

Line No.		Test Year Book Results (a) [A]	Total Pro Forma Adjustments (a) [B]	Test Year Adjusted Results (a) [C] = [A] + [B]	Proposed Rate Increase (a) [D]	Adjusted with Rate Increase (a) [E] = [C] + [D]	
1	Revenues						
2	Water	\$ 798,508	\$ -	\$ 798,508	\$ (141,823)	\$ 656,686	
3	Other Revenues	37,810	-	37,810	-	37,810	
4	Total Revenues	\$ 836,318	\$ -	\$ 836,318	\$ (141,823)	\$ 694,495	Sum Lines [2-3]
5							
6	Operating Expenses						
7	Labor	\$ 122,077	\$ -	\$ 122,077	\$ -	\$ 122,077	
8	Purchased Water	-	727	727	-	727	
9	Fuel & Power	-	32,951	32,951	-	32,951	
10	Chemicals	27,815	-	27,815	-	27,815	
11	Waste Disposal	1,495	24	1,519	-	1,519	
12	Intercompany Support Services	-	-	-	-	-	
13	Corporate Allocation	25,932	30	25,962	-	25,962	
14	Outside Services	26,910	(195)	26,715	-	26,715	
15	Group Insurance	60,816	-	60,816	-	60,816	
16	Pensions	-	-	-	-	-	
17	Regulatory Expense	5,294	(5,294)	-	-	-	
18	Insurance Other Than Group	10,046	(24)	10,022	(367)	9,655	
19	Customer Accounting	23,880	222	24,102	(456)	23,646	
20	Rents	8,677	-	8,677	-	8,677	
21	General Office Expense	24,039	(79)	23,960	-	23,960	
22	Miscellaneous	2,170	31	2,201	-	2,201	
23	Maintenance Expense	23,056	447	23,503	-	23,503	
24	Depreciation & Amortization	182,413	(3,880)	178,533	-	178,533	
25	General Taxes-Property	44,436	(1,759)	42,677	(2,469)	40,208	
26	General Taxes-Other	11,644	-	11,644	-	11,644	
27	Income Taxes	85,652	(35,163)	50,489	(34,454)	16,035	
28							
29	Total Operating Expenses	\$ 686,354	\$ (11,961)	\$ 674,392	\$ (37,746)	\$ 636,647	Sum Lines [7-27]
30	Utility Operating Income	\$ 149,964	\$ 11,961	\$ 161,926	\$ (104,077)	\$ 57,849	Line [4] - Line [29]
31	Other Income & Deductions						
32	Other Income & Deductions	\$ (67)	\$ -	\$ (67)	\$ -	\$ (67)	
33	Interest Expense	11,309	(1,898)	9,411	-	9,411	
34	Other Expense	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	
36	Total Other Income & Deductions	\$ 11,242	\$ (1,898)	\$ 9,344	\$ -	\$ 9,344	Sum Lines [32-35]
37	Net Profit / (Loss)	\$ 138,723	\$ 13,859	\$ 152,582	\$ (104,077)	\$ 48,505	Line [30] - Line [36]

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

Recap Schedules:
 A-1 Rebuttal

Sch C-2 Original
 Column [A]

