

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	\$ 11,404,627	\$ -	\$ 11,404,627	\$ 5,007,600	\$ 16,412,227	
3	Other Revenues	389,541	-	389,541	-	389,541	
4	Total Revenues	\$ 11,794,169	\$ -	\$ 11,794,169	\$ 5,007,600	\$ 16,801,768	Sum Lines [2-3]
5							
6	Operating Expenses						
7	Labor	\$ 2,288,729	\$ -	\$ 2,288,729	\$ -	\$ 2,288,729	
8	Purchased Water	-	758,880	758,880	-	758,880	
9	Fuel & Power	-	2,004,848	2,004,848	-	2,004,848	
10	Chemicals	31,690	-	31,690	-	31,690	
11	Waste Disposal	1,414	23	1,436	-	1,436	
12	Intercompany Support Services	-	-	-	-	-	
13	Corporate Allocation	516,519	601	517,120	-	517,120	
14	Outside Services	285,610	(7,905)	277,705	-	277,705	
15	Group Insurance	776,406	-	776,406	-	776,406	
16	Pensions	-	-	-	-	-	
17	Regulatory Expense	95,654	(95,654)	-	-	-	
18	Insurance Other Than Group	114,340	(522)	113,817	12,961	126,779	
19	Customer Accounting	771,337	7,222	778,559	8,147	786,706	
20	Rents	62,628	-	62,628	-	62,628	
21	General Office Expense	200,197	(7,748)	192,449	-	192,449	
22	Miscellaneous	39,682	557	40,239	-	40,239	
23	Maintenance Expense	659,337	5,314	664,651	-	664,651	
24	Depreciation & Amortization	3,901,006	(141,073)	3,759,933	-	3,759,933	
25	General Taxes-Property	604,571	(114,311)	490,261	69,040	559,300	
26	General Taxes-Other	184,039	-	184,039	-	184,039	
27	Income Taxes	110,587	(628,849)	(518,262)	1,223,019	704,757	
28							
29	Total Operating Expenses	\$ 10,643,748	\$ 1,781,381	\$ 12,425,128	\$ 1,313,167	\$ 13,738,296	Sum Lines [7-27]
30	Utility Operating Income	\$ 1,150,421	\$ (1,781,381)	\$ (630,960)	\$ 3,694,432	\$ 3,063,473	Line [4] - Line [29]
31	Other Income & Deductions						
32	Other Income & Deductions	\$ (178,833)	\$ -	\$ (178,833)	\$ -	\$ (178,833)	
33	Interest Expense	971,402	(36,823)	934,578	-	934,578	
34	Other Expense	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	
36	Total Other Income & Deductions	\$ 792,568	\$ (36,823)	\$ 755,745	\$ -	\$ 755,745	Sum Lines [32-35]
37	Net Profit / (Loss)	\$ 357,853	\$ (1,744,558)	\$ (1,386,705)	\$ 3,694,432	\$ 2,307,727	Line [30] - Line [36]

