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**RHODE ISLAND PUBLIC UTILITIES COMMISSION**

**DOCKET NO. 3942**

**KENT COUNTY WATER AUTHORITY**

**PREFILED REBUTTAL TESTIMONY OF**

**CHRISTOPHER P.N. WOODCOCK**

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4 **PREFILED REBUTTAL TESTIMONY OF**  
5 **CHRISTOPHER P.N. WOODCOCK**

6 **Q: Are you the same Christopher Woodcock that submitted direct testimony on**  
7 **behalf of the Kent County Water Authority?**

8 A: Yes I am.

9 **Q: Please provide an overview of the Authority's positions after your review of**  
10 **the prefiled testimony of Mr. Thomas Catlin on behalf of the Division?**

11 A: In general, there were 13 areas where Mr. Catlin has proposed revisions to the rev-  
12 enue requirements proposed by the Authority. Our position on each is noted:

- 13 1.TSC-2: IFR Funding (disagree)
- 14 2.TSC-2: Operating Revenue Allowance (partially agree/disagree)
- 15 3.TSC- 3: Sales volumes/reduced use by Amgen (agree on part/disagree on part)
- 16 4.TSC-4: Updated billing units (agree to adjustment)
- 17 5.TSC-5: Labor cost adjustment (agree)
- 18 6.TSC-6: Health Insurance costs (disagree)
- 19 7.TSC-7: Chemical costs (agree on part/disagree on part)
- 20 8.TSC-8: T&D Mains Maintenance Expense (agree on part/updated amounts)
- 21 9.TSC-9: General Inflation (agree)
- 22 10.TSC-10: Purchased Water Costs (agree on part/updated amounts)
- 23 11.TSC-11: PUC Assessment: (agree)
- 24 12.TSC-12: O&M Reserve Funding (disagree)
- 25 13.TSC-13: R&R Reserve (agree)

26 In addition to his recommendations on revenue requirements, Mr. Catlin has also  
27 raised some points regarding the cost allocation and rate design that I will discuss.  
28

1 **IFR Funding**

2 **Q: The Division has proposed to reduce KCWA's proposed IFR funding by**  
3 **\$600,000. Do you agree with this recommendation?**

4 A: I do not. KCWA was asked through various data requests to justify the \$6 million  
5 spending level that was sought for IFR. KCWA provided this information showing  
6 that the money was needed to continue with its capital improvement program and to  
7 fund the various infrastructure replacement projects that have been approved.

8  
9 The Division's reluctance to support this request is apparently based a goal to  
10 "moderate the rate increase in this proceeding ... given the current economic strains  
11 on consumers from high energy prices as well as general economic conditions".

12  
13 First, RI state law (Chapter 15.6 Clean Water Infrastructure) clearly states (empha-  
14 sis added):

- 15 • Water is vital to life and comprises an invaluable natural resource which is not to  
16 be abused by any segment of the state's population or its economy.
- 17 • It is a paramount policy of the state to protect the purity and future drinking water  
18 supplies by protecting the infrastructure of potable water
- 19 • It is necessary to take immediate and continuing steps to repair and replace the  
20 infrastructure used to deliver water supplies in order to restore water system fail-  
21 ures
- 22 • Failure to replace the infrastructure used to deliver water supplies may cause  
23 and probably will continue to degrade the quality of drinking water
- 24 • The potable threat to public health caused by unsafe drinking water outweighs  
25 the economic costs for the construction of the potable water infrastructure re-  
26 placement
- 27 • The objectives of this chapter are ... (that said infrastructure) ... plans and their  
28 execution achieve and insure that the investment of the public health in such fa-  
29 cilities is not eroded

- 1 • The Rhode Island Public Utilities Commission ... shall permit for just and reason-  
2 able infrastructure replacement in the portion of the water supplier's rate struc-  
3 ture to comply with this chapter and shall allow the water supplier to add this re-  
4 quired funding to its rate base in accordance with this chapter.

5  
6 The Public Utility Commission is provided a copy of the infrastructure plan for re-  
7 view and comment. Based on the response to KCWA 1-13, there were no com-  
8 ments from the Division; there is no evidence in this docket that the infrastructure  
9 replacement requests by KCWA are not "just and reasonable."

10  
11 Lastly, I don't believe that the current economic strains should play a role in this  
12 proceeding, and certainly not if they violate state law or are contrary to stated policy.  
13 As indicated in our response to Commission data request 1-11, the residents of  
14 Kent County have a lower percentage of population below the poverty level than the  
15 rest of the State of Rhode Island and the nation as a whole. The water bill for a typ-  
16 ical resident will be under \$600 per year (less than \$50 per month) under the rates  
17 we propose. That is just over 1% of the medium household income in Kent County  
18 and less than half the level deemed affordable.

19  
20 Based on the response to KCWA 1-12 to the Division, there was no analysis to  
21 support the Division's claim of "economic strains on consumers", particularly as it  
22 may apply to consumer's water bills. The Division's claimed increase to the typical  
23 resident's water bill of \$160/year<sup>1</sup> or \$0.44 per day is minimal. KCWA's proposed  
24 water rate for residential customers is \$0.00658 per gallon of water. The daily cost  
25 of water to an average consumer is less than the cost of one half gallon of gasoline  
26 or fuel oil.

27  

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<sup>1</sup> As shown on my rebuttal schedule 10, the average resident in KCWA uses 2730 cu ft/quarter and the proposed increase would be \$130/year or \$0.357 per day.

1 **Q: Wouldn't the Division's proposed revenue adjustments reduce the water bill**  
2 **for Kent County Water Authority customers?**

3 A: Taking into account all the Division's recommended adjustments, the increase to a  
4 typical residential customer (TSC-14) is \$18.92 per quarter or \$0.21 per day. The  
5 Authority's proposed increase (my rebuttal schedule 10) is less than \$33 per quarter  
6 or about \$0.36 per day. The total of all the Division's proposed changes would save  
7 the typical residential customer only \$0.15 per day. The Division's proposed reduc-  
8 tion to the IFR funding would save the typical residential customer less than \$0.05  
9 per day on their water bill! A customer could save this much on their water bill by  
10 simply reducing water use by only 7 gallons per quarter or a little more than one cup  
11 per day! This is hardly the kind of savings needed to reduce the economic strain on  
12 customers.  
13

#### 14 **Operating Revenue Allowance**

15 **Q: Mr. Catlin has recommended an operating revenue allowance of 1.5% of total**  
16 **rate revenues. Will you comment on this please?**

17 A: Mr. Catlin's recommendation is not inconsistent with past Commission decisions on  
18 this matter. His testimony recognizes recent Commission decisions where the op-  
19 erating revenue allowance is based on revenues (rather than expenses) and an in-  
20 creased allowance percentage was provided (Docket No. 3832). Mr. Catlin indi-  
21 cates that should the Commission allow an increased percentage he would recom-  
22 mend a 3% allowance rather than the 5% proposed by KCWA, with 1.5% unre-  
23 stricted and 1.5% restricted.  
24

25 The Authority has considered Mr. Catlin's position and his comments on the use of  
26 test year sales. Based on those comments, the Authority has reduced its request to  
27 an operating *revenue* allowance of 3.0% of rate *revenues*. We ask that the Com-  
28 mission take into account that the Kent County Water Authority is the first water utili-  
29 ty in Rhode Island to propose a conservation rate on its own initiative.  
30

1 **Q: Mr. Catlin has also offered two recommendations if the Commission grants an**  
2 **operating revenue allowance based on 3% of rate revenues. Does the Author-**  
3 **ity have any comments on those recommendations?**

4 A: In general we are in agreement with the concepts behind these recommendations.

5  
6 The first recommendation is to limit the restricted portion of the allowance to 6% of  
7 rate revenues. As the Commission is aware, the Authority often must increase its  
8 rates based on increases in the rate charged by its wholesale provider – Providence  
9 Water. As a result, the annual revenues can change outside general rate filings by  
10 the Authority. To administer this first recommendation, I recommend that the Au-  
11 thority provide a report to the Commission each year (perhaps 120 days after the  
12 conclusion of its fiscal year or by November 1) that presents the (unaudited, unless  
13 the audit is complete) revenues for the prior fiscal year and the level of the restricted  
14 portion of the operating revenue allowance fund. If the level of the restricted operat-  
15 ing revenue allowance fund exceeds 6% of the annual revenues, the Commission  
16 could then open a docket to adjust the Authority's rates.

17  
18 Mr. Catlin's second recommendation is that if actual revenues in the rate year ex-  
19 ceed the allowed revenues by more than 1%, any "excess" revenues (revenues  
20 greater than 101% of those allowed) be added to the restricted portion of the oper-  
21 ating revenue allowance. Mr. Catlin goes on to suggest that in years subsequent to  
22 the rate year, the allowed revenues be increased based on the GDP-PI index.

23  
24 I have no problem with the concept behind this second recommendation – that  
25 windfalls be restricted; however, I think there are problems with the implementation.

- 26
- First, the allowed revenues must not only reflect the allowed revenues in this or  
27 subsequent dockets, but should clearly account for pass through increases.
  - Second, I do not believe the GDP-PI index is the proper index to use.
  - Third, I think the excess amount needs to be more than 1%.
- 28  
29  
30

1 **Q: Please discuss the first of these concerns.**

2 A: If the Authority is granted a pass through increase due to an increase in Providence  
3 Water's wholesale rate, the Authority's revenues will increase above those allowed  
4 in this docket. Any such increase in revenues should be factored into the determi-  
5 nation of the "allowed revenues".

6  
7 **Q: Rather than the GDP-PI, what index do you believe should be used to adjust**  
8 **the allowed revenues in future years?**

9 A: I believe the CPI for the Northeast is more applicable, more frequently used for ad-  
10 justments like this, more applicable to this specific part of the country, and more  
11 easily determined.

12  
13 **Q: Why do you believe the 1% windfall allowance is too little?**

14 A: Under the proposed allowance for the operating revenue allowance there is already  
15 a built in allowance of 1.5% for the unrestricted portion. At a minimum, the windfall  
16 restriction should not be less than this. Perhaps more importantly, there are much  
17 larger variations in the Authority's sales and thus revenues from year to year. My  
18 Sch. 1C presents the annual variations in purchased water. The smallest variation  
19 from year to year is 3.5% and the largest is 10%. I believe we can all be generally  
20 confident that annual sales will typically vary by more than 1% each year. Varia-  
21 tions in the 3-5% range are more typical.

22  
23 In light of this, I suggest if actual revenues exceed allowed revenues (as adjusted  
24 for increases of a pass through and inflation) by more than 4%, that any excess  
25 over that 4% be added to the restricted portion of the operating revenue allowance.

26  
27 **Water Sales & Purchases**

28 **Q: Mr. Catlin has proposed some changes to your proposed sales volumes. Will**  
29 **you discuss this please?**

1 A: Mr. Catlin has recommended some adjustments as shown on TSC-3; some of this  
2 is related to his discussion of changes in sales to Amgen. At this time we have ac-  
3 tual sales volumes for the most recent fiscal year (FY 2008) that were provided in  
4 response to Division data request 4-1. As noted earlier, we have agreed to the Di-  
5 vision's proposed adjustment to meters, hydrants and fire services as of 6/30/2008.  
6 I am proposing that we also use the actual sales volumes for FY 2008, and only ad-  
7 justing for the loss of sales to Clariant Corporation. I propose to reduce the actual  
8 FY 2008 sales for most of the actual sales to Clariant Corporation in that same year.  
9 I have updated schedule 2.2 to reflect these latest sales values.

10

11 **Q: Are you proposing any adjustment to the FY 2008 sales for Amgen?**

12 A: I am proposing no further adjustment for the reduced sales to Amgen. The FY 2008  
13 sales I am proposing to use already reflect that reduction. No further adjustment is  
14 needed.

15

16 **Q: Have you also adjusted the purchased water costs and state surcharge reve-  
17 nues to reflect the FY 2008 actual amounts?**

18 A: Yes I have. As shown on Schedule 1C I have added the FY 2008 purchases from  
19 Providence Water and the purchases and sales of Providence Water from Warwick.  
20 I have also reduced the net purchases from Providence to reflect the lost sales to  
21 Clariant Corporation.

22

### 23 **Labor Costs**

24 **Q: You indicated earlier that you have agreed to the labor cost adjustment rec-  
25 ommended by Mr. Catlin. Is that correct?**

26 A: Yes. The Authority has historically provided annual increases closer to the 4% we  
27 had initially recommended. As noted in the response Commission data request 1-  
28 13, the Authority provided a 3.2% increase for FY 2009. Because this encom-  
29 passes the bulk of the rate year we have agreed to use the 3.2% increase value



1 suggested by Mr. Catlin. This adjustment flows through to other items such as the  
2 capitalized labor and payroll tax as well.  
3

#### 4 Health Insurance Costs

5 **Q: The Division has recommended several revisions to the Health Insurance**  
6 **costs presented in your direct testimony. Do you agree with these adjust-**  
7 **ments?**

8 A: As indicated in our response to Division data request 1-23, we had revised the med-  
9 ical blue-cross, dental, and retiree insurance costs based on information received  
10 subsequent to filing this case. These are reflected in Mr. Catlin's TSC-6 and we  
11 agree to those revisions.  
12

13 The Authority does not agree with the Division's recommendation to reduce medical  
14 insurance costs for a 10% co-pay. The increase in the employee co-pay for NBC  
15 was phased in. That KCWA is not unionized is no reason to penalize KCWA or its  
16 employees (see response to KCWA-9). I believe it is disingenuous to suggest that  
17 the Division's recommendation is not a requirement that KCWA increase the co-  
18 pay. To suggest that it simply be taken out of the operating revenue allowance has  
19 the effect of reducing that allowance by .3% right off the bat.  
20

21 I also think it is rather inconsistent to suggest that KCWA could just increase the  
22 employee's co-pay without any adjustment to salaries. The Division has already  
23 suggested reducing the salary increases. Now it is asking employees to further re-  
24 duce their take home pay. Using the average health insurance cost of \$13,350 per  
25 employee (see Division's response t KCWA-10), a 10% co-pay would cost the em-  
26 ployees of KCWA \$1,335.00 per year. Suggesting this level of pay reduction is  
27 somewhat surprising when the Division suggest that \$160 per year will add to the  
28 economic strain of consumers (see response to KCWA-12). The employees of  
29 KCWA are consumers as well.

