

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	\$ 10,093,156	\$ -	\$ 10,093,156	\$ 2,961,907	\$ 13,055,063	
3	Other Revenues	637,043	-	637,043	-	637,043	
4	Total Revenues	\$ 10,730,199	\$ -	\$ 10,730,199	\$ 2,961,907	\$ 13,692,106	Sum Lines [2-3]
5							
6	Operating Expenses						
7	Labor	\$ 1,440,462	\$ -	\$ 1,440,462	\$ -	\$ 1,440,462	
8	Purchased Water	-	795,864	795,864	-	795,864	
9	Fuel & Power	-	785,361	785,361	-	785,361	
10	Chemicals	83,675	-	83,675	-	83,675	
11	Waste Disposal	3,756	60	3,817	-	3,817	
12	Intercompany Support Services	-	-	-	-	-	
13	Corporate Allocation	302,528	352	302,879	-	302,879	
14	Outside Services	192,740	(4,221)	188,519	-	188,519	
15	Group Insurance	449,580	-	449,580	-	449,580	
16	Pensions	-	-	-	-	-	
17	Regulatory Expense	26,981	(26,981)	-	-	-	
18	Insurance Other Than Group	84,883	(137)	84,746	7,666	92,413	
19	Customer Accounting	308,446	2,917	311,363	4,611	315,974	
20	Rents	36,682	-	36,682	-	36,682	
21	General Office Expense	133,428	(4,336)	129,093	-	129,093	
22	Miscellaneous	(82,968)	(1,379)	(84,347)	-	(84,347)	
23	Maintenance Expense	172,287	3,334	175,621	-	175,621	
24	Depreciation & Amortization	3,415,311	(11,298)	3,404,013	-	3,404,013	
25	General Taxes-Property	562,702	(72,178)	490,524	45,067	535,591	
26	General Taxes-Other	120,094	-	120,094	-	120,094	
27	Income Taxes	870,573	(668,832)	201,741	722,394	924,135	
28							
29	Total Operating Expenses	\$ 8,121,161	\$ 798,527	\$ 8,919,688	\$ 779,738	\$ 9,699,426	Sum Lines [7-27]
30	Utility Operating Income	\$ 2,609,038	\$ (798,527)	\$ 1,810,511	\$ 2,182,169	\$ 3,992,680	Line [4] - Line [29]
31	Other Income & Deductions						
32	Other Income & Deductions	\$ (12,130)	\$ -	\$ (12,130)	\$ -	\$ (12,130)	
33	Interest Expense	1,199,729	1,373	1,201,102	-	1,201,102	
34	Other Expense	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	
36	Total Other Income & Deductions	\$ 1,187,599	\$ 1,373	\$ 1,188,972	\$ -	\$ 1,188,972	Sum Lines [32-35]
37	Net Profit / (Loss)	\$ 1,421,440	\$ (799,900)	\$ 621,539	\$ 2,182,169	\$ 2,803,708	Line [30] - Line [36]

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

Recap Schedules:
 A-1 Rebuttal

Sch C-2 Original
 Column [AP]

