

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

Description (1)	Cost of Service (2)	Residential (3)	Commercial/OPA/ Industrial (4)	Private Fire (5)
1. Revenues From Water Service - Present Rates	\$ 106,600,912	\$ 83,254,777	\$ 22,928,802	\$ 417,333
2. Other Revenues	2,692,734	2,160,640	525,027	7,067
3. Total Operating Revenues	\$ 109,293,646	\$ 85,415,418	\$ 23,453,828	\$ 424,400
4. Less: Operating Expenses	88,290,767	72,461,728	15,407,183	421,856
5. Return and Income Taxes	\$ 21,002,878	\$ 12,953,690	\$ 8,046,645	\$ 2,543
6. Less: Interest Expense (Allocated by Rate Base)	8,276,577	6,713,960	1,529,512	33,106
7. Taxable Income	12,726,301	6,239,730	6,517,134	(30,563)
8. Less: Income Taxes (Allocated based on Line 7)	3,355,184	1,645,047	1,718,190	(8,052)
9. Net Return (Ln 5 - Ln 8)	\$ 17,647,694	\$ 11,308,643	\$ 6,328,455	\$ 10,595
10. Original Cost Measure of Value	\$ 370,211,477	\$ 300,307,770	\$ 68,417,084	\$ 1,486,623
11. Rate of Return, Percent	4.77%	3.77%	9.25%	0.71%
12. Relative Rate of Return	1.00	0.79	1.94	0.15

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

Description (1)	Cost of Service (2)	Residential (3)	Commercial/OPA/ Industrial (4)	Private Fire (5)
1. Revenues From Water Service - Proposed Rates	\$ 118,436,761	\$ 93,662,989	\$ 24,282,825	\$ 490,947
2. Other Revenues	2,790,707	2,240,663	542,468	7,577
3. Total Operating Revenues	\$ 121,227,468	\$ 95,903,652	\$ 24,825,293	\$ 498,523
4. Less: Operating Expenses	88,930,483	72,994,104	15,484,171	452,208
5. Return and Income Taxes	\$ 32,296,986	\$ 22,909,548	\$ 9,341,122	\$ 46,316
6. Less: Interest Expense (Allocated by Rate Base)	8,276,577	6,713,959	1,529,512	33,106
7. Taxable Income	24,020,408	16,195,589	7,811,610	13,210
8. Less: Income Taxes (Allocated based on Line 7)	6,270,299	4,227,435	2,039,101	3,135
9. Net Return (Ln 5 - Ln 8)	\$ 26,026,687	\$ 18,682,113	\$ 7,302,021	\$ 43,181
10. Original Cost Measure of Value	\$ 370,211,476	\$ 300,311,621	\$ 68,413,066	\$ 1,486,789
11. Rate of Return, Percent	7.03%	6.22%	10.67%	2.90%
12. Relative Rate of Return	1.00	0.88	1.52	0.41

**EPCOR WATER ARIZONA INC.
 CONSOLIDATED 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/OPA/ Industrial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 5,813,669	\$ 4,393,971	\$ 1,419,698	\$ -
4						
5	Demand - Maximum Day	B	132,566,578	102,712,583	29,853,993	-
6						
7	Demand - Maximum Hour	C	166,579,826	134,096,760	32,483,066	-
8						
9	Customer Facilities - Meters	D	15,078,545	13,406,335	1,672,211	-
10						
11	Customer Facilities - Services	E	29,748,113	27,912,654	1,329,741	505,718
12						
13	Customer Accounting	F	6,819,152	6,525,245	248,899	45,006
14						
15	Direct Fire	G	13,605,596	11,264,073	1,405,458	936,065
16						
17	Total		<u>\$ 370,211,478</u>	<u>\$ 300,311,621</u>	<u>\$ 68,413,066</u>	<u>\$ 1,486,789</u>
18						