1

2 **Chemical Costs**

3 **Q: Mr. Catlin has recommended a revision to the Authority's claimed expense for**  
4 **chemicals. Will you discuss this item?**

5 A: Mr. Catlin reviewed the chemical use by the Authority over the past four fiscal  
6 years. As shown in the response to Division 1-15 and 2-3 (summarized on TSC-7),  
7 there has been considerable variation in the use of chemicals from year to year.  
8 Mr. Catlin has recommended a revision based on the four year average use of each  
9 chemical and applied the prices we provided in response to Division 1-16. He add-  
10 ed the transportation charge and an escalation factor to derive a recommended rate  
11 year expense for chemicals.

12

13 **Q: Do you agree with his conclusions?**

14 A: Clearly there are large variations in use from year to year, but these are partly a re-  
15 sult of changes to the quantities of water that the Authority has been able to pump  
16 and treat from its own sources. As shown on Schedule 1C, there have been some  
17 significant variations in KCWA's production from year to year that contribute to  
18 these variations in chemical uses.

19

20 Rather than taking a simple average of the annual uses, I have done an analysis of  
21 use per gallon of KCWA production as shown on page 2 of my updated Schedule  
22 1E. I derived a value for the gallons or pounds of each chemical used per million  
23 gallons of KCWA production. I then took an average of these amounts over a four  
24 year period and applied it to the average production by KCWA. This gave quantities  
25 of each chemical based on a weighted average (weighted by production).

26

27 On Schedule 1D (page 1) I applied the most current price for each chemical. Like  
28 Mr. Catlin I then added the transportation costs and inflation for one year.

29

1 **Q: Are the chemical prices you used the same as those used by Mr. Catlin?**

2 A: No they are not. The Authority was recently notified of a significant increase to the  
3 cost of potassium hydroxide. The price has more than doubled from the \$0.2006  
4 used by Mr. Catlin to \$0.50 per pound. Large increases to potassium hydroxide are  
5 being experienced by water suppliers around the country. I understand that the  
6 price is being driven by increased energy costs as well as large increases in de-  
7 mand for potassium for fertilizer, particularly in Asia. Many of my clients have seen  
8 doubling and tripling of chemical budgets this year.

9 **T&D Mains Maintenance Expense**

10 **Q: Do you agree with Mr. Catlin's proposed adjustment to the non-labor costs  
11 associated with transmission & distribution main maintenance?**

12 A: I agree in part with his adjustment, but have updated values that change his final  
13 result. Mr. Catlin calculated a four year average of non-labor costs associated with  
14 transmission & distribution main maintenance. In doing his calculation he did not  
15 have a full year's costs for FY 2008 and had to estimate these for May and June of  
16 2008. I was able to get the actual costs for these months and get the full actual  
17 cost for FY 2008. These are shown on page 2 of Schedule 1E.

18  
19 I made one other adjustment to this item that Mr. Catlin did not make. Because we  
20 used a four year average of expenses, the impact of inflation since 2005 should be  
21 taken into account. To the revised average cost, I added three years of inflation to  
22 go back to the midpoint of FY 2006 and FY 2007. This too is presented on Sch. 1E.

23 **General Inflation**

24 **Q: Mr. Catlin has proposed the use of an alternative inflation measure – the pro-  
25 jected increase in the GDP-PI; do you agree with that?**

26 A: Mr. Catlin has accepted the use of two times the CPI index for power and chemical  
27 related cost increases. As discussed in my direct testimony, chemical costs are  
28 energy dependant. I have agreed with Mr. Catlin for this docket to use the GDP-PI  
29 for the other items.

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Because inflation has been growing in the past few months, I have updated the CPI-Northeast values through the July 2008 index released by the Bureau of labor Statistics. The revised CPI index is:

CPI Index for July - Northeast Urban

<u>Year</u>	<u>Index</u>	<u>% Change</u>
2004	201.0	
2005	207.9	3.43%
2006	217.5	4.62%
2007	221.9	2.04%
2008	234.5	5.68%
average		3.94%

As I had done in my direct testimony, and I believe as was accepted by Mr. Catlin, I have doubled this rate of increase for power related items (Pumping Fuel and Power) for 2.33 years from the test year to the rate year. Because chemical prices were increased to the current price, I have only increased these for one year at twice the CPI-rate. In accepting the GDP-PI for other items I ask that it also be updated to reflect the most recent inflation values. As I do not have access to the Blue Chip Economic Indicators used by Mr. Catlin, I am hoping that he can provide this in his surrebuttal testimony.

**PUC Assessment**

**Q: Do you agree with Mr. Catlin’s proposed adjustment to the PUC Assessment?**

A: Yes we do.

**Cost Allocation/Rate Design**

**Q: You also noted that you had some comments on Mr. Catlin’s testimony regarding cost allocation and rate design. Will you address these?**

A: The first point he raises regards the meter equivalency factors I have used for KCWA. Mr. Catlin has suggested that there is no new information that would suggest that these factors should be revised.

1 Next Mr. Catlin suggests that in its next cost allocation study that we consider using  
2 the book value of assets rather than asset replacement value to assign debt service  
3 and related costs. I agree that this is reasonable.

4  
5 Lastly. Mr. Catlin has addressed KCWA's proposal for a seasonal rate. While he  
6 opines that he does not believe it is appropriate to adopt seasonal rates with quar-  
7 terly billing, he is not opposed to the small differential proposed as a first step. He  
8 also recognizes that the Authority's proposal to adopt seasonal rates is tied to the  
9 granting of the operating revenue allowance we have proposed.

10  
11 **Q: Does KCWA still propose the seasonal rates?**

12 A: Yes we do, as long as the Commission provides the Authority with at least a 3%  
13 operating revenue allowance on rate revenues. The Authority believes that water  
14 resources in the State of Rhode Island must be sustained, and as the stewards of  
15 this resource, the Authority should promote wise water use among its customers.  
16 The legislature has considered seasonal water rates in its last two sessions; we  
17 think that seasonal rates will be required in the future.

18  
19 While our initial first step with a seasonal rate structure may not be the ideal, KCWA  
20 believes that it is appropriate and should be approved by the Commission despite  
21 some limitations. This first step is better than none. As we indicated in our direct  
22 testimony, as the Authority's metering and billing programs improve over the next  
23 few years, we believe that the seasonal rate we are proposing can be enhanced.

24  
25 **Q: Do you still recommend alternative A?**

26 A: I do.

27  
28 **Summary**

29 **Q: Have you updated your schedules based on your rebuttal position?**

30 A: Yes I have – the updated schedules are attached.

1

2 **Q: Does this conclude your testimony?**

3 A: Aside from new information that may be brought to my attention and without review-  
4 ing the final testimony from the Division or other witnesses, yes it does.

5

6

**PRO FORMA EXPENSES**

←----- Adjustments Detail ----->

Expense Item	Test Year FY 2007	Summary of Adjustments	Rate Year 11/1/08 - 10/31/09	Labor Increase (CPNW Sch 1B)	Adjustments Detail			Non-Labor Inflation
					Time Costs	Other Adjustments	Supporting Schedule	
<b>SOURCE OF SUPPLY</b>								
operations & labor	\$14,597	\$10,403	\$25,000	0	10,403	Sch. 1D	0	
purchased water	3,643,939	\$603,979	4,247,918	0	603,979	Sch. 1C	0	
<b>Subtotal</b>	3,658,536	614,382	4,272,918	0	614,382		0	
<b>PUMPING OPERATIONS</b>								
fuel for pumping	8,450	\$1,635	10,084	0			1,635	
power-pumping	521,264	\$100,843	622,127	0			100,843	
labor-pumping	64,875	\$4,940	69,815	4,940			0	
pumping expense	2,187	\$120	2,308	0			120	
maint. - structures & improv	34,808	\$2,554	37,361	2,302			252	
diesel oil	0	\$0	0	0			0	
maint. - equip	36,264	\$2,520	38,784	1,892			628	
<b>Subtotal</b>	667,868	112,612	780,480	9,134	0	0	103,479	
<b>WATER TREATMENT</b>								
chemicals	102,910	\$202,989	305,899	0	202,989	Sch. 1D/1E	0	
labor	74,507	\$5,674	80,180	5,674			0	
operating	28,804	\$1,584	30,388	0			1,584	
maint. - water treat equip	1,608	\$88	1,697	0			88	
maint. - structure	0	\$0	0	0			0	
<b>Subtotal</b>	207,829	210,335	418,164	5,674	0	202,989	1,672	
<b>TRANS &amp; DISTR. EXPENSE</b>								
storage facilities exp.	520	\$29	549	0			29	
labor	29,163	\$2,221	31,384	2,221			0	
supplies	39,804	\$2,189	41,993	0			2,189	
labor-meter	30,775	\$2,618	33,392	2,618			0	
material-meter	5,963	\$328	6,291	0			328	
cust. install.	0	\$0	0	0			0	
misc.	15,389	\$846	16,235	0			846	
maint. - struct. & improv.	223	\$12	235	0			12	
maint. - res & stdp	50,799	\$3,044	53,843	903			2,141	
maint. - mains	912,017	-\$195,265	716,752	28,297	-223,562	Sch 1E	4,276	
maint. - service	168,421	\$11,180	179,601	6,904			1,361	
maint. - meters	80,044	\$5,572	85,616	4,211			2,308	
maint. - hydrants	84,307	\$5,532	89,839	3,224			0	
construction labor	-7,567	-\$416	-7,983	0			-416	
<b>Subtotal</b>	1,409,859	-162,111	1,247,748	48,377	0	-223,562	13,074	

**PRO FORMA EXPENSES**

Adjustments Detail

Expense Item	Test Year FY 2007	Summary of Adjustments	Rate Year 11/1/08 - 10/31/09	Labor Increase (CPNW Sch. 1B)	Adjustments Detail			Non-Labor Inflation
					Time Costs	Other Adjustments	Supporting Schedule	
<b>CUSTOMER ACCOUNT</b>								
labor- meter read	74,300	\$5,658	79,958	5,658			0	
cust record labor	155,527	\$11,844	167,371	11,844			0	
cust records exp	56,775	\$3,122	59,897	0			3,122	
meter read supplies	0	\$0	0	0			0	
uncollectible	0	\$0	0	0			0	
<b>Subtotal</b>	<b>286,602</b>	<b>20,624</b>	<b>307,226</b>	<b>17,502</b>	<b>0</b>	<b>0</b>	<b>3,122</b>	
<b>ADMIN. &amp; GENERAL</b>								
salaries	322,654	\$64,548	387,202	64,490			58	
office supplies & expenses	119,366	\$6,564	125,930	0			6,564	
insurance (property/liability)	128,228	\$0	128,228	0		0	0	
Insurance (worker's comp)	30,456	\$11,660	42,116	0		11,660	0	
injuries & damages	283	\$16	298	0			16	
employee benefits	683,739	\$70,873	754,612	388		70,485	0	
fees	25,000	\$7,500	32,500	0		7,500	0	
maint. - plant	198,157	\$13,562	211,719	9,591			3,971	
maint. - vehicles	105,368	\$6,204	111,572	1,476			4,728	
miscellaneous	25,033	\$1,697	26,779	1,142			554	
vacation, holiday, sick	244,044	\$18,585	262,629	18,585			0	
regul. exp.	45,694	\$82,460	128,155	0		82,460	0	
other	0	\$0	0	0			0	
outside service	126,625	\$6,963	133,588	0			6,963	
<b>Subtotal</b>	<b>2,054,697</b>	<b>290,631</b>	<b>2,345,327</b>	<b>95,672</b>	<b>0</b>	<b>172,105</b>	<b>22,854</b>	
<b>TOTAL O&amp;M</b>	<b>\$8,285,390</b>	<b>\$1,086,472</b>	<b>\$9,371,863</b>	<b>\$176,358</b>	<b>\$0</b>	<b>\$765,914</b>	<b>\$144,201</b>	



**PRO FORMA EXPENSES**

Expense Item	Test Year FY 2007	Summary of Adjustments	Rate Year 11/1/08 - 10/31/09	Labor Increase (CPNW Sch 1B)	Adjustments Detail			Non-Labor Inflation
					Time Costs	Other Adjustments	Supporting Schedule	
FIXED CHARGES								
Debt Service	\$3,901,944	\$30,375	\$3,932,319		30,375	Sch. 1D		
	0	\$0	\$0		0			
Reserves and Coverage								
O&M Reserve	0	\$488,625	\$488,625		488,625	Sch. 1D		
R&R Reserve	0	\$200,000	\$200,000		200,000	Sch. 1D		
Renewal & Replacement - Equip	100,000	\$0	100,000					
Infrastructure Replacement	4,004,478	1,995,522	6,000,000		1,995,522	Sch. 1D		
Payroll Taxes	138,876	13,637	152,513		13,637	Sch. 1D		
PILOT	23,123	0	23,123		0			
SUBTOTAL FIXED	\$8,168,421	\$2,728,159	\$10,896,580	\$0	\$2,728,159			\$0
OPERATING REVENUE	\$0	\$615,903	615,903		615,903			
TOTAL EXPENSES	\$16,453,811	\$4,430,533	\$20,884,345	\$176,358	\$4,109,975			\$144,201
Less:								
Available Restrict Debt	0	0	0		\$0	Sch. 1A		
Miscellaneous Income	(179,384)	0	(179,384)		\$0	Sch. 1A		
Interest Income	(112,596)	0	(112,596)		\$0	Sch. 1A		
Merchand & Jobbing	(2,384)	0	(2,384)		\$0	Sch. 1A		
6.9% of Water Prot Fee	(56,722)	-3,173	(59,895)		(\$3,173)	Sch. 1A		
NET REQUIRED FROM RATES	\$16,102,726	\$4,427,360	\$20,530,086					\$144,201

