

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	\$ 662,295	\$ 136,213	\$ 798,508	\$ (140,959)	\$ 657,550	
3	Other Revenues	37,810	-	37,810	-	37,810	
4	Total Revenues	<u>\$ 700,105</u>	<u>\$ 136,213</u>	<u>\$ 836,318</u>	<u>\$ (140,959)</u>	<u>\$ 695,359</u>	Sum Lines [2-3]
5							
6	Operating Expenses						
7	Labor	\$ 114,880	\$ 7,197	\$ 122,077	\$ -	\$ 122,077	
8	Purchased Water	99	(99)	-	-	-	
9	Fuel & Power	29,492	(29,492)	-	-	-	
10	Chemicals	25,794	2,021	27,815	-	27,815	
11	Waste Disposal	1,462	33	1,495	-	1,495	
12	Intercompany Support Services	-	-	-	-	-	
13	Corporate Allocation	26,853	(921)	25,932	-	25,932	
14	Outside Services	26,309	601	26,910	-	26,910	
15	Group Insurance	50,149	10,667	60,816	-	60,816	
16	Pensions	-	-	-	-	-	
17	Regulatory Expense	3,255	2,039	5,294	-	5,294	
18	Insurance Other Than Group	11,875	(1,829)	10,046	(364)	9,682	
19	Customer Accounting	21,630	2,251	23,880	(453)	23,427	
20	Rents	8,677	-	8,677	-	8,677	
21	General Office Expense	25,227	(1,188)	24,039	-	24,039	
22	Miscellaneous	2,127	44	2,170	-	2,170	
23	Maintenance Expense	32,138	(9,082)	23,056	-	23,056	
24	Depreciation & Amortization	224,786	(42,373)	182,413	-	182,413	
25	General Taxes-Property	26,970	17,466	44,436	(2,454)	41,982	
26	General Taxes-Other	13,891	(2,247)	11,644	-	11,644	
27	Income Taxes	76,639	9,013	85,652	(52,576)	33,076	
28							
29	Total Operating Expenses	<u>\$ 722,253</u>	<u>\$ (35,899)</u>	<u>\$ 686,354</u>	<u>\$ (55,847)</u>	<u>\$ 630,506</u>	Sum Lines [7-27]
30	Utility Operating Income	<u>\$ (22,148)</u>	<u>\$ 172,113</u>	<u>\$ 149,964</u>	<u>\$ (85,112)</u>	<u>\$ 64,853</u>	Line [4] + Line [29]
31	Other Income & Deductions						
32	Other Income & Deductions	\$ (67)	\$ -	\$ (67)	\$ -	\$ (67)	
33	Interest Expense	59,137	(47,829)	11,309	-	11,309	
34	Other Expense	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	
36	Total Other Income & Deductions	<u>\$ 59,070</u>	<u>\$ (47,829)</u>	<u>\$ 11,242</u>	<u>\$ -</u>	<u>\$ 11,242</u>	Sum Lines [32-35]
37	Net Profit / (Loss)	<u>\$ (81,219)</u>	<u>\$ 219,941</u>	<u>\$ 138,723</u>	<u>\$ (85,112)</u>	<u>\$ 53,611</u>	Line [30] - Line [36]

43 Supporting Schedules:
 44 (a) C-2

Recap Schedules:
 A-1

48 Workpapers & Supporting Documents
 49
 50 \2016 Tubac 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	
Line No.	Test Year Book Results (a)	Tank Maintenance Expense	Adjust Property Taxes to Reflect Proposed Revenues	Federal and State Income Taxes	Interest Synchronization with Rate Base	Bad Debt Expense	Annualization/Normalization of Revenues	Removal of General Disallowable Items	Annualize Labor & Labor Related Expenses	Purchased Power Adjustment and Surcharge	Removal of 10% of Performance Based Compensation	Postage Expense
1	Revenues											
2	Water	\$ 662,295	\$ -	\$ -	\$ -	\$ -	\$ 136,213	\$ -	\$ -	\$ -	\$ -	\$ -
3	Other Revenues	37,810	-	-	-	-	-	-	-	-	-	-
4	Total Revenue	\$ 700,105	\$ -	\$ -	\$ -	\$ -	\$ 136,213	\$ -	\$ -	\$ -	\$ -	\$ -
5												
6	Operating Expenses											
7	Labor	\$ 114,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,349	\$ -	\$ (1,152)	\$ -
8	Purchased Water	99	-	-	-	-	-	-	-	-	-	-
9	Fuel & Power	29,492	-	-	-	-	(96)	-	-	(29,396)	-	-
10	Chemicals	25,794	-	-	-	-	(84)	-	-	-	-	-
11	Waste Disposal	1,462	-	-	-	-	-	-	-	-	-	-
12	Intercompany Support Services	-	-	-	-	-	-	-	-	-	-	-
13	Corporate Allocation	26,853	-	-	-	-	-	-	-	-	-	-
14	Outside Services	26,309	-	-	-	-	-	-	-	-	-	-
15	Group Insurance	50,149	-	-	-	-	-	-	10,667	-	-	-
16	Pensions	-	-	-	-	-	-	-	-	-	-	-
17	Regulatory Expense	3,255	-	-	-	-	-	-	-	-	-	-
18	Insurance Other Than Group	11,875	-	-	-	-	-	-	-	-	-	-
19	Customer Accounting	21,630	-	-	-	1,737	(71)	-	-	-	-	40
20	Rents	8,677	-	-	-	-	-	-	-	-	-	-
21	General Office Expense	25,227	-	-	-	-	-	(1,895)	-	-	-	-
22	Miscellaneous	2,127	-	-	-	-	-	-	-	-	-	-
23	Maintenance Expense	32,138	-	-	-	-	-	-	-	-	-	-
24	Depreciation & Amortization	224,786	-	-	-	-	-	-	-	-	-	-
25	General Taxes-Property	26,970	-	17,466	-	-	-	-	-	-	-	-
26	General Taxes-Other	13,891	-	-	-	-	-	-	(2,247)	-	-	-
27	Income Taxes	76,639	-	-	9,013	-	-	-	-	-	-	-
28												
29	Total Operating Expenses	\$ 722,253	\$ -	\$ 17,466	\$ 9,013	\$ 1,737	\$ (251)	\$ (1,895)	\$ 16,769	\$ (29,396)	\$ (1,152)	\$ 40
30	Utility Operating Income	\$ (22,148)	\$ -	\$ (17,466)	\$ (9,013)	\$ (1,737)	\$ 136,464	\$ 1,895	\$ (16,769)	\$ 29,396	\$ 1,152	\$ (40)
31	Other Income & Deductions											
32	Other Income & Deductions	\$ (67)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	Interest Expense	59,137	-	-	-	(47,829)	-	-	-	-	-	-
34	Other Expense	-	-	-	-	-	-	-	-	-	-	-
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-
36	Total Other Income & Deductions	\$ 59,070	\$ -	\$ -	\$ -	\$ (47,829)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37	Net Profit / (Loss)	\$ (81,219)	\$ -	\$ (17,466)	\$ (9,013)	\$ 47,829	\$ (1,737)	\$ 136,464	\$ 1,895	\$ (16,769)	\$ 29,396	\$ (40)
38												
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42												
43												
44	Supporting Schedules:											
45	(a) E-6											
46												
47												
48	Workpapers & Supporting Documents:											
49												
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Recap Schedules:
 C-1

	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	Revenues											
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	-	-	-	-	-	-	-	-	-	-	-	-
4	Total Revenue											
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Operating Expenses											
7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	-	-	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-	-	-	2,105
11	-	-	-	-	-	-	-	-	-	-	-	33
12	-	-	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-	(963)	42
14	-	-	-	-	-	-	-	-	-	-	-	601
15	-	-	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-	-	-
17	-	2,039	-	-	-	-	-	-	-	-	-	-
18	-	-	-	-	-	-	-	-	-	-	-	-
19	446	-	-	-	-	-	-	-	-	-	-	99
20	-	-	-	-	-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-	-	-	-	-	707
22	-	-	-	-	-	-	-	-	-	-	-	44
23	-	-	-	-	-	-	-	-	-	-	-	622
24	-	-	-	-	44,670	(6,600)	2,450	12,105	(614)	(97,035)	-	-
25	-	-	-	-	-	-	-	-	-	-	-	-
26	-	-	-	-	-	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-	-	-	-	-	-
28	Total Operating Expenses											
29	\$ 446	\$ 2,039	\$ -	\$ -	\$ 44,670	\$ (6,600)	\$ 2,450	\$ 12,105	\$ (614)	\$ (97,035)	\$ (963)	\$ 4,252
30	Utility Operating Income											
31	\$ (446)	\$ (2,039)	\$ -	\$ -	\$ (44,670)	\$ 6,600	\$ (2,450)	\$ (12,105)	\$ 614	\$ 97,035	\$ 963	\$ (4,252)
31	Other Income & Deductions											
32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	-	-	-	-	-	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-	-	-	-
36	Total Other Income & Deductions											
37	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37	Net Profit / (Loss)											
38	\$ (446)	\$ (2,039)	\$ -	\$ -	\$ (44,670)	\$ 6,600	\$ (2,450)	\$ (12,105)	\$ 614	\$ 97,035	\$ 963	\$ (4,252)
39												
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44	Supporting Schedules:											
45	(a) E-6											
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48	Workpapers & Supporting Documents:											
49												
50	\2016 Tubac Water.xlsm											

Page 28	Page 29	Page 30	Page 31	Page 32	Page 33	Page 34	Page 35	Page 36	Page 37	Page 38	Page 39
[Y]	[Z]	[AA]	[AB]	[AC]	[AD]	[AE]	[AF]	[AG]	[AH]	[AI]	[AJ]
ADJ SLM-IS24	ADJ SLM-IS25	ADJ x-IS26	ADJ SLM-IS27	ADJ SLM-IS28	ADJ SLM-IS29	ADJ JPB-IS30	ADJ SLM-IS31	ADJ SLM-IS32	ADJ SLM-IS33	ADJ SLM-IS34	ADJ SLM-IS35

