

**EPCOR WATER ARIZONA INC.
 HAVASU 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	\$ 1,786,483	\$ 1,587,507	\$ 198,975	\$ -
2. Other Revenues	15,270	13,683	1,587	-
3. Total Operating Revenues	\$ 1,801,752	\$ 1,601,190	\$ 200,562	\$ -
4. Less: Operating Expenses	1,493,534	1,366,618	126,916	-
5. Return and Income Taxes	\$ 308,218	\$ 234,572	\$ 73,646	\$ -
6. Less: Interest Expense (Allocated by Rate Base)	121,679	110,338	11,340	-
7. Taxable Income	186,539	124,233	62,306	-
8. Less: Income Taxes (Allocated based on Line 7)	48,084	32,024	16,060	-
9. Net Return (Ln 5 - Ln 8)	\$ 260,134	\$ 202,548	\$ 57,586	\$ -
10. Original Cost Measure of Value	\$ 5,316,671	\$ 4,821,391	\$ 495,280	\$ -
11. Rate of Return, Percent	4.89%	4.20%	11.63%	
12. Relative Rate of Return	1.00	0.86	2.38	

**EPCOR WATER ARIZONA INC.
 HAVASU 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	\$ 1,951,669	\$ 1,740,525	\$ 211,144	\$ -
2. Other Revenues	21,382	19,176	2,206	-
3. Total Operating Revenues	\$ 1,973,052	\$ 1,759,701	\$ 213,350	\$ -
4. Less: Operating Expenses	1,498,945	1,371,574	127,370	-
5. Return and Income Taxes	\$ 474,107	\$ 388,127	\$ 85,980	\$ -
6. Less: Interest Expense (Allocated by Rate Base)	121,679	110,337	11,340	-
7. Taxable Income	352,428	277,790	74,640	-
8. Less: Income Taxes (Allocated based on Line 7)	89,872	70,837	19,035	-
9. Net Return (Ln 5 - Ln 8)	\$ 384,235	\$ 317,290	\$ 66,945	\$ -
10. Original Cost Measure of Value	\$ 5,316,672	\$ 4,821,414	\$ 495,258	\$ -
11. Rate of Return, Percent	7.23%	6.58%	13.52%	
12. Relative Rate of Return	1.00	0.91	1.87	

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**EPCOR WATER ARIZONA INC.
 HAVASU 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	\$ 34,772	\$ 30,335	\$ 4,437	\$ -
4						
5	Demand - Maximum Day	B	1,644,315	1,452,587	191,727	-
6						
7	Demand - Maximum Hour	C	2,410,486	2,172,330	238,156	-
8						
9	Customer Facilities - Meters	D	153,899	137,540	16,359	-
10						
11	Customer Facilities - Services	E	939,831	902,426	37,405	-
12						
13	Customer Accounting	F	67,607	67,423	183	-
14						
15	Direct Fire	G	65,764	58,773	6,991	-
16						
17	Total		<u>\$ 5,316,673</u>	<u>\$ 4,821,414</u>	<u>\$ 495,258</u>	<u>\$ -</u>
18						

**EPCOR WATER ARIZONA INC.
 HAVASU 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	\$ 236,057	\$ 205,937	\$ 30,121	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	375,087	331,351	43,735	-
6						
7	Demand - Maximum Hour	C	416,813	375,632	41,181	-
8						
9	Customer Facilities - Meters	D	48,541	43,381	5,159.89	-
10						
11	Customer Facilities - Services	E	94,432	90,674	3,758.40	-
12						
13	Customer Accounting	F	303,605	302,785	820	-
14						
15	Direct Fire	G	24,410	21,815	2,595	-
16						
17	Total		<u>\$ 1,498,945</u>	<u>\$ 1,371,574</u>	<u>\$ 127,370</u>	<u>\$ -</u>
18						

