0.00342)	(12)
13	Transportation	10,899	-	10,899	44.96	20.78	24.18	0.06625	722
14	Insurance	7,991	-	7,991	44.96	(182.50)	227.46	0.62318	4,980
15	Miscellaneous Expense	45,814	(374)	45,440	44.96	112.06	(67.10)	(0.18384)	(8,354)
16	Total Operating Expenses	\$ 583,380	\$ (21,735)	\$ 561,644					
Taxes:									
17	General Taxes-Property ¹	\$ 79,614	\$ (3,541)	\$ 76,073	44.96	213.96	(169.00)	(0.46301)	(35,223)
18	General Taxes-Other	-	-	-	44.96	-	44.96	0.12318	-
19	Income Tax ¹	240,175	(48,697)	191,478	44.96	37.00	7.96	0.02181	4,176
Other:									
20	Regulatory Commission Expense	\$ 14,717	\$ (14,717)	\$ -	44.96	(136.54)	181.50	0.49726	\$ -
21	Interest Expense on Proposed Long-Term Debt	-	54,755	54,755	44.96	90.25	(45.29)	(0.12408)	(6,794)
22	Total Cash Working Capital Expenses	\$ 917,886	\$ (33,935)	\$ 883,951					
23	Total RUCO Recommended Cash Working Capital								\$ (14,894)
24	Total Company Proposed Cash Working Capital								11,300
25	RUCO Cash Working Capital Adjustment								\$ (26,194)

References:

¹ At Proposed Rates

**RATE BASE ADJUSTMENT NO. 10
CASH WORKING CAPITAL LEAD / LAG STUDY**

Line No.	Description	[A] Company Adjusted Test Year As Filed	[B] RUCO Expense Adjustments	[C] RUCO Recommended Expense	[D] Revenue Lag Days	[E] Expense (Lead)/Lag Days	[F] Net (Lead)/Lag Days Col. [D] - Col. [E]	[G] (Lead)/Lag Factor Col. [F] / 365	[H] Cash Working Capital Requirement Col. [C] x Col. [G]
Operating Expenses:									
1	Salaries and Wages	\$ -	\$ -	\$ -	44.96	-	44.96	0.12318	\$ -
2	Purchased Wastewater Treatment	3,811	-	3,811	44.96	29.82	15.14	0.04148	158
3	Sludge Removal	-	-	-	44.96	-	44.96	0.12318	-
4	Purchased Power	67,788	108,999	176,787	44.96	34.96	10.00	0.02740	4,843
5	Fuel for Power Production	-	-	-	44.96	-	44.96	0.12318	-
6	Chemicals	6,030	-	6,030	44.96	3.91	41.05	0.11247	678
7	Materials and Supplies	7,433	-	7,433	44.96	17.14	27.82	0.07622	567
8	Contractual Services - Professional	167,347	(20,703)	146,643	44.96	19.99	24.97	0.06841	10,032
9	Contractual Services - Testing	405	-	405	44.96	8.50	36.46	0.09989	40
10	Contractual Services - Other	260,568	(109,657)	150,911	44.96	22.47	22.49	0.06162	9,299
11	Office Supplies and Expense	1,916	-	1,916	44.96	46.21	(1.25)	(0.00342)	(7)
12	Rents	3,379	-	3,379	44.96	46.21	(1.25)	(0.00342)	(12)
13	Transportation	10,899	-	10,899	44.96	20.78	24.18	0.06625	722
14	Insurance	7,991	-	7,991	44.96	(182.50)	227.46	0.62318	4,980
15	Miscellaneous Expense	45,814	(374)	45,440	44.96	112.06	(67.10)	(0.18384)	(8,354)
16	Total Operating Expenses	\$ 583,380	\$ (21,735)	\$ 561,644					
Taxes:									
17	General Taxes-Property ¹	\$ 79,614	\$ (3,541)	\$ 76,073	44.96	213.96	(169.00)	(0.46301)	(35,223)
18	General Taxes-Other	-	-	-	44.96	-	44.96	0.12318	-
19	Income Tax ¹	240,175	(48,697)	191,478	44.96	37.00	7.96	0.02181	4,176
Other:									
20	Regulatory Commission Expense	\$ 14,717	\$ (14,717)	\$ -	44.96	(136.54)	181.50	0.49726	\$ -
21	Interest Expense on Proposed Long-Term Debt	-	54,755	54,755	44.96	90.25	(45.29)	(0.12408)	(6,794)
22	Total Cash Working Capital Expenses	\$ 917,886	\$ (33,935)	\$ 883,951					
23	Total RUCO Recommended Cash Working Capital								\$ (14,894)
24	Total Company Proposed Cash Working Capital								11,300
25	RUCO Cash Working Capital Adjustment								\$ (26,194)

References:

