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Attorneys for Liberty Utilities (Cordes Lakes Water) Corp.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
ANNA TOVAR
NICK MYERS
KEVIN THOMPSON

IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (CORDES LAKES WATER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02060A-23- **APPLICATION**

Liberty Utilities (Cordes Lakes Water) Corp. ("Liberty Cordes Lakes") hereby applies for an order establishing the fair value of its plant and property used for the provision of public water utility service and based on such finding approving permanent rates and charges for utility service designed to produce a fair return thereon. In this application, Liberty Cordes Lakes is requesting approval to consolidate their rates with the rates for Liberty Utilities (Rio Rico Water & Sewer). Liberty Utilities (Beardsley Water) Corp. ("Liberty Beardsley"), and Liberty Utilities (Bella Vista) Corp. ("Liberty Bella Vista"), all of whom are filing for new rates concurrently with this

application, are also requesting approval to consolidate their rates with the rates for Liberty Utilities (Rio Rico Water and Sewer) Corp. ("Liberty Rio Rico"). Liberty Rio Rico also is concurrently filing for new rates and approval to consolidate its water rates with Liberty Beardsley, Liberty Cordes Lakes, and Liberty Bella Vista.

As explained in this Application and supporting testimony, following sufficiency Liberty Beardsley, Liberty Cordes Lakes, Liberty Bella Vista and Liberty Rio Rico (jointly referred to as "Applicants") will seek to consolidate the four rate applications into the same docket so that the Commission may consider Applicants' rate applications and requests for consolidation into what is generally referred to as "Liberty Rio Rico (Consolidated)" in Applicants' filings. Included with this Application by Liberty Cordes Lakes are all the standard rate filing schedules and analysis for (1) Liberty Cordes Lakes as a stand-alone water utility; and (2) Liberty Rio Rico (Consolidated).[1]

In support of this Application, Liberty Cordes Lakes states as follows:

LIBERTY CORDES LAKES

A. Background.

1. Liberty Cordes Lakes is an Arizona public service corporation engaged in providing water utility services in the foothills of the Prescott Valley, north of Phoenix, in Yavapai County, Arizona. As of April 2023, Liberty Cordes Lakes had 1,609 connections (1,589 residential and 20 commercial). Liberty acquired Cordes Lakes and took control of the water system on March 1, 2019.

2. Liberty Cordes Lakes' business office is located at 14920 W. Camelback Road, Litchfield Park, AZ 85340, and its telephone number is (623) 935-9367. The primary management contact is Moses Thompson who is President of Liberty Utilities – Arizona/Texas.

[1] Applicants also each will file applications for financing approval and then move to consolidate those financing dockets with the four rate case dockets. Additionally, as discussed in their separate rate applications, Liberty Beardsley, Liberty Cordes Lakes and Liberty Bella Vista will file an application pursuant to A.R.S. § 40-285 for approval to transfer all of their utility plant and assets and their separate CC&N to Liberty Rio Rico. Applicants will file those applications during the sufficiency review period for the four rate applications and upon sufficiency will file a request in each docket to merge all of those dockets into one consolidated docket for hearing and decision on these matters.

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B. Liberty Cordes Lakes' Proposed Stand-Alone Rate Increase.

3. Liberty Cordes Lakes' present rates and charges for utility service were approved by the Commission in Decision No. 76334, pursuant to an emergency rate case; Decision No. 76334 was later amended in Decision No. 76928. There have been no other changes to Liberty Cordes Lakes' rates since the current rates went into effect on or after October 31, 2018.

4. Liberty Cordes Lakes was ordered by the Commission to file a rate application within five years of the effective date of Decision No. 76698. Liberty Cordes Lakes requested an extension until December 31, 2023 to file a rate case in compliance with Decision No. 76698. Liberty Cordes Lakes' revenues from its utility operations are presently inadequate to provide a fair rate of return on the fair value of its utility plant and property devoted to public service. Operating expenses have also changed since the current rates were set. Therefore, Liberty Cordes Lakes requests that certain adjustments to its rates and charges for utility service be approved by the Commission so that Liberty Cordes Lakes may recover its operating expenses and be given an opportunity to earn a just and reasonable rate of return on the fair value of its rate base. Liberty Cordes Lakes agrees to use its original cost rate base as its fair value rate base in this proceeding to minimize disputes and reduce rate case expense.

5. Filed concurrently herewith are the schedules required pursuant to A.A.C. R14-2-103 for rate applications. The test year utilized by Liberty Cordes Lakes in connection with the preparation of such schedules is the 12-month period that ended April 30, 2023. Liberty Cordes Lakes requests that the Commission utilize such test year in connection with this Application, with appropriate adjustments to obtain a normal or more realistic relationship between revenues, rate base and expenses during the period in which the rates established in this proceeding are in effect.

6. During the test year, Liberty Cordes Lakes' adjusted gross revenues were $649,791. The adjusted operating income was ($379,846) leading to an operating income deficiency of ($986,695). The adjusted fair value rate base was $7,514,781. Thus, the rate of return during the test year was -5.05%.

7. Liberty Cordes Lakes submits that this rate of return is severely inadequate to allow it to obtain debt, pay a reasonable return to its stockholder, maintain a sound credit rating, and/or

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enable Liberty Cordes Lakes to attract additional capital on reasonable and acceptable terms to continue the investment in utility plant necessary to adequately serve customers.

8. Liberty Cordes Lakes is seeking total revenues of $2,017,408. Liberty Cordes Lakes seeks an increase in total revenues of $1,367,617 an increase of approximately 210.47% over the adjusted and annualized revenues of $649,791. The revenue amount is inclusive of the revenues required to recover (1) operating expenses; (2) a return on rate base; and is exclusive of rate case expense. Specifically, the increase in annual revenues to provide for recovery of operating expenses and an 8.08% return on rate base is approximately $1,367,617. Rate case expense recovery is being requested through a separate surcharge recovery mechanism.

9. In accordance with A.A.C. R14-2-103.B(5) and per the commission's request, attached hereto as Attachment 1 are water plant descriptions and water usage data as of December 31, 2022.

10. Attached hereto as Attachment 2 is Liberty Cordes Lakes proposed tariff of rates and charges, which includes a request for a Purchased Power Adjuster Mechanism ("PPAM"), a Property Tax Adjuster Mechanism ("PTAM"), a Customer Assistance Tariff ("CAT"), an updated Curtailment Tariff, an Emergency Water Augmentation Mechanism ("EWAM") and a Water Treatment Rate Adjustment Mechanism ("WTRAM").

C. <u>Request to Consolidate and Proposed Rates for Liberty Rio Rico (Consolidated).</u>

11. Applicants are proposing to consolidate these four companies in these rate case applications for several reasons. To start, Liberty currently has seven (7) regulated water and wastewater utilities in Arizona. Operating and managing those utilities as separate utilities for ratemaking purposes is not optimal and results in added ratemaking and related costs. Liberty always has intended to consolidate all of the Arizona utilities into a single entity for ratemaking purposes. Liberty took the first step towards statewide consolidation by seeking Commission approval for the merger of Liberty Utilities (Entrada Del Oro Sewer) Corp. into Liberty Utilities (Gold Canyon Sewer) Corp. in Docket Nos. SW-043 16A-21-0325 and SW-025 19A-21-0326. The Commission approved that consolidation in Decision No. 78871. In turn, the proposed consolidation of Bella Vista, Beardsley and Cordes Lakes into Liberty Rio Rico is the next natural

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step towards statewide consolidation for rate making purposes. If consolidation of those entities is approved by the Commission here, Liberty would have four regulated utilities in Arizona, in turn providing a springboard for consolidation of those entities into a single entity at some point in the future. Further, Liberty submits that it is beneficial to all customers of Beardsley, Bella Vista, Cordes Lakes and Rio Rico to consolidate the customer bases for ratemaking, operations and capital investments because it leads to as large a customer base as possible across which costs may be spread. Consolidation of the four entities into Liberty Rio Rico (Consolidated) will also reduce the regulatory costs and burdens for all stakeholders, including the companies and customers as they will share efficiencies gained in the reduction of administrative costs associated with the expenses of Commission filings (to include compliance and rate case expenses).

12. During the test year, the adjusted gross revenues for Liberty Rio Rico water utility service (Consolidated) were $12,713,121. The adjusted operating income was $268,057, leading to an operating income deficiency of $4,364,434. The rate of return on water operations during the test year was 0.55%.

13. Liberty Rio Rico (Consolidated) is seeking an increase in water utility revenues equal to $5,577,633, an increase in revenues of 43.87%. The adjustments to the Company's rates and charges that are proposed herein, when fully implemented, will produce a rate of return on the fair value rate base equal to 8.94% from water operations. –The revenue amount is inclusive of the revenues required to recover the proposed (1) operating expenses; (2) a return on rate base; and is exclusive of rate case expense surcharge revenues. Rate case expense recovery is being requested through a separate surcharge recovery mechanism.

14. During the test year, the adjusted gross revenues for Liberty Rio Rico wastewater utility service (Consolidated) were $1,852,455. The adjusted operating income was $432,737, leading to an operating income deficiency of $366,438. The rate of return on wastewater operations during the tests year was 4.84%.

15. Liberty Rio Rico (Consolidated) is seeking an increase in wastewater utility revenues equal to $502,321, an increase in revenues of 27.12%. The adjustments to the Company's rates and charges that are proposed herein, when fully implemented, will produce a rate of return

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on the fair value rate base equal to 8.94% from wastewater operations. The revenue amount is inclusive of the revenues required to recover the proposed (1) operating expenses; (2) a return on rate base; and is exclusive of rate case expense surcharge revenues. Rate case expense recovery is being requested through a separate surcharge recovery mechanism.

16. Attached as Attachment 3 is the proposed tariff of consolidated rates and charges, which includes a request for a PPAM, PPTAM, CAT, EWAM, WTRAM, and curtailment tariff.

SUPPORTING TESTIMONY AND SCHEDULES[2]

17. Filed concurrently in support of this Application and the Applicants' request for consolidation of rates are the following direct testimonies:

a. Direct testimony of Manasa Rao – Ms. Rao, Sr. Director Rates & Regulatory Affairs (West Region), provides an overview of the proposal for new rates for Liberty Cordes Lakes separately and jointly with Liberty Rio Rico. Ms. Rao also addresses rate case expense, the proposed Water Treatment Rate Adjustment Mechanism (WTRAM), Post Test Year Plant adjustments and adjustments to test year expenses.

b. Direct Testimony of Matthew Garlick, Vice President, Operations Special Projects for Liberty's regulated utilities in Arizona and Texas, provides support for the recovery of acquisition premiums for Liberty Beardsley and Liberty Cordes Lakes, Liberty's consolidation request and technical support for the proposed WTRAM.

c. Direct Testimony of Josh Reiff – Mr. Reiff, Cordes Lakes Operations Manager, illustrates Liberty Cordes Lakes' operations and capital investments made by Liberty after the affiliate was acquired by the Company in March of 2019.

d. Direct Testimony of Paul Walker – Mr. Walker, Regulatory Consultant, discusses the proposed consolidation of the Applicants and the acquisition premiums for Liberty Beardsley and Liberty Cordes Lakes

[2] The schedules attached to this Application pertain to Liberty Cordes Lakes as a stand-alone utility and Liberty Rio Rico (Consolidated).

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e. Direct Testimony of Lauren Preston – Ms. Preston, Vice President / Customer Care, discusses the Customer First capital investment for the Applicants and the Customer Assistance Tariff.

f. Direct Testimony of Jill Schwartz – Ms. Schwartz, Sr. Director of Regulatory Policy and Strategy, provides testimony regarding corporate structure, shared services costs, cost allocation, the Cost Allocation Manual ("CAM") and Indirect Overhead ("INDOH").

g. Direct Testimony of Thomas Bourassa, Mr. Bourassa, Regulatory and Accounting Consultant, provides testimony on all the components of the revenue requirement and rates, except rate case expense. His testimony addresses rate base, income statement (revenue and operating expenses), cost of capital, required increase in revenue, rate design and proposed rates and charges for service.

18. All supporting schedules for Liberty Cordes Lakes and Liberty Rio Rico (Consolidated) are attached following the direct testimonies.

CONTACT INFORMATION

19. The person responsible for overseeing and directing the conduct of this rate application is Manasa Rao, Sr. Director Rates & Regulatory Affairs (West Region). Ms. Rao was assisted by Thomas J. Bourassa, rate consultant and undersigned legal counsel. Ms. Rao's mailing address is 9750 Washburn Rd, Downey, CA, 90241; her telephone number is (562) 805-2084; and her email address is Manasa.Rao@libertyutilities.com. Mr. Bourassa's mailing address is 139 W. Wood Drive, Phoenix, Arizona 85029; his telephone number is (602) 246-7150; and his email address is tjb114@cox.net.

20. All discovery, data requests and other requests for information concerning this Application should be directed to Ms. Rao at Manasa.Rao@libertyutilities.com and Mr. Bourassa at tbj114@cox.net, with a copy to undersigned counsel, Kelly A. Daly at kdaly@swlaw.com and Lisa.Lance@libertyutilities.com.

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RELIEF REQUESTED

WHEREFORE, Liberty Cordes Lakes requests the following relief:

A. That the Commission, upon proper notice and at the earliest possible time, conduct a hearing in accordance with A.R.S. § 40-251 and determine the fair value of Liberty Cordes Lakes' utility plants and property devoted to providing water utility service.

B. Based upon such determination, that the Commission (1) grant the request to consolidate Liberty Beardsley, Liberty Cordes Lakes and Liberty Bella Vista into Liberty Rio Rico; and (2) approve permanent adjustments to the rates and charges for water and wastewater utility service provided by Liberty Rio Rico on a consolidated basis as proposed herein, or approve such other rates and charges as will produce a just and reasonable rate of return on the fair value of Liberty Cordes Lakes' consolidated utility plant and property.

C. That the Commission approve the requests for a PPAM, PTAM, CAT, EWAM and WTRAM; and

D. That the Commission authorize such other and further relief as may be appropriate to ensure that Liberty Cordes Lakes has an opportunity to earn a just and reasonable return on the fair value of its utility plant and property and as may otherwise be required under Arizona law.

RESPECFULLY SUBMITTED this 28th day of December, 2023.

SNELL & WILMER L.L.P.

By: */s/ Kelly A. Daly / Paloma Scheiferstein*
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LIBERTY UTILITIES

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Attorneys for Liberty Utilities (Cordes Lakes) Corp.

ORIGINAL eFiled
this 28th day of December, 2023, with:
Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

By: */s/ Regina Wise*

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ATTACHMENT 1

Cordes Lakes Water Company
Annual Report
Water Utility Plant Description
12/31/22

Water Utility Plant Description	
Name of the System:	CORDES LAKE WATER COMPANY
ADEQ Public Water System Number:	AZ0413023
ADWR PCC Number:	91-000616.0000

MAINS

Sizes (inches)	Material	Length (feet)
4.00	PVC	168,000
8.00	PVC	234,000
1.00	PVC	1,350
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA

CUSTOMER METERS

Size (inches)	Quantity	Percent over 1,000,000 gallons	Percent over 10 years old
5/8 X 3/4	277	NA	NA
0.75	1,316	NA	NA
1	5	NA	NA
1.5	1	NA	NA
2	4	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA

SERVICE LINES

Material	Percent of system	Year installed
Black poly	100%	NA
Copper	20%	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA

BOOSTER PUMPS

Horsepower	GPM	Quantity
2.5	N/A	1
5	N/A	5
7.5	N/A	8
10	N/A	2

FIRE HYDRANTS

Type	Quantity
Standard *	0
Other	0

STORAGE TANKS

Capacity (gallons)	Material	Quantity	Year installed
16,000	Steel	2	NA
30,000	Steel	2	NA
45,000	Steel	2	NA
100,000	Steel	1	NA
NA	NA	NA	NA
NA	NA	NA	NA

PRESSURE/BLADDER TANKS

Capacity (gallons)	Material	Quantity	Year installed
3,000	Steel	1	NA
5,000	Steel	3	NA
5,000	Steel	1	2019
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA

* A standard fire hydrant has two 2.5 inch hose connection nozzles with 7.5 threads per inch, and one 4.5 inch pumper connection nozzle with 4 threads per inch.

Water Utility Plant Description (Continued)

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:	Chlorinators all wells.

STRUCTURES:	8' x8' Wood Pump House & Fence at Well 1. 8' x8' Block Pump House & Fence at Well 2. 10' x12' Wood Pump House & Fence at Well 3 (out of service). 12' x12' Block Pump House & Fence at Well 4. 8' x8' Wood Pump House & Fence at Well 5. Shade structure & Fence at Well 7. Fencing around Booster Stations 1,2 and 3. Junction booster station block pump house & Fence.

OTHER:	30 KW Portable Generator.

Provide a calculation used to determine the value of one water equivalent residential connection (ERC).
Use one of the following methods:

(a) If actual flow data are available from the preceding 12 months, divide the total annual single family residence (SFR) gallons sold by the average number of single family residence customers for the same period and divide the result by 365

(b) If no historical flow data are available, use:
ERC = (Total SFR gallons sold (Omit 000) / 365 days / 350 gallons per day)

ERC	107
Method used:	(a)

Cordes Lakes Water Company
Annual Report
Well and Water Usage
12/31/22

Well and Water Usage

Name of the System:	CORDES LAKE WATER COMPANY
ADEQ Public Water System Number:	AZ0413023
ADWR PCC Number:	91-000616.0000

Well registry 55# (55-XXXXXX):	Pump Horsepower	Pump Yield (gpm)	Casing Depth (feet)	Casing Diameter (inches)	Pump Motor Type **	Year Drilled	Water level 2010	Water level 2020	Meter Size (inches)	How measured:	Active
55-609346 (1)	7.5	65	470	12	submersible	1969	NA	223	3	Metered	Yes
55-518196 (2)	7.5	95	380	8	submersible	1987	NA	173	3	Metered	Yes
55-609347 (4)	7.5	94	500	12	submersible	1968	NA	111	3	Metered	Yes
55-565855 (5)	10	65	343	10	submersible	1998	NA	297	3	Metered	Yes
55-230938 (7)	20	108	395	8	submersible	2019	NA	86	3	Metered	Yes
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Name of system water delivered to:	NA
ADWR PCC Number:	#N/A
Source of water delivered to another system	NA

Name of system water received from:	PRESCOTT VALLEY WATER DIST
ADWR PCC Number:	91-000636.0000
Source of water received	Ground Water
Well registry 55# (55-XXXXXX):	13-048

Month	Water withdrawn (gallons)1	Water sold (gallons)2	Water delivered (sold) to other systems (gallons)3	Water received (purchased) from other systems (gallons)4	Estimated authorized use (gallons)5	Purchased Power Expense[6]	Purchased Power (kWh)[7]
January	6,222,700.00	4,570,435.00	0.00	0.00	0.00	$3,554	28,440
February	5,549,400.00	3,882,085.00	0.00	0.00	0.00	3,214	24,369
March	6,222,900.00	3,874,759.00	0.00	132,000.00	0.00	3,193	23,956
April	6,900,400.00	4,284,103.00	0.00	0.00	0.00	3,389	25,390
May	8,201,400.00	4,508,440.00	0.00	0.00	0.00	3,784	28,624
June	8,329,200.00	5,273,693.00	0.00	0.00	0.00	4,008	30,227
July	8,699,900.00	6,472,391.00	0.00	0.00	0.00	4,438	34,379
August	6,601,200.00	6,684,045.00	0.00	0.00	0.00	4,078	31,010
September	6,028,918.00	5,765,060.00	0.00	0.00	0.00	3,845	28,462
October	6,366,266.00	5,712,918.00	0.00	0.00	0.00	3,362	24,130
November	5,929,398.00	4,966,769.00	0.00	0.00	0.00	3,577	26,413
December	6,070,835.00	4,950,187.00	0.00	0.00	0.00	3,562	26,248
Totals	**81,122,517.00**	**60,944,885.00**	**0.00**	**132,000.00**	**0.00**	**$44,004**	**331,648**

If applicable, in the space below please provide a description for all un-metered water use along with amounts:
NA

1 Water withdrawn - Total gallons of water withdrawn from pumped sources.
2 Water sold - Total gallons from customer meters, and other sales such as construction water.
3 Water delivered (sold) to other systems - Total gallons of water delivered to other systems.
4 Water received (purchased) from other systems - Total gallons of water purchased/received from other systems.
5 Estimated authorized use - Total estimated gallons from authorized metered or unmetered use. Authorized uses such as flushing (mains, services and hydrants) draining/cleaning tanks, process, construction, fire fighting, etc. Non-authorized use (real losses) are service line breaks and leaks, water main breaks, meter inaccuracies and theft.
6 Enter the total purchased power costs for the power meters associated with this system.
7 Enter the total purchased kWh used by the power meters associated with this system.

ATTACHMENT 2

TABLE OF CONTENTS

Applies to all service areas

PART ONE

STATEMENT OF CHARGES

I. RATES

In Decision No. XXXXX, dated XXXXX, the Commission authorized the following rates and charges to become effective XXXXX:

A. Monthly Minimum Charge

Meter Size	Minimum Charge[1] Per Month
5/8" x 3/4" Meter	$ 36.15
3/4" Meter	54.23
1" Meter	90.38
1 1/2" Meter	180.75
2" Meter	289.20
3" Meter	578.40
4" Meter	903.75
6" Meter	1,807.50

Fire Sprinklers	Minimum Charge Per Month
All Meter Sizes	By Meter Size*

* Liberty Cordes Lakes will charge 2.00% of Monthly Minimum for a comparable sized Meter Connection, but no less than $10.00 per month. The Service Charge for fire sprinklers is only applicable for service lines separate and distinct from the primary service line.

[1] Customer Assistance Tariff ("CAT") – A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting the CAT qualifications.

ISSUED BY:
Moses Thompson, President
Liberty Utilities (Cordes Lakes Water) Corp.
14920 W Camelback Rd
Litchfield Park, AZ 85340
Decision No. XXXX

Applies to all service areas
PART ONE
STATEMENT OF CHARGES

B. Commodity Rates

The rate for use in addition to the minimum stated above shall be at the following rates per 1,000 gallons:

Meter Size	Consumption	Rate[2]
5/8" x 3/4" Meter and 3/4" Meter (All Classes, Except Standpipe)	0 to 4,000	$13.60
	4,001 to 10,000	20.74
	Over 10,000	28.87
1" Meter (All Classes, Except Standpipe)	0 to 25,000	20.74
	Over 25,000	28.87
1 1/2" Meter (All Classes, Except Standpipe)	0 to 50,000	20.74
	Over 50,000	28.87
2" Meter (All Classes, Except Standpipe)	0 to 80,000	20.74
	Over 80,000	28.87
3" Meter (All Classes, Except Standpipe)	0 to 80,000	20.74
	Over 80,000	28.87
4" Meter (All Classes, Except Standpipe)	0 to 250,000	20.74
	Over 250,000	28.87
6" Meter (All Classes, Except Standpipe)	0 to 500,000	20.74
	Over 500,000	28.87

[2] Customer Assistance Tariff ("CAT") – A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting the CAT qualifications.

Applies to all service areas

PART ONE

STATEMENT OF CHARGES

BULK WATER RESALE

Meter Size	**Consumption**	**Rate**
For All Meter Sizes (per 1,000 gallons)	All gallons	$28.87

Construction Water	**Consumption**	**Rate**
Hydrants (per 1,000 gallons)	All gallons	$28.87

C. Service Line and Meter Installation Charges

(Refundable Pursuant to A.A.C. R14-2-405)

Meter Size	**Line**	**Meter**	**Total**
5/8 x 3/4” Meter	At Cost	At Cost	At Cost
3/4” Meter	At Cost	At Cost	At Cost
1” Meter	At Cost	At Cost	At Cost
1 1/2” Meter	At Cost	At Cost	At Cost
2” Turbine Meter	At Cost	At Cost	At Cost
2” Compound Meter	At Cost	At Cost	At Cost
3” Turbine Meter	At Cost	At Cost	At Cost
3” Compound Meter	At Cost	At Cost	At Cost
4” Turbine Meter	At Cost	At Cost	At Cost
4” Compound Meter	At Cost	At Cost	At Cost
6” Turbine Meter	At Cost	At Cost	At Cost
6” Compound Meter	At Cost	At Cost	At Cost

Applies to all service areas

PART ONE

STATEMENT OF CHARGES

D. Miscellaneous Service Charges

Service	Charge
Establishment per A.A.C. R14-2-403(D)	$30.00
Re-Establishment of Service per A.A.C. R14-2-403(D)	(*)
Reconnection per A.A.C. R14-2-403(D)	(a)
Meter Test (if correct) per A.A.C. R14-2-408(F)	$30.00
Meter Re-Read (if correct) per A.A.C. R14-2-408(C)	$30.00
NSF Check per A.A.C. R14-2-409(F)	$20.00
Deferred Payment, Per Month	1.50%
Late Charge	(***)
Service Calls After Hours	$90.00(b)
Deposit	(**)
Deposit Interest per A.A.C. R14-2-403(B)	6.00%
Moving Customer Meter (at customer request)	At Cost
Road Cutting or Boring	At Cost

* Months off system times the monthly minimum charge per Commission Rule A.A.C. R142-603(D).

** Residential - two times the average bill.
Non-residential - two and one-half times the average bill.
Per Commission Rule A.A.C. R14-2-603(B).

*** Greater of $5.00 or 1.50% per month on unpaid balance.

(a) Customer shall pay the actual cost of physical disconnection and Establishment Fee (if same customer) and there shall be no charge for disconnection if no physical work is performed.

(b) The After-Hours Service Charge shall apply to any service requested by Customer that is performed by Company after regular business hours and shall be in addition to the regular business hours service charge.

Applies to all service areas
PART ONE
STATEMENT OF CHARGES

II. TAXES AND ASSESSMENTS

In addition to the collection of regular rates, the Company will collect from its customers a proportionate share of any privilege, sales, and use tax per A.A.C. R14-2-409(D)(5).

All Advances or Contributions are to include labor, materials, overheads, and all applicable taxes, including all gross-up taxes for income taxes. Cost to include labor, materials and parts, overheads, and all applicable taxes.

Under applicable law, any contributions or advances provided by a Developer are taxable income to the Utility. In accordance with the Gross-Up Sharing Method policy adopted by the Commission in Decision No. 76974, the Company will collect from the Developer an applicable share of income taxes for the Company's state and federal tax liability on all funds contributed and/or advanced. The funds will be collected prior to the commencement of service.

Applies to all service areas

PART TWO

STATEMENT OF TERMS AND CONDITIONS

I. PERMITTED COSTS

A. Costs shall be verified by invoice.

B. For services that are provided by the Company at cost, costs shall include labor, materials, other charges incurred, and overhead not to exceed 10%. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.

C. In the event that the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of the service or after Company's receipt of invoices, timesheets or other related documents, whichever is later.

D. In the event the actual cost is more than the estimated cost, the Company will bill the customer for the amount due within 30 days after completion of the provision of the service or after the Company's receipt of invoices, timesheets or other related documents, whichever is later. The amount so billed will be due and payable 30 days after the invoice date. However, if the actual cost is more than five percent (5%) greater than the total amount paid, the customer will only be required to pay five percent (5%) more than the total amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the total amount paid was made.

E. At the customer's request, the Company shall make available to the customer all invoices, timesheets or related documents that support the cost for providing such service.

F. Permitted costs shall include any Federal, State or local taxes that are or may be payable by the Company as a result of any tariff or contract for water facilities under which the Customer advances or contributes funds or facilities to the Company.

Applies to all service areas
PART TWO
STATEMENT OF TERMS AND CONDITIONS

II. INTERRUPTIBLE SERVICE; COMPANY'S LIABILITY LIMITATIONS

The Company will supply only such water at such pressures as may be available from time to time as a result of the normal operation of its water system. The Company will maintain a minimum water pressure of 20 p.s.i. and will not guarantee a specific gallons per minute flow rate at any public fire hydrants or fire sprinkler service. In the event service is interrupted, irregular or defective, or fails from causes beyond the Company's control or through ordinary negligence of its employees or agents, the Company will not be liable for any injuries or damages arising therefrom.

III. RULES AND REGULATIONS

The Company has adopted the Rules and Regulations established by the Commission as the basis for its operating procedures. A.A.C. R14-2-401 through A.A.C. R14-2-411 will be controlling of Company procedures, unless specific Commission Order(s) provide otherwise.

Applies to all service areas

PART THREE

EMERGENCY WATER AUGMENTATION SURCHARGE TARIFF AND PLAN OF ADMINISTRATION

I. Purpose and Applicability

PURPOSE:

The purpose of this tariff is to authorize Liberty Utilities (Cordes Lakes Water) Corp. (the "Company") to make monthly adjustments to it rates and charges for water service in order to recover cost incurred for water purchases and hauling ("Water Augmentation Costs") in the event that Liberty Utilities (Cordes Lakes Water) Corp. experiences an emergency water shortage. The charges will be assessed based on usage as provided below.

Applicability:

This tariff is obtained during the processing of a permanent rate app1ication. This tariff only applies in the event of an "emergency water shortage" as defined in Section II of the definitions below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Affiliate," means any other entity directly or indirectly controlling or controlled by, or under direct or indirect common control with Liberty Utilities (Cordes Lakes Water) Corp. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any entity. means the power to direct the management policies of such entity, whether through ownership of voting securities. or by contract, or otherwise.

Applies to all service areas

PART THREE

EMERGENCY WATER AUGMENTATION SURCHARGE TARIFF AND PLAN OF ADMINISTRATION

"Curtailment Account Balance" means any monies collected under the current curtailment tariff.

"Emergency Water Augmentation Surcharge" means the surcharge calculated in accordance with Section IV be1ow.

"Emergency Water Shortage., means a water shortage of a serious nature, developing suddenly or unexpectedly, that is out of the Company's control, and demanding immediate attention and has triggered at least Stage 3 of the companies approved Curtailment Plan.

"Surcharge Rate" means the rate per 1,000 gallons that is calculated in accordance with Section III below.

"Water Augmentation Cost" means the actual cost of water purchased and water hauling costs not already included in the utility's existing rates per the las approved rate case.

"Water Augmentation Quantity" means the actual quantity of augmented water (in thousands of gallons).

"Water Sold" means the actual quantity (in thousands of gallons) of water sold by the Company to its Customers during the month corresponding to the month in which water was purchased.

III. Surcharge Rate Calculation

The surcharge is calculated using data from the previous month's bill, for example, the water augmentation surcharge that is applied on a customer's bill is calculated using the June water augmentation costs and the June total gallons sold. See Figure A for an example of the calculation.

Figure A

For each month that the Company augments water, the Company will calculate the Surcharge Rate per the following formula:

Water Augmentation Cost/Water Sold

Applies to all service areas

PART THREE

EMERGENCY WATER AUGMENTATION SURCHARGE TARIFF AND PLAN OF ADMINISTRATION

Example

This example illustrates how the water augmentation surcharge that is included on a customer's bill would be calculated using 2,000 gallons of usage.

[A]	[B]	[C]	[D]
Total June Water & Hauling Costs	June Ending Curtailmenet Account Balance	Total Gallons Sold in June in 1,000s	Emergency Water Augmentation Surcharge per 1,000 gallons
$3,000	$100	494	$6.28

[E]	[F]	[G]
Customer's Current Usage Gallons in 1,000s	Emergency Water Augmentation Surcharge (from Col.D)	Total Emergency Water Augmentation Surcharge on Current Bill
2	$6.28	$12.55

II. Plan of Administration

(A) Intent To Bill Emergency Water Augmentation Surcharge: For any month in which water is augmented, after completing its billing for the month and receiving the billing for the month, the Company will calculate the Surcharge Rate using the same methodology discussed herein und shown on Figure A and provide Utilities Division of the Arizona Corporation Commission ("Commission Staff') notice of the Company's intent to bill the Emergency Water Augmentation Surcharge.

(B) Notice to Commission Staff: For any month in which the Company intends to bill customers an Emergency Water Augmentation Surcharge, the Company shall provide Commission Staff notice of the Company's intent to bill the Emergency Water Augmentation Surcharge. The notice to Commission Staff shall include the following:

Applies to all service areas

PART THREE

EMERGENCY WATER AUGMENTATION SURCHARGE TARIFF AND PLAN OF ADMINISTRATION

1. The Water Augmentation Cost.
2. The Water Augmentation Quantity.
3. A copy of the bill(s) received for the Water Augmentation.
4. A description of the system problem necessitating Water Augmentation and a description of the action being taken by the Company to resolve the problem including the date operations did or are expected to return to normal.
5. The dates for beginning and ending Water Augmentation.
6. A schedule showing the calculation of the Emergency Water Augmentation Surcharge Rate in excel format with formulas intact.
7. Identification of the hauling(s) available. If only one option was available, please state that.there was only one option.
8. Whether or not the hauling entity was an affiliate.

(C) Implementation of Emergency Water Augmentation Surcharge: Commission Staff will review the Notice. If the filing is acceptable to Commission Staff, the resulting Surcharge will be charged to Liberty Utilities (Cordes Lakes Water) Corp. customers as a Emergency Water Augmentation Surcharge to be included on customers monthly bill as a separate line item.

(D) Documentation to Be Maintained: The Company shall maintain documentation for all costs, billing determinants, and revenues recoveries.

(E) Customer Notice: The Company shall notify its customers or this new tariff as part of its next regularly scheduled billing after the effective date of the tariff but no later than sixty (60) days after the effective date of the tariff in a form acceptable to Staff.

Applies to all service areas

PART FOUR
CROSS-CONNECTION OR BACKFLOW TARIFF

I. PURPOSE:

The purpose of this tariff is to protect Liberty Utilities (Cordes Lakes Water) Corp. (the "Company") water from the possibility of contamination caused by backflow of contaminants that may be present on the customer's premises by requiring the installation and periodic testing of backflow-prevention assemblies pursuant to the provisions of the Arizona Administrative Code ("A.A.C.") R14-2-405.B.6. and A.A.C. R18-4-215.

II. REQUIREMENTS:

In compliance with the Rules and Regulations of the Arizona Corporation Commission ("Commission") and the Arizona Department of Environmental Quality ("ADEQ"), specifically A.A.C. R14-2-405.B.6 and A.A.C. R18-4-215 relating to backflow prevention:

1. The Company may require a customer to pay for and have installed, and to maintain, test and repair a backflow-prevention assembly if A.A.C. R18-4-215.B or C applies.

2. A backflow-prevention assembly required to be installed by the customer under Paragraph 1 of this tariff shall comply with the requirements set forth in A.A.C. R18-4-215.D and E.

3. Subject to the provisions of A.A.C. R14-2-407 and 410, and in accordance with Paragraphs 1 and 7 of this tariff, the Company may terminate service or deny service to a customer who fails to install a backflow-prevention assembly as required by this tariff.

4. The Company shall give any existing customer who is required to install a backflow-prevention assembly written notice of said requirement. If A.A.C. R14-2-410.B.1.a is **not** applicable, the customer shall be given thirty (30) days from the time such written notice is received in which to comply with this notice. If the customer can show good cause as to why he cannot install the backflow-prevention assembly within thirty (30) days, the Company or Commission Staff may suspend this requirement for a reasonable period of time.

5. Testing shall be in conformance with the requirements of A.A.C. R18-4-215.F. The Company may require the customer to pay to have the backflow-prevention assembly tested as long as the Company does not require an unreasonable number of tests. The Company may also require the customer to pay for repairs to a backflow-prevention assembly

Applies to all service areas

PART FOUR
CROSS-CONNECTION OR BACKFLOW TARIFF

6. The customer shall provide the Company with records of installation and testing. For each backflow-prevention assembly, these records shall include:

    a. assembly identification number and description;
    b. location;
    c. date(s) of test(s);
    d. description of repairs and recommendations for repairs made by tester;
    e. tester's name and certificate number; and
    f. tester's field test kit certification documentation.

7. In the event the backflow-prevention assembly does not function properly or fails any test, and an obvious hazard as contemplated under A.A.C. R14-2-410.B.1.a. exists, the Company may terminate service immediately and without notice. The backflow-prevention assembly shall be repaired or replaced by the customer and retested.

8. In the event the backflow-prevention assembly does not function properly or fails any test, or in the event that a customer fails to comply with the testing requirement, and A.A.C. R14-2-410.B.1.a. is **not** applicable, the backflow-prevention assembly shall be repaired or replaced within fourteen (14) days of the initial discovery of the deficiency in the assembly or its function. Failure to remedy the deficiency of dysfunction of the assembly, or failure to retest, shall be grounds for termination of water service in accordance with A.A.C. R14-2-410.

Applies to all service areas

PART FIVE
CURTAILMENT PLAN

ADEQ Public Water System Numbers: 13-023

Liberty Utilities (Cordes Lakes Water) Corp. ("Company") is authorized to curtail water service to all customers within its certified area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the systems at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, the Company is deemed to be operating normally and no curtailment is necessary but conservation efforts are encouraged as a best management practice[1].

Notice Requirements: Under Stage 1, no notice is necessary.

Stage 2 Exists When:

a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and

b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. The below conservation measures are encouraged to reduce water consumption:
general nature of the problem and the need to conserve water.

Applies to all service areas

PART FIVE

CURTAILMENT PLAN

- Divide outside watering on uniform basis such as:

Address Ends In	1, 2, 4, 7, 0	3, 5, 6, 8, or 9
Watering Days	Monday and Wednesday	Tuesday and Thursday

- Outdoor watering should be limited between the following times:

Seasonal Period	Watering Prohibited
April – September	6:00 a.m. – 7:00 p.m.
October - March	8:00 a.m. – 7:00 p.m.

- Eliminate outside watering on weekends and holidays
- Eliminate runoff from outdoor irrigation
- Use a shut-off hose nozzle if using hose to irrigate landscape or wash vehicles
- Eliminate washing of hard surfaces outdoors except washing to alleviate health or fire hazards
- Construction water blackout period between the hours of 5:00 am and 9:00 am, Monday through Sunday implemented
- Fix indoor and outdoor leaks
- Indoor water conservation techniques should be employed whenever possible

Notice Requirements: Company is required to notify customers by delivering written notice to each service address or by utilizing the Company's emergency messaging system which includes email, text, and phone call, or by posting on Company's website, or at the Company's option a combination of these notifications. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

The Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 2.

Stage 3 Exists When:

a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and

b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, the Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. All restrictions from Stage 2 shall be employed in addition to the below conservation measures:

Applies to all service areas

PART FIVE
CURTAILMENT PLAN

- All outside watering eliminated, except livestock
- Draining and refilling water features is prohibited
- The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- Washing of any vehicle is prohibited, including commercial car washes and commercial truck washes.
- Water runoff is prohibited
- The use of drip or misting systems of any kind is prohibited
- The use of water for dust control or any outdoor cleaning uses is prohibited
- The use of construction water is prohibited

The following priority of use for delivery of water is set forth: (1) All existing regularly metered residential customers; (2) All regularly metered commercial customers that are classified as healthcare; (3) All regularly metered commercial customers; (3) All uses of water, other than fire hydrant use for new construction; (4) Fire hydrant use for landscape irrigation or lakes; (5) All other construction fire hydrant use, metered or unmetered.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address or by utilizing the Company's emergency messaging system which includes email, text, and phone call, or by posting on Company's website, or at the Company's option a combination of these notifications. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

2. Beginning with Stage 3, the Company shall post at least two (2) signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.

3. The Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than Stage 3 until a permanent solution has been implemented.

Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor uses. Failure to comply within twenty-four (24) hours of receipt of the notice may result in temporary loss of service through the installation and use of a flow restrictor device or other means

Applies to all service areas
PART FIVE
CURTAILMENT PLAN

until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Stage 4 Exists When:

a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and

b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in temporary customer disconnection. All restrictions from Stage 2 and Stage 3 shall be employed in addition to the following uses of water being prohibited:

- Restaurant patrons shall be served water only upon request
- All leaks, breaks, or other malfunctions in the customer's plumbing fixtures and/or irrigation system must be repaired within five (5) business days of written notification by the utility.
- Any other water intensive activity is prohibited
- The addition of new service lines and meter installations is prohibited.

The following priority of use for delivery of water is set forth: (1) All existing regularly metered residential customers; (2) All regularly metered commercial customers; (3) All uses of water, other than fire hydrant use for new construction; (4) Fire hydrant use for landscape irrigation or lakes; (5) All other construction fire hydrant use, metered or unmetered.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address or by utilizing the Company's emergency messaging system which includes email, text, and phone call, or by posting on Company's website, or at the Company's option a combination of these notifications. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

Applies to all service areas

PART FIVE
CURTAILMENT PLAN

2. Company shall post at least two (2) signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.

3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.

Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor uses. Failure to comply within twenty-four (24) hours of receipt of the notice may result in temporary loss of service through the installation and use of a flow restrictor device or other means until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Applies to all service areas

PART SIX
CUSTOMER ASSISTANCE TARIFF
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

Applicability

Applicable to residential water service for domestic use rendered to individuals who meet all the program qualifications and special conditions of this rate schedule.

Programs

This Customer Assistance Tariff (CAT) contains the following programs: (1) Low-Income Program; (2) Deployed Services Member Program; and (3) Disabled Veteran Program. Collectively, these three programs are referred to as the "Customer Assistance Programs".

Territory

Within all customer service areas served by Liberty Utilities (Cordes Lakes Water) Corp. ("Liberty" or "Company").

Rates

Fifteen percent (15%) discount applied to the regular filed tariff.

Program Qualifications

1. The Liberty bill must be in your name and the address must be your primary residence.
2. You may not be claimed as a dependent on another person's tax return.
3. You must reapply each time you move residences.
4. You must renew your application once every year, or sooner, if requested.
5. You must notify Liberty within thirty (30) days if you become ineligible for the CAT.

Applies to all service areas

PART SIX
CUSTOMER ASSISTANCE TARIFF
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

Special Conditions

1. Application: An application on a form authorized by the Commission is required for each request for service under this schedule. A customer must reapply every year or sooner, if requested.

2. Commencement of Rate: Eligible customers whose applications have been approved shall be billed on this schedule commencing with the next regularly scheduled billing period that follows receipt of application by Liberty.

3. Verification: Information provided by the applicant is subject to verification by Liberty. Refusal or failure of a customer to provide documentation of eligibility acceptable to Liberty, upon request by Liberty, shall result in removal from this rate schedule.

4. Notice from Customer: It is the customer's responsibility to notify Liberty if there is a change of eligibility status.

5. Rebilling: Customers may be re-billed retroactively for periods of ineligibility under the applicable rate schedule.

6. Participation Limit: The CAT (for all three programs included) is limited to 200 customers of the Company. Applications will be reviewed and approved on a first come, first served basis. Applicants will be placed on a waiting list if the participation limit has been met.

7. Qualification: A customer that qualifies for more than one program will only receive benefits from one program per year. CAT benefits will not be combined or accumulated.

Applies to all service areas

PART SIX
CUSTOMER ASSISTANCE TARIFF
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

LOW INCOME PROGRAM

To qualify for the low income program, the total gross annual income of all persons living in your household cannot exceed the income levels below:

Effective xxxx xx, xxxx

No. of Person in Household	Total Gross Annual Income*
1	$XXXXX
2	$XXXXX
3	$XXXXX
4	$XXXXX
5	$XXXXX
6	$XXXXX

For each additional person residing in the household, add $XXXXX

***Qualifying annual incomes are set at 150 percent of the 202X federal poverty levels.**

Acceptance into the program is subject to verification of income source.

For the purpose of the program the "gross household income" means all money and non-cash benefits, available for living expenses, from all sources, both taxable and non-taxable, before deductions for all people who live in your home. This includes, but is not limited to:

Wages or salaries	Social Security, SSI, SSP	Rental or royalty income
Interest or dividends from: Savings account, stocks or bonds	Scholarships, grants, or other aid used for living expenses	Profit from self-employment (IRS form Schedule C, Line 29)
Unemployment benefits	Disability payments	Worker's Compensation
TANF (AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

Applies to all service areas

PART SIX

CUSTOMER ASSISTANCE TARIFF

DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

DEPLOYED SERVICES MEMBER PROGRAM

This program allows the Company to provide a 15% discount to deployed service members of the United States Military. The Company will provide the credit on the deployed service member's bill provided that the following criteria are met:

The Company will provide the credit on the deployed service member's bill provided that the following criteria are met:

1. Deployment is not a "permanent change of station." Permanent change of station requires a service member to permanently change his or her place of residence, paid for by the applicable military branch. A service member's decision to keep a secondary residence in Arizona would be discretionary and would not qualify for this credit.
2. Deployed member does not have family living in the premises. Short term deployments, where a spouse and/or dependents remain in the United States would not qualify, as the service member would receive separate compensation from the military to cover domestic expenses while deployed.
3. The deployed service member is an active member of the military (*e.g.*, Air Force, Army, Coast Guard, Marines, and Navy), as defined by 10 U.S.C. § 101(a)(4), and includes any member of the Reserves or National Guard called to active duty.

Administration

1. Participation shall be determined on a first come, first served basis.
2. Each service member's eligibility must be verified based on written orders from the service member's command.
3. Continued eligibility will be determined periodically through a recertification process.
4. The Company is permitted to seek Commission approval to change participant limits based on level of participation.
5. Qualifying annual incomes are set at 200 percent of the 202X federal poverty levels.

Applies to all service areas

PART SIX

CUSTOMER ASSISTANCE TARIFF

DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

DEPLOYED SERVICES MEMBER PROGRAM

Effective xxxx xx, xxxx

No. of Person in Household	Total Gross Annual Income*
1	$XXXXX
2	$XXXXX
3	$XXXXX
4	$XXXXX
5	$XXXXX
6	$XXXXX

For each additional person residing in the household, add $XXXXX

Acceptance into the program is subject to verification of income source.

For the purpose of the program the "gross household income" means all money and non-cash benefits, available for living expenses, from all sources, both taxable and non-taxable, before deductions for all people who live in your home. This includes, but is not limited to:

Wages or salaries	Social Security, SSI, SSP	Rental or royalty income
Interest or dividends from: Savings account, stocks or bonds	Scholarships, grants, or other aid used for living expenses	Profit from self-employment (IRS form Schedule C, Line 29)
Unemployment benefits	Disability payments	Worker's Compensation
TANF (AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

Applies to all service areas

PART SIX

CUSTOMER ASSISTANCE TARIFF

DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

DISABLED MILITARY VETERAN PROGRAM

This program allows the Company to provide a 15% discount to disabled military veterans of the United States Military. The Company will provide the credit on the disabled military veteran's bill provided that the following criteria are met:

The Company will provide the credit on the disabled military veteran's bill provided that the following criteria are met:

1. Disabled military veteran was honorably discharged from the armed forces.
2. Disabled military veteran must have a permanent disability rating related to their military duty service.
3. The disabled military veteran must have been an active member of the military (*e.g.*, Air Force, Army, Coast Guard, Marines, and Navy), as defined by 10 U.S.C. § 101(a)(4), and includes any member of the Reserves or National Guard called to active duty.

Administration

1. Participation shall be determined on a first come, first served basis.
2. Each service member's eligibility must be verified based on documentation demonstrating a medical discharge or other written documentation from the United States Department of Defense or Department of Veteran Affairs.
3. Continued eligibility will be determined periodically through a recertification process.
4. The Company is permitted to seek Commission approval to change participant limits based on level of participation.
5. Qualifying annual incomes are set at 200 percent of the 202X federal poverty levels

Applies to all service areas

PART SIX

CUSTOMER ASSISTANCE TARIFF

DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

DISABLED MILITARY VETERAN PROGRAM

Effective xxxx xx, xxxx

No. of Person in Household	Total Gross Annual Income*
1	$XXXXX
2	$XXXXX
3	$XXXXX
4	$XXXXX
5	$XXXXX
6	$XXXXX

For each additional person residing in the household, add $XXXXX

Acceptance into the program is subject to verification of income source.

For the purpose of the program the "gross household income" means all money and non-cash benefits, available for living expenses, from all sources, both taxable and non-taxable, before deductions for all people who live in your home. This includes, but is not limited to:

Wages or salaries	Social Security, SSI, SSP	Rental or royalty income
Interest or dividends from: Savings account, stocks or bonds	Scholarships, grants, or other aid used for living expenses	Profit from self-employment (IRS form Schedule C, Line 29)
Unemployment benefits	Disability payments	Worker's Compensation
TANF (AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

Applies to all service areas

PART SIX
CUSTOMER ASSISTANCE TARIFF
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

RECOVERY OF COST OF CUSTOMER ASSISTANCE TARIFF AND CUSTOMER SURCHARGES

The Company shall recover the CAT costs from a monthly CAT surcharge on all residential and non-residential water customers who are not participating in the CAT. Liberty is entitled to seek recovery of direct costs (*i.e.,* those costs directly associated with the programs, which costs would not be incurred in the absence of the programs). The Company shall account for those direct costs separately from other operating costs.

Liberty shall be entitled to implement a CAT surcharge on non-participating residential and non-residential water as follows.

- For customers participating in the CAT, the Company shall maintain a balancing account detailing the beginning and ending balance of the cumulative unrecovered program costs each month.
- Liberty's authorized rate of return shall be applied monthly to the average of the beginning balances of the cumulative unrecovered program costs for water service and included in the beginning balances for the following month.
- Using the balancing account, Liberty shall calculate the monthly surcharge for each customer as follows:

  (Ending Balance for Low-Income Tariff Balancing Account including amortized carrying costs during recovery period /Number of active non-participating water connections at year end)/12

- The ending balance in the balancing account shall equal the beginning balances plus discounts allowed on bills for the twelve month tracking period, plus direct program costs incurred in the twelve month period plus the return less surcharge fees billed in the twelve month tracking period.
- Liberty shall implement a monthly surcharge for the CAT for each twelve month period of the CAT. The Company shall calculate the monthly surcharge each year based on the active number of customer connections as of December 31 of the prior year. The Company shall file notice of the surcharge, along with a report on the CAT, with the Arizona Corporation Commission on or before January 31 and the surcharge shall be implemented on customer bills in February of each year with the recovery period ending in January of the following year.

Applies to all **WATER** service areas

PART SEVEN
PLAN OF ADMINISTRATION FOR PURCHASED POWER ADJUSTMENT MECHANISM

I. GENERAL DESCRIPTION.

This document is the Plan of Administration ("POA") for the Purchased Power Adjustment Mechanism ("PPAM") for Liberty Utilities (Cordes Lakes Water) Corp. The PPAM allows Liberty Cordes Lakes to pass through to its customers the increase or decrease in purchased power costs that result from a rate change for any Commission-regulated electric service provider supplying retail electric service to the Company.

II. PPAM RELATED FILINGS.

A. Within 60 days of the effective date of a Commission Decision authorizing a rate change in the approved tariffs for any Commission-regulated electric service provider supplying retail electric service to the Company, the Company shall file with Docket Control an analysis of the actual impact on the energy portion of the Company's electric service costs.

B. The Company will provide the Commission with spreadsheets detailing exactly how the Company's purchased power expenses were calculated in the time period prior to a change in the rate that the Company must pay for purchased power. These calculations will include basic service charges and rate and volume figures. That is, the Company will break down its total purchased power bill into the amount due to fixed fees, volume of electricity used, and the rates paid per unit of electricity. For the period following the rate change, the Company will provide the same information, then compare the two periods, isolating any change in purchased power cost that is due exclusively to a rate change. The specific intent is to show exactly how much of any increase or decrease is due to changes in rates beyond the Company's control and how much is due to a change in the amount of power that the Company consumes. The Company will only recover increases or refund decreases that are due to changes in rates.

C. All revised schedules filed with the Commission pursuant to the provisions of this PPAM will be accompanied by documentation prepared by the Company in a format approved by Utilities Division Staff of the Commission and will contain sufficient detail to enable the Commission to verify accuracy of the Company's calculations.

D. The surcharges will not become effective until approved by the Commission.

E. The Company will file annually with the Commission a report detailing the Company's purchased power costs and any conservation or power-shifting measures employed by the Company.

F. The Company shall provide notice (in a form acceptable to Staff) of the rate increases to customers with the bill where the rate increase first appears.

Applies to all **WATER** service areas

PART SEVEN

PLAN OF ADMINISTRATION FOR

PURCHASED POWER ADJUSTMENT MECHANISM

III. APPLICATION TO WATER CUSTOMERS.

A. The increase or decrease in purchased power costs that are due to changes in rates at the Company's water facilities will be allocated on a per capita basis.

B. See the following example:

Test Year	
Purchased Power Rate	**$0.0800**
Kilowatt Hours Used	1,250,000
Purchased Power Expense	$100,000

→

Current Year	
Purchased Power Rate	**$0.1000**
Kilowatt Hours Used	1,250,000
Purchased Power Expense	$125,000

Pass Through Calculation	
Current Year Purchased Power Expense	$125,000
Test Year Purchased Power Expense	$100,000
Increase in Purchased Power Expense Due to Rate Increase	$25,000

PPAM Charge on Sample Customer Bill	
Increase in Purchased Power Expense Due to Rate Increase	$25,000
Number of Water Customers	20,000
PPAM Charge on Sample Customer Bill	$1.25

Applies to all **WATER** service areas
PART EIGHT
PLAN OF ADMINISTRATION FOR
PROPERTY TAX ADJUSTMENT MECHANISM

I. GENERAL DESCRIPTION.

This document is the Plan of Administration ("POA") for the Property Tax Adjustment Mechanism ("PTAM") for Liberty Utilities (Cordes Lakes Water) Corp. The PTAM allows Liberty Cordes Lakes to pass through to its customers the increase or decrease in property taxes that results from a change in the applicable assessment ratio and/or property tax rates.

II. PTAM RELATED FILINGS.

A. Within 60 days of the effective date of a change in the assessment ratio and/or property tax rates applicable to the Company, the Company shall file with Docket Control an analysis of the actual impact on the Company's property tax expenses.

B. The Company will provide the Commission with spreadsheets detailing exactly how the Company's property tax expenses were calculated in the time period prior to a change in the assessment ratio and/or property tax rate that affects the Company's property tax expenses. These calculations will include the assessment ratio, the property tax rates, and the value of the property that was taxed. For the period following the change(s), the Company will provide the same information, then compare the two periods, isolating any change in property tax expense that is due exclusively to changes in the assessment ratio and/or property tax rates. The specific intent is to show exactly how much of any increase or decrease in property tax expense is due to changes in the assessment ratio and tax rates beyond the Company's control and how much is due to changes in the value of the property the Company owns. The Company will only recover increases or refund decreases that are due to changes in the assessment ratio and tax rates.

C. All revised schedules filed with the Commission pursuant to the provisions of this PTAM will be accompanied by documentation prepared by the Company in a format approved by Utilities Division Staff of the Commission and will contain sufficient detail to enable the Commission to verify accuracy of the Company's calculations.

D. The surcharges will not become effective until approved by the Commission.

Applies to all **WATER** service areas

PART EIGHT

PLAN OF ADMINISTRATION FOR

PROPERTY TAX ADJUSTMENT MECHANISM

G. The Company will file annually with the Commission a report detailing the Company's property tax expenses.

H. The Company shall provide notice (in a form acceptable to Staff) of the rate increases to customers with the bill where the rate increase first appears.

III. APPLICATION TO WATER CUSTOMERS.

C. The increase or decrease in property tax expenses that are due to changes in the assessment ratio and/or property tax rates at the Company's WATER facilities will be allocated on a per capita basis.

D. See the examples on the next page:

Applies to all **WATER** service areas

PART EIGHT
PLAN OF ADMINISTRATION FOR
PROPERTY TAX ADJUSTMENT MECHANISM

Change in Assessment Ratio Example

Test Year			***Current Year***	
Assessment Ratio	**20.00%**	➡	**Assessment Ratio**	**21.00%**
Property Full Cash Value	$10,000,000		Property Full Cash Value	$10,000,000
Assessed Valuation	$2,000,000		Assessed Valuation	$2,100,000

Change in Assessed Valuation	
Current Year Assessed Valuation	$2,100,000
Test Year Assessed Valuation	$2,000,000
Increase in Assessed Valuation Due to Increase in Assessment Ratio	$100,000

Test Year		***Current Year***	
Total Property Tax Rate	10.00%	Total Property Tax Rate	10.00%
Assessed Valuation	$2,000,000	Assessed Valuation	$2,100,000
Property Tax Expense	$200,000	Property Tax Expense	$210,000

PTAM Charge on Sample Customer Bill	
Increase in Property Tax Expense Due to Increase in Assessment Ratio	$10,000
Number of WATER Customers	20,000
PTAM Charge on Sample Customer Bill	$0.50

Change in Total Property Tax Rate Example

Test Year			***Current Year***	
Total Property Tax Rate	**10.00%**	➡	**Total Property Tax Rate**	**11.00%**
Assessed Valuation	$2,000,000		Assessed Valuation	$2,000,000
Property Tax Expense	$200,000		Property Tax Expense	$220,000

Pass Through Calculation	
Current Year Property Tax Expense	$220,000
Test Year Property Tax Expense	$200,000
Increase in Property Tax Expense Due to Rate Increase	$20,000

PTAM Charge on Sample Customer Bill	
Increase in Property Tax Expense Due to Rate Increase	$20,000
Number of WATER Customers	20,000
PTAM Charge on Sample Customer Bill	$1.00

ISSUED BY:
Moses Thompson, President
Liberty Utilities (Cordes Lakes Water) Corp.
14920 W Camelback Rd
Litchfield Park, AZ 85340
Decision No. XXXX

Applies to all **WATER** service areas

PART NINE

PLAN OF ADMINISTRATION FOR
WATER TREATMENT RATE ADJUSTOR MECHANISM

I. GENERAL DESCRIPTION.

This document is the Plan of Administration ("POA") for Liberty Utilities (Cordes Lakes Water) Corp. ("Liberty" or "Company"). Water Treatment Rate Adjustor Mechanism ("WTRAM"). This Adjustor Mechanism is designed to recover the incremental revenue requirement associated with the treatment of federally regulated contaminants. The Water Treatment Program is designed to facilitate certain critical infrastructure investments that are needed to achieve compliance with statutory requirements related to maximum contaminant levels (MCL) of regulated contaminants in Liberty Utilities' water and wastewater systems. This Adjustor Mechanism aids the timely recovery of the revenue requirement associated with Capital Expenditures plus the incremental operating and maintenance costs related to such Capital Expenditures for infrastructure that: (i) are approved by the Arizona Corporation Commission (ACC or Commission); (ii) are completed and placed into service; (iii) are not yet included in rate base; and (iv) are necessary to achieve compliance with federal regulation.

II. WTRAM FILING TIMELINE.

A. Liberty shall file its yearly WTRAM Surcharge Request no later than March 31 each calendar year.

B. The March filing shall include all projects placed into service during the twelve-month period ended December 31 (inclusive) of the previous calendar year in compliance with the above listed criteria.

C. Staff shall file its Report and Proposed Order on the WTRAM Surcharge Request (filed by Liberty) with the Commission no later than May 31st in the same calendar year. Please refer to the table below.

D. Upon Staff's approval, Liberty shall implement the surcharge on July 1 of the same calendar year of the filing.

See Schedule Filing Timeline on the next page:

Applies to all **WATER** service areas

PART NINE

PLAN OF ADMINISTRATION FOR

WATER TREATMENT ADJUSTOR MECHANISM

Due Date	Filing / Documents	Purpose
03.31.2025	WTRAM Surcharge Calculation. Completed Contaminant Remission Project table for 2024 with supporting schedules, workpapers	WTRAM Surcharge Request: 2024 Completed Projects
05.31.2025	Staff Report and Proposed Order to be docketed with supporting schedules (Annual WTRAM Surcharge Filing)	WTRAM Surcharge for 2024 completed projects.
07.01.2025	WTRAM surcharge added to customer bills	Recovery of revenue requirement for WTRAM plant additions in 2024

III. Schedule of Completed Federally Regulated Contaminant Treatment Plant Projects, Incremental O&M Costs and Surcharge Request.

The WTRAM Surcharge shall be implemented when the EPA has established acceptable limits (MCLs) on regulated constituents. The Schedule of Completed Projects will contain the following:

A. Completed Project Information Projects).

1. Location and description of plant asset placed in service.
2. In service date
3. A summary of compliance issues each project will mitigate.

B. Cost Recovery (WTRAM Surcharge Request). The WTRAM Surcharge Request shall include Liberty's request to set / reset the WTRAM Surcharge to recover the revenue requirement associated with the Capital Expenditures used for infrastructure to achieve statutorily mandated compliance with MCLs of federally regulated contaminants. The request shall also include related incremental O&M costs. The WTRAM Surcharge Request shall include the following information, as applicable, regarding the costs Liberty Utilities proposes to recover through the WTRAM Surcharge:

1. Evidence in support of the recorded costs for each project undertaken during the preceding calendar year. This information shall include the following, as applicable:
   i. The actual cost of each project including separately identifying material costs, contractor costs, internal labor costs, and other material costs of the projects, including, without limitation, permitting, studies or other governmental mandates necessary to remove contaminants
   ii. In-service date
2. Retirement date, dollar amount of plant retired, and cost of removal.
3. A schedule of related incremental O&M costs.

Applies to all **WATER** service areas

PART NINE
PLAN OF ADMINISTRATION FOR
WATER TREATMENT ADJUSTOR MECHANISM

C. Calculation of the WTRAM Surcharge. The WTRAM Surcharge shall be calculated in accordance with the Exhibits to this POA. The Commission-approved Rate of Return shall be used for the purpose of this calculation.

D. Staff will file a Staff Report and Proposed Order regarding the WTRAM Surcharge Request no later than May 31st of each year.

E. Reconciliation and True-up Adjustment:

1. The True-up Adjustment shall be calculated in accordance with the exhibits to the POA.
2. For each 12-month period that a WTRAM Surcharge is in effect, the Company shall reconcile the amounts collected by the WTRAM Surcharge with the WTRAM authorized revenue, for that 12-month period. The difference between WTRAM authorized revenue and the amount collected through the WTRAM Surcharge is the True-Up Adjustment, and this amount shall be incorporated into the next WTRAM Surcharge.

ATTACHMENT 3

TABLE OF CONTENTS

Applies to all service areas

PART ONE

STATEMENT OF CHARGES

I. RATES

In Decision No. XXXXX, dated XXXXX, the Commission authorized the following rates and charges to become effective XXXXX:

A. Monthly Minimum Charge

Meter Size (All Classes)	**Charge[1, 2]**
5/8 x 3/4" Meter	$ 24.25
3/4" Meter	36.38
1" Meter	60.63
1 1/2" Meter	121.25
2" Meter	194.00
3" Meter	388.00
4" Meter	606.25
6" Meter	1,212.50
8" Meter	1,940.00
10" Meter	2,788.75
12" Meter	5,213.75
Morningstar Ranch Community Association – 6 inch	826.00
Fire Service Lines	**Charge**
All Meter Sizes	Per Rule*

[1] Customer Assistance Tariff ("CAT") – A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting the CAT qualifications.

[2] A 5% discount is applicable to the public schools operated by the Santa Cruz County School District No. 35 receiving water and/or wastewater utility services from the Company.

* Per A.A.C. R14-2-408.B. 2.00% of monthly minimum for a comparable size meter, but no less than $10.00 per month. The service charge for fire sprinklers is only applicable for service line separate and distinct from the primary water service line.

Applies to all service areas
PART ONE
STATEMENT OF CHARGES

B. Commodity Rates

The rate for use in addition to the minimum stated above shall be at the following rates per 1,000 gallons:

Meter Size	Consumption	Charge[3]
5/8" x 3/4" Meter – (All Classes, Except Standpipe)	0 to 4,000 gallons	3.11
	4,001 to 10,000 gallons	5.30
	Over 10,000 gallons	7.18
3/4" Meter – (All Classes, Except Standpipe)	0 to 4,000 gallons	3.11
	4,001 to 10,000 gallons	5.30
	Over 10,000 gallons	7.18
1" Meter – All Classes (except standpipe)	0 to 25,000 gallons	5.30
	Over 25,000 gallons	7.18
1 1/2" Meter – All Classes (except standpipe)	0 to 50,000 gallons	5.30
	Over 50,000 gallons	7.18
2" Meter – All Classes (except standpipe)	0 to 80,000 gallons	5.30
	Over 80,000 gallons	7.18
3" Meter – All Classes (except standpipe)	0 to 160,000 gallons	5.30
	Over 160,000 gallons	7.18

[3] Customer Assistance Tariff ("CAT") – A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting the CAT qualifications.

Applies to all service areas

PART ONE

STATEMENT OF CHARGES

Meter Size	**Consumption**	**Charge**
4” Meter – All Classes (except standpipe)	0 to 250,000 gallons	$5.30
	Over 250,000 gallons	7.18
6” Meter – All Classes (except standpipe)	0 to 500,000 gallons	5.30
	Over 500,000 gallons	7.18
8” Meter – All Classes (except standpipe)	0 to 800,000 gallons	5.30
	Over 800,000 gallons	7.18
10” Meter – All Classes (except standpipe)	0 to 1,150,000 gallons	5.30
	Over 1,150,000 gallons	7.18
12” Meter – All Classes (except standpipe)	0 to 2,150,000 gallons	5.30
	Over 2,150,000 gallons	7.18
Morningstar Ranch Community Association	All gallons	8.68
Construction/Bulk/Standpipe	All gallons	7.18

Applies to all **WATER** service areas
PART ONE
STATEMENT OF CHARGES

C. Service Line and Meter Installation Charges
(Refundable Pursuant to A.A.C. R14-2-405)

Meter Size	Line	Meter	Total
5/8 x 3/4" Meter	At Cost	At Cost	At Cost
3/4" Meter	At Cost	At Cost	At Cost
1" Meter	At Cost	At Cost	At Cost
1 1/2" Meter	At Cost	At Cost	At Cost
2" Turbine Meter	At Cost	At Cost	At Cost
2" Compound Meter	At Cost	At Cost	At Cost
3" Turbine Meter	At Cost	At Cost	At Cost
3" Compound Meter	At Cost	At Cost	At Cost
4" Turbine Meter	At Cost	At Cost	At Cost
4" Compound Meter	At Cost	At Cost	At Cost
6" Turbine Meter	At Cost	At Cost	At Cost
6" Compound Meter	At Cost	At Cost	At Cost
8" Turbine Meter	At Cost	At Cost	At Cost
8" Compound Meter	At Cost	At Cost	At Cost
10" Turbine Meter	At Cost	At Cost	At Cost
10" Compound Meter	At Cost	At Cost	At Cost
12" Turbine Meter	At Cost	At Cost	At Cost
12" Compound Meter	At Cost	At Cost	At Cost

Applies to all service areas

PART ONE

STATEMENT OF CHARGES

D. Miscellaneous Service Charges

Service	Charge
Establishment per A.A.C. R14-2-403(D)	$30.00
Re-Establishment of Service per A.A.C. R14-2-403(D)	(*)
Reconnection per A.A.C. R14-2-403(D)	(a)
Meter Test (if correct) per A.A.C. R14-2-408(F)	$30.00
Meter Re-Read (if correct) per A.A.C. R14-2-408(C)	$30.00
NSF Check per A.A.C. R14-2-409(F)	$20.00
Deferred Payment, Per Month	1.50%
Late Charge	(***)
Service Calls After Hours	$90.00(b)
Deposit	(**)
Deposit Interest per A.A.C. R14-2-403(B)	6.00%
Moving Customer Meter (at customer request)	At Cost
Off-Site Facilities Hook Up Fees	Per Hook Up Fee

* Months off system times the monthly minimum charge per Commission Rule A.A.C. R142-603(D).

** Residential - two times the average bill.
Non-residential - two and one-half times the average bill.
Per Commission Rule A.A.C. R14-2-603(B).

*** Greater of $5.00 or 1.50% per month on unpaid balance.

(a) Customer shall pay the actual cost of physical disconnection and Establishment Fee (if same customer) and there shall be no charge for disconnection if no physical work is performed.

(b) The After-Hours Service Charge shall apply to any service requested by Customer that is performed by Company after regular business hours and shall be in addition to the regular business hours service charge.

Applies to all service areas
PART ONE
STATEMENT OF CHARGES

II. TAXES AND ASSESSMENTS

In addition to the collection of regular rates, the Company will collect from its customers a proportionate share of any privilege, sales, and use tax per A.A.C. R14-2-409(D)(5).

All Advances or Contributions are to include labor, materials, overheads, and all applicable taxes, including all gross-up taxes for income taxes. Cost to include labor, materials and parts, overheads, and all applicable taxes.

Under applicable law, any contributions or advances provided by a Developer are taxable income to the Utility. In accordance with the Gross-Up Sharing Method policy adopted by the Commission in Decision No. 76974, the Company will collect from the Developer an applicable share of income taxes for the Company's state and federal tax liability on all funds contributed and/or advanced. The funds will be collected prior to the commencement of service.

Applies to all service areas

PART TWO
STATEMENT OF TERMS AND CONDITIONS

I. PERMITTED COSTS

A. Costs shall be verified by invoice.

B. For services that are provided by the Company at cost, costs shall include labor, materials, other charges incurred, and overhead not to exceed 10%. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.

C. In the event that the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of the service or after Company's receipt of invoices, timesheets or other related documents, whichever is later.

D. In the event the actual cost is more than the estimated cost, the Company will bill the customer for the amount due within 30 days after completion of the provision of the service or after the Company's receipt of invoices, timesheets or other related documents, whichever is later. The amount so billed will be due and payable 30 days after the invoice date. However, if the actual cost is more than five percent (5%) greater than the total amount paid, the customer will only be required to pay five percent (5%) more than the total amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the total amount paid was made.

E. At the customer's request, the Company shall make available to the customer all invoices, timesheets or related documents that support the cost for providing such service.

F. Permitted costs shall include any Federal, State or local taxes that are or may be payable by the Company as a result of any tariff or contract for water facilities under which the Customer advances or contributes funds or facilities to the Company.

Applies to all service areas

PART TWO

STATEMENT OF TERMS AND CONDITIONS

II. INTERRUPTIBLE SERVICE; COMPANY'S LIABILITY LIMITATIONS

The Company will supply only such water at such pressures as may be available from time to time as a result of the normal operation of its water system. The Company will maintain a minimum water pressure of 20 p.s.i. and will not guarantee a specific gallons per minute flow rate at any public fire hydrants or fire sprinkler service. In the event service is interrupted, irregular or defective, or fails from causes beyond the Company's control or through ordinary negligence of its employees or agents, the Company will not be liable for any injuries or damages arising therefrom.

III. RULES AND REGULATIONS

The Company has adopted the Rules and Regulations established by the Commission as the basis for its operating procedures. A.A.C. R14-2-401 through A.A.C. R14-2-411 will be controlling of Company procedures, unless specific Commission Order(s) provide otherwise.

Applies to all service areas

PART THREE

EMERGENCY WATER AUGMENTATION SURCHARGE TARIFF AND PLAN OF ADMINISTRATION

I. Purpose and Applicability

PURPOSE:

The purpose of this tariff is to authorize Liberty Utilities (Rio Rico Water & Sewer) Corp. (the "Company") to make monthly adjustments to it rates and charges for water service in order to recover cost incurred for water purchases and hauling ("Water Augmentation Costs") in the event that Liberty Utilities (Rio Rico Water & Sewer) Corp. experiences an emergency water shortage. The charges will be assessed based on usage as provided below.

Applicability:

This tariff is obtained during the processing of a permanent rate app1ication. This tariff only applies in the event of an "emergency water shortage" as defined in Section II of the definitions below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Affiliate," means any other entity directly or indirectly controlling or controlled by, or under direct or indirect common control with Liberty Utilities (Rio Rico Water & Sewer) Corp. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any entity. means the power to direct the management policies of such entity, whether through ownership of voting securities. or by contract, or otherwise.

Applies to all service areas

PART THREE

EMERGENCY WATER AUGMENTATION SURCHARGE TARIFF AND PLAN OF ADMINISTRATION

"Curtailment Account Balance" means any monies collected under the current curtailment tariff.

"Emergency Water Augmentation Surcharge" means the surcharge calculated in accordance with Section IV be1ow.

"Emergency Water Shortage., means a water shortage of a serious nature, developing suddenly or unexpectedly, that is out of the Company's control, and demanding immediate attention and has triggered at least Stage 3 of the companies approved Curtailment Plan.

"Surcharge Rate" means the rate per 1,000 gallons that is calculated in accordance with Section III below.

"Water Augmentation Cost" means the actual cost of water purchased and water hauling costs not already included in the utility's existing rates per the last approved rate case.

"Water Augmentation Quantity" means the actual quantity of augmented water (in thousands of gallons).

"Water Sold" means the actual quantity (in thousands of gallons) of water sold by the Company to its Customers during the month corresponding to the month in which water was purchased.

III. Surcharge Rate Calculation

The surcharge is calculated using data from the previous month's bill, for example, the water augmentation surcharge that is applied on a customer's bill is calculated using the June water augmentation costs and the June total gallons sold. See Figure A for an example of the calculation.

Figure A

For each month that the Company augments water, the Company will calculate the Surcharge Rate per the following formula:

Water Augmentation Cost/Water Sold

Applies to all service areas

PART THREE

EMERGENCY WATER AUGMENTATION SURCHARGE TARIFF AND PLAN OF ADMINISTRATION

Example

This example illustrates how the water augmentation surcharge that is included on a customer's bill would be calculated using 2,000 gallons of usage.

[A]	[B]	[C]	[D]
Total June Water & Hauling Costs	June Ending Curtailment Account Balance	Total Gallons Sold in June in 1,000s	Emergency Water Augmentation Surcharge per 1,000 gallons
$3,000	$100	494	$6.28

[E]	[F]	[G]
Customer's Current Usage Gallons in 1,000s	Emergency Water Augmentation Surcharge (from Col.D)	Total Emergency Water Augmentation Surcharge on Current Bill
2	$6.28	$12.55

II. Plan of Administration

(A) Intent To Bill Emergency Water Augmentation Surcharge: For any month in which water is augmented, after completing its billing for the month and receiving the billing for the month, the Company will calculate the Surcharge Rate using the same methodology discussed herein und shown on Figure A and provide Utilities Division of the Arizona Corporation Commission ("Commission Staff') notice of the Company's intent to bill the Emergency Water Augmentation Surcharge.

(B) Notice to Commission Staff: For any month in which the Company intends to bill customers an Emergency Water Augmentation Surcharge, the Company shall provide Commission Staff notice of the Company's intent to bill the Emergency Water Augmentation Surcharge. The notice to Commission Staff shall include the following:

Applies to all service areas

PART THREE

EMERGENCY WATER AUGMENTATION SURCHARGE TARIFF AND PLAN OF ADMINISTRATION

1. The Water Augmentation Cost.
2. The Water Augmentation Quantity.
3. A copy of the bill(s) received for the Water Augmentation.
4. A description of the system problem necessitating Water Augmentation and a description of the action being taken by the Company to resolve the problem including the date operations did or are expected to return to normal.
5. The dates for beginning and ending Water Augmentation.
6. A schedule showing the calculation of the Emergency Water Augmentation Surcharge Rate in excel format with formulas intact.
7. Identification of the hauling(s) available. If only one option was available, please state that.there was only one option.
8. Whether or not the hauling entity was an affiliate.

(C) Implementation of Emergency Water Augmentation Surcharge: Commission Staff will review the Notice. If the filing is acceptable to Commission Staff, the resulting Surcharge will be charged to Liberty Utilities (Rio Rico Water & Sewer) Corp. customers as a Emergency Water Augmentation Surcharge to be included on customers monthly bill as a separate line item.

(D) Documentation to Be Maintained: The Company shall maintain documentation for all costs, billing determinants, and revenues recoveries.

(E) Customer Notice: The Company shall notify its customers or this new tariff as part of its next regularly scheduled billing after the effective date of the tariff but no later than sixty (60) days after the effective date of the tariff in a form acceptable to Staff.

Applies to all service areas

PART FOUR
CROSS-CONNECTION OR BACKFLOW TARIFF

I. PURPOSE:

The purpose of this tariff is to protect Liberty Utilities (Rio Rico Water & Sewer) Corp. (the "Company") water from the possibility of contamination caused by backflow of contaminants that may be present on the customer's premises by requiring the installation and periodic testing of backflow-prevention assemblies pursuant to the provisions of the Arizona Administrative Code ("A.A.C.") R14-2-405.B.6. and A.A.C. R18-4-215.

II. REQUIREMENTS:

In compliance with the Rules and Regulations of the Arizona Corporation Commission ("Commission") and the Arizona Department of Environmental Quality ("ADEQ"), specifically A.A.C. R14-2-405.B.6 and A.A.C. R18-4-215 relating to backflow prevention:

1. The Company may require a customer to pay for and have installed, and to maintain, test and repair a backflow-prevention assembly if A.A.C. R18-4-215.B or C applies.

2. A backflow-prevention assembly required to be installed by the customer under Paragraph 1 of this tariff shall comply with the requirements set forth in A.A.C. R18-4-215.D and E.

3. Subject to the provisions of A.A.C. R14-2-407 and 410, and in accordance with Paragraphs 1 and 7 of this tariff, the Company may terminate service or deny service to a customer who fails to install a backflow-prevention assembly as required by this tariff.

4. The Company shall give any existing customer who is required to install a backflow-prevention assembly written notice of said requirement. If A.A.C. R14-2-410.B.1.a is **not** applicable, the customer shall be given thirty (30) days from the time such written notice is received in which to comply with this notice. If the customer can show good cause as to why he cannot install the backflow-prevention assembly within thirty (30) days, the Company or Commission Staff may suspend this requirement for a reasonable period of time.

5. Testing shall be in conformance with the requirements of A.A.C. R18-4-215.F. The Company may require the customer to pay to have the backflow-prevention assembly tested as long as the Company does not require an unreasonable number of tests. The Company may also require the customer to pay for repairs to a backflow-prevention assembly

Applies to all service areas

PART FOUR
CROSS-CONNECTION OR BACKFLOW TARIFF

6. The customer shall provide the Company with records of installation and testing. For each backflow-prevention assembly, these records shall include:

    a. assembly identification number and description;
    b. location;
    c. date(s) of test(s);
    d. description of repairs and recommendations for repairs made by tester;
    e. tester's name and certificate number; and
    f. tester's field test kit certification documentation.

7. In the event the backflow-prevention assembly does not function properly or fails any test, and an obvious hazard as contemplated under A.A.C. R14-2-410.B.1.a. exists, the Company may terminate service immediately and without notice. The backflow-prevention assembly shall be repaired or replaced by the customer and retested.

8. In the event the backflow-prevention assembly does not function properly or fails any test, or in the event that a customer fails to comply with the testing requirement, and A.A.C. R14-2-410.B.1.a. is **not** applicable, the backflow-prevention assembly shall be repaired or replaced within fourteen (14) days of the initial discovery of the deficiency in the assembly or its function. Failure to remedy the deficiency of dysfunction of the assembly, or failure to retest, shall be grounds for termination of water service in accordance with A.A.C. R14-2-410.

Applies to all service areas

PART FIVE
CURTAILMENT PLAN

ADEQ Public Water System:
ADEQ Public Water System Number: 12-011
ADEQ Public Water System Number: 07-007
ADEQ Public Water System Number: 07-511
ADEQ Public Water System Number: 07-517
ADEQ Public Water System Number: 07-0528
ADEQ Public Water System Number: 02-010
ADEQ Public Water System Number: 02-007
ADEQ Public Water System Number: 02-013
ADEQ Public Water System Number: 02-054
ADEQ Public Water System Number: 02-011
ADEQ Public Water System Number: 02-023
ADEQ Public Water System Number 02-120
ADEQ Public Water System Numbers: 13-023

Liberty Utilities (Rio Rico Water & Sewer) Corp. ("Company") is authorized to curtail water service to all customers within its certified area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the systems at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, the Company is deemed to be operating normally and no curtailment is necessary but conservation efforts are encouraged as a best management practice[1].

Notice Requirements: Under Stage 1, no notice is necessary.

Applies to all service areas

PART FIVE
CURTAILMENT PLAN

Stage 2 Exists When:

a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and

b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. The below conservation measures are encouraged to reduce water consumption:

- Divide outside watering on uniform basis such as:

Address Ends In	1, 2, 4, 7, 0	3, 5, 6, 8, or 9
Watering Days	Monday and Wednesday	Tuesday and Thursday

- Outdoor watering should be limited between the following times:

Seasonal Period	Watering Prohibited
April – September	6:00 a.m. – 7:00 p.m.
October - March	8:00 a.m. – 7:00 p.m.

- Eliminate outside watering on weekends and holidays
- Eliminate runoff from outdoor irrigation
- Use a shut-off hose nozzle if using hose to irrigate landscape or wash vehicles
- Eliminate washing of hard surfaces outdoors except washing to alleviate health or fire hazards
- Construction water blackout period between the hours of 5:00 am and 9:00 am, Monday through Sunday implemented
- Fix indoor and outdoor leaks
- Indoor water conservation techniques should be employed whenever possible

Notice Requirements: Company is required to notify customers by delivering written notice to each service address or by utilizing the Company's emergency messaging system which includes email, text, and phone call, or by posting on Company's website, or at the Company's option a combination of these notifications. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

The Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 2.

Applies to all service areas

PART FIVE
CURTAILMENT PLAN

Stage 3 Exists When:

a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and

b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, the Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. All restrictions from Stage 2 shall be employed in addition to the below conservation measures:

- All outside watering eliminated, except livestock
- Draining and refilling water features is prohibited
- The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- Washing of any vehicle is prohibited, including commercial car washes and commercial truck washes.
- Water runoff is prohibited
- The use of drip or misting systems of any kind is prohibited
- The use of water for dust control or any outdoor cleaning uses is prohibited
- The use of construction water is prohibited

The following priority of use for delivery of water is set forth: (1) All existing regularly metered residential customers; (2) All regularly metered commercial customers that are classified as healthcare; (3) All regularly metered commercial customers; (3) All uses of water, other than fire hydrant use for new construction; (4) Fire hydrant use for landscape irrigation or lakes; (5) All other construction fire hydrant use, metered or unmetered.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address or by utilizing the Company's emergency messaging system which includes email, text, and phone call, or by posting on Company's website, or at the Company's option a combination of these notifications. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

2. Beginning with Stage 3, the Company shall post at least two (2) signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.

Applies to all service areas
PART FIVE
CURTAILMENT PLAN

3. The Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than Stage 3 until a permanent solution has been implemented.

Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor uses. Failure to comply within twenty-four (24) hours of receipt of the notice may result in temporary loss of service through the installation and use of a flow restrictor device or other means until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Stage 4 Exists When:

a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and

b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in temporary customer disconnection. All restrictions from Stage 2 and Stage 3 shall be employed in addition to the following uses of water being prohibited:

- Restaurant patrons shall be served water only upon request
- All leaks, breaks, or other malfunctions in the customer's plumbing fixtures and/or irrigation system must be repaired within five (5) business days of written notification by the utility.
- Any other water intensive activity is prohibited
- The addition of new service lines and meter installations is prohibited.

The following priority of use for delivery of water is set forth: (1) All existing regularly metered residential customers; (2) All regularly metered commercial customers; (3) All uses of water, other than fire hydrant use for new construction; (4) Fire hydrant use for landscape irrigation or lakes; (5) All other construction fire hydrant use, metered or unmetered.

Applies to all service areas

PART FIVE
CURTAILMENT PLAN

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address or by utilizing the Company's emergency messaging system which includes email, text, and phone call, or by posting on Company's website, or at the Company's option a combination of these notifications. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

2. Company shall post at least two (2) signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.

3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.

Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor uses. Failure to comply within twenty-four (24) hours of receipt of the notice may result in temporary loss of service through the installation and use of a flow restrictor device or other means until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Applies to all **WATER** service areas
PART SIX
HOOK UP FEES

LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP.
WATER HOOK-UP FEE TARIFF

I. Purpose and Applicability

The purpose of the off-site hook-up fees payable to Liberty Utilities (Rio Rico Water & Sewer) Corp. ("Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities necessary to provide water production, delivery, storage and pressure among all new service connections. These charges are applicable to all new service connections undertaken via Main Extension Agreements, or requests for service not requiring a Main Extension Agreement entered into after the effective date of this tariff. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, and may include Developers and/or Builders of new residential subdivisions and/or non-residential properties.

"Company" means Liberty Utilities (Rio Rico Water & Sewer) Corp.

"Main Extension Agreement" means any agreement whereby an Applicant, Developer and/or Builder agrees to advance the costs of the installation of water facilities necessary to serve new service connections within a development, or installs such water facilities necessary to serve new service connections and transfers ownership of such water facilities to the Company, which agreement shall require the approval of the Commission pursuant to A.A.C. R-14-2-406, and shall have the same meaning as "Water Facilities Agreement" or "Line Extension Agreement."

"Off-site Facilities" means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Offsite facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation if these facilities are not for the exclusive use of the applicant and will benefit the entire water system.

"Service Connection" means and includes all service connections for single-family residential, commercial, industrial or other uses, regardless of meter size.

Applies to all **WATER** service areas

PART SIX
HOOK UP FEES

III. Water Hook-up Fee

For each new service connection, the Company shall collect an Off-Site Hook-Up Fee derived from the following table:

OFF-SITE WATER HOOK-UP FEE TABLE		
Meter Size	**Size Factor**	**Total Fee**
5/8" x 3/4"	1	$1,600
3/4"	1.5	$2,400
1"	2.5	$4,000
1-1/2"	5	$8,000
2"	8	$12,800
3"	16	$25,600
4"	25	$40,000
6" or larger	50	$80,000

IV. Terms and Conditions

(A) Assessment of One Time Off-Site Hook-up Fee: The off-site facilities hook-up fee may be assessed only once per parcel, service connection, or lot within a subdivision. If a development or subdivision is upsized by Applicant, Builder and/or Developer after assessment of Hook-Up fee by Company, Company may charge additional hook-up fees for such upsizing or expansion by Applicant based on the fee table above.

(B) Use of Off-Site Facilities Hook-up Fee: The off-site facilities hook-up fees may only be used to pay for capital items of off-site facilities, repay loans obtained to fund the cost of installation of off-site facilities, or pay state and federal income taxes related to the hook-up fees. Off-site hook-up fees shall not be used to cover repairs, maintenance, or operational costs. The Company shall record amounts collected under this tariff as CIAC; however, such amounts shall not be deducted from rate base until such amounts have been expended for plant.

Applies to all **WATER** service areas
PART SIX
HOOK UP FEES

(C) Time of Payment:

1) For those requiring a Main Extension Agreement: In the event that the person or entity that will be constructing improvements ("Applicant", "Developer" or "Builder") is otherwise required to enter into a Main Extension Agreement, whereby the Applicant, Developer or Builder agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the Hook-Up Fees required hereunder shall be made by the Applicant, Developer or Builder no later than within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M), or as otherwise mutually agreement between Applicant and Company.

2) For those connecting to an existing main: In the event that the Applicant, Developer or Builder for service is not required to enter into a Main Extension Agreement, the Hook-Up Fee charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

(D) Off-Site Facilities Construction by Developer: Company and Applicant, Developer, or Builder may agree to construction of off-site facilities necessary to serve a particular development by Applicant, Developer or Builder, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site hook-up fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant, Developer or Builder and conveyed to Company is less than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall pay the remaining amount of off-site hook-up fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant, Developer or Builder and conveyed to Company is more than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall be refunded the difference upon acceptance of the off-site facilities by the Company.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to make an advance commitment to provide or actually provide water service to any Developer, Builder or other applicant for service in the event that the Developer, Builder or other applicant for service has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment due hereunder has not been paid.

(F) Large Subdivision Projects: In the event that the Applicant, Developer or Builder is engaged in the development of a residential subdivision containing more than 150 lots, the Company may, in its discretion, agree to payment of off-site hook-up fees in installments. Such installments may be based on the residential subdivision development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Applicant's, Developer's or Builder's construction schedule and water service requirements.

Applies to all **WATER** service areas

PART SIX
HOOK UP FEES

(G) Off-Site Hook-Up Fees Non-refundable: The amounts collected by the Company as Hook-Up Fees pursuant to the off-site hook-up fee tariff shall be non-refundable contributions in aid of construction ("CIAC").

(H) Use of Off-Site Hook-Up Fees Received: All funds collected by the Company as off-site hook-up fees shall be deposited into a separate unaffiliated third-party interest bearing bank account and used for the purposes of paying for the costs of installation of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system. In addition, funds may be used to pay state and federal income taxes related to the hook-up fees.

(I) Off-Site Hook-up Fee in Addition to On-site Facilities: The off-site hook-up fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fees, or if the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission, any funds remaining in the unaffiliated third-party interest bearing bank account shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were included in the off-site hook-up fee, and which are contemplated to be constructed using the proceeds of the off-site hook-up Fee, the Company may require the applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the off-site hook-up fee.

(L) Status Reporting Requirements to the Commission: The Company shall submit a calendar year Off-Site Hook-Up Fee status report each January to Docket Control for the prior twelve (12) month period, beginning January 2017, until the hook-up fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the hook-up fee tariff, the amount each has paid, the physical property in respect of which such fee was paid, the amount of money spent from the account, the amount of interest earned on the funds within the tariff account, and an itemization of all facilities that have been installed using the tariff funds during the 12 month period.

Applies to all **WASTEWATER** service areas
PART SEVEN
STATEMENT OF CHARGES

I. RATES

In Decision No. XXXXX, dated XXXXX, the Commission authorized the following rates and charges to become effective XXXXX:

A. Monthly Usage Charges

Meter Size (All Classes)	**Charge**[5, 6]
5/8" x 3/4" Meter	$ 66.37
3/4" Meter	76.53
1" Meter	93.60
1 1/2" Meter	138.16
2" Meter	191.66
3" Meter	333.88
4" Meter	494.93
6" Meter	940.56
8" Meter	1,432.76
10" Meter	2,146.98
12" Meter	3,053.15

[5] Low Income Tariff – A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting the low income qualifications.

[6] A 5% discount is applicable to the public schools operated by the Santa Cruz County School District No. 35 receiving water and/or wastewater utility services from the Company.

Applies to all **WASTEWATER** service areas
PART SEVEN
STATEMENT OF CHARGES

B. Commodity Rates (All Meter Sizes)

Commercial and Multi-Tenant Only	
0 to 7,000 gallons	$0.00
Over 7,000 gallons	9.15

Applies to all **WASTEWATER** service areas
PART SEVEN
STATEMENT OF CHARGES

C. Service Line and Meter Installation Charges

Service Line Size	**Charge**
4” Meter	At Cost
6” Meter	At Cost
8” Meter	At Cost
10” Meter	At Cost
12” Meter	At Cost

Applies to all **WASTEWATER** service areas
PART SEVEN
STATEMENT OF CHARGES

D. Service Charges

Service	**Charge**
Establishment per A.A.C. R14-2-403(D)	$30.00
Re-Establishment of Service per A.A.C. R14-2-403(D)	(*)
Reconnection per A.A.C. R14-2-403(D)	(a)
Disconnection (Delinquent)	(c)
NSF Check per A.A.C. R14-2-409(F)	$20.00
Deferred Payment, Per Month	1.50% per month
Late Charge	1.50% per month
Service Calls After Hours	$90.00(b)
Deposit Interest per A.A.C. R14-2-403(B)	6.00% (**)
Deposit	(***)

* Months off system times the monthly minimum charge per Commission Rule A.A.C. R142-603(D).
** Per Commission Rule A.A.C. R14-2-603(B).
Residential - two times the average bill.
Non-residential - two and one-half times the average bill.
*** Greater of $5.00 or 1.50% per month on unpaid balance.
(a) Customer shall pay the actual cost of physical disconnection and Establishment Fee (if same customer) and there shall be no charge for disconnection if no physical work is performed.
(b) The After-Hours Service Charge shall apply to any service requested by Customer that is performed by Company after regular business hours and shall be in addition to the regular business hours service charge.
(c) The actual cost of disconnection including costs for excavation and trenching, pipeline modification, sewer block, backfill and grading, road repairs and permitting. Customer will be provided copies of invoices for actual costs incurred. There shall be no charge for disconnection if no work is performed.

Applies to all **WASTEWATER** service areas
PART SEVEN
STATEMENT OF CHARGES

II. TAXES AND ASSESSMENTS

In addition to the collection of regular rates, the Company will collect from its customers a proportionate share of any privilege, sales, use and franchise tax per Commission Rule 14-2-608(D)(5).

All Advances or Contributions are to include labor, materials, overheads, and all applicable taxes, including all gross-up taxes for income taxes. Cost to include labor, materials and parts, overheads, and all applicable taxes.

Under applicable law, any contributions or advances provided by a Developer are taxable income to the Utility. In accordance with the Gross-Up Sharing Method policy adopted by the Commission in Decision No. 76974, the Company will collect from the Developer an applicable share of income taxes for the Company's state and federal tax liability on all funds contributed and/or advanced. The funds will be collected prior to the commencement of service.

Applies to all **WASTEWATER** service areas
PART EIGHT
STATEMENT OF TERMS AND CONDITIONS

I. PERMITTED COSTS

A. Costs shall be verified by invoice.

B. For services that are provided by the Company at cost, costs shall include labor, materials, other charges incurred, and overhead. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.

C. In the event that the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of the service or after Company's receipt of invoices, timesheets or other related documents, whichever is later.

D. In the event the actual cost is more than the estimated cost, the Company will bill the customer for the amount due within 30 days after completion of the invoices, timesheets or other related documents, whichever is later. The amount so billed will be due and payable 30 days after the invoice date. However, if the actual cost is more than five percent (5%) greater than the total amount paid, the customer will only be required to pay five percent (5%) more than the total amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the total amount paid was made.

E. At the customer's request, the Company shall make available to the customer all invoices, timesheets or related documents that support the cost for providing such service.

F. Permitted costs shall include any Federal, State or local taxes that are or may be payable by the Company as a result of any tariff or contract for wastewater facilities under which the Customer advances or contributes funds or facilities to the Company.

Applies to all **WASTEWATER** service areas
PART EIGHT
STATEMENT OF TERMS AND CONDITIONS

II. CUSTOMER DISCHARGE TO SYSTEM

A. Service Subject to Regulation

Company provides wastewater service using treatment and collection facilities that are regulated by numerous county, state and federal Statutes and Regulations. Those Regulations include limitations as to domestic strength wastewater and the type of wastewater that may be discharged into the system by any person directly or indirectly connected to the plant.

B. Waste Limitations

Company has established the permissible limits of concentration as domestic strength wastewater and will limit concentration for various specific substances, materials, waters, or wastes that can be accepted in the sewer system, and to specify those substances, materials, waters, or wastes that are prohibited from entering the sewer system. Each permissible limit so established shall be placed on file in the business office of Company, with a copy filed with the Commission. No person shall discharge, or cause to be discharged, any new sources of inflow including, but not limited to, storm water, surface water, groundwater, roof runoffs, subsurface drainage, cooling water, or polluted industrial process waters into the sanitary sewer. Company will require an affidavit from all non-residential customers, and their professional engineer, stating that the wastewater discharged to the system does not exceed domestic strength or applicable pre-treatment standards.

C. Inspection and Right of Entry

Every facility that is involved directly or indirectly with the discharge of wastewater to the Treatment Plant may be inspected by Company as it deems necessary. These facilities shall include but not be limited to sewer; sewage pumping plants; all processes; devices and connection sewer; and all similar sewerage facilities. Inspections may be made to determine that such facilities are maintained and operated properly and are adequate to meet the provisions of these rules and this tariff. Inspections may include the collection of samples. Authorized personnel of Company shall be provided immediate access to all of the above facilities or to other facilities directly or indirectly connected to the Treatment Plant at all reasonable times including those occasioned by emergency conditions. Any permanent or temporary obstruction to easy access to the user's facility to be inspected shall promptly be removed by the facility user or owner at

Applies to all **WASTEWATER** service areas
PART EIGHT
STATEMENT OF TERMS AND CONDITIONS

the written or verbal request of Company and shall not be replaced. No person shall interfere with, delay, resist or refuse entrance to an authorized Company representative attempting to inspect any facility involved directly or indirectly with a discharge of wastewater to the Treatment Plant. Adequate identification shall be provided by Company for all inspectors and other authorized personnel and these persons shall identify themselves when entering any property for inspection purposes or when inspecting the work of any contractor.

All transient motor homes, travel trailers and other units containing holding tanks must arrive at Company's service area in an empty condition. Inspection will be required of said units prior to their being allowed to hookup to the wastewater system.

D. Termination of Water Service for Violation of Wastewater Rules and Regulations

Company is authorized to discontinue water service to any person connected to both its water and sewer systems who violates Company's wastewater terms and conditions as set forth in this section or in any way creates a public health hazard or the likelihood of such a public health hazard. This termination authority does not apply to non-payment for water or wastewater services.

III. RULES AND REGULATIONS

Company has adopted the Rules and Regulations established by the Commission as the basis for its operating procedures. A.A.C. R14-2-601 through A.A.C. R14-2-609 will be controlling of Company procedures, unless specifically approved tariffs or Commission Order(s) provide otherwise.

Applies to all service areas

PART NINE
CUSTOMER ASSISTANCE TARIFF
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

Applicability

Applicable to residential water service for domestic use rendered to individuals who meet all the program qualifications and special conditions of this rate schedule.

Programs

This Customer Assistance Tariff (CAT) contains the following programs: (1) Low-Income Program; (2) Deployed Services Member Program; and (3) Disabled Veteran Program. Collectively, these three programs are referred to as the "Customer Assistance Programs".

Territory

Within all customer service areas served by Liberty Utilities (Rio Rico Water & Sewer) Corp. ("Liberty" or "Company").

Rates

Fifteen percent (15%) discount applied to the regular filed tariff.

Program Qualifications

1. The Liberty bill must be in your name and the address must be your primary residence.
2. You may not be claimed as a dependent on another person's tax return.
3. You must reapply each time you move residences.
4. You must renew your application once every year, or sooner, if requested.
5. You must notify Liberty within thirty (30) days if you become ineligible for the CAT.

Applies to all service areas

PART NINE
CUSTOMER ASSISTANCE TARIFF
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

Special Conditions

1. Application: An application on a form authorized by the Commission is required for each request for service under this schedule. A customer must reapply every year or sooner, if requested.

2. Commencement of Rate: Eligible customers whose applications have been approved shall be billed on this schedule commencing with the next regularly scheduled billing period that follows receipt of application by Liberty.

3. Verification: Information provided by the applicant is subject to verification by Liberty. Refusal or failure of a customer to provide documentation of eligibility acceptable to Liberty, upon request by Liberty, shall result in removal from this rate schedule.

4. Notice from Customer: It is the customer's responsibility to notify Liberty if there is a change of eligibility status.

5. Rebilling: Customers may be re-billed retroactively for periods of ineligibility under the applicable rate schedule.

6. Participation Limit: The CAT (for all three programs included) is limited to 5,645 water division customers and 725 wastewater division customers of the Company. Applications will be reviewed and approved on a first come, first served basis. Applicants will be placed on a waiting list if the participation limit has been met.

7. Qualification: A customer that qualifies for more than one program will only receive benefits from one program per year. CAT benefits will not be combined or accumulated.

Applies to all service areas

PART NINE

CUSTOMER ASSISTANCE TARIFF

DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

LOW INCOME PROGRAM

To qualify for the low income program, the total gross annual income of all persons living in your household cannot exceed the income levels below:

Effective xxxx xx, xxxx

No. of Person in Household	Total Gross Annual Income*
1	$XXXXX
2	$XXXXX
3	$XXXXX
4	$XXXXX
5	$XXXXX
6	$XXXXX

For each additional person residing in the household, add $XXXXX

***Qualifying annual incomes are set at 150 percent of the 202X federal poverty levels.**

Acceptance into the program is subject to verification of income source.

For the purpose of the program the "gross household income" means all money and non-cash benefits, available for living expenses, from all sources, both taxable and non-taxable, before deductions for all people who live in your home. This includes, but is not limited to:

Wages or salaries	Social Security, SSI, SSP	Rental or royalty income
Interest or dividends from: Savings account, stocks or bonds	Scholarships, grants, or other aid used for living expenses	Profit from self-employment (IRS form Schedule C, Line 29)
Unemployment benefits	Disability payments	Worker's Compensation
TANF (AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

Applies to all service areas

PART NINE
CUSTOMER ASSISTANCE TARIFF
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

DEPLOYED SERVICES MEMBER PROGRAM

This program allows the Company to provide a 15% discount to deployed service members of the United States Military. The Company will provide the credit on the deployed service member's bill provided that the following criteria are met:

The Company will provide the credit on the deployed service member's bill provided that the following criteria are met:

1. Deployment is not a "permanent change of station." Permanent change of station requires a service member to permanently change his or her place of residence, paid for by the applicable military branch. A service member's decision to keep a secondary residence in Arizona would be discretionary and would not qualify for this credit.
2. Deployed member does not have family living in the premises. Short term deployments, where a spouse and/or dependents remain in the United States would not qualify, as the service member would receive separate compensation from the military to cover domestic expenses while deployed.
3. The deployed service member is an active member of the military (*e.g.*, Air Force, Army, Coast Guard, Marines, and Navy), as defined by 10 U.S.C. § 101(a)(4), and includes any member of the Reserves or National Guard called to active duty.

Administration

1. Participation shall be determined on a first come, first served basis.
2. Each service member's eligibility must be verified based on written orders from the service member's command.
3. Continued eligibility will be determined periodically through a recertification process.
4. The Company is permitted to seek Commission approval to change participant limits based on level of participation.
5. Qualifying annual incomes are set at 200 percent of the 202X federal poverty levels.

Applies to all service areas

PART NINE

CUSTOMER ASSISTANCE TARIFF

DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

DEPLOYED SERVICES MEMBER PROGRAM

Effective xxxx xx, xxxx

No. of Person in Household	Total Gross Annual Income*
1	$XXXXX
2	$XXXXX
3	$XXXXX
4	$XXXXX
5	$XXXXX
6	$XXXXX

For each additional person residing in the household, add $XXXXX

Acceptance into the program is subject to verification of income source.

For the purpose of the program the "gross household income" means all money and non-cash benefits, available for living expenses, from all sources, both taxable and non-taxable, before deductions for all people who live in your home. This includes, but is not limited to:

Wages or salaries	Social Security, SSI, SSP	Rental or royalty income
Interest or dividends from: Savings account, stocks or bonds	Scholarships, grants, or other aid used for living expenses	Profit from self-employment (IRS form Schedule C, Line 29)
Unemployment benefits	Disability payments	Worker's Compensation
TANF (AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

Applies to all service areas

PART NINE
CUSTOMER ASSISTANCE TARIFF
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

DISABLED MILITARY VETERAN PROGRAM

This program allows the Company to provide a 15% discount to disabled military veterans of the United States Military. The Company will provide the credit on the disabled military veteran's bill provided that the following criteria are met:

The Company will provide the credit on the disabled military veteran's bill provided that the following criteria are met:

1. Disabled military veteran was honorably discharged from the armed forces.
2. Disabled military veteran must have a permanent disability rating related to their military duty service.
3. The disabled military veteran must have been an active member of the military (*e.g.*, Air Force, Army, Coast Guard, Marines, and Navy), as defined by 10 U.S.C. § 101(a)(4), and includes any member of the Reserves or National Guard called to active duty.

Administration

1. Participation shall be determined on a first come, first served basis.
2. Each service member's eligibility must be verified based on documentation demonstrating a medical discharge or other written documentation from the United States Department of Defense or Department of Veteran Affairs.
3. Continued eligibility will be determined periodically through a recertification process.
4. The Company is permitted to seek Commission approval to change participant limits based on level of participation.
5. Qualifying annual incomes are set at 200 percent of the 202X federal poverty levels

Applies to all service areas

PART NINE

CUSTOMER ASSISTANCE TARIFF

DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

DISABLED MILITARY VETERAN PROGRAM

Effective xxxx xx, xxxx

No. of Person in Household	Total Gross Annual Income*
1	$XXXXX
2	$XXXXX
3	$XXXXX
4	$XXXXX
5	$XXXXX
6	$XXXXX

For each additional person residing in the household, add $XXXXX

Acceptance into the program is subject to verification of income source.

For the purpose of the program the "gross household income" means all money and non-cash benefits, available for living expenses, from all sources, both taxable and non-taxable, before deductions for all people who live in your home. This includes, but is not limited to:

Wages or salaries	Social Security, SSI, SSP	Rental or royalty income
Interest or dividends from: Savings account, stocks or bonds	Scholarships, grants, or other aid used for living expenses	Profit from self-employment (IRS form Schedule C, Line 29)
Unemployment benefits	Disability payments	Worker's Compensation
TANF (AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

Applies to all service areas

PART NINE
CUSTOMER ASSISTANCE TARIFF
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

RECOVERY OF COST OF CUSTOMER ASSISTANCE TARIFF AND CUSTOMER SURCHARGES

The Company shall recover the CAT costs from a monthly CAT surcharge on all residential and non-residential water customers who are not participating in the CAT. Liberty is entitled to seek recovery of direct costs (*i.e.,* those costs directly associated with the programs, which costs would not be incurred in the absence of the programs). The Company shall account for those direct costs separately from other operating costs.

Liberty shall be entitled to implement a CAT surcharge on non-participating residential and non-residential water as follows.

- For customers participating in the CAT, the Company shall maintain a balancing account detailing the beginning and ending balance of the cumulative unrecovered program costs each month.
- Liberty's authorized rate of return shall be applied monthly to the average of the beginning balances of the cumulative unrecovered program costs for water service and included in the beginning balances for the following month.
- Using the balancing account, Liberty shall calculate the monthly surcharge for each customer as follows:

  (Ending Balance for Low-Income Tariff Balancing Account including amortized carrying costs during recovery period /Number of active non-participating water connections at year end)/12

- The ending balance in the balancing account shall equal the beginning balances plus discounts allowed on bills for the twelve month tracking period, plus direct program costs incurred in the twelve month period plus the return less surcharge fees billed in the twelve month tracking period.
- Liberty shall implement a monthly surcharge for the CAT for each twelve month period of the CAT. The Company shall calculate the monthly surcharge each year based on the active number of customer connections as of December 31 of the prior year. The Company shall file notice of the surcharge, along with a report on the CAT, with the Arizona Corporation Commission on or before January 31 and the surcharge shall be implemented on customer bills in February of each year with the recovery period ending in January of the following year.

Applies to all service areas

PART TEN
PLAN OF ADMINISTRATION FOR
PURCHASED POWER ADJUSTMENT MECHANISM

I. GENERAL DESCRIPTION.

This document is the Plan of Administration ("POA") for the Purchased Power Adjustment Mechanism ("PPAM") for Liberty Utilities (Rio Rico Water & Sewer) Corp. The PPAM allows Liberty Rio Rico to pass through to its customers the increase or decrease in purchased power costs that result from a rate change for any Commission-regulated electric service provider supplying retail electric service to the Company.

II. PPAM RELATED FILINGS.

A. Within 60 days of the effective date of a Commission Decision authorizing a rate change in the approved tariffs for any Commission-regulated electric service provider supplying retail electric service to the Company, the Company shall file with Docket Control an analysis of the actual impact on the energy portion of the Company's electric service costs.

B. The Company will provide the Commission with spreadsheets detailing exactly how the Company's purchased power expenses were calculated in the time period prior to a change in the rate that the Company must pay for purchased power. These calculations will include basic service charges and rate and volume figures. That is, the Company will break down its total purchased power bill into the amount due to fixed fees, volume of electricity used, and the rates paid per unit of electricity. For the period following the rate change, the Company will provide the same information, then compare the two periods, isolating any change in purchased power cost that is due exclusively to a rate change. The specific intent is to show exactly how much of any increase or decrease is due to changes in rates beyond the Company's control and how much is due to a change in the amount of power that the Company consumes. The Company will only recover increases or refund decreases that are due to changes in rates.

C. All revised schedules filed with the Commission pursuant to the provisions of this PPAM will be accompanied by documentation prepared by the Company in a format approved by Utilities Division Staff of the Commission and will contain sufficient detail to enable the Commission to verify accuracy of the Company's calculations.

D. The surcharges will not become effective until approved by the Commission.

E. The Company will file annually with the Commission a report detailing the Company's purchased power costs and any conservation or power-shifting measures employed by the Company.

F. The Company shall provide notice (in a form acceptable to Staff) of the rate increases to customers with the bill where the rate increase first appears.

Applies to all service areas

PART TEN

PLAN OF ADMINISTRATION FOR
PURCHASED POWER ADJUSTMENT MECHANISM

III. APPLICATION TO WATER CUSTOMERS.

A. The increase or decrease in purchased power costs that are due to changes in rates at the Company's water facilities will be allocated on a per capita basis.

B. See the following example:

Test Year	
Purchased Power Rate	**$0.0800**
Kilowatt Hours Used	1,250,000
Purchased Power Expense	$100,000

→

Current Year	
Purchased Power Rate	**$0.1000**
Kilowatt Hours Used	1,250,000
Purchased Power Expense	$125,000

Pass Through Calculation	
Current Year Purchased Power Expense	$125,000
Test Year Purchased Power Expense	$100,000
Increase in Purchased Power Expense Due to Rate Increase	$25,000

PPAM Charge on Sample Customer Bill	
Increase in Purchased Power Expense Due to Rate Increase	$25,000
Number of Water Customers	20,000
PPAM Charge on Sample Customer Bill	$1.25

Applies to all service areas

PART ELEVEN

PLAN OF ADMINISTRATION FOR

PROPERTY TAX ADJUSTMENT MECHANISM

I. GENERAL DESCRIPTION.

This document is the Plan of Administration ("POA") for the Property Tax Adjustment Mechanism ("PTAM") for Liberty Utilities (Rio Rico Water & Sewer) Corp. The PTAM allows Liberty Rio Rico to pass through to its customers the increase or decrease in property taxes that results from a change in the applicable assessment ratio and/or property tax rates.

II. PTAM RELATED FILINGS.

A. Within 60 days of the effective date of a change in the assessment ratio and/or property tax rates applicable to the Company, the Company shall file with Docket Control an analysis of the actual impact on the Company's property tax expenses.

B. The Company will provide the Commission with spreadsheets detailing exactly how the Company's property tax expenses were calculated in the time period prior to a change in the assessment ratio and/or property tax rate that affects the Company's property tax expenses. These calculations will include the assessment ratio, the property tax rates, and the value of the property that was taxed. For the period following the change(s), the Company will provide the same information, then compare the two periods, isolating any change in property tax expense that is due exclusively to changes in the assessment ratio and/or property tax rates. The specific intent is to show exactly how much of any increase or decrease in property tax expense is due to changes in the assessment ratio and tax rates beyond the Company's control and how much is due to changes in the value of the property the Company owns. The Company will only recover increases or refund decreases that are due to changes in the assessment ratio and tax rates.

C. All revised schedules filed with the Commission pursuant to the provisions of this PTAM will be accompanied by documentation prepared by the Company in a format approved by Utilities Division Staff of the Commission and will contain sufficient detail to enable the Commission to verify accuracy of the Company's calculations.

D. The surcharges will not become effective until approved by the Commission.

Applies to all service areas

PART ELEVEN

PLAN OF ADMINISTRATION FOR
PROPERTY TAX ADJUSTMENT MECHANISM

G. The Company will file annually with the Commission a report detailing the Company's property tax expenses.

H. The Company shall provide notice (in a form acceptable to Staff) of the rate increases to customers with the bill where the rate increase first appears.

III. APPLICATION TO WATER CUSTOMERS.

C. The increase or decrease in property tax expenses that are due to changes in the assessment ratio and/or property tax rates at the Company's WATER facilities will be allocated on a per capita basis.

D. See the examples on the next page:

Applies to all service areas

PART ELEVEN
PLAN OF ADMINISTRATION FOR
PROPERTY TAX ADJUSTMENT MECHANISM

Change in Assessment Ratio Example

Test Year			***Current Year***	
Assessment Ratio	**20.00%**	➡	**Assessment Ratio**	**21.00%**
Property Full Cash Value	$10,000,000		Property Full Cash Value	$10,000,000
Assessed Valuation	$2,000,000		Assessed Valuation	$2,100,000

Change in Assessed Valuation	
Current Year Assessed Valuation	$2,100,000
Test Year Assessed Valuation	$2,000,000
Increase in Assessed Valuation Due to Increase in Assessment Ratio	$100,000

Test Year		***Current Year***	
Total Property Tax Rate	10.00%	Total Property Tax Rate	10.00%
Assessed Valuation	$2,000,000	Assessed Valuation	$2,100,000
Property Tax Expense	$200,000	Property Tax Expense	$210,000

PTAM Charge on Sample Customer Bill	
Increase in Property Tax Expense Due to Increase in Assessment Ratio	$10,000
Number of WATER Customers	20,000
PTAM Charge on Sample Customer Bill	$0.50

Change in Total Property Tax Rate Example

Test Year			***Current Year***	
Total Property Tax Rate	**10.00%**	➡	**Total Property Tax Rate**	**11.00%**
Assessed Valuation	$2,000,000		Assessed Valuation	$2,000,000
Property Tax Expense	$200,000		Property Tax Expense	$220,000

Pass Through Calculation	
Current Year Property Tax Expense	$220,000
Test Year Property Tax Expense	$200,000
Increase in Property Tax Expense Due to Rate Increase	$20,000

PTAM Charge on Sample Customer Bill	
Increase in Property Tax Expense Due to Rate Increase	$20,000
Number of WATER Customers	20,000
PTAM Charge on Sample Customer Bill	$1.00

ISSUED BY:
Moses Thompson, President
Liberty Utilities (Rio Rico Water & Sewer) Corp.
14920 W Camelback Rd
Litchfield Park, AZ 85340
Decision No. XXXX

Applies to all service areas

PART TWELVE
PLAN OF ADMINISTRATION FOR
WATER TREATMENT RATE ADJUSTOR MECHANISM

I. GENERAL DESCRIPTION.

This document is the Plan of Administration ("POA") for Liberty Utilities (Rio Rico Water & Sewer) Corp. ("Liberty" or "Company") Water Treatment Rate Adjustor Mechanism ("WTRAM"). This Adjustor Mechanism is designed to recover the incremental revenue requirement associated with the treatment of federally regulated contaminants. The Water Treatment Program is designed to facilitate certain critical infrastructure investments that are needed to achieve compliance with statutory requirements related to maximum contaminant levels (MCL) of regulated contaminants in Liberty water and wastewater systems. This Adjustor Mechanism aids the timely recovery of the revenue requirement associated with Capital Expenditures plus the incremental operating and maintenance costs related to such Capital Expenditures for infrastructure that: (i) are approved by the Arizona Corporation Commission (ACC or Commission); (ii) are completed and placed into service; (iii) are not yet included in rate base; and (iv) are necessary to achieve compliance with federal regulation.

II. WTRAM FILING TIMELINE.

A. Liberty shall file its yearly WTRAM Surcharge Request no later than March 31 each calendar year.

B. The March filing shall include all associated projects placed into service during the twelve-month period ended December 31 (inclusive) of the previous calendar year, and in compliance with the above listed criteria.

C. Staff shall file its Report and Proposed Order on the WTRAM Surcharge Request (filed by Liberty) with the Commission no later than May 31st in the same calendar year. Please refer to the table below.

D. Upon Staff's approval, Liberty shall implement the surcharge on July 1 of the same calendar year of the filing.

See Schedule Filing Timeline on the next page:

Applies to all service areas

PART TWELVE

PLAN OF ADMINISTRATION FOR

WATER TREATMENT ADJUSTOR MECHANISM

Due Date	Filing / Documents	Purpose
03.31.2025	WTRAM Surcharge Calculation. Completed Contaminant Remission Project table for 2024 with supporting schedules, workpapers	WTRAM Surcharge Request: 2024 Completed Projects
05.31.2025	Staff Report and Proposed Order to be docketed with supporting schedules (Annual WTRAM Surcharge Filing)	WTRAM Surcharge for 2024 completed projects.
07.01.2025	WTRAM surcharge added to customer bills	Recovery of revenue requirement for WTRAM plant additions in 2024

III. Schedule of Completed Federally Regulated Contaminant Treatment Plant Projects, Incremental O&M Costs and Surcharge Request.

The WTRAM Surcharge shall be implemented when the EPA has established acceptable limits (MCLs) on regulated contaminants. The Schedule of Completed Projects will contain the following:

A. Completed Project Information Projects).

1. Location and description of plant asset placed in service.
2. In service date
3. A summary of compliance issues each project will mitigate.

B. Cost Recovery (WTRAM Surcharge Request). The WTRAM Surcharge Request shall include Liberty Utilities' request to set / reset the WTRAM Surcharge to recover the revenue requirement associated with the Capital Expenditures used for infrastructure to achieve statutorily mandated compliance with MCLs of federally regulated contaminants. The request shall also include related incremental O&M costs. The WTRAM Surcharge Request shall include the following information, as applicable, regarding the costs Liberty proposes to recover through the WTRAM Surcharge:

1. Evidence in support of the recorded costs for each project undertaken during the preceding calendar year. This information shall include the following, as applicable:
   i. The actual cost of each project including separately identifying material costs, contractor costs, internal labor costs, and other material costs of the projects, including, without limitation, permitting, studies or other governmental mandates necessary to remove contaminants
   ii. In-service date
2. Retirement date, dollar amount of plant retired, and cost of removal.
3. A schedule of related incremental O&M costs.

Applies to all service areas

PART TWELVE
PLAN OF ADMINISTRATION FOR
WATER TREATMENT ADJUSTOR MECHANISM

C. Calculation of the WTRAM Surcharge. The WTRAM Surcharge shall be calculated in accordance with the Exhibits to this POA. The Commission-approved Rate of Return shall be used for the purpose of this calculation.

D. Staff will file a Staff Report and Proposed Order regarding the WTRAM Surcharge Request no later than May 31st of each year.

E. Reconciliation and True-up Adjustment:

1. The True-up Adjustment shall be calculated in accordance with the exhibits to the POA.
2. For each 12-month period that a WTRAM Surcharge is in effect, the Company shall reconcile the amounts collected by the WTRAM Surcharge with the WTRAM authorized revenue, for that 12-month period. The difference between WTRAM authorized revenue and the amount collected through the WTRAM Surcharge is the True-Up Adjustment, and this amount shall be incorporated into the next WTRAM Surcharge.

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Attorneys for Liberty Utilities (Cordes Lakes Water) Corp.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
ANNA TOVAR
NICK MYERS
KEVIN THOMPSON

IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (CORDES LAKES WATER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02060A-23-

DIRECT TESTIMONY

OF

MANASA RAO

December 28, 2023

Snell & Wilmer
L.L.P.
LAW OFFICES
One East Washington Street, Suite 2700
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602.382.6000

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I. <u>INTRODUCTION AND PURPOSE OF TESTIMONY</u>.

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Manasa Rao. My business address is 9750 Washburn Road, Downey, CA, 90241.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Liberty Utilities Service Corp. ("LUSC") as the Senior ("Sr.") Director Rates & Regulatory Affairs (West Region). LUSC is a direct subsidiary of Liberty Utilities Co. ("LUCo") and is a subsidiary of Liberty Utilities (Canada) Corp. ("Liberty Canada" or "LUCC"), which is a wholly owned indirect subsidiary of Algonquin Power & Utilities Corp. ("APUC"). As the Sr. Director of Rates & Regulatory Affairs for the West Region, I am responsible for the development and execution of the regulatory strategy, including rate cases and other regulatory matters for Liberty's regulated operations in Arizona, California and Texas, and I am the Project Manager for the rate cases of the Applicants.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of Liberty Utilities (Cordes Lakes Water) Corp. ("Liberty Cordes Lakes"), Liberty Utilities (Bella Vista Water) Corp. ("Liberty Bella Vista"), Liberty Utilities (Rio Rico Water and Sewer) Corp. ("Liberty Rio Rico"), and Liberty Utilities (Beardsley Water) Corp. ("Liberty Beardsley"), collectively referred to sometimes herein as "Applicants"). I also am testifying on behalf of the Liberty Utilities (Rio Rico Water & Sewer) Corp. as a consolidated entity in accordance with the Applicants' proposal to consolidate Liberty Bella Vista, Liberty Beardsley and Liberty Cordes Lakes into Liberty Rio Rico.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. Prior to my present role as the Sr. Director of Rates & Regulatory Affairs for the West Region, I was the Director of Financial Planning & Analysis, West region for two years. Prior to that, I was employed by Liberty Utilities (Canada) Corp. for over seven years in various Finance related positions, including Manager, External Reporting and Senior

Manager, Financial Planning & Analysis. I received my Bachelor's degree in Business Administration from Truman State University, MO in 2004 and also hold a Chartered Professional Accountant (CPA, CMA) designation from Canada.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION OR ANY OTHER REGULATORY AGENCY?

A. While I have not previously testified before the Arizona Corporation Commission ("Commission"), I have previously provided written and oral testimony before the California Public Utility Commission in general rate case and cost of capital proceedings.

