

Line No.		Test Year Book Results (a)	Total Pro Forma Adjustments (a)	Test Year Adjusted Results (a)	Proposed Rate Increase (a)	Adjusted with Rate Increase (a)	
		[A]	[B]	[C] = [A] + [B]	[D]	[E] = [C] + [D]	
1	Revenues						
2	Water	\$ 103,652,018	\$ 2,904,393	\$ 106,556,411	\$ 5,269,620	\$ 111,826,031	
3	Other Revenues	2,714,894	22,340	2,737,234	-	2,737,234	
4	Total Revenues	<u>\$ 106,366,912</u>	<u>\$ 2,926,733</u>	<u>\$ 109,293,646</u>	<u>\$ 5,269,620</u>	<u>\$ 114,563,266</u>	Sum Lines [2-3]
5							
6	Operating Expenses						
7	Labor	\$ 10,625,197	\$ 3,049,173	\$ 13,674,370	\$ -	\$ 13,674,370	
8	Purchased Water	4,166,845	(4,166,845)	-	-	-	
9	Fuel & Power	8,500,296	(8,500,296)	-	-	-	
10	Chemicals	1,179,385	117,771	1,297,156	-	1,297,156	
11	Waste Disposal	59,346	1,667	61,013	-	61,013	
12	Intercompany Support Services	-	-	-	-	-	
13	Corporate Allocation	3,509,636	(104,151)	3,405,485	-	3,405,485	
14	Outside Services	1,949,417	60,238	2,009,655	-	2,009,655	
15	Group Insurance	4,407,566	112,822	4,520,388	-	4,520,388	
16	Pensions	-	-	-	-	-	
17	Regulatory Expense	262,630	266,560	529,190	-	529,190	
18	Insurance Other Than Group	957,251	(67,710)	889,542	13,643	903,185	
19	Customer Accounting	4,217,731	183,469	4,401,200	11,118	4,412,318	
20	Rents	418,309	1,892	420,201	-	420,201	
21	General Office Expense	1,858,909	(260,892)	1,598,016	-	1,598,016	
22	Miscellaneous	275,149	13,852	289,001	-	289,001	
23	Maintenance Expense	4,079,805	(237,034)	3,842,772	-	3,842,772	
24	Depreciation & Amortization	20,221,815	10,728,848	30,950,663	-	30,950,663	
25	General Taxes-Property	3,705,342	1,243,883	4,949,225	114,548	5,063,773	
26	General Taxes-Other	1,333,108	(188,673)	1,144,436	-	1,144,436	
27	Income Taxes	11,468,693	(1,145,472)	10,323,221	1,959,009	12,282,230	
28							
29	Total Operating Expenses	<u>\$ 83,196,430</u>	<u>\$ 1,109,104</u>	<u>\$ 84,305,534</u>	<u>\$ 2,098,318</u>	<u>\$ 86,403,852</u>	Sum Lines [7-27]
30	Utility Operating Income	<u>\$ 23,170,482</u>	<u>\$ 1,817,629</u>	<u>\$ 24,988,111</u>	<u>\$ 3,171,302</u>	<u>\$ 28,159,413</u>	Line [4] + Line [29]
31	Other Income & Deductions						
32	Other Income & Deductions	\$ (703,003)	\$ -	\$ (703,003)	\$ -	\$ (703,003)	
33	Interest Expense	7,924,765	351,813	8,276,577	-	8,276,577	
34	Other Expense	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	150	-	150	-	150	
36	Total Other Income & Deductions	<u>\$ 7,221,912</u>	<u>\$ 351,813</u>	<u>\$ 7,573,724</u>	<u>\$ -</u>	<u>\$ 7,573,724</u>	Sum Lines [32-35]
37	Net Profit / (Loss)	<u>\$ 15,948,571</u>	<u>\$ 1,465,816</u>	<u>\$ 17,414,387</u>	<u>\$ 3,171,302</u>	<u>\$ 20,585,689</u>	Line [30] - Line [36]
38							
39							
40							
41							
42							
43	Supporting Schedules:		Recap Schedules:				
44	(a) C-2		A-1				
45							
46							
47							
48	Workpapers & Supporting Documents						
49							
50	\\2016 EPCOR Arizona Water.xlsm						

	Page 16 [M]	Page 17 [N]	Page 18 [O]	Page 19 [P]	Page 20 [Q]	Page 21 [R]	Page 22 [S]	Page 23 [T]	Page 24 [U]	Page 25 [V]	Page 26 [W]	Page 27 [X]
	ADJ JPB-IS12	ADJ SLM-IS13	ADJ SLM-IS14	ADJ SLM-IS15	ADJ SLM-IS16	ADJ SLM-IS17	ADJ SLM-IS18	ADJ SLM-IS19	ADJ SLM-IS20	ADJ SLM-IS21	ADJ SLM-IS22	ADJ JPB-IS23
Line No.	<u>Customer Care and Billing Services</u>	<u>Rate Case Expense</u>	<u>Reclass Effluent from Water to Wastewater</u>	<u>Annualize Willow Valley Expense</u>	<u>Annualize Depreciation Expense on Direct Plant</u>	<u>Annualize Depreciation Expense on Corporate Plant</u>	<u>Annualize Depreciation Expense on 6U</u>	<u>Depreciation Expense on Post Test Year Plant</u>	<u>Removal of Vector Truck Amortization</u>	<u>Annualize Amortization of CIAC</u>	<u>Adjust Corporate Allocations</u>	<u>CPI Increase</u>
1	Revenues											
2	\$ -	\$ -	\$ (53,665)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	-	-	-	-	-	-	-	-	-	-	-	-
4	\$ -	\$ -	\$ (53,665)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Operating Expenses											
7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	-	-	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-	-	-
10	-	-	-	9,586	-	-	-	-	-	-	-	96,238
11	-	-	-	312	-	-	-	-	-	-	-	1,356
12	-	-	-	-	-	-	-	-	-	-	-	-
13	-	-	-	16,159	-	-	-	-	-	-	(125,794)	5,484
14	-	-	-	15,709	-	-	-	-	-	-	-	44,529
15	-	-	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-	-	-
17	-	266,560	-	-	-	-	-	-	-	-	-	-
18	-	-	-	-	-	-	-	-	-	-	-	-
19	92,799	-	-	11,547	-	-	-	-	-	-	-	11,459
20	-	-	-	1,892	-	-	-	-	-	-	-	-
21	-	-	-	8,572	-	-	-	-	-	-	-	42,109
22	-	-	-	8,465	-	-	-	-	-	-	-	5,387
23	-	-	-	29,577	-	-	-	-	-	-	-	53,934
24	-	-	-	-	13,185,927	(627,395)	534,778	3,308,850	(134,086)	(6,618,244)	-	-
25	-	-	-	-	-	-	-	-	-	-	-	-
26	-	-	-	6,466	-	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-	-	-	-	-	-
28												
29	\$ 92,799	\$ 266,560	\$ -	\$ 108,284	\$ 13,185,927	\$ (627,395)	\$ 534,778	\$ 3,308,850	\$ (134,086)	\$ (6,618,244)	\$ (125,794)	\$ 260,496
30	\$ (92,799)	\$ (266,560)	\$ (53,665)	\$ (108,284)	\$ (13,185,927)	\$ 627,395	\$ (534,778)	\$ (3,308,850)	\$ 134,086	\$ 6,618,244	\$ 125,794	\$ (260,496)
31	Other Income & Deductions											
32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	-	-	-	-	-	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-	-	-	-
36	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37	\$ (92,799)	\$ (266,560)	\$ (53,665)	\$ (108,284)	\$ (13,185,927)	\$ 627,395	\$ (534,778)	\$ (3,308,850)	\$ 134,086	\$ 6,618,244	\$ 125,794	\$ (260,496)
38												
39												
40												
41												
42												
43												
44	Supporting Schedules:											
45	(a) E-6											
46												
47												
48	Workpapers & Supporting Documents:											
49												
50	\2016 EPCOR Arizona Water.xlsm											

Line No.	Page 28	Page 29	Page 30	Page 31	Page 32	Page 33	Page 34	Page 35	Page 36	Page 37	Page 38	Page 39
	[Y] ADJ SLM-IS24	[Z] ADJ SLM-IS25	[AA] ADJ x-IS26	[AB] ADJ SLM-IS27	[AC] ADJ SLM-IS28	[AD] ADJ SLM-IS29	[AE] ADJ JPB-IS30	[AF] ADJ SLM-IS31	[AG] ADJ SLM-IS32	[AH] ADJ SLM-IS33	[AI] ADJ SLM-IS34	[AJ] ADJ SLM-IS35
	<u>Water System Acquisition Amortization</u>	<u>Retirements on Test Year Plant - Depreciation</u>	<u>Intentionally Left Blank</u>	<u>Insurance Other Than Group</u>	<u>Capital Lease - Vehicles - Expense Adjustment</u>	<u>Decision No. 75268 Amortization</u>	<u>Purchased Water Adjustment and Surcharge</u>	<u>Regulatory Asset Amortization - Y2K and Depreciation Study</u>	<u>Regulatory Asset Amortization - White Tanks - Agua Fria</u>	<u>Regulatory Asset Amortization - ACRM - Havasu</u>	<u>Regulatory Asset Amortization - Phoenix Interconnect - Anthem</u>	<u>Regulatory Liability Amortization - Fountain Hills Sanitary District Well Settlement - Chaparral City</u>
1	Revenues											
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	-	-	-	-	-	-	-	-	-	-	-	-
4	Total Revenue											
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Operating Expenses											
7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	-	-	-	-	-	-	(4,207,069)	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-	-	-
17	-	-	-	-	-	-	-	-	-	-	-	-
18	-	-	-	(67,710)	-	-	-	-	-	-	-	-
19	-	-	-	-	-	-	-	-	-	-	-	-
20	-	-	-	-	-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-	-	-	-	-	-
22	-	-	-	-	-	-	-	-	-	-	-	-
23	-	-	-	-	(606,818)	-	-	-	-	-	-	-
24	73,669	(34,094)	-	-	448,147	(128,715)	-	23,983	524,497	7,807	200,000	(76,000)
25	-	-	-	-	-	-	-	-	-	-	-	-
26	-	-	-	-	-	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-	-	-	-	-	-
28												
29	Total Operating Expenses											
30	\$ (73,669)	\$ 34,094	\$ -	\$ (67,710)	\$ (158,672)	\$ (128,715)	\$ (4,207,069)	\$ (23,983)	\$ (524,497)	\$ (7,807)	\$ (200,000)	\$ 76,000
31	Other Income & Deductions											
32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	-	-	-	-	-	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-	-	-	-
36	Total Other Income & Deductions											
37	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38	Net Profit / (Loss)											
39	\$ (73,669)	\$ 34,094	\$ -	\$ 67,710	\$ 158,672	\$ 128,715	\$ 4,207,069	\$ (23,983)	\$ (524,497)	\$ (7,807)	\$ (200,000)	\$ 76,000

44 Supporting Schedules:
 45 (a) E-6
 46
 47
 48 Workpapers & Supporting Documents:
 49
 50 \2016 EPCOR Arizona Water.xlsm

