

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	\$ 921,500	\$ -	\$ 921,500	\$ 165,220	\$ 1,086,720	
3	Other Revenues	21,005	-	21,005	-	21,005	
4	Total Revenues	\$ 942,505	\$ -	\$ 942,505	\$ 165,220	\$ 1,107,724	Sum Lines [2-3]
5							
6	Operating Expenses						
7	Labor	\$ 175,396	\$ -	\$ 175,396	\$ -	\$ 175,396	
8	Purchased Water	-	497	497	-	497	
9	Fuel & Power	-	17,425	17,425	-	17,425	
10	Chemicals	30,351	-	30,351	-	30,351	
11	Waste Disposal	950	10	960	-	960	
12	Intercompany Support Services	-	-	-	-	-	
13	Corporate Allocation	47,370	36	47,406	-	47,406	
14	Outside Services	47,845	(239)	47,606	-	47,606	
15	Group Insurance	53,102	-	53,102	-	53,102	
16	Pensions	-	-	-	-	-	
17	Regulatory Expense	2,784	(2,784)	-	-	-	
18	Insurance Other Than Group	10,352	35	10,386	428	10,814	
19	Customer Accounting	39,081	259	39,340	848	40,188	
20	Rents	5,676	-	5,676	-	5,676	
21	General Office Expense	23,846	(417)	23,429	-	23,429	
22	Miscellaneous	25,775	274	26,050	-	26,050	
23	Maintenance Expense	65,324	905	66,229	-	66,229	
24	Depreciation & Amortization	278,635	(6,470)	272,165	-	272,165	
25	General Taxes-Property	39,333	(767)	38,565	2,358	40,923	
26	General Taxes-Other	19,981	-	19,981	-	19,981	
27	Income Taxes	9,194	(6,426)	2,768	40,188	42,956	
28							
29	Total Operating Expenses	\$ 874,994	\$ 2,338	\$ 877,332	\$ 43,822	\$ 921,154	Sum Lines [7-27]
30	Utility Operating Income	\$ 67,510	\$ (2,338)	\$ 65,173	\$ 121,398	\$ 186,570	Line [4] - Line [29]
31	Other Income & Deductions						
32	Other Income & Deductions	\$ (81)	\$ -	\$ (81)	\$ -	\$ (81)	
33	Interest Expense	52,628	4,185	56,812	-	56,812	
34	Other Expense	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	
36	Total Other Income & Deductions	\$ 52,547	\$ 4,185	\$ 56,732	\$ -	\$ 56,732	Sum Lines [32-35]
37	Net Profit / (Loss)	\$ 14,963	\$ (6,522)	\$ 8,441	\$ 121,398	\$ 129,838	Line [30] - Line [36]

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

Sch C-2 Original
 Column [AP]

	Page 3	Page 4	Page 5	Page 6	Page 7	Page 8	Page 9	Page 10	Page 11	Page 12	
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
	ADJ JPB-IS1 REB	ADJ SLS-IS2 REB	ADJ SLS-IS3 REB	ADJ SLH-IS4 REB	ADJ XXX-IS5 REB	ADJ JPB-IS6 REB	ADJ JPB-IS7 REB	ADJ SLS-IS8 REB	ADJ JPB-IS9 REB	ADJ JPB-IS10 REB	
Line No.	Test Year Book Results	Adjust Property Taxes to Reflect Adjusted Test Year Revenues	Federal and State Income Taxes	Interest Synchronization with Rate Base	Regulatory Liability - ADIT - Amortization - Tax Reform Adj	Intentionally Left Blank	Partially Accept Staff IS ADJ #6: Adjust Depreciation Expense - Post Test Year Plant 2017	Partially Accept Staff IS Adj #6: Adjust Depreciation Expense - Retirements	Adjust Insurance Other Than Group	Adjust CPI for 2017	Adjust CUS Charges
1	Revenues										
2	Water	\$ 921,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Other Revenues	21,005	-	-	-	-	-	-	-	-	-
4	Total Revenue	\$ 942,505	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5											
6	Operating Expenses										
7	Labor	\$ 175,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Purchased Water	-	-	-	-	-	-	-	-	-	-
9	Fuel & Power	-	-	-	-	-	-	-	-	-	-
10	Chemicals	30,351	-	-	-	-	-	-	-	-	-
11	Waste Disposal	950	-	-	-	-	-	-	-	10	-
12	Intercompany Support Services	-	-	-	-	-	-	-	-	-	-
13	Corporate Allocation	47,370	-	-	-	-	-	-	-	36	-
14	Outside Services	47,845	-	-	-	-	-	-	-	516	-
15	Group Insurance	53,102	-	-	-	-	-	-	-	-	-
16	Pensions	-	-	-	-	-	-	-	-	-	-
17	Regulatory Expense	2,784	-	-	-	-	-	-	-	-	-
18	Insurance Other Than Group	10,352	-	-	-	-	-	-	35	-	-
19	Customer Accounting	39,081	-	-	-	-	-	-	-	124	102
20	Rents	5,676	-	-	-	-	-	-	-	-	-
21	General Office Expense	23,846	-	-	-	-	-	-	-	290	-
22	Miscellaneous	25,775	-	-	-	-	-	-	-	274	-
23	Maintenance Expense	65,324	-	-	-	-	-	-	-	905	-
24	Depreciation & Amortization	278,635	-	-	-	(4,423)	3,983	(6,030)	-	-	-
25	General Taxes-Property	39,333	(767)	-	-	-	-	-	-	-	-
26	General Taxes-Other	19,981	-	-	-	-	-	-	-	-	-
27	Income Taxes	9,194	-	(6,426)	-	-	-	-	-	-	-
28											
29	Total Operating Expenses	\$ 874,994	\$ (767)	\$ (6,426)	\$ -	\$ (4,423)	\$ 3,983	\$ (6,030)	\$ 35	\$ 2,156	\$ 102
30	Utility Operating Income	\$ 67,510	\$ 767	\$ 6,426	\$ -	\$ 4,423	\$ -	\$ (3,983)	\$ 6,030	\$ (35)	\$ (2,156)
31	Other Income & Deductions										
32	Other Income & Deductions	\$ (81)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	Interest Expense	52,628	-	-	4,185	-	-	-	-	-	-
34	Other Expense	-	-	-	-	-	-	-	-	-	-
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-
36	Total Other Income & Deductions	\$ 52,547	\$ -	\$ -	\$ 4,185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37	Net Profit / (Loss)	\$ 14,963	\$ 767	\$ 6,426	\$ (4,185)	\$ 4,423	\$ -	\$ (3,983)	\$ 6,030	\$ (35)	\$ (2,156)

