

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	\$ 1,786,473	\$ -	\$ 1,786,473	\$ 171,423	\$ 1,957,896	
3	15,280	-	15,280	-	15,280	
4	\$ 1,801,753	\$ -	\$ 1,801,753	\$ 171,423	\$ 1,973,176	Sum Lines [2-3]
5						
6	Operating Expenses					
7	\$ 303,526	\$ -	\$ 303,526	\$ -	\$ 303,526	
8	-	182	182	-	182	
9	-	170,573	170,573	-	170,573	
10	32,921	-	32,921	-	32,921	
11	89	1	90	-	90	
12	-	-	-	-	-	
13	61,103	71	61,174	-	61,174	
14	33,978	(932)	33,046	-	33,046	
15	108,597	-	108,597	-	108,597	
16	-	-	-	-	-	
17	13,257	(13,257)	-	-	-	
18	17,997	(52)	17,945	444	18,389	
19	62,955	561	63,515	548	64,063	
20	7,409	-	7,409	-	7,409	
21	59,159	(349)	58,810	-	58,810	
22	5,672	83	5,755	-	5,755	
23	124,351	972	125,323	-	125,323	
24	382,895	10,173	393,067	-	393,067	
25	87,007	(7,209)	79,798	2,412	82,211	
26	28,126	-	28,126	-	28,126	
27	134,042	(85,958)	48,084	41,788	89,872	
28						
29	\$ 1,463,082	\$ 74,859	\$ 1,537,941	\$ 45,192	\$ 1,583,134	Sum Lines [7-27]
30	\$ 338,670	\$ (74,859)	\$ 263,811	\$ 126,231	\$ 390,043	Line [4] - Line [29]
31	Other Income & Deductions					
32	\$ (2,600)	\$ -	\$ (2,600)	\$ -	\$ (2,600)	
33	121,679	(3,117)	118,562	-	118,562	
34	-	-	-	-	-	
35	-	-	-	-	-	
36	\$ 119,079	\$ (3,117)	\$ 115,962	\$ -	\$ 115,962	Sum Lines [32-35]
37	\$ 219,592	\$ (71,742)	\$ 147,850	\$ 126,231	\$ 274,081	Line [30] - Line [36]

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 41
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 43 Supporting Schedules:
 44 (a) C-2 Rebuttal
 45
 46
 47
 48 Workpapers & Supporting Documents
 49
 50 \2016 Havasu Water Rebuttal.xlsm

