

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	\$ 10,058,627	\$ -	\$ 10,058,627	\$ 1,030,739	\$ 11,089,366	
3	Other Revenues	58,345	-	58,345	-	58,345	
4	Total Revenues	\$ 10,116,972	\$ -	\$ 10,116,972	\$ 1,030,739	\$ 11,147,711	Sum Lines [2-3]
5							
6	Operating Expenses						
7	Labor	\$ 1,095,552	\$ -	\$ 1,095,552	\$ -	\$ 1,095,552	
8	Purchased Water	-	599,455	599,455	-	599,455	
9	Fuel & Power	-	1,402,317	1,402,317	-	1,402,317	
10	Chemicals	45,731	-	45,731	-	45,731	
11	Waste Disposal	5,087	82	5,168	-	5,168	
12	Intercompany Support Services	-	-	-	-	-	
13	Corporate Allocation	233,283	271	233,555	-	233,555	
14	Outside Services	163,651	(3,014)	160,637	-	160,637	
15	Group Insurance	360,755	-	360,755	-	360,755	
16	Pensions	-	-	-	-	-	
17	Regulatory Expense	47,728	(47,728)	-	-	-	
18	Insurance Other Than Group	79,293	14	79,307	2,668	81,975	
19	Customer Accounting	186,522	1,730	188,252	1,876	190,128	
20	Rents	29,568	-	29,568	-	29,568	
21	General Office Expense	117,741	(3,049)	114,692	-	114,692	
22	Miscellaneous	43,105	656	43,761	-	43,761	
23	Maintenance Expense	335,492	4,234	339,726	-	339,726	
24	Depreciation & Amortization	2,420,364	8,852	2,429,216	-	2,429,216	
25	General Taxes-Property	376,007	(62,394)	313,613	10,709	324,322	
26	General Taxes-Other	89,496	-	89,496	-	89,496	
27	Income Taxes	1,376,387	(954,081)	422,307	252,562	674,868	
28							
29	Total Operating Expenses	\$ 7,005,762	\$ 947,345	\$ 7,953,106	\$ 267,814	\$ 8,220,921	Sum Lines [7-27]
30	Utility Operating Income	\$ 3,111,210	\$ (947,345)	\$ 2,163,865	\$ 762,925	\$ 2,926,790	Line [4] + Line [29]
31	Other Income & Deductions						
32	Other Income & Deductions	\$ 102,281	\$ -	\$ 102,281	\$ -	\$ 102,281	
33	Interest Expense	883,074	5,109	888,184	-	888,184	
34	Other Expense	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	
36	Total Other Income & Deductions	\$ 985,355	\$ 5,109	\$ 990,465	\$ -	\$ 990,465	Sum Lines [32-35]
37	Net Profit / (Loss)	\$ 2,125,855	\$ (952,454)	\$ 1,173,401	\$ 762,925	\$ 1,936,326	Line [30] - Line [36]

