

**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	49,954	38,073	11,852	29
3. Total Operating Revenues	\$ 10,116,973	\$ 7,865,727	\$ 2,244,736	\$ 6,509
4. Less: Operating Expenses	7,593,248	5,830,125	1,753,971	9,151
5. Return and Income Taxes	\$ 2,523,725	\$ 2,035,602	\$ 490,765	\$ (2,642)
6. Less: Interest Expense (Allocated by Rate Base)	883,074	677,760	204,608	706
7. Taxable Income	1,640,650	1,357,843	286,157	(3,349)
8. Less: Income Taxes (Allocated based on Line 7)	422,307	349,501	73,650	(845)
9. Net Return (Ln 5 - Ln 8)	\$ 2,101,418	\$ 1,686,101	\$ 417,115	\$ (1,797)
10. Original Cost Measure of Value	\$ 39,828,869	\$ 30,568,244	\$ 9,228,812	\$ 31,812
11. Rate of Return, Percent	5.28%	5.52%	4.52%	-5.65%
12. Relative Rate of Return	1.00	1.05	0.86	-1.07

**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	\$ 11,096,136	\$ 9,001,927	\$ 2,084,489	\$ 9,720
2. Other Revenues	51,476	39,257	12,189	31
3. Total Operating Revenues	\$ 11,147,613	\$ 9,041,183	\$ 2,096,678	\$ 9,751
4. Less: Operating Expenses	7,633,319	5,862,175	1,761,881	9,264
5. Return and Income Taxes	\$ 3,514,293	\$ 3,179,008	\$ 334,798	\$ 487
6. Less: Interest Expense (Allocated by Rate Base)	883,074	677,759	204,608	706
7. Taxable Income	2,631,219	2,501,249	130,190	(219)
8. Less: Income Taxes (Allocated based on Line 7)	674,868	641,530	33,406	(67)
9. Net Return (Ln 5 - Ln 8)	\$ 2,839,425	\$ 2,537,478	\$ 301,392	\$ 554
10. Original Cost Measure of Value	\$ 39,828,869	\$ 30,568,448	\$ 9,228,595	\$ 31,826
11. Rate of Return, Percent	7.13%	8.30%	3.27%	1.74%
12. Relative Rate of Return	1.00	1.16	0.46	0.24

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**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	\$ 50,332	\$ 36,315	\$ 14,017	\$ -
4						
5	Demand - Maximum Day	B	21,772,965	16,159,894	5,613,070	-
6						
7	Demand - Maximum Hour	C	13,024,678	10,100,638	2,924,040	-
8						
9	Customer Facilities - Meters	D	1,139,322	914,535	224,788	-
10						
11	Customer Facilities - Services	E	2,667,955	2,394,757	246,252	26,946
12						
13	Customer Accounting	F	196,796	180,363	14,287	2,145
14						
15	Direct Fire	G	976,822	781,946	192,141	2,735
16						
17	Total		<u>\$ 39,828,871</u>	<u>\$ 30,568,448</u>	<u>\$ 9,228,595</u>	<u>\$ 31,826</u>
18						

