

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

Description (1)	Cost of Service (2)	Residential (3)	Commercial/OPA/ Industrial (4)	Private Fire (5)
1. Revenues From Water Service - Present Rates	\$ 106,600,912	\$ 83,254,777	\$ 22,928,802	\$ 417,333
2. Other Revenues	2,692,734	2,158,893	526,909	6,932
3. Total Operating Revenues	\$ 109,293,646	\$ 85,413,671	\$ 23,455,710	\$ 424,265
4. Less: Operating Expenses	90,196,672	73,914,999	15,864,175	417,498
5. Return and Income Taxes	\$ 19,096,974	\$ 11,498,672	\$ 7,591,535	\$ 6,767
6. Less: Interest Expense (Allocated by Rate Base)	8,276,577	6,713,960	1,529,512	33,106
7. Taxable Income	10,820,397	4,784,713	6,062,024	(26,340)
8. Less: Income Taxes (Allocated based on Line 7)	2,853,678	1,261,896	1,598,630	(6,849)
9. Net Return (Ln 5 - Ln 8)	\$ 16,243,296	\$ 10,236,776	\$ 5,992,905	\$ 13,616
10. Original Cost Measure of Value	\$ 371,867,931	\$ 301,645,598	\$ 68,732,835	\$ 1,489,497
11. Rate of Return, Percent	4.37%	3.39%	8.72%	0.91%
12. Relative Rate of Return	1.00	0.78	2.00	0.21

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

Description (1)	Cost of Service (2)	Residential (3)	Commercial/OPA/ Industrial (4)	Private Fire (5)
1. Revenues From Water Service - Proposed Rates	\$ 120,585,480	\$ 95,379,516	\$ 24,711,621	\$ 494,343
2. Other Revenues	2,796,014	2,243,262	545,288	7,464
3. Total Operating Revenues	\$ 123,381,494	\$ 97,622,778	\$ 25,256,909	\$ 501,807
4. Less: Operating Expenses	90,951,220	74,542,829	15,955,120	453,271
5. Return and Income Taxes	\$ 32,430,274	\$ 23,079,949	\$ 9,301,789	\$ 48,536
6. Less: Interest Expense (Allocated by Rate Base)	8,276,577	6,713,959	1,529,512	33,106
7. Taxable Income	24,153,697	16,365,990	7,772,277	15,430
8. Less: Income Taxes (Allocated based on Line 7)	6,295,050	4,265,526	2,025,747	3,777
9. Net Return (Ln 5 - Ln 8)	\$ 26,135,224	\$ 18,814,423	\$ 7,276,042	\$ 44,759
10. Original Cost Measure of Value	\$ 371,867,931	\$ 301,644,964	\$ 68,733,481	\$ 1,489,486
11. Rate of Return, Percent	7.03%	6.24%	10.59%	3.00%
12. Relative Rate of Return	1.00	0.89	1.51	0.43

**EPCOR WATER ARIZONA INC.  
 CONSOLIDATED WATER DISTRICT  
 RATE BASE ALLOCATION TO CLASSES OF SERVICE**

Line no. No.	Cost Function (1)	Factor Ref. - Sch G-7 (2)	Rate Base (3)	Residential (4)	Commercial/OPA/ Industrial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 5,814,019	\$ 4,394,235	\$ 1,419,783	\$ -
4						
5	Demand - Maximum Day	B	132,866,857	102,945,240	29,921,616	-
6						
7	Demand - Maximum Hour	C	167,835,180	135,107,320	32,727,860	-
8						
9	Customer Facilities - Meters	D	15,105,711	13,430,488	1,675,223	-
10						
11	Customer Facilities - Services	E	29,798,767	27,960,183	1,332,005	506,579
12						
13	Customer Accounting	F	6,814,699	6,520,984	248,736	44,977
14						
15	Direct Fire	G	13,632,702	11,286,514	1,408,258	937,930
16						
17	Total		<u>\$ 371,867,933</u>	<u>\$ 301,644,964</u>	<u>\$ 68,733,481</u>	<u>\$ 1,489,486</u>
18						

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

Line no. No.	Cost Function (1)	Factor Ref. - Sch G-7 (2)	Cost of Service (3)	Residential (4)	Commercial/OPA/ Industrial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 20,737,258	\$ 15,673,221	\$ 5,064,038	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	17,210,931	13,335,028	3,875,902	-
6						
7	Demand - Maximum Hour	C	29,120,694	23,442,159	5,678,535	-
8						
9	Customer Facilities - Meters	D	1,995,734	1,774,407	221,326.86	-
10						
11	Customer Facilities - Services	E	5,119,838	4,803,944	228,856.74	87,037
12						
13	Customer Accounting	F	12,657,877	12,112,322	462,013	83,542
14						
15	Direct Fire	G	4,108,888	3,401,749	424,448	282,692
16						
17	Total		<u>\$ 90,951,220</u>	<u>\$ 74,542,829</u>	<u>\$ 15,955,120</u>	<u>\$ 453,271</u>
18						

