

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
TOM FORESE
DOUG LITTLE

2015 NOV -6 P 3:33

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF EPCOR WATER ARIZONA, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BY ITS MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WATER DISTRICT, TUBAC WATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT.

DOCKET NO. WS-01303A-14-0010

DECISION NO. 75268

NOTICE OF COMPLIANCE
FILING
PLAN OF ADMINISTRATION –
POWER COST ADJUSTOR
MECHANISM

1 In compliance with Decision No. 75268, issued on September 8, 2015, EPCOR Water
2 Arizona Inc. (“Company”) hereby files the attached Plans of Administration (“Plan”) for the
3 Power Cost Adjustor Mechanism for the Paradise Valley Water District, Sun City Water District,
4 Tubac Water District, Mohave Water District and Mohave Wastewater District as compliance
5 items in this docket. The Company has worked closely with Commission Staff to develop these
6 Plans which are acceptable to Staff.

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Respectfully submitted on November 6, 2015.

Arizona Corporation Commission

DOCKETED

NOV 10 2015



Sandra L. Murrey

Sandra L. Murrey
EPCOR Water Arizona Inc.
2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

1 Original and 13 copies **filed**
2 on November 6, 2015, with:
3
4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington Street
7 Phoenix, Arizona 85007
8

9 Copies of the foregoing **emailed**
10 on November 6, 2015 to:

11
12 Brian K. Bozzo
13 Compliance and Enforcement Manager
14 Utilities Division
15 1200 West Washington Street
16 Phoenix, AZ 85007
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1 Administration regarding its tank maintenance program for the Paradise Valley Water District, in a
2 form acceptable to Staff, and file the Plan of Administration within 60 days of the effective date of
3 this Decision, with Docket Control, as a compliance item in this docket.

4 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall prepare a Plan of
5 Administration regarding the Power Cost Adjustor Mechanism, in a form acceptable to Staff, and file
6 the Plan of Administration within 60 days of the effective date of this Decision, with Docket Control,
7 as a compliance item in this docket.

8 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall evaluate, in a cost
9 effective manner, the depreciation rates it proposes for the next rate case for each Division.

10 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall file a rate case for all of
11 its systems by no later than July 1, 2018, using a 2017 test year, and include in the application rate
12 consolidation options as an alternative to treating all of the systems as independent.

13 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc.'s proposed low income tariffs
14 are approved. The Company is authorized to defer revenues lost associated with the Mohave
15 Wastewater District low income program and may request recovery of the deferred amount in its next
16 rate case.

17 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc.'s proposed SIB mechanism is
18 approved, subject to the conditions and requirements discussed herein.

19 IT IS FURTHER ORDERED that the implementation of the proposed SIB mechanism is
20 stayed pending further order of the Commission.

21 IT IS FURTHER ORDERED that the depreciation rates set forth in Exhibits A through E,
22 attached hereto, are adopted.

23 IT IS FURTHER ORDERED that in the event EPCOR Water Arizona, Inc. places any plant-
24 in service in the accounts referenced in Footnote 1 of Exhibits A through E, attached hereto, the
25 Company is directed to file an application proposing a depreciation rate for such accounts, and Staff
26 shall prepare a Recommended Order for the Commission's consideration that proposes an appropriate
27 depreciation rate for those accounts to be effective beginning with the plant in-service date.

28 IT IS FURTHER ORDERED that, with respect to the Paradise Valley tank maintenance

**PLAN OF ADMINISTRATION
POWER COST ADJUSTOR MECHANISM**

MOHAVE WATER

**EPCOR Water Arizona Inc.
Mohave Water District
Power Cost Adjustor Mechanism
Plan of Administration**

This Plan of Administration (“Plan”) relates to the administration of EPCOR Water Arizona Inc.’s (“EPCOR” or the “Company”) Power Cost Adjustor Mechanism (“Mechanism”) for its Mohave Water District. The purpose of the Plan is to describe how EPCOR will administer the Mechanism as approved by the Arizona Corporation Commission in Docket No. WS-01303A-14-0010. This plan is being filed as required in Decision Number 75268 issued September 8, 2015.

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I. Overview

EPCOR is an Arizona public service corporation engaged in providing water utility service in several different parts of Arizona pursuant to a Certificate of Convenience and Necessity granted by the Arizona Corporation Commission.

II. General Description

This document is the Plan of Administration (“POA”) for the Purchased Power Adjustment Mechanism (“PPAM”) approved for EPCOR Water Company (“EPCOR” or “Company”) by the Arizona Corporation Commission (“ACC” or “Commission”) in Decision No. 75268 on September 8, 2015. The PPAM allows the Company to pass through to its customers the increase or decrease in purchased power costs that result from a rate change for any ACC regulated electric service provider supplying retail service to the Company.

