

Line No.		Test Year Book Results (a)	Total Pro Forma Adjustments (a)	Test Year Adjusted Results (a)	Proposed Rate Increase (a)	Adjusted with Rate Increase (a)	
		[A]	[B]	[C] = [A] + [B]	[D]	[E] = [C] + [D]	
1	<b>Revenues</b>						
2	Water	\$ 8,493,473	\$ -	\$ 8,493,473	\$ 1,417,664	\$ 9,911,137	
3	Other Revenues	171,599	-	171,599	-	171,599	
4	<b>Total Revenues</b>	<b>\$ 8,665,072</b>	<b>\$ -</b>	<b>\$ 8,665,072</b>	<b>\$ 1,417,664</b>	<b>\$ 10,082,736</b>	Sum Lines [2-3]
5							
6	<b>Operating Expenses</b>						
7	Labor	\$ 899,936	\$ -	\$ 899,936	\$ -	\$ 899,936	
8	Purchased Water	-	456,260	456,260	-	456,260	
9	Fuel & Power	-	830,699	830,699	-	830,699	
10	Chemicals	126,804	-	126,804	-	126,804	
11	Waste Disposal	5,280	85	5,365	-	5,365	
12	Intercompany Support Services	-	-	-	-	-	
13	Corporate Allocation	250,475	291	250,767	-	250,767	
14	Outside Services	127,959	(4,003)	123,957	-	123,957	
15	Group Insurance	280,672	-	280,672	-	280,672	
16	Pensions	-	-	-	-	-	
17	Regulatory Expense	22,339	(22,339)	-	-	-	
18	Insurance Other Than Group	65,181	(136)	65,044	3,669	68,714	
19	Customer Accounting	472,908	4,427	477,335	960	478,295	
20	Rents	30,370	-	30,370	-	30,370	
21	General Office Expense	102,388	(3,669)	98,719	-	98,719	
22	Miscellaneous	25,934	377	26,311	-	26,311	
23	Maintenance Expense	330,877	1,856	332,733	-	332,733	
24	Depreciation & Amortization	2,681,429	(51,449)	2,629,980	-	2,629,980	
25	General Taxes-Property	393,762	(50,768)	342,994	18,641	361,635	
26	General Taxes-Other	77,150	-	77,150	-	77,150	
27	Income Taxes	775,079	(557,309)	217,770	346,800	564,570	
28							
29	<b>Total Operating Expenses</b>	<b>\$ 6,668,543</b>	<b>\$ 604,323</b>	<b>\$ 7,272,867</b>	<b>\$ 370,070</b>	<b>\$ 7,642,937</b>	Sum Lines [7-27]
30	<b>Utility Operating Income</b>	<b>\$ 1,996,529</b>	<b>\$ (604,323)</b>	<b>\$ 1,392,206</b>	<b>\$ 1,047,594</b>	<b>\$ 2,439,799</b>	Line [4] - Line [29]
31	<b>Other Income &amp; Deductions</b>						
32	Other Income & Deductions	\$ (52,921)	\$ -	\$ (52,921)	\$ -	\$ (52,921)	
33	Interest Expense	741,807	(7,430)	734,377	-	734,377	
34	Other Expense	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	
36	<b>Total Other Income &amp; Deductions</b>	<b>\$ 688,886</b>	<b>\$ (7,430)</b>	<b>\$ 681,456</b>	<b>\$ -</b>	<b>\$ 681,456</b>	Sum Lines [32-35]
37	<b>Net Profit / (Loss)</b>	<b>\$ 1,307,643</b>	<b>\$ (596,894)</b>	<b>\$ 710,749</b>	<b>\$ 1,047,594</b>	<b>\$ 1,758,343</b>	Line [30] - Line [36]

43 Supporting Schedules: Recap Schedules:  
 44 (a) C-2 Rebuttal A-1 Rebuttal  
 45  
 46  
 47  
 48 Workpapers & Supporting Documents  
 49  
 50 \2016 Sun City West Water Rebuttal.xlsm

