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Arizona Corporation Commission  
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SEP 26 2016

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9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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

DOCKET NO: SW-04316A-16-0078

16 IN THE MATTER OF THE APPLICATION  
OF LIBERTY UTILITIES (ENTRADA DEL  
17 ORO SEWER) CORP., AN ARIZONA  
CORPORATION, FOR AUTHORITY TO  
18 ISSUE EVIDENCE OF INDEBTEDNESS IN  
AN AMOUNT NOT TO EXCEED  
19 \$1,750,000.

DOCKET NO: SW-04316A-16-0085

**NOTICE OF FILING REBUTTAL  
TESTIMONY**

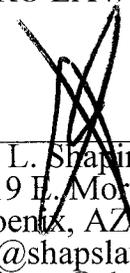
20  
21 Liberty Utilities (Entrada Del Oro Sewer) Corp. hereby submits this Notice of  
22 Filing Rebuttal Testimony in the above-captioned matter. Specifically filed herewith are  
23 the following testimonies, along with supporting schedules and/or exhibits:

- 24 1. Rebuttal Testimony of Matthew Garlick;  
25 2. Rebuttal Testimony of Thomas J. Bourassa – Rate Base, Income Statement  
26 and Rate Design;

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- 3. Rebuttal Testimony of Ramesh Narasimhan, P.E.; and
  - 4. Rebuttal Testimony of Thomas J. Bourassa – Cost of Capital.
- RESPECTFULLY SUBMITTED this 26th day of September, 2016.

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**ORIGINAL** and one (1) copy of the foregoing were delivered this 26th day of September, 2016, to:

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

**COPY** of the foregoing was hand-delivered this 26th day of September, 2016, to:

Sasha Paternoster, ALJ  
 Hearing Division  
 Arizona Corporation Commission  
 1200 W. Washington Street  
 Phoenix, AZ 85007

1 **COPY** of the foregoing was emailed  
2 this 26th day of September, 2016, to:

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DOCKET NO: SW-04316A-16-0085

21  
22 **REBUTTAL TESTIMONY OF**  
23 **MATTHEW GARLICK**

24 **September 26, 2016**  
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1 **I. INTRODUCTION.**

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

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

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

6 A. I am providing testimony on behalf of Liberty Utilities (Entrada Del Oro Sewer)  
7 Corp. ("Liberty EDO" or "Company").

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

9 A. I am employed by Liberty Utilities as President of AZ/TX.

10 **Q. DID YOU PREVIOUSLY PROVIDE TESTIMONY ON BEHALF OF**  
11 **LIBERTY EDO IN THIS CASE?**

12 A. Yes, my direct testimony was submitted in support of the initial rate application.

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

14 A. To provide further support for Liberty EDO's rate application by providing rebuttal  
15 to certain portions of Staff's direct testimony. Specifically, I will address Staff's  
16 excess capacity adjustment, the PPAM and PTAM, and the timing of this rate case  
17 and proposed phase in.

18 **II. STAFF'S ADJUSTMENT FOR EXCESS CAPACITY.**

19 **Q. DOES LIBERTY EDO AGREE WITH STAFF'S ADJUSTMENT FOR**  
20 **"EXCESS CAPACITY"?**

21 A. Not entirely. We accept Staff's recommendation that Liberty EDO is not using all  
22 of the existing capacity of its WWTP. However, one needs to be clear that when a  
23 decision regarding the design capacity of a plant is being made, that decision is  
24 made by the Company at the front end on and on the best available information at  
25 that time. The sizing of the Liberty EDO plant was done properly in accordance  
26 with good engineering practices and based on the best available information about

1 projected flows. I addressed this in my direct testimony where I explained that the  
2 Liberty EDO WWTP was “built, in part, to handle larger flows than we have  
3 experienced to date.”<sup>1</sup> Notwithstanding, we are accepting Staff’s volumetric  
4 determination that the amount we’re not using is equal to 44 percent of the total  
5 existing treatment capacity. But we do not agree with the way Staff has applied the  
6 44 percent determination.

7 **Q. WHAT’S THE NATURE OF THAT DISAGREEMENT?**

8 A. Fundamentally, we disagree on how to adjust for the unused capacity. As stated,  
9 we accept that 44 percent of the treatment capacity is not being used but you  
10 cannot just adjust plant across the board by 44 percent. The Company’s position is  
11 detailed more fully in Mr. Bourassa’s rebuttal testimony, and in the Rebuttal  
12 Testimony of Ramesh Narasimhan, an expert engineering witness, along with the  
13 Company’s response to Staff’s RCN rate base analysis.

14 **Q. IS THE COMPANY’S REBUTTAL RATE BASE LOWER THAN IT WAS**  
15 **IN THE DIRECT FILING?**

16 A. Yes. Not only have we accepted Staff’s capacity adjustment, in part, we have  
17 made other adjustments as explained in Mr. Bourassa’s rebuttal testimony.

18 **III. PPAM AND PTAM.**

19 **Q. STAFF SUPPORTS APPROVAL OF THE PPAM SUBJECT TO THREE**  
20 **CONDITIONS. DOES THE COMPANY AGREE TO THOSE**  
21 **CONDITIONS?**

22 A. Yes, Liberty EDO accepts the three conditions regarding the PPAM recommended  
23 by Staff.<sup>2</sup>

24  
25 <sup>1</sup> Direct Testimony of Matthew Garlick (“Garlick Dt.”) at 9:18-19.

26 <sup>2</sup> Direct Testimony of Briton A. Baxter (“Baxter Dt.”) at 15:9-19.

1 **Q. WHAT ABOUT THE PTAM?**

2 A. Staff recommends either a PTAM set at actual test year operating expense or  
3 Staff's recommended property tax using the same method the Commission always  
4 uses to determine property taxes.<sup>3</sup>

5 **Q. DID THE COMPANY SEEK CLARIFICATION OF STAFF'S**  
6 **RECOMMENDATION?**

7 A. Yes. The Company sent Staff a data request, and based on Staff's response to  
8 Company data request 2.4,<sup>4</sup> Staff clarified that the PTAM would adjust annually to  
9 true-up to the amount of property taxes actually paid.

10 **Q. DOES THE COMPANY AGREE?**

11 A. Yes. The Company agrees with the PTAM as clarified by Staff and discussed  
12 further by Mr. Bourassa in his rebuttal testimony.

13 **IV. TIMING OF THIS RATE CASE; PROPOSED RATE PHASE IN.**

14 **Q. DIDN'T THE COMPANY PROPOSE A TWO-YEAR RATE PHASE IN,**  
15 **MR. GARLICK?**

16 A. Yes.

17 **Q. DOES STAFF PROPOSE TO PHASE IN RATES?**

18 A. No. Staff's recommended increase is so low that there would be no need to phase  
19 in rates.<sup>5</sup> But Staff does state that if the Commission approves a phase in it should  
20 be without recovery of the lost revenue because the Company delayed the filing of  
21 this rate case.<sup>6</sup>

22 \_\_\_\_\_  
23 <sup>3</sup> Baxter Dt. at 16:20-25.

24 <sup>4</sup> Copy attached as **Exhibit MG-RB1**. Liberty EDO sought clarification of Staff's  
25 recommendation in Data Request 2.4, not 2.5 as it is labeled in Staff's responses to the  
26 Company's second set of data requests.

<sup>5</sup> Baxter Dt. at 13.

<sup>6</sup> *Id.*

1 **Q. DOES THE COMPANY AGREE WITH STAFF'S REASONING?**

2 A. No. The rates shouldn't be set so low that a phase in is unnecessary because that  
3 would deprive Liberty EDO of recovery of its operating expenses and a return on  
4 and of its fair value rate base. Nor does the delay in filing this rate case justify  
5 forcing the Company to forego revenue to which it is entitled.

6 **Q. BUT THE COMPANY DID FAIL TO FILE THIS RATE CASE IN THE**  
7 **TIME REQUIRED BY THE COMMISSION?**

8 A. Yes. I addressed this in my direct testimony.<sup>7</sup> This is an isolated situation; Liberty  
9 Utilities does not make a habit of ignoring compliance requirements and our track  
10 record will show this to be true. Now that we have established that we made the  
11 error, the focus should be on the remedy. Forfeiture is not a fair remedy.

12 **Q. WHAT DO YOU MEAN FORFEITURE?**

13 A. I am referring to Staff's suggestion that if the Commission approves higher rates  
14 than Staff recommends and those rates are phased in, the Company should forfeit  
15 the foregone revenue.<sup>8</sup> I am not a lawyer but would be surprised if it were legal for  
16 the Commission to say this is what your rates should be but you can't charge that  
17 much for a while. I also believe that would be an unfair remedy in this case.

18 **Q. OKAY, WHY WOULD IT BE UNFAIR?**

19 A. We understand that the increase is high. But Staff does not show that the rate  
20 increase is higher because we waited. There is no evidence that the delay has  
21 caused the increase needed to be higher. It appears the more likely explanation is  
22 that the initial rates were inadequate to provide cost recovery and a return. That  
23 problem was going to have to be corrected with a significant increase in the first  
24 rate case, which is this rate case.

25 <sup>7</sup> Garlick Dt. at 11-12.

26 <sup>8</sup> Baxter Dt. 13.

1 Existing rates are based on those established when the CC&N was first  
2 granted. In these applications, there are significant unknown conditions that  
3 impact the setting of the initial rates. In addition, obviously, a larger customer base  
4 was anticipated and a larger customer base would have lowered the cost per  
5 customer. However, like a lot of real estate projects, pre-2008 plans did not work  
6 out as hoped. Fortunately for the customers, Liberty bought the system and has  
7 been maintaining and subsidizing safe and reliable wastewater utility service ever  
8 since.

9 **Q. BUT THAT WAS THE COMPANY'S CHOICE?**

10 A. Yes, we could have come in earlier for a rate increase, which is why we have never  
11 argued about that and why we proposed to phase in the needed rate increases.  
12 But our delay has resulted in rates that were lower than the cost of service for  
13 several years. I think this is penalty enough for failing to file the case when  
14 required under the circumstances.

15 **Q. AND THE COMPANY STILL PROPOSES TO PHASE IN RATES?**

16 A. Yes. Although we have adopted some of Staff's recommendations, lowering the  
17 necessary rate increase compared to our direct filing from 90.53 percent to  
18 70.48 percent, the increase needed to provide recovery of operating expenses and a  
19 return is still significant. If the Commission agrees, and rejects Staff's inadequate  
20 revenue increase, then we believe a two-year phase in is still appropriate.  
21 Mr. Bourassa addresses this further in his rebuttal testimony.<sup>9</sup>

22 **Q. THANK YOU. ARE YOU AWARE, MR. GARLICK, OF ALL THE**  
23 **CUSTOMER COMMENTS THE COMMISSION HAS RECEIVED IN THIS**  
24 **RATE CASE?**

25 \_\_\_\_\_  
26 <sup>9</sup> Rebuttal Testimony of Thomas J. Bourassa – Rate Base, Income Statement and Rate  
Design at 20-21.

1 A. Yes, I have read all of the ones that can be viewed on E-Docket – there are a  
2 couple hundred or so.

3 **Q. YOU READ 200 CUSTOMER COMMENTS ON THIS RATE CASE?**

4 A. Yes. First and foremost, I care about what our customers have to say. If they can  
5 take the time to comment, I think we owe it to them to listen and I am leading my  
6 staff by example. I also wanted to see for myself that our customers were only  
7 complaining about the rate increase, not the quality of the utility services we are  
8 providing.

9 **Q. AND WHAT DID YOU FIND?**

10 A. That customers are upset about the size of the increase needed, not about the  
11 services we are providing. I get that and I sympathize. But this is a small system  
12 serving approximately 330 customers and the rates have to support the cost of  
13 service. We have proposed a phase in to ameliorate the impact of transitioning to  
14 higher rates, but we can't continue to provide below cost service to this system.

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

16 A. Yes.  
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# **EXHIBIT MG-RB1**

**STAFF'S RESPONSE TO LIBERTY UTILITIES (ENTRADA DEL ORO SEWER)  
CORP.'S SECOND SET OF DATA REQUESTS TO THE ARIZONA CORPORATION  
COMMISSION UTILITIES DIVISION STAFF  
DOCKET NO. SW-04316A-16-0078, et al.  
SEPTEMBER 8, 2016**

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- d. The Company's objection and offer of review is consistent with the manner in which review of legal invoices has been handled in a number of prior rate cases.

**RESPONSE:** Admit.

**RESPONDENT:** Brendan Aladi, Public Utilities Analyst

- e. Staff did not make any effort to review the legal invoices as offered by the Company.

**RESPONSE:** Admit.

**RESPONDENT:** Brendan Aladi, Public Utilities Analyst

- 2.4 Did Staff consider any factor other than the amount of rate case expense incurred in its analysis of rate case expense in this case? Please explain.

**RESPONSE:** No. Staff considered the amount of rate case expense incurred as provided by the Company in this rate case.

**RESPONDENT:** Brendan Aladi, Public Utilities Analyst

- 2.5 Under Staff's proposed PTAM option (Baxter Dt. at page 16, lines 22-23), under what conditions would the Company's rates be adjusted (i.e., changes in the total property tax paid, changes in the assessment rates)? Please explain your answer.

**RESPONSE:** Should the Company chose the adjustor mechanism over the forward looking property tax calculation, Staff would expect that the Company would file for an annual increase (or decrease) as soon as the property taxes have been billed to the Company based on the actual revenues for a given year. The new amount would then be compared to the test year actual property tax expenses and a surcharge (or refund) would be calculated on a per customer per month basis for the difference.

**RESPONDENT:** Briton Baxter, Public Utilities Analyst

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DOCKET NO: SW-04316A-16-0085

21  
22 **REBUTTAL TESTIMONY OF**  
23 **THOMAS J. BOURASSA**

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

25  
26 **September 26, 2016**

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1 **I. INTRODUCTION.**

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

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

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

6 A. I am providing testimony on behalf of Liberty Utilities (Entrada Del Oro Sewer)  
7 Corp. ("Liberty EDO" or "Company").

8 **Q. DID YOU PREVIOUSLY PROVIDE TESTIMONY ON BEHALF OF**  
9 **LIBERTY EDO IN THIS CASE?**

10 A. Yes, my direct testimony was submitted in support of the initial rate application.  
11 There were two volumes, one addressing rate base, income statement and rate design,  
12 and the other addressing cost of capital.

13 **Q. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR REBUTTAL**  
14 **TESTIMONY?**

15 A. I will provide rebuttal testimony in response to the direct filing of Staff. More  
16 specifically, this first volume of my rebuttal testimony relates to rate base, income  
17 statement and rate design for Liberty EDO. In a second, separate volume of my  
18 rebuttal testimony, I will present an update to the Company's requested cost of  
19 capital, and provide rebuttal to Staff on the cost of capital and rate of return applied  
20 to the fair value rate base, and the determination of operating income.

21 **II. SUMMARY OF THE COMPANY'S REBUTTAL POSITION.**

22 **Q. WHAT IS THE REVENUE INCREASE THE COMPANY IS PROPOSING IN**  
23 **THIS REBUTTAL TESTIMONY?**

24 A. The Company proposes a total revenue requirement of \$479,537, which constitutes  
25 an increase in revenues of \$198,250, or 70.48 percent over adjusted test year  
26 revenues.

1 **Q. HOW DOES THIS COMPARE WITH THE COMPANY'S DIRECT FILING?**

2 A. The revenue requirement and requested revenue increase are lower. In the direct  
3 filing, the Company requested a total revenue requirement of \$535,931, which  
4 required an increase in revenues of \$254,643, or 90.53 percent.

5 **Q. WHAT'S DIFFERENT?**

6 A. Liberty EDO has adopted a number of rate base and revenue/expense adjustments  
7 recommended by Staff, as well as proposed additional adjustments of its own.  
8 For instance, the Company has partially accepted Staff's additional excess capacity  
9 adjustment, which reduced rate base, and Liberty EDO's fair value rate of return  
10 ("FVROR") is reduced from 6.92 percent in the direct filing to 6.15 percent in the  
11 rebuttal filing due to changes in the cost of capital. I discuss the proposed capital  
12 structure, cost of debt, and cost of equity and the FVROR in the second volume of  
13 my rebuttal testimony covering cost of capital. On the other hand, the Company is  
14 also proposing an increase to allocated corporate expenses based upon updated  
15 allocation factors. The net result of these adjustments is that the Company's  
16 proposed operating expenses have decreased by \$2,787, from \$306,697 in the direct  
17 filing to \$303,911, and the fair value rate base ("FVRB") has been reduced by  
18 \$221,155, from \$2,154,980 in the direct filing to \$1,933,825, due to proposed  
19 changes to plant-in-service ("PIS"), accumulated depreciation ("A/D"), Advances-  
20 in-Aid of Construction ("AIAC"), Contributions-in-Aid of Construction ("CIAC"),  
21 Accumulated Deferred Income Taxes ("ADIT"), and Cash Working Capital  
22 ("CWC").

23 **Q. DOES THE COMPANY CONTINUE TO PROPOSE A 2-YEAR PHASE IN**  
24 **OF NEW RATES?**

25 A. Yes. I will discuss this later in my testimony. Mr. Garlick also addresses the phase in  
26

1 in his rebuttal testimony.<sup>1</sup>

2 **Q. WHAT ARE THE PROPOSED REVENUE REQUIREMENTS AND RATE**  
3 **INCREASES FOR THE COMPANY AND STAFF AT THIS STAGE OF THE**  
4 **PROCEEDING?**

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

	<u>Revenue Requirement</u>	<u>Revenue Incr.</u>	<u>% Increase</u>
7 Company Direct	\$535,931	\$ 254,643	90.53%
8 Staff	\$322,071	\$ 40,783	14.50%
9 Company Rebuttal	\$479,537	\$ 198,250	70.48%

10 **Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE**  
11 **BASE RECOMMENDATIONS?**

12 A. Yes, the original cost rate base ("OCRB"), reconstruction cost new rate base  
13 ("RCRB") and the FVRB proposed by the Company and Staff are as follows:

	<u>OCRB</u>	<u>RCRB</u>	<u>FVRB</u>
15 Company Direct	\$1,489,794	\$2,820,167	\$2,154,980
16 Staff	\$ 754,669	\$1,226,227	\$ 990,448
17 Company Rebuttal	\$1,272,948	\$2,594,702	\$1,933,825

18 **III. RATE BASE.**

19 **A. Original Cost Rate Base.**

20 **Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE**  
21 **OCRB RECOMMENDATIONS?**

22 A. Yes, the OCRB proposed by the Company and Staff are as follows:  
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26 <sup>1</sup> Rebuttal Testimony of Matthew Garlick ("Garlick Rb.") at 3-5.

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OCRB

Company Direct	\$1,489,794
Staff	\$ 754,669
Company Rebuttal	\$1,272,948

**Q. OKAY, THANK YOU. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED OCRB?**

A. Yes. The Company's rebuttal OCRB adjustments are detailed on rebuttal schedules B-2, pages 3 through 7. Rebuttal Schedule B-2, pages 1 and 2, summarize the Company's proposed adjustments and the rebuttal OCRB.

**1. Plant-in-Service (PIS).**

**Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED REBUTTAL ADJUSTMENTS TO PIS AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?**

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

Adjustment A reflects the removal of expensed PIS totaling \$4,253. Staff recommends a similar adjustment of \$4,253.<sup>2</sup>

Adjustment B increases allocated corporate plant by \$8,490 and reflects updated (most current) corporate allocation factors as well as conversion of certain corporate plant to U.S. dollars. The allocation factors have been updated to the most current factors similar to the recent Liberty (Bella Vista Water) Corp. ("Liberty Bella Vista") and Liberty (Rio Rico Water and Sewer) Corp. ("Liberty Rio Rico") rate cases in which Staff adopted these same factors.<sup>3</sup> In addition, the corporate building

<sup>2</sup> Direct Testimony of Briton A. Baxter ("Baxter Dt.") at 5:1-10.

<sup>3</sup> See Staff's Notice of Filing Settlement Agreement (filed July 29, 2016 in Docket No. W-

1 and land costs were converted to U.S. dollars similar to the Liberty Bella Vista and  
2 Liberty Rio Rico rate cases. Staff did not adjust the allocated corporate plant. Staff  
3 proposes allocated corporate plant that still reflects the original allocation factors as  
4 well as corporate plant stated in Canadian dollars. It isn't clear why Staff failed to  
5 make these adjustments.

6 Adjustment C reduces PIS by \$525,900 and reflects the Company's proposed  
7 additional capacity adjustment to the wastewater treatment facilities. Staff proposes  
8 additional plant capacity reductions to PIS totaling \$1,072,851.<sup>4</sup> The Company's  
9 rebuttal to Staff's plant recommendations are further discussed by Company rebuttal  
10 witness Ramesh Narasimhan.

11 Adjustment D reflects the reconciliation of PIS to the reconstructed PIS  
12 shown on Rebuttal Schedule B-2, pages 3.5 to 3.14.

13 **Q. PLEASE SUMMARIZE THE RECOMMENDED PIS BALANCES OF THE**  
14 **PARTIES AND THE DIFFERENCES.**

15 A. The Company recommends a PIS balance of \$3,488,948.<sup>5</sup> Staff recommends a PIS  
16 balance of \$2,933,505,<sup>6</sup> a difference of \$555,443 compared to the Company's  
17 recommended balance. The primary cause of the difference in the PIS balance  
18 recommendations relates to each of the parties' respective capacity adjustments,  
19 which total \$545,953 (\$1,072,851 for Staff and \$525,900 for the Company).  
20 The remaining difference is related to allocated corporate PIS (\$27,309 for Staff and  
21 \$35,800 for the Company).

22 \_\_\_\_\_  
23 02465A-15-0367, *et al.*), Settlement Schedules (Attachment A) B-2, page 3.6 and B-2, page  
24 4.7 (Liberty Bella Vista), and B-2, page 3.6 and B-2, page 4.6 (Liberty Rio Rico Water and  
Liberty Rio Rico Sewer).

25 <sup>4</sup> Baxter Dt. at 7.

26 <sup>5</sup> Rebuttal Schedule B-2, page 1.

<sup>6</sup> Staff Direct Schedule BAB-3.

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**2. Accumulated Depreciation (A/D).**

**Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED REBUTTAL ADJUSTMENTS TO A/D AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?**

A. Rebuttal B-2 adjustment 2, as summarized on Rebuttal Schedule B-2, page 2, consists of four adjustments labeled as "A," "B," "C," and "D" on Rebuttal Schedule B-2, page 4.

Adjustment A reduces A/D by \$284 for expensed plant related to the removal of expensed PIS (Adjustment 1-A) discussed previously. Staff does not recommend a similar adjustment.

Adjustment B reflects additional A/D of \$79 related to the changes in allocated corporate PIS discussed previously (Adjustment 1-B).

Adjustment C reduces A/D by \$249,803 and reflects the A/D associated with the removal of additional plant capacity costs discussed previously (Adjustment 1-C).

Adjustment F reflects the reconciliation of A/D to the reconstructed A/D shown on Rebuttal Schedule B-2, pages 3.6 to 3.13.

**Q. PLEASE SUMMARIZE THE RECOMMENDED A/D BALANCES OF THE PARTIES AND THE DIFFERENCES.**

A. The Company recommends an A/D balance of \$1,122,048.<sup>7</sup> Staff recommends an A/D balance of \$1,043,629,<sup>8</sup> a difference of \$78,419 compared to the Company's recommended balance. There are four causes of the difference in A/D balance recommendations between the parties. The first relates to A/D associated with each of the parties' respective capacity adjustments. Staff reduces A/D by \$471,183

<sup>7</sup> Rebuttal Schedule B-2, page 1.

<sup>8</sup> Staff Direct Schedule BAB-3.

1           whereas the Company reduces A/D by \$249,803 (Adjustment 2-C), a difference of  
2           \$221,380. The second relates to Staff increasing A/D by \$145,562, which reflects a  
3           reversal of the Company's direct filing adjustment to A/D that was related to the  
4           Company's direct filing PIS capacity adjustment. Since Staff accepted the  
5           Company's direct filing PIS capacity adjustment, Staff should not have proposed this  
6           adjustment.<sup>9</sup>

7           **Q. HAS STAFF ACKNOWLEDGED THIS ERROR?**

8           A. Yes. In response to Company data request 3.25, Staff acknowledged the error.<sup>10</sup>

9           **Q. PLEASE CONTINUE.**

10          A. The third difference in the A/D balance is the additional \$2,885 of A/D the Company  
11          proposes, which balance is associated with the allocated corporate plant discussed  
12          previously (Adjustment 2-B). The fourth difference is the \$284 reduction to A/D  
13          associated with the removal of expensed discussed previously (Adjustment 2-B).  
14          Together, these items comprise the total net difference of \$78,419 (\$221,380 -  
15          \$145,562 + \$2,885 - \$284).

16                           **3. Contributions-in-Aid of Construction (CIAC) and Accumulated**  
17                           **Amortization (AA).**

18          **Q. PLEASE DISCUSS THE COMPANY'S PROPOSED REBUTTAL**  
19          **ADJUSTMENTS TO CIAC AND IDENTIFY ANY ADJUSTMENTS YOU**  
20          **HAVE ACCEPTED FROM STAFF.**

21          A. The Company does not propose any changes to CIAC or AA at this stage of the  
22          proceeding. Both the Company and Staff recommend CIAC and AA balances of  
23          \$1,013,352 and \$85,869, respectively.

24          <sup>9</sup> Staff did not reverse the Company's direct filing capacity adjustments to PIS.  
25          Accordingly, Staff should not reverse (or eliminate) the Company's direct filing capacity  
26          adjustments to A/D.

<sup>10</sup> Staff Response to Liberty EDO Data Request 3.25.

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**4. Accumulated Deferred Income Taxes (ADIT).**

**Q. PLEASE DISCUSS THE COMPANY'S PROPOSED REBUTTAL ADJUSTMENTS TO ADIT AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF.**

A. In rebuttal B-2 adjustment 4, as shown on Rebuttal Schedule B-2, page 2, the Company reduces ADIT by \$48,088 to reflect the Company's rebuttal recommendations for PIS, A/D, CIAC, and AIAC. The Company recommends an ADIT balance of \$166,496.<sup>11</sup> Staff recommends an ADIT balance of \$214,584, the same as in the Company's direct filing. Staff did not recommend any adjustment to the ADIT balance to reflect its proposed changes to PIS and A/D. As a result, Staff's ADIT balance is misstated. Failure to correct will result in a mismatch of ADIT with PIS and A/D in rate base.

**5. Cash Working Capital (CWC).**

**Q. PLEASE DISCUSS THE COMPANY'S PROPOSED REBUTTAL ADJUSTMENTS TO CWC AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF.**

A. In rebuttal B-2 adjustment 5, as shown on Rebuttal Schedule B-2, page 2, the Company increases CWC by \$9,528 to reflect the Company's rebuttal recommendations for revenues and expenses and changes to the revenue lag (lead) days. The Company recommends a CWC balance of \$(13,661).<sup>12</sup>

**Q. WHAT CHANGES DID YOU MAKE TO THE REVENUE LAG (LEAD) DAYS AND WHY?**

A. First, the revenue days have been increased from 0.61 days to 28.61 days to reflect the fact the Company bills customers after service is rendered and not before.

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<sup>11</sup> Rebuttal Schedule B-2, page 2.

<sup>12</sup> *Id.*

1 Staff agrees with this change.<sup>13</sup> Second, the expense lag (lead) days were changed  
2 to 91.25 to match the Staff recommendation.<sup>14</sup> The parties now agree on the expense  
3 lag (lead) days for each component of the computation as well as on all of the  
4 components of the CWC computation.<sup>15</sup>

5 **Q. WHY IS STAFF'S RECOMMENDED CWC BALANCE LOWER?**

6 A. Staff recommends a CWC balance of \$(6,829) – \$27,184 lower than the Company's  
7 recommended balance. The difference in CWC recommendations is the result of  
8 differences in the total expense levels each of the parties recommend.

9 **6. Remaining Rate Base Items in Dispute.**

10 **Q. ARE THERE ANY REMAINING OCRB ITEMS IN DISPUTE BETWEEN**  
11 **THE PARTIES?**

12 A. No.

13 **a. Reconstruction Cost New Rate Base (RCRB).**

14 **Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RCRB**  
15 **RECOMMENDATIONS?**

16 A. Yes, the rate bases proposed by the Company and Staff are as follows:

	<u>RCRB</u>
Company Direct	\$2,820,167
Staff	\$1,226,227
Company Rebuttal	\$2,594,702

21 **Q. OKAY, THANK YOU. WOULD YOU PLEASE DISCUSS THE**  
22 **COMPANY'S PROPOSED RCRB?**

23 A. The Company's rebuttal RCRB is detailed on Rebuttal Schedule B-3, pages 3

24 <sup>13</sup> Baxter Dt. at 10.

25 <sup>14</sup> *Id.*

26 <sup>15</sup> Compare Rebuttal Schedule B-5 with Staff Direct Schedule BAB-8.

1 through 7. Rebuttal Schedule B-3, pages 1 and 2, summarize the Company's  
2 proposed adjustments and the rebuttal RCRB.

3 i. **Plant-in-Service (PIS).**

4 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**  
5 **REBUTTAL ADJUSTMENTS TO PIS AND IDENTIFY ANY**  
6 **ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?**

7 A. Rebuttal B-3 adjustment 1, as summarized on Rebuttal Schedule B-3, page 2,  
8 consists of five adjustments labeled as "A," "B," "C," "D," and "E" on Rebuttal  
9 Schedule B-3, page 3.

10 B-3 adjustment number 1, as shown on Rebuttal Schedule B-3, page 2, adjusts  
11 RCN PIS. There are three RCN PIS adjustments included in Adjustment 1. These  
12 are shown on Rebuttal Schedule B-3, page 3, and are labeled as adjustments "A,"  
13 "B," and "C."

14 Adjustment A reduces RCN PIS by \$4,412 for expensed plant. This  
15 adjustment corresponds to the original cost ("OC") PIS adjustment of \$4,253  
16 discussed previously on page 4.

17 Adjustment B increases RCN PIS for allocated corporate plant totaling  
18 \$8,490. This adjustment corresponds to the OC PIS adjustment of \$8,490 discussed  
19 previously on page 4.

20 Adjustment C reduces RCN PIS for excess capacity by \$545,661. This  
21 adjustment corresponds to the OC PIS adjustment of \$525,900 discussed previously  
22 on page 5.

23 **Q. PLEASE COMMENT ON THE STAFF RCN PIS ADJUSTMENTS AND**  
24 **RECOMMENDED RCN PIS BALANCE.**

25 A. Staff adjusts the RCN PIS balances to reflect its corresponding adjustments to OCRB  
26 PIS, as does the Company, except that Staff takes issue with some of the RCN gross-

1 up factors. As a result, Staff bases its RCN PIS adjustments on its own  
2 recommended gross-up factors. This can be seen on Staff schedules BAB-5a (Staff  
3 RCN capacity adjustments), BAB-6b (Staff RCN expensed plant), and BAB-7 (Staff  
4 RCN factor adjustments). The Company disagrees with the Staff approach because  
5 it leads to anomalous results.

6 **Q. PLEASE EXPLAIN.**

7 A. Staff agrees that the RCN values prepared by NCS were based upon actual cost of  
8 construction under RS Means and industry standards.<sup>16</sup> Rather than rebutting the  
9 total RCN value NCS determined, or how the total RCN value was allocated to the  
10 various plant accounts by NCS, Staff recommends changing some of the factors, but  
11 not others, in a piecemeal fashion. Mr. Narasimhan recognizes that total RCN value  
12 as allocated does not exactly line up with how the Company recorded costs to its  
13 plant accounts, and this contributes Staff's concerns over some of the factors.<sup>17</sup>  
14 In fact, I agree with Staff that some factors appear to be too high. But some also  
15 appear to be too low.<sup>18</sup> This is the fatal flaw in Staff's reasoning here regardless of  
16 whether the individual account RCN factors appear too high (or too low). The  
17 overall ratio of RCN value to Original Cost is just 1.6.<sup>19</sup> In my experience, this is  
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21 <sup>16</sup> See Direct Testimony of Jian W. Liu ("Liu Dt."), Engineering Report (Exhibit JWL) at 8.

22 <sup>17</sup> Rebuttal Testimony of Ramesh Narasimhan ("Narasimhan Rb.") at 10.

23 <sup>18</sup> The RCN factor for account 371 – Pimping Equipment is just 0.57, which can be  
24 demonstrated to be too low using an analysis similar to Staff's. The RCN factor for account  
25 380 – Treatment and Disposal Equipment is just 1.04, which also can be demonstrated to  
26 be too low using an analysis similar to Staff's.

<sup>19</sup> The RCN PIS value shown on the Company's Direct Schedule B-4 of \$6,830,326. Also  
shown on this schedule is the OC PIS balance before any capacity adjustments of  
\$4,282,301. The RCN ratios for each plant account are also shown on this schedule.  
The total net ratio of RCN to OC is 1.60 (\$6,830,326 / \$4,282,301).

1 not an unreasonable ratio.<sup>20</sup> Mr. Narasimhan agrees with me.<sup>21</sup>

2 **Q. SO WHAT IS THE IMPACT OF STAFF'S CONCERN OVER THE RCN**  
3 **FACTORS?**

4 A. Staff's piecemeal approach results in a reduction in the entire RCN value determined  
5 by NCS of \$6,830,326 to just \$5,518,268, a reduction in value of \$1,312,058. The  
6 overall RCN ratio becomes just 1.29, down from 1.60.

