

**EPCOR WATER ARIZONA INC.
AGUA FRIA 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	\$ 43,616,860	\$ 32,121,924	\$ 11,431,155	\$ 63,780
2. Other Revenues	1,088,261	793,340	292,952	1,969
3. Total Operating Revenues	\$ 44,705,121	\$ 32,915,264	\$ 11,724,107	\$ 65,749
4. Less: Operating Expenses	26,976,431	20,845,651	5,983,604	147,176
5. Return and Income Taxes	\$ 17,728,690	\$ 12,069,613	\$ 5,740,503	\$ (81,427)
6. Less: Interest Expense (Allocated by Rate Base)	2,814,660	2,085,100	718,020	11,259
7. Taxable Income	14,914,030	9,984,513	5,022,484	(92,686)
8. Less: Income Taxes (Allocated based on Line 7)	5,992,348	4,011,877	2,018,223	(37,153)
9. Net Return (Ln 5 - Ln 8)	\$ 11,736,341	\$ 8,057,736	\$ 3,722,280	\$ (44,274)
10. Original Cost Measure of Value	\$ 126,217,927	\$ 93,514,177	\$ 32,203,057	\$ 500,694
11. Rate of Return, Percent	9.30%	8.62%	11.56%	-8.84%
12. Relative Rate of Return	1.00	0.93	1.24	-0.95

**EPCOR WATER ARIZONA INC.
AGUA FRIA 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	\$ 38,618,339	\$ 28,993,643	\$ 9,554,538	\$ 70,158
2. Other Revenues	1,164,663	851,680	310,852	2,132
3. Total Operating Revenues	\$ 39,783,002	\$ 29,845,323	\$ 9,865,390	\$ 72,290
4. Less: Operating Expenses	26,679,135	20,603,749	5,942,081	133,305
5. Return and Income Taxes	\$ 13,103,868	\$ 9,241,574	\$ 3,923,309	\$ (61,015)
6. Less: Interest Expense (Allocated by Rate Base)	2,814,660	2,085,099	718,301	11,259
7. Taxable Income	10,289,208	7,156,475	3,205,008	(72,274)
8. Less: Income Taxes (Allocated based on Line 7)	4,146,176	2,883,666	1,291,534	(29,023)
9. Net Return (Ln 5 - Ln 8)	\$ 8,957,691	\$ 6,357,908	\$ 2,631,775	\$ (31,992)
10. Original Cost Measure of Value	\$ 126,217,927	\$ 93,509,603	\$ 32,207,761	\$ 500,564
11. Rate of Return, Percent	7.10%	6.80%	8.17%	-6.39%
12. Relative Rate of Return	1.00	0.96	1.15	-0.90

**EPCOR WATER ARIZONA INC.
AGUA FRIA 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	\$ 1,079,676	\$ 727,701	\$ 351,974	\$ -
4						
5	Demand - Maximum Day	B	51,074,905	35,583,886	15,491,019	-
6						
7	Demand - Maximum Hour	C	56,519,110	41,473,723	15,045,387	-
8						
9	Customer Facilities - Meters	D	3,732,687	3,289,618	443,070	-
10						
11	Customer Facilities - Services	E	5,843,489	5,508,657	203,938	130,894
12						
13	Customer Accounting	F	2,513,328	2,425,863	66,352	21,112
14						
15	Direct Fire	G	5,454,733	4,500,155	606,021	348,557
16						
17	Total		<u>\$ 126,217,927</u>	<u>\$ 93,509,603</u>	<u>\$ 32,207,761</u>	<u>\$ 500,564</u>
18						