¹ At Proposed Rates

OPERATING INCOME SUMMARY

Line No.	Description	[A] Company Adjusted Test Year As Filed	[B] RUCO Recommended Adjustments	[C] RUCO Recommended Adjusted Test Year Amounts	[D] RUCO Recommended Changes	[E] RUCO Recommended Amounts
Revenues:						
1	Flat Rate Revenue	\$ 1,470,855	\$ -	\$ 1,470,855	\$ 19,083	\$ 1,489,937
2	Measured Revenues	-	-	-	-	-
3	Misc Revenues	7,468	-	7,468	-	7,468
4	Total Revenues	<u>\$ 1,478,323</u>	<u>\$ -</u>	<u>\$ 1,478,323</u>	<u>\$ 19,083</u>	<u>\$ 1,497,406</u>
Operating Expenses:						
5	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
6	Purchased Wastewater Treatment	3,811	-	3,811	-	3,811
7	Sludge Removal	-	-	-	-	-
8	Purchased Power	67,788	108,999	176,787	-	176,787
9	Fuel for Power Production	-	-	-	-	-
10	Chemicals	6,030	-	6,030	-	6,030
11	Materials and Supplies	7,433	-	7,433	-	7,433
12	Contractual Services - Professional	167,347	(20,703)	146,643	-	146,643
13	Contractual Services - Testing	405	-	405	-	405
14	Contractual Services - Other	260,568	(109,657)	150,911	-	150,911
15	Office Supplies and Expense	1,916	-	1,916	-	1,916
16	Rents	3,379	-	3,379	-	3,379
17	Transportation	10,899	-	10,899	-	10,899
18	Insurance	7,991	-	7,991	-	7,991
19	Regulatory Commission Expense	14,717	-	14,717	-	14,717
20	Miscellaneous	45,814	(374)	45,440	-	45,440
21	Depreciation	326,172	(37,135)	289,038	-	289,038
22	Taxes Other Than Income	-	-	-	-	-
23	Property Taxes	75,741	6	75,747	327	76,073
24	Income Tax	157,337	27,157	184,494	6,984	191,478
25	Total Operating Expenses	<u>\$ 1,157,347</u>	<u>\$ (31,707)</u>	<u>\$ 1,125,640</u>	<u>\$ 7,310</u>	<u>\$ 1,132,950</u>
26	Operating Income	<u>\$ 320,976</u>	<u>\$ 31,707</u>	<u>\$ 352,683</u>	<u>\$ 11,772</u>	<u>\$ 364,456</u>

References:

- Column [A]: Company Schedule C-1;
- Column [B]: RUCO Recommended Total Adjustments Per Schedule TJC-12 on pages 1-2 at page 2 in Column [S] at line 26;
- Column [C]: Column [A] + [B] - RUCO Recommended Adjusted Test Year Amounts Per Schedule TJC-12 on page 2 of 2 in Column [T];
- Column [D]: RUCO Recommended Increase/(Decrease) to Revenue Requirement;
- Column [E]: Column [C] + [D] - RUCO Recommended Increase/(Decrease) Amounts for Revenue Requirement.

RUCO OPERATING INCOME ADJUSTMENTS

Line No.	Description	[A] Company Adjusted Test Year As Filed	[B] Adj. No. 1 Depreciation Expense	[C] Adj. No. 2 Property Taxes	[D] Adj. No. 3 Incentive Pay Adjustment	[E] Adj. No. 4 Pay Increase Adjustment	[F] Adj. No. 5 Intentionally Left Blank	[G] Adj. No. 6 Intentionally Left Blank	[H] Adj. No. 7 Postage Decrease Adjustment	[I] Adj. No. 8 Reclass Expenses Adjustment	[J] Adj. No. 9 APUC Non-Labor Adjustments
1	Revenues:										
2	Flat Rate Revenue	\$ 1,470,855	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Measured Revenues	-	-	-	-	-	-	-	-	-	-
4	Misc Revenues	7,468	-	-	-	-	-	-	-	-	-
	Total Revenues	\$ 1,478,323	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Operating Expenses:										
6	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Purchased Wastewater Treatment	3,811	-	-	-	-	-	-	-	-	-
8	Sludge Removal	-	-	-	-	-	-	-	-	-	-
9	Purchased Power	67,788	-	-	-	-	-	-	-	108,999	-
10	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
11	Chemicals	-	-	-	-	-	-	-	-	-	-
12	Materials and Supplies	6,030	-	-	-	-	-	-	-	-	-
13	Contractual Services - Professional	7,433	-	-	-	-	-	-	-	-	-
14	Contractual Services - Testing	167,347	-	-	(8,554)	(2,296)	-	-	-	-	(9,853)
15	Contractual Services - Other	260,568	-	-	-	(658)	-	-	-	(108,999)	-
16	Office Supplies and Expense	405	-	-	-	-	-	-	-	-	-
17	Rents	1,916	-	-	-	-	-	-	-	-	-
18	Transportation	3,379	-	-	-	-	-	-	-	-	-
19	Insurance	10,899	-	-	-	-	-	-	-	-	-
20	Regulatory Commission Expense	7,991	-	-	-	-	-	-	-	-	-
21	Miscellaneous	14,717	-	-	-	-	-	-	-	-	-
22	Depreciation	45,814	-	-	-	-	-	(374)	-	-	-
23	Taxes Other Than Income	326,172	(37,135)	-	-	-	-	-	-	-	-
24	Property Taxes	-	-	6	-	-	-	-	-	-	-
24	Income Tax	75,741	-	-	-	-	-	-	-	-	-
24		157,337	-	-	-	-	-	-	-	-	-
25	Total Operating Expenses	\$ 1,157,347	\$ (37,135)	\$ 6	\$ (8,554)	\$ (2,954)	\$ -	\$ -	\$ (374)	\$ -	\$ (9,853)
26	Operating Income	\$ 320,976	\$ 37,135	\$ (6)	\$ 8,554	\$ 2,954	\$ -	\$ -	\$ 374	\$ -	\$ 9,853

References:
Column [A]: Company Schedule C-1 Adjusted Test Year as Filed;
Column [B] through [J]: RUCO Recommended Adjusted Test Year Adjustments;