Line No.	TY Adjusted Results	Page 3	Page 4	Page 5	Page 6	Page 7	Page 8	Page 9	Page 10	Page 11	Page 12
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
		ADJ JPB-IS1 REB	ADJ SLS-IS2 REB	ADJ SLS-IS3 REB	ADJ SLH-IS4 REB	ADJ XXX-IS5 REB	ADJ JPB-IS6 REB	ADJ JPB-IS7 REB	ADJ SLS-IS8 REB	ADJ JPB-IS9 REB	ADJ JPB-IS10 REB
	<u>Test Year Book Results</u>	<u>Adjust Property Taxes to Reflect Adjusted Test Year Revenues</u>	<u>Federal and State Income Taxes</u>	<u>Interest Synchronization with Rate Base</u>	<u>Regulatory Liability - ADIT Amortization - Tax Reform Adj</u>	<u>Intentionally Left Blank</u>	<u>Partially Accept Staff IS Adj #6: Adjust Depreciation Expense - Post Test Year Plant 2017</u>	<u>Partially Accept Staff IS Adj #6: Adjust Depreciation Expense - Retirements</u>	<u>Adjust Insurance Other Than Group</u>	<u>Adjust CPI for 2017</u>	<u>Adjust CUS Charges</u>
1	Revenues										
2	Water	\$ 10,093,156	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Other Revenues	637,043	-	-	-	-	-	-	-	-	-
4	Total Revenue	\$ 10,730,199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5											
6	Operating Expenses										
7	Labor	\$ 1,440,462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Purchased Water	-	-	-	-	-	-	-	-	-	-
9	Fuel & Power	-	-	-	-	-	-	-	-	-	-
10	Chemicals	83,675	-	-	-	-	-	-	-	-	-
11	Waste Disposal	3,756	-	-	-	-	-	-	-	60	-
12	Intercompany Support Services	-	-	-	-	-	-	-	-	-	-
13	Corporate Allocation	302,528	-	-	-	-	-	-	-	352	-
14	Outside Services	192,740	-	-	-	-	-	-	-	3,095	-
15	Group Insurance	449,580	-	-	-	-	-	-	-	-	-
16	Pensions	-	-	-	-	-	-	-	-	-	-
17	Regulatory Expense	26,981	-	-	-	-	-	-	-	-	-
18	Insurance Other Than Group	84,883	-	-	-	-	-	-	(137)	-	-
19	Customer Accounting	308,446	-	-	-	-	-	-	-	682	1,716
20	Rents	36,682	-	-	-	-	-	-	-	-	-
21	General Office Expense	133,428	-	-	-	-	-	-	-	2,515	-
22	Miscellaneous	(82,968)	-	-	-	-	-	-	-	(1,379)	-
23	Maintenance Expense	172,287	-	-	-	-	-	-	-	3,334	-
24	Depreciation & Amortization	3,415,311	-	-	-	(21,159)	-	84,572	(74,710)	-	-
25	General Taxes-Property	562,702	(72,178)	-	-	-	-	-	-	-	-
26	General Taxes-Other	120,094	-	-	-	-	-	-	-	-	-
27	Income Taxes	870,573	-	(668,832)	-	-	-	-	-	-	-
28											
29	Total Operating Expenses	\$ 8,121,161	\$ (72,178)	\$ (668,832)	\$ -	\$ (21,159)	\$ -	\$ 84,572	\$ (74,710)	\$ (137)	\$ 8,658
30	Utility Operating Income	\$ 2,609,038	\$ 72,178	\$ 668,832	\$ -	\$ 21,159	\$ -	\$ (84,572)	\$ 74,710	\$ 137	\$ (8,658)
31	Other Income & Deductions										
32	Other Income & Deductions	\$ (12,130)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	Interest Expense	1,199,729	-	-	1,373	-	-	-	-	-	-
34	Other Expense	-	-	-	-	-	-	-	-	-	-
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-
36	Total Other Income & Deductions	\$ 1,187,599	\$ -	\$ -	\$ 1,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37	Net Profit / (Loss)	\$ 1,421,440	\$ 72,178	\$ 668,832	\$ (1,373)	\$ 21,159	\$ -	\$ (84,572)	\$ 74,710	\$ 137	\$ (8,658)

44 Supporting Schedules:
 45 E-6

Recap Schedules:
 C-1 Rebuttal

48 Workpapers & Supporting Documents:
 49
 50 \2016 Anthem Water Rebuttal.xlsm

	Page 13	Page 14	Page 15	Page 16	Page 17	Page 18									
	[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]	[T]	[U]					
	ADJ SLH-IS11 REB	ADJ JPB-IS12 REB	ADJ SLH-IS13 REB	ADJ SLH-IS14 REB	ADJ JPB-IS15 REB	ADJ JPB-IS16 REB					Sum [B - Q]	Sum [A] + [R]		Sum [S] + [T]	
<u>Line No.</u>	<u>Partially Accept Staff IS Adj #3: Adjust Outside Services Expense</u>	<u>Adjust Postage Expense</u>	<u>Partially Accept Staff IS Adj #5: Adjust Regulatory Expense</u>	<u>Partially Accept Staff IS Adj #4: Adjust General Office Expense</u>	<u>Accept Staff IS Adj #1 & RUCO IS Adj #4: Adjust Fuel and Power Expense</u>	<u>Accept Staff IS Adj #2 & RUCO IS Adj #3: Adjust Purchased Water Expense</u>	Total Pro Forma Adjustments	Test Year Adjusted Results	Proposed Rate Increase	Adjusted Rate Increase					
1	Revenues														
2	Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,093,156	\$ 2,961,907	\$ 13,055,063					
3	Other Revenues	-	-	-	-	-	-	637,043		637,043					
4	Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,730,199	\$ 2,961,907	\$ 13,692,106					
5															
6	Operating Expenses														
7	Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,440,462		\$ 1,440,462					
8	Purchased Water	-	-	-	-	-	795,864	795,864		795,864					
9	Fuel & Power	-	-	-	-	785,361	-	785,361		785,361					
10	Chemicals	-	-	-	-	-	-	83,675		83,675					
11	Waste Disposal	-	-	-	-	-	60	3,817		3,817					
12	Intercompany Support Services	-	-	-	-	-	-	-		-					
13	Corporate Allocation	-	-	-	-	-	352	302,879		302,879					
14	Outside Services	(7,316)	-	-	-	-	(4,221)	188,519		188,519					
15	Group Insurance	-	-	-	-	-	-	449,580		449,580					
16	Pensions	-	-	-	-	-	-	-		-					
17	Regulatory Expense	-	-	(26,981)	-	-	(26,981)	-		-					
18	Insurance Other Than Group	-	-	-	-	-	(137)	84,746	7,666	92,413					
19	Customer Accounting	-	519	-	-	-	2,917	311,363	4,611	315,974					
20	Rents	-	-	-	-	-	-	36,682		36,682					
21	General Office Expense	-	-	-	(6,850)	-	(4,336)	129,093		129,093					
22	Miscellaneous	-	-	-	-	-	(1,379)	(84,347)		(84,347)					
23	Maintenance Expense	-	-	-	-	-	3,334	175,621		175,621					
24	Depreciation & Amortization	-	-	-	-	-	(11,298)	3,404,013		3,404,013					
25	General Taxes-Property	-	-	-	-	-	(72,178)	490,524	45,067	535,591					
26	General Taxes-Other	-	-	-	-	-	-	120,094		120,094					
27	Income Taxes	-	-	-	-	-	(668,832)	201,741	722,394	924,135					
28															
29	Total Operating Expenses	\$ (7,316)	\$ 519	\$ (26,981)	\$ (6,850)	\$ 785,361	\$ 795,864	\$ 798,527	\$ 8,919,688	\$ 779,738	\$ 9,699,426				
30	Utility Operating Income	\$ 7,316	\$ (519)	\$ 26,981	\$ 6,850	\$ (785,361)	\$ (795,864)	\$ (798,527)	\$ 1,810,511	\$ 2,182,169	\$ 3,992,680				
31	Other Income & Deductions														
32	Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (12,130)		\$ (12,130)					
33	Interest Expense	-	-	-	-	-	-	1,373		1,201,102					
34	Other Expense	-	-	-	-	-	-	-		-					
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-		-					
36	Total Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,373	\$ 1,188,972	\$ -	\$ 1,188,972				
37	Net Profit / (Loss)	\$ 7,316	\$ (519)	\$ 26,981	\$ 6,850	\$ (785,361)	\$ (795,864)	\$ (799,900)	\$ 621,539	\$ 2,182,169	\$ 2,803,708				