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

Recap Schedules:
 A-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 & 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,404,627	\$ 5,007,600	\$ 16,412,227	
3	Other Revenues	-	-	-	-	-	-	389,541	-	389,541	
4	Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,794,169	\$ 5,007,600	\$ 16,801,768	
5	Operating Expenses										
7	Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,288,729	-	\$ 2,288,729	
8	Purchased Water	-	-	-	-	758,880	758,880	758,880	-	758,880	
9	Fuel & Power	-	-	-	2,004,848	-	2,004,848	2,004,848	-	2,004,848	
10	Chemicals	-	-	-	-	-	-	31,690	-	31,690	
11	Waste Disposal	-	-	-	-	-	23	1,436	-	1,436	
12	Intercompany Support Services	-	-	-	-	-	-	-	-	-	
13	Corporate Allocation	-	-	-	-	-	601	517,120	-	517,120	
14	Outside Services	(12,491)	-	-	-	-	(7,905)	277,705	-	277,705	
15	Group Insurance	-	-	-	-	-	-	776,406	-	776,406	
16	Pensions	-	-	-	-	-	-	-	-	-	
17	Regulatory Expense	-	-	(95,654)	-	-	(95,654)	-	-	-	
18	Insurance Other Than Group	-	-	-	-	-	(522)	113,817	12,961	126,779	
19	Customer Accounting	-	1,436	-	-	-	7,222	778,559	8,147	786,706	
20	Rents	-	-	-	-	-	-	62,628	-	62,628	
21	General Office Expense	-	-	-	(11,696)	-	(7,748)	192,449	-	192,449	
22	Miscellaneous	-	-	-	-	-	557	40,239	-	40,239	
23	Maintenance Expense	-	-	-	-	-	5,314	664,651	-	664,651	
24	Depreciation & Amortization	-	-	-	-	-	(141,073)	3,759,933	-	3,759,933	
25	General Taxes-Property	-	-	-	-	-	(114,311)	490,261	69,040	559,300	
26	General Taxes-Other	-	-	-	-	-	-	184,039	-	184,039	
27	Income Taxes	-	-	-	-	-	(628,849)	(518,262)	1,223,019	704,757	
28											
29	Total Operating Expenses	\$ (12,491)	\$ 1,436	\$ (95,654)	\$ (11,696)	\$ 2,004,848	\$ 758,880	\$ 1,781,381	\$ 12,425,128	\$ 1,313,167	\$ 13,738,296
30	Utility Operating Income	\$ 12,491	\$ (1,436)	\$ 95,654	\$ 11,696	\$ (2,004,848)	\$ (758,880)	\$ (1,781,381)	\$ (630,960)	\$ 3,694,432	\$ 3,063,473
31	Other Income & Deductions										
32	Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (178,833)	-	\$ (178,833)	
33	Interest Expense	-	-	-	-	-	-	(36,823)	934,578	934,578	
34	Other Expense	-	-	-	-	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	
36	Total Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (36,823)	\$ 755,745	\$ -	\$ 755,745	
37	Net Profit / (Loss)	\$ 12,491	\$ (1,436)	\$ 95,654	\$ 11,696	\$ (2,004,848)	\$ (758,880)	\$ (1,744,558)	\$ (1,386,705)	\$ 3,694,432	\$ 2,307,727

