

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	\$ 607,817	\$ 313,683	\$ 921,500	\$ 183,809	\$ 1,105,309	
3	Other Revenues	21,005	-	21,005	-	21,005	
4	Total Revenues	\$ 628,822	\$ 313,683	\$ 942,505	\$ 183,809	\$ 1,126,314	Sum Lines [2-3]
5							
6	Operating Expenses						
7	Labor	\$ 148,397	\$ 26,999	\$ 175,396	\$ -	\$ 175,396	
8	Purchased Water	-	-	-	-	-	
9	Fuel & Power	17,316	(17,316)	-	-	-	
10	Chemicals	19,172	11,179	30,351	-	30,351	
11	Waste Disposal	624	326	950	-	950	
12	Intercompany Support Services	-	-	-	-	-	
13	Corporate Allocation	32,318	15,051	47,370	-	47,370	
14	Outside Services	31,418	16,427	47,845	-	47,845	
15	Group Insurance	53,142	(40)	53,102	-	53,102	
16	Pensions	-	-	-	-	-	
17	Regulatory Expense	329	2,455	2,784	-	2,784	
18	Insurance Other Than Group	1,146	9,206	10,352	476	10,828	
19	Customer Accounting	23,093	15,988	39,081	944	40,025	
20	Rents	3,784	1,892	5,676	-	5,676	
21	General Office Expense	17,144	6,702	23,846	-	23,846	
22	Miscellaneous	16,929	8,846	25,775	-	25,775	
23	Maintenance Expense	59,153	6,171	65,324	-	65,324	
24	Depreciation & Amortization	110,959	167,676	278,635	-	278,635	
25	General Taxes-Property	17,564	21,769	39,333	2,623	41,956	
26	General Taxes-Other	12,933	7,048	19,981	-	19,981	
27	Income Taxes	92,238	(83,044)	9,194	68,643	77,837	
28							
29	Total Operating Expenses	\$ 657,659	\$ 217,336	\$ 874,994	\$ 72,686	\$ 947,680	Sum Lines [7-27]
30	Utility Operating Income	\$ (28,836)	\$ 96,347	\$ 67,510	\$ 111,123	\$ 178,633	Line [4] - Line [29]
31	Other Income & Deductions						
32	Other Income & Deductions	\$ (81)	\$ -	\$ (81)	\$ -	\$ (81)	
33	Interest Expense	71,174	(18,546)	52,628	-	52,628	
34	Other Expense	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	
36	Total Other Income & Deductions	\$ 71,093	\$ (18,546)	\$ 52,547	\$ -	\$ 52,547	Sum Lines [32-35]
37	Net Profit / (Loss)	\$ (99,930)	\$ 114,893	\$ 14,963	\$ 111,123	\$ 126,086	Line [30] - Line [36]

43 Supporting Schedules:
 44 (a) C-2

Recap Schedules:
 A-1

48 Workpapers & Supporting Documents
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	Page 5	Page 6	Page 7	Page 8	Page 9	Page 10	Page 11	Page 12	Page 13	Page 14	Page 15		
[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]		
	ADJ JPB-IS1	ADJ JPB-IS2	ADJ SLM-IS3	ADJ SLM-IS4	ADJ JPB-IS5	ADJ SMC-IS6	ADJ SLM-IS7	ADJ SLM-IS8	ADJ JPB-IS9	ADJ SLM-IS10	ADJ JPB-IS11		
<u>Line No.</u>	<u>Test Year Book Results (a)</u>	<u>Tank Maintenance Expense</u>	<u>Adjust Property Taxes to Reflect Proposed Revenues</u>	<u>Federal and State Income Taxes</u>	<u>Interest Synchronization with Rate Base</u>	<u>Bad Debt Expense</u>	<u>Annualization/Normalization of Revenues</u>	<u>Removal of General Disallowable Items</u>	<u>Annualize Labor & Labor Related Expenses</u>	<u>Purchased Power Adjustment and Surcharge</u>	<u>Removal of 10% of Performance Based Compensation</u>	<u>Postage Expense</u>	
1	Revenues												
2	\$ 607,817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 313,683	\$ -	\$ -	\$ -	\$ -	\$ -	
3	21,005	-	-	-	-	-	-	-	-	-	-	-	
4	Total Revenue	\$ 628,822	\$ -	\$ -	\$ -	\$ -	\$ 313,683	\$ -	\$ -	\$ -	\$ -	\$ -	
5													
6	Operating Expenses												
7	\$ 148,397	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,520	\$ -	\$ (1,521)	\$ -	
8	-	-	-	-	-	-	-	-	-	-	-	-	
9	17,316	-	-	-	-	-	26	-	-	(17,342)	-	-	
10	19,172	-	-	-	-	-	29	-	-	-	-	-	
11	624	-	-	-	-	-	-	-	-	-	-	-	
12	-	-	-	-	-	-	-	-	-	-	-	-	
13	32,318	-	-	-	-	-	-	-	-	-	-	-	
14	31,418	-	-	-	-	-	-	-	-	-	-	-	
15	53,142	-	-	-	-	-	-	-	(40)	-	-	-	
16	-	-	-	-	-	-	-	-	-	-	-	-	
17	329	-	-	-	-	-	-	-	-	-	-	-	
18	1,146	-	-	-	-	-	-	-	-	-	-	-	
19	23,093	-	-	-	-	3,806	35	-	-	-	-	37	
20	3,784	-	-	-	-	-	-	-	-	-	-	-	
21	17,144	-	-	-	-	-	-	(2,273)	-	-	-	-	
22	16,929	-	-	-	-	-	-	-	-	-	-	-	
23	59,153	-	-	-	-	-	-	-	-	-	-	-	
24	110,959	-	-	-	-	-	-	-	-	-	-	-	
25	17,564	-	21,769	-	-	-	-	-	-	-	-	-	
26	12,933	-	-	-	-	-	-	-	582	-	-	-	
27	92,238	-	-	(83,044)	-	-	-	-	-	-	-	-	
28													
29	Total Operating Expenses	\$ 657,659	\$ -	\$ 21,769	\$ (83,044)	\$ -	\$ 3,806	\$ 90	\$ (2,273)	\$ 29,062	\$ (17,342)	\$ (1,521)	\$ 37
30	Utility Operating Income	\$ (28,836)	\$ -	\$ (21,769)	\$ 83,044	\$ -	\$ (3,806)	\$ 313,593	\$ 2,273	\$ (29,062)	\$ 17,342	\$ 1,521	\$ (37)
31	Other Income & Deductions												
32	\$ (81)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
33	71,174	-	-	-	(18,546)	-	-	-	-	-	-	-	
34	-	-	-	-	-	-	-	-	-	-	-	-	
35	-	-	-	-	-	-	-	-	-	-	-	-	
36	Total Other Income & Deductions	\$ 71,093	\$ -	\$ -	\$ -	\$ (18,546)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
37	Net Profit / (Loss)	\$ (99,930)	\$ -	\$ (21,769)	\$ 83,044	\$ 18,546	\$ (3,806)	\$ 313,593	\$ 2,273	\$ (29,062)	\$ 17,342	\$ 1,521	\$ (37)
38													
39													
40													
41													
42													
43													
44	Supporting Schedules:	Recap Schedules:											
45	(a) E-6	C-1											
46													
47													
48	Workpapers & Supporting Documents:												
49													
50	\2016 Willow Valley Water.xlsm												

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[M]	[N]	[O]	[P]	[Q]	[R]	[S]	[T]	[U]	[V]	[W]	[X]
ADJ JPB-IS12	ADJ SLM-IS13	ADJ SLM-IS14	ADJ SLM-IS15	ADJ SLM-IS16	ADJ SLM-IS17	ADJ SLM-IS18	ADJ SLM-IS19	ADJ SLM-IS20	ADJ SLM-IS21	ADJ SLM-IS22	ADJ JPB-IS23

Line No.	<u>Customer Care and Billing Services</u>	<u>Rate Case Expense</u>	<u>Intentionally Left Blank</u>	<u>Annualize Willow Valley Expense</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 Vactor 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	-	-	-	9,586	-	-	-	-	-	-	-	1,564
11	-	-	-	312	-	-	-	-	-	-	-	14
12	-	-	-	-	-	-	-	-	-	-	-	-
13	-	-	-	16,159	-	-	-	-	-	-	(1,158)	50
14	-	-	-	15,709	-	-	-	-	-	-	-	718
15	-	-	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-	-	-
17	-	2,455	-	-	-	-	-	-	-	-	-	-
18	-	-	-	-	-	-	-	-	-	-	-	-
19	391	-	-	11,547	-	-	-	-	-	-	-	172
20	-	-	-	1,892	-	-	-	-	-	-	-	-
21	-	-	-	8,572	-	-	-	-	-	-	-	403
22	-	-	-	8,465	-	-	-	-	-	-	-	382
23	-	-	-	29,577	-	-	-	-	-	-	-	1,258
24	-	-	-	-	151,181	(4,564)	6,031	12,117	(1,512)	(25,431)	-	-
25	-	-	-	-	-	-	-	-	-	-	-	-
26	-	-	-	6,466	-	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-	-	-	-	-	-
28	Total Operating Expenses											
29	\$ 391	\$ 2,455	\$ -	\$ 108,284	\$ 151,181	\$ (4,564)	\$ 6,031	\$ 12,117	\$ (1,512)	\$ (25,431)	\$ (1,158)	\$ 4,562
30	Utility Operating Income											
31	\$ (391)	\$ (2,455)	\$ -	\$ (108,284)	\$ (151,181)	\$ 4,564	\$ (6,031)	\$ (12,117)	\$ 1,512	\$ 25,431	\$ 1,158	\$ (4,562)
31	Other Income & Deductions											
32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	-	-	-	-	-	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-	-	-	-
36	Total Other Income & Deductions											
37	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38	Net Profit / (Loss)											
39	\$ (391)	\$ (2,455)	\$ -	\$ (108,284)	\$ (151,181)	\$ 4,564	\$ (6,031)	\$ (12,117)	\$ 1,512	\$ 25,431	\$ 1,158	\$ (4,562)

44 Supporting Schedules:
 45 (a) E-6
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 48 Workpapers & Supporting Documents:
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[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

