

**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	1,088,262	788,507	298,057	1,698
3. Total Operating Revenues	\$ 44,705,121	\$ 32,910,431	\$ 11,729,212	\$ 65,478
4. Less: Operating Expenses	31,258,679	23,657,341	7,468,452	132,886
5. Return and Income Taxes	\$ 13,446,442	\$ 9,253,090	\$ 4,260,760	\$ (67,408)
6. Less: Interest Expense (Allocated by Rate Base)	2,814,660	2,085,100	718,020	11,259
7. Taxable Income	10,631,782	7,167,990	3,542,740	(78,666)
8. Less: Income Taxes (Allocated based on Line 7)	2,795,200	1,884,524	931,361	(20,684)
9. Net Return (Ln 5 - Ln 8)	\$ 10,651,242	\$ 7,368,566	\$ 3,329,399	\$ (46,724)
10. Original Cost Measure of Value	\$ 125,441,958	\$ 92,941,453	\$ 32,002,227	\$ 498,279
11. Rate of Return, Percent	8.49%	7.93%	10.40%	-9.38%
12. Relative Rate of Return	1.00	0.93	1.23	-1.10

**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	\$ 40,727,417	\$ 30,681,476	\$ 9,975,783	\$ 70,158
2. Other Revenues	1,166,096	846,553	317,695	1,848
3. Total Operating Revenues	\$ 41,893,512	\$ 31,528,028	\$ 10,293,478	\$ 72,006
4. Less: Operating Expenses	31,088,479	23,518,808	7,444,762	124,909
5. Return and Income Taxes	\$ 10,805,034	\$ 8,009,220	\$ 2,848,716	\$ (52,903)
6. Less: Interest Expense (Allocated by Rate Base)	2,814,660	2,085,099	718,020	11,259
7. Taxable Income	7,990,374	5,924,121	2,130,696	(64,162)
8. Less: Income Taxes (Allocated based on Line 7)	2,108,382	1,563,155	562,306	(16,867)
9. Net Return (Ln 5 - Ln 8)	\$ 8,696,652	\$ 6,446,065	\$ 2,286,410	\$ (36,036)
10. Original Cost Measure of Value	\$ 125,443,830	\$ 92,945,076	\$ 32,000,407	\$ 498,347
11. Rate of Return, Percent	6.93%	6.94%	7.14%	-7.23%
12. Relative Rate of Return	1.00	1.00	1.03	-1.04

**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	\$ 1,067,913	\$ 719,773	\$ 348,140	\$ -
4						
5	Demand - Maximum Day	B	50,620,788	35,267,502	15,353,285	-
6						
7	Demand - Maximum Hour	C	56,286,111	41,302,748	14,983,363	-
8						
9	Customer Facilities - Meters	D	3,735,668	3,292,245	443,424	-
10						
11	Customer Facilities - Services	E	5,817,975	5,484,605	203,047	130,323
12						
13	Customer Accounting	F	2,482,299	2,395,914	65,533	20,851
14						
15	Direct Fire	G	5,433,077	4,482,289	603,615	347,174
16						
17	Total		<u>\$ 125,443,832</u>	<u>\$ 92,945,076</u>	<u>\$ 32,000,407</u>	<u>\$ 498,347</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	(1)	(2)	(3)	(4)	(5)	(6)
2						
3	Commodity	A	\$ 6,659,679	\$ 4,488,625	\$ 2,171,055	\$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	7,471,955	5,205,710	2,266,244	-
6						
7	Demand - Maximum Hour	C	9,791,097	7,184,707	2,606,390	-
8						
9	Customer Facilities - Meters	D	1,212,475	1,068,555	143,920.84	-
10						
11	Customer Facilities - Services	E	1,113,425	1,049,626	38,858.55	24,941
12						
13	Customer Accounting	F	3,771,124	3,639,889	99,558	31,677
14						
15	Direct Fire	G	1,068,723	881,696	118,735	68,291
16						
17	Total		<u>\$ 31,088,479</u>	<u>\$ 23,518,808</u>	<u>\$ 7,444,762</u>	<u>\$ 124,909</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	497	552	37	57	23	53
5	Franchises	9	363,720	3,055	146,943	163,347	10,948	16,840	6,802	15,785
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	580,907	3,667,383	3,436,060	379,474	647,185	3,993,575	291,103
16	Structures & Improvements Offices	7	247,122	11,046	69,738	65,339	7,216	12,307	75,941	5,536
17	Structures & Improvements Leasehold	7	9,210	412	2,599	2,435	269	459	2,830	206
18	Structures & Improvements Store,Shop,Gge	7	664	30	187	176	19	33	204	15
19	Structures & Improvements Miscellaneous	7	1,113	50	314	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	7,688,023	0	0	7,688,023	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	11,540	555,018	616,977	41,352	63,607	25,690	59,623
26	Furniture and Equipment	7	265,720	11,878	74,986	70,256	7,759	13,233	81,656	5,952
27	Computer & Periphal Equipment	7	936,250	41,850	264,210	247,544	27,338	46,625	287,710	20,972
28	Computer Software	7	446,418	19,955	125,979	118,033	13,035	22,232	137,184	10,000
29	Other Office Equipment	7	1,171,582	52,370	330,620	309,766	34,210	58,345	360,027	26,243

