

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	\$ 8,475,669	\$ 17,804	\$ 8,493,473	\$ 900,565	\$ 9,394,039	
3	Other Revenues	171,599	-	171,599	-	171,599	
4	<b>Total Revenues</b>	\$ 8,647,268	\$ 17,804	\$ 8,665,072	\$ 900,565	\$ 9,565,637	Sum Lines [2-3]
5							
6	<b>Operating Expenses</b>						
7	Labor	\$ 731,224	\$ 168,712	\$ 899,936	\$ -	\$ 899,936	
8	Purchased Water	-	-	-	-	-	
9	Fuel & Power	732,641	(732,641)	-	-	-	
10	Chemicals	116,848	9,956	126,804	-	126,804	
11	Waste Disposal	5,162	118	5,280	-	5,280	
12	Intercompany Support Services	-	-	-	-	-	
13	Corporate Allocation	259,366	(8,891)	250,475	-	250,475	
14	Outside Services	125,102	2,858	127,959	-	127,959	
15	Group Insurance	269,997	10,675	280,672	-	280,672	
16	Pensions	-	-	-	-	-	
17	Regulatory Expense	2,640	19,699	22,339	-	22,339	
18	Insurance Other Than Group	55,241	9,940	65,181	2,331	67,512	
19	Customer Accounting	476,302	(3,395)	472,908	610	473,518	
20	Rents	30,370	-	30,370	-	30,370	
21	General Office Expense	120,088	(17,700)	102,388	-	102,388	
22	Miscellaneous	25,410	524	25,934	-	25,934	
23	Maintenance Expense	120,969	209,908	330,877	-	330,877	
24	Depreciation & Amortization	1,917,198	764,231	2,681,429	-	2,681,429	
25	General Taxes-Property	335,820	57,942	393,762	11,841	405,603	
26	General Taxes-Other	93,559	(16,409)	77,150	-	77,150	
27	Income Taxes	740,243	34,836	775,079	338,237	1,113,316	
28							
29	<b>Total Operating Expenses</b>	\$ 6,158,181	\$ 510,362	\$ 6,668,543	\$ 353,019	\$ 7,021,562	Sum Lines [7-27]
30	<b>Utility Operating Income</b>	\$ 2,489,087	\$ (492,558)	\$ 1,996,529	\$ 547,546	\$ 2,544,075	Line [4] + Line [29]
31	<b>Other Income &amp; Deductions</b>						
32	Other Income & Deductions	\$ (52,921)	\$ -	\$ (52,921)	\$ -	\$ (52,921)	
33	Interest Expense	571,197	170,610	741,807	-	741,807	
34	Other Expense	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	
36	<b>Total Other Income &amp; Deductions</b>	\$ 518,276	\$ 170,610	\$ 688,886	\$ -	\$ 688,886	Sum Lines [32-35]
37	<b>Net Profit / (Loss)</b>	\$ 1,970,811	\$ (663,168)	\$ 1,307,643	\$ 547,546	\$ 1,855,189	Line [30] - Line [36]

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

48 Workpapers & Supporting Documents

50 \2016 Sun City West Water.xlsm

	Page 5	Page 6	Page 7	Page 8	Page 9	Page 10	Page 11	Page 12	Page 13	Page 14	Page 15		
[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]		
	ADJ JPB-IS1	ADJ JPB-IS2	ADJ SLM-IS3	ADJ SLM-IS4	ADJ JPB-IS5	ADJ SMC-IS6	ADJ SLM-IS7	ADJ SLM-IS8	ADJ JPB-IS9	ADJ SLM-IS10	ADJ JPB-IS11		
<u>Line No.</u>	<u>Test Year Book Results (a)</u>	<u>Tank Maintenance</u>	<u>Adjust Property Taxes to Reflect Proposed Revenues</u>	<u>Federal and State Income Taxes</u>	<u>Interest Synchronization with Rate Base</u>	<u>Bad Debt Expense</u>	<u>Annualization/Normalization of Revenues</u>	<u>Removal of General Disallowable Items</u>	<u>Annualize Labor &amp; Labor Related Expenses</u>	<u>Purchased Power Adjustment and Surcharge</u>	<u>Removal of 10% of Performance Based Compensation</u>	<u>Postage Expense</u>	
1	<b>Revenues</b>												
2	Water	\$ 8,475,669	\$ -	\$ -	\$ -	\$ -	\$ 17,804	\$ -	\$ -	\$ -	\$ -	\$ -	
3	Other Revenues	171,599	-	-	-	-	-	-	-	-	-	-	
4	<b>Total Revenue</b>	<b>\$ 8,647,268</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,804</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
5													
6	<b>Operating Expenses</b>												
7	Labor	\$ 731,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178,884	\$ -	\$ (10,172)	\$ -	
8	Purchased Water	-	-	-	-	-	-	-	-	-	-	-	
9	Fuel & Power	732,641	-	-	-	-	2,637	-	-	(735,278)	-	-	
10	Chemicals	116,848	-	-	-	-	421	-	-	-	-	-	
11	Waste Disposal	5,162	-	-	-	-	-	-	-	-	-	-	
12	Intercompany Support Services	-	-	-	-	-	-	-	-	-	-	-	
13	Corporate Allocation	259,366	-	-	-	-	-	-	-	-	-	-	
14	Outside Services	125,102	-	-	-	-	-	-	-	-	-	-	
15	Group Insurance	269,997	-	-	-	-	-	-	10,675	-	-	-	
16	Pensions	-	-	-	-	-	-	-	-	-	-	-	
17	Regulatory Expense	2,640	-	-	-	-	-	-	-	-	-	-	
18	Insurance Other Than Group	55,241	-	-	-	-	-	-	-	-	-	-	
19	Customer Accounting	476,302	-	-	-	(18,266)	1,714	-	-	-	-	1,026	
20	Rents	30,370	-	-	-	-	-	-	-	-	-	-	
21	General Office Expense	120,088	-	-	-	-	-	(20,486)	-	-	-	-	
22	Miscellaneous	25,410	-	-	-	-	-	-	-	-	-	-	
23	Maintenance Expense	120,969	227,141	-	-	-	-	-	-	-	-	-	
24	Depreciation & Amortization	1,917,198	-	-	-	-	-	-	-	-	-	-	
25	General Taxes-Property	335,820	-	57,942	-	-	-	-	-	-	-	-	
26	General Taxes-Other	93,559	-	-	-	-	-	-	(16,409)	-	-	-	
27	Income Taxes	740,243	-	-	34,836	-	-	-	-	-	-	-	
28													
29	<b>Total Operating Expenses</b>	<b>\$ 6,158,181</b>	<b>\$ 227,141</b>	<b>\$ 57,942</b>	<b>\$ 34,836</b>	<b>\$ -</b>	<b>\$ (18,266)</b>	<b>\$ 4,772</b>	<b>\$ (20,486)</b>	<b>\$ 173,150</b>	<b>\$ (735,278)</b>	<b>\$ (10,172)</b>	<b>\$ 1,026</b>
30	<b>Utility Operating Income</b>	<b>\$ 2,489,087</b>	<b>\$ (227,141)</b>	<b>\$ (57,942)</b>	<b>\$ (34,836)</b>	<b>\$ -</b>	<b>\$ 18,266</b>	<b>\$ 13,032</b>	<b>\$ 20,486</b>	<b>\$ (173,150)</b>	<b>\$ 735,278</b>	<b>\$ 10,172</b>	<b>\$ (1,026)</b>
31	<b>Other Income &amp; Deductions</b>												
32	Other Income & Deductions	\$ (52,921)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
33	Interest Expense	571,197	-	-	-	170,610	-	-	-	-	-	-	
34	Other Expense	-	-	-	-	-	-	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	
36	<b>Total Other Income &amp; Deductions</b>	<b>\$ 518,276</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 170,610</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
37	<b>Net Profit / (Loss)</b>	<b>\$ 1,970,811</b>	<b>\$ (227,141)</b>	<b>\$ (57,942)</b>	<b>\$ (34,836)</b>	<b>\$ (170,610)</b>	<b>\$ 18,266</b>	<b>\$ 13,032</b>	<b>\$ 20,486</b>	<b>\$ (173,150)</b>	<b>\$ 735,278</b>	<b>\$ 10,172</b>	<b>\$ (1,026)</b>
38													
39													
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41													
42													
43													
44	Supporting Schedules:	Recap Schedules:											
45	(a) E-6	C-1											
46													
47													
48	Workpapers & Supporting Documents:												
49													
50	\2016 Sun City West Water.xlsm												

	Page 16 [M] ADJ JPB-IS12	Page 17 [N] ADJ SLM-IS13	Page 18 [O] ADJ SLM-IS14	Page 19 [P] ADJ SLM-IS15	Page 20 [Q] ADJ SLM-IS16	Page 21 [R] ADJ SLM-IS17	Page 22 [S] ADJ SLM-IS18	Page 23 [T] ADJ SLM-IS19	Page 24 [U] ADJ SLM-IS20	Page 25 [V] ADJ SLM-IS21	Page 26 [W] ADJ SLM-IS22	Page 27 [X] ADJ JPB-IS23
<u>Line No.</u>	<u>Customer Care and Billing Services</u>	<u>Rate Case Expense</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Annualize Depreciation Expense on Direct Plant</u>	<u>Annualize Depreciation Expense on Corporate Plant</u>	<u>Annualize Depreciation Expense on 6U</u>	<u>Depreciation Expense on Post Test Year Plant</u>	<u>Removal of Vector Truck Amortization</u>	<u>Annualize Amortization of CIAC</u>	<u>Adjust Corporate Allocations</u>	<u>CPI Increase</u>
1	<b>Revenues</b>											
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	-	-	-	-	-	-	-	-	-	-	-	-
4	<b>Total Revenue</b>											
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	<b>Operating Expenses</b>											
7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	-	-	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-	-	-	9,535
11	-	-	-	-	-	-	-	-	-	-	-	118
12	-	-	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-	(9,296)	405
14	-	-	-	-	-	-	-	-	-	-	-	2,858
15	-	-	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-	-	-
17	-	19,699	-	-	-	-	-	-	-	-	-	-
18	-	-	-	-	-	-	-	-	-	-	-	-
19	11,362	-	-	-	-	-	-	-	-	-	-	769
20	-	-	-	-	-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-	-	-	-	-	2,786
22	-	-	-	-	-	-	-	-	-	-	-	524
23	-	-	-	-	-	-	-	-	-	-	-	2,582
24	-	-	-	-	550,275	(21,989)	61,764	161,530	(15,486)	(28,164)	-	-
25	-	-	-	-	-	-	-	-	-	-	-	-
26	-	-	-	-	-	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-	-	-	-	-	-
28												
29	<b>Total Operating Expenses</b>											
30	\$ 11,362	\$ 19,699	\$ -	\$ -	\$ 550,275	\$ (21,989)	\$ 61,764	\$ 161,530	\$ (15,486)	\$ (28,164)	\$ (9,296)	\$ 19,577
31	<b>Utility Operating Income</b>											
32	\$ (11,362)	\$ (19,699)	\$ -	\$ -	\$ (550,275)	\$ 21,989	\$ (61,764)	\$ (161,530)	\$ 15,486	\$ 28,164	\$ 9,296	\$ (19,577)
31	<b>Other Income &amp; Deductions</b>											
32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	-	-	-	-	-	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-	-	-	-
36	<b>Total Other Income &amp; Deductions</b>											
37	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38	<b>Net Profit / (Loss)</b>											
39	\$ (11,362)	\$ (19,699)	\$ -	\$ -	\$ (550,275)	\$ 21,989	\$ (61,764)	\$ (161,530)	\$ 15,486	\$ 28,164	\$ 9,296	\$ (19,577)