II. A BRIEF OVERVIEW OF APPLICANTS' RATE FILINGS.

Q. WHY ARE THE APPLICANTS CURRENTLY FILING RATE CASES?

A. The Commission has ordered both Liberty Cordes Lakes and Liberty Beardsley to file rate cases on or before December 31, 2023.[1] Given those Commission orders, Liberty planned to file rate cases for Liberty Bella Vista and Liberty Rio Rico along with the Commission ordered rate cases for Liberty Cordes Lakes and Liberty Beardsley using the same test year ending April 30, 2023. Further, since the last rate cases for Liberty Beardsley, Liberty Bella Vista, Liberty Cordes Lakes and Liberty Rio Rico, operating expenses have increased and each utility has made significant capital improvements to provide reliable service to customers. As a result, each utility is filing these rate cases to request rate relief. As part of these rate filings, Liberty also proposes to merge and consolidate Liberty Bella Vista, Liberty Beardsley, and Liberty Cordes Lakes into Liberty Rio Rico, including the transfer of all useful and necessary assets of Liberty Bella Vista, Liberty Beardsley, and Liberty Cordes Lakes, including their certificates of convenience and necessity, to Liberty Rio Rico as requested in the Companies' applications filed in these dockets and approval by the Commission of one tariff of rates and charges for all customers of Bella Vista, Rio Rico, Beardsley and Cordes Lakes under Liberty Rio Rico as the consolidated entity (from now

[1] In the Matter of the Application of Beardsley Water Company, Inc. for approval of a Rate Increase, Decision No. 790246 (Docket No. W-02074A-14-0317) July 14, 2023 and In the Matter of the Application of Cordes Lakes Water Company for Approval of an Emergency Rate Increase, Decision No.79009 (Docket No. W-02060A-17-228) June 28, 2023.

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on referring to the consolidated entity as" Liberty Rio Rico (Consolidated)." The goal is to have one utility which we refer to throughout the rate filing and direct testimony as "Liberty Rio Rico (Consolidated)

Q. WHAT TOPICS ARE YOU COVERING IN YOUR DIRECT TESTIMONY?

A. The purpose of my direct testimony is to provide an overview of the Applicants' separate and consolidated requests for new rates based on findings of fair value rate base and recommended changes to each Company's tariff of rates and charges, along with testimony on the consolidated tariff of rates and charges. Liberty is requesting the consolidation of the Applicants as explained in Matthew Garlick's and Paul Walker's direct testimonies in this rate case. In my testimony, I address the Applicant's revenue requirement and tariffs on a stand-alone basis as well as on a consolidated basis should the consolidation be approved as requested. I will also be testifying on rate case expenses; a Water Treatment Rate Adjustment Mechanism (WTRAM)for the Applicants; proposed Post Test Year Plant (PTYP) adjustments, proposed adjustments to test year expenses; and rate case expenses.

Q. PLEASE INTRODUCE THE OTHER WITNESSES FOR THE APPLICANTS AND PROVIDE A BRIEF SUMMARY OF THEIR TESTIMONIES.

A. The following witnesses are submitting testimony in the rate cases filed for the Applicants:

- **Matthew Garlick**, Vice President, Operations Special Projects for Liberty's regulated utilities in Arizona and Texas, provides testimony supporting the recovery of acquisition premiums for Liberty Cordes Lakes and Liberty Beardsley. His testimony will also support Liberty's consolidation request and provide technical support for our Water Treatment Rate Adjustment Mechanism ("WTRAM") proposal.
- **Joshua Reiff**, Manager Operations, provides direct testimony regarding Liberty Cordes Lakes' operations and capital investments since the last rate case.
- **Adolfo Garcia**, Manager Operations, provides direct testimony regarding Liberty Bella Vista's operations and capital investments since the last rate case.
- **Terry Gilbertson**, Senior Manager Operations, provides direct testimony regarding Liberty Beardsley's operations and capital investments since the last rate case

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- **Martin Garlant**, Senior Manager Operations, provides direct testimony regarding Liberty Rio Rico's operations and capital investments since the last rate case
- **Paul Walker**, Regulatory Consultant, provides direct testimony on the proposed consolidation of the Applicants, and the acquisition premiums for Liberty Cordes Lakes and Liberty Beardsley Water.
- **Lauren Preston,** Vice President, Customer Care, provides direct testimony regarding the Customer First capital investment for the Applicants and the Applicants' request for Customer Assistance Tariff ("CAT").
- **Jill Schwartz,** Senior Director of Regulatory Policy and Strategy, provides direct testimony regarding the corporate structure, shared services costs, cost allocation and Cost Allocation Manual ("CAM") and Indirect Overhead ("INDOH").
- **Thomas Bourassa**, Regulatory and Accounting Consultant, will provide testimony on all the components of the revenue requirement and rates, except rate case expense. His testimony will address rate base, income statement (revenue and operating expenses), cost of capital, required increase in revenue, and rate design and proposed rates and charges for service.

All of the revenue requirement components and rates I discuss in this direct testimony for Liberty Cordes Lakes, Liberty Bella Vista, Liberty Rio Rico, Liberty Beardsley and Liberty Rio Rico (Consolidated) are based on schedules prepared by these witnesses.

Q. WOULD YOU PLEASE DESCRIBE THE APPLICANTS' INDIVIDUAL, STAND-ALONE REQUESTS FOR NEW RATES?

A. As reflected on the respective Schedule A-1 for Liberty Cordes Lakes, Liberty Bella Vista, Liberty Rio Rico and Liberty Beardsley, the Applicants' stand-alone requests for increase in annual revenues as follows:

- Liberty Cordes Lakes is seeking an increase in annual revenues of approximately $1,367,617 or 210.47 percent based on a fair value rate base of $7,514,781 and a required operating income of $606,849 premised on 8.08 percent rate of return on rate base.

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- Liberty Bella Vista is seeking an increase in annual revenues of approximately $1,748,942, or 29.71 percent based on fair value rate base of $15,750,144 and a required operating income of $1,409,480 premised on 8.95 percent rate of return on rate base.
- Liberty Rio Rico Water is seeking an increase in annual revenues of approximately $1,705,763 or 40.72 percent based on fair value rate base of $19,028,481 and a required operating income of $1,702,859 premised on 8.95 percent rate of return on rate base.
- Liberty Rio Rico Sewer is seeking an increase in annual revenues of approximately $503,592 or 27.19 percent based on fair value rate base of $8,944,112 and a required operating income of $800,409 premised on 8.95 percent rate of return on rate base.
- Liberty Beardsley Water is seeking an increase in annual revenues of approximately $691,290 or 34.79 percent based on fair value rate base of $6,530,036 and a required operating income of $584,373 premised on 8.95 percent rate of return on rate base.

As discussed in more detail by Mr. Bourassa in his testimony, each of the Applicant's schedules support the fair value rate base and operating income noted above. For each of the Applicants, the overall rate of return is based upon a capital structure consisting of 54 percent equity and 46 percent debt, with a return on equity of 10.95 percent.

Q. HAVE THE APPLICANTS CALCULATED THE AVERAGE BILL IMPACTS ON RESIDENTIAL CUSTOMERS UNDER THE PROPOSED NEW STAND-ALONE RATES FOR EACH COMPANY?

A. Yes, based on the requested revenue increase; the stand-alone bill impacts for each Applicant presented in the "H" Schedules sponsored by Mr. Bourassa are summarized below using the meter size with largest residential customers for each applicant represented.

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Table 1

Stand-Alone Monthly Bill Impacts on Largest Customer Class (Residential)

Utility*	Meter Size	Avg Use (gallons)	Present Bill	Proposed Bill	Change ($)
RR	5/8 x ¾	6,070	$ 37.03	$ 50.80	$ 13.78
BV	5/8 x ¾	5,274	$ 27.87	$ 36.24	$ 8.37
CL	¾	3,420	$ 30.06	$100.70	$ 70.63
BW	¾	5,256	$ 52.10	$ 69.18	$ 17.08
RR-S	5/8 x ¾	-	$ 52.68	$ 66.37	$ 13.70

**RR = Liberty Rio Rico Water*
BV = Liberty Bella Vista
CL = Liberty Cordes Lakes
BW = Liberty Beardsley
RR- S = Liberty Rio Rico Sewer

Q. WHAT IS THE PROPOSED REVENUE INCREASE FOR LIBERTY RIO RICO (CONSOLIDATED)?

A. On a combined basis, Liberty Rio Rico (Consolidated) is seeking a revenue increase of approximately $5,577,633 or 43.87 percent for Water and $502,321 or 27.12 percent for Wastewater. The Liberty Rio Rico (Consolidated) schedules for water support a combined fair value rate base of $48,845,400 and a combined required net operating income of $4,364,434 based upon a 8.94 percent overall rate of return. The Liberty Rio Rico (Consolidated) schedules for wastewater support a fair value rate base of $8,944,121, and a required net operating income of $799,175 based upon a 8.94% overall rate of return.

Q. HOW HAS THE PROPOSED CONSOLIDATION OF THE APPLICANTS BEEN PRESENTED FOR RATEMAKING PURPOSES?

A. We have prepared an additional set of the primary ratemaking schedules included with the application which I will be sponsoring. This additional set contains A, B, C, D, E, F and H schedules for Liberty Rio Rico (Consolidated). This approach presents the Applicants' rate bases, revenues, expenses, costs of capital and rates on a stand-alone basis and on a consolidated basis. This presentation allows for a direct comparison of the rates and rate impacts of the proposed consolidation. In addition, Liberty Bella Vista, Liberty Beardsley, and Liberty Cordes Lakes Liberty Cordes Lakes will be filing a separate application

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pursuant to A.R.S. § 40-285 for Commission approval to transfer each Company's used and useful assets and their CC&Ns to Liberty Rio Rico. Following sufficiency, Applicants will file motions seeking to consolidate the four rate applications and the application for approval to transfer into a consolidated docket. Applicants will also be filing financing applications during the sufficiency review period and we will also seek to consolidate those applications into the same single consolidated docket. In summary, we intend to have all the separate filings regarding Liberty Cordes Lakes, Liberty Beardsley, Liberty Rio Rico and Liberty Bella Vista be heard and decided together in on consolidated docket.

Q. THANK YOU. HAVE THE APPLICANTS ALSO PREPARED A CONSOLIDATED TARIFF?

A. Yes. In total, five sets of tariffs have been filed: 1) a Liberty Cordes stand-alone tariff, 2) a Liberty Beardsley stand-alone tariff, 3) a Liberty Bella Vista stand-alone tariff, 4) a Liberty Rio Rico water stand-alone tariff, 5) a Liberty Rio Rico wastewater stand-alone tariff and 6) a Liberty Rio Rico (Consolidated) water and wastewater tariff. On a combined basis, the Liberty water and wastewater tariffs have been standardized and reflect the same updates made in the stand-alone tariffs. Only Liberty Rio Rico has a wastewater tariff in this application, which remains the same on a stand-alone and consolidated basis. The Liberty Rio Rico (Consolidated) tariff also includes a Customer Assistance Tariff ("CAT"), a Hook-Up Fee ("HUF") Tariff, a WTRAM Tariff, and Emergency Water Augmentation Mechanism (EWAM) Tariff.

Q. ARE THERE ANY DIFFERENCES IN THE CONSOLIDATED TARIFF RELATIVE TO THE STAND-ALONE TARIFFS?

A. Yes. There are a few differences in the Liberty Rio Rico (Consolidated) tariff from the stand-alone tariffs for Applicants. These include:

- CAT Customer Limits - For all three programs (Low Income, Deployed Services Member, and Disabled Military Veteran) included in the CAT, the customer limits proposed for Liberty Rio Rico (Consolidated) is 5,645 water customers and 725 wastewater customers, which is the sum total of the stand-alone CAT customer limits:

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645 water customers proposed for Liberty Beardsley Water, 2,400 water customers proposed for Liberty Bella Vista, 200 water customers proposed for Liberty Cordes Lakes, and 2,400 water customers and 725 wastewater customers proposed for Liberty Rio Rico. Details regarding the CAT is addressed in the direct testimony of Lauren Preston.

- HUF tariff – The HUF tariff is requested to be maintained, as currently authorized, in the stand-alone Liberty Bella Vista Tariff. Consistent with the stand-alone Liberty Bella Vista tariff, HUF is also included in the Liberty Rio Rico (Consolidated) tariff.
- Meter sizes and commodity consumption brackets: Liberty Rio Rico (Consolidated) tariff retains all meter size classifications from the four stand-alone tariffs. Simply put, Liberty Rio Rico (Consolidated) tariff will have more meter sizes as opposed to stand alone tariffs
- Other charges: These include charges for services such as establishing service, reconnection, and meter tests. Service charges proposed have been standardized across the stand-alone tariffs for the individual Applicants and the Liberty Rio Rico (consolidated) tariff.

Q. HAVE THE APPLICANTS CALCULATED THE AVERAGE BILL IMPACTS ON RESIDENTIAL CUSTOMERS BASED ON THE PROPOSED CONSOLIDATED RATES?

A. Yes. On a combined basis, under Liberty Rio Rico (Consolidated), the impact on a typical residential customer for each Applicant is summarized in the table below.

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Table 2

Consolidated Bill Impacts on Largest Residential Customer Class

Utility*	Meter Size	Avg. Use (gallons)	Present Bill	Proposed Bill	Change ($)
RR	5/8 x 3/4	6,070	$ 37.03	$ 47.66	$ 10.63
BV	5/8 x 3/4	5,274	$ 27.87	$ 43.44	$ 15.57
CL	3/4	3,420	$ 30.06	$ 47.02	$ 16.95
BW	3/4	5,256	$ 52.10	$ 55.48	$ 3.38
RR-S	5/8 x 3/4	-	$ 52.68	$ 66.37	$ 13.70

**RR = Liberty Rio Rico Water*
BV = Liberty Bella Vista
CL = Liberty Cordes Lakes
BW = Liberty Beardsley
RR- S = Liberty Rio Rico Sewer

Q. DO THE NUMBERS YOU HAVE PRESENTED ABOVE INCLUDE RATE CASE EXPENSE FOR THE APPLICANTS IN THIS CASE?

A. No, those numbers do not include rate case expense because the Applicants are requesting rate case expense surcharges. For Liberty Cordes Lakes, Liberty Beardsley, Liberty Bella Vista and Liberty Rio Rico, the monthly rate case expense surcharge to be collected from customers over three years is estimated at $1.13, $0.92, $0.82 and $0.83, respectively. However, if consolidation is approved, the monthly rate case expense surcharge for Liberty Rio Rico (Consolidated) would be an estimated $0.86 per month for three years. I will discuss the estimated rate case expense and proposed surcharges in more detail in a later subsection of this direct testimony.[2]

III. RATE CASE EXPENSE.

Q. YOU MENTIONED IN YOUR OVERVIEW SECTION THAT APPLICANTS SEEK TO RECOVER RATE CASE EXPENSES THROUGH A SURCHARGE.

A. Yes, that is correct. Liberty understands that rate case expense surcharges are becoming more frequent in Arizona as a means of ensuring that utilities recover their authorized rate case expense. As long as utilities are allowed an actual chance to recover the full amount of

[2] *See infra* Section III.

authorized rate case expense, this process should ultimately be fair to the Applicants and customers.

Q. DID YOU START WITH A TOTAL ESTIMATED RATE CASE EXPENSE?

A. Yes. After consultation and consideration of other recent Liberty Utilities' rate cases in Arizona, it was estimated that Applicants would likely incur an estimated actual rate case expense of no less than $750,000. Based on that current estimated level of rate case expense, we have included $750,000 in our rate case expense surcharge calculations.

Q. WHY DID YOU CHARACTERIZE THIS AMOUNT AS THE "CURRENT ESTIMATED LEVEL," MS. RAO?

A. Because at this stage of the proceeding, we can only estimate rate case expense. The number of parties, the scope of discovery, whether there are multiple procedural matters, the number of issues in dispute, the number of hearing days and need for closing briefs are all factors we must consider and can only project potential costs for at this stage.

Q. DOES THAT MEAN THE TOTAL AUTHORIZED RATE CASE EXPENSE REQUESTED MAY BE ADJUSTED LATER IN THE PROCEEDINGS?

A. Yes, the rate case expense may be adjusted up or down, as necessary, to more closely approximate the actual amount of rate case expense incurred by the Applicants to obtain a determination of fair value rate base and the setting of new rates.

Q. BASED ON THE CURRENT ESTIMATED LEVEL OF RATE CASE EXPENSE, WHAT ARE THE ESTIMATED RATE CASE EXPENSE SURCHARGES?

A. If the Commission approves the proposed consolidation, Liberty Rio Rico (Consolidated) would implement a monthly rate case expense surcharge estimated at $0.86 for three years. On a stand-alone basis, we have calculated a monthly surcharge of $1.13, $0.82, $0.83, $0.92, and $0.81 for Liberty Cordes Lakes, Liberty Bella Vista, Liberty Rio Rico Water, Liberty Beardsley, and Liberty Rio Rico Sewer respectively. Each of these monthly surcharges are to be collected from customers for a period of three years. These stand-alone surcharges were based on an allocation of the rate case expense as follows: 8.10 percent to

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Liberty Cordes Lakes, 11.52 percent to Liberty Beardsley, 41.50 percent to Liberty Bella Vista, 29.67 percent to Liberty Rio Rico Water, and 9.21% to Liberty Rio Rico Sewer.

Q. WHY ARE YOU RECOMMENDING A THREE-YEAR RECOVERY PERIOD?

A. It is reasonably expected that the next rate case(s) for the Applicants and/or Liberty Rio Rico (Consolidated) will be filed within three years of the completion of these rate cases.

IV. POST TEST YEAR PLANT

Q. ARE YOU PROPOSING THAT ANY POST TEST YEAR PLANT BE INCLUDED IN RATE BASES FOR EACH APPLICANT AND/OR THE RATE BASE OF THE CONSOLIDATED COMPANY?

A. Yes. The Post Test Year Plant ("PTYP") adjustments to rate base for each Applicant and Liberty Rio Rico (Consolidated) rate base are summarized below.

- Liberty Cordes Lakes - $1,585,575
- Liberty Beardsley - $1,012,433
- Liberty Bella Vista - $2,316,024
- Liberty Rio Rico Water - $2,636,590
- Liberty Rio Rico Sewer - $982,711
- Liberty Rio Rico Consolidated - $8,533,333

PTYP adjustments in rate base include, but are not limited to, main and service line replacements, meter replacements, automated meter reading devices and cyber security investment. PTYP additions for each Applicant are discussed in the respective testimonies of Joshua Reiff (Liberty Cordes Lakes), Martin Garlant (Liberty Rio Rico), Terry Gilbertson (Liberty Beardsley) and Adolfo Garcia (Liberty Bella Vista).

In addition, the Company proposes to include one half year of the annual depreciation expense calculated for the PTYP using half-year convention for the Applicants on a stand-alone and Consolidated basis.

Q. PLEASE SUMMARIZE YOUR PREPARED DIRECT TESTIMONY ON POST TEST YEAR PLANT ("PTYP").

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A. My direct testimony addresses the computation of the Company's PTYP adjustment to determine the appropriate level of cost of service and supports the Company's proposed PTYP adjustment from a rate making perspective.

Q. PLEASE DESCRIBE AND EXPLAIN THE COMPANY'S PROPOSED PTYP ADJUSTMENT?

A. The Company is proposing a PTYP adjustment (Adjustment 1-B on Schedule B-2 as discussed in Mr. Bourassa's direct testimony) to the recorded rate base amounts on April 30, 2023. The PTYP adjustment includes non-revenue producing projects that are expected to be closed through April 30, 2024 that are used and useful and will be serving customers during the rate effective period. The Company's twelve-month PTYP adjustment for non-revenue producing plant is consistent with the Commission-approved practice in prior General Rate Cases ("GRC") for other Arizona utilities [3]. Non-revenue producing plant represents plant that is constructed to continue to provide service or enhance reliability and safety for existing customers.[4] The Company will not realize any incremental operating revenues from the construction and addition of this plant at the time it is placed into service, in other words, these capital additions are non-revenue producing. All of these post test year plant improvements are used and useful or will be before a hearing in this case in the service to our existing customers of Applicants.

Q. WHAT IS THE PURPOSE OF THE COMPANY'S PTYP ADJUSTMENT?

A. The purpose of the PTYP adjustment is to more accurately reflect the level of costs the Applicants will incur to serve their end of test year customer base during the rate effective period. It is important to note that while the Applicants' PTYP adjustment reduces regulatory lag, it does not eliminate regulatory lag. By the time rates from this proceeding go into effect, the PTYP investments will range from several months to over one year old. Examples of PTYP in this adjustment include but are not limited to main and service line

[3] Decision No. 76644 (Docket No. SW20445A-20-0214 et.al); Decision No. 78845 (Docket No. G-01551A-21-0368)
[4] In contrast, revenue-producing plant is constructed to serve new customers and is not included in the PTYP adjustment.

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replacements, meter replacements, automated meter reading devices and cyber security investment.

Q. CAN YOU EXPLAIN WHY RECOGNITION OF PTYP ADJUSTMENT IS BENEFICIAL?

A. Regulatory tools, like PTYP adjustments, serve to keep utilities financially healthy by mitigating regulatory lag, while balancing cost impacts on customers. Regulatory lag is the difference in time between when a utility spends money and when it recovers those dollars from customers. PTYP represent plant additions that are expected to be in service and used in providing safe and reliable services to customers. The use of PTYP adjustments helps avoid the time, cost and resources (on the part of both utilities and the Commission) associated with frequent rate case proceedings needed to adjust rates, mitigates rate shock, promotes gradualism in rates, and helps limit the long-run average capital costs embedded in rates. As a result, it promotes the public interest by ensuring just and reasonable rates, and by allowing utilities to timely recover the costs of providing safe and reliable services to customers.

Q. CAN YOU EXPLAIN HOW PTYP ADJUSTMENTS MITIGATE REGULATORY LAG?

A. The timeframe to prepare and adjudicate a general rate case in Arizona and implement new rates can be as long as two years. PTYP adjustments help mitigate regulatory lag by decreasing the amount of time between when investments are made and when the utility can recover the investments in rates. The use of PTYP adjustments provides a better matching of rates with the investment costs utilized to provide service at the time those rates will go into effect. This benefits customers as changes in capital investment costs are included in rates sooner, allowing customers to receive better pricing signals and lessening differences between current customers and future customers, as rates more accurately reflect a utility's true cost of providing service.

Q. WHAT IS THE CURRENT COMMISSION POLICY OR PRACTICE ON PTYP IN RATE CASE PROCEEDINGS?

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A. There is no written policy issued by the Commission regarding the inclusion of PTYP or specifying the associated time periods for eligible PTYP. The Commission currently has a generic investigation docket (Docket No. AU00000A-19-0080) to evaluate Commission policy on PTYP ("PTYP Docket"). According to the Commission Utilities Division's ("Staff") filed Memorandum[5] in the PTYP Docket, Staff believes that current practice of allowing PTYP to be included in rate base came from prior Commission decisions and the Commission has approved the inclusion of PTYP for periods ranging from 2 to 18 months. Based on Staff's data points provided in the memorandum, out of 22 rate case proceedings since 2014, 6 or more months of PTYP was allowed in 19 cases and 12 months of PTYP was allowed in 11 cases.[6] The Company's twelve-month PTYP adjustment is consistent with these data points.

Q. WHAT IS THE AUTHORIZED TIME PERIOD FOR ELIGIBLE PTYP IN LIBERTY'S MOST RECENT ARIZONA GRC?

A. The Commission authorized inclusion of PTYP of 12 months in Liberty's most recent Arizona GRC for Liberty Utilities (Gold Canyon Sewer) Corp. in Decision No. 78871.[7]

Q. WHAT IS STAFF'S POSITION ON THE PTYP ADJUSTMENT FROM THE PTYP DOCKET?

A. Staff stated in a memorandum[8] filed in the PTYP Docket that, "Staff utilizes prior Commission decisions in formulating its recommendations. At this time, Staff continues to recommend the inclusion of up to 12 months of PTYP beyond the end of the historic test year. Further, Staff recommends a companion adjustment to accumulated depreciation to include one half year of the annual depreciation expense calculated for the PTYP to update the accumulated depreciation to reflect the half-year convention methodology for depreciation."

[5] Dated October 4, 2019.
[6] October 4, 2019 Staff Memorandum, page 2.
[7] Dated March 16, 2023.
[8] Dated June 4, 2021.

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Q. IS THE COMPANY'S PROPOSED PTYP ADJUSTMENT CONSISTENT WITH STAFF'S STATED POSITIONS?

A. Yes. The table below provides a summary of Staff and the Company's positions on PTYP:

Staff Positions Based on Staff's Memorandum in Docket 19-0080	Applicants' Proposed PTYP Adjustment
Inclusion of up to 12 months of PTYP.	Inclusion of 12-month PTYP expected to be closed through April 30, 2024 that are used and useful.
PTYP inclusion is not being made to generate or support system growth or new customers.	The Company's proposed PTYP includes only non-revenue producing plant that is constructed to improve service or enhance reliability and safety for existing customers.
Inclusion of accumulated depreciation of the proposed PTYP using the half-year convention to the recorded test year end accumulated depreciation.	Included.

V. TEST YEAR INCOME STATEMENT ADJUSTMENTS

Q. PLEASE SUMMARIZE INCOME STATEMENTS ADJUSTMENTS TO TEST YEAR.

A. Schedule C-1, page 1, for the Applicants summarizes the test year actual and adjusted revenues and expenses. Schedule C-1, pages 2.1 and 2.2, shows the individual adjustments to the test year. Mr. Bourassa's testimony provides additional details of the adjustments noted on schedule C-1 for the Applicants.

Adjustment 1 of Schedule C-1 annualizes the depreciation and amortization expense. The depreciation rates used for each component of utility plant are shown on Schedule C-2, page 2.

Adjustment 2 adjusts property taxes based on proposed revenues calculated using the Arizona Department of Revenues ("ADOR") valuation method using 2023 property tax rates. The details of the computation are shown on Schedule C-2, page 3.

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Adjustment 3 reflects an adjustment to remove any rate case expenses. The Company proposes recovery of rate case expense incurred for this case via a separate surcharge.

Adjustment 4 annualizes revenues to the year-end number of customers. The annualization of revenues is based on the year-end number of customers during the test year compared to the actual number of connections during each month of the test year. Adjustment number 4 also increases purchased power expense and chemicals expense based upon the expected additional gallons to be sold from the revenue annualization.

Adjustment 5 is intentionally left blank. *See* Schedule C-2, page 6

Adjustment 6 adjusts revenues to correct estimated revenue accruals booked at the end of the test year.

Adjustment 7 adjusts bad debt expense based upon a normalization of bad debt expense using a 3-year historical average rate. *See* Schedule C-2, page 8.

Adjustment 8 increases expenses to annualize known and measurable operating costs expected from the Customer First software (enterprise resource system) implementation. *See* Schedule C-2, page 9. The Customer First software and implementation is discussed in more detail by Ms. Preston.

Adjustment 9 increases expense for additional operating costs expected from the Cyber Security program implementation.

Adjustment 10 is a proforma adjustment to be reflective of expenses required to support conservation program efforts implemented per state regulatory requirements.

Adjustment 11 corrects any discrepancies in the test year expenses, which reflect either the non-recoverability of an expense, the miscoding of expense, or the duplication of expense.

Adjustment 12 captures labor expense adjustments. The first adjustment annualizes expense based on known and measurable operations wage increases that were implemented in August of 2023. The second is a proforma adjustment of wage increases to be implemented in January of 2024 of 3.5%.

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Adjustment 13 adjusts interest expense to reflect interest synchronization with rate base.

Adjustment 14 reflects income taxes based upon the applicant's adjusted test year revenues and expenses.

VI. WATER TREATMENT RATE ADJUSTMENT MECHANISM

Q. IS LIBERTY PROPOSING A RATE ADJUSTMENT MECHANISM IN THIS PROCEEDING?

A. Yes. Liberty is requesting a Water Treatment Rate Adjustment Mechanism ("WTRAM").

Q. PLEASE EXPLAIN THE APPLICANTS' PROPOSAL REGARDING THE WATER TREATMENT RATE ADJUSTMENT MECHANISM.

A. The Applicants propose that the Commission allow for recovery of costs incurred to remediate federally regulated Per and polyfluoroalkyl substances known as PFAS via a rate adjustment mechanism. The mechanism will allow the Applicants to recover expenditures deployed to fund plant additions and operating and maintaining expenses required to achieve compliance with all federally mandated Maximum Contaminant Levels (MCLs) of PFAS and other similar substances. Matthew Garlick's testimony addresses the details of the current, as well as anticipated regulations for PFAS and other similar substances and its impact on the Applicants.

On an annual basis, Liberty will file schedules that include: (1) plant additions that were placed into service in the prior calendar year and used for achieving compliance with MCLs; (2) the calculation of the surcharge needed to recover capital costs of the plant additions described in part (1) above and incremental operating and maintenance ("O&M") expenses to maintain compliance with MCLs for PFAS and other similar substances; and (3) the True-up calculation. The true-up shall serve to recover under-collected / refund over-collected surcharge fees. The Company will provide Staff with electronic copies of all work papers and supporting documents. A proposal of the WTRAM and its related Plan of Administration Tariff.

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Q. WHY ARE THE APPLICANTS REQUESTING A WATER TREATMENT RATE ADJUSTMENT MECHANISM?

A. The Applicants are requesting a WTRAM to help recover the disproportionate costs expected to be incurred as a result of the anticipated regulations promulgated by the United States Environmental Protection Agency ("EPA") regarding PFAS and other similar substances. The ratemaking mechanism is necessary to reduce the impact of regulatory lag in the recovery of extraordinary expenditures required to fund plant assets and O&M expenses dedicated to achieving compliance with the aforementioned anticipated regulations.

The Commission's acceptance of the WTRAM aligns squarely with public interest. The Mechanism will serve as a valuable tool toward the mitigation of health risks associated with PFAS and will increase stability by reducing volatility in rates. By approving the WTRAM, the Commission will demonstrate crucial regulatory support toward the provision of safe, adequate, and reliable service to ratepayers.

Q. HAS PFAS BEEN FOUND IN THE WELLS OF ANY OF THE APPLICANTS IN THIS PROCEEDING?

A. Yes. Liberty Rio Rico Water conducted testing for PFAS on September 3, 2020 and has detected PFAS at the following three wells: W-52 (PFOS, 38 parts per trillion or "ppt"); W-8 (PFOA, 7.9 ppt and PFOS, 22 ppt); and W-6 (PFOS 37 ppt), which exceed the EPA recommended PFOS and PFOA MCLs that are yet to be promulgated. In addition, based on testing performed by Liberty Bell Vista on April 24, 2023, PFAS presence has been detected in one of its three wells: well W-3 (PFOA 2.25 ppt and PFOS at 2.05 ppt). Liberty Bella Vista will continue to monitor PFAS levels under the anticipated regulations and possibly build treatment facilities to comply with the proposed Safe Drinking Water Act MCLs for PFAS and other similar substances.

Q. HAS THE COMPANY ESTIMATED THE COST TO TREAT PFOA AND PFOS WITHIN LIBERTY RIO RICO WATER?

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A. Yes. Liberty Rio Rico estimates that capital expenditures totaling ~$5.8 million are needed to install filtration equipment that reduces PFOA and PFOS contaminants to levels below the 4.0 ppt MCL which was proposed by the US EPA for both contaminants in March of 2023. Further, Liberty Rio Rico estimates an incremental increase of $375,000 in annual O&M expenses associated with the ongoing treatment of PFAS, primarily for filtration media. These costs are only an estimate and subject to change over time.

Q. HOW DO MANDATORY COMPLIANCE COSTS RELATED TO PFAS IMPACT LIBERTY RIO RICO WATER'S FINANCIAL HEALTH?

A. To begin, the Company will be required to comply with the new federal regulations which specify MCLs for six PFAS.. Additionally, the EPA's draft regulation required water utilities to be compliant within three years of establishing these new MCLs. Once the regulations with the new MCLs are final, Liberty Rio Rico will require an immediate capital outlay of ~$5.8 million over the following three years; additionally, an incremental annual increase of $375,000 in O&M expenses is expected to treat PFAS.

The $5.8 million capital outlay needed to construct facilities to remove PFAS found in Rio Rico water sources equates to a significant increase (over 30%) to requested adjusted rate base of approximately $19 million in this proceeding (please refer to Schedule B-2, page 1). The mandatory capital investment that Rio Rico must make in just 3 years is over 70% of the increase to net rate base which occurred as part of the normal course of operations within Rio Rico over an interval of 8 years ($7.8 million).

Finally, these are only known forecasted costs. As federal regulations change over time, the costs to remove them are likely to increase. If the Applicants are unable to recover these required plant investments between rate cases, the Company's financial performance will suffer significantly.

Q. PLEASE SUMMARIZE THE BENEFITS WHICH THE WATER TREATMENT RATE ADJUSTMENT MECHANISM PROVIDES TO STAKEHOLDERS.

A. The mechanism protects the public health of consumers by providing the Company the financial resources to treat toxic PFAS and other similar substances, consistent with the

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government's regulations, to improve the water quality that the Company provides to consumers. In addition, this mechanism provides for stability in rates and promotes the financial well-being of the Company. In short, all stakeholders will benefit from the use of the WTRAM. The Commission should allow the Applicants to implement usage of the mechanism.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

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Attorneys for Liberty Utilities (Cordes Lakes Water) Corp.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
ANNA TOVAR
NICK MYERS
KEVIN THOMPSON

IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (CORDES LAKES WATER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02060A-23-

DIRECT TESTIMONY

OF

MATTHEW GARLICK

December 28, 2023

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Matthew Garlick. My business address is 14920 W. Camelback Road, Litchfield Park, AZ 85340.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Liberty Utilities Service Corp. ("LUSC") as Vice President, Operations – Special Projects for Liberty's regulated utilities in Arizona[1] and Texas, including the applicants Liberty Utilities (Cordes Lakes Water) Corp. ("Liberty Cordes Lakes"), Liberty Utilities (Beardsley Water) Corp. ("Liberty Beardsley"), Liberty Utilities (Bella Vista Water) Corp. ("Liberty Bella Vista"), and Liberty Utilities (Rio Rico Water and Sewer) Corp. ("Liberty Rio Rico") (collectively referred to herein sometimes as Applicants). I will use "Liberty" to refer to all of the many Liberty subsidiaries in this testimony.

Q. WHAT OTHER POSITIONS HAVE YOU HELD WITH LIBERTY UTILITIES?

A. I was hired in January 2000 as a Technical Services Supervisor for the utility, then known as Litchfield Park Service Company[2] ("LPSCO"), and I was with LPSCO when Liberty Utilities acquired it in 2003. In November 2009, I was named Business Manager of Liberty Litchfield Park and was responsible for overseeing the utility operations for approximately 40,000 utility customers. In March 2012, I assumed the role of Director of Operations – Arizona, and was responsible for operations throughout Arizona, as well as Texas, Missouri, and Illinois. From June, 2015 through June, 2021, I was the President of our utilities in Arizona and Texas. In 2021, I changed jobs and became Vice President, Strategic Projects for our utilities in Arizona and Texas.

[1] Liberty Utilities owns and operates seven regulated utilities in Arizona. Along with Liberty Cordes Lakes, Liberty Utilities owns and operates Liberty Utilities (Gold Canyon Sewer) Corp. ("Liberty Gold Canyon") , Liberty Utilities (Beardsley Water) Corp., Liberty Utilities (Bella Vista Water) Corp. ("Liberty Bella Vista"), Liberty Utilities (Black Mountain Sewer) Corp., Liberty Utilities (Litchfield Park Water & Sewer) Corp. ("Liberty Litchfield Park"), and Liberty Utilities (Rio Rico Water & Sewer) Corp.

[2] Litchfield Park Service Company is now known as Liberty Utilities (Litchfield Park Water & Sewer) Corp. ("Liberty Litchfield Park").

Q. PLEASE DESCRIBE YOUR EDUCATION AND EMPLOYMENT EXPERIENCE PRIOR TO LIBERTY?

A. I earned a Bachelor of Science degree in Earth Science from Northern Arizona University. Before joining Liberty Litchfield Park, I was a Senior Project Geologist for roughly 15 years with an environmental engineering firm called Environmental Science and Engineering. My role was to direct and support other project scientists in daily work of cleaning up environmental contamination for various clients throughout Arizona.

Q. DO YOU HOLD ANY CERTIFICATIONS?

A. Yes. I hold Operator Certifications (Grade IV – Wastewater Collection, Water Treatment, Wastewater Treatment, and Grade III in Water Distribution) in Arizona. I also hold a backflow specialist certification. Additionally, I belong to several professional organizations such as the American Water Works Association, and I have previously been a board member as well as served as Vice President for the Water Utilities Association of Arizona.

Q. HAVE YOU TESTIFIED BEFORE THIS OR ANY OTHER COMMISSION?

A. Yes, I testified in several Liberty Utilities' rate cases during my tenure as President, including the last Liberty Black Mountain rate case and financing docket,[3] and the Liberty Bella Vista and Liberty Rio Rico rate cases and financing dockets,[4] and the Liberty Gold Canyon and Liberty Entrada Del Oro rate case and financing dockets. Most recently, I testified in several Certificate of Convenience & Necessity (CC&N) filings for Liberty's regulated utilities in Arizona.[5]

II. PURPOSE OF THE TESTIMONY

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am providing this direct testimony on behalf of the Applicants. In these filings, Liberty proposes to merge and consolidate Liberty Bella Vista, Liberty Beardsley, and Liberty

[3] Docket Nos. SW-02361A-15-0206 and SW-02361A-15-0207 (consolidated).
[4] Docket Nos. W-02465A-15-0367, W-02465A-15-0370, WS-02676A-15-0371, and WS-02676A-15-0371 (consolidated).
[5] Docket Nos. SW-04316A-16-0078 and SW-04316A-16-0085 (consolidated).

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Cordes Lakes into Liberty Rio Rico, including the transfer of all useful and necessary assets of Liberty Bella Vista, Liberty Beardsley, and Liberty Cordes Lakes, including their certificates of convenience and necessity, to Liberty Rio Rico as requested in the Companies' applications filed in these dockets and approval by the Commission of one tariff of rates and charges for all customers of Bella Vista, Rio Rico, Beardsley and Cordes Lakes under Liberty Rio Rico as the consolidated entity (from now on referring to the consolidated entity as" Liberty Rio Rico (Consolidated)." This requested consolidation will be supported by my direct testimony as well as Paul Walker's direct testimony. Manasa Rao's testimony provides an overview of the applications and the materials being filed in support of the requested consolidation in her direct testimony filed in the four dockets.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

A. My direct testimony will support and explain our consolidation proposal. In my testimony I also explain and support Liberty's requests for recognition of acquisition premiums relating to our acquisitions of Liberty Beardsley and Liberty Cordes Lakes pursuant to the policy and rules adopted by this Commission in Decision No. 75626. Specifically, we are requesting inclusion of an acquisition premium for two of the four systems that have submitted rate applications, formerly known as Beardsley Water Company, Inc. ("Beardsley") and Cordes Lakes Water Co. ("Cordes Lakes"), on the basis that Liberty's acquisition of each utility meets all the relevant criteria for recognition of the acquisition premiums as adopted by the Commission. Specifically, I provide general background concerning Liberty Utilities (Sub) Corp's ("Liberty Utilities") acquisition of Cordes Lakes and Beardsley as I was the acting President at the time of completion of both the acquisitions. Finally, I am providing technical testimony to support the Applicants' request for a Water Treatment Rate Adjustment Mechanism ("WTRAM") in this rate case, as described in Manasa Rao's testimony.

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III. CONSOLIDATION OF LIBERTY CORDES LAKES, LIBERTY BEARDSLEY, LIBERTY BELLA VISTA AND LIBERTY RIO RICO

Q. PLEASE EXPLAIN LIBERTY'S CONSOLIDATION PROPOSAL.

A. Liberty proposes to merge and consolidate Liberty Bella Vista, Liberty Beardsley and Liberty Cordes Lakes into Liberty Rio Rico, including (1) the transfer of all useful and/or necessary assets of Liberty Bella Vista, Liberty Beardsley and Liberty Cordes Lakes, including their certificates of convenience and necessity, to Liberty Rio Rico as requested in the Companies' applications filed in this docket and (2) approval by the Commission of one tariff each of water and wastewater rates and charges for all customers of Bella Vista, Rio Rico, Beardsley and Cordes Lakes under Liberty Rio Rico as the consolidated entity. Under this proposal, Liberty Beardsley, Liberty Cordes Lakes, and Liberty Bella Vista would be merged into Liberty Rio Rico, meaning that all of Beardsley's, Cordes Lakes' and Bella Vista's assets would be owned by Liberty Rio Rico (Consolidated) and all of the Beardsley, Cordes Lakes and Bella Vista customers would become customers of Liberty Rio Rico (Consolidated).[6]

Q. WHY IS LIBERTY SEEKING CONSOLIDATION AT THIS TIME?

A. Liberty is proposing to consolidate these four companies in these rate case applications for several reasons. To start, Liberty currently has seven (7) regulated water and wastewater utilities in Arizona. Operating and managing those utilities as separate utilities for ratemaking purposes is not optimal and results in added ratemaking and related costs. Liberty always has intended to seek Commission approval to consolidate all of the Arizona utilities into a single entity for ratemaking purposes. Liberty took the first step towards statewide consolidation by seeking Commission approval for the merger of Liberty Utilities (Entrada Del Oro Sewer) Corp. into Liberty Utilities (Gold Canyon Sewer) Corp. in Docket Nos. SW-043 16A-21-0325 and SW-025 19A-21-0326. The Commission approved that consolidation in Decision No. 78871. In turn, the proposed consolidation of

[6] After approval of consolidation, Liberty intends to change the name of Liberty Utilities (Rio Rico Water & Sewer) Corp.

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Bella Vista, Beardsley and Cordes Lakes into Liberty Rio Rico is the next natural step towards statewide consolidation for rate making purposes. If consolidation of those entities is approved by the Commission here, Liberty would have four regulated utilities in Arizona, in turn providing a springboard for consolidation of those entities into a single entity at some point in the future.[7]

Q. PLEASE DESCRIBE THE BENEFITS OF THE PROPOSED CONSOLIDATION?

A. It is beneficial to all customers of Beardsley, Bella Vista, Cordes Lakes and Rio Rico to consolidate the customer bases for ratemaking, operations, and capital investments because it expands the customer base across which costs may be spread. Consolidation of the four entities into Liberty Rio Rico (Consolidated) will also reduce the regulatory costs and burdens for all stakeholders, including the companies and customers as they will share economies of scale and efficiencies gained in the reduction of administrative costs associated with the expenses of Commission filings (to include compliance and rate case expenses). Similarly, Commission Staff, the Residential Utility Consumer Office ("RUCO") and other community stakeholders will benefit as the consolidation of the utilities reduces the number of regulatory filings and in return reduces stakeholder time and resources expended on review and response. Mr. Walker's direct testimony provides further discussion on the benefits and merits of Liberty's consolidation proposal.

Q. IF CONSOLIDATION IS APPROVED, WILL THERE BE ONE SET OF RATES FOR APPLICANTS?

A. Yes, there will be one set of water and wastewater rates for the customers of all the Consolidated Company if consolidation is approved. In Ms. Rao's direct testimony as well as in the direct testimony by Thomas J. Bourassa, we have provided an explanation of the requested rates for Applicants on both a stand-alone basis and for Liberty Rio Rico (Consolidated).[8]

[7] After consolidation here, Liberty would have two wastewater utilities – Liberty Utilities (Gold Canyon Sewer) Corp, and Liberty Utilities (Black Mountain Sewer) Corp. and two water/wastewater utilities – Liberty Utilities (Litchfield Park Water & Sewer) Corp. and Liberty Utilities (Rio Rico Water & Sewer) Corp.

[8] Direct Testimony of Thomas J. Bourassa (Liberty Rio Rico) at 64-71; Direct Testimony of Manasa Rao at 6-9.

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IV. OVERVIEW OF LIBERTY UTILITIES' ACQUISITION OF CORDES LAKES AND BEARDSLEY WATER

Q. AS THE PRESIDENT DURING THE CORDES LAKES ACQUISITION WHAT WAS THE COMPANY'S ASSESSMENT OF THIS UTILITY?

A. Liberty Utilities (Sub) Corp purchased the stock of Cordes Lakes and assumed control of the system on March 1, 2019. Cordes Lakes is a Class D water utility located in Yavapai County near the intersection of 1-17 and State Highway 69 and serves approximately 1600 connections. Prior to Liberty's ownership, Cordes Lakes experienced operational challenges for several years, including a significant and extended water leak event in June 2017 due to a service line break that resulted in substantially depleted levels of water storage. This event, along with high temperatures resulted in customer demand that exceeded Cordes Lakes' water production capacity. As a result, Cordes Lakes customers faced system-wide rolling outages. Cordes Lakes also implemented a Stage 3 Water Curtailment and began hauling water at significant cost to replenish depleted storage levels. This ultimately necessitated Cordes Lakes' filing of an emergency rate case and emergency financing in July 2017 to pay for expenses related to the emergency as well as to fund capital improvements to the system.[9] The Commission decided a permanent rate case for Cordes Lakes in 2018, where it directed Cordes Lakes to "continue its service line and meter replacement program and identify and repair leaks on an ongoing basis to address ongoing water loss and operational issues." [10]

Q. WHAT WAS LIBERTY UTILITIES PLAN AT THE TIME OF ACQUISITION TO IMPROVE CORDES LAKES?

A. Liberty acquired Cordes Lakes during a time when it was facing significant operational challenges and without the ability to fund the necessary capital investments needed to solve the water system's water supply problems and prevent customer outages. Liberty's plan when it acquired the utility was to provide safe and reliable service to Cordes Lakes'

[9] Docket No W-02060A-17-0228.
[10] Decision No. 76678 page 12, 23-24 (Docket No W-02060A-17-0274).

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customers by addressing operational challenges, including completing necessary capital improvements to address water loss and source of supply issues for the long-term. Cordes Lakes has benefitted from being part of the larger Liberty organization and now has access to the capital needed to fund necessary infrastructure investments. Prior to Liberty's ownership, Cordes Lakes' small size limited its ability to raise capital to finance necessary system improvements and address operational issues. Since the last rate case, Liberty Cordes Lakes has invested $5,692,237 in capital improvements and upgrades to the water system. Post-acquisition, Liberty Cordes Lakes also continued to haul water until the completion of an additional well needed to provide water service for the community was complete in June of 2020, The Hauling of water was particularly needed in 2019, to provide safe and reliable service to its customers. Joshua Reiff's testimony covers details of the capital improvements made to Liberty Cordes Lakes since the last rate case.

Q. IS LIBERTY REQUESTING TO RECOVER AN ACQUISITION PREMIUM IN THIS RATE CASE FILING FOR CORDES LAKES?

A. Yes, Liberty Cordes Lakes is requesting to recover an acquisition premium of $948,302, which has been included as a rate base adjustment. The acquisition premium being requested has been calculated as the difference between the purchase price paid by Liberty and the net assets acquired upon the acquisition of Cordes Lakes.

Q. AT THE TIME OF THE ACQUISITION WAS IT LIBERTY UTILITIES PLAN TO REQUEST RECOVER ACQUISITION PREMIUM IN THE NEXT RATE CASE FILING FOR CORDES LAKES?

A. Yes, it was Liberty's plan to request recovery of the acquisition premium in the first Liberty Cordes Lakes' rate case in accordance with Commission's water policy established in Decision No. 75626 (July 26, 2016). In that decision, the Commission established a policy relating to acquisitions of "small non-viable" water utilities such as Cordes Lakes, including allowing acquisition premiums associated with the purchase of small non-viable water utilities. As explained in Mr. Walker's testimony, Cordes Lakes more than meets the qualifications of a non-viable utility under the policy. Mr. Walker's testimony provides a

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detailed discussion of the applicability of the aforementioned Commission water policy in support of Liberty's request to recover Cordes Lakes' acquisition premium.

Q. AT THE TIME OF THE ACQUISITION WAS IT LIBERTY UTILITIES PLAN TO CONSOLIDATE CORDES LAKES WITH OTHER UTILTIES?

A. Yes. Liberty Cordes Lakes is small Class D water utility with approximately 1300 connections. Good utility and business practices support operating this utility in conjunction with other water utilities as one consolidated utility for ratemaking, operational and capital investment purposes in order to optimize operational practices and minimize administrative costs associated with the expenses of Commission filings. Mr. Walkers address those issues in his testimony.

V. <u>OVERVIEW OF LIBERTY UTILITIES' ACQUISITION OF BEARDSLEY WATER</u>

Q. PLEASE PROVIDE AN OVERVIEW OF LIBERTY'S ACQUISITION OF BEARDSLEY WATER?

A. Liberty Utilities (Sub) Corp purchased the stock of Beardsley Water Company, Inc. ("Beardsley Water") assumed control of the system on March 31, 2021. At that time, Beardsley Water was a Class D water utility, located in Maricopa County northwest of US 60 and Arizona Loop 303 that served approximately 2,150 connections at the time of the acquisition. In Beardsley Water's last rate case filed in 2019 (Docket No. W-02074A-19-0317), the Commission adopted a revenue requirement of $850,000 based on Staff's recommended cash flow and operating margin analysis methodology (Decision No. 77695). The Commission concluded that revenue requirement based on a rate-of-return analysis did not yield reasonable results due to the Beardsley Water's Original Cost Rate Base ("OCRB") of negative $12,054. In recognizing the anticipated future growth for the utility, the Commission ordered Beardsley Water to file its next rate case by August 2023 in order to monitor and determine the impact of anticipated growth on customer rates. Decision No. 76695 was modified on July 14, 2023, ordering that Beardsley Water to file a rate application by December 31, 2023.

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Q. PLEASE DESCRIBE IMPROVEMENTS MADE TO BEARDSLEY WATER SINCE ACQUISITION?

A. Liberty's plan when it acquired the utility was to provide continued safe and reliable service to Beardsley's customers. Beardsley has benefitted from being part of the larger Liberty organization, including having access to greater managerial, technical, and financial capabilities to operate and improve the system. In comparison to Beardsley Water's previously established OCRB of negative $12,054 (Decision No. 77695), Liberty Beardsley is requesting a Fair Value Rate Base ("FVRB") of $6,530,039. Terry Gilbertson's direct testimony details the capital improvements made to the system since the last rate case, which include replacing aging meters, upgrading water treatment, and pumping equipment, installing security and software upgrades and services.

Q. IS LIBERTY REQUESTING TO RECOVER AN ACQUISITION PREMIUM IN THIS RATE CASE FILING FOR BEARDSLEY WATER?

A. Yes, Liberty Beardsley is requesting to recover an acquisition premium of $3,085,187, which has been included as a rate base adjustment. The acquisition premium being requested has been calculated as the difference between the purchase price paid by Liberty and the net assets acquired upon the acquisition of Beardsley Water.

Q. AT THE TIME OF THE ACQUISITION WAS IT LIBERTY UTILITIES PLAN TO REQUEST RECOVER ACQUISITION PREMIUM IN THE NEXT RATE CASE FILING FOR BEARDSLEY WATER?

A. Yes, it was Liberty's plan to request recovery of the acquisition premium in the first Liberty Beardsley's rate case in accordance with Commission's water policy established in Decision No. 75626 (July 26, 2016). In that decision, the Commission established a policy relating to acquisitions of "small non-viable" water utilities, including allowing acquisition premiums associated with the purchase of small non-viable water utilities. Mr. Walker's testimony provides detailed discussion and support of the applicability of the aforementioned Commission water policy to Beardsley Water.

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VI. WATER TREATMENT RATE ADJUSTMENT MECHANISM PROPOSAL

Q. ARE YOU ALSO PROVIDING TESTIMONY IN SUPPORT OF APPLICANT'S REQUEST OF A WATER TREATMENT RATE ADJUSTMENT MECHANISM?

A. Yes, I will be providing technical testimony in support of Liberty's request for a Water Treatment Rate Adjustment Mechanism ("WTRAM"). The Applicants propose that the Commission allow for recovery of costs incurred to remediate federally regulated Per and polyfluoroalkyl substances known as PFAS via a rate adjustment mechanism. Manasa Rao's testimony addresses details of the proposed mechanism and provides discussion of why the mechanism is necessary and in public interest.

Q. WHAT IS PFAS?

A. The United States Environmental Protection Agency (EPA) has catalogued over 14,000 different known PFAS[10] of various chemical structures. Some examples are: Perfluorooctanoic Acid ("PFOA"), Perfluorooctane Sulfonic Acid ("PFOS"), Perfluorobutanesulfonic Acid ("PFBS"), Perfluorononanoic Acid ("PFNA"), Perfluorohexanesulfonic Acid ("PFHxS"), and Hexafluoropropylene Oxide Dimer Acid ("HFPO-DA") also known by the trade name GenX.

Q. WHAT IS THE SOURCE OF PFAS?

A. PFAS come from many sources. PFAS in groundwater can come from sources such as airports, firefighting training facilities, landfills, manufacturing plants, military installations, past forest fire sites, and wastewater treatment plants. These are widely used, long lasting chemicals, which break down very slowly over time. They can enter the environment through numerous sources including waste stream discharges, stormwater runoff, and infiltration into groundwater aquifers.

Q. WHAT ARE THE RECOMMENDED MAXIMUM CONTAMINANT LEVELS FOR PFOS AND PFOA ACCORDING TO THE EPA?

[10] AAAS 2020 and USEPA 2018b references from the draft CCL 5 notice.

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A. The US EPA has not yet finalized national primary drinking water regulations which are anticipated to be promulgated in 2024. The proposed PFAS Rule prescribes a Maximum Contaminant Limit ("MCL") of 4.0 parts per trillion ("ppt") for PFOA; an MCL of 4.0 ppt for PFOS; and a Hazard Index of one for four other PFAS species: PFBS, PFNA, PFHxS, and GenX chemicals.

Q. WHAT WATER TREATMENT ISSUES DO APPLICANTS FACE?

A. Liberty Rio Rico and Liberty Bella Vista are currently facing treatment issues. Three of the six wells: W-52 (PFOS, 38 parts per trillion or "ppt"); W-8 (PFOA, 7.9 ppt and PFOS, 22 ppt); and W-6 (PFOS 37 ppt), exceed the US EPA recommended PFOS and PFOA MCLs that are yet to be promulgated. Sources of this contamination include but are not limited to the manufacture, sale, use and or disposal of PFAS products, including at facilities in the vicinity of Liberty Rio Rico's wells and/or Aqueous Film Forming Foams ("AFFF") that are used to disposed of in the vicinity of Liberty Rio Rico's wells. Liberty Rio Rico continues to test its wells for the presence of PFAS.

Liberty Bella Vista also possesses sampling data showing the presence of PFAS in one of its three wells: well W-3 (PFOA 2.25 ppt and PFOS at 2.05 ppt). The sources of this contamination include but are not limited to the manufacture, sale, use and or disposal of PFAS products, including at facilities in the vicinity of Liberty Bella Vista's wells and/or ("AFFF") that are used or disposed of in the vicinity of the wells. Liberty Bella Vista will continue to monitor PFAS levels under the anticipated regulations and possibly build treatment facilities to comply with the proposed Safe Drinking Water Act MCLs for PFAS and other similar substances.

Q. WHAT ARE LIBERTY'S PLANS FOR TREATMENT OF PFOA/PFAS?

A. Liberty Rio Rico will need to build treatment facilities to comply with the proposed Safe Drinking Water Act MCLs for Per-and Polyflouroalkyl Substances (PFAS) and other similar substances at the three wells where PFAS has been detected. Liberty Bella Vista will continue to monitor PFAS levels under the anticipated regulations and possibly build

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treatment facilities to comply with the proposed Safe Drinking Water Act MCLs for PFAS and other similar substances.

Q. PLEASE PROVIDE A BRIEF SUMMARY OF THE TREATMENT OPTIONS PROPOSED FOR LIBERTY RIO RICO.

A. While several methods to treat for PFAS currently exist, only three are recognized to be effective by the US EPA: (1) Ion Exchange ("IX"), (2) Granular Activated Carbon ("GAC"), and (3) Reverse Osmosis/Nanofiltration ("RO/NF"). Liberty Rio Rico Water's proposed treatment facilities is based on engineering evaluation and analysis and will utilize one or a combination of the aforementioned recognized treatment options.

Q. DO THE APPLICANTS FACE ANY NEW SIGNIFICANT COSTS RELATED TO NEW GOVERNMENT-MANDATED FOREVER CHEMICAL REGULATIONS?

A. Yes. Liberty Rio Rico estimates that capital expenditures totaling $5.8 million are needed to install filtration equipment that removes PFOA and PFOS contaminants and achieve compliance with proposed 4.0 ppt MCLs for both contaminants. Further, the Company estimates an incremental increase of $375,000 in annual O & M expenses associated with the ongoing treatment of PFAS, primarily for filtration media. These costs are estimates and subject to change as engineering studies have not been performed and the costs are high level estimates based on our experience with PFOA and PFOS treatment in Liberty Systems.

Q. HOW WILL THE WTRAM BE USED TO FUND THOSE COSTS?

A. The WTRAM will allow the recovery of costs incurred to comply with the anticipated MCLs for PFAS and other similar substances via a rate adjustment mechanism. The mechanism will allow the Applicants to recover expenditures deployed to fund plant additions and operating and maintaining expenses required to achieve compliance with all federally mandated MCLs. Manasa Rao's testimony provides further discussion of the WTRAM in her testimony.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

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DIRECT TESTIMONY

OF

PAUL WALKER

December 28, 2023

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Paul Walker. My business address is 1310 E. Pedro Road, Phoenix, AZ 85042.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I founded Theseus, LLC, which provides extensive consulting on public utility regulation issues in Arizona. I have worked with the U.S. Department of Energy, Environmental Protection Agency, and public utility commissioners across the United States. I have represented and lobbied for major electric and water/wastewater utilities in regulatory and legislative arenas. I have also provided regulatory guidance to Arizona's largest electric utility companies, the state's largest gas utility, and Arizona's fastest-growing water and wastewater utility. I was the advisor to the Chairman of the Arizona Corporation Commission ("ACC" or "Commission"), Marc Spitzer, for over three years, and I have been an expert witness in numerous public utility regulation hearings. I specialize in utility regulation and advice related to utilities from a business and practical perspective,

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am providing this direct testimony on behalf of Liberty Utilities (Beardsley Water) Corp., Liberty Utilities (Bella Vista Water) Corp., Liberty Utilities (Cordes Lakes Water) Corp., and Liberty Utilities (Rio Rico Water & Sewer) Corp.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I have a Master of Business Administration in International Business from Thunderbird at ASU and a Bachelor of Science in Business Management from the University of Phoenix. I served in the Army National Guard, leaving the service as a Captain in the Military Police Corps. After that, I served as the policy advisor in the office of the Chairman of the ACC from 2001 to 2004. During this role, the ACC implemented Section 271 of the 1996 Telecommunications Act deregulating the telecommunications utility sector during that period and managed the unwinding of

Arizona's aborted electric competition effort, the California Electric Crisis, and the adjudication of hundreds of regulatory matters.

I have passed the FINRA SIE exam and will have completed my NASAA Series 65 in the next few weeks. I have also worked with four Wall Street hedge funds, analyzing regulatory climates and risks across the U.S.

Finally, I have authored the following publications in the previous ten years:

- *Consolidation and Uncertainty*, by Matthew Rowell and Paul Walker, 2021
- *The Costs of Inconsistency*, Paul Walker, May 2021
- *The Evolution of Cost of Capital in Ratemaking*, Mathew Rowell and Paul Walker, March 29, 2021
- *Concerns with RUCO's Dividend Position*, Paul Walker and Matthew Rowell, Sept. 2019
- *Regulatory Climate Change*, Paul Walker and Matthew Rowell, May 1, 2019
- *The Role of Adjustor Mechanisms*, Paul Walker, November 22, 2019
- *Consolidating an Industry,* Patrick Quinn and Paul Walker, 2014

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE ARIZONA CORPORATION COMMISSION ("COMMISSION")?

A. Yes. I have appeared before the Commission numerous times on policy changes involving issues including the System Improvement Benefits ("SIB") and Consolidations and Acquisition incentives, post-test year plant, adjustor mechanisms, utility transactions, system expansions, and rate consolidation. I have also authored and co-authored several white papers on utility regulation issues and have made numerous public presentations before the Commission on these and related topics affecting utilities in Arizona.

I also provided written testimony for Liberty Bella Vista and Liberty Rio Rico in their 2015 rate cases, Docket Nos. W-02465A-15-00367, W-02465A-15-0370, WS-02676A-15-0368, relating to challenges in Arizona's regulatory climate and corporate cost allocations.

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Q. AND WHAT EXPERIENCE DO YOU HAVE WITH THE COMMISSION'S POLICIES ON WATER COMPANY ACQUISITIONS AND CONSOLIDATION?

A. In the early 2010s, I formed and led the water industry trade group "Arizonans for Responsible Water Policy" ("Responsible Water"). As the head of that group, I led the effort to create the SIB mechanism in Arizona, working with the water companies to develop a comprehensive approach that included polling, white papers, lobbying, testifying, and building a consensus that led to the adoption of the SIB.

A few years later, as the head of Responsible Water, we used the same comprehensive approach to encouraging the Commission to adopt robust policies to consolidate and strengthen Arizona's water and wastewater sector. I drafted and filed the acquisition and consolidation policies that the Commission largely adopted in Decision No. 75626.[1]

Q. WHAT ISSUES WILL YOUR TESTIMONY IN THIS CASE ADDRESS?

A. I will outline Liberty's proposed consolidation of Liberty Utilities (Beardsley Water) Corp., Liberty Utilities (Bella Vista Water) Corp., Liberty Utilities (Cordes Lakes Water) Corp. and Liberty Utilities (Rio Rico Water & Sewer) Corp. into one company and I will explain the reasons why the Commission should approve Liberty's proposed consolidation of those entities, including consolidation of the rates and tariffs for the Rio Rico, Bella Vista, Cordes Lakes, and Beardsley systems.

This is a topic near and dear to my heart as the highlight, in my mind, of Responsible Water's efforts was the adoption of the Commission's water policies around acquisitions and consolidation. I support the proposed consolidation of Beardsley, Cordes Lakes, Bella Vista, and Rio Rico because doing so is consistent with best industry practices because it supports future investment in all four systems. Consolidated rates and tariffs will position the Consolidated Company to support the Commission's policy

[1] Link: https://docket.images.azcc.gov/0000170335.pdf?i=1702922076296

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objectives around consolidating and strengthening the state's water utility sector while avoiding rate shock and system outages, failures, and non-compliance.

In my testimony, I also explain and support Liberty's requests for recognition of acquisition premiums relating to the acquisition of Liberty Beardsley and Liberty Cordes Lakes with the policy and rules adopted by this Commission in Decision No. 75626. Specifically, I support the inclusion of an acquisition premium for two of the four systems that have submitted rate applications, Beardsley Water Company ("Beardsley") and Cordes Lakes Water ("Cordes Lakes"), on the basis that Liberty's acquisition of each utility meets all the relevant criteria for recognition of the acquisition premiums.

Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

A. Section II of my testimony addresses the acquisition premium issue. Section III of my testimony addresses the consolidation issue.

II. ACQUISITION PREMIUM

Q. WHAT IS AN ACQUISITION PREMIUM?

A. An acquisition premium is a regulatory tool allowing a public utility commission to recognize "goodwill assets" as used and useful service components. A goodwill asset is created when an asset (or company) is purchased at market value, and the market value is greater than the book value. The amount spent for the acquisition covers acquired assets, but, in addition to the physical asset values (cash, AR, facilities, plant), the acquiring company owns the asset of the market value of the acquired firm. In essence, an "acquisition premium" refers to all or a portion of the purchase price in excess of net book value of the utility purchased from the seller that is added to the utility's rate base. Companies have the right to recover that through tax depreciation and in jurisdictions that support financially strong, consolidated utilities. Public utility commissions, particularly Arizona and Pennsylvania, use acquisition premiums to incentivize large, well-capitalized utilities to acquire and rehabilitate small, troubled utilities.

Q. CAN YOU SUMMARIZE, IN GENERAL TERMS, THE PURPOSE OF THE PREMIUM?

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A. To make the acquisition of companies like Beardsley and Cordes Lakes attractive to well-capitalized system owners and operators, the first issue to be addressed is what price the existing owners will accept to sell their utility. Many factors drive that valuation. Usually, income to the owners is the primary valuation metric for small systems. After arms-length negotiations, a price is agreed upon, and the acquirer pays the market value for the system. However, absent the recognition of the goodwill asset created by the acquisition, the acquiring company cannot directly recover its investment. That is, obviously, a significant disincentive for the acquisition of small, troubled systems, and, recognizing that, the Commission adopted Dec. No. 75626, which lays out the criteria by which acquisition premiums are recognized in rates.

Making matters more difficult financially, many small water companies in Arizona have "negative rate bases," which are, in my experience, always the result of over-reliance on Advances-in-Aid of Construction ("AIAC") and Contributions-in-aid of Construction (" CIAC") and a "just-in-time" approach to system modernization and capital investment. Just-in-time systems replace equipment after it breaks. And, being a small business, cash flow is perpetually a challenge, so they get emergency loans, often from the Water Infrastructure Finance Authority of Arizona ("WIFA"), and the Commission provides a rate surcharge to cover the loan. That system is self-reinforcing. Once a utility gets into AIAC and CIAC as the primary means of financing, that will be the "rest of the story": this financing pattern will reoccur. And while size increases, the system increases, like we have seen with other Arizona utilities, and companies on the AIAC/CIAC train eventually fail. It's just economics: Assets matter. This case involves two such companies, Beardsley Water and Cordes Lakes, and my testimony will demonstrate that Liberty should have 100 percent of their acquisition premiums recognized as the goodwill assets they are and given a 20-year depreciation schedule, and recognition in rates.

As I discuss later in my testimony, and as is discussed at length in the testimonies of Joshua Reiff and Terry Gilbertson, these two systems needed significant investment that would not have been practically possible under previous ownership. This creates risks

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and uncertainties for an acquirer. So, the Commission must allow for and recognize necessary acquisition premiums to incentivize technically and financially capable investors to meet operational and funding needs. The increase costs to customers is nonetheless in their interest because the access to capital at competitive rates that comes with new ownership is critical to providing safe, reliable service.

Q. HOW DOES LIBERTY PROPOSE TO COLLECT THAT AMOUNT?

A. In the stand-alone filings for Liberty Cordes Lakes and Liberty Beardsley, the respective acquisition premium is included as an adjustment to their individual rate base amortized over 20 years, and collected via base rates from the respective company's customers.

The same approach has been utilized for the proposed consolidation: Liberty Rio Rico (Consolidated)'s rate base includes adjustments for the acquisition premiums of Liberty Cordes Lakes and Liberty Beardly and amortized over 20 years. Liberty proposes to collect the acquisition premium via base rates from the consolidated company's customers.

Q. IS IT REASONABLE TO ASK CUSTOMERS TO PAY A PORTION OF THE COSTS OF ACQUIRING AND IMPROVING SERVICE TERRITORIES OF NON-VIABLE UTILITIES?

A. Yes. Although Liberty is sensitive to ask any customer to bear the burden of a rate increase, in this instance, the socialization of the acquisition premium across all four is a reasonable outcome in this situation. There are only 1,609 connections in Cordes Lakes. Requiring those customers to bear the costs themselves would cause the average 3/4 inch metered residential customer using an average of 3,420 gallons in Cordes Lakes to move from a monthly bill of $30.06 to $100.75 monthly, an increase of $70.68 or 235.11%.[2] So, from the simple perspective of protecting customers, rate consolidation must be considered.

[2] See Rate Base, Income Statement & Rate Design Direct Testimony of Thomas J. Bourassa for Cordes Lakes, Page 20, Lines 22-25.

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But, beyond that, the Commission has been aware of the need to strengthen Arizona's dispersed, financially challenged water and wastewater sector for over 25 years. In 2016, the Commission took concrete steps to begin that process, and the results have been highly positive. As I will demonstrate in this testimony, and as Joshua Reiff and Terry Gilbertson demonstrate in their operations testimonies, these acquisitions have dramatically improved both the acquired systems' operational and financial viability.

The systems being asked to participate in sharing those costs are themselves systems comprised of utilities that were once non-viable and were consolidated together, over and over, into larger, more resilient systems. Simply put, this case may well be the first one in which the Commission begins to see the long-term benefits of its approach to consolidation through acquisition premiums and rate consolidation that distributes significant investments over a larger group of customers.

Q. COULDN'T THE COMMISSION DISALLOW RECOVERY OF THE PREMIUMS AND IN SO DOING, AVOID THE RATE IMPACTS?

A. No. I don't believe a basis exists to disallow the recovery of the premium because, as I will explain, each acquisition meets the Commission's policy standards as outlined in Decision No. 75626. So, for the Commission to reverse course on this critical regulatory policy, doing so would set a very problematic precedent. The Commission would be changing its policy on consolidation with no warning at all. And, as the Commission is aware, that would have a very negative impact on the state's regulatory climate.

Q. HOW WOULD DENYING THE PREMIUMS IMPACT THE REGULATORY CLIMATE?

A. In March 2011, Value Line published "*What Determines a state's regulatory climate, and what should investors do about it?"*

The article stated:

> *"What factors affect a regulatory climate? We examine the outcomes of recent rate cases. We consider regulatory consistency. We look at historical*

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practices… Does a state allow tracking mechanisms for expenses?". [Emphasis added]

Two of ValueLine's four criteria are consistency and historical practices. In this testimony, I will rely on those factors when I compare Liberty's proposals with those recognized by the Commission in other cases. But then again, that's just ValueLine; what do other nationally recognized companies think about the regulatory climate?

S&P published *"Assessing U.S. Utility Regulatory Climates"* in May 2016, in which it laid out the following: [Emphasis added throughout]

"One significant aspect of regulatory risk that influences credit quality is the regulatory environment in the jurisdictions where a utility operates."

"[S&P] emphasize the principle of consistency when weighing regulatory stability. We also incorporate the degree to which the regulatory framework either explicitly or implicitly considers credit quality in its design."

"Major or frequent changes to the regulatory model invariably raise risk due to the possibility of future changes. Steady application of transparent, comprehensible policies and practices lowers risk."

"The less-supportive jurisdictions are those that frequently alter the basic regulatory approach."

"Risk is lower when the rules are more transparent and when they take into account utilities' financial integrity… We see less support when any of these credit factors are absent, or if the regulator's record on following precedent is poor."

"We examine 'regulatory lag' along with the record or earned returns to assess timeliness. Credit-supportive jurisdictions typically have a track record of little regulatory lag."

"In addition to the regulator's efficiency in completing rate cases, we consider the obsolescence of the costs on which the rates are based, the timing of interim rates, and other practices (such as allowing rates to change in a future

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period based on inflation automatically that affect a utility's ability to earn its authorized return."

"We view [a jurisdiction] as most risky when full recovery occurs only after a utility's assets become operational."

"Cash takes precedence in credit analysis."

So, from a regulatory climate perspective, the disallowance of these premiums would trigger half of ValueLine's criteria and six of S&P's nine criteria for assessing regulatory climate. Setting that aside, the Commission's water policy itself would be thrown into question. The Commission stated the outlook for water utilities quite clearly and correctly in Dec. No. 75626:

"Simply put, Arizona faces a sobering water future: "The end of the 'cheap water' era....[and the beginning] of a world in which water is more scarce, more valuable, and more expensive."[FN][3] CAP shortages will entail increased reliance on local water supplies, undoubtedly affecting the aquifers many small, rural water companies rely upon to sustain the communities they serve. The cost curve to operate a water system will bend significantly upward as wells will need to be drilled deeper and pumps will need to be larger and more powerful. Looming infrastructure investments to combat drier conditions and new environmental regulations, replace crumbling pipes, and upgrade the capacity of systems to reflect population growth will require highly sophisticated managerial, fiscal, and technical prowess. This paradigm shift will cause many small water companies to become troubled and many troubled small water companies to fail."

Not only are there compelling factual bases to recognize the premiums and consolidate the rates of these companies, but ValueLine, S&P, and Decision No. 75626 provide equally compelling policy and regulatory climate reasons to remain consistent and transparent on

[3] The footnote cited by the Commission was: Quinn, P., Walker, P. (2014) The Challenges of Consolidating an Industry. p. 19 Docket No. WS-0000A-14-0198.

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this policy and, therefore, to recognize the premiums and consolidate the rates of these companies.

Q. DO THE ACQUISITION PREMIUMS FOR BEARDSLEY WATER COMPANY AND CORDES LAKES WATER MEET THE COMMISSION'S STATED CONDITIONS FOR THE ALLOWANCE OF ACQUISITION PREMIUMS?

A. Yes, there is no question about this issue. Both acquisitions were in the public interest.[4] Both acquisitions were of non-viable utilities, both systems have received post-acquisition investments in plant that are multiples of what their existing rate bases were, both systems have seen significant post-acquisition improvements within a reasonable period, and under Liberty's consolidation proposal, no customer will see an unreasonable increase to rates. This table provides a quick reference, although I will explain the issues in detail throughout my testimony:

TABLE ONE: ACQUISITION PREMIUM ISSUES OVERVIEW

Cordes Lakes	**Beardsley Water**
Rate Base at acquisition:$271,429 Post-acquisition improvements: $5,692,237 See Direct Testimony of Joshua Reiff for details, but in summary: Well installation, water main replacements, well and booster pumps, failed electrical equipment, service line replacements, water meters, backup generators at wells and booster stations, and much more.	Rate Base at acquisition: ($12,054) Post-acquisition improvements: $3,389,989 See Direct Testimony of Terry Gilbertson for details, but in summary: 500 meters, two new utility vehicles, physical site security, numerous well pumps, well improvements, electrical systems, SCADA, and more.

Dec. No. 75626, "Policy Regarding Direct Incentives for Acquisitions," Pages 18 through 20	**Cordes Lakes**	**Beardsley Water**
Public Interest Dec. No. 75262, Page 19, Lines 1 thru 4	Had significant reliability, safety, and adequacy failures, leading to water shortages	AIAC over-reliance led to staggeringly bad financials and faced high growth
No Impairment to Acquirer Dec. No. 75262, Page 19, Lines 5 thru 11	Liberty conducted both acquisitions. There has not been, nor will there be, any impairment of Liberty , and Liberty maintains the managerial, technical, and financial capabilities to operate and improve each system.	

[4] See Arizona Corporation Commission decision 75626: "Policy Regarding Direct Incentives for Acquisitions".

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Class D or E Systems Dec. No. 75262, Page 19, Line 12	Class D	Class D
It was not viable. Dec. No. 75262, Page 19, Lines 12 thru 13	Operationally, Financially non-viable. Water shortages in summer caused by system failure and lack of investment	Financially non-viable. Commission concerns with over-reliance on AIAC and significant growth looming
Violations of Statutory or Regulatory Standards Dec. No. 75262, Page 19, Lines 13 thru 14	Yes	No
Failure to comply with Commission or ADEQ Order Dec. No. 75262, Page 19, lines 15 thru 16	No	No
Did the acquirer and the seller have affiliated interests? Dec. No. 75262, Page 19, Line 17	No	No
No Unreasonable Increase to Rates because of Acquisition Dec. No. 75262, Page 19, Lines 18, and 19	In this case, rate-based investments are 7.73 times greater than acquisition premiums. AP is to be recovered over 20 years. The APs are not driving the rate increase.	
Fair and Reasonable Price, Arms-Length Negotiations Dec. No. 75262, Page 19, Lines 20, and 21	Yes	Yes
Premium Associated with Improvements within Reasonable Period Dec. No. 75262, Page 19, Line 26 thru Page 20, Line 2	Yes. Cordes Lakes: $5,696,237 plant investment.[5]	Yes. Beardsley Water: $3,389,989 plant investment.[6]
Premium Reviewed and Approved in a Rate Case Dec. No. 75626, Page 20, Line 3	This case.	This case.

Q. WHICH OF THOSE CRITERIA ARE CLEARLY MET?

A. These acquisition clearly meet the "no impairment to Acquirer," Class D or E, no affiliated interests, fair and reasonable price with arms-length negotiations and review of the

[5] See Direct Testimony of Joshua D. Reiff, for Cordes Lakes, at Page 5, Line 1.
[6] See Direct Testimony of Terry Gilbertson, for Beardsley Water, at Page 5, Lines 10.

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acquisition premium in a rate case conditions. Each of those items are summarized as follows:

No Impairment to Acquirer (Dec. No. 75262, Page 19, Lines 5 through 11).

True.

Class D or E Systems **(**Dec. No. 75262, Page 19, Line 12).

True, both were Class D.

Did the acquirer and the seller have affiliated interests? **(**Dec. No. 75262, Page 19, Line 17).

No affiliated interests.

Fair and Reasonable Price, Arms-Length Negotiations (Dec. No. 75262, Page 19, Lines 20, and 21).

True.

Premium Reviewed and Approved in a Rate Case (Dec. No. 75626, Page 20, Line 3).

True, in this case.

Q. THEN, WHAT CRITERIA REMAIN TO BE PROVEN IN THIS CASE?

A. Bearing in mind that the Commission itself made clear that not every criterion had to be met, the only remaining criteria are whether Beardsley and Cordes Lakes were viable or non-viable utilities when they were acquired. On that issue, the record is clear that Cordes Lakes and Beardsley were non-viable.

Q. WERE THE ACQUIRED UTILITIES VIABLE PER DEC. NO. 75262, PAGE 19, LINES 12 THROUGH 13?

A. Neither company was viable. In 2017, Cordes Lakes ran out of water. Their engineering consultant, Ray Jones, explained: "The main cause is simply the record heat we're having right now. The customer demand in the system has simply exceeded the capacity of the wells to produce water."[7] The Commission partnered with Yavapai County Emergency Management to implement water-hauling; customers were asked to reduce consumption inside the home and eliminate outdoor watering.

[7] Mo, Kelsey. "Heat wave causes water shortage in Cordes Lakes; delivery shut nightly". The Republic. June 23, 2017 (Exhibit PW-DT1).

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The same situation occurred at Cordes Lakes, though to a lesser extent the prior year.[8] Notably, the record heat that caused the failures has been exceeded in 2021 and 2023.[9] Cordes Lakes failed to meet regulatory standards and arguably could not make reasonable investments in its system. The fact that Cordes Lakes had supply problems in back-to-back years indicates that the prior owners could not foresee or finance the improvements needed.

Q. AND WHAT ABOUT BEARDSLEY WATER?

A. In 2020, before the Liberty acquisition, Beardsley Water's balance sheet showed the following:[10]

- Total Capital: $23,119 against $343,718 of Current Liabilities and $8,159,970 of Deferred Credits (also a liability).
- Producing a Total Capital to Current Liabilities Ratio of 0.07.
- It had a Total Capital to Total Liabilities ratio of 0.003 – literally 3/10th of 1%.

I could go on because the situation gets infinitely worse if one compares Beardsley's Total Capital to its Total Liabilities, but one gets the point. Beardsley was extraordinarily financially unstable and non-viable.

Q. WHAT DO THOSE RATIOS TELL US ABOUT THE FINANCIAL VIABILITY OF BEARDSLEY WATER?

A. Before Liberty Utilities took ownership, I would describe the financial status of Beardsley Water as catastrophically wrong. When a firm's total capital is less than 7% of its current liabilities, it has virtually no liquidity. Current liabilities are obligations that are typically due within one year. If a firm's total assets are only 7% of its short-term obligations, it is

[8] Mo, Kelsey. "Heat wave causes water shortage in Cordes Lakes; delivery shut nightly". The Republic. June 23, 2017 (Exhibit PW-DT1).

[9] Associated Press. "Phoenix sets record for hottest June in history". Fox10 News. July 2, 2021 Phoenix sets r https://www.fox10phoenix.com/news/phoenix-sets-record-for-hottest-june-in-historyecord for hottest June in history (fox10phoenix.com) and Graves, Kyle. "Until next year: As fall makes its debut here's a look at how summer impacted Arizona". Arizona Republic. September 22, 2023. Extreme heat brought record-breaking sum https://www.azcentral.com/story/news/local/arizona-weather/2023/09/22/extreme-heat-brought-record-breaking-summer-to-arizona/70931723007/mer to Arizona (azcentral.com)

[10] See, Beardsley Water Company's 2020 ACC Annual Report, https://www.azcc.gov/docs/default-source/utilities-files/water/annual-reports/beardsley-water-company-inc/2020.pdf?sfvrsn=b0870d6a_3

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in extreme financial peril. Imagine if you owed $343,718 in payments this year, and your total capital available was $23,119. You'd be in a panic, and justifiably so.

Making matters even worse for Beardsley Water, it had a negative rate base and over $3 million in accounts payable against Total Capital of only $23,119. So, it could not finance its way out of the situation. Making matters even worse, Beardsley Water company was experiencing and expecting high customer growth.

Q. WHAT DOES BEARDSLEY'S FINANCIAL SITUATION LOOK LIKE AFTER THE LIBERTY ACQUISITION?

A. In 2022, after only a short period under Liberty ownership, Beardsley's balance sheet shows the following:

- Total Capital: $3,557,668 against $3,018,769 of Current Liabilities and $8,228,026 of Deferred Credits (also a liability.)
- A Total Capital to Current Liabilities Ratio of 1.18 instead of 0.07.
- It now has a Total Capital to Total Liabilities Ratio of 43%.

It's still not ideal, but that's been driven by the fact that the prior owners financed the company almost exclusively with AIAC and CIAC, and Liberty will have to amortize those accounts while injecting equity and long-term debt at the same time.

But let's be clear: going from a 0.3% to a 43% ratio in two years is an improvement of 143.3 times the original numbers. It's easy to get confused here; I am not saying Liberty improved Beardsley's finances by 1433.3% - that would have been excellent. I am saying that Liberty improved Beardsley's finances 143.3 times or 14,333%. In only two years. The turnaround is remarkable. Beardsley now has a Total Capital to capital-to-current liabilities ratio of nearly 120% instead of 7%. Liberty has improved Beardsley Water's Total Capital to Total Liabilities ratio by 14,333%. Today, financially and operationally, Beardsley Water is stable, and now has a rate base.

Q. DOES CORDES LAKES OR BEARDSLEY HAVE ANY VIOLATIONS OF STATUTORY OR REGULATORY STANDARDS AS PER DEC. NO. 75262, PAGE 19, LINES 13 THROUGH 14?

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A. To the best of my knowledge, other than Cordes Lakes system failure due to heat, drought, and under-investment, neither company had an unreasonable amount of violations. The prior owners of each system, in my opinion, were doing the best they could with the resources they had, but growth, finances, heat, drought, and under-investment come with consequences, even for those who put forth their best efforts. That, again, illustrates the importance of the Commission approving the requested acquisition premiums consistent with its acquisition policy for small utilities.

Q. ARE YOU AWARE OF ANY INSTANCES INVOLVING CORDES LAKES OR BEARDSLEY's FAILURE TO COMPLY WITH COMMISSION OR ADEQ ORDER AS PER DEC. NO. 75262, PAGE 19, LINES 15 THROUGH 16?

A. I am not aware of any ADEQ violation or non-compliance matters for either utility..

Q. WILL CORDES LAKES OR BEARDSLEY RESULT IN AN UNREASONABLE INCREASE TO RATES BECAUSE OF ACQUISITION AS PER DEC. NO. 75262, PAGE 19, LINES 18 AND 19?

A. Rates will not increase "unreasonably" due to the acquisitions. The main driver of this rate increase is the necessary rate base investments by Liberty:

TABLE TWO: COMPONENTS OF RATE INCREASE

	Cordes Lakes	Beardsley	Bella Vista	Rio Rico Water	Rio Rico Sewer
Last GRC Auth Rate Base	$271,429	($12,054)	$11,633,206	$10,454,760	$5,279,632
Projected Rate Base	$7,514,781	$6,530,039	$15,750,144	$19,028,481	$8,944,112
Rate Base Investment in this Case	$7,243,352	$6,242,090	$4,116,938	$8,573,721	$3,664,480
Our Projected Rate base totals minus the Last GRC Auth Rate Base					
Total RB Investment	**$29,840,581**		*Amount invested since each system's last rate case*		

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Acquisition Premium	$948,302	$3,085,187	N/A	N/A	N/A
Total AP	**$4,033,489**				
Rate Base v. AP Ratio	**7.39**	The rate base is by far the primary factor. Recall that Liberty proposes to amortize the AP over 20 years, similar to other large assets.			

Q. CAN YOU DISCUSS WHETHER CORDES LAKES AND BEARDSLEY HAVE EXPERIENCED IMPROVEMENTS WITHIN REASONABLE PERIOD AS PER DEC. NO. 75262, PAGE 19, LINE 26 THROUGH PAGE 20, LINE 2 JUSTIFYING AN ACQUISITION PREMIUM?

A. One of the critical tests for allowing an acquisition premium, as laid out in the Commission's Water Policy, Dec. No. 75626, is the demonstration of improvements to the system within a reasonable time.[11] And another is that rates do not increase unreasonably due to the acquisition.[12]

Liberty's post-acquisition investment into Cordes Lakes is $7,243,352, seeking an AP of $951,803. **That produces an Asset-to-AP ratio of 7.61.** Liberty's post-acquisition investment into Beardsley Water is $6,242,090, seeking an AP of $3,085,187. **That produces an Asset-to-AP ratio of 2.02.** The combined investment in those systems, post-acquisition, is $13,485,442, seeking a combined AP of $4,036,990. **That produces a combined Asset-to-AP ratio of 3.**

Q. HOW DO THOSE ACQUISITION PREMIUMS AND RATE BASE INVESTMENTS COMPARE TO OTHER ACQUISITIONS THAT THE COMMISSION HAS APPROVED AND RECOGNIZED WITH ACQUISITION PREMIUMS?

A. Let's compare Liberty's efforts with those of Global Water Resources, another utility that is actively consolidating small and troubled water and wastewater utilities in Arizona.

[11] Dec. No. 75626, Page 19, Line 26 thru Page 20, Line 2.
[12] Dec. No. 75262, Page 19, Lines 18, and 19.

In Dec. No. 78644, the Commission found that Global Water's acquisitions of Red Rock and Turner Ranches were in the public interest and recognized a 20% premium to their rate bases because the Commission deemed both systems viable. Because the Commission's policy requires demonstrated improvements, let's look at Global Water's investment into assets for the systems and the APs that Global Water received for those investments. Global Water acquired Red Rock in October 2018[13] and filed the 2018 annual report for Red Rock showing total fixed assets of $5,465,828. Global Water filed a rate increase using a 2020 test year, and the 2020 annual report for Red Rock showed total fixed assets of $5,675,759.

Net fixed asset increase Red Rock

$5,675,759 - $5,465,828 = **$209,931**

20% premium to rate base in Dec. No. 78644 at Pages 76, Line 11 through Page 77, line 22

$609,593

$209,931 of asset investment to gain a $609,693 AP produces an Asset-to-AP ratio of 0.34.

Global Water also was awarded an AP for its acquisition of Turner Ranches, which Global Water acquired in May 2018[14] and filed the 2018 annual report for Turner Ranches showing total fixed assets of $1,119,386 ($56,821 higher than at the start of 2018, so, let's assume all $56,821 came from Global Water in the second half of the year to make this slightly fairer and we will use the beginning of 2018 total fixed asset value, which was $1,062,565.)

Global Water filed a rate increase using a 2020 test year, and the 2020 annual report for Turner Ranches showed total fixed assets of $1,389,905.

Net fixed asset increase Turner Ranches

$1,389,905 - $1,062,565 = **$327,340**

[13] https://www.gwresources.com/_files/ugd/e82d34_91dd2ee9ed994d5d9f318a50d38771df.pdf
[14] https://www.gwresources.com/_files/ugd/e82d34_91dd2ee9ed994d5d9f318a50d38771df.pdf

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20% premium to rate base in Dec. No. 78644 at Pages 76, Line 11 through Page 77, line 22

$309,731

$327,340 of asset investment to gain a $309,731 AP produces an Asset-to-AP ratio of 1.06.

There are a couple of distinctions to be made here; first, neither of the Global Water-acquired systems were non-viable, while in this case, there's no question that both Cordes Lakes and Beardsely were non-viable prior to the acquisition: Cordes Lakes ran out of water in the summer of 2017, and Beardsley's extreme reliance on AIAC had already been recognized as a problem by the Commission in Dec. No. 77695:

> *"We also note that Beardsley's large cash flow is caused by the depreciation expense on AIAC. It appears that most of the Company's plant advances (in the amount of $7,168,980) occurred in 2017 and that refunds of those advances are minimal at this time. However, we find that refunds (equal to 10 percent of revenues generated) should grow significantly in the future and will result in reduced cash flow for the Company."*[15]

The Commission then ordered Beardsley to file another rate case within three years "due to the increased change in customer counts… and the Company's continued growth."[16] Both Liberty's acquisitions were of non-viable companies, and both of Global Water's were of viable companies.

Second, I am not suggesting that the Commission was in error for granting APs to Global Water for those systems, nor that Global Water received excessive AP recognition given its improvements to those systems.

But what is astoundingly clear is that Liberty's Asset-to-AP ratios are 8.32 for Cordes Lakes and 2.08 for Beardsley. Those ratios compare exceedingly well versus the 0.34 and 1.06 ratios behind the Commission's decision to recognize APs for Global Water.

[15] Dec. No. 77695, Page 8, Lines 17 through 21.
[16] Dec. No. 77695, Page 9, Lines 3 through 5, and Lines 17 through 19.

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The increase arising from recognition of the premiums is well within the Commission's prior analysis.

Q. DO YOU BELIEVE THE ACQUISTION OF CORDES LAKES AND BEARDSLEY WERE IN THE PUBLIC INTEREST AS PER DEC. NO. 75262, PAGE 19, LINES 1 THROUGH 4?

A. The acquisitions were in the public interest because both companies were non-viable, Class D utilities. Cordes Lakes had violated regulatory standards due to system failures and water shortages. Beardsley Water's over-reliance on AIAC had led to Commission concerns and catastrophically bad financials. Cordes Lakes water system is now safe, adequate, and reliable. Beardsley Water's system is stronger and more resilient operationally and financially. The acquisition premiums are associated with remarkable improvements within reasonable periods, and under our rate consolidation proposals, there will be no unreasonable rate increase because of the acquisitions.

III. CONSOLIDATION PROPOSAL

Q. PLEASE EXPLAIN LIBERTY'S -CONSOLIDATION PROPOSAL.

A. Liberty proposes to merge and consolidate Liberty Bella Vista, Liberty Beardsley, and Liberty Cordes Lakes into Liberty Rio Rico, including (1) the transfer of all useful and necessary assets of Liberty Bella Vista, Liberty Beardsley, and Liberty Cordes Lakes, including their certificates of convenience and necessity, to Liberty Rio Rico as requested in the Companies' applications filed in this docket and (2) approval by the Commission of one tariff of rates and charges for all customers of Bella Vista, Rio Rico, Beardsley and Cordes Lakes under Liberty Rio Rico as the consolidated entity (from now on referring to the consolidated entity as" Liberty Rio Rico (Consolidated)." Under this proposal, Liberty Beardsley, Liberty Cordes Lakes, and Liberty Bela Vista would be merged into Liberty Rio Rico, meaning that all of Beardsley's, Cordes Lakes' and Bella Vista's assets would

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be owned by Liberty Rio Rico (Consolidated) and all the Beardsley, Cordes Lakes, and Bella Vista customers would become customers of Liberty Rio Rico (Consolidated).[17]

Q. WHY IS LIBERTY SEEKING CONSOLIDATION?

A. In Decision No. 75626, the Commission recognized the challenges and struggles of Arizona's private water utility industry. In that decision, the Commission adopted a policy encouraging the consolidation of small systems through larger, more extensive system purchases. The consolidation of Liberty Beardsley, Liberty Bella Vista, and Liberty Cordes Lakes into Liberty Rio Rico makes sense for the same reasons.

Liberty currently has seven (7) regulated water and wastewater utilities in Arizona. Operating and managing those utilities separately for rate-making purposes is not optimal, resulting in added rate-making and related costs. In turn, consolidating these entities into Liberty Rio Rico will reduce the regulatory costs and burdens for all stakeholders, including the companies, customers, the Commission, and RUCO.

Further, Liberty always intended to consolidate all its Arizona utilities into a single entity for ratemaking purposes. In Dec. No. 68826, the Commission granted Algonquin Water Resources of America, Inc. n/k/a Liberty Utilities (Sub) Corp. an acquisition premium to consolidate the McLain Systems. The McLain systems were in bankruptcy and were "in serious disrepair" under interim management after an Order to Show Cause hearing. They were under a moratorium on hook-ups, and the acting manager was operating under emergency rates.[18]

The Commission consolidated Algonquin's Northern and Southern Sunrise water companies with the bankrupt and failing McLain systems. Subsequently, the Northern and Southern Sunrise system was consolidated with Bella Vista Water in Decision No. 72251. Today, Liberty proposes to continue consolidation for Rio Rico, Bella Vista, Cordes Lakes and Beardsley.

[17] After approval of consolidation, Liberty intends to request to change the name of Liberty Utilities (Rio Rico Water & Sewer) Corp.

[18] Dec. No. 68826, Page 4, Lines 6 through 13.

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Liberty continued its gradual move towards statewide consolidation by seeking Commission approval to merge Liberty Utilities (Entrada Del Oro Sewer) Corp. into Liberty Utilities (Gold Canyon Sewer) Corp. in Docket No. SW-04316A-21-0325, et.al. The Commission approved that consolidation in Decision No. 78871.

In all those cases, as in all cases involving consolidation, the Commission had to consider whether to have more customers share in smaller rate increases or let each system's ratepayers stand alone. Wisely, the Commission chose consolidation time after time.

In turn, the proposed consolidation of Bella Vista, Beardsley, and Cordes Lakes into Rio Rico, is the next natural step towards statewide consolidation for rate-making purposes. If consolidation of those entities is approved by the Commission here, Liberty would have four regulated utilities in Arizona, providing a springboard for consolidation of those entities into a single entity at some point in the future.[19]

Q. IN WHAT OTHER WAYS IS LIBERTY'S PROPOSAL, IN THIS CASE, LIKE PRIOR COMMISSION DECISIONS REGARDING CONSOLIDATION?

A. As the Commission stated in Decision No. 78439, which granted consolidation for EPCOR systems:

> *"The proponents of consolidation focus on what service is provided. Those opposed focus on how the service is provided… However, since that time, the courts have issued opinions giving guidance on the factors that should be considered… These factors include whether customers receive the exact same service, customer service, use of the same billing system, the same operations teams, and the costs for operations, maintenance, and similar administrative tasks."*[20]

[19] After consolidation here, Liberty would have two wastewater utilities – Liberty Utilities (Gold Canyon Sewer) Corp and Liberty Utilities (Black Mountain Sewer) Corp. and two water/wastewater utilities – Liberty Utilities (Litchfield Park Water & Sewer) Corp. and Liberty Utilities (Rio Rico Water & Sewer) Corp.

[20] Dec. No. 78439, Page 129, Lines 13 thru 20.

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Q. AND ARE THOSE FACTORS PRESENT WITH LIBERTY, IN THE SAME WAY THOSE FACTORS WERE PRESENT FOR EPCOR IN THAT DECISION?

A. They are, and I do not doubt that Staff will find that Liberty, like EPCOR, "has centralized operations and administrative activities, obtains capital and debt financing centrally, and has maintenance personnel who work in multiple districts."[21] Consolidation makes sense for Bella Vista, Beardsley, Cordes Lakes and Rio Rico for the exact same reasons here.

Q. WHAT IF THE SYSTEMS ARE ALREADY COMMONLY OWNED? ISN'T THAT MORE THAN ENOUGH FOR THE BENEFITS TO ACCRUE FOR CUSTOMERS?

A. When consolidation proposals are offered, critics of consolidation often times rely on the fact that one company already owns the systems (i.e., they aren't being acquired from others), in turn claiming that consolidation isn't necessary because d*e facto* consolidation has already occurred. This critique misses the point entirely. Under the stand-alone approach, significant investments on a system-by-system basis mean that sometimes a system's rates are stable without substantial investments. At the same time, during other times, they see significant increases – driven by many factors, including:

- Unprecedented drought.
- Unprecedented heat.
- Unprecedented low levels in Colorado River reservoirs.
- Necessary capital investments.

In reality, however, as the Commission recognized in Decision No. 78439, all customers avoid worst-case rate scenarios under consolidation. And that matters – because it would be foolish to forget for one second that those unprecedented factors seem to keep lingering, decade after decade.

Q. AS SOMEONE DIRECTLY INVOLVED IN WORKING WITH THE COMMISSIONERS TO DEVELOP THE WATER POLICIES, IN THE SIMPLEST TERMS POSSIBLE, WHY SHOULD THE COMMISSION

[21] Dec. No. 78439, Page 129, Lines 20 thru 22.

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CONSOLIDATE THIS SECTOR AGGRESSIVELY?

A. In my view, the Commission should avoid any decision or action that would reduce the opportunity to have large companies "step in" to acquire, repair, resolve, and restore service to small systems because, as the maps of Arizona CCNs show – many small systems lie far from large companies (and from other small systems.)

The reality is that the current location of small systems is not the result of any regional or statewide planning. Small utilities' locations and ownership situations make strict adherence to a same-basin, same-AMA, or same-watershed policy counterproductive. Instead, the overall public benefits of a consolidation proposal should be considered the paramount issue in each case. And consolidation should be recognized as perhaps the only true solution to the problems – both operationally and regulatory-- faced by small stand-alone water companies throughout the state of Arizona.

And the reality in this case is that customers that were once helped will now help others. Liberty has invested over $31 million into these systems. The newly acquired Beardsley and Cordes Lakes systems have seen extraordinary improvements in their financial and operational capacities.

The impacts under full consolidation are well within the limits of rate gradualism increases, and consolidation makes perfect sense for these four companies.

The Beardsley system is continuing to see high levels of growth, and it makes sense for the Commission to establish consolidated rates now so that when new homeowners move into that area – they are increasing the benefits of consolidation for all customers.

Q. WHAT IMPACT WILL RATE CONSOLIDATION HAVE ON CUSTOMERS OF THE FOUR SERVICE TERRITORIES?

A. The required increase in the revenues the Company will collect from Cordes Lakes customers will be much lower. In contrast, the increase in revenue needed for customers from the other three territories will be higher.

Q. PLEASE EXPLAIN.

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A. From the analysis of the revenue requirement for each of the four service territories and the combined revenue requirement per Schedule A-1 as identified in the testimony of Thomas J. Bourassa ("TB"). Specifically, Schedule A-1 presents the total revenue requirement of the four water utilities territories is approximately $18.3 million, while combined Test Year ("TY") revenues were $12.7 million.[22] Thus, a total revenue increase of $5.6 million, or 44%, is required. However, increased distribution is very uneven. Rates for Beardsley, Bella Vista, and Rio Rico customers would increase by an average of 42%, while rates for Cordes Lakes customers would need to increase by 210.5%. See Table 1 for additional details.

TABLE FOUR: TY REVENUES AND STANDALONE REVENUE REQUIREMENTS

	Cordes Lakes	Beardsley	Bella Vista	Rio Rico	Combined
TY Revenues	$649,791	$1,986,923	$5,887,369	$4,189,038	$12,713,121
Revenue requirement	$2,017,408	$2,678,213	$7,636,311	$5,894,800	$18,290,019
Required Increase	$1,367,617	$691,290	$1,748,942	$1,705,763	$5,576,898
Increase %	210.5%	34.8%	29.7%	40.7%	43.9%

Q. CAN YOU SUMMARIZE WHY THE REVENUE REQUIREMENT FOR CORDES LAKES INCREASES BY SO MUCH MORE THAN THE OTHER AREAS?

A. As mentioned above, Cordes Lakes ran into water shortages in 2016, and then much worse problems occurred in 2017. The entire system lacked resiliency and capacity, which required the following investments, as per the Direct Testimony of Joshua D. Reiff in this case:

- Security fencing at well-site properties,
- Installation of Well 7,
- Replacement of leaking or broken water mains,
- Replacement of a well pump at Well 4,
- Replacement of various booster pumps,

[22] See Liberty Utilities Rio Rico (Consolidated) Corp. – Water Division Exhibit Schedule A-1 Page 1.1.

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- Replacement of failed electronic equipment
- Installation of variable frequency drive (" VFD") units on various well and booster station sites,
- Replacement of failed isolation valves throughout the distribution system,
- Replacement of leaking black poly service lines with new copper service lines,
- Replacement of failed water meters,
- Purchase of the office building in Cordes Lakes.
- The post-test year plant being requested for recovery in this rate case of $1.5 million includes Safety improvements to the office building,
- Backup generators at three wells and two booster stations,
- ERT installations and reading collection equipment for AMR implementation,
- One service truck,
- 24 valve and pipe replacements to improve resiliency,
- Continual service connection repairs.

Q. AS NECESSARY AS THOSE INVESTMENTS WERE, THEY LEAD TO AN OVERALL 210.5% RATE INCREASE. IS THE MAGNITUDE OF THE INCREASE PROBLEMATIC?

A. I believe a 210.5 percent rate increase would be incredibly hard for the people in Cordes Lakes. The requirement for rate continuity is undermined; rate shock is present in that situation. And, as someone who has spent 24 years trying to help small water companies, I believe that even if there were no other bases to rationalize the consolidation of rates or benefits that would come from doing so, even if Dec. No. 75626 did not exist, the need to mitigate the rate shock that the Cordes Lakes customers would otherwise experience is sufficient justification to consolidate the rates.

Q. HOW WOULD THE CONSOLIDATION AFFECT THE AVERAGE RESIDENTIAL CUSTOMER BILL FROM EACH SERVICE AREA?

A. Using data from the Revenue Requirements Direct Testimony of Thomas Bourassa, Table 5 shows a comparison of the proposed average residential customer bill on a stand-alone

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and consolidated basis using the meter size with largest residential customers for each applicant.

TABLE FIVE: CONSOLIDATED AND STANDALONE AVG. RESIDENTIAL CUSTOMER BILLS

Utility*	Meter Size	Avg. Use (gallons)	Stand-Alone: Proposed Bill	Consolidated: Proposed Bill	Change ($)	Change (%)
RR	5/8 x 3/4	6,070	$50.84	$47.66	($3.18)	-6%
BV	5/8 x 3/4	5,274	$36.90	$43.44	$6.54	15%
CL	3/4	3,420	$100.70	$47.02	($53.68)	-53%
BW	3/4	5,256	$69.18	$55.48	($13.70)	-20%
RR-S	5/8 x 3/4	-	$66.37	$66.37	$0.00	-

The proposed monthly bill for a 3/4-inch metered residential customer, the largest customer class, using an average of 3,420 gallons, in Liberty Cordes Lakes is reduced by approximately 53% under the proposed consolidation than they would on a stand-alone basis. Similarly, under the consolidation scenario, the monthly customer bill for the largest residential customer class for Liberty Beardsley (3/4 inch meter) and Liberty Rio Rico Water (5/8 x 3/4 inch meter) will reduce by approximately 20% and 6%, respectively. The average residential customers in Liberty Bella Vista, using a 5/8 x 3/4 inch meter and average usage of 5,274 gallons will pay approximately 15% or $6.54 per month more under the consolidation scenario.

Q. DO THESE VALUES INCLUDE THE ACQUISITION PREMIUM YOU DESCRIBED EARLIER IN YOUR TESTIMONY?

A. They do.

Q. IS THIS TO SAY THAT ONLY CUSTOMERS IN BELLA VISTA WOULD PAY SIGNIFICANTLY MORE DUE TO CONSOLIDATING THE RATES?

A. One way to summarize the data presented in Table 5 is to say that rates for average residential customers in Liberty Bella Vista will increase by an additional 15% or $6.54 per month because of the rate consolidation. In contrast, average residential customers in Liberty Cordes Lakes would pay considerably less than they would otherwise. Average

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residential customers in Liberty Beardsley and Liberty Rio Rico will also pay less than they would otherwise.

Q. IS THIS A REASONABLE OUTCOME?

A. Absolutely. As explained earlier, Bella Vista is an entity built up through acquisitions of small, viable, and non-viable systems. Many customers in the systems comprising Bella Vista were once the beneficiaries of consolidation. All the customers are served by a strong, well-capitalized, professional utility company – with rates consolidated, each system's chance of facing a rate shock scenario (whether driven by the EPA, heat, or drought) is dramatically reduced.

Q. CAN YOU THINK OF REASONS TO JUSTIFY THE COMMISSION'S RULING <u>AGAINST</u> ACQUISITION PREMIUMS THAT LEAD TO THE CONSOLIDATION OF ARIZONA'S WATER SECTOR?

A. I would urge the Commission to carefully evaluate rate consolidation if it were clear that the types of customers were utterly different. In my testimony on RUCO's behalf in the EPCOR case and the white paper "Consolidation & Uncertainty," I pointed to the dramatic differences between household incomes in Paradise Valley versus Kingman and South Tucson. If consolidation were to make the people in Kingman or South Tucson pay acquisition premiums to benefit the customers of Paradise Valley, I would oppose it. If the consolidation involved no financial or operational improvements, I would oppose it. If the consolidation resulted in unaffordable rates, I would oppose it unless it was necessary to provide baseline levels of safe, adequate, and reliable service.

Q. AND HOW DO THOSE FACTORS LOOK IN THIS CASE?

A. None of them are present in this case. In this case, each factor weighs heavily in favor of full consolidation: The customers are similarly situated economically, and each utility has seen dramatic financial and operational improvements. The rates under consolidation are affordable for all customers under full consolidation.

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Q. ARE THERE ANY POTENTIAL NEGATIVES FROM RATE CONSOLIDATION IN CIRCUMSTANCES LIKE THE ONE THE COMPANY SEEKS TO NAVIGATE?

A. Yes, it is essential not to create an unnecessary or unfair subsidy between customer groups. The customers should be receiving, in the Commission's own words: "*same service, customer service, use of the same billing system, the same operations teams, and the costs for operations, maintenance, and similar administrative tasks*."[23]

There is no question about any of those factors in this case. The only other element the Commission has considered is whether the customers are economically similarly situated. Here are the average household incomes, property values, and household income to property value ratios for each of the utilities service areas:

TABLE SIX: ECONOMIC COMPARISONS OF SYSTEM CUSTOMERS

System	Median Household Income Median Property Value HHI/Property Value Ratio
Rio Rico	Median HHI: $54,563 Median Property Value: $161,600 HHI/Property Ratio: 2.96
Bella Vista	Median HHI: $64,154 Median Property Value: $189,941 HHI/Property Ratio: 2.96
Cordes Lakes	Median HHI: $44,175 Median Property Value: $141,600 HHI/Property Ratio: 3.17
Beardsley	Median HHI: $70,691 Median Property Value: $346,729 HHI/Property Ratio: 4.90

We can see in Table 6 that Rio Rico and Bella Vista are incredibly similar. While there is a Median HHI difference of almost $10,000, when we look at their property values, they have the same HHI/Property Value ratio of 2.96.

[23] Dec. No. 78439, Page 129, Lines 20 thru 22.

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Property value is a reliable proxy for household wealth. When we look at Cordes Lakes, we see the lowest HHI, and property values yield a slightly higher HHI/Property Value ratio of 3.17.

When we look at Beardsley's HHI and property values, we see that although they have significantly higher HHI, they have much higher mortgages. Hence, their HHI/Property Value ratio is higher than their rural counterparts, at 4.90.

Those facts do not really matter because we are not asking lower-income households to shoulder costs for higher systems. Every group will benefit from consolidation – and as the Commission recognized with Beardsley, their AIAC over-reliance combined with the growth in their service areas made that system non-viable. As the growth enters that system, we should make sure those new homeowners are grouped with other, similar customers so that as growth and the resulting rate base impacts continue, the costs are minimized to everyone over time by making the rates more gradual through rate consolidation.

Q. GENERALLY SPEAKING, WHAT ARE THE BENEFITS OF CONSOLIDATING UTILITY RATES ACROSS MULTIPLE SERVICE AREAS?

A. There are at least four potential benefits that I believe are relevant to this proceeding:

First, rate consolidation can help mitigate rate shock when a utility needs to make significant system investments.

Second, rate consolidation can support the financial integrity of the utility.

Third, rate consolidation can help facilitate future investments.

Fourth, a simpler rate structure is more transparent and reduces regulatory burdens and lowers regulatory costs.

Q. PLEASE EXPLAIN THE FIRST BENEFIT, THE POTENTIAL TO MITIGATE RATE SHOCK.

A. I discussed this issue at length above, explaining that consolidating rates would mitigate an overall rate increase of nearly 210.5% for Cordes Lakes customers. This amount in one rate adjustment will be very disruptive to customers. When rate consolidation is used, the

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impacts of significant investments are shared across a much larger set of customers – that does not mean that subsidies are occurring – in this case, the Commission can see that former beneficiaries of rate consolidation are, this time, contributing to the costs faced by other challenged systems. This ebb and flow is what avoids the question of impermissible subsidies.

Q. PLEASE DESCRIBE THE SECOND BENEFIT, WHETHER RATE CONSOLIDATION SUPPORTS THE UTILITY'S FINANCIAL INTEGRITY.

A. The Commission must consider the impact on the revenue stability of the utility, not simply because of *Hope*, *Bluefield*, and state laws and court orders, but because the customers of any essential good or service rely on the provider for their daily life. There aren't replacement goods available for water and wastewater services. As I detailed earlier in this testimony, the financial integrity of Beardsley Water was a significant concern for the Commission, and its financials were alarming to me. Liberty has turned that company around in a remarkable manner. Cordes Lakes was hauling water and shutting its system off for four hours a day in the middle of a record-breaking summer (2020).

If the Commission strictly adhered to the cost-causation principle, Beardsley would remain financially incapable, and Cordes Lakes customers would see their rates raised to crippling levels. Neither outcome benefits anyone – not the customers, the Commission, or the Company. Under rate consolidation, customers are shielded from rate shock, the Commission can reduce the odds of another water company failure, and the Company can recover its costs in a stable and timely manner.

Q. PLEASE EXPLAIN THE THIRD POTENTIAL BENEFIT FROM RATE CONSOLIDATION, A UTILITY'S ENHANCED ABILITY TO FINANCE SYSTEM INVESTMENTS.

A. The ability to attract capital for needed investment is directly and inescapably linked to revenue – and the terms upon which capital is provided are based now and inescapably on revenue stability.

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Thus, if your credit history is terrible, you make banks think the revenue stability of lending money to you so that you can buy a car is low – and thus, your interest rate is higher. The same thing applies to all capital decisions.

The Environmental Finance Center at the University of North Carolina identified revenue stability as one of the key financial indicators for water systems, writing:

> *"Essentially, the question of revenue stability is simple, at least at first glance: Are the rates that you have set generating sufficient revenue for your utility to recover your costs (both operating and maintenance costs, and longer-term capital costs), not only on a day-to-day basis but also under situations of uncertainty or adversity, such as a drought, a disruption to source water supplies (e.g., from an environmental pollution accident), etc.?"*[24]

The reality of small, undercapitalized utilities is the primary driver for the consolidation of Arizona's water sector. To the point made by the UNC Finance Center above, Arizona faces uncertainty and adversity from the ongoing drought and increased heat. Like those involved in this proceeding, small water companies are particularly exposed to those challenges: Cordes Lakes' history demonstrates the potential results of drought and heat. Beardsley Water's history reflects the impact of over-reliance on developer funding through Advances In Aid of Construction.

[24] Key Financial Indicators for Water Systems: Revenue Stability, February 8, 2016, "Key Financial Indicators for Water Systems: Revenue Stability | UNC Environmental Finance Center" or: https://efc.sog.unc.edu/revenue-stability/

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In this case, not only is Liberty consolidating these systems, but we are consolidating them with systems that were once undercapitalized, challenged, and in need of significant investment. And that's the entire purpose, in my mind, of consolidating Arizona's small water sector.

Q. PLEASE EXPLAIN THE FOURTH BENEFIT, ENHANCED TRANSPARENCY AND THE REDUCTION OF REGULATORY BURDENS.

A. This benefits primarily the Commission and the Company, but in so doing, it reduces costs at the margin for customers. Having multiple rate designs and tariffs requires redundant administrative costs. Rate consolidation decreases the financial impacts of large investments in a single system – rate cases cost companies a lot of time and resources. Yes, rate case expense is there, but in my experience, rate case expense doesn't come close to showing the impact of a rate case on the Company's management. Key leaders are always involved in rate cases – taking time away from core business tasks. By consolidating these companies into a larger whole, Liberty and the Commission are reducing the overall number of rate cases that must be processed, reducing the rate case impacts on management (rather than regular, small rate cases for many different utilities, Liberty can combine systems into one overall rate case.

That approach also significantly increases the transparency for the Commission. The Commission has all the books and records all at once and can more clearly see how cost allocations, revenue streams, and capital expenditures are occurring across multiple utilities rather than seeing only one piece at a time.

Q. IS THIS A SIGNIFICANT BENEFIT TO CUSTOMERS?

A. It is a clear benefit. It allows the company to spend more time, resources, and capital on running and improving the core business instead of managing and overseeing multiple rate cases. It reduces the rate case expense because witnesses can testify regarding many entities simultaneously. However, the main benefit is increased resiliency from financial and operational perspectives.

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Q. YOU IDENTIFIED THE POTENTIAL FOR AN IMPERMISSIBLE SUBSIDY AND A POTENTIAL DISBENEFIT FROM RATE CONSOLIDATION; HOW DOES THAT CONCERN APPLY TO THIS PROCEEDING?

A. Primarily, this is about customers in Bella Vista, who will pay more if the Commission approves the Company's proposal to consolidate rates. The Commission must determine whether the extra burden on those customers is more than offset by mitigating the rate shock that would otherwise occur to Cordes Lakes customers and the other benefits to customers in all four service territories. The Commission must consider whether the customers in Bella Vista are economically similar to the customers that, this time, receive the benefits of consolidation. As shown in this testimony, they are.

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

A. Water utilities are always reluctant to increase customer costs. Still, under these circumstances, I believe the benefits more than satisfy the Commission's consolidation criteria and the recognition of acquisition premiums for non-viable companies. Comparing Liberty's investments post-acquisition against the asset investments and improvements made, particularly compared with prior Commission decisions for similarly situated companies like Global Water, shows that Liberty didn't buy these companies to get a premium. Liberty bought these companies to fix them, to make them financially and operationally viable for today's customers, and for the challenges of increased heat, drought, and growth. I also would add that consolidation works both ways. Although Bella Vista customers may pay more now, those same customers will benefit from a shared rate base for Bella Vista plant investments in the future. I think it's fair to say that consolidation will even out and benefit all customers equally over time.

Consolidation of these rates is consistent with previous precedent in Arizona and the Commission's stated policy objectives, and to find otherwise would do significant damage to the Commission's efforts to strengthen and consolidate the water sector and would raise alarm bells, again, with everyone focused on Arizona's regulatory climate.

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Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

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BREAKING NEWS

Heat wave causes water shortage in Cordes Lakes; delivery shut nightly

Kelsey Mo
The Republic | azcentral.com

Published 10:44 p.m. MT June 23, 2017

Residents in Cordes Lakes are experiencing a water shortage as a result of the extreme heat.

In response, officials temporarily are shutting off water for four hours each night.

According to Yavapai County Emergency Management, water in wells has not been able to keep up with demand in the area because of high temperatures gripping the state this week.

About 1,350 homes have been impacted as a result. Cordes Lakes is located north of Black Canyon City, near the junction of Interstate 17 and State Route 69.

"The main cause of this is simply the record heat that we're having right now. The customer demand in the system has simply exceeded the capacity of the wells to produce water," said Ray Jones, an engineering consultant at Aricor Water Solutions, one of Cordes Lakes Water Company's contractors,

All of the water provided comes from groundwater wells.

According to a statement from Yavapai County Emergency Management, the water pumps that deliver water from the wells to homes are temporarily being shut down between 11 p.m. and 3 a.m. to allow the wells to replenish overnight.

"Water conservation by customers, water hauling and nightly planned system-wide shutdowns has stabilized the Cordes Lakes water system and allowed for an increase in storage levels from 36 percent of capacity to 58 percent of capacity," the statement said.

The company is asking customers to limit water use inside the home and eliminate lawn watering outside. In addition, the company is also hauling in water from Prescott Valley to put into the water system, stabilizing the water levels in the wells to an extent.

Cordes Lakes is currently under a Stage 3 Water Curtailment and Jones said that he anticipates it will last for another week at least.

"Once we get some lower temperatures, particularly when the monsoon rains would come, the problem will very quickly subside at that point," Jones said.

Last summer, the company did ask customers to lower water consumption, but did not have to cut off water at night. To prevent another situation like this from happening again, Jones said the company is building another well in the area that should be completed by late 2017, early 2018.

"We're in the process of preparing to file with the Corporation Commission for the authorization to go ahead and proceed with the construction of the well," Jones said.

Jones said there are water bottles being distributed at the Mayer Fire Station for residents in need of relief.

He said residents largely have been cooperative with the situation.

Earlier this week, the White Mountain Apache Tribe in eastern Arizona declared a water emergency in Cibecue after pumps that deliver water from a storage tower to the community failed. The Salvation Army, among others, worked Friday to deliver cases of bottled water to the community.

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White Mountain Apaches declare water emergency

Phoenix weather: Not much relief at night

Extreme Phoenix heat: Is there an upside?

Extreme heat shatters power records in Arizona

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
ANNA TOVAR
NICK MYERS
KEVIN THOMPSON

IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (CORDES LAKES WATER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02060A-23-

DIRECT TESTIMONY

OF

JILL SCHWARTZ

December 28, 2023

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jill Schwartz. My business address is 602 South Joplin Avenue, Joplin, Missouri, 64802.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of Liberty Utilities (Bella Vista Water) Corp. ("Bella Vista"), Liberty Utilities (Rio Rico Water & Sewer) Corp. ("Rio Rico"), Liberty Utilities (Beardsley Water) Corp. ("Beardsley"), Liberty Utilities (Cordes Lakes Water) Corp. ("Cordes Lakes") (collectively referred to sometimes herein as "Applicants").

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Liberty Utilities Service Corp. ("LUSC") as the Senior Director of Regulatory Policy and Strategy. LUSC is a direct subsidiary of Liberty Utilities Co. ("LUCo") and is a subsidiary of Liberty Utilities (Canada) Corp. ("Liberty Canada" or "LUCC"), which is a wholly owned indirect subsidiary of Algonquin Power & Utilities Corp. ("APUC"). As the Senior Director of Regulatory Policy and Strategy, I lead the Corporate Regulatory team and am responsible for development of the regulatory strategy and evidentiary support for the corporate shared services costs charged to the operating utilities (like Applicants) in accordance with the APUC Cost Allocation Manual ("CAM"). In addition, the Corporate Regulatory team provides support for local and regional regulatory teams for rate cases and other regulatory matters.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. In 2001, I completed my Bachelor of Science in Accounting from the John E. Simon School of Business at Maryville University in St. Louis, Missouri. From May 2001 to February 2015, I was employed by The Boeing Company in a variety of accounting capacities, ensuring compliance with the Federal Acquisition Regulation Mandatory Disclosure rule and developing and delivering labor compliance training for all Boeing employees. I joined Liberty Utilities in February 2015 as the Manager of Rates and Regulatory Affairs for

Liberty Utilities (Midstates Natural Gas) Corp. In February 2017, I was promoted to Senior Manager of Rates and Regulatory Affairs for Liberty Utilities Central Region, where I was responsible for the regulatory matters involving the electric, natural gas and water utilities in Missouri, Arkansas, Illinois, Iowa, Kansas and Oklahoma. In August 2019, I transitioned to the Corporate Regulatory department, where I provided support for the cost allocation manual and corporate costs to other Liberty Utilities operating utilities across the United States and Canada. In December 2020, I was promoted to Director Regulatory Shared Services.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION OR ANY OTHER REGULATORY AGENCY?

A. Yes. I provided pre-filed and oral testimony before the Arizona Corporation Commission ("Commission") in the Applicant's sister companies' recent rate cases[1]. I have also testified before public utility commissions in Arkansas, Illinois, Iowa, Kentucky, Missouri, and New York, as well as the New Brunswick Energy and Utilities Board in Canada.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. The purpose of this testimony is to provide support for the Cost Allocation Manual ("CAM"), corporate shared services costs allocated to the Applicants, as well as the indirect overhead ("INDOH") derived from the corporate shared services costs and recorded in Applicants' rate base.

II. THE APUC/LIBERTY SHARED SERVICES AND COST ALLOCATION MODEL

A. Corporate Structure

Q. WHO IS THE IMMEDIATE CORPORATE PARENT OF APPLICANTS?

A. The immediate parent company for Bella Vista, Rio Rico, Beardsley and Cordes Lakes is Liberty Utilities (Sub) Corp. ("Liberty Sub Corp"). Liberty Sub Corp is the direct shareholder of seven regulated water and/or sewer utilities in Arizona, including the four

[1] Liberty Utilities (Black Mountain Sewer) Corp., Docket No. SW-02361A-19-0139; Liberty Utilities (Gold Canyon Sewer) Corp. and Liberty Utilities (Entrada Del Oro Sewer) Corp., Docket No. SW-02519A-21-0326.

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Applicants.[2] Liberty Sub Corp is also the owner of three regulated water and wastewater utilities and one unregulated water utility in Texas[3], a regulated water and wastewater utility in Missouri and an unregulated water and wastewater utility in Illinois.[4]

Q. WHERE DOES LIBERTY SUB CORP FIT INTO THE OVERALL APUC/LIBERTY CORPORATE STRUCTURE?

A. Liberty Sub Corp is a direct subsidiary of LUCo and is essentially the intermediary parent company between LUCo and the eleven individual operating utilities in Arizona and Texas. As such, Liberty Sub Corp also functions as a local shared services company with shared assets and costs recorded on its books.

