

Line No.	Description	End of Test Year				End of Adjusted Year			
		[A] Dollar Amount (a)	[B] Percent of Total	[C] Cost Rate (a)	[D] = [B] * [C] Weighted Cost	[E] Dollar Amount	[F] Percent of Total	[G] Cost Rate (a)	[H] = [F] * [G] Weighted Cost
1	Long-Term Debt	\$ 234,260,000	50.91%	4.30%	2.19%	\$ 242,820,000	51.81%	4.30%	2.23%
2	WIFA Loan *	\$ 637,306	0.14%	3.94%	0.01%	\$ 637,306	0.14%	3.94%	0.01%
3	Short-Term Debt	\$ -	0.00%	0.00%	0.00%	\$ -	0.00%	0.00%	0.00%
4	Stockholder's Equity	\$ 225,225,834	48.95%	10.60%	5.19%	\$ 225,225,834	48.06%	10.60%	5.09%
5	Totals	\$ 460,123,140	100.00%		7.39%	\$ 468,683,140	100.00%		7.33%
6		Sum Line (1-4)							

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56 Supporting Schedules:  
 57 D-2  
 58 E-4  
 59 2016 Annual Report  
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 61 \2016 EPCOR Arizona Water.xlsm  
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Recap Schedules:  
 A-1

Capital Structure for OCRB		End of Test Year						
Line No.	Description	[A] Dollar Amount	[B] Percent of Total	[C] Cost Rate (a)	[D] = [B] * [C] Weighted Cost			
1	Long-Term Debt	[B-1]*(A-5) \$ 192,548,222	51.79%	4.30%	2.23%			
	WIFA Loan	[B-2]*(A-5) \$ 637,306	0.17%	3.94%	0.01%	0.00%		
2	Short-Term Debt	[B-3]*(A-5) \$ -	0.00%	0.00%	0.00%			
3	Stockholder's Equity	[B-4]*(A-5) \$ 178,596,630	48.04%	10.60%	5.09%			
4	Totals	\$ 371,782,159	100.00%		7.33%			
5		Sum Line [1-4]						
6	Capital Structure for FVRB							
7		[I]	[J]	[K]	[L]	[M]	[N]	
8	Description	OCRB	OCRB	Amt Financing	FVRB	Cost	Fair Value	
9		Weight	Cost	OCRB	Weight		WACC	
10	Long-Term Debt	D1 pg 1 [F-1] 51.79% [A-4]	\$ 371,782,159 [I]*[J]	192,548,222 [K11]/[K18]	42.16%	4.30%	[M]*[N] 1.81%	
	WIFA Loan	D1 pg 1 [F-2] 0.17% [A-4]	\$ 371,782,159 [I]*[J]	637,306 [K12]/[K18]	0.14%	3.94%	[M]*[N] 0.01%	
11	Short-Term Debt	D1 pg 1 [F-3] 0.00% [A-4]	\$ 371,782,159 [I]*[J]	- [K13]/[K18]	0.00%	0.00%	[M]*[N] 0.00%	
12	Stockholder's Equity	D1 pg 1 [F-4] 48.04% [A-4]	\$ 371,782,159 [I]*[J]	178,596,630 [K14]/[K18]	39.10%	10.60%	[M]*[N] 4.14%	
13		100.00%		371,782,159				
14								
15	Fair Value Increment			84,975,912 [K17]/[K18]	18.60%	1.10%	0.20%	
16	Fair Value Rate base			456,758,071	100.00%		6.16%	
17								
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19	Fair Value Rate Base			Sch A1 456,758,071				
20	Less Original Cost Rate Base			Sch A1 371,782,159				
21	Difference			[20]-[19] 84,975,912				
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44	Supporting Schedules:	Recap Schedules:						
45	(a) D-2	A-1						
46	(b) B-1							
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49	\2016 EPCOR Arizona Water.xlsm							
	CHECK	Operating Income Requirement		FVRB 28,136,297	OCRB 27,251,632	CHECK 28,136,297	RCND 39,709,101	Check #REF!
					0.24%		-2.14%	