Line No.	Intentionally Left Blank	Retirements on Test Year Plant - Depreciation	Intentionally Left Blank	Insurance Other Than Group	Capital Lease - Vehicles - Expense Adjustment	Decision No. 75268 Amortization	Purchased Water Adjustment and Surcharge	Regulatory Asset Amortization - Y2K and Depreciation Study	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank
1	Revenues											
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	-	-	-	-	-	-	-	-	-	-	-	-
4	Total Revenue											
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Operating Expenses											
7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	-	-	-	-	-	-	(99)	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-	-	-
17	-	-	-	-	-	-	-	-	-	-	-	-
18	-	-	-	(1,829)	-	-	-	-	-	-	-	-
19	-	-	-	-	-	-	-	-	-	-	-	-
20	-	-	-	-	-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-	-	-	-	-	-
22	-	-	-	-	-	-	-	-	-	-	-	-
23	-	-	-	-	(9,703)	-	-	-	-	-	-	-
24	-	-	-	-	8,839	(6,426)	-	238	-	-	-	-
25	-	-	-	-	-	-	-	-	-	-	-	-
26	-	-	-	-	-	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-	-	-	-	-	-
28	Total Operating Expenses											
29	\$ -	\$ -	\$ -	(1,829)	(864)	(6,426)	(99)	238	\$ -	\$ -	\$ -	\$ -
30	Utility Operating Income											
31	\$ -	\$ -	\$ -	1,829	864	6,426	99	(238)	\$ -	\$ -	\$ -	\$ -
32	Other Income & Deductions											
33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34	-	-	-	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-	-	-	-
36	Total Other Income & Deductions											
37	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38	Net Profit / (Loss)											
39	\$ -	\$ -	\$ -	\$ 1,829	\$ 864	\$ 6,426	\$ 99	\$ (238)	\$ -	\$ -	\$ -	\$ -

44 Supporting Schedules:
 45 (a) E-6
 46
 47
 48 Workpapers & Supporting Documents:
 49
 50 \2016 Tubac Water.xlsm

	Page 40 [AK] ADJ SLM-IS36	Page 41 [AL] ADJ SLM-IS37	Page 42 [AM] ADJ SLM-IS38	Page 43 [AN] ADJ SLM-IS39	[AO] Sum [B - AN]	[AP] Sum [A] + [AO]	[AQ]	[AR] Sum [AP] + [AQ]
<u>Line No.</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Total Pro Forma Adjustments</u>	<u>Test Year Adjusted Results</u>	<u>Proposed Rate Increase</u>	<u>Adjusted Rate Increase</u>
1	Revenues							
2	\$ -	\$ -	\$ -	\$ -	\$ 136,213	\$ 798,508	\$ (140,959)	\$ 657,550
3	-	-	-	-	-	37,810	-	37,810
4	\$ -	\$ -	\$ -	\$ -	\$ 136,213	\$ 836,318	\$ (140,959)	\$ 695,359
5								
6	Operating Expenses							
7	\$ -	\$ -	\$ -	\$ -	\$ 7,197	\$ 122,077	\$ -	\$ 122,077
8	-	-	-	-	(99)	-	-	-
9	-	-	-	-	(29,492)	-	-	-
10	-	-	-	-	2,021	27,815	-	27,815
11	-	-	-	-	33	1,495	-	1,495
12	-	-	-	-	-	-	-	-
13	-	-	-	-	(921)	25,932	-	25,932
14	-	-	-	-	601	26,910	-	26,910
15	-	-	-	-	10,667	60,816	-	60,816
16	-	-	-	-	-	-	-	-
17	-	-	-	-	2,039	5,294	-	5,294
18	-	-	-	-	(1,829)	10,046	(364)	9,682
19	-	-	-	-	2,251	23,880	(453)	23,427
20	-	-	-	-	-	8,677	-	8,677
21	-	-	-	-	(1,188)	24,039	-	24,039
22	-	-	-	-	44	2,170	-	2,170
23	-	-	-	-	(9,082)	23,056	-	23,056
24	-	-	-	-	(42,373)	182,413	-	182,413
25	-	-	-	-	17,466	44,436	(2,454)	41,982
26	-	-	-	-	(2,247)	11,644	-	11,644
27	-	-	-	-	9,013	85,652	(52,576)	33,076
28								
29	\$ -	\$ -	\$ -	\$ -	\$ (35,899)	\$ 686,354	\$ (55,847)	\$ 630,506
30	\$ -	\$ -	\$ -	\$ -	\$ 172,113	\$ 149,964	\$ (85,112)	\$ 64,853
31	Other Income & Deductions							
32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (67)	\$ -	\$ (67)
33	-	-	-	-	(47,829)	11,309	-	11,309
34	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-
36	\$ -	\$ -	\$ -	\$ -	\$ (47,829)	\$ 11,242	\$ -	\$ 11,242
37	\$ -	\$ -	\$ -	\$ -	\$ 219,941	\$ 138,723	\$ (85,112)	\$ 53,611
38								
39								
40								
41								
42								
43								
44	Supporting Schedules:						Recap Schedules:	
45	(a) E-6						C-1	
46								
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48	Workpapers & Supporting Documents:							
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50	\\2016 Tubac Water.xlsm							

Line

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Tank Maintenance Expense

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 \$ - (b)

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

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

Workpapers & Supporting Documents:

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

Line
 No.

Adjust Property Taxes to Reflect Proposed Revenues

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

	Business Unit	7T	GMC Factor	0.32%	[A]	[B]
	Power and Water Expenses				Property Tax Expense	Property Tax Expense For Conversion Factor
		[1] Present	[2] Proposed			
10	Adjusted Revenues in Year Ended December 2016	[Adj Summary p.2] \$ 29,396	\$ 33,678		(b) + [2] \$ 869,996	\$ 869,996
11	Adjusted Revenues in Year Ended December 2016				869,996	869,996
12	Proposed Revenues				869,996	(b) + [2] 729,037
13	Average of Three Years of Revenue			Avg Lines[10] thru [12]	\$ 869,996	\$ 823,010
14	Average of Three Years of Revenue, times 2			Line[13] * 2	\$ 1,739,992	\$ 1,646,020
15	Add:					
16	Construction Work in Progress at 10%			(a)	\$ 6,383	\$ 6,383
17	Deduct:					
18	Net Book Value of Transportation Equipment			(d)	\$ 44,508	\$ 44,508
19						
20	Full Cash Value			Sum Lines[14-16] - Line[18]	\$ 1,701,868	\$ 1,607,896
21	Assessment Ratio (For 2016 and Beyond per HB 2001 Sec 42-15001)				18.0%	18.0%
22	Assessed Value			Line[20]*Line[21]	\$ 306,336	\$ 289,421
23	Property Tax Rate			(c)	14.51%	14.51%
24						
25	Property Tax			Line[22]*Line[23]	\$ 44,436	\$ 41,982
26	Additional Tax				\$ -	
27						
28	Adjusted Test Year Property Taxes at Present Rates			Line[25]+Line[26]	\$ 44,436	
29	Adjusted Test Year Property Taxes			(b)	26,970	
30	Adjustment to Revenue and/or Expense (To Sch C-2)			Line[28] - Line[29]	\$ 17,466	
31						
32	Adjusted Test Year Property Taxes at Proposed Rates					Line [25] \$ 41,982
33	Adjusted Test Year Property Taxes at Present Rates					Line[24] Col [A] 44,436
34	Additional Property Taxes on Proposed Revenues(To Sch C-2)					Line[32] - Line[33] \$ (2,454)

CALCULATION OF PROPERTY TAX FACTOR TO COMPUTE GROSS REVENUE CONVERSION FACTOR (SCH C-3):

38	Increase in Property Tax Due to Increase in Revenue Requirement (Line 34, Col [B])	\$ (2,454)
39		
40	Increase in Revenue Requirement (From Sch C-2)	\$ (140,959)
41		
42	Increase in Property Tax Per Dollar Increase in Revenue (Line 38/Line 40)	1.74%

Workpapers & Supporting Documents:

- 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 Tubac 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		\$ 235,617	\$ 97,929
5	Interest Expense		11,309	11,309
6	Arizona Taxable Income		Line[4] - Line[5] <u>\$ 224,308</u>	<u>\$ 86,620</u>
7				
8	Arizona Income Tax	4.900%	Line[9]* 4.900% <u>\$ 10,991</u>	<u>\$ 4,244</u>
9				
10				
11	Federal Income Before Taxes		Line[6] \$ 224,308	\$ 86,620
12	Less Arizona Income Taxes		Line[8] <u>10,991</u>	<u>4,244</u>
13				
14	Federal Taxable Income		Line[11] - Line[12] <u>\$ 213,317</u>	<u>\$ 82,376</u>
15				
16				
17				
18	FEDERAL INCOME TAXES:			
19				
20	Federal Income Taxes	35.000%	Line[14]*35.000% <u>\$ 74,661</u>	<u>\$ 28,832</u>
21				
22				
23				
24	Total Income Tax		Line[12]+Line[20] <u>\$ 85,652</u>	<u>\$ 33,076</u>
25				
26	Tax Rate		Line[24] / Line[6] <u>38.18%</u>	<u>38.19%</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] 33.29%	33.29%
33				
34				
35	Adjusted Test Year Income Taxes		(a) \$ 76,639	
36	Increase in Income Taxes,		Line[24] - Line[35] <u>\$ 9,013</u>	
37				
38	Adjustment to Revenues and/or Expense		Line[36] <u>\$ 9,013</u>	
39				
40	Test Year Income Taxes			Col A Line[24] \$ 85,652
41	Increase in Income Taxes			Line[24] - Line[40] (52,576)
42				
43	Adjustment to Revenue and/or Expense			Line[41] <u>\$ (52,576)</u>
44				
45				
46				
47	<u>Workpapers & Supporting Documents:</u>			
48	(a) Sch C-2			
49				
50	\2016 Tubac 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) \$	1,142,316
7	Weighted Cost of Debt from Schedule D-1	(b)	0.99%
8	Synchronized Interest Expense	Line[6]*Line[7] \$	11,309
9			
10	Test Year Interest Expense	\$	59,137 (c)
11			
12	Adjusted Test Year Interest Expense	Line[10] \$	59,137
13			
14	Increase/(Decrease) in Interest Expense	Line[8] - Line[12] \$	(47,829)
15			
16	Adjustment to Revenue and/or Expense	Line[14] \$	(47,829)
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46	<u>Workpapers & Supporting Documents:</u>		
47	(a) Sch B-1		
48	(b) Sch D-1		
49	(c) Sch C-2		
50	\2016 Tubac Water.xlsm		

