

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

Description (1)	Cost of Service (2)	Residential (3)	Commercial (4)	Private Fire (5)
1. Revenues From Water Service - Present Rates	\$ 11,435,911	\$ 8,960,629	\$ 2,450,926	\$ 24,356
2. Other Revenues	354,738	284,786	69,402	550
3. Total Operating Revenues	\$ 11,790,649	\$ 9,245,415	\$ 2,520,328	\$ 24,906
4. Less: Operating Expenses	12,850,698	10,655,404	2,139,569	55,725
5. Return and Income Taxes	\$ (1,060,048)	\$ (1,409,988)	\$ 380,759	\$ (30,819)
6. Less: Interest Expense (Allocated by Rate Base)	971,402	796,841	169,898	4,663
7. Taxable Income	(2,031,450)	(2,206,829)	210,861	(35,482)
8. Less: Income Taxes (Allocated based on Line 7)	704,632	765,442	(73,141)	12,331
9. Net Return (Ln 5 - Ln 8)	\$ (1,764,681)	\$ (2,175,430)	\$ 453,900	\$ (43,150)
10. Original Cost Measure of Value	\$ 41,920,495	\$ 34,387,446	\$ 7,331,979	\$ 201,070
11. Rate of Return, Percent	-4.21%	-6.33%	6.19%	-21.46%
12. Relative Rate of Return	1.00	1.50	-1.47	5.10

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

Description (1)	Cost of Service (2)	Residential (3)	Commercial (4)	Private Fire (5)
1. Revenues From Water Service - Proposed Rates	\$ 16,114,988	\$ 12,570,527	\$ 3,511,577	\$ 32,884
2. Other Revenues	354,738	284,786	69,402	550
3. Total Operating Revenues	\$ 16,469,726	\$ 12,855,314	\$ 3,580,979	\$ 33,434
4. Less: Operating Expenses	12,850,698	10,655,404	2,139,569	55,725
5. Return and Income Taxes	\$ 3,619,029	\$ 2,199,910	\$ 1,441,410	\$ (22,291)
6. Less: Interest Expense (Allocated by Rate Base)	971,402	796,840	169,898	4,663
7. Taxable Income	2,647,627	1,403,070	1,271,512	(26,954)
8. Less: Income Taxes (Allocated based on Line 7)	704,632	373,455	338,365	(7,187)
9. Net Return (Ln 5 - Ln 8)	\$ 2,914,396	\$ 1,826,455	\$ 1,103,045	\$ (15,104)
10. Original Cost Measure of Value	\$ 41,920,495	\$ 34,387,446	\$ 7,331,979	\$ 201,070
11. Rate of Return, Percent	6.95%	5.31%	15.04%	-7.51%
12. Relative Rate of Return	1.00	0.76	2.16	-1.08

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

Line no. No.	Cost Function (1)	Factor Ref. - Sch G-7 (2)	Rate Base (3)	Residential (4)	Commercial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 217,587	\$ 167,651	\$ 49,936	\$ -
4						
5	Demand - Maximum Day	B	13,962,178	11,010,573	2,951,604	-
6						
7	Demand - Maximum Hour	C	18,796,318	15,364,110	3,432,208	-
8						
9	Customer Facilities - Meters	D	3,296,647	2,819,953	476,695	-
10						
11	Customer Facilities - Services	E	2,968,318	2,767,956	155,243	45,118
12						
13	Customer Accounting	F	974,553	927,384	41,418	5,750
14						
15	Direct Fire	G	1,704,896	1,329,819	224,876	150,201
16						
17	Total		<u>\$ 41,920,497</u>	<u>\$ 34,387,446</u>	<u>\$ 7,331,979</u>	<u>\$ 201,070</u>
18						

**EPCOR WATER ARIZONA INC.
 SUN CITY 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	\$ 2,874,183	\$ 2,214,559	\$ 659,625	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	2,320,282	1,829,773	490,508	-
6						
7	Demand - Maximum Hour	C	3,825,599	3,127,045	698,554	-
8						
9	Customer Facilities - Meters	D	850,128	727,199	122,928.45	-
10						
11	Customer Facilities - Services	E	632,362	589,677	33,072.53	9,612
12						
13	Customer Accounting	F	1,955,700	1,861,045	83,117	11,539
14						
15	Direct Fire	G	392,443	306,106	51,763	34,574
16						
17	Total		<u>\$ 12,850,697</u>	<u>\$ 10,655,404</u>	<u>\$ 2,139,569</u>	<u>\$ 55,725</u>
18						

