

**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 | 39,659 | 30,406 | 9,253 | - |
| 3. Total Operating Revenues | \$ 838,167 | \$ 595,621 | \$ 242,546 | \$ - |
| 4. Less: Operating Expenses | 607,142 | 470,172 | 136,970 | - |
| 5. Return and Income Taxes | \$ 231,025 | \$ 125,448 | \$ 105,576 | \$ - |
| 6. Less: Interest Expense (Allocated by Rate Base) | 11,309 | 8,760 | 2,549 | - |
| 7. Taxable Income | 219,716 | 116,688 | 103,027 | - |
| 8. Less: Income Taxes (Allocated based on Line 7) | 16,047 | 8,523 | 7,524 | - |
| 9. Net Return (Ln 5 - Ln 8) | \$ 214,978 | \$ 116,925 | \$ 98,052 | \$ - |
| 10. Original Cost Measure of Value | \$ 1,057,843 | \$ 819,402 | \$ 238,441 | \$ - |
| 11. Rate of Return, Percent | 20.32% | 14.27% | 41.12% | |
| 12. Relative Rate of Return | 1.00 | 0.70 | 2.02 | |

**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 | \$ 640,295 | \$ 464,135 | \$ 176,160 | \$ - |
| 2. Other Revenues | 39,659 | 30,406 | 9,253 | - |
| 3. Total Operating Revenues | \$ 679,953 | \$ 494,540 | \$ 185,413 | \$ - |
| 4. Less: Operating Expenses | 607,142 | 470,172 | 136,970 | - |
| 5. Return and Income Taxes | \$ 72,811 | \$ 24,368 | \$ 48,443 | \$ - |
| 6. Less: Interest Expense (Allocated by Rate Base) | 11,309 | 8,759 | 2,549 | - |
| 7. Taxable Income | 61,502 | 15,609 | 45,894 | - |
| 8. Less: Income Taxes (Allocated based on Line 7) | 16,047 | 4,073 | 11,974 | - |
| 9. Net Return (Ln 5 - Ln 8) | \$ 56,764 | \$ 20,295 | \$ 36,469 | \$ - |
| 10. Original Cost Measure of Value | \$ 1,057,843 | \$ 819,402 | \$ 238,441 | \$ - |
| 11. Rate of Return, Percent | 5.37% | 2.48% | 15.29% | |
| 12. Relative Rate of Return | 1.00 | 0.46 | 2.85 | |