<u>Sch C-2 Original</u>														
<u>Column [A]</u>														
	Page 3	Page 4	Page 5	Page 6	Page 7	Page 8	Page 9	Page 10	Page 11	Page 12				
TY Adjusted Results	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]			
	ADJ JPB-IS1 REB	ADJ SLS-IS2 REB	ADJ SLS-IS3 REB	ADJ SLH-IS4 REB	ADJ XXX-IS5 REB	ADJ JPB-IS6 REB	ADJ JPB-IS7 REB	ADJ SLS-IS8 REB	ADJ JPB-IS9 REB	ADJ JPB-IS10 REB				
<u>Line No.</u>	<u>Test Year Book Results</u>	<u>Adjust Property Taxes to Reflect Adjusted Test Year Revenues</u>	<u>Federal and State Income Taxes</u>	<u>Interest Synchronization with Rate Base</u>	<u>Regulatory Liability - ADIT Amortization - Tax Reform Adj</u>	<u>Intentionally Left Blank</u>	<u>Partially Accept Staff IS ADJ #6: Adjust Depreciation Expense - Post Test Year Plant 2017</u>	<u>Partially Accept Staff IS Adj #6: Adjust Depreciation Expense - Retirements</u>	<u>Adjust Insurance Other Than Group</u>	<u>Adjust CPI for 2017</u>	<u>Adjust CUS Charges</u>			
1	<b>Revenues</b>													
2	Water	\$ 8,493,473	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Other Revenues	171,599	-	-	-	-	-	-	-	-	-	-	-	-
4	<b>Total Revenue</b>	<b>\$ 8,665,072</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
5														
6	<b>Operating Expenses</b>													
7	Labor	\$ 899,936	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Purchased Water	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Fuel & Power	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Chemicals	126,804	-	-	-	-	-	-	-	-	-	-	-	-
11	Waste Disposal	5,280	-	-	-	-	-	-	-	-	-	85	-	-
12	Intercompany Support Services	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Corporate Allocation	250,475	-	-	-	-	-	-	-	-	-	291	-	-
14	Outside Services	127,959	-	-	-	-	-	-	-	-	-	2,055	-	-
15	Group Insurance	280,672	-	-	-	-	-	-	-	-	-	-	-	-
16	Pensions	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Regulatory Expense	22,339	-	-	-	-	-	-	-	-	-	-	-	-
18	Insurance Other Than Group	65,181	-	-	-	-	-	-	-	(136)	-	-	-	-
19	Customer Accounting	472,908	-	-	-	-	-	-	-	-	-	553	2,955	-
20	Rents	30,370	-	-	-	-	-	-	-	-	-	-	-	-
21	General Office Expense	102,388	-	-	-	-	-	-	-	-	-	2,003	-	-
22	Miscellaneous	25,934	-	-	-	-	-	-	-	-	-	377	-	-
23	Maintenance Expense	330,877	-	-	-	-	-	-	-	-	-	1,856	-	-
24	Depreciation & Amortization	2,681,429	-	-	-	(38,072)	-	(7,135)	(6,242)	-	-	-	-	-
25	General Taxes-Property	393,762	(50,768)	-	-	-	-	-	-	-	-	-	-	-
26	General Taxes-Other	77,150	-	-	-	-	-	-	-	-	-	-	-	-
27	Income Taxes	775,079	-	(557,309)	-	-	-	-	-	-	-	-	-	-
28														
29	<b>Total Operating Expenses</b>	<b>\$ 6,668,543</b>	<b>\$ (50,768)</b>	<b>\$ (557,309)</b>	<b>\$ -</b>	<b>\$ (38,072)</b>	<b>\$ -</b>	<b>\$ (7,135)</b>	<b>\$ (6,242)</b>	<b>\$ (136)</b>	<b>\$ 7,220</b>	<b>\$ 2,955</b>		
30	<b>Utility Operating Income</b>	<b>\$ 1,996,529</b>	<b>\$ 50,768</b>	<b>\$ 557,309</b>	<b>\$ -</b>	<b>\$ 38,072</b>	<b>\$ -</b>	<b>\$ 7,135</b>	<b>\$ 6,242</b>	<b>\$ 136</b>	<b>\$ (7,220)</b>	<b>\$ (2,955)</b>		
31	<b>Other Income &amp; Deductions</b>													
32	Other Income & Deductions	\$ (52,921)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	Interest Expense	741,807	-	-	(7,430)	-	-	-	-	-	-	-	-	-
34	Other Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
36	<b>Total Other Income &amp; Deductions</b>	<b>\$ 688,886</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (7,430)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
37	<b>Net Profit / (Loss)</b>	<b>\$ 1,307,643</b>	<b>\$ 50,768</b>	<b>\$ 557,309</b>	<b>\$ 7,430</b>	<b>\$ 38,072</b>	<b>\$ -</b>	<b>\$ 7,135</b>	<b>\$ 6,242</b>	<b>\$ 136</b>	<b>\$ (7,220)</b>	<b>\$ (2,955)</b>		