44 Supporting Schedules:
 45 E-6

Recap Schedules:
 C-1 Rebuttal

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

	Page 13	Page 14	Page 15	Page 16	Page 17	Page 18							
	[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]	[T]	[U]			
	ADJ SLH-IS11 REB	ADJ JPB-IS12 REB	ADJ SLH-IS13 REB	ADJ SLH-IS14 REB	ADJ JPB-IS15 REB	ADJ JPB-IS16 REB							
							Sum [B - Q]	Sum [A] + [R]			Sum [S] + [T]		
<u>Line No.</u>	<u>Partially Accept Staff IS Adj #3: Adjust Outside Services Expense</u>	<u>Adjust Postage Expense</u>	<u>Partially Accept Staff IS Adj #5: Adjust Regulatory Expense</u>	<u>Partially Accept Staff IS Adj #4: Adjust General Office Expense</u>	<u>Accept Staff IS Adj #1 & RUCO IS Adj #4: Adjust Fuel and Power Expense</u>	<u>Accept Staff IS Adj #2 & RUCO IS Adj #3: Adjust Purchased Water Expense</u>	Total Pro Forma Adjustments	Test Year Adjusted Results	Proposed Rate Increase	Adjusted Rate Increase			
1	Revenues												
2	Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 921,500	\$ 165,220	\$ 1,086,720			
3	Other Revenues	-	-	-	-	-	-	21,005		21,005			
4	Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 942,505	\$ 165,220	\$ 1,107,724			
5													
6	Operating Expenses												
7	Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,396		\$ 175,396			
8	Purchased Water	-	-	-	-	-	497	497		497			
9	Fuel & Power	-	-	-	-	17,425	17,425	17,425		17,425			
10	Chemicals	-	-	-	-	-	-	30,351		30,351			
11	Waste Disposal	-	-	-	-	-	10	960		960			
12	Intercompany Support Services	-	-	-	-	-	-	-		-			
13	Corporate Allocation	-	-	-	-	-	36	47,406		47,406			
14	Outside Services	(755)	-	-	-	-	(239)	47,606		47,606			
15	Group Insurance	-	-	-	-	-	-	53,102		53,102			
16	Pensions	-	-	-	-	-	-	-		-			
17	Regulatory Expense	-	-	(2,784)	-	-	(2,784)	-		-			
18	Insurance Other Than Group	-	-	-	-	-	35	10,386	428	10,814			
19	Customer Accounting	-	33	-	-	-	259	39,340	848	40,188			
20	Rents	-	-	-	-	-	-	5,676		5,676			
21	General Office Expense	-	-	-	(707)	-	(417)	23,429		23,429			
22	Miscellaneous	-	-	-	-	-	274	26,050		26,050			
23	Maintenance Expense	-	-	-	-	-	905	66,229		66,229			
24	Depreciation & Amortization	-	-	-	-	-	(6,470)	272,165		272,165			
25	General Taxes-Property	-	-	-	-	-	(767)	38,565	2,358	40,923			
26	General Taxes-Other	-	-	-	-	-	-	19,981		19,981			
27	Income Taxes	-	-	-	-	-	(6,426)	2,768	40,188	42,956			
28													
29	Total Operating Expenses	\$ (755)	\$ 33	\$ (2,784)	\$ (707)	\$ 17,425	\$ 497	\$ 2,338	\$ 877,332	\$ 43,822	\$ 921,154		
30	Utility Operating Income	\$ 755	\$ (33)	\$ 2,784	\$ 707	\$ (17,425)	\$ (497)	\$ (2,338)	\$ 65,173	\$ 121,398	\$ 186,570		
31	Other Income & Deductions												
32	Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (81)		\$ (81)			
33	Interest Expense	-	-	-	-	-	-	4,185	56,812	56,812			
34	Other Expense	-	-	-	-	-	-	-		-			
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-		-			
36	Total Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,185	\$ 56,732	\$ -	\$ 56,732		
37	Net Profit / (Loss)	\$ 755	\$ (33)	\$ 2,784	\$ 707	\$ (17,425)	\$ (497)	\$ (6,522)	\$ 8,441	\$ 121,398	\$ 129,838		