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

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

Line No.	Account	Factor Ref.	Rate Base By Function	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1										
2										
3	<u>RATE BASE</u>									
4	Organization	9	471	2	157	212	37	33	9	19
5	Franchises	9	0	0	0	0	0	0	0	0
6	Land & Land Rights Supply	1	180,546	180,546	0	0	0	0	0	0
7	Land & Land Rights Pumping	2	8,456	0	8,456	0	0	0	0	0
8	Land & Land Rights Treatment	2	0	0	0	0	0	0	0	0
9	Land & Land Rights T&D	3	10,493	0	0	10,493	0	0	0	0
10	Land & Land Rights General	9	2,125	10	710	957	169	151	42	87
11	Structures & Improvements Supply	2	4,116,967	0	4,116,967	0	0	0	0	0
12	Structures & Improvements Pumping	3	1,494,804	0	0	1,494,804	0	0	0	0
13	Structures & Improvements Treatment	2	311,308	0	311,308	0	0	0	0	0
14	Structures & Improvements Trans & Dist	3	234,187	0	0	234,187	0	0	0	0
15	Structures & Improvements General	7	326,689	11,793	85,854	95,785	10,160	17,347	97,974	7,775
16	Structures & Improvements Offices	7	74,006	2,672	19,449	21,699	2,302	3,930	22,195	1,761
17	Structures & Improvements Leasehold	7	5,119	185	1,345	1,501	159	272	1,535	122
18	Structures & Improvements Store,Shop,Gge	7	0	0	0	0	0	0	0	0
19	Structures & Improvements Miscellaneous	7	1,369,698	49,446	359,957	401,595	42,598	72,731	410,772	32,599
20	Collect & Impounding	2	151	0	151	0	0	0	0	0
21	Lake, River & Other Intakes	2	0	0	0	0	0	0	0	0
22	Wells & Springs	2	10,180,309	0	10,180,309	0	0	0	0	0
23	Infiltration Galleries	2	0	0	0	0	0	0	0	0
24	Supply Mains	2	411,815	0	411,815	0	0	0	0	0
25	Power Production Equipment	3	882,941	0	0	882,941	0	0	0	0

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

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

Line No.	Account	Factor Ref.	Rate Base By Function	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1										
2										
3	Power Production Equipment	3	0	0	0	0	0	0	0	0
4	Pumping Equipment Steam	3	3,806	0	0	3,806	0	0	0	0
5	Pumping Equipment Electric	3	6,761,983	0	0	6,761,983	0	0	0	0
6	Pumping Equipment Hydraulic	3	34,616	0	0	34,616	0	0	0	0
7	Pumping Equipment Other	3	189,631	0	0	189,631	0	0	0	0
8	Pumping Equipment Water Treatment	2	720,044	0	720,044	0	0	0	0	0
9	Water Treatment Equipment Non-Media	2	1,452,673	0	1,452,673	0	0	0	0	0
10	Water Treatment Equipment Filter Media	2	0	0	0	0	0	0	0	0
11	Distribution Reservoirs & Standpipes	3	2,661,076	0	0	2,661,076	0	0	0	0
12	TD Mains Not Classified by Size	3	3,404,139	0	0	3,404,139	0	0	0	0
13	TD Mains 4in & Less	3	8,060,354	0	0	8,060,354	0	0	0	0
14	TD Mains 6in to 8in	3	8,281,470	0	0	8,281,470	0	0	0	0
15	TD Mains 10in to 16in	2	6,192,366	0	6,192,366	0	0	0	0	0
16	TD Mains 18in & Grtr	2	31,697	0	31,697	0	0	0	0	0
17	Fire Mains	12	1	0	0	0	0	0	0	1
18	Services	4a	5,019,966	0	0	0	0	5,019,966	0	0
19	Meters	4	5,083,893	0	0	0	5,083,893	0	0	0
20	Meter Installations	4	602,192	0	0	0	602,192	0	0	0
21	Meter Vaults	4	70,947	0	0	0	70,947	0	0	0
22	Hydrants	12	2,921,517	0	0	0	0	0	0	2,921,517
23	Other P/E- Supply	2	0	0	0	0	0	0	0	0
24	Other P/E-TD	3	0	0	0	0	0	0	0	0
25	Other P/E-CPS/Intangible	9	275,983	1,325	92,151	124,248	21,941	19,622	5,409	11,288
26	Furniture and Equipment	7	508,473	18,356	133,627	149,084	15,813	27,000	152,491	12,102
27	Computer & Periphral Equipment	7	486,581	17,566	127,873	142,665	15,133	25,837	145,925	11,581
28	Computer Software	7	233,741	8,438	61,427	68,533	7,269	12,412	70,099	5,563
29	Other Office Equipment	7	2,916	105	766	855	91	155	874	69