44 Supporting Schedules:

45 E-6

46

47

48 Workpapers & Supporting Documents:

49

50 \2016 Sun City West Water Rebuttal.xlsm

Recap Schedules:

C-1 Rebuttal

Line No.	Page 13	Page 14	Page 15	Page 16	Page 17	Page 18	[R]	[S]	[T]	[U]
	[L]	[M]	[N]	[O]	[P]	[Q]				
	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>Partially Accept Staff IS Adj #3: Adjust Outside Services Expense</u>	<u>Adjust Postage Expense</u>	<u>Partially Accept Staff IS Adj #5: Adjust Regulatory Expense</u>	<u>Partially Accept Staff IS Adj #4: Adjust General Office Expense</u>	<u>Accept Staff IS Adj #1 &amp; RUCO IS Adj #4: Adjust Fuel and Power Expense</u>	<u>Accept Staff IS Adj #2 &amp; RUCO IS Adj #3: Adjust Purchased Water Expense</u>	Total Pro Forma Adjustments	Test Year Adjusted Results	Proposed Rate Increase	Adjusted Rate Increase
<b>1 Revenues</b>										
2 Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,493,473	\$ 1,417,664	\$ 9,911,137
3 Other Revenues	-	-	-	-	-	-	-	171,599	-	171,599
<b>4 Total Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,665,072</b>	<b>\$ 1,417,664</b>	<b>\$ 10,082,736</b>
<b>6 Operating Expenses</b>										
7 Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 899,936		\$ 899,936
8 Purchased Water	-	-	-	-	-	456,260	456,260	456,260		456,260
9 Fuel & Power	-	-	-	-	830,699	-	830,699	830,699		830,699
10 Chemicals	-	-	-	-	-	-	-	126,804		126,804
11 Waste Disposal	-	-	-	-	-	-	85	5,365		5,365
12 Intercompany Support Services	-	-	-	-	-	-	-	-		-
13 Corporate Allocation	-	-	-	-	-	-	291	250,767		250,767
14 Outside Services	(6,057)	-	-	-	-	-	(4,003)	123,957		123,957
15 Group Insurance	-	-	-	-	-	-	-	280,672		280,672
16 Pensions	-	-	-	-	-	-	-	-		-
17 Regulatory Expense	-	-	(22,339)	-	-	-	(22,339)	-		-
18 Insurance Other Than Group	-	-	-	-	-	-	(136)	65,044	3,669	68,714
19 Customer Accounting	-	919	-	-	-	-	4,427	477,335	960	478,295
20 Rents	-	-	-	-	-	-	-	30,370		30,370
21 General Office Expense	-	-	-	(5,672)	-	-	(3,669)	98,719		98,719
22 Miscellaneous	-	-	-	-	-	-	377	26,311		26,311
23 Maintenance Expense	-	-	-	-	-	-	1,856	332,733		332,733
24 Depreciation & Amortization	-	-	-	-	-	-	(51,449)	2,629,980		2,629,980
25 General Taxes-Property	-	-	-	-	-	-	(50,768)	342,994	18,641	361,635
26 General Taxes-Other	-	-	-	-	-	-	-	77,150		77,150
27 Income Taxes	-	-	-	-	-	-	(557,309)	217,770	346,800	564,570
<b>29 Total Operating Expenses</b>	<b>\$ (6,057)</b>	<b>\$ 919</b>	<b>\$ (22,339)</b>	<b>\$ (5,672)</b>	<b>\$ 830,699</b>	<b>\$ 456,260</b>	<b>\$ 604,323</b>	<b>\$ 7,272,867</b>	<b>\$ 370,070</b>	<b>\$ 7,642,937</b>
<b>30 Utility Operating Income</b>	<b>\$ 6,057</b>	<b>\$ (919)</b>	<b>\$ 22,339</b>	<b>\$ 5,672</b>	<b>\$ (830,699)</b>	<b>\$ (456,260)</b>	<b>\$ (604,323)</b>	<b>\$ 1,392,206</b>	<b>\$ 1,047,594</b>	<b>\$ 2,439,799</b>
<b>31 Other Income &amp; Deductions</b>										
32 Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (52,921)		\$ (52,921)
33 Interest Expense	-	-	-	-	-	-	(7,430)	734,377		734,377
34 Other Expense	-	-	-	-	-	-	-	-		-
35 Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-	-		-
<b>36 Total Other Income &amp; Deductions</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (7,430)</b>	<b>\$ 681,456</b>	<b>\$ -</b>	<b>\$ 681,456</b>
<b>37 Net Profit / (Loss)</b>	<b>\$ 6,057</b>	<b>\$ (919)</b>	<b>\$ 22,339</b>	<b>\$ 5,672</b>	<b>\$ (830,699)</b>	<b>\$ (456,260)</b>	<b>\$ (596,894)</b>	<b>\$ 710,749</b>	<b>\$ 1,047,594</b>	<b>\$ 1,758,343</b>

