

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF EAST )  
PENDLETON COUNTY WATER ) CASE NO. 97-084  
DISTRICT )

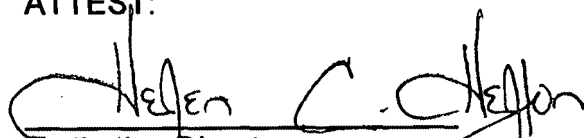
O R D E R

On April 2, 1997, East Pendleton County Water District ("East Pendleton Water") filed its application for Commission approval of proposed water rates. Commission Staff, having performed a limited financial review of East Pendleton Water's operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order, or 90 days after the date the application was filed, whichever is later, to provide written comments regarding the attached Staff Report or requests for a hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 14th day of November, 1997.

ATTEST:

  
Executive Director

PUBLIC SERVICE COMMISSION

  
For the Commission

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF EAST )  
PENDLETON COUNTY WATER : ) CASE NO. 97-084  
DISTRICT )

STAFF REPORT

Prepared By: Mark C. Frost  
Public Utility Financial  
Analyst, Chief  
Water and Sewer Revenue  
Requirements Branch  
Financial Analysis Division

Prepared By: Brent Kirtley  
Public Utility Rate  
Analyst, Senior  
Communications, Water and  
Sewer Rate Design Branch  
Financial Analysis Division

STAFF REPORT  
ON  
EAST PENDLETON COUNTY  
WATER DISTRICT  
CASE NO. 97-084

On February 18, 1997, East Pendleton County Water District ("East Pendleton District") submitted its application seeking to increase rates pursuant to 807 KAR 5:001, Section 10, General Rate Adjustments in Existing Rates. However, due to filing deficiencies, East Pendleton District's application was not considered filed until April 2, 1997.

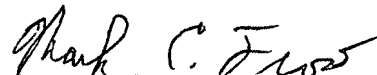
In order to evaluate East Pendleton District's requested increase, Staff performed a limited financial review of East Pendleton District's test-period operations for the 1996 calendar year. The scope of the review was limited to obtaining information to determine whether the 1996 operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

Mark Frost of the Commission's Division of Financial Analysis performed the limited review on June 9, 1997 and October 14, 1997. Mr. Frost is responsible for the preparation of this Staff Report, except for Attachment B, Adjustment A, Metered Water Sales; and Attachment D, Staff's Billing Analysis and Proposed Rates, which were prepared by Brent Kirtley of the Commission's Division of Financial Analysis.

Comparisons of the East Pendleton District's actual and pro forma operations are shown as Attachment A. Based upon Staff's recommended adjustments, East Pendleton District's pro forma operations would appear as set forth in Attachment B.

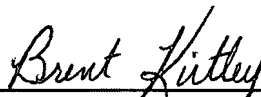
In its application, East Pendleton District requested an increase in its revenue from rates of \$76,283. As shown in Exhibit C, when East Pendleton District's requested rates are combined with Staff's billing analysis they produce a revenue requirement of \$562,773, an increase in revenue from rates of \$82,394. However, shown in that same attachment, Staff's recommended pro forma operations and the 1.2x debt service coverage normally allowed by this Commission, results in a total revenue requirement from water rates of \$552,626, an increase of \$72,247. The rates contained in Attachment D will achieve Staff's recommended increase of \$72,247.

Signatures



---

Prepared by: Mark C. Frost  
Public Utility Financial  
Analyst, Chief  
Water and Sewer Revenue  
Requirements Branch  
Financial Analysis Division



---

Prepared by: Brent Kirtley  
Public Utility Rate  
Analyst, Senior  
Communications, Water and  
Sewer Rate Design Branch  
Financial Analysis Division

