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10

11 **BEFORE THE ARIZONA CORPORATION COMMISSION**

12

COMMISSIONERS

13 JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
14 ANNA TOVAR
NICK MYERS
15 KEVIN THOMPSON

16

17 IN THE MATTER OF THE APPLICATION OF
LIBERTY UTILITIES (BEARDSLEY WATER)
18 CORP., AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
19 ITS UTILITY PLANTS AND PROPERTY AND
FOR INCREASES IN ITS RATES AND
20 CHARGES FOR UTILITY SERVICE BASED
THEREON.

DOCKET NO: W-02074A-23-
APPLICATION

21

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

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

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

12 In support of this Application, Liberty Beardsley states as follows:

13 **LIBERTY BEARDSLEY**

14 **A. Background.**

15 1. Liberty Beardsley is an Arizona public service corporation engaged in providing
16 water utility services within a community in and/or near the City of Surprise and Wittman, located
17 in Maricopa County, Arizona. At the end of the test year, Liberty Beardsley had 2,626 connections
18 (including 15 commercial and 15 industrial). Liberty Beardsley is currently providing water service
19 to four separate Public Water Systems within the utility: PWS #07-007, #07-511, #07-517, #07-
20 528.

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

24
25
26 ¹ Applicants also each will file applications for financing approval and then move to consolidate those financing dockets
27 with the four rate case dockets. Additionally, as discussed in their separate rate applications, Liberty Beardsley,
28 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&Ns 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.

1 **B. Liberty Beardsley's Proposed Stand-Alone Rate Increase.**

2 3. Liberty Utilities (Sub) Corp. purchased the stock of Beardsley Water Company,
3 Inc. ("Beardsley") and took over ownership of operation on March 30, 2021. Liberty then changed
4 the name of the Company to Liberty Utilities (Beardsley Water) Corp. Liberty Beardsley's present
5 rates and charges were approved by the Commission in Decision No. 77695 (August 12, 2020)
6 approving Beardsley's application for a rate increase which was filed on December 12, 2019, using
7 a test year of the twelve months ended December 31, 2018. There have been no other changes to
8 Liberty Beardsley's rates since the current rates went into effect after August 12, 2020.

9 4. Liberty Beardsley was ordered by the Commission to file a rate application within
10 three years of the effective date of Decision No. 77695. Liberty Beardsley requested an extension
11 until December 31, 2023 to file a rate case in compliance with Decision No. 77695, which was
12 approved by the Commission in Decision No. 789026 (July 14, 2023). Liberty Beardsley's revenues
13 from its utility operations are presently inadequate to provide a fair rate of return on the fair value
14 of its utility plant and property devoted to public service. Operating expenses have also changed
15 since the current rates were set. Therefore, Liberty Beardsley requests that certain adjustments to
16 its rates and charges for utility service be approved by the Commission so that Liberty Beardsley
17 may recover its operating expenses and be given an opportunity to earn a just and reasonable rate
18 of return on the fair value of its rate base. Liberty Beardsley agrees to use its original cost rate base
19 as its fair value rate base in this proceeding to minimize disputes and reduce rate case expense.

20 5. Filed concurrently herewith are the schedules required pursuant to A.A.C. R14-2-
21 103 for rate applications by Class "C" utilities. The test year utilized by Liberty Beardsley in
22 connection with the preparation of such schedules is the 12-month period that ended April 30, 2023.
23 Liberty Beardsley requests that the Commission utilize such test year in connection with this
24 Application, with appropriate adjustments to obtain a normal or more realistic relationship between
25 revenues, rate base and expenses during the period in which the rates established in this proceeding
26 are in effect.

27 6. During the test year, Liberty Beardsley's adjusted gross revenues were \$1,986,923.
28 The adjusted operating income was \$80,156 leading to an operating income deficiency of

1 (\$504,217). The adjusted fair value rate base was \$6,530,039. Thus, the rate of return during the
2 test year was 1.23%.

3 7. Liberty Beardsley submits that this rate of return is inadequate to allow it to obtain
4 debt, pay a reasonable return to its stockholder, maintain a sound credit rating, and/or enable Liberty
5 Beardsley to attract additional capital on reasonable and acceptable terms to continue the
6 investment in utility plant necessary to adequately serve customers.

7 8. Liberty Beardsley is seeking total revenues of \$2,678,213. Liberty Beardsley seeks
8 an increase in total revenues of \$691,290, an increase of approximately 34.79% over the adjusted
9 and annualized revenues of \$1,986,923. The revenue amount is inclusive of the revenues required
10 to recover (1) operating expenses; (2) a return on rate base; and is exclusive of rate case expense.
11 Specifically, the increase in annual revenues to provide for recovery of operating expenses and a
12 8.95% return on rate base is approximately \$691,290. Rate case expense recovery is being
13 requested through a separate surcharge recovery mechanism.

14 9. In accordance with A.A.C. R14-2-103.B(5) and per the commission's request,
15 attached hereto as Attachment 1 are water plant descriptions and water use data as of December 31,
16 2022.

17 10. Attached hereto as Attachment 2 is Liberty Beardsley's proposed tariff of rates and
18 charges, which includes a request for a Purchased Power Adjustor Mechanism ("PPAM"), a
19 Property Tax Adjustor Mechanism ("PTAM"), a Customer Assistance Tariff ("CAT"), an updated
20 Curtailment Tariff, an Emergency Water Augmentation Mechanism ("EWAM") and a Water
21 Treatment Rate Adjustment Mechanism ("WTRAM").

22 **C. Request to Consolidate and Proposed Rates for Liberty Rio Rico (Consolidated).**

23 11. Applicants are proposing to consolidate these four companies in these rate case
24 applications for several reasons. To start, Liberty currently has seven (7) regulated water and
25 wastewater utilities in Arizona. Operating and managing those utilities as separate utilities for
26 ratemaking purposes is not optimal and results in added ratemaking and related costs. Liberty
27 always has intended to consolidate all of the Arizona utilities into a single entity for ratemaking
28 purposes. Liberty took the first step towards statewide consolidation by seeking Commission

1 approval for the merger of Liberty Utilities (Entrada Del Oro Sewer) Corp. into Liberty Utilities
2 (Gold Canyon Sewer) Corp. in Docket Nos. SW-043 16A-21-0325 and SW-025 19A-21-0326.
3 The Commission approved that consolidation in Decision No. 78871. In turn, the proposed
4 consolidation of Bella Vista, Beardsley and Cordes Lakes into Liberty Rio Rico is the next natural
5 step towards statewide consolidation for rate making purposes. If consolidation of those entities
6 is approved by the Commission here, Liberty would have four regulated utilities in Arizona, in turn
7 providing a springboard for consolidation of those entities into a single entity at some point in the
8 future. Further, Liberty submits that it is beneficial to all customers of Beardsley, Bella Vista,
9 Cordes Lakes and Rio Rico to consolidate the customer bases for ratemaking, operations and capital
10 investments because it leads to as large a customer base as possible across which costs may be
11 spread. Consolidation of the four entities into Liberty Rio Rico (Consolidated) will also reduce the
12 regulatory costs and burdens for all stakeholders, including the companies and customers as they
13 will share efficiencies gained in the reduction of administrative costs associated with the expenses
14 of Commission filings (to include compliance and rate case expenses).

15 12. During the test year, the adjusted gross revenues for Liberty Rio Rico water utility
16 service (Consolidated) were \$12,713,121. The adjusted operating income was \$268,057, leading
17 to an operating income deficiency of \$4,096,377. The rate of return on water operations during the
18 test year was 0.55%.

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

26 14. During the test year, the adjusted gross revenues for Liberty Rio Rico wastewater
27 utility service (Consolidated) were \$1,852,455. The adjusted operating income was \$432,737,
28

1 leading to an operating income deficiency of \$366,438. The rate of return on wastewater operations
2 during the tests year was 4.84%.

3 15. Liberty Rio Rico (Consolidated) is seeking an increase in wastewater utility
4 revenues equal to \$502,321, an increase in revenues of 27.12%. The adjustments to the Company's
5 rates and charges that are proposed herein, when fully implemented, will produce a rate of return
6 on the fair value rate base equal to 8.94% from wastewater operations. The revenue amount is
7 inclusive of the revenues required to recover the proposed (1) operating expenses; (2) a return on
8 rate base; and is exclusive of rate case expense surcharge revenues. Rate case expense recovery is
9 being requested through a separate surcharge recovery mechanism.

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

12 **SUPPORTING TESTIMONY AND SCHEDULES²**

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

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

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

24 c. Direct Testimony of Terry Gilbertson – Mr. Gilbertson, Beardsley Operations
25 Manager, illustrates Liberty Beardsley's operations and capital investments made by Liberty after
26 the affiliate was acquired by the Company in March of 2021.

27
28 ² The schedules attached to this Application pertain to Liberty Beardsley as a stand-alone utility and Liberty Rio Rico (Consolidated).

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

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

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

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

15 18. All supporting schedules for Liberty Beardsley and Liberty Rio Rico (Consolidated)
16 are attached following the direct testimonies.

17 **CONTACT INFORMATION**

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

25 20. All discovery, data requests and other requests for information concerning this
26 Application should be directed to Ms. Rao at Manasa.Rao@libertyutilities.com, and Mr. Bourassa
27 at tjb114@cox.net, with a copy to undersigned counsel, Kelly A. Daly at kdaly@swlaw.com, and
28 Lisa.Lance@libertyutilities.com.

RELIEF REQUESTED

WHEREFORE, Liberty Beardsley 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 Beardsley’s 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 Beardsley’s consolidated utility plant and property.

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

D. That the Commission authorize such other and further relief as may be appropriate to ensure that Liberty Beardsley 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.

RESPECTFULLY SUBMITTED this 28th day of December, 2023.

SNELL & WILMER L.L.P.

By: /s/ Kelly A. Daly / Paloma Scheiferstein

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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

ATTACHMENT 1

Water Utility Plant Description (Continued)
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For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:	There is a chlorination tab system at BWC 1-1 & 1-2. There is a sodium hypochlorite tank and a dosing system with analyzer at Austin Ranch Well #1, Well #2, Well #3, and Rio Rancho Well #1.
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STRUCTURES:	Each wellsite has a 6' high perimeter block.
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OTHER:	
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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:
 $ERC = (\text{Total SFR gallons sold (Omit 000)} / 365 \text{ days} / 350 \text{ gallons per day})$

ERC	216
Method used:	(a)

Water Utility Plant Description (Continued)
--

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

TREATMENT EQUIPMENT:	There is a chlorination tab system at BWC #3
-----------------------------	--

STRUCTURES:	Each wellsite has a 6' high perimeter chain link fence.
--------------------	---

OTHER:	
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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 days.
- (b) If no historical flow data are available, use:
 $ERC = (\text{Total SFR gallons sold (Omit 000)} / 365 \text{ days} / 350 \text{ gallons per day})$

ERC	264
Method used:	(a)

Water Utility Plant Description (Continued)
--

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

TREATMENT EQUIPMENT:	There is a chlorination tab systems at BWC #4
-----------------------------	---

STRUCTURES:	Each wellside has a 6' high perimeter block wall fence.
--------------------	---

OTHER:	
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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 days.
- (b) If no historical flow data are available, use:
 $ERC = (\text{Total SFR gallons sold (Omit 000)} / 365 \text{ days} / 350 \text{ gallons per day})$

ERC:

338

 Method used:

(a)

Water Utility Plant Description (Continued)
--

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

TREATMENT EQUIPMENT:	There is a chlorination tab systems at BWC #4
-----------------------------	---

STRUCTURES:	Each wellsite has a 6' high perimter block wall fence.
--------------------	--

OTHER:	
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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 days.
- (b) If no historical flow data are available, use:
 $ERC = (\text{Total SFR gallons sold (Omit 000)} / 365 \text{ days} / 350 \text{ gallons per day})$

ERC

372

 Method used:

(a)

Well and Water Usage

Name of the System: BEARDSLEY WATER COMPANY											
ADEQ Public Water System Number: AZ0407528 BWC-5											
ADWR PCC Number: 91-000182.0000											
Well registry 55# (55-XXXXXX):	Pump Horsepower	Pump Yield (gpm)	Casing Depth (feet)	Casing Diameter (inches)	Pump Motor Type **	Year Drilled	Water level 2011	Water level 2021	Meter Size (inches)	How measured:	Active
55-594072 Peak View	50	150-200	798	9	Submersible	2002	Unknown	Unknown	3	Metered	Yes

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:	NA
ADWR PCC Number:	#N/A
Source of water received	NA
Well registry 55# (55-XXXXXX):	NA

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 Expense6	Purchased Power (kWh)7
January	1,093,900.00	779,259.00	0.00	0.00	0.00	\$1,244	5,280
February	1,578,200.00	953,500.00	0.00	0.00	0.00	1,129	4,440
March	2,982,600.00	1,852,215.00	0.00	0.00	0.00	1,658	8,840
April	3,283,100.00	1,131,772.00	0.00	0.00	0.00	2,048	13,000
May	1,879,600.00	1,471,649.00	0.00	0.00	0.00	2,340	14,160
June	2,124,500.00	1,827,316.00	0.00	0.00	0.00	1,699	7,640
July	2,156,800.00	2,103,292.00	0.00	0.00	0.00	1,766	8,120
August	1,673,900.00	1,628,448.00	0.00	0.00	0.00	1,891	8,800
September	1,726,200.00	1,409,700.00	0.00	0.00	0.00	1,553	6,520
October	1,602,200.00	1,569,424.00	0.00	0.00	0.00	1,588	6,920
November	1,381,200.00	1,262,746.00	0.00	0.00	0.00	1,428	6,320
December	1,186,000.00	1,065,028.00	0.00	0.00	0.00	1,322	5,640
Totals	22,668,200.00	17,054,349.00	0.00	0.00	0.00	\$19,667	95,680

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

Instructions: Fill out the Grey Cells with the relevant information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

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.
 #VALUE!
 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

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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 Charge¹ Per Month
5/8" x 3/4" Meter	\$ 28.24
3/4" Meter	42.36
1" Meter	70.60
1 1/2" Meter	141.20
2" Meter	225.92
3" Meter	451.84
4" Meter	706.00
6" Meter	1,412.00
8" Meter	1,412.00

¹ 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

B. Commodity Rates

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

<u>Meter Size</u>	<u>Consumption</u>	<u>Rate²</u>
5/8" x 3/4" Meter and 3/4" Meter	0 to 4,000	\$4.76
	4,001 to 10,000	6.19
	Over 10,000	7.10
1" Meter	First 25,000	6.19
	Over 25,000	7.10
1 1/2" Meter	First 50,000	6.19
	Over 50,000	7.10
2" Meter	First 80,000	6.19
	Over 80,000	7.10
3" Meter	First 160,000	6.19
	Over 160,000	7.10
4" Meter	First 250,000	6.19
	Over 250,000	7.10
6" Meter	First 500,000	6.19
	Over 500,000	7.10
8" Meter	First 800,000	6.19
	Over 800,000	7.10

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

Issued: [DATE]

Effective: [DATE]

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

Applies to all service areas
PART ONE
STATEMENT OF CHARGES

C. Service Line and Meter Installation Charges

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

<u>Meter Size</u>	<u>Line</u>	<u>Meter</u>	<u>Total</u>
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

Issued: [DATE]

Effective: [DATE]

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

Applies to all service areas
PART ONE
STATEMENT OF CHARGES

D. Miscellaneous Service Charges

<u>Service</u>	<u>Charge</u>
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

* 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.

Issued: [DATE]

Effective: [DATE]

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

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.

Issued: [DATE]

Effective: [DATE]

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

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 (Beardsley Water) Corp. (the "Company") to make monthly adjustments to its 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 (Beardsley 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 application. 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 (Beardsley 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 below.

"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 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:

$$\text{Water Augmentation Cost/Water Sold}$$

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 and 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 (Beardsley 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 of 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 (Beardsley 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 No: #07-007, 07-511 | 07-517 & 07-0528

Liberty Utilities (Beardsley 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 practice¹.

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 (Beardsley 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 645 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

<u>No. of Person in Household</u>	<u>Total Gross Annual Income*</u>
1	\$XXXXXX
2	\$XXXXXX
3	\$XXXXXX
4	\$XXXXXX
5	\$XXXXXX
6	\$XXXXXX

For each additional person residing in the household, add \$XXXXXX

***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:	Scholarships, grants, or other	Profit from self-employment
Savings account, stocks or	aid	(IRS form Schedule C, Line
bonds	used for living expenses	29)
Unemployment benefits	Disability payments	Worker’s Compensation
TANF (AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

Issued: [DATE]

Effective: [DATE]

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

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

<u>No. of Person in Household</u>	<u>Total Gross Annual Income*</u>
1	\$XXXXXX
2	\$XXXXXX
3	\$XXXXXX
4	\$XXXXXX
5	\$XXXXXX
6	\$XXXXXX

For each additional person residing in the household, add \$XXXXXX

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 |
|--|---|---|

Issued: [DATE]

Effective: [DATE]

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

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

<u>No. of Person in Household</u>	<u>Total Gross Annual Income*</u>
1	\$XXXXXX
2	\$XXXXXX
3	\$XXXXXX
4	\$XXXXXX
5	\$XXXXXX
6	\$XXXXXX

For each additional person residing in the household, add \$XXXXXX

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:	Scholarships, grants, or other	Profit from self-employment
Savings account, stocks or	aid	(IRS form Schedule C, Line
bonds	used for living expenses	29)
Unemployment benefits	Disability payments	Worker’s Compensation
TANF (AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

Issued: [DATE]

Effective: [DATE]

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

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 (Beardsley Water) Corp. The PPAM allows Liberty Beardsley 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:

<p><i>Test Year</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Purchased Power Rate</td> <td style="text-align: right;">\$0.0800</td> </tr> <tr> <td>Kilowatt Hours Used</td> <td style="text-align: right;">1,250,000</td> </tr> <tr> <td>Purchased Power Expense</td> <td style="text-align: right;">\$100,000</td> </tr> </table>	Purchased Power Rate	\$0.0800	Kilowatt Hours Used	1,250,000	Purchased Power Expense	\$100,000	→	<p><i>Current Year</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Purchased Power Rate</td> <td style="text-align: right;">\$0.1000</td> </tr> <tr> <td>Kilowatt Hours Used</td> <td style="text-align: right;">1,250,000</td> </tr> <tr> <td>Purchased Power Expense</td> <td style="text-align: right;">\$125,000</td> </tr> </table>	Purchased Power Rate	\$0.1000	Kilowatt Hours Used	1,250,000	Purchased Power Expense	\$125,000
Purchased Power Rate	\$0.0800													
Kilowatt Hours Used	1,250,000													
Purchased Power Expense	\$100,000													
Purchased Power Rate	\$0.1000													
Kilowatt Hours Used	1,250,000													
Purchased Power Expense	\$125,000													

<i>Pass Through Calculation</i>	
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

<i>PPAM Charge on Sample Customer Bill</i>	
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 (Beardsley Water) Corp. The PTAM allows Liberty Beardsley 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

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 (Beardsley 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 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 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

<u>Due Date</u>	<u>Filing / Documents</u>	<u>Purpose</u>
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 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.

Issued: [DATE]

Effective: [DATE]

ISSUED BY:
Moses Thompson, President
Liberty Utilities (Beardsley 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 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

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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

<u>Meter Size (All Classes)</u>	<u>Charge^{1,2}</u>
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
<u>Fire Service Lines</u>	<u>Charge</u>
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.

Issued: [DATE]

Effective: [DATE]

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 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:

<u>Meter Size</u>	<u>Consumption</u>	<u>Charge³</u>
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.

Issued: [DATE]

Effective: [DATE]

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Decision No. XXXX

Applies to all service areas
PART ONE
STATEMENT OF CHARGES

<u>Meter Size</u>	<u>Consumption</u>	<u>Charge</u>
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

Issued: [DATE]

Effective: [DATE]

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 **WATER** service areas
PART ONE
STATEMENT OF CHARGES

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

<u>Meter Size</u>	<u>Line</u>	<u>Meter</u>	<u>Total</u>
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

Issued: [DATE]

Effective: [DATE]

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 ONE
STATEMENT OF CHARGES

D. Miscellaneous Service Charges

<u>Service</u>	<u>Charge</u>
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.

Issued: [DATE]

Effective: [DATE]

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 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.

Issued: [DATE]

Effective: [DATE]

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 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.

Issued: [DATE]

Effective: [DATE]

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 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 its 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 application. 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 below.

"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:

$$\text{Water Augmentation Cost/Water Sold}$$

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 of 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.

Issued: [DATE]

Effective: [DATE]

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 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 practice¹.

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.

Issued: [DATE]

Effective: [DATE]

ISSUED BY:
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Decision No. XXXX

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.

Issued: [DATE]

Effective: [DATE]

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 **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		
<u>Meter Size</u>	<u>Size Factor</u>	<u>Total Fee</u>
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.

Issued: [DATE]

Effective: [DATE]

ISSUED BY:
Moses Thompson, President
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14920 W Camelback Rd
Litchfield Park, AZ 85340
Decision No. XXXX

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

<u>Meter Size (All Classes)</u>	<u>Charge^{5,6}</u>
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 percent 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.

Issued: [DATE]

Effective: [DATE]

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14920 W Camelback Rd
Litchfield Park, AZ 85340
Decision No. XXXX

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

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PART SEVEN
STATEMENT OF CHARGES

C. Service Line and Meter Installation Charges

<u>Service Line Size</u>	<u>Charge</u>
4" Meter	At Cost
6" Meter	At Cost
8" Meter	At Cost
10" Meter	At Cost
12" Meter	At Cost

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PART SEVEN
STATEMENT OF CHARGES

D. Service Charges

<u>Service</u>	<u>Charge</u>
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.

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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.

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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.

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Decision No. XXXX

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

<u>No. of Person in Household</u>	<u>Total Gross Annual Income*</u>
1	\$XXXXXX
2	\$XXXXXX
3	\$XXXXXX
4	\$XXXXXX
5	\$XXXXXX
6	\$XXXXXX

For each additional person residing in the household, add \$XXXXXX

***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:	Scholarships, grants, or other	Profit from self-employment
Savings account, stocks or	aid	(IRS form Schedule C, Line
bonds	used for living expenses	29)
Unemployment benefits	Disability payments	Worker’s Compensation
TANF (AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

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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

<u>No. of Person in Household</u>	<u>Total Gross Annual Income*</u>
1	\$XXXXXX
2	\$XXXXXX
3	\$XXXXXX
4	\$XXXXXX
5	\$XXXXXX
6	\$XXXXXX

For each additional person residing in the household, add \$XXXXXX

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:	Scholarships, grants, or other	Profit from self-employment
Savings account, stocks or	aid	(IRS form Schedule C, Line
bonds	used for living expenses	29)
Unemployment benefits	Disability payments	Worker’s Compensation
TANF (AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

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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

<u>No. of Person in Household</u>	<u>Total Gross Annual Income*</u>
1	\$XXXXXX
2	\$XXXXXX
3	\$XXXXXX
4	\$XXXXXX
5	\$XXXXXX
6	\$XXXXXX

For each additional person residing in the household, add \$XXXXXX

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:	Scholarships, grants, or other	Profit from self-employment
Savings account, stocks or	aid	(IRS form Schedule C, Line
bonds	used for living expenses	29)
Unemployment benefits	Disability payments	Worker’s Compensation
TANF (AFDC)	Food Stamps	Child Support
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Gifts		

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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:

<i>Test Year</i>		→	<i>Current Year</i>	
Purchased Power Rate	\$0.0800		Purchased Power Rate	\$0.1000
Kilowatt Hours Used	1,250,000		Kilowatt Hours Used	1,250,000
Purchased Power Expense	\$100,000		Purchased Power Expense	\$125,000

<i>Pass Through Calculation</i>	
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

<i>PPAM Charge on Sample Customer Bill</i>	
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

<p>Test Year</p> <table style="width: 100%;"> <tr> <td>Assessment Ratio</td> <td style="text-align: right;">20.00%</td> </tr> <tr> <td>Property Full Cash Value</td> <td style="text-align: right;">\$10,000,000</td> </tr> <tr> <td>Assessed Valuation</td> <td style="text-align: right;">\$2,000,000</td> </tr> </table>	Assessment Ratio	20.00%	Property Full Cash Value	\$10,000,000	Assessed Valuation	\$2,000,000	➔	<p>Current Year</p> <table style="width: 100%;"> <tr> <td>Assessment Ratio</td> <td style="text-align: right;">21.00%</td> </tr> <tr> <td>Property Full Cash Value</td> <td style="text-align: right;">\$10,000,000</td> </tr> <tr> <td>Assessed Valuation</td> <td style="text-align: right;">\$2,100,000</td> </tr> </table>	Assessment Ratio	21.00%	Property Full Cash Value	\$10,000,000	Assessed Valuation	\$2,100,000
Assessment Ratio	20.00%													
Property Full Cash Value	\$10,000,000													
Assessed Valuation	\$2,000,000													
Assessment Ratio	21.00%													
Property Full Cash Value	\$10,000,000													
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

<p>Test Year</p> <table style="width: 100%;"> <tr> <td>Total Property Tax Rate</td> <td style="text-align: right;">10.00%</td> </tr> <tr> <td>Assessed Valuation</td> <td style="text-align: right;">\$2,000,000</td> </tr> <tr> <td>Property Tax Expense</td> <td style="text-align: right;">\$200,000</td> </tr> </table>	Total Property Tax Rate	10.00%	Assessed Valuation	\$2,000,000	Property Tax Expense	\$200,000		<p>Current Year</p> <table style="width: 100%;"> <tr> <td>Total Property Tax Rate</td> <td style="text-align: right;">10.00%</td> </tr> <tr> <td>Assessed Valuation</td> <td style="text-align: right;">\$2,100,000</td> </tr> <tr> <td>Property Tax Expense</td> <td style="text-align: right;">\$210,000</td> </tr> </table>	Total Property Tax Rate	10.00%	Assessed Valuation	\$2,100,000	Property Tax Expense	\$210,000
Total Property Tax Rate	10.00%													
Assessed Valuation	\$2,000,000													
Property Tax Expense	\$200,000													
Total Property Tax Rate	10.00%													
Assessed Valuation	\$2,100,000													
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

<p>Test Year</p> <table style="width: 100%;"> <tr> <td>Total Property Tax Rate</td> <td style="text-align: right;">10.00%</td> </tr> <tr> <td>Assessed Valuation</td> <td style="text-align: right;">\$2,000,000</td> </tr> <tr> <td>Property Tax Expense</td> <td style="text-align: right;">\$200,000</td> </tr> </table>	Total Property Tax Rate	10.00%	Assessed Valuation	\$2,000,000	Property Tax Expense	\$200,000	➔	<p>Current Year</p> <table style="width: 100%;"> <tr> <td>Total Property Tax Rate</td> <td style="text-align: right;">11.00%</td> </tr> <tr> <td>Assessed Valuation</td> <td style="text-align: right;">\$2,000,000</td> </tr> <tr> <td>Property Tax Expense</td> <td style="text-align: right;">\$220,000</td> </tr> </table>	Total Property Tax Rate	11.00%	Assessed Valuation	\$2,000,000	Property Tax Expense	\$220,000
Total Property Tax Rate	10.00%													
Assessed Valuation	\$2,000,000													
Property Tax Expense	\$200,000													
Total Property Tax Rate	11.00%													
Assessed Valuation	\$2,000,000													
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

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

<u>Due Date</u>	<u>Filing / Documents</u>	<u>Purpose</u>
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.

Issued: [DATE]

Effective: [DATE]

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 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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9 Attorneys for Liberty Utilities (Beardsley Water) Corp.

10

11 **BEFORE THE ARIZONA CORPORATION COMMISSION**

12

COMMISSIONERS

13 JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
14 ANNA TOVAR
15 NICK MYERS
KEVIN THOMPSON

16

17

18

19

20

IN THE MATTER OF THE APPLICATION OF
LIBERTY UTILITIES (BEARDSLEY 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-02074A-23-

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DIRECT TESTIMONY

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OF

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MANASA RAO

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December 28, 2023

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VI. WATER TREATMENT RATE ADJUSTMENT MECHANISM 17

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY.**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Manasa Rao. My business address is 9750 Washburn Road, Downey, CA,
4 90241.

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

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

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

15 A. I am testifying on behalf of Liberty Utilities (Cordes Lakes Water) Corp. (“Liberty Cordes
16 Lakes”), Liberty Utilities (Bella Vista Water) Corp. (“Liberty Bella Vista”), Liberty
17 Utilities (Rio Rico Water and Sewer) Corp. (“Liberty Rio Rico”), and Liberty Utilities
18 (Beardsley Water) Corp. (“Liberty Beardsley”), collectively referred to sometimes herein
19 as “Applicants”). I also am testifying on behalf of the Liberty Utilities (Rio Rico Water &
20 Sewer) Corp. as a consolidated entity in accordance with the Applicants’ proposal to
21 consolidate Liberty Bella Vista, Liberty Beardsley and Liberty Cordes Lakes into Liberty
22 Rio Rico.

23 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
24 BACKGROUND.**

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

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

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

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

9 **II. A BRIEF OVERVIEW OF APPLICANTS’ RATE FILINGS.**

10 **Q. WHY ARE THE APPLICANTS CURRENTLY FILING RATE CASES?**

11 A. The Commission has ordered both Liberty Cordes Lakes and Liberty Beardsley to file rate
12 cases on or before December 31, 2023.¹ Given those Commission orders, Liberty planned
13 to file rate cases for Liberty Bella Vista and Liberty Rio Rico along with the Commission
14 ordered rate cases for Liberty Cordes Lakes and Liberty Beardsley using the same test year
15 ending April 30, 2023. Further, since the last rate cases for Liberty Beardsley, Liberty
16 Bella Vista, Liberty Cordes Lakes and Liberty Rio Rico, operating expenses have increased
17 and each utility has made significant capital improvements to provide reliable service to
18 customers. As a result, each utility is filing these rate cases to request rate relief. As part
19 of these rate filings, Liberty also proposes to merge and consolidate Liberty Bella Vista,
20 Liberty Beardsley, and Liberty Cordes Lakes into Liberty Rio Rico, including the transfer
21 of all useful and necessary assets of Liberty Bella Vista, Liberty Beardsley, and Liberty
22 Cordes Lakes, including their certificates of convenience and necessity, to Liberty Rio Rico
23 as requested in the Companies’ applications filed in these dockets and approval by the
24 Commission of one tariff of rates and charges for all customers of Bella Vista, Rio Rico,
25 Beardsley and Cordes Lakes under Liberty Rio Rico as the consolidated entity (from now

26
27 ¹ In the Matter of the Application of Beardsley Water Company, Inc. for approval of a Rate Increase, Decision No.
28 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.

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

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

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

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

17 A. The following witnesses are submitting testimony in the rate cases filed for the Applicants:
18 • **Matthew Garlick**, Vice President, Operations Special Projects for Liberty’s regulated
19 utilities in Arizona and Texas, provides testimony supporting the recovery of
20 acquisition premiums for Liberty Cordes Lakes and Liberty Beardsley. His testimony
21 will also support Liberty’s consolidation request and provide technical support for our
22 Water Treatment Rate Adjustment Mechanism (“WTRAM”) proposal.
23 • **Joshua Reiff**, Manager Operations, provides direct testimony regarding Liberty
24 Cordes Lakes’ operations and capital investments since the last rate case.
25 • **Adolfo Garcia**, Manager Operations, provides direct testimony regarding Liberty
26 Bella Vista’s operations and capital investments since the last rate case.
27 • **Terry Gilbertson**, Senior Manager Operations, provides direct testimony regarding
28 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 3/4	6,070	\$ 37.03	\$ 50.80	\$ 13.78
BV	5/8 x 3/4	5,274	\$ 27.87	\$ 36.24	\$ 8.37
CL	3/4	3,420	\$ 30.06	\$100.70	\$ 70.63
BW	3/4	5,256	\$ 52.10	\$ 69.18	\$ 17.08
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. 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

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

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

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

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

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

- 25 • CAT Customer Limits - For all three programs (Low Income, Deployed Services
26 Member, and Disabled Military Veteran) included in the CAT, the customer limits
27 proposed for Liberty Rio Rico (Consolidated) is 5,645 water customers and 725
28 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.

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

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

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

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

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

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

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

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

21 A. If the Commission approves the proposed consolidation, Liberty Rio Rico (Consolidated)
22 would implement a monthly rate case expense surcharge estimated at \$0.86 for three years.
23 On a stand-alone basis, we have calculated a monthly surcharge of \$1.13, \$0.82, \$0.83,
24 \$0.92, and \$0.81 for Liberty Cordes Lakes, Liberty Bella Vista, Liberty Rio Rico Water,
25 Liberty Beardsley, and Liberty Rio Rico Sewer respectively. Each of these monthly
26 surcharges are to be collected from customers for a period of three years. These stand-alone
27 surcharges were based on an allocation of the rate case expense as follows: 8.10 percent to
28

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

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

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

6 **IV. POST TEST YEAR PLANT**

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

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

- 12 • Liberty Cordes Lakes - \$1,585,575
- 13 • Liberty Beardsley - \$1,012,433
- 14 • Liberty Bella Vista - \$2,316,024
- 15 • Liberty Rio Rico Water - \$2,636,590
- 16 • Liberty Rio Rico Sewer - \$982,711
- 17 • Liberty Rio Rico Consolidated - \$8,533,333

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

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

26 **Q. PLEASE SUMMARIZE YOUR PREPARED DIRECT TESTIMONY ON POST**
27 **TEST YEAR PLANT (“PTYP”).**

28

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

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

6 A. The Company is proposing a PTYP adjustment (Adjustment 1-B on Schedule B-2 as
7 discussed in Mr. Bourassa's direct testimony) to the recorded rate base amounts on April
8 30, 2023. The PTYP adjustment includes non-revenue producing projects that are expected
9 to be closed through April 30, 2024 that are used and useful and will be serving customers
10 during the rate effective period. The Company's twelve-month PTYP adjustment for non-
11 revenue producing plant is consistent with the Commission-approved practice in prior
12 General Rate Cases ("GRC") for other Arizona utilities³. Non-revenue producing plant
13 represents plant that is constructed to continue to provide service or enhance reliability and
14 safety for existing customers.⁴ The Company will not realize any incremental operating
15 revenues from the construction and addition of this plant at the time it is placed into service,
16 in other words, these capital additions are non-revenue producing. All of these post test
17 year plant improvements are used and useful or will be before a hearing in this case in the
18 service to our existing customers of Applicants.

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

20 A. The purpose of the PTYP adjustment is to more accurately reflect the level of costs the
21 Applicants will incur to serve their end of test year customer base during the rate effective
22 period. It is important to note that while the Applicants' PTYP adjustment reduces
23 regulatory lag, it does not eliminate regulatory lag. By the time rates from this proceeding
24 go into effect, the PTYP investments will range from several months to over one year old.
25 Examples of PTYP in this adjustment include but are not limited to main and service line
26

27 ³ Decision No. 76644 (Docket No. SW20445A-20-0214 et.al); Decision No. 78845 (Docket No. G-01551A-21-0368)

28 ⁴ In contrast, revenue-producing plant is constructed to serve new customers and is not included in the PTYP adjustment.

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

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

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

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

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

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

1 A. There is no written policy issued by the Commission regarding the inclusion of PTYP or
2 specifying the associated time periods for eligible PTYP. The Commission currently has a
3 generic investigation docket (Docket No. AU00000A-19-0080) to evaluate Commission
4 policy on PTYP (“PTYP Docket”). According to the Commission Utilities Division's
5 (“Staff”) filed Memorandum⁵ in the PTYP Docket, Staff believes that current practice of
6 allowing PTYP to be included in rate base came from prior Commission decisions and the
7 Commission has approved the inclusion of PTYP for periods ranging from 2 to 18 months.
8 Based on Staff's data points provided in the memorandum, out of 22 rate case proceedings
9 since 2014, 6 or more months of PTYP was allowed in 19 cases and 12 months of PTYP
10 was allowed in 11 cases.⁶ The Company's twelve-month PTYP adjustment is consistent
11 with these data points.

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

14 A. The Commission authorized inclusion of PTYP of 12 months in Liberty’s most recent
15 Arizona GRC for Liberty Utilities (Gold Canyon Sewer) Corp. in Decision No. 78871.⁷

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

18 A. Staff stated in a memorandum⁸ filed in the PTYP Docket that, "Staff utilizes prior
19 Commission decisions in formulating its recommendations. At this time, Staff continues to
20 recommend the inclusion of up to 12 months of PTYP beyond the end of the historic test
21 year. Further, Staff recommends a companion adjustment to accumulated depreciation to
22 include one half year of the annual depreciation expense calculated for the PTYP to update
23 the accumulated depreciation to reflect the half-year convention methodology for
24 depreciation."

25
26
27 ⁵ Dated October 4, 2019.

28 ⁶ October 4, 2019 Staff Memorandum, page 2.

⁷ Dated March 16, 2023.

⁸ Dated June 4, 2021.

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

3 A. Yes. The table below provides a summary of Staff and the Company's positions on
 4 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.

11 **V. TEST YEAR INCOME STATEMENT ADJUSTMENTS**

12 **Q. PLEASE SUMMARIZE INCOME STATEMENTS ADJUSTMENTS TO TEST**
 13 **YEAR.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 **VI. WATER TREATMENT RATE ADJUSTMENT MECHANISM**

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

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

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

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

19 On an annual basis, Liberty will file schedules that include: (1) plant additions that
20 were placed into service in the prior calendar year and used for achieving compliance with
21 MCLs; (2) the calculation of the surcharge needed to recover capital costs of the plant
22 additions described in part (1) above and incremental operating and maintenance ("O&M")
23 expenses to maintain compliance with MCLs for PFAS and other similar substances; and
24 (3) the True-up calculation. The true-up shall serve to recover under-collected / refund over-
25 collected surcharge fees. The Company will provide Staff with electronic copies of all work
26 papers and supporting documents. A proposal of the WTRAM and its related Plan of
27 Administration Tariff.
28

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

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

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

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

17 A. Yes. Liberty Rio Rico Water conducted testing for PFAS on September 3, 2020 and has
18 detected PFAS at the following three wells: W-52 (PFOS, 38 parts per trillion or “ppt”); W-
19 8 (PFOA, 7.9 ppt and PFOS, 22 ppt); and W-6 (PFOS 37 ppt), which exceed the EPA
20 recommended PFOS and PFOA MCLs that are yet to be promulgated. In addition, based on
21 testing performed by Liberty Bell Vista on April 24, 2023, PFAS presence has been detected
22 in one of its three wells: well W-3 (PFOA 2.25 ppt and PFOS at 2.05 ppt). Liberty Bella
23 Vista will continue to monitor PFAS levels under the anticipated regulations and possibly
24 build treatment facilities to comply with the proposed Safe Drinking Water Act MCLs for
25 PFAS and other similar substances.

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

28

1 A. Yes. Liberty Rio Rico estimates that capital expenditures totaling ~\$5.8 million are needed
2 to install filtration equipment that reduces PFOA and PFOS contaminants to levels below
3 the 4.0 ppt MCL which was proposed by the US EPA for both contaminants in March of
4 2023. Further, Liberty Rio Rico estimates an incremental increase of \$375,000 in annual
5 O&M expenses associated with the ongoing treatment of PFAS, primarily for filtration
6 media. These costs are only an estimate and subject to change over time.

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

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

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

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

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

27 A. The mechanism protects the public health of consumers by providing the Company the
28 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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10

11 **BEFORE THE ARIZONA CORPORATION COMMISSION**

12

COMMISSIONERS

13 JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
14 ANNA TOVAR
15 NICK MYERS
KEVIN THOMPSON

16

17 IN THE MATTER OF THE APPLICATION OF
LIBERTY UTILITIES (BEARDSLEY WATER)
18 CORP., AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
19 ITS UTILITY PLANTS AND PROPERTY AND
FOR INCREASES IN ITS RATES AND
20 CHARGES FOR UTILITY SERVICE BASED
THEREON.

DOCKET NO: W-02074A-23-

21

22

DIRECT TESTIMONY

23

OF

24

MATTHEW GARLICK

25

26

December 28, 2023

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

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

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

6 A. I am employed by Liberty Utilities Service Corp. (“LUSC”) as Vice President, Operations
7 – Special Projects for Liberty’s regulated utilities in Arizona¹ and Texas, including the
8 applicants Liberty Utilities (Cordes Lakes Water) Corp. (“Liberty Cordes Lakes”), Liberty
9 Utilities (Beardsley Water) Corp. (“Liberty Beardsley”), Liberty Utilities (Bella Vista
10 Water) Corp. (“Liberty Bella Vista”), and Liberty Utilities (Rio Rico Water and Sewer)
11 Corp. (“Liberty Rio Rico”) (collectively referred to herein sometimes as Applicants). I
12 will use “Liberty” to refer to all of the many Liberty subsidiaries in this testimony.

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

15 A. I was hired in January 2000 as a Technical Services Supervisor for the utility, then known
16 as Litchfield Park Service Company² (“LPSCO”), and I was with LPSCO when Liberty
17 Utilities acquired it in 2003. In November 2009, I was named Business Manager of Liberty
18 Litchfield Park and was responsible for overseeing the utility operations for approximately
19 40,000 utility customers. In March 2012, I assumed the role of Director of Operations –
20 Arizona, and was responsible for operations throughout Arizona, as well as Texas, Missouri,
21 and Illinois. From June, 2015 through June, 2021, I was the President of our utilities in
22 Arizona and Texas. In 2021, I changed jobs and became Vice President, Strategic Projects
23 for our utilities in Arizona and Texas.

24
25 _____
26 ¹ Liberty Utilities owns and operates seven regulated utilities in Arizona. Along with Liberty Cordes Lakes, Liberty
27 Utilities owns and operates Liberty Utilities (Gold Canyon Sewer) Corp. (“Liberty Gold Canyon”) , Liberty Utilities
28 (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”).

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

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

8 **Q. DO YOU HOLD ANY CERTIFICATIONS?**

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

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

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

22 **II. PURPOSE OF THE TESTIMONY**

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

24 A. I am providing this direct testimony on behalf of the Applicants. In these filings, Liberty
25 proposes to merge and consolidate Liberty Bella Vista, Liberty Beardsley, and Liberty
26

27 ³ Docket Nos. SW-02361A-15-0206 and SW-02361A-15-0207 (consolidated).

28 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.

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

3 **Q. PLEASE EXPLAIN LIBERTY’S CONSOLIDATION PROPOSAL.**

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

16 **Q. WHY IS LIBERTY SEEKING CONSOLIDATION AT THIS TIME?**

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

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

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

6 **Q. PLEASE DESCRIBE THE BENEFITS OF THE PROPOSED CONSOLIDATION?**

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

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

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

26
27 ⁷ After consolidation here, Liberty would have two wastewater utilities – Liberty Utilities (Gold Canyon Sewer)
28 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.

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

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

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

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

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

27
28 ⁹ Docket No W-02060A-17-0228.

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

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

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

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

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

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

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

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

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

11 **V. OVERVIEW OF LIBERTY UTILITIES’ ACQUISITION OF BEARDSLEY**
12 **WATER**

13 **Q. PLEASE PROVIDE AN OVERVIEW OF LIBERTY’S ACQUISITION OF**
14 **BEARDSLEY WATER?**

15 A. Liberty Utilities (Sub) Corp purchased the stock of Beardsley Water Company, Inc.
16 (“Beardsley Water”) assumed control of the system on March 31, 2021. At that time,
17 Beardsley Water was a Class D water utility, located in Maricopa County northwest of US
18 60 and Arizona Loop 303 that served approximately 2,150 connections at the time of the
19 acquisition. In Beardsley Water’s last rate case filed in 2019 (Docket No. W-02074A-19-
20 0317), the Commission adopted a revenue requirement of \$850,000 based on Staff’s
21 recommended cash flow and operating margin analysis methodology (Decision No. 77695).
22 The Commission concluded that revenue requirement based on a rate-of-return analysis did
23 not yield reasonable results due to the Beardsley Water’s Original Cost Rate Base
24 (“OCRB”) of negative \$12,054. In recognizing the anticipated future growth for the utility,
25 the Commission ordered Beardsley Water to file its next rate case by August 2023 in order
26 to monitor and determine the impact of anticipated growth on customer rates. Decision No.
27 76695 was modified on July 14, 2023, ordering that Beardsley Water to file a rate
28 application by December 31, 2023.

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

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

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

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

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

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

28

1 **VI. WATER TREATMENT RATE ADJUSTMENT MECHANISM PROPOSAL**

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

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

10 **Q. WHAT IS PFAS?**

11 A. The United States Environmental Protection Agency (EPA) has catalogued over 14,000
12 different known PFAS¹⁰ of various chemical structures. Some examples are:
13 Perfluorooctanoic Acid (“PFOA”), Perfluorooctane Sulfonic Acid (“PFOS”),
14 Perfluorobutanesulfonic Acid (“PFBS”), Perfluorononanoic Acid (“PFNA”),
15 Perfluorohexanesulfonic Acid (“PFHxS”), and Hexafluoropropylene Oxide Dimer Acid
16 (“HFPO-DA”) also known by the trade name GenX.

17 **Q. WHAT IS THE SOURCE OF PFAS?**

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

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

26
27
28 ¹⁰ AAAS 2020 and USEPA 2018b references from the draft CCL 5 notice.

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

6 **Q. WHAT WATER TREATMENT ISSUES DO APPLICANTS FACE?**

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

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

23 **Q. WHAT ARE LIBERTY’S PLANS FOR TREATMENT OF PFOA/PFAS?**

24 A. Liberty Rio Rico will need to build treatment facilities to comply with the proposed Safe
25 Drinking Water Act MCLs for Per-and Polyflouroalkyl Substances (PFAS) and other
26 similar substances at the three wells where PFAS has been detected. Liberty Bella Vista
27 will continue to monitor PFAS levels under the anticipated regulations and possibly build
28

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

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

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

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

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

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

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

27 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

28 A. Yes.

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10

11 **BEFORE THE ARIZONA CORPORATION COMMISSION**

12

COMMISSIONERS

13 JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
14 ANNA TOVAR
15 NICK MYERS
KEVIN THOMPSON

16

17 IN THE MATTER OF THE APPLICATION OF
LIBERTY UTILITIES (BEARDSLEY WATER)
18 CORP., AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
19 ITS UTILITY PLANTS AND PROPERTY AND
FOR INCREASES IN ITS RATES AND
20 CHARGES FOR UTILITY SERVICE BASED
THEREON.

DOCKET NO: W-02074A-23-

21

22 **DIRECT TESTIMONY**

23

OF

24

PAUL WALKER

25

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

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

3 I have passed the FINRA SIE exam and will have completed my NASAA Series
4 65 in the next few weeks. I have also worked with four Wall Street hedge funds, analyzing
5 regulatory climates and risks across the U.S.

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

- 7 • *Consolidation and Uncertainty*, by Matthew Rowell and Paul Walker, 2021
- 8 • *The Costs of Inconsistency*, Paul Walker, May 2021
- 9 • *The Evolution of Cost of Capital in Ratemaking*, Mathew Rowell and Paul Walker,
10 March 29, 2021
- 11 • *Concerns with RUCO’s Dividend Position*, Paul Walker and Matthew Rowell, Sept.
12 2019
- 13 • *Regulatory Climate Change*, Paul Walker and Matthew Rowell, May 1, 2019
- 14 • *The Role of Adjustor Mechanisms*, Paul Walker, November 22, 2019
- 15 • *Consolidating an Industry*, Patrick Quinn and Paul Walker, 2014

16 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE ARIZONA**
17 **CORPORATION COMMISSION (“COMMISSION”)?**

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

24 I also provided written testimony for Liberty Bella Vista and Liberty Rio Rico in
25 their 2015 rate cases, Docket Nos. W-02465A-15-00367, W-02465A-15-0370, WS-
26 02676A-15-0368, relating to challenges in Arizona’s regulatory climate and corporate cost
27 allocations.

28

1 **Q. AND WHAT EXPERIENCE DO YOU HAVE WITH THE COMMISSION’S**
2 **POLICIES ON WATER COMPANY ACQUISITIONS AND CONSOLIDATION?**

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

8 A few years later, as the head of Responsible Water, we used the same
9 comprehensive approach to encouraging the Commission to adopt robust policies to
10 consolidate and strengthen Arizona’s water and wastewater sector. I drafted and filed the
11 acquisition and consolidation policies that the Commission largely adopted in Decision
12 No. 75626.¹

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

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

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

26
27
28 ¹ Link: <https://docket.images.azcc.gov/0000170335.pdf?i=1702922076296>

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

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

10 **Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?**

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

13 **II. ACQUISITION PREMIUM**

14 **Q. WHAT IS AN ACQUISITION PREMIUM?**

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

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

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

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

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

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

6 **Q. HOW DOES LIBERTY PROPOSE TO COLLECT THAT AMOUNT?**

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

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

15 **Q. IS IT REASONABLE TO ASK CUSTOMERS TO PAY A PORTION OF THE**
16 **COSTS OF ACQUIRING AND IMPROVING SERVICE TERRITORIES OF NON-**
17 **VIALE UTILITIES?**

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

26
27
28 ² See Rate Base, Income Statement & Rate Design Direct Testimony of Thomas J. Bourassa for Cordes Lakes, Page 20, Lines 22-25.

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

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

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

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

21 **Q. HOW WOULD DENYING THE PREMIUMS IMPACT THE REGULATORY**
22 **CLIMATE?**

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

25 The article stated:

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

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

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

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

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

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

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

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

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

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

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

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

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

5 "Cash takes precedence in credit analysis."

6 So, from a regulatory climate perspective, the disallowance of these premiums would trigger
7 half of ValueLine's criteria and six of S&P's nine criteria for assessing regulatory climate.
8 Setting that aside, the Commission's water policy itself would be thrown into question. The
9 Commission stated the outlook for water utilities quite clearly and correctly in Dec. No.
10 75626:

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

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

27 _____
28 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”.

1	Class D or E Systems Dec. No. 75262, Page 19, Line 12	Class D	Class D
2			
3	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
4			
5			
6	Violations of Statutory or Regulatory Standards Dec. No. 75262, Page 19, Lines 13 thru 14	Yes	No
7			
8			
9	Failure to comply with Commission or ADEQ Order Dec. No. 75262, Page 19, lines 15 thru 16	No	No
10			
11	Did the acquirer and the seller have affiliated interests? Dec. No. 75262, Page 19, Line 17	No	No
12			
13			
14	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.	
15			
16	Fair and Reasonable Price, Arms-Length Negotiations Dec. No. 75262, Page 19, Lines 20, and 21	Yes	Yes
17			
18	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
19			
20			
21	Premium Reviewed and Approved in a Rate Case Dec. No. 75626, Page 20, Line 3	This case.	This case.
22			

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.

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

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

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

6 **True, both were Class D.**

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

9 **No affiliated interests.**

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

12 **True.**

13 Premium Reviewed and Approved in a Rate Case (Dec. No. 75626, Page
14 20, Line 3).

15 **True, in this case.**

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

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

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

23 **A.** Neither company was viable. In 2017, Cordes Lakes ran out of water. Their engineering
24 consultant, Ray Jones, explained: “The main cause is simply the record heat we’re having
25 right now. The customer demand in the system has simply exceeded the capacity of the
26 wells to produce water.”⁷ The Commission partnered with Yavapai County Emergency
27 Management to implement water-hauling; customers were asked to reduce consumption
28 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).

1 The same situation occurred at Cordes Lakes, though to a lesser extent the prior
2 year.⁸ Notably, the record heat that caused the failures has been exceeded in 2021 and
3 2023.⁹ Cordes Lakes failed to meet regulatory standards and arguably could not make
4 reasonable investments in its system. The fact that Cordes Lakes had supply problems in
5 back-to-back years indicates that the prior owners could not foresee or finance the
6 improvements needed.

7 **Q. AND WHAT ABOUT BEARDSLEY WATER?**

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

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

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

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

19 A. Before Liberty Utilities took ownership, I would describe the financial status of Beardsley
20 Water as catastrophically wrong. When a firm's total capital is less than 7% of its current
21 liabilities, it has virtually no liquidity. Current liabilities are obligations that are typically
22 due within one year. If a firm's total assets are only 7% of its short-term obligations, it is
23

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

25 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-history](https://www.fox10phoenix.com/news/phoenix-sets-record-for-hottest-june-in-history)
26 [record for hottest June in history
\(fox10phoenix.com\)](https://www.fox10phoenix.com/news/phoenix-sets-record-for-hottest-june-in-history) and Graves, Kyle. "Until next year: As fall makes its debut here's a look at how summer
27 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 \(azcentral.com\)](https://www.azcentral.com/story/news/local/arizona-weather/2023/09/22/extreme-heat-brought-record-breaking-summer-to-arizona/70931723007/mer-to-Arizona)

28 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](https://www.azcc.gov/docs/default-source/utilities-files/water/annual-reports/beardsley-water-company-inc/2020.pdf?sfvrsn=b0870d6a_3)

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

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

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

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

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

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

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

26 **Q. DOES CORDES LAKES OR BEARDSLEY HAVE ANY VIOLATIONS OF**
27 **STATUTORY OR REGULATORY STANDARDS AS PER DEC. NO. 75262, PAGE**
28 **19, LINES 13 THROUGH 14?**

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

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

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

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

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

17 **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
<i>Our Projected Rate base totals minus the Last GRC Auth Rate Base</i>					
Total RB Investment	\$29,840,581		<i>Amount invested since each system's last rate case</i>		

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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.

1 In Dec. No. 78644, the Commission found that Global Water’s acquisitions of Red
2 Rock and Turner Ranches were in the public interest and recognized a 20% premium to
3 their rate bases because the Commission deemed both systems viable. Because the
4 Commission’s policy requires demonstrated improvements, let’s look at Global Water’s
5 investment into assets for the systems and the APs that Global Water received for those
6 investments. Global Water acquired Red Rock in October 2018¹³ and filed the 2018 annual
7 report for Red Rock showing total fixed assets of \$5,465,828. Global Water filed a rate
8 increase using a 2020 test year, and the 2020 annual report for Red Rock showed total fixed
9 assets of \$5,675,759.

10 **Net fixed asset increase Red Rock**

11 \$5,675,759 - \$5,465,828 = **\$209,931**

12 **20% premium to rate base in Dec. No. 78644 at Pages 76, Line 11 through Page 77,**
13 **line 22**

14 **\$609,593**

15 **\$209,931 of asset investment to gain a \$609,693 AP produces an Asset-to-AP ratio of**
16 **0.34.**

17 Global Water also was awarded an AP for its acquisition of Turner Ranches, which
18 Global Water acquired in May 2018¹⁴ and filed the 2018 annual report for Turner Ranches
19 showing total fixed assets of \$1,119,386 (\$56,821 higher than at the start of 2018, so, let’s
20 assume all \$56,821 came from Global Water in the second half of the year to make this
21 slightly fairer and we will use the beginning of 2018 total fixed asset value, which was
22 \$1,062,565.)

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

25 **Net fixed asset increase Turner Ranches**

26 **\$1,389,905 - \$1,062,565 = \$327,340**

27
28 ¹³ https://www.gwresources.com/_files/ugd/e82d34_91dd2ee9ed994d5d9f318a50d38771df.pdf

¹⁴ https://www.gwresources.com/_files/ugd/e82d34_91dd2ee9ed994d5d9f318a50d38771df.pdf

1 **20% premium to rate base in Dec. No. 78644 at Pages 76, Line 11 through Page 77,**
2 **line 22**
3 **\$309,731**
4 **\$327,340 of asset investment to gain a \$309,731 AP produces an Asset-to-AP ratio of**
5 **1.06.**

6 There are a couple of distinctions to be made here; first, neither of the Global Water-
7 acquired systems were non-viable, while in this case, there's no question that both Cordes
8 Lakes and Beardsley were non-viable prior to the acquisition: Cordes Lakes ran out of
9 water in the summer of 2017, and Beardsley's extreme reliance on AIAC had already been
10 recognized as a problem by the Commission in Dec. No. 77695:

11 *"We also note that Beardsley's large cash flow is caused by the depreciation*
12 *expense on AIAC. It appears that most of the Company's plant advances (in the*
13 *amount of \$7,168,980) occurred in 2017 and that refunds of those advances are*
14 *minimal at this time. However, we find that refunds (equal to 10 percent of*
15 *revenues generated) should grow significantly in the future and will result in*
16 *reduced cash flow for the Company."*¹⁵

17 The Commission then ordered Beardsley to file another rate case within three years "due
18 to the increased change in customer counts... and the Company's continued growth."¹⁶

19 Both Liberty's acquisitions were of non-viable companies, and both of Global Water's
20 were of viable companies.

21 Second, I am not suggesting that the Commission was in error for granting APs to
22 Global Water for those systems, nor that Global Water received excessive AP recognition
23 given its improvements to those systems.

24 But what is astoundingly clear is that Liberty's Asset-to-AP ratios are 8.32 for
25 Cordes Lakes and 2.08 for Beardsley. Those ratios compare exceedingly well versus the
26 0.34 and 1.06 ratios behind the Commission's decision to recognize APs for Global Water.

27 ¹⁵ Dec. No. 77695, Page 8, Lines 17 through 21.

28 ¹⁶ Dec. No. 77695, Page 9, Lines 3 through 5, and Lines 17 through 19.

1 The increase arising from recognition of the premiums is well within the Commission’s
2 prior analysis.

3 **Q. DO YOU BELIEVE THE ACQUISITION OF CORDES LAKES AND BEARDSLEY**
4 **WERE IN THE PUBLIC INTEREST AS PER DEC. NO. 75262, PAGE 19, LINES**
5 **1 THROUGH 4?**

6 A. The acquisitions were in the public interest because both companies were non-viable,
7 Class D utilities. Cordes Lakes had violated regulatory standards due to system failures
8 and water shortages. Beardsley Water’s over-reliance on AIAC had led to Commission
9 concerns and catastrophically bad financials. Cordes Lakes water system is now safe,
10 adequate, and reliable. Beardsley Water’s system is stronger and more resilient
11 operationally and financially. The acquisition premiums are associated with remarkable
12 improvements within reasonable periods, and under our rate consolidation proposals, there
13 will be no unreasonable rate increase because of the acquisitions.

14 **III. CONSOLIDATION PROPOSAL**

15 **Q. PLEASE EXPLAIN LIBERTY’S -CONSOLIDATION PROPOSAL.**

16 A. Liberty proposes to merge and consolidate Liberty Bella Vista, Liberty Beardsley, and
17 Liberty Cordes Lakes into Liberty Rio Rico, including (1) the transfer of all useful and
18 necessary assets of Liberty Bella Vista, Liberty Beardsley, and Liberty Cordes Lakes,
19 including their certificates of convenience and necessity, to Liberty Rio Rico as requested
20 in the Companies’ applications filed in this docket and (2) approval by the Commission
21 of one tariff of rates and charges for all customers of Bella Vista, Rio Rico, Beardsley and
22 Cordes Lakes under Liberty Rio Rico as the consolidated entity (from now on referring to
23 the consolidated entity as” Liberty Rio Rico (Consolidated).” Under this proposal, Liberty
24 Beardsley, Liberty Cordes Lakes, and Liberty Bela Vista would be merged into Liberty
25 Rio Rico, meaning that all of Beardsley’s, Cordes Lakes’ and Bella Vista’s assets would
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1 be owned by Liberty Rio Rico (Consolidated) and all the Beardsley, Cordes Lakes, and
2 Bella Vista customers would become customers of Liberty Rio Rico (Consolidated).¹⁷

3 **Q. WHY IS LIBERTY SEEKING CONSOLIDATION?**

4 A. In Decision No. 75626, the Commission recognized the challenges and struggles of
5 Arizona’s private water utility industry. In that decision, the Commission adopted a policy
6 encouraging the consolidation of small systems through larger, more extensive system
7 purchases. The consolidation of Liberty Beardsley, Liberty Bella Vista, and Liberty
8 Cordes Lakes into Liberty Rio Rico makes sense for the same reasons.

9 Liberty currently has seven (7) regulated water and wastewater utilities in Arizona.
10 Operating and managing those utilities separately for rate-making purposes is not optimal,
11 resulting in added rate-making and related costs. In turn, consolidating these entities into
12 Liberty Rio Rico will reduce the regulatory costs and burdens for all stakeholders,
13 including the companies, customers, the Commission, and RUCO.

14 Further, Liberty always intended to consolidate all its Arizona utilities into a single
15 entity for ratemaking purposes. In Dec. No. 68826, the Commission granted Algonquin
16 Water Resources of America, Inc. n/k/a Liberty Utilities (Sub) Corp. an acquisition
17 premium to consolidate the McLain Systems. The McLain systems were in bankruptcy
18 and were “in serious disrepair” under interim management after an Order to Show Cause
19 hearing. They were under a moratorium on hook-ups, and the acting manager was
20 operating under emergency rates.¹⁸

21 The Commission consolidated Algonquin’s Northern and Southern Sunrise water
22 companies with the bankrupt and failing McLain systems. Subsequently, the Northern and
23 Southern Sunrise system was consolidated with Bella Vista Water in Decision No. 72251.
24 Today, Liberty proposes to continue consolidation for Rio Rico, Bella Vista, Cordes Lakes
25 and Beardsley.

26
27 ¹⁷ After approval of consolidation, Liberty intends to request to change the name of Liberty Utilities (Rio Rico Water
& Sewer) Corp.

28 ¹⁸ Dec. No. 68826, Page 4, Lines 6 through 13.

1 Liberty continued its gradual move towards statewide consolidation by seeking
2 Commission approval to merge Liberty Utilities (Entrada Del Oro Sewer) Corp. into
3 Liberty Utilities (Gold Canyon Sewer) Corp. in Docket No. SW-04316A-21-0325, et.al.
4 The Commission approved that consolidation in Decision No. 78871.

5 In all those cases, as in all cases involving consolidation, the Commission had to
6 consider whether to have more customers share in smaller rate increases or let each
7 system’s ratepayers stand alone. Wisely, the Commission chose consolidation time after
8 time.

9 In turn, the proposed consolidation of Bella Vista, Beardsley, and Cordes Lakes
10 into Rio Rico, is the next natural step towards statewide consolidation for rate-making
11 purposes. If consolidation of those entities is approved by the Commission here, Liberty
12 would have four regulated utilities in Arizona, providing a springboard for consolidation
13 of those entities into a single entity at some point in the future.ⁱ¹⁹

14 **Q. IN WHAT OTHER WAYS IS LIBERTY’S PROPOSAL, IN THIS CASE, LIKE**
15 **PRIOR COMMISSION DECISIONS REGARDING CONSOLIDATION?**

16 **A.** As the Commission stated in Decision No. 78439, which granted consolidation for
17 EPCOR systems:

18 *“The proponents of consolidation focus on what service is provided. Those*
19 *opposed focus on how the service is provided... However, since that time, the*
20 *courts have issued opinions giving guidance on the factors that should be*
21 *considered... These factors include whether customers receive the exact same*
22 *service, customer service, use of the same billing system, the same operations*
23 *teams, and the costs for operations, maintenance, and similar administrative*
24 *tasks.”²⁰*

25
26
27 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.

28 ²⁰ Dec. No. 78439, Page 129, Lines 13 thru 20.

1 **Q. AND ARE THOSE FACTORS PRESENT WITH LIBERTY, IN THE SAME WAY**
2 **THOSE FACTORS WERE PRESENT FOR EPCOR IN THAT DECISION?**

3 A. They are, and I do not doubt that Staff will find that Liberty, like EPCOR, “has centralized
4 operations and administrative activities, obtains capital and debt financing centrally, and
5 has maintenance personnel who work in multiple districts.”²¹ Consolidation makes sense
6 for Bella Vista, Beardsley, Cordes Lakes and Rio Rico for the exact same reasons here.

7 **Q. WHAT IF THE SYSTEMS ARE ALREADY COMMONLY OWNED? ISN’T THAT**
8 **MORE THAN ENOUGH FOR THE BENEFITS TO ACCRUE FOR CUSTOMERS?**

9 A. When consolidation proposals are offered, critics of consolidation often times rely on the
10 fact that one company already owns the systems (i.e., they aren’t being acquired from
11 others), in turn claiming that consolidation isn’t necessary because *de facto* consolidation
12 has already occurred. This critique misses the point entirely. Under the stand-alone
13 approach, significant investments on a system-by-system basis mean that sometimes a
14 system’s rates are stable without substantial investments. At the same time, during other
15 times, they see significant increases – driven by many factors, including:

- 16 • Unprecedented drought.
- 17 • Unprecedented heat.
- 18 • Unprecedented low levels in Colorado River reservoirs.
- 19 • Necessary capital investments.

20 In reality, however, as the Commission recognized in Decision No. 78439, all customers
21 avoid worst-case rate scenarios under consolidation. And that matters – because it would
22 be foolish to forget for one second that those unprecedented factors seem to keep lingering,
23 decade after decade.

24 **Q. AS SOMEONE DIRECTLY INVOLVED IN WORKING WITH THE**
25 **COMMISSIONERS TO DEVELOP THE WATER POLICIES, IN THE**
26 **SIMPLEST TERMS POSSIBLE, WHY SHOULD THE COMMISSION**
27

28 ²¹ Dec. No. 78439, Page 129, Lines 20 thru 22.

1 **CONSOLIDATE THIS SECTOR AGGRESSIVELY?**

2 A. In my view, the Commission should avoid any decision or action that would reduce the
3 opportunity to have large companies “step in” to acquire, repair, resolve, and restore
4 service to small systems because, as the maps of Arizona CCNs show – many small
5 systems lie far from large companies (and from other small systems.)

6 The reality is that the current location of small systems is not the result of any
7 regional or statewide planning. Small utilities’ locations and ownership situations make
8 strict adherence to a same-basin, same-AMA, or same-watershed policy
9 counterproductive. Instead, the overall public benefits of a consolidation proposal should
10 be considered the paramount issue in each case. And consolidation should be recognized
11 as perhaps the only true solution to the problems – both operationally and regulatory-- faced
12 by small stand-alone water companies throughout the state of Arizona.

13 And the reality in this case is that customers that were once helped will now help
14 others. Liberty has invested over \$31 million into these systems. The newly acquired
15 Beardsley and Cordes Lakes systems have seen extraordinary improvements in their
16 financial and operational capacities.

17 The impacts under full consolidation are well within the limits of rate gradualism
18 increases, and consolidation makes perfect sense for these four companies.

19 The Beardsley system is continuing to see high levels of growth, and it makes sense
20 for the Commission to establish consolidated rates now so that when new homeowners move
21 into that area – they are increasing the benefits of consolidation for all customers.

22 **Q. WHAT IMPACT WILL RATE CONSOLIDATION HAVE ON CUSTOMERS OF**
23 **THE FOUR SERVICE TERRITORIES?**

24 A. The required increase in the revenues the Company will collect from Cordes Lakes
25 customers will be much lower. In contrast, the increase in revenue needed for customers
26 from the other three territories will be higher.

27 **Q. PLEASE EXPLAIN.**

28

1 A. From the analysis of the revenue requirement for each of the four service territories and
 2 the combined revenue requirement per Schedule A-1 as identified in the testimony of
 3 Thomas J. Bourassa (“TB”). Specifically, Schedule A-1 presents the total revenue
 4 requirement of the four water utilities territories is approximately \$18.3 million, while
 5 combined Test Year (“TY”) revenues were \$12.7 million.²² Thus, a total revenue increase
 6 of \$5.6 million, or 44%, is required. However, increased distribution is very uneven. Rates
 7 for Beardsley, Bella Vista, and Rio Rico customers would increase by an average of 42%,
 8 while rates for Cordes Lakes customers would need to increase by 210.5%. See Table 1
 9 for additional details.

10 **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%

16 **Q. CAN YOU SUMMARIZE WHY THE REVENUE REQUIREMENT FOR CORDES**
 17 **LAKES INCREASES BY SO MUCH MORE THAN THE OTHER AREAS?**

18 A. As mentioned above, Cordes Lakes ran into water shortages in 2016, and then much worse
 19 problems occurred in 2017. The entire system lacked resiliency and capacity, which
 20 required the following investments, as per the Direct Testimony of Joshua D. Reiff in this
 21 case:

- 22 • Security fencing at well-site properties,
- 23 • Installation of Well 7,
- 24 • Replacement of leaking or broken water mains,
- 25 • Replacement of a well pump at Well 4,
- 26 • Replacement of various booster pumps,

27
 28 ²² See Liberty Utilities Rio Rico (Consolidated) Corp. – Water Division Exhibit Schedule A-1 Page 1.1.

- 1 • Replacement of failed electronic equipment
- 2 • Installation of variable frequency drive (“ VFD”) units on various well and booster
- 3 station sites,
- 4 • Replacement of failed isolation valves throughout the distribution system,
- 5 • Replacement of leaking black poly service lines with new copper service lines,
- 6 • Replacement of failed water meters,
- 7 • Purchase of the office building in Cordes Lakes.
- 8 • The post-test year plant being requested for recovery in this rate case of \$1.5 million
- 9 includes Safety improvements to the office building,
- 10 • Backup generators at three wells and two booster stations,
- 11 • ERT installations and reading collection equipment for AMR implementation,
- 12 • One service truck,
- 13 • 24 valve and pipe replacements to improve resiliency,
- 14 • Continual service connection repairs.

15 **Q. AS NECESSARY AS THOSE INVESTMENTS WERE, THEY LEAD TO AN**
16 **OVERALL 210.5% RATE INCREASE. IS THE MAGNITUDE OF THE**
17 **INCREASE PROBLEMATIC?**

18 A. I believe a 210.5 percent rate increase would be incredibly hard for the people in Cordes
19 Lakes. The requirement for rate continuity is undermined; rate shock is present in that
20 situation. And, as someone who has spent 24 years trying to help small water companies,
21 I believe that even if there were no other bases to rationalize the consolidation of rates or
22 benefits that would come from doing so, even if Dec. No. 75626 did not exist, the need
23 to mitigate the rate shock that the Cordes Lakes customers would otherwise experience is
24 sufficient justification to consolidate the rates.

25 **Q. HOW WOULD THE CONSOLIDATION AFFECT THE AVERAGE**
26 **RESIDENTIAL CUSTOMER BILL FROM EACH SERVICE AREA?**

27 A. Using data from the Revenue Requirements Direct Testimony of Thomas Bourassa, Table
28 5 shows a comparison of the proposed average residential customer bill on a stand-alone

1 and consolidated basis using the meter size with largest residential customers for each
 2 applicant.

3 **TABLE FIVE: CONSOLIDATED AND STANDALONE AVG. RESIDENTIAL**
 4 **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	-

10 The proposed monthly bill for a 3/4-inch metered residential customer, the largest
 11 customer class, using an average of 3,420 gallons, in Liberty Cordes Lakes is reduced by
 12 approximately 53% under the proposed consolidation than they would on a stand-alone
 13 basis. Similarly, under the consolidation scenario, the monthly customer bill for the largest
 14 residential customer class for Liberty Beardsley (3/4 inch meter) and Liberty Rio Rico
 15 Water (5/8 x 3/4 inch meter) will reduce by approximately 20% and 6%, respectively. The
 16 average residential customers in Liberty Bella Vista, using a 5/8 x 3/4 inch meter and
 17 average usage of 5,274 gallons will pay approximately 15% or \$6.54 per month more
 18 under the consolidation scenario.

19 **Q. DO THESE VALUES INCLUDE THE ACQUISITION PREMIUM YOU**
 20 **DESCRIBED EARLIER IN YOUR TESTIMONY?**

21 A. They do.

22 **Q. IS THIS TO SAY THAT ONLY CUSTOMERS IN BELLA VISTA WOULD PAY**
 23 **SIGNIFICANTLY MORE DUE TO CONSOLIDATING THE RATES?**

24 A. One way to summarize the data presented in Table 5 is to say that rates for average
 25 residential customers in Liberty Bella Vista will increase by an additional 15% or \$6.54
 26 per month because of the rate consolidation. In contrast, average residential customers in
 27 Liberty Cordes Lakes would pay considerably less than they would otherwise. Average
 28

1 residential customers in Liberty Beardsley and Liberty Rio Rico will also pay less than
2 they would otherwise.

3 **Q. IS THIS A REASONABLE OUTCOME?**

4 A. Absolutely. As explained earlier, Bella Vista is an entity built up through acquisitions of
5 small, viable, and non-viable systems. Many customers in the systems comprising Bella
6 Vista were once the beneficiaries of consolidation. All the customers are served by a
7 strong, well-capitalized, professional utility company – with rates consolidated, each
8 system’s chance of facing a rate shock scenario (whether driven by the EPA, heat, or
9 drought) is dramatically reduced.

10 **Q. CAN YOU THINK OF REASONS TO JUSTIFY THE COMMISSION'S RULING**
11 **AGAINST ACQUISITION PREMIUMS THAT LEAD TO THE**
12 **CONSOLIDATION OF ARIZONA’S WATER SECTOR?**

13 A. I would urge the Commission to carefully evaluate rate consolidation if it were clear that
14 the types of customers were utterly different. In my testimony on RUCO’s behalf in the
15 EPCOR case and the white paper “Consolidation & Uncertainty,” I pointed to the dramatic
16 differences between household incomes in Paradise Valley versus Kingman and South
17 Tucson. If consolidation were to make the people in Kingman or South Tucson pay
18 acquisition premiums to benefit the customers of Paradise Valley, I would oppose it. If the
19 consolidation involved no financial or operational improvements, I would oppose it. If the
20 consolidation resulted in unaffordable rates, I would oppose it unless it was necessary to
21 provide baseline levels of safe, adequate, and reliable service.

22 **Q. AND HOW DO THOSE FACTORS LOOK IN THIS CASE?**

23 A. None of them are present in this case. In this case, each factor weighs heavily in favor of
24 full consolidation: The customers are similarly situated economically, and each utility has
25 seen dramatic financial and operational improvements. The rates under consolidation are
26 affordable for all customers under full consolidation.

27
28

1 Q. ARE THERE ANY POTENTIAL NEGATIVES FROM RATE CONSOLIDATION
 2 IN CIRCUMSTANCES LIKE THE ONE THE COMPANY SEEKS TO
 3 NAVIGATE?

4 A. Yes, it is essential not to create an unnecessary or unfair subsidy between customer groups.
 5 The customers should be receiving, in the Commission’s own words: “*same service,*
 6 *customer service, use of the same billing system, the same operations teams, and the costs*
 7 *for operations, maintenance, and similar administrative tasks.*”²³

8 There is no question about any of those factors in this case. The only other element
 9 the Commission has considered is whether the customers are economically similarly
 10 situated. Here are the average household incomes, property values, and household income
 11 to property value ratios for each of the utilities service areas:

12 **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

22 We can see in Table 6 that Rio Rico and Bella Vista are incredibly similar. While
 23 there is a Median HHI difference of almost \$10,000, when we look at their property
 24 values, they have the same HHI/Property Value ratio of 2.96.

25
 26
 27
 28 ²³ Dec. No. 78439, Page 129, Lines 20 thru 22.

1 Property value is a reliable proxy for household wealth. When we look at Cordes
2 Lakes, we see the lowest HHI, and property values yield a slightly higher HHI/Property
3 Value ratio of 3.17.

4 When we look at Beardsley's HHI and property values, we see that although they
5 have significantly higher HHI, they have much higher mortgages. Hence, their
6 HHI/Property Value ratio is higher than their rural counterparts, at 4.90.

7 Those facts do not really matter because we are not asking lower-income
8 households to shoulder costs for higher systems. Every group will benefit from
9 consolidation – and as the Commission recognized with Beardsley, their AIAC over-
10 reliance combined with the growth in their service areas made that system non-viable. As
11 the growth enters that system, we should make sure those new homeowners are grouped
12 with other, similar customers so that as growth and the resulting rate base impacts
13 continue, the costs are minimized to everyone over time by making the rates more gradual
14 through rate consolidation.

15 **Q. GENERALLY SPEAKING, WHAT ARE THE BENEFITS OF CONSOLIDATING**
16 **UTILITY RATES ACROSS MULTIPLE SERVICE AREAS?**

17 A. There are at least four potential benefits that I believe are relevant to this proceeding:

18 *First*, rate consolidation can help mitigate rate shock when a utility needs to make
19 significant system investments.

20 *Second*, rate consolidation can support the financial integrity of the utility.

21 *Third*, rate consolidation can help facilitate future investments.

22 *Fourth*, a simpler rate structure is more transparent and reduces regulatory burdens
23 and lowers regulatory costs.

24 **Q. PLEASE EXPLAIN THE FIRST BENEFIT, THE POTENTIAL TO MITIGATE**
25 **RATE SHOCK.**

26 A. I discussed this issue at length above, explaining that consolidating rates would mitigate
27 an overall rate increase of nearly 210.5% for Cordes Lakes customers. This amount in one
28 rate adjustment will be very disruptive to customers. When rate consolidation is used, the

1 impacts of significant investments are shared across a much larger set of customers – that
2 does not mean that subsidies are occurring – in this case, the Commission can see that
3 former beneficiaries of rate consolidation are, this time, contributing to the costs faced by
4 other challenged systems. This ebb and flow is what avoids the question of impermissible
5 subsidies.

6 **Q. PLEASE DESCRIBE THE SECOND BENEFIT, WHETHER RATE**
7 **CONSOLIDATION SUPPORTS THE UTILITY’S FINANCIAL INTEGRITY.**

8 A. The Commission must consider the impact on the revenue stability of the utility, not
9 simply because of *Hope*, *Bluefield*, and state laws and court orders, but because the
10 customers of any essential good or service rely on the provider for their daily life. There
11 aren’t replacement goods available for water and wastewater services. As I detailed earlier
12 in this testimony, the financial integrity of Beardsley Water was a significant concern for
13 the Commission, and its financials were alarming to me. Liberty has turned that company
14 around in a remarkable manner. Cordes Lakes was hauling water and shutting its system
15 off for four hours a day in the middle of a record-breaking summer (2020).