Line No.	G/L Account Business Unit	5610	7T
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 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 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 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 test year expense for each district.		
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10	Allocated Bad Debt in Account 5610	(a)	\$ 951
11			
12	<u>Actual Bad Debt Write-Offs (b)</u>		
13	Jan-16	\$	193
14	Feb-16		-
15	Mar-16		-
16	Apr-16		(108)
17	May-16		-
18	Jun-16		9
19	Jul-16		2,350
20	Aug-16		137
21	Sep-16		107
22	Oct-16		-
23	Nov-16		-
24	Dec-16		-
25	Total Bad Debt	Sum Lines [13 - 24]	\$ 2,688
26			
27	Increase/(Decrease) in Bad Debt Expense	Line[25] - Line[10]	\$ 1,737
28			
29	Adjustment to Revenue and/or Expense	Line[27]	\$ 1,737
30			
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42			
43			
44	<u>Workpapers & Supporting Documents:</u>		
45			
46	(a) Sch E-6		
47	(b) \Bad Debt Writeoffs and Recoveries 2016.xls		
48			
49			
50	\2016 Tubac 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.
 Revenue Adjustments include Removal of HUF credits currently being credited to customers on a monthly basis in accordance with Decision No.73145. The White Tanks HUF Credit commenced in Year 2 of the phase in for that Decision and continued each subsequent year until new rates are approved.
 EPCOR has also removed accrual entries.

	[A]	[B]	[C]	[D]	
	<u>Residential</u>	<u>Commercial</u>	<u>Water User</u>	<u>Other Revenue</u>	<u>Total</u>
13 Test Year Revenues per General Ledger	\$ 465,479	\$ 196,816	\$ -	\$ 37,810 (a)	\$ 700,105
14 Revenue Adjustments	1,603			(b)	1,603
15 Accruals	(3,792)	(1,743)	-	(a)	(5,535)
16 Annualization	100,826	40,806		-	(b)
17 Weather Normalization	(1,308)	(180)		-	(b)
18 Adjusted Revenues	<u>\$ 562,809</u>	<u>\$ 235,699</u>	<u>\$ -</u>	<u>\$ 37,810</u>	<u>\$ 836,318</u>
				Sum Lines [13 - 17]	
20 Test Year Revenues per General Ledger	<u>465,479</u>	<u>196,816</u>	<u>-</u>	<u>37,810</u>	<u>700,105</u>
				(b)	
22 Increase / (Decrease) to Test Year Revenues	<u>\$ 97,330</u>	<u>\$ 38,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,213</u>
				Line[18] - Line[20]	

26 Increase / (Decrease) in Operating Expenses:

	[F]	[G]	[H]	[I]	
	<u>Purchased Water</u>	<u>Fuel & Power</u>	<u>Chemicals</u>	<u>Other Customer Accounting</u>	<u>Total</u>
29 Test Year Adjusted Expense from Sch C-2	\$ 99	\$ 29,492	\$ 25,794	\$ 21,630	
30 Average Customers (from Sch E7) times 12 bills	7,344	7,344	7,344	7,344	
31 Cost per Customer	\$ 0.014	\$ 4.016	\$ 3.512	\$ 2.945	Line[29] / Line[30]
33 Customer Growth Tubac Water	(24)	(24)	(24)	(24)	(c)
34 Additional Expense	<u>\$ -</u>	<u>\$ (96)</u>			
			<u>\$ (84)</u>		
				<u>\$ (71)</u>	<u>\$ (251)</u>
					Sum Col [F-I]

45 Workpapers & Supporting Documents:

- 46 (a) Sch E-6
- 47 (b) Tubac Water H Schedule.xlsx
- 48 (c) Customer Count tab
- 49
- 50 \2016 Tubac Water.xlsm

4 - Factor

Business Unit	7T	0.5903%
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Line

No.

1 Removal of General Disallowable Items

2

3

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.

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	[A]	[B]	[C]	[D] = [A] + [B] + [C]		
	5670	5671	5672		Total	
	Advertising	Promotion	Donation			
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]
Tubac Water 4-Factor	0.5903%	0.5903%	0.5903%			
7A Disallowed Expenses allocated to District	\$ 85	\$ 1,632	\$ 142		\$ 1,859	Line[17] * Line[19] \$ 1,859
Total District Expenses (a)	\$ -	\$ 37	\$ -		\$ 37	
District Allowed Expenses (b)	0	0	0		0	
District Disallowed Expenses	\$ -	\$ 37	\$ -		\$ 37	Line[24] - Line[25] \$ 37
General Disallowed Items for District						Line[21] + Line[26] \$ 1,895
Adjustment to Revenue and/or Expense						Line[33] \$ (1,895)

Workpapers & Supporting Documents:

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

Line No.	Business Unit	7T			
1	<u>Annualize Labor & 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				
3	to labor costs of 3%. This adjustment also annualizes the various employee benefit-related items including group insurance, 401(k), and pension expense. Group Insurance				
4	includes premiums for life insurance, medical insurance, dental insurance, long-term disability insurance and short-term disability. Also included is the annualization of the				
5	Company's contribution to its employees' 401(k) retirement savings program.				
6					
7	Labor Expense as calculated per the Payroll Model(a)				
8		Direct Labor	\$ 111,710		
9		Performance Based Compensation	\$ 11,519	\$ 123,229	Line[8]+Line[9]
10					
11	Fully Allocated Labor Expense per General Ledger (b)				
12		Increase/(Decrease) in Labor Expense		\$ 114,880	Line[9] - Line[11] \$ 8,349
13					
14					
15					
16					
17					
18	Group Insurance and Other Benefits as calculated per the Payroll Model(a)				
19		401K	\$ 12,718		
20		Insurance	\$ 35,072		
21		Pension	\$ 13,026	\$ 60,815	Line[19]+Line[20]+Line[21]
22					
23	Fully Allocated Labor Expense per General Ledger (b)				
24		Increase/(Decrease) in Group Insurance Expense		\$ 50,149	Line[21]-Line[23] \$ 10,667
25					
26					
27					
28					
29					
30	Payroll Taxes as calculated per the Payroll Model(a)				
31		Taxes	\$ 9,979	\$ 9,979	Line[31]
32					
33	Fully Allocated Labor Expense per General Ledger (b)				
34		Increase/(Decrease) in General Taxes - Other		\$ 12,226	Line[31] - Line[33] \$ (2,247)
35					
36					
37	Increase/(Decrease) in Labor Related Expense				
38					Sum Lines[12] thru [34] \$ 16,769
39					
40	Adjustment to Revenue and/or Expense				
41					Line [37] \$ 16,769
42					
43		Total	\$ 194,023		Line [8]+[9]+[19]+[20]+[21]+[31]
44		Check	\$ 194,023		\Payroll, Benefits & Taxes_ TY 2016.xlsx
45		Diff	\$ -		Line[43] - Line[44]
46	<u>Workpapers & Supporting Documents:</u>				
47	(a) \Payroll, Benefits & Taxes_ TY 2016.xlsx				
48	(b) Sch E-6				
49					
50	\2016 Tubac Water.xlsm				

Line
 No.

1 Purchased Power Adjustment and Surcharge Business Unit 7T

3 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]
		Corporate (a)	Direct (b)	Other Allocation (c)	Total
	<u>GL Account</u> <u>Account Description</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>
12	5617 Power Charges	\$ 250	\$ 28,642		\$ 28,892
13	5616 Natural Gas Charges	\$ -	\$ 600		\$ 600
14	Annualization				\$ (96)
15	Increase / (Decrease) to Purchase Power Expense				<u>\$ (29,396)</u>

Sum Lines [12 - 14]

45 Workpapers & Supporting Documents:

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

50 \2016 Tubac Water.xlsm

Line
 No.

1 Removal of 10% of Performance Based Compensation

4-Factor	
Tubac Water	0.5903%
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] Performance Based <u>Compensation Expense</u>	[B] Allocation Factor	[C] = [A] * [B] Performance Based <u>Compensation Expense for District</u>	[D] = [C] * -10.0% <u>Minus 10%</u>
Direct Performance Based Compensation Expense	\$ 2,747	100.0000%	\$ 2,747	\$ (275)
7A Arizona Performance Based Comp Exp	\$ 1,177,956	0.5903%	6,953	(695)
6U EPCOR Water USA Performance Based Comp Exp	\$ 351,374	0.5177%	1,819	(182)
Total Performance Based Compensation Expense			\$ 11,519	Sum Lines[24] thru [27] Col [C]
			Check \$ 11,519	Adj IS-8
			Diff \$ -	
Minus 10%			Sum Lines[24] thru [27] Col [D]	(1,152)
Total Increase / (Decrease) to Labor				Line [34] \$ (1,152)
Adjustment to Revenue and/or Expense				Line [37] \$ <u>(1,152)</u>

Workpapers & Supporting Documents:
 Payroll, Benefits & Taxes_TY 2016.xlsx
 4-Factor
 \2016 Tubac Water.xlsm

Line No. Business Unit 7T

1 Postage Expense

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) \$ 2,811
23 Total Increase / (Decrease) to Postage Expense	Col [C] Line[18]*Line[21] \$ 40
25 Adjustment to Revenue and/or Expense	Line [23] <u>\$ 40</u>

44 Workpapers & Supporting Documents:

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

Line

No.
 1 Customer Care and Billing Services

Business Unit 7T

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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 will be updated in the Company's rebuttal filing as this data is not yet available, but will be known and 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]

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C.U.S. Charges per Schedule E-6, account 5611	\$	13,553	(a)
CPI Adjustment 2017	\$	221	Line[18]*1.63%
Adjusted 2017 Expense	\$	13,774	Sum Line[18+20]
CPI Adjustment 2018	\$	225	Line[21]*1.63%
Adjusted 2018 Expense	\$	13,999	Sum Line[21+23]

Total Increase/ (Decrease) to C.U.S Charges	Line[20]+Line[23]	\$	446
Adjustment to Revenue and/or Expense	Line[39]	\$	<u>446</u>

44 Workpapers & Supporting Documents:
 45
 46 (a) Sche6 Line19
 47 Phoenix All Consumers CPI 3.22.17.xlsx
 48
 49 \2016 Tubac Water.xlsm
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Line No. Business Unit 7T

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
 4 cases 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
 5 case via a water 4-Factor allocation methodology. As the case progresses this estimate will be updated accordingly.
 6

7				
8				
9	Rate Case Expense	Tubac Water	\$	6,118 (a)
10				
11				
12	Estimated Amortization Period in Years			3
13				
14				
15				
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17				
18				
19				
20	Increase / (Decrease) to Regulatory Expense		Line [9] / Line [12] \$	2,039
21				
22	Adjustment to Revenue and/or Expense		Line [20] \$	2,039
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44	<u>Workpapers & Supporting Documents:</u>			
45	(a) \Rate Case Expense 2016 TY.xlsx			
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50	\2016 Tubac Water.xlsm			

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45 Workpapers & Supporting Documents:

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44 Workpapers & Schedules

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Line

No.

