

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

<u>Description</u> (1)	<u>Cost of Service</u> (2)	<u>Residential</u> (3)	<u>Commercial</u> (4)	<u>Private Fire</u> (5)
1. Revenues From Water Service - Present Rates	\$ 9,944,997	\$ 8,005,254	\$ 1,922,612	\$ 17,130
2. Other Revenues	785,204	669,229	114,668	1,306
3. Total Operating Revenues	\$ 10,730,201	\$ 8,674,483	\$ 2,037,281	\$ 18,436
4. Less: Operating Expenses	7,329,840	6,352,462	952,068	25,310
5. Return and Income Taxes	\$ 3,400,361	\$ 2,322,021	\$ 1,085,213	\$ (6,873)
6. Less: Interest Expense (Allocated by Rate Base)	1,199,729	1,021,809	175,280	2,639
7. Taxable Income	2,200,632	1,300,212	909,932	(9,513)
8. Less: Income Taxes (Allocated based on Line 7)	870,573	514,335	359,982	(3,743)
9. Net Return (Ln 5 - Ln 8)	\$ 2,529,788	\$ 1,807,686	\$ 725,231	\$ (3,130)
10. Original Cost Measure of Value	\$ 53,799,497	\$ 45,822,202	\$ 7,859,831	\$ 117,464
11. Rate of Return, Percent	4.70%	3.95%	9.23%	-2.66%
12. Relative Rate of Return	1.00	0.84	1.96	-0.57

**EPCOR WATER ARIZONA INC.
ANTHEM 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	\$ 12,465,973	\$ 10,693,560	\$ 1,750,143	\$ 22,269
2. Other Revenues	748,663	637,291	110,143	1,229
3. Total Operating Revenues	\$ 13,214,636	\$ 11,330,851	\$ 1,860,286	\$ 23,498
4. Less: Operating Expenses	7,443,997	6,449,798	964,520	29,679
5. Return and Income Taxes	\$ 5,770,639	\$ 4,881,053	\$ 895,766	\$ (6,181)
6. Less: Interest Expense (Allocated by Rate Base)	1,199,729	1,021,808	175,280	2,639
7. Taxable Income	4,570,910	3,859,245	720,486	(8,820)
8. Less: Income Taxes (Allocated based on Line 7)	1,800,895	1,520,496	283,821	(3,422)
9. Net Return (Ln 5 - Ln 8)	\$ 3,969,743	\$ 3,360,557	\$ 611,945	\$ (2,759)
10. Original Cost Measure of Value	\$ 53,799,499	\$ 45,822,324	\$ 7,859,711	\$ 117,464
11. Rate of Return, Percent	7.38%	7.33%	7.79%	-2.35%
12. Relative Rate of Return	1.00	0.99	1.06	-0.32

**EPCOR WATER ARIZONA INC.
ANTHEM 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	\$ 5,250,213	\$ 4,304,650	\$ 945,563	\$ -
4						
5	Demand - Maximum Day	B	15,132,443	12,635,589	2,496,853	-
6						
7	Demand - Maximum Hour	C	28,554,292	24,513,860	4,040,432	-
8						
9	Customer Facilities - Meters	D	1,852,266	1,666,300	185,968	-
10						
11	Customer Facilities - Services	E	1,402,306	1,327,984	50,483	23,839
12						
13	Customer Accounting	F	163,441	157,785	4,625	1,030
14						
15	Direct Fire	G	1,444,538	1,216,156	135,787	92,595
16						
17	Total		<u>\$ 53,799,499</u>	<u>\$ 45,822,324</u>	<u>\$ 7,859,711</u>	<u>\$ 117,464</u>
18						