Line No.	Page 40	Page 41	Page 42	Page 43				
	[AK] ADJ SLM-IS36	[AL] ADJ SLM-IS37	[AM] ADJ SLM-IS38	[AN] ADJ SLM-IS39	[AO] Sum [B - AN]	[AP] Sum [A] + [AO]	[AQ] Proposed Rate Increase	[AR] Adjusted Rate Increase
	<u>Regulatory Asset Amortization - LT Effluent - Sun City West</u>	<u>Regulatory Asset Amortization - Acquisition Cost for Mummy Mountain - Paradise Valley</u>	<u>Regulatory Asset Amortization - Fire Flow - Sun City</u>	<u>Regulatory Asset Amortization - Central Arizona Project (CAP) M&I - Chaparral City</u>	<u>Total Pro Forma Adjustments</u>	<u>Test Year Adjusted Results</u>	<u>Proposed Rate Increase</u>	<u>Adjusted Rate Increase</u>
1	Revenues							
2	\$ -	\$ -	\$ -	\$ -	\$ 2,904,393	\$ 106,556,411	\$ 5,269,620	\$ 111,826,031
3	-	-	-	-	22,340	2,737,234		2,737,234
4	\$ -	\$ -	\$ -	\$ -	\$ 2,926,733	\$ 109,293,646	\$ 5,269,620	\$ 114,563,266
5								
6	Operating Expenses							
7	\$ -	\$ -	\$ -	\$ -	\$ 3,049,173	\$ 13,674,370		\$ 13,674,370
8	-	-	-	-	(4,166,845)	-		-
9	-	-	-	-	(8,500,296)	-		-
10	-	-	-	-	117,771	1,297,156		1,297,156
11	-	-	-	-	1,667	61,013		61,013
12	-	-	-	-	-	-		-
13	-	-	-	-	(104,151)	3,405,485		3,405,485
14	-	-	-	-	60,238	2,009,655		2,009,655
15	-	-	-	-	112,822	4,520,388		4,520,388
16	-	-	-	-	-	-		-
17	-	-	-	-	266,560	529,190		529,190
18	-	-	-	-	(67,710)	889,542	13,643	903,185
19	-	-	-	-	183,469	4,401,200	11,118	4,412,318
20	-	-	-	-	1,892	420,201		420,201
21	-	-	-	-	(260,892)	1,598,016		1,598,016
22	-	-	-	-	13,852	289,001		289,001
23	-	-	-	-	(237,034)	3,842,772		3,842,772
24	12,912	5,256	5,915	15,641	10,728,848	30,950,663		30,950,663
25	-	-	-	-	1,243,883	4,949,225	114,548	5,063,773
26	-	-	-	-	(188,673)	1,144,436		1,144,436
27	-	-	-	-	(1,145,472)	10,323,221	1,959,009	12,282,230
28								
29	\$ 12,912	\$ 5,256	\$ 5,915	\$ 15,641	\$ 1,109,104	\$ 84,305,534	\$ 2,098,318	\$ 86,403,852
30	\$ (12,912)	\$ (5,256)	\$ (5,915)	\$ (15,641)	\$ 1,817,629	\$ 24,988,111	\$ 3,171,302	\$ 28,159,413
31	Other Income & Deductions							
32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (703,003)		\$ (703,003)
33	-	-	-	-	351,813	8,276,577		8,276,577
34	-	-	-	-	-	-		-
35	-	-	-	-	-	150		150
36	\$ -	\$ -	\$ -	\$ -	\$ 351,813	\$ 7,573,724	\$ -	\$ 7,573,724
37	\$ (12,912)	\$ (5,256)	\$ (5,915)	\$ (15,641)	\$ 1,465,816	\$ 17,414,387	\$ 3,171,302	\$ 20,585,689
38								
39								
40								
41								
42								
43								
44	Supporting Schedules:						Recap Schedules:	
45	(a) E-6						C-1	
46								
47								
48	Workpapers & Supporting Documents:							
49								
50	\\2016 EPCOR Arizona Water.xlsm							

Line
 No.

1 Tank Maintenance Expense

3 Tank maintenance expenses are often large and vary from year to year. To prevent over- or under-stating tank maintenance expenses in the test year, the Company has adjusted the expenses to reflect the average cost of tank maintenance over a planned maintenance program. The program maps out the anticipated frequency and amount of the costs on a district level by storage tank. Costs are then averaged over the given maintenance cycle and summarized by district.

6 Many of the districts already have approved tank maintenance plans authorized by the Commission in previous decisions. The tank maintenance expense in those districts reflects the previously approved amounts. This Application also seeks approval of the Sun City West and North Mohave Water District tank maintenance plans that have not been previously authorized by the Commission. Detail for each district's tank maintenance programs and the annual expense is as follows:

- 10 • Agua Fria Water: \$376,478 through 2026 - Decision Number 73145 on 5/1/12.
- 11 • Anthem Water was given a deferral mechanism - Decision Number 72047 on 1/7/11.
- 12 • Havasu Water: \$76,320 through 2021 - Decision Number 73145 on 5/1/12.
- 13 • Mohave Water: \$244,608 through 2026 - Decision Numbers 73145 & 75268 on 5/1/12 & 9/1/15, respectively.
- 14 • North Mohave: \$114,583 through 2029.
- 15 • Paradise Valley Water: \$123,658 through 2029 - Decision Number 75268 on 9/1/15.
- 16 • Sun City Water: \$362,187 through 2023 - Decision Numbers 72047 & 75268 on 1/7/11 and 9/1/15, respectively.
- 17 • Sun City West Water: \$227,141 through 2025.
- 18 • Tubac Water has no authorized tank maintenance program.
- 19 • Willow Valley Water has no authorized tank maintenance program.
- 20 • Chaparral City Water: \$202,184 through 2032 - Decision Number 74568 on 6/20/14 (subsequently corrected in Decision Numbers 74585 and 74938 on 7/30/14 and 2/9/15, respectively).

	[A] Tank Maintenance Program Annual Costs	[B] 2016 Tank Maintenance Expense Unadjusted (acct 5900)	[C] = [A] - [B] Increase / (Decrease) in Tank Maintenance Exp
28 Agua Fria Water	\$ 376,478	\$ 277,400	\$ 99,077
29 Anthem Water	-	-	-
30 Chaparral City Water	202,184	394,889	(192,705)
31 Havasu Water	76,320	-	76,320
32 Mohave Water	244,608	176,905	67,703
33 North Mohave Water	114,583	-	114,583
34 Paradise Valley Water	123,658	274,280	(150,623)
35 Sun City Water	362,187	317,412	44,776
36 Sun City West Water	227,141	-	227,141
37 Tubac Water	-	-	-
38 Willow Valley Water	-	-	-
39	Total Annual Program Costs \$ 1,727,159		\$ 286,273 Sum Lines [28 - 38]
41			\$ 286,273 Line [39]
42	Increase in Tank Maintenance Expense		

45 Workpapers & Supporting Documents:

46 (a) Sch E6	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47 \Authorized Tank Maintenance Summaries.xlsx	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48	2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49	2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50 \2016 EPCOR Arizona Water.xlsm			

Line
 No.

1 <u>Adjust Property Taxes to Reflect Proposed Revenues</u>		2 Property Taxes are based, in part, on the average of the prior three year's revenues. The 2016 property tax expense requires a conforming adjustment to bring property taxes in line with proposed changes in revenue. Additionally, the Company has		3 experienced known and measurable changes in property tax rates from year to year. Accordingly, conforming property tax rates have been adjusted by the average change in property tax rates over the last three years to account for known and measurable		4 historical trends in tax rates.		
		[A]				[B]		
		Power and Water Expenses		Property Tax Expense		Property Tax Expense		
		[1]				For Conversion Factor		
		Present		Proposed				
10	Adjusted Revenues in Year Ended December 2016	(Adj Summary p.2.) \$	14,810,571	\$	17,066,908	(b) + [2]	\$ 126,360,554	\$ 126,360,554
11	Adjusted Revenues in Year Ended December 2016						126,360,554	126,360,554
12	Proposed Revenues						<u>126,360,554</u>	(b) + [2] <u>131,630,174</u>
13	Average of Three Years of Revenue					Avg Lines[10] thru [12]	\$ <u>126,360,554</u>	\$ <u>128,117,094</u>
14	Average of Three Years of Revenue, times 2					Line[13] * 2	\$ 252,721,108	\$ 256,234,188
15	Add:							
16	Construction Work in Progress at 10%					(a)	\$ 2,052,028	\$ 2,052,028
17	Deduct:							
18	Net Book Value of Transportation Equipment						<u>\$ 1,613,439</u>	<u>\$ 1,613,439</u>
19								
20	Full Cash Value					Sum Lines[14-16] - Line[18]	\$ 253,159,697	\$ 256,672,777
21	Assessment Ratio (For 2016 and Beyond per HB 2001 Sec 42-15001)						18.0%	18.0%
22	Assessed Value					Line[20]*Line[21]	\$ 45,568,745	\$ 46,201,100
23	Property Tax Rate					(c)	10.960%	10.96%
24								
25	Property Tax					Line[22]*Line[23]	\$ 4,994,465	\$ 5,063,773
26	Reconciliation to Stand-Alone Districts						\$ (45,240)	
27								
28	Adjusted Test Year Property Taxes at Present Rates					Line[25]+Line[26]	\$ 4,949,225	
29	Adjusted Test Year Property Taxes					(b)	3,705,342	
30	Adjustment to Revenue and/or Expense (To Sch C-2)					Line[28] - Line[29]	\$ <u>1,243,883</u>	
31								
32	Adjusted Test Year Property Taxes at Proposed Rates							Line[25] \$ 5,063,773
33	Adjusted Test Year Property Taxes at Present Rates							Line[28] Col [A] 4,949,225
34	Additional Property Taxes on Proposed Revenues (To Sch C-2)							Line[32] - Line[33] \$ 114,548
35								
36	<u>CALCULATION OF PROPERTY TAX FACTOR TO COMPUTE GROSS REVENUE CONVERSION FACTOR (SCH C-3):</u>							
37								
38						Increase in Property Tax Due to Increase in Revenue Requirement (Line 34, Col [B])		\$ 114,548
39								
40						Increase in Revenue Requirement (From Sch C-2)		\$ 5,269,620
41								
42						Increase in Property Tax Per Dollar Increase in Revenue (Line 38/Line 40)		2.17%
43								

44 Workpapers & Supporting Documents:

46 (a) Sch E-1	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47 (b) Sch C-2	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48 (c) Composite Property Tax Rate 2016.xlsx	2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49 (d) Summary of Plant Balances by NARUC	2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50 \2016 EPCOR Arizona Water.xlsm			

Line No.			Test Year Adjusted Results [A]	Adjusted with Rate Increase [B]
1	<u>Federal and State Income Taxes</u>			
2				
3				
4	Operating Income Before Inc. Taxes		\$ 35,311,333	\$ 40,441,644
5	Interest Expense		8,276,577	8,276,577
6	Arizona Taxable Income		Line[4] - Line[5] \$ 27,034,755	\$ 32,165,066
7				
8	Arizona Income Tax	4.900%	Line[9]* 4.900% \$ 1,324,703	\$ 1,576,088
9				
10				
11	Federal Income Before Taxes		Line[6] \$ 27,034,755	\$ 32,165,066
12	Less Arizona Income Taxes		Line[8] 1,324,703	1,576,088
13				
14	Federal Taxable Income		Line[11] - Line[12] \$ 25,710,052	\$ 30,588,978
15				
16				
17				
18	FEDERAL INCOME TAXES:			
19				
20	Federal Income Taxes	35.000%	Line[14]* 35.000% \$ 8,998,518	\$ 10,706,142
21				
22				
23				
24	Total Income Tax		Line[12]+Line[20] \$ 10,323,221	\$ 12,282,230
25				
26	Tax Rate		Line[24] / Line[6] 38.18%	38.18%
27				
28				
29				
30	Effective Income Tax Rates			
31	State		Line[8] / Line[6] 4.900%	4.900%
32	Federal		Line[20] / Line[6] 33.28%	33.28%
33				
34				
35	Adjusted Test Year Income Taxes		(a) \$ 11,468,693	
36	Increase in Income Taxes,		Line[24] - Line[35] \$ (1,145,472)	
37				
38	Adjustment to Revenues and/or Expense		Line[36] \$ (1,145,472)	
39				
40	Test Year Income Taxes			Col A Line[24] \$ 10,323,221
41	Increase in Income Taxes			Line[24] - Line[40] 1,959,009
42				
43	Adjustment to Revenue and/or Expense			Line[41] \$ 1,959,009
44				
45				
46		2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47	<u>Workpapers & Supporting Documents:</u>	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48	(a) Sch C-2	2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49		2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50	2016 EPCOR Arizona Water.xlsm			

