

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

Description (1)	Cost of Service (2)	Residential (3)	Commercial (4)	Private Fire (5)
1. Revenues From Water Service - Present Rates	\$ 11,435,911	\$ 8,953,391	\$ 2,458,164	\$ 24,356
2. Other Revenues	358,257	288,686	69,023	548
3. Total Operating Revenues	\$ 11,794,168	\$ 9,242,077	\$ 2,527,188	\$ 24,903
4. Less: Operating Expenses	10,578,224	8,920,279	1,610,205	47,741
5. Return and Income Taxes	\$ 1,215,944	\$ 321,799	\$ 916,983	\$ (22,837)
6. Less: Interest Expense (Allocated by Rate Base)	971,402	796,744	170,190	4,468
7. Taxable Income	244,543	(474,945)	746,793	(27,306)
8. Less: Income Taxes (Allocated based on Line 7)	110,587	(214,771)	337,711	(12,353)
9. Net Return (Ln 5 - Ln 8)	\$ 1,105,357	\$ 536,570	\$ 579,272	\$ (10,484)
10. Original Cost Measure of Value	\$ 43,560,607	\$ 35,727,672	\$ 7,630,998	\$ 201,937
11. Rate of Return, Percent	2.54%	1.50%	7.59%	-5.19%
12. Relative Rate of Return	1.00	0.59	2.99	-2.05

**EPCOR WATER ARIZONA INC.
SUN CITY 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	\$ 14,949,209	\$ 11,749,824	\$ 3,166,501	\$ 32,884
2. Other Revenues	351,835	283,780	67,415	640
3. Total Operating Revenues	\$ 15,301,044	\$ 12,033,604	\$ 3,233,916	\$ 33,524
4. Less: Operating Expenses	10,775,475	9,077,974	1,637,636	59,864
5. Return and Income Taxes	\$ 4,525,569	\$ 2,955,629	\$ 1,596,280	\$ (26,340)
6. Less: Interest Expense (Allocated by Rate Base)	971,402	796,743	170,190	4,468
7. Taxable Income	3,554,168	2,158,886	1,426,090	(30,808)
8. Less: Income Taxes (Allocated based on Line 7)	1,425,591	866,047	571,947	(12,403)
9. Net Return (Ln 5 - Ln 8)	\$ 3,099,978	\$ 2,089,582	\$ 1,024,333	\$ (13,937)
10. Original Cost Measure of Value	\$ 43,560,607	\$ 35,727,820	\$ 7,630,847	\$ 201,939
11. Rate of Return, Percent	7.12%	5.85%	13.42%	-6.90%
12. Relative Rate of Return	1.00	0.82	1.89	-0.97

**EPCOR WATER ARIZONA INC.
SUN CITY 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	\$ 227,956	\$ 175,640	\$ 52,316	\$ -
4						
5	Demand - Maximum Day	B	14,227,336	11,219,676	3,007,659	-
6						
7	Demand - Maximum Hour	C	20,138,034	16,460,829	3,677,205	-
8						
9	Customer Facilities - Meters	D	3,238,344	2,770,080	468,265	-
10						
11	Customer Facilities - Services	E	2,998,112	2,795,740	156,801	45,571
12						
13	Customer Accounting	F	1,024,547	974,958	43,543	6,045
14						
15	Direct Fire	G	1,706,278	1,330,897	225,058	150,323
16						
17	Total		<u>\$ 43,560,607</u>	<u>\$ 35,727,820</u>	<u>\$ 7,630,847</u>	<u>\$ 201,939</u>
18						

**EPCOR WATER ARIZONA INC.
SUN CITY 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	\$ 416,269	\$ 320,737	\$ 95,534	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	2,440,960	1,924,940	516,019	-
6						
7	Demand - Maximum Hour	C	3,977,901	3,251,536	726,365	-
8						
9	Customer Facilities - Meters	D	853,655	730,216	123,438.46	-
10						
11	Customer Facilities - Services	E	653,555	609,440	34,180.91	9,934
12						
13	Customer Accounting	F	2,000,351	1,903,534	85,015	11,802
14						
15	Direct Fire	G	432,784	337,571	57,084	38,128
16						
17	Total		<u>\$ 10,775,475</u>	<u>\$ 9,077,974</u>	<u>\$ 1,637,636</u>	<u>\$ 59,864</u>
18						