Recap Schedules:
 A-1 Rebuttal

Sch C-2 Orig

Test Year

	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

Line No.	Test Year Book Results	<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	\$ 1,786,473	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3 Other Revenues	15,280	-	-	-	-	-	-	-	-	-	-
4 Total Revenue	\$ 1,801,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Operating Expenses											
7 Labor	\$ 303,526	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8 Purchased Water	-	-	-	-	-	-	-	-	-	-	-
9 Fuel & Power	-	-	-	-	-	-	-	-	-	-	-
10 Chemicals	32,921	-	-	-	-	-	-	-	-	-	-
11 Waste Disposal	89	-	-	-	-	-	-	-	-	1	-
12 Intercompany Support Services	-	-	-	-	-	-	-	-	-	-	-
13 Corporate Allocation	61,103	-	-	-	-	-	-	-	-	71	-
14 Outside Services	33,978	-	-	-	-	-	-	-	-	546	-
15 Group Insurance	108,597	-	-	-	-	-	-	-	-	-	-
16 Pensions	-	-	-	-	-	-	-	-	-	-	-
17 Regulatory Expense	13,257	-	-	-	-	-	-	-	-	-	-
18 Insurance Other Than Group	17,997	-	-	-	-	-	-	-	(52)	-	-
19 Customer Accounting	62,955	-	-	-	-	-	-	-	-	128	333
20 Rents	7,409	-	-	-	-	-	-	-	-	-	-
21 General Office Expense	59,159	-	-	-	-	-	-	-	-	1,034	-
22 Miscellaneous	5,672	-	-	-	-	-	-	-	-	83	-
23 Maintenance Expense	124,351	-	-	-	-	-	-	-	-	972	-
24 Depreciation & Amortization	382,895	-	-	-	(3,574)	-	20,410	(6,663)	-	-	-
25 General Taxes-Property	87,007	(7,209)	-	-	-	-	-	-	-	-	-
26 General Taxes-Other	28,126	-	-	-	-	-	-	-	-	-	-
27 Income Taxes	134,042	-	(85,958)	-	-	-	-	-	-	-	-
29 Total Operating Expenses	\$ 1,463,082	\$ (7,209)	\$ (85,958)	\$ -	\$ (3,574)	\$ -	\$ 20,410	\$ (6,663)	\$ (52)	\$ 2,835	\$ 333
30 Utility Operating Income	\$ 338,670	\$ 7,209	\$ 85,958	\$ -	\$ 3,574	\$ -	\$ (20,410)	\$ 6,663	\$ 52	\$ (2,835)	\$ (333)
31 Other Income & Deductions											
32 Other Income & Deductions	\$ (2,600)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33 Interest Expense	121,679	-	-	(3,117)	-	-	-	-	-	-	-
34 Other Expense	-	-	-	-	-	-	-	-	-	-	-
35 Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-
36 Total Other Income & Deductions	\$ 119,079	\$ -	\$ -	\$ (3,117)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37 Net Profit / (Loss)	\$ 219,592	\$ 7,209	\$ 85,958	\$ 3,117	\$ 3,574	\$ -	\$ (20,410)	\$ 6,663	\$ 52	\$ (2,835)	\$ (333)

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

48 Workpapers & Supporting Documents:

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,786,473	\$ 171,423	\$ 1,957,896
3	Other Revenues	-	-	-	-	-	-	-	-	-	-	15,280	-	15,280
4	Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,801,753	\$ 171,423	\$ 1,973,176
5														
6	Operating Expenses													
7	Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,526	\$ -	\$ 303,526
8	Purchased Water	-	-	-	-	-	182	182	-	-	182	-	182	
9	Fuel & Power	-	-	-	-	170,573	-	170,573	-	-	170,573	-	170,573	
10	Chemicals	-	-	-	-	-	-	-	-	-	32,921	-	32,921	
11	Waste Disposal	-	-	-	-	-	-	1	-	-	90	-	90	
12	Intercompany Support Services	-	-	-	-	-	-	-	-	-	-	-	-	
13	Corporate Allocation	-	-	-	-	-	-	71	-	-	61,174	-	61,174	
14	Outside Services	(1,478)	-	-	-	-	-	(932)	-	-	33,046	-	33,046	
15	Group Insurance	-	-	-	-	-	-	-	-	-	108,597	-	108,597	
16	Pensions	-	-	-	-	-	-	-	-	-	-	-	-	
17	Regulatory Expense	-	-	(13,257)	-	-	-	(13,257)	-	-	-	-	-	
18	Insurance Other Than Group	-	-	-	-	-	-	(52)	-	-	17,945	444	18,389	
19	Customer Accounting	-	100	-	-	-	-	561	-	-	63,515	548	64,063	
20	Rents	-	-	-	-	-	-	-	-	-	7,409	-	7,409	
21	General Office Expense	-	-	-	(1,384)	-	-	(349)	-	-	58,810	-	58,810	
22	Miscellaneous	-	-	-	-	-	-	83	-	-	5,755	-	5,755	
23	Maintenance Expense	-	-	-	-	-	-	972	-	-	125,323	-	125,323	
24	Depreciation & Amortization	-	-	-	-	-	-	10,173	-	-	393,067	-	393,067	
25	General Taxes-Property	-	-	-	-	-	-	(7,209)	-	-	79,798	2,412	82,211	
26	General Taxes-Other	-	-	-	-	-	-	-	-	-	28,126	-	28,126	
27	Income Taxes	-	-	-	-	-	-	(85,958)	-	-	48,084	41,788	89,872	
28														
29	Total Operating Expenses	\$ (1,478)	\$ 100	\$ (13,257)	\$ (1,384)	\$ 170,573	\$ 182	\$ 74,859	\$ (13,257)	\$ (52)	\$ 1,537,941	\$ 45,192	\$ 1,583,134	
30	Utility Operating Income	\$ 1,478	\$ (100)	\$ 13,257	\$ 1,384	\$ (170,573)	\$ (182)	\$ (74,859)	\$ -	\$ -	\$ 263,811	\$ 126,231	\$ 390,043	
31	Other Income & Deductions													
32	Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,600)	\$ -	\$ (2,600)	
33	Interest Expense	-	-	-	-	-	-	(3,117)	-	-	118,562	-	118,562	
34	Other Expense	-	-	-	-	-	-	-	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	
36	Total Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,117)	\$ -	\$ -	\$ 115,962	\$ -	\$ 115,962	
37	Net Profit / (Loss)	\$ 1,478	\$ (100)	\$ 13,257	\$ 1,384	\$ (170,573)	\$ (182)	\$ (71,742)	\$ -	\$ -	\$ 147,850	\$ 126,231	\$ 274,081	

