

**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	73,143	62,085	10,628	430
3. Total Operating Revenues	\$ 8,665,072	\$ 7,068,833	\$ 1,497,233	\$ 99,006
4. Less: Operating Expenses	7,134,221	6,133,419	947,553	53,249
5. Return and Income Taxes	\$ 1,530,851	\$ 935,414	\$ 549,680	\$ 45,757
6. Less: Interest Expense (Allocated by Rate Base)	741,807	635,877	100,218	5,712
7. Taxable Income	789,044	299,537	449,462	40,045
8. Less: Income Taxes (Allocated based on Line 7)	217,770	82,666	124,042	11,063
9. Net Return (Ln 5 - Ln 8)	\$ 1,313,081	\$ 852,748	\$ 425,638	\$ 34,694
10. Original Cost Measure of Value	\$ 32,931,713	\$ 28,231,511	\$ 4,448,251	\$ 251,952
11. Rate of Return, Percent	3.99%	3.02%	9.57%	13.77%
12. Relative Rate of Return	1.00	0.76	2.40	3.45

**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	\$ 9,995,010	\$ 8,126,776	\$ 1,769,657	\$ 98,576
2. Other Revenues	87,601	74,454	12,611	537
3. Total Operating Revenues	\$ 10,082,611	\$ 8,201,230	\$ 1,782,268	\$ 99,113
4. Less: Operating Expenses	7,228,285	6,210,438	958,263	59,584
5. Return and Income Taxes	\$ 2,854,326	\$ 1,990,792	\$ 824,005	\$ 39,529
6. Less: Interest Expense (Allocated by Rate Base)	741,807	635,950	100,218	5,712
7. Taxable Income	2,112,519	1,354,842	723,787	33,817
8. Less: Income Taxes (Allocated based on Line 7)	564,570	362,059	193,422	9,033
9. Net Return (Ln 5 - Ln 8)	\$ 2,289,756	\$ 1,628,733	\$ 630,583	\$ 30,496
10. Original Cost Measure of Value	\$ 32,931,714	\$ 28,231,477	\$ 4,448,287	\$ 251,950
11. Rate of Return, Percent	6.95%	5.77%	14.18%	12.10%
12. Relative Rate of Return	1.00	0.83	2.04	1.74

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**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	\$ 36,917	\$ 29,884	\$ 7,033	\$ -
4						
5	Demand - Maximum Day	B	12,421,531	10,251,489	2,170,042	-
6						
7	Demand - Maximum Hour	C	10,963,236	9,318,751	1,644,485	-
8						
9	Customer Facilities - Meters	D	1,762,828	1,549,880	212,950	-
10						
11	Customer Facilities - Services	E	5,794,018	5,471,291	219,593	103,134
12						
13	Customer Accounting	F	265,329	255,511	8,013	1,804
14						
15	Direct Fire	G	1,687,855	1,354,672	186,170	147,012
16						
17	Total		<u>\$ 32,931,713</u>	<u>\$ 28,231,477</u>	<u>\$ 4,448,287</u>	<u>\$ 251,950</u>
18						

