

**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	787,792	298,820	1,650
3. Total Operating Revenues	\$ 44,705,121	\$ 32,909,716	\$ 11,729,975	\$ 65,430
4. Less: Operating Expenses	32,089,975	24,221,616	7,737,685	130,675
5. Return and Income Taxes	\$ 12,615,146	\$ 8,688,100	\$ 3,992,290	\$ (65,245)
6. Less: Interest Expense (Allocated by Rate Base)	2,814,660	2,085,100	718,301	11,259
7. Taxable Income	9,800,486	6,603,000	3,273,988	(76,503)
8. Less: Income Taxes (Allocated based on Line 7)	2,569,918	1,731,354	858,610	(20,045)
9. Net Return (Ln 5 - Ln 8)	\$ 10,045,227	\$ 6,956,746	\$ 3,133,680	\$ (45,200)
10. Original Cost Measure of Value	\$ 127,081,738	\$ 94,150,105	\$ 32,429,232	\$ 502,401
11. Rate of Return, Percent	7.90%	7.39%	9.66%	-9.00%
12. Relative Rate of Return	1.00	0.93	1.22	-1.14

**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	\$ 41,748,832	\$ 31,382,210	\$ 10,296,464	\$ 70,158
2. Other Revenues	1,168,670	847,566	319,286	1,818
3. Total Operating Revenues	\$ 42,917,502	\$ 32,229,776	\$ 10,615,749	\$ 71,976
4. Less: Operating Expenses	31,980,934	24,133,063	7,722,288	125,583
5. Return and Income Taxes	\$ 10,936,568	\$ 8,096,713	\$ 2,893,462	\$ (53,607)
6. Less: Interest Expense (Allocated by Rate Base)	2,814,660	2,085,099	718,301	11,259
7. Taxable Income	8,121,908	6,011,614	2,175,161	(64,866)
8. Less: Income Taxes (Allocated based on Line 7)	2,133,272	1,579,048	571,290	(17,066)
9. Net Return (Ln 5 - Ln 8)	\$ 8,803,296	\$ 6,517,665	\$ 2,322,172	\$ (36,541)
10. Original Cost Measure of Value	\$ 127,081,740	\$ 94,153,821	\$ 32,425,376	\$ 502,543
11. Rate of Return, Percent	6.93%	6.92%	7.16%	-7.27%
12. Relative Rate of Return	1.00	1.00	1.03	-1.05

**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	\$ 1,083,681	\$ 730,401	\$ 353,280	\$ -
4						
5	Demand - Maximum Day	B	51,000,105	35,531,772	15,468,332	-
6						
7	Demand - Maximum Hour	C	57,387,638	42,111,049	15,276,589	-
8						
9	Customer Facilities - Meters	D	3,770,732	3,323,147	447,586	-
10						
11	Customer Facilities - Services	E	5,853,113	5,517,729	204,274	131,110
12						
13	Customer Accounting	F	2,502,746	2,415,650	66,073	21,023
14						
15	Direct Fire	G	5,483,725	4,524,073	609,242	350,410
16						
17	Total		<u>\$ 127,081,740</u>	<u>\$ 94,153,821</u>	<u>\$ 32,425,376</u>	<u>\$ 502,543</u>
18						