**EPCOR WATER ARIZONA INC.
 CONSOLIDATED WATER DISTRICT
 EXPENSE ALLOCATION TO CLASSES OF SERVICE**

Line no. No.	Cost Function (1)	Factor Ref. - Sch G-7 (2)	Cost of Service (3)	Residential (4)	Commercial/OPA/ Industrial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 18,986,595	\$ 14,350,069	\$ 4,636,526	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	17,112,416	13,258,699	3,853,716	-
6						
7	Demand - Maximum Hour	C	29,032,374	23,371,061	5,661,313	-
8						
9	Customer Facilities - Meters	D	1,990,062	1,769,364	220,697.85	-
10						
11	Customer Facilities - Services	E	5,111,479	4,796,100	228,483.09	86,895
12						
13	Customer Accounting	F	12,596,143	12,053,249	459,759	83,135
14						
15	Direct Fire	G	4,101,415	3,395,562	423,676	282,177
16						
17	Total		<u>\$ 88,930,483</u>	<u>\$ 72,994,104</u>	<u>\$ 15,484,171</u>	<u>\$ 452,208</u>
18						

EPCOR WATER ARIZONA INC.
CONSOLIDATED 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	RATE BASE									
4	Organization	9	68,331	1,059	24,490	30,804	2,808	5,501	1,148	2,521
5	Franchises	9	5,123,396	79,413	1,836,225	2,309,627	210,572	412,433	86,073	189,053
6	Land & Land Rights Supply	1	8,544,099	8,544,099	0	0	0	0	0	0
7	Land & Land Rights Pumping	2	1,523,951	0	1,523,951	0	0	0	0	0
8	Land & Land Rights Treatment	2	639,573	0	639,573	0	0	0	0	0
9	Land & Land Rights T&D	3	340,055	0	0	340,055	0	0	0	0
10	Land & Land Rights General	9	1,606,829	24,906	575,887	724,358	66,041	129,350	26,995	59,292
11	Structures & Improvements Supply	2	16,587,270	0	16,587,270	0	0	0	0	0
12	Structures & Improvements Pumping	3	13,177,410	0	0	13,177,410	0	0	0	0
13	Structures & Improvements Treatment	2	36,897,520	0	36,897,520	0	0	0	0	0
14	Structures & Improvements Trans & Dist	3	5,864,421	0	0	5,864,421	0	0	0	0
15	Structures & Improvements General	7	14,737,227	589,489	4,008,526	3,993,788	433,274	739,809	4,640,753	331,588
16	Structures & Improvements Offices	7	963,238	38,530	262,001	261,038	28,319	48,355	303,324	21,673
17	Structures & Improvements Leasehold	7	27,966	1,119	7,607	7,579	822	1,404	8,806	629
18	Structures & Improvements Store,Shop,Gge	7	65,702	2,628	17,871	17,805	1,932	3,298	20,690	1,478
19	Structures & Improvements Miscellaneous	7	1,401,302	56,052	381,154	379,753	41,198	70,345	441,270	31,529
20	Collect & Impounding	2	1,420,958	0	1,420,958	0	0	0	0	0
21	Lake, River & Other Intakes	2	949,319	0	949,319	0	0	0	0	0
22	Wells & Springs	2	35,754,533	0	35,754,533	0	0	0	0	0
23	Infiltration Galleries	2	158,078	0	158,078	0	0	0	0	0
24	Supply Mains	2	3,657,640	0	3,657,640	0	0	0	0	0
25	Power Production Equipment	3	4,632,235	0	0	4,632,235	0	0	0	0

