

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	\$ 41,327,044	\$ 2,487,879	\$ 43,814,923	\$ (4,921,836)	\$ 38,893,086	
3	Other Revenues	867,857	22,340	890,198	-	890,198	
4	Total Revenues	\$ 42,194,902	\$ 2,510,219	\$ 44,705,121	\$ (4,921,836)	\$ 39,783,284	Sum Lines [2-3]
5							
6	Operating Expenses						
7	Labor	\$ 2,884,981	\$ 1,023,591	\$ 3,908,572	\$ -	\$ 3,908,572	
8	Purchased Water	2,609,593	(2,609,593)	-	-	-	
9	Fuel & Power	2,499,387	(2,499,387)	-	-	-	
10	Chemicals	725,589	69,717	795,306	-	795,306	
11	Waste Disposal	30,534	697	31,231	-	31,231	
12	Intercompany Support Services	-	-	-	-	-	
13	Corporate Allocation	1,212,158	(41,553)	1,170,605	-	1,170,605	
14	Outside Services	640,656	14,634	655,290	-	655,290	
15	Group Insurance	1,268,625	(48,907)	1,219,718	-	1,219,718	
16	Pensions	-	-	-	-	-	
17	Regulatory Expense	12,338	92,064	104,402	-	104,402	
18	Insurance Other Than Group	266,076	62,855	328,931	(12,739)	316,192	
19	Customer Accounting	1,384,394	74,764	1,459,158	(9,202)	1,449,956	
20	Rents	141,937	-	141,937	-	141,937	
21	General Office Expense	539,041	(100,721)	438,320	-	438,320	
22	Miscellaneous	98,789	1,997	100,786	-	100,786	
23	Maintenance Expense	953,243	1,067	954,310	-	954,310	
24	Depreciation & Amortization	7,651,126	4,871,842	12,522,969	-	12,522,969	
25	General Taxes-Property	1,507,485	516,417	2,023,902	(65,087)	1,958,815	
26	General Taxes-Other	351,146	(9,058)	342,088	-	342,088	
27	Income Taxes	3,459,555	2,532,793	5,992,348	(1,846,172)	4,146,176	
28							
29	Total Operating Expenses	\$ 28,236,653	\$ 3,953,221	\$ 32,189,874	\$ (1,933,200)	\$ 30,256,674	Sum Lines [7-27]
30	Utility Operating Income	\$ 13,958,249	\$ (1,443,002)	\$ 12,515,247	\$ (2,988,636)	\$ 9,526,611	Line [4] - Line [29]
31	Other Income & Deductions						
32	Other Income & Deductions	\$ (429,504)	\$ -	\$ (429,504)	\$ -	\$ (429,504)	
33	Interest Expense	2,669,511	145,149	2,814,660	-	2,814,660	
34	Other Expense	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	
36	Total Other Income & Deductions	\$ 2,240,007	\$ 145,149	\$ 2,385,156	\$ -	\$ 2,385,156	Sum Lines [32-35]
37	Net Profit / (Loss)	\$ 11,718,242	\$ (1,588,151)	\$ 10,130,091	\$ (2,988,636)	\$ 7,141,455	Line [30] - Line [36]

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

Recap Schedules:
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	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]
	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
Line No.	<u>Customer Care and Billing Services</u>	<u>Rate Case Expense</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</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>
1	Revenues										
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	-	-	-	-	-	-	-	-	-	-	-
4	Total Revenue										
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Operating Expenses										
7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	-	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-	(43,447)
14	-	-	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-	-
17	-	92,064	-	-	-	-	-	-	-	-	-
18	-	-	-	-	-	-	-	-	-	-	-
19	31,469	-	-	-	-	-	-	-	-	-	-
20	-	-	-	-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-	-	-	-	-
22	-	-	-	-	-	-	-	-	-	-	-
23	-	-	-	-	-	-	-	-	-	-	-
24	-	-	-	-	6,009,707	(226,102)	176,112	1,853,478	(44,157)	(3,567,784)	-
25	-	-	-	-	-	-	-	-	-	-	-
26	-	-	-	-	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-	-	-	-	-
28											
29	Total Operating Expenses										
30	\$ 31,469	\$ 92,064	\$ -	\$ -	\$ 6,009,707	\$ (226,102)	\$ 176,112	\$ 1,853,478	\$ (44,157)	\$ (3,567,784)	\$ (43,447)
31	Utility Operating Income										
32	\$ (31,469)	\$ (92,064)	\$ -	\$ -	\$ (6,009,707)	\$ 226,102	\$ (176,112)	\$ (1,853,478)	\$ 44,157	\$ 3,567,784	\$ 43,447
33	Other Income & Deductions										
34	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
35	-	-	-	-	-	-	-	-	-	-	-
36	-	-	-	-	-	-	-	-	-	-	-
37	Total Other Income & Deductions										
38	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39	Net Profit / (Loss)										
40	\$ (31,469)	\$ (92,064)	\$ -	\$ -	\$ (6,009,707)	\$ 226,102	\$ (176,112)	\$ (1,853,478)	\$ 44,157	\$ 3,567,784	\$ 43,447

44 Supporting Schedules:
 45 (a) E-6

Recap Schedules:
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Line No.	Page 27	Page 28	Page 29	Page 30	Page 31	Page 32	Page 33	Page 34	Page 35	Page 36
	[X] ADJ JPB-IS23	[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
	<u>CPI Increase</u>	<u>Intentionally Left Blank</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>Intentionally Left Blank</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>
1	Revenues									
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	-	-	-	-	-	-	-	-	-	-
4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5										
6	Operating Expenses									
7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	-	-	-	-	-	-	-	(2,647,389)	-	-
9	-	-	-	-	-	-	-	-	-	-
10	59,208	-	-	-	-	-	-	-	-	-
11	697	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-	-
13	1,894	-	-	-	-	-	-	-	-	-
14	14,634	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-
17	-	-	-	-	-	-	-	-	-	-
18	-	-	-	-	62,855	-	-	-	-	-
19	3,585	-	-	-	-	-	-	-	-	-
20	-	-	-	-	-	-	-	-	-	-
21	12,121	-	-	-	-	-	-	-	-	-
22	1,997	-	-	-	-	-	-	-	-	-
23	14,261	-	-	-	-	(112,271)	-	-	-	-
24	-	-	(9,296)	-	-	144,795	-	-	10,592	524,497
25	-	-	-	-	-	-	-	-	-	-
26	-	-	-	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-	-	-	-
28										
29	\$ 108,398	\$ -	\$ (9,296)	\$ -	\$ 62,855	\$ 32,523	\$ -	\$ (2,647,389)	\$ 10,592	\$ 524,497
30	\$ (108,398)	\$ -	\$ 9,296	\$ -	\$ (62,855)	\$ (32,523)	\$ -	\$ 2,647,389	\$ (10,592)	\$ (524,497)
31	Other Income & Deductions									
32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	-	-	-	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-	-
36	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37	\$ (108,398)	\$ -	\$ 9,296	\$ -	\$ (62,855)	\$ (32,523)	\$ -	\$ 2,647,389	\$ (10,592)	\$ (524,497)
38										
39										
40										
41										
42										
43										
44	Supporting Schedules:									
45	(a) E-6									
46										
47										
48	Workpapers & Supporting Documents:									
49										
50	\2016 Agua Fria Water.xlsm									

Recap Schedules:
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Line No.	Page 37	Page 38	Page 39	Page 40	Page 41	Page 42	Page 43				
	[AH] ADJ SLM-IS33	[AI] ADJ SLM-IS34	[AJ] ADJ SLM-IS35	[AK] ADJ SLM-IS36	[AL] ADJ SLM-IS37	[AM] ADJ SLM-IS38	[AN] ADJ SLM-IS39	[AO]	[AP]	[AQ]	[AR]
								Sum [B - AN]	Sum [A] + [AO]		Sum [AP] + [AQ]
	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,487,879	\$ 43,814,923	\$ (4,921,836)	\$ 38,893,086
3	-	-	-	-	-	-	-	22,340	890,198	-	890,198
4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,510,219	\$ 44,705,121	\$ (4,921,836)	\$ 39,783,284
5	Operating Expenses										
7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,023,591	\$ 3,908,572	\$ -	\$ 3,908,572
8	-	-	-	-	-	-	-	(2,609,593)	-	-	-
9	-	-	-	-	-	-	-	(2,499,387)	-	-	-
10	-	-	-	-	-	-	-	69,717	795,306	-	795,306
11	-	-	-	-	-	-	-	697	31,231	-	31,231
12	-	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	(41,553)	1,170,605	-	1,170,605
14	-	-	-	-	-	-	-	14,634	655,290	-	655,290
15	-	-	-	-	-	-	-	(48,907)	1,219,718	-	1,219,718
16	-	-	-	-	-	-	-	-	-	-	-
17	-	-	-	-	-	-	-	92,064	104,402	-	104,402
18	-	-	-	-	-	-	-	62,855	328,931	(12,739)	316,192
19	-	-	-	-	-	-	-	74,764	1,459,158	(9,202)	1,449,956
20	-	-	-	-	-	-	-	-	141,937	-	141,937
21	-	-	-	-	-	-	-	(100,721)	438,320	-	438,320
22	-	-	-	-	-	-	-	1,997	100,786	-	100,786
23	-	-	-	-	-	-	-	1,067	954,310	-	954,310
24	-	-	-	-	-	-	-	4,871,842	12,522,969	-	12,522,969
25	-	-	-	-	-	-	-	516,417	2,023,902	(65,087)	1,958,815
26	-	-	-	-	-	-	-	(9,058)	342,088	-	342,088
27	-	-	-	-	-	-	-	2,532,793	5,992,348	(1,846,172)	4,146,176
28	Total Operating Expenses										
29	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,953,221	\$ 32,189,874	\$ (1,933,200)	\$ 30,256,674
30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,443,002)	\$ 12,515,247	\$ (2,988,636)	\$ 9,526,611
31	Other Income & Deductions										
32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (429,504)	\$ -	\$ (429,504)
33	-	-	-	-	-	-	-	145,149	2,814,660	-	2,814,660
34	-	-	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-	-	-
36	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,149	\$ 2,385,156	\$ -	\$ 2,385,156
37	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,588,151)	\$ 10,130,091	\$ (2,988,636)	\$ 7,141,455
38	Net Profit / (Loss)										

Line
 No.

Tank Maintenance

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.

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:

- Agua Fria Water: \$376,478 through 2026 - Decision Number 73145 on 5/1/12.
- Anthem Water was given a deferral mechanism - Decision Number 72047 on 1/7/11.
- Havasu Water: \$76,320 through 2021 - Decision Number 73145 on 5/1/12.
- Mohave Water: \$244,608 through 2026 - Decision Numbers 73145 & 75268 on 5/1/12 & 9/1/15, respectively.
- North Mohave: \$114,583 through 2029.
- Paradise Valley Water: \$123,658 through 2029 - Decision Number 75268 on 9/1/15.
- Sun City Water: \$362,187 through 2023 - Decision Numbers 72047 & 75268 on 1/7/11 and 9/1/15, respectively.
- Sun City West Water: \$227,141 through 2025.
- Tubac Water has no authorized tank maintenance program.
- Willow Valley Water has no authorized tank maintenance program.
- 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).

Tank Maintenance Program Annual Cost \$ 376,478 (b)

2016 Tank Maintenance Expense, Unadjusted (account 5900) 277,400 (a)

Increase in Tank Maintenance Expense Line [29]-Line [33] \$ 99,077

Workpapers & Supporting Documents:

- (a) Sch E6
- (b) Authorized Tank Maintenance Summaries.xlsx
- \2016 Agua Fria Water.xlsm

Line
 No.

Adjust Property Taxes to Reflect Proposed Revenues

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 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 historical trends in tax rates.