Business Unit	7T
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1 Annualize Depreciation Expense on Direct Plant

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 3 Adjustment to annualize depreciation expense based on plant balances at the end of 2016.
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Depreciation Expense on Direct Plant (a) \$ 260,172

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14

Depreciation Expense per General Ledger (b) \$ 215,502

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16

Increase / (Decrease) to Depreciation Expense Line[12] - Line[14] \$ 44,670

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Adjustment to Revenue and/or Expense Line[16] \$ 44,670

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Workpapers & Supporting Documents:

45

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

46

(b) Sch E-6a Line 24

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\2016 Tubac Water.xlsm

LINE NO.	G/L ACCT.	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 Plan	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	567	-	-	-	-	-	-	-	-	567	-	-	-	-	-
2	302000	0.00%	Franchises	2,030	-	-	-	-	-	-	-	-	2,030	-	-	-	-	-
3	303200	0.00%	Land & Land Rights Supply	61,190	-	-	-	-	-	-	-	-	61,190	-	-	-	-	-
4	303300	0.00%	Land & Land Rights Pumping	50	-	-	-	-	-	-	-	-	50	-	-	-	-	-
5	303400	0.00%	Land & Land Rights Treatment	50	-	-	-	-	-	-	-	-	50	-	-	-	-	-
6	303500	0.00%	Land & Land Rights T&D	422	-	-	-	-	-	-	-	-	422	-	-	-	-	-
7	303600	0.00%	Land & Land Rights General	2,755	-	-	-	-	-	-	-	-	2,755	-	-	-	-	-
8	304100	3.33%	Structures & Improvements Supply	27,666	12,503	-	-	-	-	-	-	-	15,163	922	-	-	-	-
9	304200	3.33%	Structures & Improvements Pumping	22,918	10,354	-	-	-	-	-	-	-	12,563	764	-	-	-	-
10	304300	3.33%	Structures & Improvements Treatment	302	44	-	-	-	-	-	-	-	258	10	-	-	-	-
11	304400	3.33%	Structures & Improvements Trans & Dist	156	121	-	-	-	-	-	-	-	35	5	-	-	-	-
12	304500	3.33%	Structures & Improvements General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	304600	3.33%	Structures & Improvements Offices	40,020	1,239	-	-	-	-	-	-	-	38,782	1,334	-	-	-	-
14	304620	3.33%	Structures & Improvements Leasehold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	304700	3.33%	Structures & Improvements Store, Shop, Gge	40,218	(331)	-	-	-	-	-	-	-	40,549	1,341	-	-	-	-
16	304800	3.33%	Structures & Improvements Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	305000	2.50%	Collect & Impounding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	306000	2.50%	Lake, River & Other Intakes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	307000	3.33%	Wells & Springs	243,333	173,043	-	-	31,500	525	-	-	-	101,264	8,111	-	1,050	-	-
20	308000	6.67%	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	309000	2.00%	Supply Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	310000	5.00%	Power Production Equipment	61,068	8,067	-	-	-	-	-	-	-	53,001	3,053	-	-	-	-
23	310100	5.00%	Power Production Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	311000	8.33%	Pumping Equipment Steam	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	311200	8.33%	Pumping Equipment Electric	285,454	248,612	-	-	-	-	-	-	-	36,842	23,788	-	-	-	-
26	311300	8.33%	Pumping Equipment Diesel	879	696	-	-	-	-	-	-	-	182	73	-	-	-	-
27	311400	8.33%	Pumping Equipment Hydraulic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	311500	8.33%	Pumping Equipment Other	405,865	188,223	-	-	-	-	-	-	-	217,642	33,822	-	-	-	-
29	311530	8.33%	Pumping Equipment Water Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	320100	5.00%	Water Treatment Equipment Non-Media	1,699,024	722,143	-	-	-	-	-	-	-	976,881	84,951	-	-	-	-
31	320200	10.00%	Water Treatment Equipment Filter Media	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	330000	2.22%	Distribution Reservoirs & Standpipes	212,655	70,042	-	-	-	-	-	-	-	142,612	4,726	-	-	-	-
33	330100	2.22%	Elevated Tank & Standpipes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	330200	2.00%	Ground Level Tanks	-	-	-	-	25,000	250	-	-	-	24,750	-	-	500	-	-
35	330300	2.00%	Below Ground Tanks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	330400	2.00%	Cleanwell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	331001	2.00%	TD Mains Not Classified by Size	329,836	75,857	45,165	452	156,901	1,569	-	-	-	409,311	6,597	903	3,138	-	-
38	331100	2.00%	TD Mains 4in & Less	908,028	466,208	-	-	-	-	-	-	-	441,820	18,161	-	-	-	-
39	331200	2.00%	TD Mains 6in to 8in	963,772	157,461	-	-	-	-	-	-	-	806,311	19,275	-	-	-	-
40	331300	2.00%	TD Mains 10in to 16in	49,424	10,899	-	-	-	-	-	-	-	38,525	988	-	-	-	-
41	331400	2.00%	TD Mains 18in & Grtr	-	17	-	-	-	-	-	-	-	(17)	-	-	-	-	-
42	332000	2.00%	Fire Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	333000	3.33%	Services	684,322	225,237	10,483	175	16,000	267	-	-	-	474,818	22,811	349	533	-	-
44	334100	8.33%	Meters	214,015	95,718	1,007	42	3,600	150	-	-	-	121,747	17,835	84	300	-	-
45	334200	3.33%	Meter Installations	22,040	5,080	-	-	-	-	-	-	-	16,959	735	-	-	-	-
46	334300	3.33%	Meter Vaults	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	335000	2.00%	Hydrants	141,776	28,306	202	2	5,000	50	-	-	-	118,420	2,836	4	100	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	340100	6.67%	Office Furniture & Equipment	41,559	5,868	-	-	-	-	-	-	-	35,691	2,771	-	-	-	-
54	340200	20.00%	Computer & Periphal Equipment	1,336	1,803	-	-	-	-	-	-	-	(467)	267	-	-	-	-
55	340300	20.00%	Computer Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	340500	6.67%	Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	341100	14.29%	Transportation Equip Light Duty Trucks	24,277	32,186	-	-	-	-	-	-	61,709	9,293	44,508	3,468	-	8,816	-
58	341200	14.29%	Transportation Equip Heavy Duty Trucks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	341400	14.29%	Transportation Equipment Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60	342000	4.00%	Stores Equipment	-	0	-	-	-	-	-	-	-	(0)	-	-	-	-	-
61	343000	5.00%	Tools, Shop, Garage Equipment	25,398	8,349	5,481	137	3,500	88	-	-	-	20,461	1,270	274	175	-	-
62	344000	10.00%	Laboratory Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
63	345000	5.00%	Power Operated Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
64	346100	10.00%	Communication Equipment Non-Telephone	1,932	2,038	-	-	30,700	1,535	-	-	-	29,058	193	-	3,070	-	-
65	346190	10.00%	Remote Control & Instrument	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
66	346200	10.00%	Communication Equipment Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67	346300	10.00%	Communication Equipment Other	659	666	-	-	-	-	-	-	-	(7)	66	-	-	-	-
68	347000	10.00%	Miscellaneous Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
69	348000	10.00%	Other Tangible Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70																		
71																		
72		378.30%	TOTAL	6,514,993	2,550,449	62,337	807	272,201	4,433	-	61,709	9,293	4,284,728	260,172	1,615	8,866	8,816	-

Depreciable Plant
Composite Depr Rate

6,447,929 Line [72] - Lines [1]-[7]
4.03%

Line

1	<u>Annualize Depreciation Expense on Corporate Plant</u>			
2				
3	Adjustment to annualize depreciation expense based on plant balances at the end of 2016 on Arizona Corporate Plant			
4				
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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]	\$ 2,684
12				
13				
14				
15	Allocated Depreciation Expense on Corporate Plant per General Ledger		(b)	\$ <u>9,284</u>
16				
17				
18	Increase/ (Decrease) to Depreciation Expense		Line[11] - Line[15]	\$ (6,600)
19				
20	Adjustment to Revenue and/or Expense		Line[18]	\$ <u>(6,600)</u>
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44	<u>Workpapers & 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 Tubac 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 PTYP	Removal PTYP	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		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.