**EPCOR WATER ARIZONA INC.
 CONSOLIDATED 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	Power Production Equipment	3	319,243	0	0	319,243	0	0	0	0
4	Pumping Equipment Steam	3	376,427	0	0	376,427	0	0	0	0
5	Pumping Equipment Electric	3	50,532,646	0	0	50,532,646	0	0	0	0
6	Pumping Equipment Hydraulic	3	329,016	0	0	329,016	0	0	0	0
7	Pumping Equipment Other	3	2,631,470	0	0	2,631,470	0	0	0	0
8	Pumping Equipment Water Treatment	2	2,463,170	0	2,463,170	0	0	0	0	0
9	Water Treatment Equipment Non-Media	2	40,290,941	0	40,290,941	0	0	0	0	0
10	Water Treatment Equipment Filter Media	2	3,256,903	0	3,256,903	0	0	0	0	0
11	Distribution Reservoirs & Standpipes	3	37,399,224	0	0	37,399,224	0	0	0	0
12	TD Mains Not Classified by Size	3	43,690,656	0	0	43,690,656	0	0	0	0
13	TD Mains 4in & Less	3	50,102,230	0	0	50,102,230	0	0	0	0
14	TD Mains 6in to 8in	3	68,081,258	0	0	68,081,258	0	0	0	0
15	TD Mains 10in to 16in	2	53,507,108	0	53,507,108	0	0	0	0	0
16	TD Mains 18in & Grtr	2	21,478,874	0	21,478,874	0	0	0	0	0
17	Fire Mains	12	8,395	0	0	0	0	0	0	8,395
18	Services and Backflow Device	4a	49,601,961	0	0	0	0	49,601,961	0	0
19	Meters	4	22,361,925	0	0	0	22,361,925	0	0	0
20	Meter Installations	4	2,595,747	0	0	0	2,595,747	0	0	0
21	Meter Vaults	4	218,989	0	0	0	218,989	0	0	0
22	Hydrants	12	22,716,309	0	0	0	0	0	0	22,716,309
23	Other P/E- Supply	2	125,273	0	125,273	0	0	0	0	0
24	Other P/E-TD	3	649,513	0	0	649,513	0	0	0	0
25	Other P/E-CPS/Intangible	9	3,177,386	49,249	1,138,775	1,432,366	130,591	255,780	53,380	117,246
26	Furniture and Equipment	7	1,416,365	56,655	385,251	383,835	41,641	71,102	446,013	31,868
27	Computer & Periphral Equipment	7	2,974,570	118,983	809,083	806,109	87,452	149,323	936,692	66,928
28	Computer Software	7	1,519,317	60,773	413,254	411,735	44,668	76,270	478,433	34,185
29	Other Office Equipment	7	5,749	230	1,564	1,558	169	289	1,810	129