III. PPAM Related Filings

- A. The Company shall file with docket control an analysis of the actual impact on the Company’s purchased power costs of Commission authorized rate changes in the approved tariff for any ACC-regulated electric service provider supplying retail service to the Company. The first report will be based on the period July 1, 2015 through June 30, 2016 to be consistent with the Test Year approved in the decision. This report will be filed within 60 days of the end of the reporting period, August 30, 2016, and then annually thereafter. The adjustor will be effective 30 days after the annual filing, October 1, 2016, and then annually thereafter.
- B. EPCOR will provide the ACC with spreadsheets detailing exactly how EPCOR’s purchased power expenses were calculated in the time period prior to a change in the rate that EPCOR must pay for purchased power. These calculations will include basic service charges and rate and volume figures. That is, EPCOR 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, EPCOR will provide the same information, and

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 EPCOR's control and how much is due to a change in the amount of power that EPCOR consumes. EPCOR will only recover increases or refund decreases that are due to changes in rates.

The actual amounts recovered from or refunded to customers will be separately identified by EPCOR and recorded in a balancing account. As part of each annual filing the Company will perform a reconciliation for the prior reporting period comparing the amounts recovered/refunded from customers to the amount of increase/decrease in power expense due to change in rates for that same period resulting in either an under/(over) recovery. This true-up amount will be included in the next annual calculation. See Exhibit 2.

- C. All revised schedules filed with the Commission pursuant to the provisions of this PPAM will be accompanied by documentation prepared by EPCOR in a format approved by the Utilities Division Staff of the Commission and will contain sufficient detail to enable the Commission to verify the accuracy of EPCOR's calculations.
- D. The surcharges will not become effective until approved by the Commission.
- E. The Company will file a report annually (attached to the 60 day compliance filing in section A) with the Commission, detailing its purchased power costs and any conservation or power-shifting measures employed by the Company.
- F. The Company shall provide a sample notice (for approval by Staff) of the surcharge decrease or surcharge increase to customers (attached to the 60 day compliance filing in section A). The Company may update the figures (and/or tables) contained in the notice for any changes resulting from Staff's review of the calculation, without requiring additional submittal and approval of the notice. This notice is intended to be provided to customers by direct mail,

insert, or electronically upon approval of the Power Cost Adjustor Mechanism by the Commission. Customers will be noticed in the next billing cycle after the surcharge is approved. In subsequent years, customers will be notified of the change (increase or decrease) to the surcharge via text notification on the bill messaging.

IV. Application to Water Customers

- A. The calculated increase or decrease in rates for the system must amount to at least \$.01 per thousand gallons, after rounding the calculation, before an adjustment can be made. If the calculation results in a positive or negative value change of less than \$.01 per thousand gallons, the increase or decrease will be carried over to the next year. In the event of a carry over, such increase or decrease, including the prior year's adjustment, will be subject to true-up.
- B. The pass-through calculation must use the actual water loss factor for the period, but cannot be greater than an allowable 10% loss factor.
- C. See Exhibit 1 for a hypothetical calculation consistent with the methodology discussed above. The calculation is intended to allow for recovery of the power expenses over a period of up to 12 months.

Example

<i>Pass Through Calculation</i>	
Current Year Purchased Power Example	\$125,000
Test Year Purchased Power Expense	\$100,000
Increase in Purchased Power Expense Due to Rate Increase	\$25,000
Thousands of Gallons Pumped	400,000
Expense Increase Per Thousand Gallons Pumped	\$0.0625
Expense Increase Per Thousand Gallons Pumped (Rounded)	\$0.0600

<i>PPAM Charge on Sample Customer Bill</i>	
Expense Increase Per Thousand Gallons Pumped (Rounded)	\$0.0600
Actual Thousand Gallons Used	5
PPAM Charge on Sample Customer Bill	\$1.25

**EPCOR WATER ARIZONA
PURCHASED POWER ADJUSTOR MECHANISM
SAMPLE WATER COMPANY CALCULATION**

APS Billing Determinants
7A (Corporate) Electricity
Accruals
APS Increase (already in rates)

Total Expense

Kgals Pumped July 2015 to June 2016

Expense Increase per Kgal Sold

PPAM Charge to Sample Customer Bill

5,000 Gallons
10,000 Gallons
15,000 Gallons

	SURCHARGE YEAR 1 *		SURCHARGE YEAR 2 *	
TEST YEAR (BASE)	July 2015 to June 2016	Annual Increase (Decrease) to PP Expense	July 2016 to June 2017	Annual Increase (Decrease) to PP Expense
\$	1,221,448	\$ 1,322,290	\$ 1,361,959	\$ 140,511
\$	3,263	\$ 3,923	\$ 4,041	\$ 778
\$	63,635	\$ 63,635	\$ 63,635	\$ -
\$	41,231	\$ -	\$ -	\$ (41,231)
\$	1,329,577	\$ 1,389,848	\$ 1,429,635	\$ 100,058 [B]
			(Over)/Under Collection Year 1	\$ 18,230 [C] (Exhibit 2)
			Total Expense To Collect Year 2	\$ 118,287
				3,322,723
				\$ 0.04
				\$ 0.20
				\$ 0.40
				\$ 0.60

< New Surcharge (Increase to Surcharge .02)

* These calculations are for the purposes of illustrating the mechanism, they will be updated annually using the most recent 12 months ended June.