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	\$ 8,665,072	\$ 8,665,072
7	Adjusted Revenues in Year Ended December 2016	8,665,072	8,665,072
8	Proposed Revenues	<u>8,665,072</u>	<u>10,082,736</u>
9	Average of Three Year's of Revenue	Avg Lines[6] thru [8] \$ 8,665,072	\$ 9,137,627
10	Average of Three Year's of Revenue, times 2	Line[9] * 2 \$ 17,330,144	\$ 18,275,253
11	Add:		
12	Construction Work in Progress at 10%	(a) 38,152	38,152
13	Deduct:		
14	Net Book Value of Transportation Equipment	<u>\$ (21,464)</u>	<u>\$ (21,464)</u>
15			
16	Full Cash Value	Sum Lines[10-12] - Line[14] \$ 17,389,761	\$ 18,334,870
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] \$ 3,130,157	\$ 3,300,277
19	Property Tax Rate	(c) 10.96%	10.96%
20			
21	Property Tax	Line[18]*Line[19] 342,994	361,635
22	Tax on Parcels	-	-
23			
24	Adjusted Test Year Property Taxes at Present Rates	Line[21]+Line[22] \$ 342,994	
25	Adjusted Test Year Property Taxes	(b) 393,762	
26	Adjustment to Revenue and/or Expense (To Sch C-2 Rebuttal)	Line[24] - Line[25] \$ (50,768)	
27			
28	Adjusted Test Year Property Taxes at Proposed Rates		Sum Lines[21-27] \$ 361,635
29	Adjusted Test Year Property Taxes at Present Rates		Line[24] Col [A] 342,994
30	Additional Property Taxes on Proposed Revenues (To Sch C-2 Rebuttal )		Line[28] - Line[29] \$ 18,641
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])		\$ 18,641
37			
38	Increase in Revenue Requirement (From Sch. A-1 Rebuttal)		\$ 1,417,664
39			
40	Increase in Property Tax Per Dollar Increase in Revenue (Line 36/Line 38)		1.31%
41			
42			
43			
44	<u>Workpapers &amp; Supporting Documents:</u>		
45			
46	(a) Sch E1		
47	(b) Sch C2 Rebuttal		
48	(c) \Composite Property Tax Rate 2016.xlsx		
49			
50	\2016 Sun City West 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		\$ 1,609,976	\$ 3,004,369
8	Interest Expense		734,377	734,377
9	Arizona Taxable Income		Line[7] - Line[8] <u>\$ 875,599</u>	<u>\$ 2,269,992</u>
10				
11	Arizona Income Tax	4.90%	Line[9] * 0.049 <u>\$ 42,904</u>	<u>\$ 111,230</u>
12				
13				
14	Federal Income Before Taxes		Line[9] \$ 875,599	\$ 2,269,992
15	Less Arizona Income Taxes		Line[11] 42,904	111,230
16	Federal Taxable Income		Line[14] - Line[15] <u>\$ 832,694</u>	<u>\$ 2,158,762</u>
17				
18	FEDERAL INCOME TAXES:			
19				
20				
21				
22				
23				
24				
25	Federal Income Taxes	21.00%	Line[16] * 0.21 <u>\$ 174,866</u>	<u>\$ 453,340</u>
26				
27				
28	Total Income Tax		Line[15]+Line[25] <u>\$ 217,770</u>	<u>\$ 564,570</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) \$ 775,079	
38	Increase in Income Taxes,		Line[28] - Line[37] <u>\$ (557,309)</u>	
39				
40	Adjustment to Revenues and/or Expense		Line[38] <u>\$ (557,309)</u>	
41				
42	Test Year Income Taxes,			Line[28] \$ 217,770
43	Increase in Income Taxes			Line[28] - Line[42] 346,800
44				
45	Adjustment to Revenue and/or Expense			Line[43] \$ 346,800
46				
47	<u>Workpapers &amp; Supporting Documents:</u>			
48	(a) Sch C2 Rebuttal			
49				
50	\\2016 Sun City West 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) \$	32,931,714
7	Weighted Cost of Debt from Schedule D-1 Rebuttal	(c)	2.23%
8	Synchronized Interest Expense	Line[6]*Line[7] \$	734,377
9			
10	Test Year Interest Expense Adjusted	(b) \$	741,807
11			
12	Adjusted Test Year Interest Expense	Line[10] \$	741,807
13			
14	Increase/(Decrease) in Interest Expense	Line[8] - Line[12] \$	(7,430)
15			
16	Rebuttal Adjustment to Revenue and/or Expense	Line[14] \$	(7,430)
17			
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45	<u>Workpapers &amp; Supporting Documents:</u>		
46	(a) Sch B1 Rebuttal		
47	(b) Sch C2 Rebuttal		
48	(c) Sch D1 Rebuttal		
49			
50	\\2016 Sun City West 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

