

EXCEPTION

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

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AZ CORP COMMISSION
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OCT 21 2016

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
GRANITE MOUNTAIN WATER COMPANY,
INC. FOR APPROVAL OF A RATE
INCREASE.

DOCKET NO. W-02467A-14-0230

IN THE MATTER OF THE APPLICATION OF
CHINO MEADOWS II WATER COMPANY,
INC. FOR APPROVAL OF A RATE
INCREASE.

DOCKET NO. W-02370A-14-0231

**JOINT MOTION FOR CORRECTIONS /
REVISIONS TO THE RECOMMENDED
OPINION AND ORDER**

Granite Mountain Water Company, Inc. ("Granite"), Chino Meadows II Water Company, Inc. ("Chino") and the Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission"), having reviewed the Recommended Opinion and Order ("ROO") docketed herein on October 13, 2016, jointly request that corrections/revisions be made to the ROO.

The parties have identified the following corrections or revisions to be made to the ROO:

1. At page 39, line 11 "TBC GM-20d" should be changed to "TBH GM-20d."
2. For Granite, at page 29, lines 13 through 23, the ROO determines that \$7,141.98 of revenue not collected from the account of Daniel Levie should be imputed as test year metered water revenue to offset the revenue increase needed by Granite. The parties' calculation of the test year metered water revenue was based on the amount billed, rather than on the amount collected, so that the \$7,141.98, though uncollected, was in fact captured in the test year revenues and in the revenue increase. Imputing that revenue would result in a double-counting. The ROO should be changed to eliminate this imputation. This change will require adjustments to the adjusted test year results and revenue requirement set forth on pages 38 and 76 and to the rate design on pages 39 through 42 and pages 76 through 77.

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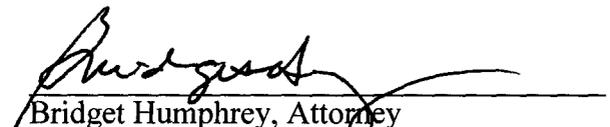
1 3. The parties have been working together to prepare joint schedules which reflect the
2 foregoing corrections. The parties were initially unable to replicate the results set forth in the ROO.
3 Upon further analysis, for Granite, the parties determined that the ROO's adjustment of \$915 to the
4 value of Well No. 6, including the easement, does not appear to have been reflected in the ROO's
5 OCRB/FVRB amount on page 38, line 21, on page 76, line 7, and throughout the ROO; when the
6 parties made that \$915 adjustment, they were able to replicate the calculations on which the ROO was
7 based.

8 For Chino, the parties were unable to replicate the ROO's calculation: the Company and Staff
9 calculate the Adjusted TY Operating Expenses at \$2,976 lower than the ROO amount of \$343,853.
10 Because of the follow through effects to the Revenue Requirement and Rate Increase, it appears the
11 difference is related to tax calculations, but this cannot be verified with information available.

12 Copies of the parties' joint schedules for Granite and Chino are attached hereto.

13 4. The ROO directs both Granite and Chino to file revised schedules of rates and charges
14 on or before November 1, 2016. Given that this matter is scheduled to be heard at Open Meeting
15 scheduled for October 27, 2016, it is unlikely that a Decision will be issued prior to November 1, 2016.
16 The parties request that the schedules be filed on or before November 18, 2016, and that new rates
17 would be effective on December 1, 2016.

18 RESPECTFULLY SUBMITTED this 21st day of October, 2016.

19
20 
21 Bridget Humphrey, Attorney
22 Legal Division
23 Arizona Corporation Commission
24 1200 West Washington Street
25 Phoenix, Arizona 85007
26 (602) 542-3402
27
28

1 **ARIZONA CORPORATION COMMISSION UTILITIES DIVISION**

2 By: _____
3 Its: _____
4 Date: _____

4 **GRANITE MOUNTAIN WATER COMPANY, INC.**

5 By: _____
6 Its: _____
7 Date: _____

6 **CHINO MEADOWS II WATER COMPANY, INC.**

7 By: _____
8 Its: _____
9 Date: _____

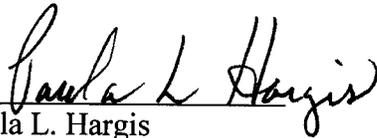
9 On this 21st day of October, 2016, the foregoing document was filed with Docket Control as an Utilities
10 Division Comments on Recommended Order, and copies of the foregoing were mailed on behalf of the
11 Utilities Division to the following who have not consented to email service. On this date or as soon as
12 possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing
13 to the following who have consented to email service.

12 Janice Alward
13 ARIZONA CORPORATION COMMISSION
14 1200 W. Washington
15 Phoenix Arizona 85007
16 JAlward@azcc.gov
17 TBroderick@azcc.gov

16 **Consented to Service by Email**

17 Tim Carter
18 2701 Boone Court
19 Prescott Arizona 86305

19 Craig A. Marks
20 CRAIG A. MARKS, PLC
21 10645 N. Tatum Blvd.
22 Suite 200-676
23 Phoenix Arizona 85028

23
24 By: 
25 Paula L. Hargis
26 Executive Legal Assistant
27
28

Granite Mountain Water Company, Inc.

Supporting Schedules

Line No.		Company	Staff
1	Adjusted Rate Base - OCRB/FVRB	\$ 540,328	\$ 540,329
2			
3	Adjusted TY Revenue	117,320	117,320
4			
5	Adjusted TY Operating Expenses	99,668	100,020 /1
6			
7	Adjusted Operating Income	17,651	17,300 /1
8			
9	Current Rate of Return	3.27%	3.20%
10			
11	Required Rate of Return	8.031%	8.031%
12			
13	Required Operating Income	\$ 43,394	\$ 43,394
14			
15	Operating Income Deficiency	\$ 25,743	\$ 26,093 /1
16			
17	Gross Revenue Conversion Factor	1.2199	1.2036 /1
18			
19	Required Increase in Gross Revenue	\$ 31,404	\$ 31,406
20			
21	Percent Increase in Gross Revenue	26.77%	26.77%
22			
23	Revenue Requirement	\$ 148,723	\$ 148,726
24			
25			
26			
27	/1 Difference is due to varying approaches to calculating test year income tax expense. As indicated, the difference does not effect the required rate increase.		

Granite Mountain Water Co., Inc.
 Test Year Ended December 31, 2013
 Summary of Original Cost Rate Base Elements

Line No.	Original Cost Rate Base*
1	
2	\$ 1,073,866
3	
4	<u>(533,361)</u>
5	
6	540,504
7	
8	Less:
9	Advances in Aid of Construction 6,021
10	
11	Contributions in Aid of Construction -
12	Accumulated Amortization of CIAC -
13	<u>Contributions in Aid of Construction - Net -</u>
14	
15	Customer Security Deposits 750
16	Deferred Income Taxes -
17	
18	Plus:
19	Working Capital 6,595
20	Net Regulatory Asset / (Liability) -
21	
22	<u>\$ 540,328</u>
23	
24	* including pro forma adjustments
25	

