

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	<b>Revenues</b>					
2	\$ 10,705,288	\$ -	\$ 10,705,288	\$ 2,505,359	\$ 13,210,647	
3	217,256	-	217,256	-	217,256	
4	<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ 10,922,544</b>	<b>\$ 2,505,359</b>	<b>\$ 13,427,903</b>	Sum Lines [2-3]
5						
6	<b>Operating Expenses</b>					
7	\$ 1,814,327	\$ -	\$ 1,814,327	\$ -	\$ 1,814,327	
8	-	1,576,200	1,576,200	-	1,576,200	
9	-	845,357	845,357	-	845,357	
10	113,164	-	113,164	-	113,164	
11	4,403	71	4,473	-	4,473	
12	-	-	-	-	-	
13	434,274	505	434,779	-	434,779	
14	276,722	(6,059)	270,663	-	270,663	
15	606,211	-	606,211	-	606,211	
16	-	-	-	-	-	
17	146,040	(146,040)	-	-	-	
18	95,440	112	95,552	6,485	102,037	
19	465,252	4,117	469,369	2,984	472,353	
20	52,656	-	52,656	-	52,656	
21	231,959	(5,510)	226,449	-	226,449	
22	68,843	1,037	69,880	-	69,880	
23	518,180	6,096	524,276	-	524,276	
24	2,569,137	33,447	2,602,584	-	2,602,584	
25	394,187	(72,390)	321,797	24,965	346,762	
26	139,177	-	139,177	-	139,177	
27	849,265	(857,583)	(8,318)	614,544	606,226	
28						
29	<b>Total Operating Expenses</b>	<b>\$ 1,379,360</b>	<b>\$ 10,158,598</b>	<b>\$ 648,978</b>	<b>\$ 10,807,576</b>	Sum Lines [7-27]
30	<b>Utility Operating Income</b>	<b>\$ (1,379,360)</b>	<b>\$ 763,946</b>	<b>\$ 1,856,382</b>	<b>\$ 2,620,328</b>	Line [4] - Line [29]
31	<b>Other Income &amp; Deductions</b>					
32	\$ (102,483)	\$ -	\$ (102,483)	\$ -	\$ (102,483)	
33	768,491	20,580	789,072	-	789,072	
34	-	-	-	-	-	
35	-	-	-	-	-	
36	<b>Total Other Income &amp; Deductions</b>	<b>\$ 20,580</b>	<b>\$ 686,588</b>	<b>\$ -</b>	<b>\$ 686,588</b>	Sum Lines [32-35]
37	<b>Net Profit / (Loss)</b>	<b>\$ (1,399,940)</b>	<b>\$ 77,358</b>	<b>\$ 1,856,382</b>	<b>\$ 1,933,739</b>	Line [30] - Line [36]

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 39  
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 41  
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 43 Supporting Schedules:  
 44 (a) C-2 Rebuttal  
 45  
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 47  
 48 Workpapers & Supporting Documents  
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Recap Schedules:  
 A-1 Rebuttal

Sch C-2 Original  
 Column [AP]