**EPCOR WATER ARIZONA
PURCHASED POWER ADJUSTOR MECHANISM
SAMPLE WATER COMPANY BALANCE ACCOUNT**

SURCHARGE YEAR 1		
	DR	CR
Regulatory Balancing Account		
Balance Carried Forward		
Year 1 Purchased Power Expense to Recover [A]	\$ 60,272	
October 2016 Surcharges billed		\$ 5,245
November 2016 Surcharges billed		\$ 4,534
December 2016 Surcharges billed		\$ 3,386
January 2017 Surcharges billed		\$ 3,595
February 2017 Surcharges billed		\$ 3,400
March 2017 Surcharges billed		\$ 4,054
April 2017 Surcharges billed		\$ 4,942
May 2017 Surcharges billed		\$ 6,064
June 2017 Surcharges billed		\$ 6,821
Over / (Under) Collection Year 1		\$ (18,230) [C]

SURCHARGE YEAR 2		
	DR	CR
Regulatory Balancing Account		
Balance Carried Forward from year 1 [C]	\$ 18,230	
Year 2 Purchased Power Expense to Recover [B]	\$ 100,058	
July 2017 Surcharges Billed		7,139
August 2017 Surcharges Billed		6,245
September 2017 Surcharges Billed		4,845
October 2017 Surcharges Billed		10,294
November 2017 Surcharges billed		8,889
December 2017 Surcharges billed		6,844
January 2018 Surcharges billed		7,056
February 2018 Surcharges billed		6,673
March 2018 Surcharges billed		7,957
April 2018 Surcharges billed		9,700
May 2018 Surcharges billed		11,901
June 2018 Surcharges billed		13,387
Over/ (Under) Collection Year 2		\$ (17,547)

Surcharge Year 2 effective month

**PLAN OF ADMINISTRATION
POWER COST ADJUSTOR MECHANISM**

PARADISE VALLEY WATER

**EPCOR Water Arizona Inc.
Paradise Valley Water District
Power Cost Adjustor Mechanism
Plan of Administration**

This Plan of Administration (“Plan”) relates to the administration of EPCOR Water Arizona Inc.’s (“EPCOR” or the “Company”) Power Cost Adjustor Mechanism (“Mechanism”) for its Paradise Valley Water District. The purpose of the Plan is to describe how EPCOR will administer the Mechanism as approved by the Arizona Corporation Commission in Docket No. WS-01303A-14-0010. This plan is being filed as required in Decision Number 75268 issued September 8, 2015.

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I. Overview

EPCOR is an Arizona public service corporation engaged in providing water utility service in several different parts of Arizona pursuant to a Certificate of Convenience and Necessity granted by the Arizona Corporation Commission.

II. General Description

This document is the Plan of Administration (“POA”) for the Purchased Power Adjustment Mechanism (“PPAM”) approved for EPCOR Water Company (“EPCOR” or “Company”) by the Arizona Corporation Commission (“ACC” or “Commission”) in Decision No. 75268 on September 8, 2015. The PPAM allows the Company to pass through to its customers the increase or decrease in purchased power costs that result from a rate change for any ACC regulated electric service provider supplying retail service to the Company.

III. PPAM Related Filings

- A. The Company shall file with docket control an analysis of the actual impact on the Company’s purchased power costs of Commission authorized rate changes in the approved tariff for any ACC-regulated electric service provider supplying retail service to the Company. The first report will be based on the period July 1, 2015 through June 30, 2016 to be consistent with the Test Year approved in the decision. This report will be filed within 60 days of the end of the reporting period, August 30, 2016, and then annually thereafter. The adjustor will be effective 30 days after the annual filing, October 1, 2016, and then annually thereafter.
- B. EPCOR will provide the ACC with spreadsheets detailing exactly how EPCOR’s purchased power expenses were calculated in the time period prior to a change in the rate that EPCOR must pay for purchased power. These calculations will include basic service charges and rate and volume figures. That is, EPCOR 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, EPCOR will provide the same information, and

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 EPCOR's control and how much is due to a change in the amount of power that EPCOR consumes. EPCOR will only recover increases or refund decreases that are due to changes in rates.