**EPCOR WATER ARIZONA INC.
 HAVASU 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	<u>RATE BASE</u>									
4	Organization	9	10,144	67	3,139	4,593	295	1,789	136	125
5	Franchises	9	0	0	0	0	0	0	0	0
6	Land & Land Rights Supply	1	47,343	47,343	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	(94,968)	0	(94,968)	0	0	0	0	0
12	Structures & Improvements Pumping	3	90,971	0	0	90,971	0	0	0	0
13	Structures & Improvements Treatment	2	1,826,210	0	1,826,210	0	0	0	0	0
14	Structures & Improvements Trans & Dist	3	0	0	0	0	0	0	0	0
15	Structures & Improvements General	7	3,722	129	1,086	908	95	162	1,269	73
16	Structures & Improvements Offices	7	15,764	545	4,598	3,845	404	687	5,375	309
17	Structures & Improvements Leasehold	7	371	13	108	90	9	16	126	7
18	Structures & Improvements Store,Shop,Gge	7	0	0	0	0	0	0	0	0
19	Structures & Improvements Miscellaneous	7	45	2	13	11	1	2	15	1
20	Collect & Impounding	2	76,364	0	76,364	0	0	0	0	0
21	Lake, River & Other Intakes	2	0	0	0	0	0	0	0	0
22	Wells & Springs	2	135,264	0	135,264	0	0	0	0	0
23	Infiltration Galleries	2	0	0	0	0	0	0	0	0
24	Supply Mains	2	0	0	0	0	0	0	0	0
25	Power Production Equipment	3	(15,653)	0	0	(15,653)	0	0	0	0

**EPCOR WATER ARIZONA INC.
 HAVASU 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	877,072	0	0	877,072	0	0	0	0
6	Pumping Equipment Hydraulic	3	0	0	0	0	0	0	0	0
7	Pumping Equipment Other	3	0	0	0	0	0	0	0	0
8	Pumping Equipment Water Treatment	2	10,681	0	10,681	0	0	0	0	0
9	Water Treatment Equipment Non-Media	2	72,497	0	72,497	0	0	0	0	0
10	Water Treatment Equipment Filter Media	2	23,347	0	23,347	0	0	0	0	0
11	Distribution Reservoirs & Standpipes	3	804,442	0	0	804,442	0	0	0	0
12	TD Mains Not Classified by Size	3	879,673	0	0	879,673	0	0	0	0
13	TD Mains 4in & Less	3	522,917	0	0	522,917	0	0	0	0
14	TD Mains 6in to 8in	3	843,379	0	0	843,379	0	0	0	0
15	TD Mains 10in to 16in	2	598,770	0	598,770	0	0	0	0	0
16	TD Mains 18in & Grtr	2	0	0	0	0	0	0	0	0
17	Fire Mains	12	104,629	0	0	0	0	0	0	104,629
18	Services	4a	1,578,913	0	0	0	0	1,578,913	0	0
19	Meters	4	234,395	0	0	0	234,395	0	0	0
20	Meter Installations	4	19,399	0	0	0	19,399	0	0	0
21	Meter Vaults	4	0	0	0	0	0	0	0	0
22	Hydrants	12	0	0	0	0	0	0	0	0
23	Other P/E- Supply	2	42,924	0	42,924	0	0	0	0	0
24	Other P/E-TD	3	2,744	0	0	2,744	0	0	0	0
25	Other P/E-CPS/Intangible	9	67,437	445	20,865	30,536	1,962	11,896	904	829
26	Furniture and Equipment	7	7,623	264	2,224	1,859	195	332	2,600	149
27	Computer & Periphal Equipment	7	29,844	1,033	8,706	7,279	764	1,301	10,177	585
28	Computer Software	7	17,798	616	5,192	4,341	456	776	6,069	349
29	Other Office Equipment	7	301,775	10,441	88,028	73,603	7,725	13,157	102,905	5,915