**EPCOR WATER ARIZONA INC.
 AGUA FRIA 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	\$ 7,433,174	\$ 5,009,960	\$ 2,423,215	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	7,503,624	5,227,774	2,275,849	-
6						
7	Demand - Maximum Hour	C	9,843,874	7,223,435	2,620,439	-
8						
9	Customer Facilities - Meters	D	1,214,915	1,070,705	144,210.44	-
10						
11	Customer Facilities - Services	E	1,116,661	1,052,676	38,971.47	25,013
12						
13	Customer Accounting	F	3,793,488	3,661,475	100,148	31,865
14						
15	Direct Fire	G	1,075,197	887,038	119,454	68,705
16						
17	Total		<u>\$ 31,980,933</u>	<u>\$ 24,133,063</u>	<u>\$ 7,722,288</u>	<u>\$ 125,583</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	494	556	37	57	23	53
5	Franchises	9	363,720	3,019	146,179	164,438	10,875	16,767	6,765	15,676
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	0	0	0	0	0	0	0	0
11	Structures & Improvements Supply	2	7,868,115	0	7,868,115	0	0	0	0	0
12	Structures & Improvements Pumping	3	7,885,156	0	0	7,885,156	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	4,686,690	0	0	4,686,690	0	0	0	0
15	Structures & Improvements General	7	12,995,689	579,608	3,675,181	3,429,562	379,474	647,185	3,994,875	289,804
16	Structures & Improvements Offices	7	247,122	11,022	69,886	65,216	7,216	12,307	75,965	5,511
17	Structures & Improvements Leasehold	7	9,210	411	2,604	2,430	269	459	2,831	205
18	Structures & Improvements Store,Shop,Gge	7	664	30	188	175	19	33	204	15
19	Structures & Improvements Miscellaneous	7	1,113	50	315	294	33	55	342	25
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	11,850,795	0	11,850,795	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	3,262,659	0	0	3,262,659	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	30,300,222	0	0	30,300,222	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	23,038,362	0	23,038,362	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	18,518,818	0	0	18,518,818	0	0	0	0
12	TD Mains Not Classified by Size	3	9,322,366	0	0	9,322,366	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	40,230,837	0	0	40,230,837	0	0	0	0
15	TD Mains 10in to 16in	2	34,421,849	0	34,421,849	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	96,350	0	0	0	0	0	0	96,350
18	Services	4a	12,979,208	0	0	0	0	12,979,208	0	0
19	Meters	4	6,941,717	0	0	0	6,941,717	0	0	0
20	Meter Installations	4	1,259,792	0	0	0	1,259,792	0	0	0
21	Meter Vaults	4	291,075	0	0	0	291,075	0	0	0
22	Hydrants	12	12,503,827	0	0	0	0	0	0	12,503,827
23	Other P/E- Supply	2	0	0	0	0	0	0	0	0
24	Other P/E-TD	3	77,347	0	0	77,347	0	0	0	0
25	Other P/E-CPS	9	1,373,807	11,403	552,133	621,098	41,077	63,333	25,553	59,211
26	Furniture and Equipment	7	265,720	11,851	75,146	70,123	7,759	13,233	81,682	5,926
27	Computer & Periphal Equipment	7	936,250	41,757	264,771	247,076	27,338	46,625	287,803	20,878
28	Computer Software	7	446,418	19,910	126,247	117,810	13,035	22,232	137,229	9,955
29	Other Office Equipment	7	1,171,582	52,253	331,323	309,180	34,210	58,345	360,144	26,126

