

**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	51,476	39,260	12,185	31
3. Total Operating Revenues	\$ 10,118,494	\$ 7,866,914	\$ 2,245,069	\$ 6,511
4. Less: Operating Expenses	7,595,205	5,833,661	1,752,312	9,231
5. Return and Income Taxes	\$ 2,523,290	\$ 2,033,253	\$ 492,757	\$ (2,720)
6. Less: Interest Expense (Allocated by Rate Base)	883,074	677,760	204,608	706
7. Taxable Income	1,640,215	1,355,493	288,148	(3,426)
8. Less: Income Taxes (Allocated based on Line 7)	674,887	557,659	118,578	(1,417)
9. Net Return (Ln 5 - Ln 8)	\$ 1,848,403	\$ 1,475,594	\$ 374,179	\$ (1,303)
10. Original Cost Measure of Value	\$ 39,829,793	\$ 30,569,283	\$ 9,228,678	\$ 31,832
11. Rate of Return, Percent	4.64%	4.83%	4.05%	-4.09%
12. Relative Rate of Return	1.00	1.04	0.87	-0.88

**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	\$ 11,057,226	\$ 8,969,117	\$ 2,078,388	\$ 9,720
2. Other Revenues	51,476	39,260	12,185	31
3. Total Operating Revenues	\$ 11,108,702	\$ 9,008,377	\$ 2,090,573	\$ 9,751
4. Less: Operating Expenses	7,595,205	5,833,661	1,752,312	9,231
5. Return and Income Taxes	\$ 3,513,497	\$ 3,174,716	\$ 338,261	\$ 520
6. Less: Interest Expense (Allocated by Rate Base)	883,074	677,759	204,608	706
7. Taxable Income	2,630,423	2,496,957	133,653	(186)
8. Less: Income Taxes (Allocated based on Line 7)	674,887	640,670	34,284	(67)
9. Net Return (Ln 5 - Ln 8)	\$ 2,838,610	\$ 2,534,046	\$ 303,977	\$ 587
10. Original Cost Measure of Value	\$ 39,829,793	\$ 30,569,283	\$ 9,228,678	\$ 31,832
11. Rate of Return, Percent	7.13%	8.29%	3.29%	1.84%
12. Relative Rate of Return	1.00	1.16	0.46	0.26

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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	\$ 50,369	\$ 36,341	\$ 14,028	\$ -
4						
5	Demand - Maximum Day	B	21,771,524	16,158,824	5,612,699	-
6						
7	Demand - Maximum Hour	C	13,026,273	10,101,875	2,924,398	-
8						
9	Customer Facilities - Meters	D	1,139,512	914,688	224,826	-
10						
11	Customer Facilities - Services	E	2,668,170	2,394,950	246,272	26,949
12						
13	Customer Accounting	F	197,098	180,639	14,309	2,148
14						
15	Direct Fire	G	976,848	781,967	192,146	2,735
16						
17	Total		<u>\$ 39,829,795</u>	<u>\$ 30,569,283</u>	<u>\$ 9,228,678</u>	<u>\$ 31,832</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	\$ 2,156,618	\$ 1,556,001	\$ 600,618	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	1,811,299	1,344,345	466,953	-
6						
7	Demand - Maximum Hour	C	2,366,558	1,835,266	531,292	-
8						
9	Customer Facilities - Meters	D	232,546	186,664	45,881.25	-
10						
11	Customer Facilities - Services	E	355,222	318,848	32,787.02	3,588
12						
13	Customer Accounting	F	464,065	425,316	33,691	5,058
14						
15	Direct Fire	G	208,897	167,222	41,090	585
16						
17	Total		<u>\$ 7,595,204</u>	<u>\$ 5,833,661</u>	<u>\$ 1,752,312</u>	<u>\$ 9,231</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	1,001	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	20,311	25,231	2,514	4,285	10,625	1,920
16	Structures & Improvements Offices	7	25,115	1,005	7,547	9,375	934	1,592	3,948	713
17	Structures & Improvements Leasehold	7	1,033	41	311	386	38	66	162	29
18	Structures & Improvements Store,Shop,Gge	7	4,075	163	1,224	1,521	152	258	641	116
19	Structures & Improvements Miscellaneous	7	28,967	1,159	8,705	10,813	1,078	1,837	4,554	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	31,124	38,665	3,853	6,567	16,282	2,942
27	Computer & Periphral Equipment	7	55,603	2,224	16,709	20,757	2,068	3,525	8,741	1,579
28	Computer Software	7	(368)	(15)	(111)	(137)	(14)	(23)	(58)	(10)
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	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	71,074	88,293	8,799	14,995	37,181	6,717
4	Transportation Equip Heavy Duty Trucks	7	41,966	1,679	12,611	15,666	1,561	2,661	6,597	1,192
5	Transportation Equip Other	7	(5,884)	(235)	(1,768)	(2,196)	(219)	(373)	(925)	(167)
6	Stores Equipment	7	1,401	56	421	523	52	89	220	40
7	Tools, Shop, Garage Equipment	7	263,550	10,542	79,197	98,383	9,804	16,709	41,430	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	18,379	22,832	2,275	3,878	9,615	1,737
10	Communication Equipment Non-Telephone	7	(134,271)	(5,371)	(40,349)	(50,123)	(4,995)	(8,513)	(21,107)	(3,813)
11	Remote Control & Instrument	7	539,748	21,590	162,194	201,488	20,079	34,220	84,848	15,329
12	Communication Equipment Telephone	7	891	36	268	332	33	56	140	25
13	Communication Equipment Other	7	155,452	6,218	46,713	58,030	5,783	9,856	24,437	4,415
14	Miscellaneous Equipment	7	91,601	3,664	27,526	34,195	3,408	5,807	14,400	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	\$ 27,488,727	\$ 16,440,534	\$ 1,457,594	\$ 3,368,279	\$ 243,333	\$ 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	25,690	1,028	7,720	9,590	956	1,629	4,038	730
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		(10,463,307)	(11,541)	(5,717,203)	(3,414,261)	(318,082)	(700,109)	(46,235)	(255,876)
31										
32	Total Original Cost Measure of Value		\$ 39,829,795	\$ 50,369	\$ 21,771,524	\$ 13,026,273	\$ 1,139,512	\$ 2,668,170	\$ 197,098	\$ 976,848