**EPCOR WATER ARIZONA INC.
AGUA FRIA 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 (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 1,678,040	\$ 1,131,000	\$ 547,041	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	7,655,296	5,333,444	2,321,851	-
6						
7	Demand - Maximum Hour	C	9,975,466	7,319,997	2,655,469	-
8						
9	Customer Facilities - Meters	D	1,225,518	1,080,049	145,469.03	-
10						
11	Customer Facilities - Services	E	1,137,937	1,072,733	39,713.99	25,490
12						
13	Customer Accounting	F	3,822,050	3,689,042	100,902	32,105
14						
15	Direct Fire	G	1,184,829	977,484	131,634	75,711
16						
17	Total		<u>\$ 26,679,135</u>	<u>\$ 20,603,749</u>	<u>\$ 5,942,081</u>	<u>\$ 133,305</u>
18						

**EPCOR WATER ARIZONA INC.
AGUA FRIA 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	1,229	10	497	551	37	57	24	53
5	Franchises	9	363,720	3,092	147,161	162,983	10,875	16,804	7,056	15,749
6	Land & Land Rights Supply	1	1,699,680	1,699,680	0	0	0	0	0	0
7	Land & Land Rights Pumping	2	1,448,137	0	1,448,137	0	0	0	0	0
8	Land & Land Rights Treatment	2	639,523	0	639,523	0	0	0	0	0
9	Land & Land Rights T&D	3	299,442	0	0	299,442	0	0	0	0
10	Land & Land Rights General	9	52,769	449	21,350	23,646	1,578	2,438	1,024	2,285
11	Structures & Improvements Supply	2	7,850,371	0	7,850,371	0	0	0	0	0
12	Structures & Improvements Pumping	3	7,841,310	0	0	7,841,310	0	0	0	0
13	Structures & Improvements Treatment	2	9,785,539	0	9,785,539	0	0	0	0	0
14	Structures & Improvements Trans & Dist	3	5,096,927	0	0	5,096,927	0	0	0	0
15	Structures & Improvements General	7	14,005,877	627,463	3,959,461	3,710,157	410,372	698,893	4,285,798	313,732
16	Structures & Improvements Offices	7	124,574	5,581	35,217	33,000	3,650	6,216	38,120	2,790
17	Structures & Improvements Leasehold	7	9,210	413	2,604	2,440	270	460	2,818	206
18	Structures & Improvements Store, Shop, Gge	7	664	30	188	176	19	33	203	15
19	Structures & Improvements Miscellaneous	7	0	0	0	0	0	0	0	0
20	Collect & Impounding	2	760,907	0	760,907	0	0	0	0	0
21	Lake, River & Other Intakes	2	714,136	0	714,136	0	0	0	0	0
22	Wells & Springs	2	12,499,448	0	12,499,448	0	0	0	0	0
23	Infiltration Galleries	2	0	0	0	0	0	0	0	0
24	Supply Mains	2	2,302,436	0	2,302,436	0	0	0	0	0
25	Power Production Equipment	3	3,300,664	0	0	3,300,664	0	0	0	0