Line No.				
1	<u>Interest Synchronization with Rate Base</u>			
2				
3				
4				
5				
6	Original Cost Rate Base (Sch. B-1, Ln. 28)	See Table Below	Tubac Only	
7	Weighted Cost of Debt from Schedule D-1	\$ 370,639,845	\$ 1,142,316	
8	Synchronized Interest Expense	2.23%	0.99%	
9		Line(6)*Line(7) \$ 8,265,268.54	\$ 11,308.93	\$ 8,276,577
10	Test Year Interest Expense		\$ 7,924,765 (c)	
11				
12	Adjusted Test Year Interest Expense			Line(10) \$ 7,924,765
13				
14	Increase/(Decrease) in Interest Expense			Line(8) - Line(12) \$ 351,813
15				
16	Adjustment to Revenue and/or Expense			Line(14) \$ 351,813

	(A)	(B)	(C) = (A) * (B)		(D)	(E) = (C) - (D)
	Original Cost Rate Base	Weighted Cost of Debt	Synchronized Interest Expense	Adjusted Test Year Interest Expense	Adjustment	
24	Agua Fria Water	\$ 126,217,928	2.23%	\$ 2,814,660	\$ 2,669,511	\$ 145,149
25	Anthem Water	53,799,497	2.23%	1,199,729	689,901	509,828
26	Chaparral City Water	34,461,499	2.23%	768,491	1,185,906	(417,415)
27	Havasu Water	5,456,456	2.23%	121,679	139,342	(17,663)
28	Mohave Water	27,811,940	2.23%	620,206	731,250	(111,044)
29	North Mohave Water	4,107,288	2.23%	91,593	97,459	(5,867)
30	Paradise Valley Water	39,599,747	2.23%	883,074	531,991	351,083
31	Sun City Water	43,560,607	2.23%	971,402	1,177,896	(206,495)
32	Sun City West Water	33,264,889	2.23%	741,807	571,197	170,610
33	Willow Valley Water	2,359,994	2.23%	52,628	71,174	(18,546)
34						
35	Total for Districts with 2.19% Weighted Cost of Debt	\$ 370,639,845		\$ 8,265,269	\$ 7,865,627	\$ 399,641
36						
37	Tubac Water	\$ 1,142,316	0.99%	\$ 11,309	\$ 59,137	\$ (47,829)
38						
39		\$ 371,782,161		\$ 8,276,577	\$ 7,924,765	\$ 351,813
40						
41						
42						
43						
44						
45						

46 Workpapers & Supporting Documents:
 47 (a) Sch B-1
 48 (b) Sch D-1
 49 (c) Sch C-2
 50 \2016 EPCOR Arizona Water.xlsm

2016 Agua Fria Water.xlsm
 2016 Anthem Water.xlsm
 2016 Chaparral City Water.xlsm
 2016 Havasu Water.xlsm

2016 Mohave Water.xlsm
 2016 North Mohave Water.xlsm
 2016 Paradise Valley Water.xlsm
 2016 Sun City Water.xlsm

2016 Sun City West Water.xlsm
 2016 Tubac Water.xlsm
 2016 Willow Valley Water.xlsm

Line
 No.

1 Bad Debt Expense

2
 3 The 2016 Test Year bad debt expense was calculated based on total Arizona accounts receivable which was allocated to the districts. Included in that calculation were recoveries of write-offs originally thought to be uncollectible from
 4 prior years and adjustments to account receivable balances. In order to accurately reflect the impact of bad debt expense on 2016 expenses, the allocation and adjustments from prior years were removed and replaced with actual
 5 activity determined to be uncollectible and written-off in 2016 for each district. The difference between the unadjusted expense amount as allocated and the actual write-offs by district is computed below and included as a proforma
 6 adjustment to the test year expense for each district.
 7

10 Allocated Bad Debt in Account 5610	(A) Allocated Bad Debt <u>in Acct 5610 (a)</u>	(B) Actual Bad Debt <u>Write-Offs (b)</u>	(C) = (B) - (A) Increase / (Decrease) in <u>Bad Debt Expense</u>
14 Agua Fria Water	\$ 66,788	\$ 83,583	\$ 16,795
15 Anthem Water	14,037	16,706	2,669
16 Chaparral City Water	21,426	13,009	(8,417)
17 Havasu Water	2,726	5,758	3,032
18 Mohave Water	25,086	57,230	32,143
19 North Mohave Water	3,158	3,307	150
20 Paradise Valley Water	7,695	18,410	10,715
21 Sun City Water	37,546	19,189	(18,357)
22 Sun City West Water	24,134	5,868	(18,266)
23 Tubac Water	951	2,688	1,737
24 Willow Valley Water	1,033	4,839	3,806
25	<u>\$ 204,581</u>	<u>\$ 230,587</u>	Sum Lines [14 - 24] <u>\$ 26,007</u>
29 Adjustment to Revenue and/or Expense			Line[25] <u>\$ 26,007</u>

44 Workpapers & Supporting Documents:

45			
46 (a) Sch E-6	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47 (b) \Bad Debt Writeoffs and Recoveries 2016.xls	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48	2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49	2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50 \2016 EPCOR Arizona Water.xlsm			

Line
 No.

1 Annualization/Normalization of Revenues
 2
 3 Due to the seasonality of residents in the Phoenix area, it is appropriate to annualize revenues for the average customer population during the year, rather than the year-end count. At December 31, 2016, the
 4 customer population is at its highest, and does not properly reflect the experiences of the Company.
 5 Due to unseasonably high temperatures during test year, EPCOR has also performed a weather normalization to reflect normalized water sales at average temperatures. Please see the Schedule H for detail.
 6 Revenue Adjustments include Removal of HUF credits currently being credited to customers on a monthly basis in accordance with Decision No.73145. The White Tanks HUF Credit commenced in Year 2 of the
 7 phase in for that Decision and continued each subsequent year until new rates are approved.
 8 EPCOR has also removed accrual entries.
 9

	(A)	(B)	(C)	(D)	(E) = (A) + (B) + (C) + (D)	Revenue Adjustments And Weather Normalization	
	Residential	Commercial	Other Water User	Other Revenue	Total Inc / (Dec) to Test Year Revenues	and Weather	
14 Agua Fria Water	\$ 1,814,414	\$ 571,961	\$ 101,504	\$ 22,340	\$ 2,510,219	\$ 22,340	
15 Anthem Water	59,106	(9,843)	25,904	-	75,166	0	
16 Chaparral City Water	(27,499)	(1,140)	7,958	-	(20,681)	0	
17 Havasu Water	16,511	2,217	-	-	18,728	0	
18 Mohave Water	(16,709)	3,288	(124)	-	(13,545)	0	
19 North Mohave Water	(3,312)	5,663	-	-	2,351	0	
20 Paradise Valley Water	(57,303)	(20,359)	2,516	-	(75,146)	0	
21 Sun City Water	5,675	11,252	(1,322)	-	15,606	0	
22 Sun City West Water	25,605	(1,269)	(6,532)	-	17,804	0	
23 Tubac Water	97,330	38,883	-	-	136,213	0	
24 Willow Valley Water	310,507	(7,575)	10,750	-	313,683	0	
25	Increase / (Decrease) to Test Year Revenues				<u>\$ 2,980,398</u>	Sum Lines [14 - 24]	<u>\$ 22,340</u>
26							
27		(A)	(B)	(C)	(D)	(E) = (A) + (B) + (C) + (D)	
28					Other Customer	Total Inc / (Dec) in	
29 <u>Increase / (Decrease) in Operating Expenses:</u>		<u>Purchased Water</u>	<u>Fuel & Power</u>	<u>Chemicals</u>	<u>Accounting</u>	<u>Operating Expenses</u>	
30 Agua Fria Water		\$ 37,796	\$ 36,200	\$ 10,509	\$ 20,051	\$ 104,556	
31 Anthem Water		517	607	68	260	1,452	
32 Chaparral City Water		1,822	1,452	203	900	4,377	
33 Havasu Water		3	2,158	433	829	3,423	
34 Mohave Water		77	1,535	28	1,654	3,294	
35 North Mohave Water		1	748	1	263	1,013	
36 Paradise Valley Water		8	1,955	67	270	2,300	
37 Sun City Water		-	16,476	272	7,133	23,881	
38 Sun City West Water		-	2,637	421	1,714	4,772	
39 Tubac Water		-	(96)	(84)	(71)	(251)	
40 Willow Valley Water		-	26	29	35	90	
41		Increase / (Decrease) in Operating Expenses: <u>\$ 40,224</u>					
42			<u>\$ 63,698</u>				
43				<u>\$ 11,947</u>			
44					<u>\$ 33,038</u>		
45 <u>Workpapers & Supporting Documents:</u>						<u>\$ 148,907</u> Sum Lines [30 - 40]	
46 2016 Agua Fria Water.xlsm		2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm				
47 2016 Anthem Water.xlsm		2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm				
48 2016 Chaparral City Water.xlsm		2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm				
49 2016 Havasu Water.xlsm		2016 Sun City Water.xlsm					
50 \2016 EPCOR Arizona Water.xlsm							

Line
 No.

1 Removal of General Disallowable Items

3 In anticipation that Staff would disallow certain miscellaneous costs, the Company has removed expenses that would typically be disallowed for ratemaking purposes, such as charitable and civic contributions and other miscellaneous
 4 expenses that are normally not recoverable from customers. While the Company still believes these expenses should be recoverable through rates, we removed them to minimize issues in dispute. The corresponding General Ledger
 5 numbers are below.
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General Disallowed
 Items for District

	\$	
Agua Fria Water	(112,842)	
Anthem Water	(26,154)	
Chaparral City Water	(45,978)	
Havasu Water	(4,461)	
Mohave Water	(28,345)	
North Mohave Water	(3,707)	
Paradise Valley Water	(17,093)	
Sun City Water	(48,339)	
Sun City West Water	(20,486)	
Tubac Water	(1,895)	
Willow Valley Water	(2,273)	
	<u>\$ (311,573)</u>	Sum Lines [15 - 25]

27
28
29
30
31
32
33
34

35 Adjustment to Revenue and/or Expense \$ (311,573) Line [26]

36
37
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42
43

44 Workpapers & Supporting Documents:

	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
46 Disallowable Costs 2016.xlsx	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
	2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
	2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50 \2016 EPCOR Arizona Water.xlsm			

Line No. Business Unit 7F

1 Annualize Labor & Labor Related Expenses

2
 3 The Company has adjusted Labor costs to reflect 12 months of costs to annualized for certain positions that were created or filled during the test year as well as known increases to labor costs of 3%. This adjustment also annualizes the
 4 various employee benefit-related items including group insurance, 401(k), and pension expense. Group Insurance includes premiums for life insurance, medical insurance, dental insurance, long-term disability insurance and short-term
 5 disability. Also included is the annualization of the Company's contribution to its employees' 401(k) retirement savings program.
 6
 7

	[A] Increase/(Decrease) <u>in Labor Expense</u>	[B] Increase/(Decrease) <u>in Group Insurance Expense</u>	[C] Increase/(Decrease) <u>in General Taxes - Other</u>	[D] = [A] + [B] + [C] Increase/(Decrease) <u>in Labor Related Expenses</u>
15 Agua Fria Water	\$ 1,071,545	\$ (48,907)	\$ (9,058)	\$ 1,013,580
16 Anthem Water	440,372	(5,757)	10,553	445,168
17 Chaparral City Water	369,408	(15,225)	(25,794)	328,389
18 Havasu Water	47,089	(3,902)	(6,534)	36,653
19 Mohave Water	252,137	42,831	(55,080)	239,888
20 North Mohave Water	27,981	(5,871)	(2,432)	19,678
21 Paradise Valley Water	348,690	63,492	(10,647)	401,535
22 Sun City Water	428,554	64,859	(78,073)	415,340
23 Sun City West Water	178,884	10,675	(16,409)	173,150
24 Tubac Water	8,349	10,667	(2,247)	16,769
25 Willow Valley Water	28,520	(40)	582	29,062
26				
27	<u>\$ 3,201,529</u> <small>Sum Lines [15 - 25]</small>	<u>\$ 112,822</u> <small>Sum Lines [15 - 25]</small>	<u>\$ (195,139)</u> <small>Sum Lines [15 - 25]</small>	<u>\$ 3,119,212</u> <small>Sum Lines [15 - 25]</small>
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45				
46 <u>Workpapers & Supporting Documents:</u>				
47 (a) \Payroll, Benefits & Taxes_ TY 2016.xlsx	2016 Agua Fria Water.xlsm		2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
48 (b) Sch E-6	2016 Anthem Water.xlsm		2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
49	2016 Chaparral City Water.xlsm		2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
50 \2016 EPCOR Arizona Water.xlsm	2016 Havasu Water.xlsm		2016 Sun City Water.xlsm	

Line
 No.