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- B. The pass-through calculation must use the actual water loss factor for the period, but cannot be greater than an allowable 10% loss factor.
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Example

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Thousands of Gallons Pumped	400,000
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Expense Increase Per Thousand Gallons Pumped (Rounded)	\$0.0600

<i>PPAM Charge on Sample Customer Bill</i>	
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Actual Thousand Gallons Used	5
PPAM Charge on Sample Customer Bill	\$1.25

**EPCOR WATER ARIZONA
PURCHASED POWER ADJUSTOR MECHANISM
SAMPLE WATER COMPANY CALCULATION**

APS Billing Determinants
7A (Corporate) Electricity
Accruals
APS Increase (already in rates)
Total Expense

	SURCHARGE YEAR 1 *		Annual Increase (Decrease) to PP Expense
TEST YEAR (BASE)	July 2015 to June 2016	July 2016 to June 2017	
\$ 1,221,448	\$ 1,322,290	\$ 1,361,959	\$ 140,511
\$ 3,263	\$ 3,923	\$ 4,041	\$ 778
\$ 63,635	\$ 63,635	\$ 63,635	\$ -
\$ 41,231	\$ -	\$ -	\$ (41,231)
\$ 1,329,577	\$ 1,389,848	\$ 1,429,635	\$ 100,058
		(Over)/Under Collection Year 1	\$ 18,230
		Total Expense To Collect Year 2	\$ 118,287
			3,257,572
			\$ 0.02
			\$ 0.10
			\$ 0.20
			\$ 0.30

Kgals Pumped July 2015 to June 2016

Expense Increase per Kgal Sold

PPAM Charge to Sample Customer Bill

5,000 Gallons
10,000 Gallons
15,000 Gallons

	SURCHARGE YEAR 2 *		Annual Increase (Decrease) to PP Expense
TEST YEAR (BASE)	July 2016 to June 2017	July 2017 to June 2018	
\$ 1,221,448	\$ 1,361,959	\$ 1,429,635	\$ 100,058
\$ 3,263	\$ 4,041	\$ 4,041	\$ 778
\$ 63,635	\$ 63,635	\$ 63,635	\$ -
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			3,322,723
			\$ 0.04
			\$ 0.20
			\$ 0.40
			\$ 0.60

[B]

[C] (Exhibit 2)

< New Surcharge (Increase to Surcharge .02)

* These calculations are for the purposes of illustrating the mechanism, they will be updated annually using the most recent 12 months ended June.

**EPCOR WATER ARIZONA
PURCHASED POWER ADJUSTOR MECHANISM
SAMPLE WATER COMPANY BALANCE ACCOUNT**

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	DR	CR
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Surcharge Year 2 effective month

**PLAN OF ADMINISTRATION
POWER COST ADJUSTOR MECHANISM**

SUN CITY WATER

**EPCOR Water Arizona Inc.
Sun City Water District
Power Cost Adjustor Mechanism
Plan of Administration**

This Plan of Administration (“Plan”) relates to the administration of EPCOR Water Arizona Inc.’s (“EPCOR” or the “Company”) Power Cost Adjustor Mechanism (“Mechanism”) for its Sun City Water District. The purpose of the Plan is to describe how EPCOR will administer the Mechanism as approved by the Arizona Corporation Commission in Docket No. WS-01303A-14-0010. This plan is being filed as required in Decision Number 75268 issued September 8, 2015.

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Example

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PPAM Charge on Sample Customer Bill

Expense Increase Per Thousand Gallons Pumped (Rounded)	\$0.0600
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PPAM Charge on Sample Customer Bill	\$1.25

**EPCOR WATER ARIZONA
PURCHASED POWER ADJUSTOR MECHANISM
SAMPLE WATER COMPANY CALCULATION**

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Accruals
APS Increase (already in rates)
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Expense Increase per Kgal Sold

PPAM Charge to Sample Customer Bill

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15,000 Gallons

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\$	63,635	\$	63,635
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			118,287
			3,322,723
			\$ 0.02
			\$ 0.10
			\$ 0.20
			\$ 0.30

Annual Increase (Decrease) to PP Expense	Annual Increase (Decrease) to PP Expense
\$ 100,842	\$ 140,511
\$ 660	\$ 778
\$ -	\$ -
\$ (41,231)	\$ (41,231)
\$ 60,272 [A]	\$ 100,058 [B]
	\$ 18,230 [C] (Exhibit 2)
	\$ 118,287
	\$ 3,322,723
	\$ 0.04
	\$ 0.20
	\$ 0.40
	\$ 0.60

< New Surcharge (Increase to Surcharge .02)

* These calculations are for the purposes of illustrating the mechanism, they will be updated annually using the most recent 12 months ended June.

