EPCOR WATER ARIZONA INC.
HAVASU WATER DISTRICT

COST OF SERVICE SUMMARY - PRESENT RATES

Description	Cost of Service	Residential	Commercial	Private Fire
(1)	(2)	(3)	(4)	(5)
1. Revenues From Water Service - Present Rates	$ 1,786,483	$ 1,587,507	$ 198,975	$ -
2. Other Revenues	15,270	13,717	1,553	-
3. Total Operating Revenues	$ 1,801,753	$ 1,601,225	$ 200,528	$ -
4. Less: Operating Expenses	1,369,043	1,257,827	111,217	-
5. Return and Income Taxes	$ 432,710	$ 343,398	$ 89,311	$ -
6. Less: Interest Expense (Allocated by Rate Base)	121,679	110,351	11,328	-
7. Taxable Income	311,031	233,048	77,983	-
8. Less: Income Taxes (Allocated based on Line 7)	79,280	59,404	19,875	-
9. Net Return (Ln 5 - Ln 8)	$ 353,430	$ 283,994	$ 69,436	$ -
10. Original Cost Measure of Value	$ 5,320,385	$ 4,824,854	$ 495,531	$ -
11. Rate of Return, Percent	6.64%	5.89%	14.01%	
12. Relative Rate of Return	1.00	0.89	2.11	

EPCOR WATER ARIZONA INC.
HAVASU WATER DISTRICT

COST OF SERVICE SUMMARY - PROPOSED RATES

Description	Cost of Service	Residential	Commercial	Private Fire
(1)	(2)	(3)	(4)	(5)
1. Revenues From Water Service - Proposed Rates	$ 1,823,131	$ 1,625,887	$ 197,244	$ -
2. Other Revenues	21,382	19,210	2,172	-
3. Total Operating Revenues	$ 1,844,514	$ 1,645,097	$ 199,416	$ -
4. Less: Operating Expenses	1,370,327	1,259,006	111,321	-
5. Return and Income Taxes	$ 474,186	$ 386,091	$ 88,095	$ -
6. Less: Interest Expense (Allocated by Rate Base)	121,679	110,350	11,328	-
7. Taxable Income	352,507	275,741	76,767	-
8. Less: Income Taxes (Allocated based on Line 7)	89,873	70,299	19,574	-
9. Net Return (Ln 5 - Ln 8)	$ 384,313	$ 315,792	$ 68,521	$ -
10. Original Cost Measure of Value	$ 5,320,350	$ 4,824,831	$ 495,519	$ -
11. Rate of Return, Percent	7.22%	6.55%	13.83%	
12. Relative Rate of Return	1.00	0.91	1.91	