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

Line No.	Account	Factor Ref.	Rate Base By Function	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	<b>RATE BASE</b>									
4	Organization	9	68,331	1,059	24,422	30,899	2,802	5,487	1,148	2,515
5	Franchises	9	5,123,396	79,413	1,831,102	2,316,800	210,059	411,409	86,073	188,541
6	Land & Land Rights Supply	1	8,544,099	8,544,099	0	0	0	0	0	0
7	Land & Land Rights Pumping	2	1,523,951	0	1,523,951	0	0	0	0	0
8	Land & Land Rights Treatment	2	639,573	0	639,573	0	0	0	0	0
9	Land & Land Rights T&D	3	340,055	0	0	340,055	0	0	0	0
10	Land & Land Rights General	9	1,606,829	24,906	574,281	726,608	65,880	129,028	26,995	59,131
11	Structures & Improvements Supply	2	16,587,270	0	16,587,270	0	0	0	0	0
12	Structures & Improvements Pumping	3	13,177,410	0	0	13,177,410	0	0	0	0
13	Structures & Improvements Treatment	2	36,897,520	0	36,897,520	0	0	0	0	0
14	Structures & Improvements Trans & Dist	3	5,864,421	0	0	5,864,421	0	0	0	0
15	Structures & Improvements General	7	14,737,227	589,489	4,020,315	3,986,420	433,274	738,335	4,637,805	331,588
16	Structures & Improvements Offices	7	963,238	38,530	262,771	260,556	28,319	48,258	303,131	21,673
17	Structures & Improvements Leasehold	7	27,966	1,119	7,629	7,565	822	1,401	8,801	629
18	Structures & Improvements Store,Shop,Gge	7	65,702	2,628	17,924	17,772	1,932	3,292	20,677	1,478
19	Structures & Improvements Miscellaneous	7	1,401,302	56,052	382,275	379,052	41,198	70,205	440,990	31,529
20	Collect & Impounding	2	1,420,958	0	1,420,958	0	0	0	0	0
21	Lake, River & Other Intakes	2	949,319	0	949,319	0	0	0	0	0
22	Wells & Springs	2	35,754,533	0	35,754,533	0	0	0	0	0
23	Infiltration Galleries	2	158,078	0	158,078	0	0	0	0	0
24	Supply Mains	2	3,657,640	0	3,657,640	0	0	0	0	0
25	Power Production Equipment	3	4,632,235	0	0	4,632,235	0	0	0	0

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

**RATE BASE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016 ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, CUSTOMER ACCOUNTING  
 AND FIRE CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Rate Base By Function	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1										
2										
3	Power Production Equipment	3	319,243	0	0	319,243	0	0	0	0
4	Pumping Equipment Steam	3	376,427	0	0	376,427	0	0	0	0
5	Pumping Equipment Electric	3	50,532,646	0	0	50,532,646	0	0	0	0
6	Pumping Equipment Hydraulic	3	329,016	0	0	329,016	0	0	0	0
7	Pumping Equipment Other	3	2,631,470	0	0	2,631,470	0	0	0	0
8	Pumping Equipment Water Treatment	2	2,463,170	0	2,463,170	0	0	0	0	0
9	Water Treatment Equipment Non-Media	2	40,290,941	0	40,290,941	0	0	0	0	0
10	Water Treatment Equipment Filter Media	2	3,256,903	0	3,256,903	0	0	0	0	0
11	Distribution Reservoirs & Standpipes	3	37,412,602	0	0	37,412,602	0	0	0	0
12	TD Mains Not Classified by Size	3	45,324,999	0	0	45,324,999	0	0	0	0
13	TD Mains 4in & Less	3	50,102,230	0	0	50,102,230	0	0	0	0
14	TD Mains 6in to 8in	3	68,081,258	0	0	68,081,258	0	0	0	0
15	TD Mains 10in to 16in	2	53,507,108	0	53,507,108	0	0	0	0	0
16	TD Mains 18in & Grtr	2	21,478,874	0	21,478,874	0	0	0	0	0
17	Fire Mains	12	8,395	0	0	0	0	0	0	8,395
18	Services and Backflow Device	4a	49,601,961	0	0	0	0	49,601,961	0	0
19	Meters	4	22,361,925	0	0	0	22,361,925	0	0	0
20	Meter Installations	4	2,595,747	0	0	0	2,595,747	0	0	0
21	Meter Vaults	4	218,989	0	0	0	218,989	0	0	0
22	Hydrants	12	22,716,309	0	0	0	0	0	0	22,716,309
23	Other P/E- Supply	2	125,273	0	125,273	0	0	0	0	0
24	Other P/E-TD	3	649,513	0	0	649,513	0	0	0	0
25	Other P/E-CPS/Intangible	9	3,177,386	49,249	1,135,598	1,436,814	130,273	255,144	53,380	116,928
26	Furniture and Equipment	7	1,416,365	56,655	386,384	383,127	41,641	70,960	445,730	31,868
27	Computer & Periphral Equipment	7	2,974,570	118,983	811,463	804,621	87,452	149,026	936,097	66,928
28	Computer Software	7	1,519,317	60,773	414,470	410,975	44,668	76,118	478,129	34,185
29	Other Office Equipment	7	5,749	230	1,568	1,555	169	288	1,809	129

