

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]	
<b>1 Revenues</b>						
2 Water	\$ 43,814,923	\$ -	\$ 43,814,923	\$ (1,787,244)	\$ 42,027,679	
3 Other Revenues	890,198	-	890,198	-	890,198	
<b>4 Total Revenues</b>	<b>\$ 44,705,121</b>	<b>\$ -</b>	<b>\$ 44,705,121</b>	<b>\$ (1,787,244)</b>	<b>\$ 42,917,876</b>	Sum Lines [2-3]
<b>5</b>						
<b>6 Operating Expenses</b>						
7 Labor	\$ 3,908,572	\$ -	\$ 3,908,572	\$ -	\$ 3,908,572	
8 Purchased Water	-	2,899,881	2,899,881	-	2,899,881	
9 Fuel & Power	-	2,864,716	2,864,716	-	2,864,716	
10 Chemicals	795,306	-	795,306	-	795,306	
11 Waste Disposal	31,231	501	31,732	-	31,732	
12 Intercompany Support Services	-	-	-	-	-	
13 Corporate Allocation	1,170,605	1,362	1,171,967	-	1,171,967	
14 Outside Services	655,290	(17,787)	637,503	-	637,503	
15 Group Insurance	1,219,718	-	1,219,718	-	1,219,718	
16 Pensions	-	-	-	-	-	
17 Regulatory Expense	104,402	(104,402)	-	-	-	
18 Insurance Other Than Group	328,931	94	329,024	(4,626)	324,398	
19 Customer Accounting	1,459,158	13,330	1,472,488	(3,342)	1,469,146	
20 Rents	141,937	-	141,937	-	141,937	
21 General Office Expense	438,320	(17,791)	420,529	-	420,529	
22 Miscellaneous	100,786	1,436	102,222	-	102,222	
23 Maintenance Expense	954,310	10,254	964,564	-	964,564	
24 Depreciation & Amortization	12,522,969	(82,219)	12,440,749	-	12,440,749	
25 General Taxes-Property	2,023,902	(228,694)	1,795,208	(23,635)	1,771,573	
26 General Taxes-Other	342,088	-	342,088	-	342,088	
27 Income Taxes	5,992,348	(3,422,430)	2,569,918	(436,646)	2,133,272	
<b>28</b>						
<b>29 Total Operating Expenses</b>	<b>\$ 32,189,874</b>	<b>\$ 1,918,251</b>	<b>\$ 34,108,125</b>	<b>\$ (468,248)</b>	<b>\$ 33,639,877</b>	Sum Lines [7-27]
<b>30 Utility Operating Income</b>	<b>\$ 12,515,247</b>	<b>\$ (1,918,251)</b>	<b>\$ 10,596,996</b>	<b>\$ (1,318,997)</b>	<b>\$ 9,277,999</b>	Line [4] - Line [29]
<b>31 Other Income &amp; Deductions</b>						
32 Other Income & Deductions	\$ (429,504)	\$ -	\$ (429,504)	\$ -	\$ (429,504)	
33 Interest Expense	2,814,660	19,263	2,833,923	-	2,833,923	
34 Other Expense	-	-	-	-	-	
35 Gain/Loss Sale of Fixed Assets	-	-	-	-	-	
<b>36 Total Other Income &amp; Deductions</b>	<b>\$ 2,385,156</b>	<b>\$ 19,263</b>	<b>\$ 2,404,419</b>	<b>\$ -</b>	<b>\$ 2,404,419</b>	Sum Lines [32-35]
<b>37 Net Profit / (Loss)</b>	<b>\$ 10,130,091</b>	<b>\$ (1,937,514)</b>	<b>\$ 8,192,577</b>	<b>\$ (1,318,997)</b>	<b>\$ 6,873,580</b>	Line [30] - Line [36]

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 42  
 43 Supporting Schedules:  
 44 (a) C-2 Rebuttal  
 45  
 46  
 47  
 48 Workpapers & Supporting Documents  
 49  
 50 \2016 Agua Fria Water Rebuttal.xlsm

