

Tubac Water

A Schedules

Rebuttal

**Tubac Water**

Test Year Ended December 31, 2016

Computation of Increase in Gross Revenue Requirement

Exhibit

Schedule A-1 Rebuttal

Page 1

Witness: Hubbard

Line No.	Original Cost Rate Base	RCND	Fair Value Rate Base	
	[A]	[B]	[C]	
1	\$ 1,057,411	\$ 1,556,840	\$ 1,307,126	Average ([A] + [B])
2				
3	\$ 161,926	\$ 161,926	\$ 161,926	(b)
4				
5	15.31%	10.40%	12.39%	Line [3] / Line [1]
6				
7	\$ 57,644	\$ 57,644	\$ 57,644	Line [1] * Line [11]
8				
9	5.19%	5.19%	5.19%	(d)
10	0.26%	-1.49%	-0.78%	(d)
11	5.45%	3.70%	4.41%	Sum Line [9-10]
12				
13	\$ (104,281)	\$ (104,281)	\$ (104,281)	Line [7] - Line [3]
14				
15	1.36	1.36	1.36	(c)
16				
17	\$ (141,823)	\$ (141,823)	\$ (141,823)	Line [13] * Line [15]
18				
19				
20	Customer	Annualized	Proposed	Dollar
21	Classification	Rates (e)	Rates (e)	Increase
22		[A]	[B]	[C] = [B] - [A]
23	Residential	\$ 565,215	\$ 474,532	\$ (90,683)
24	Commercial	233,293	\$ 180,107	(53,186)
25	Commercial Large	-	\$ -	-
26	OPA	-	\$ -	-
27	Private Fire	-	\$ -	-
28	Irrigation	-	\$ -	-
29		-		-
30		-		-
31				
32	Total Water Revenues	\$ 798,508	\$ 654,639	\$ (143,869)
33				
34	Other Revenues	\$ 37,810	\$ 39,856	\$ 2,047
35				
36	Total Revenues	\$ 836,318	\$ 694,495	\$ (141,822)
37				
38		Sch C-2 Rebuttal [S]	Sch C-2 Rebuttal [U]	
39	Check From Sch C-2 Rebuttal	\$ 836,318	\$ 694,495	
40		\$ 0	\$ (0)	Line [39] - Line [36]
41				
42				
43	Supporting Schedules			
44	(a) B-1 Rebuttal			
45	(b) C-1 Rebuttal			
46	(c) C-3 Rebuttal			
47	(d) D-1 Rebuttal			
48	(e) H-1 Rebuttal			
49				
50	\\2016 Tubac Water Rebuttal.xlsm			

Tubac Water

B Schedules

Rebuttal

**Tubac Water**

Test Year Ended December 31, 2016  
 Summary of Fair Value Rate Base

Exhibit  
 Schedule B-1 Rebuttal  
 Page 1  
 Witness: Hubbard

Line No.	Original Cost Rate Base (a) [A]	RCND Rate Base (b) [B]	
1			
2	\$ 6,851,455	\$ 12,412,332	
3	-	-	
4	\$ 6,851,455	\$ 12,412,332	Line [2] + Line [3]
5			
6	Less:		
7	2,566,239	6,081,795	
8			
9	\$ 4,285,216	\$ 6,330,537	Line [4] - Line [7]
10			
11	Less:		
12	Advances in Aid of Construction		
13	\$ 685,389	\$ 1,012,523	
14			
15	2,373,332	3,506,116	
16	Contribution in Aid of Construction - Net of Amortization		
17			
18	-	-	
19	67,361	99,512	
20	-	-	
21	119,088	175,928	
22			
23	Plus:		
24	6,323	9,341	
25	11,041	11,041	(c)
26	0	0	
27			
28	\$ 1,057,411	\$ 1,556,840	Line [9] - Lines [13-21] + Line [24-26]
29			
30			
31		\$ 1,307,126	(Sum[A] Line [28] + [B] Line [28]) 2
32		\$ 249,715	[B] Line [31] - [A] Line [28]
33		1.4723	[B] Line [28] / [A] Line [28]
34			
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43	Supporting Schedules		Recap Schedules:
44	(a) B-2 Rebuttal		A-1 Rebuttal
45	(b) B-3 Rebuttal		
46	(c) B-5 Rebuttal		
47			
48	Workpapers and Supporting Documents		
49			
50	\2016 Tubac Water Rebuttal.xlsm		

Sch B-2 Original  
Column [AA]

Line No.	[A]	Page 2 [B]	Page 3 [C]	Page 4 [D]	Page 5 [E]	Page 6 [F]	Page 7 [G]	Page 8 [H]	[I]	[J]
		ADJ SLH-RB1 REB	ADJ SLH-RB2 REB	ADJ SLH-RB3 REB	ADJ SLH-RB4 REB	ADJ JPB-RB5 REB	ADJ JPB-RB6 REB	ADJ SLH-RB7 REB	Sum [B - H]	Sum [A] + [I]
	<u>Adjusted End of Test Year</u>	<u>Partially Accept Staff RB Adj #3 &amp; RUCO RB Adj #7: Working Capital Allowance</u>	<u>Adjust 2016 ADIT</u>	<u>Partially Accept Staff RB Adj #4: ADIT - Tax Reform Adj</u>	<u>Regulatory Liability - ADIT Amortization - Tax Reform Adj</u>	<u>Partially Accept Staff RB ADJ 1a and 1b: Adjust 2017 Post Test Year Plant Additions</u>	<u>Adjust Retirements on Test Year Plant</u>	<u>Partially Accept RUCO RB Adj #4: AIAC Refunds</u>	<u>Total Pro Forma Adjustments</u>	<u>Adjusted End of Test Year</u>
1										
2	\$ 6,949,061	\$ -	\$ -	\$ -	\$ -	\$ (86,646)	\$ (10,960)	\$ -	\$ (97,606)	\$ 6,851,455
3										
4	\$ 6,949,061	\$ -	\$ -	\$ -	\$ -	\$ (86,646)	\$ (10,960)	\$ -	\$ (97,606)	\$ 6,851,455
5										
6	<b>Less:</b>									
7	2,577,840	-	-	-	-	(641)	(10,960)	-	(11,601)	2,566,239
8										
9	\$ 4,371,221	\$ -	\$ -	\$ -	\$ -	\$ (86,005)	\$ -	\$ -	\$ (86,005)	\$ 4,285,216
10										
11	<b>Less:</b>									
12	\$ 685,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ 200	\$ 685,389
13										
14										
15	2,373,332	-	-	-	-	-	-	-	-	2,373,332
16										
17										
18										
19	114,582	-	(112)	(47,109)	-	-	-	-	(47,221)	67,361
20										
21	73,428	-	-	47,109	(1,450)	-	-	-	45,659	119,088
22										
23	<b>Plus:</b>									
24	\$ 6,323	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,323
25	11,303	(262)	-	-	-	-	-	-	(262)	11,041
26	0	-	-	-	-	-	-	-	-	0
27										
28	\$ 1,142,316	\$ (262)	\$ 112	\$ -	\$ 1,450	\$ (86,005)	\$ -	\$ (200)	\$ (84,905)	\$ 1,057,411

31 Supporting Schedules:  
 32 (a) B-3 Rebuttal

Recap Schedules:  
 B-1 Rebuttal

Line

No.

1 Partially Accept Staff RB Adj #3 & RUCO RB Adj #7: Working Capital Allowance

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46 Workpapers and Supporting Documents

47 Schedule B-5 Rebuttal

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The Company partially accepts Staff's RB Adj #3 and RUCO RB ADJ #7. The Company accepts Staff's recommendation to increase the expense lag days for interest expense to 92 days from the original 74.5 days proposed in the original application. The Company is also removing rate case expense from the prepayment as recommended by Staff. The amount of Working Capital is a conforming adjustment and based on other adjustments made in Rebuttal.

Line  
No.

1 Adjust 2016 ADIT

2  
 3  
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The Company is adjusting its ADIT balance to reflect the updated 2016 balance per DR RUCO 3.07

4- Factor	General Metered Customers	0.3225%
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10  
 11 Deferred Income Tax per GL Allocated Adjusted End of Test Year \$ (114,582) (a)

12  
 13

14 Updated 2016 ADIT Amount \$ (114,470)

15  
 16

\$ (112) Line [11] - Line [14]

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26 Increase/ (Decrease) to ADIT \$ (112) Line [16]

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44 Workpapers and Supporting Documents

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 46

(a) Schedule B2 Direct

(b) ADIT Adjustment REBUTTAL.xlsx

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Line  
No.

1 Partially Accept Staff RB Adj #4: ADIT - Tax Reform Adj

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Updated 2016 ADIT Amount \$ (114,470)

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Total Deferred Income Tax Balance - EPCOR \$(20,887,593) (b)

23

Allocation Factor 0.3225% Line [8]

24

ADIT allocated to Tubac Water \$ (67,361) Line [22] \* Line [23]

25

26

Increase/ (Decrease) to ADIT due to lower Federal Taxes \$ (47,109) Line [14] - Line [24]

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Increase/ (Decrease) to Regulatory Liabilities \$ 47,109 Line [26] \* -1

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44 Workpapers and Supporting Documents

45 (a) Schedule B2 Direct

46 (b) ADIT Adjustment REBUTTAL.xlsx

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50 \2016 Tubac Water Rebuttal.xlsm



Line			
<u>No.</u>			
1	<u>Regulatory Liability - ADIT Amortization - Tax Reform Adj</u>		
2			
3	The Company is adjusting its Deferred Income Tax Balance to reflect the impact of the Tax Cuts and Jobs Act of 2017. The		
4	Company has created a Regulatory Liability for this impact as reflected in rate base proforma adjustment SLH-RB3-REB. This		
5	adjustment records the annual amortization of that Regulatory Liability.		
6			
7			
8	Regulatory Liability that resulted from the decrease in the Federal Income Taxes	\$ 47,109 (a)	
9			
10	Amortization Rate	<u>3.0771%</u> (b)	
11		\$ (1,450) Line [8] * Line [10]	
12	Annual Amortization		
13			
14			
15			
16	Increase/ (Decrease) to Regulatory Liabilities	<u>\$ (1,450) Line [12]</u>	
17			
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43			
44	Workpapers and Supporting Documents		
45	(a) Rate Base Adjustment SLH-RB3 REB		
46	(b) ADIT Adjustment REBUTTAL.xlsx		
47			
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49	\2016 Tubac Water Rebuttal.xlsm		
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Line  
No.