**EPCOR WATER ARIZONA INC.
SUN CITY 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	471	2	154	218	35	32	10	19
5	Franchises	9	0	0	0	0	0	0	0	0
6	Land & Land Rights Supply	1	180,546	180,546	0	0	0	0	0	0
7	Land & Land Rights Pumping	2	8,456	0	8,456	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	10,493	0	0	10,493	0	0	0	0
10	Land & Land Rights General	9	2,125	10	695	986	160	147	43	84
11	Structures & Improvements Supply	2	4,096,982	0	4,096,982	0	0	0	0	0
12	Structures & Improvements Pumping	3	1,353,403	0	0	1,353,403	0	0	0	0
13	Structures & Improvements Treatment	2	311,308	0	311,308	0	0	0	0	0
14	Structures & Improvements Trans & Dist	3	234,187	0	0	234,187	0	0	0	0
15	Structures & Improvements General	7	300,733	10,887	79,093	88,355	9,383	15,999	89,829	7,188
16	Structures & Improvements Offices	7	50,876	1,842	13,380	14,947	1,587	2,707	15,197	1,216
17	Structures & Improvements Leasehold	7	5,119	185	1,346	1,504	160	272	1,529	122
18	Structures & Improvements Store, Shop, Gge	7	0	0	0	0	0	0	0	0
19	Structures & Improvements Miscellaneous	7	1,369,079	49,561	360,068	402,235	42,715	72,835	408,944	32,721
20	Collect & Impounding	2	151	0	151	0	0	0	0	0
21	Lake, River & Other Intakes	2	0	0	0	0	0	0	0	0
22	Wells & Springs	2	10,075,642	0	10,075,642	0	0	0	0	0
23	Infiltration Galleries	2	0	0	0	0	0	0	0	0
24	Supply Mains	2	411,815	0	411,815	0	0	0	0	0
25	Power Production Equipment	3	1,461,597	0	0	1,461,597	0	0	0	0

**EPCOR WATER ARIZONA INC.
SUN CITY 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	3,806	0	0	3,806	0	0	0	0
5	Pumping Equipment Electric	3	6,467,645	0	0	6,467,645	0	0	0	0
6	Pumping Equipment Hydraulic	3	34,616	0	0	34,616	0	0	0	0
7	Pumping Equipment Other	3	189,631	0	0	189,631	0	0	0	0
8	Pumping Equipment Water Treatment	2	720,044	0	720,044	0	0	0	0	0
9	Water Treatment Equipment Non-Media	2	1,575,282	0	1,575,282	0	0	0	0	0
10	Water Treatment Equipment Filter Media	2	0	0	0	0	0	0	0	0
11	Distribution Reservoirs & Standpipes	3	2,661,076	0	0	2,661,076	0	0	0	0
12	TD Mains Not Classified by Size	3	3,578,018	0	0	3,578,018	0	0	0	0
13	TD Mains 4in & Less	3	8,060,354	0	0	8,060,354	0	0	0	0
14	TD Mains 6in to 8in	3	9,717,808	0	0	9,717,808	0	0	0	0
15	TD Mains 10in to 16in	2	6,192,366	0	6,192,366	0	0	0	0	0
16	TD Mains 18in & Grtr	2	31,697	0	31,697	0	0	0	0	0
17	Fire Mains	12	1	0	0	0	0	0	0	1
18	Services	4a	4,971,144	0	0	0	0	4,971,144	0	0
19	Meters	4	4,878,095	0	0	0	4,878,095	0	0	0
20	Meter Installations	4	602,192	0	0	0	602,192	0	0	0
21	Meter Vaults	4	70,947	0	0	0	70,947	0	0	0
22	Hydrants	12	2,869,716	0	0	0	0	0	0	2,869,716
23	Other P/E- Supply	2	0	0	0	0	0	0	0	0
24	Other P/E-TD	3	0	0	0	0	0	0	0	0
25	Other P/E-CPS/Intangible	9	275,983	1,325	90,302	128,084	20,726	19,043	5,630	10,874
26	Furniture and Equipment	7	507,428	18,369	133,453	149,082	15,832	26,995	151,569	12,128
27	Computer & Periphal Equipment	7	639,266	23,141	168,127	187,816	19,945	34,009	190,949	15,278
28	Computer Software	7	137,467	4,976	36,154	40,388	4,289	7,313	41,062	3,285
29	Other Office Equipment	7	2,916	106	767	857	91	155	871	70