Recap Schedules:  
 A-1 Rebuttal





Line No.	[A]	[B]
<u>Adjust Property Taxes to Reflect Adjusted Test Year Revenues</u>	<u>Property Tax Expense</u>	<u>Property Tax Expense For Conversion Factor</u>
1		
2	The Company adjusted property tax rate based on 2016 property tax bills received from Maricopa County Assessor.	
3		
4		
5		
6	\$ 44,705,121	\$ 44,705,121
7	44,705,121	44,705,121
8	44,705,121	42,917,876
9	Avg Lines[6] thru [8] \$ 44,705,121	\$ 44,109,373
10	Line[9] * 2 \$ 89,410,242	\$ 88,218,745
11	Add:	
12	(a) 1,197,507	1,197,507
13	Deduct:	
14	\$ 105,662	\$ 105,662
15		
16	Sum Lines[10-12] - Line[14] \$ 90,502,086	\$ 89,310,590
17	Assessment Ratio (For 2016 per HB 2001 Sec 42-15001) 18.0%	18.0%
18	Line[16]*Line[17] \$ 16,290,376	\$ 16,075,906
19	(c) 11.02%	11.02%
20		
21	Line[18]*Line[19] 1,795,208	1,771,573
22	Tax on Parcels -	-
23		
24	Line[21]+Line[22] \$ 1,795,208	
25	(b) 2,023,902	
26	Line[24] - Line[25] \$ (228,694)	
27		
28		Sum Lines[21-27] \$ 1,771,573
29		Line[24] Col [A] 1,795,208
30		Line[28] - Line[29] \$ (23,635)
31		
32		
33		
34	<u>CALCULATION OF PROPERTY TAX FACTOR TO COMPUTE GROSS REVENUE CONVERSION FACTOR (SCH C-3 Rebuttal):</u>	
35		
36	Increase in Property Tax Due to Increase in Revenue Requirement (Line 30, Col [B])	\$ (23,635)
37		
38	Increase in Revenue Requirement (From Sch. A-1 Rebuttal)	\$ (1,787,244)
39		
40	Increase in Property Tax Per Dollar Increase in Revenue (Line 36/Line 38)	1.32%
41		
42		
43		
44	<u>Workpapers &amp; Supporting Documents:</u>	
45		
46	(a) Sch E1	
47	(b) Sch C2 Rebuttal	
48	(c) \Composite Property Tax Rate 2016.xlsx	
49		
50	\2016 Agua Fria Water Rebuttal.xlsm	

Line No.			Test Year Adjusted Results	Adjusted with Rate Increase
1	<u>Federal and State Income Taxes</u>			
2				
3				
4				
5				
6				
7	Operating Income Before Inc. Taxes		\$ 13,166,914	\$ 11,411,271
8	Interest Expense		2,833,923	2,833,923
9	Arizona Taxable Income		<u>Line[7] - Line[8] \$ 10,332,991</u>	<u>\$ 8,577,349</u>
10				
11	Arizona Income Tax	4.90%	<u>Line[9] * 0.049 \$ 506,317</u>	<u>\$ 420,290</u>
12				
13				
14	Federal Income Before Taxes		Line[9] \$ 10,332,991	\$ 8,577,349
15	Less Arizona Income Taxes		Line[11] 506,317	420,290
16	Federal Taxable Income		<u>Line[14] - Line[15] \$ 9,826,674</u>	<u>\$ 8,157,059</u>
17				
18	FEDERAL INCOME TAXES:			
19				
20				
21				
22				
23				
24				
25	Federal Income Taxes	21.00%	<u>Line[16] * 0.21 \$ 2,063,602</u>	<u>\$ 1,712,982</u>
26				
27				
28	Total Income Tax		<u>Line[15]+Line[25] \$ 2,569,918</u>	<u>\$ 2,133,272</u>
29				
30	Tax Rate		<u>Line[28] / Line[9] 24.87%</u>	<u>24.87%</u>
31				
32	Effective Income Tax Rates			
33	State		Line[11] / Line[9] 4.900%	4.900%
34	Federal		Line[25] / Line[9] 19.97%	19.97%
35				
36				
37	Adjusted Test Year Income Taxes		(a) \$ 5,992,348	
38	Increase in Income Taxes,		<u>Line[28] - Line[37] \$ (3,422,430)</u>	
39				
40	Adjustment to Revenues and/or Expense		<u>Line[38] \$ (3,422,430)</u>	
41				
42	Test Year Income Taxes,			Line[28] \$ 2,569,918
43	Increase in Income Taxes			Line[28] - Line[42] (436,646)
44				
45	Adjustment to Revenue and/or Expense			<u>Line[43] \$ (436,646)</u>
46				
47	<u>Workpapers &amp; Supporting Documents:</u>			
48	(a) Sch C2 Rebuttal			
49				
50	\\2016 Agua Fria Water Rebuttal.xlsm			