**TEST YEAR & PRO FORMA REVENUES**

	<u>Test Year</u> <u>Revenues</u>	<u>Adjustments</u>	<u>Normalized</u> <u>Test Year</u>	
<u>Revenues</u>				
Miscellaneous				
Available Restrict Debt	\$0	\$0	\$0	
Miscellaneous Income	\$179,384	\$0	\$179,384	
Interest Income	\$112,596	\$0	\$112,596	
Merchand & Jobbing	\$2,384	\$0	\$2,384	
6.9% of Water Prot Fee	<u>\$56,722</u>	<u>(\$3,173)</u>	<u>\$53,549</u>	(2)
Total Misc.	\$351,086		\$347,912	
Metered Rates	\$14,572,977	\$171,858	\$14,744,835	(1)
Public Fire	<del>\$1,089,366</del>	\$17,190	\$1,106,556	(1)
Private Fire	<del>\$179,137</del>	(\$3,454)	\$175,683	(1)
Total Revenue	\$16,192,566	\$185,595	\$16,374,987	
	\$16,079,965			
<u>Required Revenue</u>			\$20,884,345	
<u>Required Revenue from Rates</u>			\$20,536,433	
<u>Rate Increase Needed</u>			\$4,509,358	28.14%

NOTES:  
 (1) Normalized Test Year Revenues at Current Rates based on Sch. 11 - current rates for full year.  
 (2) WP revenue based on rate of \$0.01511 with 95% non-exempt customers.  
 Non-exempt Use RY = 3,543,914 ccf  
 Rate (\$/ccf) \$0.01511  
 RY Revenue \$53,549

**TEST YEAR & RATE YEAR LABOR COSTS**

EXPENSE ITEM	Test Year		Rate Year	
	FY 2007	Adjustments (1)	11/1/08 - 10/31/09	
PUMPING OPERATIONS				
labor-pumping	\$64,875	4,940		\$69,815
maint. - structures & improv	\$30,223	2,302		\$32,525
maint. - equip	\$24,840	1,892		\$26,731
WATER TREATMENT				
labor	\$74,507	5,674		\$80,180
TRANS & DISTR. EXPENSE				
labor	\$29,163	2,221		\$31,384
labor-meter	\$34,375	2,618		\$36,992
maint.- res & stdp	\$11,856	903		\$12,759
maint. - mains	\$371,581	28,297		\$399,878
maint. - service	\$90,660	6,904		\$97,564
maint. - meters	\$55,302	4,211		\$59,514
maint. - hydrants	\$42,331	3,224		\$45,555
CUSTOMER ACCOUNT				
labor-meter read	\$74,300	5,658		\$79,958
cust record labor	\$155,527	11,844		\$167,371
ADMIN. & GENERAL				
salaries	\$321,593	64,490		\$386,083 Includes New GIS Operator
employee benefits	\$5,100	388		\$5,488
maint. - plant	\$125,943	9,591		\$135,534
maint. - vehicles	\$19,378	1,476		\$20,854
miscellaneous	\$15,000	1,142		\$16,142
vacation, holiday, sick	\$244,044	18,585		\$262,629
SUBTOTAL LABOR	\$1,790,600	\$176,358		\$1,966,958
Capitalized Labor	\$24,788	1,888		\$26,676
TOTAL LABOR COSTS	\$1,815,388	\$178,246		\$1,993,634

(1) See Schedule 1D

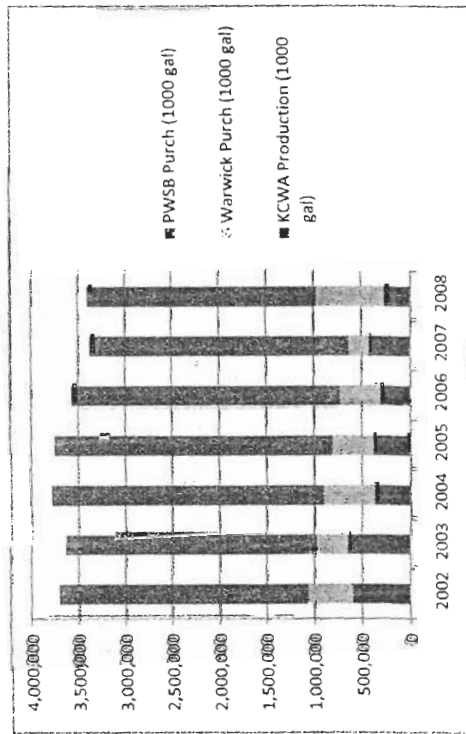
**WHOLESALE WATER COSTS**

Wholesale Water Purchases

PWSB Rate (/mg)	Rate (\$/mg)	Purchases (mg)	Cost
	\$1,455.77	2,917.99	\$4,247,918
Net Wholesale Purchases (gallons) - Rate Year			
Warwick Purchases		698,573,000	
PWSB Purchases		2,433,557,000	
Total Purchases		3,132,130,000	
Sales To Warwick		-91,967,000	
Net Purchases		3,040,163,000	
Less Clairiant 2008		-122,175,852	
Rate Year Sales		2,917,987,148	

	Fiscal Yr -->	2004*	2005	2006	2007	2008	4 Year Avg	Pro Forma
KCWA Production (1000 gal)		370,545	382,069	307,398	427,900	267,800	346,292	267,800
Warwick Purch (1000 gal)		528,561	424,640	418,184	202,630	698,573	436,007	698,573
PWSB Purch (1000 gal)		2,719,906	2,947,455	2,849,405	2,745,719	2,433,557	2,744,034	2,433,557
Total		3,619,012	3,754,164	3,574,987	3,376,249	3,399,930	3,526,332	3,399,930
Total Purchased		3,248,467	3,372,094	3,267,589	2,948,349	3,132,130	3,180,040	3,132,130
Sales To Warwick (1000 gal)		67,277	69,138	78,660	82,138	91,967	80,476	91,967
Net Purchases		3,181,189	3,302,957	3,188,929	2,866,211	3,040,163	3,134,822	3,040,163
			3.8%	-3.5%	-10.1%	6.1%		

\* PWSB FY2004 Purchases reduced for loss of On Semiconductor



**EXPLANATION OF ADJUSTMENTS TO TEST YEAR COSTS**

<u>Adjustment to:</u>	<u>Explanation</u>	<u>Weighted Avg</u>	<u>cur. \$/lb or gal ***</u>	<u>Annual Cost</u>
<u>Treatment: Chemicals</u>	<u>lbs or gal/yr **</u>			
	Pot. Hydrox. (lbs)	546,366	\$0.5000	\$273,183
	Tetra Potassium Pyrophosphate (gals)	480	\$11.4550	\$5,498
	Chlorine (gal)	1,085	\$1.6000	\$1,736
	Fuel Charge			<u>\$3,123</u>
		Annual Amount		\$283,540
		Plus Inflation*		\$22,359
		Rate Year Amount		\$305,899

\* Cost of chemicals is dependant on energy prices more than general inflation index; chemical costs were increased at an annual rate that is twice that of the general inflation rate or 7.89%/year.

\*\* See Sch. 1E, page 2

\*\*\* Most current prices - Supplier notified that price for Potassium Hydroxide was increased to \$.50/pound effective July 1, 2008

**Fixed Charges Associated with Debt Service:**

O&M Reserve	Set to achieve reserve level equal to 25% of operating costs.	
	"O&M" Costs (Sch. 1) =	\$9,371,863
	Payroll Taxes	\$152,513
	PILOT	<u>\$23,123</u>
	Total Operating	\$9,547,499
	Required O&M Reserve	\$2,386,875
	Balance 5/7/08	\$1,898,250
	Estimated Additions to 10/31/09	0
	Estim. Balance 11/1/09	1,898,250
	Required deposit =	\$488,625
R&R Reserve	Set to equal 1% of Net Utility Plant (NUP)	
	NUP Value (6/30/07)	\$78,515,214
	Estimated Additions	<u>\$20,000,000</u>
	Pro Forma NUP	\$98,515,214
	Required Balance (1%)	\$985,152
	Balance 6/30/07	\$521,820
	Estimated Additions to 10/31/09	263,332
	Estim. Balance 11/1/09	785,152
	Addition to Reserve Required	\$200,000

**Admin - Fees**

Based on March 2008 notice from Dept. of Health, license fees are proposed to increase effective July 1, 2009. KCWA will see fee increase from \$25,000 to \$32,500/yr

**EXPLANATION OF ADJUSTMENTS TO TEST YEAR COSTS**

**Debt Service**

2004 Series A (Refunded 1994)

Principal	FY 2007	FY 2008	CY 2009 *
Interest	\$950,000	980,000	1,030,000
Total	\$303,500	274,700	234,900
	\$1,253,500	\$1,254,700	\$1,264,900

2001 Bonds (\$10 million)

Principal	\$380,000	\$395,000	\$430,000
Interest	\$398,861	\$383,836	\$359,536
Total	\$778,861	\$778,836	\$789,536

2002 Bonds (\$24.39 million)

Principal	\$870,000	\$895,000	\$955,000
Interest	\$999,583	\$973,108	\$922,883
Total	\$1,869,583	\$1,868,108	\$1,877,883
	\$3,901,944	\$3,901,644	\$3,932,319

Total Existing

\* CY 2009 used for Rate Year

**Infrastructure Replacement**

Based on the June 2003 IFR Report for KCWA the annual IFR requirement is approximately \$6 million. In this case we are requesting the full annual funding of \$6,000,000  
Increase over test year = \$1,995,522

**Source of Supply Operations (studies)**

Cost of Water Supply, Engin, & IFR Plans = \$125,000  
Amortize over 5 yrs \$25,000  
Change over Test Year \$10,403

**Payroll Taxes**

FICA set at 7.65% of salary 152,513

**Worker's Comp**

Based on  
FY 05 30,983  
FY 06 31,662  
FY 07 30,456  
FY 08 39,975  
Estim RY 42,116  
42,116 estimated based 4% increase for 1 1/3 years

**Insurance - Liability/Property**

Liability/Property	FY 06	FY 07	FY 08	Rate Year	Avg Increase
	\$122,514	128,228	134,814	143,670	4.90%

EXPLANATION OF ADJUSTMENTS TO TEST YEAR COSTS

Benefits/Pension	Test Year	FY 2008	Rate Year	% of TY Salary
Medical - Blue Cross	413,300	\$422,500	\$467,227	per DIV 1-23/TSC-6
Blue Cross Dental	39,877	\$46,600	\$37,092	per DIV 1-23/TSC-6
Group P-65 Retirees	61,451	\$51,100	\$79,333	per DIV 1-23/TSC-6
Life/Disability insurance	10,634	\$11,400	\$12,533	0.6286%
Pension	143,927	\$209,100	\$215,000	see below
RIEAP	1,200	\$1,300	\$1,300	no change
Education/Bonus	13,350	\$10,100	\$10,100	no change
Totals	683,739	\$752,100	\$822,585	
Increase over Test Year			70,485	

Past pension funding based on actuarially determined rates. Past amounts paid in Feb - June time frame:

CY 06	215,654
CY 07	143,927
CY 08	209,100
RY Estimate	215,000

**PILOT**

based on following payments in lieu of taxes:

City & Towns	Totals
W. Warwick	\$8,264.82
Warwick	\$58.00
Coventry	\$12,813.37
Scituate	\$260.05
W. Greenwich	\$364.43
<u>Fire Districts</u>	
Coventry	\$302.50
Harris	\$50.00
Tiogue	\$121.00
Cent Coventry	\$349.00
Hopkins Hills	\$540.00
Totals	\$23,123.17

**Labor Adjustments - Based on Test Year Labor costs**

A. All items labor increased by 3.2% per year for 2 1/3 years. Includes longevity and certification upgrades.  
 B. Added cost of New GIS Operator position to Admin. Salaries at \$40,000 plus benefits.

**Non-Labor Inflation**

Non-labor items were increased from the test year by 2.32%  
 per year or 5.50% over 2 1/3 years to account for inflation.  
 Power and Energy Costs increased at twice this rate = 19.35%

EXPLANATION OF ADJUSTMENTS TO TEST YEAR COSTS

Operating Revenue

See testimony-operating revenue based on total rate revenues (total less misc. revenues) at 3.00%

Restricted Funds Activity FY 2007

	<u>R&amp;R Reserve</u>	<u>O&amp;M Reserve</u>	<u>Debt ***</u>	<u>IFR **</u>	<u>R&amp;R Equip</u>
Beginning Balance (7/1/06)	\$521,820	\$1,898,250	\$2,973,005	\$6,883,741	\$83,808
Funding	\$0	\$0	\$4,052,999	\$4,004,478	\$100,000
Interest	\$24,250	\$88,214	\$76,258	\$367,673	\$4,317
Expenditures (actual) *	\$24,250	\$88,214	\$3,901,944	\$2,917,541	\$85,563
Ending Balance (6/30/07)	\$521,820	\$1,898,250	\$3,200,319	\$8,338,352	\$102,563

\* For O&M Reserves and R&R Accounts the expenditures = transfers of interest earnings to revenue fund

\*\* In FY 2004 an additional \$64,600 was deposited due to trustee making incorrect transfers.

\*\*\* Debt Service is maintained in separate accounts for each bond issue as follows:

	<u>2001 Series A</u>	<u>2002 Series A</u>	<u>2004 Series A</u>	<u>Total Debt</u>
Beginning Balance (7/1/06)	\$589,759	\$1,255,753	\$1,127,494	\$2,973,005
Funding (TY)	\$783,761	\$1,998,083	\$1,271,154	\$4,052,999
Interest	\$14,775	\$33,532	\$27,951	\$76,258
Expenditures (actual)	\$778,861	\$1,369,583	\$1,253,500	\$3,901,944
Ending Balance (6/30/07)	\$609,434	\$1,417,786	\$1,173,099	\$3,200,319



SUPPLEMENTAL DATA

<u>Regulatory Expenses</u>	<u>Fiscal Year</u>	<u>PUC</u>	<u>Legal</u>	<u>Consultants</u>	<u>Other</u>	<u>Total</u>
	1996	1,471	21,492	32,013	2,095	57,071
	1997	1,579	14,654	60,776	7,378	84,387
	1998	20,769	19,524	18,719	324	59,336
	1999	17,345	25,745	29,135	5,909	78,134
	2000	31,761	16,442	22,538	198	70,939
	2001	23,224	24,077	57,935	5,601	110,837
	2002	28,422	26,717	43,348	1,289	99,776
	2003	25,732	10,143	18,707	99	54,681
	2004	38,555	1,760	9,455	47	49,817
	2005	43,544	9,680	28,635	10,553	92,412
	2006	53,500	12,310	15,264	557	81,631
Estimated Rate Case Expense - this docket			20,000	40,000	15,000	75,000
				Other Rate Case (Prov Water, Pass Through)		50,000
				Amortized over 2 yrs		62,500
				PUC Assessment (Estim RY) *		65,655
				Rate Year (CY 09) Regulatory Expense =		128,155

Note: Estimated costs for current docket do NOT include KCWA regulatory costs for intervention in filings by Providence Water nor do they include costs for pass through rate filings to pass on wholesale rate increases.