	Business Unit	7F		GMC Factor	23.19%	[A]	[B]	
		Power and Water Expenses						
		[1]	[2]					
		Present	Proposed			Property Tax Expense	For Conversion Factor	
10	Adjusted Revenues in Year Ended December 2016	[Adj Summary p.2]	\$ 5,182,976	\$ 5,764,597		(b) + [2] \$ 50,469,718	\$ 50,469,718	
11	Adjusted Revenues in Year Ended December 2016					50,469,718	50,469,718	
12	Proposed Revenues					50,469,718	(b) + [2] 45,547,882	
13	Average of Three Years of Revenue					Avg Lines[10] thru [12] \$ 50,469,718	\$ 48,829,106	
14	Average of Three Years of Revenue, times 2					Line[13] * 2 \$ 100,939,436	\$ 97,658,212	
15	Add:							
16	Construction Work in Progress at 10%					(a) \$ 1,197,507	\$ 1,197,507	
17	Deduct:							
18	Net Book Value of Transportation Equipment					(d) \$ 105,662	\$ 105,662	
19								
20	Full Cash Value					Sum Lines[14-16] - Line[18] \$ 102,031,281	\$ 98,750,057	
21	Assessment Ratio (For 2016 and Beyond per HB 2001 Sec 42-15001)					18.0%	18.0%	
22	Assessed Value					Line[20]*Line[21] \$ 18,365,631	\$ 17,775,010	
23	Property Tax Rate					(c) 11.02%	11.02%	
24								
25	Property Tax					Line[22]*Line[23] \$ 2,023,902	\$ 1,958,815	
26	Additional Tax					\$ -		
27								
28	Adjusted Test Year Property Taxes at Present Rates					Line[25]+Line[26] \$ 2,023,902		
29	Adjusted Test Year Property Taxes,					(b) 1,507,485		
30	Adjustment to Revenue and/or Expense (To Sch C-2)					Line[28] - Line[29] \$ 516,417		
31								
32	Adjusted Test Year Property Taxes at Proposed Rates						Line[25] \$ 1,958,815	
33	Adjusted Test Year Property Taxes at Present Rates						Line[28] Col [A] 2,023,902	
34	Additional Property Taxes on Proposed Revenues (To Sch C-2)						Line[32] - Line[33] \$ (65,087)	
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])	\$ (65,087)	
39								
40						Increase in Revenue Requirement (From Sch C-2)	\$ (4,921,836)	
41								
42						Increase in Property Tax Per Dollar Increase in Revenue (Line 38/Line 40)	1.32%	
43								
44	<u>Workpapers & Supporting Documents:</u>							
45								
46	(a) Sch E-1							
47	(b) Sch C-2							
48	(c) Composite Property Tax Rate 2016.xlsx							
49	(d) Summary of Plant Balances by NARUC							
50	\2016 Agua Fria 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			\$ 18,507,595	\$ 13,672,787
5			2,814,660	2,814,660
6			<u>Line[4] - Line[5] \$ 15,692,936</u>	<u>\$ 10,858,127</u>
7				
8	Arizona Income Tax	4.900%	<u>Line[6]* 4.900% \$ 768,954</u>	<u>\$ 532,048</u>
9				
10				
11			Line[6] \$ 15,692,936	\$ 10,858,127
12			Line[8] 768,954	532,048
13				
14			<u>Line[11] - Line[12] \$ 14,923,982</u>	<u>\$ 10,326,079</u>
15				
16				
17				
18	FEDERAL INCOME TAXES:			
19				
20	Federal Income Taxes	35.000%	<u>Line[14]*35.000% \$ 5,223,394</u>	<u>\$ 3,614,128</u>
21				
22				
23				
24			<u>Line[12]+Line[20] \$ 5,992,348</u>	<u>\$ 4,146,176</u>
25				
26			Line[24] / Line[6] 38.19%	38.19%
27				
28				
29				
30	Effective Income Tax Rates			
31	State		Line[8] / Line[6] 4.900%	4.900%
32	Federal		Line[20] / Line[6] 33.29%	33.29%
33				
34				
35			(a) \$ 3,459,555	
36			<u>Line[24] - Line[35] \$ 2,532,793</u>	
37				
38			<u>Line[36] \$ 2,532,793</u>	
39				
40				Col A Line[24] \$ 5,992,348
41				Line[24] - Line[40] (1,846,172)
42				
43				<u>Line[41] \$ (1,846,172)</u>
44				
45				
46				
47	<u>Workpapers & Supporting Documents:</u>			
48	(a) Sch C-2			
49				
50	\2016 Agua Fria 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)	(a)	\$ 126,217,928
7	Weighted Cost of Debt from Schedule D-1	(b)	2.23%
8	Synchronized Interest Expense	Line[6]*Line[7]	\$ 2,814,660
9			
10	Test Year Interest Expense		\$ 2,669,511 (c)
11			
12	Adjusted Test Year Interest Expense	Line[10]	\$ 2,669,511
13			
14	Increase/(Decrease) in Interest Expense	Line[8] - Line[12]	\$ 145,149
15			
16	Adjustment to Revenue and/or Expense	Line[14]	\$ 145,149
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46	<u>Workpapers & Supporting Documents:</u>		
47	(a) Sch B-1		
48	(b) Sch D-1		
49	(c) Sch C-2		
50	\\2016 Agua Fria Water.xlsm		

Line No.	G/L Account Business Unit	5610 7F		
1	<u>Bad Debt Expense</u>			
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 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 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 adjustment to the test year expense for each district.			
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5				
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9				
10	Allocated Bad Debt in Account 5610		(a)	\$ 66,788
11				
12	<u>Actual Bad Debt Write-Offs (b)</u>			
13	Jan-16		\$	10,182
14	Feb-16			5,183
15	Mar-16			13,005
16	Apr-16			(1,738)
17	May-16			5,551
18	Jun-16			3,519
19	Jul-16			5,675
20	Aug-16			8,838
21	Sep-16			10,057
22	Oct-16			6,705
23	Nov-16			7,309
24	Dec-16			9,296
25	Total Bad Debt		Sum Lines [13 - 24]	\$ 83,583
26				
27	Increase/(Decrease) in Bad Debt Expense		Line[25] - Line[10]	\$ 16,795
28				
29	Adjustment to Revenue and/or Expense		Line[27]	\$ 16,795
30				
31				
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43				
44	<u>Workpapers & Supporting Documents:</u>			
45				
46	(a) Sch E-6			
47	(b) \Bad Debt Writeoffs and Recoveries 2016.xls			
48				
49				
50	\2016 Agua Fria Water.xlsm			

Line
 No.

Annualization/Normalization of Revenues

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 customer population is at its highest, and does not properly reflect the experiences of the Company.
 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.
 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 phase in for that Decision and continued each subsequent year until new rates are approved.
 EPCOR has also removed accrual entries.

	[A]	[B]	[C]	[D]		[E] = [A] + [B] + [C] + [D]
	Residential	Commercial	Water User	Other	Revenue	Total
13 Test Year Revenues per General Ledger	\$ 30,214,956	\$ 10,369,914	\$ 742,175	\$ 867,857	(a)	\$ 42,194,902
14 Revenue Adjustments	1,698,133	555,169	28,959	22,340	(a)	2,304,600
15 Accruals	73,955	57,974	78,995	-	(a)	210,925
16 Annualization	138,442	20,898	(36)	-	(b)	159,304
17 Weather Normalization	(96,117)	(62,080)	(6,414)	-	(b)	(164,610)
18 Adjusted Revenues	\$ 32,029,370	\$ 10,941,875	\$ 843,679	\$ 890,198	Sum Lines [13 - 17]	\$ 44,705,121
20 Test Year Revenues per General Ledger	30,214,956	10,369,914	742,175	867,857	(b)	42,194,902
22 Increase / (Decrease) to Test Year Revenues	\$ 1,814,414	\$ 571,961	\$ 101,504	\$ 22,340	Line[29] - Line[20]	\$ 2,510,219

	[F]	[G]	[H]	[I]		Total
	Purchased Water	Fuel & Power	Chemicals	Other Customer	Accounting	
29 Test Year Adjusted Expense from Sch C-2	\$ 2,609,593	\$ 2,499,387	\$ 725,589	\$ 1,384,394		
30 Average Customers (from Sch E7) times 12 bills	518,732	518,732	518,732	518,732		
31 Cost per Customer	\$ 5.031	\$ 4.818	\$ 1.399	\$ 2.669	Line[29] / Line[30]	
33 Customer Growth	7,513	7,513	7,513	7,513	(c)	
34 Additional Expense	\$ 37,796	\$ 36,200	\$ 10,509	\$ 20,051		\$ 104,556
						Sum Col [F-I]

45 Workpapers & Supporting Documents:
 46 (a) Sch E-6
 47 (b) Agua Fria Water H Schedule.xlsx
 48 (c) Customer Count tab
 49
 50 \2016 Agua Fria Water.xlsm

4 - Factor

Business Unit	7F	26.6446%
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Line
 No.

Removal of General Disallowable Items

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 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 numbers are below.

	[A]	[B]	[C]	[D] = [A] + [B] + [C]	
	5670	5671	5672		
	Advertising	Promotion	Donation	Total	
Total 7A Corporate Expenses (a)	\$ 30,500	\$ 280,264	\$ 24,002	\$ 334,766	
7A Allowed Expenses (b)	16,139	3,750	-	19,888	
7A Disallowed Expenses	\$ 14,361	\$ 276,514	\$ 24,002	\$ 314,877	Line[15] - Line[16]
Agua Fria Water 4-Factor	26.6446%	26.6446%	26.6446%		
7A Disallowed Expenses allocated to District	\$ 3,827	\$ 73,676	\$ 6,395	\$ 83,898	Line[17] * Line[19] \$ 83,898
Total District Expenses (a)	\$ -	\$ 27,858	\$ 1,086	\$ 28,944	
District Allowed Expenses (b)	0	0	0	0	
District Disallowed Expenses	\$ -	\$ 27,858	\$ 1,086	\$ 28,944	Line[24] - Line[25] \$ 28,944

General Disallowed Items for District

Line[21] + Line[26] \$ 112,842

Adjustment to Revenue and/or Expense

Line[33] \$ (112,842)

Workpapers & Supporting Documents:

(a) Sch E-6a

(b) Disallowable Costs 2016.xlsx

4-Factor

\2016 Agua Fria Water.xlsm

Line
 No.

Business Unit	7F
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Annualize Labor & Labor Related Expenses

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 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 disability. Also included is the annualization of the Company's contribution to its employees' 401(k) retirement savings program.

7	Labor Expense as calculated per the Payroll Model (a)				
8	Direct Labor	\$	3,476,987		
9	Performance Based Compensation	\$	479,539	\$	3,956,526 Line[8]+Line[9]
11	Fully Allocated Labor Expense per General Ledger (b)			\$	2,884,981
12	Increase/(Decrease) in Labor Expense				Line[9] - Line[11] \$ 1,071,545
13					
14					
15					
16					
17					
18	Group Insurance and Other Benefits as calculated per the Payroll Model (a)				
19	401K	\$	358,121		
20	Insurance	\$	591,924		
21	Pension	\$	269,673	\$	1,219,718 Line[19]+Line[20]+Line[21]
22					
23	Fully Allocated Labor Expense per General Ledger (b)			\$	1,268,625
24	Increase/(Decrease) in Group Insurance Expense				Line[21]-Line[23] \$ (48,907)
25					
26					
27					
28					
29					
30	Payroll Taxes as calculated per the Payroll Model (a)				
31	Taxes	\$	275,404	\$	275,404 Line[31]
32					
33	Fully Allocated Labor Expense per General Ledger (b)			\$	284,462
34	Increase/(Decrease) in General Taxes - Other				Line[31] - Line[33] \$ (9,058)
35					
36					
37	Increase/(Decrease) in Labor Related Expense				Sum Lines[12] thru [34] \$ 1,013,580
38					
39					
40	Adjustment to Revenue and/or Expense				Line [37] \$ 1,013,580
41					
42					
43	Total	\$	5,451,648		Line [8]+[9]+[19]+[20]+[21]+[31]
44	Check	\$	5,451,648		\Payroll, Benefits & Taxes_ TY 2016.xlsx
45	Diff	\$	-		Line[43] - Line[44]
46	<u>Workpapers & Supporting Documents:</u>				
47	(a) \Payroll, Benefits & Taxes_ TY 2016.xlsx				
48	(b) Sch E-6				
49					
50	\2016 Agua Fria Water.xlsm				

Line
 No.

1 Purchased Power Adjustment and Surcharge Business Unit 7F

3 The Company is proposing a Power Cost Adjustor Mechanism for All Districts in this Case. This adjustment removes Purchased Power expenses from the District's operating expenses. The Power
 4 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
 5 Administration (POA), submitted as an Exhibit to Mr. Boizelle's testimony, to be concurrent with the effective date of new rates approved in this rate case.

	[A]	[B]	[C]	[D] = [A] + [B] + [C]
	Corporate (a)	Direct (b)	Other Allocation (c)	Total
	2016	2016	2016	2016
11 <u>GL Account</u> <u>Account Description</u>				
12	\$ 11,269	\$ 2,487,774		\$ 2,499,042
13	\$ -	\$ 345		\$ 345
14				\$ 36,200
15 Increase / (Decrease) to Purchase Power Expense				<u>\$ (2,535,587)</u>

Line[12 - 14]

45 Workpapers & Supporting Documents:

- 46 (a) Sch E-6b
- 47 (b) Sch E-6a
- 48 (c) Sch E-6c

50 \2016 Agua Fria Water.xlsm

**PURCHASED POWER
 SURCHARGE CALCULATION**

Line No. 1 **Purchased Power Adjustment and Surcharge** Business Unit **7F**

2 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

3 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

4 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

5 factors associated with their rate adjuster mechanisms.

6

7 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

8 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

9 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

10 adjuster 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

11 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

12 known rate increases that will be effective prior to the resolution of this case.

13 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

14 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

15 power costs, a one-time adjustment is included to annualize this increase in purchased power costs included in the adjuster mechanism in-line with the newly authorized tariff for the eight months of

16 the year that were not billed using the current tariff.

17

18 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

19 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

20 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

21 Mohave, and Willow Valley Water districts have been annualized accordingly for rate changes in the test year in the PCAM.

GL Account	Account Description	[A]	[B]	[C]	[D] = [A] + [B] + [C]		
		Corporate (a)	Direct (b)	Other Allocation (c)	Total		
		2016	2016	2016	2016		
5617	Power Charges	\$ 11,269	\$ 2,487,774		\$	2,499,042	
5616	Natural Gas Charges	\$ -	\$ 345		\$	345	
	Annualization				\$	36,200	
Total Purchased Power Expense						\$	2,535,587 <small>Line[29 - 31]</small>
	2017 % Increase	6.29%					
	2018 % Increase	6.29%					
		[E]	[F]	[G]	[H]	[I] = [E] + [F] + [G] + [H]	
		Corporate	Direct	Natural Gas	Annualization	Total	
2017	Increase	\$ 709	\$ 156,557	\$ 0	\$ 2,278	\$ 159,544 <small>Line[29]*Line[33], Line [31]*Line [33]</small>	
2017	Expense	\$ 11,978	\$ 2,644,331	\$ 345	\$ 38,478	\$ 2,695,132 <small>Line[29]+Line[38], Line [31]*Line [38]</small>	
2018	Increase	\$ 754	\$ 166,409	\$ 0	\$ 2,421	\$ 169,585 <small>Line[34]*Line[39]</small>	
2018	Expense	\$ 12,732	\$ 2,810,740	\$ 345	\$ 40,900	\$ 2,864,716 <small>Line[39]+Line[41]</small>	
Total Billed Gallons (in thousand of gallons)						6,997,659	
Surcharge Per Thousand Gallons						\$ 0.4094 <small>Line[42]/Line[44]</small>	

45 Workpapers & Supporting Documents:

46 (a) Sch E-6b

47 (b) Sch E-6a

48 (c) Sch E-6c

49 \Purchased Power Adjustment Calc.xlsx

50 \2016 Agua Fria Water.xlsm

Line
 No.

1 Removal of 10% of Performance Based Compensation

	4-Factor
Agua Fria Water	26.6446%
Arizona Total	87.7062%

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 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 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 target for Performance Based Compensation Plan.

This pro forma 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.