**EPCOR WATER ARIZONA INC.
AGUA FRIA 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	0	0	0	0	0	0	0	0
5	Pumping Equipment Electric	3	29,999,389	0	0	29,999,389	0	0	0	0
6	Pumping Equipment Hydraulic	3	0	0	0	0	0	0	0	0
7	Pumping Equipment Other	3	1,366,605	0	0	1,366,605	0	0	0	0
8	Pumping Equipment Water Treatment	2	1,130,720	0	1,130,720	0	0	0	0	0
9	Water Treatment Equipment Non-Media	2	22,374,306	0	22,374,306	0	0	0	0	0
10	Water Treatment Equipment Filter Media	2	822,223	0	822,223	0	0	0	0	0
11	Distribution Reservoirs & Standpipes	3	18,027,265	0	0	18,027,265	0	0	0	0
12	TD Mains Not Classified by Size	3	7,844,262	0	0	7,844,262	0	0	0	0
13	TD Mains 4in & Less	3	15,524,702	0	0	15,524,702	0	0	0	0
14	TD Mains 6in to 8in	3	40,259,956	0	0	40,259,956	0	0	0	0
15	TD Mains 10in to 16in	2	34,748,073	0	34,748,073	0	0	0	0	0
16	TD Mains 18in & Grtr	2	20,871,513	0	20,871,513	0	0	0	0	0
17	Fire Mains	12	76,866	0	0	0	0	0	0	76,866
18	Services	4a	12,946,109	0	0	0	0	12,946,109	0	0
19	Meters	4	6,942,612	0	0	0	6,942,612	0	0	0
20	Meter Installations	4	1,259,792	0	0	0	1,259,792	0	0	0
21	Meter Vaults	4	226,652	0	0	0	226,652	0	0	0
22	Hydrants	12	12,504,471	0	0	0	0	0	0	12,504,471
23	Other P/E- Supply	2	0	0	0	0	0	0	0	0
24	Other P/E-TD	3	71,935	0	0	71,935	0	0	0	0
25	Other P/E-CPS	9	1,338,898	11,381	541,718	599,960	40,033	61,857	25,975	57,974
26	Furniture and Equipment	7	266,889	11,957	75,450	70,699	7,820	13,318	81,668	5,978
27	Computer & Peripheral Equipment	7	1,210,959	54,251	342,338	320,783	35,481	60,427	370,553	27,125
28	Computer Software	7	273,203	12,240	77,235	72,372	8,005	13,633	83,600	6,120
29	Other Office Equipment	7	1,001,693	44,876	283,179	265,349	29,350	49,985	306,518	22,438

**EPCOR WATER ARIZONA INC.
AGUA FRIA 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	Transportation Equip Light Duty Trucks	7	(745,168)	(33,384)	(210,659)	(197,395)	(21,833)	(37,184)	(228,021)	(16,692)
4	Transportation Equip Heavy Duty Trucks	7	38,479	1,724	10,878	10,193	1,127	1,920	11,774	862
5	Transportation Equip Other	7	(77,859)	(3,488)	(22,011)	(20,625)	(2,281)	(3,885)	(23,825)	(1,744)
6	Stores Equipment	7	39,200	1,756	11,082	10,384	1,149	1,956	11,995	878
7	Tools, Shop, Garage Equipment	7	65,569	2,937	18,536	17,369	1,921	3,272	20,064	1,469
8	Laboratory Equipment	2	304,331	0	304,331	0	0	0	0	0
9	Power Operated Equipment	7	122,604	5,493	34,660	32,478	3,592	6,118	37,517	2,746
10	Communication Equipment Non-Telephone	7	(210,386)	(9,425)	(59,476)	(55,731)	(6,164)	(10,498)	(64,378)	(4,713)
11	Remote Control & Instrument	7	2,560,718	114,720	723,915	678,334	75,029	127,780	783,580	57,360
12	Communication Equipment Telephone	7	35,612	1,595	10,067	9,434	1,043	1,777	10,897	798
13	Communication Equipment Other	7	145,658	6,525	41,177	38,585	4,268	7,268	44,571	3,263
14	Miscellaneous Equipment	7	166,349	7,452	47,027	44,066	4,874	8,301	50,903	3,726
15	Other Tangible Plant	7		0	0	0	0	0	0	0
16	Total Plant in Service		\$ 302,330,764	\$ 2,567,328	\$ 122,343,258	\$ 135,461,663	\$ 9,039,270	\$ 13,977,053	\$ 5,858,435	\$ 13,083,757
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9		0	0	0	0	0	0	0
20	Customer Advances	9	(105,101,950)	(893,367)	(42,524,249)	(47,096,184)	(3,142,548)	(4,855,710)	(2,038,978)	(4,550,914)
21	Contributions in Aid of Construction	9	(75,655,336)	(643,070)	(30,610,149)	(33,901,156)	(2,262,095)	(3,495,277)	(1,467,714)	(3,275,876)
22	Construction Work in Progress	2		0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	246,576	11,047	69,707	65,318	7,225	12,304	75,452	5,523
24	Utility Plant Acq. Adjustment	9		0	0	0	0	0	0	0
25	Customer Meter Deposits	4	(41,915)	0	0	0	(41,915)	0	0	0
26	Deferred Income Taxes	9	(8,238,066)	(70,024)	(3,333,121)	(3,691,477)	(246,318)	(380,599)	(159,818)	(356,708)
27	Deferred Debits	9	12,677,855	107,762	5,129,460	5,680,947	379,068	585,717	245,950	548,951
28	Regulatory Liabilities	9		0	0	0	0	0	0	0
29										
30	Total Other Rate Base Elements		(176,112,837)	(1,487,652)	(71,268,352)	(78,942,553)	(5,306,584)	(8,133,564)	(3,345,107)	(7,629,024)
31										
32	Total Original Cost Measure of Value		\$ 126,217,928	\$ 1,079,676	\$ 51,074,905	\$ 56,519,110	\$ 3,732,687	\$ 5,843,489	\$ 2,513,328	\$ 5,454,733