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EPCOR WATER ARIZONA INC.
HAVASU WATER DISTRICT

RATE BASE ALLOCATION TO CLASSES OF SERVICE

Line no. No.	Cost Function	Factor Ref. - Sch G-7	Rate Base	Residential	Commercial	Private Fire
1	(1)	(2)	(3)	(4)	(5)	(6)
2						
3	Commodity	A	$ 34,935	$ 30,478	$ 4,458	$ -
4						
5	Demand - Maximum Day	B	1,645,490	1,453,625	191,864	-
6						
7	Demand - Maximum Hour	C	2,411,229	2,173,000	238,229	-
8						
9	Customer Facilities - Meters	D	153,994	137,625	16,370	-
10						
11	Customer Facilities - Services	E	940,028	902,615	37,413	-
12						
13	Customer Accounting	F	68,838	68,651	186	-
14						
15	Direct Fire	G	65,836	58,838	6,998	-
16						
17	Total		$ 5,320,350	$ 4,824,831	$ 495,519	$ -
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	(1)	(2)	(3)	(4)	(5)	(6)
2						
3	Commodity	A	$ 114,714	$ 100,078	$ 14,638	$ -
4						
5	Demand - Maximum Day - Treatment and Pumping	B	372,240	328,836	43,403	-
6						
7	Demand - Maximum Hour	C	415,012	374,009	41,003	-
8						
9	Customer Facilities - Meters	D	48,381	43,238	5,142.86	-
10						
11	Customer Facilities - Services	E	93,880	90,144	3,736.43	-
12						
13	Customer Accounting	F	301,806	300,991	815	-
14						
15	Direct Fire	G	24,294	21,711	2,582	-
16						
17	Total		$ 1,370,327	$ 1,259,006	$ 111,321	$ -
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	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2										
3	**RATE BASE**									
4	Organization	9	10,144	67	3,138	4,594	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	1,083	910	95	163	1,269	73
16	Structures & Improvements Offices	7	15,764	547	4,586	3,854	404	689	5,374	309
17	Structures & Improvements Leasehold	7	371	13	108	91	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	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
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	20,858	30,542	1,962	11,896	904	829
26	Furniture and Equipment	7	7,623	265	2,218	1,864	195	333	2,599	149
27	Computer & Periphal Equipment	7	29,844	1,036	8,682	7,297	764	1,304	10,174	585
28	Computer Software	7	17,798	618	5,177	4,352	456	778	6,067	349
29	Other Office Equipment	7	301,775	10,472	87,786	73,784	7,725	13,188	102,875	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	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
1	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2										
3	Transportation Equip Light Duty Trucks	7	(214,198)	(7,433)	(62,310)	(52,371)	(5,483)	(9,360)	(73,020)	(4,198)
4	Transportation Equip Heavy Duty Trucks	7	1,481	51	431	362	38	65	505	29
5	Transportation Equip Other	7	1,532	53	446	375	39	67	522	30
6	Stores Equipment	7	0	0	0	0	0	0	0	0
7	Tools, Shop, Garage Equipment	7	79,614	2,763	23,160	19,466	2,038	3,479	27,140	1,560
8	Laboratory Equipment	2	126	0	126	0	0	0	0	0
9	Power Operated Equipment	7	45,863	1,591	13,341	11,213	1,174	2,004	15,635	899
10	Communication Equipment Non-Telephone	7	2,365	82	688	578	61	103	806	46
11	Remote Control & Instrument	7	37,771	1,311	10,988	9,235	967	1,651	12,876	740
12	Communication Equipment Telephone	7	319	11	93	78	8	14	109	6
13	Communication Equipment Other	7	17,988	624	5,233	4,398	460	786	6,132	353
14	Miscellaneous Equipment	7	5,767	200	1,678	1,410	148	252	1,966	113
15	Other Tangible Plant	7		0	0	0	0	0	0	0
16	Total Plant in Service		$ 9,114,463	$ 60,189	$ 2,818,608	$ 4,127,587	$ 265,151	$ 1,608,132	$ 122,210	$ 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)	(212,842)	(311,659)	(20,025)	(121,388)	(9,221)	(8,464)
21	Contributions in Aid of Construction	9	(2,819,045)	(18,606)	(871,931)	(1,276,746)	(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	(7,764)	(269)	(2,258)	(1,898)	(199)	(339)	(2,647)	(152)
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)	(60,284)	(88,273)	(5,672)	(34,381)	(2,612)	(2,397)
27	Deferred Debits	9	49,310	325	15,252	22,333	1,435	8,698	661	607
28	Regulatory Liabilities	9	(132,732)	(876)	(41,054)	(60,114)	(3,863)	(23,414)	(1,779)	(1,633)
29										
30	Total Other Rate Base Elements		(3,794,078)	(25,254)	(1,173,118)	(1,716,358)	(111,157)	(668,104)	(53,373)	(46,714)
31										
32	Total Original Cost Measure of Value		$ 5,320,385	$ 34,935	$ 1,645,490	$ 2,411,229	$ 153,994	$ 940,028	$ 68,838	$ 65,836

