

**EPCOR WATER ARIZONA INC.
 TUBAC 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	\$ 798,508	\$ 565,215	\$ 233,293	\$ -
2. Other Revenues	37,808	29,006	8,802	-
3. Total Operating Revenues	\$ 836,316	\$ 594,221	\$ 242,095	\$ -
4. Less: Operating Expenses	628,961	486,366	142,596	-
5. Return and Income Taxes	\$ 207,355	\$ 107,855	\$ 99,499	\$ -
6. Less: Interest Expense (Allocated by Rate Base)	11,309	8,760	2,549	-
7. Taxable Income	196,046	99,095	96,950	-
8. Less: Income Taxes (Allocated based on Line 7)	50,489	25,522	24,967	-
9. Net Return (Ln 5 - Ln 8)	\$ 156,866	\$ 82,333	\$ 74,532	\$ -
10. Original Cost Measure of Value	\$ 1,057,408	\$ 819,068	\$ 238,340	\$ -
11. Rate of Return, Percent	14.83%	10.05%	31.27%	
12. Relative Rate of Return	1.00	0.68	2.11	

**EPCOR WATER ARIZONA INC.
 TUBAC 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	\$ 654,639	\$ 474,532	\$ 180,107	\$ -
2. Other Revenues	39,686	30,396	9,290	-
3. Total Operating Revenues	\$ 694,325	\$ 504,928	\$ 189,397	\$ -
4. Less: Operating Expenses	621,705	480,856	140,849	-
5. Return and Income Taxes	\$ 72,620	\$ 24,072	\$ 48,548	\$ -
6. Less: Interest Expense (Allocated by Rate Base)	11,309	8,759	2,549	-
7. Taxable Income	61,311	15,313	45,999	-
8. Less: Income Taxes (Allocated based on Line 7)	16,035	4,006	12,029	-
9. Net Return (Ln 5 - Ln 8)	\$ 56,585	\$ 20,066	\$ 36,519	\$ -
10. Original Cost Measure of Value	\$ 1,057,411	\$ 819,061	\$ 238,350	\$ -
11. Rate of Return, Percent	5.35%	2.45%	15.32%	
12. Relative Rate of Return	1.00	0.46	2.86	

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**EPCOR WATER ARIZONA INC.
 TUBAC 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	\$ 18,332	\$ 13,291	\$ 5,041	\$ -
4						
5	Demand - Maximum Day	B	284,086	211,529	72,556	-
6						
7	Demand - Maximum Hour	C	541,041	420,822	120,219	-
8						
9	Customer Facilities - Meters	D	41,156	30,107	11,050	-
10						
11	Customer Facilities - Services	E	135,417	115,024	20,394	-
12						
13	Customer Accounting	F	7,306	6,291	1,015	-
14						
15	Direct Fire	G	30,073	21,998	8,074	-
16						
17	Total		<u>\$ 1,057,411</u>	<u>\$ 819,061</u>	<u>\$ 238,350</u>	<u>\$ -</u>
18						

**EPCOR WATER ARIZONA INC.
 TUBAC 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	\$ 83,044	\$ 60,208	\$ 22,837	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	91,136	67,859	23,276	-
6						
7	Demand - Maximum Hour	C	309,990	241,110	68,880	-
8						
9	Customer Facilities - Meters	D	31,109	22,756	8,352.74	-
10						
11	Customer Facilities - Services	E	49,025	41,642	7,383.21	-
12						
13	Customer Accounting	F	40,830	35,158	5,671	-
14						
15	Direct Fire	G	16,572	12,122	4,450	-
16						
17	Total		<u>\$ 621,706</u>	<u>\$ 480,856</u>	<u>\$ 140,849</u>	<u>\$ -</u>
18						

**EPCOR WATER ARIZONA INC.
 TUBAC 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	567	10	153	290	22	73	3	16
5	Franchises	9	2,030	34	547	1,040	79	261	12	57
6	Land & Land Rights Supply	1	61,190	61,190	0	0	0	0	0	0
7	Land & Land Rights Pumping	2	50	0	50	0	0	0	0	0
8	Land & Land Rights Treatment	2	50	0	50	0	0	0	0	0
9	Land & Land Rights T&D	3	422	0	0	422	0	0	0	0
10	Land & Land Rights General	9	2,755	47	743	1,411	107	354	16	78
11	Structures & Improvements Supply	2	15,163	0	15,163	0	0	0	0	0
12	Structures & Improvements Pumping	3	12,563	0	0	12,563	0	0	0	0
13	Structures & Improvements Treatment	2	258	0	258	0	0	0	0	0
14	Structures & Improvements Trans & Dist	3	35	0	0	35	0	0	0	0
15	Structures & Improvements General	7	1,286	68	252	608	60	102	151	46
16	Structures & Improvements Offices	7	38,782	2,055	7,597	18,344	1,796	3,064	4,549	1,377
17	Structures & Improvements Leasehold	7	128	7	25	61	6	10	15	5
18	Structures & Improvements Store,Shop,Gge	7	40,549	2,149	7,944	19,180	1,877	3,203	4,756	1,439
19	Structures & Improvements Miscellaneous	7	15	1	3	7	1	1	2	1
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	81,447	0	81,447	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	99,119	0	0	99,119	0	0	0	0