1 Partially Accept Staff RB ADJ 1a and 1b: Adjust 2017 Post Test Year Plant Additions

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The Company is adjusting its 2017 Post Test Year Plant additions and accumulated depreciation. This includes PTYP for the district, Corporate 7A and 6U.

	[A]	[B]	[C] = [A] - [B]	
	Revised	Original	Rebuttal	
	<u>Amounts (a)</u>	<u>Application (b)</u>	<u>Adjustment</u>	
11 <u>Plant in Service</u>				
12 Post Test Year Plant Additions for Tubac Water	\$ 185,603	\$ 272,201	\$ (86,598)	
13 Test Year CWIP To Capitalize	62,337	62,337	-	
14 Post Test Year CWIP To Capitalize				
15				
16 7A Corporate Post Test Year Plant Additions Allocated	1,788	468	1,321	
17 7A Corporate CWIP Completed By December 31, 2016	583	583	-	
18				
19 6U Post Test Year Plant Additions Allocated	3,478	4,846	(1,369)	
20 6U CWIP Completed By December 31, 2016	2,563	2,563	-	
21				
22 Total Post Test Year Plant Additions	\$ 256,352	\$ 342,998	\$ (86,646)	Sum Lines [12 - 20]
23				
24 Increase / (Decrease) to Plant in Service			\$ (86,646)	Line [22]
25				
26 <u>Accumulated Depreciation</u>				
27 Post TY Plant Additions for Tubac Water - Accum Dep	\$ 3,893	\$ 4,433	\$ (540)	
28 Additional TY Plant Additions for Tubac Water - Accum Dep	807	807	-	
29 7A Corporate Post TY Plant Additions Allocated-Accum Dep	78	43	36	
30 Additional 7A Corporate TY Plant Additions Allocated-Accum Dep	28	28	-	
31 6U Post TY Plant Additions Allocated - Accum Dep	348	485	(137)	
32 Additional 6U TY Plant Additions Allocated-Accum Dep	256	256	-	
33 Total Accumulated Depreciation - Post Test Year Plant Additions	\$ 5,411	\$ 6,052	\$ (641)	Sum Lines [27 - 32]
34				
35 Increase / (Decrease) To Accumulated Depreciation			\$ (641)	Line [33]
36				
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43				
44				
45				
46 Workpapers and Supporting Documents				
47 (a) Summary of Plant Balances and Accum Depr by NARUC Updated for Final 2017 PTYP.xlsx				
48 (b) Summary of Plant Balances and Accum Depr by NARUC.xlsx				
49				
50 \2016 Tubac Water Rebuttal.xlsm				

Line  
No.

1 Adjust Retirements on Test Year Plant

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The Company is adjusting the Retirements on Test Year Plant.

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Tubac Water District

Retirements on Test Year Plant - Impact on Plant in Service

[A] Revised Amounts (a)	[B] Original Application (b)	[C] = [A] - [B] Rebuttal Adjustment
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\$ (10,903)	\$ -	\$ (10,903)
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7A - Corporate Arizona

Allocated Corporate Retirements on Test Year Plant - Impact on Plant in Service

\$ (57)	\$ -	\$ (57)
---------	------	---------

6U

Allocated Corporate Retirements on Test Year Plant - Impact on Plant in Service

\$ -		\$ -
------	--	------

Increase / (Decrease) To Plant in Service

\$ (10,960) Line [12]+[17]+[22]

Increase / (Decrease) To Accumulated Depreciation

(10,960) Line [27]

Impact on Rate Base

\$ - Line [27]-[28]

Workpapers and Supporting Documents

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

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

\2016 Tubac Water Rebuttal.xlsm

Line  
No.

1 Partially Accept RUCO RB Adj #4: AIAC Refunds

2  
 3 The Company is partially accepting RUCO RB Adj #4 to AIAC. This adjustment has 2 parts. 1) The Company is partially accepting RUCO RB Adj  
 4 #4 by removing the amount of 2018 AIAC Refunds forecasted as proposed in Rate Base ADJ SMC-RB6 in the Company's original application. 2)  
 5 The Company is adjusting the amount of 2017 AIAC Refunds forecasted with the Actual 2017 AIAC Refunds.

6  
 7 

BU	7T
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	[A] Revised Amounts	[B] Original Application (a)	[C] = [A] - [B] Rebuttal Adjustment	
13 Amount of 2018 AIAC Refunds forecasted - Remove	\$ -	\$ (100)	\$ 100	
16 Amount of 2017 AIAC Refunds forecasted - Update to Actual	\$ -	\$ (100)	\$ 100	
	<u>\$ -</u>	<u>\$ (200)</u>	<u>\$ 200</u>	Line [13] + Line [16]
21 Increase/ (Decrease) to AIAC			<u>\$ 200</u>	Line [18]

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 45 Workpapers and Supporting Documents  
 46 (a) Rate Base Adjustment SMC-6  
 47 Workpapers and Supporting Documents  
 48  
 49  
 50 \2016 Tubac Water Rebuttal.xlsm

Line No.	Sch B-3 Original							RCN - 2017 Post Test Year Plant Additions	RCN - Retirements
	Column [Z] [A]	Page 3 [B] ADJ SLH-RCN1 REB	Page 4 [C] ADJ SLH-RCN2 REB	Page 5 [D] ADJ SLH-RCN3 REB	Page 6 [E] ADJ SLH-RCN4 REB	Page 7 [F] ADJ SLH-RCN5 REB	Page 8 [G] ADJ SLH-RCN6 REB		
	<u>Adjusted at End of Test Year (a)</u>	<u>RCN - Working Capital Allowance</u>	<u>RCN - ADIT</u>	<u>Intentionally Left Blank</u>	<u>RCN - Regulatory Liability - ADIT</u>				
1									
2	\$ 12,513,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (86,646)	\$ (14,592)	
3	-	-	-	-	-	-	-	-	
4	<u>\$ 12,513,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (86,646)</u>	<u>\$ (14,592)</u>	
5									
6	<b>Less:</b>								
7	Accumulated Depreciation	6,088,685	-	-	-	-	(641)	(6,249)	
8									
9	Net Utility Plant in Service	\$ 6,424,885	\$ -	\$ -	\$ -	\$ -	\$ (86,005)	\$ (8,343)	
10									
11	<b>Less:</b>								
12	Advances in Aid of Construction	\$ 1,007,101	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
13									
14									
15	Contribution in Aid of Construction -	3,488,358	-	-	-	-	-	-	
16	Net of Amortization								
17									
18	Customer Meter Deposits	-	-	-	-	-	-	-	
19	Deferred Income Taxes & Credits	168,414	-	(68,902)	-	-	-	-	
20	Investment Tax Credits	-	-	-	-	-	-	-	
21	Regulatory Liabilities	107,926	-	-	-	68,001	-	-	
22									
23	<b>Plus:</b>								
24	Deferred Debits	\$ 9,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
25	Working Capital Allowance	11,303	(262)	-	-	-	-	-	
26	Utility Plant Acquisition Adjustment	0	-	-	-	-	-	-	
27									
28	<u>Total Rate Base</u>	<u>\$ 1,673,682</u>	<u>\$ (262)</u>	<u>\$ 68,902</u>	<u>\$ -</u>	<u>\$ (68,001)</u>	<u>\$ (86,005)</u>	<u>\$ (8,343)</u>	
29									
30									
31									
32	Supporting Schedules								
33									
34									
35	\\2016 Tubac Water Rebuttal.xlsm								

Recap Schedules:  
 B-1 Rebuttal

	Page 9	Page 10	Page 11	Page 12			
	[H]	[I]	[J]	[K]	[L]	[M]	
	ADJ SLH-RCN7 REB	ADJ SLH-RCN8 REB	ADJ SLH-RCN9 REB	ADJ SLH-RCN10 REB	Sum [B - K]	Sum [A] + [L]	
	<u>RCN - Advances-in-Aid of Construction (AIAC) and Contributions-in- Aid of Construction (CIAC)</u>	<u>RCN - Customer Meter Deposits</u>	<u>Intentionally Left Blank</u>	<u>RCN - Deferred Debits</u>	<u>Total Adjustment Amount</u>	<u>Adjusted at End of Test Year</u>	
1							
2	Gross Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ (101,238)	\$ 12,412,332
3	Construction Work in Progress	-	-	-	-	-	-
4	Subtotal Utility Plant	\$ -	\$ -	\$ -	\$ -	\$ (101,238)	\$ 12,412,332
5							
6	<b>Less:</b>						
7	Accumulated Depreciation	-	-	-	-	(6,890)	6,081,795
8							
9	Net Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ (94,348)	\$ 6,330,537
10							
11	<b>Less:</b>						
12	Advances in Aid of Construction	\$ 5,422	\$ -	\$ -	\$ -	\$ 5,422	\$ 1,012,523
13							
14							
15	Contribution in Aid of Construction - Net of Amortization	17,758	-	-	-	17,758	3,506,116
16							
17							
18	Customer Meter Deposits	-	-	-	-	-	-
19	Deferred Income Taxes & Credits	-	-	-	-	(68,902)	99,512
20	Investment Tax Credits	-	-	-	-	-	-
21	Regulatory Liabilities	-	-	-	-	68,001	175,928
22							
23	<b>Plus:</b>						
24	Deferred Debits	\$ -	\$ -	\$ -	\$ 47	\$ 47	\$ 9,341
25	Working Capital Allowance	-	-	-	-	(262)	11,041
26	Utility Plant Acquisition Adjustment	-	-	-	-	-	0
27							
28	Total Rate Base	\$ (23,180)	\$ -	\$ -	\$ 47	\$ (116,842)	\$ 1,556,840
29							
30							
31							
32	Supporting Schedules						
33							
34							
35	\\2016 Tubac Water Rebuttal.xlsm						