**EPCOR WATER ARIZONA INC.
 SUN CITY WEST 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	\$ 1,544,716	\$ 1,250,448	\$ 294,268	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	1,355,756	1,118,904	236,851	-
6						
7	Demand - Maximum Hour	C	2,008,769	1,707,454	301,315	-
8						
9	Customer Facilities - Meters	D	143,387	126,065	17,321.09	-
10						
11	Customer Facilities - Services	E	573,115	541,193	21,721.07	10,201
12						
13	Customer Accounting	F	1,123,274	1,081,713	33,923	7,638
14						
15	Direct Fire	G	479,269	384,662	52,863	41,744
16						
17	Total		<u>\$ 7,228,286</u>	<u>\$ 6,210,438</u>	<u>\$ 958,263</u>	<u>\$ 59,584</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	<u>RATE BASE</u>									
4	Organization	9	20,086	22	7,576	6,685	1,075	3,533	167	1,028
5	Franchises	9	1,346	1	508	448	72	237	11	69
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	290,832	0	290,832	0	0	0	0	0
12	Structures & Improvements Pumping	3	396,209	0	0	396,209	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	32,435	1,262	8,728	7,337	717	1,223	12,621	548
16	Structures & Improvements Offices	7	12,196	474	3,282	2,759	270	460	4,746	206
17	Structures & Improvements Leasehold	7	3,230	126	869	731	71	122	1,257	55
18	Structures & Improvements Store,Shop,Gge	7	0	0	0	0	0	0	0	0
19	Structures & Improvements Miscellaneous	7	390	15	105	88	9	15	152	7
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	3,819,070	0	3,819,070	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	137,590	0	0	137,590	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	1,793	70	483	406	40	68	698	30
4	Transportation Equip Heavy Duty Trucks	7	12,904	502	3,472	2,919	285	486	5,021	218
5	Transportation Equip Other	7	13,353	519	3,593	3,020	295	503	5,196	226
6	Stores Equipment	7	(11)	(0)	(3)	(3)	(0)	(0)	(4)	(0)
7	Tools, Shop, Garage Equipment	7	6,578	256	1,770	1,488	145	248	2,559	111
8	Laboratory Equipment	2	1,687	0	1,687	0	0	0	0	0
9	Power Operated Equipment	7	96,485	3,753	25,964	21,825	2,132	3,638	37,542	1,631
10	Communication Equipment Non-Telephone	7	(25,548)	(994)	(6,875)	(5,779)	(565)	(963)	(9,941)	(432)
11	Remote Control & Instrument	7	17,312	673	4,659	3,916	383	653	6,736	293
12	Communication Equipment Telephone	7	2,783	108	749	630	62	105	1,083	47
13	Communication Equipment Other	7	83,778	3,259	22,545	18,950	1,851	3,158	32,598	1,416
14	Miscellaneous Equipment	7	72,888	2,835	19,614	16,487	1,611	2,748	28,361	1,232
15	Other Tangible Plant	7	0	0	0	0	0	0	0	0
16	Total Plant in Service		\$ 37,835,605	\$ 42,925	\$ 14,269,220	\$ 12,593,252	\$ 2,025,433	\$ 6,654,224	\$ 312,217	\$ 1,938,335
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9	0	0	0	0	0	0	0	0
20	Customer Advances	9	(1,718,503)	(1,890)	(648,219)	(571,918)	(91,940)	(302,285)	(14,264)	(87,987)
21	Contributions in Aid of Construction	9	(616,441)	(678)	(232,521)	(205,152)	(32,980)	(108,432)	(5,116)	(31,562)
22	Construction Work in Progress	2	0	0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	(16,261)	(633)	(4,376)	(3,678)	(359)	(613)	(6,327)	(275)
24	Utility Plant Acq. Adjustment	9	0	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	(1,698,495)	(1,868)	(640,672)	(565,259)	(90,869)	(298,765)	(14,098)	(86,963)
27	Deferred Debits	9	296,370	326	111,791	98,632	15,856	52,131	2,460	15,174
28	Regulatory Liabilities	9	(1,149,761)	(1,265)	(433,690)	(382,641)	(61,512)	(202,243)	(9,543)	(58,868)
29										
30	Total Other Rate Base Elements		(4,903,892)	(6,008)	(1,847,688)	(1,630,015)	(262,605)	(860,207)	(46,888)	(250,481)
31										
32	Total Original Cost Measure of Value		\$ 32,931,713	\$ 36,917	\$ 12,421,531	\$ 10,963,236	\$ 1,762,828	\$ 5,794,018	\$ 265,329	\$ 1,687,855

**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	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	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	456,260	456,260	-	-	-	-	-	-
18	Fuel and Power	1	830,699	830,699	-	-	-	-	-	-
19	Chemicals	1	126,804	126,804	-	-	-	-	-	-
20	Waste Disposal	1	5,365	5,365	-	-	-	-	-	-
21	Corporate allocation	7	250,767	9,755	67,481	56,723	5,542	9,454	97,573	4,238
22	Outside Services	7	123,957	4,822	33,357	28,039	2,739	4,673	48,232	2,095
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	-	-	-	-	-	-	-	-
26	Insurance Other Than Group	7	68,714	2,673	18,491	15,543	1,519	2,591	26,736	1,161
27	Customer Accounting	5	478,295	-	-	-	-	-	478,295	-
28	Rents	7	30,370	1,181	8,173	6,870	671	1,145	11,817	513
29	General Office Expense	7	98,719	3,840	26,565	22,330	2,182	3,722	38,412	1,668
30	Miscellaneous	7	26,311	1,024	7,080	5,952	581	992	10,238	445
31	Maintenance Expense - Treatment	2	332,733	-	332,733	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		4,009,602	1,519,887	696,999	585,938	57,277	97,669	1,007,990	43,842