	Page 3	Page 4	Page 5	Page 6	Page 7	Page 8	Page 9	Page 10	Page 11	Page 12		
TY Adjusted Results	[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>Line No.</u>	<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	<b>Revenues</b>											
2	Water	\$ 10,705,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
3	Other Revenues	217,256	-	-	-	-	-	-	-	-	-	
4	<b>Total Revenue</b>	<b>\$ 10,922,544</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
5												
6	<b>Operating Expenses</b>											
7	Labor	\$ 1,814,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
8	Purchased Water	-	-	-	-	-	-	-	-	-	-	
9	Fuel & Power	-	-	-	-	-	-	-	-	-	-	
10	Chemicals	113,164	-	-	-	-	-	-	-	-	-	
11	Waste Disposal	4,403	-	-	-	-	-	-	-	71	-	
12	Intercompany Support Services	-	-	-	-	-	-	-	-	-	-	
13	Corporate Allocation	434,274	-	-	-	-	-	-	-	505	-	
14	Outside Services	276,722	-	-	-	-	-	-	-	4,443	-	
15	Group Insurance	606,211	-	-	-	-	-	-	-	-	-	
16	Pensions	-	-	-	-	-	-	-	-	-	-	
17	Regulatory Expense	146,040	-	-	-	-	-	-	-	-	-	
18	Insurance Other Than Group	95,440	-	-	-	-	-	-	112	-	-	
19	Customer Accounting	465,252	-	-	-	-	-	-	-	1,550	1,776	
20	Rents	52,656	-	-	-	-	-	-	-	-	-	
21	General Office Expense	231,959	-	-	-	-	-	-	-	4,324	-	
22	Miscellaneous	68,843	-	-	-	-	-	-	-	1,037	-	
23	Maintenance Expense	518,180	-	-	-	-	-	-	-	6,096	-	
24	Depreciation & Amortization	2,569,137	-	-	-	(29,423)	-	83,675	(20,804)	-	-	
25	General Taxes-Property	394,187	(72,390)	-	-	-	-	-	-	-	-	
26	General Taxes-Other	139,177	-	-	-	-	-	-	-	-	-	
27	Income Taxes	849,265	-	(857,583)	-	-	-	-	-	-	-	
28												
29	<b>Total Operating Expenses</b>	<b>\$ 8,779,238</b>	<b>\$ (72,390)</b>	<b>\$ (857,583)</b>	<b>\$ -</b>	<b>\$ (29,423)</b>	<b>\$ -</b>	<b>\$ 83,675</b>	<b>\$ (20,804)</b>	<b>\$ 112</b>	<b>\$ 18,026</b>	<b>\$ 1,776</b>
30	<b>Utility Operating Income</b>	<b>\$ 2,143,306</b>	<b>\$ 72,390</b>	<b>\$ 857,583</b>	<b>\$ -</b>	<b>\$ 29,423</b>	<b>\$ -</b>	<b>\$ (83,675)</b>	<b>\$ 20,804</b>	<b>\$ (112)</b>	<b>\$ (18,026)</b>	<b>\$ (1,776)</b>
31	<b>Other Income &amp; Deductions</b>											
32	Other Income & Deductions	\$ (102,483)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
33	Interest Expense	768,491	-	-	20,580	-	-	-	-	-	-	
34	Other Expense	-	-	-	-	-	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-	
36	<b>Total Other Income &amp; Deductions</b>	<b>\$ 666,008</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,580</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
37	<b>Net Profit / (Loss)</b>	<b>\$ 1,477,298</b>	<b>\$ 72,390</b>	<b>\$ 857,583</b>	<b>\$ (20,580)</b>	<b>\$ 29,423</b>	<b>\$ -</b>	<b>\$ (83,675)</b>	<b>\$ 20,804</b>	<b>\$ (112)</b>	<b>\$ (18,026)</b>	<b>\$ (1,776)</b>

44 Supporting Schedules:  
 45 E-6 Recap Schedules:  
 46 C-1 Rebuttal

	Page 13 [L] ADJ SLH-IS11 REB	Page 14 [M] ADJ JPB-IS12 REB	Page 15 [N] ADJ SLH-IS13 REB	Page 16 [O] ADJ SLH-IS14 REB	Page 17 [P] ADJ JPB-IS15 REB	Page 18 [Q] ADJ JPB-IS16 REB	[R] Sum [B - Q]	[S] Sum [A] + [R]	[T]	[U] Sum [S] + [T]
Line No.	<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 &amp; RUCO IS Adj #4: Adjust Fuel and Power Expense</u>	<u>Accept Staff IS Adj #2 &amp; RUCO IS Adj #3: Adjust Purchased Water Expense</u>	Total Pro Forma Adjustments	Test Year Adjusted Results	Proposed Rate Increase	Adjusted Rate Increase
1	<b>Revenues</b>									
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,705,288	\$ 2,505,359	\$ 13,210,647
3	-	-	-	-	-	-	-	217,256	-	217,256
4	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,922,544</b>	<b>\$ 2,505,359</b>	<b>\$ 13,427,903</b>
5										
6	<b>Operating Expenses</b>									
7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,814,327	-	\$ 1,814,327
8	-	-	-	-	-	1,576,200	1,576,200	1,576,200	-	1,576,200
9	-	-	-	-	845,357	-	845,357	845,357	-	845,357
10	-	-	-	-	-	-	-	113,164	-	113,164
11	-	-	-	-	-	-	71	4,473	-	4,473
12	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	505	434,779	-	434,779
14	(10,502)	-	-	-	-	-	(6,059)	270,663	-	270,663
15	-	-	-	-	-	-	-	606,211	-	606,211
16	-	-	-	-	-	-	-	-	-	-
17	-	-	(146,040)	-	-	-	(146,040)	-	-	-
18	-	-	-	-	-	-	112	95,552	6,485	102,037
19	-	791	-	-	-	-	4,117	469,369	2,984	472,353
20	-	-	-	-	-	-	-	52,656	-	52,656
21	-	-	-	(9,833)	-	-	(5,510)	226,449	-	226,449
22	-	-	-	-	-	-	1,037	69,880	-	69,880
23	-	-	-	-	-	-	6,096	524,276	-	524,276
24	-	-	-	-	-	-	33,447	2,602,584	-	2,602,584
25	-	-	-	-	-	-	(72,390)	321,797	24,965	346,762
26	-	-	-	-	-	-	-	139,177	-	139,177
27	-	-	-	-	-	-	(857,583)	(8,318)	614,544	606,226
28										
29	<b>\$ (10,502)</b>	<b>\$ 791</b>	<b>\$ (146,040)</b>	<b>\$ (9,833)</b>	<b>\$ 845,357</b>	<b>\$ 1,576,200</b>	<b>\$ 1,379,360</b>	<b>\$ 10,158,598</b>	<b>\$ 648,978</b>	<b>\$ 10,807,576</b>
30	<b>\$ 10,502</b>	<b>\$ (791)</b>	<b>\$ 146,040</b>	<b>\$ 9,833</b>	<b>\$ (845,357)</b>	<b>\$ (1,576,200)</b>	<b>\$ (1,379,360)</b>	<b>\$ 763,946</b>	<b>\$ 1,856,382</b>	<b>\$ 2,620,328</b>
31	<b>Other Income &amp; Deductions</b>									
32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (102,483)	-	\$ (102,483)
33	-	-	-	-	-	-	20,580	789,072	-	789,072
34	-	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-	-
36	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,580</b>	<b>\$ 686,588</b>	<b>\$ -</b>	<b>\$ 686,588</b>
37	<b>\$ 10,502</b>	<b>\$ (791)</b>	<b>\$ 146,040</b>	<b>\$ 9,833</b>	<b>\$ (845,357)</b>	<b>\$ (1,576,200)</b>	<b>\$ (1,399,940)</b>	<b>\$ 77,358</b>	<b>\$ 1,856,382</b>	<b>\$ 1,933,739</b>