44 Supporting Schedules:
 45 E-6
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 48 Workpapers & Supporting Documents:
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Recap Schedules:
 C-1 Rebuttal

Line

No.

	[A]	[B]
	Property Tax Expense	Property Tax Expense For Conversion Factor
1 <u>Adjust Property Taxes to Reflect Adjusted Test Year Revenues</u>		
2 The Company adjusted property tax rate based on 2016 property tax bills received from Maricopa County Assessor		
3		
4		
5		
6 Adjusted Revenues in Year Ended December 2016	(b) \$ 10,730,199	\$ 10,730,199
7 Adjusted Revenues in Year Ended December 2016	10,730,199	10,730,199
8 Proposed Revenues	10,730,199	13,692,106
9 Average of Three Year's of Revenue	Avg Lines[6] thru [8] \$ 10,730,199	\$ 11,717,502
10 Average of Three Year's of Revenue, times 2	Line[9] * 2 \$ 21,460,398	\$ 23,435,003
11 Add:		
12 Construction Work in Progress at 10%	(a) 41,047	41,047
13 Deduct:		
14 Net Book Value of Transportation Equipment	\$ 9,157	\$ 9,157
15		
16 Full Cash Value	Sum Lines[10-12] - Line[14] \$ 21,492,289	\$ 23,466,893
17 Assessment Ratio (For 2016 per HB 2001 Sec 42-15001)	18.0%	18.0%
18 Assessed Value	Line[16]*Line[17] \$ 3,868,612	\$ 4,224,041
19 Property Tax Rate	(c) 12.68%	12.68%
20		
21 Property Tax	Line[18]*Line[19] 490,524	535,591
22 Tax on Parcels	-	-
23		
24 Adjusted Test Year Property Taxes at Present Rates	Line[21]+Line[22] \$ 490,524	
25 Adjusted Test Year Property Taxes	(b) 562,702	
26 Adjustment to Revenue and/or Expense (To Sch C-2 Rebuttal)	Line[24] - Line[25] \$ (72,178)	
27		
28 Adjusted Test Year Property Taxes at Proposed Rates		Sum Lines[21-27] \$ 535,591
29 Adjusted Test Year Property Taxes at Present Rates		Line[24] Col [A] 490,524
30 Additional Property Taxes on Proposed Revenues (To Sch C-2 Rebuttal)		Line[28] - Line[29] \$ 45,067
31		
32		
33		
34 <u>CALCULATION OF PROPERTY TAX FACTOR TO COMPUTE GROSS REVENUE CONVERSION FACTOR (SCH C-3 Rebuttal)</u>		
35		
36 Increase in Property Tax Due to Increase in Revenue Requirement (Line 30, Col [B])		\$ 45,067
37		
38 Increase in Revenue Requirement (From Sch. A-1 Rebuttal)		\$ 2,961,907
39		
40 Increase in Property Tax Per Dollar Increase in Revenue (Line 36/Line 38)		1.52%
41		
42		
43		
44 <u>Workpapers & Supporting Documents:</u>		
45		
46 (a) Sch E1		
47 (b) Sch C2 Rebuttal		
48 (c) \Composite Property Tax Rate 2016.xlsx		
49		
50 \2016 Anthem Water Rebuttal.xlsm		