**EPCOR WATER ARIZONA INC.
 CONSOLIDATED 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	2,553,639	102,146	694,590	692,036	75,077	128,193	804,141	57,457
4	Transportation Equip Heavy Duty Trucks	7	262,198	10,488	71,318	71,056	7,709	13,162	82,566	5,899
5	Transportation Equip Other	7	215,900	8,636	58,725	58,509	6,347	10,838	67,987	4,858
6	Stores Equipment	7	4,566	183	1,242	1,237	134	229	1,438	103
7	Tools, Shop, Garage Equipment	7	1,327,599	53,104	361,107	359,779	39,031	66,645	418,061	29,871
8	Laboratory Equipment	2	501,693	0	501,693	0	0	0	0	0
9	Power Operated Equipment	7	192,420	7,697	52,338	52,146	5,657	9,660	60,593	4,329
10	Communication Equipment Non-Telephone	7	(122,928)	(4,917)	(33,436)	(33,313)	(3,614)	(6,171)	(38,710)	(2,766)
11	Remote Control & Instrument	7	4,519,064	180,763	1,229,185	1,224,666	132,860	226,857	1,423,053	101,679
12	Communication Equipment Telephone	7	337,283	13,491	91,741	91,404	9,916	16,932	106,211	7,589
13	Communication Equipment Other	7	668,940	26,758	181,952	181,283	19,667	33,581	210,649	15,051
14	Miscellaneous Equipment	7	946,079	37,843	257,334	256,387	27,815	47,493	297,920	21,287
15	Other Tangible Plant	7	44,295	1,772	12,048	12,004	1,302	2,224	13,948	997
16	Total Plant in Service		\$ 647,422,471	\$ 10,061,146	\$ 232,052,635	\$ 291,853,355	\$ 26,588,052	\$ 52,114,861	\$ 10,893,245	\$ 23,859,177
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9		0	0	0	0	0	0	0
20	Customer Advances	9	(137,798,117)	(2,135,871)	(49,386,845)	(62,119,391)	(5,663,503)	(11,092,748)	(2,315,008)	(5,084,751)
21	Contributions in Aid of Construction	9	(133,061,640)	(2,062,455)	(47,689,292)	(59,984,187)	(5,468,833)	(10,711,462)	(2,235,436)	(4,909,975)
22	Construction Work in Progress	2		0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	1,950,408	78,016	530,511	528,561	57,342	97,910	614,183	43,884
24	Utility Plant Acq. Adjustment	9	1,369,030	21,220	490,660	617,159	56,267	110,207	23,000	50,517
25	Customer Meter Deposits	4	(97,315)	0	0	0	(97,315)	0	0	0
26	Deferred Income Taxes	9	(14,706,267)	(227,947)	(5,270,726)	(6,629,585)	(604,428)	(1,183,855)	(247,065)	(542,661)
27	Deferred Debits	9	19,214,039	297,818	6,886,312	8,661,689	789,697	1,546,730	322,796	708,998
28	Regulatory Liabilities	9	(14,081,130)	(218,258)	(5,046,677)	(6,347,774)	(578,734)	(1,133,531)	(236,563)	(519,594)
29										
30	Total Other Rate Base Elements		(277,210,993)	(4,247,477)	(99,486,057)	(125,273,529)	(11,509,507)	(22,366,748)	(4,074,093)	(10,253,581)
31										
32	Total Original Cost Measure of Value		\$ 370,211,478	\$ 5,813,669	\$ 132,566,578	\$ 166,579,826	\$ 15,078,545	\$ 29,748,113	\$ 6,819,152	\$ 13,605,596

**EPCOR WATER ARIZONA INC.
 CONSOLIDATED 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	782,965	\$ 782,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Labor - Treatment	2	1,224,252	-	1,224,252	-	-	-	-	-
8	Labor - Pumping	3	877,663	-	-	877,663	-	-	-	-
9	Labor - T&D Mains	6	4,862,067	-	1,207,251	3,654,816	-	-	-	-
10	Labor - T&D Storage	3	771,746	-	-	771,746	-	-	-	-
11	Labor - T&D Meters	4	576,210	-	-	-	576,210	-	-	-
12	Labor - T&D Services	4a	982,437	-	-	-	-	982,437	-	-
13	Labor - T&D Hydrants	12	440,984	-	-	-	-	-	-	440,984
14	Labor - Customer	5	2,133,202	-	-	-	-	-	2,133,202	-
15	Labor - Meter Reading	5	678,249	-	-	-	-	-	678,249	-
16	Labor - Administrative	7	344,594	13,784	93,730	93,385	10,131	17,299	108,513	7,753
17	Purchased Water	1	6,968,270	6,968,270	-	-	-	-	-	-
18	Fuel and Power	1	8,404,612	8,404,612	-	-	-	-	-	-
19	Chemicals	1	1,248,094	1,248,094	-	-	-	-	-	-
20	Waste Disposal	1	61,125	61,125	-	-	-	-	-	-
21	Corporate allocation	7	3,357,509	134,300	913,243	909,885	98,711	168,547	1,057,280	75,544
22	Outside Services	7	1,931,361	77,254	525,330	523,399	56,782	96,954	608,186	43,456
23	Group Insurance and Other Benefits	8	4,520,388	263,539	834,916	1,784,197	193,925	330,440	965,103	148,269
24	Pensions	8	-	-	-	-	-	-	-	-
25	Regulatory Expense	7	-	-	-	-	-	-	-	-
26	Insurance Other Than Group	7	919,207	36,768	250,024	249,105	27,025	46,144	289,458	20,682
27	Customer Accounting	5	4,459,179	-	-	-	-	-	4,459,179	-
28	Rents	7	420,201	16,808	114,295	113,874	12,354	21,094	132,321	9,455
29	General Office Expense	7	1,475,072	59,003	401,220	399,745	43,367	74,049	464,500	33,189
30	Miscellaneous	7	289,446	11,578	78,729	78,440	8,510	14,530	91,146	6,513
31	Maintenance Expense - Treatment	2	3,847,219	-	3,847,219	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		51,576,053	18,078,100	9,490,208	9,456,255	1,027,014	1,751,494	10,987,137	785,844