RUCO OPERATING INCOME ADJUSTMENTS

Line No.	Description	(K) Adj. No. 10 Corporate Labor Adjustments	(L) Adj. No. 11 Intentionally Left Blank	(M) Adj. No. 12 Intentionally Left Blank	(N) Adj. No. 13 Intentionally Left Blank	(O) Adj. No. 14 Intentionally Left Blank	(P) Adj. No. 15 Intentionally Left Blank	(Q) Adj. No. 16 Intentionally Left Blank	(R) Adj. No. 17 Income Taxes	(S) Total RUCO Recommended Adjustments	(T) RUCO Adjusted Test Year Recommended
Revenues:											
1	Fiat Rate Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,470,855
2	Measured Revenues	-	-	-	-	-	-	-	-	-	-
3	Misc Revenues	-	-	-	-	-	-	-	-	-	-
4	Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,468
Operating Expenses:											
5	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,811
6	Purchased Wastewater Treatment	-	-	-	-	-	-	-	-	-	-
7	Sludge Removal	-	-	-	-	-	-	-	-	-	-
8	Purchased Power	-	-	-	-	-	-	-	-	108,999	176,787
9	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
10	Chemicals	-	-	-	-	-	-	-	-	-	-
11	Materials and Supplies	-	-	-	-	-	-	-	-	-	6,030
12	Contractual Services - Professional	-	-	-	-	-	-	-	-	-	7,433
13	Contractual Services - Testing	-	-	-	-	-	-	-	-	(20,703)	146,643
14	Contractual Services - Other	-	-	-	-	-	-	-	-	-	405
15	Office Supplies and Expense	-	-	-	-	-	-	-	-	(109,657)	150,911
16	Rents	-	-	-	-	-	-	-	-	-	1,916
17	Transportation	-	-	-	-	-	-	-	-	-	3,379
18	Insurance	-	-	-	-	-	-	-	-	-	10,899
19	Regulatory Commission Expense	-	-	-	-	-	-	-	-	-	7,991
20	Miscellaneous	-	-	-	-	-	-	-	-	-	14,717
21	Depreciation	-	-	-	-	-	-	-	-	(374)	45,440
22	Taxes Other Than Income	-	-	-	-	-	-	-	-	(37,135)	289,038
23	Property Taxes	-	-	-	-	-	-	-	-	-	-
24	Income Tax	-	-	-	-	-	-	27,157	-	6	75,747
25	Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,157	\$ -	\$ (31,707)	\$ 1,125,640
26	Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (27,157)	\$ -	\$ 31,707	\$ 352,683

References:
Column [K] thru [R]: RUCO Recommended Adjusted Test Year Adjustments;
Column [S]: RUCO Total Adjusted Test Year Adjustments on Schedule TJC-12 page 1 of 2 in Columns [B] thru Schedule TJC-12 page 2 of 2 in Columns [K] thru [R];
Column [T]: Column [A] on Schedule TJC-12 at page 1 of 2 + Column [S] on Schedule TJC-12 page 2 of 2 - RUCO Recommended Adjusted Test Year Balances.

OPERATING INCOME ADJUSTMENT NO. 1
DEPRECIATION EXPENSE

Line No.	NARUC Account	Description	[A] Company UPIS As Filed	[B] RUCO UPIS Adjustments Recommended	[C] RUCO UPIS Balances Recommended	[D] RUCO Non-Depra. Fully Depra.	[E] RUCO Depreciable UPIS Recommended	[F] Authorized Depreciation Rate	[G] RUCO Depreciation Expense Recommended
Direct Plant:									
1	351	Organization	\$ 5,785	\$ 0	\$ 5,785	\$ (5,785)	\$ -	0.00%	\$ -
2	352	Franchise	417	-	417	(417)	-	0.00%	-
3	353	Land	7,545	-	7,545	(7,545)	-	0.00%	-
4	354	Structures & Improvements	487,891	-	269,648	-	269,648	3.33%	8,979
5	355	Power Generation	-	(218,243)	-	-	-	5.00%	-
6	360	Collection Sewer Forced	636,023	-	636,023	-	636,023	2.00%	12,720
7	361	Collection Sewers Gravity	6,699,939	(21,452)	6,678,487	-	6,678,487	2.00%	133,570
8	362	Special Collecting Structures	-	-	-	-	-	2.00%	-
9	363	Customer Services	1,286,513	(5,654)	1,280,859	-	1,280,859	2.00%	25,617
10	364	Flow Measuring Devices	65,412	-	65,412	(65,412)	-	10.00%	-
11	366	Reuse Services	-	-	-	-	-	2.00%	-
12	367	Reuse Meters And Installation	-	-	-	-	-	8.33%	-
13	370	Receiving Wells	867,120	-	867,120	-	867,120	3.33%	28,875
14	371	Pumping Equipment	751,817	(304,386)	447,430	-	447,430	12.50%	55,929
15	374	Reuse Distribution Reservoirs	-	-	-	-	-	2.50%	-
16	375	Reuse Trans. and Dist. System	-	-	-	-	-	2.50%	-
17	380	Treatment & Disposal Equipment	982,394	-	982,394	-	982,394	5.00%	49,120
18	381	Plant Sewers	15,362	-	15,362	-	15,362	5.00%	768
19	382	Outfall Sewer Lines	-	-	-	-	-	3.33%	-
20	389	Other Sewer Plant & Equipment	63,376	(6,205)	57,171	(57,170)	0	6.67%	0
21	390	Office Furniture & Equipment	142,738	(34,168)	108,570	-	108,570	6.67%	7,242
22	390.1	Computers and Software	4,025	32,020	36,045	(4,025)	32,020	20.00%	6,404
23	391	Transportation Equipment	117	6,205	6,322	-	6,322	20.00%	1,264
24	392	Stores Equipment	-	-	-	-	-	4.00%	-
25	393	Tools, Shop And Garage Equip	19,957	(11,399)	8,558	(5,139)	3,419	5.00%	171
26	394	Laboratory Equip	6,152	-	6,152	-	6,152	10.00%	615
27	395	Power Operated Equipment	29,947	-	29,947	-	29,947	5.00%	1,497
28	396	Communication Equip	6,057	-	6,057	(6,057)	-	10.00%	-
29	397	Miscellaneous Equip.	-	-	-	-	-	10.00%	-
30	398	Other Tangible Plant	3,913	-	3,913	(3,913)	-	10.00%	-
31	398.1	Nogales WWTP	2,431,717	-	2,431,717	-	2,431,717	4.72%	114,777
32	Total Direct Plant		\$ 14,514,216	\$ (563,281)	\$ 13,950,935	\$ (155,463)	\$ 13,795,472		\$ 447,549
Allocated Corporate Plant:									
33	903	Land & Land Rights	\$ 5,880	\$ (1,633)	\$ 4,247	\$ -	\$ 4,247	0.00%	\$ -
34	904	Structures and Improvements	63,809	(17,689)	46,119	-	46,119	2.56%	1,181
35	940	Office Furniture and Fixtures	6,939	(496)	6,443	-	6,443	6.67%	430
36	940.1	Computers and Software	45,811	(5,021)	40,790	-	40,790	20.00%	8,158
37	Total Allocated Corporate Plant		\$ 122,438	\$ (24,839)	\$ 97,599	\$ -	\$ 97,599		\$ 457,317
38	Total Utility Plant In Service (UPIS)		\$ 14,636,654	\$ (588,120)	\$ 14,048,534	\$ (155,463)	\$ 13,893,071		
						<u>Gross CIAC</u>	<u>Gross CIAC</u>		
39	Less: Contributions in Aid of Construction		\$ 5,112,247			-	\$ 5,112,247	3.29%	\$ (168,280)
40	Regulatory Liability							0.00%	
41	RUCO Total Depreciation Expense								289,038
42	Company Adjusted Depreciation Expense As Filed								326,172
43	RUCO Increase/(Decrease) Expense Adjustment								<u>\$ (37,135)</u>

