

**EPCOR WATER ARIZONA INC.
 ANTHEM 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	\$ 9,944,997	\$ 8,005,254	\$ 1,922,612	\$ 17,130
2. Other Revenues	785,203	666,356	117,735	1,111
3. Total Operating Revenues	\$ 10,730,199	\$ 8,671,610	\$ 2,040,347	\$ 18,241
4. Less: Operating Expenses	8,759,958	7,520,223	1,217,016	22,719
5. Return and Income Taxes	\$ 1,970,241	\$ 1,151,387	\$ 823,331	\$ (4,478)
6. Less: Interest Expense (Allocated by Rate Base)	1,199,729	1,021,809	175,280	2,639
7. Taxable Income	770,512	129,578	648,051	(7,117)
8. Less: Income Taxes (Allocated based on Line 7)	201,741	33,913	169,684	(1,856)
9. Net Return (Ln 5 - Ln 8)	\$ 1,768,500	\$ 1,117,474	\$ 653,647	\$ (2,622)
10. Original Cost Measure of Value	\$ 53,861,085	\$ 45,876,600	\$ 7,866,491	\$ 117,994
11. Rate of Return, Percent	3.28%	2.44%	8.31%	-2.22%
12. Relative Rate of Return	1.00	0.74	2.53	-0.68

**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	\$ 12,941,197	\$ 11,014,997	\$ 1,903,931	\$ 22,269
2. Other Revenues	<u>750,452</u>	<u>636,601</u>	<u>112,760</u>	<u>1,091</u>
3. Total Operating Revenues	\$ 13,691,649	\$ 11,651,598	\$ 2,016,691	\$ 23,360
4. Less: Operating Expenses	<u>8,894,910</u>	<u>7,635,307</u>	<u>1,231,740</u>	<u>27,862</u>
5. Return and Income Taxes	\$ 4,796,739	\$ 4,016,291	\$ 784,951	\$ (4,502)
6. Less: Interest Expense (Allocated by Rate Base)	<u>1,199,729</u>	<u>1,021,928</u>	<u>175,160</u>	<u>2,639</u>
7. Taxable Income	3,597,010	2,994,363	609,791	(7,141)
8. Less: Income Taxes (Allocated based on Line 7)	<u>924,135</u>	<u>769,342</u>	<u>156,641</u>	<u>(1,848)</u>
9. Net Return (Ln 5 - Ln 8)	\$ 3,872,604	\$ 3,246,949	\$ 628,310	\$ (2,654)
10. Original Cost Measure of Value	\$ 53,861,084	\$ 45,876,801	\$ 7,866,280	\$ 118,003
11. Rate of Return, Percent	7.19%	7.08%	7.99%	-2.25%
12. Relative Rate of Return	1.00	0.98	1.11	-0.31

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**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	\$ 5,248,890	\$ 4,303,565	\$ 945,325	\$ -
4						
5	Demand - Maximum Day	B	15,244,730	12,729,349	2,515,380	-
6						
7	Demand - Maximum Hour	C	28,508,167	24,474,261	4,033,906	-
8						
9	Customer Facilities - Meters	D	1,780,109	1,601,387	178,723	-
10						
11	Customer Facilities - Services	E	1,406,115	1,331,591	50,620	23,904
12						
13	Customer Accounting	F	227,430	219,560	6,436	1,433
14						
15	Direct Fire	G	1,445,644	1,217,088	135,891	92,666
16						
17	Total		<u>\$ 53,861,086</u>	<u>\$ 45,876,801</u>	<u>\$ 7,866,280</u>	<u>\$ 118,003</u>
18						