**EPCOR WATER ARIZONA INC.
SUN CITY 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	262,140	9,489	68,943	77,017	8,179	13,946	78,301	6,265
4	Transportation Equip Heavy Duty Trucks	7	42,226	1,529	11,105	12,406	1,317	2,246	12,613	1,009
5	Transportation Equip Other	7	113,181	4,097	29,766	33,252	3,531	6,021	33,807	2,705
6	Stores Equipment	7	3,375	122	888	992	105	180	1,008	81
7	Tools, Shop, Garage Equipment	7	221,710	8,026	58,310	65,138	6,917	11,795	66,225	5,299
8	Laboratory Equipment	2	98,833	0	98,833	0	0	0	0	0
9	Power Operated Equipment	7	48,371	1,751	12,722	14,211	1,509	2,573	14,448	1,156
10	Communication Equipment Non-Telephone	7	545,000	19,729	143,335	160,121	17,004	28,994	162,792	13,026
11	Remote Control & Instrument	7	777,151	28,133	204,391	228,327	24,247	41,344	232,135	18,574
12	Communication Equipment Telephone	7	4,412	160	1,160	1,296	138	235	1,318	105
13	Communication Equipment Other	7	67,271	2,435	17,692	19,764	2,099	3,579	20,094	1,608
14	Miscellaneous Equipment	7	84,882	3,073	22,324	24,938	2,648	4,516	25,354	2,029
15	Other Tangible Plant	7		0	0	0	0	0	0	0
16	Total Plant in Service		\$ 76,329,031	\$ 369,493	\$ 24,976,751	\$ 35,424,571	\$ 5,733,853	\$ 5,266,081	\$ 1,553,726	\$ 3,004,557
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9		0	0	0	0	0	0	0
20	Customer Advances	9	(9,722,192)	(46,667)	(3,181,101)	(4,512,069)	(730,137)	(670,831)	(198,333)	(383,054)
21	Contributions in Aid of Construction	9	(17,947,295)	(86,147)	(5,872,355)	(8,329,340)	(1,347,842)	(1,238,363)	(366,125)	(707,123)
22	Construction Work in Progress	2		0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	499,524	18,083	131,375	146,760	15,585	26,575	149,208	11,939
24	Utility Plant Acq. Adjustment	9		0	0	0	0	0	0	0
25	Customer Meter Deposits	4	(13,700)	0	0	0	(13,700)	0	0	0
26	Deferred Income Taxes	9	(4,578,769)	(21,978)	(1,498,173)	(2,125,007)	(343,866)	(315,935)	(93,407)	(180,404)
27	Deferred Debits	9	1,185,391	5,690	387,860	550,140	89,023	81,792	24,182	46,704
28	Regulatory Liabilities	9	(2,191,382)	(10,519)	(717,020)	(1,017,020)	(164,573)	(151,205)	(44,704)	(86,340)
29										
30	Total Other Rate Base Elements		<u>(32,768,424)</u>	<u>(141,538)</u>	<u>(10,749,415)</u>	<u>(15,286,536)</u>	<u>(2,495,509)</u>	<u>(2,267,968)</u>	<u>(529,179)</u>	<u>(1,298,279)</u>
31										
32	Total Original Cost Measure of Value		<u>\$ 43,560,607</u>	<u>\$ 227,956</u>	<u>\$ 14,227,336</u>	<u>\$ 20,138,034</u>	<u>\$ 3,238,344</u>	<u>\$ 2,998,112</u>	<u>\$ 1,024,547</u>	<u>\$ 1,706,278</u>