\* PUC Assessment for past three years =

FY 2006	\$39,948
FY 2007	\$40,856
FY 2008	\$52,680
Average increase =	15.61%
Estim. FY 09	\$60,902
Estim. FY 10	\$70,407
Estim CY 2009 =	\$65,655

SUPPLEMENTAL DATA

Chemical Costs

Year	KCWA Product. (1000 gal)	Chlorine gals used	gal/mil gal	Tetra Potassium Pyrophosphate gals used	gal/mil gal	Potassium Hydroxide lbs used	Potassium Hydroxide lbs/mil gal
FY 2005	382,069	825	2.16			344,482	902
FY 2006	307,398	625	2.03	360	1.17	366,458	1,192
FY 2007	427,900	1,085	2.54	480	1.12	546,366	1,277
FY 2008	267,800	548	2.05	240	0.90	357,874	1,336
Four Year Average	346,292	771	2.19	360	1.06	403,795	1,177
Use based on avg/mil gal.		760		368		407,495	

T&D Mains Maintenance - Non-Labor Costs

Non-Labor Costs	
FY 2005	\$ 143,211 TSC-8
FY 2006	240,653 TSC-8
FY 2007	540,436 TSC-8
FY 2008	258,780 Note 1
Total	\$ 1,183,080
Four Year Average	\$ 295,770
Inflation adjustment (3 yrs)	\$ 21,104
Total Rate Year Non-Labor	316,874
Initial KCWA Amount	540,436
Adjustment	(223,562)

Note 1: Division did not have actual costs for May and June when TSC-8 was prepared. Actual costs that were added for those months were:

May 2008	\$28,154.42
June 2008	\$7,623.92

UNITS OF SERVICE

	FY 2008		Rate	
	<u>Actual</u>	<u>Adjustments</u>	<u>Year</u>	<u>Explanation</u>
<u>Metered Water Sales (100 cubic feet)</u>				
Small (5/8-2" meters)	3,366,572	-26,297	3,340,276	see page 2
Medium (3&4" meters)	144,827	-14,960	129,867	see page 2
Large (6" & up meters)	<u>382,373</u>	-122,080	<u>260,293</u>	see page 2
	3,893,773		3,730,436	
<u>Meters By Size</u>				
<u>Quarterly</u>				
	<u>6/30/08</u>			
5/8 & 3/4	22,126	20	22,146	TSC-4
1	3,560	13	3,573	TSC-4
1 1/2	310	10	320	TSC-4
2	514	16	530	TSC-4
3	17	2	19	TSC-4
4	63	9	72	TSC-4
6	68	8	76	TSC-4
8 & up	55	6	61	TSC-4
<u>Monthly</u>				
5/8 & 3/4	4	-2	2	see page 2
1	1	0	1	
1 1/2	8	0	8	
2	12	0	12	
3	1	-1	0	see page 2
4	6	0	6	
6	7	-1	6	see page 2
8 & up	4	0	4	
<u>Public Fire Service</u>				
	<u>6/30/08</u>			
Public Fire Hydrants	2,317	19	2,336	TSC-4
Bills	52	0	52	
<u>Private Fire Service</u>				
<u>Size (in)</u>				
4	15	0	15	TSC-4
6	106	-2	104	TSC-4
8	28	-1	27	TSC-4
10	1	0	1	TSC-4
12	1	0	1	TSC-4
Hydrants	150	-2	148	TSC-4

UNITS OF SERVICE

\* Changes in Water Use (ccf/yr)

<u>Clariant Corp.</u>	<u>TY Use</u>	<u>FY 08 Use</u>	<u>RY Use**</u>	<u>Adjustment</u>	<u>Small (5/8)</u>	<u>Medium (3")</u>	<u>Large (6")</u>
Acct 115502 - small	4,046	4,102	4,102	0			
Acct 114730-medium	15,450	14,960	0	-14,960		-14,960	
Acct 11403 -large	47,915	74,465	0	-74,465			-74,465
Acct 115436-small	12,915	12,412	0	-12,412	-12,412		
Acct 115435-small	19,307	13,885	0	-13,885	-13,885		
Acct 11402-large	<u>65,980</u>	<u>47,615</u>	<u>0</u>	<u>-47,615</u>			<u>-47,615</u>
Total	165,613	167,439	4,102	-163,337	-26,297	-14,960	-122,080

\*\* Note: First account assumed to remain for staff

Amgen

Amgen has been reducing water use at its facility over the past year.

FY 2007 sales	241,570
FY 2008 sales	163,422
Reduction (yr)	78,148

Reduction reflected in FY 08 actual sales

**ALLOCATION OF RATE YEAR EXPENSES TO  
GENERAL WATER, FIRE, AND CUSTOMER SERVICE**

EXPENSE ITEM	PRO FORMA EXPENSE	ALLOC. SYMBOL (1)	GENERAL WATER		FIRE SERVICE		CUST. SERVICE	
			%	AMOUNT	%	AMOUNT	%	AMOUNT
<b>SOURCE OF SUPPLY</b>								
operations & labor	\$25,000	A	99.5%	\$24,875	0.5%	\$125	0.0%	0.00
purchased water	\$4,247,918	A	99.5%	\$4,226,679	0.5%	\$21,240	0.0%	0.00
<b>PUMPING OPERATIONS</b>								
fuel for pumping	\$10,084	A	99.5%	\$10,034	0.5%	\$50	0.0%	0.00
power-pumping	\$622,127	A	99.5%	\$619,017	0.5%	\$3,111	0.0%	0.00
labor-pumping	\$69,815	P	84.4%	\$58,910	15.6%	\$10,905	0.0%	0.00
pumping expense	\$2,308	P	84.4%	\$1,947	15.6%	\$360	0.0%	0.00
maint. - structures & improv	\$37,361	P	84.4%	\$31,526	15.6%	\$5,836	0.0%	0.00
diesel oil	\$0	P	84.4%	\$0	15.6%	\$0	0.0%	0.00
maint. - equip	\$38,784	P	84.4%	\$32,726	15.6%	\$6,058	0.0%	0.00
<b>WATER TREATMENT</b>								
chemicals	\$305,899	A	99.5%	\$304,369	0.5%	\$1,529	0.0%	0.00
labor	\$80,180	A	99.5%	\$79,779	0.5%	\$401	0.0%	0.00
operating	\$30,388	A	99.5%	\$30,236	0.5%	\$152	0.0%	0.00
maint. - water treat equip	\$1,697	A	99.5%	\$1,688	0.5%	\$8	0.0%	0.00
maint. - structure	\$0	A	99.5%	\$0	0.5%	\$0	0.0%	0.00
<b>TRANS &amp; DISTR. EXPENSE</b>								
storage facilities exp.	\$549	D	75.0%	\$412	25.0%	\$137	0.0%	0.00
labor	\$31,384	B	80.6%	\$25,296	19.4%	\$6,089	0.0%	0.00
supplies	\$41,993	B	80.6%	\$33,846	19.4%	\$8,147	0.0%	0.00
labor-meter	\$33,392	C	0.0%	\$0	0.0%	\$0	100.0%	33,392.22
material-meter	\$6,291	C	0.0%	\$0	0.0%	\$0	100.0%	6,291.01
cust. install.	\$0	C	0.0%	\$0	0.0%	\$0	100.0%	0.00
misc.	\$16,235	F	54.7%	\$8,882	20.7%	\$3,357	24.6%	3,996.12
maint - struct. & improv.	\$235	F	54.7%	\$129	20.7%	\$49	24.6%	57.90
maint. - res & stdp	\$53,843	D	75.0%	\$40,382	25.0%	\$13,461	0.0%	0.00
maint. - mains	\$716,752	B	80.6%	\$577,702	19.4%	\$139,050	0.0%	0.00
maint. - service	\$179,601	C	0.0%	\$0	0.0%	\$0	100.0%	179,601.13
maint. - meters	\$85,616	C	0.0%	\$0	0.0%	\$0	100.0%	85,616.36
maint. - hydrants	\$89,839	E	0.5%	\$449	99.5%	\$89,390	0.0%	0.00
construction labor	(\$7,983)	F	54.7%	(\$4,367)	20.7%	(\$1,651)	24.6%	(1,964.99)
<b>CUSTOMER ACCOUNT</b>								
labor- meter read	\$79,958	C	0.0%	\$0	0.0%	\$0	100.0%	79,958.36
cust record labor	\$167,371	C	0.0%	\$0	0.0%	\$0	100.0%	167,370.78
cust records exp	\$59,897	C	0.0%	\$0	0.0%	\$0	100.0%	59,896.71
meter read supplies	\$0	C	0.0%	\$0	0.0%	\$0	100.0%	0.00
uncollectible	\$0	C	0.0%	\$0	0.0%	\$0	100.0%	0.00
<b>ADMIN. &amp; GENERAL</b>								
salaries	\$387,202	G	77.8%	\$301,287	6.8%	\$26,520	15.3%	59,395.36
office supplies & expenses	\$125,930	G	77.8%	\$97,987	6.8%	\$8,625	15.3%	19,317.11
insurance (property/liability)	\$128,228	G	77.8%	\$99,776	6.8%	\$8,783	15.3%	19,669.68
insurance (worker's comp)	\$42,116	H	60.5%	\$25,466	10.6%	\$4,483	28.9%	12,166.39
injuries & damages	\$298	G	77.8%	\$232	6.8%	\$20	15.3%	45.79
employee benefits	\$754,612	H	60.5%	\$456,296	10.6%	\$80,323	28.9%	217,993.23
fees	\$32,500	G	77.8%	\$25,289	6.8%	\$2,226	15.3%	4,985.38
maint. - plant	\$211,719	G	77.8%	\$164,741	6.8%	\$14,501	15.3%	32,476.82
maint. - vehicles	\$111,572	G	77.8%	\$86,815	6.8%	\$7,642	15.3%	17,114.71
miscellaneous	\$26,779	G	77.8%	\$20,837	6.8%	\$1,834	15.3%	4,107.85
vacation, holiday, sick	\$262,629	H	60.5%	\$158,805	10.6%	\$27,955	28.9%	75,868.53
regul. exp.	\$128,155	G	77.8%	\$99,719	6.8%	\$8,778	15.3%	19,658.43
other	\$0	G	77.8%	\$0	6.8%	\$0	15.3%	0.00
outside service	\$133,588	G	77.8%	\$103,946	6.8%	\$9,150	15.3%	20,491.82
<b>SUBTOTAL O&amp;M</b>	<b>\$9,371,863</b>	<b>G</b>	<b>82.6%</b>	<b>\$7,745,712</b>	<b>5.4%</b>	<b>\$508,644</b>	<b>11.9%</b>	<b>1,117,506.70</b>

**ALLOCATION OF RATE YEAR EXPENSES TO  
GENERAL WATER, FIRE, AND CUSTOMER SERVICE**

EXPENSE ITEM	PRO FORMA EXPENSE	ALLOC. SYMBOL (1)	GENERAL WATER		FIRE SERVICE		CUST. SERVICE	
			%	AMOUNT	%	AMOUNT	%	AMOUNT
<b>FIXED CHARGES</b>								
Debt Service	\$3,932,319	J	80.9%	\$3,180,748	19.1%	\$751,028	0.0%	\$542
O&M Reserve	\$488,625	G	77.8%	\$380,204	6.8%	\$33,467	15.3%	\$74,953
R&R Reserve	\$200,000	J	80.9%	\$161,775	19.1%	\$38,198	0.0%	\$28
Renewal & Replacement - Equip	\$100,000	J	80.9%	\$80,887	19.1%	\$19,099	0.0%	\$14
Infrastructure Replacement	\$6,000,000	I	100.0%	\$6,000,000	0.0%	\$0	0.0%	\$0
Payroll Taxes	\$152,513	H	60.5%	\$92,221	10.6%	\$16,234	28.9%	\$44,058
PILOT	\$23,123	L	81.1%	\$18,744	18.1%	\$4,178	0.9%	\$201
<b>SUBTOTAL FIXED</b>	<b>\$10,896,580</b>		<b>91.0%</b>	<b>\$9,914,580</b>	<b>7.9%</b>	<b>\$862,204</b>	<b>1.1%</b>	<b>\$119,796</b>
<b>OPERATING REVENUE</b>	<b>\$615,903</b>	<b>K</b>	<b>87.1%</b>	<b>\$536,648</b>	<b>6.8%</b>	<b>\$41,656</b>	<b>6.1%</b>	<b>\$37,598</b>
<b>TOTAL EXPENSES</b>	<b>\$20,884,345</b>	<b>K</b>	<b>87.1%</b>	<b>\$18,196,941</b>	<b>6.8%</b>	<b>\$1,412,504</b>	<b>6.1%</b>	<b>\$1,274,901</b>
Less: Available Restricted Deb	\$0	J	80.9%	\$0	19.1%	\$0	0.0%	\$0
Miscellaneous Income	(\$179,384)	K	87.1%	(\$156,301)	6.8%	(\$12,133)	6.1%	(\$10,951)
Interest Income	(\$112,596)	K	87.1%	(\$98,107)	6.8%	(\$7,615)	6.1%	(\$6,873)
Merchand & Jobbing	(\$2,384)	K	87.1%	(\$2,077)	6.8%	(\$161)	6.1%	(\$146)
6.9% of Water Prot Fee	(\$59,895)	K	87.1%	(\$52,188)	6.8%	(\$4,051)	6.1%	(\$3,656)
<b>Total Revenue Requirement</b>	<b>\$20,530,086</b>	<b>K</b>	<b>87.1%</b>	<b>\$17,886,268</b>	<b>6.8%</b>	<b>\$1,388,543</b>	<b>6.1%</b>	<b>\$1,253,275</b>