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	[A]	[B]	[C] = [A] * [B]	[D] = [C] * -10.0%
	Performance Based		Performance Based	
	<u>Compensation Expense</u>	<u>Allocation Factor</u>	<u>Compensation Expense for District</u>	<u>Minus 10%</u>
Direct Performance Based Compensation Expense	\$ 83,565	100.0000%	\$ 83,565	\$ (8,357)
7A Arizona Performance Based Comp Exp	\$ 1,177,956	26.6446%	313,862	(31,386)
6U EPCOR Water USA Performance Based Comp Exp	\$ 351,374	23.3690%	82,113	(8,211)
Total Performance Based Compensation Expense			\$ 479,539	
			Check \$ 479,539	
			Diff \$ -	
Minus 10%				Sum Lines[24] thru [27] Col [D] \$ (47,954)
Total Increase / (Decrease) to Labor				Line [34] \$ (47,954)
Adjustment to Revenue and/or Expense				Line [37] \$ (47,954)

45 Workpapers & Supporting Documents:

46 Payroll, Benefits & Taxes_TY 2016.xlsx

47 4-Factor

50 \2016 Agua Fria Water.xlsm

Line No. Business Unit 7F

Postage Expense

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.

[A] [B] [C] = ([B]-[A]) / [A]

Manifested	Average Automated Piece Rate		
	Effective April 2016	Effective January 2017	2017 Increase
5-Digit	\$ 0.3760	\$ 0.3730	-0.80%
3-Digit	\$ 0.3990	\$ 0.4030	1.00%
AADC	\$ 0.3990	\$ 0.4030	1.00%
Mixed AADC	\$ 0.4190	\$ 0.4230	0.95%
Single Piece	\$ 0.4700	\$ 0.4900	4.26%
Average cost per piece	\$ 0.4126	\$ 0.4184	1.41%

Postage Expense Account 5611 per General Ledger

(a) \$ 203,745

Total Increase / (Decrease) to Postage Expense

Col [C] Line[18]*Line[21] \$ 2,864

Adjustment to Revenue and/or Expense

Line [23] \$ 2,864

Workpapers & Supporting Documents:

(a) Sch E-6 Line 19

USPS Rates 2016.xlsx

\2016 Agua Fria Water.xlsm

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Business Unit 7F

Customer Care and Billing Services

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 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 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 measurable prior to the conclusion of the rate case.

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

Increase Lines[13-14]/[13]

C.U.S. Charges per Schedule E-6, account 5611	\$	956,904	(a)
CPI Adjustment 2017	\$	15,607	Line[18]*1.63%
Adjusted 2017 Expense	\$	972,511	Sum Line[18+20]
CPI Adjustment 2018	\$	15,862	Line[21]*1.63%
Adjusted 2018 Expense	\$	988,373	Sum Line[21+23]

Total Increase/ (Decrease) to C.U.S Charges		Line[20]+Line[23]	\$ 31,469
Adjustment to Revenue and/or Expense		Line[39]	<u>\$ 31,469</u>

Workpapers & Supporting Documents:
 (a) Sche6 Line19
 Phoenix All Consumers CPI 3.22.17.xlsx
 \2016 Agua Fria Water.xlsm

Line
 No.

Business Unit 7F

Rate Case Expense

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 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.

	Rate Case Expense	Agua Fria Water	\$	276,193 (a)
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	Estimated Amortization Period in Years			3
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	Increase / (Decrease) to Regulatory Expense			Line [9] / Line [12] \$ 92,064
--	---	--	--	--------------------------------

	Adjustment to Revenue and/or Expense			Line [20] \$ 92,064
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Workpapers & Supporting Documents:

(a) \Rate Case Expense 2016 TY.xlsx

\2016 Agua Fria Water.xlsm

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45 Workpapers & Supporting Documents:

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44 Workpapers & Schedules

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Line
 No.

Business Unit	7F
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1 Annualize Depreciation Expense on Direct Plant

3 Adjustment to annualize depreciation expense based on plant balances at the end of 2016.

12	Depreciation Expense on Direct Plant	(a)	\$	13,241,732
14	Depreciation Expense per General Ledger	(b)	\$	<u>7,232,026</u>
16	Increase / (Decrease) to Depreciation Expense	Line[12] - Line[14]	\$	6,009,707
18	Adjustment to Revenue and/or Expense	Line[16]	\$	<u>6,009,707</u>

44 Workpapers & Supporting Documents:

45 (a) \Summary of Plant Balances and Accum Depr by NARUC.xlsx

46 (b) Sch E-6a Line 24

50 \2016 Agua Fria Water.xlsm

7F

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	12/31/2016	Add'l	12 Months	Capital	Test Year
				Test Year End PLANT	Test Year End ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	Test Year Plant	Test Year End PLANT	Test Year End ACCUM DEPR		Test Year Plant	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense
1	301000	0.00%	Organization	1,229	-	-	-	-	-	-	-	-	1,229	-	-	-	-	-
2	302000	0.00%	Franchises	363,720	-	-	-	-	-	-	-	-	363,720	-	-	-	-	-
3	303200	0.00%	Land & Land Rights Supply	1,699,680	-	-	-	-	-	-	-	-	1,699,680	-	-	-	-	-
4	303300	0.00%	Land & Land Rights Pumping	1,448,137	-	-	-	-	-	-	-	-	1,448,137	-	-	-	-	-
5	303400	0.00%	Land & Land Rights Treatment	639,523	-	-	-	-	-	-	-	-	639,523	-	-	-	-	-
6	303500	0.00%	Land & Land Rights T&D	299,442	-	-	-	-	-	-	-	-	299,442	-	-	-	-	-
7	303600	0.00%	Land & Land Rights General	-	-	52,769	-	-	-	-	-	-	52,769	-	-	-	-	-
8	304100	3.33%	Structures & Improvements Supj	10,564,015	2,713,644	-	-	-	-	-	-	-	7,850,371	352,134	-	-	-	-
9	304200	3.33%	Structures & Improvements Pum	9,177,102	1,335,792	-	-	-	-	-	-	-	7,841,310	305,903	-	-	-	-
10	304300	3.33%	Structures & Improvements Trea	11,114,418	1,330,409	-	-	1,555	26	(1,408)	-	-	9,785,539	370,481	-	52	-	(47)
11	304400	3.33%	Structures & Improvements Tran	4,560,602	836,513	852	14	1,395,255	23,254	-	-	-	5,096,927	152,020	28	46,508	-	-
12	304500	3.33%	Structures & Improvements Geni	11,392,297	1,773,543	-	-	4,408,016	73,467	-	-	-	13,953,304	379,743	-	146,934	-	-
13	304600	3.33%	Structures & Improvements Offic	178,412	53,838	-	-	-	-	-	-	-	124,574	5,947	-	-	-	-
14	304620	3.33%	Structures & Improvements Leas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	304700	3.33%	Structures & Improvements Stori	772	108	-	-	-	-	-	-	-	664	26	-	-	-	-
16	304800	3.33%	Structures & Improvements Misc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	305000	2.50%	Collect & Impounding	868,528	107,621	-	-	-	-	-	-	-	760,907	21,713	-	-	-	-
18	306000	2.50%	Lake, River & Other Intakes	849,931	135,795	-	-	-	-	-	-	-	714,136	21,248	-	-	-	-
19	307000	3.33%	Wells & Springs	16,439,930	4,956,536	-	-	1,033,275	17,221	(137,174)	-	-	12,499,448	547,998	-	34,442	-	(4,572)
20	308000	6.67%	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	309000	2.00%	Supply Mains	2,534,498	232,062	-	-	-	-	-	-	-	2,302,436	50,690	-	-	-	-
22	310000	5.00%	Power Production Equipment	3,525,293	591,991	-	-	376,782	9,420	-	-	-	3,300,664	176,285	-	18,839	-	-
23	310100	5.00%	Power Production Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	311000	8.33%	Pumping Equipment Steam	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	311200	8.33%	Pumping Equipment Electric	30,513,780	15,288,039	-	-	15,413,894	642,246	(50,178)	-	-	29,999,389	2,542,815	-	1,284,491	-	(4,181)
26	311300	8.33%	Pumping Equipment Diesel	9,803	11,392	-	-	-	-	-	-	-	(1,588)	817	-	-	-	-
27	311400	8.33%	Pumping Equipment Hydraulic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	311500	8.33%	Pumping Equipment Other	2,115,800	747,606	-	-	-	-	-	-	-	1,368,194	176,317	-	-	-	-
29	311530	8.33%	Pumping Equipment Water Trea	1,153,055	22,335	-	-	-	-	-	-	-	1,130,720	96,088	-	-	-	-
30	320100	5.00%	Water Treatment Equipment Nor	35,717,438	13,524,356	-	-	185,871	4,647	-	-	-	22,374,306	1,785,872	-	9,294	-	-
31	320200	10.00%	Water Treatment Equipment Filtr	2,065,801	1,243,578	-	-	-	-	-	-	-	822,223	206,580	-	-	-	-
32	330000	2.22%	Distribution Reservoirs & Standp	14,154,515	2,315,953	-	-	2,196,347	24,404	-	-	-	14,010,505	314,545	-	48,808	-	-
33	330100	2.22%	Elevated Tank & Standpipes	35,344	4,614	-	-	-	-	-	-	-	30,730	785	-	-	-	-
34	330200	2.00%	Ground Level Tanks	1,029	100	-	-	37,928	379	-	-	-	38,479	21	-	759	-	-
35	330300	2.00%	Below Ground Tanks	276,457	26,468	-	-	-	-	-	-	-	249,988	5,529	-	-	-	-
36	330400	2.00%	Cleanwell	4,269,512	571,949	-	-	-	-	-	-	-	3,697,563	85,390	-	-	-	-
37	331001	2.00%	TD Mains Not Classified by Size	8,711,144	1,545,253	403,848	4,038	281,374	2,814	(19,862)	-	-	7,844,262	174,223	8,077	5,627	-	(397)
38	331100	2.00%	TD Mains 4in & Less	21,752,399	6,227,697	-	-	-	-	-	-	-	15,524,702	435,048	-	-	-	-
39	331200	2.00%	TD Mains 6in to 8in	46,470,021	6,239,184	22,050	221	7,363	74	-	-	-	40,259,956	929,400	441	147	-	-
40	331300	2.00%	TD Mains 10in to 16in	38,206,096	5,276,704	10,911	109	1,826,141	18,261	-	-	-	34,748,073	764,122	218	36,523	-	-
41	331400	2.00%	TD Mains 18in & Grtr	24,595,400	3,723,887	-	-	-	-	-	-	-	20,871,513	491,908	-	-	-	-
42	332000	2.00%	Fire Mains	-	2,877	-	29	-	-	-	-	-	-	2,848	-	58	-	-
43	333000	3.33%	Services	16,178,427	4,089,815	20,978	350	53,040	884	-	-	-	12,161,396	539,281	699	1,768	-	-
44	334100	8.33%	Meters	10,883,481	3,906,517	113,730	4,739	745,000	31,042	-	-	-	7,799,915	906,957	9,478	62,083	-	-
45	334200	3.33%	Meter Installations	1,731,781	475,525	-	-	-	-	-	-	-	1,256,256	57,726	-	-	-	-
46	334300	3.33%	Meter Vaults	151,347	21,150	-	-	3,536	59	-	-	-	133,674	5,045	-	118	-	-
47	335000	2.00%	Hydrants	15,979,869	3,474,432	49,514	495	47,000	470	(4,920)	-	-	12,600,986	319,597	990	940	-	(98)
48	336000	6.67%	Backflow Prevention Devices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	339100	6.67%	Other P/E-Intangible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	339200	6.67%	Other P/E-Supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	339500	6.67%	Other P/E-TD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	339600	6.67%	Other P/E-CPS	1,511,492	235,233	71,935	2,398	-	-	-	-	-	1,345,797	100,766	4,796	-	-	-
53	340100	6.67%	Office Furniture & Equipment	112,472	(9,520)	-	-	-	-	-	-	-	121,992	7,498	-	-	-	-
54	340200	20.00%	Computer & Peripheral Equipment	393,414	90,187	(7,624)	(762)	-	-	-	-	-	296,365	78,683	(1,525)	-	-	-
55	340300	20.00%	Computer Software	152,074	162,015	17,937	1,794	-	-	-	-	-	6,202	30,415	3,587	-	-	-
56	340500	6.67%	Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	341100	14.29%	Transportation Equip Light Duty	162,859	673,052	-	-	-	-	-	-	-	196,443	23,266	-	-	143,099	-
58	341200	14.29%	Transportation Equip Heavy Duty	49,243	47,558	-	-	-	-	-	-	-	1,685	7,035	-	-	-	-
59	341400	14.29%	Transportation Equipment Other	130,084	222,550	-	-	-	-	-	-	-	(92,466)	18,583	-	-	-	-
60	342000	4.00%	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61	343000	5.00%	Tools, Shop, Garage Equipment	94,543	27,994	-	-	39,200	980	-	-	-	104,769	4,727	-	1,960	-	-
62	344000	10.00%	Laboratory Equipment	381,005	79,811	-	-	-	-	-	-	-	301,195	38,101	-	-	-	-
63	345000	5.00%	Power Operated Equipment	30,559	14,026	-	-	-	-	-	-	-	16,532	1,528	-	-	-	-
64	346100	10.00%	Communication Equipment Non-	1,442,818	1,674,113	7,518	376	98,553	4,928	-	-	-	(130,527)	144,282	752	9,855	-	-
65	346190	10.00%	Remote Control & Instrument	5,085,839	2,546,914	-	-	-	-	-	-	-	2,538,925	508,584	-	-	-	-
66	346200	10.00%	Communication Equipment Telej	99,244	71,568	-	-	-	-	-	-	-	27,675	9,924	-	-	-	-
67	346300	10.00%	Communication Equipment Othe	406,794	297,898	-	-	-	-	-	-	-	108,896	40,679	-	-	-	-
68	347000	10.00%	Miscellaneous Equipment	54,282	20,668	-	-	-	-	-	-	-	33,614	5,428	-	-	-	-
69	348000	10.00%	Other Tangible Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70																		
71																		
72		378.30%	TOTAL	360,736,749	88,956,472	767,297	13,800	28,150,130	854,574	(213,541)	1,001,693	295,057	300,535,968	43,241,732	27,599	1,709,149	143,099	(9,296)

Depreciable Plant 356,285,019 Line [72] - Lines [1]-[7]
 Composite Depr Rate 3.72%

Line
 No.