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 43  
 44 Supporting Schedules:  
 45 (a) E-6  
 46  
 47  
 48 Workpapers & Supporting Documents:  
 49  
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Line No.	Page 40	Page 41	Page 42	Page 43					
	[AK] ADJ SLM-IS36	[AL] ADJ SLM-IS37	[AM] ADJ SLM-IS38	[AN] ADJ SLM-IS39	[AO] Sum [B - AN]	[AP] Sum [A] + [AO]	[AQ] Sum [AP] + [AQ]	[AR] Sum [AP] + [AQ]	
	<u>Regulatory Asset</u>					<u>Test Year</u>	<u>Proposed Rate</u>	<u>Adjusted Rate</u>	
	<u>Amortization - LT</u>	<u>Intentionally</u>	<u>Intentionally</u>	<u>Intentionally</u>	<u>Total Pro Forma</u>	<u>Adjusted</u>	<u>Increase</u>	<u>Increase</u>	
	<u>Effluent - Sun City</u>	<u>Left Blank</u>	<u>Left Blank</u>	<u>Left Blank</u>	<u>Adjustments</u>	<u>Results</u>			
	<u>West</u>								
1	<b>Revenues</b>								
2	\$ -	\$ -	\$ -	\$ -	\$ 17,804	\$ 8,493,473	\$ 900,565	\$ 9,394,039	
3	-	-	-	-	-	171,599	-	171,599	
4	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,804</b>	<b>\$ 8,665,072</b>	<b>\$ 900,565</b>	<b>\$ 9,565,637</b>	
5									
6	<b>Operating Expenses</b>								
7	\$ -	\$ -	\$ -	\$ -	\$ 168,712	\$ 899,936	\$ -	\$ 899,936	
8	-	-	-	-	-	-	-	-	
9	-	-	-	-	(732,641)	-	-	-	
10	-	-	-	-	9,956	126,804	-	126,804	
11	-	-	-	-	118	5,280	-	5,280	
12	-	-	-	-	-	-	-	-	
13	-	-	-	-	(8,891)	250,475	-	250,475	
14	-	-	-	-	2,858	127,959	-	127,959	
15	-	-	-	-	10,675	280,672	-	280,672	
16	-	-	-	-	-	-	-	-	
17	-	-	-	-	19,699	22,339	-	22,339	
18	-	-	-	-	9,940	65,181	2,331	67,512	
19	-	-	-	-	(3,395)	472,908	610	473,518	
20	-	-	-	-	-	30,370	-	30,370	
21	-	-	-	-	(17,700)	102,388	-	102,388	
22	-	-	-	-	524	25,934	-	25,934	
23	-	-	-	-	209,908	330,877	-	330,877	
24	12,912	-	-	-	764,231	2,681,429	-	2,681,429	
25	-	-	-	-	57,942	393,762	11,841	405,603	
26	-	-	-	-	(16,409)	77,150	-	77,150	
27	-	-	-	-	34,836	775,079	338,237	1,113,316	
28									
29	<b>\$ 12,912</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 510,362</b>	<b>\$ 6,668,543</b>	<b>\$ 353,019</b>	<b>\$ 7,021,562</b>	
30	<b>\$ (12,912)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (492,558)</b>	<b>\$ 1,996,529</b>	<b>\$ 547,546</b>	<b>\$ 2,544,075</b>	
31	<b>Other Income &amp; Deductions</b>								
32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (52,921)	\$ -	\$ (52,921)	
33	-	-	-	-	170,610	741,807	-	741,807	
34	-	-	-	-	-	-	-	-	
35	-	-	-	-	-	-	-	-	
36	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 170,610</b>	<b>\$ 688,886</b>	<b>\$ -</b>	<b>\$ 688,886</b>	
37	<b>\$ (12,912)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (663,168)</b>	<b>\$ 1,307,643</b>	<b>\$ 547,546</b>	<b>\$ 1,855,189</b>	
38									
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42									
43									
44	Supporting Schedules:						Recap Schedules:		
45	(a) E-6						C-1		
46									
47									
48	Workpapers & Supporting Documents:								
49									
50	\2016 Sun City West Water.xlsm								

Line  
 No.

Tank Maintenance

Tank maintenance expenses are often large and vary from year to year. To prevent over-or under-stating tank maintenance expenses in the test year, the Company has adjusted the expenses to reflect the average cost of tank maintenance over a planned maintenance program. The program maps out the anticipated frequency and amount of the costs on a district level by storage tank. Costs are then averaged over the given maintenance cycle and summarized by district.

Many of the districts already have approved tank maintenance plans authorized by the Commission in previous decisions. The tank maintenance expense in those districts reflects the previously approved amounts. This Application also seeks approval of the Sun City West and North Mohave Water District tank maintenance plans that have not been previously authorized by the Commission. Detail for each district's tank maintenance programs and the annual expense is as follows:

- Agua Fria Water: \$376,478 through 2026 - Decision Number 73145 on 5/1/12.
- Anthem Water was given a deferral mechanism - Decision Number 72047 on 1/7/11.
- Havasu Water: \$76,320 through 2021 - Decision Number 73145 on 5/1/12.
- Mohave Water: \$244,608 through 2026 - Decision Numbers 73145 & 75268 on 5/1/12 & 9/1/15, respectively.
- North Mohave: \$114,583 through 2029.
- Paradise Valley Water: \$123,658 through 2029 - Decision Number 75268 on 9/1/15.
- Sun City Water: \$362,187 through 2023 - Decision Numbers 72047 & 75268 on 1/7/11 and 9/1/15, respectively.
- Sun City West Water: \$227,141 through 2025.
- Tubac Water has no authorized tank maintenance program.
- Willow Valley Water has no authorized tank maintenance program.
- Chaparral City Water: \$202,184 through 2032 - Decision Number 74568 on 6/20/14 (subsequently corrected in Decision Numbers 74585 and 74938 on 7/30/14 and 2/9/15, respectively).

Tank Maintenance Program Annual Cost \$ 227,141 (b)

2016 Tank Maintenance Expense, Unadjusted (account 5900) - (a)

Increase in Tank Maintenance Expense Line [29] - Line [33] \$ 227,141

Workpapers & Supporting Documents:

- (a) Sch E6
- (b) Authorized Tank Maintenance Summaries.xlsx
- \2016 Sun City West Water.xlsm

Line  
 No.

1 <u>Adjust Property Taxes to Reflect Proposed Revenues</u>		2		3		4		5	
Property Taxes are based, in part, on the average of the prior three year's revenues. The 2016 property tax expense requires a conforming adjustment to bring property taxes in line with proposed changes in revenue. Additionally, the Company has experienced known and measurable changes in property tax rates from year to year. Accordingly, conforming property tax rates have been adjusted by the average change in property tax rates over the last three years to account for known and measurable historical trends in tax rates.									
6		<b>Business Unit</b>	<b>7D</b>	<b>GMC Factor</b>	<b>8.1316%</b>			[A]	[B]
7		<b>Power and Water Expenses</b>						<b>Property Tax Expense</b>	<b>Property Tax Expense</b>
8			[1]	[2]				<b>For Conversion Factor</b>	
9			Present	Proposed					
10	Adjusted Revenues in Year Ended December 2016	[Adj Summary p.2.]	\$ 1,139,811	\$ 1,286,959		(b) + [2]	\$ 9,952,032		\$ 9,952,032
11	Adjusted Revenues in Year Ended December 2016						9,952,032		9,952,032
12	Proposed Revenues						9,952,032	(b) + [2]	10,852,597
13	Average of Three Years of Revenue					Avg Lines[10] thru [12]	\$ 9,952,032		\$ 10,252,220
14	Average of Three Years of Revenue, times 2					Line[13] * 2	\$ 19,904,064		\$ 20,504,440
15	Add:								
16	Construction Work in Progress at 10%					(a)	\$ 38,152		\$ 38,152
17	Deduct:								
18	Net Book Value of Transportation Equipment					(d)	\$ (21,464)		\$ (21,464)
19									
20	Full Cash Value					Sum Lines[14-16] - Line[18]	\$ 19,963,681		\$ 20,564,057
21	Assessment Ratio (For 2016 and Beyond per HB 2001 Sec 42-15001)						18.0%		18.0%
22	Assessed Value					Line[20]*Line[21]	\$ 3,593,463		\$ 3,701,530
23	Property Tax Rate					(c)	10.96%		10.96%
24									
25	Property Tax					Line[22]*Line[23]	\$ 393,762		\$ 405,603
26	Additional Tax						\$ -		
27									
28	Adjusted Test Year Property Taxes at Present Rates					Line[25]+Line[26]	\$ 393,762		
29	Adjusted Test Year Property Taxes					(b)	335,820		
30	Adjustment to Revenue and/or Expense (To Sch C-2)					Line[28] - Line[29]	\$ 57,942		
31									
32	Adjusted Test Year Property Taxes at Proposed Rates							Lines[25]	\$ 405,603
33	Adjusted Test Year Property Taxes at Present Rates							Line[28] Col [A]	393,762
34	Additional Property Taxes on Proposed Revenues (To Sch C-2)							Line[32] - Line[33]	\$ 11,841
35									
36	<b>CALCULATION OF PROPERTY TAX FACTOR TO COMPUTE GROSS REVENUE CONVERSION FACTOR (SCH C-3):</b>								
37									
38									
39									
40									
41									
42									
43									
44	<b>Workpapers &amp; Supporting Documents:</b>								
45									
46	(a) Sch E-1								
47	(b) Sch C-2								
48	(c) Composite Property Tax Rate 2016.xlsx								
49	(d) Summary of Plant Balances by NARUC								
50	\2016 Sun City West Water.xlsm								

Line No.			Test Year Adjusted Results [A]	Adjusted with Rate Increase [B]
1	<u>Federal and State Income Taxes</u>			
2				
3				
4	Operating Income Before Inc. Taxes		\$ 2,771,608	\$ 3,657,392
5	Interest Expense		741,807	741,807
6	Arizona Taxable Income		Line[4] - Line[5] <u>\$ 2,029,801</u>	<u>\$ 2,915,585</u>
7				
8	Arizona Income Tax	4.900%	Line[6]* 4.900% <u>\$ 99,460</u>	<u>\$ 142,864</u>
9				
10				
11	Federal Income Before Taxes		Line[6] \$ 2,029,801	\$ 2,915,585
12	Less Arizona Income Taxes		Line[8] <u>99,460</u>	<u>142,864</u>
13				
14	Federal Taxable Income		Line[11] - Line[12] <u>\$ 1,930,341</u>	<u>\$ 2,772,721</u>
15				
16				
17				
18	FEDERAL INCOME TAXES:			
19				
20	Federal Income Taxes	35.000%	Line[14]*35.000% <u>\$ 675,619</u>	<u>\$ 970,452</u>
21				
22				
23				
24	Total Income Tax		Line[12]+Line[20] <u>\$ 775,079</u>	<u>\$ 1,113,316</u>
25				
26	Tax Rate		Line[24] / Line[6] <u>38.18%</u>	<u>38.18%</u>
27				
28				
29				
30	Effective Income Tax Rates			
31	State		Line[8] / Line[6] 4.900%	4.900%
32	Federal		Line[20] / Line[6] 33.28%	33.28%
33				
34				
35	Adjusted Test Year Income Taxes		(a) \$ 740,243	
36	Increase in Income Taxes,		Line[24] - Line[35] <u>\$ 34,836</u>	
37				
38	Adjustment to Revenues and/or Expense		Line[36] <u>\$ 34,836</u>	
39				
40	Test Year Income Taxes			Col A Line[24] \$ 775,079
41	Increase in Income Taxes			Line[24] - Line[40] 338,237
42				
43	Adjustment to Revenue and/or Expense			Line[41] <u>\$ 338,237</u>
44				
45				
46				
47	<u>Workpapers &amp; Supporting Documents:</u>			
48	(a) Sch C-2			
49				
50	\\2016 Sun City West Water.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 , Ln. 28)	(a)	\$ 33,264,889
7	Weighted Cost of Debt from Schedule D-1	(b)	2.23%
8	Synchronized Interest Expense	Line[6]*Line[7]	\$ 741,807
9			
10	Test Year Interest Expense		\$ 571,197 (c)
11			
12	Adjusted Test Year Interest Expense	Line[10]	\$ 571,197
13			
14	Increase/(Decrease) in Interest Expense	Line[8] - Line[12]	\$ 170,610
15			
16	Adjustment to Revenue and/or Expense	Line[14]	\$ 170,610
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46	<u>Workpapers &amp; Supporting Documents:</u>		
47	(a) Sch B-1		
48	(b) Sch D-1		
49	(c) Sch C-2		
50	\2016 Sun City West Water.xlsm		

Line No.	G/L Account Business Unit	5610	7D	
1	<u>Bad Debt Expense</u>			
2				
3	The 2016 Test Year bad debt expense was calculated based on total Arizona accounts receivable which was allocated to the districts. Included in that calculation were recoveries of			
4	write-offs originally thought to be uncollectible from prior years and adjustments to account receivable balances. In order to accurately reflect the impact of bad debt expense on			
5	2016 expenses, the allocation and adjustments from prior years were removed and replaced with actual activity determined to be uncollectible and written-off in 2016 for each			
6	district. The difference between the unadjusted expense amount as allocated and the actual write-offs by district is computed below and included as a proforma adjustment to the			
7	test year expense for each district.			
8				
9				
10	Allocated Bad Debt in Account 5610			(a) \$ 24,134
11				
12	<u>Actual Bad Debt Write-Offs (b)</u>			
13	Jan-16			\$ 242
14	Feb-16			446
15	Mar-16			172
16	Apr-16			881
17	May-16			265
18	Jun-16			145
19	Jul-16			282
20	Aug-16			543
21	Sep-16			2,217
22	Oct-16			160
23	Nov-16			152
24	Dec-16			362
25	Total Bad Debt			Sum Lines [13 - 24] \$ 5,868
26				
27	Increase/(Decrease) in Bad Debt Expense			Line[25] - Line[10] \$ (18,266)
28				
29	Adjustment to Revenue and/or Expense			Line[27] \$ (18,266)
30				
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43				
44	<u>Workpapers &amp; Supporting Documents:</u>			
45				
46	(a) Sch E-6			
47	(b) \Bad Debt Writeoffs and Recoveries 2016.xls			
48				
49				
50	\2016 Sun City West Water.xlsm			

Line  
 No.

Annualization/Normalization of Revenues

Due to the seasonality of residents in the Phoenix area, it is appropriate to annualize revenues for the average customer population during the year, rather than the year-end count. At December 31, 2016, the customer population is at its highest, and does not properly reflect the experiences of the Company. Due to unseasonably high temperatures during test year, EPCOR has also performed a weather normalization to reflect normalized water sales at average temperatures. Please see the Schedule H for detail. EPCOR has also removed accrual entries.