**EPCOR WATER ARIZONA INC.
 CONSOLIDATED 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	605,638	605,638	-	-	-	-	-	-
7	Structures & Improvements Pumping	3	418,217	-	-	418,217	-	-	-	-
8	Structures & Improvements Treatment	2	1,188,569	-	1,188,569	-	-	-	-	-
9	Structures & Improvements Trans & Dist	3	184,324	-	-	184,324	-	-	-	-
10	Structures & Improvements General	7	481,490	19,260	130,965	130,484	14,156	24,171	151,621	10,834
11	Structures & Improvements Offices	7	32,075	1,283	8,724	8,692	943	1,610	10,100	722
12	Structures & Improvements Leasehold	7	3,176	127	864	861	93	159	1,000	71
13	Structures & Improvements Store,Shop,Gge	7	55,061	2,202	14,977	14,922	1,619	2,764	17,339	1,239
14	Structures & Improvements Miscellaneous	7	41,214	1,649	11,210	11,169	1,212	2,069	12,978	927
15	Collect & Impounding	2	25,540	-	25,540	-	-	-	-	-
16	Lake, River & Other Intakes	2	1,269,257	-	1,269,257	-	-	-	-	-
17	Wells & Springs	2	13,336	-	13,336	-	-	-	-	-
18	Infiltration Galleries	2	65,104	-	65,104	-	-	-	-	-
19	Supply Mains	2	235,459	-	235,459	-	-	-	-	-
20	Power Production Equipment	3	22,571	-	-	22,571	-	-	-	-
21	Power Production Equipment	3	69,286	-	-	69,286	-	-	-	-
22	Pumping Equipment Steam	3	6,496,698	-	-	6,496,698	-	-	-	-
23	Pumping Equipment Electric	3	16,232	-	-	16,232	-	-	-	-
24	Pumping Equipment Diesel	3	26,252	-	-	26,252	-	-	-	-
25	Pumping Equipment Hydraulic	3	245,041	-	-	245,041	-	-	-	-
26	Pumping Equipment Other	3	175,725	-	-	175,725	-	-	-	-
27	Pumping Equipment Water Treatment	3	3,247,109	-	-	3,247,109	-	-	-	-
28	Water Treatment Equipment Non-Media	2	405,421	-	405,421	-	-	-	-	-
29	Water Treatment Equipment Filter Media	2	800,927	-	800,927	-	-	-	-	-
30	Distribution Reservoirs & Standpipes	3	5,060	-	-	5,060	-	-	-	-
31	Elevated Tank & Standpipes	3	2,105	-	-	2,105	-	-	-	-
32	Ground Level Tanks	3	6,280	-	-	6,280	-	-	-	-
33	Below Ground Tanks	3	69,501	-	-	69,501	-	-	-	-
34	Clearwell	3	967,970	-	-	967,970	-	-	-	-
35	TD Mains Not Classified by Size	3	1,272,599	-	-	1,272,599	-	-	-	-
36	TD Mains 4in & Less	3	1,348,247	-	-	1,348,247	-	-	-	-
37	TD Mains 6in to 8in	3	1,055,017	-	-	1,055,017	-	-	-	-
38	TD Mains 10in to 16in	2	412,705	-	412,705	-	-	-	-	-
39	TD Mains 18in & Grtr	2	3	-	3	-	-	-	-	-

