

**EPCOR WATER ARIZONA INC.
 ANTHEM 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	\$ 9,944,997	\$ 8,005,254	\$ 1,922,612	\$ 17,130
2. Other Revenues	785,203	666,320	117,773	1,110
3. Total Operating Revenues	\$ 10,730,200	\$ 8,671,574	\$ 2,040,385	\$ 18,240
4. Less: Operating Expenses	8,760,140	7,519,499	1,217,981	22,660
5. Return and Income Taxes	\$ 1,970,060	\$ 1,152,075	\$ 822,405	\$ (4,420)
6. Less: Interest Expense (Allocated by Rate Base)	1,199,729	1,021,929	175,160	2,639
7. Taxable Income	770,331	130,146	647,244	(7,060)
8. Less: Income Taxes (Allocated based on Line 7)	201,706	34,068	169,474	(1,856)
9. Net Return (Ln 5 - Ln 8)	\$ 1,768,354	\$ 1,118,007	\$ 652,931	\$ (2,564)
10. Original Cost Measure of Value	\$ 53,858,919	\$ 45,875,051	\$ 7,865,823	\$ 118,045
11. Rate of Return, Percent	3.28%	2.44%	8.30%	-2.17%
12. Relative Rate of Return	1.00	0.74	2.53	-0.66

**EPCOR WATER ARIZONA INC.
 ANTHEM 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	\$ 12,941,299	\$ 11,015,081	\$ 1,903,949	\$ 22,269
2. Other Revenues	750,453	636,574	112,788	1,090
3. Total Operating Revenues	\$ 13,691,752	\$ 11,651,655	\$ 2,016,738	\$ 23,359
4. Less: Operating Expenses	8,895,092	7,634,585	1,232,702	27,804
5. Return and Income Taxes	\$ 4,796,660	\$ 4,017,070	\$ 784,035	\$ (4,446)
6. Less: Interest Expense (Allocated by Rate Base)	1,199,729	1,021,928	175,160	2,639
7. Taxable Income	3,596,931	2,995,142	608,875	(7,085)
8. Less: Income Taxes (Allocated based on Line 7)	924,095	769,494	156,449	(1,848)
9. Net Return (Ln 5 - Ln 8)	\$ 3,872,565	\$ 3,247,576	\$ 627,586	\$ (2,598)
10. Original Cost Measure of Value	\$ 53,858,918	\$ 45,875,247	\$ 7,865,617	\$ 118,054
11. Rate of Return, Percent	7.19%	7.08%	7.98%	-2.20%
12. Relative Rate of Return	1.00	0.98	1.11	-0.31

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**EPCOR WATER ARIZONA INC.
 ANTHEM 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	\$ 5,249,678	\$ 4,304,211	\$ 945,467	\$ -
4						
5	Demand - Maximum Day	B	15,246,147	12,730,532	2,515,614	-
6						
7	Demand - Maximum Hour	C	28,499,557	24,466,870	4,032,687	-
8						
9	Customer Facilities - Meters	D	1,780,535	1,601,770	178,766	-
10						
11	Customer Facilities - Services	E	1,406,959	1,332,390	50,651	23,918
12						
13	Customer Accounting	F	230,074	222,112	6,511	1,449
14						
15	Direct Fire	G	1,445,970	1,217,362	135,921	92,687
16						
17	Total		<u>\$ 53,858,920</u>	<u>\$ 45,875,247</u>	<u>\$ 7,865,617</u>	<u>\$ 118,054</u>
18						

**EPCOR WATER ARIZONA INC.
 ANTHEM 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	\$ 2,122,805	\$ 1,740,489	\$ 382,317	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	1,530,617	1,278,065	252,552	-
6						
7	Demand - Maximum Hour	C	3,595,812	3,087,005	508,807	-
8						
9	Customer Facilities - Meters	D	302,875	272,466	30,408.62	-
10						
11	Customer Facilities - Services	E	308,478	292,129	11,105.22	5,244
12						
13	Customer Accounting	F	756,949	730,758	21,422	4,769
14						
15	Direct Fire	G	277,555	233,674	26,090	17,791
16						
17	Total		<u>\$ 8,895,091</u>	<u>\$ 7,634,585</u>	<u>\$ 1,232,702</u>	<u>\$ 27,804</u>
18						