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

Line no. No.	Cost Function	Factor Ref. - Sch G-7	Cost of Service	Residential	Commercial	Private Fire
	(1)	(2)	(3)	(4)	(5)	(6)
1						
2						
3	Commodity	A	\$ 2,178,583	\$ 1,571,848	\$ 606,735	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	1,819,902	1,350,731	469,171	-
6						
7	Demand - Maximum Hour	C	2,370,400	1,838,245	532,155	-
8						
9	Customer Facilities - Meters	D	232,908	186,955	45,952.70	-
10						
11	Customer Facilities - Services	E	355,913	319,468	32,850.81	3,595
12						
13	Customer Accounting	F	466,370	427,428	33,858	5,083
14						
15	Direct Fire	G	209,244	167,500	41,158	586
16						
17	Total		<u>\$ 7,633,320</u>	<u>\$ 5,862,175</u>	<u>\$ 1,761,881</u>	<u>\$ 9,264</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	<u>RATE BASE</u>									
4	Organization	9	1,831	2	1,001	598	53	123	9	45
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	913,363	0	0	913,363	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	67,589	2,704	20,385	25,177	2,508	4,278	10,618	1,920
16	Structures & Improvements Offices	7	25,115	1,005	7,575	9,355	932	1,590	3,946	713
17	Structures & Improvements Leasehold	7	1,033	41	312	385	38	65	162	29
18	Structures & Improvements Store,Shop,Gge	7	4,075	163	1,229	1,518	151	258	640	116
19	Structures & Improvements Miscellaneous	7	28,967	1,159	8,736	10,790	1,075	1,834	4,551	823
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	1,705,343	0	1,705,343	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	2,690,990	0	0	2,690,990	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	465,564	0	465,564	0	0	0	0	0
10	Water Treatment Equipment Filter Media	2	335,269	0	335,269	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	5,052,982	0	0	5,052,982	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	3,869,111	0	0	3,869,111	0	0	0	0
15	TD Mains 10in to 16in	2	5,867,370	0	5,867,370	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	3,248,932	0	0	0	0	3,248,932	0	0
19	Meters	4	1,248,630	0	0	0	1,248,630	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	1,181,060	0	0	0	0	0	0	1,181,060
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	324,130	389	177,169	105,958	9,400	21,717	1,556	7,941
26	Furniture and Equipment	7	103,575	4,143	31,238	38,582	3,843	6,556	16,272	2,942
27	Computer & Periphral Equipment	7	55,603	2,224	16,770	20,712	2,063	3,520	8,735	1,579
28	Computer Software	7	(368)	(15)	(111)	(137)	(14)	(23)	(58)	(10)
29	Other Office Equipment	7	243	10	73	90	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	Demand		Customer Facilities		Customer Accounting	Direct Fire	
				Commodity	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	236,520	9,461	71,334	88,104	8,775	14,972	37,157	6,717
4	Transportation Equip Heavy Duty Trucks	7	41,966	1,679	12,657	15,632	1,557	2,656	6,593	1,192
5	Transportation Equip Other	7	(5,884)	(235)	(1,775)	(2,192)	(218)	(372)	(924)	(167)
6	Stores Equipment	7	1,401	56	423	522	52	89	220	40
7	Tools, Shop, Garage Equipment	7	263,550	10,542	79,487	98,172	9,778	16,683	41,404	7,485
8	Laboratory Equipment	2	5,584	0	5,584	0	0	0	0	0
9	Power Operated Equipment	7	61,161	2,446	18,446	22,783	2,269	3,872	9,608	1,737
10	Communication Equipment Non-Telephone	7	(134,271)	(5,371)	(40,496)	(50,016)	(4,981)	(8,499)	(21,094)	(3,813)
11	Remote Control & Instrument	7	539,748	21,590	162,788	201,056	20,025	34,166	84,794	15,329
12	Communication Equipment Telephone	7	891	36	269	332	33	56	140	25
13	Communication Equipment Other	7	155,452	6,218	46,884	57,906	5,767	9,840	24,422	4,415
14	Miscellaneous Equipment	7	91,601	3,664	27,627	34,121	3,398	5,798	14,390	2,601
15	Other Tangible Plant	7	0	0	0	0	0	0	0	0
16	Total Plant in Service		\$ 50,293,102	\$ 61,910	\$ 27,490,418	\$ 16,439,304	\$ 1,457,440	\$ 3,368,125	\$ 243,179	\$ 1,232,724
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9	0	0	0	0	0	0	0	0
20	Customer Advances	9	(1,566,649)	(1,880)	(856,330)	(512,138)	(45,433)	(104,965)	(7,520)	(38,383)
21	Contributions in Aid of Construction	9	(8,333,345)	(10,000)	(4,555,007)	(2,724,171)	(241,667)	(558,334)	(40,000)	(204,167)
22	Construction Work in Progress	2	0	0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	24,765	991	7,469	9,225	919	1,568	3,891	703
24	Utility Plant Acq. Adjustment	9	0	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	(543,417)	(652)	(297,032)	(177,643)	(15,759)	(36,409)	(2,608)	(13,314)
27	Deferred Debits	9	1,290,940	1,549	705,628	422,008	37,437	86,493	6,197	31,628
28	Regulatory Liabilities	9	(1,321,225)	(1,585)	(722,182)	(431,909)	(38,316)	(88,522)	(6,342)	(32,370)
29										
30	Total Other Rate Base Elements		(10,464,231)	(11,578)	(5,717,453)	(3,414,626)	(318,118)	(700,170)	(46,383)	(255,902)
31										
32	Total Original Cost Measure of Value		\$ 39,828,870	\$ 50,332	\$ 21,772,965	\$ 13,024,678	\$ 1,139,322	\$ 2,667,955	\$ 196,796	\$ 976,822