Line			
<u>No.</u>			
1	<u>Interest Synchronization with Rate Base</u>		
2			
3			
4			
5			
6	Original Cost Rate Base (Sch. B-1 Rebuttal , Ln. 28)	(a) \$	127,081,740
7	Weighted Cost of Debt from Schedule D-1 Rebuttal	(c)	2.23%
8	Synchronized Interest Expense	Line[6]*Line[7] \$	2,833,923
9			
10	Test Year Interest Expense Adjusted	(b) \$	<u>2,814,660</u>
11			
12	Adjusted Test Year Interest Expense	Line[10] \$	<u>2,814,660</u>
13			
14	Increase/(Decrease) in Interest Expense	Line[8] - Line[12] \$	<u>19,263</u>
15			
16	Rebuttal Adjustment to Revenue and/or Expense	Line[14] \$	<u>19,263</u>
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45	<u>Workpapers &amp; Supporting Documents:</u>		
46	(a) Sch B1 Rebuttal		
47	(b) Sch C2 Rebuttal		
48	(c) Sch D1 Rebuttal		
49			
50	\\2016 Agua Fria Water Rebuttal.xlsm		

Line  
 No.

1 Regulatory Liability - ADIT Amortization - Tax Reform Adj

2  
 3 The Company is updating its Deferred Income Tax Balance to reflect the impact of the Tax Cuts and Jobs Act of 2017. This caused the Company to create a Regulatory Liability for this amount as reflected in  
 4 Rate Base proforma adjustment KDB-RB2-REB. This Income Statement proforma adjustment reflects the annual amortization of that rate base adjustment.  
 5  
 6  
 7

8 Regulatory Liability - ADIT that resulted from the decrease in the Federal Income Taxes	\$	3,386,958	(a)
9			
10 Amortization Rate		<u>2.7435%</u>	(b)
11			
12 Annual Amortization		\$	(92,920) Line [8] * Line [10]
13			
14			
15			
16 Increase/ (Decrease) to Depreciation/ Amortization		<u>\$</u>	<u>(92,920)</u> Line [12]
17			
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45 Workpapers & Supporting Documents:  
 46 (a) Rate Base Adjustment ADJ SLH-RB2 REB  
 47 (b) ADIT Adjustment REBUTTAL.xlsx  
 48  
 49  
 50 \2016 Agua Fria Water Rebuttal.xlsm

Line

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45 Workpapers & Supporting Documents:

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Line  
 No.

1 Partially Accept Staff IS ADJ #6: Adjust Depreciation Expense - Post Test Year Plant 2017

2  
 3 Adjustment to Annualize Depreciation Expense on Updated Post Test Year Plant for 2017. Includes updating projects through 12/31/2017 with actual expenditure.  
 4  
 5  
 6

	[A]	[B]	[C] = [A] * [B]
	Depreciation on Post TY Plant Additions per Summary of Plant and A/D by NARUC - FINAL 2017 PTYP (a)	Allocation Factor	Depreciation Expense
17 Depreciation on Post Test Year Plant Additions - Agua Fria Water	\$ 1,765,255	100.0000%	\$ 1,765,255
18 Depreciation on Additional TY Plant Additions - Agua Fria Water	27,599	100.0000%	27,599
19 Depreciation on 7A Corporate Post Test Year Plant Additions Allocated	48,670	23.1862%	11,285
20 Depreciation on Additional 7A Corporate Test Year Plant Additions Allocated	17,375	23.1862%	4,029
21 Depreciation on 6U Post Test Year Plant Additions Allocated	236,805	21.1164%	50,005
22 Depreciation on Additional 6U Test Year Plant Additions Allocated	174,541	21.1164%	36,857
	<u>\$ 2,270,246</u> <small>Sum Lines [17 - 22]</small>		
27 Depreciation Expense on 2017 Post Test Plant per Rebuttal			\$ 1,895,029 <small>Sum Lines[17] thru [22]</small>
30 Depreciation Expense on 2017 Post Test Plant per Company's Original Application			<u>\$ 1,853,478</u> <small>(b)</small>
33 Increase / (Decrease) to Depreciation Expense			\$ 41,551 <small>Line[27] - Line[30]</small>
35 Rebuttal Adjustment to Revenue and/or Expense			<u>\$ 41,551</u> <small>Line[33]</small>

45 Workpapers & Supporting Documents:  
 46 (a) Summary of Plant Balances and Accum Depr by NARUC Updated for Final 2017 PTYP.xlsx  
 47 (b) Summary of Plant Balances and Accum Depr by NARUC.xlsx  
 48  
 49  
 50 \2016 Agua Fria Water Rebuttal.xlsm

Line  
 No.