* Fully Depreciated Per Company Schedule C-2, page 2

References:
Company B-2 and C-1 Schedules, and RUCO Schedule TJC-4(a), pages 1 & 2

**OPERATING INCOME ADJUSTMENT NO. 2
PROPERTY TAXES**

Line No.	Property Tax Calculation	[A]	[B]
		RUCO AS ADJUSTED	RUCO RECOMMENDED
1	RUCO Adjusted Test Year Gross Revenues	\$ 1,478,323	\$ 1,478,323
2	Multiplied by 2	2	2
3	Subtotal (Line 1 * Line 2)	\$ 2,956,646	\$ 2,956,646
4a	RUCO Adjusted Test Year Gross Revenues	1,478,323	
4b	RUCO Recommended Revenue		1,497,406
5	Subtotal (Line 3 + Line 4a)	\$ 4,434,970	\$ 4,454,052
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 1,478,323	\$ 1,484,684
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 2,956,646	\$ 2,969,368
10	Plus: 10% of CWIP Per Company Schedule E-1 As Filed	-	-
11	Less: Net Book Value of Licensed Vehicles	5,626	5,626
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 2,951,021	\$ 2,963,743
13	Assessment Ratio	18.0%	18.0%
14	Assessed Value (Line 12 * Line 13)	\$ 531,184	\$ 533,474
15	Composite Property Tax Rate (Per RUCO Effective Property Tax Calculation)	14.2600%	14.2600%
16	RUCO Adjusted Test Year Property Tax Expense (Line 14 * Line 15)	\$ 75,747	
17	Company Adjusted Test Year Property Tax Expense (Per Company Schedule C-1)	75,741	
18	RUCO Test Year Adjustment (Line 16-Line 17)	\$ 6	
19	Property Tax - RUCO Recommended Revenue (Line 14 * Line 15)		\$ 76,073
20	RUCO Test Year Adjusted Property Tax Expense (Line 16)		75,747
21	Increase/(Decrease) to Property Tax Expense		\$ 327
22	Increase/(Decrease) to Property Tax Expense		\$ 327
23	Increase in Revenue Requirement		19,083
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (Line 22 / Line 23)		1.7112%

References:

- RUCO Schedule TJC-11
- RUCO Schedule TJC-4(a) page 1 of 2

**OPERATING INCOME ADJUSTMENT NO. 3
INCENTIVE PAY**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	Incentive Pay in Test Year	\$ 636,000
2	50 / 50 Sharing Between Ratepayers and Shareholders	50.00%
3	Ratepayers Share	\$ 318,000
4	Bella Vista Allocation Factor	2.69%
5	Ratepayers 50% Sharing Adjustment	\$ (8,554)

References:

Per Company Response to RUCO DR 2.04
Rio Rico Water Allocation Factor per Company Response to Staff DR 2.7

OPERATING INCOME ADJUSTMENT NO. 4
PAYROLL INCREASE

Line No.	Description	Amount
	<u>Contractual Services - Professional:</u>	
1	Per RUCO's Company Schedule E W/P After APUC, LUC, and LABS Labor Adjustments	\$ 58,956
2	RUCO Recommended Pay Increase	3.00%
3	RUCO Recommended Allowance	\$ 1,769
4	Pay Increase per Company Filing	4,065
5	RUCO Adjustment	<u>\$ (2,296)</u>
	<u>Contractual Services - Other:</u>	
6	Per Company Schedule C-2, Page 9	\$ 21,289
7	RUCO Recommended Pay Increase	3.00%
8	RUCO Recommended Allowance	\$ 639
9	Pay Increase per Company Filing	1,296
10	RUCO Adjustment	<u>\$ (658)</u>
11	Total RUCO Adjustments to Contractual Services Professional and Other	<u>\$ (2,954)</u>