7 **Q. HAVE YOU PREPARED AN EXHIBIT SHOWING THE STAFF RCN**  
8 **VALUE OF \$5,518,268 AND THE REDUCTION ON VALUE?**

9 A. Yes. **Exhibit TJB-RB1**, page 1, is a schedule showing the RCN study PIS values  
10 and total RCN study PIS value, as well as the Staff RCN PIS value based upon Staff's  
11 recommended changes to the RCN ratios.

12 **Q. PLEASE CONTINUE.**

13 A. Staff should have examined and changed, as necessary, all of the RCN ratios whether  
14 they were too high or too low so that the total RCN value remained the same. For  
15 example, Staff found the RCN ratio for account 354 – Structures and Improvements,  
16 361 – Collection Sewers – Gravity, and 382 – Outfall Sewer Lines and decided to  
17 change them based upon a trend analysis using Handy Whitman factors.<sup>22</sup> However,  
18 I could just as easily find others to be too low using a similar analysis. For example,  
19 account 380 – Treatment and Disposal Equipment has an RCN ratio of just 1.04.  
20 A Handy-Whitman analysis of cost indices using 2006 as the base year would  
21 indicate an RCN factor of 1.495.<sup>23</sup> Instead of an RCN value for account 380 of

22 \_\_\_\_\_  
23 <sup>20</sup> I have seen overall RCN ratios as high as 2.9 or more depending on the mix and age of  
the PIS.

24 <sup>21</sup> Narasimhan Rb. at 10.

25 <sup>22</sup> Liu Dt., Engineering Report at 8, 9.

26 <sup>23</sup> Handy-Whitman (Large Treatment Plant) 2006 index of 444 and 2015 index of 664.  $664 / 444 = 1.495$ .

1 \$2,226,115 (\$2,145,496 original cost x 1.04), the RCN value would be \$3,207,517  
2 (\$2,145,496 original cost x 1.495), which is \$981,402 higher in value than the  
3 \$2,226,115 shown in **Exhibit TJB-RB1**, page 1. Similarly, account 371 – Pumping  
4 Equipment has a RCN ratio of just 0.57, meaning the RCN value is less than original  
5 cost. A Handy-Whitman analysis of cost indices using 2006 as the base year would  
6 indicate an RCN factor 1.50.<sup>24</sup> Instead of an RCN value for account 371 of \$96,579  
7 (\$168,387 original cost x 0.57), the RCN value would be \$252,536 (\$168,357  
8 original cost x 1.50), which is \$156,002 higher in value than the \$96,579 shown in  
9 **Exhibit TJB-RB1**, page 1. By simply addressing these two additional accounts,  
10 nearly 90 percent of the \$1,312,058 reduction in RCN value, as shown on **Exhibit**  
11 **TJB-RB1**, page 1, would be eliminated.<sup>25</sup>

12 The bottom line is that while Staff may wish to change some of the ratios  
13 (factors), it cannot do so without reducing the total RCN value below what is a  
14 reasonable RCN study value of \$6,830,326 in total. If Staff is going to take issue  
15 with the RCN ratios, it must examine and change, as necessary, all the ratios to arrive  
16 at the same total RCN value of \$6,830,326. Otherwise, selective analysis is  
17 contradictory to the finding of total RCN value.

18 **Q. DOES STAFF HAVE AN OPINION REGARDING THE APPROPRIATE**  
19 **INFLATION RATE AND RELATED MULTIPLIER TO DEFINE THE**  
20 **REASONABLENESS OF THE RELATIONSHIP BETWEEN OCRB AND**  
21 **RCN?**

22 A. Yes. Staff proposes RCN factors ranging from 1.591 to 1.604 for the accounts Staff

23 \_\_\_\_\_  
24 <sup>24</sup> Handy-Whitman (Electric Pumping Equipment) 2006 index of 620 and 2015 index of  
25 931.  $931 / 620 = 1.50$ .

26 <sup>25</sup> As discussed, revising the RCN ratios for these two accounts results in additional value  
of \$1,137,404 (\$981,402 + \$156,002). Compare this to the \$1,312,058 reduction in value  
from Staff changes to the RCN ratios.

1 analyzed.<sup>26</sup> Staff just sort of made these factors up in its own judgment, which is not  
2 by itself a problem. It is ironic though that Staff is suggesting factors of roughly 1.6  
3 RCN to OCRB are reasonable yet making adjustments to reduce the overall ration  
4 from 1.6 to 1.29. It further reveals the flaw in Staff's approach.

5 **Q. BUT WHY ARE SOME RCN RATIOS SEEMINGLY HIGH AND OTHERS**  
6 **SEEMINGLY LOW?**

7 A. The RCN ratios are the direct result of how the RCN study was performed and how  
8 the RCN values were allocated to the various plant accounts. NCS Engineers  
9 conducted a separate valuation study examining the physical system in place at the  
10 end of the test year, which is not the same as taking each account and grossing the  
11 original cost using Handy Whitman or other similar cost index factors. NCS then  
12 allocated the RCN values to the appropriate NARUC accounts using their  
13 professional judgment. But their allocations of total RCN value to the various  
14 NARUC accounts assignments did not perfectly align with how the Company's plant  
15 costs were recorded, and that can impact the resulting RCN ratios. When examined  
16 on a line-by-line basis, some RCN ratios appear high and some low. We can spend  
17 a lot of time reassigning values line-by-line so that the RCN ratios by NARUC  
18 account look more like what Staff may expect, but the total RCN value should not  
19 change.

20 ii. **Accumulated Depreciation (A/D).**

21 **Q. PLEASE DISCUSS THE REBUTTAL RCN A/D ADJUSTMENTS.**

22 A. B-3 adjustment number 2, as shown on Rebuttal Schedule B-3, page 2, adjusts RCN  
23 A/D. There are three RCN A/D adjustments included in Adjustment 2. These are  
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<sup>26</sup> Liu Dt., Engineering Report at 9.

1 shown on Rebuttal Schedule B-3, page 4, and are labeled as adjustments “A,” “B,”  
2 and “C.”

3 Adjustment A reduces RCN A/D by \$294 for expensed plant. This adjustment  
4 corresponds to the OCRB A/D adjustment of \$284 discussed previously on page 7.

5 Adjustment B increases RCN A/D for allocated corporate plant totaling  
6 \$5,383. This adjustment corresponds to the OCRB A/D adjustment of \$2,885  
7 discussed previously on page 7.

8 Adjustment C reduces RCN A/D for excess capacity totaling \$259,189. This  
9 adjustment corresponds to the OCRB A/D adjustment of \$249,803 discussed  
10 previously on pages 6 and 7.

11 **Q. PLEASE COMMENT ON THE STAFF RCN A/D ADJUSTMENTS AND**  
12 **RECOMMENDED RCN A/D BALANCE.**

13 A. As with RCN PIS discussed earlier on pages 10 through 14, Staff adjusts the RCN  
14 A/D balances to reflect its corresponding adjustments to OCRB A/D, as does the  
15 Company, except that Staff takes issue with some RCN gross-up factors and bases  
16 its RCN PIS adjustments using its own recommended gross-up factors as I just  
17 discussed. Again, the Company disagrees with the Staff approach because it leads  
18 to anomalous results.

19 Exhibit TJB-RB1, page 2, is a schedule showing the distortion in the RCN  
20 study A/D value caused by Staff selectively changing the RCN factors. In the case  
21 of A/D, the changes result in an RCN A/D balance of \$1,785,262, which is \$285,540  
22 lower than the \$2,070,802 RCN A/D value based on the RCN study.

23 **Q. HAD STAFF USED THE RCN FACTORS DEVELOPED FROM THE RCN**  
24 **STUDY FOR ITS ADJUSTMENTS WHAT WOULD STAFF’S RCN A/D**  
25 **VALUE BE?**

26 A. The adjusted RCN A/D value would be \$1,211,391, a difference of \$230,447 to

1 Staff's recommended balance of \$980,944.<sup>27</sup>

2 **iii. Contributions-in-Aid of Construction (CIAC) and**  
3 **Accumulated Amortization (AA).**

4 **Q. PLEASE DISCUSS THE COMPANY'S PROPOSED REBUTTAL**  
5 **ADJUSTMENTS TO RCN CIAC AND IDENTIFY ANY ADJUSTMENTS**  
6 **YOU HAVE ACCEPTED FROM STAFF.**

7 A. Adjustment number 3, shown on Rebuttal Schedule B-3, page 2, reflects CIAC and  
8 AA at the revised RCN basis. The RCN basis for CIAC and AA has changed because  
9 of the adjustments to depreciable OC PIS and RCN PIS. Staff does not propose any  
10 adjustments to RCN CIAC and RCN AA. Staff should have adjusted RCN CIAC  
11 and RCN AA based upon its proposed changes to depreciable OC PIS and RCN PIS.  
12 Failure to do so results in misstatements of the RCRB and FVRB.

13 **iv. Accumulated Deferred Income Taxes (ADIT).**

14 **Q. PLEASE DISCUSS THE COMPANY'S PROPOSED REBUTTAL**  
15 **ADJUSTMENTS TO ADIT AND IDENTIFY ANY ADJUSTMENTS YOU**  
16 **HAVE ACCEPTED FROM STAFF.**

17 A. Adjustment number 4, shown on Rebuttal Schedule B-3, page 2, reflects the ADIT  
18 balance at the reported RCN basis. The RCN basis for ADIT has changed because  
19 of the adjustments to OCRB and RCRB. Staff does not propose any adjustments to  
20 RCN ADIT. Staff should have adjusted RCN ADIT based upon its proposed  
21 changes to its recommended OCRB and RCRB. Failure to do so results in  
22 misstatements of the RCRB and FVRB.

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25 <sup>27</sup> Note: Staff's recommended RCN A/D value contains a similar error as discussed on  
26 page 7. Staff RCN A/D adjustment number 5b of \$(127,135) should be eliminated. This  
would bring the adjusted RCN A/D value to \$1,338,526 (\$1,211,391 + 127,135).

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v. Cash Working Capital (CWC).

**Q. PLEASE DISCUSS THE COMPANY'S PROPOSED REBUTTAL ADJUSTMENTS TO CWC AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF.**

A. Adjustment number 5, shown on Rebuttal Schedule B-3, page 2, reflects CWC at the reported RCN basis. Staff proposes a similar adjustment to RCN CWC.

vi. Remaining Rate Base Items in Dispute.

**Q. ARE THERE ANY REMAINING RCRB ITEMS IN DISPUTE BETWEEN THE PARTIES?**

A. No.

**IV. REVENUES AND EXPENSES.**

**Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO REVENUES AND EXPENSES AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF.**

A. The Company's rebuttal adjustments to revenues and/or expenses are detailed on Rebuttal Schedule C-2, pages 1 through 9. The rebuttal income statement with adjustments is summarized on Rebuttal Schedule C-1, pages 1 and 2.

Rebuttal adjustment 1 reduces the proposed annualized depreciation and amortization expense by \$25,280, from \$135,073 to \$109,794 based on the Company's proposed rebuttal PIS and CIAC balances. The Staff's recommended depreciation and amortization expense level of \$76,636 is lower than the Company's by \$33,158.

**Q. WHY IS STAFF'S RECOMMENDED DEPRECIATION AND AMORTIZATION EXPENSE LOWER THAN THE COMPANY'S?**

A. The difference in depreciation and amortization expense is primarily caused by differences in each of the parties' respective plant balances. However, there are two

1 issues with the Staff depreciation and amortization calculation as shown on Staff  
2 Schedule BCA-13. First, Staff does not provide any support for its proposed  
3 \$152,687 of fully depreciated plant for account 371 – Pumping Equipment. The  
4 Company proposed fully depreciated plant of \$124,416 is shown on Rebuttal  
5 Schedule C-2, page 2. The Company provided Staff a full reconstruction of the PIS  
6 and A/D balances by plant account in its work papers which supports the Company’s  
7 proposed amount. I do not find a similar work paper supporting the Staff number.  
8 In any case, the difference in depreciation expense from this issue is \$3,100.

9 Second, Staff uses an incorrect balance for gross CIAC as the basis for its  
10 amortization computation. The Staff schedule shows \$1,267,984 before adjusting  
11 for non-amortization CIAC (Land of \$400,000). But, the Staff OC CIAC balance,  
12 as shown on Staff Schedule BAB-3, is \$1,013,352. It appears that the \$1,267,984 is  
13 the Staff recommended RCN CIAC value. The difference in depreciation and  
14 amortization expense on this is \$5,093. In total, Staff’s depreciation and  
15 amortization expense should be \$8,193 (\$3,100 + \$5,093) higher than it  
16 recommends.

17 **Q. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE**  
18 **COMPANY’S PROPOSED REBUTTAL REVENUE AND/OR EXPENSE**  
19 **ADJUSTMENTS.**

20 A. Rebuttal adjustment number 2 reflects property tax expense at the Company’s  
21 rebuttal proposed revenue level.

22 **Q. ARE THERE ANY DISPUTES BETWEEN THE PARTIES ON THE**  
23 **METHODOLOGY FOR COMPUTING PROPERTY TAXES, THE**  
24 **ASSESSMENT RATIO, OR THE PROPERTY TAX RATE?**

25 A. No.

26

1 **Q. PLEASE CONTINUE.**

2 A. Rebuttal adjustment number 3 reflects no change to rate case expense. The Company  
3 continues to propose \$130,000 normalized over 3 years or \$65,000 annually. Staff  
4 recommends \$65,000 normalized over 3 years, or 21,667 annually.<sup>28</sup> Staff believes  
5 the Company's request is too high given the amount of costs incurred through August  
6 2, 2016.<sup>29</sup> However, Staff fails to recognize that the approximately \$51,000 was  
7 only incurred from work billed through the end of June 2016. Through the rebuttal  
8 filing, the costs total about \$110,000. I do not think Staff has fully considered the  
9 costs for rebuttal, which includes an expert engineering witness not previously filing  
10 testimony in this case, plus significant settlement efforts, and now a hearing and I  
11 presume briefing, then Open Meeting. The Company is actually going to incur more  
12 than the \$130,000 requested, but seeks only \$130,000 as a reasonable expense level  
13 for this case.

14 **Q. PLEASE CONTINUE.**

15 A. Rebuttal adjustment 4 reflects a true-up of allocated Algonquin Power and Utilities  
16 Corp. ("APUC"), Liberty Utilities Canada, Liberty Algonquin Business Services  
17 ("LABS"), and Liberty Utilities (Sub) Corp. labor and non-labor expenses charged  
18 to Liberty EDO. Contractual Services – Professional is increased by \$19,381. The  
19 change in expense is due to an update to the cost allocation factors previously  
20 discussed on page 4.

21 **Q. WERE UPDATES TO THE COST POOL FOR APUC, LIBERTY UTILITIES**  
22 **CANADA, AND LABS PROVIDED TO STAFF?**

23 A. Yes. They were provided in Liberty EDO's response to Staff Data Request  
24 CSB 1.34 on July 18, 2016.

25 <sup>28</sup> Direct Testimony of Brendan Aladi ("Aladi Dt.") at 4.

26 <sup>29</sup> *Id.*

1 **Q. THANK YOU. PLEASE CONTINUE.**

2 A. Rebuttal adjustment 5 reflects a revision to the Company's proposed wage increase  
3 the Company proposed in its direct filing. Contractual Services – Professional  
4 increased by \$1,059 to reflect the additional labor costs contained in rebuttal  
5 adjustment 4 discussed previously.

6 Rebuttal adjustment 6 is intentionally left blank.

7 Rebuttal adjustment 7 synchronizes interest expense with OCRB.

8 Rebuttal adjustment 8 increase income taxes by \$2,040 to reflect the  
9 Company proposed rebuttal revenues and expenses.

10 **V. RATE DESIGN.**

11 **Q. WHAT ARE LIBERTY EDO'S PROPOSED RATES FOR WASTEWATER**  
12 **SERVICE?**

13 A. The proposed rates are set forth on Rebuttal Schedule H-3, pages 1 through 3. The  
14 proposed residential monthly sewer charge is \$119.63, an increase of \$39.63, or  
15 70.9 percent, over the current monthly charge of \$70.00.

16 **Q. IS LIBERTY EDO CONTINUING TO PROPOSING A PHASE IN OF**  
17 **RATES?**

18 A. Yes. The Company is not proposing any change to the phase in the Company  
19 proposed in its direct filing – 70 percent of the rate increase would be implemented  
20 in the first year, and then 100 percent of the rate increase would be implemented in  
21 the second year. In the third year, the Company proposes a surcharge to recover the  
22 deferred revenues from the phase in period, plus interest. The following sets forth  
23 the proposed rates and surcharges for the three year period:

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	Current	Year 1	Year 2	Year 3
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
Monthly Charge - Residential	\$70.00	\$70.00	\$104.74	\$119.63
Increase in Rate		34.84%	14.89%	
Surcharge (12 months)				16.68%
Total Monthly Charge	\$70.00	\$104.74	\$119.63	\$155.50
% Increase		49.63%	14.22%	13.94%

**Q. HAVE YOU PREPARED AN EXHIBIT SHOWING THE COMPUTATION OF THE SURCHARGE?**

A. Yes. Attached as **Exhibit TJB-RB2** is a schedule showing the computation of the surcharge.

**Q. ARE THERE ANY CHANGES TO LIBERTY EDO'S PROPOSED MISCELLANEOUS CHARGES?**

A. No. Staff and the Company are in agreement on the proposed miscellaneous charges.<sup>30</sup>

**Q. WHAT ABOUT THE COMPANY PROPOSED PPAM AND PTAM?**

A. As discussed in Mr. Garlick's rebuttal testimony, the Company has accepted Staff recommendations regarding the PPAM and PTAM.<sup>31</sup>

**Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY ON RATE BASE, INCOME STATEMENT AND RATE DESIGN?**

A. Yes.

<sup>30</sup> See Baxter Dt. at 14.  
<sup>31</sup> Garlick Rb. at 2-3.

# **EXHIBIT TJB-RB1**





# **EXHIBIT TJB-RB2**

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
2-Year Phase-in Surcharge Calculation

[1] Total Sewer Rate Revenue Before Increase	\$	281,286
[2] Sewer Rate Increase per Decision	\$	198,250
[3] Total Sewer Rate Revenues After Rate Increase	\$	479,537
[4] Total monthly rate increase [2]/[12]	\$	16,521
[5] Phase 1 - First 12 months		70%
[6] Phase 2 - Thereafter		100%

[7] Interest Rate (FVRR per Decision)	6.15%
---------------------------------------	-------

Month	Amt Collected	Cummulative Collected	Cummulative Uncollected w/o Interest	Cummulative Uncollected with Interest	Monthly Interest	Cummulative Interest
1	\$ 11,564.57	\$ 11,565	\$ 4,956	\$ 4,956	\$ 25	\$ 25
2	\$ 11,564.57	\$ 23,129	\$ 9,912	\$ 9,938	\$ 51	\$ 76
3	\$ 11,564.57	\$ 34,694	\$ 14,869	\$ 14,945	\$ 77	\$ 153
4	\$ 11,564.57	\$ 46,258	\$ 19,825	\$ 19,978	\$ 102	\$ 255
5	\$ 11,564.57	\$ 57,823	\$ 24,781	\$ 25,036	\$ 128	\$ 383
6	\$ 11,564.57	\$ 69,387	\$ 29,737	\$ 30,121	\$ 154	\$ 538
7	\$ 11,564.57	\$ 80,952	\$ 34,694	\$ 35,231	\$ 180	\$ 718
8	\$ 11,564.57	\$ 92,517	\$ 39,650	\$ 40,368	\$ 207	\$ 925
9	\$ 11,564.57	\$ 104,081	\$ 44,606	\$ 45,531	\$ 233	\$ 1,158
10	\$ 11,564.57	\$ 115,646	\$ 49,562	\$ 50,721	\$ 260	\$ 1,418
11	\$ 11,564.57	\$ 127,210	\$ 54,519	\$ 55,937	\$ 287	\$ 1,705
12	\$ 11,564.57	\$ 138,775	\$ 59,475	\$ 61,179	\$ 313	\$ 2,018
13	\$ 16,520.81	\$ 155,296	\$ 59,475	\$ 61,493	\$ 315	\$ 2,333
14	\$ 16,520.81	\$ 171,816	\$ 59,475	\$ 61,808	\$ 317	\$ 2,650
15	\$ 16,520.81	\$ 188,337	\$ 59,475	\$ 62,124	\$ 318	\$ 2,968
16	\$ 16,520.81	\$ 204,858	\$ 59,475	\$ 62,443	\$ 320	\$ 3,288
17	\$ 16,520.81	\$ 221,379	\$ 59,475	\$ 62,763	\$ 321	\$ 3,609
18	\$ 16,520.81	\$ 237,900	\$ 59,475	\$ 63,084	\$ 323	\$ 3,932
19	\$ 16,520.81	\$ 254,420	\$ 59,475	\$ 63,407	\$ 325	\$ 4,257
20	\$ 16,520.81	\$ 270,941	\$ 59,475	\$ 63,732	\$ 326	\$ 4,584
21	\$ 16,520.81	\$ 287,462	\$ 59,475	\$ 64,058	\$ 328	\$ 4,912
22	\$ 16,520.81	\$ 303,983	\$ 59,475	\$ 64,387	\$ 330	\$ 5,241
23	\$ 16,520.81	\$ 320,504	\$ 59,475	\$ 64,716	\$ 332	\$ 5,573
24	\$ 16,520.81	\$ 337,024	\$ 59,475	\$ 65,048	\$ 333	\$ 5,906

Balances at end of phase-in period [8] \$ 337,024 [9] \$ 59,475 [10] \$ 65,048

[11] Total uncollected with interest at end Phase-in Period = [10] \$ 65,048

[12] Monthly amount to be collected over next 12 months = PMT([10]/12,12,-[11]) \$ 5,603

[13] Total amount to be collected including interest [12] x 12 \$ 67,234

[14] Total interest charges during recovery period [13] - [11] \$ 2,186

Computation of Surcharge Rate

[15] Monthly surcharge revenues = [12] \$ 5,603

[16] Monthly Surcharge per Customer = [15]/336 \$ 16.68

Sample Bills

[17] Monthly Charge \$ 70.00

[18] Increase in Rate \$ 104.74

[19] Surcharge (12 months) \$ 119.63

[20] Total Monthly Charge \$ 294.37

[21] % Increase 49.63%

\$ 70.00 \$ 104.74 \$ 119.63 \$ 136.31 \$ 149.63 \$ 166.88 \$ 183.31 \$ 200.74 \$ 219.07 \$ 238.31 \$ 258.45 \$ 279.49 \$ 301.53 \$ 324.57 \$ 348.61 \$ 373.75 \$ 400 \$ 428.29 \$ 457.53 \$ 488.45 \$ 520.05 \$ 553.34 \$ 588.33 \$ 635.02 \$ 683.41 \$ 733.50 \$ 785.29 \$ 838.78 \$ 894.07 \$ 951.16 \$ 1,010.05 \$ 1,070.74 \$ 1,134.23 \$ 1,200.52 \$ 1,269.61 \$ 1,341.50 \$ 1,416.19 \$ 1,493.68 \$ 1,573.97 \$ 1,657.06 \$ 1,742.95 \$ 1,831.64 \$ 1,923.13 \$ 2,017.42 \$ 2,114.51 \$ 2,214.40 \$ 2,317.09 \$ 2,422.48 \$ 2,530.57 \$ 2,641.36 \$ 2,754.75 \$ 2,871.84 \$ 2,992.63 \$ 3,116.12 \$ 3,242.31 \$ 3,371.20 \$ 3,502.79 \$ 3,637.08 \$ 3,774.07 \$ 3,913.76 \$ 4,056.15 \$ 4,201.24 \$ 4,348.03 \$ 4,497.52 \$ 4,649.71 \$ 4,804.60 \$ 4,962.29 \$ 5,122.68 \$ 5,282.87 \$ 5,445.76 \$ 5,611.35 \$ 5,779.54 \$ 5,950.33 \$ 6,123.72 \$ 6,300.81 \$ 6,481.60 \$ 6,665.09 \$ 6,851.28 \$ 7,040.07 \$ 7,231.46 \$ 7,425.45 \$ 7,622.04 \$ 7,821.23 \$ 8,023.02 \$ 8,227.41 \$ 8,434.40 \$ 8,644.09 \$ 8,856.48 \$ 9,071.57 \$ 9,289.26 \$ 9,509.55 \$ 9,732.44 \$ 9,957.93 \$ 10,186.12 \$ 10,417.01 \$ 10,650.60 \$ 10,886.89 \$ 11,125.88 \$ 11,367.57 \$ 11,611.96 \$ 11,859.05 \$ 12,108.84 \$ 12,361.33 \$ 12,616.52 \$ 12,874.41 \$ 13,135.00 \$ 13,398.29 \$ 13,664.28 \$ 13,932.97 \$ 14,204.36 \$ 14,478.45 \$ 14,755.24 \$ 15,034.73 \$ 15,316.92 \$ 15,601.91 \$ 15,889.60 \$ 16,179.99 \$ 16,472.98 \$ 16,768.57 \$ 17,066.76 \$ 17,367.55 \$ 17,670.94 \$ 17,976.93 \$ 18,285.52 \$ 18,596.71 \$ 18,909.50 \$ 19,223.89 \$ 19,543.88 \$ 19,866.47 \$ 20,191.66 \$ 20,518.55 \$ 20,847.54 \$ 21,178.63 \$ 21,511.82 \$ 21,847.11 \$ 22,184.50 \$ 22,523.99 \$ 22,865.58 \$ 23,209.27 \$ 23,555.06 \$ 23,902.95 \$ 24,252.94 \$ 24,606.13 \$ 24,961.52 \$ 25,319.11 \$ 25,678.90 \$ 26,040.89 \$ 26,404.98 \$ 26,771.27 \$ 27,139.76 \$ 27,510.45 \$ 27,883.34 \$ 28,258.43 \$ 28,634.72 \$ 29,013.21 \$ 29,394.90 \$ 29,778.89 \$ 30,165.18 \$ 30,552.77 \$ 30,942.56 \$ 31,334.75 \$ 31,729.24 \$ 32,125.93 \$ 32,524.82 \$ 32,925.91 \$ 33,329.20 \$ 33,734.79 \$ 34,142.48 \$ 34,552.37 \$ 34,963.46 \$ 35,375.75 \$ 35,789.24 \$ 36,203.93 \$ 36,620.02 \$ 37,037.71 \$ 37,456.00 \$ 37,876.89 \$ 38,299.28 \$ 38,723.27 \$ 39,148.76 \$ 39,574.75 \$ 40,002.24 \$ 40,432.23 \$ 40,863.72 \$ 41,296.71 \$ 41,731.20 \$ 42,167.19 \$ 42,604.68 \$ 43,042.67 \$ 43,482.16 \$ 43,923.15 \$ 44,364.64 \$ 44,806.63 \$ 45,249.12 \$ 45,692.11 \$ 46,135.60 \$ 46,579.59 \$ 47,024.98 \$ 47,471.67 \$ 47,919.46 \$ 48,368.35 \$ 48,818.24 \$ 49,269.23 \$ 49,721.32 \$ 50,174.51 \$ 50,628.80 \$ 51,084.19 \$ 51,540.68 \$ 51,998.17 \$ 52,456.66 \$ 52,916.15 \$ 53,376.64 \$ 53,838.13 \$ 54,299.62 \$ 54,762.11 \$ 55,225.60 \$ 55,689.09 \$ 56,153.48 \$ 56,618.87 \$ 57,085.26 \$ 57,552.65 \$ 58,020.04 \$ 58,488.43 \$ 58,957.82 \$ 59,428.21 \$ 59,899.60 \$ 60,372.09 \$ 60,845.48 \$ 61,319.87 \$ 61,795.26 \$ 62,271.65 \$ 62,748.94 \$ 63,227.13 \$ 63,706.22 \$ 64,186.21 \$ 64,667.20 \$ 65,149.19 \$ 65,632.08 \$ 66,115.87 \$ 66,603.46 \$ 67,092.75 \$ 67,583.64 \$ 68,076.13 \$ 68,570.22 \$ 69,065.91 \$ 69,563.20 \$ 70,062.19 \$ 70,561.78 \$ 71,062.97 \$ 71,565.76 \$ 72,070.15 \$ 72,575.04 \$ 73,081.53 \$ 73,589.62 \$ 74,099.31 \$ 74,610.60 \$ 75,123.49 \$ 75,637.88 \$ 76,153.87 \$ 76,671.46 \$ 77,190.65 \$ 77,711.44 \$ 78,233.83 \$ 78,757.82 \$ 79,283.41 \$ 79,810.60 \$ 80,339.39 \$ 80,869.68 \$ 81,391.47 \$ 81,914.66 \$ 82,439.25 \$ 82,964.24 \$ 83,490.63 \$ 84,018.42 \$ 84,547.61 \$ 85,078.20 \$ 85,609.19 \$ 86,141.48 \$ 86,675.87 \$ 87,211.46 \$ 87,748.25 \$ 88,286.24 \$ 88,825.43 \$ 89,365.82 \$ 89,907.41 \$ 90,450.20 \$ 90,994.19 \$ 91,539.28 \$ 92,085.47 \$ 92,632.76 \$ 93,181.15 \$ 93,730.64 \$ 94,281.23 \$ 94,832.92 \$ 95,385.71 \$ 95,939.60 \$ 96,494.59 \$ 97,050.68 \$ 97,607.87 \$ 98,166.16 \$ 98,725.55 \$ 99,285.94 \$ 99,847.43 \$ 100,409.92 \$ 100,973.41 \$ 101,538.90 \$ 102,105.39 \$ 102,672.88 \$ 103,241.37 \$ 103,810.86 \$ 104,381.35 \$ 104,952.84 \$ 105,525.33 \$ 106,098.82 \$ 106,673.31 \$ 107,248.80 \$ 107,825.29 \$ 108,402.78 \$ 108,981.27 \$ 109,560.76 \$ 110,141.25 \$ 110,722.74 \$ 111,305.23 \$ 111,888.72 \$ 112,473.21 \$ 113,058.70 \$ 113,645.19 \$ 114,232.68 \$ 114,821.17 \$ 115,410.66 \$ 116,001.15 \$ 116,592.64 \$ 117,185.13 \$ 117,778.62 \$ 118,373.11 \$ 118,968.60 \$ 119,565.09 \$ 120,162.58 \$ 120,761.07 \$ 121,360.56 \$ 121,961.05 \$ 122,562.54 \$ 123,165.03 \$ 123,768.52 \$ 124,373.01 \$ 124,978.50 \$ 125,585.00 \$ 126,192.49 \$ 126,799.98 \$ 127,408.47 \$ 128,017.96 \$ 128,628.45 \$ 129,239.94 \$ 129,852.43 \$ 130,465.92 \$ 131,080.41 \$ 131,695.90 \$ 132,312.39 \$ 132,929.88 \$ 133,548.37 \$ 134,167.86 \$ 134,788.35 \$ 135,409.84 \$ 136,032.33 \$ 136,655.82 \$ 137,280.31 \$ 137,905.80 \$ 138,532.29 \$ 139,159.78 \$ 139,788.27 \$ 140,417.76 \$ 141,048.25 \$ 141,679.74 \$ 142,312.23 \$ 142,946.72 \$ 143,582.21 \$ 144,218.70 \$ 144,856.19 \$ 145,494.68 \$ 146,134.17 \$ 146,774.66 \$ 147,416.15 \$ 148,058.64 \$ 148,702.13 \$ 149,346.62 \$ 149,992.11 \$ 150,638.60 \$ 151,286.09 \$ 151,934.58 \$ 152,584.07 \$ 153,234.56 \$ 153,886.05 \$ 154,538.54 \$ 155,192.03 \$ 155,847.52 \$ 156,504.01 \$ 157,161.50 \$ 157,820.00 \$ 158,479.49 \$ 159,139.98 \$ 159,799.47 \$ 160,459.96 \$ 161,121.45 \$ 161,783.94 \$ 162,447.43 \$ 163,111.92 \$ 163,777.41 \$ 164,443.90 \$ 165,111.39 \$ 165,779.88 \$ 166,449.37 \$ 167,119.86 \$ 167,791.35 \$ 168,463.84 \$ 169,136.33 \$ 169,809.82 \$ 170,484.31 \$ 171,159.80 \$ 171,836.29 \$ 172,513.78 \$ 173,192.27 \$ 173,871.76 \$ 174,552.25 \$ 175,233.74 \$ 175,916.23 \$ 176,599.72 \$ 177,284.21 \$ 177,969.70 \$ 178,656.19 \$ 179,343.68 \$ 180,032.17 \$ 180,722.66 \$ 181,414.15 \$ 182,106.64 \$ 182,800.13 \$ 183,494.62 \$ 184,190.11 \$ 184,886.60 \$ 185,584.09 \$ 186,282.58 \$ 186,982.07 \$ 187,682.56 \$ 188,384.05 \$ 189,086.54 \$ 189,790.03 \$ 190,494.52 \$ 191,199.01 \$ 191,904.50 \$ 192,610.99 \$ 193,318.48 \$ 194,026.97 \$ 194,736.46 \$ 195,446.95 \$ 196,158.44 \$ 196,870.93 \$ 197,584.42 \$ 198,298.91 \$ 199,014.40 \$ 199,730.89 \$ 200,448.38 \$ 201,167.87 \$ 201,888.36 \$ 202,609.85 \$ 203,332.34 \$ 204,056.83 \$ 204,781.32 \$ 205,507.81 \$ 206,235.30 \$ 206,963.79 \$ 207,693.28 \$ 208,423.77 \$ 209,154.26 \$ 209,885.75 \$ 210,618.24 \$ 211,351.73 \$ 212,086.22 \$ 212,821.71 \$ 213,558.20 \$ 214,295.69 \$ 215,034.18 \$ 215,773.67 \$ 216,514.16 \$ 217,255.65 \$ 217,998.14 \$ 218,741.63 \$ 219,486.12 \$ 220,231.61 \$ 220,978.10 \$ 221,725.59 \$ 222,474.08 \$ 223,223.57 \$ 223,974.06 \$ 224,725.55 \$ 225,478.04 \$ 226,232.53 \$ 226,988.02 \$ 227,744.51 \$ 228,502.00 \$ 229,260.49 \$ 230,019.98 \$ 230,780.47 \$ 231,541.96 \$ 232,304.45 \$ 233,068.94 \$ 233,834.43 \$ 234,600.92 \$ 235,368.41 \$ 236,136.90 \$ 236,906.39 \$ 237,676.88 \$ 238,448.37 \$ 239,220.86 \$ 239,994.35 \$ 240,768.84 \$ 241,544.33 \$ 242,320.82 \$ 243,098.31 \$ 243,876.80 \$ 244,656.29 \$ 245,436.78 \$ 246,218.27 \$ 247,000.76 \$ 247,784.25 \$ 248,568.74 \$ 249,354.23 \$ 250,140.72 \$ 250,928.21 \$ 251,716.70 \$ 252,506.19 \$ 253,296.68 \$ 254,088.17 \$ 254,880.66 \$ 255,674.15 \$ 256,468.64 \$ 257,264.13 \$ 258,060.62 \$ 258,858.11 \$ 259,657.60 \$ 260,458.09 \$ 261,259.58 \$ 262,062.07 \$ 262,865.56 \$ 263,670.05 \$ 264,475.54 \$ 265,282.03 \$ 266,089.52 \$ 266,898.01 \$ 267,707.50 \$ 268,517.99 \$ 269,329.48 \$ 270,141.97 \$ 270,955.46 \$ 271,769.95 \$ 272,585.44 \$ 273,401.93 \$ 274,219.42 \$ 275,037.91 \$ 275,857.40 \$ 276,677.89 \$ 277,499.38 \$ 278,321.87 \$ 279,144.36 \$ 279,967.85 \$ 280,792.34 \$ 281,617.83 \$ 282,444.32 \$ 283,271.81 \$ 284,099.30 \$ 284,927.79 \$ 285,757.28 \$ 286,587.77 \$ 287,419.26 \$ 288,251.75 \$ 289,084.24 \$ 289,917.73 \$ 290,752.22 \$ 291,587.71 \$ 292,424.20 \$ 293,261.69 \$ 294,099.18 \$ 294,937.67 \$ 295,776.16 \$ 296,615.65 \$ 297,455.14 \$ 298,295.63 \$ 299,136.12 \$ 299,977.61 \$ 300,819.10 \$ 301,661.59 \$ 302,504.08 \$ 303,347.57 \$ 304,191.06 \$ 305,035.55 \$ 305,880.04 \$ 306,725.53 \$ 307,571.02 \$ 308,417.51 \$ 309,264.00 \$ 310,111.49 \$ 310,959.98 \$ 311,809.47 \$ 312,659.96 \$ 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376,379.25 \$ 377,299.74 \$ 378,221.23 \$ 379,143.72 \$ 380,067.21 \$ 380,992.70 \$ 381,919.19 \$ 382,846.68 \$ 383,775.17 \$ 384,704.66 \$ 385,635.15 \$ 386,566.64 \$ 387,499.13 \$ 388,432.62 \$ 389,367.11 \$ 390,302.60 \$ 391,239.09 \$ 392,176.58 \$ 393,115.07 \$ 394,054.56 \$ 394,995.05 \$ 395,936.54 \$ 396,879.03 \$ 397,823.52 \$ 398,769.01 \$ 399,715.50 \$ 400,663.00 \$ 401,611.49 \$ 402,560.98 \$ 403,511.47 \$ 404,462.96 \$ 405,415.45 \$ 406,369.94 \$ 407,325.43 \$ 408,282.92 \$ 409,241.41 \$ 410,199.90 \$ 411,159.39 \$ 412,119.88 \$ 413,081.37 \$ 414,043.86 \$ 415,006.35 \$ 415,969.84 \$ 416,934.33 \$ 417,899.82 \$ 418,866.31 \$ 419,833.80 \$ 420,802.29 \$ 421,771.78 \$ 422,742.27 \$ 423,713.76 \$ 424,686.25 \$ 425,659.74 \$ 426,634.23 \$ 427,609.72 \$ 428,586.21 \$ 429,563.70 \$ 430,542.19 \$ 431,521.68 \$ 432,502.17 \$ 433,483.66 \$ 434,465.15 \$ 435,447.64 \$ 436,431.13 \$ 437,415.62 \$ 438,401.11 \$ 439,387.60 \$ 440,375.09 \$ 441,363.58 \$ 442,353.07 \$ 443,343.56 \$ 444,335.05 \$ 445,327.54 \$ 446,321.03 \$ 447,315.52 \$ 448,310.01 \$ 449,305.50 \$ 450,301.99 \$ 451,299.48 \$ 452,297.97 \$ 453,297.46 \$ 454,297.95 \$ 455,299.44 \$ 456,301.93 \$ 457,305.42 \$ 458,309.91 \$ 459,315.40 \$ 460,321.89 \$ 461,329.38 \$ 462,337.87 \$ 463,346.36 \$ 464,355.85 \$ 465,365.34 \$ 466,375.83 \$ 467,386.32 \$ 468,397.81 \$ 469,409.30 \$ 470,421.79 \$ 471,434.28 \$ 472,447.77 \$ 473,461.26 \$ 474,475.75 \$ 475,490.24 \$ 476,505.73 \$ 477,521.22 \$ 478,536.71 \$ 479,553.20 \$ 480,569.69 \$ 481,587.18 \$ 482,605.67 \$ 483,624.16 \$ 484,643.65 \$ 485,663.14 \$ 486,683.63 \$ 487,704.12 \$ 488,725.61 \$