16 If the Commission strictly adhered to the cost-causation principle, Beardsley
17 would remain financially incapable, and Cordes Lakes customers would see their rates
18 raised to crippling levels. Neither outcome benefits anyone – not the customers, the
19 Commission, or the Company. Under rate consolidation, customers are shielded from rate
20 shock, the Commission can reduce the odds of another water company failure, and the
21 Company can recover its costs in a stable and timely manner.

22 **Q. PLEASE EXPLAIN THE THIRD POTENTIAL BENEFIT FROM RATE**
23 **CONSOLIDATION, A UTILITY’S ENHANCED ABILITY TO FINANCE**
24 **SYSTEM INVESTMENTS.**

25 A. The ability to attract capital for needed investment is directly and inescapably linked to
26 revenue – and the terms upon which capital is provided are based now and inescapably on
27 revenue stability.

28

1 Thus, if your credit history is terrible, you make banks think the revenue stability
2 of lending money to you so that you can buy a car is low – and thus, your interest rate is
3 higher. The same thing applies to all capital decisions.
4



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10 The Environmental Finance Center at the University of North Carolina identified revenue
11 stability as one of the key financial indicators for water systems, writing:

12 *“Essentially, the question of revenue stability is simple, at least at first glance:
13 Are the rates that you have set generating sufficient revenue for your utility to
14 recover your costs (both operating and maintenance costs, and longer-term
15 capital costs), not only on a day-to-day basis but also under situations of
16 uncertainty or adversity, such as a drought, a disruption to source water
17 supplies (e.g., from an environmental pollution accident), etc.”²⁴*

18 The reality of small, undercapitalized utilities is the primary driver for the consolidation
19 of Arizona’s water sector. To the point made by the UNC Finance Center above, Arizona
20 faces uncertainty and adversity from the ongoing drought and increased heat. Like those
21 involved in this proceeding, small water companies are particularly exposed to those
22 challenges: Cordes Lakes’ history demonstrates the potential results of drought and heat.
23 Beardsley Water’s history reflects the impact of over-reliance on developer funding
24 through Advances In Aid of Construction.
25

26
27 ²⁴ Key Financial Indicators for Water Systems: Revenue Stability, February 8, 2016, [“Key Financial Indicators for Water Systems: Revenue Stability | UNC Environmental Finance Center”](https://efc.sog.unc.edu/revenue-stability/) or: <https://efc.sog.unc.edu/revenue-stability/>
28

1 In this case, not only is Liberty consolidating these systems, but we are
2 consolidating them with systems that were once undercapitalized, challenged, and in need
3 of significant investment. And that's the entire purpose, in my mind, of consolidating
4 Arizona's small water sector.

5 **Q. PLEASE EXPLAIN THE FOURTH BENEFIT, ENHANCED TRANSPARENCY**
6 **AND THE REDUCTION OF REGULATORY BURDENS.**

7 A. This benefits primarily the Commission and the Company, but in so doing, it reduces costs
8 at the margin for customers. Having multiple rate designs and tariffs requires redundant
9 administrative costs. Rate consolidation decreases the financial impacts of large
10 investments in a single system – rate cases cost companies a lot of time and resources.
11 Yes, rate case expense is there, but in my experience, rate case expense doesn't come close
12 to showing the impact of a rate case on the Company's management. Key leaders are
13 always involved in rate cases – taking time away from core business tasks. By
14 consolidating these companies into a larger whole, Liberty and the Commission are
15 reducing the overall number of rate cases that must be processed, reducing the rate case
16 impacts on management (rather than regular, small rate cases for many different utilities,
17 Liberty can combine systems into one overall rate case.

18 That approach also significantly increases the transparency for the Commission.
19 The Commission has all the books and records all at once and can more clearly see how
20 cost allocations, revenue streams, and capital expenditures are occurring across multiple
21 utilities rather than seeing only one piece at a time.

22 **Q. IS THIS A SIGNIFICANT BENEFIT TO CUSTOMERS?**

23 A. It is a clear benefit. It allows the company to spend more time, resources, and capital on
24 running and improving the core business instead of managing and overseeing multiple rate
25 cases. It reduces the rate case expense because witnesses can testify regarding many
26 entities simultaneously. However, the main benefit is increased resiliency from financial
27 and operational perspectives.

28

1 **Q. YOU IDENTIFIED THE POTENTIAL FOR AN IMPERMISSIBLE SUBSIDY**
2 **AND A POTENTIAL DISBENEFIT FROM RATE CONSOLIDATION; HOW**
3 **DOES THAT CONCERN APPLY TO THIS PROCEEDING?**

4 A. Primarily, this is about customers in Bella Vista, who will pay more if the Commission
5 approves the Company’s proposal to consolidate rates. The Commission must determine
6 whether the extra burden on those customers is more than offset by mitigating the rate
7 shock that would otherwise occur to Cordes Lakes customers and the other benefits to
8 customers in all four service territories. The Commission must consider whether the
9 customers in Bella Vista are economically similar to the customers that, this time, receive
10 the benefits of consolidation. As shown in this testimony, they are.

11 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.**

12 A. Water utilities are always reluctant to increase customer costs. Still, under these
13 circumstances, I believe the benefits more than satisfy the Commission’s consolidation
14 criteria and the recognition of acquisition premiums for non-viable companies. Comparing
15 Liberty’s investments post-acquisition against the asset investments and improvements
16 made, particularly compared with prior Commission decisions for similarly situated
17 companies like Global Water, shows that Liberty didn’t buy these companies to get a
18 premium. Liberty bought these companies to fix them, to make them financially and
19 operationally viable for today’s customers, and for the challenges of increased heat,
20 drought, and growth. I also would add that consolidation works both ways. Although
21 Bella Vista customers may pay more now, those same customers will benefit from a shared
22 rate base for Bella Vista plant investments in the future. I think it’s fair to say that
23 consolidation will even out and benefit all customers equally over time.

24 Consolidation of these rates is consistent with previous precedent in Arizona and
25 the Commission’s stated policy objectives, and to find otherwise would do significant
26 damage to the Commission’s efforts to strengthen and consolidate the water sector and
27 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.

EXHIBIT PW-DT1

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.

READ MORE:

[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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10

11 **BEFORE THE ARIZONA CORPORATION COMMISSION**

12

COMMISSIONERS

13 JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
14 ANNA TOVAR
15 NICK MYERS
KEVIN THOMPSON

16

17 IN THE MATTER OF THE APPLICATION OF
LIBERTY UTILITIES (BEARDSLEY WATER)
18 CORP., AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
19 ITS UTILITY PLANTS AND PROPERTY AND
FOR INCREASES IN ITS RATES AND
20 CHARGES FOR UTILITY SERVICE BASED
THEREON.

DOCKET NO: W-02074A-23-

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22

23

DIRECT TESTIMONY

24

OF

25

JILL SCHWARTZ

26

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December 28, 2023

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1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Jill Schwartz. My business address is 602 South Joplin Avenue, Joplin,
4 Missouri, 64802.

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

6 A. I am testifying on behalf of Liberty Utilities (Bella Vista Water) Corp. (“Bella Vista”),
7 Liberty Utilities (Rio Rico Water & Sewer) Corp. (“Rio Rico”), Liberty Utilities (Beardsley
8 Water) Corp. (“Beardsley”), Liberty Utilities (Cordes Lakes Water) Corp. (“Cordes Lakes”)
9 (collectively referred to sometimes herein as “Applicants”).

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

11 A. I am employed by Liberty Utilities Service Corp. (“LUSC”) as the Senior Director of
12 Regulatory Policy and Strategy. LUSC is a direct subsidiary of Liberty Utilities Co.
13 (“LUCo”) and is a subsidiary of Liberty Utilities (Canada) Corp. (“Liberty Canada” or
14 “LUCC”), which is a wholly owned indirect subsidiary of Algonquin Power & Utilities
15 Corp. (“APUC”). As the Senior Director of Regulatory Policy and Strategy, I lead the
16 Corporate Regulatory team and am responsible for development of the regulatory strategy
17 and evidentiary support for the corporate shared services costs charged to the operating
18 utilities (like Applicants) in accordance with the APUC Cost Allocation Manual (“CAM”).
19 In addition, the Corporate Regulatory team provides support for local and regional
20 regulatory teams for rate cases and other regulatory matters.

21 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
22 BACKGROUND.**

23 A. In 2001, I completed my Bachelor of Science in Accounting from the John E. Simon School
24 of Business at Maryville University in St. Louis, Missouri. From May 2001 to February
25 2015, I was employed by The Boeing Company in a variety of accounting capacities,
26 ensuring compliance with the Federal Acquisition Regulation Mandatory Disclosure rule
27 and developing and delivering labor compliance training for all Boeing employees. I joined
28 Liberty Utilities in February 2015 as the Manager of Rates and Regulatory Affairs for

1 Liberty Utilities (Midstates Natural Gas) Corp. In February 2017, I was promoted to Senior
2 Manager of Rates and Regulatory Affairs for Liberty Utilities Central Region, where I was
3 responsible for the regulatory matters involving the electric, natural gas and water utilities
4 in Missouri, Arkansas, Illinois, Iowa, Kansas and Oklahoma. In August 2019, I transitioned
5 to the Corporate Regulatory department, where I provided support for the cost allocation
6 manual and corporate costs to other Liberty Utilities operating utilities across the United
7 States and Canada. In December 2020, I was promoted to Director Regulatory Shared
8 Services.

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

11 A. Yes. I provided pre-filed and oral testimony before the Arizona Corporation Commission
12 (“Commission”) in the Applicant’s sister companies’ recent rate cases¹. I have also testified
13 before public utility commissions in Arkansas, Illinois, Iowa, Kentucky, Missouri, and New
14 York, as well as the New Brunswick Energy and Utilities Board in Canada.

15 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

16 A. The purpose of this testimony is to provide support for the Cost Allocation Manual
17 (“CAM”), corporate shared services costs allocated to the Applicants, as well as the indirect
18 overhead (“INDOH”) derived from the corporate shared services costs and recorded in
19 Applicants’ rate base.

20 **II. THE APUC/LIBERTY SHARED SERVICES AND COST ALLOCATION MODEL**

21 **A. Corporate Structure**

22 **Q. WHO IS THE IMMEDIATE CORPORATE PARENT OF APPLICANTS?**

23 A. The immediate parent company for Bella Vista, Rio Rico, Beardsley and Cordes Lakes is
24 Liberty Utilities (Sub) Corp. (“Liberty Sub Corp”). Liberty Sub Corp is the direct
25 shareholder of seven regulated water and/or sewer utilities in Arizona, including the four
26

27 _____
28 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.

1 Applicants.² Liberty Sub Corp is also the owner of three regulated water and wastewater
2 utilities and one unregulated water utility in Texas³, a regulated water and wastewater utility
3 in Missouri and an unregulated water and wastewater utility in Illinois.⁴

4 **Q. WHERE DOES LIBERTY SUB CORP FIT INTO THE OVERALL**
5 **APUC/LIBERTY CORPORATE STRUCTURE?**

6 A. Liberty Sub Corp is a direct subsidiary of LUCo and is essentially the intermediary parent
7 company between LUCo and the eleven individual operating utilities in Arizona and Texas.
8 As such, Liberty Sub Corp also functions as a local shared services company with shared
9 assets and costs recorded on its books.

10 **Q. PLEASE DESCRIBE APUC AND ITS MAJOR SUBSIDIARIES?**

11 A. APUC is a publicly traded utility holding company that serves as the overall corporate
12 parent of a widely diversified portfolio of utility assets. APUC is traded on the New York
13 (“NYSE”) and Toronto (“TSX”) stock exchanges. APUC has two major operating units in
14 North America – its regulated utilities (“Liberty Utilities”) and its renewable power
15 generation facilities (“Liberty Power”). Liberty Utilities owns and operates regulated water,
16 wastewater, natural gas and electric utilities in thirteen states and one Canadian province.
17 Liberty Utilities is divided into three operating regions (East, Central and West). Liberty
18 Power is an unregulated entity that owns and/or provides renewable power generation from
19 numerous facilities located throughout the United States and Canada. In addition to
20 APUC’s two major operating units in North America, APUC also owns a water and
21 wastewater utility in Chile and an electric utility in Bermuda.

22 **Q. DO YOU BELIEVE THE APUC/LIBERTY CORPORATE STRUCTURE IS**
23 **UNNECESSARILY COMPLICATED?**

24 _____
25 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.

26 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
27 (Seaside Water) LLC.

28 ⁴ Liberty Utilities (Missouri Water) LLC and Liberty Utilities (Fox River Water) LLC are operated and managed as
part of Liberty Utilities’ Central Region.

1 A. No. The fact that APUC owns and operates so many individually regulated utilities across
2 the U.S. and Canada, and now also Chile and Bermuda, as well as its power generation
3 facilities across North America, is naturally going to lead to a certain level of organizational
4 complexity. Ultimately, only a few corporate entities are involved in providing shared
5 services and it is my goal in this rate case to show that our cost allocation process is
6 understandable, rational, beneficial, consistent and readily subject to verification during
7 regulatory inspections and audits. Therefore, a sophisticated corporate structure should not
8 interfere with the setting of rates that provide for recovery of the Applicants' reasonable
9 and necessary costs of service.

10 **Q. HOW ARE ALL OF APUC'S REGULATED AND UNREGULATED ENTITIES**
11 **MANAGED AND OPERATED?**

12 A. APUC's operating units are managed and operated with shared corporate and business
13 support services, combined with decentralized local management and operational control of
14 day-to-day utility operations. The result is that each regulated utility (run by local
15 management and operators) benefits from access to a wide variety of corporate and business
16 support services and essential access to capital for infrastructure investment, all at a
17 reasonable cost. This business model provides substantial benefits to our regulated utilities
18 and their customers through shared corporate services while leaving local management with
19 control over operations. Our approach to conducting business has direct influence on all
20 business activities and serves to guide the actions of the organization in carrying out a
21 customer-centric approach. But this local approach could not work without our shared
22 corporate services.

23 **B. Introduction to Shared Services**

24 **Q. WHAT ARE "SHARED SERVICES"?**

25 A. In the broadest terms, shared services are corporate administrative, financial and
26 accounting, human resources and other business support services provided to and paid for
27 by more than one entity or division within an entity.
28

1 **Q. ARE SHARED SERVICES MODELS LIKE THIS COMMON IN THE UTILITY**
2 **INDUSTRY?**

3 A. Yes, based on my knowledge and experience, it is correct to say that use of service
4 companies and shared services models is common in the utility industry, as well as in
5 business generally. Through shared services models, a broad array of corporate and
6 business support services are seamlessly provided to multiple entities across the entire
7 organization. Such a structure is not only to be expected in any large commercial
8 organization like ours, but absolutely necessary to achieve economies of scale and improve
9 the quality of products and services.

10 **Q. PLEASE EXPLAIN?**

11 A. For Liberty Utilities, shared services allow the regulated utilities access to a greater range
12 of business support at a lower cost than most utilities could obtain in providing similar
13 services and incurring those costs separately. For example, treasury, information
14 technology, insurance, and risk management are provided centrally, which provides the
15 benefits that naturally flow from the reliance on service groups with broad experience and
16 facilitates the standardization of these activities. In other words, the APUC/Liberty service
17 providers were designed and exist to provide support to the operating entities.

18 **Q. ARE ALL SHARED SERVICES PROVIDED BY AFFILIATED ENTITIES**
19 **WITHIN THE APUC CORPORATE ORGANIZATION?**

20 A. Yes. As I discussed above, APUC-affiliated companies own and operate a diverse portfolio
21 of regulated and unregulated utility assets. Finding an unaffiliated group or groups capable
22 of replicating the depth, experience and scope of the corporate support and services
23 provided within the APUC/Liberty family of companies would be a daunting, if not
24 impossible, task, one which would then have to be repeated for each region, state or general
25 location where there are operations. That is why enterprises like APUC build their own
26 corporate support centers that are tailor-made to meet their unique and ever-changing needs
27 regardless of size or geography. The benefits of this type of shared services model to the
28 customers are through economies of scale and empowerment of local operations with access

1 to in-house experts providing shared services across the full spectrum of functionality,
2 including finance, accounting, treasury, procurement, insurance, audit, risk management,
3 IT, capital planning and other similar functions as part of utility operations. This structure
4 provides local operations the opportunity to realize economies of scale and other
5 knowledge-based efficiencies through shared corporate support services, without impairing
6 the quality of those services or relationships with customers. For example, treasury,
7 information technology, insurance, and risk management services are provided centrally.
8 When structured and carried out correctly, providing these selected services centrally
9 enhances the local presence our customers prefer. This is why I can confidently testify that
10 we would not be able to have the superior locally focused operations at economically viable
11 rates without the APUC/Liberty shared services model.

12 **Q. CAN YOU EXPAND ON YOUR DISCUSSION OF THE SUPPORT SERVICES**
13 **PROVIDED BY THESE AFFILIATED ENTITIES?**

14 A. Yes. Starting at the top, APUC provides overall strategic management, corporate
15 governance, financial management, and administrative and support services to all of its
16 subsidiaries. In addition, as a publicly traded holding company, APUC also maintains
17 access to the capital markets through the issuance of long-term debt and equity, as well as
18 access to short-term credit facilities. Such access to capital is of substantial benefit to
19 regulated utilities that often need large sums for infrastructure investment.

20 Below APUC, LUCC is generally the legal entity employing personnel physically located
21 in Canada and providing various corporate and business support services including
22 executive, regulatory strategy, energy procurement, operations, utility planning,
23 administration, and customer experience. Other administrative and support services are
24 provided by LUCC employees through the Liberty Algonquin Business Services (“LABS”)
25 business unit to Liberty Power and Liberty Utilities. LABS includes the following
26 departments: information technology, human resources, training, environment, health,
27 safety and security, procurement, executive and strategic management, technical services,
28

1 risk management, financial reporting, planning and administration, treasury, internal audit,
2 external communications, legal, and compliance.

3 Finally, LUSC is the legal entity employing most of Liberty's U.S.-based employees who
4 provide support to the regulated utilities. LUSC employees generally can be placed into
5 four categories: (1) utility dedicated employees, (2) employees who provide shared services
6 to Liberty Power and Liberty Utilities, (3) employees who provide corporate support to all
7 Liberty Utilities' operating utilities, and (4) regional employees who provide shared
8 services to support the utilities within one of the operating regions (East, Central or West).
9 Under LUSC, administration of payroll costs are streamlined and shared across APUC's
10 U.S.-based utility companies.

11 **Q. ARE THERE ADDITIONAL SERVICES PROVIDED ON A REGIONAL BASIS?**

12 A. Yes, as I testified above, the various operating utilities are organized under a regional
13 structure. This regional organization provides a more effective management and reporting
14 hierarchy by allowing groups of state utilities to report to regional managers for specific
15 functions and offers several additional benefits. To start, it allows the state presidents to
16 focus on overall utility operations, state utility commission processes, customer satisfaction
17 and community relations rather than managing individuals with a wide range of functional
18 responsibilities. This organizational structure also allows for a sharing of expertise among
19 regulated utilities across several states and provides for common support functions that
20 would be too cumbersome to provide at a national corporate level and too costly to support
21 at an individual state/utility level. The regional structure also provides for a manageable
22 span of control for the number of individuals reporting to a single manager.

23 **Q. DOES LIBERTY SUB CORP ALSO PROVIDE SHARED SERVICES?**

24 A. No personnel are employed by Liberty Sub Corp. But there are employees of LUSC that
25 are dedicated to provide services for the regulated water and wastewater utilities in Arizona
26 and Texas that are owned by Liberty Sub Corp. Those particular employees assign and
27 charge time and costs to Liberty Sub Corp departments that are allocated to the regulated
28 utilities in Arizona and Texas. For example, Engineering and Operations department

1 employees are employed by LUSC, but are assigned to Liberty Sub Corp in the human
2 resources information system. Their costs are recorded on Liberty Sub Corp.'s books in
3 their respective departments and may be directly billed to the appropriate utilities (like Bella
4 Vista, Rio Rico, Beardsley, or Cordes Lakes) or allocated based on the local four-factor
5 methodology to all of the Arizona and/or Texas utilities.

6 **Q. HOW ARE THE COSTS OF ALL THESE SHARED SERVICES ALLOCATED**
7 **BETWEEN ALL THE BENEFITTING ENTITIES?**

8 A. Costs are pooled and allocated in accordance with the APUC CAM which I will explain in
9 greater detail in the next subsection of my testimony.

10 **C. Cost Allocation and the CAM**

11 **Q. PLEASE DESCRIBE THE CAM.**

12 A. The CAM is a written manual intended to govern affiliate transactions and cost allocations
13 within the APUC organization. The CAM describes the services provided by APUC,
14 LUCC, LUCo and LUSC and sets forth the methods used to apportion the costs for those
15 services among the benefitting entities. Costs allocated include both direct charges to
16 specific entities and the allocation of indirect costs for services that benefit more than one
17 entity within the organization. The CAM is based on the National Association of
18 Regulatory Utility Commissions ("NARUC") Guidelines for Cost Allocations and Affiliate
19 Transactions. The NARUC Guidelines are attached as Appendix 1 to the CAM. The CAM
20 is attached to my testimony as Exhibit JS-DT1. The fundamental premise of the CAM is to
21 direct charge costs to the greatest possible extent and to use rational, consistent and
22 verifiable processes, procedures and methodologies to determine, define, and assign indirect
23 common costs to all benefitting entities. The CAM is also designed to prevent regulated
24 utilities from subsidizing unregulated operations.

25 **Q. HOW IS THE CAM "BASED" ON THE NARUC GUIDELINES?**

26 A. NARUC has recommended specific guidelines regarding transactions between affiliates.
27 The following NARUC principles are embodied in the CAM:

- 28 1. To the maximum extent practicable, costs should be directly assigned

- 1 (NARUC Guidelines at 2, § B.1).
- 2 2. The general method for charging indirect costs should be on a fully
- 3 allocated cost basis (NARUC Guidelines at 2, § B.2).
- 4 3. To the extent possible, all direct and allocated costs should be traceable on
- 5 the books of the applicable regulated utility to the applicable Uniform
- 6 System of Accounts and documentation should be available to the
- 7 appropriate regulatory authority upon request (NARUC Guidelines at 2, §
- 8 B.3).
- 9 4. Allocation methodologies should prevent subsidization and ensure
- 10 equitable cost sharing among regulated and unregulated affiliates (NARUC
- 11 Guidelines at 2-3, § B.4).
- 12 5. All costs should be classified as regulated, non-regulated, or common to
- 13 both (NARUC Guidelines at 3, § B.5).
- 14 6. The primary cost driver of common costs should be identified and used to
- 15 allocate the cost between regulated and non-regulated affiliates (NARUC
- 16 Guidelines at 3, § B.6).
- 17 7. The indirect costs of each business unit, including the allocated costs of
- 18 shared services, should be spread using relevant cost allocators (NARUC
- 19 Guidelines at 3, § B.7).

20 **Q. CAN YOU PLEASE DESCRIBE HOW THE CAM IS USED TO ASSIGN AND**

21 **ALLOCATE COSTS TO REGULATED UTILITIES LIKE APPLICANTS?**

- 22 A. Yes, under the CAM, a utility incurs costs in two ways: (1) Assigned/Direct costs—costs
- 23 incurred for the exclusive benefit of one or more other companies, and which are directly
- 24 charged to the company or companies that specifically benefited; and (2) Allocated/Indirect
- 25 costs—costs incurred that benefit multiple companies, but cannot be directly identified and
- 26 assigned. The CAM sets forth the methodology and logical allocation factors that establish
- 27 a reasonable link between the cost causer(s) and cost recovery.
- 28

1 **Q. CAN YOU PROVIDE EXAMPLES?**

2 A. Yes. First, costs that are incurred by each of the Applicants as part of providing utility
3 services in their service areas in Arizona are direct costs, and thus are neither assigned nor
4 allocated under the CAM. Second, costs that are incurred by APUC, LUCC, LUCo or
5 LUSC for the exclusive benefit of any utility's operations are directly assigned to that utility
6 in accordance with the CAM. Third, costs that are incurred by APUC, LUCC, LUCo or
7 LUSC that benefit multiple companies within the APUC corporate family are allocated
8 using defined allocation methodologies described in the CAM. Fourth, regional costs that
9 benefit the entities within the West Region are either directly assigned to the utility within
10 the region or allocated using the Regional Four-Factor Methodology. Finally, Liberty Sub
11 Corp. incurs costs for the benefit of the Arizona and Texas utilities that are allocated based
12 on a local four-factor methodology.

13 **Q. WHEN WAS THE CAM MOST RECENTLY UPDATED AND WHAT WERE THE**
14 **SIGNIFICANT CHANGES?**

15 A. The CAM was last updated in January 2017. With this update, the Utility Four-Factor
16 weightings were updated and the regional operating structure and allocation methodology
17 was established.

18 **Q. HAS THE CAM BEEN INDEPENDENTLY REVIEWED?**

19 A. Yes. In April 2021, LUCC engaged PricewaterhouseCoopers LLP ("PwC") to assess the
20 processes for capturing, assigning and allocating holding/service company costs incurred as
21 described in the CAM and to assess the CAM's compliance with guidance provided by
22 NARUC and Federal Energy Regulatory Commission ("FERC"). PwC also assessed
23 whether the allocations described in the CAM are based on cost-causative factors (e.g.,
24 direct charging, indirect attribution) or a multi-factor general allocator that are designed to
25 prevent cross-subsidization (e.g., regulated versus unregulated affiliates, regulated electric
26 versus regulated gas versus regulated water or wastewater, United States versus Canada).
27 In addition, PwC reviewed the cost allocation workbooks to determine if the costs were
28 actually allocated in accordance with the process stated in the CAM.

1 In July 2021, PwC issued their report, which is attached as Exhibit JS-DT2. PwC concluded
2 that the methodologies for capturing and allocating parent and shared services costs to
3 affiliates are reasonable, supportable and consistent with NARUC and FERC guidance, and
4 that the results of the transaction testing found that the mechanics of the allocation process
5 are working as designed.⁵

6 **D. INDOH**

7 **Q. WHAT IS INDOH?**

8 A. Indirect overhead or “INDOH” refers to the portion of administration and general (“A&G”)
9 costs that support capital projects and, in turn, are capitalized.

10 **Q. DOES THE CAM ADDRESS INDOH?**

11 A. No. The purpose of the CAM is to describe the shared services provided and charged by
12 APUC, LUCC and LUSC to the affiliates and subsidiaries within the APUC/Liberty family
13 of businesses. Although the CAM defines and describes how the shared services costs
14 (which are recorded as A&G costs) are assigned or allocated to the regulated utilities like
15 the Applicants, the CAM does not define or describe the process for capitalizing a portion
16 of the A&G costs that are indirectly incurred for the benefit of capital or construction
17 projects.

18 **Q. WHY ARE SUCH COSTS NOT CAPITALIZED DIRECTLY WITH ASSOCIATED**
19 **CAPITAL PROJECTS?**

20 A. Shared services departments perform many tasks that are essential to support capital and
21 construction projects. To the extent that a task can be directly identified to a capital or
22 construction project, it should be directly charged to the capital work order in accordance
23 with the CAM. However, there are many shared services that are indirectly performed in
24 support of capital projects and recorded as A&G costs. NARUC recognizes the importance
25 of including an appropriate portion of the A&G costs as indirect overhead on construction
26 projects in order to recognize the total cost of a construction project.⁶

27 _____
28 ⁵ Exhibit JS-DT2, PwC Assessment of the CAM, page 6.

⁶ See NARUC Guidelines for Cost Allocations and Affiliate Transactions.

1 **Q. BUT AREN'T ALL OF THE ALLOCATED CORPORATE COSTS ALREADY**
2 **INCLUDED IN THE APPLICANTS' REVENUE REQUIREMENTS AS A&G**
3 **EXPENSES?**

4 A. No. Directly assigned and indirectly allocated shared services costs are initially recorded
5 as A&G expenses on Liberty Sub Corp's books. Then the West Region accounting team
6 applies the effective capitalization rate to the A&G costs to determine the INDOH amount.
7 The INDOH is then credited out of the A&G expenses and apportioned, as a debit amount,
8 to the open Arizona and Texas utilities' capital projects.

9 **Q. HOW IS INDOH INCORPORATED INTO APPLICANTS' RATES?**

10 A. When the construction projects are completed and placed into service, the INDOH is
11 capitalized as part of the asset on the utility's books and included as part of rate base.⁷

12 **Q. DOES NARUC SUPPORT CAPITALIZATION OF INDOH?**

13 A. Yes. According to NARUC USOA Account Instruction 20(A) –
14 All overhead construction costs, such as engineering, supervision,
15 general office salaries and expenses, construction engineering and
16 supervision by others than the accounting utility, legal expenses,
17 insurance, injuries and damages, relief and pensions, taxes and
18 allowances for funds used during construction shall be charged to
19 particular jobs or units on the basis of the amounts of such overheads
20 reasonably applicable thereto, so that each job or unit shall bear its
21 equitable proportion of such costs and that the entire costs of the
22 unit, both direct and overhead, shall be deducted from the plant
23 accounts at the time the property is retired.

24 Instruction 20(B) further provides –

25 As far as practicable, the determination of payroll charges includible
26 in construction overheads shall be based on time card distribution

27

28 ⁷ Gross Utility Plant in Service, Schedule B-1.

1 thereof. Where this procedure is impractical, special studies shall
2 be made periodically of the time of supervisory employees devoted
3 to construction activities so that only such overhead costs as have a
4 definite relation to construction shall be capitalized. The addition to
5 direct construction costs of arbitrary percentages or amounts to
6 cover assumed overhead costs is not permitted.

7 **Q. HAS LIBERTY UTILITIES FOLLOWED NARUC’S INSTRUCTIONS?**

8 A. In my opinion, yes. As previously discussed in my testimony, whenever possible shared
9 services costs are directly charged to capital projects and capitalized as a direct cost of the
10 project. Because it is not always practical for shared services employees to directly charge
11 to capital projects that their activities support, Liberty Utilities has used special studies to
12 determine an appropriate capitalization rate for the shared services performed in support of
13 capital projects. Liberty Utilities periodically reviews and refreshes these studies to ensure
14 the capitalization rate applied to the A&G costs is updated as the capital investment program
15 changes over time. The most recently updated capitalization rate was determined in 2021,
16 resulting in a rate very close to the capitalization rate supported by the 2018 study.

17 **Q. WHAT CAPITALIZATION RATE IS USED AND HOW WAS THE RATE**
18 **DETERMINED?**

19 A. During the test year, a capitalization rate of 32.08 percent was used for the derivation of
20 INDOH applied to the Applicants’ capital projects. The capitalization rate was determined
21 from a study conducted by PA Consulting in 2018 and 2019 and is provided as Exhibit JS-
22 DT3. In November 2020, LUCC engaged PwC to develop and conduct a new time study
23 to determine the percentage of time spent by shared services employees in support of capital
24 projects.

25 **Q. WHAT WAS THE RESULT OF THE PWC STUDY?**

26 A. In July 2021, PwC completed its time study of the West Region shared services employees
27 and determined that a capitalization rate of 32.43 percent is reasonable and supportable.

28 **E. Prior Regulatory Treatment of Shared Services Costs and CAM**

1 **Q. HAS THE APUC/LIBERTY SHARED SERVICES MODEL AND CAM BEEN**
2 **REVIEWED BY THE COMMISSION?**

3 A. Yes. Although I have only participated in two prior rate cases in Arizona on behalf of
4 Liberty Utilities (the most recent Liberty Black Mountain and Liberty Gold Canyon rate
5 cases), I understand there have already been more than 10 previous rate cases in Arizona
6 involving allocated costs from affiliated transactions. I have attached a list of these cases
7 to my direct testimony as Exhibit JS-DT4.

8 **Q. DO ANY OF THE PRIOR CASES INVOLVE SIMILAR CAM AND SHARED**
9 **SERVICES COSTS AS THE APPLICANTS NOW SEEK TO RECOVER IN THIS**
10 **RATE CASE?**

11 A. Generally, yes. While the CAM has been updated a few times and we are continuing to
12 make refinements and improvements in the allocation process and methodologies, the
13 general CAM approach has remained consistent for Liberty Utilities' regulated operations
14 in the U.S. for many years.

15 **Q. BESIDES ARIZONA, HAS THE CAM BEEN REVIEWED BY OTHER PUBLIC**
16 **UTILITY COMMISSIONS?**

17 A. Yes. Liberty currently operates in 13 states across the U.S. and one Canadian province.
18 The APUC/Liberty CAM and corporate shared services model has been reviewed by
19 regulators as part of rate proceedings in our various jurisdictions.

20 **Q. HAVE THE CORPORATE SHARED SERVICES COSTS BEEN APPROVED FOR**
21 **THE APPLICANTS' SISTER UTILITIES?**

22 A. Yes. There have been no material disallowances of corporate shared services costs in rate
23 cases across Liberty's footprint related to the shared services model and allocation
24 methodologies. Our regulators have consistently recognized the need for and benefits of
25 Liberty's shared services model.

26 **F. Applicants' Shared Services Costs**

27 **Q. WHAT AMOUNT OF CORPORATE SHARED SERVICES COSTS WERE**
28 **ALLOCATED TO APPLICANTS DURING THE TEST YEAR?**

1 A. During the test year, Liberty Sub Corp received approximately \$6,020,000 of indirect
2 allocations from APUC, LUCC and LUSC shared services allocated and billed during the
3 test year in accordance with the methodologies defined in the CAM. After costs were
4 allocated to Liberty Sub Corp, those costs were further allocated to the operating utilities in
5 Arizona and Texas. Of the \$6,020,000 allocated from APUC, LUCC and LUSC, Liberty
6 Cordes Lakes received approximately \$146,000, Liberty Beardsley received approximately
7 \$207,000, Liberty Rio Rico received approximately \$697,000 and Liberty Bella Vista
8 received approximately \$749,000. In total Liberty Rio Rico (Consolidated) received
9 approximately \$1,799,000.

10 **Q. ARE SHARED SERVICES PROVIDED TO APPLICANTS AT THE FULLY**
11 **DISTRIBUTED COST OF PROVIDING THOSE SERVICES?**

12 A. Yes. Costs are assigned either through a direct or allocated approach. Costs that cannot be
13 directly assigned or indirectly allocated (e.g., general and administrative) must be included
14 in the fully distributed cost calculation through a general allocation. Therefore, we go
15 through this analysis of the shared services costs on a regular basis.

16 **Q. DO ANY OF THE AFFILIATES PROFIT FROM THE SERVICES PROVIDED TO**
17 **APPLICANTS?**

18 A. No. All charges reflect the actual cost of providing that service or product. Affiliates are
19 not charging or seeking a profit margin or any other form of affiliated profit.

20 **Q. IS IT POSSIBLE THAT APPLICANTS COULD POTENTIALLY BE**
21 **SUBSIDIZING NON-REGULATED AFFILIATES?**

22 A. No. The CAM is designed to limit cross subsidizations in this manner. Additionally, as
23 previously mentioned, our corporate services are provided at cost, which is determined by
24 prevailing wages/benefits and actual incurred expenses.

25 **Q. IF THE PROPOSED CONSOLIDATION OF THE APPLICANTS IS APPROVED**
26 **BY THE COMMISSION, WOULD ANY OF YOUR TESTIMONY APPLY**
27 **DIFFERENTLY TO THE SURVIVING ENTITY?**

28

1 A. No, there will just be one entity with roughly the same pro rata share currently applicable
2 to four entities.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY ON BEHALF OF THE**
4 **APPLICANTS?**

5 A. Yes.

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EXHIBIT JS-DT1

ALGONQUIN POWER & UTILITIES CORP.

COST ALLOCATION MANUAL

V2017 Effective: January 1st, 2017

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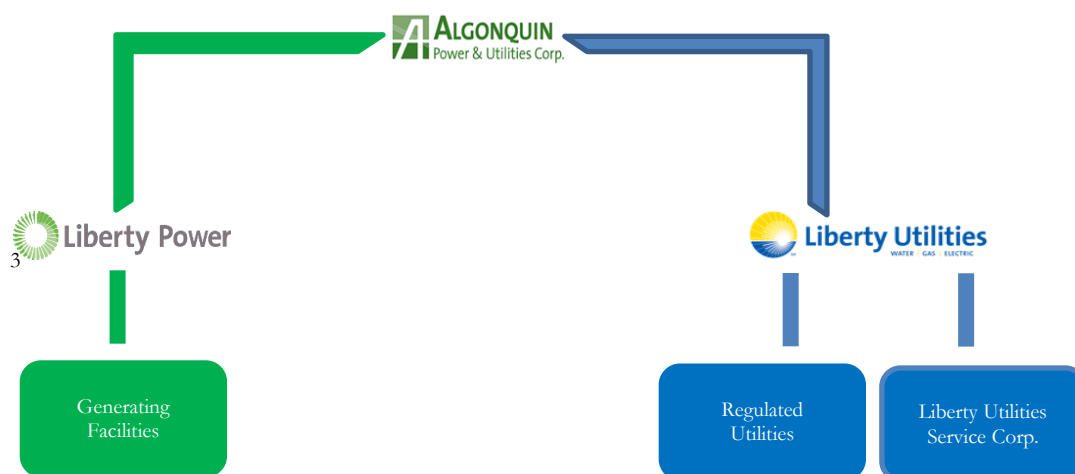
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1. INTRODUCTION

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 Charge¹ and Indirect Charge² 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 utilities⁴ 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 Exchange⁶. 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	<table border="0"> <tr> <td>Net Plant</td> <td>33.3%</td> </tr> <tr> <td>Number of Employees</td> <td>33.3%</td> </tr> <tr> <td>O&M</td> <td>33.3%</td> </tr> </table>	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
Net Plant	33.3%								
Number of Employees	33.3%								
O&M	33.3%								

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			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 33.3% O&M 33.3% Net Plant 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 33.3% O&M 33.3% Net Plant 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 33.3% O&M 33.3% Net Plant 33.3%		This function is driven by factors which reflect the relative size and	Employee labor and related administration and programs,

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			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

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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

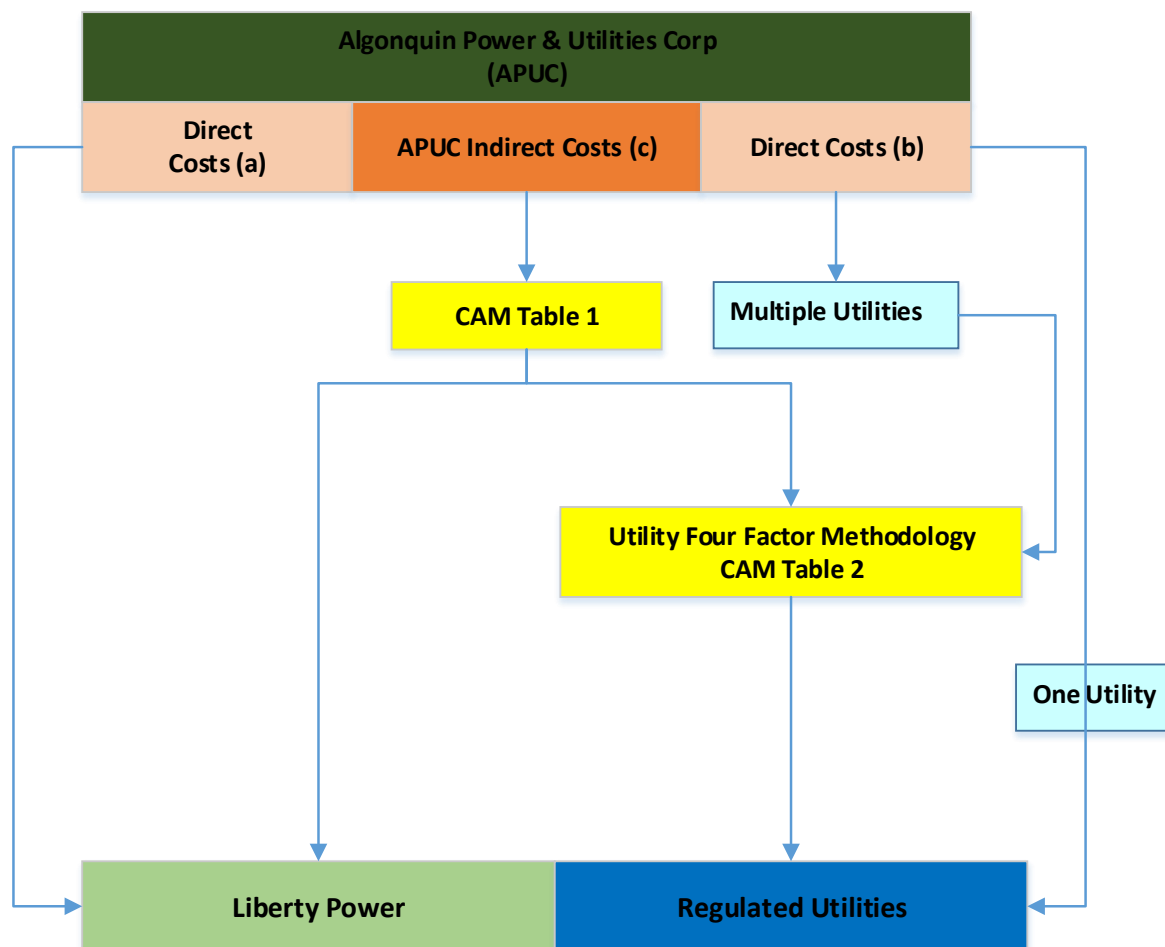
Notwithstanding the above, if a charge is related either solely to the regulated utility business or to the power generation business Liberty Power, then all of those costs will be direct charged, or assigned, to the business segment for which they are incurred. If a cost can be directly attributable 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 company⁷. 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.

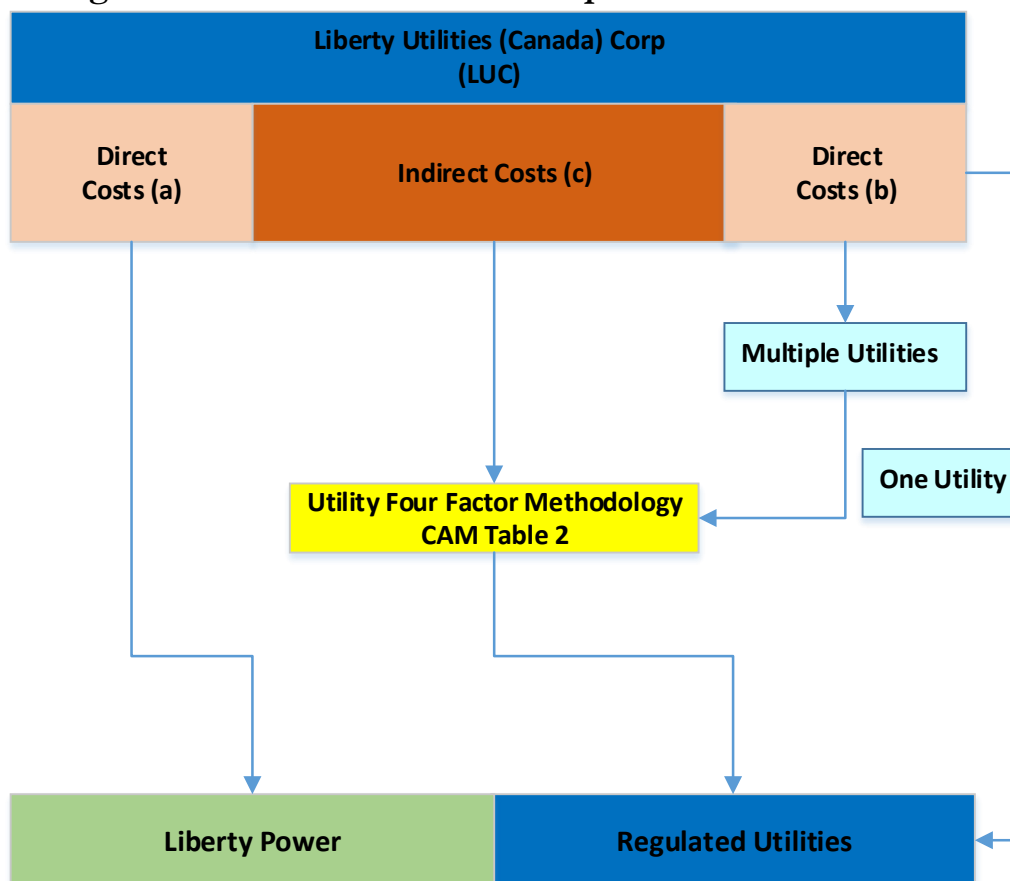
4.1 Overview of LUC Services and Costs

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 services⁸ 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

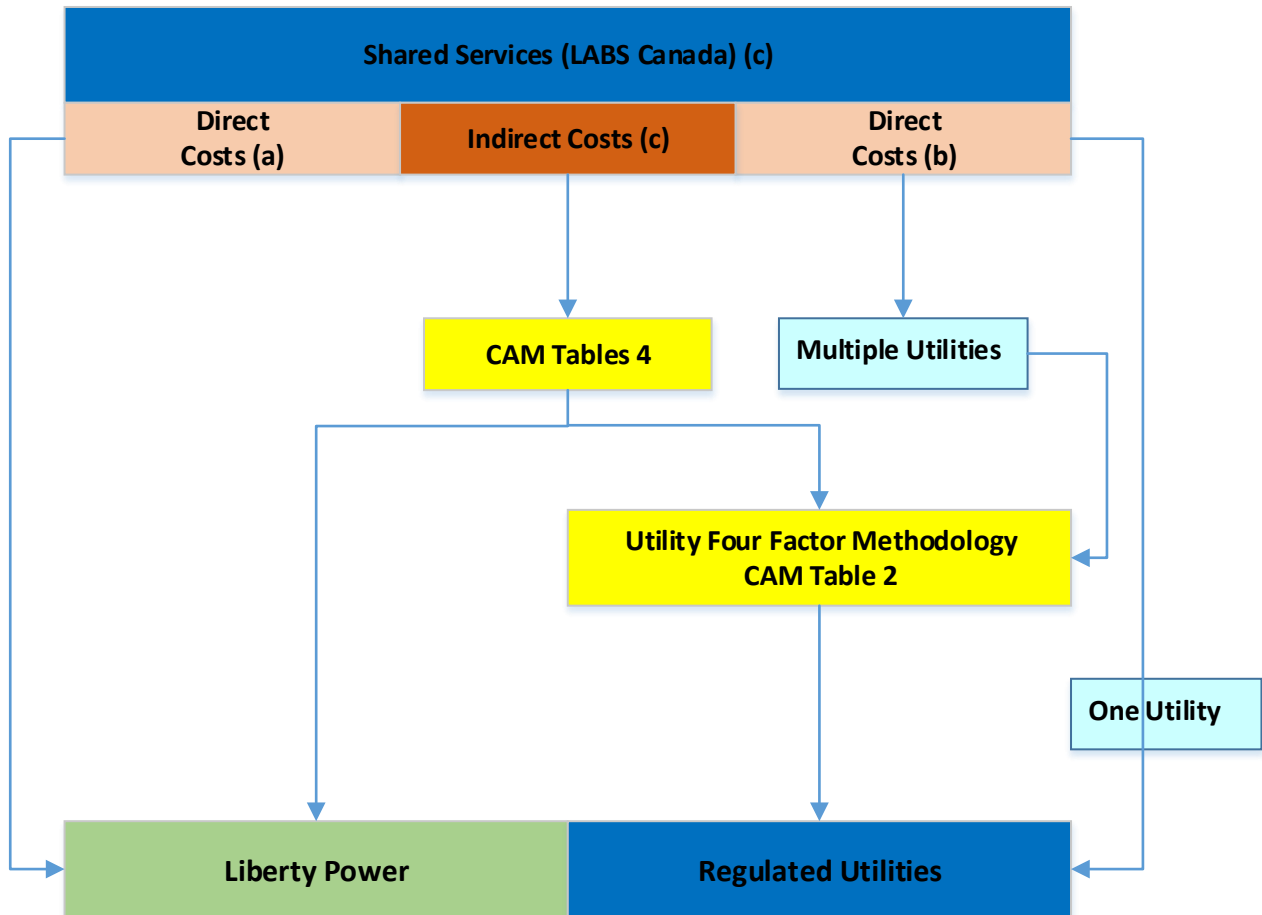


Notes:

- (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 transitional 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 Methodology⁹. 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 services¹⁰ 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 LUC¹¹) are assigned when they are directly attributable to a specific affiliate company (such as a specific distribution utility) or business unit¹² (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 LUC¹³.

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.

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 below¹⁴. 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 LUC¹⁵ 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.

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		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

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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 LUC¹⁶ 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
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¹⁶ And LUSC shared services functions.

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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.

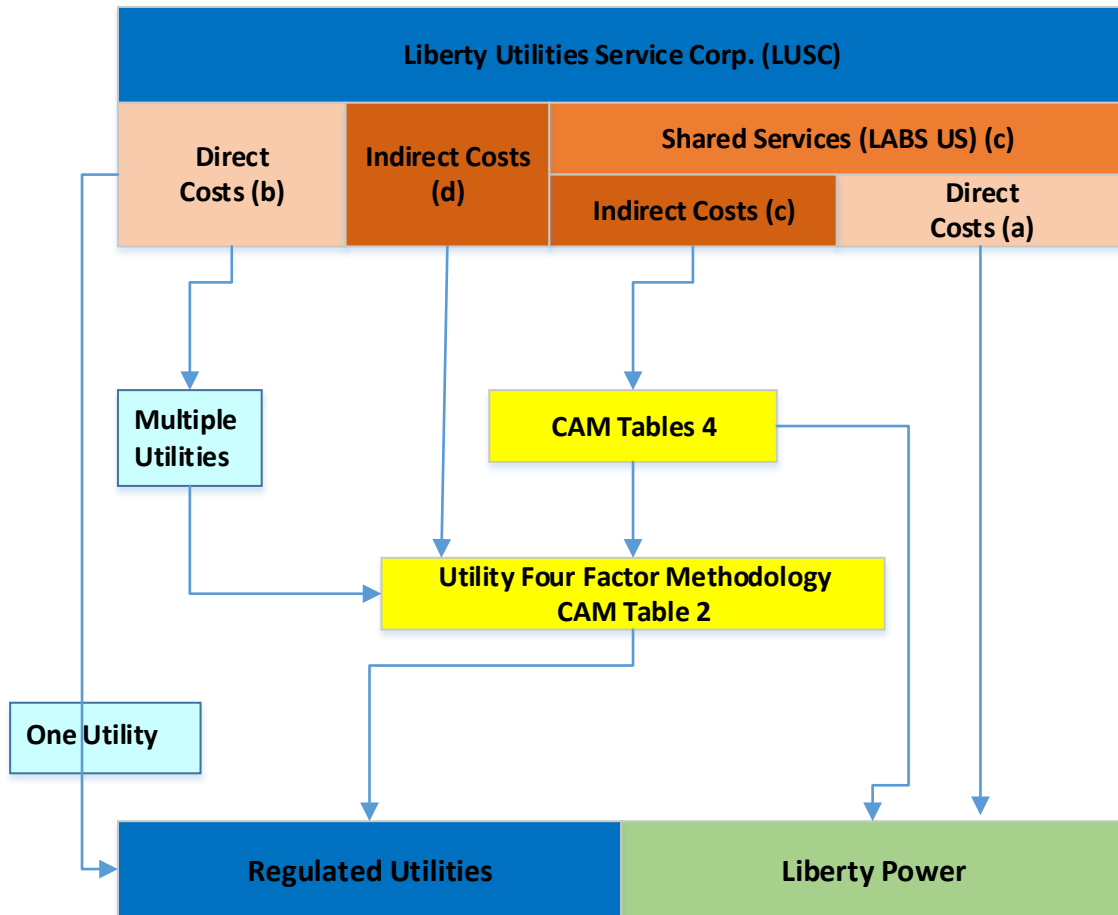
The indirect costs from the U.S. shared services that only benefit the regulated utilities are distributed using the Utility Four-Factor Methodology set forth in CAM Table 2, resulting in utility-specific allocated charges from LUSC.

Figure 5 below depicts the various flows of costs from LUSC.

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 percentages¹⁷ 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.

COST ALLOCATION MANUAL

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.

COST ALLOCATION MANUAL

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.

COST ALLOCATION MANUAL

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

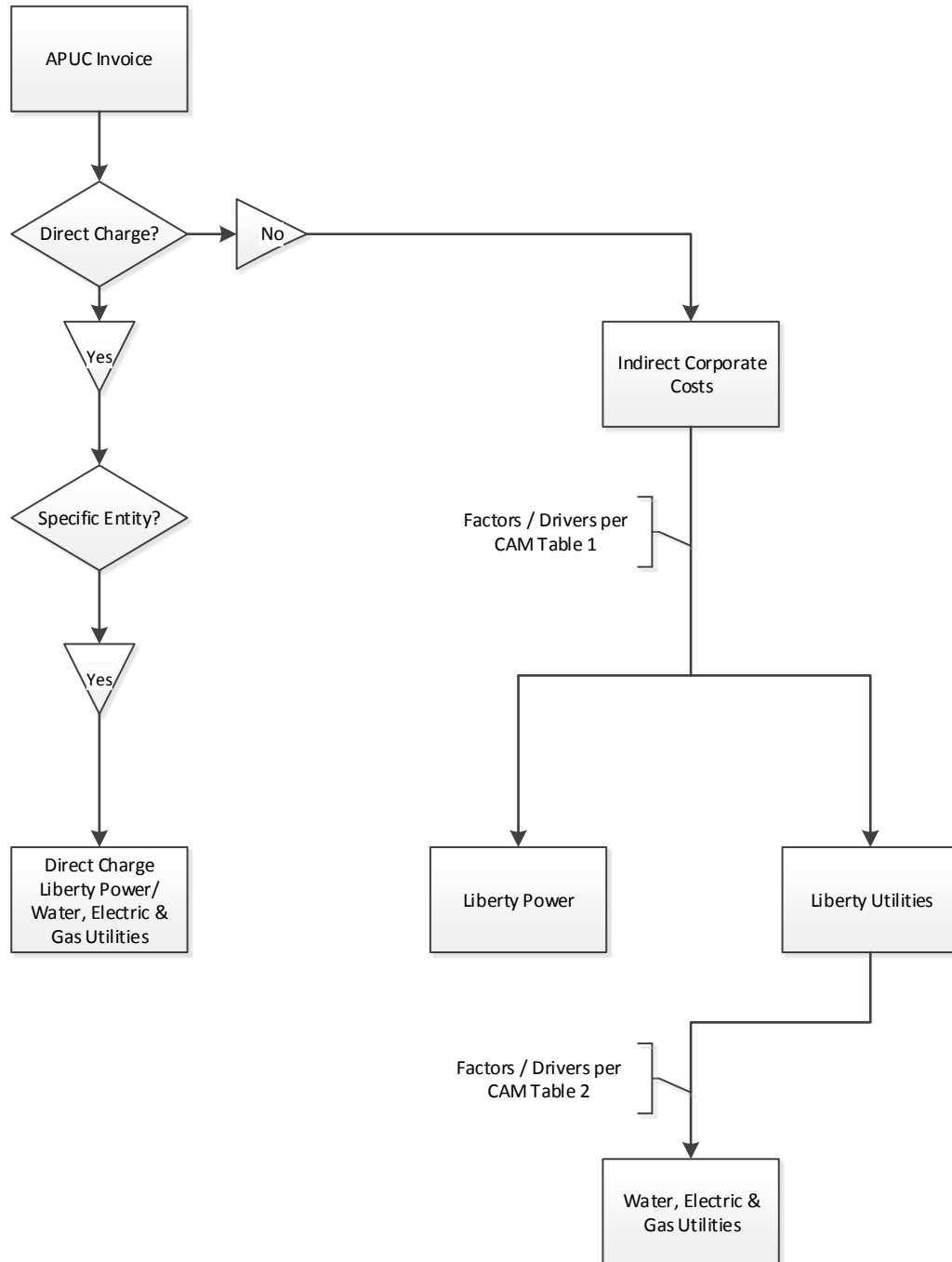
Taxes are paid on behalf of the regulated utilities at the parent level as part of a consolidated United States tax return. Tax services such as planning and filing are provided by third parties. Filing tax returns on a consolidated basis benefits each regulated utility by reducing the costs that otherwise 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.

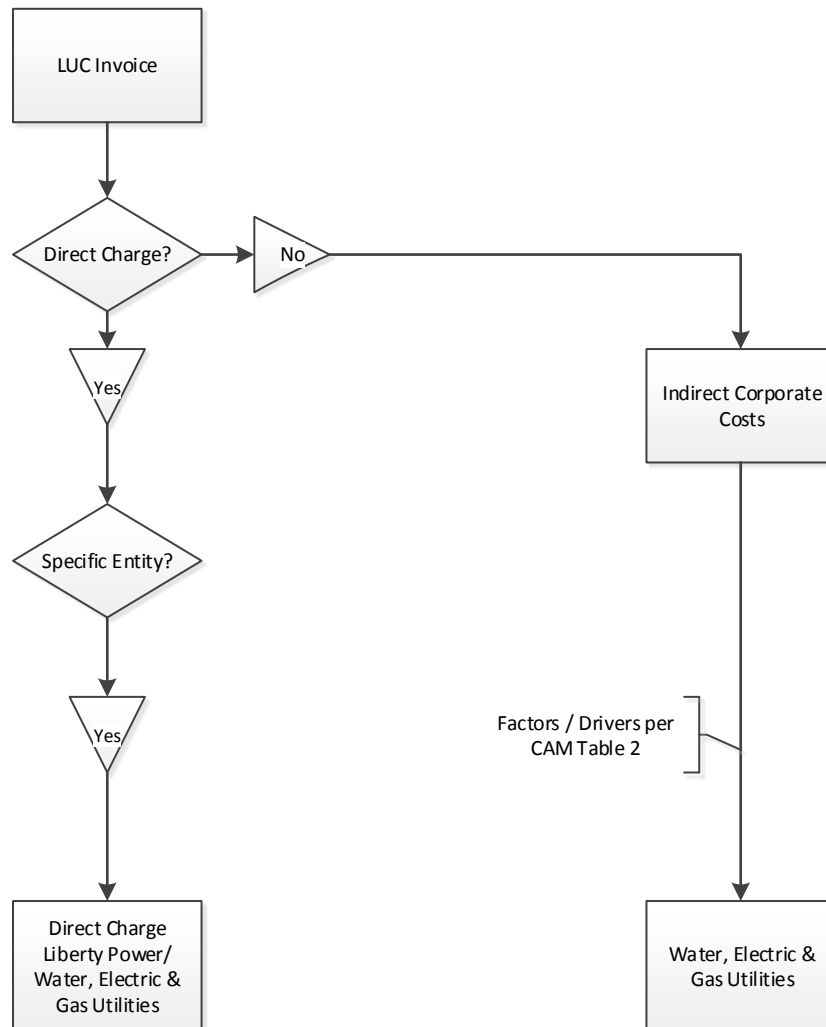
APPENDIX 3 – LIFE OF AN APUC INVOICE

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

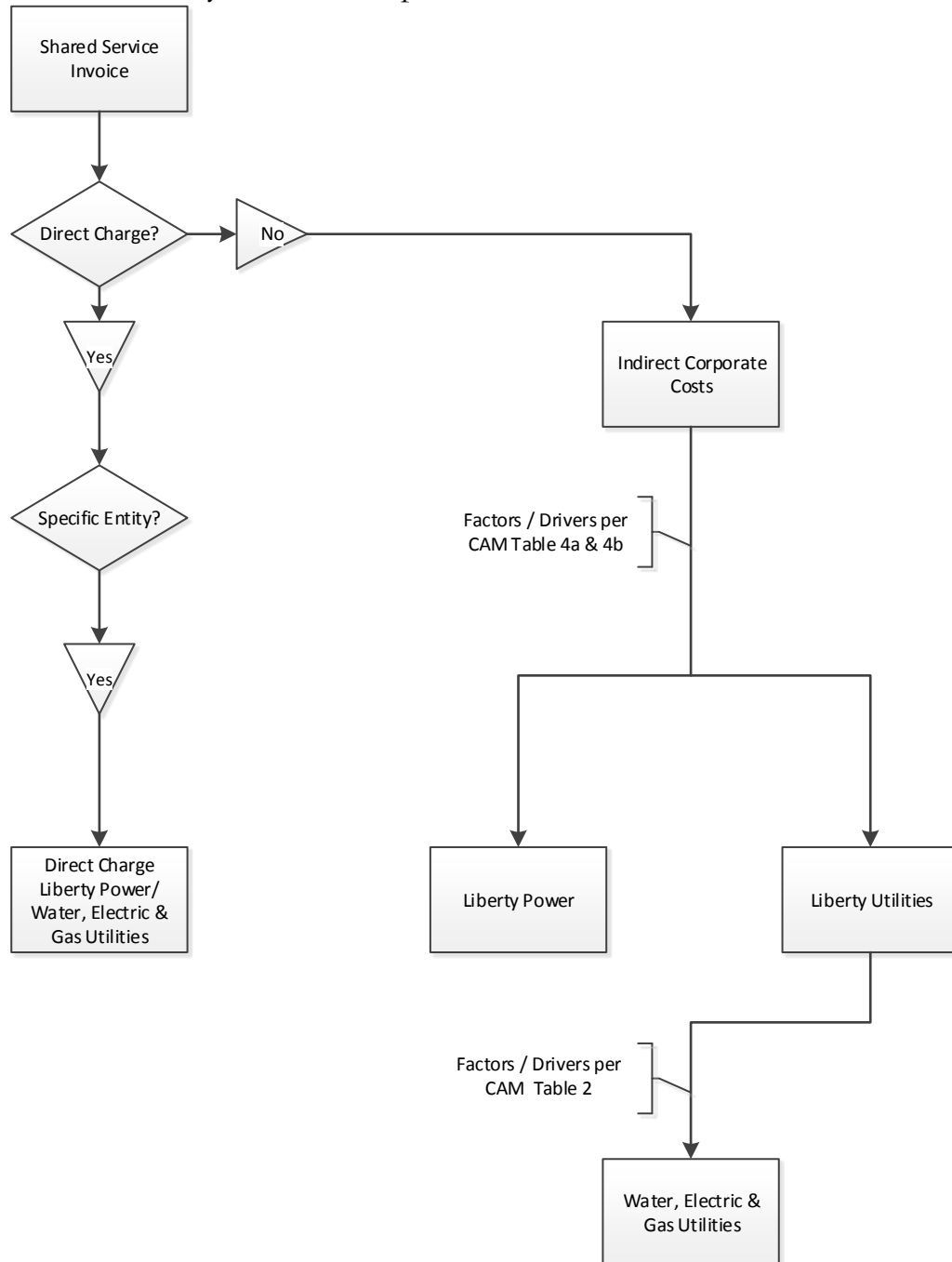
A schematic is provided below showing the trail of an invoice received by Liberty Utilities (LUC) for services to be charged to its utility subsidiaries¹⁸. The schematic is intended to visually explain the distribution of charges from LUC to Liberty Utilities companies.



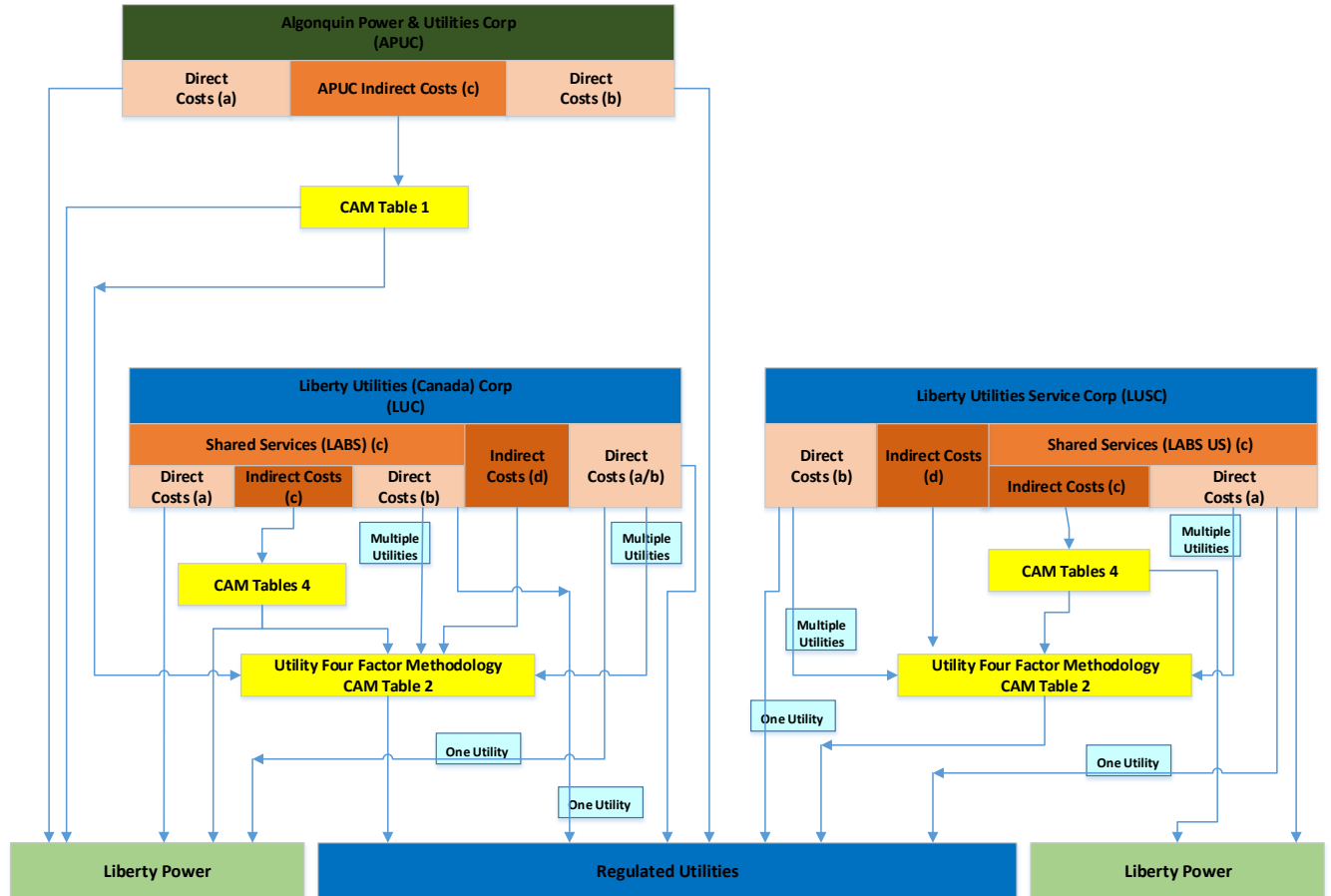
¹⁸ This is for utility-dedicated LUC staff and services (not shared services staff).

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.

COST ALLOCATION MANUAL

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





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,

A handwritten signature in black ink that reads "Sean P. Riley".

Sean P. Riley
Partner

A handwritten signature in black ink that reads "Alan D. Felsenthal".

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.

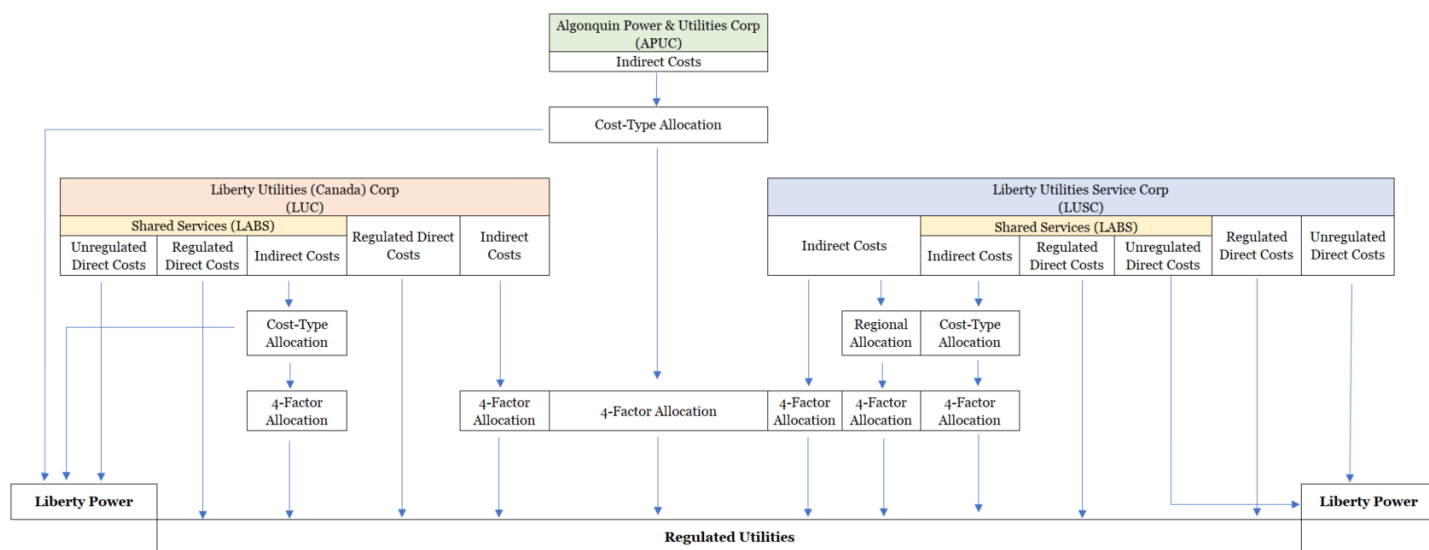
Procedures and observations

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 reformed 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		O&M		Revenue		Net Plant		Oakville Employees	
	Headcount	%	USD	%	USD	%	USD	%	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%			
Audit					33-333%		33-333%			
Investor Relations					33-333%		33-333%			
Director Fee & Insurance					33-333%		33-333%			
Licenses, Fees, and Permits					33-333%		33-333%			
Escrow & transfer Agent Fees					33-333%		33-333%			
Other Professional Services					33-333%		33-333%			
Office Administration Costs	50.00%								50.00%	
Travel- CAM category is Other Other Professional Services.					33-333%		33-333%			
Executive Salaries and Strategic Management					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%
-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	LU	LU	
	%	Allocation - CAD	Allocation - USD	Allocation	In USD
Legal Costs	\$73,392.6	18.9%	\$ 19,315	81.1%	\$ 59,549
Tax Services	\$98,363.0	23.0%	\$ 21,605	77.0%	\$ 75,712
Audit	\$192,329.1	23.0%	\$ 61,796	77.0%	\$ 148,040
Investor Relations	\$577,138.1	23.0%	\$ 155,438	77.0%	\$ 444,236
Director Fee & Insurance	\$59,205.8	23.0%	\$ 19,023	77.0%	\$ 45,572
Licenses & Fees	\$94,317.9	23.0%	\$ 30,305	77.0%	\$ 72,599
Escrow transfer Agent	\$0.0	23.0%	\$ -	77.0%	\$ -
Other Professional	(\$1,209.2)	23.0%	\$ (389)	77.0%	\$ (931)
Office Administration	\$28,086.1	18.2%	\$ 7,119	81.8%	\$ 22,984
Other Professional - Travel	\$45,449.9	23.0%	\$ 14,603	77.0%	\$ 34,984
Other Professional - Travel - Aircraft	\$276,870.5	23.0%	\$ 88,960	77.0%	\$ 213,114
Executive & Strategic Management - Salaries & Benefits	\$460,094.0	23.0%	\$ 147,831	77.0%	\$ 354,145
Total	\$1,904,037.8		\$ 605,607		\$ 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	Caiecco	GS	EN	Midstates Gas	Midstates Water	Midstates Sewer	ARK	Woodson-Hensley	Georgia	NEG	Whitehall	Whitehall	Park Water	Empire	NewBrunswick Gas	St Lawrence Gas	Tinker Transmission
	8020	8800	8830	8840	8850	8640	8640	8606	8603	8862	8866	8608	8609					
Legal Costs	\$ 107	\$ 207	\$(245)	\$ 26	\$ 67	\$ 4	\$ 1	\$ 17		\$(3)	\$(14)	\$ 36	\$(63)	\$ 3	\$ 27	\$(140)	\$ 23	\$(27)
Tax Services	\$ 137	\$ 264	\$(312)	\$ 33	\$ 85	\$ 5	\$ 1	\$ 21		\$(3)	\$(17)	\$ 45	\$(81)	\$ 4	\$ 35	\$(189)	\$ 29	\$(35)
Audit	\$ 267	\$ 515	\$(610)	\$ 65	\$ 166	\$ 11	\$ 3	\$ 42		\$(7)	\$(34)	\$ 88	\$(157)	\$ 7	\$ 68	\$(370)	\$ 56	\$(68)
Investor Relations	\$ 801	\$1,546	\$(1,831)	\$ 196	\$ 497	\$ 32	\$ 8	\$ 125		\$(20)	\$(102)	\$265	\$(473)	\$ 21	\$ 203	\$(1,109)	\$ 168	\$(204)
Director Fee & Insurance	\$ 82	\$ 159	\$(188)	\$ 20	\$ 51	\$ 3	\$ 1	\$ 13		\$(2)	\$(11)	\$ 27	\$(48)	\$ 2	\$ 21	\$(114)	\$ 17	\$(21)
Licenses & Fees	\$ 131	\$ 253	\$(299)	\$ 32	\$ 81	\$ 5	\$ 1	\$ 20		\$(3)	\$(17)	\$ 43	\$(77)	\$ 3	\$ 33	\$(181)	\$ 28	\$(33)
Escrow transfer Agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Professional	\$ (2)	\$(3)	\$ 4	\$(0)	\$(1)	\$(0)	\$(0)	\$(0)		\$ 0	\$ 0	\$(1)	\$ 1	\$(0)	\$(0)	\$ 2	\$(0)	\$ 0
Office Administration	\$ 41	\$ 80	\$(95)	\$ 10	\$ 26	\$ 2	\$ 0	\$ 6		\$(1)	\$(5)	\$ 14	\$(24)	\$ 1	\$ 11	\$(57)	\$ 9	\$(11)
Other Professional - Travel	\$ 63	\$ 122	\$(144)	\$ 15	\$ 39	\$ 2	\$ 1	\$ 10		\$(2)	\$(9)	\$ 21	\$(37)	\$ 2	\$ 16	\$(87)	\$ 13	\$(16)
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)
Total	\$ 2,267	\$4,375	\$(5,180)	\$ 553	\$ 1,405	\$ 90	\$ 22	\$ 353		\$(57)	\$(290)	\$750	\$(1,337)	\$ 59	\$ 575	\$(3,138)	\$ 476	\$(576)

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 the enterprise?	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 allocation⁶

	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

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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

	<p>unit, both direct and overhead, shall be deducted from the plant accounts at the time the property is retired.</p> <p>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.</p> <p>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.</p>
<p>Interpretation No. 59 of the NARUC USoA² (Gas & Electric)</p>	<p>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 permissible 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.</p> <p>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.</p>
<p>Uniform System of Accounts for Class A Water and Wastewater Utilities (NARUC, 1996)</p>	<p>19. Utility Plant - Components of Construction Cost</p> <p>(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.</p> <p>20. Utility Plant - Overhead Construction Costs</p> <p>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</p>

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, PA³ 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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10

11 **BEFORE THE ARIZONA CORPORATION COMMISSION**

12

COMMISSIONERS

13 JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
14 ANNA TOVAR
15 NICK MYERS
KEVIN THOMPSON

16

17 IN THE MATTER OF THE APPLICATION OF
LIBERTY UTILITIES (BEARDSLEY WATER)
18 CORP., AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
19 ITS UTILITY PLANTS AND PROPERTY AND
FOR INCREASES IN ITS RATES AND
20 CHARGES FOR UTILITY SERVICE BASED
THEREON.

DOCKET NO: W-02074A-23-

21

22

23 **DIRECT TESTIMONY**

24

OF

25

26

TERRY GILBERTSON

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December 28, 2023

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1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Terry Gilbertson. My business address is 14222 W. McDowell Rd, Goodyear,
4 AZ 85395.

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

6 A. I am employed by Liberty Utilities Service Corp. as the Senior Operations Manager
7 responsible for the operations of Liberty Utilities (Litchfield Park Water & Sewer) Corp.,
8 and Liberty Utilities (Beardsley Water) Corp. (“Liberty Beardsley”).

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

10 A. I am providing this direct testimony on behalf of Liberty Beardsley.

11 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
12 BACKGROUND.**

13 A. I have 16 years of experience in the drinking water and wastewater industry. In August
14 2009, I joined Liberty as an Operator at the Palm Valley Water Reclamation Facility. In
15 2013, I became Supervisor of Operations in the Collections department and in 2015, I
16 became the Supervisor of Operations in the Wastewater treatment department. In 2021, I
17 was promoted to Manager of Operations for the Litchfield Park and Beardsley utilities. In
18 2023, I was promoted to Senior Manager of Operations. I am currently attending Arizona
19 State University where I am pursuing a bachelor’s degree in Integrated Studies with a
20 primary focus on Business and Operational Leadership.