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

**RATE BASE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016 ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, CUSTOMER ACCOUNTING  
 AND FIRE CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Rate Base By Function	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	2,553,639	102,146	696,633	690,759	75,077	127,937	803,630	57,457
4	Transportation Equip Heavy Duty Trucks	7	262,198	10,488	71,528	70,925	7,709	13,136	82,514	5,899
5	Transportation Equip Other	7	215,900	8,636	58,898	58,401	6,347	10,817	67,944	4,858
6	Stores Equipment	7	4,566	183	1,246	1,235	134	229	1,437	103
7	Tools, Shop, Garage Equipment	7	1,327,599	53,104	362,169	359,115	39,031	66,513	417,795	29,871
8	Laboratory Equipment	2	501,693	0	501,693	0	0	0	0	0
9	Power Operated Equipment	7	192,420	7,697	52,492	52,050	5,657	9,640	60,555	4,329
10	Communication Equipment Non-Telephone	7	(122,928)	(4,917)	(33,535)	(33,252)	(3,614)	(6,159)	(38,685)	(2,766)
11	Remote Control & Instrument	7	4,519,064	180,763	1,232,801	1,222,407	132,860	226,405	1,422,149	101,679
12	Communication Equipment Telephone	7	337,283	13,491	92,011	91,235	9,916	16,898	106,143	7,589
13	Communication Equipment Other	7	668,940	26,758	182,487	180,948	19,667	33,514	210,515	15,051
14	Miscellaneous Equipment	7	946,079	37,843	258,090	255,914	27,815	47,399	297,731	21,287
15	Other Tangible Plant	7	44,295	1,772	12,084	11,982	1,302	2,219	13,940	997
16	Total Plant in Service		\$ 649,070,191	\$ 10,061,146	\$ 232,069,907	\$ 293,498,011	\$ 26,587,054	\$ 52,109,460	\$ 10,886,433	\$ 23,858,179
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9		0	0	0	0	0	0	0
20	Customer Advances	9	(137,798,117)	(2,135,871)	(49,249,047)	(62,312,309)	(5,649,723)	(11,065,189)	(2,315,008)	(5,070,971)
21	Contributions in Aid of Construction	9	(133,061,640)	(2,062,455)	(47,556,230)	(60,170,473)	(5,455,527)	(10,684,850)	(2,235,436)	(4,896,668)
22	Construction Work in Progress	2		0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	1,959,143	78,366	534,454	529,948	57,599	98,153	616,542	44,081
24	Utility Plant Acq. Adjustment	9	1,369,030	21,220	489,291	619,075	56,130	109,933	23,000	50,380
25	Customer Meter Deposits	4	(97,315)	0	0	0	(97,315)	0	0	0
26	Deferred Income Taxes	9	(14,706,267)	(227,947)	(5,256,020)	(6,650,174)	(602,957)	(1,180,913)	(247,065)	(541,191)
27	Deferred Debits	9	19,214,039	297,818	6,867,098	8,688,589	787,776	1,542,887	322,796	707,077
28	Regulatory Liabilities	9	(14,081,130)	(218,258)	(5,032,596)	(6,367,487)	(577,326)	(1,130,715)	(236,563)	(518,186)
29										
30	Total Other Rate Base Elements		(277,202,258)	(4,247,128)	(99,203,050)	(125,662,831)	(11,481,344)	(22,310,693)	(4,071,734)	(10,225,478)
31										
32	Total Original Cost Measure of Value		\$ 371,867,933	\$ 5,814,019	\$ 132,866,857	\$ 167,835,180	\$ 15,105,711	\$ 29,798,767	\$ 6,814,699	\$ 13,632,702