44 Supporting Schedules:
 45 E-6
 46
 47
 48 Workpapers & Supporting Documents:
 49
 50 \2016 Willow Valley Water Rebuttal.xls

Recap Schedules:
 C-1 Rebuttal

Line No.	[A]	[B]
	Property Tax Expense	Property Tax Expense For Conversion Factor
1 <u>Adjust Property Taxes to Reflect Adjusted Test Year Revenues</u>		
2 The Company adjusted property tax rate based on 2016 property tax bills received from Maricopa County Assessor		
3		
4		
5		
6 Adjusted Revenues in Year Ended December 2016	\$ 942,505	\$ 942,505
7 Adjusted Revenues in Year Ended December 2016	942,505	942,505
8 Proposed Revenues	942,505	1,107,724
9 Average of Three Year's of Revenue	Avg Lines[6] thru [8] \$ 942,505	\$ 997,578
10 Average of Three Year's of Revenue, times 2	Line[9] * 2 \$ 1,885,010	\$ 1,995,156
11 Add:		
12 Construction Work in Progress at 10%	(a) 613	613
13 Deduct:		
14 Net Book Value of Transportation Equipment	\$ 84,098	\$ 84,098
15		
16 Full Cash Value	Sum Lines[10-12] - Line[14] \$ 1,801,525	\$ 1,911,672
17 Assessment Ratio (For 2016 per HB 2001 Sec 42-15001)	18.0%	18.0%
18 Assessed Value	Line[16]*Line[17] \$ 324,275	\$ 344,101
19 Property Tax Rate	(c) 11.89%	11.89%
20		
21 Property Tax	Line[18]*Line[19] 38,565	40,923
22 Tax on Parcels	-	-
23		
24 Adjusted Test Year Property Taxes at Present Rates	Line[21]+Line[22] \$ 38,565	
25 Adjusted Test Year Property Taxes	(b) 39,333	
26 Adjustment to Revenue and/or Expense (To Sch C-2 Rebuttal)	Line[24] - Line[25] \$ (767)	
27		
28 Adjusted Test Year Property Taxes at Proposed Rates		Sum Lines[21-27] \$ 40,923
29 Adjusted Test Year Property Taxes at Present Rates		Line[24] Col [A] 38,565
30 Additional Property Taxes on Proposed Revenues (To Sch C-2 Rebuttal)		Line[28] - Line[29] \$ 2,358
31		
32		
33		
34 <u>CALCULATION OF PROPERTY TAX FACTOR TO COMPUTE GROSS REVENUE CONVERSION FACTOR (SCH C-3 Rebuttal)</u>		
35		
36 Increase in Property Tax Due to Increase in Revenue Requirement (Line 30, Col [B])		\$ 2,358
37		
38 Increase in Revenue Requirement (From Sch. A-1 Rebuttal)		\$ 165,220
39		
40 Increase in Property Tax Per Dollar Increase in Revenue (Line 36/Line 38)		1.43%
41		
42		
43		
44 <u>Workpapers & Supporting Documents:</u>		
45		
46 (a) Sch E1		
47 (b) Sch C2 Rebuttal		
48 (c) \Composite Property Tax Rate 2016.xlsx		
49		
50 \2016 Willow Valley Water Rebuttal.xlsm		

Line No.		Test Year Adjusted Results	Adjusted with Rate Increase
1	<u>Federal and State Income Taxes</u>		
2			
3			
4			
5			
6			
7	Operating Income Before Inc. Taxes	\$ 67,940	\$ 229,526
8	Interest Expense	56,812	56,812
9	Arizona Taxable Income	Line[7] - Line[8] <u>\$ 11,128</u>	<u>\$ 172,713</u>
10			
11	Arizona Income Tax 4.90%	Line[9] * 0.049 <u>\$ 545</u>	<u>\$ 8,463</u>
12			
13			
14	Federal Income Before Taxes	Line[9] \$ 11,128	\$ 172,713
15	Less Arizona Income Taxes	Line[11] 545	8,463
16	Federal Taxable Income	Line[14] - Line[15] <u>\$ 10,582</u>	<u>\$ 164,250</u>
17			
18	FEDERAL INCOME TAXES:		
19			
20			
21			
22			
23			
24			
25	Federal Income Taxes 21.00%	Line[16] * 0.21 <u>\$ 2,222</u>	<u>\$ 34,493</u>
26			
27			
28	Total Income Tax	Line[15]+Line[25] <u>\$ 2,768</u>	<u>\$ 42,956</u>
29			
30	Tax Rate	Line[28] / Line[9] <u>24.87%</u>	<u>24.87%</u>
31			
32	Effective Income Tax Rates		
33	State	Line[11] / Line[9] 4.900%	4.900%
34	Federal	Line[25] / Line[9] 19.97%	19.97%
35			
36			
37	Adjusted Test Year Income Taxes	(a) \$ 9,194	
38	Increase in Income Taxes,	Line[28] - Line[37] <u>\$ (6,426)</u>	
39			
40	Adjustment to Revenues and/or Expense	Line[38] <u>\$ (6,426)</u>	
41			
42	Test Year Income Taxes,		Line[28] \$ 2,768
43	Increase in Income Taxes		Line[28] - Line[42] 40,188
44			
45	Adjustment to Revenue and/or Expense		Line[43] <u>\$ 40,188</u>
46			
47	<u>Workpapers & Supporting Documents:</u>		
48	(a) Sch C2 Rebuttal		
49			
50	\\2016 Willow Valley Water Rebuttal.xlsm		