21 **Q. DO YOU HOLD ANY CERTIFICATIONS?**

22 A. Yes. I currently hold the following certifications in the State of Arizona: Grade IV - Water
23 Treatment and Distribution, Grade IV - Wastewater Treatment, and Collections.

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

A. No, this will be my first time testifying.

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 Beardsley’s current operations and the capital investments that have been undertaken to provide continued safe and reliable service for customers since the last rate case in 2018.

II. DESCRIPTION OF LIBERTY BEARDSLEY PLANT AND OPERATIONS

A. General Description of System

Q. PLEASE PROVIDE AN OVERVIEW OF LIBERTY BEARDSLEY.

A. Liberty Beardsley’s service area is in the northwest portion of the Phoenix metropolitan area. Liberty Beardsley primarily serves customers within a community in and/or near the City of Surprise and Wittman, located in Maricopa County, Arizona. As of April 2023, Liberty Beardsley had 2,626 connections (2,577 residential, 15 commercial, and 34 industrial). Liberty Beardsley is currently providing water service to four separate Public Water Systems (“PWS”) within the utility (PWS #07-007, #07-511, #07-517, #07-528).

Q. PLEASE DESCRIBE THE ASSETS USED IN OPERATING THE LIBERTY BEARDSLEY WATER SYSTEM.

A. Liberty Beardsley’s service area covers approximately 9.0 square miles (or 5,752 acres) in land area and includes eleven wells (seven for ‘PWS’ #07-007, one for PWS #07-0511, two for PWS #07-0517, and one for PWS #07-0528). The system contains a combined total of 1.655 Million Gallons (“MG”) of storage and approximately 38.6 miles of distribution mains (203,835 ft.) throughout the four PWSs.

Q. WHAT IS LIBERTY BEARDSLEY’S COMPLIANCE STATUS?

1 A. To the best of my knowledge, Liberty Beardsley is in compliance and good standing
2 according to the rules and regulations of Arizona Department of Environmental Quality
3 (“ADEQ”), Maricopa County and the Arizona Corporation Commission based on the most
4 current information available.

5 **B. Plant Improvements Since Last Rate Case**

6 **Q. HAS LIBERTY BEARDSLEY MADE ANY SIGNIFICANT UPGRADES OR**
7 **IMPROVEMENTS SINCE THE LAST RATE CASE?**

8
9 A. Yes. Since the Company’s last rate case filed in 2019 with a test year of 2018, Liberty
10 Beardsley has invested \$3,389,989 in capital improvements and upgrades to the system. I
11 address the Company’s capital projects below and Lauren Preston’s testimony provides a
12 discussion in support of the Customer First investment allocated to Liberty Beardsley.
13 Exhibit TG-DT1 summarizes the investments categorized by account since its last rate case.

14 **Q. CAN YOU DESCRIBE THOSE CAPITAL INVESTMENTS MADE BY LIBERTY**
15 **BEARDSLEY SINCE THE LAST RATE CASE?**

16
17 A. The Company’s last rate case was filed on December 12, 2019 prior to Liberty’s ownership.
18 Liberty Utilities (Sub) Corp. purchased the stock of Beardsley Water Company, Inc. in
19 March 2021. Since that rate case in 2019, Liberty Beardsley has made various capital
20 investments, including replacing aging meters, upgrading water treatment and pumping
21 equipment, installing security and software upgrades and services.

22
23 **Q. CAN YOU DESCRIBE IN MORE DETAIL THE CAPITAL IMPROVEMENTS**
24 **MADE SINCE LIBERTY HAS BEEN OPERATING THE LIBERTY BEARDSLEY**
25 **SYSTEM?**

26 A. Yes, as noted above, Liberty took over operation of the Beardsley system in March 2021.
27 In July 2021, Liberty Beardsley hired Sunrise Engineering Inc. to create an updated Master
28

1 Plan for the water system, which will allow it to inventory the system, identify future needs,
2 prioritize future projects, and provide a framework for decisions. Liberty Beardsley
3 replaced five hundred old meter units with new meters and upgraded all 2007 meters to
4 radio read technology to improve the accuracy of bill reads. Liberty Beardsley has also
5 purchased two utility vehicles for operational staff. To enhance security, Liberty Beardsley
6 replaced old chain link fencing around two well sites with six-foot-high block walls with
7 locking gate access. To enhance reliability, Liberty Beardsley inspected and replaced six
8 well pumps, installed a new sand separator on Austin Ranch well #2, installed Variable
9 Frequency Drive (“VFD”) drives at well #244, upgraded the electrical control panel at
10 Enoch well #1-2, and installed Mission monitoring systems at each well site for remote
11 monitoring and alarming. Chlorine dosing units were replaced with newer and more
12 efficient units at Austin Ranch reservoir, Austin Ranch well #3, and the Rio Rancho
13 reservoir. Liberty Beardsley installed five additional sampling stations for seven stations
14 for compliance monitoring and testing. The post test year plant being requested in this rate
15 case for recovery is approximately \$1.0 million, and includes Liberty’s Cyber Security
16 Program, Enoch Well #1-1 tank demolition, additional Mission SCADA monitoring
17 systems, BWC #4 well improvements at well #1 and well #2 , Automatic Meter Reading
18 (“AMR”) collector, operations mobile office, and main and service line repairs.

22 **Q. WAS THE AMOUNT OF CAPITAL INVESTMENT NECESSARY FOR LIBERTY**
23 **BEARDSLEY?**

24 A. Yes. The improvements to the Liberty Beardsley system involved necessary upgrades to
25 the water production and water distribution systems, including the following:

- 26 ○ **Treatment Equipment** – The upgrades to the treatment equipment consisted of the
27 replacement of older sodium hypochlorite diaphragm dosing pumps with more
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efficient peristaltic pumps. These pumps are more reliable in the warmer conditions of summer as they are not susceptible to air locking due to off gassing of the sodium hypochlorite thereby ensuring consistent dosing throughout the day.

- **Pumping Equipment** – Several well sites had the pumps inspected and replaced. These sites consisted of Austin Ranch well #1, well #2, Enoch well #1-2, Crozier well, well #244, and well #247. These replacements increased the reliability of each well site.
- **Communications Equipment** – Liberty Beardsley made improvements to the monitoring of each well site and reservoir site. Mission monitoring systems have been installed at all sites to allow for remote monitoring of storage tank levels, pump runtime, and booster pressure. This work will reduce potential faults and shutdowns due to lack of controls and provide insight into current facility operations and thereby improve efficiency.
- **Other Tangible Plant** – Liberty Beardsley replaced nine production flow meters. The meters replaced were past their useful life and/or were sized incorrectly for the flows being produced. The new meters allow for a more accurate accounting of water produced at each well site.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

EXHIBIT TG-DT1

Liberty Utilities (Beardsley Water) Corp.
Exhibit TG-DT1

Line No.	NARUC	Account Description	[A]	[B]	[C]	[D]	[E] = [D] - [A]
			Gross Utility Plant as of 12/31/2018	Plant Additions 01/01/2019 - 04/30/2023	Plant Additions Post Test Year	Gross Utility Plant Current Rate Case	Increase / (Decrease)
1	301	Organization Cost	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-
3	303	Land and Land Rights	120,880	-	-	120,880	-
4	304	Structures & Improvements	31,630	36,214	50,000	117,844	86,214
5	305	Collecting & Impounding Reservoirs	-	-	-	-	-
6	306	Lake, River, Canal Intakes	-	-	-	-	-
7	307	Wells & Springs	4,318,614	(23,897)	8,600	4,303,317	(15,297)
8	308	Infiltration Galleries	-	-	-	-	-
9	309	Raw Water Supply Mains	-	-	-	-	-
10	310	Power Generation Equipment	-	-	2,833	2,833	2,833
11	311	Pumping Equipment	484,761	365,686	10,776	861,223	376,462
12	320	Water Treatment Equipment	1,895	422,630	-	424,525	422,630
13	320.1	Water Treatment Plants	-	19,935	-	19,935	19,935
14	320.2	Solution Chemical Feeders	-	5,442	-	5,442	5,442
15	330	Distribution Reservoirs & Standpipes	-	-	-	-	-
16	330.1	Storage Tanks	1,098,632	(19,620)	187,240	1,266,252	167,620
17	330.2	Pressure Tanks	41,193	-	-	41,193	-
18	331	Transmission & Distribution Mains	3,274,051	24,888	250,000	3,548,939	274,888
19	333	Services	110,464	100,579	350,000	561,043	450,579
20	334	Meters	199,079	1,209,350	-	1,408,429	1,209,350
21	335	Hydrants	64,187	1,358	-	65,545	1,358
22	336	Backflow Prevention Devices	-	-	-	-	-
23	339	Other Plant & Misc Equipment	25,709	-	-	25,709	-
24	340	Office Furniture & Equipment	-	-	-	-	-
25	340.1	Computers & Software	-	231,744	-	231,744	231,744
26	341	Transportation Equipment	-	9,379	-	9,379	9,379
27	342	Stores Equipment	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	-	13,929	-	13,929	13,929
29	344	Laboratory Equipment	-	-	-	-	-
30	345	Power Operated Equipment	-	-	-	-	-
31	346	Communication Equipment	-	7,890	125,031	132,921	132,921
32	347	Miscellaneous Equipment	675	-	-	675	-
33	347.1	Miscellaneous Equipment - CNG Plant	-	-	-	-	-
34	348	Other Tangible Plant	-	-	-	-	-
35		Total Gross Utility Plant	\$ 9,771,768	\$ 2,405,508	\$ 984,481	\$ 13,161,757	\$ 3,389,989
36							
37							
38							
39	903	Land and Land Rights		\$ 4,444	\$ -	\$ 4,444	
40	904	Structures and Improvements		119,070	-	119,070	
41	940	Office Furniture and Fixtures		16,289	-	16,289	
42	940.1	Computers and Software		16,570	27,951	44,522	
43	940.2	Customer First		676,381	-	676,381	
44	955	Power Generation		88	-	88	
45	995	Power Operated Equipment		14,467	-	14,467	
46		Total Allocated Corporate Plant	\$	\$ 847,309	\$ 27,951	\$ 875,260	
47							
48		Combined TOTAL	\$ 9,771,768	\$ 3,252,817	\$ 1,012,433	\$ 14,037,018	

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10

11 **BEFORE THE ARIZONA CORPORATION COMMISSION**

12 **COMMISSIONERS**

13 JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
14 ANNA TOVAR
15 NICK MYERS
KEVIN THOMPSON

16
17 IN THE MATTER OF THE APPLICATION OF
LIBERTY UTILITIES (BEARDSLEY WATER)
18 CORP., AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
19 ITS UTILITY PLANTS AND PROPERTY AND
FOR INCREASES IN ITS RATES AND
20 CHARGES FOR UTILITY SERVICE BASED
THEREON.

DOCKET NO: W-02074A-23-

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22
23 **DIRECT TESTIMONY**

24 **OF**

25 **LAUREN A. PRESTON**

26
27 **December 28, 2023**
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II. DESCRIPTION OF CUSTOMER FIRST 3

III. FINANCIAL ASSISTANCE PROGRAM 10

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. Lauren A. Preston. My business address is 15 Buttrick Rd., Londonderry, New Hampshire
4 03053.

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

6 A. I am employed by Liberty Utilities Service Corp. (“LUSC”), a wholly owned subsidiary of
7 Liberty Utilities Co. (“Liberty”), as the Vice President of Customer Care.

8 **Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS TESTIMONY?**

9 A. I am testifying on behalf of Liberty Utilities (Cordes Lakes Water) Corp. (“Cordes Lakes”),
10 Liberty Utilities (Bella Vista Water) Corp. (“Liberty Bella Vista”), Liberty Utilities (Rio
11 Rico Water and Sewer) Corp. (“Liberty Rio Rico”) and Liberty Utilities (Beardsley Water)
12 Corp. (“Liberty Beardsley”) (collectively referred to sometimes herein as “Applicants”).

13 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
14 BACKGROUND.**

15 A. I have 34 years of experience in the public utilities field. My range of experience includes
16 the traditional aspects of customer care, such as meter reading, call centers, collections,
17 billing, third party supplier support, and marketing and communications and includes
18 serving customers in electric, water, and natural gas utilities. I also have experience as an
19 internal auditor and a project leader for large scale programs. I hold a bachelor’s degree in
20 management from the University of Massachusetts and a Master of Business Administration
21 from Boston College. I have also served in leadership capacities for the American Gas
22 Association and Southern Gas Association.

23 **Q. PLEASE DESCRIBE YOUR DUTIES AS VICE PRESIDENT OF CUSTOMER
24 CARE.**

25 A. I am responsible for managing and overseeing the customer care services for all of Liberty’s
26 regulated utilities. My duties include setting strategy and policy for delivery of customer
27 care activities for Liberty’s electric, natural gas, water, and wastewater customers across
28

1 thirteen states¹ in the United States and one Canadian province.² My Customer Care team
2 is responsible for customer billing, customer contact via call centers and walk-in centers,
3 collections, communications, and social media support. In some service territories, my
4 team—the Customer Care team—is also responsible for meter data collection. Customer
5 Care also serves a substantial role in implementing innovative technologies serving
6 customers and complying with regulatory requirements related to customer care and billing.

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

9 A. Yes. I have testified before the public utility commissions in Massachusetts, Maryland, and
10 the District of Columbia in positions I held prior to joining Liberty.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. The purpose of my testimony is to describe Liberty’s recent implementation of a modern
13 technology platform, Customer First, that replaced a legacy customer information system
14 and several other technology systems. My testimony also describes proposals for some new
15 programs Liberty believes will improve customer care.

16 **Q. ARE YOU SPONSORING ANY REQUIRED SCHEDULES OR EXHIBITS?**

17 A. Yes. I am sponsoring Exhibit LP-DT1: Customer Assistance Tariff.

18 **II. DESCRIPTION OF CUSTOMER FIRST**

19 **Q. PLEASE EXPLAIN WHAT CUSTOMER FIRST IS.**

20 A. Customer First is an enterprise-wide project that includes changes to technology and
21 systems, and associated employee training. As a comprehensive project, Customer First
22 serves to install an enterprise-wide solution to replace and improve legacy computer
23 systems. These include systems related to customer information, finance and accounting,
24 network operations, procurement, accounts payable, employee time, and payroll services.
25 The Customer First project provides employees with the tools to deliver the experience that
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27 ¹ Arizona, Arkansas, California, Georgia, Illinois, Iowa, Kansas, Massachusetts, Missouri, New Hampshire, New York,
Oklahoma, and Texas.

28 ² New Brunswick, Canada

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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.

Figure 1. Customer First Program



1 **Q. IS CUSTOMER FIRST A REPLACEMENT OF OBSOLETE TECHNOLOGY OR**
2 **UPGRADES TO NEWER TECHNOLOGIES?**

3 A. Both. Across the enterprise, Customer First will replace obsolete systems that were
4 becoming increasingly difficult to maintain. In addition to mitigating the operational risks
5 that come with reliance on antiquated systems, Customer First also offers enhancements
6 that will help modernize distribution grids, provide better access to data for customers, and
7 improve the efficiencies with which the APUC utilities plan and operate their systems.
8 Further gains in both areas are created by the simultaneous investment in our employees
9 with corresponding training and work process designed to make the work we perform for
10 our customers and communities better.

11 **Q. HOW DID IT COME TO PASS THAT THE APUC UTILITIES RELY ON SO**
12 **MANY DIFFERENT, DISPARATE SYSTEMS?**

13 A. That current state is largely attributable to the manner in which the organization has grown
14 since entering the regulated utility space. APUC acquired its first regulated utility in
15 Arizona in 2001 by purchasing a wastewater utility that serves approximately 2,000
16 customers. Since then, through a series of acquisitions, APUC has grown its utility business
17 significantly. Today, utilities owned by APUC provide regulated electric, natural gas,
18 water, and wastewater utility services to roughly one million customers of its 30 regulated
19 utilities, which operate in 13 states, one Canadian province, Bermuda, and Chile. Many of
20 the information systems utilized by these utilities when acquired were developed at a time
21 when business requirements were different than they are today. In 2017, APUC began
22 evaluating its systems and business processes, many of which were obsolete, lack capability
23 of support and required significant manual work, which further promoted the need for a
24 multi-functional platform. After re-evaluating its customer, business, and security
25 requirements with the technology and processes, and considering a range of alternatives,
26 APUC determined that an investment in Customer First would remedy the gaps associated
27 with its existing individual systems, including sustaining the legacy systems, developing
28 localized solutions, and developing an enterprise solution.

1 **Q. WHY DID APUC CHOOSE TO IMPLEMENT AN ENTERPRISE SOLUTION,**
2 **RATHER THAN MAKING SYSTEM INVESTMENTS ON A UTILITY-BY-**
3 **UTILITY BASIS?**

4 A. APUC chose an enterprise solution because the business needs across all the subsidiaries
5 have a consistent set of baseline needs. Making investments on a utility-by-utility basis
6 would likely have required a more complex project and procurement/development strategy
7 and in doing so increased the risk of system design decisions becoming disparate across the
8 organization. Choosing one set of systems which meets the majority of baseline needs to
9 implement and then configure those to meet the particular differences of each subsidiary
10 creates efficiencies across multiple dimensions. Customer First is an enterprise solution
11 that includes system-wide investments, upgrades, improvements, and changes to business
12 processes across the enterprise. Customer First addresses critical needs across the enterprise
13 by (1) leveraging the capabilities and experience of the organization; (2) upgrading or
14 replacing key systems that have become generally obsolete and costly to maintain; (3)
15 harnessing and creating large, scalable networks and resources which are accessible and
16 allow for efficiencies; and (4) reducing potential security risks.

17 **Q. PLEASE DESCRIBE THE BENEFITS CUSTOMERS WILL RECEIVE WITH THE**
18 **IMPLEMENTATION OF CUSTOMER FIRST.**

19 A. One of the most impactful customer-facing benefits from implementing Customer First is
20 the opportunity to replace the Company's existing customer information system ("CIS")
21 and billing systems, which were not capable of providing the kinds of services customers
22 want now and in the future. The Company's CIS and billing systems were increasingly
23 obsolete and had not had a substantial upgrade in more than 10 years. Adapting a system
24 of that age to provide more flexibility in the types of services customers expect from a utility
25 today and in years to come would be complicated and expensive. With Customer First and
26 related interfaces, the Applicants can offer several new and improved services and share in
27 the development and maintenance efforts of these services across the enterprise. For
28 example, Customer First has allowed the Applicants to redesign customers' bills making it

1 easier to read and understand the cost of the services provided. The Applicants also can
2 now offer a digital connection that allows customers to track the status of work orders. The
3 Applicants can expand payment options to customers, including online payment, auto-
4 payment, payments at terminals in walk-in centers, and refresh how payments are made by
5 phone via the Interactive Voice Response (“IVR”) system. The system allows for digital
6 channels for customer contact, self-service enablement, supports demand response
7 programs, and has the flexibility necessary for innovative rate design. The user interface
8 enables customers to set up an account profile, monitor their usage, view bills, make
9 payments, see a map of planned outages, and receive alerts. Further, an omnichannel survey
10 platform to collect Voice of Customer (“VoC”) feedback enables Liberty to understand how
11 we are serving our customers and what our customers want from their utility provider.
12 These advances coupled with an advanced survey and feedback system allow us to gather
13 information on how our customers feel about our service and to use their insight to make
14 improvements.

15 Customer First will improve how the Applicants engage with customers, manage their
16 assets, operate the system, and plan utility operations. This will allow for long-run
17 efficiencies through integrated software applications that standardize, streamline, and
18 integrate business processes across finance, human resources, procurement, distribution,
19 and other departments. For example, Customer First includes the implementation of
20 PowerPlan, a software solution that specifically addresses the unique asset management
21 requirements of utilities, enables functionality for specialized utility accounting practices,
22 and leverages existing data to support the automation of key activities while meeting
23 regulatory and jurisdictional requirements. Other tools such as Workforce Software will
24 streamline the processing of payroll and reduce compliance risks, and a financial planning
25 and business intelligence platform will allow for collaboration across multiple business
26 units.

1 **Q. PLEASE DESCRIBE HOW CUSTOMER FIRST INCORPORATES CUSTOMER**
2 **NEEDS AND EXPECTATIONS THROUGHOUT ITS DESIGN AND**
3 **IMPLEMENTATION.**

4 A. APUC selected SAP’s industry-leading enterprise resource planning (“ERP”) software
5 system used by large companies including utilities all over the world. The process used to
6 select SAP was based on a comprehensive assessment of customer and employee needs
7 against the capabilities of the software. To implement SAP, APUC hired industry experts
8 in deploying SAP and paired them with teams of experienced company employees to adapt
9 the system to fit local preferences and requirements. As the design, configuration, testing,
10 and implementation of the system is worked through, decisions on how this would work
11 will be incorporated into research on customer and industry practices, regulatory
12 requirements, and procedures to help streamline work for our employees and make
13 information more accessible for our customers. This design included how information is
14 delivered to our customers in a manner that helps them understand and manage their energy
15 usage. The system was also built with the capacity to adapt to innovative programs and
16 technologies as those become available to our customers.

17 **Q. WHEN WAS CUSTOMER FIRST PLACED IN SERVICE FOR THE**
18 **APPLICANTS?**

19 A. Customer First was placed in service on April 30, 2023.

20 **Q. PLEASE OUTLINE THE CAPITAL INVESTMENT ASSOCIATED WITH THE**
21 **CUSTOMER FIRST PROJECT.**

22 A. The Applicants’ allocation of the total APUC capital investment for Customer First is
23 estimated to be \$7.15 million as reflected in Table 1 below. However, after the project is
24 fully deployed across the enterprise in 2024, the allocated share of the total capital
25 investment to the Applicants will be trued-up based on the actual costs incurred by APUC.
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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?

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

1 **III. FINANCIAL ASSISTANCE PROGRAM**

2 **Q. PLEASE DESCRIBE THE COMPANY’S PROPOSED CUSTOMER FINANCIAL**
3 **ASSISTANCE PROGRAM.**

4 A. The Company is proposing a new Customer Assistance Tariff (“CAT”) for all of the
5 Applicants. The CAT includes Low-Income, Deployed Services Member, and Disabled
6 Veteran programs. These programs are intended to alleviate financial hardships customers
7 may be experiencing paying their utility bills and are consistent with CATs approved for
8 other Liberty utilities and other Arizona utilities. Liberty Bella Vista Water and Liberty
9 Rio Rico currently have the Alternative Rate Water and Wastewater (ARWW) program that
10 is limited to just customers that meet the low-income qualification criteria whereas the CAT
11 is more expansive with the additional program qualification criteria. The Applicants are
12 proposing to replace the ARWW program with CAT, where applicable.

13 **Q. HOW WILL THE CAT BE IMPLEMENTED?**

14 A. Customers will be eligible to apply for relief on a first come, first served basis with a limit
15 of customers, as stated in the Tariffs, to participate in CAT programs. Customers submit
16 applications and Liberty Utilities Customer Care who will then determine eligibility.
17 Liberty Utilities will file an annual report detailing the number of participants from the
18 previous calendar year, the total amount of credits provided by the program and the total of
19 any program administrative costs.

20 **Q. HOW ARE THE COSTS OF IMPLEMENTING THE CAT PROGRAMS**
21 **RECOVERED, INCLUDING ANY ASSOCIATED LOST REVENUE?**

22 A. Through the establishment of a monthly CAT surcharge on all non-participating customers.
23 Liberty would account for direct costs associated with the programs separately from other
24 operating costs. The monthly surcharge would be calculated each year based on the active
25 number of customer connections as of December 31 of the prior year. Additionally, the
26 Applicants are proposing to file an annual notice of the surcharge along with a report on the
27 CAT with the Commission on or before January 31 and for the surcharge to be implemented
28 in February of each year with the recovery period ending in January of the following year.

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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.

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 (Beardsley 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 645 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

<u>No. of Person in Household</u>	<u>Total Gross Annual Income*</u>
1	\$XXXXXX
2	\$XXXXXX
3	\$XXXXXX
4	\$XXXXXX
5	\$XXXXXX
6	\$XXXXXX

For each additional person residing in the household, add \$XXXXXX

***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 TANF (AFDC)	Disability payments Food Stamps	Worker’s Compensation Child Support
Pensions Gifts	Insurance settlements	Spousal Support

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

<u>No. of Person in Household</u>	<u>Total Gross Annual Income*</u>
1	\$XXXXXX
2	\$XXXXXX
3	\$XXXXXX
4	\$XXXXXX
5	\$XXXXXX
6	\$XXXXXX

For each additional person residing in the household, add \$XXXXXX

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:	Scholarships, grants, or other	Profit from self-employment
Savings account, stocks or	aid	(IRS form Schedule C, Line
bonds	used for living expenses	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

<u>No. of Person in Household</u>	<u>Total Gross Annual Income*</u>
1	\$XXXXXX
2	\$XXXXXX
3	\$XXXXXX
4	\$XXXXXX
5	\$XXXXXX
6	\$XXXXXX

For each additional person residing in the household, add \$XXXXXX

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 TANF (AFDC)	Disability payments Food Stamps	Worker’s Compensation Child Support
Pensions Gifts	Insurance settlements	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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11 **BEFORE THE ARIZONA CORPORATION COMMISSION**

12 **COMMISSIONERS**

13 JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
14 ANNA TOVAR
15 NICK MYERS
KEVIN THOMPSON

16 IN THE MATTER OF THE APPLICATION OF
17 LIBERTY UTILITIES (BEARDSLEY WATER)
CORP., AN ARIZONA CORPORATION, FOR A
18 DETERMINATION OF THE FAIR VALUE OF
ITS UTILITY PLANTS AND PROPERTY AND
19 FOR INCREASES IN ITS RATES AND
CHARGES FOR UTILITY SERVICE BASED
20 THEREON.

DOCKET NO: W-02074A-23-

21
22 **DIRECT TESTIMONY**

23 **OF**

24 **THOMAS J. BOURASSA**

25 **RATE BASE, INCOME STATEMENT & RATE DESIGN**
26

27 **December 28, 2023**
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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix,
4 Arizona 85029.

5 **Q. WHAT IS YOUR PROFESSION AND BACKGROUND?**

6 A. I am a Certified Public Accountant and am self-employed, providing consulting services to
7 utility companies as well as general accounting services. I have a B.S. in Chemistry and
8 Accounting from Northern Arizona University (1980) and an M.B.A. with an emphasis in
9 Finance from the University of Phoenix (1991).

10 **Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND
11 REGULATORY EXPERIENCE?**

12 A. Yes. Prior to becoming a private consultant, I was employed by High-Tech Institute, Inc.,
13 and served as controller and chief financial officer. Prior to working for High-Tech
14 Institute, I worked as a division controller for the Apollo Group, Inc. Before joining the
15 Apollo Group, I was employed at Kozoman & Kermodé, CPAs. In that position, I prepared
16 compilations and other write-up work for water and wastewater utilities, as well as tax
17 returns.

18 In my private practice, I have prepared and/or assisted in the preparation of several
19 water and wastewater utility rate applications before the Arizona Corporation Commission
20 (“Commission”).

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

22 A. I am testifying in this proceeding on behalf of the applicant, Liberty Utilities (Beardsley
23 Water) Corp. (“Liberty Beardsley” or the “Company”). Liberty Beardsley is seeking a
24 determination of its fair value rate base and the setting of rates and charges for water on
25 that finding.

26 **II OVERVIEW OF THE COMPANY’S REQUEST FOR RATE RELIEF**

27 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

28 A. I will testify in support of the Company’s proposed adjustments to its rates and charges for

1 water and wastewater utility service. I am sponsoring the direct schedules, which are filed
2 concurrently herewith in support of the Company's application. I was responsible for the
3 preparation of these schedules based on my investigation and review of Liberty Beardsley's
4 relevant books and records.

5 For convenience, the two portions of my direct testimony, each with the relevant
6 schedules attached, are being filed separately in this case. In this volume of my direct
7 testimony, I address the rate bases, income statements (revenue and operating expenses),
8 required increases in revenue, and rate designs and proposed rates and charges for service
9 for the Company's water service. Schedules A through C, E-F and H are attached to this
10 portion of my direct testimony. The Company has also prepared cost of service study (G
11 schedules).

12 In the second volume of my direct testimony is where I address the D schedules to
13 which are attached herein. Liberty Beardsley is requesting a return on common equity of
14 10.95 percent and a weighted average cost of debt of 6.60 percent. As shown on Schedule
15 D-1, the Company's capital structure for ratemaking purposes consists of 54 percent equity
16 and 46 percent debt. The weighted cost of capital is 8.95 percent.

17 **Q. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.**

18 A. The Company is seeking a revenue increase of 34.79 percent. The test year used by Liberty
19 Beardsley is the 12-month period ending April 30, 2023. The Company is requesting an
20 8.95 percent return on its fair value rate base ("FVRB"). The Company has also proposed
21 certain pro forma adjustments to reflect known and measurable changes to rate base,
22 expenses. These pro forma adjustments are consistent with normal ratemaking and are
23 contemplated by the Commission's rules and regulations governing rate applications. *See*
24 R14-2-103. These adjustments are necessary to obtain a normal or realistic relationship
25 between revenues, expenses and rate base on a going-forward basis.

26 The Company's fair value rate base for Liberty Beardsley is \$6,530,039. The
27 increase in revenues to provide for recovery of operating expenses and an 8.95 percent
28 return on rate base is approximately \$691,290, an increase of approximately 34.79 percent

1 over the adjusted and annualized test year revenues.

2 **Q. WHY IS THE COMPANY FILING FOR NEW RATE AT THIS TIME?**

3 A. Liberty Beardsley is no longer earning a return on the fair value of its water plant devoted
4 to service. While Liberty Beardsley has added approximately \$4.36 million of new plant
5 investments necessary to serve water customers since the last rate case which used a test
6 year ended December 31, 2018 (Decision 77695, August 12, 2020), rate base has increased
7 by over \$5.8 million.

8 The primary drivers of the rate increase Liberty Beardsley requests for water service
9 are an increase in rate base as well as an increase in operating expenses since the prior rate
10 case. Notably, with respect to rate base, the Company is seeking approximately \$1 million
11 of post-test year plant. The Company is also seeking an acquisition adjustment of over \$3
12 million related to the purchase of Beardsley Water Company by Liberty Beardsley. The
13 inclusion of the acquisition adjustment is discussed by Mr. Garlick. With respect to
14 operating expenses, some of the operating expenses that have increased significantly since
15 the last rate case are depreciation expense, property tax expense, and purchased power.
16 Revenues have not kept pace with the increase in expenses. Due to the increased rate base
17 and operating expenses, the Company's current rate of return, based on the adjusted test
18 year results, is 1.23 percent.

19 **III. SUMMARY OF "A", "E" AND "F" SCHEDULES**

20 **Q. DESCRIBE THE SCHEDULES LABELED AS "A", "E", AND "F".**

21 A. I will describe each of the schedules individually, starting with the "A" Schedules. First is
22 Schedule A-1, which is a summary of the rate base, adjusted operating income, current rate
23 of return, required operating income, operating income deficiency, and the increase in gross
24 revenue. Revenues at present and proposed rates and customer classifications are also
25 shown on this schedule.

26 **Q. DESCRIBE THE OTHER "A" SCHEDULES.**

27 A. Schedule A-2 is a summary of results of operations for the test year, prior two years, and a
28 projected year at present rates and proposed rates. Schedule A-3 contains the Company's

1 capital structure for the test year and the two prior years. Schedule A-4 contains the plant
2 construction, and plant in service for the test year and prior two years. The projected plant
3 additions are also shown on this schedule. Schedule A-5 is the summary of Liberty
4 Beardsley’s statement of cash flow for the prior two years, the test year at present rates, and
5 a projected year at present and proposed rates.

6 **Q. DESCRIBE THE “E” SCHEDULES.**

7 A. The “E” Schedules are based on Liberty Beardsley’s actual operating results, as reported in
8 annual reports filed with the Commission. Schedule E-1 contains the comparative balance
9 sheets for the years 2021, 2022, and 2023, ending on April 30. Schedule E-2, page 1,
10 contains the income statement for the years 2021, 2022, and 2023, ending on April 30.
11 Schedule E-3 contains a statement of changes in the Company’s financial position for the
12 test year and the two prior years. Schedule E-4 provides the changes in stockholder’s equity
13 for the test year and the two prior years. Schedule E-5 contains Liberty Beardsley’s plant in
14 service at the end of the test year, and one year prior to the end of the test year and the
15 associated change in plant additions, reclassifications or retirement for the test year.
16 Schedule E-6, which provides department financial results, has been omitted as Liberty
17 Beardsley does not have departments. Schedule E-7 contains operating statistics for the
18 years 2021, 2022, and 2023, ending on April 30. Schedule E-8 contains the taxes charged
19 to operations for the years 2021, 2022, and 2023, ending on April 30.

20 The notes to the financial statements and the financial assumptions used in preparing
21 the rate filing schedules are shown on Schedules E-9 and F-4, respectively, in accordance
22 with the Commission’s standard filing requirements. Audited financial statements have not
23 been prepared for Liberty Beardsley.

24 **Q. DESCRIBE THE “F” SCHEDULES.**

25 A. Schedule F-1 contains the results of operations at the present rates (actual and adjusted),
26 and at proposed rates. Schedule F-2 contains the summary of changes in financial position
27 (cash flow), the test year at present rates, and a projected year at present and proposed rates.
28 Schedule F-3 shows the Company’s projected construction requirements for 2024, 2025,

1 and 2026. Schedule F-4 contains the assumptions used in developing the adjustments and
2 projections contained in the rate filing.

3 **IV. SUMMARY OF RATE BASE (“B” SCHEDULES)**

4 **Q. EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE LABELED AS THE “B”**
5 **SCHEDULES.**

6 A. I will start with Schedule B-5, which is the working capital allowance. The cash working
7 capital allowance is based upon a lead lag study which determines the revenue and expense
8 lags which are then applied (on a weighted basis) to the Company’s proposed operating
9 expenses.

10 **Q. DID YOU PREPARE SCHEDULES B-3 AND B-4?**

11 A. No, I did not prepare these schedules because the original cost rate base (“OCRB”) is
12 requested to be used as its fair value rate base (“FVRB”). Thus, these schedules are
13 unnecessary.

14 **Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO OCRB?**

15 A. Yes. Schedule B-2, page 2 shows adjustments to OCRB proposed by the Company.
16 Schedule B-2, pages 3 through 8, contain the supporting information. There are seven
17 adjustments shown on Schedule B-2, page 2, one of which is the adjustment for cash
18 working capital (B-2 adjustment number 7) discussed above.

19 **Q. DESCRIBE ADJUSTMENT NUMBER 1.**

20 A. Adjustment number 1, as shown on Schedule B-2, page 2, adjusts plant-in-service (“PIS”).
21 There are four PIS adjustments included in Adjustment 1. These are shown on Schedule B-
22 2, page 3, and are labeled as adjustments “A”, “B”, and “C”.

23 Adjustment 1-A of B-2 adjustment number 1 reflects corporate plant allocated to
24 Liberty Beardsley. The details of the allocation are shown on Schedule B-2, page 3.1.

25 Adjustment 1-B of B-2 adjustment number 1 reflects Liberty Beardsley’s proposed
26 post-test year plant (“PTY”). PTYP reflects plant revenue neutral plant necessary to serve
27 the year-end number of customers and is expected to be placed into service within 12
28 months of the end of the test-year. The details of the allocation are shown on Schedule B-

1 2, page 3.2.

2 Adjustment C of B-2 adjustment number 1 adjusts PIS to reflect the reconciliation
3 of the Company’s PIS detail to the amount recorded at the end of the test year as reflected
4 on the E-1 schedule. The details of the allocation are shown on Schedule B-2, page 3.3.
5 Reconstruction of the PIS balance is found on Schedule B-2, page 3.4 through 3.10.

6 **Q. WHAT IS THE PURPOSE OF ADJUSTMENT NUMBER 2 ON SCHEDULE B-2**
7 **REGARDING ACCUMULATED DEPRECIATION?**

8 A. Adjustment 2 on Schedule B-2, page 2, adjusts accumulated depreciation (“A/D”). There
9 are three adjustments to A/D. These adjustments are shown on Schedule B-2, page 4, and
10 are labeled as adjustments “A”, “B”, and “C”.

11 Adjustment 2-A of B-2 adjustment number 2 reflects the corporate plant A/D
12 allocated Liberty Beardsley. The details of the allocation are shown on Schedule B-2, page
13 4.1.

14 Adjustment 2-B of B-2 adjustment number 2 reflects A/D associated with the
15 Company’s proposed PTYP. A/D on PTYP reflects a half-year of depreciation in
16 accordance with the depreciation computation using half-year convention of depreciation
17 on new plant added to PIS in a year. The details of the allocation are shown on Schedule
18 B-2, page 4.2.

19 Adjustment 2-C of B-2 adjustment number 2 adjusts A/D to reflect the reconciliation
20 of the Company’s PIS detail to A/D amount recorded at the end of the test year as reflected
21 on the E-1 schedule. The details of the allocation are shown on Schedule B-2, page 4.3.
22 Reconstruction of the A/D balance is found on Schedule B-2, page 3.4 through 3.10.

23 **Q. DO THE PLANT IN SERVICE AND ACCUMULATED DEPRECIATION**
24 **BALANCES SHOWN ON SCHEDULE B-2 REFLECT THE LAST COMMISSION**
25 **RATE ORDER FOR LIBERTY BEARDSLEY?**

26 A. Yes. Reconstruction of the PIS balance started with the PIS balance approved by the
27 Commission in Decision 77695 (August 12, 2020). Reconciliation to the starting balances
28 for PIS and accumulated depreciation are shown on Schedule B-2, page 3.4. Plant additions

1 and retirements have been added to and deducted from total plant shown on Schedule B-2,
2 pages 3.4 to 3.13. These schedules also show the details for the accumulated depreciation,
3 from the end of the last test year through the end of the current test year, using the half-year
4 convention for depreciation. A vintage-year procedure was used to reconstruct the PIS and
5 A/D balances.

6 **Q. PLEASE DESCRIBE ADJUSTMENT NUMBER 3 ON SCHEDULE B-2.**

7 A. Adjustment number 3 adjusts Contributions-in-aid of Construction (“CIAC”) and
8 Accumulated Amortization (“A.A.”) to reflect reconciled balances of CIAC and A.A. as
9 shown on Schedule B-2, page 5. Details of AIAC activity since the prior test year are shown
10 on Schedule B-2, page 5.1.

11 **Q. PLEASE DESCRIBE ADJUSTMENT NUMBER 4 ON SCHEDULE B-2.**

12 A. Adjustment number 4 adjusts Advances-in-aid of Construction (“AIAC”) to reflect
13 reconciled balance of AIAC as shown on Schedule B-2, page 6. Details of AIAC activity
14 since the prior test year are shown on Schedule B-2, page 6.1.

15 **Q. PLEASE DESCRIBE ADJUSTMENT NUMBER 5 ON SCHEDULE B-2.**

16 A. Adjustment number 4 reflects the adjustment to accumulated deferred income taxes
17 (“ADIT”) (for ratemaking purposes) based upon the timing differences between book and
18 tax depreciation through April 30, 2023. The ADIT computation considers the Company’s
19 proposed adjustments to PIS, A/D, AIAC, and CIAC.

20 **Q. PLEASE DESCRIBE ADJUSTMENT NUMBER 6 ON SCHEDULE B-2.**

21 A. Adjustment number 6 is intentionally left blank.

22 **Q. HOW WAS THE PROPOSED “FAIR VALUE” RATE BASE SHOWN ON
23 SCHEDULE A-1 DETERMINED?**

24 A. The FVRB shown on Schedule A-1 is based on OCRB.

25 **V. SUMMARY OF INCOME STATEMENT (“C” SCHEDULES)**

26 **Q. EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING TO THE INCOME
27 STATEMENT AS SHOWN ON SCHEDULES C-1 AND C-2.**

28 A. The following is a summary of adjustments shown Schedule C-1, page 2.1 and 2.2:

1 Adjustment 1 annualizes depreciation expense. The proposed depreciation rate for
2 each component of utility plant is shown on Schedule C-2, page 2. The depreciation rates
3 approved in Liberty Beardsley's last rate case were account-specific rates. Continuation
4 with account specific depreciation rates is proposed.

5 Adjustment 2 increases the property taxes based on proposed revenues. The details
6 of the computation are shown on Schedule C-2, page 3.

7 Adjustment 3 reflects an adjustment to remove test-year rate case expense. *See*
8 Schedule C-2, page 4. The Company proposes recovery of rate case expense incurred for
9 this case via a separate surcharge. The Company estimates rate case expense for Liberty
10 Beardsley to be \$86,389. The Company proposes that rate case expense be recovered over
11 three years. Based upon these proposals and the year-end number of customers, the
12 Company estimates a monthly rate case expense surcharge of \$0.92.

13 **Q. HOW DID YOU ARRIVE AT THIS THE AMOUNT OF RATE CASE EXPENSE?**

14 A. Based on my experience with rate cases before the Commission, and that of the Company's
15 counsel. Given Liberty Beardsley size and the anticipated nature, length and complexity of
16 the proceedings, as well as the fact that Liberty Beardsley's case is being filed concurrently
17 with Liberty Utilities (Beardsley Water), Liberty Utilities (Beardsley Water) Corp, and
18 Liberty Utilities (Beardsley Water) Corp., I estimate total rate case expense expected to be
19 incurred for all the rate cases filed concurrently to be \$750,000.

20 **Q. HOW DID YOU ALLOCATE THE \$750,000 OF RATE CASE EXPENSE?**

21 A. Rate case expense is allocated using a four-factor allocation method.

22 **Q. WHY IS APPROVAL OF A RATE CASE EXPENSE SURCHARGE REQUESTED**
23 **IN THIS CASE?**

24 A. I believe this methodology is fair to both customers and the utility because it avoids
25 potential over or under recovery of rate case expense that can happen when rate case
26 expense is treated as a "normalized" expense. Rate case expense is not a normal, regular
27 expense. It is incurred for a limited purpose, outside the test year, and may bear little
28 resemblance to other cases where the expense is incurred. Additionally, the utility pays rate

1 case costs in advance and when treated as a typical expense, any unrecovered rate case
2 expense is forfeited if the utility gets new rates before the amortization period has run.
3 Alternatively, if the utility stays out longer than the amortization period, the utility over
4 recovers. A surcharge avoids both possible outcomes because the utility will be allowed to
5 collect the surcharge until it recovers the authorized level of rate case expense and then the
6 surcharge ceases to be charged. In other words, using a rate case expense surcharge, the
7 Company will recover the amount authorized; no more and no less.

8 **Q. WHAT HAPPENS IF THE NEXT RATE CASE IS COMPLETED BEFORE THE**
9 **COMPANY COMPLETES ITS RECOVERY OF THE COST OF THIS CASE**
10 **UNDER THE RATE CASE EXPENSE SURCHARGE?**

11 A. A rate case expense surcharge can always be a line item on the customer bill and can include
12 amounts to be recovered from different rate cases. The amount can be adjusted as needed,
13 up or down. This also has the benefit of making the cost of ratemaking transparent to all
14 stakeholders and another reason that in my experienced professional opinion, rate case
15 expense surcharges should be used in most, if not all, rate cases.

16 **Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME**
17 **STATEMENT ADJUSTMENTS?**

18 A. Adjustment 4 annualizes revenues to the year-end number of customers. The annualization
19 is based on the number of customers at the end of the test year, compared to the actual
20 number of customers during each month of the test year. Average revenues by month were
21 computed for the test year. The average revenues were then multiplied by the increase (or
22 decrease) in the number of customers for each month of the test year. Adjustment number
23 4 also increases purchased power expense and chemicals expense based upon the expected
24 additional gallons to be sold from the revenue annualization. Miscellaneous expense
25 (postage) is also increased to reflect additional billings from the revenue annualization.

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

27 Adjustment 6 adjusts revenues to correct estimated revenue accruals booked at the
28 end of the test year. This adjustment is necessary to reconcile the actual customer billings

1 and revenues for the test year. *See* Schedule C-2, page 7.

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

4 Adjustment 8 increases contract service – management for additional operating
5 costs expected from the Customer First software (enterprise resource system)
6 implementation. *See* Schedule C-2, page 9. The Customer First software and
7 implementation is discussed in more detail by Ms. Preston.

8 Adjustment 9 increases contract service – management for additional operating
9 costs expected from the Cyber Security program implementation. *See* Schedule C-2, page
10 10.

11 Adjustment 10 increases water conservation expense for additional costs of this
12 program which are required to meet regulatory requirements. *See* Schedule C-2, page 11.

13 Adjustment 11 reduces several operating expenses which reflect either the non-
14 recoverability of an expense, the miscoding of expense, or the duplication of expense.
15 Operating expenses that are adjusted include purchased power, contractual services - legal,
16 contractual services – other, equipment rental and miscellaneous expense. *See* Schedule C-
17 2, page 12.

18 Adjustment 12 increases contractual services – management for expected increase
19 in allocated labor costs from salary and wages implemented after the end of the test year.
20 *See* Schedule C-2, page 13.

21 Adjustment number 13 synchronizes interest expense with rate base. *See* Schedule
22 C-2, page 14. The synchronized interest expense is reflected as a deduction in the
23 computation of the income tax allowance.

24 Finally, Adjustment 14 adjusts income taxes to a level based upon the Company’s
25 adjusted test year revenues and expenses. *See* Schedule C-2, page 15.

26 **Q. ARE THERE ANY OTHER REVENUE AND/OR EXPENSE ADJUSTMENTS?**

27 A. No.

28

1 **VI. SUMMARY OF COST OF SERVICE STUDY (“G” SCHEDULES)**

2 **A. Overview of Cost of Service Study (“COSS”)**

3 **Q. WHAT EXACTLY IS A COST OF SERVICE STUDY?**

4 A. A cost of service study is an analysis to determine the adequacy of revenues by each
5 customer classification to support the revenue requirements including costs and return of
6 and on investments under both existing and proposed rates. The study begins with an
7 allocation of utility plant and expenses into cost and asset functions, which are then
8 allocated to customer classifications. The study attempts to trace the costs associated with
9 meeting the customers’ service requirements. Ideally, the revenues received from each
10 customer class should equal the cost of providing service to that customer class. The cost
11 to provide service includes the operating and maintenance expenses and the capital costs.
12 Operating and maintenance expenses include the costs of operating the system and the costs
13 of maintaining system facilities and equipment. Capital costs include investment-related
14 cash requirements such as debt service, contributions to debt service reserves, and capital
15 requirements not financed by debt. Capital costs also include depreciation expense and
16 either a return on rate base (for-profit utilities) or an operating margin as well as incomes
17 taxes and other taxes, if applicable.

18 **Q. WHAT IS THE PURPOSE OF A COST OF SERVICE STUDY?**

19 A. Typically, the purpose of preparing a cost of service study is to offer guidance in setting
20 rates to be charged for utility service. Again, the basic premise in establishing rates for the
21 various classes of customers that are both adequate and equitable is that rates should reflect
22 the cost of providing utility service. Cost-based rates can also be used to send an appropriate
23 price signal to customers because the amount paid for service approximates the cost to
24 provide the service. In other words, subsidies between customers are minimized.

25 There are many factors at play when rates are set that can result in rates that are not
26 adequate and/or equitable between the various classes of customers. Non-economic factors
27 may be at play when rates are set. For example, the regulatory body may favor subsidizing
28 one class of customers by shifting costs to other classes of customers or shifting revenues

1 within one class of customers to subsidize members within that class. Lifeline or discounted
2 rates, which are sometimes used to assist low-income customers in areas with high utility
3 costs, are prime examples of subsidization of a class of customers by other customers. If
4 possible, lifeline rates (low-income rates or customer assistance rates) should not apply to
5 an entire customer class. If lifeline rates are needed, they should be offered only to
6 customers meeting some income test. Another example is the goal of keeping the rate
7 design simple and easier to understand. There may also be goals on promoting conservation
8 (in the case of water utilities) or other social or economic goals. Thus, public policy may
9 have a significant impact on rate design. In the end, though, the goal in setting new rates
10 remains that the utility be able to recover its revenue requirement.

11 **Q. WHAT METHOD OF COST ALLOCATION WAS USED IN YOUR COSS IN THIS**
12 **CASE?**

13 A. The Commodity Demand Method which is described in AWWA Manual M1, “Principles
14 of Water Rates, Fees and Charges”, Seventh Edition published in 2017 and prior additions
15 of the manual was used in this case. It is the method prescribed by Schedule G of the
16 Commission filing requirements. The commodity demand method allocates each item of
17 the cost of providing water service to the several cost functions - commodity, and demand,
18 which is further separated into customer, meter and services functions. These functional
19 costs are then allocated to the several customer classifications served by the system.

20 **Q. HOW IS THE COST OF SERVICE STUDY ORGANIZED?**

21 A. The COSS used the test year revenue requirements developed in Schedules A through F and
22 H. Costs were allocated to each of the cost functions described earlier and then to the
23 customer classifications.

24 The cost of service study contains schedules G-1 through G-7. The standard filing
25 requirements call for Schedules G-1 through G-7 and these schedules are included with my
26 testimony.

27 G Schedules with higher numbers (i.e., 5, 6 and 7) contain the allocation factors and
28 actual allocations to functions. These functions are then carried forward to the summary G

1 schedules 1, 2, 3 and 4, which allocate expenses and plant (by function) to classes of
2 customers. I will start my analysis using Schedule G-7 and end with Schedules G-2 and G-
3 1.

4 **Q. WHAT IS A “FUNCTION”?**

5 A. Functions refer to the plant and the expenses needed to provide the basic utility service. For
6 example, for water, the functions associated with supply, treatment, and delivery water are
7 typically commodity, demand, and customer (and/or services). For wastewater, the
8 functions associated with collection, treatment, and disposal of wastewater are typically
9 commodity, demand, and customer (and/or services).

10 Commodity refers to the volume of the commodity sold. The commodity function
11 is used to derive the commodity rate, or the rate charged per unit of measurement, gallons.
12 Demand refers to how the system is sized to meet customer demand. Hence, the system is
13 built to be able to provide the utility service (the commodity), as well as the demand placed
14 on the system when peak demand occurs. The customer (and/or service) function can also
15 be used to develop the monthly minimum rates charged to each class of customer. Demand
16 and customer functions refer to the transmission/collection and treatment of
17 water/wastewater. The costs associated with demand, and customer functions are incurred
18 whether the customer uses 0 gallons of water or 50,000 gallons of water, or, in case of
19 wastewater service, generates 0 gallons for wastewater flows or 50,000 gallons of
20 wastewater flows.

21 **Q. AFTER COSTS ARE ALLOCATED TO FUNCTIONS, HOW ARE EXPENSES
22 AND ASSETS THEN ALLOCATED TO THE INDIVIDUAL CLASSES OF
23 CUSTOMERS?**

24 A. After the expenses and assets are allocated to the commodity, demand, and customer
25 functions, the values for the functions are then allocated to various customer classes.
26 Customer classes are typically broken down into residential, commercial, industrial,
27 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

1 examination of the recorded amounts during the test year and the use of professional
2 judgment.

3 The operation and maintenance expense allocation to functions (commodity,
4 demand, customer accounts, meters and services) are shown on Schedule G-6a, page 1
5 (adjusted test year at present rates) and Schedule G-6b, page 2 (adjusted test year at
6 proposed rates).

7 The depreciation expense allocations are shown on Schedule G-6a, pages 3 and 4
8 (adjusted test year at present rates) and Schedule 6b pages 3 and 4, which apply the function
9 allocation factors shown on Schedule G-7b, page 1 and 2 (adjusted test year at proposed
10 rates). Depreciation expense was computed using the Company's proposed depreciation
11 rates in this rate case.

12 On Schedule G-5, pages 1 and 2, net plant and other rate base items are allocated to
13 each customer class using the function allocation factors set forth in Schedule G-7a, pages
14 1 and 2.

15 Schedule G-4 allocates the commodity, demand, and customer expenses developed
16 on Schedule G-6a and Schedule G-6b to customer classes using the allocation factors
17 developed on Schedule G-7b, pages 1 and 2 Schedule G-4a shows the allocated costs at
18 present rates. Schedule G-4b shows the allocated costs at proposed rates.

19 Schedule G-3 allocates the rate bases for commodity, demand, and customer
20 functions to the customer classes.

21 Schedules G-1 and G-2 derive the return on rate base by customer classes at present
22 and proposed rates, respectively. The returns on rate base are computed by dividing the
23 operating income for the customer class by the rate base for that customer class.

24 **C. Cost of Service Study Results**

25 **Q. WHAT ARE THE RETURNS FOR THE CUSTOMER CLASSES AT PRESENT**
26 **RATES AND PROPOSED RATES?**

27 A. As shown on schedules G-1 and G-2, the returns vary between the customer classes at the
28 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	1.25%	8.72%
COMMERCIAL	15.50%	41.48%
IRRIGATION	1.52%	10.87%
STANDPIPE/CONSTR.	-3.33%	2.66%

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	\$2,357,864	88.04%	\$2,341,978	87.45%
COMMERCIAL	18,795	0.70%	39,763	1.48%
IRRIGATION	220,972	8.25%	234,722	8.76%
STANDPIPE/CONSTR.	80,583	3.01%	61,751	2.31%
TOTAL	\$2,678,213	100.00%	\$2,678,213	100.00%

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 SCHEDULES.

1 A. Schedule H-1 shows a summary of revenues at present and proposed rates by meter size
2 and customer class. Schedule H-2, pages 1 and 2, shows the present and proposed customer
3 bills at the average monthly and median monthly water usages, respectively. Schedule H-
4 3 shows the present and proposed rates. Schedule H-4 shows the bill comparisons at present
5 and proposed rates at various usage levels for all meter sizes and customer classifications.
6 Schedule H-5 shows the test year bill counts.

7 **Q. WHAT ARE LIBERTY BEARDSLEY'S PRESENT RATES FOR WATER**
8 **SERVICE?**

9 A. The present rates for all customer classes are set forth on Schedule H-3, pages 1 through 2.

10 **Q. WHAT ARE THE PROPOSED RATES FOR WATER SERVICE FOR LIBERTY**
11 **BEARDSLEY?**

12 A. The proposed rates for all customer classes are set forth on Schedule H-3, pages 1 through
13 3.

14 **Q. ARE YOU PROPOSING CHANGES TO THE BASIC RATE DESIGN?**

15 A. No. *See* H-3, pages 1 through 2.

16 **Q. WHAT IS THE IMPACT OF THE PROPOSED RATES ON AN AVERAGE 3/4-**
17 **INCH METERED RESIDENTIAL CUSTOMER?**

18 A. The present monthly bill for a 3/4-inch metered residential customer, the largest customer
19 class, using an average of 5,256 gallons is \$52.10. The proposed monthly bill for a 3/4-
20 inch metered residential customer using an average of 5,256 gallons is \$69.18, an increase
21 of \$17.08 or 32.77% over the present bill.

22 **Q. ARE THERE ANY PROPOSED CHANGES TO THE MISCELLANEOUS**
23 **SERVICE CHARGES FOR THE WATER SERVICE OF LIBERTY BEARDSLEY?**

24 A. Yes. Liberty Beardsley is proposing increases to the meter re-read charge, and after-hours
25 service call charge. *See* Schedule H-3, page 3. There are no other proposed changes.

26 **Q. ARE THERE ANY PROPOSED CHANGES TO THE METER AND SERVICE**
27 **LINE INSTALLATION CHARGES?**

28

1 A. Yes. The Company proposes to set all the meter and service line charges to “at cost”. *See*
2 Schedule H-3, page 4.

3 **Q. ARE THERE ANY PROPOSED CHANGES TO THE OFF-SITE FACILITIES**
4 **HOOK-UP FEES?**

5 A. The Company is not proposing Off-site Facilities hook-up Fees.

6 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

7 A. Yes.

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SCHEDULE A

Liberty Utilities (Beardsley Water) 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			\$	6,530,039
2					
3	Adjusted Operating Income				80,156
4					
5	Current Rate of Return				1.23%
6					
7	Required Operating Income			\$	584,373
8					
9	Required Rate of Return on Fair Value Rate Base				8.95%
10					
11	Operating Income Deficiency			\$	504,217
12					
13	Gross Revenue Conversion Factor				1.3710
14					
15	Increase in Gross Revenue				
16	Requirement			\$	691,290
17					
18	Adjusted Test Year Revenues			\$	1,986,923
19	Increase in Gross Revenue Revenue Requirement			\$	691,290
20	Proposed Revenue Requirement			\$	2,678,213
21	% Increase				34.79%
22					
23	Customer		Present	Proposed	Dollar
24	Classification		Rates	Rates	Increase
25	5/8 Inch Residential		\$ 167,948	\$ 236,899	\$ 68,952 41.06%
26	3/4 Inch Residential		1,264,114	1,684,580	420,467 33.26%
27	1 Inch Residential		100,675	136,050	35,375 35.14%
28	Subtotal		\$ 1,532,737	\$ 2,057,530	\$ 524,794 34.24%
29					
30	5/8 Inch Commercial		\$ 627	\$ 794	\$ 168 26.74%
31	1 Inch Commercial		1,134	1,522	388 34.22%
32	1 1/2 Inch Commercial		3,696	5,201	1,504 40.70%
33	2 Inch Commercial		3,638	4,884	1,246 34.26%
34	8 Inch Commercial		13,761	27,141	13,381 97.24%
35	Subtotal		\$ 22,855	\$ 39,542	\$ 16,687 73.01%
36					
37	3/4 Inch Irrigation		\$ 13,930	\$ 20,054	\$ 6,124 43.96%
38	1 Inch Irrigation		44,017	63,907	19,890 45.19%
39	1 1/2 Inch Irrigation		52,727	77,580	24,853 47.14%
40	2 Inch Irrigation		37,003	53,992	16,989 45.91%
41	Subtotal		\$ 147,677	\$ 215,533	\$ 67,855 45.95%
42					
43	3 Inch Standpipe		\$ 43,036	\$ 60,567	\$ 17,532 40.74%
44					
45					
46	Revenue Annualization		\$ 190,896	\$ 255,947	\$ 65,051 34.08%
47	Subtotal		\$ 1,937,201	\$ 2,629,120	\$ 691,919 35.72%
48					
49	Other Water Revenues		49,170	49,170	- 0.00%
50	Reconciling Amount		553	(76)	(629) -113.74%
51	Rounding				- 0.00%
52	Total of Water Revenues		\$ 1,986,924	\$ 2,678,214	\$ 691,290 34.79%
53					
54					
55	<u>SUPPORTING SCHEDULES:</u>				
56	B-1				
57	C-1				
58	C-3				
59	H-1				

Liberty Utilities (Beardsley Water) 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		Test Year		Projected Year	
		4/30/2021	4/30/2022	Actual 4/30/2023	Adjusted 4/30/2023	Present Rates 4/30/2024	Proposed Rates 4/30/2024
1	Gross Revenues	\$ -	\$ 1,506,419	\$ 1,856,027	\$ 1,986,923	\$ 1,986,923	\$ 2,678,213
2							
3	Revenue Deductions and	-	1,238,782	1,699,934	1,906,768	1,906,768	2,093,840
4	Operating Expenses						
5							
6	Operating Income	\$ -	\$ 267,638	\$ 156,093	\$ 80,156	\$ 80,156	\$ 584,373
7							
8	Other Income and	-	(664)	(60,269)	(60,269)	(60,269)	(60,269)
9	Deductions						
10							
11	Interest Expense	-	-	-	(198,252)	(198,252)	(198,252)
12							
13	Net Income	\$ -	\$ 266,974	\$ 95,824	\$ (178,365)	\$ (178,365)	\$ 325,852
14							
15	Common Shares	63,089	63,089	63,089	63,089	63,089	63,089
16							
17	Earned Per Average						
18	Common Share	-	4.23	1.52	(2.83)	(2.83)	5.16
19							
20	Dividends Paid	-	-	-	-	140,000	140,000
21							
22	Dividends Per						
23	Common Share	-	-	-	-	2.22	2.22
24							
25	Payout Ratio	-	-	-	-	(0.78)	0.43
26							
27	Return on Average						
28	Invested Capital	0.00%	2.06%	0.64%	-1.20%	-1.14%	2.04%
29							
30	Return on Year End						
31	Capital	0.00%	1.87%	0.62%	-1.15%	-1.13%	2.00%
32							
33	Return on Average						
34	Common Equity	0.00%	7.97%	2.71%	-5.26%	-6.41%	11.16%
35							
36	Return on Year End						
37	Common Equity	0.00%	7.67%	2.68%	-5.40%	-7.88%	12.85%
38							
39	Times Bond Interest Earned						
40	Before Income Taxes	-	-	-	0.21	0.21	3.59
41							
42	Times Total Interest and						
43	Preferred Dividends Earned						
44	After Income Taxes	-	-	-	0.10	0.10	2.64
45							
46							
47							
48							
49							
50	<u>SUPPORTING SCHEDULES</u>						
51	C-1						
52	E-2						
53	F-1						
54							

Liberty Utilities (Beardsley Water) 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		Test Year	Projected Year
		<u>4/30/2021</u>	<u>4/30/2022</u>	<u>4/30/2023</u>	<u>4/30/2024</u>
1					
2					
3	Short-Term Debt	-	-	-	-
4	Long-Term Debt	-	-	-	1,928,207
5					
6	Total Debt	\$ -	\$ -	\$ -	\$ 1,928,207
7					
8					
9	Preferred Stock	-	-	-	-
10					
11	Common Equity	3,215,134	3,482,108	3,577,932	2,263,548
12					
13					
14	Total Capital & Debt	\$ 3,215,134	\$ 3,482,108	\$ 3,577,932	\$ 4,191,755
15					
16					
17	Capitalization Ratios:				
18					
19	Long-Term Debt	0.00%	0.00%	0.00%	46.00%
20					
21	Total Debt	0.00%	0.00%	0.00%	46.00%
22					
23					
24	Preferred Stock	-	-	-	-
25					
26	Common Equity	100.00%	100.00%	100.00%	54.00%
27					
28					
29	Total Capital	100.00%	100.00%	100.00%	100.00%
30					
31					
32	Weighted Cost of				
33	Senior Capital	0.00%	0.00%	0.00%	3.04%
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45	<u>SUPPORTING SCHEDULES:</u>				
46	E-1				
47	D-1				
48					
49					
50					

Liberty Utilities (Beardsley Water) 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.	<u>Construction Expenditures</u>	<u>Net Plant Placed in Service</u>	<u>Gross Utility Plant in Service</u>	
1				
2				
3				
4	Prior Year Ended 04/30/2021	-	-	10,101,901
5				
6	Prior Year Ended 04/30/2022	1,343,177	(76,952)	10,024,949
7				
8	Test Year Ended 04/30/2023	1,798,062	1,602,591	11,627,540
9				
10	Projected Year Ended 04/30/2024	785,623	785,623	12,413,163
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
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24				
25				
26				
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28				
29				
30				
31				
32				
33				
34	<u>SUPPORTING SCHEDULES:</u>			
35	B-2			
36	E-5			
37	F-3			
38				
39				
40				

Liberty Utilities (Beardsley Water) 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 <u>4/30/2021</u>	Prior Year Ended <u>4/30/2022</u>	Test Year Ended <u>4/30/2023</u>	Projected Year Present Rates <u>4/30/2024</u>	Projected Year Proposed Rates <u>4/30/2024</u>
5 Cash Flows from Operating Activities					
6 Net Income		\$ 266,974	\$ 95,824	\$ (178,365)	\$ 325,852
7 Adjustments to reconcile net income to net cash					
8 provided by operating activities:					
9 Depreciation and Amortization		305,282	510,885	683,529	683,529
10 Depreciaton Adjustments		(103,393)	(38,685)	8,949	8,949
11 Changes in Certain Assets and Liabilities:					
12 Accounts Receivable		(30,136)	(10,357)	-	-
13 Unbilled Revenues		-	-	-	-
14 Materials and Supplies Inventory		-	-	-	-
15 Prepaid Expenses		-	8,629	-	-
16 Deferred Charges		(12,733)	25,428	-	-
17 Notes Receivable		2,218,101	927,932	-	-
18 Accounts Payable		-	-	-	-
19 Intercompany payable		-	-	-	-
20 Customer Meter Deposits		33,591	42,538	-	-
21 Taxes Payable		-	-	-	-
22 Other assets and liabilities		170,100	(18,906)	(226,575)	(226,575)
23 Rounding		(2)	-	1	1
24 Net Cash Flow provided by Operating Activities		<u>\$ 2,847,784</u>	<u>\$ 1,543,288</u>	<u>\$ 287,538</u>	<u>\$ 791,756</u>
25 Cash Flow From Investing Activities:					
26 Capital Expenditures		(1,343,177)	(1,798,062)	(1,511,016)	(1,511,016)
27 Plant Held for Future Use		-	-	-	-
28 Changes in debt reserve fund		-	-	-	-
29 Net Cash Flows from Investing Activities		<u>\$ (1,343,177)</u>	<u>\$ (1,798,062)</u>	<u>\$ (1,511,016)</u>	<u>\$ (1,511,016)</u>
30 Cash Flow From Financing Activities					
31 Change in Restricted Cash		-	-	-	-
32 Proceeds from Long-Term Debt		-	-	-	-
33 Net receipt of contributions in aid of construction		102,120	33,446	-	-
34 Net receipts of advances in aid of construction		(16,725)	128,890	-	-
35 Net Proceeds of Long-term Debt of Long-Term Debt		-	-	1,928,207	2,160,147
36 Dividends Paid		-	-	(140,000)	(140,000)
37 Net Distributions to Rebalance Capital Structure		-	-	(1,048,666)	(1,280,606)
38 Deferred Financing Costs		-	-	-	-
39 Paid in Capital		-	-	-	-
40 Net Cash Flows Provided by Financing Activities		<u>\$ 85,395</u>	<u>\$ 162,336</u>	<u>\$ 739,541</u>	<u>\$ 739,541</u>
41 Increase(decrease) in Cash and Cash Equivalents		1,590,002	(92,438)	(483,936)	20,281
42 Cash and Cash Equivalents at Beginning of Year		147,827	1,737,829	1,645,391	1,645,391
43 Cash and Cash Equivalents at End of Year		<u>\$ 1,737,829</u>	<u>\$ 1,645,391</u>	<u>\$ 1,161,454</u>	<u>\$ 1,665,672</u>

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48 SUPPORTING SCHEDULES:

49 E-3
 50 F-2
 51
 52

SCHEDULE B

Liberty Utilities (Beardsley Water) Corp.
Test Year Ended April 30, 2023
Summary of Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Bourassa

Line <u>No.</u>	<u>Original Cost</u> <u>Rate base</u>	<u>Fair Value</u> <u>Rate Base</u>
1		
2	\$ 14,137,403	\$ 14,137,403
3	Less: Accumulated Depreciation	3,034,971
4		
5	\$ 11,102,432	\$ 11,102,432
6		
7	<u>Less:</u>	
8	Advances in Aid of Construction	6,952,154
9		
10	Contributions in Aid of Construction	1,804,045
11		
12	Accumulated Amortization of CIAC	(839,639)
13		
14	Customer Meter Deposits	171,912
15	Custmer Security Deposits	104,859
16	Accumulated Deferred Income Tax	(437,740)
17		
18		
19	<u>Plus:</u>	
20	Acquisition Adjustment	3,085,187
21	Deferred Regulatory Assets TCE Plume	-
22	Prepayments	927
23	Materials and Supplies	-
24	Working capital	97,085
25		
26	Total Rate Base	\$ 6,530,039
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41	<u>SUPPORTING SCHEDULES:</u>	
42	B-2	
43	B-3	
44	B-5	
45	E-1	
46		
47		
48		
49		
50		

Liberty Utilities (Beardsley Water) 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 <u>Test Year</u>	Proforma <u>Adjustment</u>	Adjusted at end of <u>Test Year</u>
1	Gross Utility			
2	Plant in Service	\$ 11,627,540	2,509,863	\$ 14,137,403
3				
4	Less:			
5	Accumulated			
6	Depreciation	2,921,405	113,566	3,034,971
7				
8				
9	Net Utility Plant			
10	in Service	\$ 8,706,135		\$ 11,102,432
11				
12	Less:			
13	Advances in Aid of			
14	Construction	6,952,154	(0)	6,952,154
15				
16	Contributions in Aid of			
17	Construction - Gross	1,740,568	63,477	1,804,045
18				
19	Accumulated Amortization of CIAC	(735,022)	(104,617)	(839,639)
20				
21	Customer Meter Deposits	171,912	-	171,912
22	Custmer Security Deposits	104,859	-	104,859
23	Accumulated Deferred Income Tax	(211,165)	(226,575)	(437,740)
24				-
25				-
26				
27	Plus:			
28	Acquisition Adjustment	3,085,187	-	3,085,187
29	Deferred Regulatory Assets	-		-
30	Prepayments	927		927
31	Materials and Supplies	-		-
32	Working capital	-	97,085	97,085
33				-
34				
35	Total	<u>\$ 683,756</u>		<u>\$ 6,530,039</u>

46 SUPPORTING SCHEDULES:
 47 B-2, pages 2
 48 E-1

RECAP SCHEDULES:
 B-1

49
 50
 51

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Schedule B-2
 Page 2
 Witness: Bourassa

Line No.	Description	Actual at End of Test Year	1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	Proforma Adjustments			7 Cash Working Capital	Adjusted at end of Test Year
						4 AIAC	5 ADIT	6 INTERNETIONALLY LEFT BLANK		
1	Gross Utility									
2	Plant in Service	\$ 11,627,540	2,509,863							\$ 14,137,403
3										
4	Less:									
5	Accumulated									
6	Depreciation	2,921,405		113,566						3,034,971
7										
8										
9	Net Utility Plant									
10	in Service	\$ 8,706,135	\$ 2,509,863	\$ (113,566)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,102,432
11										
12	Less:									
13	Advances in Aid of									
14	Construction	6,952,154				(0)				6,952,154
15										
16	Contributions in Aid of									
17	Construction (CIAC)	1,740,568			63,477					1,804,045
18										
19	Accumulated Amort of CIAC	(735,022)			(104,617)					(839,639)
20										
21	Customer Meter Deposits	171,912								171,912
22	Customer Security Deposits	104,859								104,859
23	Accumulated Deferred Income Taxes	(211,165)					(226,575)			(437,740)
24	Accumulated Deferred Income Tax Credits	-								-
25										
26	Plus:									
27	Acquisition Adjustment	3,085,187								3,085,187
28	Deferred Regulatory Assets	-								-
29	Prepayments	927								927
30	Materials and Supplies	-								-
31	Allowance for Cash Working Capital	-						97,085		97,085
32										
33	Total	\$ 683,756	\$ 2,509,863	\$ (113,566)	\$ 41,140	\$ 0	\$ 226,575	\$ -	\$ 97,085	\$ 6,530,039

37 SUPPORTING SCHEDULES:
 38 B-2, pages 3-7
 39 E-1
 40
 41

RECAP SCHEDULES:
 B-1

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1

Exhibit
 Schedule B-2
 Page 3
 Witness: Bourassa

		<u>Plant-in-Service</u>			<u>Adjustments</u>		
<u>Line No.</u>		<u>A</u>	<u>B</u>	<u>C</u>			
	Acct. <u>No.</u> <u>Description</u>	<u>Actual Original Cost</u>	<u>Allocated Corporate Plant</u>	<u>PTY Plant</u>	<u>Adjustments to Reconcile Plant to Reconstruction</u>	<u>Adjusted Original Cost</u>	
1							
2							
3							
4	106	Construction Completed Not Classified	\$ 11,620,080	\$ -	\$ (11,620,080)	\$ -	
5	301	Organization Cost	-	-	-	-	
6	302	Franchise Cost	-	-	-	-	
7	303	Land and Land Rights	-	-	120,880	120,880	
8	304	Structures and Improvements	-	50,000	67,844	117,844	
9	305	Collecting and Impounding Res.	-	-	-	-	
10	306	Lake River and Other Intakes	-	-	-	-	
11	307	Wells and Springs	-	8,600	4,294,717	4,303,317	
12	308	Infiltration Galleries and Tunnels	-	-	-	-	
13	309	Supply Mains	-	-	-	-	
14	310	Power Generation Equipment	6,361	2,833	(6,361)	2,833	
15	311	Electric Pumping Equipment	-	10,776	850,447	861,223	
16	320	Water Treatment Equipment	-	-	424,525	424,525	
17	320.1	Water Treatment Plant	-	-	19,935	19,935	
18	320.2	Chemical Solution Feeders	-	-	5,442	5,442	
19	330	Dist. Reservoirs & Standpipe	-	-	-	-	
20	330.1	Storage tanks	-	187,240	1,079,012	1,266,252	
21	330.2	Pressure Tanks	-	-	41,193	41,193	
22	331	Trans. and Dist. Mains	-	250,000	3,298,939	3,548,939	
23	333	Services	-	350,000	211,043	561,043	
24	334	Meters	-	-	1,408,429	1,408,429	
25	335	Hydrants	-	-	65,545	65,545	
26	336	Backflow Prevention Devices	-	-	-	-	
27	339	Other Plant and Misc. Equip.	-	-	25,709	25,709	
28	340	Office Furniture and Fixtures	-	-	-	-	
29	340.1	Computers and Software	-	-	231,744	231,744	
30	341	Transportation Equipment	-	-	9,379	9,379	
31	342	Stores Equipment	-	-	-	-	
32	343	Tools and Work Equipment	1,099	-	12,830	13,929	
33	344	Laboratory Equipment	-	-	-	-	
34	345	Power Operated Equipment	-	-	-	-	
35	346	Communications Equipment	-	125,031	7,890	132,921	
36	347	Miscellaneous Equipment	-	-	675	675	
37	348	Other Tangible Plant	-	-	-	-	
38		SUBTOTAL	\$ 11,627,540	\$ -	\$ 984,481	\$ 549,736	\$ 13,161,757
39							
40							
41	903	Land and Land Rights		\$ 3,600	\$ -	\$ 3,600	
42	904	Structures and Improvements		119,070	-	119,070	
43	940	Office Furniture and Fixtures		16,289	-	16,289	
44	940.1	Computers and Software		16,570	27,951	44,522	
45	940.2	Customer First		777,610	-	777,610	
46	955	Power Generation		88	-	88	
47	995	Power Operated Equipment		14,467	-	14,467	
48							
49							
50		TOTALS	\$ 11,627,540	\$ 947,694	\$ 1,012,433	\$ 549,736	\$ 14,137,403
51							
52		Plant-in-Service per Books				\$ 11,627,540	
53							
54		Increase (decrease) in Plant-in-Service				\$ 2,509,863	
55							
56		Adjustment to Plant-in-Service				\$ 2,509,863	
57							
58		<u>SUPPORTING SCHEDULES</u>					<u>RECAP SCHEDULES:</u>
59		B-2, pages 3.1 to 3.4					B-2, page 2

Liberty Utilities (Beardsley Water) 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]
Acct. No.	Description	Original Cost	Liberty Utilities Factor	Water Factor	Allocated Original Cost
1	<u>Corporate Plant</u>				
2					
3					
4					
5					
6	903 Land and Land Rights	1,364,008	6.6567%	2.9832%	2,709
7	904 Structures and Improvements	11,557,420	6.6567%	2.9832%	22,951
8					
9					
10					
11					
12	<u>LU Sub-Corp. Plant (8020)</u>				
13					
14	903 Land and Land Rights	58,167	51.39%	2.9832%	\$ 892
15	904 Structures and Improvements	6,269,845	51.39%	2.9832%	96,119
16	940 Office Furniture and Equipment	1,062,563	51.39%	2.9832%	16,289
17	940.1 Computers and Software	555,453	100.00%	2.9832%	16,570
18	940.2 Customer First	22,609,111	100.00%	3.4394%	777,610
19	955 Power Generation	5,710	51.39%	2.9832%	88
20	995 Power Operated Equipment	943,696	51.39%	2.9832%	14,467
21					
22	Totals				
23					
24	903 Land and Land Rights	1,422,174			3,600
25	904 Structures and Improvements	17,827,266			119,070
26	940 Office Furniture and Equipment	1,062,563			16,289
27	940.1 Computers and Software	555,453			16,570
28	940.2 Customer First	22,609,111			777,610
29	955 Power Generation	5,710			88
30	995 Power Operated Equipment	943,696			14,467
31		<u>44,425,973</u>			<u>947,694</u>
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44	<u>SUPPORTING SCHEDULE</u>				
45	Work papers				
46	Testimony				

Liberty Utilities (Beardsley Water) 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.	Acct. No.	Description	Original Cost
1		<u>Post-Test Year Plant</u>	
2			
3			
4			
5			
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	50,000
11	305	Collecting and Impounding Res.	-
12	306	Lake River and Other Intakes	-
13	307	Wells and Springs	8,600
14	308	Infiltration Galleries and Tunnels	-
15	309	Supply Mains	-
16	310	Power Generation Equipment	2,833
17	311	Electric Pumping Equipment	10,776
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	187,240
23	330.2	Pressure Tanks	-
24	331	Trans. and Dist. Mains	250,000
25	333	Services	350,000
26	334	Meters	-
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	-
33	342	Stores Equipment	-
34	343	Tools and Work Equipment	-
35	344	Laboratory Equipment	-
36	345	Power Operated Equipment	-
37	346	Communications Equipment	125,031
38	347	Miscellaneous Equipment	-
39	348	Other Tangible Plant	-
40			
41		Subtotal	<u>\$ 984,481</u>
42			
43	903	Land and Land Rights	\$ -
44	904	Structures and Improvements	-
45	940	Office Furniture and Fixtures	-
46	940.1	Computers and Software	27,951
47	940.2	Customer First	-
48	955	Power Generation	-
49	995	Power Operated Equipment	-
50		Subtotal	<u>\$ 27,951</u>
51			
52		Total	<u>\$ 1,012,433</u>
53			
54			
55		<u>SUPPORTING SCHEDULE</u>	
56		Work papers	
57		Testimony	

RECAP SCHEDULES:
 B-2, page 3

Liberty Utilities (Beardsley Water) 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

Line
No.