EPCOR WATER ARIZONA INC.
SUN CITY 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	121,717	\$ 121,717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Labor - Treatment	2	190,800	-	190,800	-	-	-	-	-
8	Labor - Pumping	3	137,398	-	-	137,398	-	-	-	-
9	Labor - T&D Mains	6	910,504	-	200,857	709,647	-	-	-	-
10	Labor - T&D Storage	3	140,535	-	-	140,535	-	-	-	-
11	Labor - T&D Meters	4	104,928	-	-	-	104,928	-	-	-
12	Labor - T&D Services	4a	178,901	-	-	-	-	178,901	-	-
13	Labor - T&D Hydrants	12	80,303	-	-	-	-	-	-	80,303
14	Labor - Customer	5	234,137	-	-	-	-	-	234,137	-
15	Labor - Meter Reading	5	189,507	-	-	-	-	-	189,507	-
16	Labor - Administrative	7	-	-	-	-	-	-	-	-
17	Purchased Water	1	-	-	-	-	-	-	-	-
18	Fuel and Power	1	-	-	-	-	-	-	-	-
19	Chemicals	1	31,690	31,690	-	-	-	-	-	-
20	Waste Disposal	1	1,414	1,414	-	-	-	-	-	-
21	Corporate allocation	7	516,519	18,698	135,844	151,753	16,115	27,479	154,284	12,345
22	Outside Services	7	285,610	10,339	75,115	83,912	8,911	15,194	85,312	6,826
23	Group Insurance and Other Benefits	8	776,406	41,305	132,843	335,019	35,559	60,715	143,713	27,252
24	Pensions	8	-	-	-	-	-	-	-	-
25	Regulatory Expense	7	95,654	3,463	25,157	28,103	2,984	5,089	28,572	2,286
26	Insurance Other Than Group	7	123,417	4,468	32,459	36,260	3,851	6,566	36,865	2,950
27	Customer Accounting	5	777,043	-	-	-	-	-	777,043	-
28	Rents	7	62,628	2,267	16,471	18,400	1,954	3,332	18,707	1,497
29	General Office Expense	7	200,197	7,247	52,652	58,818	6,246	10,650	59,799	4,785
30	Miscellaneous	7	39,682	1,437	10,436	11,659	1,238	2,111	11,853	948
31	Maintenance Expense - Treatment	2	659,337	-	659,337	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		5,858,327	244,044	1,531,973	1,711,504	181,787	310,037	1,739,791	139,191