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	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	(751,070)	(33,573)	(211,952)	(198,583)	(21,931)	(37,403)	(230,804)	(16,824)
4	Transportation Equip Heavy Duty Trucks	7	38,479	1,720	10,859	10,174	1,124	1,916	11,824	862
5	Transportation Equip Other	7	(54,392)	(2,431)	(15,349)	(14,381)	(1,588)	(2,709)	(16,715)	(1,218)
6	Stores Equipment	7	103,740	4,637	29,275	27,429	3,029	5,166	31,879	2,324
7	Tools, Shop, Garage Equipment	7	72,928	3,260	20,580	19,282	2,130	3,632	22,411	1,634
8	Laboratory Equipment	2	304,331	0	304,331	0	0	0	0	0
9	Power Operated Equipment	7	55,519	2,482	15,667	14,679	1,621	2,765	17,061	1,244
10	Communication Equipment Non-Telephone	7	(187,605)	(8,386)	(52,942)	(49,603)	(5,478)	(9,343)	(57,651)	(4,202)
11	Remote Control & Instrument	7	2,560,476	114,453	722,566	676,990	74,766	127,512	786,834	57,355
12	Communication Equipment Telephone	7	35,612	1,592	10,050	9,416	1,040	1,773	10,944	798
13	Communication Equipment Other	7	152,007	6,795	42,896	40,191	4,439	7,570	46,712	3,405
14	Miscellaneous Equipment	7	176,581	7,893	49,831	46,688	5,156	8,794	54,263	3,955
15	Other Tangible Plant	7		0	0	0	0	0	0	0
16	Total Plant in Service		\$ 301,585,534	\$ 2,531,225	\$ 121,818,542	\$ 135,453,562	\$ 9,078,581	\$ 13,969,860	\$ 5,648,742	\$ 13,085,022
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)	(885,561)	(42,591,284)	(47,345,905)	(3,173,262)	(4,881,130)	(1,971,428)	(4,575,400)
21	Contributions in Aid of Construction	9	(75,655,336)	(635,505)	(30,564,756)	(33,976,811)	(2,277,226)	(3,502,842)	(1,414,755)	(3,283,442)
22	Construction Work in Progress	2		0	0	0	0	0	0	0
23	Cash Working Capital Allowance	7	438,750	19,612	123,815	116,005	12,811	21,850	134,828	9,828
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)	(40,682)	(1,956,591)	(2,175,012)	(145,776)	(224,233)	(90,565)	(210,188)
27	Deferred Debits	9	12,677,855	106,494	5,121,853	5,693,625	381,603	586,985	237,076	550,219
28	Regulatory Liabilities	9	(3,294,038)	(27,670)	(1,330,791)	(1,479,352)	(99,151)	(152,514)	(61,599)	(142,961)
29										
30	Total Other Rate Base Elements		(176,141,702)	(1,463,312)	(71,197,754)	(79,167,451)	(5,342,913)	(8,151,884)	(3,166,443)	(7,651,944)
31										
32	Total Original Cost Measure of Value		\$ 125,443,832	\$ 1,067,913	\$ 50,620,788	\$ 56,286,111	\$ 3,735,668	\$ 5,817,975	\$ 2,482,299	\$ 5,433,077