Accumulated Depreciation			Book Adjustments - (Included on Schedule B.2.1)				Rate Making Adjustments				Adjusted End of Test Year		
			Updated for Rebuttal Filing				ROO						
Line No.	Acct No.	Description	[2.1] Actual End of Test Year	[2.2] Unbooked Plant Retirement	[2.2] Difference From Calc'd on B-2.1	[2.3] NOT USED	[2.4] NOT USED	Adjusted Book End of Test Year	[2.5] PTY Plant Well No. 4	[2.6] NOT USED	[2.7] NOT USED	Adjusted End of Test Year	
4	301	Organization Cost			-			\$ -				\$ -	
5	302	Franchise Cost			-			-				-	
6	303	Land and Land Rights			-			-				-	
7	304	Structures & Improvements			20,635			20,635				20,635	
8	305	Collecting & Impounding Reservoirs			-			-				-	
9	306	Lake, River, Canal Intakes			-			-				-	
10	307	Wells & Springs			26,900			26,900				26,900	
11	308	Infiltration Galleries			-			-				-	
12	309	Raw Water Supply Mains			-			-				-	
13	310	Power Generation Equipment			114			114				114	
14	311	Pumping Equipment			104,270			104,270	(4,680)			99,590	
15	320	Water Treatment Equipment			-			-				-	
16	320	Water Treatment Plants			-			-				-	
17	320	Solution Chemical Feeders			2,077			2,077				2,077	
18	330	Distribution Reservoirs & Standpipes			-			-				-	
19	330.1	Storage Tanks			10,697			10,697				10,697	
20	330.2	Pressure Tanks			43,203			43,203				43,203	
21	331	Transmission & Distribution Mains			260,975			260,975				260,975	
22	333	Services			39,040			39,040				39,040	
23	334	Meters			4,099			4,099				4,099	
24	335	Hydrants			5,550			5,550				5,550	
25	336	Backflow Prevention Devices			889			889				889	
26	339	Other Plant & Misc Equipment			4,200			4,200				4,200	
27	340	Office Furniture & Equipment			-			-				-	
28	340.1	Computers & Software			2,450			2,450				2,450	
29	341	Transportation Equipment			5,628			5,628				5,628	
30	342	Stores Equipment			-			-				-	
31	343	Tools, Shop & Garage Equipment			-			-				-	
32	344	Laboratory Equipment			-			-				-	
33	345	Power Operated Equipment			3,912			3,912				3,912	
34	346	Communication Equipment			3,383			3,383				3,383	
35	347	Miscellaneous Equipment			-			-				-	
36	348	Other Tangible Plant			20			20				20	
37	TOTALS		\$ 556,045	\$ -	\$ 538,041	\$ -	\$ -	\$ 538,041	\$ (4,680)	\$ -	\$ -	\$ 533,361	Total
38	Equity Adjustments (Attachment 3, pg 2)				\$ 18,003		\$ -		\$ 4,680	\$ -	\$ -	\$ 22,683	Equity Adj.
39													
40	Accumulated Depreciation per Books											\$ 556,045	
41													
42	Increase / (Decrease) in Accumulated Depreciation											\$ (22,683)	
43													
44	¹ Adjusted accumulated depreciation balance including all book adjustments.												

Line No.		
1		
2	Operation and Maintenance Expense	\$ 49,773
3	Less depreciation, taxes, purchased	
4	power and purchased water	
5	Factor - 1/8	<u>0.1250</u>
6		\$ 6,222
7		
8	Purchased Power and Purchased Water	\$ 8,967
9	Factor - 1/24	<u>0.0417</u>
10		\$ 374
11		
12	Total Cash Working Capital	<u><u>\$ 6,595</u></u>
13		
14		

Line No.		Actual for Test Year Ended 12/31/2013	Total Pro forma Adjustments	Test Year Results After Pro forma Adjustments	Proposed Rate Increase	Adjusted With Rate Increase
1	Revenues					
2	460 Unmetered Water Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
3	461 Metered Water Revenues	112,585	1,561	114,145	31,404	145,549
4	471 Miscellaneous Service Revenue	3,174	-	3,174	-	3,174
5	Total Revenues	\$ 115,759	\$ 1,561	\$ 117,320	\$ 31,404	\$ 148,723
6	Operating Expenses					
7	601 Salaries and Wages	\$ 39,942	\$ (20,923)	\$ 19,019		\$ 19,019
8	603 Salaries and Wages - Officers and Directors	-	3,910	3,910		3,910
9	604 Employee Pension and Benefits	-	-	-		-
10	610 Purchased Water	-	-	-		-
11	615 Purchased Power	8,950	18	8,967		8,967
12	618 Chemicals	47	9	56		56
13	620 Repairs and Maintenance	4,339	(3,086)	1,253		1,253
14	621 Office Supplies Expense	8,314	(5,087)	3,226		3,226
15	631 Contractual Services - Engineering	-	-	-		-
16	632 Contractual Services - Accounting	-	-	-		-
17	633 Contractual Services - Legal	-	-	-		-
18	634 Contractual Services - Management Fees	-	-	-		-
19	635 Contractual Services - Testing	5,380	(3,530)	1,850		1,850
20	636 Contractual Services - Other	11,353	(7,224)	4,129		4,129
21	641 Rent - Buildings	-	1,332	1,332		1,332
22	642 Rent - Equipment	-	-	-		-
23	650 Transportation Expense	5,453	(2,879)	2,574		2,574
24	656 Insurance - Vehicle	-	-	-		-
25	657 Insurance - General Liability	1,292	(336)	956		956
26	658 Insurance - Workman's Compensation	-	-	-		-
27	659 Insurance - Other	-	316	316		316
28	660 Advertising Expense	-	-	-		-
29	666 Regulatory Commission Expense - Rate Case	-	10,000	10,000		10,000
30	667 Regulatory Expense - Other	321	-	321		321
31	668 Water Resource Conservation Expense	-	-	-		-
32	670 Bad Debt Expense	-	772	772	207	979
33	675 Miscellaneous Expense	840	(782)	58		58
34	403 Depreciation Expense	33,874	(545)	33,329		33,329
35	408 Taxes Other Than Income	-	1,679	1,679		1,679
36	408.11 Property Taxes	1,619	2,791	4,410	433	4,843
37	409 Income Tax	-	1,511	1,511	5,022	6,533
38	Total Operating Expenses	\$ 121,723	\$ (22,055)	\$ 99,668	\$ 5,661	\$ 105,330
39	Operating Income	\$ (5,964)	\$ 23,615	\$ 17,651	\$ 25,743	\$ 43,394
40	Other Income (Expense)					
41	419 Interest and Dividend Income	\$ -	\$ -	\$ -		\$ -
42	421 Non-Utility Income	59	-	59		59
43	426 Miscellaneous Non-Utility Expenses	-	-	-		-
44	427 Interest Expense	(34)	34	-		-
45	Total Other Income (Expense)	\$ 24	\$ 34	\$ 59	\$ -	\$ 59
46	Net Income (Loss)	\$ (5,940)	\$ 23,650	\$ 17,710	\$ 25,743	\$ 43,452
47						