References:

Per Company Schedule E TJB Final xls, Company Schedule C-2 on page 9, and RUCO W/P Schedule E TJB Final xls;
RUCO W/P SUPP#FA#.pdf

OPERATING INCOME ADJUSTMENT NO. 5
INTENTIONALLY LEFT BLANK

Line
No. Description

Amount

1

\$ -

References:

OPERATING INCOME ADJUSTMENT NO. 6
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Line No.	Description	Amount
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References:

**OPERATING INCOME ADJUSTMENT NO. 7
POSTAGE DECREASE**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Number of Water Bills in Test Year with Annualized Bill Counts	76,897
2	US Postal Service Decrease in Postage Effective April 7, 2016	(\$0.02)
3	Total Adjustment in Postage Due to Postage Price Decrease	\$ (1,538)
4	Rio Rico Sewer Allocation Factor	24.33%
5	RUCO Adjustment	\$ (374)

References:

US Postal Service Price Decrease Effective April 7, 2016

OPERATING INCOME ADJUSTMENT NO. 8
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Line No.	Description	Amount
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References:

**OPERATING INCOME ADJUSTMENT NO. 9
APUC COST ALLOCATION ADJUSTMENTS**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
<u>APUC Non-Labor:</u>		
1	APUC Non-Labor Corporate Allocations Per Company Response to TBH 4.2 v1	\$ 9,477
2	APUC Non-Labor Corporate Allocations Per RUCO W/P	2,164
3	RUCO Adjustment	<u>\$ (7,313)</u>
<u>APUC Labor:</u>		
4	APUC Labor Corporate Allocations Per Company Schedule E W/P	\$ 4,705
5	APUC Labor Corporate Allocations Per RUCO W/P	2,164
6	RUCO Adjustment	<u>\$ (2,541)</u>
7	RUCO APUC Non-Labor & Labor Adjustments	<u>\$ (9,853)</u>

References:

Company Response to TBH 4.2 v1
Company Schedule E W/P
RUCO TBH 4.2 W/P

OPERATING INCOME ADJUSTMENT NO. 10
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Line
No. Description

Amount

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References:
RUCO RR W 2015 Rio Rico E Schedules

**OPERATING INCOME ADJUSTMENT NO. 11
INTENTIONALLY LEFT BLANK**

<u>Line</u>	<u>Description</u>	<u>Amount</u>
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References:

**OPERATING INCOME ADJUSTMENT NO. 12
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<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1		\$ -
2		-
3		\$ -

References:

OPERATING INCOME ADJUSTMENT NO. 13
INTENTIONALLY LEFT BLANK

<u>Line No.</u>	<u>Description</u>	<u>[A] Company Allocated Amount</u>	<u>[B] RUCO Allocated Amount</u>	<u>[C] RUCO As Adjusted</u>
1				
2				
3				
4				

References:

**OPERATING INCOME ADJUSTMENT NO. 14
INTENTIONALLY LEFT BLANK**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**OPERATING INCOME ADJUSTMENT NO. 15
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

RATE BASE ADJUSTMENT NO. 16
RATE CASE EXPENSE

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Company Rate Case Expense Requested	\$ 73,583
2	RUCO Rate Case Expense Recommended	<u>73,583</u>
3	RUCO Adjustment	\$ -
4	Annual Rate Case Expense Normalized Over 5-Years (Line 2 / 5-Years)	\$ 14,717

References:
Per Company Schedule C-2

**OPERATING INCOME ADJUSTMENT NO. 17
INCOME TAXES**

Line No.	Description	[A] RUCO Adjusted Test Year Amount	[B] RUCO Recommended Amount
1	RUCO Computed Adjusted Test Year Income Tax	\$ 184,494	\$ 191,478
2	Company Income Tax As Filed	157,337	240,175
3	RUCO Adjustment to Income Tax Expense	\$ 27,157	\$ (48,697)

References:

See RUCO Schedule TJC-1 at page 2 of 2;
Company Schedule C-1 Adjusted Test Year as Filed

GROSS REVENUE CONVERSION FACTOR (GRCF)

Line No.	Description	Amount
1	Combined Federal & State Effective Income Tax Rate	37.2340%
2	Property Tax Effective Rate	1.0741%
3	Uncollectible Revenue Effective Rate	0.0000%
4	Total Cobined Federal, State, Property, and Uncollectible Effective Rates (Sum of L1 + L2 + L3)	38.3081%
5	Operating Income % = 100% Minus Combined Federal, State, Property, Uncollectible Effective Rates (100% Minus Line 4)	61.6919%
6	$\frac{1}{\text{Operating Income \% on Line 5}}$	1.6210

References:
 RUCO Schedule TJC-1, Page 1 of 2 and Page 2 of 2
 RUCO Schedule TJC-11

COST OF CAPITAL

Line No.	Description	[A] DOLLAR AMOUNT	[B] CAPITAL RATIO	[C] COST RATE	[D] WEIGHTED COST RATE
1	Long-Term Debt	\$ 4,938,067	30.00%	2.75%	0.82%
2	Common Equity	<u>11,522,155</u>	<u>70.00%</u>	9.12%	<u>6.38%</u>
3	Total Capitalization	<u>\$ 16,460,222</u>	<u>100.00%</u>		
4	WEIGHTED AVERAGE COST OF CAPITAL ("WACC")				7.20%

References:

Columns [A] Thru [D]: JAC & JAC Testimony

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
<u>Meter Size (All Classes):</u>			
5/8 Inch	\$ 15.00	\$ 19.20	\$ 15.75
3/4 Inch	15.0000	28.8000	23.6250
1 Inch	35.0000	48.0000	39.3750
1 1/2 Inch	70.0000	96.0000	78.7500
2 Inch	120.0000	153.6000	126.0000
3 Inch	240.0000	307.2000	252.0000
4 Inch	375.0000	480.0000	393.7500
6 Inch	750.0000	960.0000	787.5000
8 Inch	1,200.0000	1,536.0000	1,260.0000
10 Inch	NT	2,208.0000	1,811.2500
12 Inch	NT	4,128.0000	3,386.2500
Hydrant Bulk Sales - 3 Inch	\$ 240.00	\$ 307.20	\$ 252.00
Fire Lines up to 4 Inch	\$ 10.00	\$ 10.00	\$ 10.00
Fire Lines 6 Inch	15.00	15.00	15.00
Fire Lines 8 Inch	35.00	35.00	35.00
<u>Commodity Charge - Per 1,000 Gallons</u>			
<u>5/8 Inch (Residential)</u>			
First 4,000 gallons	\$ 1.4500	\$ 2.0663	\$ 1.9500
4,001 to 10,000 gallons	2.2100	3.0663	2.4500
Over 10,000 gallons	2.7200	3.8163	3.1820
<u>5/8 Inch (Non-Residential)</u>			
First 4,000 gallons	2.2100	3.0663	2.4500
Over 4,000 gallons	2.7200	3.8163	3.1820
<u>3/4 Inch (Residential)</u>			
First 4,000 gallons	1.4500	2.0663	1.9500
4,001 to 10,000 gallons	2.2100	3.0663	2.4500
Over 10,000 gallons	2.7200	3.8163	3.1820
<u>3/4 Inch (Non-Residential)</u>			
First 4,000 gallons	2.2100	3.0663	2.4500
Over 4,000 gallons	2.7200	3.8163	3.1820
<u>1 Inch (Residential, Commerical, Industrial)</u>			
First 10,000 gallons	2.2100	3.0663	2.4500
Over 10,000 gallons	2.7200	3.8163	3.1820
<u>1 1/2 Inch (Residential, Commerical, Industrial)</u>			
First 26,000 gallons	2.2100	3.0663	2.4500
Over 26,000 gallons	2.7200	3.8163	3.1820

Rate Design

<u>2 Inch (Residential, Commerical, Industrial)</u>			
First 45,000 gallons	2.2100	3.0663	2.4500
Over 45,000 gallons	2.7200	3.8163	3.1820
<u>3 Inch (Residential, Commerical, Industrial)</u>			
First 98,000 gallons	2.2100	3.0663	2.4500
Over 98,000 gallons	2.7200	3.8163	3.1820
<u>4 Inch (Residential, Commerical, Industrial)</u>			
First 158,000 gallons	2.2100	3.0663	2.4500
Over 158,000 gallons	2.7200	3.8163	3.1820
<u>6 Inch (Residential, Commerical, Industrial)</u>			
First 327,000 gallons	2.2100	3.0663	2.4500
Over 327,000 gallons	2.7200	3.8163	3.1820
<u>8 Inch (Residential, Commerical, Industrial)</u>			
First 584,000 gallons	2.2100	3.0663	2.4500
Over 584,000 gallons	2.7200	3.8163	3.1820
<u>10 Inch (Residential, Commerical, Industrial)</u>			
First 870,000 gallons	N/A	3.0663	2.4500
Over 870,000 gallons	N/A	3.8163	3.1820
<u>12 Inch (Residential, Commerical, Industrial)</u>			
First 1,500,000 gallons	N/A	3.0663	2.4500
Over 1,500,000 gallons	N/A	3.8163	3.1820
<u>Standpipe 3" Hydrant (Bulk)</u>			
All Usage	2.7200	3.8163	3.1820
<u>Fire Lines Up to 4 Inch</u>			
All Usage	-	-	-
<u>Fire Lines 6 Inch</u>			
All Usage	-	-	-
<u>Fire Lines 8 Inch</u>			
All Usage	-	-	-