**EPCOR WATER ARIZONA INC.  
 CONSOLIDATED WATER DISTRICT  
 COST OF SERVICE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND  
 CUSTOMER ACCOUNTING CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Cost of Service By Function	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	OPERATION AND MAINTENANCE EXPENSES									
4										
5										
6	Labor - Source of Supply	1	782,965	\$ 782,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Labor - Treatment	2	1,224,252	-	1,224,252	-	-	-	-	-
8	Labor - Pumping	3	877,663	-	-	877,663	-	-	-	-
9	Labor - T&D Mains	6	4,862,067	-	1,207,251	3,654,816	-	-	-	-
10	Labor - T&D Storage	3	771,746	-	-	771,746	-	-	-	-
11	Labor - T&D Meters	4	576,210	-	-	-	576,210	-	-	-
12	Labor - T&D Services	4a	982,437	-	-	-	-	982,437	-	-
13	Labor - T&D Hydrants	12	440,984	-	-	-	-	-	-	440,984
14	Labor - Customer	5	2,133,202	-	-	-	-	-	2,133,202	-
15	Labor - Meter Reading	5	678,249	-	-	-	-	-	678,249	-
16	Labor - Administrative	7	344,594	13,784	94,005	93,213	10,131	17,264	108,444	7,753
17	Purchased Water	1	7,476,352	7,476,352	-	-	-	-	-	-
18	Fuel and Power	1	9,590,556	9,590,556	-	-	-	-	-	-
19	Chemicals	1	1,297,156	1,297,156	-	-	-	-	-	-
20	Waste Disposal	1	61,988	61,988	-	-	-	-	-	-
21	Corporate allocation	7	3,409,428	136,377	930,092	922,250	100,237	170,812	1,072,947	76,712
22	Outside Services	7	1,959,707	78,388	534,608	530,101	57,615	98,181	616,720	44,093
23	Group Insurance and Other Benefits	8	4,520,388	263,539	834,916	1,784,197	193,925	330,440	965,103	148,269
24	Pensions	8	-	-	-	-	-	-	-	-
25	Regulatory Expense	7	-	-	-	-	-	-	-	-
26	Insurance Other Than Group	7	925,201	37,008	252,395	250,267	27,201	46,353	291,161	20,817
27	Customer Accounting	5	4,471,019	-	-	-	-	-	4,471,019	-
28	Rents	7	420,201	16,808	114,631	113,664	12,354	21,052	132,237	9,455
29	General Office Expense	7	1,551,548	62,062	423,262	419,694	45,616	77,733	488,272	34,910
30	Miscellaneous	7	292,875	11,715	79,896	79,223	8,611	14,673	92,168	6,590
31	Maintenance Expense - Treatment	2	3,881,552	-	3,881,552	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		53,532,342	19,828,699	9,576,861	9,496,834	1,031,899	1,758,945	11,049,521	789,583



**EPCOR WATER ARIZONA INC.  
 CONSOLIDATED WATER DISTRICT  
 COST OF SERVICE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND  
 CUSTOMER ACCOUNTING CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Cost of Service By Function	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										
4	503 DEPRECIATION EXPENSE									
5										
6	Structures & Improvements Supply	1	605,768	605,768	-	-	-	-	-	-
7	Structures & Improvements Pumping	3	418,306	-	-	418,306	-	-	-	-
8	Structures & Improvements Treatment	2	1,188,823	-	1,188,823	-	-	-	-	-
9	Structures & Improvements Trans & Dist	3	184,363	-	-	184,363	-	-	-	-
10	Structures & Improvements General	7	481,591	19,264	131,378	130,270	14,159	24,128	151,557	10,836
11	Structures & Improvements Offices	7	32,082	1,283	8,752	8,678	943	1,607	10,096	722
12	Structures & Improvements Leasehold	7	3,177	127	867	859	93	159	1,000	71
13	Structures & Improvements Store,Shop,Gge	7	55,073	2,203	15,024	14,897	1,619	2,759	17,331	1,239
14	Structures & Improvements Miscellaneous	7	41,223	1,649	11,246	11,151	1,212	2,065	12,973	928
15	Collect & Impounding	2	25,545	-	25,545	-	-	-	-	-
16	Lake, River & Other Intakes	2	1,269,529	-	1,269,529	-	-	-	-	-
17	Wells & Springs	2	13,339	-	13,339	-	-	-	-	-
18	Infiltration Galleries	2	65,118	-	65,118	-	-	-	-	-
19	Supply Mains	2	235,509	-	235,509	-	-	-	-	-
20	Power Production Equipment	3	22,576	-	-	22,576	-	-	-	-
21	Power Production Equipment	3	69,300	-	-	69,300	-	-	-	-
22	Pumping Equipment Steam	3	6,498,089	-	-	6,498,089	-	-	-	-
23	Pumping Equipment Electric	3	16,235	-	-	16,235	-	-	-	-
24	Pumping Equipment Diesel	3	26,258	-	-	26,258	-	-	-	-
25	Pumping Equipment Hydraulic	3	245,094	-	-	245,094	-	-	-	-
26	Pumping Equipment Other	3	175,762	-	-	175,762	-	-	-	-
27	Pumping Equipment Water Treatment	3	3,247,804	-	-	3,247,804	-	-	-	-
28	Water Treatment Equipment Non-Media	2	405,507	-	405,507	-	-	-	-	-
29	Water Treatment Equipment Filter Media	2	801,343	-	801,343	-	-	-	-	-
30	Distribution Reservoirs & Standpipes	3	5,061	-	-	5,061	-	-	-	-
31	Elevated Tank & Standpipes	3	2,106	-	-	2,106	-	-	-	-
32	Ground Level Tanks	3	6,281	-	-	6,281	-	-	-	-
33	Below Ground Tanks	3	69,516	-	-	69,516	-	-	-	-
34	Clearwell	3	995,056	-	-	995,056	-	-	-	-
35	TD Mains Not Classified by Size	3	1,272,871	-	-	1,272,871	-	-	-	-
36	TD Mains 4in & Less	3	1,348,535	-	-	1,348,535	-	-	-	-
37	TD Mains 6in to 8in	3	1,055,243	-	-	1,055,243	-	-	-	-
38	TD Mains 10in to 16in	2	412,794	-	412,794	-	-	-	-	-
39	TD Mains 18in & Grtr	2	3	-	3	-	-	-	-	-