Line		
<u>No.</u>		
1	<u>RCN - Working Capital Allowance</u>	
2		
3	Per Schedule B-5 Rebuttal	
4		
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7		
8	Increase/(Decrease) to Rate Base	<u>\$ (262)</u>
9		
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47	Supporting Schedules	
48	Schedule B5 Rebuttal	
49		
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**Tubac Water**

Test Year Ended December 31, 2016  
Rate Base Adjustment SLH-RCN2 REB

Exhibit  
Schedule B-2 Rebuttal  
Page 4  
Witness: Hubbard

Line No.			
1	<u>RCN - ADIT</u>		
2	Adjusted at End of Test Year		
3			
4			
5	RCN Rate Base Before ADIT and Other Items	\$	1,811,898 (b)
6			
7	Original Cost Rate Base Before ADIT and Other Items	\$	1,226,496 (a)
8			
9	Ratio (factor)		1.4773 Line [5] / Line [7]
10			
11	Adjusted Original Cost Net ADIT	\$	67,361 (c)
12			
13	Factor		1.4773 Line [9]
14			
15	Rebuttal Adjusted - RCN ADIT	\$	99,512 Line [11] * Line [13]
16			
17	Direct Adjusted - RCN ADIT		168,414 (b)
18			
19	Increase / (Decrease) to Deferred Income Taxes	\$	<u>(68,902)</u> Line [15] - Line [17]
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45	Supporting Schedules		
46	(a) Schedule B-2 Rebuttal		
47	(b) Schedule B-3 Rebuttal		
48	(c) Schedule B-1 Rebuttal		
49			
50	\\2016 Tubac Water Rebuttal.xlsm		



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- 43
- 44 Supporting Schedules
- 45 (a) Schedule B-2 Rebuttal
- 46 (b) Schedule B-3 Rebuttal
- 47 (c) Schedule B-1 Rebuttal
- 48 Adjustments RB2 Rebuttal and RB3 Rebuttal
- 49
- 50 \2016 Tubac Water Rebuttal.xlsm

**Tubac Water**

Test Year Ended December 31, 2016  
Rate Base Adjustment SLH-RCN4 REB

Exhibit  
Schedule B-2 Rebuttal  
Page 6  
Witness: Hubbard

Line			
<u>No.</u>			
1	<u>RCN - Regulatory Liability - ADIT</u>		
2			
3	Adjusted at End of Test Year		
4			
5	Net Rebuttal RCN Depreciable Plant in Service	\$	6,330,537 (b)
6			
7	Net Rebuttal Adjusted Original Depreciable Plant in Service	\$	4,285,216 (a)
8			
9	Ratio (factor)		1.4773 Line [5] / Line [7]
10			
11	Adjusted Original Cost - Regulatory Liability - ADIT Tax Reform	\$	119,088 (c)
12			
13	Factor		1.4773 Line [9]
14			
15	Rebuttal Adjusted - RCN Regulatory Liability - ADIT - Tax Reform	\$	175,928 Line [11] * Line [13]
16			
17	Direct Adjusted - RCN Regulatory Liability - ADIT- Tax Reform	\$	107,926 (b)
18			
19	Increase / (Decrease) to Regulatory Liability	<u>\$</u>	<u>68,001</u> Line [15] - Line [17]
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43			
44	Supporting Schedules		
45	(a) Schedule B-2 Rebuttal		
46	(b) Schedule B-3 Rebuttal		
47	(c) Schedule B-1 Rebuttal		
48	Adjustments RB2 Rebuttal and RB3 Rebuttal		
49			
50	\2016 Tubac Water Rebuttal.xlsm		

Line No.		[A] <u>Revised Amount</u>	[B] <u>RCN</u>	[C] <u>Original Cost</u>	[D] <u>RCN</u>	[E] <u>Rebuttal Adjustment</u>
1	<u>RCN - 2017 Post Test Year Plant Additions</u>					
2						
3						
4						
5	Plant in Service	\$ 256,352	\$ 256,352	\$ 342,998	\$ 342,998	\$ (86,646)
6						
7						
8	Accumulated Depreciation	\$ 5,411	\$ 5,411	\$ 6,052	\$ 6,052	\$ (641)
9						
10						
11	Increase/(Decrease) to Plant in Service and A/D	\$ 250,941	\$ 250,941	\$ 336,946	\$ 336,946	\$ (86,005)
12						
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47	Supporting Schedules					
48	Rate Base Adjustment JPB-RB5 REB					
49						
50	\2016 Tubac Water Rebuttal.xlsm					

Line										
<u>No.</u>										
1	<u>RCN - Retirements</u>				[A]			[B]	[C] = [A] - [B]	
2					<u>Revised RCN</u>			<u>Original RCN (a)</u>	<u>Rebuttal</u>	
3	Retirements - Plant		Col [G]	\$	(14,592)			\$	-	\$ (14,592)
4										
5	Retirements - Accumulated Depreciation		Col [H]	\$	(6,249)			\$	-	\$ (6,249)
6										
7										
8	<u>Tubac Water District</u>									
9		[D]		[E]		[F]		[G]		[H]
10	Asset	Original	Retirement							
11	<u>Numbers</u>	<u>Cost (b)</u>	<u>Cost (b)</u>	<u>A/D (b)</u>			<u>RCN (b)</u>	<u>RCN A/D (b)</u>		
12	Various	\$ 14,267	\$ 10,903	\$ 10,903			\$ 14,526	\$ 6,229		
13										
14										
15										
16	<u>7A Allocated</u>	4- Factor		General Metered Customers				0.3225%		
17										
18		[D]		[E]		[F]		[G]		[H]
19	Asset	Original	Retirement							
20	<u>Numbers</u>	<u>Cost (b)</u>	<u>Cost (b)</u>	<u>A/D (b)</u>			<u>RCN (b)</u>	<u>RCN A/D (b)</u>		
21	Various	\$ 20,158	\$ 17,739	\$ 17,739			\$ 20,561	\$ 6,168		
22										
23			7A Allocated to District				0.3225%	\$ 66	\$ 20	Line 21 * GMC Factor
24										
25										
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44										
45	Supporting Schedules									
46										
47	(a) ADJ SMC-RCN20									
48	(b) Retirements By District by Asset#.xlsx									
49										
50	\2016 Tubac Water Rebuttal.xlsm									

\$ 14,592 \$ 6,249 Line 12 + Line 23

**Tubac Water**

Test Year Ended December 31, 2016  
Rate Base Adjustment SLH-RCN7 REB

Line			
<u>No.</u>			
1	<u>RCN - Advances-in-Aid of Construction (AIAC) and Contributions-in-Aid of Construction (CIAC)</u>		
2	Adjusted at End of Test Year		
3			
4	<u>RCN Advances-in-Aid of Construction (AIAC)</u>		
5	Net Rebuttal RCN Depreciable Plant in Service	\$ 6,330,537	(b)
6			
7	Net Rebuttal Adjusted Original Depreciable Plant in Service	\$ 4,285,216	(a)
8			
9	Ratio (factor)	1.4773	Line [5] / Line [7]
10			
11	Adjusted Original Cost AIAC	\$ 685,389	(c)
12			
13	Factor	1.4773	Line [9]
14			
15	Rebuttal Adjusted - RCN AIAC	\$ 1,012,523	Line [11] * Line [13]
16			
17	Direct Adjusted - RCN AIAC	1,007,101	(b)
18			
19	Increase / (Decrease) to AIAC	<u>\$ 5,422</u>	Line [15] - Line [17]
20			
21			
22			
23	Adjusted at End of Test Year		
24			
25	<u>RCN Contributions-in-Aid of Construction (CIAC)</u>		
26			
27	Net Rebuttal RCN Depreciable Plant in Service	\$ 6,330,537	(b)
28			
29	Net Rebuttal Adjusted Original Depreciable Plant in Service	\$ 4,285,216	(a)
30			
31	Ratio (factor)	1.4773	Line [27] / Line [29]
32			
33	Adjusted Original Cost CIAC	\$ 2,373,332	(c)
34			
35	Factor	1.4773	Line [31]
36			
37	Rebuttal Adjusted - RCN CIAC	\$ 3,506,116	Line [33] * Line [35]
38			
39	Direct Adjusted - RCN CIAC	3,488,358	(b)
40			
41	Increase / (Decrease) to CIAC	<u>\$ 17,758</u>	Line [37] - Line [39]
42			
43			
44			
45	Supporting Schedules		
46	(a) Schedule B-2 Rebuttal		
47	(b) Schedule B-3 Rebuttal		
48	(c) Schedule B-1 Rebuttal		
49			
50	\2016 Tubac Water Rebuttal.xlsm		