Q. PLEASE DESCRIBE APUC AND ITS MAJOR SUBSIDIARIES?

A. APUC is a publicly traded utility holding company that serves as the overall corporate parent of a widely diversified portfolio of utility assets. APUC is traded on the New York ("NYSE") and Toronto ("TSX") stock exchanges. APUC has two major operating units in North America – its regulated utilities ("Liberty Utilities") and its renewable power generation facilities ("Liberty Power"). Liberty Utilities owns and operates regulated water, wastewater, natural gas and electric utilities in thirteen states and one Canadian province. Liberty Utilities is divided into three operating regions (East, Central and West). Liberty Power is an unregulated entity that owns and/or provides renewable power generation from numerous facilities located throughout the United States and Canada. In addition to APUC's two major operating units in North America, APUC also owns a water and wastewater utility in Chile and an electric utility in Bermuda.

Q. DO YOU BELIEVE THE APUC/LIBERTY CORPORATE STRUCTURE IS UNNECESSARILY COMPLICATED?

[2] The other Arizona utilities are Liberty Utilities (Black Mountain Sewer) Corp., Liberty Utilities (Gold Canyon Sewer) Corp., Liberty Utilities (Litchfield Park Water & Sewer) Corp.

[3] The three regulated Texas utilities are Liberty Utilities (Silverleaf Water) LLC, Liberty Utilities (Tall Timbers Sewer) Corp. and Liberty Utilities (Woodmark Sewer) Corp. The unregulated Texas utility is Liberty Utilities (Seaside Water) LLC.

[4] Liberty Utilities (Missouri Water) LLC and Liberty Utilities (Fox River Water) LLC are operated and managed as part of Liberty Utilities' Central Region.

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A. No. The fact that APUC owns and operates so many individually regulated utilities across the U.S. and Canada, and now also Chile and Bermuda, as well as its power generation facilities across North America, is naturally going to lead to a certain level of organizational complexity. Ultimately, only a few corporate entities are involved in providing shared services and it is my goal in this rate case to show that our cost allocation process is understandable, rational, beneficial, consistent and readily subject to verification during regulatory inspections and audits. Therefore, a sophisticated corporate structure should not interfere with the setting of rates that provide for recovery of the Applicants' reasonable and necessary costs of service.

Q. HOW ARE ALL OF APUC'S REGULATED AND UNREGULATED ENTITIES MANAGED AND OPERATED?

A. APUC's operating units are managed and operated with shared corporate and business support services, combined with decentralized local management and operational control of day-to-day utility operations. The result is that each regulated utility (run by local management and operators) benefits from access to a wide variety of corporate and business support services and essential access to capital for infrastructure investment, all at a reasonable cost. This business model provides substantial benefits to our regulated utilities and their customers through shared corporate services while leaving local management with control over operations. Our approach to conducting business has direct influence on all business activities and serves to guide the actions of the organization in carrying out a customer-centric approach. But this local approach could not work without our shared corporate services.

B. <u>Introduction to Shared Services</u>

Q. WHAT ARE "SHARED SERVICES"?

A. In the broadest terms, shared services are corporate administrative, financial and accounting, human resources and other business support services provided to and paid for by more than one entity or division within an entity.

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Q. ARE SHARED SERVICES MODELS LIKE THIS COMMON IN THE UTILITY INDUSTRY?

A. Yes, based on my knowledge and experience, it is correct to say that use of service companies and shared services models is common in the utility industry, as well as in business generally. Through shared services models, a broad array of corporate and business support services are seamlessly provided to multiple entities across the entire organization. Such a structure is not only to be expected in any large commercial organization like ours, but absolutely necessary to achieve economies of scale and improve the quality of products and services.

Q. PLEASE EXPLAIN?

A. For Liberty Utilities, shared services allow the regulated utilities access to a greater range of business support at a lower cost than most utilities could obtain in providing similar services and incurring those costs separately. For example, treasury, information technology, insurance, and risk management are provided centrally, which provides the benefits that naturally flow from the reliance on service groups with broad experience and facilitates the standardization of these activities. In other words, the APUC/Liberty service providers were designed and exist to provide support to the operating entities.

Q. ARE ALL SHARED SERVICES PROVIDED BY AFFILIATED ENTITIES WITHIN THE APUC CORPORATE ORGANIZATION?

A. Yes. As I discussed above, APUC-affiliated companies own and operate a diverse portfolio of regulated and unregulated utility assets. Finding an unaffiliated group or groups capable of replicating the depth, experience and scope of the corporate support and services provided within the APUC/Liberty family of companies would be a daunting, if not impossible, task, one which would then have to be repeated for each region, state or general location where there are operations. That is why enterprises like APUC build their own corporate support centers that are tailor-made to meet their unique and ever-changing needs regardless of size or geography. The benefits of this type of shared services model to the customers are through economies of scale and empowerment of local operations with access

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to in-house experts providing shared services across the full spectrum of functionality, including finance, accounting, treasury, procurement, insurance, audit, risk management, IT, capital planning and other similar functions as part of utility operations. This structure provides local operations the opportunity to realize economies of scale and other knowledge-based efficiencies through shared corporate support services, without impairing the quality of those services or relationships with customers. For example, treasury, information technology, insurance, and risk management services are provided centrally. When structured and carried out correctly, providing these selected services centrally enhances the local presence our customers prefer. This is why I can confidently testify that we would not be able to have the superior locally focused operations at economically viable rates without the APUC/Liberty shared services model.

Q. CAN YOU EXPAND ON YOUR DISCUSSION OF THE SUPPORT SERVICES PROVIDED BY THESE AFFILIATED ENTITIES?

A. Yes. Starting at the top, APUC provides overall strategic management, corporate governance, financial management, and administrative and support services to all of its subsidiaries. In addition, as a publicly traded holding company, APUC also maintains access to the capital markets through the issuance of long-term debt and equity, as well as access to short-term credit facilities. Such access to capital is of substantial benefit to regulated utilities that often need large sums for infrastructure investment.

Below APUC, LUCC is generally the legal entity employing personnel physically located in Canada and providing various corporate and business support services including executive, regulatory strategy, energy procurement, operations, utility planning, administration, and customer experience. Other administrative and support services are provided by LUCC employees through the Liberty Algonquin Business Services ("LABS") business unit to Liberty Power and Liberty Utilities. LABS includes the following departments: information technology, human resources, training, environment, health, safety and security, procurement, executive and strategic management, technical services,

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risk management, financial reporting, planning and administration, treasury, internal audit, external communications, legal, and compliance.

Finally, LUSC is the legal entity employing most of Liberty's U.S.-based employees who provide support to the regulated utilities. LUSC employees generally can be placed into four categories: (1) utility dedicated employees, (2) employees who provide shared services to Liberty Power and Liberty Utilities, (3) employees who provide corporate support to all Liberty Utilities' operating utilities, and (4) regional employees who provide shared services to support the utilities within one of the operating regions (East, Central or West). Under LUSC, administration of payroll costs are streamlined and shared across APUC's U.S.-based utility companies.

Q. ARE THERE ADDITIONAL SERVICES PROVIDED ON A REGIONAL BASIS?

A. Yes, as I testified above, the various operating utilities are organized under a regional structure. This regional organization provides a more effective management and reporting hierarchy by allowing groups of state utilities to report to regional managers for specific functions and offers several additional benefits. To start, it allows the state presidents to focus on overall utility operations, state utility commission processes, customer satisfaction and community relations rather than managing individuals with a wide range of functional responsibilities. This organizational structure also allows for a sharing of expertise among regulated utilities across several states and provides for common support functions that would be too cumbersome to provide at a national corporate level and too costly to support at an individual state/utility level. The regional structure also provides for a manageable span of control for the number of individuals reporting to a single manager.

Q. DOES LIBERTY SUB CORP ALSO PROVIDE SHARED SERVICES?

A. No personnel are employed by Liberty Sub Corp. But there are employees of LUSC that are dedicated to provide services for the regulated water and wastewater utilities in Arizona and Texas that are owned by Liberty Sub Corp. Those particular employees assign and charge time and costs to Liberty Sub Corp departments that are allocated to the regulated utilities in Arizona and Texas. For example, Engineering and Operations department

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employees are employed by LUSC, but are assigned to Liberty Sub Corp in the human resources information system. Their costs are recorded on Liberty Sub Corp.'s books in their respective departments and may be directly billed to the appropriate utilities (like Bella Vista, Rio Rico, Beardsley, or Cordes Lakes) or allocated based on the local four-factor methodology to all of the Arizona and/or Texas utilities.

Q. HOW ARE THE COSTS OF ALL THESE SHARED SERVICES ALLOCATED BETWEEN ALL THE BENEFITTING ENTITIES?

A. Costs are pooled and allocated in accordance with the APUC CAM which I will explain in greater detail in the next subsection of my testimony.

C. <u>Cost Allocation and the CAM</u>

Q. PLEASE DESCRIBE THE CAM.

A. The CAM is a written manual intended to govern affiliate transactions and cost allocations within the APUC organization. The CAM describes the services provided by APUC, LUCC, LUCo and LUSC and sets forth the methods used to apportion the costs for those services among the benefitting entities. Costs allocated include both direct charges to specific entities and the allocation of indirect costs for services that benefit more than one entity within the organization. The CAM is based on the National Association of Regulatory Utility Commissions ("NARUC") Guidelines for Cost Allocations and Affiliate Transactions. The NARUC Guidelines are attached as Appendix 1 to the CAM. The CAM is attached to my testimony as Exhibit JS-DT1. The fundamental premise of the CAM is to direct charge costs to the greatest possible extent and to use rational, consistent and verifiable processes, procedures and methodologies to determine, define, and assign indirect common costs to all benefitting entities. The CAM is also designed to prevent regulated utilities from subsidizing unregulated operations.

Q. HOW IS THE CAM "BASED" ON THE NARUC GUIDELINES?

A. NARUC has recommended specific guidelines regarding transactions between affiliates. The following NARUC principles are embodied in the CAM:

1. To the maximum extent practicable, costs should be directly assigned

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(NARUC Guidelines at 2, § B.1).

2. The general method for charging indirect costs should be on a fully allocated cost basis (NARUC Guidelines at 2, § B.2).

3. To the extent possible, all direct and allocated costs should be traceable on the books of the applicable regulated utility to the applicable Uniform System of Accounts and documentation should be available to the appropriate regulatory authority upon request (NARUC Guidelines at 2, § B.3).

4. Allocation methodologies should prevent subsidization and ensure equitable cost sharing among regulated and unregulated affiliates (NARUC Guidelines at 2-3, § B.4).

5. All costs should be classified as regulated, non-regulated, or common to both (NARUC Guidelines at 3, § B.5).

6. The primary cost driver of common costs should be identified and used to allocate the cost between regulated and non-regulated affiliates (NARUC Guidelines at 3, § B.6).

7. The indirect costs of each business unit, including the allocated costs of shared services, should be spread using relevant cost allocators (NARUC Guidelines at 3, § B.7).

Q. CAN YOU PLEASE DESCRIBE HOW THE CAM IS USED TO ASSIGN AND ALLOCATE COSTS TO REGULATED UTILITIES LIKE APPLICANTS?

A. Yes, under the CAM, a utility incurs costs in two ways: (1) Assigned/Direct costs—costs incurred for the exclusive benefit of one or more other companies, and which are directly charged to the company or companies that specifically benefited; and (2) Allocated/Indirect costs—costs incurred that benefit multiple companies, but cannot be directly identified and assigned. The CAM sets forth the methodology and logical allocation factors that establish a reasonable link between the cost causer(s) and cost recovery.

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Q. CAN YOU PROVIDE EXAMPLES?

A. Yes. First, costs that are incurred by each of the Applicants as part of providing utility services in their service areas in Arizona are direct costs, and thus are neither assigned nor allocated under the CAM. Second, costs that are incurred by APUC, LUCC, LUCo or LUSC for the exclusive benefit of any utility's operations are directly assigned to that utility in accordance with the CAM. Third, costs that are incurred by APUC, LUCC, LUCo or LUSC that benefit multiple companies within the APUC corporate family are allocated using defined allocation methodologies described in the CAM. Fourth, regional costs that benefit the entities within the West Region are either directly assigned to the utility within the region or allocated using the Regional Four-Factor Methodology. Finally, Liberty Sub Corp. incurs costs for the benefit of the Arizona and Texas utilities that are allocated based on a local four-factor methodology.

Q. WHEN WAS THE CAM MOST RECENTLY UPDATED AND WHAT WERE THE SIGNIFICANT CHANGES?

A. The CAM was last updated in January 2017. With this update, the Utility Four-Factor weightings were updated and the regional operating structure and allocation methodology was established.

Q. HAS THE CAM BEEN INDEPENDENTLY REVIEWED?

A. Yes. In April 2021, LUCC engaged PricewaterhouseCoopers LLP ("PwC") to assess the processes for capturing, assigning and allocating holding/service company costs incurred as described in the CAM and to assess the CAM's compliance with guidance provided by NARUC and Federal Energy Regulatory Commission ("FERC"). PwC also assessed whether the allocations described in the CAM are based on cost-causative factors (e.g., direct charging, indirect attribution) or a multi-factor general allocator that are designed to prevent cross-subsidization (e.g., regulated versus unregulated affiliates, regulated electric versus regulated gas versus regulated water or wastewater, United States versus Canada). In addition, PwC reviewed the cost allocation workbooks to determine if the costs were actually allocated in accordance with the process stated in the CAM.

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In July 2021, PwC issued their report, which is attached as Exhibit JS-DT2. PwC concluded that the methodologies for capturing and allocating parent and shared services costs to affiliates are reasonable, supportable and consistent with NARUC and FERC guidance, and that the results of the transaction testing found that the mechanics of the allocation process are working as designed.[5]

D. INDOH

Q. WHAT IS INDOH?

A. Indirect overhead or "INDOH" refers to the portion of administration and general ("A&G") costs that support capital projects and, in turn, are capitalized.

Q. DOES THE CAM ADDRESS INDOH?

A. No. The purpose of the CAM is to describe the shared services provided and charged by APUC, LUCC and LUSC to the affiliates and subsidiaries within the APUC/Liberty family of businesses. Although the CAM defines and describes how the shared services costs (which are recorded as A&G costs) are assigned or allocated to the regulated utilities like the Applicants, the CAM does not define or describe the process for capitalizing a portion of the A&G costs that are indirectly incurred for the benefit of capital or construction projects.

Q. WHY ARE SUCH COSTS NOT CAPITALIZED DIRECTLY WITH ASSOCIATED CAPITAL PROJECTS?

A. Shared services departments perform many tasks that are essential to support capital and construction projects. To the extent that a task can be directly identified to a capital or construction project, it should be directly charged to the capital work order in accordance with the CAM. However, there are many shared services that are indirectly performed in support of capital projects and recorded as A&G costs. NARUC recognizes the importance of including an appropriate portion of the A&G costs as indirect overhead on construction projects in order to recognize the total cost of a construction project.[6]

[5] Exhibit JS-DT2, PwC Assessment of the CAM, page 6.

[6] *See* NARUC Guidelines for Cost Allocations and Affiliate Transactions.

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Q. BUT AREN'T ALL OF THE ALLOCATED CORPORATE COSTS ALREADY INCLUDED IN THE APPLICANTS' REVENUE REQUIREMENTS AS A&G EXPENSES?

A. No. Directly assigned and indirectly allocated shared services costs are initially recorded as A&G expenses on Liberty Sub Corp's books. Then the West Region accounting team applies the effective capitalization rate to the A&G costs to determine the INDOH amount. The INDOH is then credited out of the A&G expenses and apportioned, as a debit amount, to the open Arizona and Texas utilities' capital projects.

Q. HOW IS INDOH INCORPORATED INTO APPLICANTS' RATES?

A. When the construction projects are completed and placed into service, the INDOH is capitalized as part of the asset on the utility's books and included as part of rate base.[7]

Q. DOES NARUC SUPPORT CAPITALIZATION OF INDOH?

A. Yes. According to NARUC USOA Account Instruction 20(A) –

> All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the accounting utility, legal expenses, insurance, injuries and damages, relief and pensions, taxes and allowances for funds used during construction shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, so that each job or unit shall bear its equitable proportion of such costs and that the entire costs of the unit, both direct and overhead, shall be deducted from the plant accounts at the time the property is retired.

Instruction 20(B) further provides –

> As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distribution

[7] Gross Utility Plant in Service, Schedule B-1.

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thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities so that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

Q. HAS LIBERTY UTILITIES FOLLOWED NARUC'S INSTRUCTIONS?

A. In my opinion, yes. As previously discussed in my testimony, whenever possible shared services costs are directly charged to capital projects and capitalized as a direct cost of the project. Because it is not always practical for shared services employees to directly charge to capital projects that their activities support, Liberty Utilities has used special studies to determine an appropriate capitalization rate for the shared services performed in support of capital projects. Liberty Utilities periodically reviews and refreshes these studies to ensure the capitalization rate applied to the A&G costs is updated as the capital investment program changes over time. The most recently updated capitalization rate was determined in 2021, resulting in a rate very close to the capitalization rate supported by the 2018 study.

Q. WHAT CAPITALIZATION RATE IS USED AND HOW WAS THE RATE DETERMINED?

A. During the test year, a capitalization rate of 32.08 percent was used for the derivation of INDOH applied to the Applicants' capital projects. The capitalization rate was determined from a study conducted by PA Consulting in 2018 and 2019 and is provided as Exhibit JS-DT3. In November 2020, LUCC engaged PwC to develop and conduct a new time study to determine the percentage of time spent by shared services employees in support of capital projects.

Q. WHAT WAS THE RESULT OF THE PWC STUDY?

A. In July 2021, PwC completed its time study of the West Region shared services employees and determined that a capitalization rate of 32.43 percent is reasonable and supportable.

E. <u>Prior Regulatory Treatment of Shared Services Costs and CAM</u>

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Q. HAS THE APUC/LIBERTY SHARED SERVICES MODEL AND CAM BEEN REVIEWED BY THE COMMISSION?

A. Yes. Although I have only participated in two prior rate cases in Arizona on behalf of Liberty Utilities (the most recent Liberty Black Mountain and Liberty Gold Canyon rate cases), I understand there have already been more than 10 previous rate cases in Arizona involving allocated costs from affiliated transactions. I have attached a list of these cases to my direct testimony as Exhibit JS-DT4.

Q. DO ANY OF THE PRIOR CASES INVOLVE SIMILAR CAM AND SHARED SERVICES COSTS AS THE APPLICANTS NOW SEEK TO RECOVER IN THIS RATE CASE?

A. Generally, yes. While the CAM has been updated a few times and we are continuing to make refinements and improvements in the allocation process and methodologies, the general CAM approach has remained consistent for Liberty Utilities' regulated operations in the U.S. for many years.

Q. BESIDES ARIZONA, HAS THE CAM BEEN REVIEWED BY OTHER PUBLIC UTILITY COMMISSIONS?

A. Yes. Liberty currently operates in 13 states across the U.S. and one Canadian province. The APUC/Liberty CAM and corporate shared services model has been reviewed by regulators as part of rate proceedings in our various jurisdictions.

Q. HAVE THE CORPORATE SHARED SERVICES COSTS BEEN APPROVED FOR THE APPLICANTS' SISTER UTILITIES?

A. Yes. There have been no material disallowances of corporate shared services costs in rate cases across Liberty's footprint related to the shared services model and allocation methodologies. Our regulators have consistently recognized the need for and benefits of Liberty's shared services model.

F. <u>Applicants' Shared Services Costs</u>

Q. WHAT AMOUNT OF CORPORATE SHARED SERVICES COSTS WERE ALLOCATED TO APPLICANTS DURING THE TEST YEAR?

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A. During the test year, Liberty Sub Corp received approximately $6,020,000 of indirect allocations from APUC, LUCC and LUSC shared services allocated and billed during the test year in accordance with the methodologies defined in the CAM. After costs were allocated to Liberty Sub Corp, those costs were further allocated to the operating utilities in Arizona and Texas. Of the $6,020,000 allocated from APUC, LUCC and LUSC, Liberty Cordes Lakes received approximately $146,000, Liberty Beardsley received approximately $207,000, Liberty Rio Rico received approximately $697,000 and Liberty Bella Vista received approximately $749,000. In total Liberty Rio Rico (Consolidated) received approximately $1,799,000.

Q. ARE SHARED SERVICES PROVIDED TO APPLICANTS AT THE FULLY DISTRIBUTED COST OF PROVIDING THOSE SERVICES?

A. Yes. Costs are assigned either through a direct or allocated approach. Costs that cannot be directly assigned or indirectly allocated (e.g., general and administrative) must be included in the fully distributed cost calculation through a general allocation. Therefore, we go through this analysis of the shared services costs on a regular basis.

Q. DO ANY OF THE AFFILIATES PROFIT FROM THE SERVICES PROVIDED TO APPLICANTS?

A. No. All charges reflect the actual cost of providing that service or product. Affiliates are not charging or seeking a profit margin or any other form of affiliated profit.

Q. IS IT POSSIBLE THAT APPLICANTS COULD POTENTIALLY BE SUBSIDIZING NON-REGULATED AFFILIATES?

A. No. The CAM is designed to limit cross subsidizations in this manner. Additionally, as previously mentioned, our corporate services are provided at cost, which is determined by prevailing wages/benefits and actual incurred expenses.

Q. IF THE PROPOSED CONSOLIDATION OF THE APPLICANTS IS APPROVED BY THE COMMISSION, WOULD ANY OF YOUR TESTIMONY APPLY DIFFERENTLY TO THE SURVIVING ENTITY?

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A. No, there will just be one entity with roughly the same pro rata share currently applicable to four entities.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY ON BEHALF OF THE APPLICANTS?

A. Yes.

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EXHIBIT JS-DT1

ALGONQUIN POWER & UTILITIES CORP.

COST ALLOCATION MANUAL

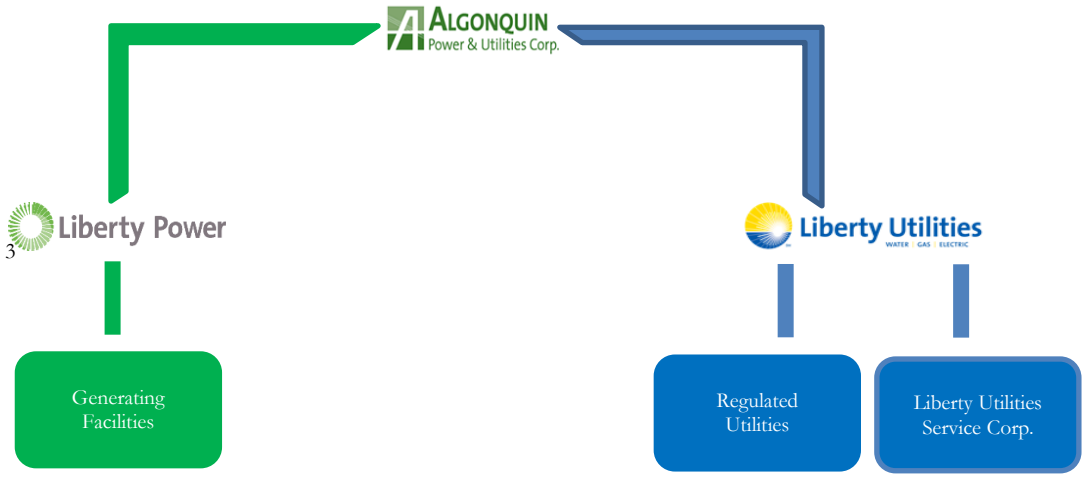
V2017 Effective: January 1st, 2017

TABLE OF CONTENTS

1. INTRODUCTION

The purpose of this manual is to provide a detailed explanation of services provided by Algonquin Power & Utilities Corp ("APUC") and its affiliates to other entities within the APUC family of businesses and to describe the Direct Charge[1] and Indirect Charge[2] Methodologies used for those services. The following organization chart identifies, at a high level, the corporate structure of APUC.

Figure 1: Simplified APUC Corporate Structure



This Cost Allocation Manual ("CAM") has been completed in accordance and conformance with the *NARUC Guidelines for Cost Allocations and Affiliate Transactions* ("NARUC Guidelines"). More specifically, the founding principles of this Cost Allocation Manual are to a) directly charge as much as possible to the entity that procures any specific service, and b)

[1] Direct charges (sometimes referred to as assigned costs) are costs incurred by one company for the exclusive benefit of, or specifically identified with, one or more other companies, and which are directly charged (or assigned) to the company or companies that specifically benefited. Under the NARUC Guidelines, "Direct Costs" are defined as "costs which can be specifically identified with a specific service or product."

[2] Indirect charges (sometimes referred to as allocated costs) are costs incurred by one company that are for the benefit of either (a) all of the APUC companies or (b) all of the regulated companies, and which are charged to the benefited companies using a methodology and set of logical allocation factors that establish a reasonable link between cost causation and cost recovery. Under the NARUC Guidelines, "Indirect Costs" are defined as "costs that cannot be identified with a particular service or product. This includes but not limited to overhead costs, administrative, general, and taxes."

[3] As of April 2017, Algonquin Power Co. (APCo) is doing business under the name Liberty Power. All Liberty Power employees in Canada will become employed by Liberty Utilities (Canada) Corp. in 2017. Liberty Power employees in the United States will remain employed by Algonquin Power Fund (America) Inc.

to ensure that unauthorized subsidization of unregulated activities by regulated activities, and vice versa, does not occur. For ease of reference, the NARUC Guidelines are attached as Appendix 1.

Costs allocated can take the form of: direct labor, direct material, direct purchased services and indirect charges (as described in Tables 1, 4a and 4b in this CAM). These costs are charged by the providing party to the receiving part at fully distributed costs.

2. THE APUC CORPORATE STRUCTURE

APUC owns a widely diversified portfolio of independent power production facilities and regulated utilities[4] consisting of water distribution, wastewater treatment, electric and gas distribution utilities. While power production facilities are located in both Canada and the United States, regulated distribution utility operations are located in the United States.[5] APUC is publicly traded on the New York Stock Exchange and the Toronto Stock Exchange[6]. APUC's structure as a publicly traded holding company provides substantial benefits to its regulated utilities through access to capital markets.

APUC is the ultimate corporate parent that provides financial and strategic management, corporate governance, and oversight of administrative and support services to Liberty Utilities (Canada) Corp. ("LUC") and its subsidiaries as well as to Algonquin Power Co. ("APCo") d/b/a Liberty Power and its subsidiaries. The services provided by APUC are necessary for all affiliates, including LUC and the regulated utility subsidiaries of Liberty Utilities Co. (referred to as "Liberty Utilities"), to have access to capital markets for capital projects and operations. These services are expensed at APUC and are performed for the benefit of Liberty Power and Liberty Utilities and their respective businesses.

APUC and its affiliates benefit from APUC's expertise and access to the capital markets through the use of certain shared services, which maximizes economies of scale and minimizes redundancy. In short, it provides for maximum expertise at lower costs. Further,

[4] All distribution and transmission utilities are owned, either directly or indirectly, by Liberty Utilities Co., which is itself indirectly owned by Liberty Utilities (Canada) Corp.

[5] Algonquin Tinker Gen Co. owns transmission assets in New Brunswick, Canada, which are subject to regulation by the New Brunswick Energy and Utilities Board.

[6] Common shares, preferred shares, and instalment receipts of APUC are traded on the Toronto Stock Exchange under the symbols AQN, AQN.PR.A, AQN.PR.D, and AQN.IR. APUC's common shares are also listed on the New York Stock Exchange under the symbol AQN. Additional corporate information can be found at the company's website, algonquinpower.com.

the use of shared expertise allows each of the entities to receive a benefit it may not be able to achieve on a stand-alone basis such as strategic management advice and access to capital at more competitive rates.

3. SCOPE OF SERVICES FROM APUC AND HOW THOSE COSTS ARE DISTRIBUTED

This section provides an overview of the services provided from APUC, and method used to distribute the associated costs for these services throughout the organization.

3.1 Services and Cost Allocation from APUC to Liberty Utilities and Liberty Power

3.1.1 Description of APUC Services and Costs

APUC provides benefits to its subsidiaries by providing financing, financial control, legal, executive and strategic management and related services. APUC charges labor rates for these shared services at cost, which is the dollar hourly rate per employee as recorded in APUC's payroll systems, grossed up for burdens such as payroll taxes, health benefits, retirement plans, other insurance provided to employees, and other employee benefits. These labor costs are charged directly to the entity incurring these costs based on timesheets to the extent possible. If labor is for the benefit of all subsidiaries then the allocation methodologies used for indirect costs are applied. See Appendix 2 for a more detailed discussion of the costs incurred by APUC.

APUC also charges non-labor services which includes Financing Services. Financing Services means the selling of units to public investors in order to generate the funding and capital necessary (be it short term or long term funding, including equity and debt) for the entire organization, including subsidiaries of Liberty Utilities and Liberty Power, as well as providing legal services and other associated costs in connection with the issuance of debt and equity.

In connection with the provision of Financing Services, APUC incurs the following types of costs: (i) strategic management costs (board of director, third-party legal services, accounting services, tax planning and filings, insurance, and required auditing); (ii) capital access costs (communications, investor relations, trustee fees, escrow and transfer agent fees); (iii) financial control costs (audit and tax expenses); and (iv) other administrative costs (examples: rent, depreciation, general office costs).

The capital raised by APUC is used by Liberty Utilities (and its regulated subsidiaries) and Liberty Power for current and future capital investments. The services provided by APUC are critical and necessary to Liberty Utilities and its regulated subsidiaries and Liberty Power because without those services they would not have a readily available source of capital funding. Further, relatively small utilities may have difficulty attracting capital on a stand-alone basis.

Indirect costs from APUC, excluding corporate capital, are pooled and allocated to LUC (and subsequently, to LUC's subsidiaries) and Liberty Power using the method summarized in Table 1. Each corporate cost type, or function, has been reviewed to properly identify the factors driving those costs. Each function or cost type is typically driven by more than one factor and each has been assigned an appropriate weighting. Table 1 includes a brief commentary on the rationale for each cost driver and weighting, along with examples for each cost type.

The services provided by APUC optimize the performance of the utilities, keeping rates low for customers while ensuring access to capital is available. If the utilities did not have access to the services provided by APUC, they would be forced to incur associated costs for financing, capital investment, audits, taxes and other similar services on a stand-alone basis, which would substantially increase such costs. Simply put, without incurring these costs, APUC would not be able to invest capital in its subsidiaries, including the regulated utilities.

Table 1: Summary of Corporate Allocation Method of APUC Indirect Costs

Type of Cost	Allocation Methodology	Rationale	Examples
Legal Costs	Net Plant 33.3% Number of Employees 33.3% O&M 33.3%	This function is driven by factors which include Net Plant, as typically the higher the value of plant, the more legal work it attracts; similarly, a greater number of	Employee labor and related administration and programs; Third party legal services

			employees are typically more indicative of larger facilities that require greater levels of attention; and O&M costs tend to be a third factor indicative of size and legal complexity.	
Tax Services	Revenue O&M Net Plant	33.3% 33.3% 33.3%	This function is driven by a variety of factors that influence the size and relative tax complexity, including Revenues, O&M and Net Plant. Tax activity can be driven by each of these factors.	Employee labor and related administration and programs, including Third party tax advice and services
Audit	Revenue O&M Net Plant	33.3% 33.3% 33.3%	This function is driven by a variety of factors that influence the size and complexity of Audit, including Revenues, O&M and Net Plant. Audit activity can be driven by each of these factors.	Employee labor and related administration and programs, including third party accounting and audit services
Investor Relations	Revenue O&M Net Plant	33.3% 33.3% 33.3%	This function is driven by factors which reflect the relative size and	Employee labor and related administration and programs,

			scope of each affiliate - Revenues, Net Plant and O&M costs.	including third party Investor day communications and materials
Director Fees and Insurance	Revenue O&M Net Plant	33.3% 33.3% 33.3%	This function is driven by factors which reflect the relative size and scope of each affiliate - Revenues, Net Plant and O&M costs.	Board of Director fees, insurance and administration
Licenses, Fees and Permits	Revenue O&M Net Plant	33.3% 33.3% 33.3%	This function is driven by factors which reflect the relative size and scope of each affiliate - Revenues, Net Plant and O&M costs.	Third party costs
Escrow and Transfer Agent Fees	Revenue O&M Net Plant	33.3% 33.3% 33.3%	This function is driven by factors which reflect the relative size and scope of each affiliate - Revenues, Net Plant and O&M costs.	Third party costs
Other Professional Services	Revenue O&M Net Plant	33.3% 33.3% 33.3%	This function is driven by factors which reflect the relative size and scope of each affiliate - Revenues, Net Plant and O&M costs.	Third party costs

Other Administration Costs	Oakville Employees 50% Total Employees 50%	This function is driven by factors which are indicative of number of employees.	Office administration costs. Employee labor and related administration
Executive and Strategic Management	Revenue 33.3% O&M 33.3% Net Plant 33.3%	This function is driven by factors which reflect the relative size and scope of each affiliate - Revenues, Net Plant and O&M costs.	Employee labor and related administration that is not directly attributable to any entity

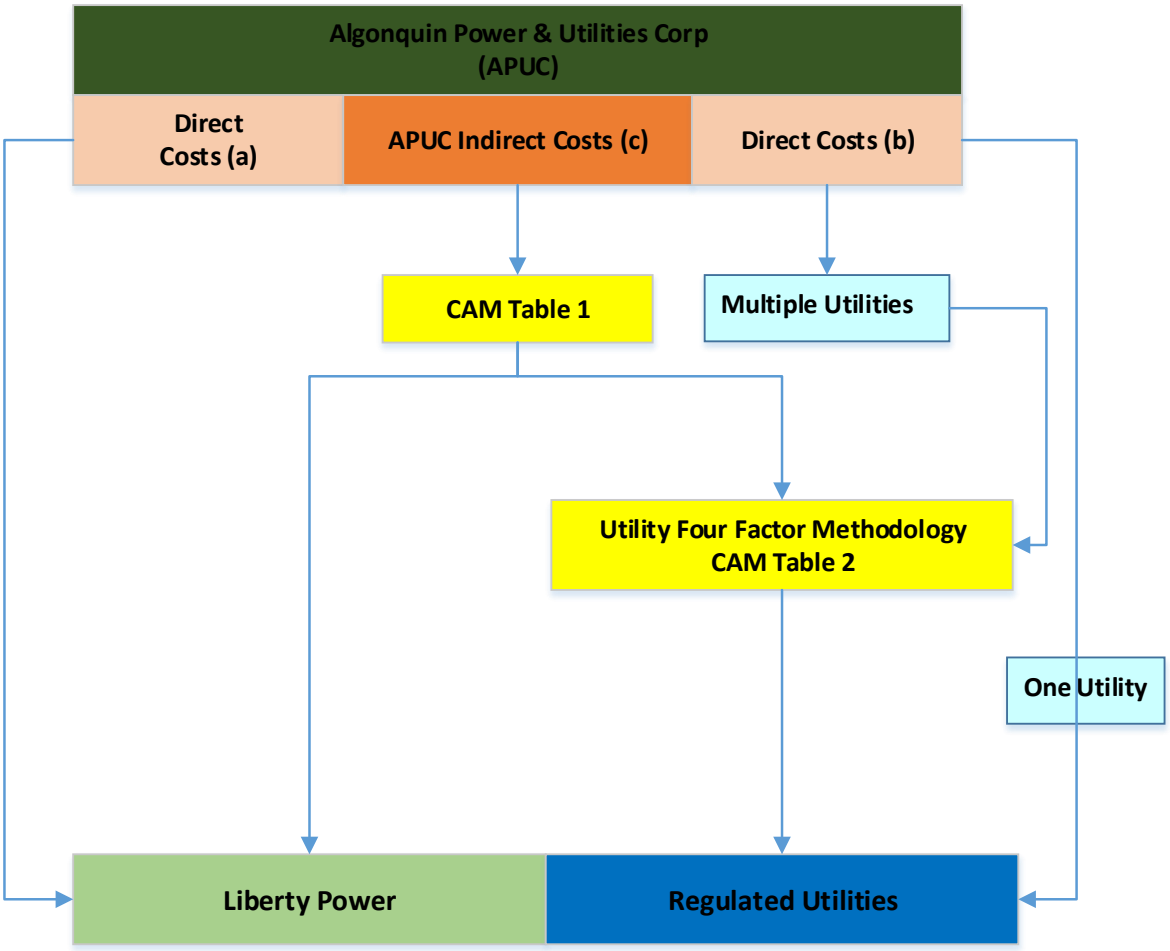
Notwithstanding the above, if a charge is related either solely to the regulated utility business or to the power generation business Liberty Power, then all of those costs will be direct charged, or assigned, to the business segment for which they are incurred. If a cost can be directly attributable to a specific entity, it will be directly charged to that entity.

In the event that organizational realignments occur, resulting in certain other services or costs to come from APUC, any allocations (if any) will be done as per the "Executive and Strategic Management" line in Table 1 above until the CAM is updated.

3.1.2 Description of the APUC Cost Flows

Please refer to Figure 2 for a diagram of the various flows of costs from APUC.

Figure 2: Illustration of APUC Corporate Cost Distributions



(a) Costs that are directly assignable to unregulated companies.
(b) Costs that are directly assignable to one regulated company, or that benefit all regulated operations.
(c) Costs that benefit both unregulated and regulated operations.

As illustrated in Figure 2 and as described above, APUC incurs three types of costs that are passed on to its direct and indirect subsidiaries. The first type is APUC's costs that directly benefit a particular specific unregulated company, which are directly assigned to that unregulated company (i.e., Liberty Power or one of its subsidiaries). The second type is APUC's costs that directly benefit a particular regulated company, which are directly assigned to that regulated company[7]. The third type are APUC's remaining costs that benefit the entire

[7] This could be directly to LUC (which would subsequently be allocated over utility subsidiaries of LUC) or to a specific utility for which the service was necessary.

enterprise (both regulated and unregulated), which are allocated between regulated and unregulated company groups pursuant to CAM Table 1. Information within Table 1 includes: (a) each type of cost incurred by APUC that is to be allocated between regulated and unregulated parts of the business; (b) the factors used to allocate each type of cost between regulated and unregulated activity; (c) the rationale for selecting the factors that are used for allocation; and (d) examples of the specific allocated costs. The costs allocated to the regulated companies as a group are then reallocated to individual utility companies using the Utility Four-Factor allocation methodology set forth in CAM Table 2 (described below), resulting in utility-specific allocated charges from APUC.

For an example of how an APUC invoice would be assigned or allocated, please see Appendix 3.

Certain costs, which are incurred for the benefit of APUC's businesses, are not allocated to any utility subsidiary. These costs include certain corporate travel and certain overheads.

4. SCOPE OF SERVICES PROVIDED BY LUC AND HOW COSTS ARE DISTRIBUTED

This section provides an overview of the services and the cost methodology for LUC.

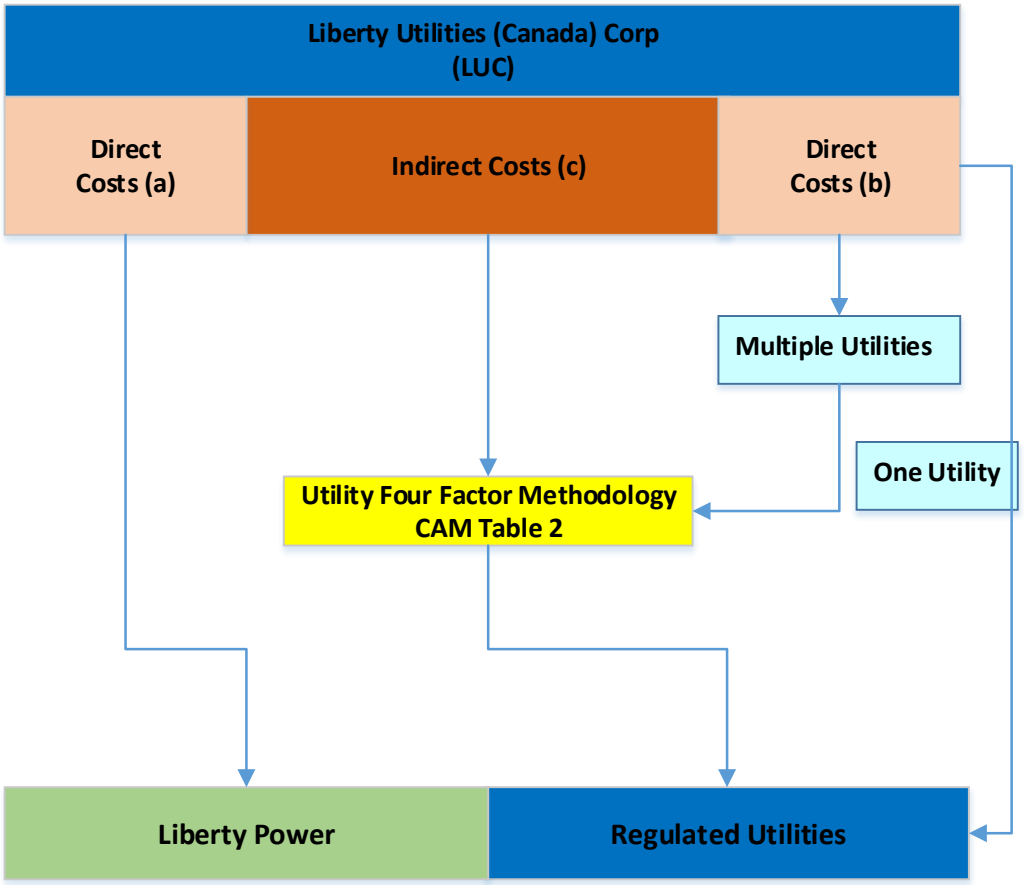
4.1 Overview of LUC Services and Costs

Various services and methods of cost distribution arise from LUC and can be categorized as those provided: (a) specifically to regulated utilities, (b) specifically to Liberty Power, or (c) to the entire organization (under the business unit of Liberty Algonquin Business Services ("LABS")). Figure 3 identifies the flow of costs from dedicated utility support and dedicated Liberty Power staff within LUC. Figure 4 identifies the flow of costs from the shared business and corporate services staff and functions ("LABS") within LUC. Both Figures 3 and 4 are depicted below in this section.

As illustrated in Figure 3, LUC incurs three types of costs. The first type is an LUC cost that directly benefits a particular Liberty Utilities affiliate (i.e., regulated company), which is directly assigned to that regulated company. The second type is an LUC cost that benefits all of the Liberty Utilities regulated companies, and which is allocated using the Utility Four-Factor Methodology described in CAM Table 2. The third type is a cost that only benefits and is directly charged to Liberty Power. All three of these cost types are described in section 4.2 below.

As illustrated in Figure 4, shared services costs arising from LUC are those from shared services[8] that benefit both the regulated group of companies and the unregulated group of companies within the APUC family; which are allocated between the two groups pursuant to the methodology described in section 4.3 and as set forth in CAM Table 4.

Figure 3: Illustration of LUC Corporate Cost Distributions

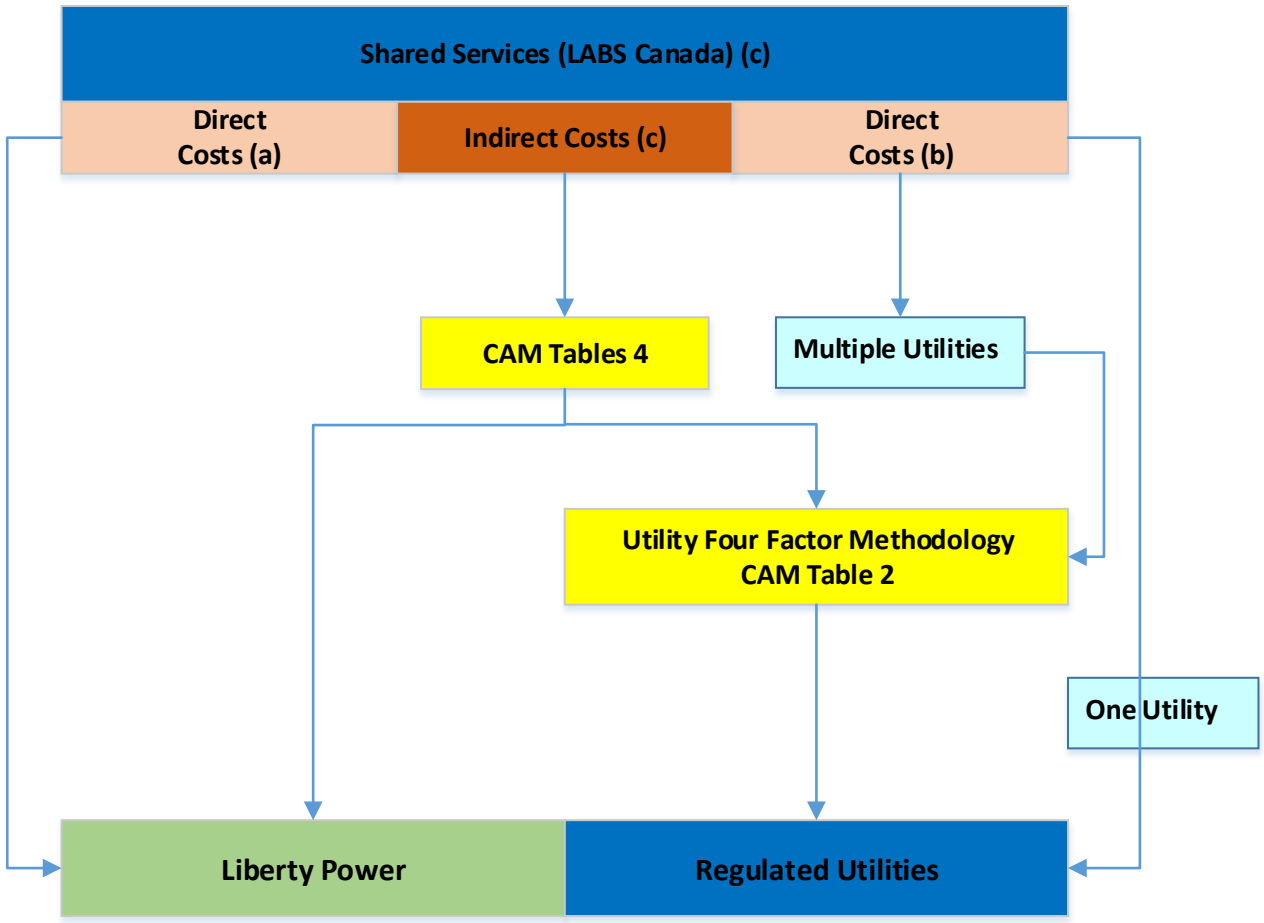


Notes:

(a) Costs that are directly assignable to unregulated companies
(b) Costs that are directly assignable to one or more specific regulated companies.
(c) Costs that benefit all regulated operations.

[8] As discussed later, shared support services that benefit both regulated and unregulated businesses within APUC are provided within Liberty Algonquin Business Services ("LABS"), which is a business unit with staff employed within LUC and LUSC. Shared services staff serve both regulated and unregulated entities. LABS staff within the corporate office in Canada are employed within LUC; LABS staff in the US are employed within LUSC. As new U.S.-based utilities are added to the Liberty-Algonquin organization, there could be a transitionary period in which some of these shared services staff and functions may also remain employed within the new utility until such time that they may be transitioned to become an employee of Liberty Utilities Service Corp. ("LUSC").

Figure 4: Illustration of LUC Shared Services Cost Distributions



Notes:

(a) Costs that are directly assignable to unregulated companies.
(b) Costs that are directly assignable to one or more regulated companies.
(c) Costs that benefit both unregulated and regulated operations.

4.2 LUC Services and Costs Provided to Liberty Utilities and Liberty Power

4.2.1 Services to Liberty Utilities

LUC provides services to Liberty Utilities such as: executive, regulatory strategy, energy procurement, operations, utility planning, administration, and customer experience.

LUC will assign costs that can be directly attributable to a specific utility. These include direct labor and direct non-labor costs. However, because the indirect LUC costs cannot be directly attributed to an individual utility, LUC allocates its indirect labor and indirect non-labor costs, including capital costs, to its regulated utilities using a Utility Four-Factor Methodology[9]. LUC uses the Utility Four-Factor Methodology to allocate costs incurred for the benefit of all of its regulated assets ("System-Wide Costs") to all of its utilities.

The Utility Four-Factor Methodology allocates costs by relative size and scope of the utilities. The methodology used by LUC involves four allocating factors, or drivers: (1) Utility Net Plant; (2) Total Customers; (3) Non-Labor Expenses; and (4) Labor Expenses, with each factor assigned an equal weight, as shown in Table 2 below.

Table 2: Utility Four-Factor Methodology Factors and Weightings

Factor	Weight
Customer Count	40%
Utility Net Plant	20%
Non-Labor Expenses	20%
Labor Expenses	20%
Total	**100%**

LUC uses the Utility Four-Factor Methodology to allocate to its regulated utilities the system-wide indirect labor and indirect non-labor costs within LUC (from its utility-dedicated staff, and from the shared services functions within LUC).

Table 3 provides a simplified hypothetical example to demonstrate how the Utility Four-Factor Methodology would be calculated based on ownership of only two hypothetical utilities.

[9] Please note, indirect costs sent to utilities via the 4-factor will consist of 1) indirect costs from LUC's utility-dedicated staff and services, plus 2) the indirect costs from APUC, 3) the indirect costs retained within LUC from LABS (the shared services staff and services within LUC), and 4) the indirect costs allocated from LUSC.

Table 3: Utility Four-Factor Methodology Example

Factor	Utility 1	Utility 2	Total All Utilities	Utility 1 % of Total	Factor Weight	Utility 1 Allocation
Utility Net Plant ($)	727	371	1098	66%	20%	13%
Customer Count (#)	6000	2000	8000	75%	40%	30%
Labor Expenses ($)	57	32	89	64%	20%	13%
Non-Labor Expenses ($)	108	41	149	72%	20%	14%
Total Allocation						71%

As can be seen from these hypothetical numbers in Table 3, Utility 1 would be allocated 71% of the total indirect costs incurred by LUC, based on its relative size and application of the Utility Four-Factor Methodology. Utility 2 would be allocated the remaining 29%. LUC has developed and utilized this methodology to better allocate costs, recognizing that larger utilities require more time and management attention and incur greater costs than smaller ones.

On occasion there may be costs which are incurred for the benefit of two or more utilities, but not all of the utilities. These costs are directly assigned to utilities as per the vendor invoice, or, if the invoice doesn't specify a share for each utility, the Utility Four-Factor Methodology is used. In this situation, the weighting is determined by only including the utilities that benefited from the service and excluding the utilities that did not receive the service. For an example of how an LUC invoice would be assigned or allocated, please see Appendix 4.

4.2.2 LUC Services to Liberty Power.

A sub-set of LUC employees provide dedicated services to Liberty Power such as: executive, energy services, asset management, business development, and operations. All costs (labor and non-labor) incurred for these services will be directly charged to Liberty Power (no

indirect costs are allocated from this group). Labor costs are tracked through timesheets and directly charged to Liberty Power.

4.3 Shared Services from LUC

The last type of costs arising from LUC are those from shared services[10] that benefit both the regulated group of subsidiary companies owned by Liberty Utilities and Liberty Power.

Consistent with the organization practices described earlier, shared services and costs (within LUC[11]) are assigned when they are directly attributable to a specific affiliate company (such as a specific distribution utility) or business unit[12] (such as Liberty Utilities or Liberty Power). Labor charges for LUC shared services staff are assigned using timesheets that depict the amount of time that is to be direct charged to either Liberty Utilities or Liberty Power (or a specific subsidiary within Liberty Utilities. or Liberty Power).

Please refer to Figure 4 above for a diagram of the various flows of costs that may arise from the shared services staff and functions within LUC[13].

Indirect costs for services from the shared services functions that cannot be directly assigned are allocated between the regulated and unregulated business units, Liberty Utilities and Liberty Power, pursuant to the methodology set forth in CAM Tables 4a and 4b. Similar to Table 1, Tables 4a and 4b include: (a) each type of cost incurred by shared services functions within LUC that is to be allocated between regulated and unregulated parts of the business; (b) the factors used to allocate each type of cost between regulated and unregulated activity; (c) the rationale for selecting the factors that are used for allocation; and (d) examples of the specific allocated costs. The costs allocated to the regulated companies as a group are then reallocated to individual companies using the Utility Four-Factor Methodology set forth in CAM Table 2, resulting in utility-specific allocated charges from LUC.

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[10] Liberty Algonquin Business Services ("LABS") is a business unit found organizationally within LUC and LUSC that serves both regulated and unregulated entities. The LABS business unit provides shared services throughout the organization. LABS employees and functions provided from Canada are employed within LUC; LABS employees and functions located in the U.S. are typically employed within LUSC.

[11] As will be discussed further in section 5, shared services to the entire APUC organization are also provided from staff within LUSC.

[12] To clarify, if a LABS service is for only one specific organization, such as the unregulated generation business, Liberty Power, the cost will be directly charged to that business unit.

[13] Sometimes referred to as "LABS Canada."

For an example of how an invoice or cost within LUC's shared services (LABS) would be assigned or allocated, please see Appendix 5.

4.3.1 Business Services and Corporate Services

LUC shared services that would be provided to the entire company, i.e., Liberty Power and Liberty Utilities, are internally referenced under two names - Business Services and Corporate Services. The services and functions within each category are shown in the tables below[14]. Indirect costs from Business Services and Corporate Services are allocated using the following methodology shown in Tables 4a and 4b, respectively, which are designed to closely align the costs with the driver of the activity.

Table 4a: Summary of Corporate Allocation Method of LUC[15] Business Services Indirect Costs

Type of Cost	Allocation Methodology	Rationale	Examples
Information Technology	Number of Employees 90% O&M 10%	IT function is driven by factors which include number of employees and O&M. The larger the number of employees, the more support, software and IT infrastructure is required.	Enterprise wide support, architecture, etc. Third party fees
Human Resources	Number of Employees 100%	HR function is driven by number of employees. A greater number of employees requires	HR policies, payroll processing, benefits,

[15] And LUSC shared services functions.

		additional HR support	employee surveys
Training	Number of Employees 100%	Training is directly proportional to the number of employees per function	Courses, lectures, in house training sessions by third party providers
Facilities and Building Rent	Oakville Employees 100%	Office space occupied by employees accurately reflects space requirements of each subsidiary	Corporate office building
Environment, Health, Safety and Security	Number of Employees 100%	EHSS training, etc. is directly proportional to the number of employees per function	Enterprise wide programs, employee labor and related administration
Procurement	O&M 50% Capital Expenditures 50%	Procurement function is based on typical proportion of expenditures	Enterprise wide support and related administration
Executive and Strategic Management	Revenue 33.3% O&M 33.3% Net Plant 33.3%	This function is driven by factors which reflect the relative size and scope of each affiliate - Revenues, Net Plant and O&M costs.	Employee labor and related administration that is not directly attributable to any entity

Technical Services	Net Plant 33.3% Revenue 33.3% O&M 33.3%	This function is driven by factors which reflect the relative size and scope of each affiliate-Revenues, Net Plant and O&M costs.	Employee labor and related administration that is not directly attributable to any entity
Utility Planning	Net Plant 33.3% Revenue 33.3% O&M 33.3%	This function is driven by factors which reflect the scope of each affiliate Management - Revenues, Net Plant and O&M costs.	Employee labor and related administration that is not directly attributable to any entity

Table 4b: Summary of Corporate Allocation Method of LUC[16] Corporate Services Indirect Costs

Risk Management	Net Plant 33.3% Revenue 33.3% O&M 33.3%	This function is driven by factors which reflect the relative size and complexity of Risk Management - Revenues, Net Plant and O&M costs.	Employee labor and related administration, Software platform, fees and administration

[16] And LUSC shared services functions.

Financial Reporting, Planning and Administration	Revenue 33.3% O&M 33.3% Net Plant 33.3%	This function is driven by factors which reflect the relative size and complexity of Financial Reporting and Admin. - Revenues, Net Plant and O&M costs.	Employee labor and related administration and third party fees
Treasury	Capital Expenditures 25% O&M 50% Net Plant 25%	Treasury activity is typically guided by the amount of necessary capex/plant for each utility, and operating costs/cash flow	Third party financing, employee labor and related administration and programs
Internal Audit	Net Plant 25% O&M 75%	This function is driven by factors which reflect the relative size and complexity of Internal audit activity. Larger Plant and operating costs of a given facility drive more activity from IA.	Third party fees, employee labor and related administration and programs
External Communications	Total Employees 100%	Communications cost is directly proportional to the number of employees	Enterprise wide support and related administration
Legal Costs	Net Plant 33.3%	This function is driven by factors	Employee labor and related

	Number of Employees 33.3% O&M 33.3%	which include Net Plant, as typically the higher the value of plant, the more legal work it attracts; similarly, a greater number of employees are typically more indicative of larger facilities that require greater levels of attention; and O&M costs tend to be a third factor indicative of size and legal complexity.	administration and programs, including third party legal
Compliance	Revenue 33.3% O&M 33.3% Net Plant 33.3%	This function is driven by factors which reflect the relative size and scope of each affiliate - Revenues, Net Plant and O&M costs.	Employee labor and related administration that is not directly attributable to any entity

5. LIBERTY UTILITIES SERVICE CORP.

This section provides an overview of some of the services (as outlined in Table 5) and the cost methodology for Liberty Utilities Service Corp. ("LUSC").

Most U.S.-based utility employees are employed by LUSC and are dedicated to serve particular utilities. All employees' labor costs, such as salaries, and associated labor costs, such as benefits, insurance etc. are to be paid by LUSC and direct charged to the company to which the employee is dedicated and performs work. Services provided by employees within LUSC

to each regulated utility shall be distributed on a time sheet basis to the extent possible. In infrequent instances where time sheeting may not be possible, the allocation factors shown in Tables 4a and 4b are to be used, as will be explained below.

5.1 Shared Services from LUSC

LUSC employs some individuals who provide shared services (listed in Table 5 below). Costs distributed by LUSC will include those from shared services employees: (a) where the function benefits both Liberty Utilities and Liberty Power businesses and (b) where the function benefits some or all of the regulated utilities within Liberty Utilities (e.g., energy procurement services).

Consistent with the organizational shared services practices described earlier, shared services and costs (within LUSC) are assigned when they are directly attributable to a specific affiliate company (such as a specific distribution utility, for example) or business unit (such as Liberty Utilities or Liberty Power). Labor charges for LUSC shared services staff are assigned using timesheets that depict the amount of time that is to be direct charged to either Liberty Utilities or Liberty Power (or a specific subsidiary within Liberty Utilities or Liberty Power).

The type of U.S. shared services that benefits both Liberty Utilities and Liberty Power businesses is referred to as LABS U.S. The LABS U.S. indirect costs for services from the shared services staff and functions within LUSC that cannot be directly assigned are allocated between the regulated and unregulated business units, Liberty Utilities and Liberty Power, and are distributed in the same manner per CAM Tables 4a and 4b described for shared services staff and functions within LUC. Consistent with the practices within LUC, the costs allocated from LUSC to the regulated companies as a group (i.e. to Liberty Utilities) are then reallocated to individual utility companies within the Liberty Utilities structure using the Utility Four-Factor Methodology set forth in CAM Table 2, resulting in utility-specific allocated charges from LUSC.

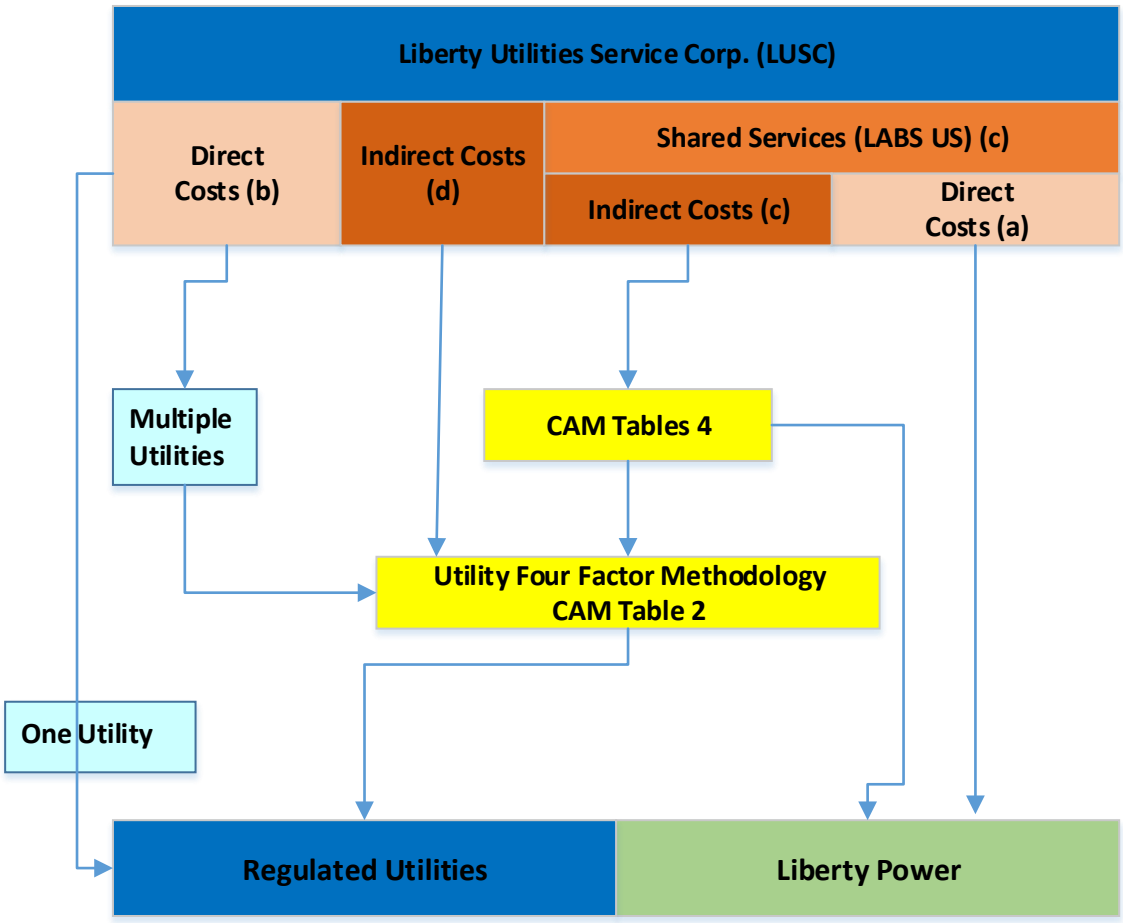
The indirect costs from the U.S. shared services that only benefit the regulated utilities are distributed using the Utility Four-Factor Methodology set forth in CAM Table 2, resulting in utility-specific allocated charges from LUSC.

Figure 5 below depicts the various flows of costs from LUCS.

Table 5 – List of Shared Services provided by Liberty Utilities Service Corp.

Customer Care and Billing
IT/Tech Support
Human Resources
Gas Control
Legal
Compliance
Regulatory & Government Relations
Environmental, Health, Safety and Security
Procurement
Operations
Engineering; Dispatch and Control
Outage Management
GIS/Mapping
Vegetation Management
Energy Procurement
Accounting and Finance
Managerial
Utility Planning
Customer Communication

Figure 5: Illustration of LUSC Cost Distributions



Notes:

(a) Costs that are directly assignable to unregulated companies.
(b) Costs that are directly assignable to regulated companies.
(c) Costs that benefit both unregulated and regulated operations.

The allocation methodology may be adjusted based on the number of participating utilities. For example, Customer Service representatives who serve only the New Hampshire utilities will only have their indirect costs allocated, if any, to the two utilities within New Hampshire. Labor costs associated with energy procurement are directly billed to the utilities requiring energy procurement services using timesheets.

6. COST DISTRIBUTION AT THE REGIONAL OR STATE UTILITY LEVEL

Within the Liberty Utilities organization, the organizational structure and reporting relationships may evolve as the organization grows and develops. Costs and services provided to the regional or state utility level from other corporate entities are directly assigned to the extent possible and distributed over the utilities within the state or region for which they are provided. Any services and costs which cannot be directly assigned will be allocated to the utilities within the region or state using the Regional Four-Factor Methodology (25% weighting for the factors of: customer count, utility net plan, non-labor expenses, and labor expenses), unless another method of allocation is legally required.

In addition, each of the regulated entities will distribute costs amongst their affiliated entities in accordance with applicable laws/rules and affiliated service agreements. These cost allocation methods are consistent with the principles of this CAM.

7. CORPORATE CAPITAL

APUC or LUC will make capital investments such as corporate headquarters, IT systems, etc. that benefit the various operating businesses. The costs of these investments may be distributed monthly in the form of an intercompany operating expense charge, that captures the depreciation expense and cost of capital associated with the particular assets, or an alternate method of capital allocation based on the particular needs of the project. All costs associated to service the investment will be allocated to Liberty Power and Liberty Utilities, if applicable, typically based on the allocation method from which the capital investment is made. For example, if the capital investment is made in Human Resources then the allocation methodology used for Human Resources to allocate non-capital indirect costs as shown in Table 4a will be used to allocate the charge associated with the corporate capital expenditures, including the cost of capital, depreciation, and all other associated costs. From time to time, the distribution of costs associated with a corporate capital investment may use an alternate

method. Any corporate capital charges allocated or assigned to LUC are then reallocated to individual Liberty Utilities distribution utilities, or a sub-set of one or multiple distribution utilities, using the Utility Four-Factor Methodology set forth in CAM Table 2.

8. CAM TEAM AND TRAINING

The oversight of the CAM is the responsibility of the corporate Regulatory Department. Any updates or revisions are coordinated and completed by this Department. A CAM Team will be created consisting of trained employees to oversee the operations and management of the CAM principles throughout the organization.

The CAM, and any support material, is available to all employees via the Company intranet. Employee training on the CAM will be provided via the Company's Learning Management System.

9. AUDIT, RECORD KEEPING & AFFILIATE TRANSACTION RULES

Records of each company will be maintained such that all affiliate transactions are auditable. The records will document the cost of transactions, the methods used to distribute the costs, and descriptions of the services provided. The records will be retained for a minimum of three years or as required by law or regulation. The regulator will have access to records, consistent with applicable laws, regarding transactions between the regulated utility and its affiliates. All companies subject to affiliate transaction rules, whether state or federal, will comply with such requirements.

10. UPDATING ALLOCATIONS

Allocation percentages[17] are updated annually. These annual updates to the allocation percentages are based on the most recent audited financial statements and other actual, year-end information. The updated percentages come into effect each April 1st and are valid through to the following March 31st. The Utility Four-Factor Methodology allocation percentages are also updated as an entity is either acquired or sold.

[17] To clarify, the factors and weightings are expected to remain constant. It is the underlying information used to calculate the allocation percentages that is updated annually, such as the most recent net plant figures, or the most recent numbers of employees, for example.

11. APPENDICES

APPENDIX 1 - NARUC GUIDELINES FOR COST ALLOCATIONS

Guidelines for Cost Allocations and Affiliate Transactions:

The following Guidelines for Cost Allocations and Affiliate Transactions (Guidelines) are intended to provide guidance to jurisdictional regulatory authorities and regulated utilities and their affiliates in the development of procedures and recording of transactions for services and products between a regulated entity and affiliates. The prevailing premise of these Guidelines is that allocation methods should not result in subsidization of non-regulated services or products by regulated entities unless authorized by the jurisdictional regulatory authority. These Guidelines are not intended to be rules or regulations prescribing how cost allocations and affiliate transactions are to be handled. They are intended to provide a framework for regulated entities and regulatory authorities in the development of their own policies and procedures for cost allocations and affiliated transactions. Variation in regulatory environment may justify different cost allocation methods than those embodied in the Guidelines.

The Guidelines acknowledge and reference the use of several different practices and methods. It is intended that there be latitude in the application of these guidelines, subject to regulatory oversight. The implementation and compliance with these cost allocations and affiliate transaction guidelines, by regulated utilities under the authority of jurisdictional regulatory commissions, is subject to Federal and state law. Each state or Federal regulatory commission may have unique situations and circumstances that govern affiliate transactions, cost allocations, and/or service or product pricing standards. For example, The Public Utility Holding Company Act of 1935 requires registered holding company systems to price "at cost" the sale of goods and services and the undertaking of construction contracts between affiliate companies.

The Guidelines were developed by the NARUC Staff Subcommittee on Accounts in compliance with the Resolution passed on March 3, 1998 entitled "Resolution Regarding Cost Allocation for the Energy Industry" which directed the Staff Subcommittee on Accounts together with the Staff Subcommittees on Strategic Issues and Gas to prepare for NARUC's consideration, "Guidelines for Energy Cost Allocations." In addition, input was requested from other industry parties. Various levels of input were obtained in the development of the Guidelines from the Edison Electric Institute, American Gas Association, Securities and Exchange Commission, the Federal Energy Regulatory Commission, Rural Utilities Service

and the National Rural Electric Cooperatives Association as well as staff of various state public utility commissions.

In some instances, non-structural safeguards as contained in these guidelines may not be sufficient to prevent market power problems in strategic markets such as the generation market. Problems arise when a firm has the ability to raise prices above market for a sustained period and/or impede output of a product or service. Such concerns have led some states to develop codes of conduct to govern relationships between the regulated utility and its non-regulated affiliates. Consideration should be given to any "unique" advantages an incumbent utility would have over competitors in an emerging market such as the retail energy market. A code of conduct should be used in conjunction with guidelines on cost allocations and affiliate transactions.

A. DEFINITIONS

1. Affiliates - companies that are related to each other due to common ownership or control.

2. Attestation Engagement - one in which a certified public accountant who is in the practice of public accounting is contracted to issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party.

3. Cost Allocation Manual (CAM) - an indexed compilation and documentation of a company's cost allocation policies and related procedures.

4. Cost Allocations - the methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).

5. Common Costs - costs associated with services or products that are of joint benefit between regulated and non-regulated business units.

6. Cost Driver - a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.

7. Direct Costs - costs which can be specifically identified with a particular service or product.

8. Fully Allocated costs - the sum of the direct costs plus an appropriate share of indirect costs.
9. Incremental pricing - pricing services or products on a basis of only the additional costs added by their operations while one or more pre-existing services or products support the fixed costs.

10. Indirect Costs - costs that cannot be identified with a particular service or product. This includes but not limited to overhead costs, administrative and general, and taxes.

11. Non-regulated - that which is not subject to regulation by regulatory authorities.

12. Prevailing Market Pricing - a generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal.

13. Regulated - that which is subject to regulation by regulatory authorities.

14. Subsidization - the recovery of costs from one class of customers or business unit that are attributable to another.

B. COST ALLOCATION PRINCIPLES

The following allocation principles should be used whenever products or services are provided between a regulated utility and its non-regulated affiliate or division.

1. To the maximum extent practicable, in consideration of administrative costs, costs should be collected and classified on a direct basis for each asset, service or product provided.

2. The general method for charging indirect costs should be on a fully allocated cost basis. Under appropriate circumstances, regulatory authorities may consider incremental cost, prevailing market pricing or other methods for allocating costs and pricing transactions among affiliates.

3. To the extent possible, all direct and allocated costs between regulated and non-regulated services and products should be traceable on the books of the applicable regulated utility to the applicable Uniform System of Accounts. Documentation should be made available to the appropriate regulatory authority upon request regarding transactions between the regulated utility and its affiliates.

4. The allocation methods should apply to the regulated entity's affiliates in order to prevent subsidization from, and ensure equitable cost sharing among the regulated entity and its affiliates, and vice versa.

5. All costs should be classified to services or products which, by their very nature, are either regulated, non-regulated, or common to both.

6. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products.

7. The indirect costs of each business unit, including the allocated costs of shared services, should be spread to the services or products to which they relate using relevant cost allocators.

C. COST ALLOCATION MANUAL (NOT TARIFFED)

Each entity that provides both regulated and non-regulated services or products should maintain a cost allocation manual (CAM) or its equivalent and notify the jurisdictional regulatory authorities of the CAM's existence. The determination of what, if any, information should be held confidential should be based on the statutes and rules of the regulatory agency that requires the information. Any entity required to provide notification of a CAM(s) should make arrangements as necessary and appropriate to ensure competitively sensitive information derived therefrom be kept confidential by the regulator. At a minimum, the CAM should contain the following:

1. An organization chart of the holding company, depicting all affiliates, and regulated entities.

2. A description of all assets, services and products provided to and from the regulated entity and each of its affiliates.

3. A description of all assets, services and products provided by the regulated entity to non-affiliates.

4. A description of the cost allocators and methods used by the regulated entity and the cost allocators and methods used by its affiliates related to the regulated services and products provided to the regulated entity.

D. AFFILIATE TRANSACTIONS (NOT TARIFFED)

The affiliate transactions pricing guidelines are based on two assumptions. First, affiliate transactions raise the concern of self-dealing where market forces do not necessarily drive prices. Second, utilities have a natural business incentive to shift costs from non-regulated competitive operations to regulated monopoly operations since recovery is more certain with captive ratepayers. Too much flexibility will lead to subsidization. However, if the affiliate transaction pricing guidelines are too rigid, economic transactions may be discouraged.

The objective of the affiliate transactions' guidelines is to lessen the possibility of subsidization in order to protect monopoly ratepayers and to help establish and preserve competition in the electric generation and the electric and gas supply markets. It provides ample flexibility to accommodate exceptions where the outcome is in the best interest of the utility, its ratepayers and competition. As with any transactions, the burden of proof for any exception from
the general rule rests with the proponent of the exception.

1. Generally, the price for services, products and the use of assets provided by a regulated entity to its non-regulated affiliates should be at the higher of fully allocated costs or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

2. Generally, the price for services, products and the use of assets provided by a non-regulated affiliate to a regulated affiliate should be at the lower of fully allocated cost or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

3. Generally, transfer of a capital asset from the utility to its non-regulated affiliate should be at the greater of prevailing market price or net book value, except as otherwise required by law or regulation. Generally, transfer of assets from an affiliate to the utility should be at the lower of prevailing market price or net book value, except as otherwise required by law or regulation. To determine prevailing market value, an appraisal should be required at certain value thresholds as determined by regulators.

4. Entities should maintain all information underlying affiliate transactions with the affiliated utility for a minimum of three years, or as required by law or regulation.

E. AUDIT REQUIREMENTS

1. An audit trail should exist with respect to all transactions between the regulated entity and its affiliates that relate to regulated services and products. The regulator should have complete access to all affiliate records necessary to ensure that cost allocations and affiliate transactions are conducted in accordance with the guidelines. Regulators should have complete access to affiliate records, consistent with state statutes, to ensure that the regulator has access to all relevant information necessary to evaluate whether subsidization exists. The auditors, not the audited utilities, should determine what information is relevant for a particular audit objective. Limitations on access would compromise the audit process and impair audit independence.

2. Each regulated entity's cost allocation documentation should be made available to the company's internal auditors for periodic review of the allocation policy and process and to any jurisdictional regulatory authority when appropriate and upon request.

3. Any jurisdictional regulatory authority may request an independent attestation engagement of the CAM. The cost of any independent attestation engagement associated with the CAM, should be shared between regulated and non-regulated operations consistent with the allocation of similar common costs.

4. Any audit of the CAM should not otherwise limit or restrict the authority of state regulatory authorities to have access to the books and records of and audit the operations of jurisdictional utilities.

5. Any entity required to provide access to its books and records should make arrangements as necessary and appropriate to ensure that competitively sensitive information derived therefrom be kept confidential by the regulator.

F. REPORTING REQUIREMENTS

1. The regulated entity should report annually the dollar amount of non-tariffed transactions associated with the provision of each service or product and the use or sale of each asset for the following:

a. Those provided to each non-regulated affiliate.
b. Those received from each non-regulated affiliate.
c. Those provided to non-affiliated entities.

2. Any additional information needed to assure compliance with these Guidelines, such as cost of service data necessary to evaluate subsidization issues, should be provided.

Source:
http://www.naruc.org/Publications/Guidelines%20for%20Cost%20Allocations%20and%20Affiliate%20Transactions.pdf

APPENDIX 2 – DETAILED EXPLANATION OF APUC COSTS

1. APUC STRATEGIC MANAGEMENT COSTS

Strategic management decisions are critical for any public utility. The need for strategic management is even more pronounced for APUC as a publicly traded company, which depends on access to capital funding through public sales of units. APUC seeks to hire talented strategic managers that aid in running each facility owned by the company as efficiently and effectively as possible. This ensures the long term health of each utility and ensures that rates are kept as low as possible without compromising the level of service. It also facilitates each regulated utility's access to necessary capital funding at reduced costs. The costs included in Strategic Management Costs fall into the following categories.

a. Board of Directors

The Board of Directors provides strategic oversight on all company affairs including high level approvals of strategy, operation and maintenance budgets, capital budgets, etc. In addition, the Board of Directors provides corporate governance and ensures that capital and costs are incurred prudently, which ultimately protects ratepayers.

b. General Legal Services

General legal services involve legal matters not specific to any single facility, including review of audited financial statements, annual information filings, Sedar filings, review of contracts with credit facilities, incorporation, tax issues of a legal nature, market compliance, and other similar legal costs. These legal services are required in order for APUC to provide capital funding to individual utilities, without which the utilities could not provide adequate service. Additionally, the services ensure that APUC's subsidiaries remain compliant in all aspects of operations and prevent those entities from being exposed to unnecessary risks.

c. Professional Services

Professional Services including strategic plan reviews, capital market advisory services, ERP System maintenance, benefits consulting, and other similar professional services. By providing these services at a parent level, the subsidiaries are able to benefit from economies of scale. Additionally, some of these services improve APUC's access to capital which benefits all of its subsidiaries.

2. ACCESS TO CAPITAL MARKETS

One of APUC's primary functions is to ensure its subsidiaries have access to quality capital. APUC is listed on the New York Stock Exchange ("NYSE") and the Toronto Stock Exchange ("TSX"), leading financial markets. In order to allow its subsidiaries to have continued access to those capital markets, APUC incurs the following costs. These services and costs are a prerequisite to the subsidiaries continued access to those capital markets.

a. License and Permit Fees

In connection with APUC's participation in the NYSE and the TSX, APUC incurs certain license and permit fees such as Sedar fees, annual filing fees, licensing fees, etc. These licensing and permit fees are required in order to sell units on the NYSE and the TSX, which in turn provides funding for utility operations.

b. Escrow Fees

In connection with the payment of dividends to unit holders, APUC incurs escrow fees. Escrow fees are incurred to ensure continued access to capital and ensure continuing and ongoing investments by shareholders. Without such escrow fees, APUC's subsidiaries would not have a readily available source of capital funding.

c. Unit Holder Communications

Unit holder communication costs are incurred to comply with filing and regulatory requirements of the NYSE and the TSX and meet the expectations of shareholders. These costs include items such as news releases and unit holder conference calls. In the absence of shareholder communication costs, investors would not invest in the units of APUC, and in turn, APUC would not have capital to invest in its subsidiaries. With such communications services, the subsidiaries would not have a readily available source of capital funding.

3. APUC FINANCIAL CONTROLS

Financial control costs incurred by APUC include costs for audit services and tax services. These costs are necessary to ensure that the subsidiaries are operating in a manner that meets audit standards and regulatory requirements, which have strong financial and operational controls, and financial transactions are recorded accurately and prudently. Without these services, the regulated utilities would not have a readily available source of capital funding.

a. Audit Fees

Audits are done on a yearly basis and reviews are performed quarterly on all facilities owned by APUC on an aggregate level. These corporate parent level audits reduce the cost of the stand-alone audits significantly for utilities which must perform its own separate audits. Where stand-alone audits are not required, ratepayers receive benefits of additional financial rigor, as well as access to capital, and financial soundness checks by third parties. Finally, during rate cases, the existence of audits provides staff and intervenors additional reliance on the company records, thus reducing overall rate case costs. The aggregate audit is necessary for the regulated utilities to have continued access to capital markets and unit holders.

b. Tax Services

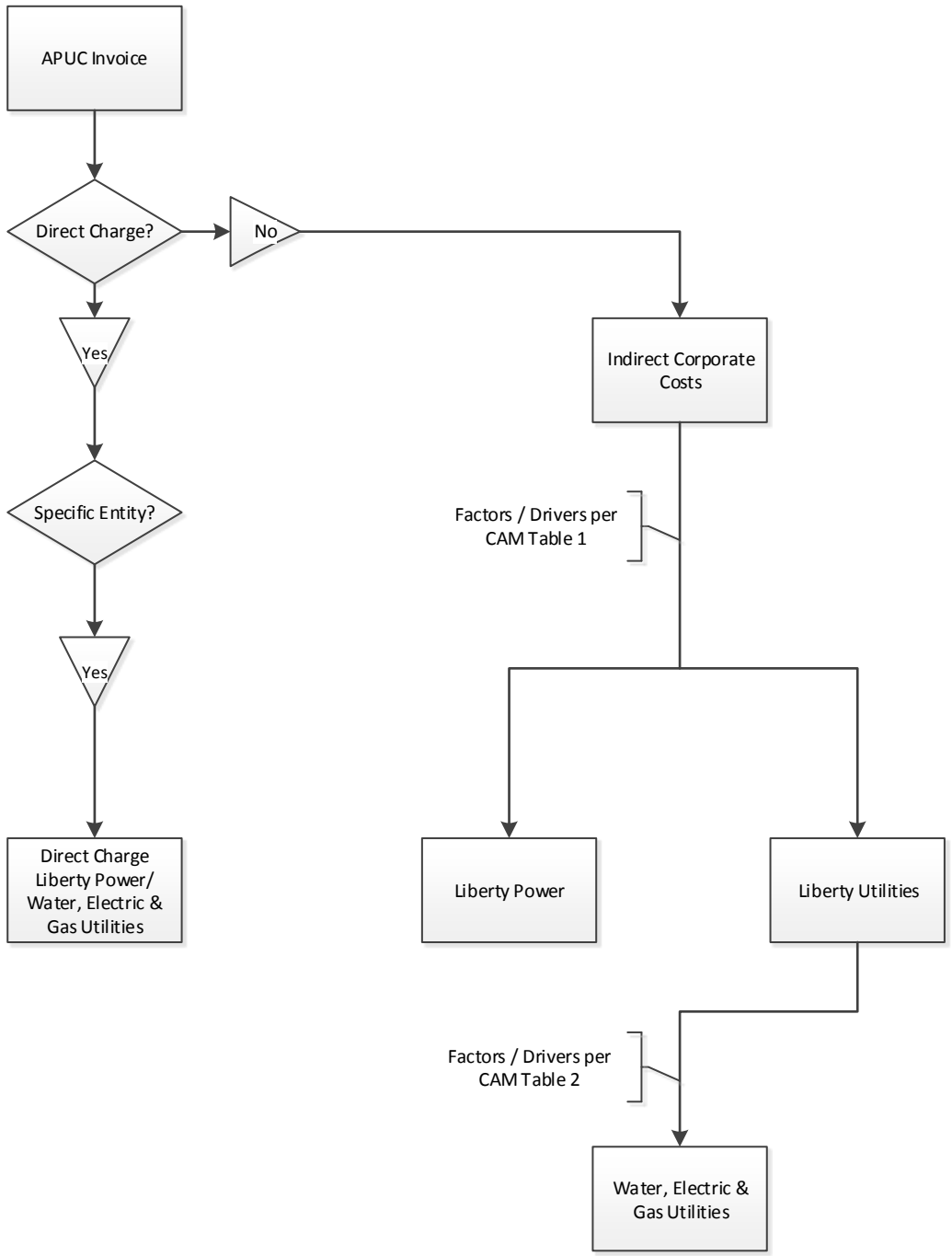
Taxes are paid on behalf of the regulated utilities at the parent level as part of a consolidated United States tax return. Tax services such as planning and filing are provided by third parties. Filing tax returns on a consolidated basis benefits each regulated utility by reducing the costs that otherwise would be incurred by such utility in filing its own separate tax return.

4. APUC ADMINISTRATIVE COSTS

Finally, administrative costs incurred by APUC, in some cases via other corporate entities, such as rent, depreciation of office furniture, depreciation of computers, and general office costs are required to house all the services mentioned above. Without these administrative costs, the employees throughout the APUC organization could not perform their work and provide the necessary services to the regulated utilities. These administrative costs also include training for corporate employees.

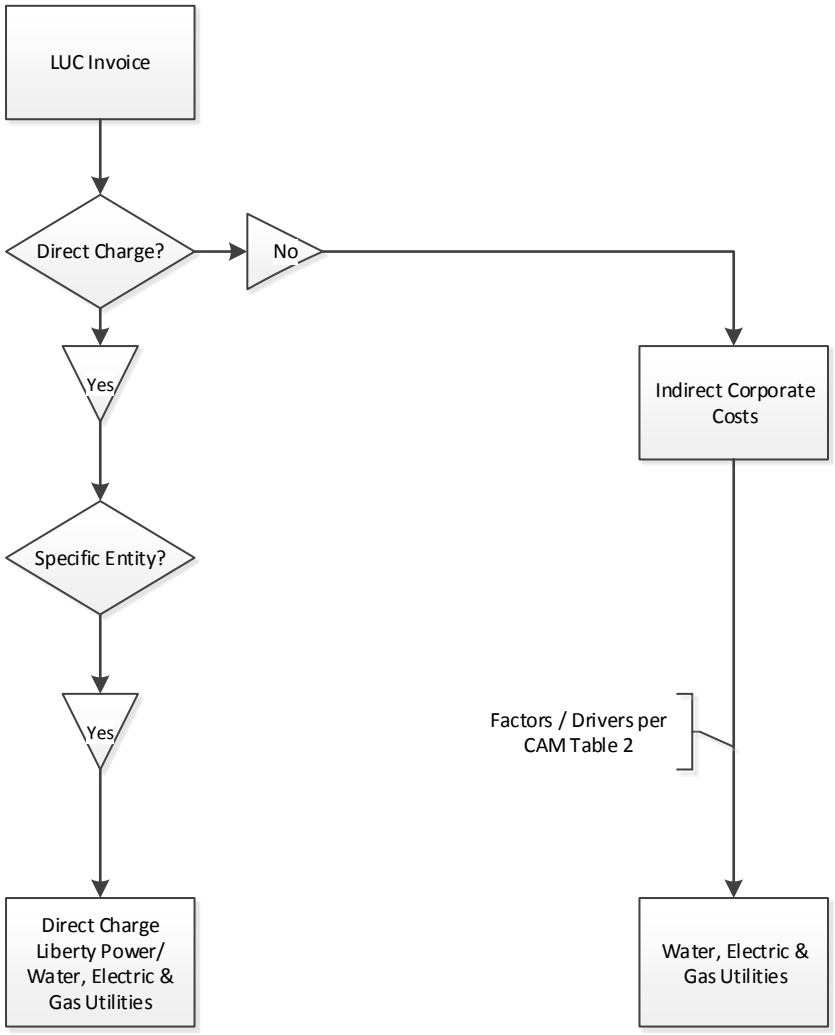
APPENDIX 3 – LIFE OF AN APUC INVOICE

A schematic is provided below showing the trail of an invoice received by APUC for services to be charged to its subsidiaries. The schematic is intended to visually explain the distribution of charges from APUC to Liberty Power and Liberty Utilities companies.



APPENDIX 4 – LIFE OF A LIBERTY UTILITIES INVOICE

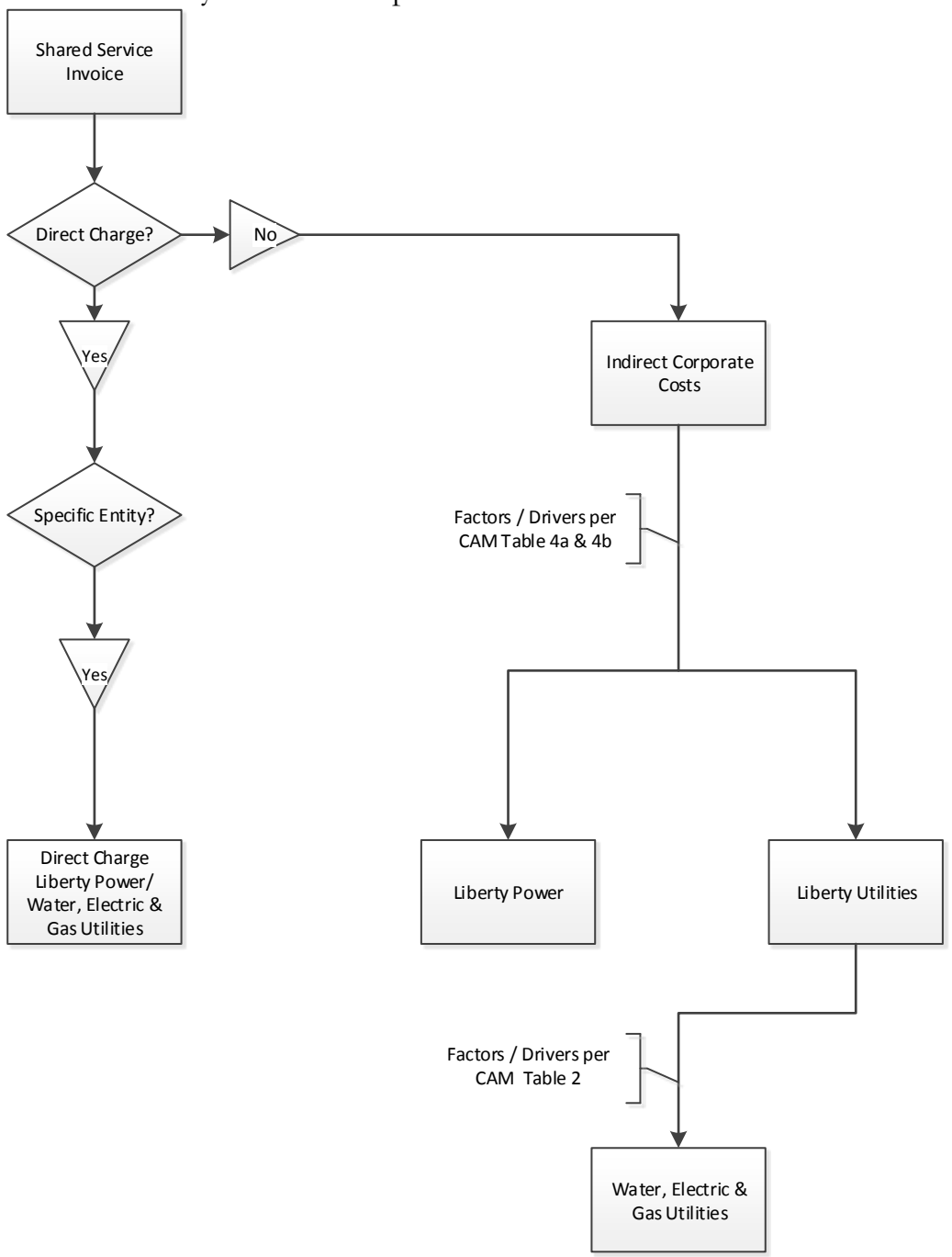
A schematic is provided below showing the trail of an invoice received by Liberty Utilities (LUC) for services to be charged to its utility subsidiaries[18]. The schematic is intended to visually explain the distribution of charges from LUC to Liberty Utilities companies.



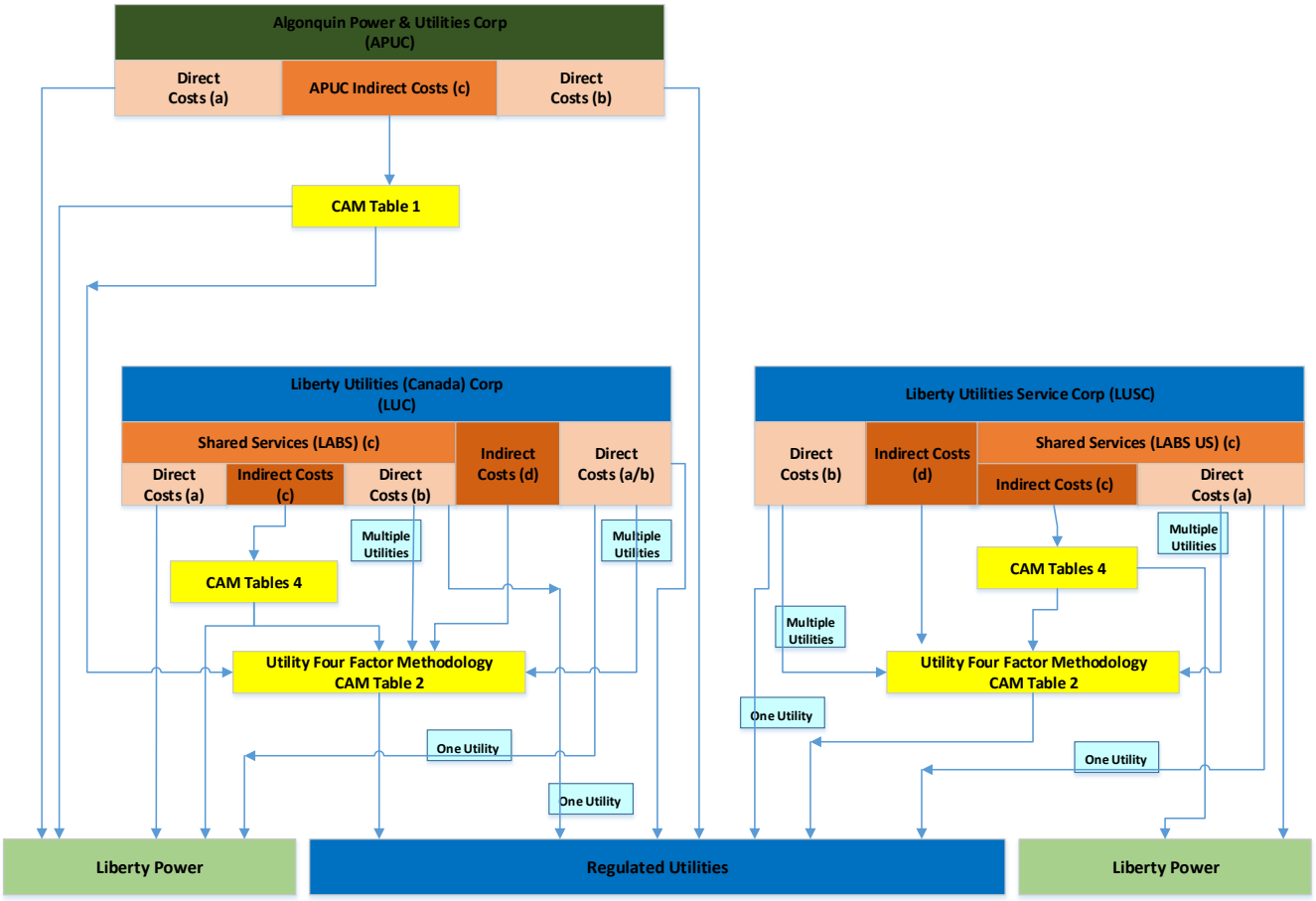
[18] This is for utility-dedicated LUC staff and services (not shared services staff).

APPENDIX 5 – LIFE OF A SHARED SERVICES INVOICE

A schematic is provided below showing the trail of an invoice for shared services provided within Liberty Utilities or LUSC for services to be charged to affiliates and subsidiaries. The schematic is intended to visually explain the distribution of charges from shared services to Liberty Power and Liberty Utilities companies.



APPENDIX 6 – COMPOSITE ILLUSTRATION OF ORGANIZATIONAL COST DISTRIBUTION



Notes:

(a) Costs that are directly assignable to unregulated companies.
(b) Costs that are directly assignable to regulated companies.
(c) Costs that benefit both unregulated and regulated operations
(d) Costs that benefit all regulated operations.

APPENDIX 7 – GLOSSARY OF TERMS

Algonquin Power & Utilities Corp. ("APUC")- is a publicly traded company and the ultimate corporate parent of Liberty Utilities and Liberty Power subsidiaries. It provides financial and strategic management, corporate governance, and oversight of administrative and support services to all its subsidiaries.

Algonquin Power Co. ("Liberty Power")- is a subsidiary of APUC whose primary business is in energy generation through renewal (solar and wind) sources and thermal generating facilities.

Cost Allocation Manual (CAM) – a document that explains how service company costs are assigned to affiliate companies and explains the nature of the services to be provided between affiliates.

Direct Costs- (sometimes referred to as assigned costs)- costs incurred by one company for the exclusive benefit of, or specifically identified with, one or more other companies, and which are directly charged (or assigned) to the company or companies that specifically benefited.

Fully Distributed Cost (FDC)– means a methodology that examines all costs of an enterprise in relation to all the goods and services that are produced. FDC requires recognition of all costs incurred directly or indirectly used to produce a good or service. Costs are assigned either through a direct or allocated approach. Costs that cannot be directly assigned or indirectly allocated (e.g. general and administrative) must also be included in the FDC calculation through a general allocation.

Indirect Costs- costs that cannot be identified with a particular service or product. This includes but not limited to overhead costs, administrative, general, and taxes.

Liberty Utilities Co.- is a subsidiary of APUC and the direct or indirect owner of regulated utilities.

Liberty Utilities (Canada) Corp. ("LUC") - is a subsidiary of APUC and employs Canadian-based employees.

Liberty Utilities Service Corp. ("LUSC")-is a subsidiary of APUC and employs U.S.-based distribution utility employees and those U.S. based employees providing shared services.

Liberty Algonquin Business Services ("LABS")- is a business unit with staff employed within LUC and LUSC. These employees provide shared services to both the utility and non-utility businesses within APUC.

NARUC – National Association of Regulatory Utility Commissioners.

Service Agreement – a written agreement specifying the terms and conditions upon which services are provided to and from affiliated entities.
Utility Four-Factor – is an allocation methodology used to allocate indirect costs to regulated utilities based on the following factors: Utility Net Plant, Customer Count, Non-Labor expenses, and labor expenses.

APPENDIX 8 - VERSION LOG

1. Base Year- January 1 2014
2. V2014, July 1, 2015
3. V2017, January 1 2017 (Includes April 2017 Updates)

EXHIBIT JS-DT2

Assessment of cost allocation manual

Algonquin Power and Utilities Corporation

July 16, 2021

pwc

July 16, 2021

Ms. Jill Schwartz
Director, Regulatory Shared Services
602 S Joplin Avenue
Joplin, Missouri 64818

Dear Ms. Schwartz:

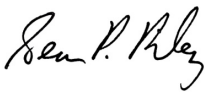
Thank you for the opportunity to work with you and your team on this project to review the cost allocation manual and allocation process.

We have completed our interviews and meetings with your management team and have prepared this report to summarize observations arising from our meetings.

Please find enclosed our report assessing Algonquin Power and Utilities Corporation's methods for accumulating and allocating holding/service company costs.

Please do not hesitate to contact me ((802) 730-3364) or Alan Felsenthal ((312) 405-9581) should you have any questions or comments on this report.

Very truly yours,



Sean P. Riley
Partner

Alan D. Felsenthal
Managing Director

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Scope of the report

At the request of Algonquin Power and Utilities Corporation ("APUC"), we have prepared this report to assess the processes used to capture and allocate holding/service company costs to its regulated and unregulated affiliates.

APUC's processes are included in their Cost Allocation Manual, V2017 Effective: January 1st, 2017 ("CAM").

Our process for completing this assessment included the following procedures:

1. Interviewing various APUC management representatives to obtain an understanding of the various activities performed, including the methodology utilized for excluding certain costs from allocation (primarily business development/acquisition activities) and the method of charging/allocating holding/service company costs to the individual affiliates.

2. Comparing the Company's allocation methodology to allocation methodologies of other United States utility holding/service companies as reported in their annual report to the Federal Energy Regulatory Commission ("FERC") on Form 60.

3. Reviewing documents and other available support issued by the various regulatory jurisdictions (Canada and United States) relating to allocated costs and recovery of such costs in the ratemaking process.

4. Testing a sample of transactions to determine that the allocation methodology set forth in the CAM was operating as described.

This report includes:

5. A description of the current process used to capture, assign and allocate APUC costs affiliates.

6. An assessment of the current process compared to the guidance provided by National Association of Regulatory Utility Commissioners ("NARUC") and FERC.

7. An assessment as to whether the processes for allocating holding/service company costs as described in the CAM are being followed.

Limitations & assumptions

Our work was performed on the basis that information provided to us was accurate and complete. Additionally, our engagement cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud that may exist.

Our Services were performed, and this Deliverable was prepared for the sole use and benefit of, and pursuant to a client relationship exclusively with, Liberty Utilities ("the Company"). PwC is providing no opinion, attestation or other form of assurance and disclaims any contractual or other responsibility to others based on their access to or use of the Deliverable. Accordingly, the information in this Deliverable may not be relied upon by anyone other than Client.

Qualifications of PwC

PricewaterhouseCoopers, which was formed in 1998 from a merger between Price Waterhouse and Coopers & Lybrand, has a long history in client services that dates back to the nineteenth century. Both firms originated in London during the mid-1800s. Today, we serve 26 industries, including the Power & Utilities industry. Our industry-focused services in the fields of assurance, tax, human resources, transactions, performance improvement, information technology and crisis management have helped resolve complex client and stakeholder issues worldwide. We also bring our knowledge and talent to help educational institutions, the federal government, non-profits, and international relief agencies to address their unique business issues.

Our U.S. firm, comprised of over 55,000 professionals, is organized around three core lines of service:

Assurance and Audit: Providing innovative, high quality, independent, and cost-effective services related to an organizations' financial control, regulatory reporting, shareholder value and technology needs;

Tax: Providing a wide range of innovative specialists' resources in three main areas: tax structuring, tax compliance and human resources; and

Advisory: Providing advice and assistance related to transactions, performance improvement, and crisis management based on long-term quality relationships with clients.

As a global network of firms, we share common standards, values, and policies, applying the same processes, systems, and approaches around the world.

PwC's power & utilities practice:

Nationally and globally, we are a leading provider of services in the utility industry. Our philosophy in serving the utility industry is to employ dedicated resources who focus on utility industry clients. This integrated practice demonstrates our commitment to the convergence of the utility industry and enables us to provide worldwide access to information through a variety of local resources. Our depth of resources and range of experience is enhanced by our strong base of utility clients. In the United States, we are the public accountants or consultants for more than 400 clients in the electric, gas, water, and renewable (clean) energy sectors.

Our power and utilities practice provides professional services to companies of many sizes, across many segments of the industry. We serve the needs of utility clients by employing more than 4,500 dedicated resources around the world. This provides our teams with an understanding of regulated and unregulated utility operations and services.

Our U.S. practice consists of more than 1,400 professionals serving clients in the electric, gas, water, and renewable energy sectors, including a dedicated utilities team within our National Office.

Complex accounting and regulatory support practice:

Within our Power and Utilities industry team, we have a highly specialized group, the Complex Accounting and Regulatory Solutions practice (CARS). Our CARS practice is dedicated to helping regulated companies in the energy and utilities industries manage their regulatory risk and solve complex accounting problems. Our seasoned team has deep experience working with regulated entities. The individuals in our CARS practice have many years of experience serving rate regulated entities (electric utilities, gas utilities, water utilities).

Executive summary

We were engaged to assess the company's process for capturing, assigning and allocating holding/service company costs incurred as described in the CAM as well as assess the CAM's compliance with guidance provided by the NARUC and the FERC. Our assessment addressed whether the allocations described in the CAM are based on cost-causative factors (direct charging, indirect attribution) or a multi-factor general allocator that are designed to prevent cross- subsidization (regulated versus unregulated affiliates, regulated electric versus regulated gas versus regulated water, United States versus Canada). In addition, we reviewed management's cost allocation workbooks to determine if the costs were allocated in accordance with the process stated in the CAM.

Based on completing these procedures and analyses, we determined the methodology for capturing holding/service company costs and allocating such costs to the Company's affiliates is reasonable, supportable and consistent with guidance promulgated by NARUC and FERC. The results of transaction testing found that the mechanics of the allocation process are working as designed.

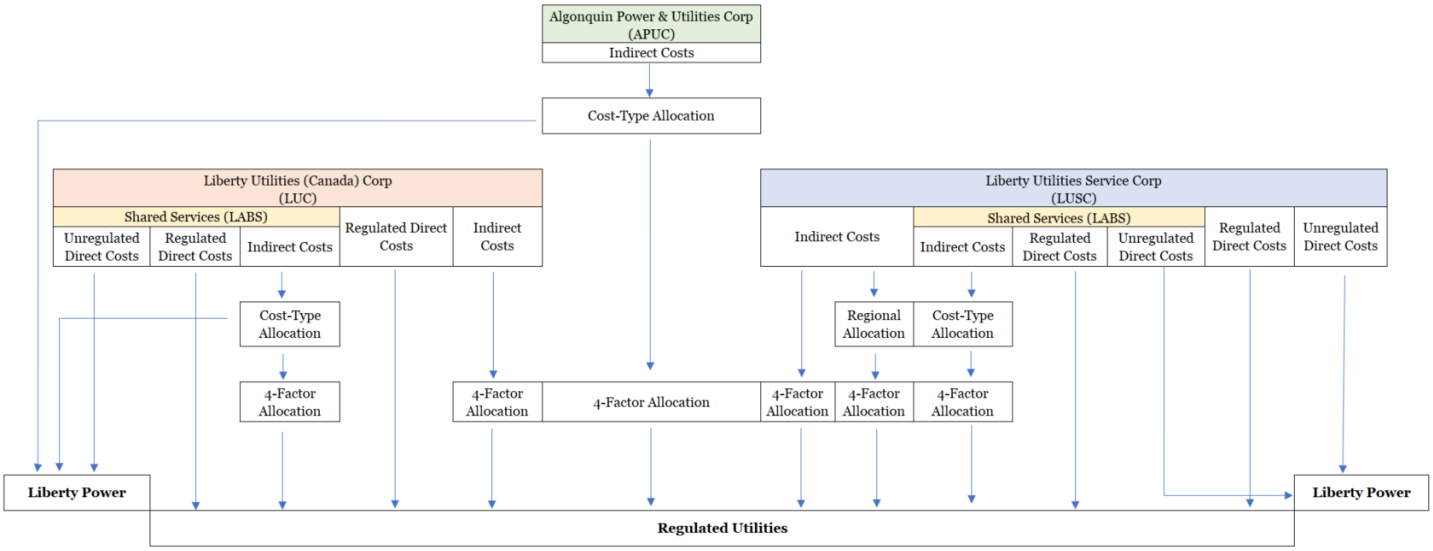
Procedures and observations

Background

Algonquin Power and Utilities Corporation ("APUC") is the ultimate parent holding company with both regulated and non-regulated entities. APUC is further organized into Liberty Utilities (Canada) Corporation ("LUC") and Liberty Utilities Service Corporation ("LUSC"). The primary distinction between LUC and LUSC is the geographical location of the related employees. Specifically, employees reporting to LUC are located in Canada and LUSC employees reside in the United States of America. The employee's location does not drive function and as such, these indirect costs are pooled for allocation to relevant entities. Both LUC and LUSC are further supported by a shared service company, Liberty Algonquin Business Services ("LABS").

As recommended by NARUC and FERC guidance, holding/service company costs are first directly charged to individual regulated or unregulated affiliates when an activity can be identified as relating to a specific affiliate or group of affiliates. Such direct-charged costs are removed from the indirect allocation pool.[1]

The majority of the remaining costs are allocated in two tiers. The first allocation is performed to divide the costs between regulated and nonregulated entities. This is performed based on the nature of the cost and allocated by cost-causative drivers or the modified Massachusetts method (weighting of several factors described in more detail in the Allocation Factors section). The second allocation is performed to further allocate the regulated costs among the regulated entities. At this point, these regulated costs are accumulated into one cost pool and allocated based on a modified Massachusetts Method general allocator as described in more detail within the Allocation Factors section. Note that both LUC and LUSC services are specific to regulated entities only so their costs are allocated through the general allocator only. Refer to the simplified corporate structure and visual allocation mapping below:



[1] See Guidelines for Cost Allocations and Affiliate Transactions, issued by the National Association of Regulatory Utility Commissioners and FERC Order 667, Repeal of the Public Utility Holding Company Act of 1935 and Enactment of the Public Utility Holding Company Act of 2005, 113 FERC ¶ 61,248.

Additionally, to provide background on each of the service companies, refer to the breakout of the fiscal 2020 direct charges and indirect charges as shown in the table below:

Company	Direct - regulated	Direct - unregulated	Indirect - regulated	Indirect - unregulated	Total costs
APUC	$ -	$ -	$ 18,049,595	$ 5,532,927	$ 23,582,521
LUC	$ 9,417,230	$ -	$ 5,766,158	$ -	$ 15,183,388
LUSC[2]	$ 16,461,390	$ 192,333	$ 23,730,840	$ -	$ 40,384,563
LABS[3]	$ 56,303,561	$ 5,007,501	$ 22,707,695	$ 4,394,112	$ 88,412,869
Total	**$ 82,182,181**	**$ 5,199,834**	**$ 70,254,288**	**9,927,039**	**$ 167,563,341**
% of Total Costs	**49%**	**3%**	**42%**	**6%**	**100%**

As noted above, costs are directly and indirectly charged at each company level to both the regulated business and unregulated business. In total, 52% of 2020 holding/service company costs were direct charged and 48% of 2020 allocable costs were indirectly charged. Of the $87,382,014 of direct charged costs, 94% were directly charged to the regulated business. Of the $80,181,327 of indirect costs, 88% were allocated to the regulated affiliates. Further, of the indirect shared services provided for the enterprise (APUC & LABS), 80% is allocated to the regulated utilities. LUC and LUSC do not allocate indirect costs to LP.

Management reviews the CAM on at least an annual basis to identify any needed updates. If there are changes in the business structure or other material events that impact allocation of costs, management will consider if updates to the CAM or the underlying allocation structure are necessary more frequently.

Reasonableness of cost pool to allocate

To assess the reasonableness of the cost pool to allocate, we performed various procedures to determine peer comparability and the necessity and benefit of such costs to the entity receiving such allocation.

Peer Comparability

We performed a preliminary analysis over peer comparability to assess how APUC, LUC and LUSC compare to other affiliate companies in terms of their percentage of direct vs. indirect billing of holding company/service company costs. Refer to Exhibit 1 for detailed analysis. We conducted interviews with holding/service company representatives to understand how both labor and non-labor costs are billed. Through these discussions, we understand that labor costs are recorded through employees charging their time. Employees are instructed to charge time to specific time codes set up for projects or entities. They understand that only time that cannot be directly billed is recorded to the general charge-code. Employees' time is also then subject to review by their supervisor who further assesses the appropriateness of the time charged. Non-labor costs are directed to the main billing contact who is responsible for assessing the charge for applicability to specific entities' or for general allocation. Again, the billing contact is instructed to direct charge where applicable.

As shown in the previous table, the three business units comprising the consolidated holding/service company allocation pool (APUC, LUC, LUSC) direct charged approximately 52% of the holding/service company pool in fiscal year 2020. To focus on the shared service companies, we also considered the percentage of direct cost charging from LUC and LUSC, calculating that over 60% of costs are direct charged. We observe that this is comparable with other U.S. companies as further discussed below. The percentage of direct charging varies each year depending on the specific activities

[2] LUSC includes costs from the East, Central and West regions as well as Libcorp cost pools.
[3] LABS includes employees in both Canada and the United States.

performed for/requested by the affiliates.

Peer data for fiscal year 2020 was not yet available. However, we were able to review the FERC Form 60's filed with the FERC for fiscal year 2019 (the most recent year that a full population is available as of the date of this report). The FERC Form 60 is the "Annual Report of Centralized Service Companies" required to be filed by all centralized utility service companies in the U.S. (that have not been granted a waiver), and although we recognize that APUC is not a service company, the distinction between holding company and service company activities is typically not significant and the FERC Form 60 data is the most widely representative data available to provide a sample of allocation methodologies that have been adopted across U.S. utilities. Each FERC Form 60 is required to include a schedule, "Schedule XVII - Analysis of Billing - Associate Companies," reporting direct billed and indirect billed costs. Through this analysis we determined that the mean of the percentage of direct cost charges as a percentage of total cost is 63% and the median is 67%. In fiscal year 2019, LUC and LUSC reported percentages greater than these amounts at 72% and 91%, respectively, suggesting a more comprehensive process for direct cost charging.

APUC's percentage was 25%, which is below the mean and median, but consistent with our understanding of the cost pool at the APUC level as it is the holding company and not a shared service company. Given the three companies consolidate into APUC, we also performed a calculation combining the three APUC business units and calculated direct billings of 81%, which is also higher than both the mean and median of other FERC Form 60 filers in 2019, suggesting more cost causative direct billing and smaller cost pools from which to indirectly allocate.

Necessity and Benefit

To elaborate on the Background section above, APUC is the ultimate corporate parent that provides financial and strategic management, corporate governance, and oversight of administrative and support services. The activities in this cost pool are a necessary part of being a publicly traded business, and are designed to complement, rather than duplicate, costs incurred at the subsidiaries. We noted in a review of the fiscal year 2019 reports of 44 utility service companies and past communications by the FERC and the NARUC that it is a common and widely accepted practice for North American utilities to allocate costs to regulated and non-regulated subsidiaries that are of a "corporate overhead" nature. Such costs include, but are not limited to, executive management, investor relations, internal audit and legal. In reviewing the CAM against the NARUC guidelines, we observed the nature of costs in the allocated pools follow this guidance.

LUC and LUSC also provide services to Liberty Utilities. As noted previously, both LUC and LUSC are supported by a centralized shared service company known as LABS that also provides business and corporate support services to the Company and its affiliates. It should be noted that LUC and LUSC only differ in their employee's geography with LUC employees residing in Canada and LUSC employees residing in the United States. Cost pools at LUC, LUSC and LABS relate to the following areas: information technology, human resources, training, facilities and building rent, environment, health, safety and security, procurement, executive and strategic management, technical services, utility planning as well as corporate services including: risk management, financial reporting, planning and administration, treasury, internal audit, external communications, legal costs and compliance.

Whether the costs are incurred by a service company or holding company does not affect the NARUC or FERC allocation guidance and, as a result, the approaches to identify allocable cost pools used by utility service companies such as LUC, LUSC and LABS are generally valid for APUC as well.

In understanding the types of costs included in each cost pool, we then considered the following qualitative and quantitative factors in assessing the reasonableness of the costs that are allocated to its subsidiaries:

1. Are the activities performed necessary for the Company's subsidiaries, and do they provide demonstrated benefits?

2. Are the costs duplicative in nature?

3. Are the costs similar in nature to costs that other utility holding companies have successfully recovered through rate cases in the U.S. and Canada?

To assess these questions, we conducted interviews with certain employees with knowledge of cost types making up each pool. We used a risk-based approach to determine which departments to interview, focusing primarily on the cost pools with larger balances. For those pools where interviews were not performed, we subjected such cost pools to our selection testing of source documents as well as comparative procedures against other companies filing FERC Form 60s. We also obtained the detailed listing of costs included within each company cost pool (APUC, LUC and, LUSC) and scanned the expenses making up those balances against the descriptions included within the CAM. Our primary observation is historically allocated costs are costs required to satisfy responsibilities to customers, shareholders, and regulators, and to enable effective corporate oversight.

For a selection of individual costs within each of the companies' pools, we requested the underlying source documents to review the related invoice(s) and/or calculation spreadsheet to further validate the appropriateness of its inclusion in the cost pool for allocation as well as the appropriate cost-type coding to the extent it is allocated by cost-type. Through these procedures, it was observed that the cost pools are reasonable and consistent with other U.S. companies.

In addition to assessing the costs included in the cost pool, our interviews with members of management also suggest that the Company has appropriately identified specific costs to exclude from the allocable cost pool (e.g., business development costs, retirement costs, meals and entertainment, foreign exchange gains and losses, and donations). Through interviews as well as review of the monthly allocations, we also noted that these costs are either processed through the allocation or removed from the pool prior to allocation to prevent the likelihood of subsidization by certain entities. During the fiscal year 2020, approximately $58M in costs were originally included within the cost pool for allocation, as they were not direct charged, and subsequently excluded and removed from the cost pool prior to allocation.

Beyond the cost pool exclusions, there is another process by which affiliates may challenge a charge that does not seem to directly benefit the entity. Two examples of this would be if a Canadian entity erroneously received a United States regulatory fee or if a gas company received an electric charge in error. In both cases, the receiving entity may challenge that billing to ensure necessity and benefit of costs allocated. In those instances, management has noted that these costs have historically been removed from those entities suggesting effective internal controls for identification and resolution of costs billed inappropriately.

A necessity and benefit analysis is summarized within Exhibit 2. In analyzing the cost pools that APUC, LUC and LUSC and its subsidiaries have historically allocated to its subsidiaries, we considered information obtained through interviews with management, review of internal records, and review of published data relating to other utility service/holding companies.

Role Clarity

APUC's services allow for access to the capital markets and provide for maximum expertise at lower costs. If the utilities did not have access to the services provided by APUC, LUC and LUSC they would be forced to incur associated costs for financing, capital investment, audits, taxes and other similar services on a stand-alone basis, which would substantially increase such costs. One overriding rationale supporting a service/holding company concept is the scope and scale; that is, rather than each affiliate having a certain individual or group provide services to the individual entity, a service/holding company can provide such services to a number of affiliates with the individual receiving an allocated portion of the service/holding company cost. Costs that may appear to overlap across APUC, LUC, LUSC and the local entity were further reviewed with findings summarized within Exhibit 4. Functions included within this analysis were reviewed based on higher cost balances and discussed with management to assess overlap and functionality. The costs included in the exhibit represent the largest balances with the potential for duplication. While, finance, legal and human resources are cost types for which services are both allocated and performed directly at the local entity, we did not identify any instances of redundancy through this exercise.

Allocation methodology

In addition to assessing the cost pool, we also reviewed the associated allocation factors as well as reperformed management allocation calculation to verify its compliance with the CAM.

Allocation factors

In past decisions and written communications, the regulators in the Company's jurisdictions have expressed the view that direct charging of service/holding company costs to specific entities, where supportable, is preferred. After direct charging, utility service/holding companies should first allocate costs by cost drivers with a cost-causative linkage to the respective cost pool where possible, and finally allocate the remainder of costs using a general factor. The percentage of direct charging will vary from year to year depending on the nature and size of projects and responses to requests from affiliates. As previously stated, the combined APUC, LUC and LUSC directly charged more than half of the holding/service company costs in fiscal year 2020 (more than 60% by the LUC and LUSC service companies) and, in 2019 (where peer information is available) at a higher level than its peers in fiscal year 2019. NARUC's cost allocation principles state that the general method for charging indirect costs should be on a fully allocated cost basis.

APUC

When APUC cannot identify indirect cost drivers for any of its functional areas, a "relevant proxy" as a general allocator for corporate overhead type costs is used. A general allocator is an acceptable approach under NARUC and FERC in order to fully distribute the costs in the cost pools. APUC's costs are organized into cost pools and are weighted through two levels of multi-factored allocations to ensure allocations across entities is appropriate.

Services at APUC are provided to both regulated and non-regulated companies. To first divide between the two, APUC allocates by cost-type and a related cost causative driver or a general allocator to avoid subsidization between regulated and non-regulated companies. The regulated cost pool is then subject to a four-factor general allocator, allocating costs based on a weighting of 40% customer count, 20% utility net plant, 20% non-labor expenses, and 20% labor expenses. This weighting has been determined by management to be most appropriate as to avoid vertically integrated utilities, owning their own generation facilities, from receiving exorbitant allocation. As such, the higher weighting on customer count results in a more equitable and representative distribution of the shared services costs.

LUC and LUSC

At LUC, indirect costs are allocated directly through the general allocator as costs are incurred in support of all regulated entities. At LUSC, costs are recorded based on the various region/group (East, Central, West, Libcorp, and LABS) and then subject to the four-factor methodology. Costs within the East, Central, and West regions are allocated only to the specific utilities within those regions. For example, in the East region costs are only allocated to Granite State, EnergyNorth, Georgia, New England Gas, New Brunswick Gas, St. Lawrence Gas, and Tinker Transmission. Costs within Libcorp are allocated to all utilities following the four-factor methodology with a nuance for energy procurement related costs. Any Libcorp costs related to Energy Procurement are not allocated to water companies. Costs within LABS are first allocated between regulated and nonregulated entities by cost pool percentage as shown in Exhibit 2, and then to the local utilities using the four-factor method.

Although FERC and U.S. state regulators do not have a specific set of rules on the development of a general allocation factor, they have been clear that they prefer a general allocator that incorporates the weighting of multiple factors. Additionally, Canadian regulators appear to also prefer a general allocator that weights multiple factors. This approach recognizes that there is not one perfect allocator and using a combination of factors reduces the subjectivity of using one individual measure as the basis for allocation. The Massachusetts method (or modified Massachusetts method) is the most widely used method of allocating corporate general costs that cannot be assigned a specific cost driver, and it has been widely accepted by the FERC, U.S. state and Canadian regulators. The original Massachusetts method involved the equal weighting of three factors: plant, revenues, and labor. The modified Massachusetts method includes variations of approach (e.g., gross margin as a substitute for revenue, O&M expense as a substitute for labor, etc.). In any event, a general allocation factor that includes some indicator of operations (expense) and capital investment (assets) is often accepted.

We also examined whether the costs are similar in nature to costs that other utility holding companies and/or service companies have historically allocated to their subsidiaries, see Exhibit 3. To aid in this analysis, we reviewed the fiscal year 2019 FERC Form 60s as noted above. Each FERC Form 60 is required to include a schedule, “Schedule XXI – Methods of Allocation,” that specifies all functions for which the service company is allocating costs, and a description of the method of allocation (we discuss methods of allocation later in this report). We analyzed the allocation factors within the FERC Form 60s of APUC’s peers based on the “comparator group” reported within the 2020 and 2019 Management Information Circular posted on the Company’s website. Through this exercise, we compared both the general allocator as well as cost causative factors by cost pools used by APUC allocators that have been accepted by the FERC and the New Brunswick Energy and Utilities Board, noting that the Company’s allocation methodology of utilizing a general allocator is consistent with its peers and there were no cost pools identified that would suggest the Company is an outlier.