	Page 3	Page 4	Page 5	Page 6	Page 7	Page 8	Page 9	Page 10	Page 11	Page 12	
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
	TY Adjusted Results	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>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 Adi #6: Adjust Depreciation Expense - Retirements</u>	<u>Adjust Insurance Other Than Group</u>	<u>Adjust CPI for 2017</u>	<u>Adjust CUS Charges</u>
<u>Line No.</u>	<u>Test Year Book Results</u>										
1 Revenues											
2 Water	\$ 798,508	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3 Other Revenues	37,810	-	-	-	-	-	-	-	-	-	-
4 Total Revenue	\$ 836,318	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Operating Expenses											
7 Labor	\$ 122,077	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8 Purchased Water	-	-	-	-	-	-	-	-	-	-	-
9 Fuel & Power	-	-	-	-	-	-	-	-	-	-	-
10 Chemicals	27,815	-	-	-	-	-	-	-	-	-	-
11 Waste Disposal	1,495	-	-	-	-	-	-	-	-	24	-
12 Intercompany Support Services	-	-	-	-	-	-	-	-	-	-	-
13 Corporate Allocation	25,932	-	-	-	-	-	-	-	-	30	-
14 Outside Services	26,910	-	-	-	-	-	-	-	-	432	-
15 Group Insurance	60,816	-	-	-	-	-	-	-	-	-	-
16 Pensions	-	-	-	-	-	-	-	-	-	-	-
17 Regulatory Expense	5,294	-	-	-	-	-	-	-	-	-	-
18 Insurance Other Than Group	10,046	-	-	-	-	-	-	-	(24)	-	-
19 Customer Accounting	23,880	-	-	-	-	-	-	-	-	71	116
20 Rents	8,677	-	-	-	-	-	-	-	-	-	-
21 General Office Expense	24,039	-	-	-	-	-	-	-	-	509	-
22 Miscellaneous	2,170	-	-	-	-	-	-	-	-	31	-
23 Maintenance Expense	23,056	-	-	-	-	-	-	-	-	447	-
24 Depreciation & Amortization	182,413	-	-	-	(1,450)	-	(1,282)	(1,148)	-	-	-
25 General Taxes-Property	44,436	(1,759)	-	-	-	-	-	-	-	-	-
26 General Taxes-Other	11,644	-	-	-	-	-	-	-	-	-	-
27 Income Taxes	85,652	-	(35,163)	-	-	-	-	-	-	-	-
29 Total Operating Expenses	\$ 686,354	\$ (1,759)	\$ (35,163)	\$ -	\$ (1,450)	\$ -	\$ (1,282)	\$ (1,148)	\$ (24)	\$ 1,544	\$ 116
30 Utility Operating Income	\$ 149,964	\$ 1,759	\$ 35,163	\$ -	\$ 1,450	\$ -	\$ 1,282	\$ 1,148	\$ 24	\$ (1,544)	\$ (116)
31 Other Income & Deductions											
32 Other Income & Deductions	\$ (67)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33 Interest Expense	11,309	-	-	(1,898)	-	-	-	-	-	-	-
34 Other Expense	-	-	-	-	-	-	-	-	-	-	-
35 Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-
36 Total Other Income & Deductions	\$ 11,242	\$ -	\$ -	\$ (1,898)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37 Net Profit / (Loss)	\$ 138,723	\$ 1,759	\$ 35,163	\$ 1,898	\$ 1,450	\$ -	\$ 1,282	\$ 1,148	\$ 24	\$ (1,544)	\$ (116)