<u>Line No.</u>	<u>Water System Acquisition Amortization</u>	<u>Retirements on Test Year Plant - Depreciation</u>	<u>Intentionally Left Blank</u>	<u>Insurance Other Than Group</u>	<u>Capital Lease - Vehicles - Expense Adjustment</u>	<u>Intentionally Left Blank</u>	<u>Purchased Water Adjustment and Surcharge</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>
1	Revenues											
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	-	-	-	-	-	-	-	-	-	-	-	-
4	Total Revenue											
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Operating Expenses											
7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	-	-	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-	-	-
17	-	-	-	-	-	-	-	-	-	-	-	-
18	-	-	-	9,206	-	-	-	-	-	-	-	-
19	-	-	-	-	-	-	-	-	-	-	-	-
20	-	-	-	-	-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-	-	-	-	-	-
22	-	-	-	-	-	-	-	-	-	-	-	-
23	-	-	-	-	(24,664)	-	-	-	-	-	-	-
24	14,907	(126)	-	-	15,073	-	-	-	-	-	-	-
25	-	-	-	-	-	-	-	-	-	-	-	-
26	-	-	-	-	-	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-	-	-	-	-	-
28	Total Operating Expenses											
29	\$ 14,907	\$ (126)	\$ -	\$ 9,206	\$ (9,592)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30	Utility Operating Income											
31	\$ (14,907)	\$ 126	\$ -	\$ (9,206)	\$ 9,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31	Other Income & Deductions											
32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	-	-	-	-	-	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-	-	-	-
36	Total Other Income & Deductions											
37	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37	Net Profit / (Loss)											
38	\$ (14,907)	\$ 126	\$ -	\$ (9,206)	\$ 9,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

44 Supporting Schedules:
 45 (a) E-6
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 48 Workpapers & Supporting Documents:
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Page 40	Page 41	Page 42	Page 43				
[AK]	[AL]	[AM]	[AN]	[AO]	[AP]	[AQ]	[AR]
ADJ SLM-IS36	ADJ SLM-IS37	ADJ SLM-IS38	ADJ SLM-IS39				
				Sum [B - AN]	Sum [A] + [AO]		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	\$ -	\$ -	\$ -	\$ -	\$ 313,683	\$ 921,500	\$ 183,809	\$ 1,105,309
3	-	-	-	-	-	21,005		21,005
4	\$ -	\$ -	\$ -	\$ -	\$ 313,683	\$ 942,505	\$ 183,809	\$ 1,126,314
5								
6	Operating Expenses							
7	\$ -	\$ -	\$ -	\$ -	\$ 26,999	\$ 175,396	\$ -	\$ 175,396
8	-	-	-	-	-	-	-	-
9	-	-	-	-	(17,316)	-	-	-
10	-	-	-	-	11,179	30,351	-	30,351
11	-	-	-	-	326	950	-	950
12	-	-	-	-	-	-	-	-
13	-	-	-	-	15,051	47,370	-	47,370
14	-	-	-	-	16,427	47,845	-	47,845
15	-	-	-	-	(40)	53,102	-	53,102
16	-	-	-	-	-	-	-	-
17	-	-	-	-	2,455	2,784	-	2,784
18	-	-	-	-	9,206	10,352	476	10,828
19	-	-	-	-	15,988	39,081	944	40,025
20	-	-	-	-	1,892	5,676	-	5,676
21	-	-	-	-	6,702	23,846	-	23,846
22	-	-	-	-	8,846	25,775	-	25,775
23	-	-	-	-	6,171	65,324	-	65,324
24	-	-	-	-	167,676	278,635	-	278,635
25	-	-	-	-	21,769	39,333	2,623	41,956
26	-	-	-	-	7,048	19,981	-	19,981
27	-	-	-	-	(83,044)	9,194	68,643	77,837
28								
29	\$ -	\$ -	\$ -	\$ -	\$ 217,336	\$ 874,994	\$ 72,686	\$ 947,680
30	\$ -	\$ -	\$ -	\$ -	\$ 96,347	\$ 67,510	\$ 111,123	\$ 178,633
31	Other Income & Deductions							
32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (81)	\$ -	\$ (81)
33	-	-	-	-	(18,546)	52,628	-	52,628
34	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-
36	\$ -	\$ -	\$ -	\$ -	\$ (18,546)	\$ 52,547	\$ -	\$ 52,547
37	\$ -	\$ -	\$ -	\$ -	\$ 114,893	\$ 14,963	\$ 111,123	\$ 126,086
38								
39								
40								
41								
42								
43								
44	Supporting Schedules:						Recap Schedules:	
45	(a) E-6						C-1	
46								
47								
48	Workpapers & Supporting Documents:							
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Line

No.

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

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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		7R		GMC Factor		0.7941%		[A]	[B]
	<u>Power and Water Expenses</u>								<u>Property Tax Expense</u>	<u>Property Tax Expense For Conversion Factor</u>
	[1]				[2]					
	Present		Proposed							
10	Adjusted Revenues in Year Ended December 2016	[Adj Summary p.2] \$ 17,342		\$ 17,922				(b) + [2] \$ 960,427	\$ 960,427	\$ 960,427
11	Adjusted Revenues in Year Ended December 2016							960,427	960,427	960,427
12	Proposed Revenues							960,427		(b) + [2] 1,144,236
13	Average of Three Years of Revenue					Avg Lines[10] thru [12]		\$ 960,427	\$	1,021,696
14	Average of Three Years of Revenue, times 2					Line[13] * 2		\$ 1,920,854	\$	2,043,392
15	Add:									
16	Construction Work in Progress at 10%							(a) \$ 613	\$	613
17	Deduct:									
18	Net Book Value of Transportation Equipment							(d) \$ 84,098	\$	84,098
19										
20	Full Cash Value					Sum Lines[14-16] - Line[18]		\$ 1,837,370	\$	1,959,908
21	Assessment Ratio (For 2016 and Beyond per HB 2001 Sec 42-15001)							18.0%		18.0%
22	Assessed Value					Line[20]*Line[21]		\$ 330,727	\$	352,783
23	Property Tax Rate					(c)		11.89%		11.89%
24										
25	Property Tax					Line[22]*Line[23]		\$ 39,333	\$	41,956
26	Additional Tax							\$ -		
27										
28	Adjusted Test Year Property Taxes at Present Rates					Line[25]+Line[26]		\$ 39,333		
29	Adjusted Test Year Property Taxes					(b)		17,564		
30	Adjustment to Revenue and/or Expense (To Sch C-2)					Line[28] - Line[29]		\$ 21,769		
31										
32	Adjusted Test Year Property Taxes at Proposed Rates								Line[25]	\$ 41,956
33	Adjusted Test Year Property Taxes at Present Rates								Line[28] Col [A]	39,333
34	Additional Property Taxes on Proposed Revenues (To Sch C-2)								Line[32] - Line[33]	\$ 2,623

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])	\$ 2,623
39		
40	Increase in Revenue Requirement (From Sch C-2)	\$ 183,809
41		
42	Increase in Property Tax Per Dollar Increase in Revenue (Line 38/Line 40)	1.43%

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 Willow Valley 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		\$ 76,705	\$ 256,471
5	Interest Expense		52,628	52,628
6	Arizona Taxable Income		Line[4] - Line[5] <u>\$ 24,077</u>	<u>\$ 203,843</u>
7				
8	Arizona Income Tax	4.900%	Line[9]* 4.900% <u>\$ 1,180</u>	<u>\$ 9,988</u>
9				
10				
11	Federal Income Before Taxes		Line[6] \$ 24,077	\$ 203,843
12	Less Arizona Income Taxes		Line[8] 1,180	9,988
13				
14	Federal Taxable Income		Line[11] - Line[12] <u>\$ 22,897</u>	<u>\$ 193,855</u>
15				
16				
17				
18	FEDERAL INCOME TAXES:			
19				
20	Federal Income Taxes	35.000%	Line[14]*35.000% <u>\$ 8,014</u>	<u>\$ 67,849</u>
21				
22				
23				
24	Total Income Tax		Line[12]+Line[20] <u>\$ 9,194</u>	<u>\$ 77,837</u>
25				
26	Tax Rate		Line[24] / Line[6] <u>38.19%</u>	<u>38.18%</u>
27				
28				
29				
30	Effective Income Tax Rates			
31	State		Line[8] / Line[6] 4.901%	4.900%
32	Federal		Line[20] / Line[6] 33.28%	33.28%
33				
34				
35	Adjusted Test Year Income Taxes		(a) <u>\$ 92,238</u>	
36	Increase in Income Taxes,		Line[24] - Line[35] <u>\$ (83,044)</u>	
37				
38	Adjustment to Revenues and/or Expense		Line[36] <u>\$ (83,044)</u>	
39				
40	Test Year Income Taxes			Col A Line[24] \$ 9,194
41	Increase in Income Taxes			Line[24] - Line[40] 68,643
42				
43	Adjustment to Revenue and/or Expense			Line[41] <u>\$ 68,643</u>
44				
45				
46				
47	<u>Workpapers & Supporting Documents:</u>			
48	(a) Sch C-2			
49				
50	\\2016 Willow Valley 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) \$	2,359,994
7	Weighted Cost of Debt from Schedule D-1	(b)	2.23%
8	Synchronized Interest Expense	Line[6]*Line[7] \$	52,628
9			
10	Test Year Interest Expense	\$	<u>71,174</u> (c)
11			
12	Adjusted Test Year Interest Expense	Line[10] \$	<u>71,174</u>
13			
14	Increase/(Decrease) in Interest Expense	Line[8] - Line[12] \$	<u>(18,546)</u>
15			
16	Adjustment to Revenue and/or Expense	Line[14] \$	<u>(18,546)</u>
17			
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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 Willow Valley Water.xlsm		

Line No.	G/L Account Business Unit	5610	7R		
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.				
4					
5					
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7					
8					
9					
10	Allocated Bad Debt in Account 5610			(a) \$	1,033
11					
12	<u>Actual Bad Debt Write-Offs (b)</u>				
13	Jan-16			\$	-
14	Feb-16				-
15	Mar-16				-
16	Apr-16				-
17	May-16				-
18	Jun-16				-
19	Jul-16				-
20	Aug-16				2,740
21	Sep-16				186
22	Oct-16				727
23	Nov-16				1,484
24	Dec-16				(298)
25	Total Bad Debt			Sum Lines [13 - 24] \$	4,839
26					
27	Increase/(Decrease) in Bad Debt Expense			Line[25] - Line[10] \$	3,806
28					
29	Adjustment to Revenue and/or Expense			Line[27] \$	3,806
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
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 Willow Valley Water.xlsm				

Line

No.