44 Supporting Schedules:
 45 E-6

Recap Schedules:
 C-1 Rebuttal

Line
 No.

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	[A]	[B]
3			
4		<u>Property Tax Expense</u>	<u>Property Tax Expense</u>
5			<u>For Conversion Factor</u>
6	Adjusted Revenues in Year Ended December 2016	(b) \$ 1,801,753	\$ 1,801,753
7	Adjusted Revenues in Year Ended December 2016	1,801,753	1,801,753
8	Proposed Revenues	1,801,753	1,973,176
9	Average of Three Year's of Revenue	Avg Lines[6] thru [8] \$ 1,801,753	\$ 1,858,894
10	Average of Three Year's of Revenue, times 2	Line[9] * 2 \$3,603,505	\$3,717,788
11	Add:		
12	Construction Work in Progress at 10%	(a) 66,156	66,156
13	Deduct:		
14	Net Book Value of Transportation Equipment	\$ (110,481)	\$ (110,481)
15			
16	Full Cash Value	Sum Lines[10-12] - Line[14] \$ 3,780,142	\$ 3,894,424
17	Assessment Ratio (For 2016 per HB 2001 Sec 42-15001)	18.0%	18.0%
18	Assessed Value	Line[16]*Line[17] \$ 680,426	\$ 700,996
19	Property Tax Rate	(c) 11.73%	11.73%
20			
21	Property Tax	Line[18]*Line[19] 79,798	82,211
22	Tax on Parcels	-	-
23			
24	Adjusted Test Year Property Taxes at Present Rates	Line[21]+Line[22] \$ 79,798	
25	Adjusted Test Year Property Taxes	(b) 87,007	
26	Adjustment to Revenue and/or Expense (To Sch C-2 Rebuttal)	Line[24] - Line[25] \$ (7,209)	
27			
28	Adjusted Test Year Property Taxes at Proposed Rates		Sum Lines[21-27] \$ 82,211
29	Adjusted Test Year Property Taxes at Present Rates		Line[24] Col [A] 79,798
30	Additional Property Taxes on Proposed Revenues (To Sch C-2 Rebuttal)		Line[28] - Line[29] \$ 2,412
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])		\$ 2,412
37			
38	Increase in Revenue Requirement (From Sch. A-1 Rebuttal)		\$ 171,423
39			
40	Increase in Property Tax Per Dollar Increase in Revenue (Line 36/Line 38)		1.41%
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 Havasu 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				
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6				
7	Operating Income Before Inc. Taxes		\$ 311,895	\$ 479,915
8	Interest Expense		118,562	118,562
9	Arizona Taxable Income		<u>Line[7] - Line[8] \$ 193,333</u>	<u>\$ 361,353</u>
10				
11	Arizona Income Tax	4.90%	Line[9]*5.500% \$ 9,473	\$ 17,706
12				
13				
14	Federal Income Before Taxes		Line[9] \$ 193,333	\$ 361,353
15	Less Arizona Income Taxes		Line[11] 9,473	17,706
16	Federal Taxable Income		<u>Line[14] - Line[15] \$ 183,860</u>	<u>\$ 343,647</u>
17				
18	FEDERAL INCOME TAXES:			
19				
20				
21				
22				
23				
24				
25	Federal Income Taxes	21.00%	Line[16]*34.000% \$ 38,611	\$ 72,166
26				
27				
28	Total Income Tax		Line[15]+Line[25] \$ 48,084	\$ 89,872
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) \$ 134,042	
38	Increase in Income Taxes,		Line[28] - Line[37] \$ (85,958)	
39				
40	Adjustment to Revenues and/or Expense		Line[38] \$ (85,958)	
41				
42	Test Year Income Taxes,			Line[28] \$ 48,084
43	Increase in Income Taxes			Line[28] - Line[42] 41,788
44				
45	Adjustment to Revenue and/or Expense			Line[43] \$ 41,788
46				
47	<u>Workpapers & Supporting Documents:</u>			
48	(a) Sch C2 Rebuttal			
49				
50	\2016 Havasu Water Rebuttal.xlsm			