43 Supporting Schedules: Recap Schedules:
 44 (a) C-2 Rebuttal A-1 Rebuttal

48 Workpapers & Supporting Documents
 49
 50 \2016 Paradise Valley 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,058,627	\$ 1,030,739	\$ 11,089,366			
3	Other Revenues	-	-	-	-	-	-	58,345		58,345			
4	Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,116,972	\$ 1,030,739	\$ 11,147,711			
5													
6	Operating Expenses												
7	Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,095,552		\$ 1,095,552			
8	Purchased Water	-	-	-	-	599,455	599,455	599,455		599,455			
9	Fuel & Power	-	-	-	-	1,402,317	1,402,317	1,402,317		1,402,317			
10	Chemicals	-	-	-	-	-	-	45,731		45,731			
11	Waste Disposal	-	-	-	-	-	82	5,168		5,168			
12	Intercompany Support Services	-	-	-	-	-	-	-		-			
13	Corporate Allocation	-	-	-	-	-	271	233,555		233,555			
14	Outside Services	(5,642)	-	-	-	-	(3,014)	160,637		160,637			
15	Group Insurance	-	-	-	-	-	-	360,755		360,755			
16	Pensions	-	-	-	-	-	-	-		-			
17	Regulatory Expense	-	-	(47,728)	-	-	(47,728)	-		-			
18	Insurance Other Than Group	-	-	-	-	-	14	79,307	2,668	81,975			
19	Customer Accounting	-	288	-	-	-	1,730	188,252	1,876	190,128			
20	Rents	-	-	-	-	-	-	29,568		29,568			
21	General Office Expense	-	-	-	(5,282)	-	(3,049)	114,692		114,692			
22	Miscellaneous	-	-	-	-	-	656	43,761		43,761			
23	Maintenance Expense	-	-	-	-	-	4,234	339,726		339,726			
24	Depreciation & Amortization	-	-	-	-	-	8,852	2,429,216		2,429,216			
25	General Taxes-Property	-	-	-	-	-	(62,394)	313,613	10,709	324,322			
26	General Taxes-Other	-	-	-	-	-	-	89,496		89,496			
27	Income Taxes	-	-	-	-	-	(954,081)	422,307	252,562	674,868			
28													
29	Total Operating Expenses	\$ (5,642)	\$ 288	\$ (47,728)	\$ (5,282)	\$ 1,402,317	\$ 599,455	\$ 947,345	\$ 7,953,106	\$ 267,814	\$ 8,220,921		
30	Utility Operating Income	\$ 5,642	\$ (288)	\$ 47,728	\$ 5,282	\$ (1,402,317)	\$ (599,455)	\$ (947,345)	\$ 2,163,865	\$ 762,925	\$ 2,926,790		
31	Other Income & Deductions												
32	Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,281		\$ 102,281			
33	Interest Expense	-	-	-	-	-	5,109	888,184		888,184			
34	Other Expense	-	-	-	-	-	-	-		-			
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-		-			
36	Total Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,109	\$ 990,465	\$ -	\$ 990,465			
37	Net Profit / (Loss)	\$ 5,642	\$ (288)	\$ 47,728	\$ 5,282	\$ (1,402,317)	\$ (599,455)	\$ (952,454)	\$ 1,173,401	\$ 762,925	\$ 1,936,326		

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

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	\$ 10,116,972	\$ 10,116,972
7 Adjusted Revenues in Year Ended December 2016	10,116,972	10,116,972
8 Proposed Revenues	<u>10,116,972</u>	<u>11,147,711</u>
9 Average of Three Year's of Revenue	Avg Lines[6] thru [8] \$ 10,116,972	\$ 10,460,552
10 Average of Three Year's of Revenue, times 2	Line[9] * 2 \$ 20,233,944	\$ 20,921,103
11 Add:		
12 Construction Work in Progress at 10%	(a) 63,273	63,273
13 Deduct:		
14 Net Book Value of Transportation Equipment	<u>\$ 173,957</u>	<u>\$ 173,957</u>
15		
16 Full Cash Value	Sum Lines[10-12] - Line[14] \$ 20,123,260	\$ 20,810,419
17 Assessment Ratio (For 2016 per HB 2001 Sec 42-15001)	<u>18.0%</u>	<u>18.0%</u>
18 Assessed Value	Line[16]*Line[17] \$ 3,622,187	\$ 3,745,875
19 Property Tax Rate	(c) 8.66%	8.66%
20		
21 Property Tax	Line[18]*Line[19] 313,613	324,322
22 Tax on Parcels	-	-
23		
24 Adjusted Test Year Property Taxes at Present Rates	Line[21]+Line[22] \$ 313,613	
25 Adjusted Test Year Property Taxes	(b) 376,007	
26 Adjustment to Revenue and/or Expense (To Sch C-2 Rebuttal)	Line[24] - Line[25] \$ (62,394)	
27		
28 Adjusted Test Year Property Taxes at Proposed Rates		Sum Lines[21-27] \$ 324,322
29 Adjusted Test Year Property Taxes at Present Rates		Line[24] Col [A] 313,613
30 Additional Property Taxes on Proposed Revenues (To Sch C-2 Rebuttal)		Line[28] - Line[29] \$ 10,709
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])		\$ 10,709
37		
38 Increase in Revenue Requirement (From Sch. A-1 Rebuttal)		\$ 1,030,739
39		
40 Increase in Property Tax Per Dollar Increase in Revenue (Line 36/Line 38)		1.04%
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 Paradise Valley 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	\$ 2,586,172	\$ 3,601,659
8	Interest Expense	888,184	888,184
9	Arizona Taxable Income	Line[7] - Line[8] \$ 1,697,988	\$ 2,713,475
10			
11	Arizona Income Tax 4.90%	Line[9] * 0.049 \$ 83,201	\$ 132,960
12			
13			
14	Federal Income Before Taxes	Line[9] \$ 1,697,988	\$ 2,713,475
15	Less Arizona Income Taxes	Line[11] 83,201	132,960
16	Federal Taxable Income	Line[14] - Line[15] \$ 1,614,787	\$ 2,580,515
17			
18	FEDERAL INCOME TAXES:		
19			
20			
21			
22			
23			
24			
25	Federal Income Taxes 21.00%	Line[16] * 0.21 \$ 339,105	\$ 541,908
26			
27			
28	Total Income Tax	Line[15]+Line[25] \$ 422,307	\$ 674,868
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) \$ 1,376,387	
38	Increase in Income Taxes,	Line[28] - Line[37] \$ (954,081)	
39			
40	Adjustment to Revenues and/or Expense	Line[38] \$ (954,081)	
41			
42	Test Year Income Taxes,		Line[28] \$ 422,307
43	Increase in Income Taxes		Line[28] - Line[42] 252,562
44			
45	Adjustment to Revenue and/or Expense		Line[43] \$ 252,562
46			
47	<u>Workpapers & Supporting Documents:</u>		
48	(a) Sch C2 Rebuttal		
49			
50	\\2016 Paradise Valley 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) \$	39,828,870
7	Weighted Cost of Debt from Schedule D-1 Rebuttal	(c)	2.23%
8	Synchronized Interest Expense	Line[6]*Line[7] \$	888,184
9			
10	Test Year Interest Expense Adjusted	(b) \$	883,074
11			
12	Adjusted Test Year Interest Expense	Line[10] \$	883,074
13			
14	Increase/(Decrease) in Interest Expense	Line[8] - Line[12] \$	5,109
15			
16	Rebuttal Adjustment to Revenue and/or Expense	Line[14] \$	5,109
17			
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45	<u>Workpapers & Supporting Documents:</u>		
46	(a) Sch B1 Rebuttal		
47	(b) Sch C2 Rebuttal		
48	(c) Sch D1 Rebuttal		
49			
50	\2016 Paradise Valley 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.