Given the costs subject to this pool do not have an obvious cost-causative driver to allocate, this weighting is considered appropriate because, as stated above, to not weigh any one factor more than another. From analysis of the FERC Form 60s filed in 2019, we further verified that the use of a general allocator is common among the Company’s peers.

Mathematical accuracy

We obtained the monthly allocation files for each month during the fiscal year 2020 for each company (APUC, LUC, LUSC and LABS) and reviewed the files for consistency in calculations. Further, we selected two months at random to perform a detailed recalculation from the cost pool detail through the relevant allocations down to the final entity. Through these procedures, for the two-months subject to testing, we determined the costs are being allocated in accordance with the company’s CAM. Refer to the illustrative example below for further detail on the procedures performed.

Illustrative example - Cost allocator

Cost allocation factors are updated annually, and periodically throughout the year when changes to the business occur. The cost allocator calculation is completed for all four business units (APUC, LABS, LUC, and LUSC) within a single manual spreadsheet. During 2020, cost allocation factors were updated in April, June, and November. As such, in accordance with audit testing methodology for attribute testing, we determined it appropriate to test two months (April and November) of allocators and complete the procedures for all business units. Refer to the screenshot below for PwC’s testing over the APUC cost allocator for April:

APUC
April 2020 - March 2021 Allocation
as at April xx, 2020

	All Employees Headcount	%	O&M USD	%	Revenue USD	%	Net Plant USD	%	Oakville Employees Headcount	%
LP (APCO)	176	7%	75,209	15%	240,692	20%	2,444,382	34%	90	29%
LU	2,266	93%	412,456	85%	980,770	80%	4,754,373	66%	219	71%
Total	2,442	100%	487,665	100%	1,221,462	100%	7,198,755	100%	309	100%
	-		-		-		-		-	
Legal Costs		33-333%		33-333%				33-333%		
Tax Services				33-333%		33-333%		33-333%		
Audit				33-333%		33-333%		33-333%		
Investor Relations				33-333%		33-333%		33-333%		
Director Fee & Insurance				33-333%		33-333%		33-333%		
Licenses, Fees, and Permits				33-333%		33-333%		33-333%		
Escrow & transfer Agent Fees				33-333%		33-333%		33-333%		
Other Professional Services				33-333%		33-333%		33-333%		
Office Administration Costs		50.00%								50.00%
Travel- CAM category is Other Other Professional Services.				33-333%		33-333%		33-333%		
Executive ~~Salaries~~ and Strategic Management				33-333%		33-333%		33-333%		

2020 Percentages			
Summary	APCO	LU	Total
Legal Costs	18.9%	81.1%	100.00%
Tax Services	23.0%	77.0%	100.00%
Audit	23.0%	77.0%	100.00%
Investor Relations	23.0%	77.0%	100.00%
Director Fee & Insurance	23.0%	77.0%	100.00%
Licenses, Fees, and Permits	23.0%	77.0%	100.00%
Escrow & transfer Agent Fees	23.0%	77.0%	100.00%
Other Professional Services	23.0%	77.0%	100.00%
Office Administration Costs	18.2%	81.8%	100.00%
Travel- CAM category is Other Other Professional Services.	23.0%	77.0%	100.00%
Executive and Strategic Management	23.0%	77.0%	100.00%

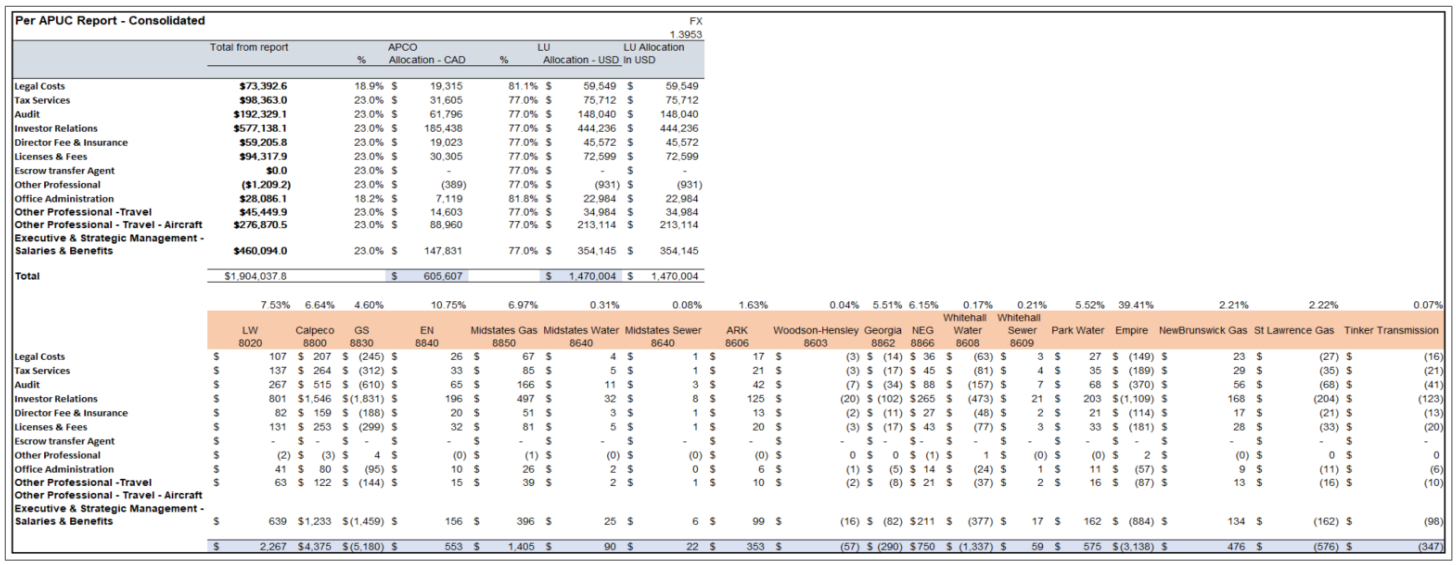
2019 Percentages			
Summary	APCO	LU	Total
Legal Costs	17.9%	82.1%	100.00%
Tax Services	21.5%	78.5%	100.00%
Audit	21.5%	78.5%	100.00%
Investor Relations	21.5%	78.5%	100.00%
Director Fee & Insurance	21.5%	78.5%	100.00%
Licenses & Fees	21.5%	78.5%	100.00%
Escrow transfer Agent	21.5%	78.5%	100.00%
Other Professional	21.5%	78.5%	100.00%
Office Administration	17.4%	82.6%	100.00%
Travel	21.5%	78.5%	100.00%
Executive Salaries	21.5%	78.5%	100.00%

LU Comparison
-1.0%
-1.5%
-1.5%
-1.5%
-1.5%
-1.5%
-1.5%
-1.5%
-0.8%
-1.5%
-1.5%

As noted in the screenshot above, first we traced and agreed all inputs to the allocations to the original source data. Second, we recalculated the allocation percentage between the regulated and non- regulated business based on the initial inputs. Third, we traced and agreed the cost pool allocation to the CAM guidance. Finally, we recalculated the distinct cost pool allocator by applying the three-factor method as described in the methodology. We completed the same tie out and recalculation procedures on the cost allocator calculations for LABS, LUC, and LUSC, determining that the allocation factors are mathematically accurate.

Illustrative example - Cost pool calculation

Each month the cost allocators, calculated above, are applied to their cost pools to appropriately calculate their allocations. To determine if costs are allocated in accordance with the CAM, we recalculated the allocation of costs to all entities for two months. Refer to the screenshot below for our recalculation over APUC cost pool calculations and final allocation:



Per APUC Report - Consolidated

FX 1.3953

	Total from report		APCO Allocation - CAD		LU Allocation - USD	LU Allocation in USD
		%		%		
Legal Costs	$73,392.6	18.9%	$ 19,315	81.1%	$ 59,549	$ 59,549
Tax Services	$98,363.0	23.0%	$ 31,605	77.0%	$ 75,712	$ 75,712
Audit	$192,329.1	23.0%	$ 61,796	77.0%	$ 148,040	$ 148,040
Investor Relations	$577,138.1	23.0%	$ 185,438	77.0%	$ 444,236	$ 444,236
Director Fee & Insurance	$59,205.8	23.0%	$ 19,023	77.0%	$ 45,572	$ 45,572
Licenses & Fees	$94,317.9	23.0%	$ 30,305	77.0%	$ 72,599	$ 72,599
Escrow transfer Agent	$0.0	23.0%	$ -	77.0%	$ -	$ -
Other Professional	($1,209.2)	23.0%	$ (389)	77.0%	$ (931)	$ (931)
Office Administration	$28,086.1	18.2%	$ 7,119	81.8%	$ 22,984	$ 22,984
Other Professional -Travel	$45,449.9	23.0%	$ 14,603	77.0%	$ 34,984	$ 34,984
Other Professional - Travel - Aircraft	$276,870.5	23.0%	$ 88,960	77.0%	$ 213,114	$ 213,114
Executive & Strategic Management - Salaries & Benefits	$460,094.0	23.0%	$ 147,831	77.0%	$ 354,145	$ 354,145
Total	$1,904,037.8		$ 605,607		$ 1,470,004	$ 1,470,004

	7.53%	6.64%	4.60%	10.75%	6.97%	0.31%	0.08%	1.63%	0.04%	5.51%	6.15%	0.17%	0.21%	5.52%	39.41%	2.21%	2.22%	0.07%
	LW 8020	Calpeco 8800	GS 8830	EN 8840	Midstates Gas 8850	Midstates Water 8640	Midstates Sewer 8640	ARK 8606	Woodson-Hensley 8603	Georgia 8862	NEG 8866	Whitehall Water 8608	Whitehall Sewer 8609	Park Water	Empire	NewBrunswick Gas	St Lawrence Gas	Tinker Transmission
Legal Costs	$ 107	$ 207	$ (245)	$ 26	$ 67	$ 4	$ 1	$ 17	$ (3)	$ (14)	$ 36	$ (63)	$ 3	$ 27	$ (149)	$ 23	$ (27)	$ (16)
Tax Services	$ 137	$ 264	$ (312)	$ 33	$ 85	$ 5	$ 1	$ 21	$ (3)	$ (17)	$ 45	$ (81)	$ 4	$ 35	$ (189)	$ 29	$ (35)	$ (21)
Audit	$ 267	$ 515	$ (610)	$ 65	$ 166	$ 11	$ 3	$ 42	$ (7)	$ (34)	$ 88	$ (157)	$ 7	$ 68	$ (370)	$ 56	$ (68)	$ (41)
Investor Relations	$ 801	$1,546	$(1,831)	$ 196	$ 497	$ 32	$ 8	$ 125	$ (20)	$ (102)	$265	$ (473)	$ 21	$ 203	$(1,109)	$ 168	$ (204)	$ (123)
Director Fee & Insurance	$ 82	$ 159	$ (188)	$ 20	$ 51	$ 3	$ 1	$ 13	$ (2)	$ (11)	$ 27	$ (48)	$ 2	$ 21	$ (114)	$ 17	$ (21)	$ (13)
Licenses & Fees	$ 131	$ 253	$ (299)	$ 32	$ 81	$ 5	$ 1	$ 20	$ (3)	$ (17)	$ 43	$ (77)	$ 3	$ 33	$ (181)	$ 28	$ (33)	$ (20)
Escrow transfer Agent	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Professional	$ (2)	$ (3)	$ 4	$ (0)	$ (1)	$ (0)	$ (0)	$ (0)	$ 0	$ 0	$ (1)	$ 1	$ (0)	$ (0)	$ 2	$ (0)	$ 0	$ 0
Office Administration	$ 41	$ 80	$ (95)	$ 10	$ 26	$ 2	$ 0	$ 6	$ (1)	$ (5)	$ 14	$ (24)	$ 1	$ 11	$ (57)	$ 9	$ (11)	$ (6)
Other Professional -Travel	$ 63	$ 122	$ (144)	$ 15	$ 39	$ 2	$ 1	$ 10	$ (2)	$ (8)	$ 21	$ (37)	$ 2	$ 16	$ (87)	$ 13	$ (16)	$ (10)
Other Professional - Travel - Aircraft																		
Executive & Strategic Management - Salaries & Benefits	$ 639	$1,233	$(1,459)	$ 156	$ 396	$ 25	$ 6	$ 99	$ (16)	$ (82)	$211	$ (377)	$ 17	$ 162	$ (884)	$ 134	$ (162)	$ (98)
	$ 2,267	$4,375	$(5,180)	$ 553	$ 1,405	$ 90	$ 22	$ 353	$ (57)	$ (290)	$750	$ (1,337)	$ 59	$ 575	$(3,138)	$ 476	$ (576)	$ (347)

As noted in the screenshot above, first we traced and agreed the cost pool bucketing to the source files. To assess the cost pool bucketing, we inspected 64 selections across the four business units and confirmed the cost pool was appropriate and that the expenditure was necessary and beneficial to each business unit for which it was ultimately allocated. Second, we traced and agreed the regulated vs. unregulated allocation percentages to the cost allocator described above. Third, we recalculated the dollar amount allocated to regulated vs. unregulated by applying the percentage to the cost pool buckets. Fourth, we traced and agreed the utility specific allocation to the four-factor methodology within the CAM. Finally, we recalculated the dollar amount allocated to each utility by applying the appropriate four factor allocation to each regulated cost pool bucket. We completed the same tie out and recalculation procedures on the cost pool calculations for LABS, LUC, and LUSC, determining that costs are allocated in accordance with the CAM.

Exhibit 1 – FERC Form 60 analysis – Direct charging percentages

Schedule XVII – Analysis of billing – Associate companies (Account 457)[4]

Company	Direct charges	Indirect charges	Total	% Direct
Allegheny Energy Service Corporation	(3,478,868)	0	(3,478,868)	100%
ATC Management Inc.	114,256,597	0	114,256,597	100%
Avangrid Service Company	215,445,184	0	215,445,184	100%
Columbia Pipeline Group Service Company	12,927,828	0	12,927,828	100%
National Grid Engineering & Survey, Inc.	62,724,377	111,955	62,836,332	100%
National Grid USA Service Company Inc.	2,679,362,707	39,549,266	2,718,911,973	99%
Entergy Nuclear Operations, Inc.	538,316,287	11,945,559	550,261,846	98%
Entergy Operations, Inc.	592,825,726	14,157,781	606,983,507	98%
Entergy Enterprises, Inc.	137,526,565	5,436,297	142,962,862	96%
Entergy Services, LLC	1,493,373,708	82,312,730	1,575,686,438	95%
Liberty Utilities Service Corp	**185,577,826**	**19,236,654**	**204,814,480**	**91%**
Ameren Services Company	438,304,912	66,277,755	504,582,667	87%
Southern Company Services, Inc.	1,641,635,744	266,203,999	1,907,839,743	86%
Southern Nuclear Operating Company, Inc.	872,884,799	150,090,430	1,022,975,229	85%
American Electric Power Service Corporation	1,395,321,358	263,838,026	1,659,159,384	84%
PPL EU Services Corporation	118,378,939	36,711,919	155,090,858	76%
Dominion Energy Southeast Services, Inc.	321,131,139	118,588,606	439,719,745	73%
Liberty Utilities (Canada) Corp.	**62,489,175**	**23,992,759**	**86,481,934**	**72%**
Alliant Energy Corporate Services, Inc.	219,475,201	98,350,743	317,825,944	69%
Duke Energy Business Services, LLC	2,492,153,525	1,242,623,655	3,734,777,180	67%
AES U.S. Services, LLC	82,321,803	41,619,490	123,941,293	66%
CenterPoint Energy Service Company, LLC	423,258,832	216,453,598	639,712,430	66%
Dominion Energy Services, Inc.	518,940,004	326,727,735	845,667,739	61%

[4] Source: "Schedule XVII - Analysis of Billing" - Associate Companies per the FERC Form 60's filed with the FERC for fiscal year 2019

Company	Direct charges	Indirect charges	Total	% Direct
GridLiance Management, LLC	12,085,046	9,419,192	21,504,238	56%
Xcel Energy Services Inc.	754,303,916	619,273,619	1,373,577,535	55%
Eversource Energy Service Company	417,811,235	464,890,694	882,701,929	47%
Unitil Service Corporation	28,680,426	33,453,185	62,133,611	46%
Exelon Business Services Company, LLC	840,951,644	1,063,651,695	1,904,603,339	44%
NiSource Corporate Services Company	198,658,714	265,830,801	464,489,515	43%
PPL Services Corporation	51,763,704	89,118,515	140,882,219	37%
FirstEnergy Service Company	318,454,007	591,305,053	909,759,060	35%
WEC Business Services LLC	186,529,804	464,906,991	651,436,795	29%
PHI Service Company	105,727,868	289,546,938	395,274,806	27%
LG&E and KU Services Company	91,447,624	252,903,989	344,351,613	27%
TECO Services, Inc.	22,150,108	65,564,577	87,714,685	25%
Algonquin Power & Utilities Corp.	**4,774,034**	**14,491,067**	**19,265,101**	**25%**
Sempra North American Infrastructure, LLC	29,809,865	92,018,710	121,828,575	24%
PNMR Services Company	32,978,879	102,332,822	135,311,701	24%
Black Hills Service Company, LLC	69,693,105	275,855,498	345,548,603	20%
Sempra Services Corporation	0	5,737,848	5,737,848	0%
Grand Total	**17,780,973,347**	**7,724,530,151**	**25,505,503,498**	**70%**
Mean				**63%**
Median				**67%**
APUC Consolidated	**252,841,035**	**57,720,480**	**310,561,515**	**81%**

Exhibit 2 – Necessity and benefits analysis of company costs

Necessity attributes:	Benefit attributes
1. Corporate governance	1. Reduce risk or avoid risk
2. Regulatory mandate	2. Increase employee productivity
3. Legal compliance	3. Provide management information
4. Management oversight	4. Enhance corporate performance
5. Corporate Operational execution	5. Increase reliability
6. Strategic planning	

Business Unit	Cost type	Are the activities performed necessary for theenterprise?	Do the activities provide demonstrated benefits?	Allocation methodology
APUC	Legal Costs[5]	1, 2, 3	1	Net Plant 33.3% Number of Employees 33.3% O&M 33.3%
APUC	Tax Services	3	1	Revenue 33.3% O&M 33.3% Net Plant 33.3%
APUC	Audit	2, 3	1, 5	Revenue 33.3% O&M 33.3% Net Plant 33.3%
APUC	Investor Relations	1, 6	1, 5	Revenue 33.3% O&M 33.3% Net Plant 33.3%
APUC	Director Fees and Insurance	1, 3, 4, 5, 6	1, 4, 5	Revenue 33.3% O&M 33.3% Net Plant 33.3%
APUC	Licenses, Fees and Permits	2, 3, 5	1, 5	Revenue 33.3% O&M 33.3% Net Plant 33.3%
APUC	Escrow and Transfer Agent Fees	3, 5	1, 5	Revenue 33.3% O&M 33.3%

[5] Refer to Exhibit 4 for analysis of costs that may appear to overlap across APUC, LUC, LUSC and the local entity

Business Unit	Cost type	Are the activities performed necessary for the enterprise?	Do the activities provide demonstrated benefits?	Allocation methodology
				Net Plant 33.3%
APUC	Other Professional Services	5, 6	4	Revenue 33.3% O&M 33.3% Net Plant 33.3%
APUC	Other Administration Costs	5	2	Oakville Employees 50% Total Employees 50%
APUC	Executive and Strategic Management	5, 6	1, 4	Revenue 33.3% O&M 33.3% Net Plant 33.3%
LABS	Information Technology	5	2, 3, 4, 5	Number of Employees 90% O&M 10%
LABS	Human Resources[5]	5	1, 3, 4, 5	Number of Employees 100%
LABS	Training	1, 2, 3, 5	1, 2, 4, 5	Number of Employees 100%
LABS	Facilities and Building Rent	5	4	Oakville Employees 100%
LABS	Environment, Health, Safety and Security	2, 3, 5	1, 5	Number of Employees 100%
LABS	Procurement	2, 5	1, 4, 5	O&M 50% Capital Expenditures 50%
LABS	Executive and Strategic Management	5, 6	1, 4	Revenue 33.3% O&M 33.3% Net Plant 33.3%
LABS	Technical Services	5	4	Net Plant 33.3% Revenue 33.3% O&M 33.3%
LABS	Utility Planning	2, 5	1, 4, 5	Net Plant 33.3% Revenue 33.3% O&M 33.3%
LABS	Risk Management	5	1, 5	Net Plant 33.3% Revenue 33.3% O&M 33.3%
LABS	Financial Reporting, Planning and Administration[5]	2, 3, 5, 6	1, 3, 4	Revenue 33.3% O&M 33.3% Net Plant 33.3%
LABS	Treasury[5]	3, 5, 6	1, 3, 4	Capital Expenditures 25% O&M 50% Net Plant 25%

Business Unit	Cost type	Are the activities performed necessary for the enterprise?	Do the activities provide demonstrated benefits?	Allocation methodology
LABS	Internal Audit	2, 3, 4	1, 3, 5	Net Plant 25% O&M 75%
LABS	External Communications			Total Employees 100%
LABS	Legal Costs[5]	3	1, 5	Net Plant 33.3% Number of Employees 33.3% O&M 33.3%
LABS	Compliance	1, 2, 3, 4	1, 3, 5	Revenue 33.3% O&M 33.3% Net Plant 33.3%
LUSC/LUC	Customer Care and Billing	5	4, 5	Four Factor Allocator
LUSC/LUC	IT/Tech Support	5	2, 3, 4, 5	Four Factor Allocator
LUSC/LUC	Human Resources[5]	5	1, 3, 4, 5	Four Factor Allocator
LUSC/LUC	Gas Control	2, 5	1, 3, 5	Four Factor Allocator
LUSC/LUC	Legal[5]	1, 2, 3	1	Four Factor Allocator
LUSC/LUC	Compliance	1, 2, 3, 4	1, 3, 5	Four Factor Allocator
LUSC/LUC	Regulatory & Government Relations	1, 2, 3	1, 5	Four Factor Allocator
LUSC/LUC	Environmental, Health, Safety and Security	2, 3, 5	1, 5	Four Factor Allocator
LUSC/LUC	Procurement	2, 5	1, 4, 5	Four Factor Allocator
LUSC/LUC	Operations	5	2, 4, 5	Four Factor Allocator
LUSC/LUC	Engineering; Dispatch and Control	5	2, 4, 5	Four Factor Allocator
LUSC/LUC	Outage Management	5	1, 2, 4, 5	Four Factor Allocator
LUSC/LUC	GIS/Mapping	5	3, 4, 5	Four Factor Allocator
LUSC/LUC	Vegetation Management	5	1, 5	Four Factor Allocator
LUSC/LUC	Energy Procurement	2, 5	1, 4, 5	Four Factor Allocator
LUSC/LUC	Accounting and Finance[5]	2, 3, 5, 6	1, 3, 4	Four Factor Allocator
LUSC/LUC	Managerial	1, 5, 6	1, 4, 5	Four Factor Allocator
LUSC/LUC	Utility Planning	2, 5	1, 4, 5	Four Factor Allocator
LUSC/LUC	Customer Communication	5	1, 5	Four Factor Allocator

Exhibit 3 – FERC form 60 analysis – General allocator methodology

Schedule XXI – Methods of allocation[6]

	Algonquin power & utilities Corp.	Liberty utilities (Canada) Corp.	Alliant energy corporate services, Inc.	CenterPoint energy service company, LLC	PNMR services company	Black hills corporation
4 Factor	Utilities (40% customer count, 20% utility net plant, 20% non-labor exp, 20% labor exp)	Utilities (40% customer count, 20% utility net plant, 20% non-labor exp, 20% labor exp)				
3 Factor	Legal Costs (33% Plant, 33% # of employees, 33% OM) Tax Services (33% Rev, 33% OM, 33% Plant) Audit (33% Rev, 33% OM, 33% Plant) Investor Relations (33% Rev, 33% OM, 33% Plant) Director Fees and Insurance (33% Rev, 33% OM, 33% Plant) Escrow and transfer Agent Fees (33% Rev, 33% OM, 33% Plant) Other Professional Services (33% Rev, 33% OM, 33% Plant) Executive and Strategic Management (33% Rev, 33% OM, 33% Plant)	Executive and Strategic Management (33% Rev, 33% OM, 33% Plant) Technical Services (33% Rev, 33% OM, 33% Plant) Utility Planning (33% Rev, 33% OM, 33% Plant) Risk Management (33% Rev, 33% OM, 33% Plant) Financial Reporting, Planning, and Administration (33% Rev, 33% OM, 33% Plant) Treasury (25% capex, 50% OM, 25% Plant) Legal Costs (33% # of employees, 33% OM, 33% Plant) Compliance (33% Rev, 33% OM, 33% Plant)	Legal costs (33% # of employees, 33% total assets, 33% op. revs) Taxes (33% # of employees, 33% total assets, 33% op. revs) Benefits (33% # of employees, 33% total assets, 33% op. revs) Planning (33% # of employees, 33% total assets, 33% op. revs) Materials management (materials, supplies, and services)	Asset Ratio Corporate Governance Costs (40% assets, 40% gross margin, 20% head count)	Utility Shared Services (Massachusetts methods)	Blended ratio (33% gross margin, 33% asset cost, 33%, payroll)

[6] Source: "Schedule XXI – Methods of Allocation" per the FERC Form 60's filed with the FERC for fiscal year 2019

	Algonquin power & utilities Corp.	Liberty utilities (Canada) Corp.	Alliant energy corporate services, Inc.	CenterPoint energy service company, LLC	PNMR services company	Black hills corporation
2 Factor		IT (90% # of employees, 10% OM) Procurement (50% OM, 50% capex) Internal Audit (25% net plant, 75% OM)	Engineering and Construction (utility type and function)	Operating Expense ratio	Facilities and Building (Sq. footage and occupancy)	
1 Factor	Other Admin Costs (# of employees)	Human Resources (# of employees) Training (# of employees) Facilities and Building Rent (# of employees) Environment, Health, Safety, and Security (# of employees) External Communications (# of employees)	IT (# of employees) Transportation (# of employees) Human Resources (# of employees) Facilities and Building (# of employees) Power planning (volumes) Electric production admin (volumes) Electric and gas delivery admin (# of customers) Environmental affairs (volumes) Customer billing/payment processing (# of bills) Customer Service, Customer Assistance and Customer Relations (# of customers) Public and Community Affairs (# of employees or customers) Rates (# of customers) Electric System Maintenance (miles of distribution lines) Investor Relations (total assets) Insurance and Risk Management (Total assets) Internal audit (Op. Revs) Real Estate and Right of way (gross plant) Fuel (volumes) Gas Acquisition and dispatch (volumes) Accounting (Op. Revs) Other Admin (Op. Revs) Finance (Op. Revs)	Head Count Ratio w/retirees Head Count Ratio w/o retirees Head Count Ratio w/retirees and inactive employees Union Head Count Ratio Wellness Head Count Ratio Direct Labor Ratio Client Unit Usage Ratio Sq. Footage Ratio Cross-Charges	IT (# of employee's) Financial Systems (volume of transactions) A/P Admin and Maintenance (volume of transactions) Depreciation, Asset Retirement, clearing completed construction projects to plant, fixed asset software maintenance (depreciable assets) Work management system (transaction count) Benefits (# of employee's) Ethics (# of employee's) Governance (# of employee's) Payroll (# of employee's) People Services (# of employee's) Communications (# of employee's)	

Exhibit 4 – Delineation of roles and responsibilities

This exhibit shows our analysis of costs that may appear to overlap across APUC, LUC, LUSC and the local entity. As shown below, we did not identify any instances of redundancy through this exercise.

Cost pool	Shared service role (costs allocated from APUC, LUC, LUSC or LABS)	Local utility role
Finance	The Finance/Treasury organization ensures that regulated utilities meet audit standards and regulatory requirements, have strong financial and operational controls, and are recording financial transactions accurately and prudently. They receive inputs from the utilities to consolidate and manage intercompany billings. Finance/Treasury also coordinates financing for capital projects for the regulated utilities along with capital planning and related services.	Finance focuses on specific entity performance and reports to the centralized finance group.
Legal	Legal services oversees all general legal matters pertaining to all entities. These legal services include review of audited financial statements, annual information filings, Sedar filings, review of contracts, incorporation, tax issues of a legal nature, market compliance, and other legal issues.	Legal departments at the local utility level focus on specific rate cases or items relevant to the entity's jurisdictions.
Human Resources	The Human Resources functions include the management and oversight of training and development of employees, ensuring employees are provided healthy and safe work environments, and receive competitive salaries and benefits.	Human resource functions at the utility level are focused on activities such as hiring and employee- related matters specific to that entity.

Thank you

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EXHIBIT JS-DT3

LIBERTY UTILITIES 2019 INDIRECT OVERHEAD CAPITALIZATION TIME STUDY RESULTS

PA CONSULTING GROUP

September 16, 2019

CONTENTS

EXECUTIVE SUMMARY

Corporate services play an important role in a utility's capital program. The following administrative activities, among others, are all essential elements of a successful capital program.

- Attending a capital budget meeting or preparing a capital budget.
- Preparing financial statements for capital expenditures.
- Ordering materials for capital projects.
- Accounting duties performed on capital projects.
- Customer communications for capital projects.
- Attending capital project requirement, resource and vendor meetings.
- Preparing a business case for capital projects.

Further, active involvement in the capital program by executive management to provide leadership and oversight are also important elements of a successful capital program.

Fully accounting for the corporate services aspects of a capital project is important in that the complete cost of a project provides important information to all involved in the process. Further, including appropriate amounts of administrative and support services costs (referred to as indirect overheads in this report) as a component of the cost of long-lived utility plant assets contributes to intergenerational equity among customers.

Organizationally, employees providing administrative and support services to the regulated utilities of Liberty Utilities Co. ("Liberty Utilities") are primarily located in three business units: Algonquin Power & Utilities Corp. ("APUC"), Liberty Utilities (Canada) Corp. ("LUC" or the "Company"), and Liberty Utilities Service Corp. ("LUSC"). APUC and LUC employees are located in Oakville, Ontario and depending on the nature of the function, provide shared services to both Liberty Utilities and Liberty Power or individually to either Liberty Utilities or Liberty Power. Virtually all US-based employees of Liberty Utilities are LUSC employees.[1] LUSC shared services employees are organized similar to the Canadian employees in that some employees support both Liberty Utilities and Liberty Power while others support only Liberty Utilities. Among the employees supporting only Liberty Utilities, some are regional employees supporting multiple regulated utilities located in either the East, Central or West Regions. LUSC "non-shared" employees are dedicated to specific utilities.

PA Consulting Group (PA) was retained by the Company to provide support for Liberty Utilities 2018 & 2019 INDOH rates and the Arizona Black Mountain rate case filing, including services required to complete the time studies required to satisfy the Company's commitment in Arizona Corporation Commission Decision No. 75809, Section 3.5, dated November 21, 2016 ("Decision"). This report documents the results of the required time study.

[1] California employees working for CalPeco, Apple Valley, and Park utilities are employed by those utilities, not by LUSC.

2019 INDIRECT OVERHEAD TIME STUDY APPROACH AND RESULTS

OVERVIEW

PA Consulting Group (PA) was retained by the Company to provide support for Liberty Utilities 2018 & 2019 INDOH rates and the Arizona Black Mountain rate case filing, including services required to complete the time studies required to satisfy the Company's commitment in Arizona Corporation Commission Decision No. 75809, Section 3.5, dated November 21, 2016. This report documents the results of the required time study.

Industry practices to account for indirect capital overheads, typically referred to as "capitalized A&G", are guided by FERC and NARUC regulatory accounting standards. In our opinion, an approach which assesses a cost's eligibility to be capitalized based on whether that A&G work and/or cost would be eliminated over time if the construction program were eliminated is consistent with both the NARUC USoA and common industry practices. This is the approach taken by the Company in completing its 2018 and 2019 Indirect Overhead Study.

The 2018 and 2019 Indirect Overhead Study was based on a survey of all cost center managers to identify the percentage of time cost center employees spend supporting capital projects. These survey results formed the basis of the calculation of the combined indirect overhead rate for APUC/LUC. The indirect overhead rate is used by Liberty Utilities' regulated utilities operating in the United States to apportion allocations from APUC and LUC to specific capital projects.

The purpose of this time study is to satisfy the requirements of the abovementioned Arizona Commission decision. This study is not intended to replace the 2018 and 2019 Indirect Overhead Study. In our opinion, the results of this time study confirm the results of the 2018 and 2019 study.

Both FERC and NARUC provide guidance to U.S. regulated utilities related to the capitalization of the costs of services provided in support of capital activities as shown in the table below.

Source	Guidance
Utility Plant Instruction No. 3 included in the FERC Uniform System of Accounts (Gas & Electric)	(12) General administration capitalized includes the portion of the pay and expenses of the general officers and administrative and general expenses applicable to construction work.
Utility Plant Instruction No. 4 included in the FERC Uniform System of Accounts (Gas & Electric)	A. All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the accounting utility, law expenses, insurance, injuries and damages, relief and pensions, taxes and interest, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, to the end that each job or unit shall bear its equitable proportion of such costs and that the entire cost of the

	unit, both direct and overhead, shall be deducted from the plant accounts at the time the property is retired. B. As far as practicable, the determination of pay roll charges includible in construction overheads shall be based on time card distributions thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities to the end that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted. C. For major utilities, the records supporting the entries for overhead construction costs shall be so kept as to show the total amount of each overhead for each year, the nature and amount of each overhead expenditure charged to each construction work order and to each electric plant account, and the bases of distribution of such costs.
Interpretation No. 59 of the NARUC USoA[2] (Gas & Electric)	In general, it is believed that the incremental cost basis is the preferred method of determining amounts of administrative and general expenses which should be capitalized. Under this method only the costs specifically incurred for construction - costs which would not be incurred if construction were not undertaken - are chargeable to construction. The use of this plan will avoid the effect of showing greater net income merely because of increased construction work. Where the incremental cost basis is not employed, general and administrative expenses can properly be distributed to construction only if studies are made to determine the amounts thereof which relate to construction activities. In the case of compensation for personal services, such studies should be based upon time records or periodic surveys of the activities of employees. Where daily time reports are not in effect, periodic studies should be made at least once a year and more frequently if construction activities fluctuate considerably. Such studies should show each employee's activities and the proportion of his time which is includible in construction account. Where the expenditures relate to other than compensation for personal services, it must be shown (1) that the expenditure has a relationship to construction activities and (2) that a reasonable basis has been evolved for determining the amount of proportion properly capitalizable. In no event is it permissable to assign to construction a proportion or percentage of a particular class of expenditures without first having established the relationship of the expenditures in question to construction work. The records supporting allocations of administrative and general expenses to construction should; therefore, show (1) the relationship of the particular function to construction activities, (2) the proportion of each employee's time or each particular expenditure allocable to construction, and (3) the method of determining (2), that is time studies, daily time reports, etc.
Uniform System of Accounts for Class A Water and Wastewater Utilities (NARUC, 1996)	19. Utility Plant - Components of Construction Cost (12) "General administration capitalized" includes the portion of the pay and expenses of the general officers and administrative and general expenses applicable to construction work. 20. Utility Plant - Overhead Construction Costs A. All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the accounting utility, legal expenses, insurance, injuries and damages, relief and

[2] Source: Interpretations of Uniform System of Accounts for Electric and Gas Utilities, September 1988, National Association of Regulatory Utility Commissioners

	pensions, taxes and allowance for funds used during construction, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, so that each job or unit shall bear its equitable proportion of such costs and that the entire costs of the unit, both direct and overhead, shall be deducted from the plant accounts at the time the property is retired. B. As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distributions thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities so that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted. C. The records supporting the entries for overhead construction costs shall be so kept as to show the total amount of each overhead for each year, the nature and amount of each overhead expenditure charged to each construction work order and to each utility plant account, and the basis of distribution of such costs.

APPROACH

To complete the four-week indirect overhead capitalization time study for APUC/LUC, PA[3] completed the following tasks.

- Identified those functional areas within APUC/LU whose employees could most likely meaningfully complete a study to identify the time spent supporting the capital program of the North American regulated utilities.
- Identified a meaning number of employees to include in the time study from those functional areas identified. Approximately 20% of all employees in the functional areas identified were included in the time study.
- Developed a time reporting template specifically for purposes of this study which met the requirements described on the Decision.
- Trained employees participating in the study prior to commencement of the study and provided support throughout the study period.
- Reviewed results for reasonableness and consistency with the study instructions.
- Summarized study results.

RESULTS AND CONCLUSION

For the individuals participating in the four-week time study, the average percentage of time spent supporting the capital programs of the North American regulated utilities was 34.5%. This compares to the 32.55% and 32.08% for the 2018 and 2019 studies, respectively. At the individual employee level, time study results differed somewhat – both higher and lower - from the survey completed in 2018. In our opinion, this is a reasonable and expected outcome as job duties and responsibilities evolve over time and as estimates of time spent supporting capital program activity on an annual basis are re-assessed.

[3] Throughout this report, "PA" is used to describe the entire team assigned to this project, comprised of both PA and Company employees.

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EXHIBIT JS-DT4

Exhibit JS-DT4

Arizona Rate Cases Involving Allocated Costs from Affiliated Transactions

1. *Liberty Utilities (Black Mountain Sewer) Corp.*, Docket No. SW-02361A-05-0657, Decision No. 69164 (December 5, 2006) **Pre-CAM**

2. *Liberty Utilities (Gold Canyon Sewer) Corp.*, Docket No. SW-02519A-06-0015, Decision No. 69664 (June 28, 2007) **Pre-CAM**

3. *Liberty Utilities (Black Mountain Sewer) Corp.*, Docket No. SW-02361A-08-0609, Decision No. 71865 (September 1, 2010) **Pre-CAM**

4. *Liberty Utilities (Litchfield Park Water & Sewer) Corp.*, Docket No. SW-01428A-09-0103, *et al.*, Decision No. 72026 (December 10, 2010) **SETTLED**

5. *Liberty Utilities (Rio Rico Water & Sewer) Corp.*, Docket No. WS-02676A-09-0257, Decision No. 72059 (January 6, 2011) **SETTLED**

6. *Liberty Utilities (Bella Vista Water) Corp.*, Docket No. W-02465A-09-0411, *et al.*, Decision No. 72251 (April 7, 2011) **SETTLED**

7. *Liberty Utilities (Rio Rico Water & Sewer) Corp.*, Docket No. WS-02676A-12-0196, Decision No. 73996 (July 30, 2013) **SETTLED**

8. *Liberty Utilities (Litchfield Park Water & Sewer) Corp.*, Docket No. SW-01428A-13-0042, Decision No. 74437 (April 18, 2014) **SETTLED**

9. *Liberty Utilities (Black Mountain Sewer) Corp.*, Docket No. SW-02361A-15-0206, *et al.*, Decision No. 75510 (April 22, 2016) **SETTLED**

10. *Liberty Utilities (Bella Vista Water) Corp. and Liberty Utilities (Rio Rico Water & Sewer) Corp.*, Docket No. W-02465A-15-0367, *et al.*, Decision No. 75809 (November 21, 2016) **SETTLED**

11. *Liberty Utilities (Entrada Del Oro Sewer) Corp.*, Docket No. SW-04316A-16-0085, *et al.*, Decision No. 76019 (March 22, 2017) **SETTLED**

12. *Liberty Utilities (Litchfield Park Water & Sewer) Corp.*, Docket No. SW-01428A-17-0058, *et al.*, Decision No. 76799 (August 15, 2018) **SETTLED**

13. *Liberty Utilities (Black Mountain Sewer) Corp.*, Docket No. SW-02361A-19-0139, Decision No. 78017 (May 18, 2021) **SETTLED**

14. *Liberty Utilities (Entrada del Oro Sewer) Corp. and (Gold Canyon Sewer) Corp.,* Docket No. SW-04316A-21-0325, *et al*., Decision No. 78871 (March 16, 2023) **SETTLED**

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
ANNA TOVAR
NICK MYERS
KEVIN THOMPSON

IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (CORDES LAKES WATER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02060A-23-

DIRECT TESTIMONY

OF

JOSHUA D. REIFF

December 28, 2023

Snell & Wilmer
L.L.P.
LAW OFFICES
One East Washington Street, Suite 2700
Phoenix, Arizona 85004-2556
602.382.6000

TABLE OF CONTENTS

I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Joshua D. Reiff. My business address is 14920 W. Camelback Road, Litchfield Park, AZ 85340.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Liberty Utilities Service Corp. as Operations Manager for Liberty Utilities (Gold Canyon Sewer) Corp. ("Liberty Gold Canyon"), Liberty Utilities (Black Mountain Sewer) Corp. ("Liberty Black Mountain"), and Liberty Utilities (Cordes Lakes Water) Corp. ("Liberty Cordes Lakes"). In my job, I am responsible for the operation of these utilities.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am providing this direct testimony on behalf of Liberty Cordes Lakes.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I have over six years of experience in the water and wastewater industry. In June 2020, I joined Liberty Utilities ("Liberty"). Prior to joining Liberty, I was a Senior Operator at the City of Tolleson with progressive roles and increasing responsibilities for over four years. I also have three Associate Degrees, a Bachelor of Science Degree in Business Administration and Management from California State University San Marcos, and a Master's Degree in Business Administration from the Western Governors University.

Q. DO YOU HOLD ANY CERTIFICATIONS?

A. Yes. I currently hold the following certifications in the state of Arizona: Grade IV - Water Treatment, Grade IV - Wastewater Treatment, Grade IV - Wastewater Collections, and a Grade IV - in Water Distribution.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION OR ANY OTHER REGULATORY AGENCY?

A. Yes, I have provided written and oral testimony before the Arizona Corporation Commission ("Commission") on a Certificate of Convenience and Necessity ("CC&N")

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filing for Liberty Black Mountain.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to provide an overview of Liberty Cordes Lakes' current operations and the capital investments that have been undertaken to provide safe and reliable water utility service for customers since Liberty took over operation of Cordes Lakes in March 2019.

II. DESCRIPTION OF LIBERTY CORDES LAKES SYSTEM AND OPERATIONS

A. General Description of System

Q. PLEASE PROVIDE AN OVERVIEW OF LIBERTY CORDES LAKES

A. Liberty Cordes Lakes water service area is in the foothills of the Prescott Valley, north of Phoenix, in Yavapai County, Arizona. As of April 2023, Liberty Cordes Lakes provides water utility service to approximately 1,609 connections, (1,589 residential and 20 commercial connections).

Q. PLEASE DESCRIBE THE ASSETS USED IN OPERATING THE LIBERTY CORDES LAKES WATER SYSTEM.

A. The Liberty Cordes Lakes service area covers approximately 10 square miles (or 6,400 acres) in land area and includes a water production and distribution system with 5 active wells. Liberty Cordes Lakes owns and operates approximately 75 miles of Polyvinyl Chloride ("PVC") water mains (403,350 feet), 3 booster stations, 14 booster pumps, 7 storage tanks, and 5 pressure tanks.

Q. WHAT IS LIBERTY CORDES LAKES COMPLIANCE STATUS?

A. Liberty Cordes Lakes is in compliance and good standing according to the rules and regulations of ADEQ, Yavapai County, and the Commission based on the most current information available.

Q. CAN YOU PLEASE DESCRIBE CORDES LAKES WATER SYSTEM WHEN LIBERTY AQUIRED THEM?

A. Yes. Liberty acquired the Cordes Lakes water system in 2019 and took control of Cordes

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Lakes on March 1, 2019. To say the least, prior to Liberty ownership, Cordes Lakes had operational problems for many years that, in some cases, resulted in customer outages. These operational problems necessitated Cordes Lakes filing an emergency rate case and emergency financing in 2017 (Docket No. W-02060A-17-0228). The Commission also decided a permanent rate case for Cordes Lakes in Docket No. W-02060A-17-0274), but Cordes Lakes continued to have water loss and supply issues.

Under prior ownership, Cordes Lakes experienced a host of operational and financial issues ranging from water supply issues, significant water leaks, necessary service line and meter replacements, water hauling and other similar issues. In June 2017, the Company experienced a significant water leak due to a failed water service line causing the Company's water storage to be depleted, resulting in customer outages. Concurrent with and following that significant leak event, temperatures in the service area resulted in increased demand. That high level of customer water demand exceeded the capacity of the Cordes Lakes' wells to produce water and this combined with the depleted water storage emptied the storage tanks resulting in system-wide water service outages during that period. The Company was forced to haul water to replenish the storage levels. The Company continued having supply and operational issues throughout 2018 leading to Liberty's acquisition in March of 2019.

After closing of the acquisition, Liberty began to address Cordes Lakes' operational issues, including water loss and source of supply. Cordes Lakes is a Class D water utility. Cordes Lakes' small size limits its ability to raise capital, finance necessary system improvements and address these operational issues. Fortunately, Liberty's ownership has allowed the Company to undertake the necessary improvements to allow the Company to provide reliable and adequate water service to customers at all times. All of these capital improvements were prudent and necessary in order to provide water service to customers.

Q. HAS LIBERTY MADE ANY SIGNIFICANT IMPROVEMENTS TO CORDES LAKES SYSTEM SINCE TAKING OWNERSHIP IN 2019?

A. Yes. Since the late rase case filed in 2017 (which had a test year of 2016), Liberty Cordes

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Lakes has invested $5,692,237 on capital improvements and upgrades to its system. Under previous ownership, system-wide installation, and the use of materials such as schedule 20 PVC, sunburnt and weathered main lines, galvanized fittings, and poly service lines contributed to the frequent main and service line breaks. The system had a total four air relief valves, and did not have automated wellsite remote monitoring, or alarm devices for reliability. Devices such as the automated wellsite, remote monitoring and alarm devices are recognized as industry business practices for increased system reliability. Since Liberty's ownership in 2019, Liberty Cordes Lakes has installed: 1) an additional well (Well 7); 2) twenty-nine air relief valves for the system, and 3) automated wellsite remote monitoring devices with alarms on all well sites. Liberty Cordes Lakes has also replaced leaking service lines, broken main lines, old meters, and inoperable isolation valves throughout the system.

Since Liberty's ownership in 2019, Liberty Cordes Lakes has responded to and replaced over 400 main line leaks and over 350 service line leaks and has continued to hauled water for the system, as needed, to provide safe, reliable, and permanent water for its customers. A total of 2.8 million gallons were hauled in 2019, 90,000 gallons in 2020, and 132,000 gallons in 2022. As a result of the capital improvements made since Liberty's ownership, Liberty Cordes Lakes currently utilizes water hauling only on an as-needed basis to maintain safe and reliable service to its customers during emergencies and outages. Liberty Cordes Lakes also completed the addition of Well 7 in June of 2020, rehabilitated Well 2 in the spring of 2021, replaced a leaking hydro tank, added well site security, and has not moved beyond a stage 2 drought contingency plan since Liberty's ownership in 2019. Liberty Cordes Lakes continues to make technical and financial investments into the system. In addition to these capital projects, , Lauren Preston's testimony provides a discussion in support of the Customer First investment allocated to Liberty Cordes Lakes. Exhibit JR-DT1 summarizes the investments made by Liberty Cordes Lakes since its last rate case and categorized by account.

Q. CAN YOU BRIEFLY DESCRIBE THE CAPITAL INVESTMENTS MADE BY

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LIBERTY CORDES LAKES SINCE THE LAST RATE CASE?

A. As I stated in my introduction, I joined Liberty in 2020 and was not directly involved with any of the investments made in the Liberty Cordes Lakes system prior to 2022. However, I can confirm that the improvements since last rate case included security fencing at well site properties, the installation of Well 7, the replacement of leaking or broken water mains, the replacement of a well pump at Well 4, replacement of various booster pumps, the replacement of failed electronic equipment and the installation of variable frequency drive (" VFD") units on various well and booster station sites, the replacement of failed isolation valves throughout the distribution system, the replacement of leaking black poly service lines with new copper service lines, the replacement of failed water meters, and the purchase of the office building in Cordes Lakes. The post test year plant being requested for recovery in this rate case of $1.58 million includes Liberty's Cyber Security Program, safety improvements to the office building, backup generators at 3 wells and 2 booster stations, Encoder Receiver Transmitter ("ERT") installations and a reading collection equipment for Automated Meter Reading ("AMR") implementation, 1 service truck, 24 valve and pipe replacements to improve resiliency, in addition to continual service connection repairs.

Q. CAN YOU DESCRIBE IN MORE DETAIL THE CAPITAL IMPROVEMENTS MADE SINCE YOU HAVE BEEN MANAGING THE LIBERTY CORDES LAKES SYSTEM?

A. Yes. Since the last rate case, Liberty Cordes Lakes primarily made necessary capital improvements to water distribution lines, installing VFD's, water meters, and replacing failed isolation valves, to continue providing safe and reliable service to its customers.

- **Wells -**Well 7 was installed in 2020 supplying an additional 108 gpm (gallons per minute) to the system.
- **Water Distribution Lines** –Broken, leaking, and lower quality PVC main lines were replaced with new c900 pipe.
- S**tructures and Improvements –** Liberty improved safety and security of various well sites and booster stations with security fencing, the structure at the HUB

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Booster station was replaced, and security enhancements were added to the office building.

- **Service Lines** - Leaking and failing service lines were replaced with new copper lines in order to reduce future leaks.
- **VFD systems** – Electrical instrumentation equipment was installed to remove excess wear on equipment and boost system stability by regulating pressure throughout the system.
- **Water Meter Replacement** – Residential water meters have been replaced due to aging meters reaching the end of their useful lives. Water meter replacements are essential for billing accuracy and customer satisfaction along with assisting in reducing water loss and identifying leaks earlier. Testing of 50 randomly selected meters removed during our meter replacement project showed an average of 74% accuracy on low flow rates, 92.8% on medium flow, and 91.6% on hi- flow.
- **Isolation Valve Replacements** –Failed isolation valves have been replaced throughout the system to allow for balancing water throughout the different zones. Balancing water throughout zones allows for better control of the system and minimizes the effects of main breaks and outages to customers and reduces the number of customers affected. This also allows for better redundancy of the system should a well need to be serviced during high demand.

Q. HOW HAS LIBERTY'S OWNERSHIP IMPACTED THE RELIABILITY OF WATER SERVICE FOR CUSTOMERS OF LIBERTY CORDES LAKES?

A. Sine Liberty's ownership in 2019, Liberty Cordes Lakes has not moved beyond a stage 2 drought contingency plan and did not shut water off or implement system-wide rolling outages for its customers due to supply concerns. With the addition of the new well and other capital investments made since Liberty' ownership, Liberty Cordes Lakes has adequate production capacity to meet its peak demand.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

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EXHIBIT JR-DT1

Liberty Utilities (Cordes Lakes Water) Corp
Exhibit JR-DT1

Line No.	NARUC	Account Description	[A] Gross Utility Plant as of 12/31/2016	[B] Plant Additions 01/01/2017 - 04/30/2023	[C] Plant Additions Post Test Year	[D] Gross Utility Plant Current Rate Case	[E] = [D] - [A] Increase / (Decrease)
1	301	Organization Cost	$ 3,500	$ 48,524	$ -	$ 52,024	$ 48,524
2	302	Franchise Cost	-	-	-	-	-
3	303	Land and Land Rights	-	196,394	-	196,394	196,394
4	304	Structures & Improvements	6,657	489,493	80,000	576,150	569,493
5	305	Collecting & Impounding Reservoirs	-	-	-	-	-
6	306	Lake, River, Canal Intakes	-	-	-	-	-
7	307	Wells & Springs	167,349	708,215	-	875,564	708,215
8	308	Infiltration Galleries	-	-	-	-	-
9	309	Raw Water Supply Mains	-	298,657	-	298,657	298,657
10	310	Power Generation Equipment	-	15,007	500,000	515,007	515,007
11	311	Pumping Equipment	93,783	381,137	26,454	501,374	407,591
12	320	Water Treatment Equipment	-	-	-	-	-
13	320.1	Water Treatment Plants	-	-	-	-	-
14	320.2	Solution Chemical Feeders	1,433	8,697	-	10,130	8,697
15	330	Distribution Reservoirs & Standpipes	-	-	-	-	-
16	330.1	Storage Tanks	141,632	59,529	-	201,161	59,529
17	330.2	Pressure Tanks	-	99,689	-	99,689	99,689
18	331	Transmission & Distribution Mains	584,317	1,323,313	150,000	2,057,630	1,473,313
19	333	Services	46,554	1,437,290	340,540	1,824,384	1,777,830
20	334	Meters	74,180	266,360	330,000	670,540	596,360
21	335	Hydrants	-	12,472	-	12,472	12,472
22	336	Backflow Prevention Devices	-	-	-	-	-
23	339	Other Plant & Misc Equipment	60,550	29,436	-	89,986	29,436
24	340	Office Furniture & Equipment	6,101	426	-	6,527	426
25	340.1	Computers & Software	1,437	149,242	-	150,679	149,242
26	341	Transportation Equipment	62,342	60,375	110,000	232,717	170,375
27	342	Stores Equipment	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	-	16,525	-	16,525	16,525
29	344	Laboratory Equipment	-	-	-	-	-
30	345	Power Operated Equipment	1,904	-	-	1,904	-
31	346	Communication Equipment	-	27,401	28,937	56,338	56,338
32	347	Miscellaneous Equipment	2,167	64,056	-	66,223	64,056
33	347.1	Miscellaneous Equipment - CNG Plant	-	-	-	-	-
34	348	Other Tangible Plant	-	-	-	-	-
35		**Total Gross Utility Plant**	**$ 1,253,905**	**$ 5,692,237**	**$ 1,565,931**	**$ 8,512,073**	**$ 7,258,168**
36							
37				**Allocated**			
38				**Corporate Plant**	**PTY Plant**	**TOTAL**	
39	903	Land and Land Rights		$ 3,123	$ -	$ 3,123	
40	904	Structures and Improvments		83,682.18	-	83,682.18	
41	940	Office Furniture and Fixtures		11,448.22	-	11,448.22	
42	940.1	Computers and Software		11,645.59	19,644.22	31,289.81	
43	940.2	Customer First		475,360.80	-	475,360.80	
44	955	Power Generation		61.52	-	61.52	
45	995	Power Operated Equipment		10,167.53	-	10,167.53	
46		**Total Allocated Corporate Plant**		**$ 595,489**	**$ 19,644**	**$ 615,133**	
47							
48		**Combined TOTAL**	**$ 1,253,905**	**$ 6,287,726**	**$ 1,585,575**	**$ 9,127,206**	

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
ANNA TOVAR
NICK MYERS
KEVIN THOMPSON

IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (CORDES LAKES WATER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02060A-23-

DIRECT TESTIMONY

OF

LAUREN A. PRESTON

December 28, 2023

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Lauren A. Preston. My business address is 15 Buttrick Rd., Londonderry, New Hampshire 03053.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Liberty Utilities Service Corp. ("LUSC"), a wholly owned subsidiary of Liberty Utilities Co. ("Liberty"), as the Vice President of Customer Care.

Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS TESTIMONY?

A. I am testifying on behalf of Liberty Utilities (Cordes Lakes Water) Corp. ("Cordes Lakes"), Liberty Utilities (Bella Vista Water) Corp. ("Liberty Bella Vista"), Liberty Utilities (Rio Rico Water and Sewer) Corp. ("Liberty Rio Rico") and Liberty Utilities (Beardsley Water) Corp. ("Liberty Beardsley") (collectively referred to sometimes herein as "Applicants").

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I have 34 years of experience in the public utilities field. My range of experience includes the traditional aspects of customer care, such as meter reading, call centers, collections, billing, third party supplier support, and marketing and communications and includes serving customers in electric, water, and natural gas utilities. I also have experience as an internal auditor and a project leader for large scale programs. I hold a bachelor's degree in management from the University of Massachusetts and a Master of Business Administration from Boston College. I have also served in leadership capacities for the American Gas Association and Southern Gas Association.

Q. PLEASE DESCRIBE YOUR DUTIES AS VICE PRESIDENT OF CUSTOMER CARE.

A. I am responsible for managing and overseeing the customer care services for all of Liberty's regulated utilities. My duties include setting strategy and policy for delivery of customer care activities for Liberty's electric, natural gas, water, and wastewater customers across

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thirteen states[1] in the United States and one Canadian province.[2] My Customer Care team is responsible for customer billing, customer contact via call centers and walk-in centers, collections, communications, and social media support. In some service territories, my team—the Customer Care team—is also responsible for meter data collection. Customer Care also serves a substantial role in implementing innovative technologies serving customers and complying with regulatory requirements related to customer care and billing.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION OR ANY OTHER REGULATORY AGENCY?

A. Yes. I have testified before the public utility commissions in Massachusetts, Maryland, and the District of Columbia in positions I held prior to joining Liberty.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe Liberty's recent implementation of a modern technology platform, Customer First, that replaced a legacy customer information system and several other technology systems. My testimony also describes proposals for some new programs Liberty believes will improve customer care.

Q. ARE YOU SPONSORING ANY REQUIRED SCHEDULES OR EXHIBITS?

A. Yes. I am sponsoring Exhibit LP-DT1: Customer Assistance Tariff.

II. DESCRIPTION OF CUSTOMER FIRST

Q. PLEASE EXPLAIN WHAT CUSTOMER FIRST IS.

A. Customer First is an enterprise-wide project that includes changes to technology and systems, and associated employee training. As a comprehensive project, Customer First serves to install an enterprise-wide solution to replace and improve legacy computer systems. These include systems related to customer information, finance and accounting, network operations, procurement, accounts payable, employee time, and payroll services.

[1] Arizona, Arkansas, California, Georgia, Illinois, Iowa, Kansas, Massachusetts, Missouri, New Hampshire, New York, Oklahoma, and Texas.

[2] New Brunswick, Canada

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The Customer First project provides employees with the tools to deliver the experience that customers demand and deserve. Specifically, Customer First is a multi-year, multi-project, transformational journey to create greater consistency around the Company's operations, customer service, and financial functions in a way that will create an industry-leading customer experience.

Q. ARE THE APPLICANTS THE ONLY LIBERTY AFFILIATES THAT WILL IMPLEMENT CUSTOMER FIRST?

A. No. The program is being implemented on a centralized basis. Project elements and their costs will be allocated to the various entities ultimately owned by Algonquin Power & Utilities Corporation ("APUC"), the ultimate parent company of Applicants here. Later in my testimony, I discuss further the decision to implement Customer First on a centralized basis.

Q. CAN YOU PLEASE SUMMARIZE THE PRIMARY ELEMENTS OF THE CUSTOMER FIRST PROGRAM?

A. Yes. There are six major components, which are summarized in Figure 1. Most of my testimony focuses on the customer-facing components.

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FIGURE 1. CUSTOMER FIRST PROGRAM

Q. IS CUSTOMER FIRST A REPLACEMENT OF OBSOLETE TECHNOLOGY OR UPGRADES TO NEWER TECHNOLOGIES?

A. Both. Across the enterprise, Customer First will replace obsolete systems that were becoming increasingly difficult to maintain. In addition to mitigating the operational risks that come with reliance on antiquated systems, Customer First also offers enhancements that will help modernize distribution grids, provide better access to data for customers, and improve the efficiencies with which the APUC utilities plan and operate their systems. Further gains in both areas are created by the simultaneous investment in our employees with corresponding training and work process designed to make the work we perform for our customers and communities better.

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Q. HOW DID IT COME TO PASS THAT THE APUC UTILITIES RELY ON SO MANY DIFFERENT, DISPARATE SYSTEMS?

A. That current state is largely attributable to the manner in which the organization has grown since entering the regulated utility space. APUC acquired its first regulated utility in Arizona in 2001 by purchasing a wastewater utility that serves approximately 2,000 customers. Since then, through a series of acquisitions, APUC has grown its utility business significantly. Today, utilities owned by APUC provide regulated electric, natural gas, water, and wastewater utility services to roughly one million customers of its 30 regulated utilities, which operate in 13 states, one Canadian province, Bermuda, and Chile. Many of the information systems utilized by these utilities when acquired were developed at a time when business requirements were different than they are today. In 2017, APUC began evaluating its systems and business processes, many of which were obsolete, lack capability of support and required significant manual work, which further promoted the need for a multi-functional platform. After re-evaluating its customer, business, and security requirements with the technology and processes, and considering a range of alternatives, APUC determined that an investment in Customer First would remedy the gaps associated with its existing individual systems, including sustaining the legacy systems, developing localized solutions, and developing an enterprise solution.

Q. WHY DID APUC CHOOSE TO IMPLEMENT AN ENTERPRISE SOLUTION, RATHER THAN MAKING SYSTEM INVESTMENTS ON A UTILITY-BY-UTILITY BASIS?

A. APUC chose an enterprise solution because the business needs across all the subsidiaries have a consistent set of baseline needs. Making investments on a utility-by-utility basis would likely have required a more complex project and procurement/development strategy and in doing so increased the risk of system design decisions becoming disparate across the organization. Choosing one set of systems which meets the majority of baseline needs to implement and then configure those to meet the particular differences of each subsidiary

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creates efficiencies across multiple dimensions. Customer First is an enterprise solution that includes system-wide investments, upgrades, improvements, and changes to business processes across the enterprise. Customer First addresses critical needs across the enterprise by (1) leveraging the capabilities and experience of the organization; (2) upgrading or replacing key systems that have become generally obsolete and costly to maintain; (3) harnessing and creating large, scalable networks and resources which are accessible and allow for efficiencies; and (4) reducing potential security risks.

Q. PLEASE DESCRIBE THE BENEFITS CUSTOMERS WILL RECEIVE WITH THE IMPLEMENTATION OF CUSTOMER FIRST.

A. One of the most impactful customer-facing benefits from implementing Customer First is the opportunity to replace the Company's existing customer information system ("CIS") and billing systems, which were not capable of providing the kinds of services customers want now and in the future. The Company's CIS and billing systems were increasingly obsolete and had not had a substantial upgrade in more than 10 years. Adapting a system of that age to provide more flexibility in the types of services customers expect from a utility today and in years to come would be complicated and expensive. With Customer First and related interfaces, the Applicants can offer several new and improved services and share in the development and maintenance efforts of these services across the enterprise. For example, Customer First has allowed the Applicants to redesign customers' bills making it easier to read and understand the cost of the services provided. The Applicants also can now offer a digital connection that allows customers to track the status of work orders. The Applicants can expand payment options to customers, including online payment, auto-payment, payments at terminals in walk-in centers, and refresh how payments are made by phone via the Interactive Voice Response ("IVR") system. The system allows for digital channels for customer contact, self-service enablement, supports demand response programs, and has the flexibility necessary for innovative rate design. The user interface enables customers to set up an account profile, monitor their usage, view bills, make

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payments, see a map of planned outages, and receive alerts. Further, an omnichannel survey platform to collect Voice of Customer ("VoC") feedback enables Liberty to understand how we are serving our customers and what our customers want from their utility provider. These advances coupled with an advanced survey and feedback system allow us to gather information on how our customers feel about our service and to use their insight to make improvements.

Customer First will improve how the Applicants engage with customers, manage their assets, operate the system, and plan utility operations. This will allow for long-run efficiencies through integrated software applications that standardize, streamline, and integrate business processes across finance, human resources, procurement, distribution, and other departments. For example, Customer First includes the implementation of PowerPlan, a software solution that specifically addresses the unique asset management requirements of utilities, enables functionality for specialized utility accounting practices, and leverages existing data to support the automation of key activities while meeting regulatory and jurisdictional requirements. Other tools such as Workforce Software will streamline the processing of payroll and reduce compliance risks, and a financial planning and business intelligence platform will allow for collaboration across multiple business units.

Q. PLEASE DESCRIBE HOW CUSTOMER FIRST INCORPORATES CUSTOMER NEEDS AND EXPECTATIONS THROUGHOUT ITS DESIGN AND IMPLEMENTATION.

A. APUC selected SAP's industry-leading enterprise resource planning ("ERP") software system used by large companies including utilities all over the world. The process used to select SAP was based on a comprehensive assessment of customer and employee needs against the capabilities of the software. To implement SAP, APUC hired industry experts in deploying SAP and paired them with teams of experienced company employees to adapt the system to fit local preferences and requirements. As the design, configuration, testing,

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and implementation of the system is worked through, decisions on how this would work will be incorporated into research on customer and industry practices, regulatory requirements, and procedures to help streamline work for our employees and make information more accessible for our customers. This design included how information is delivered to our customers in a manner that helps them understand and manage their energy usage. The system was also built with the capacity to adapt to innovative programs and technologies as those become available to our customers.

Q. WHEN WAS CUSTOMER FIRST PLACED IN SERVICE FOR THE APPLICANTS?

A. Customer First was placed in service on April 30, 2023.

Q. PLEASE OUTLINE THE CAPITAL INVESTMENT ASSOCIATED WITH THE CUSTOMER FIRST PROJECT.

A. The Applicants' allocation of the total APUC capital investment for Customer First is estimated to be $7.15 million as reflected in Table 1 below. However, after the project is fully deployed across the enterprise in 2024, the allocated share of the total capital investment to the Applicants will be trued-up based on the actual costs incurred by APUC.

Table 1 Customer First Capital

Applicants	Capital Allocated
Liberty Cordes Lakes	$ 579,865
Liberty Beardsley	$ 822,795
Liberty Bella Vista	$ 2,975,922
Liberty Rio Rico -Water	$ 2,116,826
Liberty Rio Rico -Wastewater	$ 654,620
Total	$ 7,150,029

Q. IN ADDITION TO THE CAPITAL EXPENDITURES, ARE THERE RECURRING ANNUAL OPERATING AND MAINTENANCE ("O&M") COSTS RELATED TO THE CUSTOMER FIRST PROJECT?

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A. Yes. All systems require ongoing support, maintenance, and upgrades to keep them performing at optimal levels. APUC's Customer First investment is no exception. On an annual basis, the Applicants will receive their allocated share of operating and maintenance (O&M) expenses related to Customer First which will include, but is not limited to, annual support fees, software maintenance, hosting, and managed services. The estimated annual O&M costs are included as proforma adjustments to the test year expenses for each of the Applicants as shown below and as discussed in Manasa Rao's testimony. There will be continued ongoing costs during the project's 20 year planned life.

Table 2 Customer First O&M Adjustments

Applicants	O&M Adjustment
Liberty Cordes Lakes	$ 22,787
Liberty Beardsley	$ 64,820
Liberty Bella Vista	$ 128,743
Liberty Rio Rico – Water	$ 89,256
Liberty Rio Rico - Wastewater	$ 27,918
Total	$ 333,524

III. FINANCIAL ASSISTANCE PROGRAM

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED CUSTOMER FINANCIAL ASSISTANCE PROGRAM.

A. The Company is proposing a new Customer Assistance Tariff ("CAT") for all of the Applicants. The CAT includes Low-Income, Deployed Services Member, and Disabled Veteran programs. These programs are intended to alleviate financial hardships customers may be experiencing paying their utility bills and are consistent with CATs approved for other Liberty utilities and other Arizona utilities. Liberty Bella Vista Water and Liberty Rio Rico currently have the Alternative Rate Water and Wastewater (ARWW) program that is limited to just customers that meet the low-income qualification criteria whereas the CAT is more expansive with the additional program qualification criteria. The Applicants are proposing to replace the ARRW program with CAT, where applicable.

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Q. HOW WILL THE CAT BE IMPLEMENTED?

A. Customers will be eligible to apply for relief on a first come, first served basis with a limit of customers, as stated in the Tariffs, to participate in CAT programs. Customers submit applications and Liberty Utilities Customer Care who will then determine eligibility. Liberty Utilities will file an annual report detailing the number of participants from the previous calendar year, the total amount of credits provided by the program and the total of any program administrative costs.

Q. HOW ARE THE COSTS OF IMPLEMENTING THE CAT PROGRAMS RECOVERED, INCLUDING ANY ASSOCIATED LOST REVENUE?

A. Through the establishment of a monthly CAT surcharge on all non-participating customers. Liberty would account for direct costs associated with the programs separately from other operating costs. The monthly surcharge would be calculated each year based on the active number of customer connections as of December 31 of the prior year. Additionally, the Applicants are proposing to file an annual notice of the surcharge along with a report on the CAT with the Commission on or before January 31 and for the surcharge to be implemented in February of each year with the recovery period ending in January of the following year. This process is in alignment with the CAT programs already approved by the Commission for Liberty Utilities (Gold Canyon Sewer) Corp in Decision No.78871.

Q. DOES THIS CONCLUDE YOUR PREFILLED DIRECT TESTIMONY?

A. Yes.

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EXHIBIT LP-DT1

Applies to all service areas

CUSTOMER ASSISTANCE TARIFF
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

Applicability

Applicable to residential water service for domestic use rendered to individuals who meet all the program qualifications and special conditions of this rate schedule.

Programs

This Customer Assistance Tariff (CAT) contains the following programs: (1) Low-Income Program; (2) Deployed Services Member Program; and (3) Disabled Veteran Program. Collectively, these three programs are referred to as the "Customer Assistance Programs".

Territory

Within all customer service areas served by Liberty Utilities (CORDES LAKES Water) Corp. ("Liberty" or "Company").

Rates

Fifteen percent (15%) discount applied to the regular filed tariff.

Program Qualifications

1. The Liberty bill must be in your name and the address must be your primary residence.
2. You may not be claimed as a dependent on another person's tax return.
3. You must reapply each time you move residences.
4. You must renew your application once every year, or sooner, if requested.
5. You must notify Liberty within thirty (30) days if you become ineligible for the CAT.

Applies to all service areas

CUSTOMER ASSISTANCE TARIFF

DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

Special Conditions

1. Application: An application on a form authorized by the Commission is required for each request for service under this schedule. A customer must reapply every year or sooner, if requested.

2. Commencement of Rate: Eligible customers whose applications have been approved shall be billed on this schedule commencing with the next regularly scheduled billing period that follows receipt of application by Liberty.

3. Verification: Information provided by the applicant is subject to verification by Liberty. Refusal or failure of a customer to provide documentation of eligibility acceptable to Liberty, upon request by Liberty, shall result in removal from this rate schedule.

4. Notice from Customer: It is the customer's responsibility to notify Liberty if there is a change of eligibility status.

5. Rebilling: Customers may be re-billed retroactively for periods of ineligibility under the applicable rate schedule.

6. Participation Limit: The CAT (for all three programs included) is limited to 200 customers of the Company. Applications will be reviewed and approved on a first come, first served basis. Applicants will be placed on a waiting list if the participation limit has been met.

7. Qualification: A customer that qualifies for more than one program will only receive benefits from one program per year. CAT benefits will not be combined or accumulated.

Applies to all service areas

CUSTOMER ASSISTANCE TARIFF
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

LOW INCOME PROGRAM

To qualify for the low income program, the total gross annual income of all persons living in your household cannot exceed the income levels below:

Effective xxxx xx, xxxx

No. of Person in Household	Total Gross Annual Income*
1	$XXXXX
2	$XXXXX
3	$XXXXX
4	$XXXXX
5	$XXXXX
6	$XXXXX

For each additional person residing in the household, add $XXXXX

***Qualifying annual incomes are set at 150 percent of the 202X federal poverty levels.**

Acceptance into the program is subject to verification of income source.

For the purpose of the program the "gross household income" means all money and non-cash benefits, available for living expenses, from all sources, both taxable and non-taxable, before deductions for all people who live in your home. This includes, but is not limited to:

Wages or salaries	Social Security, SSI, SSP	Rental or royalty income
Interest or dividends from: Savings account, stocks or bonds	Scholarships, grants, or other aid used for living expenses	Profit from self-employment (IRS form Schedule C, Line 29)
Unemployment benefits	Disability payments	Worker's Compensation
TANF (AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

Applies to all service areas

CUSTOMER ASSISTANCE TARIFF
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

DEPLOYED SERVICES MEMBER PROGRAM

This program allows the Company to provide a 15% discount to deployed service members of the United States Military. The Company will provide the credit on the deployed service member's bill provided that the following criteria are met:

The Company will provide the credit on the deployed service member's bill provided that the following criteria are met:

1. Deployment is not a "permanent change of station." Permanent change of station requires a service member to permanently change his or her place of residence, paid for by the applicable military branch. A service member's decision to keep a secondary residence in Arizona would be discretionary and would not qualify for this credit.
2. Deployed member does not have family living in the premises. Short term deployments, where a spouse and/or dependents remain in the United States would not qualify, as the service member would receive separate compensation from the military to cover domestic expenses while deployed.
3. The deployed service member is an active member of the military (*e.g.*, Air Force, Army, Coast Guard, Marines, and Navy), as defined by 10 U.S.C. § 101(a)(4), and includes any member of the Reserves or National Guard called to active duty.

Administration

1. Participation shall be determined on a first come, first served basis.
2. Each service member's eligibility must be verified based on written orders from the service member's command.
3. Continued eligibility will be determined periodically through a recertification process.
4. The Company is permitted to seek Commission approval to change participant limits based on level of participation.
5. Qualifying annual incomes are set at 200 percent of the 202X federal poverty levels.

Applies to all service areas

CUSTOMER ASSISTANCE TARIFF

DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

DEPLOYED SERVICES MEMBER PROGRAM

Effective xxxx xx, xxxx

No. of Person in Household	Total Gross Annual Income*
1	$XXXXX
2	$XXXXX
3	$XXXXX
4	$XXXXX
5	$XXXXX
6	$XXXXX

For each additional person residing in the household, add $XXXXX

Acceptance into the program is subject to verification of income source.

For the purpose of the program the "gross household income" means all money and non-cash benefits, available for living expenses, from all sources, both taxable and non-taxable, before deductions for all people who live in your home. This includes, but is not limited to:

Wages or salaries	Social Security, SSI, SSP	Rental or royalty income
Interest or dividends from: Savings account, stocks or bonds	Scholarships, grants, or other aid used for living expenses	Profit from self-employment (IRS form Schedule C, Line 29)
Unemployment benefits	Disability payments	Worker's Compensation
TANF (AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

Applies to all service areas

CUSTOMER ASSISTANCE TARIFF

DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

DISABLED MILITARY VETERAN PROGRAM

This program allows the Company to provide a 15% discount to disabled military veterans of the United States Military. The Company will provide the credit on the disabled military veteran's bill provided that the following criteria are met:

The Company will provide the credit on the disabled military veteran's bill provided that the following criteria are met:

1. Disabled military veteran was honorably discharged from the armed forces.
2. Disabled military veteran must have a permanent disability rating related to their military duty service.
3. The disabled military veteran must have been an active member of the military (*e.g.*, Air Force, Army, Coast Guard, Marines, and Navy), as defined by 10 U.S.C. § 101(a)(4), and includes any member of the Reserves or National Guard called to active duty.

Administration

1. Participation shall be determined on a first come, first served basis.
2. Each service member's eligibility must be verified based on documentation demonstrating a medical discharge or other written documentation from the United States Department of Defense or Department of Veteran Affairs.
3. Continued eligibility will be determined periodically through a recertification process.
4. The Company is permitted to seek Commission approval to change participant limits based on level of participation.
5. Qualifying annual incomes are set at 200 percent of the 202X federal poverty levels

Applies to all service areas

CUSTOMER ASSISTANCE TARIFF

DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

DISABLED MILITARY VETERAN PROGRAM

Effective xxxx xx, xxxx

No. of Person in Household	Total Gross Annual Income*
1	$XXXXX
2	$XXXXX
3	$XXXXX
4	$XXXXX
5	$XXXXX
6	$XXXXX

For each additional person residing in the household, add $XXXXX

Acceptance into the program is subject to verification of income source.

For the purpose of the program the "gross household income" means all money and non-cash benefits, available for living expenses, from all sources, both taxable and non-taxable, before deductions for all people who live in your home. This includes, but is not limited to:

Wages or salaries
Interest or dividends from: Savings account, stocks or bonds
Unemployment benefits
TANF (AFDC)
Pensions
Gifts
Social Security, SSI, SSP
Scholarships, grants, or other aid used for living expenses
Disability payments
Food Stamps
Insurance settlements
Rental or royalty income
Profit from self-employment (IRS form Schedule C, Line 29)
Worker's Compensation
Child Support
Spousal Support

Applies to all service areas

CUSTOMER ASSISTANCE TARIFF
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

RECOVERY OF COST OF CUSTOMER ASSISTANCE TARIFF AND CUSTOMER SURCHARGES

The Company shall recover the CAT costs from a monthly CAT surcharge on all residential and non-residential water customers who are not participating in the CAT. Liberty is entitled to seek recovery of direct costs (*i.e.,* those costs directly associated with the programs, which costs would not be incurred in the absence of the programs). The Company shall account for those direct costs separately from other operating costs.

Liberty shall be entitled to implement a CAT surcharge on non-participating residential and non-residential water as follows.

- For customers participating in the CAT, the Company shall maintain a balancing account detailing the beginning and ending balance of the cumulative unrecovered program costs each month.

- Liberty's authorized rate of return shall be applied monthly to the average of the beginning balances of the cumulative unrecovered program costs for water service and included in the beginning balances for the following month.

- Using the balancing account, Liberty shall calculate the monthly surcharge for each customer as follows:

  (Ending Balance for Low-Income Tariff Balancing Account including amortized carrying costs during recovery period /Number of active non-participating water connections at year end)/12

- The ending balance in the balancing account shall equal the beginning balances plus discounts allowed on bills for the twelve month tracking period, plus direct program costs incurred in the twelve month period plus the return less surcharge fees billed in the twelve month tracking period.

- Liberty shall implement a monthly surcharge for the CAT for each twelve month period of the CAT. The Company shall calculate the monthly surcharge each year based on the active number of customer connections as of December 31 of the prior year. The Company shall file notice of the surcharge, along with a report on the CAT, with the Arizona Corporation Commission on or before January 31 and the surcharge shall be implemented on customer bills in February of each year with the recovery period ending in January of the following year.

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
ANNA TOVAR
NICK MYERS
KEVIN THOMPSON

IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (CORDES LAKES WATER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02060A-23-

DIRECT TESTIMONY

OF

THOMAS J. BOURASSA

RATE BASE, INCOME STATEMENT & RATE DESIGN

December 28, 2023

Snell & Wilmer
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TABLE OF CONTENTS

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q. WHAT IS YOUR PROFESSION AND BACKGROUND?

A. I am a Certified Public Accountant and am self-employed, providing consulting services to utility companies as well as general accounting services. I have a B.S. in Chemistry and Accounting from Northern Arizona University (1980) and an M.B.A. with an emphasis in Finance from the University of Phoenix (1991).

Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND REGULATORY EXPERIENCE?

A. Yes. Prior to becoming a private consultant, I was employed by High-Tech Institute, Inc., and served as controller and chief financial officer. Prior to working for High-Tech Institute, I worked as a division controller for the Apollo Group, Inc. Before joining the Apollo Group, I was employed at Kozoman & Kermode, CPAs. In that position, I prepared compilations and other write-up work for water and wastewater utilities, as well as tax returns.

In my private practice, I have prepared and/or assisted in the preparation of several water and wastewater utility rate applications before the Arizona Corporation Commission ("Commission").

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying in this proceeding on behalf of the applicant, Liberty Utilities (Cordes Lakes Water) Corp. ("Liberty Cordes Lakes" or the "Company"). Liberty Cordes Lakes is seeking a determination of its fair value rate base and the setting of rates and charges for water on that finding.

II. OVERVIEW OF THE COMPANY'S REQUEST FOR RATE RELIEF

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. I will testify in support of the Company's proposed adjustments to its rates and charges for

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water and wastewater utility service. I am sponsoring the direct schedules, which are filed concurrently herewith in support of the Company's application. I was responsible for the preparation of these schedules based on my investigation and review of Liberty Cordes Lakes's relevant books and records.

For convenience, the two portions of my direct testimony, each with the relevant schedules attached, are being filed separately in this case. In this volume of my direct testimony, I address the rate bases, income statements (revenue and operating expenses), required increases in revenue, and rate designs and proposed rates and charges for service for the Company's water service. Schedules A through C, E-F and H are attached to this portion of my direct testimony. The Company has also prepared cost of service study (G schedules).

In the second volume of my direct testimony is where I address the D schedules to which are attached herein. Liberty Cordes Lakes is requesting a return on common equity of 10.95 percent and a weighted average cost of debt of 6.60 percent. As shown on Schedule D-1, the Company's capital structure for ratemaking purposes consists of 54 percent equity and 46 percent debt. The weighted cost of capital is 8.08 percent.

Q. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.

A. The Company is seeking a revenue increase of 210.47 percent. The test year used by Liberty Cordes Lakes is the 12-month period ending April 30, 2023. The Company is requesting an 8.08 percent return on its fair value rate base ("FVRB"). The Company has also proposed certain pro forma adjustments to reflect known and measurable changes to rate base, expenses. These pro forma adjustments are consistent with normal ratemaking and are contemplated by the Commission's rules and regulations governing rate applications. *See* R14-2-103. These adjustments are necessary to obtain a normal or realistic relationship between revenues, expenses and rate base on a going-forward basis.

The Company's fair value rate base for Liberty Cordes Lakes is $7,514,781. The increase in revenues to provide for recovery of operating expenses and an 8.08 percent return on rate base is approximately $1,367,617, an increase of approximately 210.47

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percent over the adjusted and annualized test year revenues.

Q. WHY IS THE COMPANY FILING FOR NEW RATE AT THIS TIME?

A. Liberty Cordes Lakes is no longer earning a return on the fair value of its water plant devoted to service. While Liberty Cordes Lakes has added approximately $7.95 million of new plant investments necessary to serve water customers since the last rate case which used a test year ended December 31, 2016 (Decision 76678, March 22, 2018), rate base has increased by over $7 million.

The primary drivers of the rate increase Liberty Cordes Lakes requests for water service are an increase in rate base as well as an increase in operating expenses since the prior rate case. Notably, with respect to rate base, the Company is seeking approximately $1.585 million of post-test year plant. The Company is also seeking an acquisition adjustment of about $950,000 related to the purchase of Beardsley Water Company by Liberty Cordes Lakes. The proposal to include the acquisition adjustment in rate base is discussed by Mr. Garlick. With respect to operating expenses, some of the operating expenses that have increased significantly since the last rate case are depreciation expense, property tax expense, and purchased power. Revenues have not kept pace with the increase in expenses. Due to the increased rate base and operating expenses, the Company's current rate of return, based on the adjusted test year results, is -5.05 percent.

III. SUMMARY OF "A", "E" AND "F" SCHEDULES

Q. DESCRIBE THE SCHEDULES LABELED AS "A", "E", AND "F".

A. I will describe each of the schedules individually, starting with the "A" Schedules. First is Schedule A-1, which is a summary of the rate base, adjusted operating income, current rate of return, required operating income, operating income deficiency, and the increase in gross revenue. Revenues at present and proposed rates and customer classifications are also shown on this schedule.

Q. DESCRIBE THE OTHER "A" SCHEDULES.

A. Schedule A-2 is a summary of results of operations for the test year, prior two years, and a projected year at present rates and proposed rates. Schedule A-3 contains the Company's

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capital structure for the test year and the two prior years. Schedule A-4 contains the plant construction, and plant in service for the test year and prior two years. The projected plant additions are also shown on this schedule. Schedule A-5 is the summary of Liberty Cordes Lakes's statement of cash flow for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

Q. DESCRIBE THE "E" SCHEDULES.

A. The "E" Schedules are based on Liberty Cordes Lakes's actual operating results, as reported in annual reports filed with the Commission. Schedule E-1 contains the comparative balance sheets for the years 2021, 2022, and 2023, ending on April 30. Schedule E-2, page 1, contains the income statement for the years 2021, 2022, and 2023, ending on April 30. Schedule E-3 contains a statement of changes in the Company's financial position for the test year and the two prior years. Schedule E-4 provides the changes in stockholder's equity for the test year and the two prior years. Schedule E-5 contains Liberty Cordes Lakes's plant in service at the end of the test year, and one year prior to the end of the test year and the associated change in plant additions, reclassifications or retirement for the test year. Schedule E-6, which provides department financial results, has been omitted as Liberty Cordes Lakes does not have departments. Schedule E-7 contains operating statistics for the years 2021, 2022, and 2023, ending on April 30. Schedule E-8 contains the taxes charged to operations for the years 2021, 2022, and 2023, ending on April 30.

The notes to the financial statements and the financial assumptions used in preparing the rate filing schedules are shown on Schedules E-9 and F-4, respectively, in accordance with the Commission's standard filing requirements. Audited financial statements have not been prepared for Liberty Cordes Lakes.

Q. DESCRIBE THE "F" SCHEDULES.

A. Schedule F-1 contains the results of operations at the present rates (actual and adjusted), and at proposed rates. Schedule F-2 contains the summary of changes in financial position (cash flow), the test year at present rates, and a projected year at present and proposed rates. Schedule F-3 shows the Company's projected construction requirements for 2024, 2025,

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and 2026. Schedule F-4 contains the assumptions used in developing the adjustments and projections contained in the rate filing.

IV. SUMMARY OF RATE BASE ("B" SCHEDULES)

Q. EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE LABELED AS THE "B" SCHEDULES.

A. I will start with Schedule B-5, which is the working capital allowance. The cash working capital allowance is based upon a lead lag study which determines the revenue and expense lags which are then applied (on a weighted basis) to the Company's proposed operating expenses.

Q. DID YOU PREPARE SCHEDULES B-3 AND B-4?

A. No, I did not prepare these schedules because the original cost rate base ("OCRB") is requested to be used as its fair value rate base ("FVRB"). Thus, these schedules are unnecessary.

Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO OCRB?

A. Yes. Schedule B-2, page 2 shows adjustments to OCRB proposed by the Company. Schedule B-2, pages 3 through 8, contain the supporting information. There are seven adjustments shown on Schedule B-2, page 2, one of which is the adjustment for cash working capital (B-2 adjustment number 7) discussed above.

Q. DESCRIBE ADJUSTMENT NUMBER 1.

A. Adjustment number 1, as shown on Schedule B-2, page 2, adjusts plant-in-service ("PIS"). There are four PIS adjustments included in Adjustment 1. These are shown on Schedule B-2, page 3, and are labeled as adjustments "A", "B", and "C".

Adjustment 1-A of B-2 adjustment number 1 reflects corporate plant allocated to Liberty Cordes Lakes. The details of the allocation are shown on Schedule B-2, page 3.1.

Adjustment 1-B of B-2 adjustment number 1 reflects the Liberty Cordes Lakes's proposed post-test year plant ("PTYP"). PTYP reflects plant revenue neutral plant necessary to serve the year-end number of customers and is expected to be placed into service within 12 months of the end of the test-year. The details of the allocation are shown

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on Schedule B-2, page 3.2.

Adjustment C of B-2 adjustment number 1 adjusts PIS to reflect the reconciliation of the Company's PIS detail to the amount recorded at the end of the test year as reflected on the E-1 schedule. The details of the allocation are shown on Schedule B-2, page 3.3. Reconstruction of the PIS balance is found on Schedule B-2, page 3.4 through 3.12.

Q. WHAT IS THE PURPOSE OF ADJUSTMENT NUMBER 2 ON SCHEDULE B-2 REGARDING ACCUMULATED DEPRECIATION?

A. Adjustment 2 on Schedule B-2, page 2, adjusts accumulated depreciation ("A/D"). There are three adjustments to A/D. These adjustments are shown on Schedule B-2, page 4, and are labeled as adjustments "A", "B", and "C".

Adjustment 2-A of B-2 adjustment number 2 reflects the corporate plant A/D allocated Liberty Cordes Lakes. The details of the allocation are shown on Schedule B-2, page 4.1.

Adjustment 2-B of B-2 adjustment number 2 reflects A/D associated with the Company's proposed PTYP. A/D on PTYP reflects a half-year of depreciation in accordance with the depreciation computation using half-year convention of depreciation on new plant added to PIS in a year. The details of the allocation are shown on Schedule B-2, page 4.2.

Adjustment 2-C of B-2 adjustment number 2 adjusts A/D to reflect the reconciliation of the Company's PIS detail to A/D amount recorded at the end of the test year as reflected on the E-1 schedule. The details of the allocation are shown on Schedule B-2, page 4.3. Reconstruction of the A/D balance is found on Schedule B-2, page 3.4 through 3.12.

Q. DO THE PLANT IN SERVICE AND ACCUMULATED DEPRECIATION BALANCES SHOWN ON SCHEDULE B-2 REFLECT THE LAST COMMISSION RATE ORDER FOR LIBERTY CORDES LAKES?

A. Yes. Reconstruction of the PIS balance started with the PIS balance approved by the Commission in Decision 76678 (March 22, 2018). Reconciliation to the starting balances for PIS and accumulated depreciation are shown on Schedule B-2, page 3.4. Plant additions

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and retirements have been added to and deducted from total plant shown on Schedule B-2, pages 3.4 to 3.13. These schedules also show the details for the accumulated depreciation, from the end of the last test year through the end of the current test year, using the half-year convention for depreciation. A vintage-year procedure was used to reconstruct the PIS and A/D balances.

Q. PLEASE DESCRIBE ADJUSTMENT NUMBER 3 ON SCHEDULE B-2.

A. Adjustment number 3 adjusts Contributions-in-aid of Construction ("CIAC") and Accumulated Amortization ("A.A.") to reflect reconciled balances of CIAC and A.A. as shown on Schedule B-2, page 5. Details of AIAC activity since the prior test year are shown on Schedule B-2, pages 5.1 to 5.2.

Q. PLEASE DESCRIBE ADJUSTMENT NUMBER 4 ON SCHEDULE B-2.

A. Adjustment number 4 adjusts Advances-in-aid of Construction ("AIAC") to reflect reconciled balance of AIAC as shown on Schedule B-2, page 6. Details of AIAC activity since the prior test year are shown on Schedule B-2, pages 6.1 to 6.2.

Q. PLEASE DESCRIBE ADJUSTMENT NUMBER 5 ON SCHEDULE B-2.

A. Adjustment number 4 reflects the adjustment to accumulated deferred income taxes ("ADIT") (for ratemaking purposes) based upon the timing differences between book and tax depreciation through April 30, 2023. The ADIT computation considers the Company's proposed adjustments to PIS, A/D, AIAC, and CIAC.

Q. PLEASE DESCRIBE ADJUSTMENT NUMBER 6 ON SCHEDULE B-2.

A. Adjustment number 6 is intentionally left blank.

Q. HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON SCHEDULE A-1 DETERMINED?

A. The FVRB shown on Schedule A-1 is based on OCRB.

V. SUMMARY OF INCOME STATEMENT ("C" SCHEDULES)

Q. EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING TO THE INCOME STATEMENT AS SHOWN ON SCHEDULES C-1 AND C-2.

A. The following is a summary of adjustments shown Schedule C-1, page 2.1 and 2.2:

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Adjustment 1 annualizes depreciation expense. The proposed depreciation rate for each component of utility plant is shown on Schedule C-2, page 2. The depreciation rates approved in Liberty Cordes Lakes's last rate case were account-specific rates. Continuation with account specific depreciation rates is proposed.

Adjustment 2 increases the property taxes based on proposed revenues. The details of the computation are shown on Schedule C-2, page 3.

Adjustment 3 reflects an adjustment to remove test-year rate case expense. *See* Schedule C-2, page 4. The Company proposes recovery of rate case expense incurred for this case via a separate surcharge. The Company estimates rate case expense for Liberty Cordes Lakes to be $60,714. The Company proposes that rate case expense be recovered over three years. Based upon these proposals and the year-end number of customers, the Company estimates a monthly rate case expense surcharge of $1.13.

Q. HOW DID YOU ARRIVE AT THIS THE AMOUNT OF RATE CASE EXPENSE?

A. Based on my experience with rate cases before the Commission, and that of the Company's counsel. Given Liberty Cordes Lakes size and the anticipated nature, length and complexity of the proceedings, as well as the fact that Liberty Cordes Lakes's case is being filed concurrently with Liberty Utilities (Cordes Lakes Water), Liberty Utilities (Cordes Lakes Water) Corp, and Liberty Utilities (Beardsley Water) Corp., I estimate total rate case expense expected to be incurred for all the rate cases filed concurrently to be $750,000.

Q. HOW DID YOU ALLOCATE THE $750,000 OF RATE CASE EXPENSE?

A. Rate case expense is allocated using a four-factor allocation method.

Q. WHY IS APPROVAL OF A RATE CASE EXPENSE SURCHARGE REQUESTED IN THIS CASE?

A. I believe this methodology is fair to both customers and the utility because it avoids potential over or under recovery of rate case expense that can happen when rate case expense is treated as a "normalized" expense. Rate case expense is not a normal, regular expense. It is incurred for a limited purpose, outside the test year, and may bear little resemblance to other cases where the expense is incurred. Additionally, the utility pays rate

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case costs in advance and when treated as a typical expense, any unrecovered rate case expense is forfeited if the utility gets new rates before the amortization period has run. Alternatively, if the utility stays out longer than the amortization period, the utility over recovers. A surcharge avoids both possible outcomes because the utility will be allowed to collect the surcharge until it recovers the authorized level of rate case expense and then the surcharge ceases to be charged. In other words, using a rate case expense surcharge, the Company will recover the amount authorized; no more and no less.

Q. WHAT HAPPENS IF THE NEXT RATE CASE IS COMPLETED BEFORE THE COMPANY COMPLETES ITS RECOVERY OF THE COST OF THIS CASE UNDER THE RATE CASE EXPENSE SURCHARGE?

A. A rate case expense surcharge can always be a line item on the customer bill and can include amounts to be recovered from different rate cases. The amount can be adjusted as needed, up or down. This also has the benefit of making the cost of ratemaking transparent to all stakeholders and another reason that in my experienced professional opinion, rate case expense surcharges should be used in most, if not all, rate cases.

Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME STATEMENT ADJUSTMENTS?

A. Adjustment 4 annualizes revenues to the year-end number of customers. The annualization is based on the number of customers at the end of the test year, compared to the actual number of customers during each month of the test year. Average revenues by month were computed for the test year. The average revenues were then multiplied by the increase (or decrease) in the number of customers for each month of the test year. Adjustment number 4 also increases purchased power expense and chemicals expense based upon the expected additional gallons to be sold from the revenue annualization. Miscellaneous expense (postage) is also increased to reflect additional billings from the revenue annualization.

Adjustment 5 is intentionally left blank. *See* Schedule C-2, page 6.

Adjustment 6 adjusts revenues to correct estimated revenue accruals booked at the end of the test year. This adjustment is necessary to reconcile the actual customer billings

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and revenues for the test year. *See* Schedule C-2, page 7.

Adjustment 7 adjusted bad debt expense based upon a normalization of bad debt expense using a 3-year historical average rate. *See* Schedule C-2, page 8.

Adjustment 8 increases contract service – management for additional operating costs expected from the Customer First software (enterprise resource system) implementation. *See* Schedule C-2, page 9. The Customer First software and implementation is discussed in more detail by Ms. Preston.

Adjustment 9 increases contract service – management for additional operating costs expected from the Cyber Security program implementation. *See* Schedule C-2, page 10.

Adjustment 10 increases water conservation expense for additional costs of this program which are required to meet regulatory requirements. *See* Schedule C-2, page 11.

Adjustment 11 reduces several operating expenses which reflect either the non-recoverability of an expense, the miscoding of expense, or the duplication of expense. Operating expenses that are adjusted include purchased power, contractual services - legal, contractual services – other, equipment rental and miscellaneous expense. *See* Schedule C-2, page 12.

Adjustment 12 increases contractual services – management for expected increase in allocated labor costs from salary and wages implemented after the end of the test year. *See* Schedule C-2, page 13.

Adjustment number 13 synchronizes interest expense with rate base. *See* Schedule C-2, page 14. The synchronized interest expense is reflected as a deduction in the computation of the income tax allowance.

Finally, Adjustment 14 adjusts income taxes to a level based upon the Company's adjusted test year revenues and expenses. *See* Schedule C-2, page 15.

Q. ARE THERE ANY OTHER REVENUE AND/OR EXPENSE ADJUSTMENTS?

A. No.

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VI. SUMMARY OF COST OF SERVICE STUDY ("G" SCHEDULES)

A. Overview of Cost of Service Study ("COSS")

Q. WHAT EXACTLY IS A COST OF SERVICE STUDY?

A. A cost of service study is an analysis to determine the adequacy of revenues by each customer classification to support the revenue requirements including costs and return of and on investments under both existing and proposed rates. The study begins with an allocation of utility plant and expenses into cost and asset functions, which are then allocated to customer classifications. The study attempts to trace the costs associated with meeting the customers' service requirements. Ideally, the revenues received from each customer class should equal the cost of providing service to that customer class. The cost to provide service includes the operating and maintenance expenses and the capital costs. Operating and maintenance expenses include the costs of operating the system and the costs of maintaining system facilities and equipment. Capital costs include investment-related cash requirements such as debt service, contributions to debt service reserves, and capital requirements not financed by debt. Capital costs also include depreciation expense and either a return on rate base (for-profit utilities) or an operating margin as well as incomes taxes and other taxes, if applicable.

Q. WHAT IS THE PURPOSE OF A COST OF SERVICE STUDY?

A. Typically, the purpose of preparing a cost of service study is to offer guidance in setting rates to be charged for utility service. Again, the basic premise in establishing rates for the various classes of customers that are both adequate and equitable is that rates should reflect the cost of providing utility service. Cost-based rates can also be used to send an appropriate price signal to customers because the amount paid for service approximates the cost to provide the service. In other words, subsidies between customers are minimized.

There are many factors at play when rates are set that can result in rates that are not adequate and/or equitable between the various classes of customers. Non-economic factors may be at play when rates are set. For example, the regulatory body may favor subsidizing one class of customers by shifting costs to other classes of customers or shifting revenues

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within one class of customers to subsidize members within that class. Lifeline or discounted rates, which are sometimes used to assist low-income customers in areas with high utility costs, are prime examples of subsidization of a class of customers by other customers. If possible, lifeline rates (low-income rates or customer assistance rates) should not apply to an entire customer class. If lifeline rates are needed, they should be offered only to customers meeting some income test. Another example is the goal of keeping the rate design simple and easier to understand. There may also be goals on promoting conservation (in the case of water utilities) or other social or economic goals. Thus, public policy may have a significant impact on rate design. In the end, though, the goal in setting new rates remains that the utility be able to recover its revenue requirement.

Q. WHAT METHOD OF COST ALLOCATION WAS USED IN YOUR COSS IN THIS CASE?

A. The Commodity Demand Method which is described in AWWA Manual M1, "Principles of Water Rates, Fees and Charges", Seventh Edition published in 2017 and prior additions of the manual was used in this case. It is the method prescribed by Schedule G of the Commission filing requirements. The commodity demand method allocates each item of the cost of providing water service to the several cost functions - commodity, and demand, which is further separated into customer, meter and services functions. These functional costs are then allocated to the several customer classifications served by the system.

Q. HOW IS THE COST OF SERVICE STUDY ORGANIZED?

A. The COSS used the test year revenue requirements developed in Schedules A through F and H. Costs were allocated to each of the cost functions described earlier and then to the customer classifications.

The cost of service study contains schedules G-1 through G-7. The standard filing requirements call for Schedules G-1 through G-7 and these schedules are included with my testimony.

G Schedules with higher numbers (i.e., 5, 6 and 7) contain the allocation factors and actual allocations to functions. These functions are then carried forward to the summary G

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schedules 1, 2, 3 and 4, which allocate expenses and plant (by function) to classes of customers. I will start my analysis using Schedule G-7 and end with Schedules G-2 and G-1.

Q. WHAT IS A "FUNCTION"?

A. Functions refer to the plant and the expenses needed to provide the basic utility service. For example, for water, the functions associated with supply, treatment, and delivery water are typically commodity, demand, and customer (and/or services). For wastewater, the functions associated with collection, treatment, and disposal of wastewater are typically commodity, demand, and customer (and/or services).

Commodity refers to the volume of the commodity sold. The commodity function is used to derive the commodity rate, or the rate charged per unit of measurement, gallons. Demand refers to how the system is sized to meet customer demand. Hence, the system is built to be able to provide the utility service (the commodity), as well as the demand placed on the system when peak demand occurs. The customer (and/or service) function can also be used to develop the monthly minimum rates charged to each class of customer. Demand and customer functions refer to the transmission/collection and treatment of water/wastewater. The costs associated with demand, and customer functions are incurred whether the customer uses 0 gallons of water or 50,000 gallons of water, or, in case of wastewater service, generates 0 gallons for wastewater flows or 50,000 gallons of wastewater flows.

Q. AFTER COSTS ARE ALLOCATED TO FUNCTIONS, HOW ARE EXPENSES AND ASSETS THEN ALLOCATED TO THE INDIVIDUAL CLASSES OF CUSTOMERS?

A. After the expenses and assets are allocated to the commodity, demand, and customer functions, the values for the functions are then allocated to various customer classes. Customer classes are typically broken down into residential, commercial, industrial, irrigation, and public authority.

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B. Explanation of Cost of Service Study Schedules

Q. BRIEFLY SUMMARIZE THE G SCHEDULES.

A. The G schedules are summarized as follows:

Schedule G-1 is the cost of service summary showing the results by customer class at present rates.

Schedule G-2 is the cost of service summary showing the results by customer class at proposed rates.

Schedule G-3 shows the rate base allocation details by customer class.

Schedule G-4a shows the revenues and expense allocation by customer class at present revenues.

Schedule G-4b shows the revenues and expense allocations by customer class at proposed revenues.

Schedule G-5 shows the functionalization of rate base into the functions commodity, demand, customer accounts, customer meters, and customer services.

Schedule G-6a shows the functionalization of expenses into the functions commodity, demand, customer accounts, customer meters, and customer services, at present revenues.

Schedule G-6b shows the functionalization of expenses into the functions - commodity, demand, customer accounts, customer meters, and customer services at proposed revenues.

Schedule G-7a shows the development of the allocation factors by function.

Schedule G-7b shows the development of the allocation factors by customer class.

Q. PLEASE DESCRIBE AND EXPLAIN IN MORE DETAIL THE SCHEDULES THAT COMPRISE THE COST OF SERVICE STUDY, NOTING HOW THE VARIOUS FUNCTIONS WERE DEVELOPED AS YOU DO.

A. The allocations for the development of the class allocation factors are shown on Schedule G-7b, pages 1 and 2. Allocation factors for expenses were determined by examining the causal relationships of each expense to the various functions, which may include an

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examination of the recorded amounts during the test year and the use of professional judgment.

The operation and maintenance expense allocation to functions (commodity, demand, customer accounts, meters and services) are shown on Schedule G-6a, page 1 (adjusted test year at present rates) and Schedule G-6b, page 2 (adjusted test year at proposed rates).

The depreciation expense allocations are shown on Schedule G-6a, pages 3 and 4 (adjusted test year at present rates) and Schedule 6b pages 3 and 4, which apply the function allocation factors shown on Schedule G-7b, page 1 and 2 (adjusted test year at proposed rates). Depreciation expense was computed using the Company's proposed depreciation rates in this rate case.

On Schedule G-5, pages 1 and 2, net plant and other rate base items are allocated to each customer class using the function allocation factors set forth in Schedule G-7a, pages 1 and 2.

Schedule G-4 allocates the commodity, demand, and customer expenses developed on Schedule G-6a and Schedule G-6b to customer classes using the allocation factors developed on Schedule G-7b, pages 1 and 2 Schedule G-4a shows the allocated costs at present rates. Schedule G-4b shows the allocated costs at proposed rates.

Schedule G-3 allocates the rate bases for commodity, demand, and customer functions to the customer classes.

Schedules G-1 and G-2 derive the return on rate base by customer classes at present and proposed rates, respectively. The returns on rate base are computed by dividing the operating income for the customer class by the rate base for that customer class.

C. Cost of Service Study Results

Q. WHAT ARE THE RETURNS FOR THE CUSTOMER CLASSES AT PRESENT RATES AND PROPOSED RATES?

A. As shown on schedules G-1 and G-2, the returns vary between the customer classes at the present and proposed rates. Table 1 below summarizes the returns.

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Table 1

COSS Returns

Customer Class	Rate of Return Under Current Rates	Rate of Return Under Proposed Rates
RESIDENTIAL	-5.10%	7.99%
COMMERCIAL	-2.67%	12.05%

Q. WHAT IS THE INDICATED COSS DISTRIBUTION OF REVENUES BY CLASS AND THE REVENUE DISTRIBUTION AS A RESULT OF THE PROPOSED RATES?

A. Table 2 below presents the distribution of revenues by class suggested by the COSS and the revenue distribution at the proposed rates.

Table 2

Comparison of Revenue Distributions

Customer Class	Indicated COSS Revenues	% of COSS Revenues	Revenues as Proposed	% of Proposed Revenues
RESIDENTIAL	$1,978,007	98.05%	$1,970,078	97.65%
COMMERCIAL	$39,401	1.95%	$47,329	2.35%
TOTAL	$2,017,408	100.00%	$2,017,408	100.00%

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Q. DOES THE INFORMATION CONTAINED IN TABLES 1-4 INDICATE THAT THE PROPOSED RATE DESIGNS DO NOT PRODUCE THE RECOVERY OF REVENUES EXACTLY AS SUGGESTED BY THE COST OF SERVICE STUDY? PLEASE COMMENT.

A. No. As already suggested, while the cost of service study is a useful tool in designing rates, other considerations are factored into the design of rates, as I discussed previously.

VII. RATE DESIGN ("H" SCHEDULES)

Q. PLEASE SUMMARIZE THE H SCHDULES.

A. Schedule H-1 shows a summary of revenues at present and proposed rates by meter size and customer class. Schedule H-2, pages 1 and 2, shows the present and proposed customer bills at the average monthly and median monthly water usages, respectively. Schedule H-3 shows the present and proposed rates. Schedule H-4 shows the bill comparisons at present and proposed rates at various usage levels for all meter sizes and customer classifications. Schedule H-5 shows the test year bill counts.

Q. WHAT ARE LIBERTY CORDES LAKES'S PRESENT RATES FOR WATER SERVICE?

A. The present rates for all customer classes are set forth on Schedule H-3, pages 1 through 2.

Q. WHAT ARE THE PROPOSED RATES FOR WATER SERVICE FOR LIBERTY CORDES LAKES?

A. The proposed rates for all customer classes are set forth on Schedule H-3, pages 1 through 3.

Q. ARE YOU PROPOSING CHANGES TO THE BASIC RATE DESIGN?

A. Yes. The Company's current rate design is a conservation oriented design with an inclining 3-tier rate design for the 5/8x3/4-inch and 3/4 inch metered customers (residential, commercial, industrial) and an inclining 2-tier rate design for the 1 inch and larger metered customers (residential, commercial, industrial). The Company proposes a conservation-oriented inclining 3-tier rate design for the 5/8x3/4-inch and ¾-inch metered customers (all

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classes, except standpipe) and an inclining 2-tier rate design for the 1 inch and larger metered customers (all classes, except standpipe).

With respect to the break-over points, the Company proposes changes to the first block break-over point from 3,000 gallons to 4,000 gallons for the ¾ inch and smaller meter sizes and changes to the second break-over point for the ¾ inch and smaller meter sizes from 8,000 gallons to 10,000 gallons. The 1 inch and larger meter breakover points are scaled using the AWWA flow factors applied the second tier break-over points of the 5/8x3/4 inch and ¾ inch meter sizes. *See* H-3, pages 1 through 2 for the changes.

Q. WHAT IS THE IMPACT OF THE PROPOSED RATES ON AN AVERAGE 5/8 X 3/4 INCH METERED RESIDENTIAL CUSTOMER?

A. The present monthly bill for a 3/4-inch metered residential customer, the largest customer class, using an average of 3,420 gallons is $30.06. The proposed monthly bill for a 3/4-inch metered residential customer using an average of 3,420 gallons is $100.75, an increase of $70.68 or 235.11% over the present bill.

Q. ARE THERE ANY PROPOSED CHANGES TO THE MISCELLANEOUS SERVICE CHARGES FOR THE WATER SERVICE OF LIBERTY CORDES LAKES?

A. Yes. Liberty Cordes Lakes is proposing increases to the establishment, NSF check charge, meter re-read charge, and after-hours service call charge. *See* Schedule H-3, page 3. There are no other proposed changes.