Line

No.

1 Interest Synchronization with Rate Base

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

(a) \$ 5,316,673

7 Weighted Cost of Debt from Schedule D-1 Rebuttal

(c) 2.23%

8 Synchronized Interest Expense

Line[6]*Line[7] \$ 118,562

9

10 Test Year Interest Expense Adjusted

(b) \$ 121,679

11

12 Adjusted Test Year Interest Expense

Line[10] \$ 121,679

13

14 Increase/(Decrease) in Interest Expense

Line[8] - Line[12] \$ (3,117)

15

16 Rebuttal Adjustment to Revenue and/or Expense

Line[14] \$ (3,117)

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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 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

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

\$ 136,306 (a)

9

10 Amortization Rate

2.6221%

11

12 Annual Amortization

\$ (3,574) Line [8] * Line [10]

13

14

15

16 Increase/ (Decrease) to Depreciation/ Amortization

\$ (3,574) 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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50 \2016 Havasu Water Rebuttal.xlsm

Line

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45 Workpapers & Supporting Documents:

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50 \2016 Havasu Water Rebuttal.xlsm

Line
 No.

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

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

	[A]	[B]	[C] = [A] * [B]
	Depreciation on Post TY Plant Additions per Summary of Plant and A/D by NARUC - FINAL 2017 PTYP (a)	Allocation Factor	Depreciation Expense
17 Depreciation on Post Test Year Plant Additions - Havasu Water	\$ 44,903	100.0000%	\$ 44,903
18 Depreciation on Additional TY Plant Additions - Havasu Water	11,529	100.0000%	11,529
19 Depreciation on 7A Corporate Post Test Year Plant Additions Allocated	48,670	0.9331%	454
20 Depreciation on Additional 7A Corporate Test Year Plant Additions Allocated	17,375	0.9331%	162
21 Depreciation on 6U Post Test Year Plant Additions Allocated	236,805	0.8498%	2,012
22 Depreciation on Additional 6U Test Year Plant Additions Allocated	174,541	0.8498%	1,483
	<u>\$ 533,824</u> <small>Sum Lines [17 -22]</small>		
27 Depreciation Expense on 2017 Post Test Plant per Rebuttal			\$ 60,544 <small>Sum Lines[17] thru [22]</small>
30 Depreciation Expense on 2017 Post Test Plant per Company's Original Application			<u>\$ 40,135</u> <small>(b)</small>
33 Increase / (Decrease) to Depreciation Expense			\$ 20,410 <small>Line[27] - Line[30]</small>
35 Rebuttal Adjustment to Revenue and/or Expense			<u>\$ 20,410</u> <small>Line[33]</small>

45 Workpapers & Supporting Documents:

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

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

48

49

50 \2016 Havasu Water Rebuttal.xlsm

Line

No.