EAST PENDLETON  
COUNTY WATER  
DISTRICT

ATTACHMENT  
A

EAST PENDLETON'S  
PRO FORMA  
OPERATIONS

	Actual Operations	Pro Forma Adjustments	Pro Forma Operations
<b>Operating Revenues:</b>			
Un-metered Water Sales	\$204	\$0	\$204
Metered Water Sales	465,273	0	465,273
Miscellaneous Service Revenues	6,693	7	6,700
<b>Total Operating Revenues</b>	<b>\$471,966</b>	<b>\$7</b>	<b>\$471,973</b>
<b>Operating Expenses:</b>			
<b>Operation &amp; Maintenance Exp:</b>			
Salaries & Wages - Employees	\$86,895	\$14,105	\$101,000
Salaries & Wages - Commissioners	7,100	3,700	10,800
Employee Benefits	1,114	14,549	15,663
Purchased Water	136,910	1,090	138,000
Fuel & Power	17,997	3	18,000
Chemicals	1,950	50	2,000
Materials & Supplies	47,681	319	48,000
Professional Services	4,523	77	4,600
Transportation/Vehicles Exp.	8,500	0	8,500
Insurance - Workers' Compensation	7,568	32	7,600
Insurance - Other	2,864	36	2,900
Misc.	6,587	13	6,600
<b>Total Operation &amp; Maintenance</b>	<b>\$242,794</b>	<b>\$19,869</b>	<b>\$262,663</b>
Depreciation	65,244	6,656	71,900
Taxes Other Than Income	548	7,252	7,800
<b>Total Operating Expenses</b>	<b>\$308,586</b>	<b>\$33,777</b>	<b>\$342,363</b>
<b>Net Operating Income</b>	<b>\$163,380</b>	<b>(\$33,770)</b>	<b>\$129,610</b>
<b>Other Income:</b>			
Tap-on Fees	17,013	(4,013)	13,000
Interest Income	4,238	762	5,000
<b>Income Available for Debt Service</b>	<b>\$184,631</b>	<b>(\$37,021)</b>	<b>\$147,610</b>
<b>Interest &amp; Principal:</b>			
Interest Short-Term Debt	4,310	(2,310)	2,000
Principal Short-Term Debt	10,000	3,300	13,300
Interest Long-Term Debt	77,676	(376)	77,300
Principal Long-Term Debt	18,200	1,800	20,000
<b>Income Available for Operations</b>	<b>\$74,445</b>	<b>(\$39,435)</b>	<b>\$35,010</b>

EAST PENDLETON  
COUNTY WATER  
DISTRICT

ATTACHMENT  
B

STAFF'S  
PRO FORMA  
OPERATIONS

	Gen Ledger Acct No.	Actual Operations	Pro Forma Adjustments	Adj. Ref.	Pro Forma Operations
<b>Operating Revenues:</b>					
Metered Water Sales	4610	\$469,147	\$11,232	A	\$480,379
Miscellaneous Service Revenues	4710 & 4611	8,709	(2,101)	B	6,608
<b>Total Operating Revenues</b>		<b>\$477,856</b>	<b>\$9,131</b>		<b>\$486,987</b>
<b>Operating Expenses:</b>					
<b>Operation &amp; Maintenance Exp:</b>					
Salaries & Wages - Employees:	N/A	\$56,512	\$37,676	C	\$94,188
Salaries & Wages - Commissioners	9280	7,600	3,200	D	10,800
Employee Benefits	9260	14,800	10,486	E	25,286
Purchased Water	6011	139,020	(1,933)	F	137,087
Fuel & Power	6220	19,518	(1,042)	G	18,476
Chemicals/Testing	6310	34,400	(32,744)	H	1,656
<b>Materials &amp; Supplies:</b>					
Pumping Supplies	6020	(166)	0		(166)
Pumping Other Supplies & Expense	6230	461	0		461
Operation Supplies	6410	1,311	(714)	I	597
Office Supplies	9210	4,397	0		4,397
Maintenance of Services	6520	11,277	(7,079)	J	4,198
Maintenance of Meters	6530	12,143	(9,062)	K	3,081
Maintenance of Other Plant	6550	510	0		510
Outside Services- Accounting	9002	3,064	0		3,064
Outside Services	9230	7,853	(5,805)	L	2,048
<b>General &amp; Administrative:</b>					
Telephone	6221	819	184	M	1,003
License	6240	85	0		85
Supplies	9003	979	0		979
Insurance	9240	2,864	1,691	N	4,555
Insurance - Workers' Compensation	9261	5,309	343	O	5,652
Misc. (Xmas Bonus)	9250	1,700	(300)	P	1,400
Misc. General	9300	3,840	0		3,840
Transportation	9330	4,596	0		4,596
Vehicle Maintenance	9331	3,967	0		3,967
Office Rent	9335	300	(300)	Q	0
Equipment Rent	9340	902	0		902
Maint. General Plant	9350	2,398	0		2,398
<b>Total Operation &amp; Maintenance</b>		<b>\$340,459</b>	<b>(\$5,399)</b>		<b>\$335,060</b>
Depreciation	9403	69,313	7,022	R	76,335
Amortization	N/A	0	2,020	S	2,020
Taxes Other Than Income	9408	7,083	845	T	7,928
<b>Total Operating Expenses</b>		<b>\$416,855</b>	<b>\$4,488</b>		<b>\$421,343</b>
<b>Net Operating Income</b>		<b>\$61,001</b>	<b>\$4,643</b>		<b>\$65,644</b>
<b>Other Income:</b>					
Merchandising, Jobbing, & Contract Deductions	4850	6,397	(6,397)	U	0
Interest Income	4800	8,972	0		8,972
<b>Income Available for Debt Service</b>		<b>\$76,370</b>	<b>(\$1,754)</b>		<b>\$74,616</b>