1 Partially Accept Staff IS Adj #6: Adjust Depreciation Expense - Retirements

2  
 3 The Company has adjusted retirements in ADJ KDB-RB-6 REB. This adjustment updates the depreciation expense associated with the updated retirements.  
 4  
 5  
 6

GMC 4 Factor	23.1862%
Arizona Total	91.0728%
Alloc Factor	21.1164% <small>Line[8]*Line[9]</small>

	[A]	[B]	[C] = [A] * [B]
	Depreciation on Retirements per Summary of Plant and A/D by NARUC Updated for Final 2017 PTYP (a)	Allocation Factor	Depreciation Expense
17	\$ (39,735)	100.0000%	\$ (39,735)
18	(1,774)	23.1862%	(411)
19	-	21.1164%	-

26	Depreciation Expense on 2017 Retirements per Rebuttal	\$ (40,146)	<small>Sum Lines [17 - 19]</small>
29	Depreciation Expense on 2017 Retirements per Company's Original Application	\$ (9,296)	<small>(b)</small>
32	Increase / (Decrease) to Depreciation Expense	\$ (30,850)	<small>Line[26] - Line[29]</small>
34	Rebuttal Adjustment to Revenue and/or Expense	\$ (30,850)	<small>Line[32]</small>

45 Workpapers & Supporting Documents:

- 46 (a) Summary of Plant Balances and Accum Depr by NARUC Updated for Final 2017 PTYP.xlsx
- 47 (b) Schedule C2 Adj SLM - IS25

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Line  
 No.

1 Adjust Insurance Other Than Group

2  
 3 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  
 4 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  
 5 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.  
 6 This is a conforming adjustment and updated with the values in the Rebuttal Filing.  
 7

	DIRECT PLANT	[1]	[2]	[1] * [2] = [3]
	Test Year	7F	AZ	AZ-Factor
	Adj Results	District 4-Factor		
11	Gross Property Value at 12/31/2016	\$ 393,535,005	Schb2 Rebuttal Line [2]	
12	% of Plant Insured	47.75%	\Insurance]1. Property & Terrorism [23]	
14	Gross Plant Insured	<u>\$ 187,901,205</u>	Line [11] * Line [12]	

	Test Year Adjusted Results	Adjusted with Rate Increase	Adjusted with Rate Increase	
Adjusted Revenues in Year Ended December 2016	\$ 44,705,121	Schc2 Rebuttal [X][14]	\$ 42,917,876	
	[A]	[B]	[C] = [A] * [B]	
Factor	Amount	Rate	Premium	
22 1. Property Insurance	Plant [25]	\$ 187,901,205	0.0526% \Insurance] Summary [1]	\$ 98,823
23 2. Excess Liability	Revenue Line [25]	44,705,121	0.2588% \Insurance] Summary [2]	115,709
24 3. Umbrella Liability	AZ 4-Factor [10]	95,767	23.3690% \Insurance] Summary [3]	22,380
25 4. Autos	AZ 4-Factor [10]	278,350	23.3690% \Insurance] Summary [4]	65,048
26 5. Workers Compensation	Payroll Col [49]	269,673	1.6543% \Insurance] Summary [5]	4,461
27 6. Pollution *	Fixed Site	3,554	1.00 \Insurance] Summary [6]	3,554
28 7. D&O	AZ 4-Factor [10]	13,367	23.3690% \Insurance] Summary [7]	3,124
29 8. Fiduciary	AZ 4-Factor [10]	1,483	23.3690% \Insurance] Summary [8]	347
30 9. Crime	Employee Count	61	7.76 \Insurance] Summary [9]	474
31 10. Employed Lawyers	AZ 4-Factor [10]	1,196	23.3690% \Insurance] Summary [10]	280
32 11. Non Owned Pollution	AZ 4-Factor [10]	19,339	23.3690% \Insurance] Summary [11]	4,519
33 12. Employment Practices	Employee Count	61	5.30 \Insurance] Summary [12]	323
34 13. Utilities Bond **	Site Bond Requirement	22,331	0.0000% \Insurance] Summary [13]	-
35 14. Cyber Insurance	AZ 4-Factor [10]	11,366	23.3690% \Insurance] Summary [14]	2,656
36 15. Sun City Flood Insurance	Sun City Only	2,356	0.0000% \Insurance] Summary [15]	-
37 16. LAPP	AZ 4-Factor [10]	19,383	23.3690% \Insurance] Summary [16]	4,530
38				-
39 <b>Total</b>			\$ 326,227	Sum Col [C]

42	Adjusted Test Year Insurance Other Than Group	From Original Filing	\$ 326,133	\$ 326,227
43		Increase/(Decrease) to Insurance Other Than Group	\$ 94	\$ (4,626)

44  
 45 Workpapers & Supporting Documents:  
 46 \Insurance Other than Group.xlsx (aka Insurance)  
 47 \Payroll, Benefits, & Taxes 2016.xlsx (aka Payroll)  
 48 Income Statement Adjustment SLM-IS27  
 49  
 50 \2016 Agua Fria Water Rebuttal.xlsm

Line  
 No.  
 1 Adjust CPI for 2017  
 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 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 that are being worked on with the vendor.