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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 | \$ 18,377 | \$ 13,323 | \$ 5,054 | \$ - |
| 4 | | | | | | |
| 5 | Demand - Maximum Day | B | 283,903 | 211,393 | 72,509 | - |
| 6 | | | | | | |
| 7 | Demand - Maximum Hour | C | 541,490 | 421,171 | 120,319 | - |
| 8 | | | | | | |
| 9 | Customer Facilities - Meters | D | 41,198 | 30,138 | 11,062 | - |
| 10 | | | | | | |
| 11 | Customer Facilities - Services | E | 135,474 | 115,071 | 20,402 | - |
| 12 | | | | | | |
| 13 | Customer Accounting | F | 7,313 | 6,296 | 1,016 | - |
| 14 | | | | | | |
| 15 | Direct Fire | G | 30,088 | 22,009 | 8,079 | - |
| 16 | | | | | | |
| 17 | Total | | <u>\$ 1,057,843</u> | <u>\$ 819,402</u> | <u>\$ 238,441</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 | (1) | (2) | (3) | (4) | (5) | (6) |
| 2 | | | | | | |
| 3 | Commodity | A | \$ 70,854 | \$ 51,370 | \$ 19,485 | \$ - |
| 4 | | | | | | |
| 5 | Demand - Maximum Day - Treatment and Pumping | B | 90,196 | 67,159 | 23,036 | - |
| 6 | | | | | | |
| 7 | Demand - Maximum Hour | C | 309,201 | 240,497 | 68,704 | - |
| 8 | | | | | | |
| 9 | Customer Facilities - Meters | D | 31,033 | 22,700 | 8,332.30 | - |
| 10 | | | | | | |
| 11 | Customer Facilities - Services | E | 48,872 | 41,512 | 7,360.11 | - |
| 12 | | | | | | |
| 13 | Customer Accounting | F | 40,500 | 34,874 | 5,625 | - |
| 14 | | | | | | |
| 15 | Direct Fire | G | 16,487 | 12,061 | 4,427 | - |
| 16 | | | | | | |
| 17 | Total | | <u>\$ 607,143</u> | <u>\$ 470,172</u> | <u>\$ 136,970</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 | <u>RATE BASE</u> | | | | | | | | | |
| 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 | 250 | 610 | 60 | 102 | 151 | 46 |
| 16 | Structures & Improvements Offices | 7 | 38,782 | 2,059 | 7,551 | 18,386 | 1,799 | 3,068 | 4,541 | 1,377 |
| 17 | Structures & Improvements Leasehold | 7 | 128 | 7 | 25 | 61 | 6 | 10 | 15 | 5 |
| 18 | Structures & Improvements Store,Shop,Gge | 7 | 40,549 | 2,153 | 7,895 | 19,224 | 1,881 | 3,207 | 4,748 | 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 | 2,412 | 8,845 | 21,538 | 2,108 | 3,594 | 5,320 | 1,613 |
| 4 | Transportation Equip Heavy Duty Trucks | 7 | 512 | 27 | 100 | 243 | 24 | 40 | 60 | 18 |
| 5 | Transportation Equip Other | 7 | 530 | 28 | 103 | 251 | 25 | 42 | 62 | 19 |
| 6 | Stores Equipment | 7 | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) |
| 7 | Tools, Shop, Garage Equipment | 7 | 28,219 | 1,498 | 5,494 | 13,379 | 1,309 | 2,232 | 3,304 | 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 | 219 | 21 | 36 | 54 | 16 |
| 11 | Remote Control & Instrument | 7 | 303 | 16 | 59 | 144 | 14 | 24 | 35 | 11 |
| 12 | Communication Equipment Telephone | 7 | 110 | 6 | 21 | 52 | 5 | 9 | 13 | 4 |
| 13 | Communication Equipment Other | 7 | 504 | 27 | 98 | 239 | 23 | 40 | 59 | 18 |
| 14 | Miscellaneous Equipment | 7 | 1,993 | 106 | 388 | 945 | 92 | 158 | 233 | 71 |
| 15 | Other Tangible Plant | 7 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 | Total Plant in Service | | \$ 4,285,216 | \$ 72,504 | \$ 1,155,186 | \$ 2,194,988 | \$ 166,009 | \$ 550,434 | \$ 24,754 | \$ 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 | 11,473 | 609 | 2,234 | 5,439 | 532 | 908 | 1,343 | 407 |
| 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 | | <u>(3,227,373)</u> | <u>(54,127)</u> | <u>(871,283)</u> | <u>(1,653,498)</u> | <u>(124,811)</u> | <u>(414,960)</u> | <u>(17,442)</u> | <u>(91,252)</u> |
| 31 | | | | | | | | | | |
| 32 | Total Original Cost Measure of Value | | <u>\$ 1,057,843</u> | <u>\$ 18,377</u> | <u>\$ 283,903</u> | <u>\$ 541,490</u> | <u>\$ 41,198</u> | <u>\$ 135,474</u> | <u>\$ 7,313</u> | <u>\$ 30,088</u> |

**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 | 867 | 867 | - | - | - | - | - | - |
| 18 | Fuel and Power | 1 | 21,793 | 21,793 | - | - | - | - | - | - |
| 19 | Chemicals | 1 | 26,742 | 26,742 | - | - | - | - | - | - |
| 20 | Waste Disposal | 1 | 1,498 | 1,498 | - | - | - | - | - | - |
| 21 | Corporate allocation | 7 | 25,565 | 1,357 | 4,977 | 12,120 | 1,186 | 2,022 | 2,994 | 908 |
| 22 | Outside Services | 7 | 26,333 | 1,398 | 5,127 | 12,484 | 1,222 | 2,083 | 3,084 | 935 |
| 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 | 9,617 | 511 | 1,873 | 4,560 | 446 | 761 | 1,126 | 341 |
| 27 | Customer Accounting | 5 | 23,537 | - | - | - | - | - | 23,537 | - |
| 28 | Rents | 7 | 8,677 | 461 | 1,689 | 4,114 | 403 | 686 | 1,016 | 308 |
| 29 | General Office Expense | 7 | 23,130 | 1,228 | 4,503 | 10,966 | 1,073 | 1,830 | 2,709 | 821 |
| 30 | Miscellaneous | 7 | 2,174 | 115 | 423 | 1,031 | 101 | 172 | 255 | 77 |
| 31 | Maintenance Expense - Treatment | 2 | 23,107 | - | 23,107 | - | - | - | - | - |
| 32 | Maintenance Expense | 6 | - | - | - | - | - | - | - | - |
| 33 | Maintenance Expense - Administrative | 7 | - | - | - | - | - | - | - | - |
| 36 | TOTAL OPERATION AND MAINTENANCE EXPENSES | | 375,933 | 68,165 | 63,250 | 154,099 | 15,088 | 25,718 | 38,066 | 11,545 |

