

**EPCOR WATER ARIZONA INC.
SUN CITY WEST 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	\$ 8,591,929	\$ 7,006,748	\$ 1,486,605	\$ 98,576
2. Other Revenues	73,144	62,579	10,053	512
3. Total Operating Revenues	\$ 8,665,073	\$ 7,069,327	\$ 1,496,658	\$ 99,088
4. Less: Operating Expenses	6,033,273	5,247,346	726,555	59,372
5. Return and Income Taxes	\$ 2,631,800	\$ 1,821,981	\$ 770,103	\$ 39,716
6. Less: Interest Expense (Allocated by Rate Base)	741,807	635,729	100,366	5,712
7. Taxable Income	1,889,993	1,186,252	669,736	34,004
8. Less: Income Taxes (Allocated based on Line 7)	775,079	486,440	274,688	13,951
9. Net Return (Ln 5 - Ln 8)	\$ 1,856,721	\$ 1,335,541	\$ 495,415	\$ 25,765
10. Original Cost Measure of Value	\$ 33,264,886	\$ 28,507,097	\$ 4,502,226	\$ 255,563
11. Rate of Return, Percent	5.58%	4.68%	11.00%	10.08%
12. Relative Rate of Return	1.00	0.84	1.97	1.81

**EPCOR WATER ARIZONA INC.
SUN CITY WEST 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	\$ 9,478,602	\$ 7,702,466	\$ 1,677,560	\$ 98,576
2. Other Revenues	86,736	74,214	11,910	612
3. Total Operating Revenues	\$ 9,565,338	\$ 7,776,681	\$ 1,689,470	\$ 99,188
4. Less: Operating Expenses	6,093,301	5,296,491	733,390	63,420
5. Return and Income Taxes	\$ 3,472,037	\$ 2,480,189	\$ 956,080	\$ 35,768
6. Less: Interest Expense (Allocated by Rate Base)	741,807	635,728	100,366	5,712
7. Taxable Income	2,730,230	1,844,461	855,714	30,056
8. Less: Income Taxes (Allocated based on Line 7)	1,113,316	752,156	348,913	12,246
9. Net Return (Ln 5 - Ln 8)	\$ 2,358,721	\$ 1,728,033	\$ 607,167	\$ 23,522
10. Original Cost Measure of Value	\$ 33,264,886	\$ 28,507,130	\$ 4,502,192	\$ 255,564
11. Rate of Return, Percent	7.09%	6.06%	13.49%	9.20%
12. Relative Rate of Return	1.00	0.85	1.90	1.30

**EPCOR WATER ARIZONA INC.
SUN CITY WEST 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	\$ 38,673	\$ 31,306	\$ 7,367	\$ -
4						
5	Demand - Maximum Day	B	12,707,786	10,487,735	2,220,050	-
6						
7	Demand - Maximum Hour	C	10,995,973	9,346,577	1,649,396	-
8						
9	Customer Facilities - Meters	D	1,709,323	1,502,837	206,486	-
10						
11	Customer Facilities - Services	E	5,804,131	5,480,841	219,977	103,314
12						
13	Customer Accounting	F	283,104	272,629	8,550	1,925
14						
15	Direct Fire	G	1,725,897	1,385,205	190,366	150,326
16						
17	Total		<u>\$ 33,264,888</u>	<u>\$ 28,507,130</u>	<u>\$ 4,502,192</u>	<u>\$ 255,564</u>
18						

**EPCOR WATER ARIZONA INC.
SUN CITY WEST 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	\$ 260,456	\$ 210,840	\$ 49,617	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	1,415,874	1,168,520	247,353	-
6						
7	Demand - Maximum Hour	C	2,031,575	1,726,839	304,736	-
8						
9	Customer Facilities - Meters	D	148,594	130,644	17,950.15	-
10						
11	Customer Facilities - Services	E	583,065	550,589	22,098.18	10,379
12						
13	Customer Accounting	F	1,133,235	1,091,305	34,224	7,706
14						
15	Direct Fire	G	520,502	417,755	57,411	45,336
16						
17	Total		<u>\$ 6,093,302</u>	<u>\$ 5,296,491</u>	<u>\$ 733,390</u>	<u>\$ 63,420</u>
18						