# **RATE BASE SCHEDULES**

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Computation of Increase in Gross Revenue  
 Requirements As Adjusted

Exhibit  
 Rebuttal Schedule A-1  
 Page 1  
 Witness: Bourassa

Line  
No.

1	Fair Value Rate Base	\$ 1,933,825
2		
3	Adjusted Operating Income	(22,623)
4		
5	Current Rate of Return	-1.17%
6		
7	Required Operating Income	\$ 118,870
8		
9	Required Rate of Return on Fair Value Rate Base	6.15%
10		
11	Operating Income Deficiency	\$ 141,493
12		
13	Gross Revenue Conversion Factor	1.4011
14		
15	Increase in Gross Revenue	
16	Requirement	\$ 198,250
17		
18	Adjusted Test Year Revenues	\$ 281,288
19	Increase in Gross Revenue Revenue Requirement	\$ 198,250
20	Proposed Revenue Requirement	\$ 479,537
21	% Increase	70.48%
22		

	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
23 <b>Customer</b>				
24 <b><u>Classification</u></b>				
25 Residential	\$ 281,190	\$ 480,554	\$ 199,364	70.90%
26				0.00%
27 Revenue Annualization	(1,470)	(2,512)	(1,042)	70.90%
28 <b>Subtotal</b>	<u>\$ 279,720</u>	<u>\$ 478,041</u>	<u>\$ 198,321</u>	<u>70.90%</u>
29				
30 Miscellaneous Revenues	1,575	1,575	-	0.00%
31 Reconciling Amount	(7)	(79)	(72)	1028.57%
32 Rounding		1	1	0.00%
33 <b>Total of Water Revenues</b>	<u><u>\$ 281,288</u></u>	<u><u>\$ 479,538</u></u>	<u><u>\$ 198,250</u></u>	<u><u>70.48%</u></u>

36 SUPPORTING SCHEDULES:

- 37 B-1
- 38 C-1
- 39 C-3
- 40 D-1
- 41 H-1

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Summary of Rate Base

Exhibit  
 Rebuttal Schedule B-1  
 Page 1  
 Witness: Bourassa

Line No.	<u>Original Cost Rate base</u>	<u>Reconstruction Cost New Less Depreciation Rate base</u>	<u>Fair Value Rate Base</u>
1			
2	\$ 3,488,948	\$ 5,981,028	\$ 4,734,988
3	Less: Accumulated Depreciation	1,122,048	1,394,236
4			
5	Net Utility Plant in Service	\$ 4,314,605	\$ 3,340,752
6			
7	<u>Less:</u>		
8	Advances in Aid of Construction	-	-
9			
10	Contributions in Aid of Construction	1,537,849	1,275,600
11			
12	Accumulated Amortization of CIAC	(157,619)	(121,744)
13			
14	Customer Meter Deposits	-	-
15	Customer Security Deposits	2,360	2,360
16	Accumulated Deferred Income Tax	339,700	253,098
17			
18			
19	<u>Plus:</u>		
20	Unamortized Finance		
21	Charges	-	-
22	Prepayments	16,048	16,048
23	Materials and Supplies	-	-
24	Cash Working Capital	(13,661)	(13,661)
25			
26			
27	<u>Total Rate Base</u>	<u>\$ 2,594,702</u>	<u>\$ 1,933,825</u>
28			
29			
30			

31 SUPPORTING SCHEDULES:  
 32 B-2  
 33 B-3  
 34 B-5  
 35

RECAP SCHEDULES:  
 A-1

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Original Cost Rate Base Proforma Adjustments

Exhibit  
 Rebuttal Schedule B-2  
 Page 1  
 Witness: Bourassa

Line No.		Adjusted at End of <u>Test Year</u>	Proforma <u>Adjustment</u>	Rebuttal Adjusted at end of <u>Test Year</u>
1	Gross Utility			
2	Plant in Service	\$ 4,010,610	(521,663)	\$ 3,488,948
3				
4	<b>Less:</b>			
5	Accumulated			
6	Depreciation	1,369,249	(247,201)	1,122,048
7				
8				
9	Net Utility Plant			
10	in Service	\$ 2,641,361		\$ 2,366,899
11				
12	<b>Less:</b>			
13	Advances in Aid of			
14	Construction	-	-	-
15				
16	Contributions in Aid of			
17	Construction - Gross	1,013,352	-	1,013,352
18				
19	Accumulated Amortization of CIAC	(85,869)	-	(85,869)
20				
21	Customer Meter Deposits	-		-
22	Customer Security Deposits	2,360	-	2,360
23	Accumulated Deferred Income Tax	214,584	(48,088)	166,496
24				-
25				-
26				
27	<b>Plus:</b>			
28	Unamortized Finance			
29	Charges	-	-	-
30	Prepayments	16,048	-	16,048
31	Materials and Supplies	-	-	-
32	Cash Working capital	(23,189)	9,528	(13,661)
33				-
34				
35	Total	\$ 1,489,794		\$ 1,272,948

46 SUPPORTING SCHEDULES:

47 B-2, pages 2

48 E-1

49

50

51

RECAP SCHEDULES:

B-1

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Original Cost Rate Base Proforma Adjustments

Exhibit  
 Rebuttal Schedule B-2  
 Page 2  
 Witness: Bourassa

Line No.	Description	Adjusted at End of Test Year	Proforma Adjustments			Rebuttal Adjusted at end of Test Year	
			1	2	3		
			Plant-in-Service	Accumulated Depreciation	CIAC	ADJI	Working Capital
1	Gross Utility Plant in Service	\$ 4,010,610	(521,663)				
2				(247,201)			
3							
4	<b>Less:</b>						
5	Accumulated Depreciation	1,369,249					
6							
7							
8							
9	Net Utility Plant in Service	\$ 2,641,361	\$ (521,663)	\$ 247,201	\$ -	\$ -	\$ -
10							
11							
12	<b>Less:</b>						
13	Advances in Aid of Construction	-					
14							
15							
16	Contributions in Aid of Construction (CIAC)	1,013,352					
17							
18							
19	Accumulated Amort of CIAC	(85,869)					
20							
21	Customer Deposits	-					
22	Customer Security Deposits	2,360					
23	Accumulated Deferred Income Taxes	214,584				(48,088)	
24							
25							
26	<b>Plus:</b>						
27	Unamortized Finance Charges	-					
28							
29	Prepayments	16,048					
30	Materials and Supplies	-					
31	Cash Working Capital	(23,189)					9,528
32							
33	<b>Total</b>	\$ 1,489,794	\$ (521,663)	\$ 247,201	\$ -	\$ 48,088	\$ 9,528
34							
35							
36							
37							
38							
39							
40							
41							

RECAP SCHEDULE  
 B-2, page 1

SUPPORTING SCHEDULES:  
 B-2, pages 3-5  
 E-1

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Test Year Ended October 31, 2015  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment Number 1

Exhibit  
 Rebuttal Schedule B-2  
 Page 3  
 Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Adjustments				Rebuttal Adjusted Original Cost
			A	B	C	D	
			Expensed Plant	Allocated Corporate Plant	Plant Held for Future Use	Adjustments to Reconcile Plant to Reconstruction	
1	351	Organization	37,898	-	-	-	37,898
2	352	Franchise	799	-	-	-	799
3	353	Land	400,000	-	-	-	400,000
4	354	Structures & Improvements	550,401	-	-	-	550,401
5	355	Power Generation	124,916	-	-	-	124,916
6	360	Collection Sewer Forced	7,141	-	-	-	7,141
7	361	Collection Sewers Gravity	480,710	-	-	-	480,710
8	362	Special Collecting Structures	-	-	-	-	-
9	363	Customer Services	122,760	-	-	-	122,760
10	364	Flow Measuring Devices	3,845	-	-	-	3,845
11	365	Flow Measuring Installations	2,457	-	-	-	2,457
12	366	Reuse Services	-	-	-	-	-
13	367	Reuse Meters And Installation	-	-	-	-	-
14	370	Receiving Wells	26,226	-	-	-	26,226
15	371	Pumping Equipment	153,187	-	-	-	153,187
16	374	Reuse Distribution Reservoirs	-	-	-	-	-
17	375	Reuse Trans. and Dist. System	126,541	-	-	-	126,541
18	380	Treatment & Disposal Equipment	1,887,896	(4,253)	-	(625,900)	1,357,743
19	381	Plant Sewers	27,752	-	-	-	27,752
20	382	Outfall Sewer Lines	5,541	-	-	-	5,541
21	389	Other Sewer Plant & Equipment	-	-	-	-	-
22	390	Office Furniture & Equipment	1,747	-	-	-	1,747
23	390.1	Computers and Software	12,188	-	-	-	12,188
24	391	Transportation Equipment	-	-	-	-	-
25	392	Stores Equipment	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	5,348	-	-	-	5,348
27	394	Laboratory Equip	5,947	-	-	-	5,947
28	395	Power Operated Equip	-	-	-	-	-
29	396	Communication Equip	-	-	-	-	-
30	397	Miscellaneous Equip.	-	-	-	-	-
31	398	Other Tangible Plant	-	-	-	-	-
32		SUBTOTAL	3,983,301	(4,253)	(625,900)	-	3,453,148
33							
34	903	Land and Land Rights	1,129	-	179	-	1,308
35	904	Structures and Improvements	12,332	1,990	-	-	14,322
36	940	Office Furniture & Equipment	1,334	653	-	-	1,987
37	940.1	Computers and Software	12,514	5,668	-	-	18,182
38							
39							
40		Plant Held for Future Use	-	-	-	-	-
41		TOTALS	\$ 4,010,610	\$ (4,253)	\$ 8,490	\$ (625,900)	\$ 3,488,948
42							
43		Plant-in-Service per Books					\$ 4,010,610
44							
45		Increase (decrease) in Plant-in-Service					\$ (521,663)
46							
47		Adjustment to Plant-in-Service					\$ (521,663)
48							
49		SUPPORTING SCHEDULES					
50		B-2, pages 3.1 to 3.4					
51							

RECAP SCHEDULES:  
 B-2, page 2

Line No.	Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
1	<u>Remove Affiliate Profit</u>											
2												
3												
4	Acct.											
5	No. Description											
6	351 Organization											
7	352 Franchise											
8	353 Land											
9	354 Structures & Improvements											
10	355 Power Generation											
11	360 Collection Sewer Forced											
12	361 Collection Sewers Gravity											
13	362 Special Collecting Structures											
14	363 Customer Services											
15	364 Flow Measuring Devices											
16	365 Flow Measuring Installations											
17	366 Reuse Services											
18	367 Reuse Meters And Installation											
19	370 Receiving Wells											
20	371 Pumping Equipment											
21	374 Reuse Distribution Reservoirs											
22	375 Reuse Trans. and Dist. System											
23	380 Treatment & Disposal Equipment											
24	381 Plant Sewers									(4,253)		(4,253)
25	382 Outfall Sewer Lines											
26	389 Other Sewer Plant & Equipment											
27	390 Office Furniture & Equipment											
28	390 Computers and Software											
29	391 Transportation Equipment											
30	392 Stores Equipment											
31	393 Tools, Shop And Garage Equip											
32	394 Laboratory Equip											
33	395 Power Operated Equip											
34	396 Communication Equip											
35	397 Miscellaneous Equip.											
36	398 Other Tangible Plant											
37												
38												
39												
40	Plant Held for Future Use											
41	TOTALS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,253)	\$ -	\$ (4,253)
42												
43												
44	<u>SUPPORTING SCHEDULE</u>											
45	Testimony											
46	Work papers											

RECAP SCHEDULES:  
 B-2, page 3

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Test Year Ended October 31, 2015  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment Number 1 - B

Exhibit  
 Rebuttal Schedule B-2  
 Page 3.2  
 Witness: Bourassa

Line No.	Acct. No.	Description	[1] Revised Original Cost	[2] Liberty Utilities Factor	[3] EDO Factor	[4] = [1]x[2]x[3] Allocated Original Cost per Rebuttal	Allocated Original Cost per Direct	Increase (Decrease)
1	<u>Corporate Plant</u>							
2								
3								
4								
5								
6	903	Land and Land Rights	1,312,818	12.94%	0.77%	1,308	1,129	179
7	904	Structures and Improvements	11,123,684	12.94%	0.77%	11,083	10,157	926
8	940.1	Computers and Software	2,187,630	12.94%	0.77%	2,180	1,769	411
9								
10								
11	<u>LU Sub-Corp. Plant</u>							
12								
13	903	Land and Land Rights	-		0.77%	-	-	-
14	904	Structures and Improvements	420,651		0.77%	3,239	2,175	1,064
15	940	Office Furniture and Equipmer	258,089		0.77%	1,987	1,334	653
16	940.1	Computers and Software	2,078,183		0.77%	16,002	10,745	5,257
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36								
37								
38								
39								
40								
41	TOTALS		\$ 17,381,055			\$ 35,800	\$ 27,309	\$ 8,490
42								
43	<u>SUPPORTING SCHEDULE</u>			<u>RECAP SCHEDULES:</u>				
44	Testimony			B-2, page 3				
45	Work papers							



**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment Number 1 - D

Exhibit  
 Rebuttal Schedule B-2  
 Page 3.4  
 Witness: Bourassa

Line  
No.

1	<u>Reconciliation of Booked Plant to Plant Reconstruction</u>					
2						
3						
4	Acct.	Original	B-2	Adjusted	Plant	
5	<u>No.</u> <u>Description</u>	<u>Cost</u>	<u>Adjustments</u>	<u>Original</u>	<u>Per</u>	<u>Difference</u>
6	351 Organization	\$ 37,898	\$ -	\$ 37,898	\$ 37,898	\$ -
7	352 Franchise	799	-	799	799	-
8	353 Land	400,000	-	400,000	400,000	-
9	354 Structures & Improvements	550,401	-	550,401	550,401	-
10	355 Power Generation	124,916	-	124,916	124,916	-
11	360 Collection Sewer Forced	7,141	-	7,141	7,141	-
12	361 Collection Sewers Gravity	480,710	-	480,710	480,710	-
13	362 Special Collecting Structures	-	-	-	-	-
14	363 Customer Services	122,760	-	122,760	122,760	-
15	364 Flow Measuring Devices	3,845	-	3,845	3,845	-
16	365 Flow Measuring Installations	2,457	-	2,457	2,457	-
17	366 Reuse Services	-	-	-	-	-
18	367 Reuse Meters And Installation	-	-	-	-	-
19	370 Receiving Wells	26,226	-	26,226	26,226	-
20	371 Pumping Equipment	153,187	-	153,187	153,187	-
21	374 Reuse Distribution Reservoirs	-	-	-	-	-
22	375 Reuse Trans. and Dist. System	126,541	-	126,541	126,541	-
23	380 Treatment & Disposal Equipment	1,887,896	(530,153)	1,357,743	1,357,743	-
24	381 Plant Sewers	27,752	-	27,752	27,752	-
25	382 Outfall Sewer Lines	5,541	-	5,541	5,541	-
26	389 Other Sewer Plant & Equipment	-	-	-	-	-
27	390 Office Furniture & Equipment	1,747	-	1,747	1,747	-
28	390.1 Computers and Software	12,188	-	12,188	12,188	-
29	391 Transportation Equipment	-	-	-	-	-
30	392 Stores Equipment	-	-	-	-	-
31	393 Tools, Shop And Garage Equip	5,348	-	5,348	5,348	-
32	394 Laboratory Equip	5,947	-	5,947	5,947	-
33	395 Power Operated Equipment	-	-	-	-	-
34	396 Communication Equip	-	-	-	-	-
35	397 Miscellaenous Equip.	-	-	-	-	-
36	398 Other Tangible Plant	-	-	-	-	-
37						
38						
39						
40						
41						
42	Plant Held for Future Use					-
43	TOTALS	\$ 3,983,301	\$ (530,153)	\$ 3,453,148	\$ 3,453,148	\$ -
44						

45  
 46 SUPPORTING SCHEDULE  
 47 B-2, pages 3.1 through 3.4  
 48 B-2, pages 3.5 through 3.14

RECAP SCHEDULES:  
 B-2, page 3

Liberty Utilities (Entrada del Oro Sewer) Corp.  
Plant Additions and Retirements

Exhibit  
Rebuttal Schedule B-2  
Page 3.5  
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Plant at 12/31/2005	Accum. Deprec. At 12/31/2005	2006							Plant Balance	Accum. Deprec.
						Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)		
1	351	Organization	0.00%	-	-	36,564	-	36,564	-	-	-	36,564	-	
2	352	Franchise	0.00%	-	-	808	-	808	-	-	-	808	-	
3	353	Land	0.00%	-	-	400,000	-	400,000	-	-	-	400,000	-	
4	354	Structures & Improvements	3.33%	-	-	526,499	-	526,499	-	-	8,766	526,499	8,766	
5	355	Power Generation	5.00%	-	-	71,070	-	71,070	-	-	1,777	71,070	1,777	
6	360	Collection Sewer Forced	2.00%	-	-	7,141	-	7,141	-	-	71	7,141	71	
7	361	Collection Sewers Gravity	2.00%	-	-	483,631	-	483,631	-	-	4,836	483,631	4,836	
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	
9	363	Customer Services	2.00%	-	-	122,760	-	122,760	-	-	1,228	122,760	1,228	
10	364	Flow Measuring Devices	10.00%	-	-	3,845	-	3,845	-	-	192	3,845	192	
11	365	Flow Measuring Installations	10.00%	-	-	2,457	-	2,457	-	-	123	2,457	123	
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	
13	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	-	-	-	-	-	
14	370	Receiving Wells	3.33%	-	-	26,226	-	26,226	-	-	437	26,226	437	
15	371	Pumping Equipment	12.50%	-	-	152,743	-	152,743	-	-	9,546	152,743	9,546	
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	
17	375	Reuse Trans. and Dist. System	2.50%	-	-	126,541	-	126,541	-	-	1,582	126,541	1,582	
18	380	Treatment & Disposal Equipment	5.00%	-	-	2,103,724	-	2,103,724	-	-	52,593	2,103,724	52,593	
19	381	Plant Sewers	5.00%	-	-	27,752	-	27,752	-	-	684	27,752	684	
20	382	Outfall Sewer Lines	3.33%	-	-	5,541	-	5,541	-	-	92	5,541	92	
21	389	Other Sewer Plant & Equipment	6.67%	-	-	-	-	-	-	-	-	-	-	
22	390	Office Furniture & Equipment	6.67%	-	-	1,458	-	1,458	-	-	49	1,458	49	
23	390.1	Computers and Software	20.00%	-	-	-	-	-	-	-	-	-	-	
24	381	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-	-	
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	
26	393	Tools, Shop And Garage Equip	5.00%	-	-	-	-	-	-	-	-	-	-	
27	394	Laboratory Equip	10.00%	-	-	-	-	-	-	-	-	-	-	
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	
29	396	Communication Equip	10.00%	-	-	-	-	-	-	-	-	-	-	
30	397	Miscellaneous Equip	10.00%	-	-	-	-	-	-	-	-	-	-	
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	
32				-	-	-	-	-	-	-	-	-	-	
33		Plant Held for Future Use		-	-	-	-	-	-	-	-	-	-	
34				-	-	-	-	-	-	-	-	-	-	
35		TOTALS		-	-	4,098,760	-	4,098,760	-	-	81,986	4,098,760	81,986	

Liberty Utilities (Entrada del Oro Sewer) Corp.  
Plant Additions and Retirements

Exhibit  
Rebuttal Schedule E-2  
Page 3.6  
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2007					Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
				Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments				
1	351	Organization	0.00%	-	-	-	-	-	-	36,564	-	
2	352	Franchise	0.00%	-	-	-	-	-	-	808	-	
3	353	Land	0.00%	-	-	-	-	-	-	400,000	-	
4	354	Structures & Improvements	3.33%	-	-	-	-	-	17,532	526,499	26,299	
5	355	Power Generation	5.00%	-	-	-	-	-	3,554	71,070	5,330	
6	360	Collection Sewer Forced	2.00%	-	-	-	-	-	143	7,141	214	
7	361	Collection Sewers Gravity	2.00%	-	-	-	-	-	9,673	483,631	14,509	
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	
9	363	Customer Services	2.00%	-	-	-	-	-	2,455	122,760	3,683	
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	-	
12	366	Reuse Services	2.00%	-	-	-	-	-	246	2,457	369	
13	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	-	-	-	
14	370	Receiving Wells	3.33%	-	-	-	-	-	873	26,226	1,310	
15	371	Pumping Equipment	12.50%	-	-	-	-	-	19,093	152,743	28,639	
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	
17	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-	-	-	
18	380	Treatment & Disposal Equipment	5.00%	-	-	-	-	-	3,164	126,541	4,745	
19	381	Plant Sewers	5.00%	-	-	-	-	-	105,186	2,103,724	157,779	
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	1,388	27,752	2,081	
21	389	Other Sewer Plant & Equipment	6.67%	-	-	-	-	-	185	5,541	277	
22	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	-	
23	390.1	Computers and Software	20.00%	-	-	-	-	-	97	1,458	146	
24	391	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	
26	393	Tools, Shop And Garage Equip	5.00%	-	-	-	-	-	-	-	-	
27	394	Laboratory Equip	10.00%	-	-	-	-	-	-	-	-	
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	
29	396	Communication Equip	10.00%	-	-	-	-	-	-	-	-	
30	397	Miscellaneous Equip	10.00%	-	-	-	-	-	-	-	-	
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	
32				-	-	-	-	-	-	-	-	
33		Plant Held for Future Use		-	-	-	-	-	-	-	-	
34				-	-	-	-	-	-	-	-	
35		TOTALS		-	-	-	-	-	163,972	4,098,760	245,958	

Liberty Utilities (Entrada del Oro Sewer) Corp.  
Plant Additions and Retirements

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Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2008				Adjusted Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
				Plant Additions (Per Books)	Affiliate Profit Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)							
1	351	Organization	0.00%	-	-	-	-	-	-	-	-	36,564	-	
2	352	Franchise	0.00%	-	-	-	-	-	-	-	-	808	-	
3	353	Land	0.00%	-	-	-	-	-	-	-	-	400,000	-	
4	354	Structures & Improvements	3.33%	-	-	-	-	-	-	-	17,532	526,499	43,831	
5	355	Power Generation	5.00%	-	-	-	-	-	-	-	3,554	71,070	8,884	
6	360	Collection Sewer Forced	2.00%	-	-	-	-	-	-	-	143	7,141	357	
7	361	Collection Sewers Gravity	2.00%	-	-	-	-	-	-	-	9,673	483,631	24,182	
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	
9	363	Customer Services	2.00%	-	-	-	-	-	-	-	2,455	122,760	6,138	
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	385	3,845	961	
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	246	2,457	614	
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	
13	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	-	-	-	-	-	
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	873	26,226	2,183	
15	371	Pumping Equipment	12.50%	-	-	-	-	-	-	-	19,093	152,743	47,732	
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	
17	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-	-	3,164	126,541	7,909	
18	380	Treatment & Disposal Equipment	5.00%	-	-	-	-	-	-	-	105,186	2,103,724	262,965	
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	1,388	27,752	3,469	
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	185	5,541	461	
21	389	Other Sewer Plant & Equipment	6.67%	-	-	-	-	-	-	-	-	-	-	
22	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	-	-	-	
23	390.1	Computers and Software	20.00%	-	-	-	-	-	-	-	97	1,458	243	
24	391	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-	-	
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	
26	393	Tools, Shop And Garage Equip	5.00%	-	-	-	-	-	-	-	-	-	-	
27	394	Laboratory Equip	10.00%	-	-	-	-	-	-	-	-	-	-	
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	
29	396	Communication Equip	10.00%	-	-	-	-	-	-	-	-	-	-	
30	397	Miscellaneous Equip	10.00%	-	-	-	-	-	-	-	-	-	-	
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	
32				-	-	-	-	-	-	-	-	-	-	
33		Plant Held for Future Use		-	-	-	-	-	-	-	-	-	-	
34				-	-	-	-	-	-	-	-	-	-	
35		TOTALS		-	-	-	-	-	-	-	163,872	4,088,760	409,930	

Liberty Utilities (Entrada del Oro Sewer) Corp.  
Plant Additions and Retirements

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Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2009										Accum. Deprec.
				Plant Additions (Per Books)	Plant Adjustments	Affiliate Profit Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	
1	351	Organization	0.00%	-	-	-	-	-	-	-	-	-	36,564	-
2	352	Franchise	0.00%	-	-	-	-	-	-	-	-	-	808	-
3	353	Land	0.00%	-	-	-	-	-	-	-	-	-	400,000	-
4	354	Structures & Improvements	3.33%	-	-	-	-	-	-	-	-	-	526,499	61,363
5	355	Power Generation	5.00%	-	454	-	454	-	-	-	-	-	71,524	12,449
6	360	Collection Sewer Forced	2.00%	-	-	-	-	-	-	-	-	-	7,141	500
7	361	Collection Sewers Gravity	2.00%	-	-	-	-	-	-	-	-	-	483,631	33,854
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Customer Services	2.00%	-	-	-	-	-	-	-	-	-	122,760	8,593
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	-	385	1,346
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	-	-	246	860
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	26,226	3,057
15	371	Pumping Equipment	12.50%	-	-	-	-	-	-	-	-	-	19,093	66,825
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-	-	-	-	3,164	11,072
18	380	Treatment & Disposal Equipment	5.00%	462	-	-	462	-	-	-	-	-	2,104,185	368,163
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	-	-	27,792	4,857
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	5,541	646
21	389	Other Sewer Plant & Equipment	6.67%	-	-	-	-	-	-	-	-	-	-	-
22	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	-	-	97	340
23	390.1	Computers and Software	20.00%	-	-	-	-	-	-	-	-	-	-	-
24	381	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-	-	-
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equip	10.00%	-	-	-	-	-	-	-	-	-	-	-
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
29	396	Communication Equip	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equip	10.00%	-	-	-	-	-	-	-	-	-	-	-
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-
32				-	-	-	-	-	-	-	-	-	-	-
33		Plant Held for Future Use		-	-	-	-	-	-	-	-	-	-	-
34				-	-	-	-	-	-	-	-	-	-	-
35		TOTALS		462	454	-	916	-	-	-	-	163,995	4,099,675	573,925

Liberty Utilities (Entrada del Oro Sewer) Corp.  
Plant Additions and Retirements

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Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010									
				Plant Additions (Per Books)	Plant Adjustments	Affiliate Profit Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance
1	351	Organization	0.00%	1,333	-	-	1,333	-	-	-	-	37,898	-
2	352	Franchise	0.00%	-	-	-	-	-	-	-	-	808	-
3	353	Land	0.00%	-	-	-	-	-	-	-	400,000	-	-
4	354	Structures & Improvements	3.33%	-	-	-	-	-	-	-	526,499	78,896	-
5	355	Power Generation	5.00%	-	(454)	-	(454)	-	-	-	71,070	15,991	-
6	360	Collection Sewer Forced	2.00%	-	-	-	-	-	-	-	7,141	643	-
7	361	Collection Sewers Gravity	2.00%	-	-	(107)	(107)	-	-	-	483,524	49,526	-
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-
9	363	Customer Services	2.00%	-	-	-	-	-	-	-	122,760	11,048	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	3,845	1,730	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	2,457	1,106	-
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	-	-	-	-	-	-	-	873	26,226	3,930
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	19,093	152,743	85,918
17	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-	-	-	-	-
18	380	Treatment & Disposal Equipment	5.00%	3,261	-	-	3,261	-	-	-	3,164	126,541	14,236
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	105,291	2,107,446	473,454
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	1,388	27,752	6,244
21	389	Other Sewer Plant & Equipment	6.67%	-	-	-	-	-	-	-	185	5,541	830
22	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	97	1,458	438
23	390.1	Computers and Software	20.00%	-	-	-	-	-	-	-	-	-	-
24	391	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-	-
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	5.00%	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equip	10.00%	-	-	-	-	-	-	-	-	-	-
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
29	396	Communication Equip	10.00%	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equip	10.00%	-	-	-	-	-	-	-	-	-	-
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-
32				-	-	-	-	-	-	-	-	-	-
33		Plant Held for Future Use		-	-	-	-	-	-	-	-	-	-
34				-	-	-	-	-	-	-	-	-	-
35		TOTALS		4,594	(454)	(107)	4,033	-	-	-	164,064	4,103,708	737,989