2016 Unadjusted Expenses			Consumer Price Index - Phoenix Urban Consumers					
Description	Account	Amount (a)	Year	Annual Index	Increase	Ave Increase		
Chemicals	5263	\$ 725,589	2014	127.823				
Other Utilities	5621	\$ 30,534	2015	128.019	0.15%			
Asset Usage Fee - Corporate	6203	\$ 82,920	2016	130.107	1.63%			
Consulting Engineering	5227	\$ 23,761	2017	133.324	2.47%	1.4%		
Contractors and Consultants	5250	\$ 391,479	<b>Chemical Increase</b>					4.0%
Administrative Contractors	5679	\$ 5,782	[A] * Line [12]	[A] + [B] * Line [12]				
Outside Computer Charges (T1)	5628	\$ 94,203	Chemical [13]	Chemical [13]		[E]	[F] = [D] - [E]	
Temporary Support	5629	\$ 52,655	[A]	[B]	[C]	[D] = [B] + [C]	IS JPB ADJ #23	
Legal Fees	5681	\$ 72,776	Total	Year 1	Year 2	Revised Total	Original Total	
Service Charges	5615	\$ 88,845	Chemicals	\$ 725,589	\$ 29,024	\$ 30,184	\$ 59,208	\$ 59,208
Customer Communications	5674	\$ 68,111	Waste Disposal	30,534	755	444	1,199	697
Rent and Storage	5810	\$ 141,937	Corporate Allocatio	82,920	2,050	1,206	3,256	1,894
Freight and Courier	5262	\$ 7,257	Outside Services	640,656	15,841	9,316	25,156	14,634
Telephone, Long Distance, Data	5620	\$ 126,986	Customer Accountii	156,956	3,881	2,282	6,163	3,585
Stationary, Printing & Other O	5622	\$ 72,192	General Office Exp	530,640	13,120	7,716	20,836	12,121
Office Machines, Furniture	5623	\$ 13,257	Miscellaneous	87,430	2,162	1,271	3,433	1,997
Parking	5630	\$ 1,329	Maintenance Exper	624,327	15,437	9,078	24,515	14,261
Vehicle Allowance	5631	\$ 7,458	Sum Lines[18]thru[25]	\$ 2,879,051	\$ 82,270	\$ 61,497	\$ 143,767	\$ 108,398
Vehicle Allowance	5271	\$ 81						
Business Allowance	5634	\$ 3,651						
Memberships Dues & Professiona	5640	\$ 26,558						
Subscriptions	5641	\$ 5,772						
Airfare	5650	\$ 19,305						
Accommodation, Other Travel	5651	\$ 25,125						
Employee Working Meals	5652	\$ 24,965						
Training - Fees/Tuition	5660	\$ 54,718						
Training Fee	5252	\$ 48						
FR Clothing	5273	\$ 38,015						
Miscellaneous	5697	\$ 49,415						
Stock	5260	\$ 16,545						
Materials, Supplies	5261	\$ 245,100						
Veh. and Equip.-Allocation	5270	\$ 112,271						
Equipment	5275	\$ 8,431						
Hardware	5624	\$ 4,796						
Software	5625	\$ 14,414						
Maintenance	5811	\$ 172,841						
Vehicle Maintenance	5823	\$ 49,927						
		\$ 2,879,051	Sum Lines [9 thru 45]					

Increase / (Decrease) to Expense  
 Line [26] \$ 35,369

47 Workpapers & Supporting Documents:  
 48 (a) Sch6 Bureau of Labor Statistics - Phoenix CPI  
 49  
 50 \2016 Agua Fria Water Rebuttal.xlsm

Line  
 No.

1 Adjust CUS Charges

2  
 3 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.  
 4 This 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  
 5 in costs through the time any new rates resulting from this rate application will be effective. The CPI index for 2018 has been updated in this Rebuttal filing.  
 6  
 7

Consumer Price Index - Phoenix Urban Consumers		
Year	Annual Index	Increase
2015	128.019	
2016	130.107	1.63%
2017	133.324	2.47%

Increase Lines[12-11]/[11]  
 Increase Lines[13-12]/[12]

C.U.S. Charges per Schedule E-6, account 5611	\$	956,904	(a)
CPI Adjustment 2017	\$	15,607	Line[16]*1.63%
Adjusted 2017 Expense	\$	972,511	Line[16]+Line [18]
CPI Adjustment 2018	\$	24,046	Line[19]*2.47%
Adjusted 2018 Expense	\$	996,557	Line[19]+Line[21]
Total Increase/ (Decrease) to C.U.S Charges	\$	39,653	Line[18]+Line[21]
Expense per Company's Original Application per IS JPB Adj#12	\$	31,469	
	\$	8,184	Line[26] - Line[28]

Adjustment to Revenue and/or Expense \$ 8,184 Line[30]

45 Workpapers & Supporting Documents:  
 46 (a) Sche6

50 \2016 Agua Fria Water Rebuttal.xlsm

Line  
No.