**EPCOR WATER ARIZONA INC.
SUN CITY 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	134,155	134,155	-	-	-	-	-	-
7	Structures & Improvements Pumping	3	39,239	-	-	39,239	-	-	-	-
8	Structures & Improvements Treatment	2	8,320	-	8,320	-	-	-	-	-
9	Structures & Improvements Trans & Dist	3	6,917	-	-	6,917	-	-	-	-
10	Structures & Improvements General	7	11,448	414	3,011	3,363	357	609	3,419	274
11	Structures & Improvements Offices	7	2,614	95	688	768	82	139	781	62
12	Structures & Improvements Leasehold	7	177	6	47	52	6	9	53	4
13	Structures & Improvements Store,Shop,Gge	7	54,911	1,988	14,442	16,133	1,713	2,921	16,402	1,312
14	Structures & Improvements Miscellaneous	7	6	0	2	2	0	0	2	0
15	Collect & Impounding	2	-	-	-	-	-	-	-	-
16	Lake, River & Other Intakes	2	329,321	-	329,321	-	-	-	-	-
17	Wells & Springs	2	-	-	-	-	-	-	-	-
18	Infiltration Galleries	2	8,247	-	8,247	-	-	-	-	-
19	Supply Mains	2	76,587	-	76,587	-	-	-	-	-
20	Power Production Equipment	3	0	-	-	0	-	-	-	-
21	Power Production Equipment	3	306	-	-	306	-	-	-	-
22	Pumping Equipment Steam	3	921,988	-	-	921,988	-	-	-	-
23	Pumping Equipment Electric	3	15,354	-	-	15,354	-	-	-	-
24	Pumping Equipment Diesel	3	2,817	-	-	2,817	-	-	-	-
25	Pumping Equipment Hydraulic	3	14,344	-	-	14,344	-	-	-	-
26	Pumping Equipment Other	3	54,728	-	-	54,728	-	-	-	-
27	Pumping Equipment Water Treatment	3	89,467	-	-	89,467	-	-	-	-
28	Water Treatment Equipment Non-Media	2	-	-	-	-	-	-	-	-
29	Water Treatment Equipment Filter Media	2	64,745	-	64,745	-	-	-	-	-
30	Distribution Reservoirs & Standpipes	3	-	-	-	-	-	-	-	-
31	Elevated Tank & Standpipes	3	1,067	-	-	1,067	-	-	-	-
32	Ground Level Tanks	3	-	-	-	-	-	-	-	-
33	Below Ground Tanks	3	-	-	-	-	-	-	-	-
34	Clearwell	3	60,315	-	-	60,315	-	-	-	-
35	TD Mains Not Classified by Size	3	231,994	-	-	231,994	-	-	-	-
36	TD Mains 4in & Less	3	169,694	-	-	169,694	-	-	-	-
37	TD Mains 6in to 8in	3	111,133	-	-	111,133	-	-	-	-
38	TD Mains 10in to 16in	2	1,252	-	1,252	-	-	-	-	-
39	TD Mains 18in & Grtr	2	0	-	0	-	-	-	-	-

**EPCOR WATER ARIZONA INC.
SUN CITY 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	0	-	-	-	-	-	-	0
4	Services	4a	252,913	-	-	-	-	252,913	-	-
5	Meters	4	579,460	-	-	-	579,460	-	-	-
6	Meter Installations	4	18,093	-	-	-	18,093	-	-	-
7	Meter Vaults	4	2,001	-	-	-	2,001	-	-	-
8	Hydrants	12	69,014	-	-	-	-	-	-	69,014
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	2	-	-	-	-	-	-	-	-
11	Other P/E-CPS/Intangible	9	-	-	-	-	-	-	-	-
12	Office Furniture & Equipment	7	16,873	611	4,438	4,957	526	898	5,040	403
13	Computer & Periphal Equipment	7	53,738	1,945	14,133	15,788	1,677	2,859	16,051	1,284
14	Computer Software	7	171,117	6,194	45,004	50,274	5,339	9,103	51,113	4,090
15	Other Office Equipment	7	84,401	3,055	22,197	24,797	2,633	4,490	25,211	2,017
16	Transportation Equip Light Duty Trucks	7	211	8	56	62	7	11	63	5
17	Transportation Equip Heavy Duty Trucks	7	82,737	2,995	21,760	24,308	2,581	4,402	24,714	1,977
18	Transportation Equipment Other	7	14,535	526	3,823	4,270	453	773	4,342	347
19	Stores Equipment	7	23,837	863	6,269	7,003	744	1,268	7,120	570
20	Tools,Shop,Garage Equipment	7	662	24	174	195	21	35	198	16
21	Laboratory Equipment	2	16,215	-	16,215	-	-	-	-	-
22	Power Operated Equipment	7	9,405	340	2,473	2,763	293	500	2,809	225
23	Communication Equipment Non-Telephone	7	8,968	325	2,359	2,635	280	477	2,679	214
24	Remote Control & Instrument	7	75,288	2,725	19,801	22,120	2,349	4,005	22,488	1,799
25	Communication Equipment Telephone	7	83,215	3,012	21,886	24,449	2,596	4,427	24,856	1,989
26	Communication Equipment Other	7	981	36	258	288	31	52	293	23
27	Miscellaneous Equipment	7	16,734	606	4,401	4,917	522	890	4,999	400
28	Other Tangible Plant	7	9,924	359	2,610	2,916	310	528	2,964	237
	Total Depreciation Expense		4,001,468	160,283	694,515	1,931,422	622,073	291,312	215,597	86,265