**A. Metered Water Sales:**

Staff prepared a billing analysis using the test-period customer usage information and the current tariffed rates on file with the Commission. The billing analysis has been adjusted to reflect East Pendleton's projected 20 new customers. This adjustment reflects the results of Staff's analysis.

Normalized Revenue from Water Rates	\$480,379
Less: Reported Revenue from Water Rates	469,147
	<hr/>
Staff's Pro Forma Adjustment	\$11,232
	<hr/> <hr/>

**B. Miscellaneous Service Revenues:**

Revenues from the sewer customers were included in the water division's miscellaneous service revenues. Staff's adjustment removes the misclassified sewer revenues from the water division's test-period operating revenues.

Revenue from Sewer Rates	(\$2,101)
	<hr/> <hr/>

**C. Salaries & Wages - Employees:**

Because the maintenance employees were hired during the test-period, the over-time hours used by Staff for these employees is for the 12-month period beginning with their first full week of work. During 1997 the part-time office employee pay rate switched from monthly salary to hourly. Staff's adjustment reflects the average hours the part-time office employee worked in 1997. Staff assumed each full-time employee worked 2,080 regular hours and used the 1997 hourly pay rates.

Staff	Hourly Wages	Period	Hours		Regular	Overtime	Staff
			Regular	Overtime			
System Manager	\$18.25	01/01/96 to 12/31/96	2,080.00	0.00	\$37,960	\$0	\$37,960
Bookkeeper/Sec.	\$9.00	01/01/96 to 12/31/96	2,080.00	0.00	\$18,720	\$0	18,720
Part-time Office	\$9.00	06/25/97 to 10/08/97	282.36	0.00	\$2,541	\$0	2,541
Full-time Field Emp.	\$10.00	08/26/96 to 08/27/97	2,080.00	72.00	\$20,800	\$1,080	21,880
Full-time Field Emp.	\$9.50	01/31/96 to 01/29/97	2,080.00	58.00	\$19,760	\$827	20,587
							<hr/>
Total Pro Forma Salaries & Wages-Employees							\$101,688
Less: Payroll Allocation to Sewer Division							
Plant Operator	\$10 (Hourly Rate) x		390	(1.5 Daily Hours x 260 Annual Workdays) =			(3,900)
Admin. (Owner/Manager Fee)							(3,600)
							<hr/>
Net Pro Forma Salaries & Wages-Employees							\$94,188
Less: Reported Salaries & Wages - Employees							56,512
							<hr/>
Staff's Recommended Adjustment							\$37,676
							<hr/> <hr/>

**D. Salaries & Wages - Commissioners:**

According to KRS 74.020(6), "a water district commissioner shall receive an annual salary of not more than \$3,600." The Pendleton County Judge Executive has approved increasing East Pendleton's commissioner fee to the maximum allowed by statute. Therefore, Staff's adjustment reflects paying each commissioner \$300 per month or \$3,600 annually.

\$3,600 (Annual Commissioner Fee) x	3 (Commissioners) =	\$10,800
Less: Reported Salaries & Wages - Commissioners		7,600
		<hr/>
Staff's Recommended Adjustment		\$3,200
		<hr/> <hr/>

**E. Employee Benefits:**

Staff's adjustment to salaries and wages - employees results in a corresponding increase to East Pendleton's contribution into the employee retirement system. This adjustment reflects the increase in East Pendleton's contribution and the current health insurance premiums for East Pendleton's employees.