Annualization/Normalization of Revenues

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

	[A]	[B]	[C]	[D]		[E] = [A] + [B] + [C] + [D]
	<u>Residential</u>	<u>Commercial</u>	<u>Other Water User</u>	<u>Other Revenue</u>		<u>Total</u>
13 Test Year Revenues per General Ledger	\$ 532,719	\$ 75,099	\$ -	\$ 21,005	(a)	\$ 628,822
14 Revenue Adjustments	381,364				(b)	381,364
15 Accruals	(61,347)	(10,877)	-		(a)	(72,225)
16 Annualization	(7,288)	3,221	10,750	-	(b)	6,683
17 Weather Normalization	(2,221)	82	-		(b)	(2,139)
18 Adjusted Revenues	\$ 843,226	\$ 67,524	\$ 10,750	\$ 21,005	Sum Lines [13 - 17]	\$ 942,505
20 Test Year Revenues per General Ledger	532,719	75,099	-	21,005	(b)	628,822
22 Increase / (Decrease) to Test Year Revenues	\$ 310,507	\$ (7,575)	\$ 10,750	\$ -	Line[18] - Line[20]	\$ 313,683

Increase / (Decrease) in Operating Expenses:

	[F]	[G]	[H]	[I]		Total
	<u>Purchased Water</u>	<u>Fuel & Power</u>	<u>Chemicals</u>	<u>Other Customer Accounting</u>		
29 Test Year Adjusted Expense from Sch C-2	\$ -	\$ 17,316	\$ 19,172	\$ 23,093		
30 Average Customers (from Sch E7) times 12 bills	17,997	17,997	17,997	17,997		
31 Cost per Customer	\$ -	\$ 0.962	\$ 1.065	\$ 1.283	Line[29] / Line[30]	
33 Customer Growth Willow Valley Water	27	27	27	27	(c)	
34 Additional Expense	\$ -	\$ 26				
			\$ 29			
				\$ 35		\$ 90 Sum Col [F-I]

Workpapers & Supporting Documents:

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

4 - Factor

Business Unit	7R	0.7104%
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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		
	Advertising	Promotion	Donation	Total	
Total 7A Corporate Expenses (a)	\$ 30,500	\$ 280,264	\$ 24,002	\$ 334,766	
7A Allowed Expenses (b)	16,139	3,750	-	19,888	
7A Disallowed Expenses	\$ 14,361	\$ 276,514	\$ 24,002	\$ 314,877	Line[15] - Line[16]
Willow Valley Water 4-Factor	0.7104%	0.7104%	0.7104%		
7A Disallowed Expenses allocated to District	\$ 102	\$ 1,964	\$ 171	\$ 2,237	Line[17] * Line[19] \$ 2,237
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]	\$ 2,273
Adjustment to Revenue and/or Expense	Line[33]	\$ (2,273)

Workpapers & Supporting Documents:

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

Line No.	Business Unit	7R			
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	\$ 161,711		
9		Performance Based Compensation	\$ 15,206	\$ 176,917	Line[8]+Line[9]
10					
11	Fully Allocated Labor Expense per General Ledger (b)				
12		Increase/(Decrease) in Labor Expense		\$ 148,397	Line[9] - Line[11] \$ 28,520
13					
14					
15					
16					
17					
18	Group Insurance and Other Benefits as calculated per the Payroll Model(a)				
19		401K	\$ 14,593		
20		Insurance	\$ 35,335		
21		Pension	\$ 3,174	\$ 53,102	Line[19]+Line[20]+Line[21]
22					
23	Fully Allocated Labor Expense per General Ledger (b)				
24		Increase/(Decrease) in Group Insurance Expense		\$ 53,142	Line[21]-Line[23] \$ (40)
25					
26					
27					
28					
29					
30	Payroll Taxes as calculated per the Payroll Model(a)				
31		Taxes	\$ 12,972	\$ 12,972	Line[31]
32					
33	Fully Allocated Labor Expense per General Ledger (b)				
34		Increase/(Decrease) in General Taxes - Other		\$ 12,389	Line[31] - Line[33] \$ 582
35					
36					
37	Increase/(Decrease) in Labor Related Expense				
38					Sum Lines[12] thru [34] \$ 29,062
39					
40	Adjustment to Revenue and/or Expense				
41					Line [37] \$ 29,062
42					
43		Total	\$ 242,990	Line [8]+[9]+[19]+[20]+[21]+[31]	
44		Check	\$ 242,990	\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 Willow Valley Water.xlsm				

Line
 No.

1 Purchased Power Adjustment and Surcharge Business Unit 7R

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>	2016	2016	2016	2016
12	5617 Power Charges	\$ 300	\$ 17,015		\$ 17,316
13	5616 Natural Gas Charges	\$ -	\$ -		\$ -
14	Annualization				\$ 26
15	Increase / (Decrease) to Purchase Power Expense				<u>\$ (17,342)</u> <small>Line[12 - 14]</small>

45 Workpapers & Supporting Documents:
 46 (a) Sch E-6b
 47 (b) Sch E-6a
 48
 49
 50 \2016 Willow Valley Water.xlsm

**PURCHASED POWER
 SURCHARGE CALCULATION**

Line
No.

1 Purchased Power Adjustment and Surcharge Business Unit 7R

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

6 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
 7 Phoenix corporate office. On March 1, 2017, APS reached a settlement agreement with the major parties in its rate case filed on June 1, 2016. The Company does not
 8 expect the Commission to issue a decision prior to the filing of this rate case, but is aware that the commercial rates will increase if the settlement is approved. In addition
 9 to increased base rates resulting from the rate case application, APS utilizes a number of adjustor mechanisms that have caused electric costs to increase year-over-year,
 10 between APS filing general rate applications. Accordingly, the Company adjusts the power charges included in the proposed PCAM based on the three-year average trend
 11 of known and measurable historical annual cost increases. Electric costs for districts using APS are adjusted for 2017 and 2018 to account for known rate increases that
 12 will be effective prior to the resolution of this case.

13
 14 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
 15 (August 18, 2016), authorizing new rates for residential and commercial customers. The Company has multiple accounts with UNS Electric. As these rate increases are
 16 known and measurable, but not fully reflected in the 2016 purchased power costs, a one-time adjustment is included to annualize this increase in purchased power costs
 17 included in the adjustor mechanism in-line with the newly authorized tariff for the eight months of the year that were not billed using the current tariff.

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

23
 24

	[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>	
5617 Power Charges	\$ 300	\$ 17,015		\$	17,316
5616 Natural Gas Charges	\$ -	\$ -		\$	-
Annualization				\$	26
Total Purchased Power Expense				\$	17,342 <small>Line[29 - 31]</small>
2017 % Increase	6.29%	0.26%			
2018 % Increase	6.29%	0.00%			
	[E]	[F]	[G]	[H]	[I] = [E] + [F] + [G] + [H]
	<u>Corporate</u>	<u>Direct</u>	<u>Natural Gas</u>	<u>Annualization</u>	<u>Total</u>
2017 Increase	\$ 19	\$ 44	\$ 0	\$ 0	\$ 63 <small>Line[29]*Line[33], Line [31]*Line [33]</small>
2017 Expense	\$ 319	\$ 17,060	\$ -	\$ 26	\$ 17,405 <small>Line[29]+Line[38], Line [31]*Line [38]</small>
2018 Increase	\$ 20	\$ -	\$ 0	\$ -	\$ 20 <small>Line[34]*Line[39]</small>
2018 Expense	\$ 339	\$ 17,060	\$ -	\$ 26	\$ 17,425 <small>Line[39]+Line[41]</small>
	Total Billed Gallons (in thousand of gallons)				53,977
<u>Workpapers & Supporting Documents:</u>	Surcharge Per Thousand Gallons				\$ 0.3228 <small>Line[42]/Line[44]</small>
(a) Sch E-6b					
(b) Sch E-6a					
(c) Sch E-6c					
\Purchased Power Adjustment Calc.xlsx					
\2016 Willow Valley Water.xlsm					

Line
 No.

1 Removal of 10% of Performance Based Compensation

4-Factor	
Willow Valley Water	0.7104%
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 budget. Each of these 3 targets is weighted at 30 percent with the remaining 10 percent based upon achieving a financial target focused on earning the authorized rate of return. This pro forma adjustment removes this financial component which represents 10 percent of the target for Performance Based Compensation Plan.
 This pro form adjustment is similar to what was adopted by the Commission in Decision No. 78268 as well as what was termed in the settlement agreement pending in Docket No. WS-01303A-16-0145.

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	[A]	[B]	[C] = [A] * [B]	[D] = [C] * -10.0%	
	<u>Performance Based</u>		<u>Performance Based</u>		
	<u>Compensation Expense</u>		<u>Compensation Expense for District</u>		
	<u>Allocation Factor</u>		<u>Minus 10%</u>		
24	Direct Performance Based Compensation Expense	\$ 4,649	100.0000%	\$ 4,649	\$ (465)
26	7A Arizona Performance Based Comp Exp	\$ 1,177,956	0.7104%	8,368	(837)
27	6U EPCOR Water USA Performance Based Comp Exp	\$ 351,374	0.6231%	2,189	(219)
31	Total Performance Based Compensation Expense			\$ 15,206	Sum Lines[24] thru [27] Col [C]
32				Check \$ 15,206	Adj IS-8
33				Diff \$ -	
34	Minus 10%			Sum Lines[24] thru [27] Col [D]	\$ (1,521)
37	Total Increase / (Decrease) to Labor				Line [34] \$ (1,521)
39	Adjustment to Revenue and/or Expense				Line [37] <u>\$ (1,521)</u>

45 Workpapers & Supporting Documents:
 46 Payroll, Benefits & Taxes_TY 2016.xlsx
 47 4-Factor
 48
 49
 50 \2016 Willow Valley Water.xlsm

Line No. Business Unit 7R

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.

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) \$ 2,618

23 Total Increase / (Decrease) to Postage Expense

Col [C] Line[18]*Line[21] \$ 37

25 Adjustment to Revenue and/or Expense

Line [23] \$ 37

44 Workpapers & Supporting Documents:

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

Line

No.
 1 Customer Care and Billing Services

Business Unit 7R

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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.

