

**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	\$ 934,165	\$ 807,239	\$ 106,881	\$ 20,044
2. Other Revenues	8,339	7,813	519	7
3. Total Operating Revenues	\$ 942,503	\$ 815,052	\$ 107,400	\$ 20,051
4. Less: Operating Expenses	875,179	834,832	39,419	929
5. Return and Income Taxes	\$ 67,324	\$ (19,780)	\$ 67,981	\$ 19,123
6. Less: Interest Expense (Allocated by Rate Base)	52,628	49,712	2,895	21
7. Taxable Income	14,696	(69,492)	65,087	19,102
8. Less: Income Taxes (Allocated based on Line 7)	2,768	(13,087)	12,257	3,597
9. Net Return (Ln 5 - Ln 8)	\$ 64,557	\$ (6,693)	\$ 55,724	\$ 15,526
10. Original Cost Measure of Value	\$ 2,547,643	\$ 2,406,550	\$ 140,045	\$ 1,049
11. Rate of Return, Percent	2.53%	-0.28%	39.79%	1480.54%
12. Relative Rate of Return	1.00	-0.11	15.70	584.28

**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	\$ 1,097,232	\$ 978,606	\$ 101,834	\$ 16,792
2. Other Revenues	10,320	9,677	635	8
3. Total Operating Revenues	\$ 1,107,553	\$ 988,283	\$ 102,469	\$ 16,800
4. Less: Operating Expenses	880,615	839,857	39,770	988
5. Return and Income Taxes	\$ 226,938	\$ 148,426	\$ 62,700	\$ 15,812
6. Less: Interest Expense (Allocated by Rate Base)	52,628	49,717	2,895	21
7. Taxable Income	174,310	98,709	59,805	15,791
8. Less: Income Taxes (Allocated based on Line 7)	42,956	24,326	14,738	3,892
9. Net Return (Ln 5 - Ln 8)	\$ 183,982	\$ 124,100	\$ 47,962	\$ 11,920
10. Original Cost Measure of Value	\$ 2,547,643	\$ 2,406,560	\$ 140,033	\$ 1,050
11. Rate of Return, Percent	7.22%	5.16%	34.25%	1135.67%
12. Relative Rate of Return	1.00	0.71	4.74	157.26

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**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	\$ 8,009	\$ 7,523	\$ 474	\$ 12
4						
5	Demand - Maximum Day	B	1,371,777	1,296,603	75,173	-
6						
7	Demand - Maximum Hour	C	885,365	844,992	40,373	-
8						
9	Customer Facilities - Meters	D	164,818	145,536	19,284	-
10						
11	Customer Facilities - Services	E	42,322	41,408	830	85
12						
13	Customer Accounting	F	46,602	45,926	643	33
14						
15	Direct Fire	G	28,749	24,572	3,257	920
16						
17	Total		<u>\$ 2,547,643</u>	<u>\$ 2,406,560</u>	<u>\$ 140,033</u>	<u>\$ 1,050</u>
18						