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7

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

\$ 380,036 (a)

9

10 Amortization Rate

2.7247% (b)

11

12 Annual Amortization

\$ (10,355) Line [8] * Line [10]

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15

16 Increase/ (Decrease) to Depreciation/ Amortization

\$ (10,355) 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 Paradise Valley Water Rebuttal.xlsm

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45 Workpapers & Supporting Documents:

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50 \2016 Paradise Valley 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 Depreciation on Post Test Year Plant Additions - Paradise Valley Water	\$ 96,626	100.0000%	\$ 96,626
18 Depreciation on Additional TY Plant Additions - Paradise Valley Water	30,917	100.0000%	30,917
19 Depreciation on 7A Corporate Post Test Year Plant Additions Allocated	48,670	2.6016%	1,266
20 Depreciation on Additional 7A Corporate Test Year Plant Additions Allocated	17,375	2.6016%	452
21 Depreciation on 6U Post Test Year Plant Additions Allocated	236,805	2.3694%	5,611
22 Depreciation on Additional 6U Test Year Plant Additions Allocated	174,541	2.3694%	4,136
	<u>\$ 604,934</u> Sum Lines [17-22]		
27 Depreciation Expense on 2017 Post Test Plant per Rebuttal			\$ 139,007 Sum Lines[17] thru [22]
30 Depreciation Expense on 2017 Post Test Plant per Company's Original Applicator			<u>\$ 109,690</u> (b)
33 Increase / (Decrease) to Depreciation Expense			\$ 29,317 Line[27] - Line[30]
35 Rebuttal Adjustment to Revenue and/or Expense			<u>\$ 29,317</u> Line[33]

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 Paradise Valley 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	2.6016%
Arizona Total	91.0728%
Alloc Factor	2.3694%

Line[8]*Line[9]

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[A]
 Depreciation on Retirements per
 Summary of Plant and A/D by NARUC
 Updated for Final 2017 PTYP (a)

[B]
 Allocation
 Factor

[C] = [A] * [B]
 Depreciation
 Expense

\$ (12,794)