(1) See CPNW Sch. 3B

**ALLOCATION OF RATE YEAR EXPENSES TO  
GENERAL WATER, FIRE, AND CUSTOMER SERVICE**

EXPENSE ITEM	RATE YEAR	ALLOC. SYMBOL (1)	GENERAL WATER		FIRE SERVICE		CUST. SERVICE	
	LABOR		%	AMOUNT	%	AMOUNT	%	AMOUNT
<b>SOURCE OF SUPPLY</b>								
operations & labor	\$0	A	99.5%	\$0	0.5%	\$0	0.0%	\$0
purchased water	\$0	A	99.5%	\$0	0.5%	\$0	0.0%	\$0
<b>PUMPING OPERATIONS</b>								
fuel for pumping	\$0	A	99.5%	\$0	0.5%	\$0	0.0%	\$0
power-pumping	\$0	A	99.5%	\$0	0.5%	\$0	0.0%	\$0
labor-pumping	\$69,815	P	84.4%	\$58,910	15.6%	\$10,905	0.0%	\$0
pumping expense	\$0	P	84.4%	\$0	15.6%	\$0	0.0%	\$0
maint. - structures & improv	\$32,525	P	84.4%	\$27,444	15.6%	\$5,080	0.0%	\$0
diesel oil	\$0	P	84.4%	\$0	15.6%	\$0	0.0%	\$0
maint. - equip	\$26,731	P	84.4%	\$22,556	15.6%	\$4,175	0.0%	\$0
<b>WATER TREATMENT</b>								
chemicals	\$0	A	99.5%	\$0	0.5%	\$0	0.0%	\$0
labor	\$80,180	A	99.5%	\$79,779	0.5%	\$401	0.0%	\$0
operating	\$0	A	99.5%	\$0	0.5%	\$0	0.0%	\$0
maint. - water treat equip	\$0	A	99.5%	\$0	0.5%	\$0	0.0%	\$0
maint. - structure	\$0	A	99.5%	\$0	0.5%	\$0	0.0%	\$0
<b>TRANS &amp; DISTR. EXPENSE</b>								
storage facilities exp.	\$0	D	75.0%	\$0	25.0%	\$0	0.0%	\$0
labor	\$31,384	B	80.6%	\$25,296	19.4%	\$6,089	0.0%	\$0
supplies	\$0	B	80.6%	\$0	19.4%	\$0	0.0%	\$0
labor-meter	\$36,992	C	0.0%	\$0	0.0%	\$0	100.0%	\$36,992
material-meter	\$0	C	0.0%	\$0	0.0%	\$0	100.0%	\$0
cust. install.	\$0	C	0.0%	\$0	0.0%	\$0	100.0%	\$0
misc.	\$0	F	54.7%	\$0	20.7%	\$0	24.6%	\$0
maint - struct. & improv.	\$0	F	54.7%	\$0	20.7%	\$0	24.6%	\$0
maint.- res & stdp	\$12,759	D	75.0%	\$9,569	25.0%	\$3,190	0.0%	\$0
maint. - mains	\$399,878	B	80.6%	\$322,301	19.4%	\$77,576	0.0%	\$0
maint. - service	\$97,564	C	0.0%	\$0	0.0%	\$0	100.0%	\$97,564
maint. - meters	\$59,514	C	0.0%	\$0	0.0%	\$0	100.0%	\$59,514
maint. - hydrants	\$45,555	E	0.5%	\$228	99.5%	\$45,327	0.0%	\$0
construction labor	\$0	F	54.7%	\$0	20.7%	\$0	24.6%	\$0
<b>CUSTOMER ACCOUNT</b>								
labor- meter read	\$79,958	C	0.0%	\$0	0.0%	\$0	100.0%	\$79,958
cust record labor	\$167,371	C	0.0%	\$0	0.0%	\$0	100.0%	\$167,371
cust records exp	\$0	C	0.0%	\$0	0.0%	\$0	100.0%	\$0
meter read supplies	\$0	C	0.0%	\$0	0.0%	\$0	100.0%	\$0
uncollectible	\$0	C	0.0%	\$0	0.0%	\$0	100.0%	\$0
<b>ADMIN. &amp; GENERAL</b>								
salaries	\$386,083	G	77.8%	\$300,416	6.8%	\$26,444	15.3%	\$59,224
office supplies & expenses	\$0	G	77.8%	\$0	6.8%	\$0	15.3%	\$0
insurance (property/liability)	\$0	G	77.8%	\$0	6.8%	\$0	15.3%	\$0
injuries & damages	\$0	G	77.8%	\$0	6.8%	\$0	15.3%	\$0
employee benefits	\$5,488	G	77.8%	\$4,271	6.8%	\$376	15.3%	\$842
fees	\$0	G	77.8%	\$0	6.8%	\$0	15.3%	\$0
maint. - plant	\$135,534	G	77.8%	\$105,461	6.8%	\$9,283	15.3%	\$20,790
maint. - vehicles	\$20,854	G	77.8%	\$16,227	6.8%	\$1,428	15.3%	\$3,199
miscellaneous	\$16,142	G	77.8%	\$12,560	6.8%	\$1,106	15.3%	\$2,476
vacation, holiday, sick	\$262,629	G	77.8%	\$204,355	6.8%	\$17,988	15.3%	\$40,286
regul. exp.	\$0	G	77.8%	\$0	6.8%	\$0	15.3%	\$0
other	\$0	G	77.8%	\$0	6.8%	\$0	15.3%	\$0
outside service	\$0	G	77.8%	\$0	6.8%	\$0	15.3%	\$0
<b>TOTAL LABOR</b>	<b>\$1,966,958</b>	<b>H</b>	<b>60.5%</b>	<b>\$1,189,373</b>	<b>10.6%</b>	<b>\$209,368</b>	<b>28.9%</b>	<b>\$568,217</b>

(1) See Sch. 3B

**ALLOCATION SYMBOLS**

ALLOCATION SYMBOL	GEN'L WATER	FIRE SERVICE	CUST SERVICE	
A	99.50%	0.50%	0.00%	Supply & Treatment
B	80.60%	19.40%	0.00%	T&D Mains
C	0.00%	0.00%	100.00%	Meters
D	75.00%	25.00%	0.00%	Storage
E	0.50%	99.50%	0.00%	Hydrants
F	54.71%	20.68%	24.61%	Misc T&D
G	77.81%	6.85%	15.34%	Direct O&M (50% of Purch Water) Benefits & Vacation
H	60.47%	10.64%	28.89%	Labor
I	100.00%	0.00%	0.00%	IFR Costs
J	80.89%	19.10%	0.01%	Debt/Capital
K	87.13%	6.76%	6.10%	Total Expense
L	81.06%	18.07%	0.87%	PILOT
M	--	--	--	Not Used
P	84.38%	15.62%	0.00%	Pumping Facilities

*Symbol B*

	Gal/Min	%
Highest Max. Day	14,544	80.60%
Fire Demand	3500	19.40%
Max. Day Plus Fire	18,044	100.00%

*Symbol J - Debt Service/CIP*

	Repl. Value	Symbol	Gen Water	Fire	Cust A	Cust B
Plant Value From 2003 IFR Report						
Source of Supply	\$3,000,707	A	\$2,985,703	\$15,004	\$0	\$0
Pumping Plant	\$3,161,329	A	\$3,145,522	\$15,807	\$0	\$0
Water Treat. Plant	\$405,970	A	\$403,940	\$2,030	\$0	\$0
T&D Storage	\$4,336,912	D	\$3,252,684	\$1,084,228	\$0	\$0
T&D Mains	\$292,283,430	B	\$235,580,445	\$56,702,985	\$0	\$0
T&D Hydrants	\$116,261	E	\$581	\$115,680	\$0	\$0
T&D Services	\$41,805	C	\$0	\$0	\$41,805	\$0
T&D Meters	\$0	C	\$0	\$0	\$0	\$0
General Plant	\$682,413	J	\$551,986	\$130,333	\$94	\$0
Total	\$304,028,827		\$245,920,862	\$58,066,066	\$41,899	\$0
Percent			80.89%	19.10%	0.01%	0.00%

*Symbol L - PILOT*

	Total	Symbol	Gen Water	Fire	Cust A	Cust B
Storage	\$7,258	D	\$5,443	\$1,814	\$0	\$0
Office	\$1,311	G	\$1,020	\$90	\$101	\$101
PS/Wells/Treatment	\$14,554	P	\$12,281	\$2,273	\$0	\$0
Total	\$23,123		\$18,744	\$4,178	\$101	\$101
Percent			81.06%	18.07%	0.43%	0.43%

*Symbol P - Pumping Facilities (per Decision in Dockets 2098, 2555, 3660)*

	Percent	Symbol	Gen Water	Fire	Cust A	Cust B
Supply Well Pumps	20.00%	A	19.90%	0.10%	0.00%	0.00%
Distribution Pumps	80.00%	B	64.48%	15.52%	0.00%	0.00%
Total	100.00%	P	84.38%	15.62%	0.00%	0.00%



PROPOSED FIRE SERVICE CHARGES

PUBLIC FIRE SERVICE

Quarterly Charge/Hydrant =	\$131.65
Plus Billing Charge =	\$6.00

PRIVATE FIRE SERVICE

<u>SERVICE SIZE</u> <u>(inches)</u>	<u>QUARTERLY</u> <u>CHARGE</u>
4	\$52.81
6	\$141.98
8	\$295.77
10	\$527.11
12	\$847.73
HYDRANT	\$141.98

**ALLOCATION OF FIRE SERVICE EXPENSES  
TO PUBLIC AND PRIVATE FIRE SERVICE**

	<u>NUMBER</u>	<u>DEMAND FACTOR (1)</u>	<u>NO. OF EQUIVS.</u>	<u>PERCENT OF DEMAND</u>	<u>NON-HYDR. REQUIRED</u>	<u>DIRECT HYDRANT</u>	<u>TOTAL</u>
PUBLIC FIRE SERVICE							
Hydrants	2,336	111.31	260,022	87.80%	\$1,139,287	\$90,886	\$1,230,173
PRIVATE FIRE SERVICE							
SIZE (IN)							
4	15	38.32	575				
6	104	111.31	11,576				
8	27	237.21	6,405				
10	1	426.58	427				
12	1	689.04	689				
HYDRANTS	<u>148</u>	111.31	16,474				
TOTAL-PRIV	296		36,145	12.20%	\$158,371	\$0	\$158,371
GRAND TOTALS	2,632		296,168	100.00%	\$1,297,657	\$90,886	\$1,388,543

Total Fire Allocation	\$1,388,543
Less Direct Hydrant Related	
O&M	(\$89,390)
Debt	(\$1,496)
Net Non-Hydrant	\$1,297,657

(1) Based on size to the 2.63 power.

**DETERMINATION OF FIRE SERVICE CHARGES**

<u>PUBLIC FIRE PROTECTION</u>		CALCULATED CHARGE
PUBLIC FIRE ALLOCATION (1)	\$1,230,173	
----- =	----- =	\$526.62
NUMBER OF PUBLIC HYDRANTS	2,336	
	TOTAL QUARTERLY	\$131.65
	+ BILLING	\$6.00

PRIVATE FIRE PROTECTION

PRIVATE FIRE ALLOCATION (1,2)	\$176,620	
----- =	----- =	\$4.89 /EQUIV.
NO. OF EQUIV. UNITS	36,145	

<u>SIZE (IN)</u>	<u>DEMAND FACTOR</u>	<u>ANNUAL CHARGE</u>	<u>QUARTERLY CHARGE</u>	<u>BILLING CHARGE</u>	<u>ALCULATED CHARGE</u>
4	38.32	\$187.24	\$46.81	\$6.00	\$52.81
6	111.31	\$543.91	\$135.98	\$6.00	\$141.98
8	237.21	\$1,159.08	\$289.77	\$6.00	\$295.77
10	426.58	\$2,084.43	\$521.11	\$6.00	\$527.11
12	689.04	\$3,366.93	\$841.73	\$6.00	\$847.73
HYDRANTS	111.31	\$543.91	\$135.98	\$6.00	\$141.98

(1) Allocation from Sch 4A.

(2) Private Fire includes allocated service maintenance costs as detailed below:

Service Line Maintenance Cost =	\$179,601	
Addnl Allocation to Fire Service =	\$18,249	(10.16%)

Service Line Equivalents

<u>Meter Size (in)</u>	<u>Service Size (in)</u>	<u>Equivalents *</u>
5/8 & 3/4	1	1
1	1.5	1.8
1 1/2	2	3.3
2	3	4.6
3	4	6.3
4	6	9.6
6	8	16.9
>8	10	29.6
Total		

Metered Water Service

<u>Number</u>	<u>Equivalents</u>
22,148	22,148
3,574	6,433
328	1,082
542	2,493
19	120
78	749
82	1,386
65	<u>1,924</u>
	36,335
	89.84%

Private Fire Service

<u>Number</u>	<u>Equivalents</u>
15	95
104	998
175	2,958
2	<u>59</u>
	4,110
	10.16%

\* From Dockets No. 2098 through 3660

PROPOSED SERVICE CHARGES

<u>METER SIZE</u> <u>(inches)</u>	<u>QUARTERLY</u> <u>ACCOUNTS</u>	<u>MONTHLY</u> <u>ACCOUNTS</u>
5/8 &		
3/4	\$10.05	\$7.35
1	\$13.29	\$8.43
1 1/2	\$19.36	\$10.45
2	\$24.63	\$12.21
3	\$31.51	\$14.50
4	\$44.88	\$18.96
6	\$74.44	\$28.81
>8	\$125.87	\$45.96