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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	\$	11,906	(a)
CPI Adjustment 2017	\$	194	Line[18]*1.63%
Adjusted 2017 Expense	\$	12,100	Sum Line[18+20]
CPI Adjustment 2018	\$	197	Line[21]*1.63%
Adjusted 2018 Expense	\$	12,297	Sum Line[21+23]

39
 40
 41

Total Increase/ (Decrease) to C.U.S Charges	Line[20]+Line[23]	\$	391
Adjustment to Revenue and/or Expense	Line[39]	\$	<u>391</u>

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Workpapers & Supporting Documents:
 (a) Sche6 Line19
 Phoenix All Consumers CPI 3.22.17.xlsx
 \2016 Willow Valley Water.xlsm

Line No. Business Unit 7R

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	Willow Valley Water	\$ 7,364 (a)	
10				
11				
12	Estimated Amortization Period in Years		<u>3</u>	
13				
14				
15				
16				
17				
18				
19				
20	Increase / (Decrease) to Regulatory Expense		Line [15] / Line [18] \$ 2,455	
21				
22	Adjustment to Revenue and/or Expense		Line [26] <u>\$ 2,455</u>	
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44	<u>Workpapers & Supporting Documents:</u>			
45	(a) \Rate Case Expense 2016 TY.xlsx			
46	.			
47				
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49				
50	\2016 Willow Valley Water.xlsm			

Line

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45 Workpapers & Supporting Documents:

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50 \2016 Willow Valley Water.xlsm

Line
 No.

Annualize Willow Valley Expense

Decision No. 75484 dated March 10, 2016, approved the sale of Willow Valley Water Company Inc.'s water system assets and the transfer of its Certificate of Convenience and Necessity to EPCOR Water Arizona Inc. EPCOR acquired ownership in May 2016 therefore the general ledger only reflects expenses for the period May 2016 through December 2016. This proforma adjustment is being made to annualize the expenses for the year that do not already have separate proforma adjustments to reflect annual expenses.

	[A]	[B] = [A] / 8	[C] = [B] *12	[D]= [C] - [A]
	Total Operating Expenses (a)	Monthly Average	Annualized Expenses	Proforma Adjustment
	<u>May 2016 - Dec 2016</u>	<u>Average</u>	<u>Expenses</u>	<u>Adjustment</u>
Purchased Water	\$ -	\$ -	\$ -	\$ -
Fuel & Power	17,316	2,164	-	
Chemicals	19,172	2,396	28,758	9,586
Waste Disposal & Other Utilities	624	78	936	312
Corporate Allocation	32,318	4,040	48,478	16,159
Outside Services	31,418	3,927	47,128	15,709
Customer Accounting	23,093	2,887	34,640	11,547
Rents	3,784	473	5,676	1,892
General Office Expense	17,144	2,143	25,716	8,572
Miscellaneous	16,929	2,116	25,394	8,465
Maintenance Expense	59,153	7,394	88,730	29,577
General Taxes-Other	<u>12,933</u>	<u>1,617</u>	<u>19,399</u>	<u>6,466</u>
	\$ 233,885	\$ 29,236	\$ 324,853	
Increase/(Decrease) to Expenses				<u>\$ 108,284</u>

Workpapers & Schedules

(a) Sch E6

Line

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Business Unit	7R
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Annualize Depreciation Expense on Direct Plant

Adjustment to annualize depreciation expense based on plant balances at the end of 2016.
--

Depreciation Expense on Direct Plant	(a)	\$	250,966
Depreciation Expense per General Ledger	(b)	\$	<u>99,785</u>
Increase / (Decrease) to Depreciation Expense	Line[12] - Line[14]	\$	151,181
Adjustment to Revenue and/or Expense	Line[16]	\$	<u>151,181</u>

Workpapers & Supporting Documents:

- (a) \Summary of Plant Balances and Accum Depr by NARUC.xlsx
- (b) Sch E-6a Line 24
- \2016 Willow Valley Water.xlsm

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	PLANT	Add'l	12 Months	Capital	Test Year	
				Test Year End PLANT	Test Year End ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	on Test Year 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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	302000	0.00%	Franchises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	303200	0.00%	Land & Land Rights Supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	303300	0.00%	Land & Land Rights Pumping	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	303400	0.00%	Land & Land Rights Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	303500	0.00%	Land & Land Rights T&D	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	303600	0.00%	Land & Land Rights General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	304100	3.33%	Structures & Improvements Supply	463,653	173,789	-	-	-	-	-	-	-	289,864	15,455	-	-	-	-	-
9	304200	3.33%	Structures & Improvements Pumping	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	304300	3.33%	Structures & Improvements Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	304400	3.33%	Structures & Improvements Trans & Dist	4,634	26	-	-	-	-	-	-	4,609	154	-	-	-	-	-	-
12	304500	3.33%	Structures & Improvements General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	304600	3.33%	Structures & Improvements Offices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	304620	3.33%	Structures & Improvements Leasehold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	304700	3.33%	Structures & Improvements Store,Shop,(-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	1,661,237	467,875	-	-	44,000	733	(1,114)	-	-	1,236,628	55,375	-	1,467	-	-	(37)
20	308000	6.67%	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	309000	2.00%	Supply Mains	5,441	698	-	-	-	-	-	-	4,743	109	-	-	-	-	-	-
22	310000	5.00%	Power Production Equipment	10,751	5,005	-	-	-	-	-	-	5,746	538	-	-	-	-	-	-
23	310100	5.00%	Power Production Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	311000	8.33%	Pumping Equipment Steam	576,528	621,133	-	-	-	-	-	-	(44,606)	48,044	-	-	-	-	-	-
25	311200	8.33%	Pumping Equipment Electric	-	-	4,907	204	-	-	-	-	-	-	409	-	-	-	-	-
26	311300	8.33%	Pumping Equipment Diesel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	311400	8.33%	Pumping Equipment Hydraulic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	311500	8.33%	Pumping Equipment Other	7,779	849	-	-	-	-	-	-	6,930	648	-	-	-	-	-	-
29	311530	8.33%	Pumping Equipment Water Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	320100	5.00%	Water Treatment Equipment Non-Media	305,771	194,637	-	-	-	-	-	-	111,134	15,289	-	-	-	-	-	-
31	320200	10.00%	Water Treatment Equipment Filter Media	278,207	283,249	-	-	-	-	-	-	(5,042)	27,821	-	-	-	-	-	-
32	330000	2.22%	Distribution Reservoirs & Standpipes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	330100	2.22%	Elevated Tank & Standpipes	244,409	147,967	-	-	-	-	-	-	96,442	5,431	-	-	-	-	-	-
34	330200	2.00%	Ground Level Tanks	21,491	269	-	-	-	-	-	-	21,222	430	-	-	-	-	-	-
35	330300	2.00%	Below Ground Tanks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	330400	2.00%	Clearwell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	331001	2.00%	TD Mains Not Classified by Size	810,496	314,546	2,143	21	194,800	1,948	-	-	688,802	16,210	43	3,896	-	-	-	-
38	331100	2.00%	TD Mains 4in & Less	5,082	67	-	-	-	-	-	-	5,014	102	-	-	-	-	-	-
39	331200	2.00%	TD Mains 6in to 8in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40	331300	2.00%	TD Mains 10in to 16in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	331400	2.00%	TD Mains 18in & Grtr	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	332000	2.00%	Fire Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	333000	3.33%	Services	113,677	72,261	-	-	-	-	(309)	-	41,416	3,789	-	-	-	-	-	(10)
44	334100	8.33%	Meters	561,562	395,660	9,347	389	6,000	250	(940)	-	171,652	46,797	779	500	-	-	-	(78)
45	334200	3.33%	Meter Installations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
46	334300	3.33%	Meter Vaults	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	335000	2.00%	Hydrants	51,038	20,472	-	-	-	-	-	-	30,566	1,021	-	-	-	-	-	-
48	336000	6.67%	Backflow Prevention Devices	1,024	621	-	-	-	-	-	-	403	68	-	-	-	-	-	-
49	339100	6.67%	Other P/E-Intangible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	339200	6.67%	Other P/E-Supply	8,561	463	-	-	-	-	-	-	8,098	571	-	-	-	-	-	-
51	339500	6.67%	Other P/E-TD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	339600	6.67%	Other P/E-CPS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	340100	6.67%	Office Furniture & Equipment	16,230	13,139	-	-	-	-	-	-	3,091	1,082	-	-	-	-	-	-
54	340200	20.00%	Computer & Periph Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	340300	20.00%	Computer Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	340500	6.67%	Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	341100	14.29%	Transportation Equip Light Duty Trucks	24,862	30,852	-	-	-	-	-	105,102	15,015	84,098	3,552	-	-	15,015	-	-
58	341200	14.29%	Transportation Equip Heavy Duty Trucks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	341400	14.29%	Transportation Equipment Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60	342000	4.00%	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61	343000	5.00%	Tools,Shop,Garage Equipment	39,610	20,291	6,013	150	4,500	113	-	-	23,707	1,980	301	225	-	-	-	-
62	344000	10.00%	Laboratory Equipment	11,795	8,498	-	-	-	-	-	-	3,297	1,179	-	-	-	-	-	-
63	345000	5.00%	Power Operated Equipment	41,249	25,275	-	-	-	-	-	-	15,974	2,062	-	-	-	-	-	-
64	346100	10.00%	Communication Equipment Non-Telephc	6,831	9,724	-	-	5,000	250	-	-	1,858	683	-	-	500	-	-	-
65	346190	10.00%	Remote Control & Instrument	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
66	346200	10.00%	Communication Equipment Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67	346300	10.00%	Communication Equipment Other	1,411	12	-	-	-	-	-	-	1,399	141	-	-	-	-	-	-
68	347000	10.00%	Miscellaneous Equipment	10,443	9,232	-	-	-	-	-	-	1,210	1,044	-	-	-	-	-	-
69	348000	10.00%	Other Tangible Plant	13,910	1,650	-	-	-	-	-	-	12,260	1,391	-	-	-	-	-	-
70																			
71																			
72		378.30%	TOTAL	5,297,682	2,818,262	22,410	766	254,300	3,294	(2,363)	105,102	15,015	2,820,513	250,966	1,531	6,588	15,015	-	(126)

Depreciable Plant 5,297,682 Line [72] - Lines [1]-[7]
 Composite Depr Rate 4.74%

Line No.				
1	<u>Annualize Depreciation Expense on Corporate Plant</u>			
2				
3	4 Factor - GMC 0.7941%			
4	Adjustment to annualize depreciation expense based on plant balances at the end of 2016 on Arizona Corporate Plant			
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9	Depreciation Expense on Corporate Plant	\$	832,381 (a)	
10				
11	Allocated Depreciation Expense on Corporate Plant		GMC 4 Factor*Line[9] \$	6,610
12				
13				
14				
15	Allocated Depreciation Expense on Corporate Plant per General Ledger		(b) \$	<u>11,174</u>
16				
17				
18	Increase/ (Decrease) to Depreciation Expense		Line[11] - Line[15] \$	(4,564)
19				
20	Adjustment to Revenue and/or Expense		Line[18] \$	<u>(4,564)</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 Willow Valley 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 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			-	-	-	-		51,197	16,091	259,130	34,901	-	-	-	7,314	-	
10	341200	14.29%	Transportation Equip Heavy Duty Trucks	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-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	68,989	-	-	-	-	-	
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
 Composite Depr Rate

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

Line
 No.