GMC 4 Factor	0.3225%
Arizona Total	91.0728%
Alloc Factor	0.294%

GMC * AZ Total

1 Annualize Depreciation Expense on 6U

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)

9	Depreciation Expense on 6U Plant	\$	834,005 (a)	
11	Allocated Depreciation Expense on 6U Plant			Allocation Factor*Line [9] \$ 2,450
15	Allocated Depreciation Expense on 6U Plant per General Ledger			-
18	Increase / (Decrease) to Depreciation Expense			Line[11] - Line[15] \$ 2,450
20	Adjustment to Revenue and/or Expense			Line[18] \$ 2,450

44 Workpapers & Supporting Documents:
 45 (a) \Summary of Plant Balances and Accum Depr by NARUC.xlsx
 46
 47
 48
 49 \2016 Tubac Water.xlsm
 50

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 & 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:
 \Post Test Year Plant 2016.xlsx
 \UPIS 6U Corporate Arizona 12.31.15.xlsm

Depreciable Plant 4,170,026 Line [16]
 Composite Depr Rate 20.00%

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

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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 - Tubac Water	\$ 8,866	100.0000%	\$ 8,866
15 Depreciation on Additional Test Year Plant Additions for District - Test Year Ended December 31, 2016	1,615	100.0000%	1,615
16 Depreciation on Corporate Post Test Year Plant Additions Allocated	26,571	0.3225%	86
17 Depreciation on Additional Corporate Test Year Plant Additions Allocated	17,375	0.3225%	56
18 Depreciation on 6U Post Test Year Plant Additions Allocated	330,000	0.2937%	969
19 Depreciation on Additional 6U Test Year Plant Additions Allocated	174,541	0.2937%	513
23 Increase / (Decrease) to Depreciation Expense	<u>\$ 558,969</u> <small>Sum Lines[14] thru [19]</small>		<u>\$ 12,105</u> <small>Sum Lines[14] thru [19]</small>

Increase / (Decrease) to Depreciation Expense

\$ 12,105

Adjustment to Revenue and/or Expense

\$ 12,105

Workpapers & Supporting Documents:

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

\2016 Tubac Water.xlsm

LINE NO.	G/L ACCT.	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 Plan	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	567	-	-	-	-	-	-	-	-	567	-	-	-	-	-
2	302000	0.00%	Franchises	2,030	-	-	-	-	-	-	-	-	2,030	-	-	-	-	-
3	303200	0.00%	Land & Land Rights Supply	61,190	-	-	-	-	-	-	-	-	61,190	-	-	-	-	-
4	303300	0.00%	Land & Land Rights Pumping	50	-	-	-	-	-	-	-	-	50	-	-	-	-	-
5	303400	0.00%	Land & Land Rights Treatment	50	-	-	-	-	-	-	-	-	50	-	-	-	-	-
6	303500	0.00%	Land & Land Rights T&D	422	-	-	-	-	-	-	-	-	422	-	-	-	-	-
7	303600	0.00%	Land & Land Rights General	2,755	-	-	-	-	-	-	-	-	2,755	-	-	-	-	-
8	304100	3.33%	Structures & Improvements Supply	27,666	12,503	-	-	-	-	-	-	-	15,163	922	-	-	-	-
9	304200	3.33%	Structures & Improvements Pumping	22,918	10,354	-	-	-	-	-	-	-	12,563	764	-	-	-	-
10	304300	3.33%	Structures & Improvements Treatment	302	44	-	-	-	-	-	-	-	258	10	-	-	-	-
11	304400	3.33%	Structures & Improvements Trans & Dist	156	121	-	-	-	-	-	-	-	35	5	-	-	-	-
12	304500	3.33%	Structures & Improvements General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	304600	3.33%	Structures & Improvements Offices	40,020	1,239	-	-	-	-	-	-	-	38,782	1,334	-	-	-	-
14	304620	3.33%	Structures & Improvements Leasehold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	304700	3.33%	Structures & Improvements Store,Shop,Gge	40,218	(331)	-	-	-	-	-	-	-	40,549	1,341	-	-	-	-
16	304800	3.33%	Structures & Improvements Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	305000	2.50%	Collect & Impounding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	306000	2.50%	Lake, River & Other Intakes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	307000	3.33%	Wells & Springs	243,333	173,043	-	-	31,500	525	-	-	-	101,264	8,111	-	1,050	-	-
20	308000	6.67%	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	309000	2.00%	Supply Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	310000	5.00%	Power Production Equipment	61,068	8,067	-	-	-	-	-	-	-	53,001	3,053	-	-	-	-
23	310100	5.00%	Power Production Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	311000	8.33%	Pumping Equipment Steam	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	311200	8.33%	Pumping Equipment Electric	285,454	248,612	-	-	-	-	-	-	-	36,842	23,788	-	-	-	-
26	311300	8.33%	Pumping Equipment Diesel	879	696	-	-	-	-	-	-	-	182	73	-	-	-	-
27	311400	8.33%	Pumping Equipment Hydraulic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	311500	8.33%	Pumping Equipment Other	405,865	188,223	-	-	-	-	-	-	-	217,642	33,822	-	-	-	-
29	311530	8.33%	Pumping Equipment Water Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	320100	5.00%	Water Treatment Equipment Non-Media	1,699,024	722,143	-	-	-	-	-	-	-	976,881	84,951	-	-	-	-
31	320200	10.00%	Water Treatment Equipment Filter Media	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	330000	2.22%	Distribution Reservoirs & Standpipes	212,655	70,042	-	-	-	-	-	-	-	142,612	4,726	-	-	-	-
33	330100	2.22%	Elevated Tank & Standpipes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	330200	2.00%	Ground Level Tanks	-	-	-	-	25,000	250	-	-	-	24,750	-	-	500	-	-
35	330300	2.00%	Below Ground Tanks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	330400	2.00%	Cleanwell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	331001	2.00%	TD Mains Not Classified by Size	329,836	75,857	45,165	452	156,901	1,569	-	-	-	409,311	6,597	903	3,138	-	-
38	331100	2.00%	TD Mains 4in & Less	908,028	466,208	-	-	-	-	-	-	-	441,820	18,161	-	-	-	-
39	331200	2.00%	TD Mains 6in to 8in	963,772	157,461	-	-	-	-	-	-	-	806,311	19,275	-	-	-	-
40	331300	2.00%	TD Mains 10in to 16in	49,424	10,899	-	-	-	-	-	-	-	38,525	988	-	-	-	-
41	331400	2.00%	TD Mains 18in & Grtr	-	17	-	-	-	-	-	-	-	(17)	-	-	-	-	-
42	332000	2.00%	Fire Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	333000	3.33%	Services	684,322	225,237	10,483	175	16,000	267	-	-	-	474,818	22,811	349	533	-	-
44	334100	8.33%	Meters	214,015	95,718	1,007	42	3,600	150	-	-	-	121,747	17,835	84	300	-	-
45	334200	3.33%	Meter Installations	22,040	5,080	-	-	-	-	-	-	-	16,959	735	-	-	-	-
46	334300	3.33%	Meter Vaults	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	335000	2.00%	Hydrants	141,776	28,306	202	2	5,000	50	-	-	-	118,420	2,836	4	100	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	340100	6.67%	Office Furniture & Equipment	41,559	5,868	-	-	-	-	-	-	-	35,691	2,771	-	-	-	-
54	340200	20.00%	Computer & Periphal Equipment	1,336	1,803	-	-	-	-	-	-	-	(467)	267	-	-	-	-
55	340300	20.00%	Computer Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	340500	6.67%	Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	341100	14.29%	Transportation Equip Light Duty Trucks	24,277	32,186	-	-	-	-	-	-	61,709	9,293	44,508	3,468	-	8,816	-
58	341200	14.29%	Transportation Equip Heavy Duty Trucks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	341400	14.29%	Transportation Equipment Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60	342000	4.00%	Stores Equipment	-	0	-	-	-	-	-	-	-	(0)	-	-	-	-	-
61	343000	5.00%	Tools,Shop,Garage Equipment	25,398	8,349	5,481	137	3,500	88	-	-	-	20,461	1,270	274	175	-	-
62	344000	10.00%	Laboratory Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
63	345000	5.00%	Power Operated Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
64	346100	10.00%	Communication Equipment Non-Telephone	1,932	2,038	-	-	30,700	1,535	-	-	-	29,058	193	-	3,070	-	-
65	346190	10.00%	Remote Control & Instrument	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
66	346200	10.00%	Communication Equipment Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67	346300	10.00%	Communication Equipment Other	659	666	-	-	-	-	-	-	-	(7)	66	-	-	-	-
68	347000	10.00%	Miscellaneous Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
69	348000	10.00%	Other Tangible Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70																		
71																		
72		378.30%	TOTAL	6,514,993	2,550,449	62,337	807	272,201	4,433	-	61,709	9,293	4,284,728	260,172	1,615	8,866	8,816	-

Depreciable Plant
Composite Depr Rate

6,447,929 Line [72] - Lines [1]-[7]
4.03%

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 Vector 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.

7

4- Factor	GMC	0.3225%
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9

[A]	[B]	[C] = [A] * [B]
<u>Rate</u>	<u>Plant</u>	<u>Depr Exp</u>

11
 12 Vactor Trucks in 7A Plant Balance (Arizona Corporate)

20.00% \$ (952,226) \$ (190,445)

14
 15 District Allocation

\$ (614) [C] Line [12] * GMC Factor

30
 31 Increase / (Decrease) to Depreciation Expense

\$ (614) Line [15]

44 Workpapers & Supporting Documents:

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

50 \2016 Tubac 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 PTYP	Removal PTYP	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	Plant	Truck	Plant	PTYP	Lease
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.			
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	\$ (2,404,847) (a)	
9			
10	Composite Depreciation Rate	<u>4.0350%</u> (b)	
11			
12			
13			
14	Increase / (Decrease) to Depreciation Expense	Line[8] * Line [10] \$	(97,035)
15			
16	Adjustment to Revenue and/or Expense	Line [14] \$	<u>(97,035)</u>
17			
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45	<u>Workpapers & Supporting Documents:</u>		
46	(a) 2016 CIAC Summary by District		
47	(b) \Summary of Plant Balances and Accum Depr by NARUC.xls>		
48			
49			
50	\2016 Tubac 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				
4	EPCOR Utilities, Inc. ("EUI") including Human Resources, Accounting and Reporting Software, Legal, and Treasury Management Services. This adjustment removes Public and				
5	Governmental 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				
6	2018				
7					
8	Test Year Corporate Allocations			(a) \$	26,853
9					
10	Adjusted Test Year Corporate Allocations			Line [8]	<u>\$ 26,853</u>
11					
12					
13	Total Corporate Allocation	\$ 4,549,356	(b)		
14					
15	Remove Public and Government Affairs - Government Relations and Community	(344,976)	(c)		
16					
17	Remove 10% Performance Based Compensation	(41,895)	(c)		
18		<u>\$ 4,162,486</u>	Line[13]+Line[15]+Line [17]	\$	4,162,486 Line[13]+Line[15]+Line [17]
19					
20					
21	Percent attributable to Labor	88.29%	(c)		
22	Corporate Allocation - Labor	<u>\$ 3,674,998</u>	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%	<u>\$ 113,557</u>	(Sum Lines[22] and [26]) * 3.00%	
28	Total Labor Increase			\$	223,807 Line[26]+Line[27]
29	Total Corporate Allocation less P&GA less 10% PBC with Labor Increase			\$	4,386,293 Line[18]+Line[28]
30					
31	Tubac Water 4 Factor				0.5903%
32	District Allocation of Arizona Corporate Allocations			\$	25,890 Line[29]*Line[31]
33					
34	Pro Forma Adjustment to Corporate Allocations			Line [32]	<u>\$ 25,890</u>
35					
36					
37					
38					
39	Increase / (Decrease) in Corporate Allocation			Line[34]-Line[10]	\$ (963)
40					
41	Adjustment to Revenue and/or Expense			Line [39]	<u>\$ (963)</u>
42					
43					
44					
45	<u>Workpapers & Supporting Documents:</u>				
46	(a) Sch C-2				
47	(b) 2016 Corp Allocation Comparison.xlsx				
48	(c) 2016A Corporate - Regulatory Groupings EUSA.xls				
49					
50	\2016 Tubac Water.xlsm				