System Manager	\$560 (Monthly Health Insurance Premium)	x	12 (Months)	=	\$6,720
Bookkeeper/Sec.	\$0 (Monthly Health Insurance Premium)	x	12 (Months)	=	0
Part-time Office Emp.	\$272 (Monthly Health Insurance Premium)	x	12 (Months)	=	3,264
Full-time Field Emp.	\$346 (Monthly Health Insurance Premium)	x	12 (Months)	=	4,152
Full-time Field Emp.	\$364 (Monthly Health Insurance Premium)	x	12 (Months)	=	4,368
<hr/>					
Total Pro Forma Health Insurance					\$18,504
Multiplied by: Payroll Allocation Factor	\$94,188 (Water Salaries)	\	\$101,688 (Total Payroll)	=	92.624%
<hr/>					
Net Pro Forma Health Insurance					\$17,139
Add: Retirement Contribution	\$94,188 (Water Salaries)	x	8.65% (Cont. Rate)	=	8,147
<hr/>					
Pro Forma Employee Benefits					\$25,286
Less: Reported Employee Benefits					14,800
<hr/>					
Staff's Recommended Adjustment					\$10,486
<hr/>					

**F. Purchased Water:**

Staff's adjustment reflects the actual test-period water purchases from the City of Falmouth, the estimated water purchases for the 20 new customers, and the rates currently being charged by Falmouth.

76,680,080 (Water Purchased Gallons)	-	71,826,158 (Water Sold - Billing Analysis)	=	4,853,922
Divided by: Water Purchased - Gallons				76,680,080
<hr/>				
Test-Period Line Loss				6.330%
<hr/>				
5,000 (Monthly Customer Usage)	x	240 (20 New Customers x 12-Months)	=	1,200,000
Divided by: Line Loss Reciprocal	1	-	6.330% (Test-Period Line Loss)	= 93.670%
<hr/>				
Pro Forma Water Usage - New Customers				1,281,093
Add: Test -Period Purchased Water Gallons				76,680,080
<hr/>				
Pro Forma Purchased Water Gallons				77,961,173
<hr/>				
City of Falmouth Current Annual Rates			Gallons	
First	24,000	\$113.40 Min. Bill	24,000	\$113
Next	36,000	\$2.00 Per 1,000 Gal.	36,000	72
Next	60,000	\$1.64 Per 1,000 Gal.	60,000	98
Next	480,000	\$1.35 Per 1,000 Gal.	480,000	648
Over	600,000	\$1.76 Per 1,000 Gal.	77,361,173	136,156
<hr/>				
Pro Forma Purchased Water				\$137,087
Less: Reported Purchased Water				139,020
<hr/>				
Staff's Recommended Adjustment				(\$1,933)
<hr/>				

**G. Purchased Power:**

The misclassified sewer electricity costs have been removed from the water division's operating expenses.

Sewer Division Purchased Power Expense	(\$1,042)
<hr/>	

**H. Chemicals/Testing:**

The manager's salary was misclassified as the test-period chemical testing expense. Staff's adjustment corrects East Pendleton's error by including only the chemical and testing fees incurred by the water division in this account.

Reported Chemical/Testing - General Ledger	\$2,456
Less: KPDES Testing	800
<hr/>	
Actual Chemical/Testing	\$1,656
Less: Reported Chemical/Testing	34,400
<hr/>	
Staff's Recommended Adjustment	(\$32,744)
<hr/>	

**I. Operation Supplies:**

The misclassified sewer supply costs have been removed from the water division's operating expenses.

Sewer Supplies	(\$714)
----------------	---------

**J. Maintenance of Services:**

Staff's adjustment reflects: (1) removing the cost to install a river crossing and a line extension from test-period operating expenses, since these are capital expenditures they should be depreciated rather than expensed, the associated depreciation adjustment is reflected in adjustment R; (2) the misclassified sewer maintenance costs have been removed from the water division's operating expenses; and (3) a previous years expense has been removed from test-period operating expenses.

