

**EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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	\$ 933,998	\$ 807,239	\$ 106,715	\$ 20,044
2. Other Revenues	8,340	7,812	521	7
3. Total Operating Revenues	\$ 942,338	\$ 815,051	\$ 107,236	\$ 20,051
4. Less: Operating Expenses	866,571	826,833	38,817	921
5. Return and Income Taxes	\$ 75,767	\$ (11,782)	\$ 68,419	\$ 19,130
6. Less: Interest Expense (Allocated by Rate Base)	52,628	49,696	2,910	21
7. Taxable Income	23,140	(61,479)	65,509	19,109
8. Less: Income Taxes (Allocated based on Line 7)	9,194	(24,428)	26,028	7,592
9. Net Return (Ln 5 - Ln 8)	\$ 66,573	\$ 12,646	\$ 42,391	\$ 11,538
10. Original Cost Measure of Value	\$ 2,359,991	\$ 2,228,332	\$ 130,617	\$ 1,042
11. Rate of Return, Percent	2.82%	0.57%	32.45%	1107.65%
12. Relative Rate of Return	1.00	0.20	11.51	392.66

**EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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	\$ 1,115,746	\$ 995,167	\$ 103,399	\$ 17,180
2. Other Revenues	10,224	9,584	632	8
3. Total Operating Revenues	\$ 1,125,970	\$ 1,004,751	\$ 104,031	\$ 17,188
4. Less: Operating Expenses	872,764	832,549	39,223	992
5. Return and Income Taxes	\$ 253,206	\$ 172,202	\$ 64,808	\$ 16,196
6. Less: Interest Expense (Allocated by Rate Base)	52,628	49,695	2,910	21
7. Taxable Income	200,578	122,507	61,898	16,175
8. Less: Income Taxes (Allocated based on Line 7)	77,837	47,543	24,021	6,274
9. Net Return (Ln 5 - Ln 8)	\$ 175,369	\$ 124,659	\$ 40,787	\$ 9,922
10. Original Cost Measure of Value	\$ 2,359,991	\$ 2,228,345	\$ 130,605	\$ 1,042
11. Rate of Return, Percent	7.43%	5.59%	31.23%	952.51%
12. Relative Rate of Return	1.00	0.75	4.20	128.18

**EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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	\$ 8,312	\$ 7,807	\$ 492	\$ 12
4						
5	Demand - Maximum Day	B	1,387,282	1,311,258	76,023	-
6						
7	Demand - Maximum Hour	C	694,076	662,426	31,650	-
8						
9	Customer Facilities - Meters	D	151,471	133,750	17,722	-
10						
11	Customer Facilities - Services	E	42,082	41,173	825	84
12						
13	Customer Accounting	F	48,287	47,586	666	34
14						
15	Direct Fire	G	28,483	24,345	3,227	911
16						
17	Total		<u>\$ 2,359,993</u>	<u>\$ 2,228,345</u>	<u>\$ 130,605</u>	<u>\$ 1,042</u>
18						

**EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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	\$ 72,867	\$ 68,445	\$ 4,314	\$ 109
4						
5	Demand - Maximum Day - Treatment and Pumping	B	267,588	252,923	14,664	-
6						
7	Demand - Maximum Hour	C	267,605	255,402	12,203	-
8						
9	Customer Facilities - Meters	D	19,457	17,180	2,276.43	-
10						
11	Customer Facilities - Services	E	70,919	69,387	1,390.01	142
12						
13	Customer Accounting	F	154,527	152,287	2,132	108
14						
15	Direct Fire	G	19,802	16,925	2,244	634
16						
17	Total		<u>\$ 872,765</u>	<u>\$ 832,549</u>	<u>\$ 39,223</u>	<u>\$ 992</u>
18						

**EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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	<b>RATE BASE</b>									
4	Organization	9	0	0	0	0	0	0	0	0
5	Franchises	9	0	0	0	0	0	0	0	0
6	Land & Land Rights Supply	1	0	0	0	0	0	0	0	0
7	Land & Land Rights Pumping	2	0	0	0	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	289,864	0	289,864	0	0	0	0	0
12	Structures & Improvements Pumping	3	0	0	0	0	0	0	0	0
13	Structures & Improvements Treatment	2	0	0	0	0	0	0	0	0
14	Structures & Improvements Trans & Dist	3	4,609	0	0	4,609	0	0	0	0
15	Structures & Improvements General	7	1,801	87	501	538	50	85	502	38
16	Structures & Improvements Offices	7	0	0	0	0	0	0	0	0
17	Structures & Improvements Leasehold	7	315	15	88	94	9	15	88	7
18	Structures & Improvements Store, Shop, Gge	7	0	0	0	0	0	0	0	0
19	Structures & Improvements Miscellaneous	7	0	0	0	0	0	0	0	0
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	1,236,628	0	1,236,628	0	0	0	0	0
23	Infiltration Galleries	2	0	0	0	0	0	0	0	0
24	Supply Mains	2	4,743	0	4,743	0	0	0	0	0
25	Power Production Equipment	3	5,746	0	0	5,746	0	0	0	0



**EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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	86,155	4,144	23,994	25,743	2,369	4,049	24,037	1,818
4	Transportation Equip Heavy Duty Trucks	7	1,260	61	351	377	35	59	352	27
5	Transportation Equip Other	7	500	24	139	149	14	24	140	11
6	Stores Equipment	7	0	0	0	0	0	0	0	0
7	Tools, Shop, Garage Equipment	7	29,569	1,422	8,235	8,835	813	1,390	8,250	624
8	Laboratory Equipment	2	3,404	0	3,404	0	0	0	0	0
9	Power Operated Equipment	7	15,974	768	4,449	4,773	439	751	4,457	337
10	Communication Equipment Non-Telephone	7	2,755	133	767	823	76	130	769	58
11	Remote Control & Instrument	7	746	36	208	223	21	35	208	16
12	Communication Equipment Telephone	7	272	13	76	81	7	13	76	6
13	Communication Equipment Other	7	2,658	128	740	794	73	125	742	56
14	Miscellaneous Equipment	7	5,756	277	1,603	1,720	158	271	1,606	121
15	Other Tangible Plant	7	12,260	590	3,414	3,663	337	576	3,421	259
16	Total Plant in Service		\$ 2,903,626	\$ 10,038	\$ 1,708,221	\$ 853,951	\$ 186,536	\$ 51,660	\$ 58,226	\$ 34,993
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9		0	0	0	0	0	0	0
20	Customer Advances	9	(64,721)	(214)	(38,153)	(19,034)	(4,168)	(1,146)	(1,230)	(777)
21	Contributions in Aid of Construction	9	(392,076)	(1,294)	(231,129)	(115,310)	(25,250)	(6,940)	(7,449)	(4,705)
22	Construction Work in Progress	2		0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	1,503	72	419	449	41	71	419	32
24	Utility Plant Acq. Adjustment	9	193,796	640	114,243	56,995	12,480	3,430	3,682	2,326
25	Customer Meter Deposits	4	0	0	0	0	0	0	0	0
26	Deferred Income Taxes	9	(282,135)	(931)	(166,318)	(82,976)	(18,169)	(4,994)	(5,361)	(3,386)
27	Deferred Debits	9	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
28	Regulatory Liabilities	9	0	0	0	0	0	0	0	0
29										
30	Total Other Rate Base Elements		(543,633)	(1,727)	(320,939)	(159,875)	(35,065)	(9,578)	(9,938)	(6,510)
31										
32	Total Original Cost Measure of Value		\$ 2,359,993	\$ 8,312	\$ 1,387,282	\$ 694,076	\$ 151,471	\$ 42,082	\$ 48,287	\$ 28,483

**EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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	12,323	\$ 12,323	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Labor - Treatment	2	19,318	-	19,318	-	-	-	-	-
8	Labor - Pumping	3	13,911	-	-	13,911	-	-	-	-
9	Labor - T&D Mains	6	55,123	-	1,907	53,216	-	-	-	-
10	Labor - T&D Storage	3	9,451	-	-	9,451	-	-	-	-
11	Labor - T&D Meters	4	7,057	-	-	-	7,057	-	-	-
12	Labor - T&D Services	4a	12,032	-	-	-	-	12,032	-	-
13	Labor - T&D Hydrants	12	5,401	-	-	-	-	-	-	5,401
14	Labor - Customer	5	35,623	-	-	-	-	-	35,623	-
15	Labor - Meter Reading	5	5,157	-	-	-	-	-	5,157	-
16	Labor - Administrative	7	-	-	-	-	-	-	-	-
17	Purchased Water	1	-	-	-	-	-	-	-	-
18	Fuel and Power	1	-	-	-	-	-	-	-	-
19	Chemicals	1	30,351	30,351	-	-	-	-	-	-
20	Waste Disposal	1	950	950	-	-	-	-	-	-
21	Corporate allocation	7	47,370	2,278	13,192	14,154	1,303	2,226	13,216	1,000
22	Outside Services	7	47,845	2,301	13,325	14,296	1,316	2,249	13,349	1,010
23	Group Insurance and Other Benefits	8	53,102	3,733	6,425	23,184	2,135	3,643	12,346	1,636
24	Pensions	8	-	-	-	-	-	-	-	-
25	Regulatory Expense	7	2,784	134	775	832	77	131	777	59
26	Insurance Other Than Group	7	10,828	521	3,015	3,235	298	509	3,021	228
27	Customer Accounting	5	40,025	-	-	-	-	-	40,025	-
28	Rents	7	5,676	273	1,581	1,696	156	267	1,584	120
29	General Office Expense	7	23,846	1,147	6,641	7,125	656	1,121	6,653	503
30	Miscellaneous	7	25,775	1,240	7,178	7,702	709	1,211	7,191	544
31	Maintenance Expense - Treatment	2	65,324	-	65,324	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		529,271	55,252	138,683	148,803	13,705	23,388	138,941	10,499





**EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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	3,428	-	-	-	-	-	-	3,428
4	Services	4a	43,542	-	-	-	-	43,542	-	-
5	Meters	4	8	-	-	-	8	-	-	-
6	Meter Installations	4	-	-	-	-	-	-	-	-
7	Hydrants	12	926	-	-	-	-	-	-	926
8	Back Flow Prevention Devices	4a	62	-	-	-	-	62	-	-
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	1	518	518	-	-	-	-	-	-
11	Other P/E-CPS/Intangible	9	193	1	114	57	12	3	4	2
12	Office Furniture & Equipment	7	1,661	80	463	496	46	78	464	35
13	Computer & Periphal Equipment	7	8,281	398	2,306	2,474	228	389	2,310	175
14	Computer Software	7	4,259	205	1,186	1,272	117	200	1,188	90
15	Other Office Equipment	7	-	-	-	-	-	-	-	-
16	Transportation Equip Light Duty Trucks	7	17,178	826	4,784	5,133	472	807	4,793	362
17	Transportation Equip Heavy Duty Trucks	7	191	9	53	57	5	9	53	4
18	Transportation Equipment Other	7	79	4	22	24	2	4	22	2
19	Stores Equipment	7	-	-	-	-	-	-	-	-
20	Tools,Shop,Garage Equipment	7	2,274	109	633	679	63	107	634	48
21	Laboratory Equipment	2	1,084	-	1,084	-	-	-	-	-
22	Power Operated Equipment	7	1,871	90	521	559	51	88	522	39
23	Communication Equipment Non-Telephone	7	1,356	65	378	405	37	64	378	29
24	Remote Control & Instrument	7	60	3	17	18	2	3	17	1
25	Communication Equipment Telephone	7	55	3	15	16	2	3	15	1
26	Communication Equipment Other	7	274	13	76	82	8	13	76	6
27	Miscellaneous Equipment	7	1,479	71	412	442	41	70	413	31
28	Other Tangible Plant	7	1,262	61	351	377	35	59	352	27
	Total Depreciation Expense		263,728	16,480	89,791	94,354	1,130	45,504	11,261	5,208



EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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			0.0346	0.9654					1.0000
16										
17	Factor 7 - Administrative and General									
18	Cost	23,951	138,683	0	148,803	13,705	23,388	138,941	10,499	487,471
19	Factor	0.0481	0.2785	0.0000	0.2988	0.0275	0.0470	0.2790	0.0211	1.0000
20										
21	Factor 8 - Labor Related Expenses									
22	Cost	12,323	21,225	0	76,579	7,057	12,032	40,780	5,401	175,396
23	Factor	0.0703	0.121	0	0.4366	0.0402	0.0686	0.2325	0.0308	1.0000
24										
25	Factor 9 - Rate Base Less Costs Allocated									
26	Cost	9,441	1,703,493	0	849,633	186,056	51,044	54,763	34,708	2,889,138
27	Factor	0.0033	0.5895	0	0.2941	0.0644	0.0177	0.019	0.012	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	8,312	1,387,282	0	694,076	151,471	42,082	48,287	28,483	2,359,993
31	Factor	0.0035	0.5878	0	0.2941	0.0642	0.0178	0.0205	0.0121	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	73,765	418,342	0	343,033	35,922	75,484	159,785	19,983	1,126,314
35	Factor	0.0655	0.3714	0	0.3046	0.0319	0.067	0.1419	0.0177	1.0000
36										
37	Factor 12 - Direct Fire								1.0000	1.0000

EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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	137.92	0.9393
Commercial/Public	8.70	0.0592
Fire Protection	0.22	0.0015
<b>Total</b>	<b>147</b>	<b>1.0000</b>