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

Line no. No.	Cost Function (1)	Factor Ref. - Sch G-7 (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 533,448	\$ 437,375	\$ 96,074	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	1,556,609	1,299,767	256,840	-
6						
7	Demand - Maximum Hour	C	3,662,423	3,144,190	518,233	-
8						
9	Customer Facilities - Meters	D	318,868	286,854	32,014.37	-
10						
11	Customer Facilities - Services	E	312,218	295,670	11,239.83	5,308
12						
13	Customer Accounting	F	754,369	728,268	21,349	4,753
14						
15	Direct Fire	G	306,062	257,674	28,770	19,619
16						
17	Total		<u>\$ 7,443,997</u>	<u>\$ 6,449,798</u>	<u>\$ 964,520</u>	<u>\$ 29,679</u>
18						

**EPCOR WATER ARIZONA INC.
ANTHEM 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	0	0	0	0	0	0	0	0
5	Franchises	9	4,719,240	460,126	1,327,522	2,503,085	163,286	123,172	15,573	126,476
6	Land & Land Rights Supply	1	6,014,990	6,014,990	0	0	0	0	0	0
7	Land & Land Rights Pumping	2	20,000	0	20,000	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	0	0	0	0	0	0	0	0
10	Land & Land Rights General	9	0	0	0	0	0	0	0	0
11	Structures & Improvements Supply	2	3,877,285	0	3,877,285	0	0	0	0	0
12	Structures & Improvements Pumping	3	2,345,264	0	0	2,345,264	0	0	0	0
13	Structures & Improvements Treatment	2	886,938	0	886,938	0	0	0	0	0
14	Structures & Improvements Trans & Dist	3	94,519	0	0	94,519	0	0	0	0
15	Structures & Improvements General	7	10,748	644	3,086	3,189	408	698	2,411	313
16	Structures & Improvements Offices	7	199,785	11,967	57,358	59,276	7,592	12,966	44,812	5,814
17	Structures & Improvements Leasehold	7	1,883	113	541	559	72	122	422	55
18	Structures & Improvements Store, Shop, Gge	7	0	0	0	0	0	0	0	0
19	Structures & Improvements Miscellaneous	7	0	0	0	0	0	0	0	0
20	Collect & Impounding	2	197,065	0	197,065	0	0	0	0	0
21	Lake, River & Other Intakes	2	235,183	0	235,183	0	0	0	0	0
22	Wells & Springs	2	414,026	0	414,026	0	0	0	0	0
23	Infiltration Galleries	2	158,078	0	158,078	0	0	0	0	0
24	Supply Mains	2	0	0	0	0	0	0	0	0
25	Power Production Equipment	3	34,242	0	0	34,242	0	0	0	0

**EPCOR WATER ARIZONA INC.
ANTHEM 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	0	0	0	0	0	0	0	0
4	Pumping Equipment Steam	3	5,089	0	0	5,089	0	0	0	0
5	Pumping Equipment Electric	3	4,034,662	0	0	4,034,662	0	0	0	0
6	Pumping Equipment Hydraulic	3	292,570	0	0	292,570	0	0	0	0
7	Pumping Equipment Other	3	40,817	0	0	40,817	0	0	0	0
8	Pumping Equipment Water Treatment	2	104,613	0	104,613	0	0	0	0	0
9	Water Treatment Equipment Non-Media	2	5,767,703	0	5,767,703	0	0	0	0	0
10	Water Treatment Equipment Filter Media	2	1,535,283	0	1,535,283	0	0	0	0	0
11	Distribution Reservoirs & Standpipes	3	4,012,661	0	0	4,012,661	0	0	0	0
12	TD Mains Not Classified by Size	3	3,131,438	0	0	3,131,438	0	0	0	0
13	TD Mains 4in & Less	3	11,645,558	0	0	11,645,558	0	0	0	0
14	TD Mains 6in to 8in	3	6,919,254	0	0	6,919,254	0	0	0	0
15	TD Mains 10in to 16in	2	3,955,864	0	3,955,864	0	0	0	0	0
16	TD Mains 18in & Grtr	2	10,033	0	10,033	0	0	0	0	0
17	Fire Mains	12	(250)	0	0	0	0	0	0	(250)
18	Services	4a	1,565,409	0	0	0	0	1,565,409	0	0
19	Meters	4	1,811,845	0	0	0	1,811,845	0	0	0
20	Meter Installations	4	292,718	0	0	0	292,718	0	0	0
21	Meter Vaults	4	11,340	0	0	0	11,340	0	0	0
22	Hydrants	12	1,644,241	0	0	0	0	0	0	1,644,241
23	Other P/E- Supply	2	(6,115)	0	(6,115)	0	0	0	0	0
24	Other P/E-TD	3	183,435	0	0	183,435	0	0	0	0
25	Other P/E-CPS	9	13,296	1,296	3,740	7,052	460	347	44	356
26	Furniture and Equipment	7	105,905	6,344	30,405	31,422	4,024	6,873	23,754	3,082
27	Computer & Peripheral Equipment	7	212,275	12,715	60,944	62,982	8,066	13,777	47,613	6,177
28	Computer Software	7	77,475	4,641	22,243	22,987	2,944	5,028	17,378	2,255
29	Other Office Equipment	7	(1,329)	(80)	(382)	(394)	(51)	(86)	(298)	(39)