\$ 1,187,833 (a)

9

10 Amortization Rate

3.2052% (b)

11

12 Annual Amortization

\$ (38,072) Line [8] \* Line [10]

13

14

15

16 Increase/ (Decrease) to Depreciation/ Amortization

\$ (38,072) 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 Sun City West Water Rebuttal.xlsm

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45 Workpapers & Supporting Documents:

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50 \2016 Sun City West 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	\$ 113,992	100.0000%	\$ 113,992
18	4,569	100.0000%	4,569
19	48,670	8.1316%	3,958
20	17,375	8.1316%	1,413
21	236,805	7.4057%	17,537
22	174,541	7.4057%	12,926
23	<u>\$ 595,953</u> Sum Lines [17-22]		
27	Depreciation Expense on 2017 Post Test Plant per Rebuttal		\$ 154,395 Sum Lines[17] thru [22]
30	Depreciation Expense on 2017 Post Test Plant per Company's Original Applicator		<u>\$ 161,530</u> (b)
33	Increase / (Decrease) to Depreciation Expense		\$ (7,135) Line[27] - Line[30]
35	Rebuttal Adjustment to Revenue and/or Expense		<u>\$ (7,135)</u> Line[33]

45 Workpapers & Supporting Documents:

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

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

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50 \2016 Sun City West 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	8.1316%
Arizona Total	91.0728%
Alloc Factor	7.4057%

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

\$ (9,655)

(1,774)

-

100.0000%

8.1316%

7.4057%

\$ (9,655)

(144)

-

Depreciation Expense on 2017 Retirements per Rebuttal

\$ (9,800) Sum Lines [17 - 19]

Depreciation Expense on 2017 Retirements per Company's Original Application

\$ (3,558) (b)

Increase / (Decrease) to Depreciation Expense

\$ (6,242) Line[26] - Line[29]