Line			
<u>No.</u>			
1	<u>Interest Synchronization with Rate Base</u>		
2			
3			
4			
5			
6	Original Cost Rate Base (Sch. B-1 Rebuttal , Ln. 28)	(a) \$	2,547,644
7	Weighted Cost of Debt from Schedule D-1 Rebuttal	(c)	2.23%
8	Synchronized Interest Expense	Line[6]*Line[7] \$	56,812
9			
10	Test Year Interest Expense Adjusted	(b) \$	52,628
11			
12	Adjusted Test Year Interest Expense	Line[10] \$	52,628
13			
14	Increase/(Decrease) in Interest Expense	Line[8] - Line[12] \$	4,185
15			
16	Rebuttal Adjustment to Revenue and/or Expense	Line[14] \$	4,185
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43			
44			
45	<u>Workpapers & Supporting Documents:</u>		
46	(a) Sch B1 Rebuttal		
47	(b) Sch C2 Rebuttal		
48	(c) Sch D1 Rebuttal		
49			
50	\\2016 Willow Valley Water Rebuttal.xlsm		

Line			
<u>No.</u>			
1	Regulatory Liability - ADIT Amortization - Tax Reform Adj		
2			
3	The Company is updating its Deferred Income Tax Balance to reflect the impact of the Tax Cuts and Jobs Act of 2017. This caused the Company to create a Regulatory Liability for this amount as reflected		
4	in Rate Base proforma adjustment KDB-RB2-REB. This Income Statement proforma adjustment reflects the annual amortization of that rate base adjustment.		
5			
6			
7			
8	Regulatory Liability - ADIT that resulted from the decrease in the Federal Income Taxes	\$ 115,995 (a)	
9			
10	Amortization Rate	<u>3.8132%</u> (b)	
11			
12	Annual Amortization	\$ (4,423)	Line [8] * Line [10]
13			
14			
15			
16	Increase/ (Decrease) to Depreciation/ Amortization	<u>\$ (4,423)</u>	Line [12]
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43			
44			
45	<u>Workpapers & Supporting Documents:</u>		
46	(a) Rate Base Adjustment ADJ SLH-RB2 REB		
47	(b) ADIT Adjustment REBUTTAL.xlsx		
48			
49			
50	\\2016 Willow Valley Water Rebuttal.xlsm		

Line No.	
1	<u>Intentionally Left Blank</u>
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
26	
27	
28	
29	
30	
31	
32	
33	
34	
35	
36	
37	
38	
39	
40	
41	
42	
43	
44	
45	<u>Workpapers & Supporting Documents:</u>
46	
47	
48	
49	
50	\\2016 Willow Valley Water Rebuttal.xlsm

Line
No.

1 Partially Accept Staff IS ADJ #6: Adjust Depreciation Expense - Post Test Year Plant 2017

2
 3 Adjustment to Annualize Depreciation Expense on Updated Post Test Year Plant for 2017. Includes updating projects through 12/31/2017 with actual expenditure.
 4
 5
 6
 7

8
 9
 10
 11

	[A]	[B]	[C] = [A] * [B]
	Depreciation on Post TY Plant Additions per Summary of Plant and A/D by NARUC - FINAL 2017 PTYP (a)	Allocation Factor	Depreciation Expense
17 Depreciation on Post Test Year Plant Additions - Willow Valley Water	\$ 11,069	100.0000%	\$ 11,069
18 Depreciation on Additional TY Plant Additions - Willow Valley Water	1,531	100.0000%	1,531
19 Depreciation on 7A Corporate Post Test Year Plant Additions Allocated	48,670	0.7941%	386
20 Depreciation on Additional 7A Corporate Test Year Plant Additions Allocated	17,375	0.7941%	138
21 Depreciation on 6U Post Test Year Plant Additions Allocated	236,805	0.7232%	1,713
22 Depreciation on Additional 6U Test Year Plant Additions Allocated	174,541	0.7232%	1,262
23	<u>\$ 489,993</u> <small>Sum Lines [17 - 22]</small>		

24
 25
 26

27 Depreciation Expense on 2017 Post Test Plant per Rebutta \$ 16,100 Sum Lines[17] thru [22]

28
 29

30 Depreciation Expense on 2017 Post Test Plant per Company's Original Application \$ 12,117 (b)

31
 32

33 Increase / (Decrease) to Depreciation Expense \$ 3,983 Line[27] - Line[30]

34
 35

36 Rebuttal Adjustment to Revenue and/or Expense \$ 3,983 Line[33]

37
 38
 39
 40
 41
 42
 43
 44

Workpapers & Supporting Documents:

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

48
 49
 50

\2016 Willow Valley Water Rebuttal.xlsm

Line
 No.