**ALLOCATION OF CUSTOMER SERVICE EXPENSES**

EXPENSE ITEM	TOTAL	ALLOC.	<-CUST. METER->		<-CUST. BILL->	
	CUST. SERV.	SYMBOL (1)	%	AMOUNT	%	AMOUNT
<b>TRANS &amp; DISTR. EXPENSE</b>						
labor	0.00	AA	100.00%	\$0	0.00%	0.00
supplies	0.00	AA	100.00%	\$0	0.00%	0.00
labor-meter	33,392.22	AA	100.00%	\$33,392	0.00%	0.00
material-meter	6,291.01	AA	100.00%	\$6,291	0.00%	0.00
cust. install.	0.00	AA	100.00%	\$0	0.00%	0.00
misc.	3,996.12	AA	100.00%	\$3,996	0.00%	0.00
maint - struct. & improv.	57.90	AA	100.00%	\$58	0.00%	0.00
maint.- res & stdp	0.00	AA	100.00%	\$0	0.00%	0.00
maint. - mains	0.00	AA	100.00%	\$0	0.00%	0.00
maint. - service	179,601.13	AA	100.00%	\$179,601	0.00%	0.00
maint. - meters	85,616.36	AA	100.00%	\$85,616	0.00%	0.00
maint. - hydrants	0.00	AA	100.00%	\$0	0.00%	0.00
construction labor	(1,964.99)	AA	100.00%	(\$1,965)	0.00%	0.00
<b>CUSTOMER ACCOUNT</b>						
labor- meter read	79,958.36	BB	0.00%	\$0	100.00%	79,958.36
cust record labor	167,370.78	BB	0.00%	\$0	100.00%	167,370.78
cust records exp	59,896.71	BB	0.00%	\$0	100.00%	59,896.71
meter read supplies	0.00	BB	0.00%	\$0	100.00%	0.00
uncollectible	0.00	BB	0.00%	\$0	100.00%	0.00
<b>ADMIN. &amp; GENERAL</b>						
salaries	59,395.36	CC	48.26%	\$28,665	51.74%	30,730.82
office supplies & expenses	19,317.11	CC	48.26%	\$9,323	51.74%	9,994.57
insurance (property/liability)	19,669.68	CC	48.26%	\$9,493	51.74%	10,176.98
Insurance (worker's comp)	12,166.39	CC	48.26%	\$5,872	51.74%	6,294.82
injuries & damages	45.79	CC	48.26%	\$22	51.74%	23.69
employee benefits	217,993.23	DD	44.67%	\$97,367	55.33%	120,626.43
fees	4,985.38	CC	48.26%	\$2,406	51.74%	2,579.41
maint. - plant	32,476.82	CC	48.26%	\$15,673	51.74%	16,803.32
maint. - vehicles	17,114.71	CC	48.26%	\$8,260	51.74%	8,855.05
miscellaneous	4,107.85	CC	48.26%	\$1,982	51.74%	2,125.38
vacation, holiday, sick	75,868.53	DD	44.67%	\$33,887	55.33%	41,981.81
regul. exp.	19,658.43	CC	48.26%	\$9,487	51.74%	10,171.16
other	0.00	CC	48.26%	\$0	51.74%	0.00
outside service	<u>20,491.82</u>	CC	48.26%	<u>\$9,889</u>	51.74%	<u>10,602.35</u>
SUBTOTAL O&M	1,117,506.70	CC	48.26%	\$539,315	51.74%	578,191.64
<b>FIXED CHARGES</b>						
Debt Service	541.92	JJ	100.00%	\$542	0.00%	0.00
O&M Reserve	74,953.16	CC	48.26%	\$36,173	51.74%	38,780.34
R&R Reserve	27.56	JJ	100.00%	\$28	0.00%	0.00
O&M Reserve	13.78	JJ	100.00%	\$14	0.00%	0.00
Infrastructure Replacement	0.00	JJ	100.00%	\$0	0.00%	0.00
Payroll Taxes	44,058.11	DD	44.67%	\$19,679	55.33%	24,379.53
PILOT	<u>201.16</u>	EE	48.16%	<u>\$97</u>	51.84%	<u>104.29</u>
SUBTOTAL FIXED	119,795.70			\$56,532		63,264.16
<b>OPERATING REVENUE</b>						
OPERATING REVENUE	37,598.24	EE	48.16%	\$18,106	51.84%	19,492.09
<b>TOTAL EXPENSES</b>						
TOTAL EXPENSES	1,274,900.64	EE	48.16%	\$613,953	51.84%	660,947.88
Less: Available Restricted D.	0.00	JJ	100.00%	\$0	0.00%	0.00
Miscellaneous Income	(10,950.63)	EE	48.16%	(\$5,273)	51.84%	(5,677.15)
Merchand & Jobbing	(145.53)	EE	48.16%	(\$70)	51.84%	(75.45)
6.9% of Water Prot Fee	(3,656.36)	EE	48.16%	(\$1,761)	51.84%	(1,895.57)
=====				=====		=====
Total Revenue Requirement	1,260,148.12	EE	48.16%	\$606,848	51.84%	653,299.72

(1) See Sch. 5C

ALLOCATION OF CUSTOMER SERVICE LABOR

<u>EXPENSE ITEM</u>	<u>TOTAL</u>		<u>&lt;-CUST. METER-&gt;</u>		<u>&lt;--CUST. BILL--&gt;</u>	
	<u>CUST. SERV.</u>	<u>ALLOC. SYMBOL (1)</u>	<u>%</u>	<u>AMOUNT</u>	<u>%</u>	<u>AMOUNT</u>
<u>TRANS &amp; DISTR. EXPENSE</u>						
labor	0.00	AA	100.00%	\$0	0.00%	0.00
supplies	0.00	AA	100.00%	\$0	0.00%	0.00
labor-meter	36,992.22	AA	100.00%	\$36,992	0.00%	0.00
material-meter	0.00	AA	100.00%	\$0	0.00%	0.00
cust. install.	0.00	AA	100.00%	\$0	0.00%	0.00
misc.	0.00	AA	100.00%	\$0	0.00%	0.00
maint.- res & stdp	0.00	AA	100.00%	\$0	0.00%	0.00
maint. - mains	0.00	AA	100.00%	\$0	0.00%	0.00
maint. - service	97,564.32	AA	100.00%	\$97,564	0.00%	0.00
maint. - meters	59,513.84	AA	100.00%	\$59,514	0.00%	0.00
maint. - hydrants	0.00	AA	100.00%	\$0	0.00%	0.00
construction labor	0.00	AA	100.00%	\$0	0.00%	0.00
<u>CUSTOMER ACCOUNT</u>						
labor- meter read	79,958.36	BB	0.00%	\$0	100.00%	79,958.36
cust record labor	167,370.78	BB	0.00%	\$0	100.00%	167,370.78
cust records exp	0.00	BB	0.00%	\$0	100.00%	0.00
meter read supplies	0.00	BB	0.00%	\$0	100.00%	0.00
uncollectible	0.00	BB	0.00%	\$0	100.00%	0.00
<u>ADMIN. &amp; GENERAL</u>						
salaries	59,223.70	CC	48.26%	\$28,582	51.74%	30,642.00
office supplies & expenses	0.00	CC	48.26%	\$0	51.74%	0.00
insurance (property/liability)	0.00	CC	48.26%	\$0	51.74%	0.00
injuries & damages	0.00	CC	48.26%	\$0	51.74%	0.00
employee benefits	841.90	DD	44.67%	\$376	55.33%	465.86
fees	0.00	CC	48.26%	\$0	51.74%	0.00
maint. - plant	20,790.43	CC	48.26%	\$10,034	51.74%	10,756.85
maint. - vehicles	3,198.89	CC	48.26%	\$1,544	51.74%	1,655.09
miscellaneous	2,476.16	CC	48.26%	\$1,195	51.74%	1,281.15
vacation, holiday, sick	40,286.28	DD	44.67%	\$17,994	55.33%	22,292.39
regul. exp.	0.00	CC	48.26%	\$0	51.74%	0.00
other	0.00	CC	48.26%	\$0	51.74%	0.00
outside service	0.00	CC	48.26%	\$0	51.74%	0.00
<u>TOTAL LABOR</u>	<u>568,216.87</u>	<u>DD</u>	<u>44.67%</u>	<u>\$253,794</u>	<u>55.33%</u>	<u>314,422.48</u>

(i) See Sch. 5C

ALLOCATION SYMBOLS - CUSTOMER SERVICE

<u>ALLOCATION</u> <u>SYMBOL</u>	<u>CUSTOM</u> <u>METER</u>	<u>CUSTOM</u> <u>BILL</u>	<u>TOTAL</u>
AA	100.00%	0.00%	100.00% Meters
BB	0.00%	100.00%	100.00% Billing
CC	48.26%	51.74%	100.00% O&M
DD	44.67%	55.33%	100.00% Labor
EE	48.16%	51.84%	100.00% All Expenses
JJ	100.00%	0.00%	100.00% Capital/Debt

DETERMINATION OF EQUIVALENT METERS

<u>METER SIZE (IN)</u>	<u>NUMBER</u>	<u>EQUIVALENCY FACTOR (1)</u>	<u>EQUIV. 5/8 IN. METERS</u>
5/8 & 3/4	22,148	1	22,148
1	3,574	1.8	6,433
1 1/2	328	3.3	1,082
2	542	4.6	2,493
3	19	6.3	120
4	78	9.6	749
6	82	16.9	1,386
>8	<u>65</u>	29.6	<u>1,924</u>
TOTALS	26,836		36,335

(1) From Dockets. No. 2098 through 3660



DETERMINATION OF PROPOSED SERVICE CHARGES

BILLING CHARGE

CUST. BILLING ALLOC. (1)	=	\$653,300	=	
-----		-----		\$6.00 PER BILLING
NUMBER OF BILLINGS		108,892		

METER CHARGE

CUST. METER ALLOC. (1,3))	=	\$588,599	=	
-----		-----		\$16.20 / EQ. METER/YR
NO. EQUIV. METERS (2)		36,335		

TOTAL SERVICE CHARGES

METER SIZE (IN)	<u>QUARTERLY ACCOUNTS</u>			<u>MONTHLY ACCOUNTS</u>		
	<u>METER CHARGE</u>	<u>BILLING CHARGE</u>	<u>TOTAL CHARGE</u>	<u>METER CHARGE</u>	<u>BILLING CHARGE</u>	<u>TOTAL CHARGE</u>
5/8 & 3/4	\$4.05	\$6.00	\$10.05	\$1.35	\$6.00	\$7.35
1	\$7.29	\$6.00	\$13.29	\$2.43	\$6.00	\$8.43
1 1/2	\$13.36	\$6.00	\$19.36	\$4.45	\$6.00	\$10.45
2	\$18.63	\$6.00	\$24.63	\$6.21	\$6.00	\$12.21
3	\$25.51	\$6.00	\$31.51	\$8.50	\$6.00	\$14.50
4	\$38.88	\$6.00	\$44.88	\$12.96	\$6.00	\$18.96
6	\$68.44	\$6.00	\$74.44	\$22.81	\$6.00	\$28.81
>8	\$119.87	\$6.00	\$125.87	\$39.96	\$6.00	\$45.96

(1) See Sch. 5A

(2) See Sch. 5D

(3) Less allocation of Service Maintenance Costs to Private Fire Service - see Sch. 4B

ALLOCATION OF GENERAL WATER EXPENSES TO  
BASE AND EXTRA CAPACITY

EXPENSE ITEM	TOTAL	ALLOC. SYMBOL (1)	BASE		EXTRA CAP.-MAX DAY		EXTRA CAP.-PEAK HR	
	GEN'L WATER		%	AMOUNT	%	AMOUNT	%	AMOUNT
SOURCE OF SUPPLY								
operations & labor	\$24,875	aa	100.00%	\$24,875	0.00%	\$0	0.00%	\$0
purchased water	\$4,226,679	aa	100.00%	\$4,226,679	0.00%	\$0	0.00%	\$0
PUMPING OPERATIONS								
fuel for pumping	\$10,034	aa	100.00%	\$10,034	0.00%	\$0	0.00%	\$0
power-pumping	\$619,017	aa	100.00%	\$619,017	0.00%	\$0	0.00%	\$0
labor-pumping	\$58,910	pp	55.60%	\$32,754	44.40%	\$26,156	0.00%	\$0
pumping expense	\$1,947	pp	55.60%	\$1,083	44.40%	\$865	0.00%	\$0
maint. - structures & improv	\$31,526	pp	55.60%	\$17,528	44.40%	\$13,997	0.00%	\$0
diesel oil	\$0	pp	55.60%	\$0	44.40%	\$0	0.00%	\$0
maint. - equip	\$32,726	pp	55.60%	\$18,196	44.40%	\$14,530	0.00%	\$0
WATER TREATMENT								
chemicals	\$304,369	aa	100.00%	\$304,369	0.00%	\$0	0.00%	\$0
labor	\$79,779	aa	100.00%	\$79,779	0.00%	\$0	0.00%	\$0
operating	\$30,236	aa	100.00%	\$30,236	0.00%	\$0	0.00%	\$0
maint. - water treat equip	\$1,688	aa	100.00%	\$1,688	0.00%	\$0	0.00%	\$0
maint. - structure	\$0	aa	100.00%	\$0	0.00%	\$0	0.00%	\$0
TRANS & DISTR. EXPENSE								
storage facilities exp.	\$412	dd	0.00%	\$0	0.00%	\$0	100.00%	\$412
labor	\$25,296	bb	44.50%	\$11,257	55.50%	\$14,039	0.00%	\$0
supplies	\$33,846	bb	44.50%	\$15,062	55.50%	\$18,785	0.00%	\$0
labor-meter	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
material-meter	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
cust. install	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
misc.	\$8,882	ff	41.89%	\$3,720	52.16%	\$4,632	5.96%	\$529
maint - struct. & improv.	\$129	ff	41.89%	\$54	52.16%	\$67	5.96%	\$8
maint. - res & stdp	\$40,382	dd	0.00%	\$0	0.00%	\$0	100.00%	\$40,382
maint. - mains	\$577,702	bb	44.50%	\$257,077	55.50%	\$320,625	0.00%	\$0
maint. - service	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
maint. - meters	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
maint. - hydrants	\$449	aa	100.00%	\$449	0.00%	\$0	0.00%	\$0
construction labor	(\$4,367)	ff	41.89%	(\$1,829)	52.16%	(\$2,278)	5.96%	(\$260)
CUSTOMER ACCOUNT								
labor - meter read	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
cust record labor	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
cust records exp	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
meter read supplies	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
W/P Reimbursement	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
ADMIN. & GENERAL								
salaries	\$301,287	gg	85.81%	\$258,547	13.09%	\$39,441	1.10%	\$3,299
office supplies & expenses	\$97,987	gg	85.81%	\$84,087	13.09%	\$12,827	1.10%	\$1,073
insurance (property/liability)	\$99,776	gg	85.81%	\$85,622	13.09%	\$13,061	1.10%	\$1,093
insurance (worker's comp)	\$25,466	ll	39.99%	\$10,184	30.91%	\$7,871	29.10%	\$7,411
injuries & damages	\$232	gg	85.81%	\$199	13.09%	\$30	1.10%	\$3
employee benefits	\$456,296	hh	68.14%	\$310,904	30.40%	\$138,726	1.46%	\$6,666
fees	\$25,289	gg	85.81%	\$21,701	13.09%	\$3,310	1.10%	\$277
maint. - plant	\$164,741	gg	85.81%	\$141,371	13.09%	\$21,566	1.10%	\$1,804
maint. - vehicles	\$86,815	gg	85.81%	\$74,500	13.09%	\$11,365	1.10%	\$951
miscellaneous	\$20,837	gg	85.81%	\$17,881	13.09%	\$2,728	1.10%	\$228
vacation, holiday, sick	\$158,805	hh	68.14%	\$108,204	30.40%	\$48,281	1.46%	\$2,320
regul. exp	\$99,719	gg	85.81%	\$85,573	13.09%	\$13,054	1.10%	\$1,092
other	\$0	gg	85.81%	\$0	13.09%	\$0	1.10%	\$0
outside service	<u>\$103,946</u>	gg	85.81%	<u>\$89,200</u>	13.09%	<u>\$13,607</u>	1.10%	<u>\$1,138</u>
SUBTOTAL O&M	\$7,745,712	gg	89.60%	\$6,940,001	9.52%	\$737,286	0.88%	\$68,426