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

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

GMC 4 Factor	0.9331%
Arizona Total	91.0728%
Alloc Factor	0.8498%

	[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 Depreciation on Retirements on Test Year Plant - Havasu Water	\$ (9,666)	100.0000%	\$ (9,666)
18 Depreciation on Retirements on Test Year Plant - 7A Corporate Plant Allocated	(1,774)	0.9331%	(17)
19 Depreciation on Retirements on Test Year Plant - 6U Plant Allocated	-	0.8498%	-
26 Depreciation Expense on 2017 Retirements per Rebuttal			\$ (9,682) Sum Lines [17 - 19]
29 Depreciation Expense on 2017 Retirements per Company's Original Application			\$ (3,019) (b)
32 Increase / (Decrease) to Depreciation Expense			\$ (6,663) Line[26] - Line[29]
34 Rebuttal Adjustment to Revenue and/or Expense			\$ (6,663) Line[32]

45 Workpapers & Supporting Documents:
 46 (a) Summary of Plant Balances and Accum Depr by NARUC Updated for Final 2017 PTYP.xlsx
 47 (b) Schedule C2 Adj SLM - IS25
 48
 49
 50 \2016 Havasu Water Rebuttal.xlsm

Line
 No.

1 Adjust Insurance Other Than Group

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 revenues,
 6 and property. This is a conforming adjustment and updated with the values in the Rebuttal Filing.

	DIRECT PLANT	[1]	[2]	[1] * [2] = [3]
	Test Year	7U	AZ	AZ-Factor
	Adj Results	District 4-Factor	1.3908%	87.7062%

11 Gross Property Value at 12/31/2016 \$ 12,207,398 Schb2 Rebuttal Line [2]
 12 % of Plant Insured 47.75% \[Insurance]1. Property & Terrorism [23]

14 Gross Plant Insured \$ 5,828,668 Line [11] * Line [12]

	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	\$ 1,801,753		\$ 1,973,176			
	[A]	[B]	[C] = [A] * [B]	[D]	[E] = [D] * [B]	
Factor	Amount	Rate	Source	Premium	Amount	Premium
1. Property Insurance	Plant [25] \$ 5,828,668	0.0526%	\[Insurance] Summary	\$ 3,065	\$ 5,828,668	\$ 3,065
2. Excess Liability	Revenue Line [25] 1,801,753	0.2588%	\[Insurance] Summary	4,663	1,973,176	5,107
3. Umbrella Liability	AZ 4- Factor [10] 95,767	1.2198%	\[Insurance] Summary	1,168	95,767	1,168
4. Autos	AZ 4- Factor [10] 278,350	1.2198%	\[Insurance] Summary	3,395	278,350	3,395
5. Workers Compensation	Payroll Col [49] 26,991	1.6543%	\[Insurance] Summary	447	26,991	447
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	1.2198%	\[Insurance] Summary	163	13,367	163
8. Fiduciary	AZ 4- Factor [10] 1,483	1.2198%	\[Insurance] Summary	18	1,483	18
9. Crime	Employee Count 6 \$	7.76	\[Insurance] Summary	47	6	47
10. Employed Lawyers	AZ 4- Factor [10] 1,196	1.2198%	\[Insurance] Summary	15	1,196	15
11. Non Owned Pollution	AZ 4- Factor [10] 19,339	1.2198%	\[Insurance] Summary	236	19,339	236
12. Employment Practices	Employee Count 6 \$	5.30	\[Insurance] Summary	32	6	32
13. Utilities Bond **	Site Bond Requirement 22,331	0.0000%	\[Insurance] Summary	-	22,331	-
14. Cyber Insurance	AZ 4- Factor [10] 11,366	1.2198%	\[Insurance] Summary	139	11,366	139
15. Sun City Flood Insurance	Sun City Only 2,356	0.0000%	\[Insurance] Summary	-	2,356	-
16. LAPP	AZ 4- Factor [10] 19,383	1.2198%	\[Insurance] Summary	236	19,383	236
Total				\$ 17,178	Sum Col [N]	\$ 17,622

42 Adjusted Test Year Insurance Other Than Group From Original Filing \$ 17,230
 43 Increase/(Decrease) to Insurance Other Than Group \$ (52) Line [39] - Line [42] \$ 444

- 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 Havasu 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