Liberty Utilities (Entrada del Oro Sewer) Corp.  
Plant Additions and Retirements

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NARUC Account		Description		2011									
Line No.	Account No.	Allowed Deprec. Rate	Plant Additions (Per Books)	Plant Adjustments	Affiliate Profit Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	0.00%	-	-	-	-	-	-	-	-	-	37,898	-
2	352	0.00%	-	-	-	-	-	-	-	-	-	808	-
3	353	0.00%	-	-	-	-	-	-	-	-	-	400,000	-
4	354	3.33%	4,189	-	(59)	4,130	-	-	-	-	17,601	530,629	96,497
5	355	5.00%	-	-	-	-	-	-	-	-	3,554	71,070	19,544
6	360	2.00%	-	-	-	-	-	-	-	-	143	7,141	786
7	361	2.00%	-	-	-	-	-	-	-	-	9,670	483,524	53,196
8	362	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	2.00%	-	-	-	-	-	-	-	-	2,455	122,760	13,504
10	364	10.00%	-	-	-	-	-	-	-	-	385	3,845	2,115
11	365	10.00%	-	-	-	-	-	-	-	-	246	2,457	1,351
12	366	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	3.33%	-	-	-	-	-	-	-	-	873	26,226	4,803
15	371	12.50%	858	-	(12)	846	-	-	-	-	19,146	153,569	105,064
16	374	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	2.50%	-	-	-	-	-	-	-	-	3,164	126,541	17,399
18	380	5.00%	6,894	-	(133)	6,761	-	-	-	-	105,541	2,114,207	578,985
19	381	5.00%	-	-	-	-	-	-	-	-	1,388	27,752	7,632
20	382	3.33%	-	-	-	-	-	-	-	-	185	5,541	1,015
21	389	6.67%	-	-	-	-	-	-	-	-	97	1,458	535
22	390	6.67%	-	-	-	-	-	-	-	-	-	-	-
23	390.1	20.00%	-	-	-	-	-	-	-	-	-	-	-
24	391	20.00%	-	-	-	-	-	-	-	-	-	-	-
25	392	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	5.00%	5,463	-	(115)	5,348	-	-	-	-	134	5,348	134
27	394	10.00%	4,798	-	(68)	4,730	-	-	-	-	236	4,730	236
28	395	5.00%	-	-	-	-	-	-	-	-	-	-	-
29	396	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	10.00%	-	-	-	-	-	-	-	-	-	-	-
31	398	10.00%	-	-	-	-	-	-	-	-	-	-	-
32			-	-	-	-	-	-	-	-	-	-	-
33			-	-	-	-	-	-	-	-	-	-	-
34			-	-	-	-	-	-	-	-	-	-	-
35			22,202	-	(387)	21,816	-	-	-	-	164,817	4,125,524	902,806

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2012										
				Plant Additions (Per Books)	Plant Adjustments	Affiliate Profit Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization	0.00%	-	-	-	-	-	-	-	-	-	37,898	-
2	352	Franchise	0.00%	-	-	-	-	-	-	-	-	-	808	-
3	353	Land	0.00%	-	-	-	-	-	-	-	-	-	400,000	-
4	354	Structures & Improvements	3.33%	15,492	-	(127)	15,364	-	-	-	-	17,926	114,423	
5	355	Power Generation	5.00%	-	-	-	-	-	-	-	-	3,554	71,070	
6	360	Collection Sewer Forced	2.00%	-	-	-	-	-	-	-	-	143	7,141	
7	361	Collection Sewers Gravity	2.00%	-	-	-	-	-	-	-	-	9,670	483,524	
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Customer Services	2.00%	-	-	-	-	-	-	-	-	2,455	122,760	
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	385	3,845	
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	-	246	2,457	
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	873	26,228	
15	371	Pumping Equipment	12.50%	5,486	-	(65)	5,431	-	-	-	-	19,538	159,020	
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-	-	-	3,164	126,541	
18	380	Treatment & Disposal Equipment	5.00%	6,271	-	(56)	6,216	-	-	-	-	105,866	2,120,423	
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	-	1,388	27,752	
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	185	5,541	
21	388	Other Sewer Plant & Equipment	6.67%	-	-	-	-	-	-	-	-	-	-	-
22	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	-	97	1,458	
23	390.1	Computers and Software	20.00%	-	-	-	-	-	-	-	-	-	-	-
24	381	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-	-	-
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	5.00%	-	-	-	-	-	-	-	-	267	5,348	
27	394	Laboratory Equip	10.00%	1,224	-	(6)	1,218	-	-	-	-	534	5,947	
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
29	396	Communication Equip	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equip	10.00%	-	-	-	-	-	-	-	-	-	-	-
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-
32				-	-	-	-	-	-	-	-	-	-	-
33		Plant Held for Future Use		-	-	-	-	-	-	-	-	-	-	-
34				-	-	-	-	-	-	-	-	-	-	-
35		TOTALS		28,483	-	(254)	28,228	-	-	-	-	166,289	4,153,752	1,069,095

Liberty Utilities (Entrada del Oro Sewer) Corp.  
Plant Additions and Retirements

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Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Plant Additions (Per Books)	Plant Adjustments	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization	0.00%	-	-	-	-	-	-	-	-	-	37,898	-
2	352	Franchise	0.00%	-	-	-	-	-	-	-	-	-	808	-
3	353	Land	0.00%	-	-	-	-	-	-	-	-	-	400,000	-
4	354	Structures & Improvements	3.33%	6,038	-	-	6,038	131	-	131	-	18,280	551,901	132,572
5	355	Power Generation	5.00%	-	-	-	-	-	-	-	-	3,564	71,070	26,651
6	360	Collection Sewer Forced	2.00%	-	-	-	-	-	-	-	-	143	7,141	1,071
7	361	Collection Sewers Gravity	2.00%	-	-	-	-	-	-	-	-	9,670	483,524	72,537
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Customer Services	2.00%	-	-	-	-	-	-	-	-	2,455	122,760	18,414
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	385	3,845	2,884
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	-	246	2,457	1,843
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters And Installation	6.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	-	-	-	-	-	-	-	-	873	26,226	6,550
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	19,878	159,020	144,479
17	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-	-	-	3,164	126,541	23,726
18	380	Treatment & Disposal Equipment	5.00%	9,986	-	-	9,986	-	-	-	-	106,271	2,130,409	791,132
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	-	1,388	27,752	10,407
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	185	5,541	1,384
21	389	Other Sewer Plant & Equipment	6.67%	-	-	-	-	-	-	-	-	-	-	-
22	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	-	97	1,458	729
23	390.1	Computers and Software	20.00%	12,188	-	-	12,188	-	-	-	-	1,219	12,188	1,219
24	391	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-	-	-
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equip	10.00%	-	-	-	-	-	-	-	-	267	5,348	669
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	595	5,947	1,365
29	396	Communication Equip	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equip	10.00%	-	-	-	-	-	-	-	-	-	-	-
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-
32														
33		Plant Held for Future Use												
34														
35		TOTALS		26,212	-	-	26,212	131	-	131	-	168,688	4,161,834	1,237,632



Liberty Utilities (Entrada del Oro Sewer) Corp.  
Plant Additions and Retirements

Exhibit  
Rebuttal Schedule B-2  
Page 3.14  
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2015										
				Plant Additions (Per Books)	Plant Adjustments	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Excess Capacity P/S Adj	Excess Capacity A/D Adj	10 Months Depreciation (Calculated)
1	351	Organization	0.00%	-	-	-	-	-	-	-	-	-	37,898	-
2	352	Franchise	0.00%	-	-	-	-	-	-	-	-	-	799	-
3	353	Land	0.00%	-	-	-	-	-	-	-	-	-	400,000	-
4	354	Structures & Improvements	3.33%	17,258	(17,304)	5,710	-	-	-	-	-	15,921	550,401	158,313
5	355	Power Generation	5.00%	53,846	(107,277)	(53,431)	-	-	-	-	-	1,848	124,916	34,735
6	360	Collection Sewer Forced	2.00%	-	-	-	-	-	-	-	-	119	7,141	1,333
7	361	Collection Sewers Gravity	2.00%	-	-	-	-	-	-	-	-	8,012	480,710	87,377
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Customer Services	2.00%	-	-	-	-	-	-	-	-	2,046	122,760	22,915
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	320	3,845	3,589
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	-	205	2,457	2,293
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	728	26,226	8,151
15	371	Pumping Equipment	12.50%	854	(654)	16,185	11,911	-	-	-	-	2,154	153,187	129,032
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-	-	-	2,636	126,541	28,526
18	380	Treatment & Disposal Equipment	5.00%	390	(390)	9,593	2,880	-	-	-	-	89,079	1,357,743	610,391
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	-	1,156	27,752	12,951
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	154	5,541	1,722
21	389	Other Sewer Plant & Equipment	6.67%	-	-	-	-	-	-	-	-	-	-	-
22	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	-	97	1,747	933
23	390.1	Computers and Software	20.00%	-	-	-	-	-	-	-	-	2,031	12,188	5,688
24	391	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-	-	-
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equip	10.00%	-	-	-	-	-	-	-	-	223	5,348	1,159
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	496	5,947	2,455
29	396	Communication Equip	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equip	10.00%	-	-	-	-	-	-	-	-	-	-	-
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-
32				-	-	-	-	-	-	-	-	-	-	-
33		Plant Held for Future Use		-	-	-	-	-	-	-	-	-	-	-
34				-	-	-	-	-	-	-	-	-	-	-
35		TOTALS		72,348	(125,825)	(21,944)	14,790	-	-	-	-	127,225	3,453,148	1,112,564

Accumulated Depreciation

Line No.	Acct. No.	Description	A Adjusted Accum. Depr.	B Expensed Plant	C Allocated Corporate Plant	D Capacity Adjustment	E Adjustments to Reconcile A/D to Reconstruction	F Rebuttal Adjusted Accum. Depr.
1	351	Organization	-	-	-	-	-	-
2	352	Franchise	-	-	-	-	-	-
3	353	Land	-	-	-	-	-	-
4	354	Structures & Improvements	158,313	-	-	-	-	158,313
5	355	Power Generation	34,735	-	-	-	-	34,735
6	360	Collection Sewer Forced	1,333	-	-	-	-	1,333
7	361	Collection Sewers Gravity	87,377	-	-	-	-	87,377
8	362	Special Collecting Structures	-	-	-	-	-	-
9	363	Customer Services	22,915	-	-	-	-	22,915
10	364	Flow Measuring Devices	3,589	-	-	-	-	3,589
11	365	Flow Measuring Installations	2,293	-	-	-	-	2,293
12	366	Reuse Services	-	-	-	-	-	-
13	367	Reuse Meters And Installation	-	-	-	-	-	-
14	370	Receiving Wells	8,151	-	-	-	-	8,151
15	371	Pumping Equipment	129,032	-	-	-	-	129,032
16	374	Reuse Distribution Reservoirs	-	-	-	-	-	-
17	375	Reuse Trans. and Dist. System	29,526	-	-	-	-	29,526
18	380	Treatment & Disposal Equipment	860,477	(284)	-	(249,803)	(0)	610,391
19	381	Plant Sewers	12,951	-	-	-	-	12,951
20	382	Outfall Sewer Lines	1,722	-	-	-	-	1,722
21	389	Other Sewer Plant & Equipment	-	-	-	-	-	-
22	390	Office Furniture & Equipment	933	-	-	-	-	933
23	390.1	Computers and Software	5,688	-	-	-	-	5,688
24	391	Transportation Equipment	-	-	-	-	-	-
25	392	Stores Equipment	-	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	1,159	-	-	-	-	1,159
27	394	Laboratory Equip	2,455	-	-	-	-	2,455
28	395	Power Operated Equipment	-	-	-	-	-	-
29	396	Communication Equip	-	-	-	-	-	-
30	397	Miscellaneous Equip.	-	-	-	-	-	-
31	398	Other Tangible Plant	-	-	-	-	-	-
32	108	Accumulated Depreciation	-	-	-	-	-	-
33		SUBTOTAL	1,362,650	(284)	-	(249,803)	(0)	1,112,564
34								
35	903	Land and Land Rights	-	-	-	-	-	-
36	904	Structures and Improvements	1,002	-	283	-	-	1,284
37	940	Office Furniture & Equipment	200	-	98	-	-	298
38	940.1	Computers and Software	5,398	-	2,504	-	-	7,902
39								
40		Plant Held for Future Use						
41		TOTALS	\$ 1,369,249	\$ (284)	\$ 2,885	\$ (249,803)	\$ (0)	\$ 1,122,048
42								
43		Accumulated Depreciation per Books						\$ 1,369,249
44								
45		Increase (decrease) in Accumulated Depreciation						\$ (247,201)
46								
47		Adjustment to Accumulated Depreciation						\$ (247,201)
48								
49								
50								
51								
52								
53								
54								
55								

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Test Year Ended October 31, 2015  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment Number 2 - A

Exhibit  
 Rebuttal Schedule B-2  
 Page 4.1  
 Witness: Bourassa

Line No.	Acct.	Description	Depr Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
1		Remove A/D Related to Affiliate Profit												
2														
3														
4														
5														
6	351	Organization	0.00%	-	-	-	-	-	-	-	-	-	-	\$ -
7	352	Franchise	0.00%	-	-	-	-	-	-	-	-	-	-	-
8	353	Land	0.00%	-	-	-	-	-	-	-	-	-	-	-
9	354	Structures & Improvements	3.33%	-	-	-	-	-	-	-	-	-	-	-
10	355	Power Generation	5.00%	-	-	-	-	-	-	-	-	-	-	-
11	360	Collection Sewer Forced	2.00%	-	-	-	-	-	-	-	-	-	-	-
12	361	Collection Sewers Gravily	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
14	363	Customer Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
15	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	-	-	-
16	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	-	-	-	-
17	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
18	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	-	-	-	-	-	-
19	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
20	371	Pumping Equipment	12.50%	-	-	-	-	-	-	-	-	-	-	-
21	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-
22	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-	-	-	-	-	-
23	380	Treatment & Disposat Equipment	5.00%	-	-	-	-	-	-	-	-	(106)	(177)	(284)
24	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	-	-	-	-
25	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
26	389	Other Sewer Plant & Equipment	6.67%	-	-	-	-	-	-	-	-	-	-	-
27	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	-	-	-	-
28	390.1	Computers and Software	20.00%	-	-	-	-	-	-	-	-	-	-	-
29	391	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-	-	-
30	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
31	393	Tools, Shop And Garage Equip	5.00%	-	-	-	-	-	-	-	-	-	-	-
32	394	Laboratory Equip	10.00%	-	-	-	-	-	-	-	-	-	-	-
33	395	Power Operated Equip	5.00%	-	-	-	-	-	-	-	-	-	-	-
34	396	Communication Equip	10.00%	-	-	-	-	-	-	-	-	-	-	-
35	397	Miscellaneous Equip.	10.00%	-	-	-	-	-	-	-	-	-	-	-
36	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-
37														
38														
39														
40														
41		Plant Held for Future Use												
42		TOTALS		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (106)	\$ (177)	\$ (284)
43														
44														
45		SUPPORTING SCHEDULE												
46		B-2, pages 3.2												
47		Work papers												

RECAP SCHEDULES:  
 B-2, page 4

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Test Year Ended October 31, 2015  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment Number 2 - B

Exhibit  
 Rebuttal Schedule B-2  
 Page 4.2  
 Witness: Bourassa

Line No.		[1]	[2]	[3]	[4] = [1]x[2]x[3]	Allocated Original Cost	Allocated Original Cost per Direct	Increase (Decrease)
	Acct. No. Description	Original Cost A/D	Liberty Utilities Factor	EDO Factor				
1	Corporate Plant A/D							
2								
3								
4								
5								
6	903 Land and Land Rights	\$ -	12.94%	0.77%	-	-	-	-
7	904 Structures and Improvments	570,445	12.94%	0.77%	568	521	48	
8	940.1 Computers and Software	656,289	12.94%	0.77%	654	531	123	
9								
10								
11	LU Sub-Corp. Plant							
12								
13	903 Land and Land Rights	-		0.77%	-	-	-	-
14	904 Structures and Improvments	92,971		0.77%	716	481	235	
15	940 Office Furniture and Equipmer	38,753		0.77%	298	200	98	
16	940.1 Computers and Software	941,298		0.77%	7,248	4,867	2,381	
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36								
37								
38								
39								
40								
41	TOTALS	\$ 2,299,757			\$ 9,485	\$ 6,599	\$ 2,885	
42								
43								
44	SUPPORTING SCHEDULE							
45	Work papers							
46								

RECAP SCHEDULES:  
 B-2, page 4

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Test Year Ended October 31, 2015  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment Number 2 - C

Exhibit  
 Rebuttal Schedule B-2  
 Page 4.3  
 Witness: Bourassa

Line

No.

		[1]	[2]	[3]	[4] = MAX([1] x [2] x [3])	Per Direct	
					A/D	A/D	
	Acct.	Original	Depr.		Original	Original	Increase
	No. Description	Cost	Rate	Years	Cost	Cost	(Decrease)
1	<u>A/D Plant Held for Future Use Adjustment</u>						
2							
3							
4							
5	351 Organization	-			-	-	-
6	352 Franchise	-			-	-	-
7	353 Land	-			-	-	-
8	354 Structures & Improvements	(26,200)	3.33%	9.5	(8,288)	(8,288)	-
9	355 Power Generation	-			-	-	-
10	360 Collection Sewer Forced	-			-	-	-
11	361 Collection Sewers Gravity	-			-	-	-
12	362 Special Collecting Structures	-			-	-	-
13	363 Customer Services	-			-	-	-
14	364 Flow Measuring Devices	-			-	-	-
15	365 Flow Measuring Installations	-			-	-	-
16	366 Reuse Services	-			-	-	-
17	367 Reuse Meters And Installation	-			-	-	-
18	370 Receiving Wells	-			-	-	-
19	371 Pumping Equipment	(15,200)	12.50%	9.5	(15,200)	(15,200)	-
20	374 Reuse Distribution Reservoirs	-			-	-	-
21	375 Reuse Trans. and Dist. System	-			-	-	-
22	380 Treatment & Disposal Equipment	(783,500)	5.00%	9.5	(372,163)	(122,360)	(249,803)
23	381 Plant Sewers	-			-	-	-
24	382 Outfall Sewer Lines	-			-	-	-
25	389 Other Sewer Plant & Equipment	-			-	-	-
26	390 Office Furniture & Equipment	-			-	-	-
27	390.1 Computers and Software	-			-	-	-
28	391 Transportation Equipment	-			-	-	-
29	392 Stores Equipment	-			-	-	-
30	393 Tools, Shop And Garage Equip	-			-	-	-
31	394 Laboratory Equip	-			-	-	-
32	395 Power Operated Equip	-			-	-	-
33	396 Communication Equip	-			-	-	-
34	397 Miscellaneous Equip.	-			-	-	-
35	398 Other Tangible Plant	-			-	-	-
36							
37							
38							
39							
40							
41	TOTALS	\$ (824,900)			\$ (395,651)	\$ (145,848)	\$ (249,803)
42							
43							

SUPPORTING SCHEDULE

Work papers

RECAP SCHEDULES:

B-2, page 4

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47  
48

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Test Year Ended October 31, 2015  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment Number 2 - D

Exhibit  
 Rebuttal Schedule B-2  
 Page 4.4  
 Witness: Bourassa

Line

Line No.	Reconciliation of A/D to A/D Reconstruction		B-2		Rebuttal Adjusted	A/D Per	Difference
	Acct. No.	Description	A/D	Adjustments	A/D	Reconstruction	
1							
2							
3							
4							
5							
6	351	Organization	\$ -	\$ -	\$ -	\$ -	\$ -
7	352	Franchise	-	-	-	-	-
8	353	Land	-	-	-	-	-
9	354	Structures & Improvements	158,313	-	158,313	158,313	-
10	355	Power Generation	34,735	-	34,735	34,735	-
11	360	Collection Sewer Forced	1,333	-	1,333	1,333	-
12	361	Collection Sewers Gravity	87,377	-	87,377	87,377	-
13	362	Special Collecting Structures	-	-	-	-	-
14	363	Customer Services	22,915	-	22,915	22,915	-
15	364	Flow Measuring Devices	3,589	-	3,589	3,589	-
16	365	Flow Measuring Installations	2,293	-	2,293	2,293	-
17	366	Reuse Services	-	-	-	-	-
18	367	Reuse Meters And Installation	-	-	-	-	-
19	370	Receiving Wells	8,151	-	8,151	8,151	-
20	371	Pumping Equipment	129,032	-	129,032	129,032	-
21	374	Reuse Distribution Reservoirs	-	-	-	-	-
22	375	Reuse Trans. and Dist. System	29,526	-	29,526	29,526	-
23	380	Treatment & Disposal Equipment	860,477	(250,086)	610,391	610,391	(0)
24	381	Plant Sewers	12,951	-	12,951	12,951	-
25	382	Outfall Sewer Lines	1,722	-	1,722	1,722	-
26	389	Other Sewer Plant & Equipment	-	-	-	-	-
27	390	Office Furniture & Equipment	933	-	933	933	-
28	390.1	Computers and Software	5,688	-	5,688	5,688	-
29	391	Transportation Equipment	-	-	-	-	-
30	392	Stores Equipment	-	-	-	-	-
31	393	Tools, Shop And Garage Equip	1,159	-	1,159	1,159	-
32	394	Laboratory Equip	2,455	-	2,455	2,455	-
33	395	Power Operated Equipment	-	-	-	-	-
34	396	Communication Equip	-	-	-	-	-
35	397	Miscellaneous Equipment	-	-	-	-	-
36	398	Other Tangible Plant	-	-	-	-	-
37	108	Accumulated Depreciation	-	-	-	-	-
38							
39							
40							
41							
42		Plant Held for Future Use					-
43		TOTALS	\$ 1,362,650	\$ (250,086)	\$ 1,112,564	\$ 1,112,564	\$ (0)
44							
45							

SUPPORTING SCHEDULE

47 B-2, page 4.1 to 4.3  
 48 B-2, pages 3.5 to 3.14

RECAP SCHEDULES:

B-2, page 4

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment 3

Exhibit  
 Rebuttal Schedule B-2  
 Page 5  
 Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

Line  
No.  
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	<u>Gross CIAC</u>	<u>Accumulated Amortization</u>
Computed balance at end of Test Year	\$ 1,013,352	\$ 85,869
Adjusted balance at end of Test Year	<u>\$ 1,013,352</u>	<u>\$ 85,869</u>
Increase (decrease)	\$ -	\$ -
Adjustment to CIAC/AA CIAC	<u>\$ -</u>	<u>\$ -</u>
Label	3a	3b

SUPPORTING SCHEDULES  
 B-2, pages 5.1 to 5.4

RECAP SCHEDULES:  
 B-2, page 2

Line No.	Description	Vintage	Per Decision 12/31/2005	2006 Activity	Balance at 12/31/2006	2007 Activity	Balance at 12/31/2007	2008 Activity	Balance at 12/31/2008
1	Contributions-in-Aid (CIAC)	2006	-	400,000	400,000	-	400,000	-	400,000
2	Land	2006	-	613,352	613,352	-	613,352	-	613,352
3	Contributions-in-Aid (CIAC)	2006	-	-	-	-	-	-	-
4	Collection Mains/Services	2006	-	-	-	-	-	-	-
5	<b>Total Contributions-in-Aid (CIAC)</b>		-	1,013,352	1,013,352	-	1,013,352	-	1,013,352
6	Amortization Rate	2006		1.00%		2.00%		2.00%	
7	Land	2006							
8	Collection Mains/Services	2006							
9	Amortization	2006							
10	Land	2006							
11	Collection Mains/Services	2006							
12	<b>Total Amortization</b>		-	6,134	6,134	12,267	18,401	-	-
13	Land	2006	-	6,134	6,134	12,267	18,401	-	-
14	Collection Mains/Services	2006	-	-	-	-	-	-	-
15	<b>Total Amortization</b>		-	6,134	6,134	12,267	18,401	-	-
16	Net CIAC	2006	-	400,000	400,000	-	400,000	-	400,000
17	Land	2006	-	607,218	607,218	-	594,951	-	613,352
18	Collection Mains/Services	2006	-	-	-	-	-	-	-
19	<b>Total Net CIAC</b>		(4,214,384)	-	1,007,218	-	994,951	-	1,013,352

Line No.	Description	Vintage	2009 Activity	Balance at 12/31/2009	2010 Activity	Balance at 12/31/2010	2011 Activity	Balance at 12/31/2011
1	Contributions-in-Aid (CIAC)	2006	-	400,000	-	400,000	-	400,000
2	Contributions-in-Aid (CIAC)	2006	-	613,352	-	613,352	-	613,352
3								
4	<b>Total Contributions-in-Aid (CIAC)</b>			1,013,352	-	1,013,352	-	1,013,352
5								
6	Amortization Rate	2006					2.00%	
7	Amortization Rate	2006					2.00%	
8								
9								
10	Amortization	2006	-	-	-	-	-	-
11	Amortization	2006	12,267	12,267	12,267	24,534	12,267	36,801
12								
13	<b>Total Amortization</b>		12,267	12,267	12,267	24,534	12,267	36,801
14								
15								
16	Net CIAC	2006		400,000		400,000		400,000
17	Net CIAC	2006		601,085		588,818		576,551
18								
19	<b>Total Net CIAC</b>		-	1,001,085	-	988,818	-	976,551

Line No.	Description	Vintage	2012 Activity	Balance at 12/31/2012	2013 Activity	Balance at 12/31/2013	2014 Activity	Balance at 12/31/2014
1	Contributions-in-Aid (CIAC)	2006	-	400,000	-	400,000	-	400,000
2	Contributions-in-Aid (CIAC)	2006	-	613,352	-	613,352	-	613,352
3								
4	<b>Total Contributions-in-Aid (CIAC)</b>			<b>1,013,352</b>		<b>1,013,352</b>		<b>1,013,352</b>
5								
6	Amortization Rate	2006	2.00%		2.00%		2.00%	
7	Amortization Rate	2006						
8								
9								
10	Amortization	2006	-	-	-	-	-	-
11	Amortization	2006	12,267	49,068	12,267	61,335	12,267	73,602
12								
13	<b>Total Amortization</b>		<b>12,267</b>	<b>49,068</b>	<b>12,267</b>	<b>61,335</b>	<b>12,267</b>	<b>73,602</b>
14								
15								
16	Net CIAC	2006		400,000		400,000		400,000
17	Net CIAC	2006		564,284		552,017		539,750
18								
19	<b>Total Net CIAC</b>		<b>-</b>	<b>964,284</b>	<b>-</b>	<b>952,017</b>	<b>-</b>	<b>939,750</b>

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Test Year Ended October 31, 2015  
 Original Cost Rate Base Proforma Adjustments  
 Contributions-in-Aid of Construction and Amortization  
 Adjustment 3

Exhibit  
 Rebuttal Schedule B-2  
 Page 5.4  
 Witness: Bourassa

Line No.	Description	Vintage	2015 Activity	Balance at 10/31/2015
1	Contributions-in-Aid (CIAC)	2006	-	400,000
2	Land	2006	-	613,352
3	Contributions-in-Aid (CIAC)	2006	-	-
4	Collection Mains/Services	2006	-	-
5	<b>Total Contributions-in-Aid (CIAC)</b>		-	<b>1,013,352</b>
6	Amortization Rate	2006	2.00%	
7	Collection Mains/Services	2006		
8				
9				
10	Amortization	2006	-	-
11	Collection Mains/Services	2006	12,267	85,869
12				
13	<b>Total Amortization</b>		<b>12,267</b>	<b>85,869</b>
14				
15				
16	Net CIAC	2006		400,000
17	Collection Mains/Services	2006		527,483
18				
19	<b>Total Net CIAC</b>		-	<b>927,483</b>

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Test Year Ended October 31, 2015  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment 4

Line No.	Deferred Income Tax as of October 31, 2015	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 \$ 3,053,148 <sup>1</sup>								
7		Accum. Deprec. (1,112,564) <sup>1</sup>								
8		CIAC (527,483) <sup>3</sup>								
9	Fed.	Fixed Assets \$ 1,413,102	\$ 800,092 <sup>2</sup>	100.0%	\$ (613,009)	22.25%		-		(136,374)
10										
11	State	Fixed Assets \$ 1,413,102	\$ 806,709 <sup>2</sup>	100.0%	\$ (606,392)	4.900%		-		(29,713)
12										
13	Fed & State	AIAC	- <sup>4</sup>	100.0%	\$ - <sup>4</sup>	27.15%	\$ -	\$ -	\$ -	\$ (166,088)
14										
15										
16										
17		Net Asset (Liability)					\$ (166,088)			
18		Allocated Corporate ADIT <sup>5</sup>					(408)			
19										
20		Net Asset (Liability)					\$ (166,496)			
21		Allocation Factor					1.0000			
22										
23		Net Asset (Liability)					\$ (166,496)			
24										
25		DIT Asset (Liability) per Books					\$ (214,564)			
26										
27		Adjustment to DIT					\$ (48,088)			
28										
29										
30										
31										
32										
33										
34										
35										
36										
37										
38										
39										
40										
41										
42										
43										
44										

Footnotes - See page 6.1

Line No. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52

<sup>1</sup> Per adjusted book balances, land not included, coporate plant not included

<sup>2</sup> Computation of Net Tax Value October 31, 2015

Based on 2014 Tax Depreciation report and Estimates for 2015  
 Adjusted Cost at December 31, 2014 per federal and state tax depr. report  
 Reconciling Items not on tax report:  
 Remove CIAC funded on tax  
 Remove Plant Held for Future Use

Net Cost tax Basis at December 31, 2015

Reductions  
 Basis Reduction  
 Accumulated Depreciation  
 Remove A/D on CIAC funded plant on tax  
 Remove Plant Held for Future Use A/D

Net Reductions through December 31, 2015  
 Net tax value of plant-in-service at December 31, 2015

<sup>3</sup> CIAC (including impact of change to probability of realization)

Gross CIAC per adjusted book balances excluding land funded with CIAC  
 CIAC reductions/additions  
 A.A per adjusted book balances

Net CIAC before unrealized AIAC

Unrealized AIAC Component  
 AIAC per adjusted book balances  
 Adjusted Net AIAC (see footnote 5 below)  
 Unrealized AIAC Component % (1-Realized AIAC Component)  
 Total realizable CIAC

<sup>4</sup> AIAC (including impact of change in probability of realization)

AIAC per adjusted book balances  
 Less: Unrealized AIAC (from Note 3, above)  
 Subtotal  
 Meter and Service Line Installation Charges per adjusted book balances  
 Total realizable AIAC

<sup>5</sup> See work papers

	FEDERAL	STATE
	\$ 3,756,326	\$ 3,756,326
	(613,352)	(613,352)
	(824,900)	(824,900)
	\$ 2,318,074	\$ 2,318,074
	\$ (30,790)	\$ -
	(2,438,431)	(2,462,604)
	405,662	405,662
	545,577	545,577
	(1,517,982)	(1,511,365)
	\$ 800,092	\$ 806,709

	\$ 613,352	
	(85,869)	
		\$ 527,483
	\$ -	\$ -
	70.0%	\$ -
		\$ 527,483
	\$ -	\$ -
	\$ -	\$ -
	\$ -	\$ -
	\$ -	\$ -

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Reconstruction Cost New Less Depreciation Rate Base Proforma Adjustments

Exhibit  
 Rebuttal Schedule B-3  
 Page 1  
 Witness: Bourassa

Line No.		RCN at End of <u>Test Year</u>	Proforma <u>Adjustment</u>	RCN Adjusted at end of <u>Test Year</u>
1	Gross Utility			
2	Plant in Service	\$ 6,522,612	(541,584)	\$ 5,981,028
3				
4	<b>Less:</b>			
5	Accumulated			
6	Depreciation	1,920,523	(254,100)	1,666,423
7				
8				
9	Net Utility Plant			
10	in Service	\$ 4,602,089		\$ 4,314,605
11				
12	<b>Less:</b>			
13	Advances in Aid of			
14	Construction	-	-	-
15				
16	Contributions in Aid of			
17	Construction - Gross	1,522,616	15,233	1,537,849
18				
19	Accumulated Amortization of CIAC	(155,486)	(2,133)	(157,619)
20				
21	Customer Meter Deposits	-	-	-
22	Customer Security Deposits	2,360	-	2,360
23	Accumulated Deferred Income Tax	405,292	(65,592)	339,700
24				-
25				-
26				
27	<b>Plus:</b>			
28	Unamortized Finance			
29	Charges	-	-	-
30	Prepayments	16,048	-	16,048
31	Materials and Supplies	-	-	-
32	Cash Working capital	(23,189)	9,528	(13,661)
33				-
34				
35	<b>Total</b>	<b>\$ 2,820,167</b>		<b>\$ 2,594,702</b>

40 SUPPORTING SCHEDULES:  
 41 B-3, page 2

RECAP SCHEDULES:  
 B-1

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 43  
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**Liberty Utilities (Entrada Del Oro Sewer) Corp.**