**EPCOR WATER ARIZONA
PURCHASED POWER ADJUSTOR MECHANISM
SAMPLE WATER COMPANY BALANCE ACCOUNT**

SURCHARGE YEAR 1		
	DR	CR
Regulatory Balancing Account		
Balance Carried Forward		
Year 1 Purchased Power Expense to Recover [A]	\$ 60,272	
October 2016 Surcharges billed		\$ 5,245
November 2016 Surcharges billed		\$ 4,534
December 2016 Surcharges billed		\$ 3,386
January 2017 Surcharges billed		\$ 3,595
February 2017 Surcharges billed		\$ 3,400
March 2017 Surcharges billed		\$ 4,054
April 2017 Surcharges billed		\$ 4,942
May 2017 Surcharges billed		\$ 6,064
June 2017 Surcharges billed		\$ 6,821
Over / (Under) Collection Year 1		\$ (18,230) [C]

SURCHARGE YEAR 2		
	DR	CR
Regulatory Balancing Account		
Balance Carried Forward from year 1 [C]	\$ 18,230	
Year 2 Purchased Power Expense to Recover [B]	\$ 100,058	
July 2017 Surcharges Billed		7,139
August 2017 Surcharges Billed		6,245
September 2017 Surcharges Billed		4,845
October 2017 Surcharges Billed		10,294
November 2017 Surcharges billed		8,899
December 2017 Surcharges billed		6,644
January 2018 Surcharges billed		7,056
February 2018 Surcharges billed		6,673
March 2018 Surcharges billed		7,957
April 2018 Surcharges billed		9,700
May 2018 Surcharges billed		11,901
June 2018 Surcharges billed		13,387
Over/ (Under) Collection Year 2		\$ (17,547)

Surcharges Year 2 effective month

**PLAN OF ADMINISTRATION
POWER COST ADJUSTOR MECHANISM**

TUBAC WATER

**EPCOR Water Arizona Inc.
Tubac Water District
Power Cost Adjustor Mechanism
Plan of Administration**

This Plan of Administration (“Plan”) relates to the administration of EPCOR Water Arizona Inc.’s (“EPCOR” or the “Company”) Power Cost Adjustor Mechanism (“Mechanism”) for its Tubac Water District. The purpose of the Plan is to describe how EPCOR will administer the Mechanism as approved by the Arizona Corporation Commission in Docket No. WS-01303A-14-0010. This plan is being filed as required in Decision Number 75268 issued September 8, 2015.

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I. Overview

EPCOR is an Arizona public service corporation engaged in providing water utility service in several different parts of Arizona pursuant to a Certificate of Convenience and Necessity granted by the Arizona Corporation Commission.

II. General Description

This document is the Plan of Administration ("POA") for the Purchased Power Adjustment Mechanism ("PPAM") approved for EPCOR Water Company ("EPCOR" or "Company") by the Arizona Corporation Commission ("ACC" or "Commission") in Decision No. 75268 on September 8, 2015. The PPAM allows the Company to pass through to its customers the increase or decrease in purchased power costs that result from a rate change for any ACC regulated electric service provider supplying retail service to the Company.

III. PPAM Related Filings

- A. The Company shall file with docket control an analysis of the actual impact on the Company's purchased power costs of Commission authorized rate changes in the approved tariff for any ACC-regulated electric service provider supplying retail service to the Company. The first report will be based on the period July 1, 2015 through June 30, 2016 to be consistent with the Test Year approved in the decision. This report will be filed within 60 days of the end of the reporting period, August 30, 2016, and then annually thereafter. The adjustor will be effective 30 days after the annual filing, October 1, 2016, and then annually thereafter.
- B. EPCOR will provide the ACC with spreadsheets detailing exactly how EPCOR's purchased power expenses were calculated in the time period prior to a change in the rate that EPCOR must pay for purchased power. These calculations will include basic service charges and rate and volume figures. That is, EPCOR 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, EPCOR will provide the same information, and

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 EPCOR's control and how much is due to a change in the amount of power that EPCOR consumes. EPCOR will only recover increases or refund decreases that are due to changes in rates.

The actual amounts recovered from or refunded to customers will be separately identified by EPCOR and recorded in a balancing account. As part of each annual filing the Company will perform a reconciliation for the prior reporting period comparing the amounts recovered/refunded from customers to the amount of increase/decrease in power expense due to change in rates for that same period resulting in either an under/(over) recovery. This true-up amount will be included in the next annual calculation. See Exhibit 2.