Vendor	Description	Amount	Depreciation Lives	Depreciation Expense
U. S. Pipe & Foundry Co.	River Crossing - Repair	(\$1,369)	5	\$274
Viking Environmental	Line Extension	(3,508)	40	88
Total Capital Adjustments		(\$4,877)		\$362
Capital Expenditures				(\$4,877)
Sewer Maintenance				(127)
1995 Expense				(2,075)
Staff's Recommended Adjustment				(\$7,079)

**K. Maintenance of Meters:**

The following capital expenditures have been removed from operating expenses, the associated depreciation is included in adjustment R.

Vendor	Description	Amount	Depreciation Lives	Depreciation Expense
Mid-States Meter & Supply	Meter Services	(\$3,498)	10	\$350
Mid-States Meter & Supply	Meter Services	(1,658)	10	166
Mid-States Meter & Supply	Meter Services	(2,226)	10	223
Mid-States Meter & Supply	Meter Services	(580)	10	58
Mid-States Meter & Supply	Meter Services	(550)	10	55
Mid-States Meter & Supply	Pump	(550)	10	55
Total Capital Adjustments		(\$9,062)		\$907

**L. Outside Services:**

Staff's adjustment reflects: (1) removing the cost to inspect the water tank from test-period operating expenses, since this is a non-recurring expenditure it should be amortized rather than expensed, the associated depreciation adjustment is reflected in adjustment S; and (2) the misclassified sewer costs have been removed from the water division's operating expenses.

Vendor	Description	Amount	Amortization Lives	Amortization Expense
Jay Hoffman	Underwater Tank Inspection	(\$3,800)	5	\$760
Non-Recurring Expenditures				(\$3,800)
Missclassified Sewer Expenses				(2,005)
Staff's Recommended Adjustment				(\$5,805)

**M. Telephone:**

This adjustment reflects the annual cost of the pager obtained in October 1996.

\$23 (Monthly Pager Fee) x	8 (Months) =	\$184
----------------------------	--------------	-------

**N. Insurance:**

This adjustment reflects the current liability & fidelity bond insurance premiums.

Vendor	Description	Date	Amount
KACo All Lines Fund	Renewal of FHA Fidelity Bond	01-Aug-96	\$1,015
KACo All Lines Fund	Property & Liability Coverage	01-Jul-96	3,540
Pro Forma Insurance			\$4,555
Less: Reported Insurance			2,864
Staff's Recommended Adjustment			\$1,691

**O. Insurance - Workers' Compensation:**

This proposed adjustment reflects the 1996 workers' compensation premium and the pro forma payroll.

Description	Payroll	per \$100	Premium
Waterworks	\$72,927	\$0.92109	\$6,717
Clerical/Office	21,261	\$0.03982	85
Total All Modified Classes	\$94,188		\$6,802
Less: All Discounts	\$6,802 (Modified Premium) x	8.69% (Discount Rate) =	(591)
Subtotal			\$6,211
Less: Ky Premium Tax	\$6,211 (Subtotal) x	9.00% (St Tax Rate) =	(559)
Pro Forma Workers' Compensation Premium			\$5,652
Less: Reported Workers' Compensation Premium			5,309
Staff's Recommended Adjustment			\$343

**P. X-Mas Bonus:**

During the test-period, each employee and commissioner recieved a Christmas bonus. For private water companies the Commission has determined that even though employee bonuses and other related types of expense may benefit employer/employee relations, the ratepayers should not bear the cost. However, in this instance the overall-compensation package, including the christmas bonuses, is not unreasonable and the amounts in question are small, Staff believes the bonuses should be included for rate making purposes. Since the Commissioners are now receiving the maximum level of compensation allowed by statute, their bonuses have been eliminated.

Reported X-Mas Bonus (\$300)

**Q. Office Rent:**

East Pendleton owns its office and does not currently pay office rent. Therefore, Staff has removed this expense from pro forma operating expenses.

Office Rent (\$300)

**R. Depreciation:**

This adjustment reflects: (1) depreciating the cost of the new river crossing and water line over the lives contained in east Pendleton's depreciation schedule; and (2) depreciating the capital expenditures removed from test-period operations over their estimated useful lives.