44 Supporting Schedules:
 45 E-6

Recap Schedules:
 C-1 Rebuttal

	Page 13	Page 14	Page 15	Page 16	Page 17	Page 18						
	[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]	[T]	[U]		
	ADJ SLH-IS11 REB	ADJ JPB-IS12 REB	ADJ SLH-IS13 REB	ADJ SLH-IS14 REB	ADJ JPB-IS15 REB	ADJ JPB-IS16 REB						
							Sum [B - Q]	Sum [A] + [R]			Sum [S] + [T]	
<u>Line No.</u>	<u>Partially Accept Staff IS Adi #3: Adjust Outside Services Expense</u>	<u>Adjust Postage Expense</u>	<u>Partially Accept Staff IS ADJ #5: Adjust Regulatory Expense</u>	<u>Partially Accept Staff IS ADJ #4: Adjust General Office Expense</u>	<u>Accept Staff IS ADJ #1 & RUCO IS Adi #4: Adjust Fuel and Power Expense</u>	<u>Accept Staff IS ADJ #2 & RUCO IS ADJ #3: Adjust Purchased Water Expense</u>	Total Pro Forma Adjustments	Test Year Adjusted Results	Proposed Rate Increase	Adjusted Rate Increase		
1	Revenues											
2	Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 798,508	\$ (141,823)	\$ 656,686		
3	Other Revenues	-	-	-	-	-	-	37,810		37,810		
4	Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 836,318	\$ (141,823)	\$ 694,495		
5												
6	Operating Expenses											
7	Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,077		\$ 122,077		
8	Purchased Water	-	-	-	-	-	727	727	727	727		
9	Fuel & Power	-	-	-	-	32,951	-	32,951	32,951	32,951		
10	Chemicals	-	-	-	-	-	-	-	27,815	27,815		
11	Waste Disposal	-	-	-	-	-	-	24	1,519	1,519		
12	Intercompany Support Services	-	-	-	-	-	-	-	-	-		
13	Corporate Allocation	-	-	-	-	-	-	30	25,962	25,962		
14	Outside Services	(627)	-	-	-	-	-	(195)	26,715	26,715		
15	Group Insurance	-	-	-	-	-	-	-	60,816	60,816		
16	Pensions	-	-	-	-	-	-	-	-	-		
17	Regulatory Expense	-	-	(5,294)	-	-	-	(5,294)	-	-		
18	Insurance Other Than Group	-	-	-	-	-	-	(24)	10,022	(367)	9,655	
19	Customer Accounting	-	35	-	-	-	-	222	24,102	(456)	23,646	
20	Rents	-	-	-	-	-	-	-	8,677	8,677		
21	General Office Expense	-	-	-	(587)	-	-	(79)	23,960	23,960		
22	Miscellaneous	-	-	-	-	-	-	31	2,201	2,201		
23	Maintenance Expense	-	-	-	-	-	-	447	23,503	23,503		
24	Depreciation & Amortization	-	-	-	-	-	-	(3,880)	178,533	178,533		
25	General Taxes-Property	-	-	-	-	-	-	(1,759)	42,677	(2,469)	40,208	
26	General Taxes-Other	-	-	-	-	-	-	-	11,644	11,644		
27	Income Taxes	-	-	-	-	-	-	(35,163)	50,489	(34,454)	16,035	
28												
29	Total Operating Expenses	\$ (627)	\$ 35	\$ (5,294)	\$ (587)	\$ 32,951	\$ 727	\$ (11,961)	\$ 674,392	\$ (37,746)	\$ 636,647	
30	Utility Operating Income	\$ 627	\$ (35)	\$ 5,294	\$ 587	\$ (32,951)	\$ (727)	\$ 11,961	\$ 161,926	\$ (104,077)	\$ 57,849	
31	Other Income & Deductions											
32	Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (67)		\$ (67)		
33	Interest Expense	-	-	-	-	-	-	(1,898)	9,411	9,411		
34	Other Expense	-	-	-	-	-	-	-	-	-		
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-	-	-		
36	Total Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,898)	\$ 9,344	\$ -	\$ 9,344	
37	Net Profit / (Loss)	\$ 627	\$ (35)	\$ 5,294	\$ 587	\$ (32,951)	\$ (727)	\$ 13,859	\$ 152,582	\$ (104,077)	\$ 48,505	