EPCOR WATER ARIZONA INC.
AGUA FRIA 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	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	OPERATION AND MAINTENANCE EXPENSES									
4										
5										
6	Labor - Source of Supply	1	254,107	\$ 254,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Labor - Treatment	2	398,332	-	398,332	-	-	-	-	-
8	Labor - Pumping	3	286,844	-	-	286,844	-	-	-	-
9	Labor - T&D Mains	6	1,471,055	-	477,504	993,551	-	-	-	-
10	Labor - T&D Storage	3	222,604	-	-	222,604	-	-	-	-
11	Labor - T&D Meters	4	166,203	-	-	-	166,203	-	-	-
12	Labor - T&D Services	4a	283,376	-	-	-	-	283,376	-	-
13	Labor - T&D Hydrants	12	127,198	-	-	-	-	-	-	127,198
14	Labor - Customer	5	483,100	-	-	-	-	-	483,100	-
15	Labor - Meter Reading	5	147,744	-	-	-	-	-	147,744	-
16	Labor - Administrative	7	68,009	3,047	19,226	18,016	1,993	3,394	20,811	1,523
17	Purchased Water	1	-	-	-	-	-	-	-	-
18	Fuel and Power	1	-	-	-	-	-	-	-	-
19	Chemicals	1	795,306	795,306	-	-	-	-	-	-
20	Waste Disposal	1	31,231	31,231	-	-	-	-	-	-
21	Corporate allocation	7	1,170,605	52,443	330,930	310,093	34,299	58,413	358,205	26,222
22	Outside Services	7	655,290	29,357	185,251	173,586	19,200	32,699	200,519	14,679
23	Group Insurance and Other Benefits	8	1,219,718	80,257	279,437	474,592	52,448	89,527	203,327	40,129
24	Pensions	8	-	-	-	-	-	-	-	-
25	Regulatory Expense	7	104,402	4,677	29,514	27,656	3,059	5,210	31,947	2,339
26	Insurance Other Than Group	7	316,192	14,165	89,387	83,759	9,264	15,778	96,755	7,083
27	Customer Accounting	5	1,449,956	-	-	-	-	-	1,449,956	-
28	Rents	7	141,937	6,359	40,126	37,599	4,159	7,083	43,433	3,179
29	General Office Expense	7	438,320	19,637	123,913	116,111	12,843	21,872	134,126	9,818
30	Miscellaneous	7	100,786	4,515	28,492	26,698	2,953	5,029	30,841	2,258
31	Maintenance Expense - Treatment	2	954,310	-	954,310	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		11,286,626	1,295,101	2,956,423	2,771,110	306,421	522,381	3,200,762	234,427