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	(751,070)	(33,498)	(212,403)	(198,207)	(21,931)	(37,403)	(230,879)	(16,749)
4	Transportation Equip Heavy Duty Trucks	7	38,479	1,716	10,882	10,154	1,124	1,916	11,828	858
5	Transportation Equip Other	7	(54,392)	(2,426)	(15,382)	(14,354)	(1,588)	(2,709)	(16,720)	(1,213)
6	Stores Equipment	7	103,740	4,627	29,338	27,377	3,029	5,166	31,890	2,313
7	Tools, Shop, Garage Equipment	7	72,928	3,253	20,624	19,246	2,130	3,632	22,418	1,626
8	Laboratory Equipment	2	304,331	0	304,331	0	0	0	0	0
9	Power Operated Equipment	7	55,519	2,476	15,701	14,651	1,621	2,765	17,066	1,238
10	Communication Equipment Non-Telephone	7	(187,605)	(8,367)	(53,055)	(49,509)	(5,478)	(9,343)	(57,670)	(4,184)
11	Remote Control & Instrument	7	2,560,476	114,197	724,103	675,710	74,766	127,512	787,090	57,099
12	Communication Equipment Telephone	7	35,612	1,588	10,071	9,398	1,040	1,773	10,947	794
13	Communication Equipment Other	7	152,007	6,779	42,987	40,115	4,439	7,570	46,727	3,390
14	Miscellaneous Equipment	7	176,581	7,876	49,937	46,600	5,156	8,794	54,281	3,938
15	Other Tangible Plant	7		0	0	0	0	0	0	0
16	Total Plant in Service		\$ 303,219,876	\$ 2,529,223	\$ 121,825,856	\$ 137,083,983	\$ 9,078,234	\$ 13,969,512	\$ 5,650,396	\$ 13,082,673
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9		0	0	0	0	0	0	0
20	Customer Advances	9	(105,423,970)	(875,019)	(42,369,894)	(47,662,177)	(3,152,177)	(4,860,045)	(1,960,886)	(4,543,773)
21	Contributions in Aid of Construction	9	(75,655,336)	(627,939)	(30,405,879)	(34,203,777)	(2,262,095)	(3,487,711)	(1,407,189)	(3,260,745)
22	Construction Work in Progress	2		0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	442,315	19,727	125,087	116,727	12,916	22,027	135,968	9,864
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	(4,843,047)	(40,197)	(1,946,421)	(2,189,541)	(144,807)	(223,264)	(90,081)	(208,735)
27	Deferred Debits	9	12,677,855	105,226	5,095,230	5,731,658	379,068	584,449	235,808	546,416
28	Regulatory Liabilities	9	(3,294,038)	(27,341)	(1,323,874)	(1,489,235)	(98,492)	(151,855)	(61,269)	(141,973)
29										
30	Total Other Rate Base Elements		(176,138,137)	(1,445,543)	(70,825,751)	(79,696,346)	(5,307,502)	(8,116,399)	(3,147,649)	(7,598,947)
31										
32	Total Original Cost Measure of Value		\$ 127,081,740	\$ 1,083,681	\$ 51,000,105	\$ 57,387,638	\$ 3,770,732	\$ 5,853,113	\$ 2,502,746	\$ 5,483,725

**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	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	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	3,033	19,233	17,948	1,986	3,387	20,906	1,517
17	Purchased Water	1	2,899,881	2,899,881	-	-	-	-	-	-
18	Fuel and Power	1	2,864,716	2,864,716	-	-	-	-	-	-
19	Chemicals	1	795,306	795,306	-	-	-	-	-	-
20	Waste Disposal	1	31,732	31,732	-	-	-	-	-	-
21	Corporate allocation	7	1,171,967	52,270	331,432	309,282	34,221	58,364	360,263	26,135
22	Outside Services	7	637,503	28,433	180,286	168,237	18,615	31,748	195,969	14,216
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	-	-	-	-	-	-	-	-
26	Insurance Other Than Group	7	324,398	14,468	91,740	85,609	9,472	16,155	99,720	7,234
27	Customer Accounting	5	1,469,146	-	-	-	-	-	1,469,146	-
28	Rents	7	141,937	6,330	40,140	37,457	4,145	7,068	43,631	3,165
29	General Office Expense	7	420,529	18,756	118,926	110,978	12,279	20,942	129,271	9,378
30	Miscellaneous	7	102,222	4,559	28,909	26,976	2,985	5,091	31,423	2,280
31	Maintenance Expense - Treatment	2	964,564	-	964,564	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		16,952,195	7,053,849	2,930,503	2,734,078	302,355	515,658	3,184,500	231,252