Test Year Ended October 31, 2015

Reconstruction Cost New Less Depreciation Rate Base Proforma Adjustments

Exhibit  
Rebuttal Schedule B-3  
Page 2  
Witness: Bourassa

Line No.	RCN Adjusted at End of Test Year	1	Plant-in-Service	2	Accumulated Depreciation	3	CIAC	4	Proforma Adjustments	5	ADIT	6	Working Capital	7	Rebuttal RCN Adjusted at End of Test Year
1	Gross Utility Plant in Service	\$ 6,522,612	(541,584)												\$ 5,981,028
2					(254,100)										
3	<b>Less:</b>														
4	Accumulated Depreciation	1,920,523													1,666,423
5															
6	Net Utility Plant in Service	\$ 4,602,089	(541,584)	\$ 254,100											\$ 4,314,605
7															
8	<b>Less:</b>														
9	Advances in Aid of Construction	-													-
10															
11	Contributions in Aid of Construction (CIAC)	1,522,616				15,233									1,537,849
12		(155,486)				(2,133)									(157,619)
13	Accumulated Amort of CIAC														
14	Customer Deposits	-													-
15	Customer Security Deposits	2,360													2,360
16	Accumulated Deferred Income Taxes	405,292							(65,592)						339,700
17															
18	<b>Plus:</b>														
19	Unamortized Finance Charges	-													-
20	Prepayments	16,048													16,048
21	Materials and Supplies	-													-
22	Cash Working Capital	(23,189)										9,528			(13,661)
23															
24	<b>Total</b>	\$ 2,820,167	(541,584)	\$ 254,100		(13,101)			\$ 65,592			\$ 9,528		\$ 2,594,702	

SUPPORTING SCHEDULES:

B-3, pages 3-4

RECAP SCHEDULE

B-3, page 1

Plant-in-Service

Line No.	Acct. No.	Description	Adjusted RCN Cost	Expensed Plant	Allocated Corporate Plant	Plant Held for Future Use	Adjustments		Intentionally Left Blank	Rebuttal Adjusted RCN Cost
							C	D		
1	351	Organization	-	-	-	-	-	-	-	-
2	352	Franchise	-	-	-	-	-	-	-	-
3	353	Land	412,000	-	-	-	-	-	-	412,000
4	354	Structures & Improvements	1,239,996	-	-	-	-	-	-	1,239,996
5	355	Power Generation	85,000	-	-	-	-	-	-	85,000
6	360	Collection Sewer Forced	7,464	-	-	-	-	-	-	7,464
7	361	Collection Sewers Gravity	1,648,990	-	-	-	-	-	-	1,648,990
8	362	Special Collecting Structures	-	-	-	-	-	-	-	-
9	363	Customer Services	375,300	-	-	-	-	-	-	375,300
10	364	Flow Measuring Devices	6,000	-	-	-	-	-	-	6,000
11	365	Flow Measuring Installations	3,000	-	-	-	-	-	-	3,000
12	366	Reuse Services	-	-	-	-	-	-	-	-
13	367	Reuse Meters And Installation	-	-	-	-	-	-	-	-
14	370	Receiving Wells	44,300	-	-	-	-	-	-	44,300
15	371	Pumping Equipment	87,861	-	-	-	-	-	-	87,861
16	374	Reuse Distribution Reservoirs	-	-	-	-	-	-	-	-
17	375	Reuse Trans. and Dist. System	450,550	-	-	-	-	-	-	450,550
18	380	Treatment & Disposal Equipment	1,958,835	(4,412)	-	-	-	-	-	1,408,762
19	381	Plant Sewers	88,095	-	-	(545,661)	-	-	-	88,095
20	382	Outfall Sewer Lines	62,680	-	-	-	-	-	-	62,680
21	389	Other Sewer Plant & Equipment	-	-	-	-	-	-	-	-
22	390	Office Furniture & Equipment	1,747	-	-	-	-	-	-	1,747
23	390.1	Computers and Software	12,188	-	-	-	-	-	-	12,188
24	391	Transportation Equipment	-	-	-	-	-	-	-	-
25	392	Stores Equipment	-	-	-	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	5,348	-	-	-	-	-	-	5,348
27	394	Laboratory Equip	5,947	-	-	-	-	-	-	5,947
28	395	Power Operated Equipment	-	-	-	-	-	-	-	-
29	396	Communication Equip	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equip.	-	-	-	-	-	-	-	-
31	398	Other Tangible Plant	-	-	-	-	-	-	-	-
32										
33		SUBTOTAL	6,495,302	-	-	(545,661)	-	-	-	5,945,228
34										
35	903	Land and Land Rights	1,129	-	179	-	-	-	-	1,308
36	904	Structures and Improvements	12,332	-	1,990	-	-	-	-	14,322
37	940	Office Furniture & Equipment	1,334	-	653	-	-	-	-	1,987
38	940.1	Computers and Software	12,514	-	5,668	-	-	-	-	18,182
39										
40										
41		Plant Held for Future Use	-	-	-	-	-	-	-	-
42		TOTALS	\$ 6,522,612	\$ 8,490	\$ (545,661)	\$ -	\$ -	\$ -	\$ -	\$ 5,981,028
43										
44		RCN Plant-in-Service per Direct								
45		Increase (decrease) in Plant-in-Service								\$ 6,522,612
46		Adjustment to Plant-in-Service								\$ (541,584)
47										\$ (541,584)
48										\$ (541,584)
49										

RECAP SCHEDULES:  
B-3, page 2

SUPPORTING SCHEDULES:  
B-3, page 3.1 to 3.3  
B-4

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Reconstruction Cost New Less Depreciation Rate Base Proforma Adjustments  
 Adjustment Number 1 - A

Exhibit  
 Rebuttal Schedule B-3  
 Page 3.1  
 Witness: Bourassa

Line

No.

1	<u>Expensed Plant</u>				
2					
3					
4	Acct.		Original	Rebuttal	Increase
5	<u>No.</u>	<u>Description</u>	<u>Cost</u>	<u>RCN</u>	<u>(Decrease)</u>
6	351	Organization			-
7	352	Franchise			-
8	353	Land			-
9	354	Structures & Improvements			-
10	355	Power Generation			-
11	360	Collection Sewer Forced			-
12	361	Collection Sewers Gravity			-
13	362	Special Collecting Structures			-
14	363	Customer Services			-
15	364	Flow Measuring Devices			-
16	365	Flow Measuring Installations			-
17	366	Reuse Services			-
18	367	Reuse Meters And Installation			-
19	370	Receiving Wells			-
20	371	Pumping Equipment			-
21	374	Reuse Distribution Reservoirs			-
22	375	Reuse Trans. and Dist. System			-
23	380	Treatment & Disposal Equipment	(4,253)	1.04 (4,412)	(4,412)
24	381	Plant Sewers			-
25	382	Outfall Sewer Lines			-
26	389	Other Sewer Plant & Equipment			-
27	390	Office Furniture & Equipment			-
28	390.1	Computers and Software			-
29	391	Transportation Equipment			-
30	392	Stores Equipment			-
31	393	Tools, Shop And Garage Equip			-
32	394	Laboratory Equip			-
33	395	Power Operated Equip			-
34	396	Communication Equip			-
35	397	Miscellaneous Equip.			-
36	398	Other Tangible Plant			-
37					
38		TOTALS	\$ (4,253)	\$ (4,412)	\$ (4,412)
39					

40 <sup>1</sup> Expensed plant occurred in 2014, assume factor of based upon Handy Whitman factors..

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42 SUPPORTING SCHEDULE

RECAP SCHEDULES:

43 Testimony

B-2, page 3

44 Work papers

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Reconstruction Cost New Less Depreciation Rate Base Proforma Adjustments  
 Adjustment Number 1 - B

Exhibit  
 Rebuttal Schedule B-3  
 Page 3.2  
 Witness: Bourassa

Line  
No.

		[1]	[2]	[3] = [1]x[2]	[4]	[5]	[6] = [3]x[4]x[5]	Allocated	Allocated	Increase
		Original	RCN	RCN	Liberty	EDO	Original	Original Cost		(Decrease)
	No. Description	Cost	Factor	Cost	Factor	Factor	Cost	per Direct		
1	<u>RCN Allocated Corporate Plant</u>									
4	Acct.									
6	903 Land and Land Rights	1,312,818	1.00	1,312,818	12.94%	0.77%	1,308	1,129		179
7	904 Structures and Improvments	11,123,684	1.00	11,123,684	12.94%	0.77%	11,083	10,157		926
8	940.1 Computers and Software	2,187,630	1.00	2,187,630	12.94%	0.77%	2,180	1,769		411
11	<u>LU Sub-Corp. Plant</u>									
13	903 Land and Land Rights	-	1.00	-	100.00%	0.77%	-	-		-
14	904 Structures and Improvments	420,651	1.00	420,651	100.00%	0.77%	3,239	2,175		1,064
15	940 Office Furniture and Equipmen	258,089	1.00	258,089	100.00%	0.77%	1,987	1,334		653
16	940.1 Computers and Software	2,078,183	1.00	2,078,183	100.00%	0.77%	16,002	10,745		5,257
41	TOTALS	\$ 17,381,055					\$ 35,800	\$ 27,309		\$ 8,490

43 SUPPORTING SCHEDULE  
 44 Testimony  
 45 Work papers

RECAP SCHEDULES:  
 B-3, page 3

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Reconstruction Cost New Less Depreciation Rate Base Proforma Adjustments  
 Adjustment Number 1 - C

Exhibit  
 Rebuttal Schedule B-3  
 Page 3.3  
 Witness: Bourassa

Line  
No.

<u>Capacity Adjustment</u>						
Acct.		Original		Rebuttal	RCN	Increase
<u>No.</u>	<u>Description</u>	<u>Cost</u>	<u>Factor</u> <sup>1</sup>	<u>RCN</u>	<u>per Direct</u>	<u>(Decrease)</u>
351	Organization	-	-			-
352	Franchise	-	-			-
353	Land	-	1.03			-
354	Structures & Improvements	(26,200)	2.25	(59,026)	(59,026)	-
355	Power Generation	-	0.68			-
360	Collection Sewer Forced	-	1.05			-
361	Collection Sewers Gravity	-	3.43			-
362	Special Collecting Structures	-	-			-
363	Customer Services	-	3.06			-
364	Flow Measuring Devices	-	1.56			-
365	Flow Measuring Installations	-	1.22			-
366	Reuse Services	-	-			-
367	Reuse Meters And Installation	-	-			-
370	Receiving Wells	-	1.69			-
371	Pumping Equipment	(15,200)	0.57	(8,718)	\$ (8,718)	-
374	Reuse Distribution Reservoirs	-	-			-
375	Reuse Trans. and Dist. System	-	3.56			-
380	Treatment & Disposal Equipment	(783,500)	1.04	(812,941)	(267,280)	(545,661)
381	Plant Sewers	-	3.17			-
382	Outfall Sewer Lines	-	11.31			-
389	Other Sewer Plant & Equipment	-	-			-
390	Office Furniture & Equipment	-	1.00			-
390.1	Computers and Software	-	1.00			-
391	Transportation Equipment	-	-			-
392	Stores Equipment	-	-			-
393	Tools, Shop And Garage Equip	-	1.00			-
394	Laboratory Equip	-	1.00			-
395	Power Operated Equip	-	-			-
396	Communication Equip	-	-			-
397	Miscellaneous Equip.	-	-			-
398	Other Tangible Plant	-	-			-
<b>TOTALS</b>		<u>\$ (824,900)</u>		<u>\$ (880,685)</u>	<u>\$ (335,023)</u>	<u>\$ (545,661)</u>

<sup>1</sup> Factors see Schedule B-4

SUPPORTING SCHEDULE  
 Testimony  
 Work papers

RECAP SCHEDULES:  
 B-2, page 3

Line No.		Accumulated Depreciation										Rebuttal
		A	B	C	D	D	D	D	D	D	D	RCN
		Adjusted RCN Accum. Depr.	Expensed Plant	Allocated Corporate Plant	Plant Held for Future Use	Intentionally Left Blank	Adjusted Accum. Depr.					
1		-	-	-	-	-	-	-	-	-	-	-
2		-	-	-	-	-	-	-	-	-	-	-
3		-	-	-	-	-	-	-	-	-	-	-
4		-	-	-	-	-	-	-	-	-	-	-
5		-	-	-	-	-	-	-	-	-	-	-
6		-	-	-	-	-	-	-	-	-	-	-
7		-	-	-	-	-	-	-	-	-	-	-
8		-	-	-	-	-	-	-	-	-	-	-
9		356,662	-	-	-	-	-	-	-	-	356,662	-
10		23,635	-	-	-	-	-	-	-	-	23,635	-
11		1,393	-	-	-	-	-	-	-	-	1,393	-
12		299,733	-	-	-	-	-	-	-	-	299,733	-
13		-	-	-	-	-	-	-	-	-	-	-
14		70,056	-	-	-	-	-	-	-	-	70,056	-
15		5,600	-	-	-	-	-	-	-	-	5,600	-
16		2,800	-	-	-	-	-	-	-	-	2,800	-
17		-	-	-	-	-	-	-	-	-	-	-
18		-	-	-	-	-	-	-	-	-	-	-
19		13,768	-	-	-	-	-	-	-	-	13,768	-
20		74,007	-	-	-	-	-	-	-	-	74,007	-
21		-	-	-	-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-	-	-	-
23		105,128	-	-	-	-	-	-	-	-	105,128	-
24		892,811	(294)	-	(259,189)	-	-	-	-	(0)	633,327	-
25		41,111	-	-	-	-	-	-	-	-	41,111	-
26		19,481	-	-	-	-	-	-	-	-	19,481	-
27		-	-	-	-	-	-	-	-	-	-	-
28		933	-	-	-	-	-	-	-	-	933	-
29		5,688	-	-	-	-	-	-	-	-	5,688	-
30		-	-	-	-	-	-	-	-	-	-	-
31		1,159	-	-	-	-	-	-	-	-	1,159	-
32		2,455	-	-	-	-	-	-	-	-	2,455	-
33		-	-	-	-	-	-	-	-	-	-	-
34		-	-	-	-	-	-	-	-	-	-	-
35		-	-	-	-	-	-	-	-	-	-	-
36		-	-	-	-	-	-	-	-	-	-	-
37		-	-	-	-	-	-	-	-	-	-	-
38		1,916,421	-	-	(259,189)	-	-	-	-	(0)	1,656,938	-
39		-	-	-	-	-	-	-	-	-	-	-
40		-	-	-	-	-	-	-	-	-	-	-
41		648	-	636	-	-	-	-	-	-	1,284	-
42		111	-	187	-	-	-	-	-	-	298	-
43		3,342	-	4,560	-	-	-	-	-	-	7,902	-
44		-	-	-	-	-	-	-	-	-	-	-
45		-	-	-	-	-	-	-	-	-	-	-
46		-	-	-	-	-	-	-	-	-	-	-
47		-	-	-	-	-	-	-	-	-	-	-
48		-	-	-	-	-	-	-	-	-	-	-
49		-	-	-	-	-	-	-	-	-	-	-
50		1,920,523	\$	5,383	\$	(259,189)	\$	(0)	\$	(0)	\$	1,666,423
51		-	-	-	-	-	-	-	-	-	-	-
52		-	-	-	-	-	-	-	-	-	-	-
53		-	-	-	-	-	-	-	-	-	-	-
54		-	-	-	-	-	-	-	-	-	-	-
55		-	-	-	-	-	-	-	-	-	-	-
56		-	-	-	-	-	-	-	-	-	-	-

RECAP SCHEDULES:  
 B-3, page 2

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Reconstruction Cost New Less Depreciation Rate Base Proforma Adjustments  
 Adjustment Number 1 - A

Exhibit  
 Rebuttal Schedule B-3  
 Page 4.1  
 Witness: Bourassa

Line No.	Acct.	A/D Original Cost	Factor <sup>1</sup>	per Rebuttal A/D RCN	Increase (Decrease)
1	<u>Expensed Plant</u>				
2					
3					
4					
5	<u>No.</u> <u>Description</u>				
6	351 Organization				-
7	352 Franchise				-
8	353 Land				-
9	354 Structures & Improvements			-	-
10	355 Power Generation				-
11	360 Collection Sewer Forced				-
12	361 Collection Sewers Gravity				-
13	362 Special Collecting Structures				-
14	363 Customer Services				-
15	364 Flow Measuring Devices				-
16	365 Flow Measuring Installations				-
17	366 Reuse Services				-
18	367 Reuse Meters And Installation				-
19	370 Receiving Wells				-
20	371 Pumping Equipment			-	-
21	374 Reuse Distribution Reservoirs				-
22	375 Reuse Trans. and Dist. System				-
23	380 Treatment & Disposal Equipment	(284)	1.04	(294)	(294)
24	381 Plant Sewers				-
25	382 Outfall Sewer Lines				-
26	389 Other Sewer Plant & Equipment				-
27	390 Office Furniture & Equipment				-
28	390.1 Computers and Software				-
29	391 Transportation Equipment				-
30	392 Stores Equipment				-
31	393 Tools, Shop And Garage Equip				-
32	394 Laboratory Equip				-
33	395 Power Operated Equip				-
34	396 Communication Equip				-
35	397 Miscellaneous Equip.				-
36	398 Other Tangible Plant				-
37					
38	TOTALS	\$ (284)		\$ (294)	\$ (294)
39					

40 <sup>1</sup> Expensed plant occurred in 2014, assume factor of based upon Handy Whitman factors..

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42 SUPPORTING SCHEDULE

43 Testimony

44 Work papers

RECAP SCHEDULES:

B-2, page 3



**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Reconstruction Cost New Less Depreciation Rate Base Proforma Adjustments  
 Adjustment Number 1 - C

Exhibit  
 Rebuttal Schedule B-3  
 Page 4.3  
 Witness: Bourassa

Line

No.

1 A/D Plant Held for Future Use

2

3

4 Acct.

5 No.

6

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	A/D Original		per Rebuttal A/D	per Direct A/D	Rebuttal Increase
	<u>Cost</u>	<u>Factor<sup>1</sup></u>	<u>RCN</u>	<u>RCN</u>	<u>(Decrease)</u>
351	-				-
352	-				-
353	-				-
354	(8,288)	2.25	(18,673)	(18,673)	-
355	-				-
360	-				-
361	-				-
362	-				-
363	-				-
364	-				-
365	-				-
366	-				-
367	-				-
370	-				-
371	(15,200)	0.57	(8,718)	(8,718)	-
374	-				-
375	-				-
380	(372,163)	1.04	(386,147)	(126,958)	(259,189)
381	-				-
382	-				-
389	-				-
390	-				-
390.1	-				-
391	-				-
392	-				-
393	-				-
394	-				-
395	-				-
396	-				-
397	-				-
398	-				-
<b>TOTALS</b>	<b>\$ (395,651)</b>		<b>\$ (413,538)</b>	<b>\$ (154,349)</b>	<b>\$ (259,189)</b>

<sup>1</sup> Factors see Schedule B-4

SUPPORTING SCHEDULE

Testimony

Work papers

RECAP SCHEDULES:

B-2, page 3

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Reconstruction Cost New Less Depreciation Rate Base Proforma Adjustments  
 Adjustment Number 3

Exhibit  
 Rebuttal Schedule B-3  
 Page 5  
 Witness: Bourassa

Contributions-in-Aid of Construction

Line No.		Gross CIAC	<u>Amortization</u>
1			
2	Adjusted Original Cost Depreciable Balance	\$ 613,352	\$ 85,869
3			
4	Gross-up Factor [1]	1.84	1.84
5			
6	RCN Depreciable Balance	\$ 1,125,849	\$ 157,619
7			
8	Adjusted Original Cost Non-depreciable Balance	\$ 400,000	\$ -
9			
10	Gross-up Factor [2]	1.03	1.03
11			
12	RCN Non-depreciable Balance	\$ 412,000	\$ -
13			
14	Total RCN Balance	\$ 1,537,849	\$ 157,619
15			
16	Unadjusted RCN Balance	<u>1,522,616</u>	<u>155,486</u>
17			
18	Adjustment to RCN Balance	<u>\$ 15,233</u>	<u>\$ (2,133)</u>
19			
20			
21	[1] Computation of Gross-up Factor for Depreciable Plant		
22	RCN Depreciable Gross Plant-in-Service	\$ 5,533,228	
23	Original Cost Depreciable Gross Plant-in-service	\$ 3,014,451	
24			
25	Ratio of RCN Depreciable Gross Plant-in-Service		
26	and Original Cost Depreciable Gross Plant-in-service	1.84	
27			
28	[2] Computation of Gross-up Factor for Depreciable Plant		
29	RCN Non-depreciable Gross Plant-in-Service	\$ 412,000	
30	Original Cost Non-depreciable Gross Plant-in-service	\$ 400,000	
31			
32	Ratio of RCN Non-depreciable Gross Plant-in-Service		
33	and Original Cost Non-depreciable Gross Plant-in-service	1.03	
34			
35			
36	<u>SUPPORTING SCHEDULE</u>		<u>RECAP SCHEDULES:</u>
37	B-2, page 5.3		B-3, page 2
38	B-2, page 2		
39	B-2, page 3		
40	B-4		

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Reconstruction Cost New Less Depreciation Rate Base Proforma Adjustments  
 Adjustment Number 4

Exhibit  
 Rebuttal Schedule B-3  
 Page 6  
 Witness: Bourassa

Advances-in-Aid of Construction

Line  
No.

1		<u>AIAC</u>	
2	Adjusted Original Cost Depreciable Balance	\$	-
3			
4	Gross-up Factor [1]		1.84
5			
6	RCN Depreciable Balance	\$	-
7			
8	Unadjusted RCN Balance		-
9			
10	Adjustment to ADIT Balance	\$	-
11			
12			
13	[1] Computation of Gross-up Factor for Depreciable Plant		
14	RCNLD Depreciable Gross Plant-in-Service	\$	5,533,228
15	Original Cost Depreciable Gross Plant-in-service	\$	3,014,451
16			
17	Ratio of RCNLD Depreciable Gross Plant-in-Service		
18	and Original Cost Depreciable Gross Plant-in-service		1.84
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29	<u>SUPPORTING SCHEDULE</u>		<u>RECAP SCHEDULES:</u>
30	B-2, page 5.3		B-3, page 2
31	B-2, page 2		
32	B-4		

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Reconstruction Cost New Less Depreciation Rate Base Proforma Adjustments  
 Adjustment Number 5

Exhibit  
 Rebuttal Schedule B-3  
 Page 7  
 Witness: Bourassa

Accumulated Deferred Income Taxes (ADIT)

Line			
<u>No.</u>			
1			
2	Adjusted Original Cost ADIT Balance	\$	166,496
3			
4	RCN Net Rate Base before ADIT	\$	2,932,015
5	Original Cost Net Rate Base before ADIT	\$	1,437,057
6			
7	Ratio of RCN Net Rate Base before ADIT		
8	and Original Cost Net Rate Base before ADIT		2.04
9			
10	RCN ADIT Balance	\$	339,700
11			
12	RCN ADIT Balance per Direct	\$	405,292
13			
14	Adjustment to ADIT Balance	\$	(65,592)
15			
16			
17	<u>SUPPORTING SCHEDULE</u>		<u>RECAP SCHEDULES:</u>
18	B-2, page 5		B-3, page 2
19			

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
Test Year Ended October 31, 2015  
Reconstruction Cost New Less Depreciation Rate Base Proforma Adjustments  
Adjustment Number 6

Exhibit  
Rebuttal Schedule B-3  
Page 8  
Witness: Bourassa

RCN Working Capital

Line

No.

1		
2	Adjusted Cash Working Capital	\$ (13,661)
3		
4	RCN Factor	1.00
5		
6	Recommended RCN Cash Working Capital	\$ (13,661)
7		
8	RCN Working Capital per Direct	<u>\$ (23,189)</u>
9		
10	Adjustment to ADIT Balance	<u>\$ 9,528</u>

11

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20 SUPPORTING SCHEDULE

21 B-5

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RECAP SCHEDULES:

B-3, page 2

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Reconstruction Cost New Less Depreciation Plant and Accumulated Depreciation

Exhibit  
 Rebuttal Schedule B-4  
 Page 1  
 Witness: Bourassa

Line No.	Plant Acct.	Description	A Adjusted Original Cost PIS Before Capacity Adj	B Rebuttal Adjustments Other Than Capacity	C Rebuttal Adjusted Original Cost PIS Before Capacity Adj	D RCN PIS	E Total RCN PIS Adjustments	F Rebuttal RCN PIS
1	351	Organization	\$ 37,898	\$ -	\$ 37,898	-	-	-
2	352	Franchise	799	-	799	-	-	-
3	353	Land	400,000	-	400,000	412,000	-	412,000
4	354	Structures & Improvements	576,601	-	576,601	1,299,022	(59,026)	1,239,996
5	355	Power Generation	124,916	-	124,916	85,000	-	85,000
6	360	Collection Sewer Forced	7,141	-	7,141	7,464	-	7,464
7	361	Collection Sewers Gravity	480,710	-	480,710	1,648,990	-	1,648,990
8	362	Special Collecting Structures	-	-	-	-	-	-
9	363	Customer Services	122,760	-	122,760	375,300	-	375,300
10	364	Flow Measuring Devices	3,845	-	3,845	6,000	-	6,000
11	365	Flow Measuring Installations	2,457	-	2,457	3,000	-	3,000
12	366	Reuse Services	-	-	-	-	-	-
13	367	Reuse Meters And Installation	-	-	-	-	-	-
14	370	Receiving Wells	26,226	-	26,226	44,300	-	44,300
15	371	Pumping Equipment	168,387	-	168,387	96,579	(8,718)	87,861
16	374	Reuse Distribution Reservoirs	-	-	-	-	-	-
17	375	Reuse Trans. and Dist. System	126,541	-	126,541	450,550	-	450,550
18	380	Treatment & Disposal Equipment	2,145,496	(4,253)	2,141,243	2,226,115	(817,353)	1,408,762
19	381	Plant Sewers	27,752	-	27,752	88,095	-	88,095
20	382	Outfall Sewer Lines	5,541	-	5,541	62,680	-	62,680
21	389	Other Sewer Plant & Equipment	-	-	-	-	-	-
22	390	Office Furniture & Equipment	1,747	-	1,747	1,747	-	1,747
23	390.1	Computers and Software	12,188	-	12,188	12,188	-	12,188
24	391	Transportation Equipment	-	-	-	-	-	-
25	392	Stores Equipment	-	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	5,348	-	5,348	5,348	-	5,348
27	394	Laboratory Equip	5,947	-	5,947	5,947	-	5,947
28	395	Power Operated Equip	-	-	-	-	-	-
29	396	Communication Equip	-	-	-	-	-	-
30	397	Miscellaneous Equip.	-	-	-	-	-	-
31	398	Other Tangible Plant	-	-	-	-	-	-
32		TOTALS	\$ 4,282,301	\$ (4,253)	\$ 4,278,048	\$ 6,830,326	\$ (885,097)	\$ 5,945,228

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 34  
 35 SUPPORTING SCHEDULES  
 36 See RCN Study by NCS Engineers  
 37 Testimony  
 38 B-2, page 3  
 39 B-2, page 4  
 40

RECAP SCHEDULES  
 B-3, page 3  
 B-3, page 4

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Test Year Ended October 31, 2015  
 Reconstruction Cost New Less Depreciation Plant and Accumulated Depreciaton

Exhibit  
 Rebuttal Schedule B-4  
 Page 2  
 Witness: Bourassa

Line No.	Plant Acct.	Description	G	H	I	J	K	L	M
			Adjusted Original Cost A/D Before Adj	Rebuttal A/D Adjustments Other Than Capacity	Rebuttal Adjusted Original Cost A/D Before Adjments	J=D/C RCN Factor	RCN A/D	RCN A/D Adjustments	Rebuttal RCN A/D
1	351	Organization	\$ -	-	\$ -	-	\$ -	\$ -	\$ -
2	352	Franchise	-	-	-	-	-	-	-
3	353	Land	-	-	-	1.03	-	-	-
4	354	Structures & Improvements	166,601	-	166,601	2.25	375,335	(18,673)	356,662
5	355	Power Generation	34,735	-	34,735	0.68	23,635	-	23,635
6	360	Collection Sewer Forced	1,333	-	1,333	1.05	1,393	-	1,393
7	361	Collection Sewers Gravity	87,377	-	87,377	3.43	299,733	-	299,733
8	362	Special Collecting Structures	-	-	-	-	-	-	-
9	363	Customer Services	22,915	-	22,915	3.06	70,056	-	70,056
10	364	Flow Measuring Devices	3,589	-	3,589	1.56	5,600	-	5,600
11	365	Flow Measuring Installations	2,293	-	2,293	1.22	2,800	-	2,800
12	366	Reuse Services	-	-	-	-	-	-	-
13	367	Reuse Meters And Installation	-	-	-	-	-	-	-
14	370	Receiving Wells	8,151	-	8,151	1.69	13,768	-	13,768
15	371	Pumping Equipment	144,232	-	144,232	0.57	82,725	(8,718)	74,007
16	374	Reuse Distribution Reservoirs	-	-	-	-	-	-	-
17	375	Reuse Trans. and Dist. System	29,526	-	29,526	3.56	105,128	-	105,128
18	380	Treatment & Disposal Equipment	982,837	(284)	982,554	1.04	1,019,474	(386,147)	633,327
19	381	Plant Sewers	12,951	-	12,951	3.17	41,111	-	41,111
20	382	Outfall Sewer Lines	1,722	-	1,722	11.31	19,481	-	19,481
21	389	Other Sewer Plant & Equipment	-	-	-	-	-	-	-
22	390	Office Furniture & Equipment	933	-	933	1.00	933	-	933
23	390.1	Computers and Software	5,688	-	5,688	1.00	5,688	-	5,688
24	391	Transportation Equipment	-	-	-	-	-	-	-
25	392	Stores Equipment	-	-	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	1,159	-	1,159	1.00	1,159	-	1,159
27	394	Laboratory Equip	2,455	-	2,455	1.00	2,455	-	2,455
28	395	Power Operated Equip	-	-	-	-	-	-	-
29	396	Communication Equip	-	-	-	-	-	-	-
30	397	Miscellaneous Equip.	-	-	-	-	-	-	-
31	398	Other Tangible Plant	-	-	-	-	-	-	-
32		TOTALS	\$ 1,508,498	\$ (284)	\$ 1,508,215	1.60	\$ 2,070,476	\$ (413,538)	\$ 1,656,938

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 34  
 35 SUPPORTING SCHEDULES  
 36 See RCN Study by NCS Engineers  
 37 Testimony  
 38 B-2, page 3  
 39 B-2, page 4  
 40

RECAP SCHEDULES  
 B-3, page 3  
 B-3, page 4



**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Income Statement

Exhibit  
 Rebuttal Schedule C-1  
 Page 1  
 Witness: Bourassa

Line No.		Adjusted Test Year Results	Adjustment	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	<b>Revenues</b>					
2	Metered Water Revenues	\$ 279,713	\$ -	\$ 279,713	\$ 198,250	\$ 477,963
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	1,575	-	1,575		1,575
5		<u>\$ 281,288</u>	<u>\$ -</u>	<u>\$ 281,288</u>	<u>\$ 198,250</u>	<u>\$ 479,537</u>
6	<b>Operating Expenses</b>					
7	Salaries and Wages	\$ -	-	\$ -		\$ -
8	Purchased Water	2,379	-	2,379		2,379
9	Sludge Removal	2,204	-	2,204		2,204
10	Purchased Power	16,374	-	16,374		16,374
11	Fuel for Power Production	-	-	-		-
12	Chemicals	770	-	770		770
13	Materials and Supplies	3,171	-	3,171		3,171
14	Contractual Services - Professional	46,007	20,440	66,447		66,447
15	Contractual Services - Testing	11,872	-	11,872		11,872
16	Contractual Services - Other	12,995	-	12,995		12,995
17	Rents	-	-	-		-
18	Office Supplies and Expense	-	-	-		-
19	Transportation	100	-	100		100
20	Insurance	6,288	-	6,288		6,288
21	Regulatory Commission	43,333	-	43,333		43,333
22	Miscellaneous	21,362	-	21,362		21,362
23	Depreciation and Amortization	135,073	(25,280)	109,794		109,794
24	Taxes Other Than Income	-	-	-		-
25	Property Taxes	17,062	-	17,062	4,034	21,096
26	Income Taxes	(12,294)	2,053	(10,241)	52,724	42,483
27	<b>Total Operating Expenses</b>	<u>\$ 306,697</u>	<u>\$ (2,787)</u>	<u>\$ 303,911</u>	<u>\$ 56,757</u>	<u>\$ 360,668</u>
28	<b>Operating Income</b>	<u>\$ (25,409)</u>	<u>\$ 2,787</u>	<u>\$ (22,623)</u>	<u>\$ 141,493</u>	<u>\$ 118,870</u>
29	<b>Other Income (Expense)</b>					
30	Interest and Dividend Income	-	-	-		-
31	AFUDC Income	-	-	-		-
32	Miscellaneous Non-Utility Expenses	-	-	-		-
33	Interest Expense	(22,606)	-	(22,606)		(22,606)
34						
35	<b>Total Other Income (Expense)</b>	<u>\$ (22,606)</u>	<u>\$ -</u>	<u>\$ (22,606)</u>	<u>\$ -</u>	<u>\$ (22,606)</u>
36	<b>Net Profit (Loss)</b>	<u>\$ (48,015)</u>	<u>\$ 2,787</u>	<u>\$ (45,229)</u>	<u>\$ 141,493</u>	<u>\$ 96,264</u>

37  
 38 SUPPORTING SCHEDULES:  
 39 C-1, page 2  
 40  
 41

RECAP SCHEDULES:  
 A-1



Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Test Year Ended October 31, 2015  
 Adjustments to Revenues and Expenses