44 Supporting Schedules:  
 45 E-6  
 46  
 47  
 48 Workpapers & Supporting Documents  
 49  
 50 \2016 Chaparral City Water Rebuttal.

Recap Schedules:  
 C-1 Rebuttal

Line

<u>No.</u>		[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) \$ 10,922,544	\$ 10,922,544
7	Adjusted Revenues in Year Ended December 2016	10,922,544	10,922,544
8	Proposed Revenues	10,922,544	13,427,903
9	Average of Three Year's of Revenue	Avg Lines[6] thru [8] \$ 10,922,544	\$ 11,757,664
10	Average of Three Year's of Revenue, times 2	Line[9] * 2 \$21,845,088	\$23,515,328
11	Add:		
12	Construction Work in Progress at 10%	(a) 64,048	64,048
13	Deduct:		
14	Net Book Value of Transportation Equipment	\$ 380,008	\$ 380,008
15			
16	Full Cash Value	Sum Lines[10-12] - Line[14] \$ 21,529,129	\$ 23,199,368
17	Assessment Ratio (For 2016 per HB 2001 Sec 42-15001)	18.0%	18.0%
18	Assessed Value	Line[16]*Line[17] \$ 3,875,243	\$ 4,175,886
19	Property Tax Rate	(c) 8.30%	8.30%
20			
21	Property Tax	Line[18]*Line[19] 321,797	346,762
22	Tax on Parcels	-	-
23			
24	Adjusted Test Year Property Taxes at Present Rates	Line[21]+Line[22] \$ 321,797	Sum Lines[21-27] \$ 346,762
25	Adjusted Test Year Property Taxes	(b) 394,187	Line[24] Col [A] 321,797
26	Adjustment to Revenue and/or Expense (To Sch C-2 Rebuttal)	Line[24] - Line[25] \$ (72,390)	Line[28] - Line[29] \$ 24,965
27			
28	Adjusted Test Year Property Taxes at Proposed Rates		
29	Adjusted Test Year Property Taxes at Present Rates		
30	Additional Property Taxes on Proposed Revenues (To Sch C-2 Rebuttal )		
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])		\$ 24,965
37			
38	Increase in Revenue Requirement (From Sch. A-1 Rebuttal)		\$ 2,505,359
39			
40	Increase in Property Tax Per Dollar Increase in Revenue (Line 36/Line 38)		1.00%
41			
42			
43			
44	<u>Workpapers &amp; Supporting Documents:</u>		
45			
46	(a) Sch E1		
47	(b) Sch C2 Rebuttal		
48	(c) \Composite Property Tax Rate 2016.xlsx		
49			
50	\2016 Chaparral City Water Rebuttal.xlsm		