1 Purchased Power Adjustment and Surcharge

3 The Company is proposing a Purchase Water Adjustor Mechanism and a Power Cost Adjustor Mechanism for All Districts in this Case. This adjustment removes Purchased Water expenses from the District's operating expenses. The
 4 Power Costs expenses are removed in adjustment JPB-IS9. The Company's estimate as to the per customer surcharge is calculated herein. The Company would anticipate the effective date of the Plan of Administration (POA),
 5 submitted as an Exhibit to Mr. Boizelle's testimony, to be concurrent with the effective date of new rates approved in this rate case.

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	[A]	[B]	[E]	[F] = Sum [A - E]
	Power Charges Acct 5617	Natural Gas Acct 5616	Annualization	Total
33 Agua Fria Water	\$ 2,499,042	\$ 345	\$ 36,200	\$ (2,535,587)
34 Anthem Water	693,968	615	607	\$ (695,190)
35 Chaparral City Water	746,770	-	1,452	\$ (748,222)
36 Havasu Water	149,566	122	2,158	\$ (151,846)
37 Mohave Water	466,580	1,283	1,535	\$ (469,398)
38 North Mohave Water	164,066	-	748	\$ (164,814)
39 Paradise Valley Water	1,239,229	-	1,955	\$ (1,241,184)
40 Sun City Water	1,748,348	10,912	16,476	\$ (1,775,736)
41 Sun City West Water	732,380	261	2,637	\$ (735,278)
42 Tubac Water	28,892	600	(96)	\$ (29,396)
43 Willow Valley Water	17,316	-	26	\$ (17,342)
44				
45 Increase / (Decrease) to Purchase Power Expense				<u>\$ (8,563,994)</u> Sum Lines [33 - 43]
46				
47 <u>Workpapers & Supporting Documents:</u>	2016 Agua Fria Water.xlsm		2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
48 \Purchased Power Adjustment Calc.xlsx	2016 Anthem Water.xlsm		2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
49	2016 Chaparral City Water.xlsm		2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
50 \2016 EPCOR Arizona Water.xlsm	2016 Havasu Water.xlsm		2016 Sun City Water.xlsm	

**PURCHASED POWER
 SURCHARGE CALCULATION**

Line No.	Purchased Power Adjustment and Surcharge	Business Unit	7F
1	The Company's water districts utilize multiple vendors in their different geographic locations. Power is purchased from Arizona Public Service Company ("APS"), UNS Electric, Inc. ("UNS Electric"), and Mohave Electric Cooperative ("MEC"). Each of these vendors has initiated or concluded rate cases during the test year and pro forma adjustments to electrical costs are proposed to account for known and measurable increases. The Company has no control over these price increases. Additionally, EWAZ has experienced consistent year-over-year increases in APS's bills due to changes in surcharge factors associated with their rate adjustor mechanisms.		
2	APS provides electrical service to the Agua Fria, Anthem, Sun City, Sun City West, Chaparral, and Paradise Valley water districts. APS also provides electrical service to the Phoenix corporate office. On March 1, 2017, APS reached a settlement agreement with the major parties in its rate case filed on June 1, 2016. The Company does not expect the Commission to issue a decision prior to the filing of this rate case, but is aware that the commercial rates will increase if the settlement is approved. In addition to increased base rates resulting from the rate case application, APS utilizes a number of adjustor mechanisms that have caused electric costs to increase year-over-year, between APS filing general rate applications. Accordingly, the Company adjusts the power charges included in the proposed PCAM based on the three-year average trend of known and measurable historical annual cost increases. Electric costs for districts using APS are adjusted for 2017 and 2018 to account for known rate increases that will be effective prior to the resolution of this case.		
3	UNS Electric provides power for the Company's operations in its Tubac and Havasu Water districts. On August 18, 2016, the Commission issued Decision No. 75697 (August 18, 2016), authorizing new rates for residential and commercial customers. The Company has multiple accounts with UNS Electric. As these rate increases are known and measurable, but not fully reflected in the 2016 purchased power costs, a one-time adjustment is included to annualize this increase in purchased power costs included in the adjustor mechanism in-line with the newly authorized tariff for the eight months of the year that were not billed using the current tariff.		
4	The Mohave, North Mohave, and Willow Valley Water districts receive power from MEC, which increased rates effective February 1, 2016 per Decision No. 75931 (January 13, 2017). The increased costs that result from that decision are not fully reflected in the 2016 test year power expenses for those districts, but the increase in costs that result from Decision No. 75931 is both known and measurable. The two months of 2016 expenses billed pursuant to MEC's previous tariff should therefore be adjusted for the known increase. The purchased power expenses for the Mohave, North Mohave, and Willow Valley Water districts have been annualized accordingly for rate changes in the test year in the PCAM.		

District	Total Expense
Agua Fria	\$ 2,864,716 (b)
Anthem	785,361 (b)
Chaparral	845,357 (b)
Havasu	170,573 (b)
Mohave	471,012 (b)
North Mohave	165,296 (b)
Paradise Valley	1,402,317 (b)
Sun City	2,004,848 (b)
Sun City West	830,699 (b)
Tubac	32,951 (b)
Willow Valley	17,425 (b)
Total	\$ 9,590,556 Sum Lines [28-38]

Thousand Gallons Billed	22,004,699 (a)
Surcharge Per Thousand Gallons \$	0.4358 Line[42]/Line[44]

- Workpapers & Supporting Documents:
 (a) Sales
 (b) \Purchased Power Adjustment Calc.xlsx
 \2016 EPCOR Arizona Water.xlsm

Line
 No.
 1 Removal of 10% of Performance Based Compensation
 2
 3

4 The Performance Based Compensation program contains metrics designed to incent employees to 1) work safely by requiring achievement of an annual OSHA Recordable Incident Rate, 2) provide excellent customer service by setting
 5 goals for customer satisfaction, billing accuracy targets, and metrics for the call center, and 3) achieve a target for capital investments to be completed on time and at or under total company budget. Each of these 3 targets is weighted
 6 at 30 percent with the remaining 10 percent based upon achieving a financial target focused on earning the authorized rate of return. This pro forma adjustment removes this financial component which represents 10 percent of the
 7 target for Performance Based Compensation Plan.

8
 9 This pro form adjustment is similar to what was adopted by the Commission in Decision No. 78268 as well as what was termed in the settlement agreement pending in Docket No. WS-01303A-16-0145.
 10
 11
 12
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 14

	[A] Increase/(Decrease) in Labor
15	
16	
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19 Agua Fria Water	\$ (47,954)
20 Anthem Water	(14,792)
21 Chaparral City Water	(22,275)
22 Havasu Water	(3,097)
23 Mohave Water	(15,010)
24 North Mohave Water	(1,739)
25 Paradise Valley Water	(11,996)
26 Sun City Water	(22,648)
27 Sun City West Water	(10,172)
28 Tubac Water	(1,152)
29 Willow Valley Water	(1,521)
30	
31	
32 Total Increase / (Decrease) to Labor	<u>\$ (152,356)</u> <small>Sum Lines (19 - 29)</small>

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 38
 39 Adjustment to Revenue and/or Expense Line (32) \$ (152,356)
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 41
 42
 43
 44

45 Workpapers & Supporting Documents:

46 Payroll, Benefits & Taxes_TY 2016.xlsx	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
	2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
	2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50 \2016 EPCOR Arizona Water.xlsm			

Line No.	Business Unit		
1		Postage Expense	
2			
3	On January 22, 2017, the United States Postal Service increased postage rates. The Company has calculated a projected increase based on known and measurable increases to postage rates.		
4			
5			
6			
7			(A)
8			Increase/(Decrease)
9			in Postage Expense
10	Agua Fria Water	\$	2,864
11	Anthem Water		579
12	Chaparral City Water		882
13	Havasu Water		113
14	Mohave Water		1,026
15	North Mohave Water		129
16	Paradise Valley Water		321
17	Sun City Water		1,603
18	Sun City West Water		1,026
19	Tubac Water		40
20	Willow Valley Water		37
21			
22		\$	8,620 <small>Sum Lines [10 - 20]</small>
23			
24			
25	Adjustment to Revenue and/or Expense		Line [22] \$ 8,620
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43			
44	<u>Workpapers & Supporting Documents:</u>		
45	(a) Sch E-6 Line 19	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm
46	USPS Rates 2016.xlsx	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm
47		2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm
48		2016 Havasu Water.xlsm	2016 Sun City Water.xlsm
49			2016 Sun City West Water.xlsm
50	2016 EPCOR Arizona Water.xlsm		2016 Tubac Water.xlsm
			2016 Willow Valley Water.xlsm

Line
 No.

1 Customer Care and Billing Services

2
 3
 4

5 Customer Care and Billing charges are costs associated with Third Party Billing, Call Centers, and Work Order Management. Costs billed to the Company are on a per bill per month basis and adjusted annually. This
 6 adjustment includes an adjustment for inflation based on the Consumer Price Index for the city of Phoenix. An adjustment for 2017 and 2018 is necessary to account for known and measurable increases in costs
 7 through the time any new rates resulting from this rate application will be effective. The CPI index for 2018 will be updated in the Company's rebuttal filing as this data is not yet available, but will be known and
 8 measurable prior to the conclusion of the rate case.
 9

10

11 (A)
 12 Increase/(Decrease)
 13 in Customer Care & Billing Service

14			
15	Agua Fria Water	\$	31,469
16	Anthem Water		6,599
17	Chaparral City Water		6,832
18	Havasu Water		1,283
19	Mohave Water		11,810
20	North Mohave Water		1,309
21	Paradise Valley Water		3,609
22	Sun City Water		17,689
23	Sun City West Water		11,362
24	Tubac Water		446
25	Willow Valley Water		391
26			
27		\$	<u>92,799</u>

Sum Lines [15 - 25]

28
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35 Adjustment to Revenue and/or Expense

Line[27] \$ 92,799

36
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 39
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 41
 42
 43

44 Workpapers & Supporting Documents:

45				
46		2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47	Phoenix All Consumers CPI 3.22.17.xlsx	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48		2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49	2016 EPCOR Arizona Water.xlsm	2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50				

Line
 No.

1 Rate Case Expense

3 The Company estimates it will incur approximately \$800,000 of rate case related expenses to process this rate application. This estimate is based on our experience with rate cases before the Commission and the Company's size and
 4 the anticipated length and complexity of the proceedings. This estimated amount is allocated to the districts in this case via a water 4-Factor allocation methodology. As the case progresses this estimate will be updated accordingly.

	[A]	[B]	[C] = [A] / [B]
	Estimated Rate Case Expense	Amortization Period	Increase/(Decrease) in Rate Case Expense
12 Agua Fria Water	\$ 276,193	3	\$ 92,064
13 Anthem Water	71,379	3	23,793
14 Chaparral City Water	102,463	3	34,154
15 Havasu Water	14,417	3	4,806
16 Mohave Water	75,657	3	25,219
17 North Mohave Water	10,083	3	3,361
18 Paradise Valley Water	55,041	3	18,347
19 Sun City Water	121,868	3	40,623
20 Sun City West Water	59,097	3	19,699
21 Tubac Water	6,118	3	2,039
22 Willow Valley Water	7,364	3	2,455
24	<u>\$ 799,680</u>		<u>\$ 266,560</u> Sum Lines [12 - 22]

32 Adjustment to Revenue and/or Expense

Line[24] \$ 266,560

44 Workpapers & Supporting Documents:

45 (a) \Rate Case Expense 2016 TY.xlsx	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
46 .	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
47	2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
48	2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
49			
50 \2016 EPCOR Arizona Water.xlsm			

Line
 No.