**EPCOR WATER ARIZONA INC.
SUN CITY WEST 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	20,086	24	7,673	6,636	1,032	3,501	179	1,040
5	Franchises	9	1,346	2	514	445	69	235	12	70
6	Land & Land Rights Supply	1	11,651	11,651	0	0	0	0	0	0
7	Land & Land Rights Pumping	2	44,957	0	44,957	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	286,508	0	286,508	0	0	0	0	0
12	Structures & Improvements Pumping	3	381,750	0	0	381,750	0	0	0	0
13	Structures & Improvements Treatment	2	6,225,801	0	6,225,801	0	0	0	0	0
14	Structures & Improvements Trans & Dist	3	0	0	0	0	0	0	0	0
15	Structures & Improvements General	7	18,438	719	4,962	4,184	409	697	7,154	313
16	Structures & Improvements Offices	7	12,196	476	3,282	2,767	271	461	4,732	207
17	Structures & Improvements Leasehold	7	3,230	126	869	733	72	122	1,253	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	0	0	0	0	0	0	0	0
21	Lake, River & Other Intakes	2	0	0	0	0	0	0	0	0
22	Wells & Springs	2	4,218,355	0	4,218,355	0	0	0	0	0
23	Infiltration Galleries	2	0	0	0	0	0	0	0	0
24	Supply Mains	2	0	0	0	0	0	0	0	0
25	Power Production Equipment	3	235,090	0	0	235,090	0	0	0	0

**EPCOR WATER ARIZONA INC.
SUN CITY WEST WATER DISTRICT
RATE BASE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016 ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, CUSTOMER ACCOUNTING
AND FIRE CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Rate Base By Function	Demand		Customer Facilities		Customer Accounting	Direct Fire	
				Commodity	Max Day	Max Hour	Meters			Services
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1										
2										
3	Transportation Equip Light Duty Trucks	7	(393)	(15)	(106)	(89)	(9)	(15)	(152)	(7)
4	Transportation Equip Heavy Duty Trucks	7	12,904	503	3,472	2,928	286	488	5,007	219
5	Transportation Equip Other	7	5,123	200	1,379	1,162	114	194	1,988	87
6	Stores Equipment	7	(11)	(0)	(3)	(3)	(0)	(0)	(4)	(0)
7	Tools, Shop, Garage Equipment	7	20,914	816	5,628	4,745	464	791	8,115	356
8	Laboratory Equipment	2	1,687	0	1,687	0	0	0	0	0
9	Power Operated Equipment	7	96,485	3,763	25,964	21,893	2,142	3,647	37,436	1,640
10	Communication Equipment Non-Telephone	7	41,916	1,635	11,280	9,511	931	1,584	16,263	713
11	Remote Control & Instrument	7	14,463	564	3,892	3,282	321	547	5,612	246
12	Communication Equipment Telephone	7	2,783	109	749	632	62	105	1,080	47
13	Communication Equipment Other	7	83,778	3,267	22,545	19,009	1,860	3,167	32,506	1,424
14	Miscellaneous Equipment	7	69,187	2,698	18,618	15,699	1,536	2,615	26,845	1,176
15	Other Tangible Plant	7		0	0	0	0	0	0	0
16	Total Plant in Service		\$ 38,215,245	\$ 45,760	\$ 14,595,090	\$ 12,628,165	\$ 1,963,643	\$ 6,662,696	\$ 338,662	\$ 1,981,228
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9		0	0	0	0	0	0	0
20	Customer Advances	9	(1,709,978)	(2,052)	(653,212)	(564,977)	(87,893)	(298,049)	(15,219)	(88,577)
21	Contributions in Aid of Construction	9	(616,441)	(740)	(235,480)	(203,672)	(31,685)	(107,446)	(5,486)	(31,932)
22	Construction Work in Progress	2		0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	(30,352)	(1,184)	(8,168)	(6,887)	(674)	(1,147)	(11,777)	(516)
24	Utility Plant Acq. Adjustment	9		0	0	0	0	0	0	0
25	Customer Meter Deposits	4	(800)	0	0	0	(800)	0	0	0
26	Deferred Income Taxes	9	(2,889,155)	(3,467)	(1,103,657)	(954,577)	(148,503)	(503,580)	(25,713)	(149,658)
27	Deferred Debits	9	296,370	356	113,213	97,921	15,233	51,657	2,638	15,352
28	Regulatory Liabilities	9	0	0	0	0	0	0	0	0
29										
30	Total Other Rate Base Elements		(4,950,357)	(7,087)	(1,887,304)	(1,632,192)	(254,321)	(858,565)	(55,558)	(255,331)
31										
32	Total Original Cost Measure of Value		\$ 33,264,887	\$ 38,673	\$ 12,707,786	\$ 10,995,973	\$ 1,709,323	\$ 5,804,131	\$ 283,104	\$ 1,725,897