**EPCOR WATER ARIZONA INC.
 ANTHEM 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	0	0	0	0	0	0	0	0
5	Franchises	9	4,719,240	459,654	1,336,017	2,496,950	156,679	123,172	20,293	126,476
6	Land & Land Rights Supply	1	6,014,990	6,014,990	0	0	0	0	0	0
7	Land & Land Rights Pumping	2	20,000	0	20,000	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	3,877,285	0	3,877,285	0	0	0	0	0
12	Structures & Improvements Pumping	3	2,345,264	0	0	2,345,264	0	0	0	0
13	Structures & Improvements Treatment	2	1,208,191	0	1,208,191	0	0	0	0	0
14	Structures & Improvements Trans & Dist	3	217,227	0	0	217,227	0	0	0	0
15	Structures & Improvements General	7	18,907	1,131	5,421	5,602	718	1,225	4,260	550
16	Structures & Improvements Offices	7	204,205	12,211	58,545	60,506	7,760	13,232	46,007	5,942
17	Structures & Improvements Leasehold	7	1,883	113	540	558	72	122	424	55
18	Structures & Improvements Store,Shop,Gge	7	0	0	0	0	0	0	0	0
19	Structures & Improvements Miscellaneous	7	228	14	65	67	9	15	51	7
20	Collect & Impounding	2	197,065	0	197,065	0	0	0	0	0
21	Lake, River & Other Intakes	2	235,183	0	235,183	0	0	0	0	0
22	Wells & Springs	2	54,126	0	54,126	0	0	0	0	0
23	Infiltration Galleries	2	158,078	0	158,078	0	0	0	0	0
24	Supply Mains	2	0	0	0	0	0	0	0	0
25	Power Production Equipment	3	38,829	0	0	38,829	0	0	0	0

**EPCOR WATER ARIZONA INC.
 ANTHEM 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	5,089	0	0	5,089	0	0	0	0
5	Pumping Equipment Electric	3	4,063,123	0	0	4,063,123	0	0	0	0
6	Pumping Equipment Hydraulic	3	292,570	0	0	292,570	0	0	0	0
7	Pumping Equipment Other	3	40,817	0	0	40,817	0	0	0	0
8	Pumping Equipment Water Treatment	2	211,658	0	211,658	0	0	0	0	0
9	Water Treatment Equipment Non-Media	2	5,269,170	0	5,269,170	0	0	0	0	0
10	Water Treatment Equipment Filter Media	2	2,058,981	0	2,058,981	0	0	0	0	0
11	Distribution Reservoirs & Standpipes	3	4,012,661	0	0	4,012,661	0	0	0	0
12	TD Mains Not Classified by Size	3	2,999,923	0	0	2,999,923	0	0	0	0
13	TD Mains 4in & Less	3	11,645,558	0	0	11,645,558	0	0	0	0
14	TD Mains 6in to 8in	3	6,896,147	0	0	6,896,147	0	0	0	0
15	TD Mains 10in to 16in	2	3,955,864	0	3,955,864	0	0	0	0	0
16	TD Mains 18in & Grtr	2	10,033	0	10,033	0	0	0	0	0
17	Fire Mains	12	(2)	0	0	0	0	0	0	(2)
18	Services	4a	1,554,237	0	0	0	0	1,554,237	0	0
19	Meters	4	1,722,941	0	0	0	1,722,941	0	0	0
20	Meter Installations	4	292,718	0	0	0	292,718	0	0	0
21	Meter Vaults	4	11,367	0	0	0	11,367	0	0	0
22	Hydrants	12	1,641,565	0	0	0	0	0	0	1,641,565
23	Other P/E- Supply	2	(4,451)	0	(4,451)	0	0	0	0	0
24	Other P/E-TD	3	133,535	0	0	133,535	0	0	0	0
25	Other P/E-CPS	9	13,267	1,292	3,756	7,019	440	346	57	356
26	Furniture and Equipment	7	106,776	6,385	30,613	31,638	4,057	6,919	24,057	3,107
27	Computer & Periphal Equipment	7	139,112	8,319	39,883	41,219	5,286	9,014	31,342	4,048
28	Computer Software	7	282,912	16,918	81,111	83,827	10,751	18,333	63,740	8,233
29	Other Office Equipment	7	(13,931)	(833)	(3,994)	(4,128)	(529)	(903)	(3,139)	(405)