Line No.	End of Test Year			End of Adjusted Year			
	[A]	[B]	[C] = [B] / [A]	[D]	[E]	[F] = [D] / [E]	
	Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate	
1	<u>Long-Term Debt</u>						
2	(b) \$ 133,000,000	\$ 5,004,790	3.74%	(b) \$ 133,000,000	\$ 5,004,790	3.74%	
3	(b) \$ 98,000,000	\$ 4,922,540	5.00%	(b) \$ 98,000,000	\$ 4,922,540	5.00%	
4	(b) \$ 3,260,000	\$ 152,681	4.57%	(b) \$ 3,260,000	\$ 152,681	4.57%	
5	(b) \$ -	\$ -		(b) \$ 8,560,000	\$ 368,330	4.30%	
6	Totals	\$ 234,260,000	\$ 10,080,011	4.30%	\$ 242,820,000	\$ 10,448,341	4.30%
7							
8	(b) \$ 637,306	\$ 25,097	3.94%	(b) \$ 637,306	\$ 25,097	3.94%	
9							
10	<u>Common Equity</u>						
11	(a) \$ 5,126,020			(a) \$ 5,126,020			
12	(a) 203,889,486			(a) 203,889,486			
13	(a) 16,210,327			(a) 16,210,327			
14	Total Common Equity Excl OCI	\$ 225,225,834	Sum Line [10-12] Col [A]	10.60%	\$ 225,225,834	Sum Line [10-12] Col [D]	10.60%
15							
16	Other Comprehensive Income (OCI)	(a) (1,530,620)			-		
17	Total Common Equity	\$ 223,695,213			\$ 225,225,834		
18							
19							
20	<u>Other</u>						
21	(b) \$ 8,560,000	\$ 54,050	0.63%	(b) \$ -	\$ -	0.00%	
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24	Totals	\$ 467,152,520			\$ 468,683,140		
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42	Supporting Schedules:		Recap Schedules:				
43	(a) E-1		D-1				
44	(b) D-2						
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52	\2016 EPCOR Arizona Water.xlsm						

EPCOR WATER ARIZONA COMBINED  
At December 31, 2016  
COST OF REPLACEMENT DEBT

Exhibit  
Schedule D-2  
Page 2 of 2  
Witness: Hubbard

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Description	Principal Amount	Net Discount, Premium and Expense	Effective Net Principal	Issue Date	Maturity Date	Interest Rate	Annualized Cost	Weighted Cost
10 Yr. EPCOR Water USA Note	\$ 133,000,000	\$ 305,900	\$ 132,694,100	2/1/2012	12/15/2021	3.74%	\$ 5,004,790	3.77%
30 Yr. EPCOR Water USA Note	98,000,000	225,400	97,774,600	2/1/2012	12/15/2041	5.00%	4,922,540	5.03%
8 Yr. EPCOR Water USA Note	3,260,000	38,616	3,221,384			4.57%	152,681	4.74%
InterCompany from EPCOR Utilities Inc.	\$ 8,560,000	\$ -	\$ 8,560,000	12/15/2016	1/14/2017	0.63%	\$ 54,050	0.63%
<b>Subtotal-Other</b>	<b>\$ 8,560,000</b>		<b>\$ 8,560,000</b>				<b>\$ 54,050</b>	<b>0.63%</b>
WIFA Tubac note (at 12/31/16)	\$ 637,306	\$ -	\$ 637,306		11/1/2029	3.94%	\$ 25,097	3.94%

EPCOR Water Arizona Inc.  
At December 31, 2016

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Description	Principal Amount	Net Discount, Premium and Expense	Effective Net Principal	Issue Date	Maturity Date	Interest Rate	Annualized Cost	Weighted Cost
10 Yr. EPCOR Water USA Note	\$ 133,000,000	\$ 152,950	\$ 132,847,050	2/1/2012	12/15/2021	3.74%	\$ 4,989,495	3.76%
30 Yr. EPCOR Water USA Note	98,000,000	\$ 112,700	97,887,300	2/1/2012	12/15/2041	5.00%	4,903,757	5.01%
<b>Subtotal Long-Term Debt</b>	<b>\$ 231,000,000</b>	<b>\$ 265,650</b>	<b>\$ 230,734,350</b>				<b>\$ 9,893,252</b>	<b>4.29%</b>
InterCompany from EPCOR Utilities Inc.	\$ 8,560,000	\$ -	\$ 8,560,000	12/15/2015	1/15/2016	0.63%	\$ 54,050	0.63%
<b>Subtotal-Other</b>	<b>\$ 8,560,000</b>		<b>\$ 8,560,000</b>				<b>\$ 54,050</b>	<b>0.63%</b>
WIFA Tubac note (at 12/31/16)	\$ 637,306	\$ -	\$ 637,306		11/1/2029	3.94%	\$ 27,326	
<b>Total Debt</b>	<b>\$240,197,306</b>							

Source: 7/9/12 Suppl Compliance Filing-in Docket No. W-01303A-11-0101

CHAPARRAL CITY WATER COMPANY  
At December 31, 2016  
COST OF REPLACEMENT DEBT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Description	Principal Amount	Net Discount, Premium and Expense	Effective Net Principal	Issue Date	Maturity Date	Interest Rate	Annualized Cost	Weighted Cost
8 Yr. EPCOR Water USA Note	\$ 3,260,000	\$ 38,616	\$ 3,221,384	12/1/2014	12/1/2022	4.565%	\$ 150,106	4.66%
<b>Subtotal Long-Term Debt</b>	<b>\$ 3,260,000</b>	<b>\$ 38,616</b>	<b>\$ 3,221,384</b>				<b>\$ 150,106</b>	<b>4.66%</b>

Line

No.

1 The Company's rate application reflects a 10.6% return on common equity. See the direct testimony of Ms. Pauline M. Ahern.

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43 Supporting Schedules:

Recap Schedules:

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46 Workpapers & Supporting Documents

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