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	137.92	2.00	276	0.9452
Commercial/Public	8.70	1.80	16	0.0548
<b>Total</b>	<b>147</b>		<b>292</b>	<b>1.0000</b>

EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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 <u>(1)</u>	Average Hourly Consumption, 1000 Gallons <u>(2)</u>	Factor <u>(3)</u>	Rate of Flow, 1000 Gallons Per Hour <u>(4)=(2)x(3)</u>	<u>Allocation Factor (5)</u>
Residential	5.75	4.00	23.00	0.9544
Commercial/Pubic	0.36	3.00	1.10	0.0456
	<u>6.1</u>		24.1	1.0000

EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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	1,510	0.8830
Commercial/Public	200	0.1170
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>1,710</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	1,499	0.9784
Commercial/Public	30	0.0196
Fire Protection	3	0.0020
	<hr/>	<hr/>
Total	<u>1,532</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	1,498	0.9855
Commercial/Public	21	0.0138
Fire Protection	1	0.0007
	<hr/>	<hr/>
Total	<u>1,520</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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	1	36	
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>1</u>	<u>36</u>	0.0320
<u>PUBLIC FIRE PROTECTION</u>				
<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	<u>38</u>	<u>1,088</u>
Total Public Fire Protection			38	1,088
Total Fire Protection			39	1,124
<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	1,510	0.8830	0.8547
	Commercial/Public	200	0.1170	0.1133
		<u>1,710</u>	<u>1.0000</u>	<u>0.9680</u>



EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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	1,494	1,494	8	8	1,502	1,502
1	2.50	3	8	5	13	8	21
1-1/2	5.00	0	0	1	5	1	5
2	8.00	1	8	3	24	4	32
3	15.00	0	0	0	0	0	0
4	25.00	0	0	2	50	2	50
6	50.00	0	0	2	100	2	100
8	80.00	0	0	0	0	0	0
10	115.00	0	0	0	0	0	0
Total		<u>1,498</u>	<u>1,510</u>	<u>21</u>	<u>200</u>	<u>1,519</u>	<u>1,710</u>

EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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	1,494	1,494	8	8		0	1,502	1,502
1	1.06	3	3	5	5		0	8	8
1-1/2	1.28	0	0	1	1		0	1	1
2	1.50	1	2	3	5		0	4	7
3	2.37	0	0	0	0		0	0	0
4	2.50	0	0	2	5		0	2	5
6	2.79	0	0	2	6	1	3	3	9
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
<b>Total</b>		<u>1,498</u>	<u>1,499</u>	<u>21</u>	<u>30</u>	<u>1</u>	<u>3</u>	<u>1,520</u>	<u>1,532</u>

**EPCOR WATER ARIZONA INC.  
WILLOW VALLEY WATER DISTRICT**

**COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES  
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2016**

<b>Customer Classification</b>	<b>Cost of Service</b>		<b>Revenues, Present Rates</b>		<b>Revenues, Proposed Rates</b>		<b>Proposed Increase</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent Increase</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>	<b>(8)</b>	<b>(9)</b>
Residential	\$ 1,062,482	95.2%	\$ 807,239	86.5%	\$ 995,167	89.1%	\$ 187,928	23.3%
Commercial	52,604	4.7%	\$ 106,715	11.4%	103,399	9.4%	(3,316)	-3.1%
Private Fire	1,004	0.1%	20,044	2.1%	17,180	1.5%	(2,864)	-14.3%
Total Sales	1,116,090	100.0%	933,998	<u>100.0%</u>	1,115,746	<u>100.0%</u>	181,748	19.5%
Other Revenues	10,223		8,340		10,223		1,883	22.6%
Total	<u>\$ 1,126,313</u>		<u>\$ 942,338</u>		<u>\$ 1,125,969</u>		<u>\$ 183,631</u>	19.5%

**EPCOR WATER ARIZONA INC.  
WILLOW VALLEY 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	\$ 73,095	\$ 68,658	\$ 4,327	\$ 110
4						
5	Demand - Maximum Day	B	414,545	391,828	22,717	-
6						
7	Demand - Maximum Hour	C	339,919	324,419	15,500	-
8						
9	Customer Facilities - Meters	D	35,596	31,432	4,165	-
10						
11	Customer Facilities - Services	E	74,799	73,184	1,466	150
12						
13	Customer Accounting	F	158,334	156,037	2,185	111
14						
15	Direct Fire	G	19,802	16,925	2,244	634
16						
17	Total		<u>\$ 1,116,090</u>	<u>\$ 1,062,482</u>	<u>\$ 52,604</u>	<u>\$ 1,004</u>
18						