GMC 4 Factor	0.7941%
Arizona Total	91.0728%
Alloc Factor	0.723%

1 Annualize Depreciation Expense on 6U

2
 3 Adjustment to annualize depreciation expense based on plant balances at the end of 2016 on USA Corporate Plant (Shared between AZ Operations and New Mexico Operations)

9	Depreciation Expense on 6U Plant	\$	834,005 (a)	
11	Allocated Depreciation Expense on 6U Plant		Allocation Factor*Line [9]	\$ 6,031
15	Allocated Depreciation Expense on 6U Plant per General Ledger			<u>-</u>
18	Increase / (Decrease) to Depreciation Expense		Line[11] - Line[15]	\$ 6,031
20	Adjustment to Revenue and/or Expense		Line[18]	<u>\$ 6,031</u>

44 Workpapers & Supporting Documents:
 45 (a) \Summary of Plant Balances and Accum Depr by NARUC.xlsx
 46
 47
 48
 49 \2016 Willow Valley 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
1	304500	3.33%	Structures & Improvements General			-	-	-	-	-	-	-	-	-	-	-
2	304620	3.33%	Structures & Improvements Leasehold			-	-	-	-	-	-	-	-	-	-	-
3	334100	8.33%	Meters			-	-	-	-	-	-	-	-	-	-	-
4	339600	6.67%	Other P/E-CPS			-	-	-	-	-	-	-	-	-	-	-
5	340100	6.67%	Office Furniture & Equipment			-	-	-	-	-	-	-	-	-	-	-
6	340200	20.00%	Computer & Periphel Equipment	2,457,015	509,650	183,568	18,357	1,350,000	135,000	-	3,327,576	491,403	36,714	270,000	-	-
7	340300	20.00%	Computer Software	1,713,011	1,246,397	689,135	68,914	300,000	30,000	-	1,356,836	342,602	137,827	60,000	-	-
8	340330	20.00%	Computer Software Other			-	-	-	-	-	-	-	-	-	-	-
9	341100	14.29%	Transportation Equip Light Duty Trucks			-	-	-	-	-	-	-	-	-	-	-
10	341200	14.29%	Transportation Equip Heavy Duty Trucks			-	-	-	-	-	-	-	-	-	-	-
11	341400	14.29%	Transportation Equipment Other			-	-	-	-	-	-	-	-	-	-	-
12	344000	10.00%	Laboratory Equipment			-	-	-	-	-	-	-	-	-	-	-
13	346100	10.00%	Communication Equipment Non-Telephone			-	-	-	-	-	-	-	-	-	-	-
14	346190	10.00%	Remote Control & Instrument			-	-	-	-	-	-	-	-	-	-	-
15	346200	10.00%	Communication Equipment Telephone			-	-	-	-	-	-	-	-	-	-	-
16	346300	10.00%	Communication Equipment Other			-	-	-	-	-	-	-	-	-	-	-
17	347000	10.00%	Miscellaneous Equipment			-	-	-	-	-	-	-	-	-	-	-
18	391000	20.00%	WW Trans Equipment			-	-	-	-	-	-	-	-	-	-	-
19																
20																
21			TOTAL	4,170,026	1,756,047	872,703	87,270	1,650,000	165,000	-	4,684,412	834,005	174,541	330,000	-	-

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

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

No.
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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 - Willow Valley Water	\$ 6,588	100.0000%	\$ 6,588
15 Depreciation on Additional Test Year Plant Additions for District - Test Year Ended December 31, 2016	1,531	100.0000%	1,531
16 Depreciation on Corporate Post Test Year Plant Additions Allocated	26,571	0.7941%	211
17 Depreciation on Additional Corporate Test Year Plant Additions Allocated	17,375	0.7941%	138
18 Depreciation on 6U Post Test Year Plant Additions Allocated	330,000	0.7232%	2,387
19 Depreciation on Additional 6U Test Year Plant Additions Allocated	174,541	0.7232%	1,262
23 Increase / (Decrease) to Depreciation Expense	<u>\$ 556,607</u> <small>Sum Lines[14] thru [19]</small>		<u>\$ 12,117</u> <small>Sum Lines[14] thru [19]</small>

Increase / (Decrease) to Depreciation Expense

\$ 12,117

Adjustment to Revenue and/or Expense

Line [23] \$ 12,117

Workpapers & Supporting Documents:

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

\2016 Willow Valley Water.xlsm

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	PLANT	Add'l	12 Months	Capital	Test Year	
				Test Year End PLANT	Test Year End ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	302000	0.00%	Franchises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	303200	0.00%	Land & Land Rights Supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	303300	0.00%	Land & Land Rights Pumping	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	303400	0.00%	Land & Land Rights Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	303500	0.00%	Land & Land Rights T&D	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	303600	0.00%	Land & Land Rights General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	304100	3.33%	Structures & Improvements Supply	463,653	173,789	-	-	-	-	-	-	-	289,864	15,455	-	-	-	-	-
9	304200	3.33%	Structures & Improvements Pumping	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	304300	3.33%	Structures & Improvements Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	304400	3.33%	Structures & Improvements Trans & Dist	4,634	26	-	-	-	-	-	-	4,609	154	-	-	-	-	-	-
12	304500	3.33%	Structures & Improvements General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	304600	3.33%	Structures & Improvements Offices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	304620	3.33%	Structures & Improvements Leasehold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	304700	3.33%	Structures & Improvements Store, Shop, (-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	1,661,237	467,875	-	-	44,000	733	(1,114)	-	1,236,628	55,375	-	-	1,467	-	-	(37)
20	308000	6.67%	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	309000	2.00%	Supply Mains	5,441	698	-	-	-	-	-	-	4,743	109	-	-	-	-	-	-
22	310000	5.00%	Power Production Equipment	10,751	5,005	-	-	-	-	-	-	5,746	538	-	-	-	-	-	-
23	310100	5.00%	Power Production Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	311000	8.33%	Pumping Equipment Steam	576,528	621,133	-	-	-	-	-	-	(44,606)	48,044	-	-	-	-	-	-
25	311200	8.33%	Pumping Equipment Electric	-	-	4,907	204	-	-	-	-	-	-	-	409	-	-	-	-
26	311300	8.33%	Pumping Equipment Diesel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	311400	8.33%	Pumping Equipment Hydraulic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	311500	8.33%	Pumping Equipment Other	7,779	849	-	-	-	-	-	-	6,930	648	-	-	-	-	-	-
29	311530	8.33%	Pumping Equipment Water Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	320100	5.00%	Water Treatment Equipment Non-Media	305,771	194,637	-	-	-	-	-	-	111,134	15,289	-	-	-	-	-	-
31	320200	10.00%	Water Treatment Equipment Filter Media	278,207	283,249	-	-	-	-	-	-	(5,042)	27,821	-	-	-	-	-	-
32	330000	2.22%	Distribution Reservoirs & Standpipes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	330100	2.22%	Elevated Tank & Standpipes	244,409	147,967	-	-	-	-	-	-	96,442	5,431	-	-	-	-	-	-
34	330200	2.00%	Ground Level Tanks	21,491	269	-	-	-	-	-	-	21,222	430	-	-	-	-	-	-
35	330300	2.00%	Below Ground Tanks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	330400	2.00%	Clearwell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	331001	2.00%	TD Mains Not Classified by Size	810,496	314,546	2,143	21	194,800	1,948	-	-	688,802	16,210	43	-	3,896	-	-	-
38	331100	2.00%	TD Mains 4in & Less	5,082	67	-	-	-	-	-	-	5,014	102	-	-	-	-	-	-
39	331200	2.00%	TD Mains 6in to 8in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40	331300	2.00%	TD Mains 10in to 16in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	331400	2.00%	TD Mains 18in & Grtr	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	332000	2.00%	Fire Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	333000	3.33%	Services	113,677	72,261	-	-	-	-	(309)	-	41,416	3,789	-	-	-	-	-	(10)
44	334100	8.33%	Meters	561,562	395,660	9,347	389	6,000	250	(940)	-	171,652	46,797	779	500	-	-	-	(78)
45	334200	3.33%	Meter Installations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
46	334300	3.33%	Meter Vaults	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	335000	2.00%	Hydrants	51,038	20,472	-	-	-	-	-	-	30,566	1,021	-	-	-	-	-	-
48	336000	6.67%	Backflow Prevention Devices	1,024	621	-	-	-	-	-	-	403	68	-	-	-	-	-	-
49	339100	6.67%	Other P/E-Intangible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	339200	6.67%	Other P/E-Supply	8,561	463	-	-	-	-	-	-	8,098	571	-	-	-	-	-	-
51	339500	6.67%	Other P/E-TD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	339600	6.67%	Other P/E-CPS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	340100	6.67%	Office Furniture & Equipment	16,230	13,139	-	-	-	-	-	-	3,091	1,082	-	-	-	-	-	-
54	340200	20.00%	Computer & Periph Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	340300	20.00%	Computer Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	340500	6.67%	Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	341100	14.29%	Transportation Equip Light Duty Trucks	24,862	30,852	-	-	-	-	-	105,102	15,015	84,098	3,552	-	-	15,015	-	-
58	341200	14.29%	Transportation Equip Heavy Duty Trucks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	341400	14.29%	Transportation Equipment Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60	342000	4.00%	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61	343000	5.00%	Tools, Shop, Garage Equipment	39,610	20,291	6,013	150	4,500	113	-	-	23,707	1,980	301	225	-	-	-	-
62	344000	10.00%	Laboratory Equipment	11,795	8,498	-	-	-	-	-	-	3,297	1,179	-	-	-	-	-	-
63	345000	5.00%	Power Operated Equipment	41,249	25,275	-	-	-	-	-	-	15,974	2,062	-	-	-	-	-	-
64	346100	10.00%	Communication Equipment Non-Telephc	6,831	9,724	-	-	5,000	250	-	-	1,858	683	-	-	500	-	-	-
65	346190	10.00%	Remote Control & Instrument	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
66	346200	10.00%	Communication Equipment Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67	346300	10.00%	Communication Equipment Other	1,411	12	-	-	-	-	-	-	1,399	141	-	-	-	-	-	-
68	347000	10.00%	Miscellaneous Equipment	10,443	9,232	-	-	-	-	-	-	1,210	1,044	-	-	-	-	-	-
69	348000	10.00%	Other Tangible Plant	13,910	1,650	-	-	-	-	-	-	12,260	1,391	-	-	-	-	-	-
70																			
71																			
72		378.30%	TOTAL	5,297,682	2,818,262	22,410	766	254,300	3,294	(2,363)	105,102	15,015	2,820,513	250,966	1,531	6,588	15,015	(126)	

Depreciable Plant 5,297,682 Line [72] - Lines [1]-[7]
 Composite Depr Rate 4.74%

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.