Line No.		Test Year Adjusted Results	Adjusted with Rate Increase
1	<u>Federal and State Income Taxes</u>		
2			
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4			
5			
6			
7	Operating Income Before Inc. Taxes	\$ 755,628	\$ 3,226,554
8	Interest Expense	789,072	789,072
9	Arizona Taxable Income	Line[7] - Line[8] \$ (33,444)	\$ 2,437,482
10			
11	Arizona Income Tax 4.90%	Line[9]*5.500% \$ (1,639)	\$ 119,437
12			
13			
14	Federal Income Before Taxes	Line[9] \$ (33,444)	\$ 2,437,482
15	Less Arizona Income Taxes	Line[11] (1,639)	119,437
16	Federal Taxable Income	Line[14] - Line[15] \$ (31,805)	\$ 2,318,046
17			
18	FEDERAL INCOME TAXES:		
19			
20			
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23			
24			
25	Federal Income Taxes 21.00%	Line[16]*34.000% \$ (6,679)	\$ 486,790
26			
27			
28	Total Income Tax	Line[15]+Line[25] \$ (8,318)	\$ 606,226
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) \$ 849,265	
38	Increase in Income Taxes,	Line[28] - Line[37] \$ (857,583)	
39			
40	Adjustment to Revenues and/or Expense	Line[38] \$ (857,583)	
41			
42	Test Year Income Taxes,		Line[28] \$ (8,318)
43	Increase in Income Taxes		Line[28] - Line[42] 614,544
44			
45	Adjustment to Revenue and/or Expense		Line[43] \$ 614,544
46			
47	<u>Workpapers &amp; Supporting Documents:</u>		
48	(a) Sch C2 Rebuttal		
49			
50	\\2016 Chaparral City Water Rebuttal.xlsm		

Line			
<u>No.</u>			
1	<u>Interest Synchronization with Rate Base</u>		
2			
3			
4			
5			
6	Original Cost Rate Base (Sch. B-1 Rebuttal , Ln. 28)	(a) \$	35,384,387
7	Weighted Cost of Debt from Schedule D-1 Rebuttal	(c)	2.23%
8	Synchronized Interest Expense	Line[6]*Line[7]	\$ 789,072
9			
10	Test Year Interest Expense Adjusted	(b) \$	<u>768,491</u>
11			
12	Adjusted Test Year Interest Expense	Line[10]	\$ <u>768,491</u>
13			
14	Increase/(Decrease) in Interest Expense	Line[8] - Line[12]	\$ <u>20,580</u>
15			
16	Rebuttal Adjustment to Revenue and/or Expense	Line[14]	\$ <u>20,580</u>
17			
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45	<u>Workpapers &amp; Supporting Documents:</u>		
46	(a) Sch B1 Rebuttal		
47	(b) Sch C2 Rebuttal		
48	(c) Sch D1 Rebuttal		
49			
50	\2016 Chaparral City Water Rebuttal.xlsm		

Line

No.

1 Regulatory Liability - ADIT Amortization - Tax Reform Adj

2

3 The Company is updating its Deferred Income Tax Balance to reflect the impact of the Tax Cuts and Jobs Act of 2017. This caused the Company to create a Regulatory Liability for this amount as reflected  
 4 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 \$ 1,057,705 (a)

9

10 Amortization Rate 2.7818%

11

12 Annual Amortization \$ (29,423) Line [8] \* Line [10]

13

14

15  
 16 Increase/ (Decrease) to Depreciation/ Amortization \$ (29,423) 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

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45 Workpapers & Supporting Documents:

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50 \2016 Chaparral City Water Rebuttal.xlsm



Line  
 No.

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

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

	[A]	[B]	[C] = [A] * [B]
	Depreciation on Post TY Plant Additions per Summary of Plant and A/D by NARUC - FINAL 2017 PTYP (a)	Allocation Factor	Depreciation Expense
17	\$ 304,559	100.0000%	\$ 304,559
18	23,064	100.0000%	23,064
19	48,670	7.2408%	3,524
20	17,375	7.2408%	1,258
21	236,805	6.5944%	15,616
22	174,541	6.5944%	11,510
23	<u>\$ 805,015</u>	Sum Lines [17 - 22]	
27	Depreciation Expense on 2017 Post Test Plant per Rebuttal		\$ 359,532
30	Depreciation Expense on 2017 Post Test Plant per Company's Original Applicator		<u>\$ 275,857</u> (b)
33	Increase / (Decrease) to Depreciation Expense		\$ 83,675
35	Rebuttal Adjustment to Revenue and/or Expense		<u>\$ 83,675</u>

45 Workpapers & Supporting Documents:

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

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

48

49

50 \2016 Chaparral City 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	7.2408%
Arizona Total	91.0728%
Alloc Factor	6.5944%

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
Depreciation on Retirements on Test Year Plant - Chaparral City Water	\$ (25,618)	100.0000%	\$ (25,618)
Depreciation on Retirements on Test Year Plant - 7A Corporate Plant Allocatcc	(1,774)	7.2408%	(128)
Depreciation on Retirements on Test Year Plant - 6U Plant Allocated	-	6.5944%	-
Depreciation Expense on 2017 Retirements per Rebuttal			\$ (25,747) Sum Lines [17 - 19]
Depreciation Expense on 2017 Retirements per Company's Original Applicator			\$ (4,942) (b)
Increase / (Decrease) to Depreciation Expense			\$ (20,804) Line[26] - Line[29]
Rebuttal Adjustment to Revenue and/or Expense			<u>\$ (20,804)</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

\2016 Chaparral City Water Rebuttal.xlsm

Line  
No.