44 Supporting Schedules:
 45 E-6

Recap Schedules:
 C-1 Rebuttal

48 Workpapers & Supporting Documents:
 49
 50 \2016 Tubac Water Rebuttal.xlsx

Line No.		[A]	[B]
		<u>Property Tax Expense</u>	<u>Property Tax Expense For Conversion Factor</u>
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	\$ 836,318	\$ 836,318
7	Adjusted Revenues in Year Ended December 2016	836,318	836,318
8	Proposed Revenues	836,318	694,495
9	Average of Three Year's of Revenue	Avg Lines[6] thru [8] \$ 836,318	\$ 789,044
10	Average of Three Year's of Revenue, times 2	Line[9] * 2 \$ 1,672,636	\$ 1,578,087
11	Add:		
12	Construction Work in Progress at 10%	(a) 6,383	6,383
13	Deduct:		
14	Net Book Value of Transportation Equipment	\$ 44,508	\$ 44,508
15			
16	Full Cash Value	Sum Lines[10-12] - Line[14] \$ 1,634,512	\$ 1,539,963
17	Assessment Ratio (For 2016 per HB 2001 Sec 42-15001)	18.0%	18.0%
18	Assessed Value	Line[16]*Line[17] \$ 294,212	\$ 277,193
19	Property Tax Rate	(c) 14.51%	14.51%
20			
21	Property Tax	Line[18]*Line[19] 42,677	40,208
22	Tax on Parcels	-	-
23			
24	Adjusted Test Year Property Taxes at Present Rates	Line[21]+Line[22] \$ 42,677	
25	Adjusted Test Year Property Taxes	(b) 44,436	
26	Adjustment to Revenue and/or Expense (To Sch C-2 Rebuttal)	Line[24] - Line[25] \$ (1,759)	
27			
28	Adjusted Test Year Property Taxes at Proposed Rates		Sum Lines[21-27] \$ 40,208
29	Adjusted Test Year Property Taxes at Present Rates		Line[24] Col [A] 42,677
30	Additional Property Taxes on Proposed Revenues (To Sch C-2 Rebuttal)		Line[28] - Line[29] \$ (2,469)
31			
32			
33			
34	<u>CALCULATION OF PROPERTY TAX FACTOR TO COMPUTE GROSS REVENUE CONVERSION FACTOR (SCH C-3 Rebuttal):</u>		
35			
36		Increase in Property Tax Due to Increase in Revenue Requirement (Line 30, Col [B])	\$ (2,469)
37			
38		Increase in Revenue Requirement (From Sch. A-1 Rebuttal)	\$ (141,823)
39			
40		Increase in Property Tax Per Dollar Increase in Revenue (Line 36/Line 38)	1.74%
41			
42			
43			
44	<u>Workpapers & Supporting Documents:</u>		
45			
46	(a) Sch E1		
47	(b) Sch C2 Rebuttal		
48	(c) \Composite Property Tax Rate 2016.xlsx		
49			
50	\2016 Tubac 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		\$ 212,415	\$ 73,884
8	Interest Expense		9,411	9,411
9	Arizona Taxable Income		Line[7] - Line[8] \$ 203,004	\$ 64,473
10				
11	Arizona Income Tax	4.90%	Line[9] * 0.049 \$ 9,947	\$ 3,159
12				
13				
14	Federal Income Before Taxes		Line[9] \$ 203,004	\$ 64,473
15	Less Arizona Income Taxes		Line[11] 9,947	3,159
16	Federal Taxable Income		Line[14] - Line[15] \$ 193,057	\$ 61,313
17				
18	FEDERAL INCOME TAXES:			
19				
20				
21				
22				
23				
24				
25	Federal Income Taxes	21.00%	Line[16] * 0.21 \$ 40,542	\$ 12,876
26				
27				
28	Total Income Tax		Line[15]+Line[25] \$ 50,489	\$ 16,035
29				
30	Tax Rate		Line[28] / Line[9] 24.87%	24.87%
31				
32	Effective Income Tax Rates			
33	State		Line[11] / Line[9] 4.900%	4.900%
34	Federal		Line[25] / Line[9] 19.97%	19.97%
35				
36				
37	Adjusted Test Year Income Taxes		(a) \$ 85,652	
38	Increase in Income Taxes,		Line[28] - Line[37] \$ (35,163)	
39				
40	Adjustment to Revenues and/or Expense		Line[38] \$ (35,163)	
41				
42	Test Year Income Taxes,			Line[28] \$ 50,489
43	Increase in Income Taxes			Line[28] - Line[42] (34,454)
44				
45	Adjustment to Revenue and/or Expense			Line[43] \$ (34,454)
46				
47	<u>Workpapers & Supporting Documents:</u>			
48	(a) Sch C2 Rebuttal			
49				
50	\\2016 Tubac 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) \$	1,057,411
7	Weighted Cost of Debt from Schedule D-1 Rebuttal	(c)	0.89%
8	Synchronized Interest Expense	Line[6]*Line[7]	\$ 9,411
9			
10	Test Year Interest Expense Adjusted	(b) \$	<u>11,309</u>
11			
12	Adjusted Test Year Interest Expense	Line[10]	\$ 11,309
13			
14	Increase/(Decrease) in Interest Expense	Line[8] - Line[12]	\$ <u>(1,898)</u>
15			
16	Rebuttal Adjustment to Revenue and/or Expense	Line[14]	\$ <u>(1,898)</u>
17			
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45	<u>Workpapers & Supporting Documents:</u>		
46	(a) Sch B1 Rebuttal		
47	(b) Sch C2 Rebuttal		
48	(c) Sch D1 Rebuttal		
49			
50	\\2016 Tubac 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
 4 reflected in Rate Base proforma adjustment KDB-RB2-REB. This Income Statement proforma adjustment reflects the annual amortization of that rate base adjustment.
 5
 6
 7

8 Regulatory Liability - ADIT that resulted from the decrease in the Federal Income Taxes	\$	47,109	(a)	
9				
10 Amortization Rate		3.0771%	(b)	
11				
12 Annual Amortization		\$	(1,450)	Line [8] * Line [10]
13				
14				
15				
16 Increase/ (Decrease) to Depreciation/ Amortization		\$	(1,450)	Line [12]
17				
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45 Workpapers & Supporting Documents:
 46 (a) Rate Base Adjustment ADJ SLH-RB2 REB
 47 (b) ADIT Adjustment REBUTTAL.xlsx
 48
 49
 50 \\2016 Tubac Water Rebuttal.xlsm

Line

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45 Workpapers & Supporting Documents:

46

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50 \2016 Tubac Water Rebuttal.xlsm