**EPCOR WATER ARIZONA INC.  
 CONSOLIDATED WATER DISTRICT  
 COST OF SERVICE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND  
 CUSTOMER ACCOUNTING CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Cost of Service By Function	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	Fire Mains	12	1,847,462	-	-	-	-	-	-	1,847,462
4	Services	4a	2,559,450	-	-	-	-	2,559,450	-	-
5	Meters	4	94,138	-	-	-	94,138	-	-	-
6	Meter Installations	4	6,677	-	-	-	6,677	-	-	-
7	Meter Vaults	4	491,331	-	-	-	491,331	-	-	-
8	Hydrants	12	56	-	-	-	-	-	-	56
9	Backflow Prevention Devices	4a	112,058	-	-	-	-	112,058	-	-
10	Other P/E-TD	3	146,823	-	-	146,823	-	-	-	-
11	Other P/E-Supply	2	39,242	-	39,242	-	-	-	-	-
12	Other P/E-CPS/Intangible	9	119,626	1,854	42,755	54,095	4,905	9,606	2,010	4,402
13	Office Furniture & Equipment	7	303,033	12,121	82,667	81,970	8,909	15,182	95,365	6,818
14	Computer & Peripheral Equipment	7	640,307	25,612	174,676	173,203	18,825	32,079	201,505	14,407
15	Computer Software	7	495,059	19,802	135,052	133,914	14,555	24,802	155,795	11,139
16	Other Office Equipment	7	591,239	23,650	161,290	159,930	17,382	29,621	186,063	13,303
17	Transportation Equip Light Duty Trucks	7	90,290	3,612	24,631	24,423	2,655	4,524	28,414	2,032
18	Transportation Equip Heavy Duty Trucks	7	100,673	4,027	27,464	27,232	2,960	5,044	31,682	2,265
19	Transportation Equipment Other	7	18,709	748	5,104	5,061	550	937	5,888	421
20	Stores Equipment	7	85,562	3,422	23,341	23,145	2,516	4,287	26,926	1,925
21	Tools,Shop,Garage Equipment	7	56,241	2,250	15,342	15,213	1,653	2,818	17,699	1,265
22	Laboratory Equipment	2	34,744	-	34,744	-	-	-	-	-
23	Power Operated Equipment	7	-	-	-	-	-	-	-	-
24	Communication Equipment Non-Telephone	7	280,353	11,214	76,480	75,836	8,242	14,046	88,227	6,308
25	Remote Control & Instrument	7	631,258	25,250	172,207	170,755	18,559	31,626	198,657	14,203
26	Communication Equipment Telephone	7	45,313	1,813	12,361	12,257	1,332	2,270	14,260	1,020
27	Communication Equipment Other	7	102,009	4,080	27,828	27,593	2,999	5,111	32,102	2,295
28	Miscellaneous Equipment	7	95,629	3,825	26,088	25,868	2,811	4,791	30,094	2,152
29	Other Tangible Plant	7	1,132	45	309	306	33	57	356	25
	Total Depreciation Expense		30,283,294	773,620	5,666,357	16,981,936	719,060	2,889,027	1,308,000	1,945,293