**EPCOR WATER ARIZONA INC.
ANTHEM 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	144,772	8,672	41,564	42,954	5,501	9,396	32,472	4,213
4	Transportation Equip Heavy Duty Trucks	7	(44,915)	(2,690)	(12,895)	(13,326)	(1,707)	(2,915)	(10,074)	(1,307)
5	Transportation Equip Other	7	(28,742)	(1,722)	(8,252)	(8,528)	(1,092)	(1,865)	(6,447)	(836)
6	Stores Equipment	7	(1,600)	(96)	(459)	(475)	(61)	(104)	(359)	(47)
7	Tools, Shop, Garage Equipment	7	148,826	8,915	42,728	44,157	5,655	9,659	33,382	4,331
8	Laboratory Equipment	2	85,621	0	85,621	0	0	0	0	0
9	Power Operated Equipment	7	8,712	522	2,501	2,585	331	565	1,954	254
10	Communication Equipment Non-Telephone	7	(123,238)	(7,382)	(35,382)	(36,565)	(4,683)	(7,998)	(27,642)	(3,586)
11	Remote Control & Instrument	7	5,443	326	1,563	1,615	207	353	1,221	158
12	Communication Equipment Telephone	7	(6,546)	(392)	(1,879)	(1,942)	(249)	(425)	(1,468)	(190)
13	Communication Equipment Other	7	90,060	5,395	25,856	26,721	3,422	5,845	20,200	2,621
14	Miscellaneous Equipment	7	113,692	6,810	32,641	33,732	4,320	7,379	25,501	3,308
15	Other Tangible Plant	7	0	0	0	0	0	0	0	0
16	Total Plant in Service		\$ 66,967,118	\$ 6,531,113	\$ 18,835,022	\$ 35,520,592	\$ 2,314,350	\$ 1,748,195	\$ 220,449	\$ 1,797,397
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9		0	0	0	0	0	0	0
20	Customer Advances	9	(6,205,127)	(605,000)	(1,745,502)	(3,291,199)	(214,697)	(161,954)	(20,477)	(166,297)
21	Contributions in Aid of Construction	9	(8,547,590)	(833,390)	(2,404,437)	(4,533,642)	(295,747)	(223,092)	(28,207)	(229,075)
22	Construction Work in Progress	2		0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	(61,434)	(3,680)	(17,638)	(18,228)	(2,335)	(3,987)	(13,780)	(1,788)
24	Utility Plant Acq. Adjustment	9		0	0	0	0	0	0	0
25	Customer Meter Deposits	4	(6,500)	0	0	0	(6,500)	0	0	0
26	Deferred Income Taxes	9	(1,684,167)	(164,206)	(473,756)	(893,282)	(58,272)	(43,957)	(5,558)	(45,136)
27	Deferred Debits	9	3,337,198	325,377	938,754	1,770,050	115,467	87,101	11,013	89,437
28	Regulatory Liabilities	9		0	0	0	0	0	0	0
29										
30	Total Other Rate Base Elements		(13,167,620)	(1,280,899)	(3,702,579)	(6,966,301)	(462,084)	(345,889)	(57,009)	(352,859)
31										
32	Total Original Cost Measure of Value		\$ 53,799,498	\$ 5,250,213	\$ 15,132,443	\$ 28,554,292	\$ 1,852,266	\$ 1,402,306	\$ 163,441	\$ 1,444,538