Reconciliation of Plant to Plant Reconstruction

Line No.	Acct. No.	Description	Original Cost	B-2 Adjustments	Adjusted Original Cost	Plant Per Reconstruction	Difference
6	106	Construction Completed Not Class	11,620,080	-	11,620,080	-	(11,620,080)
7	301	Organization Cost	-	-	-	-	-
8	302	Franchise Cost	-	-	-	-	-
9	303	Land and Land Rights	-	-	-	120,880	120,880
10	304	Structures and Improvements	-	50,000	50,000	117,844	67,844
11	305	Collecting and Impounding Res.	-	-	-	-	-
12	306	Lake River and Other Intakes	-	-	-	-	-
13	307	Wells and Springs	-	8,600	8,600	4,303,317	4,294,717
14	308	Infiltration Galleries and Tunnels	-	-	-	-	-
15	309	Supply Mains	-	-	-	-	-
16	310	Power Generation Equipment	6,361	2,833	9,194	2,833	(6,361)
17	311	Electric Pumping Equipment	-	10,776	10,776	861,223	850,447
18	320	Water Treatment Equipment	-	-	-	424,525	424,525
19	320.1	Water Treatment Plant	-	-	-	19,935	19,935
20	320.2	Chemical Solution Feeders	-	-	-	5,442	5,442
21	330	Dist. Reservoirs & Standpipe	-	-	-	-	-
22	330.1	Storage tanks	-	187,240	187,240	1,266,252	1,079,012
23	330.2	Pressure Tanks	-	-	-	41,193	41,193
24	331	Trans. and Dist. Mains	-	250,000	250,000	3,548,939	3,298,939
25	333	Services	-	350,000	350,000	561,043	211,043
26	334	Meters	-	-	-	1,408,429	1,408,429
27	335	Hydrants	-	-	-	65,545	65,545
28	336	Backflow Prevention Devices	-	-	-	-	-
29	339	Other Plant and Misc. Equip.	-	-	-	25,709	25,709
30	340	Office Furniture and Fixtures	-	-	-	-	-
31	340.1	Computers and Software	-	-	-	231,744	231,744
32	341	Transportation Equipment	-	-	-	9,379	9,379
33	342	Stores Equipment	-	-	-	-	-
34	343	Tools and Work Equipment	1,099	-	1,099	13,929	12,830
35	344	Laboratory Equipment	-	-	-	-	-
36	345	Power Operated Equipment	-	-	-	-	-
37	346	Communications Equipment	-	125,031	125,031	132,921	7,890
38	347	Miscellaneous Equipment	-	-	-	675	675
39	348	Other Tangible Plant	-	-	-	-	-
40							
41		TOTALS	\$ 11,627,540	\$ 984,481	\$ 12,612,021	\$ 13,161,757	\$ 549,736

44 SUPPORTING SCHEDULE
 45 B-2, pages 3.1 through 3.2
 46 B-2, pages 3.4 through 3.10

RECAP SCHEDULES:
 B-2, page 3

Liberty Utilities (Beardsley Water) Corp.
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.4

Line No.	NARUC Acct No.	Description	Allowed Deprec. Rate	Plant at	PTY Plant	Adjusted	Accum.	PTY Plant	A/D	Adj. Accum.
				12/31/2018	Adjustment	Plant at 12/31/2018	Deprec. At 12/31/2018	A/D Adjustment	Deprec. At 12/31/2018	
1	301	Organization Cost	0.00%			-				-
2	302	Franchise Cost	0.00%			-				-
3	303	Land and Land Rights	0.00%	120,880		120,880				-
4	304	Structures & Improvements	3.33%	31,630	-	31,630	19,489	-	-	19,489
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	4,318,614	-	4,318,614	373,900	-	-	373,900
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%	484,761	-	484,761	390,993	-	-	390,993
12	320	Water Treatment Equipment	3.33%	1,895	-	1,895	833	-	-	833
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-
16	330.1	Storage Tanks	2.22%	1,098,632	-	1,098,632	168,765	-	-	168,765
17	330.2	Pressure Tanks	5.00%	41,193	-	41,193	30,764	-	-	30,764
18	331	Transmission & Distribution Mains	2.00%	3,274,051	-	3,274,051	387,439	-	-	387,439
19	333	Services	3.33%	110,464	-	110,464	44,520	-	-	44,520
20	334	Meters	8.33%	199,079	-	199,079	62,244	-	-	62,244
21	335	Hydrants	2.00%	64,187	-	64,187	13,464	-	-	13,464
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	25,709	-	25,709	7,591	-	-	7,591
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-	-
26	341	Transportation Equipment	20.00%	-	-	-	-	-	-	-
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%	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	10.00%	675	-	675	675	-	-	675
33	347.1	Miscellaneous Equipment - CNG Plant	3.33%	-	-	-	-	-	-	-
34	348	Other Tangible Plant	10.00%	-	-	-	-	-	-	-
34		Rounding				-				-
35										
36		TOTALS		9,771,768	-	9,771,768	1,500,679	-	-	1,500,679

Liberty Utilities (Beardsley Water) Corp.
 Plant Additions and Retirements

Exhibit
 Schedule B-2
 Page 3.5
 Witness: Bourassa

2019

Line No.	NARUC Acct No.	Description	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%	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	120,880	-
4	304	Structures & Improvements	3.33%	-	-	-	970	31,630	20,459
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	-	-	-	142,558	4,318,614	516,458
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%	33,507	-	-	29,465	518,268	420,458
12	320	Water Treatment Equipment	3.33%	-	-	-	63	1,895	896
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-
16	330.1	Storage Tanks	2.22%	-	-	-	24,132	1,098,632	192,897
17	330.2	Pressure Tanks	5.00%	-	-	-	2,060	41,193	32,824
18	331	Transmission & Distribution Mains	2.00%	-	-	-	64,220	3,274,051	451,659
19	333	Services	3.33%	-	-	-	3,233	110,464	47,753
20	334	Meters	8.33%	94,173	-	-	17,224	293,252	79,467
21	335	Hydrants	2.00%	-	-	-	1,284	64,187	14,748
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	1,568	25,709	9,159
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	-	-
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-
26	341	Transportation Equipment	20.00%	-	-	-	-	-	-
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%	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	-	-	-	-	-	-
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	675	675
33	347.1	Miscellaneous Equipment - CNG Plant	3.33%	-	-	-	-	-	-
34	348	Other Tangible Plant	10.00%	-	-	-	-	-	-
34		Rounding		-	-	-	-	-	-
35									
36		TOTALS		127,680	-	-	286,775	9,899,448	1,787,454

Liberty Utilities (Beardsley Water) Corp.
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.6
Witness: Bourassa

2020

Line No.	NARUC Acct No.	Description	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%	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	120,880	-
4	304	Structures & Improvements	3.33%	-	-	-	970	31,630	21,429
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	-	-	-	142,558	4,318,614	659,015
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%	21,375	-	-	27,946	539,643	448,403
12	320	Water Treatment Equipment	3.33%	-	-	-	63	1,895	959
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-
16	330.1	Storage Tanks	2.22%	-	-	-	24,132	1,098,632	217,029
17	330.2	Pressure Tanks	5.00%	-	-	-	2,060	41,193	34,884
18	331	Transmission & Distribution Mains	2.00%	-	-	-	64,220	3,274,051	515,878
19	333	Services	3.33%	-	-	-	3,233	110,464	50,986
20	334	Meters	8.33%	133,269	-	-	26,394	426,521	105,862
21	335	Hydrants	2.00%	-	-	-	1,284	64,187	16,032
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	1,568	25,709	10,727
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	-	-
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-
26	341	Transportation Equipment	20.00%	-	-	-	-	-	-
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%	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	-	-	-	-	-	-
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	675	675
33	347.1	Miscellaneous Equipment - CNG Plant	3.33%	-	-	-	-	-	-
34	348	Other Tangible Plant	10.00%	-	-	-	-	-	-
34		Rounding		-	-	-	-	-	-
35									
36		TOTALS		154,644	-	-	294,427	10,054,092	2,081,880

Liberty Utilities (Beardsley Water) Corp.
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.7
Witness: Bourassa

2021								
Line	NARUC	Allowed	Adjusted	Adjusted	Salvage	Depreciation	Plant	Accum.
No.	Acct No.	Deprec.	Plant	Plant	A/D Only	(Calculated)	Balance	Deprec.
	Description	Rate	Additions	Retirements				
1	301	0.00%	-	-	-	-	-	-
2	302	0.00%	-	-	-	-	-	-
3	303	0.00%	-	-	-	-	120,880	-
4	304	3.33%	35,006	-	-	1,553	66,636	22,982
5	305	2.50%	-	-	-	-	-	-
6	306	2.50%	-	-	-	-	-	-
7	307	3.33%	13,710	37,607	-	142,160	4,294,717	763,568
8	308	6.67%	-	-	-	-	-	-
9	309	2.00%	-	-	-	-	-	-
10	310	5.00%	-	-	-	-	-	-
11	311	12.50%	192,468	-	-	35,201	732,111	483,605
12	320	3.33%	-	-	-	63	1,895	1,022
13	320.1	3.33%	18,603	-	-	310	18,603	310
14	320.2	20.00%	-	-	-	-	-	-
15	330	2.22%	-	-	-	-	-	-
16	330.1	2.22%	-	19,620	-	23,914	1,079,012	221,323
17	330.2	5.00%	-	-	-	2,060	41,193	36,943
18	331	2.00%	1,105	-	-	64,231	3,275,156	580,109
19	333	3.33%	78,653	-	-	4,542	189,117	55,528
20	334	8.33%	572,063	-	-	55,448	998,583	161,310
21	335	2.00%	1,358	-	-	1,297	65,545	17,329
22	336	6.67%	-	-	-	-	-	-
23	339	6.67%	-	-	-	1,568	25,709	12,295
24	340	6.67%	-	-	-	-	-	-
25	340.1	20.00%	228,436	-	-	22,844	228,436	22,844
26	341	20.00%	9,379	-	-	938	9,379	938
27	342	4.00%	-	-	-	-	-	-
28	343	5.00%	10,135	-	-	253	10,135	253
29	344	10.00%	-	-	-	-	-	-
30	345	5.00%	-	-	-	-	-	-
31	346	10.00%	-	-	-	-	-	-
32	347	10.00%	-	-	-	-	675	675
33	347.1	3.33%	-	-	-	-	-	-
34	348	10.00%	-	-	-	-	-	-
34			-	-	-	-	-	-
35								
36	TOTALS		1,160,917	57,227	-	356,382	11,157,782	2,381,035

Liberty Utilities (Beardsley Water) Corp.
Plant Additions and Retirements

Exhibit
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Witness: Bourassa

2022

Line No.	NARUC Acct No.	Description	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%	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	120,880	-
4	304	Structures & Improvements	3.33%	1,207	-	-	2,156	67,844	25,138
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	-	-	-	141,762	4,294,717	905,330
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%	118,336	-	-	48,826	850,447	532,431
12	320	Water Treatment Equipment	3.33%	-	-	-	63	1,895	1,085
13	320.1	Water Treatment Plants	3.33%	1,332	-	-	642	19,935	951
14	320.2	Solution Chemical Feeders	20.00%	5,442	-	-	544	5,442	544
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-
16	330.1	Storage Tanks	2.22%	-	-	-	23,696	1,079,012	245,019
17	330.2	Pressure Tanks	5.00%	-	-	-	1,204	41,193	38,147
18	331	Transmission & Distribution Mains	2.00%	23,783	-	-	64,480	3,298,939	644,589
19	333	Services	3.33%	21,926	-	-	6,217	211,043	61,745
20	334	Meters	8.33%	409,846	-	-	96,111	1,408,429	257,421
21	335	Hydrants	2.00%	-	-	-	1,311	65,545	18,640
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	1,568	25,709	13,863
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	-	-
25	340.1	Computers & Software	20.00%	3,308	-	-	46,018	231,744	68,862
26	341	Transportation Equipment	20.00%	-	-	-	1,876	9,379	2,814
27	342	Stores Equipment	4.00%	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	3,794	-	-	602	13,929	855
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	7,890	-	-	394	7,890	394
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	675	675
33	347.1	Miscellaneous Equipment - CNG Plant	3.33%	-	-	-	-	-	-
34	348	Other Tangible Plant	10.00%	-	-	-	-	-	-
34		Rounding		-	-	-	-	-	-
35									
36		TOTALS		596,864	-	-	437,470	11,754,646	2,818,505

Liberty Utilities (Beardsley Water) Corp.
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.9
Witness: Bourassa

2023								
Line	NARUC	Allowed	Adjusted	Adjusted	Salvage	Thru 4/1	Thru 4/1	Thru 4/1
No.	Acct No.	Deprec.	Plant	Plant	A/D Only	Depreciation	Plant	Accum.
	Description	Rate	Additions	Retirements		(Calculated)	Balance	Deprec.
1	301	0.00%	-	-	-	-	-	-
2	302	0.00%	-	-	-	-	-	-
3	303	0.00%	-	-	-	-	120,880	-
4	304	3.33%	-	-	-	725	67,844	25,863
5	305	2.50%	-	-	-	-	-	-
6	306	2.50%	-	-	-	-	-	-
7	307	3.33%	-	-	-	47,207	4,294,717	952,536
8	308	6.67%	-	-	-	-	-	-
9	309	2.00%	-	-	-	-	-	-
10	310	5.00%	-	-	-	-	-	-
11	311	12.50%	-	-	-	17,550	850,447	549,981
12	320	3.33%	422,630	-	-	2,364	424,525	3,450
13	320.1	3.33%	-	-	-	221	19,935	1,172
14	320.2	20.00%	-	-	-	362	5,442	907
15	330	2.22%	-	-	-	-	-	-
16	330.1	2.22%	-	-	-	7,891	1,079,012	252,910
17	330.2	5.00%	-	-	-	116	41,193	38,263
18	331	2.00%	-	-	-	21,551	3,298,939	666,140
19	333	3.33%	-	-	-	2,192	211,043	63,937
20	334	8.33%	-	-	-	37,681	1,408,429	295,102
21	335	2.00%	-	-	-	437	65,545	19,076
22	336	6.67%	-	-	-	-	-	-
23	339	6.67%	-	-	-	522	25,709	14,385
24	340	6.67%	-	-	-	-	-	-
25	340.1	20.00%	-	-	-	15,434	231,744	84,296
26	341	20.00%	-	-	-	625	9,379	3,438
27	342	4.00%	-	-	-	-	-	-
28	343	5.00%	-	-	-	232	13,929	1,087
29	344	10.00%	-	-	-	-	-	-
30	345	5.00%	-	-	-	-	-	-
31	346	10.00%	-	-	-	263	7,890	657
32	347	10.00%	-	-	-	-	675	675
33	347.1	3.33%	-	-	-	-	-	-
34	348	10.00%	-	-	-	-	-	-
34			-	-	-	-	-	-
35								
36			422,630	-	-	155,372	12,177,276	2,973,877

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2

Exhibit
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 Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Per Books Accum. Depr.	Allocated Corporate Plant	Adjustments B PTY Plant A/D	Adjustments C to Reconcile A/D to Reconstruction	Adjusted Accum. Depr.
1							
2							
3							
4			\$ 2,300,031			\$ (2,300,031)	-
5	108	A/D Not Classified					
6	301	Organization Cost	-		-	-	-
7	302	Franchise Cost	-		-	-	-
8	303	Land and Land Rights	-		-	-	-
9	304	Structures and Improvements	2,023		833	24,672	27,528
10	305	Collecting and Impounding Res.	-		-	-	-
11	306	Lake River and Other Intakes	-		-	-	-
12	307	Wells and Springs	301,667		143	651,012	952,823
13	308	Infiltration Galleries and Tunnels	-		-	-	-
14	309	Supply Mains	-		-	-	-
15	310	Power Generation Equipment	-		71	71	142
16	311	Electric Pumping Equipment	48,275		674	502,379	551,328
17	320	Water Treatment Equipment	-		-	3,450	3,450
18	320.1	Water Treatment Plant	88		-	1,085	1,172
19	320.2	Chemical Solution Feeders	-		-	907	907
20	330	Dist. Reservoirs & Standpipe	-		-	-	-
21	330.1	Storage tanks	54,616		2,078	200,373	257,067
22	330.2	Pressure Tanks	-		-	38,263	38,263
23	331	Trans. and Dist. Mains	133,791		2,500	534,849	671,140
24	333	Services	6,742		5,828	63,023	75,592
25	334	Meters	68,232		-	226,870	295,102
26	335	Hydrants	2,675		-	16,402	19,076
27	336	Backflow Prevention Devices	-		-	-	-
28	339	Other Plant and Misc. Equip.	3,265		-	11,120	14,385
29	340	Office Furniture and Fixtures	-		-	-	-
30	340.1	Computers and Software	-		-	84,296	84,296
31	341	Transportation Equipment	-		-	3,438	3,438
32	342	Stores Equipment	-		-	-	-
33	343	Tools and Work Equipment	-		-	1,087	1,087
34	344	Laboratory Equipment	-		-	-	-
35	345	Power Operated Equipment	-		-	-	-
36	346	Communications Equipment	-		6,252	6,909	13,160
37	347	Miscellaneous Equipment	-		-	675	675
38	348	Other Tangible Plant	-		-	-	-
39			\$ 2,921,405	\$ -	\$ 18,377	\$ 70,849	\$ 3,010,632
40							
41							
42	903	Land and Land Rights		\$ -	\$ -		-
43	904	Structures and Improvements		7,388	-		7,388
44	940	Office Furniture and Fixtures		1,992	-		1,992
45	940.1	Computers and Software		3,314	2,795		6,109
46	940.2	Customer First		7,515	-		7,515
47	955	Power Generation		8	-		8
48	995	Power Operated Equipment		1,326	-		1,326
49							
50		TOTALS	\$ 2,921,405	\$ 21,544	\$ -	\$ 70,849	\$ 3,034,971
51							
52		Accumulated Depreciation per Books					\$ 2,921,405
53							
54		Increase (decrease) in Accumulated Depreciation					\$ 113,566
55							
56		Adjustment to Accumulated Depreciation					\$ 113,566
57							
58		<u>SUPPORTING SCHEDULES</u>					
59		B-2, pages 4.1 to 4.3					

Liberty Utilities (Beardsley Water) 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.			[1]	[2]	[3]	[4] = [1]x[2]x[3]
		Original	Liberty		Allocated	
Acct. No.	Description	Cost	Utilities		Factor	Original Cost A/D
1	<u>Corporate Plant A/D</u>					
2						
3						
4						
5						
6	903	Land and Land Rights	\$ -	6.6567%	2.9832%	\$ -
7	904	Structures and Improvements	769,338	6.6567%	2.9832%	1,528
8						
9						
10						
11						
12	<u>LU Sub-Corp. Plant (8020) A/D</u>					
13						
14	903	Land and Land Rights	\$ -	51.39%	2.9832%	\$ -
15	904	Structures and Improvements	382,268	51.39%	2.9832%	5,860
16	940	Office Furniture and Equipment	129,934	51.39%	2.9832%	1,992
17	940.1	Computers and Software	111,091	100.00%	2.9832%	3,314
18	940.2	Customer First	251,922	100.00%	2.9832%	7,515
19	955	Power Generation	523	51.39%	2.9832%	8
20	995	Power Operated Equipment	86,505	51.39%	2.9832%	1,326
21						
22						
23	TOTALS					
24	903	Land and Land Rights	-			-
25	904	Structures and Improvements	1,151,606			7,388
26	940	Office Furniture and Equipment	129,934			1,992
27	940.1	Computers and Software	111,091			3,314
28	940.2	Customer First	251,922			7,515
29	955	Power Generation	523			8
30	995	Power Operated Equipment	86,505			1,326
31		Total	<u>\$ 1,731,582</u>			<u>\$ 21,544</u>

SUPPORTING SCHEDULE

Work papers
 Testimony

RECAP SCHEDULES:

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Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2 - B

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 Witness: Bourassa

Line No.	<u>Post Test Year Plant A/D</u>	Acct.	Depr Rate	PTY Plant	Depr.
1					
2					
3					
4					
5		<u>No.</u> <u>Description</u>			
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%	50,000	833
10		305 Collecting and Impounding Res.	2.50%	-	-
11		306 Lake River and Other Intakes	2.50%	-	-
12		307 Wells and Springs	3.33%	8,600	143
13		308 Infiltration Galleries and Tunnels	6.67%	-	-
14		309 Supply Mains	2.00%	-	-
15		310 Power Generation Equipment	5.00%	2,833	71
16		311 Electric Pumping Equipment	12.50%	10,776	674
17		320 Water Treatment Equipment	3.33%	-	-
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%	187,240	2,078
22		330.2 Pressure Tanks	5.00%	-	-
23		331 Trans. and Dist. Mains	2.00%	250,000	2,500
24		333 Services	3.33%	350,000	5,828
25		334 Meters	8.33%	-	-
26		335 Hydrants	2.00%	-	-
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%	-	-
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%	125,031	6,252
37		347 Miscellaneous Equipment	10.00%	-	-
38		348 Other Tangible Plant	10.00%	-	-
39					
40		Subtotal		<u>\$ 984,481</u>	<u>\$ -</u>
41					
42		903 Land and Land Rights	0.00%	\$ -	\$ -
43		904 Structures and Improvements	2.56%	-	-
44		940 Office Furniture and Fixtures	6.67%	-	-
45		940.1 Computers and Software	20.00%	27,951	2,795
46		940.2 Customer First	5.00%	-	-
47		955 Power Generation	5.00%	-	-
48		995 Power Operated Equipment	5.00%	-	-
49		Subtotal		<u>\$ 27,951</u>	<u>\$ 2,795</u>
50					
51		Total		<u>\$ 1,012,433</u>	<u>\$ 21,173</u>
52					

SUPPORTING SCHEDULE

Work papers

55

Liberty Utilities (Beardsley Water) 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

Line No.	Acct. No.	Description	Original Cost	B-2 Adjustments	Adjusted Original Cost	Plant Per Reconstruction	Difference
1	<u>Reconciliation of A/D to A/D Reconstruction</u>						
2							
3							
4							
5							
6	108	A/D Not Classified	2,300,031	-	2,300,031	-	(2,300,031)
7	301	Organization Cost	-	-	-	-	-
8	302	Franchise Cost	-	-	-	-	-
9	303	Land and Land Rights	-	-	-	-	-
10	304	Structures and Improvements	2,023	-	2,023	26,695	24,672
11	305	Collecting and Impounding Res.	-	-	-	-	-
12	306	Lake River and Other Intakes	-	-	-	-	-
13	307	Wells and Springs	301,667	-	301,667	952,680	651,012
14	308	Infiltration Galleries and Tunnels	-	-	-	-	-
15	309	Supply Mains	-	-	-	-	-
16	310	Power Generation Equipment	-	-	-	71	71
17	311	Electric Pumping Equipment	48,275	-	48,275	550,655	502,379
18	320	Water Treatment Equipment	-	-	-	3,450	3,450
19	320.1	Water Treatment Plant	88	-	88	1,172	1,085
20	320.2	Chemical Solution Feeders	-	-	-	907	907
21	330	Dist. Reservoirs & Standpipe	-	-	-	-	-
22	330.1	Storage tanks	54,616	-	54,616	254,988	200,373
23	330.2	Pressure Tanks	-	-	-	38,263	38,263
24	331	Trans. and Dist. Mains	133,791	-	133,791	668,640	534,849
25	333	Services	6,742	-	6,742	69,765	63,023
26	334	Meters	68,232	-	68,232	295,102	226,870
27	335	Hydrants	2,675	-	2,675	19,076	16,402
28	336	Backflow Prevention Devices	-	-	-	-	-
29	339	Other Plant and Misc. Equip.	3,265	-	3,265	14,385	11,120
30	340	Office Furniture and Fixtures	-	-	-	-	-
31	340.1	Computers and Software	-	-	-	84,296	84,296
32	341	Transportation Equipment	-	-	-	3,438	3,438
33	342	Stores Equipment	-	-	-	-	-
34	343	Tools and Work Equipment	-	-	-	1,087	1,087
35	344	Laboratory Equipment	-	-	-	-	-
36	345	Power Operated Equipment	-	-	-	-	-
37	346	Communications Equipment	-	-	-	6,909	6,909
38	347	Miscellaneous Equipment	-	-	-	675	675
39	348	Other Tangible Plant	-	-	-	-	-
40							
41		TOTALS	\$ 2,921,405	\$ -	\$ 2,921,405	\$ 2,992,254	\$ 70,849

44 SUPPORTING SCHEDULE
 45 B-2, pages 4.1
 46 B-2, pages 3.4 through 3.10

RECAP SCHEDULES:
 B-2, page 4

Liberty Utilities (Beardsley Water) 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
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	<u>Gross CIAC</u>	<u>Accumulated Amortization</u>
Computed balance at End of Test Year	\$ 1,804,045	\$ 839,639
Book balance at End of Test Year	<u>\$ 1,740,568</u>	<u>\$ 735,022</u>
Increase (decrease)	\$ 63,477	\$ 104,617
Adjustment to CIAC/AA CIAC	<u>\$ 63,477</u>	<u>\$ (104,617)</u>
Label	3a	3b

SUPPORTING SCHEDULES

E-1
 B-2, page 5.1 to 5.4

RECAP SCHEDULES:

B-2, page 2

Liberty Utilities (Beardsley Water) 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	\$ 6,952,154
5		
6	Book balance at End of Test Year	<u>\$ 6,952,154</u>
7		
8	Increase (decrease)	\$ (0)
9		

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SUPPORTING SCHEDULES

E-1
B-2, page 6.1

RECAP SCHEDULES:

B-2, page 2

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Original Cost Rate Base Proforma Adjustments
 Adjustment 5

Exhibit
 Schedule B-2
 Page 7.0
 Witness: Bourassa

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Deferred Income Tax as of April 30, 2023

		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
	Plant-in-Service	\$ 13,040,877 ¹								
	Accum. Deprec.	(3,010,632) ¹								
	CIAC	(5,830,914) ³								
Fed.	Fixed Assets	\$ 4,199,331	\$ 4,030,278 ²	100.0%	\$ (169,053)	19.97%		-		(33,762)
State	Fixed Assets	\$ 4,199,331	\$ 3,621,920 ²	100.0%	\$ (577,411)	4.900%		-		(28,293)
Fed & State	AIAC		2,257,558 ⁴	100.0%	\$ 2,257,558 ⁴	24.871%		\$ 561,477		
							<u>\$ -</u>	<u>\$ 561,477</u>	<u>\$ -</u>	<u>\$ (62,055)</u>
	Net Asset (Liability)						\$ 499,423			
	Allocation Factor							1.0000		
	Net Asset (Liability) Water Division						\$ 499,423			
	Allocated Corporate ADIT ⁵						<u>\$ (61,683)</u>			
	Total Asset (Liability) Water Division						\$ 437,740			
	DIT Asset (Liability) per Books						<u>\$ 211,165</u>			
	Adjustment to DIT						<u><u>\$ (226,575)</u></u>			

Footnotes - See page 7.1

RECAP SCHEDULES:
 B-2, page 2

Liberty Utilities (Beardsley Water) 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 **Per adjusted book balances, land not included and corporate plant not included**

PIS per Schedule B-2, page 2	\$ 13,161,757
Land and Land Rights	(120,880)
Organizational and Franchise	-
Historical AFUDC Equity	-
Total	\$ 13,040,877

2 Computation of Net Tax Value April 30, 2023

Tax Basis

Adjusted Cost at December 31, 2022 per federal and state tax depr. report
 Reconciling Items not on tax report:
 Land on Tax and not on included in adjusted plant balance
 Plant adds from 1/1/2023 to 4/30/2023
 PTY Plant
 Acct 105/106 - 2022 Plant not Included on Tax as of 2022

Net Unadjusted Cost tax Basis at April 30, 2023

Reductions

Adjusted A/D at December 31, 2022 per federal and state tax depr. report
 Depreciation from 1/1/2023 to 4/30/2023 on 2022 and prior plant
 Depreciation from 1/1/2023 to 4/30/2023 on 2023 plant
 PTY Plant Depreciation

Net Reductions through April 20, 2023

Net tax value of plant-in-service at April 30, 2023

	FEDERAL	STATE
Adjusted Cost at December 31, 2022 per federal and state tax depr. report	\$ 964,447	\$ 968,022
Land on Tax and not on included in adjusted plant balance		
Plant adds from 1/1/2023 to 4/30/2023	422,630	
PTY Plant	984,481	984,481
Acct 105/106 - 2022 Plant not Included on Tax as of 2022	2,153,592	2,153,592
Net Unadjusted Cost tax Basis at April 30, 2023	\$ 4,525,151	\$ 4,106,095
<u>Reductions</u>		
Adjusted A/D at December 31, 2022 per federal and state tax depr. report	\$ (426,221)	\$ (415,337)
Depreciation from 1/1/2023 to 4/30/2023 on 2022 and prior plant	(19,004)	(19,191)
Depreciation from 1/1/2023 to 4/30/2023 on 2023 plant	(8,453)	(8,453)
PTY Plant Depreciation	(41,195)	(41,195)
Net Reductions through April 20, 2023	(494,873)	(484,175)
Net tax value of plant-in-service at April 30, 2023	\$ 4,030,278	\$ 3,621,920

³ **CIAC (including impact of change to probability of realization)**

Gross CIAC per adjusted book balances
 CIAC reductions/additions
 A.A per adjusted book balances

Net CIAC before unrealized AIAC

Unrealized AIAC Component

AIAC per adjusted book balances
 Adjusted Net AIAC (see footnote 5 below)
 Unrealized AIAC Component % (1-Realized AIAC Component)

Total realizable CIAC

⁴ **AIAC (including impact of change in probability of realization)**

AIAC per adjusted book balances
 Less: Unrealized AIAC (from Note 3, above)

Subtotal

Meter and Service Line Installation Charges per adjusted book balances
 Total realizable AIAC

⁵ **See work papers**

	\$ 1,804,045	
	\$ (839,639)	
	(839,639)	\$ 964,406
	\$ 6,952,154	
	70.0%	
	\$ 4,866,508	
	\$ 5,830,914	
	\$ 6,952,154	
	\$ (4,866,508)	
	\$ 2,085,646	
	171,912	
	\$ 2,257,558	

SCHEDULE C

Liberty Utilities (Beardsley Water) 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	\$ 1,806,857	\$ 130,896	\$ 1,937,753	\$ 691,290	\$ 2,629,043
3	Other Water Revenues	49,170	-	49,170		49,170
4	Total Operating Revenues	<u>\$ 1,856,027</u>	<u>\$ 130,896</u>	<u>\$ 1,986,923</u>	<u>\$ 691,290</u>	<u>\$ 2,678,213</u>
5	Operating Expenses					
6	Salaries and Wages	\$ -	-	\$ -	-	\$ -
7	Purchased Water	344	-	344	-	344
8	Purchased Power	248,567	30,091	278,659	-	278,659
9	Chemicals	9,611	1,051	10,662	-	10,662
10	Fuel for Power Production	-	-	-	-	-
11	Materials and Supplies	5,144	260	5,404	-	5,404
12	Contractual Services - Engineering	-	-	-	-	-
13	Contractual Services - Accounting	18,207	-	18,207	-	18,207
14	Contractual Services - Legal	57,651	(57,252)	399	-	399
15	Contractual Services - Management	314,073	95,964	410,037	-	410,037
16	Contractual Services - Testing	6,936	-	6,936	-	6,936
17	Contractual Services - Other	284,419	24,460	308,879	-	308,879
18	Rental of Building/Real Property	10,833	-	10,833	-	10,833
19	Rental of Equipment	-	-	-	-	-
20	Transportation Expense	12,810	(1,669)	11,141	-	11,141
21	Insurance - Vehicle	-	-	-	-	-
22	Insurance - General Liability	20,409	-	20,409	-	20,409
23	Advertising Expense	-	-	-	-	-
24	Reg. Commission Exp. - Rate Case	-	-	-	-	-
25	Reg. Commission Exp. - Other	-	-	-	-	-
26	Water Conservation Expense	5,141	2,759	7,900	-	7,900
27	Bad Debt Expense	15,998	17,931	33,929	11,805	45,734
28	Miscellaneous	61,109	2,217	63,326	-	63,326
29	Depreciation & Amortization	510,885	172,643	683,529	-	683,529
30	Taxes Other Than Income	-	-	-	-	-
31	Property Taxes	21,452	50,439	71,890	8,350	80,240
32	Income Tax	92,966	(132,061)	(39,095)	166,918	127,823
33	Customer Deposit Interest	3,380	-	3,380	-	3,380
34	Total Operating Expenses	<u>\$ 1,699,934</u>	<u>\$ 206,834</u>	<u>\$ 1,906,768</u>	<u>\$ 187,073</u>	<u>\$ 2,093,840</u>
35	Operating Income	<u>\$ 156,093</u>	<u>\$ (75,937)</u>	<u>\$ 80,156</u>	<u>\$ 504,217</u>	<u>\$ 584,373</u>
36	Other Income (Expense)					
37	Interest and Dividend Income	-	-	-	-	-
38	AFUDC Income	-	-	-	-	-
39	Miscellaneous Non-Utility Expenses	(60,269)	-	(60,269)	-	(60,269)
40	Interest Expense	-	(198,252)	(198,252)	-	(198,252)
41		-	-	-	-	-
42	Total Other Income (Expense)	<u>\$ (60,269)</u>	<u>\$ (198,252)</u>	<u>\$ (258,521)</u>	<u>\$ -</u>	<u>\$ (258,521)</u>
43	Net Profit (Loss)	<u><u>\$ 95,824</u></u>	<u><u>\$ (274,189)</u></u>	<u><u>\$ (178,365)</u></u>	<u><u>\$ 504,217</u></u>	<u><u>\$ 325,852</u></u>

44
45 SUPPORTING SCHEDULES:
46 C-1, page 2
47 E-2
48

RECAP SCHEDULES:
A-1

Liberty Utilities (Beardsley Water) Corp.
 dba Liberty Utilities
 Test Year Ended April 30, 2023
 Income Statement

Exhibit
 Schedule C-1
 Page 2.2
 Witness: Bourassa

Line No.	<u>9</u> Cyber Security Operating Expense	<u>10</u> Conservation Programs	<u>11</u> Other Expense	<u>12</u> Labor Adjustment	<u>13</u> Interest Synch.	<u>14</u> Income Taxes	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues								
2							\$ 1,937,753	\$ 691,290	\$ 2,629,043
3							49,170		49,170
4							\$ 1,986,923	\$ 691,290	\$ 2,678,213
5	Operating Expenses								
6							\$ -		\$ -
7							344		344
8			2,906				278,659		278,659
9							10,662		10,662
10							-		-
11			260				5,404		5,404
12							-		-
13							18,207		18,207
14			(57,252)				399		399
15	10,443			20,701			410,037		410,037
16							6,936		6,936
17				24,460			308,879		308,879
18							10,833		10,833
19							-		-
20			(1,669)				11,141		11,141
21							-		-
22							20,409		20,409
23							-		-
24							-		-
25							-		-
26		2,759					7,900		7,900
27							33,929	11,805	45,734
28							63,326		63,326
29							683,529		683,529
30							-		-
31							71,890	8,350	80,240
32						(132,061)	(39,095)	166,918	127,823
33							3,380		3,380
34	\$ 10,443	\$ 2,759	\$ (55,754)	\$ 45,161	\$ -	\$ (132,061)	\$ 1,906,768	\$ 187,073	\$ 2,093,840
35	\$ (10,443)	\$ (2,759)	\$ 55,754	\$ (45,161)	\$ -	\$ 132,061	\$ 80,156	\$ 504,217	\$ 584,373
36	Other Income (Expense)								
37							-		-
38							-		-
39							(60,269)		(60,269)
40					(198,252)		(198,252)		(198,252)
41							-		-
42	\$ -	\$ -	\$ -	\$ -	\$ (198,252)	\$ -	\$ (258,521)	\$ -	\$ (258,521)
43	\$ (10,443)	\$ (2,759)	\$ 55,754	\$ (45,161)	\$ (198,252)	\$ 132,061	\$ (178,365)	\$ 504,217	\$ 325,852

44
 45 SUPPORTING SCHEDULES:
 46 C-2
 47 E-2

RECAP SCHEDULES:
 C-1, page 1

Liberty Utilities (Beardsley Water) Corp.
Test Year Ended April 30, 2023
Adjustments to Revenues and Expenses

Exhibit
Schedule C-2
Page 1
Witness: Bourassa

Line No.	<u>Adjustments to Revenues and Expenses</u>						<u>Subtotal</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	
1					INTENTIONALLY	Revenue	
2		Property	Rate	Revenue	LEFT	Accrual	
3	<u>Depreciation</u>	<u>Taxes</u>	<u>Case Expense</u>	<u>Annualization</u>	<u>BLANK</u>	<u>Correction</u>	
4	Revenues	-	-	190,896	-	(60,000)	130,896
5							
6	Expenses	172,643	50,439	30,453	-	-	253,535
7							
8	Operating						
9	Income	(172,643)	(50,439)	160,443	-	(60,000)	(122,639)
10							
11	Interest						
12	Expense						-
13	Other						
14	Income /						-
15	Expense						
16							
17	Net Income	(172,643)	(50,439)	160,443	-	(60,000)	(122,639)
18							
19							
20		<u>Adjustments to Revenues and Expenses</u>					
21		<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>
22		Bad	Customer First	Cyber Security	Conservation	Other	Labor
23		Debt	Operating	Operating	Programs	Expense	Adjustment
24		<u>Expense</u>	<u>Expense</u>	<u>Expense</u>	<u>Programs</u>	<u>Expense</u>	<u>Adjustment</u>
25	Revenues	-	-	-	-	-	-
26							
27	Expenses	17,931	64,820	10,443	2,759	(55,754)	45,161
28							
29	Operating						
30	Income	(17,931)	(64,820)	(10,443)	(2,759)	55,754	(45,161)
31							
32	Interest						
33	Expense	-					-
34	Other						
35	Income /						-
36	Expense						
37							
38	Net Income	(17,931)	(64,820)	(10,443)	(2,759)	55,754	(45,161)
39							
40							
41		<u>Adjustments to Revenues and Expenses</u>					
42		<u>13</u>	<u>14</u>				<u>Total</u>
43							
44		Interest	Income				
45		<u>Synch.</u>	<u>Taxes</u>				
46	Revenues	-	-				130,896
47							
48	Expenses	-	(132,061)				206,834
49							
50	Operating						
51	Income	-	132,061	-	-	-	(75,937)
52							
53	Interest						
54	Expense	(198,252)					(198,252)
55	Other						
56	Income /						-
57	Expense						
58							
59	Net Income	(198,252)	132,061	-	-	-	(274,189)

Liberty Utilities (Beardsley Water) 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	-	-	-	0.00%	-
2	302	Franchise Cost	-	-	-	0.00%	-
3	303	Land and Land Rights	120,880	(120,880)	-	0.00%	-
4	304	Structures and Improvements	117,844		117,844	3.33%	3,924
5	305	Collecting and Impounding Res.	-		-	2.50%	-
6	306	Lake River and Other Intakes	-		-	2.50%	-
7	307	Wells and Springs	4,303,317		4,303,317	3.33%	143,300
8	308	Infiltration Galleries and Tunnels	-		-	6.67%	-
9	309	Supply Mains	-		-	2.00%	-
10	310	Power Generation Equipment	2,833		2,833	5.00%	142
11	311	Electric Pumping Equipment	861,223	(83,000)	778,223	12.50%	97,278
12	320	Water Treatment Equipment	424,525		424,525	3.33%	14,137
13	320.1	Water Treatment Plant	19,935		19,935	3.33%	664
14	320.2	Chemical Solution Feeders	5,442		5,442	20.00%	1,088
15	330	Dist. Reservoirs & Standpipe	-		-	2.22%	-
16	330.1	Storage tanks	1,266,252	(11,615)	1,254,637	2.22%	27,853
17	330.2	Pressure Tanks	41,193	(34,233)	6,960	5.00%	348
18	331	Trans. and Dist. Mains	3,548,939	(63,060)	3,485,879	2.00%	69,718
19	333	Services	561,043	(13,383)	547,661	3.33%	18,237
20	334	Meters	1,408,429	(49,958)	1,358,471	8.33%	113,161
21	335	Hydrants	65,545		65,545	2.00%	1,311
22	336	Backflow Prevention Devices	-		-	6.67%	-
23	339	Other Plant and Misc. Equip.	25,709	(2,200)	23,509	6.67%	1,568
24	340	Office Furniture and Fixtures	-		-	6.67%	-
25	340.1	Computers and Software	231,744		231,744	20.00%	46,349
26	341	Transportation Equipment	9,379		9,379	20.00%	1,876
27	342	Stores Equipment	-		-	4.00%	-
28	343	Tools and Work Equipment	13,929		13,929	5.00%	696
29	344	Laboratory Equipment	-		-	10.00%	-
30	345	Power Operated Equipment	-		-	5.00%	-
31	346	Communications Equipment	132,921		132,921	10.00%	13,292
32	347	Miscellaneous Equipment	675	(675)	-	10.00%	-
33	348	Other Tangible Plant	-		-	10.00%	-
34		SUBTOTAL	\$ 13,161,757	\$ (379,004)	\$ 12,782,753		\$ 554,942
35							
36							
37	903	Land and Land Rights	3,600	(3,600)	-	0.00%	-
38	904	Structures and Improvements	119,070		119,070	2.56%	3,048
39	940	Office Furniture and Fixtures	16,289		16,289	6.67%	1,087
40	940.1	Computers and Software	44,522		44,522	20.00%	8,904
41	940.2	Customer First	777,610		777,610	5.00%	38,880
42	955	Power Generation	88		88	5.00%	4
43	995	Power Operated Equipment	14,467		14,467	5.00%	723
44		TOTALS	\$ 14,137,403	\$ (382,604)	\$ 13,754,798		\$ 607,589
45							
46							
47		Less: Amortization of Contributions			\$ 1,804,045	4.3413%	\$ (78,320)
48		Add: Amortization of Acquisition Adjustment			3,085,187	5.00%	154,259
49							
50							\$ 75,940
51		Total Depreciation Expense					\$ 683,529
52							
53		Adjusted Test Year Depreciation Expense					510,885
54							
55		Increase (decrease) in Depreciation Expense					172,643
56							
57		Adjustment to Revenues and/or Expenses					\$ 172,643
58							
59		<u>SUPPORTING SCHEDULE</u>					
60		B-2, page 3					

Liberty Utilities (Beardsley Water) 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	\$ 1,986,923	\$ 1,986,923
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	<u>3,973,847</u>	<u>3,973,847</u>
4	Company Recommended Revenue	1,986,923	2,678,213
5	Subtotal (Line 4 + Line 5)	5,960,770	6,652,060
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,986,923	2,217,353
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	3,973,847	4,434,707
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	5,941	5,941
12	Full Cash Value (Line 9 + Line 10 - Line 11)	3,967,906	4,428,766
13	Assessment Ratio	17.0%	17.0%
14	Assessment Value (Line 12 * Line 13)	674,544	752,890
15	Composite Property Tax Rate - Obtained from ADOR	10.6576%	10.6576%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 71,890	\$ 80,240
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	<u>\$ 71,890</u>	
19	Test Year Property Taxes	<u>\$ 21,452</u>	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	<u><u>\$ 50,439</u></u>	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		<u>\$ 80,240</u>
23	Company Test Year Adjusted Property Tax Expense (Line 18)		<u>\$ 71,890</u>
24	Increase in Property Tax Due to Increase in Revenue Requirement		<u><u>\$ 8,350</u></u>
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 8,350
27	Increase in Revenue Requirement		\$ 691,290
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.20787%
29			
30			
31			
32			
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Liberty Utilities (Beardsley Water) 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			
<u>No.</u>			
1			
2	Remove TY Rate Case expense	\$	-
3			
4	Adjustment to Revenue and/or Expense	\$	-
5			
6			
7	<u>Proposed Rate Case Expense Surcharge</u>		
8			
9	Estimated Rate Case Expense	\$	86,389
10			
11	Estimated Amortization Period in Years		3
12			
13	Annual Rate Case Expense	\$	28,796
14			
15	YE number of customers (excluding private fire)		2,595
16			
17	Monthly Surcharge	\$	0.92
18			
19			
20			
21			
22	<u>Reference</u>		
23	Testimony		
24			
25			

Liberty Utilities (Beardsley Water) 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			
<u>No.</u>			
1			
2			
3			
4	Revenue Annualization	\$	190,896
5			
6			
7			
8	Total Revenue from Annualization	<u>\$</u>	<u>190,896</u>
9			
10	Purchased Power Expense	\$	248,567
11	Gallons Sold During Test Year (in 1,000s)		191,447
12	Cost per 1,000 gallons	\$	1.2984
13			
14	Additional Gallons Sold from Annualization (in 1,000s)		20,937
15			
16	Increase (decrease) in Purchased Power	<u>\$</u>	<u>27,185</u>
17			
18	TY Chemicals Expense	\$	9,611
19	Gallons Sold During Test Year (in 1,000s)		191,447
20	Cost per 1,000 gallons	\$	0.0502
21			
22	Additional Gallons Sold from Annualization (in 1,000s)		20,937
23			
24	Increase (decrease) in Chemicals Expense	<u>\$</u>	<u>1,051</u>
25			
26	Additional billings from annualization		3,359
27	Postage rate	\$	0.66
28			
29	Increase (decrease) in Miscellaneous Expense	<u>\$</u>	<u>2,217</u>
30			
31			
32	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>160,443</u>
33			
34	<u>SUPPORTING SCHEDULES</u>		
35	Work papers		
36	H-1		
37			

Liberty Utilities (Beardsley Water) 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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Liberty Utilities (Beardsley Water) 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		
<u>No.</u>		
1	Correct Revenue Accrual Adjustment	\$ (60,000)
2		
3		
4		
5	Adjustment to Revenues	<u>\$ (60,000)</u>
6		
7		
8	Adjustment to Revenue and/or Expense	<u>\$ (60,000)</u>
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20	<u>Reference</u>	
21	Testimony	
22	H-1	
23		
24		

Liberty Utilities (Beardsley Water) 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.	<u>Revenues</u>	<u>Bad Debt Expense</u>	<u>Rate</u>	<u>Proposed Rate</u>
1	ND	ND	ND	
2	\$ 1,506,419	\$ 38,463	2.553%	
3	\$ 1,856,027	\$ 15,998	0.862%	
4				
5	Average of three year's of bad debt expense rate		1.708%	1.708%
6				
7			<u>Adjusted TY</u>	<u>Proposed</u>
8				
9	Revenues		\$ 1,986,923	\$ 2,678,213
10				
11	Computed Bad Debt Expense		\$ 33,929	\$ 45,734
12				
13				
14	Computed Bad Debt Expense		\$ 33,929	
15	Test Year Bad Debt Expense		15,998	
16	Change in Bad Debt Expense		<u>\$ 17,931</u>	
17				
18	Bad Debt Expense on Company recommended revenue			\$ 45,734
19	Company Test Year Adjusted Bad Debt Expense			<u>\$ 33,929</u>
20	Increase in Bad Debt due to Increase in Revenue Requirement			<u>\$ 11,805</u>
21				
22	Increase in Bad Debt Expense Due to Increase in Revenue Requirement			\$ 11,805
23	Increase in Revenue Requirement			\$ 691,290
24	Increase in Bad Debt Expense Per Dollar Increase in Revenue			1.70762%

Liberty Utilities (Beardsley Water) 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	<u>Corporate Allocation Adjustment</u>		
3			
4	Increase (decrease) in Contractual Services - Management	\$	64,820
5			
6			
7			
8			
9			
10	Adjustment to Revenue and/or Expense	\$	<u>64,820</u>
11			
12			
13			
14			
15			
16			
17			
18	<u>Reference</u>		
19	Testimony		
20	Work Papers		

Liberty Utilities (Beardsley Water) 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	<u>Corporate Allocation Adjustment</u>		
3			
4	Increase (decrease) in Contractual Services - Management	\$	10,443
5			
6			
7			
8			
9			
10	Adjustment to Revenue and/or Expense	\$	<u>10,443</u>
11			
12			
13			
14			
15			
16			
17			
18	<u>Reference</u>		
19	Testimony		
20	Work Papers		
21			
22			
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24			
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Liberty Utilities (Beardsley Water) 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	<u>Corporate Allocation Adjustment</u>		
2			
3			
4	Increase (decrease) in Water Conservation Expense	\$	2,759
5			
6			
7			
8			
9			
10	Adjustment to Revenue and/or Expense	\$	<u>2,759</u>
11			
12			
13			
14			
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16			
17			
18	<u>Reference</u>		
19	Testimony		
20	Work Papers		
21			
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Liberty Utilities (Beardsley Water) 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	<u>Corporate Allocation Adjustment</u>		
2			
3	Increase (decrease) in Purchased Power	\$	2,906
4	Increase (decrease) in Chemicals		-
5	Increase (decrease) in Materials & Supplies		260
6	Increase (decrease) in Contractual Services - Legal		(57,252)
7	Increase (decrease) in Contractual Services - Other		-
8	Increase (decrease) in Equipment Rental		-
9	Increase (decrease) in Transportation Expense		(1,669)
10	Increase (decrease) in Advertising Expense		-
11	Increase (decrease) in Miscellaneous Expense		-
12	Total	\$	<u>(55,754)</u>
13			
14			
15	Adjustment to Revenue and/or Expense	\$	<u>(55,754)</u>
16			
17			
18			
19			
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21			
22			
23	<u>Reference</u>		
24	Testimony		
25	Work Papers		

Liberty Utilities (Beardsley Water) 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	<u>Corporate Allocation Adjustment</u>		
2			
3			
4	Increase (decrease) in Contractual Services - Management	\$	20,701
5	Increase (decrease) in Contractual Services - Other		24,460
6			
7			
8			
9			
10	Total	<u>\$</u>	<u>45,161</u>
11			
12			
13	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>45,161</u>
14			
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18			
19			
20			
21	<u>Reference</u>		
22	Testimony		
23	Work Papers		
24			
25			

Liberty Utilities (Beardsley Water) 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	\$ 6,530,039	
5	Weighted Cost of Debt	3.04%	
6	Interest Expense		\$ 198,252
7			
8	Test Year Interest Expense		<u>\$ -</u>
9			
10	Increase (decrease) in Interest Expense		198,252
11			
12			
13			
14	Adjustment to Revenue and/or Expense		<u><u>\$ (198,252)</u></u>

15

16

17 Weighted Cost of Debt Computation

		<u>Percent</u>	<u>Cost</u>	Weighted <u>Cost</u>
19				
20	Debt	46.00%	6.60%	3.04%
21	Equity	<u>54.00%</u>	10.95%	<u>5.91%</u>
22	Total	100.00%		8.95%

23

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Liberty Utilities (Beardsley Water) 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.

1 Income Taxes

2

3

4 Computed Income Tax

5 Test Year Income tax Expense

6 Adjustment to Income Tax Expense

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13 SUPPORTING SCHEDULE

14 C-3, page 2

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	Test Year at Present Rates	Test Year at Proposed Rates
	\$ (39,095)	\$ 127,823
	-	(39,095)
	\$ (39,095)	\$ 166,918

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Computation of Gross Revenue Conversion Factor

Exhibit
 Schedule C-3
 Page 1
 Witness: Bourassa

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Combined Federal and State Effective Income Tax Rate	24.871%
2		
3	Uncollectible Factor	1.283%
4		
5	Property Tax Factor	0.907%
6		
7		
8	Total Tax Percentage	27.061%
9		
10	Operating Income % = 100% - Tax Percentage	72.939%
11		
12		
13		
14		
15	1	
16	<u>Operating Income %</u> = Gross Revenue Conversion Factor	1.3710
17		
18		
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27	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
28	C-3, page 2	A-1
29		
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GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)
<i>Calculation of Gross Revenue Conversion Factor:</i>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	1.2829%					
3	Revenues (L1 - L2)	98.7171%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	25.7785%					
5	Subtotal (L3 - L4)	72.9386%					
6	Revenue Conversion Factor (L1 / L5)	1.371016					
<i>Calculation of Uncollectible Factor:</i>							
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	1.7076%					
11	Uncollectible Factor (L9 * L10)		1.2829%				
<i>Calculation of Effective Tax Rate:</i>							
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%				
<i>Calculation of Effective Property Tax Factor</i>							
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	1.2079%					
22	Effective Property Tax Factor (L20*L21)		0.9075%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			25.7785%			
24	Required Operating Income	\$ 584,373					
25	Adjusted Test Year Operating Income (Loss)	\$ 80,156					
26	Required Increase in Operating Income (L24 - L25)		\$ 504,217				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 127,823					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ (39,095)					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 166,918				
30	Recommended Revenue Requirement	\$ 2,678,213					
31	Uncollectible Rate (Line 10)	1.7076%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ 45,734					
33	Adjusted Test Year Uncollectible Expense	\$ 33,929					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ 11,805				
35	Property Tax with Recommended Revenue	\$ 80,240					
36	Property Tax on Test Year Revenue	\$ 71,890					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 8,350				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 691,290				

	(A)	(B)	(C)	(D)	(E)	(F)
<i>Calculation of Income Tax:</i>						
39	Revenue	\$ 1,986,923		\$ 1,986,923		
40	Operating Expenses Excluding Income Taxes	1,945,863		1,945,863		
41	Synchronized Interest (L54)	198,252		198,252		
42	Arizona Taxable Income (L39 - L40 - L41)	\$ (157,191)		\$ (157,191)		
43	Arizona State Effective Income Tax Rate	4.9000%		4.9000%		
44	Arizona Income Tax (L42 x L43)	\$ (7,702)		\$ (7,702)		
45	Federal Taxable Income (L42- L44)	\$ (149,489)		\$ (149,489)		
46	Federal Income Tax Rate	21.00%		21.00%		
47	Federal Income Tax (L45xL46)	\$ (31,393)		\$ (31,393)		
48	Combined Federal and State Income Tax (L44 + L47)	\$ (39,095)		\$ (39,095)		
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%

<i>Calculation of Interest Synchronization:</i>	
52	Rate Base
53	Weighted Average Cost of Debt
54	Synchronized Interest (L59 X L60)

	Water
\$	6,530,039
	3.0360%
\$	198,252

SCHEDULE D

Liberty Utilities (Beardsley Water) 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			End of Projected Year				
		Amount Outstanding	Annual Interest	Effective Interest Rate	Weighted Cost	Amount Outstanding	Annual Interest	Effective Interest Rate	Weighted Cost
1	Liberty Utilities - Proforma		-	0.00%	0.00%	2,160,147	142,570	6.60%	6.60%
2			-	0.00%	0.00%		-	0.00%	0.00%
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	<u>\$ -</u>	<u>\$ -</u>		<u>0.00%</u>	<u>\$ 2,160,147</u>	<u>\$ 142,570</u>		<u>6.60%</u>

16 Supporting Schedules:
 17 E-1
 18 E-2
 19 Testimony

RECAP SCHEDULES:
 D-1

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Liberty Utilities (Beardsley Water) Corp.
Test Year Ended April 30, 2023
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa

Line

No.

1

End of Test Year

End of Projected Year

2

3

Description
of Issue

Shares
Outstanding Dividend
Amount Requirement

Shares
Outstanding Dividend
Amount Requirement

4

5

6

7

NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING

8

9

10

11

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SUPPORTING SCHEDULES:

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E-1

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RECAP SCHEDULES:

D-1

Liberty Utilities (Beardsley Water) Corp.

Test Year Ended April 30, 2023

Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Bourassa

Line
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1
2 The Company is proposing a cost of common equity of 10.95% .
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17 SUPPORTING SCHEDULES:
18 E-1
19 D-4.1 to D-4.16
20

RECAP SCHEDULES:
D-1

SCHEDULE E

Liberty Utilities (Beardsley Water) Corp.
Test Year Ended April 30, 2023
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.	Test Year Ended <u>4/30/2023</u>	Year Ended <u>4/30/2022</u>	Year Ended <u>4/30/2021</u>
1	<u>ASSETS</u>		
2	PLANT		
2	\$ 11,627,540	\$ 10,024,949	\$ 10,101,901
3	-	3,018,049	3,185,162
3	1,784,471	1,588,600	1,358
4	-	-	-
4	(2,921,405)	(2,401,648)	(2,156,236)
5	3,085,187	-	-
5	<u>\$ 13,575,793</u>	<u>\$ 12,229,950</u>	<u>\$ 11,132,185</u>
6			
7	CURRENT ASSETS		
8	\$ 1,645,391	\$ 1,737,829	\$ 147,827
9	-	-	-
10	219,067	208,710	178,574
11	-	-	-
12	-	-	-
13	-	-	-
14	927	9,556	-
15	111,489	42,347	-
16	4,352	38,427	183,086
17	<u>\$ 1,981,226</u>	<u>\$ 2,036,869</u>	<u>\$ 509,487</u>
18			
19	OTHER ASSETS		
20	\$ -	\$ -	\$ -
21	-	-	-
22	-	-	-
23	<u>-</u>	<u>-</u>	<u>-</u>
24			
25	<u>\$ 15,557,019</u>	<u>\$ 14,266,819</u>	<u>\$ 11,641,672</u>
26			
27			
28	<u>LIABILITIES AND STOCKHOLDER EQUITY</u>		
29			
30	<u>\$ 3,577,932</u>	<u>\$ 3,482,108</u>	<u>\$ 3,215,134</u>
31			
32	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
33			
34	CURRENT AND LONG TERM LIABILITIES		
35	\$ -	\$ -	\$ -
36	-	-	-
37	3,208,579	2,280,647	62,546
38	-	-	-
39	104,859	62,321	28,730
40	100,000	100,000	-
41	-	-	-
42	-	-	-
43	343,585	71,190	-
44	211,881	195,720	118,376
45	<u>\$ 3,968,904</u>	<u>\$ 2,709,878</u>	<u>\$ 209,653</u>
46			
47	DEFERRED CREDITS		
48	\$ 171,912	\$ 48,922	\$ 12,076
49	6,852,154	6,852,154	7,028,225
50	28,400	22,500	-
51	-	-	-
52	-	-	-
53	1,740,568	1,740,568	1,740,568
54	135,566	102,120	-
55	(735,022)	(687,465)	(643,942)
56	(211,165)	(31,736)	-
57	27,770	27,770	79,957
58	<u>\$ 8,010,182</u>	<u>\$ 8,074,832</u>	<u>\$ 8,216,885</u>
59			
60	<u>\$ 15,557,019</u>	<u>\$ 14,266,819</u>	<u>\$ 11,641,672</u>
61			
62			
63			
64	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>	
65		A-3	
66			
67			
68			

Liberty Utilities (Beardsley Water) 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	\$ 1,806,857	\$ 1,477,049	I N T E R I O N A L Y L E F T B L A N K
3	Other Water Revenue	49,170	29,371	
4	Total Revenues	<u>\$ 1,856,027</u>	<u>\$ 1,506,419</u>	
5	Operating Expenses			
6	Salaries and Wages	\$ -	\$ -	
7	Purchased Water	344	-	
8	Purchased Power	248,567	197,105	
9	Chemicals	9,611	2,983	
10	Fuel for Power Production	-	862	
11	Materials and Supplies	5,144	3,842	
12	Contractual Services - Engineering	-	-	
13	Contractual Services - Accounting	18,207	4,101	
14	Contractual Services - Legal	57,651	4,029	
15	Contractual Services - Management	314,073	182,636	
16	Contractual Services - Testing	6,936	7,525	
17	Contractual Services - Other	284,419	395,832	
18	Rental of Building/Real Property	10,833	606	
19	Rental of Equipment	-	160	
20	Transportation Expense	12,810	1,384	
21	Insurance - Vehicle	-	-	
22	Insurance - General Liability	20,409	6,256	
23	Advertising Expense	-	-	
24	Reg. Commission Exp. - Rate Case	-	-	
25	Reg. Commission Exp. - Other	-	-	
26	Water Conservation Expense	5,141	1,161	
27	Bad Debt Expense	15,998	38,463	
28	Miscellaneous	61,109	18,061	
29	Depreciation & Amortization	510,885	305,282	
30	Taxes Other Than Income	-	-	
31	Property Taxes	21,452	28,174	
32	Income Tax	92,966	39,454	
33	Customer Deposit Interest	3,380	865	
34	Total Operating Expenses	<u>\$ 1,699,934</u>	<u>\$ 1,238,782</u>	
35	Operating Income	<u>\$ 156,093</u>	<u>\$ 267,638</u>	
36	Other Income (Expense)			
37	Interest and Dividend Income	-	-	
38	AFUDC Income	-	-	
39	Miscellaneous Non-Utility Expenses	(60,269)	(664)	
40	Interest Expense	-	-	
41				
42	Total Other Income (Expense)	<u>\$ (60,269)</u>	<u>\$ (664)</u>	
43	Net Profit (Loss)	<u><u>\$ 95,824</u></u>	<u><u>\$ 266,974</u></u>	

SUPPORTING SCHEDULES:

RECAP SCHEDULES:
 A-2

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Liberty Utilities (Beardsley Water) 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
3	Cash Flows from Operating Activities		
4	\$ 95,824	\$ 266,974	
5	Adjustments to reconcile net income to net cash		
6	provided by operating activities:		
7	510,885	305,282	I
8	(38,685)	(103,393)	N
9	Changes in Certain Assets and Liabilities:		
10	(10,357)	(30,136)	T
11			I
12			O
13	8,629		N
14	25,428	(12,733)	A
15	927,932	2,218,101	L
16			L
17			Y
18	42,538	33,591	
19			L
20	(18,906)	170,100	E
21		(2)	F
22	<u>\$ 1,543,288</u>	<u>\$ 2,847,784</u>	T
23	Cash Flow From Investing Activities:		
24	(1,798,062)	(1,343,177)	B
25			L
26			A
27	<u>\$ (1,798,062)</u>	<u>\$ (1,343,177)</u>	N
28	Cash Flow From Financing Activities		
29			K
30			
31	33,446	102,120	
32	128,890	(16,725)	
33			
34			
35			
36			
37	<u>\$ 162,336</u>	<u>\$ 85,395</u>	
38	(92,438)	1,590,002	
39	1,737,829	147,827	
40	<u>\$ 1,645,391</u>	<u>\$ 1,737,829</u>	

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43 SUPPORTING SCHEDULES:

44 Workpapers

45

RECAP SCHEDULES:

A-5

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Statement of Changes in Stockholder's Equity

Exhibit
 Schedule E-4
 Page 1
 Witness: Bourassa

Line
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	<u>Stockholder's Equity</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, April 30, 2020			
Addnl Paid In Capital Adjustment			
Distributions			
Rounding			
Net Income			
INTENTIONALLY LEFT BLANK			
Balance, April 30, 2021	\$ 3,180,250	\$ 34,884	\$ 3,215,134
Addnl Paid In Capital Adjustment	-		-
Distributions		-	-
Rounding			-
Net Income		266,974	266,974
Balance, April 30, 2022	\$ 3,180,250	\$ 301,858	\$ 3,482,108
Addnl Paid In Capital Adjustment	-		-
Distributions		-	-
Rounding			-
Net Income		95,824	95,824
Balance, April 30, 2023	<u>\$ 3,180,250</u>	<u>\$ 397,682</u>	<u>\$ 3,577,932</u>

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

E-1

Liberty Utilities (Beardsley Water) 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, Reclassifications or Retirements	Plant Balance at 4/30/2023
1	106	Construction Completed Not Classified	\$ 10,023,674	\$ 1,596,406	\$ 11,620,080
2	301	Organization Cost	-	-	-
3	302	Franchise Cost	-	-	-
4	303	Land and Land Rights	-	-	-
5	304	Structures & Improvements	-	-	-
6	305	Collecting & Impounding Reservoirs	-	-	-
7	306	Lake, River, Canal Intakes	-	-	-
8	307	Wells & Springs	-	-	-
9	308	Infiltration Galleries	-	-	-
10	309	Raw Water Supply Mains	-	-	-
11	310	Power Generation Equipment	1,275	5,086	6,361
12	311	Pumping Equipment	-	-	-
13	320	Water Treatment Equipment	-	-	-
14	320	Water Treatment Plants	-	-	-
15	320.2	Solution Chemical Feeders	-	-	-
16	330.0	Distribution Reservoirs & Standpipes	-	-	-
17	330	Storage Tanks	-	-	-
18	330.2	Pressure Tanks	-	-	-
19	331	Transmission & Distribution Mains	-	-	-
20	333	Services	-	-	-
21	334	Meters	-	-	-
22	335	Hydrants	-	-	-
23	336	Backflow Prevention Devices	-	-	-
24	339	Other Plant & Misc Equipment	-	-	-
25	340	Office Furniture & Equipment	-	-	-
26	340.1	Computers & Software	-	-	-
27	341	Transportation Equipment	-	-	-
28	342	Stores Equipment	-	-	-
29	343	Tools, Shop & Garage Equipment	-	1,099	1,099
30	344	Laboratory Equipment	-	-	-
31	345	Power Operated Equipment	-	-	-
32	346	Communication Equipment	-	-	-
33	347	Miscellaneous Equipment	-	-	-
34	348	Other Tangible Plant	-	-	-
35					
36					
37					
38		Rounding			
39		TOTAL WATER PLANT	<u>\$ 10,024,949</u>	<u>\$ 1,602,591</u>	<u>\$ 11,627,540</u>

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 41 SUPPORTING SCHEDULES

42 Work Papers
 43 B-2 pages 3.1 to 3.4
 44

RECAP SCHEDULES:

A-4
 E-1

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Operating Statistics

Exhibit
 Schedule E-7
 Page 1
 Witness: Bourassa

Line No.		Test Year Ended <u>4/30/2023</u>	Prior Year Ended <u>4/30/2022</u>	Prior Year Ended <u>4/30/2021</u>
1	<u>WATER STATISTICS:</u>			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	191,447	154,754	137,746
6				
7				
8				
9	Water Revenues from Customers:	\$ 1,856,027	\$ 1,506,419	ND
10				
11				
12				
13				
14	Year End Number of Customers	2,595	1,921	1,854
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	74	81	ND
19				
20				
21				
22	Annual Revenue per Year End Customer	\$ 715.23	\$ 784.18	ND
23				
24	Pumping Cost Per 1,000 Gallons	\$ 1.2984	\$ 1.2737	ND
25	Purchased Water Cost per 1,000 Gallons	\$ 0.0018	\$ -	ND

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Taxes Charged to Operations

Exhibit
 Schedule E-8
 Page 1
 Witness: Bourassa

Line No.	Description	Test Year Ended <u>4/30/2023</u>	Prior Year Ended <u>4/30/2022</u>	Prior Year Ended <u>4/30/2021</u>
1	<u>Description</u>			
2				
3	State Income Taxes	\$ -	\$ -	INTENTIONALLY LEFT BLANK
4	Federal Income Taxes	92,966	39,454	
5	Payroll Taxes	-	-	
6	Property Taxes	61,109	18,061	
7				
8	Totals	<u>\$ 154,075</u>	<u>\$ 57,515</u>	
9				
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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 financial 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 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 rather 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 (Beardsley Water) 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	\$ 1,806,857	\$ 1,937,753	\$ 2,629,043
3	Other Water Revenues	49,170	49,170	49,170
4	Total Revenues	<u>\$ 1,856,027</u>	<u>\$ 1,986,923</u>	<u>\$ 2,678,213</u>
5	Operating Expenses			
6	Salaries and Wages	\$ -	\$ -	\$ -
7	Purchased Water	344	344	344
8	Purchased Power	248,567	278,659	278,659
9	Chemicals	9,611	10,662	10,662
10	Fuel for Power Production	-	-	-
11	Materials and Supplies	5,144	5,404	5,404
12	Contractual Services - Engineering	-	-	-
13	Contractual Services - Accounting	18,207	18,207	18,207
14	Contractual Services - Legal	57,651	399	399
15	Contractual Services - Management	314,073	410,037	410,037
16	Contractual Services - Testing	6,936	6,936	6,936
17	Contractual Services - Other	284,419	308,879	308,879
18	Rental of Building/Real Property	10,833	10,833	10,833
19	Rental of Equipment	-	-	-
20	Transportation Expense	12,810	11,141	11,141
21	Insurance - Vehicle	-	-	-
22	Insurance - General Liability	20,409	20,409	20,409
23	Advertising Expense	-	-	-
24	Reg. Commission Exp. - Rate Case	-	-	-
25	Reg. Commission Exp. - Other	-	-	-
26	Water Conservation Expemse	5,141	7,900	7,900
27	Bad Debt Expense	15,998	33,929	45,734
28	Miscellaneous	61,109	63,326	63,326
29	Depreciation & Amortization	510,885	683,529	683,529
30	Taxes Other Than Income	-	-	-
31	Property Taxes	21,452	71,890	80,240
32	Income Tax	92,966	(39,095)	127,823
33	Customer Deposit Interest	3,380	3,380	3,380
34	Total Operating Expenses	<u>\$ 1,699,934</u>	<u>\$ 1,906,768</u>	<u>\$ 2,093,840</u>
35	Operating Income	<u>\$ 156,093</u>	<u>\$ 80,156</u>	<u>\$ 584,373</u>
36	Other Income (Expense)			
37	Interest Income	-	-	-
38	Other income	-	-	-
39	Interest Expense	(60,269)	(60,269)	(60,269)
40	Other Expense	-	(198,252)	(198,252)
41	Gain/Loss Sale of Fixed Assets	-	-	-
42	Total Other Income (Expense)	<u>\$ (60,269)</u>	<u>\$ (258,521)</u>	<u>\$ (258,521)</u>
43	Net Profit (Loss)	<u>\$ 95,824</u>	<u>\$ (178,365)</u>	<u>\$ 325,852</u>

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SUPPORTING SCHEDULES:
 C-1

Liberty Utilities (Beardsley Water) 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 <u>4/30/2023</u>	At Present Rates Year Ended <u>4/30/2024</u>	At Proposed Rates Year Ended <u>4/30/2024</u>
5	Cash Flows from Operating Activities			
6	Net Income	\$ 95,824	\$ (178,365)	\$ 325,852
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	510,885	683,529	683,529
10	Depreciation Adjustments	(38,685)	8,949	8,949
11	Changes in Certain Assets and Liabilities:			
12	Accounts Receivable	(10,357)		
13	Unbilled Revenues	-		
14	Materials and Supplies Inventory	-		
15	Prepaid Expenses	8,629		
16	Deferred Charges	25,428		
17	Notes Receivable	927,932		
18	Accounts Payable	-		
19	Intercompany payable	-		
20	Customer Meter Deposits	42,538		
21	Taxes Payable	-		
22	Other assets and liabilities	(18,906)	(226,575)	(226,575)
23	Rounding	-	1	1
24	Net Cash Flow provided by Operating Activities	<u>\$ 1,543,288</u>	<u>\$ 287,538</u>	<u>\$ 791,756</u>
25	Cash Flow From Investing Activities:			
26	Capital Expenditures	(1,798,062)	(1,511,016)	(1,511,016)
27	Plant Held for Future Use	-		
28	Changes in debt reserve fund	-		
29	Net Cash Flows from Investing Activities	<u>\$ (1,798,062)</u>	<u>\$ (1,511,016)</u>	<u>\$ (1,511,016)</u>
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	33,446		
34	Net receipts of advances in aid of construction	128,890		
35	Net Proceeds of Long-Term Debt	-	1,928,207	2,160,147
36	Dividends Paid	-	(140,000)	(140,000)
37	Net Distributions to Rebalance Capital Structure	-	(1,048,666)	(1,280,606)
38	Deferred Financing Costs	-		
39	Paid in Capital	-		
40	Net Cash Flows Provided by Financing Activities	<u>\$ 162,336</u>	<u>\$ 739,541</u>	<u>\$ 739,541</u>
41	Increase(decrease) in Cash and Cash Equivalents	(92,438)	(483,936)	20,281
42	Cash and Cash Equivalents at Beginning of Year	1,737,829	1,645,391	1,645,391
43	Cash and Cash Equivalents at End of Year	<u>\$ 1,645,391</u>	<u>\$ 1,161,454</u>	<u>\$ 1,665,672</u>

SUPPORTING SCHEDULES:

E-3

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Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Projected Construction Requirements

Exhibit
 Schedule F-3
 Page 1
 Witness: Bourassa

Line No.	Account	Plant Asset:	Test Year	2024	2025	2026
1						
2	Account					
3	Number					
4	106	Construction Completed Not Classified	\$ 1,596,406			
5	301	Organization Cost	-			
6	302	Franchise Cost	-			
7	303	Land and Land Rights	-			
8	304	Structures and Improvements	-		81,943	490,097
9	305	Collecting and Impounding Res.	-			
10	306	Lake River and Other Intakes	-			
11	307	Wells and Springs	-			1,002,471
12	308	Infiltration Galleries and Tunnels	-			
13	309	Supply Mains	-			
14	310	Power Generation Equipment	5,086	208,812		418,810
15	311	Electric Pumping Equipment	-	34,412	10,803	179,536
16	320	Water Treatment Equipment	-	2,581	810	558,030
17	320.1	Water Treatment Plant	-			
18	320.2	Chemical Solution Feeders	-			
19	330	Dist. Reservoirs & Standpipe	-			
20	330.1	Storage tanks	-			935,639
21	330.2	Pressure Tanks	-			
22	331	Trans. and Dist. Mains	-	139,799	312,661	2,732,913
23	333	Services	-	258,091	81,025	110,138
24	334	Meters	-	4,301	1,350	162,231
25	335	Hydrants	-			
26	336	Backflow Prevention Devices	-			
27	339	Other Plant and Misc. Equip.	-			
28	340	Office Furniture and Fixtures	-	4,301	1,350	1,836
29	340.1	Computers and Software	-	32,261	10,128	13,767
30	341	Transportation Equipment	-			111,386
31	342	Stores Equipment	-			
32	343	Tools and Work Equipment	1,099	101,063	31,728	43,128
33	344	Laboratory Equipment	-			
34	345	Power Operated Equipment	-			
35	346	Communications Equipment	-			
36	347	Miscellaneous Equipment	-			
37	348	Other Tangible Plant	-			
38	Total		\$ 1,602,591	\$ 785,623	\$ 531,799	\$ 6,759,981
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Liberty Utilities (Beardsley Water) 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 (Beardley Water) Corp.
Test Year Ended 04/30/2023
Cost of Service Summary
At Present Rates