**EPCOR WATER ARIZONA INC.
SUN CITY WEST 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 (1)	Factor Ref. (2)	Cost of Service By Function (3)	Commodity (4)	Demand		Customer Facilities		Customer Accounting (9)	Direct Fire (10)
					Max Day (5)	Max Hour (6)	Meters (7)	Services (8)		
1										
2										
3	OPERATION AND MAINTENANCE EXPENSES									
4										
5										
6	Labor - Source of Supply	1	59,053	\$ 59,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Labor - Treatment	2	92,569	-	92,569	-	-	-	-	-
8	Labor - Pumping	3	66,661	-	-	66,661	-	-	-	-
9	Labor - T&D Mains	6	294,024	-	62,274	231,750	-	-	-	-
10	Labor - T&D Storage	3	44,966	-	-	44,966	-	-	-	-
11	Labor - T&D Meters	4	33,573	-	-	-	33,573	-	-	-
12	Labor - T&D Services	4a	57,242	-	-	-	-	57,242	-	-
13	Labor - T&D Hydrants	12	25,694	-	-	-	-	-	-	25,694
14	Labor - Customer	5	177,917	-	-	-	-	-	177,917	-
15	Labor - Meter Reading	5	48,237	-	-	-	-	-	48,237	-
16	Labor - Administrative	7	-	-	-	-	-	-	-	-
17	Purchased Water	1	-	-	-	-	-	-	-	-
18	Fuel and Power	1	-	-	-	-	-	-	-	-
19	Chemicals	1	126,804	126,804	-	-	-	-	-	-
20	Waste Disposal	1	5,280	5,280	-	-	-	-	-	-
21	Corporate allocation	7	250,475	9,769	67,403	56,833	5,561	9,468	97,184	4,258
22	Outside Services	7	127,959	4,990	34,434	29,034	2,841	4,837	49,648	2,175
23	Group Insurance and Other Benefits	8	280,672	18,412	48,276	107,104	10,469	17,851	70,533	8,027
24	Pensions	8	-	-	-	-	-	-	-	-
25	Regulatory Expense	7	22,339	871	6,011	5,069	496	844	8,667	380
26	Insurance Other Than Group	7	67,512	2,633	18,167	15,318	1,499	2,552	26,195	1,148
27	Customer Accounting	5	473,518	-	-	-	-	-	473,518	-
28	Rents	7	30,370	1,184	8,173	6,891	674	1,148	11,784	516
29	General Office Expense	7	102,388	3,993	27,553	23,232	2,273	3,870	39,726	1,741
30	Miscellaneous	7	25,934	1,011	6,979	5,884	576	980	10,063	441
31	Maintenance Expense - Treatment	2	330,877	-	330,877	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		2,744,064	234,001	702,716	592,742	57,961	98,793	1,013,472	44,380