Line
 No.
 1 Partially Accept Staff IS ADJ #6: Adjust Depreciation Expense - Post Test Year Plant 2017
 2
 3 Adjustment to Annualize Depreciation Expense on Updated Post Test Year Plant for 2017. Includes updating projects through 12/31/2017 with actual expenditure.
 4
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	[A] Depreciation on Post TY Plant Additions per Summary of Plant and A/D by NARUC - FINAL 2017 PTYP (a)	[B] Allocation Factor	[C] = [A] * [B] Depreciation Expense
17 Depreciation on Post Test Year Plant Additions - Tubac Water	\$ 7,787	100.0000%	\$ 7,787
18 Depreciation on Additional TY Plant Additions - Tubac Water	1,615	100.0000%	1,615
19 Depreciation on 7A Corporate Post Test Year Plant Additions Allocated	48,670	0.3225%	157
20 Depreciation on Additional 7A Corporate Test Year Plant Additions Allocated	17,375	0.3225%	56
21 Depreciation on 6U Post Test Year Plant Additions Allocated	236,805	0.2937%	696
22 Depreciation on Additional 6U Test Year Plant Additions Allocated	174,541	0.2937%	513
	<u>\$ 486,794</u> Sum Lines [17 - 22]		
26			
27 Depreciation Expense on 2017 Post Test Plant per Rebuttal			\$ 10,823 Sum Lines[17] thru [22]
28			
29 Depreciation Expense on 2017 Post Test Plant per Company's Original Application			<u>\$ 12,105</u> (b)
30			
31			
32			
33 Increase / (Decrease) to Depreciation Expense			\$ (1,282) Line[27] - Line[30]
34			
35 Rebuttal Adjustment to Revenue and/or Expense			<u>\$ (1,282)</u> Line[33]
36			
37			
38			
39			
40			
41			
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43			
44			
45 <u>Workpapers & Supporting Documents:</u>			
46 (a) Summary of Plant Balances and Accum Depr by NARUC Updated for Final 2017 PTYP.xlsx			
47 (b) Summary of Plant Balances and Accum Depr by NARUC.xlsx			
48			
49			
50 \2016 Tubac Water Rebuttal.xlsm			

Line
 No.

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

2
 3 The Company has adjusted retirements in ADJ KDB-RB-6 REB. This adjustment updates the depreciation expense associated with the updated retirements.
 4
 5
 6

GMC 4 Factor	0.3225%
Arizona Total	91,0728%
Alloc Factor	0.2937% <small>Line[8]*Line[9]</small>

	[A]	[B]	[C] = [A] * [B]
	Depreciation on Retirements per Summary of Plant and A/D by NARUC Updated for Final 2017 PTYP (a)	Allocation Factor	Depreciation Expense
17 Depreciation on Retirements on Test Year Plant - Tubac Water	\$ (1,142)	100.0000%	\$ (1,142)
18 Depreciation on Retirements on Test Year Plant - 7A Corporate Plant Allocated	(1,774)	0.3225%	(6)
19 Depreciation on Retirements on Test Year Plant - 6U Plant Allocated	-	0.2937%	-

26 Depreciation Expense on 2017 Retirements per Rebuttal \$ (1,148) Sum Lines [17 - 19]

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

32 Increase / (Decrease) to Depreciation Expense \$ (1,148) Line[26] - Line[29]

34 Rebuttal Adjustment to Revenue and/or Expense \$ (1,148) Line[32]

45 Workpapers & Supporting Documents:

- 46 (a) Summary of Plant Balances and Accum Depr by NARUC Updated for Final 2017 PTYP.xlsx
- 47 (b) Schedule C2 Adj SLM - IS25

50 \2016 Tubac 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.
 7

	DIRECT PLANT	[1]	[2]	[1] * [2] = [3]
	Test Year	7T	AZ	AZ-Factor
	Adj Results	District 4-Factor		
11 Gross Property Value at 12/31/2016	\$ 6,851,455	Schb2 Rebuttal Line [2]	0.5903%	87.7062%
12 % of Plant Insured	47.75%	\Insurance]1. Property & Terrorism [23]		0.5177%
14 Gross Plant Insured	<u>\$ 3,271,365</u>	Line [11] * Line [12]		