**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	269,601	269,601	-	-	-	-	-	-
7	Structures & Improvements Pumping	3	234,718	-	-	234,718	-	-	-	-
8	Structures & Improvements Treatment	2	282,793	-	282,793	-	-	-	-	-
9	Structures & Improvements Trans & Dist	3	141,131	-	-	141,131	-	-	-	-
10	Structures & Improvements General	7	378,431	16,878	107,020	99,868	11,050	18,846	116,330	8,439
11	Structures & Improvements Offices	7	7,721	344	2,183	2,037	225	384	2,373	172
12	Structures & Improvements Leasehold	7	318	14	90	84	9	16	98	7
13	Structures & Improvements Store,Shop,Gge	7	20	1	6	5	1	1	6	0
14	Structures & Improvements Miscellaneous	7	38	2	11	10	1	2	12	1
15	Collect & Impounding	2	16,596	-	16,596	-	-	-	-	-
16	Lake, River & Other Intakes	2	16,240	-	16,240	-	-	-	-	-
17	Wells & Springs	2	421,982	-	421,982	-	-	-	-	-
18	Infiltration Galleries	2	-	-	-	-	-	-	-	-
19	Supply Mains	2	38,743	-	38,743	-	-	-	-	-
20	Power Production Equipment	3	147,631	-	-	147,631	-	-	-	-
21	Power Production Equipment	3	-	-	-	-	-	-	-	-
22	Pumping Equipment Steam	3	-	-	-	-	-	-	-	-
23	Pumping Equipment Electric	3	2,934,463	-	-	2,934,463	-	-	-	-
24	Pumping Equipment Diesel	3	624	-	-	624	-	-	-	-
25	Pumping Equipment Hydraulic	3	-	-	-	-	-	-	-	-
26	Pumping Equipment Other	3	134,761	-	-	134,761	-	-	-	-
27	Pumping Equipment Water Treatment	3	73,441	-	-	73,441	-	-	-	-
28	Water Treatment Equipment Non-Media	2	1,394,022	-	1,394,022	-	-	-	-	-
29	Water Treatment Equipment Filter Media	2	157,892	-	157,892	-	-	-	-	-
30	Distribution Reservoirs & Standpipes	3	286,091	-	-	286,091	-	-	-	-
31	Elevated Tank & Standpipes	3	600	-	-	600	-	-	-	-
32	Ground Level Tanks	3	657	-	-	657	-	-	-	-
33	Below Ground Tanks	3	4,226	-	-	4,226	-	-	-	-
34	Clearwell	3	65,265	-	-	65,265	-	-	-	-
35	TD Mains Not Classified by Size	3	164,981	-	-	164,981	-	-	-	-
36	TD Mains 4in & Less	3	332,514	-	-	332,514	-	-	-	-
37	TD Mains 6in to 8in	3	710,355	-	-	710,355	-	-	-	-
38	TD Mains 10in to 16in	2	607,075	-	607,075	-	-	-	-	-
39	TD Mains 18in & Grtr	2	375,973	-	375,973	-	-	-	-	-

**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	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	414,223	-	-	-	-	414,223	-	-
5	Meters	4	750,299	-	-	-	750,299	-	-	-
6	Meter Installations	4	44,121	-	-	-	44,121	-	-	-
7	Meter Vaults	4	3,946	-	-	-	3,946	-	-	-
8	Hydrants	12	246,361	-	-	-	-	-	-	246,361
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	2	-	-	-	-	-	-	-	-
11	Other P/E-CPS	9	-	-	-	-	-	-	-	-
12	Office Furniture & Equipment	7	86,599	3,862	24,490	22,853	2,529	4,313	26,620	1,931
13	Computer & Periphal Equipment	7	27,372	1,221	7,741	7,223	799	1,363	8,414	610
14	Computer Software	7	239,731	10,692	67,796	63,265	7,000	11,939	73,693	5,346
15	Other Office Equipment	7	188,826	8,422	53,400	49,831	5,514	9,404	58,045	4,211
16	Transportation Equip Light Duty Trucks	7	-	-	-	-	-	-	-	-
17	Transportation Equip Heavy Duty Trucks	7	150,237	6,701	42,487	39,648	4,387	7,482	46,183	3,350
18	Transportation Equipment Other	7	10,940	488	3,094	2,887	319	545	3,363	244
19	Stores Equipment	7	20,113	897	5,688	5,308	587	1,002	6,183	449
20	Tools,Shop,Garage Equipment	7	-	-	-	-	-	-	-	-
21	Laboratory Equipment	2	8,038	-	8,038	-	-	-	-	-
22	Power Operated Equipment	7	29,521	1,317	8,349	7,791	862	1,470	9,075	658
23	Communication Equipment Non-Telephone	7	1,168	52	330	308	34	58	359	26
24	Remote Control & Instrument	7	123,054	5,488	34,800	32,474	3,593	6,128	37,827	2,744
25	Communication Equipment Telephone	7	390,849	17,432	110,532	103,145	11,413	19,464	120,147	8,716
26	Communication Equipment Other	7	9,184	410	2,597	2,424	268	457	2,823	205
27	Miscellaneous Equipment	7	35,340	1,576	9,994	9,326	1,032	1,760	10,864	788
28	Other Tangible Plant	7	19,755	881	5,587	5,213	577	984	6,073	441
	Total Depreciation Expense		11,998,578	346,278	3,805,547	5,685,161	848,567	499,839	528,487	284,700