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

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	\$ 11,794,169	\$ 11,794,169
7 Adjusted Revenues in Year Ended December 2016	11,794,169	11,794,169
8 Proposed Revenues	11,794,169	16,801,768
9 Average of Three Year's of Revenue	Avg Lines[6] thru [8] \$ 11,794,169	\$ 13,463,369
10 Average of Three Year's of Revenue, times 2	Line[9] * 2 \$ 23,588,337	\$ 26,926,737
11 Add:		
12 Construction Work in Progress at 10%	(a) 432,375	432,375
13 Deduct:		
14 Net Book Value of Transportation Equipment	\$ 314,252	\$ 314,252
15		
16 Full Cash Value	Sum Lines[10-12] - Line[14] \$ 23,706,460	\$ 27,044,860
17 Assessment Ratio (For 2016 per HB 2001 Sec 42-15001)	18.0%	18.0%
18 Assessed Value	Line[16]*Line[17] \$ 4,267,163	\$ 4,868,075
19 Property Tax Rate	(c) 11.49%	11.49%
20		
21 Property Tax	Line[18]*Line[19] 490,261	559,300
22 Tax on Parcels	-	-
23		
24 Adjusted Test Year Property Taxes at Present Rates	Line[21]+Line[22] \$ 490,261	
25 Adjusted Test Year Property Taxes	(b) 604,571	
26 Adjustment to Revenue and/or Expense (To Sch C-2 Rebuttal)	Line[24] - Line[25] \$ (114,311)	
27		
28 Adjusted Test Year Property Taxes at Proposed Rates		Sum Lines[21-27] \$ 559,300
29 Adjusted Test Year Property Taxes at Present Rates		Line[24] Col [A] 490,261
30 Additional Property Taxes on Proposed Revenues (To Sch C-2 Rebuttal)		Line[28] - Line[29] \$ 69,040
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])		\$ 69,040
37		
38 Increase in Revenue Requirement (From Sch. A-1 Rebuttal)		\$ 5,007,600
39		
40 Increase in Property Tax Per Dollar Increase in Revenue (Line 36/Line 38)		1.38%
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 Sun City 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	\$ (1,149,222)	\$ 3,768,230
8	Interest Expense	934,578	934,578
9	Arizona Taxable Income	Line[7] - Line[8] <u>\$ (2,083,800)</u>	<u>\$ 2,833,652</u>
10			
11	Arizona Income Tax 4.90%	Line[9] * 0.049 <u>\$ (102,106)</u>	<u>\$ 138,849</u>
12			
13			
14	Federal Income Before Taxes	Line[9] <u>\$ (2,083,800)</u>	<u>\$ 2,833,652</u>
15	Less Arizona Income Taxes	Line[11] <u>(102,106)</u>	<u>138,849</u>
16	Federal Taxable Income	Line[14] - Line[15] <u>\$ (1,981,694)</u>	<u>\$ 2,694,803</u>
17			
18	FEDERAL INCOME TAXES:		
19			
20			
21			
22			
23			
24			
25	Federal Income Taxes 21.00%	Line[16] * 0.21 <u>\$ (416,156)</u>	<u>\$ 565,909</u>
26			
27			
28	Total Income Tax	Line[15]+Line[25] <u>\$ (518,262)</u>	<u>\$ 704,757</u>
29			
30	Tax Rate	Line[28] / Line[9] <u>24.87%</u>	<u>24.87%</u>
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) <u>\$ 110,587</u>	
38	Increase in Income Taxes,	Line[28] - Line[37] <u>\$ (628,849)</u>	
39			
40	Adjustment to Revenues and/or Expense	Line[38] <u>\$ (628,849)</u>	
41			
42	Test Year Income Taxes,		Line[28] \$ (518,262)
43	Increase in Income Taxes		Line[28] - Line[42] 1,223,019
44			
45	Adjustment to Revenue and/or Expense		Line[43] <u>\$ 1,223,019</u>
46			
47	<u>Workpapers & Supporting Documents:</u>		
48	(a) Sch C2 Rebuttal		
49			
50	\\2016 Sun 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) \$	41,909,348
7	Weighted Cost of Debt from Schedule D-1 Rebuttal	(c)	2.23%
8	Synchronized Interest Expense	Line[6]*Line[7] \$	934,578
9			
10	Test Year Interest Expense Adjusted	(b) \$	<u>971,402</u>
11			
12	Adjusted Test Year Interest Expense	Line[10] \$	<u>971,402</u>
13			
14	Increase/(Decrease) in Interest Expense	Line[8] - Line[12] \$	<u>(36,823)</u>
15			
16	Rebuttal Adjustment to Revenue and/or Expense	Line[14] \$	<u>(36,823)</u>
17			
18			
19			
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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 Sun 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	\$ 1,882,493 (a)
9		
10	Amortization Rate	<u>3.8214%</u> (b)
11		
12	Annual Amortization	\$ (71,938) Line [8] * Line [10]
13		
14		
15		
16	Increase/ (Decrease) to Depreciation/ Amortization	<u>\$ (71,938)</u> Line [12]
17		
18		
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25		
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45 Workpapers & Supporting Documents:
 46 (a) Rate Base Adjustment ADJ SLH-RB2 REB
 47 (b) ADIT Adjustment REBUTTAL.xlsx
 48
 49
 50 \\2016 Sun City Water Rebuttal.xlsm

Line No.	
1	<u>Intentionally Left Blank</u>
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45	<u>Workpapers & Supporting Documents:</u>
46	
47	
48	
49	
50	\\2016 Sun City 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
 7