	[A]	[B]	[C]	[D]		[E] = [A] + [B] + [C] + [D]
	Residential	Commercial	Other Water User	Other Revenue		Total
13 Test Year Revenues per General Ledger	\$ 6,988,687	\$ 1,486,982	\$ -	\$ 171,599	(a)	\$ 8,647,268
14 Revenue Adjustments	(5,239)				(b)	(5,239)
15 Accruals	16,542	9,354	-		(a)	25,896
16 Annualization	14,302	2,203	111	-	(b)	16,616
17 Weather Normalization	-	(12,826)	(6,643)		(b)	(19,469)
18 Adjusted Revenues	\$ 7,014,292	\$ 1,485,713	\$ (6,532)	\$ 171,599	Sum Lines [13 - 17]	\$ 8,665,072
20 Test Year Revenues per General Ledger	6,988,687	1,486,982	-	171,599	(b)	8,647,268
22 Increase / (Decrease) to Test Year Revenues	\$ 25,605	\$ (1,269)	\$ (6,532)	\$ -	Line[18] - Line[20]	\$ 17,804

Increase / (Decrease) in Operating Expenses:

	[F]	[G]	[H]	[I]		Total
	Purchased Water	Fuel & Power	Chemicals	Other Customer Accounting		
29 Test Year Adjusted Expense from Sch C-2	\$ -	\$ 732,641	\$ 116,848	\$ 476,302		
30 Average Customers (from Sch E7) times 12 bills	183,910	183,910	183,910	183,910		
31 Cost per Customer	\$ -	\$ 3.984	\$ 0.635	\$ 2.590	Line[29] / Line[30]	
33 Customer Growth	662	662	662	662	(c)	
34 Additional Expense	\$ -					
		\$ 2,637				
			\$ 421			
				\$ 1,714		\$ 4,772
					Sum Col [F-I]	

Workpapers & Supporting Documents:

- (a) Sch E-6
  - (b) Sun City West Water H Schedule.xlsx
  - (c) Customer Count tab
- \2016 Sun City West Water.xlsm

4 - Factor

Business Unit	7D	5.7012%
---------------	----	---------

Line  
 No.

Removal of General Disallowable Items

In anticipation that Staff would disallow certain miscellaneous costs, the Company has removed expenses that would typically be disallowed for ratemaking purposes, such as charitable and civic contributions and other miscellaneous expenses that are normally not recoverable from customers. While the Company still believes these expenses should be recoverable through rates, we removed them to minimize issues in dispute. The corresponding General Ledger numbers are below.

	[A]	[B]	[C]	[D] = [A] + [B] + [C]	
	5670	5671	5672		
	Advertising	Promotion	Donation	Total	
Total 7A Corporate Expenses (a)	\$ 30,500	\$ 280,264	\$ 24,002	\$ 334,766	
7A Allowed Expenses (b)	16,139	3,750	-	19,888	
7A Disallowed Expenses	\$ 14,361	\$ 276,514	\$ 24,002	\$ 314,877	Line[15] - Line[16]
Sun City West Water 4-Factor	5.7012%	5.7012%	5.7012%		
7A Disallowed Expenses allocated to District	\$ 819	\$ 15,765	\$ 1,368	\$ 17,952	Line[17] * Line[19] \$ 17,952
Total District Expenses (a)	\$ -	\$ 2,534	\$ -	\$ 2,534	
District Allowed Expenses (b)	0	0	0	0	
District Disallowed Expenses	\$ -	\$ 2,534	\$ -	\$ 2,534	Line[24] - Line[25] \$ 2,534

General Disallowed Items for District

Line[21] + Line[26] \$ 20,486

Adjustment to Revenue and/or Expense

Line[33] \$ (20,486)

Workpapers & Supporting Documents:

- (a) Sch E-6a
- (b) Disallowable Costs 2016.xlsx
- 4-Factor
- \2016 Sun City West Water.xlsm

Line No.	Business Unit	7D			
1	<u>Annualize Labor &amp; Labor Related Expenses</u>				
2	The Company has adjusted Labor costs to reflect 12 months of costs to annualized for certain positions that were created or filled during the test year as well as known increases to labor costs of 3%.				
3	This adjustment also annualizes the various employee benefit-related items including group insurance, 401(k), and pension expense. Group Insurance includes premiums for life insurance, medical				
4	insurance, dental insurance, long-term disability insurance and short-term disability. Also included is the annualization of the Company's contribution to its employees' 401(k) retirement savings				
5	program.				
6					
7	Labor Expense as calculated per the Payroll Model (a)				
8		Direct Labor	\$	808,385	
9		Performance Based Compensation	\$	101,723	\$ 910,109 Line[8]+Line[9]
10					
11	Fully Allocated Labor Expense per General Ledger (b)				
12		Increase/(Decrease) in Labor Expense			\$ 731,224 Line[9] - Line[11] \$ 178,884
13					
14					
15					
16					
17					
18	Group Insurance and Other Benefits as calculated per the Payroll Model (a)				
19		401K	\$	75,097	
20		Insurance	\$	148,938	
21		Pension	\$	56,636	\$ 280,672 Line[19]+Line[20]+Line[21]
22					
23	Fully Allocated Labor Expense per General Ledger (b)				
24		Increase/(Decrease) in Group Insurance Expense			\$ 269,997 Line[21]-Line[23] \$ 10,675
25					
26					
27					
28					
29					
30	Payroll Taxes as calculated per the Payroll Model (a)				
31		Taxes	\$	64,749	\$ 64,749 Line[31]
32					
33	Fully Allocated Labor Expense per General Ledger (b)				
34		Increase/(Decrease) in General Taxes - Other			\$ 81,158 Line[31] - Line[33] \$ (16,409)
35					
36					
37	Increase/(Decrease) in Labor Related Expense				
38					Sum Lines[12] thru [34] \$ 173,150
39					
40	Adjustment to Revenue and/or Expense				
41					Line [37] \$ 173,150
42					
43		Total	\$	1,255,529	Line [8]+[9]+[19]+[20]+[21]+[31]
44		Check	\$	1,255,529	\Payroll, Benefits & Taxes_ TY 2016.xlsx
45		Diff	\$	-	Line[43] - Line[44]
46	<u>Workpapers &amp; Supporting Documents:</u>				
47	(a) \Payroll, Benefits & Taxes_ TY 2016.xlsx				
48	(b) Sch E-6				
49					
50	\2016 Sun City West Water.xlsm				

Line  
 No.

1 Purchased Power Adjustment and Surcharge Business Unit 7D

The Company is proposing a Power Cost Adjustor Mechanism for All Districts in this Case. This adjustment removes Purchased Power expenses from the District's operating expenses. The Power Costs expenses are removed in adjustment JPB-IS9. The Company's estimate as to the per customer surcharge is calculated herein. 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.

			[A]	[B]	[C]	[D] = [A] + [B] + [C]
<u>GL Account</u>	<u>Account Description</u>		Corporate (a)	Direct (b)	Other Allocation (c)	Total
			2016	2016	2016	2016
	5617 Power Charges		\$ 2,411	\$ 729,969		\$ 732,380
	5616 Natural Gas Charges		\$ -	\$ 261		\$ 261
	Annualization					\$ 2,637
15	Increase / (Decrease) to Purchase Power Expense					<u>\$ (735,278)</u>

Sum Lines [12 - 14]

45 Workpapers & Supporting Documents:

- 46 (a) Sch E-6b
- 47 (b) Sch E-6a

50 \2016 Sun City West Water.xlsm

**PURCHASED POWER  
 SURCHARGE CALCULATION**

Line  
No.

1 Purchased Power Adjustment and Surcharge Business Unit 7D

2 The Company's water districts utilize multiple vendors in their different geographic locations. Power is purchased from Arizona Public Service Company ("APS"), UNS

3 Electric, Inc. ("UNS Electric"), and Mohave Electric Cooperative ("MEC"). Each of these vendors has initiated or concluded rate cases during the test year and pro forma

4 adjustments to electrical costs are proposed to account for known and measurable increases. The Company has no control over these price increases. Additionally,

5 EWAZ has experienced consistent year-over-year increases in APS's bills due to changes in surcharge factors associated with their rate adjustor mechanisms.

6

7 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

8 the Phoenix corporate office. On March 1, 2017, APS reached a settlement agreement with the major parties in its rate case filed on June 1, 2016. The Company does

9 not expect the Commission to issue a decision prior to the filing of this rate case, but is aware that the commercial rates will increase if the settlement is approved. In

10 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-

11 over-year, between APS filing general rate applications. Accordingly, the Company adjusts the power charges included in the proposed PCAM based on the three-year

12 average trend of known and measurable historical annual cost increases. Electric costs for districts using APS are adjusted for 2017 and 2018 to account for known rate

13 increases that will be effective prior to the resolution of this case.

14

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

16 (August 18, 2016), authorizing new rates for residential and commercial customers. The Company has multiple accounts with UNS Electric. As these rate increases are

17 known and measurable, but not fully reflected in the 2016 purchased power costs, a one-time adjustment is included to annualize this increase in purchased power costs

18 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

20 The Mohave, North Mohave, and Willow Valley Water districts receive power from MEC, which increased rates effective February 1, 2016 per Decision No. 75931

21 (January 13, 2017). The increased costs that result from that decision are not fully reflected in the 2016 test year power expenses for those districts, but the increase in

22 costs that result from Decision No. 75931 is both known and measurable. The two months of 2016 expenses billed pursuant to MEC's previous tariff should therefore be

23 adjusted for the known increase. The purchased power expenses for the Mohave, North Mohave, and Willow Valley Water districts have been annualized accordingly

24 for rate changes in the test year in the PCAM.

	[A]	[B]	[C]	[D] = [A] + [B] + [C]	
	Other				
	Corporate (a)	Direct (b)	Allocation (c)	Total	
<u>GL Account</u> <u>Account Description</u>	2016	2016	2016	2016	
5617 Power Charges	\$ 2,411	\$ 729,969		\$ 732,380	
5616 Natural Gas Charges	\$ -	\$ 261		\$ 261	
Annualization				\$ 2,637	
<b>Total Purchased Power Expense</b>				<b>\$ 735,278</b> <small>Line[29 - 31]</small>	
2017 % Increase	6.29%				
2018 % Increase	6.29%				
	[E]	[F]	[G]	[H]	[I] = [E] + [F] + [G] + [H]
	<u>Corporate</u>	<u>Direct</u>	<u>Natural Gas</u>	<u>Annualization</u>	<u>Total</u>
2017 Increase	\$ 152	\$ 45,937	0	\$ 166	\$ 46,255 <small>Line[29]*Line[33], Line [31]*Line [33]</small>
2017 Expense	\$ 2,563	\$ 775,906	\$ 261	\$ 2,803	\$ 781,533 <small>Line[29]+Line[38], Line [31]*Line [38]</small>
2018 Increase	\$ 161	\$ 48,828	0	\$ 176	\$ 49,166 <small>Line[34]*Line[39]</small>
2018 Expense	\$ 2,724	\$ 824,735	\$ 261	\$ 2,979	\$ 830,699 <small>Line[39]+Line[41]</small>

Total Billed Gallons (in thousand of gallons) 1,712,041  
 Surcharge Per Thousand Gallons \$ 0.4852 Line[42]/Line[44]

- Workpapers & Supporting Documents:
- (a) Sch E-6b
  - (b) Sch E-6a
  - (c) Sch E-6c
  - \Purchased Power Adjustment Calc.xlsx
  - \2016 Sun City West Water.xlsm

Line  
 No.

4-Factor

1	<u>Removal of 10% of Performance Based Compensation</u>	Sun City West Wat	5.7012%
2		Arizona Total	87.7062%

The Performance Based Compensation program contains metrics designed to incent employees to 1) work safely by requiring achievement of an annual OSHA Recordable Incident Rate, 2) provide excellent customer service by setting goals for customer satisfaction, billing accuracy targets, and metrics for the call center, and 3) achieve a target for capital investments to be completed on time and at or under total company budget. Each of these 3 targets is weighted at 30 percent with the remaining 10 percent based upon achieving a financial target focused on earning the authorized rate of return. This pro forma adjustment removes this financial component which represents 10 percent of the target for Performance Based Compensation Plan.  
 This pro form adjustment is similar to what was adopted by the Commission in Decision No. 78268 as well as what was termed in the settlement agreement pending in Docket No. WS-01303A-16-0145.

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	[A]	[B]	[C] = [A] * [B]	[D] = [C] * -10.0%
	Performance Based	Allocation Factor	Performance Based	Minus 10%
	Compensation Expense		Compensation Expense for District	
Direct Performance Based Compensation Expense	\$ 16,997	100.0000%	\$ 16,997	\$ (1,700)
7A Arizona Performance Based Comp Exp	\$ 1,177,956	5.7012%	67,157	(6,716)
6U EPCOR Water USA Performance Based Comp Exp	\$ 351,374	5.0003%	17,570	(1,757)
			<hr/>	<hr/>
Total Performance Based Compensation Expense			\$ 101,723	Sum Lines[24] thru [27] Col [C]
			Check \$ 101,723	Adj IS-8
			Diff \$ -	
Minus 10%			Sum Lines[24] thru [27] Col [D]	(10,172)
Total Increase / (Decrease) to Labor			Line [34]	\$ (10,172)
Adjustment to Revenue and/or Expense			Line [37]	\$ (10,172)

Workpapers & Supporting Documents:  
 Payroll, Benefits & Taxes\_TY 2016.xlsx  
 4-Factor  
 \2016 Sun City West Water.xlsm



Line No. Business Unit 7D

1 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  
 4 postage rates.