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

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

GMC 4 Factor	0.7941%
Arizona Total	91.0728%
Alloc Factor	0.7232% <small>Line[8]*Line[9]</small>

	[A]	[B]	[C] = [A] * [B]
	Depreciation on Retirements per Summary of Plant and A/D by NARUC Updated for Final 2017 PTYP (a)	Allocation Factor	Depreciation Expense
17 Depreciation on Retirements on Test Year Plant - Willow Valley Water	\$ (6,142)	100.0000%	\$ (6,142)
18 Depreciation on Retirements on Test Year Plant - 7A Corporate Plant Allocated	(1,774)	0.7941%	(14)
19 Depreciation on Retirements on Test Year Plant - 6U Plant Allocated	-	0.7232%	-

26 Depreciation Expense on 2017 Retirements per Rebuttal \$ (6,156) Sum Lines [17 - 19]

29 Depreciation Expense on 2017 Retirements per Company's Original Application \$ (126) (b)

32 Increase / (Decrease) to Depreciation Expense \$ (6,030) Line[26] - Line[29]

34 Rebuttal Adjustment to Revenue and/or Expense \$ (6,030) Line[32]

45 Workpapers & Supporting Documents:

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

50 \2016 Willow Valley Water Rebuttal.xlsm

Line

No. Adjust Insurance Other Than Group

Insurance Other Than Group consists of 16 separate components. Annually, the Company reports certain business statistics to its insuring agencies including Revenues, Plant Balances, Employee Count, Total Payroll and Vehicle Counts. Each of the 16 components is adjusted annually based on these statistics. The primary components are property insurance, excess liability, worker's compensation, and crime. The Company has taken the average rate applicable to each of these components for the last four years, and made a conforming adjustment for employee count, test year and proposed revenues, and property. This is a conforming adjustment and updated with the values in the Rebuttal Filing.

	DIRECT PLANT		[1]	[2]	[1] * [2] = [3]	
	Test Year		7R	AZ	AZ-Factor	
	Adj Results		District 4-Factor	0.7104%	87.7062%	0.6231%
11	Gross Property Value at 12/31/2016	\$ 5,906,961	Schb2 Rebuttal Line [2]			
12	% of Plant Insured	47.75%	\Insurance\1. Property & Terrorism [23]			
14	Gross Plant Insured	<u>\$ 2,820,397</u>	Line [11] * Line [12]			

	Test Year Adjusted Results	Schc2 Rebuttal [X][14]	Adjusted with Rate Increase	Schc2 Rebuttal [Z][14]	Adjusted with Rate Increase		
	[A]	[B]	[C] = [A] * [B]	[D]	[E] = [D] * [B]		
	Factor	Amount	Rate	Source	Premium		
22	1. Property Insurance	\$ 2,820,397	0.0526%	\Insurance\ Summary	\$ 1,483		
23	2. Excess Liability	942,505	0.2588%	\Insurance\ Summary	2,439		
24	3. Umbrella Liability	95,767	0.6231%	\Insurance\ Summary	597		
25	4. Autos	278,350	0.6231%	\Insurance\ Summary	1,734		
26	5. Workers Compensation	3,174	1.6543%	\Insurance\ Summary	53		
27	6. Pollution *	3,554	1.00	\Insurance\ Summary	3,554		
28	7. D&O	13,367	0.6231%	\Insurance\ Summary	83		
29	8. Fiduciary	1,483	0.6231%	\Insurance\ Summary	9		
30	9. Crime	3	776.4816%	\Insurance\ Summary	23		
31	10. Employed Lawyers	1,196	0.6231%	\Insurance\ Summary	7		
32	11. Non Owned Pollution	19,339	0.6231%	\Insurance\ Summary	120		
33	12. Employment Practices	3	529.6932%	\Insurance\ Summary	16		
34	13. Utilities Bond **	22,331	0.0000%	\Insurance\ Summary	-		
35	14. Cyber Insurance	11,366	0.6231%	\Insurance\ Summary	71		
36	15. Sun City Flood Insurance	2,356	0.0000%	\Insurance\ Summary	-		
37	16. LAPP	19,383	0.6231%	\Insurance\ Summary	121		
39	Total			\$ 10,312	Sum Col [C]	Sum Col [E]	\$ 10,739
42	Adjusted Test Year Insurance Other Than Group		From Original Filing	\$ 10,277		\$ 10,312	
43			Increase/(Decrease) to Insurance Other Than Group	\$ 35	Line [39] - Line [42]	\$ 428	

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

Line
 No.