1 Adjust Insurance Other Than Group

2  
 3 Insurance Other Than Group consists of 16 separate components. Annually, the Company reports certain business statistics to its insuring agencies including Revenues, Plant Balances, Employee Count,  
 4 Total Payroll and Vehicle Counts. Each of the 16 components is adjusted annually based on these statistics. The primary components are property insurance, excess liability, worker's compensation, and  
 5 crime. The Company has taken the average rate applicable to each of these components for the last four years, and made a conforming adjustment for employee count, test year and proposed  
 6 revenues, and property. This is a conforming adjustment and updated with the values in the Rebuttal Filing.

	DIRECT PLANT	[1]	[2]	[1] * [2] = [3]
8	Test Year	6P	AZ	AZ-Factor
9	Adj Results	District 4-Factor		
10	Gross Property Value at 12/31/2016	\$ 84,168,766	9.8847%	87.7062%
11	% of Plant Insured	47.75%	\Insurance]1. Property & Terrorism [23]	
12	Gross Plant Insured	\$ 40,188,070	Line [11] * Line [12]	

	Test Year Adjusted Results	Schc2 Rebuttal [X][14]	Adjusted with Rate Increase	Schc2 Rebuttal [Z][14]	Adjusted with Rate Increase
	[A]	[B]	[C] = [A] * [B]	[D]	[E] = [D] * [B]
	Factor	Amount	Rate	Premium	Amount
19	<b>Adjusted Revenues in Year Ended December 2016</b>	<b>\$ 10,922,544</b>		<b>\$ 13,427,903</b>	
22	1. Property Insurance	Plant [25] \$ 40,188,070	0.0526%	\Insurance] Summar \$ 21,136	\$ 40,188,070 \$ 21,136
23	2. Excess Liability	Revenue Line [25] 10,922,544	0.2588%	\Insurance] Summar 28,271	13,427,903 34,755
24	3. Umbrella Liability	AZ 4- Factor [10] 95,767	8.6695%	\Insurance] Summar 8,303	95,767 8,303
25	4. Autos	AZ 4- Factor [10] 278,350	8.6695%	\Insurance] Summar 24,131	278,350 24,131
26	5. Workers Compensation	Payroll Col [49] 127,271	1.6543%	\Insurance] Summar 2,105	127,271 2,105
27	6. Pollution *	Fixed Site 3,554	1.00	\Insurance] Summar 3,554	3,554 3,554
28	7. D&O	AZ 4- Factor [10] 13,367	8.6695%	\Insurance] Summar 1,159	13,367 1,159
29	8. Fiduciary	AZ 4- Factor [10] 1,483	8.6695%	\Insurance] Summar 129	1,483 129
30	9. Crime	Employee Count 34 \$	7.76	\Insurance] Summar 264	34 264
31	10. Employed Lawyers	AZ 4- Factor [10] 1,196	8.6695%	\Insurance] Summar 104	1,196 104
32	11. Non Owned Pollution	AZ 4- Factor [10] 19,339	8.6695%	\Insurance] Summar 1,677	19,339 1,677
33	12. Employment Practices	Employee Count 34 \$	5.30	\Insurance] Summar 180	34 180
34	13. Utilities Bond **	Site Bond Requirement 22,331	0.0000%	\Insurance] Summar -	22,331 -
35	14. Cyber Insurance	AZ 4- Factor [10] 11,366	8.6695%	\Insurance] Summar 985	11,366 985
36	15. Sun City Flood Insurance	Sun City Only 2,356	0.0000%	\Insurance] Summar -	2,356 -
37	16. LAPP	AZ 4- Factor [10] 19,383	8.6695%	\Insurance] Summar 1,680	19,383 1,680
38					
39	<b>Total</b>			\$ 93,678	Sum Col [C] \$ 100,162

42	Adjusted Test Year Insurance Other Than Group	From Original Filing	\$ 93,566	\$ 93,678
43	Increase/(Decrease) to Insurance Other Than Group		\$ 112	\$ 6,485

46 Workpapers & Supporting Documents:  
 47  
 48  
 49  
 50 \2016 Chaparral City Water Rebuttal.xlsx

Line

No.