Line No.		Test Year Adjusted Results	Adjusted with Rate Increase
1	<u>Federal and State Income Taxes</u>		
2			
3			
4			
5			
6			
7	Operating Income Before Inc. Taxes	\$ 2,012,252	\$ 4,916,815
8	Interest Expense	1,201,102	1,201,102
9	Arizona Taxable Income	Line[7] - Line[8] \$ 811,150	\$ 3,715,712
10			
11	Arizona Income Tax 4.90%	Line[9] * 0.049 \$ 39,746	\$ 182,070
12			
13			
14	Federal Income Before Taxes	Line[9] \$ 811,150	\$ 3,715,712
15	Less Arizona Income Taxes	Line[11] 39,746	182,070
16	Federal Taxable Income	Line[14] - Line[15] \$ 771,404	\$ 3,533,643
17			
18	FEDERAL INCOME TAXES:		
19			
20			
21			
22			
23			
24			
25	Federal Income Taxes 21.00%	Line[16] * 0.21 \$ 161,995	\$ 742,065
26			
27			
28	Total Income Tax	Line[15]+Line[25] \$ 201,741	\$ 924,135
29			
30	Tax Rate	Line[28] / Line[9] 24.87%	24.87%
31			
32	Effective Income Tax Rates		
33	State	Line[11] / Line[9] 4.900%	4.900%
34	Federal	Line[25] / Line[9] 19.97%	19.97%
35			
36			
37	Adjusted Test Year Income Taxes	(a) \$ 870,573	
38	Increase in Income Taxes,	Line[28] - Line[37] \$ (668,832)	
39			
40	Adjustment to Revenues and/or Expense	Line[38] \$ (668,832)	
41			
42	Test Year Income Taxes,		Line[28] \$ 201,741
43	Increase in Income Taxes		Line[28] - Line[42] 722,394
44			
45	Adjustment to Revenue and/or Expense		Line[43] \$ 722,394
46			
47	<u>Workpapers & Supporting Documents:</u>		
48	(a) Sch C2 Rebuttal		
49			
50	\\2016 Anthem Water Rebuttal.xlsm		

Line

No.

1 Interest Synchronization with Rate Base

2

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6 Original Cost Rate Base (Sch. B-1 Rebuttal , Ln. 28)

(a) \$ 53,861,086

7 Weighted Cost of Debt from Schedule D-1 Rebuttal

(c) 2.23%

8 Synchronized Interest Expense

Line[6]*Line[7] \$ 1,201,102

9

10 Test Year Interest Expense Adjusted

(b) \$ 1,199,729

11

12 Adjusted Test Year Interest Expense

Line[10] \$ 1,199,729

13

14 Increase/(Decrease) in Interest Expense

Line[8] - Line[12] \$ 1,373

15

16 Rebuttal Adjustment to Revenue and/or Expense

Line[14] \$ 1,373

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45 Workpapers & Supporting Documents:

46 (a) Sch B1 Rebuttal

47 (b) Sch C2 Rebuttal

48 (c) Sch D1 Rebuttal

49

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Line

No.

1 Regulatory Liability - ADIT Amortization - Tax Reform Adj

2

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

7

8 Regulatory Liability - ADIT that resulted from the decrease in the Federal Income Taxes
 9

\$ 692,420 (a)

10 Amortization Rate

3.0558% (b)

11

Annual Amortization

\$ (21,159) Line [8] * Line [10]

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16 Increase/ (Decrease) to Depreciation/ Amortization

\$ (21,159) Line [12]

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45 Workpapers & Supporting Documents:

46 (a) Rate Base Adjustment ADJ SLH-RB2 REB

47 (b) ADIT Adjustment REBUTTAL.xlsx

48

49

50 \2016 Anthem Water Rebuttal.xlsm

Line

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45 Workpapers & Supporting Documents:

46

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48

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Line

No.

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

2

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

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[A]

[B]

[C] = [A] * [B]

Depreciation on Post TY Plant
 Additions per Summary of Plant and
 A/D by NARUC - FINAL 2017 PTYP (a)

Allocation
 Factor

Depreciation
 Expense

	\$ 204,721	100.0000%	\$ 204,721
Depreciation on Post Test Year Plant Additions - Anthem Water	17,092	100.0000%	17,092
Depreciation on Additional TY Plant Additions - Anthem Water	48,670	4.7401%	2,307
Depreciation on 7A Corporate Post Test Year Plant Additions Allocated	17,375	4.7401%	824
Depreciation on Additional 7A Corporate Test Year Plant Additions Allocated	236,805	4.3170%	10,223
Depreciation on 6U Post Test Year Plant Additions Allocated	174,541	4.3170%	7,535
Depreciation on Additional 6U Test Year Plant Additions Allocated	\$ 699,205		

Sum Lines [17 - 22]

Depreciation Expense on 2017 Post Test Plant per Rebuttal \$ 242,701 Sum Lines[17] thru [22]

Depreciation Expense on 2017 Post Test Plant per Company's Original Application \$ 158,129 (b)

Increase / (Decrease) to Depreciation Expense \$ 84,572 Line[27] - Line[30]

Rebuttal Adjustment to Revenue and/or Expense \$ 84,572 Line[33]

Workpapers & Supporting Documents:

(a) Summary of Plant Balances and Accum Depr by NARUC Updated for Final 2017 PTYP.xls

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

\2016 Anthem Water Rebuttal.xlsm

Line

No.