Q. ARE THERE ANY PROPOSED CHANGES TO THE METER AND SERVICE LINE INSTALLATION CHARGES?

A. Yes. The Company proposes to set the meter and service line charges to "at cost". *See* Schedule H-3, page 4.

Q. ARE THERE ANY PROPOSED CHANGES TO THE OFF-SITE FACILITIES HOOK-UP FEES?

A. The Company does not and is not proposing Off-site Facilities hook-up Fees.

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Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

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SCHEDULE A

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Schedule A-1
Page 1
Witness: Bourassa

Line No.			
1	Fair Value Rate Base		$ 7,514,781
2			
3	Adjusted Operating Income		(379,846)
4			
5	Current Rate of Return		-5.05%
6			
7	Required Operating Income		$ 606,849
8			
9	Required Rate of Return on Fair Value Rate Base		8.08%
10			
11	Operating Income Deficiency		$ 986,695
12			
13	Gross Revenue Conversion Factor		1.3861
14			
15	Increase in Gross Revenue		
16	Requirement		$ 1,367,617
17			
18	Adjusted Test Year Revenues		$ 649,791
19	Increase in Gross Revenue Revenue Requirement		$ 1,367,617
20	Proposed Revenue Requirement		$ 2,017,408
21	% Increase		210.47%
22			

23	**Customer**		**Present**	**Proposed**	**Dollar**	**Percent**
24	**Classification**		**Rates**	**Rates**	**Increase**	**Increase**
25	5/8 x 3/4 Inch	Residential	$ 107,048	$ 301,519	$ 194,471	181.67%
26	3/4 Inch	Residential	477,836	1,597,779	1,119,944	234.38%
27	1 Inch	Residential	3,483	9,469	5,987	171.90%
28	1.5 Inch	Residential	1,070	2,646	1,576	147.23%
29	2 Inch	Residential	1,491	3,481	1,990	1
30		Subtotal	$ 590,927	$ 1,914,894	$ 1,323,967	2
31						
32	5/8 Inch	Commercial	$ 1,186	$ 3,156	$ 1,970	166.09%
33	3/4 Inch	Commercial	5,030	16,807	11,777	234.11%
34	1 Inch	Commercial	502	1,209	707	141.04%
35	1 1/2 Inch	Commercial	-	-	-	0.00%
36	2 Inch	Commercial	9,462	25,365	15,903	168.07%
37		Subtotal	$ 16,180	$ 46,537	$ 30,357	187.62%
38						
39	Revenue Annualization		5,701	18,600	12,899	226.24%
40	**Subtotal**		$ 612,809	$ 1,980,032	$ 1,367,223	223.11%
41						
42	Other Water Revenues		37,794	37,794	-	0.00%
43	Reconciling Amount		(812)	(418)	394	-48.52%
44	Rounding				-	0.00%
45	**Total of Water Revenues**		$ 649,791	$ 2,017,407	$ 1,367,617	210.47%
46						
47						
48	SUPPORTING SCHEDULES:					
49	B-1					
50	C-1					
51	C-3					
52	H-1					

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Bourassa

Line No.	Description	Prior Years Ended 4/30/2021	Prior Years Ended 4/30/2022	Test Year Actual 4/30/2023	Test Year Adjusted 4/30/2023	Projected Year Present Rates 4/30/2024	Projected Year Proposed Rates 4/30/2024
1	Gross Revenues	$ 657,659	$ 661,281	$ 653,089	$ 649,791	$ 649,791	$ 2,017,408
2							
3	Revenue Deductions and	624,551	831,099	856,822	1,029,637	1,029,637	1,410,558
4	Operating Expenses						
5							
6	Operating Income	$ 33,108	$ (169,818)	$ (203,733)	$ (379,846)	$ (379,846)	$ 606,849
7							
8	Other Income and	(5,053)	(4,131)	(13,064)	(13,064)	(13,064)	(13,064)
9	Deductions						
10							
11	Interest Expense	-	-	-	(162,500)	(162,500)	(162,500)
12							
13	Net Income	$ 28,055	$ (173,948)	$ (216,797)	$ (555,410)	$ (555,410)	$ 431,285
14							
15	Common Shares	60,000	60,000	60,000	60,000	60,000	60,000
16							
17	Earned Per Average						
18	Common Share	0.47	(2.90)	(3.61)	(9.26)	(9.26)	7.19
19							
20	Dividends Paid	-	-	-	-	20,000	20,000
21							
22	Dividends Per						
23	Common Share	-	-	-	-	0.33	0.33
24							
25	Payout Ratio	-	-	-	-	(0.04)	0.05
26							
27	Return on Average						
28	Invested Capital	0.63%	-3.00%	-3.15%	-8.07%	-6.77%	4.96%
29							
30	Return on Year End						
31	Capital	0.51%	-2.84%	-2.84%	-7.27%	-6.33%	4.42%
32							
33	Return on Average						
34	Common Equity	2.73%	-18.12%	-28.36%	-92.65%	-81.90%	45.66%
35							
36	Return on Year End						
37	Common Equity	2.69%	-19.83%	-33.26%	-172.63%	-78.85%	34.86%
38							
39	Times Bond Interest Earned						
40	Before Income Taxes	-	-	-	(3.44)	(3.44)	4.64
41							
42	Times Total Interest and						
43	Preferred Dividends Earned						
44	After Income Taxes	-	-	-	(2.42)	(2.42)	3.65
45							
46							
47							
48							
49							
50	SUPPORTING SCHEDULES						
51	C-1						
52	E-2						
53	F-1						
54							

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Summary of Capital Structure

Exhibit
Schedule A-3
Page 1
Witness: Bourassa

Line No.	Description:	Prior Years Ended 4/30/2021	Prior Years Ended 4/30/2022	Test Year 4/30/2023	Projected Year 4/30/2024
3	Short-Term Debt	-	-	-	-
4	Long-Term Debt	225,866	215,532	204,817	600,063
6	Total Debt	$ 225,866	$ 215,532	$ 204,817	$ 600,063
9	Preferred Stock	-	-	-	-
11	Common Equity	1,042,605	877,146	651,860	704,422
14	Total Capital & Debt	$ 1,268,471	$ 1,092,678	$ 856,677	$ 1,304,486
17	Capitalization Ratios:				
19	Long-Term Debt	17.81%	19.73%	23.91%	46.00%
21	Total Debt	17.81%	19.73%	23.91%	46.00%
24	Preferred Stock	-	-	-	-
26	Common Equity	82.19%	80.27%	76.09%	54.00%
29	Total Capital	100.00%	100.00%	100.00%	100.00%
32	Weighted Cost of Senior Capital	0.00%	0.00%	0.83%	2.16%

45 SUPPORTING SCHEDULES:
46 E-1
47 D-1

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service
1				
2				
3				
4	Prior Year Ended 04/30/2021	2,046,373	2,046,373	3,609,455
5				
6	Prior Year Ended 04/30/2022	1,002,842	3,499,453	7,108,908
7				
8	Test Year Ended 04/30/2023	648,881	(283,954)	6,824,955
9				
10	Projected Year Ended 04/30/2024	723,998	723,998	7,548,952
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34	SUPPORTING SCHEDULES:			
35	B-2			
36	E-5			
37	F-3			
38				
39				
40				

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Summary Statements of Cash Flows

Exhibit
Schedule A-5
Page 1
Witness: Bourassa

Line No.		Prior Year Ended 4/30/2021	Prior Year Ended 4/30/2022	Test Year Ended 4/30/2023	Projected Year Present Rates 4/30/2024	Projected Year Proposed Rates 4/30/2024
1						
2						
3						
4						
5	Cash Flows from Operating Activities					
6	Net Income	$ 28,055	$ (173,948)	$ (216,797)	$ (555,410)	$ 431,285
7	Adjustments to reconcile net income to net cash					
8	provided by operating activities:					
9	Depreciation and Amortization	135,421	239,927	293,542	426,538	426,538
10	Other -Adjustments	67,619	(100,746)	(26,294)	146,092	146,092
11	Changes in Certain Assets and Liabilities:				-	-
12	Accounts Receivable	(14,731)	(42,513)	(8,364)	-	-
13	Unbilled Revenues	3,680	56	-	-	-
14	Materials and Supplies Inventory	-	-	-	-	-
15	Prepaid Expenses	19,032	3,534	1,000	-	-
16	Deferred Charges	(129,915)	(45,337)	(1,105,968)	-	-
17	Notes Receivable	1,794,676	922,218	1,944,479	-	-
18	Accounts Payable	134	-	(278)	-	-
19	Intercompany payable	-	-	-	-	-
20	Customer Meter Deposits	3,296	6,422	(2,967)	-	-
21	Taxes Payable	-	-	-	-	-
22	Other assets and liabilities	(14,181)	(1,303)	(61,459)	664,357	664,357
23	Rounding	-	(2)	2		
24	Net Cash Flow provided by Operating Activities	$ 1,893,086	$ 808,307	$ 816,896	$ 681,578	$ 1,668,273
25	Cash Flow From Investing Activities:					
26	Capital Expenditures	(2,046,373)	(1,002,842)	(648,881)	(1,780,703)	(1,780,703)
27	Plant Held for Future Use	-	-	-		
28	Changes in debt reserve fund	-	-	-		
29	Net Cash Flows from Investing Activities	$ (2,046,373)	$ (1,002,842)	$ (648,881)	$ (1,780,703)	$ (1,780,703)
30	Cash Flow From Financing Activities					
31	Change in Restricted Cash	-	-	-	-	-
32	Proceeds from Long-Term Debt	221,975	-	-	-	-
33	Net receipt of contributions in aid of construction	135,320	30,358	-	-	-
34	Net receipts of advances in aid of construction	14,000	8,787	17,650	-	-
35	Repayments of Long-Term Debt	-	(10,334)	(10,715)	405,359	859,238
36	Dividends Paid	-	-	-	(20,000)	(20,000)
	Net Distributions to Rebalance Capital Structure				590,896	137,017
37	Deferred Financing Costs	-	-	-	-	-
38	Paid in Capital	3,892	8,489	(8,489)	-	-
39	Net Cash Flows Provided by Financing Activities	$ 375,187	$ 37,300	$ (1,554)	$ 976,255	$ 976,255
40	Increase(decrease) in Cash and Cash Equivalents	221,900	(157,235)	166,461	(122,870)	863,825
41	Cash and Cash Equivalents at Beginning of Year	(72,652)	149,248	(7,987)	158,475	158,475
42	Cash and Cash Equivalents at End of Year	$ 149,248	$ (7,987)	$ 158,475	$ 35,605	$ 1,022,300
43						
44						
45						
46						
47	SUPPORTING SCHEDULES:					
48	E-3					
49	F-2					
50						
51						

SCHEDULE B

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Summary of Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 9,199,272	$ 9,199,272
3	Less: Accumulated Depreciation	1,887,744	1,887,744
4			
5	Net Utility Plant in Service	$ 7,311,528	$ 7,311,528
6			
7	Less:		
8	Advances in Aid of Construction	-	-
9			
10	Contributions in Aid of Construction	488,777	488,777
11			
12	Accumulated Amortization of CIAC	(106,308)	(106,308)
13			
14	Customer Meter Deposits	63,944	63,944
15	Custmer Security Deposits	41,286	41,286
16	Accumulated Deferred Income Tax	336,459	336,459
17	Accumulated Deferred Income Tax Credits	-	-
18	Accumulated Deferred Income Tax Credits (EADIT)	-	-
19	Plus:		
20	Acquisition Adjustment	948,302	948,302
21	Deferred Regulatory Assets TCE Plume	-	-
22	Prepayments	-	-
23	Materials and Supplies	-	-
24	Working capital	79,110	79,110
25			
26	Total Rate Base	$ 7,514,781	$ 7,514,781
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	SUPPORTING SCHEDULES:		
42	B-2		
43	B-3		
44	B-5		
45	E-1		
46			
47			
48			
49			
50			

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 6,824,955	2,374,318	$ 9,199,272
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	1,784,803	102,942	1,887,744
7				
8				
9	Net Utility Plant			
10	in Service	$ 5,040,152		$ 7,311,528
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	-	-	-
15				
16	Contributions in Aid of			
17	Construction - Gross	488,777	-	488,777
18				
19	Accumulated Amortization of CIAC	(149,458)	43,150	(106,308)
20				
21	Customer Meter Deposits	63,944	-	63,944
22	Custmer Security Deposits	41,286	-	41,286
23	Accumulated Deferred Income Tax	(327,898)	664,357	336,459
24	Accumulated Deferred Income Tax Credits	-	-	-
25	Accumulated Deferred Income Tax Credits (EADIT)	-	-	-
26				
27	**Plus:**			
28	Acquisition Adjustment	948,302	-	948,302
29	Deferred Regulatory Assets	-		-
30	Prepayments	-		-
31	Materials and Supplies	-		-
32	Working capital	-	79,110	79,110
33				-
34				
35	Total	$ 5,871,803		$ 7,514,781
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
47	B-2, pages 2			B-1
48	E-1			
49				
50				
51				

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 2
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 AIAC	5 ADIT	6 INTENTIONALLY LEFT BLANK	7 Cash Working Capital	Adjusted at end of Test Year
1	Gross Utility									
2	Plant in Service	$ 6,824,955	2,374,318							$ 9,199,272
3										
4	**Less:**									
5	Accumulated									
6	Depreciation	1,784,803		102,942						1,887,744
7										
8										
9	Net Utility Plant									
10	in Service	$ 5,040,152	$ 2,374,318	$ (102,942)	$ -	$ -	$ -	$ -	$ -	$ 7,311,528
11										
12	**Less:**									
13	Advances in Aid of									
14	Construction	-				-				-
15										
16	Contributions in Aid of									
17	Construction (CIAC)	488,777								488,777
18										
19	Accumulated Amort of CIAC	(149,458)			43,150					(106,308)
20										
21	Customer Meter Deposits	63,944								63,944
22	Customer Security Deposits	41,286								41,286
23	Accumulated Deferred Income Taxes	(327,898)					664,357			336,459
24	Accumulated Deferred Income Tax Credits	-								-
25	Accum. Def. Inc. Tax (EADIT)	-								-
26	**Plus:**									
27	Acquisition Adjustment	948,302								948,302
28	Deferred Regulatory Assets	-								-
29	Prepayments	-								-
30	Materials and Supplies	-								-
31	Allowance for Cash Working Capital	-							79,110	79,110
32										
33	Total	$ 5,871,803	$ 2,374,318	$ (102,942)	$ (43,150)	$ -	$ (664,357)	$ -	$ 79,110	$ 7,514,781
34										
35										
36										
37	SUPPORTING SCHEDULES:						RECAP SCHEDULES:			
38	B-2, pages 3-7						B-1			
39	E-1									
40										
41										

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Actual Orginal Cost	Adjustments A Allocated Corporate Plant	Adjustments B PTY Plant	Adjustments D Adjustments to Reconcile Plant to Reconstruction	Adjusted Original Cost
1				A	B	D	
6	106	Construction Completed Not Classified	$ 514,593		$ -	$ (514,593)	$ -
7	301	Organization Cost	52,025		-	(1)	52,024
8	302	Franchise Cost	-		-	-	-
9	303	Land and Land Rights	155,180		-	41,214	196,394
10	304	Structures and Improvements	427,410		80,000	68,740	576,150
11	305	Collecting and Impounding Res.	-		-	-	-
12	306	Lake River and Other Intakes	-		-	-	-
13	307	Wells and Springs	848,474		-	27,090	875,564
14	308	Infiltration Galleries and Tunnels	-		-	-	-
15	309	Supply Mains	298,657		-	-	298,657
16	310	Power Generation Equipment	15,007		500,000	-	515,007
17	311	Electric Pumping Equipment	381,321		26,454	93,599	501,374
18	320	Water Treatment Equipment	-		-	-	-
19	320.1	Water Treatment Plant	10,130		-	(10,130)	-
20	320.2	Chemical Solution Feeders	201,161		-	(191,031)	10,130
21	330	Dist. Reservoirs & Standpipe	99,689		-	(99,689)	-
22	330.1	Storage tanks	-		-	201,161	201,161
23	330.2	Pressure Tanks	-		-	99,689	99,689
24	331	Trans. and Dist. Mains	1,639,069		150,000	268,561	2,057,630
25	333	Services	1,483,844		340,540	-	1,824,384
26	334	Meters	340,040		330,000	500	670,540
27	335	Hydrants	12,472		-	-	12,472
28	336	Backflow Prevention Devices	-		-	-	-
29	339	Other Plant and Misc. Equip.	89,986		-	-	89,986
30	340	Office Furniture and Fixtures	6,527		-	-	6,527
31	340.1	Computers and Software	14,601		-	136,078	150,679
32	341	Transportation Equipment	122,717		110,000	-	232,717
33	342	Stores Equipment	-		-	-	-
34	343	Tools and Work Equipment	16,525		-	-	16,525
35	344	Laboratory Equipment	-		-	-	-
36	345	Power Operated Equipment	1,904		-	-	1,904
37	346	Communications Equipment	27,401		28,937	-	56,338
38	347	Miscellaneous Equipment	66,223		-	-	66,223
39	348	Other Tangible Plant	-		-	-	-
40		SUBTOTAL	$ 6,824,955	$ -	$ 1,565,931	$ 121,188	$ 8,512,073
41							
42	903	Land and Land Rights		$ 2,530	$ -		$ 2,530
43	904	Structures and Improvments		83,682	-		83,682
44	940	Office Furniture and Fixtures		11,448	-		11,448
45	940.1	Computers and Software		11,646	19,644		31,290
46	940.2	Customer First		548,020	-		548,020
47	955	Power Generation		62	-		62
48	995	Power Operated Equipment		10,168	-		10,168
49							-
50		TOTALS	$ 6,824,955	$ 667,555	$ 1,585,575	$ 121,188	$ 9,199,272
51							
52	Plant-in-Service per Books						$ 6,824,955
53							
54	Increase (decrease) in Plant-in-Service						$ 2,374,318
55							
56	Adjustment to Plant-in-Service						$ 2,374,318
57							
58	SUPPORTING SCHEDULES					RECAP SCHEDULES:	
59	B-2, pages 3.1 to 3.4					B-2, page 2	
60							

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - A

Exhibit
Schedule B-2
Page 3.1
Witness: Bourassa

Line No.				[1]	[2]	[3]	[4] = [1]x[2]x[3]
1	Corporate Plant						
2							
3					Liberty		Allocated
4	Acct.			Original	Utilities	Water	Original
5	No.	Description		Cost	Factor	Factor	Cost A/D
6	903	Land and Land Rights	$	1,364,008	6.6567%	2.0966%	$ 1,904
7	904	Structures and Improvements		11,557,420	6.6567%	2.0966%	16,130
8							
9							
10							
11							
12	LU Sub-Corp. Plant (8020)						
13							
14	903	Land and Land Rights	$	58,167	51.39%	2.0966%	$ 627
15	904	Structures and Improvements		6,269,845	51.39%	2.0966%	67,552
16	940	Office Furniture and Equipment		1,062,563	51.39%	2.0966%	11,448
17	940.1	Computers and Software		555,453	100.00%	2.0966%	11,646
18	940.2	Customer First		22,609,111	100.00%	2.4239%	548,020
19	955	Power Generation		5,710	51.39%	2.0966%	62
20	995	Power Operated Equipment		943,696	51.39%	2.0966%	10,168
21							
22	Totals						
23							
24	903	Land and Land Rights	$	1,422,174			$ 2,530
25	904	Structures and Improvements		17,827,266			83,682
26	940	Office Furniture and Equipment		1,062,563			11,448
27	940.1	Computers and Software		555,453			11,646
28	940.2	Customer First		22,609,111			548,020
29	955	Power Generation		5,710			62
30	995	Power Operated Equipment		943,696			10,168
31				44,425,973			667,555
32							
33							
34							
35							
36							
37							
38							
39							
40							
41							
42							
43							
44							
45							
46	SUPPORTING SCHEDULE						
47	Work papers						
48	Testimony						

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - B

Exhibit
Schedule B-2
Page 3.2
Witness: Bourassa

Line No.			
1	Post-Test Year Plant		
2			
3			
4	Acct.		Original
5	No.	Description	Cost
6	106	Construction Completed Not Classified	-
7	301	Organization Cost	-
8	302	Franchise Cost	-
9	303	Land and Land Rights	-
10	304	Structures and Improvements	80,000
11	305	Collecting and Impounding Res.	-
12	306	Lake River and Other Intakes	-
13	307	Wells and Springs	-
14	308	Infiltration Galleries and Tunnels	-
15	309	Supply Mains	-
16	310	Power Generation Equipment	500,000
17	311	Electric Pumping Equipment	26,454
18	320	Water Treatment Equipment	-
19	320.1	Water Treatment Plant	-
20	320.2	Chemical Solution Feeders	-
21	330	Dist. Reservoirs & Standpipe	-
22	330.1	Storage tanks	-
23	330.2	Pressure Tanks	-
24	331	Trans. and Dist. Mains	150,000
25	333	Services	340,540
26	334	Meters	330,000
27	335	Hydrants	-
28	336	Backflow Prevention Devices	-
29	339	Other Plant and Misc. Equip.	-
30	340	Office Furniture and Fixtures	-
31	340.1	Computers and Software	-
32	341	Transportation Equipment	110,000
33	342	Stores Equipment	-
34	343	Tools and Work Equipment	-
35	344	Laboratory Equipment	-
36	345	Power Operated Equipment	-
37	346	Communications Equipment	28,937
38	347	Miscellaneous Equipment	-
39	348	Other Tangible Plant	-
40			
41		Subtotal	$ 1,565,931
42			
43	903	Land and Land Rights	
44	904	Structures and Improvments	-
45	940	Office Furniture and Fixtures	-
46	940.1	Computers and Software	19,644
47	940.2	Customer First	-
48	955	Power Generation	-
49	995	Power Operated Equipment	-
50		Subtotal	$ 19,644
51			
52		Total	$ 1,585,575
53			
54			
55	SUPPORTING SCHEDULE		RECAP SCHEDULES:
56	Work papers		B-2, page 3
57	Testimony		

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - C

Exhibit
Schedule B-2
Page 3.3
Witness: Bourassa

Reconciliation of Plant to Plant Reconstruction

Line No.	Acct. No.	Description	Orginal Cost	B-2 Adjustments	Adjusted Orginal Cost	Plant Per Reconstruction	Difference
6	106	Construction Completed Not Class	514,593	-	514,593	-	(514,593)
7	301	Organization Cost	52,025	-	52,025	52,024	(1)
8	302	Franchise Cost	-	-	-	-	-
9	303	Land and Land Rights	155,180	-	155,180	196,394	41,214
10	304	Structures and Improvements	427,410	80,000	507,410	576,150	68,740
11	305	Collecting and Impounding Res.	-	-	-	-	-
12	306	Lake River and Other Intakes	-	-	-	-	-
13	307	Wells and Springs	848,474	-	848,474	875,564	27,090
14	308	Infiltration Galleries and Tunnels	-	-	-	-	-
15	309	Supply Mains	298,657	-	298,657	298,657	-
16	310	Power Generation Equipment	15,007	500,000	515,007	515,007	-
17	311	Electric Pumping Equipment	381,321	26,454	407,775	501,374	93,599
18	320	Water Treatment Equipment	-	-	-	-	-
19	320.1	Water Treatment Plant	10,130	-	10,130	-	(10,130)
20	320.2	Chemical Solution Feeders	201,161	-	201,161	10,130	(191,031)
21	330	Dist. Reservoirs & Standpipe	99,689	-	99,689	-	(99,689)
22	330.1	Storage tanks	-	-	-	201,161	201,161
23	330.2	Pressure Tanks	-	-	-	99,689	99,689
24	331	Trans. and Dist. Mains	1,639,069	150,000	1,789,069	2,057,630	268,561
25	333	Services	1,483,844	340,540	1,824,384	1,824,384	-
26	334	Meters	340,040	330,000	670,040	670,540	500
27	335	Hydrants	12,472	-	12,472	12,472	-
28	336	Backflow Prevention Devices	-	-	-	-	-
29	339	Other Plant and Misc. Equip.	89,986	-	89,986	89,986	-
30	340	Office Furniture and Fixtures	6,527	-	6,527	6,527	-
31	340.1	Computers and Software	14,601	-	14,601	150,679	136,078
32	341	Transportation Equipment	122,717	110,000	232,717	232,717	-
33	342	Stores Equipment	-	-	-	-	-
34	343	Tools and Work Equipment	16,525	-	16,525	16,525	-
35	344	Laboratory Equipment	-	-	-	-	-
36	345	Power Operated Equipment	1,904	-	1,904	1,904	-
37	346	Communications Equipment	27,401	28,937	56,338	56,338	-
38	347	Miscellaneous Equipment	66,223	-	66,223	66,223	-
39	348	Other Tangible Plant	-	-	-	-	-
40						-	-
41		TOTALS	$ 6,824,955	$ 1,565,931	$ 8,390,885	$ 8,512,073	$ 121,188

SUPPORTING SCHEDULE
B-2, pages 3.1 through 3.2
B-2, pages 3.4 through 3.12

RECAP SCHEDULES:
B-2, page 3

Liberty Utilities (Cordes Lakes Water) Corp.
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.4

Line No.	NARUC Acct No.	Description	Vintage	Allowed Deprec. Rate	Plant at 12/31/2016	PTY Plant Adjustment	PTY Retire Adjustment	Adjusted Plant at 12/31/2016	Accum. Deprec. At 12/31/2016	PTY Plant A/D Adjustment	PTY Retire A/D Adjustment	Adj. Accum. Deprec. At 12/31/2016
1	301	Organization Cost		0.00%	3,500			3,500				-
2	302	Franchise Cost		0.00%				-				-
3	303	Land and Land Rights		0.00%				-				-
4	304	Structures & Improvements		3.33%	6,657	-	-	6,657	3,716	-	-	3,716
5	305	Collecting & Impounding Reservoirs		2.50%	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes		2.50%	-	-	-	-	-	-	-	-
7	307	Wells & Springs		3.33%	185,911	(18,562)	-	167,349	108,282	(309)	-	107,973
8	308	Infiltration Galleries		6.67%	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains		2.00%	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment		5.00%	-	-	-	-	-	-	-	-
11	311	Pumping Equipment		12.50%	90,904	(8,870)	11,749	93,783	36,540	(554)	11,749	47,735
12	320	Water Treatment Equipment		3.33%	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants		3.33%	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders		20.00%	1,433	-	-	1,433	564	-	-	564
15	330	Distribution Reservoirs & Standpipes		2.22%	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks		2.22%	141,632	-	-	141,632	86,288	-	-	86,288
17	330.2	Pressure Tanks		5.00%	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains		2.00%	584,317	-	-	584,317	565,736	-	-	565,736
19	333	Services		3.33%	45,804	-	750	46,554	15,824	-	750	16,574
20	334	Meters		8.33%	73,580	-	600	74,180	50,499	-	600	51,099
21	335	Hydrants		2.00%	-	-	-	-	-	-	-	-
22	336	Backflow Prevention Devices		6.67%	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment		6.67%	60,550	-	-	60,550	54,637	-	-	54,637
24	340	Office Furniture & Equipment		6.67%	6,101	-	-	6,101	3,861	-	-	3,861
25	340.1	Computers & Software		20.00%	1,437	-	-	1,437	144	-	-	144
26	341	Transportation Equipment		20.00%	45,927	-	16,415	62,342	39,912	-	16,415	56,327
27	342	Stores Equipment		4.00%	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment		5.00%	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment		10.00%	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment		5.00%	1,904	-	-	1,904	333	-	-	333
31	346	Communication Equipment		10.00%	-	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment		10.00%	2,167	-	-	2,167	661	-	-	661
33	347.1	Miscellaneous Equipment - CNG Plant		3.33%	-	-	-	-	-	-	-	-
34	348	Other Tangible Plant		10.00%	-	-	-	-	-	-	-	-
34		Rounding						-				-
35												
36		TOTALS			1,251,823	(27,432)	29,514	1,253,905	966,997	(863)	29,514	995,648

Liberty Utilities (Cordes Lakes Water) Corp.
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.5
Witness: Bourassa

Line No.	NARUC Acct No.	Description	Vintage	Allowed Deprec. Rate	2017 Adjusted Plant Additions	2017 Adjusted Plant Retirements	2017 Salvage A/D Only	2017 Depreciation (Calculated)	2017 Plant Balance	2017 Accum. Deprec.
1	301	Organization Cost		0.00%	-	-	-	-	3,500	-
2	302	Franchise Cost		0.00%	-	-	-	-	-	-
3	303	Land and Land Rights		0.00%	-	-		-	-	-
4	304	Structures & Improvements		3.33%	-	-	-	147	6,657	3,862
5	305	Collecting & Impounding Reservoirs		2.50%	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes		2.50%	-	-	-	-	-	-
7	307	Wells & Springs		3.33%	6,621	-	-	5,171	173,970	113,144
8	308	Infiltration Galleries		6.67%	-	-	-	-	-	-
9	309	Raw Water Supply Mains		2.00%	-	-	-	-	-	-
10	310	Power Generation Equipment		5.00%	-	-	-	-	-	-
11	311	Pumping Equipment		12.50%	20,405	10,000	-	10,675	104,188	48,410
12	320	Water Treatment Equipment		3.33%	-	-	-	-	-	-
13	320.1	Water Treatment Plants		3.33%	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders		20.00%	-	-	-	287	1,433	851
15	330	Distribution Reservoirs & Standpipes		2.22%	-	-	-	-	-	-
16	330.1	Storage Tanks		2.22%	-	-	-	2,097	141,632	88,385
17	330.2	Pressure Tanks		5.00%	-	-	-	-	-	-
18	331	Transmission & Distribution Mains		2.00%	743	-	-	464	585,060	566,200
19	333	Services		3.33%	8,806	2,000	-	1,186	53,359	15,760
20	334	Meters		8.33%	5,983	2,000	-	5,909	78,163	55,007
21	335	Hydrants		2.00%	-	-	-	-	-	-
22	336	Backflow Prevention Devices		6.67%	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment		6.67%	-	-	-	3,567	60,550	58,205
24	340	Office Furniture & Equipment		6.67%	426	-	-	421	6,527	4,282
25	340.1	Computers & Software		20.00%	-	-	-	287	1,437	431
26	341	Transportation Equipment		20.00%	-	-	-	6,015	62,342	62,342
27	342	Stores Equipment		4.00%	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment		5.00%	-	-	-	-	-	-
29	344	Laboratory Equipment		10.00%	-	-	-	-	-	-
30	345	Power Operated Equipment		5.00%	-	-	-	95	1,904	428
31	346	Communication Equipment		10.00%	-	-	-	-	-	-
32	347	Miscellaneous Equipment		10.00%	-	-	-	158	2,167	820
33	347.1	Miscellaneous Equipment - CNG Plant		3.33%	-	-	-	-	-	-
34	348	Other Tangible Plant		10.00%	-	-	-	-	-	-
34		Rounding			-	-		-	-	-
35										
36		TOTALS			42,983	14,000	-	36,479	1,282,888	1,018,126

Liberty Utilities (Cordes Lakes Water) Corp.
Plant Additions and Retirements

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					2018					
Line No.	NARUC Acct No.	Description	Vintage	Allowed Deprec. Rate	Adjusted Plant Additions	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost		0.00%	-	-	-	-	3,500	-
2	302	Franchise Cost		0.00%	-	-	-	-	-	-
3	303	Land and Land Rights		0.00%	-	-		-	-	-
4	304	Structures & Improvements		3.33%	673	300	-	153	7,030	3,715
5	305	Collecting & Impounding Reservoirs		2.50%	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes		2.50%	-	-	-	-	-	-
7	307	Wells & Springs		3.33%	-	-	-	5,281	173,970	118,425
8	308	Infiltration Galleries		6.67%	-	-	-	-	-	-
9	309	Raw Water Supply Mains		2.00%	-	-	-	-	-	-
10	310	Power Generation Equipment		5.00%	-	-	-	-	-	-
11	311	Pumping Equipment		12.50%	10,175	3,041	-	12,396	111,322	57,765
12	320	Water Treatment Equipment		3.33%	-	-	-	-	-	-
13	320.1	Water Treatment Plants		3.33%	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders		20.00%	509	300	-	307	1,642	858
15	330	Distribution Reservoirs & Standpipes		2.22%	-	-	-	-	-	-
16	330.1	Storage Tanks		2.22%	291	-	-	2,100	141,923	90,485
17	330.2	Pressure Tanks		5.00%	-	-	-	-	-	-
18	331	Transmission & Distribution Mains		2.00%	2,257	500	-	489	586,816	566,189
19	333	Services		3.33%	12,884	2,000	-	1,514	64,243	15,273
20	334	Meters		8.33%	4,566	2,000	-	4,988	80,729	57,995
21	335	Hydrants		2.00%	-	-	-	-	-	-
22	336	Backflow Prevention Devices		6.67%	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment		6.67%	-	-	-	427	60,550	58,632
24	340	Office Furniture & Equipment		6.67%	-	-	-	435	6,527	4,717
25	340.1	Computers & Software		20.00%	674	-	-	355	2,112	786
26	341	Transportation Equipment		20.00%	-	-	-	-	62,342	62,342
27	342	Stores Equipment		4.00%	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment		5.00%	-	-	-	-	-	-
29	344	Laboratory Equipment		10.00%	-	-	-	-	-	-
30	345	Power Operated Equipment		5.00%	-	-	-	95	1,904	523
31	346	Communication Equipment		10.00%	-	-	-	-	-	-
32	347	Miscellaneous Equipment		10.00%	-	-	-	158	2,167	978
33	347.1	Miscellaneous Equipment - CNG Plant		3.33%	-	-	-	-	-	-
34	348	Other Tangible Plant		10.00%	-	-	-	-	-	-
34		Rounding			-	-		-	-	-
35										
36		TOTALS			32,029	8,141	-	28,698	1,306,776	1,038,684

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Line No.	NARUC Acct No.	Description	Vintage	Allowed Deprec. Rate	2019 Adjusted Plant Additions	2019 Adjusted Plant Retirements	2019 Salvage A/D Only	2019 Depreciation (Calculated)	2019 Plant Balance	2019 Accum. Deprec.
1	301	Organization Cost		0.00%	-	-		-	3,500	-
2	302	Franchise Cost		0.00%	-	-		-	-	-
3	303	Land and Land Rights		0.00%	-	-		-	-	-
4	304	Structures & Improvements		3.33%	45,075	-	-	909	52,105	4,624
5	305	Collecting & Impounding Reservoirs		2.50%	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes		2.50%	-	-	-	-	-	-
7	307	Wells & Springs		3.33%	12,480	-	-	5,489	186,450	123,914
8	308	Infiltration Galleries		6.67%	-	-	-	-	-	-
9	309	Raw Water Supply Mains		2.00%	-	-	-	-	-	-
10	310	Power Generation Equipment		5.00%	-	-	-	-	-	-
11	311	Pumping Equipment		12.50%	48,560	-	-	15,877	159,882	73,641
12	320	Water Treatment Equipment		3.33%	-	-	-	-	-	-
13	320.1	Water Treatment Plants		3.33%	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders		20.00%	-	-	-	268	1,642	1,126
15	330	Distribution Reservoirs & Standpipes		2.22%	-	-	-	-	-	-
16	330.1	Storage Tanks		2.22%	39,476	-	-	2,542	181,399	93,027
17	330.2	Pressure Tanks		5.00%	-	-	-	-	-	-
18	331	Transmission & Distribution Mains		2.00%	256,062	-	-	3,067	842,879	569,256
19	333	Services		3.33%	289,533	-	-	6,515	353,776	21,789
20	334	Meters		8.33%	166,542	-	-	10,454	247,272	68,449
21	335	Hydrants		2.00%	-	-	-	-	-	-
22	336	Backflow Prevention Devices		6.67%	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment		6.67%	-	-	-	427	60,550	59,059
24	340	Office Furniture & Equipment		6.67%	-	-	-	435	6,527	5,152
25	340.1	Computers & Software		20.00%	12,195	-	-	1,642	14,306	2,428
26	341	Transportation Equipment		20.00%	60,375	-	-	6,038	122,717	68,380
27	342	Stores Equipment		4.00%	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment		5.00%	-	-	-	-	-	-
29	344	Laboratory Equipment		10.00%	-	-	-	-	-	-
30	345	Power Operated Equipment		5.00%	-	-	-	95	1,904	619
31	346	Communication Equipment		10.00%	-	-	-	-	-	-
32	347	Miscellaneous Equipment		10.00%	-	-	-	158	2,167	1,137
33	347.1	Miscellaneous Equipment - CNG Plant		3.33%	-	-	-	-	-	-
34	348	Other Tangible Plant		10.00%	-	-	-	-	-	-
34		Rounding			-	-		-	-	-
35										
36		TOTALS			930,299	-	-	53,917	2,237,076	1,092,601

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Line No.	NARUC Acct No.	Description	Vintage	Allowed Deprec. Rate	2020 Adjusted Plant Additions	2020 Adjusted Plant Retirements	2020 Salvage A/D Only	2020 Depreciation (Calculated)	2020 Plant Balance	2020 Accum. Deprec.
1	301	Organization Cost		0.00%	48,524	-		-	52,024	-
2	302	Franchise Cost		0.00%	-	-		-	-	-
3	303	Land and Land Rights		0.00%	155,180	-		-	155,180	-
4	304	Structures & Improvements		3.33%	359,816	-	-	7,651	411,921	12,275
5	305	Collecting & Impounding Reservoirs		2.50%	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes		2.50%	-	-	-	-	-	-
7	307	Wells & Springs		3.33%	593,051	-	-	15,571	779,501	139,485
8	308	Infiltration Galleries		6.67%	-	-	-	-	-	-
9	309	Raw Water Supply Mains		2.00%	260,330	-	-	2,603	260,330	2,603
10	310	Power Generation Equipment		5.00%	15,007	-	-	375	15,007	375
11	311	Pumping Equipment		12.50%	177,196	-	2,560	28,170	337,078	104,371
12	320	Water Treatment Equipment		3.33%	-	-	-	-	-	-
13	320.1	Water Treatment Plants		3.33%	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders		20.00%	3,345	-	-	422	4,987	1,549
15	330	Distribution Reservoirs & Standpipes		2.22%	-	-	-	-	-	-
16	330.1	Storage Tanks		2.22%	19,762	-	4,107	3,190	201,161	100,324
17	330.2	Pressure Tanks		5.00%	99,689	-	-	2,492	99,689	2,492
18	331	Transmission & Distribution Mains		2.00%	377,364	-	34,910	9,401	1,220,243	613,567
19	333	Services		3.33%	349,039	-	-	17,148	702,815	38,937
20	334	Meters		8.33%	27,203	-	-	17,765	274,475	86,214
21	335	Hydrants		2.00%	12,472	-	-	125	12,472	125
22	336	Backflow Prevention Devices		6.67%	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment		6.67%	29,436	-	1,019	1,409	89,986	61,487
24	340	Office Furniture & Equipment		6.67%	-	-	-	435	6,527	5,588
25	340.1	Computers & Software		20.00%	133,537	-	-	16,215	147,844	18,643
26	341	Transportation Equipment		20.00%	-	-	-	12,075	122,717	80,455
27	342	Stores Equipment		4.00%	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment		5.00%	-	-	-	-	-	-
29	344	Laboratory Equipment		10.00%	-	-	-	-	-	-
30	345	Power Operated Equipment		5.00%	-	-	-	95	1,904	714
31	346	Communication Equipment		10.00%	27,401	-	-	1,370	27,401	1,370
32	347	Miscellaneous Equipment		10.00%	64,056	-	-	3,361	66,223	4,498
33	347.1	Miscellaneous Equipment - CNG Plant		3.33%	-	-	-	-	-	-
34	348	Other Tangible Plant		10.00%	-	-	-	-	-	-
34		Rounding			-	-		-	-	-
35										
36		TOTALS			2,752,408	-	42,596	139,875	4,989,483	1,275,072

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Plant Additions and Retirements

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Line No.	NARUC Acct No.	Description	Vintage	Allowed Deprec. Rate	2021 Adjusted Plant Additions	2021 Adjusted Plant Retirements	2021 Salvage A/D Only	2021 Depreciation (Calculated)	2021 Plant Balance	2021 Accum. Deprec.
1	301	Organization Cost		0.00%	-	-		-	52,024	-
2	302	Franchise Cost		0.00%	-	-		-	-	-
3	303	Land and Land Rights		0.00%	41,214	-		-	196,394	-
4	304	Structures & Improvements		3.33%	72,172	-	-	14,843	484,093	27,119
5	305	Collecting & Impounding Reservoirs		2.50%	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes		2.50%	-	-	-	-	-	-
7	307	Wells & Springs		3.33%	68,184	-	-	26,581	847,686	166,066
8	308	Infiltration Galleries		6.67%	-	-	-	-	-	-
9	309	Raw Water Supply Mains		2.00%	38,327	-	-	5,590	298,657	8,193
10	310	Power Generation Equipment		5.00%	-	-	-	750	15,007	1,126
11	311	Pumping Equipment		12.50%	35,601	-	-	38,408	372,679	142,779
12	320	Water Treatment Equipment		3.33%	-	-	-	-	-	-
13	320.1	Water Treatment Plants		3.33%	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders		20.00%	2,276	-	-	962	7,264	2,510
15	330	Distribution Reservoirs & Standpipes		2.22%	-	-	-	-	-	-
16	330.1	Storage Tanks		2.22%	-	-	-	3,190	201,161	103,514
17	330.2	Pressure Tanks		5.00%	-	-	-	4,984	99,689	7,477
18	331	Transmission & Distribution Mains		2.00%	418,826	-	-	17,363	1,639,069	630,931
19	333	Services		3.33%	440,489	-	-	30,293	1,143,305	69,230
20	334	Meters		8.33%	27,589	-	-	19,678	302,064	105,892
21	335	Hydrants		2.00%	-	-	-	249	12,472	374
22	336	Backflow Prevention Devices		6.67%	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment		6.67%	-	-	-	2,390	89,986	63,877
24	340	Office Furniture & Equipment		6.67%	-	-	-	158	6,527	5,746
25	340.1	Computers & Software		20.00%	2,835	-	-	29,709	150,679	48,351
26	341	Transportation Equipment		20.00%	-	-	-	12,075	122,717	92,530
27	342	Stores Equipment		4.00%	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment		5.00%	15,040	-	-	376	15,040	376
29	344	Laboratory Equipment		10.00%	-	-	-	-	-	-
30	345	Power Operated Equipment		5.00%	-	-	-	95	1,904	809
31	346	Communication Equipment		10.00%	-	-	-	2,740	27,401	4,110
32	347	Miscellaneous Equipment		10.00%	-	-	-	6,564	66,223	11,062
33	347.1	Miscellaneous Equipment - CNG Plant		3.33%	-	-	-	-	-	-
34	348	Other Tangible Plant		10.00%	-	-	-	-	-	-
34		Rounding			-	-		-	-	-
35										
36		TOTALS			1,162,554	-	-	217,000	6,152,037	1,492,072

Liberty Utilities (Cordes Lakes Water) Corp.
Plant Additions and Retirements

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Line No.	NARUC Acct No.	Description	Vintage	Allowed Deprec. Rate	2022 Adjusted Plant Additions	2022 Adjusted Plant Retirements	2022 Salvage A/D Only	2022 Depreciation (Calculated)	2022 Plant Balance	2022 Accum. Deprec.
1	301	Organization Cost		0.00%	-	-	-	-	52,024	-
2	302	Franchise Cost		0.00%	-	-	-	-	-	-
3	303	Land and Land Rights		0.00%	-	-		-	196,394	-
4	304	Structures & Improvements		3.33%	12,057	-	-	16,246	496,150	43,365
5	305	Collecting & Impounding Reservoirs		2.50%	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes		2.50%	-	-	-	-	-	-
7	307	Wells & Springs		3.33%	788	-	-	27,729	848,474	193,795
8	308	Infiltration Galleries		6.67%	-	-	-	-	-	-
9	309	Raw Water Supply Mains		2.00%	-	-	-	5,973	298,657	14,166
10	310	Power Generation Equipment		5.00%	-	-	-	750	15,007	1,876
11	311	Pumping Equipment		12.50%	8,643	-	-	39,939	381,321	182,718
12	320	Water Treatment Equipment		3.33%	-	-	-	-	-	-
13	320.1	Water Treatment Plants		3.33%	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders		20.00%	2,866	-	-	1,453	10,130	3,963
15	330	Distribution Reservoirs & Standpipes		2.22%	-	-	-	-	-	-
16	330.1	Storage Tanks		2.22%	-	-	-	3,190	201,161	106,703
17	330.2	Pressure Tanks		5.00%	-	-	-	4,984	99,689	12,461
18	331	Transmission & Distribution Mains		2.00%	268,561	-	-	24,237	1,907,630	655,168
19	333	Services		3.33%	340,540	-	-	43,297	1,483,844	112,527
20	334	Meters		8.33%	38,476	-	-	22,228	340,540	128,120
21	335	Hydrants		2.00%	-	-	-	249	12,472	624
22	336	Backflow Prevention Devices		6.67%	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment		6.67%	-	-	-	2,390	89,986	66,267
24	340	Office Furniture & Equipment		6.67%	-	-	-	136	6,527	5,882
25	340.1	Computers & Software		20.00%	-	-	-	29,848	150,679	78,200
26	341	Transportation Equipment		20.00%	-	-	-	12,075	122,717	104,605
27	342	Stores Equipment		4.00%	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment		5.00%	1,485	-	-	789	16,525	1,165
29	344	Laboratory Equipment		10.00%	-	-	-	-	-	-
30	345	Power Operated Equipment		5.00%	-	-	-	95	1,904	904
31	346	Communication Equipment		10.00%	-	-	-	2,740	27,401	6,850
32	347	Miscellaneous Equipment		10.00%	-	-	-	6,564	66,223	17,626
33	347.1	Miscellaneous Equipment - CNG Plant		3.33%	-	-	-	-	-	-
34	348	Other Tangible Plant		10.00%	-	-	-	-	-	-
34		Rounding			-	-		-	-	-
35										
36		TOTALS			673,416	-	-	244,915	6,825,453	1,736,986

Liberty Utilities (Cordes Lakes Water) Corp.
Plant Additions and Retirements

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Line No.	NARUC Acct No.	Description	Vintage	Allowed Deprec. Rate	2023 Adjusted Plant Additions	2023 Adjusted Plant Retirements	2023 Salvage A/D Only	2023 Thru 4/30 Depreciation (Calculated)	2023 Thru 4/30 Plant Balance	2023 Thru 4/30 Accum. Deprec.
1	301	Organization Cost		0.00%	-	-	-	-	52,024	-
2	302	Franchise Cost		0.00%	-	-	-	-	-	-
3	303	Land and Land Rights		0.00%	-	-		-	196,394	-
4	304	Structures & Improvements		3.33%	-	-	-	5,482	496,150	48,847
5	305	Collecting & Impounding Reservoirs		2.50%	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes		2.50%	-	-	-	-	-	-
7	307	Wells & Springs		3.33%	27,090	-	-	9,398	875,564	203,193
8	308	Infiltration Galleries		6.67%	-	-	-	-	-	-
9	309	Raw Water Supply Mains		2.00%	-	-	-	1,991	298,657	16,157
10	310	Power Generation Equipment		5.00%	-	-	-	250	15,007	2,126
11	311	Pumping Equipment		12.50%	93,599	-	-	14,908	474,920	197,626
12	320	Water Treatment Equipment		3.33%	-	-	-	-	-	-
13	320.1	Water Treatment Plants		3.33%	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders		20.00%	-	-	-	580	10,130	4,543
15	330	Distribution Reservoirs & Standpipes		2.22%	-	-	-	-	-	-
16	330.1	Storage Tanks		2.22%	-	-	-	1,063	201,161	107,766
17	330.2	Pressure Tanks		5.00%	-	-	-	1,661	99,689	14,123
18	331	Transmission & Distribution Mains		2.00%	-	-	-	8,974	1,907,630	664,142
19	333	Services		3.33%	-	-	-	16,322	1,483,844	128,850
20	334	Meters		8.33%	-	-	-	7,927	340,540	136,047
21	335	Hydrants		2.00%	-	-	-	83	12,472	707
22	336	Backflow Prevention Devices		6.67%	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment		6.67%	-	-	-	725	89,986	66,992
24	340	Office Furniture & Equipment		6.67%	-	-	-	45	6,527	5,927
25	340.1	Computers & Software		20.00%	-	-	-	9,927	150,679	88,127
26	341	Transportation Equipment		20.00%	-	-	-	4,025	122,717	108,630
27	342	Stores Equipment		4.00%	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment		5.00%	-	-	-	275	16,525	1,441
29	344	Laboratory Equipment		10.00%	-	-	-	-	-	-
30	345	Power Operated Equipment		5.00%	-	-	-	32	1,904	936
31	346	Communication Equipment		10.00%	-	-	-	913	27,401	7,764
32	347	Miscellaneous Equipment		10.00%	-	-	-	2,188	66,223	19,814
33	347.1	Miscellaneous Equipment - CNG Plant		3.33%	-	-	-	-	-	-
34	348	Other Tangible Plant		10.00%	-	-	-	-	-	-
34		Rounding			-	-		-	-	-
35										
36		TOTALS			120,689	-	-	86,771	6,946,143	1,823,757

Liberty Utilities (Cordes Lakes Water) Corp.
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.12
Witness: Bourassa

Line No.	NARUC Acct No.	Description	Vintage	Allowed Deprec. Rate	PTY				
					PTY Plant	PTY Retirements	PTY Depreciation	Plant Balance	Accum. Deprec.
1	301	Organization Cost		0.00%	-	-	-	52,024	-
2	302	Franchise Cost		0.00%	-	-	-	-	-
3	303	Land and Land Rights		0.00%	-			196,394	-
4	304	Structures & Improvements		3.33%	80,000	-	1,332	576,150	50,179
5	305	Collecting & Impounding Reservoirs		2.50%	-	-	-	-	-
6	306	Lake, River, Canal Intakes		2.50%	-	-	-	-	-
7	307	Wells & Springs		3.33%	-	-	-	875,564	203,193
8	308	Infiltration Galleries		6.67%	-	-	-	-	-
9	309	Raw Water Supply Mains		2.00%	-	-	-	298,657	16,157
10	310	Power Generation Equipment		5.00%	500,000	-	12,500	515,007	14,626
11	311	Pumping Equipment		12.50%	26,454	-	1,653	501,374	199,279
12	320	Water Treatment Equipment		3.33%	-	-	-	-	-
13	320.1	Water Treatment Plants		3.33%	-	-	-	-	-
14	320.2	Solution Chemical Feeders		20.00%	-	-	-	10,130	4,543
15	330	Distribution Reservoirs & Standpipes		2.22%	-	-	-	-	-
16	330.1	Storage Tanks		2.22%	-	-	-	201,161	107,766
17	330.2	Pressure Tanks		5.00%	-	-	-	99,689	14,123
18	331	Transmission & Distribution Mains		2.00%	150,000	-	1,500	2,057,630	665,642
19	333	Services		3.33%	340,540	-	5,670	1,824,384	134,520
20	334	Meters		8.33%	330,000	-	13,745	670,540	149,792
21	335	Hydrants		2.00%	-	-	-	12,472	707
22	336	Backflow Prevention Devices		6.67%	-	-	-	-	-
23	339	Other Plant & Misc Equipment		6.67%	-	-	-	89,986	66,992
24	340	Office Furniture & Equipment		6.67%	-	-	-	6,527	5,927
25	340.1	Computers & Software		20.00%	-	-	-	150,679	88,127
26	341	Transportation Equipment		20.00%	110,000	-	11,000	232,717	119,630
27	342	Stores Equipment		4.00%	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment		5.00%	-	-	-	16,525	1,441
29	344	Laboratory Equipment		10.00%	-	-	-	-	-
30	345	Power Operated Equipment		5.00%	-	-	-	1,904	936
31	346	Communication Equipment		10.00%	28,937	-	1,447	56,338	9,211
32	347	Miscellaneous Equipment		10.00%	-	-	-	66,223	19,814
33	347.1	Miscellaneous Equipment - CNG Plant		3.33%	-	-	-	-	-
34	348	Other Tangible Plant		10.00%	-	-	-	-	-
34		Rounding							
35									
36		TOTALS			1,565,931	-	48,847	8,512,073	1,872,604

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Per Books Accum. Depr.	Adjustments A Allocated Corporate Plant	Adjustments B PTY Plant A/D	Adjustments D Adjustments to Reconcile A/D to Reconstruction	Adjusted Accum. Depr.
6	108	A/D Not Classified	$ 89,057			$ (89,057)	$ -
7	301	Organization Cost	-		-	-	-
8	302	Franchise Cost	-		-	-	-
9	303	Land and Land Rights	-		-	-	-
10	304	Structures and Improvements	41,027		-	9,151	50,179
11	305	Collecting and Impounding Res.	-		1,000	(1,000)	-
12	306	Lake River and Other Intakes	-		-	-	-
13	307	Wells and Springs	195,589		-	7,604	203,193
14	308	Infiltration Galleries and Tunnels	-		-	-	-
15	309	Supply Mains	15,850		-	308	16,157
16	310	Power Generation Equipment	1,876		-	12,750	14,626
17	311	Electric Pumping Equipment	190,509		31,250	(22,479)	199,279
18	320	Water Treatment Equipment	4,673		440	(5,113)	-
19	320.1	Water Treatment Plant	-		-	-	-
20	320.2	Chemical Solution Feeders	-		-	4,543	4,543
21	330	Dist. Reservoirs & Standpipe	-		-	-	-
22	330.1	Storage tanks	108,193		-	(426)	107,766
23	330.2	Pressure Tanks	12,046		-	2,077	14,123
24	331	Trans. and Dist. Mains	653,811		-	11,831	665,642
25	333	Services	116,532		2,498	15,490	134,520
26	334	Meters	135,684		14,183	(76)	149,792
27	335	Hydrants	595		3,300	(3,188)	707
28	336	Backflow Prevention Devices	-		-	-	-
29	339	Other Plant and Misc. Equip.	67,775		-	(782)	66,992
30	340	Office Furniture and Fixtures	6,801		-	(873)	5,927
31	340.1	Computers and Software	8,704		-	79,423	88,127
32	341	Transportation Equipment	109,482		-	10,148	119,630
33	342	Stores Equipment	-		2,200	(2,200)	-
34	343	Tools and Work Equipment	1,459		-	(19)	1,441
35	344	Laboratory Equipment	-		-	-	-
36	345	Power Operated Equipment	936		-	(0)	936
37	346	Communications Equipment	7,059		-	2,151	9,211
38	347	Miscellaneous Equipment	17,145		1,447	1,222	19,814
39	348	Other Tangible Plant	-		-	-	-
40			$ 1,784,803	$ -	$ 56,318	$ 31,483	$ 1,872,604
41							
42	903	Land and Land Rights		$ -			$ -
43	904	Structures and Improvments		5,192			5,192
44	940	Office Furniture and Fixtures		1,400			1,400
45	940.1	Computers and Software		2,329			2,329
46	940.2	Customer First		5,282			5,282
47	955	Power Generation		6			6
48	995	Power Operated Equipment		932			932
49							-
50		TOTALS	$ 1,784,803	$ 15,141	$ 56,318	$ 31,483	$ 1,887,744
51							
52	Accumulated Depreciation per Books						$ 1,784,803
53							
54	Increase (decrease) in Accumulated Depreciation						$ 102,942
55							
56	Adjustment to Accumulated Depreciation						$ 102,942
57							
58	SUPPORTING SCHEDULES						
59	B-2, pages 4.1 to 4.3						

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - A

Exhibit
Schedule B-2
Page 4.1
Witness: Bourassa

Line No.	Acct. No.	Description	[1] Original Cost	[2] Liberty Utilities Factor	[3] BV Water Factor	[4] = [1]x[2]x[3] Allocated Original Cost
1	Corporate Plant A/D					
6	903	Land and Land Rights	$ -	6.6567%	2.0966%	$ -
7	904	Structures and Improvements	769,338	6.6567%	2.0966%	1,074
12	LU Sub-Corp. Plant (8020) A/D					
14	903	Land and Land Rights	$ -	51.39%	2.0966%	$ -
15	904	Structures and Improvements	382,268	51.39%	2.0966%	4,119
16	940	Office Furniture and Equipment	129,934	51.39%	2.0966%	1,400
17	940.1	Computers and Software	111,091	100.00%	2.0966%	2,329
18	940.2	Customer First	251,922	100.00%	2.0966%	5,282
19	955	Power Generation	523	51.39%	2.0966%	6
20	995	Power Operated Equipment	86,505	51.39%	2.0966%	932
23	TOTALS					
24	903	Land and Land Rights	-			-
25	904	Structures and Improvements	1,151,606			5,192
26	940	Office Furniture and Equipment	129,934			1,400
27	940.1	Computers and Software	111,091			2,329
28	940.2	Customer First	251,922			5,282
29	955	Power Generation	523			6
30	995	Power Operated Equipment	86,505			932
31		Total	$ 1,731,582			$ 15,141

SUPPORTING SCHEDULE
Work papers
Testimony

RECAP SCHEDULES:
B-2, page 4

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - B

Exhibit
Schedule B-2
Page 4.2
Witness: Bourassa

Remove A/D related to Affiliate Profit

Line No.	Acct. No.	Description	Depr Rate	PTY Plant	Depreciation
6	301	Organization Cost	0.00%	-	$ -
7	302	Franchise Cost	0.00%	-	-
8	303	Land and Land Rights	0.00%	-	-
9	304	Structures and Improvements	3.33%	-	-
10	305	Collecting and Impounding Res.	2.50%	80,000	1,000
11	306	Lake River and Other Intakes	2.50%	-	-
12	307	Wells and Springs	3.33%	-	-
13	308	Infiltration Galleries and Tunnels	6.67%	-	-
14	309	Supply Mains	2.00%	-	-
15	310	Power Generation Equipment	5.00%	-	-
16	311	Electric Pumping Equipment	12.50%	500,000	31,250
17	320	Water Treatment Equipment	3.33%	26,454	440
18	320.1	Water Treatment Plant	3.33%	-	-
19	320.2	Chemical Solution Feeders	20.00%	-	-
20	330	Dist. Reservoirs & Standpipe	2.22%	-	-
21	330.1	Storage tanks	2.22%	-	-
22	330.2	Pressure Tanks	5.00%	-	-
23	331	Trans. and Dist. Mains	2.00%	-	-
24	333	Services	3.33%	150,000	2,498
25	334	Meters	8.33%	340,540	14,183
26	335	Hydrants	2.00%	330,000	3,300
27	336	Backflow Prevention Devices	6.67%	-	-
28	339	Other Plant and Misc. Equip.	6.67%	-	-
29	340	Office Furniture and Fixtures	6.67%	-	-
30	340.1	Computers and Software	20.00%	-	-
31	341	Transportation Equipment	20.00%	-	-
32	342	Stores Equipment	4.00%	110,000	2,200
33	343	Tools and Work Equipment	5.00%	-	-
34	344	Laboratory Equipment	10.00%	-	-
35	345	Power Operated Equipment	5.00%	-	-
36	346	Communications Equipment	10.00%	-	-
37	347	Miscellaneous Equipment	10.00%	28,937	1,447
38	348	Other Tangible Plant	10.00%	-	-
40		Subtotal		$ 1,565,931 $ -	$ 56,318
42	903	Land and Land Rights	0.00%	$ -	$ -
43	904	Structures and Improvments	2.56%	-	-
44	940	Office Furniture and Fixtures	6.67%	-	-
45	940.1	Computers and Software	20.00%	19,644	1,964
46	940.2	Customer First	5.00%	-	-
47	955	Power Generation	5.00%	-	-
48	995	Power Operated Equipment	5.00%	-	-
49		Subtotal		$ 19,644	$ 1,964
51		Total		$ 1,585,575	$ 58,283

SUPPORTING SCHEDULE
Work papers

RECAP SCHEDULES:
B-2, page 4

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - C

Exhibit
Schedule B-2
Page 4.3
Witness: Bourassa

Reconciliation of A/D to A/D Reconstruction

Line No.	Acct. No.	Description	Orginal Cost	B-2 Adjustments	Adjusted Orginal Cost	Plant Per Reconstruction	Difference
6	108	A/D Not Classified	89,057	-	89,057	-	(89,057)
7	301	Organization Cost	-	-	-	-	
8	302	Franchise Cost	-	-	-	-	-
9	303	Land and Land Rights	-	-	-	-	-
10	304	Structures and Improvements	41,027	-	41,027	50,179	9,151
11	305	Collecting and Impounding Res.	-	1,000	1,000	-	(1,000)
12	306	Lake River and Other Intakes	-	-	-	-	-
13	307	Wells and Springs	195,589	-	195,589	203,193	7,604
14	308	Infiltration Galleries and Tunnels	-	-	-	-	-
15	309	Supply Mains	15,850	-	15,850	16,157	308
16	310	Power Generation Equipment	1,876	-	1,876	14,626	12,750
17	311	Electric Pumping Equipment	190,509	31,250	221,759	199,279	(22,479)
18	320	Water Treatment Equipment	4,673	440	5,113	-	(5,113)
19	320.1	Water Treatment Plant	-	-	-	-	-
20	320.2	Chemical Solution Feeders	-	-	-	4,543	4,543
21	330	Dist. Reservoirs & Standpipe	-	-	-	-	-
22	330.1	Storage tanks	108,193	-	108,193	107,766	(426)
23	330.2	Pressure Tanks	12,046	-	12,046	14,123	2,077
24	331	Trans. and Dist. Mains	653,811	-	653,811	665,642	11,831
25	333	Services	116,532	2,498	119,030	134,520	15,490
26	334	Meters	135,684	14,183	149,868	149,792	(76)
27	335	Hydrants	595	3,300	3,895	707	(3,188)
28	336	Backflow Prevention Devices	-	-	-	-	-
29	339	Other Plant and Misc. Equip.	67,775	-	67,775	66,992	(782)
30	340	Office Furniture and Fixtures	6,801	-	6,801	5,927	(873)
31	340.1	Computers and Software	8,704	-	8,704	88,127	79,423
32	341	Transportation Equipment	109,482	-	109,482	119,630	10,148
33	342	Stores Equipment	-	2,200	2,200	-	(2,200)
34	343	Tools and Work Equipment	1,459	-	1,459	1,441	(19)
35	344	Laboratory Equipment	-	-	-	-	-
36	345	Power Operated Equipment	936	-	936	936	(0)
37	346	Communications Equipment	7,059	-	7,059	9,211	2,151
38	347	Miscellaneous Equipment	17,145	1,447	18,592	19,814	1,222
39	348	Other Tangible Plant	-	-	-	-	-
40						-	-
41		TOTALS	$ 1,784,803	$ 56,318	$ 1,841,121	$ 1,872,604	$ 31,483

SUPPORTING SCHEDULE
B-2, pages 4.1
B-2, pages 3.4 through 3.12

RECAP SCHEDULES:
B-2, page 4

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Schedule B-2
Page 5
Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

Line No.		Gross CIAC	Accumulated Amortization
1			
2			
3			
4			
5	Computed balance at End of Test Year	$ 488,797	$ 106,308
6			
7	Book balance at End of Test Year	$ 488,777	$ 149,458
8			
9	Increase (decrease)	$ 20	$ (43,150)
10			
11			
12	Adjustment to CIAC/AA CIAC	$ 20	$ 43,150
13	Label	3a	3b
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES	RECAP SCHEDULES:	
20	E-1	B-2, page 2	
21	B-2, page 5.1 to 5.2		
22			
23			
24			
25			
26			
27			
28			
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36			
37			
38			
39			
40			

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization

Exhibit
Schedule B-2
Page 5.1
Witness: Bourassa

Line No.		Decision Balance 12/31/2018	2017 Additions	2017 Balance 12/31/2017	2018 Additions	2018 Balance 12/31/2018	2019 Additions	2019 Balance 12/31/2019
1								
2								
3								
4								
5	CIAC	$ 76,247	$ -	$ 76,247	$ -	$ 76,247	$ -	$ 76,247
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18	Amortization Decision							
19	Amortization Rate			7.15%		5.67%		3.79%
20	Amortization			5,455		4,325		2,891
21	Accumulated Amortization	41,439		46,894		51,220		54,111
22								
23	Net CIAC	$ 34,808		$ 29,353		$ 25,027		$ 22,136
24								

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization

Exhibit
Schedule B-2
Page 5.2
Witness: Bourassa

Line No.		2020		2021		2022		2023	
1			Balance		Balance		Balance		Balance
2		Additions	12/31/2010	Additions	12/31/2011	Additions	12/31/2012	Additions	4/30/2023
3									
4									
5	CIAC	$ -	$ 76,247	$ 412,550	$ 488,797	$ -	$ 488,797	$ -	$ 488,797
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18	Amortization Decision								
19	Amortization Rate		3.57%		4.32%		4.31%		1.49%
20	Amortization		2,719		21,126		21,050		7,303
21	Accumulated Amortization		56,829		77,955		99,005		106,308
22									
23	Net CIAC		$ 19,418		$ 410,842		$ 389,792		$ 382,489
24									

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments
Adjustment 4
Advances-in-Aid of Construction (AIAC)

Exhibit
Schedule B-2
Page 6
Witness: Bourassa

Line No.		
1		
2		
3		
4	Computed balance at End of Test Year	$ -
5		
6	Book balance at End of Test Year	$ -
7		
8	Increase (decrease)	$ -
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19	SUPPORTING SCHEDULES	RECAP SCHEDULES:
20	E-1	B-2, page 2
21	B-2, page 6.1 to 6.2	
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
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34		
35		

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Advances-in-Aid of Construction (AIAC)

Exhibit
Schedule B-2
Page 6.1
Witness: Bourassa

Line No.		Decision Balance 12/31/2016	2017 Activity	2017 Balance 12/31/2017	2018 Activity	2018 Balance 12/31/2018	2019 Activity	2019 Balance 12/31/2019	2020 Activity	2020 Balance 12/31/2020
1										
2										
3										
4										
5	AIAC	9,320	334	9,654	7,339	16,993	(16,993)	-	-	-
6	Additions		334		7,339					
7	Tranfer to Meter Deposits						(16,993)			
8										
9										
10										
11										
12	Total AIAC	9,320	668	9,654	14,678	16,993	(33,986)	-	-	-
13										
14										
15										
16										
17										
18										
19										
20										

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Advances-in-Aid of Construction (AIAC)

Exhibit
Schedule B-2
Page 6.2
Witness: Bourassa

Line No.		2021		2022		2023		2024	
1			Balance		Balance		Balance		Balance
2		Activity	12/31/2021	Activity	12/31/2022	Additions	12/31/2023	Additions	4/30/2024
3									
4									
5	AIAC	-	-	-	-	-	-	-	-
6	Additions								
7	Tranfer to Meter Deposits								
8									
9									
10									
11									
12	Total AIAC	-	-	-	-	-	-	-	-
13									
14									
15									
16									
17									
18									
19									
20									

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Schedule B-2
Page 7.0
Witness: Bourassa

Deferred Income Tax as of December 31, 2014

Line No.			Water & Sewer Adjusted Book Value		Water & Sewer Tax Value		Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current
6		Plant-in-Service	$ 8,263,656	[1]									
7		Accum. Deprec.	(1,872,604)	[1]									
8		CIAC	(382,469)	[3]									
9	Fed.	Fixed Assets	$ 6,008,583		$ 4,766,780	[2]	100.0%	$ (1,241,803)	19.97%		-		(248,000)
10													
11	State	Fixed Assets	$ 6,008,583		$ 4,763,449	[2]	100.0%	$ (1,245,134)	4.900%		-		(61,012)
12													
13	Fed &State	AIAC			63,944	[4]	100.0%	$ 63,944	[4] 24.871%		$ 15,904		
14													
15										$ -	$ 15,904	$ -	$ (309,012)
16													
17													
18		Net Asset (Liability)								$ (293,108)			
19													
20		Allocation Factor								1.0000			
21													
22		Net Asset (Liability) Water Division								$ (293,108)			
23													
24		Allocated Corporate ADIT[5]								$ (43,351)			
25													
26		Total Asset (Liability) Water Division								$ (336,459)			
27													
28		DIT Asset (Liability) per Books								$ 327,898			
29													
30		Adjustment to DIT								$ 664,357			
31													
32													
33													
34													
35													
36													
37		Footnotes - See page 7.1											
38													
39													
40													
41													
42										RECAP SCHEDULES:			
43										B-2, page 2			
44													
45													

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Schedule B-2
Page 7.1
Witness: Bourassa

Line No.								
1	**[1] Per adjusted book balances, land not included and corporate plant not oncluded**							
2	PIS per Schedule B-2, page 2	$ 8,512,073						
3	Land and Land Rights	(196,394)						
4	Organizational and Franchise	(52,024)						
5	Historical AFUDC Equity	-						
6	Total	$ 8,263,656						
7								
8	**2 Computation of Net Tax Value April 30, 2023**		FEDERAL			STATE		
9								
10	Tax Basis							
11	Adjusted Cost at December 31, 2022 per federal and state tax depr. report		$ 3,598,378			$ 3,607,981		
12	Reconciling Items not on tax report:							
13	Land on Tax and not on included in adjusted plant balance		-			-		
14	Plant adds from 1/1/2023 to 4/30/2023		120,689			120,689		
15	PTY Plant		1,565,931			1,565,931		
16	Acct 105/106 - 2022 Plant not Included on Tax as of 2022		635,282			635,282		
17						-		
18	Net Unadjusted Cost tax Basis at April 30, 2023				$ 5,920,280			$ 5,929,883
19								
20	Reductions							
21	Adjusted A/D at December 31, 2022 per federal and state tax depr. report		$ (1,065,893)			$ (1,078,827)		
22	Depreciation from1/1/2023 to 4/30/2023 on 2022 and prior plant		(41,465)			(41,465)		
23	Depreciation from1/1/2023 to 4/30/2023 on 2023 plant		(2,414)			(2,414)		
24	PTY Plant Depreciation		(43,727)			(43,727)		
25								
26								
27					(1,153,499)			(1,166,433)
28	Net Reductions through April 30, 2023				$ 4,766,780			$ 4,763,449
29	Net tax value of plant-in-service at April 30, 2023							
30								
31	**[3] CIAC (including impact of change to probability of realization)**							
32	Gross CIAC per adjusted book balances			$ 488,777				
33	CIAC reductions/addtions							
34	A.A per adjusted book balances		$ (106,308)					
35			-					
36				(106,308)				
37	Net CIAC before unrealized AIAC				$ 382,469			
38								
39	Unrealized AIAC Component							
40	AIAC per adjusted book balances			$ -				
41	Adjusted Net AIAC (see footnote 5 below)			70.0%				
42	Unrealized AIAC Component % (1-Realized AIAC Component)				$ -			
43					$ 382,469			
44	Total realizable CIAC							
45								
46	**[4] AIAC (including impact of change in probability of realization)**							
47	AIAC per adjusted book balances				$ -			
48	Less: Unrealized AIAC (from Note 3, above)				$ -			
49								
50	Subtotal				$ -			
51	Meter and Service Line Installation Charges per adjusted book balances				63,944			
52	Total realizable AIAC				$ 63,944			
53								
54	**[5] See work papers**							
55								

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended December 31, 2014
Cash Working Capital

Exhibit
Schedule B-5
Page 1
Witness: Bourassa

Line No.	Description	Proforma Test Year Amount[1]	Revenue Lag (Lead) Days	Expense Lag (Lead) Days	Net Lag (Lead) Days Col. C - Col. D	Lead/Lag Factor Col. E/365	Cash Working Capital Required Col. B * Col. F
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
7	OPERATING EXPENSES						
8	Salaries and Wages	$ -	75.77	-	75.77	0.20758462	$ -
9	Purchased Water	1,445	75.77	338.49	(262.72)	(0.71978524)	(1,040)
10	Purchased Power	45,920	75.77	1.51	74.26	0.20344763	9,342
11	Chemicals	6,040	75.77	52.72	23.05	0.06314626	381
12	Fuel for Power Production	-	75.77	-	75.77	0.20758462	-
13	Materials and Supplies	19,300	75.77	32.62	43.15	0.11821476	2,282
14	Contractual Services - Engineering	-	75.77	31.82	43.95	0.12040654	-
15	Contractual Services - Accounting	12,544	75.77	31.82	43.95	0.12040654	1,510
16	Contractual Services - Legal	4,623	75.77	16.35	59.42	0.16279010	753
17	Contractual Services - Management	258,124	75.77	35.00	40.77	0.11169421	28,831
18	Contractual Services - Testing	1,596	75.77	77.64	(1.87)	(0.00512771)	(8)
19	Contractual Services - Other	278,230	75.77	37.17	38.60	0.10574900	29,423
20	Rental of Building/Real Property	3,103	75.77	35.00	40.77	0.11169421	347
21	Rental of Equipment	-	75.77	30.37	45.40	0.12437914	-
22	Transportation	15,147	75.77	33.14	42.63	0.11679010	1,769
23	Insurance - Vehicle	-	75.77	-	75.77	0.20758462	-
24	Insurance - General Liability	15,688	75.77	(182.50)	258.27	0.70758462	11,101
25	Advertising Expense	4,148	75.77	26.61	49.16	0.13468051	559
26	Water Conservation Expemse	22,800	75.77	0.96	74.81	0.20495448	4,673
27	Miscellaneous	16,298	75.77	31.10	44.67	0.12237914	1,995
28	Customer Deposit Interest	12,188	75.77	184.36	(108.59)	(0.29751127)	(3,626)
31	TAXES						
32	General Taxes-Property[1]	65,514	75.77	213.96	(138.19)	(0.37860259)	$ (24,804)
33	General Taxes-Other	-	75.77	-	75.77	0.20758462	-
34	Income Tax[1]	147,099	75.77	37.00	38.77	0.10621476	15,624
36	OTHER						
37			75.77	91.00			
39	TOTAL	$ 929,807		WORKING CASH REQUIREMENT			$ 79,110

[1]At proposed rates.

SUPPORTING SCHEDULES
Work papers

RECAP SCHEDULES:
B-2, page 2

SCHEDULE C

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Income Statement

Exhibit
Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**					
2	Water Revenues	$ 615,296	$ (3,299)	$ 611,997	$ 1,367,617	$ 1,979,614
3	Other Water Revenues	37,794	-	37,794		37,794
4	**Total Operating Revenues**	$ 653,089	$ (3,299)	$ 649,791	$ 1,367,617	$ 2,017,408
5	**Operating Expenses**					
6	Salaries and Wages	$ -	-	$ -	-	$ -
7	Purchased Water	1,445	-	1,445	-	1,445
8	Purchased Power	45,429	491	45,920	-	45,920
9	Chemicals	5,975	65	6,040	-	6,040
10	Fuel for Power Production	-	-	-	-	-
11	Materials and Supplies	20,129	(829)	19,300	-	19,300
12	Contractual Services - Engineering	-	-	-	-	-
13	Contractual Services - Accounting	12,544	-	12,544	-	12,544
14	Contractual Services - Legal	12,077	(7,454)	4,623	-	4,623
15	Contractual Services - Management	213,409	44,715	258,124	-	258,124
16	Contractual Services - Testing	1,596	-	1,596	-	1,596
17	Contractual Services - Other	274,474	3,757	278,230	-	278,230
18	Rental of Building/Real Property	3,103	-	3,103	-	3,103
19	Rental of Equipment	-	-	-	-	-
20	Transportation Expense	15,370	(223)	15,147	-	15,147
21	Insurance - Vehicle	-	-	-	-	-
22	Insurance - General Liability	15,688	-	15,688	-	15,688
23	Advertising Expense	4,299	(150)	4,148	-	4,148
24	Reg. Commission Exp. - Rate Case	-	-	-	-	-
25	Reg. Commission Exp. - Other	-	-	-	-	-
26	Water Conservation Expemse	15,759	7,041	22,800	-	22,800
27	Bad Debt Expense	11,975	5,487	17,462	36,752	54,213
28	Miscellaneous	20,013	(3,715)	16,298	-	16,298
29	Depreciation & Amortization	293,542	132,996	426,538	-	426,538
30	Taxes Other Than Income	-	-	-	-	-
31	Property Taxes	30,452	17,531	47,983	17,531	65,514
32	Income Tax	(152,644)	(26,896)	(179,540)	326,639	147,099
33	Customer Deposit Interest	12,188	-	12,188	-	12,188
34	**Total Operating Expenses**	$ 856,822	$ 172,814	$ 1,029,637	$ 380,922	$ 1,410,558
35	**Operating Income**	$ (203,733)	$ (176,113)	$ (379,846)	$ 986,695	$ 606,849
36	**Other Income (Expense)**					
37	Interest and Dividend Income	-	-	-		-
38	AFUDC Income	-	-	-		-
39	Miscellaneous Non-Utility Expenses	(13,064)	-	(13,064)		(13,064)
40	Interest Expense	-	(162,500)	(162,500)		(162,500)
41		-	-	-		-
42	**Total Other Income (Expense)**	$ (13,064)	$ (162,500)	$ (175,564)	$ -	$ (175,564)
43	**Net Profit (Loss)**	$ (216,797)	$ (338,613)	$ (555,410)	$ 986,695	$ 431,285
44						
45	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
46	C-1, page 2				A-1	
47	E-2					
48						

Liberty Utilities (Cordes Lakes) Corp.
dba Liberty Utilities
Test Year Ended April 30, 2023
Income Statement

Exhibit
Schedule C-1
Page 2.1
Witness: Bourassa

Line No.		LABEL>>>>> Test Year Book Results	1 Depreciation	2 Property Taxes	3 Rate Case Expense	4 Revenue Annualization	5 INTENTIONALLY LEFT BLANK	6 Revenue Accrual Correction	7 Bad Debt Expense	8 Customer First Operating Expense
1	**Revenues**									
2	Water Revenues	$ 615,296				$ 5,701	-	$ (9,000)		
3	Other Water Revenues	37,794								
4	**Total Operating Rvenues**	$ 653,089	$ -	$ -	$ -	$ 5,701	$ -	$ (9,000)	$ -	
5	**Operating Expenses**									
6	Salaries and Wages	$ -								
7	Purchased Water	1,445								
8	Purchased Power	45,429				491				
9	Chemicals	5,975				65				
10	Fuel for Power Production	-								
11	Materials and Supplies	20,129								
12	Contractual Services - Engineering	-								
13	Contractual Services - Accounting	12,544								
14	Contractual Services - Legal	12,077								
15	Contractual Services - Management	213,409								22,787
16	Contractual Services - Testing	1,596								
17	Contractual Services - Other	274,474								
18	Rental of Building/Real Property	3,103								
19	Rental of Equipment	-								
20	Transportation Expense	15,370								
21	Insurance - Vehicle	-								
22	Insurance - General Liability	15,688								
23	Advertising Expense	4,299								
24	Reg. Commission Exp. - Rate Case	-			-					
25	Reg. Commission Exp. - Other	-								
26	Water Conservation Expense	15,759								
27	Bad Debt Expense	11,975							5,487	
28	Miscellaneous	20,013				116				
29	Depreciation & Amortization	293,542	132,996							
30	Taxes Other Than Income	-								
31	Property Taxes	30,452		17,531						
32	Income Tax	(152,644)								
33	Customer Deposit Interest	12,188								
34	**Total Operating Expenses**	$ 856,822	$ 132,996	$ 17,531	$ -	$ 671	$ -	$ -	$ 5,487	$ 22,787
35	**Operating Income**	$ (203,733)	$ (132,996)	$ (17,531)	$ -	$ 5,030	$ -	$ (9,000)	$ (5,487)	$ (22,787)
36	**Other Income (Expense)**									
37	Interest and Dividend Income	-								
38	AFUDC Income	-								
39	Miscellaneous Non-Utility Expenses	(13,064)								
40	Interest Expense	-								
41		-								
42	**Total Other Income (Expense)**	$ (13,064)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
43	**Net Profit (Loss)**	$ (216,797)	$ (132,996)	$ (17,531)	$ -	$ 5,030	$ -	$ (9,000)	$ (5,487)	$ (22,787)
44										
45	SUPPORTING SCHEDULES:									
46	C-2									
47	E-2									

Liberty Utilities (Cordes Lakes) Corp.
dba Liberty Utilities
Test Year Ended April 30, 2023
Income Statement

Exhibit
Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		9 Cyber Security Operating Expense	10 Conservation Programs	11 Other Expense	12 Labor Adjustment	13 Interest Synch.	14 Income Taxes	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**									
2	Water Revenues							$ 611,997	$ 1,367,617	$ 1,979,614
3	Other Water Revenues							37,794		37,794
4	**Total Operating Rvenues**	$ -	$ -	$ -	$ -	$ -	$ -	$ 649,791	$ 1,367,617	$ 2,017,408
5	**Operating Expenses**									
6	Salaries and Wages							$ -		$ -
7	Purchased Water							1,445		1,445
8	Purchased Power							45,920		45,920
9	Chemicals							6,040		6,040
10	Fuel for Power Production							-		-
11	Materials and Supplies			(829)				19,300		19,300
12	Contractual Services - Engineering							-		-
13	Contractual Services - Accounting							12,544		12,544
14	Contractual Services - Legal			(7,454)				4,623		4,623
15	Contractual Services - Management	7,339			14,588			258,124		258,124
16	Contractual Services - Testing							1,596		1,596
17	Contractual Services - Other			(2,283)	6,040			278,230		278,230
18	Rental of Building/Real Property							3,103		3,103
19	Rental of Equipment							-		-
20	Transportation Expense			(223)				15,147		15,147
21	Insurance - Vehicle							-		-
22	Insurance - General Liability							15,688		15,688
23	Advertising Expense			(150)				4,148		4,148
24	Reg. Commission Exp. - Rate Case							-		-
25	Reg. Commission Exp. - Other							-		-
26	Water Conservation Expense		7,041					22,800		22,800
27	Bad Debt Expense							17,462	36,752	54,213
28	Miscellaneous			(3,830)				16,298		16,298
29	Depreciation & Amortization							426,538		426,538
30	Taxes Other Than Income							-		-
31	Property Taxes							47,983	17,531	65,514
32	Income Tax						(26,896)	(179,540)	326,639	147,099
33	Customer Deposit Interest							12,188		12,188
34	**Total Operating Expenses**	$ 7,339	$ 7,041	$ (14,770)	$ 20,628	$ -	$ (26,896)	$ 1,029,637	$ 380,922	$ 1,410,558
35	**Operating Income**	$ (7,339)	$ (7,041)	$ 14,770	$ (20,628)	$ -	$ 26,896	$ (379,846)	$ 986,695	$ 606,849
36	**Other Income (Expense)**									
37	Interest and Dividend Income							-		-
38	AFUDC Income							-		-
39	Miscellaneous Non-Utility Expenses							(13,064)		(13,064)
40	Interest Expense					(162,500)		(162,500)		(162,500)
41								-		-
42	**Total Other Income (Expense)**	$ -	$ -	$ -	$ -	$ (162,500)	$ -	$ (175,564)	$ -	$ (175,564)
43	**Net Profit (Loss)**	$ (7,339)	$ (7,041)	$ 14,770	$ (20,628)	$ (162,500)	$ 26,896	$ (555,410)	$ 986,695	$ 431,285
44										
45	SUPPORTING SCHEDULES:									
46	C-2									
47	E-2									

RECAP SCHEDULES:
C-1, page 1

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustments to Revenues and Expenses

Exhibit
Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses 1	2	3	4	5	6	Subtotal
1						Intentionally		
2			Property	Rate	Revenue	Left	Revenue	
3		Depreciation	Taxes	Case Expense	Annualization	Blak	Accrual Correction	
4	Revenues	-	-	-	5,701	-	(9,000)	(3,299)
5								
6	Expenses	132,996	17,531	-	671	-	-	151,198
7								
8	Operating							
9	Income	(132,996)	(17,531)	-	5,030	-	(9,000)	(154,496)
10								
11	Interest							
12	Expense							-
13	Other							
14	Income /							-
15	Expense							
16								
17	Net Income	(132,996)	(17,531)	-	5,030	-	(9,000)	(154,496)
18								
19								
20		Adjustments to Revenues and Expenses						
21		7	8	9	10	11	12	Subtotal
22		Bad	Customer First	Cyber Security				
23		Debt	Operating	Operating	Conservation	Other	Labor	
24		Expense	Expense	Expense	Programs	Expense	Adjustment	
25	Revenues	-	-	-	-	-	-	(3,299)
26								
27	Expenses	5,487	22,787	7,339	7,041	(14,770)	20,628	199,710
28								
29	Operating							
30	Income	(5,487)	(22,787)	(7,339)	(7,041)	14,770	(20,628)	(203,009)
31								
32	Interest							
33	Expense	-						-
34	Other							
35	Income /							-
36	Expense							
37								
38	Net Income	(5,487)	(22,787)	(7,339)	(7,041)	14,770	(20,628)	(203,009)
39								
40								
41		Adjustments to Revenues and Expenses						
42		13	14					Total
43								
44		Interest	Income					
45		Synch.	Taxes					
46	Revenues	-	-					(3,299)
47								
48	Expenses	-	(26,896)					172,814
49								
50	Operating							
51	Income	-	26,896				-	(176,113)
52								
53	Interest							
54	Expense	(162,500)						(162,500)
55	Other							
56	Income /							-
57	Expense							
58								
59	Net Income	(162,500)	26,896	-	-	-	-	(338,613)

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Non-Depr. and Fully Depr. Plant	Depreciable Original Cost	Proposed Rates	Depreciation Expense
1	101	Plant-in-Service	-	-	-	0.00%	-
2	301	Organization Cost	52,024	(52,024)	-	0.00%	-
2	302	Franchise Cost	-	-	-	0.00%	-
3	303	Land and Land Rights	196,394	(196,394)	-	0.00%	-
4	304	Structures and Improvements	576,150	(2,257)	573,893	3.33%	19,111
5	305	Collecting and Impounding Res.	-		-	2.50%	-
6	306	Lake River and Other Intakes	-		-	2.50%	-
7	307	Wells and Springs	875,564	(15,370)	860,194	3.33%	28,644
8	308	Infiltration Galleries and Tunnels	-		-	6.67%	-
9	309	Supply Mains	298,657		298,657	2.00%	5,973
10	310	Power Generation Equipment	515,007		515,007	5.00%	25,750
11	311	Electric Pumping Equipment	501,374	(60,482)	440,892	12.50%	55,112
12	320	Water Treatment Equipment	-		-	3.33%	-
13	320.1	Water Treatment Plant	-		-	3.33%	-
14	320.2	Chemical Solution Feeders	10,130	(1,433)	8,697	20.00%	1,739
15	330	Dist. Reservoirs & Standpipe	-		-	2.22%	-
16	330.1	Storage tanks	201,161	(57,480)	143,681	2.22%	3,190
17	330.2	Pressure Tanks	99,689		99,689	5.00%	4,984
18	331	Trans. and Dist. Mains	2,057,630	(561,495)	1,496,135	2.00%	29,923
19	333	Services	1,824,384	(13,350)	1,811,034	3.33%	60,307
20	334	Meters	670,540	(55,050)	615,490	8.33%	51,270
21	335	Hydrants	12,472		12,472	2.00%	249
22	336	Backflow Prevention Devices	-		-	6.67%	-
23	339	Other Plant and Misc. Equip.	89,986	(54,149)	35,837	6.67%	2,390
24	340	Office Furniture and Fixtures	6,527	(1,437)	5,089	6.67%	339
25	340.1	Computers and Software	150,679	(62,342)	88,337	20.00%	17,667
26	341	Transportation Equipment	232,717		232,717	20.00%	46,543
27	342	Stores Equipment	-		-	4.00%	-
28	343	Tools and Work Equipment	16,525		16,525	5.00%	826
29	344	Laboratory Equipment	-		-	10.00%	-
30	345	Power Operated Equipment	1,904		1,904	5.00%	95
31	346	Communications Equipment	56,338		56,338	10.00%	5,634
32	347	Miscellaneous Equipment	66,223	(582)	65,641	10.00%	6,564
33	348	Other Tangible Plant	-		-	10.00%	-
34		SUBTOTAL	$ 8,512,073	$ (1,133,845)	$ 7,378,228		$ 366,314
35							
36							
37	903	Land and Land Rights	2,530	(2,530)	-	0.00%	-
38	904	Structures and Improvments	83,682		83,682	2.56%	2,142
39	940	Office Furniture and Fixtures	11,448		11,448	6.67%	764
40	940.1	Computers and Software	31,290		31,290	20.00%	6,258
41	940.2	Computers and Software	548,020		548,020	5.00%	27,401
42	955	Power Generation Equipment	62		62	5.00%	3
43	995	Popwer Operated Equipment	10,168		10,168	5.00%	508
44		TOTALS	$ 9,199,272	$ (1,136,375)	$ 8,062,897		$ 403,390
45							
46					Gross	Amort. Rate	
47	Less: Amortization of Contributions				$ 488,777	4.9648%	$ (24,267)
48	Add: Amortization of Acquisition Adjustment				948,302	5.00%	47,415
49							
50							$ 23,148
51	Total Depreciation Expense						$ 426,538
52							
53	Adjusted Test Year Depreciation Expense						293,542
54							
55	Increase (decrease) in Depreciation Expense						132,996
56							
57	Adjustment to Revenues and/or Expenses						$ 132,996
58							
59	SUPPORTING SCHEDULE						
60	B-2, page 3						

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	$ 649,791	$ 649,791
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	1,299,582	1,299,582
4	Company Recommended Revenue	649,791	2,017,408
5	Subtotal (Line 4 + Line 5)	1,949,373	3,316,990
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	649,791	1,105,663
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	1,299,582	2,211,326
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	113,088	113,088
12	Full Cash Value (Line 9 + Line 10 - Line 11)	1,186,494	2,098,239
13	Assessment Ratio	17.0%	17.0%
14	Assessment Value (Line 12 * Line 13)	201,704	356,701
15	Composite Property Tax Rate - Obtained from ADOR	11.3105%	11.3105%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 22,814	$ 40,345
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	$ 22,814	
19	Test Year Property Taxes	$ 30,452	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	**$ (7,638)**	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 40,345
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 22,814
24	Increase in Property Tax Due to Increase in Revenue Requirement		**$ 17,531**
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 17,531
27	Increase in Revenue Requirement		$ 1,367,617
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.28186%
29			
30			
31			
32			
33			
34			
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Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

Line No.			
1			
2	Remove TY Rate Case expense	$	-
3			
4	Adjustment to Revenue and/or Expense	$	-
5			
6			
7	Proposed Rate Case Expense Surcharge		
8			
9	Estimated Rate Case Expense	$	60,714
10			
11	Estimated Amortization Period in Years		3
12			
13	Annual Rate Case Expense	$	20,238
14			
15	YE number of customers (excluding private fire)		1,494
16			
17	Monthly Surcharge	$	1.13
18			
19			
20			
21			
22	Reference		
23	Testimony		
24			
25			

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Revenue Annualization

Line No.			
1			
2			
3			
4	Revenue Annualization	$	5,701
5			
6			
7			
8	Total Revenue from Annualization	$	5,701
9			
10	Purchased Power Expense	$	45,429
11	Gallons Sold During Test Year (in 1,000s)		62,030
12	Cost per 1,000 gallons	$	0.7324
13			
14	Additional Gallons Sold from Annualization (in 1,000s)		670
15			
16	Increase (decrease) in Purchased Power	$	491
17			
18	TY Chemicals Expense	$	5,975
19	Gallons Sold During Test Year (in 1,000s)		62,030
20	Cost per 1,000 gallons	$	0.0963
21			
22	Additional Gallons Sold from Annualization (in 1,000s)		670
23			
24	Increase (decrease) in Chemicals Expense	$	65
25			
26	Additional billings from annualization		175
27	Postage rate	$	0.66
28			
29	Increase (decrease) in Miscellaneous Expense	$	116
30			
31			
32	Adjustment to Revenue and/or Expense	$	5,030
33			
34	SUPPORTING SCHEDULES		
35	Work papers		
36	H-1		
37			

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

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Line No.
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Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Revenue Accrual Correction

Line No.			
1	Correct Revenue Accrual Adjustment	$	(9,000)
2			
3			
4			
5	Adjustment to Revenues	$	(9,000)
6			
7			
8	Adjustment to Revenue and/or Expense	$	(9,000)
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20	Reference		
21	Testimony		
22	H-1		
23			
24			

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Bad Debt Expense

Line No.		Revenues	Bad Debt Expense	Rate	Proposed Rate
1	Bad Debt Rate 2021	$ 657,659	$ 29,706	4.517%	
2	Bad Debt Rate 2022	$ 661,281	$ 11,317	1.711%	
3	Bad Debt Rate 2023	$ 653,089	$ 11,975	1.834%	
4					
5	Average of three year's of bad debt expense rate			2.687%	2.687%
6					
7				Adjusted TY	Proposed
8					
9	Revenues			$ 649,791	$ 2,017,408
10					
11	Computed Bad Debt Expense			$ 17,462	$ 54,213
12					
13					
14	Computed Bad Debt Expense			$ 17,462	
15	Test Year Bad Debt Expense			11,975	
16	Change in Bad Debt Expense			$ 5,487	
17					
18	Bad Debt Expense on Company recommended revenue				$ 54,213
19	Company Test Year Adjusted Bad Debt Expense				$ 17,462
20	Increase in Bad Debt due to Increase in Revenue Requirement				**$ 36,752**
21					
22	Increase in Bad Debt Expense Due to Increase in Revenue Requirement				$ 36,752
23	Increase in Revenue Requirement				$ 1,367,617
24	Increase in Bad Debt Expense Per Dollar Increase in Revenue				2.68727%

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa

Corporate Customer First Operating Expense

Line No.			
1			
2	Corporate Allocation Adjustment		
3			
4	Increase (decrease) in Contractual Services - Management	$	22,787
5			
6			
7			
8			
9			
10	Adjustment to Revenue and/or Expense	$	22,787
11			
12			
13			
14			
15			
16			
17			
18	Reference		
19	Testimony		
20	Work Papers		

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

Cyber Security Operating Expense

Line No.			
1			
2	Corporate Allocation Adjustment		
3			
4	Increase (decrease) in Contractual Services - Management	$	7,339
5			
6			
7			
8			
9			
10	Adjustment to Revenue and/or Expense	$	7,339
11			
12			
13			
14			
15			
16			
17			
18	Reference		
19	Testimony		
20	Work Papers		
21			
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Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Conservation Programs

Line No.			
1	Corporate Allocation Adjustment		
2			
3			
4	Increase (decrease) in Water Conservation Expense	$	7,041
5			
6			
7			
8			
9			
10	Adjustment to Revenue and/or Expense	$	7,041
11			
12			
13			
14			
15			
16			
17			
18	Reference		
19	Testimony		
20	Work Papers		
21			
22			
23			
24			
25			

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Schedule C-2
Page 12
Witness: Bourassa

Other Expense Adjustments

Line No.			
1	Corporate Allocation Adjustment		
2			
3	Increase (decrease) in Purchased Power	$	-
4	Increase (decrease) in Chemicals		-
5	Increase (decrease) in Materials & Supplies		(829)
6	Increase (decrease) in Contractual Services - Legal		(7,454)
7	Increase (decrease) in Contractual Services - Other		(2,283)
8	Increase (decrease) in Equipment Rental		-
9	Increase (decrease) in Transportation Expense		(223)
10	Increase (decrease) in Advertising Expense		(150)
11	Increase (decrease) in Miscellaneous Expense		(3,830)
12	Total	$	(14,770)
13			
14			
15	Adjustment to Revenue and/or Expense	$	(14,770)
16			
17			
18			
19			
20			
21			
22			
23	Reference		
24	Testimony		
25	Work Papers		

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Schedule C-2
Page 13
Witness: Bourassa

Labor Expense Adjustments

Line No.			
1	Corporate Allocation Adjustment		
2			
3			
4	Increase (decrease) in Contractual Services - Management	$	14,588
5	Increase (decrease) in Contractual Services - Other		6,040
6			
7			
8			
9			
10	Total	$	20,628
11			
12			
13	Adjustment to Revenue and/or Expense	$	20,628
14			
15			
16			
17			
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19			
20			
21	Reference		
22	Testimony		
23	Work Papers		
24			
25			

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustment to Revenues and Expenses
Adjustment Number 13

Exhibit
Schedule C-2
Page 14
Witness: Bourassa

Interest Synchronization

Line No.			
1			
2			
3			
4	Fair Value Rate Base	$ 7,514,781	
5	Weighted Cost of Debt	2.16%	
6	Interest Expense		$ 162,500
7			
8	Test Year Interest Expense		$ -
9			
10	Increase (decrease) in Interest Expense		162,500
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ (162,500)
15			
16			
17	Weighted Cost of Debt Computation		
18			Weighted
19		Percent	Cost Cost
20	Debt	46.00%	4.70% 2.16%
21	Equity	54.00%	10.95% 5.91%
22	Total	100.00%	8.08%
23			
24			
25			
26			
27			
28			
29			
30			

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Adjustment to Revenues and/or Expenses
Adjustment Number 14

Exhibit
Schedule C-2
Page 15
Witness: Bourassa

Line No.		Test Year at Present Rates	Test Year at Proposed Rates
1	Income Taxes		
2			
3			
4	Computed Income Tax	$ (179,540)	$ 147,099
5	Test Year Income tax Expense	-	(179,540)
6	Adjustment to Income Tax Expense	$ (179,540)	$ 326,639
7			
8			
9			
10			
11			
12			
13	SUPPORTING SCHEDULE		
14	C-3, page 2		
15			
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Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Computation of Gross Revenue Conversion Factor

Exhibit
Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	24.871%
2		
3	Uncollectible Factor	2.019%
4		
5	Property Tax Factor	0.963%
6		
7		
8	Total Tax Percentage	27.853%
9		
10	Operating Income % = 100% - Tax Percentage	72.147%
11		
12		
13		
14		
15	1 = Gross Revenue Conversion Factor	
16	Operating Income %	1.3861
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
28	C-3, page 2	A-1
29		
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42		

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023

Exhibit
Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	[E]	[F]
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollecible Factor (Line 11)	2.0189%					
3	Revenues (L1 - L2)	97.9811%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	25.8340%					
5	Subtotal (L3 - L4)	72.1470%					
6	**Revenue Conversion Factor (L1 / L5)**	1.386058					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	24.8710%					
9	One Minus Combined Income Tax Rate (L7 - L8)	75.1290%					
10	Uncollectible Rate	2.6873%					
11	Uncollectible Factor (L9 * L10)		2.0189%				
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	4.9000%					
14	Federal Taxable Income (L12 - L13)	95.1000%					
15	Applicable Federal Income Tax Rate (L55 Col F)	21.0000%					
16	Effective Federal Income Tax Rate (L14 x L15)	19.9710%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		24.8710%				
	Calculation of Effective Property Tax Factor						
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	24.8710%					
20	One Minus Combined Income Tax Rate (L18-L19)	75.1290%					
21	Property Tax Factor	1.2819%					
22	Effective Property Tax Factor (L20*L21)		0.9630%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			25.8340%			
24	Required Operating Income	$ 606,849					
25	AdjustedTest Year Operating Income (Loss)	$ (379,846)					
26	Required Increase in Operating Income (L24 - L25)		$ 986,695				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	$ 147,099					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	$ (179,540)					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 326,639				
30	Recommended Revenue Requirement	$ 2,017,408					
31	Uncollectible Rate (Line 10)	2.6873%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ 54,213					
33	Adjusted Test Year Uncollectible Expense	$ 17,462					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		$ 36,752				
35	Property Tax with Recommended Revenue	$ 40,345					
36	Property Tax on Test Year Revenue	$ 22,814					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 17,531				
38	Total Required Increase in Revenue (L26 + L29 + L37)		$ 1,367,617				

		(A)	(B)	(C)	(D)	[E]	[F]
		Test Year			Company Recommended		
		Total		Water	Total		Water
	Calculation of Income Tax:						
39	Revenue	$ 649,791		$ 649,791	$ 2,017,408		$ 2,017,408
40	Operating Expenses Excluding Income Taxes	1,209,177		1,209,177	1,263,459		1,263,459
41	Synchronized Interest (L54)	162,500		162,500	162,500		162,500
42	Arizona Taxable Income (L39 - L40 - L41)	$ (721,886)		$ (721,886)	$ 591,449		$ 591,448
43	Arizona State Effective Income Tax Rate	4.9000%		4.9000%	4.9000%		4.9000%
44	Arizona Income Tax (L42 x L43)	$ (35,372)		$ (35,372)	$ 28,981		$ 28,981
45	Federal Taxable Income (L42- L44)	$ (686,514)		$ (686,514)	$ 562,468		$ 562,467
46	Federal Income Tax Rate	21.00%		21.00%	21.00%		21.00%
47	Federal Income Tax (L45xL46)	$ (144,168)		$ (144,168)	$ 118,118		$ 118,118
48	Combined Federal and State Income Tax (L44 + L47)	$ (179,540)		$ (179,540)	$ 147,099		$ 147,099

49	COMBINED Applicable Federal Income Tax Rate [Col. [D], L47 - Col. [A], L47 / [Col. [D], L45 - Col. [A], L45]	21.0000%
50	WASTEWATER Applicable Federal Income Tax Rate [Col. [E], L47 - Col. [B], L47] / [Col. [E], L45 - Col. [B], L45]	0.0000%
51	WATER Applicable Federal Income Tax Rate [Col. [F], L47 - Col. [C], L47] / [Col. [F], L45 - Col. [C], L45]	21.0000%

	Calculation of Interest Synchronization:		Water
52	Rate Base		$ 7,514,781
53	Weighted Average Cost of Debt		2.1624%
54	Synchronized Interest (L59 X L60)		$ 162,500

SCHEDULE D

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Summary of Cost of Capital

Exhibit
Schedule D-1
Page 1
Witness: Bourassa

Consolidated Capital Structure of Water and Wastewater Division

Line No.	Item of Capital	Adjusted End of Test Year Dollar Amount	Adjusted End of Test Year Percent of Total	Adjusted End of Test Year Cost Rate	Adjusted End of Test Year Weighted Cost	Projected Capital Structure Dollar Amount	Projected Capital Structure Percent of Total	Projected Capital Structure Cost Rate	Projected Capital Structure Weighted Cost
1	Long-Term Debt	194,705	23.00%	3.48%	0.80%	600,063	46.00%	4.70%	2.16%
2									
3	Stockholder's Equity	651,860	77.00%	10.95%	8.43%	704,422	54.00%	10.95%	5.91%
4									
5	Totals	846,565	100.00%		9.23%	1,304,486	100.00%		8.08%
6									
7									
8									
9									
10									
11									
12									
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18									
19									
20									
21									
22	SUPPORTING SCHEDULES:					RECAP SCHEDULES:			
23	D-3					A-3			
24	D-4								
25	E-1								
26	Testimony								
27									
28									
29									
30									

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Cost of Long Term Debt

Exhibit
Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	End of Test Year Amount Outstanding	Annual Interest	Effective Interest Rate	Weighted Cost	End of Projected Year Amount Outstanding	Annual Interest	Effective Interest Rate	Weighted Cost
1	WIFA	194,705	6,776	3.48%	3.48%	184,504	6,421	3.48%	2.12%
2	Profroma Debt		-	0.00%	0.00%	118,613	7,828	6.60%	2.58%
3			-	0.00%	0.00%		-	0.00%	0.00%
4			-	0.00%	0.00%		-	0.00%	0.00%
5			-	0.00%	0.00%		-	0.00%	0.00%
6			-	0.00%	0.00%		-	0.00%	0.00%
7			-	0.00%	0.00%		-	0.00%	0.00%
8			-	0.00%	0.00%		-	0.00%	0.00%
9			-	0.00%	0.00%		-	0.00%	0.00%
10			-	0.00%	0.00%		-	0.00%	0.00%
11									
12									
13	Totals	$ 194,705	$ 6,776		3.48%	$ 303,117	$ 14,249		4.70%
14									
15									
16	Supporting Schdules:					RECAP SCHEDULES:			
17	E-1					D-1			
18	E-2								
19	Testimony								
20									
21									
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23									
24									
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26									
27									
28									
29									
30									

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa

Line No.		End of Test Year			End of Projected Year		
1							
2							
3	Description	Shares		Dividend	Shares		Dividend
4	of Issue	Outstanding	Amount	Requirement	Outstanding	Amount	Requirement
5							
6							
7	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
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21	SUPPORTING SCHEDULES:				RECAP SCHEDULES:		
22	E-1				D-1		
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39							
40							

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Bourassa

Line No.		
1		
2	The Company is proposing a cost of common equity of	10.95% .
3		
4		
5		
6		
7		
8		
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10		
11		
12		
13		
14		
15		
16		
17	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
18	E-1	D-1
19	D-4.1 to D-4.16	
20		

SCHEDULE E

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 4/30/2023	Year Ended 4/30/2022	Year Ended 4/30/2021
1	**ASSETS**			
2	PLANT			
3	Plant In Service	$ 6,824,955	$ 7,108,908	$ 3,609,455
4	Non-Utility Plant	-	-	-
5	Construction Work in Progress	1,317,613	384,778	2,720,098
6	Property Held for Future Use	-	-	76,099
7	Accumulated Depreciation	(1,784,803)	(1,500,003)	(1,237,072)
8	Plant Acquisition Adjustment	948,302	-	85,193
9	Net Plant	$ 7,306,067	$ 5,993,684	$ 5,253,773
10				
11	CURRENT ASSETS			
12	Cash and Equivalents	$ 158,474	$ (7,987)	$ 149,247
13	Restricted Cash	-	-	56
14	Net Accounts Receivable	84,654	76,290	33,777
15	Inter-Company Receivable	-	-	89
16	Notes Receivable	-	-	-
17	Materials	-	-	-
18	Prepayments	-	1,000	4,534
19	Accrued Revenues	82,069	72,211	53,381
20	Other Current Assets	-	(6,131)	(21,884)
21	Total Current Assets	$ 325,197	$ 135,384	$ 219,199
22				
23	OTHER ASSETS			
24	Debt Reserve	$ -	$ -	$ -
25	Other Deferred Debits	5,022	-	399
26	Other Non-Current Assets	-	-	-
27	Deferred Debits	$ 5,022	$ -	$ 399
28				
29	TOTAL ASSETS	$ 7,636,285	$ 6,129,068	$ 5,473,371
30				
31				
32	**LIABILITIES AND STOCKHOLDER EQUITY**			
33				
34	Stockholder's Equity	$ 651,860	$ 877,146	$ 1,042,605
35				
36	Long-Term Debt	$ 194,705	$ 205,420	$ 215,754
37				
38	CURRENT AND LONG TERM LIABILITIES			
39	Accounts Payable	$ -	$ 278	$ 278
40	Current Portion of Long-Term Debt	10,112	10,112	10,112
41	Payables to Associated Companies	6,574,890	4,630,411	3,708,282
42	Customer Meter Deposits, Current	-	-	-
43	Customer Security Deposits	41,286	44,253	37,831
44	Current Portion of AIAC	-	-	-
45	Accrued Taxes	-	-	-
46	Accrued Interest	-	-	-
47	Accumulated Deferred Income Taxes, Current	-	-	-
48	Other Liabilities	88,066	133,536	100,655
49	Total Current Liabilities	$ 6,714,355	$ 4,818,590	$ 3,857,158
50				
51	DEFERRED CREDITS			
52	Customer Meter Deposits, less current	$ 63,944	$ 46,294	$ 37,507
53	Advances in Aid of Construction	-	-	-
54	AIAC, in progress	-	-	-
55	AIAC, gross-up	-	-	-
56	Accumulated Deferred Income Tax Credit	-	-	-
57	Contributions In Aid of Construction	488,777	488,777	458,419
58	CIAC, in progress	-	-	-
59	Accumulated Amortization	(149,458)	(131,906)	(8,156)
60	Accumulated Deferred Income Taxes	(327,898)	(175,254)	(129,915)
61	Other Deferred Credits	1	1	1
62	Total Deferred Credits	$ 75,365	$ 227,912	$ 357,854
63				
64	Total Liabilities & Common Equity	$ 7,636,285	$ 6,129,068	$ 5,473,371
65				
66				
67				
68	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
69			A-3	
70				
71				
72				

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 4/30/2023	Prior Year Ended 4/30/2022	Prior Year Ended 4/30/2021
1	**Revenues**			
2	Metered Water Revenue	$ 615,296	$ 622,815	$ 605,642
3	Other Water Revenue	37,794	38,466	52,018
4	**Total Revenues**	$ 653,089	$ 661,281	$ 657,659
5	**Operating Expenses**			
6	Salaries and Wages	$ -	$ -	$ -
7	Purchased Water	1,445	279	9,026
8	Purchased Power	45,429	48,606	37,328
9	Chemicals	5,975	2,447	1,362
10	Fuel for Power Production	-	-	-
11	Materials and Supplies	20,129	19,659	27,483
12	Contractual Services - Engineering	-	-	-
13	Contractual Services - Accounting	12,544	4,408	3,934
14	Contractual Services - Legal	12,077	6,020	7,618
15	Contractual Services - Management	213,409	184,192	165,474
16	Contractual Services - Testing	1,596	1,912	1,622
17	Contractual Services - Other	274,474	244,367	230,350
18	Rental of Building/Real Property	3,103	15,262	20,246
19	Rental of Equipment	-	-	-
20	Transportation Expense	15,370	19,797	11,377
21	Insurance - Vehicle	-	-	-
22	Insurance - General Liability	15,688	9,519	5,579
23	Advertising Expense	4,299	1,653	1,836
24	Reg. Commission Exp. - Rate Case	-	-	-
25	Reg. Commission Exp. - Other	-	-	-
26	Water Conservation Expense	15,759	5,004	240
27	Bad Debt Expense	11,975	11,317	29,706
28	Miscellaneous	20,013	22,773	22,751
29	Depreciation & Amortization	293,542	239,927	135,421
30	Taxes Other Than Income	-	-	-
31	Property Taxes	30,452	26,714	25,138
32	Income Tax	(152,644)	(45,339)	(129,915)
33	Customer Deposit Interest	12,188	12,584	17,979
34	**Total Operating Expenses**	$ 856,822	$ 831,099	$ 624,551
35	**Operating Income**	$ (203,733)	$ (169,818)	$ 33,108
36	**Other Income (Expense)**			
37	Interest and Dividend Income	-	-	-
38	AFUDC Income	-	-	-
39	Miscellaneous Non-Utility Expenses	(13,064)	(4,131)	(5,053)
40	Interest Expense	-	-	-
41				
42	**Total Other Income (Expense)**	$ (13,064)	$ (4,131)	$ (5,053)
43	**Net Profit (Loss)**	$ (216,797)	$ (173,948)	$ 28,055
44				
45				
46				
47	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
48			A-2	
49				

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Comparative Statements of Cash Flows

Exhibit
Schedule E-3
Page 1
Witness: Bourassa

Line No.		Test Year Ended 4/30/2023	Prior Year Ended 4/30/2022	Prior Year Ended 4/30/2021
1				
2				
3	Cash Flows from Operating Activities			
4	Net Income	$ (216,797)	$ (173,948)	$ 28,055
5	Adjustments to reconcile net income to net cash			
6	provided by operating activities:			
7	Depreciation and Amortization	293,542	239,927	135,421
8	Depreciation and Amortization Adjustments	(26,294)	(100,746)	67,619
9	Changes in Certain Assets and Liabilities:			
10	Accounts Receivable	(8,364)	(42,513)	(14,731)
11	Restricted Cash		56	3,680
12	Materials and Supplies Inventory			
13	Prepaid Expenses	1,000	3,534	19,032
14	Deferred Debits/Credits	(1,105,968)	(45,337)	(129,915)
15	Receivables/Payables to Associated Co.	1,944,479	922,218	1,794,676
16	Accounts Payable	(278)		134
17	Interest Payable			
18	Security Deposits	(2,967)	6,422	3,296
19	Taxes Payable			
20	Other assets and liabilities	(61,459)	(1,303)	(14,181)
21	Rounding	2	(2)	
22	Net Cash Flow provided by Operating Activities	$ 816,896	$ 808,307	$ 1,893,086
23	Cash Flow From Investing Activities:			
24	Capital Expenditures	(648,881)	(1,002,842)	(2,046,373)
25	Plant Held for Future Use			
26	Changes in Special Funds			
27	Net Cash Flows from Investing Activities	$ (648,881)	$ (1,002,842)	$ (2,046,373)
28	Cash Flow From Financing Activities			
29	Change in Restricted Cash			
30	Proceeds from Long-Term Debt			221,975
31	Net receipt of contributions in aid of construction		30,358	135,320
32	Net receipts of advances in aid of construction	17,650	8,787	14,000
33	Repayments of Long-Term Debt	(10,715)	(10,334)	
34	Distributions			
35	Deferred Financing Costs			
36	Paid in Capital	(8,489)	8,489	3,892
37	Net Cash Flows Provided by Financing Activities	$ (1,554)	$ 37,300	$ 375,187
38	Increase(decrease) in Cash and Cash Equivalents	166,461	(157,235)	221,900
39	Cash and Cash Equivalents at Beginning of Year	(7,987)	149,248	(72,652)
40	Cash and Cash Equivalents at End of Year	$ 158,475	$ (7,987)	$ 149,248
41				
42				
43	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
44	Workpapers		A-5	
45				

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Statement of Changes in Stockholder's Equity

Exhibit
Schedule E-4
Page 1
Witness: Bourassa

Line No.		Stockholder's Equity	Retained Earnings	Total
1				
2				
3				
4	Balance, April 30, 2020	$ 1,360,341	$ (349,683)	$ 1,010,658
5	Addnl Paid In Capital Adjustment	3,892		3,892
6	Distributions		-	-
7	Rounding		(1)	(1)
8	Net Income		28,055	28,055
9				
10	Balance, April 30, 2021	$ 1,364,233	$ (321,629)	$ 1,042,605
11	Addnl Paid In Capital Adjustment	8,489		8,489
12	Distributions		-	-
13	Rounding			-
14	Net Income		(173,948)	(173,948)
15				
16	Balance,April 30, 2022	$ 1,372,722	$ (495,577)	$ 877,146
17	Addnl Paid In Capital Adjustment	(8,489)		(8,489)
18	Distributions		-	-
19	Rounding		-	-
20	Net Income		(216,797)	(216,797)
21				
22	Balance, April 30, 2023	$ 1,364,233	$ (712,374)	$ 651,860
23				
24				
25				
26				
27				
28				
29	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
30			E-1	
31				
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Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Detail of Plant in Service

Exhibit
Schedule E-5
Page 1
Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 4/30/2022	Plant Additions, Reclass-ications or or Retirements	Plant Balance at 4/30/2023
1	106	Construction Completed Not Classified	$ 255,099	$ 259,493	$ 514,593
2	301	Organization Cost	1,000,327	(948,302)	52,025
3	302	Franchise Cost	-	-	-
4	303	Land and Land Rights	155,180	-	155,180
5	304	Structures & Improvements	415,353	12,057	427,410
6	305	Collecting & Impounding Reservoirs	-	-	-
7	306	Lake, River, Canal Intakes	-	-	-
8	307	Wells & Springs	847,686	788	848,474
9	308	Infiltration Galleries	-	-	-
10	309	Raw Water Supply Mains	298,657	-	298,657
11	310	Power Generation Equipment	15,007	-	15,007
12	311	Pumping Equipment	372,679	8,643	381,321
13	320	Water Treatment Equipment	-	-	-
14	320.1	Water Treatment Plants	7,264	2,866	10,130
15	320.2	Solution Chemical Feeders	201,161	-	201,161
16	330	Distribution Reservoirs & Standpipes	99,689	-	99,689
17	330.1	Storage Tanks	-	-	-
18	330.2	Pressure Tanks	-	-	-
19	331	Transmission & Distribution Mains	1,639,069	-	1,639,069
20	333	Services	1,143,305	340,540	1,483,844
21	334	Meters	301,564	38,476	340,040
22	335	Hydrants	12,472	-	12,472
23	336	Backflow Prevention Devices	-	-	-
24	339	Other Plant & Misc Equipment	89,986	-	89,986
25	340	Office Furniture & Equipment	6,527	-	6,527
26	340.1	Computers & Software	14,601	-	14,601
27	341	Transportation Equipment	122,717	-	122,717
28	342	Stores Equipment	-	-	-
29	343	Tools, Shop & Garage Equipment	15,040	1,485	16,525
30	344	Laboratory Equipment	-	-	-
31	345	Power Operated Equipment	1,904	-	1,904
32	346	Communication Equipment	27,401	-	27,401
33	347	Miscellaneous Equipment	66,223	-	66,223
34	348	Other Tangible Plant	-	-	-
35					
36					
37					
38		Rounding			
39		TOTAL WATER PLANT	$ 7,108,908	$ (283,954)	$ 6,824,955
40					
41	SUPPORTING SCHEDULES			RECAP SCHEDULES:	
42	Work Papers			A-4	
43	B-2 pages 3.1 to 3.4			E-1	
44					

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Operating Statistics

Exhibit
Schedule E-7
Page 1
Witness: Bourassa

Line No.		Test Year Ended 4/30/2023	Prior Year Ended 4/30/2022	Prior Year Ended 4/30/2021
1	WATER STATISTICS:			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	62,030	62,109	61,943
6				
7				
8				
9	Water Revenues from Customers:	$ 653,089	$ 661,281	$ 657,659
10				
11				
12				
13				
14	Year End Number of Customers	1,494	1,442	1,407
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	42	43	44
19				
20				
21				
22	Annual Revenue per Year End Customer	$ 437.14	$ 458.59	$ 467.42
23				
24	Pumping Cost Per 1,000 Gallons	$ 0.7324	$ 0.7826	$ 0.6026
25	Purchased Water Cost per 1,000 Gallons	$ 0.0022	$ 0.0004	$ 0.0137

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bou

Line No.	Description	Test Year Ended 4/30/2023	Prior Year Ended 4/30/2022	Prior Year Ended 4/30/2021
1				
2				
3	State Income Taxes	$ -	$ -	$ -
4	Federal Income Taxes	(152,644)	(45,339)	(129,915)
5	Payroll Taxes	-	-	-
6	Property Taxes	30,452	26,714	25,138
7				
8	Totals	$ (122,192)	$ (18,625)	$ (104,778)
9				
10				
11				
12				
13				
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17				
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19				
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The Company does not conduct independent audits, reviews and/or compilations. Accordingly, there are no notes which are typically associated with these financial statements. Management makes the following notations to the finanical statements contained herein:

Significant Accounting Policies - The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America and the accounting records of the are are maintained in accordance with the uniform system of accounts as prescribed by the National Association of Regulatory Utility Commissioners (USOA 1996). Significant accounting policies are as follows:

Utility Plant - Property, plant and equipment is stated at cost less accumulated depreciation provided on a straight-line basis.

Depreciation rates for asset classes of utility property, plant and equipment are established by the Commission. The cost of additions, including betterments and replacements of units of utility fixed assets are charged to utility property, plant and equipment. When units of utility property are replaced, renewed or retired, their cost plus removal or disposal costs, less salvage proceeds, is charged to accumulated depreciation.

Revenue Recognition - Revenues are recognized on the accrual method. Under this method, revenue is recognized when earned rather than when collected, and expenses are recognized when incurred rathet than when paid.

Contributions in Aid of Construction - Contributions in aid of construction (CIAC) are nonrefundable contributions by developers and customers for plant expansion. In addition, this amount includes the remaining balance, if any, of advances in aid of construction at the end of the repayment period. The contributions in aid of construction are being amortized at a rate equal to the rate allowed for depreciation, as a reduction of depreciation expense

Advances in Aid of Construction - Customer advances for construction are subject to refund in accordance with agreements approved by the Arizona Corporation Commission. Agreements provide for refunds which are typically equal to 10 percent of annual water revenue generated from the expansion. The repayments are for a maximum agreed upon period or until repaid in full. Any balance remaining at the end of the agreed-upon period for repayment becomes a contribution in aid of construction.