7 2016 Unadjusted Expenses

Description	Account	Amount (a)	Consumer Price Index - Phoenix Urban Consumers				IS JPB ADJ #23	Rebuttal Adjustment
			Year	Annual Index	Increase	Ave Increase		
Chemicals	5263	\$ 30,037	2014	127.823				
Other Utilities	5621	\$ 87	2015	128.019	0.15%			
Asset Usage Fee - Corporate	6203	\$ 4,328	2016	130.107	1.63%			
Consulting Engineering	5227	\$ 74	2017	133.324	2.47%	1.4%		
Contractors and Consultants	5250	\$ 18,551	Chemical Increase				4.0%	
Administrative Contractors	5679	\$ 302	[A] * Line [12]		[A] + [B] * Line [12]			
Outside Computer Charges (T1)	5628	\$ 8,152	Chemical [13]		Chemical [13]		[E]	
Temporary Support	5629	\$ 2,504	[A]	[B]	[C]	[D] = [B] + [C]	[F] = [D] - [E]	
Legal Fees	5681	\$ 3,636	Total	Year 1	Year 2	Revised Total	Original Total	
Service Charges	5615	\$ 4,427	Chemicals	\$ 30,037	\$ 1,201	\$ 1,250	\$ 2,451	\$ 2,451
Customer Communications	5674	\$ 3,354	Waste Disposal	\$ 87	\$ 2	\$ 1	\$ 3	\$ 2
Rent and Storage	5810	\$ 7,409	Corporate Allocatic	\$ 4,328	\$ 107	\$ 63	\$ 170	\$ 99
Freight and Courier	5262	\$ 157	Outside Services	\$ 33,219	\$ 821	\$ 483	\$ 1,304	\$ 759
Telephone, Long Distance, Data	5620	\$ 39,050	Customer Accounti	\$ 7,781	\$ 192	\$ 113	\$ 306	\$ 178
Stationary, Printing & Other O	5622	\$ 3,094	General Office Exp	\$ 62,972	\$ 1,557	\$ 916	\$ 2,473	\$ 1,438
Office Machines, Furniture	5623	\$ 483	Miscellaneous	\$ 5,064	\$ 125	\$ 74	\$ 199	\$ 116
Parking	5630	\$ 67	Maintenance Exper	\$ 59,178	\$ 1,463	\$ 860	\$ 2,324	\$ 1,352
Vehicle Allowance	5631	\$ 359	Sum Lines[18]thru[25]	\$ 202,668	\$ 5,470	\$ 3,760	\$ 9,230	\$ 6,394
Vehicle Allowance	5271	\$ 2						
Business Allowance	5634	\$ 158						
Memberships Dues & Professiona	5640	\$ 1,306						
Subscriptions	5641	\$ 300						
Airfare	5650	\$ 961						
Accommodation, Other Travel	5651	\$ 4,696						
Employee Working Meals	5652	\$ 2,053						
Training - Fees/Tuition	5660	\$ 2,877						
Training Fee	5252	\$ 3						
FR Clothing	5273	\$ 4,007						
Miscellaneous	5697	\$ 1,057						
Stock	5260	\$ 697						
Materials, Supplies	5261	\$ 19,565						
Veh. and Equip.-Allocation	5270	\$ 23,564						
Equipment	5275	\$ 425						
Hardware	5624	\$ 24						
Software	5625	\$ 724						
Maintenance	5811	\$ 918						
Vehicle Maintenance	5823	\$ 13,260						
		\$ 202,668						
Sum Lines [9 thru 45]								
Increase / (Decrease) to Expense							Line [26]	\$ 2,835

47 Workpapers & Supporting Documents:

48 (a) Sche6 Bureau of Labor Statistics - Phoenix CPI

49

50 \2016 Havasu 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
 4 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
 5 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.
 6

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

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

C.U.S. Charges per Schedule E-6, account 5611	\$	39,006	(a)
CPI Adjustment 2017	\$	636	Line[16]*1.63%
Adjusted 2017 Expense	\$	39,642	Line[16]+Line [18]
CPI Adjustment 2018	\$	980	Line[19]*2.47%
Adjusted 2018 Expense	\$	40,622	Line[19]+Line[21]
Total Increase/ (Decrease) to C.U.S Charges	\$	1,616	Line[18]+Line[21]
Expense per Company's Original Application per IS JPB Adj#12	\$	1,283	
	\$	333	Line[26] - Line[28]

Adjustment to Revenue and/or Expense \$ 333 Line[30]

45 Workpapers & Supporting Documents:
 46 (a) Sche6

50 \2016 Havasu Water Rebuttal.xlsm

Line
No.