	Test Year	Adjusted	Adjusted	Adjusted	
	Adjusted	with Rate	with Rate	with Rate	
	Results	Increase	Increase	Increase	
19 Adjusted Revenues in Year Ended December 2016	\$ 836,318	Schc2 Rebuttal [X][14]	\$ 694,495	Schc2 Rebuttal [2][14]	
	[A]	[B]	[C] = [A] * [B]	[D]	
	Amount	Rate	Premium	Amount	
				[E] = [D] * [B]	
				Premium	
22 1. Property Insurance	Plant [25]	\$ 3,271,365	0.0526% \Insurance] Summary	\$ 1,721	\$ 1,721
23 2. Excess Liability	Revenue Line [25]	836,318	0.2588% \Insurance] Summary	2,165	1,798
24 3. Umbrella Liability	AZ 4- Factor [10]	95,767	0.5177% \Insurance] Summary	496	496
25 4. Autos	AZ 4- Factor [10]	278,350	0.5177% \Insurance] Summary	1,441	1,441
26 5. Workers Compensation	Payroll Col [49]	13,026	1.6543% \Insurance] Summary	215	215
27 6. Pollution *	Fixed Site	3,554	1.00 \Insurance] Summary	3,554	3,554
28 7. D&O	AZ 4- Factor [10]	13,367	0.5177% \Insurance] Summary	69	69
29 8. Fiduciary	AZ 4- Factor [10]	1,483	0.5177% \Insurance] Summary	8	8
30 9. Crime	Employee Count	2 \$	7.76 \Insurance] Summary	16	16
31 10. Employed Lawyers	AZ 4- Factor [10]	1,196	0.5177% \Insurance] Summary	6	6
32 11. Non Owned Pollution	AZ 4- Factor [10]	19,339	0.5177% \Insurance] Summary	100	100
33 12. Employment Practices	Employee Count	2 \$	5.30 \Insurance] Summary	11	11
34 13. Utilities Bond **	Site Bond Requirement	22,331	0.0000% \Insurance] Summary	-	-
35 14. Cyber Insurance	AZ 4- Factor [10]	11,366	0.5177% \Insurance] Summary	59	59
36 15. Sun City Flood Insurance	Sun City Only	2,356	0.0000% \Insurance] Summary	-	-
37 16. LAPP	AZ 4- Factor [10]	19,383	0.5177% \Insurance] Summary	100	100
38					
39 Total			\$ 9,960	Sum Col [C]	\$ 9,593

42 Adjusted Test Year Insurance Other Than Group	From Original Filing	\$ 9,984	\$ 9,960
43 Increase/(Decrease) to Insurance Other Than Group		<u>\$ (24)</u>	<u>\$ (367)</u>
		Line [39] - Line [42]	

- 44 Workpapers & Supporting Documents:
 45 \Insurance Other than Group.xlsx (aka Insurance)
 46 \Payroll, Benefits, & Taxes 2016.xlsx (aka Payroll)
 47 Income Statement Adjustment SLM-IS27
 48
 49
 50 \2016 Tubac Water Rebuttal.xlsm

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Adjust CUS Charges

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 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 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.

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

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

C.U.S. Charges per Schedule E-6, account 5611	\$	13,553	(a)
CPI Adjustment 2017	\$	221	Line[16]*1.63%
Adjusted 2017 Expense	\$	13,774	Line[16]+Line [18]
CPI Adjustment 2018	\$	341	Line[19]*2.47%
Adjusted 2018 Expense	\$	14,115	Line[19]+Line[21]
Total Increase/ (Decrease) to C.U.S Charges	\$	562	Line[18]+Line[21]
Expense per Company's Original Application per IS JPB Adj#12	\$	446	
	\$	116	Line[26] - Line[28]

Adjustment to Revenue and/or Expense \$ 116 Line[30]

Workpapers & Supporting Documents:
 (a) Sche6

\\2016 Tubac 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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 8

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

12 Part 1

13 Remove ASU Study Costs	\$	28	\$	65	\$ (37)
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16 Part 2

17 Amount to be removed from Outside Services per RUCO DR 1.25	\$	(590)	\$	-	\$ (590)
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24 Adjustment to Revenue and/or Expense				<u>\$ (627)</u>	Line [13] + Line [17]
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45 Workpapers & Supporting Documents:

46 (a) Company Response to RUCO DR 1.25

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50 \2016 Tubac Water Rebuttal.xlsx

Line
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 1 Adjust Postage Expense
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3 On January 22, 2017, the United States Postal Service increased postage rates. The Company has calculated a projected increase based on known and measurable increases to postage rates at time of
 4 this rebuttal filing.
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 6

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

20 Postage Expense Account 5611 per General Ledger	(a)	\$	2,811	
22 Total Increase / (Decrease) to Postage Expense		\$	75	Col [E] Line[18]*Line[21]
23 Expense per Company's Original Application per IS JPB Adj#11		\$	40	
25 Adjustment to Revenue and/or Expense		\$	35	Line [22]- Line [23]

45 Workpapers & Supporting Documents:
 46 (a) Sch E-6 Line 19
 47 USPS Rates 2016.xlsx
 48
 49
 50 \2016 Tubac Water Rebuttal.xlsm

Line
No.