**EPCOR WATER ARIZONA INC.
ANTHEM 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	107,392	\$ 107,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Labor - Treatment	2	168,346	-	168,346	-	-	-	-	-
8	Labor - Pumping	3	121,228	-	-	121,228	-	-	-	-
9	Labor - T&D Mains	6	534,393	-	214,986	319,407	-	-	-	-
10	Labor - T&D Storage	3	91,429	-	-	91,429	-	-	-	-
11	Labor - T&D Meters	4	68,264	-	-	-	68,264	-	-	-
12	Labor - T&D Services	4a	116,389	-	-	-	-	116,389	-	-
13	Labor - T&D Hydrants	12	52,243	-	-	-	-	-	-	52,243
14	Labor - Customer	5	92,622	-	-	-	-	-	92,622	-
15	Labor - Meter Reading	5	71,591	-	-	-	-	-	71,591	-
16	Labor - Administrative	7	16,565	992	4,756	4,915	629	1,075	3,716	482
17	Purchased Water	1	-	-	-	-	-	-	-	-
18	Fuel and Power	1	-	-	-	-	-	-	-	-
19	Chemicals	1	83,675	83,675	-	-	-	-	-	-
20	Waste Disposal	1	3,756	3,756	-	-	-	-	-	-
21	Corporate allocation	7	302,528	18,121	86,856	89,760	11,496	19,634	67,857	8,804
22	Outside Services	7	192,740	11,545	55,336	57,186	7,324	12,509	43,232	5,609
23	Group Insurance and Other Benefits	8	449,580	33,808	121,162	167,603	21,490	36,641	52,421	16,455
24	Pensions	8	-	-	-	-	-	-	-	-
25	Regulatory Expense	7	26,981	1,616	7,746	8,005	1,025	1,751	6,052	785
26	Insurance Other Than Group	7	91,313	5,470	26,216	27,093	3,470	5,926	20,482	2,657
27	Customer Accounting	5	312,314	-	-	-	-	-	312,314	-
28	Rents	7	36,682	2,197	10,531	10,884	1,394	2,381	8,228	1,067
29	General Office Expense	7	133,428	7,992	38,307	39,588	5,070	8,659	29,928	3,883
30	Miscellaneous	7	(82,968)	(4,970)	(23,820)	(24,617)	(3,153)	(5,385)	(18,610)	(2,414)
31	Maintenance Expense - Treatment	2	172,287	-	172,287	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		3,162,779	271,597	882,709	912,481	117,010	199,581	689,831	89,571