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

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

Line No.	Account	Factor Ref.	Rate Base By Function	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	265,846	9,597	69,864	77,946	8,268	14,116	79,727	6,327
4	Transportation Equip Heavy Duty Trucks	7	42,226	1,524	11,097	12,381	1,313	2,242	12,663	1,005
5	Transportation Equip Other	7	126,224	4,557	33,172	37,009	3,926	6,702	37,854	3,004
6	Stores Equipment	7	3,375	122	887	990	105	179	1,012	80
7	Tools, Shop, Garage Equipment	7	219,037	7,907	57,563	64,222	6,812	11,631	65,689	5,213
8	Laboratory Equipment	2	98,833	0	98,833	0	0	0	0	0
9	Power Operated Equipment	7	48,371	1,746	12,712	14,182	1,504	2,569	14,506	1,151
10	Communication Equipment Non-Telephone	7	201,418	7,271	52,933	59,056	6,264	10,695	60,405	4,794
11	Remote Control & Instrument	7	777,151	28,055	204,235	227,861	24,169	41,267	233,068	18,496
12	Communication Equipment Telephone	7	4,412	159	1,160	1,294	137	234	1,323	105
13	Communication Equipment Other	7	67,271	2,428	17,679	19,724	2,092	3,572	20,174	1,601
14	Miscellaneous Equipment	7	91,781	3,313	24,120	26,910	2,854	4,874	27,525	2,184
15	Other Tangible Plant	7	0	0	0	0	0	0	0	0
16	Total Plant in Service		\$ 74,556,093	\$ 357,124	\$ 24,893,355	\$ 33,568,207	\$ 5,930,149	\$ 5,297,538	\$ 1,461,274	\$ 3,048,445
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9	0	0	0	0	0	0	0	0
20	Customer Advances	9	(9,710,920)	(46,612)	(3,242,476)	(4,371,856)	(772,018)	(690,446)	(190,334)	(397,177)
21	Contributions in Aid of Construction	9	(17,947,295)	(86,147)	(5,992,602)	(8,079,872)	(1,426,810)	(1,276,053)	(351,767)	(734,044)
22	Construction Work in Progress	2	0	0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	544,659	19,662	143,136	159,694	16,939	28,921	163,343	12,963
24	Utility Plant Acq. Adjustment	9	0	0	0	0	0	0	0	0
25	Customer Meter Deposits	4	(13,700)	0	0	0	(13,700)	0	0	0
26	Deferred Income Taxes	9	(2,691,796)	(12,921)	(898,791)	(1,211,847)	(213,998)	(191,387)	(52,759)	(110,094)
27	Deferred Debits	9	1,185,391	5,690	395,802	533,663	94,239	84,281	23,234	48,483
28	Regulatory Liabilities	9	(4,001,936)	(19,209)	(1,336,246)	(1,801,672)	(318,154)	(284,538)	(78,438)	(163,679)
29										
30	Total Other Rate Base Elements		<u>(32,635,597)</u>	<u>(139,537)</u>	<u>(10,931,177)</u>	<u>(14,771,889)</u>	<u>(2,633,502)</u>	<u>(2,329,221)</u>	<u>(486,721)</u>	<u>(1,343,549)</u>
31										
32	Total Original Cost Measure of Value		<u>\$ 41,920,496</u>	<u>\$ 217,587</u>	<u>\$ 13,962,178</u>	<u>\$ 18,796,318</u>	<u>\$ 3,296,647</u>	<u>\$ 2,968,318</u>	<u>\$ 974,553</u>	<u>\$ 1,704,896</u>