**EPCOR WATER ARIZONA INC.
SUN CITY WEST 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	11,652	11,652	-	-	-	-	-	-
7	Structures & Improvements Pumping	3	14,003	-	-	14,003	-	-	-	-
8	Structures & Improvements Treatment	2	248,836	-	248,836	-	-	-	-	-
9	Structures & Improvements Trans & Dist	3	-	-	-	-	-	-	-	-
10	Structures & Improvements General	7	609	24	164	138	14	23	236	10
11	Structures & Improvements Offices	7	653	25	176	148	14	25	253	11
12	Structures & Improvements Leasehold	7	112	4	30	25	2	4	43	2
13	Structures & Improvements Store,Shop,Gge	7	-	-	-	-	-	-	-	-
14	Structures & Improvements Miscellaneous	7	-	-	-	-	-	-	-	-
15	Collect & Impounding	2	-	-	-	-	-	-	-	-
16	Lake, River & Other Intakes	2	178,054	-	178,054	-	-	-	-	-
17	Wells & Springs	2	-	-	-	-	-	-	-	-
18	Infiltration Galleries	2	-	-	-	-	-	-	-	-
19	Supply Mains	2	13,863	-	13,863	-	-	-	-	-
20	Power Production Equipment	3	-	-	-	-	-	-	-	-
21	Power Production Equipment	3	-	-	-	-	-	-	-	-
22	Pumping Equipment Steam	3	562,073	-	-	562,073	-	-	-	-
23	Pumping Equipment Electric	3	371	-	-	371	-	-	-	-
24	Pumping Equipment Diesel	3	269	-	-	269	-	-	-	-
25	Pumping Equipment Hydraulic	3	727	-	-	727	-	-	-	-
26	Pumping Equipment Other	3	4,638	-	-	4,638	-	-	-	-
27	Pumping Equipment Water Treatment	3	317,392	-	-	317,392	-	-	-	-
28	Water Treatment Equipment Non-Media	2	5,124	-	5,124	-	-	-	-	-
29	Water Treatment Equipment Filter Media	2	16,686	-	16,686	-	-	-	-	-
30	Distribution Reservoirs & Standpipes	3	-	-	-	-	-	-	-	-
31	Elevated Tank & Standpipes	3	-	-	-	-	-	-	-	-
32	Ground Level Tanks	3	-	-	-	-	-	-	-	-
33	Below Ground Tanks	3	-	-	-	-	-	-	-	-
34	Clearwell	3	17,090	-	-	17,090	-	-	-	-
35	TD Mains Not Classified by Size	3	233,328	-	-	233,328	-	-	-	-
36	TD Mains 4in & Less	3	26,243	-	-	26,243	-	-	-	-
37	TD Mains 6in to 8in	3	32,569	-	-	32,569	-	-	-	-
38	TD Mains 10in to 16in	2	-	-	-	-	-	-	-	-
39	TD Mains 18in & Grtr	2	3	-	3	-	-	-	-	-