7 [A] [B] [C] = ([B]-[A]) / [A]

Manifested	Average Automated Piece Rate		
	Effective April 2016	Effective January 2017	2017 Increase
5-Digit	\$ 0.3760	\$ 0.3730	-0.80%
3-Digit	\$ 0.3990	\$ 0.4030	1.00%
AADC	\$ 0.3990	\$ 0.4030	1.00%
Mixed AADC	\$ 0.4190	\$ 0.4230	0.95%
Single Piece	\$ 0.4700	\$ 0.4900	4.26%
Average cost per piece	\$ 0.4126	\$ 0.4184	1.41%

21 Postage Expense Account 5611 per General Ledger	(a) \$ 72,969	
23 Total Increase / (Decrease) to Postage Expense		Col [C] Line[18]*Line[21] \$ 1,026
25 Adjustment to Revenue and/or Expense		Line [23] <u>\$ 1,026</u>

44 Workpapers & Supporting Documents:

- 45 (a) Sch E-6 Line 19
- 46 USPS Rates 2016.xlsx
- 47
- 48
- 49
- 50 \2016 Sun City West Water.xlsm

Line No. Business Unit 7D

1 Customer Care and Billing Services

2  
3  
4

5 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  
 6 per bill per month basis and adjusted annually. This adjustment includes an adjustment for inflation based on the Consumer Price Index for the city of Phoenix. An  
 7 adjustment for 2017 and 2018 is necessary to account for known and measurable increases in costs through the time any new rates resulting from this rate  
 8 application will be effective. The CPI index for 2018 will be updated in the Company's rebuttal filing as this data is not yet available, but will be known and  
 9 measurable prior to the conclusion of the rate case.

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

Increase Lines[13-14]/[13]

C.U.S. Charges per Schedule E-6, account 5611	\$	345,513	(a)
CPI Adjustment 2017	\$	5,635	Line[18]*1.63%
Adjusted 2017 Expense	\$	351,148	Sum Line[18+20]
CPI Adjustment 2018	\$	5,727	Line[21]*1.63%
Adjusted 2018 Expense	\$	356,875	Sum Line[21+23]

39 Total Increase/ (Decrease) to C.U.S Charges Line[20]+Line[23] \$ 11,362

41 Adjustment to Revenue and/or Expense Line[39] \$ 11,362

44 Workpapers & Supporting Documents:

- 45
- 46 (a) Sche6 Line19
- 47 Phoenix All Consumers CPI 3.22.17.xlsx
- 48
- 49 \2016 Sun City West Water.xlsm
- 50

Line Business Unit 7D

No.  
 1 Rate Case Expense  
 2

3 The Company estimates it will incur approximately \$800,000 of rate case related expenses to process this rate application. This estimate is based on our experience with rate cases  
 4 before the Commission and the Company's size and the anticipated length and complexity of the proceedings. This estimated amount is allocated to the districts in this case via a  
 5 water 4-Factor allocation methodology. As the case progresses this estimate will be updated accordingly.  
 6

7				
8				
9	Rate Case Expense	Sun City West Water	\$	59,097 (a)
10				
11				
12	Estimated Amortization Period in Years			3
13				
14				
15				
16				
17				
18				
19				
20	Increase / (Decrease) to Regulatory Expense		Line [9] / Line [12] \$	19,699
21				
22	Adjustment to Revenue and/or Expense		Line [20] \$	19,699
23				
24				
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43				
44	<u>Workpapers &amp; Supporting Documents:</u>			
45	(a) \Rate Case Expense 2016 TY.xlsx			
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50	\2016 Sun City West Water.xlsm			

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45 Workpapers & Supporting Documents:

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44 Workpapers & Schedules

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49

50 \2016 Sun City West Water.xlsm

Line No.	Business Unit		
1	7D	<u>Annualize Depreciation Expense on Direct Plant</u>	
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3		Adjustment to annualize depreciation expense based on plant balances at the end of 2016.	
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12		Depreciation Expense on Direct Plant	(a) \$ 2,377,798
13			
14		Depreciation Expense per General Ledger	(b) \$ 1,827,522
15			
16		Increase / (Decrease) to Depreciation Expense	Line[12] - Line[14] \$ 550,275
17			
18		Adjustment to Revenue and/or Expense	Line[16] \$ 550,275
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44		<u>Workpapers &amp; Supporting Documents:</u>	
45		(a) \Summary of Plant Balances and Accum Depr by NARUC.xlsx	
46		(b) Sch E-6a Line 24	
47			
48			
49			
50		\2016 Sun City West Water.xlsm	

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	PLANT	Add'l	12 Months	Capital	Test Year
				Test Year End PLANT	Test Year End ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	on Test Year Plant	Test Year End PLANT	Test Year End ACCUM DEPR		Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense
1	301000	0.00%	Organization	20,086	-	-	-	-	-	-	-	-	20,086	-	-	-	-	-
2	302000	0.00%	Franchises	1,346	-	-	-	-	-	-	-	-	1,346	-	-	-	-	-
3	303200	0.00%	Land & Land Rights Supply	11,651	-	-	-	-	-	-	-	-	11,651	-	-	-	-	-
4	303300	0.00%	Land & Land Rights Pumping	44,957	-	-	-	-	-	-	-	-	44,957	-	-	-	-	-
5	303400	0.00%	Land & Land Rights Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	303500	0.00%	Land & Land Rights T&D	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	303600	0.00%	Land & Land Rights General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	304100	3.33%	Structures & Improvements Supp	341,241	66,777	-	-	12,247	204	-	-	-	286,508	11,375	-	408	-	-
9	304200	3.33%	Structures & Improvements Pumj	424,797	43,046	-	-	-	-	-	-	-	381,750	14,160	-	-	-	-
10	304300	3.33%	Structures & Improvements Treat	7,641,362	1,415,560	-	-	-	-	(92,550)	-	-	6,225,801	254,712	-	-	-	(3,085)
11	304400	3.33%	Structures & Improvements Tran:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	304500	3.33%	Structures & Improvements Gene	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	304600	3.33%	Structures & Improvements Offic	19,804	7,608	-	-	-	-	-	-	-	12,196	660	-	-	-	-
14	304620	3.33%	Structures & Improvements Leas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	304700	3.33%	Structures & Improvements Store	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	304800	3.33%	Structures & Improvements Miscr	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	305000	2.50%	Collect & Impounding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	306000	2.50%	Lake, River & Other Intakes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	307000	3.33%	Wells & Springs	4,893,189	1,174,709	-	-	508,348	8,472	-	-	-	4,218,355	163,106	-	16,945	-	-
20	308000	6.67%	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	309000	2.00%	Supply Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	310000	5.00%	Power Production Equipment	180,366	42,776	-	-	100,000	2,500	-	-	-	235,090	9,018	-	5,000	-	-
23	310100	5.00%	Power Production Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	311000	8.33%	Pumping Equipment Steam	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	311200	8.33%	Pumping Equipment Electric	6,131,051	4,362,694	-	-	689,485	28,729	-	-	-	2,429,114	510,921	-	57,457	-	-
26	311300	8.33%	Pumping Equipment Diesel	4,506	4,632	-	-	-	-	-	-	-	(127)	375	-	-	-	-
27	311400	8.33%	Pumping Equipment Hydraulic	3,260	1,429	-	-	-	-	-	-	-	1,831	272	-	-	-	-
28	311500	8.33%	Pumping Equipment Other	8,822	(547)	-	-	-	-	-	-	-	9,369	735	-	-	-	-
29	311530	8.33%	Pumping Equipment Water Treat	29,260	13,021	-	-	27,023	1,126	-	-	-	42,137	2,438	-	2,252	-	-
30	320100	5.00%	Water Treatment Equipment Non	6,419,054	4,134,749	-	-	-	-	-	-	-	2,284,305	320,953	-	-	-	-
31	320200	10.00%	Water Treatment Equipment Filte	51,812	31,468	-	-	-	-	-	-	-	20,344	5,181	-	-	-	-
32	330000	2.22%	Distribution Reservoirs & Standpi	759,274	330,534	-	-	-	-	-	-	-	428,740	16,873	-	-	-	-
33	330100	2.22%	Elevated Tank & Standpipes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	330200	2.00%	Ground Level Tanks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35	330300	2.00%	Below Ground Tanks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	330400	2.00%	Clearwell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	331001	2.00%	TD Mains Not Classified by Size	458,683	(25,887)	180,702	1,807	248,360	2,484	(23,641)	-	-	730,446	9,174	3,614	4,967	-	(473)
38	331100	2.00%	TD Mains 4in & Less	11,797,251	4,086,148	-	-	-	-	-	-	-	7,711,104	235,945	-	-	-	-
39	331200	2.00%	TD Mains 6in to 8in	1,321,621	1,075,674	5,258	53	-	-	-	-	-	245,947	26,432	105	-	-	-
40	331300	2.00%	TD Mains 10in to 16in	1,646,702	494,667	-	-	-	-	-	-	-	1,152,035	32,934	-	-	-	-
41	331400	2.00%	TD Mains 18in & Grtr	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	332000	2.00%	Fire Mains	169	(8,225)	-	-	-	-	-	-	-	8,394	3	-	-	-	-
43	333000	3.33%	Services	7,854,231	1,348,261	3,172	53	83,200	1,387	-	-	-	6,587,783	261,808	106	2,773	-	-
44	334100	8.33%	Meters	4,558,116	2,938,428	8,248	344	200,000	8,333	-	-	-	1,811,354	378,843	687	16,667	-	-
45	334200	3.33%	Meter Installations	159,862	49,594	-	-	-	-	-	-	-	110,268	5,329	-	-	-	-
46	334300	3.33%	Meter Vaults	3,549	695	-	-	-	-	-	-	-	2,854	118	-	-	-	-
47	335000	2.00%	Hydrants	2,689,228	792,069	2,833	28	47,000	470	-	-	-	1,943,689	53,785	57	940	-	-
48	336000	6.67%	Backflow Prevention Devices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	339100	6.67%	Other P/E-Intangible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	339200	6.67%	Other P/E-Supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	339500	6.67%	Other P/E-TD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	339600	6.67%	Other P/E-CPS	179,479	-	-	-	-	-	-	-	-	179,479	11,965	-	-	-	-
53	340100	6.67%	Office Furniture & Equipment	18,519	34,372	-	-	-	-	-	-	-	(15,852)	1,235	-	-	-	-
54	340200	20.00%	Computer & Periphial Equipment	28,297	(15,065)	-	-	-	-	-	-	-	43,362	5,659	-	-	-	-
55	340300	20.00%	Computer Software	13,489	19,514	-	-	-	-	-	-	-	(6,026)	2,698	-	-	-	-
56	340500	6.67%	Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	341100	14.29%	Transportation Equip Light Duty T	6,546	278,490	-	-	-	-	-	-	308,704	58,224	(21,464)	935	-	44,101	-
58	341200	14.29%	Transportation Equip Heavy Duty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	341400	14.29%	Transportation Equipment Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60	342000	4.00%	Stores Equipment	(0)	11	-	-	-	-	-	-	-	(11)	(0)	-	-	-	-
61	343000	5.00%	Tools,Shop,Garage Equipment	19,372	17,439	-	-	19,467	487	-	-	-	20,914	969	-	973	-	-
62	344000	10.00%	Laboratory Equipment	3,632	3,044	-	-	-	-	-	-	-	587	363	-	-	-	-
63	345000	5.00%	Power Operated Equipment	223,817	127,332	-	-	-	-	-	-	-	96,485	11,191	-	-	-	-
64	346100	10.00%	Communication Equipment Non-	165,055	204,912	-	-	76,400	3,820	-	-	-	32,723	16,505	-	7,640	-	-
65	346190	10.00%	Remote Control & Instrument	17,621	10,800	-	-	-	-	-	-	-	6,820	1,762	-	-	-	-
66	346200	10.00%	Communication Equipment Telep	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67	346300	10.00%	Communication Equipment Other	61,014	(9,871)	-	-	-	-	-	-	-	70,885	6,101	-	-	-	-
68	347000	10.00%	Miscellaneous Equipment	22,636	-	-	-	-	-	-	-	-	22,636	2,264	-	-	-	-
69	348000	10.00%	Other Tangible Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70																		
71																		
72		378.30%	TOTAL	58,234,726	23,050,860	200,214	2,284	2,011,531	58,011	(116,191)	308,704	58,224	37,387,865	2,377,798	4,569	116,023	44,101	(3,558)

Depreciable Plant 58,156,686 Line [72] - Lines [1]-[7]  
 Composite Depr Rate 4.09%