Line No.	Actual for Test Year Ended 12/31/2013	ADJ	ADJ	ADJ	ADJ	ADJ	Witness:				
		IS-1 Eliminate Revenue Adjustments	IS-2 Correct Underbilled Revenue	IS-3 2014 Salary Increase	IS-4 Reclass Cust. Deposit Interest	IS-5 Reclass Bad Debt Expense	Rebuttal Adjustments				
							Staff Adj. No. 1	Staff Adj. No. 2 - 6	Staff Adj. No. 7	Staff Adj. No. 8 updated per ROO	
Revenues											
1	460 Unmetered Water Revenue	\$ -									
2	461 Metered Water Revenues	112,585	1,040	647			(127)				
3	471 Miscellaneous Service Revenue	3,174									
4	Total Revenues	\$ 115,759	\$ 1,040	\$ 647	\$ -	\$ -	\$ (127)	\$ -	\$ -	\$ -	
Operating Expenses											
6	601 Salaries and Wages	\$ 39,942		\$ 5,000						(\$25,923)	
7	603 Salaries and Wages - Officers and Directors	-								3,910	
8	604 Employee Pension and Benefits	-									
9	610 Purchased Water	-									
10	615 Purchased Power	8,950								18	
11	618 Chemicals	47								9	
12	620 Repairs and Maintenance	4,339						(1,792)		(1,294)	
13	621 Office Supplies Expense	8,314						(1,727)		(3,360)	
14	631 Contractual Services - Engineering	-									
15	632 Contractual Services - Accounting	-									
16	633 Contractual Services - Legal	-									
17	634 Contractual Services - Management Fees	-									
18	635 Contractual Services - Testing	5,380						(3,530)			
19	636 Contractual Services - Other	11,353						(7,531)		307	
20	641 Rent - Buildings	-								1,332	
21	642 Rent - Equipment	-									
22	650 Transportation Expense	5,453						(900)		(1,979)	
23	656 Insurance - Vehicle	-									
24	657 Insurance - General Liability	1,292								(336)	
25	658 Insurance - Workman's Compensation	-									
26	659 Insurance - Other	-								316	
27	660 Advertising Expense	-									
28	666 Regulatory Commission Expense - Rate Case	-							6,667		
29	667 Regulatory Expense - Other	321									
30	668 Water Resource Conservation Expense	-									
31	670 Bad Debt Expense	-									
32	675 Miscellaneous Expense	840				34				(44)	
33	403 Depreciation Expense	33,874									
34	408 Taxes Other Than Income	-								1,679	
35	408 Property Taxes	1,619									
36	409 Income Tax	-									
37	Total Operating Expenses	\$ 121,723	\$ -	\$ -	\$ 5,000	\$ 34	\$ -	\$ -	\$ (15,480)	\$ 6,667	\$ (25,366)
38	Operating Income	\$ (5,964)	\$ 1,040	\$ 647	\$ (5,000)	\$ (34)	\$ -	\$ (127)	\$ 15,480	\$ (6,667)	\$ 25,366
Other Income (Expense)											
40	419 Interest and Dividend Income	\$ -									
41	421 Non-Utility Income	59									
42	426 Miscellaneous Non-Utility Expenses	-									
43	427 Interest Expense	(34)				34					
44	Total Other Income (Expense)	\$ 24	\$ -	\$ -	\$ -	\$ 34	\$ -	\$ -	\$ -	\$ -	\$ -
45	Net Income (Loss)	\$ (5,940)	\$ 1,040	\$ 647	\$ (5,000)	\$ -	\$ -	\$ (127)	\$ 15,480	\$ (6,667)	\$ 25,366

Line No.	Revenues	Updated Supplemental Adjustments				Total Adjustments	Test Year Adjusted Results
		ADJ IS-6	ADJ IS-7	ADJ IS-8	ADJ IS-9		
		Rate Case Expense	Depreciation Expense	Property Taxes	Tax Allowance		
1	460 Unmetered Water Revenue				\$ -	\$ -	-
2	461 Metered Water Revenues				1,561		114,145
3	471 Miscellaneous Service Revenue				-		3,174
4	Total Revenues	\$ -	\$ -	\$ -	\$ -	1,561	117,320
5	Operating Expenses						
6	601 Salaries and Wages				\$ (20,923)	\$	19,019
7	603 Salaries and Wages - Officers and Directors				3,910		3,910
8	604 Employee Pension and Benefits				-		-
9	610 Purchased Water				-		-
10	615 Purchased Power				18		8,967
11	618 Chemicals				9		56
12	620 Repairs and Maintenance				(3,086)		1,253
13	621 Office Supplies Expense				(5,087)		3,226
14	631 Contractual Services - Engineering				-		-
15	632 Contractual Services - Accounting				-		-
16	633 Contractual Services - Legal				-		-
17	634 Contractual Services - Management Fees				-		-
18	635 Contractual Services - Testing				(3,530)		1,850
19	636 Contractual Services - Other				(7,224)		4,129
20	641 Rent - Buildings				1,332		1,332
21	642 Rent - Equipment				-		-
22	650 Transportation Expense				(2,879)		2,574
23	656 Insurance - Vehicle				-		-
24	657 Insurance - General Liability				(336)		956
25	658 Insurance - Workman's Compensation				-		-
26	659 Insurance - Other				316		316
27	660 Advertising Expense				-		-
28	666 Regulatory Commission Expense - Rate Case	3,333			10,000		10,000
29	667 Regulatory Expense - Other				-		321
30	668 Water Resource Conservation Expense				-		-
31	670 Bad Debt Expense				772		772
32	675 Miscellaneous Expense				(782)		58
33	403 Depreciation Expense		(545)		(545)		33,329
34	408 Taxes Other Than Income				1,679		1,679
35	408 Property Taxes			2,791	2,791		4,410
36	409 Income Tax				1,511		1,511
37	Total Operating Expenses	\$ 3,333	\$ (545)	\$ 2,791	\$ 1,511	\$ (22,055)	\$ 99,668
38	Operating Income	\$ (3,333)	\$ 545	\$ (2,791)	\$ (1,511)	\$ 23,615	\$ 17,651
39	Other Income (Expense)						
40	419 Interest and Dividend Income				\$ -	\$	-
41	421 Non-Utility Income				-		59
42	426 Miscellaneous Non-Utility Expenses				-		-
43	427 Interest Expense				34		-
44	Total Other Income (Expense)	\$ -	\$ -	\$ -	\$ -	\$ 34	\$ 59
45	Net Income (Loss)	\$ (3,333)	\$ 545	\$ (2,791)	\$ (1,511)	\$ 23,650	\$ 17,710

Adjust Depreciation Expense to Reflect Adjusted Plant Balances

Line No.	Acct Description	Adjusted Test Year Balance 12/31/2013	Fully Depreciated Plant	Depreciable Plant	Proposed Depreciation Rate	Depreciation Expense
1						
2	301 Organization Cost	\$ 110		\$ 110	0.00%	\$ -
3	302 Franchise Cost	-		-	0.00%	-
4	303 Land and Land Rights	15,615		15,615	0.00%	-
5	304 Structures & Improvements	68,126		68,126	3.33%	2,269
6	305 Collecting & Impounding Reservoirs	-		-	2.50%	-
7	306 Lake, River, Canal Intakes	-		-	2.50%	-
8	307 Wells & Springs	60,946		60,946	3.33%	2,030
9	308 Infiltration Galleries	-		-	6.67%	-
10	309 Raw Water Supply Mains	-		-	2.00%	-
11	310 Power Generation Equipment	912		912	5.00%	46
12	311 Pumping Equipment	121,906	(104,270)	17,637	12.50%	2,205
13	320 Water Treatment Equipment	-		-	3.33%	-
14	320.1 Water Treatment Plants	-		-	3.33%	-
15	320.2 Solution Chemical Feeders	7,745	(2,077)	5,669	20.00%	1,134
16	330 Distribution Reservoirs & Standpipes	-		-	2.22%	-
17	330.1 Storage Tanks	172,640		172,640	2.22%	3,833
18	330.2 Pressure Tanks	55,213		55,213	5.00%	2,761
19	331 Transmission & Distribution Mains	450,034		450,034	2.00%	9,001
20	333 Services	55,934		55,934	3.33%	1,863
21	334 Meters	6,652		6,652	8.33%	554
22	335 Hydrants	8,774		8,774	2.00%	175
23	336 Backflow Prevention Devices	1,428		1,428	6.67%	95
24	339 Other Plant & Misc Equipment	4,850		4,850	6.67%	324
25	340 Office Furniture & Equipment	-		-	6.67%	-
26	340.1 Computers & Software	3,500		3,500	20.00%	700
27	341 Transportation Equipment	26,456		26,456	20.00%	5,291
28	342 Stores Equipment	-		-	4.00%	-
29	343 Tools, Shop & Garage Equipment	-		-	5.00%	-
30	344 Laboratory Equipment	-		-	10.00%	-
31	345 Power Operated Equipment	5,000		5,000	5.00%	250
32	346 Communication Equipment	8,003		8,003	10.00%	800
33	347 Miscellaneous Equipment	-		-	10.00%	-
34	348 Other Tangible Plant	20	(20)	0	20.00%	-
35	TOTALS	\$ 1,073,866	\$ (106,366)	\$ 967,499		\$ 33,329
36						
37	Less: Amortization of CIAC	\$ -			3.5017%	\$ -
38						
39	Adjusted Test Year Depreciation Expense					\$ 33,329
40						
41	Test Year Depreciation Expense					\$ 33,874
42						
43	Increase / (Decrease) in Depreciation Expense					\$ (545)

