

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

Description (1)	Cost of Service (2)	Residential (3)	Commercial/OPA/ Industrial (4)	Private Fire (5)
1. Revenues From Water Service - Present Rates	\$ 106,600,912	\$ 83,254,777	\$ 22,928,802	\$ 417,333
2. Other Revenues	2,692,733	2,176,488	508,063	8,182
3. Total Operating Revenues	\$ 109,293,645	\$ 85,431,265	\$ 23,436,864	\$ 425,515
4. Less: Operating Expenses	75,186,372	62,712,378	12,011,223	462,771
5. Return and Income Taxes	\$ 34,107,273	\$ 22,718,887	\$ 11,425,641	\$ (37,256)
6. Less: Interest Expense (Allocated by Rate Base)	8,276,577	6,713,132	1,530,339	33,106
7. Taxable Income	25,830,696	16,005,755	9,895,302	(70,362)
8. Less: Income Taxes (Allocated based on Line 7)	10,323,221	6,396,268	3,954,826	(27,873)
9. Net Return (Ln 5 - Ln 8)	\$ 23,784,052	\$ 16,322,619	\$ 7,470,815	\$ (9,383)
10. Original Cost Measure of Value	\$ 371,782,159	\$ 301,539,961	\$ 68,756,756	\$ 1,485,443
11. Rate of Return, Percent	6.40%	5.41%	10.87%	-0.63%
12. Relative Rate of Return	1.00	0.85	1.70	-0.10

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

Description (1)	Cost of Service (2)	Residential (3)	Commercial/OPA/ Industrial (4)	Private Fire (5)
1. Revenues From Water Service - Proposed Rates	\$ 111,765,883	\$ 88,164,203	\$ 23,119,820	\$ 481,860
2. Other Revenues	2,797,295	2,262,017	526,627	8,651
3. Total Operating Revenues	\$ 114,563,178	\$ 90,426,220	\$ 23,646,447	\$ 490,510
4. Less: Operating Expenses	75,508,023	62,979,215	12,052,873	475,936
5. Return and Income Taxes	\$ 39,055,155	\$ 27,447,006	\$ 11,593,575	\$ 14,574
6. Less: Interest Expense (Allocated by Rate Base)	8,276,577	6,713,131	1,530,339	33,106
7. Taxable Income	30,778,577	20,733,875	10,063,236	(18,532)
8. Less: Income Taxes (Allocated based on Line 7)	12,282,230	8,273,310	4,016,289	(7,369)
9. Net Return (Ln 5 - Ln 8)	\$ 26,772,925	\$ 19,173,696	\$ 7,577,286	\$ 21,943
10. Original Cost Measure of Value	\$ 371,782,157	\$ 301,541,832	\$ 68,754,811	\$ 1,485,514
11. Rate of Return, Percent	7.20%	6.36%	11.02%	1.48%
12. Relative Rate of Return	1.00	0.88	1.53	0.21

**EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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/OPA/ Industrial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 5,831,495	\$ 4,407,444	\$ 1,424,051	\$ -
4						
5	Demand - Maximum Day	B	133,796,293	103,665,367	30,130,925	-
6						
7	Demand - Maximum Hour	C	166,976,947	134,416,442	32,560,505	-
8						
9	Customer Facilities - Meters	D	14,919,121	13,264,591	1,654,531	-
10						
11	Customer Facilities - Services	E	29,896,936	28,052,295	1,336,393	508,248
12						
13	Customer Accounting	F	6,810,219	6,516,697	248,573	44,947
14						
15	Direct Fire	G	13,551,148	11,218,995	1,399,834	932,319
16						
17	Total		<u>\$ 371,782,159</u>	<u>\$ 301,541,832</u>	<u>\$ 68,754,811</u>	<u>\$ 1,485,514</u>
18						

**EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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/OPA/ Industrial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 3,712,846	\$ 2,806,170	\$ 906,677	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	17,739,133	13,744,279	3,994,853	-
6						
7	Demand - Maximum Hour	C	29,585,591	23,816,401	5,769,190	-
8						
9	Customer Facilities - Meters	D	2,046,935	1,819,930	227,005.05	-
10						
11	Customer Facilities - Services	E	5,221,725	4,899,545	233,411.13	88,769
12						
13	Customer Accounting	F	12,802,526	12,250,738	467,292	84,497
14						
15	Direct Fire	G	4,399,266	3,642,153	454,444	302,670
16						
17	Total		<u>\$ 75,508,023</u>	<u>\$ 62,979,215</u>	<u>\$ 12,052,873</u>	<u>\$ 475,936</u>
18						

**EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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	<b>RATE BASE</b>									
4	Organization	9	68,331	1,059	24,620	30,729	2,767	5,501	1,162	2,494
5	Franchises	9	5,123,396	79,413	1,845,960	2,303,991	207,498	412,433	87,098	187,004
6	Land & Land Rights Supply	1	8,544,099	8,544,099	0	0	0	0	0	0
7	Land & Land Rights Pumping	2	1,523,951	0	1,523,951	0	0	0	0	0
8	Land & Land Rights Treatment	2	639,573	0	639,573	0	0	0	0	0
9	Land & Land Rights T&D	3	340,055	0	0	340,055	0	0	0	0
10	Land & Land Rights General	9	1,659,598	25,724	597,953	746,321	67,214	133,598	28,213	60,575
11	Structures & Improvements Supply	2	16,545,216	0	16,545,216	0	0	0	0	0
12	Structures & Improvements Pumping	3	13,073,643	0	0	13,073,643	0	0	0	0
13	Structures & Improvements Treatment	2	36,398,352	0	36,398,352	0	0	0	0	0
14	Structures & Improvements Trans & Dist	3	6,193,586	0	0	6,193,586	0	0	0	0
15	Structures & Improvements General	7	15,887,131	637,074	4,326,066	4,313,356	468,670	799,123	4,983,793	359,049
16	Structures & Improvements Offices	7	787,978	31,598	214,566	213,936	23,245	39,635	247,189	17,808
17	Structures & Improvements Leasehold	7	27,966	1,121	7,615	7,593	825	1,407	8,773	632
18	Structures & Improvements Store, Shop, Gge	7	65,702	2,635	17,891	17,838	1,938	3,305	20,611	1,485
19	Structures & Improvements Miscellaneous	7	1,397,921	56,057	380,654	379,536	41,239	70,315	438,528	31,593
20	Collect & Impounding	2	1,403,768	0	1,403,768	0	0	0	0	0
21	Lake, River & Other Intakes	2	949,319	0	949,319	0	0	0	0	0
22	Wells & Springs	2	38,000,261	0	38,000,261	0	0	0	0	0
23	Infiltration Galleries	2	158,078	0	158,078	0	0	0	0	0
24	Supply Mains	2	3,657,640	0	3,657,640	0	0	0	0	0
25	Power Production Equipment	3	5,295,691	0	0	5,295,691	0	0	0	0

**EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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	310,946	0	0	310,946	0	0	0	0
5	Pumping Equipment Electric	3	48,254,105	0	0	48,254,105	0	0	0	0
6	Pumping Equipment Hydraulic	3	329,016	0	0	329,016	0	0	0	0
7	Pumping Equipment Other	3	2,613,204	0	0	2,613,204	0	0	0	0
8	Pumping Equipment Water Treatment	2	2,344,093	0	2,344,093	0	0	0	0	0
9	Water Treatment Equipment Non-Media	2	40,390,633	0	40,390,633	0	0	0	0	0
10	Water Treatment Equipment Filter Media	2	2,729,155	0	2,729,155	0	0	0	0	0
11	Distribution Reservoirs & Standpipes	3	36,452,555	0	0	36,452,555	0	0	0	0
12	TD Mains Not Classified by Size	3	44,576,676	0	0	44,576,676	0	0	0	0
13	TD Mains 4in & Less	3	50,102,290	0	0	50,102,290	0	0	0	0
14	TD Mains 6in to 8in	3	69,478,506	0	0	69,478,506	0	0	0	0
15	TD Mains 10in to 16in	2	53,843,531	0	53,843,531	0	0	0	0	0
16	TD Mains 18in & Grtr	2	21,579,144	0	21,579,144	0	0	0	0	0
17	Fire Mains	12	11,243	0	0	0	0	0	0	11,243
18	Services and Backflow Device	4a	49,715,764	0	0	0	0	49,715,764	0	0
19	Meters	4	22,020,513	0	0	0	22,020,513	0	0	0
20	Meter Installations	4	2,595,747	0	0	0	2,595,747	0	0	0
21	Meter Vaults	4	218,989	0	0	0	218,989	0	0	0
22	Hydrants	12	22,533,585	0	0	0	0	0	0	22,533,585
23	Other P/E- Supply	2	125,273	0	125,273	0	0	0	0	0
24	Other P/E-TD	3	696,442	0	0	696,442	0	0	0	0
25	Other P/E-CPS/Intangible	9	3,099,256	48,038	1,116,662	1,393,735	125,520	249,490	52,687	113,123
26	Furniture and Equipment	7	1,333,087	53,457	363,000	361,933	39,326	67,054	418,190	30,128
27	Computer & Periphal Equipment	7	3,808,746	152,731	1,037,121	1,034,074	112,358	191,580	1,194,803	86,078
28	Computer Software	7	805,216	32,289	219,260	218,616	23,754	40,502	252,596	18,198
29	Other Office Equipment	7	5,749	231	1,565	1,561	170	289	1,803	130

**EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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	1,913,391	76,727	521,016	519,486	56,445	96,244	600,231	43,243
4	Transportation Equip Heavy Duty Trucks	7	262,198	10,514	71,397	71,187	7,735	13,189	82,252	5,926
5	Transportation Equip Other	7	88,840	3,562	24,191	24,120	2,621	4,469	27,869	2,008
6	Stores Equipment	7	4,566	183	1,243	1,240	135	230	1,432	103
7	Tools, Shop, Garage Equipment	7	1,320,280	52,943	359,512	358,456	38,948	66,410	414,172	29,838
8	Laboratory Equipment	2	501,693	0	501,693	0	0	0	0	0
9	Power Operated Equipment	7	141,056	5,656	38,409	38,297	4,161	7,095	44,249	3,188
10	Communication Equipment Non-Telephone	7	481,640	19,314	131,151	130,765	14,208	24,227	151,091	10,885
11	Remote Control & Instrument	7	4,511,620	180,916	1,228,514	1,224,905	133,093	226,935	1,415,295	101,963
12	Communication Equipment Telephone	7	337,283	13,525	91,842	91,572	9,950	16,965	105,806	7,623
13	Communication Equipment Other	7	668,940	26,824	182,152	181,617	19,734	33,648	209,847	15,118
14	Miscellaneous Equipment	7	891,877	35,764	242,858	242,145	26,310	44,861	279,782	20,156
15	Other Tangible Plant	7	12,260	492	3,338	3,329	362	617	3,846	277
16	Total Plant in Service		\$ 649,169,611	\$ 10,091,947	\$ 233,838,239	\$ 291,946,297	\$ 26,263,475	\$ 52,264,885	\$ 11,071,317	\$ 23,693,453
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9		0	0	0	0	0	0	0
20	Customer Advances	9	(137,214,872)	(2,126,831)	(49,438,518)	(61,705,528)	(5,557,202)	(11,045,797)	(2,332,653)	(5,008,343)
21	Contributions in Aid of Construction	9	(133,061,640)	(2,062,455)	(47,942,109)	(59,837,819)	(5,388,996)	(10,711,462)	(2,262,048)	(4,856,750)
22	Construction Work in Progress	2		0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	1,526,237	61,202	415,594	414,373	45,024	76,770	478,780	34,493
24	Utility Plant Acq. Adjustment	9	1,369,030	21,220	493,261	615,653	55,446	110,207	23,274	49,970
25	Customer Meter Deposits	4	(97,315)	0	0	0	(97,315)	0	0	0
26	Deferred Income Taxes	9	(25,015,492)	(387,740)	(9,013,082)	(11,249,467)	(1,013,127)	(2,013,747)	(425,263)	(913,065)
27	Deferred Debits	9	19,214,039	297,818	6,922,818	8,640,553	778,169	1,546,730	326,639	701,312
28	Regulatory Liabilities	9	(4,107,440)	(63,665)	(1,479,911)	(1,847,116)	(166,351)	(330,649)	(69,826)	(149,922)
29										
30	Total Other Rate Base Elements		(277,387,452)	(4,260,452)	(100,041,945)	(124,969,350)	(11,344,354)	(22,367,948)	(4,261,098)	(10,142,305)
31										
32	Total Original Cost Measure of Value		\$ 371,782,159	\$ 5,831,495	\$ 133,796,293	\$ 166,976,947	\$ 14,919,121	\$ 29,896,936	\$ 6,810,219	\$ 13,551,148

**EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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	782,965	\$ 782,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Labor - Treatment	2	1,224,252	-	1,224,252	-	-	-	-	-
8	Labor - Pumping	3	877,663	-	-	877,663	-	-	-	-
9	Labor - T&D Mains	6	4,862,067	-	1,207,251	3,654,816	-	-	-	-
10	Labor - T&D Storage	3	771,746	-	-	771,746	-	-	-	-
11	Labor - T&D Meters	4	576,210	-	-	-	576,210	-	-	-
12	Labor - T&D Services	4a	982,437	-	-	-	-	982,437	-	-
13	Labor - T&D Hydrants	12	440,984	-	-	-	-	-	-	440,984
14	Labor - Customer	5	2,133,202	-	-	-	-	-	2,133,202	-
15	Labor - Meter Reading	5	678,249	-	-	-	-	-	678,249	-
16	Labor - Administrative	7	344,594	13,818	93,833	93,557	10,166	17,333	108,099	7,788
17	Purchased Water	1	-	-	-	-	-	-	-	-
18	Fuel and Power	1	-	-	-	-	-	-	-	-
19	Chemicals	1	1,297,156	1,297,156	-	-	-	-	-	-
20	Waste Disposal	1	61,013	61,013	-	-	-	-	-	-
21	Corporate allocation	7	3,405,485	136,560	927,314	924,589	100,462	171,296	1,068,301	76,964
22	Outside Services	7	2,009,655	80,587	547,229	545,621	59,285	101,086	630,429	45,418
23	Group Insurance and Other Benefits	8	4,520,388	263,539	834,916	1,784,197	193,925	330,440	965,103	148,269
24	Pensions	8	-	-	-	-	-	-	-	-
25	Regulatory Expense	7	529,190	21,221	144,098	143,675	15,611	26,618	166,007	11,960
26	Insurance Other Than Group	7	903,185	36,218	245,937	245,215	26,644	45,430	283,329	20,412
27	Customer Accounting	5	4,412,318	-	-	-	-	-	4,412,318	-
28	Rents	7	420,201	16,850	114,421	114,084	12,396	21,136	131,817	9,497
29	General Office Expense	7	1,598,016	64,080	435,140	433,861	47,141	80,380	501,298	36,115
30	Miscellaneous	7	289,001	11,589	78,695	78,464	8,526	14,537	90,660	6,531
31	Maintenance Expense - Treatment	2	3,842,772	-	3,842,772	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		36,962,750	2,785,596	9,695,858	9,667,490	1,050,365	1,790,693	11,168,811	803,938



**EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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										
4	503 DEPRECIATION EXPENSE									
5										
6	Structures & Improvements Supply	1	607,836	607,836	-	-	-	-	-	-
7	Structures & Improvements Pumping	3	416,102	-	-	416,102	-	-	-	-
8	Structures & Improvements Treatment	2	1,175,907	-	1,175,907	-	-	-	-	-
9	Structures & Improvements Trans & Dist	3	193,466	-	-	193,466	-	-	-	-
10	Structures & Improvements General	7	512,820	20,564	139,641	139,231	15,128	25,795	160,872	11,590
11	Structures & Improvements Offices	7	28,082	1,126	7,647	7,624	828	1,413	8,809	635
12	Structures & Improvements Leasehold	7	3,202	128	872	869	94	161	1,004	72
13	Structures & Improvements Store,Shop,Gge	7	55,058	2,208	14,992	14,948	1,624	2,769	17,272	1,244
14	Structures & Improvements Miscellaneous	7	40,743	1,634	11,094	11,062	1,202	2,049	12,781	921
15	Collect & Impounding	2	25,538	-	25,538	-	-	-	-	-
16	Lake, River & Other Intakes	2	1,337,047	-	1,337,047	-	-	-	-	-
17	Wells & Springs	2	13,335	-	13,335	-	-	-	-	-
18	Infiltration Galleries	2	65,100	-	65,100	-	-	-	-	-
19	Supply Mains	2	263,135	-	263,135	-	-	-	-	-
20	Power Production Equipment	3	22,570	-	-	22,570	-	-	-	-
21	Power Production Equipment	3	67,669	-	-	67,669	-	-	-	-
22	Pumping Equipment Steam	3	6,354,396	-	-	6,354,396	-	-	-	-
23	Pumping Equipment Electric	3	16,231	-	-	16,231	-	-	-	-
24	Pumping Equipment Diesel	3	29,474	-	-	29,474	-	-	-	-
25	Pumping Equipment Hydraulic	3	244,988	-	-	244,988	-	-	-	-
26	Pumping Equipment Other	3	167,785	-	-	167,785	-	-	-	-
27	Pumping Equipment Water Treatment	3	3,262,927	-	-	3,262,927	-	-	-	-
28	Water Treatment Equipment Non-Media	2	404,280	-	404,280	-	-	-	-	-
29	Water Treatment Equipment Filter Media	2	783,183	-	783,183	-	-	-	-	-
30	Distribution Reservoirs & Standpipes	3	5,060	-	-	5,060	-	-	-	-
31	Elevated Tank & Standpipes	3	2,447	-	-	2,447	-	-	-	-
32	Ground Level Tanks	3	6,279	-	-	6,279	-	-	-	-
33	Below Ground Tanks	3	69,497	-	-	69,497	-	-	-	-
34	Clearwell	3	988,579	-	-	988,579	-	-	-	-
35	TD Mains Not Classified by Size	3	1,272,520	-	-	1,272,520	-	-	-	-
36	TD Mains 4in & Less	3	1,371,136	-	-	1,371,136	-	-	-	-
37	TD Mains 6in to 8in	3	1,060,482	-	-	1,060,482	-	-	-	-
38	TD Mains 10in to 16in	2	414,328	-	414,328	-	-	-	-	-
39	TD Mains 18in & Grtr	2	50	-	50	-	-	-	-	-

**EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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	1,863,207	-	-	-	-	-	-	1,863,207
4	Services	4a	2,553,301	-	-	-	-	2,553,301	-	-
5	Meters	4	93,980	-	-	-	93,980	-	-	-
6	Meter Installations	4	6,675	-	-	-	6,675	-	-	-
7	Meter Vaults	4	489,150	-	-	-	489,150	-	-	-
8	Hydrants	12	56	-	-	-	-	-	-	56
9	Backflow Prevention Devices	4a	112,027	-	-	-	-	112,027	-	-
10	Other P/E-TD	3	142,397	-	-	142,397	-	-	-	-
11	Other P/E-Supply	2	41,865	-	41,865	-	-	-	-	-
12	Other P/E-CPS/Intangible	9	114,972	1,782	41,424	51,703	4,656	9,255	1,955	4,196
13	Office Furniture & Equipment	7	302,966	12,149	82,498	82,255	8,938	15,239	95,040	6,847
14	Computer & Peripheral Equipment	7	791,630	31,744	215,561	214,928	23,353	39,819	248,334	17,891
15	Computer Software	7	378,175	15,165	102,977	102,675	11,156	19,022	118,634	8,547
16	Other Office Equipment	7	546,106	21,899	148,705	148,268	16,110	27,469	171,313	12,342
17	Transportation Equip Light Duty Trucks	7	88,868	3,564	24,199	24,128	2,622	4,470	27,878	2,008
18	Transportation Equip Heavy Duty Trucks	7	93,886	3,765	25,565	25,490	2,770	4,722	29,452	2,122
19	Transportation Equipment Other	7	7,746	311	2,109	2,103	228	390	2,430	175
20	Stores Equipment	7	86,374	3,464	23,520	23,451	2,548	4,345	27,095	1,952
21	Tools,Shop,Garage Equipment	7	54,828	2,199	14,930	14,886	1,617	2,758	17,200	1,239
22	Laboratory Equipment	2	32,721	-	32,721	-	-	-	-	-
23	Power Operated Equipment	7	-	-	-	-	-	-	-	-
24	Communication Equipment Non-Telephone	7	331,210	13,282	90,188	89,924	9,771	16,660	103,901	7,485
25	Remote Control & Instrument	7	630,447	25,281	171,671	171,166	18,598	31,712	197,771	14,248
26	Communication Equipment Telephone	7	45,302	1,817	12,336	12,299	1,336	2,279	14,211	1,024
27	Communication Equipment Other	7	101,985	4,090	27,770	27,689	3,009	5,130	31,993	2,305
28	Miscellaneous Equipment	7	93,439	3,747	25,443	25,369	2,756	4,700	29,312	2,112
29	Other Tangible Plant	7	1,132	45	308	307	33	57	355	26
	Total Depreciation Expense		30,285,695	777,797	5,739,940	16,884,377	718,184	2,885,542	1,317,612	1,962,243

**EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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	AMORTIZATION EXPENSE									
4	Amortization of Contributions									
5	Other Amortizations	9	97,652	1,514	35,184	43,914	3,955	7,861	1,660	3,564
6	Amortization of Regulatory Assets	10	567,313	8,907	204,233	254,780	22,749	45,612	10,382	20,650
7										
8	Total Amortizations		664,965	10,420	239,417	298,695	26,704	53,473	12,042	24,215
9										
10	TAXES, OTHER THAN INCOME									
11	Payroll Taxes	8	975,675	56,882	180,207	385,099	41,856	71,322	208,307	32,002
12	Property Taxes	10	5,063,773	79,501	1,822,958	2,274,140	203,057	407,127	92,667	184,321
13	Other Taxes	10	168,761	2,650	60,754	75,790	6,767	13,568	3,088	6,143
14	Gross Receipt Tax and Misc.	10	-	-	-	-	-	-	-	-
15										
16	Total Taxes, Other Than Income		6,208,208	139,033	2,063,919	2,735,030	251,681	492,018	304,062	222,466
17										
18	Total O & M, Depreciation and Other Taxes		74,121,619	3,712,846	17,739,133	29,585,591	2,046,935	5,221,725	12,802,526	3,012,862
19										
20										
21	507.2 INCOME TAXES	10	12,282,230	192,831	4,421,603	5,515,950	492,517	987,491	224,765	447,073
22										
23	Utility Operating Income Available for Return	10	28,159,413	442,103	10,137,389	12,646,393	1,129,192	2,264,017	515,317	1,025,003
24										
25										
26	Total Cost of Service		114,563,263	4,347,780	32,298,125	47,747,933	3,668,645	8,473,234	13,542,608	4,484,938
27										
28	Less: Other Water Revenues	11	1,455,248	55,299	410,234	606,547	46,568	107,688	172,010	56,900
29	Less: Effluent	11	558,649	21,229	157,483	232,845	17,877	41,340	66,032	21,843
30	Less: Raw Water	2	606,209	-	606,209	-	-	-	-	-
31	Less: Wheeling Water	11	177,187	6,733	49,949	73,852	5,670	13,112	20,944	6,928
32	Total Other Revenues		2,797,294	83,261	1,223,876	913,244	70,115	162,140	258,986	85,671
33	Total Cost of Service Related to Sales		<u>\$ 111,765,969</u>	<u>\$ 4,264,519</u>	<u>\$ 31,074,249</u>	<u>\$ 46,834,689</u>	<u>\$ 3,598,530</u>	<u>\$ 8,311,093</u>	<u>\$ 13,283,622</u>	<u>\$ 4,399,266</u>

EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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			0.2483	0.7517					1.0000
16										
17	Factor 7 - Administrative and General									
18	Cost	1,427,427	9,695,858	0	9,667,490	1,050,365	1,790,693	11,168,811	803,938	34,800,643
19	Factor	0.0401	0.2723	0.0000	0.2715	0.0295	0.0503	0.3137	0.0226	1.0000
20										
21	Factor 8 - Labor Related Expenses									
22	Cost	796,784	2,525,337	0	5,397,782	586,376	999,770	2,919,550	448,772	13,674,370
23	Factor	0.0583	0.1847	0	0.3947	0.0429	0.0731	0.2135	0.0328	1.0000
24										
25	Factor 9 - Rate Base Less Costs Allocated									
26	Cost	9,937,221	230,249,706	0	287,468,192	25,860,115	51,463,246	10,898,311	23,329,979	639,206,770
27	Factor	0.0155	0.3603	0	0.4497	0.0405	0.0805	0.017	0.0365	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	5,831,495	133,796,293	0	166,976,947	14,919,121	29,896,936	6,810,219	13,551,148	371,782,159
31	Factor	0.0157	0.36	0	0.4491	0.0401	0.0804	0.0183	0.0364	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	4,347,780	32,298,125	0	47,747,933	3,668,645	8,473,234	13,542,608	4,484,938	114,563,263
35	Factor	0.038	0.2819	0	0.4168	0.032	0.074	0.1182	0.0391	1.0000
36										
37	Factor 12 - Direct Fire								1.0000	1.0000

EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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	41,731	0.7558
Commercial/OPA/Ind	13,480	0.2442
<hr/>		
Total	<u>55,210</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	41,731	2.00	83,461	0.7748
Commercial/OPA/Ind	13,480	1.80	24,263	0.2252
<hr/>				
Total	<u>55,210</u>		<u>107,724</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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	1,738.8	4.00	6,955.1	0.8050
Commercial/OPA/Ind	561.7	3.00	1,685.0	0.1950
	2,300.4		8,640.1	1.0000

EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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	201,575	0.8891
Commercial/OPA/Ind	25,141	0.1109
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>226,716</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	131,913	0.9383
Commercial/OPA/Ind	6,286	0.0447
Fire Protection	2,396	0.0170
	<hr/>	<hr/>
Total	<u>140,595</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	128,295	0.9569
Commercial/OPA/Ind	4,897	0.0365
Fire Protection	887	0.0066
	<hr/>	<hr/>
Total	<u>134,079</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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>				
2 -inch	4.00		0	
3 -inch	9.00		0	
4 -inch	16.00	299	4,785	
6 -inch	36.00	467	16,804	
8 -inch	64.00	96	6,146	
10 -inch	100.00	1	100	
12 -inch	144.00	2	288	
Private Hydrants	28.50	15	419	
Total Private Fire Protection		<u>879,5692</u>	<u>28,542</u>	0.0688
<u>PUBLIC FIRE PROTECTION</u>				
<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	<u>13,555</u>	<u>386,318</u>
Total Public Fire Protection			13,555	386,318
Total Fire Protection			14,435	414,860
<u>REALLOCATE PUBLIC FIRE</u>				
		<u>Meter</u>	<u>Allocation</u>	<u>Allocation</u>
		<u>Equivalents</u>	<u>of Public Fire</u>	<u>Using Factor</u>
Residential		201,575	0.8891	0.8279
Commercial/OPA/Ind		25,141	0.1109	0.1033
		<u>226,716</u>	<u>1.0000</u>	<u>0.9312</u>



EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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 (8)
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)
5/8 and 3/4"	1.00	107,880	107,880	1,132	1,132	109,012	109,012
1	2.50	16,273	40,683	1,036	2,590	17,309	43,273
1-1/2	5.00	2,108	10,540	990	4,950	3,098	15,490
2	8.00	1,124	8,992	1,548	12,384	2,672	21,376
3	15.00	2	30	139	2,085	141	2,115
4	25.00	478	11,950	24	600	502	12,550
6	50.00	430	21,500	28	1,400	458	22,900
8	80.00	0	0	0	0	0	0
10	115.00	0	0	0	0	0	0
Total		<u>128,295</u>	<u>201,575</u>	<u>4,897</u>	<u>25,141</u>	<u>133,192</u>	<u>226,716</u>