EPCOR WATER ARIZONA INC.
SUN CITY 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			0.2206	0.7794					1.0000
16										
17	Factor 7 - Administrative and General									
18	Cost	210,940	1,531,973	0	1,711,504	181,787	310,037	1,739,791	139,191	5,686,032
19	Factor	0.0362	0.2630	0.0000	0.2938	0.0312	0.0532	0.2987	0.0239	1.0000
20										
21	Factor 8 - Labor Related Expenses									
22	Cost	121,717	391,658	0	987,579	104,928	178,901	423,644	80,303	2,288,729
23	Factor	0.0532	0.1711	0	0.4315	0.0458	0.0782	0.1851	0.0351	1.0000
24										
25	Factor 9 - Rate Base Less Costs Allocated									
26	Cost	368,156	24,885,599	0	35,295,282	5,712,931	5,246,859	1,548,043	2,993,581	76,050,452
27	Factor	0.0048	0.3272	0	0.4641	0.0751	0.069	0.0204	0.0394	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	227,956	14,227,336	0	20,138,034	3,238,344	2,998,112	1,024,547	1,706,278	43,560,607
31	Factor	0.0052	0.3267	0	0.4623	0.0743	0.0688	0.0235	0.0392	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	440,734	3,978,012	0	6,152,921	1,203,220	977,244	2,110,914	438,029	15,301,074
35	Factor	0.0288	0.26	0	0.4021	0.0786	0.0639	0.138	0.0286	1.0000
36										
37	Factor 12 - Direct Fire								1.0000	1.0000

EPCOR WATER ARIZONA INC.
SUN CITY 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.

<u>Classification</u> (1)	<u>Average Daily Consumption, 1000 Gallons</u> (2)	<u>Allocation Factor</u> (5)
Residential	8,497	0.7705
Commercial/Public	2,531	0.2295
Fire Protection	0	0.0000
Total	11,028	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.

<u>Customer Classification</u> (1)	<u>Average Daily Consumption, 1000 Gallons</u> (2)	<u>Peak Day Factor</u> (3)	<u>Rate of Flow, 1000 Gallons Per Day</u> (4)=(2)x(3)	<u>Allocation Factor</u> (5)
Residential	8,497	2.00	16,995	0.7886
Commercial/Public	2,531	1.80	4,555	0.2114
Total	11,028		21,550	1.0000

EPCOR WATER ARIZONA INC.
SUN CITY 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	354.1	4.00	1,416.2	0.8174
Commercial/Pubic	105.4	3.00	316.3	0.1826
	459.5		1,732.5	1.0000

EPCOR WATER ARIZONA INC.
SUN CITY 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	32,111	0.8554
Commercial/Public	5,428	0.1446
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>37,539</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	23,771	0.9325
Commercial/Public	1,332	0.0523
Fire Protection	387	0.0152
	<hr/>	<hr/>
Total	<u>25,490</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	23,174	0.9516
Commercial/Public	1,035	0.0425
Fire Protection	144	0.0059
	<hr/>	<hr/>
Total	<u>24,353</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
SUN CITY 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	1	9	
4 -inch	16.00	58	928	
6 -inch	36.00	74	2,664	
8 -inch	64.00	11	704	
10 -inch	100.00	-	0	
12 -inch	144.00	-	0	
Private Hydrants	28.50	44	1,254	
Total Private Fire Protection		188	5,559	0.0881
<u>PUBLIC FIRE PROTECTION</u>				
<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	2,020	57,570
Total Public Fire Protection			2,020	57,570
Total Fire Protection			2,208	63,129
<u>REALLOCATE PUBLIC FIRE</u>				
			<u>Meter Equivalent</u>	<u>Allocation of Public Fire Using Factor</u>
	Residential		32,111	0.7800
	Commercial/Public		5,428	0.1319
			37,539	0.9119