ALLOCATION OF GENERAL WATER EXPENSES TO  
BASE AND EXTRA CAPACITY

EXPENSE ITEM	TOTAL	ALLOC. SYMBOL (1)	BASE		EXTRA CAP.-MAX DAY		EXTRA CAP.-PEAK HR	
	GEN'L WATER		%	AMOUNT	%	AMOUNT	%	AMOUNT
FIXED CHARGES								
Debt Service	\$3,180,748	jj	44.82%	\$1,425,587	53.86%	\$1,712,997	1.33%	\$42,165
O&M Reserve	\$380,204	gg	85.81%	\$326,270	13.09%	\$49,772	1.10%	\$4,163
R&R Reserve	\$161,775	jj	44.82%	\$72,506	53.86%	\$87,124	1.33%	\$2,145
Renewal & Replacement - Equi	\$80,887	jj	44.82%	\$36,253	53.86%	\$43,562	1.33%	\$1,072
Infrastructure Replacement	\$6,000,000	ii	44.82%	\$2,689,154	53.86%	\$3,231,309	1.33%	\$79,538
Payroll Taxes	\$92,221	hh	68.14%	\$62,836	30.40%	\$28,038	1.46%	\$1,347
PILOT	<u>\$18,744</u>	ll	39.99%	<u>\$7,496</u>	30.91%	<u>\$5,793</u>	29.10%	<u>\$5,455</u>
SUBTOTAL FIXED	\$9,914,580			\$4,620,101	52.03%	\$5,158,594	1.37%	\$135,885
OPERATING REVENUE	\$536,648	kk	65.46%	\$351,280	33.38%	\$179,160	1.16%	\$6,208
TOTAL EXPENSES	\$18,196,941	kk	65.46%	\$11,911,382	33.38%	\$6,075,039	1.16%	\$210,520
Less: Available Restricted Deb	\$0	jj	44.82%	\$0	53.86%	\$0	1.33%	\$0
Miscellaneous Income	(\$156,301)	kk	65.46%	(\$102,312)	33.38%	(\$52,181)	1.16%	(\$1,808)
Interest Income	(\$98,107)	kk	65.46%	(\$64,219)	33.38%	(\$32,753)	1.16%	(\$1,135)
Merchand & Jobbing	(\$2,077)	kk	65.46%	(\$1,360)	33.38%	(\$693)	1.16%	(\$24)
6.9% of Water Prot Fee	(\$52,188)	kk	65.46%	(\$34,161)	33.38%	(\$17,423)	1.16%	(\$604)
	=====			=====		=====		=====
Total Revenue Requirement	\$17,888,268	kk	65.46%	\$11,709,330	33.38%	\$5,971,989	1.16%	\$206,949

(1) See Sch. 6B

**ALLOCATION OF GENERAL WATER LABOR EXPENSE TO  
BASE AND EXTRA CAPACITY**

<u>EXPENSE ITEM</u>	<u>TOTAL</u>	<u>ALLOC.</u> <u>SYMBOL (1)</u>	<u>BASE</u>		<u>EXTRA CAP.-MAX DAY</u>		<u>EXTRA CAP.-PEAK HR</u>	
	<u>GEN'L WATER</u>		<u>%</u>	<u>AMOUNT</u>	<u>%</u>	<u>AMOUNT</u>	<u>%</u>	<u>AMOUNT</u>
<b>PUMPING OPERATIONS</b>								
labor-pumping	\$58,910	pp	55.60%	\$32,754	44.40%	\$26,156	0.00%	\$0
maint. - structures & improv	\$27,444	pp	55.60%	\$15,259	44.40%	\$12,185	0.00%	\$0
maint. - equip	\$22,556	pp	55.60%	\$12,541	44.40%	\$10,015	0.00%	\$0
<b>WATER TREATMENT</b>								
labor	\$79,779	aa	100.00%	\$79,779	0.00%	\$0	0.00%	\$0
<b>TRANS &amp; DISTR. EXPENSE</b>								
labor	\$25,296	bb	44.50%	\$11,257	55.50%	\$14,039	0.00%	\$0
maint.- res & stdp	\$9,569	dd	0.00%	\$0	0.00%	\$0	100.00%	\$9,569
maint. - mains	\$322,301	bb	44.50%	\$143,424	55.50%	\$178,877	0.00%	\$0
maint. - hydrants	\$228	aa	100.00%	\$228	0.00%	\$0	0.00%	\$0
<b>CUSTOMER ACCOUNT</b>								
labor- meter read	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
cust record labor	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
cust records exp	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
meter read supplies	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
uncollectible	\$0	cc	0.00%	\$0	0.00%	\$0	0.00%	\$0
<b>ADMIN. &amp; GENERAL</b>								
salaries	\$300,416	gg	85.81%	\$257,800	13.09%	\$39,327	1.10%	\$3,290
employee benefits	\$4,271	hh	68.14%	\$2,910	30.40%	\$1,298	1.46%	\$62
maint - plant	\$105,461	gg	85.81%	\$90,500	13.09%	\$13,806	1.10%	\$1,155
maint. - vehicles	\$16,227	gg	85.81%	\$13,925	13.09%	\$2,124	1.10%	\$178
miscellaneous	\$12,560	gg	85.81%	\$10,779	13.09%	\$1,644	1.10%	\$138
vacation, holiday, sick	\$204,355	hh	68.14%	\$139,240	30.40%	\$62,129	1.46%	\$2,986
<b>TOTAL LABOR</b>	<b>\$1,189,373</b>	<b>hh</b>	<b>68.14%</b>	<b>\$810,395</b>	<b>30.40%</b>	<b>\$361,601</b>	<b>1.46%</b>	<b>\$17,377</b>

(1) See Sch. 6B

ALLOCATION SYMBOLS - GENERAL WATER

ALLOCATION SYMBOL	BASE %	EXTRA CAPACITY		TOTAL
		MAX DAY %	PEAK HOUR %	
aa	100.00%	0.00%	0.00%	100.00% Supply & Treatment
bb	44.50%	55.50%	0.00%	100.00% T&D Mains
cc	0.00%	0.00%	0.00%	0.00% Meters
dd	0.00%	0.00%	100.00%	100.00% Storage
ee	0.00%	0.00%	0.00%	0.00% Not Used
ff	41.89%	52.16%	5.96%	100.00% Misc. T&D
gg	85.81%	13.09%	1.10%	100.00% Direct O&M plus 50% Purch Water
hh	68.14%	30.40%	1.46%	100.00% Labor
ii	44.82%	53.86%	1.33%	100.00% IFR - same as capital
jj	44.82%	53.86%	1.33%	100.00% Debt/Capital
kk	65.46%	33.38%	1.16%	100.00% All Expenses
ll	39.99%	30.91%	29.10%	100.00% PILOT
pp	55.60%	44.40%	0.00%	100.00% Pumping Facilities

Symbol bb

	<u>Gal/Min</u>	<u>%</u>
Average Day	6,469	44.48%
Max Day Increment	8,075	55.52%
Maximum Day	14,544	100.00%

Symbol jj

Item	Amount (1)	Symbol	EXTRA CAPACITY		
			BASE	MAX DAY	PEAK HOUR
Source of Supply	\$2,985,703	aa	\$2,985,703	\$0	\$0
Pumping Plant	\$3,145,522	pp	\$1,748,910	\$1,396,612	\$0
Water Treat. Plant	\$403,940	aa	\$403,940	\$0	\$0
T&D Storage	\$3,252,684	dd	\$0	\$0	\$3,252,684
T&D Mains	\$235,580,445	bb	\$104,833,298	\$130,747,147	\$0
T&D Hydrants	\$581	aa	\$581	\$0	\$0
T&D Meters	\$0	cc	\$0	\$0	\$0
General Plant	\$551,986	jj	\$247,396	\$297,273	\$7,317
Total	\$245,920,862		\$110,219,829	\$132,441,031	\$3,260,001
Percent			44.82%	53.86%	1.33%

(1) See Sch. 3B

Symbol ll

Item	Amount (1)	Symbol	EXTRA CAPACITY		
			BASE	MAX DAY	PEAK HOUR
Storage	\$5,443	dd	\$0	\$0	\$5,443
Office	\$1,020	kk	\$668	\$341	\$12
PS/Wells	\$12,281	pp	\$6,828	\$5,453	\$0
Total	\$18,744		\$7,496	\$5,793	\$5,455
Percent			39.99%	30.91%	29.10%

(1) See Sch. 3B

Symbol pp

Item	%	Symbol	EXTRA CAPACITY		
			BASE	MAX DAY	PEAK HOUR
Supply Wells	20.00%	aa	20.00%	0.00%	0.00%
Distribution	80.00%	bb	35.60%	44.40%	0.00%
Total	1	pp	55.60%	44.40%	0.00%

**ALLOCATION OF GENERAL WATER EXPENSES  
TO CUSTOMER CLASSES**

**Class Demands**

CUSTOMER CLASS	AVERAGE DEMANDS		MAX DAY EXTRA CAPACITY			
	(GALS/DAY)	PERCENT	FACTOR [1]	OTAL GAL/DAY	XTRA GAL/DAY	PERCENT
Small	6,845,278	89.54%	2.7	18,482,249	11,636,972	96.04%
Medium	266,138	3.48%	2	532,276	266,138	2.20%
Large	533,423	6.98%	1.4	746,792	213,369	1.76%
Total	7,644,839	100.00%		19,761,318	12,116,479	100.00%

CUSTOMER CLASS	AVERAGE DEMANDS		PEAK HOUR EXTRA CAPACITY			
	(GALS/DAY)	PERCENT	FACTOR	OTAL GAL/DAY	XTRA GAL/DAY	PERCENT
Small	6,845,278	89.54%	3.4	23,273,944	4,791,694	95.74%
Medium	266,138	3.48%	2.4	638,731	106,455	2.13%
Large	533,423	6.98%	1.6	853,477	106,685	2.13%
Total	7,644,839	100.00%		24,766,152	5,004,834	100.00%

[1] - Described in the April, 1992 Cost of Service Study and as used in the Dockets # 2098, 2555, and 3660

**Allocation of Costs to Classes**

CUSTOMER CLASS	BASE COSTS		MAX. DAY EXTRA CAPACITY		PEAK HR. EXTRA CAPACITY		TOTAL AMOUNT
	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	
Small	89.54%	\$10,484,671	96.04%	\$5,735,648	95.74%	\$198,135	\$16,418,454
Medium	3.48%	\$407,634	2.20%	\$131,175	2.13%	\$4,402	\$543,211
Large	6.98%	\$817,026	1.76%	\$105,166	2.13%	\$4,411	\$926,603
Total	100.00%	\$11,709,330	100.00%	\$5,971,989	100.00%	\$206,949	\$17,888,268

**METERED WATER RATES**

*Small (5/8-2" meters)*

Total Expense (2)	\$16,418,454	=	
-----	-----	=	\$4.9150
Metered Sales (HCF) (1)	3,340,276		

*Medium (3&4" meters)*

Total Expense (2)	\$543,211	=	
-----	-----	=	\$4.1830
Metered Sales (HCF) (1)	129,867		

*Large (6" & up meters)*

Total Expense (2)	\$926,603	=	
-----	-----	=	\$3.5600
Metered Sales (HCF) (1)	260,293		

(1) See CPNW Sch 2  
(2) See CPNW Sch 7

COMPARISON TO CURRENT RATES

		<u>Current</u>	<u>Proposed</u>	<u>% Change</u>	
<u>Metered Rates</u>					
	Small (5/8-2" meters)	\$3.790	\$4.915	29.68%	
	Medium (3&4" meters)	\$3.210	\$4.183	30.31%	
	Large (6" & up meters)	\$2.721	\$3.560	30.83%	
<u>Service Charges</u>					
Quarterly	5/8 & 3/4	\$8.20	\$10.05	22.56%	
	1	\$9.84	\$13.29	35.06%	
	1 1/2	\$12.92	\$19.36	49.85%	
	2	\$15.58	\$24.63	58.09%	
	3	\$19.07	\$31.51	65.23%	
	4	\$25.84	\$44.88	73.68%	
	6	\$40.82	\$74.44	82.36%	
	8 & up	\$66.87	\$125.87	88.23%	
	Monthly	5/8 & 3/4	\$6.83	\$7.35	7.61%
		1	\$7.38	\$8.43	14.23%
1 1/2		\$8.40	\$10.45	24.40%	
2		\$9.29	\$12.21	31.43%	
3		\$10.46	\$14.50	38.62%	
4		\$12.71	\$18.96	49.17%	
6		\$17.70	\$28.81	62.77%	
8 & up		\$26.39	\$45.96	74.16%	
<u>Fire Service (per quarter)</u>					
Public	/hydrant	\$118.39	\$131.65	11.20%	
	/bill	\$6.15	\$6.00	-2.44%	
<u>Private (per quarter)</u>					
	4 in	\$51.67	\$52.81	2.21%	
	6 in	\$135.98	\$141.98	4.41%	
	8 in	\$280.57	\$295.77	5.42%	
	10 in	\$500.15	\$527.11	5.39%	
	12 in	\$803.32	\$847.73	5.53%	
	hydrant	\$135.98	\$141.98	4.41%	