Line

No. CPI Increase Business Unit 7T

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

2016 Unadjusted Expenses

Description	Account	Amount (a)	
Chemicals	5263	\$ 25,794	A
Other Utilities	5621	1,462	B
Asset Usage Fee - Corporate	6203	1,837	C
Consulting Engineering	5227	4,981	D
Contractors and Consultants	5250	14,310	D
Administrative Contractors	5679	128	D
Outside Computer Charges (T1)	5628	4,266	D
Temporary Support	5629	1,063	D
Legal Fees	5681	1,562	D
Service Charges	5615	1,903	E
Customer Communications	5674	2,412	E
Rent and Storage	5810	8,677	F
Freight and Courier	5262	1,284	F
Telephone, Long Distance, Data	5620	13,930	F
Stationary, Printing & Other O	5622	1,153	F
Office Machines, Furniture	5623	302	F
Parking	5630	29	F
Vehicle Allowance	5631	153	F
Vehicle Allowance	5271	1	F
Business Allowance	5634	71	F
Memberships Dues & Professiona	5640	641	F
Subscriptions	5641	127	F
Airfare	5650	413	F
Accommodation, Other Travel	5651	1,434	F
Employee Working Meals	5652	1,259	F
Training - Fees/Tuition	5660	1,490	F
Training Fee	5252	1	F
FR Clothing	5273	1,517	G
Miscellaneous	5697	389	G
Stock	5260	-	H
Materials, Supplies	5261	14,208	H
Veh. and Equip.-Allocation	5270	9,703	H
Equipment	5275	179	H
Hardware	5624	10	H
Software	5625	308	H
Maintenance	5811	572	H
Vehicle Maintenance	5823	2,243	H
		\$ 119,814	Sum Lines [9 thru 45]

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] = [B] + [C]
	Total	Year 1	Year 2	Total
Sum of A Chemicals	\$ 25,794	\$ 1,032	\$ 1,073	\$ 2,105
Sum of B Waste Disposal & Other Utilities	1,462	17	17	33
Sum of C Corporate Allocation	1,837	21	21	42
Sum of D Outside Services	26,309	299	302	601
Sum of E Customer Accounting	4,315	49	50	99
Sum of F General Office Exp	30,966	352	356	707
Sum of G Miscellaneous	1,906	22	22	44
Sum of H Maintenance Expense	27,224	309	313	622
Sum Lines[18]thru[25]	\$ 119,814	\$ 2,100	\$ 2,153	\$ 4,252

Increase / (Decrease) to Expense

Line [26] Col [D] \$ 4,252

Workpapers & Supporting Documents:

(a) Sche6 Bureau of Labor Statistics - Phoenix CPI

\2016 Tubac Water.xlsm

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45 Workpapers & Supporting Documents:

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49 \2016 Tubac Water.xlsm

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Line

No. 1 Retirements on Test Year Plant -Depreciation Business Unit 7T

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
 4 retirements. The adjustment will be updated in rebuttal testimony for known retirements.

GMC 4 Factor	0.3225%
Arizona Total	91.0728%
Alloc Factor	0.2944%

Line[7]*Line[8]

	[A]	[B]	[C] = [A] * [B]
	Depreciation on Retirements on Test Year Plant	Allocation Factor	Depreciation Expense
16 Depreciation on Retirements on Test Year Plant for District - Tubac Water	\$ -	100.0000%	\$ -
18 Depreciation on Corporate Retirements on Test Year Plant Allocated	\$ -	Line [7] 0.3225%	\$ -
20 Depreciation on 6U Retirements on Test Year Plant Allocated	\$ -	Line [9] 0.2937%	\$ -
25 Increase / (Decrease) to Depreciation Expense	<u>\$ -</u>	Sum Lines[16] thru [20]	Sum Lines[16] thru [20] <u>\$ -</u>

32 Adjustment to Revenue and/or Expense Line [25] \$ -

45 Workpapers & Supporting Documents:
 46 (a) Summary of Plant Balances and Accum Depr by NARUC.xlsx
 47
 48
 49
 50 \2016 Tubac Water.xlsm

LINE NO.	G/L ACCT.	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	ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 MONTHS PTYP	12 MONTHS PTYP	on Test Year Plan	Test Year End PLANT	Test Year End ACCUM DEPR		Depr Expense	Plant	PTYP	Lease	Retirements
1	301000	0.00%	Organization	567	-	-	-	-	-	-	-	-	567	-	-	-	-	-
2	302000	0.00%	Franchises	2,030	-	-	-	-	-	-	-	-	2,030	-	-	-	-	-
3	303200	0.00%	Land & Land Rights Supply	61,190	-	-	-	-	-	-	-	-	61,190	-	-	-	-	-
4	303300	0.00%	Land & Land Rights Pumping	50	-	-	-	-	-	-	-	-	50	-	-	-	-	-
5	303400	0.00%	Land & Land Rights Treatment	50	-	-	-	-	-	-	-	-	50	-	-	-	-	-
6	303500	0.00%	Land & Land Rights T&D	422	-	-	-	-	-	-	-	-	422	-	-	-	-	-
7	303600	0.00%	Land & Land Rights General	2,755	-	-	-	-	-	-	-	-	2,755	-	-	-	-	-
8	304100	3.33%	Structures & Improvements Supply	27,666	12,503	-	-	-	-	-	-	-	15,163	922	-	-	-	-
9	304200	3.33%	Structures & Improvements Pumping	22,918	10,354	-	-	-	-	-	-	-	12,563	764	-	-	-	-
10	304300	3.33%	Structures & Improvements Treatment	302	44	-	-	-	-	-	-	-	258	10	-	-	-	-
11	304400	3.33%	Structures & Improvements Trans & Dist	156	121	-	-	-	-	-	-	-	35	5	-	-	-	-
12	304500	3.33%	Structures & Improvements General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	304600	3.33%	Structures & Improvements Offices	40,020	1,239	-	-	-	-	-	-	-	38,782	1,334	-	-	-	-
14	304620	3.33%	Structures & Improvements Leasehold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	304700	3.33%	Structures & Improvements Store,Shop,Gge	40,218	(331)	-	-	-	-	-	-	-	40,549	1,341	-	-	-	-
16	304800	3.33%	Structures & Improvements Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	305000	2.50%	Collect & Impounding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	306000	2.50%	Lake, River & Other Intakes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	307000	3.33%	Wells & Springs	243,333	173,043	-	-	31,500	525	-	-	-	101,264	8,111	-	1,050	-	-
20	308000	6.67%	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	309000	2.00%	Supply Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	310000	5.00%	Power Production Equipment	61,068	8,067	-	-	-	-	-	-	-	53,001	3,053	-	-	-	-
23	310100	5.00%	Power Production Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	311000	8.33%	Pumping Equipment Steam	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	311200	8.33%	Pumping Equipment Electric	285,454	248,612	-	-	-	-	-	-	-	36,842	23,788	-	-	-	-
26	311300	8.33%	Pumping Equipment Diesel	879	696	-	-	-	-	-	-	-	182	73	-	-	-	-
27	311400	8.33%	Pumping Equipment Hydraulic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	311500	8.33%	Pumping Equipment Other	405,865	188,223	-	-	-	-	-	-	-	217,642	33,822	-	-	-	-
29	311530	8.33%	Pumping Equipment Water Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	320100	5.00%	Water Treatment Equipment Non-Media	1,699,024	722,143	-	-	-	-	-	-	-	976,881	84,951	-	-	-	-
31	320200	10.00%	Water Treatment Equipment Filter Media	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	330000	2.22%	Distribution Reservoirs & Standpipes	212,655	70,042	-	-	-	-	-	-	-	142,612	4,726	-	-	-	-
33	330100	2.22%	Elevated Tank & Standpipes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	330200	2.00%	Ground Level Tanks	-	-	-	-	25,000	250	-	-	-	24,750	-	-	500	-	-
35	330300	2.00%	Below Ground Tanks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	330400	2.00%	Cleanwell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	331001	2.00%	TD Mains Not Classified by Size	329,836	75,857	45,165	452	156,901	1,569	-	-	-	409,311	6,597	903	3,138	-	-
38	331100	2.00%	TD Mains 4in & Less	908,028	466,208	-	-	-	-	-	-	-	441,820	18,161	-	-	-	-
39	331200	2.00%	TD Mains 6in to 8in	963,772	157,461	-	-	-	-	-	-	-	806,311	19,275	-	-	-	-
40	331300	2.00%	TD Mains 10in to 16in	49,424	10,899	-	-	-	-	-	-	-	38,525	988	-	-	-	-
41	331400	2.00%	TD Mains 18in & Grtr	-	17	-	-	-	-	-	-	-	(17)	-	-	-	-	-
42	332000	2.00%	Fire Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	333000	3.33%	Services	684,322	225,237	10,483	175	16,000	267	-	-	-	474,818	22,811	349	533	-	-
44	334100	8.33%	Meters	214,015	95,718	1,007	42	3,600	150	-	-	-	121,747	17,835	84	300	-	-
45	334200	3.33%	Meter Installations	22,040	5,080	-	-	-	-	-	-	-	16,959	735	-	-	-	-
46	334300	3.33%	Meter Vaults	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	335000	2.00%	Hydrants	141,776	28,306	202	2	5,000	50	-	-	-	118,420	2,836	4	100	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	340100	6.67%	Office Furniture & Equipment	41,559	5,868	-	-	-	-	-	-	-	35,691	2,771	-	-	-	-
54	340200	20.00%	Computer & Periphial Equipment	1,336	1,803	-	-	-	-	-	-	-	(467)	267	-	-	-	-
55	340300	20.00%	Computer Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	340500	6.67%	Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	341100	14.29%	Transportation Equip Light Duty Trucks	24,277	32,186	-	-	-	-	-	-	61,709	9,293	44,508	3,468	-	8,816	-
58	341200	14.29%	Transportation Equip Heavy Duty Trucks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	341400	14.29%	Transportation Equipment Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60	342000	4.00%	Stores Equipment	-	0	-	-	-	-	-	-	-	(0)	-	-	-	-	-
61	343000	5.00%	Tools,Shop,Garage Equipment	25,398	8,349	5,481	137	3,500	88	-	-	-	20,461	1,270	274	175	-	-
62	344000	10.00%	Laboratory Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
63	345000	5.00%	Power Operated Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
64	346100	10.00%	Communication Equipment Non-Telephone	1,932	2,038	-	-	30,700	1,535	-	-	-	29,058	193	-	3,070	-	-
65	346190	10.00%	Remote Control & Instrument	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
66	346200	10.00%	Communication Equipment Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67	346300	10.00%	Communication Equipment Other	659	666	-	-	-	-	-	-	-	(7)	66	-	-	-	-
68	347000	10.00%	Miscellaneous Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
69	348000	10.00%	Other Tangible Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70																		
71																		
72		378.30%	TOTAL	6,514,993	2,550,449	62,337	807	272,201	4,433	-	61,709	9,293	4,284,728	260,172	1,615	8,866	8,816	-