**EPCOR WATER ARIZONA INC.
 HAVASU 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	(214,198)	(7,411)	(62,481)	(52,243)	(5,483)	(9,339)	(73,041)	(4,198)
4	Transportation Equip Heavy Duty Trucks	7	1,481	51	432	361	38	65	505	29
5	Transportation Equip Other	7	1,532	53	447	374	39	67	523	30
6	Stores Equipment	7	0	0	0	0	0	0	0	0
7	Tools, Shop, Garage Equipment	7	79,614	2,755	23,223	19,418	2,038	3,471	27,148	1,560
8	Laboratory Equipment	2	126	0	126	0	0	0	0	0
9	Power Operated Equipment	7	45,863	1,587	13,378	11,186	1,174	2,000	15,639	899
10	Communication Equipment Non-Telephone	7	2,365	82	690	577	61	103	807	46
11	Remote Control & Instrument	7	37,771	1,307	11,018	9,212	967	1,647	12,880	740
12	Communication Equipment Telephone	7	319	11	93	78	8	14	109	6
13	Communication Equipment Other	7	17,988	622	5,247	4,387	460	784	6,134	353
14	Miscellaneous Equipment	7	5,767	200	1,682	1,406	148	251	1,966	113
15	Other Tangible Plant	7		0	0	0	0	0	0	0
16	Total Plant in Service		\$ 9,114,463	\$ 60,154	\$ 2,818,900	\$ 4,127,366	\$ 265,151	\$ 1,608,096	\$ 122,246	\$ 112,550
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9		0	0	0	0	0	0	0
20	Customer Advances	9	(688,141)	(4,542)	(212,911)	(311,590)	(20,025)	(121,388)	(9,221)	(8,464)
21	Contributions in Aid of Construction	9	(2,819,045)	(18,606)	(872,213)	(1,276,464)	(82,034)	(497,280)	(37,775)	(34,674)
22	Construction Work in Progress	2		0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	(11,476)	(397)	(3,348)	(2,799)	(294)	(500)	(3,913)	(225)
24	Utility Plant Acq. Adjustment	9	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
25	Customer Meter Deposits	4	(800)	0	0	0	(800)	0	0	0
26	Deferred Income Taxes	9	(194,906)	(1,286)	(60,304)	(88,253)	(5,672)	(34,381)	(2,612)	(2,397)
27	Deferred Debits	9	49,310	325	15,257	22,328	1,435	8,698	661	607
28	Regulatory Liabilities	9	(132,732)	(876)	(41,067)	(60,101)	(3,863)	(23,414)	(1,779)	(1,633)
29										
30	Total Other Rate Base Elements		(3,797,790)	(25,381)	(1,174,586)	(1,716,880)	(111,252)	(668,265)	(54,639)	(46,787)
31										
32	Total Original Cost Measure of Value		\$ 5,316,673	\$ 34,772	\$ 1,644,315	\$ 2,410,486	\$ 153,899	\$ 939,831	\$ 67,607	\$ 65,764

**EPCOR WATER ARIZONA INC.
 HAVASU 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	15,325	\$ 15,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Labor - Treatment	2	24,023	-	24,023	-	-	-	-	-
8	Labor - Pumping	3	17,299	-	-	17,299	-	-	-	-
9	Labor - T&D Mains	6	88,513	-	12,941	75,572	-	-	-	-
10	Labor - T&D Storage	3	15,176	-	-	15,176	-	-	-	-
11	Labor - T&D Meters	4	11,331	-	-	-	11,331	-	-	-
12	Labor - T&D Services	4a	19,320	-	-	-	-	19,320	-	-
13	Labor - T&D Hydrants	12	8,672	-	-	-	-	-	-	8,672
14	Labor - Customer	5	103,593	-	-	-	-	-	103,593	-
15	Labor - Meter Reading	5	273	-	-	-	-	-	273	-
16	Labor - Administrative	7	-	-	-	-	-	-	-	-
17	Purchased Water	1	182	182	-	-	-	-	-	-
18	Fuel and Power	1	170,573	170,573	-	-	-	-	-	-
19	Chemicals	1	32,921	32,921	-	-	-	-	-	-
20	Waste Disposal	1	90	90	-	-	-	-	-	-
21	Corporate allocation	7	61,174	2,117	17,844	14,920	1,566	2,667	20,860	1,199
22	Outside Services	7	33,046	1,143	9,640	8,060	846	1,441	11,269	648
23	Group Insurance and Other Benefits	8	108,597	5,484	13,216	38,660	4,051	6,918	37,162	3,106
24	Pensions	8	-	-	-	-	-	-	-	-
25	Regulatory Expense	7	-	-	-	-	-	-	-	-
26	Insurance Other Than Group	7	18,389	636	5,364	4,485	471	802	6,271	360
27	Customer Accounting	5	64,063	-	-	-	-	-	64,063	-
28	Rents	7	7,409	256	2,161	1,807	190	323	2,526	145
29	General Office Expense	7	58,810	2,035	17,155	14,344	1,506	2,564	20,054	1,153
30	Miscellaneous	7	5,755	199	1,679	1,404	147	251	1,962	113
31	Maintenance Expense - Treatment	2	125,323	-	125,323	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		989,858	230,962	229,346	191,728	20,107	34,285	268,034	15,396