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

2

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

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GMC 4 Factor	4.7401%
Arizona Total	91.0728%
Alloc Factor	4.3170%

Line[8]*Line[9]

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	[A]	[B]	[C] = [A] * [B]
	Depreciation on Retirements per Summary of Plant and A/D by NARUC Updated for Final 2017 PTYP (a)	Allocation Factor	Depreciation Expense
17	\$ (74,887)	100.0000%	\$ (74,887)
18	(1,774)	4.7401%	(84)
19	-	4.3170%	-
26			\$ (74,971) Sum Lines [17 - 19]
29			\$ (260) (b)
32			\$ (74,710) Line[26] - Line[29]
34			<u>\$ (74,710)</u> Line[32]

Workpapers & Supporting Documents:

(a) Summary of Plant Balances and Accum Depr by NARUC Updated for Final 2017 PTYP.xls

(b) Schedule C2 Adj SLM - IS25

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Line
 No.

1 Adjust Insurance Other Than Group

2
 3 Insurance Other Than Group consists of 16 separate components. Annually, the Company reports certain business statistics to its insuring agencies including Revenues, Plant Balances, Employee
 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 year
 6 and proposed revenues, and property. This is a conforming adjustment and updated with the values in the Rebuttal Filing.

	DIRECT PLANT	[1]	[2]	[1] * [2] = [3]
7K	Test Year		AZ	AZ-Factor
District 4-Factor	Adj Results	6.8860%	87.7062%	6.0394%

	Test Year Adjusted Results	Schc2 Rebuttal [X][14]	Adjusted with Rate Increase	Schc2 Rebuttal [Z][14]	Adjusted with Rate Increase	
Adjusted Revenues in Year Ended December 2016	[A]	[B]	[C] = [A] * [B]	[D]	[E] = [D] * [B]	
Factor	Amount	Rate	Source	Premium	Amount	Premium
1. Property Insurance	Plant [25] \$ 45,978,487	0.0526%	\[Insurance] Summary	\$ 24,181	\$ 45,978,487	\$ 24,181
2. Excess Liability	Revenue Line [25] 10,730,199	0.2588%	\[Insurance] Summary	27,773	13,692,106	35,439
3. Umbrella Liability	AZ 4- Factor [10] 95,767	6.0394%	\[Insurance] Summary	5,784	95,767	5,784
4. Autos	AZ 4- Factor [10] 278,350	6.0394%	\[Insurance] Summary	16,811	278,350	16,811
5. Workers Compensation	Payroll Col [49] 98,291	1.6543%	\[Insurance] Summary	1,626	98,291	1,626
6. Pollution *	Fixed Site 3,554	1.00	\[Insurance] Summary	3,554	3,554	3,554
7. D&O	AZ 4- Factor [10] 13,367	6.0394%	\[Insurance] Summary	807	13,367	807
8. Fiduciary	AZ 4- Factor [10] 1,483	6.0394%	\[Insurance] Summary	90	1,483	90
9. Crime	Employee Count 23	7.76	\[Insurance] Summary	179	23	179
10. Employed Lawyers	AZ 4- Factor [10] 1,196	6.0394%	\[Insurance] Summary	72	1,196	72
11. Non Owned Pollution	AZ 4- Factor [10] 19,339	6.0394%	\[Insurance] Summary	1,168	19,339	1,168
12. Employment Practices	Employee Count 23	5.30	\[Insurance] Summary	122	23	122
13. Utilities Bond **	Site Bond Requirement 22,331	0.0000%	\[Insurance] Summary	-	22,331	-
14. Cyber Insurance	AZ 4- Factor [10] 11,366	6.0394%	\[Insurance] Summary	686	11,366	686
15. Sun City Flood Insurance	Sun City Only 2,356	0.0000%	\[Insurance] Summary	-	2,356	-
16. LAPP	AZ 4- Factor [10] 19,383	6.0394%	\[Insurance] Summary	1,171	19,383	1,171
Total				\$ 84,023	Sum Col [N]	\$ 91,690

Adjusted Test Year Insurance Other Than Group	From Original Filing	\$ 84,160	\$ 84,023
Increase/(Decrease) to Insurance Other Than Group		\$ (137)	\$ 7,666

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

Line

No.