1 Reclass Effluent from Water to Wastewater

2
 3 Effluent customers are classified in the billing system as water and therefore are classified as water revenues. In the last Mohave Wastewater rate case (Docket No. WS-1303A-16-0145 still pending), the Company proposed to reclassify
 4 the effluent sales from the water district to the wastewater district. Although not waiving any rights that the Company has under its Mohave Water District Certificate of Convenience and Necessity ("CC&N") or any claim that effluent
 5 sales are not subject to the Commission's jurisdiction, the Company proposed in that case, and is also proposing in this case, that effluent sales within the area be subject to an effluent rate tariff for the Mohave Wastewater District.
 6 The Company believes that this regulatory treatment will allow for more transparent rate setting for the sale of effluent within the Mohave Wastewater area. The Commission adopted the Company's proposal in Decision No. 75268
 7 (September 8, 2015), however, the accounting for the effluent sales continued to be recorded in the Mohave Water Districts water revenue during the test year. This adjustment reclassifies the effluent revenues realized in the test year
 8 from the Mohave Water District's revenues to the Mohave Wastewater District's revenue.
 9

	(A) Increase/(Decrease) in Revenues
16 Agua Fria Water	\$ -
17 Anthem Water	-
18 Chaparral City Water	-
19 Havasu Water	-
20 Mohave Water	(53,665)
21 North Mohave Water	-
22 Paradise Valley Water	-
23 Sun City Water	-
24 Sun City West Water	-
25 Tubac Water	-
26 Willow Valley Water	-
27	-
28	<u>\$ (53,665)</u> Sum Lines 16 - 26

32 Adjustment to Revenue and/or Expense

Line(28) \$ (53,665)

45 Workpapers & Supporting Documents:

46	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48	2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49	2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50	2016 EPCOR Arizona Water.xlsm		

Line
 No.

1 Annualize Willow Valley Expense

2
 3 Decision No. 75484 dated March 10, 2016, approved the sale of Willow Valley Water Company Inc's water system assets and the transfer of its Certificate of Convenience and Necessity to EPCOR Water Arizona Inc. EPCOR acquired
 4 ownership in May 2016 therefore the general ledger only reflects expenses for the period May 2016 through December 2016. This proforma adjustment it being made to annualize the expenses for the year.
 5
 6

7
 8

9
 10 (A)
 11 Increase/(Decrease)
 12 in Revenues

13		
14	Purchased Water	\$ -
15	Fuel & Power	0
16	Chemicals	9,586
17	Corporate Allocation	16,159
18	Outside Services	15,709
19	Customer Accounting	11,547
20	Rents	1,892
21	General Office Expense	8,572
22	Miscellaneous	8,465
23	Maintenance Expense	29,577
24	General Taxes-Other	6,466
25	Waste Disposal & Other Utilities	312
26		
27		
28		
29		
30		
31		
32		
33		
34		
35	Increase/(Decrease) to Expenses	\$ 108,284

Sum Lines [14 - 25]

44 Workpapers & Schedules

45				
46	2016 Willow Valley Water.xlsxm	2016 Agua Fria Water.xlsxm	2016 Mohave Water.xlsxm	2016 Sun City West Water.xlsxm
47		2016 Anthem Water.xlsxm	2016 North Mohave Water.xlsxm	2016 Tubac Water.xlsxm
48		2016 Chaparral City Water.xlsxm	2016 Paradise Valley Water.xlsxm	2016 Willow Valley Water.xlsxm
49		2016 Havasu Water.xlsxm	2016 Sun City Water.xlsxm	
50	2016 EPCOR Arizona Water.xlsxm			

Line No.	Business Unit	7F			
1	Annualize Depreciation Expense on Direct Plant				
2	Adjustment to annualize depreciation expense based on plant balances at the end of 2016.				
3					
4					
5					
6					
7					
8			[A]	[B]	[C] = [A] - [B]
9			Depreciation Expense	Depreciation Expense	Increase / (Decrease) to
10			on Direct Plant	per General Ledger	Depreciation Expense
11					
12					
13			\$ 13,241,732	\$ 7,232,026	\$ 6,009,707
14			3,371,905	2,460,223	911,682
15			2,817,183	1,488,412	1,328,771
16			440,738	219,456	221,282
17			1,972,313	1,411,100	561,213
18			442,144	281,547	160,597
19			2,932,849	1,637,363	1,295,486
20			4,086,494	2,135,431	1,951,063
21			2,377,798	1,827,522	550,275
22			260,172	215,502	44,670
23			250,966	99,785	151,181
24					<u>\$ 13,185,927</u> Sum Lines (13 - 23)
25					
26					
27					
28					
29					
30					<u>\$ 13,185,927</u> Line (24)
31					
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43					
44			<u>Workpapers & Supporting Documents:</u>		
45					
46			2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47			2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48			2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49			2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50			\2016 EPCOR Arizona Water.xlsm		

Line No.		[A] Allocated Depreciation Expense on Corporate Plant	[B] Allocated Depreciation Expense per General Ledger	[C] = [A] - [B] Increase / (Decrease) to Depreciation Expense
1	<u>Annualize Depreciation Expense on Corporate Plant</u>			
2				
3	Adjustment to annualize depreciation expense based on plant balances at the end of 2016 on Arizona Corporate Plant			
4				
5				
6				
7				
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9				
10				
11				
12				
13	Agua Fria Water	\$ 192,998	\$ 419,100	\$ (226,102)
14	Anthem Water	39,456	108,311	(68,855)
15	Chaparral City Water	60,271	155,479	(95,208)
16	Havasu Water	7,767	21,876	(14,109)
17	Mohave Water	70,762	114,803	(44,041)
18	North Mohave Water	8,894	15,301	(6,407)
19	Paradise Valley Water	21,655	83,520	(61,865)
20	Sun City Water	107,269	184,924	(77,655)
21	Sun City West Water	67,686	89,675	(21,989)
22	Tubac Water	2,684	9,284	(6,600)
23	Willow Valley Water	6,610	11,174	(4,564)
24				<u>\$ (627,395)</u> <small>Sum Lines (13 - 23)</small>
25				
26				
27				
28				
29				
30	Adjustment to Revenue and/or Expense			<u>\$ (627,395)</u> <small>Line (24)</small>
31				
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43				
44	<u>Workpapers & Supporting Documents:</u>			
45	(a) \Summary of Plant Balances and Accum Depr by NARUC.xlsx			
46		2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47		2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48		2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49		2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50	\2016 EPCOR Arizona Water.xlsm			

Line No.		[A] Allocated Depreciation Expense on 6U Plant	[B] Allocated Depreciation Expense per General Ledger	[C] = [A] - [B] Increase / (Decrease) to Depreciation Expense
1	<u>Annualize Depreciation Expense on 6U</u>			
2				
3	Adjustment to annualize depreciation expense based on plant balances at the end of 2016 on USA Corporate Plant (Shared between AZ Operations and New Mexico Operations)			
4				
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11				
12				
13	Agua Fria Water	\$ 176,112	\$ -	\$ 176,112
14	Anthem Water	36,004	-	36,004
15	Chaparral City Water	54,997	-	54,997
16	Havasas Water	7,088	-	7,088
17	Mohave Water	64,571	-	64,571
18	North Mohave Water	8,116	-	8,116
19	Paradise Valley Water	19,761	-	19,761
20	Sun City Water	97,884	-	97,884
21	Sun City West Water	61,764	-	61,764
22	Tubac Water	2,450	-	2,450
23	Willow Valley Water	6,031	-	6,031
24				<u>\$ 534,778</u> <small>Sum Lines (13 - 23)</small>
25				
26				
27				
28				
29	Adjustment to Revenue and/or Expense			<u>\$ 534,778</u> <small>Line (24)</small>
30				
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44	<u>Workpapers & Supporting Documents:</u>			
45	(a) \Summary of Plant Balances and Accum Depr by NARUC.xlsx			
46		2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47		2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48		2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49	2016 EPCOR Arizona Water.xlsm	2016 Havasas Water.xlsm	2016 Sun City Water.xlsm	
50				

Line
 No.

1 Depreciation Expense on Post Test Year Plant

2
 3 Annual depreciation of post test year plant through December 31, 2017 has been annualized for one year with this adjustment.

	[A] Depreciation on Post Test Year Plant Additions for District	[B] Depreciation on Post Test Year Plant Additions 7A Allocated	[C] Depreciation on Post Test Year Plant Additions 6U Allocated	[D] = [A] + [B] + [C] Depreciation on Post Test Year Plant Additions Total
13 Agua Fria Water	\$ 1,736,748	\$ 10,190	\$ 106,541	\$ 1,853,478
14 Anthem Water	134,265	2,083	21,781	158,129
15 Chaparral City Water	239,404	3,182	33,271	275,857
16 Havasu Water	35,437	410	4,288	40,135
17 Mohave Water	132,234	3,736	39,063	175,033
18 North Mohave Water	31,639	470	4,910	37,018
19 Paradise Valley Water	96,593	1,143	11,954	109,690
20 Sun City Water	408,879	5,663	59,216	473,759
21 Sun City West Water	120,592	3,574	37,365	161,530
22 Tubac Water	10,481	142	1,482	12,105
23 Willow Valley Water	8,119	349	3,649	12,117
				<u>\$ 3,308,850</u> <small>Sum Lines [13 - 23]</small>

29 Adjustment to Revenue and/or Expense

\$ 3,308,850 Line [24]

46 Workpapers & Supporting Documents:
 47 Summary of Plant Balances and Accum Depr by NARUC.xlsx
 48
 49
 50 \2016 EPCOR Arizona Water.xlsm

2016 Agua Fria Water.xlsm
 2016 Anthem Water.xlsm
 2016 Chaparral City Water.xlsm
 2016 Havasu Water.xlsm

2016 Mohave Water.xlsm
 2016 North Mohave Water.xlsm
 2016 Paradise Valley Water.xlsm
 2016 Sun City Water.xlsm

2016 Sun City West Water.xlsm
 2016 Tubac Water.xlsm
 2016 Willow Valley Water.xlsm

Line
 No.

1 Removal of Vector Truck Amortization

2
 3 Vector and Sludge Trucks are exclusively used in Wastewater Operations. This adjustment allocates all Vector and Sludge Truck Depreciation Expense to the Wastewater districts and removes it from the Water
 4 Districts.
 5

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Increase / (Decrease) to
Depreciation Expense

13	Agua Fria Water	\$	(44,157)	
14	Anthem Water		(9,027)	
15	Chaparral City Water		(13,790)	
16	Havasu Water		(1,777)	
17	Mohave Water		(16,190)	
18	North Mohave Water		(2,035)	
19	Paradise Valley Water		(4,955)	
20	Sun City Water		(24,543)	
21	Sun City West Water		(15,486)	
22	Tubac Water		(614)	
23	Willow Valley Water		(1,512)	
		\$	<u>(134,086)</u>	Sum Lines [13 - 23]

30 Adjustment to Revenue and/or Expense \$ (134,086) Line [24]

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44 Workpapers & Supporting Documents:

45 Summary of Plant Balances and Accum Depr by NARUC.xlsx

2016 Agua Fria Water.xlsm
 2016 Anthem Water.xlsm
 2016 Chaparral City Water.xlsm
 2016 Havasu Water.xlsm

2016 Mohave Water.xlsm
 2016 North Mohave Water.xlsm
 2016 Paradise Valley Water.xlsm
 2016 Sun City Water.xlsm

2016 Sun City West Water.xlsm
 2016 Tubac Water.xlsm
 2016 Willow Valley Water.xlsm

50 \2016 EPCOR Arizona Water.xlsm

Line
 No.