Line			
<u>No.</u>			
1	<u>RCN - Customer Meter Deposits</u>		
2	Adjusted at End of Test Year		
3			
4			
5	Net Direct RCN Depreciable Plant in Service	\$ 6,330,537 (b)	
6			
7	Net Direct Adjusted Original Depreciable Plant in Service	\$ 4,285,216 (a)	
8			
9	Ratio (factor)	1.4773 Line [5] / Line [7]	
10			
11	Adjusted Original Cost Customer Meter Deposits	\$ - (c)	
12			
13	Factor	1.4773 Line [9]	
14			
15	Rebuttal Adjusted - RCN Customer Meter Deposits	<u>\$ -</u> Line [11] * Line [13]	
16			
17	Direct Adjusted - RCN Customer Meter Deposits	<u>\$ -</u> (b)	
18			
19	Increase / (Decrease) to Customer Meter Deposits	Line [15] - Line [17]	<u><u>\$ -</u></u>
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44			
45	Supporting Schedules		
46	(a) Schedule B-2 Rebuttal		
47	(b) Schedule B-3 Rebuttal		
48	(c) Schedule B-1 Rebuttal		
49			
50	\\2016 Tubac Water Rebuttal.xlsm		

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47 Supporting Schedules

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50 \2016 Tubac Water Rebuttal.xlsm

Line			
<u>No.</u>			
1	<u>RCN - Deferred Debits</u>		
2			
3	Adjusted at End of Test Year		
4			
5	Net Rebuttal RCN Depreciable Plant in Service	\$ 6,330,537 (b)	
6			
7	Net Rebuttal Adjusted Original Depreciable Plant in Service	\$ 4,285,216 (a)	
8			
9	Ratio (factor)	1.4773 Line [5] / Line [7]	
10			
11	Adjusted Original Cost - Deferred Debits	\$ 6,323 (c)	
12			
13	Factor	1.4773 Line [9]	
14			
15	Rebuttal Adjusted - RCN Regulatory Liability - Deferred Debits	\$ 9,341 Line [11] * Line [13]	
16			
17	Direct Adjusted - RCN Regulatory Liability - Deferred Debits	\$ 9,293 (b)	
18			
19	Increase / (Decrease) to Deferred Debits	Line [15] - Line [17]	\$ <u>47</u>
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45	Supporting Schedules		
46	(a) Schedule B-2 Rebuttal		
47	(b) Schedule B-3 Rebuttal		
48	(c) Schedule B-1 Rebuttal		
49			
50	\\2016 Tubac Water Rebuttal.xlsm		



Line No.			
1			
2	Cash Working Capital Requirement	(a) \$	(5,165)
3	Required Bank Balances <sup>1</sup>		-
4	Material and Supplies Inventories <sup>1</sup>		(18)
5	Prepayments <sup>1</sup>		16,224
6			
7	Total Working Capital Allowance	Sum Lines [2-5] \$	<u>11,041</u>
8			
9	Less Company amount in Original Filing		11,303
10			
11	Increase/(Decrease) to Rate Base	Line [7] - Line [9] \$	<u><u>(262)</u></u>
12			
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17	<sup>1</sup> Calculated using thirteen-month averages.		
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43	Supporting Schedules:	Recap Schedules:	
44	(a) B-6 Rebuttal	B-1 Rebuttal	
45			
46	Workpapers & Supporting Documents		
47	\ AZ 13mo TY Balance 12.31.2016.xlsx		
48			
49			
50	\ 2016 Tubac Water Rebuttal.xlsm		

Line No.	Description [A]	Test Year Adjusted Results (a) [B]	Revenue Lag Days [C]	Expense Lag Days [D]	Net Lag Days [E] = [C] - [D]	Lead/Lag Factor [F] = [E] / 365	Cash Working Capital Required [G] = [B] x [F]
1	<u>Operating Expenses</u>						
2	Labor	\$ 122,077	40.146	30.633	9.513	0.026	\$ 3,182
3	Purchased Water	727	40.146	-	40.146	0.110	80
4	Fuel & Power	32,951	40.146	48.669	(8.523)	(0.023)	(769)
5	Chemicals	27,815	40.146	54.941	(14.794)	(0.041)	(1,127)
6	Waste Disposal	1,519	40.146	31.063	9.083	0.025	38
7	Intercompany Support Services	-	40.146	30.417	9.730	0.027	-
8	Corporate Allocation	25,962	40.146	30.420	9.726	0.027	692
9	Outside Services	26,715	40.146	34.355	5.791	0.016	424
10	Group Insurance	60,816	40.146	(10.716)	50.862	0.139	8,475
11	Regulatory Expense	-	-	-	-	-	-
12	Insurance Other Than Group	9,655	40.146	72.688	(32.542)	(0.089)	(861)
13	Customer Accounting	23,646	40.146	49.828	(9.682)	(0.027)	(627)
14	Rents	8,677	40.146	13.376	26.770	0.073	636
15	General Office Expense	23,960	40.146	39.271	0.876	0.002	57
16	Miscellaneous	2,201	40.146	27.800	12.347	0.034	74
17	Maintenance Expense	23,503	40.146	46.886	(6.740)	(0.018)	(434)
18							
19							
20	<u>Taxes</u>						
21	Property Taxes	\$ 40,208	40.146	213.250	(173.104)	(0.474)	\$ (19,069)
22	Taxes - Payroll		-	-	-	-	-
23	Taxes -Other	11,644	40.146	(131.381)	171.527	0.470	5,472
24	Income Tax	16,035	40.146	41.750	(1.604)	(0.004)	(70)
25							
26	Interest	\$ 9,411	40.146	92.000	(51.854)	(0.142)	\$ (1,337)
27							
28							
29							
30							
31	WORKING CASH REQUIREMENT	<u>\$ 467,525</u>					<u>\$ (5,165)</u>

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Supporting Schedules:  
 (a) C-1 Rebuttal  
 Workpapers & Supporting Documents  
 \ Lead-Lag Expense.xlsx  
 \ Billing Cycles.xlsx  
 \2016 Tubac Water Rebuttal.xlsm

Recap Schedules:  
 B-5 Rebuttal

Tubac Water

C Schedules

Rebuttal

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	<b>Revenues</b>						
2	Water	\$ 798,508	\$ -	\$ 798,508	\$ (141,823)	\$ 656,686	
3	Other Revenues	37,810	-	37,810	-	37,810	
4	<b>Total Revenues</b>	<b>\$ 836,318</b>	<b>\$ -</b>	<b>\$ 836,318</b>	<b>\$ (141,823)</b>	<b>\$ 694,495</b>	Sum Lines [2-3]
5							
6	<b>Operating Expenses</b>						
7	Labor	\$ 122,077	\$ -	\$ 122,077	\$ -	\$ 122,077	
8	Purchased Water	-	727	727	-	727	
9	Fuel & Power	-	32,951	32,951	-	32,951	
10	Chemicals	27,815	-	27,815	-	27,815	
11	Waste Disposal	1,495	24	1,519	-	1,519	
12	Intercompany Support Services	-	-	-	-	-	
13	Corporate Allocation	25,932	30	25,962	-	25,962	
14	Outside Services	26,910	(195)	26,715	-	26,715	
15	Group Insurance	60,816	-	60,816	-	60,816	
16	Pensions	-	-	-	-	-	
17	Regulatory Expense	5,294	(5,294)	-	-	-	
18	Insurance Other Than Group	10,046	(24)	10,022	(367)	9,655	
19	Customer Accounting	23,880	222	24,102	(456)	23,646	
20	Rents	8,677	-	8,677	-	8,677	
21	General Office Expense	24,039	(79)	23,960	-	23,960	
22	Miscellaneous	2,170	31	2,201	-	2,201	
23	Maintenance Expense	23,056	447	23,503	-	23,503	
24	Depreciation & Amortization	182,413	(3,880)	178,533	-	178,533	
25	General Taxes-Property	44,436	(1,759)	42,677	(2,469)	40,208	
26	General Taxes-Other	11,644	-	11,644	-	11,644	
27	Income Taxes	85,652	(35,163)	50,489	(34,454)	16,035	
28							
29	<b>Total Operating Expenses</b>	<b>\$ 686,354</b>	<b>\$ (11,961)</b>	<b>\$ 674,392</b>	<b>\$ (37,746)</b>	<b>\$ 636,647</b>	Sum Lines [7-27]
30	<b>Utility Operating Income</b>	<b>\$ 149,964</b>	<b>\$ 11,961</b>	<b>\$ 161,926</b>	<b>\$ (104,077)</b>	<b>\$ 57,849</b>	Line [4] - Line [29]
31	<b>Other Income &amp; Deductions</b>						
32	Other Income & Deductions	\$ (67)	\$ -	\$ (67)	\$ -	\$ (67)	
33	Interest Expense	11,309	(1,898)	9,411	-	9,411	
34	Other Expense	-	-	-	-	-	
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	
36	<b>Total Other Income &amp; Deductions</b>	<b>\$ 11,242</b>	<b>\$ (1,898)</b>	<b>\$ 9,344</b>	<b>\$ -</b>	<b>\$ 9,344</b>	Sum Lines [32-35]
37	<b>Net Profit / (Loss)</b>	<b>\$ 138,723</b>	<b>\$ 13,859</b>	<b>\$ 152,582</b>	<b>\$ (104,077)</b>	<b>\$ 48,505</b>	Line [30] - Line [36]