**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	6,354	7,893	787	1,341	3,324	600
17	Purchased Water	1	601,592	601,592	-	-	-	-	-	-
18	Fuel and Power	1	1,380,523	1,380,523	-	-	-	-	-	-
19	Chemicals	1	43,975	43,975	-	-	-	-	-	-
20	Waste Disposal	1	5,096	5,096	-	-	-	-	-	-
21	Corporate allocation	7	229,981	9,199	69,109	85,852	8,555	14,581	36,153	6,531
22	Outside Services	7	158,311	6,332	47,572	59,097	5,889	10,037	24,886	4,496
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	81,876	3,275	24,604	30,564	3,046	5,191	12,871	2,325
27	Customer Accounting	5	189,613	-	-	-	-	-	189,613	-
28	Rents	7	29,568	1,183	8,885	11,038	1,100	1,875	4,648	840
29	General Office Expense	7	109,296	4,372	32,843	40,800	4,066	6,929	17,181	3,104
30	Miscellaneous	7	43,180	1,727	12,976	16,119	1,606	2,738	6,788	1,226
31	Maintenance Expense - Treatment	2	335,978	-	335,978	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		4,665,295	2,136,606	791,442	983,241	97,973	167,037	414,071	74,925

**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	5,150	6,398	638	1,087	2,694	487
13	Computer & Peripheral Equipment	7	7,840	314	2,356	2,927	292	497	1,232	223
14	Computer Software	7	26,113	1,045	7,847	9,748	971	1,656	4,105	742
15	Other Office Equipment	7	25,126	1,005	7,550	9,379	935	1,593	3,950	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	12,026	14,939	1,489	2,537	6,291	1,137
18	Transportation Equipment Other	7	5,081	203	1,527	1,897	189	322	799	144
19	Stores Equipment	7	21,767	871	6,541	8,126	810	1,380	3,422	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	419	520	52	88	219	40
23	Communication Equipment Non-Telephone	7	2,470	99	742	922	92	157	388	70
24	Remote Control & Instrument	7	37,587	1,503	11,295	14,031	1,398	2,383	5,909	1,067
25	Communication Equipment Telephone	7	47,206	1,888	14,185	17,622	1,756	2,993	7,421	1,341
26	Communication Equipment Other	7	179	7	54	67	7	11	28	5
27	Miscellaneous Equipment	7	17,775	711	5,341	6,636	661	1,127	2,794	505
28	Other Tangible Plant	7	7,784	311	2,339	2,906	290	493	1,224	221
	Total Depreciation Expense		2,407,255	14,813	813,853	1,225,206	120,242	157,337	41,003	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	105,421	791,442	0	983,241	97,973	167,037	414,071	74,925	2,559,185
19	Factor	0.0400	0.3005	0.0000	0.3733	0.0372	0.0634	0.1572	0.0284	1.0000
20										
21	Factor 8 - Labor Related Expenses									
22	Cost	59,671	195,188	0	556,506	55,457	94,553	91,735	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	27,310,557	0	16,333,978	1,448,141	3,346,440	241,769	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	50,369	21,771,524	0	13,026,273	1,139,512	2,668,170	197,098	976,848	39,829,795
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	2,161,300	3,780,378	0	3,544,331	335,556	596,540	481,714	209,869	11,109,688
35	Factor	0.1945	0.3403	0	0.319	0.0302	0.0537	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	<u>0</u>	<u>0</u>	
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
				0.9972
Total Fire Protection			738	19,548
				1.0000
<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 (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	\$ 8,488,585	76.8%	\$ 7,827,654	77.7%	\$ 8,969,117	81.1%	\$ 1,141,463	14.6%
Commercial	2,557,819	23.1%	\$ 2,232,884	22.2%	2,078,388	18.8%	(154,496)	-6.9%
Private Fire	11,808	0.1%	6,480	0.1%	9,720	0.1%	3,240	50.0%
Total Sales	11,058,212	100.0%	10,067,018	<u>100.0%</u>	11,057,226	<u>100.0%</u>	990,207	9.8%
Other Revenues	51,475		49,953		51,475		1,522	3.0%
Total	<u>\$ 11,109,687</u>		<u>\$ 10,116,972</u>		<u>\$ 11,108,701</u>		<u>\$ 991,729</u>	9.8%

**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	\$ 2,151,288	\$ 1,552,154	\$ 599,134	\$ -
4						
5	Demand - Maximum Day	B	3,762,861	2,792,795	970,066	-
6						
7	Demand - Maximum Hour	C	3,527,911	2,735,895	792,016	-
8						
9	Customer Facilities - Meters	D	334,001	268,104	65,898	-
10						
11	Customer Facilities - Services	E	593,776	532,973	54,805	5,997
12						
13	Customer Accounting	F	479,480	439,442	34,810	5,226
14						
15	Direct Fire	G	208,897	167,222	41,090	585
16						
17	Total		<u>\$ 11,058,213</u>	<u>\$ 8,488,585</u>	<u>\$ 2,557,819</u>	<u>\$ 11,808</u>
18						