1 Annualize Amortization of CIAC
 2
 3 Annual amortization of gross Contributions in Aid of Construction (CIAC) as of 12/31/16 has been annualized for one year with this adjustment
 4

	[A]	[B]	[C] = [A] * [B]
		Composite	Increase /
	Gross CIAC	Depreciation Rate	(Decrease) To
			Depreciation Expense
13 Agua Fria Water	\$ (95,995,594)	3.7166%	\$ (3,567,784)
14 Anthem Water	(9,984,033)	4.0722%	(406,572)
15 Chaparral City Water	(16,533,985)	3.6671%	(606,321)
16 Havasu Water	(3,298,309)	3.9269%	(129,521)
17 Mohave Water	(3,209,172)	3.7994%	(121,930)
18 North Mohave Water	(2,787,965)	3.6582%	(101,990)
19 Paradise Valley Water	(19,294,624)	3.7415%	(721,910)
20 Sun City Water	(21,691,454)	3.7415%	(811,587)
21 Sun City West Water	(688,830)	4.0886%	(28,164)
22 Tubac Water	(2,404,847)	4.0350%	(97,035)
23 Willow Valley Water	(536,830)	4.7373%	(25,431)
			<u>\$ (6,618,244)</u> Sum Lines [13 - 23]

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 29
 30 Adjustment to Revenue and/or Expense \$ (6,618,244) Line [24]

31
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 44
 45 Workpapers & Supporting Documents:

46 (a) 2016 CIAC Summary by District	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47 (b) \Summary of Plant Balances and Accum Depr by NARUC.xlsx	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48	2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49	2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50 \2016 EPCOR Arizona Water.xlsm			

Line
 No.

1 Adjust Corporate Allocations

3 Corporate Allocation as of 12/31/16 has been annualized for one year with this adjustment. Corporate Allocations are costs associated with operational services provided by EPCOR Utilities, Inc. ("EU") including Human Resources,
 4 Accounting and Reporting Software, Legal, and Treasury Management Services. This adjustment removes Public and Governmental Affairs costs as well as the 10% financial component associated with the Performance Based
 5 Compensation plan and also adjusts labor costs by 3% for 2017 and 2018

	[A]	[B]	[C] = [A] - [B]
	Adjusted	Test Year	Increase /
	<u>Corporate Allocations</u>	<u>Corporate Allocations</u>	(Decrease) To
			<u>Corporate Allocations</u>
13 Agua Fria Water	\$ 1,168,711	\$ 1,212,158	\$ (43,447)
14 Anthem Water	302,038	313,267	(11,229)
15 Chaparral City Water	433,571	449,689	(16,118)
16 Havasu Water	61,004	63,272	(2,268)
17 Mohave Water	320,141	332,042	(11,901)
18 North Mohave Water	42,668	44,254	(1,586)
19 Paradise Valley Water	232,906	241,564	(8,658)
20 Sun City Water	515,683	534,853	(19,170)
21 Sun City West Water	250,070	259,366	(9,296)
22 Tubac Water	25,890	26,853	(963)
23 Willow Valley Water	31,160	32,318	(1,158)
			<u>\$ (125,794)</u> <small>Sum Lines [13 - 23]</small>
30 Adjustment to Revenue and/or Expense			<u>\$ (125,794)</u> <small>Line [24]</small>

45 Workpapers & Supporting Documents:

46 (a) Sch C-2	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47 (b) 2016 Corp Allocation Comparison.xlsx	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48 (c) 2016A Corporate - Regulatory Groupings EUSA.xlsx	2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49	2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50 \2016 EPCOR Arizona Water.xlsm			

Line
 No.

1 CPI Increase

2
 3 Operating expenses are expected to increase in each of the future years due to inflation and other increasing costs factors. To compensate for regulatory lag, EPCOR proposes an increase for 2017 and 2018 correlated with the
 4 consumer price index for the Phoenix metropolitan area for all operating expenses where an adjustment has not already been proposed. Chemical expense is projected to increase by 4% based on initial service contracts negotiations
 5 that are being worked on with the vendor
 6

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]=[A]+[B]+[C]+[D] +[E]+[F]+[G]+[H]
	<u>Chemicals</u>	<u>Waste Disposal & Other Utilities</u>	<u>Corporate Allocations</u>	<u>Outside Services</u>	<u>Customer Accounting</u>	<u>General Office Expense</u>	<u>Miscellaneous</u>	<u>Maintenance Expense</u>	<u>Total</u>
13	\$ 59,208	\$ 697	\$ 1,894	\$ 14,634	\$ 3,585	\$ 12,121	\$ 1,997	\$ 14,261	\$ 108,398
14	6,308	84	490	4,304	949	3,497	(1,918)	4,637	18,350
15	8,522	98	703	6,180	2,156	6,013	1,442	8,478	33,593
16	2,451	2	99	759	178	1,438	116	1,352	6,394
17	703	162	519	3,955	1,074	6,044	1,167	6,906	20,530
18	26	1	69	488	129	503	(52)	560	1,724
19	3,445	114	377	3,655	700	3,106	912	5,888	18,197
20	2,370	32	836	6,378	1,649	5,490	774	7,390	24,919
21	9,535	118	405	2,858	769	2,786	524	2,582	19,577
22	2,105	33	42	601	99	707	44	622	4,252
23	1,564	14	50	718	172	403	382	1,258	4,562
24									
25	<u>96,238</u>								
26		<u>\$ 1,355.59</u>							
27			<u>\$ 5,484</u>						
28				<u>\$ 44,529</u>					
29					<u>\$ 11,459</u>				
30						<u>\$ 42,109</u>			
31							<u>\$ 5,387</u>		
32								<u>\$ 53,934</u>	
33									
34									
35									
36									
37	Adjustment to Revenue and/or Expense								Sum Lines [13 - 23] <u>\$ 260,496</u>
38									
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46									
47	<u>Workpapers & Supporting Documents:</u>		2016 Agua Fria Water.xlsm		2016 Mohave Water.xlsm		2016 Sun City West Water.xlsm		
48	Bureau of Labor Statistics - Phoenix CPI		2016 Anthem Water.xlsm		2016 North Mohave Water.xlsm		2016 Tubac Water.xlsm		
49			2016 Chaparral City Water.xlsm		2016 Paradise Valley Water.xlsm		2016 Willow Valley Water.xlsm		
50	2016 EPCOR Arizona Water.xlsm		2016 Havasu Water.xlsm		2016 Sun City Water.xlsm				

Line
 No.
 1 Water System Acquisition Amortization

Decision Number 75484 approved the transfer of Willow Valley Water Co, Inc.'s assets to EPCOR Water Arizona Inc. Page 16 line 5 states that "... Any acquisition premium or similar adjustment should be based on EPCOR's ability to demonstrate that clear, quantifiable and substantial net benefits have been realized by Willow Valley rate papers... which would not have been realized had the transaction not occurred." On Page 16 Line 21, the Commission further states that "... **it is reasonable and appropriate to defer consideration for recovery of the Acquisition Premium through the proposed AAM until Willow Valley's next rate case**".

EPCOR believes it has met the burden of demonstration of quantifiable and substantial benefits, and is therefore requesting recover of the acquisition premium paid of the Willow Valley Assets. The Premium may be recovered in 1 of two ways. Either through inclusion of a regulatory asset in rate base, and amortization of that asset, or through a surcharge mechanism, demonstrated in SMC Rb-1. Please see the Direct Testimony of Jeff Stuck for discussion of Willow Valley benefits.

EPCOR Proposes amortizing the acquisition reflected in SMC RB-9 for years.

	[A]	[B]	[C] = [A] / [B]
	<u>Premium Paid</u>	<u>Amortization Period</u>	<u>Annual Amortization</u>
19 Agua Fria Water	-	-	-
20 Anthem Water	-	-	-
21 Chaparral City Water	-	-	-
22 Havasu Water	-	-	-
23 Mohave Water	-	-	-
24 North Mohave Water	\$ 1,175,234	20	\$ 58,762
25 Paradise Valley Water	-	-	-
26 Sun City Water	-	-	-
27 Sun City West Water	-	-	-
28 Tubac Water	-	-	-
29 Willow Valley Water	\$ 193,796	13	\$ 14,907
30			<u>\$ 73,669</u> Sum Lines [19 - 29]
31			
32			
33 Increase / (Decrease) to Expense			<u>\$ 73,669</u> Line [30]

45 Workpapers & Supporting Documents:

46	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48	2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49	2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50	2016 EPCOR Arizona Water.xlsm		

Line
 No.

1 Retirements on Test Year Plant - Depreciation

3 The Company has adjusted the test year for all retirement recorded through March 31, 2017. This adjustments removes the depreciation expense associated with those retirements. The adjustment will be updated in rebuttal
 4 testimony for known retirements.

7	[A]	[B]	[C]	[D] = [A] + [B] + [C]
8	District	Corporate	6U	
9	Depreciation on	Depreciation on	Depreciation on	Increase / (Decrease)
10	Retirements on	Retirements on	Retirements on	Depreciation
11	<u>Test Year Plant</u>	<u>Test Year Plant</u>	<u>Test Year Plant</u>	<u>Expense</u>
12				
13	\$ (9,296)	\$ -	\$ -	\$ (9,296)
14	(260)	-	-	(260)
15	(4,942)	-	-	(4,942)
16	(3,019)	-	-	(3,019)
17	(2,529)	-	-	(2,529)
18	(5,452)	-	-	(5,452)
19	(2,730)	-	-	(2,730)
20	(2,180)	-	-	(2,180)
21	(3,558)	-	-	(3,558)
22	-	-	-	-
23	(126)	-	-	(126)
24				<u>\$ (34,094)</u> Sum Lines [13 - 23]
25				
26				
27				
28				
29				
30	Increase / (Decrease) to Depreciation Expense			<u>\$ (34,094)</u> Line [24]
31				
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42				
43				
44				
45	<u>Workpapers & Supporting Documents:</u>			
46		2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47		2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48		2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49		2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50	\2016 EPCOR Arizona Water.xlsm			

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45 Workpapers & Supporting Documents:
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48
49
50 \2016 EPCOR Arizona Water.xlsm

2016 Agua Fria Water.xlsm
2016 Anthem Water.xlsm
2016 Chaparral City Water.xlsm
2016 Havasu Water.xlsm

2016 Mohave Water.xlsm
2016 North Mohave Water.xlsm
2016 Paradise Valley Water.xlsm
2016 Sun City Water.xlsm

2016 Sun City West Water.xlsm
2016 Tubac Water.xlsm
2016 Willow Valley Water.xlsm

Line
 No.

1 Insurance Other Than Group

Insurance Other Than Group consists of 16 separate components. Annually, the Company reports certain business statistics to its insuring agencies including Revenues, Plant Balances, Employee Count, Total Payroll and Vehicle Counts. Each of the 16 components is adjusted annually based on these statistics. The primary components are property insurance, excess liability, worker's compensation, and crime. The Company has taken the average rate applicable to each of these components for the last four years, and made a conforming adjustment for employee count, test year and proposed revenues, and property.

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	Test Year Adjusted Results	Adjusted with Rate Increase
	Premium	Premium
24 Agua Fria Water	\$ 62,855	\$ (12,739)
25 Anthem Water	(6,241)	6,430
26 Chaparral City Water	(4,283)	2,100
27 Havasu Water	(1,589)	318
28 Mohave Water	(20,397)	5,407
29 North Mohave Water	(5,330)	1,062
30 Paradise Valley Water	(19,910)	(455)
31 Sun City Water	(90,133)	9,077
32 Sun City West Water	9,940	2,331
33 Tubac Water	(1,829)	(364)
34 Willow Valley Water	9,206	476
	<u>\$ (67,710)</u> Sum Lines (24 - 34)	<u>\$ 13,643</u>

Increase/(Decrease) to Insurance Other Than Group \$ (67,710) Line (35) \$ 13,643

46 Workpapers and Supporting Documents:

47 \Sch E6	\4-Factor	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
48 \Sch B2	\Payroll, Benefits, & Taxes 2015.xlsx (aka Payroll)	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
49 \Insurance Other than Group.xlsx (aka Insurance)		2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
50 \2016 EPCOR Arizona Water.xlsm		2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	

Line
 No.