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

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.

	[A]	[B]	[C] = [A] - [B]
	Revised	Original	Rebuttal
	<u>Amounts (a)</u>	<u>Application</u>	<u>Adjustment</u>
12 <u>Part 1</u>			
13 Remove ASU Study Costs	\$ 66	\$ 153	\$ (87)
14			
15			
16 <u>Part 2</u>			
17 Amount to be removed from Outside Services per RUCO DR 1.25	\$ (1,391)	\$ -	\$ (1,391)
18			
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22			
23			
24 Adjustment to Revenue and/or Expense			<u>\$ (1,478)</u> Line [13] + Line [17]
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45 <u>Workpapers & Supporting Documents:</u>			
46 (a) Company Response to RUCO DR 1.25			
47			
48			
49			
50 \2016 Havasu Water Rebuttal.xlsm			

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.
 5
 6

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

20 Postage Expense Account 5611 per General Ledger

(a) \$ 8,007

22 Total Increase / (Decrease) to Postage Expense

\$ 213 Col [E] Line[18]*Line[21]

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

\$ 113

25 Adjustment to Revenue and/or Expense

\$ 100 Line [22]- Line [23]

45 Workpapers & Supporting Documents:

46 (a) Sch E-6 Line 19

47 USPS Rates 2016.xlsx

48

49

50 \2016 Havasu Water Rebuttal.xlsm

Line

No.

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

2

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

Amount to be removed from Regulatory Expense per Staff IS ADJ #5	\$ (13,257)	0	\$ (13,257)
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Adjustment to Revenue and/or Expense

\$ (13,257) Line [13]

Workpapers & Supporting Documents:

(a) Schedule C2

\2016 Havasu 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
 7

Staff Disallowed Amounts per Staff Adj #4		Company Position	Havasu Water	4-Factor	1.3908%
9 Entertainment	\$ 81,543	Accept			
10 Tuition	\$ 64,387	Oppose			
11 Gifts	\$ 17,937	Accept			
12 Total	<u>\$ 163,867</u>				

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

20 Allocated to District	<u>1.3908%</u>				
21	\$ 1,384	Line [18] * Line [20]			

22					
23					
24	Adjustment to Revenue and/or Expense				
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45	Workpapers & Supporting Documents:				
46					
47					
48					
49					
50	\2016 Havasu Water Rebuttal.xlsm				

Line
 No.

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

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

11 The Company's water districts utilize multiple vendors in their different geographic locations. Power is purchased from Arizona Public Service Company ("APS"), UNS Electric, Inc. ("UNS Electric"), and Mohave Electric Cooperative ("MEC"). Each of these vendors has initiated or concluded rate cases during the test year and pro forma adjustments to electrical costs are proposed to account for known and measurable increases. The Company has no control over these price increases. Additionally, EWAZ has experienced consistent year-over-year increases in APS's bills due to changes in surcharge factors associated with their rate adjustor mechanisms.

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

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

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 fully reflected in the 2016 test year power expenses for those districts, but the increase in costs that result from Decision No. 75931 is both known and measurable. The two months of 2016 expenses billed pursuant to MEC's previous tariff should therefore be adjusted for the known increase. The purchased power expenses for the Mohave, North Mohave, and Willow Valley Water districts have been annualized accordingly for rate changes in the test year in the PCAM.

