COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE REASONABLENESS) OF THE EARNINGS OF BRANDENBURG) TELEPHONE COMPANY, INC.)	CASE NO. 92-563

O R D E R

On January 11, 1993, the Commission initiated this proceeding to investigate the reasonableness of the earnings of Brandenburg Telephone Company, Inc. ("Brandenburg"). The Commission regularly monitors the achieved returns on equity, net investment or interest coverage of local exchange companies ("LECs") in Kentucky based upon their quarterly and annual reports. Brandenburg's reports have revealed significantly greater returns than the 10.08 percent on investment and the 12.5 percent return on equity established and agreed to by Brandenburg in its most recent rate proceeding in 1988. The Commission required Brandenburg to submit certain financial information for the year ended December 31, 1992. On August 18, 1993, the Commission set forth the issues to be considered at the formal hearing which was held on November 23, 1993.

On August 31, 1993, Brandenburg filed seven motions. It sought designation of adversary and advisory staff and permission to propound discovery requests to the adversary staff. It further sought to expand the issues before the Commission to include the possible impact on earnings of a proposed headquarters complex, use of a future test year, and consideration of alternative forms of regulation. These motions and Brandenburg's motion to consider its efficiency of service in setting rates were denied October 15, 1993.

At the hearing, Brandenburg renewed its motions to consider the impact on earnings of its proposed headquarters, efficiency of service in determining reasonable rates, and alternative forms of regulation. It also petitioned the Commission to visit its facilities. These motions were submitted in writing on December 7, 1993. For the reasons stated in the October 15, 1993 Order, the motions which Brandenburg renewed at the hearing are again denied. Further, any information which could be gained by a Commission visit to Brandenburg would be irrelevant to the outcome of this proceeding. Accordingly, this motion is also denied.

BACKGROUND

Brandenburg is an investor-owned LEC providing service in Meade, Breckinridge and Hardin counties to 20,504 access lines as of December 31, 1992. Brandenburg does not perform separations studies to allocate expenses and investment between state and federal jurisdictions. As a result, the Commission reviews Brandenburg's financial results on a total company basis. However, any adjustments to rates will only affect the intrastate operations over which the Commission has jurisdiction.

In Case No. 9859,[1] Brandenburg and Commission Staff agreed that a rate of return of 12.5 percent on equity, which equated to an overall return on capital investment of 10.08 percent, was appropriate for the company. By Order of November 29, 1988, the Commission accepted this agreement and noted that unless modified by subsequent proceedings, these earnings levels would remain in effect.

Since 1988, Brandenburg has consistently realized returns on net investment significantly above its established parameters. Returns on investment have ranged from 13.18 percent in 1987 to 16.78 percent in 1990. For the 12-month period ended April 30, 1993, Brandenburg reported a return on investment of 15.92 percent.[2]

ANALYSIS AND DETERMINATION

Test Period

Several months after this investigation began Brandenburg proposed use of a forward-looking or future test period. A forward-looking test period is allowed pursuant to KRS 278.192, "for the purpose of justifying the reasonableness of a proposed increase in rates." The Commission initiated this investigation to determine if Brandenburg was in fact overearning, in which case a rate decrease would be warranted. Therefore, the Commission reaffirms its October 15, 1993 Order denying this proposal. As a

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1 Case No. 9859, An Investigation Into the Reasonableness of the Earnings of Brandenburg Telephone Company, Inc.

2 Response to Order of May 4, 1993, Item 9, Sheets 2-5.

result of that Order, on November 12, 1993, Brandenburg provided updated financial information containing various pro forma adjustments to the 12 month period ended December 31, 1992. The Commission therefore adopts the historical test period ended December 31, 1992 as the test period in this case.

RATE BASE

Net Investment Rate Base

In its November 12, 1993 financial update, Brandenburg reflected a net investment balance per books of $16,865,052[3] excluding an allowance for Cash Working Capital. It proposed to adjust this balance by $7,529,426[4] to reflect post-test-period plant additions and retirements, the associated impacts on the depreciation reserve of year-end plant balances, revised depreciation rates effective January 1, 1994, and a Cash Working Capital allowance. These adjustments are accepted with the following modifications.