1 Partially Accept Staff IS Adj #3: Adjust Outside Services Expense  
 2

3 The Company is partially accepting Staff IS Adj #3. This adjustment has 2 parts. 1) The Company partially accepts Staff RB Adj #3 and is removing the ASU Study costs per RUCO 2.07. The Company will  
 4 include these ASU Study Costs as part of the Rate Case Expense and recover these costs as part of the Staff's recommended Rate Case Expense Surcharge; 2). The Company is reducing contractor expense as  
 5 stated in the Company's response to RUCO DR 1.28. Upon review of the accounts noted in this data request, the Company noticed that account 5250 included costs that should have been removed from the  
 6 requested amounts in the original application.  
 7  
 8

	[A]	[B]	[C] = [A] - [B]
	Revised	Original	Rebuttal
	<u>Amounts (a)</u>	<u>Application</u>	<u>Adjustment</u>
12 <u>Part 1</u>			
13 Remove ASU Study Costs	\$ 1,266	\$ 2,931	\$ (1,665)
14			
15			
16 <u>Part 2</u>			
17 Amount to be removed from Outside Services per RUCO DR 1.25	\$ (26,645)	\$ -	\$ (26,645)
18			
19			
20			
21			
22			
23			
24 Adjustment to Revenue and/or Expense			<u>\$ (28,309)</u> Line [13] + Line [17]
25			
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45 Workpapers & Supporting Documents:  
 46 (a) Company Response to RUCO DR 1.25  
 47  
 48  
 49

Line  
 No.

1 Adjust 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 at time of this  
 4 rebuttal filing.  
 5  
 6

	[A]	[B]	[C] = ([B]-[A]) / [A]	[D]	[E] = [D]-[B]
	Average Automated Piece Rate				
Manifested	Effective April 2016	Effective January 2017	2017 Increase over 2016	Effective January 21, 2018	2018 Increase over 2016
5-Digit	\$ 0.3760	\$ 0.3730	-0.80%	\$ 0.3780	0.53%
3-Digit	\$ 0.3990	\$ 0.4030	1.00%	\$ 0.4080	2.26%
AADC	\$ 0.3990	\$ 0.4030	1.00%	\$ 0.4080	2.26%
Mixed AADC	\$ 0.4190	\$ 0.4230	0.95%	\$ 0.4240	1.19%
Single Piece	\$ 0.4700	\$ 0.4900	4.26%	\$ 0.5000	6.38%
Average cost per piece	\$ 0.4126	\$ 0.4184	1.41%	\$ 0.4236	2.67%

20 Postage Expense Account 5611 per General Ledger	(a)	\$	203,745	
22 Total Increase / (Decrease) to Postage Expense		\$	5,432	Col [E] Line[18]*Line[21]
23 Expense per Company's Original Application per IS JPB Adj#11		\$	2,864	
25 Adjustment to Revenue and/or Expense		\$	<u>2,568</u>	Line [22]- Line [23]

45 Workpapers & Supporting Documents:  
 46 (a) Sch E-6 Line 19  
 47 USPS Rates 2016.xlsx  
 48  
 49  
 50 \2016 Agua Fria Water Rebuttal.xlsm

Line  
 No.

1 Partially Accept Staff IS ADJ #5: Adjust Regulatory Expense

2

3 The Company is partially accepting Staff IS Adj #5. The Company is removing rate case expense out of the regulatory expense accounts. Staff recommends authorizing a surcharge to recover rate case  
 4 expense. Staff proposed recovery over a 5 year period however the Company proposes a 3 year period.  
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[A]	[B]	[C] = [A] - [B]
Revised	Original	Rebuttal
<u>Amounts (a)</u>	<u>Application</u>	<u>Adjustment</u>

Amount to be removed from Regulatory Expense per Staff IS ADJ #5	\$ (104,402)	0	\$ (104,402)
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Adjustment to Revenue and/or Expense

\$ (104,402) Line [13]

Workpapers & Supporting Documents:

(a) Schedule C2

\\2016 Agua Fria Water Rebuttal.xlsx



Line  
No.