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

**COST OF SERVICE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND
CUSTOMER ACCOUNTING CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Cost of Service By Function	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	121,717	\$ 121,717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Labor - Treatment	2	190,800	-	190,800	-	-	-	-	-
8	Labor - Pumping	3	137,398	-	-	137,398	-	-	-	-
9	Labor - T&D Mains	6	910,504	-	200,857	709,647	-	-	-	-
10	Labor - T&D Storage	3	140,535	-	-	140,535	-	-	-	-
11	Labor - T&D Meters	4	104,928	-	-	-	104,928	-	-	-
12	Labor - T&D Services	4a	178,901	-	-	-	-	178,901	-	-
13	Labor - T&D Hydrants	12	80,303	-	-	-	-	-	-	80,303
14	Labor - Customer	5	234,137	-	-	-	-	-	234,137	-
15	Labor - Meter Reading	5	189,507	-	-	-	-	-	189,507	-
16	Labor - Administrative	7	-	-	-	-	-	-	-	-
17	Purchased Water	1	775,256	775,256	-	-	-	-	-	-
18	Fuel and Power	1	1,693,252	1,693,252	-	-	-	-	-	-
19	Chemicals	1	30,482	30,482	-	-	-	-	-	-
20	Waste Disposal	1	1,416	1,416	-	-	-	-	-	-
21	Corporate allocation	7	509,207	18,382	133,820	149,300	15,836	27,039	152,711	12,119
22	Outside Services	7	273,645	9,879	71,914	80,233	8,510	14,531	82,066	6,513
23	Group Insurance and Other Benefits	8	776,406	41,305	132,843	335,019	35,559	60,715	143,713	27,252
24	Pensions	8	-	-	-	-	-	-	-	-
25	Regulatory Expense	7	-	-	-	-	-	-	-	-
26	Insurance Other Than Group	7	125,919	4,546	33,092	36,920	3,916	6,686	37,763	2,997
27	Customer Accounting	5	785,116	-	-	-	-	-	785,116	-
28	Rents	7	62,628	2,261	16,459	18,363	1,948	3,326	18,782	1,491
29	General Office Expense	7	181,384	6,548	47,668	53,182	5,641	9,632	54,397	4,317
30	Miscellaneous	7	39,746	1,435	10,445	11,654	1,236	2,111	11,920	946
31	Maintenance Expense - Treatment	2	659,946	-	659,946	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		8,203,136	2,706,479	1,497,844	1,672,249	177,575	302,940	1,710,113	135,937

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

**COST OF SERVICE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND
CUSTOMER ACCOUNTING CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Cost of Service By Function	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	132,014	132,014	-	-	-	-	-	-
7	Structures & Improvements Pumping	3	42,899	-	-	42,899	-	-	-	-
8	Structures & Improvements Treatment	2	8,296	-	8,296	-	-	-	-	-
9	Structures & Improvements Trans & Dist	3	6,896	-	-	6,896	-	-	-	-
10	Structures & Improvements General	7	12,274	443	3,226	3,599	382	652	3,681	292
11	Structures & Improvements Offices	7	3,250	117	854	953	101	173	975	77
12	Structures & Improvements Leasehold	7	177	6	47	52	6	9	53	4
13	Structures & Improvements Store,Shop,Gge	7	54,751	1,976	14,388	16,053	1,703	2,907	16,420	1,303
14	Structures & Improvements Miscellaneous	7	27	1	7	8	1	1	8	1
15	Collect & Impounding	2	-	-	-	-	-	-	-	-
16	Lake, River & Other Intakes	2	331,269	-	331,269	-	-	-	-	-
17	Wells & Springs	2	-	-	-	-	-	-	-	-
18	Infiltration Galleries	2	8,223	-	8,223	-	-	-	-	-
19	Supply Mains	2	52,033	-	52,033	-	-	-	-	-
20	Power Production Equipment	3	0	-	-	0	-	-	-	-
21	Power Production Equipment	3	306	-	-	306	-	-	-	-
22	Pumping Equipment Steam	3	936,494	-	-	936,494	-	-	-	-
23	Pumping Equipment Electric	3	15,309	-	-	15,309	-	-	-	-
24	Pumping Equipment Diesel	3	2,808	-	-	2,808	-	-	-	-
25	Pumping Equipment Hydraulic	3	14,302	-	-	14,302	-	-	-	-
26	Pumping Equipment Other	3	54,568	-	-	54,568	-	-	-	-
27	Pumping Equipment Water Treatment	3	83,831	-	-	83,831	-	-	-	-
28	Water Treatment Equipment Non-Media	2	-	-	-	-	-	-	-	-
29	Water Treatment Equipment Filter Media	2	64,556	-	64,556	-	-	-	-	-
30	Distribution Reservoirs & Standpipes	3	-	-	-	-	-	-	-	-
31	Elevated Tank & Standpipes	3	1,064	-	-	1,064	-	-	-	-
32	Ground Level Tanks	3	-	-	-	-	-	-	-	-
33	Below Ground Tanks	3	-	-	-	-	-	-	-	-
34	Clearwell	3	56,490	-	-	56,490	-	-	-	-
35	TD Mains Not Classified by Size	3	231,318	-	-	231,318	-	-	-	-
36	TD Mains 4in & Less	3	145,409	-	-	145,409	-	-	-	-
37	TD Mains 6in to 8in	3	110,809	-	-	110,809	-	-	-	-
38	TD Mains 10in to 16in	2	1,248	-	1,248	-	-	-	-	-
39	TD Mains 18in & Grtr	2	0	-	0	-	-	-	-	-