4- Factor	GMC	0.7941%
-----------	-----	---------

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

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

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

15 District Allocation

\$ (1,512) [C] Line [12] * GMC Factor

31 Increase / (Decrease) to Depreciation Expense

\$ (1,512) Line [15]

44 Workpapers & Supporting Documents:

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

50 \2016 Willow Valley 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 PITYP	Removal PITYP	Add'l Cap TY	Add'l Cap TY	12 Months PITYP	12 Months PITYP	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 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			-	-	-	-		51,197	16,091	259,130	34,901	-	-	-	7,314	-	
10	341200	14.29%	Transportation Equip Heavy Duty Trucks	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-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	68,989	-	-	-	-	-	
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]-[7]
 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	\$ (536,830) (a)	
9			
10	Composite Depreciation Rate	<u>4.7373%</u> (b)	
11			
12			
13			
14	Increase / (Decrease) to Depreciation Expense	Line[8] * Line [10] \$	(25,431)
15			
16	Adjustment to Revenue and/or Expense	Line [14] \$	<u>(25,431)</u>
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
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44			
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 Willow Valley Water.xlsm		

Line					
<u>No.</u>					
1	<u>Adjust Corporate Allocations</u>				
2					
3	Corporate Allocation as of 12/31/16 has been annualized for one year with this adjustment. Corporate Allocations are costs associated with operational services provided by EPCOR Utilities, Inc. ("EUI") including Human Resources, Accounting and Reporting Software, Legal, and Treasury Management Services. This adjustment removes Public and 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 2018				
4					
5					
6					
7					
8	Test Year Corporate Allocations			(a) \$	32,318
9					
10	Adjusted Test Year Corporate Allocations			Line [8]	<u>\$ 32,318</u>
11					
12					
13	Total Corporate Allocation	\$ 4,549,356	(b)		
14					
15	Remove Public & Government Affairs - Gov't Relations & Community Relation:	(344,976)	(c)		
16					
17	Remove 10% Performance Based Compensation	<u>(41,895)</u>	(c)		
18		\$ 4,162,486	Line[13]+Line[15]+Line [17]	\$	4,162,486 Line[13]+Line[15]+Line [17]
19					
20					
21	Percent attributable to Labor	<u>88.29%</u>	(c)		
22	Corporate Allocation - Labor	\$ 3,674,998	Line[18] * Line[21]		
23					
24					
25					
26	2017 Labor Increase	3.00%	\$ 110,250	Line[22]*3.00%	
27	2018 Labor Increase	3.00%	\$ 113,557	(Sum Lines[22] and [26]) * 3.00%	
28	Total Labor Increase			\$	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	Willow Valley Water 4 Factor				0.7104%
32	District Allocation of Arizona Corporate Allocations			\$	31,160 Line[29]*Line[31]
33					
34	Pro Forma Adjustment to Corporate Allocations			Line [32]	<u>\$ 31,160</u>
35					
36					
37					
38					
39	Increase / (Decrease) in Corporate Allocation			Line[34]-Line[10]	\$ (1,158)
40					
41	Adjustment to Revenue and/or Expense			Line [39]	<u>\$ (1,158)</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.xlsx				
49					
50	\2016 Willow Valley Water.xlsm				

Line

No.

1 CPI Increase Business Unit 7R

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
 4 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.
 5 Chemical expense is projected to increase by 4% based on initial service contracts negotiations that are being worked on with the vendor

6

7 2016 Unadjusted Expenses

8 Description	Account	Amount (a)	
9 Chemicals	5263	\$ 19,172	A
10 Other Utilities	5621	624	B
11 Asset Usage Fee - Corporate	6203	2,211	C
12 Consulting Engineering	5227	38	D
13 Contractors and Consultants	5250	24,197	D
14 Administrative Contractors	5679	314	D
15 Outside Computer Charges (T1)	5628	3,783	D
16 Temporary Support	5629	1,279	D
17 Legal Fees	5681	1,808	D
18 Service Charges	5615	2,197	E
19 Customer Communications	5674	5,338	E
20 Rent and Storage	5810	3,784	F
21 Freight and Courier	5262	150	F
22 Telephone, Long Distance, Data	5620	6,594	F
23 Stationary, Printing & Other O	5622	1,429	F
24 Office Machines, Furniture	5623	887	F
25 Parking	5630	33	F
26 Vehicle Allowance	5631	180	F
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]

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

	[A]	[B]	[C]	[D]
	Total	Year 1	Year 2	Total
Sum of A Chemicals	\$ 19,172	\$ 767	\$ 798	\$ 1,564
Sum of B Waste Disposal & Other Utilities	624	7	7	14
Sum of C Corporate Allocation	2,211	25	25	50
Sum of D Outside Services	31,418	357	361	718
Sum of E Customer Accounting	7,536	86	87	172
Sum of F General Office Exp	17,655	201	203	403
Sum of G Miscellaneous	16,709	190	192	382
Sum of H Maintenance Expense	55,088	626	633	1,258
Sum Lines[18]thru[25]	\$ 150,412	\$ 2,257	\$ 2,305	\$ 4,562

Sum Lines[18]thru[25] \$ 150,412 \$ 2,257 \$ 2,305 \$ 4,562

Increase / (Decrease) to Expense Line [26] Col [D] \$ 4,562

47 Workpapers & Supporting Documents:

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

49

50 \2016 Willow Valley Water.xlsx

Line

No.

Water System Acquisition Amortization

Decision Number 75484 approved the transfer of Willow Valley Water Co, Inc.'s assets to EPCOR Water Arizona Inc. Page 16 line 5 states that ".... Any acquisition premium or similar adjustment should be based on EPCOR's ability to demonstrate that clear, quantifiable and substantial net benefits have been realized by Willow Valley rate papers... which would not have been realized had the transaction not occurred." On Page 16 Line 21, the Commission further states that "...**it is reasonable and appropriate to defer consideration for recovery of the Acquisition Premium through the proposed AAM until Willow Valley's next rate case.**"

EPCOR believes it has met the burden of demonstration of quantifiable and substantial benefits, and is therefore requesting recover of the acquisition premium paid of the Willow Valley Assets. The Premium may be recovered in 1 of two ways. Either through inclusion of a regulatory asset in rate base, and amortization of that asset, or through a surcharge mechanism, demonstrated in SMC Rb-1. Please see the Direct Testimony of Jeff Stuck and Sarah Clor for discussion of Willow Valley benefits.

EPCOR Proposes amortizing the acquisition reflected in SMC RB-9 for 13 years.

14	Willow Valley Rate Base as of 5/9/2016		\$ 2,069,801				
15	Acquisition Premium		202,971				
16	Property Taxes Refunded to Previous owner at Closing		(11,181)		Gross Plant at Test Year End	\$ 5,297,682	SMC RB-1
17	Misc Closing Costs		2,007		A/D at Test Year End	\$ 2,818,262	SMC RB-1
18	Total Closing Price	Sum Lines [14-17]	\$ 2,263,597		Percent Depreciated	53%	Line [17]/ Line[16]
20	Difference Between Price Paid and Rate Base (Premium)	Line [18] - Line[14]	\$ 193,796	Weighted Average Useful life of Willow Plant	27.78	(a)	
				Remaining Life	13.00	1- Line[18] * Line[20]	
25	Premium Paid		\$ 193,796	Line [20]			
26	Amortization Period		13.00	Line [21]			
27	Annual Amortization		\$ 14,907	Line [25] / [26]			
30	Increase / (Decrease) to Expense						Line [27] \$ <u>14,907</u>

Workpapers & Supporting Documents:

(a) UPIS Willow Valley Water

\2016 Willow Valley Water.xlsm

50

Line
 No.