**EPCOR WATER ARIZONA INC.
SUN CITY WEST 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	261,751	-	-	-	-	-	-	261,751
4	Services	4a	392,791	-	-	-	-	392,791	-	-
5	Meters	4	5,349	-	-	-	5,349	-	-	-
6	Meter Installations	4	117	-	-	-	117	-	-	-
7	Meter Vaults	4	54,174	-	-	-	54,174	-	-	-
8	Hydrants	12	-	-	-	-	-	-	-	-
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	2	-	-	-	-	-	-	-	-
11	Other P/E-CPS/Intangible	9	11,833	14	4,520	3,909	608	2,062	105	613
12	Office Furniture & Equipment	7	3,199	125	861	726	71	121	1,241	54
13	Computer & Periphial Equipment	7	12,559	490	3,380	2,850	279	475	4,873	214
14	Computer Software	7	87,471	3,411	23,538	19,847	1,942	3,306	33,939	1,487
15	Other Office Equipment	7	43,609	1,701	11,735	9,895	968	1,648	16,920	741
16	Transportation Equip Light Duty Trucks	7	44,536	1,737	11,985	10,105	989	1,683	17,280	757
17	Transportation Equip Heavy Duty Trucks	7	3,433	134	924	779	76	130	1,332	58
18	Transportation Equipment Other	7	1,951	76	525	443	43	74	757	33
19	Stores Equipment	7	806	31	217	183	18	30	313	14
20	Tools,Shop,Garage Equipment	7	1,920	75	517	436	43	73	745	33
21	Laboratory Equipment	2	359	-	359	-	-	-	-	-
22	Power Operated Equipment	7	11,207	437	3,016	2,543	249	424	4,348	191
23	Communication Equipment Non-Telephone	7	-	-	-	-	-	-	-	-
24	Remote Control & Instrument	7	26,775	1,044	7,205	6,075	594	1,012	10,389	455
25	Communication Equipment Telephone	7	2,360	92	635	535	52	89	916	40
26	Communication Equipment Other	7	561	22	151	127	12	21	218	10
27	Miscellaneous Equipment	7	7,524	293	2,025	1,707	167	284	2,919	128
28	Other Tangible Plant	7	7,686	300	2,068	1,744	171	291	2,982	131
	Total Depreciation Expense		2,666,265	21,688	536,595	1,270,920	65,953	404,567	99,810	266,732

EPCOR WATER ARIZONA INC.
SUN CITY WEST 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			0.2118	0.7882					1.0000
16										
17	Factor 7 - Administrative and General									
18	Cost	101,917	702,716	0	592,742	57,961	98,793	1,013,472	44,380	2,567,600
19	Factor	0.0390	0.2691	0.0000	0.2269	0.0222	0.0378	0.3880	0.0170	1.0000
20										
21	Factor 8 - Labor Related Expenses									
22	Cost	59,053	154,844	0	343,377	33,573	57,242	226,154	25,694	899,936
23	Factor	0.0656	0.172	0	0.3816	0.0373	0.0636	0.2513	0.0286	1.0000
24										
25	Factor 9 - Rate Base Less Costs Allocated									
26	Cost	45,491	14,509,629	0	12,554,248	1,952,144	6,623,702	336,671	1,969,639	37,991,525
27	Factor	0.0012	0.382	0	0.3304	0.0514	0.1743	0.0089	0.0518	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	38,673	12,707,786	0	10,995,973	1,709,323	5,804,131	283,104	1,725,897	33,264,887
31	Factor	0.0012	0.3819	0	0.3306	0.0514	0.1745	0.0085	0.0519	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	264,845	2,812,632	0	3,240,709	336,584	1,221,280	1,164,323	525,264	9,565,637
35	Factor	0.0277	0.294	0	0.3388	0.0352	0.1277	0.1217	0.0549	1.0000
36										
37	Factor 12 - Direct Fire								1.0000	1.0000

EPCOR WATER ARIZONA INC.
SUN CITY WEST 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	3,783	0.8095
Commercial/Public	890	0.1905
Fire Protection	0	0.0000
Total	4,673	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	3,783	2.00	7,566	0.8253
Commercial/Public	890	1.80	1,602	0.1747
Total	4,673		9,168	1.0000