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

**COST OF SERVICE BY FUNCTION, TWELVE MONTHS ENDED DECEMBER 31, 2016, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND
CUSTOMER ACCOUNTING CLASSIFICATIONS**

Line No.	Account	Factor Ref.	Cost of Service By Function	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	0	-	-	-	-	-	-	0
4	Services	4a	251,910	-	-	-	-	251,910	-	-
5	Meters	4	592,446	-	-	-	592,446	-	-	-
6	Meter Installations	4	18,040	-	-	-	18,040	-	-	-
7	Meter Vaults	4	1,995	-	-	-	1,995	-	-	-
8	Hydrants	12	69,325	-	-	-	-	-	-	69,325
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	2	-	-	-	-	-	-	-	-
11	Other P/E-CPS/Intangible	9	-	-	-	-	-	-	-	-
12	Office Furniture & Equipment	7	16,833	608	4,424	4,935	524	894	5,048	401
13	Computer & Periphral Equipment	7	53,672	1,938	14,105	15,737	1,669	2,850	16,096	1,277
14	Computer Software	7	137,080	4,949	36,025	40,192	4,263	7,279	41,110	3,263
15	Other Office Equipment	7	105,751	3,818	27,791	31,006	3,289	5,615	31,715	2,517
16	Transportation Equip Light Duty Trucks	7	211	8	55	62	7	11	63	5
17	Transportation Equip Heavy Duty Trucks	7	83,075	2,999	21,832	24,358	2,584	4,411	24,914	1,977
18	Transportation Equipment Other	7	14,502	524	3,811	4,252	451	770	4,349	345
19	Stores Equipment	7	25,778	931	6,775	7,558	802	1,369	7,731	614
20	Tools,Shop,Garage Equipment	7	660	24	174	194	21	35	198	16
21	Laboratory Equipment	2	16,101	-	16,101	-	-	-	-	-
22	Power Operated Equipment	7	9,378	339	2,465	2,750	292	498	2,812	223
23	Communication Equipment Non-Telephone	7	8,942	323	2,350	2,622	278	475	2,682	213
24	Remote Control & Instrument	7	45,583	1,646	11,979	13,365	1,418	2,420	13,670	1,085
25	Communication Equipment Telephone	7	82,975	2,995	21,806	24,328	2,581	4,406	24,884	1,975
26	Communication Equipment Other	7	981	35	258	288	31	52	294	23
27	Miscellaneous Equipment	7	16,693	603	4,387	4,894	519	886	5,006	397
28	Other Tangible Plant	7	9,781	353	2,571	2,868	304	519	2,933	233
	Total Depreciation Expense		3,932,334	156,647	661,054	1,902,576	633,703	288,144	204,644	85,565

EPCOR WATER ARIZONA INC.
 SUN CITY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