**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	Demand		Customer Facilities		Customer Accounting	Direct Fire	
				Commodity	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	846	6,377	7,876	784	1,338	3,322	600
17	Purchased Water	1	599,455	599,455	-	-	-	-	-	-
18	Fuel and Power	1	1,402,317	1,402,317	-	-	-	-	-	-
19	Chemicals	1	45,731	45,731	-	-	-	-	-	-
20	Waste Disposal	1	5,168	5,168	-	-	-	-	-	-
21	Corporate allocation	7	233,555	9,342	70,440	86,999	8,665	14,784	36,691	6,633
22	Outside Services	7	160,637	6,425	48,448	59,837	5,960	10,168	25,236	4,562
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	-	-	-	-	-	-	-	-
26	Insurance Other Than Group	7	81,975	3,279	24,724	30,536	3,041	5,189	12,878	2,328
27	Customer Accounting	5	190,128	-	-	-	-	-	190,128	-
28	Rents	7	29,568	1,183	8,918	11,014	1,097	1,872	4,645	840
29	General Office Expense	7	114,692	4,588	34,591	42,723	4,255	7,260	18,018	3,257
30	Miscellaneous	7	43,761	1,750	13,198	16,301	1,624	2,770	6,875	1,243
31	Maintenance Expense - Treatment	2	339,726	-	339,726	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		4,703,019	2,158,571	799,543	987,163	98,350	167,727	416,399	75,265

**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	Demand		Customer Facilities		Customer Accounting	Direct Fire	
				Commodity	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	140,800	-	-	-	-	140,800	-	-
5	Meters	4	106,046	-	-	-	106,046	-	-	-
6	Meter Installations	4	4,493	-	-	-	4,493	-	-	-
7	Meter Vaults	4	-	-	-	-	-	-	-	-
8	Hydrants	12	27,393	-	-	-	-	-	-	27,393
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	2	-	-	-	-	-	-	-	-
11	Other P/E-CPS/Intangible	9	-	-	-	-	-	-	-	-
12	Office Furniture & Equipment	7	17,138	686	5,169	6,384	636	1,085	2,692	487
13	Computer & Peripheral Equipment	7	7,840	314	2,364	2,920	291	496	1,232	223
14	Computer Software	7	26,113	1,045	7,876	9,727	969	1,653	4,102	742
15	Other Office Equipment	7	25,126	1,005	7,578	9,359	932	1,590	3,947	714
16	Transportation Equip Light Duty Trucks	7	16	1	5	6	1	1	3	0
17	Transportation Equip Heavy Duty Trucks	7	40,020	1,601	12,070	14,907	1,485	2,533	6,287	1,137
18	Transportation Equipment Other	7	5,081	203	1,533	1,893	189	322	798	144
19	Stores Equipment	7	21,767	871	6,565	8,108	808	1,378	3,420	618
20	Tools,Shop,Garage Equipment	7	60	2	18	22	2	4	9	2
21	Laboratory Equipment	2	13,341	-	13,341	-	-	-	-	-
22	Power Operated Equipment	7	1,394	56	420	519	52	88	219	40
23	Communication Equipment Non-Telephone	7	2,470	99	745	920	92	156	388	70
24	Remote Control & Instrument	7	37,587	1,503	11,336	14,001	1,394	2,379	5,905	1,067
25	Communication Equipment Telephone	7	47,206	1,888	14,237	17,584	1,751	2,988	7,416	1,341
26	Communication Equipment Other	7	179	7	54	67	7	11	28	5
27	Miscellaneous Equipment	7	17,775	711	5,361	6,621	659	1,125	2,793	505
28	Other Tangible Plant	7	7,784	311	2,348	2,899	289	493	1,223	221
	Total Depreciation Expense		2,407,255	14,813	814,140	1,224,998	120,216	157,311	40,977	34,801