Exhibit  
 Rebuttal Schedule C-2  
 Page 1  
 Witness: Bourassa

Line No.	<u>Adjustments to Revenues and Expenses</u>						<u>Subtotal</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	
1						Intentionally	
2		Property	Rate Case	Corporate	Wage	Left	
3	<u>Depreciation</u>	<u>Taxes</u>	<u>Expense</u>	<u>Costs</u>	<u>Increase</u>	<u>Blank</u>	
4	Revenues	-	-	-	-	-	-
5							
6	Expenses	(25,280)	-	-	19,381	1,059	(4,840)
7							
8	Operating						
9	Income	25,280	-	-	(19,381)	(1,059)	4,840
10							
11	Interest						
12	Expense						-
13	Other						
14	Income /						-
15	Expense						
16							
17	Net Income	25,280	-	-	(19,381)	(1,059)	4,840
18							
19							
20							
21		<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>Subtotal</u>
22				Intentionally	Intentionally	Intentionally	
23		Interest	Income	Left	Left	Left	
24		<u>Synch.</u>	<u>Taxes</u>	<u>Blank</u>	<u>Blank</u>	<u>Blank</u>	
25	Revenues	-	-	-	-	-	-
26							
27	Expenses	-	2,053	-	-	-	(2,787)
28							
29	Operating						
30	Income	-	(2,053)	-	-	-	2,787
31							
32	Interest						
33	Expense	2,320					2,320
34	Other						
35	Income /						-
36	Expense						
37							
38	Net Income	2,320	(2,053)	-	-	-	5,107
39							
40							

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Adjustments to Revenues and Expenses  
 Adjustment Number 1

Exhibit  
 Rebuttal Schedule C-2  
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 Witness: Bourassa

Depreciation Expense

Line	Acct.		Adjusted Original Cost	Non-Depr. or Fully Depr. Plant	Depr Original Cost	Proposed Rates	Depreciation Expense
1	351	Organization	37,898	(37,898)	-	0.00%	-
2	352	Franchise	799	(799)	-	0.00%	-
3	353	Land	400,000	(400,000)	-	0.00%	-
4	354	Structures & Improvements	550,401		550,401	3.33%	18,328
5	355	Power Generation	124,916		124,916	5.00%	6,246
6	360	Collection Sewer Forced	7,141		7,141	2.00%	143
7	361	Collection Sewers Gravity	480,710		480,710	2.00%	9,614
8	362	Special Collecting Structures	-		-	2.00%	-
9	363	Customer Services	122,760		122,760	2.00%	2,455
10	364	Flow Measuring Devices	3,845		3,845	10.00%	385
11	365	Flow Measuring Installations	2,457		2,457	10.00%	246
12	366	Reuse Services	-		-	2.00%	-
13	367	Reuse Meters And Installation	-		-	8.33%	-
14	370	Receiving Wells	26,226		26,226	3.33%	873
15	371	Pumping Equipment	153,187	(124,416)	28,771	12.50%	3,596
16	374	Reuse Distribution Reservoirs	-		-	2.50%	-
17	375	Reuse Trans. and Dist. System	126,541		126,541	2.50%	3,164
18	380	Treatment & Disposal Equipment	1,357,743		1,357,743	5.00%	67,887
19	381	Plant Sewers	27,752		27,752	5.00%	1,388
20	382	Outfall Sewer Lines	5,541		5,541	3.33%	185
21	389	Other Sewer Plant & Equipment	-		-	6.67%	-
22	390	Office Furniture & Equipment	1,747		1,747	6.67%	117
23	390.1	Computers and Software	12,188		12,188	20.00%	2,438
24	391	Transportation Equipment	-		-	20.00%	-
25	392	Stores Equipment	-		-	4.00%	-
26	393	Tools, Shop And Garage Equip	5,348		5,348	5.00%	267
27	394	Laboratory Equip	5,947		5,947	10.00%	595
28	395	Power Operated Equipment	-		-	5.00%	-
29	396	Communication Equip	-		-	10.00%	-
30	397	Miscellaneous Equip.	-		-	10.00%	-
31							
32	903	Land and Land Rights	1,308		1,308	0.00%	-
33	904	Structures and Improvments	14,322		14,322	2.56%	367
34	940	Office Furniture & Equipment	1,987		1,987	6.67%	133
35	940.1	Computers and Software	18,182		18,182	20.00%	3,636
36							
37		TOTALS	\$ 3,488,948	\$ (563,113)	\$ 2,925,835		\$ 122,061
38							
39		Less: Amortization of Contributions					
40			Gross	Non-Depr or	Amortizable		
41			CIAC	CIAC	CIAC	Amort. Rate <sup>1</sup>	
42		Contributions in Aid of Construction	\$ 1,013,352	\$ (400,000)	\$ 613,352	2.0000%	\$ (12,267)
43							
44		Totals	\$ 1,013,352	\$ (400,000)	\$ 613,352		\$ (12,267)
45							
46		Total Depreciation Expense					\$ 109,794
47							
48		Adjusted Test Year Depreciation Expense					\$ 135,073
49							
50		Increase (decrease) in Depreciation Expense					\$ (25,280)
51							
52		Adjustment to Revenues and/or Expenses					\$ (25,280)
53							
54		<u>SUPPORTING SCHEDULE</u>					
55		B-2, page 3					
56							

<sup>1</sup> Amortization rate is based upon collection mains and customer services depreciation rate

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Adjustment to Revenues and Expenses  
 Adjustment Number 2

Exhibit  
 Rebuttal Schedule C-2  
 Page 3  
 Witness: Bourassa

Property Taxes

Line		Test Year	Company
No.	DESCRIPTION	<u>as adjusted</u>	<u>Recommended</u>
1	Company Adjusted Test Year Revenues	\$ 281,288	\$ 281,288
2	Weight Factor	<u>2</u>	<u>2</u>
3	Subtotal (Line 1 * Line 2)	562,576	562,576
4	Company Recommended Revenue	281,288	479,537
5	Subtotal (Line 4 + Line 5)	843,863	1,042,113
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	281,288	347,371
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	562,576	694,742
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	3,492	3,492
12	Full Cash Value (Line 9 + Line 10 - Line 11)	559,084	691,250
13	Assessment Ratio	18.0%	18.0%
14	Assessment Value (Line 12 * Line 13)	100,635	124,425
15	Composite Property Tax Rate - Obtained from ADOR	16.9547%	16.9547%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 17,062	\$ 21,096
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	<u>\$ 17,062</u>	
19	Test Year Property Taxes	<u>\$ 17,062</u>	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	<u>\$ -</u>	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		<u>\$ 21,096</u>
23	Company Test Year Adjusted Property Tax Expense (Line 18)		<u>\$ 17,062</u>
24	Increase in Property Tax Due to Increase in Revenue Requirement		<u>\$ 4,034</u>
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 4,034
27	Increase in Revenue Requirement		\$ 198,250
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		2.03456%
29			
30			
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Liberty Utilities (Entrada Del Oro Sewer) Corp.  
Test Year Ended October 31, 2015  
Adjustment to Revenues and Expenses  
Adjustment Number 3

Exhibit  
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Page 4  
Witness: Bourassa

Rate Case Expense

Line  
No.

1		
2	Estimated Rate Case Expense	\$ 130,000
3		
4	Amortization Period (years)	3
5		
6	Annual Amortization	\$ 43,333
7		
8	Test Year Rate Case Expense	<u>\$ 43,333</u>
9		
10	Increase (decrease) in Rate Case Expense	<u>\$ -</u>
11		
12		
13	Adjustment to Revenue and/or Expense	<u>\$ -</u>
14		
15		
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Liberty Utilities (Entrada Del Oro Sewer) Corp.  
Test Year Ended October 31, 2015  
Adjustment to Revenues and Expenses  
Adjustment Number 4

Exhibit  
Rebuttal Schedule C-2  
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Witness: Bourassa

Corporate Cost Adjustment

Line  
No.

1		
2	<u>Corporate Allocation Adjustment - Labor</u>	
3		
4	Adjusted Allocated Labor Costs per Rebuttal	\$ 36,037
5	Adjusted Allocated Labor Costs per Direct	19,776
6		
7	Adjustment to Contractual Services Professional	<u>\$ 16,260</u>
8		
9	<u>Corporate Allocation Adjustment - Non-Labor</u>	
10		
11	Adjusted Allocated Non-Labor Costs per Rebuttal	\$ 29,351
12	Adjusted Allocated Non-Labor Costs per Direct	26,231
13		
14	Adjustment to Contractual Services Professional	<u>\$ 3,120</u>
15		
16		
17		
18	Adjustment to Revenue and/or Expense	<u>\$ 19,381</u>
19		
20	<u>Reference</u>	
21	Testimony	
22	Work Papers	
23	Response to CSB 1.34	
24		
25		
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27		
28		

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
Test Year Ended October 31, 2015  
Adjustment to Revenues and Expenses  
Adjustment Number 5

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Witness: Bourassa

Corporate Cost Adjustment - Labor

Line No.			
1			
2	<u>Contractual Services - Professional</u>		
3	Test Year Allocated Labor Costs	\$	36,037
4	Factor (1)		6.09%
5	Increase in Labor Costs	\$	2,195
6	Wage Increase per Direct		1,135
7	Change in proposed Wage Increase	\$	1,059
8			
9	Adjustment to Contractual Services - Professional	\$	1,059
10			
11	<u>Contractual Services - Other</u>		
12	Test Year Allocated Labor Costs	\$	-
13	Factor (1)		6.09%
14	Increase in Labor Costs	\$	-
15	Wage Increase per Direct		-
16	Change in proposed Wage Increase	\$	-
17			
18	Adjustment to Contractual Services - Other	\$	-
19			
20			
21	Adjustment to Revenue and/or Expense	\$	1,059
22			
23	<u>Reference</u>		
24	Testimony		
25	Work papers		

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
Test Year Ended October 31, 2015  
Adjustment to Revenues and Expenses  
Adjustment Number 6

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Rebuttal Schedule C-2  
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Line  
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**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Adjustment to Revenues and Expenses  
 Adjustment Number 7

Exhibit  
 Rebuttal Schedule C-2  
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 Witness: Bourassa

Interest Synchronization

Line  
No.

1  
2  
3  
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30

Fair Value Rate Base	\$	1,933,825	
Weighted Cost of Debt		1.05%	
Interest Expense	\$		20,286
Adjusted Test Year Interest Expense			<u>\$ 22,606</u>
Increase (decrease) in Interest Expense			(2,320)
Adjustment to Revenue and/or Expense	\$		<u><u>2,320</u></u>

Weighted Cost of Debt Computation

Pro forma Capital Structure

	<u>Percent</u>	<u>Cost</u>	<u>Weighted Cost</u>
Debt	30.00%	3.50%	1.05%
Equity	<u>70.00%</u>	11.10%	<u>7.77%</u>
Total	100.00%		8.82%

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
Test Year Ended October 31, 2015  
Adjustment to Revenues and/or Expenses  
Adjustment Number 8

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Line

No.

1 Income Taxes

2

3

4 Computed Income Tax

5 Test Year Income tax Expense

6 Adjustment to Income Tax Expense

7

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13 SUPPORTING SCHEDULE

14 C-3, page 2

15

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	<u>Test Year</u> <u>at Present Rates</u>	<u>Test Year</u> <u>at Proposed Rates</u>
	\$ (10,241)	\$ 42,483
	-	(10,241)
	<u>\$ (10,241)</u>	<u>\$ 52,724</u>

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Computation of Gross Revenue Conversion Factor

Exhibit  
 Rebuttal Schedule C-3  
 Page 1  
 Witness: Bourassa

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Federal Effective Income Tax Rate	22.247%
2		
3	State Effective Income Tax Rate	4.900%
4		
5	Property Taxes	1.482%
6		
7		
8	Total Tax Percentage	28.629%
9		
10	Operating Income % = 100% - Tax Percentage	71.371%
11		
12		
13		
14		
15	1	
16	----- = Gross Revenue Conversion Factor	
17	Operating Income %	1.4011
18		
19		
20		
21		
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27	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
28	C-3, page 2	A-1
29		
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**GROSS REVENUE CONVERSION FACTOR**

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor:</u>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	28.6290%					
5	Subtotal (L3 - L4)	71.3710%					
6	<b>Revenue Conversion Factor (L1 / L5)</b>	<b>1.401128</b>					
<u>Calculation of Uncollectible Factor:</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	27.1467%					
9	One Minus Combined Income Tax Rate (L7 - L8)	72.8533%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<u>Calculation of Effective Tax Rate:</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	4.9000%					
14	Federal Taxable Income (L12 - L13)	95.1000%					
15	Applicable Federal Income Tax Rate (L55, Col E)	23.3930%					
16	Effective Federal Income Tax Rate (L14 x L15)	22.2467%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		27.1467%				
<u>Calculation of Effective Property Tax Factor</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	27.1467%					
20	One Minus Combined Income Tax Rate (L18-L19)	72.8533%					
21	Property Tax Factor	2.0346%					
22	Effective Property Tax Factor (L20*L21)		1.4822%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			28.6290%			
24	Required Operating Income	\$ 118,870					
25	Adjusted Test Year Operating Income (Loss)	\$ (22,623)					
26	Required Increase in Operating Income (L24 - L25)		\$ 141,493				
27	Income Taxes on Recommended Revenue (Col. (E), L52)	\$ 42,483					
28	Income Taxes on Test Year Revenue (Col. (B), L54)	\$ (10,241)					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 52,724				
30	Recommended Revenue Requirement	\$ 479,537					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue	\$ 21,096					
36	Property Tax on Test Year Revenue	\$ 17,062					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 4,034				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 198,250				

	(A) (B) (C)			(D) (E) (F)		
	Test Year			Company Recommended		
	Total	Sewer		Total	Sewer	
39 Revenue	\$ 281,288	\$ 281,288		\$ 479,537	\$ 479,537	
40 Operating Expenses Excluding Income Taxes	\$ 314,151	\$ 314,151		\$ 318,185	\$ 318,185	
41 Synchronized Interest (L47)	\$ 20,286	\$ 20,286		\$ 20,286	\$ 20,286	
42 Arizona Taxable Income (L39 - L40 - L41)	\$ (53,149)	\$ (53,149)		\$ 141,068	\$ 141,068	
43 Arizona State Effective Income Tax Rate (see work papers)	4.9000%	4.9000%		4.9000%	4.9000%	
44 Arizona Income Tax (L42 x L43)	\$ (2,604)	\$ (2,604)		\$ 6,912	\$ 6,912	
45 Federal Taxable Income (L42- L44)	\$ (50,545)	\$ (50,545)		\$ 134,156	\$ 134,156	
46						
47 Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ (7,500)	\$ (7,500)		\$ 7,500	\$ 7,500	
48 Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ (136)	\$ (136)		\$ 6,250	\$ 6,250	
49 Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -	\$ -		\$ 8,500	\$ 8,500	
50 Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -	\$ -		\$ 13,321	\$ 13,321	
51 Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -	\$ -		\$ -	\$ -	
52						
53 Total Federal Income Tax	\$ (7,636)	\$ (7,636)		\$ 35,571	\$ 35,571	
54 Combined Federal and State Income Tax (L35 + L42)	\$ (10,241)	\$ (10,241)		\$ 42,483	\$ 42,483	

55 COMBINED Applicable Federal Income Tax Rate [Col. (D), L53 - Col. (A), L53 / [Col. (D), L45 - Col. (A), L45] 23.3930%

56 WASTEWATER Applicable Federal Income Tax Rate [Col. (E), L53 - Col. (B), L53] / [Col. (E), L45 - Col. (B), L45] 23.3930%

57 WATER Applicable Federal Income Tax Rate [Col. (F), L53 - Col. (C), L53] / [Col. (F), L45 - Col. (C), L45] 0.0000%

<u>Calculation of Interest Synchronization:</u>	
58 Rate Base	\$ 1,933,825
59 Weighted Average Cost of Debt	1.0490%
60 Synchronized Interest (L45 X L46)	\$ 20,286

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
**Revenue Summary**  
 With Annualized Revenues to Year End Number of Customers  
 And Estimated Customer Growth  
 Test Year Ended October 31, 2015

Exhibit  
 Rebuttal Schedule H-1  
 Witness: Bourassa

Line No.	Customer Classification	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Sewer Revenues	Percent of Proposed Sewer Revenues
1	Residential	\$ 281,190	\$ 480,554	\$ 199,364	70.90%	100.53%	100.53%
2							
3							
4							
5							
6	Subtotal Revenues	\$ 281,190	\$ 480,554	\$ 199,364	70.90%	100.53%	100.53%
7							
8	Residential customer revenue						
9	annualized to end of year, based on						
10	year end number of customers						
11	Residential	(1,470)	(2,512)	(1,042)	70.90%	-0.53%	-0.53%
12							
13							
14							
15	Subtotal Annualization	\$ (1,470)	\$ (2,512)	\$ (1,042)	70.90%	-0.53%	-0.53%
16							
17	Subtotal Revenues (including annualization)	279,720	478,041	198,321	70.90%	100.00%	100.00%
18	Misc Revenues	1,575	1,575	0	0.00%	0.00%	0.00%
19	Reconciliation amount to C-1	(7)	(79)	(72)	1028.57%	0.00%	0.00%
20	Totals	\$ 281,288	\$ 479,537	\$ 198,249	70.48%	100.00%	100.00%
21							
22							
23							
24							
25							

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Test Year Ended October 31, 2015  
 Analysis of Revenue by Detailed Class

Rebuttal Schedule H-2  
 Page 1  
 Witness: Bourassa

Line No.	Customer Classification	Average Number of Customers at 12/31/2014	Average Bill		Proposed Increase	
			Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	Residential	333	\$ 70.00	\$ 119.63	49.63	70.90%
2						
3						
4						
5						
6						
7	Total	333				
8						
9						
10						
11						

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Present and Proposed Rates  
 Test Year Ended October 31, 2015

Exhibit  
 Rebuttal Schedule H-3  
 Page 1  
 Witness: Bourassa

Line No.	Customer Classification	Present Rates	Proposed Rates	Percent Change
1	Monthly Charge for:			
2	Residential	\$ 70.00	\$ 119.63	70.90% [1]
3	School, per Student	5.600	9.570	70.90%
4	Commercial	NT	140.00	NMF
5	Commercial, per 1,000 gals[2]	NT	6.00	NMF
6				
7				
8				
9				
10				
11	Effluent	NT	Market Price	per acre foot per 1,000 gallons
12				
13	[1] Proposed Phase-in			
14				
15	Residential Monthly Charge	Year 1	Year 2	Year 3
16	Foregone Revenues Surcharge	\$ 104.74	\$ 119.63	119.63
17	Total	\$ 104.74	\$ 119.63	16.68
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[2] Base upon actual water usage provided by Arizona Water Company.  
 If water usage data cannot be obtained, then the Company proposes the following flat rate design based upon meter size:

Meter Size:	Proposed Monthly Charge
1 inch and smaller	\$ 140.00
1 1/2 inch	\$ 280.00
2 inch	\$ 448.00
3 inch	\$ 896.00
4 inch	\$ 1,400.00
6 inch	\$ 2,800.00
8 inch	\$ 4,480.00
10 inch	\$ 6,440.00

NT = No Tariff

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**

Present and Proposed Rates  
 Test Year Ended October 31, 2015

Exhibit  
 Rebuttal Schedule H-3  
 Page 2  
 Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	\$ 30.00	\$ 25.00
2	Establishment (After Hours)	\$ 60.00	NT
3	Reconnection (Delinquent)	\$ 60.00	(a)
4	Reestablishment (within 12 months)	*	*
5	Deposit	**	**
6	Deposit Interest	**	6.00%
7	NSF Check	\$ 25.00	\$ 25.00
8	Late Payment Penalty	1.5% per month	Greater of \$5.00 or 1.5% per month on unpaid balance

9 Deferred Payment  
 10 Service Charge - after hours(b)  
 11 Main Extension/ Additional Facilities  
 12 Revenues Taxes and Assessments  
 13

\* Per Commission Rule A.A.C. R-14-2-603(D) - Months off system times the minimum charge.  
 \*\* Per Commission Rule A.A.C. R-14-2-603(B). Residential - two times the average bill. Non-residential two and one-half times the average bill.  
 \*\*\* Per Commission Rule A.A.C. R14-2-608(D)

(a) Customer shall pay the actual cost of physical disconnection and Establishment Fee (if same customer) and there shall be no charge for disconnection if no physical work is performed.  
 (b) The after-hours service charge shall apply to any service requested by Customer that is performed by Company after regular business hours and shall be in addition to the regular business hours service charge.

IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-608D(5).

ALL MAIN EXTENSIONS (ADVANCES AND/OR CONTRIBUTIONS) ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.

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7 Attorneys for Liberty Utilities (Entrada Del Oro Sewer) Corp.  
8

9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10  
11 IN THE MATTER OF THE APPLICATION  
OF LIBERTY UTILITIES (ENTRADA DEL  
12 ORO SEWER) CORP., AN ARIZONA  
CORPORATION, FOR A  
13 DETERMINATION OF THE FAIR VALUE  
OF ITS UTILITY PLANTS AND  
14 PROPERTY AND FOR INCREASES IN ITS  
WASTEWATER RATES AND CHARGES  
15 FOR UTILITY SERVICE BASED  
THEREON.  
16

DOCKET NO: SW-04316A-16-0078

17 IN THE MATTER OF THE APPLICATION  
OF LIBERTY UTILITIES (ENTRADA DEL  
18 ORO SEWER) CORP., AN ARIZONA  
CORPORATION, FOR AUTHORITY TO  
19 ISSUE EVIDENCE OF INDEBTEDNESS IN  
AN AMOUNT NOT TO EXCEED  
20 \$1,750,000.

DOCKET NO: SW-04316A-16-0085

21  
22 **REBUTTAL TESTIMONY OF**  
23 **RAMESH NARASIMHAN, P.E.**

24  
25 **September 26, 2016**  
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1 **I. INTRODUCTION.**

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

3 A. My name is Ramesh Narasimhan. My business address is 202 E. Earll Drive,  
4 Suite 110, Phoenix, Arizona 85012.

5 **Q. WHAT IS YOUR PROFESSION AND EDUCATIONAL BACKGROUND?**

6 A. I'm the founder and president of Narasimhan Consulting Services Inc. dba NCS  
7 Engineers, a water and wastewater engineering consulting firm providing civil,  
8 water, wastewater, environmental, stormwater, grant administration, financial  
9 assistance and research-related services to public agencies and private sector clients  
10 throughout the United States and Canada. I have a B.S. in Civil Engineering from  
11 Arizona State University, a M.S. in Environmental Engineering from Arizona State  
12 University, and a MBA from the University of Phoenix.

13 **Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.**

14 A. I have 27 years of experience in all aspects of wastewater treatment facility design  
15 and operations. I'm a national expert in water and wastewater and residuals  
16 handling and have served as design engineer or project manager on more than  
17 40 such study and design projects through the United States. My resume, which  
18 contains a detailed list of representative projects, is attached as **Exhibit RN-RB1**.

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

20 A. Yes. I'm a licensed Professional Civil Engineer in Arizona, New Mexico, and  
21 California. Additionally, I belong to several professional organizations such as the  
22 American Water Works Association, American Society of Civil Engineers,  
23 Arizona Water and Pollution Control Association, and American Membrane  
24 Technology.

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

26 A. I'm providing this testimony on behalf of the applicant, Liberty Utilities (Entrada

1 Del Oro Sewer) Corp. (“Liberty EDO” or “Company”).

2 **Q. DID YOU PROVIDE DIRECT TESTIMONY ON BEHALF OF LIBERTY**  
3 **EDO IN THIS CASE?**

4 A. No, I did not.

5 **II. PURPOSE OF TESTIMONY AND SUMMARY.**

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

8 A. To respond to certain aspects of the engineering analysis and recommendations  
9 made by Mr. Jian Liu, the Arizona Corporation Commission Utilities’ Division  
10 Staff Engineer (“Staff”) engineer assigned to this case.

11 **Q. ARE YOU FAMILIAR WITH THE LIBERTY EDO WASTEWATER**  
12 **TREATMENT PLANT?**

13 A. Yes. Mr. Steve Wedwick is employed by NCS as a Senior Project Manager.  
14 Mr. Wedwick was closely involved in the original design and construction of the  
15 Liberty EDO Wastewater Treatment Plant (“WWTP”). I oversaw Mr. Wedwick’s  
16 recent engineering work to identify and assign a value to the components that are  
17 not needed to support capacity of 150,000 gpd. Further, Liberty EDO retained  
18 NCS to conduct a capacity and cost differential analysis (“NCS Analysis”) of the  
19 Liberty EDO WWTP. NCS also prepared a Reconstruction Cost New or “RCN”  
20 study for the Liberty EDO WWTP. The RCN study is discussed further below.

21 **Q. YOU HAVE REVIEWED MR. LIU’S TESTIMONY AND ENGINEERING**  
22 **REPORT IN THIS DOCKET?**

23 A. Yes. I also met with Mr. Liu and representatives from Liberty EDO to discuss  
24 Staff’s recommendations and I have read his responses to data requests. The focus  
25 of my rebuttal testimony is to summarize NCS’ involvement in this case and to  
26 discuss the remaining areas of disagreement with Staff’s engineering opinions.

1 The primary area of disagreement is Staff's valuation of its disallowance for excess  
2 capacity of the WWTP. My testimony here addresses Staff's cost and engineering  
3 opinions relating to the RCN determination and original cost components.

4 **Q. WOULD YOU BRIEFLY SUMMARIZE THE FINDINGS FROM NCS'**  
5 **CAPACITY AND COST ANALYSIS?**

6 A. As built, the Liberty EDO WWTP is constructed to treat 150,000 gallons per day.  
7 The NCS Analysis identified and valued certain components of the existing  
8 WWTP that are not necessary to support a treatment capacity of 150,000 gpd. This  
9 NCS Analysis concluded that those components are valued at \$299,000.<sup>1</sup> In its  
10 application, Liberty EDO records this adjustment and effectively reduces its assets  
11 value to effectively reflect the value of a 150,000 gpd plant excluding any  
12 components beyond those components necessary for 150,000 gpd.

13 NCS evaluated the current and anticipated flows of the Liberty EDO  
14 WWTP, as well as evaluated additional costs incurred based on maximum flows  
15 for the next five years (estimated at approximately 90,000 gpd). Certain  
16 components were designed and constructed in accordance with typical industry  
17 practice to reduce long term costs and allow usability for the long term without  
18 future expansions of those facilities. It is industry practice and good engineering to  
19 construct concrete tanks, larger pipes and electrical systems to accommodate  
20 increased flows and usage over time because, otherwise, it would be very costly to  
21 upsize these components at a future date. Components of the Liberty EDO WWTP  
22 that fall in this category include the influent pump station, flow splitter box, flow  
23 equalization basin, odor control, tertiary filter, UV disinfection, and effluent pump  
24 station which were sized to handle higher flows. Also, two concrete basins were

25  
26 <sup>1</sup> Direct Testimony of Matthew Garlick at 10.

1 constructed for the biological treatment system (aerobic sludge digestion, blowers,  
2 biological treatment, and clarifier), each capable of handling 150,000 gpd. One  
3 basin is used currently and the second was not equipped with any mechanical  
4 equipment so it can be operated. NCS computed the total cost differential as  
5 \$525,900 between a 90,000 gpd<sup>2</sup> (nominal) facility and the constructed facility,  
6 net of the removal for components that would provide future expansion, based on  
7 engineering information.

8 **Q. DID STAFF ACCEPT THE CONCLUSION OF THE NCS ANALYSIS?**

9 A. I don't know. In my review of Mr. Liu's report and testimony, I did not see any  
10 disagreement with the \$299,000 valuation to adjust for the components in place to  
11 enable further expansion to 300,000 mgd.

12 **Q. PLEASE DESCRIBE THE AREAS OF DISAGREEMENT WITH STAFF'S**  
13 **RECOMMENDATION REGARDING EXCESS CAPACITY.**

14 A. As explained in the testimony of Matthew Garlick, Liberty EDO agrees with  
15 Staff's conclusion that capacity of 84,000 gpd is a reasonable capacity necessary to  
16 serve the customers of Liberty EDO. However, Liberty EDO disagrees with the  
17 method used by Staff to monetize the reduction from 150,000 gpd to 84,000 gpd.

18 **Q. WOULD YOU PLEASE SUMMARIZE YOUR AREAS OF**  
19 **DISAGREEMENT WITH STAFF ON THOSE POINTS, MR.**  
20 **NARASIMHAN?**

21 A. In calculating the value of the capacity reduction, Staff applies a simple straight-  
22 line factor to certain assets values. This does not result in an accurate valuation,  
23 as discussed more fully below. This also contradicts prudent engineering and cost  
24 estimating practices for the reasons noted above because some plant components

25 \_\_\_\_\_  
26 <sup>2</sup> There are no further appreciable cost differences between a 90,000 gpd facility and a  
facility at Staff's recommended capacity of 84,000 gpd.

1 were properly sized and built irrespective of capacity at 84,000 gpd or 150,000  
2 gpd.

3 **III. STAFF'S EXCESS CAPACITY ADJUSTMENT.**

4 **Q. DO YOU AGREE WITH STAFF'S EXCESS CAPACITY ADJUSTMENT?**

5 A. No. While I accept Staff's conclusion that Liberty EDO is currently using  
6 56 percent of its available treatment capacity,<sup>3</sup> the valuation of the reductions  
7 simply does not lend itself to straight-line computations because of the inverse  
8 relationship that exists between the cost of treatment capacity per gallon and the  
9 size of the WWTP.<sup>4</sup> Calculating the disallowance in the manner recommended by  
10 Staff is incorrect because adjustments for excess capacity need to consider that the  
11 capacity cost per gallon of treatment capacity is generally higher for smaller plants  
12 than for larger plants, meaning that a plant that is 44 percent smaller would not cost  
13 44 percent less. Based on my substantial experience with construction, design and  
14 cost review of wastewater treatment plants, it is my opinion that it is inappropriate  
15 to reduce the size and associated costs of all of the components of smaller plants in  
16 direct proportion to the capacity reduction.

17 **Q. HOW DOES THE APPROACH NCS TOOK IN ITS ANALYSIS DIFFER**  
18 **FROM THE APPROACH STAFF TOOK IN THIS CASE?**

19 A. NCS evaluated the WWTP on a component-by-component basis to identify  
20 components that could have been smaller and the components that could not have  
21 been smaller. By contrast, Staff did conduct a component-by-component analysis,  
22 and simply applied a straight-line 44 percent reduction to components. I can't  
23 agree with that approach.

24 <sup>3</sup> Direct Testimony of Jian W. Liu ("Liu Dt."), Engineering Report (Exhibit JWL) at 8.

25 <sup>4</sup> Staff recommends a disallowance of \$1,072,851 to the Original Cost Rate Base by  
26 removing 44 percent of the value of account 354 Structures and Improvements and  
account 380 Treatment and Disposal Equipment.

1 **Q. PLEASE DESCRIBE NCS' VALUATION OF THE REDUCTION AS**  
2 **COMPARED WITH STAFF'S VALUATION.**

3 A. As reflected above, NCS determined that the reduction to the plant value is  
4 \$525,900, which compares with the \$1,072,851<sup>5</sup> calculated by Staff using a  
5 straight-line computation.

6 **Q. THEN WHY DOES LIBERTY EDO ACCEPT STAFF'S 44 PERCENT**  
7 **ADJUSTMENT IN THIS CASE?**

8 A. As Mr. Garlick explains in his rebuttal, rather than fight over how to determine the  
9 cost and/or amount of capacity not being used, the Company will accept Staff's  
10 calculation that 44 percent of the capacity is not being used currently.<sup>6</sup> However,  
11 Liberty EDO does not completely agree with the manner in which Staff has  
12 calculated the monetary impact of its 44 percent adjustment. The engineering  
13 approach I utilized in computing the cost impact of the flow reduction considers  
14 the actual cost differential between the facilities required for both capacities, not  
15 just utilizing a linear unit cost approach (i.e., linear 44 percent cost reduction).  
16 Unit costs vary significantly at these smaller plant flow rates and using a linear  
17 approach to compute the impact of such a capacity reduction will not result in an  
18 adequate evaluation.

19 **Q. WHY NOT?**

20 A. A WWTP consists of many components. The most common wastewater treatment  
21 plants consist of primary, secondary and tertiary treatment components. The  
22 Liberty EDO WWTP primary treatment components consist of an influent pump  
23 station, headworks, and flow splitter box. Secondary treatment components consist  
24 of a biological treatment system and tertiary treatment consisting of filters, odor

25 <sup>5</sup> See Direct Testimony of Briton A. Baxter at 4:23-26.

26 <sup>6</sup> Rebuttal Testimony of Matthew Garlick at 1:19 – 2:13.

1 control, UV disinfection, an effluent pump station and other miscellaneous  
2 components that are common for any treatment plant, as are a backup generator,  
3 controls building and laboratory. Of the aforementioned, the following were sized  
4 efficiently and could not have been smaller: controls building (except for the  
5 blower area), laboratory, and flow splitter box. However, the influent pump station  
6 could have been smaller with smaller pumps and less concrete, and we estimate the  
7 reduction would be \$10,300. For a smaller headworks, the cost differential of the  
8 existing headworks and a smaller unit would be \$19,000. A smaller biological  
9 treatment system could have been used with smaller footprint and smaller pipes  
10 with the cost differential of \$350,500. A smaller filter, odor control unit, UV  
11 disinfection unit, and a smaller effluent pump station could be used to treat 84,000  
12 gpd, and the total cost differential would be \$102,600. The current backup  
13 generator is a 300 KVA generator. If we were to build an 84,000 gpd plant it  
14 would require only a 200 KVA generator and the cost difference would be  
15 \$12,000. Other miscellaneous costs during construction could have been reduced  
16 in terms of grading, drainage and site work and we estimate the cost differential  
17 would be \$20,300.