LINE NO.	DESCRIPTION	Total Company	Jurisdictional Total	Residential	Commercial	Irrigation	Standpipe/Construction
1	<u>RATE BASE (a)</u>						
2	Gross Plant in Service	\$ 14,137,403	\$ 14,137,403	\$ 12,313,410	\$ 103,286	\$ 1,247,384	\$ 473,324
3	Accumulated Depreciation	<u>3,034,971</u>	<u>3,034,971</u>	<u>2,627,280</u>	<u>21,870</u>	<u>279,675</u>	<u>106,146</u>
4	Net Plant	\$ 11,102,432	\$ 11,102,432	\$ 9,686,130	\$ 81,416	\$ 967,708	\$ 367,178
5	Construction Work in Progress	-	-	-	-	-	-
6	Working Capital Assets & Misc. Other	3,344,167	\$ 3,344,167	\$ 2,917,562	\$ 24,523	\$ 291,484	\$ 110,598
7	Contributions & Advances in Aid of Construction	<u>(7,916,560)</u>	<u>(7,916,560)</u>	<u>(6,906,670)</u>	<u>(58,053)</u>	<u>(690,022)</u>	<u>(261,816)</u>
8	TOTAL RATE BASE [A]	\$ 6,530,039	\$ 6,530,039	\$ 5,697,023	\$ 47,886	\$ 569,170	\$ 215,961
9	<u>OPERATING REVENUES (c)</u>						
10	Present Rate Schedules(b)	\$ 1,937,754	\$ 1,937,754	\$ 1,715,358	\$ 22,838	\$ 156,510	\$ 43,048
11	Other Revenues	<u>49,170</u>	<u>49,170</u>	<u>41,210</u>	<u>258</u>	<u>6,517</u>	<u>1,185</u>
12	TOTAL OPERATING REVENUES (d)	\$ 1,986,924	\$ 1,986,924	\$ 1,756,568	\$ 23,096	\$ 163,027	\$ 44,233
13	<u>OPERATING EXPENSES (c)</u>						
14	Operations and Maintenance						
15	Production	\$ 572,278	\$ 572,278	\$ 485,190	\$ 3,003	\$ 63,613	\$ 20,473
16	Transmission and Distribution	260,225	260,225	228,487	2,432	21,062	8,243
17	Customer Accounts	174,763	174,763	171,336	717	2,295	415
18	Administrative and General	<u>183,178</u>	<u>183,178</u>	<u>169,035</u>	<u>973</u>	<u>9,770</u>	<u>3,400</u>
19	Total Operating and Maintenance Expense	\$ 1,190,443	\$ 1,190,443	\$ 1,054,049	\$ 7,125	\$ 96,739	\$ 32,531
20	Depreciation and Amortization	683,529	683,529	602,221	6,045	54,201	21,061
21	Taxes Other Than Income	71,890	71,890	62,720	527	6,266	2,378
22	Income Taxes	<u>(39,095)</u>	<u>(39,095)</u>	<u>(33,671)</u>	<u>1,976</u>	<u>(2,850)</u>	<u>(4,550)</u>
23	TOTAL EXPENSES	\$ 1,906,768	\$ 1,906,768	\$ 1,685,318	\$ 15,673	\$ 154,356	\$ 51,420
24	OPERATING INCOME [A]	\$ 80,156	\$ 80,156	\$ 71,250	\$ 7,422	\$ 8,671	\$ (7,187)
25	RATE OF RETURN	1.23%	1.23%	1.25%	15.50%	1.52%	-3.33%
26	<u>COST OF SERVICE REQUIREMENT SUMMARY</u>						
27	REQUIRED RATE OF RETURN	8.95%	8.95%	8.95%	8.95%	8.95%	8.95%
28	REQUIRED OPERATING INCOME (L8*L27)	\$ 584,373	\$ 584,373	\$ 509,827	\$ 4,285	\$ 50,935	\$ 19,326
29	OPERATING INCOME DEFICIENCY/(SURPLUS) (L28-L24)	\$ 504,217	\$ 504,217	\$ 438,577	\$ (3,137)	\$ 42,264	\$ 26,513
30	REVENUE CONVERSION FACTOR(d)[A]	1.3710	1.3710	1.3710	1.3710	1.3710	1.3710
31	REVENUE DEFICIENCY/(SURPLUS) (L29*L30)	\$ 691,290	\$ 691,290	\$ 601,295	\$ (4,301)	\$ 57,945	\$ 36,350
32	RATE SCHEDULE REVENUE REQUIREMENT (L10+L31)	\$ 2,629,043	\$ 2,629,043	\$ 2,316,654	\$ 18,537	\$ 214,455	\$ 79,398
33	INDICATED % INCREASE ON PRESENT RATE SCHEDULE (L31/L10)	34.79%	34.79%	34.23%	-18.62%	35.54%	82.18%
34	TOTAL REVENUE REQUIREMENT (L12 + L31)	\$ 2,678,213	\$ 2,678,213	\$ 2,357,864	\$ 18,795	\$ 220,972	\$ 80,583
35	<u>PROPOSED RATE SCHEDULE REVENUE REQUIREMENTS</u>						
36	REVENUE DEFICIENCY / (SURPLUS)	\$ 691,290	\$ 691,290	585,410	16,667	71,695	17,518
37	% INCREASE (L36/L10)	35.67%	35.67%	34.13%	72.98%	45.81%	40.69%
38	PROPOSED RATE SCHEDULE (L10 + L36)	\$ 2,629,043	\$ 2,629,044	\$ 2,300,768	\$ 39,505	\$ 228,205	\$ 60,566
39	PROPOSED REV. REQUIREMENT (L11 + L38)	\$ 2,678,213	\$ 2,678,214	2,341,978	39,763	234,722	61,751
40	% INCREASE IN TOTAL REVENUES (L36/L12)	34.79%	34.79%	33.33%	72.17%	43.98%	39.60%
41	RATE OF RETURN ON RATE BASE AT PROPOSED RATES(e)	8.95%	8.95%	8.72%	41.48%	10.87%	2.66%

Supporting Schedules

- (a) G-3
- (b) H-1
- (c) G-4a
- (d) C-5
- (e) G-2

Recap Schedules

[A] A-1

Liberty Utilities (Beardsey Water) Corp.
Test Year Ended 04/30/2023
Cost of Service Summary
At Proposed Rates

LINE NO.	DESCRIPTION	Total Company	Jurisdictional Total	Residential	Commercial	Irrigation	Standpipe/ Construction
1	<u>RATE BASE (a)</u>						
2	Gross Plant in Service	\$ 14,137,403	\$ 14,137,403	\$ 12,313,410	\$ 103,286	\$ 1,247,384	\$ 473,324
3	Accumulated Depreciation	<u>3,034,971</u>	<u>3,034,971</u>	<u>2,627,280</u>	<u>21,870</u>	<u>279,675</u>	<u>106,146</u>
4	Net Plant	\$ 11,102,432	\$ 11,102,432	\$ 9,686,130	\$ 81,416	\$ 967,708	\$ 367,178
5	Construction Work in Progress	-	-	-	-	-	-
6	Working Capital Assets & Misc. Other	3,344,167	3,344,167	2,917,562	24,523	291,484	110,598
7	Contributions & Advances in Aid of Construction	<u>(7,916,560)</u>	<u>(7,916,560)</u>	<u>(6,906,670)</u>	<u>(58,053)</u>	<u>(690,022)</u>	<u>(261,816)</u>
8	TOTAL RATE BASE [A]	\$ 6,530,039	\$ 6,530,039	\$ 5,697,023	\$ 47,886	\$ 569,170	\$ 215,961
9	<u>OPERATING REVENUES (c)</u>						
10	Proposed Rate Schedules(b)	\$ 2,629,044	\$ 2,629,044	\$ 2,300,768	\$ 39,505	\$ 228,205	\$ 60,566
11	Other Revenues	<u>49,170</u>	<u>49,170</u>	<u>41,210</u>	<u>258</u>	<u>6,517</u>	<u>1,185</u>
12	TOTAL OPERATING REVENUES [A]	\$ 2,678,214	\$ 2,678,214	\$ 2,341,978	\$ 39,763	\$ 234,722	\$ 61,751
13	<u>OPERATING EXPENSES (c)</u>						
14	Operations and Maintenance						
15	Production	\$ 572,278	\$ 572,278	\$ 485,190	\$ 3,003	\$ 63,613	\$ 20,473
16	Transmission and Distribution	260,225	260,225	228,487	2,432	21,062	8,243
17	Customer Accounts	186,568	186,568	182,909	765	2,450	443
18	Administrative and General	<u>183,178</u>	<u>183,178</u>	<u>169,035</u>	<u>973</u>	<u>9,770</u>	<u>3,400</u>
19	Total Operating and Maintenance Expense	\$ 1,202,248	\$ 1,202,248	\$ 1,065,622	\$ 7,173	\$ 96,894	\$ 32,559
20	Depreciation and Amortization	683,529	683,529	602,221	6,045	54,201	21,061
21	Taxes Other Than Income	80,240	80,240	70,004	588	6,994	2,654
22	Income Taxes	<u>127,823</u>	<u>127,823</u>	<u>107,236</u>	<u>6,094</u>	<u>14,762</u>	<u>(268)</u>
23	TOTAL EXPENSES [A]	\$ 2,093,840	\$ 2,093,840	\$ 1,845,083	\$ 19,901	\$ 172,851	\$ 56,005
24	OPERATING INCOME	\$ 584,374	\$ 584,374	\$ 496,895	\$ 19,862	\$ 61,871	\$ 5,746
25	RATE OF RETURN AT PROPOSED RATES	8.95%	8.95%	8.72%	41.48%	10.87%	2.66%
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Supporting Schedules

- (a) G-3
- (b) H-1
- (c) G-4b
- (d) C-5

Recap Schedules

- [A] A-1
- [B] G-1

Liberty Utilities (Beardlsey 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	Irrigation	Standpipe/Construction	Allocation Factor (b)
RATE BASE								
GROSS PLANT IN SERVICE								
<u>Source of Supply Plant</u>								
1	Commodity	\$ 1,257,301	\$ 1,257,301	\$ 1,053,758	\$ 6,589	\$ 166,651	\$ 30,302	CBC
2	Demand	3,284,739	3,284,739	2,809,454	17,253	310,974	147,058	CMD
3	Customer Accounts	-	-	-	-	-	-	CB
4	Customer Meters	-	-	-	-	-	-	CM
5	Customer Services	-	-	-	-	-	-	CS
6	Fire Hydrants	-	-	-	-	-	-	CH
7	Total Source of Supply Plant	\$ 4,542,040	\$ 4,542,040	\$ 3,863,213	\$ 23,843	\$ 477,625	\$ 177,360	
<u>Pumping Plant</u>								
8	Commodity	\$ 239,183	\$ 239,183	\$ 200,462	\$ 1,254	\$ 31,703	\$ 5,765	CBC
9	Demand	624,874	624,874	534,458	3,282	59,158	27,976	CMD
10	Customer Accounts	-	-	-	-	-	-	CB
11	Customer Meters	-	-	-	-	-	-	CM
12	Customer Services	-	-	-	-	-	-	CS
13	Fire Hydrants	-	-	-	-	-	-	CH
14	Total Pumping Plant	\$ 864,057	\$ 864,057	\$ 734,920	\$ 4,536	\$ 90,861	\$ 33,740	
<u>Water Treatment Plant</u>								
15	Commodity	\$ 124,539	\$ 124,539	\$ 104,378	\$ 653	\$ 16,507	\$ 3,002	CBC
16	Demand	325,363	325,363	278,285	1,709	30,803	14,567	CMD
17	Customer Accounts	-	-	-	-	-	-	CB
18	Customer Meters	-	-	-	-	-	-	CM
19	Customer Services	-	-	-	-	-	-	CS
20	Fire Hydrants	-	-	-	-	-	-	CH
21	Total Water Treatment Plant	\$ 449,902	\$ 449,902	\$ 382,663	\$ 2,362	\$ 47,310	\$ 17,568	
<u>Transmission and Distribution Plant</u>								
22	Commodity	\$ 1,344,316	\$ 1,344,316	\$ 1,126,686	\$ 7,045	\$ 178,184	\$ 32,400	CBC
23	Demand	3,512,069	3,512,069	3,003,890	18,447	332,496	157,235	CMD
24	Demand - Extra Cap Max Hour	-	-	-	-	-	-	CMH
25	Customer Accounts	-	-	-	-	-	-	CB
26	Customer Meters	1,408,429	1,408,429	1,311,391	34,706	36,432	25,900	CM
27	Customer Services	586,752	586,752	567,264	4,186	11,871	3,431	CS
28	Fire Hydrants	65,545	65,545	64,259	269	861	156	CH
29	Total Transmission and Distribution Plant	\$ 6,917,110	\$ 6,917,110	\$ 6,073,491	\$ 64,653	\$ 559,844	\$ 219,121	
<u>Gross Plant In Service before Intangible and General Plant</u>								
30	Commodity	\$ 2,965,339	\$ 2,965,339	\$ 2,485,285	\$ 15,541	\$ 393,045	\$ 71,468	
31	Demand	7,747,045	7,747,045	6,626,087	40,692	733,431	346,835	
32	Customer Accounts	-	-	-	-	-	-	
33	Customer Meters	1,408,429	1,408,429	1,311,391	34,706	36,432	25,900	
34	Customer Services	586,752	586,752	567,264	4,186	11,871	3,431	
35	Fire Hydrants	65,545	65,545	64,259	269	861	156	
36	Gross Plant In Service	\$ 12,773,109	\$ 12,773,109	\$ 11,054,286	\$ 95,393	\$ 1,175,640	\$ 447,790	
<u>General Plant</u>								
37	Commodity	\$ 45,113	\$ 45,113	\$ 37,810	\$ 236	\$ 5,980	\$ 1,087	CBC
38	Demand	117,860	117,860	100,806	619	11,158	5,277	CMD
39	Customer Accounts	194,324	194,324	190,513	797	2,552	461	CB
40	Customer Meters	21,427	21,427	19,951	528	554	394	CM
41	Customer Services	8,927	8,927	8,630	64	181	52	CS
42	Fire Hydrants	997	997	978	4	13	2	CH
43	Total General Plant	\$ 388,648	\$ 388,648	\$ 358,688	\$ 2,248	\$ 20,438	\$ 7,274	

Liberty Utilities (Beardley 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	Irrigation	Standpipe/ Construction	Allocation Factor (b)
<u>Intangible Plant</u>								
44	Commodity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	CBC
45	Demand	-	-	-	-	-	-	CMD
46	Customer Accounts	-	-	-	-	-	-	CB
47	Customer Meters	-	-	-	-	-	-	CM
48	Customer Services	-	-	-	-	-	-	CS
49	Fire Hydrants	-	-	-	-	-	-	CH
50	Total Intangible Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<u>Allocated Corporate Plant</u>								
51	Commodity	\$ 113,250	\$ 113,250	\$ 94,916	\$ 594	\$ 15,011	\$ 2,729	CBC
52	Demand	295,870	295,870	253,059	1,554	28,011	13,246	CMD
53	Customer Accounts	487,823	487,823	478,257	2,001	6,406	1,158	CB
54	Customer Meters	53,790	53,790	50,084	1,325	1,391	989	CM
55	Customer Services	22,409	22,409	21,665	160	453	131	CS
56	Fire Hydrants	2,503	2,503	2,454	10	33	6	CH
57	Total Allocated Corporate Plant	\$ 975,645	\$ 975,645	\$ 900,435	\$ 5,644	\$ 51,306	\$ 18,260	
<u>Reconciling Amount</u>								
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<u>Gross Plant In Service</u>								
65	Commodity	\$ 3,123,703	\$ 3,123,703	\$ 2,618,011	\$ 16,371	\$ 414,036	\$ 75,285	
66	Demand	8,160,775	8,160,775	6,979,953	42,865	772,599	365,358	
67	Customer Accounts	682,147	682,147	668,770	2,798	8,958	1,620	
68	Customer Meters	1,483,646	1,483,646	1,381,426	36,559	38,378	27,283	
69	Customer Services	618,087	618,087	597,558	4,409	12,505	3,614	
70	Fire Hydrants	69,045	69,045	67,691	283	907	164	
71	Total Gross Plant In Service (a)(c)	\$ 14,137,403	\$ 14,137,403	\$ 12,313,410	\$ 103,286	\$ 1,247,384	\$ 473,324	

Liberty Utilities (Beardley 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	Irrigation	Standpipe/Construction	Allocation Factor (b)
ACCUMULATED DEPRECIATION AND AMORTIZATION								
<u>Source of Supply Plant</u>								
72	Commodity	\$ 271,375	\$ 271,375	\$ 227,442	\$ 1,422	\$ 35,970	\$ 6,540	CBC
73	Demand	708,976	708,976	606,391	3,724	67,120	31,741	CMD
74	Customer Accounts	-	-	-	-	-	-	CB
75	Customer Meters	-	-	-	-	-	-	CM
76	Customer Services	-	-	-	-	-	-	CS
77	Fire Hydrants	-	-	-	-	-	-	CH
78	Total Source of Supply Plant	\$ 980,351	\$ 980,351	\$ 833,833	\$ 5,146	\$ 103,090	\$ 38,281	
<u>Pumping Plant</u>								
79	Commodity	\$ 152,655	\$ 152,655	\$ 127,942	\$ 800	\$ 20,234	\$ 3,679	CBC
80	Demand	398,815	398,815	341,109	2,095	37,757	17,855	CMD
81	Customer Accounts	-	-	-	-	-	-	CB
82	Customer Meters	-	-	-	-	-	-	CM
83	Customer Services	-	-	-	-	-	-	CS
84	Fire Hydrants	-	-	-	-	-	-	CH
85	Total Pumping Plant	\$ 551,470	\$ 551,470	\$ 469,050	\$ 2,895	\$ 57,991	\$ 21,534	
<u>Water Treatment Plant</u>								
86	Commodity	\$ 1,530	\$ 1,530	\$ 1,283	\$ 8	\$ 203	\$ 37	CBC
87	Demand	3,998	3,998	3,420	21	379	179	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	\$ 5,529	\$ 5,529	\$ 4,703	\$ 29	\$ 581	\$ 216	
<u>Transmission and Distribution Plant</u>								
94	Commodity	\$ 267,533	\$ 267,533	\$ 224,222	\$ 1,402	\$ 35,460	\$ 6,448	CBC
95	Demand	698,937	698,937	597,805	3,671	66,170	31,291	CMD
96	Customer Accounts	-	-	-	-	-	-	CB
97	Customer Meters	295,102	295,102	274,770	7,272	7,634	5,427	CM
98	Customer Services	89,978	89,978	86,989	642	1,820	526	CS
99	Fire Hydrants	19,076	19,076	18,702	78	251	45	CH
100	Total Transmission and Distribution Plant	\$ 1,370,626	\$ 1,370,626	\$ 1,202,489	\$ 13,065	\$ 111,335	\$ 43,737	
<u>General Plant</u>								
101	Commodity	\$ 11,916	\$ 11,916	\$ 9,987	\$ 62	\$ 1,579	\$ 287	CBC
102	Demand	31,131	31,131	26,627	164	2,947	1,394	CMD
103	Customer Accounts	51,328	51,328	50,322	211	674	122	CB
104	Customer Meters	5,660	5,660	5,270	139	146	104	CM
105	Customer Services	2,358	2,358	2,280	17	48	14	CS
106	Fire Hydrants	263	263	258	1	3	1	CH
107	Fire Hydrants	263	263	258	1	3	1	CH
108	Total General Plant	\$ 102,656	\$ 102,656	\$ 94,743	\$ 594	\$ 5,398	\$ 1,921	

Liberty Utilities (Beardlsey 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	Irrigation	Standpipe/ Construction	Allocation Factor (b)
<u>Allocated Corporate Plant</u>								
109	Commodity	\$ 2,825	\$ 2,825	\$ 2,368	\$ 15	\$ 374	\$ 68	CBC
110	Demand	7,381	7,381	6,313	39	699	330	CMD
111	Customer Accounts	12,169	12,169	11,931	50	160	29	CB
112	Customer Meters	1,342	1,342	1,249	33	35	25	CM
113	Customer Services	559	559	540	4	11	3	CS
114	Fire Hydrants	62	62	61	0	1	0	CH
115	Total Allocated Corporate Plant	\$ 24,339	\$ 24,339	\$ 22,462	\$ 141	\$ 1,280	\$ 456	
<u>Retirement Work in Progress</u>								
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<u>Advances in Aid of Construction</u>								
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<u>Accumulated Depreciation/Amortization</u>								
130	Commodity	\$ 707,834	\$ 707,834	\$ 593,244	\$ 3,710	\$ 93,821	\$ 17,060	
131	Demand	1,849,239	1,849,239	1,581,663	9,713	175,072	82,790	
132	Customer Accounts	63,498	63,498	62,252	260	834	151	
133	Customer Meters	302,104	302,104	281,290	7,444	7,815	5,555	
134	Customer Services	92,894	92,894	89,809	663	1,879	543	
135	Fire Hydrants	19,402	19,402	19,022	80	255	46	
136	Total Accumulated Depreciation/Amortization (a)(c)	\$ 3,034,971	\$ 3,034,971	\$ 2,627,280	\$ 21,870	\$ 279,675	\$ 106,146	

Liberty Utilities (Beardley 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	Irrigation	Standpipe/Construction	Allocation Factor (b)
NET UTILITY PLANT IN SERVICE								
	Net Plant							
137	Commodity	\$ 2,415,869	\$ 2,415,869	\$ 2,024,768	\$ 12,661	\$ 320,215	\$ 58,225	
138	Demand	6,311,536	6,311,536	5,398,289	33,152	597,528	282,568	
139	Customer Accounts	618,649	618,649	606,518	2,538	8,125	1,469	
140	Customer Meters	1,181,542	1,181,542	1,100,136	29,115	30,563	21,728	
141	Customer Services	525,193	525,193	507,749	3,747	10,626	3,071	
142	Fire Hydrants	49,643	49,643	48,669	204	652	118	
143	Net Utility Plant in Service (a)	\$ 11,102,432	\$ 11,102,432	\$ 9,686,130	\$ 81,416	\$ 967,708	\$ 367,178	
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	\$ 727,685	\$ 727,685	\$ 609,881	\$ 3,814	\$ 96,452	\$ 17,538	CBC
152	Demand	1,901,100	1,901,100	1,626,021	9,986	179,982	85,112	CMD
153	Customer Accounts	186,344	186,344	182,689	764	2,447	443	CB
154	Customer Meters	355,893	355,893	331,372	8,770	9,206	6,545	CM
155	Customer Services	158,193	158,193	152,939	1,129	3,201	925	CS
156	Fire Hydrants	14,953	14,953	14,660	61	196	36	CH
157	Total Working Capital Assets (a)	\$ 3,344,167	\$ 3,344,167	\$ 2,917,562	\$ 24,523	\$ 291,484	\$ 110,598	
CONTRIBUTIONS & ADVANCES IN AID OF CONSTRUCTION								
	Contributions & Advances in Aid of Construction							
158	Commodity	\$ (1,722,629)	\$ (1,722,629)	\$ (1,443,755)	\$ (9,028)	\$ (228,328)	\$ (41,517)	CBC
159	Demand	(4,500,425)	(4,500,425)	(3,849,236)	(23,639)	(426,066)	(201,484)	CMD
160	Customer Accounts	(441,126)	(441,126)	(432,476)	(1,809)	(5,793)	(1,048)	CB
161	Customer Meters	(842,496)	(842,496)	(784,449)	(20,760)	(21,793)	(15,493)	CM
162	Customer Services	(374,487)	(374,487)	(362,049)	(2,672)	(7,577)	(2,190)	CS
163	Fire Hydrants	(35,398)	(35,398)	(34,704)	(145)	(465)	(84)	CH
164	Total Contributions & Advances in Aid of Construction (a)	\$ (7,916,560)	\$ (7,916,560)	\$ (6,906,670)	\$ (58,053)	\$ (690,022)	\$ (261,816)	

Liberty Utilities (Beardley 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	Irrigation	Standpipe/ Construction	Allocation Factor (b)
RATE BASE								
<u>Rate Base</u>								
165	Commodity	\$ 1,420,925	\$ 1,420,925	\$ 1,190,893	\$ 7,447	\$ 188,339	\$ 34,246	
166	Demand	3,712,212	3,712,212	3,175,074	19,499	351,444	166,196	
167	Customer Accounts	363,866	363,866	356,731	1,492	4,779	864	
168	Customer Meters	694,939	694,939	647,059	17,124	17,976	12,779	
169	Customer Services	308,899	308,899	298,639	2,204	6,250	1,806	
170	Fire Hydrants	29,198	29,198	28,626	120	383	69	
171	Total Rate Base [A]	\$ 6,530,039	\$ 6,530,039	\$ 5,697,023	\$ 47,886	\$ 569,170	\$ 215,961	

Supporting Schedules
(a) G-5, (b) G-7a, (c) F-1.3

Recap Schedules
[A] G-1

Liberty Utilities (Beardlsey 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	Irrigation	Standpipe/ Construction	Allocation Code (b)
REVENUES								
1	Revenue Water Service (c)	\$ 1,937,754	\$ 1,937,754	\$ 1,715,358	\$ 22,838	\$ 156,510	\$ 43,048	Direct
2	Other Revenue	49,170	49,170	41,210	258	6,517	1,185	CBC
3	Total Revenue	<u>\$ 1,986,924</u>	<u>\$ 1,986,924</u>	<u>\$ 1,756,568</u>	<u>\$ 23,096</u>	<u>\$ 163,027</u>	<u>\$ 44,233</u>	
EXPENSES (A)								
<u>Source of Supply Expenses</u>								
<u>Operation</u>								
4	Commodity	\$ 169,576	\$ 169,576	\$ 142,123	\$ 889	\$ 22,477	\$ 4,087	CBC
5	Demand	149,074	149,074	127,504	783	14,113	6,674	CMD
6	Customer Accounts	-	-	-	-	-	-	CB
7	Customer Meters	-	-	-	-	-	-	CM
8	Customer Services	-	-	-	-	-	-	CS
9	Fire Hydrants	-	-	-	-	-	-	CH
10	Total Operation	<u>\$318,649</u>	<u>318,649</u>	<u>269,627</u>	<u>1,672</u>	<u>36,590</u>	<u>10,761</u>	
<u>Maintenance</u>								
11	Commodity	\$ 4,620	\$ 4,620	\$ 3,872	\$ 24	\$ 612	\$ 111	CBC
12	Demand	7,834	7,834	6,701	41	742	351	CMD
13	Customer Accounts	-	-	-	-	-	-	CB
14	Customer Meters	-	-	-	-	-	-	CM
15	Customer Services	-	-	-	-	-	-	CS
16	Fire Hydrants	-	-	-	-	-	-	CH
17	Total Maintenance	<u>\$ 12,454</u>	<u>\$ 12,454</u>	<u>\$ 10,572</u>	<u>\$ 65</u>	<u>\$ 1,354</u>	<u>\$ 462</u>	
<u>Total Source of Supply Expenses</u>								
18	Commodity	\$ 174,195	\$ 174,195	\$ 145,995	\$ 913	\$ 23,089	\$ 4,198	
19	Demand	156,908	156,908	134,204	824	14,855	7,025	
20	Customer Accounts	-	-	-	-	-	-	
21	Customer Meters	-	-	-	-	-	-	
22	Customer Services	-	-	-	-	-	-	
23	Fire Hydrants	-	-	-	-	-	-	
24	Total Source of Supply Expenses	<u>\$ 331,103</u>	<u>\$ 331,103</u>	<u>\$ 280,199</u>	<u>\$ 1,737</u>	<u>\$ 37,944</u>	<u>\$ 11,223</u>	

Liberty Utilities (Beardlsey 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	Irrigation	Standpipe/ Construction	Allocation Code (b)
Water Treatment Expenses								
<u>Operation</u>								
25	Commodity	\$ 73,262	\$ 73,262	\$ 61,402	\$ 384	\$ 9,711	\$ 1,766	CBC
26	Demand	166,291	166,291	142,230	873	15,743	7,445	CMD
27	Customer Accounts	-	-	-	-	-	-	CB
28	Customer Meters	-	-	-	-	-	-	CM
29	Customer Services	-	-	-	-	-	-	CS
30	Fire Hydrants	-	-	-	-	-	-	CH
31	Total Operation	<u>\$ 239,554</u>	<u>\$ 239,554</u>	<u>\$ 203,632</u>	<u>\$ 1,257</u>	<u>\$ 25,454</u>	<u>\$ 9,211</u>	
<u>Maintenance</u>								
32	Commodity	\$ 1,621	\$ 1,621	\$ 1,359	\$ 8	\$ 215	\$ 39	CBC
33	Demand	-	-	-	-	-	-	CMD
34	Customer Accounts	-	-	-	-	-	-	CB
35	Customer Meters	-	-	-	-	-	-	CM
36	Customer Services	-	-	-	-	-	-	CS
37	Fire Hydrants	-	-	-	-	-	-	CH
38	Total Maintenance	<u>\$ 1,621</u>	<u>\$ 1,621</u>	<u>\$ 1,359</u>	<u>\$ 8</u>	<u>\$ 215</u>	<u>\$ 39</u>	
<u>Total Water Treatment Expenses</u>								
39	Commodity	\$ 74,883	\$ 74,883	\$ 62,761	\$ 392	\$ 9,926	\$ 1,805	
40	Demand	166,291	166,291	142,230	873	15,743	7,445	
41	Customer Accounts	-	-	-	-	-	-	
42	Customer Meters	-	-	-	-	-	-	
43	Customer Services	-	-	-	-	-	-	
44	Fire Hydrants	-	-	-	-	-	-	
45	Total Water Treatment	<u>\$ 241,175</u>	<u>\$ 241,175</u>	<u>\$ 204,990</u>	<u>\$ 1,266</u>	<u>\$ 25,669</u>	<u>\$ 9,250</u>	
<u>Total Production Expenses</u>								
46	Commodity	\$ 249,079	\$ 249,079	\$ 208,756	\$ 1,305	\$ 33,015	\$ 6,003	
47	Demand	323,199	323,199	276,434	1,698	30,598	14,470	
48	Customer Accounts	-	-	-	-	-	-	
49	Customer Meters	-	-	-	-	-	-	
50	Customer Services	-	-	-	-	-	-	
51	Fire Hydrants	-	-	-	-	-	-	
52	Total Production Expenses	<u>\$ 572,278</u>	<u>\$ 572,278</u>	<u>\$ 485,190</u>	<u>\$ 3,003</u>	<u>\$ 63,613</u>	<u>\$ 20,473</u>	

Liberty Utilities (Beardlsey 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	Irrigation	Standpipe/ Construction	Allocation Code (b)
Transmission and Distribution Expenses								
<u>Operation</u>								
53	Commodity	\$ 50,259	\$ 50,259	\$ 42,122	\$ 263	\$ 6,662	\$ 1,211	CBC
54	Demand	131,302	131,302	112,304	690	12,431	5,878	CMD
55	Customer Accounts	-	-	-	-	-	-	CB
56	Customer Meters	52,656	52,656	49,028	1,298	1,362	968	CM
57	Customer Services	21,936	21,936	21,208	156	444	128	CS
58	Fire Hydrants	2,450	2,450	2,402	10	32	6	CH
59	Total Operation	<u>\$ 258,604</u>	<u>\$ 258,604</u>	<u>\$ 227,064</u>	<u>\$ 2,417</u>	<u>\$ 20,930</u>	<u>\$ 8,192</u>	
<u>Maintenance</u>								
60	Commodity	\$ 315	\$ 315	\$ 264	\$ 2	\$ 42	\$ 8	CBC
61	Demand	823	823	704	4	78	37	CMD
62	Customer Accounts	-	-	-	-	-	-	CB
63	Customer Meters	330	330	307	8	9	6	CM
64	Customer Services	138	138	133	1	3	1	CS
65	Fire Hydrants	15	15	15	0	0	0	CH
66	Total Maintenance	<u>\$ 1,621</u>	<u>\$ 1,621</u>	<u>\$ 1,423</u>	<u>\$ 15</u>	<u>\$ 131</u>	<u>\$ 51</u>	
<u>Total Transmission & Distribution Expenses</u>								
67	Commodity	\$ 50,574	\$ 50,574	\$ 42,386	\$ 265	\$ 6,703	\$ 1,219	
68	Demand	132,126	132,126	113,008	694	12,509	5,915	
69	Customer Accounts	-	-	-	-	-	-	
70	Customer Meters	52,986	52,986	49,335	1,306	1,371	974	
71	Customer Services	22,074	22,074	21,341	157	447	129	
72	Fire Hydrants	2,466	2,466	2,417	10	32	6	
73	Total Transmission & Distribution Expenses	<u>\$ 260,225</u>	<u>\$ 260,225</u>	<u>\$ 228,487</u>	<u>\$ 2,432</u>	<u>\$ 21,062</u>	<u>\$ 8,243</u>	

Liberty Utilities (Beardlsey 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	Irrigation	Standpipe/Construction	Allocation Code (b)
Customer Accounts Expenses								
74	Commodity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	CBC
75	Demand	-	-	-	-	-	-	CMD
76	Customer Accounts	174,763	174,763	171,336	717	2,295	415	CB
77	Customer Meters	-	-	-	-	-	-	CM
78	Customer Services	-	-	-	-	-	-	CS
79	Fire Hydrants	-	-	-	-	-	-	CH
80	Total Customer Accounts	\$ 174,763	\$ 174,763	\$ 171,336	\$ 717	\$ 2,295	\$ 415	
O&M w/oA&G Expenses								
81	Commodity	\$ 299,652	\$ 299,652	\$ 251,142	\$ 1,570	\$ 39,718	\$ 7,222	
82	Demand	455,325	455,325	389,442	2,392	43,107	20,385	
83	Customer Accounts	174,763	174,763	171,336	717	2,295	415	
84	Customer Meters	52,986	52,986	49,335	1,306	1,371	974	
85	Customer Services	22,074	22,074	21,341	157	447	129	
86	Fire Hydrants	2,466	2,466	2,417	10	32	6	
87	Total O&M w/oA&G Expenses	\$ 1,007,266	\$ 1,007,266	\$ 885,013	\$ 6,152	\$ 86,969	\$ 29,131	
Administrative and General Expenses								
88	Commodity	\$ 22,803	\$ 22,803	\$ 19,112	\$ 120	\$ 3,022	\$ 550	CBC
89	Demand	55,757	55,757	47,690	293	5,279	2,496	CMD
90	Customer Accounts	95,796	95,796	93,917	393	1,258	227	CB
91	Customer Meters	6,029	6,029	5,614	149	156	111	CM
92	Customer Services	2,512	2,512	2,428	18	51	15	CS
93	Fire Hydrants	281	281	275	1	4	1	CH
94	Total Administrative and General Expenses	\$ 183,178	\$ 183,178	\$ 169,035	\$ 973	\$ 9,770	\$ 3,400	
Total Operation and Maintenance Expenses								
95	Commodity	\$ 322,456	\$ 322,456	\$ 270,254	\$ 1,690	\$ 42,740	\$ 7,772	
96	Demand	511,082	511,082	437,131	2,684	48,385	22,881	
97	Customer Accounts	270,559	270,559	265,254	1,110	3,553	642	
98	Customer Meters	59,015	59,015	54,949	1,454	1,527	1,085	
99	Customer Services	24,586	24,586	23,769	175	497	144	
100	Fire Hydrants	2,746	2,746	2,693	11	36	7	
101	Total Operation and Maintenance Expenses	\$ 1,190,443	\$ 1,190,443	\$ 1,054,049	\$ 7,125	\$ 96,739	\$ 32,531	

Liberty Utilities (Beardlsey 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	Irrigation	Standpipe/ Construction	Allocation Code (b)
OPERATING INCOME								
131	Income Before Taxes	\$ 41,061	\$ 41,061	\$ 37,579	\$ 9,398	\$ 5,820	\$ (11,736)	
132	State Income Tax	(7,702)	(7,702)	(6,634)	389	(562)	(896)	
133	Federal Income Tax	(31,393)	(31,393)	(27,037)	1,587	(2,289)	(3,653)	
134	Total Income Taxes	<u>\$ (39,095)</u>	<u>\$ (39,095)</u>	<u>\$ (33,671)</u>	<u>\$ 1,976</u>	<u>\$ (2,850)</u>	<u>\$ (4,550)</u>	
135	Net Income After Tax	\$ 80,156	\$ 80,156	\$ 71,250	\$ 7,422	\$ 8,671	\$ (7,187)	
136	Present Return Rate Of Return	1.23%	1.23%	1.25%	15.50%	1.52%	-3.33%	
137	Present Relative Return Rate Of Return	1.00	1.00	1.02	12.63	1.24	(2.71)	
State Income Tax								
138	Income Before Tax	\$ 41,061	\$ 41,061	\$ 37,579	\$ 9,398	\$ 5,820	\$ (11,736)	
139	Less: Interest Expense	198,252	198,252	172,962	1,454	17,280	6,557	
140	State Taxable Income	<u>\$ (157,191)</u>	<u>\$ (157,191)</u>	<u>\$ (135,383)</u>	<u>\$ 7,944</u>	<u>\$ (11,460)</u>	<u>\$ (18,293)</u>	
141	Pro Forma State Income Tax	\$ (7,702)	\$ (7,702)	\$ (6,634)	\$ 389	\$ (562)	\$ (896)	
142	Amortization of Flow Through Tax	0	0	0	0	0	0	
143	Subtotal State Income Tax	<u>\$ (7,702)</u>	<u>\$ (7,702)</u>	<u>\$ (6,634)</u>	<u>\$ 389</u>	<u>\$ (562)</u>	<u>\$ (896)</u>	
144	Deferred State Income Tax	-	-	-	-	-	-	
145	Total State Income Tax	<u>\$ (7,702)</u>	<u>\$ (7,702)</u>	<u>\$ (6,634)</u>	<u>\$ 389</u>	<u>\$ (562)</u>	<u>\$ (896)</u>	
Federal Income Tax								
146	Income Before Tax	\$ 41,061	\$ 41,061	\$ 37,579	\$ 9,398	\$ 5,820	\$ (11,736)	
147	Less: Interest Expense	198,252	198,252	172,962	1,454	17,280	6,557	
148	Less: State Income Tax	(7,702)	(7,702)	(6,634)	389	(562)	(896)	
149		-	-	-	-	-	-	
150	Federal Taxable Income	<u>\$ (149,489)</u>	<u>\$ (149,489)</u>	<u>\$ (128,749)</u>	<u>\$ 7,555</u>	<u>\$ (10,898)</u>	<u>\$ (17,397)</u>	
151	Pro Forma Federal Income Tax	\$ (31,393)	\$ (31,393)	\$ (27,037)	\$ 1,587	\$ (2,289)	\$ (3,653)	
152	ITC Amortization	-	-	-	-	-	-	
153	Subtotal Federal Income Tax	<u>\$ (31,393)</u>	<u>\$ (31,393)</u>	<u>\$ (27,037)</u>	<u>\$ 1,587</u>	<u>\$ (2,289)</u>	<u>\$ (3,653)</u>	
154	Deferred Federal Income Tax	-	-	-	-	-	-	
155	Total Federal Income Tax	<u>(31,393)</u>	<u>(31,393)</u>	<u>(27,037)</u>	<u>1,587</u>	<u>(2,289)</u>	<u>(3,653)</u>	
156	Total Income Tax	<u>(39,095)</u>	<u>(39,095)</u>	<u>(33,671)</u>	<u>1,976</u>	<u>(2,850)</u>	<u>(4,550)</u>	

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Liberty Utilities (Beardlsey 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	Irrigation	Standpipe/ Construction	Allocation Code (b)
PRESENT REVENUES TAXES & ROR								
Present Revenues								
157	Revenues	\$ 1,937,754	\$ 1,937,754	\$ 1,715,358	\$ 22,838	\$ 156,510	\$ 43,048	
158	Other Revenue	49,170	49,170	41,210	258	6,517	1,185	
159	Total Present Revenue	\$ 1,986,924	\$ 1,986,924	\$ 1,756,568	\$ 23,096	\$ 163,027	\$ 44,233	
160	O&M, Customer, A&G and Other Taxes	\$ 1,945,863	\$ 1,945,863	\$ 1,718,989	\$ 13,698	\$ 157,206	\$ 55,969	
161	Income Before Tax	\$ 41,061	\$ 41,061	\$ 37,579	\$ 9,398	\$ 5,820	\$ (11,736)	
162	Less: Interest Expense	198,252	198,252	172,962	1,454	17,280	6,557	
163	State Taxable Income	\$ (157,191)	\$ (157,191)	\$ (135,383)	\$ 7,944	\$ (11,460)	\$ (18,293)	
164	Pro Forma State Income Tax	\$ (7,702)	\$ (7,702)	\$ (6,634)	\$ 389	\$ (562)	\$ (896)	
165	Amortization of Flow Through Tax	-	-	-	-	-	-	
166	Subtotal State Income Tax	\$ (7,702)	\$ (7,702.35)	\$ (6,633.76)	\$ 389.27	\$ (561.52)	\$ (896.35)	
167	Deferred State Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
168	Total State Income Tax	\$ (7,702)	\$ (7,702)	\$ (6,634)	\$ 389	\$ (562)	\$ (896)	
169	Income Before Tax	\$ 41,061	\$ 41,061	\$ 37,579	\$ 9,398	\$ 5,820	\$ (11,736)	
170	Less: Interest Expense	198,252	198,252	172,962	1,454	17,280	6,557	
171	Less: State Income Tax	(7,702)	(7,702)	(6,634)	389	(562)	(896)	
172		-	-	-	-	-	-	
173	Federal Taxable Income	(\$149,489)	(149,489)	(128,749)	7,555	(10,898)	(17,397)	
174	Pro Forma Federal Income Tax	\$ (31,393)	(31,393)	(27,037)	1,587	(2,289)	(3,653)	
175	ITC Amortization	-	0	0	0	0	0	CRB
176	Subtotal Federal Income Tax	(\$31,393)	(31,393)	(27,037)	1,587	(2,289)	(3,653)	
177	Total Federal Income Tax	(\$31,393)	(31,393)	(27,037)	1,587	(2,289)	(3,653)	
178	Total Income Tax	(\$39,095)	(39,095)	(33,671)	1,976	(2,850)	(4,550)	
179	Income After Tax	\$80,156	\$80,156	\$71,250	\$7,422	\$8,671	(\$7,187)	
Present Revenues								
180	Return Rate Of Return	1.23%	1.23%	1.25%	15.50%	1.52%	-3.33%	
181	Realtive Rate Of Return	1.00	1.00	1.02	12.63	1.24	(2.71)	

Supporting Schedules
(a) C-1, (b) G-7a, (c) H-1

Liberty Utilities (Beardlsey 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	Irrigation	Standpipe/ Construction	Allocation Code (b)
REVENUES								
1	Revenue Water Service (c)	\$ 2,629,044	\$ 2,629,044	\$ 2,300,768	\$ 39,505	\$ 228,205	\$ 60,566	Direct
2	Other Revenue	49,170	49,170	41,210	258	6,517	1,185	CBC
3	Total Revenue	<u>\$ 2,678,214</u>	<u>\$ 2,678,214</u>	<u>\$ 2,341,978</u>	<u>\$ 39,763</u>	<u>\$ 234,722</u>	<u>\$ 61,751</u>	
EXPENSES (A)								
<u>Source of Supply Expenses</u>								
<u>Operation</u>								
4	Commodity	\$ 169,576	\$ 169,576	\$ 142,123	\$ 889	\$ 22,477	\$ 4,087	CBC
5	Demand	149,074	149,074	127,504	783	14,113	6,674	CMD
6	Customer Accounts	-	-	-	-	-	-	CB
7	Customer Meters	-	-	-	-	-	-	CM
8	Customer Services	-	-	-	-	-	-	CS
9	Fire Hydrants	-	-	-	-	-	-	CH
10	Total Operation	<u>\$318,649</u>	<u>318,649</u>	<u>269,627</u>	<u>1,672</u>	<u>36,590</u>	<u>10,761</u>	
<u>Maintenance</u>								
11	Commodity	\$ 4,620	\$ 4,620	\$ 3,872	\$ 24	\$ 612	\$ 111	CBC
12	Demand	7,834	7,834	6,701	41	742	351	CMD
13	Customer Accounts	-	-	-	-	-	-	CB
14	Customer Meters	-	-	-	-	-	-	CM
15	Customer Services	-	-	-	-	-	-	CS
16	Fire Hydrants	-	-	-	-	-	-	CH
17	Total Maintenance	<u>\$ 12,454</u>	<u>\$ 12,454</u>	<u>\$ 10,572</u>	<u>\$ 65</u>	<u>\$ 1,354</u>	<u>\$ 462</u>	
<u>Total Source of Supply Expenses</u>								
18	Commodity	\$ 174,195	\$ 174,195	\$ 145,995	\$ 913	\$ 23,089	\$ 4,198	
19	Demand	156,908	156,908	134,204	824	14,855	7,025	
20	Customer Accounts	-	-	-	-	-	-	
21	Customer Meters	-	-	-	-	-	-	
22	Customer Services	-	-	-	-	-	-	
23	Fire Hydrants	-	-	-	-	-	-	
24	Total Source of Supply Expenses	<u>\$ 331,103</u>	<u>\$ 331,103</u>	<u>\$ 280,199</u>	<u>\$ 1,737</u>	<u>\$ 37,944</u>	<u>\$ 11,223</u>	

Liberty Utilities (Beardlsey 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	Irrigation	Standpipe/ Construction	Allocation Code (b)
Water Treatment Expenses								
<u>Operation</u>								
25	Commodity	\$ 73,262	\$ 73,262	\$ 61,402	\$ 384	\$ 9,711	\$ 1,766	CBC
26	Demand	166,291	166,291	142,230	873	15,743	7,445	CMD
27	Customer Accounts	-	-	-	-	-	-	CB
28	Customer Meters	-	-	-	-	-	-	CM
29	Customer Services	-	-	-	-	-	-	CS
30	Fire Hydrants	-	-	-	-	-	-	CH
31	Total Operation	\$ 239,554	\$ 239,554	\$ 203,632	\$ 1,257	\$ 25,454	\$ 9,211	
<u>Maintenance</u>								
32	Commodity	\$ 1,621	\$ 1,621	\$ 1,359	\$ 8	\$ 215	\$ 39	CBC
33	Demand	-	-	-	-	-	-	CMD
34	Customer Accounts	-	-	-	-	-	-	CB
35	Customer Meters	-	-	-	-	-	-	CM
36	Customer Services	-	-	-	-	-	-	CS
37	Fire Hydrants	-	-	-	-	-	-	CH
38	Total Maintenance	\$ 1,621	\$ 1,621	\$ 1,359	\$ 8	\$ 215	\$ 39	
<u>Total Water Treatment Expenses</u>								
39	Commodity	\$ 74,883	\$ 74,883	\$ 62,761	\$ 392	\$ 9,926	\$ 1,805	
40	Demand	166,291	166,291	142,230	873	15,743	7,445	
41	Customer Accounts	-	-	-	-	-	-	
42	Customer Meters	-	-	-	-	-	-	
43	Customer Services	-	-	-	-	-	-	
44	Fire Hydrants	-	-	-	-	-	-	
45	Total Water Treatment	\$ 241,175	\$ 241,175	\$ 204,990	\$ 1,266	\$ 25,669	\$ 9,250	
<u>Total Production Expenses</u>								
46	Commodity	\$ 249,079	\$ 249,079	\$ 208,756	\$ 1,305	\$ 33,015	\$ 6,003	
47	Demand	323,199	323,199	276,434	1,698	30,598	14,470	
48	Customer Accounts	-	-	-	-	-	-	
49	Customer Meters	-	-	-	-	-	-	
50	Customer Services	-	-	-	-	-	-	
51	Fire Hydrants	-	-	-	-	-	-	
52	Total Production Expenses	\$ 572,278	\$ 572,278	\$ 485,190	\$ 3,003	\$ 63,613	\$ 20,473	

Liberty Utilities (Beardlsey 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	Irrigation	Standpipe/ Construction	Allocation Code (b)
Transmission and Distribution Expenses								
<u>Operation</u>								
53	Commodity	\$ 50,259	\$ 50,259	\$ 42,122	\$ 263	\$ 6,662	\$ 1,211	CBC
54	Demand	131,302	131,302	112,304	690	12,431	5,878	CMD
55	Customer Accounts	-	-	-	-	-	-	CB
56	Customer Meters	52,656	52,656	49,028	1,298	1,362	968	CM
57	Customer Services	21,936	21,936	21,208	156	444	128	CS
58	Fire Hydrants	2,450	2,450	2,402	10	32	6	CH
59	Total Operation	<u>\$ 258,604</u>	<u>\$ 258,604</u>	<u>\$ 227,064</u>	<u>\$ 2,417</u>	<u>\$ 20,930</u>	<u>\$ 8,192</u>	
<u>Maintenance</u>								
60	Commodity	\$ 315	\$ 315	\$ 264	\$ 2	\$ 42	\$ 8	CBC
61	Demand	823	823	704	4	78	37	CMD
62	Customer Accounts	-	-	-	-	-	-	CB
63	Customer Meters	330	330	307	8	9	6	CM
64	Customer Services	138	138	133	1	3	1	CS
65	Fire Hydrants	15	15	15	0	0	0	CH
66	Total Maintenance	<u>\$ 1,621</u>	<u>\$ 1,621</u>	<u>\$ 1,423</u>	<u>\$ 15</u>	<u>\$ 131</u>	<u>\$ 51</u>	
<u>Total Transmission & Distribution Expenses</u>								
67	Commodity	\$ 50,574	\$ 50,574	\$ 42,386	\$ 265	\$ 6,703	\$ 1,219	
68	Demand	132,126	132,126	113,008	694	12,509	5,915	
69	Customer Accounts	-	-	-	-	-	-	
70	Customer Meters	52,986	52,986	49,335	1,306	1,371	974	
71	Customer Services	22,074	22,074	21,341	157	447	129	
72	Fire Hydrants	2,466	2,466	2,417	10	32	6	
73	Total Transmission & Distribution Expenses	<u>\$ 260,225</u>	<u>\$ 260,225</u>	<u>\$ 228,487</u>	<u>\$ 2,432</u>	<u>\$ 21,062</u>	<u>\$ 8,243</u>	

Liberty Utilities (Beardlsey 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	Irrigation	Standpipe/ Construction	Allocation Code (b)
Customer Accounts Expenses								
74	Commodity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	CBC
75	Demand	-	-	-	-	-	-	CMD
76	Customer Accounts	186,568	186,568	182,909	765	2,450	443	CB
77	Customer Meters	-	-	-	-	-	-	CM
78	Customer Services	-	-	-	-	-	-	CS
79	Fire Hydrants	-	-	-	-	-	-	CH
80	Total Customer Accounts	\$ 186,568	\$ 186,568	\$ 182,909	\$ 765	\$ 2,450	\$ 443	
O&M w/oA&G Expenses								
81	Commodity	\$ 299,652	\$ 299,652	\$ 251,142	\$ 1,570	\$ 39,718	\$ 7,222	
82	Demand	455,325	455,325	389,442	2,392	43,107	20,385	
83	Customer Accounts	186,568	186,568	182,909	765	2,450	443	
84	Customer Meters	52,986	52,986	49,335	1,306	1,371	974	
85	Customer Services	22,074	22,074	21,341	157	447	129	
86	Fire Hydrants	2,466	2,466	2,417	10	32	6	
87	Total O&M w/oA&G Expenses	\$ 1,019,070	\$ 1,019,070	\$ 896,586	\$ 6,201	\$ 87,124	\$ 29,159	
Administrative and General Expenses								
88	Commodity	\$ 22,803	\$ 22,803	\$ 19,112	\$ 120	\$ 3,022	\$ 550	CBC
89	Demand	55,757	55,757	47,690	293	5,279	2,496	CMD
90	Customer Accounts	95,796	95,796	93,917	393	1,258	227	CB
91	Customer Meters	6,029	6,029	5,614	149	156	111	CM
92	Customer Services	2,512	2,512	2,428	18	51	15	CS
93	Fire Hydrants	281	281	275	1	4	1	CH
94	Total Administrative and General Expenses	\$ 183,178	\$ 183,178	\$ 169,035	\$ 973	\$ 9,770	\$ 3,400	
Total Operation and Maintenance Expenses								
95	Commodity	\$ 322,456	\$ 322,456	\$ 270,254	\$ 1,690	\$ 42,740	\$ 7,772	
96	Demand	511,082	511,082	437,131	2,684	48,385	22,881	
97	Demand - Extra Cap Max Hour	-	-	-	-	-	-	
98	Customer Accounts	282,364	282,364	276,827	1,158	3,708	671	
99	Customer Meters	59,015	59,015	54,949	1,454	1,527	1,085	
100	Customer Services	24,586	24,586	23,769	175	497	144	
101	Fire Hydrants	2,746	2,746	2,693	11	36	7	
102	Total Operation and Maintenance Expenses	\$ 1,202,248	\$ 1,202,248	\$ 1,065,622	\$ 7,173	\$ 96,894	\$ 32,559	

Liberty Utilities (Beardlsey 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	Irrigation	Standpipe/ Construction	Allocation Code (b)
OPERATING INCOME								
132	Income Before Taxes	\$ 712,197	\$ 712,197	\$ 604,131	\$ 25,956	\$ 76,633	\$ 5,477	
133	State Income Tax	25,183	25,183	21,127	1,201	2,908	(53)	
134	Federal Income Tax	102,640	102,640	86,109	4,893	11,853	(216)	
135	Total Income Taxes	\$ 127,823	\$ 127,823	\$ 107,236	\$ 6,094	\$ 14,762	\$ (268)	
136	Net Income After Tax	\$ 584,374	\$ 584,374	\$ 496,895	\$ 19,862	\$ 61,871	\$ 5,746	
137	Present Return Rate Of Return	8.95%	8.95%	8.72%	41.48%	10.87%	2.66%	
138	Present Relative Return Rate Of Return	1.00	1.00	0.97	4.63	1.21	0.30	
State Income Tax								
139	Income Before Tax	\$ 712,197	\$ 712,197	\$ 604,131	\$ 25,956	\$ 76,633	\$ 5,477	
140	Less: Interest Expense	198,252	198,252	172,962	1,454	17,280	6,557	
141	State Taxable Income	\$ 513,945	\$ 513,945	\$ 431,169	\$ 24,502	\$ 59,353	\$ (1,079)	
142	Pro Forma State Income Tax	\$ 25,183	\$ 25,183	\$ 21,127	\$ 1,201	\$ 2,908	\$ (53)	
143	Amortization of Flow Through Tax	0	0	0	0	0	0	
144	Subtotal State Income Tax	\$ 25,183	\$ 25,183	\$ 21,127	\$ 1,201	\$ 2,908	\$ (53)	
145	Deferred State Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
146	Total State Income Tax	\$ 25,183	\$ 25,183	\$ 21,127	\$ 1,201	\$ 2,908	\$ (53)	
Federal Income Tax								
147	Income Before Tax	\$ 712,197	\$ 712,197	\$ 604,131	\$ 25,956	\$ 76,633	\$ 5,477	
148	Less: Interest Expense	198,252	198,252	172,962	1,454	17,280	6,557	
149	Less: State Income Tax	25,183	25,183	21,127	1,201	2,908	(53)	
150		-	-	-	-	-	-	
151	Federal Taxable Income	\$ 488,761	\$ 488,761	\$ 410,042	\$ 23,301	\$ 56,444	\$ (1,026)	
152	Pro Forma Federal Income Tax	\$ 102,640	\$ 102,640	\$ 86,109	\$ 4,893	\$ 11,853	\$ (216)	
153	ITC Amortization	-	-	-	-	-	-	CRB
154	Subtotal Federal Income Tax	\$ 102,640	\$ 102,640	\$ 86,109	\$ 4,893	\$ 11,853	\$ (216)	
155	Deferred Federal Income Tax	-	-	-	-	-	-	
156	Total Federal Income Tax	102,640	102,640	86,109	4,893	11,853	(216)	
157	Total Income Tax	127,823	127,823	107,236	6,094	14,762	(268)	

Liberty Utilities (Beardlsey 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	Irrigation	Standpipe/ Construction	Allocation Code (b)
PRESENT REVENUES TAXES & ROR								
Proposed Revenues								
158	Revenues	\$ 2,629,044	\$ 2,629,044	\$ 2,300,768	\$ 39,505	\$ 228,205	\$ 60,566	
159	Other Revenue	49,170	49,170	41,210	258	6,517	1,185	
160	Total Present Revenue	\$ 2,678,214	\$ 2,678,214	\$ 2,341,978	\$ 39,763	\$ 234,722	\$ 61,751	
161	O&M, Customer, A&G and Other Taxes	\$ 1,966,017	\$ 1,966,017	\$ 1,737,847	\$ 13,807	\$ 158,089	\$ 56,273	
162	Income Before Tax	\$ 712,197	\$ 712,197	\$ 604,131	\$ 25,956	\$ 76,633	\$ 5,477	
163	Less: Interest Expense	198,252	198,252	172,962	1,454	17,280	6,557	
164	State Taxable Income	\$ 513,945	\$ 513,945	\$ 431,169	\$ 24,502	\$ 59,353	\$ (1,079)	
165	Pro Forma State Income Tax	\$ 25,183	\$ 25,183	\$ 21,127	\$ 1,201	\$ 2,908	\$ (53)	
166	Amortization of Flow Through Tax	-	-	-	-	-	-	
167	Subtotal State Income Tax	\$ 25,183	\$ 25,183.29	\$ 21,127.30	\$ 1,200.60	\$ 2,908.28	\$ (52.89)	
168	Deferred State Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
169	Total State Income Tax	\$ 25,183	\$ 25,183	\$ 21,127	\$ 1,201	\$ 2,908	\$ (53)	
170	Income Before Tax	\$ 712,197	\$ 712,197	\$ 604,131	\$ 25,956	\$ 76,633	\$ 5,477	
171	Less: Interest Expense	198,252	198,252	172,962	1,454	17,280	6,557	
172	Less: State Income Tax	25,183	25,183	21,127	1,201	2,908	(53)	
173		-	-	-	-	-	-	
174	Federal Taxable Income	\$488,761	488,761	410,042	23,301	56,444	(1,026)	
175	Pro Forma Federal Income Tax	\$ 102,640	102,640	86,109	4,893	11,853	(216)	
176	ITC Amortization	-	0	0	0	0	0	CRB
177	Subtotal Federal Income Tax	\$102,640	102,640	86,109	4,893	11,853	(216)	
178	Total Federal Income Tax	\$102,640	102,640	86,109	4,893	11,853	(216)	
179	Total Income Tax	\$127,823	127,823	107,236	6,094	14,762	(268)	
180	Income After Tax	\$584,374	\$584,374	\$496,895	\$19,862	\$61,871	\$5,746	
Proposed Revenues								
181	Return Rate Of Return	8.95%	8.95%	8.72%	41.48%	10.87%	2.66%	
182	Realitive Rate Of Return	1.00	1.00	0.97	4.63	1.21	0.30	

Supporting Schedules

(a) C-1, (b) G-7a, (c) H-1

Liberty Utilities (Beardlsey 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]	Hydrants Fire[A]	Alloc. Code(b)
PLANT IN SERVICE										
1		Source of Supply Plant								
2	30320	Land and Land Rights	\$ 120,880	\$ 33,461	\$ 87,419	\$ -	\$ -	\$ -	\$ -	- FWT
3	30420	Structures and Improvements	117,844	32,621	85,223	-	-	-	-	- FWT
4	30520	Collecting and Impounding Res.	-	-	-	-	-	-	-	- FWT
5	30620	Lake River and Other Intakes	-	-	-	-	-	-	-	- FWT
6	30720	Wells and Springs	4,303,317	1,191,219	3,112,098	-	-	-	-	- FWT
7	30820	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	- FWT
8	30920	Supply Mains	-	-	-	-	-	-	-	- FWT
9		Total Source of Supply Plant	\$ 4,542,040	\$ 1,257,301	\$ 3,284,739	\$ -	\$ -	\$ -	\$ -	-
Pumping Plant										
10	31020	Power Generation Equipment	\$ 2,833	\$ 784	\$ 2,049	\$ -	\$ -	\$ -	\$ -	- FPU
11	31120	Elec.&Diesel Pump Equipment	861,223	238,399	622,825	-	-	-	-	- FPU
12	31130	Other Pumpng Plant	-	-	-	-	-	-	-	- FPU
13		Total Pumping Plant	\$ 864,057	\$ 239,183	\$ 624,874	\$ -	\$ -	\$ -	\$ -	-
Water Treatment Plant										
14	30330	Land and Land Rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	- FWT
15	30430	Structures and Improvements	-	-	-	-	-	-	-	- FWT
16	32000	Water Treatment Equipment	424,525	117,514	307,010	-	-	-	-	- FWT
17	32010	Water Treatment Plant	19,935	5,518	14,417	-	-	-	-	- FWT
18	32020	Chemical Solution Feeders	5,442	1,506	3,936	-	-	-	-	- FWT
19		Total Water Treatment Plant	\$ 449,902	\$ 124,539	\$ 325,363	\$ -	\$ -	\$ -	\$ -	-
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	1,266,252	350,516	915,736	-	-	-	-	- FDS
24	33020	Pressure Tanks	41,193	11,403	29,791	-	-	-	-	- FDS
25	33140	Trans. and Distrib.Mains	3,548,939	982,396	2,566,543	-	-	-	-	- FTDM
26	33340	Services	561,043	-	-	-	-	561,043	-	- FCS
27	33440	Meters and Meter Installations	1,408,429	-	-	-	1,408,429	-	-	- FCM
28	33540	Hydrants	65,545	-	-	-	-	-	65,545	- FFH
29	33600	Backflow Prevention Devices	-	-	-	-	-	-	-	- FCS
30	33900	Other Plant and Equipment	25,709	-	-	-	-	25,709	-	- FCS
31		Total Transmission and Distribution Plant	\$ 6,917,110	\$ 1,344,316	\$ 3,512,069	\$ -	\$ 1,408,429	\$ 586,752	\$ 65,545	-
32		Gross Plant In Service before Intangible and Gen.	\$ 12,773,109	\$ 2,965,339	\$ 7,747,045	\$ -	\$ 1,408,429	\$ 586,752	\$ 65,545	-

Liberty Utilities (Beardley 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]	Hydrants Fire[A]	Alloc. Code(b)
General Plant										
33	30350	Land and Land Rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FGPCC
34	30450	Structures and Improvements	-	-	-	-	-	-	-	FGPCC
35	34050	Furniture and Equipment	-	-	-	-	-	-	-	FGPCC
36	34060	Computer Hardware	-	-	-	-	-	-	-	FGPCC
37	34070	Computer Software	231,744	26,900	70,278	115,872	12,777	5,323	595	FGPCC
38	34150	Transportation Equipment	9,379	1,089	2,844	4,690	517	215	24	FGPCC
39	34250	Stores Equipment	-	-	-	-	-	-	-	FGPCC
40	34350	Tools, Shop and Garage Equipment	13,929	1,617	4,224	6,964	768	320	36	FGPCC
41	34450	Laboratory Equipment	-	-	-	-	-	-	-	FGPCC
42	34550	Power Operated Equipment	-	-	-	-	-	-	-	FGPCC
43	34650	Communication Equipment	132,921	15,429	40,309	66,460	7,328	3,053	341	FGPCC
44	34750	Miscellaneous Equipment	675	78	205	338	37	16	2	FGPCC
45	34751	Miscellaneous Equipment - CNG	-	-	-	-	-	-	-	FGPCC
46	34850	Other Tangible Property	-	-	-	-	-	-	-	FGPCC
47		Total General Plant	\$ 388,648	\$ 45,113	\$ 117,860	\$ 194,324	\$ 21,427	\$ 8,927	\$ 997	
Intangible Plant										
48	30110	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FGPIS
49	30210	Franchises and Consents	-	-	-	-	-	-	-	FGPIS
50	33910	Misc. Intangible Plant	-	-	-	-	-	-	-	FGPIS
51		Total Intangible Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
52		Reconciling Amount	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FPIS
53		Subtotal Gross Plant In Service(c)	\$ 13,161,757	\$ 3,010,452	\$ 7,864,905	\$ 194,324	\$ 1,429,856	\$ 595,678	\$ 66,542	
Allocated Corporate Plant										
54	90300	Land and Land Rights	3,600	418	1,092	1,800	198	83	9	FGPCC
55	90400	Structures and Improvments	119,070	13,821	36,109	59,535	6,565	2,735	305	FGPCC
56	94000	Office Furniture and Fixtures	16,289	1,891	4,940	8,145	898	374	42	FGPCC
57	94010	Computers and Software	44,522	5,168	13,501	22,261	2,455	1,023	114	FGPCC
58	94020	Customer First	777,610	90,263	235,815	388,805	42,872	17,860	1,995	FGPCC
59	95500	Power Generation	88	10	27	44	5	2	0	FGPCC
60	99500	Power Operated Equipment	14,467	1,679	4,387	7,234	798	332	37	FGPCC
61		Subtotal Allocated Corporate Plant	\$ 975,645	\$ 113,250	\$ 295,870	\$ 487,823	\$ 53,790	\$ 22,409	\$ 2,503	
54		Total Gross Plant In Service(c)	\$ 14,137,403	\$ 3,123,703	\$ 8,160,775	\$ 682,147	\$ 1,483,646	\$ 618,087	\$ 69,045	

Liberty Utilities (Beardlsey 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]	Hydrants Fire[A]	Alloc. Code(b)
ACCUMULATED DEPRECIATION AND AMORTIZATION										
Source of Supply Plant										
63	30320	Land and Land Rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FWT
64	30420	Structures and Improvements	27,528	7,620	19,908	-	-	-	-	FWT
65	30520	Collecting and Impounding Res.	-	-	-	-	-	-	-	FWT
66	30620	Lake River and Other Intakes	-	-	-	-	-	-	-	FWT
67	30720	Wells and Springs	952,823	263,755	689,068	-	-	-	-	FWT
68	30820	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	FWT
69	30920	Supply Mains	-	-	-	-	-	-	-	FWT
70		Total Source of Supply Plant	\$ 980,351	\$ 271,375	\$ 708,976	\$ -	\$ -	\$ -	\$ -	-
Pumping Plant										
71	31020	Power Generation Equipment	\$ 142	\$ 39	\$ 102	\$ -	\$ -	\$ -	\$ -	FPU
72	31120	Elec.&Diesel Pump.Equipment	551,328	152,615	398,713	-	-	-	-	FPU
73	31130	Other Pumping Equipment	-	-	-	-	-	-	-	FPU
74		Total Pumping Plant	\$ 551,470	\$ 152,655	\$ 398,815	\$ -	\$ -	\$ -	\$ -	-
Total Water Treatment Plant										
75	30330	Land and Land Rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FWT
76	30430	Structures and Improvements	-	-	-	-	-	-	-	FWT
77	32000	Water Treatment Equipment	3,449.68	955	2,495	-	-	-	-	FWT
78	32010	Water Treatment Plant	1,172	325	848	-	-	-	-	FWT
79	32020	Chemical Solution Feeders	907	251	656	-	-	-	-	FWT
80		Total Water Treatment Plant	\$ 5,529	\$ 1,530	\$ 3,998	\$ -	\$ -	\$ -	\$ -	-
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	257,067	71,160	185,907	-	-	-	-	FDS
85	33020	Pressure Tanks	38,263	10,592	27,671	-	-	-	-	FDS
86	33140	Trans. and Distrib.Mains	671,140	185,781	485,359	-	-	-	-	FTDM
87	33340	Services	75,592	-	-	-	-	75,592	-	FCS
88	33440	Meters and Meter Installations	295,102	-	-	-	295,102	-	-	FCM
89	33540	Hydrants	19,076	-	-	-	-	-	19,076	FFH
	33600	Backflow Prevention Devices	-	-	-	-	-	-	-	FCS
90	33900	Other Plant and Equipment	14,385	-	-	-	-	14,385	-	FCS
91		Total Transmission and Distribution Plant	\$ 1,370,626	\$ 267,533	\$ 698,937	\$ -	\$ 295,102	\$ 89,978	\$ 19,076	-

Liberty Utilities (Beardlsey 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]	Hydrants Fire[A]	Alloc. Code(b)
General Plant										
92	30350	Land and Land Rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FGPCC
93	30450	Structures and Improvements	-	-	-	-	-	-	-	FGPCC
94	34050	Furniture and Equipment	-	-	-	-	-	-	-	FGPCC
95	34060	Computer Hardware	-	-	-	-	-	-	-	FGPCC
96	34070	Computer Software	84,296	9,785	25,563	42,148	4,647	1,936	216	FGPCC
97	34150	Transportation Equipment	3,438	399	1,043	1,719	190	79	9	FGPCC
98	34250	Stores Equipment	-	-	-	-	-	-	-	FGPCC
99	34350	Tools, Shop and Garage Equipment	1,087	126	330	543	60	25	3	FGPCC
100	34450	Laboratory Equipment	-	-	-	-	-	-	-	FGPCC
101	34550	Power Operated Equipment	-	-	-	-	-	-	-	FGPCC
102	34650	Communication Equipment	13,160	1,528	3,991	6,580	726	302	34	FGPCC
103	34750	Miscellaneous Equipment	675	78	205	338	37	16	2	FGPCC
104	34751	Miscellaneous Equipment - CNG	-	-	-	-	-	-	-	FGPCC
105	34850	Other Tangible Property	-	-	-	-	-	-	-	FGPCC
106	34750	Total General Plant	<u>\$ 102,656</u>	<u>\$ 11,916</u>	<u>\$ 31,131</u>	<u>\$ 51,328</u>	<u>\$ 5,660</u>	<u>\$ 2,358</u>	<u>\$ 263</u>	
107		Retirement Work in Progress	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FPIS
108		Advances in Aid of Construction	-	-	-	-	-	-	-	FPIS
109		Subtotal Accumulated Depreciation/Amortization(c)	<u>\$ 3,010,632</u>	<u>\$ 705,009</u>	<u>\$ 1,841,858</u>	<u>\$ 51,328</u>	<u>\$ 300,762</u>	<u>\$ 92,335</u>	<u>\$ 19,340</u>	
110		Allocated Corporate Accumulated Depreciation								
111	90300	Land and Land Rights	-	-	-	-	-	-	-	FGPCC
112	90400	Structures and Improvments	7,388	858	2,240	3,694	407	170	19	FGPCC
113	94000	Office Furniture and Fixtures	1,992	231	604	996	110	46	5	FGPCC
114	94010	Computers and Software	6,109	709	1,853	3,055	337	140	16	FGPCC
115	94020	Customer First	7,515	872	2,279	3,758	414	173	19	FGPCC
116	95500	Power Generation	8	1	2	4	0	0	0	FGPCC
117	99500	Power Operated Equipment	1,326	154	402	663	73	30	3	FGPCC
118		Subtotal Allocated Corporate Accumulated Depreciation	<u>\$ 24,338.69</u>	<u>\$ 2,825.17</u>	<u>\$ 7,380.85</u>	<u>\$ 12,169.35</u>	<u>\$ 1,341.86</u>	<u>\$ 559.02</u>	<u>\$ 62.45</u>	
119		Accumulated Depreciation/Amortization(c)	<u>\$ 3,034,971</u>	<u>\$ 707,834</u>	<u>\$ 1,849,239</u>	<u>\$ 63,498</u>	<u>\$ 302,104</u>	<u>\$ 92,894</u>	<u>\$ 19,402</u>	
120		Net Plant	<u>\$ 11,102,432</u>	<u>\$ 2,415,869</u>	<u>\$ 6,311,536</u>	<u>\$ 618,649</u>	<u>\$ 1,181,542</u>	<u>\$ 525,193</u>	<u>\$ 49,643</u>	
121		Construction Work In Progress	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FNP
122		Plus: Working Capital Assets/Other (net)	\$ 3,344,167	\$ 727,685	\$ 1,901,100	\$ 186,344	\$ 355,893	\$ 158,193	\$ 14,953	FNP
123		Less: Contributions & Advances in Aid of Construction	\$ (7,916,560)	\$ (1,722,629)	\$ (4,500,425)	\$ (441,126)	\$ (842,496)	\$ (374,487)	\$ (35,398)	FNP
124		Total Rate Base	<u>\$ 6,530,039</u>	<u>\$ 1,420,925</u>	<u>\$ 3,712,212</u>	<u>\$ 363,866</u>	<u>\$ 694,939</u>	<u>\$ 308,899</u>	<u>\$ 29,198</u>	

Supporting Schedules
(a) B-1, (b) G-7b, (c) B-2

Recap Schedules
[A] G-2

Liberty Utilities (Beardsey 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]	Hydrants Fire[A]	Allocation Code(b)	Labor
INCOME STATEMENT											
<u>Source of Supply Expenses</u>											
<u>Operation</u>											
1	610.1	Purchased Water	344	95	249	-	-	-	-	FSS	
2	615.1	Purchased Power	111,463	111,463	-	-	-	-	-	FPP	
3	618.1	Chemicals	1,051	1,051	-	-	-	-	-	FBC	
4	634.1	Contractual Services - Management Fees	82,007	22,701	59,307	-	-	-	-	FSS	
5	636.1	Contractual Services - Other	118,660	32,847	85,813	-	-	-	-	FSS	
6	650.1	Transportation Expenses	5,124	1,418	3,706	-	-	-	-	FSS	
7		Total Operation	<u>\$ 318,649</u>	<u>\$ 169,576</u>	<u>\$ 149,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<u>Maintenance</u>											
8	620.2	Materials and Supplies	1,621	1,621	-	-	-	-	-	FBC	
9	641.2	Rental of Building/Real Property	10,833	2,999	7,834	-	-	-	-	FSS	
10		Total Maintenance	<u>\$ 12,454</u>	<u>\$ 4,620</u>	<u>\$ 7,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
11		Total Source of Supply Expenses	<u>\$ 331,103</u>	<u>\$ 174,195</u>	<u>\$ 156,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<u>Water Treatment Expenses</u>											
<u>Operation</u>											
12	615.3	Purchased Power	83,598	23,141	60,457	-	-	-	-	FWT	
13	618.3	Chemicals	9,611	9,611	-	-	-	-	-	FBC	
14	634.3	Contractual Services - Management Fees	82,007	22,701	59,307	-	-	-	-	FWT	
15	636.3	Contractual Services - Other	61,776	17,100	44,675	-	-	-	-	FWT	
16	650.3	Transportation Expenses	2,562	709	1,853	-	-	-	-	FWT	
17		Total Operation	<u>\$ 239,554</u>	<u>\$ 73,262</u>	<u>\$ 166,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<u>Maintenance</u>											
18	620.4	Materials and Supplies	1,621	1,621	-	-	-	-	-	FBC	
19		Total Maintenance	<u>\$ 1,621</u>	<u>\$ 1,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
20		Total Water Treatment	<u>\$ 241,175</u>	<u>\$ 74,883</u>	<u>\$ 166,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
21		Total Production Expenses	<u>\$ 572,278</u>	<u>\$ 249,079</u>	<u>\$ 323,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<u>Transmission and Distribution Expenses</u>											
<u>Operation</u>											
22	615.5	Purchased Power	83,598	16,247	42,446	-	17,022	7,091	792	FTD	
23	634.5	Contractual Services - Management Fees	102,509	19,922	52,048	-	20,872	8,695	971	FTD	
24	635.5	Contractual Services - Testing	6,936	1,348	3,522	-	1,412	588	66	FTD	
25	636.5	Contractual Services - Other	62,999	12,244	31,987	-	12,828	5,344	597	FTD	
26	650.5	Transportation Expenses	2,562	498	1,301	-	522	217	24	FTD	
27		Total Operation	<u>\$258,604</u>	<u>50,259</u>	<u>131,302</u>	<u>0</u>	<u>52,656</u>	<u>21,936</u>	<u>2,450</u>		
<u>Maintenance</u>											
28	620.6	Materials and Supplies	1,621	315	823	-	330	138	15	FTD	
29		Total Maintenance	<u>\$ 1,621</u>	<u>\$ 315</u>	<u>\$ 823</u>	<u>\$ -</u>	<u>\$ 330</u>	<u>\$ 138</u>	<u>\$ 15</u>		
30		Total Transmission & Distribution Expenses	<u>\$ 260,225</u>	<u>\$ 50,574</u>	<u>\$ 132,126</u>	<u>\$ -</u>	<u>\$ 52,986</u>	<u>\$ 22,074</u>	<u>\$ 2,466</u>		

Liberty Utilities (Beardlsey 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]	Hydrants Fire[A]	Allocation Code(b)	Labor
Depreciation Expense											
Source of Supply Plant											
54	304.2	Structures and Improvements	3,924	1,086	2,838	-	-	-	-	FECMD	
55	307.2	Wells and Springs	143,300	39,668	103,633	-	-	-	-	FECMD	
56		Total Source of Supply Plant	\$ 147,225	\$ 40,754	\$ 106,471	\$ -	\$ -	\$ -	\$ -		
Pumping Plant											
57	311.2	Power Generation Equipment	142	39	102	-	-	-	-	FPU	
58	311.3	Elec.&Diesel Pump.Equipment	97,278	26,928	70,350	-	-	-	-	FPU	
59		Total Pumping Plant	\$ 97,420	\$ 26,967	\$ 70,452	\$ -	\$ -	\$ -	\$ -		
Water Treatment Plant											
60	320.0	Water Treatment Equipment	14,137	3,913	10,223	-	-	-	-	FECMD	
61	320.1	Water Treatment Plant	664	184	480	-	-	-	-	FECMD	
62	320.2	Chemical Solution Feeders	1,088	301	787	-	-	-	-	FECMD	
63		Total Pumping & Purification	\$ 15,889	\$ 4,398	\$ 11,491	\$ -	\$ -	\$ -	\$ -		
Transmission and Distribution Plant											
64	303.4	Land and Land Rights	\$ 0	\$ 0	\$ 0	\$ -	\$ -	\$ -	\$ -	FDS	
65	304.4	Structures and Improvements	0	0	0	-	-	-	-	FDS	
66	330.1	Storage tanks	27,853	7,710	20,143	-	-	-	-	FDS	
67	330.2	Pressure Tanks	348	96	252	-	-	-	-	FDS	
68	331.4	Trans. and Distrib.Mains	69,718	19,299	50,419	-	-	-	-	FTDM	
69	333.4	Services	18,237	-	-	-	-	18,237	-	FCS	
70	334.4	Meters and Meter Installations	113,161	-	-	-	113,161	-	-	FCM	
71	335.4	Hydrants	1,311	-	-	-	-	-	1,311	FFH	
72	339.0	Other Plant & Equipment	1,568	434	1,134	-	-	-	-	FDS	
73		Total Transmission and Distribution Plant	\$ 232,195	\$ 27,539	\$ 71,947	\$ -	\$ 113,161	\$ 18,237	\$ 1,311		

Liberty Utilities (Beardsey 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]	Hydrants Fire[A]	Allocation Code(b)	Labor
General Plant											
74	340.7	Computer Software	46,349	5,380	14,056	23,174	2,555	1,065	119	FGPCC	
75	341.5	Transportation Equipment	1,876	218	569	938	103	43	5	FGPCC	
76	343.5	Tools,Shop and Garage Equip.	696	81	211	348	38	16	2	FGPCC	
77	346.5	Communication Equipment	13,292	1,543	4,031	6,646	733	305	34	FGPCC	
78		Total General Plant	\$ 62,213	\$ 7,222	\$ 18,867	\$ 31,107	\$ 3,430	\$ 1,429	\$ 160		
79		Subtotal Direct Depreciation Expense	\$ 554,942	\$ 106,880	\$ 279,228	\$ 31,107	\$ 116,591	\$ 19,666	\$ 1,471		
		Amortization of Property Losses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FGPIS	
80	903	Land and Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	FGPCC	
81	904	Structures and Improvments	3,048	354	924	1,524	168	70	8	FGPCC	
82	940	Office Furniture and Fixtures	1,087	126	329	543	60	25	3	FGPCC	
83	940.1	Computers and Software	8,904	1,034	2,700	4,452	491	205	23	FGPCC	
84	940.2	Customer First	38,880	4,513	11,791	19,440	2,144	893	100	FGPCC	
85	955	Power Generation	4	1	1	2	0	0	0	FGPCC	
84	995	Power Operated Equipment	723	84	219	362	40	17	2	FGPCC	
86		Subtotal Allocated Depreciation Expense	\$ 52,647	\$ 6,111	\$ 15,966	\$ 26,324	\$ 2,903	\$ 1,209	\$ 135		
		Amortization of Regulatory Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FGPIS	
87		CIAC/EADIT Amortization - General	\$ 75,940	\$ 17,630	\$ 46,058	\$ -	\$ 8,374	\$ 3,488	\$ 390	FGPIS	
88		Total Depreciation & Amortization	\$ 683,529	\$ 130,621	\$ 341,252	\$ 57,430	\$ 127,867	\$ 24,364	\$ 1,995		