1 Adjust CPI for 2017

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

2016 Unadjusted Expenses			Consumer Price Index - Phoenix Urban Consumers					
Description	Account	Amount (a)	Year	Annual Index	Increase	Ave Increase		
9 Chemicals	5263	\$ 19,172 A	2014	127.823				
10 Other Utilities	5621	\$ 624 B	2015	128.019	0.15%			
11 Asset Usage Fee - Corporate	6203	\$ 2,211 C	2016	130.107	1.63%			
12 Consulting Engineering	5227	\$ 38 D	2017	133.324	2.47%	1.4%		
13 Contractors and Consultants	5250	\$ 24,197 D	Chemical Increase			4.0%		
14 Administrative Contractors	5679	\$ 314 D	[A] * Line [12]					
15 Outside Computer Charges (T1)	5628	\$ 3,783 D	Chemical [13]					
16 Temporary Support	5629	\$ 1,279 D	[A]	[B]	[C]	[D] = [B] + [C]	[E]	
17 Legal Fees	5681	\$ 1,808 D	Total	Year 1	Year 2	Revised Total	IS JPB ADJ #23	
18 Service Charges	5615	\$ 2,197 E	Chemicals	\$ 19,172	\$ 767	\$ 798	\$ 1,564	\$ 1,564
19 Customer Communications	5674	\$ 5,338 E	Waste Disposal	624	15	9	24	14
20 Rent and Storage	5810	\$ 3,784 F	Corporate Allocati	2,211	55	32	87	50
21 Freight and Courier	5262	\$ 150 F	Outside Services	31,418	777	457	1,234	718
22 Telephone, Long Distance, Data	5620	\$ 6,594 F	Customer Account	7,536	186	110	296	172
23 Stationary, Printing & Other O	5622	\$ 1,429 F	General Office Exp	17,655	437	257	693	403
24 Office Machines, Furniture	5623	\$ 887 F	Miscellaneous	16,709	413	243	656	382
25 Parking	5630	\$ 33 F	Maintenance Expe	55,088	1,362	801	2,163	1,258
26 Vehicle Allowance	5631	\$ 180 F	um Lines[18]thru[25]	\$ 150,412	\$ 4,012	\$ 2,706	\$ 6,718	\$ 4,562
27 Vehicle Allowance	5271	\$ 1 F						
28 Business Allowance	5634	\$ 71 F						
29 Memberships Dues & Professiona	5640	\$ 745 F						
30 Subscriptions	5641	\$ 153 F						
31 Airfare	5650	\$ 477 F						
32 Accommodation, Other Travel	5651	\$ 752 F						
33 Employee Working Meals	5652	\$ 985 F						
34 Training - Fees/Tuition	5660	\$ 1,413 F						
35 Training Fee	5252	\$ 1 F						
36 FR Clothing	5273	\$ 3,252 G						
37 Miscellaneous	5697	\$ 13,457 G						
38 Stock	5260	\$ - H						
39 Materials, Supplies	5261	\$ 23,144 H						
40 Veh. and Equip.-Allocation	5270	\$ 24,664 H						
41 Equipment	5275	\$ 373 H						
42 Hardware	5624	\$ 12 H						
43 Software	5625	\$ 368 H						
44 Maintenance	5811	\$ 690 H						
45 Vehicle Maintenance	5823	\$ 5,838 H						
46		\$ 150,412	Sum Lines [9 thru 45]					
47 <u>Workpapers & Supporting Documents:</u>								
48 (a) Sche6			Bureau of Labor Statistics - Phoenix CPI					
49								
50 \2016 Willow Valley Water Rebuttal.xlsm								

Increase / (Decrease) to Expense

Line [26] Col [D] \$ 2,156

Line
 No.

1 Adjust CUS Charges

2
 3 Customer Care and Billing charges are costs associated with Third Party Billing, Call Centers, and Work Order Management. Costs billed to the Company are on a per bill per month basis and adjusted
 4 annually. This adjustment includes an adjustment for inflation based on the Consumer Price Index for the City of Phoenix. An adjustment for 2017 and 2018 is necessary to account for known and
 5 measurable increases in costs through the time any new rates resulting from this rate application will be effective. The CPI index for 2018 has been updated in this Rebuttal filing.
 6
 7

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

C.U.S. Charges per Schedule E-6, account 5611	\$	11,906	(a)
CPI Adjustment 2017	\$	194	Line[16]*1.63%
Adjusted 2017 Expense	\$	12,100	Line[16]+Line [18]
CPI Adjustment 2018	\$	299	Line[19]*2.47%
Adjusted 2018 Expense	\$	12,399	Line[19]+Line[21]
Total Increase/ (Decrease) to C.U.S Charges	\$	493	Line[18]+Line[21]
Expense per Company's Original Application per IS JPB Adj#12	\$	391	
	\$	102	Line[26] - Line[28]

Adjustment to Revenue and/or Expense \$ 102 Line[30]

45 Workpapers & Supporting Documents:
 46 (a) Sche6

47
 48
 49
 50 \2016 Willow Valley Water Rebuttal.xlsm

Line

No.