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 Mains			0.1911	0.8089					1.0000
16										
17	Factor 7 - Administrative and General									
18	Cost	105,900	799,543	0	987,163	98,350	167,727	416,399	75,265	2,575,083
19	Factor	0.0400	0.3016	0.0000	0.3725	0.0371	0.0633	0.1571	0.0284	1.0000
20										
21	Factor 8 - Labor Related Expenses									
22	Cost	59,671	195,212	0	556,489	55,455	94,551	91,733	42,441	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	61,519	27,312,248	0	16,332,747	1,447,987	3,346,286	241,615	1,224,738	49,967,141
27	Factor	0.0012	0.5466	0	0.3269	0.029	0.067	0.0048	0.0245	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	50,332	21,772,965	0	13,024,678	1,139,322	2,667,955	196,796	976,822	39,828,870
31	Factor	0.0013	0.5467	0	0.327	0.0286	0.067	0.0049	0.0245	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	2,183,265	3,788,929	0	3,548,143	335,915	597,225	484,018	210,217	11,147,711
35	Factor	0.1958	0.3399	0	0.3183	0.0301	0.0536	0.0434	0.0189	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.

Classification (1)	Average Daily Consumption, 1000 Gallons (2)	Allocation Factor (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.

Customer Classification (1)	Average Daily Consumption, 1000 Gallons (2)	Peak Day Factor (3)	Rate of Flow, 1000 Gallons Per Day (4)=(2)x(3)	Allocation Factor (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

PUBLIC FIRE PROTECTION

<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

REALLOCATE PUBLIC FIRE

	<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 (1)	5/8" Equivalent (2)	Residential		Commercial		Total	
		Number of Services (3)	Weighting (4)=(2)X(3)	Number of Services (5)	Weighting (6)=(2)X(5)	Number of Services (7)	Weighting (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	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting
(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		<u>4,545</u>	<u>4,803</u>	<u>360</u>	<u>494</u>	<u>54</u>	<u>54</u>	<u>4,959</u>	<u>5,351</u>

**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	\$ 8,517,032	76.8%	\$ 7,827,654	77.7%	\$ 9,001,927	81.1%	\$ 1,174,273	15.0%
Commercial	2,567,362	23.1%	\$ 2,232,884	22.2%	2,084,489	18.8%	(148,395)	-6.6%
Private Fire	11,841	0.1%	6,480	0.1%	9,720	0.1%	3,240	50.0%
Total Sales	11,096,235	100.0%	10,067,018	<u>100.0%</u>	11,096,136	<u>100.0%</u>	1,029,117	10.2%
Other Revenues	51,475		49,953		51,475		1,522	3.0%
Total	<u>\$ 11,147,711</u>		<u>\$ 10,116,972</u>		<u>\$ 11,147,611</u>		<u>\$ 1,030,639</u>	10.2%

**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 (1)	Factor Ref (2)	Total Cost of Service (3)	Residential (4)	Commercial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 2,173,186	\$ 1,567,954	\$ 605,232	\$ -
4						
5	Demand - Maximum Day	B	3,771,433	2,799,158	972,275	-
6						
7	Demand - Maximum Hour	C	3,531,758	2,738,878	792,880	-
8						
9	Customer Facilities - Meters	D	334,366	268,396	65,970	-
10						
11	Customer Facilities - Services	E	594,466	533,592	54,869	6,004
12						
13	Customer Accounting	F	481,784	441,554	34,978	5,251
14						
15	Direct Fire	G	209,244	167,500	41,158	586
16						
17	Total		<u>\$ 11,096,236</u>	<u>\$ 8,517,032</u>	<u>\$ 2,567,362</u>	<u>\$ 11,841</u>
18						