Proposed Headquarters Building

Of the $7,495,242 in proposed net plant additions, $6,178,708[5] represented the estimated cost to construct a proposed headquarters complex, $50,000[6] to furnish it, and $245,000[7] for a 39 acre site

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[3] Item 2, Telecommunications Plant Summary, Period Ended December 31, 1992, column (d), page 2 of 4, line 61.

[4] Id. Column (g) less column (i), plus column L, line 62.

[5] Id., Summary of Telephone Plant Adjustments, page 3 of 4, footnote (F).

[6] Id., footnote (G).

[7] Id., footnote (B).

upon which to build it. As noted, Brandenburg's motion to consider the proposed headquarters complex in this case was denied because Brandenburg's petition for a Certificate of Public Convenience and Necessity[8] to construct the headquarters is pending Commission review. Moreover, additions to rate base for future construction are inappropriate in this case because the timing and cost of the proposed headquarters are both speculative. Brandenburg's proposed construction plans will be thoroughly evaluated due to the substantial financial impact this proposed addition would have on Brandenburg's rate base, and it is by no means certain that the proposed level of expenditures is justified. Therefore, headquarters costs of $6,473,708 should not be considered in this case and should be deducted from Brandenburg's proposed net investment. These adjustments require reduction of the depreciation reserve by $173,310 or one year's depreciation on the headquarters and furniture.

Cash Working Capital

Brandenburg proposed a Cash Working Capital Allowance of $572,605, based upon a formula approach using 45/365th[9] of operating expenses excluding Depreciation and Amortization. In a subsequent section of this Order, the Commission has made

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8 Case No. 93-359, The Verified Application of the Brandenburg Telephone Company, Inc. for a Certificate of Public Convenience and Necessity to Construct a New Headquarters Facility in Brandenburg, Kentucky, received by the Commission on September 22, 1993.

9 Response to Commission Order of May 4, 1993, Item 10(d), Sheet 1 of 1.

adjustments to reduce Brandenburg's allowed operating expenses. Based upon those adjustments and a factor of 1/8 (12.5 percent) of out-of-pocket operating expenses, the Commission finds the proper level of Brandenburg's Cash Working Capital allowance to be $579,749.

Customer Deposits

Brandenburg proposed to reduce net investment by $193,419[10] to reflect its customer deposit balance. The Commission has traditionally declined to reduce rate base for customer deposits because the utility must pay interest on these amounts and should therefore be allowed to earn a return on them. Brandenburg has provided no new evidence to support a change in this practice. Therefore, customer deposits have not been deducted in Brandenburg's net investment rate base.

Accordingly, the Commission finds that Brandenburg's pro forma net investment should be as follows:

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10 Telecommunications Plant Summary, Period Ended December 31, 1992, Item 2, Column (e), line 48, page 2 of 4.

Telephone Plant In Service	$ 33,623,445
Telephone Plant Under Construction	47,349
RTB Stock	591,605
Prepaids	50,341
Regulated Materials and Supplies	427,095
Cash Working Capital	579,749
	$ 35,319,584
Less:	
Accumulated Amortization	292,368
Accumulated Depreciation Revenue	13,691,465
Accumulated Deferred Income Taxes	3,041,108
Net Investment	$ 18,294,643

REVENUES AND EXPENSES

Brandenburg reported per book net operating income for the test period of $2,690,283.[11] It proposed pro forma adjustments to revenues and expenses to reflect current and anticipated operating conditions which would reduce net operating income to $1,847,735.[12] The proposed adjustments are acceptable for rate-making purposes with the following exceptions.

Revenues

To determine proper rates, the Commission must determine the expected levels of revenues and expenses for the period in which the rates will be in effect. Revenues must be normalized to reflect conditions at the end of the test period, especially where expenses have been normalized to end-of-period levels or where post-test-period adjustments to expenses and rate base have been proposed. If revenues are not normalized but pro forma adjustments

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11 Revenues and Expense Summary, Period Ended December 31, 1992, Item 3, Column (d), line 107, page 4 of 7.

12 Id., column (j), line 107, page 4 of 7.

to expenses and rate base are accepted, financial operations are distorted, generally to the detriment of the ratepayers.

The treatment of post-test-period adjustments is governed by settled precedent.