(1,774)

-

100.0000%

2.6016%

2.3694%

\$ (12,794)

(46)

-

Depreciation Expense on 2017 Retirements per Rebuttal

\$ (12,841) Sum Lines [17 - 19]

Depreciation Expense on 2017 Retirements per Company's Original Application

\$ (2,730) (b)

Increase / (Decrease) to Depreciation Expense

\$ (10,110) Line[26] - Line[29]

Rebuttal Adjustment to Revenue and/or Expense

\$ (10,110) 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 Paradise Valley 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]
	Test Year		7P	AZ	AZ-Factor
	Adj Results		District 4-Factor		
11	Gross Property Value at 12/31/2016	\$ 81,413,808	5.3099%	87.7062%	4.6571%
12	% of Plant Insured				
14	Gross Plant Insured	\$ 38,872,661			

	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]	
Adjusted Revenues in Year Ended December 2016	Amount	Rate	Source	Premium	Amount	Premium
1. Property Insurance	\$ 38,872,661	0.0526%	\Insurance Summary	\$ 20,444	\$ 38,872,661	\$ 20,444
2. Excess Liability	10,116,972	0.2588%	\Insurance Summary	26,186	11,147,711	28,853
3. Umbrella Liability	95,767	4.6571%	\Insurance Summary	4,460	95,767	4,460
4. Autos	278,350	4.6571%	\Insurance Summary	12,963	278,350	12,963
5. Workers Compensation	75,667	1.6543%	\Insurance Summary	1,252	75,667	1,252
6. Pollution *	3,554	1.00	\Insurance Summary	3,554	3,554	3,554
7. D&O	13,367	4.6571%	\Insurance Summary	623	13,367	623
8. Fiduciary	1,483	4.6571%	\Insurance Summary	69	1,483	69
9. Crime	19	7.76	\Insurance Summary	148	19	148
10. Employed Lawyers	1,196	4.6571%	\Insurance Summary	56	1,196	56
11. Non Owned Pollution	19,339	4.6571%	\Insurance Summary	901	19,339	901
12. Employment Practices	19	5.30	\Insurance Summary	101	19	101
13. Utilities Bond **	22,331	0.0000%	\Insurance Summary	-	22,331	-
14. Cyber Insurance	11,366	4.6571%	\Insurance Summary	529	11,366	529
15. Sun City Flood Insurance	2,356	100.0000%	\Insurance Summary	2,356	2,356	2,356
16. LAPP	19,383	4.6571%	\Insurance Summary	903	19,383	903
Total				\$ 74,543	Sum Col [E]	\$ 77,211

42	Adjusted Test Year Insurance Other Than Group	From Original Filing	\$ 74,529		\$ 74,543
43	Increase/(Decrease) to Insurance Other Than Group		\$ 14	Line [39] - Line [42]	\$ 2,668

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 Paradise Valley 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

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9

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	\$	109,757	(a)
CPI Adjustment 2017	\$	1,790	Line[16]*1.63%
Adjusted 2017 Expense	\$	111,547	Line[16]+Line [18]
CPI Adjustment 2018	\$	2,758	Line[19]*2.47%
Adjusted 2018 Expense	\$	114,305	Line[19]+Line[21]
Total Increase/ (Decrease) to C.U.S Charges	\$	4,548	Line[18]+Line[21]
Expense per Company's Original Application per IS JPB Adj#12	\$	3,609	
	\$	939	Line[26] - Line[28]

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Adjustment to Revenue and/or Expense \$ 939 Line[30]

Workpapers & Supporting Documents:

(a) Sche6

\2016 Paradise Valley Water Rebuttal.xlsx

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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12 Part 1

13 Remove ASU Study Costs

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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 Paradise Valley Water Rebuttal.xlsm

[A]	[B]	[C] = [A] - [B]
Revised	Original	Rebuttal
<u>Amounts (a)</u>	<u>Application</u>	<u>Adjustment</u>

	\$	252	\$	584	\$	(332)
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	\$	(5,310)	\$	-	\$	(5,310)
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	<u>\$</u>	<u>(5,642)</u>	Line [13] + Line [17]
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Line

No.