GL Account	Account Description	[A] Corporate (a)		[B] Direct (b)		[C] Other Allocation (c)		[D] Annualization	[E] = [A] + [B] + [C] + [D]	
		2016	2016	2016	2016	2016	2016	Total	2016	
	5617 Power Charges	\$ 588	\$ 148,977					\$	149,566	
	5616 Natural Gas Charges	\$ -	\$ 122					\$	122	
	Annualization						\$ 2,158	\$	2,158	
Total Purchased Power Expense								\$	151,846	Line[29 - 31]

2017 % Increase	6.29%	12.34%
2018 % Increase	6.29%	0.00%

	[F] Corporate		[G] Direct	[H] Natural Gas	[I] Other Allocation	[J] Annualization	[K] = [F] + [G] + [H] + [I] + [J]	
	2017 Expense	2018 Expense	2017 Expense	2018 Expense	2017 Expense	2018 Expense	2017 Expense	2018 Expense
2017 Increase - Power	\$ 37	\$ 18,385	\$ 0	\$ 0	\$ 266	\$ 18,688	Line[29] * 2017% Inc; Line [31] * 2017% Inc	
2017 Expense	\$ 625	\$ 167,362	\$ 122	\$ -	\$ 2,424	\$ 170,534	Line[29]+Line[38], Line[31] + Line [38]	
2018 Increase - Power	\$ 39	\$ -	\$ 0	\$ -	\$ -	\$ 39	Line[39] * 2018% Inc	
2018 Expense	\$ 665	\$ 167,362	\$ 122	\$ -	\$ 2,424	\$ 170,573	Line[39]+Line[41]	
Increase/Decrease to Expense						\$ 170,573	Col 1, Line[42]	

47 Workpapers & Supporting Documents:

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

Line
 No.

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

2
 3 The Company is accepting both Staff IS Adj #2 and RUCO IS Adj #3. This rebuttal adjustment reverses the Company's original adjustment JPB-IS30 and restores the purchased water expense back into the
 4 Test Year operating expenses for recovery in base rates.
 5
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 7

8 The Company is proposing a Purchase Water Adjustor Mechanism for all districts in this rate case, except Willow Valley. The Company's estimate as to the per customer surcharge is calculated based on the total potable and
 9 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 expense
 10 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. CAP has
 11 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 purchased
 12 water costs.

13 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 water. The Company also
 14 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 on
 15 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.
 16

17 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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	<u>Purchased Water</u>	
	<u>Test Year Expense</u>	
26 Test Year Purchased Water Expense	\$ 179 (a)	
27 Annualization of Water Expense (SMC-IS6)	\$ 3	
28 Annualized Purchased Water Expenses	<u>\$ 182</u>	Line [26]+Line [27]
29		
30 2017 Percentage increase in CAP costs	0.00% (c)	
31 2017 Purchased Water Expense	\$ 182	Line [28]*(1+Line [30])
32		
33 2018 Percentage increase in CAP costs	0.00% (c)	
34 2018 Purchased Water Expense	\$ 182	Line [31]*(1+Line [33])
35		
36 Mohave Wtr Conservation District - Impost Fees	\$ -	(c)
37 Impost Fees - Bullhead City	\$ -	(c)
38 Water Admin Fee - MVDD	\$ -	(c)
39 ADWR Groundwater Withdrawal Fee	\$ -	(c)
40 Groundwater Withdrawal Fee	<u>\$ -</u>	(c)
41 Total Pro Forma Purchased Water Costs	<u>\$ 182</u>	Sum Lines [36 - 40]
42		
43 Increase/Decrease to Expense	<u>\$ 182</u>	Line [41]
44		

45 Workpapers & Supporting Documents:

46 (a) Company IS Adjustment JPB-IS30

47

48

49

50 \2016 Havasu Water Rebuttal.xlsm

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 = 1.41%	One Minus Combined	75.13%
7				1.06% [A] x [B]
8	Bad Debt Expense	Effective Rate = 0.32%	One Minus Combined	75.13%
9				0.24% [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			26.36% Sum Line [1-10]
14				
15	Operating Income % = 100% - Tax Percentage			73.64% 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		
45				
46				
47	Workpapers & Supporting Documents			
48				
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50	\2016 Havasu Water Rebuttal.xlsm			