Adjust Property Tax Expense to Reflect Adjusted Test Year and Proposed Revenues

Line No.	Description	Company As Adjusted	Company Proposed
1	Adjusted Test Year Revenue	\$ 117,320	\$ 117,320
2	Adjusted Test Year Revenue	117,320	117,320
3	Adjusted Test Year Revenue	117,320	
4	Proposed Revenues after Increase		148,723
5	Average of three year's of revenue	117,320	127,788
6	Average of three year's of revenue, times 2	234,639	255,575
7	Add:		
8	Construction Work In Progress at 10%	-	-
9	Deduct:		
10	Net Book Value of Transportation Equipment	21,165	21,165
11			
12	Full Cash Value	213,474	234,410
13	Assessment Ratio	18.5%	18.5%
14	Assessed Value	39,493	43,366
15	Property Tax Rate (2012 Tax Year)	11.1667%	11.1667%
16			
17	Adjusted Test Year Property Tax	\$ 4,410	
18	Recorded Test Year Property Tax	<u>1,619</u>	
19	Test Year Adjustment	\$ <u>2,791</u>	
20			
21	Property Tax at Proposed Rates		\$ 4,843
22	Adjusted Test Year Property Tax		<u>4,410</u>
23	Increase in Property Tax due to Rate Increase		<u>\$ 433</u>
24			
25	<u>Calculation of Property Tax Factor</u>		
26	Increase to Property Tax Expense		\$ 433
27	Increase in Revenue Requirement		<u>\$ 31,404</u>
28	Property Tax Factor (L25 / L26)		<u>1.3772%</u>
29			

Adjust Income Tax Expense to Reflect Adjusted Test Year and Proposed Revenues

Line No.	Description	Adjusted Test Year	Proposed with Increase	
1				
2	<u>Calculation of Income Tax:</u>			
3	Revenue	\$ 117,320	\$ 148,723	
4	Less: Operating Expenses (Excluding Income Taxes)	98,158	98,797	
5	Less: Synchronized Interest	6,911	6,911	
6	Arizona Taxable Income	\$ 12,251	\$ 43,016	
7	<u>AZ - Individual Tax Calculation (Married Filing Jointly - 2015)</u>			
8				
9	\$ Over - \$ But not Over \$ Amount plus %	\$ 317	\$ -	
10	20,325 50,812 (59.00) 2.8800%	-	1,180	
11	50,812 101,623 (303.00) 3.3600%	-	-	
12	101,623 304,868 (1,197.00) 4.2400%	-	-	
13	304,868 999,999,999 (2,112.00) 4.5400%	-	-	
14	Arizona Income Tax	\$ 317	\$ 1,180	
15	Federal Taxable Income	\$ 11,934	\$ 41,836	
16	<u>Federal - Individual Tax Calculation (Married Filing Jointly - 2015)</u>			
17				
18	\$ Over - \$ But not Over \$ Amount plus %	\$ 1,193	\$ -	
19	18,450 74,900 1,845.00 15.0000%	-	5,353	
20	74,900 151,200 10,312.50 25.0000%	-	-	
21	151,200 230,450 29,387.50 28.0000%	-	-	
22	230,450 411,500 51,577.50 33.0000%	-	-	
23	411,500 464,850 111,324.00 35.0000%	-	-	
24	464,850 9,999,999,999 129,996.50 39.6000%	-	-	
25				
26	Total Federal Income Tax	\$ 1,193	\$ 5,353	
27				
28	Combined Federal and State Income Tax	\$ 1,511	\$ 6,533	
29				
30	Effective State Tax Rate	2.5900%	2.7428%	
31	Effective Federal Tax Rate	10.0000%	12.7950%	
32	Effective Combined Tax Rate	12.3310%	15.1868%	
33				
34	Applicable Arizona State Income Tax Rate (Rate Applicable to Revenue Increase)		2.8037%	
35	Applicable Federal Income Tax Rate (Rate Applicable to Revenue Increase)		13.9104%	
36				
37	<u>Calculation of Interest Synchronization</u>			
38	Rate Base	\$ 540,328		
39	Weighted Average Cost of Debt	1.279%		
40	Synchronized Interest	\$ 6,911		
41				
42	<u>Income Tax Adjustments</u>			
43	Test Year Income Taxes - Booked	\$ -		
44	Increase / (decrease) in Income Taxes (L21 - L32)	1,511		
45				
46	Test Year Income Taxes - Adjusted		\$ 1,511	
47	Increase / (decrease) in Federal Income Taxes (L21 - L35)		5,022	
48				
49				

Line

Calculation of Gross Revenue Conversion Factor

1	Revenue	100.0000%
2	Uncollectable Factor (Line 11)	0.5507%
3	Revenue (L1 - L2)	99.4493%
4	Combined Income Tax and Property Tax Rate (Line 23)	17.4765%
5	Operating Income Percentage (L3 -L4)	81.9728%
6	Gross Revenue Conversion Factor (L1 / L5)	1.219917

Calculation of Uncollectable Factor

7	Unity	100.0000%
8	Combined Federal and State Tax Rate (Line 17)	16.3241%
9	One Minus Combined Federal and State Tax Rate (L7 - L8)	83.6759%
10	Uncollectable Rate (Line 26)	0.6582%
11	Uncollectable Factor (L9 * L10)	0.5507%

Calculation of Effective Tax Rate

12	Operating Income Before Taxes	100.0000%
13	Applicable Arizona State Tax Rate (from Schedule C-2)	2.8037%
14	Federal Taxable Income (L12 - L13)	97.1963%
15	Applicable Federal Tax Rate (from Schedule C-2)	13.9104%
16	Effective Federal Tax Rate (L14 * L15)	13.5204%
17	Combined Federal and State Tax Rate (L13 + L16)	16.3241%

Calculation of Effective Property Tax Rate

18	Unity	100.0000%
19	Combined Federal and State Tax Rate (Line 17)	16.3241%
20	One Minus Combined Income Tax Rate (L18 - L19)	83.6759%
21	Property Tax Factor (from Schedule C-2)	1.3772%
22	Effective Property Tax Factor (L20 * L21)	1.1524%