**EPCOR WATER ARIZONA INC.
 HAVASU 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	38,700	-	-	-	-	38,700	-	-
5	Meters	4	22,310	-	-	-	22,310	-	-	-
6	Meter Installations	4	580	-	-	-	580	-	-	-
7	Meter Vaults	4	-	-	-	-	-	-	-	-
8	Hydrants	12	-	-	-	-	-	-	-	-
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	2	3,530	-	3,530	-	-	-	-	-
11	Other P/E-CPS/Intangible	9	-	-	-	-	-	-	-	-
12	Office Furniture & Equipment	7	3,927	136	1,145	958	101	171	1,339	77
13	Computer & Periphral Equipment	7	960	33	280	234	25	42	327	19
14	Computer Software	7	11,346	393	3,310	2,767	290	495	3,869	222
15	Other Office Equipment	7	7,693	266	2,244	1,876	197	335	2,623	151
16	Transportation Equip Light Duty Trucks	7	-	-	-	-	-	-	-	-
17	Transportation Equip Heavy Duty Trucks	7	37,049	1,282	10,807	9,036	948	1,615	12,634	726
18	Transportation Equipment Other	7	224	8	65	55	6	10	76	4
19	Stores Equipment	7	238	8	69	58	6	10	81	5
20	Tools,Shop,Garage Equipment	7	-	-	-	-	-	-	-	-
21	Laboratory Equipment	2	4,222	-	4,222	-	-	-	-	-
22	Power Operated Equipment	7	16	1	5	4	0	1	5	0
23	Communication Equipment Non-Telephone	7	1,227	42	358	299	31	53	418	24
24	Remote Control & Instrument	7	5,097	176	1,487	1,243	130	222	1,738	100
25	Communication Equipment Telephone	7	4,675	162	1,364	1,140	120	204	1,594	92
26	Communication Equipment Other	7	64	2	19	16	2	3	22	1
27	Miscellaneous Equipment	7	3,667	127	1,070	894	94	160	1,250	72
28	Other Tangible Plant	7	609	21	178	148	16	27	208	12
	Total Depreciation Expense		388,276	3,420	114,083	174,937	24,930	42,174	27,170	1,562

EPCOR WATER ARIZONA INC.
 HAVASU 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	394	0.8724
Commercial/Public	58	0.1276
Fire Protection	0	0.0000
Total	452	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	394	2.00	788	0.8834
Commercial/Public	58	1.80	104	0.1166
Total	452		892	1.0000

EPCOR WATER ARIZONA INC.
 HAVASU 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	16.4	4.00	65.7	0.9012
Commercial/Pubic	2.4	3.00	7.2	0.0988
	18.8		72.9	1.0000