1 Retirements on Test Year Plant -Depreciation Business Unit 7R

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

GMC 4 Factor	0.7941%
Arizona Total	91.0728%
Alloc Factor	0.7233% <small>Line[7]*Line[8]</small>

	[A]	[B]	[C] = [A] * [B]
	<u>Depreciation on Retirements on Test Year Plant (a)</u>	<u>Allocation Factor</u>	<u>Depreciation Expense</u>
16 Depreciation on Retirements on Test Year Plant for District - Willow Valley Water	\$ (126)	100.0000%	\$ (126)
18 Depreciation on Corporate Retirements on Test Year Plant Allocated	\$ -	Line [7] 0.7941%	\$ -
20 Depreciation on 6U Retirements on Test Year Plant Allocated	\$ -	Line [9] 0.7232%	\$ -
24	<u>\$ (126)</u> <small>Sum Lines[16] thru [20]</small>		<u>\$ (126)</u> <small>Sum Lines[16] thru [20]</small>

25 Increase / (Decrease) to Depreciation Expense

32 Adjustment to Revenue and/or Expense Line [25] \$ (126)

45 Workpapers & Supporting Documents:

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

50 \2016 Willow Valley Water.xlsm

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	PLANT	Add'l	12 Months	Capital	Test Year	
				Test Year End PLANT	Test Year End ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	on Test Year 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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	302000	0.00%	Franchises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	303200	0.00%	Land & Land Rights Supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	303300	0.00%	Land & Land Rights Pumping	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	303400	0.00%	Land & Land Rights Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	303500	0.00%	Land & Land Rights T&D	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	303600	0.00%	Land & Land Rights General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	304100	3.33%	Structures & Improvements Supply	463,653	173,789	-	-	-	-	-	-	-	289,864	15,455	-	-	-	-	-
9	304200	3.33%	Structures & Improvements Pumping	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	304300	3.33%	Structures & Improvements Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	304400	3.33%	Structures & Improvements Trans & Dist	4,634	26	-	-	-	-	-	-	4,609	154	-	-	-	-	-	-
12	304500	3.33%	Structures & Improvements General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	304600	3.33%	Structures & Improvements Offices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	304620	3.33%	Structures & Improvements Leasehold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	304700	3.33%	Structures & Improvements Store,Shop,(-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	1,661,237	467,875	-	-	44,000	733	(1,114)	-	-	1,236,628	55,375	-	1,467	-	-	(37)
20	308000	6.67%	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	309000	2.00%	Supply Mains	5,441	698	-	-	-	-	-	-	4,743	109	-	-	-	-	-	-
22	310000	5.00%	Power Production Equipment	10,751	5,005	-	-	-	-	-	-	5,746	538	-	-	-	-	-	-
23	310100	5.00%	Power Production Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	311000	8.33%	Pumping Equipment Steam	576,528	621,133	-	-	-	-	-	-	(44,606)	48,044	-	-	-	-	-	-
25	311200	8.33%	Pumping Equipment Electric	-	-	4,907	204	-	-	-	-	-	-	409	-	-	-	-	-
26	311300	8.33%	Pumping Equipment Diesel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	311400	8.33%	Pumping Equipment Hydraulic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	311500	8.33%	Pumping Equipment Other	7,779	849	-	-	-	-	-	-	6,930	648	-	-	-	-	-	-
29	311530	8.33%	Pumping Equipment Water Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	320100	5.00%	Water Treatment Equipment Non-Media	305,771	194,637	-	-	-	-	-	-	111,134	15,289	-	-	-	-	-	-
31	320200	10.00%	Water Treatment Equipment Filter Media	278,207	283,249	-	-	-	-	-	-	(5,042)	27,821	-	-	-	-	-	-
32	330000	2.22%	Distribution Reservoirs & Standpipes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	330100	2.22%	Elevated Tank & Standpipes	244,409	147,967	-	-	-	-	-	-	96,442	5,431	-	-	-	-	-	-
34	330200	2.00%	Ground Level Tanks	21,491	269	-	-	-	-	-	-	21,222	430	-	-	-	-	-	-
35	330300	2.00%	Below Ground Tanks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	330400	2.00%	Clearwell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	331001	2.00%	TD Mains Not Classified by Size	810,496	314,546	2,143	21	194,800	1,948	-	-	688,802	16,210	43	3,896	-	-	-	-
38	331100	2.00%	TD Mains 4in & Less	5,082	67	-	-	-	-	-	-	5,014	102	-	-	-	-	-	-
39	331200	2.00%	TD Mains 6in to 8in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40	331300	2.00%	TD Mains 10in to 16in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	331400	2.00%	TD Mains 18in & Grtr	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	332000	2.00%	Fire Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	333000	3.33%	Services	113,677	72,261	-	-	-	-	(309)	-	41,416	3,789	-	-	-	-	-	(10)
44	334100	8.33%	Meters	561,562	395,660	9,347	389	6,000	250	(940)	-	171,652	46,797	779	500	-	-	-	(78)
45	334200	3.33%	Meter Installations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
46	334300	3.33%	Meter Vaults	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	335000	2.00%	Hydrants	51,038	20,472	-	-	-	-	-	-	30,566	1,021	-	-	-	-	-	-
48	336000	6.67%	Backflow Prevention Devices	1,024	621	-	-	-	-	-	-	403	68	-	-	-	-	-	-
49	339100	6.67%	Other P/E-Intangible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	339200	6.67%	Other P/E-Supply	8,561	463	-	-	-	-	-	-	8,098	571	-	-	-	-	-	-
51	339500	6.67%	Other P/E-TD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	339600	6.67%	Other P/E-CPS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	340100	6.67%	Office Furniture & Equipment	16,230	13,139	-	-	-	-	-	-	3,091	1,082	-	-	-	-	-	-
54	340200	20.00%	Computer & Periph Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	340300	20.00%	Computer Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	340500	6.67%	Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	341100	14.29%	Transportation Equip Light Duty Trucks	24,862	30,852	-	-	-	-	-	105,102	15,015	84,098	3,552	-	-	15,015	-	-
58	341200	14.29%	Transportation Equip Heavy Duty Trucks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	341400	14.29%	Transportation Equipment Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60	342000	4.00%	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61	343000	5.00%	Tools,Shop,Garage Equipment	39,610	20,291	6,013	150	4,500	113	-	-	23,707	1,980	301	225	-	-	-	-
62	344000	10.00%	Laboratory Equipment	11,795	8,498	-	-	-	-	-	-	3,297	1,179	-	-	-	-	-	-
63	345000	5.00%	Power Operated Equipment	41,249	25,275	-	-	-	-	-	-	15,974	2,062	-	-	-	-	-	-
64	346100	10.00%	Communication Equipment Non-Telephc	6,831	9,724	-	-	5,000	250	-	-	1,858	683	-	-	500	-	-	-
65	346190	10.00%	Remote Control & Instrument	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
66	346200	10.00%	Communication Equipment Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67	346300	10.00%	Communication Equipment Other	1,411	12	-	-	-	-	-	-	1,399	141	-	-	-	-	-	-
68	347000	10.00%	Miscellaneous Equipment	10,443	9,232	-	-	-	-	-	-	1,210	1,044	-	-	-	-	-	-
69	348000	10.00%	Other Tangible Plant	13,910	1,650	-	-	-	-	-	-	12,260	1,391	-	-	-	-	-	-
70																			
71																			
72		378.30%	TOTAL	5,297,682	2,818,262	22,410	766	254,300	3,294	(2,363)	105,102	15,015	2,820,513	250,966	1,531	6,588	15,015	-	(126)

Depreciable Plant 5,297,682 Line [72] - Lines [1]-[7]
 Composite Depr Rate 4.74%

Line

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45 Workpapers & Supporting Documents:

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50 \2016 Willow Valley Water.xlsm

Line

No. 1 Insurance Other Than Group Business Unit 7R

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

	Direct Plant TY		[1]	[2]	[1] * [2] = [3]
	Adjusted Results		Arizona Total	Willow Valley Water	AZ-Factor
12	Gross Property Value at 12/31/2016	\$ 5,770,255 Sch B-2 Line [2]	4-Factor 87.7062%	0.7104%	0.6231%
13	% of Plant Insured	47.75% \[Insurance\]1. Property & Terrorism [23]			
14	Gross Plant Insured	\$ 2,755,124 Line [11] * Line [12]			

	Test Year Adjusted Results			Adjusted with Rate Increase		Adjusted with Rate Increase	
	Sch C-2 [AP][14]			Sch C-2 [AR][14]			
	Factor	[A] Amount	[B] Rate	Source	[C] = [A] * [B] Premium	[D] Amount	[E] = [D] * [B] Premium
22	1. Property Insurance	Plant [25] \$ 2,755,124	0.0526%	\[Insurance\] Summary [1]	\$ 1,449	\$ 2,755,124	\$ 1,449
23	2. Excess Liability	Revenue Line [25] 942,505	0.2588%	\[Insurance\] Summary [2]	2,439	1,126,314	2,915
24	3. Umbrella Liability	AZ 4- Factor [10] 95,767	0.6231%	\[Insurance\] Summary [3]	597	95,767	597
25	4. Autos	AZ 4- Factor [10] 278,350	0.6231%	\[Insurance\] Summary [4]	1,734	278,350	1,734
26	5. Workers Compensation	Payroll Col [49] 3,174	1.6543%	\[Insurance\] Summary [5]	53	3,174	53
27	6. Pollution	Fixed Site 3,554	1.00	\[Insurance\] Summary [6]	3,554	3,554	3,554
28	7. D&O	AZ 4- Factor [10] 13,367	0.6231%	\[Insurance\] Summary [7]	83	13,367	83
29	8. Fiduciary	AZ 4- Factor [10] 1,483	0.6231%	\[Insurance\] Summary [8]	9	1,483	9
30	9. Crime	Employee Count 3 \$ 7.76		\[Insurance\] Summary [9]	23	3	23
31	10. Employed Lawyers	AZ 4- Factor [10] 1,196	0.6231%	\[Insurance\] Summary [10]	7	1,196	7
32	11. Non Owned Pollution	AZ 4- Factor [10] 19,339	0.6231%	\[Insurance\] Summary [11]	120	19,339	120
33	12. Employment Practices	Employee Count 3 \$ 5.30		\[Insurance\] Summary [12]	16	3	16
34	13. Utilities Bond	Site Bond Requirement 22,331	0.0000%	\[Insurance\] Summary [13]	-	22,331	-
35	14. Cyber Insurance	AZ 4- Factor [10] 11,366	0.6231%	\[Insurance\] Summary [14]	71	11,366	71
36	15. Sun City Flood Insurance	Sun City Only 2,356	0.0000%	\[Insurance\] Summary [15]	-	2,356	-
37	16. LAPP	AZ 4- Factor [10] 19,383	0.6231%	\[Insurance\] Summary [16]	121	19,383	121
39	Total				\$ 10,277 Sum Col [C]	Sum Col [EN]	\$ 10,753
41	Adjusted Test Year Insurance Other Than Group			GL Account 5605 from Sch E-6	\$ 1,071		\$ 10,277
43	Increase/(Decrease) to Insurance Other Than Group				\$ 9,206 Line [39] - Line [41]		\$ 476

46 Workpapers and Supporting Documents:

- 47 \Sch E6 \4-Factor
- 48 \Sch B2 \Payroll, Benefits, & Taxes 2016.xlsx (aka Payroll)
- 49 \Insurance Other than Group.xlsx (aka Insurance)
- 50 \2016 Willow Valley Water.xlsm

Line

No.	Capital Lease - Vehicles - Expense Adjustment	4- Factor	General Metered Customers	0.7941%
-----	---	-----------	---------------------------	---------

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.

