

**EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT
COST OF SERVICE SUMMARY - PRESENT RATES**

Description (1)	Cost of Service (2)	Residential (3)	Commercial (4)	Private Fire (5)
1. Revenues From Water Service - Present Rates	\$ 10,067,019	\$ 7,827,654	\$ 2,232,884	\$ 6,480
2. Other Revenues	49,953	38,533	11,382	38
3. Total Operating Revenues	\$ 10,116,972	\$ 7,866,188	\$ 2,244,267	\$ 6,518
4. Less: Operating Expenses	5,727,904	4,493,103	1,225,347	9,453
5. Return and Income Taxes	\$ 4,389,068	\$ 3,373,084	\$ 1,018,919	\$ (2,936)
6. Less: Interest Expense (Allocated by Rate Base)	883,074	678,024	204,343	706
7. Taxable Income	3,505,994	2,695,060	814,576	(3,642)
8. Less: Income Taxes (Allocated based on Line 7)	1,376,387	1,058,029	319,735	(1,376)
9. Net Return (Ln 5 - Ln 8)	\$ 3,012,681	\$ 2,315,055	\$ 699,184	\$ (1,560)
10. Original Cost Measure of Value	\$ 39,599,747	\$ 30,403,318	\$ 9,163,487	\$ 32,942
11. Rate of Return, Percent	7.61%	7.61%	7.63%	-4.74%
12. Relative Rate of Return	1.00	1.00	1.00	-0.62

**EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT
COST OF SERVICE SUMMARY - PROPOSED RATES**

Description (1)	Cost of Service (2)	Residential (3)	Commercial (4)	Private Fire (5)
1. Revenues From Water Service - Proposed Rates	\$ 9,889,473	\$ 7,743,811	\$ 2,135,941	\$ 9,720
2. Other Revenues	51,481	39,715	11,727	39
3. Total Operating Revenues	\$ 9,940,953	\$ 7,783,526	\$ 2,147,668	\$ 9,759
4. Less: Operating Expenses	5,721,421	4,487,924	1,224,061	9,436
5. Return and Income Taxes	\$ 4,219,533	\$ 3,295,602	\$ 923,608	\$ 323
6. Less: Interest Expense (Allocated by Rate Base)	883,074	678,023	204,343	706
7. Taxable Income	3,336,458	2,617,579	719,265	(383)
8. Less: Income Taxes (Allocated based on Line 7)	1,310,192	1,027,846	282,477	(131)
9. Net Return (Ln 5 - Ln 8)	\$ 2,909,340	\$ 2,267,756	\$ 641,131	\$ 454
10. Original Cost Measure of Value	\$ 39,599,746	\$ 30,403,298	\$ 9,163,508	\$ 32,940
11. Rate of Return, Percent	7.35%	7.46%	7.00%	1.38%
12. Relative Rate of Return	1.00	1.02	0.95	0.19

**EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT
RATE BASE ALLOCATION TO CLASSES OF SERVICE**

Line no. No.	Cost Function (1)	Factor Ref. - Sch G-7 (2)	Rate Base (3)	Residential (4)	Commercial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 44,563	\$ 32,152	\$ 12,411	\$ -
4						
5	Demand - Maximum Day	B	21,799,988	16,179,950	5,620,037	-
6						
7	Demand - Maximum Hour	C	12,766,844	9,900,688	2,866,156	-
8						
9	Customer Facilities - Meters	D	1,103,912	886,111	217,802	-
10						
11	Customer Facilities - Services	E	2,830,598	2,540,745	261,264	28,589
12						
13	Customer Accounting	F	172,872	158,436	12,550	1,884
14						
15	Direct Fire	G	880,971	705,217	173,287	2,467
16						
17	Total		<u>\$ 39,599,747</u>	<u>\$ 30,403,298</u>	<u>\$ 9,163,508</u>	<u>\$ 32,940</u>
18						

**EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT
EXPENSE ALLOCATION TO CLASSES OF SERVICE**

Line no. No.	Cost Function (1)	Factor Ref. - Sch G-7 (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 177,882	\$ 128,343	\$ 49,540	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	1,869,816	1,387,777	482,039	-
6						
7	Demand - Maximum Hour	C	2,385,654	1,850,075	535,579	-
8						
9	Customer Facilities - Meters	D	234,340	188,105	46,235.38	-
10						
11	Customer Facilities - Services	E	370,339	332,416	34,182.28	3,740
12						
13	Customer Accounting	F	466,863	427,880	33,894	5,089
14						
15	Direct Fire	G	216,525	173,329	42,591	606
16						
17	Total		<u>\$ 5,721,420</u>	<u>\$ 4,487,924</u>	<u>\$ 1,224,061</u>	<u>\$ 9,436</u>
18						

**EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT
RATE BASE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016 ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, CUSTOMER
ACCOUNTING AND FIRE CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Rate Base By Function	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1										
2										
3	RATE BASE									
4	Organization	9	1,831	2	1,008	590	52	131	8	41
5	Franchises	9	0	0	0	0	0	0	0	0
6	Land & Land Rights Supply	1	0	0	0	0	0	0	0	0
7	Land & Land Rights Pumping	2	0	0	0	0	0	0	0	0
8	Land & Land Rights Treatment	2	0	0	0	0	0	0	0	0
9	Land & Land Rights T&D	3	8,294	0	0	8,294	0	0	0	0
10	Land & Land Rights General	9	0	0	0	0	0	0	0	0
11	Structures & Improvements Supply	2	(1,599)	0	(1,599)	0	0	0	0	0
12	Structures & Improvements Pumping	3	907,233	0	0	907,233	0	0	0	0
13	Structures & Improvements Treatment	2	17,231,521	0	17,231,521	0	0	0	0	0
14	Structures & Improvements Trans & Dist	3	39,625	0	0	39,625	0	0	0	0
15	Structures & Improvements General	7	63,111	2,531	18,984	23,604	2,354	4,008	9,833	1,799
16	Structures & Improvements Offices	7	(46)	(2)	(14)	(17)	(2)	(3)	(7)	(1)
17	Structures & Improvements Leasehold	7	1,033	41	311	387	39	66	161	29
18	Structures & Improvements Store, Shop, Gge	7	4,075	163	1,226	1,524	152	259	635	116
19	Structures & Improvements Miscellaneous	7	28,842	1,157	8,676	10,787	1,076	1,831	4,494	822
20	Collect & Impounding	2	0	0	0	0	0	0	0	0
21	Lake, River & Other Intakes	2	0	0	0	0	0	0	0	0
22	Wells & Springs	2	1,928,990	0	1,928,990	0	0	0	0	0
23	Infiltration Galleries	2	0	0	0	0	0	0	0	0
24	Supply Mains	2	450,718	0	450,718	0	0	0	0	0
25	Power Production Equipment	3	192,109	0	0	192,109	0	0	0	0

**EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT
RATE BASE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016 ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, CUSTOMER ACCOUNTING
AND FIRE CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Rate Base By Function	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1										
2										
3	Power Production Equipment	3	319,243	0	0	319,243	0	0	0	0
4	Pumping Equipment Steam	3	0	0	0	0	0	0	0	0
5	Pumping Equipment Electric	3	2,471,301	0	0	2,471,301	0	0	0	0
6	Pumping Equipment Hydraulic	3	0	0	0	0	0	0	0	0
7	Pumping Equipment Other	3	39	0	0	39	0	0	0	0
8	Pumping Equipment Water Treatment	2	335,898	0	335,898	0	0	0	0	0
9	Water Treatment Equipment Non-Media	2	391,582	0	391,582	0	0	0	0	0
10	Water Treatment Equipment Filter Media	2	333,000	0	333,000	0	0	0	0	0
11	Distribution Reservoirs & Standpipes	3	1,703,122	0	0	1,703,122	0	0	0	0
12	TD Mains Not Classified by Size	3	4,953,863	0	0	4,953,863	0	0	0	0
13	TD Mains 4in & Less	3	970,976	0	0	970,976	0	0	0	0
14	TD Mains 6in to 8in	3	3,974,785	0	0	3,974,785	0	0	0	0
15	TD Mains 10in to 16in	2	5,877,569	0	5,877,569	0	0	0	0	0
16	TD Mains 18in & Grtr	2	452,729	0	452,729	0	0	0	0	0
17	Fire Mains	12	(0)	0	0	0	0	0	0	(0)
18	Services	4a	3,473,029	0	0	0	0	3,473,029	0	0
19	Meters	4	1,214,259	0	0	0	1,214,259	0	0	0
20	Meter Installations	4	142,298	0	0	0	142,298	0	0	0
21	Meter Vaults	4	0	0	0	0	0	0	0	0
22	Hydrants	12	1,068,215	0	0	0	0	0	0	1,068,215
23	Other P/E- Supply	2	0	0	0	0	0	0	0	0
24	Other P/E-TD	3	0	0	0	0	0	0	0	0
25	Other P/E-CPS/Intangible	9	252,539	278	138,972	81,393	7,147	18,057	1,086	5,606
26	Furniture and Equipment	7	58,042	2,327	17,459	21,708	2,165	3,686	9,043	1,654
27	Computer & Periphral Equipment	7	86,427	3,466	25,997	32,324	3,224	5,488	13,465	2,463
28	Computer Software	7	(26,424)	(1,060)	(7,948)	(9,883)	(986)	(1,678)	(4,117)	(753)
29	Other Office Equipment	7	243	10	73	91	9	15	38	7

**EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT
RATE BASE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016 ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, CUSTOMER ACCOUNTING
AND FIRE CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Rate Base By Function	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1										
2										
3	Transportation Equip Light Duty Trucks	7	190,855	7,653	57,409	71,380	7,119	12,119	29,735	5,439
4	Transportation Equip Heavy Duty Trucks	7	41,966	1,683	12,623	15,695	1,565	2,665	6,538	1,196
5	Transportation Equip Other	7	(8,517)	(342)	(2,562)	(3,185)	(318)	(541)	(1,327)	(243)
6	Stores Equipment	7	1,401	56	422	524	52	89	218	40
7	Tools, Shop, Garage Equipment	7	239,450	9,602	72,027	89,554	8,931	15,205	37,306	6,824
8	Laboratory Equipment	2	5,584	0	5,584	0	0	0	0	0
9	Power Operated Equipment	7	27,985	1,122	8,418	10,466	1,044	1,777	4,360	798
10	Communication Equipment Non-Telephone	7	(98,803)	(3,962)	(29,720)	(36,952)	(3,685)	(6,274)	(15,393)	(2,816)
11	Remote Control & Instrument	7	539,748	21,644	162,356	201,866	20,133	34,274	84,093	15,383
12	Communication Equipment Telephone	7	891	36	268	333	33	57	139	25
13	Communication Equipment Other	7	155,452	6,234	46,760	58,139	5,798	9,871	24,219	4,430
14	Miscellaneous Equipment	7	75,607	3,032	22,743	28,277	2,820	4,801	11,780	2,155
15	Other Tangible Plant	7		0	0	0	0	0	0	0
16	Total Plant in Service		\$ 50,080,089	\$ 55,671	\$ 27,561,478	\$ 16,139,193	\$ 1,415,279	\$ 3,578,931	\$ 216,306	\$ 1,113,230
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9		0	0	0	0	0	0	0
20	Customer Advances	9	(1,557,065)	(1,713)	(856,853)	(501,842)	(44,065)	(111,330)	(6,695)	(34,567)
21	Contributions in Aid of Construction	9	(8,333,345)	(9,167)	(4,585,840)	(2,685,837)	(235,834)	(595,834)	(35,833)	(185,000)
22	Construction Work in Progress	2		0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	10,331	414	3,108	3,864	385	656	1,610	294
24	Utility Plant Acq. Adjustment	9		0	0	0	0	0	0	0
25	Customer Meter Deposits	4	(15,300)	0	0	0	(15,300)	0	0	0
26	Deferred Income Taxes	9	(924,357)	(1,017)	(508,674)	(297,920)	(26,159)	(66,092)	(3,975)	(20,521)
27	Deferred Debits	9	1,290,940	1,420	710,404	416,070	36,534	92,302	5,551	28,659
28	Regulatory Liabilities	9	(951,545)	(1,047)	(523,635)	(306,683)	(26,929)	(68,035)	(4,092)	(21,124)
29										
30	Total Other Rate Base Elements		(10,480,342)	(11,109)	(5,761,490)	(3,372,349)	(311,368)	(748,333)	(43,435)	(232,259)
31										
32	Total Original Cost Measure of Value		\$ 39,599,747	\$ 44,563	\$ 21,799,988	\$ 12,766,844	\$ 1,103,912	\$ 2,830,598	\$ 172,872	\$ 880,971

**EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT**

**COST OF SERVICE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND
CUSTOMER ACCOUNTING CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1										
2										
3	OPERATION AND MAINTENANCE EXPENSES									
4										
5										
6	Labor - Source of Supply	1	58,825	\$ 58,825	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Labor - Treatment	2	92,213	-	92,213	-	-	-	-	-
8	Labor - Pumping	3	66,404	-	-	66,404	-	-	-	-
9	Labor - T&D Mains	6	505,609	-	96,622	408,987	-	-	-	-
10	Labor - T&D Storage	3	73,223	-	-	73,223	-	-	-	-
11	Labor - T&D Meters	4	54,670	-	-	-	54,670	-	-	-
12	Labor - T&D Services	4a	93,213	-	-	-	-	93,213	-	-
13	Labor - T&D Hydrants	12	41,840	-	-	-	-	-	-	41,840
14	Labor - Customer	5	88,411	-	-	-	-	-	88,411	-
15	Labor - Meter Reading	5	-	-	-	-	-	-	-	-
16	Labor - Administrative	7	21,144	848	6,360	7,908	789	1,343	3,294	603
17	Purchased Water	1	-	-	-	-	-	-	-	-
18	Fuel and Power	1	-	-	-	-	-	-	-	-
19	Chemicals	1	45,731	45,731	-	-	-	-	-	-
20	Waste Disposal	1	5,087	5,087	-	-	-	-	-	-
21	Corporate allocation	7	233,283	9,355	70,172	87,248	8,701	14,813	36,346	6,649
22	Outside Services	7	163,651	6,562	49,226	61,205	6,104	10,392	25,497	4,664
23	Group Insurance and Other Benefits	8	360,755	19,661	64,286	183,263	18,254	31,133	30,195	13,961
24	Pensions	8	-	-	-	-	-	-	-	-
25	Regulatory Expense	7	47,728	1,914	14,356	17,850	1,780	3,031	7,436	1,360
26	Insurance Other Than Group	7	78,838	3,161	23,714	29,485	2,941	5,006	12,283	2,247
27	Customer Accounting	5	186,202	-	-	-	-	-	186,202	-
28	Rents	7	29,568	1,186	8,894	11,058	1,103	1,878	4,607	843
29	General Office Expense	7	117,741	4,721	35,417	44,035	4,392	7,477	18,344	3,356
30	Miscellaneous	7	43,105	1,729	12,966	16,121	1,608	2,737	6,716	1,228
31	Maintenance Expense - Treatment	2	335,492	-	335,492	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		2,742,732	158,780	809,719	1,006,788	100,342	171,022	419,330	76,751

**EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT**

**COST OF SERVICE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND
CUSTOMER ACCOUNTING CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1										
2										
3	Fire Mains	12	-	-	-	-	-	-	-	-
4	Services	4a	146,709	-	-	-	-	146,709	-	-
5	Meters	4	104,572	-	-	-	104,572	-	-	-
6	Meter Installations	4	4,484	-	-	-	4,484	-	-	-
7	Meter Vaults	4	-	-	-	-	-	-	-	-
8	Hydrants	12	25,669	-	-	-	-	-	-	25,669
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	2	-	-	-	-	-	-	-	-
11	Other P/E-CPS/Intangible	9	-	-	-	-	-	-	-	-
12	Office Furniture & Equipment	7	13,331	535	4,010	4,986	497	847	2,077	380
13	Computer & Periphel Equipment	7	5,428	218	1,633	2,030	202	345	846	155
14	Computer Software	7	32,951	1,321	9,912	12,324	1,229	2,092	5,134	939
15	Other Office Equipment	7	19,668	789	5,916	7,356	734	1,249	3,064	561
16	Transportation Equip Light Duty Trucks	7	16	1	5	6	1	1	3	0
17	Transportation Equip Heavy Duty Trucks	7	36,912	1,480	11,103	13,805	1,377	2,344	5,751	1,052
18	Transportation Equipment Other	7	5,072	203	1,526	1,897	189	322	790	145
19	Stores Equipment	7	21,528	863	6,476	8,051	803	1,367	3,354	614
20	Tools,Shop,Garage Equipment	7	59	2	18	22	2	4	9	2
21	Laboratory Equipment	2	12,360	-	12,360	-	-	-	-	-
22	Power Operated Equipment	7	1,391	56	418	520	52	88	217	40
23	Communication Equipment Non-Telephone	7	1,287	52	387	481	48	82	201	37
24	Remote Control & Instrument	7	40,323	1,617	12,129	15,081	1,504	2,561	6,282	1,149
25	Communication Equipment Telephone	7	47,108	1,889	14,170	17,618	1,757	2,991	7,339	1,343
26	Communication Equipment Other	7	179	7	54	67	7	11	28	5
27	Miscellaneous Equipment	7	17,739	711	5,336	6,634	662	1,126	2,764	506
28	Other Tangible Plant	7	6,626	266	1,993	2,478	247	421	1,032	189
	Total Depreciation Expense		2,388,049	14,484	815,433	1,204,794	118,463	162,725	39,294	32,856

EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

Line No.	Reference	Commodity	Max Day		Max Hour	Customer Facilities		Customer Accounting	Direct Fire	Total
			Treat. & Pump.	T&D - Max Day		Meters	Services			
1										
2										
3	Factor 1 - Commodity	1.0000								1.0000
4										
5	Factor 2 - Maximum Day		1.0000							1.0000
6										
7	Factor 3 - Maximum Hour				1.0000					1.0000
8										
9	Factor 4 - Customer Facilities - Meters					1.0000				1.0000
10										
11	Factor 4A - Customer Facilities - Services						1.0000			1.0000
12										
13	Factor 5 - Customer Accounting							1.0000		1.0000
14										
15	Factor 6 - Max Day and Max Hour based on Main:			0.1911	0.8089					1.0000
16										
17	Factor 7 - Administrative and General									
18	Cost	107,962	809,719	0	1,006,788	100,342	171,022	419,330	76,751	2,615,163
19	Factor	0.0401	0.3008	0.0000	0.3740	0.0373	0.0635	0.1558	0.0285	1.0000
20										
21	Factor 8 - Labor Related Expenses									
22	Cost	59,673	195,195	0	556,521	55,459	94,555	91,705	42,443	1,095,552
23	Factor	0.0545	0.1782	0	0.508	0.0506	0.0863	0.0837	0.0387	1.0000
24										
25	Factor 9 - Rate Base Less Costs Allocated									
26	Cost	55,392	27,421,499	0	16,057,209	1,408,081	3,560,743	215,212	1,107,583	49,825,719
27	Factor	0.0011	0.5503	0	0.3223	0.0283	0.0715	0.0043	0.0222	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	44,563	21,799,988	0	12,766,844	1,103,912	2,830,598	172,872	880,971	39,599,747
31	Factor	0.0011	0.5505	0	0.3224	0.0279	0.0715	0.0044	0.0222	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	182,628	4,244,808	0	3,776,567	354,708	678,807	485,846	217,653	9,941,016
35	Factor	0.0184	0.4269	0	0.3799	0.0357	0.0683	0.0489	0.0219	1.0000
36										
37	Factor 12 - Direct Fire								1.0000	1.0000

EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT
FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASS

FACTOR A. ALLOCATION OF COMMODITY COSTS.

Factors are based on the pro forma test year average daily consumption for each customer classification.