1 Partially Accept Staff IS ADJ #4: Adjust General Office Expense

2  
 3 The Company is partially accepting Staff IS Adj #4. The Company accepts Staff's recommendation to remove certain identified costs related to entertainment and gifts. However the Company does not agree  
 4 to remove tuition related costs.  
 5  
 6  
 7

8 <u>Staff Disallowed Amounts per Staff Adj #4</u>		<u>Company Position</u>	<u>Agua Fria Water</u>	<u>4-Factor</u>	<u>26.6446%</u>
9 Entertainment	\$ 81,543	Accept			
10 Tuition	\$ 64,387	Oppose			
11 Gifts	\$ 17,937	Accept			
12	<u>\$ 163,867</u>				

14					
15 Amount to be Removed					
16 Entertainment	\$ 81,543				
17 Gifts	\$ 17,937				
18 Total	\$ 99,480	Line [16] + Line [17]			
19					
20 Allocated to District	26.6446%				
21	\$ 26,506	Line [18] * Line [20]			

Rebuttal  
Adjustment

24 Adjustment to Revenue and/or Expense \$ (26,506) Line [21]

45 Workpapers & Supporting Documents:

50 \2016 Agua Fria Water Rebuttal.xlsm

Line  
 No.

1 Accept Staff IS Adj #1 & RUCO IS Adj #4: Adjust Fuel and Power Expense

2  
 3 The Company is accepting both Staff IS Adj #1 and RUCO IS Adj #4. This rebuttal adjustment reverses the Company's original adjustment JPB-IS9 and restores the purchased power and fuel expense back into  
 4 the Test Year operating expenses for recovery in base rates.  
 5  
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7  
 8 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  
 9 ("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  
 10 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 adjuster mechanisms.

11 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  
 12 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  
 13 increase if the settlement is approved. In addition to increased base rates resulting from the rate case application, APS utilizes a number of adjuster mechanisms that have caused electric costs to increase year-over-year, between  
 14 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  
 15 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.

16  
 17 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  
 18 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  
 19 annualize this increase in purchased power costs included in the adjuster mechanism in-line with the newly authorized tariff for the eight months of the year that were not billed using the current tariff.

20  
 21 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  
 22 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  
 23 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  
 24 changes in the test year in the PCAM.

	(A)	(B)	(C)	(D)	(E) = (A) + (B) + (C) + (D)	
	Corporate (a)	Direct (b)	Other Allocation (c)	Annualization	Total 2016	
GL Account	Account Description		2016		2016	
	\$ 11,269	\$ 2,487,774			\$ 2,499,042	
	\$ -	\$ 345			\$ 345	
				\$ 36,200	\$ 36,200	
Total Purchased Power Expense					<u>\$ 2,535,587</u> Line[29 - 31]	
2017 % Increase	6.29%					
2018 % Increase	6.29%					
	(F)	(G)	(H)	(I)	(J)	(K) = (F) + (G) + (H) + (I) + (J)
	Corporate	Direct	Natural Gas	Other Allocation	Annualization	Total
2017 Increase - Power	\$ 709	\$ 156,557	0	0	\$ 2,278	\$ 159,544 Line[29] * 2017% Inc; Line [31] * 2017% Inc
2017 Expense	\$ 11,978	\$ 2,644,331	\$ 345	\$ -	\$ 38,478	\$ 2,695,132 Line[29]+Line[38], Line[31] + Line [38]
2018 Increase - Power	\$ 754	\$ 166,409	0	\$ -	\$ 2,421	\$ 169,585 Line[39] * 2018% Inc
2018 Expense	\$ 12,732	\$ 2,810,740	\$ 345	\$ -	\$ 40,900	\$ 2,864,716 Line[39]+Line[41]
Increase/Decrease to Expense						<u>\$ 2,864,716</u> Col 1, Line[42]

47 Workpapers & Supporting Documents:

- 48 (a) Sch E-6b (b) Sch E-6a \Purchased Power Adjustment Calc.xlsx  
 49 (c) Sch E-6c  
 50 \2016 Agua Fria Water Rebuttal.xlsm

Line  
 No.