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

2
 3 The Company is partially accepting Staff IS Adj #5. The Company is removing rate case expense out of the regulatory expense accounts. Staff recommends authorizing a surcharge to recover rate case
 4 expense. Staff proposed recovery over a 5 year period however the Company proposes a 3 year period.
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	[A]	[B]	[C] = [A] - [B]
	Revised	Original	Rebuttal
	<u>Amounts (a)</u>	<u>Application</u>	<u>Adjustment</u>
Amount to be removed from Regulatory Expense per Staff IS ADJ #5	\$ (5,294)		o \$ (5,294)

Adjustment to Revenue and/or Expense \$ (5,294) Line 13

Workpapers & Supporting Documents:
 (a) Schedule C2

\2016 Tubac Water Rebuttal.xlsm

Line
 No.
 1 Partially Accept Staff IS ADJ #4: Adjust General Office Expense
 2
 3 The Company is partially accepting Staff IS Adj #4. The Company accepts Staff's recommendation to remove certain identified costs related to entertainment and gifts. However the Company does not
 4 agree to remove tuition related costs.
 5
 6
 7

8 <u>Staff Disallowed Amounts per Staff Adj #4</u>		<u>Company Position</u>	<u>Tubac Water</u>	<u>4-Factor</u>	<u>0.5903%</u>
9 Entertainment	\$ 81,543	Accept			
10 Tuition	\$ 64,387	Oppose			
11 Gifts	\$ 17,937	Accept			
12	<u>\$ 163,867</u>				

13					
14					
15 <u>Amount to be Removed</u>					
16 Entertainment	\$ 81,543				
17 Gifts	\$ 17,937				
18 Total	\$ 99,480	Line [16] + Line [17]			
19					
20 Allocated to District	0.5903%				
21	\$ 587	Line [18] * Line [20]			

Rebuttal
 Adjustment
\$ (587) Line [21]

24 Adjustment to Revenue and/or Expense

45 Workpapers & Supporting Documents:
 46
 47
 48
 49
 50 \2016 Tubac Water Rebuttal.xlsm

Line No.

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

2
 3 The Company is accepting both Staff IS Adj #1 and RUCO IS Adj #4. This rebuttal adjustment reverses the Company's original adjustment JPB-IS9 and restores the purchased power and fuel expense
 4 back into the Test Year operating expenses for recovery in base rates.
 5
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7
 8 The Company's water districts utilize multiple vendors in their different geographic locations. Power is purchased from Arizona Public Service Company ("APS"), UNS Electric, Inc. ("UNS Electric"), and Mohave Electric Cooperative ("MEC"). Each of
 9 these vendors has initiated or concluded rate cases during the test year and pro forma adjustments to electrical costs are proposed to account for known and measurable increases. The Company has no control over these price increases.
 10 Additionally, EWAZ has experienced consistent year-over-year increases in APS's bills due to changes in surcharge factors associated with their rate adjustor mechanisms.

11 APS provides electrical service to the Agua Fria, Anthem, Sun City, Sun City West, Chaparral, and Paradise Valley water districts. APS also provides electrical service to the Phoenix corporate office. On March 1, 2017, APS reached a settlement
 12 agreement with the major parties in its rate case filed on June 1, 2016. The Company does not expect the Commission to issue a decision prior to the filing of this rate case, but is aware that the commercial rates will increase if the settlement is
 13 approved. In addition to increased base rates resulting from the rate case application, APS utilizes a number of adjustor mechanisms that have caused electric costs to increase year-over-year, between APS filing general rate applications.
 14 Accordingly, the Company adjusts the power charges included in the proposed PCAM based on the three-year average trend of known and measurable historical annual cost increases. Electric costs for districts using APS are adjusted for 2017 and
 15 2018 to account for known rate increases that will be effective prior to the resolution of this case.