1 Capital Lease - Vehicles - Expense Adjustment

2
 3 EPCOR's leased vehicles are capital leases. To qualify as a capital lease, a lease contract must satisfy any of four criteria.
 4 First, the life of the lease must be 75% or greater of the asset's useful life.
 5 Second, the lease must contain a bargain purchase option for a price less than the market value of an asset.
 6 Third, the lessee must gain ownership at the end of the lease period.
 7 Finally, the present value of lease payments must be greater than 90% of the asset's market value.
 8 EPCOR's fleet meets all four criteria. This entry removes lease expense and places vehicles into the appropriate asset category.
 9 This Adjustment records annual depreciation expense based on Capital Lease balances at the end of 2016.

	[A]	[B]	[C] = [A] + [B]	Operating Lease Expense
	Depreciation Expense	Allocated	Increase / (Decrease)	(Account 5270)
	on Capital Lease	Dep Exp	to Depreciation Expense	
16 Agua Fria Water	\$ 143,099	\$ 1,696	\$ 144,794.88	\$ (112,271)
17 Anthem Water	22,575	347	22,921	(55,810)
18 Chaparral City Water	45,712	530	46,241	(111,633)
19 Havasu Water	13,051	68	13,119	(23,564)
20 Mohave Water	36,911	622	37,533	(88,957)
21 North Mohave Water	6,792	78	6,870	(13,548)
22 Paradise Valley Water	33,497	190	33,688	(86,947)
23 Sun City Water	73,430	943	74,373	(59,905)
24 Sun City West Water	44,101	595	44,695	(19,815)
25 Tubac Water	8,816	24	8,839	(9,703)
26 Willow Valley Water	15,015	58	15,073	(24,664)
27			<u>\$ 448,147</u>	<u>\$ (606,818)</u> Sum Lines (16 - 26)
28				
29				
30				
31 Adjustment to Revenue and/or Expense			<u>\$ 448,147</u>	
32				
33				
34				
35 Increase / (Decrease) to Maintenance Expense				<u>\$ (606,818)</u> Line (27)
36				
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44 <u>Workpapers & Supporting Documents:</u>				
45				
46			2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm
47			2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm
48 \2016 EPCOR Arizona Water.xlsm			2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm
49			2016 Havasu Water.xlsm	2016 Sun City Water.xlsm
50				2016 Sun City West Water.xlsm
				2016 Tubac Water.xlsm
				2016 Willow Valley Water.xlsm

Line
 No.

1 Decision No. 75268 Amortization

3 Decision Number 75268 dated September 8, 2015, adjustments were recommended and adopted by the Commission to reclassify accumulated depreciation balances that were in a debit position and also to reclassify excess
 4 depreciation that caused the net book value of the asset to be less than \$0 (also referred to as credit balances). These balances are amortized at 8% effective September 8, 2015.
 5 This adjustment records the impact of the reclassifications.

	[A] Reg Asset Amortization	[B] Reg Liability Amortization	[C] = [A] + [B] Net Amortization
13 Agua Fria Water	\$ -	\$ -	\$ -
14 Anthem Water	-	-	-
15 Chaparral City Water	-	-	-
16 Havasu Water	-	-	-
17 Mohave Water	22,227	(60,515)	(38,288)
18 North Mohave Water	-	-	-
19 Paradise Valley Water	112,273	(85,213)	27,060
20 Sun City Water	85,182	(196,243)	(111,061)
21 Sun City West Water	-	-	-
22 Tubac Water	150	(6,576)	(6,426)
23 Willow Valley Water	-	-	-
			<u>\$ (128,715)</u> Sum Lines [13 - 23]

36 Increase / (Decrease) to Depreciation Expense \$ (128,715) Line [24]

46 Workpapers & Supporting Documents:

47 \Summary of Plant Balances and Accum Depr by NARUC.xlsx
 48
 49 \2016 EPCOR Arizona Water.xlsm

2016 Agua Fria Water.xlsm
 2016 Anthem Water.xlsm
 2016 Chaparral City Water.xlsm
 2016 Havasu Water.xlsm

2016 Mohave Water.xlsm
 2016 North Mohave Water.xlsm
 2016 Paradise Valley Water.xlsm
 2016 Sun City Water.xlsm

2016 Sun City West Water.xlsm
 2016 Tubac Water.xlsm
 2016 Willow Valley Water.xlsm

Line
 No.

1 Purchased Water Adjustment and Surcharge

2
 3 The Company is proposing a Purchase Water Adjustor Mechanism for All Districts in this Case. This adjustment removes Purchased Water expenses from the District's operating expenses. The Company's estimate as to the per
 4 customer surcharge is calculated herein. The Company would anticipate the effective date of the Plan of Administration (POA), submitted as an Exhibit to Mr. Boizelle's testimony, to be concurrent with the effective date of new rates
 5 approved in this rate case.
 6

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 10

Increase / (Decrease)

11		<u>To Purchased Water Expense</u>	
12	Agua Fria Water	\$ (2,647,389)	
13	Anthem Water	(592,045)	
14	Chaparral City Water	(938,461)	
15	Havasu Water	(182)	
16	Mohave Water	(23,550)	
17	North Mohave Water	(227)	
18	Paradise Valley Water	(5,117)	
19	Sun City Water	-	
20	Sun City West Water	-	
21	Tubac Water	(99)	
22	Willow Valley Water	-	
23		<u>\$ (4,207,069)</u>	Sum Lines [12-22]
24			
25	Increase / (Decrease) to Expense	<u>\$ (4,207,069)</u>	Line [24]
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47 Workpapers & Supporting Documents:

48 (a) Sch C2

49
 50 \2016 EPCOR Arizona Water.xlsm

2016 Agua Fria Water.xlsm
 2016 Anthem Water.xlsm
 2016 Chaparral City Water.xlsm
 2016 Havasu Water.xlsm

2016 Mohave Water.xlsm
 2016 North Mohave Water.xlsm
 2016 Paradise Valley Water.xlsm
 2016 Sun City Water.xlsm

2016 Sun City West Water.xlsm
 2016 Tubac Water.xlsm
 2016 Willow Valley Water.xlsm

Line

**PURCHASED WATER
 SURCHARGE CALCULATION**

No.

1 Purchased Water Adjustment and Surcharge

2

3 The Company is proposing a Purchase Water Adjustor Mechanism for all districts in this rate case. The Company's estimate as to the per customer surcharge is
 4 calculated based on the total potable and raw gallons billed. The calculation excludes effluent and wheeling usage billed from the calculation as these gallons are
 5 not affected by the purchase price of water. Costs have been adjusted from the 2016 test year expense to annualized water expense. Additionally, the Company
 6 has included known and measurable increases to purchased water costs. The Company pays the Central Arizona Project ("CAP") for fees in many districts. CAP has
 7 published schedules showing the anticipated increases to fees in 2018, which will be finalized by the prior to the conclusion of this rate case. The impact of the
 8 increases in CAP fees have been included in the total purchased water costs.

9

10 In its Mohave and North Mohave Districts, the Company pays fees to the Mohave Conservation District (MWCD), Mohave Valley Irrigation and Drainage District
 11 (MVIDD), and fees to Bullhead City for water. The Company also pays fees to the Arizona Department of Water Reclamation in a number of districts. Some districts
 12 also pay groundwater withdrawal fees. Many of these fees are already collected through supplemental surcharges on customer bills. All costs have been included
 13 in the total purchased water cost with the intention of combining all these fees into one purchased water surcharge.

14

15 The Company would anticipate the effective date of the Plan of Administration (POA), submitted as an Exhibit to Mr. Boizelle's testimony, to be concurrent with the
 16 effective date of new rates approved in this rate case.

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Purchased Water
Test Year Expense

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Test Year Purchased Water Expense	\$	4,166,845	(a)	
Expenses Removed		(470)	(b)	Sum \$4,166,846 +
CAP Water Purchases - Part of Existing Surcharge		2,039,978	(b)	40,224 = \$4,207,069
Annualization of Water Expense (SMC-IS6)		40,224		
Annualized Purchased Water Expenses	\$	6,246,577		Sum Lines [23 - 26]
2017 Increase		638,472	(b)	
2017 Purchased Water Expense	\$	6,885,049		Line [27]+Line [29]
2018 Percentage increase in CAP costs		128,740	(b)	
2018 Purchased Water Expense	\$	7,013,789		Line [30]+Line [32]
Mohave Wtr Conservation District - Impost Fees	\$	304,616	(b)	
Impost Fees - Bullhead City		44,772	(b)	
Water Admin Fee - MVDD		15,739	(b)	
ADWR Groundwater Withdrawal Fee		97,435	(b)	
Total Pro Forma Purchased Water Costs	\$	7,476,352		Sum Lines [33 - 38]
Total Billed Non-Effluent Gallons (in thousand of gallons)		20,895,845	(b)	
Surcharge Per Thousand Gallons	\$	0.3578		Line [40] / Line [42]

Workpapers & Supporting Documents:

(a) Sch C2

(b) \Purchased Water Increase.xlsx

\2016 EPCOR Arizona Water.xlsm

Line
 No.

1 Regulatory Asset Amortization - Y2K and Depreciation Study
 2

3 Decision Number 67093 dated July 2004, the Arizona Corporation Commission allowed recovery of costs incurred to modify certain computer systems to be compliant with the four-digit year field over 32 years.
 4 The unamortized balance of \$978,780 was scheduled to be amortized at \$2,545 per month over the period July 2004 through July 2036.
 5

6 Decision Number 67093 authorized the Company to amortize the costs of a 2002 Depreciation Study in accordance with FASB 71. The cost of the study, \$75,417.64, was to be amortized at 3.12% per year (\$196
 7 per month) over a period of July 2004 through July 2036.
 8

	Increase / (Decrease)	
	<u>To Amortization</u>	
13 Agua Fria Water	\$ 10,592	
14 Anthem Water	2,755	
15 Chaparral City Water	-	
16 Havasu Water	559	
17 Mohave Water	2,905	
18 North Mohave Water	-	
19 Paradise Valley Water	-	
20 Sun City Water	4,684	
21 Sun City West Water	2,252	
22 Tubac Water	238	
23 Willow Valley Water	-	
	<u>\$ 23,983</u>	Sum Lines (13 - 23)
27 Increase / (Decrease) to Expense	<u>\$ 23,983</u>	Line (24)

46 Workpapers & Supporting Documents:

2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	

50 \2016 EPCOR Arizona Water.xlsm

Line
 No.

1 Regulatory Asset Amortization - White Tanks - Agua Fria
 2
 3 Decision Number 73145 dated May 1, 2012 authorized recovery of certain White Tanks Plant deferrals. There were no disallowances of White Tank utility plant in service in that order.
 4
 5 The Order approved a combined balance of White Tanks deferred depreciation and post in service AFUDC DEBT net of accelerated amortization of White tanks hook-up fees of \$7,298,996.
 6
 7 The Order also approve a balance of White Tanks deferred post in service AFUDC EQUITY of \$7,531,975.
 8
 9 The Order approved an annual amortization rate of White Tanks related deferrals of 3.5365%.
 10
 11

	[A]	[B]	[C] = [A] + [B]
	Amortization Post in Service AFUDC Debt	Amortization Post in Service AFUDC Equity	Total Amortization
20 Agua Fria Water	\$ 258,129	\$ 266,368	\$ 524,497
21 Anthem Water	-	-	-
22 Chaparral City Water	-	-	-
23 Havasu Water	-	-	-
24 Mohave Water	-	-	-
25 North Mohave Water	-	-	-
26 Paradise Valley Water	-	-	-
27 Sun City Water	-	-	-
28 Sun City West Water	-	-	-
29 Tubac Water	-	-	-
30 Willow Valley Water	-	-	-
31			<u>\$ 524,497</u> Sum Lines [20 - 30]
32			
33			
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37	Increase in Depreciation Expense		<u>\$ 524,497</u> Line [31]
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45			
46	<u>Workpapers & Supporting Documents:</u>	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm
47		2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm
48		2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm
49		2016 Havasu Water.xlsm	2016 Sun City West Water.xlsm
50	\2016 EPCOR Arizona Water.xlsm		2016 Willow Valley Water.xlsm

Line
 No.