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.

Classification (1)	Average Daily Consumption, 1000 Gallons (2)	Allocation Factor (5)
Residential	12,002	0.6740
Commercial/Public	5,804	0.3260
Fire Protection	0	0.0000
Total	17,806	1.0000

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	12,002	2.00	24,003	0.6967
Commercial/Public	5,804	1.80	10,447	0.3033
Total	17,806		34,450	1.0000

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		<u>373</u>	<u>12,852</u>	0.0639

PUBLIC FIRE PROTECTION

<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	<u>6,608</u>	<u>188,328</u>
Total Public Fire Protection			6,608	188,328
Total Fire Protection			6,981	201,180

REALLOCATE PUBLIC FIRE

	<u>Meter Equivalents</u>	<u>Allocation of Public Fire</u>	<u>Allocation of Public Fire Using Factor</u>
Residential	52,821	0.8813	0.8250
Commercial/Public	7,117	0.1187	0.1111
	<u>59,938</u>	<u>1.0000</u>	<u>0.9361</u>

**EPCOR WATER ARIZONA INC.
 AGUA FRIA 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	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		42,503	52,821	1,163	7,117	43,666	59,938

**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	\$ 31,343,236	75.1%	\$ 32,121,924	73.7%	\$ 31,382,210	75.1%	\$ (739,714)	-2.3%
Commercial	10,267,916	24.6%	\$ 11,431,155	26.2%	10,296,464	24.7%	(1,134,691)	-9.9%
Private Fire	<u>138,054</u>	0.3%	<u>63,780</u>	0.1%	<u>70,158</u>	0.2%	<u>6,378</u>	10.0%
Total Sales	41,749,206	100.0%	43,616,859	<u>100.0%</u>	41,748,832	<u>100.0%</u>	(1,868,028)	-4.3%
Other Revenues	<u>1,168,670</u>		<u>1,088,262</u>		<u>1,168,670</u>		<u>80,408</u>	7.4%
Total	<u>\$ 42,917,875</u>		<u>\$ 44,705,121</u>		<u>\$ 42,917,501</u>		<u>\$ (1,787,620)</u>	-4.0%

**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 (1)	Factor Ref (2)	Total Cost of Service (3)	Residential (4)	Commercial (5)	Private Fire (6)
1						
2						
3	Commodity	A	\$ 7,401,898	\$ 4,988,879	\$ 2,413,019	\$ -
4						
5	Demand - Maximum Day	B	11,438,301	7,969,064	3,469,237	-
6						
7	Demand - Maximum Hour	C	14,741,831	10,817,556	3,924,275	-
8						
9	Customer Facilities - Meters	D	1,527,372	1,346,074	181,299	-
10						
11	Customer Facilities - Services	E	1,614,727	1,522,204	56,354	36,170
12						
13	Customer Accounting	F	3,949,879	3,812,422	104,277	33,179
14						
15	Direct Fire	G	1,075,197	887,038	119,454	68,705
16						
17	Total		<u>\$ 41,749,206</u>	<u>\$ 31,343,236</u>	<u>\$ 10,267,916</u>	<u>\$ 138,054</u>
18						