Line No.				
1	Annualize Depreciation Expense on Corporate Plant		4 Factor - GMC	8.1316%
2				
3	Adjustment to annualize depreciation expense based on plant balances at the end of 2016 on Arizona Corporate Plant			
4				
5				
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8				
9	Depreciation Expense on Corporate Plant	\$	832,381	(a)
10				
11	Allocated Depreciation Expense on Corporate Plant		GMC 4 Factor*Line[9]	\$ 67,686
12				
13				
14				
15	Allocated Depreciation Expense on Corporate Plant per General Ledger		(b)	\$ 89,675
16				
17				
18	Increase/ (Decrease) to Depreciation Expense		Line[11] - Line[15]	\$ (21,989)
19				
20	Adjustment to Revenue and/or Expense		Line[18]	\$ (21,989)
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43				
44	<u>Workpapers &amp; Supporting Documents:</u>			
45	(a) \Summary of Plant Balances and Accum Depr by NARUC.xlsx			
46	(b) Sch E-6b Line 24			
47				
48	4-Factor			
49				
50	\2016 Sun City West Water.xlsm			



Docket # WS-01303A-17-XXXX  
Summary of Plant and Accumulated Depreciation Balances

Arizona Corporate (7A)

7A

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	Vactor Truck	Vactor Truck	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	PLANT	Vactor	Add'l	12 Months	Capital	Test Year	
				Test Year End PLANT	Test Year End ACCUM DEPR	Removal PITY	Removal PITY	Add'l Cap TY	Add'l Cap TY	12 Months PITY	12 Months PITY	on Test Year Plant	Test Year End PLANT	Test Year End ACCUM DEPR		Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Lease	Retirements	
1	304500	3.33%	Structures & Improvements Gen	214,247	(2,105)			10,566	176	-	-				226,742	7,142	-	352	-	-	-	
2	304620	3.33%	Structures & Improvements Leas	41,191	1,470			-	-	-	-				39,720	1,373	-	-	-	-	-	
3	334100	8.33%	Meters	11,777	5,622			-	-	-	-				6,155	981	-	-	-	-	-	
4	339600	6.67%	Other P/E-CPS	364,887	84,392			-	-	-	-				280,495	24,326	-	-	-	-	-	
5	340100	6.67%	Office Furniture & Equipment	1,284,366	626,556			-	-	-	-				657,810	85,624	-	-	-	-	-	
6	340200	20.00%	Computer & Periphal Equipment	1,477,567	766,022			-	-	102,500	10,250				803,795	295,513	-	-	20,500	-	-	
7	340300	20.00%	Computer Software	220,520	227,318			-	-	-	-				(6,799)	44,104	-	-	-	-	-	
8	340330	20.00%	Computer Software Other	-	-			-	-	-	-				-	-	-	-	-	-	-	
9	341100	14.29%	Transportation Equip Light Duty	244,306	20,283			-	-	-	-		51,197	16,091	259,130	34,901	-	-	-	7,314	-	
10	341200	14.29%	Transportation Equip Heavy Duty	167,951	9,265			-	-	-	-		-	-	158,686	23,993	-	-	-	-	-	
11	341400	14.29%	Transportation Equipment Other	26,903	3,367			-	-	42,500	3,036		-	-	63,000	3,843	-	-	6,071	-	-	
12	344000	10.00%	Laboratory Equipment	17,277	3,751			-	-	-	-		-	-	13,526	1,728	-	-	-	-	-	
13	345000	5.00%	Power Operated Equipment																			
13	346100	10.00%	Communication Equipment Non-	186,080	234,747			170,233	8,512	-	-				113,054	18,608	-	17,023	-	-	-	
14	346190	10.00%	Remote Control & Instrument	75,935	(18,056)			-	-	-	-				93,991	7,593	-	-	-	-	-	
15	346200	10.00%	Communication Equipment Tele	68,942	34,712			-	-	-	-				34,230	6,894	-	-	-	-	-	
16	346300	10.00%	Communication Equipment Othe	183,229	24,679			-	-	-	-				158,550	18,323	-	-	-	-	-	
17	347000	10.00%	Miscellaneous Equipment	669,890	97,416			-	-	-	-				572,474	66,989	-	-	-	-	-	
18	391000	20.00%	WW Trans Equipment	952,226	87,539	(952,226)	(87,539)	-	-	-	-				-	190,445	(190,445)	-	-	-	-	-
19																						
20																						
21		212.86%	TOTAL	6,207,292	2,206,978	(952,226)	(87,539)	180,799	8,688	145,000	13,286	-	51,197	16,091	3,474,558	832,381	(190,445)	17,375	26,571	7,314	-	

Depreciable Plant 6,207,292 Line [97] - Lines [1]-[17]  
Composite Depr Rate 13.41%

Line	GMC 4 Factor	8.1316%
No.	Arizona Total	91.0728%
1	Alloc Factor	7.406%

GMC \*AZ Total

Adjustment to annualize depreciation expense based on plant balances at the end of 2016 on USA Corporate Plant (Shared between AZ Operations and New Mexico Operations)

1	Annualize Depreciation Expense on 6U		
2			
3	Adjustment to annualize depreciation expense based on plant balances at the end of 2016 on USA Corporate Plant (Shared between AZ Operations and New Mexico Operations)		
4			
5			
6			
7			
8			
9	Depreciation Expense on 6U Plant	\$ 834,005 (a)	
10			
11	Allocated Depreciation Expense on 6U Plant		Allocation Factor*Line [9] \$ 61,764
12			
13			
14			
15	Allocated Depreciation Expense on 6U Plant per General Ledger		-
16			
17			
18	Increase / (Decrease) to Depreciation Expense		Line[11] - Line[15] \$ 61,764
19			
20	Adjustment to Revenue and/or Expense		Line[18] \$ 61,764
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43			
44	<u>Workpapers &amp; Supporting Documents:</u>		
45	(a) \Summary of Plant Balances and Accum Depr by NARUC.xlsx		
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47			
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49	\2016 Sun City West Water.xlsm		
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Summary of Plant and Accumulated Depreciation Balances  
USA Corporate (6U)

Witness: Mahler

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	2016	Acc Depr	2017	Acc Depr	Retirements	NBV	PLANT	Add'l	12 Months	Capital	Test Year
				Test Year End PLANT	Test Year End ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	on Test Year Plan		12/31/2016	Plant	PTYP	Lease	Retirements
												Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense
1	304500	3.33%	Structures & Improvements General			-	-	-	-	-	-	-	-	-	-	-
2	304620	3.33%	Structures & Improvements Leasehold			-	-	-	-	-	-	-	-	-	-	-
3	334100	8.33%	Meters			-	-	-	-	-	-	-	-	-	-	-
4	339600	6.67%	Other P/E-CPS			-	-	-	-	-	-	-	-	-	-	-
5	340100	6.67%	Office Furniture & Equipment			-	-	-	-	-	-	-	-	-	-	-
6	340200	20.00%	Computer & Periphel Equipment	2,457,015	509,650	183,568	18,357	1,350,000	135,000	-	3,327,576	491,403	36,714	270,000	-	-
7	340300	20.00%	Computer Software	1,713,011	1,246,397	689,135	68,914	300,000	30,000	-	1,356,836	342,602	137,827	60,000	-	-
8	340330	20.00%	Computer Software Other			-	-	-	-	-	-	-	-	-	-	-
9	341100	14.29%	Transportation Equip Light Duty Trucks			-	-	-	-	-	-	-	-	-	-	-
10	341200	14.29%	Transportation Equip Heavy Duty Trucks			-	-	-	-	-	-	-	-	-	-	-
11	341400	14.29%	Transportation Equipment Other			-	-	-	-	-	-	-	-	-	-	-
12	344000	10.00%	Laboratory Equipment			-	-	-	-	-	-	-	-	-	-	-
13	346100	10.00%	Communication Equipment Non-Telephone			-	-	-	-	-	-	-	-	-	-	-
14	346190	10.00%	Remote Control & Instrument			-	-	-	-	-	-	-	-	-	-	-
15	346200	10.00%	Communication Equipment Telephone			-	-	-	-	-	-	-	-	-	-	-
16	346300	10.00%	Communication Equipment Other			-	-	-	-	-	-	-	-	-	-	-
17	347000	10.00%	Miscellaneous Equipment			-	-	-	-	-	-	-	-	-	-	-
18	391000	20.00%	WW Trans Equipment			-	-	-	-	-	-	-	-	-	-	-
19																
20																
21			TOTAL	4,170,026	1,756,047	872,703	87,270	1,650,000	165,000	-	4,684,412	834,005	174,541	330,000	-	-

Supporting Schedules: Depreciable Plant 4,170,026 Line [16]  
 \Post Test Year Plant 2016.xlsx Composite Depr Rate 20.00%  
 \UPIS 6U Corporate Arizona 12.31.15.xlsm

Line Business Unit 7D 6U Factor Arizona GMC 91.0728%

No. Depreciation Expense on Post Test Year Plant

Annual depreciation of post test year plant through December 31, 2017 has been annualized for one year with this adjustment.

	Depreciation on Post TY Plant Additions per Summary of Plant and A/D by NARUC (a)	Allocation Factor	Depreciation Expense
	[A]	[B]	[C] = [A] * [B]
14 Depreciation on Post Test Year Plant Additions for District - Sun City West Water	\$ 116,023	100.0000%	\$ 116,023
15 Depreciation on Additional Test Year Plant Additions for District - Test Year Ended December 31, 2016	4,569	100.0000%	4,569
16 Depreciation on Corporate Post Test Year Plant Additions Allocated	26,571	8.1316%	2,161
17 Depreciation on Additional Corporate Test Year Plant Additions Allocated	17,375	8.1316%	1,413
18 Depreciation on 6U Post Test Year Plant Additions Allocated	330,000	7.4057%	24,439
19 Depreciation on Additional 6U Test Year Plant Additions Allocated	174,541	7.4057%	12,926
22	<u>\$ 669,079</u>	Sum Lines[14] thru [19]	
23 Increase / (Decrease) to Depreciation Expense			Sum Lines[14] thru [19] <u>\$ 161,530</u>
27 Adjustment to Revenue and/or Expense			Line [23] <u>\$ 161,530</u>

46 Workpapers & Supporting Documents:

- 47 (a) Summary of Plant Balances and Accum Depr by NARUC.xlsx
- 48
- 49
- 50 \2016 Sun City West Water.xlsm