23	Combined Federal and State Income Tax Rate and Property Tax Rate (L17 + L22)	17.4765%
----	--	----------

Calculation of Uncollectable Rate

24	Bad Debt Expense (from Schedule C-1)	\$ 772
25	Total Revenues (from Schedule C-1)	117,320
26	Uncollectable Rate (L24 / L25)	0.6582%

27	Revenue Increase (from Schedule C-1)	\$ 31,404
28	Uncollectable Rate (Line 26)	0.6582%
29	Bad Debt Expense due to Increase	\$ 207

Line No.	Description	Average Number Customers	Average Consumption	Revenues		Proposed	
				Present Rates	Proposed Rates	Increase Amount	Increase %
1							
2	<u>Metered Water Revenue</u>						
3	R1 - 5/8" x 3/4" Meter	85	6,411	\$ 64,502	\$ 82,934	\$ 18,432	28.58%
4	R2 - 3/4" Meter	-	-	-	-	-	-
6	R3 - 1" Meter	34	6,496	44,269	55,514	11,245	25.40%
7	R4 - 1.5" Meter	-	-	-	-	-	-
8	R5 - 2" Meter	1	41,200	5,965	7,401	1,436	24.07%
9	R6 - 3" Meter	-	-	-	-	-	-
10	R7 - 4" Meter	-	-	-	-	-	-
11	R8 - 6" Meter	-	-	-	-	-	-
12	Hydrant Meter						
13							
14	<u>Metered Water Revenue</u>						
15	All Customers	120	81,126	114,735	145,848	31,112	27.12%
16							
17	Other Water Revenue			\$ 3,174	\$ 3,174	-	0.00%
18							
19	Total	<u>120</u>		<u>\$ 117,910</u>	<u>\$ 149,022</u>	<u>\$ 31,112</u>	<u>26.39%</u>
20							

Supplemental Schedule
 Breakdown of Metered Water Revenue at Current Rates
 By Rate Components

Line No.	Description	Revenue at Current Rates					Total Revenue
		Base Charge	1st Tier	2nd Tier	3rd Tier		
1							
2	R1 - 5/8" x 3/4" Meter	\$ 25,600	\$ 13,442	\$ 11,498	\$ 13,962	\$	64,502
3	R2 - 3/4" Meter	-	-	-	-		-
4	R3 - 1" Meter	25,750	-	13,322	5,197		44,269
5	R4 - 1.5" Meter	-	-	-	-		-
6	R5 - 2" Meter	2,400	-	1,731	1,834		5,965
7	R6 - 3" Meter	-	-	-	-		-
8	R7 - 4" Meter	-	-	-	-		-
9	R8 - 6" Meter	-	-	-	-		-
10	R9 - 8" Meter	-	-	-	-		-
11	Hydrant Meter						-
12							
13	Total Revenue	\$ 53,750	\$ 13,442	\$ 26,550	\$ 20,993	\$	114,735
14							
15	Percentage of Total	46.85%	11.72%	23.14%	18.30%		100.00%
16							

Supplemental Schedule
 Breakdown of Metered Water Revenue at Proposed Rates
 By Rate Components

Line No.	Description	Revenue at Proposed Rates					Total Revenue
		Base Charge	1st Tier	2nd Tier	3rd Tier		
1							
2	R1 - 5/8" x 3/4" Meter	\$ 32,768	\$ 14,125	\$ 19,251	\$ 16,790	\$	\$ 82,934
3	R2 - 3/4" Meter	-	-	-	-		-
4	R3 - 1" Meter	32,960	-	18,779	3,775		55,514
5	R4 - 1.5" Meter	-	-	-	-		-
6	R5 - 2" Meter	3,072	-	2,408	1,921		7,401
7	R6 - 3" Meter	-	-	-	-		-
8	R7 - 4" Meter	-	-	-	-		-
9	R8 - 6" Meter	-	-	-	-		-
10	R9 - 8" Meter	-	-	-	-		-
11	Hydrant Meter						-
12							
13	Total Revenue	\$ 68,800	\$ 14,125	\$ 40,438	\$ 22,486	\$	\$ 145,848
14							
15	Percentage of Total Revenue	47.17%	9.68%	27.73%	15.42%		100.00%
16							
17	Percentage Increase by Tier	28.00%	5.08%	52.31%	7.11%		27.12%
18							

Chino Mountain II Water Company, Inc.

Supporting Schedules

<u>Line</u> <u>No.</u>		<u>Company</u>	<u>Staff</u>
1	Adjusted Rate Base - OCRB/FVRB	\$ 170,038	\$ 170,040
2			
3	Adjusted TY Revenue	357,985	357,985
4			
5	Adjusted TY Operating Expenses	346,829	346,828
6			
7	Adjusted Operating Income	11,157	11,157
8			
9	Current Rate of Return	6.56%	6.56%
10			
11	Required Rate of Return	23.20%	23.20%
12			
13	Required Operating Income	\$ 39,449	\$ 39,448
14			
15	Operating Income Deficiency	28,292	28,291
16			
17	Gross Revenue Conversion Factor	1.2902	1.2902
18			
19	Required Increase in Gross Revenue	\$ 36,503	\$ 36,502
20			
21	Percent Increase in Gross Revenue	10.20%	10.20%
22			
23	Revenue Requirement	\$ 394,489	\$ 394,488
26			
27	Test Year Operating Margin	3.12%	3.12%
28			
29	Required Operating Margin	10.00%	10.00%
30			

Line No.		Original Cost Rate Base*
1		
2	Gross Utility Plant in Service	\$ 795,909
3		
4	Less: Accumulated Depreciation	<u>(613,916)</u>
5		
6	Net Utility Plant in Service	181,993
7		
8	Less:	
9	Advances in Aid of Construction	9,571
10		
11	Contributions in Aid of Construction	37,608
12	Accumulated Amortization of CIAC	<u>(12,128)</u>
13	Contributions in Aid of Construction - Net	25,480
14		
15	Customer Security Deposits	11,740
16	Deferred Income Taxes	-
17		
18	Plus:	
19	Working Capital	34,835
20	Net Regulatory Asset / (Liability)	-
21		
22	Rate Base	<u>\$ 170,038</u>
23		
24	* including pro forma adjustments	
25		

Line		
<u>No.</u>		
1		
2	Operation and Maintenance Expense	\$ 270,641
3	Less depreciation, taxes, purchased	
4	power and purchased water	270,641
5	Factor - 1/8	<u>0.1250</u>
6		\$ 33,830
7		
8	Purchased Power and Purchased Water	\$ 24,123
9	Factor - 1/24	<u>0.0417</u>
10		\$ 1,005
11		
12	Total Cash Working Capital	<u>\$ 34,835</u>
13		
14		