	Amount	Depreciation Lives	Depreciation Expense
River Crossing and Water line	\$230,130	40	\$5,753
Maintenance of Services			362
Maintenance of Meters			907
Staff's Recommended Adjustment			\$7,022

**S. Amortization:**

This adjustment reflects: (1) amortizing East Pendleton's rate case cost over 3-years; and (2) amortizing the non-recurring expenditures removed from test-period operations over their estimated useful lives.

			Amount	Amortization Lives	Amortization Expense
Engineering Fee	\$6,300 (Both Applications) x	60% (Allocation) =	\$3,780	3	\$1,260
Outside Services Expense					760
					<u>\$2,020</u>

**T. Taxes Other Than Income Tax:**

Staff's adjustment includes the change in FICA expense resulting from the pro forma payroll adjustment and East Pendleton's current unemployment expense..

	\$94,188 (Water Salaries) x	7.65% (FICA Rate) =		\$7,205
	\$35,000 (\$7,000 x 5 Emp.) x	0.5% (KACo Unemployment Rate) =		175
Pro Forma Payroll Taxes				<u>\$7,380</u>
Less: Reported Payroll Taxes				<u>6,535</u>
Staff's Recommended Adjustment				<u>\$845</u>

**U. Merchandising, Jobbing, & Contract Deductions:**

The receipt of a tap-on fee is a form of cost free capital that would be recorded as a Contribution In Aid of Construction rather than as revenue. Staff's adjustment corrects East Pendleton's misclassification of its tap-on fee by removing it from test-period operating revenues.

Tap-on Fees				<u>(\$6,397)</u>
-------------	--	--	--	------------------

EAST PENDLETON  
COUNTY WATER  
DISTRICT

ATTACHMENT  
C

STAFF'S  
REVENUE REQUIREMENT  
DETERMINATION



**1973 REVENUE BONDS**

Year	Annual Interest 5.000%	Annual Principal Payment	Principal & Interest	Outstanding Balance
Beg. Balance				\$273,000
1998	\$13,650	\$12,000	\$25,650	\$261,000
1999	\$13,050	\$13,000	26,050	\$248,000
2000	\$12,400	\$14,000	26,400	\$234,000
Subtotal			\$78,100	
3-Year Average Debt Service			\$26,033	

**1992 REVENUE BONDS**

Year	Annual Interest 7.125%	Annual Principal Payment	Principal & Interest	Outstanding Balance
Beg. Balance				\$866,000
1998	\$61,703	\$9,000	\$70,703	\$857,000
1999	\$61,061	\$10,000	71,061	\$847,000
2000	\$60,349	\$11,000	71,349	\$836,000
Subtotal			\$213,113	
3-Year Average Debt Service			\$71,038	

**KIA Loan**

Year	Annual Interest 7.000%	Annual Principal Payment	Principal & Interest	Outstanding Balance
Beg. Balance				\$230,130
1998	\$16,109	\$5,614	\$21,723	\$224,516
1999	\$15,716	\$6,007	21,723	\$218,509
2000	\$15,296	\$6,427	21,723	\$212,082
Subtotal			\$65,169	
3-Year Average Debt Service			\$21,723	



EAST PENDLETON  
COUNTY WATER  
DISTRICT

ATTACHMENT  
D

STAFF'S BILLING  
ANALYSIS &  
PROPOSED RATES

## S U M M A R Y OF COST OF SERVICE STUDY

This cost of service study was prepared to calculate the rates of the East Pendleton County Water District. The purpose of a cost of service study is to fairly allocate expenses among the customer classifications. East Pendleton's current rate design includes a meter charge of \$300 per month for the Dravo Mine and a minimum monthly charge of \$773 for Kincaid Lake State Park. In reviewing the billing analysis and usage patterns of these two customers, Staff could find no justification for the amount of these charges. The rate design for these customers has been changed to better reflect the cost of providing service.

East Pendleton proposed a minimum rate of \$15.00 for its residential customers. In reviewing test year expenses it was determined that this amount would not cover the customer costs and the expenses associated with providing the minimum usage allowance of 1,000 gallons. Staff recommends a minimum rate of \$16.00 for the residential customers. The rates for the Dravo Mine, Kincaid Lake State Park and Mt. Auburn Apartments were determined by calculating the minimum usage amount by the residential rate.