**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 & Peripheral Equipment | 7 | 2,077 | 110 | 404 | 985 | 96 | 164 | 243 | 74 |
| 14 | Computer Software | 7 | 2,688 | 143 | 523 | 1,274 | 125 | 213 | 315 | 95 |
| 15 | Other Office Equipment | 7 | 2,265 | 120 | 441 | 1,074 | 105 | 179 | 265 | 80 |
| 16 | Transportation Equip Light Duty Trucks | 7 | - | - | - | - | - | - | - | - |
| 17 | Transportation Equip Heavy Duty Trucks | 7 | 7,474 | 397 | 1,455 | 3,543 | 347 | 591 | 875 | 265 |
| 18 | Transportation Equipment Other | 7 | 77 | 4 | 15 | 37 | 4 | 6 | 9 | 3 |
| 19 | Stores Equipment | 7 | 82 | 4 | 16 | 39 | 4 | 7 | 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 | 100 | 10 | 17 | 25 | 7 |
| | Total Depreciation Expense | | 186,171 | 1,428 | 16,658 | 131,770 | 14,039 | 17,811 | 2,009 | 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 | 17,266 | 63,250 | 0 | 154,099 | 15,088 | 25,718 | 38,066 | 11,545 | 313,488 |
| 7 | Factor | 0.0531 | 0.1947 | 0.0000 | 0.4741 | 0.0464 | 0.0791 | 0.1171 | 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 | 72,399 | 1,153,499 | 0 | 2,191,783 | 165,767 | 549,631 | 24,718 | 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 | 18,377 | 283,903 | 0 | 541,490 | 41,198 | 135,474 | 7,313 | 30,088 | 1,057,843 |
| 11 | Factor | 0.0174 | 0.2684 | 0 | 0.5119 | 0.0389 | 0.1281 | 0.0069 | 0.0284 | 1.0000 |
| 12 | | | | | | | | | | |
| 13 | Factor 11 - Cost of Service | | | | | | | | | |
| 12 | Cost | 72,140 | 110,041 | 0 | 347,048 | 33,909 | 58,343 | 41,010 | 17,511 | 680,001 |
| 13 | Factor | 0.1061 | 0.1617 | 0 | 0.5104 | 0.0499 | 0.0858 | 0.0603 | 0.0258 | 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 | 5/8" Equivalent | Residential | | Commercial | | Total | |
|---------------|--------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|------------------|
| | | Number of Services | Weighting (4)=(2)X(3) | Number of Services | Weighting (6)=(2)X(5) | Number of Services | Weighting (8) |
| (1) | (2) | (3) | (4)=(2)X(3) | (5) | (6)=(2)X(5) | (7) | (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 | | 533 | 536 | 86 | 95 | 0 | 0 | 619 | 631 |

**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 | \$ 495,940 | 77.4% | \$ 565,215 | 70.8% | \$ 464,135 | 72.4% | \$ (101,080) | -17.9% |
| Commercial | 144,402 | 22.6% | \$ 233,293 | 29.2% | 176,160 | 27.6% | (57,133) | -24.5% |
| Private Fire | - | 0.0% | 0 | 0.0% | - | 0.0% | - | |
| Total Sales | 640,343 | 100.0% | 798,508 | <u>100.0%</u> | 640,295 | <u>100.0%</u> | (158,213) | -19.8% |
| Other Revenues | 39,658 | | 37,810 | | 39,658 | | 1,849 | 4.9% |
| Total | <u>\$ 680,001</u> | | <u>\$ 836,318</u> | | <u>\$ 679,953</u> | | <u>\$ (156,365)</u> | -18.7% |

**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 | \$ 67,932 | \$ 49,251 | \$ 18,681 | \$ - |
| 4 | | | | | | |
| 5 | Demand - Maximum Day | B | 103,628 | 77,161 | 26,467 | - |
| 6 | | | | | | |
| 7 | Demand - Maximum Hour | C | 326,807 | 254,190 | 72,617 | - |
| 8 | | | | | | |
| 9 | Customer Facilities - Meters | D | 31,930 | 23,358 | 8,573 | - |
| 10 | | | | | | |
| 11 | Customer Facilities - Services | E | 54,940 | 46,666 | 8,274 | - |
| 12 | | | | | | |
| 13 | Customer Accounting | F | 38,618 | 33,253 | 5,364 | - |
| 14 | | | | | | |
| 15 | Direct Fire | G | 16,487 | 12,061 | 4,427 | - |
| 16 | | | | | | |
| 17 | Total | | <u>\$ 640,343</u> | <u>\$ 495,940</u> | <u>\$ 144,402</u> | <u>\$ -</u> |
| 18 | | | | | | |