EPCOR WATER ARIZONA INC.
 HAVASU 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	2,177	0.8937
Commercial/Public	259	0.1063
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>2,436</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	1,735	0.9602
Commercial/Public	72	0.0398
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>1,807</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	20,912	0.9973
Commercial/Public	56	0.0027
Fire Protection	0	0.0000
	<hr/>	<hr/>
Total	<u>20,968</u>	<u>1.0000</u>

EPCOR WATER ARIZONA INC.
 HAVASU 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	0	0	
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>0</u>	<u>0</u>	0.0000

PUBLIC FIRE PROTECTION

<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6" Valve	2- 2-1/2" & 1 - 4"	28.5	<u>0</u>	
Total Public Fire Protection			0	1.0000
Total Fire Protection			0	1.0000

REALLOCATE PUBLIC FIRE

	<u>Meter Equivalents</u>	<u>Allocation of Public Fire</u>	<u>Allocation of Public Fire Using Factor</u>
Residential	2,177	0.8937	0.8937
Commercial/Public	259	0.1063	0.1063
	<u>2,436</u>	<u>1.0000</u>	<u>1.0000</u>

**EPCOR WATER ARIZONA INC.
 HAVASU 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	1,689	1,689	24	24	1,713	1,713
1	2.50	5	13	9	23	14	36
1-1/2	5.00	0	0	0	0	0	0
2	8.00	0	0	19	152	19	152
3	15.00	0	0	4	60	4	60
4	25.00	13	325	0	0	13	325
6	50.00	3	150	0	0	3	150
8	80.00	0	0	0	0	0	0
10	115.00	0	0	0	0	0	0
Total		<u>1,710</u>	<u>2,177</u>	<u>56</u>	<u>259</u>	<u>1,766</u>	<u>2,436</u>

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

Service Size	3/4" Equivalent	Residential		Commercial		Fire Projection		Total	
		Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)=(2)X(7)	(9)	(10)
3/4	1.00	1,689	1,689	24	24		0	1,713	1,713
1	1.06	5	5	9	10		0	14	15
1-1/2	1.28	0	0	0	0		0	0	0
2	1.50	0	0	19	29		0	19	29
3	2.37	0	0	4	9		0	4	9
4	2.50	13	33	0	0		0	13	33
6	2.79	3	8	0	0		0	3	8
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
Total		<u>1,710</u>	<u>1,735</u>	<u>56</u>	<u>72</u>	<u>0</u>	<u>0</u>	<u>1,766</u>	<u>1,807</u>

**EPCOR WATER ARIZONA INC.
 HAVASU 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	\$ 1,782,181	91.3%	\$ 1,587,507	88.9%	\$ 1,740,480	89.1%	\$ 152,972	9.6%
Commercial	169,612	8.7%	198,975	11.1%	211,144	10.9%	12,169	6.1%
Private Fire	-	0.0%	-	0.0%	-	0.0%	-	
Total Sales	1,951,793	100.0%	1,786,483	<u>100.0%</u>	1,951,624	<u>100.0%</u>	165,141	9.2%
Other Revenues	21,383		15,270		21,383		6,112	40.0%
Total	<u>\$ 1,973,176</u>		<u>\$ 1,801,753</u>		<u>\$ 1,973,006</u>		<u>\$ 171,254</u>	9.5%

**EPCOR WATER ARIZONA INC.
 HAVASU WATER DISTRICT**

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

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	\$ 236,585	\$ 206,397	\$ 30,188	\$ -
4						
5	Demand - Maximum Day	B	517,852	457,470	60,382	-
6						
7	Demand - Maximum Hour	C	627,532	565,532	62,000	-
8						
9	Customer Facilities - Meters	D	61,735	55,173	6,562	-
10						
11	Customer Facilities - Services	E	177,337	170,279	7,058	-
12						
13	Customer Accounting	F	306,343	305,515	827	-
14						
15	Direct Fire	G	24,410	21,815	2,595	-
16						
17	Total		<u>\$ 1,951,794</u>	<u>\$ 1,782,181</u>	<u>\$ 169,612</u>	<u>\$ -</u>
18						