The minimum rate for the Dravo Mine will decrease 28.7 percent and the monthly minimum for the State Park will decrease by 19.93 percent. Based on an average residential usage of 5,000 gallons the customers in Divisions I and III will increase from \$34.65 to 40.36 an increase of 16 percent. The customers in Division II will receive an increase from \$11.00 to \$40.36 an increase of 267 percent.

## ALLOCATION OF PLANT

	Total	Commodity	Demand	Customer
Land & Land Rights	\$14,157		\$14,157	
Structures & Improvement	46,328		46,328	
Organization	7,200		7,200	
Pumping & Treatment	22,798		22,798	
Distribution Reservoirs	65,883		65,883	
T & D Mains	1,774,002		1,774,002	
Services	106,729			106,729
Meters	60,681			60,681
Hydrants	6,019			6,019
Subtotal	2,103,797	0	1,930,368	173,429
Percentage	100.00%	0.00%	91.76%	8.24%
General Plant (1)	147,677		135,503	12,174
Total	\$2,251,474		\$2,065,871	\$185,603
(1) Allocated based on percentage of all other plant value.				
Source: East Pendleton Water District 1996 Annual Report				

### ALLOCATION OF DEPRECIATION

		Total	Commodity	Demand	Customer
Plant		\$580,917		\$580,917	
Meters & Hydrants		163,534			163,534
Subtotal		744,451		580,917	163,534
Percentage		100.00%		78.03%	21.97%
Other		\$92,404		\$72,106	\$20,298
Total		\$836,855		\$653,023	\$183,832
Source: 1996 Annual Report					

ALLOCATION OF OPERATION AND MAINTENANCE

	Total	Commodity	Demand	Customer
<b>Operating Expenses</b>				
<b>Operation &amp; Maintenance Expense</b>				
Salaries & Wages-Employees	\$94,188		\$47,127	\$47,061
Salaries & Wages-Commission	10,800		5,400	5,400
Employee Benefits	25,286		12,643	12,643
Purchased Water	137,087	137,087		
Fuel & Power	18,476	18,476		
Chemicals/Testing	1,656	1,656		
<b>Materials &amp; Supplies</b>				
Pumping Supplies	(166)	(166)		
Pumping Other Supplies	461	461		
Operation Supplies	597		299	299
Office Supplies	4,397			4,397
Maintenance of Services	4,198			4,198
Maintenance of Meters	3,081			3,081
Maintenance of Other Plant	510		510	
Outside Services-Accounting	3,064			3,064
Outside Services	2,048		2,048	
<b>Subtotal</b>	<b>305,683</b>	<b>157,514</b>	<b>68,027</b>	<b>80,143</b>
Less Commodity	(157,514)			
<b>Total</b>	<b>\$148,169</b>	<b>\$0</b>	<b>\$68,027</b>	<b>\$80,143</b>
<b>Percentage</b>	<b>100.00%</b>		<b>45.91%</b>	<b>54.09%</b>
<b>General &amp; Administrative</b>				
Telephone	\$1,003		\$0	\$0
License	85		0	0
Supplies	979		0	0
Insurance	4,555		0	0
Insurance-Workers Compensation	5,652		0	0
Miscellaneous-Christmas Bonus	1,400		0	0
Miscellaneous-General	3,840		0	0
Transportation	4,596		0	0
Vehicle Maintenance	3,967		0	0
Equipment Rent	902		0	0
Maintenance General Plant	2,398		0	0
<b>Total Operation &amp; Maintenance</b>	<b>\$29,377</b>		<b>\$0</b>	<b>\$0</b>
<b>Taxes Other Than Income</b>	<b>7,928</b>		<b>0</b>	<b>0</b>
<b>Total Operating Expenses</b>	<b>\$342,988</b>	<b>\$157,514</b>	<b>\$68,027</b>	<b>\$80,143</b>

### ALLOCATION OF COSTS

	Total	Commodity	Demand	Customer
Allocated Plant Value	\$2,251,474		\$2,065,871	\$185,603
Percentage	100.00%		91.76%	8.24%
Operation & Maintenance	342,988	157,514	85,154	100,320
Depreciation & Amortization (1)	78,355		61,140	17,215
Debt Service (2)	142,553		130,807	11,746
Interest on Short Term Debt	4,310		4,310	
Retail Water Cost	568,206	157,514	281,411	129,281
Less: Other Income	15,580			15,580
<b>Revenue Required From Rates</b>	<b>\$552,626</b>	<b>\$157,514</b>	<b>\$281,411</b>	<b>\$113,701</b>
(1) Depreciation and Amortization based on test year percentages				
(2) Debt Service based on percentage of plant value				