**EPCOR WATER ARIZONA INC.  
 CONSOLIDATED WATER DISTRICT  
 COST OF SERVICE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND  
 CUSTOMER ACCOUNTING CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1										
2										
3	AMORTIZATION EXPENSE									
4	Amortization of Contributions									
5	Other Amortizations	9	(348,547)	(5,402)	(124,571)	(157,613)	(14,290)	(27,988)	(5,856)	(12,827)
6	Amortization of Regulatory Assets	10	702,456	10,958	251,058	317,018	28,520	56,267	12,855	25,780
7										
8	Total Amortizations		353,909	5,556	126,487	159,405	14,229	28,278	6,999	12,954
9										
10	TAXES, OTHER THAN INCOME									
11	Payroll Taxes	8	975,675	56,882	180,207	385,099	41,856	71,322	208,307	32,002
12	Property Taxes	10	4,478,747	69,868	1,600,704	2,021,258	181,837	358,748	81,961	164,370
13	Other Taxes	10	168,761	2,633	60,315	76,162	6,852	13,518	3,088	6,194
14	Gross Receipt Tax and Misc.	10	-	-	-	-	-	-	-	-
15										
16	Total Taxes, Other Than Income		5,623,182	129,383	1,841,226	2,482,519	230,545	443,587	293,356	202,566
17										
18	Total O & M, Depreciation and Other Taxes		89,792,727	20,737,258	17,210,931	29,120,694	1,995,734	5,119,838	12,657,877	2,950,396
19										
20										
21	507.2 INCOME TAXES	10	6,295,050	98,203	2,249,851	2,840,956	255,579	504,234	115,199	231,028
22										
23	Utility Operating Income Available for Return	10	27,294,240	425,790	9,754,961	12,317,890	1,108,146	2,186,269	499,485	1,001,699
24										
25	Total Cost of Service		123,382,017	21,261,251	29,215,743	44,279,541	3,359,459	7,810,340	13,272,561	4,183,123
26										
27										
28	Less: Other Water Revenues	11	1,453,967	250,519	344,299	521,829	39,548	92,036	156,447	49,289
29	Less: Effluent	11	558,649	96,255	132,288	200,499	15,195	35,363	60,111	18,938
30	Less: Raw Water	2	606,209	-	606,209	-	-	-	-	-
31	Less: Wheeling Water	11	177,187	30,529	41,958	63,593	4,819	11,216	19,065	6,007
32	Total Other Revenues		2,796,013	377,303	1,124,754	785,921	59,563	138,615	235,623	74,234
33	Total Cost of Service Related to Sales		\$ 120,586,004	\$ 20,883,948	\$ 28,090,989	\$ 43,493,620	\$ 3,299,896	\$ 7,671,725	\$ 13,036,938	\$ 4,108,888

EPCOR WATER ARIZONA INC.  
 CONSOLIDATED WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

Line No.	Reference	Commodity	Max Day		Max Hour	Customer Facilities		Customer Accounting	Direct Fire	Total
			Treat. & Pump.	T&D - Max Day		Meters	Services			
1										
2										
3	Factor 1 - Commodity	1.0000								1.0000
4										
5	Factor 2 - Maximum Day		1.0000							1.0000
6										
7	Factor 3 - Maximum Hour				1.0000					1.0000
8										
9	Factor 4 - Customer Facilities - Meters					1.0000				1.0000
10										
11	Factor 4A - Customer Facilities - Services						1.0000			1.0000
12										
13	Factor 5 - Customer Accounting							1.0000		1.0000
14										
15	Factor 6 - Max Day and Max Hour based on Mains			0.2483	0.7517					1.0000
16										
17	Factor 7 - Administrative and General									
18	Cost	1,402,646	9,576,861	0	9,496,834	1,031,899	1,758,945	11,049,521	789,583	34,316,707
19	Factor	0.0400	0.2728	0.0000	0.2705	0.0294	0.0501	0.3147	0.0225	1.0000
20										
21	Factor 8 - Labor Related Expenses									
22	Cost	796,749	2,525,509	0	5,397,438	586,341	999,701	2,919,894	448,738	13,674,370
23	Factor	0.0583	0.1847	0	0.3947	0.0429	0.0731	0.2135	0.0328	1.0000
24										
25	Factor 9 - Rate Base Less Costs Allocated									
26	Cost	9,904,747	228,492,422	0	288,974,908	26,176,738	51,306,173	10,704,897	23,490,068	639,049,954
27	Factor	0.0155	0.3574	0	0.4522	0.041	0.0803	0.0168	0.0368	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	5,814,019	132,866,857	0	167,835,180	15,105,711	29,798,767	6,814,699	13,632,702	371,867,933
31	Factor	0.0156	0.3574	0	0.4513	0.0406	0.0801	0.0183	0.0367	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	21,261,251	29,215,743	0	44,279,541	3,359,459	7,810,340	13,272,561	4,183,123	123,382,017
35	Factor	0.1723	0.2368	0	0.3589	0.0272	0.0633	0.1076	0.0339	1.0000
36										
37	Factor 12 - Direct Fire								1.0000	1.0000

EPCOR WATER ARIZONA INC.  
 CONSOLIDATED WATER DISTRICT  
 FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASS

FACTOR A. ALLOCATION OF COMMODITY COSTS.