**EPCOR WATER ARIZONA INC.
 ANTHEM 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	322,475	19,284	92,454	95,549	12,254	20,896	72,654	9,384
4	Transportation Equip Heavy Duty Trucks	7	(44,915)	(2,686)	(12,877)	(13,308)	(1,707)	(2,911)	(10,119)	(1,307)
5	Transportation Equip Other	7	(23,944)	(1,432)	(6,865)	(7,095)	(910)	(1,552)	(5,395)	(697)
6	Stores Equipment	7	(460)	(27)	(132)	(136)	(17)	(30)	(104)	(13)
7	Tools, Shop, Garage Equipment	7	105,054	6,282	30,119	31,127	3,992	6,807	23,669	3,057
8	Laboratory Equipment	2	85,621	0	85,621	0	0	0	0	0
9	Power Operated Equipment	7	10,124	605	2,902	3,000	385	656	2,281	295
10	Communication Equipment Non-Telephone	7	(148,484)	(8,879)	(42,570)	(43,996)	(5,642)	(9,622)	(33,453)	(4,321)
11	Remote Control & Instrument	7	5,443	326	1,561	1,613	207	353	1,226	158
12	Communication Equipment Telephone	7	(6,546)	(391)	(1,877)	(1,940)	(249)	(424)	(1,475)	(190)
13	Communication Equipment Other	7	88,599	5,298	25,401	26,252	3,367	5,741	19,961	2,578
14	Miscellaneous Equipment	7	145,065	8,675	41,590	42,983	5,512	9,400	32,683	4,221
15	Other Tangible Plant	7	0	0	0	0	0	0	0	0
16	Total Plant in Service		\$ 67,190,370	\$ 6,547,247	\$ 19,018,467	\$ 35,548,050	\$ 2,229,459	\$ 1,755,029	\$ 289,020	\$ 1,803,096
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9	0	0	0	0	0	0	0	0
20	Customer Advances	9	(6,445,735)	(627,815)	(1,824,788)	(3,410,438)	(213,998)	(168,234)	(27,717)	(172,746)
21	Contributions in Aid of Construction	9	(8,547,590)	(832,535)	(2,419,823)	(4,522,530)	(283,780)	(223,092)	(36,755)	(229,075)
22	Construction Work in Progress	2	0	0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	(7,464)	(446)	(2,140)	(2,212)	(284)	(484)	(1,682)	(217)
24	Utility Plant Acq. Adjustment	9	0	0	0	0	0	0	0	0
25	Customer Meter Deposits	4	(6,500)	0	0	0	(6,500)	0	0	0
26	Deferred Income Taxes	9	(990,099)	(96,436)	(280,297)	(523,861)	(32,871)	(25,842)	(4,257)	(26,535)
27	Deferred Debits	9	3,337,198	325,043	944,761	1,765,712	110,795	87,101	14,350	89,437
28	Regulatory Liabilities	9	(671,261)	(65,381)	(190,034)	(355,164)	(22,286)	(17,520)	(2,886)	(17,990)
29										
30	Total Other Rate Base Elements		(13,331,450)	(1,297,570)	(3,772,320)	(7,048,494)	(448,924)	(348,070)	(58,947)	(357,126)
31										
32	Total Original Cost Measure of Value		\$ 53,858,919	\$ 5,249,678	\$ 15,246,147	\$ 28,499,557	\$ 1,780,535	\$ 1,406,959	\$ 230,074	\$ 1,445,970