**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	3,040	19,192	17,982	1,986	3,387	20,899	1,523
17	Purchased Water	1	2,647,812	2,647,812	-	-	-	-	-	-
18	Fuel and Power	1	2,376,320	2,376,320	-	-	-	-	-	-
19	Chemicals	1	765,121	765,121	-	-	-	-	-	-
20	Waste Disposal	1	31,288	31,288	-	-	-	-	-	-
21	Corporate allocation	7	1,154,035	51,585	325,669	305,127	33,698	57,471	354,635	25,850
22	Outside Services	7	628,188	28,080	177,275	166,093	18,343	31,284	193,042	14,071
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	321,334	14,364	90,680	84,961	9,383	16,002	98,746	7,198
27	Customer Accounting	5	1,464,950	-	-	-	-	-	1,464,950	-
28	Rents	7	141,937	6,345	40,055	37,528	4,145	7,068	43,617	3,179
29	General Office Expense	7	395,658	17,686	111,655	104,612	11,553	19,704	121,586	8,863
30	Miscellaneous	7	100,951	4,513	28,488	26,691	2,948	5,027	31,022	2,261
31	Maintenance Expense - Treatment	2	955,486	-	955,486	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-	-	-	-	-	-	-	-
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		16,111,371	6,280,518	2,903,773	2,720,585	300,706	512,847	3,162,668	230,274

**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										
4	503 DEPRECIATION EXPENSE									
5										
6	Structures & Improvements Supply	1	269,419	269,419	-	-	-	-	-	-
7	Structures & Improvements Pumping	3	234,560	-	-	234,560	-	-	-	-
8	Structures & Improvements Treatment	2	282,603	-	282,603	-	-	-	-	-
9	Structures & Improvements Trans & Dist	3	141,036	-	-	141,036	-	-	-	-
10	Structures & Improvements General	7	378,178	16,905	106,722	99,990	11,043	18,833	116,214	8,471
11	Structures & Improvements Offices	7	7,715	345	2,177	2,040	225	384	2,371	173
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	16,585	-	16,585	-	-	-	-	-
16	Lake, River & Other Intakes	2	16,229	-	16,229	-	-	-	-	-
17	Wells & Springs	2	421,697	-	421,697	-	-	-	-	-
18	Infiltration Galleries	2	-	-	-	-	-	-	-	-
19	Supply Mains	2	38,717	-	38,717	-	-	-	-	-
20	Power Production Equipment	3	147,532	-	-	147,532	-	-	-	-
21	Power Production Equipment	3	-	-	-	-	-	-	-	-
22	Pumping Equipment Steam	3	-	-	-	-	-	-	-	-
23	Pumping Equipment Electric	3	2,932,485	-	-	2,932,485	-	-	-	-
24	Pumping Equipment Diesel	3	624	-	-	624	-	-	-	-
25	Pumping Equipment Hydraulic	3	-	-	-	-	-	-	-	-
26	Pumping Equipment Other	3	134,671	-	-	134,671	-	-	-	-
27	Pumping Equipment Water Treatment	3	73,392	-	-	73,392	-	-	-	-
28	Water Treatment Equipment Non-Media	2	1,393,082	-	1,393,082	-	-	-	-	-
29	Water Treatment Equipment Filter Media	2	157,786	-	157,786	-	-	-	-	-
30	Distribution Reservoirs & Standpipes	3	285,898	-	-	285,898	-	-	-	-
31	Elevated Tank & Standpipes	3	600	-	-	600	-	-	-	-
32	Ground Level Tanks	3	656	-	-	656	-	-	-	-
33	Below Ground Tanks	3	4,223	-	-	4,223	-	-	-	-
34	Clearwell	3	65,221	-	-	65,221	-	-	-	-
35	TD Mains Not Classified by Size	3	139,651	-	-	139,651	-	-	-	-
36	TD Mains 4in & Less	3	332,290	-	-	332,290	-	-	-	-
37	TD Mains 6in to 8in	3	709,876	-	-	709,876	-	-	-	-
38	TD Mains 10in to 16in	2	606,665	-	606,665	-	-	-	-	-
39	TD Mains 18in & Grtr	2	375,719	-	375,719	-	-	-	-	-