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

Line no. No.	Cost Function	Factor Ref. - Sch G-7	Cost of Service	Residential	Commercial	Private Fire
	(1)	(2)	(3)	(4)	(5)	(6)
1						
2						
3	Commodity	A	\$ 2,106,617	\$ 1,727,217	\$ 379,402	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	1,538,271	1,284,456	253,815	-
6						
7	Demand - Maximum Hour	C	3,599,235	3,089,943	509,292	-
8						
9	Customer Facilities - Meters	D	303,363	272,906	30,457.69	-
10						
11	Customer Facilities - Services	E	309,215	292,826	11,131.74	5,257
12						
13	Customer Accounting	F	760,272	733,966	21,516	4,790
14						
15	Direct Fire	G	277,934	233,993	26,126	17,816
16						
17	Total		<u>\$ 8,894,908</u>	<u>\$ 7,635,307</u>	<u>\$ 1,231,740</u>	<u>\$ 27,862</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	459,654	1,335,545	2,497,422	156,679	123,172	20,293	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	1,208,191	0	1,208,191	0	0	0	0	0
14	Structures & Improvements Trans & Dist	3	217,227	0	0	217,227	0	0	0	0
15	Structures & Improvements General	7	18,907	1,129	5,436	5,593	718	1,223	4,258	550
16	Structures & Improvements Offices	7	204,205	12,191	58,709	60,404	7,760	13,212	45,987	5,942
17	Structures & Improvements Leasehold	7	1,883	112	541	557	72	122	424	55
18	Structures & Improvements Store,Shop,Gge	7	0	0	0	0	0	0	0	0
19	Structures & Improvements Miscellaneous	7	228	14	65	67	9	15	51	7
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	54,126	0	54,126	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	38,829	0	0	38,829	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	4,063,123	0	0	4,063,123	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	211,658	0	211,658	0	0	0	0	0
9	Water Treatment Equipment Non-Media	2	5,269,170	0	5,269,170	0	0	0	0	0
10	Water Treatment Equipment Filter Media	2	2,058,981	0	2,058,981	0	0	0	0	0
11	Distribution Reservoirs & Standpipes	3	4,026,038	0	0	4,026,038	0	0	0	0
12	TD Mains Not Classified by Size	3	2,999,923	0	0	2,999,923	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	6,896,147	0	0	6,896,147	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	(2)	0	0	0	0	0	0	(2)
18	Services	4a	1,554,237	0	0	0	0	1,554,237	0	0
19	Meters	4	1,722,941	0	0	0	1,722,941	0	0	0
20	Meter Installations	4	292,718	0	0	0	292,718	0	0	0
21	Meter Vaults	4	11,367	0	0	0	11,367	0	0	0
22	Hydrants	12	1,641,565	0	0	0	0	0	0	1,641,565
23	Other P/E- Supply	2	(4,451)	0	(4,451)	0	0	0	0	0
24	Other P/E-TD	3	133,535	0	0	133,535	0	0	0	0
25	Other P/E-CPS	9	13,267	1,292	3,755	7,021	440	346	57	356
26	Furniture and Equipment	7	106,776	6,375	30,698	31,584	4,057	6,908	24,046	3,107
27	Computer & Periphal Equipment	7	139,112	8,305	39,995	41,149	5,286	9,001	31,328	4,048
28	Computer Software	7	282,912	16,890	81,337	83,685	10,751	18,304	63,712	8,233
29	Other Office Equipment	7	(13,931)	(832)	(4,005)	(4,121)	(529)	(901)	(3,137)	(405)

**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	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	322,475	19,252	92,712	95,388	12,254	20,864	72,621	9,384
4	Transportation Equip Heavy Duty Trucks	7	(44,915)	(2,681)	(12,913)	(13,286)	(1,707)	(2,906)	(10,115)	(1,307)
5	Transportation Equip Other	7	(23,944)	(1,429)	(6,884)	(7,083)	(910)	(1,549)	(5,392)	(697)
6	Stores Equipment	7	(460)	(27)	(132)	(136)	(17)	(30)	(104)	(13)
7	Tools, Shop, Garage Equipment	7	105,054	6,272	30,203	31,075	3,992	6,797	23,658	3,057
8	Laboratory Equipment	2	85,621	0	85,621	0	0	0	0	0
9	Power Operated Equipment	7	10,124	604	2,911	2,995	385	655	2,280	295
10	Communication Equipment Non-Telephone	7	(148,484)	(8,864)	(42,689)	(43,921)	(5,642)	(9,607)	(33,439)	(4,321)
11	Remote Control & Instrument	7	5,443	325	1,565	1,610	207	352	1,226	158
12	Communication Equipment Telephone	7	(6,546)	(391)	(1,882)	(1,936)	(249)	(424)	(1,474)	(190)
13	Communication Equipment Other	7	88,599	5,289	25,472	26,208	3,367	5,732	19,952	2,578
14	Miscellaneous Equipment	7	145,065	8,660	41,706	42,910	5,512	9,386	32,669	4,221
15	Other Tangible Plant	7	0	0	0	0	0	0	0	0
16	Total Plant in Service		\$ 67,203,748	\$ 6,547,128	\$ 19,018,948	\$ 35,561,305	\$ 2,229,459	\$ 1,754,910	\$ 288,901	\$ 1,803,096
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9	0	0	0	0	0	0	0	0
20	Customer Advances	9	(6,445,735)	(627,815)	(1,824,143)	(3,411,083)	(213,998)	(168,234)	(27,717)	(172,746)
21	Contributions in Aid of Construction	9	(8,547,590)	(832,535)	(2,418,968)	(4,523,385)	(283,780)	(223,092)	(36,755)	(229,075)
22	Construction Work in Progress	2	0	0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	(18,675)	(1,115)	(5,369)	(5,524)	(710)	(1,208)	(4,206)	(543)
24	Utility Plant Acq. Adjustment	9	0	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	(990,099)	(96,436)	(280,198)	(523,960)	(32,871)	(25,842)	(4,257)	(26,535)
27	Deferred Debits	9	3,337,198	325,043	944,427	1,766,045	110,795	87,101	14,350	89,437
28	Regulatory Liabilities	9	(671,261)	(65,381)	(189,967)	(355,231)	(22,286)	(17,520)	(2,886)	(17,990)
29										
30	Total Other Rate Base Elements		(13,342,661)	(1,298,238)	(3,774,218)	(7,053,138)	(449,350)	(348,795)	(61,471)	(357,452)
31										
32	Total Original Cost Measure of Value		\$ 53,861,086	\$ 5,248,890	\$ 15,244,730	\$ 28,508,167	\$ 1,780,109	\$ 1,406,115	\$ 227,430	\$ 1,445,644