SCHEDULE F

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 4/30/2024	At Proposed Rates Year Ended 4/30/2024
1	**Revenues**			
2	Water Revenues	$ 615,296	$ 611,997	$ 1,979,614
3	Other Water Revenues	37,794	37,794	37,794
4	**Total Revenues**	$ 653,089	$ 649,791	$ 2,017,408
5	**Operating Expenses**			
6	Salaries and Wages	$ -	$ -	$ -
7	Purchased Water	1,445	1,445	1,445
8	Purchased Power	45,429	45,920	45,920
9	Chemicals	5,975	6,040	6,040
10	Fuel for Power Production	-	-	-
11	Materials and Supplies	20,129	19,300	19,300
12	Contractual Services - Engineering	-	-	-
13	Contractual Services - Accounting	12,544	12,544	12,544
14	Contractual Services - Legal	12,077	4,623	4,623
15	Contractual Services - Management	213,409	258,124	258,124
16	Contractual Services - Testing	1,596	1,596	1,596
17	Contractual Services - Other	274,474	278,230	278,230
18	Rental of Building/Real Property	3,103	3,103	3,103
19	Rental of Equipment	-	-	-
20	Transportation Expense	15,370	15,147	15,147
21	Insurance - Vehicle	-	-	-
22	Insurance - General Liability	15,688	15,688	15,688
23	Advertising Expense	4,299	4,148	4,148
24	Reg. Commission Exp. - Rate Case	-	-	-
25	Reg. Commission Exp. - Other	-	-	-
26	Water Conservation Expemse	15,759	22,800	22,800
27	Bad Debt Expense	11,975	17,462	54,213
28	Miscellaneous	20,013	16,298	16,298
29	Depreciation	293,542	426,538	426,538
30	Taxes Other Than Income	-	-	-
31	Property Taxes	30,452	47,983	65,514
32	Income Tax	(152,644)	(179,540)	147,099
33	Customer Deposit Interest	12,188	12,188	12,188
34	**Total Operating Expenses**	$ 856,822	$ 1,029,637	$ 1,410,558
35	**Operating Income**	$ (203,733)	$ (379,846)	$ 606,849
36	**Other Income (Expense)**			
37	Interest Income	-	-	-
38	Other income	-	-	-
39	Interest Expense	(13,064)	(13,064)	(13,064)
40	Other Expense	-	(162,500)	(162,500)
41	Gain/Loss Sale of Fixed Assets	-	-	-
42	**Total Other Income (Expense)**	$ (13,064)	$ (175,564)	$ (175,564)
43	**Net Profit (Loss)**	$ (216,797)	$ (555,410)	$ 431,285
44				
45				
46	SUPPORTING SCHEDULES:			
47	C-1			
48				
49				
50				

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 4/30/2023	At Present Rates Year Ended 4/30/2024	At Proposed Rates Year Ended 4/30/2024
1				
2				
3				
4				
5	Cash Flows from Operating Activities			
6	Net Income	$ (216,797)	$ (555,410)	$ 431,285
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	293,542	426,538	426,538
10	Depreciation Adjustments	(26,294)	146,092	146,092
11	Changes in Certain Assets and Liabilities:			
12	Accounts Receivable	(8,364)		
13	Unbilled Revenues	-		
14	Materials and Supplies Inventory	-		
15	Prepaid Expenses	1,000		
16	Deferred Charges	(1,105,968)		
17	Notes Receivable	1,944,479		
18	Accounts Payable	(278)		
19	Intercompany payable	-		
20	Customer Meter Deposits	(2,967)		
21	Taxes Payable	-		
22	Other assets and liabilities	(61,459)	664,357	664,357
23	Rounding	2	(1)	(1)
24	Net Cash Flow provided by Operating Activities	$ 816,896	$ 681,577	$ 1,668,272
25	Cash Flow From Investing Activities:			
26	Capital Expenditures	(648,881)	(1,780,703)	(1,780,703)
27	Plant Held for Future Use	-		
28	Changes in debt reserve fund	-		
29	Net Cash Flows from Investing Activities	$ (648,881)	$ (1,780,703)	$ (1,780,703)
30	Cash Flow From Financing Activities			
31	Change in Restricted Cash	-		
32	Change in net amounts due to parent and affiliates	-		
33	Net Receipt contributions in aid of construction	-		
34	Net receipts of advances in aid of construction	17,650		
35	Net Proceeds of Long-Term Debt	(10,715)	405,359	859,238
36	Dividends Paid	-	(20,000)	(20,000)
37	Net Distributions to Rebalance Capital Structure		590,896	137,017
38	Deferred Financing Costs	-		
39	Paid in Capital	(8,489)		
40	Net Cash Flows Provided by Financing Activities	$ (1,554)	$ 976,255	$ 976,255
41	Increase(decrease) in Cash and Cash Equivalents	166,461	(122,871)	863,824
42	Cash and Cash Equivalents at Beginning of Year	(7,987)	158,475	158,475
43	Cash and Cash Equivalents at End of Year	$ 158,475	$ 35,604	$ 1,022,299
44				
45				
46				
47	SUPPORTING SCHEDULES:			
48	E-3			
49				
50				
51				
52				

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Projected Construction Requirements

Exhibit
Schedule F-3
Page 1
Witness: Bourassa

Line No.	Account Number	Plant Asset:	Test Year	2024	2025	2026
4	106	Construction Completed Not Classified	$ 259,493			
5	301	Organization Cost	(948,302)			
6	302	Franchise Cost	-			
7	303	Land and Land Rights	-			
8	304	Structures and Improvements	12,057			
9	305	Collecting and Impounding Res.	-			
10	306	Lake River and Other Intakes	-			
11	307	Wells and Springs	788		57,811	
12	308	Infiltration Galleries and Tunnels	-			
13	309	Supply Mains	-			
14	310	Power Generation Equipment	-			
15	311	Electric Pumping Equipment	8,643	104,423	15,213	25,000
16	320	Water Treatment Equipment	-			
17	320.1	Water Treatment Plant	2,866			
18	320.2	Chemical Solution Feeders	-			
19	330	Dist. Reservoirs & Standpipe	-			
20	330.1	Storage tanks	-	-	182,561	135,000
21	330.2	Pressure Tanks	-			
22	331	Trans. and Dist. Mains	-	556,921	125,088	205,556
23	333	Services	340,540		60,854	100,000
24	334	Meters	38,476		3,043	
25	335	Hydrants	-			
26	336	Backflow Prevention Devices	-			
27	339	Other Plant and Misc. Equip.	-			
28	340	Office Furniture and Fixtures	-			
29	340.1	Computers and Software	-	41,769	21,299	30,000
30	341	Transportation Equipment	-			
31	342	Stores Equipment	-			
32	343	Tools and Work Equipment	1,485	20,885	9,128	15,000
33	344	Laboratory Equipment	-			
34	345	Power Operated Equipment	-			
35	346	Communications Equipment	-			
36	347	Miscellaneous Equipment	-			
37	348	Other Tangible Plant	-			
38	Total		$ (283,954)	$ 723,998	$ 474,997	$ 510,556

Liberty Utilities (Cordes Lakes) Corp.
Test Year Ended April 30, 2023
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line No.	
1	Property Taxes were computed using the method used by the Arizona Department
2	of Revenue modified for ratemaking.
3	
4	Projected construction expenditures are shown on Schedule A-4.
5	
6	Expense adjustments are shown on Schedule C2, and are explained in the testimony.
7	
8	Income taxes were computed using statutory state and federal income tax rates.
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SCHEDULE G

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Cost of Service Summary
At Present Rates

LINE NO.	DESCRIPTION	Total Company	Jurisdictional Total	Residential	Commercial
1	RATE BASE (a)				
2	Gross Plant in Service	$ 9,199,272	$ 9,199,272	$ 9,014,039	$ 185,233
3	Accumulated Depreciation	1,887,744	1,887,744	1,849,072	38,672
4	Net Plant	$ 7,311,528	$ 7,311,528	$ 7,164,967	$ 146,561
5	Construction Work in Progress	-	$ -	$ -	$ -
6	Working Capital Assets & Misc. Other	585,723	$ 585,723	$ 573,982	$ 11,741
7	Contributions & Advances in Aid of Construction	(382,469)	$ (382,469)	$ (374,803)	$ (7,667)
8	TOTAL RATE BASE [A]	$ 7,514,781	$ 7,514,781	$ 7,364,146	$ 150,635
9	OPERATING REVENUES (c)				
10	Present Rate Schedules(b)	$ 611,997	$ 611,997	$ 595,840	$ 16,156
11	Other Revenues	37,794	37,794	36,984	809
12	TOTAL OPERATING REVENUES (d)	$ 649,791	$ 649,791	$ 632,825	$ 16,966
13	OPERATING EXPENSES (c)				
14	Operations and Maintenance				
15	Production	$ 333,308	$ 333,308	$ 326,188	$ 7,120
16	Transmission and Distribution	144,517	144,517	141,605	2,913
17	Customer Accounts	117,327	117,327	115,741	1,586
18	Administrative and General	139,503	139,503	137,137	2,367
19	Total Operating and Maintenance Expense	$ 734,656	$ 734,656	$ 720,670	$ 13,986
20	Depreciation and Amortization	426,538	426,538	418,088	8,450
21	Taxes Other Than Income	47,983	47,983	47,021	962
22	Income Taxes	(179,540)	(179,540)	(177,131)	(2,410)
23	TOTAL EXPENSES	$ 1,029,636	$ 1,029,636	$ 1,008,649	$ 20,988
24	OPERATING INCOME [A]	$ (379,846)	$ (379,846)	$ (375,824)	$ (4,022)
25	RATE OF RETURN	-5.05%	-5.05%	-5.10%	-2.67%
26	COST OF SERVICE REQUIREMENT SUMMARY				
27	REQUIRED RATE OF RETURN	8.08%	8.08%	8.08%	8.08%
28	REQUIRED OPERATING INCOME (L8*L27)	$ 606,849	$ 606,849	$ 594,685	$ 12,164
29	OPERATING INCOME DEFICIENCY/(SURPLUS) (L28-L24)	$ 986,695	$ 986,695	$ 970,509	$ 16,186
30	REVENUE CONVERSION FACTOR(d)[A]	1.3861	1.3861	1.3861	1.3861
31	REVENUE DEFICIENCY/(SURPLUS) (L29*L30)	$ 1,367,617	$ 1,367,617	$ 1,345,182	$ 22,435
32	RATE SCHEDULE REVENUE REQUIREMENT (L10+L31)	$ 1,979,614	$ 1,979,614	$ 1,941,023	$ 38,591
33	INDICATED % INCREASE ON PRESENT RATE SCHEDULE (L31/L10)	210.47%	210.47%	212.57%	132.24%
34	TOTAL REVENUE REQUIREMENT (L12 + L31)	$ 2,017,408	$ 2,017,408	$ 1,978,007	$ 39,401
35	PROPOSED RATE SCHEDULE REVENUE REQUIREMENTS				
36	REVENUE DEFICIENCY / (SURPLUS)	$ 1,367,617	$ 1,367,617	1,337,254	30,363
37	% INCREASE (L36/L10)	223.47%	223.47%	224.43%	187.93%
38	PROPOSED RATE SCHEDULE (L10 + L36)	$ 1,979,614	$ 1,979,614	$ 1,933,094	$ 46,520
39	PROPOSED REV. REQUIREMENT (L11 + L38)	$ 2,017,408	$ 2,017,407	1,970,078	47,329
40	% INCREASE IN TOTAL REVENUES (L36/L12)	210.47%	210.47%	211.32%	178.97%
41	RATE OF RETURN ON RATE BASE AT PROPOSED RATES(e)	8.08%	8.08%	7.99%	12.05%

Supporting Schedules
(a) G-3
(b) H-1
(c) G-4a
(d) C-5
(e) G-2

Recap Scehdules
[A] A-1

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Cost of Service Summary
At Proposed Rates

LINE NO.	DESCRIPTION	Total Company	Jurisdictional Total	Residential	Commercial
1	RATE BASE (a)				
2	Gross Plant in Service	$ 9,199,272	$ 9,199,272	$ 9,014,039	$ 185,233
3	Accumulated Depreciation	1,887,744	1,887,744	1,849,072	38,672
4	Net Plant	$ 7,311,528	$ 7,311,528	$ 7,164,967	$ 146,561
5	Construction Work in Progress	-	-	-	-
6	Working Capital Assets & Misc. Other	585,723	585,723	573,982	11,741
7	Contributions & Advances in Aid of Construction	(382,469)	$ (382,469)	$ (374,803)	$ (7,667)
8	TOTAL RATE BASE [A]	$ 7,514,781	$ 7,514,781	$ 7,364,146	$ 150,635
9	OPERATING REVENUES (c)				
10	Proposed Rate Schedules(b)	$ 1,979,614	$ 1,979,614	$ 1,933,094	$ 46,520
11	Other Revenues	37,794	37,794	36,984	809
12	TOTAL OPERATING REVENUES [A]	$ 2,017,407	$ 2,017,407	$ 1,970,078	$ 47,329
13	OPERATING EXPENSES (c)				
14	Operations and Maintenance				
15	Production	$ 333,308	$ 333,308	$ 326,188	$ 7,120
16	Transmission and Distribution	144,517	144,517	141,605	2,913
17	Customer Accounts	154,078	154,078	151,996	2,083
18	Administrative and General	139,503	139,503	137,137	2,367
19	Total Operating and Maintenance Expense	$ 771,407	$ 771,407	$ 756,925	$ 14,483
20	Depreciation and Amortization	426,538	426,538	418,088	8,450
21	Taxes Other Than Income	65,514	65,514	64,201	1,313
22	Income Taxes	147,099	147,099	142,168	4,931
23	TOTAL EXPENSES [A]	$ 1,410,558	$ 1,410,558	$ 1,381,382	$ 29,177
24	OPERATING INCOME	$ 606,849	$ 606,849	$ 588,697	$ 18,152
25	RATE OF RETURN AT PROPOSED RATES	8.08%	8.08%	7.99%	12.05%
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Supporting Schedules
(a) G-3
(b) H-1
(c) G-4b
(d) C-5

Recap Scehdules
[A] A-1
[B] G-1

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Rate Base Allocation to Rate Schedules/Classes

Line No.	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Allocation Factor (b)
	RATE BASE					
	GROSS PLANT IN SERVICE					
	Source of Supply Plant					
1	Commodity	$ 1,921,434	$ 1,921,434	$ 1,880,279	$ 41,155	CBC
2	Demand	25,331	25,331	24,911	419	CMD
3	Customer Accounts	-	-	-	-	CB
4	Customer Meters	-	-	-	-	CM
5	Customer Services	-	-	-	-	CS
6	Fire Hydrants	-	-	-	-	CH
7	Total Source of Supply Plant	$ 1,946,765	$ 1,946,765	$ 1,905,191	$ 41,574	
	Pumping Plant					
8	Commodity	$ 1,003,156	$ 1,003,156	$ 981,669	$ 21,486	CBC
9	Demand	13,225	13,225	13,006	219	CMD
10	Customer Accounts	-	-	-	-	CB
11	Customer Meters	-	-	-	-	CM
12	Customer Services	-	-	-	-	CS
13	Fire Hydrants	-	-	-	-	CH
14	Total Pumping Plant	$ 1,016,381	$ 1,016,381	$ 994,675	$ 21,705	
	Water Treatment Plant					
15	Commodity	$ 9,998	$ 9,998	$ 9,784	$ 214	CBC
16	Demand	132	132	130	2	CMD
17	Customer Accounts	-	-	-	-	CB
18	Customer Meters	-	-	-	-	CM
19	Customer Services	-	-	-	-	CS
20	Fire Hydrants	-	-	-	-	CH
21	Total Water Treatment Plant	$ 10,130	$ 10,130	$ 9,913	$ 216	
	Transmission and Distribution Plant					
22	Commodity	$ 2,327,791	$ 2,327,791	$ 2,277,933	$ 49,858	CBC
23	Demand	30,688	30,688	30,180	508	CMD
24	Demand - Extra Cap Max Hour	-	-	-	-	CMH
25	Customer Accounts	-	-	-	-	CB
26	Customer Meters	670,540	670,540	655,393	15,147	CM
27	Customer Services	1,914,370	1,914,370	1,880,170	34,200	CS
28	Fire Hydrants	12,472	12,472	12,304	169	CH
29	Total Transmission and Distribution Plant	$ 4,955,861	$ 4,955,861	$ 4,855,979	$ 99,882	
	Gross Plant In Service before Intangible and General Plant					
30	Commodity	$ 5,262,379	$ 5,262,379	$ 5,149,665	$ 112,714	
31	Demand	69,376	69,376	68,227	1,149	
32	Customer Accounts	-	-	-	-	
33	Customer Meters	670,540	670,540	655,393	15,147	
34	Customer Services	1,914,370	1,914,370	1,880,170	34,200	
35	Fire Hydrants	12,472	12,472	12,304	169	
36	Gross Plant In Service	$ 7,929,137	$ 7,929,137	$ 7,765,758	$ 163,378	
	General Plant					
37	Commodity	$ 176,177	$ 176,177	$ 172,404	$ 3,774	CBC
38	Demand	2,323	2,323	2,284	38	CMD
39	Customer Accounts	265,456	265,456	261,868	3,589	CB
40	Customer Meters	22,449	22,449	21,942	507	CM
41	Customer Services	64,090	64,090	62,945	1,145	CS
42	Fire Hydrants	418	418	412	6	CH
43	Total General Plant	$ 530,913	$ 530,913	$ 521,854	$ 9,058	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Rate Base Allocation to Rate Schedules/Classes

Line No.	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Allocation Factor (b)
	Intangible Plant					
44	Commodity	$ 34,527	$ 34,527	$ 33,787	$ 740	CBC
45	Demand	455	455	448	8	CMD
46	Customer Accounts	-	-	-	-	CB
47	Customer Meters	4,399	4,399	4,300	99	CM
48	Customer Services	12,560	12,560	12,336	224	CS
49	Fire Hydrants	82	82	81	1	CH
50	Total Intangible Plant	$ 52,024	$ 52,024	$ 50,952	$ 1,072	
	Allocated Corporate Plant					
51	Commodity	$ 228,039	$ 228,039	$ 223,155	$ 4,884	CBC
52	Demand	3,006	3,006	2,957	50	CMD
53	Customer Accounts	343,600	343,600	338,955	4,645	CB
54	Customer Meters	29,057	29,057	28,401	656	CM
55	Customer Services	82,957	82,957	81,475	1,482	CS
56	Fire Hydrants	540	540	533	7	CH
57	Total Allocated Corporate Plant	$ 687,199	$ 687,199	$ 675,474	$ 11,725	
	Reconcling Amount					
58	Commodity		$ -	$ -	$ -	CBC
59	Demand		-	-	-	CMD
60	Customer Accounts		-	-	-	CB
61	Customer Meters		-	-	-	CM
62	Customer Services		-	-	-	CS
63	Fire Hydrants		-	-	-	CH
64	Total Reconciling Amount	$ -	$ -	$ -	$ -	
	Gross Plant In Service					
65	Commodity	$ 5,701,122	$ 5,701,122	$ 5,579,011	$ 122,111	
66	Demand	75,160	75,160	73,915	1,245	
67	Customer Accounts	609,056	609,056	600,822	8,234	
68	Customer Meters	726,445	726,445	710,035	16,410	
69	Customer Services	2,073,978	2,073,978	2,036,927	37,051	
70	Fire Hydrants	13,512	13,512	13,329	183	
71	Total Gross Plant In Service (a)(c)	$ 9,199,272	$ 9,199,272	$ 9,014,039	$ 185,233	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Rate Base Allocation to Rate Schedules/Classes

Line No.	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Allocation Factor (b)
	ACCUMULATED DEPRECIATION AND AMORTIZATION					
	Source of Supply Plant					
72	Commodity	$ 266,022	$ 266,022	$ 260,324	$ 5,698	CBC
73	Demand	3,507	3,507	3,449	58	CMD
74	Customer Accounts	-	-	-	-	CB
75	Customer Meters	-	-	-	-	CM
76	Customer Services	-	-	-	-	CS
77	Fire Hydrants	-	-	-	-	CH
78	Total Source of Supply Plant	$ 269,529	$ 269,529	$ 263,773	$ 5,756	
	Pumping Plant					
79	Commodity	$ 211,122	$ 211,122	$ 206,600	$ 4,522	CBC
80	Demand	2,783	2,783	2,737	46	CMD
81	Customer Accounts	-	-	-	-	CB
82	Customer Meters	-	-	-	-	CM
83	Customer Services	-	-	-	-	CS
84	Fire Hydrants	-	-	-	-	CH
85	Total Pumping Plant	$ 213,905	$ 213,905	$ 209,337	$ 4,568	
	Water Treatment Plant					
86	Commodity	$ 4,484	$ 4,484	$ 4,388	$ 96	CBC
87	Demand	59	59	58	1	CMD
88	Demand - Extra Cap Max Hour	-	-	-	-	CMH
89	Customer Accounts	-	-	-	-	CB
90	Customer Meters	-	-	-	-	CM
91	Customer Services	-	-	-	-	CS
92	Fire Hydrants	-	-	-	-	CH
93	Total Water Treatment Plant	$ 4,543	$ 4,543	$ 4,446	$ 97	
	Transmission and Distribution Plant					
94	Commodity	$ 777,284	$ 777,284	$ 760,635	$ 16,648	CBC
95	Demand	10,247	10,247	10,077	170	CMD
96	Customer Accounts	-	-	-	-	CB
97	Customer Meters	149,792	149,792	146,408	3,384	CM
98	Customer Services	201,512	201,512	197,912	3,600	CS
99	Fire Hydrants	707	707	697	10	CH
100	Total Transmission and Distribution Plant	$ 1,139,541	$ 1,139,541	$ 1,115,730	$ 23,811	
101	General Plant					
102	Commodity	$ 81,329	$ 81,329	$ 79,587	$ 1,742	CBC
103	Demand	1,072	1,072	1,054	18	CMD
104	Customer Accounts	122,543	122,543	120,886	1,657	CB
105	Customer Meters	10,363	10,363	10,129	234	CM
106	Customer Services	29,586	29,586	29,057	529	CS
107	Fire Hydrants	193	193	190	3	CH
108	Total General Plant	$ 245,085	$ 245,085	$ 240,903	$ 4,182	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Rate Base Allocation to Rate Schedules/Classes

Line No.	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Allocation Factor (b)
	Allocated Corporate Plant					
109	Commodity	$ 5,024	$ 5,024	$ 4,917	$ 108	CBC
110	Demand	66	66	65	1	CMD
111	Customer Accounts	7,570	7,570	7,468	102	CB
112	Customer Meters	640	640	626	14	CM
113	Customer Services	1,828	1,828	1,795	33	CS
114	Fire Hydrants	12	12	12	0	CH
115	Total Allocated Corporate Plant	$ 15,141	$ 15,141	$ 14,882	$ 258	
	Retirement Work in Progress					
116	Commodity	$ -	$ -	$ -	$ -	CBC
117	Demand	-	-	-	-	CMD
118	Customer Accounts	-	-	-	-	CB
119	Customer Meters	-	-	-	-	CM
120	Customer Services	-	-	-	-	CS
121	Fire Hydrants	-	-	-	-	CH
122	Total Retirement Work in Progress	$ -	$ -	$ -	$ -	
	Advances in Aid of Construction					
123	Commodity	$ -	$ -	$ -	$ -	CBC
124	Demand	-	-	-	-	CMD
125	Customer Accounts	-	-	-	-	CB
126	Customer Meters	-	-	-	-	CM
127	Customer Services	-	-	-	-	CS
128	Fire Hydrants	-	-	-	-	CH
129	Total Advances in Aid of Construction	$ -	$ -	$ -	$ -	
	Accumulated Depreciation/Amortization					
130	Commodity	$ 1,345,265	$ 1,345,265	$ 1,316,451	$ 28,814	
131	Demand	17,735	17,735	17,441	294	
132	Customer Accounts	130,113	130,113	128,354	1,759	
133	Customer Meters	160,795	160,795	157,162	3,632	
134	Customer Services	232,926	232,926	228,764	4,161	
135	Fire Hydrants	911	911	899	12	
136	Total Accumulated Depreciation/Amortization (a)(c)	$ 1,887,744	$ 1,887,744	$ 1,849,072	$ 38,672	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Rate Base Allocation to Rate Schedules/Classes

Line No.	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Allocation Factor (b)
	NET UTILITY PLANT IN SERVICE					
	Net Plant					
137	Commodity	$ 4,355,857	$ 4,355,857	$ 4,262,560	$ 93,297	
138	Demand	57,425	57,425	56,474	951	
139	Customer Accounts	478,943	478,943	472,468	6,475	
140	Customer Meters	565,650	565,650	552,872	12,778	
141	Customer Services	1,841,052	1,841,052	1,808,162	32,890	
142	Fire Hydrants	12,601	12,601	12,430	170	
143	Net Utility Plant in Service (a)	$ 7,311,528	$ 7,311,528	$ 7,164,967	$ 146,561	
	CONSTRUCTION WORK IN PROGRESS					
	Construction Work in Progress					
144	Commodity	$ -	$ -	$ -	$ -	CBC
145	Demand	-	-	-	-	CMD
146	Customer Accounts	-	-	-	-	CB
147	Customer Meters	-	-	-	-	CM
148	Customer Services	-	-	-	-	CS
149	Fire Hydrants	-	-	-	-	CH
150	Total Construction Work in Progress (a)	$ -	$ -	$ -	$ -	
	WORKING CAPITAL ASSETS					
	Working Capital Assets					
151	Commodity	$ 348,946	$ 348,946	$ 341,472	$ 7,474	CBC
152	Demand	4,600	4,600	4,524	76	CMD
153	Customer Accounts	38,368	38,368	37,849	519	CB
154	Customer Meters	45,314	45,314	44,290	1,024	CM
155	Customer Services	147,486	147,486	144,851	2,635	CS
156	Fire Hydrants	1,009	1,009	996	14	CH
157	Total Working Capital Assets (a)	$ 585,723	$ 585,723	$ 573,982	$ 11,741	
	CONTRIBUTIONS & ADVANCES IN AID OF CONSTRUCTION					
	Contributions & Advances in Aid of Construction					
158	Commodity	$ (227,857)	$ (227,857)	$ (222,976)	$ (4,880)	CBC
159	Demand	(3,004)	(3,004)	(2,954)	(50)	CMD
160	Customer Accounts	(25,054)	(25,054)	(24,715)	(339)	CB
161	Customer Meters	(29,589)	(29,589)	(28,921)	(668)	CM
162	Customer Services	(96,306)	(96,306)	(94,586)	(1,720)	CS
163	Fire Hydrants	(659)	(659)	(650)	(9)	CH
164	Total Contributions & Advances in Aid of Construction (a)	$ (382,469)	$ (382,469)	$ (374,803)	$ (7,667)	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Rate Base Allocation to Rate Schedules/Classes

Line No.	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Allocation Factor (b)
	RATE BASE					
	Rate Base					
165	Commodity	$ 4,476,946	$ 4,476,946	$ 4,381,055	$ 95,891	
166	Demand	59,021	59,021	58,044	977	
167	Customer Accounts	492,257	492,257	485,602	6,655	
168	Customer Meters	581,375	581,375	568,242	13,133	
169	Customer Services	1,892,231	1,892,231	1,858,427	33,804	
170	Fire Hydrants	12,951	12,951	12,776	175	
171	**Total Rate Base [A]**	**$ 7,514,781**	**$ 7,514,781**	**$ 7,364,146**	**$ 150,635**	

Supporting Schedules
(a) G-5, (b) G-7a, (c) F-1.3

Recap Schedules
[A] G-1

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Revenue and Expense Allocation to Rate Schedules at Present Revenues

Line No.s	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Allocation Code (b)
	REVENUES					
1	Revenue Water Service (c)	$ 611,997	$ 611,997	$ 595,840	$ 16,156	Direct
2	Other Revenue	37,794	37,794	36,984	809	CBC
3	Total Revenue	$ 649,791	$ 649,791	$ 632,825	$ 16,966	
	EXPENSES (A)					
	Source of Supply Expenses					
	Operation					
4	Commodity	$ 186,403	$ 186,403	$ 182,410	$ 3,993	CBC
5	Demand	2,211	2,211	2,174	37	CMD
6	Customer Accounts	-	-	-	-	CB
7	Customer Meters	-	-	-	-	CM
8	Customer Services	-	-	-	-	CS
9	Fire Hydrants	-	-	-	-	CH
10	Total Operation	$188,613	188,613	184,584	4,029	
	Maintenance					
11	Commodity	$ 8,852	$ 8,852	$ 8,663	$ 190	CBC
12	Demand	40	40	40	1	CMD
13	Customer Accounts	-	-	-	-	CB
14	Customer Meters	-	-	-	-	CM
15	Customer Services	-	-	-	-	CS
16	Fire Hydrants	-	-	-	-	CH
17	Total Maintenance	$ 8,893	$ 8,893	$ 8,703	$ 190	
	Total Source of Supply Expenses					
18	Commodity	$ 195,255	$ 195,255	$ 191,073	$ 4,182	
19	Demand	2,251	2,251	2,214	37	
20	Customer Accounts	-	-	-	-	
21	Customer Meters	-	-	-	-	
22	Customer Services	-	-	-	-	
23	Fire Hydrants	-	-	-	-	
24	Total Source of Supply Expenses	$ 197,506	$ 197,506	$ 193,287	$ 4,219	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Revenue and Expense Allocation to Rate Schedules at Present Revenues

Line No.s	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Allocation Code (b)
	Water Treatment Expenses					
	Operation					
25	Commodity	$ 128,398	$ 128,398	$ 125,648	$ 2,750	CBC
26	Demand	1,614	1,614	1,587	27	CMD
27	Customer Accounts	-	-	-	-	CB
28	Customer Meters	-	-	-	-	CM
29	Customer Services	-	-	-	-	CS
30	Fire Hydrants	-	-	-	-	CH
31	Total Operation	$ 130,012	$ 130,012	$ 127,235	$ 2,777	
	Maintenance					
32	Commodity	$ 5,790	$ 5,790	$ 5,666	$ 124	CBC
33	Demand	-	-	-	-	CMD
34	Customer Accounts	-	-	-	-	CB
35	Customer Meters	-	-	-	-	CM
36	Customer Services	-	-	-	-	CS
37	Fire Hydrants	-	-	-	-	CH
38	Total Maintenance	$ 5,790	$ 5,790	$ 5,666	$ 124	
	Total Water Treatment Expenses					
39	Commodity	$ 134,188	$ 134,188	$ 131,314	$ 2,874	
40	Demand	1,614	1,614	1,587	27	
41	Customer Accounts	-	-	-	-	
42	Customer Meters	-	-	-	-	
43	Customer Services	-	-	-	-	
44	Fire Hydrants	-	-	-	-	
45	Total Water Treatment	$ 135,802	$ 135,802	$ 132,901	$ 2,901	
	Total Production Expenses					
46	Commodity	$ 329,443	$ 329,443	$ 322,387	$ 7,056	
47	Demand	3,865	3,865	3,801	64	
48	Customer Accounts	-	-	-	-	
49	Customer Meters	-	-	-	-	
50	Customer Services	-	-	-	-	
51	Fire Hydrants	-	-	-	-	
52	**Total Production Expenses**	**$ 333,308**	**$ 333,308**	**$ 326,188**	**$ 7,120**	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Revenue and Expense Allocation to Rate Schedules at Present Revenues

Line No.s	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Allocation Code (b)
	Transmission and Distribution Expenses					
	Operation					
53	Commodity	$ 65,161	$ 65,161	$ 63,765	$ 1,396	CBC
54	Demand	859	859	845	14	CMD
55	Customer Accounts	-	-	-	-	CB
56	Customer Meters	18,770	18,770	18,346	424	CM
57	Customer Services	53,588	53,588	52,631	957	CS
58	Fire Hydrants	349	349	344	5	CH
59	Total Operation	$ 138,727	$ 138,727	$ 135,931	$ 2,796	
	Maintenance					
60	Commodity	$ 2,720	$ 2,720	$ 2,661	$ 58	CBC
61	Demand	36	36	35	1	CMD
62	Customer Accounts	-	-	-	-	CB
63	Customer Meters	783	783	766	18	CM
64	Customer Services	2,237	2,237	2,197	40	CS
65	Fire Hydrants	15	15	14	0	CH
66	Total Maintenance	$ 5,790	$ 5,790	$ 5,673	$ 117	
	Total Transmission & Distribution Expenses					
67	Commodity	$ 67,880	$ 67,880	$ 66,427	$ 1,454	
68	Demand	895	895	880	15	
69	Customer Accounts	-	-	-	-	
70	Customer Meters	19,554	19,554	19,112	442	
71	Customer Services	55,825	55,825	54,827	997	
72	Fire Hydrants	364	364	359	5	
73	**Total Transmission & Distribution Expenses**	**$ 144,517**	**$ 144,517**	**$ 141,605**	**$ 2,913**	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Revenue and Expense Allocation to Rate Schedules at Present Revenues

Line No.s	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Allocation Code (b)
	Customer Accounts Expenses					
74	Commodity	$ -	$ -	$ -	$ -	CBC
75	Demand	-	-	-	-	CMD
76	Customer Accounts	117,327	117,327	115,741	1,586	CB
77	Customer Meters	-	-	-	-	CM
78	Customer Services	-	-	-	-	CS
79	Fire Hydrants	-	-	-	-	CH
80	Total Customer Accounts	$ 117,327	$ 117,327	$ 115,741	$ 1,586	
	O&M w/oA&G Expenses					
81	Commodity	$ 397,324	$ 397,324	$ 388,814	$ 8,510	
82	Demand	4,760	4,760	4,681	79	
83	Customer Accounts	117,327	117,327	115,741	1,586	
84	Customer Meters	19,554	19,554	19,112	442	
85	Customer Services	55,825	55,825	54,827	997	
86	Fire Hydrants	364	364	359	5	
87	**Total O&M w/oA&G Expenses**	$ 595,152	$ 595,152	$ 583,533	$ 11,619	
	Administrative and General Expenses					
88	Commodity	$ 53,671	$ 53,671	$ 52,522	$ 1,150	CBC
89	Demand	674	674	663	11	CMD
90	Customer Accounts	75,268	75,268	74,250	1,018	CB
91	Customer Meters	2,553	2,553	2,496	58	CM
92	Customer Services	7,290	7,290	7,159	130	CS
93	Fire Hydrants	47	47	47	1	CH
94	Total Administrative and General Expenses	$ 139,503	$ 139,503	$ 137,137	$ 2,367	
	Total Operation and Maintenance Expenses					
95	Commodity	$ 450,995	$ 450,995	$ 441,335	$ 9,660	
96	Demand	5,434	5,434	5,344	90	
97	Customer Accounts	192,594	192,594	189,991	2,604	
98	Customer Meters	22,107	22,107	21,607	499	
99	Customer Services	63,114	63,114	61,987	1,128	
100	Fire Hydrants	411	411	406	6	
101	**Total Operation and Maintenance Expenses**	$ 734,656	$ 734,656	$ 720,670	$ 13,986	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Revenue and Expense Allocation to Rate Schedules at Present Revenues

Line No.s	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Allocation Code (b)
	Depreciation & Amort Expense					
102	Commodity	$ 227,956	$ 227,956	$ 223,074	$ 4,883	CBC
103	Demand	3,005	3,005	2,955	50	CMD
104	Customer Accounts	57,373	57,373	56,597	776	CB
105	Customer Meters	58,080	58,080	56,768	1,312	CM
106	Customer Services	79,748	79,748	78,323	1,425	CS
107	Fire Hydrants	376	376	371	5	CH
108		-	-	-	-	CH
109	Total Depreciation & Amort Expense	$ 426,538	$ 426,538	$ 418,088	$ 8,450	
	Taxes Other Than Income					
110	Commodity	$ 28,586	$ 28,586	$ 27,974	$ 612	CBC
111	Demand	377	377	371	6	CMD
112	Customer Accounts	3,143	3,143	3,101	42	CB
113	Customer Meters	3,712	3,712	3,628	84	CM
114	Customer Services	12,082	12,082	11,866	216	CS
115	Fire Hydrants	83	83	82	1	CH
116	Total Taxes Other Than Income	$ 47,983	$ 47,983	$ 47,021	$ 962	
	O&M, Customer, A&G and Other Taxes					
117	Commodity	$ 707,537	$ 707,537	$ 692,383	$ 15,155	
118	Demand	8,816	8,816	8,670	146	
119	Customer Accounts	253,111	253,111	249,689	3,422	
120	Customer Meters	83,899	83,899	82,003	1,895	
121	Customer Services	154,945	154,945	152,177	2,768	
122	Fire Hydrants	870	870	858	12	
123	**Total O&M, Customer, A&G and Other Taxes**	$ 1,209,177	$ 1,209,177	$ 1,185,779	$ 23,397	
	Labor Allocator					
124	Commodity	$ -	$ -	$ -	$ -	CBC
125	Demand	-	-	-	-	CMD
126	Customer Accounts	-	-	-	-	CB
127	Customer Meters	-	-	-	-	CM
128	Customer Services	-	-	-	-	CS
129	Fire Hydrants	-	-	-	-	CH
130	Total Labor	$ -	$ -	$ -	$ -	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Revenue and Expense Allocation to Rate Schedules at Present Revenues

Line No.s	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Allocation Code (b)
	OPERATING INCOME					
131	Income Before Taxes	$ (559,386)	$ (559,386)	$ (552,955)	$ (6,431)	
132	State Income Tax	(35,372)	(35,372)	(34,898)	(475)	
133	Federal Income Tax	(144,168)	(144,168)	(142,233)	(1,935)	
134	Total Income Taxes	$ (179,540)	$ (179,540)	$ (177,131)	$ (2,410)	
135	Net Income After Tax	$ (379,846)	$ (379,846)	$ (375,824)	$ (4,022)	
136	Present Return Rate Of Return	-5.05%	-5.05%	-5.10%	-2.67%	
137	Present Relative Return Rate Of Return	1.00	1.00	1.01	0.53	
	State Income Tax					
138	Income Before Tax	$ (559,386)	$ (559,386)	$ (552,955)	$ (6,431)	
139	Less: Interest Expense	162,500	162,500	159,243	3,257	
140	State Taxable Income	$ (721,887)	$ (721,887)	$ (712,198)	$ (9,689)	
141	Pro Forma State Income Tax	$ (35,372)	$ (35,372)	$ (34,898)	$ (475)	
142	Amortization of Flow Through Tax	0	0	0	0	
143	Subtotal State Income Tax	$ (35,372)	$ (35,372)	$ (34,898)	$ (475)	
144	Deferred State Income Tax	$ -	$ -	$ -	$ -	
145	**Total State Income Tax**	**$ (35,372)**	**$ (35,372)**	**$ (34,898)**	**$ (475)**	
	Federal Income Tax					
146	Income Before Tax	$ (559,386)	$ (559,386)	$ (552,955)	$ (6,431)	
147	Less: Interest Expense	162,500	162,500	159,243	3,257	
148	Less: State Income Tax	(35,372)	(35,372)	(34,898)	(475)	
149		-	-	-	-	
150	Federal Taxable Income	$ (686,514)	$ (686,514)	$ (677,300)	$ (9,214)	
151	Pro Forma Federal Income Tax	$ (144,168)	$ (144,168)	$ (142,233)	$ (1,935)	
152	ITC Amortization	-	-	-	-	CRB
153	Subtotal Federal Income Tax	$ (144,168)	$ (144,168)	$ (142,233)	$ (1,935)	
154	Deferred Federal Income Tax	-	-	-	-	
155	**Total Federal Income Tax**	**(144,168)**	**(144,168)**	**(142,233)**	**(1,935)**	
156	**Total Income Tax**	**(179,540)**	**(179,540)**	**(177,131)**	**(2,410)**	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Revenue and Expense Allocation to Rate Schedules at Present Revenues

Line No.s	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Allocation Code (b)
PRESENT REVENUES TAXES & ROR						
	Present Revenues					
157	Revenues	$ 611,997	$ 611,997	$ 595,840	$ 16,156	
158	Other Revenue	37,794	37,794	36,984	809	
159	Total Present Revenue	**$ 649,791**	**$ 649,791**	**$ 632,825**	**$ 16,966**	
160	O&M, Customer, A&G and Other Taxes	$ 1,209,177	$ 1,209,177	$ 1,185,779	$ 23,397	
161	Income Before Tax	$ (559,386)	$ (559,386)	$ (552,955)	$ (6,431)	
162	Less: Interest Expense	162,500	162,500	159,243	3,257	
163	State Taxable Income	$ (721,887)	$ (721,887)	$ (712,198)	$ (9,689)	
164	Pro Forma State Income Tax	$ (35,372)	$ (35,372)	$ (34,898)	$ (475)	
165	Amortization of Flow Through Tax	-	-	-	-	
166	Subtotal State Income Tax	$ (35,372)	$ (35,372.45)	$ (34,897.70)	$ (474.75)	
167	Deferred State Income Tax	$ -	$ -	$ -	$ -	
168	**Total State Income Tax**	$ (35,372)	$ (35,372)	$ (34,898)	$ (475)	
169	Income Before Tax	$ (559,386)	$ (559,386)	$ (552,955)	$ (6,431)	
170	Less: Interest Expense	162,500	162,500	159,243	3,257	
171	Less: State Income Tax	(35,372)	(35,372)	(34,898)	(475)	
172		-	-	-	-	
173	Federal Taxable Income	($686,514)	(686,514)	(677,300)	(9,214)	
174	Pro Forma Federal Income Tax	$ (144,168)	(144,168)	(142,233)	(1,935)	
175	ITC Amortization	-	0	0	0	CRB
176	Subtotal Federal Income Tax	($144,168)	(144,168)	(142,233)	(1,935)	
177	**Total Federal Income Tax**	($144,168)	(144,168)	(142,233)	(1,935)	
178	**Total Income Tax**	($179,540)	(179,540)	(177,131)	(2,410)	
179	**Income After Tax**	**($379,846)**	**($379,846)**	**($375,824)**	**($4,022)**	
	Present Revenues					
180	**Return Rate Of Return**	-5.05%	-5.05%	-5.10%	-2.67%	
181	**Realtive Rate Of Return**	1.00	1.00	1.01	0.53	

Supporting Schedules
(a) C-1, (b) G-7a, (c) H-1

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Revenue and Expense Allocation to Rate Schedules at Proposed Revenues

Line No.s	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Alloc. Code (b)
	REVENUES					
1	Revenue Water Service (c)	$ 1,979,614	$ 1,979,614	$ 1,933,094	$ 46,520	Direct
2	Other Revenue	37,794	37,794	36,984	809	CBC
3	Total Revenue	$ 2,017,407	$ 2,017,407	$ 1,970,078	$ 47,329	
	EXPENSES (A)					
	Source of Supply Expenses					
	Operation					
4	Commodity	$ 186,403	$ 186,403	$ 182,410	$ 3,993	CBC
5	Demand	2,211	2,211	2,174	37	CMD
6	Customer Accounts	-	-	-	-	CB
7	Customer Meters	-	-	-	-	CM
8	Customer Services	-	-	-	-	CS
9	Fire Hydrants	-	-	-	-	CH
10	Total Operation	$188,613	188,613	184,584	4,029	
	Maintenance					
11	Commodity	$ 8,852	$ 8,852	$ 8,663	$ 190	CBC
12	Demand	40	40	40	1	CMD
13	Customer Accounts	-	-	-	-	CB
14	Customer Meters	-	-	-	-	CM
15	Customer Services	-	-	-	-	CS
16	Fire Hydrants	-	-	-	-	CH
17	Total Maintenance	$ 8,893	$ 8,893	$ 8,703	$ 190	
	Total Source of Supply Expenses					
18	Commodity	$ 195,255	$ 195,255	$ 191,073	$ 4,182	
19	Demand	2,251	2,251	2,214	37	
20	Customer Accounts	-	-	-	-	
21	Customer Meters	-	-	-	-	
22	Customer Services	-	-	-	-	
23	Fire Hydrants	-	-	-	-	
24	Total Source of Supply Expenses	$ 197,506	$ 197,506	$ 193,287	$ 4,219	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Revenue and Expense Allocation to Rate Schedules at Proposed Revenues

Line No.s	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Alloc. Code (b)
	Water Treatment Expenses					
	Operation					
25	Commodity	$ 128,398	$ 128,398	$ 125,648	$ 2,750	CBC
26	Demand	1,614	1,614	1,587	27	CMD
27	Customer Accounts	-	-	-	-	CB
28	Customer Meters	-	-	-	-	CM
29	Customer Services	-	-	-	-	CS
30	Fire Hydrants	-	-	-	-	CH
31	Total Operation	$ 130,012	$ 130,012	$ 127,235	$ 2,777	
	Maintenance					
32	Commodity	$ 5,790	$ 5,790	$ 5,666	$ 124	CBC
33	Demand	-	-	-	-	CMD
34	Customer Accounts	-	-	-	-	CB
35	Customer Meters	-	-	-	-	CM
36	Customer Services	-	-	-	-	CS
37	Fire Hydrants	-	-	-	-	CH
38	Total Maintenance	$ 5,790	$ 5,790	$ 5,666	$ 124	
	Total Water Treatment Expenses					
39	Commodity	$ 134,188	$ 134,188	$ 131,314	$ 2,874	
40	Demand	1,614	1,614	1,587	27	
41	Customer Accounts	-	-	-	-	
42	Customer Meters	-	-	-	-	
43	Customer Services	-	-	-	-	
44	Fire Hydrants	-	-	-	-	
45	Total Water Treatment	$ 135,802	$ 135,802	$ 132,901	$ 2,901	
	Total Production Expenses					
46	Commodity	$ 329,443	$ 329,443	$ 322,387	$ 7,056	
47	Demand	3,865	3,865	3,801	64	
48	Customer Accounts	-	-	-	-	
49	Customer Meters	-	-	-	-	
50	Customer Services	-	-	-	-	
51	Fire Hydrants	-	-	-	-	
52	**Total Production Expenses**	**$ 333,308**	**$ 333,308**	**$ 326,188**	**$ 7,120**	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Revenue and Expense Allocation to Rate Schedules at Proposed Revenues

Line No.s	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Alloc. Code (b)
	Transmission and Distribution Expenses					
	Operation					
53	Commodity	$ 65,161	$ 65,161	$ 63,765	$ 1,396	CBC
54	Demand	859	859	845	14	CMD
55	Customer Accounts	-	-	-	-	CB
56	Customer Meters	18,770	18,770	18,346	424	CM
57	Customer Services	53,588	53,588	52,631	957	CS
58	Fire Hydrants	349	349	344	5	CH
59	Total Operation	$ 138,727	$ 138,727	$ 135,931	$ 2,796	
	Maintenance					
60	Commodity	$ 2,720	$ 2,720	$ 2,661	$ 58	CBC
61	Demand	36	36	35	1	CMD
62	Customer Accounts	-	-	-	-	CB
63	Customer Meters	783	783	766	18	CM
64	Customer Services	2,237	2,237	2,197	40	CS
65	Fire Hydrants	15	15	14	0	CH
66	Total Maintenance	$ 5,790	$ 5,790	$ 5,673	$ 117	
	Total Transmission & Distribution Expenses					
67	Commodity	$ 67,880	$ 67,880	$ 66,427	$ 1,454	
68	Demand	895	895	880	15	
69	Customer Accounts	-	-	-	-	
70	Customer Meters	19,554	19,554	19,112	442	
71	Customer Services	55,825	55,825	54,827	997	
72	Fire Hydrants	364	364	359	5	
73	**Total Transmission & Distribution Expenses**	**$ 144,517**	**$ 144,517**	**$ 141,605**	**$ 2,913**	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Revenue and Expense Allocation to Rate Schedules at Proposed Revenues

Line No.s	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Alloc. Code (b)
	Customer Accounts Expenses					
74	Commodity	$ -	$ -	$ -	$ -	CBC
75	Demand	-	-	-	-	CMD
76	Customer Accounts	154,078	154,078	151,996	2,083	CB
77	Customer Meters	-	-	-	-	CM
78	Customer Services	-	-	-	-	CS
79	Fire Hydrants	-	-	-	-	CH
80	Total Customer Accounts	$ 154,078	$ 154,078	$ 151,996	$ 2,083	
	O&M w/oA&G Expenses					
81	Commodity	$ 397,324	$ 397,324	$ 388,814	$ 8,510	
82	Demand	4,760	4,760	4,681	79	
83	Customer Accounts	154,078	154,078	151,996	2,083	
84	Customer Meters	19,554	19,554	19,112	442	
85	Customer Services	55,825	55,825	54,827	997	
86	Fire Hydrants	364	364	359	5	
87	**Total O&M w/oA&G Expenses**	$ 631,904	$ 631,904	$ 619,788	$ 12,116	
	Administrative and General Expenses					
88	Commodity	$ 53,671	$ 53,671	$ 52,522	$ 1,150	CBC
89	Demand	674	674	663	11	CMD
90	Customer Accounts	75,268	75,268	74,250	1,018	CB
91	Customer Meters	2,553	2,553	2,496	58	CM
92	Customer Services	7,290	7,290	7,159	130	CS
93	Fire Hydrants	47	47	47	1	CH
94	Total Administrative and General Expenses	$ 139,503	$ 139,503	$ 137,137	$ 2,367	
	Total Operation and Maintenance Expenses					
95	Commodity	$ 450,995	$ 450,995	$ 441,335	$ 9,660	
96	Demand	5,434	5,434	5,344	90	
97	Demand - Extra Cap Max Hour	-	-	-	-	
98	Customer Accounts	229,346	229,346	226,246	3,100	
99	Customer Meters	22,107	22,107	21,607	499	
100	Customer Services	63,114	63,114	61,987	1,128	
101	Fire Hydrants	411	411	406	6	
102	**Total Operation and Maintenance Expenses**	$ 771,407	$ 771,407	$ 756,925	$ 14,483	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Revenue and Expense Allocation to Rate Schedules at Proposed Revenues

Line No.s	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Alloc. Code (b)
	Depreciation & Amort Expense					
103	Commodity	$ 227,956	$ 227,956	$ 223,074	$ 4,883	CBC
104	Demand	3,005	3,005	2,955	50	CMD
105	Customer Accounts	57,373	57,373	56,597	776	CB
106	Customer Meters	58,080	58,080	56,768	1,312	CM
107	Customer Services	79,748	79,748	78,323	1,425	CS
108	Fire Hydrants	376	376	371	5	CH
109		-	-	-	-	CH
110	Total Depreciation & Amort Expense	$ 426,538	$ 426,538	$ 418,088	$ 8,450	
	Taxes Other Than Income					
111	Commodity	$ 39,030	$ 39,030	$ 38,194	$ 836	CBC
112	Demand	515	515	506	9	CMD
113	Customer Accounts	4,291	4,291	4,233	58	CB
114	Customer Meters	5,068	5,068	4,954	114	CM
115	Customer Services	16,496	16,496	16,202	295	CS
116	Fire Hydrants	113	113	111	2	CH
117	Total Taxes Other Than Income	$ 65,514	$ 65,514	$ 64,201	$ 1,313	
	O&M, Customer, A&G and Other Taxes					
118	Commodity	$ 717,981	$ 717,981	$ 702,603	$ 15,378	
119	Demand	8,954	8,954	8,805	148	
120	Customer Accounts	291,011	291,011	287,076	3,934	
121	Customer Meters	85,255	85,255	83,329	1,926	
122	Customer Services	159,359	159,359	156,512	2,847	
123	Fire Hydrants	900	900	888	12	
124	**Total O&M, Customer, A&G and Other Taxes**	$ 1,263,459	$ 1,263,459	$ 1,239,214	$ 24,246	
	Labor Allocator					
125	Commodity	$ -	$ -	$ -	$ -	CBC
126	Demand	-	-	-	-	CMD
127	Customer Accounts	-	-	-	-	CB
128	Customer Meters	-	-	-	-	CM
129	Customer Services	-	-	-	-	CS
130	Fire Hydrants	-	-	-	-	CH
131	Total Labor	$ -	$ -	$ -	$ -	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Revenue and Expense Allocation to Rate Schedules at Proposed Revenues

Line No.s	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Alloc. Code (b)
	OPERATING INCOME					
132	Income Before Taxes	$ 753,948	$ 753,948	$ 730,865	$ 23,083	
133	State Income Tax	28,981	28,981	28,009	971	
134	Federal Income Tax	118,118	118,118	114,159	3,959	
135	Total Income Taxes	$ 147,099	$ 147,099	$ 142,168	$ 4,931	
136	Net Income After Tax	$ 606,849	$ 606,849	$ 588,697	$ 18,152	
137	Present Return Rate Of Return	8.08%	8.08%	7.99%	12.05%	
138	Present Relative Return Rate Of Return	1.00	1.00	0.99	1.49	
	State Income Tax					
139	Income Before Tax	$ 753,948	$ 753,948	$ 730,865	$ 23,083	
140	Less: Interest Expense	162,500	162,500	159,243	3,257	
141	State Taxable Income	$ 591,448	$ 591,448	$ 571,622	$ 19,826	
142	Pro Forma State Income Tax	$ 28,981	$ 28,981	$ 28,009	$ 971	
143	Amortization of Flow Through Tax	0	0	0	0	
144	Subtotal State Income Tax	$ 28,981	$ 28,981	$ 28,009	$ 971	
145	Deferred State Income Tax	$ -	$ -	$ -	$ -	
146	**Total State Income Tax**	**$ 28,981**	**$ 28,981**	**$ 28,009**	**$ 971**	
	Federal Income Tax					
147	Income Before Tax	$ 753,948	$ 753,948	$ 730,865	$ 23,083	
148	Less: Interest Expense	162,500	162,500	159,243	3,257	
149	Less: State Income Tax	28,981	28,981	28,009	971	
150		-	-	-	-	
151	Federal Taxable Income	$ 562,467	$ 562,467	$ 543,612	$ 18,855	
152	Pro Forma Federal Income Tax	$ 118,118	$ 118,118	$ 114,159	$ 3,959	
153	ITC Amortization	-	-	-	-	CRB
154	Subtotal Federal Income Tax	$ 118,118	$ 118,118	$ 114,159	$ 3,959	
155	Deferred Federal Income Tax	-	-	-	-	
156	**Total Federal Income Tax**	**118,118**	**118,118**	**114,159**	**3,959**	
157	**Total Income Tax**	**147,099**	**147,099**	**142,168**	**4,931**	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Revenue and Expense Allocation to Rate Schedules at Proposed Revenues

Line No.s	Description	Total Company (a)	Jurisdictional Total (a)	Residential	Commercial	Alloc. Code (b)
PRESENT REVENUES TAXES & ROR						
	Proposed Revenues					
158	Revenues	$ 1,979,614	$ 1,979,614	$ 1,933,094	$ 46,520	
159	Other Revenue	37,794	37,794	36,984	809	
160	Total Present Revenue	**$ 2,017,407**	**$ 2,017,407**	**$ 1,970,078**	**$ 47,329**	
161	O&M, Customer, A&G and Other Taxes	$ 1,263,459	$ 1,263,459	$ 1,239,214	$ 24,246	
162	Income Before Tax	$ 753,948	$ 753,948	$ 730,865	$ 23,083	
163	Less: Interest Expense	162,500	162,500	159,243	3,257	
164	State Taxable Income	$ 591,448	$ 591,448	$ 571,622	$ 19,826	
165	Pro Forma State Income Tax	$ 28,981	$ 28,981	$ 28,009	$ 971	
166	Amortization of Flow Through Tax	-	-	-	-	
167	Subtotal State Income Tax	$ 28,981	$ 28,980.94	$ 28,009.46	$ 971.48	
168	Deferred State Income Tax	$ -	$ -	$ -	$ -	
169	**Total State Income Tax**	$ 28,981	$ 28,981	$ 28,009	$ 971	
170	Income Before Tax	$ 753,948	$ 753,948	$ 730,865	$ 23,083	
171	Less: Interest Expense	162,500	162,500	159,243	3,257	
172	Less: State Income Tax	28,981	28,981	28,009	971	
173		-	-	-	-	
174	Federal Taxable Income	$562,467	562,467	543,612	18,855	
175	Pro Forma Federal Income Tax	$ 118,118	118,118	114,159	3,959	
176	ITC Amortization	-	0	0	0	CRB
177	Subtotal Federal Income Tax	$118,118	118,118	114,159	3,959	
178	**Total Federal Income Tax**	$118,118	118,118	114,159	3,959	
179	**Total Income Tax**	$147,099	147,099	142,168	4,931	
180	**Income After Tax**	**$606,849**	**$606,849**	**$588,697**	**$18,152**	
	Proposed Revenues					
181	**Return Rate Of Return**	8.08%	8.08%	7.99%	12.05%	
182	**Realtive Rate Of Return**	1.00	1.00	0.99	1.49	

Supporting Schedules
(a) C-1, (b) G-7a, (c) H-1

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Rate Base and Plant Functionalization

Line No.	Acct No.	Description	Company Total (a)	Commodity Cost[A]	Demand [A]	Customer Accounts [A]	Customer Meters[A]	Customer Services[A]	Private Fire[A]	Allocation Code(b)
		PLANT IN SERVICE								
1		**Source of Supply Plant**								
2	30320	Land and Land Rights	$ 196,394	$ 193,838	$ 2,555	$ -	$ -	$ -	$ -	FWT
3	30420	Structures and Improvements	576,150	568,653	7,497	-	-	-	-	FWT
4	30520	Collecting and Impounding Res.	-	-	-	-	-	-	-	FWT
5	30620	Lake River and Other Intakes	-	-	-	-	-	-	-	FWT
6	30720	Wells and Springs	875,564	864,172	11,393	-	-	-	-	FWT
7	30820	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	FWT
8	30920	Supply Mains	298,657	294,771	3,886	-	-	-	-	FWT
9		Total Source of Supply Plant	$ 1,946,765	$ 1,921,434	$ 25,331	$ -	$ -	$ -	$ -	
		Pumping Plant								
10	31020	Power Generation Equipment	$ 515,007	$ 508,306	$ 6,701	$ -	$ -	$ -	$ -	FPU
11	31120	Elec.&Diesel Pump.Equipment	501,374	494,850	6,524	-	-	-	-	FPU
12	31130	Other Pumpng Plant	-	-	-	-	-	-	-	FPU
13		Total Pumping Plant	$ 1,016,381	$ 1,003,156	$ 13,225	$ -	$ -	$ -	$ -	
		Water Treatment Plant								
14	30330	Land and Land Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FWT
15	30430	Structures and Improvements	-	-	-	-	-	-	-	FWT
16	32000	Water Treatment Equipment	-	-	-	-	-	-	-	FWT
17	32010	Water Treatment Plant	-	-	-	-	-	-	-	FWT
18	32020	Chemical Solution Feeders	10,130	9,998	132	-	-	-	-	FWT
19		'Total Water Treatment Plant	$ 10,130	$ 9,998	$ 132	$ -	$ -	$ -	$ -	
		Transmission and Distribution Plant								
20	30340	Land and Land Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FDS
21	30440	Structures and Improvements	-	-	-	-	-	-	-	FDS
22	33000	Dist. Reservoirs & Standpipe	-	-	-	-	-	-	-	FDS
23	33010	Storage tanks	201,161	198,543	2,617	-	-	-	-	FDS
24	33020	Pressure Tanks	99,689	98,392	1,297	-	-	-	-	FDS
25	33140	Trans. and Distrib.Mains	2,057,630	2,030,856	26,773	-	-	-	-	FTDM
26	33340	Services	1,824,384	-	-	-	-	1,824,384	-	FCS
27	33440	Meters and Meter Installations	670,540	-	-	-	670,540	-	-	FCM
28	33540	Hydrants	12,472	-	-	-	-	-	12,472	FFH
29	33600	Backflow Prevention Devices	-	-	-	-	-	-	-	FCS
30	33900	Other Plant and Equipment	89,986	-	-	-	-	89,986	-	FCS
31		Total Transmission and Distribution Plant	$ 4,955,861	$ 2,327,791	$ 30,688	$ -	$ 670,540	$ 1,914,370	$ 12,472	
32		**Gross Plant In Service before Intangible and Gen.**	$ 7,929,137	$ 5,262,379	$ 69,376	$ -	$ 670,540	$ 1,914,370	$ 12,472	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Rate Base and Plant Functionalization

Line No.	Acct No.	Description	Company Total (a)	Commodity Cost[A]	Demand [A]	Customer Accounts [A]	Customer Meters[A]	Customer Services[A]	Private Fire[A]	Allocation Code(b)
		General Plant								
33	30350	Land and Land Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FGPCC
34	30450	Structures and Improvements	-	-	-	-	-	-	-	FGPCC
35	34050	Furniture and Equipment	6,527	2,166	29	3,263	276	788	5	FGPCC
36	34060	Computer Hardware	-	-	-	-	-	-	-	FGPCC
37	34070	Computer Software	150,679	50,001	659	75,339	6,371	18,190	119	FGPCC
38	34150	Transportation Equipment	232,717	77,225	1,018	116,359	9,840	28,093	183	FGPCC
39	34250	Stores Equipment	-	-	-	-	-	-	-	FGPCC
40	34350	Tools, Shop and Garage Equipment	16,525	5,484	72	8,262	699	1,995	13	FGPCC
41	34450	Laboratory Equipment	-	-	-	-	-	-	-	FGPCC
42	34550	Power Operated Equipment	1,904	632	8	952	81	230	1	FGPCC
43	34650	Communication Equipment	56,338	18,695	246	28,169	2,382	6,801	44	FGPCC
44	34750	Miscellaneous Equipment	66,223	21,975	290	33,111	2,800	7,994	52	FGPCC
45	34751	Miscellaneous Equipment - CNG	-	-	-	-	-	-	-	FGPCC
46	34850	Other Tangible Property	-	-	-	-	-	-	-	FGPCC
47		Total General Plant	$ 530,913	$ 176,177	$ 2,323	$ 265,456	$ 22,449	$ 64,090	$ 418	
		Intangible Plant								
48	30110	Organization	$ 52,024	$ 34,527	$ 455	$ -	$ 4,399	$ 12,560	$ 82	FGPIS
49	30210	Franchises and Consents	-	-	-	-	-	-	-	FGPIS
50	33910	Misc. Intangible Plant	-	-	-	-	-	-	-	FGPIS
51		Total Intangible Plant	$ 52,024	$ 34,527	$ 455	$ -	$ 4,399	$ 12,560	$ 82	
52		Reconciling Amount	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FPIS
53		**Subotal Gross Plant In Service(c)**	$ 8,512,073	$ 5,473,083	$ 72,153	$ 265,456	$ 697,388	$ 1,991,021	$ 12,971	
		Allocated Coporate Plant								
54	90300	Land and Land Rights	2,530	840	11	1,265	107	305	2	FGPCC
55	90400	Structures and Improvments	83,682	27,769	366	41,841	3,538	10,102	66	FGPCC
56	94000	Office Furniture and Fixtures	11,448	3,799	50	5,724	484	1,382	9	FGPCC
57	94010	Computers and Software	31,290	10,383	137	15,645	1,323	3,777	25	FGPCC
58	94020	Customer First	548,020	181,854	2,397	274,010	23,172	66,156	431	FGPCC
59	95500	Power Generation	62	20	0	31	3	7	0	FGPCC
60	99500	Power Operated Equipment	10,168	3,374	44	5,084	430	1,227	8	FGPCC
61		**Subotal Allocated Corporate Plant**	$ 687,199	$ 228,039	$ 3,006	$ 343,600	$ 29,057	$ 82,957	$ 540	
54		**Total Gross Plant In Service(c)**	**$ 9,199,272**	**$ 5,701,122**	**$ 75,160**	**$ 609,056**	**$ 726,445**	**$ 2,073,978**	**$ 13,512**	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Rate Base and Plant Functionalization

Line No.	Acct No.	Description	Company Total (a)	Commodity Cost[A]	Demand [A]	Customer Accounts [A]	Customer Meters[A]	Customer Services[A]	Private Fire[A]	Allocation Code(b)
		ACCUMULATED DEPRECIATION AND AMORTIZATION								
		Source of Supply Plant								
63	30320	Land and Land Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FWT
64	30420	Structures and Improvements	50,179	49,526	653	-	-	-	-	FWT
65	30520	Collecting and Impounding Res.	-	-	-	-	-	-	-	FWT
66	30620	Lake River and Other Intakes	-	-	-	-	-	-	-	FWT
67	30720	Wells and Springs	203,193	200,549	2,644	-	-	-	-	FWT
68	30820	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	FWT
69	30920	Supply Mains	16,157	15,947	210	-	-	-	-	FWT
70		Total Source of Supply Plant	$ 269,529	$ 266,022	$ 3,507	$ -	$ -	$ -	$ -	
		Pumping Plant								
71	31020	Power Generation Equipment	$ 14,626	$ 14,436	$ 190	$ -	$ -	$ -	$ -	FPU
72	31120	Elec.&Diesel Pump.Equipment	199,279	196,686	2,593	-	-	-	-	FPU
73	31130	Other Pumping Equipment	-	-	-	-	-	-	-	FPU
74		Total Pumping Plant	$ 213,905	$ 211,122	$ 2,783	$ -	$ -	$ -	$ -	
		Total Water Treatment Plant								
75	30330	Land and Land Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FWT
76	30430	Structures and Improvements	-	-	-	-	-	-	-	FWT
77	32000	Water Treatment Equipment	-	-	-	-	-	-	-	FWT
78	32010	Water Treatment Plant	-	-	-	-	-	-	-	FWT
79	32020	Chemical Solution Feeders	4,543	4,484	59	-	-	-	-	FWT
80		'Total Water Treatment Plant	$ 4,543	$ 4,484	$ 59	$ -	$ -	$ -	$ -	
		Transmission and Distribution Plant								
81	30340	Land and Land Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FDS
82	30440	Structures and Improvements	-	-	-	-	-	-	-	FDS
83	33000	Dist. Reservoirs & Standpipe	-	-	-	-	-	-	-	FDS
84	33010	Storage tanks	107,766	106,364	1,402	-	-	-	-	FDS
85	33020	Pressure Tanks	14,123	13,939	184	-	-	-	-	FDS
86	33140	Trans. and Distrib.Mains	665,642	656,981	8,661	-	-	-	-	FTDM
87	33340	Services	134,520	-	-	-	-	134,520	-	FCS
88	33440	Meters and Meter Installations	149,792	-	-	-	149,792	-	-	FCM
89	33540	Hydrants	707	-	-	-	-	-	707	FFH
	33600	Backflow Prevention Devices	-	-	-	-	-	-	-	FCS
90	33900	Other Plant and Equipment	66,992	-	-	-	-	66,992	-	FCS
91		Total Transmission and Distribution Plant	$ 1,139,541	$ 777,284	$ 10,247	$ -	$ 149,792	$ 201,512	$ 707	

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Rate Base and Plant Functionalization

Line No.	Acct No.	Description	Company Total (a)	Commodity Cost[A]	Demand [A]	Customer Accounts [A]	Customer Meters[A]	Customer Services[A]	Private Fire[A]	Allocation Code(b)
		General Plant								
92	30350	Land and Land Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FGPCC
93	30450	Structures and Improvements	-	-	-	-	-	-	-	FGPCC
94	34050	Furniture and Equipment	5,927	1,967	26	2,964	251	716	5	FGPCC
95	34060	Computer Hardware	-	-	-	-	-	-	-	FGPCC
96	34070	Computer Software	88,127	29,244	386	44,063	3,726	10,638	69	FGPCC
97	34150	Transportation Equipment	119,630	39,698	523	59,815	5,058	14,441	94	FGPCC
98	34250	Stores Equipment	-	-	-	-	-	-	-	FGPCC
99	34350	Tools, Shop and Garage Equipment	1,441	478	6	720	61	174	1	FGPCC
100	34450	Laboratory Equipment	-	-	-	-	-	-	-	FGPCC
101	34550	Power Operated Equipment	936	311	4	468	40	113	1	FGPCC
102	34650	Communication Equipment	9,211	3,056	40	4,605	389	1,112	7	FGPCC
103	34750	Miscellaneous Equipment	19,814	6,575	87	9,907	838	2,392	16	FGPCC
104	34751	Miscellaneous Equipment - CNG	-	-	-	-	-	-	-	FGPCC
105	34850	Other Tangible Property	-	-	-	-	-	-	-	FGPCC
106	34750	Total General Plant	$ 245,085	$ 81,329	$ 1,072	$ 122,543	$ 10,363	$ 29,586	$ 193	
107		Retirement Work in Progress	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FPIS
108		Advances in Aid of Construction	-	-	-	-	-	-	-	FPIS
109		**Subtotal Accumulated Depreciation/Amortization(c)**	$ 1,872,604	$ 1,340,240	$ 17,669	$ 122,543	$ 160,155	$ 231,098	$ 900	
110		**Allocated Corporate Accumulated Depreciation**								
111	90300	Land and Land Rights	-	-	-	-	-	-	-	FGPCC
112	90400	Structures and Improvments	5,192	1,723	23	2,596	220	627	4	FGPCC
113	94000	Office Furniture and Fixtures	1,400	465	6	700	59	169	1	FGPCC
114	94010	Computers and Software	2,329	773	10	1,165	98	281	2	FGPCC
115	94020	Customer First	5,282	1,753	23	2,641	223	638	4	FGPCC
116	95500	Power Generation	6	2	0	3	0	1	0	FGPCC
117	99500	Power Operated Equipment	932	309	4	466	39	113	1	FGPCC
118		**Subotal Allocated Corporate Accumulated Depreciation**	$ 15,140.82	$ 5,024.30	$ 66.24	$ 7,570.41	$ 640.20	$ 1,827.76	$ 11.91	
119		**Accumulated Depreciation/Amortization(c)**	**$ 1,887,744**	**$ 1,345,265**	**$ 17,735**	**$ 130,113**	**$ 160,795**	**$ 232,926**	**$ 911**	
120		**Net Plant**	**$ 7,311,528**	**$ 4,355,857**	**$ 57,425**	**$ 478,943**	**$ 565,650**	**$ 1,841,052**	**$ 12,601**	
121		Construction Work In Progress	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FNP
122		Plus: Working Capital Assets/Other (net)	$ 585,723	$ 348,946	$ 4,600	$ 38,368	$ 45,314	$ 147,486	$ 1,009	FNPCA
123		Less:Contributions & Advances in Aid of Construction	$ (382,469)	$ (227,857)	$ (3,004)	$ (25,054)	$ (29,589)	$ (96,306)	$ (659)	FNP
124		**Total Rate Base**	**$ 7,514,781**	**$ 4,476,946**	**$ 59,021**	**$ 492,257**	**$ 581,375**	**$ 1,892,231**	**$ 12,951**	

Supporting Schedules
(a) B-1, (b) G-7b, (c) B-2

Recap Schedules
[A] G-2

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
O&M Expenses, Depreciation Expenses and Income Functionalization at Present Revenues

Line No.	Acct No.	Description	Adjusted Test Year(a)	Commodity Cost[A]	Demand [A]	Customer Accounts [A]	Customer Meters[A]	Customer Services[A]	Private Fire[A]	Allocation Code(b)	Labor
		INCOME STATEMENT									
		Source of Supply Expenses									
		Operation									
1	610.1	Purchased Water	1,445	1,427	19	-	-	-	-	FSS	
2	615.1	Purchased Power	18,662	18,662	-	-	-	-	-	FPP	
3	618.1	Chemicals	65	65	-	-	-	-	-	FBC	
4	634.1	Contractual Services - Management Fees	51,625	50,953	672	-	-	-	-	FSS	
5	636.1	Contractual Services - Other	110,541	109,102	1,438	-	-	-	-	FSS	
6	650.1	Transportation Expenses	6,275	6,194	82	-	-	-	-	FSS	
7		Total Operation	$ 188,613	$ 186,403	$ 2,211	$ -	$ -	$ -	$ -		
		Maintenance									
8	620.2	Materials and Supplies	5,790	5,790	-	-	-	-	-	FBC	
9	641.2	Rental of Building/Real Property	3,103	3,063	40	-	-	-	-	FSS	
10		Total Maintenance	$ 8,893	$ 8,852	$ 40	$ -	$ -	$ -	$ -		
11		**Total Source of Supply Expenses**	$ 197,506	$ 195,255	$ 2,251	$ -	$ -	$ -	$ -		
		Water Treatment Expenses									
		Operation									
12	615.3	Purchased Power	13,629	13,451	177	-	-	-	-	FWT	
13	618.3	Chemicals	5,975	5,975	-	-	-	-	-	FBC	
14	634.3	Contractual Services - Management Fees	51,625	50,953	672	-	-	-	-	FWT	
15	636.3	Contractual Services - Other	55,646	54,922	724	-	-	-	-	FWT	
16	650.3	Transportation Expenses	3,138	3,097	41	-	-	-	-	FWT	
17		Total Operation	$ 130,012	$ 128,398	$ 1,614	$ -	$ -	$ -	$ -		
		Maintenance									
18	620.4	Materials and Supplies	5,790	5,790	-	-	-	-	-	FBC	
19		Total Maintenance	$ 5,790	$ 5,790	$ -	$ -	$ -	$ -	$ -		
20		**Total Water Treatment**	$ 135,802	$ 134,188	$ 1,614	$ -	$ -	$ -	$ -		
21		**Total Production Expenses**	$ 333,308	$ 329,443	$ 3,865	$ -	$ -	$ -	$ -		
		Transmission and Distribution Expenses									
		Operation									
22	615.5	Purchased Power	13,629	6,401	84	-	1,844	5,264	34	FTD	
23	634.5	Contractual Services - Management Fees	64,531	30,310	400	-	8,731	24,927	162	FTD	
24	635.5	Contractual Services - Testing	1,596	750	10	-	216	617	4	FTD	
25	636.5	Contractual Services - Other	55,834	26,225	346	-	7,554	21,568	141	FTD	
26	650.5	Transportation Expenses	3,138	1,474	19	-	425	1,212	8	FTD	
27		Total Operation	$138,727	65,161	859	0	18,770	53,588	349		
		Maintenance									
28	620.6	Materials and Supplies	5,790	2,720	36	-	783	2,237	15	FTD	
29		Total Maintenance	$ 5,790	$ 2,720	$ 36	$ -	$ 783	$ 2,237	$ 15		
30		**Total Transmission & Distribution Expenses**	$ 144,517	$ 67,880	$ 895	$ -	$ 19,554	$ 55,825	$ 364		

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
O&M Expenses, Depreciation Expenses and Income Functionalization at Present Revenues

Line No.	Acct No.	Description	Adjusted Test Year(a)	Commodity Cost[A]	Demand [A]	Customer Accounts [A]	Customer Meters[A]	Customer Services[A]	Private Fire[A]	Allocation Code(b)	Labor
		Customer Accounts Expenses									
		Operation									
31	620.7	Materials and Supplies	965	-	-	965	-	-	-	FCC	
32	634.7	Contractual Services - Management Fees	64,531	-	-	64,531	-	-	-	FCC	
33	636.7	Contractual Services - Other	28,387	-	-	28,387	-	-	-	FCC	
34	650.7	Transportation Expenses	1,569	-	-	1,569	-	-	-	FCC	
35	670.7	Bad Debt Expense	17,462	-	-	17,462	-	-	-	FCC	
36	675.7	Miscellaneous Expenses	4,414	-	-	4,414	-	-	-	FCC	
37		**Total Customer Accounts Expenses**	$ 117,327	$ -	$ -	$ 117,327	$ -	$ -	$ -		
38		**Total O&M w/oA&G Expenses**	$ 595,152	$ 397,324	$ 4,760	$ 117,327	$ 19,554	$ 55,825	$ 364		
		Administrative and General Expenses									
		Operation									
39	620.8	Materials and Supplies	965	319	4	583	15	43	0	FTOMPIS	
40	632.8	Contractual Services - Accounting	12,544	4,148	52	7,580	197	563	4	FTOMPIS	
41	633.8	Contractual Services - Legal	4,623	1,529	19	2,793	73	208	1	FTOMPIS	
42	634.8	Contractual Services - Management Fees	25,812	8,536	107	15,596	406	1,159	8	FTOMPIS	
43	636.8	Contractual Services - Other	27,823	9,201	116	16,811	438	1,250	8	FTOMPIS	
44	642.8	Rental of Equipment	15,370	5,083	64	9,287	242	690	4	FTOMPIS	
45	650.8	Transportation Expenses	1,346	445	6	813	21	60	0	FTOMPIS	
46	668.8	Water Resource Conservation Expense	22,800	15,079	189	4,753	717	2,048	13	FTOMWPC	
47	675.8	Miscellaneous Expenses	28,220	9,332	117	17,051	444	1,267	8	FTOMPIS	
48		Total Operation	$ 139,503	$ 53,671	$ 674	$ 75,268	$ 2,553	$ 7,290	$ 47		
		Maintenance									
		Other - Maintenance	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
49		**Total Administrative and General Expenses**	$ 139,503	$ 53,671	$ 674	$ 75,268	$ 2,553	$ 7,290	$ 47		
50		**Total Operation and Maintenance Expenses**	$ 734,656	$ 450,995	$ 5,434	$ 192,594	$ 22,107	$ 63,114	$ 411		
51		**Depreciation & Amort Expense**	$ 426,538	$ 227,956	$ 3,005	$ 57,373	$ 58,080	$ 79,748	$ 376		
52		**Taxes Other Than Income**	$ 47,983	$ 28,586	$ 377	$ 3,143	$ 3,712	$ 12,082	$ 83	FNP	
53		**Total Operating Expenses Before Income Taxes**	$ 1,209,177	$ 707,537	$ 8,816	$ 253,111	$ 83,899	$ 154,945	$ 870		
		Total Labor	$ -	$ -	$ -	$ -	$ -	$ -	$ -		L

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
O&M Expenses, Depreciation Expenses and Income Functionalization at Present Revenues

Line No.	Acct No.	Description	Adjusted Test Year(a)	Commodity Cost[A]	Demand [A]	Customer Accounts [A]	Customer Meters[A]	Customer Services[A]	Private Fire[A]	Allocation Code(b)	Labor
		Depreciation Expense									
		Source of Supply Plant									
	303.2	Land and Land Rights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FECMD	
54	304.2	Structures and Improvements	19,111	18,862	249	-	-	-	-	FECMD	
55	307.2	Wells and Springs	28,644	28,272	373	-	-	-	-	FECMD	
56	309.2	Supply Mains	5,973	5,895	78	-	-	-	-	FECMD	
57		Total Source of Supply Plant	$ 53,728	$ 53,029	$ 699	$ -	$ -	$ -	$ -		
		Pumping Plant									
58	311.2	Power Generation Equipment	25,750	25,415	335	-	-	-	-	FPU	
59	311.3	Elec.&Diesel Pump.Equipment	55,112	54,394	717	-	-	-	-	FPU	
60		Total Pumping Plant	$ 80,862	$ 79,810	$ 1,052	$ -	$ -	$ -	$ -		
		Water Treatment Plant									
61	320.2	Chemical Solution Feeders	1,739	1,717	23	-	-	-	-	FECMD	
62		Total Pumping & Purification	$ 1,739	$ 1,717	$ 23	$ -	$ -	$ -	$ -		
		Transmission and Distribution Plant									
63	303.4	Land and Land Rights	$ 0	$ 0	$ 0	$ -	$ -	$ -	$ -	FDS	
64	304.4	Structures and Improvements	0	0	0	-	-	-	-	FDS	
65	330.1	Storage tanks	3,190	3,148	42	-	-	-	-	FDS	
66	330.2	Pressure Tanks	4,984	4,920	65	-	-	-	-	FDS	
67	331.4	Trans. and Distrib.Mains	29,923	29,533	389	-	-	-	-	FTDM	
68	333.4	Services	60,307	-	-	-	-	60,307	-	FCS	
69	334.4	Meters and Meter Installations	51,270	-	-	-	51,270	-	-	FCM	
70	335.4	Hydrants	249	-	-	-	-	-	249	FFH	
71	339.0	Other Plant & Equipment	2,390	2,359	31	-	-	-	-	FDS	
72		Total Transmission and Distribution Plant	$ 152,314	$ 39,960	$ 527	$ -	$ 51,270	$ 60,307	$ 249		

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
O&M Expenses, Depreciation Expenses and Income Functionalization at Present Revenues

Line No.	Acct No.	Description	Adjusted Test Year(a)	Commodity Cost[A]	Demand [A]	Customer Accounts [A]	Customer Meters[A]	Customer Services[A]	Private Fire[A]	Allocation Code(b)	Labor
		General Plant									
73	340.5	Furniture and Equipment	339	113	1	170	14	41	0	FGPCC	
74	340.7	Computer Software	17,667	5,863	77	8,834	747	2,133	14	FGPCC	
75	341.5	Transportation Equipment	46,543	15,445	204	23,272	1,968	5,619	37	FGPCC	
76	343.5	Tools,Shop and Garage Equip.	826	274	4	413	35	100	1	FGPCC	
77	345.5	Power Operated Equipment	95	32	0	48	4	11	0	FGPCC	
78	346.5	Communication Equipment	5,634	1,870	25	2,817	238	680	4	FGPCC	
79	347.5	Miscellaneous Equipment	6,564	2,178	29	3,282	278	792	5	FGPCC	
80		Total General Plant	$ 77,670	$ 25,774	$ 340	$ 38,835	$ 3,284	$ 9,376	$ 61		
81		Subtotal Direct Depreciation Expense	**$ 366,314**	**$ 200,290**	**$ 2,640**	**$ 38,835**	**$ 54,554**	**$ 69,684**	**$ 311**		
		Amortization of Property Losses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FGPIS	
82	903	Land and Land Rights	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	FGPCC	
83	904	Structures and Improvments	2,142	711	9	1,071	91	259	2	FGPCC	
84	940	Office Furniture and Fixtures	764	253	3	382	32	92	1	FGPCC	
85	940.1	Computers and Software	6,258	2,077	27	3,129	265	755	5	FGPCC	
86	940.2	Customer First	27,401	9,093	120	13,700	1,159	3,308	22	FGPCC	
87	955	Power Generation	3	1	0	2	0	0	0	FGPCC	
86	995	Power Operated Equipment	508	169	2	254	21	61	0	FGPCC	
88		Subtotal Allocated Depreciation Expense	$ 37,076	$ 12,303	$ 162	$ 18,538	$ 1,568	$ 4,476	$ 29		
		Amortization of Regulatory Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FGPIS	
89		CIAC/EADIT Amortization - General	$ 23,148	$ 15,363	$ 203	$ -	$ 1,958	$ 5,589	$ 36	FGPIS	
90		Total Depreciation & Amortization	**$ 426,538**	**$ 227,956**	**$ 3,005**	**$ 57,373**	**$ 58,080**	**$ 79,748**	**$ 376**		

Supporting Schedules
(a) B-2 ; (b) G-7b

Recap Schedules
[A] G-3

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
O&M Expenses, Depreciation Expenses and Income Functionalization at Proposed Revenues

Line No.	Acct No.	Description	Adjusted Test Year(a)	Commodity Cost[A]	Demand [A]	Customer Accounts [A]	Customer Meters[A]	Customer Services[A]	Private Fire[A]	Allocation Code(b)	Labor
		INCOME STATEMENT									
		Source of Supply Expenses									
		Operation									
1	610.1	Purchased Water	1,445	1,427	19	-	-	-	-	FSS	
2	615.1	Purchased Power	18,662	18,662	-	-	-	-	-	FPP	
3	618.1	Chemicals	65	65	-	-	-	-	-	FBC	
4	634.1	Contractual Services - Management Fees	51,625	50,953	672	-	-	-	-	FSS	
5	636.1	Contractual Services - Other	110,541	109,102	1,438	-	-	-	-	FSS	
6	650.1	Transportation Expenses	6,275	6,194	82	-	-	-	-	FSS	
7		Total Operation	$ 188,613	$ 186,403	$ 2,211	$ -	$ -	$ -	$ -		
		Maintenance									
8	620.2	Materials and Supplies	5,790	5,790	-	-	-	-	-	FBC	
9	641.2	Rental of Building/Real Property	3,103	3,063	40	-	-	-	-	FSS	
10		Total Maintenance	$ 8,893	$ 8,852	$ 40	$ -	$ -	$ -	$ -		
11		**Total Source of Supply Expenses**	$ 197,506	$ 195,255	$ 2,251	$ -	$ -	$ -	$ -		
		Water Treatment Expenses									
		Operation									
12	615.3	Purchased Power	13,629	13,451	177	-	-	-	-	FWT	
13	618.3	Chemicals	5,975	5,975	-	-	-	-	-	FBC	
14	634.3	Contractual Services - Management Fees	51,625	50,953	672	-	-	-	-	FWT	
15	636.3	Contractual Services - Other	55,646	54,922	724	-	-	-	-	FWT	
16	650.3	Transportation Expenses	3,138	3,097	41	-	-	-	-	FWT	
17		Total Operation	$ 130,012	$ 128,398	$ 1,614	$ -	$ -	$ -	$ -		
		Maintenance									
18	620.4	Materials and Supplies	5,790	5,790	-	-	-	-	-	FBC	
19		Total Maintenance	$ 5,790	$ 5,790	$ -	$ -	$ -	$ -	$ -		
20		**Total Water Treatment**	$ 135,802	$ 134,188	$ 1,614	$ -	$ -	$ -	$ -		
21		**Total Production Expenses**	$ 333,308	$ 329,443	$ 3,865	$ -	$ -	$ -	$ -		
		Transmission and Distribution Expenses									
		Operation									
22	615.5	Purchased Power	13,629	6,401	84	-	1,844	5,264	34	FTD	
23	634.5	Contractual Services - Management Fees	64,531	30,310	400	-	8,731	24,927	162	FTD	
24	635.5	Contractual Services - Testing	1,596	750	10	-	216	617	4	FTD	
25	636.5	Contractual Services - Other	55,834	26,225	346	-	7,554	21,568	141	FTD	
26	650.5	Transportation Expenses	3,138	1,474	19	-	425	1,212	8	FTD	
27		Total Operation	$138,727	65,161	859	0	18,770	53,588	349		
		Maintenance									
28	620.6	Materials and Supplies	5,790	2,720	36	-	783	2,237	15	FTD	
29		Total Maintenance	$ 5,790	$ 2,720	$ 36	$ -	$ 783	$ 2,237	$ 15		
30		**Total Transmission & Distribution Expenses**	$ 144,517	$ 67,880	$ 895	$ -	$ 19,554	$ 55,825	$ 364		

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
O&M Expenses, Depreciation Expenses and Income Functionalization at Proposed Revenues

Line No.	Acct No.	Description	Adjusted Test Year(a)	Commodity Cost[A]	Demand [A]	Customer Accounts [A]	Customer Meters[A]	Customer Services[A]	Private Fire[A]	Allocation Code(b)	Labor
		Customer Accounts Expenses									
		Operation									
31	620.7	Materials and Supplies	965	-	-	965	-	-	-	FCC	
32	634.7	Contractual Services - Management Fees	64,531	-	-	64,531	-	-	-	FCC	
33	636.7	Contractual Services - Other	28,387	-	-	28,387	-	-	-	FCC	
34	650.7	Transportation Expenses	1,569	-	-	1,569	-	-	-	FCC	
35	670.7	Bad Debt Expense	54,213	-	-	54,213	-	-	-	FCC	
36	675.7	Miscellaneous Expenses	4,414	-	-	4,414	-	-	-	FCC	
37		**Total Customer Accounts Expenses**	$ 154,078	$ -	$ -	$ 154,078	$ -	$ -	$ -		
38		**Total O&M w/oA&G Expenses**	$ 631,904	$ 397,324	$ 4,760	$ 154,078	$ 19,554	$ 55,825	$ 364		
		Administrative and General Expenses									
		Operation									
39	620.8	Materials and Supplies	965	319	4	583	15	43	0	FTOMPIS	
40	632.8	Contractual Services - Accounting	12,544	4,148	52	7,580	197	563	4	FTOMPIS	
41	633.8	Contractual Services - Legal	4,623	1,529	19	2,793	73	208	1	FTOMPIS	
42	634.8	Contractual Services - Management Fees	25,812	8,536	107	15,596	406	1,159	8	FTOMPIS	
43	636.8	Contractual Services - Other	27,823	9,201	116	16,811	438	1,250	8	FTOMPIS	
44	642.8	Rental of Equipment	15,370	5,083	64	9,287	242	690	4	FTOMPIS	
45	650.8	Transportation Expenses	1,346	445	6	813	21	60	0	FTOMPIS	
46	668.8	Water Resource Conservation Expense	22,800	15,079	189	4,753	717	2,048	13	FTOMWPC	
47	675.8	Miscellaneous Expenses	28,220	9,332	117	17,051	444	1,267	8	FTOMPIS	
48		Total Operation	$ 139,503	$ 53,671	$ 674	$ 75,268	$ 2,553	$ 7,290	$ 47		
		Maintenance									
		Other - Maintenance	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
49		**Total Administrative and General Expenses**	$ 139,503	$ 53,671	$ 674	$ 75,268	$ 2,553	$ 7,290	$ 47		
50		**Total Operation and Maintenance Expenses**	$ 771,407	$ 450,995	$ 5,434	$ 229,346	$ 22,107	$ 63,114	$ 411		
51		**Depreciation & Amort Expense**	$ 426,538	$ 227,956	$ 3,005	$ 57,373	$ 58,080	$ 79,748	$ 376		
52		**Taxes Other Than Income**	$ 65,514	$ 39,030	$ 515	$ 4,291	$ 5,068	$ 16,496	$ 113	FNP	
53		**Total Operating Expenses Before Income Taxes**	$ 1,263,459	$ 717,981	$ 8,954	$ 291,011	$ 85,255	$ 159,359	$ 900		
		Total Labor	$ -	$ -	$ -	$ -	$ -	$ -	$ -		L

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
O&M Expenses, Depreciation Expenses and Income Functionalization at Proposed Revenues

Line No.	Acct No.	Description	Adjusted Test Year(a)	Commodity Cost[A]	Demand [A]	Customer Accounts [A]	Customer Meters[A]	Customer Services[A]	Private Fire[A]	Allocation Code(b)	Labor
		Depreciation Expense									
		Source of Supply Plant									
54	304.2	Structures and Improvements	19,111	18,862	249	-	-	-	-	FECMD	
55	307.2	Wells and Springs	28,644	28,272	373	-	-	-	-	FECMD	
56	309.2	Supply Mains	5,973	5,895	78	-	-	-	-	FECMD	
57		Total Source of Supply Plant	$ 53,728	$ 53,029	$ 699	$ -	$ -	$ -	$ -		
		Pumping Plant									
58	311.2	Power Generation Equipment	25,750	25,415	335	-	-	-	-	FPU	
59	311.3	Elec.&Diesel Pump.Equipment	55,112	54,394	717	-	-	-	-	FPU	
60		Total Pumping Plant	$ 80,862	$ 79,810	$ 1,052	$ -	$ -	$ -	$ -		
		Water Treatment Plant									
61	320.2	Chemical Solution Feeders	1,739	1,717	23	-	-	-	-	FECMD	
62		Total Pumping & Purification	$ 1,739	$ 1,717	$ 23	$ -	$ -	$ -	$ -		
		Transmission and Distribution Plant									
63	330.1	Storage tanks	3,190	3,148	42	-	-	-	-	FDS	
64	330.2	Pressure Tanks	4,984	4,920	65	-	-	-	-	FDS	
65	331.4	Trans. and Distrib.Mains	29,923	29,533	389	-	-	-	-	FTDM	
66	333.4	Services	60,307	-	-	-	-	60,307	-	FCS	
67	334.4	Meters and Meter Installations	51,270	-	-	-	51,270	-	-	FCM	
68	335.4	Hydrants	249	-	-	-	-	-	249	FFH	
69	339.0	Other Plant & Equipment	2,390	2,359	31	-	-	-	-	FDS	
70		Total Transmission and Distribution Plant	$ 152,314	$ 39,960	$ 527	$ -	$ 51,270	$ 60,307	$ 249		

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
O&M Expenses, Depreciation Expenses and Income Functionalization at Proposed Revenues

Line No.	Acct No.	Description	Adjusted Test Year(a)	Commodity Cost[A]	Demand [A]	Customer Accounts [A]	Customer Meters[A]	Customer Services[A]	Private Fire[A]	Allocation Code(b)	Labor
		General Plant									
71	340.5	Furniture and Equipment	339	113	1	170	14	41	0	FGPCC	
72	340.7	Computer Software	17,667	5,863	77	8,834	747	2,133	14	FGPCC	
73	341.5	Transportation Equipment	46,543	15,445	204	23,272	1,968	5,619	37	FGPCC	
74	343.5	Tools,Shop and Garage Equip.	826	274	4	413	35	100	1	FGPCC	
75	345.5	Power Operated Equipment	95	32	0	48	4	11	0	FGPCC	
76	346.5	Communication Equipment	5,634	1,870	25	2,817	238	680	4	FGPCC	
77	347.5	Miscellaneous Equipment	6,564	2,178	29	3,282	278	792	5	FGPCC	
78		Total General Plant	$ 77,670	$ 25,774	$ 340	$ 38,835	$ 3,284	$ 9,376	$ 61		
79		Subtotal Direct Depreciation Expense	**$ 366,314**	**$ 200,290**	**$ 2,640**	**$ 38,835**	**$ 54,554**	**$ 69,684**	**$ 311**		
		Amortization of Property Losses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FGPIS	
80	903	Land and Land Rights	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	FGPCC	
81	904	Structures and Improvments	2,142	711	9	1,071	91	259	2	FGPCC	
82	940	Office Furniture and Fixtures	764	253	3	382	32	92	1	FGPCC	
83	940.1	Computers and Software	6,258	2,077	27	3,129	265	755	5	FGPCC	
84	940.2	Customer First	27,401	9,093	120	13,700	1,159	3,308	22	FGPCC	
85	955	Power Generation	3	1	0	2	0	0	0	FGPCC	
86	995	Power Operated Equipment	508	169	2	254	21	61	0	FGPCC	
87		Subtotal Allocated Depreciation Expense	$ 37,076	$ 12,303	$ 162	$ 18,538	$ 1,568	$ 4,476	$ 29		
		Amortization of Regulatory Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	FGPIS	
88		CIAC/AIAC Amortization - General	$ 23,148	$ 15,363	$ 203	$ -	$ 1,958	$ 5,589	$ 36	FGPIS	
89		Total Depreciation & Amortization	**$ 426,538**	**$ 227,956**	**$ 3,005**	**$ 57,373**	**$ 58,080**	**$ 79,748**	**$ 376**		

Supporting Schedules
(a) B-2 ; (b) G-7b

Recap Schedules
[A] G-3

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Development of Allocation Factors by Function

Line No		Allocation Factor	Total (1)	Commodity (2)	Demand (3)	Customer Accounts (5)	Customer Meters (6)	Customer Services (7)	Fire Hydrants (8)
1									
2	**ALLOCATION RATIOS**								
3									
4	**EXTERNAL FACTORS**								
5									
6	**DEMAND**								
7									
8	Commodity	FBC	100.0000%	100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
9	Demand	FECMD	100.0000%	98.6988%	1.3012%	0.0000%	0.0000%	0.0000%	0.0000%
10									
11	Pumping Equipment	FPU	100.0000%	98.6988%	1.3012%	0.0000%	0.0000%	0.0000%	0.0000%
12	Distribution Storage	FDS	100.0000%	98.6988%	1.3012%	0.0000%	0.0000%	0.0000%	0.0000%
13	Transmission & Distribution Mains	FTDM	100.0000%	98.6988%	1.3012%	0.0000%	0.0000%	0.0000%	0.0000%
14	Treatment Plant	FWT	100.0000%	98.6988%	1.3012%	0.0000%	0.0000%	0.0000%	0.0000%
15									
16	**CUSTOMER**								
17									
18	Customer Accounts	FCC	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%	0.0000%
19	Customer Meters	FCM	100.0000%	0.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
20	Customer Services	FCS	100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	100.0000%	0.0000%
21									
22	**FIRE**								
23	Fire Hydrants	FFH	100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	100.0000%
24									
25	**Purchased Power**								
26	Purchased Power	FPP	100.0000%	100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
27									
28	**INTERNAL FACTORS**								
29									
30	Net Plant	FNP	100.0000%	59.5752%	0.7854%	6.5505%	7.7364%	25.1801%	0.1723%
31	Net Plant w/CIAC	FNPCA	100.0000%	59.5752%	0.7854%	6.5505%	7.7364%	25.1801%	0.1723%
32	Gross Plant In Service (excl Intangible and Gen.)	FGPIS	100.0000%	66.3676%	0.8749%	0.0000%	8.4567%	24.1435%	0.1573%
33	Total O&M w/oA&G Expenses	FTOMW	100.0000%	66.7600%	0.7997%	19.7138%	3.2855%	9.3799%	0.0611%
34	Labor	FLA	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
35	Source of Supply Plant	FSS	100.0000%	98.6988%	1.3012%	0.0000%	0.0000%	0.0000%	0.0000%
36	Pumping & Purification Plant	FWT	100.0000%	98.6988%	1.3012%	0.0000%	0.0000%	0.0000%	0.0000%
37	Transmission & Distrib Plant	FTD	100.0000%	46.9705%	0.6192%	0.0000%	13.5302%	38.6284%	0.2517%
38	General & Admin. Plant (See Note 1)	FGPCC	100.0000%	33.1838%	0.4375%	50.0000%	4.2283%	12.0717%	0.0786%
39	50/50 Labor and Gross Plant	FOT	100.0000%	66.3676%	0.8749%	0.0000%	8.4567%	24.1435%	0.1573%
40	Plant In Service	FPIS	100.0000%	61.9736%	0.8170%	6.6207%	7.8968%	22.5450%	0.1469%
41	Total O&M w/oA&G Expenses w/o power & chemicals	FTOMWPC	100.0000%	66.1371%	0.8306%	20.8447%	3.1463%	8.9827%	0.0585%
42	General & Admin Expenses (See Note 2)	FTOMPIS	100.0000%	33.0685%	0.4153%	60.4224%	1.5732%	4.4914%	0.0293%

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Development of Allocation Factors by Function

Line No		Allocation Factor		Total (1)	Commodity (2)	Demand (3)	Customer Accounts (5)	Customer Meters (6)	Customer Services (7)	Fire Hydrants (8)
43	**INPUTS FOR RATIOS**									
44										
45	**EXTERNAL INPUTS**									
46										
47	DEMAND									
48										
49	Peak Day Usage (MGD)		222.44							
50										
51	Annual Production (MG)		1,056.432							
52										

Calculation of Demand

		MGD	Ratio	Commodity	Demand
FBC	Avg Day	2.894	1.000		1.000
FECMD	Max Day	222.440	76.853	0.987	0.013

60					Commodity	Demand						
61	Purchased Power	FPP	100.0	100.0	100.0	-						
62												
63												
64												
65	**INTERNAL INPUTS**											
66												
67												
68			Schedule G3a									
69	Gross Plant In Service (excludes intangibles & Gen)	FGPIS	$ 7,929,137	$ 7,929,137	$ 5,262,379	$ 69,376	$ -	$ 670,540	$ 1,914,370	$ 12,472		
70	Plant In Service	FPIS	$ 9,199,272	$ 9,199,272	$ 5,701,122	$ 75,160	$ 609,056	$ 726,445	$ 2,073,978	$ 13,512		
71	Net Plant w/CIAC	FNPCA	$ 6,929,059	$ 6,929,059	$ 4,128,000	$ 54,421	$ 453,889	$ 536,061	$ 1,744,746	$ 11,941		
72	Net Plant	FNP	$ 7,311,528	$ 7,311,528	$ 4,355,857	$ 57,425	$ 478,943	$ 565,650	$ 1,841,052	$ 12,601		
73	Total O&M w/oA&G Expenses	FTOMW	$ 595,152	$ 595,152	$ 397,324	$ 4,760	$ 117,327	$ 19,554	$ 55,825	$ 364		
74	Labor	FLA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
75	Source of Supply Plant	FSS	$ 1,946,765	$ 1,946,765	$ 1,921,434	$ 25,331	$ -	$ -	$ -	$ -		
76	Pumping & Purification Plant	FWT	$ 1,016,381	$ 1,016,381	$ 1,003,156	$ 13,225	$ -	$ -	$ -	$ -		
77	Transmission & Distrib Plant	FTD	$ 4,955,861	$ 4,955,861	$ 2,327,791	$ 30,688	$ -	$ 670,540	$ 1,914,370	$ 12,472		
78	Total O&M w/oA&G Expenses w/o power & chemicals	FTOMWPC	$ 562,861	$ 562,861	$ 372,260	$ 4,675	$ 117,327	$ 17,710	$ 50,560	$ 329		

Note 1: Based upon a two-factor formula equal weighting FCC allocation factor and the FGPIS allocation factor.
Note 2: Based upon a two-factor formula equal weighting FCC allocation factor and the FTOMWPC allocation factor.

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Development of Allocation Factors by Customer Class

Line No		Allocation Factor	Total (1)	Residential (2)	Commercial (3)
1	**ALLOCATION RATIOS**				
2					
3	**EXTERNAL FACTORS**				
4					
5	**COMMODITY**				
6	Commodity (1)	CBC	100.0000%	97.8581%	2.1419%
7					
8	**DEMAND**				
9	Demand	CMD	100.0000%	98.3440%	1.6560%
10					
11	**CUSTOMER**				
12	Bills	CB	100.0000%	98.6481%	1.3519%
13	Meters	CM	100.0000%	97.7410%	2.2590%
14	Services	CS	100.0000%	98.2135%	1.7865%
15					
16	**REVENUES**				
17	Water Sales	CRWC	100.0000%	97.3600%	2.6400%
18	Water Sales excluding private fire	CRWXPF	100.0000%	97.3600%	2.6400%
19					
20	**INTERNAL FACTORS**				
21					
22	Hydrants	CH	100.0000%	98.6481%	1.3519%
23	Rate Base	CRB	100.0000%	97.9955%	2.0045%
24					
25	**INPUTS FOR RATIOS**				
26					

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended 04/30/2023
Development of Allocation Factors by Customer Class

Line No		Allocation Factor			Total (1)	Residential (2)	Commercial (3)
27	**EXTERNAL INPUTS**						
28	DEMAND AND COMMODITY						
29	Annual Usage (1,000 gallons)		62,030		62,030	60,702	1,329
30	Coincident Peak (1,000 gallons)				6,673	6,563	111
31							
32	CUSTOMER						
33	Bills		17,753		17,753	17,513	240
34	Equivalent Meters		2,147		2,147	2,099	49
35	Equivalent Services		1,881		1,881	1,847	34
36							
37	REVENUES						
38	Water Sales		$ 611,997	From WP I	$ 611,997	$ 595,840	$ 16,156
39	Water Sales excluding private fire		$ 611,997		$ 611,997	$ 595,840	$ 16,156
40							
41							
42	Rate of Return		**8.0754%**				
43	Revenue Conversion Factor		**1.3861**				
44							
45	**TAX FACTORS**						
46	Wtd Cost of Debt		**2.16%**				
47	State Tax Rate		**4.90%**				
48	Federal Tax Rate		**21.00%**				
49							
50							
51	**INTERNAL INPUTS**						
52							
53	Rate Base	CRB	$7,514,781		7,514,781	7,364,146	150,635

SCHEDULE H

Liberty Utilities (Cordes Lakes Water) Corp.
Revenue Summary
Test Year Ended April 30, 2023

Exhibit
Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 x 3/4 Inch	Residential	$ 107,048	$ 301,519	$ 194,471	181.67%	16.47%	14.95%
2	3/4 Inch	Residential	477,836	1,597,779	1,119,944	234.38%	73.54%	79.20%
3	1 Inch	Residential	3,483	9,469	5,987	171.90%	0.54%	0.47%
4	1.5 Inch	Residential	1,070	2,646	1,576	147.23%	0.16%	0.13%
5	2 Inch	Residential	1,491	3,481	1,990	133.44%	0.23%	0.17%
6								
7	5/8 Inch	Commercial	$ 1,186	$ 3,156	$ 1,970	166.09%	0.18%	0.16%
8	3/4 Inch	Commercial	5,030	16,807	11,777	234.11%	0.77%	0.83%
9	1 Inch	Commercial	502	1,209	707	141.04%	0.08%	0.06%
10	1 1/2 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
11	2 Inch	Commercial	9,462	25,365	15,903	168.07%	1.46%	1.26%
12	**Subtotals of Revenues**		$ 607,107	$ 1,961,431	$ 1,354,324	223.08%	93.43%	97.23%
13	**Revenue Annualizations:**							
14	5/8 x 3/4 Inch	Residential	$ 495	$ 1,343	$ 848	171.22%	0.08%	0.07%
15	3/4 Inch	Residential	5,208	17,265	12,056	231.48%	0.80%	0.86%
16	1 Inch	Residential	-	-	-	0.00%	0.00%	0.00%
17	1.5 Inch	Residential	-	-	-	0.00%	0.00%	0.00%
18	2 Inch	Residential	-	-	-	0.00%	0.00%	0.00%
19								
20	5/8 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
21	3/4 Inch	Commercial	(2)	(8)	(6)	240.00%	0.00%	0.00%
22	1 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
23	1 1/2 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
24	2 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
25								
26	**Subtotal Revenue Annualization**		5,701	18,600	12,899	226.24%	0.88%	2.86%
27								
28	**Total Revenues w/ Annualization**		$ 612,809	$ 1,980,032	$ 1,367,223	223.11%	94.31%	98.15%
29	**Misc Revenues**		37,794	37,794	-	0.00%	5.82%	1.87%
30	**Reconciling Amount**		(812)	(418)	394	-48.52%	-0.12%	-0.02%
31	**Total Revenues**		$ 649,791	$ 2,017,407	$ 1,367,617	210.47%	100.00%	100.00%
32								
33								
34	**Reconciliation to GL Revenues**							
35	Metered Revenues Per GL		$ 615,296					
36	Tax Reform Credit							
37	Revenue Accutal Correction		(9,000)					
38	Adjusted Metered Revenues		$ 606,296					
39								
40	Bill Count Rev. before Annualization		607,107					
41	Difference		$ (812)					
42	% Difference		-0.13%					
43								
44	Tolerance (+/- 0.5%)		$ 3,031					
45	Acceptable		Yes					
46								

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Present and Proposed Rates

Exhibit
Schedule H-3
Page 1

Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8x3/4 Inch	$ 15.50	$ 36.15	$ 20.65	133.23%
2	3/4 Inch	15.50	54.23	38.73	249.87%
3	1 Inch	38.75	90.38	51.63	133.24%
4	1 1/2 Inch	77.50	180.75	103.25	133.23%
5	2 Inch	124.00	289.20	165.20	133.23%
6	3 Inch	248.00	578.40	330.40	133.23%
7	4 Inch	387.50	903.75	516.25	133.23%
8	6 Inch	775.00	1,807.50	1,032.50	133.23%
9					
10	Fire Lines < 4 Inch (R-14-2-408.B)	Per Rule*	Per Rule*		
11	Fire Lines 6 Inch (R-14-2-408.B)	Per Rule*	Per Rule*		
12	Fire Lines 8 Inch (R-14-2-408.B)	Per Rule*	Per Rule*		
13	Fire Lines 10 Inch (R-14-2-408.B)	Per Rule*	Per Rule*		
14	Fire Lines >10 Inch (R-14-2-408.B)				
15					
16					
17	*2% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than				
18	$10.00 per month. The Service Charge for Fire Sprinklers is only applicable to				
19	service lines separate and distinct from the primary water service line.				
20					
21	Gallons In Minimum (All Classes)	-	-		
22					

Line No.	Commodity Rates	Block	(Per 1,000 gallons) Present Rate	Proposed Rate
23				
24				
25				
26				
27	5/8x3/4 Inch (Residential)	1 gallons to 3,000 gallons	$ 4.00	
28		3,001 gallons to 8,000 gallons	$ 6.10	
29		over 8,000 gallons	$ 8.49	
30				
31	5/8x3/4 Inch (All Classes, Except Standpipe)	1 gallons to 4,000 gallons		$ 13.60
32		4,001 gallons to 10,000 gallons		$ 20.74
33		over 10,000 gallons		$ 28.87
34				
35	3/4 Inch Meter (Commercial, Industrial)	1 gallons to 3,000 gallons	$ 4.00	
36		3,001 gallons to 8,000 gallons	$ 6.10	
37		over 8,000 gallons	$ 8.49	
38				
39	3/4 Inch (All Classes, Except Standpipe)	1 gallons to 4,000 gallons		$ 13.60
40		4,001 gallons to 10,000 gallons		$ 20.74
41		over 10,000 gallons		$ 28.87
42				
43	1 Inch Meter (Residential, Commercial, Industrial)	1 gallons to 10,000 gallons	$ 6.10	
44		over 10,000 gallons	$ 8.49	
45				
46	1 Inch Meter (All Classes, Except Standpipe)	1 gallons to 25,000 gallons		$ 20.74
47		over 25,000 gallons		$ 28.87
48				
49	NT = No Tariff			

Liberty Utilities (Cordes Lakes Water) Corp.
Analysis of Revenue by Detailed Class
Test Year Ended April 30, 2023

Exhibit
Schedule H-2
Page 1
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 4/30/2023	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8 x 3/4 Inch	Residential	252	3,680	$ 31.65	$ 86.19	$ 54.55	172.37%	17.04%
2	3/4 Inch	Residential	1,201	3,420	30.06	100.75	70.68	235.11%	81.20%
3	1 Inch	Residential	4	5,032	69.44	194.74	125.29	180.43%	0.27%
4	1.5 Inch	Residential	1	1,917	123.25	336.30	213.05	172.86%	0.07%
5	2 Inch	Residential	1	42	169.75	444.75	275.00	162.00%	0.07%
6									
7	5/8 Inch	Commercial	4	2,094	23.88	64.63	40.75	170.69%	0.27%
8	3/4 Inch	Commercial	12	3,480	30.43	101.55	71.13	233.77%	0.81%
9	1 Inch	Commercial	1	501	41.80	100.76	58.96	141.04%	0.07%
10	1 1/2 Inch	Commercial	-	-	77.50	180.75	103.25	133.23%	0.00%
11	2 Inch	Commercial	3	20,028	246.17	704.59	458.41	186.22%	0.20%
12									
13									
14									
15									
16									
17									
18									
19									
20									
21	Totals		1,479						100.00%
22									
23	Actual Year End Number								
24	of Customers:		1,494						
25									
26									
27									
28									

Liberty Utilities (Cordes Lakes Water) Corp.
Analysis of Revenue by Detailed Class
Test Year Ended April 30, 2023

Exhibit
Schedule H-2
Page 2
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 4/30/2023	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8 x 3/4 Inch	Residential	252	2,500	$ 25.50	$ 70.15	$ 44.65	175.10%	17.13%
2	3/4 Inch	Residential	1,201	2,500	25.50	88.23	62.73	246.00%	81.64%
3	1 Inch	Residential	4	2,500	54.00	142.23	88.23	163.39%	0.27%
4	1.5 Inch	Residential	1	2,000	89.70	222.23	132.53	147.75%	0.07%
5	2 Inch	Residential	1	-	124.00	289.20	165.20	133.23%	0.07%
6			1	500	41.80	100.75	58.95	141.03%	0.07%
7	5/8 Inch	Commercial	4	1,500	21.50	56.55	35.05	163.02%	0.27%
8	3/4 Inch	Commercial	3	11,000	191.10	517.34	326.24	170.72%	0.20%
9	1 Inch	Commercial	1	500	41.80	100.75	58.95	141.03%	0.07%
10	1 1/2 Inch	Commercial	-	-	77.50	180.75	103.25	133.23%	0.00%
11	2 Inch	Commercial	3	11,000	191.10	517.34	326.24	170.72%	0.20%
12									
13									
14									
15									
16									
17									
18			1,471						100.00%
19									
20									
21	of Customers:		1,494						
22									
23									
24									
25									

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Present and Proposed Rates

Exhibit
Schedule H-3
Page 2

Line No.	Commodity Rates	Block	(Per 1,000 gallons) Present Rate	Proposed Rate
1				
2				
3	**Commodity Rates**	**Block**	**Present Rate**	**Proposed Rate**
4				
5	1.5 Inch Meter (Residential, Commercial, Industrial)	Over Minimum up to 17,000 gallons	$ 6.10	
6		Over 17,000 gallons	$ 8.49	
7				
8	1.5 Inch Meter (All Classes, Except Standpipe)	1 gallons to 50,000 gallons		$ 20.74
9		over 50,000 gallons		$ 28.87
10				
11	2 Inch Meter (Residential, Commercial, Industrial)	1 gallons to 26,000 gallons	$ 6.10	
12		over 26,000 gallons	$ 8.49	
13				
14	2 Inch Meter (All Classes, Except Standpipe)	1 gallons to 80,000 gallons		$ 20.74
15		over 80,000 gallons		$ 28.87
16				
17	3 Inch Meter (Residential, Commercial, Industrial)	1 gallons to 50,000 gallons	$ 6.10	
18		over 50,000 gallons	$ 8.49	
19				
20	3 Inch Meter (All Classes, Except Standpipe)	1 gallons to 80,000 gallons		$ 20.74
21		over 80,000 gallons		$ 28.87
22				
23	4 Inch Meter (Residential, Commercial, Industrial)	1 gallons to 75,000 gallons	$ 6.10	
24		over 75,000 gallons	$ 8.49	
25				
26	4 Inch Meter (All Classes, Except Standpipe)	1 gallons to 250,000 gallons		$ 20.74
27		over 250,000 gallons		$ 28.87
28				
29	6 Inch Meter (Residential, Commercial, Industrial)	1 gallons to 150,000 gallons	$ 6.10	
30		over 150,000 gallons	$ 8.49	
31				
32	6 Inch Meter (All Classes, Except Standpipe)	1 gallons to 500,000 gallons		$ 20.74
33		over 500,000 gallons		$ 28.87
34				
35				
36	Construction Water	All gallons	$ 8.49	$ 28.87
37	Bulk Water	All gallons	$ 8.49	$ 28.87
38				
39				
40				
41				
42				
43				
44				
45	NT = No Tariff			
46				
47				
48				
49				

Liberty Utilities (Cordes Lakes Water) Corp.
Changes in Representative Rate Schedules
Test Year Ended April 30, 2023

Exhibit
Schedule H-3
Page 3
Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 30.00	$ 30.00
2	Reestablishment (within 12 months)	(a)	(a)
3	Reconnection (Delinquent)	$ 20.00	$ 30.00
4	Meter Test (If Correct)	$ 30.00	$ 30.00
5	Meter Reread (if Correct)	$ 12.00	$ 30.00
6	Deposit	(c)	(c)
7	Deposit Interest	6%(c)	6%(c)
8	NSF Check	$ 10.00	$ 20.00
9	Late Payment Penalty	1.5% per month	1.5% per month(b)
10	Deferred Payment (R-01-2-409.G)	1.5% per month	1.5% per month
11	Cutting or Road Cutting or Boring	at Cost	at Cost
12	Moving meter at customer request (R-14-2-405.B)	NT	at Cost
13	After Hours Service Charge (d)	$ 35.00	$ 90.00
14			
15			

16 (a) Minimum charge times number of full months off the system per A.A.C. R-14-2-403 (D).
17 (b) Greater of $5.00 or 1.50% of unpaid balance whichever is greater.
18 (c) Per Commission Rule A.A.C. R14-2-403(B):
19 Residential - two times the average bill;
20 Commercial - two and one-half times the average bill.
21 (d) The After-Hours Service Charge shall apply to any service requested by customer that is performed by Company after regular business hours and shall be in addition to the regular business hours service charge.
22
23
24 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
25 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
26 TAX. PER COMMISSION RULE 14-2-409D(5).
27
28
29
30

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Meter and Service Line Charges

Exhibit
Schedule H-3
Page 4
Witness: Bourassa

Refundable Meter and Service Line Charges

Line No.		Present Service Line Charge	Present Meter Install-ation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Install-ation Charge	Total Proposed Charge
9	5/8 x 3/4 Inch	500.00	150.00	650.00	At Cost	At Cost	At Cost
10	3/4 Inch	500.00	220.00	720.00	At Cost	At Cost	At Cost
11	1 Inch	600.00	300.00	900.00	At Cost	At Cost	At Cost
12	1 1/2 Inch	700.00	535.00	1,235.00	At Cost	At Cost	At Cost
	2 Inch	1,000.00	1,250.00	2,250.00			
13	2 Inch Turbine				At Cost	At Cost	At Cost
14	2 Inch Compound				At Cost	At Cost	At Cost
	3 Inch	1,300.00	1,800.00	3,100.00			
15	3 Inch Turbine	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
16	3 Inch Compound	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
	4 Inch	1,800.00	2,800.00	4,600.00			
17	4 Inch Turbine				At Cost	At Cost	At Cost
18	4 Inch Compound				At Cost	At Cost	At Cost
	6 Inch	2,800.00	5,500.00	8,300.00			
19	6 inch Turbine				At Cost	At Cost	At Cost
20	6 inch Compound				At Cost	At Cost	At Cost
21	8 Inch & Larger				At Cost	At Cost	At Cost

Liberty Utilities (Cordes Lakes Water) Corp.
Bill Comparison of Present and Proposed Rates
Customer Classification 5/8x3/4 Inch Residential
Test Year Ended April 30, 2023
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 1
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 15.50	$ 36.15	$ 20.65	133.23%
1,000	19.50	49.75	30.25	155.13%
2,000	23.50	63.35	39.85	169.57%
3,000	27.50	76.95	49.45	179.82%
4,000	33.60	90.55	56.95	169.49%
5,000	39.70	111.29	71.59	180.33%
6,000	45.80	132.03	86.23	188.28%
7,000	51.90	152.77	100.87	194.35%
8,000	58.00	173.51	115.51	199.16%
9,000	66.49	194.25	127.76	192.15%
10,000	74.98	214.99	140.01	186.73%
12,000	91.96	272.73	180.77	196.57%
14,000	108.94	330.47	221.53	203.35%
16,000	125.92	388.21	262.29	208.30%
18,000	142.90	445.95	303.05	212.07%
20,000	159.88	503.69	343.81	215.04%
25,000	202.33	648.04	445.71	220.29%
30,000	244.78	792.39	547.61	223.72%
35,000	287.23	936.74	649.51	226.13%
40,000	329.68	1,081.09	751.41	227.92%
45,000	372.13	1,225.44	853.31	229.30%
50,000	414.58	1,369.79	955.21	230.40%
60,000	499.48	1,658.49	1,159.01	232.04%
70,000	584.38	1,947.19	1,362.81	233.21%
80,000	669.28	2,235.89	1,566.61	234.07%
90,000	754.18	2,524.59	1,770.41	234.75%
100,000	839.08	2,813.29	1,974.21	235.28%
Average Usage				
3,680	$ 31.65	$ 86.19	$ 54.55	172.37%
Median Usage				
2,500	$ 25.50	$ 70.15	$ 44.65	175.10%

Present Rates:

Monthly Minimum:		$	15.50
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	3,000	$	4.00
Up to	8,000	$	6.10
Over	8,000	$	8.49

Proposed Rates:

Monthly Minimum:		$	36.15
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	13.60
Up to	10,000	$	20.74
Over	10,000	$	28.87

Liberty Utilities (Cordes Lakes Water) Corp.
Bill Comparison of Present and Proposed Rates
Customer Classification 3/4 Inch Residential
Test Year Ended April 30, 2023
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 2
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 15.50	$ 54.23	$ 38.73	249.87%
1,000	19.50	67.83	48.33	247.85%
2,000	23.50	81.43	57.93	246.51%
3,000	27.50	95.03	67.53	245.56%
4,000	33.60	108.63	75.03	223.30%
5,000	39.70	129.37	89.67	225.87%
6,000	45.80	150.11	104.31	227.75%
7,000	51.90	170.85	118.95	229.19%
8,000	58.00	191.59	133.59	230.33%
9,000	66.49	212.33	145.84	219.34%
10,000	74.98	233.07	158.09	210.84%
12,000	91.96	290.81	198.85	216.24%
14,000	108.94	348.55	239.61	219.95%
16,000	125.92	406.29	280.37	222.66%
18,000	142.90	464.03	321.13	224.72%
20,000	159.88	521.77	361.89	226.35%
25,000	202.33	666.12	463.79	229.22%
30,000	244.78	810.47	565.69	231.10%
35,000	287.23	954.82	667.59	232.42%
40,000	329.68	1,099.17	769.49	233.41%
45,000	372.13	1,243.52	871.39	234.16%
50,000	414.58	1,387.87	973.29	234.77%
60,000	499.48	1,676.57	1,177.09	235.66%
70,000	584.38	1,965.27	1,380.89	236.30%
80,000	669.28	2,253.97	1,584.69	236.78%
90,000	754.18	2,542.67	1,788.49	237.14%
100,000	839.08	2,831.37	1,992.29	237.44%
Average Usage				
3,420	$ 30.06	$ 100.75	$ 70.68	235.11%
Median Usage				
2,500	$ 25.50	$ 88.23	$ 62.73	246.00%

Present Rates:

Monthly Minimum:		$	15.50
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	3,000	$	4.00
Up to	8,000	$	6.10
Over	8,000	$	8.49

Proposed Rates:

Monthly Minimum:		$	54.23
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	13.60
Up to	10,000	$	20.74
Over	10,000	$	28.87

Liberty Utilities (Cordes Lakes Water) Corp.
Bill Comparison of Present and Proposed Rates
Customer Classification 1 Inch Residential
Test Year Ended April 30, 2023
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 3
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 38.75	$ 90.38	$ 51.63	133.24%
1,000	44.85	111.12	66.27	147.76%
2,000	50.95	131.86	80.91	158.80%
3,000	57.05	152.60	95.55	167.48%
4,000	63.15	173.34	110.19	174.49%
5,000	69.25	194.08	124.83	180.26%
6,000	75.35	214.82	139.47	185.10%
7,000	81.45	235.56	154.11	189.21%
8,000	87.55	256.30	168.75	192.75%
9,000	93.65	277.04	183.39	195.82%
10,000	99.75	297.78	198.03	198.53%
12,000	116.73	339.26	222.53	190.64%
14,000	133.71	380.74	247.03	184.75%
16,000	150.69	422.22	271.53	180.19%
18,000	167.67	463.70	296.03	176.56%
20,000	184.65	505.18	320.53	173.59%
25,000	227.10	608.88	381.78	168.11%
30,000	269.55	753.23	483.68	179.44%
35,000	312.00	897.58	585.58	187.69%
40,000	354.45	1,041.93	687.48	193.96%
45,000	396.90	1,186.28	789.38	198.89%
50,000	439.35	1,330.63	891.28	202.86%
60,000	524.25	1,619.33	1,095.08	208.89%
70,000	609.15	1,908.03	1,298.88	213.23%
80,000	694.05	2,196.73	1,502.68	216.51%
90,000	778.95	2,485.43	1,706.48	219.07%
100,000	863.85	2,774.13	1,910.28	221.14%
Average Usage				
5,032	$ 69.44	$ 194.74	$ 125.29	180.43%
Median Usage				
2,500	$ 54.00	$ 142.23	$ 88.23	163.39%

Present Rates:

Monthly Minimum:		$	38.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	10,000	$	6.10
Over	10,000	$	8.49

Proposed Rates:

Monthly Minimum:		$	90.38
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	20.74
Over	25,000	$	28.87

Liberty Utilities (Cordes Lakes Water) Corp.
Bill Comparison of Present and Proposed Rates
Customer Classification 1 1/2 Inch Residential
Test Year Ended April 30, 2023
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 4
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 77.50	$ 180.75	$ 103.25	133.23%
1,000	83.60	201.49	117.89	141.02%
2,000	89.70	222.23	132.53	147.75%
3,000	95.80	242.97	147.17	153.62%
4,000	101.90	263.71	161.81	158.79%
5,000	108.00	284.45	176.45	163.38%
6,000	114.10	305.19	191.09	167.48%
7,000	120.20	325.93	205.73	171.16%
8,000	126.30	346.67	220.37	174.48%
9,000	132.40	367.41	235.01	177.50%
10,000	138.50	388.15	249.65	180.25%
12,000	150.70	429.63	278.93	185.09%
14,000	162.90	471.11	308.21	189.20%
16,000	175.10	512.59	337.49	192.74%
18,000	189.69	554.07	364.38	192.09%
20,000	206.67	595.55	388.88	188.16%
25,000	249.12	699.25	450.13	180.69%
30,000	291.57	802.95	511.38	175.39%
35,000	334.02	906.65	572.63	171.44%
40,000	376.47	1,010.35	633.88	168.37%
45,000	418.92	1,114.05	695.13	165.93%
50,000	461.37	1,217.75	756.38	163.94%
60,000	546.27	1,506.45	960.18	175.77%
70,000	631.17	1,795.15	1,163.98	184.42%
80,000	716.07	2,083.85	1,367.78	191.01%
90,000	800.97	2,372.55	1,571.58	196.21%
100,000	885.87	2,661.25	1,775.38	200.41%
Average Usage				
1,917	$ 89.19	$ 220.51	$ 131.32	147.23%
Median Usage				
2,000	$ 89.70	$ 222.23	$ 132.53	147.75%

Present Rates:

Monthly Minimum:		$	77.50
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	17,000	$	6.10
Over	17,000	$	8.49

Proposed Rates:

Monthly Minimum:		$	180.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	50,000	$	20.74
Over	50,000	$	28.87

Liberty Utilities (Cordes Lakes Water) Corp.
Bill Comparison of Present and Proposed Rates
Customer Classification 2 Inch Residential
Test Year Ended April 30, 2023
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 5
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 124.00	$ 289.20	$ 165.20	133.23%
1,000	130.10	309.94	$ 179.84	138.23%
2,000	136.20	330.68	194.48	142.79%
3,000	142.30	351.42	209.12	146.96%
4,000	148.40	372.16	223.76	150.78%
5,000	154.50	392.90	238.40	154.30%
6,000	160.60	413.64	253.04	157.56%
7,000	166.70	434.38	267.68	160.58%
8,000	172.80	455.12	282.32	163.38%
9,000	178.90	475.86	296.96	165.99%
10,000	185.00	496.60	311.60	168.43%
12,000	197.20	538.08	340.88	172.86%
14,000	209.40	579.56	370.16	176.77%
16,000	221.60	621.04	399.44	180.25%
18,000	233.80	662.52	428.72	183.37%
20,000	246.00	704.00	458.00	186.18%
25,000	276.50	807.70	531.20	192.12%
30,000	316.56	911.40	594.84	187.91%
35,000	359.01	1,015.10	656.09	182.75%
40,000	401.46	1,118.80	717.34	178.68%
45,000	443.91	1,222.50	778.59	175.39%
50,000	486.36	1,326.20	839.84	172.68%
60,000	571.26	1,533.60	962.34	168.46%
70,000	656.16	1,741.00	1,084.84	165.33%
80,000	741.06	1,948.40	1,207.34	162.92%
90,000	825.96	2,237.10	1,411.14	170.85%
100,000	910.86	2,525.80	1,614.94	177.30%
Average Usage				
42	$ 124.25	$ 290.07	$ 165.81	133.44%
Median Usage				
-	$ 124.00	$ 289.20	$ 165.20	133.23%

Present Rates:

Monthly Minimum:		$	124.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	26,000	$	6.10
Over	26,000	$	8.49

Proposed Rates:

Monthly Minimum:		$	289.20
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	80,000	$	20.74
Over	80,000	$	28.87

Liberty Utilities (Cordes Lakes Water) Corp.
Bill Comparison of Present and Proposed Rates
Customer Classification 5/8x3/4 Inch Commercial
Test Year Ended April 30, 2023
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 6
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 15.50	$ 36.15	$ 20.65	133.23%
1,000	19.50	49.75	30.25	155.13%
2,000	23.50	63.35	39.85	169.57%
3,000	27.50	76.95	49.45	179.82%
4,000	33.60	90.55	56.95	169.49%
5,000	39.70	111.29	71.59	180.33%
6,000	45.80	132.03	86.23	188.28%
7,000	51.90	152.77	100.87	194.35%
8,000	58.00	173.51	115.51	199.16%
9,000	66.49	194.25	127.76	192.15%
10,000	74.98	214.99	140.01	186.73%
12,000	91.96	272.73	180.77	196.57%
14,000	108.94	330.47	221.53	203.35%
16,000	125.92	388.21	262.29	208.30%
18,000	142.90	445.95	303.05	212.07%
20,000	159.88	503.69	343.81	215.04%
25,000	202.33	648.04	445.71	220.29%
30,000	244.78	792.39	547.61	223.72%
35,000	287.23	936.74	649.51	226.13%
40,000	329.68	1,081.09	751.41	227.92%
45,000	372.13	1,225.44	853.31	229.30%
50,000	414.58	1,369.79	955.21	230.40%
60,000	499.48	1,658.49	1,159.01	232.04%
70,000	584.38	1,947.19	1,362.81	233.21%
80,000	669.28	2,235.89	1,566.61	234.07%
90,000	754.18	2,524.59	1,770.41	234.75%
100,000	839.08	2,813.29	1,974.21	235.28%
Average Usage				
2,094	$ 23.88	$ 64.63	$ 40.75	170.69%
Median Usage				
1,500	$ 21.50	$ 56.55	$ 35.05	163.02%

Present Rates:

Monthly Minimum:		$	15.50
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	3,000	$	4.00
Up to	8,000	$	6.10
Over	8,000	$	8.49

Proposed Rates:

Monthly Minimum:		$	36.15
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	13.60
Up to	10,000	$	20.74
Over	10,000	$	28.87

Liberty Utilities (Cordes Lakes Water) Corp.
Bill Comparison of Present and Proposed Rates
Customer Classification 3/4 Inch Commercial
Test Year Ended April 30, 2023
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 7
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 15.50	$ 54.23	$ 38.73	249.87%
1,000	19.50	67.83	48.33	247.85%
2,000	23.50	81.43	57.93	246.51%
3,000	27.50	95.03	67.53	245.56%
4,000	33.60	108.63	75.03	223.30%
5,000	39.70	129.37	89.67	225.87%
6,000	45.80	150.11	104.31	227.75%
7,000	51.90	170.85	118.95	229.19%
8,000	58.00	191.59	133.59	230.33%
9,000	66.49	212.33	145.84	219.34%
10,000	74.98	233.07	158.09	210.84%
12,000	91.96	290.81	198.85	216.24%
14,000	108.94	348.55	239.61	219.95%
16,000	125.92	406.29	280.37	222.66%
18,000	142.90	464.03	321.13	224.72%
20,000	159.88	521.77	361.89	226.35%
25,000	202.33	666.12	463.79	229.22%
30,000	244.78	810.47	565.69	231.10%
35,000	287.23	954.82	667.59	232.42%
40,000	329.68	1,099.17	769.49	233.41%
45,000	372.13	1,243.52	871.39	234.16%
50,000	414.58	1,387.87	973.29	234.77%
60,000	499.48	1,676.57	1,177.09	235.66%
70,000	584.38	1,965.27	1,380.89	236.30%
80,000	669.28	2,253.97	1,584.69	236.78%
90,000	754.18	2,542.67	1,788.49	237.14%
100,000	839.08	2,831.37	1,992.29	237.44%
Average Usage				
3,480	$ 30.43	$ 101.55	$ 71.13	233.77%
Median Usage				
1,500	$ 21.50	$ 74.63	$ 53.13	247.12%

Present Rates:

Monthly Minimum:		$	15.50
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	3,000	$	4.00
Up to	8,000	$	6.10
Over	8,000	$	8.49

Proposed Rates:

Monthly Minimum:		$	54.23
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	13.60
Up to	10,000	$	20.74
Over	10,000	$	28.87

Liberty Utilities (Cordes Lakes Water) Corp.
Bill Comparison of Present and Proposed Rates
Customer Classification 1 Inch Commercial
Test Year Ended April 30, 2023
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 8
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 38.75	$ 90.38	$ 51.63	133.24%
1,000	44.85	111.12	66.27	147.76%
2,000	50.95	131.86	80.91	158.80%
3,000	57.05	152.60	95.55	167.48%
4,000	63.15	173.34	110.19	174.49%
5,000	69.25	194.08	124.83	180.26%
6,000	75.35	214.82	139.47	185.10%
7,000	81.45	235.56	154.11	189.21%
8,000	87.55	256.30	168.75	192.75%
9,000	93.65	277.04	183.39	195.82%
10,000	99.75	297.78	198.03	198.53%
12,000	116.73	339.26	222.53	190.64%
14,000	133.71	380.74	247.03	184.75%
16,000	150.69	422.22	271.53	180.19%
18,000	167.67	463.70	296.03	176.56%
20,000	184.65	505.18	320.53	173.59%
25,000	227.10	608.88	381.78	168.11%
30,000	269.55	753.23	483.68	179.44%
35,000	312.00	897.58	585.58	187.69%
40,000	354.45	1,041.93	687.48	193.96%
45,000	396.90	1,186.28	789.38	198.89%
50,000	439.35	1,330.63	891.28	202.86%
60,000	524.25	1,619.33	1,095.08	208.89%
70,000	609.15	1,908.03	1,298.88	213.23%
80,000	694.05	2,196.73	1,502.68	216.51%
90,000	778.95	2,485.43	1,706.48	219.07%
100,000	863.85	2,774.13	1,910.28	221.14%
Average Usage				
501	$ 41.80	$ 100.76	$ 58.96	141.04%
Median Usage				
500	$ 41.80	$ 100.75	$ 58.95	141.03%

Present Rates:

Monthly Minimum:		$	38.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	10,000	$	6.10
Over	10,000	$	8.49

Proposed Rates:

Monthly Minimum:		$	90.38
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	20.74
Over	25,000	$	28.87

Liberty Utilities (Cordes Lakes Water) Corp.
Bill Comparison of Present and Proposed Rates
Customer Classification 1 1/2 Inch Commercial
Test Year Ended April 30, 2023
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 9
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 77.50	$ 180.75	$ 103.25	133.23%
1,000	83.60	201.49	117.89	141.02%
2,000	89.70	222.23	132.53	147.75%
3,000	95.80	242.97	147.17	153.62%
4,000	101.90	263.71	161.81	158.79%
5,000	108.00	284.45	176.45	163.38%
6,000	114.10	305.19	191.09	167.48%
7,000	120.20	325.93	205.73	171.16%
8,000	126.30	346.67	220.37	174.48%
9,000	132.40	367.41	235.01	177.50%
10,000	138.50	388.15	249.65	180.25%
12,000	150.70	429.63	278.93	185.09%
14,000	162.90	471.11	308.21	189.20%
16,000	175.10	512.59	337.49	192.74%
18,000	189.69	554.07	364.38	192.09%
20,000	206.67	595.55	388.88	188.16%
25,000	249.12	699.25	450.13	180.69%
30,000	291.57	802.95	511.38	175.39%
35,000	334.02	906.65	572.63	171.44%
40,000	376.47	1,010.35	633.88	168.37%
45,000	418.92	1,114.05	695.13	165.93%
50,000	461.37	1,217.75	756.38	163.94%
60,000	546.27	1,506.45	960.18	175.77%
70,000	631.17	1,795.15	1,163.98	184.42%
80,000	716.07	2,083.85	1,367.78	191.01%
90,000	800.97	2,372.55	1,571.58	196.21%
100,000	885.87	2,661.25	1,775.38	200.41%
Average Usage				
-	$ 77.50	$ 180.75	$ 103.25	133.23%
Median Usage				
-	$ 77.50	$ 180.75	$ 103.25	133.23%

Present Rates:

Monthly Minimum:		$	77.50
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	17,000	$	6.10
Over	17,000	$	8.49

Proposed Rates:

Monthly Minimum:		$	180.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	50,000	$	20.74
Over	50,000	$	28.87