**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	413,943	-	-	-	-	413,943	-	-
5	Meters	4	749,793	-	-	-	749,793	-	-	-
6	Meter Installations	4	44,091	-	-	-	44,091	-	-	-
7	Meter Vaults	4	3,943	-	-	-	3,943	-	-	-
8	Hydrants	12	246,195	-	-	-	-	-	-	246,195
9	Other P/E-TD	3	-	-	-	-	-	-	-	-
10	Other P/E-Supply	2	-	-	-	-	-	-	-	-
11	Other P/E-CPS	9	-	-	-	-	-	-	-	-
12	Office Furniture & Equipment	7	86,544	3,869	24,423	22,882	2,527	4,310	26,595	1,939
13	Computer & Periphal Equipment	7	27,367	1,223	7,723	7,236	799	1,363	8,410	613
14	Computer Software	7	239,692	10,714	67,641	63,374	6,999	11,937	73,657	5,369
15	Other Office Equipment	7	188,808	8,440	53,282	49,921	5,513	9,403	58,021	4,229
16	Transportation Equip Light Duty Trucks	7	-	-	-	-	-	-	-	-
17	Transportation Equip Heavy Duty Trucks	7	150,143	6,711	42,370	39,698	4,384	7,477	46,139	3,363
18	Transportation Equipment Other	7	10,936	489	3,086	2,892	319	545	3,361	245
19	Stores Equipment	7	20,103	899	5,673	5,315	587	1,001	6,178	450
20	Tools,Shop,Garage Equipment	7	-	-	-	-	-	-	-	-
21	Laboratory Equipment	2	8,033	-	8,033	-	-	-	-	-
22	Power Operated Equipment	7	29,502	1,319	8,325	7,800	861	1,469	9,066	661
23	Communication Equipment Non-Telephone	7	1,167	52	329	309	34	58	359	26
24	Remote Control & Instrument	7	122,977	5,497	34,704	32,515	3,591	6,124	37,791	2,755
25	Communication Equipment Telephone	7	390,587	17,459	110,224	103,271	11,405	19,451	120,027	8,749
26	Communication Equipment Other	7	9,179	410	2,590	2,427	268	457	2,821	206
27	Miscellaneous Equipment	7	35,319	1,579	9,967	9,338	1,031	1,759	10,854	791
28	Other Tangible Plant	7	19,752	883	5,574	5,222	577	984	6,070	442
Total Depreciation Expense			11,965,561	346,229	3,802,033	5,657,045	848,004	499,517	528,047	284,686

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		<u>42,503</u>	<u>52,821</u>	<u>1,163</u>	<u>7,117</u>	<u>43,666</u>	<u>59,938</u>

**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	\$ 30,633,159	75.3%	\$ 32,121,924	73.7%	\$ 30,681,476	75.3%	\$ (1,440,449)	-4.5%
Commercial	9,957,355	24.4%	\$ 11,431,155	26.2%	9,975,783	24.5%	(1,455,372)	-12.7%
Private Fire	<u>137,283</u>	0.3%	<u>63,780</u>	0.1%	<u>70,158</u>	0.2%	<u>6,378</u>	10.0%
Total Sales	40,727,797	100.0%	43,616,859	<u>100.0%</u>	40,727,416	<u>100.0%</u>	(2,889,443)	-6.6%
Other Revenues	<u>1,166,095</u>		<u>1,088,262</u>		<u>1,166,095</u>		<u>77,833</u>	7.2%
Total	<u>\$ 41,893,891</u>		<u>\$ 44,705,121</u>		<u>\$ 41,893,511</u>		<u>\$ (2,811,610)</u>	-6.3%

**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	\$ 6,638,037	\$ 4,474,037	\$ 2,164,000	\$ -
4						
5	Demand - Maximum Day	B	11,374,623	7,924,700	3,449,923	-
6						
7	Demand - Maximum Hour	C	14,591,853	10,707,502	3,884,351	-
8						
9	Customer Facilities - Meters	D	1,521,513	1,340,910	180,604	-
10						
11	Customer Facilities - Services	E	1,608,093	1,515,949	56,122	36,021
12						
13	Customer Accounting	F	3,924,954	3,788,365	103,619	32,970
14						
15	Direct Fire	G	1,068,723	881,696	118,735	68,291
16						
17	Total		<u>\$ 40,727,796</u>	<u>\$ 30,633,159</u>	<u>\$ 9,957,355</u>	<u>\$ 137,283</u>
18						