Supporting Schedules
(a) B-2 ; (b) G-7b

Recap Schedules
[A] G-3

Liberty Utilities (Beardlsey 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]	Hydrants Fire[A]	Allocation Code(b)	Labor
INCOME STATEMENT											
Source of Supply Expenses											
<u>Operation</u>											
1	610.1	Purchased Water	344	95	249	-	-	-	-	FSS	
2	615.1	Purchased Power	111,463	111,463	-	-	-	-	-	FPP	
	616.1	Fuel for Power Production	-	-	-	-	-	-	-	FPP	
3	618.1	Chemicals	1,051	1,051	-	-	-	-	-	FBC	
4	634.1	Contractual Services - Management Fees	82,007	22,701	59,307	-	-	-	-	FSS	
7		Total Operation	<u>\$ 318,649</u>	<u>\$ 169,576</u>	<u>\$ 149,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<u>Maintenance</u>											
8	620.2	Materials and Supplies	1,621	1,621	-	-	-	-	-	FBC	
9	641.2	Rental of Building/Real Property	10,833	2,999	7,834	-	-	-	-	FSS	
10		Total Maintenance	<u>\$ 12,454</u>	<u>\$ 4,620</u>	<u>\$ 7,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
11		Total Source of Supply Expenses	<u>\$ 331,103</u>	<u>\$ 174,195</u>	<u>\$ 156,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Water Treatment Expenses											
<u>Operation</u>											
12	615.3	Purchased Power	83,598	23,141	60,457	-	-	-	-	FWT	
13	618.3	Chemicals	9,611	9,611	-	-	-	-	-	FBC	
14	634.3	Contractual Services - Management Fees	82,007	22,701	59,307	-	-	-	-	FWT	
15	636.3	Contractual Services - Other	61,776	17,100	44,675	-	-	-	-	FWT	
16	650.3	Transportation Expenses	2,562	709	1,853	-	-	-	-	FWT	
17		Total Operation	<u>\$ 239,554</u>	<u>\$ 73,262</u>	<u>\$ 166,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<u>Maintenance</u>											
18	620.4	Materials and Supplies	1,621	1,621	-	-	-	-	-	FBC	
19		Total Maintenance	<u>\$ 1,621</u>	<u>\$ 1,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
20		Total Water Treatment	<u>\$ 241,175</u>	<u>\$ 74,883</u>	<u>\$ 166,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
21		Total Production Expenses	<u>\$ 572,278</u>	<u>\$ 249,079</u>	<u>\$ 323,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Transmission and Distribution Expenses											
<u>Operation</u>											
22	615.5	Purchased Power	83,598	16,247	42,446	-	17,022	7,091	792	FTD	
23	634.5	Contractual Services - Management Fees	102,509	19,922	52,048	-	20,872	8,695	971	FTD	
24	635.5	Contractual Services - Testing	6,936	1,348	3,522	-	1,412	588	66	FTD	
25	636.5	Contractual Services - Other	62,999	12,244	31,987	-	12,828	5,344	597	FTD	
26	650.5	Transportation Expenses	2,562	498	1,301	-	522	217	24	FTD	
27		Total Operation	<u>\$258,604</u>	<u>50,259</u>	<u>131,302</u>	<u>0</u>	<u>52,656</u>	<u>21,936</u>	<u>2,450</u>		
<u>Maintenance</u>											
28	620.6	Materials and Supplies	1,621	315	823	-	330	138	15	FTD	
29		Total Maintenance	<u>\$ 1,621</u>	<u>\$ 315</u>	<u>\$ 823</u>	<u>\$ -</u>	<u>\$ 330</u>	<u>\$ 138</u>	<u>\$ 15</u>		
30		Total Transmission & Distribution Expenses	<u>\$ 260,225</u>	<u>\$ 50,574</u>	<u>\$ 132,126</u>	<u>\$ -</u>	<u>\$ 52,986</u>	<u>\$ 22,074</u>	<u>\$ 2,466</u>		

Liberty Utilities (Beardlsey 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]	Hydrants Fire[A]	Allocation Code(b)	Labor
Customer Accounts Expenses											
<u>Operation</u>											
31	620.7	Materials and Supplies	270	-	-	270	-	-	-	FCC	
32	634.7	Contractual Services - Management Fees	102,509	-	-	102,509	-	-	-	FCC	
33	636.7	Contractual Services - Other	34,557	-	-	34,557	-	-	-	FCC	
34	650.7	Transportation Expenses	1,281	-	-	1,281	-	-	-	FCC	
35	670.7	Bad Debt Expense	45,734	-	-	45,734	-	-	-	FCC	
36	675.7	Miscellaneous Expenses	2,217	-	-	2,217	-	-	-	FCC	
37		Total Customer Accounts Expenses	\$ 186,568	\$ -	\$ -	\$ 186,568	\$ -	\$ -	\$ -		
38		Total O&M w/oA&G Expenses	\$ 1,019,070	\$ 299,652	\$ 455,325	\$ 186,568	\$ 52,986	\$ 22,074	\$ 2,466		
Administrative and General Expenses											
<u>Operation</u>											
39	620.8	Materials and Supplies	270	29	69	164	6	2	0	FTOMPIS	
40	632.8	Contractual Services - Accounting	18,207	1,927	4,628	11,062	403	168	19	FTOMPIS	
41	633.8	Contractual Services - Legal	399	42	101	242	9	4	0	FTOMPIS	
42	634.8	Contractual Services - Management Fees	41,004	4,340	10,422	24,913	908	378	42	FTOMPIS	
43	636.8	Contractual Services - Other	30,888	3,269	7,851	18,767	684	285	32	FTOMPIS	
44	650.8	Transportation Expenses	(388)	(41)	(99)	(236)	(9)	(4)	(0)	FTOMPIS	
45	657.8	Insurance - General Liability	20,409	4,738	12,378	-	2,250	938	105	FGPIS	
46	668.8	Water Resource Conservation Expense	7,900	1,672	4,016	1,700	350	146	16	FTOMWPC	
47	675.8	Miscellaneous Expenses	64,489	6,826	16,391	39,183	1,428	595	66	FTOMPIS	
48		Total Operation	\$ 183,178	\$ 22,803	\$ 55,757	\$ 95,796	\$ 6,029	\$ 2,512	\$ 281		
49		Total Administrative and General Expenses	\$ 183,178	\$ 22,803	\$ 55,757	\$ 95,796	\$ 6,029	\$ 2,512	\$ 281		
50		Total Operation and Maintenance Expenses	\$ 1,202,248	\$ 322,456	\$ 511,082	\$ 282,364	\$ 59,015	\$ 24,586	\$ 2,746		
51		Depreciation & Amort Expense	\$ 683,529	\$ 130,621	\$ 341,252	\$ 57,430	\$ 127,867	\$ 24,364	\$ 1,995		
52		Taxes Other Than Income	\$ 80,240	\$ 17,460	\$ 45,615	\$ 4,471	\$ 8,539	\$ 3,796	\$ 359	FNP	
53		Total Operating Expenses Before Income Taxes	\$ 1,966,017	\$ 470,537	\$ 897,949	\$ 344,265	\$ 195,421	\$ 52,745	\$ 5,100		
		Total Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		

Liberty Utilities (Beardsey 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]	Hydrants Fire[A]	Allocation Code(b)	Labor
Depreciation Expense											
Source of Supply Plant											
54	304.2	Structures and Improvements	3,924	1,086	2,838	-	-	-	-	FECMD	
55	307.2	Wells and Springs	143,300	39,668	103,633	-	-	-	-	FECMD	
56		Total Source of Supply Plant	\$ 147,225	\$ 40,754	\$ 106,471	\$ -	\$ -	\$ -	\$ -		
Pumping Plant											
57	311.2	Power Generation Equipment	142	39	102	-	-	-	-	FPU	
58	311.3	Elec.&Diesel Pump.Equipment	97,278	26,928	70,350	-	-	-	-	FPU	
59		Total Pumping Plant	\$ 97,420	\$ 26,967	\$ 70,452	\$ -	\$ -	\$ -	\$ -		
Water Treatment Plant											
60	320.0	Water Treatment Equipment	14,137	3,913	10,223	-	-	-	-	FECMD	
61	320.1	Water Treatment Plant	664	184	480	-	-	-	-	FECMD	
62	320.2	Chemical Solution Feeders	1,088	301	787	-	-	-	-	FECMD	
63		Total Pumping & Purification	\$ 15,889	\$ 4,398	\$ 11,491	\$ -	\$ -	\$ -	\$ -		
Transmission and Distribution Plant											
64	330.1	Storage tanks	27,853	7,710	20,143	-	-	-	-	FDS	
65	330.2	Pressure Tanks	348	96	252	-	-	-	-	FDS	
66	331.4	Trans. and Distrib.Mains	69,718	19,299	50,419	-	-	-	-	FTDM	
67	333.4	Services	18,237	-	-	-	-	18,237	-	FCS	
68	334.4	Meters and Meter Installations	113,161	-	-	-	113,161	-	-	FCM	
69	335.4	Hydrants	1,311	-	-	-	-	-	1,311	FFH	
70	339.0	Other Plant & Equipment	1,568	434	1,134	-	-	-	-	FDS	
71		Total Transmission and Distribution Plant	\$ 232,195	\$ 27,539	\$ 71,947	\$ -	\$ 113,161	\$ 18,237	\$ 1,311		

Liberty Utilities (Beardlsey 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]	Hydrants Fire[A]	Allocation Code(b)	Labor
General Plant											
72	340.7	Computer Software	46,349	5,380	14,056	23,174	2,555	1,065	119	FGPCC	
73	341.5	Transportation Equipment	1,876	218	569	938	103	43	5	FGPCC	
74	343.5	Tools,Shop and Garage Equip.	696	81	211	348	38	16	2	FGPCC	
75	346.5	Communication Equipment	13,292	1,543	4,031	6,646	733	305	34	FGPCC	
76		Total General Plant	\$ 62,213	\$ 7,222	\$ 18,867	\$ 31,107	\$ 3,430	\$ 1,429	\$ 160		
77		Subtotal Direct Depreciation Expense	\$ 554,942	\$ 106,880	\$ 279,228	\$ 31,107	\$ 116,591	\$ 19,666	\$ 1,471		
		Amortization of Property Losses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FGPIS	
78	903	Land and Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	FGPCC	
79	904	Structures and Improvments	3,048	354	924	1,524	168	70	8	FGPCC	
80	940	Office Furniture and Fixtures	1,087	126	329	543	60	25	3	FGPCC	
81	940.1	Computers and Software	8,904	1,034	2,700	4,452	491	205	23	FGPCC	
82	995	Power Operated Equipment	723	84	219	362	40	17	2	FGPCC	
83		Subtotal Allocated Depreciation Expense	\$ 52,647	\$ 6,111	\$ 15,966	\$ 26,324	\$ 2,903	\$ 1,209	\$ 135		
		Amortization of Regulatory Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FGPIS	
84		CIAC/AIAC Amortization - General	\$ 75,940	\$ 17,630	\$ 46,058	\$ -	\$ 8,374	\$ 3,488	\$ 390	FGPIS	
85		Total Depreciation & Amortization	\$ 683,529	\$ 130,621	\$ 341,252	\$ 57,430	\$ 127,867	\$ 24,364	\$ 1,995		

Supporting Schedules
(a) B-2 ; (b) G-7b

Recap Schedules
[A] G-3

Liberty Utilities (Beardsey 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 (4)	Customer Meters (5)	Customer Services (6)	Fire Hydrants (7)
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%
9	Demand	FECMD	100.0000%	27.6814%	72.3186%	0.0000%	0.0000%	0.0000%
10								
11	Pumping Equipment	FPU	100.0000%	27.6814%	72.3186%	0.0000%	0.0000%	0.0000%
12	Distribution Storage	FDS	100.0000%	27.6814%	72.3186%	0.0000%	0.0000%	0.0000%
13	Transmission & Distribution Mains	FTDM	100.0000%	27.6814%	72.3186%	0.0000%	0.0000%	0.0000%
14	Treatment Plant	FWT	100.0000%	27.6814%	72.3186%	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%
19	Customer Meters	FCM	100.0000%	0.0000%	0.0000%	0.0000%	100.0000%	0.0000%
20	Customer Services	FCS	100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	100.0000%
21								
22	FIRE							
23	Fire Hydrants	FFH	100.0000%	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%
27								
28	INTERNAL FACTORS							
29								
30	Net Plant	FNP	100.0000%	21.7598%	56.8482%	5.5722%	10.6422%	4.7304%
31	Net Plant w/CIAC	FNPCA	100.0000%	21.7598%	56.8482%	5.5722%	10.6422%	4.7304%
32	Gross Plant In Service (excl Intangible and Gen.)	FGPIS	100.0000%	23.2155%	60.6512%	0.0000%	11.0265%	4.5936%
33	Total O&M w/oA&G Expenses	FTOMW	100.0000%	29.7491%	45.2040%	17.3503%	5.2603%	2.1915%
34	Labor	FLA	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
35	Source of Supply Plant	FSS	100.0000%	27.6814%	72.3186%	0.0000%	0.0000%	0.0000%
36	Pumping & Purification Plant	FWT	100.0000%	27.6814%	72.3186%	0.0000%	0.0000%	0.0000%
37	Transmission & Distrib Plant	FTD	100.0000%	19.4346%	50.7736%	0.0000%	20.3615%	8.4826%
38	General & Admin. Plant (See Note 1)	FGPCC	100.0000%	11.6077%	30.3256%	50.0000%	5.5133%	2.2968%
39	50/50 Labor and Gross Plant	FOT	100.0000%	23.2155%	60.6512%	0.0000%	11.0265%	4.5936%
40	Plant In Service	FPIS	100.0000%	22.0953%	57.7247%	4.8251%	10.4945%	4.3720%
41	Total O&M w/oA&G Expenses w/o power & chemicals	FTOMWPC	100.0000%	21.1698%	50.8344%	21.5171%	4.4279%	1.8447%
42	General & Admin Expenses (See Note 2)	FTOMPIS	100.0000%	10.5849%	25.4172%	60.7586%	2.2140%	0.9223%

Liberty Utilities (Beardsey 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 (4)	Customer Meters (5)	Customer Services (6)	Fire Hydrants (7)		
43	INPUTS FOR RATIOS									
44										
45	EXTERNAL INPUTS									
46										
47	DEMAND									
48										
49	Peak Day Usage (MGD)	0.73								
50										
51	Annual Production (MG)	191.4								
52										
53	Calculation of Demand									
54										
55	FBC	Avg Day	MGD	Ratio	Commodity	Demand				
56	FECMD	Max Day	0.525	1.000		1.000				
57			0.725	1.383	0.277	0.723				
58										
59										
60					Commodity	Demand				
61	Purchased Power	FPP	100.0	100.0	100.0	-				
62										
63										
64										
65	INTERNAL INPUTS									
66										
67										
68										
69	Gross Plant In Service (excludes intangibles & Gen)	FGPIS	Schedule G3a \$ 12,773,109	\$ 12,773,109	\$ 2,965,339	\$ 7,747,045	\$ -	\$ 1,408,429	\$ 586,752	\$ 65,545
70	Plant In Service	FPIS	\$ 14,137,403	\$ 14,137,403	\$ 3,123,703	\$ 8,160,775	\$ 682,147	\$ 1,483,646	\$ 618,087	\$ 69,045
71	Net Plant w/CIAC	FNPCA	\$ 3,185,872	\$ 3,185,872	\$ 693,240	\$ 1,811,112	\$ 177,523	\$ 339,047	\$ 150,705	\$ 14,245
72	Net Plant	FNP	\$ 11,102,432	\$ 11,102,432	\$ 2,415,869	\$ 6,311,536	\$ 618,649	\$ 1,181,542	\$ 525,193	\$ 49,643
73	Total O&M w/oA&G Expenses	FTOMW	\$ 1,007,266	\$ 1,007,266	\$ 299,652	\$ 455,325	\$ 174,763	\$ 52,986	\$ 22,074	\$ 2,466
74	Labor	FLA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
75	Source of Supply Plant	FSS	\$ 4,542,040	\$ 4,542,040	\$ 1,257,301	\$ 3,284,739	\$ -	\$ -	\$ -	\$ -
76	Pumping & Purification Plant	FWT	\$ 864,057	\$ 864,057	\$ 239,183	\$ 624,874	\$ -	\$ -	\$ -	\$ -
77	Transmission & Distrib Plant	FTD	\$ 6,917,110	\$ 6,917,110	\$ 1,344,316	\$ 3,512,069	\$ -	\$ 1,408,429	\$ 586,752	\$ 65,545
78	Total O&M w/oA&G Expenses w/o power & chemicals	FTOMWPC	\$ 812,205	\$ 812,205	\$ 171,942	\$ 412,879	\$ 174,763	\$ 35,964	\$ 14,983	\$ 1,674

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 (Beardlsey 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)	Irrigation (4)	Standpipe/ Construction (5)
1	ALLOCATION RATIOS					
2						
3	EXTERNAL FACTORS					
4						
5	COMMODITY					
6	Commodity (1)	100.0000%	83.8111%	0.5241%	13.2546%	2.4101%
7						
8	DEMAND					
9	Demand	100.0000%	85.5305%	0.5253%	9.4672%	4.4770%
10						
11	CUSTOMER					
12	Bills	100.0000%	98.0391%	0.4102%	1.3133%	0.2375%
13	Meters	100.0000%	93.1102%	2.4641%	2.5867%	1.8389%
14	Services	100.0000%	96.6787%	0.7134%	2.0232%	0.5847%
15						
16	REVENUES					
17	Water Sales	100.0000%	88.5230%	1.1786%	8.0769%	2.2215%
18	Water Sales excluding private fire	100.0000%	88.5230%	1.1786%	8.0769%	2.2215%
19						
20	INTERNAL FACTORS					
21						
22	Hydrants	100.0000%	98.0391%	0.4102%	1.3133%	0.2375%
23	Rate Base	100.0000%	87.2433%	0.7333%	8.7162%	3.3072%
24						
25	INPUTS FOR RATIOS					
26						

Liberty Utilities (Beardlsey 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)	Irrigation (4)	Standpipe/Construction (5)	
27	EXTERNAL INPUTS						
28	DEMAND AND COMMODITY						
29	Annual Usage (1,000 gallons)	191,447	160,454	1,003	25,376	4,614	
30	Coincident Peak (1,000 gallons)	20,467	17,505	108	1,938	916	
31							
32	CUSTOMER						
33	Bills	27,793	27,248	114	365	66	
34	Equivalent Meters	4,079	3,798	101	106	75	
35	Equivalent Services	3,420	3,307	24	69	20	
36							
37	REVENUES						
38	Water Sales	\$ 1,937,754	From WP I \$ 1,937,754	\$ 1,715,358	\$ 22,838	\$ 156,510	\$ 43,048
39	Water Sales excluding private fire	\$ 1,937,754	\$ 1,937,754	\$ 1,715,358	\$ 22,838	\$ 156,510	\$ 43,048
40							
41							
42	Rate of Return						8.9490%
43	Revenue Conversion Factor						1.3710
44							
45	TAX FACTORS						
46	Wtd Cost of Debt						3.04%
47	State Tax Rate						4.90%
48	Federal Tax Rate						21.00%
49							
50							
51	INTERNAL INPUTS						
52							
53	Rate Base	CRB \$6,530,039	6,530,039	5,697,023	47,886	569,170	215,961

SCHEDULE H

Liberty Utilities (Beardsley 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 Inch	Residential	\$ 167,948	\$ 236,899	\$ 68,952	41.06%	8.45%	8.85%
2	3/4 Inch	Residential	1,264,114	1,684,580	420,467	33.26%	63.62%	62.90%
3	1 Inch	Residential	100,675	136,050	35,375	35.14%	5.07%	5.08%
4								
5	5/8 Inch	Commercial	\$ 627	\$ 794	\$ 168	26.74%	0.03%	0.03%
6	1 Inch	Commercial	1,134	1,522	388	34.22%	0.06%	0.06%
7	1 1/2 Inch	Commercial	3,696	5,201	1,504	40.70%	0.19%	0.19%
8	2 Inch	Commercial	3,638	4,884	1,246	34.26%	0.18%	0.18%
9	8 Inch	Commercial	13,761	27,141	13,381	97.24%	0.69%	1.01%
10								
11	3/4 Inch	Irrigation	\$ 13,930	\$ 20,054	\$ 6,124	43.96%	0.70%	0.75%
12	1 Inch	Irrigation	44,017	63,907	19,890	45.19%	2.22%	2.39%
13	1 1/2 Inch	Irrigation	52,727	77,580	24,853	47.14%	2.65%	2.90%
14	2 Inch	Irrigation	37,003	53,992	16,989	45.91%	1.86%	2.02%
15								
16	3 Inch	Construction	43,036	60,567	17,532	40.74%	2.17%	2.26%
17	Subtotals of Revenues		\$ 1,746,304	\$ 2,373,172	\$ 626,868	35.90%	87.89%	88.61%
18	Revenue Annualizations:							
19	5/8 Inch	Residential	\$ 3,013	\$ 4,227	\$ 1,214	40.28%	0.15%	0.16%
20	3/4 Inch	Residential	176,797	235,968	59,171	33.47%	8.90%	8.81%
21	1 Inch	Residential	2,322	3,110	788	33.93%	0.12%	0.12%
22								
23	5/8 Inch	Commercial	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
24	1 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
25	1 1/2 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
26	2 Inch	Commercial	(23)	(34)	(11)	50.98%	0.00%	0.00%
27	8 Inch	Commercial	(1)	(2)	(1)	50.98%	0.00%	0.00%
28								
29	3/4 Inch	Irrigation	935	1,365	429	45.91%	0.05%	0.05%
30	1 Inch	Irrigation	1,983	2,883	900	45.39%	0.10%	0.11%
31	1 1/2 Inch	Irrigation	(8,401)	(12,558)	(4,156)	49.47%	-0.42%	-0.47%
32	2 Inch	Irrigation	14,271	20,988	6,718	47.07%	0.72%	0.78%
33	Subtotal Revenue Annualization		190,896	255,947	65,051	34.08%	9.61%	12.88%
34								
35	Total Revenues w/ Annualization		\$ 1,937,201	\$ 2,629,120	\$ 691,919	35.72%	97.50%	98.17%
36	Misc Revenues, as adjusted		49,170	49,170	-	0.00%	2.47%	1.84%
37	Reconciling Amount		553	(76)	(629)	-113.74%	0.03%	0.00%
38	Total Revenues		\$ 1,986,924	\$ 2,678,214	\$ 691,290	34.79%	100.00%	100.00%
39								
41	Reconciliation to GL Revenues							
42	Metered Revenues Per GL		\$ 1,806,857					
43	Tax Reform Credit							
44	Revenue Accrual Correction		(60,000)					
45	Adjusted Metered Revenues		\$ 1,746,857					
46								
47	Bill Count Rev. before Annualization		1,746,304					
48	Difference		\$ 553					
49	% Difference		0.03%					
50								
51	Tolerance (+/- 0.5%)		\$ 8,734					
52	Acceptable		Yes					

Liberty Utilities (Beardsley 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	<u>Meter Size (All Classes):</u>				
2	5/8x3/4 Inch	\$ 22.90	\$ 28.24	\$ 5.34	23.32%
2	3/4 Inch	34.35	42.36	8.01	23.32%
3	1 Inch	57.25	70.60	13.35	23.32%
4	1 1/2 Inch	114.50	141.20	26.70	23.32%
5	2 Inch	183.20	225.92	42.72	23.32%
6	3 Inch	343.50	451.84	108.34	31.54%
7	4 Inch	572.50	706.00	133.50	23.32%
8	6 Inch	1,145.00	1,412.00	267.00	23.32%
9	8 Inch	NT	2,259.20	NM	NM
10					
11					
12	<u>Gallons In Minimum (All Classes)</u>	-	-		
13					
14					
15			(Per 1,000 gallons)		
16	<u>Commodity Rates</u>		<u>Present Rate</u>	<u>Proposed Rate</u>	
17		<u>Block</u>			
18	5/8x3/4 Inch	1 gallons to 4,000 gallons	\$ 3.15	\$ 4.76	
19		4,001 gallons to 10,000 gallons	\$ 4.10	\$ 6.19	
20		over 10,000 gallons	\$ 5.10	\$ 7.70	
21					
22	3/4 Inch	1 gallons to 4,000 gallons	\$ 3.15	\$ 4.76	
23		4,001 gallons to 10,000 gallons	\$ 4.10	\$ 6.19	
24		over 10,000 gallons	\$ 5.10	\$ 7.70	
25					
26	1 Inch Meter	1 gallons to 25,000 gallons	\$ 4.10	\$ 6.19	
27		over 25,000 gallons	\$ 5.10	\$ 7.70	
28					
29	1.5 Inch Meter	Over Minimum up to 50,000 gallons	\$ 4.10	\$ 6.19	
30		Over 50,000 gallons	\$ 5.10	\$ 7.70	
31					
32	2 Inch Meter	1 gallons to 80,000 gallons	\$ 4.10	\$ 6.19	
33		over 80,000 gallons	\$ 5.10	\$ 7.70	
34					
35	3 Inch Meter	1 gallons to 160,000 gallons	\$ 4.10	\$ 6.19	
36		over 160,000 gallons	\$ 5.10	\$ 7.70	
37					
38					
39					
40	NT = No Tariff				
41	NM = Not Meaningful				

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Present and Proposed Rates

Exhibit
 Schedule H-3
 Page 2

Line No.			(Per 1,000 gallons)	
			Present Rate	Proposed Rate
1				
2				
3	Commodity Rates	Block		
4	4 Inch Meter	1 gallons to 250,000 gallons	\$ 4.10	\$ 6.19
5		over 250,000 gallons	\$ 5.10	\$ 7.70
6				
7	6 Inch Meter	1 gallons to 500,000 gallons	\$ 4.10	\$ 6.19
8		over 500,000 gallons	\$ 5.10	\$ 7.70
9				
10	8 Inch Meter	1 gallons to 800,000 gallons	\$ 4.10	\$ 6.19
11		over 800,000 gallons	\$ 5.10	\$ 7.70
12				
13				
14				
15				
16	Bulk/Standpipe/Construction	All gallons	NT	\$ 7.70
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44	NT = No Tariff			

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Present and Proposed Rates

Exhibit
 Schedule H-3
 Page 2

Line No.		Block	(Per 1,000 gallons)	
			Present Rate	Proposed Rate
1				
2				
3	Commodity Rates			
4	4 Inch Meter	1 gallons to 250,000 gallons	\$ 4.10	\$ 6.19
5		over 250,000 gallons	\$ 5.10	\$ 7.70
6				
7	6 Inch Meter	1 gallons to 500,000 gallons	\$ 4.10	\$ 6.19
8		over 500,000 gallons	\$ 5.10	\$ 7.70
9				
10	8 Inch Meter	1 gallons to 800,000 gallons	\$ 4.10	\$ 6.19
11		over 800,000 gallons	\$ 5.10	\$ 7.70
12				
13				
14				
15				
16	Bulk/Standpipe/Construction	All gallons	NT	\$ -
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44	NT = No Tariff			

Liberty Utilities (Beardsley Water) Corp.
 Changes in Representative Rate Schedules
 Test Year Ended April 30, 2023

Exhibit
 Schedule H-3
 Page 3
 Witness: Bourassa

Line No.	<u>Other Service Charges</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
1	Establishment	\$ 30.00	\$ 30.00
2	Reestablishment (within 12 months)	(a)	(a)
3	Reconnection (Delinquent)	\$ 30.00	\$ 30.00
4	Meter Test (If Correct)	\$ 25.00	\$ 30.00
5	Meter Reread (if Correct)	\$ 25.00	\$ 30.00
6	Deposit	(c)	(c)
7	Deposit Interest	(c)	(c)
8	NSF Check	\$ 20.00	\$ 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	Custting or Road Cutting or Boring	NT	at Cost
12	Moving meter at customer request (R-14-2-405.B)	at Cost	at Cost
13	After Hours Service Charge (d)	\$ 40.00	\$ 90.00
14	Raad Cutting or Boring	NT	at Cost

- 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 (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Meter and Service Line Charges

Exhibit
 Schedule H-3
 Page 4
 Witness: Bourassa

Line
No.
 1
 2
 3
 4
 5
 6
 7
 8
 9
 10
 11
 12
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 14
 15
 16
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 20
 21
 22
 23
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 29
 30

Refundable Meter and Service Line Charges

	Present Service Line Charge	Present Meter Install- ation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Install- ation Charge	Total Proposed Charge
5/8 x 3/4 Inch	385.00	135.00	520.00	At Cost	At Cost	At Cost
3/4 Inch	415.00	205.00	620.00	At Cost	At Cost	At Cost
1 Inch	520.00	265.00	785.00	At Cost	At Cost	At Cost
1 1/2 Inch	520.00	475.00	995.00	At Cost	At Cost	At Cost
2 Inch Turbine	600.00	995.00	1,595.00	At Cost	At Cost	At Cost
2 Inch Compound	800.00	1,840.00	2,640.00	At Cost	At Cost	At Cost
3 Inch Turbine	1,015.00	1,620.00	2,635.00	At Cost	At Cost	At Cost
3 Inch Compound	1,135.00	2,495.00	3,630.00	At Cost	At Cost	At Cost
4 Inch Turbine	1,430.00	2,570.00	4,000.00	At Cost	At Cost	At Cost
4 Inch Compound	1,610.00	3,545.00	5,155.00	At Cost	At Cost	At Cost
6 inch Turbine	2,150.00	4,925.00	7,075.00	At Cost	At Cost	At Cost
6 inch Compound	2,270.00	6,820.00	9,090.00	At Cost	At Cost	At Cost
8 Inch & Larger	NT	NT	NT	At Cost	At Cost	At Cost

Liberty Utilities (Beardsley 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

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 22.90	\$ 28.24	\$ 5.34	23.32%
1,000	26.05	33.00	6.95	26.68%
2,000	29.20	37.76	8.56	29.32%
3,000	32.35	42.52	10.17	31.44%
4,000	35.50	47.28	11.78	33.18%
5,000	39.60	53.47	13.87	35.03%
6,000	43.70	59.66	15.96	36.52%
7,000	47.80	65.85	18.05	37.76%
8,000	51.90	72.04	20.14	38.81%
9,000	56.00	78.23	22.23	39.70%
10,000	60.10	84.42	24.32	40.47%
12,000	70.30	99.82	29.52	41.99%
14,000	80.50	115.22	34.72	43.13%
16,000	90.70	130.62	39.92	44.01%
18,000	100.90	146.02	45.12	44.72%
20,000	111.10	161.42	50.32	45.29%
25,000	136.60	199.92	63.32	46.35%
30,000	162.10	238.42	76.32	47.08%
35,000	187.60	276.92	89.32	47.61%
40,000	213.10	315.42	102.32	48.02%
45,000	238.60	353.92	115.32	48.33%
50,000	264.10	392.42	128.32	48.59%
60,000	315.10	469.42	154.32	48.97%
70,000	366.10	546.42	180.32	49.25%
80,000	417.10	623.42	206.32	49.47%
90,000	468.10	700.42	232.32	49.63%
100,000	519.10	777.42	258.32	49.76%
Average Usage				
9,891	\$ 59.65	\$ 83.75	\$ 24.09	40.39%
Median Usage				
6,500	\$ 45.75	\$ 62.76	\$ 17.01	37.17%

Present Rates:

Monthly Minimum:	\$	22.90
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 4,000	\$	3.15
Up to 10,000	\$	4.10
Over 10,000	\$	5.10

Proposed Rates:

Monthly Minimum:	\$	28.24
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 4,000	\$	4.76
Up to 10,000	\$	6.19
Over 10,000	\$	7.70

Liberty Utilities (Beardsley 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

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 34.35	\$ 42.36	\$ 8.01	23.32%
1,000	37.50	47.12	9.62	25.65%
2,000	40.65	51.88	11.23	27.63%
3,000	43.80	56.64	12.84	29.32%
4,000	46.95	61.40	14.45	30.78%
5,000	51.05	67.59	16.54	32.40%
6,000	55.15	73.78	18.63	33.78%
7,000	59.25	79.97	20.72	34.97%
8,000	63.35	86.16	22.81	36.01%
9,000	67.45	92.35	24.90	36.92%
10,000	71.55	98.54	26.99	37.72%
12,000	81.75	113.94	32.19	39.38%
14,000	91.95	129.34	37.39	40.66%
16,000	102.15	144.74	42.59	41.69%
18,000	112.35	160.14	47.79	42.54%
20,000	122.55	175.54	52.99	43.24%
25,000	148.05	214.04	65.99	44.57%
30,000	173.55	252.54	78.99	45.51%
35,000	199.05	291.04	91.99	46.21%
40,000	224.55	329.54	104.99	46.76%
45,000	250.05	368.04	117.99	47.19%
50,000	275.55	406.54	130.99	47.54%
60,000	326.55	483.54	156.99	48.08%
70,000	377.55	560.54	182.99	48.47%
80,000	428.55	637.54	208.99	48.77%
90,000	479.55	714.54	234.99	49.00%
100,000	530.55	791.54	260.99	49.19%
Average Usage				
5,256	\$ 52.10	\$ 69.18	\$ 17.08	32.77%
Median Usage				
4,500	\$ 49.00	\$ 64.50	\$ 15.50	31.62%

Present Rates:

Monthly Minimum:	\$	34.35
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 4,000	\$	3.15
Up to 10,000	\$	4.10
Over 10,000	\$	5.10

Proposed Rates:

Monthly Minimum:	\$	42.36
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 4,000	\$	4.76
Up to 10,000	\$	6.19
Over 10,000	\$	7.70

Liberty Utilities (Beardsley 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

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 57.25	\$ 70.60	\$ 13.35	23.32%
1,000	61.35	76.79	15.44	25.17%
2,000	65.45	82.98	17.53	26.78%
3,000	69.55	89.17	19.62	28.21%
4,000	73.65	95.36	21.71	29.48%
5,000	77.75	101.55	23.80	30.61%
6,000	81.85	107.74	25.89	31.63%
7,000	85.95	113.93	27.98	32.55%
8,000	90.05	120.12	30.07	33.39%
9,000	94.15	126.31	32.16	34.16%
10,000	98.25	132.50	34.25	34.86%
12,000	106.45	144.88	38.43	36.10%
14,000	114.65	157.26	42.61	37.17%
16,000	122.85	169.64	46.79	38.09%
18,000	131.05	182.02	50.97	38.89%
20,000	139.25	194.40	55.15	39.61%
25,000	159.75	225.35	65.60	41.06%
30,000	185.25	263.85	78.60	42.43%
35,000	210.75	302.35	91.60	43.46%
40,000	236.25	340.85	104.60	44.28%
45,000	261.75	379.35	117.60	44.93%
50,000	287.25	417.85	130.60	45.47%
60,000	338.25	494.85	156.60	46.30%
70,000	389.25	571.85	182.60	46.91%
80,000	440.25	648.85	208.60	47.38%
90,000	491.25	725.85	234.60	47.76%
100,000	542.25	802.85	260.60	48.06%
Average Usage				
10,229	\$ 99.19	\$ 133.92	\$ 34.73	35.01%
Median Usage				
6,500	\$ 83.90	\$ 110.84	\$ 26.94	32.10%

Present Rates:

Monthly Minimum:	\$	57.25
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	25,000	\$ 4.10
Over	25,000	\$ 5.10

Proposed Rates:

Monthly Minimum:	\$	70.60
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	25,000	\$ 6.19
Over	25,000	\$ 7.70

Liberty Utilities (Beardsley 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 4
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 22.90	\$ 28.24	\$ 5.34	23.32%
1,000	26.05	33.00	6.95	26.68%
2,000	29.20	37.76	8.56	29.32%
3,000	32.35	42.52	10.17	31.44%
4,000	35.50	47.28	11.78	33.18%
5,000	39.60	53.47	13.87	35.03%
6,000	43.70	59.66	15.96	36.52%
7,000	47.80	65.85	18.05	37.76%
8,000	51.90	72.04	20.14	38.81%
9,000	56.00	78.23	22.23	39.70%
10,000	60.10	84.42	24.32	40.47%
12,000	70.30	99.82	29.52	41.99%
14,000	80.50	115.22	34.72	43.13%
16,000	90.70	130.62	39.92	44.01%
18,000	100.90	146.02	45.12	44.72%
20,000	111.10	161.42	50.32	45.29%
25,000	136.60	199.92	63.32	46.35%
30,000	162.10	238.42	76.32	47.08%
35,000	187.60	276.92	89.32	47.61%
40,000	213.10	315.42	102.32	48.02%
45,000	238.60	353.92	115.32	48.33%
50,000	264.10	392.42	128.32	48.59%
60,000	315.10	469.42	154.32	48.97%
70,000	366.10	546.42	180.32	49.25%
80,000	417.10	623.42	206.32	49.47%
90,000	468.10	700.42	232.32	49.63%
100,000	519.10	777.42	258.32	49.76%
Average Usage				
1,001	\$ 26.05	\$ 33.00	\$ 6.95	26.68%
Median Usage				
500	\$ 24.48	\$ 30.62	\$ 6.15	25.11%

Present Rates:

Monthly Minimum:	\$	22.90
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 4,000	\$	3.15
Up to 10,000	\$	4.10
Over 10,000	\$	5.10

Proposed Rates:

Monthly Minimum:	\$	28.24
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 4,000	\$	4.76
Up to 10,000	\$	6.19
Over 10,000	\$	7.70

Liberty Utilities (Beardsley 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 5
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 57.25	\$ 70.60	\$ 13.35	23.32%
1,000	61.35	76.79	15.44	25.17%
2,000	65.45	82.98	17.53	26.78%
3,000	69.55	89.17	19.62	28.21%
4,000	73.65	95.36	21.71	29.48%
5,000	77.75	101.55	23.80	30.61%
6,000	81.85	107.74	25.89	31.63%
7,000	85.95	113.93	27.98	32.55%
8,000	90.05	120.12	30.07	33.39%
9,000	94.15	126.31	32.16	34.16%
10,000	98.25	132.50	34.25	34.86%
12,000	106.45	144.88	38.43	36.10%
14,000	114.65	157.26	42.61	37.17%
16,000	122.85	169.64	46.79	38.09%
18,000	131.05	182.02	50.97	38.89%
20,000	139.25	194.40	55.15	39.61%
25,000	159.75	225.35	65.60	41.06%
30,000	185.25	263.85	78.60	42.43%
35,000	210.75	302.35	91.60	43.46%
40,000	236.25	340.85	104.60	44.28%
45,000	261.75	379.35	117.60	44.93%
50,000	287.25	417.85	130.60	45.47%
60,000	338.25	494.85	156.60	46.30%
70,000	389.25	571.85	182.60	46.91%
80,000	440.25	648.85	208.60	47.38%
90,000	491.25	725.85	234.60	47.76%
100,000	542.25	802.85	260.60	48.06%
Average Usage				
9,084	\$ 94.49	\$ 126.83	\$ 32.34	34.22%
Median Usage				
5,500	\$ 79.80	\$ 104.65	\$ 24.85	31.13%

Present Rates:

Monthly Minimum:	\$	57.25
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	25,000	\$ 4.10
Over	25,000	\$ 5.10

Proposed Rates:

Monthly Minimum:	\$	70.60
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	25,000	\$ 6.19
Over	25,000	\$ 7.70

Liberty Utilities (Beardsley 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 6
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 114.50	\$ 141.20	\$ 26.70	23.32%
1,000	118.60	147.39	28.79	24.27%
2,000	122.70	153.58	30.88	25.17%
3,000	126.80	159.77	32.97	26.00%
4,000	130.90	165.96	35.06	26.78%
5,000	135.00	172.15	37.15	27.52%
6,000	139.10	178.34	39.24	28.21%
7,000	143.20	184.53	41.33	28.86%
8,000	147.30	190.72	43.42	29.48%
9,000	151.40	196.91	45.51	30.06%
10,000	155.50	203.10	47.60	30.61%
12,000	163.70	215.48	51.78	31.63%
14,000	171.90	227.86	55.96	32.55%
16,000	180.10	240.24	60.14	33.39%
18,000	188.30	252.62	64.32	34.16%
20,000	196.50	265.00	68.50	34.86%
25,000	217.00	295.95	78.95	36.38%
30,000	237.50	326.90	89.40	37.64%
35,000	258.00	357.85	99.85	38.70%
40,000	278.50	388.80	110.30	39.61%
45,000	299.00	419.75	120.75	40.38%
50,000	319.50	450.70	131.20	41.06%
60,000	370.50	527.70	157.20	42.43%
70,000	421.50	604.70	183.20	43.46%
80,000	472.50	681.70	209.20	44.28%
90,000	523.50	758.70	235.20	44.93%
100,000	574.50	835.70	261.20	45.47%
Average Usage				
44,459	\$ 296.78	\$ 416.40	\$ 119.62	40.31%
Median Usage				
41,500	\$ 284.65	\$ 398.09	\$ 113.44	39.85%

Present Rates:

Monthly Minimum:	\$	114.50
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	50,000	\$ 4.10
Over	50,000	\$ 5.10

Proposed Rates:

Monthly Minimum:	\$	141.20
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	50,000	\$ 6.19
Over	50,000	\$ 7.70

Liberty Utilities (Beardsley 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 7
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 183.20	\$ 225.92	\$ 42.72	23.32%
1,000	187.30	232.11	44.81	23.92%
2,000	191.40	238.30	46.90	24.50%
3,000	195.50	244.49	48.99	25.06%
4,000	199.60	250.68	51.08	25.59%
5,000	203.70	256.87	53.17	26.10%
6,000	207.80	263.06	55.26	26.59%
7,000	211.90	269.25	57.35	27.06%
8,000	216.00	275.44	59.44	27.52%
9,000	220.10	281.63	61.53	27.96%
10,000	224.20	287.82	63.62	28.38%
12,000	232.40	300.20	67.80	29.17%
14,000	240.60	312.58	71.98	29.92%
16,000	248.80	324.96	76.16	30.61%
18,000	257.00	337.34	80.34	31.26%
20,000	265.20	349.72	84.52	31.87%
25,000	285.70	380.67	94.97	33.24%
30,000	306.20	411.62	105.42	34.43%
35,000	326.70	442.57	115.87	35.47%
40,000	347.20	473.52	126.32	36.38%
45,000	367.70	504.47	136.77	37.20%
50,000	388.20	535.42	147.22	37.92%
60,000	429.20	597.32	168.12	39.17%
70,000	470.20	659.22	189.02	40.20%
80,000	511.20	721.12	209.92	41.06%
90,000	562.20	798.12	235.92	41.96%
100,000	613.20	875.12	261.92	42.71%
Average Usage				
27,651	\$ 296.57	\$ 397.08	\$ 100.51	33.89%
Median Usage				
5,500	\$ 205.75	\$ 259.97	\$ 54.22	26.35%

Present Rates:

Monthly Minimum:	\$	183.20
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 80,000	\$	4.10
Over 80,000	\$	5.10

Proposed Rates:

Monthly Minimum:	\$	225.92
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 80,000	\$	6.19
Over 80,000	\$	7.70

Liberty Utilities (Beardsley Water) Corp.
 Bill Comparison of Present and Proposed Rates
 Customer Classification 8 Inch Commercial
 Test Year Ended April 30, 2023
 (Excludes all Revenue Related Taxes)

Exhibit
 Schedule H-4
 Page 8
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 1,145.00	\$ 2,259.20	\$ 1,114.20	97.31%
1,000	1,149.10	2,265.39	1,116.29	97.14%
2,000	1,153.20	2,271.58	1,118.38	96.98%
3,000	1,157.30	2,277.77	1,120.47	96.82%
4,000	1,161.40	2,283.96	1,122.56	96.66%
5,000	1,165.50	2,290.15	1,124.65	96.50%
6,000	1,169.60	2,296.34	1,126.74	96.34%
7,000	1,173.70	2,302.53	1,128.83	96.18%
8,000	1,177.80	2,308.72	1,130.92	96.02%
9,000	1,181.90	2,314.91	1,133.01	95.86%
10,000	1,186.00	2,321.10	1,135.10	95.71%
12,000	1,194.20	2,333.48	1,139.28	95.40%
14,000	1,202.40	2,345.86	1,143.46	95.10%
16,000	1,210.60	2,358.24	1,147.64	94.80%
18,000	1,218.80	2,370.62	1,151.82	94.50%
20,000	1,227.00	2,383.00	1,156.00	94.21%
25,000	1,247.50	2,413.95	1,166.45	93.50%
30,000	1,268.00	2,444.90	1,176.90	92.82%
35,000	1,288.50	2,475.85	1,187.35	92.15%
40,000	1,309.00	2,506.80	1,197.80	91.50%
45,000	1,329.50	2,537.75	1,208.25	90.88%
50,000	1,350.00	2,568.70	1,218.70	90.27%
60,000	1,391.00	2,630.60	1,239.60	89.12%
70,000	1,432.00	2,692.50	1,260.50	88.02%
80,000	1,473.00	2,754.40	1,281.40	86.99%
90,000	1,514.00	2,816.30	1,302.30	86.02%
100,000	1,555.00	2,878.20	1,323.20	85.09%
Average Usage				
417	\$ 1,146.71	\$ 2,261.78	\$ 1,115.07	97.24%
Median Usage				
-	\$ 1,145.00	\$ 2,259.20	\$ 1,114.20	97.31%

Present Rates:

Monthly Minimum:	\$	1,145.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 800,000	\$	4.10
Over 800,000	\$	5.10

Proposed Rates:

Monthly Minimum:	\$	2,259.20
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 800,000	\$	6.19
Over 800,000	\$	7.70

Liberty Utilities (Beardsley Water) Corp.
 Bill Comparison of Present and Proposed Rates
 Customer Classification 3/4 Inch Irrigation
 Test Year Ended April 30, 2023
 (Excludes all Revenue Related Taxes)

Exhibit
 Schedule H-4
 Page 9
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 34.35	\$ 42.36	\$ 8.01	23.32%
1,000	37.50	47.12	9.62	25.65%
2,000	40.65	51.88	11.23	27.63%
3,000	43.80	56.64	12.84	29.32%
4,000	46.95	61.40	14.45	30.78%
5,000	51.05	67.59	16.54	32.40%
6,000	55.15	73.78	18.63	33.78%
7,000	59.25	79.97	20.72	34.97%
8,000	63.35	86.16	22.81	36.01%
9,000	67.45	92.35	24.90	36.92%
10,000	71.55	98.54	26.99	37.72%
12,000	81.75	113.94	32.19	39.38%
14,000	91.95	129.34	37.39	40.66%
16,000	102.15	144.74	42.59	41.69%
18,000	112.35	160.14	47.79	42.54%
20,000	122.55	175.54	52.99	43.24%
25,000	148.05	214.04	65.99	44.57%
30,000	173.55	252.54	78.99	45.51%
35,000	199.05	291.04	91.99	46.21%
40,000	224.55	329.54	104.99	46.76%
45,000	250.05	368.04	117.99	47.19%
50,000	275.55	406.54	130.99	47.54%
60,000	326.55	483.54	156.99	48.08%
70,000	377.55	560.54	182.99	48.47%
80,000	428.55	637.54	208.99	48.77%
90,000	479.55	714.54	234.99	49.00%
100,000	530.55	791.54	260.99	49.19%
Average Usage				
21,194	\$ 128.64	\$ 184.73	\$ 56.09	43.61%
Median Usage				
2,500	\$ 42.23	\$ 54.26	\$ 12.04	28.50%

Present Rates:

Monthly Minimum:	\$	34.35
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 4,000	\$	3.15
Up to 10,000	\$	4.10
Over 10,000	\$	5.10

Proposed Rates:

Monthly Minimum:	\$	42.36
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 4,000	\$	4.76
Up to 10,000	\$	6.19
Over 10,000	\$	7.70

Liberty Utilities (Beardsley Water) Corp.
 Bill Comparison of Present and Proposed Rates
 Customer Classification 1 Inch Irrigation
 Test Year Ended April 30, 2023
 (Excludes all Revenue Related Taxes)

Exhibit
 Schedule H-4
 Page 10
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 57.25	\$ 70.60	\$ 13.35	23.32%
1,000	61.35	76.79	15.44	25.17%
2,000	65.45	82.98	17.53	26.78%
3,000	69.55	89.17	19.62	28.21%
4,000	73.65	95.36	21.71	29.48%
5,000	77.75	101.55	23.80	30.61%
6,000	81.85	107.74	25.89	31.63%
7,000	85.95	113.93	27.98	32.55%
8,000	90.05	120.12	30.07	33.39%
9,000	94.15	126.31	32.16	34.16%
10,000	98.25	132.50	34.25	34.86%
12,000	106.45	144.88	38.43	36.10%
14,000	114.65	157.26	42.61	37.17%
16,000	122.85	169.64	46.79	38.09%
18,000	131.05	182.02	50.97	38.89%
20,000	139.25	194.40	55.15	39.61%
25,000	159.75	225.35	65.60	41.06%
30,000	185.25	263.85	78.60	42.43%
35,000	210.75	302.35	91.60	43.46%
40,000	236.25	340.85	104.60	44.28%
45,000	261.75	379.35	117.60	44.93%
50,000	287.25	417.85	130.60	45.47%
60,000	338.25	494.85	156.60	46.30%
70,000	389.25	571.85	182.60	46.91%
80,000	440.25	648.85	208.60	47.38%
90,000	491.25	725.85	234.60	47.76%
100,000	542.25	802.85	260.60	48.06%
Average Usage				
45,967	\$ 266.68	\$ 386.79	\$ 120.11	45.04%
Median Usage				
29,500	\$ 182.70	\$ 260.00	\$ 77.30	42.31%

Present Rates:

Monthly Minimum:	\$	57.25
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	25,000	\$ 4.10
Over	25,000	\$ 5.10

Proposed Rates:

Monthly Minimum:	\$	70.60
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	25,000	\$ 6.19
Over	25,000	\$ 7.70

Liberty Utilities (Beardsley Water) Corp.
 Bill Comparison of Present and Proposed Rates
 Customer Classification 1 1/2 Inch Irrigation
 Test Year Ended April 30, 2023
 (Excludes all Revenue Related Taxes)

Exhibit
 Schedule H-4
 Page 11
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 114.50	\$ 141.20	\$ 26.70	23.32%
1,000	118.60	147.39	28.79	24.27%
2,000	122.70	153.58	30.88	25.17%
3,000	126.80	159.77	32.97	26.00%
4,000	130.90	165.96	35.06	26.78%
5,000	135.00	172.15	37.15	27.52%
6,000	139.10	178.34	39.24	28.21%
7,000	143.20	184.53	41.33	28.86%
8,000	147.30	190.72	43.42	29.48%
9,000	151.40	196.91	45.51	30.06%
10,000	155.50	203.10	47.60	30.61%
12,000	163.70	215.48	51.78	31.63%
14,000	171.90	227.86	55.96	32.55%
16,000	180.10	240.24	60.14	33.39%
18,000	188.30	252.62	64.32	34.16%
20,000	196.50	265.00	68.50	34.86%
25,000	217.00	295.95	78.95	36.38%
30,000	237.50	326.90	89.40	37.64%
35,000	258.00	357.85	99.85	38.70%
40,000	278.50	388.80	110.30	39.61%
45,000	299.00	419.75	120.75	40.38%
50,000	319.50	450.70	131.20	41.06%
60,000	370.50	527.70	157.20	42.43%
70,000	421.50	604.70	183.20	43.46%
80,000	472.50	681.70	209.20	44.28%
90,000	523.50	758.70	235.20	44.93%
100,000	574.50	835.70	261.20	45.47%
Average Usage				
146,473	\$ 811.51	\$ 1,193.54	\$ 382.03	47.08%
Median Usage				
110,409	\$ 627.58	\$ 915.85	\$ 288.26	45.93%

Present Rates:

Monthly Minimum:	\$	114.50
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	50,000	\$ 4.10
Over	50,000	\$ 5.10

Proposed Rates:

Monthly Minimum:	\$	141.20
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	50,000	\$ 6.19
Over	50,000	\$ 7.70

Liberty Utilities (Beardsley Water) Corp.
 Bill Comparison of Present and Proposed Rates
 Customer Classification 2 Inch Irrigation
 Test Year Ended April 30, 2023
 (Excludes all Revenue Related Taxes)

Exhibit
 Schedule H-4
 Page 12
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 183.20	\$ 225.92	\$ 42.72	23.32%
1,000	187.30	232.11	44.81	23.92%
2,000	191.40	238.30	46.90	24.50%
3,000	195.50	244.49	48.99	25.06%
4,000	199.60	250.68	51.08	25.59%
5,000	203.70	256.87	53.17	26.10%
6,000	207.80	263.06	55.26	26.59%
7,000	211.90	269.25	57.35	27.06%
8,000	216.00	275.44	59.44	27.52%
9,000	220.10	281.63	61.53	27.96%
10,000	224.20	287.82	63.62	28.38%
12,000	232.40	300.20	67.80	29.17%
14,000	240.60	312.58	71.98	29.92%
16,000	248.80	324.96	76.16	30.61%
18,000	257.00	337.34	80.34	31.26%
20,000	265.20	349.72	84.52	31.87%
25,000	285.70	380.67	94.97	33.24%
30,000	306.20	411.62	105.42	34.43%
35,000	326.70	442.57	115.87	35.47%
40,000	347.20	473.52	126.32	36.38%
45,000	367.70	504.47	136.77	37.20%
50,000	388.20	535.42	147.22	37.92%
60,000	429.20	597.32	168.12	39.17%
70,000	470.20	659.22	189.02	40.20%
80,000	511.20	721.12	209.92	41.06%
90,000	562.20	798.12	235.92	41.96%
100,000	613.20	875.12	261.92	42.71%
 Average Usage				
173,453	\$ 987.81	\$ 1,440.71	\$ 452.90	45.85%
 Median Usage				
110,675	\$ 667.64	\$ 957.32	\$ 289.68	43.39%

Present Rates:

Monthly Minimum:	\$	183.20
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 80,000	\$	4.10
Over 80,000	\$	5.10

Proposed Rates:

Monthly Minimum:	\$	225.92
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 80,000	\$	6.19
Over 80,000	\$	7.70

Liberty Utilities (Beardsley Water) Corp.
 Bill Comparison of Present and Proposed Rates
 Customer Classification 3 Inch Construction
 Test Year Ended April 30, 2023
 (Excludes all Revenue Related Taxes)

Exhibit
 Schedule H-4
 Page 13
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 343.50	\$ 451.84	\$ 108.34	31.54%
1,000	347.60	458.03	110.43	31.77%
2,000	351.70	464.22	112.52	31.99%
3,000	355.80	470.41	114.61	32.21%
4,000	359.90	476.60	116.70	32.43%
5,000	364.00	482.79	118.79	32.63%
6,000	368.10	488.98	120.88	32.84%
7,000	372.20	495.17	122.97	33.04%
8,000	376.30	501.36	125.06	33.23%
9,000	380.40	507.55	127.15	33.43%
10,000	384.50	513.74	129.24	33.61%
12,000	392.70	526.12	133.42	33.98%
14,000	400.90	538.50	137.60	34.32%
16,000	409.10	550.88	141.78	34.66%
18,000	417.30	563.26	145.96	34.98%
20,000	425.50	575.64	150.14	35.29%
25,000	446.00	606.59	160.59	36.01%
30,000	466.50	637.54	171.04	36.66%
35,000	487.00	668.49	181.49	37.27%
40,000	507.50	699.44	191.94	37.82%
45,000	528.00	730.39	202.39	38.33%
50,000	548.50	761.34	212.84	38.80%
60,000	589.50	823.24	233.74	39.65%
70,000	630.50	885.14	254.64	40.39%
80,000	671.50	947.04	275.54	41.03%
90,000	712.50	1,008.94	296.44	41.61%
100,000	753.50	1,070.84	317.34	42.12%
Average Usage				
69,911	\$ 630.13	\$ 884.59	\$ 254.45	40.38%
Median Usage				
7,500	\$ 374.25	\$ 498.27	\$ 124.02	33.14%

Present Rates:

Monthly Minimum:	\$	343.50
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	160,000	\$ 4.10
Over	160,000	\$ 5.10

Proposed Rates:

Monthly Minimum:	\$	451.84
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	160,000	\$ 6.19
Over	160,000	\$ 7.70

Liberty Utilities (Beardsley 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	Cumulative Billing	Cumulative Gals (1,000s)
-	-	3	7	7	5	4	5	4	5	6	6	4	8	64	64	-
1	1,000	12	5	8	8	9	11	13	14	13	18	14	17	142	206	71
1,001	2,000	6	8	7	12	18	11	14	21	20	26	20	19	182	388	344
2,001	3,000	8	13	9	18	16	17	19	15	28	24	23	26	216	604	884
3,001	4,000	9	17	13	11	16	7	20	21	15	19	17	19	184	788	1,528
4,001	5,000	11	12	12	13	16	16	22	23	18	12	15	21	191	979	2,388
5,001	6,000	5	8	13	11	11	16	15	21	22	22	16	15	175	1,154	3,351
6,001	7,000	12	5	9	11	13	18	11	14	16	20	9	17	155	1,309	4,358
7,001	8,000	11	17	7	12	13	8	9	16	11	14	22	19	159	1,468	5,551
8,001	9,000	9	6	10	13	9	8	10	15	14	10	14	12	130	1,598	6,656
9,001	10,000	9	17	7	7	12	10	11	15	7	5	15	10	125	1,723	7,843
10,001	11,000	5	6	14	7	10	6	15	3	6	6	8	7	93	1,816	8,820
11,001	12,000	17	12	6	7	6	9	9	4	9	4	8	8	99	1,915	9,958
12,001	13,000	9	12	5	8	9	4	5	9	3	6	7	4	81	1,996	10,971
13,001	14,000	5	5	4	9	6	5	5	1	4	5	11	6	66	2,062	11,862
14,001	15,000	9	8	8	9	3	5	7	3	5	5	5	1	68	2,130	12,848
15,001	16,000	5	7	10	4	6	9	1	4	3	3	1	3	56	2,186	13,716
16,001	17,000	5	4	9	2	5	4	4	1	3	1	3	5	46	2,232	14,475
17,001	18,000	5	2	-	6	4	5	1	1	3	-	4	2	33	2,265	15,053
18,001	19,000	6	3	2	2	5	5	4	1	-	1	1	-	30	2,295	15,608
19,001	20,000	2	6	5	7	2	6	1	2	1	2	-	-	34	2,329	16,271
20,001	21,000	3	4	1	3	1	2	-	1	1	-	1	1	18	2,347	16,640
21,001	22,000	9	3	10	4	2	1	4	1	-	-	-	-	34	2,381	17,371
22,001	23,000	5	3	8	1	3	2	-	1	-	-	-	1	24	2,405	17,911
23,001	24,000	1	1	2	5	2	2	4	1	1	-	-	1	20	2,425	18,381
24,001	25,000	2	4	2	3	1	4	2	1	-	1	-	-	20	2,445	18,871
25,001	26,000	1	2	6	1	1	3	-	-	-	1	-	-	15	2,460	19,253
26,001	27,000	3	2	2	2	1	3	1	1	3	1	-	-	19	2,479	19,757
27,001	28,000	1	1	3	1	1	-	1	-	1	-	-	-	9	2,488	20,004
28,001	29,000	2	1	2	-	-	-	-	-	1	1	1	-	8	2,496	20,232
29,001	30,000	4	1	3	1	1	-	1	1	1	-	1	-	14	2,510	20,645
30,001	31,000	3	2	3	-	3	-	1	-	-	-	-	-	12	2,522	21,011
31,001	32,000	-	-	2	4	1	-	-	1	-	-	1	-	9	2,531	21,295
32,001	33,000	1	1	3	3	1	1	1	1	-	-	-	-	12	2,543	21,685
33,001	34,000	1	1	-	-	1	-	-	-	-	1	-	-	4	2,547	21,819
34,001	35,000	2	-	-	2	-	2	-	1	-	-	-	-	7	2,554	22,060
35,001	36,000	2	3	-	-	2	2	-	-	-	-	-	-	9	2,563	22,380
36,001	37,000	-	1	3	-	-	1	-	-	-	1	1	-	7	2,570	22,635
37,001	38,000	1	2	-	1	1	-	-	-	-	-	-	1	6	2,576	22,860
38,001	39,000	1	2	-	2	-	-	-	-	-	-	-	-	5	2,581	23,053
39,001	40,000	-	-	1	-	1	-	1	-	-	-	-	-	3	2,584	23,171
40,001	41,000	-	2	-	1	-	1	-	-	-	-	-	-	4	2,588	23,333
41,001	42,000	-	-	-	1	-	2	-	-	-	-	-	-	3	2,591	23,458
42,001	43,000	-	1	3	1	-	1	-	-	-	-	-	-	6	2,597	23,713
43,001	44,000	-	-	-	-	-	1	1	1	-	-	-	-	3	2,600	23,843
44,001	45,000	-	-	-	-	-	-	1	-	-	-	-	-	1	2,601	23,888
45,001	46,000	1	-	2	2	-	-	-	-	-	-	-	-	5	2,606	24,115
46,001	47,000	-	-	2	-	1	-	-	-	-	-	-	-	3	2,609	24,255
47,001	48,000	-	-	-	-	-	1	-	-	-	-	-	-	1	2,610	24,302
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,610	24,302

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 5/8x3/4 Inch Residential

Exhibit
 Schedule H-5
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 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	Cumulative Billing	Cumulative Gals (1,000s)
49,001	50,000	-	-	-	-	-	-	-	-	1	-	1	-	2	2,612	24,401
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,612	24,401
51,001	52,000	-	-	2	1	-	-	-	-	-	-	-	-	3	2,615	24,556
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,615	24,556
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,615	24,556
54,001	55,000	-	-	-	-	-	1	-	-	-	-	-	-	1	2,616	24,610
55,001	56,000	-	-	1	-	1	-	-	-	1	-	-	-	3	2,619	24,777
56,001	57,000	1	-	-	1	-	-	-	-	-	-	-	-	2	2,621	24,890
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,621	24,890
58,001	59,000	1	-	-	1	-	-	-	-	-	-	1	-	3	2,624	25,065
59,001	60,000	-	-	1	-	-	-	-	-	-	-	-	-	1	2,625	25,125
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,625	25,125
61,001	62,000	1	1	1	-	-	-	-	-	-	-	-	-	3	2,628	25,309
62,001	63,000	-	-	1	-	-	-	-	-	-	-	-	-	1	2,629	25,372
63,001	64,000	-	-	-	-	-	1	-	-	-	-	-	1	2	2,631	25,499
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,631	25,499
65,001	66,000	-	-	1	-	-	-	-	-	-	-	-	-	1	2,632	25,564
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,632	25,564
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,632	25,564
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,632	25,564
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,632	25,564
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,632	25,564
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,632	25,564
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,632	25,564
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,632	25,564
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,632	25,564
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,632	25,564
76,001	77,000	-	-	1	-	-	-	-	-	-	-	-	-	1	2,633	25,641
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,633	25,641
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,633	25,641
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,633	25,641
80,001	81,000	-	-	-	-	-	-	-	1	-	-	-	-	1	2,634	25,721
81,001	82,000	-	-	-	-	-	1	-	-	-	-	-	-	1	2,635	25,803
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803

Liberty Utilities (Beardsley 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	Cumulative Billing	Cumulative Gals (1,000s)
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,635	25,803
130,945	130,945	-	-	-	-	-	1	-	-	-	-	-	-	1	2,636	25,934
149,027	149,027	-	-	-	-	-	-	-	-	-	1	-	-	1	2,637	26,083
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,637	26,083
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,637	26,083
Totals		209	218	231	223	218	218	218	221	217	216	224	224	2,637		
														Average Usage	9,891	
														Median Usage	6,500	
														Average # Customers	220	
														Change in Number of Customers	15	

Liberty Utilities (Beardsley 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	Cumulative Billing	Cumulative Gals (1,000s)
-	-	24	48	38	37	93	65	64	59	45	17	33	33	556	556	-
1	1,000	169	170	142	176	186	194	265	255	223	249	205	215	2,449	3,005	1,226
1,001	2,000	82	124	96	122	136	77	105	131	182	210	170	230	1,665	4,670	3,724
2,001	3,000	141	213	147	188	221	166	235	263	328	319	247	318	2,786	7,456	10,690
3,001	4,000	178	229	165	263	295	209	291	327	359	338	289	377	3,320	10,776	22,312
4,001	5,000	197	242	215	209	254	229	279	284	337	315	303	325	3,189	13,965	36,664
5,001	6,000	202	172	191	196	210	225	214	226	270	238	277	255	2,676	16,641	51,384
6,001	7,000	143	138	136	141	145	170	170	144	176	154	208	147	1,872	18,513	63,552
7,001	8,000	143	93	124	112	113	124	108	80	115	73	126	108	1,319	19,832	73,446
8,001	9,000	87	81	86	110	71	106	60	44	49	41	82	67	884	20,716	80,960
9,001	10,000	69	61	88	60	51	78	55	49	26	37	60	49	683	21,399	87,449
10,001	11,000	55	35	77	45	30	47	25	32	31	14	36	33	460	21,859	92,279
11,001	12,000	49	32	51	24	29	36	30	15	28	13	31	19	357	22,216	96,385
12,001	13,000	25	21	36	22	18	27	14	11	13	16	21	11	235	22,451	99,322
13,001	14,000	18	15	33	15	12	30	16	10	7	8	11	9	184	22,635	101,807
14,001	15,000	19	15	16	14	13	12	8	7	5	13	10	6	138	22,773	103,808
15,001	16,000	12	10	13	8	13	13	6	7	7	5	9	6	109	22,882	105,497
16,001	17,000	2	11	9	8	13	9	9	-	3	5	3	4	76	22,958	106,751
17,001	18,000	2	6	13	16	8	6	5	6	3	2	5	5	77	23,035	108,099
18,001	19,000	10	2	17	5	12	13	2	4	5	-	9	2	81	23,116	109,597
19,001	20,000	6	13	9	2	3	10	3	3	2	-	5	2	58	23,174	110,728
20,001	21,000	6	3	9	6	3	2	4	1	8	3	8	1	54	23,228	111,835
21,001	22,000	2	5	3	10	6	8	4	1	-	1	3	3	46	23,274	112,824
22,001	23,000	5	4	6	6	2	3	-	-	1	1	4	1	33	23,307	113,567
23,001	24,000	3	4	5	9	-	4	-	2	-	2	-	2	31	23,338	114,295
24,001	25,000	1	2	4	1	1	2	3	-	1	-	1	1	17	23,355	114,712
25,001	26,000	4	3	2	5	2	-	1	1	2	-	2	-	22	23,377	115,273
26,001	27,000	2	-	10	2	4	1	1	-	1	-	1	3	25	23,402	115,935
27,001	28,000	3	1	1	4	2	-	1	1	-	1	1	2	17	23,419	116,403
28,001	29,000	3	1	2	1	1	4	2	-	3	-	3	1	21	23,440	117,001
29,001	30,000	(1)	2	-	2	-	1	4	2	-	-	2	1	13	23,453	117,385
30,001	31,000	3	1	2	1	1	1	-	-	-	1	1	-	11	23,464	117,720
31,001	32,000	2	-	2	-	1	-	1	1	-	1	-	1	9	23,473	118,004
32,001	33,000	2	1	2	2	-	-	-	1	-	1	-	-	9	23,482	118,296
33,001	34,000	1	1	2	-	-	2	-	-	1	-	1	1	9	23,491	118,598
34,001	35,000	1	1	2	2	-	2	1	1	-	-	4	-	14	23,505	119,081
35,001	36,000	1	2	2	-	-	-	-	1	-	-	1	-	7	23,512	119,329
36,001	37,000	1	-	1	1	1	-	-	-	-	-	-	1	5	23,517	119,512
37,001	38,000	1	2	-	-	-	1	-	-	-	-	1	-	5	23,522	119,699
38,001	39,000	-	-	1	1	1	-	-	-	-	-	-	-	3	23,525	119,815
39,001	40,000	-	1	2	-	-	-	-	-	1	-	-	-	4	23,529	119,973
40,001	41,000	-	-	1	-	1	3	-	-	-	-	-	-	5	23,534	120,175
41,001	42,000	1	-	2	2	-	-	1	-	1	-	1	-	8	23,542	120,507
42,001	43,000	-	-	-	1	-	-	1	-	-	-	-	-	2	23,544	120,592
43,001	44,000	-	1	1	-	-	1	1	-	-	-	-	-	4	23,548	120,766
44,001	45,000	-	1	2	-	-	-	-	-	1	-	-	-	4	23,552	120,944
45,001	46,000	-	-	-	1	-	-	-	-	-	-	-	-	1	23,553	120,990
46,001	47,000	1	-	1	1	-	-	-	1	-	-	-	-	4	23,557	121,176
47,001	48,000	-	1	1	-	2	1	-	-	-	-	-	-	5	23,562	121,414
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,562	121,414

Liberty Utilities (Beardsley 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	Cumulative Billing	Cumulative Gals (1,000s)
49,001	50,000	1	-	1	1	2	-	1	-	1	-	-	-	7	23,569	121,760
50,001	51,000	-	-	-	-	-	1	-	-	-	-	-	-	1	23,570	121,811
51,001	52,000	1	-	1	-	1	-	-	-	-	-	-	-	3	23,573	121,965
52,001	53,000	-	-	-	-	-	-	2	-	-	-	-	-	2	23,575	122,070
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,575	122,070
54,001	55,000	-	1	-	-	-	1	-	-	-	-	-	-	2	23,577	122,179
55,001	56,000	-	-	-	-	-	-	1	-	-	-	-	-	1	23,578	122,235
56,001	57,000	-	-	-	-	1	1	-	-	-	1	-	-	3	23,581	122,404
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,581	122,404
58,001	59,000	2	-	-	1	-	-	-	-	-	-	-	-	3	23,584	122,580
59,001	60,000	-	-	2	-	-	-	-	-	-	-	-	-	2	23,586	122,699
60,001	61,000	-	1	-	-	-	-	-	-	-	-	-	-	1	23,587	122,759
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,587	122,759
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,587	122,759
63,001	64,000	-	-	-	-	-	-	1	-	-	-	-	-	1	23,588	122,823
64,001	65,000	-	1	-	-	-	1	-	-	-	-	-	-	2	23,590	122,952
65,001	66,000	-	-	1	-	-	-	-	-	-	-	-	-	1	23,591	123,017
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,591	123,017
67,001	68,000	-	-	-	1	-	-	-	-	-	-	-	-	1	23,592	123,085
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,592	123,085
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,592	123,085
70,001	71,000	-	1	-	-	-	-	-	-	-	-	-	-	1	23,593	123,155
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,593	123,155
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,593	123,155
73,001	74,000	-	-	-	-	-	-	-	1	-	-	-	-	1	23,594	123,229
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,594	123,229
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,594	123,229
76,001	77,000	-	-	-	-	-	1	-	-	-	-	-	-	1	23,595	123,305
77,001	78,000	-	-	-	1	-	-	-	-	-	-	-	-	1	23,596	123,383
78,001	79,000	-	-	1	-	-	-	-	-	-	-	-	-	1	23,597	123,461
79,001	80,000	-	-	-	1	1	-	-	-	-	-	-	-	2	23,599	123,620
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,599	123,620
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,599	123,620
82,001	83,000	-	-	-	1	-	1	-	-	-	-	-	-	2	23,601	123,785
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,601	123,785
84,001	85,000	-	-	-	-	-	-	-	-	-	1	-	-	1	23,602	123,870
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,602	123,870
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,602	123,870
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,602	123,870
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,602	123,870
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,602	123,870
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,602	123,870
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,602	123,870
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,602	123,870
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,602	123,870
94,001	95,000	-	-	1	-	-	-	-	-	-	-	-	-	1	23,603	123,964
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,603	123,964
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,603	123,964
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,603	123,964
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,603	123,964

Liberty Utilities (Beardsley 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 <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23,603	123,964
106,217	106,217	-	-	1	-	-	-	-	-	-	-	-	-	1	23,604	124,070
	-													-	23,604	124,070
Totals		1,679	1,772	1,776	1,837	1,959	1,889	1,993	1,971	2,235	2,080	2,174	2,239	23,604		
														Average Usage	5,256	
														Median Usage	4,500	
														Average # Customers	1,967	
														Change in Number of Customers	560	

Liberty Utilities (Beardsley 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	Cumulative Billing	Cumulative Gals (1,000s)
-	-	-	-	-	-	-	1	-	-	-	6	2	5	14	14	-
1	1,000	6	5	4	3	2	2	3	5	8	6	5	7	56	70	28
1,001	2,000	-	2	3	3	4	4	7	3	2	4	4	4	40	110	88
2,001	3,000	5	2	1	2	4	4	2	3	6	11	1	3	44	154	198
3,001	4,000	4	4	1	7	9	3	6	14	8	10	12	11	89	243	510
4,001	5,000	7	7	4	4	7	7	11	5	12	11	9	13	97	340	946
5,001	6,000	3	5	7	7	5	5	6	10	8	10	8	14	88	428	1,430
6,001	7,000	4	5	3	7	7	5	7	10	9	7	12	5	81	509	1,957
7,001	8,000	4	8	7	7	3	4	2	6	6	4	7	4	62	571	2,422
8,001	9,000	5	5	4	3	3	1	5	4	5	2	4	5	46	617	2,813
9,001	10,000	6	4	3	1	-	4	2	-	3	3	2	2	30	647	3,098
10,001	11,000	1	2	1	2	1	4	4	3	3	3	3	2	29	676	3,402
11,001	12,000	1	4	3	3	7	2	2	4	4	-	3	1	34	710	3,793
12,001	13,000	4	6	6	2	3	3	6	1	-	1	-	1	33	743	4,206
13,001	14,000	2	2	2	6	3	-	3	2	2	1	2	1	26	769	4,557
14,001	15,000	2	5	-	1	-	2	1	1	-	1	2	2	17	786	4,803
15,001	16,000	4	1	3	4	-	4	-	1	1	-	1	1	20	806	5,113
16,001	17,000	-	3	1	4	4	2	2	1	-	1	-	-	18	824	5,410
17,001	18,000	2	1	2	3	1	5	-	1	-	1	1	1	18	842	5,725
18,001	19,000	3	3	-	-	2	1	1	-	-	-	1	-	11	853	5,929
19,001	20,000	3	1	3	2	2	2	1	2	-	-	-	-	16	869	6,241
20,001	21,000	2	-	2	2	4	-	3	1	1	-	-	1	16	885	6,569
21,001	22,000	2	2	4	-	2	6	-	-	-	-	1	-	17	902	6,934
22,001	23,000	3	1	1	3	3	-	1	-	1	-	1	-	14	916	7,249
23,001	24,000	1	-	2	1	-	1	1	-	-	-	-	1	7	923	7,414
24,001	25,000	-	4	1	-	-	1	-	-	-	-	-	-	6	929	7,561
25,001	26,000	1	2	1	-	-	1	-	1	-	-	-	1	7	936	7,739
26,001	27,000	1	-	3	1	-	-	-	-	-	2	-	-	7	943	7,925
27,001	28,000	-	-	-	1	-	-	-	-	1	-	-	1	3	946	8,007
28,001	29,000	-	-	-	1	-	1	1	1	-	-	-	-	4	950	8,121
29,001	30,000	4	-	-	1	-	1	1	-	-	-	2	-	9	959	8,387
30,001	31,000	1	-	-	-	1	1	1	-	-	-	-	-	4	963	8,509
31,001	32,000	1	-	2	-	1	-	-	-	1	-	-	-	5	968	8,666
32,001	33,000	-	1	1	1	-	-	-	-	-	-	-	-	3	971	8,764
33,001	34,000	-	1	-	1	-	-	-	-	-	-	-	-	2	973	8,831
34,001	35,000	-	-	-	-	1	-	1	-	-	-	-	-	2	975	8,900
35,001	36,000	-	-	1	-	-	-	1	-	-	-	1	-	3	978	9,006
36,001	37,000	1	2	-	1	-	1	-	-	-	-	-	-	5	983	9,189
37,001	38,000	-	1	-	-	-	-	-	-	-	-	-	-	1	984	9,226
38,001	39,000	1	-	1	1	-	-	-	-	-	-	-	-	3	987	9,342
39,001	40,000	-	1	1	-	-	-	-	-	-	-	-	-	2	989	9,421
40,001	41,000	-	-	1	-	-	-	-	-	-	-	-	-	1	990	9,461
41,001	42,000	-	-	-	-	1	-	-	-	-	-	-	-	1	991	9,503
42,001	43,000	-	-	-	-	-	1	-	-	-	-	-	-	1	992	9,545
43,001	44,000	1	-	-	1	-	-	-	-	-	-	-	-	2	994	9,632
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	994	9,632
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	994	9,632
46,001	47,000	-	-	1	-	-	-	-	-	-	-	-	-	1	995	9,679
47,001	48,000	-	-	1	-	1	-	-	-	-	-	2	-	4	999	9,869
48,001	49,000	-	-	1	-	-	1	-	-	-	-	-	-	2	1,001	9,966
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,001	9,966