**EPCOR WATER ARIZONA INC.
 ANTHEM 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	107,392	\$ 107,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Labor - Treatment	2	168,346	-	168,346	-	-	-	-	-
8	Labor - Pumping	3	121,228	-	-	121,228	-	-	-	-
9	Labor - T&D Mains	6	534,393	-	214,986	319,407	-	-	-	-
10	Labor - T&D Storage	3	91,429	-	-	91,429	-	-	-	-
11	Labor - T&D Meters	4	68,264	-	-	-	68,264	-	-	-
12	Labor - T&D Services	4a	116,389	-	-	-	-	116,389	-	-
13	Labor - T&D Hydrants	12	52,243	-	-	-	-	-	-	52,243
14	Labor - Customer	5	92,622	-	-	-	-	-	92,622	-
15	Labor - Meter Reading	5	71,591	-	-	-	-	-	71,591	-
16	Labor - Administrative	7	16,565	991	4,749	4,908	629	1,073	3,732	482
17	Purchased Water	1	882,976	882,976	-	-	-	-	-	-
18	Fuel and Power	1	718,379	718,379	-	-	-	-	-	-
19	Chemicals	1	80,459	80,459	-	-	-	-	-	-
20	Waste Disposal	1	3,763	3,763	-	-	-	-	-	-
21	Corporate allocation	7	298,245	17,835	85,507	88,370	11,333	19,326	67,195	8,679
22	Outside Services	7	185,779	11,110	53,263	55,046	7,060	12,038	41,856	5,406
23	Group Insurance and Other Benefits	8	449,580	33,808	121,162	167,603	21,490	36,641	52,421	16,455
24	Pensions	8	-	-	-	-	-	-	-	-
25	Regulatory Expense	7	-	-	-	-	-	-	-	-
26	Insurance Other Than Group	7	92,409	5,526	26,494	27,381	3,512	5,988	20,820	2,689
27	Customer Accounting	5	315,370	-	-	-	-	-	315,370	-
28	Rents	7	36,682	2,194	10,517	10,869	1,394	2,377	8,264	1,067
29	General Office Expense	7	122,433	7,321	35,101	36,277	4,652	7,934	27,584	3,563
30	Miscellaneous	7	(83,126)	(4,971)	(23,832)	(24,630)	(3,159)	(5,387)	(18,728)	(2,419)
31	Maintenance Expense - Treatment	2	172,670	-	172,670	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		4,716,082	1,866,784	868,962	897,888	115,175	196,380	682,727	88,166