- C. All revised schedules filed with the Commission pursuant to the provisions of this PPAM will be accompanied by documentation prepared by EPCOR in a format approved by the Utilities Division Staff of the Commission and will contain sufficient detail to enable the Commission to verify the accuracy of EPCOR's calculations.
- D. The surcharges will not become effective until approved by the Commission.
- E. The Company will file a report annually (attached to the 60 day compliance filing in section A) with the Commission, detailing its purchased power costs and any conservation or power-shifting measures employed by the Company.
- F. The Company shall provide a sample notice (for approval by Staff) of the surcharge decrease or surcharge increase to customers (attached to the 60 day compliance filing in section A). The Company may update the figures (and/or tables) contained in the notice for any changes resulting from Staff's review of the calculation, without requiring additional submittal and approval of the notice. This notice is intended to be provided to customers by direct mail,

insert, or electronically upon approval of the Power Cost Adjustor Mechanism by the Commission. Customers will be noticed in the next billing cycle after the surcharge is approved. In subsequent years, customers will be notified of the change (increase or decrease) to the surcharge via text notification on the bill messaging.

IV. Application to Water Customers

- A. The calculated increase or decrease in rates for the system must amount to at least \$.01 per thousand gallons, after rounding the calculation, before an adjustment can be made. If the calculation results in a positive or negative value change of less than \$.01 per thousand gallons, the increase or decrease will be carried over to the next year. In the event of a carry over, such increase or decrease, including the prior year's adjustment, will be subject to true-up.
- B. The pass-through calculation must use the actual water loss factor for the period, but cannot be greater than an allowable 10% loss factor.
- C. See Exhibit 1 for a hypothetical calculation consistent with the methodology discussed above. The calculation is intended to allow for recovery of the power expenses over a period of up to 12 months.

Example

<i>Pass Through Calculation</i>	
Current Year Purchased Power Example	\$125,000
Test Year Purchased Power Expense	\$100,000
Increase in Purchased Power Expense Due to Rate Increase	\$25,000
Thousands of Gallons Pumped	400,000
Expense Increase Per Thousand Gallons Pumped	\$0.0625
Expense Increase Per Thousand Gallons Pumped (Rounded)	\$0.0600

<i>PPAM Charge on Sample Customer Bill</i>	
Expense Increase Per Thousand Gallons Pumped (Rounded)	\$0.0600
Actual Thousand Gallons Used	5
PPAM Charge on Sample Customer Bill	\$1.25

**EPCOR WATER ARIZONA
PURCHASED POWER ADJUSTOR MECHANISM
SAMPLE WATER COMPANY CALCULATION**

	SURCHARGE YEAR 1 * 2016			SURCHARGE YEAR 2 * 2017		
TEST YEAR (BASE)	July 2015 to June 2016	Annual Increase (Decrease) to PP Expense	July 2016 to June 2017	Annual Increase (Decrease) to PP Expense		
APS Billing Determinants	\$ 1,221,448	\$ 1,322,290	\$ 1,361,959	\$ 140,511		
7A (Corporate) Electricity	\$ 3,263	\$ 3,923	\$ 4,041	\$ 778		
Accruals	\$ 63,635	\$ 63,635	\$ 63,635	\$ -		
APS Increase (already in rates)	\$ 41,231	\$ -	\$ -	\$ (41,231)		
Total Expense	\$ 1,329,577	\$ 1,389,848	\$ 1,429,635	\$ 100,058	[B]	
			(Over)/Under Collection Year 1	\$ 18,230	[C]	(Exhibit 2)
			Total Expense To Collect Year 2	\$ 118,287		
				3,322,723		
				\$ 0.04		< New Surcharge (Increase to Surcharge .02)
Kgals Pumped July 2015 to June 2016						
Expense Increase per Kgal Sold						
PPAM Charge to Sample Customer Bill						
5,000 Gallons				\$ 0.10		
10,000 Gallons				\$ 0.20		
15,000 Gallons				\$ 0.30		

* These calculations are for the purposes of illustrating the mechanism, they will be updated annually using the most recent 12 months ended June.

**EPCOR WATER ARIZONA
PURCHASED POWER ADJUSTOR MECHANISM
SAMPLE WATER COMPANY BALANCE ACCOUNT**

SURCHARGE YEAR 1		
	DR	CR
Regulatory Balancing Account		
Balance Carried Forward		
Year 1 Purchased Power Expense to Recover [A]	\$ 60,272	
October 2016 Surcharges billed		\$ 5,245
November 2016 Surcharges billed		\$ 4,534
December 2016 Surcharges billed		\$ 3,386
January 2017 Surcharges billed		\$ 3,595
February 2017 Surcharges billed		\$ 3,400
March 2017 Surcharges billed		\$ 4,054
April 2017 Surcharges billed		\$ 4,942
May 2017 Surcharges billed		\$ 6,064
June 2017 Surcharges billed		\$ 6,821
Over / (Under) Collection Year 1		\$ (18,230) [C]