Liberty Utilities (Beardsley 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 <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumul- ative Billing	Cumul- ative Gals (1,000s)
50,001	51,000	-	-	-	1	-	-	-	-	-	-	-	-	1	1,002	10,016
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,002	10,016
52,001	53,000	-	-	1	-	-	-	-	-	-	-	-	-	1	1,003	10,069
53,001	54,000	-	-	-	-	-	1	-	-	-	-	-	-	1	1,004	10,122
54,001	55,000	-	-	1	-	-	-	-	-	-	-	-	-	1	1,005	10,177
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,005	10,177
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,005	10,177
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,005	10,177
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,005	10,177
59,001	60,000	-	-	1	-	-	-	-	-	-	-	-	-	1	1,006	10,236
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,006	10,236
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,006	10,236
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,006	10,236
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,006	10,236
64,001	65,000	-	1	-	-	-	-	-	-	-	-	-	-	1	1,007	10,301
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,007	10,301

Liberty Utilities (Beardsley 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 <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
Totals		85	91	85	87	81	81	81	79	81	84	86	86	1,007		
											Average Usage			10,229		
											Median Usage			6,500		
											Average # Customers			84		
											Change in Number of Customers			1		

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 5/8x3/4 Inch Commercial

Exhibit
 Schedule H-5
 Page 4
 Witness: Bourassa

Usage From:	Usage To:	Month of <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	24
	-													-	24	24
Totals		2	2	2	2	2	2	2	2	2	2	2	2	24		
														Average Usage	1,001	
														Median Usage	500	
														Average # Customers	2	
														Change in Number of Customers	-	

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 1 Inch Commercial

Exhibit
 Schedule H-5
 Page 5
 Witness: Bourassa

Usage From:	Usage To:	Month of <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	109
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	109
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	109
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12	109
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12		
														Average Usage	9,084	
														Median Usage	5,500	
														Average # Customers	1	
														Change in Number of Customers	-	

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 1 1/2 Inch Commercial

Exhibit
 Schedule H-5
 Page 6
 Witness: Bourassa

Usage From:	Usage To:	Month of <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
	Totals	1	1	1	1	1	1	1	1	1	1	1	1	12		
														Average Usage		44,459
														Median Usage		41,500
														Average # Customers		1
														Change in Number of Customers		-

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 7
 Witness: Bourassa

Usage From:	Usage To:	Month of <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumul- ative Billing	Cumul- ative Gals (1,000s)
50,001	51,000	-	-	-	-	-	-	-	-	-	1	-	-	1	10	121
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	121
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	1	1	11	173
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	173
158,812	158,812	-	-	-	-	-	-	-	1	-	-	-	-	1	12	332

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 7
 Witness: Bourassa

Usage From:	Usage To:	Month of <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
	-													-	12	332
	-													-	12	
Totals		1	1	1	1	1	-	2	1	1	1	1	1	12		
											Average Usage			27,651		
											Median Usage			5,500		
											Average # Customers			1		
											Change in Number of Customers			-		

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 8 Inch Commercial

Exhibit
 Schedule H-5
 Page 8
 Witness: Bourassa

Usage From:	Usage To:	Month of <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
	Totals	1	1	1	1	1	-	2	1	1	1	1	1	12		
														Average Usage		417
														Median Usage		-
														Average # Customers		1
														Change in Number of Customers		-

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 3/4 Inch Irrigation

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Usage From:	Usage To:	Month of <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumul- ative Billing	Cumul- ative Gals (1,000s)
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	567
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	567
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	567
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	567
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	567
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	567
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	567
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	567
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	567
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	567
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	567
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	567
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	567
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	567
63,001	64,000	-	-	-	-	-	-	-	-	1	-	-	1	2	90	694
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	694
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	694
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	694
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	694
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	694
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	694
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	694
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	694
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	694
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	694
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	694
75,001	76,000	-	-	-	-	-	-	-	-	-	-	1	-	1	91	769
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	91	769
77,001	78,000	-	-	-	-	-	1	-	-	-	-	-	-	1	92	847
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	847
79,001	80,000	1	-	-	-	-	-	-	-	-	-	-	-	1	93	926
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	926
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	926
82,001	83,000	-	-	-	-	-	-	-	-	-	1	-	-	1	94	1,009
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	1,009
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	1,009
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	1,009
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	1,009
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	1,009
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	1,009
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	1,009
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	1,009
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	1,009
92,001	93,000	-	-	-	1	-	-	-	-	-	-	-	-	1	95	1,101
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	1,101
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	1,101
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	1,101
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	1,101
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	1,101
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	1,101

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 3/4 Inch Irrigation

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	Cumulative Billing	Cumulative Gals (1,000s)
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	1,101
100,745	100,745	-	1	-	-	-	-	-	-	-	-	-	-	1	96	1,202
151,918	151,918	-	-	1	-	-	-	-	-	-	-	-	-	1	97	1,354
110,482	110,482	-	-	1	-	-	-	-	-	-	-	-	-	1	98	1,464
143,991	143,991	-	-	-	1	-	-	-	-	-	-	-	-	1	99	1,608
222,673	222,673	-	-	-	-	-	-	1	-	-	-	-	-	1	100	1,831
118,316	118,316	-	-	-	-	-	-	-	1	-	-	-	-	1	101	1,949
116,750	116,750	-	-	-	-	-	-	-	1	-	-	-	-	1	102	2,066
117,054	117,054	-	-	-	-	-	-	-	-	-	-	1	-	1	103	2,183
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	103	2,183
Totals		8	8	8	8	8	8	8	8	12	9	9	9	103		
														Average Usage	21,194	
														Median Usage	2,500	
														Average # Customers	9	
														Change in Number of Customers	1	

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 1 Inch Irrigation

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	Cumulative Billing	Cumulative Gals (1,000s)
-	-	1	1	1	1	1	1	1	1	1	2	2	2	15	15	-
1	1,000	-	-	-	-	-	-	-	-	1	-	-	-	1	16	1
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	16	1
2,001	3,000	-	1	-	-	-	-	-	-	-	1	-	1	3	19	8
3,001	4,000	-	-	-	1	-	-	-	-	-	-	-	-	1	20	12
4,001	5,000	1	-	1	-	-	-	-	1	-	-	-	-	3	23	25
5,001	6,000	-	-	-	-	1	-	1	-	-	-	-	-	2	25	36
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	1	1	26	43
7,001	8,000	-	-	-	-	-	1	-	-	1	1	1	1	5	31	80
8,001	9,000	-	-	-	-	-	-	-	-	-	-	1	-	1	32	89
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	89
10,001	11,000	-	-	-	-	-	1	1	-	-	-	-	-	2	34	110
11,001	12,000	1	1	-	-	1	-	-	-	1	1	-	1	6	40	179
12,001	13,000	-	-	-	-	1	-	-	3	-	-	-	-	4	44	229
13,001	14,000	-	1	-	1	-	-	2	-	-	-	1	-	5	49	296
14,001	15,000	-	-	-	-	-	-	-	-	1	-	-	-	1	50	311
15,001	16,000	-	-	1	1	-	1	-	-	-	-	-	-	3	53	357
16,001	17,000	-	-	-	-	-	-	-	1	-	-	-	-	1	54	374
17,001	18,000	1	1	1	-	-	-	-	-	1	1	-	-	5	59	461
18,001	19,000	-	-	-	-	-	-	-	-	1	1	-	2	4	63	535
19,001	20,000	-	-	-	-	1	-	-	-	-	1	-	-	2	65	574
20,001	21,000	1	-	-	1	-	1	-	-	1	1	1	-	6	71	697
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	71	697
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	71	697
23,001	24,000	-	-	-	-	-	-	-	1	-	-	1	-	2	73	744
24,001	25,000	-	-	1	-	-	-	-	-	-	-	-	-	1	74	769
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	769
26,001	27,000	-	-	-	-	-	-	-	1	-	-	-	-	1	75	795
27,001	28,000	-	-	-	-	-	-	-	-	-	1	-	-	1	76	823
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	2	2	78	880
29,001	30,000	-	-	-	-	-	-	-	1	1	-	-	-	2	80	939
30,001	31,000	-	-	-	-	-	-	-	1	-	-	-	-	1	81	969
31,001	32,000	-	-	-	-	-	-	1	-	1	-	1	-	3	84	1,064
32,001	33,000	-	1	-	-	-	-	-	-	-	-	-	-	1	85	1,096
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	1,096
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	85	1,096
35,001	36,000	-	-	-	-	-	-	1	-	-	-	-	-	1	86	1,132
36,001	37,000	-	-	-	1	1	-	-	-	-	-	-	-	2	88	1,205
37,001	38,000	-	-	-	-	-	-	-	-	-	-	1	1	2	90	1,280
38,001	39,000	1	-	-	-	-	-	-	-	-	1	-	-	2	92	1,357
39,001	40,000	-	1	1	-	-	-	1	-	-	-	-	-	3	95	1,475
40,001	41,000	-	-	-	-	-	-	-	-	1	-	-	-	1	96	1,516
41,001	42,000	1	-	-	-	-	-	-	-	-	1	-	-	2	98	1,599
42,001	43,000	-	-	-	-	-	-	1	-	-	-	-	-	1	99	1,641
43,001	44,000	-	-	-	1	1	1	-	-	-	-	-	-	3	102	1,772
44,001	45,000	-	-	-	-	-	-	-	-	-	-	1	-	1	103	1,816
45,001	46,000	-	-	-	1	1	-	-	-	-	-	-	-	2	105	1,907
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	1,907
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	1,907
48,001	49,000	-	1	1	-	-	1	-	-	-	-	-	-	3	108	2,053
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	2,053

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 1 Inch Irrigation

Exhibit
 Schedule H-5
 Page 10
 Witness: Bourassa

Usage From:	Usage To:	Month of <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumul- ative Billing	Cumul- ative Gals (1,000s)
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	2,053
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	2,053
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	2,053
53,001	54,000	-	-	-	-	-	-	-	1	-	-	-	-	1	109	2,106
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	109	2,106
55,001	56,000	-	-	-	-	-	1	-	-	-	-	-	-	1	110	2,162
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	110	2,162
57,001	58,000	1	-	-	-	-	-	1	-	-	-	-	-	2	112	2,277
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	112	2,277
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	112	2,277
60,001	61,000	-	-	1	-	-	-	-	-	-	-	1	-	2	114	2,398
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	2,398
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	2,398
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	2,398
64,001	65,000	-	-	-	-	1	-	-	-	-	-	-	-	1	115	2,462
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	115	2,462
66,001	67,000	-	-	-	-	-	-	-	-	-	1	-	-	1	116	2,529
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	116	2,529
68,001	69,000	-	-	-	-	-	-	1	-	-	-	-	-	1	117	2,597
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	117	2,597
70,001	71,000	-	-	-	-	-	-	-	-	-	1	-	-	1	118	2,668
71,001	72,000	-	-	-	-	-	1	-	-	1	-	-	-	2	120	2,811
72,001	73,000	-	-	-	-	-	-	-	1	-	-	-	-	1	121	2,883
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	121	2,883
74,001	75,000	-	-	-	-	-	-	-	-	1	-	-	-	1	122	2,958
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	1	1	123	3,033
76,001	77,000	-	-	-	1	1	-	-	-	1	1	-	-	4	127	3,339
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	127	3,339
78,001	79,000	-	1	-	1	-	-	-	-	-	-	-	-	2	129	3,496
79,001	80,000	1	-	-	-	-	-	-	-	-	-	-	-	1	130	3,576
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	130	3,576
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	130	3,576
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	130	3,576
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	130	3,576
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	130	3,576
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	130	3,576
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	130	3,576
87,001	88,000	-	-	-	-	-	1	-	-	-	-	-	1	2	132	3,751
88,001	89,000	-	-	-	-	-	-	-	-	-	-	1	-	1	133	3,839
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	133	3,839
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	133	3,839
91,001	92,000	-	1	-	-	-	-	-	-	-	-	-	-	1	134	3,931
92,001	93,000	1	-	-	-	-	-	-	-	-	-	-	-	1	135	4,023
93,001	94,000	-	-	-	-	-	-	-	-	-	-	1	-	1	136	4,117
94,001	95,000	1	-	-	-	-	-	-	-	-	-	-	-	1	137	4,211
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	137	4,211
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	137	4,211
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	137	4,211
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	1	1	138	4,310
99,001	100,000	-	-	1	-	1	-	-	-	-	-	-	-	2	140	4,509
155,544	155,544	1	-	-	-	-	-	-	-	-	-	-	-	1	141	4,664

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 1 Inch Irrigation

Exhibit
 Schedule H-5
 Page 10
 Witness: Bourassa

Usage From:	Usage To:	Month of <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
104,456	104,456	-	1	-	-	-	-	-	-	-	-	-	-	1	142	4,769
179,471	179,471	-	1	-	-	-	-	-	-	-	-	-	-	1	143	4,948
119,044	119,044	-	-	1	-	-	-	-	-	-	-	-	-	1	144	5,067
114,745	114,745	-	-	1	-	-	-	-	-	-	-	-	-	1	145	5,182
256,778	256,778	-	-	1	-	-	-	-	-	-	-	-	-	1	146	5,439
122,528	122,528	-	-	-	1	-	-	-	-	-	-	-	-	1	147	5,561
158,301	158,301	-	-	-	1	-	-	-	-	-	-	-	-	1	148	5,719
128,151	128,151	-	-	-	-	1	-	-	-	-	-	-	-	1	149	5,848
110,316	110,316	-	-	-	-	-	1	-	-	-	-	-	-	1	150	5,958
188,290	188,290	-	-	-	-	-	1	-	-	-	-	-	-	1	151	6,146
114,311	114,311	-	-	-	-	-	-	1	-	-	-	-	-	1	152	6,260
104,045	104,045	-	-	-	-	-	-	2	-	-	-	-	-	2	154	6,469
155,698	155,698	-	-	-	-	-	-	3	-	-	-	-	-	3	157	6,936
104,047	104,047	-	-	-	-	-	-	1	-	-	-	-	-	1	158	7,040
154,621	154,621	-	-	-	-	-	-	-	1	-	-	-	-	1	159	7,194
100,117	100,117	-	-	-	-	-	-	-	1	-	-	-	-	1	160	7,294
106,146	106,146	-	-	-	-	-	-	-	-	-	-	1	-	1	161	7,401
														-	161	7,401
Totals		12	12	12	12	12	12	18	14	14	15	14	14	161		
											Average Usage			45,967		
											Median Usage			29,500		
											Average # Customers			13		
											Change in Number of Customers			2		

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 1 1/2 Inch Irrigation

Exhibit
 Schedule H-5
 Page 11
 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	Cumulative Billing	Cumulative Gals (1,000s)
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	260
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	260
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	260
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	260
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	260
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	260
56,001	57,000	-	-	-	-	-	-	-	1	-	-	-	-	1	22	316
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	316
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	316
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	316
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	316
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	316
62,001	63,000	-	-	-	-	-	-	-	1	-	-	-	-	1	23	379
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	379
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	379
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	379
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	379
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	379
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	1	1	24	447
69,001	70,000	-	-	-	-	-	-	-	-	-	1	-	-	1	25	517
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	517
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	517
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	517
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	517
74,001	75,000	-	-	-	-	-	-	-	1	-	-	-	-	1	26	591
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	591
76,001	77,000	-	1	-	-	-	-	-	-	-	-	-	-	1	27	668
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	27	668
78,001	79,000	-	-	-	-	-	-	-	-	-	-	1	-	1	28	746
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	746
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	746
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	746
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	746
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	746
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	746
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	746
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	746
87,001	88,000	-	-	-	-	-	-	-	-	-	-	1	-	1	29	834
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	834
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	834
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	834
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	834
92,001	93,000	-	-	-	-	-	-	-	-	1	-	-	-	1	30	926
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	30	926
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	30	926
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	30	926
96,001	97,000	-	-	-	-	-	-	1	-	-	-	-	-	1	31	1,023
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	31	1,023
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	31	1,023
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	31	1,023
104,946	104,946	-	-	-	1	-	-	-	-	-	-	-	-	1	32	1,127

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 1 1/2 Inch Irrigation

Exhibit
 Schedule H-5
 Page 11
 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	Cumulative Billing	Cumulative Gals (1,000s)
115,871	115,871	-	-	-	-	-	-	1	-	-	-	-	-	1	33	1,243
133,624	133,624	-	-	-	-	-	-	-	1	-	-	-	-	1	34	1,377
149,200	149,200	-	1	-	-	-	-	-	-	-	-	-	-	1	35	1,526
150,136	150,136	-	-	-	-	-	1	-	-	-	-	-	-	1	36	1,676
161,631	161,631	-	1	-	-	-	-	-	-	-	-	-	-	1	37	1,838
166,666	166,666	-	-	-	-	-	-	-	-	-	-	2	-	2	39	2,171
166,668	166,668	-	-	-	-	-	-	-	-	-	-	1	-	1	40	2,338
169,120	169,120	-	1	-	-	-	-	-	-	-	-	-	-	1	41	2,507
180,876	180,876	-	-	-	-	-	-	1	-	-	-	-	-	1	42	2,688
184,803	184,803	-	1	-	-	-	-	-	-	-	-	-	-	1	43	2,873
185,792	185,792	-	-	-	-	1	-	-	-	-	-	-	-	1	44	3,059
190,341	190,341	-	-	-	1	-	-	-	-	-	-	-	-	1	45	3,249
227,290	227,290	-	-	-	-	1	-	-	-	-	-	-	-	1	46	3,476
227,707	227,707	-	-	-	1	-	-	-	-	-	-	-	-	1	47	3,704
237,965	237,965	-	-	-	-	1	-	-	-	-	-	-	-	1	48	3,942
238,376	238,376	-	1	-	-	-	-	-	-	-	-	-	-	1	49	4,180
243,300	243,300	-	1	-	-	-	-	-	-	-	-	-	-	1	50	4,423
245,368	245,368	-	-	-	-	-	1	-	-	-	-	-	-	1	51	4,669
245,744	245,744	-	-	-	-	-	1	-	-	-	-	-	-	1	52	4,915
253,454	253,454	-	-	1	-	-	-	-	-	-	-	-	-	1	53	5,168
253,570	253,570	-	-	-	-	-	-	1	-	-	-	-	-	1	54	5,422
261,010	261,010	-	-	-	1	-	-	-	-	-	-	-	-	1	55	5,683
262,995	262,995	-	1	-	-	-	-	-	-	-	-	-	-	1	56	5,946
309,277	309,277	-	-	1	-	-	-	-	-	-	-	-	-	1	57	6,255
320,967	320,967	-	-	1	-	-	-	-	-	-	-	-	-	1	58	6,576
379,466	379,466	-	1	-	-	-	-	-	-	-	-	-	-	1	59	6,955
387,881	387,881	-	-	-	1	-	-	-	-	-	-	-	-	1	60	7,343
407,042	407,042	-	-	-	-	1	-	-	-	-	-	-	-	1	61	7,750
460,769	460,769	-	-	-	-	-	1	-	-	-	-	-	-	1	62	8,211
482,300	482,300	-	1	-	-	-	-	-	-	-	-	-	-	1	63	8,693
680,960	680,960	-	-	1	-	-	-	-	-	-	-	-	-	1	64	9,374
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	64	9,374
Totals		-	9	6	5	5	5	5	5	5	5	9	5	64		
													Average Usage	146,473		
													Median Usage	110,409		
													Average # Customers	5		
													Change in Number of Customers	5		

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 2 Inch Irrigation

Exhibit
 Schedule H-5
 Page 12
 Witness: Bourassa

Usage From:	Usage To:	Month of <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumul- ative Billing	Cumul- ative Gals (1,000s)
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	103
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	103
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	103
53,001	54,000	-	-	1	-	-	-	-	-	-	-	-	-	1	7	156
54,001	55,000	-	-	-	-	-	-	-	-	1	-	-	-	1	8	211
55,001	56,000	-	-	-	-	-	-	-	1	-	-	-	-	1	9	266
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	266
81,001	82,000	-	-	-	-	-	-	-	-	-	1	-	-	1	10	348
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	1	1	11	430
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	430
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	430
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	430
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	430
87,001	88,000	-	-	-	-	-	-	-	-	-	1	-	-	1	12	518
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	518
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	518
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	518
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	518
92,001	93,000	-	-	-	-	-	-	-	-	-	-	1	-	1	13	610
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
94,001	95,000	-	-	-	-	-	-	-	-	1	-	-	-	1	14	705
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	705
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	705
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	705
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	705
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	705
106,356	106,356	-	-	-	-	-	-	-	1	-	-	-	-	1	15	811

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 2 Inch Irrigation

Exhibit
 Schedule H-5
 Page 12
 Witness: Bourassa

Usage From:	Usage To:	Month of <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumul- ative Billing	Cumul- ative Gals (1,000s)
107,800	107,800	1	-	-	-	-	-	-	-	-	-	-	-	1	16	919
109,262	109,262	-	-	-	-	-	-	-	-	-	-	1	-	1	17	1,028
110,675	110,675	-	-	-	-	-	-	-	-	1	-	-	-	1	18	1,139
117,159	117,159	-	-	-	-	-	-	-	-	-	-	-	1	1	19	1,256
126,626	126,626	-	-	-	-	-	-	-	-	-	-	1	-	1	20	1,382
127,239	127,239	-	-	-	-	-	-	-	-	-	-	1	-	1	21	1,510
135,575	135,575	-	-	-	-	-	-	-	-	-	1	-	-	1	22	1,645
157,267	157,267	-	-	-	-	-	-	-	-	-	1	-	-	1	23	1,802
179,174	179,174	-	-	-	-	-	-	-	-	-	-	-	1	1	24	1,982
202,600	202,600	1	-	-	-	-	-	-	-	-	-	-	-	1	25	2,184
221,588	221,588	-	-	-	-	-	-	1	-	-	-	-	-	1	26	2,406
226,901	226,901	-	1	-	-	-	-	-	-	-	-	-	-	1	27	2,633
250,300	250,300	1	-	-	-	-	-	-	-	-	-	-	-	1	28	2,883
335,647	335,647	-	-	-	1	-	-	-	-	-	-	-	-	1	29	3,219
341,764	341,764	-	-	-	-	1	-	-	-	-	-	-	-	1	30	3,560
369,624	369,624	-	-	-	-	-	1	-	-	-	-	-	-	1	31	3,930
384,044	384,044	-	-	-	-	-	-	-	1	-	-	-	-	1	32	4,314
389,100	389,100	1	-	-	-	-	-	-	-	-	-	-	-	1	33	4,703
406,000	406,000	1	-	-	-	-	-	-	-	-	-	-	-	1	34	5,109
421,500	421,500	1	-	-	-	-	-	-	-	-	-	-	-	1	35	5,531
435,800	435,800	1	-	-	-	-	-	-	-	-	-	-	-	1	36	5,967
451,243	451,243	-	-	1	-	-	-	-	-	-	-	-	-	1	37	6,418
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37	6,418
Totals		3	3	2	2	2	2	4	3	3	5	4	4	37		
											Average Usage			173,453		
											Median Usage			110,675		
											Average # Customers			3		
											Change in Number of Customers			1		

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 3 Inch Construction

Exhibit
 Schedule H-5
 Page 13
 Witness: Bourassa

Usage From:	Usage To:	Month of <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumul- ative Billing	Cumul- ative Gals (1,000s)
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43	164
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43	164
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43	164
53,001	54,000	-	-	-	-	1	-	-	-	-	-	-	-	1	44	217
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	217
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	217
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	217
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	217
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	217
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	217
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	217
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	217
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	217
63,001	64,000	-	-	-	-	-	1	-	-	-	-	-	-	1	45	281
64,001	65,000	-	-	-	1	-	-	-	-	-	-	-	-	1	46	345
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	345
91,001	92,000	-	-	-	-	-	-	1	-	-	-	-	-	1	47	437
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	437
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	437
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	437
95,001	96,000	1	-	-	-	-	-	-	-	-	-	-	-	1	48	532
96,001	97,000	-	-	1	-	-	-	-	-	-	-	-	-	1	49	629
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	629
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	629
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	629
164,462	164,462	1	-	-	-	-	-	-	-	-	-	-	-	1	50	793

Liberty Utilities (Beardsley Water) Corp.
 Test Year Ended April 30, 2023
 Customer Classification 3 Inch Construction

Exhibit
 Schedule H-5
 Page 13
 Witness: Bourassa

Usage From:	Usage To:	Month of <u>May-22</u>	Month of <u>Jun-22</u>	Month of <u>Jul-22</u>	Month of <u>Aug-22</u>	Month of <u>Sep-22</u>	Month of <u>Oct-22</u>	Month of <u>Nov-22</u>	Month of <u>Dec-22</u>	Month of <u>Jan-23</u>	Month of <u>Feb-23</u>	Month of <u>Mar-23</u>	Month of <u>Apr-23</u>	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
600,862	600,862	1	-	-	-	-	-	-	-	-	-	-	-	1	51	1,394
187,028	187,028	1	-	-	-	-	-	-	-	-	-	-	-	1	52	1,581
102,400	102,400	-	1	-	-	-	-	-	-	-	-	-	-	1	53	1,683
150,000	150,000	-	1	1	-	-	-	-	-	-	-	-	-	2	55	1,983
249,842	249,842	-	1	-	-	-	-	-	-	-	-	-	-	1	56	2,233
233,544	233,544	-	1	-	-	-	-	-	-	-	-	-	-	1	57	2,467
144,841	144,841	-	-	1	-	-	-	-	-	-	-	-	-	1	58	2,611
524,951	524,951	-	-	1	-	-	-	-	-	-	-	-	-	1	59	3,136
322,865	322,865	-	-	-	1	-	-	-	-	-	-	-	-	1	60	3,459
109,098	109,098	-	-	-	1	-	-	-	-	-	-	-	-	1	61	3,568
239,281	239,281	-	-	-	-	1	-	-	-	-	-	-	-	1	62	3,808
122,538	122,538	-	-	-	-	1	-	-	-	-	-	-	-	1	63	3,930
259,780	259,780	-	-	-	-	1	-	-	-	-	-	-	-	1	64	4,190
259,781	259,781	-	-	-	-	1	-	-	-	-	-	-	-	1	65	4,450
164,314	164,314	-	-	-	-	-	1	-	-	-	-	-	-	1	66	4,614
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66	4,614
Totals		<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>11</u>	<u>6</u>	<u>6</u>	<u>7</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>66</u>		
														Average Usage	69,911	
														Median Usage	7,500	
														Average # Customers	6	
														Change in Number of Customers	1	

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10

11 **BEFORE THE ARIZONA CORPORATION COMMISSION**

12

COMMISSIONERS

13 JIM O'CONNOR, Chairman
LEA MÁRQUEZ PETERSON
14 ANNA TOVAR
15 NICK MYERS
KEVIN THOMPSON

16

17 IN THE MATTER OF THE APPLICATION OF
LIBERTY UTILITIES (BEARDSLEY WATER)
18 CORP., AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
19 ITS UTILITY PLANTS AND PROPERTY AND
FOR INCREASES IN ITS RATES AND
20 CHARGES FOR UTILITY SERVICE BASED
THEREON.

DOCKET NO: W-02074A-23-

21

22

DIRECT TESTIMONY

23

OF

24

THOMAS J. BOURASSA

25

COST OF CAPITAL

26

27

December 28, 2023

28

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix,
4 Arizona 85029.

5 **Q. WHAT IS YOUR PROFESSION AND BACKGROUND?**

6 A. I am a Certified Public Accountant and am self-employed, providing consulting services to
7 utility companies as well as general accounting services. I have a B.S. in Chemistry and
8 Accounting from Northern Arizona University (1980) and an M.B.A. with an emphasis in
9 Finance from the University of Phoenix (1991).

10 **Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND**
11 **REGULATORY EXPERIENCE?**

12 A. Yes. Prior to becoming a private consultant, I was employed by High-Tech Institute, Inc.,
13 and served as controller and chief financial officer. Prior to working for High-Tech
14 Institute, I worked as a division controller for the Apollo Group, Inc. Before joining the
15 Apollo Group, I was employed at Kozoman & Kermodé, CPAs. In that position, I prepared
16 compilations and other write-up work for water and wastewater utilities, as well as tax
17 returns.

18 In my private practice, I have prepared and/or assisted in the preparation of several
19 water and wastewater utility rate applications before the Arizona Corporation Commission
20 (“Commission”).

21 **Q. WHAT IS THE PURPOSE OF THIS DIRECT TESTIMONY?**

22 A. I am testifying in this proceeding on behalf of applicants Liberty Utilities (Rio Rico Water
23 and Sewer) Corp. (“Liberty Rio Rico”), Liberty Utilities (Bella Vista Water) Corp.
24 (“Liberty Bella Vista”), Liberty Utilities (Cordes Lakes Water) Corp. (“Liberty Cordes
25 Lakes”), and Liberty Utilities (Beardsley Water) Corp. (“Liberty Beardsley”). As stated in
26 the testimony of Matthew Garlick, Liberty is seeking approval to transfer all the of the assets
27 of Liberty Bella Vista, Liberty Beardsley and Liberty Cordes Lakes to Liberty Rio Rico
28 with the consolidated entity owning all the of the assets of the four utilities. Since the

1 appropriate return on equity is based on a total of Liberty Rio Rico (Consolidated)'s
2 consolidated capital structure, I refer to the consolidated entity as "Liberty Rio Rico
3 (Consolidated)" or the "Company".

4 **Q. HAVE YOU PREPARED ANY TABLES AND EXHIBITS TO ACCOMPANY**
5 **YOUR TESTIMONY?**

6 A. Yes. I have prepared 11 tables that support my testimony. I also sponsor exhibits TJB-
7 COC-DT1, TJB-COC-DT2, and TJB-COC-DT3 that also support my testimony.

8 **Q. PLEASE DESCRIBE HOW YOUR TESTIMONY IS ORGANIZED.**

9 A. In this Section I, a summary of my analysis and my approach is presented. In Section II, I
10 discuss the meaning of just and reasonable rates. In Section III, I provide an overview of
11 the risk and expected return on investment. In Section IV, I discuss the sample of seven
12 publicly traded water utilities in my sample group and provide a comparison to Liberty Rio
13 Rico (Consolidated). I then discuss recent developments in the water utility industry and
14 their impact on investments. In Section V, I provide an overview of each of the methods
15 (Discounted Cash Flow and Risk Premium including the Capital Asset Pricing Model) that
16 I employ in my analysis. In Section VI, I discuss the additional business risks faced by
17 Liberty Rio Rico (Consolidated), my comparative risk study, and my recommended risk
18 premium for Liberty Rio Rico (Consolidated). Finally, in Section VII, I summarize my
19 testimony and present a summary of the equity costs of the water proxy group and Liberty
20 Rio Rico (Consolidated).

21 **Q. BRIEFLY SUMMARIZE YOUR FINDINGS CONCERNING LIBERTY RIO RICO**
22 **(CONSOLIDATED)'S COST OF COMMON EQUITY.**

23 A. I have determined that the cost of equity for the publicly traded water utilities falls in the
24 range of 8.60 percent to 11.40 percent with an average of 10.1 percent. After considering
25 differences in financial risk and business risk between Liberty Rio Rico (Consolidated) and
26 the publicly traded water utilities, I am recommending the adoption of an ROE of 10.95
27 percent for Liberty Rio Rico (Consolidated).

28 My recommendation is based on consideration of (i) cost of equity estimates using

1 a Discounted Cash Flow (“DCF”) and three risk premium (“RP”) methods (Capital Asset
2 Pricing Model (“CAPM”) is one of the RP methods) using a sample group of publicly traded
3 water utilities, (ii) my review of the economic conditions expected to prevail during the
4 period in which new rates will be in effect, (iii) my judgments about the risks associated
5 with relatively small utilities like Liberty Rio Rico (Consolidated) that are not captured by
6 the market data of publicly traded water utilities, (iv) the financial risk associated with the
7 level of debt in Liberty Rio Rico (Consolidated)’s recommended capital structure, and
8 (v) additional, specific business and operational risks faced by Liberty Rio Rico
9 (Consolidated).

10 The results of the DCF and RP methodologies were adjusted upward by 20 basis
11 points to account for Liberty Rio Rico (Consolidated)’s higher than average business risk
12 compared to the proxy group. My recommended ROE is based on the Commission
13 adoption of a 54 percent common equity ratio for ratemaking purposes.

14 **Q. WHAT IS THE RECOMMENDED CAPITAL STRUCTURE FOR LIBERTY RIO**
15 **RICO (CONSOLIDATED) FOR RATE MAKING PURPOSES?**

16 A. Liberty Rio Rico (Consolidated) is recommending a capital structure consisting of 46
17 percent debt and 54 percent equity for setting base rates in the instant case.

18 **Q. WHY A 46 PERCENT DEBT AND 54 PERCENT EQUITY CAPITAL**
19 **STRUCTURE?**

20 A. In a recent rate case for Liberty Utilities (Litchfield Park Water and Sewer), Corp., Liberty
21 Utilities informally agreed with the parties to that case to file the next Liberty Utilities rate
22 cases in Arizona using a capital structure of 46 percent debt and 54 percent equity. This
23 capital structure was used in the recent Liberty Utilities (Black Mountain Sewer), Corp. rate
24 case for this reason. *See* Decision 78017 (May 18, 2021)

25 Because the Company’s current capital structure is different than the 46 percent debt
26 and 54 percent equity capital structure, the Company intends to file a financing application
27 for approval of additional debt in order to maintain a capital structure of 46 percent debt
28 and 54 percent equity.

1 **Q. WHAT IS THE COMPANY’S PROPOSED WEIGHTED COST OF DEBT?**

2 A. The proposed weighted cost of debt is 6.57 percent. The weighted cost is based on current
 3 debt costing 3.48 percent and the proposed additional debt financing at 6.60 percent. (See
 4 Schedule D-2. Regarding the proposed additional debt, the Company intends to file a
 5 financing application concurrently with this rate case. The terms specify that the debt cost
 6 is based upon a 15-year U.S Treasury plus 160 basis points as will be proposed in the
 7 Company’s financing application. A recent spot rate for the 15-year treasury is 5.0 percent.
 8 Thus, the proposed cost of debt at this stage of the proceeding for the new debt is 6.60
 9 percent (5.0% plus 1.60%). I would note that the actual interest rate may be higher or lower
 10 depending on the prevailing U.S. Treasury yields at the time the debt is issued.

11 **Q. WHAT IS YOUR RECOMMENDATION FOR THE WEIGHTED AVERAGE
 12 COST OF CAPITAL?**

13 A. Based upon Liberty Rio Rico (Consolidated) proposed capital structure of 43 percent debt
 14 and 57 percent equity, a cost of debt of 6.57 percent, and a cost of equity of 10.95 percent,
 15 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%

16
 17
 18
 19
 20 **Q. PLEASE SUMMARIZE THE APPROACH YOU USED TO ESTIMATE THE COST
 21 OF EQUITY FOR THE COMPANY.**

22 A. The cost of equity for Liberty Rio Rico (Consolidated) cannot be estimated directly because
 23 there is no market data for Liberty Rio Rico (Consolidated) as the Company’s equity is not
 24 in the form of a publicly traded security. Consequently, I have assessed the market-based
 25 common equity cost rates of companies of similar, but not necessarily identical, risk for
 26 insight into a recommended common equity cost rate applicable to Liberty Rio Rico
 27 (Consolidated). Analysis of a proxy group serves as a starting point, because no proxy group
 28

1 can be selected to be identical in risk to Liberty Rio Rico (Consolidated). Therefore, the
2 proxy group's results must be adjusted to reflect the unique, relative financial and/or
3 business risks of Liberty Rio Rico (Consolidated), as I will discuss in detail.

4 **II. THE MEANING OF “JUST AND REASONABLE” RATE OF RETURN**

5 **Q. HAVE THE COURTS SET FORTH ANY CRITERIA THAT GOVERN THE RATE**
6 **OF RETURN THAT A UTILITY’S RATES SHOULD PRODUCE?**

7 A. Yes. In 1923, the U.S. Supreme Court set forth the following criteria for determining
8 whether a rate of return is reasonable in *Bluefield Water Works and Improvement Co. v.*
9 *Public Service Commission of West Virginia*, 262 U.S. 679, 692-93 (1923):

10 A public utility is entitled to such rates as will permit it to earn a
11 return on the value of the property which it employs for the
12 convenience of the public equal to that generally being made at the
13 same time and in the same general part of the country on investments
14 in other business undertakings which are attended by corresponding
15 risks and uncertainties ... The return should be reasonably sufficient
16 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.

17 Then, in *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944), the
18 U.S. Supreme Court stated the following regarding the return to owners of an entity:

19 [T]he return to the equity owner should be commensurate with
20 returns on investments in other enterprises having corresponding
21 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.

22 In summary, under *Hope* and *Bluefield*:

- 23 (1) The rate of return should be similar to the return in businesses with similar or
24 comparable risks;
- 25 (2) The return should be sufficient to ensure the confidence in the financial integrity of
26 the utility; and
- 27 (3) The return should be sufficient to maintain and support the utility’s credit.
- 28

1 **Q. HAVE THESE CRITERIA BEEN APPLIED IN REGULATORY PROCEEDINGS?**

2 A. Yes, but the application of the “reasonableness” criteria laid down by the Supreme Court
3 has resulted in controversy. The typical method of computing the overall cost of capital is
4 quite straightforward; it is the composite, weighted cost of the various classes of capital
5 (debt, preferred stock, and common equity) used by the utility. Calculating the proportion
6 that each class of capital bears to total capital does the weighting. However, there is no
7 consensus regarding the best method of estimating the cost of equity capital. To date, the
8 increasing regulatory use of market-based finance models in equity return determinations
9 has not led to a universally accepted means of estimating the ROE. In addition, the market-
10 based results are too often applied to a book-value investment base, which, as I will discuss
11 later in my testimony, understates the return expected by investors who invest in actual
12 markets based on market values.

13 The cost of capital is based on the concept of opportunity cost *i.e.*, the prospective
14 return to investors must be comparable to investments of similar risk. If a utility’s return is
15 less than the returns on investments with similar risk, investors can and will invest
16 elsewhere. As explained by Dr. Roger Morin in his book, *New Regulatory Finance*:

17 The concept of cost of capital is firmly anchored in the opportunity cost
18 notion of economics. The cost of a specific source of capital is basically
19 determined by the riskiness of that investment in light of alternative
20 opportunities and equals investor’s current opportunity cost of investing
21 in the securities of that utility. A rational investor is maximizing the
22 performance of his or her portfolio only if returns expected on investor
23 investments of comparable risk are the same. If not, the investor will
24 switch out of those investments yielding low returns at a given risk level
25 in favor of those investments offering higher returns for the same degree
26 of risk. This implies that a utility will be unable to attract capital unless it
27 can offer returns to capital suppliers comparable to those achieved on
28 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”).

1 observation of returns on equity actually earned by entities with comparable risk to ensure
2 that the authorized rate of return is equivalent to the returns those entities are earning.

3 **III. OVERVIEW OF THE RELATIONSHIP BETWEEN RISK AND THE EXPECTED**
4 **RETURN ON AN INVESTMENT**

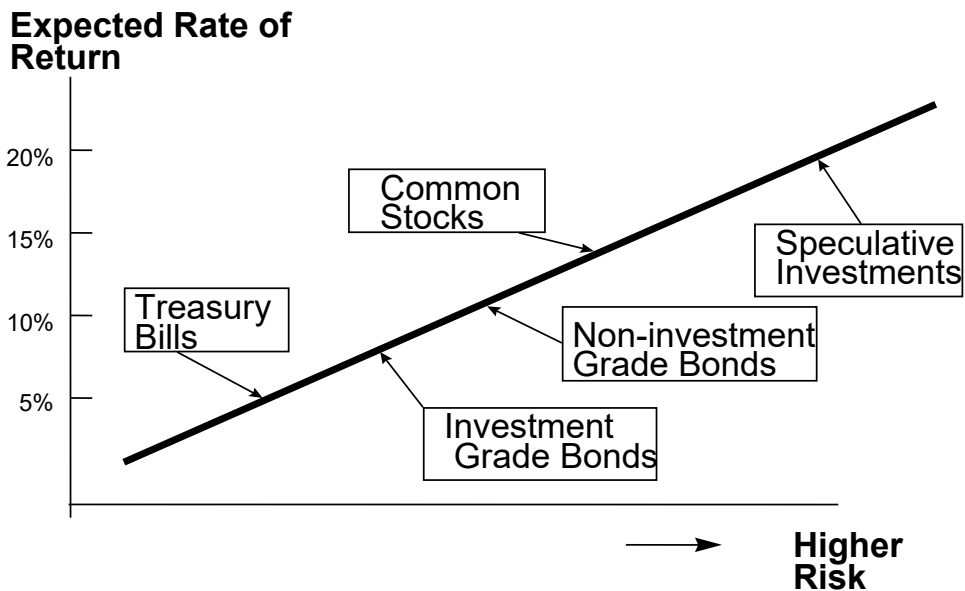
5 **Q. HOW IS THE COST OF EQUITY TYPICALLY ANALYZED?**

6 A. The cost of equity is the rate of return that equity investors expect to receive on their
7 investment. Investors can choose from numerous investment options, not simply publicly
8 traded stocks. Investments have varying degrees of risk, ranging from relatively low risk
9 assets such as Treasury securities to somewhat higher risk corporate bonds to even higher
10 risk common stocks. As the level of risk increases, investors require higher returns on their
11 investment. Finance models used to estimate the cost of equity often rely on this basic
12 concept.

13 **Q. CAN YOU ILLUSTRATE THE CAPITAL MARKET RISK-RETURN CONCEPT?**

14 A. Yes. The following graph depicts the risk-return relationship that has become widely
15 known as the Capital Market Line (“CML”). The CML illustrates in a general way the risk-
16 return relationship.

17
18 **The Capital Market Line (CML)**



1 The CML can be viewed as a continuum of the available investment opportunities for
2 investors. Investment risk increases move upward and to the right along the CML. Again,
3 the return required by investor's increases with the risk.

4 **Q. HOW DOES THE RISK-RETURN TRADE OFF CONCEPT WORK IN THE**
5 **CAPITAL MARKET?**

6 A. As shown by the CML, the allocation of capital in a free market economy is based upon the
7 relative risk of, and expected return from, an investment. In general, investors rank
8 investment opportunities in the order of their relative risks. Investment alternatives in which
9 the expected return is commensurate with the perceived risk become viable investment
10 options. If all other factors remain equal, the greater the risk, the higher the rate of return
11 investors will require to compensate them for the possibility of loss of either the principal
12 amount invested or the expected annual income from such investment.

13 Short-term Treasury bills provide a high degree of certainty and in nominal terms
14 (after considering inflation) are considered virtually risk free. Long-term bonds and
15 preferred stocks, having priority claims to assets and fixed income payments, are relatively
16 low risk, but are not risk free. The market values of long-term bonds often fluctuate when
17 government policies or other factors cause interest rates to change. Common stocks are
18 higher and to the right on the CML continuum, because they have greater investment risk.
19 Common stock risk is impacted by the nature of the underlying business and the financial
20 strength of the issuing corporation and market-wide factors, such as general changes in
21 capital costs.

22 The capital markets reflect investor expectations and requirements each day through
23 market prices. Prices for stocks and bonds change to reflect investor expectations and the
24 relative attractiveness of one investment relative to others. While the example provided
25 above seems straightforward, returns on common stocks are not directly observable in
26 advance as compared to debt or preferred stocks with fixed payment terms. This means that
27 these returns must be estimated from market data. Estimating the cost of equity capital
28 should be a matter of informed judgment about the relative risk of the company in question

1 and the expected rate of return characteristics of other alternative investments.

2 **Q. HOW IS THE COST OF EQUITY TO BE DETERMINED FOR A PARTICULAR**
3 **COMPANY?**

4 A. Estimating a company's cost of equity is complex. It requires an analysis of the factors
5 influencing the cost of various types of capital, such as interest on long-term debt, dividends
6 on preferred stock, and earnings on common equity. The data for such an analysis comes
7 from highly competitive capital markets, where the firm raises funds by issuing common
8 stock, selling bonds, and by borrowing (both long-term and short-term) from banks and
9 other financial institutions. In the capital markets, the cost of capital, whether the capital is
10 in the form of debt or equity, is determined by two important factors:

- 11 1) The pure or real rate of interest, often called the risk-free rate of interest,
12 and,
- 13 2) The uncertainty or risk premium (or the compensation the investor requires,
14 over and above the real or pure rate of interest for subjecting his or her capital
15 to additional risk).

16 **Q. PLEASE DISCUSS THESE FACTORS IN GREATER DETAIL.**

17 A. The pure rate of interest essentially reflects both the time preference for and the productivity
18 of capital. From the standpoint of the individual, it is the rate of interest required to induce
19 the individual to forgo present consumption and offer the funds, thus saved, to others for a
20 specified length of time. Moreover, the pure rate of interest concept is based on the
21 assumption that no uncertainty affects the investment undertaken by the individual, *i.e.*,
22 there is no doubt that the periodic interest payments will be made and the principal returned
23 at the end of the time period. In reality, investments without any risk do not exist. Every
24 commitment of funds involves some degree of uncertainty.

25 Turning to the second factor affecting the cost of capital, it is generally accepted that
26 the higher the degree of uncertainty, the higher the cost of capital. Investors are regarded
27 as risk averse and require that the rate of return increase as the risks and uncertainty
28 associated with an investment increases.

1 **Q. CAN YOU PROVIDE SOME PERSPECTIVE ON YOUR PREVIOUS DISCUSSION**
 2 **WITH RESPECT TO RETURNS ON COMMON STOCKS?**

3 A. Yes. Conceptually, the required return on common stocks can be quantified by the
 4 following equation:

5 [1] Required Return for Return on a
 6 Common Stocks = risk-free asset + Risk Premium

7 The risk premium investors require for common stocks will be higher than the risk premium
 8 they require for investment grade bonds. This relationship is depicted in the graph of the
 9 CML above. As I will discuss later in this testimony, this concept is the basis of risk
 10 premium methods, such as the CAPM, that are used to estimate the cost of equity.

11 **Q. PLEASE DISCUSS IN MORE DETAIL THE IMPACT OF RISK ON CAPITAL**
 12 **COSTS.**

13 A. With reference to specific utilities, risk is often discussed as consisting of two separate types
 14 of risk: business risk and financial risk.

15 Business risk, the basic risk associated with any business undertaking, is the
 16 uncertainty associated with the enterprise's day-to-day operations. In essence, it is a
 17 function of the normal day-to-day business environment, both locally and nationally.
 18 Business risks include the condition of the economy and capital markets, the state of labor
 19 markets, regional stability, government regulation, technological obsolescence, and other
 20 similar factors that may impact demand for the business' products or services and its cost
 21 of production. For utilities, business risk also includes the volatility of revenues arising
 22 from abnormal weather conditions, degrees of operational leverage, regulation, and
 23 regulatory climate. Regulation, for example, can compound the business risk if it is
 24 unpredictable in reacting to cost increases, both in terms of the time lag and magnitude for
 25 recovery of such increases.

26 Financial risk, on the other hand, concerns the distribution of business risk to the
 27 various capital investors in the utility. Permanent capital is normally divided into three
 28 categories: long-term debt, preferred stock, and common equity. Because common equity

1 owners have only a residual claim on earnings after debt and preferred stockholders are
2 paid, financial risk tends to be concentrated in that element of the firm’s capital. Thus, a
3 decision by management to raise additional capital by issuing additional debt concentrates
4 even more of the financial risk of the utility on the common equity owners.

5 **Q. WHAT ARE THE DETERMINANTS OF THE RISK FREE RATE IN EQUATION**
6 **[1]?**

7 A. The risk-free rate can be disaggregated into a “real” rate of interest and an inflation premium
8 (*i.e.*, expected future inflation).

9 **Q. WHAT ARE THE DETERMINANTS OF THE REQUIRED RISK PREMIUM**
10 **FROM EQUATION [1] ABOVE?**

11 A. The risk premium can be disaggregated into five general components: (1) Interest Rate Risk;
12 (2) Business Risk; (3) Regulatory Risk; (4) Financial Risk; and (5) Liquidity Risk.

13 Interest Rate Risk refers to the variability in return caused by subsequent changes in
14 interest rates and stems from the inverse relationship between interest rates and asset prices.
15 For example, bond prices fall when interest rates rise and vice versa. As discussed earlier,
16 business risk is the basic risk associated with any business undertaking.

17 Regulatory risk refers to the quality and consistency of regulation applied to a given
18 regulated utility. Regulatory jurisdictions are evaluated on the basis of three major factors:
19 (1) earnable return on equity, (2) regulatory quality, and (3) regulatory practices.
20 Collectively, these three factors influence a utility’s ability to earn its authorized return.
21 The type of test year employed (historical or future), capital structure and rate base issues,
22 and the length of regulatory lag are among the reasons a utility may or may not have a
23 reasonable opportunity to earn its authorized return.

24 As detailed above, financial risk concerns the distribution of business risk to the
25 various capital investors in the utility. It relates to the additional variability imparted to
26 income available to common shareholders stemming from the entity’s method of financing
27 its capital needs.

28 Construction risk is an important component of financial risk. Construction risk is

1 the risk of tying capital up in projects that are not earning returns, or not having sufficient
2 capital to build the assets needed to keep generating returns. If an entity has a large
3 construction budget relative to internally generated cash flows, it will require external
4 financing, which will result in greater financial risk. It is essential that such entities have
5 access to capital funds on reasonable terms and conditions.

6 Utilities are more susceptible to construction risk for two reasons. First, water and
7 wastewater utilities generally have high capital requirements to build plants to serve
8 customers. Second, utilities have a mandated obligation to serve, leaving less flexibility
9 both in the timing and discretion of scheduling capital projects. This is compounded by the
10 limited ability to wait for more favorable market conditions to raise the capital necessary to
11 fund the capital projects, and then the lag between when capital is invested and when rates
12 can be approved to provide returns on and of that capital. It is imperative that the utility
13 maintain access to needed capital and on reasonable terms and conditions. The return
14 allowed on common equity plays a critical role in determining those terms and conditions.

15 Although often discussed separately, the business and financial risks are
16 interrelated. A study by Scott and Martin found statistically significant results for
17 unregulated firms in twelve industries that “smaller equity ratios (higher leverage use) are
18 generally associated with larger companies.”² While unregulated enterprises would be
19 expected to seek the optimal balance between debt and equity to achieve the lowest overall
20 cost of capital, the findings of Scott and Martin suggest smaller firms found it prudent to
21 offset higher business risks related to being small by reducing financial risk. This evidence
22 suggests the lowest cost equity ratio for these two utilities may be higher than the average
23 equity ratio for the benchmark water proxy group.

24 Finally, Liquidity Risk refers to the ability to readily convert an investment into cash
25 without sustaining a loss. Capital market theory generally assumes that investments are
26 liquid and observations about risk and return are drawn from information about liquid

27 _____
28 ² Scott, D.F. and Martin, J.D., “Industry Influence on Financial Structure,” *Financial Management*, Spring 1975,
pp. 67-71.

1 investments. Non-publicly traded or privately-held investments possess little liquidity.

2 **Q. IS INVESTMENT RISK IMPACTED BY COMPANY SIZE?**

3 A. Yes. Investment risk bears a direct relationship to size and increases as company size
4 decreases. Investment liquidity may be a significant factor in explaining this relationship.
5 However, the illiquidity of smaller stocks does not capture the size effect completely. Size
6 may be a proxy for one or more true unknown factors correlated with size.³

7 **IV. THE PUBLICLY TRADED UTILITIES THAT COMPRISE THE SAMPLE GROUP**
8 **USED TO ESTIMATE THE COST OF EQUITY**

9 **Q. WHICH COMPANIES COMPRISE YOUR WATER PROXY GROUP?**

10 A. There are seven water utilities in my sample: American States Water (“AWR”), American
11 Water Works (“AWK”), Essential Utilities (“WTRG”), California Water Company
12 (“CWT”), Middlesex Water (“MSEX”), SJW Corp. (“SJW”), and York Water Company
13 (“YORW”). For the methods employed in my analysis, I used data on these sample entities
14 from a sample of publicly traded water utilities, or proxy group, selected from the *Value*
15 *Line Investment Survey* as a starting point.

16 The seven water companies comprising the proxy group were selected by meeting
17 the following criteria: (1) they are followed by the *Value Line Investment Survey*; (2) they
18 have at least ten years of historical financial and market information; (3) they have a *Value*
19 *Line* adjusted beta; (4) they have not cut or omitted their common dividends during the five
20 years ending 2022 or through the time of the preparation of this testimony; (5) they have
21 operating revenues primarily from regulated operations; and (6) at the time of the
22 preparation of this testimony, they had not publicly announced that they were involved in
23 any major merger or acquisition activity.

24 **Q. BUT THE WATER UTILITIES IN YOUR SAMPLE ARE NOT DIRECTLY**
25 **COMPARABLE TO LIBERTY RIO RICO (CONSOLIDATED)?**

26
27
28

³ Rolf W. Banz, “The Relationship between Return and Market Value of Common Stocks”, *Journal of Financial Economics*, March 1981, pp. 3-18.

1 A. That is correct. However, they are utilities for which market data is available. All of them
2 primarily provide water service (although some provide both water and wastewater
3 services) and their primary source of revenues is from regulated services. They are also
4 commonly used in regulatory proceedings where sample companies are selected to measure
5 the cost of equity. Therefore, they provide a useful *starting point* for developing the cost
6 of equity for Liberty Rio Rico (Consolidated) while recognizing that the proxies are not
7 perfectly comparable.

8 **Q. BRIEFLY, WHY IS A PROXY GROUP NECESSARY FOR COMPARISON IN A**
9 **COST OF CAPITAL ANALYSIS?**

10 A. First, a fair rate of return for a specific utility is the return required by investors to hold
11 assets with corresponding levels of risk. Market data for a sample of comparable companies
12 provides insight into the investors' required return, and such data comports with the
13 guidance from the U.S. Supreme Court's decisions in *Bluefield* and *Hope*, which I discussed
14 earlier. The comparable earnings standard set forth in the *Hope* and *Bluefield* decisions
15 requires that the rate of return afforded to utilities be similar to the return for businesses
16 with similar or comparable risks. It follows that a proxy group of companies with
17 comparable risk is the starting point in a cost of capital analysis.

18 Second, a primary objective of rate regulation is to determine an authorized ROE
19 that is both fair to customers and provides reasonable returns for the subject utility. The
20 best estimate of that ROE is the cost of equity for Liberty Rio Rico (Consolidated). The cost
21 of equity is a cost of service fairly recovered from customers through rates. For investors
22 in Liberty Rio Rico (Consolidated), the cost of equity is commensurate with returns an
23 investor in these utilities would expect to earn from investments of comparable risk. To
24 estimate the cost of equity requires market data that reveal investor-required returns. Since
25 Liberty Rio Rico (Consolidated) is not publicly traded, there is no market information to
26 determine the cost of equity. This necessitates the selection and use of a proxy group.

27 **Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE WATER UTILITIES**
28 **IN YOUR WATER PROXY GROUP?**

1 A. Yes. Table 2 lists the percentages of regulated revenues, operating revenues, net plant, the
2 number of customers or population served, *Value Line* Financial strength, *Value Line* betas,
3 market capitalization, and market size category for the seven water utilities. Comparative
4 data for Liberty Rio Rico (Consolidated) (where available) is also shown in Table 2. The
5 water utilities in the water proxy group consist of Micro-Cap to Large-Cap companies. Four
6 of the seven companies are Mid-Cap or larger.⁴ The market capitalizations range from
7 about \$577 million to over \$27.1 billion with an average of approximately \$7 billion.
8 Operating revenues range from about \$60 million to nearly \$3.8 billion with an average of
9 over \$1.18 billion. Net plant ranges from \$431 million to over \$23 billion, with an average
10 of over \$6.1 billion. Most of the companies operate in multiple jurisdictions.

11 **Q. HOW DOES LIBERTY RIO RICO (CONSOLIDATED) COMPARE TO THE**
12 **UTILITES IN YOUR PROXY GROUP?**

13 A. On average, the utilities in the water proxy group are much larger and, according to the
14 empirical financial data, they are less risky than Liberty Rio Rico (Consolidated). Liberty
15 Rio Rico (Consolidated) is much smaller with fewer customers and has far less revenues,
16 far less net plant and a relatively small and limited service territory. At the end of 2022,
17 Liberty Rio Rico (Consolidated) had approximately 25,000 water and sewer connections as
18 compared to the average of the water proxy group of nearly 963,000 connections per
19 company. Liberty Rio Rico (Consolidated)'s revenues totaled approximately \$13.8 million,
20 and net plant-in-service was approximately \$69 million. The average revenues of the water
21 proxy group are over 85 times greater than Liberty Rio Rico (Consolidated), and those
22 entities have on average over 89 times the net plant of Liberty Rio Rico (Consolidated).

23 **Q. DO RECENT DEVELOPMENTS IN THE WATER UTILITY INDUSTRY IMPACT**
24 **INVESTMENTS AND THE DETERMINATION OF THE COST OF EQUITY?**

25
26 ⁴ Based upon 2021 market data from the Center for Research in Security Prices: Micro-Cap companies are Decile 9-
27 10 with market capitalization less than \$628 million; Low-Cap companies are Decile 6-8 with market capitalization
28 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.

1 A. Yes. On the whole, the water and wastewater utility industry continues to confront
2 increasing need for infrastructure upgrades and replacement. See *Value Line Investment*
3 *Survey, Ratings and Reports – Water Utility Industry* (October 6, 2023). *Value Line* notes
4 that higher interest rates are typically not good for utilities as fixed income investments
5 become more attractive and utilities heavily rely of debt to fund their capital improvements.
6 Accordingly, *Value Line* recognizes that heavy reliance on debt for financing does not lead
7 to strong finances. As *Value Line* notes, the balance sheets in this sector are not in stellar
8 condition.

9 *Value Line* also recognizes that the stocks in the water sector ordinarily trade with
10 P/E ratios that are higher than the average stock. Part of this is due to scarcity, as it is a
11 small industry. In other words, the demand to own shares by large institutional investors
12 outstrips the supply which is a prime reason for water utility stocks trading at seemingly
13 inflated P/E ratios. See *Value Line Investment Survey, Ratings and Reports – Water Utility*
14 *Industry* (January 23, 2023).

15 A copy of the most recent *Value Line* report on the water industry along with each
16 water utility in my proxy group is attached as Exhibit TJB-COC-DT1.

17 **Q. CAN YOU PROVIDE A SUMMARY OF RECENT EVENTS THAT HAVE**
18 **IMPACTED CAPITAL MARKET CONDITIONS?**

19 A. Over the past few years, the capital markets experienced unprecedented levels of
20 uncertainty due to the impact of the COVID-19 pandemic on the global economy and US
21 economy. To mitigate the impact on the economy, the Federal Reserve cut its policy rate
22 to 0 to 0.25 percent in March 2020 and announced unlimited quantitative easing and
23 emergency liquidity programs.⁵ During 2020 the U.S. passed several large spending
24 programs including the \$2.2 trillion CARES Act (March 2020) which was then the largest
25 economic stimulus package in U.S. history.⁶ Despite these efforts in 2020, the U.S.

27 ⁵ U.S. Federal Reserve, “Federal Reserve Announces Extensive New Measures to Support the Economy,” Press
28 Release, March 23, 2020.

⁶ See, for example, https://en.wikipedia.org/wiki/CARES_Act signed into law in March 2020.

1 economy actually contracted and entered a technical recession by mid-2020.⁷ To help
2 mitigate this situation, the U.S. government then passed a \$1.7 trillion American Rescue
3 Plan of 2021 (March 2021) which was intended to stimulate the economy.⁸ Despite the
4 passage of significant stimulus packages by the U.S. government, the U.S. entered a
5 “technical” recession by the 2nd quarter of 2022.⁹

6 Because the annualized inflation rate rose to 7.0 percent by the end of 2021, the
7 Federal Reserve began raising interest rates in March 2022 in attempt to tame inflation.¹⁰
8 Since March 2022 and through July 2023, the Federal Reserve has increased the federal
9 funds rate by 525 basis points to a target rate of 5.25 to 5.50 percent.¹¹ Despite the attempts
10 to tackle inflation, inflation has remained stubbornly high peaking at over 9.0 percent in
11 June 2022.¹² By February 2023, the annualized inflation rate was still at about 6.0 percent
12 and far above the Federal Reserve’s targeted 2.0 percent inflation rate.¹³ The *Value Line*
13 *Investment Survey, Selection and Opinion* (September 29, 2023) notes that inflation remains
14 sticky and well above the Fed’s target rate of 2.0 percent after trending lower in the spring
15 and summer. Value Line also notes that the central bank may keep interest rates higher for
16 an extended period. The federal funds rate has stayed steady at 5.0 percent to 5.25 percent
17 as the Fed had been more hawkish during the summer of 2023, which has put pressure on
18 Treasury yields. The average 20-year and 30-year U.S. Treasury bond yields reached peaks
19 of 4.77 percent and 4.65 percent respectively in September 2023. Finally, *Value Line* notes
20 that market volatility has picked up as the market is dealing with several headwinds during
21 a traditionally tough period for equities.

22
23 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

24 ⁸ See, for example, https://en.wikipedia.org/wiki/American_Rescue_Plan_Act_of_2021 signed into law in March 2021.

25 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.

27 ¹⁰ See <https://cpiinflationcalculator.com/2021-cpi-and-inflation-rate-for-the-united-states/> and

28 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/>

1 **Q. WHAT ARE THE EXPECTATIONS FOR INTEREST RATES AND THE**
2 **ECONOMY MOVING FORWARD?**

3 A. According to *Blue Chip Financial Forecasts* (“BCFF”), the expectations are for more
4 monetary tightening by the Federal Reserve and for interest rates to remain elevated for
5 longer.¹⁴ *Blue Chip* long-range forecasts from June 2023 projects that long-term treasuries
6 will average 3.7 percent of the 2024-26 period, the period new rates are expected to be in
7 effect.

8 **Q. CAN YOU DISCUSS RISK FACTORS DISTINGUISH LIBERTY RIO RICO**
9 **(CONSOLIDATED) FROM THE LARGER WATER UTILITIES IN YOUR PROXY**
10 **GROUP?**

11 A. First, water and wastewater utilities are capital intensive and typically have large
12 construction budgets. Firms with large construction budgets face greater construction risk
13 (a component of financial risk). The size of a utility’s capital budget relative to the size of
14 the utility itself often increases construction risk. Large utilities are better able to fund their
15 capital budgets from their earnings, cash flows, and short-term borrowings. For smaller
16 utilities, the ability to fund their capital budgets from earnings, cash flows, and short-term
17 debt is difficult, if not impossible, and must rely on additional outside capital.

18 Second, smaller companies are simply less able to cope with significant events that
19 affect sales, revenues and earnings. For example, the loss of revenues from a few larger
20 customers or from trends in the reduction of usage by customers through conservation or
21 the makeup of the customer base would have a greater effect on a small company than on a
22 much larger company with a larger customer base.

23 Third, there are a number of other factors, including the differences in regulatory
24 environments, differences in the type of test year used for rate making, and differences in
25 the available regulatory mechanisms for recovery of costs outside of a rate case. The large
26 water utilities in my water proxy group are generally not subject to the adverse impacts of
27

28 ¹⁴ Blue Chip Financial Forecasts, Vol.42, No. 3. March 2023.

1 an unfavorable regulatory environment of one jurisdiction.

2 In summary, there are several factors that impact the ability of a smaller utility to
3 actually earn its authorized return. An inadequate opportunity to earn the revenues in a rate
4 case leads to a greater variability of earnings for entities like Liberty Rio Rico
5 (Consolidated) when compared to the proxy group. This volatility means greater risk, and
6 the greater risk requires higher returns to maintain and support the utility's credit.

7 **Q. WHAT QUANTITATIVE MEASURES CAN BE USED TO HELP IDENTIFY**
8 **DIFFERENCES IN BUSINESS RISK?**

9 A. There are a number of fundamental accounting-based business risk measures that can be
10 used to assess the relative differences between firms. Those include: (1) the co-efficient of
11 variance of ROE; (2) the co-efficient of variance of operating income; (3) the co-efficient
12 of variance of operating margin; and (4) Operating Leverage. The first three reflect the
13 distributions of earnings. These are meaningful when measured against the distribution of
14 earnings of alternative investments, like the water utilities in my water proxy group. The
15 fourth business risk measure reflects the impact of sales fluctuations and the impact of fixed
16 operating costs on earnings.

17 The co-efficient of variance of ROE can be quantified using the following equation:

18 [2] Co-efficient of Variance of ROE = Standard Deviation of ROE/Mean of ROE

19 The co-efficient of variance of operating income can be quantified using a relatively
20 simple equation:

21 [3] Co-efficient of Variance of Operating Income = Standard Deviation of Operating
22 Income/Mean of Operating Income

23 The co-efficient of variance of operating margin can be quantified using the
24 following equation:

25 [4] Co-efficient of Variance of Operating Margin = Standard Deviation of Operating
26 Margin/Mean of Operating Margin

27 And, the Operating Leverage formula is expressed as:

28 [5] Operating Leverage = Percentage Change in Operating Income/Percentage

1 Change in Sales

2 Using the business risk measures expressed in equations [2], [3], and [4], the greater
 3 the co-efficient of variation or Operating Leverage, the greater the risk to investors of not
 4 receiving expected returns.¹⁵ Below are the computed co-efficient of variation for ROE,
 5 Operating Income, and Operating Margin, as well as Operating Leverage using the five
 6 most recent years of historical data for the water proxy group and Liberty Rio Rico
 7 (Consolidated):

8	9	10	11	12	13
	Business Risk	Business Risk	Business Risk	Business Risk	Operating
	Co-efficient of	Co-efficient of	Co-efficient of	Co-efficient of	Leverage
	variance of	variance of	variance of	variance of	
	ROE	Operating	Operating	Operating	
		Income	Margin	Margin	
10	Company				
11	Water Proxy			0.0816	4.06
12	Group	0.1778	0.1585		
13	Liberty Rio Rico			0.3584	77.34
14	(Consolidated)	0.6127	0.2793		
15	Relative Risk of				
16	Liberty Rio Rico				
17	(Consolidated) to				
18	Water Proxy				
19	Group	3.45	1.76	4.39	19.03

16 These metrics show that Liberty Rio Rico (Consolidated) is riskier than the average water
 17 proxy group companies which is why my analysis indicates a 90 to 110 basis point risk
 18 premium over the water proxy group based upon these metrics.

19 **Q. CAN METRICS LIKE A COMPANY’S CO-EFFICIENT OF VARIATION IN ROE,**
 20 **CO-EFFICIENT OF VARIATION IN OPERATING INCOME, AND OPERATING**
 21 **MARGIN BE USED ALONG WITH MARKET DATA TO DEVELOP COMPANY**
 22 **SPECIFIC RISK PREMIUMS?**

23 A. Yes. *Duff & Phelps* publishes comparative risk characteristics using market data that
 24 provides a nexus between a market beta and the metrics operating margin, the coefficient
 25 of variation in operating margin, and the coefficient of variation in return on equity.¹⁶ This

26 ¹⁵ Tuller, Lawrence W., *The Small Business Valuation* (Avon, MA: Adams Media Corporation, 1994), p. 89.

27 ¹⁶ Duff & Phelps, LLC. *2017 Valuation Handbook; Guide to Cost of Capital*. Hoboken, NJ: John Wiley and Sons,
 28 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*”)

1 information can be used to develop implied betas for Liberty Rio Rico (Consolidated) for
2 use in the CAPM. *See* Exhibit TJB-COC-DT3. By comparing the results of the CAPM for
3 the water proxy group with the CAPM for Liberty Rio Rico (Consolidated) using the
4 implied betas, informed risk premiums can be developed. As one would expect, the implied
5 beta for Liberty Rio Rico (Consolidated) is higher than the beta of the water proxy group.
6 A risk premium of 90 to 110 basis points over the cost of equity of the water proxy group
7 is indicated for Liberty Rio Rico (Consolidated). I will discuss the indicated risk premiums
8 and implied betas in more detail in Section VI of this direct testimony.

9 **Q. WHAT ABOUT LIQUIDITY RISK?**

10 A. A rational investor would regard an investment in Liberty Rio Rico (Consolidated) as
11 having a higher level of risk as AWK or even the smaller MSEX) because of the previously
12 mentioned small size characteristics of Liberty Rio Rico (Consolidated) and the fact that an
13 investment in Liberty Rio Rico (Consolidated) is relatively illiquid compared to the publicly
14 traded water utilities. An investor in a publicly traded stock can sell stock in a very short
15 period of time if dissatisfied with the returns. Whereas an investor in a privately held stock
16 does not have this ability to sell quickly. Consequently, investors will require a greater risk
17 premium, often called liquidity risk premium. As a consequence of these differences in
18 risk, the results produced by the DCF and RP methodologies, utilizing data for the sample
19 utilities, often understate the appropriate ROE for a small, regulated water utility such as
20 Liberty Rio Rico (Consolidated).

21 **Q. IS THERE A RELATIONSHIP BETWEEN A UTILITY'S CAPITAL STRUCTURE
22 AND ITS COST OF CAPITAL?**

23 A. Yes. Generally speaking, when an entity engages in debt financing, it exposes itself to
24 greater risk. As debt grows relative to the total capital structure, the risk increases in a
25 geometric fashion compared to the linear percentage increase in the debt ratio itself. This
26 risk is illustrated by considering the effect of leverage on net earnings. For example, as
27 leverage increases, the equity ratio falls. This creates two adverse effects. First, equity
28 earnings decline rapidly and may even disappear. Second, the "cushion" of equity

1 protection for debt falls. A decline in the protection afforded to debt holders, or the
2 possibility of a serious decline in debt protection, will act to increase the cost of debt
3 financing. Therefore, one may conclude that each new financing, whether through debt or
4 equity, impacts the marginal cost of future financing by any alternative method.

5 For an entity already perceived as being over-leveraged, this additional borrowing
6 would cause the marginal costs of both equity and debt to increase. On the other hand, if
7 the same entity instead successfully employed equity funding, this could actually reduce the
8 real marginal cost of additional borrowing, even if the particular equity issuance occurred
9 at a higher unit cost than an equivalent amount of debt.

10 **Q. HOW DO THE CAPITAL STRUCTURES OF THE SAMPLE WATER UTILITIES**
11 **COMPARE TO THE PROPOSED PRO FORMA CAPITAL STRUCTURES FOR**
12 **LIBERTY RIO RICO (CONSOLIDATED)?**

13 A. Table 3 shows that the debt and equity capital structure used to develop the cost of capital
14 for Liberty Rio Rico (Consolidated). This structure contains 54 percent equity and 46
15 percent debt, compared to the average of the water utility sample of approximately 52
16 percent equity and 48 percent debt. Having less debt in its capital structure implies that the
17 Company has lower financial risk than those in the water proxy group. However, the 46
18 percent level of debt for Liberty Rio Rico (Consolidated) is not significantly less than the
19 average of the proxy group of 48 percent. The differences in the levels of debt and equity
20 between the proxy group utilities and Liberty Rio Rico (Consolidated) are not significant
21 and in my view do not result in a material difference in overall investment risk.¹⁷
22 Consequently, I do not recommend a financial risk adjustment at this time based on Liberty
23 Rio Rico (Consolidated)'s proposed capital structure.

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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

1 **V. OVERVIEW OF THE DCF AND RISK PREMIUM METHODS**

2 **Q. PLEASE EXPLAIN THE GENERAL APPROACHES TO ESTIMATING THE**
3 **COST OF CAPITAL.**

4 A. There are two broad approaches:

- 5 1) identify comparable-risk sample companies and estimate the cost of capital
6 directly, or
7 2) find the location on the CML and estimate the relative risk of the entity, which
8 jointly determines the cost of capital.

9 The DCF method falls into the first approach. It is a direct method, but uses only a subset
10 of the total capital market evidence. The DCF rests on the premise that the fundamental
11 value of an asset (i.e. stock) is its ability to generate future cash flows to the owner of that
12 asset. The DCF is simply the sum of a stock's expected dividend yield and the expected
13 long-term growth rate. Dividend yields are readily available, but long-term growth
14 estimates are not. I will explain the DCF in greater detail later.

15 The RP methods fall into the second approach. An equity risk premium is
16 established by determining the relationship between the cost of equity and an interest rate
17 over time. The CAPM method falls into the category of RP methods. To implement, it is
18 generally assumed that the past correlation will continue on into the future. The RP
19 generally uses a small subset of the capital market evidence whereas the CAPM uses
20 information on all securities, rather than a small subset. I will explain the RP methods in
21 more detail later. For now, the RP methods reflect a risk-return relationship, often depicted
22 graphically as the CML.

23 Each of these methods measures investor expectations. In the final analysis, ROE
24 estimates are subjective and should be based on sound, informed judgment and supported
25 by competent evidence. I have applied one version of the DCF and three versions of the
26 RP methods (including the CAPM as one of the RP methods.) I believe these methods
27 provide the foundation for evaluating the fair cost of equity capital for the publicly traded
28 water utilities in my proxy group. I then add a risk premium to the results of these models

1 for the water proxy group to account for the differences in risk (business, regulatory,
2 liquidity, size) between the water proxy group and Liberty Rio Rico (Consolidated).

3 **A. Explanation of the DCF Model And its Inputs**

4 **Q. PLEASE EXPLAIN THE DCF METHOD OF ESTIMATING THE COST OF**
5 **EQUITY.**

6 A. The DCF model is based on the concept that the current price of a share of stock is equal to
7 the present value of future cash flows from the purchase of the stock. In other words, the
8 DCF model seeks to replicate the market valuation process that sets the price investors are
9 willing to pay for a share of an entity's stock. It rests on the assumption that investors rely
10 on the expected returns (i.e., cash flow they expect to receive) to set the price of a security.

11 The DCF model in its most general form is:

12 [6]
$$P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \dots + CF_n/(1+k)^n$$

13 where k is the cost of equity; n is the number of years; P₀ is the current stock price; and,
14 CF₁, through CF_n are the expected future cash flows expected to be received in periods 1
15 through n.

16 Equation [6] can be written to show that the current price (P₀) is also equal to

17 [7]
$$P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \dots + P_t/(1+k)^t$$

18 where P_t is the price expected to be received at the end of the period t. If the future price
19 (P_t) included a premium (an expected increase in the stock price or capital gain), the price
20 the investor would pay today (in anticipation of receiving that premium) would increase.
21 In other words, by estimating the cash flows from the purchase of a stock in the form of
22 dividends and capital gains, we can calculate the investor's required rate of return, i.e., the
23 rate of return an investor presumptively used in bidding the current price to the stock (P₀)
24 to its current level.

25 Equation [7] is a Market Price version of the DCF model. As with the general form
26 of the DCF model in equation [6], the current stock price (P₀) is the present value of the
27 expected cash inflows in the Market Price approach. The cash flows are comprised of
28 dividends and the final selling price of the stock. The estimated cost of equity (k) is the rate

1 of return investors expect if they bought the stock at today's price, held the stock and
2 received dividends through the transition period, and then sold it for price in period t (P_t).

3 **Q. CAN YOU PROVIDE AN EXAMPLE TO ILLUSTRATE THE MARKET PRICE**
4 **VERSION OF THE DCF MODEL?**

5 A. Yes. Assume an investor buys a share of common stock for \$40. If the expected dividend
6 during the coming year is \$2.00, then the expected dividend yield is 5 percent ($\$2.00/\$40 =$
7 5.0 percent). If the stock price is also expected to increase to \$43.00 after one year, this
8 \$3.00 expected gain adds an additional 7.5 percent to the expected total rate of return
9 ($\$3.00/\$40 = 7.5$ percent). Thus, the investor buying the stock at \$40 per share expects a
10 total return of 12.5 percent (5 percent dividend yield plus 7.5 percent price appreciation).
11 The total return of 12.5 percent is the appropriate measure of the cost of capital because this
12 is the rate of return that caused the investor to commit \$40 of his or her capital by purchasing
13 the stock.

14 **Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE DCF MODEL.**

15 A. Under the assumption that future cash flow is expected to grow at a constant rate ("g"),
16 equation [6] can be solved for k and rearranged into the simple form:

17 [8] $k = CF_1/P_0 + g$

18 where CF_1/P_0 is the expected dividend yield (also expressed as D_0/P_0) and g is the expected
19 long-term dividend (price) growth rate. The expected dividend yield is computed as the
20 ratio of next period's expected dividend ("D₀") divided by the current stock price ("P₀").

21 This form of the DCF model is known as the "constant growth" DCF model and
22 recognizes that investors expect to receive a portion of their total return in the form of
23 current dividends and the remainder through future dividends and capital (*i.e.* price)
24 appreciation. A key assumption of this form of the model is that investors expect that same
25 rate of return (k) every year and that market price grows at the same rate as dividends. As
26 already discussed, this has not been historically true for the water utility sample, as shown
27 by the data in Table 4.