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

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,914	\$ 25.03	\$ 33.34	\$ 8.30	33.18%
Median Usage	4,500	21.91	29.00	\$ 7.09	32.38%
RUCO Recommended					
Average Usage	5,914	\$ 25.03	\$ 28.24	\$ 3.21	12.82%
Median Usage	4,500	21.91	24.78	\$ 2.87	13.10%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	RUCO Recommended Rates	%
-	\$ 15.00	\$ 19.20	28.00%	\$ 15.75	5.00%
1,000	\$ 16.45	\$ 21.27	29.28%	\$ 17.70	7.60%
2,000	\$ 17.90	\$ 23.33	30.35%	\$ 19.65	9.78%
3,000	\$ 19.35	\$ 25.40	31.26%	\$ 21.60	11.63%
4,000	\$ 20.80	\$ 27.47	32.04%	\$ 23.55	13.22%
5,000	\$ 23.01	\$ 30.53	32.69%	\$ 26.00	12.99%
6,000	\$ 25.22	\$ 33.60	33.22%	\$ 28.45	12.81%
7,000	\$ 27.43	\$ 36.66	33.66%	\$ 30.90	12.65%
8,000	\$ 29.64	\$ 39.73	34.04%	\$ 33.35	12.52%
9,000	\$ 31.85	\$ 42.80	34.37%	\$ 35.80	12.40%
10,000	\$ 34.06	\$ 45.86	34.65%	\$ 38.25	12.30%
11,000	\$ 36.27	\$ 48.93	35.07%	\$ 40.70	12.65%
12,000	\$ 38.48	\$ 52.00	35.43%	\$ 43.15	12.95%
13,000	\$ 40.69	\$ 55.07	35.74%	\$ 45.60	13.21%
14,000	\$ 42.90	\$ 58.14	36.02%	\$ 48.05	13.44%
15,000	\$ 45.11	\$ 61.21	36.26%	\$ 50.50	13.64%
16,000	\$ 47.32	\$ 64.28	36.48%	\$ 52.95	13.82%
17,000	\$ 49.53	\$ 67.35	36.68%	\$ 55.40	13.98%
18,000	\$ 51.74	\$ 70.42	36.86%	\$ 57.85	14.13%
19,000	\$ 53.95	\$ 73.49	37.02%	\$ 60.30	14.26%
20,000	\$ 56.16	\$ 76.56	37.16%	\$ 62.75	14.38%
25,000	\$ 70.41	\$ 95.51	37.73%	\$ 78.86	14.85%
30,000	\$ 84.66	\$ 114.46	38.13%	\$ 94.97	15.18%
35,000	\$ 98.91	\$ 133.41	38.42%	\$ 111.08	15.42%
40,000	\$ 113.16	\$ 152.36	38.64%	\$ 127.19	15.61%
45,000	\$ 127.41	\$ 171.31	38.81%	\$ 143.30	15.75%
50,000	\$ 141.66	\$ 190.26	38.96%	\$ 159.41	15.87%
75,000	\$ 210.86	\$ 293.92	39.39%	\$ 245.08	16.23%
100,000	\$ 278.86	\$ 389.33	39.61%	\$ 324.63	16.41%

Rate Design

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
<u>Meter Size (All Classes):</u>			
5/8 Inch	\$ 15.46	\$ 18.90	\$ 18.25
3/4 Inch	23.1900	28.3500	27.3750
1 Inch	38.6500	47.2500	45.6250
1 1/2 Inch	77.3000	94.5000	91.2500
2 Inch	123.6800	151.2000	146.0000
3 Inch	247.3600	302.4000	292.0000
4 Inch	366.5000	472.5000	456.2500
6 Inch	773.0000	945.0000	912.5000
8 Inch	1,236.8000	1,512.0000	1,460.0000
10 Inch	1,777.9000	2,173.5000	2,098.7500
12 Inch	3,323.9000	4,063.5000	3,923.7500
<u>Schools:</u>			
Monthly Usage Charge	95% of Above		
Hydrant Bulk Sales - 6 Inch Morning Star Ranch	\$ 549.00	\$ 671.00	\$ 650.00
Fire Lines Up to 8 Inch	\$ 5.00	\$ 5.00	\$ 5.00
Fire Lines 10 Inch	-	-	-
Fire Lines 12 Inch	-	-	-
<u>Commodity Charge - Per 1,000 Gallons</u>			
<u>5/8 Inch (Residential)</u>			
First 3,000 gallons	\$ 1.4900	\$ 1.944450	\$ 1.9500
3,001 to 9,000 gallons	2.9800	3.594450	3.0000
Over 9,000 gallons	3.4900	4.344450	4.0010
<u>5/8 Inch (Non-Residential)</u>			
First 3,000 gallons	1.4900	1.944450	1.9500
3,001 to 9,000 gallons	2.9800	3.594450	3.0000
Over 9,000 gallons	3.4900	4.344450	4.0010
<u>3/4 Inch (Residential)</u>			
First 4,000 gallons	2.9800	3.594450	3.0000
Over 4,000 gallons	3.4900	4.344450	4.0010
<u>3/4 Inch (Non-Residential)</u>			
First 4,000 gallons	2.9800	3.594450	3.0000
Over 4,000 gallons	3.4900	4.344450	4.0010
<u>1 Inch (Residential, Commerical, Industrial)</u>			
First 23,000 gallons	2.9800	3.594450	3.0000
Over 23,000 gallons	3.4900	4.344450	4.0010
<u>1 1/2 Inch (Residential, Commerical, Industrial)</u>			
First 45,000 gallons	2.9800	3.594450	3.0000
Over 45,000 gallons	3.4900	4.344450	4.0010

Rate Design

<u>2 Inch (Residential, Commercial, Industrial)</u>			
First 72,000 gallons	2.9800	3.594450	3.0000
Over 72,000 gallons	3.4900	4.344450	4.0010
<u>3 Inch (Residential, Commercial, Industrial)</u>			
First 144,000 gallons	2.9800	3.594450	3.0000
Over 144,000 gallons	3.4900	4.344450	4.0010
<u>4 Inch (Residential, Commercial, Industrial)</u>			
First 225,000 gallons	2.9800	3.594450	3.0000
Over 225,000 gallons	3.4900	4.344450	4.0010
<u>6 Inch (Residential, Commercial, Industrial)</u>			
First 450,000 gallons	2.9800	3.594450	3.0000
Over 450,000 gallons	3.4900	4.344450	4.0010
<u>8 Inch (Residential, Commercial, Industrial)</u>			
First 720,000 gallons	2.9800	3.594450	3.0000
Over 720,000 gallons	3.4900	4.344450	4.0010
<u>10 Inch (Residential, Commercial, Industrial)</u>			
First 1,025,000 gallons	2.9800	3.594450	3.0000
Over 1,025,000 gallons	3.4900	4.344450	4.0010
<u>12 Inch (Residential, Commercial, Industrial)</u>			
First 1,025,000 gallons	2.9800	3.594450	3.0000
Over 1,025,000 gallons	3.4900	4.344450	4.0010
<u>Schools:</u>			
Commodity Charges	95% of Above	95% of Above	95% of Above
<u>Standpipe 6" Hydrant (Bulk - Morning Star Ranch)</u>			
All Usage	4.7900	5.644450	5.0000
<u>Fire Lines Up to 8 Inch</u>			
All Usage	-	-	-
<u>Fire Lines 10 Inch</u>			
All Usage	-	-	-
<u>Fire Lines 12 Inch</u>			
All Usage	-	-	-