1 Adjust Postage Expense

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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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	[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) \$ 22,831

Total Increase / (Decrease) to Postage Expense

\$ 609 Col [E] Line[18]*Line[21]

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

\$ 321

Adjustment to Revenue and/or Expense

\$ 288 Line [22]- Line [23]

Workpapers & Supporting Documents:

(a) Sch E-6 Line 19

USPS Rates 2016.xlsx

\2016 Paradise Valley Water Rebuttal.xlsx

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>
13 Amount to be removed from Regulatory Expense per Staff IS ADJ #5	\$ (47,728)	0	\$ (47,728)

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24 Adjustment to Revenue and/or Expense \$ (47,728) Line [13]

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45 Workpapers & Supporting Documents:

46 (a) Schedule C2

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50 \2016 Paradise Valley Water Rebuttal.xlsx

Line

No.

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

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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	Paradise Valley Water	4-Factor	5.3099%
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	5.3099%				
21	\$ 5,282	Line [18] * Line [20]			

Rebuttal
 Adjustment

24 Adjustment to Revenue and/or Expense					\$ <u>(5,282)</u> Line [21]
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45 Workpapers & Supporting Documents:

46
 47
 48
 49
 50 \2016 Paradise Valley Water Rebuttal.xlsxm

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
 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"). Each
 9 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.
 10 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 is
 13 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 fully
 20 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
 21 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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 23

		[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	\$ 2,246	\$ 1,236,984				\$ 1,239,229
	5616 Natural Gas Charges	\$ -	\$ -				\$ -
	Annualization					\$ 1,955	\$ 1,955
Total Purchased Power Expense							\$ 1,241,184 <small>Line[29 - 31]</small>
	2017 % Increase	6.29%					
	2018 % Increase	6.29%					
		[F]	[G]	[H]	[I]	[J]	[K] = [F] + [G] + [H] + [I] + [J]
		Corporate	Direct	Natural Gas	Other Allocation	Annualization	Total
	2017 Increase - Power	\$ 141	\$ 77,844		0	0	\$ 78,109 <small>Line[29] * 2017% Inc; Line [31] * 2017% Inc</small>
	2017 Expense	\$ 2,387	\$ 1,314,828	\$ -	\$ -	\$ 2,078	\$ 1,319,293 <small>Line[29]+Line[38], Line[31] + Line [38]</small>
	2018 Increase - Power	\$ 150	\$ 82,743		0	0	\$ 83,024 <small>Line[39] * 2018% Inc</small>
	2018 Expense	\$ 2,537	\$ 1,397,571	\$ -	\$ -	\$ 2,209	\$ 1,402,317 <small>Line[39]+Line[41]</small>
Increase/Decrease to Expense							\$ 1,402,317 <small>Col 1, Line[42]</small>

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 Paradise Valley 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 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
 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 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
 14 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 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 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>	
24 Test Year Purchased Water Expense	\$ 5,109	
25 Expenses Removed	(371)	
26 CAP Purchased Water - Existing Surcharge	509,896	
27 SMC-IS6	\$ 8	
28 Annualized Purchased Water Expenses	\$ 514,641	Sum Lines [24 - 27]
29		
30 2017 Percentage increase in CAP costs	8.14%	(c)
31 2017 Purchased Water Expense	\$ 556,530	Line [28]*(1+Line [30])
32		
33 2018 Percentage increase in CAP costs	2.15%	(c)
34 2018 Purchased Water Expense	\$ 568,499	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	\$ 30,956	(c)
40 Groundwater Withdrawal Fee	(c)	
41 Total Pro Forma Purchased Water Costs	\$ 599,455	Sum Lines [36 - 40]
42		
43 Increase/Decrease to Expense	<u>\$ 599,455</u>	Line [41]
44		

45 Workpapers & Supporting Documents:

46 (a) Company IS Adjustment JPB-IS30

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50 \2016 Paradise Valley Water Rebuttal.xlsx

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 = 1.04%	One Minus Combined	75.13%
7				0.78% [A] x [B]
8	Bad Debt Expense	Effective Rate = 0.18%	One Minus Combined	75.13%
9				0.14% [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			25.98% Sum Line [1-10]
14				
15	Operating Income % = 100% - Tax Percentage			74.02% 1 - [C] Line [13]
16				
17				
18		1 = Gross Revenue Conversion Factor		
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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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