<u>Classification</u> (1)	<u>Average Daily Consumption, 1000 Gallons</u> (2)	<u>Allocation Factor</u> (5)
Residential	6,185	0.7215
Commercial/Public	2,387	0.2785
Fire Protection	0	0.0000
Total	<u>8,573</u>	<u>1.0000</u>

FACTOR B. ALLOCATION OF MAXIMUM DAY DEMAND COSTS - TREATMENT AND PUMPING.

Factors are based on the maximum day demand for each customer classification.

<u>Customer Classification</u> (1)	<u>Average Daily Consumption, 1000 Gallons</u> (2)	<u>Peak Day Factor</u> (3)	<u>Rate of Flow, 1000 Gallons Per Day</u> (4)=(2)x(3)	<u>Allocation Factor</u> (5)
Residential	6,185	2.00	12,371	0.7422
Commercial/Public	2,387	1.80	4,297	0.2578
Total	<u>8,573</u>		<u>16,668</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT
FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASS

FACTOR C. ALLOCATION OF MAXIMUM HOUR DEMAND COSTS.

Factors are based on the maximum hour demand for each customer classification.

Customer Classification	Average Hourly Consumption, 1000 Gallons	Factor	Rate of Flow, 1000 Gallons Per Hour	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	257.7	4.00	1,030.9	0.7755
Commercial/Pubic	99.5	3.00	298.4	0.2245
	357.2		1,329.3	1.0000

EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT
FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASS

FACTOR D. ALLOCATION OF COSTS ASSOCIATED WITH METERS

Factors are based on the relative cost of meters by size and customer classification, as developed on the following

<u>Customer Classification</u> (1)	<u>5/8" Equivalents</u> (2)	<u>Allocation Factor</u> (3)
Residential	9,551	0.8027
Commercial/Public	2,347	0.1973
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>11,898</u>	<u>1.0000</u>

FACTOR E. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES

Factors are based on the relative cost of meters by size and customer classification, as developed on the following

<u>Customer Classification</u> (1)	<u>3/4" Equivalents</u> (2)	<u>Allocation Factor</u> (3)
Residential	4,803	0.8976
Commercial/Public	494	0.0923
Fire Protection	54	0.0101
	<hr/>	<hr/>
Total	<u>5,351</u>	<u>1.0000</u>

FACTOR F. ALLOCATION OF BILLING AND COLLECTING COSTS.

Factors are based on the total number of customers.

<u>Customer Classification</u> (1)	<u>Total Customers</u> (2)	<u>Allocation Factor</u> (3)
Residential	4,545	0.9165
Commercial/Public	360	0.0726
Fire Protection	54	0.0109
	<hr/>	<hr/>
Total	<u>4,959</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER OPERATIONS

Factor G - ALLOCATION OF DIRECT FIRE

Description (1)	Restrictive Diameters Squared (2)	Quantity (3)	Relative Demand* (4)=(2)x(3)	Factor G Allocation Factor (5)
<u>PRIVATE FIRE PROTECTION</u>				
<u>Fire Lines</u>				
5/8 -inch	1.0	54	54	
2 -inch	4.00	0	0	
3 -inch	9.00	0	0	
4 -inch	16.00	-	0	
6 -inch	36.00	0	0	
8 -inch	64.00	0	0	
10 -inch	100.00	0	0	
12 -inch	144.00	0	0	
Private Hydrants	28.50	0	0	
Total Private Fire Protection		<u>54</u>	<u>54</u>	0.0028
<u>PUBLIC FIRE PROTECTION</u>				
<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	<u>684</u>	<u>19,494</u>
Total Public Fire Protection			684	19,494
Total Fire Protection			738	19,548
<u>REALLOCATE PUBLIC FIRE</u>				
		<u>Meter Equivalents</u>	<u>Allocation of Public Fire</u>	<u>Allocation of Public Fire Using Factor</u>
	Residential	9,551	0.8027	0.8005
	Commercial/Public	2,347	0.1973	0.1967
		<u>11,898</u>	<u>1.0000</u>	<u>0.9972</u>

EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT
BASIS FOR ALLOCATING METER COSTS TO CUSTOMER CLASSIFICATIONS

Meter Size	5/8" Equivalent	Residential		Commercial		Total	
		Number of Services	Weighting (4)=(2)X(3)	Number of Services	Weighting (6)=(2)X(5)	Number of Services	Weighting
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)
5/8 and 3/4"	1.00	2,104	2,104	70	70	2,174	2,174
1	2.50	2,100	5,250	75	188	2,175	5,438
1-1/2	5.00	177	885	29	145	206	1,030
2	8.00	164	1,312	158	1,264	322	2,576
3	15.00	0	0	17	255	17	255
4	25.00	0	0	5	125	5	125
6	50.00	0	0	6	300	6	300
8	80.00	0	0	0	0	0	0
10	115.00	0	0	0	0	0	0
Total		<u>4,545</u>	<u>9,551</u>	<u>360</u>	<u>2,347</u>	<u>4,905</u>	<u>11,898</u>

EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT
BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS

Service Size	3/4" Equivalent	Residential		Commercial		Fire Projection		Total	
		Number of Services	Weighting (4)=(2)X(3)	Number of Services	Weighting (6)=(2)X(5)	Number of Services	Weighting (8)=(2)X(7)	Number of Services	Weighting (10)
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)=(2)X(7)	(9)	(10)
3/4	1.00	2,104	2,104	70	70	54	54	2,228	2,228
1	1.06	2,100	2,226	75	80		0	2,175	2,306
1-1/2	1.28	177	227	29	37		0	206	264
2	1.50	164	246	158	237		0	322	483
3	2.37	0	0	17	40		0	17	40
4	2.50	0	0	5	13		0	5	13
6	2.79	0	0	6	17		0	6	17
8	3.11	0	0	0	0		0	0	0
10	4.12	0	0	0	0		0	0	0
12	4.65	0	0	0	0		0	0	0
Total		4,545	4,803	360	494	54	54	4,959	5,351

**EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT**

**COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2016**

Customer Classification	Cost of Service		Revenues, Present Rates		Revenues, Proposed Rates		Proposed Increase	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent Increase
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Residential	\$ 7,684,516	77.7%	\$ 7,827,654	77.7%	\$ 7,743,811	78.3%	\$ (83,843)	-1.1%
Commercial	2,192,323	22.2%	\$ 2,232,884	22.2%	2,135,941	21.6%	(96,943)	-4.3%
Private Fire	<u>12,695</u>	<u>0.1%</u>	<u>6,480</u>	<u>0.1%</u>	<u>9,720</u>	<u>0.1%</u>	<u>3,240</u>	50.0%
Total Sales	9,889,535	100.0%	10,067,018	<u>100.0%</u>	9,889,472	<u>100.0%</u>	(177,546)	-1.8%
Other Revenues	<u>51,480</u>		<u>49,953</u>		<u>51,480</u>		<u>1,527</u>	3.1%
Total	<u>\$ 9,941,015</u>		<u>\$ 10,116,972</u>		<u>\$ 9,940,952</u>		<u>\$ (176,019)</u>	-1.7%

**EPCOR WATER ARIZONA INC.
PARADISE VALLEY WATER DISTRICT**

ALLOCATION OF TOTAL COST OF SERVICE BY COST FUNCTION TO CUSTOMER CLASSIFICATION

Line no. No.	Cost Function	Factor Ref	Total Cost of Service	Residential	Commercial	Private Fire
1	(1)	(2)	(3)	(4)	(5)	(6)
2						
3	Commodity	A	\$ 181,680	\$ 131,082	\$ 50,598	\$ -
4						
5	Demand - Maximum Day	B	4,222,831	3,134,185	1,088,646	-
6						
7	Demand - Maximum Hour	C	3,757,009	2,913,560	843,449	-
8						
9	Customer Facilities - Meters	D	352,870	283,250	69,621	-
10						
11	Customer Facilities - Services	E	675,291	606,141	62,329	6,820
12						
13	Customer Accounting	F	483,328	442,969	35,090	5,268
14						
15	Direct Fire	G	<u>216,525</u>	<u>173,329</u>	<u>42,591</u>	<u>606</u>
16						
17	Total		<u>\$ 9,889,535</u>	<u>\$ 7,684,516</u>	<u>\$ 2,192,323</u>	<u>\$ 12,695</u>
18						