**EPCOR WATER ARIZONA INC.  
CONSOLIDATED 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	107,880	107,880	1,132	1,132		0	109,012	109,012
1	1.06	16,273	17,249	1,036	1,098		0	17,309	18,347
1-1/2	1.28	2,108	2,698	990	1,267		0	3,098	3,965
2	1.50	1,124	1,686	1,548	2,322	21	32	2,693	4,040
3	2.37	2	5	139	329	1	2	142	336
4	2.50	478	1,195	24	60	299	748	801	2,003
6	2.79	430	1,200	28	78	467	1,302	925	2,580
8	3.11	0	0	0	0	96	299	96	299
10	4.12	0	0	0	0	1	4	1	4
12	4.65	0	0	0	0	2	9	2	9
<b>Total</b>		<b>128,295</b>	<b>131,913</b>	<b>4,897</b>	<b>6,286</b>	<b>887</b>	<b>2,396</b>	<b>134,079</b>	<b>140,595</b>

**EPCOR WATER ARIZONA INC.  
CONSOLIDATED WATER DISTRICT**

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

<b>Customer Classification</b>	<b>Cost of Service</b>		<b>Revenues, Present Rates</b>		<b>Revenues, Proposed Rates</b>		<b>Proposed Increase</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent Increase</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>	<b>(8)</b>	<b>(9)</b>
Residential	\$ 92,352,378	82.6%	\$ 83,254,777	78.1%	\$ 88,164,203	78.9%	\$ 4,909,426	5.9%
Commercial/OPA/Ind.	18,881,960	16.9%	22,928,802	21.5%	23,119,820	20.7%	191,018	0.8%
Private Fire	<u>531,630</u>	0.5%	<u>417,333</u>	0.4%	<u>481,860</u>	0.4%	<u>64,527</u>	15.5%
Total Sales	111,765,969	100.0%	106,600,912	<u>100.0%</u>	111,765,883	<u>100.0%</u>	5,164,971	4.8%
Other Revenues	<u>2,797,294</u>		<u>2,692,734</u>		<u>2,797,294</u>		<u>104,560</u>	3.9%
Total	<u>\$ 114,563,262</u>		<u>\$ 109,293,646</u>		<u>\$ 114,563,177</u>		<u>\$ 5,269,531</u>	4.8%

**EPCOR WATER ARIZONA INC.  
CONSOLIDATED WATER DISTRICT**

**ALLOCATION OF TOTAL COST OF SERVICE BY COST FUNCTION TO CUSTOMER CLASSIFICATIONS**

Line no. No.	<u>Cost Function</u>	<u>Factor Ref</u>	<u>Total Cost of Service</u>	<u>Residential</u>	<u>Commercial/OPA/ Industrial</u>	<u>Private Fire</u>
1	(1)	(2)	(3)	(4)	(5)	(6)
2						
3	Commodity	A	\$ 4,264,519	\$ 3,223,123	\$ 1,041,396	\$ -
4						
5	Demand - Maximum Day	B	31,074,249	24,076,328	6,997,921	-
6						
7	Demand - Maximum Hour	C	46,834,689	37,701,925	9,132,764	-
8						
9	Customer Facilities - Meters	D	3,598,530	3,199,454	399,077	-
10						
11	Customer Facilities - Services	E	8,311,093	7,798,299	371,506	141,289
12						
13	Customer Accounting	F	13,283,622	12,711,097	484,852	87,672
14						
15	Direct Fire	G	<u>4,399,266</u>	<u>3,642,153</u>	<u>454,444</u>	<u>302,670</u>
16						
17	Total		<u>\$ 111,765,968</u>	<u>\$ 92,352,378</u>	<u>\$ 18,881,960</u>	<u>\$ 531,630</u>
18						