1 Adjust CPI for 2017

2
 3 Operating expenses are expected to increase in each of the future years due to inflation and other increasing costs factors. To compensate for regulatory lag, EPCOR proposes an increase for 2017 and
 4 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
 5 increase by 4% based on initial service contracts negotiations that are being worked on with the vendor.
 6

2016 Unadjusted Expenses			Consumer Price Index - Phoenix Urban Consumers						
Description	Account	Amount (a)	Year	Annual Index	Increase	Ave Increase			
Chemicals	5263	\$ 77,299	2014	127.823					
Other Utilities	5621	\$ 3,672	2015	128.019	0.15%				
Asset Usage Fee - Corporate	6203	\$ 21,430	2016	130.107	1.63%				
Consulting Engineering	5227	\$ 2,115	2017	133.324	2.47%	1.4%			
Contractors and Consultants	5250	\$ 124,000	Chemical Increase			4.0%			
Administrative Contractors	5679	\$ 1,494	[A] * Line [12]						
Outside Computer Charges (T1)	5628	\$ 29,141	Chemical [13]						
Temporary Support	5629	\$ 12,882	[A]	[B]	[C]	[D] = [B] + [C]	[E]	[F] = [D] - [E]	
Legal Fees	5681	\$ 18,804	Total	Year 1	Year 2	Revised Total	Original Total	Rebuttal Adjustment	
Service Charges	5615	\$ 22,955	Chemicals	\$ 77,299	\$ 3,092	\$ 3,216	\$ 6,308	\$ 6,308	\$ -
Customer Communications	5674	\$ 18,570	Waste Disposal	3,672	91	53	144	84	60
Rent and Storage	5810	\$ 36,682	Corporate Allocatio	21,430	530	312	841	490	352
Freight and Courier	5262	\$ 924	Outside Services	188,436	4,659	2,740	7,399	4,304	3,095
Telephone, Long Distance, Data	5620	\$ 44,917	Customer Accountii	41,525	1,027	604	1,631	949	682
Stationary, Printing & Other O	5622	\$ 20,384	General Office Exp	153,100	3,786	2,226	6,012	3,497	2,515
Office Machines, Furniture	5623	\$ 2,393	Miscellaneous	(83,983)	(2,077)	(1,221)	(3,298)	(1,918)	(1,379)
Parking	5630	\$ 343	Maintenance Exper	202,997	5,019	2,952	7,971	4,637	3,334
Vehicle Allowance	5631	\$ 1,881	Sum Lines[18]thru[25]	\$ 604,476	\$ 16,127	\$ 10,881	\$ 27,008	\$ 18,350	\$ 8,658
Vehicle Allowance	5271	\$ 11							
Business Allowance	5634	\$ 943							
Memberships Dues & Professiona	5640	\$ 6,522							
Subscriptions	5641	\$ 1,492							
Airfare	5650	\$ 5,278							
Accommodation, Other Travel	5651	\$ 6,261							
Employee Working Meals	5652	\$ 8,072							
Training - Fees/Tuition	5660	\$ 16,986							
Training Fee	5252	\$ 12							
FR Clothing	5273	\$ 24,440							
Miscellaneous	5697	\$ (108,422)							
Stock	5260	\$ -							
Materials, Supplies	5261	\$ 105,940							
Veh. and Equip.-Allocation	5270	\$ 55,810							
Equipment	5275	\$ 1,912							
Hardware	5624	\$ 119							
Software	5625	\$ 4,009							
Maintenance	5811	\$ 18,240							
Vehicle Maintenance	5823	\$ 16,966							
		\$ 604,476	Sum Lines [9 thru 45]						
Workpapers & Supporting Documents:			Bureau of Labor Statistics - Phoenix CPI		Increase / (Decrease) to Expense		Line [26] Col [D]		\$ 8,658
(a) Sche6									
\2016 Anthem Water Rebuttal.xlsm									

Line

No.

1 Adjust CUS Charges

2

3

Customer Care and Billing charges are costs associated with Third Party Billing, Call Centers, and Work Order Management. Costs billed to the Company are on a per bill per month basis and adjusted annually. 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 has been updated in this Rebuttal filing.

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

Increase Lines[12-11]/[11]

Increase Lines[13-12]/[12]

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C.U.S. Charges per Schedule E-6, account 5611	\$	200,645	(a)
CPI Adjustment 2017	\$	3,273	Line[16]*1.63%
Adjusted 2017 Expense	\$	203,918	Line[16]+Line [18]
CPI Adjustment 2018	\$	5,042	Line[19]*2.47%
Adjusted 2018 Expense	\$	208,960	Line[19]+Line[21]
Total Increase/ (Decrease) to C.U.S Charges	\$	8,315	Line[18]+Line[21]
Expense per Company's Original Application per IS JPB Adj#12	\$	6,599	
	\$	1,716	Line[26] - Line[28]

Adjustment to Revenue and/or Expense

\$ 1,716 Line[30]

Workpapers & Supporting Documents:

(a) Sche6

\2016 Anthem Water Rebuttal.xlsxm

Line

No.

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

2

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

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12 Part 1

13 Remove ASU Study Costs per RUCO 2.07

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16 Part 2

17 Amount to be removed from Outside Services per RUCO DR 1.25

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24 Adjustment to Revenue and/or Expense

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45 Workpapers & Supporting Documents:

46 (a) Company Response to RUCO DR 1.25

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50 \2016 Anthem Water Rebuttal.xlsm

	[A] Revised Amounts (a)	[B] Original Application	[C] = [A] - [B] Rebuttal Adjustment
13 Remove ASU Study Costs per RUCO 2.07	\$ 327	\$ 757	\$ (430)
17 Amount to be removed from Outside Services per RUCO DR 1.25	\$ (6,886)	\$ -	\$ (6,886)
24 Adjustment to Revenue and/or Expense			<u>\$ (7,316)</u> Line [13] + Line [17]

Line
 No.