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

Recap Schedules:  
 A-1 Rebuttal



	Page 13	Page 14	Page 15	Page 16	Page 17	Page 18						
	[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]	[T]	[U]		
	ADJ SLH-IS11 REB	ADJ JPB-IS12 REB	ADJ SLH-IS13 REB	ADJ SLH-IS14 REB	ADJ JPB-IS15 REB	ADJ JPB-IS16 REB						
							Sum [B - Q]	Sum [A] + [R]			Sum [S] + [T]	
<u>Line No.</u>	<u>Partially Accept Staff IS Adi #3: Adjust Outside Services Expense</u>	<u>Adjust Postage Expense</u>	<u>Partially Accept Staff IS ADJ #5: Adjust Regulatory Expense</u>	<u>Partially Accept Staff IS ADJ #4: Adjust General Office Expense</u>	<u>Accept Staff IS ADJ #1 &amp; RUCO IS Adi #4: Adjust Fuel and Power Expense</u>	<u>Accept Staff IS ADJ #2 &amp; RUCO IS ADJ #3: Adjust Purchased Water Expense</u>	Total Pro Forma Adjustments	Test Year Adjusted Results	Proposed Rate Increase	Adjusted Rate Increase		
1	<b>Revenues</b>											
2	Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 798,508	\$ (141,823)	\$ 656,686		
3	Other Revenues	-	-	-	-	-	-	37,810		37,810		
4	<b>Total Revenue</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 836,318	\$ (141,823)	\$ 694,495		
5												
6	<b>Operating Expenses</b>											
7	Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,077		\$ 122,077		
8	Purchased Water	-	-	-	-	727	727	727		727		
9	Fuel & Power	-	-	-	-	32,951	32,951	32,951		32,951		
10	Chemicals	-	-	-	-	-	-	27,815		27,815		
11	Waste Disposal	-	-	-	-	-	24	1,519		1,519		
12	Intercompany Support Services	-	-	-	-	-	-	-		-		
13	Corporate Allocation	-	-	-	-	-	30	25,962		25,962		
14	Outside Services	(627)	-	-	-	-	(195)	26,715		26,715		
15	Group Insurance	-	-	-	-	-	-	60,816		60,816		
16	Pensions	-	-	-	-	-	-	-		-		
17	Regulatory Expense	-	-	(5,294)	-	-	(5,294)	-		-		
18	Insurance Other Than Group	-	-	-	-	-	(24)	10,022		(367)		9,655
19	Customer Accounting	-	35	-	-	-	222	24,102		(456)		23,646
20	Rents	-	-	-	-	-	-	8,677		8,677		
21	General Office Expense	-	-	-	(587)	-	(79)	23,960		23,960		
22	Miscellaneous	-	-	-	-	-	31	2,201		2,201		
23	Maintenance Expense	-	-	-	-	-	447	23,503		23,503		
24	Depreciation & Amortization	-	-	-	-	-	(3,880)	178,533		178,533		
25	General Taxes-Property	-	-	-	-	-	(1,759)	42,677		(2,469)		40,208
26	General Taxes-Other	-	-	-	-	-	-	11,644		11,644		
27	Income Taxes	-	-	-	-	-	(35,163)	50,489		(34,454)		16,035
28												
29	<b>Total Operating Expenses</b>	\$ (627)	\$ 35	\$ (5,294)	\$ (587)	\$ 32,951	\$ 727	\$ (11,961)	\$ 674,392	\$ (37,746)	\$ 636,647	
30	<b>Utility Operating Income</b>	\$ 627	\$ (35)	\$ 5,294	\$ 587	\$ (32,951)	\$ (727)	\$ 11,961	\$ 161,926	\$ (104,077)	\$ 57,849	
31	<b>Other Income &amp; Deductions</b>											
32	Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (67)		\$ (67)		
33	Interest Expense	-	-	-	-	-	(1,898)	9,411		9,411		
34	Other Expense	-	-	-	-	-	-	-		-		
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-	-	-		-		
36	<b>Total Other Income &amp; Deductions</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,898)	\$ 9,344	\$ -	\$ 9,344		
37	<b>Net Profit / (Loss)</b>	\$ 627	\$ (35)	\$ 5,294	\$ 587	\$ (32,951)	\$ (727)	\$ 13,859	\$ 152,582	\$ (104,077)	\$ 48,505	
38												
39												
40												
41												
42												
43												
44	Supporting Schedules:											
45	E-6											
46												
47												
48	Workpapers & Supporting Documents:											
49												
50	\\2016 Tubac Water Rebuttal.xlsxm											

Recap Schedules:  
 C-1 Rebuttal

Line No.		[A]	[B]
		<u>Property Tax Expense</u>	<u>Property Tax Expense For Conversion Factor</u>
1	<u>Adjust Property Taxes to Reflect Adjusted Test Year Revenues</u>		
2	The Company adjusted property tax rate based on 2016 property tax bills received from Maricopa County Assessor.		
3			
4			
5			
6	Adjusted Revenues in Year Ended December 2016	\$ 836,318	\$ 836,318
7	Adjusted Revenues in Year Ended December 2016	836,318	836,318
8	Proposed Revenues	836,318	694,495
9	Average of Three Year's of Revenue	Avg Lines[6] thru [8] \$ 836,318	\$ 789,044
10	Average of Three Year's of Revenue, times 2	Line[9] * 2 \$ 1,672,636	\$ 1,578,087
11	Add:		
12	Construction Work in Progress at 10%	(a) 6,383	6,383
13	Deduct:		
14	Net Book Value of Transportation Equipment	\$ 44,508	\$ 44,508
15			
16	Full Cash Value	Sum Lines[10-12] - Line[14] \$ 1,634,512	\$ 1,539,963
17	Assessment Ratio (For 2016 per HB 2001 Sec 42-15001)	18.0%	18.0%
18	Assessed Value	Line[16]*Line[17] \$ 294,212	\$ 277,193
19	Property Tax Rate	(c) 14.51%	14.51%
20			
21	Property Tax	Line[18]*Line[19] 42,677	40,208
22	Tax on Parcels	-	-
23			
24	Adjusted Test Year Property Taxes at Present Rates	Line[21]+Line[22] \$ 42,677	
25	Adjusted Test Year Property Taxes	(b) 44,436	
26	Adjustment to Revenue and/or Expense (To Sch C-2 Rebuttal)	Line[24] - Line[25] \$ (1,759)	
27			
28	Adjusted Test Year Property Taxes at Proposed Rates		Sum Lines[21-27] \$ 40,208
29	Adjusted Test Year Property Taxes at Present Rates		Line[24] Col [A] 42,677
30	Additional Property Taxes on Proposed Revenues (To Sch C-2 Rebuttal )		Line[28] - Line[29] \$ (2,469)
31			
32			
33			
34	<u>CALCULATION OF PROPERTY TAX FACTOR TO COMPUTE GROSS REVENUE CONVERSION FACTOR (SCH C-3 Rebuttal):</u>		
35			
36		Increase in Property Tax Due to Increase in Revenue Requirement (Line 30, Col [B])	\$ (2,469)
37			
38		Increase in Revenue Requirement (From Sch. A-1 Rebuttal)	\$ (141,823)
39			
40		Increase in Property Tax Per Dollar Increase in Revenue (Line 36/Line 38)	1.74%
41			
42			
43			
44	<u>Workpapers &amp; Supporting Documents:</u>		
45			
46	(a) Sch E1		
47	(b) Sch C2 Rebuttal		
48	(c) \Composite Property Tax Rate 2016.xlsx		
49			
50	\2016 Tubac Water Rebuttal.xlsm		

Line No.			Test Year Adjusted Results	Adjusted with Rate Increase
1	<u>Federal and State Income Taxes</u>			
2				
3				
4				
5				
6				
7	Operating Income Before Inc. Taxes		\$ 212,415	\$ 73,884
8	Interest Expense		9,411	9,411
9	Arizona Taxable Income		Line[7] - Line[8] \$ 203,004	\$ 64,473
10				
11	Arizona Income Tax	4.90%	Line[9] * 0.049 \$ 9,947	\$ 3,159
12				
13				
14	Federal Income Before Taxes		Line[9] \$ 203,004	\$ 64,473
15	Less Arizona Income Taxes		Line[11] 9,947	3,159
16	Federal Taxable Income		Line[14] - Line[15] \$ 193,057	\$ 61,313
17				
18	FEDERAL INCOME TAXES:			
19				
20				
21				
22				
23				
24				
25	Federal Income Taxes	21.00%	Line[16] * 0.21 \$ 40,542	\$ 12,876
26				
27				
28	Total Income Tax		Line[15]+Line[25] \$ 50,489	\$ 16,035
29				
30	Tax Rate		Line[28] / Line[9] 24.87%	24.87%
31				
32	Effective Income Tax Rates			
33	State		Line[11] / Line[9] 4.900%	4.900%
34	Federal		Line[25] / Line[9] 19.97%	19.97%
35				
36				
37	Adjusted Test Year Income Taxes		(a) \$ 85,652	
38	Increase in Income Taxes,		Line[28] - Line[37] \$ (35,163)	
39				
40	Adjustment to Revenues and/or Expense		Line[38] \$ (35,163)	
41				
42	Test Year Income Taxes,			Line[28] \$ 50,489
43	Increase in Income Taxes			Line[28] - Line[42] (34,454)
44				
45	Adjustment to Revenue and/or Expense			Line[43] \$ (34,454)
46				
47	<u>Workpapers &amp; Supporting Documents:</u>			
48	(a) Sch C2 Rebuttal			
49				
50	\\2016 Tubac Water Rebuttal.xlsm			



Line			
<u>No.</u>			
1	<u>Interest Synchronization with Rate Base</u>		
2			
3			
4			
5			
6	Original Cost Rate Base (Sch. B-1 Rebuttal , Ln. 28)	(a) \$	1,057,411
7	Weighted Cost of Debt from Schedule D-1 Rebuttal	(c)	0.89%
8	Synchronized Interest Expense	Line[6]*Line[7]	\$ 9,411
9			
10	Test Year Interest Expense Adjusted	(b) \$	<u>11,309</u>
11			
12	Adjusted Test Year Interest Expense	Line[10]	\$ 11,309
13			
14	Increase/(Decrease) in Interest Expense	Line[8] - Line[12]	\$ <u>(1,898)</u>
15			
16	Rebuttal Adjustment to Revenue and/or Expense	Line[14]	\$ <u>(1,898)</u>
17			
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44			
45	<u>Workpapers &amp; Supporting Documents:</u>		
46	(a) Sch B1 Rebuttal		
47	(b) Sch C2 Rebuttal		
48	(c) Sch D1 Rebuttal		
49			
50	\\2016 Tubac Water Rebuttal.xlsm		