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	PLANT	Add'l	12 Months	Capital	Test Year
				Test Year End PLANT	Test Year End ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	on Test Year Plant	Test Year End PLANT	Test Year End ACCUM DEPR		Test Year Plant	Test Year End PLANT	Test Year End ACCUM DEPR	Annual Depr Expense	Annual Depr Expense
1	301000	0.00%	Organization	20,086	-	-	-	-	-	-	-	-	20,086	-	-	-	-	-
2	302000	0.00%	Franchises	1,346	-	-	-	-	-	-	-	-	1,346	-	-	-	-	-
3	303200	0.00%	Land & Land Rights Supply	11,651	-	-	-	-	-	-	-	-	11,651	-	-	-	-	-
4	303300	0.00%	Land & Land Rights Pumping	44,957	-	-	-	-	-	-	-	-	44,957	-	-	-	-	-
5	303400	0.00%	Land & Land Rights Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	303500	0.00%	Land & Land Rights T&D	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	303600	0.00%	Land & Land Rights General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	304100	3.33%	Structures & Improvements Supp	341,241	66,777	-	-	12,247	204	-	-	-	286,508	11,375	-	408	-	-
9	304200	3.33%	Structures & Improvements Pump	424,797	43,046	-	-	-	-	-	-	-	381,750	14,160	-	-	-	-
10	304300	3.33%	Structures & Improvements Treat	7,641,362	1,415,560	-	-	-	-	(92,550)	-	-	6,225,801	254,712	-	-	-	(3,085)
11	304400	3.33%	Structures & Improvements Trans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	304500	3.33%	Structures & Improvements Gene	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	304600	3.33%	Structures & Improvements Office	19,804	7,608	-	-	-	-	-	-	-	12,196	660	-	-	-	-
14	304620	3.33%	Structures & Improvements Leas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	304700	3.33%	Structures & Improvements Store	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	304800	3.33%	Structures & Improvements Miscr	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	305000	2.50%	Collect & Impounding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	306000	2.50%	Lake, River & Other Intakes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	307000	3.33%	Wells & Springs	4,893,189	1,174,709	-	-	508,348	8,472	-	-	-	4,218,355	163,106	-	16,945	-	-
20	308000	6.67%	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	309000	2.00%	Supply Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	310000	5.00%	Power Production Equipment	180,366	42,776	-	-	100,000	2,500	-	-	-	235,090	9,018	-	5,000	-	-
23	310100	5.00%	Power Production Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	311000	8.33%	Pumping Equipment Steam	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	311200	8.33%	Pumping Equipment Electric	6,131,051	4,362,694	-	-	689,485	28,729	-	-	-	2,429,114	510,921	-	57,457	-	-
26	311300	8.33%	Pumping Equipment Diesel	4,506	4,632	-	-	-	-	-	-	-	(127)	375	-	-	-	-
27	311400	8.33%	Pumping Equipment Hydraulic	3,260	1,429	-	-	-	-	-	-	-	1,831	272	-	-	-	-
28	311500	8.33%	Pumping Equipment Other	8,822	(547)	-	-	-	-	-	-	-	9,369	735	-	-	-	-
29	311530	8.33%	Pumping Equipment Water Treat	29,260	13,021	-	-	27,023	1,126	-	-	-	42,137	2,438	-	2,252	-	-
30	320100	5.00%	Water Treatment Equipment Non	6,419,054	4,134,749	-	-	-	-	-	-	-	2,284,305	320,953	-	-	-	-
31	320200	10.00%	Water Treatment Equipment Filte	51,812	31,468	-	-	-	-	-	-	-	20,344	5,181	-	-	-	-
32	330000	2.22%	Distribution Reservoirs & Standpi	759,274	330,534	-	-	-	-	-	-	-	428,740	16,873	-	-	-	-
33	330100	2.22%	Elevated Tank & Standpipes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	330200	2.00%	Ground Level Tanks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35	330300	2.00%	Below Ground Tanks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	330400	2.00%	Clearwell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	331001	2.00%	TD Mains Not Classified by Size	458,683	(25,887)	180,702	1,807	248,360	2,484	(23,641)	-	-	730,446	9,174	3,614	4,967	-	(473)
38	331100	2.00%	TD Mains 4in & Less	11,797,251	4,086,148	-	-	-	-	-	-	-	7,711,104	235,945	-	-	-	-
39	331200	2.00%	TD Mains 6in to 8in	1,321,621	1,075,674	5,258	53	-	-	-	-	-	245,947	26,432	105	-	-	-
40	331300	2.00%	TD Mains 10in to 16in	1,646,702	494,667	-	-	-	-	-	-	-	1,152,035	32,934	-	-	-	-
41	331400	2.00%	TD Mains 18in & Grtr	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	332000	2.00%	Fire Mains	169	(8,225)	-	-	-	-	-	-	-	8,394	3	-	-	-	-
43	333000	3.33%	Services	7,854,231	1,348,261	3,172	53	83,200	1,387	-	-	-	6,587,783	261,808	106	2,773	-	-
44	334100	8.33%	Meters	4,558,116	2,938,428	8,248	344	200,000	8,333	-	-	-	1,811,354	379,843	687	16,667	-	-
45	334200	3.33%	Meter Installations	159,862	49,594	-	-	-	-	-	-	-	110,268	5,329	-	-	-	-
46	334300	3.33%	Meter Vaults	3,549	695	-	-	-	-	-	-	-	2,854	118	-	-	-	-
47	335000	2.00%	Hydrants	2,689,228	792,069	2,833	28	47,000	470	-	-	-	1,943,689	53,785	57	940	-	-
48	336000	6.67%	Backflow Prevention Devices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	339100	6.67%	Other P/E-Intangible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	339200	6.67%	Other P/E-Supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	339500	6.67%	Other P/E-TD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	339600	6.67%	Other P/E-CPS	179,479	-	-	-	-	-	-	-	-	179,479	11,965	-	-	-	-
53	340100	6.67%	Office Furniture & Equipment	18,519	34,372	-	-	-	-	-	-	-	(15,852)	1,235	-	-	-	-
54	340200	20.00%	Computer & Periph Equipment	28,297	(15,065)	-	-	-	-	-	-	-	43,362	5,659	-	-	-	-
55	340300	20.00%	Computer Software	13,489	19,514	-	-	-	-	-	-	-	(6,026)	2,698	-	-	-	-
56	340500	6.67%	Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	341100	14.29%	Transportation Equip Light Duty T	6,546	278,490	-	-	-	-	-	-	308,704	58,224	(21,464)	935	-	44,101	-
58	341200	14.29%	Transportation Equip Heavy Duty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	341400	14.29%	Transportation Equipment Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60	342000	4.00%	Stores Equipment	(0)	11	-	-	-	-	-	-	-	(11)	(0)	-	-	-	-
61	343000	5.00%	Tools, Shop, Garage Equipment	19,372	17,439	-	-	19,467	487	-	-	-	20,914	969	-	973	-	-
62	344000	10.00%	Laboratory Equipment	3,632	3,044	-	-	-	-	-	-	-	587	363	-	-	-	-
63	345000	5.00%	Power Operated Equipment	223,817	127,332	-	-	-	-	-	-	-	96,485	11,191	-	-	-	-
64	346100	10.00%	Communication Equipment Non-	165,055	204,912	-	-	76,400	3,820	-	-	-	32,723	16,505	-	7,640	-	-
65	346190	10.00%	Remote Control & Instrument	17,621	10,800	-	-	-	-	-	-	-	6,820	1,762	-	-	-	-
66	346200	10.00%	Communication Equipment Telep	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67	346300	10.00%	Communication Equipment Other	61,014	(9,871)	-	-	-	-	-	-	-	70,885	6,101	-	-	-	-
68	347000	10.00%	Miscellaneous Equipment	22,636	-	-	-	-	-	-	-	-	22,636	2,264	-	-	-	-
69	348000	10.00%	Other Tangible Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70																		
71																		
72		378.30%	TOTAL	58,234,726	23,050,860	200,214	2,284	2,011,531	58,011	(116,191)	308,704	58,224	37,387,865	2,377,798	4,569	116,023	44,101	(3,558)

Depreciable Plant 58,156,686 Line [72] - Lines [1]-[7]  
 Composite Depr Rate 4.09%

Arizona Corporate (7A)

7A

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	Vactor Truck	Vactor Truck	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	PLANT	Vactor	Add'l	12 Months	Capital	Test Year	
				Test Year End PLANT	Test Year End ACCUM DEPR	Removal PTYP	Removal PTYP	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	Test Year Plant	Test Year End PLANT	Test Year End ACCUM DEPR		Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Retirements
1	304500	3.33%	Structures & Improvements General	214,247	(2,105)			10,566	176	-	-	-	-	-	226,742	7,142	-	352	-	-	-	
2	304620	3.33%	Structures & Improvements Leasehold	41,191	1,470			-	-	-	-	-	-	-	39,720	1,373	-	-	-	-	-	
3	334100	8.33%	Meters	11,777	5,622			-	-	-	-	-	-	-	6,155	981	-	-	-	-	-	
4	339600	6.67%	Other P/E-CPS	364,887	84,392			-	-	-	-	-	-	-	280,495	24,326	-	-	-	-	-	
5	340100	6.67%	Office Furniture & Equipment	1,284,366	626,556			-	-	-	-	-	-	-	657,810	85,624	-	-	-	-	-	
6	340200	20.00%	Computer & Periphal Equipment	1,477,567	766,022			-	-	102,500	10,250	-	-	-	803,795	295,513	-	-	20,500	-	-	
7	340300	20.00%	Computer Software	220,520	227,318			-	-	-	-	-	-	-	(6,799)	44,104	-	-	-	-	-	
8	340330	20.00%	Computer Software Other	-	-			-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9	341100	14.29%	Transportation Equip Light Duty Trucks	244,306	20,283			-	-	-	-	-	-	-	259,130	34,901	-	-	-	7,314	-	
10	341200	14.29%	Transportation Equip Heavy Duty Trucks	167,951	9,285			-	-	-	-	-	51,197	16,091	158,686	23,993	-	-	-	-	-	
11	341400	14.29%	Transportation Equipment Other	26,903	3,367			-	-	42,500	3,036	-	-	-	63,000	3,843	-	-	6,071	-	-	
12	344000	10.00%	Laboratory Equipment	17,277	3,751			-	-	-	-	-	-	-	13,526	1,728	-	-	-	-	-	
13	345000	5.00%	Power Operated Equipment	-	-			-	-	-	-	-	-	-	-	-	-	-	-	-	-	
13	346100	10.00%	Communication Equipment Non-Telephone	186,080	234,747			170,233	8,512	-	-	-	-	-	113,054	18,608	-	17,023	-	-	-	
14	346190	10.00%	Remote Control & Instrument	75,935	(18,056)			-	-	-	-	-	-	-	93,991	7,593	-	-	-	-	-	
15	346200	10.00%	Communication Equipment Telephone	68,942	34,712			-	-	-	-	-	-	-	34,230	6,894	-	-	-	-	-	
16	346300	10.00%	Communication Equipment Other	183,229	24,679			-	-	-	-	-	-	-	158,550	18,323	-	-	-	-	-	
17	347000	10.00%	Miscellaneous Equipment	669,890	97,416			-	-	-	-	-	-	-	572,474	66,989	-	-	-	-	-	
18	391000	20.00%	VW Trans Equipment	952,226	87,539	(952,226)	(87,539)	-	-	-	-	-	-	-	-	190,445	(190,445)	-	-	-	-	-
19																						
20																						
21		212.86%	TOTAL	6,207,292	2,206,978	(952,226)	(87,539)	180,799	8,688	145,000	13,286	-	51,197	16,091	3,474,558	832,381	(190,445)	17,375	26,571	7,314	-	

Depreciable Plant  
 Composite Depr Rate

6,207,292 Line [97] - Lines [1]-[7]  
 13.41%

Docket # WS-01303A-17-XXXX

Summary of Plant and Accumulated Depreciation Balances  
USA Corporate (6U)

Witness: Mahler

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	2016	Acc Depr	2017	Acc Depr	Retirements	NBV	PLANT	Add'l	12 Months	Capital	Test Year	
				Test Year End PLANT	Test Year End ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	on Test Year Plan		12/31/2016	Plant	PTYP	Lease	Retirements	
				Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense	Annual Depr Expense
1	304500	3.33%	Structures & Improvements General			-	-	-	-	-	-	-	-	-	-	-	-
2	304620	3.33%	Structures & Improvements Leasehold			-	-	-	-	-	-	-	-	-	-	-	-
3	334100	8.33%	Meters			-	-	-	-	-	-	-	-	-	-	-	-
4	339600	6.67%	Other P/E-CPS			-	-	-	-	-	-	-	-	-	-	-	-
5	340100	6.67%	Office Furniture & Equipment			-	-	-	-	-	-	-	-	-	-	-	-
6	340200	20.00%	Computer & Periph Equipment	2,457,015	509,650	183,568	18,357	1,350,000	135,000		3,327,576	491,403	36,714	270,000	-	-	-
7	340300	20.00%	Computer Software	1,713,011	1,246,397	689,135	68,914	300,000	30,000		1,356,836	342,602	137,827	60,000	-	-	-
8	340330	20.00%	Computer Software Other			-	-	-	-		-	-	-	-	-	-	-
9	341100	14.29%	Transportation Equip Light Duty Trucks			-	-	-	-		-	-	-	-	-	-	-
10	341200	14.29%	Transportation Equip Heavy Duty Trucks			-	-	-	-		-	-	-	-	-	-	-
11	341400	14.29%	Transportation Equipment Other			-	-	-	-		-	-	-	-	-	-	-
12	344000	10.00%	Laboratory Equipment			-	-	-	-		-	-	-	-	-	-	-
13	346100	10.00%	Communication Equipment Non-Telephone			-	-	-	-		-	-	-	-	-	-	-
14	346190	10.00%	Remote Control & Instrument			-	-	-	-		-	-	-	-	-	-	-
15	346200	10.00%	Communication Equipment Telephone			-	-	-	-		-	-	-	-	-	-	-
16	346300	10.00%	Communication Equipment Other			-	-	-	-		-	-	-	-	-	-	-
17	347000	10.00%	Miscellaneous Equipment			-	-	-	-		-	-	-	-	-	-	-
18	391000	20.00%	WW Trans Equipment			-	-	-	-		-	-	-	-	-	-	-
19																	
20																	
21			TOTAL	4,170,026	1,756,047	872,703	87,270	1,650,000	165,000	-	4,684,412	834,005	174,541	330,000	-	-	-

Supporting Schedules: Depreciable Plant 4,170,026 Line [16]  
 \Post Test Year Plant 2016.xlsx Composite Depr Rate 20.00%  
 \UPIS 6U Corporate Arizona 12.31.15.xlsm

Line  
No.