1 Adjust Postage Expense

3 On January 22, 2017, the United States Postal Service increased postage rates. The Company has calculated a projected increase based on known and measurable increases to postage rates at time of
 4 this rebuttal filing.

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

20 Postage Expense Account 5611 per General Ledger

(a) \$ 41,183

22 Total Increase / (Decrease) to Postage Expense

\$ 1,098 Col [E] Line[18]*Line[21]

Expense per Company's Original Application per IS JPB Adj#11

\$ 579

25 Adjustment to Revenue and/or Expense

\$ 519 Line [22]- Line [23]

45 Workpapers & Supporting Documents:

46 (a) Sch E-6 Line 19

47 USPS Rates 2016.xlsx

48

49

50 \2016 Anthem Water Rebuttal.xlsm

Line

No.

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

2

3 The Company is partially accepting Staff IS Adj #5. The Company is removing rate case expense out of the regulatory expense accounts. Staff recommends authorizing a surcharge to recover rate
 4 case expense. Staff proposed recovery over a 5 year period however the Company proposes a 3 year period.
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	[A]	[B]	[C] = [A] - [B]	
	Revised	Original	Rebuttal	
	Amounts (a)	Application	Adjustment	(a)
Amount to be removed from Regulatory Expense per Staff IS ADJ #5	\$ (26,981)		o \$ (26,981)	

24 Adjustment to Revenue and/or Expense

\$ (26,981) Line [11]

45 Workpapers & Supporting Documents:
 46 (a) Schedule C2

50 \2016 Anthem Water Rebuttal.xlsx

Line

No.

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

2

3 The Company is partially accepting Staff IS Adj #4. The Company accepts Staff's recommendation to remove certain identified costs related to entertainment and gifts. However the Company does not
 4 agree to remove tuition related costs.
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8 Staff Disallowed Amounts per Staff Adj #4		Company Position	Anthem Water	4-Factor	6.8860%
9 Entertainment	\$ 81,543	Accept			
10 Tuition	\$ 64,387	Oppose			
11 Gifts	\$ 17,937	Accept			
12	<u>\$ 163,867</u>	Line [9 through 11]			

14
 15 Amount to be Removed

16 Entertainment	\$ 81,543	
17 Gifts	\$ 17,937	
18 Total	\$ 99,480	Line [16] + Line [17]

19		
20 Allocated to District	6.8860%	
21	\$ 6,850	Line [18] * Line [20]

Rebuttal
 Adjustment

22		
23		
24 Adjustment to Revenue and/or Expense	\$ (6,850)	Line [21]

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 45 Workpapers & Supporting Documents:

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 49
 50 \2016 Anthem Water Rebuttal.xlsm

Line
 No.

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

2
 3 The Company is accepting both Staff IS Adj #1 and RUCO IS Adj #4. This rebuttal adjustment reverses the Company's original adjustment JPB-IS9 and restores the purchased power and fuel expense
 4 back into the Test Year operating expenses for recovery in base rates.
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8 The Company's water districts utilize multiple vendors in their different geographic locations. Power is purchased from Arizona Public Service Company ("APS"), UNS Electric, Inc. ("UNS Electric"), and Mohave Electric Cooperative ("MEC").
 9 Each of these vendors has initiated or concluded rate cases during the test year and pro forma adjustments to electrical costs are proposed to account for known and measurable increases. The Company has no control over these price
 10 increases. Additionally, EWAZ has experienced consistent year-over-year increases in APS's bills due to changes in surcharge factors associated with their rate adjustor mechanisms.

11 APS provides electrical service to the Agua Fria, Anthem, Sun City, Sun City West, Chaparral, and Paradise Valley water districts. APS also provides electrical service to the Phoenix corporate office. On March 1, 2017, APS reached a settlement
 12 agreement with the major parties in its rate case filed on June 1, 2016. The Company does not expect the Commission to issue a decision prior to the filing of this rate case, but is aware that the commercial rates will increase if the settlement
 13 is approved. In addition to increased base rates resulting from the rate case application, APS utilizes a number of adjustor mechanisms that have caused electric costs to increase year-over-year, between APS filing general rate applications.
 14 Accordingly, the Company adjusts the power charges included in the proposed PCAM based on the three-year average trend of known and measurable historical annual cost increases. Electric costs for districts using APS are adjusted for 2017
 15 and 2018 to account for known rate increases that will be effective prior to the resolution of this case.

16 UNS Electric provides power for the Company's operations in its Tubac and Havasu Water districts. On August 18, 2016, the Commission issued Decision No. 75697 (August 18, 2016), authorizing new rates for residential and commercial
 17 customers. The Company has multiple accounts with UNS Electric. As these rate increases are known and measurable, but not fully reflected in the 2016 purchased power costs, a one-time adjustment is included to annualize this increase in
 18 purchased power costs included in the adjustor mechanism in-line with the newly authorized tariff for the eight months of the year that were not billed using the current tariff.