**EPCOR WATER ARIZONA INC.
 CONSOLIDATED 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	1,847,066	-	-	-	-	-	-	1,847,066
4	Services	4a	2,558,903	-	-	-	-	2,558,903	-	-
5	Meters	4	94,118	-	-	-	94,118	-	-	-
6	Meter Installations	4	6,675	-	-	-	6,675	-	-	-
7	Meter Vaults	4	491,226	-	-	-	491,226	-	-	-
8	Hydrants	12	56	-	-	-	-	-	-	56
9	Backflow Prevention Devices	4a	112,034	-	-	-	-	112,034	-	-
10	Other P/E-TD	3	146,792	-	-	146,792	-	-	-	-
11	Other P/E-Supply	2	39,233	-	39,233	-	-	-	-	-
12	Other P/E-CPS/Intangible	9	119,605	1,854	42,866	53,918	4,916	9,628	2,009	4,413
13	Office Furniture & Equipment	7	302,981	12,119	82,411	82,108	8,908	15,210	95,409	6,817
14	Computer & Peripheral Equipment	7	640,288	25,612	174,158	173,518	18,824	32,142	201,627	14,406
15	Computer Software	7	495,059	19,802	134,656	134,161	14,555	24,852	155,894	11,139
16	Other Office Equipment	7	591,113	23,645	160,783	160,192	17,379	29,674	186,141	13,300
17	Transportation Equip Light Duty Trucks	7	90,278	3,611	24,556	24,465	2,654	4,532	28,428	2,031
18	Transportation Equip Heavy Duty Trucks	7	100,655	4,026	27,378	27,278	2,959	5,053	31,696	2,265
19	Transportation Equipment Other	7	18,709	748	5,089	5,070	550	939	5,891	421
20	Stores Equipment	7	85,544	3,422	23,268	23,182	2,515	4,294	26,938	1,925
21	Tools,Shop,Garage Equipment	7	56,229	2,249	15,294	15,238	1,653	2,823	17,706	1,265
22	Laboratory Equipment	2	34,736	-	34,736	-	-	-	-	-
23	Power Operated Equipment	7	-	-	-	-	-	-	-	-
24	Communication Equipment Non-Telephone	7	280,300	11,212	76,242	75,961	8,241	14,071	88,266	6,307
25	Remote Control & Instrument	7	631,124	25,245	171,666	171,035	18,555	31,682	198,741	14,200
26	Communication Equipment Telephone	7	45,304	1,812	12,323	12,277	1,332	2,274	14,266	1,019
27	Communication Equipment Other	7	101,990	4,080	27,741	27,639	2,999	5,120	32,117	2,295
28	Miscellaneous Equipment	7	95,618	3,825	26,008	25,913	2,811	4,800	30,110	2,151
29	Other Tangible Plant	7	1,132	45	308	307	33	57	357	25
	Total Depreciation Expense		30,249,976	773,466	5,661,777	16,953,413	718,926	2,888,862	1,308,637	1,944,896

EPCOR WATER ARIZONA INC.
 CONSOLIDATED 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			0.2483	0.7517					1.0000
16										
17	Factor 7 - Administrative and General									
18	Cost	1,396,000	9,490,208	0	9,456,255	1,027,014	1,751,494	10,987,137	785,844	34,108,108
19	Factor	0.0400	0.2720	0.0000	0.2710	0.0294	0.0502	0.3149	0.0225	1.0000
20										
21	Factor 8 - Labor Related Expenses									
22	Cost	796,749	2,525,233	0	5,397,610	586,341	999,735	2,919,963	448,738	13,674,370
23	Factor	0.0583	0.1847	0	0.3947	0.0429	0.0731	0.2135	0.0328	1.0000
24										
25	Factor 9 - Rate Base Less Costs Allocated									
26	Cost	9,904,747	228,465,209	0	287,344,196	26,176,738	51,309,574	10,711,701	23,490,068	637,402,233
27	Factor	0.0155	0.3584	0	0.4508	0.0411	0.0805	0.0168	0.0369	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	5,813,669	132,566,578	0	166,579,826	15,078,545	29,748,113	6,819,152	13,605,596	370,211,478
31	Factor	0.0157	0.358	0	0.45	0.0407	0.0804	0.0184	0.0368	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	19,511,804	29,088,528	0	44,086,146	3,351,592	7,801,086	13,211,675	4,176,781	121,227,611
35	Factor	0.161	0.2398	0	0.3637	0.0276	0.0644	0.109	0.0345	1.0000
36										
37	Factor 12 - Direct Fire								1.0000	1.0000