Depreciable Plant
Composite Depr Rate

6,447,929 Line [72] - Lines [1]-[7]
4.03%

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45 Workpapers & Supporting Documents:

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Line

No.

1 Insurance Other Than Group Business Unit 7T

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
 4 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
 5 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
 6 a conforming adjustment for employee count, test year and proposed revenues, and property.

7

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11 Direct Plant TY Adjusted Results [1] [2] [1] * [2] = [3]
 Arizona Total Tubac Water AZ-Factor

12 Gross Property Value at 12/31/2016 \$ 6,949,061 Sch B-2 Line [2] 4-Factor 87.7062% 0.5903% 0.5177%

13 % of Plant Insured 47.75% \Insurance\1. Property & Terrorism [23]

14 Gross Plant Insured \$ 3,317,969 Line [12] * Line [13]

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Test Year Adjusted

Results

\$ 836,318 Sch C-2 [AP][14]

Adjusted with Rate

Increase

\$ 695,359 Sch C-2 [AR][14]

Adjusted with Rate

Increase

	[A]	[B]	[C] = [A] * [B]	[D]	[E] = [D] * [B]
Factor	Amount	Rate	Premium	Amount	Premium
1. Property Insurance	Plant [25] \$ 3,317,969	0.0526%	\Insurance\ Summary [1] \$ 1,745	\$ 3,317,969	\$ 1,745
2. Excess Liability	Revenue Line [25] 836,318	0.2588%	\Insurance\ Summary [2] 2,165	695,359	1,800
3. Umbrella Liability	AZ 4- Factor [10] 95,767	0.5177%	\Insurance\ Summary [3] 496	95,767	496
4. Autos	AZ 4- Factor [10] 278,350	0.5177%	\Insurance\ Summary [4] 1,441	278,350	1,441
5. Workers Compensation	Payroll Col [49] 13,026	1.6543%	\Insurance\ Summary [5] 215	13,026	215
6. Pollution	Fixed Site 3,554	1.00	\Insurance\ Summary [6] 3,554	3,554	3,554
7. D&O	AZ 4- Factor [10] 13,367	0.5177%	\Insurance\ Summary [7] 69	13,367	69
8. Fiduciary	AZ 4- Factor [10] 1,483	0.5177%	\Insurance\ Summary [8] 8	1,483	8
9. Crime	Employee Count 2 \$ 7.76		\Insurance\ Summary [9] 16	2	16
10. Employed Lawyers	AZ 4- Factor [10] 1,196	0.5177%	\Insurance\ Summary [10] 6	1,196	6
11. Non Owned Pollution	AZ 4- Factor [10] 19,339	0.5177%	\Insurance\ Summary [11] 100	19,339	100
12. Employment Practices	Employee Count 2 \$ 5.30		\Insurance\ Summary [12] 11	2	11
13. Utilities Bond	Site Bond Requirement 22,331	0.0000%	\Insurance\ Summary [13] -	22,331	-
14. Cyber Insurance	AZ 4- Factor [10] 11,366	0.5177%	\Insurance\ Summary [14] 59	11,366	59
15. Sun City Flood Insurance	Sun City Only 2,356	0.0000%	\Insurance\ Summary [15] -	2,356	-
16. LAPP	AZ 4- Factor [10] 19,383	0.5177%	\Insurance\ Summary [16] 100	19,383	100

Total \$ 9,984 Sum Col [C] Sum Col [E] \$ 9,620

Adjusted Test Year Insurance Other Than Group GL Account 5605 from Sch E-6 \$ 11,813 \$ 9,984

Increase/(Decrease) to Insurance Other Than Group \$ (1,829) Line [39] - Line [41] \$ (364)

Workpapers and Supporting Documents:

- \Sch E6 \4-Factor
- \Sch B2 \Payroll, Benefits, & Taxes 2016.xlsx (aka Payroll)
- \Insurance Other than Group.xlsx (aka Insurance)
- \2016 Tubac Water.xlsm

Line

No.	Capital Lease - Vehicles - Expense Adjustment	4- Factor	General Metered Customers	0.3225%
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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.

15	Depreciation Expense on Capital Leases			(a) \$	8,816
18	Depreciation Expense on Corporate Plant	\$	7,314	(a)	
20	Allocated Depreciation Expense on Corporate Plant			GMC 4 Factor*Line[18]	\$ 24
24	Increase / (Decrease) to Depreciation Expense			Line[15] + Line[20]	\$ 8,839
26	Adjustment to Revenue and/or Expense			Line[24]	\$ <u>8,839</u>
30	Operating Lease Expense (account 5270)	5270 \$	9,703		
33	Increase / (Decrease) to Maintenance Expense			Line [30]	\$ <u>(9,703)</u>

44 Workpapers & Supporting Documents:
 45 (a) Summary of Plant Balances and Accum Depr by NARUC.xlsx
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 48 \2016 Tubac Water.xlsm
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LINE NO.	G/L ACCT.	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	ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 MONTHS PTYP	12 MONTHS PTYP	on Test Year Plan	Test Year End PLANT	Test Year End ACCUM DEPR		Depr Expense	Plant	PTYP	Lease	Retirements
1	301000	0.00%	Organization	567	-	-	-	-	-	-	-	-	567	-	-	-	-	-
2	302000	0.00%	Franchises	2,030	-	-	-	-	-	-	-	-	2,030	-	-	-	-	-
3	303200	0.00%	Land & Land Rights Supply	61,190	-	-	-	-	-	-	-	-	61,190	-	-	-	-	-
4	303300	0.00%	Land & Land Rights Pumping	50	-	-	-	-	-	-	-	-	50	-	-	-	-	-
5	303400	0.00%	Land & Land Rights Treatment	50	-	-	-	-	-	-	-	-	50	-	-	-	-	-
6	303500	0.00%	Land & Land Rights T&D	422	-	-	-	-	-	-	-	-	422	-	-	-	-	-
7	303600	0.00%	Land & Land Rights General	2,755	-	-	-	-	-	-	-	-	2,755	-	-	-	-	-
8	304100	3.33%	Structures & Improvements Supply	27,666	12,503	-	-	-	-	-	-	-	15,163	922	-	-	-	-
9	304200	3.33%	Structures & Improvements Pumping	22,918	10,354	-	-	-	-	-	-	-	12,563	764	-	-	-	-
10	304300	3.33%	Structures & Improvements Treatment	302	44	-	-	-	-	-	-	-	258	10	-	-	-	-
11	304400	3.33%	Structures & Improvements Trans & Dist	156	121	-	-	-	-	-	-	-	35	5	-	-	-	-
12	304500	3.33%	Structures & Improvements General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	304600	3.33%	Structures & Improvements Offices	40,020	1,239	-	-	-	-	-	-	-	38,782	1,334	-	-	-	-
14	304620	3.33%	Structures & Improvements Leasehold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	304700	3.33%	Structures & Improvements Store,Shop,Gge	40,218	(331)	-	-	-	-	-	-	-	40,549	1,341	-	-	-	-
16	304800	3.33%	Structures & Improvements Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	305000	2.50%	Collect & Impounding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	306000	2.50%	Lake, River & Other Intakes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	307000	3.33%	Wells & Springs	243,333	173,043	-	-	31,500	525	-	-	-	101,264	8,111	-	1,050	-	-
20	308000	6.67%	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	309000	2.00%	Supply Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	310000	5.00%	Power Production Equipment	61,068	8,067	-	-	-	-	-	-	-	53,001	3,053	-	-	-	-
23	310100	5.00%	Power Production Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	311000	8.33%	Pumping Equipment Steam	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	311200	8.33%	Pumping Equipment Electric	285,454	248,612	-	-	-	-	-	-	-	36,842	23,788	-	-	-	-
26	311300	8.33%	Pumping Equipment Diesel	879	696	-	-	-	-	-	-	-	182	73	-	-	-	-
27	311400	8.33%	Pumping Equipment Hydraulic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	311500	8.33%	Pumping Equipment Other	405,865	188,223	-	-	-	-	-	-	-	217,642	33,822	-	-	-	-
29	311530	8.33%	Pumping Equipment Water Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	320100	5.00%	Water Treatment Equipment Non-Media	1,699,024	722,143	-	-	-	-	-	-	-	976,881	84,951	-	-	-	-
31	320200	10.00%	Water Treatment Equipment Filter Media	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	330000	2.22%	Distribution Reservoirs & Standpipes	212,655	70,042	-	-	-	-	-	-	-	142,612	4,726	-	-	-	-
33	330100	2.22%	Elevated Tank & Standpipes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	330200	2.00%	Ground Level Tanks	-	-	-	-	25,000	250	-	-	-	24,750	-	-	500	-	-
35	330300	2.00%	Below Ground Tanks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	330400	2.00%	Cleanwell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	331001	2.00%	TD Mains Not Classified by Size	329,836	75,857	45,165	452	156,901	1,569	-	-	-	409,311	6,597	903	3,138	-	-
38	331100	2.00%	TD Mains 4in & Less	908,028	466,208	-	-	-	-	-	-	-	441,820	18,161	-	-	-	-
39	331200	2.00%	TD Mains 6in to 8in	963,772	157,461	-	-	-	-	-	-	-	806,311	19,275	-	-	-	-
40	331300	2.00%	TD Mains 10in to 16in	49,424	10,899	-	-	-	-	-	-	-	38,525	988	-	-	-	-
41	331400	2.00%	TD Mains 18in & Grtr	-	17	-	-	-	-	-	-	-	(17)	-	-	-	-	-
42	332000	2.00%	Fire Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	333000	3.33%	Services	684,322	225,237	10,483	175	16,000	267	-	-	-	474,818	22,811	349	533	-	-
44	334100	8.33%	Meters	214,015	95,718	1,007	42	3,600	150	-	-	-	121,747	17,835	84	300	-	-
45	334200	3.33%	Meter Installations	22,040	5,080	-	-	-	-	-	-	-	16,959	735	-	-	-	-
46	334300	3.33%	Meter Vaults	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	335000	2.00%	Hydrants	141,776	28,306	202	2	5,000	50	-	-	-	118,420	2,836	4	100	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	340100	6.67%	Office Furniture & Equipment	41,559	5,868	-	-	-	-	-	-	-	35,691	2,771	-	-	-	-
54	340200	20.00%	Computer & Periphal Equipment	1,336	1,803	-	-	-	-	-	-	-	(467)	267	-	-	-	-
55	340300	20.00%	Computer Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	340500	6.67%	Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	341100	14.29%	Transportation Equip Light Duty Trucks	24,277	32,186	-	-	-	-	-	-	61,709	9,293	44,508	3,468	-	8,816	-
58	341200	14.29%	Transportation Equip Heavy Duty Trucks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	341400	14.29%	Transportation Equipment Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60	342000	4.00%	Stores Equipment	-	0	-	-	-	-	-	-	-	(0)	-	-	-	-	-
61	343000	5.00%	Tools,Shop,Garage Equipment	25,398	8,349	5,481	137	3,500	88	-	-	-	20,461	1,270	274	175	-	-
62	344000	10.00%	Laboratory Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
63	345000	5.00%	Power Operated Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
64	346100	10.00%	Communication Equipment Non-Telephone	1,932	2,038	-	-	30,700	1,535	-	-	-	29,058	193	-	3,070	-	-
65	346190	10.00%	Remote Control & Instrument	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
66	346200	10.00%	Communication Equipment Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67	346300	10.00%	Communication Equipment Other	659	666	-	-	-	-	-	-	-	(7)	66	-	-	-	-
68	347000	10.00%	Miscellaneous Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
69	348000	10.00%	Other Tangible Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70																		
71																		
72		378.30%	TOTAL	6,514,993	2,550,449	62,337	807	272,201	4,433	-	61,709	9,293	4,284,728	260,172	1,615	8,866	8,816	-