EPCOR WATER ARIZONA INC.
SUN CITY WEST 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 <u>(1)</u>	Average Hourly Consumption, 1000 Gallons <u>(2)</u>	Factor <u>(3)</u>	Rate of Flow, 1000 Gallons Per Hour <u>(4)=(2)x(3)</u>	<u>Allocation Factor (5)</u>
Residential	157.6	4.00	630.5	0.8500
Commercial/Pubic	37.1	3.00	111.3	0.1500
	<u>194.7</u>		<u>741.8</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
SUN CITY WEST 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	17,787	0.8792
Commercial/Public	2,443	0.1208
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>20,230</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	15,157	0.9443
Commercial/Public	608	0.0379
Fire Protection	286	0.0178
	<hr/>	<hr/>
Total	<u>16,051</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	14,964	0.9630
Commercial/Public	470	0.0302
Fire Protection	105	0.0068
	<hr/>	<hr/>
Total	<u>15,539</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
SUN CITY WEST 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	34	544	
6 -inch	36.00	60	2,160	
8 -inch	64.00	11	704	
10 -inch	100.00	0	0	
12 -inch	144.00	0	0	
Private Hydrants	28.50	0	0	
Total Private Fire Protection		105	3,408	0.0871
<u>PUBLIC FIRE PROTECTION</u>				
<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	1,254	35,739
Total Public Fire Protection			1,254	35,739
Total Fire Protection			1,359	39,147
<u>REALLOCATE PUBLIC FIRE</u>				
			<u>Meter Equivalent</u>	<u>Allocation of Public Fire Using Factor</u>
	Residential		17,787	0.8792
	Commercial/Public		2,443	0.1208
			20,230	1.0000
				0.9129

EPCOR WATER ARIZONA INC.
 SUN CITY WEST 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	14,270	14,270	76	76	14,346	14,346
1	2.50	141	353	91	228	232	581
1-1/2	5.00	420	2,100	134	670	554	2,770
2	8.00	133	1,064	158	1,264	291	2,328
3	15.00	0	0	7	105	7	105
4	25.00	0	0	4	100	4	100
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>14,964</u>	<u>17,787</u>	<u>470</u>	<u>2,443</u>	<u>15,434</u>	<u>20,230</u>

EPCOR WATER ARIZONA INC.
SUN CITY WEST 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	14,270	14,270	76	76		0	14,346	14,346
1	1.06	141	149	91	96		0	232	245
1-1/2	1.28	420	538	134	172		0	554	710
2	1.50	133	200	158	237		0	291	437
3	2.37	0	0	7	17		0	7	17
4	2.50	0	0	4	10	34	85	38	95
6	2.79	0	0	0	0	60	167	60	167
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		14,964	15,157	470	608	105	286	15,539	16,051

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

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

Customer Classification	Cost of Service		Revenues, Present Rates		Revenues, Proposed Rates		Proposed Increase	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent Increase
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Residential	\$ 8,207,160	86.6%	\$ 7,006,748	81.6%	\$ 7,702,466	81.2%	\$ 695,719	9.9%
Commercial	1,197,019	12.6%	\$ 1,486,605	17.3%	1,677,560	17.8%	190,955	12.8%
Private Fire	<u>74,723</u>	0.8%	<u>98,576</u>	1.1%	<u>98,576</u>	1.0%	<u>-</u>	0.0%
Total Sales	9,478,902	100.0%	8,591,929	<u>100.0%</u>	9,478,602	<u>100.0%</u>	886,673	10.3%
Other Revenues	<u>86,736</u>		<u>73,143</u>		<u>86,736</u>		<u>13,593</u>	18.6%
Total	<u>\$ 9,565,638</u>		<u>\$ 8,665,072</u>		<u>\$ 9,565,338</u>		<u>\$ 900,266</u>	10.4%

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

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

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	\$ 262,442	\$ 212,447	\$ 49,995	\$ -
4						
5	Demand - Maximum Day	B	2,787,132	2,300,220	486,912	-
6						
7	Demand - Maximum Hour	C	3,211,323	2,729,625	481,698	-
8						
9	Customer Facilities - Meters	D	333,531	293,241	40,291	-
10						
11	Customer Facilities - Services	E	1,210,204	1,142,796	45,867	21,542
12						
13	Customer Accounting	F	1,153,767	1,111,077	34,844	7,846
14						
15	Direct Fire	G	<u>520,502</u>	<u>417,755</u>	<u>57,411</u>	<u>45,336</u>
16						
17	Total		<u>\$ 9,478,901</u>	<u>\$ 8,207,160</u>	<u>\$ 1,197,019</u>	<u>\$ 74,723</u>
18						