Line  
 No.  
 1 Regulatory Liability - ADIT Amortization - Tax Reform Adj  
 2  
 3 The Company is updating its Deferred Income Tax Balance to reflect the impact of the Tax Cuts and Jobs Act of 2017. This caused the Company to create a Regulatory Liability for this amount as  
 4 reflected in Rate Base proforma adjustment KDB-RB2-REB. This Income Statement proforma adjustment reflects the annual amortization of that rate base adjustment.  
 5  
 6  
 7

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

Line

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45 Workpapers & Supporting Documents:

46

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49

50 \2016 Tubac Water Rebuttal.xlsm

Line  
 No.  
 1 Partially Accept Staff IS ADJ #6: Adjust Depreciation Expense - Post Test Year Plant 2017  
 2  
 3 Adjustment to Annualize Depreciation Expense on Updated Post Test Year Plant for 2017. Includes updating projects through 12/31/2017 with actual expenditure.  
 4  
 5  
 6  
 7  
 8  
 9  
 10  
 11

	[A] Depreciation on Post TY Plant Additions per Summary of Plant and A/D by NARUC - FINAL 2017 PTYP (a)	[B] Allocation Factor	[C] = [A] * [B] Depreciation Expense
17 Depreciation on Post Test Year Plant Additions - Tubac Water	\$ 7,787	100.0000%	\$ 7,787
18 Depreciation on Additional TY Plant Additions - Tubac Water	1,615	100.0000%	1,615
19 Depreciation on 7A Corporate Post Test Year Plant Additions Allocated	48,670	0.3225%	157
20 Depreciation on Additional 7A Corporate Test Year Plant Additions Allocated	17,375	0.3225%	56
21 Depreciation on 6U Post Test Year Plant Additions Allocated	236,805	0.2937%	696
22 Depreciation on Additional 6U Test Year Plant Additions Allocated	174,541	0.2937%	513
	<u>\$ 486,794</u> Sum Lines [17 - 22]		
27 Depreciation Expense on 2017 Post Test Plant per Rebuttal			\$ 10,823 Sum Lines[17] thru [22]
29 Depreciation Expense on 2017 Post Test Plant per Company's Original Application			<u>\$ 12,105</u> (b)
33 Increase / (Decrease) to Depreciation Expense			\$ (1,282) Line[27] - Line[30]
35 Rebuttal Adjustment to Revenue and/or Expense			<u>\$ (1,282)</u> Line[33]

45 Workpapers & Supporting Documents:  
 46 (a) Summary of Plant Balances and Accum Depr by NARUC Updated for Final 2017 PTYP.xlsx  
 47 (b) Summary of Plant Balances and Accum Depr by NARUC.xlsx  
 48  
 49  
 50 \2016 Tubac Water Rebuttal.xlsm

Line  
 No.

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

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

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

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

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

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

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

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

45 Workpapers & Supporting Documents:

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

47 (b) Schedule C2 Adj SLM - IS25

50 \2016 Tubac Water Rebuttal.xlsm

Line  
 No.  
 1 Adjust Insurance Other Than Group  
 2  
 3 Insurance Other Than Group consists of 16 separate components. Annually, the Company reports certain business statistics to its insuring agencies including Revenues, Plant Balances, Employee Count,  
 4 Total Payroll and Vehicle Counts. Each of the 16 components is adjusted annually based on these statistics. The primary components are property insurance, excess liability, worker's compensation, and  
 5 crime. The Company has taken the average rate applicable to each of these components for the last four years, and made a conforming adjustment for employee count, test year and proposed  
 6 revenues, and property. This is a conforming adjustment and updated with the values in the Rebuttal Filing.  
 7

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

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

42	Adjusted Test Year Insurance Other Than Group	From Original Filing	\$ 9,984	\$ 9,960
43	Increase/(Decrease) to Insurance Other Than Group		\$ (24)	\$ (367)

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

Line  
 No.  
 1 Adjust CPI for 2017  
 2  
 3 Operating expenses are expected to increase in each of the future years due to inflation and other increasing costs factors. To compensate for regulatory lag, EPCOR proposes an increase for 2017 and  
 4 2018 correlated with the consumer price index for the Phoenix metropolitan area for all operating expenses where an adjustment has not already been proposed. Chemical expense is projected to  
 5 increase by 4% based on initial service contracts negotiations that are being worked on with the vendor.  
 6

2016 Unadjusted Expenses			Consumer Price Index - Phoenix Urban Consumers							
Description	Account	Amount (a)	Year	Annual Index	Increase	Ave Increase				
9	Chemicals	5263 \$ 25,794 A	2014	127.823						
10	Other Utilities	5621 \$ 1,462 B	2015	128.019	0.15%					
11	Asset Usage Fee - Corporate	6203 \$ 1,837 C	2016	130.107	1.63%					
12	Consulting Engineering	5227 \$ 4,981 D	2017	133.324	2.47%	1.4%				
13	Contractors and Consultants	5250 \$ 14,310 D	Chemical Increase			4.0%				
14	Administrative Contractors	5679 \$ 128 D	[A] * Line [12]							
15	Outside Computer Charges (T1)	5628 \$ 4,266 D	Chemical [13]							
16	Temporary Support	5629 \$ 1,063 D	[A]	[B]	[C]	[D] = [B] + [C]	[E]	[F] = [D] - [E]		
17	Legal Fees	5681 \$ 1,562 D	Total	Year 1	Year 2	Revised Total	IS JPB ADJ #23 Original Total	Rebuttal Adjustment		
18	Service Charges	5615 \$ 1,903 E	Chemicals	\$ 25,794	\$ 1,032	\$ 1,073	\$ 2,105	\$ 2,105	\$ -	
19	Customer Communications	5674 \$ 2,412 E	Waste Disposal	1,462	36	21	57	33	24	
20	Rent and Storage	5810 \$ 8,677 F	Corporate Allocati	1,837	45	27	72	42	30	
21	Freight and Courier	5262 \$ 1,284 F	Outside Services	26,309	651	383	1,033	601	432	
22	Telephone, Long Distance, Data	5620 \$ 13,930 F	Customer Account	4,315	107	63	169	99	71	
23	Stationary, Printing & Other O	5622 \$ 1,153 F	General Office Exp	30,966	766	450	1,216	707	509	
24	Office Machines, Furniture	5623 \$ 302 F	Miscellaneous	1,906	47	28	75	44	31	
25	Parking	5630 \$ 29 F	Maintenance Expe	27,224	673	396	1,069	622	447	
26	Vehicle Allowance	5631 \$ 153 F	sum Lines[18]thru[25]	\$ 119,814	\$ 3,356	\$ 2,440	\$ 5,797	\$ 4,252	\$ 1,544	
27	Vehicle Allowance	5271 \$ 1 F								
28	Business Allowance	5634 \$ 71 F								
29	Memberships Dues & Professiona	5640 \$ 641 F								
30	Subscriptions	5641 \$ 127 F								
31	Airfare	5650 \$ 413 F								
32	Accommodation, Other Travel	5651 \$ 1,434 F								
33	Employee Working Meals	5652 \$ 1,259 F								
34	Training - Fees/Tuition	5660 \$ 1,490 F								
35	Training Fee	5252 \$ 1 F								
36	FR Clothing	5273 \$ 1,517 G								
37	Miscellaneous	5697 \$ 389 G								
38	Stock	5260 \$ - H								
39	Materials, Supplies	5261 \$ 14,208 H								
40	Veh. and Equip.-Allocation	5270 \$ 9,703 H								
41	Equipment	5275 \$ 179 H								
42	Hardware	5624 \$ 10 H								
43	Software	5625 \$ 308 H								
44	Maintenance	5811 \$ 572 H								
45	Vehicle Maintenance	5823 \$ 2,243 H								
46		\$ 119,814	Sum Lines [9 thru 45]							
47	<u>Workpapers &amp; Supporting Documents:</u>									
48	(a) Sche6	Bureau of Labor Statistics - Phoenix CPI							Line [26] Col [D]	\$ 1,544
49										
50	\2016 Tubac Water Rebuttal.xlsm									

Line  
 No.

1 Adjust CUS Charges

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

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

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

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

45 Workpapers & Supporting Documents:  
 46 (a) Sche6

50 \2016 Tubac Water Rebuttal.xlsm



Line  
No.

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

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

7  
 8

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

12 <u>Part 1</u>			
13 Remove ASU Study Costs	\$ 28	\$ 65	\$ (37)

14  
 15

16 <u>Part 2</u>			
17 Amount to be removed from Outside Services per RUCO DR 1.25	\$ (590)	\$ -	\$ (590)

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 19  
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21			
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23			
24 Adjustment to Revenue and/or Expense			\$ (627) Line [13] + Line [17]

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45 Workpapers & Supporting Documents:  
 46 (a) Company Response to RUCO DR 1.25

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 48  
 49  
 50 \2016 Tubac Water Rebuttal.xlsm

Line  
 No.  
 1 Adjust Postage Expense  
 2  
 3 On January 22, 2017, the United States Postal Service increased postage rates. The Company has calculated a projected increase based on known and measurable increases to postage rates at time of  
 4 this rebuttal filing.  
 5  
 6  
 7

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

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

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

Line  
 No.