1 Adjust CPI for 2017

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 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	\$ 104,439	2014	127.823				
Other Utilities	5621	\$ 4,304	2015	128.019	0.15%			
Asset Usage Fee - Corporate	6203	\$ 30,762	2016	130.107	1.63%			
Consulting Engineering	5227	\$ 4,773	2017	133.324	2.47%	1.4%		
Contractors and Consultants	5250	\$ 133,067	Chemical Increase				4.0%	
Administrative Contractors	5679	\$ 2,145	[A] * Line [12]	[A] + [B] * Line		[E]	[F] = [D] - [E]	
Outside Computer Charges (T1)	5628	\$ 40,369	Chemical [13]	[12] Chemical [13]				
Temporary Support	5629	\$ 55,943	[A]	[B]	[C]	[D] = [B] + [C]	IS JPB ADJ #23	
Legal Fees	5681	\$ 34,245	Total	Year 1	Year 2	Revised Total	Original Total	
Service Charges	5615	\$ 43,124	Chemicals	\$ 4,178	\$ 4,345	\$ 8,522	\$ 8,522	
Customer Communications	5674	\$ 51,260	Waste Disposal	\$ 106	\$ 63	\$ 169	\$ 98	
Rent and Storage	5810	\$ 52,656	Corporate Allocatio	\$ 761	\$ 447	\$ 1,208	\$ 703	
Freight and Courier	5262	\$ 4,120	Outside Services	\$ 6,689	\$ 3,934	\$ 10,623	\$ 6,180	
Telephone, Long Distance, Data	5620	\$ 86,164	Customer Accountin	\$ 94,384	\$ 2,334	\$ 1,372	\$ 3,706	
Stationary, Printing & Other O	5622	\$ 33,556	General Office Exp	\$ 263,252	\$ 6,509	\$ 3,828	\$ 10,337	
Office Machines, Furniture	5623	\$ 5,562	Miscellaneous	\$ 63,131	\$ 1,561	\$ 918	\$ 2,479	
Parking	5630	\$ 732	Maintenance Expen:	\$ 371,172	\$ 9,178	\$ 5,397	\$ 14,575	
Vehicle Allowance	5631	\$ 2,909	Sum Lines[18]thru[25]	\$ 1,201,986	\$ 31,315	\$ 20,304	\$ 51,619	
Vehicle Allowance	5271	\$ 16					\$ 33,593	
Business Allowance	5634	\$ 1,365						
Memberships Dues & Professiona	5640	\$ 18,337						
Subscriptions	5641	\$ 2,142						
Airfare	5650	\$ 7,612						
Accommodation, Other Travel	5651	\$ 11,522						
Employee Working Meals	5652	\$ 12,839						
Training - Fees/Tuition	5660	\$ 23,701						
Training Fee	5252	\$ 18						
FR Clothing	5273	\$ 27,423						
Miscellaneous	5697	\$ 35,708						
Stock	5260	\$ -						
Materials, Supplies	5261	\$ 104,394						
Veh. and Equip.-Allocation	5270	\$ 111,633						
Equipment	5275	\$ 4,272						
Hardware	5624	\$ 332						
Software	5625	\$ 5,591						
Maintenance	5811	\$ 93,060						
Vehicle Maintenance	5823	\$ 51,892						
		\$ 1,201,986	Sum Lines [9 thru 45]					
<u>Workpapers &amp; Supporting Documents:</u>								
(a) Sche6	Bureau of Labor Statistics - Phoenix CPI							
\2016 Chaparral City Water Rebuttal.xlsm								
						Increase / (Decrease) to Expense	Line [26] Col [D] \$ 18,026	

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

\$ 207,740 (a)

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CPI Adjustment 2017

\$ 3,388 Line[16]\*1.63%

Adjusted 2017 Expense

\$ 211,128 Line[16]+Line [18]

CPI Adjustment 2018

\$ 5,220 Line[19]\*2.47%

Adjusted 2018 Expense

\$ 216,348 Line[19]+Line[21]

Total Increase/ (Decrease) to C.U.S Charges

\$ 8,608 Line[18]+Line[21]

Expense per Company's Original Application per IS JPB Adj#12

\$ 6,832

\$ 1,776 Line[26] - Line[28]

Adjustment to Revenue and/or Expense

\$ 1,776 Line[30]

Workpapers & Supporting Documents:

(a) Sche6

\2016 Chaparral City 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 will  
 4 include these ASU Study Costs as part of the Rate Case Expense and recover these costs as part of the Staff's recommended Rate Case Expense Surcharge; 2). The Company is reducing contractor  
 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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	[A] Revised <u>Amounts (a)</u>	[B] Original <u>Application</u>	[C] = [A] - [B] Rebuttal <u>Adjustment</u>
12 <u>Part 1</u>			
13 Remove ASU Study Costs	\$ 470	\$ 1,087	\$ (618)

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16 <u>Part 2</u>			
17 Amount to be removed from Outside Services per RUCO DR 1.25	\$ (9,885)	-	\$ (9,885)

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24 Adjustment to Revenue and/or Expense			\$ (10,502) Line [13] + Line [17]
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45 Workpapers & Supporting Documents:

46 (a) Company Response to RUCO DR 1.25

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50 \\2016 Chaparral City Water Rebuttal.xlsm

Line

No.