**EPCOR WATER ARIZONA INC.
 ANTHEM 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	67,524	-	-	-	-	67,524	-	-
5	Meters	4	136,319	-	-	-	136,319	-	-	-
6	Meter Installations	4	11,475	-	-	-	11,475	-	-	-
7	Meter Vaults	4	431	-	-	-	431	-	-	-
8	Hydrants	12	38,461	-	-	-	-	-	-	38,461
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	2	-	-	-	-	-	-	-	-
11	Other P/E-CPS	9	7,880	768	2,231	4,169	262	206	34	211
12	Office Furniture & Equipment	7	1,153	69	331	342	44	75	260	34
13	Computer & Periphral Equipment	7	13,464	805	3,860	3,989	512	872	3,033	392
14	Computer Software	7	42,547	2,544	12,198	12,607	1,617	2,757	9,586	1,238
15	Other Office Equipment	7	67,938	4,063	19,478	20,130	2,582	4,402	15,307	1,977
16	Transportation Equip Light Duty Trucks	7	-	-	-	-	-	-	-	-
17	Transportation Equip Heavy Duty Trucks	7	54,233	3,243	15,549	16,069	2,061	3,514	12,219	1,578
18	Transportation Equipment Other	7	12,267	734	3,517	3,635	466	795	2,764	357
19	Stores Equipment	7	4,784	286	1,372	1,418	182	310	1,078	139
20	Tools,Shop,Garage Equipment	7	-	-	-	-	-	-	-	-
21	Laboratory Equipment	2	5,422	-	5,422	-	-	-	-	-
22	Power Operated Equipment	7	12,423	743	3,562	3,681	472	805	2,799	362
23	Communication Equipment Non-Telephone	7	803	48	230	238	31	52	181	23
24	Remote Control & Instrument	7	18,909	1,131	5,421	5,603	719	1,225	4,260	550
25	Communication Equipment Telephone	7	945	57	271	280	36	61	213	28
26	Communication Equipment Other	7	2,349	140	673	696	89	152	529	68
27	Miscellaneous Equipment	7	9,262	554	2,655	2,744	352	600	2,087	270
28	Other Tangible Plant	7	12,220	731	3,504	3,621	464	792	2,753	356
	Total Depreciation Expense		3,222,116	176,522	425,998	2,269,819	158,577	84,937	59,862	46,400

EPCOR WATER ARIZONA INC.
 ANTHEM 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			0.4023	0.5977					1.0000
16										
17	Factor 7 - Administrative and General									
18	Cost	181,206	868,962	0	897,888	115,175	196,380	682,727	88,166	2,942,339
19	Factor	0.0598	0.2867	0.0000	0.2963	0.0380	0.0648	0.2253	0.0291	1.0000
20										
21	Factor 8 - Labor Related Expenses									
22	Cost	108,383	388,081	0	536,972	68,893	117,463	167,945	52,725	1,440,462
23	Factor	0.0752	0.2695	0	0.3728	0.0478	0.0815	0.1166	0.0366	1.0000
24										
25	Factor 9 - Rate Base Less Costs Allocated									
26	Cost	6,086,301	17,678,695	0	33,044,081	2,072,340	1,631,511	268,671	1,676,265	62,457,864
27	Factor	0.0974	0.2831	0	0.5291	0.0332	0.0261	0.0043	0.0268	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	5,249,678	15,246,147	0	28,499,557	1,780,535	1,406,959	230,074	1,445,970	53,858,919
31	Factor	0.0975	0.283	0	0.5292	0.0331	0.0261	0.0043	0.0268	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	2,602,174	2,922,017	0	6,197,680	465,614	436,802	778,090	289,708	13,692,086
35	Factor	0.19	0.2135	0	0.4526	0.034	0.0319	0.0568	0.0212	1.0000
36										
37	Factor 12 - Direct Fire								1.0000	

EPCOR WATER ARIZONA INC.
 ANTHEM 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	2,297	0.8199
Commercial/Public	504	0.1801
Fire Protection	0	0.0000
Total	<u>2,802</u>	<u>1.0000</u>

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

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

Customer Classification (1)	Average Daily Consumption, 1000 Gallons (2)	Peak Day Factor (3)	Rate of Flow, 1000 Gallons Per Day (4)=(2)x(3)	Allocation Factor (5)
Residential	2,297	2.00	4,594	0.8350
Commercial/Public	504	1.80	908	0.1650
Total	<u>2,802</u>		<u>5,502</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
 ANTHEM 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	95.7	4.00	382.9	0.8585
Commercial/Pubic	21.0	3.00	63.1	0.1415
	<u>116.7</u>		<u>446.0</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
 ANTHEM 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	13,051	0.8996
Commercial/Public	1,457	0.1004
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>14,508</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	9,021	0.9470
Commercial/Public	343	0.0360
Fire Protection	162	0.0170
	<hr/>	<hr/>
Total	<u>9,526</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	8,844	0.9654
Commercial/Public	259	0.0283
Fire Protection	58	0.0063
	<hr/>	<hr/>
Total	<u>9,161</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
 ANTHEM 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	9	144	
6 -inch	36.00	43	1,548	
8 -inch	64.00	6	384	
10 -inch	100.00	0	0	
12 -inch	144.00	0	0	
Private Hydrants	28.50		0	
Total Private Fire Protection		<u>58</u>	<u>2,076</u>	0.0641