**EPCOR WATER ARIZONA INC.
AGUA FRIA 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	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										
4	503 DEPRECIATION EXPENSE									
5										
6	Structures & Improvements Supply	1	269,000	269,000	-	-	-	-	-	-
7	Structures & Improvements Pumping	3	233,684	-	-	233,684	-	-	-	-
8	Structures & Improvements Treatment	2	283,019	-	283,019	-	-	-	-	-
9	Structures & Improvements Trans & Dist	3	151,681	-	-	151,681	-	-	-	-
10	Structures & Improvements General	7	404,074	18,103	114,232	107,039	11,839	20,163	123,647	9,051
11	Structures & Improvements Offices	7	4,543	204	1,284	1,203	133	227	1,390	102
12	Structures & Improvements Leasehold	7	318	14	90	84	9	16	97	7
13	Structures & Improvements Store,Shop,Gge	7	20	1	6	5	1	1	6	0
14	Structures & Improvements Miscellaneous	7	-	-	-	-	-	-	-	-
15	Collect & Impounding	2	16,587	-	16,587	-	-	-	-	-
16	Lake, River & Other Intakes	2	16,232	-	16,232	-	-	-	-	-
17	Wells & Springs	2	441,442	-	441,442	-	-	-	-	-
18	Infiltration Galleries	2	-	-	-	-	-	-	-	-
19	Supply Mains	2	38,723	-	38,723	-	-	-	-	-
20	Power Production Equipment	3	149,043	-	-	149,043	-	-	-	-
21	Power Production Equipment	3	-	-	-	-	-	-	-	-
22	Pumping Equipment Steam	3	-	-	-	-	-	-	-	-
23	Pumping Equipment Electric	3	2,920,542	-	-	2,920,542	-	-	-	-
24	Pumping Equipment Diesel	3	624	-	-	624	-	-	-	-
25	Pumping Equipment Hydraulic	3	-	-	-	-	-	-	-	-
26	Pumping Equipment Other	3	134,691	-	-	134,691	-	-	-	-
27	Pumping Equipment Water Treatment	3	73,403	-	-	73,403	-	-	-	-
28	Water Treatment Equipment Non-Media	2	1,371,354	-	1,371,354	-	-	-	-	-
29	Water Treatment Equipment Filter Media	2	157,810	-	157,810	-	-	-	-	-
30	Distribution Reservoirs & Standpipes	3	277,570	-	-	277,570	-	-	-	-
31	Elevated Tank & Standpipes	3	600	-	-	600	-	-	-	-
32	Ground Level Tanks	3	595	-	-	595	-	-	-	-
33	Below Ground Tanks	3	4,224	-	-	4,224	-	-	-	-
34	Clearwell	3	65,231	-	-	65,231	-	-	-	-
35	TD Mains Not Classified by Size	3	143,257	-	-	143,257	-	-	-	-
36	TD Mains 4in & Less	3	332,340	-	-	332,340	-	-	-	-
37	TD Mains 6in to 8in	3	710,432	-	-	710,432	-	-	-	-
38	TD Mains 10in to 16in	2	611,791	-	611,791	-	-	-	-	-
39	TD Mains 18in & Grtr	2	375,776	-	375,776	-	-	-	-	-