Depreciable Plant
Composite Depr Rate

6,447,929 Line [72] - Lines [1]-[7]
4.03%

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Decision No. 75268 Amortization

Decision Number 75268 dated September 8, 2015, adjustments were recommended and adopted by the Commission to reclassify accumulated depreciation balances that were in a debit position and also to reclassify excess depreciation that caused the net book value of the asset to be less than \$0 (also referred to as credit balances). These balances are amortized at 8% effective September 8, 2015.
 This adjustment records the impact of the reclassifications.

<u>District</u>	<u>NARUC</u>	<u>NARUC Description</u>	<u>[A]</u>	<u>[B]</u>
			<u>Reg Asset</u>	<u>Reg Liability</u>
Tubac Water	320200	Water Treatment Equipment - Media	\$ -	\$ (35,609)
Tubac Water	303500	Land and Land Rights - T&D	117	
Tubac Water	340200	Computers and Software		(3,769)
Tubac Water	341100	Transportation Equip Light Duty Trucks		(42,412)
Tubac Water	342000	Stores Equipment	1,760	
Tubac Water	399000	Reconciliation to PIS Balance		(406)
		Total	\$ 1,877	\$ (82,196) Sum Lines [11-16]
		Annual Amortization	\$ 150	\$ (6,576) Line [28] * 8.0%
Increase / (Decrease) to Depreciation Expense				Sum Col [A] + [B] Line 31 <u>\$ (6,426)</u>

Workpapers & Supporting Documents:

- 47 \Summary of Plant Balances and Accum Depr by NARUC.xlsx
- 48
- 49
- 50 \2016 Tubac Water.xlsm

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1 Purchased Water Adjustment and Surcharge

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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 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.

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[A]

Purchased Water

Test Year Expense

\$ (99) (a)

\$ -

\$ (99) Line [10]+Line [11]

Workpapers & Supporting Documents:

(a) Sch C2

48

49

\2016 Tubac Water.xlsm

Line
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**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.
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	Purchased Water Test Year Expense	
23 Test Year Purchased Water Expense	\$ 99 (a)	
24 Expenses Removed	(99)	
25 SMC-IS6	\$ -	
26 Annualized Purchased Water Expenses	\$ -	Line [24]+Line [25]
27		
28 2017 Percentage increase in CAP costs	0.00% (c)	
29 2017 Purchased Water Expense	\$ -	Line [26]*(1+Line [28])
30		
31 2018 Percentage increase in CAP costs	0.00% (c)	
32 2018 Purchased Water Expense	\$ -	Line [29]*(1+Line [31])
33		
34 Mohave Wtr Conservation District - Impost Fees	\$ -	(c)
35 Impost Fees - Bullhead City	\$ -	(c)
36 Water Admin Fee - MVDD	\$ -	(c)
37 ADWR Groundwater Withdrawal Fee	\$ 726.63	(c)
38		
39		
40 Total Pro Forma Purchased Water Costs	\$ 727	Sum Lines [32 - 38]
41		
42 Total Billed Non-Effluent Gallons (in thousand of gallons)	69,999	(b)
43 Surcharge Per Thousand Gallons	\$ 0.0104	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 Tubac Water.xlsm

Line
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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
 5 period 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]	[F]	[G] = [F] * [E]
	<u>Reg Asset</u>	<u>Begin Date</u>	<u>End Date</u>	<u>Months</u>	<u>Monthly Amortization</u>	<u>Months Elapsed</u>	<u>Accumulated Amortization</u>
14 Y2K	\$ 978,870	7/1/2004	7/1/2036	385	\$ 2,545	150	\$ 381,784
15 Depreciation Study	\$ 75,418	7/1/2004	7/1/2036	385	\$ 196	150	\$ 29,383

	[H]	[I] = [H] * 12	[J]	[K] = [I] * [J]
	<u>Monthly Amortization</u>	<u>Annual Amortization</u>	<u>Citizen's Districts Factor</u>	<u>District Allocation of Amortization</u>
				<u>Reg Asset</u> <u>Reg Liability</u>
23 Y2K	\$ 2,545	\$ 30,543	0.7224%	\$ 221 \$ -
24 Depreciation Study	\$ 196	\$ 2,351	0.7224%	\$ 17 \$ -

Line [23+24] \$ 238 \$ -

Increase/(Decrease) to Deprecation Expense

Line [35] \$ 238 \$ -

46 Workpapers & Supporting Documents:
 47 Regulatory Assets & Liabilities 2016.xls
 48
 49
 50 \2016 Tubac Water.xlsm

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44 Workpapers and Supporting Documents:

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**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	\$ 99 (a)	
24 Expenses Removed	(99)	
25 SMC-IS6	\$ -	
26 Annualized Purchased Water Expenses	\$ -	Line [24]+Line [25]
27		
28 2017 Percentage increase in CAP costs	0.00% (c)	
29 2017 Purchased Water Expense	\$ -	Line [26]*(1+Line [28])
30		
31 2018 Percentage increase in CAP costs	0.00% (c)	
32 2018 Purchased Water Expense	\$ -	Line [29]*(1+Line [31])
33		
34 Mohave Wtr Conservation District - Impost Fees	\$ -	(c)
35 Impost Fees - Bullhead City	\$ -	(c)
36 Water Admin Fee - MVDD	\$ -	(c)
37 ADWR Groundwater Withdrawal Fee	\$ 726.63	(c)
38		
39		
40 Total Pro Forma Purchased Water Costs	\$ 727	Sum Lines [32 - 38]
41		
42 Total Billed Non-Effluent Gallons (in thousand of gallons)	69,999	(b)
43 Surcharge Per Thousand Gallons	\$ 0.0104	Line [40] / Line [42]

46 Workpapers & Supporting Documents:

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

Line	[A]	[B]	Percentage of Incremental <u>Gross Revenues</u> [C]
<u>No.</u> <u>Description</u>			
1	Federal Income Taxes		33.29%
2			
3	State Income Taxes		4.90%
4		Combined	38.18%
5			
6	Property Taxes	Effective Rate = 1.74%	One Minus Combined 61.82%
7			1.08% [A] x [B]
8	Bad Debt Expense	Effective Rate = 0.32%	One Minus Combined 61.82%
9			0.20% [A] x [B]
10	Insurance Other Than Group	Effective Rate = 0.26%	One Minus Combined 61.82%
11			0.16% [A] x [B]
12			
13	Total Tax Percentage		39.62% Sum Line [1-10]
14			
15	Operating Income % = 100% - Tax Percentage		60.38% 1 - [C] Line [13]
16			
17			
18			
19		1 = Gross Revenue Conversion Factor	
20			
21			
22	Operating Income %		1.66 1 / [C] Line [15]
23			
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43	Supporting Schedules:	Recap Schedules:	
44	C-2	A-1	
45			
46	Workpapers & Supporting Documents		
47			
48			
49			
50	\2016 Tubac Water.xlsm		