**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	Demand		Customer Facilities		Customer Accounting	Direct Fire	
				Commodity	Max Day	Max Hour	Meters			Services
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
3	OPERATION AND MAINTENANCE EXPENSES									
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	989	4,763	4,900	629	1,072	3,731	482
17	Purchased Water	1	795,864	795,864	-	-	-	-	-	-
18	Fuel and Power	1	785,361	785,361	-	-	-	-	-	-
19	Chemicals	1	83,675	83,675	-	-	-	-	-	-
20	Waste Disposal	1	3,817	3,817	-	-	-	-	-	-
21	Corporate allocation	7	302,879	18,082	87,078	89,592	11,509	19,596	68,208	8,814
22	Outside Services	7	188,519	11,255	54,199	55,764	7,164	12,197	42,455	5,486
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	Insurance Other Than Group	7	92,413	5,517	26,569	27,336	3,512	5,979	20,811	2,689
27	Customer Accounting	5	315,974	-	-	-	-	-	315,974	-
28	Rents	7	36,682	2,190	10,546	10,850	1,394	2,373	8,261	1,067
29	General Office Expense	7	129,093	7,707	37,114	38,186	4,906	8,352	29,072	3,757
30	Miscellaneous	7	(84,347)	(5,036)	(24,250)	(24,950)	(3,205)	(5,457)	(18,995)	(2,455)
31	Maintenance Expense - Treatment	2	175,621	-	175,621	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		4,715,593	1,850,621	876,134	901,345	115,662	197,143	686,150	88,539

**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	67,524	-	-	-	-	67,524	-	-
5	Meters	4	136,321	-	-	-	136,321	-	-	-
6	Meter Installations	4	11,475	-	-	-	11,475	-	-	-
7	Meter Vaults	4	431	-	-	-	431	-	-	-
8	Hydrants	12	38,461	-	-	-	-	-	-	38,461
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	2	-	-	-	-	-	-	-	-
11	Other P/E-CPS	9	7,880	768	2,230	4,170	262	206	34	211
12	Office Furniture & Equipment	7	1,153	69	332	341	44	75	260	34
13	Computer & Periphal Equipment	7	13,464	804	3,871	3,983	512	871	3,032	392
14	Computer Software	7	42,547	2,540	12,232	12,586	1,617	2,753	9,582	1,238
15	Other Office Equipment	7	67,939	4,056	19,532	20,096	2,582	4,396	15,300	1,977
16	Transportation Equip Light Duty Trucks	7	-	-	-	-	-	-	-	-
17	Transportation Equip Heavy Duty Trucks	7	54,234	3,238	15,592	16,042	2,061	3,509	12,214	1,578
18	Transportation Equipment Other	7	12,267	732	3,527	3,629	466	794	2,763	357
19	Stores Equipment	7	4,784	286	1,375	1,415	182	310	1,077	139
20	Tools,Shop,Garage Equipment	7	-	-	-	-	-	-	-	-
21	Laboratory Equipment	2	5,422	-	5,422	-	-	-	-	-
22	Power Operated Equipment	7	12,424	742	3,572	3,675	472	804	2,798	362
23	Communication Equipment Non-Telephone	7	803	48	231	237	31	52	181	23
24	Remote Control & Instrument	7	18,909	1,129	5,436	5,593	719	1,223	4,258	550
25	Communication Equipment Telephone	7	945	56	272	280	36	61	213	28
26	Communication Equipment Other	7	2,349	140	675	695	89	152	529	68
27	Miscellaneous Equipment	7	9,262	553	2,663	2,740	352	599	2,086	270
28	Other Tangible Plant	7	12,220	730	3,513	3,615	464	791	2,752	356
	Total Depreciation Expense		3,222,417	176,498	426,481	2,269,712	158,579	84,911	59,836	46,400