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	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
1	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
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	166	166	-	-	-	-	-	-
18	Fuel and Power	1	50,603	50,603	-	-	-	-	-	-
19	Chemicals	1	31,672	31,672	-	-	-	-	-	-
20	Waste Disposal	1	89	89	-	-	-	-	-	-
21	Corporate allocation	7	60,238	2,090	17,523	14,728	1,542	2,632	20,535	1,181
22	Outside Services	7	32,563	1,130	9,473	7,962	834	1,423	11,101	638
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	18,058	627	5,253	4,415	462	789	6,156	354
27	Customer Accounting	5	63,541	-	-	-	-	-	63,541	-
28	Rents	7	7,409	257	2,155	1,811	190	324	2,526	145
29	General Office Expense	7	56,999	1,978	16,581	13,936	1,459	2,491	19,431	1,117
30	Miscellaneous	7	5,681	197	1,653	1,389	145	248	1,937	111
31	Maintenance Expense - Treatment	2	124,463	-	124,463	-	-	-	-	-
32	Maintenance Expense	6	-	-	-	-	-	-	-	-
33	Maintenance Expense - Administrative	7	-							
34										
35										
36	TOTAL OPERATION AND MAINTENANCE EXPENSES		863,603	109,618	227,280	190,950	20,014	34,145	266,255	15,324

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	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
1	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2										
3										
4	503 DEPRECIATION EXPENSE									
5										
6	Structures & Improvements Supply	1	663	663	-	-	-	-	-	-
7	Structures & Improvements Pumping	3	2,470	-	-	2,470	-	-	-	-
8	Structures & Improvements Treatment	2	49,583	-	49,583	-	-	-	-	-
9	Structures & Improvements Trans & Dist	3	-	-	-	-	-	-	-	-
10	Structures & Improvements General	7	124	4	36	30	3	5	42	2
11	Structures & Improvements Offices	7	0	0	0	0	0	0	0	0
12	Structures & Improvements Leasehold	7	13	0	4	3	0	1	4	0
13	Structures & Improvements Store,Shop,Gge	7	-	-	-	-	-	-	-	-
14	Structures & Improvements Miscellaneous	7	2,749	95	800	672	70	120	937	54
15	Collect & Impounding	2	-	-	-	-	-	-	-	-
16	Lake, River & Other Intakes	2	9,660	-	9,660	-	-	-	-	-
17	Wells & Springs	2	-	-	-	-	-	-	-	-
18	Infiltration Galleries	2	-	-	-	-	-	-	-	-
19	Supply Mains	2	843	-	843	-	-	-	-	-
20	Power Production Equipment	3	-	-	-	-	-	-	-	-
21	Power Production Equipment	3	-	-	-	-	-	-	-	-
22	Pumping Equipment Steam	3	89,804	-	-	89,804	-	-	-	-
23	Pumping Equipment Electric	3	-	-	-	-	-	-	-	-
24	Pumping Equipment Diesel	3	-	-	-	-	-	-	-	-
25	Pumping Equipment Hydraulic	3	-	-	-	-	-	-	-	-
26	Pumping Equipment Other	3	748	-	-	748	-	-	-	-
27	Pumping Equipment Water Treatment	3	8,748	-	-	8,748	-	-	-	-
28	Water Treatment Equipment Non-Media	2	3,776	-	3,776	-	-	-	-	-
29	Water Treatment Equipment Filter Media	2	19,229	-	19,229	-	-	-	-	-
30	Distribution Reservoirs & Standpipes	3	-	-	-	-	-	-	-	-
31	Elevated Tank & Standpipes	3	-	-	-	-	-	-	-	-
32	Ground Level Tanks	3	1,620	-	-	1,620	-	-	-	-
33	Below Ground Tanks	3	-	-	-	-	-	-	-	-
34	Clearwell	3	13,347	-	-	13,347	-	-	-	-
35	TD Mains Not Classified by Size	3	12,923	-	-	12,923	-	-	-	-
36	TD Mains 4in & Less	3	14,639	-	-	14,639	-	-	-	-
37	TD Mains 6in to 8in	3	11,203	-	-	11,203	-	-	-	-
38	TD Mains 10in to 16in	2	-	-	-	-	-	-	-	-
39	TD Mains 18in & Grtr	2	-	-	-	-	-	-	-	-