**EPCOR WATER ARIZONA INC.
ANTHEM WATER DISTRICT**

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

Line No.	Account	Factor Ref.	Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1										
2										
3	Fire Mains	12	-	-	-	-	-	-	-	-
4	Services	4a	67,997	-	-	-	-	67,997	-	-
5	Meters	4	147,984	-	-	-	147,984	-	-	-
6	Meter Installations	4	11,470	-	-	-	11,470	-	-	-
7	Meter Vaults	4	431	-	-	-	431	-	-	-
8	Hydrants	12	38,581	-	-	-	-	-	-	38,581
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	2	-	-	-	-	-	-	-	-
11	Other P/E-CPS	9	10,820	1,055	3,044	5,739	374	282	36	290
12	Office Furniture & Equipment	7	1,153	69	331	342	44	75	259	34
13	Computer & Periphial Equipment	7	13,408	803	3,849	3,978	510	870	3,007	390
14	Computer Software	7	55,025	3,296	15,798	16,326	2,091	3,571	12,342	1,601
15	Other Office Equipment	7	29,966	1,795	8,603	8,891	1,139	1,945	6,721	872
16	Transportation Equip Light Duty Trucks	7	-	-	-	-	-	-	-	-
17	Transportation Equip Heavy Duty Trucks	7	33,823	2,026	9,711	10,035	1,285	2,195	7,586	984
18	Transportation Equipment Other	7	13,899	833	3,990	4,124	528	902	3,118	404
19	Stores Equipment	7	4,044	242	1,161	1,200	154	262	907	118
20	Tools,Shop,Garage Equipment	7	-	-	-	-	-	-	-	-
21	Laboratory Equipment	2	7,343	-	7,343	-	-	-	-	-
22	Power Operated Equipment	7	12,418	744	3,565	3,684	472	806	2,785	361
23	Communication Equipment Non-Telephone	7	802	48	230	238	30	52	180	23
24	Remote Control & Instrument	7	21,085	1,263	6,053	6,256	801	1,368	4,729	614
25	Communication Equipment Telephone	7	945	57	271	280	36	61	212	27
26	Communication Equipment Other	7	2,348	141	674	697	89	152	527	68
27	Miscellaneous Equipment	7	9,258	555	2,658	2,747	352	601	2,077	269
28	Other Tangible Plant	7	11,042	661	3,170	3,276	420	717	2,477	321
	Total Depreciation Expense		3,212,555	174,115	415,497	2,276,631	168,670	82,645	49,686	45,312

EPCOR WATER ARIZONA INC.
ANTHEM 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			0.4023	0.5977					1.0000
16										
17	Factor 7 - Administrative and General									
18	Cost	184,165	882,709	0	912,481	117,010	199,581	689,831	89,571	2,985,777
19	Factor	0.0599	0.2871	0.0000	0.2967	0.0380	0.0649	0.2243	0.0291	1.0000
20										
21	Factor 8 - Labor Related Expenses									
22	Cost	108,385	388,088	0	536,979	68,893	117,464	167,928	52,725	1,440,462
23	Factor	0.0752	0.2695	0	0.3728	0.0478	0.0815	0.1166	0.0366	1.0000
24										
25	Factor 9 - Rate Base Less Costs Allocated									
26	Cost	6,069,691	17,503,760	0	33,010,456	2,150,604	1,624,676	204,832	1,670,565	62,234,583
27	Factor	0.0975	0.2813	0	0.5304	0.0346	0.0261	0.0033	0.0268	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	5,250,213	15,132,443	0	28,554,292	1,852,266	1,402,306	163,441	1,444,538	53,799,498
31	Factor	0.0976	0.2812	0	0.5308	0.0344	0.0261	0.003	0.0269	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	1,110,846	3,220,178	0	6,802,616	522,377	466,624	772,117	319,892	13,214,651
35	Factor	0.0841	0.2437	0	0.5148	0.0395	0.0353	0.0584	0.0242	1.0000
36										
37	Factor 12 - Direct Fire								1.0000	

EPCOR WATER ARIZONA INC.
ANTHEM 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	2,297	0.8199
Commercial/Public	504	0.1801
Fire Protection	0	0.0000
Total	2,802	1.0000

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	2,297	2.00	4,594	0.8350
Commercial/Public	504	1.80	908	0.1650
Total	2,802		5,502	1.0000

EPCOR WATER ARIZONA INC.
ANTHEM 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	95.7	4.00	382.9	0.8585
Commercial/Pubic	21.0	3.00	63.1	0.1415
	116.7		446.0	1.0000