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

2  
 3 The Company is partially accepting Staff IS Adj #5. The Company is removing rate case expense out of the regulatory expense accounts. Staff recommends authorizing a surcharge to recover rate case  
 4 expense. Staff proposed recovery over a 5 year period however the Company proposes a 3 year period.  
 5  
 6

7  
 8

	[A] Revised Amounts (a)	[B] Original Application	[C] = [A] - [B] Rebuttal Adjustment
13 Amount to be removed from Regulatory Expense per Staff IS ADJ #5	\$ (5,294)	0	\$ (5,294)

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

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45 Workpapers & Supporting Documents:  
 46 (a) Schedule C2

47  
 48  
 49  
 50 \2016 Tubac Water Rebuttal.xlsm

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

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

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

Rebuttal  
 Adjustment  
\$ (587) Line [21]

24 Adjustment to Revenue and/or Expense

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

Line No. 1 Accept Staff IS ADJ #1 & RUCO IS Adj #4: Adjust Fuel and Power Expense  
 2  
 3 The Company is accepting both Staff IS Adj #1 and RUCO IS Adj #4. This rebuttal adjustment reverses the Company's original adjustment JPB-IS9 and restores the purchased power and fuel expense  
 4 back into the Test Year operating expenses for recovery in base rates.  
 5  
 6  
 7

8 The Company's water districts utilize multiple vendors in their different geographic locations. Power is purchased from Arizona Public Service Company ("APS"), UNS Electric, Inc. ("UNS Electric"), and Mohave Electric Cooperative ("MEC"). Each of  
 9 these vendors has initiated or concluded rate cases during the test year and pro forma adjustments to electrical costs are proposed to account for known and measurable increases. The Company has no control over these price increases.  
 10 Additionally, EWAZ has experienced consistent year-over-year increases in APS's bills due to changes in surcharge factors associated with their rate adjustor mechanisms.  
 11 APS provides electrical service to the Agua Fria, Anthem, Sun City, Sun City West, Chaparral, and Paradise Valley water districts. APS also provides electrical service to the Phoenix corporate office. On March 1, 2017, APS reached a settlement  
 12 agreement with the major parties in its rate case filed on June 1, 2016. The Company does not expect the Commission to issue a decision prior to the filing of this rate case, but is aware that the commercial rates will increase if the settlement is  
 13 approved. In addition to increased base rates resulting from the rate case application, APS utilizes a number of adjustor mechanisms that have caused electric costs to increase year-over-year, between APS filing general rate applications.  
 14 Accordingly, the Company adjusts the power charges included in the proposed PCAM based on the three-year average trend of known and measurable historical annual cost increases. Electric costs for districts using APS are adjusted for 2017 and  
 15 2018 to account for known rate increases that will be effective prior to the resolution of this case.  
 16 UNS Electric provides power for the Company's operations in its Tubac and Havasu Water districts. On August 18, 2016, the Commission issued Decision No. 75697 (August 18, 2016), authorizing new rates for residential and commercial customers.  
 17 The Company has multiple accounts with UNS Electric. As these rate increases are known and measurable, but not fully reflected in the 2016 purchased power costs, a one-time adjustment is included to annualize this increase in purchased power  
 18 costs included in the adjustor mechanism in-line with the newly authorized tariff for the eight months of the year that were not billed using the current tariff.  
 19 The Mohave, North Mohave, and Willow Valley Water districts receive power from MEC, which increased rates effective February 1, 2016 per Decision No. 75931 (January 13, 2017). The increased costs that result from that decision are not fully  
 20 reflected in the 2016 test year power expenses for those districts, but the increase in costs that result from Decision No. 75931 is both known and measurable. The two months of 2016 expenses billed pursuant to MEC's previous tariff should  
 21 therefore be adjusted for the known increase. The purchased power expenses for the Mohave, North Mohave, and Willow Valley Water districts have been annualized accordingly for rate changes in the test year in the PCAM.  
 22  
 23  
 24

GL Account	Account Description	Corporate (a)		Direct (b)		Other		Annualization	Total
		2016	2016	2016	2016	Allocation (c)	2016		
	5617 Power Charges	\$ 250	\$ 28,642						\$ 28,892
	5616 Natural Gas Charges	\$ -	\$ 600						\$ 600
	Annualization						\$ (96)		\$ (96)
Total Purchased Power Expense									<u>\$ 29,396</u> <small>Line[29 - 31]</small>
	2017 % Increase	6.29%	12.34%						
	2018 % Increase	6.29%	0.00%						
		[F]	[G]	[H]	[I]	[J]	[K] = [F] + [G] + [H] + [I] + [J]		
	2017 Increase - Power	\$ 16	\$ 3,535		0	0	\$ (12)		\$ 3,538 <small>Line[29] * 2017% Inc; Line [31] * 2017% Inc</small>
	2017 Expense	\$ 265	\$ 32,177	\$ 600	\$ -	\$ -	\$ (108)		\$ 32,935 <small>Line[29]+Line[38], Line[31] + Line [38]</small>
	2018 Increase - Power	\$ 17	\$ -	0	\$ -	\$ -	\$ -		\$ 17 <small>Line[39] * 2018% Inc</small>
	2018 Expense	\$ 282	\$ 32,177	\$ 600	\$ -	\$ -	\$ (108)		\$ 32,951 <small>Line[39]+Line[41]</small>
Increase/Decrease to Expense									<u>\$ 32,951</u> <small>Col 1, Line[42]</small>

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

Line  
No.  
 1 Accept Staff IS ADJ #2 & RUCO IS ADJ #3: Adjust Purchased Water Expense  
 2  
 3 The Company is accepting both Staff IS Adj #2 and RUCO IS Adj #3. This rebuttal adjustment reverses the Company's original adjustment JPB-IS30 and restores the purchased water expense back into  
 4 the Test Year operating expenses for recovery in base rates.  
 5  
 6  
 7  
 8 The Company is proposing a Purchase Water Adjustor Mechanism for all districts in this rate case, except Willow Valley. The Company's estimate as to the per customer surcharge is calculated based on the total potable and  
 9 raw gallons billed. The calculation excludes effluent and wheeling usage billed from the calculation as these gallons are not affected by the purchase price of water. Costs have been adjusted from the 2016 test year  
 10 expense to annualized water expense. Additionally, the Company has included known and measurable increases to purchased water costs. The Company pays the Central Arizona Project ("CAP") for fees in many districts.  
 11 CAP has published schedules showing the anticipated increases to fees in 2018, which will be finalized by the prior to the conclusion of this rate case. The impact of the increases in CAP fees have been included in the total  
 12 purchased water costs.  
 13 In its Mohave and North Mohave Districts, the Company pays fees to the Mohave Conservation District (MWCD), Mohave Valley Irrigation and Drainage District (MVIDD), and fees to Bullhead City for water. The Company  
 14 also pays fees to the Arizona Department of Water Reclamation in a number of districts. Some districts also pay groundwater withdrawal fees. Many of these fees are already collected through supplemental surcharges on  
 15 customer bills. All costs have been included in the total purchased water cost with the intention of combining all these fees into one purchased water surcharge.  
 16  
 17 The Company would anticipate the effective date of the Plan of Administration (POA), submitted as an Exhibit to Mr. Boizelle's testimony, to be concurrent with the effective date of new rates approved in this rate case.  
 18  
 19  
 20  
 21  
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 24

		Purchased Water
		<u>Test Year Expense</u>
25	Test Year Purchased Water Expense	\$ 99
26	Expenses Removed	\$ (99) (a)
27	SMC-IS6	\$ -
28	Annualized Purchased Water Expenses	\$ - Line [26]+Line [27]
29		
30	2017 Percentage increase in CAP costs	0.00% (c)
31	2017 Purchased Water Expense	\$ - Line [28]*(1+Line [30])
32		
33	2018 Percentage increase in CAP costs	0.00% (c)
34	2018 Purchased Water Expense	\$ - Line [31]*(1+Line [33])
35		
36	Mohave Wtr Conservation District - Impost Fees	\$ - (c)
37	Impost Fees - Bullhead City	\$ - (c)
38	Water Admin Fee - MVDD	\$ - (c)
39	ADWR Groundwater Withdrawal Fee	\$ 727 (c)
40	Groundwater Withdrawal Fee	
41	Total Pro Forma Purchased Water Costs	\$ 727 Sum Lines [36 - 40]
42		
43	Increase/Decrease to Expense	<u>\$ 727</u> Line [41]
44		
45	<u>Workpapers &amp; Supporting Documents:</u>	
46	(a) Sch C2	
47	(b) Sch E7	
48	(c) \Purchased Water Increase.xlsx	
49		
50	\2016 Tubac Water Rebuttal.xlsm	

Line No.	Description	[A]	[B]	Percentage of Incremental Gross Revenues [C]
1	Federal Income Taxes			
2				19.97%
3	State Income Taxes			
4			Combined	24.87%
5				4.90%
6	Property Taxes	Effective Rate = 1.74%	One Minus Combined	75.13%
7				1.31% [A] x [B]
8	Bad Debt Expense	Effective Rate = 0.32%	One Minus Combined	75.13%
9				0.24% [A] x [B]
10	Insurance Other Than Group	Effective Rate = 0.26%	One Minus Combined	75.13%
11				0.19% [A] x [B]
12				
13	Total Tax Percentage			26.61% Sum Line [1-10]
14				
15	Operating Income % = 100% - Tax Percentage			73.39% 1 - [C] Line [13]
16				
17				
18		1 = Gross Revenue Conversion Factor		
19				
20				
21	Operating Income %			1.36 1 / [C] Line [15]
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43	Supporting Schedules:		Recap Schedules:	
44	C-2 Rebuttal		A-1 Rebuttal	
45				
46				
47	Workpapers & Supporting Documents			
48				
49				
50	\2016 Tubac Water Rebuttal.xlsx			

Tubac Water

D Schedules

Rebuttal



Line No.	Description	End of Test Year				End of Adjusted Year			
		[A] Dollar Amount (a)	[B] Percent of Total	[C] Cost Rate (a)	[D] = [B] * [C] Weighted Cost	[E] Dollar Amount	[F] Percent of Total	[G] Cost Rate (a)	[H] = [F] * [G] Weighted Cost
1	Long-Term Debt	\$ 234,260,000	49.98%	4.30%	2.15%	\$ 242,820,000	51.81%	4.30%	2.23%
2	WIFA Loan *	\$ 637,306	0.14%	3.94%	0.01%	\$ 637,306	0.14%	3.94%	0.01%
3	Short-Term Debt	\$ 8,560,000	1.83%	0.63%	0.01%	\$ -	0.00%	0.00%	0.00%
4	Stockholder's Equity	\$ 225,225,834	48.06%	10.10%	4.85%	\$ 225,225,834	48.06%	10.60%	5.09%
5	Totals	\$ 468,683,140	100.00%		7.02%	\$ 468,683,140	100.00%		7.33%
6		Sum Line [1-4]							

10 \* The WIFA Loan was obtained for the sole purpose of constructing an Arsenic Treatment Plant for the District of TUBAC. It is applicable only in that  
 11 District's capital structure.