28

1 Q. ARE THERE ANY CONCERNS ABOUT APPLYING THE DCF MODEL TO
2 UTILITY STOCKS?

3 A. Yes, there are a number of reasons why caution must be used when applying the DCF model
4 to utility stocks. First, a non-publicly traded company does not have a stock market price.
5 Using the stock prices from a proxy group assumes that the stock of Liberty Rio Rico
6 (Consolidated) would be similarly priced and has a dividend yield similar to the publicly
7 traded water companies. Second, the stock price and dividend yield components may be
8 unduly influenced by structural changes in the industry, such as mergers and acquisitions,
9 which influence investor expectations. Third, the DCF model is based on a number of
10 assumptions that may not be realistic given the current capital market environment. The
11 traditional DCF model assumes that the market price per share (“MPPS”), book value per
12 share (“BVPS), earnings per share (“EPS”), and dividends per share (“DPS”), all grow at
13 the same rate. This has not been historically true for the sample water utility companies.
14 For example, Table 4 shows that over the past 5 years the average MPPS growth has
15 significantly exceeded the average BVPS, EPS, and DPS.

16 We should be especially concerned with the DCF model’s applicability under
17 current market conditions. Over the past several years, *Value Line* has taken note of these
18 fundamental changes surrounding water utility stocks. The *Value Line* Investment Survey
19 (October 14, 2016) for the Water Utility Industry noted:

20 When we went to press last July, institutional investors, spurred by
21 low rates on U.S. Treasury securities, had plowed large amounts of
22 funds into this relatively minor segment of the U.S. equity market.
23 Consisting of only nine stocks, the industry has a combined market
24 capitalization of less than \$25 billion. Long known to many retail
25 investors for their modest, but well-defined earnings, many accounts
26 have also been attracted to these shares because of their higher-than-
27 average yields, solid dividend growth prospects, low volatility, and
28 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

1 the average stock's P/E. Not only are other stocks offering an
2 alternative to this group, but short-term Treasury notes are looking
3 attractive on a relative basis as well. The yield on a three-month
4 Treasury note is currently over 2.4%. Thus, it is yielding more than
5 50 basis points higher than most water equities. True, there is not the
6 possibility of dividend hikes for this security, but there also is just
7 about no risk whatsoever. All in all, we think investors should take a
8 hard look at the offerings on the front end of the yield curve rather
9 than invest in water utility stocks.

10 ... Despite their low Beta co-efficient, and high scores for Price
11 Stability and Earnings Predictability, these stocks may hold more
12 risk than a typical utility investor may want to undertake. This
13 opinion is based purely on what we believe are elevated valuations
14 of the equities. We continue to think that the industry is
15 fundamentally sound, but better alternatives are available elsewhere.

16 Finally, the most recent *Value Line* Investment Survey (January 6, 2023) (emphasis
17 added) for the Water Utility Industry noted:

18 The total market capitalization of the Water Utility Industry
19 is about \$51 billion, or slightly below that of Dominion Energy, the
20 nation's fourth largest electric utility. Moreover American Water
21 Works accounts for over 54% of the total. Thus, in the group there
22 are only two large cap stocks. (The other *Essential Utilities*.) That
23 leaves 4 companies that have market caps ranging from \$2.5 billion
24 to \$3.4 billion. **The demand to own shares by the large
25 institutional investors clearly outstrips the supply. This is one of
26 the prime reasons for these stocks trading at such seemingly
27 inflated P/E ratios.** Of the six water stocks covered by Value Line,
28 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.

1 To the extent that increases (decreases) in relative market valuation
2 are anticipated by investors, especially myopic investors with short-
3 term investment horizons, the standard DCF model will understate
4 (overstate) the cost of equity.¹⁹

5 Another way of stating this point is that the DCF model does not account for the ebb and
6 flow of investor sentiments over the course of the business cycle. The problem was
7 particularly acute in the mid 1990's and mid 2000's where investors, faced with very low
8 returns on short-term fixed-income securities and an uncertain market outlook, sought
9 higher yields offered by utility stocks in a so-called flight to quality, boosting utility stock
10 price and lowering the dividend yield.²⁰ The circumstances then are not so different from
11 what is occurring today.

12 Fourth, the application of the DCF model produces estimates of the cost of equity
13 that are consistent with investor expectations *only* when the market price of a stock and the
14 stock's book value are approximately the same. The DCF model will understate the cost of
15 equity when the market-to-book ratio exceeds 1.0 and, conversely, the model will overstate
16 the cost of equity when the market-to-book ratio is less than 1.0. The reason for this is that
17 the market-derived return produced by the DCF is often applied to book value rate base by
18 regulators.

19 Fifth, the assumption of a constant growth rate may be unrealistic, and there may be
20 difficulty in finding an adequate proxy for the growth rate. Historical growth rates can be
21 downward biased as a result of the impact of anemic historical growth rates in earnings,
22 mergers and acquisitions, restructuring, unfavorable regulatory decisions, and even
23 abnormal weather patterns. Conversely, historical growth rates can be upwardly biased as
24 well, particularly under current market conditions as discussed previously.

25 **Q. WHAT DATA HAVE YOU USED TO COMPUTE THE EXPECTED DIVIDEND**
26 **YIELD (D_1/P_0) IN YOUR DCF MODEL?**

27 A. First, I computed a current dividend yield (D_0/P_0). The time value of money should be taken
28 into account when determining dividend yields. This adjustment is required because the

¹⁹ Morin, p. 433.

²⁰ Morin, pp. 21-22.

1 basic model assumes dividends are paid once a year, but investors actually receive dividend
2 payments on a quarterly basis. Prices they pay for the stock (P_0), would reflect the
3 anticipated payment and potential re-investment of quarterly dividends. To approximate
4 the time value of money and the payment of quarterly dividends, I computed expected
5 dividend yield (D_1/P_0) as the current dividend yield (D_0/P_0) times one plus the growth rate
6 (g) divided by 2. I used the spot price for each of the stocks of the water utilities in the
7 sample group as reported by the *Value Line Investment Analyzer* for September 22, 2023
8 for P_0 . The current dividend (D_0) is the current indicated dividend as reported by *Value*
9 *Line*. In my tables, the current dividend yield is denoted as (D_0/P_0), where D_0 is the current
10 dividend and P_0 is the spot stock price. (D_1/P_0) is used to denote the expected dividend
11 yield in the tables.

12 **Q. WHAT MEASURES OF GROWTH (“g”) HAVE YOU USED?**

13 A. My estimates of growth are based upon analysts’ estimates of growth. For my forecast
14 growth estimate, I have used the growth forecasts from *Value Line*, *Zacks Investment*
15 *Research*, and *Yahoo Finance*. I report the analysts’ forecasts of future growth in Table 4.

16 **Q. WHY DID YOU USE FORECASTED GROWTH RATES IN YOUR GROWTH**
17 **ESTIMATES?**

18 A. The empirical evidence indicates that analyst estimates of EPS growth are the best measure
19 of growth for use in the DCF for utility stocks.²¹ Further, the DCF model requires estimates
20 of growth that investors expect in the future and not past estimates of growth that have
21

22 ²¹ Gordon, David A., Gordon, Myron J. and Gould, Lawrence I., “Choice Among Methods of Estimating Share Yield,”
23 *Journal of Portfolio Management*, Spring 1989, pp. 50-55. Gordon, Gordon and Gould found that a consensus of
24 analysts’ forecasts of earnings per share growth for the next five years provides a more accurate estimate of growth
25 required in the DCF model than three different historical measures of growth (historical EPS, historical DPS, and
26 historical retention growth). They explain that this result makes sense because analysts would take into account such
27 past growth as indicators of future growth as well as any new information. Other studies confirm the superiority of
28 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.

1 already occurred. Logically, in estimating future growth, financial institutions and analysts
2 have taken into account all relevant historical information on an entity, as well as other more
3 recent information.²² To the extent that past results provide useful indications of future
4 growth prospects, analysts' forecasts would already incorporate that information. In
5 addition, the current price of a stock reflects known historic information on that entity,
6 including its past earnings history. Any further recognition of the past will double count
7 what has already occurred. Therefore, forward-looking growth rates should be used.

8 **Q. DID YOU APPLY A REASONABLENESS TEST TO THE INDIVIDUAL RESULTS**
9 **THE DCF?**

10 A. Yes. DCF results that are less than the forecast Baa investment grade bond yield plus 100
11 basis points or 6.7 percent are excluded. An indicated return of 6.7 percent is the minimum
12 plausible expected cost of equity. This reasonableness approach is consistent with methods
13 the Federal Energy Regulatory Commission ("FERC") adopted in the past and consistent
14 with common sense.²³

15 **Q. PLEASE SUMMARIZE THE EQUITY COST ESTIMATES YOU MAKE WITH**
16 **THE DCF APPROACH.**

17 A. In Table 6, my DCF estimate for the cost of equity of the water proxy group is 9.6 percent.
18 For Liberty Rio Rico (Consolidated) my estimate is 9.8 percent as shown in Table 1.

19 **B. Explanation of the RP And its Inputs**

20 **Q. PLEASE EXPLAIN THE RP METHODOLOGY FOR ESTIMATING THE COST**
21 **OF EQUITY.**

22 A. The RP method is sometimes referred to as the "bond yield plus risk premium method."
23 The general approach is to determine the spread between the return on debt and the return
24 on equity, and then add this spread to the current debt yield to derive an estimate of the cost
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27 ²² Gordon, Gordon, and Gould, p.54.

28 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.

1 of equity. To implement the RP, it is assumed that the past relationship will continue into
2 the future. The RP is widely used by analysts and investors.²⁴

3 The RPM formula provides a formal risk-return relationship and is stated as:

4 (9) $k = K_d + \text{bond-equity spread}$

5 Where k is the expected return on equity and K_d is the cost of debt or debt yield.

6 **Q. PLEASE TURN TO YOUR RISK PREMIUM EQUITY COST ESTIMATES. HOW**
7 **MANY RP ANALYSES HAVE YOU PERFORMED?**

8 A. I performed two risk premium analyses, not including the CAPM. My first analysis is
9 presented in Table 8. It is an updated and modified version of the risk premium analysis
10 used in a prior California Public Utility Commission rate case. In that case, the Public
11 Advocates Office (“Cal Advocates”) presented in San Jose Water Company’s GRC (A.06-
12 02-014) in June 2006. In that case, Cal Advocates adopted annual averages of actual returns
13 on average equity for water utilities in its sample as proxies for the costs of equity for the
14 period 1996 to 2005, subtracted contemporaneous Treasury rates from those equity cost
15 proxies to determine annual average risk premiums, then added 5-year and 10-year averages
16 of those risk premiums to forecasts of the respective Treasury rates to determine an equity
17 cost range. Table 8 adopts annual averages of available DCF equity costs for utilities in the
18 sample as the annual proxies for the costs of equity. This analysis was based on data for
19 the period 2013 to 2022. See Table 9. Current dividend yields are annual averages of yields
20 for the water utilities sample in the various years as reported by *Value Line*. Growth rates
21 are averages of EPS growth rates forecasted by *Value Line*. This RP analysis indicates a
22 cost of equity of 10.66 percent for the water proxy group. For Liberty Rio Rico
23 (Consolidated), the indicated cost of equity is 11.47 percent as shown in Table 1. My
24 analysis assumes that the sample of seven utilities is large enough to provide meaningful
25 estimates.

26 **Q. PLEASE EXPLAIN YOUR SECOND RP APPROACH.**

27
28

²⁴ Morin, p. 108.

1 A. The second RP analysis is analysis is presented in Table 9. For the period 1977 to 2022 (46
2 years), I subtract average annual long-term US. Treasury yields from total returns of the
3 S&P 500 Utility Index to determine the annual risk premium for each year. The average
4 risk premium over the period adjusted to reflect the estimated impact on the risk premium
5 due to the difference between the average interest rate over the period and the current
6 forecast estimate for interest rates. This adjustment is necessary because the risk premium
7 varies inversely with interest rates. That said, the adjusted risk premium is then added to
8 the average expected long-term U.S. Treasury yield (2024-2026) of 2.7 percent from Table
9 7 to estimate the cost of equity. This RP analysis indicates a cost of equity of 11.3 percent
10 for the water proxy group. For Liberty Rio Rico (Consolidated), the indicated cost of equity
11 is 12.11 percent as shown in Table 1.

12 **Q. SHOULD STUDIES OF HISTORICAL RISK PREMIUMS RELY ON**
13 **ARITHMETIC AVERAGE RETURNS OR ON GEOMETRIC AVERAGE**
14 **RETURNS?**

15 A. Whenever relying on historical risk premiums, only arithmetic average returns
16 over long periods are appropriate for forecasting and estimating the cost of capital, and
17 geometric average returns are not. As various finance experts have explained, an arithmetic
18 mean is the correct approach to use in estimating the cost of capital, particularly for a risk
19 premium model.²⁵ As Dr. Morin states:

20 Because valuation is forward-looking, the appropriate
21 average is the one that most accurately approximates the
22 expected future rate of return. *The best estimate of the*
23 *expected returns over a future holding period is the*
24 *arithmetic average. Only arithmetic means are correct for*
25 *forecasting purposes and for estimating the cost of capital.*
26 There is no theoretical or empirical justification for the use
27 of geometric rates of return as a measure of the appropriate
28 discount rate in computing the cost of capital or in
computing present values.²⁶

27 ²⁵ Zvi Bode, Alex Kane, Alan J. Marcus, *Investments* (McGraw-Hill 6th ed., 2005) (“Bode”), pp. 864 – 865; Richard
28 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).

1 The consensus among these experts makes sense. Only arithmetic mean return rates and
2 yields are appropriate for cost of capital purposes because ex-post (historical) total returns
3 and equity risk premiums differ in size and direction over time, providing insight into the
4 variance and standard deviation of returns. The geometric mean of ex-post (after the fact)
5 equity risk premiums provides no insight into the potential variance of future returns
6 because the geometric mean relates the change over many periods to a constant rate of
7 change, rather than the year-to-year fluctuations, or variance, which are critical to risk
8 analysis. In short, the conclusion of these financial experts is that, while the geometric
9 mean is useful in comparing what happened in the past, it should not be used to determine
10 estimates of expected future returns or market risk premiums.

11 **Q. LET'S TURN TO THE CAPM. PLEASE EXPLAIN THE CAPM METHODOLOGY**
12 **FOR ESTIMATING THE COST OF EQUITY.**

13 A. Like all RP methods, the CAPM is the sum of a risk-free rate plus a risk premium. Like the
14 RPM, it quantifies the additional return required by investors for bearing incremental risk.
15 The CAPM was developed by William Sharpe and John Lintner in the mid-1960s and is a
16 common topic in college finance textbooks. The CAPM provides a formal risk-return
17 relationship premised on the idea that only market risk matters, as measured by beta. The
18 traditional version of CAPM is represented by the formula:

$$19 \quad [10] \quad k = R_f + \beta(R_m - R_f)$$

20 Where k is the expected return, R_f is the risk-free rate (or zero beta asset), R_m is the market
21 return, $(R_m - R_f)$ is the market risk premium, and β is beta.

22 **Q. WHAT IS BETA AND WHAT DOES IT MEASURE?**

23 A. Beta is a measure of the relative risk of a security in relation to the market. In other words,
24 it is a measure of the sensitivity of a security to the market as a whole. This sensitivity is
25 also known as systematic risk. It is estimated by regressing a security's excess returns
26 against a market portfolio's excess returns. The slope of the regression line is the beta.

1 Beta for the market is 1.0. A security with a beta greater than 1.0 is considered
2 riskier than the market. A security with a beta less than 1.0 is considered less risky than the
3 market.

4 **Q. ARE THERE ANY CONCERNS ABOUT APPLYING THE CAPM MODEL TO**
5 **UTILITY STOCKS?**

6 A. Yes. I have concerns with using this model in most periods because mechanical application
7 of the model may produce unreasonable results. The traditional CAPM only captures a
8 single measure of systematic risk as measured by beta, but there are other forms of
9 systematic risk priced by the market such as company size. A size premium is necessary
10 because the empirical evidence indicates that beta alone does not measure the risk of smaller
11 companies.²⁷ Further, there are computational problems surrounding beta since it depends
12 on the return data, the time period used, its duration, the choice of the market index, and
13 whether annual, monthly, or weekly return figures are used. Betas are estimated with error.
14 Based on empirical evidence, high betas will tend to have a positive error (risk is
15 overestimated) and low betas will have a negative error (risk is underestimated).²⁸

16 **Q. ARE THERE ALTERNATIVES TO THE TRADITIONAL CAPM?**

17 A. Yes, alternative versions of the CAPM have been developed that provide more robust
18 explanations of returns required by investors. A version of the CAPM called the Empirical
19 CAPM or ECAPM was developed to recognize that estimations of R_f are higher than the
20 return on long-term Treasuries. Dr. Roger Morin discusses ECAPM at pages 189-191 of
21 his book, *New Regulatory Finance*. The ECPAM is represented as follows:

$$[11] k = R_f + .25(R_m - R_f) + .75\beta(R_m - R_f)$$

22
23 The ECAPM was developed from the empirical findings that show the slope of the CML is
24 flatter and the risk-free rate is at a higher point than predicted by the pure CAPM. The
25 ECAPM has been shown to do a better job at predicting market returns.

27 *Duff & Phelps 2018 Valuation Handbook*, Chapter 2, p. 7.

28 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.

1 *Duff & Phelps* also suggests a version of the CAPM in which a size premium is
2 included.²⁹ This modified CAPM or MCAPM is represented as follows:

3 [12] $k = R_f + \beta(R_m - R_f) + RP_s$

4 Where k is the expected return, R_f is the risk-free rate (or zero beta asset), R_m is the market
5 return, $(R_m - R_f)$ is the market risk premium, β is beta, and RP_s is the size premium. Both the
6 ECAPM and MCAPM recognize the pure CAPM is incomplete and does not fully account
7 for the higher returns that are needed on smaller company stocks. In other words, the higher
8 risks associated with smaller firms are not fully accounted for by beta.³⁰

9 **Q. IS FIRM SIZE A UNIQUE RISK?**

10 A. No, firm size is a systematic risk factor and is an adjustment to the pure CAPM.³¹ Putting
11 aside the empirical financial data, the need for a risk premium for size makes sense.
12 Company size is a significant element of business risk for which investors expect to be
13 compensated through greater returns. As discussed earlier, smaller companies are simply
14 less able to cope with significant events that impact sales, revenues, and earnings. For
15 example, smaller companies face more risk exposure to business cycles and economic
16 conditions, both nationally and locally. Additionally, the loss of revenues from a few larger
17 customers would have a greater effect on a small entity than on a much larger entity with a
18 larger, more diverse, customer base. Moreover, smaller companies are generally less
19 diverse in their operations and have less financial flexibility.

20 **Q. DID YOU EMPLOY EITHER OF THESE ALTERNATIVE CAPM METHODS**
21 **(EQUATIONS 11 AND 12) AS PART OF YOUR ANALYSIS?**

22 A. Yes. I employed all three versions of the CAPM to estimate the cost of equity for the water
23 proxy group, which does somewhat mitigate my concerns about the traditional CAPM.

24 **Q. WHAT IS THE RISK-FREE RATE (R_f)?**

25
26
27 ²⁹ *Duff & Phelps 2018 Valuation Handbook*, Chapter 2, p. 14.

28 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.

1 A. It is the return on an investment with no risk. The U.S. Treasury rate serves as the basis for
2 the risk-free rate because the yields are directly observable in the market and are backed by
3 the U.S. government. Practically speaking, short-term rates are volatile, fluctuate widely
4 and are subject to more random disturbances than long-term rates. In short, long-term
5 Treasury rates are preferred for these reasons and because long-term rates are more
6 appropriately matched to securities with an indefinite life or long-term investment horizon.

7 **Q. WHAT DO YOU USE AS THE RISK FREE RATE (R_f)?**

8 A. I used the expected U.S. Long-term Treasury rate for 2024-2026 as the basis for the risk
9 free rate. Since the cost of capital is an opportunity cost and is prospective, it necessarily
10 requires the use of a forward-looking bond yield. In recent years, interest rates have
11 dropped to very low levels when compared to interest rates for similar securities in the past.
12 From 1999 to 2007, the annual average yield for long-term Treasury bonds was
13 5.24 percent, ranging from a low of 4.84 percent in 2007 to a high of 5.94 percent in 2000.
14 In 2008, and during the recent recession, that annual average dropped to 4.24 percent and
15 dropped further in 2012 to 2.9 percent.

16 The drop in long-term Treasury rates has been largely attributed to the market
17 intervention by the Federal Reserve through its quantitative easing programs. Long-term
18 Treasury rates for 2013 and 2014 averaged 3.45 percent and 3.34 percent, respectively. For
19 2017, 2018, 2020, and 2021 long-term Treasury rates have averaged 2.90 percent, 3.11
20 percent, 2.58 percent, 1.56 percent, and 2.06 percent, respectively.

21 Since March 2022, the Federal Reserve raised the key interest rate by 525 basis
22 points in an attempt to tame high inflation and is expected to raise interest rates further as
23 inflation remains stubbornly high. The average annual long-term Treasury rates for 2022
24 was 3.11 percent. The September, 2023 average monthly yield on 30-year U.S. Treasury
25 had risen to about 4.66 percent.

26 Economists expect the 30-year U.S. Treasury yields to be 3.9 percent in 2024-2026
27 timeframe. See Table 7.

28 **Q. WHY DO YOU USE LONG-TERM U.S. TREASURY YIELDS?**

1 A. The yields on long-term Treasury bonds match more closely with the perpetual nature of
2 common stock investments.³² In addition, short-term rates are more volatile, fluctuate
3 widely and are subject to more random disturbances than long-term rates. Long-term
4 Treasury rates are more appropriately matched to securities with an indefinite life or long-
5 term investment horizon. For these reasons, long-term rates are preferred.

6 **Q. WHAT DO YOU ADOPT AS THE RETURN FOR THE RISK-FREE RATE?**

7 A. I used long-term expected Treasury bond rates as the measure of the risk-free return for use
8 with CAPM cost of equity estimates from the *Blue Chip Financial Forecasts*.³³ The
9 appropriate choice for the risk-free rate is the *expected* return for long-term Treasury
10 securities.³⁴ Thus, when determining an estimate of the risk-free rate, it is appropriate to
11 adopt a return that is no less than the expected return on the long-term Treasury bond rate.
12 Models to determine the cost of capital are prospective in nature, which require
13 expectational inputs, such as forecasted interest rates.³⁵ The CAPM, ECAPM, and
14 MCAPM estimates are based on expected yields of the long-term Treasury rates for 2024-
15 2026, the average of which is 3.7 percent. See Table 7.

16 **Q. WHAT DID YOU USE AS THE PROXY OF THE BETA IN YOUR CAPM
17 MODELS?**

18 A. For the CAPM and ECAPM, I used the average beta of the sample water utility companies.
19 These betas were obtained from *Value Line Investment Analyzer* (weekly data as of
20 September 13, 2023). *Value Line* is the source for estimated betas that I regularly employ.
21 The average *Value Line* beta for my water proxy group as shown on Table 2 is 0.80.

22 For the MCAPM, I use sum beta. Sum beta is an alternative method of computing
23 betas. Since *Duff & Phelps* size premiums are derived using sum beta, I use sum beta to be
24 internally consistent with the size risk premiums for the water proxy group derived from
25 the *Duff & Phelps* 2022 Size Study. I computed the sum beta over a 60 month period (5-
26

27 ³² Morin, p. 112.

28 ³³ See Table 9.

³⁴ *Duff & Phelps*, Chapter 3, p. 1.

³⁵ Morin, p 172.

1 years) and use the S&P 500 as the market index. Weekly data over 5-year period is the
2 same period used to estimate beta by *Value Line*. However, *Value Line* uses the NYSE as
3 the market index.

4 I should note that because Liberty Rio Rico (Consolidated) is not publicly traded, it
5 has no beta. In my expert opinion, I strongly believe Liberty Rio Rico (Consolidated), if it
6 were publicly traded, would have a higher *Value Line* beta and sum beta than the sample
7 water utility companies. *Morningstar* reports that when betas (a measure of market risk)
8 are properly estimated, betas are greater for small companies than for larger companies.³⁶
9 *Morningstar* also finds that, even after accounting for differences in beta risk, small firms
10 require an additional risk premium over and above the added risk premium indicated by
11 differences in beta risk.

12 **Q. PLEASE EXPLAIN THE MARKET RISK PREMIUM.**

13 A. The market-risk premium ($R_m - R_f$) is the return an investor expects to receive as
14 compensation for market risk. It is the expected market return minus the risk-free rate.
15 Approaches for estimating the market risk premium can be historical or prospective.

16 Since expected returns are not directly observable, historical realized returns are
17 often used as a proxy for expected returns on the basis that the historical market risk
18 premium follows what is known in statistics as a “random walk.” If the historical risk
19 premium does follow the random walk, then one should expect the risk premium to remain
20 at its historical mean. Based on this, the best estimate of the future market risk premium is
21 the historical mean. *Duff & Phelps* provides historical market returns for various asset
22 classes from various historical time periods. This publication also provides market risk
23 premiums over U.S. Treasury bonds, which makes it an excellent source for historical
24 market risk premiums.

25 A current market risk premium estimation approach necessarily requires examining
26 the returns expected from common equities and bonds. One method employs application
27

28 ³⁶ *Morningstar*, Chapter 7.

1 of the DCF model to a representative market index such as the *Value Line* 1700 stocks. The
2 expected return from the DCF is measured for a number of periods of time, and then
3 subtracted from the prevailing risk-free rate for each period to arrive at market risk premium
4 for each period. The market risk premium that is subsequently employed in the CAPM is
5 the average market risk premium of the overall period.

6 **Q. HOW DID YOU ESTIMATE THE MARKET RISK PREMIUMS FOR USE IN THE**
7 **CAPM MODELS?**

8 A. For the traditional CAPM and ECAPM, I averaged two market risk premium estimates: an
9 average of an historical market risk premium (1926-2022) and a current market risk
10 premium. For the MCAPM, I used a historical market risk premium (1963-2022) and a
11 current market risk premium.

12 For the historical market risk premiums, I used the *Duff & Phelps* measure of the
13 average premium of the market over long-term treasury securities from 1926 through 2022
14 and 1963 through 2022, both of which use the S&P 500 market index (which is considered
15 a large-cap index). The average historical market risk premium over long-term treasury
16 securities is 7.46 percent for the 1926 to 2022 period and 6.5 percent for the 1963 through
17 2022 period.

18 For the current market risk premium, I derived a market risk premium by first using
19 the DCF model to compute an expected market return for each of the past 12 months using
20 *Value Line's* projections of the average dividend yield for the dividend yield in the DCF
21 and an average of the median EPS, DPS and BVPS growth on the *Value Line* 1700 stocks.
22 I then subtracted the historical monthly average 30-year Treasury yield for each month from
23 the expected market returns to arrive at the expected market risk premiums. Finally, I
24 averaged the computed market risk premiums to determine the current market risk premium
25 for the last 12 months, 9 months, 6 months, and 3 months. The data and computations are
26 shown on Table 10. The recent 12-month average current market risk premium is 7.73
27 percent. Estimates of the current market risk premium have ranged from 6.89 percent to
28 8.95 percent over the past 12 months. My recommended market risk premium is based on

1 the recent 3-month average estimate of 7.03 percent, well below the mid-point of the range
2 of the past 12 months of 7.73 percent.

3 **Q. WHY USE TWO DIFFERENT HISTORICAL RISK PREMIUM ESTIMATES?**

4 A. I have typically used a historical market risk premium (1926-2022) in my CAPM and
5 ECAPM. I concur with *Morningstar*, which recommends use of a historical market risk
6 premium based upon the longest period practicable.³⁷ *Duff & Phelps* Risk Premium Report
7 size and risk premia are calculated over the time horizon 1963 – 2022, so I used the
8 historical market risk premium for this period for the MCAPM.

9 **Q. WHY IS IT NECESSARY TO USE A CURRENT MARKET RISK PREMIUM?**

10 A. Long-term historical interest rates used to estimate market risk premiums are much higher
11 than current interest rates. As a result, risk premiums are higher today than the average
12 long-term historical risk premium.

13 **Q. WHY?**

14 A. Because risk premiums vary inversely with interest rates. Dr. Morin found this inverse
15 relationship between risk premiums and interest rates and reported it in chapter 4 of his
16 2006 book, *New Regulatory Finance*. He stated a risk premium technique that can be used
17 to determine the cost of equity “consists of examining the risk premiums implied in returns
18 on equity allowed by regulatory commissions for utilities over some past period relative to
19 the contemporaneous level of the long-term Treasury bond yield.”³⁸ Professor Morin reports
20 the following statistical relationship between risk premiums (RPm) and long-term Treasury
21 bond yields (Yield) for the period 1987 to 2005 for electric utilities:

22
$$\text{RPm} = 8.2049 - 0.4833 \times \text{Yield}, \text{ with } R^2 = .81.$$

23 The slope was found to be statistically significantly less than zero (i.e., the t-statistic was -
24 8.4). In his analysis, annual averages of allowed equity returns reported by Regulatory
25 Research Associates were adopted as the proxies for equity costs. This risk premium method
26 is presented by Dr. Morin in Section 4.5 of his book.

27
28 ³⁷ Morningstar at 59.

³⁸ Morin, p. 123.

1 **Q. HAVE OTHERS FOUND AN INVERSE RELATIONSHIP BETWEEN RISK**
2 **PREMIUMS AND INTEREST RATES?**

3 A. Yes. Harris and Marston, “Estimating Shareholders Risk Premia Using Analysts’ Growth
4 Rates,” *Financial Management*, Summer 1992 found an inverse relationship. In Decision
5 97-12-089, which established the cost of equity for Pacific Gas & Electric Company
6 (“PG&E”), the Commission also found that costs of equity for energy utilities move in the
7 same direction as interest rates, but to a lesser degree. In Decision 02-11-027, an interim
8 opinion on rates of return on equity for PG&E, Southern California Edison Company, Sierra
9 Pacific Power Company, and San Diego Gas & Electric Company for the year 2003, the
10 Commission confirmed that its practice is to adjust ROEs for energy utilities by one-half to
11 two-thirds of the change in the benchmark interest rate.³⁹

12 **Q. HOW DID YOU ESTIMATE THE SIZE PREMIUM FOR THE WATER PROXY**
13 **GROUP FOR USE IN THE MCAPM?**

14 A. *Duff & Phelps’s* Size Study sorts companies by eight measures of size, breaking down the
15 NYSE universe of companies into 25 size-ranked portfolios.⁴⁰ The Size Study provides
16 two ways to match a company’s size (or risk) characteristics to the appropriate size (or risk)
17 premium – a guideline portfolio method and a regression equation method. I used the
18 regression equation method to find the CAPM size risk premium for each of the publicly
19 traded utilities in the proxy group for six measures of size (namely, market value of equity,
20 book equity, market value of invested capital, 5-year average of net income, total assets,
21 and earnings before interest, taxes, depreciation and amortization).⁴¹ I determined the
22 average size premium of all size measures for the proxy group (3.81 percent) and then
23 adjusted the average size premium to reflect the lower risk of the water proxy group
24 compared to the companies that make up the respective size-ranked portfolios. This

25 _____
26 ³⁹ D.02-11-027 at p. 20.

27 ⁴⁰ The size measures include: 1) Market Capitalization; 2) Book Value of Equity; 3) 5-year Average Net Income; 4)
28 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.

1 comparative risk study uses the fundamental measures of company risk (operating margin,
2 coefficient of variation in operating income, and coefficient of variation in return on book
3 equity) to gauge how alike or different the water proxy group is compared to the companies
4 that make up the size-ranked portfolios in the Size Study. In the instant case, the estimated
5 reduction in risk is -1.81 percent. Thus, the market risk premium for size for the proxy
6 group is 2.00 percent (3.81% - 1.91%) (rounded). See Exhibit TJB-COC-DT2.

7 **Q. WHAT ARE THE RESULTS OF YOUR CAPM METHODS.**

8 A. In Table 11, the traditional CAPM produces an indicated cost of equity of 9.50 percent. The
9 ECAPM produces an indicated cost of equity of 9.80 percent. The MCAPM produces an
10 indicated cost of equity of 10.80 percent. The average of these three methods is 10.00
11 percent.

12 **VI. REQUIRED RISK PREMIUM FOR LIBERTY RIO RICO (CONSOLIDATED)**

13 **Q. PLEASE DISCUSS YOUR RECOMMENDED RISK PREMIUM FOR LIBERTY**
14 **RIO RICO (CONSOLIDATED).**

15 A. As I testified earlier, Liberty Rio Rico (Consolidated) is not directly comparable to the
16 publicly traded water utilities in my water proxy group. The characteristics associated with
17 small size, such as the lack of diversification, limited revenue and cash flow, relatively small
18 customer base, lack of investment liquidity, and earnings volatility, increase the risk faced
19 by smaller water and wastewater utilities over the risk associated with the water proxy
20 group.

21 **Q. PLEASE DISCUSS SIZE RISK FOR SMALL UTILITY COMPANIES.**

22 A. Investment risk increases as the firm size decreases, all else remaining constant. There is a
23 great deal of empirical evidence that the firm size phenomenon exists. Morningstar's
24 *Ibbotson SBBI 2013 Valuation Yearbook* (Chapter 7) reports that smaller companies have
25 experienced market higher returns that are not fully explainable by their higher betas, and
26 that beta is inversely related to firm size. In other words, smaller companies, not only have
27 higher betas, but also higher market returns than larger ones. Even after accounting for
28 differences in beta risk, small companies require an additional risk premium over and above

1 the added risk premium indicated by differences in beta risk. Dr. Thomas M. Zepp has also
2 reported evidence that the investment in stocks of small water or wastewater utilities are
3 riskier than the stocks of larger water utilities, such as those in the water utilities sample.⁴²
4 Additionally, the CPUC published a study that showed smaller water utilities are more risky
5 than larger ones.⁴³ Based on the evidence, it is clear that investors require higher returns
6 on small company stocks than on large company stocks.

7 **Q. PLEASE EXPLAIN YOUR COMPARATIVE RISK STUDY YOU PREPARED TO**
8 **DEVELOP A RISK PREMIUM FOR LIBERTY RIO RICO (CONSOLIDATED) TO**
9 **BE ADDED TO THE RESULTS FOR THE WATER PROXY GROUP?**

10 A. Yes. The risk study I prepared for Liberty Rio Rico (Consolidated) is attached as Exhibit
11 TJB-COC-DT3. To conduct my comparative risk study, I started by computing the 5-year
12 historical operating margin, coefficient of variation of operating margin, and coefficient of
13 variation of ROE for Liberty Rio Rico (Consolidated). Operating margin is a measure of
14 profitability. The co-efficient of variation of operating margin and ROE are measures of
15 earnings variability. All three of these metrics are highly correlated with size and risk.

16 **Q. ARE THESE THE METRICS FOR THE WATER PROXY GROUP AND LIBERTY**
17 **RIO RICO (CONSOLIDATED) YOU PRESENTED EARLIER IN YOUR**
18 **TESTIMONY?**

19 A. Yes, on page 25.

20 **Q. PLEASE CONTINUE.**

21 A. Next, I cross-referenced these metrics with data from *Duff & Phelps Cost of Capital*
22 *Navigator* Supplementary Data Risk Study and identified the corresponding market
23 portfolio beta for Liberty Rio Rico (Consolidated) and for my water proxy group.⁴⁴ I then
24 computed the relative difference in betas between the Liberty Rio Rico (Consolidated) and
25 the water proxy group. Assuming that the relative difference in the market portfolio beta

26 ⁴² Zepp, Thomas M., "Utility Stocks and the Size Effect – Revisited," *The Quarterly Review Economics and Finance*,
27 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.

28 ⁴⁴ *Duff & Phelps Cost of Capital Navigator*, Supplementary Data Risk Study. See also page 3 of Exhibit TJB-COC-DT3.

1 for the all publicly traded companies is the same for publicly traded water utilities, I then
2 computed implied betas for Liberty Rio Rico (Consolidated) using the difference in
3 portfolio betas.⁴⁵ Finally, I used the CAPM methods to compute the indicated cost of equity
4 for each utility and compared the results to the CAPM results for the water proxy group.⁴⁶
5 Based upon this analysis, I conclude that required risk premium for Liberty Rio Rico
6 (Consolidated) is in the range of 90 to 110 basis points with a midpoint of 100 basis points.

7 **Q. IS THERE ANOTHER METHOD WHICH PROVIDES USEFUL INFORMATION**
8 **ABOUT THE RISK PREMIUM FOR LIBERTY RIO RICO (CONSOLIDATED)?**

9 A. Yes. Based upon my analysis of the size risk premium for use in the MCAPM, I found that
10 Liberty Rio Rico (Consolidated)'s size premium over the water proxy group is 200 basis
11 points. *See* Exhibit TJB-COC-DT2, page 2, line 26.

12 **Q. WHAT RISK PREMIUM OVER THE WATER PROXY GROUP DO YOU**
13 **RECOMMEND FOR LIBERTY RIO RICO (CONSOLIDATED)?**

14 A. I recommend a minimum of 85 basis points based upon the facts and circumstances in this
15 case.

16 **VII. SUMMARY AND CONCLUSIONS**

17 **Q. PLEASE PROVIDE AN OVERVIEW OF YOUR TESTIMONY.**

18 A. I recommend the Commission adopt the three-step method I presented above to determine
19 the ROE for Liberty Rio Rico (Consolidated). In the first step, an average of costs of equity
20 for a sample of seven water utilities is determined with the DCF model and several RP
21 models including variations of the CAPM.

22 In the second step, a risk premium for Liberty Rio Rico (Consolidated) is determined
23 to reflect the Company's higher risks. Quantitative evidence based on differences in Liberty
24 Rio Rico (Consolidated)'s business risk metrics compared to the benchmark water proxy
25 group justifies a risk premium in the range of 90 to 110 basis points. Based upon the facts
26 and circumstances of this case, I recommend an 85 basis point risk premium for Liberty Rio

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28 ⁴⁵ *See* page 3 of Exhibit TJB-COC-DT3.

⁴⁶ *See* page 4 of Exhibit TJB-COC-DT3.

1 Rico (Consolidated).

2 In the third step, equity costs from step one and the risk premiums from step two are
3 combined to determine a fair ROE for Liberty Rio Rico (Consolidated) of 10.95 percent. I
4 recommend the Commission adopt an ROE for Liberty Rio Rico (Consolidated) of no less
5 than 10.95 percent.

6 **Q. PLEASE SUMMARIZE THE EQUITY COST ESTIMATES YOU MADE IN STEP**
7 **ONE.**

8 A. I made four equity cost estimates for the water proxy group, which are summarized in Table
9 1. Where data were available, the equity cost estimates were based on data for the seven
10 water utilities listed in Table 2. The first equity cost estimate was derived with the DCF
11 model. Using the DCF model to estimate growth, the indicated equity cost for the water
12 proxy group is 8.60 percent. Next, I determined three risk premium estimates including the
13 CAPM method. The first RP approach was based on ten annual DCF estimates of the cost
14 of equity for the water proxy group. This approach shows an indicated cost of equity for
15 the water proxy group of 10.66 percent. The second RP approach was based on a 46-year
16 comparison of total returns on the S&P utility index to the annual yields on long-term U.S.
17 Treasury bonds. This approach shows an indicated cost of equity for the water proxy group
18 of 11.30 percent. Finally, I established a range of CAPM estimates using a long horizon
19 estimates of the market risk premium as well as a current of the market risk premium which
20 produced a cost of equity for the water proxy group of 9.50 percent to 10.80 percent with
21 an average of 10.00 percent. I gave the DCF, the RP estimates, and the CAPM estimates
22 equal weight to establish a cost of equity for the water proxy group of 10.10 percent.

23 **Q. PLEASE SUMMARIZE YOUR ESTIMATE OF THE RISK PREMIUM YOU**
24 **DETERMINED IN STEP 2.**

25 A. I prepared a comparative risk study using commonly used business risk metrics and data
26 from *Duff & Phelps Cost of Capital Navigator 2022 Supplementary Data Risk Study*.
27 Based upon this study, I concluded that risk premium for Liberty Rio Rico (Consolidated)
28 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.

TABLES 1 – 11

Liberty Utilities Rio Rico (Consolidated), Corp.
Table 1
Summary of Results

Line No.		<u>Indicated</u> <u>Cost of Equity for</u> <u>Proxy Group</u>	<u>Indicated</u> <u>Cost of Equity for</u> <u>Company¹</u>
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			Operating Revenues	Net Plant	S&P Bond	Moody's Bond	Number of	Value Line	Sum	Market Capitalization1	Size
<u>No.</u>	<u>Company</u>	<u>Symbol</u>	<u>(millions)¹</u>	<u>(millions)¹</u>	<u>Rating²</u>	<u>Rating²</u>	<u>Customers³</u>	<u>Beta¹</u>	<u>Beta⁴</u>	<u>(millions)</u>	<u>Decile</u>
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

<u>Line No.</u>	<u>Company</u>	<u>Symbol</u>	<u>Book Value¹</u>		<u>Market Value¹</u>	
			<u>Long-Term Debt</u>	<u>Common Equity</u>	<u>Long-Term Debt</u>	<u>Common Equity</u>
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

Line No.	Company	Symbol	[1]	[2]	[3]	[4]	[5]
			Stock Price ¹	Book Value ²	EPS ²	DPS ²	Historical Average Growth Col. 1-4
			<u>Five-year historical annual changes</u>				
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%
			<u>Ten-year historical average annual changes</u>				
			[1]	[2]	[3]	[4]	[5]
			Stock Price ¹	Book Value ²	EPS ²	DPS ²	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%
			[1]	[2]	[3]	[4]	
			Value Line Projected EPS Growth ²	Zack's Projected EPS Growth ³	Yahoo Finance Projected EPS Growth 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

<u>Line No.</u>		<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>3-year Average</u>
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		Dividend	Expected		Expected		Expected		Monthly Average		Expected
<u>No.</u>	<u>Month</u>	<u>Yield (D₀/P₀)¹</u>	<u>Yield (D₁/P₀)²</u>	<u>+</u>	<u>Growth (g)³</u>	<u>=</u>	<u>Market</u>	<u>-</u>	<u>30 Year</u>	<u>=</u>	<u>Market Risk</u>
							<u>Return (k)</u>		<u>Treasury Rate⁴</u>		<u>Premium (MRP)</u>
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	<u>Short-term Trends</u>										
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 (D₀/P₀) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

² Expected Dividend Yield (D₁/P₀) equals current average dividend yield (D₀/P₀) 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.		R_f^1	+	(	β^2	x	RP_M^4	)	=	k		
1	Traditional CAPM	3.7%	+	(	0.82	x	7.11%	)	=	9.50%		
2													
3		R_f^1			$RP_M^4 \times .25$	+	(	β^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		R_f^1	+	(	β^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

INDUSTRY TIMELINESS: 85 (of 93)

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 these 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.

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.

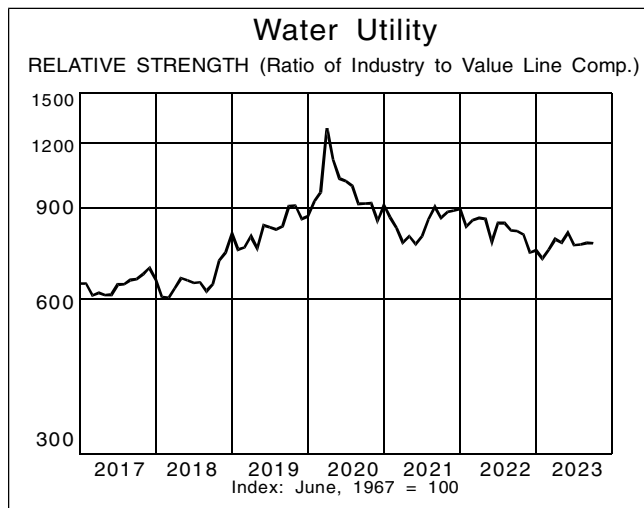
Mergers & Acquisitions

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 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

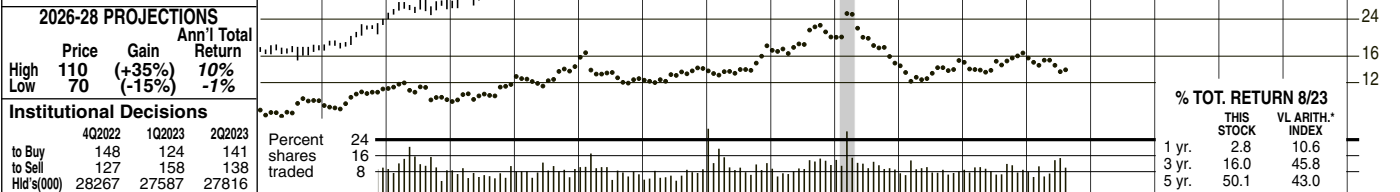
RECENT PRICE **80.75** P/E RATIO **26.7** (Trailing: 25.6 / Median: 30.0) RELATIVE P/E RATIO **1.63** DIV'D YLD **2.2%** VALUE LINE

TIMELINESS 2 Raised 10/6/23	High: 24.1	33.1	38.7	44.1	47.2	58.4	69.6	96.0	96.6	103.8	103.4	99.2	Target Price Range	2026	2027	2028
SAFETY 2 Raised 7/20/12	Low: 17.0	24.0	27.0	35.8	37.3	41.1	50.1	63.3	65.1	70.1	71.2	80.1	-----	-----	-----	128
TECHNICAL 3 Raised 9/23/23	LEGENDS — 18.0 x "Cash Flow" p sh ... Relative Price Strength 2-for-1 split 9/13 Options: Yes Shaded area indicates recession												-----	-----	-----	96
BETA .70 (1.00 = Market)													-----	-----	-----	80

18-Month Target Price Range

Low-High Midpoint (% to Mid)

\$71-\$142 \$107 (30%)



2026-28 PROJECTIONS

High	Price	Gain	Ann'l Total														
Low	110	(+35%)	Return														
	70	(-15%)	10%														
			-1%														

Institutional Decisions

4Q2022	1Q2023	2Q2023	
to Buy	148	124	141
to Sell	127	158	138
Hld's(000)	28267	27587	27816

Percent shares traded: 24, 16, 8

% TOT. RETURN 8/23
THIS STOCK VS. ARITH. INDEX
1 yr. 2.8 10.6
3 yr. 16.0 45.8
5 yr. 50.1 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
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%

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)

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%	40.0%	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%

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

	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

Past 10 Yrs	Past 5 Yrs	Est'd '20-'22 to '26-'28
Revenues	1.5%	2.0%
"Cash Flow"	4.5%	4.0%
Earnings	6.5%	6.5%
Dividends	9.5%	8.5%
Book Value	5.5%	6.5%

QUARTERLY REVENUES (\$ mill.)

Cal-endar	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

EARNINGS PER SHARE ^A

Cal-endar	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

QUARTERLY DIVIDENDS PAID ^B

Cal-endar	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		

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.

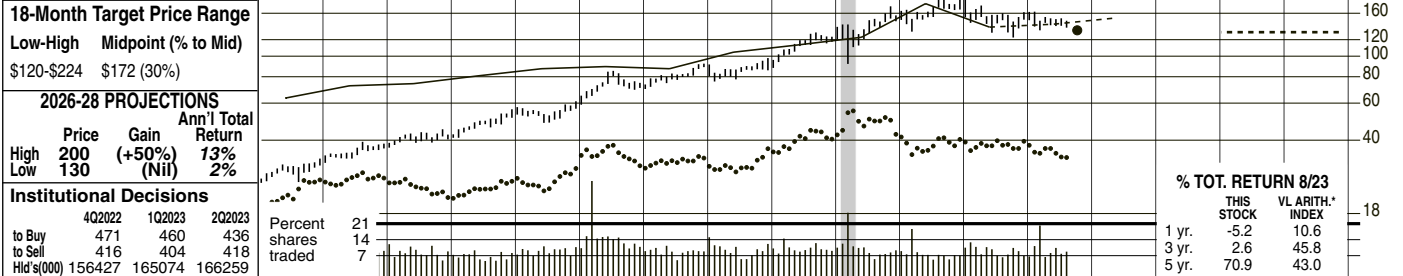
The nonutility business ought to provide a boost to American States Water's long-term bottom line. In its utility businesses, the CPUC determines the allowed return on the company's equity allocated to those operations. This acts as a ceiling on profits. Through its ASUS nonregulated subsidiary, American States is involved the U.S. Armed Forces privatization 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%

These 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, (14c); '10, (23c); '11, 10c. Next earnings report due early November.	June, September, and December. ■ Div'd reinvestment plan available.	(D) Includes intangibles. As of 12/31/22; \$1.1 million/\$0.03 a share.	Company's Financial Strength	A
(B) Dividends historically paid in early March.	(C) In millions, adjusted for split.		Stock's Price Stability	100
			Price Growth Persistence	85
			Earnings Predictability	90

TIMELINESS 3 Raised 5/12/23	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	Target Price Range 2026 2027 2028
SAFETY 3 New 7/25/08	LEGENDS — 17.0 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded area indicates recession		
TECHNICAL 3 Raised 9/29/23			
BETA .95 (1.00 = Market)			



2026-28 PROJECTIONS		Ann'l Total Return	High		Low	
Price	Gain (+50%)	13%	200	130		
		2%				
Institutional Decisions		Percent shares traded		2020-23		
4Q2022	1Q2023	2Q2023	21	14	7	
to Buy	471	460				
to Sell	416	404				
Hlds(000)	156427	165074				

2007 ^E	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	© VALUE LINE PUB. LLC	26-28
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	Revenues per sh	26.75
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	"Cash Flow" per sh	10.20
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	Earnings per sh ^A	6.10
--	.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	Div'd Decl'd per sh ^B	3.80
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	Cap'l Spending per sh	11.50
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	Book Value per sh ^D	57.25
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	Common Shs Outst'g ^C	200.00
--	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	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	27.0
--	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			Relative P/E Ratio	1.50
--	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%			Avg Ann'l Div'd Yield	2.3%

CAPITAL STRUCTURE as of 6/30/23	2901.9	3011.3	3159.0	3302.0	3357.0	3440.0	3610.0	3777.0	3920.0	3792.0	4265	4525	Revenues (\$mill)	5350	
Total Debt \$12188 mil. Due in 5 Yrs \$2486 mil.	369.3	429.8	476.0	468.0	426.0	567.0	621.0	709.0	1263.0	820.0	925	995	Net Profit (\$mill)	1220	
LT Debt \$11609 mil. LT Interest \$428 mil. (54% of Cap'l)	39.1%	39.4%	39.1%	39.2%	53.3%	28.2%	25.5%	23.3%	23.0%	18.7%	21.0%	21.0%	Income Tax Rate	24.0%	
Leases, Uncapitalized: Annual rentals \$9.0 mill.	5.1%	--	--	--	--	--	--	--	5.1%	2.9%	3.5%	4.5%	AFUDC % to Net Profit	5.0%	
Pension Assets 12/22 \$1578.0 mill.	52.4%	52.4%	53.7%	52.4%	54.7%	56.3%	58.5%	59.1%	58.6%	58.7%	55.0%	56.5%	Long-Term Debt Ratio	57.5%	
Oblig. \$1413.0 mill.	47.6%	47.4%	46.2%	47.5%	45.3%	43.6%	41.4%	40.9%	41.4%	41.3%	45.0%	43.5%	Common Equity Ratio	42.5%	
Pfd Div'd \$1 mill.	9940.7	10364	10911	10967	11875	13433	14760	15787	17639	18619	22000	24360	Total Capital (\$mill)	27000	
Common Stock 194,668,641 shares as of 7/20/23	12391	12900	13933	14992	16246	17409	18232	19710	21084	23223	25000	26600	Net Plant (\$mill)	30000	
MARKET CAP: \$25.8 billion (Large Cap)	5.1%	5.5%	5.7%	5.6%	4.9%	5.4%	5.4%	5.7%	8.2%	5.5%	5.0%	5.0%	Return on Total Cap'l	5.5%	
CURRENT POSITION 2021 2022 6/30/23 (\$MILL.)	7.8%	8.7%	9.4%	9.0%	7.9%	9.7%	10.1%	11.0%	17.3%	10.7%	9.5%	9.5%	Return on Shr. Equity	10.5%	
Cash Assets	136	117	824	7.8%	8.7%	9.4%	9.0%	7.9%	9.7%	10.1%	11.0%	17.3%	Return on Com Equity	10.5%	
Accts Receivable	271	334	352	4.7%	4.3%	4.7%	4.0%	2.5%	4.2%	4.4%	5.0%	11.4%	Retained to Com Eq	4.5%	
Other	1147	799	813	40%	50%	50%	56%	68%	56%	57%	55%	34%	All Div'ds to Net Prof	62%	
Current Assets	1554	1250	1989	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.											
Accts Payable	235	254	246	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, AWK'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.											
Debt Due	641	1456	579	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.											
Other	1265	1101	939	<i>James A. Flood</i> <i>October 6, 2023</i>											
Current Liab.	2141	2811	1764												

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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

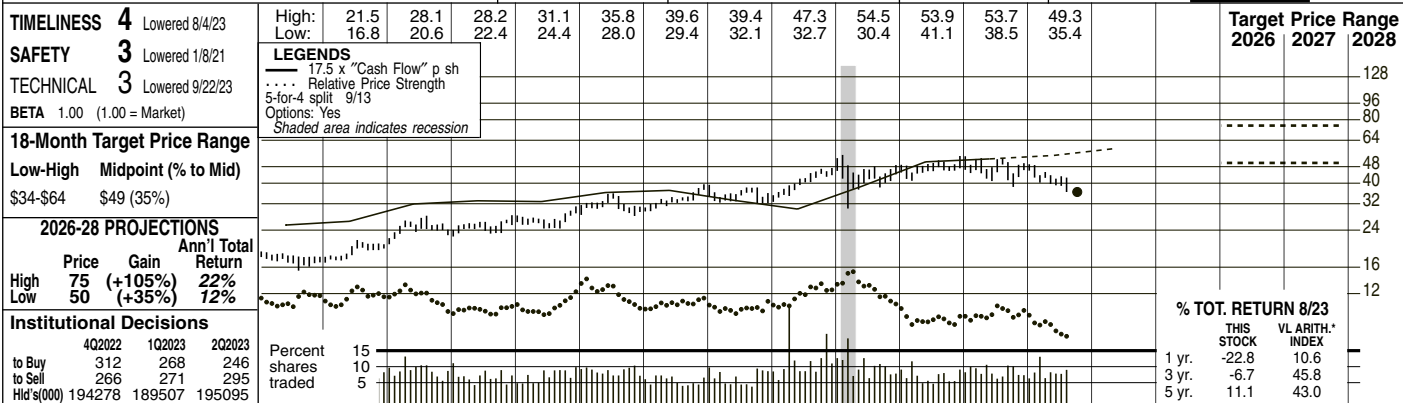
Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2020	.68	.97	1.46	.80	3.91
2021	.73	1.14	1.53	3.55	6.95
2022	.87	1.20	1.63	.81	4.51
2023	.91	1.44	1.60	.80	4.75
2024	.95	1.50	1.80	.85	5.10

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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		

(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.	(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



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	4.37	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%

CAPITAL STRUCTURE as of 6/30/23																								
Total Debt \$6862.3 mill. Due in 5 Yrs \$1400 mill.																			Revenues (Smill)		2600			
LT Debt \$6615.5 mill. LT Interest \$262.0 mill. (54% of Cap'l)																			Net Profit (Smill)		670			
Pension Assets-12/22 \$333.2 mill. Oblig. \$324.7 mill.																			Income Tax Rate		16.0%			
Pfd Stock None																			AFUDC % to Net Profit		5.0%			
Common Stock 264,505,777 shares as of 7/24/23																			Long-Term Debt Ratio		56.0%			
MARKET CAP: \$9.6 billion (Mid Cap)																			Common Equity Ratio		44.0%			
CURRENT POSITION (SMILL.)				2021	2022	6/30/23																Total Capital (Smill)		16800
Cash Assets				10.6	11.4	11.6																Net Plant (Smill)		14600
Receivables				141.0	206.3	149.9																Return on Total Cap'l		5.0%
Inventory (AvgCst)				109.6	46.6	45.3																Return on Shr. Equity		9.0%
Other				176.6	393.9	199.9																Return on Com Equity		9.0%
Current Assets				437.8	658.2	406.7																Retained to Com Eq		2.5%
Accts Payable				192.9	238.8	178.9																All Div'ds to Net Prof		70%
Debt Due				197.1	427.9	246.8																		
Other				285.1	355.2	339.4																		
Current Liab.				675.1	1021.9	765.1																		

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%. Employees 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.

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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
Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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
Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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		

(A) Diluted eps. Excl. nonrec. gains: '12, 18c. Excl. gain from disc. operations: '12, 7c; '13, 9c; '14, 11c. 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./\$.89 a share.

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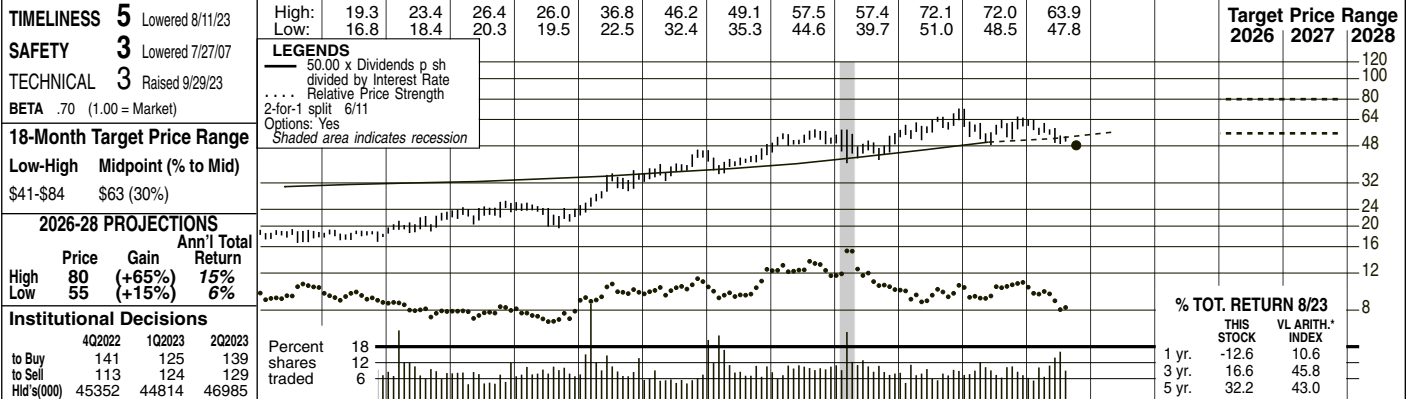
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Company's Financial Strength B++
Stock's Price Stability 90
Price Growth Persistence 80
Earnings Predictability 65

James A. Flood October 6, 2023

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**



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	<i>Bold figures are Value Line estimates</i>		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%

CAPITAL STRUCTURE as of 6/30/23				2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024			
Total Debt \$1183.9 mill. Due in 5 Yrs \$357.0 mill.				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			
LT Debt \$1052.1 mill. LT Interest \$40.0 mill.				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			
(Total interest coverage: 1.0x) (44% of Cap'l)				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%			
Pension Assets-12/22 \$637.3 mill. Oblig. \$685.3 mill.				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%			
Pfd Stock None				41.6%	40.1%	44.4%	44.6%	42.7%	49.3%	50.2%	45.9%	47.3%	44.4%	42.5%	41.7%	Long-Term Debt Ratio	38.0%			
Common Stock 57,702,000 shs.				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%			
MARKET CAP: \$2.8 billion (Mid Cap)				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			
CURRENT POSITION				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			
(SMILL.)				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%			
Cash Assets				78.4	62.1	55.6										Return on Shr. Equity	9.5%			
Other				222.1	233.4	256.3										Return on Com Equity	9.5%			
Current Assets				300.5	295.5	311.9										Retained to Com Eq	4.5%			
Accts Payable				144.4	141.0	138.3										All Div'ds to Net Prof	49%			
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.

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.

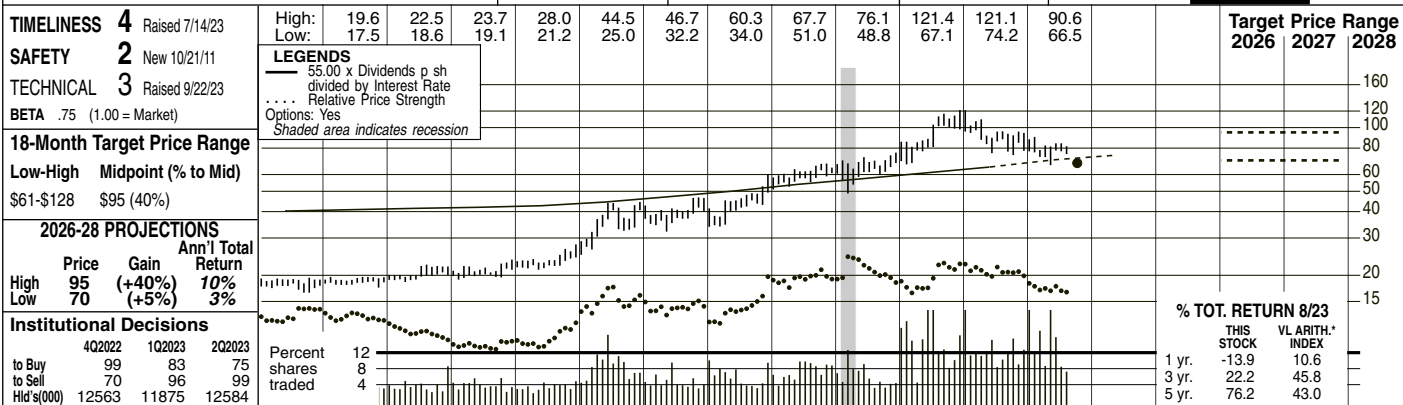
Investors with a 3- to 5-year holding period should also turn the page, for now. At the recent quotation, California Water shares offer subpar long-term capital appreciation potential. The dividend yield is below average, as well, and isn't likely to garner the interest of income-seeking accounts.

Nicholas Patrikis
October 6, 2023

(A) Basic EPS. Excl. nonrecurring gain (loss): '11, 4c. Next earnings report due late Nov.	available.	(E) Excludes non-regulated revenues.	Company's Financial Strength	B++
(B) Dividends historically paid in late Feb., May, Aug., and Nov. ■ Div'd reinvestment plan	(C) Incl. intangible assets. In '22 : \$64.6 mill., \$1.16/sh.		Stock's Price Stability	95
	(D) In millions, adjusted for split.		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**



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	3.28	3.70	3.80	3.80	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%

CAPITAL STRUCTURE as of 6/30/23		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Revenues (\$mill)	200
Total Debt \$367.9 mill. Due in 5 Yrs \$43.7 mill.		114.8	117.1	126.0	132.9	130.8	138.1	134.6	141.6	143.1	162.4	173	180			200	
LT Debt \$350.4 mill. LT Interest \$7.5 mill. (Total interest coverage: 9.3x) (46% of Cap'l)		16.6	18.4	20.0	22.7	22.8	32.5	33.9	38.4	36.5	42.4	43.0	49.0			54.0	
Pension Assets-12/22 \$84.8 mill. Oblig. \$87.8 mill. Pfd Stock \$2.4 mill. Pfd Div'd: \$.1 mill.		34.1%	35.0%	34.5%	34.0%	32.7%	2.8%	--	--	2.8%	7.1%	21.0%	21.0%			21.0%	
Common Stock 17,748,000 shs. as of 7/28/23		1.9%	1.7%	1.9%	2.7%	3.1%	1.4%	3.4%	3.9%	3.9%	3.9%	2.5%	2.5%			2.5%	
MARKET CAP: \$1.2 billion (Small Cap)		40.4%	40.5%	39.4%	37.9%	37.5%	37.8%	41.5%	44.0%	45.3%	41.9%	44.0%	41.5%			40.5%	
CURRENT POSITION (SMILL)		58.7%	58.8%	59.8%	61.5%	61.8%	61.6%	58.2%	55.7%	54.4%	57.7%	56.0%	58.0%			59.5%	
Cash Assets 3.5 3.8 4.4		321.4	335.8	345.4	355.4	370.7	404.1	556.7	621.5	676.3	692.7	742	722			720	
Other 30.9 33.5 36.2		446.5	465.4	481.9	517.8	557.2	618.5	705.7	796.6	865.4	920.6	975	985			1000	
Current Assets 34.4 37.3 40.6		5.9%	6.3%	6.6%	7.1%	6.9%	8.9%	6.7%	6.8%	6.0%	6.8%	6.0%	7.0%			8.0%	
Accts Payable 21.1 24.8 28.3		8.7%	9.2%	9.6%	10.3%	9.8%	12.9%	10.4%	11.0%	9.9%	10.5%	10.5%	11.5%			12.5%	
Debt Due 6.7 17.5 17.5		8.7%	9.3%	9.6%	10.3%	9.9%	13.0%	10.4%	11.1%	9.9%	10.6%	10.5%	11.5%			12.5%	
Other 28.8 75.6 41.8		2.4%	3.1%	3.5%	4.3%	3.8%	7.0%	5.4%	5.8%	4.6%	5.4%	5.0%	6.0%			6.0%	
Current Liab. 56.6 117.9 87.6		73%	67%	63%	58%	62%	46%	48%	48%	53%	49%	53%	49%			53%	

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.

Cal-ender	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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

Cal-ender	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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

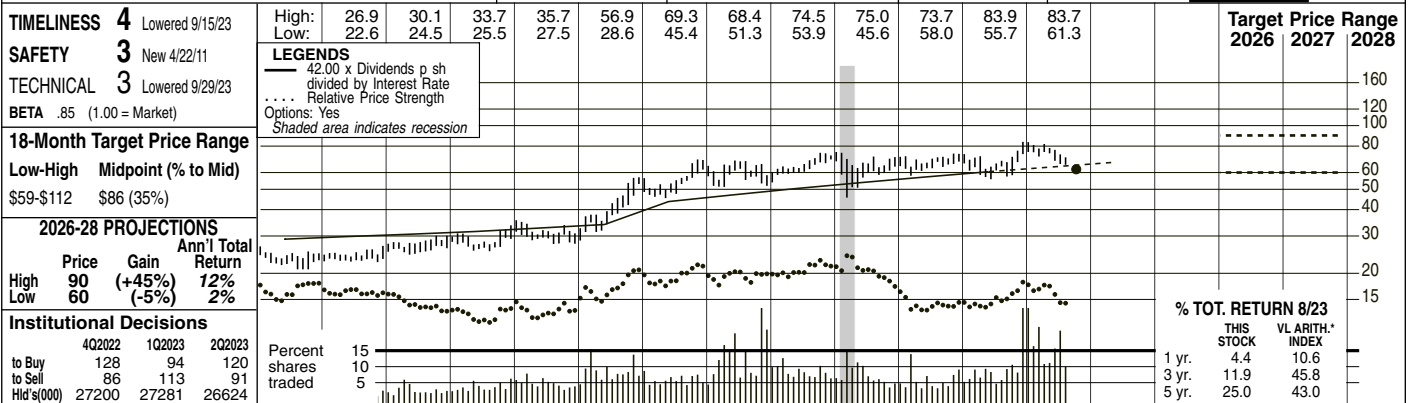
Cal-ender	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2019	.24	.24	.24	.2562	.98
2020	.2562	.2562	.2562	.2725	1.04
2021	.2725	.2725	.2725	.29	1.11
2022	.29	.29	.29	.3125	1.18
2023	.3125	.3125	.3125		

(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



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%

CAPITAL STRUCTURE as of 6/30/23		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		26-28
Total Debt \$1563.6 mill. Due in 5 Yrs \$44.3 mill.		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						
LT Debt \$1519.3 mill. LT Interest \$50.0 mill.		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						
(LT Interest Coverage: 9.2x)		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%						
(57% of Cap'l)		--	--	--	--	--	--	--	--	2.0%	6.4%	1.5%	1.5%	AFUDC % to Net Profit	1.5%						
Pension Assets-12/22 \$252.0 mill. Oblig. \$289.1 mill.		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%						
Pfd Stock None.		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%						
Common Stock 31,731,000 shs.		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						
MARKET CAP: \$2.0 billion (Mid Cap)		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						
CURRENT POSITION		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%						
(SMILL.)		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%						
Cash Assets		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%						
Accts Receivable		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%						
Accts Payable		62%	29%	42%	31%	36%	60%	NMF	59%	66%	59%	55%	54%	All Div'ds to Net Prof	55%						
Debt Due		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.																			
Other		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. <i>Nicholas Patrikis</i>																			
Current Liab.		October 6, 2023																			

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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

Cal-endar	QUARTERLY DIVIDENDS PAID ^{BD}				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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		

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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

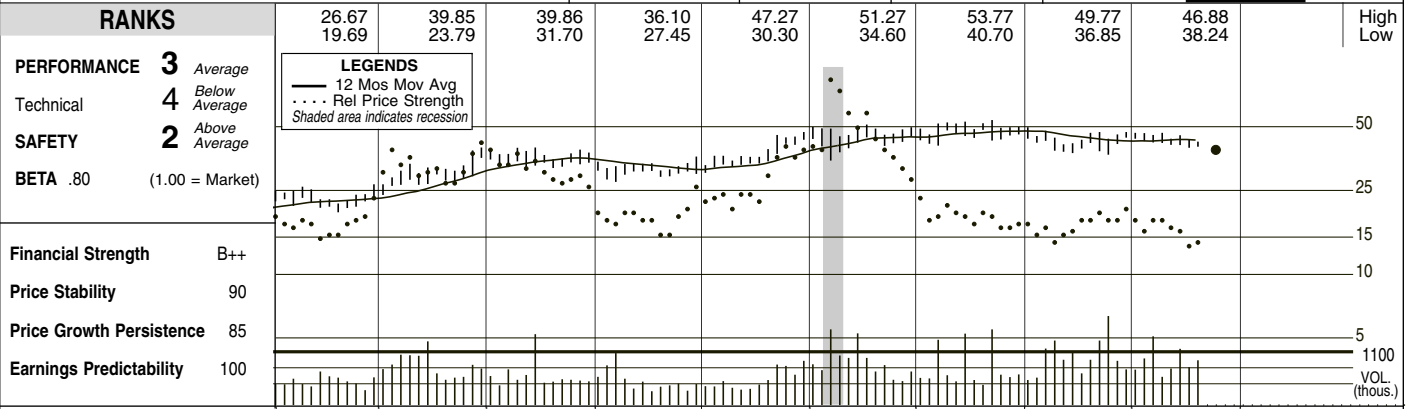
Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2020	.08	.69	.91	.46	2.14
2021	.09	.69	.64	.60	2.03
2022	.12	.38	.82	1.09	2.43
2023	.37	.58	.95	.85	2.75
2024	.45	.60	1.00	.90	2.95

Cal-endar	QUARTERLY DIVIDENDS PAID ^{BD}				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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		

(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.

YORK WATER CO NDQ--YORW

RECENT PRICE **38.85** TRAILING P/E RATIO **26.6** RELATIVE P/E RATIO **1.85** DIV'D YLD **2.1%** **VALUE LINE**



© 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%	--	

^ANo. of analysts changing earn. est. in last 25 days: 0 up, 0 down, consensus 5-year earnings growth not available. ^BBased upon one analyst's estimate. ^CBased 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.)				Full Year
	1Q	2Q	3Q	4Q	
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				Full Year
	1Q	2Q	3Q	4Q	
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				Full Year
	1Q	2Q	3Q	4Q	
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	2021	2022	6/30/23
	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.)	2021	2022	6/30/23
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

Line No.	Company	Symbol	Measures of size						
			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 Anlyzzer data weekly as of July 21, 2021.

Net Income Data (\$ millions)

Company	Symbol	2022	2021	2020	2019	2018	Average
9	American States Water	\$ 78.4	\$ 94.4	\$ 86.4	\$ 84.3	\$ 63.9	\$ 81.5
10	American Water Works	\$ 3,792.0	\$ 3,920.0	\$ 3,777.0	\$ 3,610.0	\$ 3,440.0	\$ 3,707.8
11	Essential Utilities	\$ 465.2	\$ 431.6	\$ 284.9	\$ 224.5	\$ 192.0	\$ 319.6
12	California Water	\$ 96.0	\$ 101.1	\$ 96.8	\$ 63.1	\$ 65.6	\$ 84.5
13	Middlesex	\$ 42.4	\$ 36.5	\$ 38.4	\$ 33.9	\$ 32.5	\$ 36.7
14	SJW Group	\$ 73.8	\$ 60.5	\$ 61.5	\$ 23.4	\$ 38.8	\$ 51.6
15	York Water Company	\$ 19.6	\$ 17.0	\$ 16.6	\$ 14.4	\$ 13.4	\$ 16.2
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.	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		
			<u>MV Equity</u>	<u>Book Equity</u>	<u>MVIC</u>	<u>5 Yr Avg. Net Income</u>	<u>Total Assets</u>	<u>5 Yr Avg. EBITDA</u>	<u>Sales</u>	
9	Regression Equation 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)							
	<u>Company</u>	<u>Symbol</u>	<u>MV Equity</u>	<u>Book Equity</u>	<u>MVIC</u>	<u>5 Yr Avg. Net Income</u>	<u>Total Assets</u>	<u>5 Yr Avg. EBITDA</u>	<u>Sales</u>	<u>Average</u>
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*

Line

<u>No.</u>	<u>Estimate of Risk Premium Adjustment</u>	5 -Year Historical				
	<u>Company</u>	<u>Symbol</u>	<u>OM</u>	<u>CV (OM)</u>	<u>CV(ROE)</u>	
1	American States Water	AWR	26.40%	7.98%	10.92%	
2	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%	
<u>Proxy Group Risk Differences</u>						
9	Smoothed Average Risk Premium From Equivalent D Exhibit		7.03%	9.37%	9.22%	<u>Average</u> 8.54%
10	Smoothed Average Risk Premium From Equivalent C Exhibit		10.62%	10.54%	9.88%	10.35%
11	<u>Indicated Risk Adjustment</u>		-3.60%	-1.17%	-0.66%	-1.81%
12	Possible Risk Adjustment		0.00%	to	-1.81%	<u>Recommended</u> -1.81%
<u>5 -Year Historical</u>						
13	<u>0</u>		<u>OM</u> 109.43%	<u>CV (OM)</u> 35.84%	<u>CV(ROE)</u> 61.27%	<u>Average</u> 8.48%
14	Smoothed Average Risk Premium From Equivalent D Exhibit		3.70%	11.23%	10.50%	10.35%
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%
17	Possible Risk Adjustment		0.00%	to	-1.87%	<u>Recommended</u> -1.87%

EXHIBIT TJB-COC-DT3

Liberty Utilities Rio Rico (Consolidated), Corp.
Comparative Risk Study

Exhibit TJB-COC-DT3
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Line No.										
1	<u>Operating Income EBIT (\$ in millions)</u>									
2		<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>5-Year Average</u>	<u>Std Dev.</u>	<u>Co-efficient of variation of Operating Income</u>	
3	<u>Company¹</u>	<u>Symbol</u>								
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
12	Liberty Utilities Rio Rico (Consolidated), Corp.		<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>5-year Average</u>	<u>Std Dev.</u>	<u>Co-efficient of variation of Operating Income</u>
			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	<u>Sales (\$ in millions)</u>									
15	<u>Company¹</u>	<u>Symbol</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>5-year Average</u>		
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		
23	Liberty Utilities Rio Rico (Consolidated), Corp.		<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>5-year Average</u>		
			13.81	13.65	12.44	11.42	10.96	12.46		
24	<u>Operating Margin (%)</u>									
25	<u>Company¹</u>	<u>Symbol</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>5-year Average</u>	<u>Std Dev.</u>	<u>Co-efficient of variation of Operating Margin</u>
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
34	Liberty Utilities Rio Rico (Consolidated), Corp.		<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>5-year Average</u>	<u>Std Dev.</u>	<u>Co-efficient of variation of Operating Margin</u>
			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.

Liberty Utilities Rio Rico (Consolidated), Corp.
Comparative Risk Study

Exhibit TJB-COC-DT3
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Line No.										
1	<u>Return on Equity (ROE)</u> ¹									
2										
3	<u>Company</u> ¹	<u>Symbol</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>5-year Average</u>	<u>Std Dev.</u>	<u>Co-efficient of variation of ROE</u>
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
12	Company		<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>5-year Average</u>	<u>Std Dev.</u>	<u>Co-efficient of variation of ROE</u>
			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
(also a measure of business risk)

Line No.									
3									
4	<u>Company</u> ¹	<u>Symbol</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>5-year Average</u>	
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	
			<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>5-year Average</u>	
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.
Comparative Risk Study
Beta Estimate Using Duff and Phelps Risk Study Portfolio Information

Line
No.

A. Beta Estimates for Water Sample Group and Company

	<u>Portfolio</u>	<u>Operating Margin</u>	<u>Portfolio</u>	<u>CV (Operating Margin)¹</u>	<u>Portfolio</u>	<u>CV (ROE)¹</u>		
1	Company	0	109.43%	5	35.84%	9	61.27%	
2	Proxy Group	1	33.65%	19	8.16%	21	17.78%	
			<u>Portfolio Sum Beta²</u>		<u>Portfolio Sum Beta³</u>		<u>Portfolio Sum Beta⁴</u>	<u>Average</u>
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

	<u>Value Line Beta</u>	<u>Sum Beta</u>
6	Proxy Group ⁵	0.82
7	Implied Beta for Company ⁶	0.97

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 Supplementary Data Risk Study, Companies Ranked by CV (Operating Margin).

⁴ Source is Duff & Phelps Cost of Capital Navigator 2021 Supplementary 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.		R_f^1	+	(β^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		R_f^1		$RP_M^4 \times .25$	+	(β^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		R_f^1	+	β^3	x	RP_M^5	) +	RP_s^b				
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 - Supplementary 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 - Supplementary 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