1 Adjust Postage Expense

2

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

46 (a) Sch E-6 Line 19

47 USPS Rates 2016.xlsx

48

49

50 \2016 Chaparral City Water Rebuttal.xlsm

	[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%	

Postage Expense Account 5611 per General Ledger

(a) \$ 62,757

Total Increase / (Decrease) to Postage Expense

\$ 1,673 Col [E] Line[18]\*Line[21]

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

\$ 882

Adjustment to Revenue and/or Expense

\$ 791 Line [22]- Line [23]

Line

No.

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

2

3 The Company is partially accepting Staff IS Adj #5. The Company is removing rate case expense out of the regulatory expense accounts. Staff recommends authorizing a surcharge to recover rate case  
 4 expense. Staff proposed recovery over a 5 year period however the Company proposes a 3 year period.  
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	[A]	[B]	[C] = [A] - [B]
	Revised	Original	Rebuttal
	<u>Amounts (a)</u>	<u>Application</u>	<u>Adjustment</u>
Amount to be removed from Regulatory Expense per Staff IS ADJ #5	\$ (146,040)	0	\$ (146,040)

Adjustment to Revenue and/or Expense

\$ (146,040) Line [13]

Workpapers & Supporting Documents:

(a) Schedule C2

\2016 Chaparral City Water Rebuttal.xlsm



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.  
 5  
 6  
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8 Staff Disallowed Amounts per Staff Adj #4		Company Position	Chaparral City Water	4-Factor	9.8847%
9 Entertainment	\$ 81,543	Accept			
10 Tuition	\$ 64,387	Oppose			
11 Gifts	\$ 17,937	Accept			
12	<u>\$ 163,867</u>				

15 Amount to be Removed					
16 Entertainment	\$ 81,543				
17 Gifts	\$ 17,937				
18 Total	\$ 99,480	Line [16] + Line [17]			

20 Allocated to District	9.8847%				
21	\$ 9,833	Line [18] * Line [20]			

Rebuttal  
 Adjustment

24 Adjustment to Revenue and/or Expense	\$ (9,833)	Line [21]
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45 Workpapers & Supporting Documents:

46  
 47  
 48  
 49  
 50 \2016 Chaparral City Water Rebuttal.xlsm

Line  
 No.

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

2  
 3 The Company is accepting both Staff IS Adj #1 and RUCO IS Adj #4. This rebuttal adjustment reverses the Company's original adjustment JPB-IS9 and restores the purchased power and fuel expense back  
 4 into the Test Year operating expenses for recovery in base rates.  
 5  
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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  
 9 Cooperative ("MEC"). Each of these vendors has initiated or concluded rate cases during the test year and pro forma adjustments to electrical costs are proposed to account for known and measurable increases. The  
 10 Company has no control over these price increases. Additionally, EWAZ has experienced consistent year-over-year increases in APS's bills due to changes in surcharge factors associated with their rate adjustor mechanisms.

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

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  
 17 and commercial customers. The Company has multiple accounts with UNS Electric. As these rate increases are known and measurable, but not fully reflected in the 2016 purchased power costs, a one-time adjustment is  
 18 included to annualize this increase in purchased power costs included in the adjustor mechanism in-line with the newly authorized tariff for the eight months of the year that were not billed using the current tariff.

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  
 20 decision are not fully reflected in the 2016 test year power expenses for those districts, but the increase in costs that result from Decision No. 75931 is both known and measurable. The two months of 2016 expenses billed  
 21 pursuant to MEC's previous tariff should therefore be adjusted for the known increase. The purchased power expenses for the Mohave, North Mohave, and Willow Valley Water districts have been annualized accordingly  
 22 for rate changes in the test year in the PCAM.  
 23  
 24