1	Annualize Depreciation Expense on Corporate Plant	4 Factor - GMC	23.1862%		
2					
3	Adjustment to annualize depreciation expense based on plant balances at the end of 2016 on Arizona Corporate Plant				
4					
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9	Depreciation Expense on Corporate Plant			\$	832,381 (a)
10					
11	Allocated Depreciation Expense on Corporate Plant				GMC 4 Factor*Line[9] \$ 192,998
12					
13					
14					
15	Allocated Depreciation Expense on Corporate Plant per General Ledger				(b) \$ 419,100
16					
17					
18	Increase/ (Decrease) to Depreciation Expense				Line[11] - Line[15] \$ (226,102)
19					
20	Adjustment to Revenue and/or Expense				Line[18] \$ (226,102)
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44	<u>Workpapers & Supporting Documents:</u>				
45	(a) \Summary of Plant Balances and Accum Depr by NARUC.xlsx				
46	(b) Sch E-6b Line 24				
47					
48	4-Factor				
49					
50	\2016 Agua Fria Water.xlsm				

Arizona Corporate (7A)

7A

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	Vactor Truck	Vactor Truck	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	PLANT	Vactor	Add'l	12 Months	Capital	Test Year	
				Test Year End PLANT	Test Year End ACCUM DEPR	Removal PTYP	Removal PTYP	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	on Test Year Plant	Test Year End PLANT	Test Year End ACCUM DEPR		12/31/2016 Annual Depr Expense	Truck Annual Depr Expense	Plant Annual Depr Expense	PTYP Annual Depr Expense	Lease Annual Depr Expense	Retirements Annual Depr Expense	
1	304500	3.33%	Structures & Improvements Gen	214,247	(2,105)			10,566	176	-	-				226,742	7,142	-	352	-	-	-	
2	304620	3.33%	Structures & Improvements Leas	41,191	1,470			-	-	-	-				39,720	1,373	-	-	-	-	-	
3	334100	8.33%	Meters	11,777	5,622			-	-	-	-				6,155	981	-	-	-	-	-	
4	339600	6.67%	Other P/E-CPS	364,887	84,392			-	-	-	-				280,495	24,326	-	-	-	-	-	
5	340100	6.67%	Office Furniture & Equipment	1,284,366	626,556			-	-	-	-				657,810	85,624	-	-	-	-	-	
6	340200	20.00%	Computer & Periphal Equipment	1,477,567	766,022			-	-	102,500	10,250				803,795	295,513	-	-	20,500	-	-	
7	340300	20.00%	Computer Software	220,520	227,318			-	-	-	-				(6,799)	44,104	-	-	-	-	-	
8	340330	20.00%	Computer Software Other	-	-			-	-	-	-				-	-	-	-	-	-	-	
9	341100	14.29%	Transportation Equip Light Duty	244,306	20,283			-	-	-	-		51,197	16,091	259,130	34,901	-	-	-	7,314	-	
10	341200	14.29%	Transportation Equip Heavy Duty	167,951	9,265			-	-	-	-		-	-	158,686	23,993	-	-	-	-	-	
11	341400	14.29%	Transportation Equipment Other	26,903	3,367			-	-	42,500	3,036		-	-	63,000	3,843	-	-	6,071	-	-	
12	344000	10.00%	Laboratory Equipment	17,277	3,751			-	-	-	-		-	-	13,526	1,728	-	-	-	-	-	
13	345000	5.00%	Power Operated Equipment																			
13	346100	10.00%	Communication Equipment Non-	186,080	234,747			170,233	8,512	-	-				113,054	18,608	-	17,023	-	-	-	
14	346190	10.00%	Remote Control & Instrument	75,935	(18,056)			-	-	-	-				93,991	7,593	-	-	-	-	-	
15	346200	10.00%	Communication Equipment Tele	68,942	34,712			-	-	-	-				34,230	6,894	-	-	-	-	-	
16	346300	10.00%	Communication Equipment Othe	183,229	24,679			-	-	-	-				158,550	18,323	-	-	-	-	-	
17	347000	10.00%	Miscellaneous Equipment	669,890	97,416			-	-	-	-				572,474	66,989	-	-	-	-	-	
18	391000	20.00%	WW Trans Equipment	952,226	87,539	(952,226)	(87,539)	-	-	-	-				-	190,445	(190,445)	-	-	-	-	-
19																						
20																						
21		212.86%	TOTAL	6,207,292	2,206,978	(952,226)	(87,539)	180,799	8,688	145,000	13,286	-	51,197	16,091	3,474,558	832,381	(190,445)	17,375	26,571	7,314	-	

Depreciable Plant 6,207,292 Line [97] - Lines [1]-[17]
 Composite Depr Rate 13.41%

Line
 No.

GMC 4 Factor	23.1862%
Arizona Total	91.0728%
Alloc Factor	21.116%

Annualize Depreciation Expense on 6U

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)

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Depreciation Expense on 6U Plant	\$	834,005 (a)	
Allocated Depreciation Expense on 6U Plant			Allocation Factor*Line [9] \$ 176,112
Allocated Depreciation Expense on 6U Plant per General Ledger			<u>-</u>
Increase / (Decrease) to Depreciation Expense			Line[11] - Line[15] \$ 176,112
Adjustment to Revenue and/or Expense			Line[18] <u>\$ 176,112</u>

Workpapers & Supporting Documents:
 (a) \Summary of Plant Balances and Accum Depr by NARUC.xlsx
 \2016 Agua Fria Water.xlsm

Docket # WS-01303A-17-XXXX

Schedule C-2 ADJ SLM - IS18

Summary of Plant and Accumulated Depreciation Balances

Pg 22 a

USA Corporate (6U)

Witness: Mahler

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	2016	Acc Depr	2017	Acc Depr	Retirements	NBV	PLANT	Add'l	12 Months	Capital	Test Year
				Test Year End PLANT	Test Year End ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	on Test Year Plan		12/31/2016	Plant	PTYP	Lease	Retirements
												Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense
1	304500	3.33%	Structures & Improvements General			-	-	-	-	-	-	-	-	-	-	-
2	304620	3.33%	Structures & Improvements Leasehold			-	-	-	-	-	-	-	-	-	-	-
3	334100	8.33%	Meters			-	-	-	-	-	-	-	-	-	-	-
4	339600	6.67%	Other P/E-CPS			-	-	-	-	-	-	-	-	-	-	-
5	340100	6.67%	Office Furniture & Equipment			-	-	-	-	-	-	-	-	-	-	-
6	340200	20.00%	Computer & Periphel Equipment	2,457,015	509,650	183,568	18,357	1,350,000	135,000	-	3,327,576	491,403	36,714	270,000	-	-
7	340300	20.00%	Computer Software	1,713,011	1,246,397	689,135	68,914	300,000	30,000	-	1,356,836	342,602	137,827	60,000	-	-
8	340330	20.00%	Computer Software Other			-	-	-	-	-	-	-	-	-	-	-
9	341100	14.29%	Transportation Equip Light Duty Trucks			-	-	-	-	-	-	-	-	-	-	-
10	341200	14.29%	Transportation Equip Heavy Duty Trucks			-	-	-	-	-	-	-	-	-	-	-
11	341400	14.29%	Transportation Equipment Other			-	-	-	-	-	-	-	-	-	-	-
12	344000	10.00%	Laboratory Equipment			-	-	-	-	-	-	-	-	-	-	-
13	346100	10.00%	Communication Equipment Non-Telephone			-	-	-	-	-	-	-	-	-	-	-
14	346190	10.00%	Remote Control & Instrument			-	-	-	-	-	-	-	-	-	-	-
15	346200	10.00%	Communication Equipment Telephone			-	-	-	-	-	-	-	-	-	-	-
16	346300	10.00%	Communication Equipment Other			-	-	-	-	-	-	-	-	-	-	-
17	347000	10.00%	Miscellaneous Equipment			-	-	-	-	-	-	-	-	-	-	-
18	391000	20.00%	WW Trans Equipment			-	-	-	-	-	-	-	-	-	-	-
19																
20																
21			TOTAL	4,170,026	1,756,047	872,703	87,270	1,650,000	165,000	-	4,684,412	834,005	174,541	330,000	-	-

Supporting Schedules: Depreciable Plant 4,170,026 Line [16]
 \Post Test Year Plant 2016.xlsx Composite Depr Rate 20.00%
 \UPIS 6U Corporate Arizona 12.31.15.xlsm

Line No.	Business Unit	7F	6U Factor	Arizona GMC	91.0728%
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Depreciation Expense on Post Test Year Plant

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

	Depreciation on Post TY Plant Additions per Summary of Plant and A/D by NARUC (a)	Allocation Factor	Depreciation Expense
	[A]	[B]	[C] = [A] * [B]
14 Depreciation on Post Test Year Plant Additions for District - Agua Fria Water	\$ 1,709,149	100.00%	\$ 1,709,149
15 Depreciation on Additional TY Plant Additions for District - Test Year Ended December 31, 2016	27,599	100.00%	27,599
16 Depreciation on Corporate Post Test Year Plant Additions Allocated	26,571	23.19%	6,161
17 Depreciation on Additional Corporate Test Year Plant Additions Allocated	17,375	23.19%	4,029
18 Depreciation on 6U Post Test Year Plant Additions Allocated	330,000	21.12%	69,684
19 Depreciation on Additional 6U Test Year Plant Additions Allocated	174,541	21.12%	36,857
23 Increase / (Decrease) to Depreciation Expense	<u>\$ 2,285,236</u>	Sum Lines[14] thru [19]	Sum Lines[14] thru [19] <u>\$ 1,853,478</u>
27 Adjustment to Revenue and/or Expense			Line [23] <u>\$ 1,853,478</u>

Workpapers & Supporting Documents:

(a) Summary of Plant Balances and Accum Depr by NARUC.xlsx

\2016 Agua Fria Water.xlsm

7F

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	12/31/2016	Add'l	12 Months	Capital	Test Year
				Test Year End PLANT	Test Year End ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 Months PTPY	12 Months PTPY	Test Year Plant	Test Year End PLANT	Test Year End ACCUM DEPR		Test Year Plant	Plant	Plant	Lease	Retirements
1	301000	0.00%	Organization	1,229	-	-	-	-	-	-	-	-	1,229	-	-	-	-	-
2	302000	0.00%	Franchises	363,720	-	-	-	-	-	-	-	-	363,720	-	-	-	-	-
3	303200	0.00%	Land & Land Rights Supply	1,699,680	-	-	-	-	-	-	-	-	1,699,680	-	-	-	-	-
4	303300	0.00%	Land & Land Rights Pumping	1,448,137	-	-	-	-	-	-	-	-	1,448,137	-	-	-	-	-
5	303400	0.00%	Land & Land Rights Treatment	639,523	-	-	-	-	-	-	-	-	639,523	-	-	-	-	-
6	303500	0.00%	Land & Land Rights T&D	299,442	-	-	-	-	-	-	-	-	299,442	-	-	-	-	-
7	303600	0.00%	Land & Land Rights General	-	-	52,769	-	-	-	-	-	-	52,769	-	-	-	-	-
8	304100	3.33%	Structures & Improvements Sup	10,564,015	2,713,644	-	-	-	-	-	-	-	7,850,371	352,134	-	-	-	-
9	304200	3.33%	Structures & Improvements Pum	9,177,102	1,335,792	-	-	-	-	-	-	-	7,841,310	305,903	-	-	-	-
10	304300	3.33%	Structures & Improvements Trea	11,114,418	1,330,409	-	-	1,555	26	(1,408)	-	-	9,785,539	370,481	-	52	-	(47)
11	304400	3.33%	Structures & Improvements Tran	4,560,602	836,513	852	14	1,395,255	23,254	-	-	-	5,096,927	152,020	28	46,508	-	-
12	304500	3.33%	Structures & Improvements Geni	11,392,297	1,773,543	-	-	4,408,016	73,467	-	-	-	13,953,304	379,743	-	146,934	-	-
13	304600	3.33%	Structures & Improvements Offic	178,412	53,838	-	-	-	-	-	-	-	124,574	5,947	-	-	-	-
14	304620	3.33%	Structures & Improvements Leas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	304700	3.33%	Structures & Improvements Stori	772	108	-	-	-	-	-	-	-	664	26	-	-	-	-
16	304800	3.33%	Structures & Improvements Misc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	305000	2.50%	Collect & Impounding	868,528	107,621	-	-	-	-	-	-	-	760,907	21,713	-	-	-	-
18	306000	2.50%	Lake, River & Other Intakes	849,931	135,795	-	-	-	-	-	-	-	714,136	21,248	-	-	-	-
19	307000	3.33%	Wells & Springs	16,439,930	4,956,536	-	-	1,033,275	17,221	(137,174)	-	-	12,499,448	547,998	-	34,442	-	(4,572)
20	308000	6.67%	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	309000	2.00%	Supply Mains	2,534,498	232,062	-	-	-	-	-	-	-	2,302,436	50,690	-	-	-	-
22	310000	5.00%	Power Production Equipment	3,525,293	591,991	-	-	376,782	9,420	-	-	-	3,300,664	176,285	-	18,839	-	-
23	310100	5.00%	Power Production Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	311000	8.33%	Pumping Equipment Steam	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	311200	8.33%	Pumping Equipment Electric	30,513,780	15,286,039	-	-	15,413,894	642,246	(50,178)	-	-	29,999,389	2,542,815	-	1,284,491	-	(4,181)
26	311300	8.33%	Pumping Equipment Diesel	9,803	11,392	-	-	-	-	-	-	-	(1,588)	817	-	-	-	-
27	311400	8.33%	Pumping Equipment Hydraulic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	311500	8.33%	Pumping Equipment Other	2,115,800	747,606	-	-	-	-	-	-	-	1,368,194	176,317	-	-	-	-
29	311530	8.33%	Pumping Equipment Water Trea	1,153,055	22,335	-	-	-	-	-	-	-	1,130,720	96,088	-	-	-	-
30	320100	5.00%	Water Treatment Equipment Nor	35,717,438	13,524,356	-	-	185,871	4,647	-	-	-	22,374,306	1,785,872	-	9,294	-	-
31	320200	10.00%	Water Treatment Equipment Filtr	2,065,801	1,243,578	-	-	-	-	-	-	-	822,223	206,580	-	-	-	-
32	330000	2.22%	Distribution Reservoirs & Standp	14,154,515	2,315,953	-	-	2,196,347	24,404	-	-	-	14,010,505	314,545	-	48,808	-	-
33	330100	2.22%	Elevated Tank & Standpipes	35,344	4,614	-	-	-	-	-	-	-	30,730	785	-	-	-	-
34	330200	2.00%	Ground Level Tanks	1,029	100	-	-	37,928	379	-	-	-	38,479	21	-	759	-	-
35	330300	2.00%	Below Ground Tanks	276,457	26,468	-	-	-	-	-	-	-	249,988	5,529	-	-	-	-
36	330400	2.00%	Cleanwell	4,269,512	571,949	-	-	-	-	-	-	-	3,697,563	85,390	-	-	-	-
37	331001	2.00%	TD Mains Not Classified by Size	8,711,144	1,545,253	403,848	4,038	281,374	2,814	(19,862)	-	-	7,844,262	174,223	8,077	5,627	-	(397)
38	331100	2.00%	TD Mains 4in & Less	21,752,399	6,227,697	-	-	-	-	-	-	-	15,524,702	435,048	-	-	-	-
39	331200	2.00%	TD Mains 6in to 8in	46,470,021	6,239,184	22,050	221	7,363	74	-	-	-	40,259,956	929,400	441	147	-	-
40	331300	2.00%	TD Mains 10in to 16in	38,206,096	5,276,704	10,911	109	1,826,141	18,261	-	-	-	34,748,073	764,122	218	36,523	-	-
41	331400	2.00%	TD Mains 18in & Grtr	24,595,400	3,723,887	-	-	-	-	-	-	-	20,871,513	491,908	-	-	-	-
42	332000	2.00%	Fire Mains	-	2,877	-	29	-	-	-	-	-	2,848	-	58	-	-	-
43	333000	3.33%	Services	16,178,427	4,089,815	20,978	350	53,040	884	-	-	-	12,161,396	539,281	699	1,768	-	-
44	334100	8.33%	Meters	10,883,481	3,906,517	113,730	4,739	745,000	31,042	-	-	-	7,799,915	906,957	4,478	62,083	-	-
45	334200	3.33%	Meter Installations	1,731,781	475,525	-	-	-	-	-	-	-	1,256,256	57,726	-	-	-	-
46	334300	3.33%	Meter Vaults	151,347	21,150	-	-	3,536	59	-	-	-	133,674	5,045	-	118	-	-
47	335000	2.00%	Hydrants	15,979,869	3,474,432	49,514	495	47,000	470	(4,920)	-	-	12,600,986	319,597	990	940	-	(98)
48	336000	6.67%	Backflow Prevention Devices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	339100	6.67%	Other P/E-Intangible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	339200	6.67%	Other P/E-Supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	339500	6.67%	Other P/E-TD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	339600	6.67%	Other P/E-CPS	1,511,492	235,233	71,935	2,398	-	-	-	-	-	1,345,797	100,766	4,796	-	-	-
53	340100	6.67%	Office Furniture & Equipment	112,472	(9,520)	-	-	-	-	-	-	-	121,992	7,498	-	-	-	-
54	340200	20.00%	Computer & Peripheral Equipment	393,414	90,187	(7,624)	(762)	-	-	-	-	-	296,365	78,683	(1,525)	-	-	-
55	340300	20.00%	Computer Software	152,074	162,015	17,937	1,794	-	-	-	-	-	6,202	30,415	3,587	-	-	-
56	340500	6.67%	Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	341100	14.29%	Transportation Equip Light Duty	162,859	673,052	-	-	-	-	-	-	1,001,693	196,443	23,266	-	-	143,099	-
58	341200	14.29%	Transportation Equip Heavy Duty	49,243	47,558	-	-	-	-	-	-	-	1,685	7,035	-	-	-	-
59	341400	14.29%	Transportation Equipment Other	130,084	222,550	-	-	-	-	-	-	-	(92,466)	18,583	-	-	-	-
60	342000	4.00%	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61	343000	5.00%	Tools,Shop,Garage Equipment	94,543	27,994	-	-	39,200	980	-	-	-	104,769	4,727	-	1,960	-	-
62	344000	10.00%	Laboratory Equipment	381,005	79,811	-	-	-	-	-	-	-	301,195	38,101	-	-	-	-
63	345000	5.00%	Power Operated Equipment	30,559	14,026	-	-	-	-	-	-	-	16,532	1,528	-	-	-	-
64	346100	10.00%	Communication Equipment Non-	1,442,818	1,674,113	7,518	376	98,553	4,928	-	-	-	(130,527)	144,282	752	9,855	-	-
65	346190	10.00%	Remote Control & Instrument	5,085,839	2,546,914	-	-	-	-	-	-	-	2,538,925	508,584	-	-	-	-
66	346200	10.00%	Communication Equipment Tele	99,244	71,568	-	-	-	-	-	-	-	27,675	9,924	-	-	-	-
67	346300	10.00%	Communication Equipment Othe	406,794	297,898	-	-	-	-	-	-	-	108,896	40,679	-	-	-	-
68	347000	10.00%	Miscellaneous Equipment	54,282	20,668	-	-	-	-	-	-	-	33,614	5,428	-	-	-	-
69	348000	10.00%	Other Tangible Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
71				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
72		378.30%	TOTAL	360,736,749	88,956,472	767,297	13,800	28,150,130	854,574	(213,541)	1,001,693	295,057	300,535,968	13,241,732	27,599	1,709,149	143,099	(9,296)

Depreciable Plant 356,285,019 Line [72] - Lines [1]-[7]
 Composite Depr Rate 3.72%

Arizona Corporate (7A)

7A

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	Vactor Truck	Vactor Truck	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	PLANT	Vactor	Add'l	12 Months	Capital	Test Year	
				Test Year End PLANT	Test Year End ACCUM DEPR	Removal PTYP	Removal PTYP	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	Test Year Plant	Test Year End PLANT	Test Year End ACCUM DEPR		Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	
1	304500	3.33%	Structures & Improvements General	214,247	(2,105)			10,566	176	-	-	-	-	-	226,742	7,142	-	352	-	-	-	
2	304620	3.33%	Structures & Improvements Leasehold	41,191	1,470			-	-	-	-	-	-	-	39,720	1,373	-	-	-	-	-	
3	334100	8.33%	Meters	11,777	5,622			-	-	-	-	-	-	-	6,155	981	-	-	-	-	-	
4	339600	6.67%	Other P/E-CPS	364,887	84,392			-	-	-	-	-	-	-	280,495	24,326	-	-	-	-	-	
5	340100	6.67%	Office Furniture & Equipment	1,284,366	626,556			-	-	-	-	-	-	-	657,810	85,624	-	-	-	-	-	
6	340200	20.00%	Computer & Periphal Equipment	1,477,567	766,022			-	-	102,500	10,250	-	-	-	803,795	295,513	-	-	20,500	-	-	
7	340300	20.00%	Computer Software	220,520	227,318			-	-	-	-	-	-	-	(6,799)	44,104	-	-	-	-	-	
8	340330	20.00%	Computer Software Other	-	-			-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9	341100	14.29%	Transportation Equip Light Duty Trucks	244,306	20,283			-	-	-	-	-	-	-	259,130	34,901	-	-	-	7,314	-	
10	341200	14.29%	Transportation Equip Heavy Duty Trucks	167,951	9,285			-	-	-	-	-	51,197	16,091	158,686	23,993	-	-	-	-	-	
11	341400	14.29%	Transportation Equipment Other	26,903	3,367			-	-	42,500	3,036	-	-	-	63,000	3,843	-	-	6,071	-	-	
12	344000	10.00%	Laboratory Equipment	17,277	3,751			-	-	-	-	-	-	-	13,526	1,728	-	-	-	-	-	
13	345000	5.00%	Power Operated Equipment	-	-			-	-	-	-	-	-	-	-	-	-	-	-	-	-	
13	346100	10.00%	Communication Equipment Non-Telephone	186,080	234,747			170,233	8,512	-	-	-	-	-	113,054	18,608	-	17,023	-	-	-	
14	346190	10.00%	Remote Control & Instrument	75,935	(18,056)			-	-	-	-	-	-	-	93,991	7,593	-	-	-	-	-	
15	346200	10.00%	Communication Equipment Telephone	68,942	34,712			-	-	-	-	-	-	-	34,230	6,894	-	-	-	-	-	
16	346300	10.00%	Communication Equipment Other	183,229	24,679			-	-	-	-	-	-	-	158,550	18,323	-	-	-	-	-	
17	347000	10.00%	Miscellaneous Equipment	669,890	97,416			-	-	-	-	-	-	-	572,474	66,989	-	-	-	-	-	
18	391000	20.00%	VW Trans Equipment	952,226	87,539	(952,226)	(87,539)	-	-	-	-	-	-	-	-	190,445	(190,445)	-	-	-	-	-
19																						
20																						
21		212.86%	TOTAL	6,207,292	2,206,978	(952,226)	(87,539)	180,799	8,688	145,000	13,286	-	51,197	16,091	3,474,558	832,381	(190,445)	17,375	26,571	7,314	-	

Depreciable Plant
 Composite Depr Rate

6,207,292 Line [97] - Lines [1]-[7]
 13.41%

Docket # WS-01303A-17-XXXX

Summary of Plant and Accumulated Depreciation Balances
USA Corporate (6U)

Witness: Mahler

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	2016	Acc Depr	2017	Acc Depr	Retirements	NBV	PLANT	Add'l	12 Months	Capital	Test Year	
				Test Year End PLANT	Test Year End ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	on Test Year Plan		12/31/2016	Plant	PTYP	Lease	Retirements	
				Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense
1	304500	3.33%	Structures & Improvements General			-	-	-	-	-	-	-	-	-	-	-	-
2	304620	3.33%	Structures & Improvements Leasehold			-	-	-	-	-	-	-	-	-	-	-	-
3	334100	8.33%	Meters			-	-	-	-	-	-	-	-	-	-	-	-
4	339600	6.67%	Other P/E-CPS			-	-	-	-	-	-	-	-	-	-	-	-
5	340100	6.67%	Office Furniture & Equipment			-	-	-	-	-	-	-	-	-	-	-	-
6	340200	20.00%	Computer & Periph Equipment	2,457,015	509,650	183,568	18,357	1,350,000	135,000		3,327,576	491,403	36,714	270,000	-	-	-
7	340300	20.00%	Computer Software	1,713,011	1,246,397	689,135	68,914	300,000	30,000		1,356,836	342,602	137,827	60,000	-	-	-
8	340330	20.00%	Computer Software Other			-	-	-	-		-	-	-	-	-	-	-
9	341100	14.29%	Transportation Equip Light Duty Trucks			-	-	-	-		-	-	-	-	-	-	-
10	341200	14.29%	Transportation Equip Heavy Duty Trucks			-	-	-	-		-	-	-	-	-	-	-
11	341400	14.29%	Transportation Equipment Other			-	-	-	-		-	-	-	-	-	-	-
12	344000	10.00%	Laboratory Equipment			-	-	-	-		-	-	-	-	-	-	-
13	346100	10.00%	Communication Equipment Non-Telephone			-	-	-	-		-	-	-	-	-	-	-
14	346190	10.00%	Remote Control & Instrument			-	-	-	-		-	-	-	-	-	-	-
15	346200	10.00%	Communication Equipment Telephone			-	-	-	-		-	-	-	-	-	-	-
16	346300	10.00%	Communication Equipment Other			-	-	-	-		-	-	-	-	-	-	-
17	347000	10.00%	Miscellaneous Equipment			-	-	-	-		-	-	-	-	-	-	-
18	391000	20.00%	WW Trans Equipment			-	-	-	-		-	-	-	-	-	-	-
19																	
20																	
21			TOTAL	4,170,026	1,756,047	872,703	87,270	1,650,000	165,000	-	4,684,412	834,005	174,541	330,000	-	-	-

Supporting Schedules: Depreciable Plant 4,170,026 Line [16]
 \Post Test Year Plant 2016.xlsx Composite Depr Rate 20.00%
 \UPIS 6U Corporate Arizona 12.31.15.xlsm

Line
 No.