**EPCOR WATER ARIZONA INC.
AGUA FRIA 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	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	Fire Mains	12	44	-	-	-	-	-	-	44
4	Services	4a	413,850	-	-	-	-	413,850	-	-
5	Meters	4	747,732	-	-	-	747,732	-	-	-
6	Meter Installations	4	44,098	-	-	-	44,098	-	-	-
7	Meter Vaults	4	3,944	-	-	-	3,944	-	-	-
8	Hydrants	12	245,545	-	-	-	-	-	-	245,545
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	2	-	-	-	-	-	-	-	-
11	Other P/E-CPS	9	-	-	-	-	-	-	-	-
12	Office Furniture & Equipment	7	86,281	3,865	24,391	22,856	2,528	4,305	26,402	1,933
13	Computer & Periphal Equipment	7	25,581	1,146	7,232	6,776	750	1,276	7,828	573
14	Computer Software	7	300,747	13,473	85,021	79,668	8,812	15,007	92,029	6,737
15	Other Office Equipment	7	150,320	6,734	42,495	39,820	4,404	7,501	45,998	3,367
16	Transportation Equip Light Duty Trucks	7	-	-	-	-	-	-	-	-
17	Transportation Equip Heavy Duty Trucks	7	136,876	6,132	38,695	36,259	4,010	6,830	41,884	3,066
18	Transportation Equipment Other	7	10,937	490	3,092	2,897	320	546	3,347	245
19	Stores Equipment	7	16,495	739	4,663	4,370	483	823	5,047	369
20	Tools,Shop,Garage Equipment	7	-	-	-	-	-	-	-	-
21	Laboratory Equipment	2	5,108	-	5,108	-	-	-	-	-
22	Power Operated Equipment	7	29,506	1,322	8,341	7,816	865	1,472	9,029	661
23	Communication Equipment Non-Telephone	7	1,167	52	330	309	34	58	357	26
24	Remote Control & Instrument	7	126,584	5,671	35,785	33,532	3,709	6,317	38,735	2,835
25	Communication Equipment Telephone	7	390,276	17,484	110,331	103,384	11,435	19,475	119,424	8,742
26	Communication Equipment Other	7	9,180	411	2,595	2,432	269	458	2,809	206
27	Miscellaneous Equipment	7	35,324	1,583	9,986	9,357	1,035	1,763	10,809	791
28	Other Tangible Plant	7	19,679	882	5,563	5,213	577	982	6,022	441
	Total Depreciation Expense		11,987,878	347,307	3,811,975	5,660,937	846,987	501,070	534,860	284,742

EPCOR WATER ARIZONA INC.
AGUA FRIA 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.

<u>Classification</u> (1)	<u>Average Daily Consumption, 1000 Gallons</u> (2)	<u>Allocation Factor</u> (5)
Residential	12,002	0.6740
Commercial/Public	5,804	0.3260
Fire Protection	0	0.0000
Total	<u>17,806</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.

<u>Customer Classification</u> (1)	<u>Average Daily Consumption, 1000 Gallons</u> (2)	<u>Peak Day Factor</u> (3)	<u>Rate of Flow, 1000 Gallons Per Day</u> (4)=(2)x(3)	<u>Allocation Factor</u> (5)
Residential	12,002	2.00	24,003	0.6967
Commercial/Public	5,804	1.80	10,447	0.3033
Total	<u>17,806</u>		<u>34,450</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
AGUA FRIA 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	500.1	4.00	2,000.3	0.7338
Commercial/Pubic	241.8	3.00	725.5	0.2662
	741.9		2,725.8	1.0000

EPCOR WATER ARIZONA INC.
AGUA FRIA 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	52,821	0.8813
Commercial/Public	7,117	0.1187
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>59,938</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	42,963	0.9427
Commercial/Public	1,591	0.0349
Fire Protection	1,020	0.0224
	<hr/>	<hr/>
Total	<u>45,574</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	42,503	0.9652
Commercial/Public	1,163	0.0264
Fire Protection	371	0.0084
	<hr/>	<hr/>
Total	<u>44,037</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
AGUA FRIA 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	117	1,872	
6 -inch	36.00	200	7,200	
8 -inch	64.00	53	3,392	
10 -inch	100.00	1	100	
12 -inch	144.00	2	288	
Private Hydrants	28.50		0	
Total Private Fire Protection		373	12,852	0.0639
<u>PUBLIC FIRE PROTECTION</u>				
<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	6,608	188,328
Total Public Fire Protection			6,608	188,328
Total Fire Protection			6,981	201,180
<u>REALLOCATE PUBLIC FIRE</u>				
		<u>Meter</u>	<u>Allocation</u>	<u>Allocation</u>
		<u>Equivalents</u>	<u>of Public Fire</u>	<u>Using Factor</u>
	Residential	52,821	0.8813	0.8250
	Commercial/Public	7,117	0.1187	0.1111
		59,938	1.0000	0.9361