> [A]djustments for post-test-period additions to plant in service should not be requested unless all revenues, expenses, rate base, and capital items have been updated to the same period as the plant additions. . . .[13]

Here, Brandenburg has proposed to increase its total operating expenses by 22 percent. It also proposed to increase rate base by $6,956,821, excluding the Allowance for Cash Working Capital, or approximately 41 percent. However, the only revenue adjustments proposed by Brandenburg reflect a decrease in revenues from $11,204,240[14] to $11,032,941,[15] a difference of $171,299,[16] to reflect true-ups to 1992 results. In essence, Brandenburg contends that its test period expenses will increase by 22 percent, its rate base will increase by 41 percent, but its revenues will decline slightly.

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13 Case No. 10481, Notice Of Adjustment Of The Rates Of Kentucky-American Water Company Effective On February 2, 1989, Order dated August 22, 1989, page 5. See also Case No. 90-158, Adjustment Of Gas And Electric Rates Of Louisville Gas And Electric Company.

14 Revenues and Expense Summary, Period Ended December 31, 1992, Item 3, Column (e), line 9, page 1 of 7.

15 Id., Column (j), line 9, page 1 of 7.

16 Id., Column (g), line 9, page 1 of 7.

Brandenburg maintains that access line growth is a good indicator of company growth,[17] and that its lack of growth in this case indicates that its revenues for the immediate future will remain at or near 1992 levels. Brandenburg also maintained that if the level of past revenue growth were reflected, expense growth must be reflected as well.[18] It did not bring revenues to an end-of-period level because it did not bring all expenses to an end-of-period level. However, by reflecting wage and salary increases granted in October 1992, depreciation expense increases effective January 1, 1994, software purchases outside of the test period, and other items, Brandenburg's proposed pro forma expense adjustments significantly increase operating expenses above those of the test period.

Brandenburg's failure to make a revenue growth adjustment is unacceptable. Brandenburg's access line growth has been positive, albeit modest, in recent years. It had 3.6 percent more access lines at the end than at the beginning of the test period.[19] Failure to adjust for this increase understates future revenues. Finally, all indicators of revenue growth, such as access minutes of use and access lines, have increased during the period from 1989 through 1992.[20]

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17 Campbell Direct Testimony, November 23, 1993, page 8.

18 Campbell testimony, page 7.

19 Campbell testimony, page 8.

20 Transcript of Evidence ("T.E."), Campbell, page 294.

Brandenburg's failure to recognize this trend and normalize revenues leaves the Commission with two options. It may reject Brandenburg's post-test-period adjustments to expenses and rate base, or make a revenue normalization adjustment. In this case, the latter course will make the test period more representative of future conditions and has been used.

To normalize revenues, those from the last three months of the test period were annualized, as shown in Appendix A. The Commission also imputed to local service revenues $8,464[21] in employee concession service revenues allowed by Brandenburg during the test period. The Commission, as it has in previous telephone rate proceedings, finds no evidence that these discounts are wage requirements. They should therefore be borne by the shareholders.

Therefore, Brandenburg's total operating revenues have been increased by $1,000,221 to an adjusted level of $12,033,162. This result is very similar to the actual revenues received by Brandenburg for the 12 months ended September 30, 1993, by which time they had grown to approximately $12 million.[22]

<u>Expenses</u>

Brandenburg proposed various adjustments to increase total operating expenses from a test period level of $5,881,221 to a pro forma level of $7,189,284, an increase of 22 percent. The proposed

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21 Response to Commission Order dated May 4, 1992, Item 3, Sheet 1 of 1.

22 T.E., page 295.

adjustments are acceptable for rate-making purposes with the following modifications.

Advertising Expenses. Commission Regulation 807 KAR 5:016 prohibits including the cost of advertising for political or institutional purposes in the utility's cost of service for rate-making purposes. Institutional advertising is characterized as that which has as its primary objective the enhancement or preservation of the corporate image of the utility and which presents it in a favorable light to the general public, investors or potential employees.

In response to the Commission's May 4, 1993 Order, Brandenburg provided an analysis of advertising expenditures made during the test year which totalled $6,576.[23] It contends they were designed to provide its customers with information rather than to obtain new customers, stimulate use of existing systems, or enhance the corporate image. However, only the "Link-Up" Advertisement expenses of $106.50 produced a "material benefit" as described in 807 KAR 5:016, Section 3(2). Link-Up is a program to assist low-income individuals in paying the network connection charge. The remaining expenditures, which include directory advertisement, sponsorship of time and temperature announcements, business cards, and advertisements in yearbooks and fair books, are designed to enhance the corporate image.