Line No.		Actual for Test Year Ended <u>12/31/2013</u>	Total Pro forma <u>Adjustments</u>	Test Year Results After Pro forma <u>Adjustments</u>	Proposed Rate <u>Increase</u>	Adjusted With Rate <u>Increase</u>
1	Revenues					
2	460 Unmetered Water Revenue	\$ -	\$ -	\$ -		\$ -
3	461 Metered Water Revenues	339,618	6,002	345,620	36,503	382,124
4	471 Miscellaneous Service Revenue	12,744	(379)	12,365	-	12,365
5	Total Revenues	<u>\$ 352,362</u>	<u>\$ 5,623</u>	<u>\$ 357,985</u>	<u>\$ 36,503</u>	<u>\$ 394,489</u>
6	Operating Expenses					
7	601 Salaries and Wages	\$ 164,965	\$ (23,668)	\$ 141,297		\$ 141,297
8	603 Salaries and Wages - Officers and Directors	31,700	(2,649)	29,051		29,051
9	604 Employee Pension and Benefits	-	-	-		-
10	610 Purchased Water	40	-	40		40
11	615 Purchased Power	24,401	(318)	24,083		24,083
12	618 Chemicals	425	(10)	415		415
13	620 Repairs and Maintenance	8,899	763	9,662		9,662
14	621 Office Supplies Expense	30,594	(16,686)	13,909		13,909
15	631 Contractual Services - Engineering	-	-	-		-
16	632 Contractual Services - Accounting	620	-	620		620
17	633 Contractual Services - Legal	-	-	-		-
18	634 Contractual Services - Management Fees	-	-	-		-
19	635 Contractual Services - Testing	4,791	37	4,828		4,828
20	636 Contractual Services - Other	10,837	(2,052)	8,785		8,785
21	641 Rent - Buildings	-	9,896	9,896		9,896
22	642 Rent - Equipment	-	-	-		-
23	650 Transportation Expense	24,752	(5,631)	19,121		19,121
24	656 Insurance - Vehicle	-	-	-		-
25	657 Insurance - General Liability	8,964	(1,864)	7,099		7,099
26	658 Insurance - Workman's Compensation	-	-	-		-
27	659 Insurance - Other	2,667	(321)	2,345		2,345
28	660 Advertising Expense	-	-	-		-
29	666 Regulatory Commission Expense - Rate Case	-	15,000	15,000		15,000
30	667 Regulatory Expense - Other	445	-	445		445
31	668 Water Resource Conservation Expense	-	-	-		-
32	670 Bad Debt Expense	-	4,833	4,833	493	5,326
33	675 Miscellaneous Expense	10,284	(6,949)	3,335		3,335
34	403 Depreciation Expense	28,644	(9,551)	19,093		19,093
35	408 Taxes Other Than Income	-	12,472	12,472		12,472
36	408.11 Property Taxes	18,173	(479)	17,693	601	18,295
37	409 Income Tax	50	2,757	2,807	7,117	9,924
38	Total Operating Expenses	<u>\$ 371,249</u>	<u>\$ (24,420)</u>	<u>\$ 346,829</u>	<u>\$ 8,211</u>	<u>\$ 355,040</u>
39	Operating Income	<u>\$ (18,887)</u>	<u>\$ 30,044</u>	<u>\$ 11,157</u>	<u>\$ 28,292</u>	<u>\$ 39,449</u>
40	Other Income (Expense)					
41	419 Interest and Dividend Income	\$ -	\$ -	\$ -		\$ -
42	421 Non-Utility Income	684	-	684		684
43	426 Miscellaneous Non-Utility Expenses	(5,000)	-	(5,000)		(5,000)
44	427 Interest Expense	(1,451)	554	(896)		(896)
45	Total Other Income (Expense)	<u>\$ (5,767)</u>	<u>\$ 554</u>	<u>\$ (5,212)</u>	<u>\$ -</u>	<u>\$ (5,212)</u>
46	Net Income (Loss)	<u>\$ (24,653)</u>	<u>\$ 30,598</u>	<u>\$ 5,945</u>	<u>\$ 28,292</u>	<u>\$ 34,237</u>
47						

Line No.	Actual for Test Year Ended 12/31/2013	ADJ	ADJ	ADJ	ADJ	ADJ	Rebuttal Adjustments					Witness:	
		IS-1 Correct Revenue	IS-1A Eliminate Revenue Adjustments	IS-2 2014 Salary Increase	IS-3 Reclass Cust. Deposit Interest	IS-4 Reclass Bad Debt Expense	Staff Adj. No. 1	Staff Adj. No. 2	Staff Adj. No. 3	Staff Adj. No. 4	Staff Adj. No. 5 updated per ROO		
Revenues													
1	460 Unmetered Water Revenue	\$ -											
2	461 Metered Water Revenues	339,618	3,314	2,688									
3	471 Miscellaneous Service Revenue	12,744							(379)				
4	Total Revenues	\$ 352,362	\$ 3,314	\$ 2,688	\$ -	\$ -	\$ -	\$ -	\$ (379)	\$ -	\$ -	\$ -	\$ -
Operating Expenses													
6	601 Salaries and Wages	\$ 164,965		\$ 15,000									(\$38,668)
7	603 Salaries and Wages - Officers and Directors	31,700											(2,649)
8	604 Employee Pension and Benefits	-											
9	610 Purchased Water	40											
10	615 Purchased Power	24,401											(318)
11	618 Chemicals	425											(10)
12	620 Repairs and Maintenance	8,899											763
13	621 Office Supplies Expense	30,594											(16,686)
14	631 Contractual Services - Engineering	-											
15	632 Contractual Services - Accounting	620											
16	633 Contractual Services - Legal	-											
17	634 Contractual Services - Management Fees	-											
18	635 Contractual Services - Testing	4,791								37			
19	636 Contractual Services - Other	10,837											(2,052)
20	641 Rent - Buildings	-											9,896
21	642 Rent - Equipment	-											
22	650 Transportation Expense	24,752											(5,631)
23	656 Insurance - Vehicle	-											
24	657 Insurance - General Liability	8,964											(1,864)
25	658 Insurance - Workman's Compensation	-											
26	659 Insurance - Other	2,667											(321)
27	660 Advertising Expense	-											
28	666 Regulatory Commission Expense - Rate Case	-								1,667			
29	667 Regulatory Expense - Other	445											
30	668 Water Resource Conservation Expense	-											
31	670 Bad Debt Expense	-						1,990				2,843	
32	675 Miscellaneous Expense	10,284					554	(1,990)					(5,513)
33	403 Depreciation Expense	28,644											
34	408 Taxes Other Than Income	-											12,472
35	408 Property Taxes	18,173											
36	409 Income Tax	50											
37	Total Operating Expenses	\$ 371,249	\$ -	\$ -	\$ 15,000	\$ 554	\$ -	\$ -	\$ 37	\$ 1,667	\$ 2,843	\$ (50,581)	
38	Operating Income	\$ (18,887)	\$ 3,314	\$ 2,688	\$ (15,000)	\$ (554)	\$ -	\$ (379)	\$ (37)	\$ (1,667)	\$ (2,843)	\$ 50,581	
Other Income (Expense)													
40	419 Interest and Dividend Income	\$ -											
41	421 Non-Utility Income	684											
42	426 Miscellaneous Non-Utility Expenses	(5,000)											
43	427 Interest Expense	(1,451)				554							
44	Total Other Income (Expense)	\$ (5,767)	\$ -	\$ -	\$ -	\$ 554	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45	Net Income (Loss)	\$ (24,653)	\$ 3,314	\$ 2,688	\$ (15,000)	\$ -	\$ -	\$ (379)	\$ (37)	\$ (1,667)	\$ (2,843)	\$ 50,581	