**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	10,577	10,577	-	-	-	-	-	-
7	Structures & Improvements Pumping	3	14,487	-	-	14,487	-	-	-	-
8	Structures & Improvements Treatment	2	248,355	-	248,355	-	-	-	-	-
9	Structures & Improvements Trans & Dist	3	-	-	-	-	-	-	-	-
10	Structures & Improvements General	7	1,084	42	292	245	24	41	422	18
11	Structures & Improvements Offices	7	653	25	176	148	14	25	254	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	13	1	4	3	0	0	5	0
15	Collect & Impounding	2	-	-	-	-	-	-	-	-
16	Lake, River & Other Intakes	2	164,663	-	164,663	-	-	-	-	-
17	Wells & Springs	2	-	-	-	-	-	-	-	-
18	Infiltration Galleries	2	-	-	-	-	-	-	-	-
19	Supply Mains	2	8,918	-	8,918	-	-	-	-	-
20	Power Production Equipment	3	-	-	-	-	-	-	-	-
21	Power Production Equipment	3	-	-	-	-	-	-	-	-
22	Pumping Equipment Steam	3	571,872	-	-	571,872	-	-	-	-
23	Pumping Equipment Electric	3	371	-	-	371	-	-	-	-
24	Pumping Equipment Diesel	3	269	-	-	269	-	-	-	-
25	Pumping Equipment Hydraulic	3	2,298	-	-	2,298	-	-	-	-
26	Pumping Equipment Other	3	4,638	-	-	4,638	-	-	-	-
27	Pumping Equipment Water Treatment	3	321,007	-	-	321,007	-	-	-	-
28	Water Treatment Equipment Non-Media	2	5,124	-	5,124	-	-	-	-	-
29	Water Treatment Equipment Filter Media	2	16,685	-	16,685	-	-	-	-	-
30	Distribution Reservoirs & Standpipes	3	-	-	-	-	-	-	-	-
31	Elevated Tank & Standpipes	3	-	-	-	-	-	-	-	-
32	Ground Level Tanks	3	-	-	-	-	-	-	-	-
33	Below Ground Tanks	3	-	-	-	-	-	-	-	-
34	Clearwell	3	14,477	-	-	14,477	-	-	-	-
35	TD Mains Not Classified by Size	3	233,319	-	-	233,319	-	-	-	-
36	TD Mains 4in & Less	3	26,138	-	-	26,138	-	-	-	-
37	TD Mains 6in to 8in	3	32,568	-	-	32,568	-	-	-	-
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	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	260,865	-	-	-	-	-	-	260,865
4	Services	4a	398,175	-	-	-	-	398,175	-	-
5	Meters	4	5,364	-	-	-	5,364	-	-	-
6	Meter Installations	4	117	-	-	-	117	-	-	-
7	Meter Vaults	4	53,338	-	-	-	53,338	-	-	-
8	Hydrants	12	-	-	-	-	-	-	-	-
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	2	-	-	-	-	-	-	-	-
11	Other P/E-CPS/Intangible	9	11,832	13	4,463	3,938	633	2,081	98	606
12	Office Furniture & Equipment	7	3,199	124	861	724	71	121	1,245	54
13	Computer & Periphral Equipment	7	12,559	489	3,380	2,841	278	473	4,887	212
14	Computer Software	7	69,570	2,706	18,721	15,737	1,537	2,623	27,070	1,176
15	Other Office Equipment	7	57,108	2,222	15,368	12,918	1,262	2,153	22,221	965
16	Transportation Equip Light Duty Trucks	7	44,535	1,732	11,984	10,074	984	1,679	17,328	753
17	Transportation Equip Heavy Duty Trucks	7	3,769	147	1,014	853	83	142	1,467	64
18	Transportation Equipment Other	7	1,951	76	525	441	43	74	759	33
19	Stores Equipment	7	2,072	81	558	469	46	78	806	35
20	Tools,Shop,Garage Equipment	7	1,034	40	278	234	23	39	402	17
21	Laboratory Equipment	2	521	-	521	-	-	-	-	-
22	Power Operated Equipment	7	11,207	436	3,016	2,535	248	422	4,361	189
23	Communication Equipment Non-Telephone	7	-	-	-	-	-	-	-	-
24	Remote Control & Instrument	7	19,758	769	5,317	4,469	437	745	7,688	334
25	Communication Equipment Telephone	7	2,656	103	715	601	59	100	1,034	45
26	Communication Equipment Other	7	561	22	151	127	12	21	218	9
27	Miscellaneous Equipment	7	7,523	293	2,025	1,702	166	284	2,927	127
28	Other Tangible Plant	7	7,541	293	2,029	1,706	167	284	2,934	127
	Total Depreciation Expense		2,652,888	20,194	515,174	1,281,232	64,910	409,565	96,169	265,644