**EPCOR WATER ARIZONA INC.
 WILLOW VALLEY 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	\$ 90,294	\$ 84,814	\$ 5,345	\$ 135
4						
5	Demand - Maximum Day - Treatment and Pumping	B	264,628	250,126	14,502	-
6						
7	Demand - Maximum Hour	C	264,911	252,831	12,080	-
8						
9	Customer Facilities - Meters	D	18,889	16,679	2,209.96	-
10						
11	Customer Facilities - Services	E	71,135	69,598	1,394.24	142
12						
13	Customer Accounting	F	151,849	149,647	2,096	106
14						
15	Direct Fire	G	18,910	16,162	2,142	605
16						
17	Total		<u>\$ 880,615</u>	<u>\$ 839,857</u>	<u>\$ 39,770</u>	<u>\$ 988</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	<u>RATE BASE</u>									
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	3,167	152	888	944	87	148	882	67
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	38	2	11	11	1	2	11	1
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	1,193,362	0	1,193,362	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	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	86,369	4,146	24,200	25,729	2,375	4,042	24,062	1,814
4	Transportation Equip Heavy Duty Trucks	7	1,260	60	353	375	35	59	351	26
5	Transportation Equip Other	7	1,304	63	365	388	36	61	363	27
6	Stores Equipment	7	0	0	0	0	0	0	0	0
7	Tools, Shop, Garage Equipment	7	27,787	1,334	7,786	8,278	764	1,300	7,741	584
8	Laboratory Equipment	2	3,404	0	3,404	0	0	0	0	0
9	Power Operated Equipment	7	15,974	767	4,476	4,759	439	748	4,450	335
10	Communication Equipment Non-Telephone	7	(1,495)	(72)	(419)	(445)	(41)	(70)	(416)	(31)
11	Remote Control & Instrument	7	746	36	209	222	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	745	792	73	124	741	56
14	Miscellaneous Equipment	7	6,277	301	1,759	1,870	173	294	1,749	132
15	Other Tangible Plant	7	12,623	606	3,537	3,760	347	591	3,517	265
16	Total Plant in Service		\$ 3,089,919	\$ 9,719	\$ 1,663,912	\$ 1,073,823	\$ 199,889	\$ 51,325	\$ 56,410	\$ 34,840
17										
18	OTHER RATE BASE ELEMENTS									
19	Regulatory Advances and Contributions	9	0	0	0	0	0	0	0	0
20	Customer Advances	9	(64,721)	(194)	(34,924)	(22,504)	(4,194)	(1,068)	(1,113)	(725)
21	Contributions in Aid of Construction	9	(392,076)	(1,176)	(211,564)	(136,325)	(25,407)	(6,469)	(6,744)	(4,391)
22	Construction Work in Progress	2	0	0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	(1,839)	(88)	(515)	(548)	(51)	(86)	(512)	(39)
24	Utility Plant Acq. Adjustment	9	193,796	581	104,572	67,383	12,558	3,198	3,333	2,171
25	Customer Meter Deposits	4	0	0	0	0	0	0	0	0
26	Deferred Income Taxes	9	(165,863)	(498)	(89,500)	(57,671)	(10,748)	(2,737)	(2,853)	(1,858)
27	Deferred Debits	9	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
28	Regulatory Liabilities	9	(111,572)	(335)	(60,204)	(38,794)	(7,230)	(1,841)	(1,919)	(1,250)
29										
30	Total Other Rate Base Elements		(542,276)	(1,710)	(292,135)	(188,458)	(35,071)	(9,003)	(9,808)	(6,092)
31										
32	Total Original Cost Measure of Value		\$ 2,547,644	\$ 8,009	\$ 1,371,777	\$ 885,365	\$ 164,818	\$ 42,322	\$ 46,602	\$ 28,749

**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	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	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	497	497	-	-	-	-	-	-
18	Fuel and Power	1	17,425	17,425	-	-	-	-	-	-
19	Chemicals	1	30,351	30,351	-	-	-	-	-	-
20	Waste Disposal	1	960	960	-	-	-	-	-	-
21	Corporate allocation	7	47,406	2,275	13,283	14,122	1,304	2,219	13,207	996
22	Outside Services	7	47,606	2,285	13,339	14,182	1,309	2,228	13,263	1,000
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	-	-	-	-	-	-	-	-
26	Insurance Other Than Group	7	10,814	519	3,030	3,221	297	506	3,013	227
27	Customer Accounting	5	40,188	-	-	-	-	-	40,188	-
28	Rents	7	5,676	272	1,591	1,691	156	266	1,581	119
29	General Office Expense	7	23,429	1,125	6,565	6,979	644	1,096	6,527	492
30	Miscellaneous	7	26,050	1,250	7,299	7,760	716	1,219	7,257	547
31	Maintenance Expense - Treatment	2	66,229	-	66,229	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		545,129	73,017	138,987	147,719	13,618	23,208	138,163	10,417