Line No.	Updated Rebuttal Adjustments				Total Adjustments	Test Year Adjusted Results	
	ADJ IS-5 Rate	ADJ IS-6 Depreciation Expense	ADJ IS-7 Property Taxes	ADJ IS-8 Income Taxes			
	Case Expense	Expense	Taxes	Taxes			
Revenues							
1					\$ -	\$ -	
2					6,002	345,620	
3					(379)	12,365	
4					5,623	357,985	
5	Operating Expenses						
6					(23,668)	141,297	
7					(2,649)	29,051	
8					-	-	
9					-	40	
10					(318)	24,083	
11					(10)	415	
12					763	9,662	
13					(16,686)	13,909	
14					-	-	
15					-	620	
16					-	-	
17					-	-	
18					37	4,828	
19					(2,052)	8,785	
20					9,896	9,896	
21					-	-	
22					(5,631)	19,121	
23					-	-	
24					(1,864)	7,099	
25					-	-	
26					(321)	2,345	
27					-	-	
28		13,333			15,000	15,000	
29					-	445	
30					-	-	
31					4,833	4,833	
32					(6,949)	3,335	
33		(9,551)			(9,551)	19,093	
34					12,472	12,472	
35			(479)		(479)	17,693	
36				2,757	2,757	2,807	
37		13,333	(9,551)	(479)	2,757	(24,420)	346,829
38		(13,333)	9,551	479	(2,757)	30,044	11,157
39	Other Income (Expense)						
40					-	-	
41					-	684	
42					-	(5,000)	
43					554	(896)	
44					554	(5,212)	
45		(13,333)	9,551	479	(2,757)	30,598	5,945

Adjust Depreciation Expense to Reflect Adjusted Plant Balances

Line No.	Acct Description	Adjusted Test Year Balance 12/31/2013	Fully Depreciated Plant	Depreciable Plant	Proposed Depreciation Rate	Depreciation Expense
1						
2	301 Organization Cost	\$ 6,843		\$ 6,843	0.00%	\$ -
3	302 Franchise Cost	-		-	0.00%	-
4	303 Land and Land Rights	15,204		15,204	0.00%	-
5	304 Structures & Improvements	44,339		44,339	3.33%	1,476
6	305 Collecting & Impounding Reservoirs	4,350		4,350	2.50%	109
7	306 Lake, River, Canal Intakes	-		-	2.50%	-
8	307 Wells & Springs	27,987	(9,096)	18,891	3.33%	629
9	308 Infiltration Galleries	-		-	6.67%	-
10	309 Raw Water Supply Mains	1,009		1,009	2.00%	20
11	310 Power Generation Equipment	12,401		12,401	5.00%	620
12	311 Pumping Equipment	46,268	(46,268)	-	12.50%	-
13	320 Water Treatment Equipment	-		-	3.33%	-
14	320.1 Water Treatment Plants	-		-	3.33%	-
15	320.2 Solution Chemical Feeders	6,406	(6,406)	0	20.00%	0
16	330 Distribution Reservoirs & Standpipes	-		-	2.22%	-
17	330.1 Storage Tanks	36,415	(15,120)	21,295	2.22%	473
18	330.2 Pressure Tanks	15,269	(15,269)	-	5.00%	-
19	331 Transmission & Distribution Mains	304,942	(167,988)	136,954	2.00%	2,739
20	333 Services	30,067	(7,181)	22,886	3.33%	762
21	334 Meters	89,777		89,777	8.33%	7,478
22	335 Hydrants	12,042		12,042	2.00%	241
23	336 Backflow Prevention Devices	-		-	6.67%	-
24	339 Other Plant & Misc Equipment	16,728	(1,305)	15,423	6.67%	1,029
25	340 Office Furniture & Equipment	6,534		6,534	6.67%	436
26	340.1 Computers & Software	10,601		10,601	20.00%	2,120
27	341 Transportation Equipment	55,820	(55,820)	-	20.00%	-
28	342 Stores Equipment	-		-	4.00%	-
29	343 Tools, Shop & Garage Equipment	1,274		1,274	5.00%	64
30	344 Laboratory Equipment	-		-	10.00%	-
31	345 Power Operated Equipment	30,461	(18,377)	12,084	5.00%	604
32	346 Communication Equipment	17,200		17,200	10.00%	1,720
33	347 Miscellaneous Equipment	3,975		3,975	10.00%	398
34	348 Other Tangible Plant	-		-	20.00%	-
35	TOTALS	\$ 795,909	\$ (342,829)	\$ 453,080		\$ 20,918
36						
37	Less: Amortization of CIAC	\$ 37,608			4.8529%	\$ 1,825
38						
39	Adjusted Test Year Depreciation Expense					\$ 19,093
40						
41	Test Year Depreciation Expense					\$ 28,644
42						
43	Increase / (Decrease) in Depreciation Expense					\$ (9,551)

Adjust Property Tax Expense to Reflect Adjusted Test Year and Proposed Revenues

Line No.	Description	Company <u>As Adjusted</u>	Company <u>Proposed</u>			
1	Adjusted Test Year Revenue	\$ 357,985	\$ 357,985			
2	Adjusted Test Year Revenue	357,985	357,985			
3	Adjusted Test Year Revenue	357,985				
4	Proposed Revenues after Increase		394,489			
5	Average of three year's of revenue	357,985	370,153			
6	Average of three year's of revenue, times 2	715,971	740,307			
7	Add:					
8	Construction Work In Progress at 10%	-	-			
9	Deduct:					
10	Net Book Value of Transportation Equipment	-	-			
11						
12	Full Cash Value	715,971	740,307			
13	Assessment Ratio	18.5%	18.5%			
14	Assessed Value	132,455	136,957			
15	Property Tax Rate (2012 Tax Year)	13.3582%	13.3582%			
16						
17	Adjusted Test Year Property Tax	\$ 17,693				
18	Recorded Test Year Property Tax	<u>18,173</u>				
19	Test Year Adjustment	\$ (479)				
20						
21	Property Tax at Proposed Rates		\$ 18,295			
22	Adjusted Test Year Property Tax		<u>17,693</u>			
23	Increase in Property Tax due to Rate Increase		<u>\$ 601</u>			
24						
25	<u>Calculation of Property Tax Factor</u>					
26	Increase to Property Tax Expense		\$ 601			
27	Increase in Revenue Requirement		<u>\$ 36,503</u>			
28	Property Tax Factor (L25 / L26)		1.6475%			
29						
30		2013				
31	CALCULATION OF TAX RATE	<u>Value</u>	<u>Ratio</u>	<u>Tax Value</u>	<u>Tax</u>	<u>Rate</u>
32		947-25-131 583,000	19.5%	113,685	15,186	13.3582%

Adjust Income Tax Expense to Reflect Adjusted Test Year and Proposed Revenues

Line No.	Description	Adjusted Test Year	Proposed with Increase
1			
2	<u>Calculation of Income Tax:</u>		
3	Revenue	\$ 357,985	\$ 394,489
4	Less: Operating Expenses (Excluding Income Taxes)	344,022	345,116
5	Less: Synchronized Interest	-	-
6	Arizona Taxable Income	\$ 13,964	\$ 49,373
7			
8	All Income at 6.0000%	\$ 838	\$ 2,962
9			
10			
11			
12			
13	Arizona Income Tax	\$ 838	\$ 2,962
14	Federal Taxable Income	\$ 13,126	\$ 46,410
15			
16	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 1,969	\$ 6,962
17	Federal Tax on Second Income Bracket (\$50,001 - 75,000) @ 25%	\$ -	-
18	Federal Tax on Third Income Bracket (\$75,001 - 100,000) @ 34%	\$ -	-
19	Federal Tax on Fourth Income Bracket (\$100,001 - 335,000) @ 39%	\$ -	-
20	Federal Tax on Fifth Income Bracket (\$335,001 - 10,000,000) @ 34%	\$ -	-
21	Federal Tax on Sixth Income Bracket (\$10,000,001 - 15,000,000) @ 35%	\$ -	-
22	Federal Tax on Seventh Income Bracket (\$15,000,001 - 18,333,333) @ 38%	\$ -	-
23	Federal Tax on Eighth Income Bracket (\$18,333,334 -) @ 35%	\$ -	-
24			
25	Total Federal Income Tax	\$ 1,969	\$ 6,962
26			
27	Combined Federal and State Income Tax	\$ 2,807	\$ 9,924
28			
29	Effective State Tax Rate	6.0000%	6.0000%
30	Effective Federal Tax Rate	15.0000%	15.0000%
31	Effective Combined Tax Rate	20.1000%	20.1000%
32			
33	Applicable Arizona State Income Tax Rate (Rate Applicable to Revenue Increase)		6.0000%
34	Applicable Federal Income Tax Rate (Rate Applicable to Revenue Increase)		15.0000%
35			
36	<u>Calculation of Interest Synchronization</u>		
37	Rate Base	\$ 170,038	
38	Weighted Average Cost of Debt	0.000%	
39	Synchronized Interest	\$ -	
40			
41	<u>Income Tax Adjustments</u>		
42	Test Year Income Taxes - Booked	\$ 50	
43	Increase / (decrease) in Income Taxes (L21 - L32)	2,757	
44			
45	Test Year Income Taxes - Adjusted		\$ 2,807
46	Increase / (decrease) in Federal Income Taxes (L21 - L35)		7,117
47			
48			