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	100,760	696,999	0	585,938	57,277	97,669	1,007,990	43,842	2,546,632
19	Factor	0.0389	0.2691	0.0000	0.2262	0.0221	0.0377	0.3891	0.0169	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	42,679	14,184,833	0	12,518,798	2,013,464	6,614,872	310,360	1,926,881	37,611,886
27	Factor	0.0011	0.3772	0	0.3328	0.0535	0.1759	0.0083	0.0512	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	36,917	12,421,531	0	10,963,236	1,762,828	5,794,018	265,329	1,687,855	32,931,713
31	Factor	0.0011	0.3772	0	0.3329	0.0535	0.1759	0.0081	0.0513	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	1,548,020	2,489,004	0	3,008,924	304,120	1,101,584	1,147,610	483,474	10,082,736
35	Factor	0.1535	0.2468	0	0.2984	0.0302	0.1093	0.1138	0.048	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	Average Hourly Consumption, 1000 Gallons	Factor	Rate of Flow, 1000 Gallons Per Hour	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	157.6	4.00	630.5	0.8500
Commercial/Pubic	37.1	3.00	111.3	0.1500
	194.7		741.8	1.0000

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		<u>105</u>	<u>3,408</u>	0.0871

PUBLIC FIRE PROTECTION

<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	<u>1,254</u>	<u>35,739</u>
Total Public Fire Protection			1,254	35,739
Total Fire Protection			1,359	39,147

REALLOCATE PUBLIC FIRE

	<u>Meter Equivalents</u>	<u>Allocation of Public Fire</u>	<u>Allocation of Public Fire Using Factor</u>
Residential	17,787	0.8792	0.8026
Commercial/Public	2,443	0.1208	0.1103
	<u>20,230</u>	<u>1.0000</u>	<u>0.9129</u>

EPCOR WATER ARIZONA INC.
 SUN CITY WEST 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	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	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	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		<u>14,964</u>	<u>15,157</u>	<u>470</u>	<u>608</u>	<u>105</u>	<u>286</u>	<u>15,539</u>	<u>16,051</u>

**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	\$ 8,590,387	85.9%	\$ 7,006,748	81.6%	\$ 8,126,776	81.2%	\$ 1,120,029	16.0%
Commercial	1,335,831	13.4%	\$ 1,486,605	17.3%	1,769,657	17.8%	283,052	19.0%
Private Fire	<u>68,918</u>	0.7%	<u>98,576</u>	1.1%	<u>98,576</u>	1.0%	<u>-</u>	0.0%
Total Sales	9,995,136	100.0%	8,591,929	<u>100.0%</u>	9,995,010	<u>100.0%</u>	1,403,081	16.3%
Other Revenues	<u>87,600</u>		<u>73,143</u>		<u>87,600</u>		<u>14,457</u>	19.8%
Total	<u>\$ 10,082,736</u>		<u>\$ 8,665,072</u>		<u>\$ 10,082,609</u>		<u>\$ 1,417,537</u>	16.4%

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

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

Line no. No.	Cost Function (1)	Factor Ref (2)	Total Cost of Service (3)	Residential (4)	Commercial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 1,534,574	\$ 1,242,238	\$ 292,336	\$ -
4						
5	Demand - Maximum Day	B	2,467,384	2,036,332	431,052	-
6						
7	Demand - Maximum Hour	C	2,982,784	2,535,366	447,418	-
8						
9	Customer Facilities - Meters	D	301,475	265,058	36,418	-
10						
11	Customer Facilities - Services	E	1,092,009	1,031,184	41,387	19,438
12						
13	Customer Accounting	F	1,137,641	1,095,547	34,357	7,736
14						
15	Direct Fire	G	479,269	384,662	52,863	41,744
16						
17	Total		<u>\$ 9,995,136</u>	<u>\$ 8,590,387</u>	<u>\$ 1,335,831</u>	<u>\$ 68,918</u>
18						