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	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
1	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
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	1,142	960	101	172	1,339	77
13	Computer & Peripheral Equipment	7	960	33	279	235	25	42	327	19
14	Computer Software	7	11,346	394	3,300	2,774	290	496	3,868	222
15	Other Office Equpment	7	7,693	267	2,238	1,881	197	336	2,622	151
16	Transportation Equip Light Duty Trucks	7	-	-	-	-	-	-	-	-
17	Transportation Equip Heavy Duty Trucks	7	37,049	1,286	10,778	9,059	948	1,619	12,630	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	43	357	300	31	54	418	24
24	Remote Control & Instrument	7	5,097	177	1,483	1,246	130	223	1,738	100
25	Communication Equipment Telephone	7	4,675	162	1,360	1,143	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	1,067	897	94	160	1,250	72
28	Other Tangible Plant	7	609	21	177	149	16	27	207	12
	Total Depreciation Expense		388,276	3,428	114,019	174,985	24,930	42,182	27,162	1,562

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	Commodity	Demand		Customer Facilities		Customer Accounting	Direct Fire
					Max Day	Max Hour	Meters	Services		
1	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2										
3	AMORTIZATION EXPENSE									
4	Amortization of Contributions									
5	Other Amortizations	9		-	-	-	-	-	-	-
6	Amortization of Regulatory Assets	10	4,271	28	1,321	1,935	123	755	55	53
7										
8	Total Amortizations		4,271	28	1,321	1,935	123	755	55	53
9										
10	TAXES, OTHER THAN INCOME									
11	Payroll Taxes	8	21,058	1,063	2,563	7,497	785	1,341	7,206	602
12	Property Taxes	10	80,410	531	24,871	36,442	2,324	14,208	1,037	997
13	Other Taxes	10	7,068	47	2,186	3,203	204	1,249	91	88
14	Gross Receipt Tax and Misc.	10	-	-	-	-	-	-	-	-
15										
16	Total Taxes, Other Than Income		108,535	1,641	29,620	47,141	3,314	16,799	8,334	1,687
17										
18	Total O & M, Depreciation and Other Taxes		1,364,685	114,714	372,240	415,012	48,381	93,880	301,806	18,626
19										
20										
21	507.2 INCOME TAXES	10	89,873	593	27,798	40,730	2,597	15,881	1,159	1,114
22										
23	Utility Operating Income Available									
24	for Return	10	390,128	2,575	120,667	176,806	11,275	68,936	5,033	4,838
25										
26	Total Cost of Service		1,844,686	117,882	520,704	632,548	62,253	178,696	307,998	24,578
27										
28	Less: Other Water Revenues	11	21,383	1,366	6,036	7,332	721	2,072	3,571	284
29	Less: Effluent	11	-	-	-	-	-	-	-	-
30	Less: Raw Water	2	-	-	-	-	-	-	-	-
31	Total Other Revenues		21,383	1,366	6,036	7,332	721	2,072	3,571	284
32										
33	Total Cost of Service Related to									
34	Sales		$ 1,823,303	$ 116,516	$ 514,668	$ 625,216	$ 61,532	$ 176,624	$ 304,427	$ 24,294
35										

EPCOR WATER ARIZONA INC.
HAVASU 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 Facilites - Meters					1.0000				1.0000
10										
11	Factor 4A - Customer Facilites - 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			0.1462	0.8538					1.0000
16										
17	Factor 7 - Administrative and General									
18	Cost	27,088	227,280	0	190,950	20,014	34,145	266,255	15,324	765,731
19	Factor	0.0347	0.2909	0.0000	0.2445	0.0256	0.0437	0.3409	0.0196	0.9999
20										
21	Factor 8 - Labor Related Expenses									
22	Cost	15,325	36,964	0	108,048	11,331	19,320	103,867	8,672	303,526
23	Factor	0.0505	0.1217	0	0.356	0.0373	0.0637	0.3422	0.0286	1.0000
24										
25	Factor 9 - Rate Base Less Costs Allocated									
26	Cost	59,677	2,794,612	0	4,092,450	262,893	1,594,446	121,171	111,596	9,036,846
27	Factor	0.0066	0.3093	0	0.4529	0.0291	0.1764	0.0134	0.0123	1.0000
28										
29	Factor 10 - Rate Base									
30	Cost	34,935	1,645,490	0	2,411,229	153,994	940,028	68,838	65,836	5,320,350
31	Factor	0.0066	0.3093	0	0.4532	0.0289	0.1767	0.0129	0.0124	1.0000
32										
33	Factor 11 - Cost of Service									
34	Cost	117,882	520,704	0	632,548	62,253	178,696	307,998	24,578	1,844,660
35	Factor	0.0639	0.2823	0	0.3429	0.0337	0.0969	0.167	0.0133	1.0000
36										
37	Factor 12 - Direct Fire								1.0000	1.0000
38										
39										