SURCHARGE YEAR 2		
	DR	CR
Regulatory Balancing Account		
Balance Carried Forward from year 1 [C]	\$ 18,230	
Year 2 Purchased Power Expense to Recover [B]	\$ 100,058	
July 2017 Surcharges Billed		7,139
August 2017 Surcharges Billed		6,245
September 2017 Surcharges Billed		4,845
October 2017 Surcharges Billed		10,294
November 2017 Surcharges billed		8,899
December 2017 Surcharges billed		6,644
January 2018 Surcharges billed		7,056
February 2018 Surcharges billed		6,673
March 2018 Surcharges billed		7,957
April 2018 Surcharges billed		9,700
May 2018 Surcharges billed		11,901
June 2018 Surcharges billed		13,387
Over/ (Under) Collection Year 2		\$ (17,547)

Surcharge Year 2 effective month

**PLAN OF ADMINISTRATION
POWER COST ADJUSTOR MECHANISM**

MOHAVE WASTEWATER

**EPCOR Water Arizona Inc.
Mohave Wastewater District
Power Cost Adjustor Mechanism
Plan of Administration**

This Plan of Administration (“Plan”) relates to the administration of EPCOR Water Arizona Inc.’s (“EPCOR” or the “Company”) Power Cost Adjustor Mechanism (“Mechanism”) for its Mohave Wastewater District. The purpose of the Plan is to describe how EPCOR will administer the Mechanism as approved by the Arizona Corporation Commission in Docket No. WS-01303A-14-0010. This plan is being filed as required in Decision Number 75268 issued September 8, 2015.

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IV. Application to Wastewater Customers..... 5

I. Overview

EPCOR is an Arizona public service corporation engaged in providing water utility service in several different parts of Arizona pursuant to a Certificate of Convenience and Necessity granted by the Arizona Corporation Commission.

II. General Description

This document is the Plan of Administration (“POA”) for the Purchased Power Adjustment Mechanism (“PPAM”) approved for EPCOR Water Company (“EPCOR” or “Company”) by the Arizona Corporation Commission (“ACC” or “Commission”) in Decision No. 75268 on September 8, 2015. The PPAM allows the Company to pass through to its customers the increase or decrease in purchased power costs that result from a rate change for any ACC regulated electric service provider supplying retail service to the Company.

III. PPAM Related Filings

A. The Company shall file with docket control an analysis of the actual impact on the Company’s purchased power costs of Commission authorized rate changes in the approved tariff for any ACC-regulated electric service provider supplying retail service to the Company. The first report will be based on the period July 1, 2015 through June 30, 2016 to be consistent with the Test Year approved in the decision. This report will be filed within 60 days of the end of the reporting period, August 30, 2016, and then annually thereafter. The adjustor will be effective 30 days after the annual filing, October 1, 2016, and then annually thereafter.

B. EPCOR will provide the ACC with spreadsheets detailing exactly how EPCOR’s purchased power expenses were calculated in the time period prior to a change in the rate that EPCOR must pay for purchased power. These calculations will include basic service charges and rate and volume figures. That is, EPCOR 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, EPCOR will provide the same information, and 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 EPCOR's control and how much is due to a change in the amount of power that EPCOR consumes. EPCOR will only recover increases or refund decreases that are due to changes in rates.

The actual amounts recovered from or refunded to customers will be separately identified by EPCOR and recorded in a balancing account. As part of each annual filing the Company will perform a reconciliation for the prior reporting period comparing the amounts recovered/refunded from customers to the amount of increase/decrease in power expense due to change in rates for that same period resulting in either an under/(over) recovery. This true-up amount will be included in the next annual calculation. See Exhibit 2.

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

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

E. The Company will file a report annually (attached to the 60 day compliance filing in section A) with the Commission, detailing its purchased power costs and any conservation or power-shifting measures employed by the Company.

F. The Company shall provide a sample notice (for approval by Staff) of the surcharge decrease or surcharge increase to customers (attached to the 60 day compliance filing in section A). The Company may update the figures (and/or tables) contained in the notice for any changes resulting from Staff's review of the calculation, without requiring additional submittal and approval of the notice. This notice is intended to be provided to customers by direct mail, insert, or electronically upon approval of the Power Cost Adjustor Mechanism by the Commission. Customers will be noticed in the next billing cycle after the surcharge is approved. In

subsequent years, customers will be notified of the change (increase or decrease) to the surcharge via text notification on the bill messaging.

IV. Application to Wastewater Customers

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

B. The calculation is intended to allow for recovery of the power expenses over a 12 month period. See Exhibit 1 for a hypothetical consistent with the methodology below.