1 Removal of Vactor Truck Amortization

2  
 3 Vactor and Sludge Trucks are exclusively used in Wastewater Operations. This adjustment allocates all Vactor and Sludge Truck Depreciation Expense to the  
 4 Wastewater districts and removes it from the Water Districts.  
 5  
 6

	4- Factor	GMC	8.1316%
	[A] Rate	[B] Plant	[C] = [A] * [B] Depr Exp
12 Vactor Trucks in 7A Plant Balance (Arizona Corporate)	20.00%	\$ (952,226)	\$ (190,445)
15 District Allocation			\$ (15,486) [C] Line [12] * GMC Factor

16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31	Increase / (Decrease) to Depreciation Expense		<u>\$ (15,486)</u> Line [15]

44 Workpapers & Supporting Documents:

45 (a) Summary of Plant Balances and Accum Depr by NARUC.xlsx

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



Arizona Corporate (7A)

7A

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	Vactor Truck	Vactor Truck	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	PLANT	Vactor	Add'l	12 Months	Capital	Test Year	
				Test Year End PLANT	Test Year End ACCUM DEPR	Removal PITY	Removal PITY	Add'l Cap TY	Add'l Cap TY	12 Months PITY	12 Months PITY	on Test Year Plant	Test Year End PLANT	Test Year End ACCUM DEPR		12/31/2016 Annual Depr Expense	Truck Annual Depr Expense	Plant Annual Depr Expense	PTYP Annual Depr Expense	Lease Annual Depr Expense	Retirements Annual Depr Expense	
1	304500	3.33%	Structures & Improvements Gen	214,247	(2,105)			10,566	176	-	-				226,742	7,142	-	352	-	-	-	
2	304620	3.33%	Structures & Improvements Leas	41,191	1,470			-	-	-	-				39,720	1,373	-	-	-	-	-	
3	334100	8.33%	Meters	11,777	5,622			-	-	-	-				5,155	981	-	-	-	-	-	
4	339600	6.67%	Other P/E-CPS	364,887	84,392			-	-	-	-				280,495	24,326	-	-	-	-	-	
5	340100	6.67%	Office Furniture & Equipment	1,284,366	626,556			-	-	-	-				657,810	85,624	-	-	-	-	-	
6	340200	20.00%	Computer & Periphal Equipment	1,477,567	766,022			-	-	102,500	10,250				803,795	295,513	-	-	20,500	-	-	
7	340300	20.00%	Computer Software	220,520	227,318			-	-	-	-				(6,799)	44,104	-	-	-	-	-	
8	340330	20.00%	Computer Software Other	-	-			-	-	-	-				-	-	-	-	-	-	-	
9	341100	14.29%	Transportation Equip Light Duty	244,306	20,283			-	-	-	-		51,197	16,091	259,130	34,901	-	-	-	7,314	-	
10	341200	14.29%	Transportation Equip Heavy Duty	167,951	9,265			-	-	-	-		-	-	158,686	23,993	-	-	-	-	-	
11	341400	14.29%	Transportation Equipment Other	26,903	3,367			-	-	42,500	3,036		-	-	63,000	3,843	-	-	6,071	-	-	
12	344000	10.00%	Laboratory Equipment	17,277	3,751			-	-	-	-		-	-	13,526	1,728	-	-	-	-	-	
13	345000	5.00%	Power Operated Equipment																			
13	346100	10.00%	Communication Equipment Non-	186,080	234,747			170,233	8,512	-	-				113,054	18,608	-	17,023	-	-	-	
14	346190	10.00%	Remote Control & Instrument	75,935	(18,056)			-	-	-	-				93,991	7,593	-	-	-	-	-	
15	346200	10.00%	Communication Equipment Tele	68,942	34,712			-	-	-	-				34,230	6,894	-	-	-	-	-	
16	346300	10.00%	Communication Equipment Othe	183,229	24,679			-	-	-	-				158,550	18,323	-	-	-	-	-	
17	347000	10.00%	Miscellaneous Equipment	669,890	97,416			-	-	-	-				572,474	66,989	-	-	-	-	-	
18	391000	20.00%	WW Trans Equipment	952,226	87,539	(952,226)	(87,539)	-	-	-	-				-	190,445	(190,445)	-	-	-	-	-
19																						
20																						
21		212.86%	TOTAL	6,207,292	2,206,978	(952,226)	(87,539)	180,799	8,688	145,000	13,286	-	51,197	16,091	3,474,558	832,381	(190,445)	17,375	26,571	7,314	-	

Depreciable Plant 6,207,292 Line [97] - Lines [1]-[17]  
 Composite Depr Rate 13.41%

Line No.	Business Unit	7D		
1	<u>Annualize Amortization of CIAC</u>			
2				
3	Annual amortization of gross Contributions in Aid of Construction (CIAC) as of 12/31/16 has been annualized for one year with this adjustment			
4				
5				
6				
7				
8	Gross CIAC		\$ (688,830) (a)	
9				
10	Composite Depreciation Rate		<u>4.0886%</u> (b)	
11				
12				
13				
14	Increase / (Decrease) to Depreciation Expense		Line[8] * Line [10] \$	(28,164)
15				
16	Adjustment to Revenue and/or Expense		Line [14] \$	<u>(28,164)</u>
17				
18				
19				
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45	<u>Workpapers &amp; Supporting Documents:</u>			
46	(a) 2016 CIAC Summary by District			
47	(b) \Summary of Plant Balances and Accum Depr by NARUC.xlsx			
48				
49				
50	\2016 Sun City West Water.xlsm			

Line					
<u>No.</u>					
1	<u>Adjust Corporate Allocations</u>				
2					
3	Corporate Allocation as of 12/31/16 has been annualized for one year with this adjustment. Corporate Allocations are costs associated with operational services provided by EPCOR				
4	Utilities, Inc. ("EUI") including Human Resources, Accounting and Reporting Software, Legal, and Treasury Management Services. This adjustment removes Public and Governmental				
5	Affairs costs as well as the 10% financial component associated with the Performance Based Compensation plan and also adjusts labor costs by 3% for 2017 and 2018				
6					
7					
8	Test Year Corporate Allocations			(a) \$	259,366
9					
10	Adjusted Test Year Corporate Allocations			Line [8]	<u>\$ 259,366</u>
11					
12					
13	Total Corporate Allocation	\$ 4,549,356	(b)		
14					
15	Remove Public and Government Affairs - Government Relations and Community R	(344,976)	(c)		
16					
17	Remove 10% Performance Based Compensation	<u>(41,895)</u>	(c)		
18		\$ 4,162,486	Line[13]+Line[15]+Line [17]	\$	4,162,486 Line[23]+Line[15]+Line [17]
19					
20					
21	Percent attributable to Labor	<u>88.29%</u>	(c)		
22	Corporate Allocation - Labor	\$ 3,674,998	Line[18] * Line[21]		
23					
24					
25					
26	2017 Labor Increase	3.00%	\$ 110,250	Line[22]*3.00%	
27	2018 Labor Increase	3.00%	\$ 113,557	(Sum Lines[22] and [26]) * 3.00%	
28	Total Labor Increase			\$	<u>223,807</u> Line[26]+Line[27]
29	Total Corporate Allocation less P&GA less 10% PBC with Labor Increase			\$	<u>4,386,293</u> Line[18]+Line[28]
30					
31	Sun City West Water 4 Factor				<u>5.7012%</u>
32	District Allocation of Arizona Corporate Allocations			\$	<u>250,070</u> Line[29]*Line[31]
33					
34	Pro Forma Adjustment to Corporate Allocations			Line [32]	<u>\$ 250,070</u>
35					
36					
37					
38					
39	Increase / (Decrease) in Corporate Allocation			Line[34]-Line[10]	\$ (9,296)
40					
41	Adjustment to Revenue and/or Expense			Line [39]	<u>\$ (9,296)</u>
42					
43					
44					
45	<u>Workpapers &amp; Supporting Documents:</u>				
46	(a) Sch C-2				
47	(b) 2016 Corp Allocation Comparison.xlsx				
48	(c) 2016A Corporate - Regulatory Groupings EUSA.xlsx				
49					
50	\2016 Sun City West Water.xlsm				

Line  
 No.

1 CPI Increase

Business Unit 7D

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 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 increase by 4% based on initial service contracts negotiations that are being worked on with the vendor

7 2016 Unadjusted Expenses

Description	Account	Amount (a)	
Chemicals	5263	\$ 116,848	A
Other Utilities	5621	5,162	B
Asset Usage Fee - Corporate	6203	17,742	C
Consulting Engineering	5227	2,267	D
Contractors and Consultants	5250	72,541	D
Administrative Contractors	5679	1,237	D
Outside Computer Charges (T1)	5628	18,390	D
Temporary Support	5629	15,066	D
Legal Fees	5681	15,602	D
Service Charges	5615	19,049	E
Customer Communications	5674	14,633	E
Rent and Storage	5810	30,370	F
Freight and Courier	5262	604	F
Telephone, Long Distance, Data	5620	34,279	F
Stationary, Printing & Other O	5622	18,605	F
Office Machines, Furniture	5623	1,981	F
Parking	5630	285	F
Vehicle Allowance	5631	1,546	F
Vehicle Allowance	5271	9	F
Business Allowance	5634	787	F
Memberships Dues & Professiona	5640	6,702	F
Subscriptions	5641	1,235	F
Airfare	5650	4,139	F
Accommodation, Other Travel	5651	5,173	F
Employee Working Meals	5652	4,781	F
Training - Fees/Tuition	5660	11,441	F
Training Fee	5252	10	F
FR Clothing	5273	5,738	G
Miscellaneous	5697	17,223	G
Stock	5260	-	H
Materials, Supplies	5261	48,845	H
Veh. and Equip.-Allocation	5270	19,815	H
Equipment	5275	2,318	H
Hardware	5624	99	H
Software	5625	3,004	H
Maintenance	5811	28,512	H
Vehicle Maintenance	5823	10,427	H
		\$ 556,471	Sum Lines [9 thru 45]

Consumer Price Index - Phoenix Urban Consumers			
Year	Annual Index	Increase	Ave Increase
2013	125.782		
2014	127.823	1.62%	
2015	128.019	0.15%	
2016	130.107	1.63%	1.1%
Chemical Increase			4.00%

	[A]	[B]	[C]	[D]
	Total	Year 1	Year 2	Total
Sum of A Chemicals	\$ 116,848	\$ 4,674	\$ 4,861	\$ 9,535
Sum of B Waste Disposal & Other Utilities	5,162	59	59	118
Sum of C Corporate Allocation	17,742	201	204	405
Sum of D Outside Services	125,102	1,421	1,437	2,858
Sum of E Customer Accounting	33,686	383	387	769
Sum of F General Office Exp	121,949	1,385	1,401	2,786
Sum of G Miscellaneous	22,961	261	264	524
Sum of H Maintenance Expense	113,020	1,284	1,298	2,582
Sum Lines[18]thru[25]	\$ 556,471	\$ 9,667	\$ 9,910	\$ 19,577

Increase / (Decrease) to Expense

Line [26] Col [D] \$ 19,577

7 Workpapers & Supporting Documents:

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

50 \2016 Sun City West Water.xlsm

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45 Workpapers & Supporting Documents:

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49 \2016 Sun City West Water.xlsm

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Line  
No.

1 Retirements on Test Year Plant -Depreciation

2  
 3 The Company has adjusted the test year for all retirement recorded through March 31, 2017. This adjustments removes the depreciation expense associated with those retirements.  
 4 The adjustment will be updated in rebuttal testimony for known retirements.

GMC 4 Factor	8.1316%
Arizona Total	91.0728%
Alloc Factor	7.406%

Line[7]\*Line[8]

	[A]	[B]	[C] = [A] * [B]
	Depreciation on Retirements on <u>Test Year Plant</u>	Allocation <u>Factor</u>	Depreciation <u>Expense</u>
16 Depreciation on Retirements on Test Year Plant for District - Sun City West Water	\$ (3,558)	100.0000%	\$ (3,558)
18 Depreciation on Corporate Retirements on Test Year Plant Allocated	\$ -	Line [7] 8.1316%	\$ -
20 Depreciation on 6U Retirements on Test Year Plant Allocated	\$ -	Line [9] 7.4057%	\$ -
25 Increase / (Decrease) to Depreciation Expense	<u>\$ (3,558)</u> Sum Lines[16] thru [20]		Sum Lines[16] thru [20] <u>\$ (3,558)</u>

32 Adjustment to Revenue and/or Expense Line [25] \$ (3,558)

45 Workpapers & Supporting Documents:

46 (a) Summary of Plant Balances and Accum Depr by NARUC.xlsx

50 \2016 Sun City West Water.xlsm



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45 Workpapers & Supporting Documents:

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Line  
 No.

1 Insurance Other Than Group

Business Unit	7D
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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.