**EPCOR WATER ARIZONA INC.
 TUBAC 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	45,430	2,408	8,900	21,488	2,103	3,589	5,329	1,613
4	Transportation Equip Heavy Duty Trucks	7	512	27	100	242	24	40	60	18
5	Transportation Equip Other	7	530	28	104	250	25	42	62	19
6	Stores Equipment	7	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
7	Tools, Shop, Garage Equipment	7	28,219	1,496	5,528	13,348	1,307	2,229	3,310	1,002
8	Laboratory Equipment	2	44	0	44	0	0	0	0	0
9	Power Operated Equipment	7	0	0	0	0	0	0	0	0
10	Communication Equipment Non-Telephone	7	461	24	90	218	21	36	54	16
11	Remote Control & Instrument	7	303	16	59	143	14	24	36	11
12	Communication Equipment Telephone	7	110	6	22	52	5	9	13	4
13	Communication Equipment Other	7	504	27	99	239	23	40	59	18
14	Miscellaneous Equipment	7	1,993	106	390	943	92	157	234	71
15	Other Tangible Plant	7		0	0	0	0	0	0	0
16	Total Plant in Service		\$ 4,285,216	\$ 72,483	\$ 1,155,440	\$ 2,194,756	\$ 165,988	\$ 550,413	\$ 24,797	\$ 121,340
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9		0	0	0	0	0	0	0
20	Customer Advances	9	(685,389)	(11,583)	(184,849)	(351,056)	(26,525)	(88,004)	(3,975)	(19,397)
21	Contributions in Aid of Construction	9	(2,373,332)	(40,109)	(640,088)	(1,215,621)	(91,848)	(304,736)	(13,765)	(67,165)
22	Construction Work in Progress	2		0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	11,041	585	2,163	5,222	511	872	1,295	392
24	Utility Plant Acq. Adjustment	9	0	0	0	0	0	0	0	0
25	Customer Meter Deposits	4	0	0	0	0	0	0	0	0
26	Deferred Income Taxes	9	(67,361)	(1,138)	(18,167)	(34,502)	(2,607)	(8,649)	(391)	(1,906)
27	Deferred Debits	9	6,323	107	1,705	3,239	245	812	37	179
28	Regulatory Liabilities	9	(119,088)	(2,013)	(32,118)	(60,997)	(4,609)	(15,291)	(691)	(3,370)
29										
30	Total Other Rate Base Elements		(3,227,805)	(54,151)	(871,354)	(1,653,715)	(124,832)	(414,996)	(17,490)	(91,267)
31										
32	Total Original Cost Measure of Value		\$ 1,057,411	\$ 18,332	\$ 284,086	\$ 541,041	\$ 41,156	\$ 135,417	\$ 7,306	\$ 30,073

**EPCOR WATER ARIZONA INC.
 TUBAC 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	8,138	\$ 8,138	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Labor - Treatment	2	12,758	-	12,758	-	-	-	-	-
8	Labor - Pumping	3	9,187	-	-	9,187	-	-	-	-
9	Labor - T&D Mains	6	55,554	-	1,628	53,927	-	-	-	-
10	Labor - T&D Storage	3	9,525	-	-	9,525	-	-	-	-
11	Labor - T&D Meters	4	7,112	-	-	-	7,112	-	-	-
12	Labor - T&D Services	4a	12,126	-	-	-	-	12,126	-	-
13	Labor - T&D Hydrants	12	5,443	-	-	-	-	-	-	5,443
14	Labor - Customer	5	2,234	-	-	-	-	-	2,234	-
15	Labor - Meter Reading	5	-	-	-	-	-	-	-	-
16	Labor - Administrative	7	-	-	-	-	-	-	-	-
17	Purchased Water	1	727	727	-	-	-	-	-	-
18	Fuel and Power	1	32,951	32,951	-	-	-	-	-	-
19	Chemicals	1	27,815	27,815	-	-	-	-	-	-
20	Waste Disposal	1	1,519	1,519	-	-	-	-	-	-
21	Corporate allocation	7	25,962	1,376	5,086	12,280	1,202	2,051	3,045	922
22	Outside Services	7	26,715	1,416	5,234	12,636	1,237	2,111	3,134	948
23	Group Insurance and Other Benefits	8	60,816	4,056	7,164	36,185	3,546	6,039	1,113	2,712
24	Pensions	8	-	-	-	-	-	-	-	-
25	Regulatory Expense	7	-	-	-	-	-	-	-	-
26	Insurance Other Than Group	7	9,655	512	1,891	4,567	447	763	1,133	343
27	Customer Accounting	5	23,646	-	-	-	-	-	23,646	-
28	Rents	7	8,677	460	1,700	4,104	402	686	1,018	308
29	General Office Expense	7	23,960	1,270	4,694	11,333	1,109	1,893	2,811	851
30	Miscellaneous	7	2,201	117	431	1,041	102	174	258	78
31	Maintenance Expense - Treatment	2	23,503	-	23,503	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		390,226	80,357	64,089	154,786	15,156	25,841	38,391	11,605