Witness: Heppenstall

EPCOR WATER ARIZONA INC.
SUN CITY 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	20,836	20,836	200	200	21,036	21,036
1	2.50	708	1,770	184	460	892	2,230
1-1/2	5.00	1,197	5,985	385	1,925	1,582	7,910
2	8.00	430	3,440	221	1,768	651	5,208
3	15.00	2	30	30	450	32	480
4	25.00	0	0	5	125	5	125
6	50.00	1	50	10	500	11	550
8	80.00	0	0	0	0	0	0
10	115.00	0	0	0	0	0	0
Total		<u>23,174</u>	<u>32,111</u>	<u>1,035</u>	<u>5,428</u>	<u>24,209</u>	<u>37,539</u>

EPCOR WATER ARIZONA INC.
SUN CITY 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	20,836	20,836	200	200		0	21,036	21,036
1	1.06	708	750	184	195		0	892	945
1-1/2	1.28	1,197	1,532	385	493		0	1,582	2,025
2	1.50	430	645	221	332		0	651	977
3	2.37	2	5	30	71	1	2	33	78
4	2.50	0	0	5	13	58	145	63	158
6	2.79	1	3	10	28	74	206	85	237
8	3.11	0	0	0	0	11	34	11	34
10	4.12	0	0	0	0	0	0	0	0
12	4.65	0	0	0	0	0	0	0	0
Total		<u>23,174</u>	<u>23,771</u>	<u>1,035</u>	<u>1,332</u>	<u>144</u>	<u>387</u>	<u>24,353</u>	<u>25,490</u>

**EPCOR WATER ARIZONA INC.
SUN CITY 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	\$ 12,510,752	83.7%	\$ 8,953,391	78.3%	\$ 11,749,824	78.5%	\$ 2,796,433	31.2%
Commercial	2,373,378	15.9%	2,458,164	21.5%	3,166,501	21.3%	708,337	28.8%
Private Fire	<u>65,109</u>	0.4%	<u>24,356</u>	0.2%	<u>32,884</u>	0.2%	<u>8,528</u>	35.0%
Total Sales	14,949,240	100.0%	11,435,911	<u>100.0%</u>	14,949,209	<u>100.0%</u>	3,513,298	30.7%
Other Revenues	<u>351,834</u>		<u>358,258</u>		<u>351,834</u>		<u>(6,424)</u>	-1.8%
Total	<u>\$ 15,301,074</u>		<u>\$ 11,794,169</u>		<u>\$ 15,301,043</u>		<u>\$ 3,506,874</u>	29.7%

**EPCOR WATER ARIZONA INC.
SUN CITY WATER DISTRICT**

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

Line no. No.	Cost Function	Factor Ref	Total Cost of Service	Residential	Commercial	Private Fire
	(1)	(2)	(3)	(4)	(5)	(6)
1						
2						
3	Commodity	A	\$ 435,452	\$ 335,516	\$ 99,936	\$ -
4						
5	Demand - Maximum Day	B	3,761,898	2,966,633	795,265	-
6						
7	Demand - Maximum Hour	C	6,079,174	4,969,117	1,110,057	-
8						
9	Customer Facilities - Meters	D	1,188,804	1,016,904	171,901	-
10						
11	Customer Facilities - Services	E	965,524	900,351	50,497	14,676
12						
13	Customer Accounting	F	2,085,604	1,984,660	88,638	12,305
14						
15	Direct Fire	G	432,784	337,571	57,084	38,128
16						
17	Total		<u>\$ 14,949,240</u>	<u>\$ 12,510,752</u>	<u>\$ 2,373,378</u>	<u>\$ 65,109</u>
18						