Line No.	Reference	Commodity	Max Day		Max Hour	Customer Facilities		Customer Accounting	Direct Fire	Total
			Treat. & Pump.	T&D - Max Day		Meters	Services			
1										
2										
3	Factor 1 - Commodity	1.0000								1.0000
4										
5	Factor 2 - Maximum Day		1.0000							1.0000
6										
7	Factor 3 - Maximum Hour				1.0000					1.0000
8										
9	Factor 4 - Customer Facilities - Meters					1.0000				1.0000
10										
11	Factor 4A - Customer Facilities - Services						1.0000			1.0000
12										
13	Factor 5 - Customer Accounting							1.0000		1.0000
14										
15	Factor 6 - Max Day and Max Hour based on Mains			0.2206	0.7794					1.0000
16										
17	Factor 7 - Administrative and General									
18	Cost	206,072	1,497,844	0	1,672,249	177,575	302,940	1,710,113	135,937	5,566,792
19	Factor	0.0361	0.2628	0.0000	0.2932	0.0311	0.0531	0.2999	0.0238	1.0000
20										
21	Factor 8 - Labor Related Expenses									
22	Cost	121,717	391,658	0	987,579	104,928	178,901	423,644	80,303	2,288,729
23	Factor	0.0532	0.1711	0	0.4315	0.0458	0.0782	0.1851	0.0351	1.0000
24										
25	Factor 9 - Rate Base Less Costs Allocated									
26	Cost	355,787	24,800,337	0	33,442,791	5,908,002	5,277,731	1,455,814	3,037,051	74,277,514
27	Factor	0.0048	0.3339	0	0.4502	0.0795	0.0711	0.0196	0.0409	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	217,587	13,962,178	0	18,796,318	3,296,647	2,968,318	974,553	1,704,896	41,920,496
31	Factor	0.0052	0.3331	0	0.4484	0.0786	0.0708	0.0232	0.0407	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	2,893,777	3,575,395	0	5,515,159	1,146,290	899,135	2,043,117	396,933	16,469,807
35	Factor	0.1757	0.217	0	0.3349	0.0696	0.0546	0.1241	0.0241	1.0000
36										
37	Factor 12 - Direct Fire								1.0000	1.0000

EPCOR WATER ARIZONA INC.
 SUN CITY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASS

FACTOR A. ALLOCATION OF COMMODITY COSTS.

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

Classification (1)	Average Daily Consumption, 1000 Gallons (2)	Allocation Factor (5)
Residential	8,497	0.7705
Commercial/Public	2,531	0.2295
Fire Protection	0	0.0000
Total	11,028	1.0000

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

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

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	8,497	2.00	16,995	0.7886
Commercial/Public	2,531	1.80	4,555	0.2114
Total	11,028		21,550	1.0000

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

FACTOR C. ALLOCATION OF MAXIMUM HOUR DEMAND COSTS.

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

Customer Classification	Average Hourly Consumption, 1000 Gallons	Factor	Rate of Flow, 1000 Gallons Per Hour	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	354.1	4.00	1,416.2	0.8174
Commercial/Pubic	105.4	3.00	316.3	0.1826
	459.5		1,732.5	1.0000

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

FACTOR D. ALLOCATION OF COSTS ASSOCIATED WITH METERS

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

<u>Customer Classification</u> (1)	<u>5/8" Equivalents</u> (2)	<u>Allocation Factor</u> (3)
Residential	32,111	0.8554
Commercial/Public	5,428	0.1446
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>37,539</u>	<u>1.0000</u>

FACTOR E. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES

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

<u>Customer Classification</u> (1)	<u>3/4" Equivalents</u> (2)	<u>Allocation Factor</u> (3)
Residential	23,771	0.9325
Commercial/Public	1,332	0.0523
Fire Protection	387	0.0152
	<hr/>	<hr/>
Total	<u>25,490</u>	<u>1.0000</u>

FACTOR F. ALLOCATION OF BILLING AND COLLECTING COSTS.

Factors are based on the total number of customers.