1 Accept Staff IS Adj #2 & RUCO IS Adj #3: Adjust Purchased Water Expense

2  
 3 The Company is accepting both Staff IS Adj #2 and RUCO IS Adj #3. This rebuttal adjustment reverses the Company's original adjustment JPB-IS30 and restores the purchased water expense back into the Test  
 4 Year operating expenses for recovery in base rates.  
 5  
 6

7  
 8 The Company is proposing a Purchase Water Adjustor Mechanism for all districts in this rate case, except Willow Valley. The Company's estimate as to the per customer surcharge is calculated based on the  
 9 total potable and raw gallons billed. The calculation excludes effluent and wheeling usage billed from the calculation as these gallons are not affected by the purchase price of water. Costs have been  
 10 adjusted from the 2016 test year expense to annualized water expense. Additionally, the Company has included known and measurable increases to purchased water costs. The Company pays the Central  
 11 Arizona Project ("CAP") for fees in many districts. CAP has 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  
 12 impact of the increases in CAP fees have been included in the total purchased water costs.  
 13

14 In its Mohave and North Mohave Districts, the Company pays fees to the Mohave Conservation District (MWCD), Mohave Valley Irrigation and Drainage District (MVIDD), and fees to Bullhead City for water.  
 15 The Company also pays fees to the Arizona Department of Water Reclamation in a number of districts. Some districts also pay groundwater withdrawal fees. Many of these fees are already collected through  
 16 supplemental surcharges on customer bills. All costs have been included in the total purchased water cost with the intention of combining all these fees into one purchased water surcharge.  
 17

18 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 approved in  
 19 this rate case.  
 20

	Purchased Water						
	Test Year Expense						
	(A)	(B)	(C)	(D)	(E)	(F) = (A) + (B) + (C) + (D) + (E)	
	CAP Costs	CAP Credit Amortization	White Tank Wheeling	Maricopa Water Dist Surface Water	AkChin - Corte Bella	Total	
26 Test Year Purchased Water Expense	\$ 2,085,052	\$ (130,897)	\$ 381,050	\$ 208,874	\$ 65,514	\$ -	(a)
27 Annualization of Water Expense (SMC-IS6)	30,199	(1,896)	5,519	3,025	949	\$ -	
28 Annualized Purchased Water Expenses	\$ 2,115,250	\$ (132,793)	\$ 386,569	\$ 211,900	\$ 66,463	\$ -	Line [26]+Line [27]
29							
30 2017 Percentage increase in CAP costs	7%	0%	0%	0%	34%		(c)
31 2017 Purchased Water Expense	\$ 2,272,769	\$ (132,793)	\$ 386,569	\$ 211,900	\$ 89,344	\$ 2,827,788	Line [28]*(1+Line [30])
32							
33 2018 Percentage increase in CAP costs	2%	0%	0%	0%	0%		(c)
34 2018 Purchased Water Expense	\$ 2,317,774	\$ (132,793)	\$ 386,569	\$ 211,900	\$ 89,344	\$ 2,872,793	Line [31]*(1+Line [33])
35							
36 Mohave Wtr Conservation District - Impost Fees						\$ -	(c)
37 Impost Fees - Bullhead City						\$ -	(c)
38 Water Admin Fee - MVDD						\$ -	(c)
39 ADWR Groundwater Withdrawal Fee						\$ 27,088	(c)
40 Groundwater Withdrawal Fee						\$ -	(c)
41						\$ 2,899,881	Sum Lines [36 - 40]
42							
43 Increase/Decrease to Expense						\$ 2,899,881	Line [41]

45 Workpapers & Supporting Documents:

- 46 (a) Sch C2
- 47 (b) Sch E7
- 48 (c) \Purchased Water Increase.xlsx
- 49
- 50 \2016 Agua Fria Water Rebuttal.xlsm

Line	<u>No.</u>	<u>Description</u>	[A]	[B]	[C]	<u>Percentage of Incremental Gross Revenues</u>
	1	Federal Income Taxes				
	2					19.97%
	3	State Income Taxes				
	4			Combined	24.87%	4.90%
	5					
	6	Property Taxes	Effective Rate = 1.32%	One Minus Combined	75.13%	0.99% [A] x [B]
	7					
	8	Bad Debt Expense	Effective Rate = 0.19%	One Minus Combined	75.13%	0.14% [A] x [B]
	9					
	10	Insurance Other Than Group	Effective Rate = 0.26%	One Minus Combined	75.13%	0.19% [A] x [B]
	11					
	12					
	13	Total Tax Percentage				26.20% Sum Line [1-10]
	14					
	15	Operating Income % = 100% - Tax Percentage				73.80% 1 - [C] Line [13]
	16					
	17					
	18		1 = Gross Revenue Conversion Factor			
	19					
	20					
	21	Operating Income %				1.36 1 / [C] Line [15]
	22					
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	32					
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	42					
	43	Supporting Schedules:		Recap Schedules:		
	44	C-2 Rebuttal		A-1 Rebuttal		
	45					
	46					
	47	Workpapers & Supporting Documents				
	48					
	49					
	50	\2016 Agua Fria Water Rebuttal.xlsm				