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 Example	\$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 Wastewater Connections	20,000
PPAM Charge on Sample Customer Bill	\$1.25

**EPCOR WATER ARIZONA
PURCHASED POWER ADJUSTOR MECHANISM
SAMPLE WASTEWATER COMPANY CALCULATION**

	SURCHARGE YEAR 1 *			SURCHARGE YEAR 2 *		
	TEST YEAR (BASE)	July 2015 to June 2016	Annual Increase (Decrease) to PP Expense	TEST YEAR (BASE)	July 2016 to June 2017	Annual Increase (Decrease) to PP Expense
Electric Company Billing Determinants	\$ 1,221,448	\$ 1,322,290	\$ 100,842	\$ 1,221,448	\$ 1,361,958	\$ 140,511
7A (Corporate) Electricity	\$ 3,263	\$ 3,923	\$ 660	\$ 3,263	\$ 4,041	\$ 778
Accruals	\$ 63,635	\$ 63,635	\$ -	\$ 63,635	\$ 63,635	\$ -
Proforma Increase (already in rates)	\$ 41,231	\$ -	\$ (41,231)	\$ 41,231	\$ -	\$ (41,231)
Total Expense	\$ 1,329,577	\$ 1,389,848	\$ 60,272 (A)	\$ 1,329,577	\$ 1,429,635	\$ 100,058 (B)
					(Over)/Under Collection Year 1	\$ 15,035 (C) [Exhibit 2]
					Total Expense To Collect Year 2	\$ 115,093

	Revenues Authorized	% of Revenues Authorized [1]	Customer Count June 2016 [2]	Expense Assigned ([1]) - [3]	Annual Surcharge per Customer [2] * [3] = [4]	Monthly Surcharge per Customer [4] / 12
Residential	1,353,307	93.71%	1,436	\$ 56,480	\$ 39	\$ 3.28
Commercial (IRU)	2,827	0.20%	3	\$ 118	\$ 39	\$ 3.28
Commercial (SRU)	11,308	0.78%	4	\$ 472	\$ 118	\$ 9.83
Other Public Authority	12,251	0.85%	1	\$ 511	\$ 511	\$ 42.61
Large Commercial/Industrial	19,875	1.38%	3	\$ 829	\$ 276	\$ 23.04
Effluent	44,578	3.09%	1	\$ 1,860	\$ 2,233	\$ 186.05
Total	1,444,147	100.00%	1,448	\$ 60,272		

	Customer Count June 2017 [5]	Expense Assigned ([B] * [1]) = [6]	Annual Surcharge per Customer [5] * [6] = [7]	Monthly Surcharge per Customer [7] / 12
Residential	1,441	\$ 107,853	\$ 75	\$ 6.24 (\$2.96 increase)
Commercial (IRU)	3	\$ 225	\$ 75	\$ 6.26
Commercial (SRU)	4	\$ 901	\$ 225	\$ 18.78
Other Public Authority	1	\$ 976	\$ 976	\$ 81.36
Large Commercial/Industrial	3	\$ 1,584	\$ 528	\$ 44.00
Effluent	1	\$ 3,553	\$ 4,263	\$ 355.27
Total	1,453	\$ 115,093		

* These calculations are for the purposes of illustrating the mechanism. They will be updated annually using the most recent 12 months ended June for the applicable District.

**EPCOR WATER ARIZONA
PURCHASED POWER ADJUSTOR MECHANISM
SAMPLE WASTEWATER COMPANY BALANCE ACCOUNT**

SURCHARGE YEAR 1		
	DR	CR
Regulatory Balancing Account		
Balance Carried Forward		
Year 1 Purchased Power Expense to Recover [A]	\$ 60,272	
October 2016 Surcharges billed		\$ 5,026
November 2016 Surcharges billed		\$ 5,026
December 2016 Surcharges billed		\$ 5,026
January 2017 Surcharges billed		\$ 5,026
February 2017 Surcharges billed		\$ 5,026
March 2017 Surcharges billed		\$ 5,026
April 2017 Surcharges billed		\$ 5,026
May 2017 Surcharges billed		\$ 5,026
June 2017 Surcharges billed		\$ 5,026
Over / (Under) Collection Year 1		\$ (15,035) [C]

SURCHARGE YEAR 2		
	DR	CR
Regulatory Balancing Account		
Balance Carried Forward from Year 1 [C]	\$ 15,035	
Year 2 Purchased Power Expense to Recover [B]	\$ 100,058	
July 2017 Surcharges Billed		\$ 5,026
August 2017 Surcharges Billed		\$ 5,026
September 2017 Surcharges Billed		\$ 5,026
October 2017 Surcharges Billed		\$ 5,026
November 2017 Surcharges billed		\$ 5,596
December 2017 Surcharges billed		\$ 5,596
January 2018 Surcharges billed		\$ 9,596
February 2018 Surcharges billed		\$ 9,596
March 2018 Surcharges billed		\$ 9,596
April 2018 Surcharges billed		\$ 9,596
May 2018 Surcharges billed		\$ 9,596
June 2018 Surcharges billed		\$ 9,596
Over / (Under) Collection Year 2		\$ (13,653)

Surcharge Year 2 effective month