Factors are based on the pro forma test year average daily consumption for each customer classification.

Classification (1)	Average Daily Consumption, 1000 Gallons (2)	Allocation Factor (5)
Residential	41,731	0.7558
Commercial/OPA/Ind	13,480	0.2442
Total	<u>55,210</u>	<u>1.0000</u>

FACTOR B. ALLOCATION OF MAXIMUM DAY DEMAND COSTS - TREATMENT AND PUMPING.

Factors are based on the maximum day demand for each customer classification.

Customer Classification (1)	Average Daily Consumption, 1000 Gallons (2)	Peak Day Factor (3)	Rate of Flow, 1000 Gallons Per Day (4)=(2)x(3)	Allocation Factor (5)
Residential	41,731	2.00	83,461	0.7748
Commercial/OPA/Ind	13,480	1.80	24,263	0.2252
Total	<u>55,210</u>		<u>107,724</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.  
 CONSOLIDATED WATER DISTRICT  
 FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASS

FACTOR C. ALLOCATION OF MAXIMUM HOUR DEMAND COSTS.

Factors are based on the maximum hour demand for each customer classification.

Customer Classification	Average Hourly Consumption, 1000 Gallons	Factor	Rate of Flow, 1000 Gallons Per Hour	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	1,738.8	4.00	6,955.1	0.8050
Commercial/OPA/Ind	561.7	3.00	1,685.0	0.1950
	2,300.4		8,640.1	1.0000

EPCOR WATER ARIZONA INC.  
 CONSOLIDATED WATER DISTRICT  
 FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASS

FACTOR D. ALLOCATION OF COSTS ASSOCIATED WITH METERS

Factors are based on the relative cost of meters by size and customer classification, as developed on the following

<u>Customer Classification</u> (1)	<u>5/8" Equivalents</u> (2)	<u>Allocation Factor</u> (3)
Residential	201,575	0.8891
Commercial/OPA/Ind	25,141	0.1109
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>226,716</u>	<u>1.0000</u>

FACTOR E. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES

Factors are based on the relative cost of meters by size and customer classification, as developed on the following

<u>Customer Classification</u> (1)	<u>3/4" Equivalents</u> (2)	<u>Allocation Factor</u> (3)
Residential	131,913	0.9383
Commercial/OPA/Ind	6,286	0.0447
Fire Protection	2,396	0.0170
	<hr/>	<hr/>
Total	<u>140,595</u>	<u>1.0000</u>

FACTOR F. ALLOCATION OF BILLING AND COLLECTING COSTS.

Factors are based on the total number of customers.

<u>Customer Classification</u> (1)	<u>Total Customers</u> (2)	<u>Allocation Factor</u> (3)
Residential	128,295	0.9569
Commercial/OPA/Ind	4,897	0.0365
Fire Protection	887	0.0066
	<hr/>	<hr/>
Total	<u>134,079</u>	<u>1.0000</u>

**EPCOR WATER ARIZONA INC.  
 CONSOLIDATED WATER OPERATIONS**

Factor G - ALLOCATION OF DIRECT FIRE

Description (1)	Restrictive Diameters Squared (2)	Quantity (3)	Relative Demand* (4)=(2)x(3)	Factor G Allocation Factor (5)
<u>PRIVATE FIRE PROTECTION</u>				
<u>Fire Lines</u>				
2 -inch	4.00		0	
3 -inch	9.00		0	
4 -inch	16.00	299	4,785	
6 -inch	36.00	467	16,804	
8 -inch	64.00	96	6,146	
10 -inch	100.00	1	100	
12 -inch	144.00	2	288	
Private Hydrants	28.50	15	419	
Total Private Fire Protection		<u>879,5692</u>	<u>28,542</u>	0.0688

PUBLIC FIRE PROTECTION

<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	<u>13,555</u>	<u>386,318</u>
Total Public Fire Protection			13,555	386,318
Total Fire Protection			14,435	414,860

REALLOCATE PUBLIC FIRE

	Meter Equivalents	Allocation of Public Fire	Allocation of Public Fire Using Factor
Residential	201,575	0.8891	0.8279
Commercial/OPA/Ind	25,141	0.1109	0.1033
	<u>226,716</u>	<u>1.0000</u>	<u>0.9312</u>