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	181,904	876,134	0	901,345	115,662	197,143	686,150	88,539	2,958,337
19	Factor	0.0597	0.2875	0.0000	0.2958	0.0380	0.0647	0.2252	0.0291	1.0000
20										
21	Factor 8 - Labor Related Expenses									
22	Cost	108,381	388,094	0	536,964	68,893	117,461	167,943	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	6,086,182	17,679,649	0	33,056,863	2,072,340	1,631,392	268,551	1,676,265	62,471,241
27	Factor	0.0974	0.283	0	0.5292	0.0332	0.0261	0.0043	0.0268	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	5,248,890	15,244,730	0	28,508,167	1,780,109	1,406,115	227,430	1,445,644	53,861,086
31	Factor	0.0975	0.283	0	0.5293	0.0331	0.0261	0.0042	0.0268	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	2,586,007	2,929,730	0	6,201,705	466,110	437,544	780,922	290,087	13,692,105
35	Factor	0.1889	0.214	0	0.4529	0.034	0.032	0.057	0.0212	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	<u>2,802</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	2,297	2.00	4,594	0.8350
Commercial/Public	504	1.80	908	0.1650
Total	<u>2,802</u>		<u>5,502</u>	<u>1.0000</u>

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		<u>58</u>	<u>2,076</u>	0.0641

PUBLIC FIRE PROTECTION

<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	<u>1,064</u>	<u>30,324</u>
Total Public Fire Protection			1,064	30,324
Total Fire Protection			1,122	32,400

REALLOCATE PUBLIC FIRE

	<u>Meter Equivalents</u>	<u>Allocation of Public Fire</u>	<u>Allocation of Public Fire Using Factor</u>
Residential	13,051	0.8996	0.8419
Commercial/Public	1,457	0.1004	0.0940
	<u>14,508</u>	<u>1.0000</u>	<u>0.9359</u>

**EPCOR WATER ARIZONA INC.
 ANTHEM WATER DISTRICT
 BASIS FOR ALLOCATING METER COSTS TO CUSTOMER CLASSIFICATIONS**

Meter Size (1)	5/8" Equivalent (2)	Residential		Commercial		Total	
		Number of Services (3)	Weighting (4)=(2)X(3)	Number of Services (5)	Weighting (6)=(2)X(5)	Number of Services (7)	Weighting (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	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting
(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	\$ 11,083,797	85.7%	\$ 8,005,254	80.5%	\$ 11,014,997	85.1%	\$ 3,009,743	37.6%
Commercial	1,828,201	14.1%	\$ 1,922,612	19.3%	1,903,931	14.7%	(18,681)	-1.0%
Private Fire	<u>29,656</u>	0.2%	<u>17,130</u>	0.2%	<u>22,269</u>	0.2%	<u>5,139</u>	30.0%
Total Sales	12,941,655	100.0%	9,944,996	<u>100.0%</u>	12,941,197	<u>100.0%</u>	2,996,201	30.1%
Other Revenues	<u>750,451</u>		<u>785,203</u>		<u>750,451</u>		<u>(34,752)</u>	-4.4%
Total	<u>\$ 13,692,105</u>		<u>\$ 10,730,199</u>		<u>\$ 13,691,648</u>		<u>\$ 2,961,449</u>	27.6%

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

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

Line no. No.	Cost Function (1)	Factor Ref (2)	Total Cost of Service (3)	Residential (4)	Commercial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 2,477,717	\$ 2,031,480	\$ 446,237	\$ -
4						
5	Demand - Maximum Day	B	2,629,864	2,195,936	433,928	-
6						
7	Demand - Maximum Hour	C	5,942,074	5,101,271	840,803	-
8						
9	Customer Facilities - Meters	D	446,619	401,780	44,841	-
10						
11	Customer Facilities - Services	E	419,199	396,982	15,091	7,126
12						
13	Customer Accounting	F	748,246	722,356	21,175	4,714
14						
15	Direct Fire	G	277,934	233,993	26,126	17,816
16						
17	Total		<u>\$ 12,941,654</u>	<u>\$ 11,083,797</u>	<u>\$ 1,828,201</u>	<u>\$ 29,656</u>
18						