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	Average Daily Consumption, 1000 Gallons	Allocation Factor
(1)	(2)	(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	Average Daily Consumption, 1000 Gallons	Peak Day Factor	Rate of Flow, 1000 Gallons Per Day	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(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

Customer Classification	5/8" Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	2,177	0.8937
Commercial/Public	259	0.1063
Fire Protection	0	0.0000
Total	2,436	1.0000

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

Customer Classification	3/4" Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	1,735	0.9602
Commercial/Public	72	0.0398
Fire Protection	0	0.0000
Total	1,807	1.0000

FACTOR F. ALLOCATION OF BILLING AND COLLECTING COSTS.

Factors are based on the total number of customers.

Customer Classification	Total Customers	Allocation Factor
(1)	(2)	(3)
Residential	20,912	0.9973
Commercial/Public	56	0.0027
Fire Protection	0	0.0000
Total	20,968	1.0000

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)
PRIVATE FIRE PROTECTION					
Fire Lines					
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			0	0	0.0000
PUBLIC FIRE PROTECTION					
Hydrant	Nozzle Sizes				
6" Valve	2- 2-1/2" & 1 - 4"	28.5		0	
Total Public Fire Protection			0	0	1.0000
Total Fire Protection			0	0	1.0000

REALLOCATE PUBLIC FIRE		Meter Equivalents	Allocation of Public Fire	Allocation of Public Fire Using Factor
	Residential	2,177	0.8937	0.8937
	Commercial/Public	259	0.1063	0.1063
		2,436	1.0000	1.0000

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

		Residential		Commercial		Total	
Meter Size	5/8" Equivalent	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)
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		1,710	2,177	56	259	1,766	2,436

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

		Residential		Commercial		Fire Projection		Total	
Service Size	3/4" Equivalent	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		1,710	1,735	56	72	0	0	1,766	1,807

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	$ 1,669,653	91.6%	$ 1,587,507	88.9%	$ 1,625,887	89.1%	$ 38,379	2.4%
Commercial	153,623	8.4%	198,975	11.1%	197,244	10.9%	(1,731)	-0.9%
Private Fire	-	0.0%	-	0.0%	-	0.0%	-	
Total Sales	1,823,277	100.0%	1,786,483	100.0%	1,823,131	100.0%	36,648	2.1%
Other Revenues	21,383		15,270		21,383		6,112	40.0%
Total	$ 1,844,659		$ 1,801,753		$ 1,844,514		$ 42,761	2.4%

EPCOR WATER ARIZONA INC.
HAVASU WATER DISTRICT
ALLOCATION OF TOTAL COST OF SERVICE BY COST FUNCTION TO CUSTOMER CLASSIFICATION

Line no. No.	Cost Function	Factor Ref	Total Cost of Service	Residential	Commercial	Private Fire
1	(1)	(2)	(3)	(4)	(5)	(6)
2						
3	Commodity	A	$ 116,516	$ 101,649	$ 14,867	$ -
4						
5	Demand - Maximum Day	B	514,668	454,658	60,010	-
6						
7	Demand - Maximum Hour	C	625,216	563,445	61,771	-
8						
9	Customer Facilities - Meters	D	61,532	54,992	6,541	-
10						
11	Customer Facilities - Services	E	176,624	169,595	7,030	-
12						
13	Customer Accounting	F	304,427	303,604	822	-
14						
15	Direct Fire	G	24,294	21,711	2,582	-
16						
17	Total		$ 1,823,277	$ 1,669,653	$ 153,623	$ -
18						