	[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 - Sun City Water	\$ 318,663	100.0000%	\$ 318,663
18 Depreciation on Additional TY Plant Additions - Sun City Water	40,628	100.0000%	40,628
19 Depreciation on 7A Corporate Post Test Year Plant Additions Allocated	48,670	12.8871%	6,272
20 Depreciation on Additional 7A Corporate Test Year Plant Additions Allocated	17,375	12.8871%	2,239
21 Depreciation on 6U Post Test Year Plant Additions Allocated	236,805	11.7366%	27,793
22 Depreciation on Additional 6U Test Year Plant Additions Allocated	174,541	11.7366%	20,485
23	<u>\$ 836,683</u> <small>Sum Lines [17 - 22]</small>		

24			
25			
26			
27	Depreciation Expense on 2017 Post Test Plant per Rebutta		\$ 416,080 <small>Sum Lines[17] thru [22]</small>
28			
29	Depreciation Expense on 2017 Post Test Plant per Company's Original Application		<u>\$ 473,759</u> <small>(b)</small>
30			
31			
32			
33	Increase / (Decrease) to Depreciation Expense		\$ (57,679) <small>Line[27] - Line[30]</small>
34			
35	Rebuttal Adjustment to Revenue and/or Expense		<u>\$ (57,679)</u> <small>Line[33]</small>
36			
37			
38			
39			
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41			
42			
43			
44			

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 Sun 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.
 4
 5
 6

GMC 4 Factor	12.8871%
Arizona Total	91.0728%
Alloc Factor	11.7366% <small>Line(8)*Line(9)</small>

	[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 - Sun City Water	\$ (13,408)	100.0000%	\$ (13,408)
18 Depreciation on Retirements on Test Year Plant - 7A Corporate Plant Allocated	(1,774)	12.8871%	(229)
19 Depreciation on Retirements on Test Year Plant - 6U Plant Allocated	-	11.7366%	-

26 Depreciation Expense on 2017 Retirements per Rebuttal \$ (13,636) Sum Lines (17 - 19)

29 Depreciation Expense on 2017 Retirements per Company's Original Application \$ (2,180) (b)

32 Increase / (Decrease) to Depreciation Expense \$ (11,456) Line(26) - Line(29)

34 Rebuttal Adjustment to Revenue and/or Expense \$ (11,456) 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

50 \2016 Sun City Water Rebuttal.xlsm

Line

No. Adjust Insurance Other Than Group

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

	DIRECT PLANT Test Year Adj Results		[1]	[2]	[1] * [2] = [3]	
			7B	AZ	AZ-Factor	
Gross Property Value at 12/31/2016	\$ 106,521,872	Schb2 Rebuttal Line [2]	District 4-Factor	11.7567%	87.7062%	10.3113%
% of Plant Insured	47.75%	\Insurance\1. Property & Terrorism [23]				
Gross Plant Insured	<u>\$ 50,861,011</u>	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
1. Property Insurance	Plant [25]	\$ 50,861,011	0.0526%	\$ 26,749	\$ 26,749
2. Excess Liability	Revenue Line [25]	11,794,169	0.2588%	30,527	16,801,768
3. Umbrella Liability	AZ 4- Factor [10]	95,767	10.3113%	9,875	95,767
4. Autos	AZ 4- Factor [10]	278,350	10.3113%	28,702	278,350
5. Workers Compensation	Payroll Col [49]	171,996	1.6543%	2,845	171,996
6. Pollution *	Fixed Site	3,554	1.00	3,554	3,554
7. D&O	AZ 4- Factor [10]	13,367	10.3113%	1,378	13,367
8. Fiduciary	AZ 4- Factor [10]	1,483	10.3113%	153	1,483
9. Crime	Employee Count	37	7.76	287	37
10. Employed Lawyers	AZ 4- Factor [10]	1,196	10.3113%	123	1,196
11. Non Owned Pollution	AZ 4- Factor [10]	19,339	10.3113%	1,994	19,339
12. Employment Practices	Employee Count	37	5.30	196	37
13. Utilities Bond **	Site Bond Requirement	22,331	0.0000%	-	22,331
14. Cyber Insurance	AZ 4- Factor [10]	11,366	10.3113%	1,172	11,366
15. Sun City Flood Insurance	Sun City Only	2,356	100.0000%	2,356	2,356
16. LAPP	AZ 4- Factor [10]	19,383	10.3113%	1,999	19,383
Total				\$ 111,911	\$ 124,872
Adjusted Test Year Insurance Other Than Group			From Original Filing	\$ 112,433	\$ 111,911
			Increase/(Decrease) to Insurance Other Than Group	\$ (522)	\$ 12,961