16 UNS Electric provides power for the Company's operations in its Tubac and Havasu Water districts. On August 18, 2016, the Commission issued Decision No. 75697 (August 18, 2016), authorizing new rates for residential and commercial customers.
 17 The Company has multiple accounts with UNS Electric. As these rate increases are known and measurable, but not fully reflected in the 2016 purchased power costs, a one-time adjustment is included to annualize this increase in purchased power
 18 costs included in the adjustor mechanism in-line with the newly authorized tariff for the eight months of the year that were not billed using the current tariff.

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

GL Account	Account Description	Corporate (a)		Direct (b)		Other		Annualization	Total
		2016	2016	2016	2016	Allocation (c)	2016		
	5617 Power Charges	\$ 250	\$ 28,642						\$ 28,892
	5616 Natural Gas Charges	\$ -	\$ 600						\$ 600
	Annualization						\$ (96)		\$ (96)
Total Purchased Power Expense									
									<u>\$ 29,396</u>
	2017 % Increase	6.29%	12.34%						
	2018 % Increase	6.29%	0.00%						
		[F]	[G]	[H]	[I]	[J]	[K] = [F] + [G] + [H] + [I] + [J]		
	2017 Increase - Power	\$ 16	\$ 3,535		0	0		\$ (12)	\$ 3,538
	2017 Expense	\$ 265	\$ 32,177	\$ 600	\$ -	\$ -		\$ (108)	\$ 32,935
	2018 Increase - Power	\$ 17	\$ -		0	-		\$ -	\$ 17
	2018 Expense	\$ 282	\$ 32,177	\$ 600	\$ -	\$ -		\$ (108)	\$ 32,951
Increase/Decrease to Expense									<u>\$ 32,951</u>

47 Workpapers & Supporting Documents:

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

Line
 No.
 1 Accept Staff IS ADJ #2 & RUCO IS ADJ #3: Adjust Purchased Water Expense
 2
 3 The Company is accepting both Staff IS Adj #2 and RUCO IS Adj #3. This rebuttal adjustment reverses the Company's original adjustment JPB-IS30 and restores the purchased water expense back into
 4 the Test Year operating expenses for recovery in base rates.
 5
 6
 7
 8 The Company is proposing a Purchase Water Adjustor Mechanism for all districts in this rate case, except Willow Valley. The Company's estimate as to the per customer surcharge is calculated based on the total potable 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
 17 The Company would anticipate the effective date of the Plan of Administration (POA), submitted as an Exhibit to Mr. Boizelle's testimony, to be concurrent with the effective date of new rates approved in this rate case.
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		Purchased Water
		<u>Test Year Expense</u>
25	Test Year Purchased Water Expense	\$ 99
26	Expenses Removed	\$ (99) (a)
27	SMC-IS6	\$ -
28	Annualized Purchased Water Expenses	\$ - Line [26]+Line [27]
29		
30	2017 Percentage increase in CAP costs	0.00% (c)
31	2017 Purchased Water Expense	\$ - Line [28]*(1+Line [30])
32		
33	2018 Percentage increase in CAP costs	0.00% (c)
34	2018 Purchased Water Expense	\$ - 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	\$ 727 (c)
40	Groundwater Withdrawal Fee	
41	Total Pro Forma Purchased Water Costs	\$ 727 Sum Lines [36 - 40]
42		
43	Increase/Decrease to Expense	<u>\$ 727</u> Line [41]
44		
45	<u>Workpapers & Supporting Documents:</u>	
46	(a) Sch C2	
47	(b) Sch E7	
48	(c) \Purchased Water Increase.xlsx	
49		
50	\2016 Tubac 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 = 1.74%	One Minus Combined	75.13%
7				1.31% [A] x [B]
8	Bad Debt Expense	Effective Rate = 0.32%	One Minus Combined	75.13%
9				0.24% [A] x [B]
10	Insurance Other Than Group	Effective Rate = 0.26%	One Minus Combined	75.13%
11				0.19% [A] x [B]
12				
13	Total Tax Percentage			26.61% Sum Line [1-10]
14				
15	Operating Income % = 100% - Tax Percentage			73.39% 1 - [C] Line [13]
16				
17				
18		1 = Gross Revenue Conversion Factor		
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21	Operating Income %			1.36 1 / [C] Line [15]
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43	Supporting Schedules:		Recap Schedules:	
44	C-2 Rebuttal		A-1 Rebuttal	
45				
46				
47	Workpapers & Supporting Documents			
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50	\2016 Tubac Water Rebuttal.xlsx			