		[A]	[B]		[C]	[D]	[E] = [A] + [B] + [C] + [D]	
		Corporate (a)	Direct (b)		Other Allocation (c)	Annualization	Total	
GL Account	Account Description	2016	2016		2016		2016	
	5617 Power Charges	\$ 4,181	\$ 742,589				\$ 746,770	
	5616 Natural Gas Charges	\$ -	\$ -				\$ -	
	Annualization					\$ 1,452	\$ 1,452	
Total Purchased Power Expense							\$ 748,222	Line[29 - 31]
	2017 % Increase	6.29%						
	2018 % Increase	6.29%						
		[F]	[G]	[H]	[I]	[J]	[I] = [F] + [G] + [H] + [I] + [J]	
		Corporate	Direct	Natural Gas	Other Allocation	Annualization	Total	
	2017 Increase - Power	\$ 263	\$ 46,732	\$ -	\$ -	\$ 91	\$ 47,086	Line[29] * 2017% Inc; Line [31] * 2017% Inc
	2017 Expense	\$ 4,444	\$ 789,321	\$ -	\$ -	\$ 1,543	\$ 795,308	Line[29]+Line[38], Line[31] + Line [38]
	2018 Increase - Power	\$ 280	\$ 49,672	\$ -	\$ -	\$ 97	\$ 50,049	Line[39] * 2018% Inc
	2018 Expense	\$ 4,723	\$ 838,993	\$ -	\$ -	\$ 1,641	\$ 845,357	Line[39]+Line[41]
Increase/Decrease to Expense							\$ 845,357	Col 1, Line[42]

47 Workpapers & Supporting Documents:

- 48 (a) Sch E-6b
- 49 (b) Sch E-6a \Purchased Power Adjustment Calc.xlsx
- 50 (c) Sch E-6c

50 \2016 Chaparral City 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  
9 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 purchase price of water. Costs have  
10 been adjusted from the 2016 test year expense to annualized water expense. Additionally, the Company has included known and measurable increases to purchased water costs. The Company pays  
11 the Central Arizona Project ("CAP") for fees in many districts. CAP has published schedules showing the anticipated increases to fees in 2018, which will be finalized by the prior to the conclusion of this  
12 rate case. The impact of the increases in CAP fees have been included in the total purchased water costs.  
13

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 (MVDD), and fees to Bullhead City for  
15 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. Many of these fees are already  
16 collected through supplemental surcharges on customer bills. All costs have been included in the total purchased water cost with the intention of combining all these fees into one purchased water  
17 surcharge.  
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19 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  
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25 Test Year Purchased Water Expense  
26 CAP Water Purchases - Recovered through surcharge  
27 SMC-IS6

28 Annualized Purchased Water Expenses

29

30 2017 Percentage increase in CAP costs

31 2017 Purchased Water Expense

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33 2018 Percentage increase in CAP costs

34 2018 Purchased Water Expense

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36 Mohave Wtr Conservation District - Impost Fees

37 Impost Fees - Bullhead City

38 Water Admin Fee - MVDD

39 ADWR Groundwater Withdrawal Fee

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45 Workpapers & Supporting Documents:

46 (a) Company IS Adjustment JPB-IS30

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50 \2016 Chaparral City Water Rebuttal.xlsm

Purchased Water Test Year Expense	Total
	\$ 936,639
	\$ 465,063 (a)
	<u>\$ 1,822</u>
	\$ 1,403,524 Sum Lines [25 - 27]
	<u>8.95% (c)</u>
	\$ 1,529,201 Line [28]*(1+Line [30])
	<u>3.07% (c)</u>
	\$ 1,576,200 Line [31]*(1+Line [33])
	\$ - (c)
	\$ - (c)
	\$ - (c)
	<u>\$ - (c)</u>
Total Pro Forma Purchased Water Costs	\$ 1,576,200 Sum Lines [34 - 39]
Increase/Decrease to Expense	<u>\$ 1,576,200</u> Line [40]

Line No.	Description	[A]	[B]	Percentage of Incremental Gross Revenues [C]
1	Federal Income Taxes			
2				19.97%
3	State Income Taxes			
4			Combined	24.87%
5				4.90%
6	Property Taxes	Effective Rate = 1.00%	One Minus Combined	75.13%
7				0.75% [A] x [B]
8	Bad Debt Expense	Effective Rate = 0.12%	One Minus Combined	75.13%
9				0.09% [A] x [B]
10	Insurance Other Than Group	Effective Rate = 0.26%	One Minus Combined	75.13%
11				0.19% [A] x [B]
12				
13	Total Tax Percentage			25.90% Sum Line [1-10]
14				
15	Operating Income % = 100% - Tax Percentage			74.10% 1 - [C] Line [13]
16				
17				
18		1 = Gross Revenue Conversion Factor		
19				
20				
21	Operating Income %			1.35 1 / [C] Line [15]
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43	Supporting Schedules:		Recap Schedules:	
44	C-2 Rebuttal		A-1 Rebuttal	
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47	Workpapers & Supporting Documents			
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