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15	Depreciation Expense on Capital Leases			(a) \$ 15,015
16				
17				
18	Depreciation Expense on Corporate Plant	\$	7,314 (a)	
19				
20	Allocated Depreciation Expense on Corporate Plant			GMC 4 Factor*Line[18] \$ 58
21				
22				
23				
24	Increase / (Decrease) to Depreciation Expense			Line[15] + Line[20] \$ 15,073
25				
26	Adjustment to Revenue and/or Expense			Line[24] \$ <u>15,073</u>
27				
28				
29				
30	Operating Lease Expense (account 5270)	5270 \$	24,664	
31				
32				
33	Increase / (Decrease) to Maintenance Expense			Line [30] \$ <u>(24,664)</u>
34				
35				
36				
37				
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42				
43				
44	<u>Workpapers & Supporting Documents:</u>			
45	(a) Summary of Plant Balances and Accum Depr by NARUC.xlsx			
46				
47				
48	\2016 Willow Valley Water.xlsm			
49				
50				

LINE NO.	G/L ACCT. NO.	Annual Depr Rate	DESCRIPTION	12/31/2016	12/31/2016	2016	Acc Depr	2017	Acc Depr	Retirements	Capital Leases	Capital Leases	NBV	PLANT	Add'l	12 Months	Capital	Test Year	
				Test Year End PLANT	Test Year End ACCUM DEPR	Add'l Cap TY	Add'l Cap TY	12 Months PTYP	12 Months PTYP	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	302000	0.00%	Franchises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	303200	0.00%	Land & Land Rights Supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	303300	0.00%	Land & Land Rights Pumping	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	303400	0.00%	Land & Land Rights Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	303500	0.00%	Land & Land Rights T&D	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	303600	0.00%	Land & Land Rights General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	304100	3.33%	Structures & Improvements Supply	463,653	173,789	-	-	-	-	-	-	-	289,864	15,455	-	-	-	-	-
9	304200	3.33%	Structures & Improvements Pumping	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	304300	3.33%	Structures & Improvements Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	304400	3.33%	Structures & Improvements Trans & Dist	4,634	26	-	-	-	-	-	-	4,609	154	-	-	-	-	-	-
12	304500	3.33%	Structures & Improvements General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	304600	3.33%	Structures & Improvements Offices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	304620	3.33%	Structures & Improvements Leasehold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	304700	3.33%	Structures & Improvements Store,Shop,(-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	1,661,237	467,875	-	-	44,000	733	(1,114)	-	1,236,628	55,375	-	-	1,467	-	-	(37)
20	308000	6.67%	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	309000	2.00%	Supply Mains	5,441	698	-	-	-	-	-	-	4,743	109	-	-	-	-	-	-
22	310000	5.00%	Power Production Equipment	10,751	5,005	-	-	-	-	-	-	5,746	538	-	-	-	-	-	-
23	310100	5.00%	Power Production Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	311000	8.33%	Pumping Equipment Steam	576,528	621,133	-	-	-	-	-	-	(44,606)	48,044	-	-	-	-	-	-
25	311200	8.33%	Pumping Equipment Electric	-	-	4,907	204	-	-	-	-	-	-	-	409	-	-	-	-
26	311300	8.33%	Pumping Equipment Diesel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	311400	8.33%	Pumping Equipment Hydraulic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	311500	8.33%	Pumping Equipment Other	7,779	849	-	-	-	-	-	-	6,930	648	-	-	-	-	-	-
29	311530	8.33%	Pumping Equipment Water Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	320100	5.00%	Water Treatment Equipment Non-Media	305,771	194,637	-	-	-	-	-	-	111,134	15,289	-	-	-	-	-	-
31	320200	10.00%	Water Treatment Equipment Filter Media	278,207	283,249	-	-	-	-	-	-	(5,042)	27,821	-	-	-	-	-	-
32	330000	2.22%	Distribution Reservoirs & Standpipes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	330100	2.22%	Elevated Tank & Standpipes	244,409	147,967	-	-	-	-	-	-	96,442	5,431	-	-	-	-	-	-
34	330200	2.00%	Ground Level Tanks	21,491	269	-	-	-	-	-	-	21,222	430	-	-	-	-	-	-
35	330300	2.00%	Below Ground Tanks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	330400	2.00%	Clearwell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	331001	2.00%	TD Mains Not Classified by Size	810,496	314,546	2,143	21	194,800	1,948	-	-	688,802	16,210	43	-	3,896	-	-	-
38	331100	2.00%	TD Mains 4in & Less	5,082	67	-	-	-	-	-	-	5,014	102	-	-	-	-	-	-
39	331200	2.00%	TD Mains 6in to 8in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40	331300	2.00%	TD Mains 10in to 16in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	331400	2.00%	TD Mains 18in & Grtr	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	332000	2.00%	Fire Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	333000	3.33%	Services	113,677	72,261	-	-	-	-	(309)	-	41,416	3,789	-	-	-	-	-	(10)
44	334100	8.33%	Meters	561,562	395,660	9,347	389	6,000	250	(940)	-	171,652	46,797	779	500	-	-	-	(78)
45	334200	3.33%	Meter Installations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
46	334300	3.33%	Meter Vaults	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	335000	2.00%	Hydrants	51,038	20,472	-	-	-	-	-	-	30,566	1,021	-	-	-	-	-	-
48	336000	6.67%	Backflow Prevention Devices	1,024	621	-	-	-	-	-	-	403	68	-	-	-	-	-	-
49	339100	6.67%	Other P/E-Intangible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	339200	6.67%	Other P/E-Supply	8,561	463	-	-	-	-	-	-	8,098	571	-	-	-	-	-	-
51	339500	6.67%	Other P/E-TD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	339600	6.67%	Other P/E-CPS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	340100	6.67%	Office Furniture & Equipment	16,230	13,139	-	-	-	-	-	-	3,091	1,082	-	-	-	-	-	-
54	340200	20.00%	Computer & Periph Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	340300	20.00%	Computer Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	340500	6.67%	Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	341100	14.29%	Transportation Equip Light Duty Trucks	24,862	30,852	-	-	-	-	-	105,102	15,015	84,098	3,552	-	-	15,015	-	-
58	341200	14.29%	Transportation Equip Heavy Duty Trucks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	341400	14.29%	Transportation Equipment Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60	342000	4.00%	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61	343000	5.00%	Tools,Shop,Garage Equipment	39,610	20,291	6,013	150	4,500	113	-	-	23,707	1,980	301	225	-	-	-	-
62	344000	10.00%	Laboratory Equipment	11,795	8,498	-	-	-	-	-	-	3,297	1,179	-	-	-	-	-	-
63	345000	5.00%	Power Operated Equipment	41,249	25,275	-	-	-	-	-	-	15,974	2,062	-	-	-	-	-	-
64	346100	10.00%	Communication Equipment Non-Telephc	6,831	9,724	-	-	5,000	250	-	-	1,858	683	-	-	500	-	-	-
65	346190	10.00%	Remote Control & Instrument	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
66	346200	10.00%	Communication Equipment Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67	346300	10.00%	Communication Equipment Other	1,411	12	-	-	-	-	-	-	1,399	141	-	-	-	-	-	-
68	347000	10.00%	Miscellaneous Equipment	10,443	9,232	-	-	-	-	-	-	1,210	1,044	-	-	-	-	-	-
69	348000	10.00%	Other Tangible Plant	13,910	1,650	-	-	-	-	-	-	12,260	1,391	-	-	-	-	-	-
70																			
71																			
72		378.30%	TOTAL	5,297,682	2,818,262	22,410	766	254,300	3,294	(2,363)	105,102	15,015	2,820,513	250,966	1,531	6,588	15,015	-	(126)

Depreciable Plant 5,297,682 Line [72] - Lines [1]-[7]
 Composite Depr Rate 4.74%

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46 Workpapers & Supporting Documents:

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Line

No.

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

\$ -

\$ - (a)

\$ - Line [10]+Line [11]

Workpapers & Supporting Documents:

\2016 Willow Valley Water.xlsm

**PURCHASED WATER
 SURCHARGE CALCULATION**

No.

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 calculation

5 as these gallons are not affected by the purchase price of water. Costs have been adjusted from the 2016 test year expense to annualized water expense.

6 Additionally, the Company has included known and measurable increases to purchased water costs. The Company pays the Central Arizona Project ("CAP")

7 for fees in many districts. CAP has published schedules showing the anticipated increases to fees in 2018, which will be finalized by the prior to the

8 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 concurrent

16 with the effective date of new rates approved in this rate case.

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18

	Purchased Water	
	<u>Test Year Expense</u>	
24 Test Year Purchased Water Expense	\$ -	(a)
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	\$ 496.95	(c)
37 ADWR Groundwater Withdrawal Fee	\$ -	(c)
38		
39		
40 Total Pro Forma Purchased Water Costs	<u>\$ 497</u>	Sum Lines [32 - 38]
41		
42 Total Billed Non-Effluent Gallons (in thousand of gallons)	<u>53,977</u>	(b)
43 Surcharge Per Thousand Gallons	\$ 0.0092	Line [40] / Line [42]
44		
45		
46 <u>Workpapers & Supporting Documents:</u>		
47 (a) Sch C2		
48 (b) Sch E7		
49 (c) \Purchased Water Increase.xlsx		
50 \2016 Willow Valley Water.xlsm		

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Line	<u>No.</u> <u>Description</u>	[A]	[B]	Percentage of Incremental <u>Gross Revenues</u> [C]
1	Federal Income Taxes			33.28%
2				
3	State Income Taxes			4.90%
4			Combined 38.19%	
5				
6	Property Taxes	Effective Rate = 1.43%	One Minus Combined 61.81%	0.88% [A] x [B]
7				
8	Bad Debt Expense	Effective Rate = 0.51%	One Minus Combined 61.81%	0.32% [A] x [B]
9				
10	Insurance Other Than Group	Effective Rate = 0.26%	One Minus Combined 61.81%	0.16% [A] x [B]
11				
12				
13	Total Tax Percentage			39.55% Sum Line [1-10]
14				
15	Operating Income % = 100% - Tax Percentage			60.45% 1 - [C] Line [13]
16				
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19		1 = Gross Revenue Conversion Factor		
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22	Operating Income %			1.65 1 / [C] Line [15]
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43	Supporting Schedules:	Recap Schedules:		
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