Removal of Vactor Truck Amortization

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

4- Factor	GMC	23.1862%
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[A] Rate	[B] Plant	[C] = [A] * [B] Depr Exp
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Vactor Trucks in 7A Plant Balance (Arizona Corporate) (a)

20.00%	\$ (952,226)	\$ (190,445)
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District Allocation

\$ (44,157)	[C] Line [12] * GMC Factor
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Increase / (Decrease) to Depreciation Expense

<u>\$ (44,157)</u>	Line [15]
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Workpapers & Supporting Documents:

(a) Summary of Plant Balances and Accum Depr by NARUC.xlsx

\2016 Agua Fria Water.xlsm

Arizona Corporate (7A)

7A

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	Vactor Truck	Vactor Truck	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	PLANT	Vactor	Add'l	12 Months	Capital	Test Year	
				Test Year End PLANT	Test Year End ACCUM DEPR	Removal PTYP	Removal PTYP	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	on Test Year Plant	Test Year End PLANT	Test Year End ACCUM DEPR		12/31/2016 Annual Depr Expense	Truck Annual Depr Expense	Plant Annual Depr Expense	PTYP Annual Depr Expense	Lease Annual Depr Expense	Retirements Annual Depr Expense	
1	304500	3.33%	Structures & Improvements Gen	214,247	(2,105)			10,566	176	-	-				226,742	7,142	-	352	-	-	-	
2	304620	3.33%	Structures & Improvements Leas	41,191	1,470			-	-	-	-				39,720	1,373	-	-	-	-	-	
3	334100	8.33%	Meters	11,777	5,622			-	-	-	-				6,155	981	-	-	-	-	-	
4	339600	6.67%	Other P/E-CPS	364,887	84,392			-	-	-	-				280,495	24,326	-	-	-	-	-	
5	340100	6.67%	Office Furniture & Equipment	1,284,366	626,556			-	-	-	-				657,810	85,624	-	-	-	-	-	
6	340200	20.00%	Computer & Periphal Equipment	1,477,567	766,022			-	-	102,500	10,250				803,795	295,513	-	-	20,500	-	-	
7	340300	20.00%	Computer Software	220,520	227,318			-	-	-	-				(6,799)	44,104	-	-	-	-	-	
8	340330	20.00%	Computer Software Other	-	-			-	-	-	-				-	-	-	-	-	-	-	
9	341100	14.29%	Transportation Equip Light Duty	244,306	20,283			-	-	-	-		51,197	16,091	259,130	34,901	-	-	-	7,314	-	
10	341200	14.29%	Transportation Equip Heavy Duty	167,951	9,265			-	-	-	-		-	-	158,686	23,993	-	-	-	-	-	
11	341400	14.29%	Transportation Equipment Other	26,903	3,367			-	-	42,500	3,036		-	-	63,000	3,843	-	-	6,071	-	-	
12	344000	10.00%	Laboratory Equipment	17,277	3,751			-	-	-	-		-	-	13,526	1,728	-	-	-	-	-	
13	345000	5.00%	Power Operated Equipment																			
13	346100	10.00%	Communication Equipment Non-	186,080	234,747			170,233	8,512	-	-				113,054	18,608	-	17,023	-	-	-	
14	346190	10.00%	Remote Control & Instrument	75,935	(18,056)			-	-	-	-				93,991	7,593	-	-	-	-	-	
15	346200	10.00%	Communication Equipment Tele	68,942	34,712			-	-	-	-				34,230	6,894	-	-	-	-	-	
16	346300	10.00%	Communication Equipment Othe	183,229	24,679			-	-	-	-				158,550	18,323	-	-	-	-	-	
17	347000	10.00%	Miscellaneous Equipment	669,890	97,416			-	-	-	-				572,474	66,989	-	-	-	-	-	
18	391000	20.00%	WW Trans Equipment	952,226	87,539	(952,226)	(87,539)	-	-	-	-				-	190,445	(190,445)	-	-	-	-	-
19																						
20																						
21		212.86%	TOTAL	6,207,292	2,206,978	(952,226)	(87,539)	180,799	8,688	145,000	13,286	-	51,197	16,091	3,474,558	832,381	(190,445)	17,375	26,571	7,314	-	

Depreciable Plant 6,207,292 Line [97] - Lines [1]-[17]
 Composite Depr Rate 13.41%

Line

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Business Unit	7F
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Annualize Amortization of CIAC

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

Gross CIAC	\$ (95,995,594) (a)	
Composite Depreciation Rate	<u>3.7166%</u> (b)	
Increase / (Decrease) to Depreciation Expense		Line[8] * Line [10] \$ (3,567,784)
Adjustment to Revenue and/or Expense		Line [14] <u>\$ (3,567,784)</u>

Workpapers & Supporting Documents:

- (a) 2016 CIAC Summary by District
- (b) \Summary of Plant Balances and Accum Depr by NARUC.xlsx
- \2016 Agua Fria Water.xlsm

Line No.	<u>Adjust Corporate Allocations</u>			
1	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. ("EUI") including Human Resources, 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 Compensation plan and also adjusts labor costs by 3% for 2017 and 2018			
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8	Test Year Corporate Allocations		(a) \$	1,212,158
9				
10	Adjusted Test Year Corporate Allocations		Line [8]	<u>\$ 1,212,158</u>
11				
12				
13	Total Corporate Allocation	\$ 4,549,356	(b)	
14				
15	Remove Public & Government Affairs - Gov't Relations & Community Relations	(344,976)	(c)	
16				
17	Remove 10% Performance Based Compensation	<u>(41,895)</u>	(c)	
18		\$ 4,162,486	Line[13]+Line[15]+Line [17]	\$ 4,162,486 Line[13]+Line[15]+Line [17]
19				
20				
21	Percent attributable to Labor	<u>88.29%</u>	(c)	
22	Corporate Allocation - Labor	\$ 3,674,998	Line[18] * Line[21]	
23				
24				
25				
26	2017 Labor Increase	3.00% \$ 110,250	Line[22]*3.00%	
27	2018 Labor Increase	3.00% \$ 113,557	(Sum Lines[22] and [26]) * 3.00%	
28	Total Labor Increase			\$ 223,807 Line[26]+Line[27]
29	Total Corporate Allocation less P&GA less 10% PBC with Labor Increase			\$ 4,386,293 Line[18]+Line[28]
30				
31	Agua Fria Water 4 Factor			<u>26.6446%</u>
32	District Allocation of Arizona Corporate Allocations			\$ 1,168,711 Line[29]*Line[31]
33				
34	Pro Forma Adjustment to Corporate Allocations		Line [32]	<u>\$ 1,168,711</u>
35				
36				
37				
38				
39	Increase / (Decrease) in Corporate Allocation		Line[34]-Line[10]	\$ (43,447)
40				
41	Adjustment to Revenue and/or Expense		Line [39]	<u>\$ (43,447)</u>
42				
43				
44				
45	<u>Workpapers & Supporting Documents:</u>			
46	(a) Sch C-2			
47	(b) 2016 Corp Allocation Comparison.xlsx			
48	(c) 2016A Corporate - Regulatory Groupings EUUSA.xlsx			
49				
50	\2016 Agua Fria Water.xlsm			

Line
 No.

CPI Increase Business Unit 7F

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

Description	Account	Amount (a)	
Chemicals	5263	\$ 725,589	A
Other Utilities	5621	30,534	B
Asset Usage Fee - Corporate	6203	82,920	C
Consulting Engineering	5227	23,761	D
Contractors and Consultants	5250	391,479	D
Administrative Contractors	5679	5,782	D
Outside Computer Charges (T1)	5628	94,203	D
Temporary Support	5629	52,655	D
Legal Fees	5681	72,776	D
Service Charges	5615	88,845	E
Customer Communications	5674	68,111	E
Rent and Storage	5810	141,937	F
Freight and Courier	5262	7,257	F
Telephone, Long Distance, Data	5620	126,986	F
Stationary, Printing & Other O	5622	72,192	F
Office Machines, Furniture	5623	13,257	F
Parking	5630	1,329	F
Vehicle Allowance	5631	7,458	F
Vehicle Allowance	5271	81	F
Business Allowance	5634	3,651	F
Memberships Dues & Professiona	5640	26,558	F
Subscriptions	5641	5,772	F
Airfare	5650	19,305	F
Accommodation, Other Travel	5651	25,125	F
Employee Working Meals	5652	24,965	F
Training - Fees/Tuition	5660	54,718	F
Training Fee	5252	48	F
FR Clothing	5273	38,015	G
Miscellaneous	5697	49,415	G
Stock	5260	16,545	H
Materials, Supplies	5261	245,100	H
Veh. and Equip.-Allocation	5270	112,271	H
Equipment	5275	8,431	H
Hardware	5624	4,796	H
Software	5625	14,414	H
Maintenance	5811	172,841	H
Vehicle Maintenance	5823	49,927	H
		\$ 2,879,051	Sum Lines [9 thru 45]

Consumer Price Index - Phoenix Urban Consumers			
Year	Annual Index	Increase	Ave Increase
2013	125.782		
2014	127.823	1.62%	
2015	128.019	0.15%	
2016	130.107	1.63%	1.1%
Chemical Increase			4.0%

	[A]	[B]	[C]	[D]
	Total	Year 1	Year 2	Total
Sum of A Chemicals	\$ 725,589	\$ 29,024	\$ 30,184	\$ 59,208
Sum of B Waste Disposal & Other Utilities	30,534	347	351	697
Sum of C Corporate Allocation	82,920	942	952	1,894
Sum of D Outside Services	640,656	7,276	7,358	14,634
Sum of E Customer Accounting	156,956	1,782	1,803	3,585
Sum of F General Office Exp	530,640	6,026	6,095	12,121
Sum of G Miscellaneous	87,430	993	1,004	1,997
Sum of H Maintenance Expense	624,327	7,090	7,171	14,261
Sum Lines [18] thru [25]	\$ 2,879,051	\$ 53,480	\$ 54,918	\$ 108,398

Increase / (Decrease) to Expense Line [26] Col [D] \$ 108,398

Workpapers & Supporting Documents:

(a) Sche6 Bureau of Labor Statistics - Phoenix CPI

\2016 Agua Fria Water.xlsm

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45 Workpapers & Supporting Documents:

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49 \2016 Agua Fria Water.xlsm

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Line
 No.

1 Retirements on Test Year Plant -Depreciation

Business Unit	7F
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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
 4 adjustment will be updated in rebuttal testimony for known retirements.

GMC 4 Factor	23.1862%
Arizona Total	91.0728%
Alloc Factor	21.116%

Line[7]*Line[8]

	[A]	[B]	[C] = [A] * [B]
<u>Depreciation on Retirements on Test Year Plant (a)</u>		<u>Allocation Factor</u>	<u>Depreciation Expense</u>
16 Depreciation on Retirements on Test Year Plant for District - Agua Fria Water	\$ (9,296)	100.0000%	\$ (9,296)
18 Depreciation on Corporate Retirements on Test Year Plant Allocated	\$ -	Line [7] 23.1862%	\$ -
20 Depreciation on 6U Retirements on Test Year Plant Allocated	\$ -	Line [9] 21.1164%	\$ -
25 Increase / (Decrease) to Depreciation Expense	<u>\$ (9,296)</u>	Sum Lines[16] thru [20]	Sum Lines[16] thru [20] <u>\$ (9,296)</u>