Rebuttal Adjustment to Revenue and/or Expense

\$ (6,242) 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 Sun City West 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		7D	AZ	AZ-Factor
	Adj Results		District 4-Factor		
11	Gross Property Value at 12/31/2016	\$ 61,049,114	5.7012%	87.7062%	5.0003%
12	% of Plant Insured				

13  
 14 Gross Plant Insured \$ 29,149,128 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]
Adjusted Revenues in Year Ended December 2016	Amount	Rate	Source	Premium	
22 1. Property Insurance	\$ 29,149,128	0.0526%	\[Insurance] Summary	\$ 15,330	\$ 15,330
23 2. Excess Liability	8,665,072	0.2588%	\[Insurance] Summary	22,428	10,082,736
24 3. Umbrella Liability	95,767	5.0003%	\[Insurance] Summary	4,789	95,767
25 4. Autos	278,350	5.0003%	\[Insurance] Summary	13,918	278,350
26 5. Workers Compensation	56,636	1.6543%	\[Insurance] Summary	937	56,636
27 6. Pollution *	3,554	100.0000%	\[Insurance] Summary	3,554	3,554
28 7. D&O	13,367	5.0003%	\[Insurance] Summary	668	13,367
29 8. Fiduciary	1,483	5.0003%	\[Insurance] Summary	74	1,483
30 9. Crime	14	776.4816%	\[Insurance] Summary	109	14
31 10. Employed Lawyers	1,196	5.0003%	\[Insurance] Summary	60	1,196
32 11. Non Owned Pollution	19,339	5.0003%	\[Insurance] Summary	967	19,339
33 12. Employment Practices	14	529.6932%	\[Insurance] Summary	74	14
34 13. Utilities Bond **	22,331	0.0000%	\[Insurance] Summary	-	22,331
35 14. Cyber Insurance	11,366	5.0003%	\[Insurance] Summary	568	11,366
36 15. Sun City Flood Insurance	2,356	0.0000%	\[Insurance] Summary	-	2,356
37 16. LAPP	19,383	5.0003%	\[Insurance] Summary	969	19,383
38					
39 <b>Total</b>				\$ 64,446	\$ 68,115
40					
41		0.0000%			
42	Adjusted Test Year Insurance Other Than Group		From Original Filing	\$ 64,582	\$ 64,446
43			Increase/(Decrease) to Insurance Other Than Group	\$ (136)	\$ 3,669

44  
 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 Sun City West Water Rebuttal.xlsm

Line  
 No.