Workpapers & Supporting Documents:
 \Insurance Other than Group.xlsx (aka Insurance)
 \Payroll, Benefits, & Taxes 2016.xlsx (aka Payroll)
 Income Statement Adjustment SLM-IS27
 \2016 Sun City Water Rebuttal.xlsm

Line No.

1 Adjust CPI for 2017

2
 3 Operating expenses are expected to increase in each of the future years due to inflation and other increasing costs factors. To compensate for regulatory lag, EPCOR proposes an increase for 2017 and
 4 2018 correlated with the consumer price index for the Phoenix metropolitan area for all operating expenses where an adjustment has not already been proposed. Chemical expense is projected to
 5 increase by 4% based on initial service contracts negotiations that are being worked on with the vendor.
 6

2016 Unadjusted Expenses	Description	Account	Amount (a)	Consumer Price Index - Phoenix Urban Consumers				IS JPB ADJ #23	Rebuttal Adjustment
				Year	Annual Index	Increase	Ave Increase		
				2014	2015	2016	2017		
9	Chemicals	5263	\$ 29,048	A					
10	Other Utilities	5621	\$ 1,382	B					
11	Asset Usage Fee - Corporate	6203	\$ 36,588	C					
12	Consulting Engineering	5227	\$ 6,398	D					
13	Contractors and Consultants	5250	\$ 161,267	D					
14	Administrative Contractors	5679	\$ 2,551	D					
15	Outside Computer Charges (T1)	5628	\$ 48,917	D					
16	Temporary Support	5629	\$ 27,980	D					
17	Legal Fees	5681	\$ 32,119	D					
18	Service Charges	5615	\$ 39,212	E					
19	Customer Communications	5674	\$ 32,980	E					
20	Rent and Storage	5810	\$ 62,628	F					
21	Freight and Courier	5262	\$ 1,275	F					
22	Telephone, Long Distance, Data	5620	\$ 56,721	F					
23	Stationary, Printing & Other O	5622	\$ 32,508	F					
24	Office Machines, Furniture	5623	\$ 5,905	F					
25	Parking	5630	\$ 587	F					
26	Vehicle Allowance	5631	\$ 3,153	F					
27	Vehicle Allowance	5271	\$ 19	F					
28	Business Allowance	5634	\$ 1,612	F					
29	Memberships Dues & Professiona	5640	\$ 12,379	F					
30	Subscriptions	5641	\$ 2,547	F					
31	Airfare	5650	\$ 9,256	F					
32	Accommodation, Other Travel	5651	\$ 11,681	F					
33	Employee Working Meals	5652	\$ 13,179	F					
34	Training - Fees/Tuition	5660	\$ 26,866	F					
35	Training Fee	5252	\$ 21	F					
36	FR Clothing	5273	\$ 11,468	G					
37	Miscellaneous	5697	\$ 22,423	G					
38	Stock	5260	\$ 1,360	H					
39	Materials, Supplies	5261	\$ 114,024	H					
40	Veh. and Equip.-Allocation	5270	\$ 59,905	H					
41	Equipment	5275	\$ 5,612	H					
42	Hardware	5624	\$ 204	H					
43	Software	5625	\$ 6,574	H					
44	Maintenance	5811	\$ 114,908	H					
45	Vehicle Maintenance	5823	\$ 20,939	H					
46			\$ 1,016,196	Sum Lines [9 thru 45]					