32 Adjustment to Revenue and/or Expense Line [25] \$ (9,296)

45 Workpapers & Supporting Documents:

46 (a) Summary of Plant Balances and Accum Depr by NARUC.xlsx

50 \2016 Agua Fria Water.xlsm

7F

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	PLANT	Add'l	12 Months	Capital	Test Year
				Test Year End PLANT	Test Year End ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 Months PTPY	12 Months PTPY	Test Year Plant	Test Year End PLANT	Test Year End ACCUM DEPR		Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense
1	301000	0.00%	Organization	1,229	-	-	-	-	-	-	-	-	1,229	-	-	-	-	-
2	302000	0.00%	Franchises	363,720	-	-	-	-	-	-	-	-	363,720	-	-	-	-	-
3	303200	0.00%	Land & Land Rights Supply	1,699,680	-	-	-	-	-	-	-	-	1,699,680	-	-	-	-	-
4	303300	0.00%	Land & Land Rights Pumping	1,448,137	-	-	-	-	-	-	-	-	1,448,137	-	-	-	-	-
5	303400	0.00%	Land & Land Rights Treatment	639,523	-	-	-	-	-	-	-	-	639,523	-	-	-	-	-
6	303500	0.00%	Land & Land Rights T&D	299,442	-	-	-	-	-	-	-	-	299,442	-	-	-	-	-
7	303600	0.00%	Land & Land Rights General	-	-	52,769	-	-	-	-	-	-	52,769	-	-	-	-	-
8	304100	3.33%	Structures & Improvements Sup	10,564,015	2,713,644	-	-	-	-	-	-	-	7,850,371	352,134	-	-	-	-
9	304200	3.33%	Structures & Improvements Pum	9,177,102	1,335,792	-	-	-	-	-	-	-	7,841,310	305,903	-	-	-	-
10	304300	3.33%	Structures & Improvements Trea	11,114,418	1,330,409	-	-	1,555	26	(1,408)	-	-	9,785,539	370,481	-	52	-	(47)
11	304400	3.33%	Structures & Improvements Tran	4,560,602	836,513	852	14	1,395,255	23,254	-	-	-	5,096,927	152,020	28	46,508	-	-
12	304500	3.33%	Structures & Improvements Geni	11,392,297	1,773,543	-	-	4,408,016	73,467	-	-	-	13,953,304	379,743	-	146,934	-	-
13	304600	3.33%	Structures & Improvements Offic	178,412	53,838	-	-	-	-	-	-	-	124,574	5,947	-	-	-	-
14	304620	3.33%	Structures & Improvements Leas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	304700	3.33%	Structures & Improvements Stori	772	108	-	-	-	-	-	-	-	664	26	-	-	-	-
16	304800	3.33%	Structures & Improvements Misc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	305000	2.50%	Collect & Impounding	868,528	107,621	-	-	-	-	-	-	-	760,907	21,713	-	-	-	-
18	306000	2.50%	Lake, River & Other Intakes	849,931	135,795	-	-	-	-	-	-	-	714,136	21,248	-	-	-	-
19	307000	3.33%	Wells & Springs	16,439,930	4,956,536	-	-	1,033,275	17,221	(137,174)	-	-	12,499,448	547,998	-	34,442	-	(4,572)
20	308000	6.67%	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	309000	2.00%	Supply Mains	2,534,498	232,062	-	-	-	-	-	-	-	2,302,436	50,690	-	-	-	-
22	310000	5.00%	Power Production Equipment	3,525,293	591,991	-	-	376,782	9,420	-	-	-	3,300,664	176,285	-	18,839	-	-
23	310100	5.00%	Power Production Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	311000	8.33%	Pumping Equipment Steam	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	311200	8.33%	Pumping Equipment Electric	30,513,780	15,286,039	-	-	15,413,894	642,246	(50,178)	-	-	29,999,389	2,542,815	-	1,284,491	-	(4,181)
26	311300	8.33%	Pumping Equipment Diesel	9,803	11,392	-	-	-	-	-	-	-	(1,588)	817	-	-	-	-
27	311400	8.33%	Pumping Equipment Hydraulic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	311500	8.33%	Pumping Equipment Other	2,115,800	747,606	-	-	-	-	-	-	-	1,368,194	176,317	-	-	-	-
29	311530	8.33%	Pumping Equipment Water Trea	1,153,055	22,335	-	-	-	-	-	-	-	1,130,720	96,088	-	-	-	-
30	320100	5.00%	Water Treatment Equipment Nor	35,717,438	13,524,356	-	-	185,871	4,647	-	-	-	22,374,306	1,785,872	-	9,294	-	-
31	320200	10.00%	Water Treatment Equipment Filtr	2,065,801	1,243,578	-	-	-	-	-	-	-	822,223	206,580	-	-	-	-
32	330000	2.22%	Distribution Reservoirs & Standp	14,154,515	2,315,953	-	-	2,196,347	24,404	-	-	-	14,010,505	314,545	-	48,808	-	-
33	330100	2.22%	Elevated Tank & Standpipes	35,344	4,614	-	-	-	-	-	-	-	30,730	785	-	-	-	-
34	330200	2.00%	Ground Level Tanks	1,029	100	-	-	37,928	379	-	-	-	38,479	21	-	759	-	-
35	330300	2.00%	Below Ground Tanks	276,457	26,468	-	-	-	-	-	-	-	249,988	5,529	-	-	-	-
36	330400	2.00%	Cleanwell	4,269,512	571,949	-	-	-	-	-	-	-	3,697,563	85,390	-	-	-	-
37	331001	2.00%	TD Mains Not Classified by Size	8,711,144	1,545,253	403,848	4,038	281,374	2,814	(19,862)	-	-	7,844,262	174,223	8,077	5,627	-	(397)
38	331100	2.00%	TD Mains 4in & Less	21,752,399	6,227,697	-	-	-	-	-	-	-	15,524,702	435,048	-	-	-	-
39	331200	2.00%	TD Mains 6in to 8in	46,470,021	6,239,184	22,050	221	7,363	74	-	-	-	40,259,956	929,400	441	147	-	-
40	331300	2.00%	TD Mains 10in to 16in	38,206,096	5,276,704	10,911	109	1,826,141	18,261	-	-	-	34,748,073	764,122	218	36,523	-	-
41	331400	2.00%	TD Mains 18in & Grtr	24,595,400	3,723,887	-	-	-	-	-	-	-	20,871,513	491,908	-	-	-	-
42	332000	2.00%	Fire Mains	-	2,877	-	29	-	-	-	-	-	-	2,848	-	58	-	-
43	333000	3.33%	Services	16,178,427	4,089,815	20,978	350	53,040	884	-	-	-	12,161,396	539,281	699	1,768	-	-
44	334100	8.33%	Meters	10,883,481	3,906,517	113,730	4,739	745,000	31,042	-	-	-	7,799,915	906,957	9,478	62,083	-	-
45	334200	3.33%	Meter Installations	1,731,781	475,525	-	-	-	-	-	-	-	1,256,256	57,726	-	-	-	-
46	334300	3.33%	Meter Vaults	151,347	21,150	-	-	3,536	59	-	-	-	133,674	5,045	-	118	-	-
47	335000	2.00%	Hydrants	15,979,869	3,474,432	49,514	495	47,000	470	(4,920)	-	-	12,600,986	319,597	990	940	-	(98)
48	336000	6.67%	Backflow Prevention Devices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	339100	6.67%	Other P/E-Intangible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	339200	6.67%	Other P/E-Supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	339500	6.67%	Other P/E-TD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	339600	6.67%	Other P/E-CPS	1,511,492	235,233	71,935	2,398	-	-	-	-	-	1,345,797	100,766	4,796	-	-	-
53	340100	6.67%	Office Furniture & Equipment	112,472	(9,520)	-	-	-	-	-	-	-	121,992	7,498	-	-	-	-
54	340200	20.00%	Computer & Peripheral Equipment	393,414	90,187	(7,624)	(762)	-	-	-	-	-	296,365	78,683	(1,525)	-	-	-
55	340300	20.00%	Computer Software	152,074	162,015	17,937	1,794	-	-	-	-	-	6,202	30,415	3,587	-	-	-
56	340500	6.67%	Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	341100	14.29%	Transportation Equip Light Duty	162,859	673,052	-	-	-	-	-	-	-	-	-	-	-	-	-
58	341200	14.29%	Transportation Equip Heavy Duty	49,243	47,558	-	-	-	-	-	-	-	1,685	7,035	-	-	-	-
59	341400	14.29%	Transportation Equipment Other	130,084	222,550	-	-	-	-	-	-	-	(92,466)	18,583	-	-	-	-
60	342000	4.00%	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61	343000	5.00%	Tools,Shop,Garage Equipment	94,543	27,994	-	-	39,200	980	-	-	-	104,769	4,727	-	1,960	-	-
62	344000	10.00%	Laboratory Equipment	381,005	79,811	-	-	-	-	-	-	-	301,195	38,101	-	-	-	-
63	345000	5.00%	Power Operated Equipment	30,559	14,026	-	-	-	-	-	-	-	16,532	1,528	-	-	-	-
64	346100	10.00%	Communication Equipment Non-	1,442,818	1,674,113	7,518	376	98,553	4,928	-	-	-	(130,527)	144,282	752	9,855	-	-
65	346190	10.00%	Remote Control & Instrument	5,085,839	2,546,914	-	-	-	-	-	-	-	2,538,925	508,584	-	-	-	-
66	346200	10.00%	Communication Equipment Tele	99,244	71,568	-	-	-	-	-	-	-	27,675	9,924	-	-	-	-
67	346300	10.00%	Communication Equipment Othe	406,794	297,898	-	-	-	-	-	-	-	108,896	40,679	-	-	-	-
68	347000	10.00%	Miscellaneous Equipment	54,282	20,668	-	-	-	-	-	-	-	33,614	5,428	-	-	-	-
69	348000	10.00%	Other Tangible Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70																		
71																		
72		378.30%	TOTAL	360,736,749	88,956,472	767,297	13,800	28,150,130	854,574	(213,541)	1,001,693	295,057	300,535,968	13,241,732	27,599	1,709,149	143,099	(9,256)

Depreciable Plant 356,285,019 Line [72] - Lines [1]-[7]
 Composite Depr Rate 3.72%

Line

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45 Workpapers & Supporting Documents:

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Line
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1 Insurance Other Than Group Business Unit 7F

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
 4 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
 5 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
 6 year and proposed revenues, and property.
 7

	Direct Plant TY Adjusted Results		[1] Arizona Total	[2] Agua Fria Water	[1] * [2] = [3] AZ-Factor
12 Gross Property Value at 12/31/2016	\$ 393,161,453	Sch B-2 Line [2]	4-Factor 87.7062%	26.6446%	23.3690%
13 % of Plant Insured	47.75%	\[Insurance]1. Property & Terrorism [23]			
14 Gross Plant Insured	\$ 187,722,845	Line [12] * Line [13]			

	Test Year Adjusted Results		Adjusted with Rate Increase		Adjusted with Rate Increase
18 Adjusted Revenues in YE December 2016	\$ 44,705,121	Sch C-2 [AP][14]	\$ 39,783,284	Sch C-2 [AR][14]	

	[A] Factor	[B] Amount	[B] Rate	[C] = [A] * [B] Source	[C] Premium	[D] Amount	[E] = [D] * [B] Premium
22 1. Property Insurance	Plant [25]	\$ 187,722,845	0.0526%	\[Insurance] Summary [1]	\$ 98,729	\$ 187,722,845	\$ 98,729
23 2. Excess Liability	Revenue Line [25]	44,705,121	0.2588%	\[Insurance] Summary [2]	115,709	39,783,284	102,970
24 3. Umbrella Liability	AZ 4- Factor [10]	95,767	23.3690%	\[Insurance] Summary [3]	22,380	95,767	22,380
25 4. Autos	AZ 4- Factor [10]	278,350	23.3690%	\[Insurance] Summary [4]	65,048	278,350	65,048
26 5. Workers Compensation	Payroll Col [49]	269,673	1.6543%	\[Insurance] Summary [5]	4,461	269,673	4,461
27 6. Pollution	Fixed Site	3,554	1.00	\[Insurance] Summary [6]	3,554	3,554	3,554
28 7. D&O	AZ 4- Factor [10]	13,367	23.3690%	\[Insurance] Summary [7]	3,124	13,367	3,124
29 8. Fiduciary	AZ 4- Factor [10]	1,483	23.3690%	\[Insurance] Summary [8]	347	1,483	347
30 9. Crime	Employee Count	61	\$ 7.76	\[Insurance] Summary [9]	474	61	474
31 10. Employed Lawyers	AZ 4- Factor [10]	1,196	23.3690%	\[Insurance] Summary [10]	280	1,196	280
32 11. Non Owned Pollution	AZ 4- Factor [10]	19,339	23.3690%	\[Insurance] Summary [11]	4,519	19,339	4,519
33 12. Employment Practices	Employee Count	61	\$ 5.30	\[Insurance] Summary [12]	323	61	323
34 13. Utilities Bond	WW Only	22,331	0.0000%	\[Insurance] Summary [13]	-	22,331	-
35 14. Cyber Insurance	AZ 4- Factor [10]	11,366	23.3690%	\[Insurance] Summary [14]	2,656	11,366	2,656
36 15. Sun City Flood Insurance	Sun City Only	2,356	0.0000%	\[Insurance] Summary [15]	-	2,356	-
37 16. LAPP	AZ 4- Factor [10]	19,383	23.3690%	\[Insurance] Summary [16]	4,530	19,383	4,530
39 Total					\$ 326,133	Sum Col [C]	Sum Col [E] \$ 313,394
41 Adjusted Test Year Insurance Other Than Group				GL Account 5605 from Sch E-6	\$ 263,278		\$ 326,133
43 Increase/(Decrease) to Insurance Other Than Group					\$ 62,855	Line [39] - Line [41]	\$ (12,739)

46 Workpapers and Supporting Documents:

- 47 \Sch E6 \4-Factor
- 48 \Sch B2 \Payroll, Benefits, & Taxes 2016.xlsx (aka Payroll)
- 49 \Insurance Other than Group.xlsx (aka Insurance)
- 50 \2016 Agua Fria Water.xlsm

Line

No.	Capital Lease - Vehicles - Expense Adjustment	4- Factor	General Metered Customers	23.1862%
-----	---	-----------	---------------------------	----------

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

15	Depreciation Expense on Capital Leases			(a) \$	143,099
18	Depreciation Expense on Corporate Capital Leases	\$	7,314	(a)	
20	Allocated Depreciation Expense on Corporate Plant			GMC 4 Factor*Line[18]	\$ 1,696
24	Increase / (Decrease) to Depreciation Expense			Line[15] + Line[20]	\$ 144,795
26	Adjustment to Revenue and/or Expense			Line[24]	\$ 144,795
30	Operating Lease Expense (account 5270)	5270 \$	112,271		
33	Increase / (Decrease) to Maintenance Expense			Line [30]	\$ (112,271)

44 Workpapers & Supporting Documents:
 45 (a) Summary of Plant Balances and Accum Depr by NARUC.xlsx
 46
 47
 48 \2016 Agua Fria Water.xlsm
 49
 50