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[23] Response to Commission Order dated May 4, 1993, Item 6, Sheet 3 of 3.

Therefore, Brandenburg's advertising expenses have been reduced by $6,470.

Depreciation Expense. Because potential headquarters costs have been disallowed from rate base, depreciation expenses associated with it must be deducted from the pro forma depreciation adjustment, reducing depreciation expense by $173,310. The resulting adjusted depreciation expense is $2,371,513.

Federal and State Taxes. Brandenburg was instructed to use the 35 percent federal tax rate the U.S. Congress was expected to approve. The rate enacted which is applicable to Brandenburg's taxable income was 34 percent. Therefore, the company's pro forma federal income tax amount of $1,032,040 has been reduced by $29,362 to $1,002,678. As a result of the other changes made to revenues and expenses state income taxes were increased $97,350 to $358,227 and federal income taxes were increased $368,101 to $1,370,779.

Statement of Financial Accounting Standards No. 109 ("SFAS 109"). On February 10, 1992, the Financial Accounting Standards Board issued SFAS 109, Accounting for Income Taxes. Frequently, assets and liabilities have different bases for financial reporting and income tax reporting. SFAS 109 provides for the recognition of deferred tax assets and liabilities to account for the anticipated future consequences of these differences, as well as for operating loss and tax credit carry-forwards.

During 1992, Brandenburg adopted SFAS 109 for accounting purposes. Brandenburg attributes the increase in its deferred tax liability balance from the end of 1991 to the end of 1992 to the implementation of the Statement.[24] Brandenburg also recorded an expense of $482,014 on its income statement to record the adoption of SFAS 109,[25] which is unusual given that, for regulated operations, there is generally no impact on the income statement. In addition, this level of deferred tax expense should not be expected to recur in future periods because the amount represents the cumulative effect on years prior to 1992 of the retroactive application of the new deferred tax method. In other circumstances, these expenses could be deleted. However, as this matter was not the primary focus of this proceeding and a complete record was not developed, no adjustment has been made.

Capital Structure

Brandenburg's capital structure at December 31, 1992 was 69.7 percent equity and 30.3 percent debt. In Case No. 9859, a capital structure of 62.6 percent common equity and 37.4 percent debt was approved by the Commission. The significant rise in equity to present levels clearly indicates the presence of less financial risk in Brandenburg's operations.

Cost of Debt

The company's cost of debt calculation resulting in a cost of 6.46 percent is reasonable and is adopted.

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24 Response to Commission Order dated May 4, 1993, Item 12, Sheet 1 of 2.

25 November 12, 1993, Updated Financial Information, Item 3, page 3 of 7.

Cost of Equity

In Case No. 9859, a return on equity of 12.5 percent was authorized. It was not the Commission's intention to change what was found to be fair, just, and reasonable, in that case, in this investigation. Brandenburg has not sought to change this established rate of return and nothing in the record compels deviation from it. However, if this case involved a change in the approved return concomitant with the level of risk inherent in the company and the economy today, the 12.5 percent return would require much reexamination and would most likely be reduced.

Rate of Return Summary

Applying the 6.46 percent debt cost rate and the 12.5 percent equity cost rate to the actual capital structure as of December 31, 1992 produces an overall return on capital of 10.67 percent.

REVENUE REQUIREMENTS

Based on its adjusted operations, Brandenburg's present revenue requirements are determined to be $10,976,985, as follows:

Return	$ 1,952,237
Operating Expenses	7,009,504
Operating Taxes	2,061,616
Less Other Income	46,372
Required Operating Revenues	$10,976,985

Brandenburg's adjusted revenue as discussed previously is $12,033,162, resulting in overearnings of $1,056,177.

EFFICIENCY ARGUMENTS

Brandenburg argued at length that it should not be required to reduce its rates because doing so would penalize it for providing service in a highly efficient manner. It also argued that rate of return regulation was inappropriate for its situation. The purpose of rate of return regulation is to set fair, just and reasonable rates. Traditionally, this has been accomplished by setting a fair rate of return, determining the total revenues required to allow a company an opportunity to earn that return, and designing rates to produce those revenues. The Supreme Court has ruled that, "[a] public utility is entitled to such rates as will permit it to earn a return in the value of the property it employs for the convenience of the public" and "[i]t has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises."[26] Essentially, Brandenburg turns this argument on its head. It argues that if rates can be shown to be low the realized rate of return should not be relevant in a rate proceeding. Under this approach, Brandenburg insists that a firm is rewarded for innovation, operating efficiently, being a low-cost provider, and maintaining low rates with good service.