1 Regulatory Asset Amortization - ACRM - Havasu

3 The United States Environmental Protection Agency ("EPA") reduce the maximum contaminant level of arsenic from 50 parts per billion ("PPB") to 10 PPB for all community water systems effective January 23, 2006. This new federal
 4 requirement required water companies to pursue additional treatment options where arsenic levels were not below the new 10 PPB Guideline.
 5
 6 Decision Number 70626 dated November 19, 2008, granted recovery for costs associated with arsenic treatment for Havasu. Total O&M costs of \$88,300 should be booked as a Regulatory Asset along with accrued monthly AFUDC for
 7 the period November 2008 through November 2009 of \$5,379 for a total of \$93,679. Decision No. 70626 stated that AFUDC should be applied monthly to the outstanding compounded balance of the deferral until a rate is established
 8 upon completion of the pending rate case in the Havasu District. Decision Number 71410 approved an amortization period of 12 years or 8.33% amortization rate.
 9
 10
 11 Decision Number 75268 dated September 8, 2015, granted recovery for costs associated with arsenic treatment for Havasu. Total deferral costs of \$101,712 are to be recovered over a three year period. Beginning September 1, 2015,
 12 the authorized amount of \$101,712 will be amortized equally over 36 months at \$2,825 per month. Complete amortization will occur in August 2018,
 13

		<u>Amortization</u>	
14			
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19			
20	Agua Fria Water	\$ -	
21	Anthem Water	-	
22	Chaparral City Water	-	
23	Havasu Water	7,807	
24	Mohave Water	-	
25	North Mohave Water	-	
26	Paradise Valley Water	-	
27	Sun City Water	-	
28	Sun City West Water	-	
29	Tubac Water	-	
30	Willow Valley Water	-	
31		<u>\$ 7,807</u>	Sum Lines [20 - 30]
32			
33			
34			
35			
36			
37	Increase in Depreciation Expense	<u>\$ 7,807</u>	Line [31]
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<p>46 <u>Workpapers & Supporting Documents:</u></p> <p>47</p> <p>48</p> <p>49</p> <p>50 \2016 EPCOR Arizona Water.xlsm</p>	<p>2016 Agua Fria Water.xlsm</p> <p>2016 Anthem Water.xlsm</p> <p>2016 Chaparral City Water.xlsm</p> <p>2016 Havasu Water.xlsm</p>	<p>2016 Mohave Water.xlsm</p> <p>2016 North Mohave Water.xlsm</p> <p>2016 Paradise Valley Water.xlsm</p> <p>2016 Sun City Water.xlsm</p>	<p>2016 Sun City West Water.xlsm</p> <p>2016 Tubac Water.xlsm</p> <p>2016 Willow Valley Water.xlsm</p>
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Line
 No.

1 Regulatory Asset Amortization - Phoenix Interconnect - Anthem

2
 3 The Anthem Wholesale Water Service Agreement Interconnection ("Anthem Interconnection") provides a redundant water supply from the City of Phoenix for peak and emergency water service to the city of Anthem, which is serviced
 4 by EPCOR. The City of Phoenix has the capability to receive and treat Ak-Chin water at two separate locations on the CAP system and the Anthem Interconnection makes 2.5 million gallons per day available to EPCOR for distribution to
 5 the Anthem system.
 6
 7 Decision Number 70372 dated June 13, 2008 granted the Company rate base treatment of the interconnection along with a 25 year amortization period of the \$5M in interconnection costs. The annual amortization amounts to
 8 \$200,000 per year or \$16,667 per month.
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Amortization

20 Agua Fria Water	\$ -
21 Anthem Water	200,000
22 Chaparral City Water	-
23 Havasu Water	-
24 Mohave Water	-
25 North Mohave Water	-
26 Paradise Valley Water	-
27 Sun City Water	-
28 Sun City West Water	-
29 Tubac Water	-
30 Willow Valley Water	-
	<u>\$ 200,000</u> Sum Lines [20 - 30]
36 Increase in Depreciation Expense	<u>\$ 200,000</u> Line [31]

44 Workpapers & Supporting Documents:

- | | | | |
|----|--------------------------------|---------------------------------|-------------------------------|
| 45 | | | |
| 46 | 2016 Agua Fria Water.xlsm | 2016 Mohave Water.xlsm | 2016 Sun City West Water.xlsm |
| 47 | 2016 Anthem Water.xlsm | 2016 North Mohave Water.xlsm | 2016 Tubac Water.xlsm |
| 48 | 2016 Chaparral City Water.xlsm | 2016 Paradise Valley Water.xlsm | 2016 Willow Valley Water.xlsm |
| 49 | 2016 Havasu Water.xlsm | 2016 Sun City Water.xlsm | |
| 50 | \2016 EPCOR Arizona Water.xlsm | | |

Line
 No. 1 Regulatory Liability Amortization - Fountain Hills Sanitary District Well Settlement - Chaparral City
 2
 3 FHSD is a political subdivision of Arizona that provides sanitary sewer service to customers residing within Chaparral City Water District's ("Chaparral") service area. In connection with its sanitary system, FHSD constructed a recharge
 4 system whereby it recharges treated effluent through multiple aquifer storage and recovery wells. In order for FHSD to secure an Aquifer Protection Permit for its recharge system, FHSD requested Chaparral to permanently cease
 5 using one of its wells. As a possible replacement for this well, FHSD constructed a new well however that well was not able to produce an equivalent amount of water to the original well that was taken out of production. Accordingly,
 6 in February, 2005, Chaparral entered into an agreement with FHSD whereby Chaparral agreed to permanently remove this well from service and in return Chaparral received a settlement fee of \$1,520,000 from FHSD.
 7
 8
 9 Decision Number 72258 dated April 11, 2011, ordered that Decision no. 71308 as amended *nunc pro tunc* by Decision No. 71424, is further amended pursuant to both A.R.S. ss 40-252 and 40-253, to reflect an equal sharing between
 10 shareholders and ratepayers of the Fountain Hills Sanitary District ("FHSD") settlement proceeds. This adjustment reflects the 50% portion that is attributable to the ratepayers.
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	<u>Amortization</u>
20 Agua Fria Water	\$ -
21 Anthem Water	-
22 Chaparral City Water	(76,000)
23 Havasu Water	-
24 Mohave Water	-
25 North Mohave Water	-
26 Paradise Valley Water	-
27 Sun City Water	-
28 Sun City West Water	-
29 Tubac Water	-
30 Willow Valley Water	-
31	<u>\$ (76,000) Sum Lines [20 - 30]</u>
32	
33	
34	
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36	
37 Increase in Depreciation Expense	<u>\$ (76,000) Line [31]</u>
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44 Workpapers and Supporting Documents:

45			
46	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47	2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48	2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49	2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50	\\2016 EPCOR Arizona Water.xlsm		

Line
 No.

1 Regulatory Asset Amortization - LT Effluent - Sun City West

2
 3 Decision Number 67093 dated June 30, 2004, the Arizona Corporation Commission allowed the Company to establish a regulatory asset with respect to the existing effluent storage credits that were acquired in connection with the
 4 acquisition of the underground storage facility pursuant to the terms of the Third Agreement to the Agreement Re: Sun City West. The Commission allowed recovery over 32 years with monthly amortization of \$1,076.
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 6
 7 These credits allow the Company to continue groundwater withdrawals.
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Amortization

\$	-	
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	-	
	12,912	
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	-	
<u>\$</u>	<u>12,912</u>	Sum Lines [20 - 30]

Increase in Depreciation Expense

\$ 12,912 Line [31]

- | | | |
|--------------------------------|---------------------------------|-------------------------------|
| 2016 Agua Fria Water.xlsm | 2016 Mohave Water.xlsm | 2016 Sun City West Water.xlsm |
| 2016 Anthem Water.xlsm | 2016 North Mohave Water.xlsm | 2016 Tubac Water.xlsm |
| 2016 Chaparral City Water.xlsm | 2016 Paradise Valley Water.xlsm | 2016 Willow Valley Water.xlsm |
| 2016 Havasu Water.xlsm | 2016 Sun City Water.xlsm | |

Line
 No.

1 Regulatory Asset Amortization - Acquisition Cost for Mummy Mountain - Paradise Valley

2
 3 These are costs associated with the Company's acquisition of the Mummy Mountain Water Company. The deferred costs related to legal, engineering and expert witnesses used in connection with this acquisition.
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 7 Decision Number 61307 dated December 1998 granted the Company approval to recover these costs over 25 years. Monthly amortization is \$438.
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Amortization

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	5,256	
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<u>\$</u>	<u>5,256</u>	Sum Lines [20 - 30]

Increase in Depreciation Expense

\$ 5,256 Lines [31]

Workpapers and Supporting Documents:

- | | | |
|--------------------------------|---------------------------------|-------------------------------|
| 2016 Agua Fria Water.xlsm | 2016 Mohave Water.xlsm | 2016 Sun City West Water.xlsm |
| 2016 Anthem Water.xlsm | 2016 North Mohave Water.xlsm | 2016 Tubac Water.xlsm |
| 2016 Chaparral City Water.xlsm | 2016 Paradise Valley Water.xlsm | 2016 Willow Valley Water.xlsm |
| 2016 Havasu Water.xlsm | 2016 Sun City Water.xlsm | |

\2016 EPCOR Arizona Water.xlsm

Line
 No. 1 Regulatory Asset Amortization - Central Arizona Project (CAP) M&I - Chaparral City
 2
 3 Decision No. 74568 (issued 6/20/2014, effective 7/1/2014) authorized the deferral of the Central Arizona Project (CAP) Municipal and Industrial Charges (M&I) associated with the additional 1,951 acre-feet of CAP allocation approved in
 4 Decision No. 71308 for a five year period (or 60 months). The costs totaled \$78,205.50.
 5
 6 The Company is also requesting approval to recover the deferral for the period January 2013 to June 2014, totaling \$26,551.25.
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	<u>Amortization</u>
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20 Agua Fria Water	\$ -
21 Anthem Water	-
22 Chaparral City Water	15,641
23 Havasu Water	-
24 Mohave Water	-
25 North Mohave Water	-
26 Paradise Valley Water	-
27 Sun City Water	-
28 Sun City West Water	-
29 Tubac Water	-
30 Willow Valley Water	-
31	<u>\$ 15,641</u> Sum Lines [20 - 30]
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Increase/(Decrease) in Depreciation Expense \$ 15,641 Line [31]

46	<u>Workpapers and Supporting Documents:</u>	2016 Agua Fria Water.xlsm	2016 Mohave Water.xlsm	2016 Sun City West Water.xlsm
47		2016 Anthem Water.xlsm	2016 North Mohave Water.xlsm	2016 Tubac Water.xlsm
48		2016 Chaparral City Water.xlsm	2016 Paradise Valley Water.xlsm	2016 Willow Valley Water.xlsm
49		2016 Havasu Water.xlsm	2016 Sun City Water.xlsm	
50	\\2016 EPCOR Arizona Water.xlsm			

Line No.	Description	[A]	[B]	Percentage of Incremental Gross Revenues [C]
1	Federal Income Taxes			33.28%
2				
3	State Income Taxes			4.90%
4			Combined 38.18%	
5				
6	Property Taxes	Effective Rate = 2.17%	One Minus Combined 61.82%	1.34% [A] x [B]
7				
8	Bad Debt Expense	Effective Rate = 0.21%	One Minus Combined 61.82%	0.13% [A] x [B]
9				
10	Insurance Other Than Group	Effective Rate = 0.26%	One Minus Combined 61.82%	0.16% [A] x [B]
11				
12				
13	Total Tax Percentage			39.82% Sum Line [1-10]
14				
15	Operating Income % = 100% - Tax Percentage			60.18% 1 - [C] Line [13]
16				
17				
18				
19		1 = Gross Revenue Conversion Factor		
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21				
22	Operating Income %			1.65 1 / [C] Line [15]
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43	Supporting Schedules:	Recap Schedules:		
44	C-2	A-1		
45				
46	Workpapers & Supporting Documents			
47				
48				
49				
50	\\2016 EPCOR Arizona Water.xlsm			