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

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

EPCOR WATER ARIZONA INC.  
 CONSOLIDATED WATER DISTRICT  
 BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS

Service Size	3/4" Equivalent	Residential		Commercial		Fire Projection		Total	
		Number of Services	Weighting (4)=(2)X(3)	Number of Services	Weighting (6)=(2)X(5)	Number of Services	Weighting (8)=(2)X(7)	Number of Services	Weighting (10)
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)=(2)X(7)	(9)	(10)
3/4	1.00	107,880	107,880	1,132	1,132		0	109,012	109,012
1	1.06	16,273	17,249	1,036	1,098		0	17,309	18,347
1-1/2	1.28	2,108	2,698	990	1,267		0	3,098	3,965
2	1.50	1,124	1,686	1,548	2,322	21	32	2,693	4,040
3	2.37	2	5	139	329	1	2	142	336
4	2.50	478	1,195	24	60	299	748	801	2,003
6	2.79	430	1,200	28	78	467	1,302	925	2,580
8	3.11	0	0	0	0	96	299	96	299
10	4.12	0	0	0	0	1	4	1	4
12	4.65	0	0	0	0	2	9	2	9
Total		<u>128,295</u>	<u>131,913</u>	<u>4,897</u>	<u>6,286</u>	<u>887</u>	<u>2,396</u>	<u>134,079</u>	<u>140,595</u>

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

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

<b>Customer Classification</b>	<b>Cost of Service</b>		<b>Revenues, Present Rates</b>		<b>Revenues, Proposed Rates</b>		<b>Proposed Increase</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent Increase</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>	<b>(8)</b>	<b>(9)</b>
Residential	\$ 98,570,463	81.8%	\$ 83,254,777	78.1%	\$ 95,379,516	79.1%	\$ 12,124,739	14.6%
Commercial/OPA/Ind.	21,516,387	17.8%	22,928,802	21.5%	24,711,621	20.5%	1,782,820	7.8%
Private Fire	499,155	0.4%	417,333	0.4%	494,343	0.4%	77,010	18.5%
Total Sales	120,586,005	100.0%	106,600,912	100.0%	120,585,480	100.0%	13,984,568	13.1%
Other Revenues	2,796,013		2,692,734		2,796,013		103,279	3.8%
Total	\$ 123,382,017		\$ 109,293,646		\$ 123,381,493		\$ 14,087,847	12.9%

**EPCOR WATER ARIZONA INC.  
 CONSOLIDATED 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/OPA/ Industrial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 20,883,948	\$ 15,784,088	\$ 5,099,860	\$ -
4						
5	Demand - Maximum Day	B	28,090,989	21,764,898	6,326,091	-
6						
7	Demand - Maximum Hour	C	43,493,620	35,012,364	8,481,256	-
8						
9	Customer Facilities - Meters	D	3,299,896	2,933,939	365,958	-
10						
11	Customer Facilities - Services	E	7,671,725	7,198,380	342,926	130,419
12						
13	Customer Accounting	F	13,036,938	12,475,045	475,848	86,044
14						
15	Direct Fire	G	4,108,888	3,401,749	424,448	282,692
16						
17	Total		<u>\$ 120,586,005</u>	<u>\$ 98,570,463</u>	<u>\$ 21,516,387</u>	<u>\$ 499,155</u>
18						

EPCOR WATER ARIZONA, INC.

CALCULATION OF THE 5/8-INCH CUSTOMER COSTS PER MONTH  
INCLUDING THE UNRECOVERED PUBLIC FIRE COSTS - FILING

<u>Cost Function</u>	<u>Consolidated Cost of Service</u>	<u>Number of Units</u>	<u>Unit Cost Per Month</u>
Meters	\$ 3,299,896	226,716 5/8 Equivalents	\$ 1.21
Services	7,541,306	140,595 3/4 Equivalents	4.47
Billing/Collecting	<u>12,950,894</u>	134,079 Customers	<u>8.05</u>
Subtotal	23,792,096		13.73
Unrecovered Public Fire	<u>3,614,546</u>	226,716 5/8 Equivalents	<u>1.33</u>
Total	<u>\$ 27,406,642</u>		<u>\$ 15.06</u>
	<u>1,000 Gallons</u>	<u>Rate</u>	
Volumetric Portion	2.3981	2.6148	\$ 6.27
Total Customer Charge			\$ 21.33
	Meter Equivalent		
1-Inch Customer Charge	2.5000		\$ 53.33 *

\* The Company proposes a 1-inch rate of \$51.92, slightly less than the 5/8-inch rate X the meter equivalent of 2.5X.