1 Adjust CPI for 2017

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

2016 Unadjusted Expenses			Consumer Price Index - Phoenix Urban Consumers					
Description	Account	Amount (a)	Year	Annual Index	Increase	Ave Increase		
Chemicals	5263	\$ 116,848	2014	127.823				
Other Utilities	5621	\$ 5,162	2015	128.019	0.15%			
Asset Usage Fee - Corporate	6203	\$ 17,742	2016	130.107	1.63%			
Consulting Engineering	5227	\$ 2,267	2017	133.324	2.47%	1.4%		
Contractors and Consultants	5250	\$ 72,541	Chemical Increase				4.0%	
Administrative Contractors	5679	\$ 1,237	[A] * Line [12]	[A] + [B] * Line [12]		[E]	[F] = [D] - [E]	
Outside Computer Charges (T1)	5628	\$ 18,390	Chemical [13]	Chemical [13]				
Temporary Support	5629	\$ 15,066	[A]	[B]	[C]	[D] = [B] + [C]	IS JPB ADJ #23	
Legal Fees	5681	\$ 15,602	Total	Year 1	Year 2	Revised Total	Original Total	
Service Charges	5615	\$ 19,049	Chemicals	\$ 116,848	\$ 4,674	\$ 4,861	\$ 9,535	\$ 9,535
Customer Communications	5674	\$ 14,637	Waste Disposal	\$ 5,162	\$ 128	\$ 75	\$ 203	\$ 118
Rent and Storage	5810	\$ 30,370	Corporate Allocati	\$ 17,742	\$ 439	\$ 258	\$ 697	\$ 405
Freight and Courier	5262	\$ 604	Outside Services	\$ 125,102	\$ 3,093	\$ 1,819	\$ 4,912	\$ 2,858
Telephone, Long Distance, Data	5620	\$ 34,279	Customer Account	\$ 33,686	\$ 833	\$ 490	\$ 1,323	\$ 769
Stationary, Printing & Other O	5622	\$ 18,605	General Office Exp	\$ 121,949	\$ 3,015	\$ 1,773	\$ 4,789	\$ 2,786
Office Machines, Furniture	5623	\$ 1,981	Miscellaneous	\$ 22,961	\$ 568	\$ 334	\$ 902	\$ 524
Parking	5630	\$ 285	Maintenance Expe	\$ 113,020	\$ 2,795	\$ 1,643	\$ 4,438	\$ 2,582
Vehicle Allowance	5631	\$ 1,546	um Lines[18]thru[25]	\$ 556,471	\$ 15,544	\$ 11,253	\$ 26,797	\$ 19,577
Vehicle Allowance	5271	\$ 9						
Business Allowance	5634	\$ 787						
Memberships Dues & Professiona	5640	\$ 6,702						
Subscriptions	5641	\$ 1,235						
Airfare	5650	\$ 4,139						
Accommodation, Other Travel	5651	\$ 5,173						
Employee Working Meals	5652	\$ 4,781						
Training - Fees/Tuition	5660	\$ 11,441						
Training Fee	5252	\$ 10						
FR Clothing	5273	\$ 5,738						
Miscellaneous	5697	\$ 17,223						
Stock	5260	\$ -						
Materials, Supplies	5261	\$ 48,845						
Veh. and Equip.-Allocation	5270	\$ 19,815						
Equipment	5275	\$ 2,318						
Hardware	5624	\$ 99						
Software	5625	\$ 3,004						
Maintenance	5811	\$ 28,512						
Vehicle Maintenance	5823	\$ 10,427						
		\$ 556,471	Sum Lines [9 thru 45]					
<u>Workpapers &amp; Supporting Documents:</u>								
(a) Sche6	Bureau of Labor Statistics - Phoenix CPI							
\2016 Sun City West Water Rebuttal.xlsm								
						Increase / (Decrease) to Expense	Line [26] Col [D]	\$ 7,220

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

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

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C.U.S. Charges per Schedule E-6, account 5611	\$	345,513	(a)
CPI Adjustment 2017	\$	5,635	Line[16]*1.63%
Adjusted 2017 Expense	\$	351,148	Line[16]+Line [18]
CPI Adjustment 2018	\$	8,682	Line[19]*2.47%
Adjusted 2018 Expense	\$	359,830	Line[19]+Line[21]
Total Increase/ (Decrease) to C.U.S Charges	\$	14,317	Line[18]+Line[21]
Expense per Company's Original Application per IS JPB Adj#12	\$	11,362	
	\$	2,955	Line[26] - Line[28]

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Adjustment to Revenue and/or Expense \$ 2,955 Line[30]

Workpapers & Supporting Documents:

(a) Sche6

\2016 Sun City West Water Rebuttal.xlsm

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

	\$ 271	\$ 627	\$ (356)
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	\$ (5,701)	\$ -	\$ (5,701)
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	<u>\$ (6,057)</u>	Line [13] + Line [17]
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Line

No.

1 Adjust Postage Expense

2

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

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45 Workpapers & Supporting Documents:

46 (a) Sch E-6 Line 19

47 USPS Rates 2016.xlsx

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50 \2016 Sun City West Water Rebuttal.xlsm

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

Postage Expense Account 5611 per General Ledger

(a) \$ 72,969

Total Increase / (Decrease) to Postage Expense

\$ 1,945 Col [E] Line[18]\*Line[21]

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

\$ 1,026

Adjustment to Revenue and/or Expense

\$ 919 Line [22]- Line [23]

Line

No.

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

2

3 The Company is partially accepting Staff IS Adj #5. The Company is removing rate case expense out of the regulatory expense accounts. Staff recommends authorizing a surcharge to recover rate case  
 4 expense. Staff proposed recovery over a 5 year period however the Company proposes a 3 year period.