IMPACT OF PROPOSED RATES

METER SIZE	QUARTERLY USE - CU FT	CURRENT RATES	<----- PROPOSED ----->		
			NEW BILL	\$ INCREASE	% INCREASE
Small					
5/8	2,000	\$84.00	\$108.35	\$24.35	29.0%
5/8	2,500	\$102.95	\$132.93	\$29.98	29.1%
<b>5/8</b>	<b>2,730</b>	<b>\$111.67</b>	<b>\$144.23</b>	<b>\$32.56</b>	<b>29.2%</b>
5/8	3,500	\$140.85	\$182.08	\$41.23	29.3%
5/8	4,000	\$159.80	\$206.65	\$46.85	29.3%
5/8	5,000	\$197.70	\$255.80	\$58.10	29.4%
5/8	6,000	\$235.60	\$304.95	\$69.35	29.4%
5/8	6,666	\$260.84	\$337.68	\$76.84	29.5%
5/8	8,000	\$311.40	\$403.25	\$91.85	29.5%
5/8	10,000	\$387.20	\$501.55	\$114.35	29.5%
5/8	12,000	\$463.00	\$599.85	\$136.85	29.6%
5/8	14,000	\$538.80	\$698.15	\$159.35	29.6%
5/8	15,000	\$576.70	\$747.30	\$170.60	29.6%
5/8	20,000	\$766.20	\$993.05	\$226.85	29.6%
5/8	25,000	\$955.70	\$1,238.80	\$283.10	29.6%
1	30,000	\$1,146.84	\$1,487.79	\$340.95	29.7%
1	40,000	\$1,525.84	\$1,979.29	\$453.45	29.7%
1	46,666	\$1,778.48	\$2,306.92	\$528.44	29.7%
1	75,000	\$2,852.34	\$3,699.54	\$847.20	29.7%
2	100,000	\$3,805.58	\$4,939.63	\$1,134.05	29.8%
2	200,000	\$7,595.58	\$9,854.63	\$2,259.05	29.7%
2	300,000	\$11,385.58	\$14,769.63	\$3,384.05	29.7%
2	400,000	\$15,175.58	\$19,684.63	\$4,509.05	29.7%
2	600,000	\$22,755.58	\$29,514.63	\$6,759.05	29.7%
Medium					
3	200,000	\$6,439.07	\$8,397.51	\$1,958.44	30.4%
3	400,000	\$12,859.07	\$16,763.51	\$3,904.44	30.4%
3	600,000	\$19,279.07	\$25,129.51	\$5,850.44	30.3%
4	800,000	\$25,705.84	\$33,508.88	\$7,803.04	30.4%
4	1,000,000	\$32,125.84	\$41,874.88	\$9,749.04	30.3%
4	1,200,000	\$38,545.84	\$50,240.88	\$11,695.04	30.3%
Large					
6	400,000	\$10,924.82	\$14,314.44	\$3,389.62	31.0%
6	600,000	\$16,366.82	\$21,434.44	\$5,067.62	31.0%
6	800,000	\$21,808.82	\$28,554.44	\$6,745.62	30.9%
6	1,200,000	\$32,692.82	\$42,794.44	\$10,101.62	30.9%
6	1,333,333	\$36,320.81	\$47,541.09	\$11,220.28	30.9%
8	2,000,000	\$54,486.87	\$71,325.87	\$16,839.00	30.9%
8	5,000,000	\$136,116.87	\$178,125.87	\$42,009.00	30.9%
8	10,000,000	\$272,166.87	\$356,125.87	\$83,959.00	30.8%
8	24,000,000	\$653,106.87	\$854,525.87	\$201,419.00	30.8%
Municipal Fire Service	300 hydrants	\$35,523.15	\$39,501.00	\$3,977.85	11.2%
Private Fire Service	6 Inch Service	\$135.98	\$141.98	\$6.00	4.4%

**REVENUE RECONCILIATION**

Service Charge:		<----- Current ----->		<----- Proposed ----->	
<u>Quarterly</u>	<u>Number</u>	<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>
5/8 & 3/4	88,584	\$8.20	\$726,389	\$10.05	\$890,269
1	14,292	\$9.84	\$140,633	\$13.29	\$189,941
1 1/2	1,280	\$12.92	\$16,538	\$19.36	\$24,781
2	2,120	\$15.58	\$33,030	\$24.63	\$52,216
3	76	\$19.07	\$1,449	\$31.51	\$2,395
4	288	\$25.84	\$7,442	\$44.88	\$12,925
6	304	\$40.82	\$12,409	\$74.44	\$22,630
8 & up	244	\$66.87	\$16,316	\$125.87	\$30,712
Monthly					
5/8 & 3/4	24	\$6.83	\$164	\$7.35	\$176
1	12	\$7.38	\$89	\$8.43	\$101
1 1/2	96	\$8.40	\$806	\$10.45	\$1,003
2	144	\$9.29	\$1,338	\$12.21	\$1,758
3	0	\$10.46	\$0	\$14.50	\$0
4	72	\$12.71	\$915	\$18.96	\$1,365
6	72	\$17.70	\$1,274	\$28.81	\$2,074
8 & up	48	\$26.39	\$1,267	\$45.96	\$2,206
Consumption Charge: 100/cu.ft.					
Proposed					
Small (5/8-2" meters)	3,340,276	\$3.79	\$12,659,645	\$4.92	\$16,417,456
Medium (3&4" meters)	129,867	\$3.21	\$416,873	\$4.18	\$543,233
Large (6" & up meters)	260,293	\$2.72	\$708,258	\$3.56	\$926,645
Fire Protection:					
Public Hydrants	2,336	\$473.56	\$1,106,236	\$526.60	\$1,230,138
# bills	52	\$6.15	\$320	\$6.00	\$312
Private Fire Protection					
4 in	15	\$206.68	\$3,100	\$211.24	\$3,169
6 in	104	\$543.92	\$56,568	\$567.92	\$59,064
8 in	27	\$1,122.28	\$30,302	\$1,183.08	\$31,943
10 in	1	\$2,000.60	\$2,001	\$2,108.44	\$2,108
12 in	1	\$3,213.28	\$3,213	\$3,390.92	\$3,391
hydrant	148	\$543.92	\$80,500	\$567.92	\$84,052
			=====	=====	
Total			\$16,027,075		\$20,536,063
Plus: Misc Revenues			\$347,912		\$347,912
			=====	=====	
Pro Forma Revenue			\$16,374,987		\$20,883,975
Required Revenue			\$20,884,345		\$20,884,345
Difference			-4,509,358		-370
					0.00%
Increase in Revenues					\$4,508,988
Increase in Rate Revenues					\$4,508,988
Percent Increase in Total Revenues					27.54%
Percent increase in Rate Revenues					28.13%

SUMMARY OF COST OF SERVICE

	<u>Test Year</u>	<u>Adjustments</u>	<u>Rate Year</u>
<b>Revenues</b>			
Service Charges	\$960,059	\$274,494	\$1,234,553
Metered Rates	\$13,784,776	\$4,102,557	\$17,887,333
Fire Protection	\$1,282,239	\$131,937	\$1,414,177
Miscellaneous	<u>\$347,912</u>	<u>\$0</u>	<u>\$347,912</u>
<i>Total Revenue</i>	\$16,374,987	\$4,508,988	\$20,883,975
<b>Expenses</b>			
<u>O&amp;M</u>			
Supply	\$3,658,536	\$614,382	\$4,272,918
Pumping	\$667,868	\$112,612	\$780,480
Treatment	\$207,829	\$210,335	\$418,164
T&D	\$1,409,859	(\$162,111)	\$1,247,748
Customer	\$286,602	\$20,624	\$307,226
Admin	<u>\$2,054,697</u>	<u>\$290,631</u>	<u>\$2,345,327</u>
Total O&M	\$8,285,390	\$1,086,472	\$9,371,863
<u>Fixed Charges</u>			
Debt Service	\$3,901,944	\$30,375	\$3,932,319
Reserves and Coverage	\$0	\$688,625	\$688,625
Renewal & Replacement	\$100,000	\$0	\$100,000
Infrastructure Replacement	\$4,004,478	\$1,995,522	\$6,000,000
Payroll Taxes	\$138,876	\$13,637	\$152,513
PILOT	<u>\$23,123</u>	<u>\$0</u>	<u>\$23,123</u>
Total Fixed	\$8,168,421	\$2,728,159	\$10,896,580
<u>Operating Revenue</u>	<u>\$0</u>	<u>\$615,903</u>	<u>\$615,903</u>
<i>Total Expenses</i>	\$16,453,811	\$4,430,533	\$20,884,345

ALTERNATIVE SEASONAL RATE

Allocation of Costs to Classes (Sch. 7)

CUSTOMER CLASS	BASE COSTS		MAX. DAY EXTRA CAPACITY		PEAK HR. EXTRA CAPACITY		TOTAL
	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	AMOUNT
Small	89.54%	\$10,484,671	96.04%	\$5,735,648	95.74%	\$198,135	\$16,418,454
Medium	3.48%	\$407,634	2.20%	\$131,175	2.13%	\$4,402	\$543,211
Large	6.98%	\$817,026	1.76%	\$105,166	2.13%	\$4,411	\$926,603
Total	100.00%	\$11,709,330	100.00%	\$5,971,989	100.00%	\$206,949	\$17,888,268

Billing By Quarter (cubic feet)

	<u>Jul - Sep</u>	<u>Oct - Dec</u>	<u>Jan - Mar</u>	<u>Apr - June</u>	<u>Total</u>
Small (5/8-2" meters)	1,092,828	891,352	649,691	700,480	3,334,351
Medium (3&4" meters)	42,419	31,441	24,199	31,318	129,377
Large (6" & up meters)	<u>88,862</u>	<u>67,667</u>	<u>51,088</u>	<u>60,860</u>	<u>268,478</u>
Total	1,224,109	990,461	724,978	792,658	3,732,206
% of Total	32.8%	26.5%	19.4%	21.2%	

Clariant Corp. Adjustment

Acct 114730-medium	3,870	4,020	3,770	3,790	15,450
Acct 11403 -large	14,475	13,795	10,815	8,830	47,915
Acct 115436-small	4,023	4,101	2,677	2,115	12,915
Acct 115435-small	3,406	3,624	5,871	6,407	19,307
Acct 11402-large	<u>13,715</u>	<u>14,945</u>	<u>19,895</u>	<u>17,425</u>	<u>65,980</u>
	39,489	40,484	43,028	38,567	161,567

Summary of Adjustment

Small	7,429	7,724	8,548	8,522	32,222
Medium	3,870	4,020	3,770	3,790	15,450
Large	28,190	28,740	30,710	26,255	113,895

**ALTERNATIVE SEASONAL RATE**

<u>Seasonal Surcharge</u>	<----- Variable Alternative ----->			<u>Uniform Alt. Total</u>
	<u>Small</u>	<u>Medium</u>	<u>Large</u>	
<u>Maximum Day Costs</u>				
Percent	5.00%	8.50%	12.50%	
Amount	\$286,782	\$11,150	\$13,146	\$311,078
<u>Peak Hour Costs</u>				
Percent	50.00%	50.00%	50.00%	
Amount	\$99,068	\$2,201	\$2,206	\$103,474
Surcharge set to equal percentage of Peak Hour Costs =				
Plus Percentage of Maximum Day Costs =				
Amount of Surcharge =	\$385,850	\$13,351	\$15,351	\$414,552
Summer Period Billings (100 cu ft) =	1,092,828	42,419	88,862	1,224,109
Surcharge (\$/100 cu ft)	\$0.353	\$0.315	\$0.173	\$0.339

**A. Adjustment to Non-seasonal Rates - Variable**

CUSTOMER CLASS	ORIGINAL ALLOCATION	LESS SURCH. REVENUES *	REVISED ALLOCATION	SALES (100 CU FT)	BASE RATE (\$/100 CU FT)
Small	\$16,418,454	\$385,768	\$16,032,686	3,334,351	\$4.809
Medium	\$543,211	\$13,362	\$529,849	129,377	\$4.096
Large	<u>\$926,603</u>	<u>\$15,373</u>	<u>\$911,229</u>	268,478	\$3.395
Total	\$17,888,268	\$414,503	\$17,473,764		

\* Based on rate rounded to nearest \$0.001

**Alternative Seasonal Metered Rates - Variable**

<u>Metered Rates</u>	<u>Current Cost of Service</u>		<u>Jul - Sep</u>	<u>Seasonal Alternative</u>		<u>% Diff</u>
				<u>Base</u>	<u>\$ Diff.</u>	
Small (5/8-2" meters)	\$3.790	\$4.915	\$5.162	\$4.809	\$0.353	7.34%
Medium (3&4" meters)	\$3.210	\$4.183	\$4.411	\$4.096	\$0.315	7.69%
Large (6" & up meters)	\$2.721	\$3.560	\$3.568	\$3.395	\$0.173	5.10%

**B. Adjustment to Non-seasonal Rates - Uniform - NOT RECOMMENDED**

CUSTOMER CLASS	ORIGINAL ALLOCATION	LESS SURCH. REVENUES *	REVISED ALLOCATION	SALES (100 CU FT)	BASE RATE (\$/100 CU FT)
Small	\$16,418,454	\$370,469	\$16,047,986	3,334,351	\$4.813
Medium	\$543,211	\$14,380	\$528,831	129,377	\$4.088
Large	<u>\$926,603</u>	<u>\$30,124</u>	<u>\$896,478</u>	268,478	\$3.340
Total	\$17,888,268	\$414,973	\$17,473,295		

\* Based on rate rounded to nearest \$0.001

**Alternative Seasonal Metered Rates - Uniform**

<u>Metered Rates</u>	<u>Current Cost of Service</u>		<u>Jul - Sep</u>	<u>Seasonal Alternative</u>		<u>% Diff</u>
				<u>Base</u>	<u>\$ Diff.</u>	
Small (5/8-2" meters)	\$3.790	\$4.915	\$5.152	\$4.813	\$0.339	7.04%
Medium (3&4" meters)	\$3.210	\$4.183	\$4.427	\$4.088	\$0.339	8.29%
Large (6" & up meters)	\$2.721	\$3.560	\$3.679	\$3.340	\$0.339	10.15%