<u>Customer Classification</u> (1)	<u>Total Customers</u> (2)	<u>Allocation Factor</u> (3)
Residential	23,174	0.9516
Commercial/Public	1,035	0.0425
Fire Protection	144	0.0059
	<hr/>	<hr/>
Total	<u>24,353</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
 SUN CITY WATER OPERATIONS

Factor G - ALLOCATION OF DIRECT FIRE

Description (1)	Restrictive Diameters Squared (2)	Quantity (3)	Relative Demand* (4)=(2)x(3)	Factor G Allocation Factor (5)
<u>PRIVATE FIRE PROTECTION</u>				
<u>Fire Lines</u>				
2 -inch	4.00		0	
3 -inch	9.00	1	9	
4 -inch	16.00	58	928	
6 -inch	36.00	74	2,664	
8 -inch	64.00	11	704	
10 -inch	100.00	-	0	
12 -inch	144.00	-	0	
Private Hydrants	28.50	44	1,254	
Total Private Fire Protection		<u>188</u>	<u>5,559</u>	0.0881

PUBLIC FIRE PROTECTION

<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	<u>2,020</u>	<u>57,570</u>
Total Public Fire Protection			2,020	57,570
Total Fire Protection			2,208	63,129

REALLOCATE PUBLIC FIRE

	Meter Equivalents	Allocation of Public Fire	Allocation of Public Fire Using Factor
Residential	32,111	0.8554	0.7800
Commercial/Public	5,428	0.1446	0.1319
	<u>37,539</u>	<u>1.0000</u>	<u>0.9119</u>

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

**EPCOR WATER ARIZONA INC.
 SUN CITY WATER DISTRICT
 BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS**

Service Size	3/4" Equivalent	Residential		Commercial		Fire Projection		Total	
		Number of Services	Weighting	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	20,836	20,836	200	200		0	21,036	21,036
1	1.06	708	750	184	195		0	892	945
1-1/2	1.28	1,197	1,532	385	493		0	1,582	2,025
2	1.50	430	645	221	332		0	651	977
3	2.37	2	5	30	71	1	2	33	78
4	2.50	0	0	5	13	58	145	63	158
6	2.79	1	3	10	28	74	206	85	237
8	3.11	0	0	0	0	11	34	11	34
10	4.12	0	0	0	0	0	0	0	0
12	4.65	0	0	0	0	0	0	0	0
Total		<u>23,174</u>	<u>23,771</u>	<u>1,035</u>	<u>1,332</u>	<u>144</u>	<u>387</u>	<u>24,353</u>	<u>25,490</u>

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

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

Customer Classification	Cost of Service		Revenues, Present Rates		Revenues, Proposed Rates		Proposed Increase	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent Increase
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Residential	\$ 13,343,111	82.8%	\$ 8,960,629	78.4%	\$ 12,570,527	77.9%	\$ 3,609,898	40.3%
Commercial	2,711,955	16.8%	2,450,926	21.4%	3,511,577	21.9%	1,060,651	43.3%
Private Fire	<u>60,004</u>	0.4%	<u>24,356</u>	0.2%	<u>32,884</u>	0.2%	<u>8,528</u>	35.0%
Total Sales	16,115,070	100.0%	11,435,911	<u>100.0%</u>	16,114,988	<u>100.0%</u>	4,679,077	40.9%
Other Revenues	<u>354,737</u>		<u>354,737</u>		<u>354,737</u>		-	0.0%
Total	<u>\$ 16,469,808</u>		<u>\$ 11,790,648</u>		<u>\$ 16,469,725</u>		<u>\$ 4,679,077</u>	39.7%

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

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

Line no. No.	Cost Function (1)	Factor Ref (2)	Total Cost of Service (3)	Residential (4)	Commercial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 2,861,042	\$ 2,204,433	\$ 656,609	\$ -
4						
5	Demand - Maximum Day	B	3,366,537	2,654,851	711,686	-
6						
7	Demand - Maximum Hour	C	5,452,765	4,457,090	995,675	-
8						
9	Customer Facilities - Meters	D	1,133,323	969,446	163,879	-
10						
11	Customer Facilities - Services	E	888,962	828,957	46,493	13,512
12						
13	Customer Accounting	F	2,019,997	1,922,228	85,850	11,918
14						
15	Direct Fire	G	392,443	306,106	51,763	34,574
16						
17	Total		<u>\$ 16,115,070</u>	<u>\$ 13,343,111</u>	<u>\$ 2,711,955</u>	<u>\$ 60,004</u>
18						