EPCOR WATER ARIZONA INC.
 CONSOLIDATED 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	41,731	0.7558
Commercial/OPA/Ind	13,480	0.2442
Total	<u>55,210</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	41,731	2.00	83,461	0.7748
Commercial/OPA/Ind	13,480	1.80	24,263	0.2252
Total	<u>55,210</u>		<u>107,724</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
 CONSOLIDATED 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	1,738.8	4.00	6,955.1	0.8050
Commercial/OPA/Ind	561.7	3.00	1,685.0	0.1950
	2,300.4		8,640.1	1.0000

EPCOR WATER ARIZONA INC.
 CONSOLIDATED 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	201,575	0.8891
Commercial/OPA/Ind	25,141	0.1109
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>226,716</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	131,913	0.9383
Commercial/OPA/Ind	6,286	0.0447
Fire Protection	2,396	0.0170
	<hr/>	<hr/>
Total	<u>140,595</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	128,295	0.9569
Commercial/OPA/Ind	4,897	0.0365
Fire Protection	887	0.0066
	<hr/>	<hr/>
Total	<u>134,079</u>	<u>1.0000</u>

**EPCOR WATER ARIZONA INC.
 CONSOLIDATED 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	299	4,785	
6 -inch	36.00	467	16,804	
8 -inch	64.00	96	6,146	
10 -inch	100.00	1	100	
12 -inch	144.00	2	288	
Private Hydrants	28.50	15	419	
Total Private Fire Protection		<u>879,5692</u>	<u>28,542</u>	0.0688

PUBLIC FIRE PROTECTION

<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	<u>13,555</u>	<u>386,318</u>
Total Public Fire Protection			13,555	386,318
Total Fire Protection			14,435	414,860

REALLOCATE PUBLIC FIRE

	Meter Equivalents	Allocation of Public Fire	Allocation of Public Fire Using Factor
Residential	201,575	0.8891	0.8279
Commercial/OPA/Ind	25,141	0.1109	0.1033
	<u>226,716</u>	<u>1.0000</u>	<u>0.9312</u>

**EPCOR WATER ARIZONA INC.
 CONSOLIDATED 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	107,880	107,880	1,132	1,132	109,012	109,012
1	2.50	16,273	40,683	1,036	2,590	17,309	43,273
1-1/2	5.00	2,108	10,540	990	4,950	3,098	15,490
2	8.00	1,124	8,992	1,548	12,384	2,672	21,376
3	15.00	2	30	139	2,085	141	2,115
4	25.00	478	11,950	24	600	502	12,550
6	50.00	430	21,500	28	1,400	458	22,900
8	80.00	0	0	0	0	0	0
10	115.00	0	0	0	0	0	0
Total		<u>128,295</u>	<u>201,575</u>	<u>4,897</u>	<u>25,141</u>	<u>133,192</u>	<u>226,716</u>