Brandenburg urges the Commission to ignore realized rates of return as long as rates are low when compared to those of other LECs and quality of service is maintained. Brandenburg suggests comparing companies on a per access line basis, an accepted procedure. However, the significance of the comparison would increase if the companies in Brandenburg's sample had similar territorial and demographic characteristics. Brandenburg acknowledged that the physical characteristics of a territory can

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[26] Bluefield Water Works v. West Virginia Public Service Commission, 262 U.S. 679,692 (1993).

affect the cost of operating within it.[27] Brandenburg argued that its revenue per access line is on par with that in its sample. Its operating expenses per access line being well below the sample average, Brandenburg argues that its high returns are the result of operating efficiently.

Brandenburg also argued that it is a leader in installing state of the art technology, such as digital, Signaling System Seven, and fiber optics, on its system. These technological innovations enhance Brandenburg's quality of service and tend to lower operating costs.

Brandenburg introduced proof that its past management practices have resulted in substantial savings which are not rewarded by traditional regulation. For example, Brandenburg cites the purchase of a central office switch at a savings of $1.8 million which tended to keep its rate base lower than it otherwise would have been. Brandenburg's efforts to provide high quality service at low cost are laudable. All utilities should strive to become more efficient as they provide high quality service. However, it is also obvious that Brandenburg has benefitted significantly from any actions taken to reduce its costs because of regulatory lag, since it has captured any overearnings realized since the most recent rate proceeding in 1988.

However, Brandenburg has not met its burden of showing that its returns are justified on this basis. It suggests that traditional regulation is not appropriate but has offered no

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27 T.E., pages 93-94.

workable alternative. In fact, it declined to discuss the details of incentive regulation after this investigation was begun. Simply maintaining a hands-off attitude is neither a credible nor acceptable incentive regulation plan. Brandenburg is a regulated utility company with a virtual monopoly in its franchised territory. Moreover, Brandenburg agreed to traditional regulation using an allowed return on equity of 12.5 percent in 1988, and at no time since then has Brandenburg taken any action to alter the terms of that agreement.

The Commission stands ready to consider all credible incentive regulation plans as it has before and during this proceeding. However, in the absence of a credible alternative to traditional rate of return regulation, Brandenburg should be required to reduce its rates.

DISCUSSION

It is clear beyond cavil, even after extending to Brandenburg the benefit of a number of doubts and without fully developing the need for an adjustment related to SFAS 109, that Brandenburg is overearning. Given this consistent pattern and level of overearnings, Brandenburg can no longer justify touchtone or zone charges. The elimination of touchtone charges reduces revenues by approximately $235,000, while the elimination of zone charges reduces revenues by approximately $393,000. Elimination of touchtone charges is justified because the incremental cost of the software component of central office switch generics necessary for touchtone service is virtually zero, if identifiable at all. Other small jurisdictional LECs, specifically Alltel, Harold Telephone Company and Thacker-Grigsby Telephone Company have recently eliminated these charges. However, some of Brandenburg's customers do not subscribe to touchtone service and should not be required to purchase a touchtone phone.[28] Therefore, Brandenburg's customers who wish to do so should not be denied the ability to retain rotary service.

In the case of zone charges, Brandenburg's evidence reflected that only a small percentage of its customers pay zone charges.[29] However, Brandenburg's responses to data requests indicate that these charges generate $393,000 in revenues. Obviously, the benefits to some customers from elimination of these charges could be significant. Doing so in this case is appropriate because advances in technology have made it cheaper to serve rural areas where mileage charges are incurred. These charges impede rural development and 14 of 20 of Kentucky's telephone companies have no zone charges in their tariffs.

SUMMARY

This case began because reports regularly filed with the Commission by Brandenburg indicated that it was consistently earning a return greater than that authorized in its most recent rate case. The record confirmed this. Although Brandenburg talked at length about non-traditional or incentive regulation, it did not show cause why its rates should not be reduced to bring its

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28 T.E., page 175.