43 Supporting Schedules: Recap Schedules:  
 44 D-2 Rebuttal A-1 Rebuttal  
 45 2016 Annual Report  
 46  
 47  
 48 \2016 Tubac Water Rebuttal.xlsm  
 49  
 50

**Capital Structure for OCRB**

Line No.	Description	End of Test Year				[D] = [B] * [C]
		[A] Dollar Amount	[B] Percent of Total	[C] Cost Rate (a)	[D] = [B] * [C] Weighted Cost	
1	Long-Term Debt	\$ 217,948	20.61%	4.30%	0.89%	
2	WIFA Loan	\$ 637,306	60.27%	3.94%	2.37%	0.09%
3	Short-Term Debt	\$ -	0.00%	0.63%	0.00%	
4	Stockholder's Equity	\$ 202,156	19.12%	10.10%	1.93%	
5	Totals	\$ 1,057,411	100.00%		5.19%	
6		Sum Line [1-4]				

**Capital Structure for FVRB**

Line No.	Description	[I]	[J]	[K] = [I] * [J]	[L]	[M]	[N] = [L] * [M]
		OCRB Weight	OCRB Cost	Amt Financing OCRB	FVRB Weight	Cost	Fair Value WACC
11	Long-Term Debt	20.61%	\$ 1,057,411	\$ 217,948	[K11]/[K18] 16.67%	4.30%	0.72%
12	WIFA Loan	60.27%	\$ 1,057,411	\$ 637,306	[K12]/[K18] 48.76%	3.94%	1.92%
13	Short-Term Debt	0.00%	\$ 1,057,411	\$ -	[K13]/[K18] 0.00%	0.63%	0.00%
14	Stockholder's Equity	19.12%	\$ 1,057,411	\$ 202,156	[K14]/[K18] 15.47%	10.10%	1.56%
15		100.00%		\$ 1,057,411			
17	Fair Value Increment			\$ 249,715	[K17]/[K18] 19.10%	1.10%	0.21%
18	Fair Value Rate base			\$ 1,307,126	100.00%		4.41%
21	Fair Value Rate Base		Sch A1 Rebuttal	\$ 1,307,126			
22	Less Original Cost Rate Base		Sch A1 Rebuttal	\$ 1,057,411			
23	Difference		Line [21]-[22]	\$ 249,715			

46 Supporting Schedules: Recap Schedules:  
 47 (a) D-2 Rebuttal A-1 Rebuttal  
 48 (b) B-1 Rebuttal  
 49  
 50 \2016 Tubac Water Rebuttal.xlsm

Line No.	End of Test Year			End of Adjusted Year		
	[A] Amount <u>Outstanding</u>	[B] Annual <u>Cost</u>	[C] = [B] / [A] Interest <u>Rate</u>	[D] Amount <u>Outstanding</u>	[E] Annual <u>Cost</u>	[F] = [D] / [E] Interest <u>Rate</u>
1	<u>Long-Term Debt</u>					
2	(b) \$ 133,000,000	\$ 5,004,790	3.74%	(b) \$ 133,000,000	\$ 5,004,790	3.74%
3	(b) \$ 98,000,000	\$ 4,922,540	5.00%	(b) \$ 98,000,000	4,922,540	5.00%
4	(b) \$ 3,260,000	\$ 152,681	4.57%	(b) \$ 3,260,000	152,681	4.57%
5	(b) \$ 8,560,000	368,330	4.30%	(b) \$ 8,560,000	368,330	4.30%
6	<u>\$ 234,260,000</u>	<u>\$ 10,080,011</u>	<u>4.30%</u>	<u>\$ 242,820,000</u>	<u>\$ 10,448,341</u>	<u>4.30%</u>
7						
8	(b) \$ 637,306	\$ 25,097	3.94%	(b) \$ 637,306	25,097	3.94%
9						
10	<u>Common Equity</u>					
11	(a) \$ 5,126,020			(a) \$ 5,126,020		
12	(a) 203,889,486			(a) 203,889,486		
13	(a) <u>16,210,327</u>			(a) <u>16,210,327</u>		
14	\$ 225,225,834		10.10%	\$ 225,225,834		10.10%
15						
16	(a) <u>(1,530,620)</u>			-		
17	<u>223,695,213</u>			<u>225,225,834</u>		
18						
19						
20	<u>Other</u>					
21	(b) \$ 8,560,000	\$ 54,050	0.63%	(b) \$ -	\$ -	0.00%
22						
23						
24	<u>\$ 467,152,520</u>	<u>\$ 10,159,158</u>	<u>2.17%</u>	<u>\$ 468,683,140</u>	<u>\$ 10,473,438</u>	<u>2.23%</u>
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46	Supporting Schedules:	Recap Schedules:				
47	(a) E-1 Rebuttal	D-1 Rebuttal				
48	(b) D-2 Rebuttal					
49						
50	\\2016 Tubac Water Rebuttal.xlsm					

EPCOR WATER ARIZONA COMBINED  
At December 31, 2016  
COST OF REPLACEMENT DEBT

Exhibit  
Schedule D-2  
Page 2 of 2  
Witness: Hubbard

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Description	Principal Amount	Net Discount, Premium and Expense	Effective Net Principal	Issue Date	Maturity Date	Interest Rate	Annualized Cost	Weighted Cost
10 Yr. EPCOR Water USA Note	\$ 133,000,000	\$ 305,900	\$ 132,694,100	2/1/2012	12/15/2021	3.74%	\$ 5,004,790	3.77%
30 Yr. EPCOR Water USA Note	98,000,000	225,400	97,774,600	2/1/2012	12/15/2041	5.00%	4,922,540	5.03%
8 Yr. EPCOR Water USA Note	3,260,000	38,616	3,221,384			4.57%	152,681	4.74%
<hr/>								
Short Term Debt from EPCOR Utilities Inc. <sup>1</sup>	\$ 8,560,000	\$ -	\$ 8,560,000	12/15/2016	1/14/2017	0.63%	\$ 54,050	0.63%
<hr/>								
<b>Subtotal-Other</b>	<b>\$ 8,560,000</b>		<b>\$ 8,560,000</b>				<b>\$ 54,050</b>	<b>0.63%</b>
<hr/>								
WIFA Tubac note (at 12/31/16)	\$ 637,306	\$ -	\$ 637,306		11/1/2029	3.94%	\$ 25,097	3.94%

EPCOR Water Arizona Inc.  
At December 31, 2016

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Description	Principal Amount	Net Discount, Premium and Expense	Effective Net Principal	Issue Date	Maturity Date	Interest Rate	Annualized Cost	Weighted Cost
10 Yr. EPCOR Water USA Note	\$ 133,000,000	\$ 152,950	\$ 132,847,050	2/1/2012	12/15/2021	3.74%	\$ 4,989,495	3.76%
30 Yr. EPCOR Water USA Note	98,000,000	\$ 112,700	97,887,300	2/1/2012	12/15/2041	5.00%	4,903,757	5.01%
<hr/>								
<b>Subtotal Long-Term Debt</b>	<b>\$ 231,000,000</b>	<b>\$ 265,650</b>	<b>\$ 230,734,350</b>				<b>\$ 9,893,252</b>	<b>4.29%</b>
<hr/>								
Short Term Debt from EPCOR Utilities Inc. <sup>1</sup>	\$ 8,560,000	\$ -	\$ 8,560,000	12/15/2015	1/15/2016	0.63%	\$ 54,050	0.63%
<hr/>								
<b>Subtotal-Other</b>	<b>\$ 8,560,000</b>		<b>\$ 8,560,000</b>				<b>\$ 54,050</b>	<b>0.63%</b>
<hr/>								
WIFA Tubac note (at 12/31/16)	\$ 637,306	\$ -	\$ 637,306		11/1/2029	3.94%	\$ 27,326	
<b>Total Debt</b>	<b>\$240,197,306</b>							

Source: 7/9/12 Suppl Compliance Filing-in Docket No. W-01303A-11-0101

CHAPARRAL CITY WATER COMPANY  
At December 31, 2016  
COST OF REPLACEMENT DEBT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Description	Principal Amount	Net Discount, Premium and Expense	Effective Net Principal	Issue Date	Maturity Date	Interest Rate	Annualized Cost	Weighted Cost
8 Yr. EPCOR Water USA Note	\$ 3,260,000	\$ 38,616	\$ 3,221,384	12/1/2014	12/1/2022	4.565%	\$ 150,106	4.66%
<hr/>								
<b>Subtotal Long-Term Debt</b>	<b>\$ 3,260,000</b>	<b>\$ 38,616</b>	<b>\$ 3,221,384</b>				<b>\$ 150,106</b>	<b>4.66%</b>

<sup>1</sup>Long-term Debt Pending ACC Approval.