PUBLIC FIRE PROTECTION

<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	<u>1,064</u>	<u>30,324</u>
Total Public Fire Protection			1,064	30,324
Total Fire Protection			1,122	32,400

REALLOCATE PUBLIC FIRE

	<u>Meter Equivalents</u>	<u>Allocation of Public Fire</u>	<u>Allocation of Public Fire Using Factor</u>
Residential	13,051	0.8996	0.8419
Commercial/Public	1,457	0.1004	0.0940
	<u>14,508</u>	<u>1.0000</u>	<u>0.9359</u>

**EPCOR WATER ARIZONA INC.
 ANTHEM 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	6,168	6,168	28	28	6,196	6,196
1	2.50	2,605	6,513	56	140	2,661	6,653
1-1/2	5.00	66	330	51	255	117	585
2	8.00	5	40	118	944	123	984
3	15.00	0	0	6	90	6	90
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		8,844	13,051	259	1,457	9,103	14,508

**EPCOR WATER ARIZONA INC.
 ANTHEM 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	6,168	6,168	28	28		0	6,196	6,196
1	1.06	2,605	2,761	56	59		0	2,661	2,820
1-1/2	1.28	66	84	51	65		0	117	149
2	1.50	5	8	118	177		0	123	185
3	2.37	0	0	6	14	0	0	6	14
4	2.50	0	0	0	0	9	23	9	23
6	2.79	0	0	0	0	43	120	43	120
8	3.11	0	0	0	0	6	19	6	19
10	4.12	0	0	0	0		0	0	0
12	4.65	0	0	0	0		0	0	0
Total		<u>8,844</u>	<u>9,021</u>	<u>259</u>	<u>343</u>	<u>58</u>	<u>162</u>	<u>9,161</u>	<u>9,526</u>

**EPCOR WATER ARIZONA INC.
 ANTHEM 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	\$ 11,082,992	85.7%	\$ 8,005,254	80.5%	\$ 11,015,081	85.1%	\$ 3,009,827	37.6%
Commercial	1,829,041	14.1%	\$ 1,922,612	19.3%	1,903,949	14.7%	(18,663)	-1.0%
Private Fire	<u>29,603</u>	0.2%	<u>17,130</u>	0.2%	<u>22,269</u>	0.2%	<u>5,139</u>	30.0%
Total Sales	12,941,636	100.0%	9,944,996	<u>100.0%</u>	12,941,299	<u>100.0%</u>	2,996,303	30.1%
Other Revenues	<u>750,451</u>		<u>785,203</u>		<u>750,451</u>		<u>(34,752)</u>	-4.4%
Total	<u>\$ 13,692,087</u>		<u>\$ 10,730,199</u>		<u>\$ 13,691,750</u>		<u>\$ 2,961,551</u>	27.6%

**EPCOR WATER ARIZONA INC.
 ANTHEM 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	\$ 2,493,254	\$ 2,044,219	\$ 449,035	\$ -
4						
5	Demand - Maximum Day	B	2,622,438	2,189,736	432,702	-
6						
7	Demand - Maximum Hour	C	5,938,221	5,097,963	840,258	-
8						
9	Customer Facilities - Meters	D	446,123	401,334	44,791	-
10						
11	Customer Facilities - Services	E	418,515	396,333	15,067	7,115
12						
13	Customer Accounting	F	745,529	719,733	21,098	4,697
14						
15	Direct Fire	G	277,555	233,674	26,090	17,791
16						
17	Total		<u>\$ 12,941,635</u>	<u>\$ 11,082,992</u>	<u>\$ 1,829,041</u>	<u>\$ 29,603</u>
18						