19 The Mohave, North Mohave, and Willow Valley Water districts receive power from MEC, which increased rates effective February 1, 2016 per Decision No. 75931 (January 13, 2017). The increased costs that result from that decision are not
 20 fully reflected in the 2016 test year power expenses for those districts, but the increase in costs that result from Decision No. 75931 is both known and measurable. The two months of 2016 expenses billed pursuant to MEC's previous tariff
 21 should therefore be adjusted for the known increase. The purchased power expenses for the Mohave, North Mohave, and Willow Valley Water districts have been annualized accordingly for rate changes in the test year in the PCAM.
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		[A]	[B]		[C]	[D]	[E] = [A] + [B] + [C] + [D]	
		Corporate (a)	Direct (b)		Other	Annualization	Total	
		2016	2016		Allocation (c)		2016	
	5617 Power Charges	\$ 2,912	\$ 691,056				\$ 693,968	
	5616 Natural Gas Charges	\$ -	\$ 615				\$ 615	
	Annualization					\$ 607	\$ 607	
32	Total Purchased Power Expense						\$ 695,190	Line[29 - 31]
34	2017 % Increase	6.29%						
35	2018 % Increase	6.29%						
		[F]	[G]	[H]	[I]	[J]	[I] = [F] + [G] + [H] + [I] + [J]	
		Corporate	Direct	Natural Gas	Other Allocation	Annualization	Total	
38	2017 Increase - Power	\$ 183	\$ 43,489	0	0	\$ 38	\$ 43,710	Line[29] * 2017% Inc; Line [31] * 2017% Inc
39	2017 Expense	\$ 3,096	\$ 734,544	\$ 615	\$ -	\$ 645	\$ 738,900	Line[29]+Line[38], Line[31] + Line [38]
41	2018 Increase - Power	\$ 195	\$ 46,225	0	\$ -	\$ 41	\$ 46,461	Line[39] * 2018% Inc
42	2018 Expense	\$ 3,290	\$ 780,770	\$ 615	\$ -	\$ 686	\$ 785,361	Line[39]+Line[41]
44	Increase/Decrease to Expense						\$ 785,361	Col 1, Line[42]

47 Workpapers & Supporting Documents:
 48 (a) Sch E-6b (b) Sch E-6a \Purchased Power Adjustment Calc.xlsx
 49
 50 \2016 Anthem Water Rebuttal.xlsm

Line

No.

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

2

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

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

13

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

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

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26 Test Year Purchased Water Expense
 27 Annualization of Water Expense (SMC-IS6)
 28 Annualized Purchased Water Expenses

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30 2017 Percentage increase in CAP costs

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32 2017 Purchased Water Expense

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34 2018 Percentage increase in CAP costs

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36 2018 Purchased Water Expense

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38 Mohave Wtr Conservation District - Impost Fees

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40 Impost Fees - Bullhead City

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42 Water Admin Fee - MVDD

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44 ADWR Groundwater Withdrawal Fee

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Total Pro Forma Purchased Water Costs

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Increase/Decrease to Expense

49

50 Workpapers & Supporting Documents:

(a) Company IS Adjustment JPB-IS30

\2016 Anthem Water Rebuttal.xlsm

Purchased Water

Test Year Expense

\$ 591,528 (a)

\$ 517

\$ 592,045 Line [26]+Line [27]

34.43% (c)

\$ 795,864 Line [28]*(1+Line [30])

0.00% (c)

\$ 795,864 Line [31]*(1+Line [33])

\$ - (c)

\$ - (c)

\$ - (c)

\$ - (c)

\$ 795,864 Sum Lines [34 - 39]

\$ 795,864 Line [40]

Line	<u>No.</u>	<u>Description</u>	[A]	[B]	Percentage of Incremental <u>Gross Revenues</u> [C]
	1	Federal Income Taxes			
	2				19.97%
	3	State Income Taxes			
	4			Combined	24.87%
	5				4.90%
	6	Property Taxes	Effective Rate = 1.52% One Minus Combined	75.13%	1.14% [A] x [B]
	7				
	8	Bad Debt Expense	Effective Rate = 0.16% One Minus Combined	75.13%	0.12% [A] x [B]
	9				
	10	Insurance Other Than Group	Effective Rate = 0.26% One Minus Combined	75.13%	0.19% [A] x [B]
	11				
	12				
	13	Total Tax Percentage			26.33% Sum Line [1-10]
	14				
	15	Operating Income % = 100% - Tax Percentage			73.67% 1 - [C] Line [13]
	16				
	17				
	18		1 = Gross Revenue Conversion Factor		
	19				
	20				
	21	Operating Income %			1.36 1 / [C] Line [15]
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	43	Supporting Schedules:	Recap Schedules:		
	44	C-2 Rebuttal	A-1 Rebuttal		
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	46				
	47	Workpapers & Supporting Documents			
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	50	\2016 Anthem Water Rebuttal.xlsm			