18 **Q. WHY COULDN'T THE BUILDING (EXCEPT FOR THE BLOWER AREA)**  
19 **AND CONTROL PANEL AND ELECTRICAL COMPONENTS HAVE**  
20 **BEEN SMALLER?**

21 A. The building and control panel at the Liberty EDO WWTP consists of a small  
22 office area, blower building, a small laboratory and an electrical room. None of  
23 these items could have been built smaller except for the blower room, which could  
24 have been smaller by 132 square feet, which equates to a cost differential of  
25 \$11,200.

26

1 **Q. BUT MR. NARASIMHAN, ISN'T STAFF'S POINT THAT LIBERTY EDO**  
2 **DIDN'T NEED 150,000 GPD OF TREATMENT CAPACITY IN THE FIRST**  
3 **PLACE?**

4 A. Yes, that does appear to be Staff's position, but I don't agree. When the decision  
5 to build this plant was made, the Company and its engineer used available  
6 information to build, design and size the plant. The sizing of the plant was done  
7 properly in accordance with good engineering practices and based on available  
8 information about projected flows. Even so, Liberty EDO is willing to accept  
9 Staff's capacity reduction to 84,000 gpd, notwithstanding the reasonableness of the  
10 plant size at that time the plant was built. But I cannot agree with Staff's linear  
11 approach to reducing the plant account numbers for the reasons stated above, and I  
12 don't agree with Staff's RCN reductions. All in all, I believe our NCS Analysis  
13 correctly reflects the original cost plant values.

14 **IV. STAFF'S ANALYSIS OF RCN RATE BASE.**

15 **Q. DID NCS ASSIST LIBERTY EDO IN THE PREPARATION OF THE RCN**  
16 **RATE BASE IN THIS CASE?**

17 A. NCS prepared an RCN study for Liberty EDO.

18 **Q. WHAT EXACTLY IS AN RCN STUDY, MR. NARASIMHAN?**

19 A. An RCN study provides the cost to replace an asset in today's dollars. In order to  
20 determine the historical value, the value in today's dollars is then seasonally  
21 adjusted, or discounted, to the year the assets was created or purchased. Here, the  
22 Liberty EDO WWTP was constructed in 2006.

23 **Q. DID STAFF REVIEW THE RCN STUDY?**

24 A. Yes, Mr. Liu discusses it in his engineering report.<sup>7</sup> Specific to my testimony here,  
25

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26 <sup>7</sup> Liu Dt., Engineering Report at 8-9.

1 the report says "Staff reviewed the NCS Report and noted that the costs for several  
2 plant items are increased from 225 percent to 1,131 percent. Staff asked the  
3 Company about the reasonableness of these cost trends [sic] the Company didn't  
4 offer any additional explanation. Staff has been unable to verify the  
5 reasonableness of these numbers."<sup>8</sup> I can and in this testimony reaffirm the  
6 reasonableness of all of the plant costs and cost trends used in the RCN analysis.

7 **Q. OKAY, PLEASE EXPLAIN.**

8 A. The performance on an RCN study is intensive and is based upon detailed  
9 knowledge of the wastewater system and current construction costs. The detail  
10 support for the RCN was provided to Staff on a component-by-component basis.  
11 These values set forth in the RCN study are an accurate reflection of the current  
12 amounts needed to replace the system at Liberty EDO based on my extensive  
13 engineering and construction experience. By contrast, in its analysis of the  
14 reasonableness of the RCN values, Staff simply compared the original cost with the  
15 RCN value and identified certain instances where the relationship appeared  
16 excessive. From this, Staff concluded that the RCN value is too high. I don't  
17 agree with this overly simplistic approach and believe it is inaccurate relating to the  
18 Liberty EDO WWTP.

19 **Q. WHAT IMPACT DO STAFF'S CHANGES HAVE ON THE RCN PLANT**  
20 **VALUES?**

21 A. Staff reduces the RCN values by approximately \$1.3M from the RCN value.<sup>9</sup>

22 **Q. DID STAFF PERFORM ITS OWN RCN STUDY BASED ON CURRENT**  
23 **CONSTRUCTION COSTS?**

24 A. Not as far as I know. In response to a data request sent by the Company to Staff,

25 <sup>8</sup> *Id.*

26 <sup>9</sup> Schedule BAB-4b, Adj 3 which is based on Attachment B to the Engineering Report.

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Staff indicates that it did not perform its own replacement cost analysis.<sup>10</sup>

**Q. DO YOU HAVE ANY OTHER COMMENTS ON STAFF'S CONCLUSION THAT THE RCN AMOUNTS ARE TOO HIGH?**

A. Yes. Based on the valuation of the assets and how the amounts were allocated to the various accounts, I don't believe the total RCN value, as allocated to the various plant accounts, exactly lines up with how the Company recorded costs to its plant accounts, and this is contributing to Staff's concerns over some of the resulting factors. As indicated in the Company's application, however, the total of Gross Utility Plant in Service (as adjusted for capacity) was \$4,010,610 and \$6,522,612 for Original Cost Rate Base ("OCRB") basis and RCN basis, respectively. Dividing the RCN basis by the OCRB amounts yields a factor of approximately 1.626, demonstrating the overall relationship between the two amounts. In other words, the total RCN cost is appropriate and falls within reasonable RCN factors, which means the total RCN cost is reasonable, irrespective of variations in RCN factors for particular NARUC accounts. I also would note that Staff did not determine whether the RCN factors for other NARUC accounts were too low, as included in the total. As a result, Staff's analysis is piecemeal and incomplete, which skews the results.

**Q. DOES STAFF HAVE AN OPINION REGARDING THE APPROPRIATE INFLATION RATE AND RELATED MULTIPLIER TO DEFINE THE REASONABLENESS OF THE RELATIONSHIP BETWEEN OCRB AND RCN?**

A. Yes. Staff proposes RCN factors ranging from 1.591 to 1.604.<sup>11</sup>

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<sup>10</sup> See Staff Response to Company Data Request 3.1(e).

<sup>11</sup> Liu Dt., Engineering Report at 9.

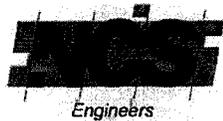
1 **Q. APPLIED TO THE TOTAL UTILITY PLANT IN SERVICE, DOES THE**  
2 **DIFFERENCE IN THE RCN FACTORS DESCRIBED ABOVE SUPPORT**  
3 **STAFF'S RECOMMENDED ADJUSTED TO THE RCN VALUE?**

4 A. No. As discussed above, Staff's calculation of an RCN factor would not support its  
5 downward adjustment on a total plant basis. The application of Staff's  
6 approximate RCN factors to the OCRB plant would result in an RCN value of  
7 \$6,416,976, which is a reduction of \$105,636 from the Company's proposed RCN  
8 of \$6,522,612. This indicates that, taken as a whole, Staff's recommended  
9 reduction of approximately \$1.3M to the Company's RCN value is overstated.

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

11 A. Yes.  
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# **EXHIBIT RN-RB1**



**Ramesh Narasimhan, P.E.**

**Professional Experience**

Years of Experience: 27  
Years with NCS: 18

**Education**

B.S. Civil Engineering  
Arizona State University  
Tempe, AZ

M.S. Environmental Engineering  
Arizona State University  
Tempe, AZ

MBA - University of Phoenix

**Licenses & Certifications**

Licensed Professional Civil  
Engineer, Arizona, New Mexico,  
California

Certified Operator: Arizona Grade  
2 - Water Distribution, Water  
Treatment, and Wastewater  
Collection

**Professional Associations**

American Water Works  
Association

American Society of Civil Engineers

Arizona Water and Pollution  
Control Association

American Membrane Technology  
Association

**Ramesh Narasimhan, P.E. - Relevant Experience**

Mr. Narasimhan, president of NCS Engineers (NCS), has 27 years of experience in all aspects of Surface WTP Facility Design and Operations. He is a national expert in surface water treatment and residuals handling and has served as a design engineer or project manager on more than 40 such study and design projects throughout the United States. The following is representative of Mr. Narasimhan's experience:

**Technical Advisor, City of Baltimore Water Treatment Program** - Mr. Narasimhan serves as project principal and technical advisor for several water quality and treatment projects for the City of Baltimore. This includes review of design memoranda and testing plans for several projects relating to UV, disinfection and storage.

**Project Principal, Washington Aqueduct Water Treatment Projects** - Mr. Narasimhan serves as project principal and technical advisor for several treatment projects for the McMillan and Dalecarlia WTPs, with a combined capacity of over 300 MGD, that serve Washington, DC and surrounding areas. This includes review of design memoranda and testing plans for several projects relating to pump stations, sampling and analysis, disinfection and storage.

**Multiple Treatment Projects for Turbidity and TOC Removal, Phoenix, AZ and Glendale, AZ WTPs** - For the past several years, Mr. Narasimhan has assisted these water systems with enhanced coagulation (EC) activities for five surface WTPs (Verde, Val Vista, Deer Valley, Cholla and Squaw Peak) as part of several projects. These included the first documented bench and full scale EC studies to optimize both arsenic and TOC removal in surface WTPs. The secondary effects of enhanced coagulation were also evaluated (corrosion, impacts on filter operations, impacts on disinfection, aluminum residual, residuals dewaterability, disposal constraints, and recycle streams). Mr. Narasimhan also assisted with implementation activities including design, operating strategies for varying raw water quality conditions, and reporting and communications protocols.

**Union Hills WTP Improvements Design, Phoenix, AZ** - Mr. Narasimhan participated on the technical advisory team for the upgrades to this 160 MGD facility. He was responsible for assessment, study, predesign, and design of the residuals handling system, including clarification, thickening and dewatering equipment. The residuals handling system was upgraded specifically to handle the impacts of additional solids from enhanced coagulation.

**Residuals Handling Assessment, Los Angeles Department of Water and Power (LADWP)** - Mr. Narasimhan was part of a large consultant team that performed this comprehensive predesign study, field testing evaluation, and 30% design for additional pretreatment and residuals handling facilities. The project consisted of evaluating and implementing the optimal method of enhanced coagulation facilities for turbidity, arsenic and disinfection by-product precursor removal at LADWP's 600 MGD Aqueduct Filtration Plant.

**Comprehensive Planning and Water Facilities Design, Glendale, AZ** - Mr. Narasimhan assisted in this comprehensive project to develop acceptable treatment process and design criteria for a new 10 MGD surface WTP expansion for the City of Glendale, AZ. An assessment of treatment plant performance, pilot testing needs, WTP performance modeling, and residuals handling requirements was conducted.

**Tolleson WWTP Infrastructure Master Plan, Tolleson, AZ** - Mr. Narasimhan was the Project Principal for the Tolleson WWTP Infrastructure Master Plan that analyzed the existing plant processes and will recommend immediate, short term, and long term improvements.

**Maricopa WWTP Expansion Assessment** - Mr. Narasimhan was the Project Principal for the Maricopa WWTP Expansion Assessment and design project that is analyzing existing conditions, characterize the wastewater, and recommending improvements to expand the plant by 2 MGD and replace the existing SBR technology with IFAS BNR. Design will follow this assessment.

**Buckskin Sanitary District WWTP Design** - Mr. Narasimhan was the Project Principal for design of improvements at the Buckskin Sanitary District. These improvements include a new mechanical headworks screen, covers over the equalization and sludge basins, odor control, and emergency generator.

**Hospital Tank PER and Rehabilitation, City of Santa Fe, NM** - Mr. Narasimhan served as Principal-In-Charge for this planning and design project.

**Treatment Facility Assessment and Asset Management Plan, Buckman Direct Diversion, Santa Fe, NM** - Mr. Narasimhan serves as project principal for this ground breaking project where a 20 year master plan will be prepared using optimization algorithms.

**Wastewater Treatment Plant 3 Facility Evaluation and Masterplan** - City of Rio Rancho, NM - Served as principal engineer for this evaluation of equipment and process units at the existing WWTP. He developed cost estimates for rehabilitation, process optimization, and CIP development. He assisted with preparing the WWTP Facility master plan report.

**Well 14 Booster Pump Station Design, City of Rio Rancho, NM** - Mr. Narasimhan assisted with the completion of the design of an estimated \$1.1 million booster pump station located at Northern Boulevard and 21st Street. Mr. Narasimhan was the PIC, overseeing the preparation of preliminary engineering reports, design calculations, hydraulic modeling to evaluate potential surge issues, construction cost estimates, and obtaining plan approval from the New Mexico Environment Department.

**North Forty Booster Pump Station, Clovis, NM** - Mr. Narasimhan was the Principal-in-Charge for the New Mexico American Water Company (NMAWC) in replacing an outdated facility with a new, modern pump station. Mr. Narasimhan oversaw site plans for the proposed new facilities. The new pump station will consist of end suction centrifugal pumps in an above ground prepackaged steel enclosure, mounted on a concrete foundation, a chlorine gas feed enclosure, and a portable generator.

**Well 12 TDS Treatment Facility, City of Rio Rancho, NM** - Mr. Narasimhan was Principal-in-Charge for this project for which NCS is providing construction management services, including performing daily inspections and completing inspection reports, reviewing payment applications, assisting with review and closeout of shop drawings and submittals, coordinating field activities, and resolving potential construction conflicts, for the City of Rio Rancho.

**Solids Handling Evaluation, Potomac Filtration Plant, Washington Suburban Sanitary Commission** - Mr. Narasimhan served as the technical advisor for this project where the solids handling impact of alternate coagulant strategies were evaluated. This is included evaluating the process elements and evaluating included assessment of thickening, backwash handling and dewatering equipment for materials compatibility and performance. A list of recommended process considerations and plant improvements was prepared. The impacts on permitting and solids disposal were also identified.

**Regulatory Compliance Excellence Program (RCEP) For Water Remote Facilities, City of Phoenix, AZ** - Mr. Narasimhan was the project manager and principal for this program that was developed to evaluate the City's chemical facilities and identify improvements necessary to comply with chemical handling, fire code, and hazardous materials and waste regulations; improve operator safety and access to controls when chemical spills are present; mitigate corrosion of piping and equipment; and upgrade electrical and instrumentation systems to meet codes, prevent corrosion, and improve accessibility. Mr. Narasimhan is currently assisting the City with the design phase of this project.

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8

9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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

DOCKET NO: SW-04316A-16-0078

17 IN THE MATTER OF THE APPLICATION  
18 OF LIBERTY UTILITIES (ENTRADA DEL  
ORO SEWER) CORP., AN ARIZONA  
CORPORATION, FOR AUTHORITY TO  
19 ISSUE EVIDENCE OF INDEBTEDNESS IN  
AN AMOUNT NOT TO EXCEED  
20 \$1,750,000.

DOCKET NO: SW-04316A-16-0085

21  
22 **REBUTTAL TESTIMONY OF**  
23 **THOMAS J. BOURASSA**

24 **COST OF CAPITAL**

25  
26 **September 26, 2016**

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1 **I. INTRODUCTION.**

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

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

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

6 A. I am providing testimony on behalf of Liberty Utilities (Entrada Del Oro Sewer)  
7 Corp. (“Liberty EDO” or “Company”).

8 **Q. HAVE YOU ALSO PREPARED REBUTTAL TESTIMONY ON RATE BASE**  
9 **ISSUES IN THIS DOCKET?**

10 A. Yes, my rebuttal testimony on rate base, income statement, revenue requirement and  
11 rate design is being filed in a separate volume concurrently with this testimony.  
12 In this volume, I present my cost of capital rebuttal testimony.

13 **Q. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR REBUTTAL**  
14 **TESTIMONY?**

15 A. I will provide updates of my cost of capital analysis and recommended rate of return  
16 using more recent financial data. I also will provide rebuttal in response to the direct  
17 testimony of Staff cost of capital witness, Crystal Brown.

18 **II. SUMMARY OF REBUTTAL TESTIMONY AND THE PROPOSED COST**  
19 **OF CAPITAL FOR LIBERTY EDO.**

20 **A. Summary of Rebuttal Recommendations.**

21 **Q. WHAT IS YOUR RECOMMENDED COST OF CAPITAL FOR LIBERTY**  
22 **EDO?**

23 A. I recommend a return on equity or ROE of 11.1 percent, which is 180 basis points  
24 above the mid-point of the range of my DCF, Risk Premium, and CAPM analyses of  
25 9.3 percent for the publicly traded water utilities (“water proxy group”).  
26 My recommended 11.1 percent is also at the mid-point of the range of estimates for

1 Liberty EDO, which takes into account a downward financial risk adjustment of  
2 10 basis points and which recognizes Liberty EDO's lower financial risk compared  
3 to the water proxy group, and an upward risk adjustment for Liberty EDO of  
4 190 basis points to recognize the additional investment risk of an investment in  
5 Liberty EDO compared to the water proxy group.<sup>1</sup> I continue to use a capital  
6 structure consisting of 30 percent debt and 70 percent equity. I also recommend a  
7 cost of debt of 3.50 percent. Based on these recommendations, the weighted average  
8 cost of capital ("WACC") for Liberty EDO is 8.82 percent.<sup>2</sup>

9 **Q. HOW DOES YOUR REBUTTAL RECOMMENDATION FOR LIBERTY**  
10 **EDO COMPARE TO THE DIRECT FILING?**

11 A. In the direct filing, I recommended an ROE of 12.0 percent, a cost of debt of 3.5  
12 percent, and a WACC of 9.45 percent.

13 **Q. HAVE YOU UPDATED YOUR COST OF CAPITAL ANALYSIS?**

14 A. Yes, I have updated the inputs to my analysis using more recent data. The overall  
15 results of my updated analysis for the water proxy group are lower than those in my  
16 direct testimony. There are several reasons for this, including lower project growth  
17 rate for my Discounted Cash Flow model ("DCF"), and lower expected risk-free  
18 interest rates used in my Risk Premium and Capital Asset Pricing Model ("CAPM").  
19 The range of my rebuttal DCF, Risk Premium, and CAPM analyses for the water  
20 proxy group is from 9.1 percent to 9.5 percent with a mid-point of 9.3 percent.<sup>3</sup> This  
21 compares to my direct filing where the range was from 9.7 percent to 10.3 percent  
22 with midpoint estimate of 10.0 percent.<sup>4</sup>

23 \_\_\_\_\_  
24 <sup>1</sup> See Rebuttal Schedule D-4.1.

25 <sup>2</sup> See Rebuttal Schedule D-1.

26 <sup>3</sup> See Rebuttal Schedule D-4.1.

<sup>4</sup> See Liberty EDO Direct Schedule D-4.1.

1           After considering the differences in business and financial risk between  
2 Liberty EDO and the publicly traded water utilities, the cost of equity for Liberty  
3 EDO falls in the range of 10.9 percent to 11.3 percent with a mid-point of  
4 11.1 percent. As a result, I recommend an ROE of no less than 11.1 percent for  
5 Liberty EDO.

6 **Q. WHAT CHANGES HAVE YOU MADE TO YOUR RECOMMENDED RISK**  
7 **PREMIUM FOR LIBERTY EDO?**

8 A. Instead of recommending a 230 basis point premium to reflect the additional risks of  
9 an investment in Liberty EDO compared to the water proxy group, I now recommend  
10 190 basis points, which is at the mid-point of my risk premium estimates based upon  
11 my updated risk study for Liberty EDO. My direct filing risk study was shown in  
12 Exhibit TJB-COC-DT2. I provide an updated risk study for rebuttal in **Exhibit TJB-**  
13 **COC-RB1.**

14           My risk study provides an objective quantitative measure of the relative  
15 business and regulatory risks faced by Liberty EDO compared to the substantially  
16 larger publicly traded water utilities. My updated comparative risk studies also  
17 reveal that Liberty EDO is 3 to 5 times more risky than the publicly traded water  
18 utilities as measured by the commonly used metrics – the coefficient of variation of  
19 operating income, coefficient of variation of operating margin, and coefficient of  
20 variation of return on equity.<sup>5</sup> This is indisputable evidence that Liberty EDO is  
21 more risky than the utilities in the water proxy group. And, only Liberty EDO's cost  
22 of equity analysis considers this additional risk.

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<sup>5</sup> See **Exhibit TJB-COC-RB1**, page 1.

1 **Q. DOES THE FAILURE TO CONSIDER THE DIFFERENCES IN RISK**  
2 **VIOLATE THE COMPARABLE EARNINGS STANDARD?**

3 A. In my view it does. As I discussed in my direct testimony, there are two landmark  
4 Supreme Court decisions, *Bluefield Water Works* and *Hope Natural Gas*, which  
5 established the basic criteria applicable to determining a fair and reasonable rate of  
6 return. As I stated on pages 15 through 17 of my direct testimony, a utility's  
7 authorized rate of return should satisfy the following:

- 8 (1) The rate of return should be similar to the return in businesses with  
9 similar or comparable risks;
- 10 (2) The return should be sufficient to ensure the confidence in the  
11 financial integrity of the utility; and
- 12 (3) The return should be sufficient to maintain and support the utility's  
13 credit.

14 The cost of capital is based on the concept of opportunity cost, i.e., the  
15 prospective return to investors must be comparable to investments of similar risk.  
16 If a utility's return is less than the returns on investments with similar risk, investors  
17 can and will invest elsewhere. As explained by Dr. Roger Morin:

18 The concept of cost of capital is firmly anchored in the  
19 opportunity cost notion of economics. The cost of a specific  
20 source of capital is basically determined by the riskiness of that  
21 investment in light of alternative opportunities and equals  
22 investor's current opportunity cost of investing in the securities  
23 of that utility. A rational investor is maximizing the  
24 performance of his or her portfolio only if returns expected on  
25 investor investments of comparable risk are the same. If not,  
26 the investor will switch out of those investments yielding low  
returns at a given risk level in favor of those investments  
offering higher returns for the same degree of risk. This  
implies that a utility will be unable to attract capital unless it  
can offer returns to capital suppliers comparable to those  
achieved on alternate competing investments of similar risk.<sup>6</sup>

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<sup>6</sup> Morin, Roger A., *New Regulatory Finance*, (Vienna, Virginia, Public Utility Reports, Inc.



1 to consider the rates of return that are actually being earned. If the authorized rate  
2 of return for a utility set by this Commission differs substantially from the rates of  
3 return that are actually being earned by the sample group, the comparable earnings  
4 standard set forth in *Hope* and *Bluefield* will be violated.

5 **Q. HOW DO THE RESULTS OF YOUR COST OF EQUITY ANALYSIS OF**  
6 **THE PUBLICLY TRADED WATER UTILITIES COMPARE TO THE DATA**  
7 **IN TABLE 1?**

8 A. The range of my rebuttal DCF, Risk Premium, and CAPM results on the ROEs for  
9 the water proxy group is from 9.1 percent to 9.5 percent with a mid-point of  
10 9.3 percent. This is significantly below the actual 2015 returns listed in Table 1 of  
11 10.1 percent and well below the projected returns.<sup>7</sup> I believe my analysis may  
12 understate the true cost of equity and is conservative as a result.

13 **Q. HAVE YOU DEVELOPED A REBUTTAL RECOMMENDATION FOR THE**  
14 **RATE OF RETURN THAT SHOULD BE APPLIED TO LIBERTY EDO'S**  
15 **FAIR VALUE RATE BASE?**

16 A. Yes. I recommend a fair value rate of return ("FVROR") of 6.15 percent.<sup>8</sup> This  
17 compares to the direct filing FVROR recommendation of 6.92 percent. My rebuttal  
18 FVROR recommendation is lower for two reasons. First, my 11.1 percent ROE  
19 recommendation is lower than my recommendation of 12.0 percent in the direct  
20 filing. Second, my recommended return on the fair value increment of 1.0 percent  
21 is lower than my recommendation of 1.25 percent in the direct filing.

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25 <sup>7</sup> See Rebuttal Schedule D-4.1.

26 <sup>8</sup> See Exhibit TJB-COC-RB2, page 1.

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**B. Summary of the Staff Recommendations.**

**Q. PLEASE SUMMARIZE THE RECOMMENDATIONS OF STAFF FOR THE RATE OF RETURN ON FAIR VALUE RATE BASE.**

A. Staff is recommending a capital structure consisting of 30 percent debt and 70 percent equity, the same as Liberty EDO.<sup>9</sup> Staff recommends an ROE of 9.4 percent based on the highest result produced by its DCF and CAPM models.<sup>10</sup> Staff also recommends a cost of debt of 3.50 percent, same as the Company.<sup>11</sup>

Staff used a sample of seven publicly traded water utilities, all of which are the same as those I used in my analysis.<sup>12</sup> Staff did not consider financial risk or differences in business and regulatory risks between the publicly traded water companies and Liberty EDO or the publicly traded water companies. Based on its capital structure recommendation, Staff determined the WACC for Liberty EDO to be 7.70 percent.<sup>13</sup>

**Q. WHAT ABOUT STAFF’S FVROR RECOMMENDATION?**

A. Staff is recommending a 5.6 percent FVROR.<sup>14</sup>

**C. Rebuttal to the Staff ROR Recommendations.**

**Q. HOW DOES THE STAFF COST OF CAPITAL ANALYSIS RESULTS AND ROE RECOMMENDATION COMPARE TO ACTUAL AND FORECAST COMMON EQUITY RETURNS LISTED IN TABLE 1?**

A. They are well below *all* of the equity returns listed in Table 1, above. The average result of Ms. Brown’s DCF and CAPM models is just 8.3 percent with its results

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<sup>9</sup> Direct Testimony of Crystal S. Brown (“Brown Dt.”) at 42.  
<sup>10</sup> Brown Dt. at 11, 42.  
<sup>11</sup> Brown Dt. at 42.  
<sup>12</sup> Brown Dt. at 20.  
<sup>13</sup> Brown Dt. at 42.  
<sup>14</sup> *Id.*

1 ranging from a low of 7.2 percent to a high of 9.4 percent.<sup>15</sup> Only by adopting the  
2 highest result of 9.4 percent from its current market risk premium CAPM does  
3 Staff's range even get as high as 9.4, which shows the indefensible nature of Staff's  
4 recommendation.

5 **Q. BUT ISN'T ANY ROE WITHIN THE RANGE OF STAFF'S ANALYSIS**  
6 **REASONABLE?**

7 A. No. Although Staff does assert that any ROE within the range of results from its  
8 analysis could be considered a reasonable ROE, this testimony is of no account.  
9 Under Ms. Brown's reasoning, an ROE of 4 percent would be reasonable as long as  
10 Staff's range of ROE's is between 2 percent and 4 percent.<sup>16</sup> Or even 2 percent  
11 would be okay under that reasoning. Even if we do not take Staff's testimony to its  
12 illogical conclusion, the concept doesn't hold up to basic scrutiny. If Staff were  
13 right, then if Staff's low end of the range of 7.2 percent, or even Staff's mid-point of  
14 8.3 percent, is adopted as an ROE for Liberty EDO that would be reasonable. But  
15 this would violate the comparative risk standards as well as provide an incentive for  
16 the investors to invest in the publicly traded utility companies, or, in every other  
17 utility investment in the APUC/Liberty portfolio instead of Liberty EDO.

18 **Q. OKAY, LET'S FOCUS ON STAFF'S RECOMMENDATION OF**  
19 **9.4 PERCENT FOR LIBERTY EDO.**

20 A. I have a few issues with Staff's recommendation. First, it is not entirely clear how  
21 Staff chose 9.4 percent as its recommendation for Liberty EDO. I realize that  
22 9.4 percent is the result of Staff's current market risk premium CAPM.<sup>17</sup> Oddly,  
23

24 <sup>15</sup> Average of the results of Staff DCF and CAPM models listed in Table 2 of Crystal  
Brown's direct testimony at page 38.

25 <sup>16</sup> Brown Dt. at 10.

26 <sup>17</sup> Brown Dt. at 36.

1 Staff testifies that it does not rely upon the CAPM giving the CAPM a zero weighting  
2 in its analysis.<sup>18</sup> That said, the Staff range of results is from 7.2 percent to 9.4 percent  
3 with a mid-point of 8.3 percent. In selecting the 9.4 percent, Staff suggests that its  
4 recommendation is based upon the specifics of this case.<sup>19</sup> But, Staff doesn't explain  
5 what those specifics are. Staff further explains that it chose the high end of its range  
6 of results to recognize the Commission's current efforts to redefine how ROE  
7 recommendations are efficiently and fairly developed and further suggests its  
8 recommendation reflects a cautious and reasonable approach.<sup>20</sup> So, my confusion  
9 shouldn't be surprising.

10 Second, and more importantly, Staff does not consider the differences in risk  
11 between the publicly traded water utilities in the proxy group and Liberty EDO. Staff  
12 explains that *company specific risks* are not directly given consideration because in  
13 the capital markets such risks can be addressed through diversification on the  
14 investor's portfolio and, therefore, investors should not be compensated for a risk  
15 that can be reasonably avoided through diversification.<sup>21</sup>

16 **Q. WHAT IS YOUR RESPONSE?**

17 A. Putting aside the fact that portfolio theory, which is what Staff is espousing only  
18 applies to the pure CAPM, Staff's reasoning incorrectly assumes that all company  
19 specific risks are *unsystematic risks* which can be avoided through diversification.

20 **Q. PLEASE EXPLAIN.**

21 A. First, let me first explain systematic risk and unsystematic risk. According to the  
22 pure CAPM, risk is generally separated into two components, systematic risk

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23 <sup>18</sup> Brown Dt. at 38.

24 <sup>19</sup> Brown Dt. at 10.

25 <sup>20</sup> *Id.*

26 <sup>21</sup> Brown Dt. at 9.

1 (market risk or undiversifiable risk) and unsystematic risk (non-market risk,  
2 diversifiable risk or firm-specific risk). Systematic risk is the uncertainty of future  
3 returns owing to the sensitivity of the return on an investment to the variability in  
4 returns for a composite measure of marketable investments (usually a composite  
5 index of the NYSE or the S&P 500). This is measured by beta. Unsystematic risk  
6 is a function of the uncertainty of future returns due to the characteristics of the  
7 industry, the individual company, or the type of investment, and is unrelated to the  
8 variation in the market as a whole.

9 The only risk pertinent to the pure CAPM is market or beta risk. But, the  
10 empirical financial market data and studies show that beta does not fully measure the  
11 risks of most stocks, particularly stocks of smaller companies. In other words, there  
12 are other systematic risk factors that are not captured by the pure CAPM through  
13 beta. That is, other risk factors that are priced systematically by the market are not  
14 reflected in the pure CAPM. One of those is firm size. The size premium is  
15 systematic.<sup>22</sup> We know that stocks of smaller companies realize greater returns than  
16 predicted by market beta.<sup>23</sup>

17 **Q. CAN INVESTORS ACTUALLY DIVERSIFY AWAY FIRM SPECIFIC**  
18 **RISK?**

19 A. Not in the manner suggested by Staff. Using the term *company specific risk* as Staff  
20 does causes confusion and misdirection because the use of the term implies risks  
21 that, in a theoretical sense, can be diversified away. First of all, if the risks are real  
22 and impact the entity's ability to earn a competitive return, regulators can't just  
23 ignore them because the investor has other investments. We are here to evaluate  
24 Liberty EDO's cost of capital, not its shareholder's portfolio. Additionally, as

25 <sup>22</sup> Direct Testimony of Thomas J. Bourassa – Cost of Capital (“Bourassa COC Dt.”) at 38.

26 <sup>23</sup> *Id.*

1 mentioned above, other risk factors priced by the market, such as firm size, are non-  
2 diversifiable risks even though they are often characterized as *company specific*  
3 *risks*.

4 **Q. THANK YOU. ISN'T YOUR RISK STUDY (EXHIBIT TJB-COC-RB1)**  
5 **INTENDED TO DEVELOP A RANGE OF RISK PREMIUMS REQUIRED**  
6 **TO REFLECT THE ADDITIONAL SYSTEMATIC RISKS INVESTORS**  
7 **WOULD CONSIDER ON AN INVESTMENT IN LIBERTY EDO?**

8 A. Yes. My updated risk study is based on the Duff & Phelps 2016 Valuation  
9 Handbook, Guide to Cost of Capital, Risk Premium Report's Risk Study which  
10 provides a nexus between fundamental or accounting information (operating margin,  
11 co-efficient of variation in operating income, and co-efficient of variation in ROE)  
12 and stock market recognized risk (systematic risk) and market equity returns.<sup>24</sup>  
13 These three metrics are highly correlated to firm size.

14 **Q. PLEASE COMMENT ON STAFF'S TESTIMONY (ON PAGE 38) THAT**  
15 **STAFF'S ANALYSIS IS MORE STRAIGHTFORWARD, CONCEPTUALLY**  
16 **SOUND, AND EASIER TO UNDERSTAND.**

17 A. As with Staff's testimony that any ROE within its range is reasonable, these sort of  
18 self-serving declarations are just that. The truth is that Staff's approach is only  
19 simpler because Staff ignores the necessary work and analysis required by *Hope* and  
20 *Bluefield* to provide Liberty EDO a return that is commensurate with returns on  
21 investments of *comparable risk*.<sup>25</sup> It should be readily apparent, not only from an  
22 empirical financial market data perspective, but common sense, that Liberty EDO is  
23 more risky than the large publicly traded water utilities. A great deal of my direct  
24

25 <sup>24</sup> Bourassa COC Dt. at 45-46.

26 <sup>25</sup> Bourassa COC Dt. at 15-16.

1 testimony was devoted to this reality both qualitatively and quantitatively.<sup>26</sup> But,  
2 this reality is simply dismissed by Staff.

3 **Q. DO YOU HAVE ANY COMMENTS ON STAFF RECOMMENDED**  
4 **5.6 PERCENT FVROR?**

5 A. Yes. Staff computation of its FVROR of 5.6 percent, as shown on Staff Schedule  
6 CSB-1, contains errors. Specifically, the figures used in its FVROR computation for  
7 the Original Cost Rate Base and the Fair Value Rate Base do not reflect the Staff  
8 recommendations in this case, as shown on Staff Schedule BAB-3. If corrected, the  
9 Staff FVROR would be higher at 5.93 percent.