47 Workpapers & Supporting Documents:

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

49
 50 \2016 Sun City Water Rebuttal.xlsm

Increase / (Decrease) to Expense Line [26] Col [D] \$ 16,213

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
 7

Consumer Price Index - Phoenix Urban Consumers		
Year	Annual Index	Increase
2015	128.019	
2016	130.107	1.63% Increase Lines[12-11]/[11]
2017	133.324	2.47% Increase Lines[13-12]/[12]

C.U.S. Charges per Schedule E-6, account 5611	\$	537,878	(a)
CPI Adjustment 2017	\$	8,773	Line[16]*1.63%
Adjusted 2017 Expense	\$	546,651	Line[16]+Line [18]
CPI Adjustment 2018	\$	13,516	Line[19]*2.47%
Adjusted 2018 Expense	\$	560,167	Line[19]+Line[21]
Total Increase/ (Decrease) to C.U.S Charges	\$	22,289	Line[18]+Line[21]
Expense per Company's Original Application per IS JPB Adj#12	\$	17,689	
	\$	4,600	Line[26] - Line[28]

Adjustment to Revenue and/or Expense \$ 4,600 Line[30]

45 Workpapers & Supporting Documents:
 46 (a) Sche6

50 \2016 Sun City 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

14

15

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

47

48

49

50 \2016 Sun City Water Rebuttal.xlsm

	[A] Revised Amounts (a)	[B] Original Application	[C] = [A] - [B] Rebuttal Adjustment
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	\$ 559	\$ 1,293	\$ (734)
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	\$ (11,757)	\$ -	\$ (11,757)
--	-------------	------	-------------

			\$ (12,491) Line [13] + Line [17]
--	--	--	-----------------------------------

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.
 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)	\$	114,003	
21				
22 Total Increase / (Decrease) to Postage Expense		\$	3,039	Col [E] Line[18]*Line[21]
23				
24 Expense per Company's Original Application per IS JPB Adj#11		\$	1,603	
25 Adjustment to Revenue and/or Expense		\$	1,436	Line [22]- Line [23]
26				
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44				

45 Workpapers & Supporting Documents:
 46 (a) Sch E-6 Line 19
 47 USPS Rates 2016.xlsx
 48
 49
 50 \2016 Sun City 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.
 5
 6
 7
 8

	[A] Revised Amounts (a)	[B] Original Application	[C] = [A] - [B] Rebuttal Adjustment
13 Amount to be removed from Regulatory Expense per Staff IS ADJ #5	\$ (95,654)	0	\$ (95,654)

24 Adjustment to Revenue and/or Expense \$ (95,654) Line [13]

45 Workpapers & Supporting Documents:
 46 (a) Schedule C2
 47
 48
 49
 50 \2016 Sun 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
 7

8 Staff Disallowed Amounts per Staff Adj #4		Company Position	Sun City Water	4-Factor	11.7567%
9 Entertainment	\$ 81,543	Accept			
10 Tuition	\$ 64,387	Oppose			
11 Gifts	\$ 17,937	Accept			
12 Total	\$ 163,867				

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	11.7567%				
21	\$ 11,696	Line [18] * Line [20]			

Rebuttal
 Adjustment
 \$ (11,696) Line [21]

24 Adjustment to Revenue and/or Expense

45 Workpapers & Supporting Documents:

50 \2016 Sun 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
 6
 7

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

11 APS provides electrical service to the Agua Fria, Anthem, Sun City, Sun City West, Chaparral, and Paradise Valley water districts. APS also provides electrical service to the Phoenix corporate office. On March 1, 2017, APS reached a settlement
 12 agreement with the major parties in its rate case filed on June 1, 2016. The Company does not expect the Commission to issue a decision prior to the filing of this rate case, but is aware that the commercial rates will increase if the settlement
 13 is approved. In addition to increased base rates resulting from the rate case application, APS utilizes a number of adjuster 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 adjuster mechanism in-line with the newly authorized tariff for the eight months of the year that were not billed using the current tariff.