29 T.E., page 106.

earnings more in line with its authorized rate of return. Brandenburg did not offer a credible plan for incentive regulation, during this proceeding, but instead suggested that maintaining a hands-off attitude is an appropriate form of incentive regulation.

Brandenburg enjoys the benefits of a monopoly. In return for this benefit, it is obligated to provide service at the lowest rates consistent with a fair return. That is the nature of the regulatory compact in its traditional form. The reductions ordered today will benefit Brandenburg's individual and corporate customers.

The telecommunications industry is changing almost daily. To the extent these changes affect Brandenburg's ability to serve its customers and compete in the market place, the Commission remains willing to consider alternatives to traditional regulation. However, alternatives must be more than an invitation to ignore the Commission's statutory obligations.

IT IS THEREFORE ORDERED that:

1. The motions to consider the impact on earnings of the proposed headquarters complex, the efficiency of service in determining reasonable rates, any alternative forms of regulation, and for the Commission to visit the facilities are hereby denied.

2. Effective with service rendered on and after the date of this Order, touchtone charges shall be eliminated from Brandenburg's tariff.

3. Effective with service rendered on and after the date of this Order, zone charges shall be eliminated from Brandenburg's tariffs for all services.

4. Within 30 days of this Order, Brandenburg shall file tariffs reflecting the elimination of touchtone and zone charges.

Done at Frankfort, Kentucky, this 25th day of March, 1994.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

CONCURRENCE OF VICE CHAIRMAN DAVIS

The Commission today concludes that Brandenburg Telephone is earning over a million dollars more than it has been authorized to earn under the agreement it entered and the Commission approved in 1988. Nonetheless, the Commission has ordered rate reductions of approximately $600,000. Because I believe it particularly important in this case that the Commission speak with one voice, I have joined that decision.

I am nonetheless constrained to make further comment for the record. Brandenburg has done an exemplary job of making this case a difficult one to decide. Its primary gambit has been to file a separate case seeking a certificate of convenience and necessity for a new building. This is the same new building which was discussed in 1987 and 1988 when Brandenburg's rates were last reviewed by this Commission. Nothing further was heard about the building until this case began. In essence, Brandenburg's shareholders have concluded that if they cannot keep their excess earnings themselves, they would rather spend the excess on themselves than allow their ratepayers to benefit from it. It has further been their hope that the threat of a future rate increase incident to approval of the building would preclude the Commission from reducing Brandenburg's rates to their proper level in this case.

While Brandenburg may have temporarily succeeded in its ploy, it should not rest easy. Facts applicable to the test year in this case,[30] will enable Brandenburg to earn an additional million dollars above its authorized return in future years. Should the need for its new building recede into the mist once this Order has been issued, Brandenburg should be advised that I will not hesitate to recommend to my fellow commissioners that a new investigation of its rates be commenced forthwith.

Robert M. Davis

Dr. Robert M. Davis
Vice Chairman

ATTEST:

Don Mills

Executive Director

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30 Certain tax adjustments and expenses associated with this case are included in Brandenburg's test year expenses. While the rates predicated on these expenses will not change, Brandenburg will not incur the expenses in the future.

APPENDIX A

REVENUE ADJUSTMENT

	A OCTOBER 1992	B NOVEMBER 1992	C DECEMBER 1992	D TOTAL 3 MONTHS	E Annualized (Col.Dx4)	F 1992 Actual	G Difference
Basic Area Revenue	$191,216	$ 193,267	$ 194,376	$578,851	$2,315,436	$2,257,069	$58,367
End User Revenue	74,360	74,322	74,537	223,219	892,876	882,566	10,310
State Access Revenue	202,011	205,110	233,849	640,970	2,563,880	2,328,923	234,957
Interstate Access	346,585	288,543	342,782	977,910	3,911,640	3,293,267	618,373
Toll Revenue	19,090	21,077	22,392	62,559	250,236	185,714	64,522
Directory Revenue	66,429	66,036	66,196	198,661	794,644	789,416	5,228

Total Annualization	$991,757
Employee Concessions	8,464
Total Revenue Adjustment	$1,000,221

NOTE: Some revenue accounts were not annualized because they were deminimus, would cancel each other out, or demonstrated a lack of consistency in the amounts recorded throughout the year. The above accounts were annualized because they reflected some pattern of growth since the start of the year and represent the larger revenue streams of Brandenburg.