EPCOR WATER ARIZONA INC.
 CONSOLIDATED WATER DISTRICT
 BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS

Service Size	3/4" Equivalent	Residential		Commercial		Fire Projection		Total	
		Number of Services	Weighting (4)=(2)X(3)	Number of Services	Weighting (6)=(2)X(5)	Number of Services	Weighting (8)=(2)X(7)	Number of Services	Weighting (10)
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)=(2)X(7)	(9)	(10)
3/4	1.00	107,880	107,880	1,132	1,132		0	109,012	109,012
1	1.06	16,273	17,249	1,036	1,098		0	17,309	18,347
1-1/2	1.28	2,108	2,698	990	1,267		0	3,098	3,965
2	1.50	1,124	1,686	1,548	2,322	21	32	2,693	4,040
3	2.37	2	5	139	329	1	2	142	336
4	2.50	478	1,195	24	60	299	748	801	2,003
6	2.79	430	1,200	28	78	467	1,302	925	2,580
8	3.11	0	0	0	0	96	299	96	299
10	4.12	0	0	0	0	1	4	1	4
12	4.65	0	0	0	0	2	9	2	9
Total		<u>128,295</u>	<u>131,913</u>	<u>4,897</u>	<u>6,286</u>	<u>887</u>	<u>2,396</u>	<u>134,079</u>	<u>140,595</u>

**EPCOR WATER ARIZONA INC.
 CONSOLIDATED 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	\$ 96,917,221	81.9%	\$ 83,254,777	78.1%	\$ 93,662,989	79.1%	\$ 10,408,212	12.5%
Commercial/OPA/Ind.	21,021,652	17.7%	22,928,802	21.5%	24,282,825	20.5%	1,354,024	5.9%
Private Fire	<u>498,030</u>	0.4%	<u>417,333</u>	0.4%	<u>490,947</u>	0.4%	<u>73,614</u>	17.6%
Total Sales	118,436,903	100.0%	106,600,912	<u>100.0%</u>	118,436,761	<u>100.0%</u>	11,835,849	11.1%
Other Revenues	<u>2,790,708</u>		<u>2,692,734</u>		<u>2,790,708</u>		<u>97,974</u>	3.6%
Total	<u>\$ 121,227,611</u>		<u>\$ 109,293,646</u>		<u>\$ 121,227,469</u>		<u>\$ 11,933,823</u>	10.9%

**EPCOR WATER ARIZONA INC.
 CONSOLIDATED 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/OPA/ Industrial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 19,160,100	\$ 14,481,204	\$ 4,678,896	\$ -
4						
5	Demand - Maximum Day	B	27,958,476	21,662,227	6,296,249	-
6						
7	Demand - Maximum Hour	C	43,291,644	34,849,773	8,441,871	-
8						
9	Customer Facilities - Meters	D	3,291,300	2,926,296	365,005	-
10						
11	Customer Facilities - Services	E	7,660,404	7,187,757	342,420	130,227
12						
13	Customer Accounting	F	12,973,564	12,414,402	473,535	85,626
14						
15	Direct Fire	G	4,101,415	3,395,562	423,676	282,177
16						
17	Total		<u>\$ 118,436,903</u>	<u>\$ 96,917,221</u>	<u>\$ 21,021,652</u>	<u>\$ 498,030</u>
18						

EPCOR WATER ARIZONA, INC.

CALCULATION OF THE 5/8-INCH CUSTOMER COSTS PER MONTH
INCLUDING THE UNRECOVERED PUBLIC FIRE COSTS - FILING

<u>Cost Function</u>	<u>Consolidated Cost of Service</u>	<u>Number of Units</u>	<u>Unit Cost Per Month</u>
Meters	\$ 3,291,300	226,716 5/8 Equivalents	\$ 1.21
Services	7,530,177	140,595 3/4 Equivalents	4.46
Billing/Collecting	<u>12,887,938</u>	134,079 Customers	<u>8.01</u>
Subtotal	23,709,415		13.68
Unrecovered Public Fire	<u>3,610,469</u>	226,716 5/8 Equivalents	<u>1.33</u>
Total	<u>\$ 27,319,884</u>		<u>\$ 15.01</u>
	<u>1,000 Gallons</u>	<u>Rate</u>	
Volumetric Portion	2.3981	2.5678	\$ 6.16
Total Customer Charge			\$ 21.17
	Meter Equivalent		
1-Inch Customer Charge	2.5000		\$ 52.92 *

* The Company proposes a 1-inch rate of \$51.92, slightly less than the 5/8-inch rate X the meter equivalent of 2.5X.