Liberty Utilities (Cordes Lakes Water) Corp.
Bill Comparison of Present and Proposed Rates
Customer Classification 2 Inch Commercial
Test Year Ended April 30, 2023
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 10
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 124.00	$ 289.20	$ 165.20	133.23%
1,000	130.10	309.94	179.84	138.23%
2,000	136.20	330.68	194.48	142.79%
3,000	142.30	351.42	209.12	146.96%
4,000	148.40	372.16	223.76	150.78%
5,000	154.50	392.90	238.40	154.30%
6,000	160.60	413.64	253.04	157.56%
7,000	166.70	434.38	267.68	160.58%
8,000	172.80	455.12	282.32	163.38%
9,000	178.90	475.86	296.96	165.99%
10,000	185.00	496.60	311.60	168.43%
12,000	197.20	538.08	340.88	172.86%
14,000	209.40	579.56	370.16	176.77%
16,000	221.60	621.04	399.44	180.25%
18,000	233.80	662.52	428.72	183.37%
20,000	246.00	704.00	458.00	186.18%
25,000	276.50	807.70	531.20	192.12%
30,000	316.56	911.40	594.84	187.91%
35,000	359.01	1,015.10	656.09	182.75%
40,000	401.46	1,118.80	717.34	178.68%
45,000	443.91	1,222.50	778.59	175.39%
50,000	486.36	1,326.20	839.84	172.68%
60,000	571.26	1,533.60	962.34	168.46%
70,000	656.16	1,741.00	1,084.84	165.33%
80,000	741.06	1,948.40	1,207.34	162.92%
90,000	825.96	2,237.10	1,411.14	170.85%
100,000	910.86	2,525.80	1,614.94	177.30%
Average Usage				
20,028	$ 246.17	$ 704.59	$ 458.41	186.22%
Median Usage				
11,000	$ 191.10	$ 517.34	$ 326.24	170.72%

Present Rates:

Monthly Minimum:		$	124.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	26,000	$	6.10
Over	26,000	$	8.49

Proposed Rates:

Monthly Minimum:		$	289.20
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	80,000	$	20.74
Over	80,000	$	28.87

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 5/8x3/4 Inch Residential

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	22	36	42	34	40	37	47	34	37	36	38	37	440	440	-
1	1,000	40	46	30	34	27	34	46	39	46	44	45	37	468	908	234
1,001	2,000	34	30	30	22	32	35	39	50	40	45	44	43	444	1,352	900
2,001	3,000	27	29	21	29	32	35	39	27	38	34	40	42	393	1,745	1,883
3,001	4,000	27	22	17	13	23	25	22	22	27	29	18	22	267	2,012	2,818
4,001	5,000	17	18	20	26	17	15	26	24	22	13	22	23	243	2,255	3,911
5,001	6,000	20	16	15	20	18	15	11	15	9	13	19	20	191	2,446	4,962
6,001	7,000	13	11	13	6	10	14	8	12	15	10	12	10	134	2,580	5,833
7,001	8,000	7	15	9	8	12	14	10	5	6	9	4	8	107	2,687	6,636
8,001	9,000	9	6	9	11	11	8	7	10	5	6	4	4	90	2,777	7,401
9,001	10,000	4	6	9	7	3	5	3	5	1	1	4	1	49	2,826	7,866
10,001	11,000	1	3	8	9	5	1	1	5	1	5	2	1	42	2,868	8,307
11,001	12,000	1	4	4	7	3	1	4	2	-	3	1	-	30	2,898	8,652
12,001	13,000	-	2	6	5	2	-	-	1	2	2	1	2	23	2,921	8,940
13,001	14,000	2	-	2	2	4	3	1	-	-	-	-	-	14	2,935	9,129
14,001	15,000	-	2	2	1	2	1	1	-	1	-	1	1	12	2,947	9,303
15,001	16,000	1	1	-	1	-	1	1	-	-	1	1	-	7	2,954	9,411
16,001	17,000	1	-	3	-	1	-	1	1	-	-	1	-	8	2,962	9,543
17,001	18,000	-	-	-	-	-	1	1	-	-	-	-	-	2	2,964	9,578
18,001	19,000	-	1	2	1	-	-	-	-	1	-	-	-	5	2,969	9,671
19,001	20,000	2	1	-	2	1	1	1	-	-	-	-	-	8	2,977	9,827
20,001	21,000	-	1	1	1	2	2	-	-	1	-	-	-	8	2,985	9,991
21,001	22,000	-	-	1	-	-	1	-	-	1	-	-	-	3	2,988	10,055
22,001	23,000	-	1	-	-	-	1	-	-	-	-	-	1	3	2,991	10,123
23,001	24,000	1	-	1	2	-	1	-	1	1	-	-	-	7	2,998	10,287
24,001	25,000	-	-	-	2	-	1	-	1	-	-	-	1	5	3,003	10,410
25,001	26,000	-	-	-	1	-	-	-	-	-	-	-	-	1	3,004	10,435
26,001	27,000	-	1	-	2	2	1	-	-	-	-	-	-	6	3,010	10,594
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,010	10,594
28,001	29,000	-	1	1	-	1	-	1	-	-	-	-	-	4	3,014	10,708
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,014	10,708
30,001	31,000	1	-	-	-	-	-	-	-	-	-	-	-	1	3,015	10,739
31,001	32,000	-	-	1	-	-	-	-	-	-	-	-	-	1	3,016	10,770
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,016	10,770
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,016	10,770
34,001	35,000	-	-	-	-	-	-	1	-	-	-	-	-	1	3,017	10,805
35,001	36,000	-	-	1	-	-	-	-	-	-	-	-	-	1	3,018	10,840
36,001	37,000	-	-	-	1	-	-	-	-	-	-	-	-	1	3,019	10,877
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,019	10,877
38,001	39,000	-	-	-	1	-	-	-	-	-	-	-	-	1	3,020	10,915
39,001	40,000	-	-	-	1	-	-	-	-	-	-	-	-	1	3,021	10,955
40,001	41,000	-	-	-	-	-	-	-	1	-	-	-	-	1	3,022	10,995
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,022	10,995
42,001	43,000	-	-	-	-	1	-	-	-	-	-	-	-	1	3,023	11,038
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,023	11,038
44,001	45,000	-	-	-	1	-	-	-	-	-	-	-	-	1	3,024	11,082
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,024	11,082
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,024	11,082
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,024	11,082
48,001	49,000	-	-	1	-	-	-	-	-	-	-	-	-	1	3,025	11,131
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 5/8x3/4 Inch Residential

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 5/8x3/4 Inch Residential

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,025	11,131
	-													-	3,025	11,131
	-													-	3,025	11,131
	-													-	3,025	11,131
	-													-	3,025	11,131
Totals		230	253	249	250	249	253	271	255	254	251	257	253	3,025		

Average Usage	3,680
Median Usage	2,500
Average # Customers	252
Change in Number of Customers	23

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 3/4 Inch Residential

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	55	47	50	51	67	50	64	71	73	70	75	71	744	744	-
1	1,000	200	204	162	152	190	210	198	206	235	221	226	223	2,427	3,171	1,215
1,001	2,000	242	241	214	218	225	230	256	234	257	261	271	279	2,928	6,099	5,608
2,001	3,000	225	195	160	166	197	181	209	206	230	230	238	226	2,463	8,562	11,767
3,001	4,000	146	159	147	141	127	156	144	165	172	172	174	152	1,855	10,417	18,260
4,001	5,000	106	114	115	102	114	99	106	114	77	86	94	100	1,227	11,644	23,782
5,001	6,000	64	70	89	77	67	90	58	66	57	49	62	66	815	12,459	28,265
6,001	7,000	54	40	47	67	56	51	49	40	35	38	34	35	546	13,005	31,815
7,001	8,000	25	32	47	44	29	29	23	26	17	21	15	15	323	13,328	34,237
8,001	9,000	18	23	31	25	27	24	31	18	15	14	18	20	264	13,592	36,481
9,001	10,000	8	19	26	28	24	18	10	12	8	8	6	8	175	13,767	38,144
10,001	11,000	4	16	21	22	13	12	9	8	8	3	3	2	121	13,888	39,415
11,001	12,000	2	13	17	23	12	7	3	8	3	4	5	6	103	13,991	40,599
12,001	13,000	4	4	11	18	10	7	4	4	3	5	4	-	74	14,065	41,524
13,001	14,000	3	5	13	9	6	3	3	2	3	3	3	2	55	14,120	42,267
14,001	15,000	2	2	4	9	6	5	5	4	2	-	3	-	42	14,162	42,876
15,001	16,000	5	4	3	1	2	3	4	4	1	3	1	1	32	14,194	43,372
16,001	17,000	1	1	8	6	5	1	4	2	-	2	-	-	30	14,224	43,867
17,001	18,000	2	3	6	4	2	2	3	-	1	-	-	3	26	14,250	44,322
18,001	19,000	1	2	3	6	1	3	1	4	1	4	1	-	27	14,277	44,821
19,001	20,000	-	2	3	4	1	1	-	-	1	1	1	-	14	14,291	45,094
20,001	21,000	-	3	1	1	-	3	-	1	2	1	-	-	12	14,303	45,340
21,001	22,000	2	-	2	-	4	2	-	1	1	4	-	1	17	14,320	45,706
22,001	23,000	(1)	1	2	1	1	1	2	1	1	-	-	1	10	14,330	45,931
23,001	24,000	1	1	1	1	1	-	-	2	1	-	-	1	9	14,339	46,142
24,001	25,000	-	1	2	1	1	1	1	1	-	-	3	-	11	14,350	46,412
25,001	26,000	-	1	-	1	-	-	-	-	-	1	-	-	3	14,353	46,488
26,001	27,000	-	-	1	-	-	-	1	-	-	-	-	-	2	14,355	46,541
27,001	28,000	-	1	-	-	-	-	1	1	-	-	-	1	4	14,359	46,651
28,001	29,000	-	-	1	1	-	1	-	-	-	-	-	-	3	14,362	46,737
29,001	30,000	-	-	1	-	1	1	2	-	-	-	-	-	5	14,367	46,884
30,001	31,000	-	-	1	-	1	-	1	-	-	-	-	-	3	14,370	46,976
31,001	32,000	-	-	-	-	1	1	1	1	1	1	-	-	6	14,376	47,165
32,001	33,000	-	-	-	-	1	-	-	-	-	-	-	-	1	14,377	47,197
33,001	34,000	-	-	-	1	-	-	-	-	1	1	-	-	3	14,380	47,298
34,001	35,000	-	-	-	-	-	1	-	-	-	-	-	-	1	14,381	47,332
35,001	36,000	-	-	-	-	-	2	-	-	-	-	-	-	2	14,383	47,403
36,001	37,000	-	-	-	-	-	1	-	-	-	-	-	-	1	14,384	47,440
37,001	38,000	-	-	-	-	-	-	1	-	-	-	-	-	1	14,385	47,477
38,001	39,000	-	-	-	-	-	-	1	-	1	-	-	-	2	14,387	47,554
39,001	40,000	-	-	-	-	1	-	-	-	-	-	-	1	2	14,389	47,633
40,001	41,000	-	-	-	1	-	-	-	-	1	-	-	-	2	14,391	47,714
41,001	42,000	-	1	-	-	1	-	-	-	-	-	-	-	2	14,393	47,797
42,001	43,000	-	-	1	-	-	-	-	-	-	-	-	-	1	14,394	47,840
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,394	47,840
44,001	45,000	-	-	1	-	-	-	-	-	1	-	-	-	2	14,396	47,929
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,396	47,929
46,001	47,000	-	-	-	-	-	-	1	2	-	-	-	-	3	14,399	48,068
47,001	48,000	1	-	-	1	-	-	-	-	-	-	-	-	2	14,401	48,163
48,001	49,000	-	-	-	-	-	-	-	-	-	-	1	-	1	14,402	48,212
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,402	48,212

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 3/4 Inch Residential

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,402	48,212
51,001	52,000	-	-	-	-	-	1	-	-	-	-	-	-	1	14,403	48,263
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,403	48,263
53,001	54,000	-	-	1	-	-	1	-	-	-	-	1	-	3	14,406	48,424
54,001	55,000	-	-	-	-	1	-	-	-	-	-	-	-	1	14,407	48,478
55,001	56,000	-	-	-	1	-	-	-	-	-	-	-	-	1	14,408	48,534
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,408	48,534
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,408	48,534
58,001	59,000	-	-	-	1	-	-	-	-	-	-	-	1	2	14,410	48,651
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,410	48,651
79,001	80,000	-	-	-	-	-	-	-	-	-	-	1	-	1	14,411	48,730
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,411	48,730
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,411	48,730
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,411	48,730
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,411	48,730
84,001	85,000	-	-	-	-	-	-	-	-	-	1	-	-	1	14,412	48,815
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,412	48,815
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,412	48,815
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,412	48,815
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,412	48,815
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,412	48,815
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,412	48,815
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,412	48,815
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,412	48,815
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,412	48,815
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,412	48,815
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,412	48,815
96,001	97,000	-	-	-	-	1	-	-	-	-	-	-	-	1	14,413	48,911
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,413	48,911
98,001	99,000	-	-	-	-	-	1	-	-	-	-	-	-	1	14,414	49,010
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14,414	49,010
111,230	111,230	-	-	-	-	-	1	-	-	-	-	-	-	1	14,415	49,121

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 3/4 Inch Residential

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
184,931	184,931	-	-	-	-	-	-	-	-	-	-	1	-	1	14,416	49,306
-														-	14,416	49,306
Totals		1,170	1,205	1,192	1,184	1,196	1,200	1,196	1,204	1,209	1,204	1,241	1,215	14,416		

Average Usage	3,420
Median Usage	2,500
Average # Customers	1,201
Change in Number of Customers	45

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 1 Inch Residential

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	-	-	-	-	-	-	-	1	-	1	1	-	3	3	-
1	1,000	1	1	1	1	1	1	3	1	1	-	1	1	13	16	7
1,001	2,000	-	-	1	-	1	1	-	-	1	1	-	1	6	22	16
2,001	3,000	2	2	-	1	-	1	-	1	-	-	1	-	8	30	36
3,001	4,000	-	-	-	-	-	-	-	-	-	1	-	-	1	31	39
4,001	5,000	-	-	1	-	-	-	-	-	-	-	-	-	1	32	44
5,001	6,000	-	-	-	-	-	-	1	-	-	-	-	-	1	33	49
6,001	7,000	-	-	-	-	-	-	-	-	1	1	1	-	3	36	69
7,001	8,000	-	-	-	1	-	1	-	-	-	-	-	1	3	39	91
8,001	9,000	-	1	-	-	-	-	-	-	-	-	-	-	1	40	100
9,001	10,000	1	-	-	-	-	-	-	-	-	-	-	-	1	41	109
10,001	11,000	-	-	-	-	-	-	-	1	1	-	-	-	2	43	130
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43	130
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43	130
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	1	1	44	144
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	144
15,001	16,000	-	-	1	-	-	-	-	-	-	-	-	-	1	45	159
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	45	159
17,001	18,000	-	-	-	-	1	-	-	-	-	-	-	-	1	46	177
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	177
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	177
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	177
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	177
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	177
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	177
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	177
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	177
26,001	27,000	-	-	-	1	-	-	-	-	-	-	-	-	1	47	203
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	203
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	203
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	203
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	203
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	203
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	203
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	203
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	203
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	203
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	203
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	203
38,001	39,000	-	-	-	-	1	-	-	-	-	-	-	-	1	48	242
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 1 Inch Residential

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	242
	-													-	48	242

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 1 Inch Residential

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
Totals		4	4	4	4	4	4	4	4	4	4	4	4	48		

Average Usage	5,032
Median Usage	2,500
Average # Customers	4
Change in Number of Customers	-

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 1 1/2 Inch Residential

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1	1,000	-	-	-	1	-	-	-	-	-	-	-	-	1	1	1
1,001	2,000	1	-	1	-	-	-	-	1	-	1	-	1	5	6	8
2,001	3,000	-	1	-	-	1	1	1	-	1	-	1	-	6	12	23
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 1 1/2 Inch Residential

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	23
	-													-	12	23
	-													-	12	23
	-													-	12	23

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 1 1/2 Inch Residential

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-														-	12	23
-														-	12	23
-														-	12	23
-														-	12	23
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12		

Average Usage	1,917
Median Usage	2,000
Average # Customers	1
Change in Number of Customers	-

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 2 Inch Residential

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	1	1	1	1	1	1	1	1	1	1	-	1	11	11	-
1	1,000	-	-	-	-	-	-	-	-	-	-	1	-	1	12	1
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 2 Inch Residential

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	1
	-													-	12	1

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 2 Inch Residential

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
	-													-	12	1
	-													-	12	1
	-													-	12	1
	-													-	12	1
	-													-	12	1
	-													-	12	1
	-													-	12	1
	-													-	12	1
	-													-	12	1
	-													-	12	1
	-													-	12	1
	-													-	12	1
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12		

Average Usage	42
Median Usage	-
Average # Customers	1
Change in Number of Customers	-

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 5/8x3/4 Inch Commercial

Exhibit
Schedule H-5
Page 6
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	-	-	-	-	1	-	-	-	-	-	-	-	1	1	-
1	1,000	1	1	1	1	1	1	1	1	1	1	1	1	12	13	6
1,001	2,000	2	2	1	1	1	1	1	2	2	2	2	2	19	32	35
2,001	3,000	-	-	-	-	-	1	1	-	-	-	-	-	2	34	40
3,001	4,000	-	-	1	-	-	1	1	-	-	1	1	-	5	39	57
4,001	5,000	1	1	-	2	-	-	-	1	1	-	-	1	7	46	89
5,001	6,000	-	-	-	-	1	-	-	-	-	-	-	-	1	47	94
6,001	7,000	-	-	1	-	-	-	-	-	-	-	-	-	1	48	101
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 5/8x3/4 Inch Commercial

Exhibit
Schedule H-5
Page 6
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	101
	-													-	48	101

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 5/8x3/4 Inch Commercial

Exhibit
Schedule H-5
Page 6
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
Totals		4	4	4	4	4	4	4	4	4	4	4	4	48		

Average Usage	2,094
Median Usage	1,500
Average # Customers	4
Change in Number of Customers	-

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 3/4 Inch Commercial

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	2	-	1	1	-	-	-	-	-	-	-	-	4	4	-
1	1,000	5	6	3	4	5	4	5	5	5	6	6	6	60	64	30
1,001	2,000	-	-	1	1	2	1	2	1	1	-	-	-	9	73	44
2,001	3,000	2	2	3	1	2	1	1	1	1	1	2	1	18	91	89
3,001	4,000	1	2	-	1	1	2	-	2	2	2	2	2	17	108	148
4,001	5,000	1	-	-	1	-	-	2	-	1	2	-	-	7	115	180
5,001	6,000	-	-	2	-	-	1	-	-	-	1	-	-	4	119	202
6,001	7,000	1	1	-	1	-	-	-	1	1	-	-	1	6	125	241
7,001	8,000	-	1	-	-	1	-	-	-	-	-	-	-	2	127	256
8,001	9,000	-	-	-	1	-	1	1	1	-	-	-	1	5	132	298
9,001	10,000	-	-	2	-	-	-	-	-	-	1	1	-	4	136	336
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	136	336
11,001	12,000	-	-	-	1	-	-	-	-	-	-	-	-	1	137	348
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	137	348
13,001	14,000	-	-	-	-	1	-	-	-	-	-	-	-	1	138	361
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	138	361
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	138	361
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	138	361
17,001	18,000	-	-	-	-	-	-	1	-	-	-	-	-	1	139	379
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	139	379
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	139	379
20,001	21,000	-	-	-	-	-	1	-	-	1	-	-	-	2	141	420
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	141	420
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	141	420
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	141	420
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	141	420
25,001	26,000	-	-	-	-	-	-	-	1	-	-	-	-	1	142	445
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	142	445
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	1	1	143	473
28,001	29,000	-	-	-	-	-	1	-	-	-	-	-	-	1	144	501
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 3/4 Inch Commercial

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	144	501
	-													-	144	501

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 3/4 Inch Commercial

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
	-													-	144	501
	-													-	144	501
	-													-	144	501
	-													-	144	501
	-													-	144	501
	-													-	144	501
	-													-	144	501
	-													-	144	501
Totals		12	12	12	12	12	12	12	12	12	13	11	12	144		

Average Usage	3,480
Median Usage	1,500
Average # Customers	12
Change in Number of Customers	-

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 1 Inch Commercial

Exhibit
Schedule H-5
Page 8
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1	1,000	1	1	1	1	1	1	1	1	1	1	1	1	12	12	6
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 1 Inch Commercial

Exhibit
Schedule H-5
Page 8
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 1 Inch Commercial

Exhibit
Schedule H-5
Page 8
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	6
-														-	12	6
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12		

Average Usage	501
Median Usage	500
Average # Customers	1
Change in Number of Customers	-

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 1 1/2 Inch Commercial

Exhibit
Schedule H-5
Page 9
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-													-	-	-
1	1,000													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000													-	-	-
8,001	9,000													-	-	-
9,001	10,000													-	-	-
10,001	11,000													-	-	-
11,001	12,000													-	-	-
12,001	13,000													-	-	-
13,001	14,000													-	-	-
14,001	15,000													-	-	-
15,001	16,000													-	-	-
16,001	17,000													-	-	-
17,001	18,000													-	-	-
18,001	19,000													-	-	-
19,001	20,000													-	-	-
20,001	21,000													-	-	-
21,001	22,000													-	-	-
22,001	23,000													-	-	-
23,001	24,000													-	-	-
24,001	25,000													-	-	-
25,001	26,000													-	-	-
26,001	27,000													-	-	-
27,001	28,000													-	-	-
28,001	29,000													-	-	-
29,001	30,000													-	-	-
30,001	31,000													-	-	-
31,001	32,000													-	-	-
32,001	33,000													-	-	-
33,001	34,000													-	-	-
34,001	35,000													-	-	-
35,001	36,000													-	-	-
36,001	37,000													-	-	-
37,001	38,000													-	-	-
38,001	39,000													-	-	-
39,001	40,000													-	-	-
40,001	41,000													-	-	-
41,001	42,000													-	-	-
42,001	43,000													-	-	-
43,001	44,000													-	-	-
44,001	45,000													-	-	-
45,001	46,000													-	-	-
46,001	47,000													-	-	-
47,001	48,000													-	-	-
48,001	49,000													-	-	-
49,001	50,000													-	-	-
50,001	51,000													-	-	-

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 1 1/2 Inch Commercial

Exhibit
Schedule H-5
Page 9
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
51,001	52,000													-	-	-
52,001	53,000													-	-	-
53,001	54,000													-	-	-
54,001	55,000													-	-	-
55,001	56,000													-	-	-
56,001	57,000													-	-	-
57,001	58,000													-	-	-
58,001	59,000													-	-	-
59,001	60,000													-	-	-
60,001	61,000													-	-	-
61,001	62,000													-	-	-
62,001	63,000													-	-	-
63,001	64,000													-	-	-
64,001	65,000													-	-	-
65,001	66,000													-	-	-
66,001	67,000													-	-	-
67,001	68,000													-	-	-
68,001	69,000													-	-	-
69,001	70,000													-	-	-
70,001	71,000													-	-	-
71,001	72,000													-	-	-
72,001	73,000													-	-	-
73,001	74,000													-	-	-
74,001	75,000													-	-	-
75,001	76,000													-	-	-
76,001	77,000													-	-	-
77,001	78,000													-	-	-
78,001	79,000													-	-	-
79,001	80,000													-	-	-
80,001	81,000													-	-	-
81,001	82,000													-	-	-
82,001	83,000													-	-	-
83,001	84,000													-	-	-
84,001	85,000													-	-	-
85,001	86,000													-	-	-
86,001	87,000													-	-	-
87,001	88,000													-	-	-
88,001	89,000													-	-	-
89,001	90,000													-	-	-
90,001	91,000													-	-	-
91,001	92,000													-	-	-
92,001	93,000													-	-	-
93,001	94,000													-	-	-
94,001	95,000													-	-	-
95,001	96,000													-	-	-

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 1 1/2 Inch Commercial

Exhibit
Schedule H-5
Page 9
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
96,001	97,000													-	-	-
97,001	98,000													-	-	-
98,001	99,000													-	-	-
99,001	100,000													-	-	-
-														-	-	-
Totals		-	-	-	-	-	-	-	-	-	-	-	-	-		

Average Usage	-
Median Usage	-
Average # Customers	-
Change in Number of Customers	-

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 2 Inch Commercial

Exhibit
Schedule H-5
Page 10
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1	1,000	-	-	-	1	1	1	-	-	-	1	1	1	6	6	3
1,001	2,000	-	-	1	-	-	-	-	-	1	-	-	-	2	8	6
2,001	3,000	1	1	-	-	-	-	-	-	-	-	-	-	2	10	11
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	11
4,001	5,000	-	-	-	-	-	-	1	-	-	-	-	-	1	11	16
5,001	6,000	-	-	-	-	-	-	-	1	-	-	-	-	1	12	21
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	21
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	21
8,001	9,000	-	-	-	-	1	-	1	-	-	-	-	-	2	14	38
9,001	10,000	1	-	-	-	-	1	-	-	-	-	-	-	2	16	57
10,001	11,000	-	1	-	-	-	-	-	-	-	-	-	-	1	17	68
11,001	12,000	-	-	1	1	-	-	-	-	1	-	-	-	3	20	102
12,001	13,000	-	-	-	-	-	-	-	1	-	1	-	-	2	22	127
13,001	14,000	-	-	-	-	-	-	-	-	-	-	1	-	1	23	141
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	141
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	141
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	141
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	1	1	24	158
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	158
38,001	39,000	-	-	-	-	1	-	-	-	-	-	-	-	1	25	197
39,001	40,000	1	-	-	-	-	-	-	-	-	-	-	-	1	26	236
40,001	41,000	-	-	-	-	-	-	1	-	-	-	-	-	1	27	277
41,001	42,000	-	1	-	-	-	-	-	-	-	-	-	-	1	28	318
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	318
43,001	44,000	-	-	-	-	-	1	-	-	-	-	-	-	1	29	362
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	362
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	362
46,001	47,000	-	-	-	1	-	-	-	-	-	-	-	-	1	30	408
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	30	408
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	1	1	31	457
49,001	50,000	-	-	-	-	-	-	-	-	-	-	1	-	1	32	506

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 2 Inch Commercial

Exhibit
Schedule H-5
Page 10
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	506
51,001	52,000	-	-	1	-	-	-	-	-	-	1	-	-	2	34	609
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	34	609
53,001	54,000	-	-	-	-	-	-	-	-	1	-	-	-	1	35	663
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	35	663
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	35	663
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	35	663
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	35	663
58,001	59,000	-	-	-	-	-	-	-	1	-	-	-	-	1	36	721
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	721

Liberty Utilities (Cordes Lakes Water) Corp.
Test Year Ended April 30, 2023
Customer Classification 2 Inch Commercial

Exhibit
Schedule H-5
Page 10
Witness: Bourassa

Usage From:	Usage To:	Month of May-22	Month of Jun-22	Month of Jul-22	Month of Aug-22	Month of Sep-22	Month of Oct-22	Month of Nov-22	Month of Dec-22	Month of Jan-23	Month of Feb-23	Month of Mar-23	Month of Apr-23	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
	-													-	36	721
	-													-	36	721
	-													-	36	
Totals		3	3	3	3	3	3	3	3	3	3	3	3	36		

Average Usage	20,028
Median Usage	11,000
Average # Customers	3
Change in Number of Customers	-

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Attorneys for Liberty Utilities (Cordes Lakes Water) Corp.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
ANNA TOVAR
NICK MYERS
KEVIN THOMPSON

IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (CORDES LAKES WATER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02060A-23-

DIRECT TESTIMONY

OF

THOMAS J. BOURASSA

COST OF CAPITAL

December 28, 2023

Snell & Wilmer
L.L.P.
LAW OFFICES
One East Washington Street, Suite 2700
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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q. WHAT IS YOUR PROFESSION AND BACKGROUND?

A. I am a Certified Public Accountant and am self-employed, providing consulting services to utility companies as well as general accounting services. I have a B.S. in Chemistry and Accounting from Northern Arizona University (1980) and an M.B.A. with an emphasis in Finance from the University of Phoenix (1991).

Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND REGULATORY EXPERIENCE?

A. Yes. Prior to becoming a private consultant, I was employed by High-Tech Institute, Inc., and served as controller and chief financial officer. Prior to working for High-Tech Institute, I worked as a division controller for the Apollo Group, Inc. Before joining the Apollo Group, I was employed at Kozoman & Kermode, CPAs. In that position, I prepared compilations and other write-up work for water and wastewater utilities, as well as tax returns.

In my private practice, I have prepared and/or assisted in the preparation of several water and wastewater utility rate applications before the Arizona Corporation Commission ("Commission").

Q. WHAT IS THE PURPOSE OF THIS DIRECT TESTIMONY?

A. I am testifying in this proceeding on behalf of applicants Liberty Utilities (Rio Rico Water and Sewer) Corp. ("Liberty Rio Rico"), Liberty Utilities (Bella Vista Water) Corp. ("Liberty Bella Vista"), Liberty Utilities (Cordes Lakes Water) Corp. ("Liberty Cordes Lakes"), and Liberty Utilities (Beardsley Water) Corp. ("Liberty Beardsley"). As stated in the testimony of Matthew Garlick, Liberty is seeking approval to transfer all the of the assets of Liberty Bella Vista, Liberty Beardsley and Liberty Cordes Lakes to Liberty Rio Rico with the consolidated entity owning all the of the assets of the four utilities. Since the

appropriate return on equity is based on a total of Liberty Rio Rico (Consolidated)'s consolidated capital structure, I refer to the consolidated entity as "Liberty Rio Rico (Consolidated)" or the "Company".

Q. HAVE YOU PREPARED ANY TABLES AND EXHIBITS TO ACCOMPANY YOUR TESTIMONY?

A. Yes. I have prepared 11 tables that support my testimony. I also sponsor exhibits TJB-COC-DT1, TJB-COC-DT2, and TJB-COC-DT3 that also support my testimony.

Q. PLEASE DESCRIBE HOW YOUR TESTIMONY IS ORGANIZED.

A. In this Section I, a summary of my analysis and my approach is presented. In Section II, I discuss the meaning of just and reasonable rates. In Section III, I provide an overview of the risk and expected return on investment. In Section IV, I discuss the sample of seven publicly traded water utilities in my sample group and provide a comparison to Liberty Rio Rico (Consolidated). I then discuss recent developments in the water utility industry and their impact on investments. In Section V, I provide an overview of each of the methods (Discounted Cash Flow and Risk Premium including the Capital Asset Pricing Model) that I employ in my analysis. In Section VI, I discuss the additional business risks faced by Liberty Rio Rico (Consolidated), my comparative risk study, and my recommended risk premium for Liberty Rio Rico (Consolidated). Finally, in Section VII, I summarize my testimony and present a summary of the equity costs of the water proxy group and Liberty Rio Rico (Consolidated).

Q. BRIEFLY SUMMARIZE YOUR FINDINGS CONCERNING LIBERTY RIO RICO (CONSOLIDATED)'S COST OF COMMON EQUITY.

A. I have determined that the cost of equity for the publicly traded water utilities falls in the range of 8.60 percent to 11.40 percent with an average of 10.1 percent. After considering differences in financial risk and business risk between Liberty Rio Rico (Consolidated) and the publicly traded water utilities, I am recommending the adoption of an ROE of 10.95 percent for Liberty Rio Rico (Consolidated).

My recommendation is based on consideration of (i) cost of equity estimates using

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a Discounted Cash Flow ("DCF") and three risk premium ("RP") methods (Capital Asset Pricing Model ("CAPM") is one of the RP methods) using a sample group of publicly traded water utilities, (ii) my review of the economic conditions expected to prevail during the period in which new rates will be in effect, (iii) my judgments about the risks associated with relatively small utilities like Liberty Rio Rico (Consolidated) that are not captured by the market data of publicly traded water utilities, (iv) the financial risk associated with the level of debt in Liberty Rio Rico (Consolidated)'s recommended capital structure, and (v) additional, specific business and operational risks faced by Liberty Rio Rico (Consolidated).

The results of the DCF and RP methodologies were adjusted upward by 20 basis points to account for Liberty Rio Rico (Consolidated)'s higher than average business risk compared to the proxy group. My recommended ROE is based on the Commission adoption of a 54 percent common equity ratio for ratemaking purposes.

Q. WHAT IS THE RECOMMENDED CAPITAL STRUCTURE FOR LIBERTY RIO RICO (CONSOLIDATED) FOR RATE MAKING PURPOSES?

A. Liberty Rio Rico (Consolidated) is recommending a capital structure consisting of 46 percent debt and 54 percent equity for setting base rates in the instant case.

Q. WHY A 46 PERCENT DEBT AND 54 PERCENT EQUITY CAPITAL STRUCTURE?

A. In a recent rate case for Liberty Utilities (Litchfield Park Water and Sewer), Corp., Liberty Utilities informally agreed with the parties to that case to file the next Liberty Utilities rate cases in Arizona using a capital structure of 46 percent debt and 54 percent equity. This capital structure was used in the recent Liberty Utilities (Black Mountain Sewer), Corp. rate case for this reason. *See* Decision 78017 (May 18, 2021)

Because the Company's current capital structure is different than the 46 percent debt and 54 percent equity capital structure, the Company intends to file a financing application for approval of additional debt in order to maintain a capital structure of 46 percent debt and 54 percent equity.

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Q. WHAT IS THE COMPANY'S PROPOSED WEIGHTED COST OF DEBT?

A. The proposed weighted cost of debt is 6.57 percent. The weighted cost is based on current debt costing 3.48 percent and the proposed additional debt financing at 6.60 percent. (See Schedule D-2. Regarding the proposed additional debt, the Company intends to file a financing application concurrently with this rate case. The terms specify that the debt cost is based upon a 15-year U.S Treasury plus 160 basis points as will be proposed in the Company's financing application. A recent spot rate for the 15-year treasury is 5.0 percent. Thus, the proposed cost of debt at this stage of the proceeding for the new debt is 6.60 percent (5.0% plus 1.60%). I would note that the actual interest rate may be higher or lower depending on the prevailing U.S. Treasury yields at the time the debt is issued.

Q. WHAT IS YOUR RECOMMENDATION FOR THE WEIGHTED AVERAGE COST OF CAPITAL?

A. Based upon Liberty Rio Rico (Consolidated) proposed capital structure of 43 percent debt and 57 percent equity, a cost of debt of 6.57 percent, and a cost of equity of 10.95 percent, the WACC is 8.93 percent (rounded) as shown in Figure 1.

Figure 1

	Ratio	Rate	Weighted Cost
Debt	46%	6.57%	3.02%
Equity	54%	10.95%	5.91%
Weighted Average			8.93%

Q. PLEASE SUMMARIZE THE APPROACH YOU USED TO ESTIMATE THE COST OF EQUITY FOR THE COMPANY.

A. The cost of equity for Liberty Rio Rico (Consolidated) cannot be estimated directly because there is no market data for Liberty Rio Rico (Consolidated) as the Company's equity is not in the form of a publicly traded security. Consequently, I have assessed the market-based common equity cost rates of companies of similar, but not necessarily identical, risk for insight into a recommended common equity cost rate applicable to Liberty Rio Rico (Consolidated). Analysis of a proxy group serves as a starting point, because no proxy group

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can be selected to be identical in risk to Liberty Rio Rico (Consolidated). Therefore, the proxy group's results must be adjusted to reflect the unique, relative financial and/or business risks of Liberty Rio Rico (Consolidated), as I will discuss in detail.

II. THE MEANING OF "JUST AND REASONABLE" RATE OF RETURN

Q. HAVE THE COURTS SET FORTH ANY CRITERIA THAT GOVERN THE RATE OF RETURN THAT A UTILITY'S RATES SHOULD PRODUCE?

A. Yes. In 1923, the U.S. Supreme Court set forth the following criteria for determining whether a rate of return is reasonable in *Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 692-93 (1923):

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties … The return should be reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market, and business conditions generally.

Then, in *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944), the U.S. Supreme Court stated the following regarding the return to owners of an entity:

> [T]he return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital. 320 U.S. at 603.

In summary, under *Hope* and *Bluefield*:

(1) The rate of return should be similar to the return in businesses with similar or comparable risks;

(2) The return should be sufficient to ensure the confidence in the financial integrity of the utility; and

(3) The return should be sufficient to maintain and support the utility's credit.

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Q. HAVE THESE CRITERIA BEEN APPLIED IN REGULATORY PROCEEDINGS?

A. Yes, but the application of the "reasonableness" criteria laid down by the Supreme Court has resulted in controversy. The typical method of computing the overall cost of capital is quite straightforward; it is the composite, weighted cost of the various classes of capital (debt, preferred stock, and common equity) used by the utility. Calculating the proportion that each class of capital bears to total capital does the weighting. However, there is no consensus regarding the best method of estimating the cost of equity capital. To date, the increasing regulatory use of market-based finance models in equity return determinations has not led to a universally accepted means of estimating the ROE. In addition, the market-based results are too often applied to a book-value investment base, which, as I will discuss later in my testimony, understates the return expected by investors who invest in actual markets based on market values.

The cost of capital is based on the concept of opportunity cost *i.e.*, the prospective return to investors must be comparable to investments of similar risk. If a utility's return is less than the returns on investments with similar risk, investors can and will invest elsewhere. As explained by Dr. Roger Morin in his book, *New Regulatory Finance*:

> The concept of cost of capital is firmly anchored in the opportunity cost notion of economics. The cost of a specific source of capital is basically determined by the riskiness of that investment in light of alternative opportunities and equals investor's current opportunity cost of investing in the securities of that utility. A rational investor is maximizing the performance of his or her portfolio only if returns expected on investor investments of comparable risk are the same. If not, the investor will switch out of those investments yielding low returns at a given risk level in favor of those investments offering higher returns for the same degree of risk. This implies that a utility will be unable to attract capital unless it can offer returns to capital suppliers comparable to those achieved on alternate competing investments of similar risk.[1]

The *Bluefield* decision suggests that opportunity cost is an appropriate measure of the actual cost of common equity for a utility. This necessarily involves the direct

[1] Morin, Roger A., *New Regulatory Finance*, (Vienna, Virginia, Public Utility Reports, Inc. 2006), pp. 21-22. ("Morin").

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observation of returns on equity actually earned by entities with comparable risk to ensure that the authorized rate of return is equivalent to the returns those entities are earning.

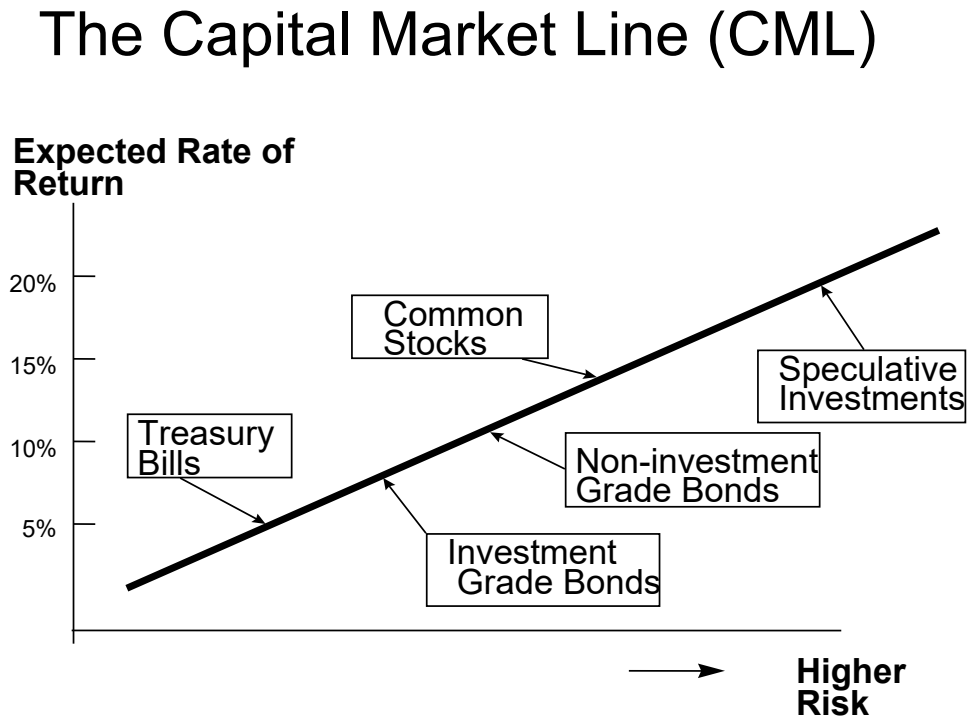
III. OVERVIEW OF THE RELATIONSHIP BETWEEN RISK AND THE EXPECTED RETURN ON AN INVESTMENT

Q. HOW IS THE COST OF EQUITY TYPICALLY ANALYZED?

A. The cost of equity is the rate of return that equity investors expect to receive on their investment. Investors can choose from numerous investment options, not simply publicly traded stocks. Investments have varying degrees of risk, ranging from relatively low risk assets such as Treasury securities to somewhat higher risk corporate bonds to even higher risk common stocks. As the level of risk increases, investors require higher returns on their investment. Finance models used to estimate the cost of equity often rely on this basic concept.

Q. CAN YOU ILLUSTRATE THE CAPITAL MARKET RISK-RETURN CONCEPT?

A. Yes. The following graph depicts the risk-return relationship that has become widely known as the Capital Market Line ("CML"). The CML illustrates in a general way the risk-return relationship.



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The CML can be viewed as a continuum of the available investment opportunities for investors. Investment risk increases move upward and to the right along the CML. Again, the return required by investor's increases with the risk.

Q. HOW DOES THE RISK-RETURN TRADE OFF CONCEPT WORK IN THE CAPITAL MARKET?

A. As shown by the CML, the allocation of capital in a free market economy is based upon the relative risk of, and expected return from, an investment. In general, investors rank investment opportunities in the order of their relative risks. Investment alternatives in which the expected return is commensurate with the perceived risk become viable investment options. If all other factors remain equal, the greater the risk, the higher the rate of return investors will require to compensate them for the possibility of loss of either the principal amount invested or the expected annual income from such investment.

Short-term Treasury bills provide a high degree of certainty and in nominal terms (after considering inflation) are considered virtually risk free. Long-term bonds and preferred stocks, having priority claims to assets and fixed income payments, are relatively low risk, but are not risk free. The market values of long-term bonds often fluctuate when government policies or other factors cause interest rates to change. Common stocks are higher and to the right on the CML continuum, because they have greater investment risk. Common stock risk is impacted by the nature of the underlying business and the financial strength of the issuing corporation and market-wide factors, such as general changes in capital costs.

The capital markets reflect investor expectations and requirements each day through market prices. Prices for stocks and bonds change to reflect investor expectations and the relative attractiveness of one investment relative to others. While the example provided above seems straightforward, returns on common stocks are not directly observable in advance as compared to debt or preferred stocks with fixed payment terms. This means that these returns must be estimated from market data. Estimating the cost of equity capital should be a matter of informed judgment about the relative risk of the company in question

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and the expected rate of return characteristics of other alternative investments.

Q. HOW IS THE COST OF EQUITY TO BE DETERMINED FOR A PARTICULAR COMPANY?

A. Estimating a company's cost of equity is complex. It requires an analysis of the factors influencing the cost of various types of capital, such as interest on long-term debt, dividends on preferred stock, and earnings on common equity. The data for such an analysis comes from highly competitive capital markets, where the firm raises funds by issuing common stock, selling bonds, and by borrowing (both long-term and short-term) from banks and other financial institutions. In the capital markets, the cost of capital, whether the capital is in the form of debt or equity, is determined by two important factors:

1) The pure or real rate of interest, often called the risk-free rate of interest, and,

2) The uncertainty or risk premium (or the compensation the investor requires, over and above the real or pure rate of interest for subjecting his or her capital to additional risk).

Q. PLEASE DISCUSS THESE FACTORS IN GREATER DETAIL.

A. The pure rate of interest essentially reflects both the time preference for and the productivity of capital. From the standpoint of the individual, it is the rate of interest required to induce the individual to forgo present consumption and offer the funds, thus saved, to others for a specified length of time. Moreover, the pure rate of interest concept is based on the assumption that no uncertainty affects the investment undertaken by the individual, *i.e.*, there is no doubt that the periodic interest payments will be made and the principal returned at the end of the time period. In reality, investments without any risk do not exist. Every commitment of funds involves some degree of uncertainty.

Turning to the second factor affecting the cost of capital, it is generally accepted that the higher the degree of uncertainty, the higher the cost of capital. Investors are regarded as risk averse and require that the rate of return increase as the risks and uncertainty associated with an investment increases.

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Q. CAN YOU PROVIDE SOME PERSPECTIVE ON YOUR PREVIOUS DISCUSSION WITH RESPECT TO RETURNS ON COMMON STOCKS?

A. Yes. Conceptually, the required return on common stocks can be quantified by the following equation:

[1] Required Return for Common Stocks = Return on a risk-free asset + Risk Premium

The risk premium investors require for common stocks will be higher than the risk premium they require for investment grade bonds. This relationship is depicted in the graph of the CML above. As I will discuss later in this testimony, this concept is the basis of risk premium methods, such as the CAPM, that are used to estimate the cost of equity.

Q. PLEASE DISCUSS IN MORE DETAIL THE IMPACT OF RISK ON CAPITAL COSTS.

A. With reference to specific utilities, risk is often discussed as consisting of two separate types of risk: business risk and financial risk.

Business risk, the basic risk associated with any business undertaking, is the uncertainty associated with the enterprise's day-to-day operations. In essence, it is a function of the normal day-to-day business environment, both locally and nationally. Business risks include the condition of the economy and capital markets, the state of labor markets, regional stability, government regulation, technological obsolescence, and other similar factors that may impact demand for the business' products or services and its cost of production. For utilities, business risk also includes the volatility of revenues arising from abnormal weather conditions, degrees of operational leverage, regulation, and regulatory climate. Regulation, for example, can compound the business risk if it is unpredictable in reacting to cost increases, both in terms of the time lag and magnitude for recovery of such increases.

Financial risk, on the other hand, concerns the distribution of business risk to the various capital investors in the utility. Permanent capital is normally divided into three categories: long-term debt, preferred stock, and common equity. Because common equity

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owners have only a residual claim on earnings after debt and preferred stockholders are paid, financial risk tends to be concentrated in that element of the firm's capital. Thus, a decision by management to raise additional capital by issuing additional debt concentrates even more of the financial risk of the utility on the common equity owners.

Q. WHAT ARE THE DETERMINANTS OF THE RISK FREE RATE IN EQUATION [1]?

A. The risk-free rate can be disaggregated into a "real" rate of interest and an inflation premium (*i.e.*, expected future inflation).

Q. WHAT ARE THE DETERMINANTS OF THE REQUIRED RISK PREMIUM FROM EQUATION [1] ABOVE?

A. The risk premium can be disaggregated into five general components: (1) Interest Rate Risk; (2) Business Risk; (3) Regulatory Risk; (4) Financial Risk; and (5) Liquidity Risk.

Interest Rate Risk refers to the variability in return caused by subsequent changes in interest rates and stems from the inverse relationship between interest rates and asset prices. For example, bond prices fall when interest rates rise and vice versa. As discussed earlier, business risk is the basic risk associated with any business undertaking.

Regulatory risk refers to the quality and consistency of regulation applied to a given regulated utility. Regulatory jurisdictions are evaluated on the basis of three major factors: (1) earnable return on equity, (2) regulatory quality, and (3) regulatory practices. Collectively, these three factors influence a utility's ability to earn its authorized return. The type of test year employed (historical or future), capital structure and rate base issues, and the length of regulatory lag are among the reasons a utility may or may not have a reasonable opportunity to earn its authorized return.

As detailed above, financial risk concerns the distribution of business risk to the various capital investors in the utility. It relates to the additional variability imparted to income available to common shareholders stemming from the entity's method of financing its capital needs.

Construction risk is an important component of financial risk. Construction risk is

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the risk of tying capital up in projects that are not earning returns, or not having sufficient capital to build the assets needed to keep generating returns. If an entity has a large construction budget relative to internally generated cash flows, it will require external financing, which will result in greater financial risk. It is essential that such entities have access to capital funds on reasonable terms and conditions.

Utilities are more susceptible to construction risk for two reasons. First, water and wastewater utilities generally have high capital requirements to build plants to serve customers. Second, utilities have a mandated obligation to serve, leaving less flexibility both in the timing and discretion of scheduling capital projects. This is compounded by the limited ability to wait for more favorable market conditions to raise the capital necessary to fund the capital projects, and then the lag between when capital is invested and when rates can be approved to provide returns on and of that capital. It is imperative that the utility maintain access to needed capital and on reasonable terms and conditions. The return allowed on common equity plays a critical role in determining those terms and conditions.

Although often discussed separately, the business and financial risks are interrelated. A study by Scott and Martin found statistically significant results for unregulated firms in twelve industries that "smaller equity ratios (higher leverage use) are generally associated with larger companies."[2] While unregulated enterprises would be expected to seek the optimal balance between debt and equity to achieve the lowest overall cost of capital, the findings of Scott and Martin suggest smaller firms found it prudent to offset higher business risks related to being small by reducing financial risk. This evidence suggests the lowest cost equity ratio for these two utilities may be higher than the average equity ratio for the benchmark water proxy group.

Finally, Liquidity Risk refers to the ability to readily convert an investment into cash without sustaining a loss. Capital market theory generally assumes that investments are liquid and observations about risk and return are drawn from information about liquid

[2] Scott, D.F. and Martin, J.D., "Industry Influence on Financial Structure," *Financial Management*, Spring 1975, pp. 67-71.

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investments. Non-publicly traded or privately-held investments possess little liquidity.

Q. IS INVESTMENT RISK IMPACTED BY COMPANY SIZE?

A. Yes. Investment risk bears a direct relationship to size and increases as company size decreases. Investment liquidity may be a significant factor in explaining this relationship. However, the illiquidity of smaller stocks does not capture the size effect completely. Size may be a proxy for one or more true unknown factors correlated with size.[3]

IV. THE PUBLICLY TRADED UTILITIES THAT COMPRISE THE SAMPLE GROUP USED TO ESTIMATE THE COST OF EQUITY

Q. WHICH COMPANIES COMPRISE YOUR WATER PROXY GROUP?

A. There are seven water utilities in my sample: American States Water ("AWR"), American Water Works ("AWK"), Essential Utilities ("WTRG"), California Water Company ("CWT"), Middlesex Water ("MSEX"), SJW Corp. ("SJW"), and York Water Company ("YORW"). For the methods employed in my analysis, I used data on these sample entities from a sample of publicly traded water utilities, or proxy group, selected from the *Value Line Investment Survey* as a starting point.

The seven water companies comprising the proxy group were selected by meeting the following criteria: (1) they are followed by the *Value Line Investment Survey*; (2) they have at least ten years of historical financial and market information; (3) they have a *Value Line* adjusted beta; (4) they have not cut or omitted their common dividends during the five years ending 2022 or through the time of the preparation of this testimony; (5) they have operating revenues primarily from regulated operations; and (6) at the time of the preparation of this testimony, they had not publicly announced that they were involved in any major merger or acquisition activity.

Q. BUT THE WATER UTILITIES IN YOUR SAMPLE ARE NOT DIRECTLY COMPARABLE TO LIBERTY RIO RICO (CONSOLIDATED)?

[3] Rolf W. Banz, "The Relationship between Return and Market Value of Common Stocks", *Journal of Financial Economics*, March 1981, pp. 3-18.

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A. That is correct. However, they are utilities for which market data is available. All of them primarily provide water service (although some provide both water and wastewater services) and their primary source of revenues is from regulated services. They are also commonly used in regulatory proceedings where sample companies are selected to measure the cost of equity. Therefore, they provide a useful *starting point* for developing the cost of equity for Liberty Rio Rico (Consolidated) while recognizing that the proxies are not perfectly comparable.

Q. BRIEFLY, WHY IS A PROXY GROUP NECESSARY FOR COMPARISON IN A COST OF CAPITAL ANALYSIS?

A. First, a fair rate of return for a specific utility is the return required by investors to hold assets with corresponding levels of risk. Market data for a sample of comparable companies provides insight into the investors' required return, and such data comports with the guidance from the U.S. Supreme Court's decisions in *Bluefield* and *Hope*, which I discussed earlier. The comparable earnings standard set forth in the *Hope* and *Bluefield* decisions requires that the rate of return afforded to utilities be similar to the return for businesses with similar or comparable risks. It follows that a proxy group of companies with comparable risk is the starting point in a cost of capital analysis.

Second, a primary objective of rate regulation is to determine an authorized ROE that is both fair to customers and provides reasonable returns for the subject utility. The best estimate of that ROE is the cost of equity for Liberty Rio Rico (Consolidated). The cost of equity is a cost of service fairly recovered from customers through rates. For investors in Liberty Rio Rico (Consolidated), the cost of equity is commensurate with returns an investor in these utilities would expect to earn from investments of comparable risk. To estimate the cost of equity requires market data that reveal investor-required returns. Since Liberty Rio Rico (Consolidated) is not publicly traded, there is no market information to determine the cost of equity. This necessitates the selection and use of a proxy group.

Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE WATER UTILITIES IN YOUR WATER PROXY GROUP?

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A. Yes. Table 2 lists the percentages of regulated revenues, operating revenues, net plant, the number of customers or population served, *Value Line* Financial strength, *Value Line* betas, market capitalization, and market size category for the seven water utilities. Comparative data for Liberty Rio Rico (Consolidated) (where available) is also shown in Table 2. The water utilities in the water proxy group consist of Micro-Cap to Large-Cap companies. Four of the seven companies are Mid-Cap or larger.[4] The market capitalizations range from about $577 million to over $27.1 billion with an average of approximately $7 billion. Operating revenues range from about $60 million to nearly $3.8 billion with an average of over $1.18 billion. Net plant ranges from $431 million to over $23 billion, with an average of over $6.1 billion. Most of the companies operate in multiple jurisdictions.

Q. HOW DOES LIBERTY RIO RICO (CONSOLIDATED) COMPARE TO THE UTILITES IN YOUR PROXY GROUP?

A. On average, the utilities in the water proxy group are much larger and, according to the empirical financial data, they are less risky than Liberty Rio Rico (Consolidated). Liberty Rio Rico (Consolidated) is much smaller with fewer customers and has far less revenues, far less net plant and a relatively small and limited service territory. At the end of 2022, Liberty Rio Rico (Consolidated) had approximately 25,000 water and sewer connections as compared to the average of the water proxy group of nearly 963,000 connections per company. Liberty Rio Rico (Consolidated)'s revenues totaled approximately $13.8 million, and net plant-in-service was approximately $69 million. The average revenues of the water proxy group are over 85 times greater than Liberty Rio Rico (Consolidated), and those entities have on average over 89 times the net plant of Liberty Rio Rico (Consolidated).

Q. DO RECENT DEVELOPMENTS IN THE WATER UTILITY INDUSTRY IMPACT INVESTMENTS AND THE DETEMINATION OF THE COST OF EQUITY?

[4] Based upon 2021 market data from the Center for Research in Security Prices: Micro-Cap companies are Decile 9-10 with market capitalization less than $628 million; Low-Cap companies are Decile 6-8 with market capitalization over $628 million but less than $3,277 million; Mid-Cap companies are Decile 3-5 companies with market capitalization of over $3,277 million but less than $16,738 million; and, Large-Cap companies are Decile 1 -2 companies and have market capitalization of over $16,738 million.

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A. Yes. On the whole, the water and wastewater utility industry continues to confront increasing need for infrastructure upgrades and replacement. See *Value Line Investment Survey,* Ratings and Reports – Water Utility Industry (October 6, 2023). *Value Line* notes that higher interest rates are typically not good for utilities as fixed income investments become more attractive and utilities heavily rely of debt to fund their capital improvements. Accordingly, *Value Line* recognizes that heavy reliance on debt for financing does not lead to strong finances. As *Value Line* notes, the balance sheets in this sector are not in stellar condition.

Value Line also recognizes that the stocks in the water sector ordinarily trade with P/E ratios that are higher than the average stock. Part of this is due to scarcity, as it is a small industry. Iin other words, the demand to own shares by large institutional investors outstrips the supply which is a prime reason for water utility stocks trading at seemingly inflated P/E ratios. See *Value Line Investment Survey,* Ratings and Reports – Water Utility Industry (January 23, 2023).

A copy of the most recent *Value Line* report on the water industry along with each water utility in my proxy group is attached as Exhibit TJB-COC-DT1.

Q. CAN YOU PROVIDE A SUMMARY OF RECENT EVENTS THAT HAVE IMPACTED CAPITAL MARKET CONDITIONS?

A. Over the past few years, the capital markets experienced unprecedented levels of uncertainty due to the impact of the COVID-19 pandemic on the global economy and US economy. To mitigate the impact on the economy, the Federal Reserve cut its policy rate to 0 to 0.25 percent in March 2020 and announced unlimited quantitative easing and emergency liquidity programs.[5] During 2020 the U.S. passed several large spending programs including the $2.2 trillion CARES Act (March 2020) which was then the largest economic stimulus package in U.S. history.[6] Despite these efforts in 2020, the U.S.

[5] U.S. Federal Reserve, "Federal Reserve Announces Extensive New Measures to Support the Economy," Press Release, March 23, 2020.

[6] See, for example, https://en.wikipedia.org/wiki/CARES_Act signed into law in March 2020.

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economy actually contracted and entered a technical recession by mid-2020.[7] To help mitigate this situation, the U.S. government then passed a $1.7 trillion American Rescue Plan of 2021 (March 2021) which was intended to stimulate the economy.[8] Despite the passage of significant stimulus packages by the U.S. government, the U.S. entered a "technical" recession by the 2nd quarter of 2022.[9]

Because the annualized inflation rate rose to 7.0 percent by the end of 2021, the Federal Reserve began raising interest rates in March 2022 in attempt to tame inflation.[10] Since March 2022 and through July 2023, the Federal Reserve has increased the federal funds rate by 525 basis points to a target rate of 5.25 to 5.50 percent.[11] Despite the attempts to tackle inflation, inflation has remained stubbornly high peaking at over 9.0 percent in June 2022.[12] By February 2023, the annualized inflation rate was still at about 6.0 percent and far above the Federal Reserve's targeted 2.0 percent inflation rate.[13] The *Value Line Investment Survey*, Selection and Opinion (September 29, 2023) notes that inflation remains sticky and well above the Fed's target rate of 2.0 percent after trending lower in the spring and summer. Value Line also notes that the central bank may keep interest rates higher for an extended period. The federal funds rate has stayed steady at 5.0 percent to 5.25 percent as the Fed had been more hawkish during the summer of 2023, which has put pressure on Treasury yields. The average 20-year and 30-year U.S. Treasury bond yields reached peaks of 4.77 percent and 4.65 percent respectively in September 2023. Finally, *Value Line* notes that market volatility has picked up as the market is dealing with several headwinds during a traditionally tough period for equities.

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[7] See https://www.bea.gov/news/2020/gross-domestic-product-third-estimate-corporate-profits-revised-and-gdp-industry-annual. In the 1st and 2nd Quarter 2020, real GDP decreased by an annualized rate of 5.0% and 31.4%, respectively

[8] See, for example, https://en.wikipedia.org/wiki/American_Rescue_Plan_Act_of_2021 signed into law in March 2021.

[9] See https://www.bea.gov/news/2022/gross-domestic-product-third-estimate-gdp-industry-and-corporate-profits-revised-first and https://www.bea.gov/news/2022/gross-domestic-product-third-estimate-gdp-industry-and-corporate-profits-revised-2nd. In the 1st and 2nd Quarter 2022, real GDP decreased by an annualized rate of 1.6% and 0.6%, respectively.

[10] See https://cpiinflationcalculator.com/2021-cpi-and-inflation-rate-for-the-united-states/ and

[11] See https://www.bankrate.com/banking/federal-reserve/history-of-federal-reserve/

[12] See https://www.usinflationcalculator.com/inflation/current-inflation-rates/

[13] See https://www.usinflationcalculator.com/inflation/current-inflation-rates/

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Q. WHAT ARE THE EXPECTATIONS FOR INTEREST RATES AND THE ECONOMY MOVING FORWARD?

A. According to *Blue Chip Financial Forecasts* ("BCFF"), the expectations are for more monetary tightening by the Federal Reserve and for interest rates to remain elevated for longer.[14] *Blue Chip* long-range forecasts from June 2023 projects that long-term treasuries will average 3.7 percent of the 2024-26 period, the period new rates are expected to be in effect.

Q. CAN YOU DISCUSS RISK FACTORS DISTINGUISH LIBERTY RIO RICO (CONSOLIDATED) FROM THE LARGER WATER UTILITIES IN YOUR PROXY GROUP?

A. First, water and wastewater utilities are capital intensive and typically have large construction budgets. Firms with large construction budgets face greater construction risk (a component of financial risk). The size of a utility's capital budget relative to the size of the utility itself often increases construction risk. Large utilities are better able to fund their capital budgets from their earnings, cash flows, and short-term borrowings. For smaller utilities, the ability to fund their capital budgets from earnings, cash flows, and short-term debt is difficult, if not impossible, and must rely on additional outside capital.

Second, smaller companies are simply less able to cope with significant events that affect sales, revenues and earnings. For example, the loss of revenues from a few larger customers or from trends in the reduction of usage by customers through conservation or the makeup of the customer base would have a greater effect on a small company than on a much larger company with a larger customer base.

Third, there are a number of other factors, including the differences in regulatory environments, differences in the type of test year used for rate making, and differences in the available regulatory mechanisms for recovery of costs outside of a rate case. The large water utilities in my water proxy group are generally not subject to the adverse impacts of

[14] Blue Chip Financial Forecasts, Vol.42, No. 3. March 2023.

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an unfavorable regulatory environment of one jurisdiction.

In summary, there are several factors that impact the ability of a smaller utility to actually earn its authorized return. An inadequate opportunity to earn the revenues in a rate case leads to a greater variability of earnings for entities like Liberty Rio Rico (Consolidated) when compared to the proxy group. This volatility means greater risk, and the greater risk requires higher returns to maintain and support the utility's credit.

Q. WHAT QUANTITATIVE MEASURES CAN BE USED TO HELP IDENTIFY DIFFERENCES IN BUSINESS RISK?

A. There are a number of fundamental accounting-based business risk measures that can be used to assess the relative differences between firms. Those include: (1) the co-efficient of variance of ROE; (2) the co-efficient of variance of operating income; (3) the co-efficient of variance of operating margin; and (4) Operating Leverage. The first three reflect the distributions of earnings. These are meaningful when measured against the distribution of earnings of alternative investments, like the water utilities in my water proxy group. The fourth business risk measure reflects the impact of sales fluctuations and the impact of fixed operating costs on earnings.

The co-efficient of variance of ROE can be quantified using the following equation:

[2] Co-efficient of Variance of ROE = Standard Deviation of ROE/Mean of ROE

The co-efficient of variance of operating income can be quantified using a relatively simple equation:

[3] Co-efficient of Variance of Operating Income = Standard Deviation of Operating Income/Mean of Operating Income

The co-efficient of variance of operating margin can be quantified using the following equation:

[4] Co-efficient of Variance of Operating Margin = Standard Deviation of Operating Margin/Mean of Operating Margin

And, the Operating Leverage formula is expressed as:

[5] Operating Leverage = Percentage Change in Operating Income/Percentage

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Change in Sales

Using the business risk measures expressed in equations [2], [3], and [4], the greater the co-efficient of variation or Operating Leverage, the greater the risk to investors of not receiving expected returns.[15] Below are the computed co-efficient of variation for ROE, Operating Income, and Operating Margin, as well as Operating Leverage using the five most recent years of historical data for the water proxy group and Liberty Rio Rico (Consolidated):

Company	Business Risk Co-efficient of variance of ROE	Business Risk Co-efficient of variance of Operating Income	Business Risk Co-efficient of variance of Operating Margin	Operating Leverage
Water Proxy Group	0.1778	0.1585	0.0816	4.06
Liberty Rio Rico (Consolidated)	0.6127	0.2793	0.3584	77.34
Relative Risk of Liberty Rio Rico (Consolidated) to Water Proxy Group	3.45	1.76	4.39	19.03

These metrics show that Liberty Rio Rico (Consolidated) is riskier than the average water proxy group companies which is why my analysis indicates a 90 to 110 basis point risk premium over the water proxy group based upon these metrics.

Q. CAN METRICS LIKE A COMPANY'S CO-EFFICIENT OF VARIATION IN ROE, CO-EFFICIENT OF VARIATION IN OPERATING INCOME, AND OPERATING MARGIN BE USED ALONG WITH MARKET DATA TO DEVELOP COMPANY SPECIFIC RISK PREMIUMS?

A. Yes. *Duff & Phelps* publishes comparative risk characteristics using market data that provides a nexus between a market beta and the metrics operating margin, the coefficient of variation in operating margin, and the coefficient of variation in return on equity.[16] This

[15] Tuller, Lawrence W., *The Small Business Valuation* (Avon, MA: Adams Media Corporation, 1994), p. 89.

[16] Duff & Phelps, LLC. *2017 Valuation Handbook; Guide to Cost of Capital*. Hoboken, NJ: John Wiley and Sons, 2017 ("*Duff & Phelps*"), page 7-13. *See also* Online at www.dpcostofcapital.com*: Duff & Phelps* Cost of Capital Navigator platform ("*Duff &Phelps Cost of Capital Navigator*")

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information can be used to develop implied betas for Liberty Rio Rico (Consolidated) for use in the CAPM. *See* Exhibit TJB-COC-DT3. By comparing the results of the CAPM for the water proxy group with the CAPM for Liberty Rio Rico (Consolidated) using the implied betas, informed risk premiums can be developed. As one would expect, the implied beta for Liberty Rio Rico (Consolidated) is higher than the beta of the water proxy group. A risk premium of 90 to 110 basis points over the cost of equity of the water proxy group is indicated for Liberty Rio Rico (Consolidated). I will discuss the indicated risk premiums and implied betas in more detail in Section VI of this direct testimony.

Q. WHAT ABOUT LIQUIDITY RISK?

A. A rational investor would regard an investment in Liberty Rio Rico (Consolidated) as having a higher level of risk as AWK or even the smaller MSEX) because of the previously mentioned small size characteristics of Liberty Rio Rico (Consolidated) and the fact that an investment in Liberty Rio Rico (Consolidated) is relatively illiquid compared to the publicly traded water utilities. An investor in a publicly traded stock can sell stock in a very short period of time if dissatisfied with the returns. Whereas an investor in a privately held stock does not have this ability to sell quickly. Consequently, investors will require a greater risk premium, often called liquidity risk premium. As a consequence of these differences in risk, the results produced by the DCF and RP methodologies, utilizing data for the sample utilities, often understate the appropriate ROE for a small, regulated water utility such as Liberty Rio Rico (Consolidated).

Q. IS THERE A RELATIONSHIP BETWEEN A UTILITY'S CAPITAL STRUCTURE AND ITS COST OF CAPITAL?

A. Yes. Generally speaking, when an entity engages in debt financing, it exposes itself to greater risk. As debt grows relative to the total capital structure, the risk increases in a geometric fashion compared to the linear percentage increase in the debt ratio itself. This risk is illustrated by considering the effect of leverage on net earnings. For example, as leverage increases, the equity ratio falls. This creates two adverse effects. First, equity earnings decline rapidly and may even disappear. Second, the "cushion" of equity

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protection for debt falls. A decline in the protection afforded to debt holders, or the possibility of a serious decline in debt protection, will act to increase the cost of debt financing. Therefore, one may conclude that each new financing, whether through debt or equity, impacts the marginal cost of future financing by any alternative method.

For an entity already perceived as being over-leveraged, this additional borrowing would cause the marginal costs of both equity and debt to increase. On the other hand, if the same entity instead successfully employed equity funding, this could actually reduce the real marginal cost of additional borrowing, even if the particular equity issuance occurred at a higher unit cost than an equivalent amount of debt.

Q. HOW DO THE CAPITAL STRUCTURES OF THE SAMPLE WATER UTILITIES COMPARE TO THE PROPOSED PRO FORMA CAPITAL STRUCTURES FOR LIBERTY RIO RICO (CONSOLIDATED)?

A. Table 3 shows that the debt and equity capital structure used to develop the cost of capital for Liberty Rio Rico (Consolidated). This structure contains 54 percent equity and 46 percent debt, compared to the average of the water utility sample of approximately 52 percent equity and 48 percent debt. Having less debt in its capital structure implies that the Company has lower financial risk than those in the water proxy group. However, the 46 percent level of debt for Liberty Rio Rico (Consolidated) is not significantly less than the average of the proxy group of 48 percent. The differences in the levels of debt and equity between the proxy group utilities and Liberty Rio Rico (Consolidated) are not significant and in my view do not result in a material difference in overall investment risk.[17] Consequently, I do not recommend a financial risk adjustment at this time based on Liberty Rio Rico (Consolidated)'s proposed capital structure.

[17] Smaller firms tend to offset higher business risk with lower financial risk. See Scott, D.F. and Martin, J.D., "Industry Influence on Financial Structure," *Financial Management*, Spring 1975, pp. 67-71

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V. OVERVIEW OF THE DCF AND RISK PREMIUM METHODS

Q. PLEASE EXPLAIN THE GENERAL APPROACHES TO ESTIMATING THE COST OF CAPITAL.

A. There are two broad approaches:

1) identify comparable-risk sample companies and estimate the cost of capital directly, or
2) find the location on the CML and estimate the relative risk of the entity, which jointly determines the cost of capital.

The DCF method falls into the first approach. It is a direct method, but uses only a subset of the total capital market evidence. The DCF rests on the premise that the fundamental value of an asset (i.e. stock) is its ability to generate future cash flows to the owner of that asset. The DCF is simply the sum of a stock's expected dividend yield and the expected long-term growth rate. Dividend yields are readily available, but long-term growth estimates are not. I will explain the DCF in greater detail later.

The RP methods fall into the second approach. An equity risk premium is established by determining the relationship between the cost of equity and an interest rate over time. The CAPM method falls into the category of RP methods. To implement, it is generally assumed that the past correlation will continue on into the future. The RP generally uses a small subset of the capital market evidence whereas the CAPM uses information on all securities, rather than a small subset. I will explain the RP methods in more detail later. For now, the RP methods reflect a risk-return relationship, often depicted graphically as the CML.

Each of these methods measures investor expectations. In the final analysis, ROE estimates are subjective and should be based on sound, informed judgment and supported by competent evidence. I have applied one version of the DCF and three versions of the RP methods (including the CAPM as one of the RP methods.) I believe these methods provide the foundation for evaluating the fair cost of equity capital for the publicly traded water utilities in my proxy group. I then add a risk premium to the results of these models

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for the water proxy group to account for the differences in risk (business, regulatory, liquidity, size) between the water proxy group and Liberty Rio Rico (Consolidated).

A. Explanation of the DCF Model And its Inputs

Q. PLEASE EXPLAIN THE DCF METHOD OF ESTIMATING THE COST OF EQUITY.

A. The DCF model is based on the concept that the current price of a share of stock is equal to the present value of future cash flows from the purchase of the stock. In other words, the DCF model seeks to replicate the market valuation process that sets the price investors are willing to pay for a share of an entity's stock. It rests on the assumption that investors rely on the expected returns (i.e., cash flow they expect to receive) to set the price of a security. The DCF model in its most general form is:

[6] $P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \ldots. + CF_n/(1+k)^n$

where k is the cost of equity; n is the number of years; P_0 is the current stock price; and, CF_1, through CF_n are the expected future cash flows expected to be received in periods 1 through n.

Equation [6] can be written to show that the current price (P_0) is also equal to

[7] $P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \ldots + P_t/(1+k)^t$

where P_t is the price expected to be received at the end of the period t. If the future price (P_t) included a premium (an expected increase in the stock price or capital gain), the price the investor would pay today (in anticipation of receiving that premium) would increase. In other words, by estimating the cash flows from the purchase of a stock in the form of dividends and capital gains, we can calculate the investor's required rate of return, i.e., the rate of return an investor presumptively used in bidding the current price to the stock (P_0) to its current level.

Equation [7] is a Market Price version of the DCF model. As with the general form of the DCF model in equation [6], the current stock price (P_0) is the present value of the expected cash inflows in the Market Price approach. The cash flows are comprised of dividends and the final selling price of the stock. The estimated cost of equity (k) is the rate

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of return investors expect if they bought the stock at today's price, held the stock and received dividends through the transition period, and then sold it for price in period t (P_t).

Q. CAN YOU PROVIDE AN EXAMPLE TO ILLUSTRATE THE MARKET PRICE VERSION OF THE DCF MODEL?

A. Yes. Assume an investor buys a share of common stock for $40. If the expected dividend during the coming year is $2.00, then the expected dividend yield is 5 percent ($2.00/$40 = 5.0 percent). If the stock price is also expected to increase to $43.00 after one year, this $3.00 expected gain adds an additional 7.5 percent to the expected total rate of return ($3.00/$40 = 7.5 percent). Thus, the investor buying the stock at $40 per share expects a total return of 12.5 percent (5 percent dividend yield plus 7.5 percent price appreciation). The total return of 12.5 percent is the appropriate measure of the cost of capital because this is the rate of return that caused the investor to commit $40 of his or her capital by purchasing the stock.

Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE DCF MODEL.

A. Under the assumption that future cash flow is expected to grow at a constant rate ("g"), equation [6] can be solved for k and rearranged into the simple form:

[8] $k = CF_1/P_0 + g$

where CF_1/P_0 is the expected dividend yield (also expressed as D_0/P_0) and g is the expected long-term dividend (price) growth rate. The expected dividend yield is computed as the ratio of next period's expected dividend ("D_0") divided by the current stock price ("P_0").

This form of the DCF model is known as the "constant growth" DCF model and recognizes that investors expect to receive a portion of their total return in the form of current dividends and the remainder through future dividends and capital (*i.e.* price) appreciation. A key assumption of this form of the model is that investors expect that same rate of return (k) every year and that market price grows at the same rate as dividends. As already discussed, this has not been historically true for the water utility sample, as shown by the data in Table 4.

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Q. ARE THERE ANY CONCERNS ABOUT APPLYING THE DCF MODEL TO UTILITY STOCKS?

A. Yes, there are a number of reasons why caution must be used when applying the DCF model to utility stocks. First, a non-publicly traded company does not have a stock market price. Using the stock prices from a proxy group assumes that the stock of Liberty Rio Rico (Consolidated) would be similarly priced and has a dividend yield similar to the publicly traded water companies. Second, the stock price and dividend yield components may be unduly influenced by structural changes in the industry, such as mergers and acquisitions, which influence investor expectations. Third, the DCF model is based on a number of assumptions that may not be realistic given the current capital market environment. The traditional DCF model assumes that the market price per share ("MPPS"), book value per share ("BVPS), earnings per share ("EPS"), and dividends per share ("DPS"), all grow at the same rate. This has not been historically true for the sample water utility companies. For example, Table 4 shows than over the past 5 years the average MPPS growth has significantly exceeded the average BVPS, EPS, and DPS.

We should be especially concerned with the DCF model's applicability under current market conditions. Over the past several years, *Value Line* has taken note of these fundamental changes surrounding water utility stocks. The *Value Line* Investment Survey (October 14, 2016) for the Water Utility Industry noted:

> When we went to press last July, institutional investors, spurred by low rates on U.S. Treasury securities, had plowed large amounts of funds into this relatively minor segment of the U.S. equity market. Consisting of only nine stocks, the industry has a combined market capitalization of less than $25 billion. Long known to many retail investors for their modest, but well-defined earnings, many accounts have also been attracted to these shares because of their higher-than-average yields, solid dividend growth prospects, low volatility, and defensive nature. During the first half of 2016, however, demand for certain income-generating stocks reached peak levels. Indeed, the price of the equities in this industry were pushed to such all-time highs, that their yields (the primary reason to buy the stocks) fell below the median of the *Value Line* universe.

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The *Value Line* Investment Survey (January 13, 2017) for the Water Utility Industry noted:

> The average dividend yield on the eight regulated water utilities we follow is currently 2.1%, or exactly the same as the median for all stocks in the *Value Line* universe. Historically, the yield on these stocks has been much higher. As an example, the typical yield on an electric utility equity is about 3.6%, or 150 basis points higher than the water utility industry. Why is this? One reason is that when taken as a whole, the market capitalization of the group is very modest. Thus, it doesn't take a large shift into the sector by institutional investors to drive the price of these stocks higher and their yields lower. Indeed, the three stocks with the best returns over the last three months were all small cap stocks. *York Water* and *SJW* each surged 30% while *Middlesex Water* rose about 25%. Before these moves, the market capitalization of each individual stock was $375 million, $850 million, and $550 million, respectively. The spike in prices has also left the equities with respective yields of 1.7%, 1.5%, and 2.1%.

The *Value Line* Investment Survey (January 12, 2018) for the Water Utility Industry noted:

> Shares of water utilities are currently trading in uncharted territory. Aided most likely by strong institutional demand, and a limited supply of equity, the large- and mid-cap stocks in the group have done extremely well.
>
> We caution investors that these stocks may not be as safe as they have been in the past. That is because the larger utilities have seen their stocks rise to near all-time highs. For example, the current yield on this group's stocks is only about equal to the *Value Line* median. Also, though inflation remains tame, the Federal Reserve has indicated more interest rate hikes next year. This could make bonds more attractive to income-oriented investors. In any case, subscribers should be aware that these stocks may carry more risk than their Beta co-efficients and Safety ranks indicate.

The *Value Line* Investment Survey (April 12, 2019) for the Water Utility Industry continues this theme and notes:

> Despite its reputation as being defensive sector of the equity market, the Water Utility Industry continues to perform relatively well in an up market. Indeed, typically purchased for their yield and dividend growth prospects, the average yield in this group is now below the Value Line median. Based, on other key financial metrics, this Industry is trading at historically high levels. For example, the P/E ratios of these stocks is probably close to 30. That's over 1.7 times

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> the average stock's P/E. Not only are other stocks offering an alternative to this group, but short-term Treasury notes are looking attractive on a relative basis as well. The yield on a three-month Treasury note is currently over 2.4%. Thus, it is yielding more than 50 basis points higher than most water equities. True, there is not the possibility of dividend hikes for this security, but there also is just about no risk whatsoever. All in all, we think investors should take a hard look at the offerings on the front end of the yield curve rather than invest in water utility stocks.
>
> … Despite their low Beta co-efficient, and high scores for Price Stability and Earnings Predictability, these stocks may hold more risk than a typical utility investor may want to undertake. This opinion is based purely on what we believe are elevated valuations of the equities. We continue to think that the industry is fundamentally sound, but better alternatives are available elsewhere.

Finally, the most recent *Value Line* Investment Survey (January 6, 2023) (emphasis added) for the Water Utility Industry noted:

> The total market capitalization of the Water Utility Industry is about $51 billion, or slightly below that of Dominion Energy, the nation's fourth largest electric utility. Moreover American Water Works accounts for over 54% of the total. Thus, in the group there are only two large cap stocks. (The other *Essential Utilities*.) That leaves 4 companies that have market caps ranging from $2.5 billion to $3.4 billion. **The demand to own shares by the large institutional investors clearly outstrips the supply. This is one of the prime reasons for these stocks trading at such seemingly inflated P/E ratios.** Of the six water stocks covered by Value Line, the P/E's range from a low of 24.8, to a high of 38.8, with the average being 32.4. Essential Utilities is the only equity with a P/E below 30, mostly because of its gas utility operations.

Over the past several years while the price-earnings ratios for water utility stocks have reached all-time highs and dividend yields have reached all-time lows, yet the 5 and 10-year average annual total return for the water proxy group are 11.8, and 16.8 percent, respectively, from advances in stock prices and reinvestment of dividends.[18] These returns are significantly higher than the DCF estimate of the cost of equity of just 8.6 percent and is a source of my concern in the application of the DCF at this time. The expected equity returns suggested by the market based DCF model do not line up with recent experience in the markets. As Dr. Morin notes:

[18] *Value Line Investment Analyzer* weekly data from September 13, 2023.

> To the extent that increases (decreases) in relative market valuation are anticipated by investors, especially myopic investors with short-term investment horizons, the standard DCF model will understate (overstate) the cost of equity.[19]

Another way of stating this point is that the DCF model does not account for the ebb and flow of investor sentiments over the course of the business cycle. The problem was particularly acute in the mid 1990's and mid 2000's where investors, faced with very low returns on short-term fixed-income securities and an uncertain market outlook, sought higher yields offered by utility stocks in a so-called flight to quality, boosting utility stock price and lowering the dividend yield.[20] The circumstances then are not so different from what is occurring today.

Fourth, the application of the DCF model produces estimates of the cost of equity that are consistent with investor expectations *only* when the market price of a stock and the stock's book value are approximately the same. The DCF model will understate the cost of equity when the market-to-book ratio exceeds 1.0 and, conversely, the model will overstate the cost of equity when the market-to-book ratio is less than 1.0. The reason for this is that the market-derived return produced by the DCF is often applied to book value rate base by regulators.

Fifth, the assumption of a constant growth rate may be unrealistic, and there may be difficulty in finding an adequate proxy for the growth rate. Historical growth rates can be downward biased as a result of the impact of anemic historical growth rates in earnings, mergers and acquisitions, restructuring, unfavorable regulatory decisions, and even abnormal weather patterns. Conversely, historical growth rates can be upwardly biased as well, particularly under current market conditions as discussed previously.

Q. WHAT DATA HAVE YOU USED TO COMPUTE THE EXPECTED DIVIDEND YIELD (D_1/P_0) IN YOUR DCF MODEL?

A. First, I computed a current dividend yield (D_0/P_0). The time value of money should be taken into account when determining dividend yields. This adjustment is required because the

[19] Morin, p. 433.
[20] Morin, pp. 21-22.

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basic model assumes dividends are paid once a year, but investors actually receive dividend payments on a quarterly basis. Prices they pay for the stock (P_0), would reflect the anticipated payment and potential re-investment of quarterly dividends. To approximate the time value of money and the payment of quarterly dividends, I computed expected dividend yield (D_1/P_0) as the current dividend yield (D_0/P_0) times one plus the growth rate (g) divided by 2. I used the spot price for each of the stocks of the water utilities in the sample group as reported by the *Value Line Investment Analyzer* for September 22, 2023 for P_0. The current dividend (D_0) is the current indicated dividend as reported by *Value Line*. In my tables, the current dividend yield is denoted as (D_0/P_0), where D_0 is the current dividend and P_0 is the spot stock price. (D_1/P_0) is used to denote the expected dividend yield in the tables.

Q. WHAT MEASURES OF GROWTH ("g") HAVE YOU USED?

A. My estimates of growth are based upon analysts' estimates of growth. For my forecast growth estimate, I have used the growth forecasts from *Value Line*, *Zacks Investment Research*, and *Yahoo Finance.* I report the analysts' forecasts of future growth in Table 4.

Q. WHY DID YOU USE FORECASTED GROWTH RATES IN YOUR GROWTH ESTIMATES?

A. The empirical evidence indicates that analyst estimates of EPS growth are the best measure of growth for use in the DCF for utility stocks.[21] Further, the DCF model requires estimates of growth that investors expect in the future and not past estimates of growth that have

[21] Gordon, David A., Gordon, Myron J. and Gould, Lawrence I., "Choice Among Methods of Estimating Share Yield," *Journal of Portfolio Management*, Spring 1989, pp. 50-55. Gordon, Gordon and Gould found that a consensus of analysts' forecasts of earnings per share growth for the next five years provides a more accurate estimate of growth required in the DCF model than three different historical measures of growth (historical EPS, historical DPS, and historical retention growth). They explain that this result makes sense because analysts would take into account such past growth as indicators of future growth as well as any new information. Other studies confirm the superiority of analysts' estimates such as Vander Weide, James H. and Carleton, Willard T., "Investor Growth Expectations: Analysts vs. History," *Journal of Portfolio Management*, Spring 1988, pp. 78-87; Brown, Lawrence D. and Rozeff, Michael S., "The Superiority of Analyst Forecasts as Measures of Expectations: Evidence from Earnings," *Journal of Finance*, March 1978, pp. 1-16; and Timme, Stephen G. and Eisemann, Peter C., "On the Use of Consensus Forecasts of Growth in the Constant Growth Model: The Case for Electric Utilities," *Journal of Financial Management*, Winter 1989, pp. 23-35. A 2004 study by the Kentucky Public Service Commission Advance Research Center updated the study by Vander Weide and Carleton (1988) and confirmed the superiority of analyst estimates over historical averages.

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already occurred. Logically, in estimating future growth, financial institutions and analysts have taken into account all relevant historical information on an entity, as well as other more recent information.[22] To the extent that past results provide useful indications of future growth prospects, analysts' forecasts would already incorporate that information. In addition, the current price of a stock reflects known historic information on that entity, including its past earnings history. Any further recognition of the past will double count what has already occurred. Therefore, forward-looking growth rates should be used.

Q. DID YOU APPLY A REASONABLENESS TEST TO THE INDIVIDUAL RESULTS THE DCF?

A. Yes. DCF results that are less than the forecast Baa investment grade bond yield plus 100 basis points or 6.7 percent are excluded. An indicated return of 6.7 percent is the minimum plausible expected cost of equity. This reasonableness approach is consistent with methods the Federal Energy Regulatory Commission ("FERC") adopted in the past and consistent with common sense.[23]

Q. PLEASE SUMMARIZE THE EQUITY COST ESTIMATES YOU MAKE WITH THE DCF APPROACH.

A. In Table 6, my DCF estimate for the cost of equity of the water proxy group is 9.6 percent. For Liberty Rio Rico (Consolidated) my estimate is 9.8 percent as shown in Table 1.

B. Explanation of the RP And its Inputs

Q. PLEASE EXPLAIN THE RP METHODOLOGY FOR ESTIMATING THE COST OF EQUITY.

A. The RP method is sometimes referred to as the "bond yield plus risk premium method." The general approach is to determine the spread between the return on debt and the return on equity, and then add this spread to the current debt yield to derive an estimate of the cost

[22] Gordon, Gordon, and Gould, p.54.

[23] In its 2008 Order for Southern California Edison, 122 FERC ¶61236 at page 25, the FERC lists screens which included exclusion of any company whose low-end ROE fails to exceed the average bond yield by about 100 basis points, or more.

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of equity. To implement the RP, it is assumed that the past relationship will continue into the future. The RP is widely used by analysts and investors.[24]

The RPM formula provides a formal risk-return relationship and is stated as:

(9) $k = K_d +$ bond-equity spread

Where k is the expected return on equity and K_d is the cost of debt or debt yield.

Q. PLEASE TURN TO YOUR RISK PREMIUM EQUITY COST ESTIMATES. HOW MANY RP ANALYSES HAVE YOU PERFORMED?

A. I performed two risk premium analyses, not including the CAPM. My first analysis is presented in Table 8. It is an updated and modified version of the risk premium analysis used in a prior California Public Utility Commission rate case. In that case, the Public Advocates Office ("Cal Advocates") presented in San Jose Water Company's GRC (A.06-02-014) in June 2006. In that case, Cal Advocates adopted annual averages of actual returns on average equity for water utilities in its sample as proxies for the costs of equity for the period 1996 to 2005, subtracted contemporaneous Treasury rates from those equity cost proxies to determine annual average risk premiums, then added 5-year and 10-year averages of those risk premiums to forecasts of the respective Treasury rates to determine an equity cost range. Table 8 adopts annual averages of available DCF equity costs for utilities in the sample as the annual proxies for the costs of equity. This analysis was based on data for the period 2013 to 2022. See Table 9. Current dividend yields are annual averages of yields for the water utilities sample in the various years as reported by *Value Line*. Growth rates are averages of EPS growth rates forecasted by *Value Line*. This RP analysis indicates a cost of equity of 10.66 percent for the water proxy group. For Liberty Rio Rico (Consolidated), the indicated cost of equity is 11.47 percent as shown in Table 1. My analysis assumes that the sample of seven utilities is large enough to provide meaningful estimates.

Q. PLEASE EXPLAIN YOUR SECOND RP APPROACH.

[24] Morin, p. 108.

A. The second RP analysis is analysis is presented in Table 9. For the period 1977 to 2022 (46 years), I subtract average annual long-term US. Treasury yields from total returns of the S&P 500 Utility Index to determine the annual risk premium for each year. The average risk premium over the period adjusted to reflect the estimated impact on the risk premium due to the difference between the average interest rate over the period and the current forecast estimate for interest rates. This adjustment is necessary because the risk premium varies inversely with interest rates. That said, the adjusted risk premium is then added to the average expected long-term U.S. Treasury yield (2024-2026) of 2.7 percent from Table 7 to estimate the cost of equity. This RP analysis indicates a cost of equity of 11.3 percent for the water proxy group. For Liberty Rio Rico (Consolidated), the indicated cost of equity is 12.11 percent as shown in Table 1.

Q. SHOULD STUDIES OF HISTORICAL RISK PREMIUMS RELY ON ARITHMETIC AVERAGE RETURNS OR ON GEOMETRIC AVERAGE RETURNS?

A. Whenever relying on historical risk premiums, only arithmetic average returns over long periods are appropriate for forecasting and estimating the cost of capital, and geometric average returns are not. As various finance experts have explained, an arithmetic mean is the correct approach to use in estimating the cost of capital, particularly for a risk premium model.[25] As Dr. Morin states:

> Because valuation is forward-looking, the appropriate average is the one that most accurately approximates the expected future rate of return. *The best estimate of the expected returns over a future holding period is the arithmetic average. Only arithmetic means are correct for forecasting purposes and for estimating the cost of capital.* There is no theoretical or empirical justification for the use of geometric rates of return as a measure of the appropriate discount rate in computing the cost of capital or in computing present values.[26]

[25] Zvi Bode, Alex Kane, Alan J. Marcus, *Investments* (McGraw-Hill 6th ed., 2005) ("Bode"), pp. 864 – 865; Richard A. Brealey, Stewart C. Myers, Frankin Allen, *Principles of Corporate Finance* (McGraw-Hill 11th ed.) ("Brealey"), pp. 162 – 163.

[26] Morin, pp. 116 – 117 (emphasis added).

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The consensus among these experts makes sense. Only arithmetic mean return rates and yields are appropriate for cost of capital purposes because ex-post (historical) total returns and equity risk premiums differ in size and direction over time, providing insight into the variance and standard deviation of returns. The geometric mean of ex-post (after the fact) equity risk premiums provides no insight into the potential variance of future returns because the geometric mean relates the change over many periods to a constant rate of change, rather than the year-to-year fluctuations, or variance, which are critical to risk analysis. In short, the conclusion of these financial experts is that, while the geometric mean is useful in comparing what happened in the past, it should not be used to determine estimates of expected future returns or market risk premiums.

Q. LET'S TURN TO THE CAPM. PLEASE EXPLAIN THE CAPM METHODOLOGY FOR ESTIMATING THE COST OF EQUITY.

A. Like all RP methods, the CAPM is the sum of a risk-free rate plus a risk premium. Like the RPM, it quantifies the additional return required by investors for bearing incremental risk. The CAPM was developed by William Sharpe and John Lintner in the mid-1960s and is a common topic in college finance textbooks. The CAPM provides a formal risk-return relationship premised on the idea that only market risk matters, as measured by beta. The traditional version of CAPM is represented by the formula:

$$[10] \quad k = R_f + \beta(R_m - R_f)$$

Where k is the expected return, R_f is the risk-free rate (or zero beta asset), R_m is the market return, $(R_m - R_f)$ is the market risk premium, and β is beta.

Q. WHAT IS BETA AND WHAT DOES IT MEASURE?

A. Beta is a measure of the relative risk of a security in relation to the market. In other words, it is a measure of the sensitivity of a security to the market as a whole. This sensitivity is also known as systematic risk. It is estimated by regressing a security's excess returns against a market portfolio's excess returns. The slope of the regression line is the beta.

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Beta for the market is 1.0. A security with a beta greater than 1.0 is considered riskier than the market. A security with a beta less than 1.0 is considered less risky than the market.

Q. ARE THERE ANY CONCERNS ABOUT APPLYING THE CAPM MODEL TO UTILITY STOCKS?

A. Yes. I have concerns with using this model in most periods because mechanical application of the model may produce unreasonable results. The traditional CAPM only captures a single measure of systematic risk as measured by beta, but there are other forms of systematic risk priced by the market such as company size. A size premium is necessary because the empirical evidence indicates that beta alone does not measure the risk of smaller companies.[27] Further, there are computational problems surrounding beta since it depends on the return data, the time period used, its duration, the choice of the market index, and whether annual, monthly, or weekly return figures are used. Betas are estimated with error. Based on empirical evidence, high betas will tend to have a positive error (risk is overestimated) and low betas will have a negative error (risk is underestimated).[28]

Q. ARE THERE ALTERNATIVES TO THE TRADITIONAL CAPM?

A. Yes, alternative versions of the CAPM have been developed that provide more robust explanations of returns required by investors. A version of the CAPM called the Empirical CAPM or ECAPM was developed to recognize that estimations of R_f are higher than the return on long-term Treasuries. Dr. Roger Morin discusses ECAPM at pages 189-191 of his book, *New Regulatory Finance*. The ECPAM is represented as follows:

$$[11] \quad k = R_f + .25(R_m - R_f) + .75\beta(R_m - R_f)$$

The ECAPM was developed from the empirical findings that show the slope of the CML is flatter and the risk-free rate is at a higher point than predicted by the pure CAPM. The ECAPM has been shown to do a better job at predicting market returns.

[27] *Duff & Phelps 2018 Valuation Handbook*, Chapter 2, p. 7.

[28] Fama, Eugene F. and Kenneth R. French, "The Capital Asset Pricing Model: Theory and Evidence," *Journal of Economic Perspectives*, Summer 2004, pp. 25-46.

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Duff & Phelps also suggests a version of the CAPM in which a size premium is included.[29] This modified CAPM or MCAPM is represented as follows:

[12] $k = R_f + \beta(R_m - R_f) + RP_s$

Where k is the expected return, R_f is the risk-free rate (or zero beta asset), R_m is the market return, $(R_m - R_f)$ is the market risk premium, β is beta, and RP_s is the size premium. Both the ECAPM and MCAPM recognize the pure CAPM is incomplete and does not fully account for the higher returns that are needed on smaller company stocks. In other words, the higher risks associated with smaller firms are not fully accounted for by beta.[30]

Q. IS FIRM SIZE A UNIQUE RISK?

A. No, firm size is a systematic risk factor and is an adjustment to the pure CAPM.[31] Putting aside the empirical financial data, the need for a risk premium for size makes sense. Company size is a significant element of business risk for which investors expect to be compensated through greater returns. As discussed earlier, smaller companies are simply less able to cope with significant events that impact sales, revenues, and earnings. For example, smaller companies face more risk exposure to business cycles and economic conditions, both nationally and locally. Additionally, the loss of revenues from a few larger customers would have a greater effect on a small entity than on a much larger entity with a larger, more diverse, customer base. Moreover, smaller companies are generally less diverse in their operations and have less financial flexibility.

Q. DID YOU EMPLOY EITHER OF THESE ALTERNATIVE CAPM METHODS (EQUATIONS 11 AND 12) AS PART OF YOUR ANALYSIS?

A. Yes. I employed all three versions of the CAPM to estimate the cost of equity for the water proxy group, which does somewhat mitigate my concerns about the traditional CAPM.

Q. WHAT IS THE RISK-FREE RATE (R_f)?

[29] *Duff & Phelps 2018 Valuation Handbook*, Chapter 2, p. 14.
[30] Morningstar, *Ibbotson SBBI 2013 Valuation Yearbook,* pp. 85-88. (*"Morningstar"*).
[31] Pratt, Shannon P. and Roger J. Grabowski, *Cost of Capital: Applications and Examples* (John Wiley and Sons, 4th Ed. 2010) p. 56.

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A. It is the return on an investment with no risk. The U.S. Treasury rate serves as the basis for the risk-free rate because the yields are directly observable in the market and are backed by the U.S. government. Practically speaking, short-term rates are volatile, fluctuate widely and are subject to more random disturbances than long-term rates. In short, long-term Treasury rates are preferred for these reasons and because long-term rates are more appropriately matched to securities with an indefinite life or long-term investment horizon.

Q. WHAT DO YOU USE AS THE RISK FREE RATE (R_f)?

A. I used the expected U.S. Long-term Treasury rate for 2024-2026 as the basis for the risk free rate. Since the cost of capital is an opportunity cost and is prospective, it necessarily requires the use of a forward-looking bond yield. In recent years, interest rates have dropped to very low levels when compared to interest rates for similar securities in the past. From 1999 to 2007, the annual average yield for long-term Treasury bonds was 5.24 percent, ranging from a low of 4.84 percent in 2007 to a high of 5.94 percent in 2000. In 2008, and during the recent recession, that annual average dropped to 4.24 percent and dropped further in 2012 to 2.9 percent.

The drop in long-term Treasury rates has been largely attributed to the market intervention by the Federal Reserve through its quantitative easing programs. Long-term Treasury rates for 2013 and 2014 averaged 3.45 percent and 3.34 percent, respectively. For 2017, 2018, 2020, and 2021 long-term Treasury rates have averaged 2.90 percent, 3.11 percent, 2.58 percent, 1.56 percent, and 2.06 percent, respectively.

Since March 2022, the Federal Reserve raised the key interest rate by 525 basis points in an attempt to tame high inflation and is expected to raise interest rates further as inflation remains stubbornly high. The average annual long-term Treasury rates for 2022 was 3.11 percent. The September, 2023 average monthly yield on 30-year U.S. Treasury had risen to about 4.66 percent.

Economists expect the 30-year U.S. Treasury yields to be 3.9 percent in 2024-2026 timeframe. See Table 7.

Q. WHY DO YOU USE LONG-TERM U.S. TREASURY YIELDS?

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A. The yields on long-term Treasury bonds match more closely with the perpetual nature of common stock investments.[32] In addition, short-term rates are more volatile, fluctuate widely and are subject to more random disturbances than long-term rates. Long-term Treasury rates are more appropriately matched to securities with an indefinite life or long-term investment horizon. For these reasons, long-term rates are preferred.

Q. WHAT DO YOU ADOPT AS THE RETURN FOR THE RISK-FREE RATE?

A. I used long-term expected Treasury bond rates as the measure of the risk-free return for use with CAPM cost of equity estimates from the *Blue Chip Financial Forecasts*.[33] The appropriate choice for the risk-free rate is the *expected* return for long-term Treasury securities.[34] Thus, when determining an estimate of the risk-free rate, it is appropriate to adopt a return that is no less than the expected return on the long-term Treasury bond rate. Models to determine the cost of capital are prospective in nature, which require expectational inputs, such as forecasted interest rates.[35] The CAPM, ECAPM, and MCAPM estimates are based on expected yields of the long-term Treasury rates for 2024-2026, the average of which is 3.7 percent. See Table 7.

Q. WHAT DID YOU USE AS THE PROXY OF THE BETA IN YOUR CAPM MODELS?

A. For the CAPM and ECAPM, I used the average beta of the sample water utility companies. These betas were obtained from *Value Line Investment Analyzer* (weekly data as of September 13, 2023). *Value Line* is the source for estimated betas that I regularly employ. The average *Value Line* beta for my water proxy group as shown on Table 2 is 0.80.

For the MCAPM, I use sum beta. Sum beta is an alternative method of computing betas. Since *Duff & Phelps* size premiums are derived using sum beta, I use sum beta to be internally consistent with the size risk premiums for the water proxy group derived from the *Duff & Phelps* 2022 Size Study. I computed the sum beta over a 60 month period (5-

[32] Morin, p. 112.
[33] *See* Table 9.
[34] *Duff & Phelps*, Chapter 3, p. 1.
[35] Morin, p 172.

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years) and use the S&P 500 as the market index. Weekly data over 5-year period is the same period used to estimate beta by *Value Line*. However, *Value Line* uses the NYSE as the market index.

I should note that because Liberty Rio Rico (Consolidated) is not publicly traded, it has no beta. In my expert opinion, I strongly believe Liberty Rio Rico (Consolidated), if it were publicly traded, would have a higher *Value Line* beta and sum beta than the sample water utility companies. *Morningstar* reports that when betas (a measure of market risk) are properly estimated, betas are greater for small companies than for larger companies.[36] *Morningstar* also finds that, even after accounting for differences in beta risk, small firms require an additional risk premium over and above the added risk premium indicated by differences in beta risk.

Q. PLEASE EXPLAIN THE MARKET RISK PREMIUM.

A. The market-risk premium (R_m-R_f) is the return an investor expects to receive as compensation for market risk. It is the expected market return minus the risk-free rate. Approaches for estimating the market risk premium can be historical or prospective.

Since expected returns are not directly observable, historical realized returns are often used as a proxy for expected returns on the basis that the historical market risk premium follows what is known in statistics as a "random walk." If the historical risk premium does follow the random walk, then one should expect the risk premium to remain at its historical mean. Based on this, the best estimate of the future market risk premium is the historical mean. *Duff & Phelps* provides historical market returns for various asset classes from various historical time periods. This publication also provides market risk premiums over U.S. Treasury bonds, which makes it an excellent source for historical market risk premiums.

A current market risk premium estimation approach necessarily requires examining the returns expected from common equities and bonds. One method employs application

[36] *Morningstar*, Chapter 7.

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of the DCF model to a representative market index such as the *Value Line* 1700 stocks. The expected return from the DCF is measured for a number of periods of time, and then subtracted from the prevailing risk-free rate for each period to arrive at market risk premium for each period. The market risk premium that is subsequently employed in the CAPM is the average market risk premium of the overall period.

Q. HOW DID YOU ESTIMATE THE MARKET RISK PREMIUMS FOR USE IN THE CAPM MODELS?

A. For the traditional CAPM and ECAPM, I averaged two market risk premium estimates: an average of an historical market risk premium (1926-2022) and a current market risk premium. For the MCAPM, I used a historical market risk premium (1963-2022) and a current market risk premium.

For the historical market risk premiums, I used the *Duff & Phelps* measure of the average premium of the market over long-term treasury securities from 1926 through 2022 and 1963 through 2022, both of which use the S&P 500 market index (which is considered a large-cap index). The average historical market risk premium over long-term treasury securities is 7.46 percent for the 1926 to 2022 period and 6.5 percent for the 1963 through 2022 period.

For the current market risk premium, I derived a market risk premium by first using the DCF model to compute an expected market return for each of the past 12 months using *Value Line's* projections of the average dividend yield for the dividend yield in the DCF and an average of the median EPS, DPS and BVPS growth on the *Value Line* 1700 stocks. I then subtracted the historical monthly average 30-year Treasury yield for each month from the expected market returns to arrive at the expected market risk premiums. Finally, I averaged the computed market risk premiums to determine the current market risk premium for the last 12 months, 9 months, 6 months, and 3 months. The data and computations are shown on Table 10. The recent 12-month average current market risk premium is 7.73 percent. Estimates of the current market risk premium have ranged from 6.89 percent to 8.95 percent over the past 12 months. My recommended market risk premium is based on

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the recent 3-month average estimate of 7.03 percent, well below the mid-point of the range of the past 12 months of 7.73 percent.

Q. WHY USE TWO DIFFERENT HISTORICAL RISK PREMIUM ESTIMATES?

A. I have typically used a historical market risk premium (1926-2022) in my CAPM and ECAPM. I concur with *Morningstar,* which recommends use of a historical market risk premium based upon the longest period practicable.[37] *Duff & Phelps* Risk Premium Report size and risk premia are calculated over the time horizon 1963 – 2022, so I used the historical market risk premium for this period for the MCAPM.

Q. WHY IS IT NECESSARY TO USE A CURRENT MARKET RISK PREMIUM?

A. Long-term historical interest rates used to estimate market risk premiums are much higher than current interest rates. As a result, risk premiums are higher today than the average long-term historical risk premium.

Q. WHY?

A. Because risk premiums vary inversely with interest rates. Dr. Morin found this inverse relationship between risk premiums and interest rates and reported it in chapter 4 of his 2006 book, *New Regulatory Finance*. He stated a risk premium technique that can be used to determine the cost of equity "consists of examining the risk premiums implied in returns on equity allowed by regulatory commissions for utilities over some past period relative to the contemporaneous level of the long-term Treasury bond yield."[38] Professor Morin reports the following statistical relationship between risk premiums (RPm) and long-term Treasury bond yields (Yield) for the period 1987 to 2005 for electric utilities:

$$RPm = 8.2049 - 0.4833 \times Yield, \text{ with } R^2 = .81.$$

The slope was found to be statistically significantly less than zero (i.e., the t-statistic was -8.4). In his analysis, annual averages of allowed equity returns reported by Regulatory Research Associates were adopted as the proxies for equity costs. This risk premium method is presented by Dr. Morin in Section 4.5 of his book.

[37] Morningstar at 59.
[38] Morin. p. 123.

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Q. HAVE OTHERS FOUND AN INVERSE RELATIONSHIP BETWEEN RISK PREMIUMS AND INTEREST RATES?

A. Yes. Harris and Marston, "Estimating Shareholders Risk Premia Using Analysts' Growth Rates," *Financial Management*, Summer 1992 found an inverse relationship. In Decision 97-12-089, which established the cost of equity for Pacific Gas & Electric Company ("PG&E"), the Commission also found that costs of equity for energy utilities move in the same direction as interest rates, but to a lesser degree. In Decision 02-11-027, an interim opinion on rates of return on equity for PG&E, Southern California Edison Company, Sierra Pacific Power Company, and San Diego Gas & Electric Company for the year 2003, the Commission confirmed that its practice is to adjust ROEs for energy utilities by one-half to two-thirds of the change in the benchmark interest rate.[39]

Q. HOW DID YOU ESTIMATE THE SIZE PREMIUM FOR THE WATER PROXY GROUP FOR USE IN THE MCAPM?

A. *Duff & Phelps's* Size Study sorts companies by eight measures of size, breaking down the NYSE universe of companies into 25 size-ranked portfolios.[40] The Size Study provides two ways to match a company's size (or risk) characteristics to the appropriate size (or risk) premium – a guideline portfolio method and a regression equation method. I used the regression equation method to find the CAPM size risk premium for each of the publicly traded utilities in the proxy group for six measures of size (namely, market value of equity, book equity, market value of invested capital, 5-year average of net income, total assets, and earnings before interest, taxes, depreciation and amortization).[41] I determined the average size premium of all size measures for the proxy group (3.81 percent) and then adjusted the average size premium to reflect the lower risk of the water proxy group compared to the companies that make up the respective size-ranked portfolios. This

[39] D.02-11-027 at p. 20.

[40] The size measures include: 1) Market Capitalization; 2) Book Value of Equity; 3) 5-year Average Net Income; 4) Market Value of Invested Capital; 5) Total Assets; 6) 5-year Average Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"); 7) Sales; and 8) Number of Employees. See *2018 Valuation Handbook*, Chapter 7, p. 6.

[41] *Duff & Phelps Cost of Capital Navigator*, 2021 Supplementary Size Study data and 2021 Supplementary Data Regression Equations.

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comparative risk study uses the fundamental measures of company risk (operating margin, coefficient of variation in operating income, and coefficient of variation in return on book equity) to gauge how alike or different the water proxy group is compared to the companies that make up the size-ranked portfolios in the Size Study. In the instant case, the estimated reduction in risk is -1.81 percent. Thus, the market risk premium for size for the proxy group is 2.00 percent (3.81% - 1.91%) (rounded). *See* Exhibit TJB-COC-DT2.

Q. WHAT ARE THE RESULTS OF YOUR CAPM METHODS.

A. In Table 11, the traditional CAPM produces an indicated cost of equity of 9.50 percent. The ECAPM produces an indicated cost of equity of 9.80 percent. The MCAPM produces an indicated cost of equity of 10.80 percent. The average of these three methods is 10.00 percent.

VI. REQUIRED RISK PREMIUM FOR LIBERTY RIO RICO (CONSOLIDATED)

Q. PLEASE DISCUSS YOUR RECOMMENDED RISK PREMIUM FOR LIBERTY RIO RICO (CONSOLIDATED).

A. As I testified earlier, Liberty Rio Rico (Consolidated) is not directly comparable to the publicly traded water utilities in my water proxy group. The characteristics associated with small size, such as the lack of diversification, limited revenue and cash flow, relatively small customer base, lack of investment liquidity, and earnings volatility, increase the risk faced by smaller water and wastewater utilities over the risk associated with the water proxy group.

Q. PLEASE DISCUSS SIZE RISK FOR SMALL UTILITY COMPANIES.

A. Investment risk increases as the firm size decreases, all else remaining constant. There is a great deal of empirical evidence that the firm size phenomenon exists. Morningstar's *Ibbotson SBBI 2013 Valuation Yearbook* (Chapter 7) reports that smaller companies have experienced market higher returns that are not fully explainable by their higher betas, and that beta is inversely related to firm size. In other words, smaller companies, not only have higher betas, but also higher market returns than larger ones. Even after accounting for differences in beta risk, small companies require an additional risk premium over and above

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the added risk premium indicated by differences in beta risk. Dr. Thomas M. Zepp has also reported evidence that the investment in stocks of small water or wastewater utilities are riskier than the stocks of larger water utilities, such as those in the water utilities sample.[42] Additionally, the CPUC published a study that showed smaller water utilities are more risky than larger ones.[43] Based on the evidence, it is clear that investors require higher returns on small company stocks than on large company stocks.

Q. PLEASE EXPLAIN YOUR COMPARATIVE RISK STUDY YOU PREPARED TO DEVELOP A RISK PREMIUM FOR LIBERTY RIO RICO (CONSOLIDATED) TO BE ADDED TO THE RESULTS FOR THE WATER PROXY GROUP?

A. Yes. The risk study I prepared for Liberty Rio Rico (Consolidated) is attached as Exhibit TJB-COC-DT3. To conduct my comparative risk study, I started by computing the 5-year historical operating margin, coefficient of variation of operating margin, and coefficient of variation of ROE for Liberty Rio Rico (Consolidated). Operating margin is a measure of profitability. The co-efficient of variation of operating margin and ROE are measures of earnings variability. All three of these metrics are highly correlated with size and risk.

Q. ARE THESE THE METRICS FOR THE WATER PROXY GROUP AND LIBERTY RIO RICO (CONSOLIDATED) YOU PRESENTED EARLIER IN YOUR TESTIMONY?

A. Yes, on page 25.

Q. PLEASE CONTINUE.

A. Next, I cross-referenced these metrics with data from *Duff & Phelps Cost of Capital Navigator* Supplementary Data Risk Study and identified the corresponding market portfolio beta for Liberty Rio Rico (Consolidated) and for my water proxy group.[44] I then computed the relative difference in betas between the Liberty Rio Rico (Consolidated) and the water proxy group. Assuming that the relative difference in the market portfolio beta

[42] Zepp, Thomas M., "Utility Stocks and the Size Effect – Revisited," The Quarterly Review Economics and Finance, Vol. 43, Issue 3, Autumn 2003, pp. 578-582.

[43] Staff Report on Issues Related to Small Water Utilities, June 10, 1991 and CPUC Decision 92-03-093.

[44] *Duff & Phelps Cost of Capital Navigator*, Supplementary Data Risk Study. *See* also page 3 of Exhibit TJB-COC-DT3.

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for the all publicly traded companies is the same for publicly traded water utilities, I then computed implied betas for Liberty Rio Rico (Consolidated) using the difference in portfolio betas.[45] Finally, I used the CAPM methods to compute the indicated cost of equity for each utility and compared the results to the CAPM results for the water proxy group.[46] Based upon this analysis, I conclude that required risk premium for Liberty Rio Rico (Consolidated) is in the range of 90 to 110 basis points with a midpoint of 100 basis points.

Q. IS THERE ANOTHER METHOD WHICH PROVIDES USEFUL INFORMATION ABOUT THE RISK PREMIUM FOR LIBERTY RIO RICO (CONSOLIDATED)?

A. Yes. Based upon my analysis of the size risk premium for use in the MCAPM, I found that Liberty Rio Rico (Consolidated)'s size premium over the water proxy group is 200 basis points. *See* Exhibit TJB-COC-DT2, page 2, line 26.

Q. WHAT RISK PREMIUM OVER THE WATER PROXY GROUP DO YOU RECOMMEND FOR LIBERTY RIO RICO (CONSOLIDATED)?

A. I recommend a minimum of 85 basis points based upon the facts and circumstances in this case.

VII. SUMMARY AND CONCLUSIONS

Q. PLEASE PROVIDE AN OVERVIEW OF YOUR TESTIMONY.

A. I recommend the Commission adopt the three-step method I presented above to determine the ROE for Liberty Rio Rico (Consolidated). In the first step, an average of costs of equity for a sample of seven water utilities is determined with the DCF model and several RP models including variations of the CAPM.

In the second step, a risk premium for Liberty Rio Rico (Consolidated) is determined to reflect the Company's higher risks. Quantitative evidence based on differences in Liberty Rio Rico (Consolidated)'s business risk metrics compared to the benchmark water proxy group justifies a risk premium in the range of 90 to 110 basis points. Based upon the facts and circumstances of this case, I recommend an 85 basis point risk premium for Liberty Rio

[45] *See* page 3 of Exhibit TJB-COC-DT3.
[46] *See* page 4 of Exhibit TJB-COC-DT3.

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Rico (Consolidated).

In the third step, equity costs from step one and the risk premiums from step two are combined to determine a fair ROE for Liberty Rio Rico (Consolidated) of 10.95 percent. I recommend the Commission adopt an ROE for Liberty Rio Rico (Consolidated) of no less than 10.95 percent.

Q. PLEASE SUMMARIZE THE EQUITY COST ESTIMATES YOU MADE IN STEP ONE.

A. I made four equity cost estimates for the water proxy group, which are summarized in Table 1. Where data were available, the equity cost estimates were based on data for the seven water utilities listed in Table 2. The first equity cost estimate was derived with the DCF model. Using the DCF model to estimate growth, the indicated equity cost for the water proxy group is 8.60 percent. Next, I determined three risk premium estimates including the CAPM method. The first RP approach was based on ten annual DCF estimates of the cost of equity for the water proxy group. This approach shows an indicated cost of equity for the water proxy group of 10.66 percent. The second RP approach was based on a 46-year comparison of total returns on the S&P utility index to the annual yields on long-term U.S. Treasury bonds. This approach shows an indicated cost of equity for the water proxy group of 11.30 percent. Finally, I established a range of CAPM estimates using a long horizon estimates of the market risk premium as well as a current of the market risk premium which produced a cost of equity for the water proxy group of 9.50 percent to 10.80 percent with an average of 10.00 percent. I gave the DCF, the RP estimates, and the CAPM estimates equal weight to establish a cost of equity for the water proxy group of 10.10 percent.

Q. PLEASE SUMMARIZE YOUR ESTIMATE OF THE RISK PREMIUM YOU DETERMINED IN STEP 2.

A. I prepared a comparative risk study using commonly used business risk metrics and data from *Duff & Phelps Cost of Capital Navigator* 2022 Supplementary Data Risk Study. Based upon this study, I concluded that risk premium for Liberty Rio Rico (Consolidated) is in the range of 90 to 110 basis points. I also examined differences in the size premium

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between Liberty Rio Rico (Consolidated) and the water proxy group based upon the *Duff & Phelps Cost of Capital Navigator* 2022 Supplementary Data Size Study and Risk Study. Based upon this analysis, I conclude that the risk premium for Liberty Rio Rico (Consolidated) is 254 basis points. Based on my consideration of that testimony and my judgment, I recommend a risk premium for Liberty Rio Rico (Consolidated) of no less than 85 basis points at this time.

Q. GIVEN THE RESULTS OF YOUR EQUITY COST ANALYSES, IS AN ROE OF 10.95 PERCENT FOR LIBERTY RIO RICO (CONSOLIDATED) REASONABLE?

A. Yes. In step 1, I estimated the benchmark cost of equity for the sample of seven publicly traded water utilities which falls in the range of 8.60 percent to 11.30 percent with an average of 10.1 percent. In step 2, I determined a conservative estimate of the risk premium required by Liberty Rio Rico (Consolidated) is 85 basis points. Combining the results of step 1 and step 2 indicates the cost of equity for Liberty Rio Rico (Consolidated) is 10.85 percent.

Q. DOES THAT CONCLUDE YOUR COST OF CAPITAL DIRECT TESTIMONY?

A. Yes.

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TABLES 1 – 11

Liberty Utilities Rio Rico (Consolidated), Corp.
Table 1
Summary of Results

Line No.		Indicated Cost of Equity for Proxy Group	Indicated Cost of Equity for Company[1]
1	DCF Constant Growth - Table 6	8.60%	9.45%
2	Risk Premium - Table 8	10.66%	11.51%
3	Risk Premium - Table 9	11.30%	12.15%
4	CAPM - Table 10	10.00%	10.85%
5	Average (rounded)	10.10%	10.95%
6	Cost of Equity Recommendation		10.95% [2]

Notes:
[1] Estimates include an equity risk premium of 85 basis points. See testimony.

[2] See testimony.

Liberty Utilities Rio Rico (Consolidated), Corp.
Table 2
Selected Characteristics of Sample Group of Water Utilities

Line No.	Company	Symbol	Operating Revenues (millions)[1]	Net Plant (millions)[1]	S&P Bond Rating[2]	Moody's Bond Rating[2]	Number of Customers[3]	Value Line Beta[1]	Sum Beta[4]	Market Capitalization1 (millions)	Size Decile
1	American States Water	AWR	491.5	1,754	A	NR	287,970	0.70	0.63	$ 3,077.9	Mid-Cap
2	American Water Works	AWK	3,792.0	23,223	A	Baa1	3,449,000	0.95	0.91	27,120.0	Large-Cap
3	Essential Utilities	WTRG	2,288.0	11,131	A	Baa2	1,851,586	1.00	0.90	10,019.9	Mid-Cap
4	California Water	CWT	846.4	3,059	A+	NR	553,000	0.70	0.68	2,768.8	Mid-Cap
5	Middlesex	MSEX	162.4	921	A	NR	124,200	0.75	0.80	1,302.9	Low-Cap
6	SJW Corp.	SJW	620.7	2,630	A-	NR	398,326	0.85	0.85	2,023.9	Low-Cap
7	York Water Company	YORW	60.1	431	A-	NR	76,731	0.80	0.82	577.4	Low-Cap
8	Average		$ 1,180.2	$ 6,164.1			962,973	0.82	0.80	$ 6,698.7	
9	Liberty Utilities Rio Rico (Consolidated), Corp.		$ 13.8	$ 69.1			25,280	Estimated 0.97	Estimated 0.95	N/A	

Notes:
[1] Value Line Analyzer Data (Weekly as of September 13, 2023)
[2] S&P and/or Moody's Website
[3] Most recent annual report or 10-K or Value Line Rating and Reports
[4] See workpapers.

Liberty Utilities Rio Rico (Consolidated), Corp.
Table 3
Capital Structures

Line No.	Company	Symbol	Book Value[1] Long-Term Debt	Book Value[1] Common Equity	Market Value[1] Long-Term Debt	Market Value[1] Common Equity
1	American States Water	AWR	39.9%	60.1%	13.3%	86.7%
2	American Water Works	AWK	58.7%	41.3%	28.7%	71.3%
3	Essential Utilities	WTRG	54.2%	45.8%	38.9%	61.1%
4	California Water	CWT	44.4%	55.6%	27.5%	72.5%
5	Middlesex	MSEX	42.1%	57.9%	18.2%	81.8%
6	SJW Corp.	SJW	57.3%	42.7%	42.4%	57.6%
7	York Water Company	YORW	40.2%	59.8%	19.5%	80.5%
8	Average		48.1%	51.9%	26.9%	73.1%
9	Liberty Utilities Rio Rico (Consolidated), Corp.		46.0%	54.0%	N/A	N/A

[1] Value Line Analyzer Data (Weekly as of September 13, 2023)

Liberty Utilities Rio Rico (Consolidated), Corp.
Table 4
Comparisons of Past and Future Estimates of Growth

Five-year historical annual changes

Line No.	Company	Symbol	[1] Stock Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Historical Average Growth Col. 1-4
1	American States Water	AWR	9.83%	6.50%	6.50%	8.50%	7.83%
2	American Water Works	AWK	10.75%	6.00%	15.00%	10.00%	10.44%
3	Essential Utilities	WTRG	4.00%	14.00%	3.50%	7.00%	7.13%
4	California Water	CWT	5.98%	9.00%	11.00%	6.00%	8.00%
5	Middlesex	MSEX	14.54%	9.50%	11.00%	6.50%	10.38%
6	SJW Corp.	SJW	4.93%	10.50%	-2.00%	9.00%	5.61%
7	York Water Company	YORW	5.82%	7.00%	6.50%	4.00%	5.83%
8	GROUP AVERAGE		7.98%	8.93%	7.36%	7.29%	7.89%

Ten-year historical average annual changes

	Company	Symbol	[1] Stock Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Historical Average Growth Col. 1-4
9	American States Water	AWR	14.45%	5.50%	9.50%	6.50%	8.99%
10	American Water Works	AWK	15.17%	5.00%	9.00%	11.00%	10.04%
11	Essential Utilities	WTRG	8.91%	10.50%	7.50%	6.50%	8.35%
12	California Water	CWT	12.70%	7.00%	4.00%	7.50%	7.80%
13	Middlesex	MSEX	14.93%	6.50%	4.00%	9.50%	8.73%
14	SJW Corp.	SJW	11.81%	9.00%	7.00%	7.50%	8.83%
15	York Water Company	YORW	9.86%	5.00%	3.50%	6.50%	6.21%
16	GROUP AVERAGE		12.55%	6.93%	6.36%	7.86%	8.42%

	Company	Symbol	[1] Value Line Projected EPS Growth[2]	[2] Zack's Projected EPS Growth[3]	[3] Yahoo Finance Projected EPS Growth[4]	[4] Average Projected Growth
17	American States Water	AWR	6.50%	6.30%	4.40%	5.73%
18	American Water Works	AWK	3.00%	8.18%	8.07%	6.42%
19	Essential Utilities	WTRG	7.50%	5.60%	5.40%	6.17%
20	California Water	CWT	6.50%	ND	10.80%	8.65%
21	Middlesex	MSEX	5.00%	ND	2.70%	3.85%
22	SJW Corp.	SJW	5.00%	ND	6.10%	5.55%
23	York Water Company	YORW	ND	ND	4.90%	4.90%
24	GROUP AVERAGE		5.58%	6.69%	6.05%	5.90%

Notes:
[1] Compound growth in stock prices ending December 31 through 2022. Data from Yahoo Finance website.
[2] Value Line Analyzer, weekly as of September 13, 2023.
[3] Zack's Investment Research website September 26, 2023.
[4] Yahoo Finance website September 26, 2023.