EPCOR WATER ARIZONA INC.
AGUA FRIA 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	36,371	36,371	101	101	36,472	36,472
1	2.50	5,852	14,630	222	555	6,074	15,185
1-1/2	5.00	140	700	297	1,485	437	2,185
2	8.00	140	1,120	477	3,816	617	4,936
3	15.00	0	0	59	885	59	885
4	25.00	0	0	3	75	3	75
6	50.00	0	0	4	200	4	200
8	80.00	0	0	0	0	0	0
10	115.00	0	0	0	0	0	0
Total		<u>42,503</u>	<u>52,821</u>	<u>1,163</u>	<u>7,117</u>	<u>43,666</u>	<u>59,938</u>

**EPCOR WATER ARIZONA INC.
AGUA FRIA 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	36,371	36,371	101	101		0	36,472	36,472
1	1.06	5,852	6,203	222	235		0	6,074	6,438
1-1/2	1.28	140	179	297	380		0	437	559
2	1.50	140	210	477	716		0	617	926
3	2.37	0	0	59	140		0	59	140
4	2.50	0	0	3	8	117	293	120	301
6	2.79	0	0	4	11	200	558	204	569
8	3.11	0	0	0	0	53	165	53	165
10	4.12	0	0	0	0	1	4	1	4
12	4.65	0	0	0	0	2	9	2	9
Total		<u>42,503</u>	<u>42,963</u>	<u>1,163</u>	<u>1,591</u>	<u>371</u>	<u>1,020</u>	<u>44,039</u>	<u>45,583</u>

**EPCOR WATER ARIZONA INC.
AGUA FRIA 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	\$ 29,406,258	76.1%	\$ 32,121,924	73.7%	\$ 28,993,643	75.0%	\$ (3,128,282)	-9.7%
Commercial	9,063,943	23.5%	\$ 11,431,155	26.2%	9,554,538	24.7%	(1,876,617)	-16.4%
Private Fire	<u>148,418</u>	0.4%	<u>63,780</u>	0.1%	<u>70,158</u>	0.2%	<u>6,378</u>	10.0%
Total Sales	38,618,619	100.0%	43,616,859	<u>100.0%</u>	38,618,339	<u>99.9%</u>	(4,998,521)	-11.5%
Other Revenues	<u>1,164,664</u>		<u>1,088,262</u>		<u>1,164,664</u>		<u>76,403</u>	7.0%
Total	<u>\$ 39,783,283</u>		<u>\$ 44,705,121</u>		<u>\$ 39,783,003</u>		<u>\$ (4,922,118)</u>	-11.0%

**EPCOR WATER ARIZONA INC.
AGUA FRIA WATER DISTRICT**

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

Line no. No.	Cost Function	Factor Ref	Total Cost of Service	Residential	Commercial	Private Fire
	(1)	(2)	(3)	(4)	(5)	(6)
1						
2						
3	Commodity	A	\$ 1,762,843	\$ 1,188,156	\$ 574,687	\$ -
4						
5	Demand - Maximum Day	B	12,508,491	8,714,666	3,793,825	-
6						
7	Demand - Maximum Hour	C	15,804,043	11,597,007	4,207,036	-
8						
9	Customer Facilities - Meters	D	1,600,431	1,410,461	189,971	-
10						
11	Customer Facilities - Services	E	1,738,640	1,639,016	60,679	38,946
12						
13	Customer Accounting	F	4,019,342	3,879,468	106,111	33,762
14						
15	Direct Fire	G	1,184,829	977,484	131,634	75,711
16						
17	Total		<u>\$ 38,618,619</u>	<u>\$ 29,406,258</u>	<u>\$ 9,063,943</u>	<u>\$ 148,418</u>
18						