EPCOR WATER ARIZONA INC.
ANTHEM 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	13,051	0.8996
Commercial/Public	1,457	0.1004
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>14,508</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	9,021	0.9470
Commercial/Public	343	0.0360
Fire Protection	162	0.0170
	<hr/>	<hr/>
Total	<u>9,526</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	8,844	0.9654
Commercial/Public	259	0.0283
Fire Protection	58	0.0063
	<hr/>	<hr/>
Total	<u>9,161</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
ANTHEM 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	9	144	
6 -inch	36.00	43	1,548	
8 -inch	64.00	6	384	
10 -inch	100.00	0	0	
12 -inch	144.00	0	0	
Private Hydrants	28.50		0	
Total Private Fire Protection		58	2,076	0.0641
<u>PUBLIC FIRE PROTECTION</u>				
<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	1,064	30,324
Total Public Fire Protection			1,064	30,324
Total Fire Protection			1,122	32,400
<u>REALLOCATE PUBLIC FIRE</u>				
		<u>Meter</u>	<u>Allocation</u>	<u>Allocation</u>
	Residential	13,051	0.8996	0.8419
	Commercial/Public	1,457	0.1004	0.0940
		14,508	1.0000	0.9359

EPCOR WATER ARIZONA INC.
ANTHEM 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	6,168	6,168	28	28	6,196	6,196
1	2.50	2,605	6,513	56	140	2,661	6,653
1-1/2	5.00	66	330	51	255	117	585
2	8.00	5	40	118	944	123	984
3	15.00	0	0	6	90	6	90
4	25.00	0	0	0	0	0	0
6	50.00	0	0	0	0	0	0
8	80.00	0	0	0	0	0	0
10	115.00	0	0	0	0	0	0
Total		<u>8,844</u>	<u>13,051</u>	<u>259</u>	<u>1,457</u>	<u>9,103</u>	<u>14,508</u>

**EPCOR WATER ARIZONA INC.
ANTHEM 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	6,168	6,168	28	28		0	6,196	6,196
1	1.06	2,605	2,761	56	59		0	2,661	2,820
1-1/2	1.28	66	84	51	65		0	117	149
2	1.50	5	8	118	177		0	123	185
3	2.37	0	0	6	14	0	0	6	14
4	2.50	0	0	0	0	9	23	9	23
6	2.79	0	0	0	0	43	120	43	120
8	3.11	0	0	0	0	6	19	6	19
10	4.12	0	0	0	0		0	0	0
12	4.65	0	0	0	0		0	0	0
Total		8,844	9,021	259	343	58	162	9,161	9,526

**EPCOR WATER ARIZONA INC.
ANTHEM 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	\$ 10,726,733	86.0%	\$ 8,005,254	80.5%	\$ 10,693,560	85.7%	\$ 2,688,306	33.6%
Commercial	1,707,392	13.7%	\$ 1,922,612	19.3%	1,750,143	14.1%	(172,469)	-9.0%
Private Fire	<u>31,862</u>	0.3%	<u>17,130</u>	0.2%	<u>22,269</u>	0.2%	<u>5,139</u>	30.0%
Total Sales	12,465,986	100.0%	9,944,996	<u>100.0%</u>	12,465,973	<u>100.0%</u>	2,520,976	25.3%
Other Revenues	<u>748,664</u>		<u>785,203</u>		<u>748,664</u>		<u>(36,539)</u>	-4.7%
Total	<u>\$ 13,214,650</u>		<u>\$ 10,730,199</u>		<u>\$ 13,214,636</u>		<u>\$ 2,484,437</u>	23.2%

**EPCOR WATER ARIZONA INC.
ANTHEM 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</u>	<u>Private Fire</u>
1	(1)	(2)	(3)	(4)	(5)	(6)
2						
3	Commodity	A	\$ 1,062,785	\$ 871,377	\$ 191,408	\$ -
4						
5	Demand - Maximum Day	B	2,903,722	2,424,608	479,114	-
6						
7	Demand - Maximum Hour	C	6,508,420	5,587,479	920,941	-
8						
9	Customer Facilities - Meters	D	499,804	449,625	50,180	-
10						
11	Customer Facilities - Services	E	446,451	422,789	16,072	7,590
12						
13	Customer Accounting	F	738,743	713,181	20,906	4,654
14						
15	Direct Fire	G	<u>306,062</u>	<u>257,674</u>	<u>28,770</u>	<u>19,619</u>
16						
17	Total		<u>\$ 12,465,987</u>	<u>\$ 10,726,733</u>	<u>\$ 1,707,392</u>	<u>\$ 31,862</u>
18						