Line

<u>No.</u>	<u>Calculation of Gross Revenue Conversion Factor</u>	
1	Revenue	100.0000%
2	Uncollectable Factor (Line 11)	1.0787%
3	Revenue (L1 - L2)	<u>98.9213%</u>
4	Combined Income Tax and Property Tax Rate (Line 23)	21.4164%
5	Operating Income Percentage (L3 -L4)	<u>77.5050%</u>
6	Gross Revenue Conversion Factor (L1 / L5)	<u><u>1.290240</u></u>
	<u>Calculation of Uncollectable Factor</u>	
7	Unity	100.0000%
8	Combined Federal and State Tax Rate (Line 17)	20.1000%
9	One Minus Combined Federal and State Tax Rate (L7 - L8)	<u>79.9000%</u>
10	Uncollectable Rate (Line 26)	1.3500%
11	Uncollectable Factor (L9 * L10)	<u>1.0787%</u>
	<u>Calculation of Effective Tax Rate</u>	
12	Operating Income Before Taxes	100.0000%
13	Applicable Arizona State Tax Rate (from Schedule C-2)	6.0000%
14	Federal Taxable Income (L12 - L13)	<u>94.0000%</u>
15	Applicable Federal Tax Rate (from Schedule C-2)	15.0000%
16	Effective Federal Tax Rate (L14 * L15)	<u>14.1000%</u>
17	Combined Federal and State Tax Rate (L13 + L16)	<u>20.1000%</u>
	<u>Calculation of Effective Property Tax Rate</u>	
18	Unity	100.0000%
19	Combined Federal and State Tax Rate (Line 17)	20.1000%
20	One Minus Combined Income Tax Rate (L18 - L19)	<u>79.9000%</u>
21	Property Tax Factor (from Schedule C-2)	1.6475%
22	Effective Property Tax Factor (L20 * L21)	<u>1.3164%</u>
23	Combined Federal and State Income Tax Rate and Property Tax Rate (L17 + L22)	<u><u>21.4164%</u></u>
	<u>Calculation of Uncollectable Rate</u>	
24	Bad Debt Expense (from Schedule C-1)	\$ 4,833
25	Total Revenues (from Schedule C-1)	<u>357,985</u>
26	Uncollectable Rate (L24 / L25)	1.3500%
27	Revenue Increase (from Schedule C-1)	\$ 36,503
28	Uncollectable Rate (Line 26)	1.3500%
29	Bad Debt Expense due to Increase	\$ 493

Line No.	Description	Average Number Customers	Average Consumption	Revenues		Proposed	
				Present Rates	Proposed Rates	Increase Amount	Increase %
1							
2	<u>Unmetered Water Revenue</u>						
3	Fire Service	-		\$ -	\$ -	\$ -	
4							
5	<u>Metered Water Revenue</u>						
6	R1 - 5/8" x 3/4" Meter	895	4,931	\$ 346,110	\$ 381,589	\$ 35,479	10.25%
7	R2 - 3/4" Meter	-	-	-	-	-	
8	R3 - 1" Meter	-	-	-	-	-	
9	R4 - 1.5" Meter	-	-	-	-	-	
10	R5 - 2" Meter	-	-	-	-	-	
11	R6 - 3" Meter	-	-	-	-	-	
12	R7 - 4" Meter	-	-	-	-	-	
13	R8 - 6" Meter	-	-	-	-	-	
14	Hydrant Meter						
15							
16	Totals:						
17	<u>Unmetered Water Revenue</u>						
18	Fire Service	-		\$ -	\$ -	\$ -	
19							
20	<u>Metered Water Revenue</u>						
21	All Customers	895	59,192	346,110	381,589	35,479	10.25%
22							
23	Other Water Revenue			\$ 12,744	\$ 12,744	-	0.00%
24							
25	Total	<u>895</u>		<u>\$ 358,854</u>	<u>\$ 394,333</u>	<u>\$ 35,479</u>	<u>9.89%</u>
26							

Supplemental Schedule
 Breakdown of Metered Water Revenue at Current Rates
 By Rate Components

Line No.	Description	Revenue at Current Rates				Total Revenue
		Base Charge	1st Tier	2nd Tier	3rd Tier	
1						
2	R1 - 5/8" x 3/4" Meter	\$ 190,706	\$ 64,900	\$ 58,952	\$ 31,551	\$ 346,110
3	R2 - 3/4" Meter	-	-	-	-	-
4	R3 - 1" Meter	-	-	-	-	-
5	R4 - 1.5" Meter	-	-	-	-	-
6	R5 - 2" Meter	-	-	-	-	-
7	R6 - 3" Meter	-	-	-	-	-
8	R7 - 4" Meter	-	-	-	-	-
9	R8 - 6" Meter	-	-	-	-	-
10	R9 - 8" Meter	-	-	-	-	-
11	Hydrant Meter					
12						
13	Total Revenue	\$ 190,706	\$ 64,900	\$ 58,952	\$ 31,551	\$ 346,110
14						
15	Percentage of Total	55.10%	18.75%	17.03%	9.12%	100.00%
16						

Supplemental Schedule
 Breakdown of Metered Water Revenue at Proposed Rates
 By Rate Components

Line No.	Description	Revenue at Proposed Rates				Total Revenue
		Base Charge	1st Tier	2nd Tier	3rd Tier	
1						
2	R1 - 5/8" x 3/4" Meter	\$ 191,780	\$ 79,773	\$ 82,448	\$ 27,587	\$ 381,589
3	R2 - 3/4" Meter	-	-	-	-	-
4	R3 - 1" Meter	-	-	-	-	-
5	R4 - 1.5" Meter	-	-	-	-	-
6	R5 - 2" Meter	-	-	-	-	-
7	R6 - 3" Meter	-	-	-	-	-
8	R7 - 4" Meter	-	-	-	-	-
9	R8 - 6" Meter	-	-	-	-	-
10	R9 - 8" Meter	-	-	-	-	-
11	Hydrant Meter					
12						
13	Total Revenue	\$ 191,780	\$ 79,773	\$ 82,448	\$ 27,587	\$ 381,589
14						
15	Percentage of Total Revenue	50.26%	20.91%	21.61%	7.23%	100.00%
16						
17	Percentage Increase by Tier	0.56%	22.92%	39.86%	-12.57%	10.25%
18						