**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	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	3,366	-	-	-	-	-	-	3,366
4	Services	4a	44,390	-	-	-	-	44,390	-	-
5	Meters	4	9	-	-	-	9	-	-	-
6	Meter Installations	4	-	-	-	-	-	-	-	-
7	Hydrants	12	925	-	-	-	-	-	-	925
8	Back Flow Prevention Devices	4a	62	-	-	-	-	62	-	-
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	1	517	517	-	-	-	-	-	-
11	Other P/E-CPS/Intangible	9	193	1	104	67	13	3	3	2
12	Office Furniture & Equipment	7	1,661	80	465	495	46	78	463	35
13	Computer & Periphal Equipment	7	6,191	297	1,735	1,844	170	290	1,725	130
14	Computer Software	7	5,577	268	1,563	1,661	153	261	1,554	117
15	Other Office Equipment	7	-	-	-	-	-	-	-	-
16	Transportation Equip Light Duty Trucks	7	12,329	592	3,455	3,673	339	577	3,435	259
17	Transportation Equip Heavy Duty Trucks	7	191	9	53	57	5	9	53	4
18	Transportation Equipment Other	7	202	10	57	60	6	9	56	4
19	Stores Equipment	7	-	-	-	-	-	-	-	-
20	Tools,Shop,Garage Equipment	7	2,191	105	614	653	60	103	610	46
21	Laboratory Equipment	2	1,083	-	1,083	-	-	-	-	-
22	Power Operated Equipment	7	1,870	90	524	557	51	88	521	39
23	Communication Equipment Non-Telephone	7	955	46	268	284	26	45	266	20
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	273	13	77	81	8	13	76	6
27	Miscellaneous Equipment	7	1,514	73	424	451	42	71	422	32
28	Other Tangible Plant	7	1,261	61	353	376	35	59	351	26
	Total Depreciation Expense		261,681	16,184	92,615	91,229	969	46,067	9,600	5,017

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	23,784	138,987	0	147,719	13,618	23,208	138,163	10,417	485,479
19	Factor	0.0480	0.2802	0.0000	0.2979	0.0275	0.0468	0.2786	0.0210	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	9,106	1,659,174	0	1,069,288	199,398	50,698	52,855	34,550	3,075,069
27	Factor	0.003	0.5396	0	0.3477	0.0648	0.0165	0.0172	0.0112	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	8,009	1,371,777	0	885,365	164,818	42,322	46,602	28,749	2,547,644
31	Factor	0.0031	0.5385	0	0.3475	0.0647	0.0166	0.0183	0.0113	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	91,006	388,228	0	344,671	33,739	74,945	156,049	19,087	1,107,724
35	Factor	0.0822	0.3503	0	0.3112	0.0305	0.0677	0.1409	0.0172	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
Total	147	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	137.92	2.00	276	0.9452
Commercial/Public	8.70	1.80	16	0.0548
Total	147		292	1.0000

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	Average Hourly Consumption, 1000 Gallons	Factor	Rate of Flow, 1000 Gallons Per Hour	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
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

PUBLIC FIRE PROTECTION

<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

REALLOCATE PUBLIC FIRE

	<u>Meter Equivalents</u>	<u>Allocation of Public Fire</u>	<u>Allocation of Public Fire 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 (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	1,494	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	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	1,494	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
Total		<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**

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	\$ 1,044,778	95.2%	\$ 807,239	86.5%	\$ 978,606	89.1%	\$ 171,366	21.2%
Commercial	51,626	4.7%	\$ 106,881	11.4%	101,834	9.4%	(5,047)	-4.7%
Private Fire	997	0.1%	20,044	2.1%	16,792	1.5%	(3,252)	-16.2%
Total Sales	1,097,401	100.0%	934,165	<u>100.0%</u>	1,097,232	<u>100.0%</u>	163,068	17.5%
Other Revenues	10,321		8,340		10,321		1,981	23.8%
Total	<u>\$ 1,107,722</u>		<u>\$ 942,505</u>		<u>\$ 1,107,554</u>		<u>\$ 165,049</u>	17.5%

**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	\$ 90,157	\$ 84,684	\$ 5,337	\$ 135
4						
5	Demand - Maximum Day	B	384,612	363,535	21,077	-
6						
7	Demand - Maximum Hour	C	341,459	325,888	15,571	-
8						
9	Customer Facilities - Meters	D	33,424	29,514	3,911	-
10						
11	Customer Facilities - Services	E	74,246	72,643	1,455	148
12						
13	Customer Accounting	F	154,595	152,352	2,133	108
14						
15	Direct Fire	G	18,910	16,162	2,142	605
16						
17	Total		<u>\$ 1,097,403</u>	<u>\$ 1,044,778</u>	<u>\$ 51,626</u>	<u>\$ 997</u>
18						