10 **Q. HAS STAFF ACKNOWLEDGED THESE ERRORS?**

11 A. Yes. In response to Company data request 3.25, Staff acknowledged the errors.<sup>27</sup>

12 **Q. DO YOU HAVE ANY OTHER COMMENTS ON STAFF'S FVROR**  
13 **COMPUTATION?**

14 A. Yes. Staff's fair value increment return of 0.46 percent is too low. Staff uses spot  
15 interest rates (real and nominal) from June 2016 to compute the return on the fair  
16 value increment. If Staff's computation were to be made using more current  
17 information, the Staff fair value increment return would be 0.86 percent, and closer  
18 to the Company's recommendation of 1.0 percent.<sup>28</sup> That type of variation in just a  
19 few months shows that Staff's use of spot rates is inappropriate because spot rates  
20 are simply too volatile. Furthermore, since the cost of capital is based on  
21 expectations, Staff should use forwarding looking (or forecast) information as the  
22 Company does.

23 <sup>26</sup> Bourassa COC Dt. at 18-23, 25-29.

24 <sup>27</sup> See Staff Response to Company Data Request 3.25.

25 <sup>28</sup> Using spot nominal and inflation indexed 30-yr. U.S Treasury yields on September 16,  
26 2016 of 2.44 percent and 0.73 percent, respectively.  $FV \text{ increment return} = (2.44\% - 0.73\%)/2 = 0.86\%$ .

1 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY ON THE COST  
2 OF CAPITAL?

3 A. Yes.  
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# **EXHIBIT TJB-COC-RB1**



Liberty Utilities (Entrada Del Oro Sewer) Corp.  
Comparative Risk Study  
Beta Estimate Using Duff and Phelps Risk Study Portfolio Information

Line No.	A. Beta Estimates for Water Sample Group and Company					
	Portfolio	Operating Margin <sup>1</sup>	Portfolio	CV (Operating Margin) <sup>1</sup>	Portfolio	CV (ROE) <sup>1</sup>
	25	-27.05%	5	40.21%	11	42.53%
1	Company					
2	Water Proxy Group	29.43%	19	8.63%	22	13.32%
				<u>Portfolio Beta<sup>2</sup></u>		<u>Portfolio Beta<sup>3</sup></u>
3	Company	1.28		1.25		1.17
4	Water Proxy Group	0.84		1.00		0.91
5	Percentage Difference	52.4%		25.0%		28.6%
						<b>35.3%</b>
						<u>Average</u>
B. Assume percentage difference is the same for water utilities as companies in general						
6	Water Sample Group <sup>5</sup>	0.69		0.69		0.69
7	Implied Beta for Company <sup>6</sup>	1.05		0.86		0.89
						<b>0.93</b>

Notes:

- <sup>1</sup> See work papers. CV stands for Coefficient of Variation.
- <sup>2</sup> Source is Duff & Phelps 2016 Valuation Handbook, Risk Study, Exhibit D-1, Companies Ranked by Operating Margin.
- <sup>3</sup> Source is Duff & Phelps 2016 Valuation Handbook, Risk Study, Exhibit D-2, Companies Ranked by CV (Operating Margin).
- <sup>5</sup> Source is Rebuttal Schedule D-4.3.
- <sup>6</sup> Calculated by multiplying (1+ percentage difference in risk study betas) times average beta for the water sample group.

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
Comparative Risk Study  
Traditional Capital Asset Pricing Model (CAPM) Using Implied Beta  
To Find Additional Risk Premium

Line No.	$R_f^1$	+	Implied $\beta^2$	x	$RP_M^3$	=	k	CAPM Results From <u>uffal Schedule D-</u>	Indicated Company <u>Risk Premium</u>	
1	Historical Market Risk Premium	3.8%	+	0.93	x	7.00% <sup>3</sup>	=	10.3%	8.6%	1.7%
2	Current Market Risk Premium	3.8%	+	0.93	x	8.60% <sup>4</sup>	=	11.8%	9.7%	2.1%

Notes:

- <sup>1</sup> Forecasts of long-term treasury yields. See Schedule D-4.9.
- <sup>2</sup> Implied Beta computed from Duff and Phelps 2015 Valuation Handbook Risk Study information. See page 1 of exhibit.
- <sup>3</sup> Historical Market Risk Premium from (Rp) from Morningstar Ibbotson 214 Classic Yearbook, Long-Horizon ERP on S&P 500. See Rebuttal Schedule D-4.11.
- <sup>4</sup> See Rebuttal Schedule D-4.10

# **EXHIBIT TJB-COC-RB2**



Fair Value Rate of Return (FVROR)  
Estimate of the Real Risk-Free Rate

Line No.	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Average
1						
2	3.3	3.9	4.2	4.4	4.6	4.1
3						
4	2.1	2.3	2.3	2.3	2.1	2.2
5						
6	1.2	1.6	1.9	2.1	2.5	1.9
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						

<sup>1</sup> Blue Chip Financial Forecasts (June 2016)

<sup>2</sup> Blue Chip Financial Forecasts (June 2016)

<sup>3</sup> Nominal 30-Year U.S. Treasury Yield less Consumer Price Index Growth Rate

# **D SCHEDULES**

**Liberty Utilities (Entrada Del Oro Sewer) Corp.**  
 Test Year Ended October 31, 2015  
 Summary of Cost of Capital

Exhibit  
 Rebuttal Schedule D-1  
 Page 1  
 Witness: Bourassa

		<u>Adjusted End of Test Year</u>				<u>Projected Capital Structure</u>			
Line No.	Item of Capital	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	-	0.00%	0.00%	0.00%	849,290	30.00%	3.50%	1.05%
2									
3	Stockholder's Equity	2,876,195	100.00%	11.10%	11.10%	1,981,677	70.00%	11.10%	7.77%
4									
5	Totals	<u>2,876,195</u>	<u>100.00%</u>		<u>11.10%</u>	<u>2,830,967</u>	<u>100.00%</u>		<u>8.82%</u>
6									
7									
8									
9	Rate of Return to Be Applied to Fair Value Rate Base			6.15%					
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									

SUPPORTING SCHEDULES:

- D-3
- D-4
- E-1

RECAP SCHEDULES:

- A-3

Cost of Capital Testimony and Exhibit TJB-COC-DT-3.

26  
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Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Test Year Ended October 31, 2015  
 Cost of Long Term Debt

Exhibit  
 Rebuttal Schedule D-2  
 Page 1  
 Witness: Bourassa

Line No.	Description of Debt	End of Test Year				End of Projected Year			
		Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost	Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost
1									
2	Liberty Utilities - Pro Forma		-	0.00%	0.000%	848,454	29,668	3.50%	3.497%
3			-	0.00%	0.000%		-	0.00%	0.000%
4									
5									
6									
7									
8									
9									
10									
11									
12									
13	Totals	\$ -	-		0.000%	\$ 848,454	29,668		3.497%
14									

SUPPORTING SCHEDULES:

- E-1
- E-2
- Testimony

RECAP SCHEDULES:

D-1

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
Test Year Ended October 31, 2015  
Cost of Preferred Stock

Exhibit  
Rebuttal Schedule D-3  
Page 1  
Witness: Bourassa

Line  
No.

	<u>End of Test Year</u>			<u>End of Projected Year</u>		
Description of Issue	Shares Outstanding	Amount	Dividend Requirement	Shares Outstanding	Amount	Dividend Requirement

1  
2  
3  
4  
5  
6  
7 NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING

8  
9  
10  
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20  
21 SUPPORTING SCHEDULES:  
22 E-1

RECAP SCHEDULES:  
D-1

23  
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Liberty Utilities (Entrada Del Oro Sewer) Corp.  
Test Year Ended October 31, 2015  
Cost of Common Equity

Exhibit  
Rebuttal Schedule D-4  
Page 1  
Witness: Bourassa

Line  
No.

1  
2 The Company is proposing a cost of common equity of 11.10%  
3

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SUPPORTING SCHEDULES:  
E-1  
D-4.1 to D-4.16

RECAP SCHEDULES:  
D-1

**Liberty Utilities (Entrada Del Oro Sewer) Corp.  
Summary of Results**

**Exhibit  
Rebuttal Schedule D-4.1  
Page 1  
Witness: Bourassa**

Line No.		<u>Indicated Cost of Equity for Water Sample Group</u>		<u>Indicated Cost of Equity for Liberty Utilities (Entrada Del Oro Sewer) Corp.</u>	1
1	DCF Constant Growth - Rebuttal Schedule D-4.7	8.8%	to	10.7%	to 10.8%
2	Risk Premium Model - Rebuttal Schedule D-4.9	9.9%		11.8%	
3	CAPM - Rebuttal Schedule D-4.11	8.6%	to	10.5%	to 11.6%
4	Range of Cost of Equity Estimates	9.1%	to	11.0%	to 11.4%
5	Financial Risk Adjustment - Rebuttal Schedule D-4.14	0.0%		-0.10%	
6	Adjusted Range of Cost of Equity Estimates	9.1%	to	10.9%	to 11.3%
7	Mid-point	9.3%		11.1%	
8	Cost of Equity Recommendation			11.1%	

Notes:

<sup>1</sup>Estimates include an equity risk premium of 190 basis points based on comparative risk study. See Testimony.

Liberty Utilities (Entrada Del Oro Sewer) Corp.

Exhibit  
Rebuttal Schedule D-4.2  
Witness: Bourassa

Selected Characteristics of Sample Group of Water Utilities

Line No.	Company	Symbol	% Water Revenues <sup>1</sup>	Operating Revenues (millions) <sup>1</sup>	Net Plant (millions) <sup>1</sup>	S&P Bond Rating <sup>1</sup>	Moody's Bond Rating <sup>1</sup>	Allowed ROE (%) <sup>1</sup>	Value Line Beta <sup>2</sup>	Market Capitalization <sup>2</sup>	Size Category <sup>3</sup>
1	American States Water	AWR	71%	\$ 448.6	\$ 1,107.1	A+	A2	9.43	0.70	\$ 1,489.0	Low-Cap
2	Aqua America	WTR	97%	\$ 814.6	\$ 4,823.5	AA-	NR	9.79	0.70	\$ 5,575.1	Mid cap
3	California Water	CWT	97%	\$ 596.1	\$ 1,785.1	AA-	NR	9.43	0.75	\$ 1,514.9	Low-Cap
4	Connecticut Water	CTWS	98%	\$ 100.6	\$ 568.4	A/A-	NR	9.63	0.60	\$ 558.5	Micro-cap
5	Middlesex	MSEX	87%	\$ 128.9	\$ 497.1	A	NR	9.75	0.70	\$ 585.7	Micro-cap
6	SJW Corp.	SJW	103%	\$ 318.6	\$ 1,068.7	A	NR	9.43	0.70	\$ 901.1	Micro-cap
7	York Water Company	YORW	100%	\$ 47.1	\$ 263.7	A-	NR	NM	0.70	\$ 374.9	Micro-cap
8	Average		93%	\$ 350.6	\$ 1,444.8			9.58	0.69	\$ 1,571.3	

9 Liberty Utilities (Entrada Del Oro Sewer) Corp.

NR

29.8

\$ 4.5

0%

\$

NR

NR

NR

NR

NR

Notes:

<sup>1</sup>AUS Utility Reports (September 2016).

<sup>2</sup>Value Line Analyzer Data (Weekly as of August 25, 2016)

<sup>3</sup> See Schedule D-4.15 for definitions of size category

Liberty Utilities (Entrada Del Oro Sewer) Corp.

Exhibit  
Rebuttal Schedule D-4.3  
Witness: Bourassa

Capital Structures

Line No.	Company	Symbol	Book Value <sup>1</sup>		Market Value <sup>1</sup>	
			Long-Term Debt	Common Equity	Long-Term Debt	Common Equity
1	American States Water	AWR	41.1%	58.9%	17.9%	82.1%
2	Aqua America	WTR	50.3%	49.7%	23.8%	76.2%
3	California Water	CWT	44.4%	55.6%	25.3%	74.7%
4	Connecticut Water	CTWS	44.2%	55.8%	24.1%	75.9%
5	Middlesex	MSEX	39.8%	60.2%	18.9%	81.1%
6	SJW Corp.	SJW	49.8%	50.2%	29.7%	70.3%
7	York Water Company	YORW	44.5%	55.5%	18.9%	81.1%
8	Average		44.9%	55.1%	22.7%	77.3%
9	Liberty Utilities (Entrada Del Oro Sewer) Corp.	Proforma	30.0%	70.0%	N/A	N/A

<sup>1</sup> Value Line Analyzer Data (Weekly as of August 25, 2016)

Liberty Utilities (Entrada Del Oro Sewer) Corp.

Exhibit  
 Rebuttal Schedule D-4.4  
 Witness: Bourassa

Comparisons of Past and Future Estimates of Growth

Line No.	[1] Company	[2] Price <sup>1</sup>	[2] Value <sup>2</sup>	[3] EPS <sup>2</sup>	[4] DPS <sup>2</sup>	[5] Average Historical Growth	[6] Value Line Projected Growth <sup>2</sup>	[7] Average of Historical and Proj. Growth
		<u>Five-year historical average annual changes</u>						
1	American States Water	19.46%	6.00%	12.00%	10.00%	11.87%	6.00%	8.93%
2	Aqua America	10.63%	7.00%	13.00%	7.50%	9.53%	7.00%	8.27%
3	California Water	4.54%	5.00%	2.00%	2.00%	3.38%	7.50%	5.44%
4	Connecticut Water	6.39%	8.50%	10.50%	2.50%	6.97%	4.00%	5.49%
5	Middlesex	7.66%	3.00%	5.50%	1.50%	4.41%	5.00%	4.71%
6	SJW Corp.	2.29%	5.00%	15.00%	2.50%	6.20%	1.50%	3.85%
7	York Water Company	7.60%	4.00%	6.50%	2.50%	5.15%	6.00%	5.58%
8	GROUP AVERAGE	8.37%	5.50%	9.21%	4.07%	6.79%	5.29%	6.04%

Notes:

<sup>1</sup> Compound growth in stock prices ending December 31 through 2015. Data from Yahoo Finance website.

<sup>2</sup> Value Line Analyzer, weekly as of August 25, 2016.

Liberty Utilities (Entrada Del Oro Sewer) Corp.

Exhibit  
 Rebuttal Schedule D-4.5  
 Witness: Bourassa

Comparisons of Past and Future Estimates of Growth

Line No.	[1] Price <sup>1</sup>	[2] Book Value <sup>2</sup>	[3] EPS <sup>2</sup>	[4] DPS <sup>2</sup>	[5] Average Col 1-4	[6] Value Line Growth <sup>2</sup>	[7] Average of Historical and Proj. Grwth
1	10.54%	5.50%	12.00%	6.50%	8.64%	6.00%	7.32%
2	3.16%	7.00%	8.50%	8.00%	6.66%	7.00%	6.83%
3	1.98%	5.50%	4.50%	1.50%	3.37%	7.50%	5.44%
4	4.49%	5.50%	6.00%	2.00%	4.50%	4.00%	4.25%
5	4.35%	4.50%	5.00%	1.50%	3.84%	5.00%	4.42%
6	2.68%	6.00%	6.50%	4.00%	4.80%	1.50%	3.15%
7	3.71%	6.00%	5.50%	4.00%	4.80%	6.00%	5.40%
8	4.42%	5.71%	6.86%	3.93%	5.23%	5.29%	5.26%

Notes:

<sup>1</sup> Compound growth in stock prices ending December 31 through 2015. Data from Yahoo Finance website.

<sup>2</sup> Value Line Analyzer Data, weekly as of August 25, 2016.

Liberty Utilities (Entrada Del Oro Sewer) Corp.

Exhibit  
 Rebuttal Schedule D-4.6  
 Witness: Bourassa

Current Dividend Yields for Water Utility Sample Group

Line No.	Company	[1] Stock Price (P <sub>0</sub> ) <sup>1</sup>	[2] Current Dividend (D <sub>0</sub> ) <sup>1</sup>	[3] Current Dividend Yield (D <sub>0</sub> /P <sub>0</sub> )	[4] Average Annual Dividend Yield (D <sub>0</sub> /P <sub>0</sub> ) <sup>1,2</sup>
1	American States Water	\$ 38.85	\$ 0.94	2.42%	2.21%
2	Aqua America	\$ 30.37	\$ 0.76	2.50%	2.58%
3	California Water	\$ 30.34	\$ 0.69	2.27%	2.88%
4	Connecticut Water	\$ 45.70	\$ 1.13	2.47%	2.93%
5	Middlesex	\$ 33.11	\$ 0.80	2.42%	3.33%
6	SJW Corp.	\$ 42.26	\$ 0.81	1.92%	2.53%
7	York Water Company	\$ 28.36	\$ 0.62	2.19%	2.63%
8	GROUP AVERAGE			2.31%	2.73%

Notes:

<sup>1</sup> Stock prices as of September 1, 2016. Indicated Dividend from Value Line Analyzer weekly as of August 25, 2016.

<sup>2</sup> Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. As report by Value Line Analyzer software. For comparison purposes only.

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Discounted Cash Flow Analysis  
 DCF Constant Growth

Exhibit  
 Rebuttal Schedule D-4.7 (page 1)  
 Witness: Bourassa

Line No.	[1] Dividend Yield ( $D_0/P_0$ ) <sup>1</sup>	[2] Expected Dividend Yield ( $D_1/P_0$ ) <sup>2</sup>	[3] Value Line Projected Growth (g) <sup>3</sup>	[4] Indicated Cost of Equity (COE) $k = \text{Div Yld} + g$ (Cols 2+3)
1	2.42%	2.56%	6.00%	8.56%
2	2.50%	2.68%	7.00%	9.68%
3	2.27%	2.44%	7.50%	9.94%
4	2.47%	2.57%	4.00%	6.57% *
5	2.42%	2.54%	5.00%	7.54%
6	1.92%	1.95%	1.50%	3.45% *
7	2.19%	2.32%	6.00%	8.32%
8	Average	2.44%	5.29%	7.72%
9	Adjusted Average <sup>4</sup>			8.81%

Notes:

<sup>1</sup> Spot Dividend Yield =  $D_0/P_0$ . See Rebuttal Schedule D-4.6.

<sup>2</sup> Expected Dividend Yield =  $D_1/P_0 = D_0/P_0 * (1+g)$ .

<sup>3</sup> Value Line Growth rate (g). See Schedule D-4.5, Col. 6.

<sup>4</sup> Excluded because results are less than projected Baa bond yields plus 100 basis points or 7.0%. See Testimony.

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Discounted Cash Flow Analysis  
 DCF Constant Growth

Exhibit  
 Rebuttal Schedule D-4.7 (page 2)  
 Witness: Bourassa

Line No.	[1] Dividend Yield ( $D_t/P_t$ ) <sup>1</sup>	[2] Expected Dividend Yield ( $D_t/P_t$ ) <sup>2</sup>	[3] Average of Historical and Proj. Growth <sup>3</sup>	[4] Indicated Cost of Equity (COE) $k = \text{Div Yield} + g$ (Cols 2+3)
1	American States Water 2.42%	2.64%	8.93%	11.57%
2	Aqua America 2.50%	2.71%	8.27%	10.98%
3	California Water 2.27%	2.40%	5.44%	7.84%
4	Connecticut Water 2.47%	2.61%	5.49%	8.10%
5	Middlesex 2.42%	2.53%	4.71%	7.24%
6	SJW Corp. 1.92%	1.99%	3.85%	5.84%
7	York Water Company 2.19%	2.31%	5.58%	7.88%
8		Average		8.49%
9		Adjusted Average <sup>4</sup>		8.93%

Notes:

- Spot Dividend Yield =  $D_0/P_0$ . See Table 7.
- Expected Dividend Yield =  $D_1/P_0 = D_0/P_0 * (1+g)$ .
- Historical Growth rate (g). See Schedule D-4.5 Col. 7.
- Excluded because results are less than projected Baa bond yields plus 100 basis points or 7.0%. See Testimony.

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Forecasts of Long-Term Interest Rates

Exhibit  
 Rebuttal Schedule D-4.8  
 Witness: Bourassa

Line No.		<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Average</u>
1	Long-term Treasury Rates				
2	Blue Chip Consensus Forecasts <sup>1</sup>	3.30%	3.90%	4.20%	
3	Value Line <sup>2</sup>	3.30%	3.60%	4.20%	
4	Average				3.8%
5	Aaa Corporate Bonds				
6	Blue Chip Consensus Forecasts <sup>1</sup>	4.50%	5.10%	5.70%	
7	Value Line <sup>2</sup>	4.40%	4.80%	5.20%	
8	Average				5.0%
9	Baa Corporate Bonds				
10	Blue Chip Consensus Forecasts <sup>1</sup>	5.60%	6.10%	6.40%	
11	Value Line <sup>2</sup>				
12	Average				6.0%

Notes:

<sup>1</sup> Blue Chip consensus forecasts (June 2016).

<sup>2</sup> Value Line Quarterly Forecasts dated September 2, 2016.

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Risk Premium Analysis Based on Total Returns

Line No.	Year	Annual Total Return <sup>1</sup>	Treasury Bond Yields <sup>2</sup>	Annual Risk Premiums
1	1996	24.29%	6.71%	17.58%
2	1997	36.12%	6.61%	29.51%
3	1998	18.03%	5.87%	12.45%
4	1999	30.73%	5.94%	24.86%
5	2000	8.95%	5.49%	3.01%
6	2001	16.59%	5.42%	11.10%
7	2002	-4.05%	5.05%	-9.47%
8	2003	23.97%	5.12%	18.92%
9	2004	13.75%	4.56%	8.63%
10	2005	19.09%	4.91%	14.53%
11	2006	15.88%	4.84%	10.97%
12	2007	-2.73%	4.28%	-7.57%
13	2008	-1.81%	4.08%	-6.09%
14	2009	-0.22%	4.25%	-4.30%
15	2010	15.30%	3.91%	11.05%
16	2011	1.54%	2.92%	-2.37%
17	2012	15.08%	3.45%	12.16%
18	2013	20.44%	3.34%	16.99%
19	2014	14.98%	2.84%	11.64%
20	2015	8.23%		5.39%
21	15-year Average	10.4%		
22			4.3%	
23			Expected Long-term Treasury Bond Rate <sup>3</sup>	6.1%
			Projected Returns on Equity for Sample	3.8%
				9.9%

Notes:

- <sup>1</sup> Computed Composite Total Returns from 2001-2015 from Yahoo Finance data.
- <sup>2</sup> Average annual 30 Yr. U.S. Treasury Bond yields as reported by the Federal Reserve.
- <sup>3</sup> Source is Rebuttal Schedule D-4.8.

Exhibit  
 Rebuttal Schedule D-4.9  
 Witness: Bourassa

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Estimation of Current Market Risk Premium  
 Using DCF Analysis

Exhibit  
 Rebuttal Schedule D-4.10  
 Witness: Bourassa

Line No.	Month	Dividend Yield ( $D_t/P_t$ ) <sup>1</sup>	Expected Dividend Yield ( $D_t/P_t$ ) <sup>2</sup>	Expected Growth (g) <sup>3</sup>	Expected Market Return (k)	Monthly Average 30 Year Treasury Rate <sup>4</sup>	Expected Market Risk Premium (MRP)
1	May 2014	2.01%	2.20%	+ 9.42%	= 11.62%	= 3.39%	= 8.23%
2	June	2.34%	2.56%	+ 9.33%	= 11.89%	= 3.42%	= 8.47%
3	July	2.42%	2.65%	+ 9.50%	= 12.15%	= 3.33%	= 8.82%
4	Aug	2.38%	2.61%	+ 9.50%	= 12.11%	= 3.20%	= 8.91%
5	Sept	2.82%	3.10%	+ 9.83%	= 12.93%	= 3.26%	= 9.67%
6	Oct	2.45%	2.68%	+ 9.50%	= 12.18%	= 3.04%	= 9.14%
7	Nov	2.38%	2.61%	+ 9.67%	= 12.27%	= 3.04%	= 9.23%
8	Dec	2.44%	2.67%	+ 9.67%	= 12.34%	= 2.83%	= 9.51%
9	Jan 2015	2.45%	2.68%	+ 9.50%	= 12.18%	= 2.46%	= 9.72%
10	Feb	2.38%	2.61%	+ 9.50%	= 12.11%	= 2.57%	= 9.54%
11	Mar	2.42%	2.64%	+ 9.17%	= 11.81%	= 2.63%	= 9.18%
12	Apr	2.40%	2.61%	+ 9.00%	= 11.61%	= 2.59%	= 9.02%
13	May	2.41%	2.63%	+ 9.00%	= 11.63%	= 2.96%	= 8.67%
14	June	2.50%	2.72%	+ 8.83%	= 11.56%	= 3.11%	= 8.45%
15	July	2.56%	2.78%	+ 8.83%	= 11.62%	= 3.07%	= 8.55%
16	Aug	2.70%	2.95%	+ 9.00%	= 11.95%	= 2.86%	= 9.09%
17	Sept	2.84%	3.10%	+ 9.00%	= 12.10%	= 2.95%	= 9.15%
18	Oct	2.67%	2.91%	+ 9.00%	= 11.91%	= 2.89%	= 9.02%
19	Nov	2.70%	2.94%	+ 8.83%	= 11.77%	= 3.03%	= 8.74%
20	Dec	2.80%	3.04%	+ 8.67%	= 11.71%	= 2.97%	= 8.74%
21	Jan 2016	3.07%	3.33%	+ 8.50%	= 11.83%	= 2.86%	= 8.97%
22	Feb	2.91%	3.16%	+ 8.50%	= 11.66%	= 2.62%	= 9.04%
23	Mar	2.75%	2.97%	+ 8.00%	= 10.97%	= 2.68%	= 8.29%
24	Apr	2.63%	2.84%	+ 8.00%	= 10.84%	= 2.62%	= 8.22%
25	May	2.67%	2.89%	+ 8.00%	= 10.89%	= 2.63%	= 8.26%
26	June	2.66%	2.88%	+ 8.00%	= 10.88%	= 2.45%	= 8.43%
27	July	2.56%	2.77%	+ 8.17%	= 10.93%	= 2.23%	= 8.70%
28	Aug	2.56%	2.77%	+ 8.17%	= 10.93%	= 2.26%	= 8.67%
29	Recommended	2.59%	2.80%	+ 8.11%	= 10.91%	= 2.31%	= 8.60%
30	Short-term Trends						
31	Recent Twelve Months Avg	2.73%	2.96%	+ 8.40%	= 11.37%	= 2.68%	= 8.68%
32	Recent Nine Months Avg	2.73%	2.96%	+ 8.22%	= 11.18%	= 2.59%	= 8.59%
33	Recent Six Months Avg	2.64%	2.85%	+ 8.06%	= 10.90%	= 2.48%	= 8.43%
34	Recent Three Months Avg	2.59%	2.80%	+ 8.11%	= 10.91%	= 2.31%	= 8.60%

Notes:

- <sup>1</sup> Average Dividend Yield ( $D_t/P_t$ ) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
- <sup>2</sup> Expected Dividend Yield ( $D_t/P_t$ ) equals current average dividend yield ( $D_t/P_t$ ) times one plus growth rate (g).
- <sup>3</sup> Median of Projected EPS, Projected DPS Growth and Projected BV Growth for VL 1700 stocks. Data from Value Line Investment Analyzer Software.
- <sup>4</sup> Monthly average 30 year U.S. Treasury. Federal Reserve.

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Traditional Capital Asset Pricing Model (CAPM)

Exhibit  
 Rebuttal Schedule D-4.11  
 Witness: Bourassa

<u>Line</u> <u>No.</u>		<u>R<sub>f</sub></u>	+	<u>beta</u> <sup>2</sup>	x	<u>RP<sub>M</sub></u>	=	<u>k</u>
1	Historical Market Risk Premium CAPM	3.8%	+	0.69	x	7.00% <sup>3</sup>	=	8.6%
2	Current Market Risk Premium CAPM	3.8%	+	0.69	x	8.60% <sup>4</sup>	=	9.7%
3	Average							9.2%

Notes:

<sup>1</sup> Forecasts of long-term treasury yields. See Rebuttal Schedule D-4.8.

<sup>2</sup> Value Line Investment Analyzer data. See Rebuttal Schedule D-4.3.

<sup>3</sup> Historical Market Risk Premium from (Rp) Duff & Phelps 2016 Valuation Handbook Appendix3 Long-Horizon ERP 1926-2015.

<sup>4</sup> See Rebuttal Schedule D-4.10.

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Financial Risk Computation  
 Unlevered Beta

Exhibit  
 Rebuttal Schedule D-4.12  
 Witness: Bourassa

Line No.	Company	VL Beta $\beta_L^1$	Raw Beta $\beta_L^2$	Tax Rate $t^3$	MV Debt $\frac{D^4}{E^4}$	MV Equity $\frac{E^4}{E^4}$	Unlevered Raw Beta $\beta_{UL}^5$
1	American Water Worl	0.70	0.55	38.4%	17.9%	82.1%	0.48
2	Aqua America	0.70	0.55	6.9%	23.8%	76.2%	0.43
3	California Water	0.75	0.63	36.0%	25.3%	74.7%	0.52
4	Connecticut Water	0.60	0.40	3.5%	24.1%	75.9%	0.31
5	Middlesex	0.70	0.55	34.5%	18.9%	81.1%	0.48
6	SJW Corp.	0.70	0.55	38.1%	29.7%	70.3%	0.44
7	York Water	0.70	0.55	27.5%	18.9%	81.1%	0.47
12	Sample Water Utilitie:	0.69	0.54	26.4%	22.7%	77.3%	0.45

<sup>1</sup> Value Line Investment Analyzer data. See Rebuttal Schedule D-4.1.

Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows:

Adjusted beta =  $.33 + (.67) * \text{Raw beta}$

<sup>2</sup> Raw Beta =  $(VL \text{ beta} - .33) / (.67)$

<sup>3</sup> Effective tax rates for year ended December 31, 2015.

<sup>4</sup> See Rebuttal Schedule D-4.2.

<sup>5</sup> Raw  $B_U = \text{Raw } B_L / (1 + (1-t)D/E)$

Liberty Utilities (Entrada Del Oro Sewer) Corp.  
 Financial Risk Computation  
 Relevered Beta

Line No.	Unlevered Raw Beta $\beta_{UL}^1$	MV Book Debt $\frac{BD^2}{EC^2}$	MV Equity Capital $\frac{EC^2}{MV}$	Tax Rate $t^3$	Relevered Raw Beta $\beta_{RL} = \beta_U (1 + (1-t) \frac{BD}{EC})$	VL Adjusted Relevered Beta $\beta_{RL}$
5	0.45	13.7%	86.3%	27.27%	0.50	0.67

Liberty Utilities (Entrada Del Oro Sewer) Corp.

<sup>1</sup> Unlevered Beta from Unlevered Beta tab in WP.

<sup>2</sup> Proforma Capital Structure of Company per D-1

Company	MV (in Thousands)	MV %
Long-term Debt	\$ 850	13.70%
Preferred Stock	-	0.0%
Common Stock	\$ 1,983	86.3%
Total Capital	\$ 2,833	100.0%

(a) Current market-to-book ratio of sample water utilities. See work papers.

<sup>3</sup> Current Tax rate based on test year. See Schedule C-5.

Line No. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26



Liberty Utilities (Entrada Del Oro Sewer) Corp.  
Risk Premium<sup>1</sup>

Exhibit  
Rebuttal Schedule D-4.15  
Witness: Bourassa

Line No.		Beta( $\beta$ )	Size Premium	Risk Premium for Small Water Utilities <sup>7</sup>
1	Mid-Cap Companies <sup>2</sup>	1.12	1.00%	
2	Low-Cap Companies <sup>3</sup>	1.22	1.70%	
3	Micro-Cap Companies <sup>4</sup>	1.35	3.58%	
4	Decile 10 <sup>5</sup>	1.40	5.60%	3.19%

5 Estimated Risk Premium for small utilities<sup>6</sup> 0.99%

6 Estimated Risk Premium for Company<sup>8</sup> 1.70% to 2.10%

<sup>1</sup> Data from Table 4-7 of Duff & Phelps, 2016 Valuation Handbook Guide to Cost of Capital.

<sup>2</sup> Mid-Cap companies includes companies with market capitalization between \$2,090.6 million and \$9,611.2 million.

<sup>3</sup> Low-Cap companies includes companies with market capitalization between \$448.5 million and \$2,090.6 million.

<sup>4</sup> Micro-Cap companies includes companies with market capitalization less than \$448.5 million.

<sup>5</sup> Decile 10 includes companies with market capitalization less than \$209 million.

<sup>6</sup> From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.

<sup>7</sup> Computed as the weighted differences between the Micro-Cap risk premium and the indicated risk premiums for the sample water utilities as shown below. Excludes risk due to differences in beta.

Market Cap.	(Millions)	Class	Premium	Size Difference to Decile 10	Weight	Weighted Size Premium	
1.	American States	\$ 1,489	Low-Cap	1.70%	3.90%	0.14285714	0.56%
2.	Aqua America	\$ 5,575	Mid-Cap	1.00%	4.60%	0.14285714	0.66%
3.	California Water	\$ 1,515	Low-Cap	1.70%	3.90%	0.14285714	0.56%
4.	Connecticut Water	\$ 559	Micro-Cap	3.58%	2.02%	0.14285714	0.29%
5.	Middlesex	\$ 586	Micro-Cap	3.58%	2.02%	0.14285714	0.29%
6.	SJW Corp.	\$ 901	Micro-Cap	1.70%	3.90%	0.14285714	0.56%
7.	York Water Company	\$ 375	Micro-Cap	3.58%	2.02%	0.14285714	0.29%
	Average		2.41%			Wghtd Size Prem. for Small Utilities	3.19%

<sup>8</sup> Results of Comparative Risk Study. See work papers.