**EPCOR WATER ARIZONA INC.
 TUBAC 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	-	-	-	-	-	-	-	-
4	Services	4a	16,454	-	-	-	-	16,454	-	-
5	Meters	4	12,766	-	-	-	12,766	-	-	-
6	Meter Installations	4	478	-	-	-	478	-	-	-
7	Meter Vaults	4	-	-	-	-	-	-	-	-
8	Hydrants	12	1,846	-	-	-	-	-	-	1,846
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	2	-	-	-	-	-	-	-	-
11	Other P/E-CPS/Intangible	9	-	-	-	-	-	-	-	-
12	Office Furniture & Equipment	7	78	4	15	37	4	6	9	3
13	Computer & Periphral Equipment	7	2,077	110	407	982	96	164	244	74
14	Computer Software	7	2,688	142	527	1,271	124	212	315	95
15	Other Office Equipment	7	2,265	120	444	1,071	105	179	266	80
16	Transportation Equip Light Duty Trucks	7	-	-	-	-	-	-	-	-
17	Transportation Equip Heavy Duty Trucks	7	7,474	396	1,464	3,535	346	590	877	265
18	Transportation Equipment Other	7	77	4	15	37	4	6	9	3
19	Stores Equipment	7	82	4	16	39	4	6	10	3
20	Tools,Shop,Garage Equipment	7	-	-	-	-	-	-	-	-
21	Laboratory Equipment	2	1,200	-	1,200	-	-	-	-	-
22	Power Operated Equipment	7	6	0	1	3	0	0	1	0
23	Communication Equipment Non-Telephone	7	-	-	-	-	-	-	-	-
24	Remote Control & Instrument	7	262	14	51	124	12	21	31	9
25	Communication Equipment Telephone	7	24	1	5	12	1	2	3	1
26	Communication Equipment Other	7	22	1	4	11	1	2	3	1
27	Miscellaneous Equipment	7	102	5	20	48	5	8	12	4
28	Other Tangible Plant	7	210	11	41	99	10	17	25	7
	Total Depreciation Expense		186,171	1,426	16,679	131,751	14,038	17,809	2,012	2,455

EPCOR WATER ARIZONA INC.
 TUBAC 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
2										
3	Factor 2 - Maximum Day		1.0000							1.0000
4										
3	Factor 3 - Maximum Hour				1.0000					1.0000
4										
5	Factor 4 - Customer Facilities - Meters					1.0000				1.0000
4										
5	Factor 4A - Customer Facilities - Services						1.0000			1.0000
6										
5	Factor 5 - Customer Accounting							1.0000		1.0000
6										
7	Factor 6 - Max Day and Max Hour based on Mains			0.0293	0.9707					1.0000
6										
7	Factor 7 - Administrative and General									
8	Cost	17,345	64,089	0	154,786	15,156	25,841	38,391	11,605	315,609
7	Factor	0.0530	0.1959	0.0000	0.4730	0.0463	0.0790	0.1173	0.0355	1.0000
8										
9	Factor 8 - Labor Related Expenses									
8	Cost	8,138	14,385	0	72,639	7,112	12,126	2,234	5,443	122,077
9	Factor	0.0667	0.1178	0	0.595	0.0583	0.0993	0.0183	0.0446	1.0000
10										
9	Factor 9 - Rate Base Less Costs Allocated									
10	Cost	72,377	1,153,752	0	2,191,551	165,746	549,610	24,760	121,163	4,278,960
11	Factor	0.0169	0.2697	0	0.5122	0.0387	0.1284	0.0058	0.0283	1.0000
10										
11	Factor 10 - Rate Base									
12	Cost	18,332	284,086	0	541,041	41,156	135,417	7,306	30,073	1,057,411
11	Factor	0.0173	0.2687	0	0.5117	0.0389	0.1281	0.0069	0.0284	1.0000
12										
13	Factor 11 - Cost of Service									
12	Cost	84,323	110,988	0	347,797	33,983	58,490	41,339	17,576	694,495
13	Factor	0.1214	0.1599	0	0.5008	0.0489	0.0842	0.0595	0.0253	1.0000
14										
	Factor 12 - Direct Fire								1.0000	1.0000