19 The Mohave, North Mohave, and Willow Valley Water districts receive power from MEC, which increased rates effective February 1, 2016 per Decision No. 75931 (January 13, 2017). The increased costs that result from that decision are not
 20 fully reflected in the 2016 test year power expenses for those districts, but the increase in costs that result from Decision No. 75931 is both known and measurable. The two months of 2016 expenses billed pursuant to MEC's previous tariff
 21 should therefore be adjusted for the known increase. The purchased power expenses for the Mohave, North Mohave, and Willow Valley Water districts have been annualized accordingly for rate changes in the test year in the PCAM.
 22
 23

		[A]	[B]		[C]	[D]	[E] = [A] + [B] + [C] + [D]
		Corporate (a)	Direct (b)		Other	Annualization	Total
GL Account	Account Description	2016	2016		Allocation (c)		2016
	5617 Power Charges	\$ 4,972	\$ 1,743,376				\$ 1,748,348
	5616 Natural Gas Charges	\$ -	\$ 10,912				\$ 10,912
	Annualization					\$ 16,476	\$ 16,476
Total Purchased Power Expense							\$ 1,775,736

		[F]	[G]	[H]	[I]	[J]	[K] = [F] + [G] + [H] + [I] + [J]
		Corporate	Direct	Natural Gas	Other Allocation	Annualization	Total
2017 Increase - Power		\$ 313	\$ 109,712	\$ 0	\$ 0	\$ 1,037	\$ 111,061
2017 Expense		\$ 5,285	\$ 1,853,087	\$ 10,912	\$ -	\$ 17,513	\$ 1,886,798
2018 Increase - Power		\$ 333	\$ 116,616	\$ 0	\$ -	\$ 1,102	\$ 118,051
2018 Expense		\$ 5,618	\$ 1,969,703	\$ 10,912	\$ -	\$ 18,615	\$ 2,004,848
Increase/Decrease to Expense							\$ 2,004,848

47 Workpapers & Supporting Documents:

- 48 (a) Sch E-6b (b) Sch E-6a
- 49 (c) Sch E-6c

50 \2016 Sun 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.
 5
 6
 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
 9 and raw gallons billed. The calculation excludes effluent and wheeling usage billed from the calculation as these gallons are not affected by the purchase price of water. Costs have been adjusted from the 2016 test
 10 year 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
 11 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 rate case. The impact of the increases in CAP fees have been
 12 included in the total 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
 14 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 collected through supplemental
 15 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 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.
 18
 19
 20
 21
 22
 23

	Purchased Water
	<u>Test Year Expense</u>
25 Test Year Purchased Water Expense	\$ -
26 CAP Water Purchase - Existing Surcharge	\$ 660,487 (a)
27 SMC-IS6	\$ -
28 Annualized Purchased Water Expenses	<u>\$ 660,487</u> Line [26]+Line [27]
29	
30 2017 Percentage increase in CAP costs	8.14% (c)
31 2017 Purchased Water Expense	<u>\$ 714,247</u> Line [28]*(1+Line [30])
32	
33 2018 Percentage increase in CAP costs	2.15% (c)
34 2018 Purchased Water Expense	<u>\$ 729,607</u> 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	\$ 29,272 (c)
40 Groundwater Withdrawal Fee	<u>\$ -</u> (c)
41 Total Pro Forma Purchased Water Costs	<u>\$ 758,880</u> Sum Lines [36 - 40]
42	
43 Increase/Decrease to Expense	<u>\$ 758,880</u> Line [41]

45 Workpapers & Supporting Documents:

- 46 (a) Sch C2
- 47 (b) Sch E7
- 48 (c) \Purchased Water Increase.xlsx
- 49
- 50 \2016 Sun City Water Rebuttal.xism

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 = 1.38%	One Minus Combined	75.13%
7				1.04% [A] x [B]
8	Bad Debt Expense	Effective Rate = 0.16%	One Minus Combined	75.13%
9				0.12% [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			26.22% Sum Line [1-10]
14				
15	Operating Income % = 100% - Tax Percentage			73.78% 1 - [C] Line [13]
16				
17				
18		1 = Gross Revenue Conversion Factor		
19				
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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				
49				
50	\2016 Sun City Water Rebuttal.xlsm			