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

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	6,829	\$ 31.34	\$ 38.50	\$ 7.16	22.83%
Median Usage	5,000	25.89	31.92	\$ 6.03	23.30%
RUCO Recommended					
Average Usage	6,829	\$ 31.34	\$ 35.59	\$ 4.25	13.55%
Median Usage	5,000	25.89	30.10	\$ 4.21	16.26%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	RUCO Recommended Rates	% Increase
-	\$ 15.46	\$ 18.90	22.25%	\$ 18.25	18.05%
1,000	\$ 16.95	\$ 20.84	22.98%	\$ 20.20	19.17%
2,000	\$ 18.44	\$ 22.79	23.58%	\$ 22.15	20.12%
3,000	\$ 19.93	\$ 24.73	24.10%	\$ 24.10	20.92%
4,000	\$ 22.91	\$ 28.33	23.65%	\$ 27.10	18.29%
5,000	\$ 25.89	\$ 31.92	23.30%	\$ 30.10	16.26%
6,000	\$ 28.87	\$ 35.52	23.02%	\$ 33.10	14.65%
7,000	\$ 31.85	\$ 39.11	22.80%	\$ 36.10	13.34%
8,000	\$ 34.83	\$ 42.71	22.61%	\$ 39.10	12.26%
9,000	\$ 37.81	\$ 46.30	22.45%	\$ 42.10	11.35%
10,000	\$ 41.30	\$ 50.64	22.63%	\$ 46.10	11.62%
11,000	\$ 44.79	\$ 54.99	22.77%	\$ 50.10	11.86%
12,000	\$ 48.28	\$ 59.33	22.89%	\$ 54.10	12.06%
13,000	\$ 51.77	\$ 63.68	23.00%	\$ 58.10	12.23%
14,000	\$ 55.26	\$ 68.02	23.10%	\$ 62.11	12.39%
15,000	\$ 58.75	\$ 72.37	23.18%	\$ 66.11	12.52%
16,000	\$ 62.24	\$ 76.71	23.25%	\$ 70.11	12.64%
17,000	\$ 65.73	\$ 81.06	23.32%	\$ 74.11	12.75%
18,000	\$ 69.22	\$ 85.40	23.37%	\$ 78.11	12.84%
19,000	\$ 72.71	\$ 89.74	23.43%	\$ 82.11	12.93%
20,000	\$ 76.20	\$ 94.09	23.48%	\$ 86.11	13.01%
25,000	\$ 93.65	\$ 115.81	23.66%	\$ 106.12	13.31%
30,000	\$ 111.10	\$ 137.53	23.79%	\$ 126.12	13.52%
35,000	\$ 128.55	\$ 159.26	23.89%	\$ 146.13	13.67%
40,000	\$ 146.00	\$ 180.98	23.96%	\$ 166.13	13.79%
45,000	\$ 163.45	\$ 202.70	24.01%	\$ 186.14	13.88%
50,000	\$ 180.90	\$ 224.42	24.06%	\$ 206.14	13.95%
75,000	\$ 268.15	\$ 333.03	24.20%	\$ 306.17	14.18%
100,000	\$ 355.40	\$ 441.65	24.27%	\$ 406.19	14.29%

Rate Design

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
<u>Meter Size (All Classes):</u>			
5/8 Inch	\$ 49.00	\$ 54.8310	\$ 48.7500
3/4 Inch	56.5000	63.2235	56.2117
1 Inch	69.1000	77.3229	68.7474
1 1/2 Inch	102.0000	114.1380	101.4796
2 Inch	141.5000	158.3385	140.7781
3 Inch	246.5000	275.8335	245.2423
4 Inch	365.4000	408.8826	363.5357
6 Inch	694.4000	777.0336	690.8571
8 Inch	1,057.7800	1,183.6558	1,052.3832
10 Inch	1,585.0700	1,773.6933	1,576.9829
12 Inch	2,254.0800	2,522.3155	2,242.5796
<u>Schools:</u>			
Monthly Usage Charge	95% of Above	95% of Above	95% of Above
Fire Lines Up to 8 Inch	\$ -	\$ -	\$ -
Fire Lines 10 Inch	-	-	-
Fire Lines 12 Inch	-	-	-
<u>Commodity Charge - Per 1,000 Gallons</u>			
<u>Commercial and Multi-Tenant Only:</u>			
First 7,000 gallons	\$ -	\$ -	\$ -
Over 7,000 gallons	5.0000	7.000000	5.710000

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

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	-	\$ 49.00	\$ 54.83	\$ 5.83	11.90%
Median Usage	-	49.00	54.83	\$ 5.83	11.90%
RUCO Recommended					
Average Usage	-	\$ 49.00	\$ 48.75	\$ (0.25)	-0.51%
Median Usage	-	49.00	48.75	\$ (0.25)	-0.51%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	RUCO Recommended Rates	%
-	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
1,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
2,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
3,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
4,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
5,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
6,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
7,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
8,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
9,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
10,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
11,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
12,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
13,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
14,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
15,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
16,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
17,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
18,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
19,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
20,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
25,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
30,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
35,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
40,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
45,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
50,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
75,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%
100,000	\$ 49.00	\$ 54.83	11.90%	\$ 48.75	-0.51%