1 Partially Accept Staff IS Adj #3: Adjust Outside Services Expense

2

3 The Company is partially accepting Staff IS Adj #3. This adjustment has 2 parts. 1) The Company partially accepts Staff RB Adj #3 and is removing the ASU Study costs per RUCO 2.07. The Company will
 4 include these ASU Study Costs as part of the Rate Case Expense and recover these costs as part of the Staff's recommended Rate Case Expense Surcharge; 2). The Company is reducing contractor
 5 expense as stated in the Company's response to RUCO DR 1.28. Upon review of the accounts noted in this data request, the Company noticed that account 5250 included costs that should have been
 6 removed from the requested amounts in the original application.

7

8

9

10

11

12 Part 1

13 Remove ASU Study Costs

14

15

16 Part 2

17 Amount to be removed from Outside Services per RUCO DR 1.25

18

19

20

21

22

23

24 Adjustment to Revenue and/or Expense

25

26

27

28

29

30

31

32

33

34

35

36

37

38

39

40

41

42

43

44

45 Workpapers & Supporting Documents:

46 (a) Company Response to RUCO DR 1.25

47

48

49

50 \2016 Willow Valley Water Rebuttal.xlsm

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

\$	34	\$	78	\$	(44)
----	----	----	----	----	------

\$	(710)	\$	-	\$	(710)
----	-------	----	---	----	-------

<u>\$</u>	<u>(755)</u>	Line [13] + Line [17]
-----------	--------------	-----------------------

Line
 No.

1 Adjust Postage Expense

2
 3 On January 22, 2017, the United States Postal Service increased postage rates. The Company has calculated a projected increase based on known and measurable increases to postage rates at time of
 4 this rebuttal filing.
 5
 6

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

20 Postage Expense Account 5611 per General Ledger	(a)	\$	2,618	
21				
22 Total Increase / (Decrease) to Postage Expense		\$	70	Col [E] Line[18]*Line[21]
23 Expense per Company's Original Application per IS JPB Adj#11		\$	37	
24				
25 Adjustment to Revenue and/or Expense		\$	33	Line [22]- Line [23]
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				

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

Line
No.
 1 Partially Accept Staff IS ADJ #5: Adjust Regulatory Expense
 2
 3 The Company is partially accepting Staff IS Adj #5. The Company is removing rate case expense out of the regulatory expense accounts. Staff recommends authorizing a surcharge to recover rate case
 4 expense. Staff proposed recovery over a 5 year period however the Company proposes a 3 year period.
 5
 6
 7
 8

	[A] Revised Amounts (a)	[B] Original Application	[C] = [A] - [B] Rebuttal Adjustment
13 Amount to be removed from Regulatory Expense per Staff IS ADJ #5	\$ (2,784)		0 \$ (2,784)

24 Adjustment to Revenue and/or Expense \$ (2,784) Line [13]

45 Workpapers & Supporting Documents:
 46 (a) Schedule C2
 47
 48
 49
 50 \2016 Willow Valley Water Rebuttal.xlsm

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

Staff Disallowed Amounts per Staff Adj #4	Company Position	Willow Valley Water	4-Factor	0.7104%
Entertainment	\$ 81,543	Accept		
Tuition	\$ 64,387	Oppose		
Gifts	\$ 17,937	Accept		
	<u>\$ 163,867</u>			

15 Amount to be Removed		
16 Entertainment	\$ 81,543	
17 Gifts	\$ 17,937	
18 Total	\$ 99,480	Line [16] + Line [17]
20 Allocated to District	0.7104%	
21	\$ 707	Line [18] * Line [20]

Rebuttal
Adjustment
\$ (707) Line [21]

24 Adjustment to Revenue and/or Expense

Line
 No.

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

2
 3 The Company is accepting both Staff IS Adj #1 and RUCO IS Adj #4. This rebuttal adjustment reverses the Company's original adjustment JPB-IS9 and restores the purchased power and fuel expense back
 4 into the Test Year operating expenses for recovery in base rates.

5
 6
 7
 8 The Company's water districts utilize multiple vendors in their different geographic locations. Power is purchased from Arizona Public Service Company ("APS"), UNS Electric, Inc. ("UNS Electric"), and Mohave Electric Cooperative ("MEC").
 9 Each of these vendors has initiated or concluded rate cases during the test year and pro forma adjustments to electrical costs are proposed to account for known and measurable increases. The Company has no control over these price
 10 increases. Additionally, EWAZ has experienced consistent year-over-year increases in APS's bills due to changes in surcharge factors associated with their rate adjuster mechanisms.

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

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

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

GL Account	Account Description	[A] Corporate (a)		[B] Direct (b)		[C] Other Allocation (c)		[D] Annualization	[E] = [A] + [B] + [C] + [D]		
		2016	2016	2016	2016	2016	2016	Total	2016		
	5617 Power Charges	\$ 300	\$ 17,015					\$	17,316		
	5616 Natural Gas Charges	\$ -	\$ -					\$	-		
	Annualization						\$ 26	\$	26		
Total Purchased Power Expense									\$	17,342	Line[29 - 31]
	2017 % Increase	6.29%	0.26%								
	2018 % Increase	6.29%	0.00%								
		[F] Corporate		[G] Direct	[H] Natural Gas	[I] Other Allocation	[J] Annualization	[K] = [F] + [G] + [H] + [I] + [J]			
	2017 Increase - Power	\$ 19	\$ 44	\$ 0	\$ 0	\$ 0	\$ 0	\$	63	Line[29] * 2017% Inc; Line [31] * 2017% Inc	
	2017 Expense	\$ 319	\$ 17,060	\$ -	\$ -	\$ 26	\$ -	\$	17,405	Line[29]+Line[38], Line[31] + Line [38]	
	2018 Increase - Power	\$ 20	\$ -	\$ 0	\$ -	\$ -	\$ -	\$	20	Line[39] * 2018% Inc	
	2018 Expense	\$ 339	\$ 17,060	\$ -	\$ -	\$ 26	\$ -	\$	17,425	Line[39]+Line[41]	
Increase/Decrease to Expense									\$	17,425	Col 1, Line[42]