7F

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	12/31/2016	Add'l	12 Months	Capital	Test Year
				Test Year End PLANT	Test Year End ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	Test Year Plant	Test Year End PLANT	Test Year End ACCUM DEPR		Test Year Plant	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense
1	301000	0.00%	Organization	1,229	-	-	-	-	-	-	-	-	1,229	-	-	-	-	-
2	302000	0.00%	Franchises	363,720	-	-	-	-	-	-	-	-	363,720	-	-	-	-	-
3	303200	0.00%	Land & Land Rights Supply	1,699,680	-	-	-	-	-	-	-	-	1,699,680	-	-	-	-	-
4	303300	0.00%	Land & Land Rights Pumping	1,448,137	-	-	-	-	-	-	-	-	1,448,137	-	-	-	-	-
5	303400	0.00%	Land & Land Rights Treatment	639,523	-	-	-	-	-	-	-	-	639,523	-	-	-	-	-
6	303500	0.00%	Land & Land Rights T&D	299,442	-	-	-	-	-	-	-	-	299,442	-	-	-	-	-
7	303600	0.00%	Land & Land Rights General	-	-	52,769	-	-	-	-	-	-	52,769	-	-	-	-	-
8	304100	3.33%	Structures & Improvements Supj	10,564,015	2,713,644	-	-	-	-	-	-	-	7,850,371	352,134	-	-	-	-
9	304200	3.33%	Structures & Improvements Pum	9,177,102	1,335,792	-	-	-	-	-	-	-	7,841,310	305,903	-	-	-	-
10	304300	3.33%	Structures & Improvements Trea	11,114,418	1,330,409	-	-	1,555	26	(1,408)	-	-	9,785,539	370,481	-	52	-	(47)
11	304400	3.33%	Structures & Improvements Tran	4,560,602	836,513	852	14	1,395,255	23,254	-	-	-	5,096,927	152,020	28	46,508	-	-
12	304500	3.33%	Structures & Improvements Geni	11,392,297	1,773,543	-	-	4,408,016	73,467	-	-	-	13,953,304	379,743	-	146,934	-	-
13	304600	3.33%	Structures & Improvements Offic	178,412	53,838	-	-	-	-	-	-	-	124,574	5,947	-	-	-	-
14	304620	3.33%	Structures & Improvements Leas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	304700	3.33%	Structures & Improvements Stori	772	108	-	-	-	-	-	-	-	664	26	-	-	-	-
16	304800	3.33%	Structures & Improvements Misc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	305000	2.50%	Collect & Impounding	868,528	107,621	-	-	-	-	-	-	-	760,907	21,713	-	-	-	-
18	306000	2.50%	Lake, River & Other Intakes	849,931	135,795	-	-	-	-	-	-	-	714,136	21,248	-	-	-	-
19	307000	3.33%	Wells & Springs	16,439,930	4,956,536	-	-	1,033,275	17,221	(137,174)	-	-	12,499,448	547,998	-	34,442	-	(4,572)
20	308000	6.67%	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	309000	2.00%	Supply Mains	2,534,498	232,062	-	-	-	-	-	-	-	2,302,436	50,690	-	-	-	-
22	310000	5.00%	Power Production Equipment	3,525,293	591,991	-	-	376,782	9,420	-	-	-	3,300,664	176,285	-	18,839	-	-
23	310100	5.00%	Power Production Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	311000	8.33%	Pumping Equipment Steam	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	311200	8.33%	Pumping Equipment Electric	30,513,780	15,286,039	-	-	15,413,894	642,246	(50,178)	-	-	29,999,389	2,542,815	-	1,284,491	-	(4,181)
26	311300	8.33%	Pumping Equipment Diesel	9,803	11,392	-	-	-	-	-	-	-	(1,588)	817	-	-	-	-
27	311400	8.33%	Pumping Equipment Hydraulic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	311500	8.33%	Pumping Equipment Other	2,115,800	747,606	-	-	-	-	-	-	-	1,368,194	176,317	-	-	-	-
29	311530	8.33%	Pumping Equipment Water Trea	1,153,055	22,335	-	-	-	-	-	-	-	1,130,720	96,088	-	-	-	-
30	320100	5.00%	Water Treatment Equipment Nor	35,717,438	13,524,356	-	-	185,871	4,647	-	-	-	22,374,306	1,785,872	-	9,294	-	-
31	320200	10.00%	Water Treatment Equipment Filtr	2,065,801	1,243,578	-	-	-	-	-	-	-	822,223	206,580	-	-	-	-
32	330000	2.22%	Distribution Reservoirs & Standp	14,154,515	2,315,953	-	-	2,196,347	24,404	-	-	-	14,010,505	314,545	-	48,808	-	-
33	330100	2.22%	Elevated Tank & Standpipes	35,344	4,614	-	-	-	-	-	-	-	30,730	785	-	-	-	-
34	330200	2.00%	Ground Level Tanks	1,029	100	-	-	37,928	379	-	-	-	38,479	21	-	759	-	-
35	330300	2.00%	Below Ground Tanks	276,457	26,468	-	-	-	-	-	-	-	249,988	5,529	-	-	-	-
36	330400	2.00%	Cleanwell	4,269,512	571,949	-	-	-	-	-	-	-	3,697,563	85,390	-	-	-	-
37	331001	2.00%	TD Mains Not Classified by Size	8,711,144	1,545,253	403,848	4,038	281,374	2,814	(19,862)	-	-	7,844,262	174,223	8,077	5,627	-	(397)
38	331100	2.00%	TD Mains 4in & Less	21,752,399	6,227,697	-	-	-	-	-	-	-	15,524,702	435,048	-	-	-	-
39	331200	2.00%	TD Mains 6in to 8in	46,470,021	6,239,184	22,050	221	7,363	74	-	-	-	40,259,956	929,400	441	147	-	-
40	331300	2.00%	TD Mains 10in to 16in	38,206,096	5,276,704	10,911	109	1,826,141	18,261	-	-	-	34,748,073	764,122	218	36,523	-	-
41	331400	2.00%	TD Mains 18in & Grtr	24,595,400	3,723,887	-	-	-	-	-	-	-	20,871,513	491,908	-	-	-	-
42	332000	2.00%	Fire Mains	-	2,877	-	29	-	-	-	-	-	2,848	58	-	-	-	-
43	333000	3.33%	Services	16,178,427	4,089,815	20,978	350	53,040	884	-	-	-	12,161,396	539,281	699	1,768	-	-
44	334100	8.33%	Meters	10,883,481	3,906,517	113,730	4,739	745,000	31,042	-	-	-	7,799,915	906,957	9,478	62,083	-	-
45	334200	3.33%	Meter Installations	1,731,781	475,525	-	-	-	-	-	-	-	1,256,256	57,726	-	-	-	-
46	334300	3.33%	Meter Vaults	151,347	21,150	-	-	3,536	59	-	-	-	133,674	5,045	-	118	-	-
47	335000	2.00%	Hydrants	15,979,869	3,474,432	49,514	495	47,000	470	(4,920)	-	-	12,600,986	319,597	990	940	-	(98)
48	336000	6.67%	Backflow Prevention Devices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	339100	6.67%	Other P/E-Intangible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	339200	6.67%	Other P/E-Supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	339500	6.67%	Other P/E-TD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	339600	6.67%	Other P/E-CPS	1,511,492	235,233	71,935	2,398	-	-	-	-	-	1,345,797	100,766	4,796	-	-	-
53	340100	6.67%	Office Furniture & Equipment	112,472	(9,520)	-	-	-	-	-	-	-	121,992	7,498	-	-	-	-
54	340200	20.00%	Computer & Peripheral Equipment	393,414	90,187	(7,624)	(762)	-	-	-	-	-	296,365	78,683	(1,525)	-	-	-
55	340300	20.00%	Computer Software	152,074	162,015	17,937	1,794	-	-	-	-	-	6,202	30,415	3,587	-	-	-
56	340500	6.67%	Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	341100	14.29%	Transportation Equip Light Duty	162,859	673,052	-	-	-	-	-	-	-	1,001,693	295,057	-	-	143,099	-
58	341200	14.29%	Transportation Equip Heavy Duty	49,243	47,558	-	-	-	-	-	-	-	-	1,685	7,035	-	-	-
59	341400	14.29%	Transportation Equipment Other	130,084	222,550	-	-	-	-	-	-	-	-	(92,466)	18,583	-	-	-
60	342000	4.00%	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61	343000	5.00%	Tools, Shop, Garage Equipment	94,543	27,994	-	-	39,200	980	-	-	-	104,769	4,727	-	1,960	-	-
62	344000	10.00%	Laboratory Equipment	381,005	79,811	-	-	-	-	-	-	-	301,195	38,101	-	-	-	-
63	345000	5.00%	Power Operated Equipment	30,559	14,026	-	-	-	-	-	-	-	16,532	1,528	-	-	-	-
64	346100	10.00%	Communication Equipment Non-	1,442,818	1,674,113	7,518	376	98,553	4,928	-	-	-	(130,527)	144,282	752	9,855	-	-
65	346190	10.00%	Remote Control & Instrument	5,085,839	2,546,914	-	-	-	-	-	-	-	2,538,925	508,584	-	-	-	-
66	346200	10.00%	Communication Equipment Telej	99,244	71,568	-	-	-	-	-	-	-	27,675	9,924	-	-	-	-
67	346300	10.00%	Communication Equipment Othe	406,794	297,898	-	-	-	-	-	-	-	108,896	40,679	-	-	-	-
68	347000	10.00%	Miscellaneous Equipment	54,282	20,668	-	-	-	-	-	-	-	33,614	5,428	-	-	-	-
69	348000	10.00%	Other Tangible Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70																		
71																		
72		378.30%	TOTAL	360,736,749	88,956,472	767,297	13,800	28,150,130	854,574	(213,541)	1,001,693	295,057	300,535,968	13,241,732	27,599	1,709,149	143,099	(9,296)

Depreciable Plant 356,285,019 Line [72] - Lines [1]-[7]
 Composite Depr Rate 3.72%

Line

No.

1 Intentionally Left Blank

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46 Workpapers & Supporting Documents:

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49

50 \2016 Agua Fria Water.xlsm

Line

No.

Purchased Water Adjustment and Surcharge

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 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), submitted as an Exhibit to Mr. Boizelle's testimony, to be concurrent with the effective date of new rates approved in this rate case.

[A]

Purchased Water

Test Year Expense

10	Test Year Purchased Water Expense	\$ (2,609,593) (a)
11	Annualization of Water Expense (SMC-IS6)	<u>\$ (37,796)</u>
12	Increase / (Decrease) to Expense	<u>\$ (2,647,389)</u> Line [10]+Line [11]

46 Workpapers & Supporting Documents:

47 (a) Sch C2

48

49

50 \2016 Agua Fria Water.xlsm

**PURCHASED WATER
 SURCHARGE CALCULATION**

1 Purchased Water Adjustment and Surcharge
 2
 3 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
 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 not affected by the
 5 purchase price of water. Costs have been adjusted from the 2016 test year expense to annualized water expense. Additionally, the Company has included known and measurable
 6 increases to purchased water costs. The Company pays the Central Arizona Project ("CAP") for fees in many districts. CAP has published schedules showing the anticipated increases to
 7 fees in 2018, which will be finalized by the prior to the conclusion of this rate case. The impact of the increases in CAP fees have been included in the total purchased water costs.
 8
 9 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
 10 Bullhead City for water. The Company also pays fees to the Arizona Department of Water Reclamation in a number of districts. Some districts also pay groundwater withdrawal fees.
 11 Many of these fees are already collected through supplemental surcharges on customer bills. All costs have been included in the total purchased water cost with the intention of
 12 combining all these fees into one purchased water surcharge.
 13
 14 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
 15 rates approved in this rate case.
 16
 17
 18

	Purchased Water Test Year Expense						[F] = [A] + [B] + [C] + [D] + [E]
	[A]	[B]	[C]	[D]	[E]		
	CAP Costs	CAP Credit Amortization	White Tank Wheeling	Maricopa Water Dist Surface Water	AkChin - Corte Bella	Total	
24 Test Year Purchased Water Expense	\$ 2,085,052	\$ (130,897)	\$ 381,050	\$ 208,874	\$ 65,514	\$ 2,609,593	(a)
25 Annualization of Water Expense (SMC-IS6)	30,199	(1,896)	5,519	3,025	949	37,796	
26 Annualized Purchased Water Expenses	\$ 2,115,250	\$ (132,793)	\$ 386,569	\$ 211,900	\$ 66,463	\$ 2,647,389	Line [24]+Line [25]
27							
28 2017 Percentage increase in CAP costs	7%	0%	0%	0%	34%		(c)
29 2017 Purchased Water Expense	\$ 2,272,769	\$ (132,793)	\$ 386,569	\$ 211,900	\$ 89,344	\$ 2,827,788	Line [26]*(1+Line [28])
30							
31 2018 Percentage increase in CAP costs	2%	0%	0%	0%	0%		(c)
32 2018 Purchased Water Expense	\$ 2,317,774	\$ (132,793)	\$ 386,569	\$ 211,900	\$ 89,344	\$ 2,872,793	Line [29]*(1+Line [31])
33							
34 Mohave Wtr Conservation District - Impost Fees					\$ -		(c)
35 Impost Fees - Bullhead City					\$ -		(c)
36 Water Admin Fee - MVDD					\$ -		(c)
37 ADWR Groundwater Withdrawal Fee					\$ 27,088.12		(c)
38							
39							
40 Total Pro Forma Purchased Water Costs					\$ 2,899,881		Sum Lines [32 - 38]
41							
42 Total Billed Non-Effluent Gallons (in thousand of gallons)					6,854,868		(b)
43 Surcharge Per Thousand Gallons					\$ 0.4230		Line [40] / Line [42]
44							
45							

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

Line
 No.

Regulatory Asset Amortization - Y2K and Depreciation Study

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. The unamortized balance of \$978,780 was scheduled to be amortized at \$2,545 per month over the period July 2004 through July 2036.

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 over a period of July 2004 through July 2036.

	[A]	[B]	[C]	[D]	[E] = [A]/[D]	[F]	[G] = [F] * [E]
<u>7A</u>	<u>Reg Asset</u>	<u>Begin Date</u>	<u>End Date</u>	<u>Months</u>	<u>Monthly Amortization</u>	<u>Months Elapsed</u>	<u>Accumulated Amortization</u>
Y2K	\$ 978,780	7/1/2004	7/1/2036	385	\$ 2,545	150	\$ 381,749
Depreciation Study	\$ 75,418	7/1/2004	7/1/2036	385	\$ 196	150	\$ 29,383

	[H]	[I] = [H] * 12	[J]	[K] = [I] * [J]
<u>7A</u>	<u>Monthly Amortization</u>	<u>Annual Amortization</u>	<u>Citizen's Districts Factor</u>	<u>District Allocation of Amortization</u>
				<u>Reg Asset</u> <u>Reg Liability</u>
Y2K	\$ 2,545	\$ 30,540	32.2048%	\$ 9,835 \$ -
Depreciation Study	\$ 196	\$ 2,351	32.2048%	\$ 757 \$ -

Line [23+24] \$ 10,592 \$ -

Increase/(Decrease) to Deprecation Expense

Line [35] \$ 10,592 \$ -

Line
 No.

Regulatory Asset Amortization - White Tanks - Agua Fria

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.

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.

The Order also approve a balance of White Tanks deferred post in service AFUDC EQUITY of \$7,531,975.

The Order approved an annual amortization rate of White Tanks related deferrals of 3.5365%.

	[A]	[B]	[C]	[D]	[E] = [A] * [D] / 12	[F]	[G] = [F] * [E]	
	<u>Reg Asset</u>	<u>Begin Date</u>	<u>End Date</u>	<u>Rate</u>	<u>Monthly Amortization</u>	<u>Months Elapsed</u>	<u>Accumulated Amortization</u>	
16 Post In Service AFUDC DEBT	\$ 7,298,996	6/1/2012	9/2/2040	3.54%	\$ 21,511	54	\$ 1,161,580	
18 Post In Service AFUDC EQUITY	\$ 7,531,975	6/1/2012	9/2/2040	3.54%	\$ 22,197	54	\$ 1,198,657	
	[H]	[I]	[J] = [H]-[I]		K = [E] * 12			
	<u>Reg Asset</u>	<u>Accumulated Amortization</u>	<u>Reg Asset Balance</u>		<u>Annual Amortization</u>		<u>Reg Asset</u>	<u>Reg Liability</u>
24 Post In Service AFUDC DEBT	\$ 7,298,996	\$ 1,161,580	\$ 6,137,416		\$ 258,129		\$ 6,137,416	\$ -
26 Post In Service AFUDC EQUITY	\$ 7,531,975	\$ 1,198,657	\$ 6,333,318		\$ 266,368		\$ 6,333,318	\$ -
				Total	<u>\$ 524,497</u>	Line [24] + Line [26]		

Increase in Depreciation Expense

Line [27] \$ 524,497

Workpapers & Supporting Documents:

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46 Workpapers & Supporting Documents:

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Line					Percentage of Incremental <u>Gross Revenues</u>
<u>No.</u>	<u>Description</u>		[A]	[B]	[C]
1	Federal Income Taxes				33.29%
2					
3	State Income Taxes				4.90%
4				Combined	38.19%
5					
6	Property Taxes	Effective Rate =	1.32%	One Minus Combined	61.81%
7					0.82% [A] x [B]
8	Bad Debt Expense	Effective Rate =	0.19%	One Minus Combined	61.81%
9					0.12% [A] x [B]
10	Insurance Other Than Group	Effective Rate =	0.26%	One Minus Combined	61.81%
11					0.16% [A] x [B]
12					
13	Total Tax Percentage				39.28% Sum Line [1-10]
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15	Operating Income % = 100% - Tax Percentage				60.72% 1 - [C] Line [13]
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22	Operating Income %				1.65 1 / [C] Line [15]
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43	Supporting Schedules:			Recap Schedules:	
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