EPCOR WATER ARIZONA INC.
 TUBAC 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	139	0.7250
Commercial/Public	53	0.2750
Fire Protection	0	0.0000
Total	191	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	139	2.00	277	0.7446
Commercial/Public	53	1.80	95	0.2554
Total	191		372	1.0000

EPCOR WATER ARIZONA INC.
 TUBAC 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	5.8	4.00	23.1	0.7778
Commercial/Pubic	2.2	3.00	6.6	0.2222
	<u>8.0</u>		<u>29.7</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
 TUBAC 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	594	0.7315
Commercial/Public	218	0.2685
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>812</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	536	0.8494
Commercial/Public	95	0.1506
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>631</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	533	0.8611
Commercial/Public	86	0.1389
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>619</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
 TUBAC 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	-	0	
6 -inch	36.00	0	0	
8 -inch	64.00	0	0	
10 -inch	100.00	0	0	
12 -inch	144.00	0	0	
Private Hydrants	28.50	0	0	
Total Private Fire Protection		<u>0</u>	<u>0</u>	0.0000

PUBLIC FIRE PROTECTION

<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	<u>90</u>	
Total Public Fire Protection			0	90
Total Fire Protection			0	90

REALLOCATE PUBLIC FIRE

	<u>Meter Equivalents</u>	<u>Allocation of Public Fire</u>	<u>Allocation of Public Fire Using Factor</u>
Residential	594	0.7315	0.7315
Commercial/Public	218	0.2685	0.2685
	<u>812</u>	<u>1.0000</u>	<u>1.0000</u>

**EPCOR WATER ARIZONA INC.
 TUBAC 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	507	507	53	53	560	560
1	2.50	22	55	17	43	39	98
1-1/2	5.00	0	0	2	10	2	10
2	8.00	4	32	14	112	18	144
3	15.00	0	0	0	0	0	0
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>533</u>	<u>594</u>	<u>86</u>	<u>218</u>	<u>619</u>	<u>812</u>

EPCOR WATER ARIZONA INC.
 TUBAC 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	507	507	53	53		0	560	560
1	1.06	22	23	17	18		0	39	41
1-1/2	1.28	0	0	2	3		0	2	3
2	1.50	4	6	14	21		0	18	27
3	2.37	0	0	0	0		0	0	0
4	2.50	0	0	0	0		0	0	0
6	2.79	0	0	0	0		0	0	0
8	3.11	0	0	0	0		0	0	0
10	4.12	0	0	0	0		0	0	0
12	4.65	0	0	0	0		0	0	0
Total		<u>533</u>	<u>536</u>	<u>86</u>	<u>95</u>	<u>0</u>	<u>0</u>	<u>619</u>	<u>631</u>

**EPCOR WATER ARIZONA INC.
 TUBAC 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	\$ 506,583	77.4%	\$ 565,215	70.8%	\$ 474,532	72.4%	\$ (90,683)	-16.0%
Commercial	148,226	22.6%	\$ 233,293	29.2%	180,107	27.6%	(53,186)	-22.8%
Private Fire	-	0.0%	0	0.0%	-	0.0%	-	
Total Sales	654,809	100.0%	798,508	<u>100.0%</u>	654,639	<u>100.0%</u>	(143,869)	-18.0%
Other Revenues	39,685		37,810		39,685		1,876	5.0%
Total	<u>\$ 694,494</u>		<u>\$ 836,318</u>		<u>\$ 694,324</u>		<u>\$ (141,993)</u>	-17.0%

**EPCOR WATER ARIZONA INC.
 TUBAC 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	\$ 79,505	\$ 57,641	\$ 21,864	\$ -
4						
5	Demand - Maximum Day	B	104,642	77,916	26,726	-
6						
7	Demand - Maximum Hour	C	327,922	255,058	72,864	-
8						
9	Customer Facilities - Meters	D	32,042	23,440	8,603	-
10						
11	Customer Facilities - Services	E	55,148	46,843	8,305	-
12						
13	Customer Accounting	F	38,978	33,563	5,414	-
14						
15	Direct Fire	G	16,572	12,122	4,450	-
16						
17	Total		<u>\$ 654,809</u>	<u>\$ 506,583</u>	<u>\$ 148,226</u>	<u>\$ -</u>
18						