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13 Amount to be removed from Regulatory Expense per Staff IS ADJ #5

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24 Adjustment to Revenue and/or Expense

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45 Workpapers & Supporting Documents:

46 (a) Schedule C2

47

48

49

50 \2016 Sun City West Water Rebuttal.xlsm

	[A] Revised Amounts (a)	[B] Original Application	[C] = [A] - [B] Rebuttal Adjustment
Amount to be removed from Regulatory Expense per Staff IS ADJ #5	\$ (22,339)	0	\$ (22,339)

\$ (22,339) Line [13]



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 West Water	4-Factor	5.7012%
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	5.7012%	
21	\$ 5,672	Line [18] * Line [20]

Rebuttal  
 Adjustment

24 Adjustment to Revenue and/or Expense	<u>\$ (5,672)</u>	Line [21]
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45 Workpapers & Supporting Documents:

46  
 47  
 48  
 49  
 50 \2016 Sun City West Water Rebuttal.xlsx

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.

7 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  
 8 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.  
 9 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.

10 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  
 11 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  
 12 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.  
 13 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  
 14 and 2018 to account for known rate increases that will be effective prior to the resolution of this case.

15 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  
 16 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  
 17 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.

18 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  
 19 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  
 20 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] [B]		[C] [D]		[E] = [A] + [B] + [C] + [D]	
		Corporate (a) 2016	Direct (b) 2016	Other Allocation (c) 2016	Annualization	Total 2016	
5617	Power Charges	\$ 2,411	\$ 729,969			\$ 732,380	
5616	Natural Gas Charges	\$ -	\$ 261			\$ 261	
	Annualization				\$ 2,637	\$ 2,637	
Total Purchased Power Expense						\$ 735,278	Line[29 - 31]
	2017 % Increase	6.29%					
	2018 % Increase	6.29%					
		[F] Corporate	[G] Direct	[H] Natural Gas	[I] Other Allocation	[J] Annualization	[K] = [F] + [G] + [H] + [I] + [J] Total
2017 Increase - Power	\$	152	\$ 45,937	0	0	\$ 166	\$ 46,255
2017 Expense	\$	2,563	\$ 775,906	\$ 261	\$ -	\$ 2,803	\$ 781,533
2018 Increase - Power	\$	161	\$ 48,828	0	\$ -	\$ 176	\$ 49,166
2018 Expense	\$	2,724	\$ 824,735	\$ 261	\$ -	\$ 2,979	\$ 830,699
Increase/Decrease to Expense						\$ 830,699	Col 1, Line[42]

46 Workpapers & Supporting Documents:

- 47 (a) Sch E-6b (b) Sch E-6a \Purchased Power Adjustment Calc.xlsx
- 48 (c) Sch E-6c
- 49
- 50 \2016 Sun City West 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  
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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  
 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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	Purchased Water Test Year Expense
25 Test Year Purchased Water Expense	\$ -
26 CAP Water Purchase - Existing Surcharge	\$ 404,533 (a)
27 SMC-IS6	\$ -
28 Annualized Purchased Water Expenses	\$ 404,533 Line [26]+Line [27]
29	
30 2017 Percentage increase in CAP costs	8.14% (c)
31 2017 Purchased Water Expense	\$ 437,460 Line [28]*(1+Line [30])
32	
33 2018 Percentage increase in CAP costs	2.15% (c)
34 2018 Purchased Water Expense	\$ 446,868 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	\$ 9,392 (c)
40 Groundwater Withdrawal Fee	\$ - (c)
41 Total Pro Forma Purchased Water Costs	\$ 456,260 Sum Lines [36 - 40]
42	
43 Increase/Decrease to Expense	\$ 456,260 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 West 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 = 1.31%	One Minus Combined	75.13%
7				0.99% [A] x [B]
8	Bad Debt Expense	Effective Rate = 0.07%	One Minus Combined	75.13%
9				0.05% [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			26.10% Sum Line [1-10]
14				
15	Operating Income % = 100% - Tax Percentage			73.90% 1 - [C] Line [13]
16				
17				
18		1 = Gross Revenue Conversion Factor		
19				
20				
21	Operating Income %			1.35 1 / [C] Line [15]
22				
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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 West Water Rebuttal.xlsm			