	Direct Plant TY		[1]	[2]	[1] * [2] = [3]
	<u>Adjusted Results</u>		Arizona Total	Sun City West Watr	AZ-Factor
12	Gross Property Value at 12/31/2016	\$ 61,592,603	Sch B-2 Line [2]	4-Factor	87.7062%
13	% of Plant Insured	47.75%	\[Insurance]1. Property & Terrorism [23]		
14	Gross Plant Insured	\$ 29,408,627	Line [12] * Line [13]		

	Test Year Adjusted Results	Adjusted with Rate Increase	Adjusted with Rate Increase
18	<b>Adjusted Revenues in YE December 2016</b>	<b>\$ 8,665,072</b>	<b>\$ 9,565,637</b>
	Sch C-2 [AP][14]	Sch C-2 [AR][14]	

		[A]	[B]		[C] = [A] * [B]	[D]	[E] = [D] * [B]
	Factor	Amount	Rate	Source	Premium	Amount	Premium
22	1. Property Insurance	Plant [25] \$ 29,408,627	0.0526%	\[Insurance] Summary [1]	\$ 15,467	\$ 29,408,627	\$ 15,467
23	2. Excess Liability	Revenue Line [25] 8,665,072	0.2588%	\[Insurance] Summary [2]	22,428	9,565,637	24,759
24	3. Umbrella Liability	AZ 4- Factor [10] 95,767	5.0003%	\[Insurance] Summary [3]	4,789	95,767	4,789
25	4. Autos	AZ 4- Factor [10] 278,350	5.0003%	\[Insurance] Summary [4]	13,918	278,350	13,918
26	5. Workers Compensation	Payroll Col [49] 56,636	1.6543%	\[Insurance] Summary [5]	937	56,636	937
27	6. Pollution	Fixed Site 3,554	1.00	\[Insurance] Summary [6]	3,554	3,554	3,554
28	7. D&O	AZ 4- Factor [10] 13,367	5.0003%	\[Insurance] Summary [7]	668	13,367	668
29	8. Fiduciary	AZ 4- Factor [10] 1,483	5.0003%	\[Insurance] Summary [8]	74	1,483	74
30	9. Crime	Employee Count 14	\$ 7.76	\[Insurance] Summary [9]	109	14	109
31	10. Employed Lawyers	AZ 4- Factor [10] 1,196	5.0003%	\[Insurance] Summary [10]	60	1,196	60
32	11. Non Owned Pollution	AZ 4- Factor [10] 19,339	5.0003%	\[Insurance] Summary [11]	967	19,339	967
33	12. Employment Practices	Employee Count 14	\$ 5.30	\[Insurance] Summary [12]	74	14	74
34	13. Utilities Bond	Site Bond Requirement 22,331	0.0000%	\[Insurance] Summary [13]	-	22,331	-
35	14. Cyber Insurance	AZ 4- Factor [10] 11,366	5.0003%	\[Insurance] Summary [14]	568	11,366	568
36	15. Sun City Flood Insurance	Sun City Only 2,356	0.0000%	\[Insurance] Summary [15]	-	2,356	-
37	16. LAPP	AZ 4- Factor [10] 19,383	5.0003%	\[Insurance] Summary [16]	969	19,383	969
39	<b>Total</b>				<b>\$ 64,582</b>	Sum Col [C]	<b>\$ 66,913</b>
41	Adjusted Test Year Insurance Other Than Group			GL Account 5605 from Sch E-6	\$ 54,642		\$ 64,582
43	Increase/(Decrease) to Insurance Other Than Group				<b>\$ 9,940</b>	Line [39] - Line [41]	<b>\$ 2,331</b>

46 Workpapers and Supporting Documents:  
 47 \Sch E6 \4-Factor  
 48 \Sch B2 \Payroll, Benefits, & Taxes 2016.xlsx (aka Payroll)  
 49 \Insurance Other than Group.xlsx (aka Insurance)  
 50 \2016 Sun City West Water.xlsm

Line  
No.

1	<u>Capital Lease - Vehicles - Expense Adjustment</u>	4- Factor	General Metered Customers	8.1316%
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2  
 3 EPCOR's leased vehicles are capital leases. To qualify as a capital lease, a lease contract must satisfy any of four criteria.  
 4 First, the life of the lease must be 75% or greater of the asset's useful life.  
 5 Second, the lease must contain a bargain purchase option for a price less than the market value of an asset.  
 6 Third, the lessee must gain ownership at the end of the lease period.  
 7 Finally, the present value of lease payments must be greater than 90% of the asset's market value.  
 8 EPCOR's fleet meets all four criteria. This entry removes lease expense and places vehicles into the appropriate asset category.  
 9 This Adjustment records annual depreciation expense based on Capital Lease balances at the end of 2016.  
 10  
 11  
 12  
 13  
 14

15	Depreciation Expense on Capital Leases				(a) \$ 44,101
16					
17					
18	Depreciation Expense on Corporate Plant	\$	7,314	(a)	
19					
20	Allocated Depreciation Expense on Corporate Plant				GMC 4 Factor*Line[18] \$ 595
21					
22					
23					
24	Increase / (Decrease) to Depreciation Expense				Line[15] + Line[18] \$ 44,695
25					
26	Adjustment to Revenue and/or Expense				Line[24] \$ 44,695
27					
28					
29					
30	Operating Lease Expense (account 5270)	5270	\$	19,815	
31					
32					
33	Increase / (Decrease) to Maintenance Expense				Line [30] \$ (19,815)
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					

44 Workpapers & Supporting Documents:  
 45 (a) Summary of Plant Balances and Accum Depr by NARUC.xlsx  
 46  
 47  
 48 \2016 Sun City West Water.xlsm  
 49  
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Table with columns: LINE NO., G/L ACCT. NO., Annual Depr Rate, DESCRIPTION, 12/31/2016 Test Year End PLANT, 12/31/2016 Test Year End ACCUM DEPR, 2016 Add'l Cap TY, Acc Depr Add'l Cap TY, 2017 12 Months PTYP, Acc Depr 12 Months PTYP, Retirements on Test Year Plant, Capital Leases Test Year End PLANT, Capital Leases Test Year End ACCUM DEPR, NBV, Annual Depr Expense, Annual Depr Expense, Annual Depr Expense, Annual Depr Expense, Annual Depr Expense.

Depreciable Plant 58,156,686 Line [72] - Lines [1]-[7]
Composite Depr Rate 4.09%

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46 Workpapers & Supporting Documents:

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50 \2016 Sun City West Water.xlsm

Line  
No.

1 Purchased Water Adjustment and Surcharge

2  
 3 The Company is proposing a Purchase Water Adjustor Mechanism and a Power Cost Adjustor Mechanism for All Districts in this Case. This adjustment removes Purchased Water  
 4 expenses from the District's operating expenses. The Power Costs expenses are removed in adjustment JPB-IS9. The Company's estimate as to the per customer surcharge is  
 5 calculated herein. 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  
 6 the effective date of new rates approved in this rate case.

	[A]	[B]
8	Purchased Water	Purchased Power
9	<u>Test Year Expense</u>	<u>Test Year Expense</u>
10	\$ -	
11	\$ - (a)	Removed from expense in JPB-IS9
12	<u>\$ -</u> Line [10]+Line [11]	

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 45 Workpapers & Supporting Documents:  
 46 (a) Sch C2  
 47  
 48  
 49  
 50 \2016 Sun City West Water.xlsm

Line  
 No.

**PURCHASED WATER  
 SURCHARGE CALCULATION**

1 Purchased Water Adjustment and Surcharge  
 2

3 The Company is proposing a Purchase Water Adjustor Mechanism for all districts in this rate case. The Company's estimate as to the per customer  
 4 surcharge is calculated based on the total potable and raw gallons billed. The calculation excludes effluent and wheeling usage billed from the  
 5 calculation as these gallons are not affected by the purchase price of water. Costs have been adjusted from the 2016 test year expense to annualized  
 6 water expense. Additionally, the Company has included known and measurable increases to purchased water costs. The Company pays the Central  
 7 Arizona Project ("CAP") for fees in many districts. CAP has published schedules showing the anticipated increases to fees in 2018, which will be  
 8 finalized by the prior to the conclusion of this rate case. The impact of the increases in CAP fees have been included in the total purchased water costs.  
 9  
 10 In its Mohave and North Mohave Districts, the Company pays fees to the Mohave Conservation District (MWCD), Mohave Valley Irrigation and Drainage  
 11 District (MVIDD), and fees to Bullhead City for water. The Company also pays fees to the Arizona Department of Water Reclamation in a number of  
 12 districts. Some districts also pay groundwater withdrawal fees. Many of these fees are already collected through supplemental surcharges on customer  
 13 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.  
 14  
 15 The Company would anticipate the effective date of the Plan of Administration (POA), submitted as an Exhibit to Mr. Boizelle's testimony, to be  
 16 concurrent with the effective date of new rates approved in this rate case.  
 17  
 18

	Purchased Water Test Year Expense	
23 Test Year Purchased Water Expense	\$ -	(a)
24 CAP Water Purchase - Existing Surcharge	404532.87	
25 SMC-IS6	\$ -	
26 Annualized Purchased Water Expenses	\$ 404,533	Sum Lines [23-25]
27		
28 2017 Percentage increase in CAP costs	8.14%	(c)
29 2017 Purchased Water Expense	\$ 437,460	Line [26]*(1+Line [28])
30		
31 2018 Percentage increase in CAP costs	2.15%	(c)
32 2018 Purchased Water Expense	\$ 446,868	Line [29]*(1+Line [31])
33		
34 Mohave Wtr Conservation District - Impost Fees	\$ -	(c)
35 Impost Fees - N. Mohave Wtr Conserv Dist & Bullhead City	\$ -	(c)
36 Water Admin Fee - MVDD	\$ -	(c)
37 ADWR Groundwater Withdrawal Fee	\$ 9,392.30	(c)
38		
39		
40 Total Pro Forma Purchased Water Costs	\$ 456,260	Sum Lines [32 - 38]
41		
42 Total Billed Non-Effluent Gallons (in thousand of gallons)	1,712,041	(b)
43 Surcharge Per Thousand Gallons	\$ 0.2665	Line [40] / Line [42]
44		
45		

46 Workpapers & Supporting Documents:

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

Line  
 No.

1 Regulatory Asset Amortization - Y2K and Depreciation Study

2  
 3 Decision Number 67093 dated July 2004, the Arizona Corporation Commission allowed recovery of costs incurred to modify certain computer systems to be  
 4 compliant with the four-digit year field over 32 years. The unamortized balance of \$978,780 was scheduled to be amortized at \$2,545 per month over the period  
 5 July 2004 through July 2036.

6  
 7 Decision Number 67093 authorized the Company to amortize the costs of a 2002 Depreciation Study in accordance with FASB 71 . The cost of the study,  
 8 \$75,417.64, was to be amortized at 3.12% per year (\$196 per month) over a period of July 2004 through July 2036.

	[A]	[B]	[C]	[D]	[E] = [A]/[D] Monthly	[F] Months	[G] = [F] * [E] Accumulated
<u>ZA</u>	<u>Reg Asset</u>	<u>Begin Date</u>	<u>End Date</u>	<u>Months</u>	<u>Amortization</u>	<u>Elapsed</u>	<u>Amortization</u>
14 Y2K	\$ 978,870	7/1/2004	7/1/2036	385	\$ 2,545	150	\$ 381,750
15 Depreciation Study	\$ 75,418	7/1/2004	7/1/2036	385	\$ 196	150	\$ 29,400

	[H]	[I] = [H] * 12	[J] Citizen's Districts	[K] = [I] * [J] District Allocation of Amortization
<u>ZA</u>	<u>Monthly</u> <u>Amortization</u>	<u>Annual</u> <u>Amortization</u>	<u>Factor</u>	<u>Reg Asset</u> <u>Reg Liability</u>
23 Y2K	\$ 2,545	\$ 30,540	6.8454%	\$ 2,091     \$ -
24 Depreciation Study	\$ 196	\$ 2,352	6.8454%	\$ 161     \$ -

Line [23+24] \$ 2,252     \$ -

38 Increase/(Decrease) to Depreciation Expense     Line [35] \$ 2,252     \$ -

46 Workpapers & Supporting Documents:  
 47 Regulatory Assets & Liabilities 2016.xlsx  
 48  
 49  
 50 \2016 Sun City West Water.xlsm

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Line Business Unit 7D

No.  
 1 Regulatory Asset Amortization - LT Effluent - Sun City West  
 2

3 Decision Number 67093 dated June 30, 2004, the Arizona Corporation Commission allowed the Company to establish a regulatory asset with respect to the existing effluent storage  
 4 credits that were acquired in connection with the acquisition of the underground storage facility pursuant to the terms of the Third Agreement to the Agreement Re: Sun City West.  
 5 The Commission allowed recovery over 32 years with monthly amortization of \$1,076. These credits allow the Company to continue groundwater withdrawals.  
 6  
 7  
 8  
 9  
 10

	12/31/2016	[A]	[B]	[C]	[D]	[E] = [D]/[A] Monthly	[F] Months in	[G] Months Left	[H] = [E] * ([F] - [G]) Accumulated
		<u>Reg Asset</u>	<u>Begin Date</u>	<u>End Date</u>	<u>Rate</u>	<u>Amortization</u>	<u>Period</u>	<u>Months Left</u>	<u>Amortization</u>
16	Sun City West - LT Effluent	\$ 413,745	7/1/2004	7/31/2036	3.12%	\$ 1,076	384	234	\$ 161,400
19		[I]	[J]	[K] = [I] - [J]		[L] = [E] * 12			
21		<u>Reg Asset</u>	<u>Amortization</u>	<u>Net Reg Asset</u>		<u>Annual Amortization</u>			
22	Sun City West - LT Effluent	\$ 413,745	\$ 161,400	\$ 252,345		\$ 12,912			
25					Total	\$ 12,912	Line [22]		

37 Increase in Depreciation Expense Line [25] \$ 12,912

47 Workpapers and Supporting Documents:  
 48 Regulatory Assets & Liabilities 2016.xlsx  
 49  
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Line No.	Description	[A]	[B]	Percentage of Incremental Gross Revenues [C]
1	Federal Income Taxes			33.28%
2				
3	State Income Taxes			4.90%
4			Combined 38.18%	
5				
6	Property Taxes	Effective Rate = 1.31%	One Minus Combined 61.82%	0.81% [A] x [B]
7				
8	Bad Debt Expense	Effective Rate = 0.07%	One Minus Combined 61.82%	0.04% [A] x [B]
9				
10	Insurance Other Than Group	Effective Rate = 0.26%	One Minus Combined 61.82%	0.16% [A] x [B]
11				
12				
13	Total Tax Percentage			39.20% Sum Line [1-10]
14				
15	Operating Income % = 100% - Tax Percentage			60.80% 1 - [C] Line [13]
16				
17				
18				
19		1 = Gross Revenue Conversion Factor		
20				
21				
22	Operating Income %			1.64 1 / [C] Line [15]
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43	Supporting Schedules:	Recap Schedules:		
44	C-2	A-1		
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46	Workpapers & Supporting Documents			
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