Liberty Utilities Rio Rico (Consolidated), Corp.
Table 5
Current Dividend Yields for Water Utility Sample Group

Line No.	Company	Symbol	[1] Stock Price (P_0)[1]	[2] Current Dividend (D_0)[1]	[3] Current Dividend Yield (D_0/P_0)	[4] Average Annual Dividend Yield (D_0/P_0)[1,2]
1	American States Water	AWR	79.66	1.52	1.91%	1.76%
2	American Water Works	AWK	130.41	2.57	1.97%	1.69%
3	Essential Utilities	WTRG	35.55	1.11	3.12%	2.35%
4	California Water	CWT	47.29	1.00	2.11%	1.71%
5	Middlesex	MSEX	67.69	1.18	1.74%	1.28%
6	SJW Corp.	SJW	61.27	1.44	2.35%	2.17%
7	York Water Company	YORW	38.49	0.79	2.05%	1.83%
8	GROUP AVERAGE				2.18%	1.83%

Notes:

[1] Stock prices as of September 22, 2023. Indicated dividend from Value Line Analyzer weekly as of September 13, 2023.

[2] Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. As report by Value Line Analyzer software. For comparison purposes only.

Liberty Utilities Rio Rico (Consolidated), Corp.
Table 6
Discounted Cash Flow Analysis
DCF Constant Growth

Line No.	Company	Symbol	[1] Dividend Yield (D_0/P_0)[1]	[2] Expected Dividend Yield (D_1/P_0)[2]		[3] Average Projected Growth (g)[3]		[4] Indicated Cost of ROE k=Div Yld + g (Cols 2+3)	[5] Adjusted Indicated Cost of Equity (COE)[4] k=Div Yld + g (Cols 2+3)
1	American States Water	AWR	1.91%	1.96%	+	5.73%	=	7.70%	7.7%
2	American Water Works	AWK	1.97%	2.03%	+	6.42%	=	8.45%	8.5%
3	Essential Utilities	WTRG	3.12%	3.22%	+	6.17%	=	9.39%	9.4%
4	California Water	CWT	2.11%	2.21%	+	8.65%	=	10.86%	10.9%
5	Middlesex	MSEX	1.74%	1.78%	+	3.85%	=	5.63%	
6	SJW Corp.	SJW	2.35%	2.42%	+	5.55%	=	7.97%	8.0%
7	York Water Company	YORW	2.05%	2.10%	+	4.90%	=	7.00%	7.0%
8	Average		2.18%	2.25%		5.90%		8.14%	
9	Adjusted Average[4]								8.6%

Notes:

[1] Spot Dividend Yield = D_0/P_0. Source Table 5.

[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g/2)$.

[3] Average Analyst Growth rate (g). Source Table 4.

[4] Excluded because results are less than projected Baa bond yields pl 100 basis points or 6.70% . See Testimony.

Liberty Utilities Rio Rico (Consolidated), Corp.
Table 7
Forecasts of Long-Term Interest Rates

Line No.		2024	2025	2026	3-year Average
1	Long-term Treasury Rates				
2	Blue Chip Consensus Forecasts[1]	3.8%	3.6%	3.7%	
3					
4	Average	3.8%	3.6%	3.7%	3.7%
5	Aaa Corporate Bonds				
6	Blue Chip Consensus Forecasts[1]	4.7%	4.6%	4.7%	
7					
8	Average	4.7%	4.6%	4.7%	4.7%
9	Baa Corporate Bonds				
10	Blue Chip Consensus Forecasts[1]	5.8%	5.6%	5.7%	
11					
12	Average	5.8%	5.6%	5.7%	5.7%

Notes:
[1] Blue Chip Consensus Forecasts (June 2023).

NA = Not Available

Liberty Utilities Rio Rico (Consolidated), Corp.
Table 8
Risk Premium Analysis Based on Averages of
Annual DCF Equity Cost Estimates 2013-2022

Line No.	Year	Dividend Yield (D_0/P_0)[1]	Average Projected Growth (g)[2]	DCF Expected Dividend Yield (D_1/P_0)[3]	DCF Equity Cost Estimate	30-Yr Treasury Rate[4]	Risk Premium
1	2013	3.71%	7.13%	3.85%	10.97%	3.45%	7.52%
2	2014	2.78%	6.86%	2.88%	9.73%	3.34%	6.39%
3	2015	2.79%	5.71%	2.87%	8.59%	2.84%	5.75%
4	2016	2.66%	5.86%	2.74%	8.60%	2.59%	6.01%
5	2017	2.18%	7.29%	2.26%	9.55%	2.90%	6.65%
6	2018	1.80%	8.21%	1.88%	10.09%	3.11%	6.98%
7	2019	2.03%	8.07%	2.11%	10.19%	2.58%	7.61%
8	2020	1.77%	7.79%	1.83%	9.62%	1.56%	8.06%
9	2021	1.76%	7.67%	1.82%	9.49%	2.06%	7.43%
10	2022	1.68%	6.92%	1.74%	8.65%	3.11%	5.54%
11				5-year Average			7.12%
12				10-Year Average			6.79%
13				Average of 5 and 10-year RPs			6.96%
14				Average of Forecast Treasury Rates[5]			3.70%
15				Projected Return on Equity			10.66%

Liberty Utilities Rio Rico (Consolidated), Corp.
Table 9
Risk Premium Analysis Based on Total Returns

Line No.		S&P 500 Utility Index Total Return[1]	LT Treasury Bond Yield[2]	Risk Premium
1	1977	8.64%	7.75%	0.89%
2	1978	-3.71%	8.49%	-12.20%
3	1979	13.58%	9.28%	4.30%
4	1980	15.08%	11.27%	3.81%
5	1981	11.74%	13.45%	-1.71%
6	1982	26.52%	12.76%	13.76%
7	1983	20.01%	11.18%	8.83%
8	1984	26.04%	12.41%	13.63%
9	1985	33.05%	10.79%	22.26%
10	1986	28.53%	7.78%	20.75%
11	1987	-2.92%	8.59%	-11.51%
12	1988	18.27%	8.96%	9.31%
13	1989	47.80%	8.45%	39.35%
14	1990	-2.57%	8.61%	-11.18%
15	1991	14.61%	8.14%	6.47%
16	1992	8.10%	7.67%	0.43%
17	1993	14.41%	6.59%	7.82%
18	1994	-7.94%	7.37%	-15.31%
19	1995	42.15%	6.88%	35.27%
20	1996	3.14%	6.71%	-3.57%
21	1997	24.69%	6.61%	18.08%
22	1998	14.82%	5.58%	9.24%
23	1999	-8.85%	5.87%	-14.72%
24	2000	59.70%	5.94%	53.76%
25	2001	-30.41%	5.49%	-35.90%
26	2002	-30.04%	5.43%	-35.47%
27	2003	26.11%	5.05%	21.06%
28	2004	24.22%	5.12%	19.10%
29	2005	16.79%	4.56%	12.23%
30	2006	20.95%	4.91%	16.04%
31	2007	19.36%	4.84%	14.52%
32	2008	-28.99%	4.28%	-33.27%
33	2009	11.91%	4.08%	7.83%
34	2010	5.46%	4.25%	1.21%
35	2011	19.91%	3.91%	16.00%
36	2012	1.29%	2.92%	-1.63%
37	2013	13.21%	3.45%	9.76%
38	2014	28.98%	3.34%	25.64%
39	2015	-4.85%	2.84%	-7.69%
40	2016	16.29%	2.59%	13.70%
41	2017	12.11%	2.90%	9.22%
42	2018	4.11%	3.11%	1.00%
43	2019	26.35%	2.58%	23.77%
44	2020	0.48%	1.56%	-1.08%
45	2021	17.67%	2.06%	15.61%
46	2022	1.57%	3.11%	-1.54%
47	Average over 46 years	12.6%	6.3%	6.3%
48			Expected Long-term Treasury Bond Rate[3]	3.7%
49			Estimate of Current Risk Premium[4]	7.6%
50			Projected Returns on Equity for Sample	11.30%

Notes:
[1] Total Returns from various sources.
[2] Average annual 30 Yr. U.S. Treasury Bond yields as reported by the Federal Reserve.
Proxy for yields from 2003-2005 are based upon 20-year U.S. Treasury yield.
[3] Forecast LT U.S. Treasury Rate. Source Table 7.
[4] As explained in testimony, adjustment assumes risk premiums change by 50% as much as interest rates.

Liberty Utilities Rio Rico (Consolidated), Corp.
Table 10
Estimation of Current Market Risk Premium
Using DCF Analysis

Line No.	Month	Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]		Expected Growth (g)[3]		Expected Market Return (k)		Monthly Average 30 Year Treasury Rate[4]		Expected Market Risk Premium (MRP)
1	Jan 2021	2.50%	2.68%	+	7.50%	=	10.18%	-	1.82%	=	8.36%
2	Feb	2.36%	2.53%	+	7.33%	=	9.86%		2.04%	=	7.82%
3	Mar	2.32%	2.49%	+	7.50%	=	9.99%		2.34%	=	7.65%
4	Apr	2.32%	2.49%	+	7.50%	=	9.99%		2.30%	=	7.69%
5	May	2.14%	2.32%	+	8.17%	=	10.49%		2.32%	=	8.17%
6	Jun	2.19%	2.37%	+	8.17%	=	10.54%		2.16%	=	8.38%
7	July	2.99%	3.20%	+	7.00%	=	10.20%		1.94%	=	8.26%
8	Aug	2.95%	3.16%	+	7.00%	=	10.16%		1.92%	=	8.24%
9	Sep	2.29%	2.48%	+	8.67%	=	11.15%		1.94%	=	9.21%
10	Oct	1.98%	2.17%	+	9.39%	=	11.56%		2.06%	=	9.50%
11	Nov	2.29%	2.48%	+	8.67%	=	11.15%		1.94%	=	9.21%
12	Dec	2.29%	2.29%	+	0.00%	=	2.29%		1.85%	=	0.44%
13	Jan 2022	2.29%	2.48%	+	8.67%	=	11.15%		2.10%	=	9.05%
14	Feb	2.40%	2.62%	+	9.17%	=	11.79%		2.25%	=	9.54%
15	Mar	2.40%	2.63%	+	9.60%	=	12.23%		2.41%	=	9.82%
16	Apr	2.43%	2.67%	+	9.72%	=	12.39%		2.81%	=	9.58%
17	May	2.43%	2.67%	+	9.72%	=	12.39%		3.07%	=	9.32%
18	Jun	2.75%	3.01%	+	9.17%	=	12.17%		3.25%	=	8.92%
19	July	2.63%	2.87%	+	9.33%	=	12.20%		3.10%	=	9.10%
20	Aug	2.63%	2.89%	+	9.95%	=	12.83%		3.13%	=	9.70%
21	Sep	2.91%	3.18%	+	9.33%	=	12.51%		3.56%	=	8.95%
22	Oct	2.79%	3.04%	+	9.00%	=	12.04%		4.04%	=	8.00%
23	Nov	2.58%	2.82%	+	9.00%	=	11.82%		4.00%	=	7.82%
24	Dec	2.58%	2.82%	+	9.00%	=	11.82%		3.66%	=	8.16%
25	Jan 2023	2.55%	2.78%	+	8.83%	=	11.61%		3.66%	=	7.95%
26	Feb	2.66%	2.89%	+	8.83%	=	11.73%		3.80%	=	7.93%
27	Mar	2.86%	3.10%	+	8.33%	=	11.43%		3.77%	=	7.66%
28	Apr	2.92%	3.16%	+	8.17%	=	11.33%		3.68%	=	7.65%
29	May	2.92%	3.16%	+	8.17%	=	11.33%		3.86%	=	7.47%
30	Jun	2.81%	3.03%	+	8.00%	=	11.03%		3.87%	=	7.16%
31	July	2.81%	3.03%	+	8.00%	=	11.03%		3.96%	=	7.07%
32	Aug	2.77%	3.00%	+	8.17%	=	11.17%		4.28%	=	6.89%
27	Recommended	2.80%	3.02%	+	8.06%	=	11.08%	-	4.04%	=	7.04%
28	Short-term Trends										
29	Recent Twelve Months Avg	2.76%	3.00%	+	8.57%	=	11.57%	-	3.85%	=	7.73%
30	Recent Nine Months Avg	2.77%	3.00%	+	8.39%	=	11.39%	-	3.84%	=	7.55%
31	Recent Six Months Avg	2.85%	3.08%	+	8.14%	=	11.22%	-	3.90%	=	7.32%
32	Recent Three Months Avg	2.80%	3.02%	+	8.06%	=	11.08%	-	4.04%	=	7.04%

Notes:

[1] Average Dividend Yield (D_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

[2] Expected Dividend Yield (D_1/P_0) equals current average dividend yield (D_0/P_0) times one plus growth rate(g).

[3] Median of Projected EPS and Projected DPS Growth for VL 1700 stocks. Data from Value Line Investment Analyzer Software.

[4] Monthly average 30 year U.S. Treasury as reported by Federal Reserve.

Liberty Utilities (Park Water), Corp.
Table 11
Capital Asset Pricing Model (CAPM, ECAPM, and MCAPM)

Line No.		Rf[1]		(beta[2]		RP_M[4]	)			=	k
1	Traditional CAPM	3.7%	+ (	0.82	x	7.11%	)			=	9.50%
2											
3		Rf[1]		RP_M[4] x .25	+ (	(beta[2]	x	RP_M[4]	) x .75		
4	Empirical CAPM (ECAPM)	3.7%	+	7.11%	x .25 + (	0.82	x	7.11%	) x .75	=	9.80%
5											
6		Rf[1]	+ (	beta[3]	x	RP_M[5]	) +	RP_s[6]			
7	Modified CAPM (MCAPM)	3.7%	+ (	0.80	x	6.34%	) +	2.00%		=	10.80%
8											
9											
10	Average (rounded)										10.00%

Notes:

[1] Forecasts of long-term treasury yields. Source Table 7.

[2] Average VL Beta of Water Proxy Group. Source is Table 2.

[3] Average Sum Beta of Water Proxy Group. Source is Table 2.

[4] Estimate of Market Risk Premium (MRP):

Historical MRP (1926-2022)	7.17%	Source is Duff & Phelps 2022 Cost of Capital Analyzer resource documents.
Current MRP	7.04%	Source is Table 10
Average MRP	7.11%	

[5] Estimate of MRP

Historical MRP (1973-2022)	5.63%	Source is Duff & Phelps 2022 Cost of Capital Analyzer resource documents.
Current MRP	7.04%	Source is Table 10
Average MRP	6.34%	

[6] Average proxy group adjusted size risk premium based upon Duff & Phelps Size Study data and Risk Study data. See See Exhibit TJB-COC-DT2

EXHIBIT TJB-COC-DT1

The Water Utility Industry consists of six investor-owned companies that provide water services to residential, commercial, and industrial customers. It is a niche sector because most of the water utilities in the United States are run by states and local governments that do not issue stock.

Higher interest rates are typically not good news for utilities for two reasons. First, fixed-income investments become more compelling on a relative basis. And, secondly, these companies often rely heavily on debt to fund their capital expenditures. Increased interest costs are a drag on profits.

Water utility stocks are often coveted by investors because they have very well-defined earnings and dividend growth prospects. The stocks in the group ordinarily trade with P/E ratios that are higher than the average stock. Part of this is due to scarcity, as it is a small industry.

All of the companies in this sector are involved in major construction projects. This is due to the outdated water infrastructure in the U.S. With the age of the typical domestic pipeline being more than 50 years old, many companies in this sector are investing heavily to replace these older assets.

The Water Utility Industry is ranked among the lowest in the *Value Line* universe.

A Spike In Interest Rates

The yield on the 10-year Treasury bond reached 4.56% recently, the highest level in a decade. Federal Reserve President Jerome Powell's more-hawkish-than expected statements following the most recent meeting of the monetary authorities worried many equity investors. Yields on the long-end of the curve have increased about 15 to 20 basis points on the 10-year Treasury bond and about 30 basis points on the 30-year government bond. This has not been good for the prices of equities, specifically those of water utilities. Since we last went to press with the Water Industry, prices of stock in the group are down anywhere from 6% to 15%. By comparison, the benchmark S&P 500 Index has fallen only about 1%.

Despite the recent poor performance, the price-earnings multiples of these companies remain well above the *Value Line* mean of 16.4. Moreover, though often considered to be income stocks, the dividend yields on theses equities are basically near, or below, the 2.3% average. One positive of these equities, however, is that their distribution growth potential is usually generous.

Large Construction Programs

For decades, water utilities did not reinvest sufficient funds into keeping their pipeline and wastewater facilities in proper condition. Much of this was done with the tacit approval of regulators, as state authorities are adverse to increasing ratepayers' monthly bills, which can cause public backlash. In any case, over the past 10 years or so, utilities and regulators have realized that the amount of capital spent annually to upgrade the water infrastructure would have to be increased meaningfully. Indeed, every utility we follow is spending to replace as much of its old, leaky pipelines as possible.

INDUSTRY TIMELINESS: 85 (of 93)

Another consequence of the rebuilding programs has been that water companies have had to rely heavily on debt for financing. As a result, the balance sheets in the sector are not in stellar condition. Most are just about average.

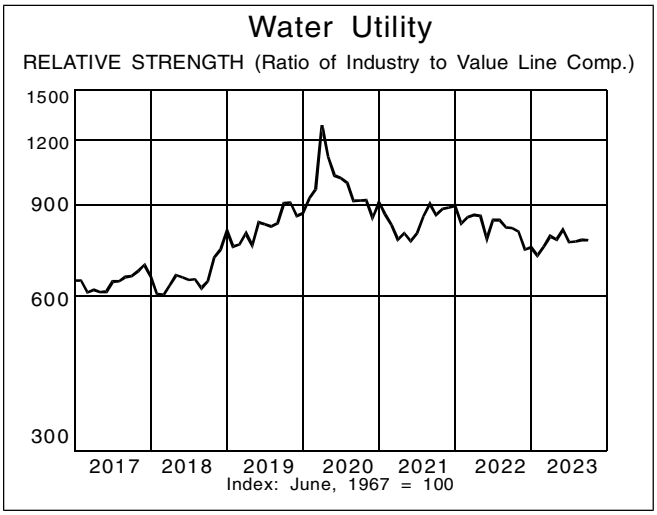
Mergers & Acquisitions

The domestic water industry in the U.S. is extremely fragmented. There are over 50,000 individual water districts spread across the country. This means that there is a tremendous amount of inefficiency in the system. This has led two companies, *American Water Works* and *Essential Utilities,* to continually buy up nearby smaller undercapitalized water districts. Significant savings can be made in these mergers, as the acquirer is able to absorb these purchases and remove a large amount of redundancies. We expect this consolidation to continue for the foreseeable future. Many of the independent water authorities do no not have the funds required to invest to keep their systems in compliance with federal laws regarding clean water.

Conclusion

At this time, there isn't much to choose from in this sector. True, these equities score well for Stock Price Stability and Earnings Predictability, However, all of these positives seem to more than reflected in their recent stock prices. In addition, most stocks are ranked to underperform the broader market averages in the year ahead. Furthermore, most of them do not stand out for long-term prospects. The one exception here is *Essential Utilities*. The stock has solid total return potential to 2026-2028, but investors should be aware that it is not a pure water play. Indeed, a good portion of the company's assets are allocated to their gas utility business. As always, we urge subscribers to read each individual report before making any commitments to better understand the risks involved.

James A. Flood



AMER. STATES WATER NYSE-AWR

RECENT PRICE **80.75** | P/E RATIO **26.7** (Trailing: 25.6 Median: 30.0) | RELATIVE P/E RATIO **1.63** | DIV'D YLD **2.2%** | **VALUE LINE**

TIMELINESS 2 Raised 10/6/23
SAFETY 2 Raised 7/20/12
TECHNICAL 3 Raised 9/29/23
BETA .70 (1.00 = Market)

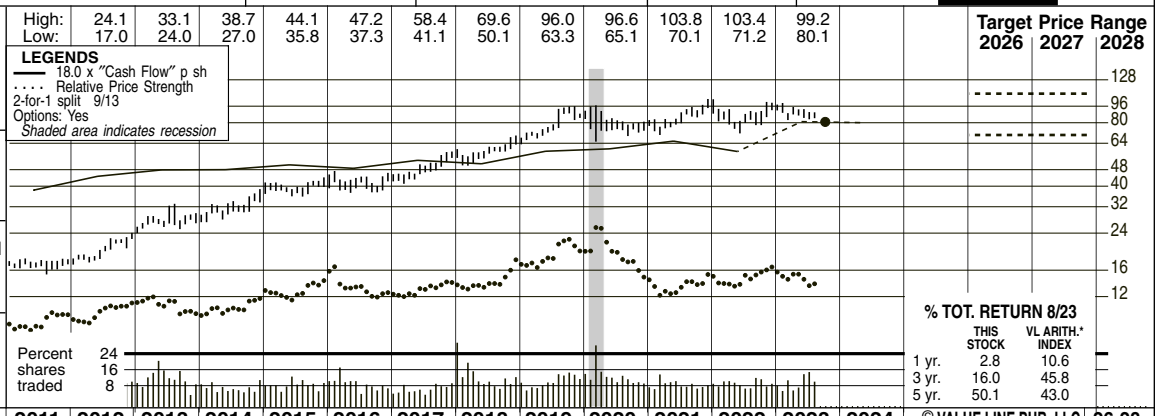
18-Month Target Price Range
Low-High **Midpoint (% to Mid)**
$71-$142 $107 (30%)

2026-28 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	110	(+35%)	*10%*
Low	70	(-15%)	*-1%*

Institutional Decisions

	4Q2022	1Q2023	2Q2023
to Buy	148	124	141
to Sell	127	158	138
Hld's(000)	28267	27587	27816



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	© VALUE LINE PUB. LLC	26-28
8.75	9.21	9.74	10.71	11.12	12.12	12.19	12.17	12.56	11.92	12.01	11.88	12.86	13.24	13.51	13.30	*16.20*	*15.15*	Revenues per sh	*19.20*
1.65	1.69	1.70	2.11	2.13	2.48	2.65	2.67	2.81	2.70	2.96	2.84	3.26	3.34	3.64	3.25	*4.60*	*4.20*	"Cash Flow" per sh	*5.05*
.81	.78	.81	1.11	1.12	1.41	1.61	1.57	1.61	1.62	1.88	1.72	2.28	2.33	2.55	2.11	*3.35*	*3.00*	Earnings per sh [A]	*3.40*
.48	.50	.51	.52	.55	.64	.76	.83	.87	.91	.99	1.06	1.16	1.28	1.40	1.53	*1.66*	*1.80*	Div'd Decl'd per sh [B]■	*2.30*
1.45	2.23	2.09	2.12	2.13	1.77	2.52	1.89	2.39	3.55	3.08	3.44	4.12	3.54	3.91	4.50	*4.90*	*5.25*	Cap'l Spending per sh	*4.25*
8.77	8.97	9.70	10.13	10.84	11.80	12.72	13.24	12.77	13.52	14.45	15.19	16.33	17.39	18.57	19.20	*20.70*	*21.90*	Book Value per sh [D]	*24.55*
34.46	34.60	37.06	37.26	37.70	38.53	38.72	38.29	36.50	36.57	36.68	36.76	36.85	36.89	36.94	36.96	*37.00*	*37.00*	Common Shs Outst'g [C]	*37.50*
24.0	22.6	21.2	15.7	15.4	14.3	17.2	20.1	24.6	25.6	25.7	34.0	34.4	34.3	33.2	41.0	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*25.0*
1.27	1.36	1.41	1.00	.97	.91	.97	1.06	1.24	1.34	1.29	1.84	1.83	1.76	1.79	2.38			Relative P/E Ratio	*1.40*
2.5%	2.9%	2.9%	3.0%	3.2%	3.1%	2.7%	2.6%	2.2%	2.2%	2.0%	1.8%	1.5%	1.6%	1.7%	1.8%			Avg Ann'l Div'd Yield	*2.6%*
472.1	465.8	458.6	436.1	440.6	436.8	473.9	488.2	498.9	491.5	*600*	*560*	Revenues ($mill)	*720*
62.7	61.1	60.5	59.7	69.4	63.9	84.3	86.4	94.3	78.4	*125*	*110*	Net Profit ($mill)	*130*
36.3%	38.4%	38.4%	36.8%	36.0%	22.0%	22.6%	24.6%	24.4%	23.2%	*25.0%*	*24.0%*	Income Tax Rate	*24.0%*
--	--	--	--	--	--	--	--	--	2.5%	--	*1.5%*	*2.0%*	AFUDC % to Net Profit	*1.5%*
39.8%	39.1%	41.1%	39.4%	38.0%	40.5%	44.4%	47.2%	46.1%	39.9%	*46.0%*	*48.0%*	Long-Term Debt Ratio	*50.0%*
60.2%	60.9%	58.9%	60.6%	62.0%	59.5%	55.6%	52.8%	53.9%	60.1%	*54.0%*	*52.0%*	Common Equity Ratio	*50.0%*
818.4	832.6	791.5	815.3	854.9	938.4	1082.5	1216.2	1272.6	1181.5	*1420*	*1500*	Total Capital ($mill)	*1840*
981.5	1003.5	1060.8	1150.9	1205.0	1296.3	1415.7	1512.0	1626.0	1753.8	*1860*	*1965*	Net Plant ($mill)	*2225*
8.9%	8.6%	9.0%	8.6%	9.3%	7.9%	8.9%	8.0%	8.3%	7.6%	*10.5%*	*9.0%*	Return on Total Cap'l	*8.0%*
12.7%	12.0%	13.0%	12.1%	13.1%	11.4%	14.0%	13.5%	13.8%	11.0%	*19.0%*	*13.5%*	Return on Shr. Equity	*14.0%*
12.7%	12.0%	13.0%	12.1%	13.1%	11.4%	14.0%	13.5%	13.8%	11.0%	*19.0%*	*13.5%*	Return on Com Equity	*14.0%*
6.8%	5.7%	6.0%	5.3%	6.2%	4.5%	6.9%	6.1%	6.2%	3.1%	*8.0%*	*5.5%*	Retained to Com Eq	*4.5%*
47%	53%	54%	56%	52%	61%	51%	55%	55%	72%	*50%*	*60%*	All Div'ds to Net Prof	*68%*

CAPITAL STRUCTURE as of 6/30/23
Total Debt $576.8 mill. **Due in 5 Yrs** $178.1 mill.
LT Debt $576.4 mill. **LT Interest** $42.5 mill.
(44% of Cap'l)

Leases, Uncapitalized: Annual rentals $2.3 mill.
Pension Assets-12/22 $190.7 mill.
Oblig. $186.9 mill.
Pfd Stock None

Common Stock 36,976,784 shs.
as of 8/4/23

MARKET CAP: $3.0 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2021	2022	6/30/23
Cash Assets	5.0	6.0	1.0
Accts Receivable	34.4	26.2	27.0
Other	98.7	119.1	140.9
Current Assets	138.1	151.3	168.9
Accts Payable	65.9	84.9	70.7
Debt Due	31.4	255.9	.4
Other	58.3	55.7	69.8
Current Liab.	155.6	396.5	140.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '20-'22 to '26-'28
Revenues	1.5%	2.0%	*6.5%*
"Cash Flow"	4.5%	4.0%	*7.0%*
Earnings	6.5%	6.5%	*6.5%*
Dividends	9.5%	8.5%	*8.5%*
Book Value	5.5%	6.5%	*5.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2020	109.1	121.3	133.6	124.2	488.2
2021	117.1	128.4	136.8	116.6	498.9
2022	108.6	122.5	135.0	125.4	491.5
2023	161.4	157.4	*151.2*	*130*	*600*
2024	*125*	*132*	*160*	*143*	*560*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2020	.38	.69	.72	.54	2.33
2021	.52	.72	.76	.55	2.55
2022	.38	.54	.69	.50	2.11
2023	.93	1.04	*.83*	*.55*	*3.35*
2024	*.60*	*.80*	*.85*	*.75*	*3.00*

Calendar	QUARTERLY DIVIDENDS PAID [B]■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	.275	.275	.305	.305	1.16
2020	.305	.305	.335	.335	1.28
2021	.335	.335	.365	.365	1.40
2022	.365	.365	.3975	.3975	1.53
2023	.3975	.3975	.43		

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Co., it supplies water to 263,265 customers in 10 California counties. Service areas include the metropolitan areas of Los Angeles and Orange Counties. The company also provides electricity to 24,705 customers in Big Bear Lake and San Bernardino Cnty. Provides water & wastewater services to U.S. military bases through its ASUS subsidiary. Sold Chaparral City Wtr. of AZ. (6/11). Employs 811. BlackRock, Inc. owns 18.6% of out. shares; State St., 16.6%; off. & dir., 0.8% (4/23 Proxy). Chair.: Anne M. Holloway. Pres. & CEO: Robert Sprowls. Inc: CA. Address: 630 East Foothill Blvd., San Dimas, CA 91773. Tel.: 909-394-3600. Int.: www.aswater.com.

The implementation of long-delayed rate relief earlier this year enabled American States Water to post another strong quarter. Each state has its own process for how utilities request increasing ratepayers' monthly bills. In California, a petition is submitted every three years to recover the higher expenses caused, in part, by inflation. The California Public Utility Commission (CPUC) was tardy in announcing its final ruling on the Golden States Water subsidiary request until 2023, instead of making it in 2022. This meant the utility couldn't raise rates last years even though prices in the United States were soaring. As a result, share earnings fell 17%. In 2023, however, Golden States was able to increase its rates retroactively to make up for the funds not collected last year. Thus, for the first half of 2023, its share earnings are up about 114%, compared to 2022's subpar showing.

We have raised the company's profit estimates. Our new forecast calls for share earnings to spike to $3.35 this year, which would represent a full-year gain of 59%. (The previous call was $3.10.) Next year, without the retroactive tariffs in place, we think that share earnings will likely fall to a still more-than-respectable $3.00 per share.

The nonutility business ought to provide a boost to American States Water's long-term bottom line. In its utility businesses, the CPUC determines the allowed return on the company's equity allocated to those operations. This acts as a ceiling on profits. Through its ASUS nonregulated subsidiary, American States is involved the U.S. Armed Forces privitization of its water services on military installations. In this sector, the U.S. government sets aside a period where entities, such as ASUS, bid on contracts that can last for 50 years, to run water operations. Thus far, the subsidiary has proven successful in winning its fair portion of these contracts. In the latest quarter, share earnings from this source rose 20%

Theses shares might appeal to investors with a short-term horizon. The stock carries a 2 (Above Average) Timeliness rank and stands out for appreciation potential over the next 18-month period.

James A. Flood *October 6, 2023*

(A) Primary earnings. Excludes nonrecurring gains/(losses):; '08, (14¢); '10, (23¢); '11, 10¢. Next earnings report due early November.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for split.
(D) Includes intangibles. As of 12/31/22; $1.1 million/$0.03 a share.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	85
Earnings Predictability	90

AMERICAN WATER NYSE-AWK

RECENT PRICE **132.70** | P/E RATIO **27.7** (Trailing: 27.7 Median: 28.0) | RELATIVE P/E RATIO **1.69** | DIV'D YLD **2.2%** | **VALUE LINE**

TIMELINESS 3 Raised 5/12/23
SAFETY 3 New 7/25/08
TECHNICAL 3 Raised 9/29/23
BETA .95 (1.00 = Market)

18-Month Target Price Range
Low-High **Midpoint (% to Mid)**
$120-$224 $172 (30%)

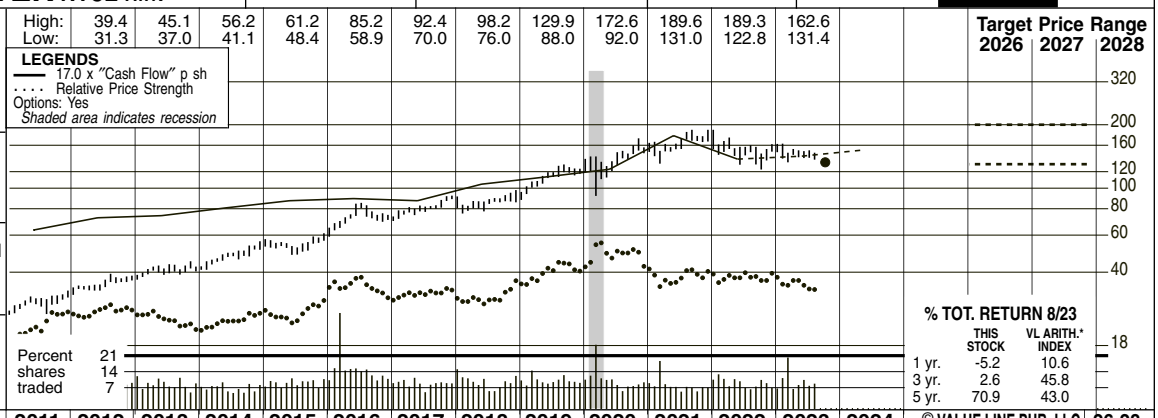
2026-28 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	200	(+50%)	*13%*
Low	130	(Nil)	*2%*

Institutional Decisions

	4Q2022	1Q2023	2Q2023
to Buy	471	460	436
to Sell	416	404	418
Hld's(000)	156427	165074	166259

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
High:	39.4	45.1	56.2	61.2	85.2	92.4	98.2	129.9	172.6	189.6	189.3	162.6						
Low:	31.3	37.0	41.1	48.4	58.9	70.0	76.0	88.0	92.0	131.0	122.8	131.4						



% TOT. RETURN 8/23

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-5.2	10.6
3 yr.	2.6	45.8
5 yr.	70.9	43.0

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		26-28
Revenues per sh	13.84	14.61	13.98	15.49	15.18	16.25	16.28	16.78	17.72	18.54	18.81	19.04	19.97	20.83	21.58	20.85	*21.85*	*23.20*		*26.75*
"Cash Flow" per sh	d.47	2.87	2.89	3.56	3.73	4.27	4.36	4.75	5.13	5.26	5.14	6.15	6.65	7.24	10.46	8.08	*8.35*	*8.95*		*10.20*
Earnings per sh A	d2.14	1.10	1.25	1.53	1.72	2.11	2.06	2.39	2.64	2.62	2.38	3.15	3.43	3.91	6.95	4.51	*4.75*	*5.10*		*6.10*
Div'd Decl'd per sh B■	- -	.40	.82	.86	.90	1.21	.84	1.21	1.33	1.47	1.62	1.78	1.96	2.15	2.36	2.57	*2.78*	*3.00*		*3.80*
Cap'l Spending per sh	4.74	6.31	4.50	4.38	5.27	5.25	5.50	5.33	6.51	7.36	8.04	8.78	9.15	10.05	9.71	12.63	*12.20*	*12.20*		*11.50*
Book Value per sh D	28.39	25.64	22.91	23.59	24.11	25.11	26.52	27.39	28.25	29.24	30.13	32.42	33.83	35.58	40.18	42.30	*50.75*	*54.10*		*57.25*
Common Shs Outst'g C	160.00	160.00	174.63	175.00	175.66	176.99	178.25	179.46	178.28	178.10	178.44	180.68	180.81	181.30	181.61	181.86	*195.00*	*195.25*		*200.00*
Avg Ann'l P/E Ratio	- -	18.9	15.6	14.6	16.8	16.7	19.9	20.0	20.5	27.7	33.8	27.3	32.9	35.3	23.6	33.6				*27.0*
Relative P/E Ratio	- -	1.14	1.04	.93	1.05	1.06	1.12	1.05	1.03	1.45	1.70	1.47	1.75	1.81	1.28	1.95				*1.50*
Avg Ann'l Div'd Yield	- -	1.9%	4.2%	3.8%	3.1%	3.4%	2.0%	2.5%	2.5%	2.0%	2.0%	2.1%	1.7%	1.6%	1.4%	1.7%				*2.3%*
Revenues ($mill)	2901.9	3011.3	3159.0	3302.0	3357.0	3440.0	3610.0	3777.0	3920.0	3792.0	*4265*	*4525*		*5350*
Net Profit ($mill)	369.3	429.8	476.0	468.0	426.0	567.0	621.0	709.0	1263.0	820.0	*925*	*995*		*1220*
Income Tax Rate	39.1%	39.4%	39.1%	39.2%	53.3%	28.2%	25.5%	23.3%	23.0%	18.7%	*21.0%*	*21.0%*		*24.0%*
AFUDC % to Net Profit	5.1%	- -	- -	- -	- -	- -	- -	- -	5.1%	2.9%	*3.5%*	*4.5%*		*5.0%*
Long-Term Debt Ratio	52.4%	52.4%	53.7%	52.4%	54.7%	56.3%	58.5%	59.1%	58.6%	58.7%	*55.0%*	*56.5%*		*57.5%*
Common Equity Ratio	47.6%	47.4%	46.2%	47.5%	45.3%	43.6%	41.4%	40.9%	41.4%	41.3%	*45.0%*	*43.5%*		*42.5%*
Total Capital ($mill)	9940.7	10364	10911	10967	11875	13433	14760	15787	17639	18619	*22000*	*24360*		*27000*
Net Plant ($mill)	12391	12900	13933	14992	16246	17409	18232	19710	21084	23223	*25000*	*26600*		*30000*
Return on Total Cap'l	5.1%	5.5%	5.7%	5.6%	4.9%	5.4%	5.4%	5.7%	8.2%	5.5%	*5.0%*	*5.0%*		*5.5%*
Return on Shr. Equity	7.8%	8.7%	9.4%	9.0%	7.9%	9.7%	10.1%	11.0%	17.3%	10.7%	*9.5%*	*9.5%*		*10.5%*
Return on Com Equity	7.8%	8.7%	9.4%	9.0%	7.9%	9.7%	10.1%	11.0%	17.3%	10.7%	*9.5%*	*9.5%*		*10.5%*
Retained to Com Eq	4.7%	4.3%	4.7%	4.0%	2.5%	4.2%	4.4%	5.0%	11.4%	4.6%	*4.0%*	*3.5%*		*4.5%*
All Div'ds to Net Prof	40%	50%	50%	56%	68%	56%	57%	55%	34%	57%	*59%*	*59%*		*62%*

Bold figures are Value Line estimates

CAPITAL STRUCTURE as of 6/30/23
Total Debt $12188 mil. **Due in 5 Yrs** $2486 mil.
LT Debt $11609 mil. **LT Interest** $428 mil.
(54% of Cap'l)

Leases, Uncapitalized: Annual rentals $9.0 mill.
Pension Assets 12/22 $1578.0 mill
Oblig. $1413.0 mill.
Pfd Stock $2.0 mill. **Pfd Div'd** $.1 mill

Common Stock 194,668,641 shares
as of 7/20/23

MARKET CAP: $25.8 billion (Large Cap)

CURRENT POSITION ($MILL.)	2021	2022	6/30/23
Cash Assets	136	117	824
Accts Receivable	271	334	352
Other	1147	799	813
Current Assets	1554	1250	1989
Accts Payable	235	254	246
Debt Due	641	1456	579
Other	1265	1101	939
Current Liab.	2141	2811	1764

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '20-'22 to '26-'28
Revenues	3.0%	3.0%	*4.0%*
"Cash Flow"	8.5%	10.5%	*3.0%*
Earnings	11.0%	15.0%	*3.0%*
Dividends	9.0%	10.0%	*8.5%*
Book Value	5.0%	6.0%	*6.5%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2020	844	931	1079	923	3777
2021	888	999	1082	951	3920
2022	842	937	1082	931	3792
2023	938	1097	*1165*	*1065*	*4265*
2024	*1000*	*1150*	*1235*	*1140*	*4525*

Calendar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2020	.68	.97	1.46	.80	3.91
2021	.73	1.14	1.53	3.55	6.95
2022	.87	1.20	1.63	.81	4.51
2023	.91	1.44	*1.60*	*.80*	*4.75*
2024	*.95*	*1.50*	*1.80*	*.85*	*5.10*

Calendar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	.455	.50	.50	.50	1.96
2020	.50	.55	.55	.55	2.15
2021	.55	.6025	.6025	.6025	2.36
2022	.6025	.655	.655	.655	2.57
2023	.655	.7075	.7075		

BUSINESS: American Water Works Company, Inc. is the largest investor-owned water and wastewater utility in the U.S., providing services to approximately 14 million people in 24 states. Nonregulated business assists municipalities and military bases with the maintenance and upkeep as well. Regulated operations made up 86% of 2022 revenues. New Jersey is its largest market accounting for 25.9% of regulated revenues; Pennsylvania, 23.4%; Missouri, 10.9%. Has 6,500 employees. Vanguard owns 11.7% of outstanding shares; BlackRock, 8.6%; State St., 5.4%; officers & directors, less than 1.0% (3/23 Proxy). President & CEO: Susan Hardwick. Non-executive Board Chair. Address: 1 Water Street, Camden, NJ 08102. Tel.: 856-346-8200. Internet: www.amwater.com.

Despite the recent weakness in American Water Works share price, its long-term total return potential is not attractive. Since our last report in early July, AWK has lost almost 10% of its value. By comparison, the S&P 500 Index is down less than 1%. We are not surprised by this underperformance, as we think water utility stocks' P/E ratios have been too high. This also adds to our argument that the Water Utility Industry is not as defensive as some investors believe it to be. Indeed, even with the recent decline, AW's stock continues to trade within its 2026-2028 Target Price Range.

The equity's near-term prospects are mixed. For the year ahead, it is only expected to mirror the broader market. However, over the next 18-month period, our system pegs AWK to do well above average.

On an operational basis, the water utility continues to meet its relatively high expectations. The company is on pace to reach its share earnings forecast of $4.75 and $5.15 in 2023 and 2024, respectively. Over the next three-to five-year period, annual growth in share income ought to average close to 8%.

Acquisitions remain a prime strategy for raising profits. In the United States, there are only a handful of water companies that are owned by shareholders. An overwhelming percentage are small, undercapitalized municipally run water districts that are generally in need of funds for capital improvements. Every year, American Water uses its large balance sheet to increase its rate base by 2%-3% this way. When a merger is made, significant synergies are able to realized. Regulators typically look favorably on this because customers get improved service due to the additional capital investment.

The construction budget is large. The average age of a water pipe in the U.S. is nearly 50 years. After years of underinvestment, the industry and its regulators have realized that more money has to be used to replace pipelines and wastewater facilities. Through the June period, American Water's capital expenditures were $1.15 billion. We think the typical outlay will be $2.5 billion a year for the foreseeable future.

James A. Flood *October 6, 2023*

(A) Diluted earnings. Excludes nonrecur. losses: '08, $4.62; '09, $2.63; '11, $0.07. Disc. oper.: '06, ($0.04); '11, $0.03; '12, ($0.10); '13,($0.01). GAAP used as of 2014. Includes $2.70 sh. gain from sale of HOS sub.in Q4,'21. Next earnings report due late October.
(B) Dividends paid in March, June, September, and December. ■ Div. reinvestment available.
(C) In millions. **(D)** Includes intangibles. On 12/31/22: $1.225 billion, $6.75/share.
(E) Pro forma numbers for '07.

Company's Financial Strength	B++
Stock's Price Stability	80
Price Growth Persistence	95
Earnings Predictability	65

ESSENTIAL UTIL. NYSE-WTRG

RECENT PRICE **36.40** | P/E RATIO **18.9** (Trailing: 20.7 Median: 26.0) | RELATIVE P/E RATIO **1.15** | DIV'D YLD **3.4%** | **VALUE LINE**

TIMELINESS 4 Lowered 8/4/23
SAFETY 3 Lowered 1/8/21
TECHNICAL 3 Lowered 9/22/23
BETA 1.00 (1.00 = Market)

18-Month Target Price Range
Low-High **Midpoint (% to Mid)**
$34-$64 $49 (35%)

2026-28 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	75	(+105%)	*22%*
Low	50	(+35%)	*12%*

Institutional Decisions

	4Q2022	1Q2023	2Q2023
to Buy	312	268	246
to Sell	266	271	295
Hld's(000)	194278	189507	195095

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
High:	21.5	28.1	28.2	31.1	35.8	39.6	39.4	47.3	54.5	53.9	53.7	49.3						
Low:	16.8	20.6	22.4	24.4	28.0	29.4	32.1	32.7	30.4	41.1	38.5	35.4						

LEGENDS
17.5 x "Cash Flow" p sh
Relative Price Strength
5-for-4 split 9/13
Options: Yes
Shaded area indicates recession

Target Price Range 2026 2027 2028

Percent shares traded

% TOT. RETURN 8/23

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-22.8	10.6
3 yr.	-6.7	45.8
5 yr.	11.1	43.0

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	© VALUE LINE PUB. LLC	26-28
	3.61	3.71	3.93	4.21	4.10	4.32	4.32	4.37	4.61	4.62	4.56	4.71	4.03	5.96	7.43	8.68	*8.55*	*8.80*	Revenues per sh	*9.10*
	1.10	1.14	1.29	1.42	1.45	1.51	1.82	1.89	1.87	2.07	2.12	1.90	1.73	2.21	2.89	2.98	*3.15*	*3.40*	"Cash Flow" per sh	*3.85*
	.57	.58	.62	.72	.83	.87	1.16	1.20	1.14	1.32	1.35	1.08	1.04	1.12	1.67	1.77	*1.85*	*2.00*	Earnings per sh	*2.35*
	.38	.41	.44	.47	.50	.54	.58	.63	.69	.74	.79	.85	.91	.97	1.04	1.11	*1.19*	*1.28*	Div'd Decl'd per sh	*1.65*
	1.43	1.58	1.66	1.89	1.90	1.98	1.73	1.84	2.07	2.16	2.69	2.78	2.49	3.41	4.04	4.03	*4.05*	*4.25*	Cap'l Spending per sh	*3.85*
	5.85	6.26	6.50	6.81	7.21	7.90	8.63	9.27	9.78	10.43	11.02	11.28	17.58	19.09	20.50	20.39	*25.20*	*26.15*	Book Value per sh	*25.95*
	166.75	169.21	170.61	172.46	173.60	175.43	177.93	178.59	176.54	177.39	177.71	178.09	220.76	245.39	252.87	263.74	*272.00*	*277.00*	Common Shs Outst'g	*285.00*
	32.0	24.9	23.1	21.1	21.3	21.9	21.2	20.8	23.5	23.9	24.7	32.6	39.1	39.6	28.3	26.6	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*26.0*
	1.70	1.50	1.54	1.34	1.34	1.39	1.19	1.09	1.18	1.25	1.24	1.76	2.08	2.03	1.53	1.54			Relative P/E Ratio	*1.45*
	2.1%	2.8%	3.1%	3.1%	2.8%	2.8%	2.4%	2.5%	2.6%	2.3%	2.4%	2.4%	2.2%	2.2%	2.2%	2.4%			Avg Ann'l Div'd Yield	*2.6%*
	768.6	779.9	814.2	819.9	809.5	838.1	889.7	1462.7	1878.1	2288.0	*2330*	*2435*	Revenues ($mill)	*2600*
	205.0	213.9	201.8	234.2	239.7	192.0	224.5	284.8	431.6	465.2	*505*	*555*	Net Profit ($mill)	*670*
	10.0%	10.5%	6.9%	8.2%	6.6%	--	--	--	--	--	*13.0%*	*14.0%*	Income Tax Rate	*16.0%*
	1.1%	2.4%	3.1%	3.8%	6.3%	6.8%	7.2%	4.5%	4.8%	1.3%	*3.5%*	*5.0%*	AFUDC % to Net Profit	*5.0%*
	48.9%	48.5%	50.3%	48.4%	50.6%	54.4%	43.1%	54.0%	52.7%	54.2%	*51.0%*	*51.5%*	Long-Term Debt Ratio	*56.0%*
	51.1%	51.5%	49.7%	51.6%	49.4%	45.6%	56.9%	46.0%	47.3%	45.8%	*49.0%*	*48.5%*	Common Equity Ratio	*44.0%*
	3003.6	3216.0	3469.5	3587.7	3965.4	4407.8	6824.2	10192	10964	11748	*14000*	*14900*	Total Capital ($mill)	*16800*
	4167.3	4402.0	4688.9	5001.6	5399.9	5930.3	6345.8	9512.9	10252	11131	*12100*	*13100*	Net Plant ($mill)	*14600*
	8.0%	7.8%	6.9%	7.6%	7.1%	5.5%	4.2%	3.7%	4.8%	5.0%	*4.5%*	*4.5%*	Return on Total Cap'l	*5.0%*
	13.4%	12.9%	11.7%	12.7%	12.2%	9.6%	5.8%	6.1%	8.3%	8.7%	*7.5%*	*7.5%*	Return on Shr. Equity	*9.0%*
	13.4%	12.9%	11.7%	12.7%	12.2%	9.6%	5.8%	6.1%	8.3%	8.7%	*7.5%*	*7.5%*	Return on Com Equity	*9.0%*
	6.7%	6.1%	4.7%	5.6%	5.1%	2.1%	.9%	1.1%	3.3%	3.3%	*2.5%*	*2.5%*	Retained to Com Eq	*2.5%*
	50%	52%	60%	56%	59%	79%	84%	82%	60%	62%	*64%*	*64%*	All Div'ds to Net Prof	*70%*

CAPITAL STRUCTURE as of 6/30/23
Total Debt $6862.3 mill. **Due in 5 Yrs** $1400 mill.
LT Debt $6615.5 mill. **LT Interest** $262.0 mill.
(54% of Cap'l)

Pension Assets-12/22 $333.2 mill.
Oblig. $324.7 mill.

Pfd Stock None
Common Stock 264,505,777 shares
as of 7/24/23

MARKET CAP: $9.6 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2021	2022	6/30/23
Cash Assets	10.6	11.4	11.6
Receivables	141.0	206.3	149.9
Inventory (AvgCst)	109.6	46.6	45.3
Other	176.6	393.9	199.9
Current Assets	437.8	658.2	406.7
Accts Payable	192.9	238.8	178.9
Debt Due	197.1	427.9	246.8
Other	285.1	355.2	339.4
Current Liab.	675.1	1021.9	765.1

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '20-'22 to '26-'28
Revenues	5.5%	10.0%	*3.5%*
"Cash Flow"	6.5%	6.0%	*6.0%*
Earnings	6.5%	3.5%	*7.5%*
Dividends	7.5%	7.0%	*8.0%*
Book Value	10.5%	14.0%	*4.5%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2020	255.6	384.5	348.6	474.0	1462.7
2021	583.5	397.0	361.9	535.7	1878.1
2022	699.3	448.7	434.6	705.4	2288.0
2023	726.5	436.7	*455*	*711.8*	*2330*
2024	*740*	*475*	*490*	*730*	*2435*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2020	.21	.29	.22	.40	1.12
2021	.72	.32	.19	.44	1.67
2022	.76	.31	.26	.44	1.77
2023	.72	.34	*.29*	*.50*	*1.85*
2024	*.80*	*.35*	*.30*	*.55*	*2.00*

Calendar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	.219	.219	.2343	.2343	.91
2020	.2343	.2343	.2507	.2507	.97
2021	.2507	.2507	.2682	.2682	1.04
2022	.2682	.2682	.287	.287	1.11
2023	.287	.287	.3071		

BUSINESS: Essential Utilities, Inc. became the new name for Aqua America on Feb. 3, 2020, to reflect the acquisition of Peoples, a natural gas utility, which occurred in 3/20. In 2022, Aqua Amer. provided water and wastewater services in the states of PA, OH, TX, IL, NC, NJ, IN, VA NS WS. Acquired AquaSource, 7/13; N. Maine Util., 7/15; and others. Water respn. for 47% of revenues in 2022; residential, 27%; commercial, 7%; industrial, wastewater & other, 13%. Gas 50%; other, 3.0%. Employes 3,178. Off. & dir. own less than 1% of the common stock; BlackRock, 11.2%; Vanguard, 10.1%; Can. Pen. Plan 8.2% (3/23 proxy). Pres. & CEO: Christopher Franklin. Inc.: PA Addr.: 762 W Lancaster Ave., Bryn Mawr, PA 19010. Tel.: 610-525-1400. Int.: www.essential.co.

Essential raised its quarterly dividend a healthy amount last quarter. As we had forecast, the water and gas utility increased the share payout 7% to $0.3071. This is at the higher end of the range for distribution growth in the Water Utility Industry.

Our earnings estimates remain the same. In the second quarter, share earnings of $0.34 were $0.01 higher than we expected. Management's full-year estimate for earnings per share have been kept unchanged at $1.85. Expenses in both the water and gas operations continue to rise at a decent clip. Fortunately, six states have allowed for Essential to implement rate relief of $26.4 million, due mostly to the state of Pennsylvania ($21 million). Additional relief of $25 million has been granted for its gas business. All told, we look for earnings to increase a solid 5% this year. Assuming inflation eases in the year ahead, earnings could spike a more-robust 8% in 2024.

Long-term prospects for the company are relatively bright. When the utility acquired the natural gas company People's in early 2020, there were questions why leadership went outside of the water business. However, looking forward, we can see why. Gas operations profits are expected to rise at an annual rate of 8% to 10%, while the water business is only expected to expand 5% to 7% per year.

Earnings growth will also be spurred by the acquisitions. As is the case with American Water Works, Essential is pursuing an aggressive strategy of buying up many of its nearby smaller, inefficient water districts that are scattered around different states. Thus far in 2023, the company has made seven purchases and four others are pending. The water industry consists mostly of small municipally run authorities that do not have the funding required to replace aging pipeline and wastewater projects, as well as the required investment to keep up with tighter requirements on clean water mandated by the government. By absorbing these acquisitions, the company can actually finance upgrades, and also sharply reduce expenses by eliminating redundancies.

These shares are untimely, but offer solid long-term total return potential.

James A. Flood *October 6, 2023*

(A) Diluted egs. Excl. nonrec. gains: '12, 18¢. Excl. gain from disc. operations: '12, 7¢; '13, 9¢; '14, 11¢. Quarterly EPS do not add in '19 due to a large change in the number of shares outstanding in the Dec. period. Next earnings report early November.
(B) Dividends historically paid in early March, June, Sept., & Dec. ■ Div'd. reinvestment plan available (5% discount).
(C) In millions, adjusted for stock split.
(D) Includes intangibles: 12/31/22, $2345.4 bill./$8.89 a share.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	80
Earnings Predictability	65

CALIFORNIA WATER NYSE-CWT

RECENT PRICE **48.30** | P/E RATIO **32.2** (Trailing: 42.0 Median: 28.0) | RELATIVE P/E RATIO **1.96** | DIV'D YLD **2.2%** | **VALUE LINE**

TIMELINESS 5 Lowered 8/11/23
SAFETY 3 Lowered 7/27/07
TECHNICAL 3 Raised 9/29/23
BETA .70 (1.00 = Market)

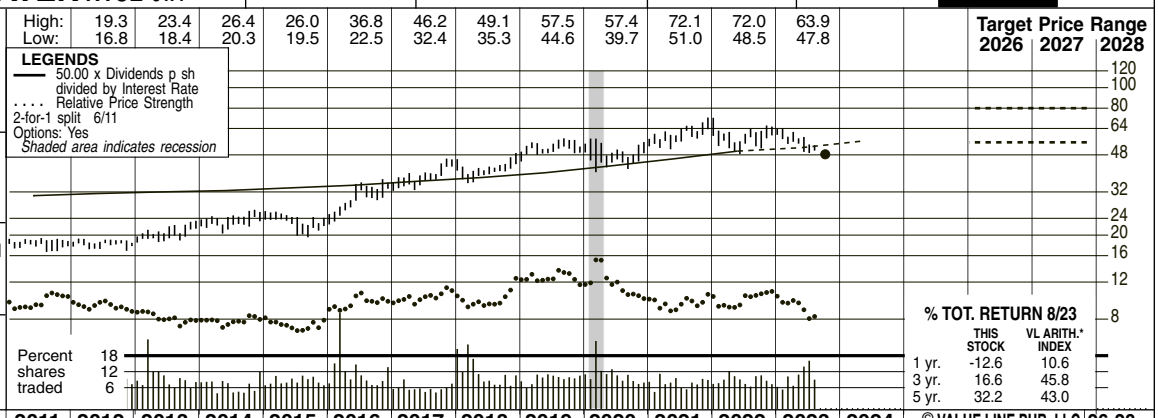
18-Month Target Price Range
Low-High **Midpoint (% to Mid)**
$41-$84 $63 (30%)

2026-28 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	80	(+65%)	*15%*
Low	55	(+15%)	*6%*

Institutional Decisions

	4Q2022	1Q2023	2Q2023
to Buy	141	125	139
to Sell	113	124	129
Hld's(000)	45352	44814	46985



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	© VALUE LINE PUB. LLC	26-28
8.88	9.90	10.82	11.05	12.00	13.34	12.23	12.50	12.29	12.70	13.89	14.53	14.72	15.78	14.72	15.22	*14.65*	*17.70*	Revenues per sh	*19.30*
1.56	1.86	1.93	1.93	2.07	2.32	2.21	2.47	2.22	2.34	3.00	3.11	3.14	3.88	3.91	3.79	*2.40*	*4.00*	"Cash Flow" per sh	*4.35*
.75	.95	.98	.91	.86	1.02	1.02	1.19	.94	1.01	1.40	1.36	1.31	1.97	1.96	1.77	*.95*	*2.45*	Earnings per sh [A]	*2.75*
.58	.59	.59	.60	.62	.63	.64	.65	.67	.69	.72	.75	.79	.85	.92	1.00	*1.04*	*1.12*	Div'd Decl'd per sh [B] ■	*1.35*
1.84	2.41	2.66	2.97	2.83	3.04	2.58	2.76	3.69	4.77	5.40	5.65	5.64	5.93	5.46	5.90	*6.00*	*6.15*	Cap'l Spending per sh	*6.45*
9.25	9.72	10.13	10.45	10.76	11.28	12.54	13.11	13.41	13.75	14.44	15.19	16.07	18.30	21.92	23.70	*24.80*	*27.10*	Book Value per sh [C]	*29.50*
41.33	41.45	41.53	41.67	41.82	41.98	47.74	47.81	47.88	47.97	48.01	48.07	48.53	50.33	53.72	55.60	*55.00*	*52.00*	Common Shs Outst'g [D]	*50.00*
26.1	19.8	19.7	20.3	21.3	17.9	20.1	19.7	24.8	29.6	26.9	30.3	39.3	24.9	30.5	33.0	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*24.0*
1.39	1.19	1.31	1.29	1.34	1.14	1.13	1.04	1.25	1.55	1.35	1.64	2.09	1.28	1.65	1.92			Relative P/E Ratio	*1.30*
3.0%	3.1%	3.1%	3.2%	3.4%	3.5%	3.1%	2.8%	2.9%	2.3%	1.9%	1.8%	1.5%	1.7%	1.5%	1.7%			Avg Ann'l Div'd Yield	*2.0%*
584.1	597.5	588.4	609.4	666.9	698.2	714.6	794.3	790.9	846.4	*805*	*920*	Revenues ($mill) [E]	*965*
47.3	56.7	45.0	48.7	67.2	65.6	63.1	96.8	101.1	96.0	*52.0*	*128*	Net Profit ($mill)	*138*
30.3%	33.0%	36.0%	35.5%	30.1%	24.5%	19.1%	11.1%	20.1%	3.3%	*21.0%*	*21.0%*	Income Tax Rate	*21.0%*
4.3%	2.7%	4.3%	6.1%	3.5%	3.1%	5.8%	3.3%	1.7%	1.7%	*5.0%*	*5.0%*	AFUDC % to Net Profit	*5.0%*
41.6%	40.1%	44.4%	44.6%	42.7%	49.3%	50.2%	45.9%	47.3%	44.4%	*42.5%*	*41.0%*	Long-Term Debt Ratio	*38.0%*
58.4%	59.9%	55.6%	55.4%	57.3%	50.7%	49.8%	54.1%	52.7%	55.6%	*57.5%*	*59.0%*	Common Equity Ratio	*62.0%*
1024.9	1045.9	1154.4	1191.2	1209.3	1440.2	1566.7	1702.4	2233.4	2370.1	*2365*	*2385*	Total Capital ($mill)	*2375*
1515.8	1590.4	1701.8	1859.3	2048.0	2232.7	2406.4	2650.6	2846.9	3058.9	*3175*	*3225*	Net Plant ($mill)	*3450*
6.0%	6.3%	5.2%	5.5%	7.1%	5.9%	5.5%	7.0%	5.5%	5.0%	*3.0%*	*6.0%*	Return on Total Cap'l	*6.5%*
7.9%	9.1%	7.0%	7.4%	9.7%	9.0%	8.1%	10.5%	8.6%	7.3%	*4.0%*	*9.0%*	Return on Shr. Equity	*9.5%*
7.9%	9.1%	7.0%	7.4%	9.7%	9.0%	8.1%	10.5%	8.6%	7.3%	*4.0%*	*9.0%*	Return on Com Equity	*9.5%*
3.4%	4.1%	2.0%	2.4%	4.7%	4.0%	3.2%	6.0%	4.6%	3.2%	*NMF*	*5.0%*	Retained to Com Eq	*4.5%*
56%	55%	71%	68%	51%	55%	60%	43%	47%	56%	*NMF*	*46%*	All Div'ds to Net Prof	*49%*

CAPITAL STRUCTURE as of 6/30/23
Total Debt $1183.9 mill. **Due in 5 Yrs** $357.0 mill.
LT Debt $1052.1 mill. **LT Interest** $40.0 mill.
(Total interest coverage: 1.0x) (44% of Cap'l)

Pension Assets-12/22 $637.3 mill.
Oblig. $685.3 mill.

Pfd Stock None

Common Stock 57,702,000 shs.

MARKET CAP: $2.8 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2021	2022	6/30/23
Cash Assets	78.4	62.1	55.6
Other	222.1	233.4	256.3
Current Assets	300.5	295.5	311.9
Accts Payable	144.4	141.0	138.3
Debt Due	40.2	73.3	131.8
Other	72.0	80.4	92.6
Current Liab.	256.6	294.7	362.7

BUSINESS: California Water Service Group provides regulated and nonregulated water service to 496,400 customers in 100 communities in the state of California. Accounts for about 90% of total customers. Also operates in Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '22: residential, 67%; business, 20%; industrial, 3%; public authorities, 5%; other 5%. Off. and dir. own 1% of common stock (4/23 proxy). Has 1,184 employees. Pres. and CEO: Martin A. Kropelnicki. Inc.: DE. Addr.: 1720 North First St., San Jose, CA 95112-4598. Tel.: 408-367-8200. Internet: www.calwatergroup.com.

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '20-'22 to '26-'28
Revenues	2.5%	3.5%	*4.0%*
"Cash Flow"	6.0%	9.0%	*2.0%*
Earnings	7.5%	11.0%	*6.5%*
Dividends	4.0%	6.0%	*6.5%*
Book Value	7.0%	9.0%	*5.5%*

Calendar	QUARTERLY REVENUES ($ mill.)[E] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2020	125.6	175.5	304.1	189.1	794.3
2021	147.7	213.1	256.7	173.4	790.9
2022	173.0	206.2	266.3	200.9	846.4
2023	131.1	194.0	*265*	*214.9*	*805*
2024	*190*	*225*	*285*	*220*	*920*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2020	d.42	.11	1.94	.31	1.97
2021	d.06	.75	1.20	.07	1.96
2022	.02	.36	1.03	.35	1.77
2023	d.40	.17	*.75*	*.43*	*.95*
2024	*.15*	*.60*	*1.20*	*.50*	*2.45*

Calendar	QUARTERLY DIVIDENDS PAID [B] ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	.1975	.1975	.1975	.1975	.79
2020	.2125	.2125	.2125	.2125	.85
2021	.230	.230	.230	.230	.92
2022	.250	.250	.250	.250	1.00
2023	.260	.26	.26		

California Water Service Group recently completed an acquisition. The West Coast regulated water operator finalized the purchase of Skylonda Mutual Water Company subsequent to receiving approval from California state regulators. The addition is expected to unlock operational synergies between California Water's businesses, as well as bolster the customer base. The company also intends to invest in Skylonda's infrastructure. Going forward, we think tuck-in acquisitions will likely be par for the course, especially following the company's recent extended borrowing capacity ($600 million 5-year credit facility.)

The stock price has held up decently. In comparison to industry peers, the equity is roughly flat over the past three months, versus declines of about 10% on average for most water utility stocks. Nevertheless, CWT shares remain ranked 5 (Lowest) for Timeliness and, thus, are not suitable for subscribers with a short-term horizon.

We look for improved financial performance beyond 2023. Indeed, California Water's first half of the year was uninspiring. A still-delayed rate case decision from state regulators, as well as unfavorable revenue rebalancing and softer customer usage, resulted in relatively weak revenues and earnings through the first six months of 2023. But better days probably lie ahead. Prospects for a rate case approval, along with improved customer usage and a wider base, suggest that top- and bottom-line results are poised to rebound in 2024. Moreover, we envision additional rate hike filings over the pull to late decade, as the company is apt to invest heavily in water system infrastructure upgrades and treatment facilities. Note that a portion of capital allocated for upgrades can typically be recouped via approved rate increases to customer.

Investors with a 3- to 5-year holding period should also turn the page, for now. At the recent quotation, California Water shares offer subpar long-term capital appreciation potential. The dividend yield is below average, as well, and isn't likely to garner the interest of income-seeking accounts.

Nicholas Patrikis *October 6, 2023*

(A) Basic EPS. Excl. nonrecurring gain (loss): '11, 4¢. Next earnings report due late Nov.
(B) Dividends historically paid in late Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(C) Incl. intangible assets. In '22 : $64.6 mill., $1.16/sh.
(D) In millions, adjusted for split.
(E) Excludes non-regulated revenues.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	85
Earnings Predictability	55

MIDDLESEX WATER NDQ-MSEX

RECENT PRICE **68.00** | P/E RATIO **26.5** (Trailing: 32.7 Median: 26.0) | RELATIVE P/E RATIO **1.62** | DIV'D YLD **1.8%** | **VALUE LINE**

TIMELINESS 4 Raised 7/14/23
SAFETY 2 New 10/21/11
TECHNICAL 3 Raised 9/22/23
BETA .75 (1.00 = Market)

18-Month Target Price Range

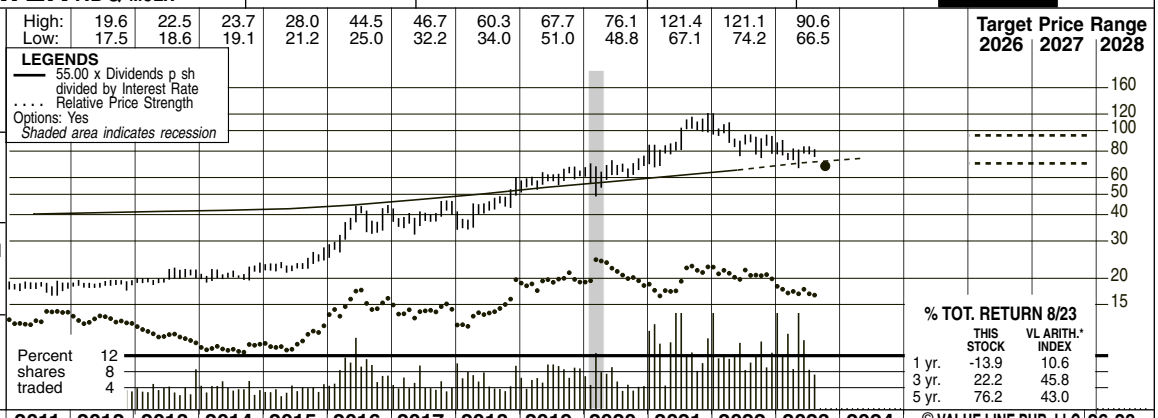
Low-High	Midpoint (% to Mid)
$61-$128	$95 (40%)

2026-28 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	95	(+40%)	*10%*
Low	70	(+5%)	*3%*

Institutional Decisions

	4Q2022	1Q2023	2Q2023
to Buy	99	83	75
to Sell	70	96	99
Hld's(000)	12563	11875	12584



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	© VALUE LINE PUB. LLC	26-28
6.50	6.79	6.75	6.60	6.50	6.98	7.19	7.26	7.77	8.16	8.00	8.42	7.72	8.10	8.17	9.21	***9.70***	***10.05***	Revenues per sh	***11.10***
1.49	1.53	1.40	1.55	1.46	1.56	1.72	1.84	1.97	2.17	2.24	2.89	2.90	3.25	3.28	3.70	***3.40***	***3.80***	"Cash Flow" per sh	***4.10***
.87	.89	.72	.96	.84	.90	1.03	1.13	1.22	1.38	1.38	1.96	2.01	2.18	2.07	2.39	***2.40***	***2.75***	Earnings per sh [A]	***3.00***
.69	.70	.71	.72	.73	.74	.75	.76	.78	.81	.86	.91	.98	1.04	1.11	1.18	***1.28***	***1.35***	Div'd Decl'd per sh [B]■	***1.60***
1.66	2.12	1.49	1.90	1.50	1.36	1.26	1.40	1.59	2.91	3.08	4.40	5.11	6.04	4.53	5.18	***5.25***	***5.45***	Cap'l Spending per sh	***6.00***
10.05	10.03	10.33	11.13	11.27	11.48	11.82	12.24	12.74	13.40	14.02	15.17	18.57	19.81	20.99	22.65	***23.25***	***23.45***	Book Value per sh	***23.70***
13.25	13.40	13.52	15.57	15.70	15.82	15.96	16.12	16.23	16.30	16.35	16.40	17.43	17.47	17.52	17.64	***17.85***	***17.90***	Common Shs Outst'g [C]	***18.00***
21.6	19.8	21.0	17.8	21.7	20.8	19.7	18.5	19.1	25.6	28.4	22.2	29.7	30.1	44.3	38.6	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	***28.0***
1.15	1.19	1.40	1.13	1.36	1.32	1.11	.97	.96	1.34	1.43	1.20	1.58	1.55	2.39	2.24			Relative P/E Ratio	***1.30***
3.7%	4.0%	4.7%	4.2%	4.0%	4.0%	3.7%	3.7%	3.3%	2.3%	2.2%	2.1%	1.6%	1.6%	1.2%	1.3%			Avg Ann'l Div'd Yield	***1.9%***
						114.8	117.1	126.0	132.9	130.8	138.1	134.6	141.6	143.1	162.4	***173***	***180***	Revenues ($mill)	***200***
						16.6	18.4	20.0	22.7	22.8	32.5	33.9	38.4	36.5	42.4	***43.0***	***49.0***	Net Profit ($mill)	***54.0***
						34.1%	35.0%	34.5%	34.0%	32.7%	2.8%	--	--	2.8%	7.1%	***21.0%***	***21.0%***	Income Tax Rate	***21.0%***
						1.9%	1.7%	1.9%	2.7%	3.1%	1.4%	3.4%	3.9%	3.9%	3.9%	***2.5%***	***2.5%***	AFUDC % to Net Profit	***2.5%***
						40.4%	40.5%	39.4%	37.9%	37.5%	37.8%	41.5%	44.0%	45.3%	41.9%	***44.0%***	***41.5%***	Long-Term Debt Ratio	***40.5%***
						58.7%	58.8%	59.8%	61.5%	61.8%	61.6%	58.2%	55.7%	54.4%	57.7%	***56.0%***	***58.0%***	Common Equity Ratio	***59.5%***
						321.4	335.8	345.4	355.4	370.7	404.1	556.7	621.5	676.3	692.7	***742***	***722***	Total Capital ($mill)	***720***
						446.5	465.4	481.9	517.8	557.2	618.5	705.7	796.6	865.4	920.6	***975***	***985***	Net Plant ($mill)	***1000***
						5.9%	6.3%	6.6%	7.1%	6.9%	8.9%	6.7%	6.8%	6.0%	6.8%	***6.0%***	***7.0%***	Return on Total Cap'l	***8.0%***
						8.7%	9.2%	9.6%	10.3%	9.8%	12.9%	10.4%	11.0%	9.9%	10.5%	***10.5%***	***11.5%***	Return on Shr. Equity	***12.5%***
						8.7%	9.3%	9.6%	10.3%	9.9%	13.0%	10.4%	11.1%	9.9%	10.6%	***10.5%***	***11.5%***	Return on Com Equity	***12.5%***
						2.4%	3.1%	3.5%	4.3%	3.8%	7.0%	5.4%	5.8%	4.6%	5.4%	***5.0%***	***6.0%***	Retained to Com Eq	***6.0%***
						73%	67%	63%	58%	62%	46%	48%	48%	53%	49%	***53%***	***49%***	All Div'ds to Net Prof	***53%***

CAPITAL STRUCTURE as of 6/30/23
Total Debt $367.9 mill. **Due in 5 Yrs** $43.7 mill.
LT Debt $350.4 mill. **LT Interest** $7.5 mill.
(Total interest coverage: 9.3x)
(46% of Cap'l)

Pension Assets-12/22 $84.8 mill.
Oblig. $87.8 mill.
Pfd Stock $2.4 mill. **Pfd Div'd:** $.1 mill.

Common Stock 17,748,000 shs.
as of 7/28/23

MARKET CAP: $1.2 billion (Small Cap)

CURRENT POSITION ($MILL.)	2021	2022	6/30/23
Cash Assets	3.5	3.8	4.4
Other	30.9	33.5	36.2
Current Assets	34.4	37.3	40.6
Accts Payable	21.1	24.8	28.3
Debt Due	6.7	17.5	17.5
Other	28.8	75.6	41.8
Current Liab.	56.6	117.9	87.6

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '20-'22 to '26-'28
Revenues	2.5%	1.5%	*4.5%*
"Cash Flow"	8.5%	10.0%	*3.0%*
Earnings	9.5%	11.0%	*5.0%*
Dividends	4.0%	6.5%	*6.5%*
Book Value	6.5%	9.5%	*2.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2020	31.8	35.3	39.9	34.6	141.6
2021	32.5	36.7	39.9	34.0	143.1
2022	36.2	39.7	47.7	38.8	162.4
2023	38.2	42.8	***50.0***	***42.0***	***173***
2024	***42.0***	***43.0***	***52.0***	***43.0***	***180***

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2020	.44	.55	.72	.47	2.18
2021	.39	.62	.65	.41	2.07
2022	.68	.50	.80	.40	2.39
2023	.33	.55	***.90***	***.62***	***2.40***
2024	***.50***	***.65***	***.93***	***.67***	***2.75***

Calendar	QUARTERLY DIVIDENDS PAID [B]■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	.24	.24	.24	.2562	.98
2020	.2562	.2562	.2562	.2725	1.04
2021	.2725	.2725	.2725	.29	1.11
2022	.29	.29	.29	.3125	1.18
2023	.3125	.3125	.3125		

BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey, Delaware, and Pennsylvania. It also operates water and wastewater systems under contract on behalf of municipal and private clients in NJ and DE. Its Middlesex System provides water services to 61,000 retail customers, primarily in Middlesex County, New Jersey. In 2022, the Middlesex System accounted for 65% of operating revenues. At 12/31/22, the company had 350 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers & directors own 1.9% of the com. stock; BlackRock Inst. Trust Co., 14.6% (4/23 proxy). Add.: 485 C Route 1 South, Suite 400, Iselin, NJ 08830. Tele.: 732-634-1500. Int.: www.middlesexwater.com.

Middlesex Water delivered strong second-quarter financial results. Revenues of nearly $43 million rose roughly 8% year over year, largely thanks to previous base rate increases from the New Jersey Board of Public Utilities. Higher contract customer demand also played a role in the modest advance. Meanwhile, the company earned $0.55 per share in the June period, which was in line with consensus expectations. The figure improved 10% on an annual basis, with lower income taxes more than offsetting a slight uptick in operating and maintenance expenses. On balance, we are upping our current-year revenue estimate by $3 million, to $173 million. Our share-profit forecast remains intact, at $2.40.

Middlesex recently completed construction at its Park Avenue New Jersey treatment plant. The upgrade to the plant, which totaled about $52 million, was needed to restore groundwater treatment compliance with updated standards for maximum contaminant levels in certain compounds. At present, the facility is fully functional and in compliance with all drinking water standards. In addition to this, management will likely keep its foot on the gas, in terms of broad-based capital investment and infrastructure improvements.

The regulated water utility ought to have some wind at its back over the pull to late decade. For starters, overall water consumption ought to increase, mainly due to prospects for a healthier macroeconomic backdrop and a wider customer base. Moreover, as mentioned above, capital spending on water system enhancements, treatment plant upgrades, and pipeline replacements, suggests that leadership is likely to seek further rate hike approvals from state regulators.

The stock price continues to be under some pressure. Middlesex shares, which have been in a downward trend since early 2022, slipped more than 10% in value over the past three months. At the moment, MSEX stock is unfavorably ranked for relative year-ahead price performance. Total return potential three to five years hence is limited, too. Thus, patient subscribers would do well to turn the page at this juncture.

Nicholas Patrikis *October 6, 2023*

(A) Diluted earnings. Quarterly figures may not sum due to rounding. Next earnings report due early November.

(B) Dividends historically paid in mid-Feb., May, Aug., and November.■ Div'd reinvestment plan available.

(C) In millions.

Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	100
Earnings Predictability	90

SJW GROUP NYSE-SJW

RECENT PRICE **62.20** | P/E RATIO **22.0** (Trailing: 21.7 Median: 25.0) | RELATIVE P/E RATIO **1.34** | DIV'D YLD **2.4%** | **VALUE LINE**

TIMELINESS 4 Lowered 9/15/23
SAFETY 3 New 4/22/11
TECHNICAL 3 Lowered 9/29/23
BETA .85 (1.00 = Market)

18-Month Target Price Range

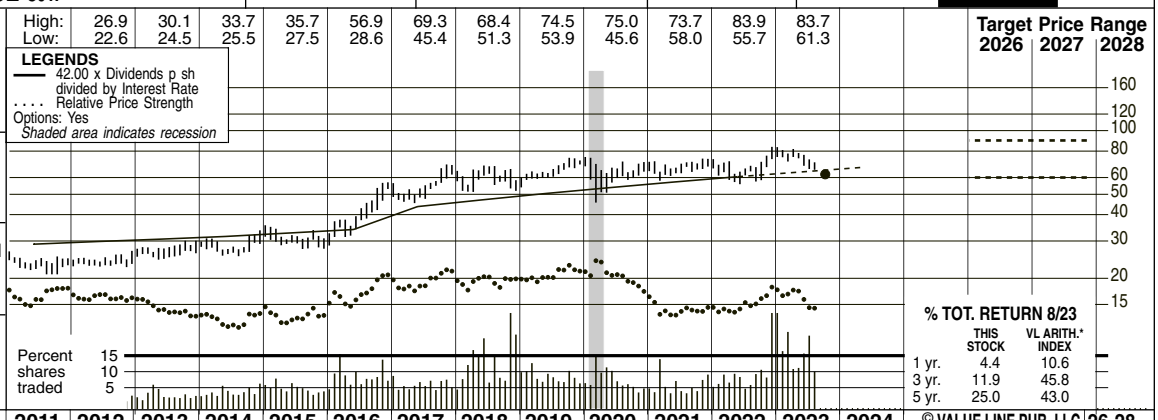
Low-High	Midpoint (% to Mid)
$59-$112	$86 (35%)

2026-28 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	90	(+45%)	*12%*
Low	60	(-5%)	*2%*

Institutional Decisions

	4Q2022	1Q2023	2Q2023
to Buy	128	94	120
to Sell	86	113	91
Hld's(000)	27200	27281	26624



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	© VALUE LINE PUB. LLC	26-28
11.25	12.12	11.68	11.62	12.85	14.01	13.73	15.76	14.97	16.61	18.97	14.00	14.78	19.77	19.01	20.15	*20.65*	*21.85*	Revenues per sh	*23.15*
2.30	2.44	2.21	2.38	2.80	2.97	2.90	4.42	3.86	4.76	5.24	3.29	3.13	5.28	5.13	5.79	*4.35*	*4.60*	"Cash Flow" per sh	*4.90*
1.04	1.08	.81	.84	1.11	1.18	1.12	2.54	1.85	2.57	2.86	1.82	.82	2.14	2.03	2.43	*2.75*	*2.95*	Earnings per sh [A]	*3.25*
.61	.65	.66	.68	.69	.71	.73	.75	.78	.81	1.04	1.12	1.20	1.28	1.36	1.44	*1.52*	*1.60*	Div'd Decl'd per sh [B]■	*1.80*
6.62	3.79	3.17	5.65	3.75	5.67	4.68	5.02	5.24	6.95	7.26	5.08	6.25	7.44	8.32	7.85	*8.00*	*8.25*	Cap'l Spending per sh	*8.75*
12.90	13.99	13.66	13.75	14.20	14.71	15.92	17.75	18.83	20.61	22.57	31.31	31.27	32.12	34.28	36.06	*37.10*	*40.00*	Book Value per sh	*42.50*
18.36	18.18	18.50	18.55	18.59	18.67	20.17	20.29	20.38	20.46	20.52	28.40	28.46	28.56	30.18	30.80	*31.00*	*30.00*	Common Shs Outst'g [C]	*30.00*
33.4	26.2	28.7	29.1	21.2	20.4	24.3	11.2	16.6	15.7	18.8	32.7	78.8	30.0	32.9	27.3	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*23.0*
1.77	1.58	1.91	1.85	1.33	1.30	1.37	.59	.84	.82	.95	1.77	4.20	1.54	1.78	1.58			Relative P/E Ratio	*1.30*
1.7%	2.3%	2.8%	2.8%	2.9%	3.0%	2.7%	2.6%	2.5%	2.0%	1.9%	1.9%	1.9%	2.0%	2.0%	2.2%			Avg Ann'l Div'd Yield	*2.4%*
276.9	319.7	305.1	339.7	389.2	397.7	420.5	564.5	573.7	620.7	*640*	*655*	Revenues ($mill)	*695*
23.5	51.8	37.9	52.8	59.2	38.8	23.4	61.5	60.5	73.8	*85.0*	*89.0*	Net Profit ($mill)	*98.0*
38.7%	32.5%	38.1%	38.8%	36.7%	20.6%	26.4%	12.0%	12.2%	10.3%	*21.0%*	*21.0%*	Income Tax Rate	*21.0%*
--	--	--	--	--	--	--	--	2.0%	6.4%	*1.5%*	*1.5%*	AFUDC % to Net Profit	*1.5%*
51.1%	51.6%	49.8%	50.7%	48.2%	32.7%	59.1%	58.4%	59.1%	57.3%	*56.0%*	*50.0%*	Long-Term Debt Ratio	*44.0%*
48.9%	48.4%	50.2%	49.3%	51.8%	67.3%	40.9%	41.6%	40.9%	42.7%	*44.0%*	*50.0%*	Common Equity Ratio	*56.0%*
656.2	744.5	764.6	855.0	894.3	1320.7	2173.6	2204.7	2527.5	2602.8	*2600*	*2400*	Total Capital ($mill)	*2275*
898.7	963.0	1036.8	1146.4	1239.3	1328.8	2206.5	2334.9	2497.5	2630.3	*2685*	*2725*	Net Plant ($mill)	*2825*
5.0%	8.3%	6.3%	7.4%	7.9%	3.9%	1.8%	4.0%	3.5%	4.0%	*4.0%*	*4.0%*	Return on Total Cap'l	*5.0%*
7.3%	14.4%	9.9%	12.5%	12.8%	4.4%	2.6%	6.7%	5.8%	6.6%	*7.5%*	*7.5%*	Return on Shr. Equity	*7.5%*
7.3%	14.4%	9.9%	12.5%	12.8%	4.4%	2.6%	6.7%	5.8%	6.6%	*7.5%*	*7.5%*	Return on Com Equity	*7.5%*
2.8%	10.2%	5.7%	8.6%	8.2%	1.8%	NMF	2.7%	2.0%	2.7%	*3.5%*	*3.5%*	Retained to Com Eq	*3.5%*
62%	29%	42%	31%	36%	60%	NMF	59%	66%	59%	*55%*	*54%*	All Div'ds to Net Prof	*55%*

CAPITAL STRUCTURE as of 6/30/23
Total Debt $1563.6 mill. **Due in 5 Yrs** $44.3 mill.
LT Debt $1519.3 mill. **LT Interest** $50.0 mill.
(LT Interest Coverage: 9.2x)
(57% of Cap'l)

Pension Assets-12/22 $252.0 mill.
Oblig. $289.1 mill.
Pfd Stock None.
Common Stock 31,731,000 shs.

MARKET CAP: $2.0 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2021	2022	6/30/23
Cash Assets	10.9	12.3	25.5
Accts Receivable	53.7	58.2	58.5
Other	69.5	84.2	117.4
Current Assets	134.1	154.7	201.4
Accts Payable	30.4	29.6	36.4
Debt Due	39.1	4.4	44.3
Other	133.8	230.7	157.3
Current Liab.	203.3	264.7	238.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '20-'22 to '26-'28
Revenues	4.5%	3.0%	*3.0%*
"Cash Flow"	7.0%	3.0%	*-1.5%*
Earnings	7.5%	-2.0%	*6.5%*
Dividends	7.0%	9.0%	*5.0%*
Book Value	9.0%	10.5%	*3.5%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2020	115.8	147.2	165.9	135.6	564.5
2021	114.8	152.2	166.9	139.8	573.7
2022	124.3	149.0	176.0	171.4	620.7
2023	137.3	156.9	*182*	*163.8*	*640*
2024	*140*	*165*	*185*	*165*	*655*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2020	.08	.69	.91	.46	2.14
2021	.09	.69	.64	.60	2.03
2022	.12	.38	.82	1.09	2.43
2023	.37	.58	*.95*	*.85*	*2.75*
2024	*.45*	*.60*	*1.00*	*.90*	*2.95*

Calendar	QUARTERLY DIVIDENDS PAID [BD]■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	.30	.30	.30	.30	1.20
2020	.32	.32	.32	.32	1.28
2021	.34	.34	.34	.34	1.36
2022	.36	.36	.36	.36	1.44
2023	.38	.38	.38		

BUSINESS: SJW Group engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 231,000 connections with a total population of roughly one million people in the San Jose area and 16,000 connections that reach about 49,000 residents in the region between San Antonio and Austin, Texas. The company merged with Connecticut Water (10/19) which provides service to approx. 138,000 connections with a total population of 450,000 people. Has 757 employees. Officers and directors own less than 1.0% of outstanding shares (3/23 proxy). Chairman & CEO: Eric Thornburg. Incorporated: California. Address: 110 West Taylor Street, San Jose, CA 95110. Telephone: (408) 279-7800. Internet: www.sjwater.com.

Stock of SJW Group took a step back in price over the past three months. Similar to industry peers, shares of the domestic regulated water utility dipped approximately 10% in value since our early July review. The equity was trading around all-time high territory at the onset of 2023 but, since then, it has come under some selling pressure. Note that part of the contraction may well be due to profit taking. Looking at the coming six to 12 months, SJW shares have slipped several spots on our Timeliness Ranking Scale, to 4 (below average), and are now pegged to trail the year-ahead broader market.

We are maintaining our current year top- and bottom-line estimates following a solid June-period showing. Revenues of $157 million rose 5% year over year, while earnings of $0.58 per share jumped more than 50%. The strong results were bolstered by recent rate hikes across California and Maine, as well as lower taxes during the period. This largely offset reduced water usage in Maine and Texas due to weather. For 2023, we look for modest annual revenue and earnings expansion, to $640 million and $2.75 per share, respectively. Likewise, similar advances are probably in the cards for 2024.

The long term holds some promise. As a result of an aggressive capital allocation strategy (investment in water delivery systems, infrastructure, and treatment facilities), SJW is likely to file additional rate case requests across all operating regions in an effort to recoup a portion of these funds. Elsewhere, tuck-in acquisitions, such as the company's recent purchase of KT Water Development in Texas, should further support an expanding operating footprint. Lastly, prospects for increased water consumption and a wider customer base owing to a healthier economic backdrop is encouraging.

The dividend yield is decent but, even so, total return potential three to five years out leaves something to be desired. SJW stock currently offers an annual return which mirrors the *Value Line* median. That said, at the recent quotation, price upside potential over the pull to 2026-2028 is limited. All told, we think subscribers are best served staying on the sidelines, for now.

Nicholas Patrikis *October 6, 2023*

(A) Diluted earnings. Excludes nonrecurring losses: '08, $1.22; '10, $0.46. GAAP accounting as of 2013. Next earnings report due early November. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions.
(D) Paid special dividend of $0.17 per share on 11/17.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	90
Earnings Predictability	45

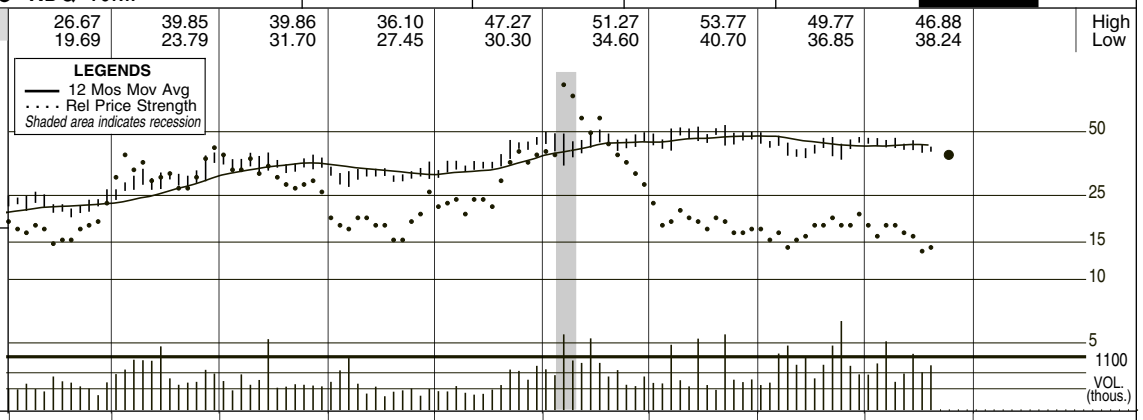
YORK WATER CO NDQ--YORW

RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
38.85	26.6	1.85	2.1%	

RANKS

PERFORMANCE	3	Average
Technical	4	Below Average
SAFETY	2	Above Average
BETA .80	(1.00 = Market)	

Financial Strength	B++
Price Stability	90
Price Growth Persistence	85
Earnings Predictability	100



© VALUE LINE PUBLISHING LLC	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024/2025
REVENUES PER SH	3.68	3.70	3.77	3.74	3.96	4.12	4.20	4.20	--	
"CASH FLOW" PER SH	1.45	1.42	1.53	1.58	1.70	1.90	1.97	2.08	--	
EARNINGS PER SH	.97	.92	1.01	1.04	1.11	1.27	1.30	1.40	***1.53*** [A,B]	***1.59*** [C]***/NA***
DIV'D DECL'D PER SH	.60	.63	.65	.67	.70	.73	.76	.79	--	
CAP'L SPENDING PER SH	1.11	1.03	1.95	--	.16	.09	.91	.24	--	
BOOK VALUE PER SH	8.51	8.88	9.28	9.75	10.31	10.97	11.64	14.50	--	
COMMON SHS OUTST'G (MILL)	12.81	12.85	12.87	12.94	13.02	13.06	13.11	14.29	--	
AVG ANN'L P/E RATIO	23.5	32.8	34.6	30.3	33.8	35.7	36.7	30.7	***25.4***	***24.4/NA***
RELATIVE P/E RATIO	1.21	1.79	1.73	1.71	1.96	2.09	2.24	2.03	--	
AVG ANN'L DIV'D YIELD	2.6%	2.1%	1.9%	2.1%	1.9%	1.6%	1.6%	1.8%	--	
REVENUES ($MILL)	47.1	47.6	48.6	48.4	51.6	53.9	55.1	60.1	--	***Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.***
NET PROFIT ($MILL)	12.5	11.8	13.0	13.4	14.4	16.6	17.0	19.6	--	
INCOME TAX RATE	27.5%	31.3%	25.9%	15.7%	13.5%	10.8%	6.2%	.1%	--	
AFUDC % TO NET PROFIT	1.6%	1.9%	6.7%	1.7%	2.5%	3.2%	7.2%	--	--	
LONG-TERM DEBT RATIO	44.4%	42.6%	43.0%	42.5%	41.3%	46.3%	47.6%	40.2%	--	
COMMON EQUITY RATIO	55.6%	57.4%	57.0%	57.5%	58.7%	53.7%	52.4%	59.8%	--	
TOTAL CAPITAL ($MILL)	196.3	198.7	209.5	219.5	228.7	266.8	291.5	346.6	--	
NET PLANT ($MILL)	261.4	270.9	288.8	299.2	313.2	343.6	382.9	431.2	--	
RETURN ON TOTAL CAP'L	7.6%	7.2%	7.5%	7.3%	7.4%	7.1%	6.7%	6.4%	--	
RETURN ON SHR. EQUITY	11.5%	10.4%	10.9%	10.6%	10.7%	11.6%	11.1%	9.5%	--	
RETURN ON COM EQUITY	11.5%	10.4%	10.9%	10.6%	10.7%	11.6%	11.1%	9.5%	--	
RETAINED TO COM EQ	4.4%	3.4%	4.0%	3.8%	4.0%	5.0%	4.7%	4.3%	--	
ALL DIV'DS TO NET PROF	62%	67%	63%	64%	62%	57%	58%	55%	--	

[A] *No. of analysts changing earn. est. in last 25 days: 0 up, 0 down, consensus 5-year earnings growth not available.* [B] *Based upon one analyst's estimate.* [C] *Based upon one analyst's estimate.*

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Revenues	2.5%	--
"Cash Flow"	6.0%	5.5%
Earnings	6.5%	7.5%
Dividends	4.0%	3.5%
Book Value	7.0%	24.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/21	13.1	13.8	14.5	13.7	55.1
12/31/22	14.3	14.9	15.8	15.1	60.1
12/31/23	15.4	18.8			
12/31/24					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/20	.31	.32	.36	.28	1.27
12/31/21	.28	.35	.36	.31	1.30
12/31/22	.29	.36	.40	.35	1.40
12/31/23	.26	.45	***.46***	***.36***	
12/31/24	***.29***				

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2020	.18	.18	.18	.18	.72
2021	.187	.187	.187	.195	.76
2022	.195	.195	.195	.195	.78
2023	.203	.203	.203		

INSTITUTIONAL DECISIONS

	4Q'22	1Q'23	2Q'23
to Buy	59	68	65
to Sell	53	42	47
Hld's(000)	6886	7043	7059

ASSETS ($mill.)	2021	2022	6/30/23
Cash Assets	.0	.0	.0
Receivables	4.6	6.7	6.1
Inventory	1.9	2.3	3.5
Other	4.8	5.2	5.8
Current Assets	11.3	14.2	15.4
Property, Plant & Equip, at cost	482.1	540.0	- -
Accum Depreciation	99.2	108.8	- -
Net Property	382.9	431.2	461.0
Other	64.7	65.2	67.1
Total Assets	458.9	510.6	543.5
LIABILITIES ($mill.)			
Accts Payable	6.7	10.8	14.4
Debt Due	7.5	.0	.0
Other	5.9	6.2	6.9
Current Liab	20.1	17.0	21.3

LONG-TERM DEBT AND EQUITY as of 6/30/23

Total Debt $157.8 mill. **Due in 5 Yrs.** NA
LT Debt $157.8 mill.
Including Cap. Leases NA
(43% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability None in '22 vs. None in '21

Pfd Stock None **Pfd Div'd Paid** None

Common Stock 14,309,000 shares
(57% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: The York Water Company is an investor-owned water utility. The primary business of the company is to impound, purify to meet or exceed safe drinking water standards, and distribute water. It also operates three wastewater collection systems and eight wastewater collection and treatment systems. The company operates within its franchised water and wastewater territory, which covers portions of 54 municipalities within three counties in south-central Pennsylvania. Water service is supplied through its own distribution system. It obtains the bulk of its water supply for its primary system for York and Adams Counties from both the South Branch and East Branch of the Codorus Creek, which together have an average daily flow of 73.0 million gallons. The company is regulated by the Pennsylvania Public Utility Commission for both water and wastewater in the areas of billing, payment procedures, dispute processing, terminations, service territory, debt and equity financing and rate setting. Has 116 employees. C.E.O.: Joseph T. Hand Address: 130 East Market Street, York, PA 17401. Tel.: (717) 845-3601. Internet: www.york-water.com. *E.B.*

October 6, 2023

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 8/31/2023

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-3.47%	-5.84%	-5.57%	-5.80%	48.04%

EXHIBIT TJB-COC-DT2

Liberty Utilities Rio Rico (Consolidated), Corp.
Risk Premium Estimates for Use In Modified CAPM
Based on *Duff and Phelps Cost of Capital Navigator Supplementary Data* Risk Study and Regression Data Equations

			Measures of size (Millions)						
Line No.	Company	Symbol	MV Equity[1]	Book Equity[1]	MVIC[1]	5 Yr Avg. Net Income[1]	Total Assets[1]	5 Yr Avg. EBITDA[1]	Sales
1	American States Water	AWR	$ 3,078	$ 710	$ 3,550	$ 82	$ 2,034	$ 165	$ 499
2	American Water Works	AWK	$ 27,120	$ 7,694	$ 38,046	$ 3,708	$ 2,034	$ 1,808	$ 3,920
3	Essential Utilities	WTRG	$ 10,020	$ 5,377	$ 16,391	$ 320	$ 15,719	$ 733	$ 1,878
4	California Water	CWT	$ 2,769	$ 1,318	$ 3,821	$ 85	$ 3,851	$ 269	$ 791
5	Middlesex	MSEX	$ 1,303	$ 399	$ 1,593	$ 37	$ 1,074	$ 72	$ 143
6	SJW Group	SJW	$ 2,024	$ 1,111	$ 3,516	$ 52	$ 3,633	$ 188	$ 574
7	York Water Company	YORW	$ 577	$ 207	$ 717	$ 16	$ 511	$ 33	$ 55
8	Liberty Utilities Rio Rico (Consolidated), Corp.		N/A	$ 35.2	N/A	$ 0.5	$ 28.7	$ 16.1	$ 4.8

[1] From Value Line Investment Anlayzer data weekly as of July 21, 2021.

Net Income Data ($ millions)

Line No.	Company	Symbol	2022	2021	2020	2019	2018	Average
9	American States Water	AWR	$ 78.4	$ 94.4	$ 86.4	$ 84.3	$ 63.9	$ 81.5
10	American Water Works	AWK	$ 3,792.0	$ 3,920.0	$ 3,777.0	$ 3,610.0	$ 3,440.0	$ 3,707.8
11	Essential Utilities	WTRG	$ 465.2	$ 431.6	$ 284.9	$ 224.5	$ 192.0	$ 319.6
12	California Water	CWT	$ 96.0	$ 101.1	$ 96.8	$ 63.1	$ 65.6	$ 84.5
13	Middlesex	MSEX	$ 42.4	$ 36.5	$ 38.4	$ 33.9	$ 32.5	$ 36.7
14	SJW Group	SJW	$ 73.8	$ 60.5	$ 61.5	$ 23.4	$ 38.8	$ 51.6
15	York Water Company	YORW	$ 19.6	$ 17.0	$ 16.6	$ 14.4	$ 13.4	$ 16.2

		2022	2021	2020	2019	2018	Average
16	Liberty Utilities Rio Rico (Consolidated), Corp.	$ 0.3	$ 1.7	$ 2.4	$ 1.4	$ (3.2)	$ 0.5

Liberty Utilities Rio Rico (Consolidated), Corp.
Risk Premium Estimates for Use In Modified CAPM
Based on *Duff and Phelps Cost of Capital Navigator Supplementary Data* Risk Study and Regression Data Equations

Line No.	EBITDA Data ($ millions) Company	Symbol	2022	2021	2020	2019	2018	Average
1	American States Water	AWR	$ 168	$ 181	$ 167	$ 169	$ 141	$ 165
2	American Water Works	AWK	$ 1,922	$ 1,832	$ 1,852	$ 1,752	$ 1,684	$ 1,808
3	Essential Utilities	WTRG	$ 1,073	$ 901	$ 700	$ 522	$ 470	$ 733
4	California Water	CWT	$ 297	$ 271	$ 305	$ 234	$ 240	$ 269
5	Middlesex	MSEX	$ 88	$ 69	$ 71	$ 67	$ 67	$ 72
6	SJW Group	SJW	$ 262	$ 200	$ 207	$ 143	$ 128	$ 188
7	York Water Company	YORW	$ 36	$ 34	$ 34	$ 33	$ 31	$ 33
8	Liberty Utilities Rio Rico (Consolidated), Corp.		$ 17.5	$ 15.5	$ 12.9	$ 12.7	$ 21.7	$ 16.1

		MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Sales
	Regression Equation							
9	Constant	10.540%	7.001%	10.292%	6.701%	8.634%	7.377%	8.547%
10	X Coefficient(s)	-1.983%	-1.169%	-1.846%	-1.433%	-1.449%	-1.450%	-1.423%

RP_S (levered)

	Company	Symbol	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Sales	Average	
11	American States Water	AWR	3.62%	3.67%	3.74%	3.96%	3.84%	4.16%	4.71%	3.96%	
12	American Water Works	AWK	1.75%	2.46%	1.84%	1.59%	3.84%	2.65%	3.43%	2.51%	
13	Essential Utilities	WTRG	2.61%	2.64%	2.51%	3.11%	2.55%	3.22%	3.89%	2.93%	
14	California Water	CWT	3.71%	3.35%	3.68%	3.94%	3.44%	3.85%	4.42%	3.77%	
15	Middlesex	MSEX	4.36%	3.96%	4.38%	4.46%	4.24%	4.68%	5.48%	4.51%	
16	SJW Group	SJW	3.98%	3.44%	3.75%	4.25%	3.48%	4.08%	4.62%	3.94%	
17	York Water Company	YORW	5.06%	4.29%	5.02%	4.97%	4.71%	5.17%	6.07%	5.04%	
18	Average		3.59%	3.40%	3.56%	3.75%	3.73%	3.97%	4.66%	3.81%	[A]
18	Comparative Risk Study Risk Premium Adjustment									-1.81%	[B]
19	Adjusted Risk Premium - Size (RP_S)									**2.00%**	[C] = [A]-[B]
20											
21	Liberty Utilities Rio Rico (Consolidated), Corp.		N/A	5.19%	N/A	7.13%	6.52%	5.63%	7.57%	6.41%	[D]
22	Comparative Risk Study Risk Premium Adjustment									-1.87%	[E]
23	Adjusted Risk Premium - Size (RP_S)									4.54%	[F] = [D]+[E]
24	Adjusted Risk Premium - Size (RP_S) for	Liberty Utilities Rio Rico (Consolidated), Corp.								4.54%	[F]
25	Adjusted Risk Premium - Size (RP_S) for Water Proxy Group									2.00%	[G]
26	Indicated Risk Premium Over Proxy Group									**2.54%**	[H] = [F]-[G]

Liberty Utilities Rio Rico (Consolidated), Corp.
Comparative Risk Study - Adjustment to Size Premium
Based on *Duff and Phelps Cost of Capital Navigator Supplementary Data* Risk Study and Regression Data Equations
Step 1 - Identify the equivalent C exhibit for the B exhibits used to compute the size premium.
Step 2 - Indentify the fundamental risk characteristics of the companies of the equivalent portfolio in the C- exhibit.
Step 3 - Indentify the guideline portfolio in the D exhibit which has the most simliar fundamental risk characteristic found in Step 2 and find the smoothed average risk premium.
Step 4 - Indentify the guideline portfolio in the D exhibit which has the most simliar fundamental risk characteristic to the Company and find the smoothed average risk premium.
Step 5 - The diffence in smoothed average risk premiums is the maxmium indicated risk adjustment. The range of adjustments may be 0 or at the maximum depending on the circumstances.

Measures of size
(Millions)

Line No.	Company	Symbol	MV Equity[1]	Book Equity[1]	MVIC[1]	5 Yr Avg. Net Income[1]	Total Assets[1]	5 Yr Avg. EBITDA[1]	Sales
1	American States Water	AWR	$ 3,078	$ 710	$ 3,550	$ 82	$ 2,034	$ 165	$ 499
2	American Water Works	AWK	$ 27,120	$ 7,694	$ 38,046	$ 3,708	$ 2,034	$ 1,808	$ 3,920
3	Essential Utilities	WTRG	$ 10,020	$ 5,377	$ 16,391	$ 320	$ 15,719	$ 733	$ 1,878
4	California Water	CWT	$ 2,769	$ 1,318	$ 3,821	$ 85	$ 3,851	$ 269	$ 791
5	Middlesex	MSEX	$ 1,303	$ 399	$ 1,593	$ 37	$ 1,074	$ 72	$ 143
6	SJW Group	SJW	$ 2,024	$ 1,111	$ 3,516	$ 52	$ 3,633	$ 188	$ 574
7	York Water Company	YORW	$ 577	$ 207	$ 717	$ 16	$ 511	$ 33	$ 55

Equivalent C Exhibit Portfolio Operating Margin

	Company	Symbol	MV Equity (Table C-1)	Book Equity (Table C-2)	MVIC (Table C-4)	5 Yr Avg. Net Income (Table C-3)	Total Assets (Table C-5)	5 Yr Avg. EBITDA (Table C-6)	Sales (Table C-7)	
8	American States Water	AWR	9.17%	9.09%	9.37%	9.69%	9.59%	9.15%	9.02%	
9	American Water Works	AWK	13.13%	12.36%	12.70%	14.85%	9.59%	12.45%	9.90%	
10	Essential Utilities	WTRG	11.69%	12.27%	12.17%	12.01%	11.76%	11.55%	10.13%	
11	California Water	CWT	9.15%	10.19%	9.47%	9.70%	9.92%	9.89%	9.37%	
12	Middlesex	MSEX	8.45%	8.30%	8.28%	8.85%	8.44%	8.21%	0.00%	
13	SJW Group	SJW	8.92%	10.05%	9.36%	9.13%	9.79%	9.38%	9.11%	
14	York Water Company	YORW	7.68%	7.66%	7.31%	7.13%	7.83%	7.06%	0.00%	
15	Proxy Group Average		9.74%	9.99%	9.81%	10.19%	9.56%	9.67%	6.79%	9.39%
16	Smoothed Average Risk Premium based upon OM									10.62%

Liberty Utilities Rio Rico (Consolidated), Corp.
Comparative Risk Study - Adjustment to Size Premium
Based on *Duff and Phelps Cost of Capital Navigator Supplementary Data* Risk Study and Regression Data Equations

Line No.	Equivalent C Exhibit Portfolio CV(Operating Margin) Company	Symbol	MV Equity (Table C-1)	Book Equity (Table C-2)	MVIC (Table C-4)	5 Yr Avg. Net Income (Table C-3)	Total Assets (Table C-5)	5 Yr Avg. EBITDA (Table C-6)	Sales (Table C-7)	
1	American States Water	AWR	22.29%	21.46%	20.97%	19.65%	20.00%	21.66%	28.90%	
2	American Water Works	AWK	13.30%	13.66%	13.15%	10.68%	20.00%	13.12%	17.41%	
3	Essential Utilities	WTRG	14.69%	14.21%	14.45%	14.46%	14.41%	15.05%	18.58%	
4	California Water	CWT	22.38%	18.39%	20.71%	19.50%	17.17%	18.42%	24.36%	
5	Middlesex	MSEX	25.23%	26.11%	25.45%	24.81%	25.50%	28.35%	0.00%	
6	SJW Group	SJW								
7	York Water Company	YORW	31.21%	33.74%	34.32%	37.66%	32.39%	40.90%	0.00%	
8	Proxy Group Average		21.52%	21.26%	21.51%	21.13%	21.58%	22.92%	14.87%	20.68%
9	Smoothed Average Risk Premium based upon CV (OM)									10.54%

	Equivalent C Exhibit Portfolio CV(ROE) Company	Symbol	MV Equity (Table C-1)	Book Equity (Table C-2)	MVIC (Table C-4)	5 Yr Avg. Net Income (Table C-3)	Total Assets (Table C-5)	5 Yr Avg. EBITDA (Table C-6)	Sales (Table C-7)	
10	American States Water	AWR	35.48%	34.92%	34.33%	31.14%	32.84%	34.52%	44.15%	
11	American Water Works	AWK	23.91%	25.88%	26.07%	20.59%	32.84%	25.38%	28.79%	
12	Essential Utilities	WTRG	27.80%	26.80%	26.40%	24.59%	28.71%	25.89%	32.29%	
13	California Water	CWT	35.63%	29.29%	33.41%	30.59%	29.64%	30.52%	39.25%	
14	Middlesex	MSEX	40.90%	41.65%	40.98%	40.11%	39.39%	42.80%	0.00%	
15	SJW Group	SJW								
16	York Water Company	YORW	47.69%	50.87%	51.05%	61.15%	47.02%	57.59%	0.00%	
17	Proxy Group Average		35.24%	34.90%	35.37%	34.69%	35.07%	36.12%	24.08%	33.64%
18	Smoothed Average Risk Premium based upon CV (ROE)									9.88%

Liberty Utilities Rio Rico (Consolidated), Corp.
Comparative Risk Study - Adjustment to Size Premium
Based on *Duff and Phelps Cost of Capital Navigator Supplementary Data* Risk Study and Regression Data Equations

Line No.	**Estimate of Risk Premium Adjustment**					
1				5 -Year Historical		
2	Company	Symbol	OM	CV (OM)	CV(ROE)	
2	American States Water	AWR	26.40%	7.98%	10.92%	
3	American Water Works	AWK	32.53%	3.69%	26.74%	
3	Essential Utilities	WTRG	34.99%	13.15%	21.61%	
4	California Water	CWT	22.12%	10.46%	13.77%	
5	Middlesex	MSEX	36.99%	5.83%	10.81%	
6	SJW Group	SJW	35.99%	10.59%	33.19%	
7	York Water Company	YORW	46.54%	5.40%	7.45%	
8	Proxy Group Average		33.65%	8.16%	17.78%	
	Proxy Group Risk Differences					
						Average
9	Smoothed Average Risk Premium From Equivalent D Exhibit		7.03%	9.37%	9.22%	8.54%
10	Smoothed Average Risk Premium From Equivalent C Exhibit		10.62%	10.54%	9.88%	10.35%
11	**Indicated Risk Adjustment**		-3.60%	-1.17%	-0.66%	-1.81%
						Recommended
12	Possible Risk Adjustment		0.00%	to	-1.81%	-1.81%
				5 -Year Historical		
			OM	CV (OM)	CV(ROE)	
13		0	109.43%	35.84%	61.27%	
						Average
14	Smoothed Average Risk Premium From Equivalent D Exhibit		3.70%	11.23%	10.50%	8.48%
15	Smoothed Average Risk Premium From Equivalent C Exhibit		10.62%	10.54%	9.88%	10.35%
16	Indicated Risk Adjustment		-6.92%	0.69%	0.62%	-1.87%
						Recommended
17	Possible Risk Adjustment		0.00%	to	-1.87%	-1.87%

EXHIBIT TJB-COC-DT3

Line No.										
1	Operating Income EBIT ($ in millions)							5-Year	Std	Co-efficient of variation
2			2022	2021	2020	2019	2018	Average	Dev.	of Operating Income
3	Company[1]	Symbol								
4	American States Water	AWR	126.63	140.98	130.50	133.35	100.99	126.49	15.193	0.1201
5	American Water Works	AWK	1,273.00	1,196.00	1,248.00	1,170.00	1,139.00	1,205.20	55.079	0.0457
6	Essential Utilities	WTRG	752.20	602.71	443.43	365.56	323.18	497.42	177.947	0.3577
7	California Water	CWT	182.16	162.06	206.16	144.48	156.43	170.26	24.257	0.1425
8	Middlesex	MSEX	64.75	48.36	52.33	49.90	51.47	53.36	6.545	0.1226
9	SJW Group	SJW	261.77	200.28	206.95	143.07	128.04	188.02	53.772	0.2860
10	York Water Company	YORW	25.86	24.68	25.63	24.98	23.66	24.96	0.870	0.0349
11	Proxy Group						Average	323.67	47.6662	0.1585
								5-year	Std	Co-efficient of variation
			2022	2021	2020	2019	2018	Average	Dev.	of Operating Income
12	Liberty Utilities Rio Rico (Consolidated), Corp.		13.75	12.50	10.54	10.54	19.62	13.39	3.739	0.2793
13	**Risk relative to the average risk of the proxy group**									**1.76**
14	Sales ($ in millions)							5-year		
			2022	2021	2020	2019	2018	Average		
15	Company[1]	Symbol								
16	American States Water	AWR	491.53	498.85	488.24	473.87	436.82	477.86		
17	American Water Works	AWK	3,792.00	3,920.00	3,777.00	3,610.00	3,440.00	3,707.80		
18	Essential Utilities	WTRG	2,288.03	1,878.14	1,462.70	889.69	838.09	1,471.33		
19	California Water	CWT	846.43	790.91	794.31	714.56	698.20	768.88		
20	Middlesex	MSEX	162.43	143.14	141.59	134.60	138.08	143.97		
21	SJW Group	SJW	620.70	573.69	564.53	420.48	397.70	515.42		
22	York Water Company	YORW	60.06	55.12	53.85	51.58	48.44	53.81		
								5-year		
			2022	2021	2020	2019	2018	Average		
23	Liberty Utilities Rio Rico (Consolidated), Corp.		13.81	13.65	12.44	11.42	10.96	12.46		
24	Operating Margin (%)									Co-efficient of variation
								5-year	Std	
25	Company[1]	Symbol	2022	2021	2020	2019	2018	Average	Dev.	of Operating Margin
26	American States Water	AWR	25.76%	28.26%	26.73%	28.14%	23.12%	26.40%	0.0211	0.0798
27	American Water Works	AWK	33.57%	30.51%	33.04%	32.41%	33.11%	32.53%	0.0120	0.0369
28	Essential Utilities	WTRG	32.88%	32.09%	30.32%	41.09%	38.56%	34.99%	0.0460	0.1315
29	California Water	CWT	21.52%	20.49%	25.95%	20.22%	22.40%	22.12%	0.0231	0.1046
30	Middlesex	MSEX	39.86%	33.79%	36.96%	37.07%	37.28%	36.99%	0.0216	0.0583
31	SJW Group	SJW	42.17%	34.91%	36.66%	34.03%	32.20%	35.99%	0.0381	0.1059
32	York Water Company	YORW	43.06%	44.78%	47.60%	48.43%	48.84%	46.54%	0.0251	0.0540
33	Proxy Group						Average	33.65%	0.0267	0.0816
								5-year	Std	Co-efficient of variation
			2022	2021	2020	2019	2018	Average	Dev.	of Operating Margin
34	Liberty Utilities Rio Rico (Consolidated), Corp.		99.55%	91.62%	84.70%	92.33%	178.96%	109.43%	0.3922	0.3584
35	**Risk relative to the average risk of the proxy group**									**4.39**

[1] Based on information from Value Line Investment Analyzer weekly ended February 8, 2023.

Line No.	Return on Equity (ROE)[1]		2022	2021	2020	2019	2018	5-year Average	Std Dev.	Co-efficient of variation of ROE
1										
2										
3	Company[1]	Symbol								
4	American States Water	AWR	11.0%	13.8%	13.5%	14.0%	11.4%	12.75%	0.0139	0.1092
5	American Water Works	AWK	10.7%	17.3%	11.0%	10.1%	9.7%	11.76%	0.0314	0.2674
6	Essential Utilities	WTRG	8.7%	8.3%	6.1%	5.8%	9.6%	7.68%	0.0166	0.2161
7	California Water	CWT	7.3%	8.6%	10.5%	8.1%	9.0%	8.69%	0.0120	0.1377
8	Middlesex	MSEX	10.6%	9.9%	11.1%	10.4%	13.0%	10.99%	0.0119	0.1081
9	SJW Group	SJW	6.6%	5.8%	6.7%	2.6%	4.4%	5.24%	0.0174	0.3319
10	York Water Company	YORW	9.5%	11.1%	11.6%	10.7%	10.6%	10.70%	0.0080	0.0745
11	Proxy Group		9.2%	10.7%	10.1%	8.8%	9.7%	9.69%	0.0159	0.1778

		2022	2021	2020	2019	2018	5-year Average	Std Dev.	Co-efficient of variation of ROE
12	Company	0.60%	4.00%	6.04%	4.15%	NM	3.70%	0.0227	0.6127
13	**Risk relative to the average risk of the proxy group**								**3.45**

[1] Based on information from Value Line Investment Analyzer weekly ended February 8, 2023.

1 Operating Leverage = Percent Change in Operating Income/Percent Change in Sales
2 (also a measure of business risk)

	Company[1]	Symbol	2022	2021	2020	2019	2018	5-year Average
3								
4								
5	American States Water	AWR	6.94	3.70	0.70	3.78	9.77	4.98
6	American Water Works	AWK	1.97	1.10	1.44	0.55	1.63	1.34
7	Essential Utilities	WTRG	1.14	1.26	0.33	2.13	1.06	1.18
8	California Water	CWT	1.77	49.97	3.83	3.26	15.67	14.90
9	Middlesex	MSEX	2.51	6.93	0.94	1.21	2.33	2.78
10	SJW Group	SJW	3.75	1.99	1.30	2.05	2.77	2.37
11	York Water Company	YORW	0.53	1.57	0.59	0.86	0.93	0.90
12	Average		2.66	9.50	1.30	1.98	4.88	4.06

		2022	2021	2020	2019	2018	5-year Average
13	Liberty Utilities Rio Rico (Consolidated), Corp.	8.21	1.92	275.82	23.40	NM	77.34
14	**Risk relative to the average risk of the proxy group**						**19.03**

[1] Based on information from Value Line Investment Analyzer weekly ended September 13, 2023.

Liberty Utilities Rio Rico (Consolidated), Corp. **0**
Comparative Risk Study **Page 3 of 4**
Beta Estimate Using Duff and Phelps Risk Study Portfolio Information

A. Beta Estimates for Water Sample Group and Company`

Line No.		Portfolio	Operating Margin	Portfolio	CV (Operating Margin)[1]	Portfolio	CV (ROE)[1]	
1	Company	0	109.43%	5	35.84%	9	61.27%	
2	Proxy Group	1	33.65%	19	8.16%	21	17.78%	
			Portfolio Sum Beta[2]		Portfolio Sum Beta[3]		Portfolio Sum Beta[4]	Average
3	Company		0.90		1.26		1.19	
4	Proxy Group		0.88		1.00		0.93	
5	Percentage Difference		2.3%		26.0%		28.0%	**18.7%**

B. Assume percentage difference is the same for water utilities as companies in general

		Value Line Beta	Sum Beta
6	Proxy Group[5]	0.82	0.80
7	Implied Beta for Company[6]	0.97	0.95

Notes:
[1] CV stands for Coefficient of Variation,
[2] Source is Duff & Phelps Cost of Capital Navigator 2021 Supplementary Data Risk Study, Companies Ranked by Operating Margin.
[3] Source is Duff & Phelps Cost of Capital Navigator 2021 Supplmentary Data Risk Study, Companies Ranked by CV (Operating Margin).
[4] Source is Duff & Phelps Cost of Capital Navigator 2021 Supplmentary Data Risk Study, Companies Ranked by CV (Operating Margin).
[5] Source is Table 2.
[6] Calculated by multiplying (1+ percentage difference in risk study betas) times average beta for the proxy group.

Liberty Utilities Rio Rico (Consolidated), Corp.
Capital Asset Pricing Model (CAPM)

Line No.		Rf^{1}	+ (	(beta[2]	x	RP_M^{4}	)		=	k	CAPM Results From Table 10	Difference
1	Traditional CAPM	3.7%	+ (	0.97	x	7.11%	)		=	10.60%	9.50%	1.10%
2												
3		Rf^{1}		RP_M^{4} x .25	+ (	(beta[2]	x	RP_M^{4}) x .75				
4	Empirical CAPM	3.7%	+	7.11%	x .25 + (	0.97	x	7.11%) x .75	=	10.70%	9.80%	0.90%
5												
6		Rf^{1}	+ (	beta[3]	x	RP_M^{5}	) +	RPs[6]				
7	Modified CAPM	3.7%	+ (	0.95	x	6.34%	) +	2.00%	=	11.70%	10.80%	0.90%
8												
9												
10	Average									11.00%	10.00%	1.00%

Notes:

[1] Source Table 8.

[2] Implied VL Beta of Company. Source is page 3.

[3] Implied Sum Beta of Company. Source is page 3.

[4] Estimate of Market Risk Premium (MRP):

Historical MRP (1926-2022)	7.17%	Source is Duff & Phelps 2022 CRSP Decile Size Study - Supplmentary Exhibits.
Current MRP	7.04%	Source is Table 10
Average MRP	7.11%	

[5] Estimate of MRP

Historical MRP (1973-2022)	5.63%	Source is Duff & Phelps 2022 CRSP Decile Size Study - Supplmentary Exhibits.
Current MRP	7.04%	Source is Table 10
Average MRP	6.34%	

[6] Average proxy group adjusted size risk premium based upon Duff & Phelps Size Study data and Risk Study data. See

See Exhibit TJB-DT3