47 Workpapers & Supporting Documents:

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

Line
No.

1 Accept Staff IS ADJ #2 & RUCO IS ADJ #3: Adjust Purchased Water Expense

2
 3 The Company is accepting both Staff IS Adj #2 and RUCO IS Adj #3. This rebuttal adjustment reverses the Company's original adjustment JPB-IS30 and restores the purchased water expense back into
 4 the Test Year operating expenses for recovery in base rates.
 5
 6
 7

8 The Company is proposing a Purchase Water Adjustor Mechanism for all districts in this rate case, except Willow Valley. The Company's estimate as to the per customer surcharge is calculated based on the total potable
 9 and raw gallons billed. The calculation excludes effluent and wheeling usage billed from the calculation as these gallons are not affected by the purchase price of water. Costs have been adjusted from the 2016 test
 10 year expense to annualized water expense. Additionally, the Company has included known and measurable increases to purchased water costs. The Company pays the Central Arizona Project ("CAP") for fees in many
 11 districts. CAP has published schedules showing the anticipated increases to fees in 2018, which will be finalized by the prior to the conclusion of this rate case. The impact of the increases in CAP fees have been
 12 included in the total purchased water costs.

13 In its Mohave and North Mohave Districts, the Company pays fees to the Mohave Conservation District (MWCD), Mohave Valley Irrigation and Drainage District (MVIDD), and fees to Bullhead City for water. The
 14 Company also pays fees to the Arizona Department of Water Reclamation in a number of districts. Some districts also pay groundwater withdrawal fees. Many of these fees are already collected through supplemental
 15 surcharges on customer bills. All costs have been included in the total purchased water cost with the intention of combining all these fees into one purchased water surcharge.

16
 17 The Company would anticipate the effective date of the Plan of Administration (POA), submitted as an Exhibit to Mr. Boizelle's testimony, to be concurrent with the effective date of new rates approved in this rate case.
 18
 19
 20
 21
 22
 23

	Purchased Water Test Year Expense
26 Test Year Purchased Water Expense	\$ - (a)
27 SMC-IS6	\$ -
28 Annualized Purchased Water Expenses	\$ - Line [26]+Line [27]
29	
30 2017 Percentage increase in CAP costs	0.00% (c)
31 2017 Purchased Water Expense	\$ - Line [28]*(1+Line [30])
32	
33 2018 Percentage increase in CAP costs	0.00% (c)
34 2018 Purchased Water Expense	\$ - Line [31]*(1+Line [33])
35	
36 Mohave Wtr Conservation District - Impost Fees	\$ - (c)
37 Impost Fees - Bullhead City	\$ - (c)
38 Water Admin Fee - MVDD	\$ 497 (c)
39 ADWR Groundwater Withdrawal Fee	\$ - (c)
40 Groundwater Withdrawal Fee	\$ - (c)
41 Total Pro Forma Purchased Water Costs	\$ 497 Sum Lines [36 - 40]
42	
43 Increase/Decrease to Expense	\$ 497 Line [41]

45 Workpapers & Supporting Documents:
 46 (a) Sch C2
 47 (b) Sch E7
 48 (c) \Purchased Water Increase.xlsx
 49
 50 \2016 Willow Valley Water Rebuttal.xlsm

Line No.	Description	[A]	[B]	Percentage of Incremental Gross Revenues [C]
1	Federal Income Taxes			
2				19.97%
3	State Income Taxes			
4			Combined	24.87%
5				4.90%
6	Property Taxes	Effective Rate = 1.43%	One Minus Combined	75.13%
7				1.07% [A] x [B]
8	Bad Debt Expense	Effective Rate = 0.51%	One Minus Combined	75.13%
9				0.39% [A] x [B]
10	Insurance Other Than Group	Effective Rate = 0.26%	One Minus Combined	75.13%
11				0.19% [A] x [B]
12				
13	Total Tax Percentage			26.52% Sum Line [1-10]
14				
15	Operating Income % = 100% - Tax Percentage			73.48% 1 - [C] Line [13]
16				
17				
18		1 = Gross Revenue Conversion Factor		
19				
20				
21	Operating Income %			1.36 1 / [C] Line [15]
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43	Supporting Schedules:		Recap Schedules:	
44	C-2 Rebuttal		A-1 Rebuttal	
45				
46				
47	Workpapers & Supporting Documents			
48				
49				
50	\2016 Willow Valley Water Rebuttal.xlsm			