**ALLOCATION OF COSTS TO RATE BLOCKS**

	Total	First 1,000	Next 99,000	Over 100,000
Actual Water Sales	73,026,158	11,376,200	43,471,998	18,177,960
Percent	100.00%	15.58%	59.53%	24.89%
Weighted Sales for Demand	89,582,258	17,064,300	54,339,998	18,177,960
Percent	100.00%	19.05%	60.66%	20.29%
Allocation for Volumetric Costs				
Commodity	157,514	24,538	93,767	39,209
Demand	281,411	53,605	170,702	57,104
Total	438,925	78,143	264,469	96,313
Water Rate (1)		6.87	6.08	5.30
Plus Customer Charge (1)	113,701	9.58		
Total Rate		\$16.45	\$6.08	\$5.30
<b>(1) Minimum bill for customer cost by 11,872 bills</b>				

NORMALIZED TEST YEAR

	BILLS	GALLONS	RATE	REVENUE	RECOMMENDED RATES	INCREASE
RESIDENTIAL						
5/8" X 3/4" METER	9,151	8,405,590	\$11.93	\$109,171.43	RATE \$16.00	34.12%
DIVISION ONE					REVENUE \$146,416.00	
FIRST 1,000					6.09	7.22%
NEXT 99,000	31,909,970		5.68	181,248.63	987.71	1.34%
OVER 100,000	186,360		5.23	974.66	\$341,735.43	
	40,501,920			\$291,394.72		

NORMALIZED TEST YEAR

	BILLS	GALLONS	RATE	REVENUE	RECOMMENDED RATES	INCREASE
DRAVO MINE						
2 INCH METER	12	0	\$300.00	\$3,600.00	RATE \$618.91	-28.70%
METER CHARGE					REVENUE 7,426.92	
FIRST 100,000		1,200,000	5.68	6,816.00	5.30	1.34%
OVER 100,000		16,152,240	5.23	84,476.22	\$93,033.79	
		17,352,240		\$94,892.22		

NORMALIZED TEST YEAR

	BILLS	GALLONS	RATE	REVENUE	RECOMMENDED RATES	INCREASE
KINCAID LAKE STATE PARK						
3 INCH METER	12	910,450	\$773.00	\$9,276.00	RATE \$618.91	-19.93%
FIRST 100,000					REVENUE \$7,426.92	
OVER 100,000		1,839,360	5.23	9,619.85	5.30	1.34%
		2,749,810		\$18,895.85	\$17,175.53	

NORMALIZED TEST YEAR

	BILLS	GALLONS	RATE	REVENUE	RECOMMENDED RATES	INCREASE
MT. AUBURN APARTMENTS						
1 1/4 INCH METER	12	240,000	\$119.85	\$1,438.20	RATE \$131.71	9.90%
FIRST 20,000					REVENUE \$1,580.52	
NEXT 80,000		185,800	5.68	1,055.34	6.09	7.22%
OVER 100,000		0	5.23	0.00	5.30	1.34%
		425,800		\$2,493.54	\$2,712.04	



<u>NORMALIZED TEST YEAR</u>				<u>RECOMMENDED RATES</u>		<u>INCREASE</u>
	<u>BILLS</u>	<u>GALLONS</u>	<u>RATE</u>	<u>REVENUE</u>	<u>RATE</u>	<u>REVENUE</u>
FIRST	1,000	36,000	\$11.93	\$429.48	\$16.00	\$576.00
NEXT	99,000	134,630	5.68	764.70	6.09	819.90
OVER 100,000	0	0	5.23	0.00	5.30	0.00
		170,630		\$1,194.18		\$1,395.90

<u>NORMALIZED TEST YEAR</u>				<u>RECOMMENDED RATES</u>		<u>INCREASE</u>
	<u>BILLS</u>	<u>GALLONS</u>	<u>RATE</u>	<u>REVENUE</u>	<u>RATE</u>	<u>REVENUE</u>
FIRST	1,000	1,011,640	\$6.50	\$3,484.00	\$16.00	\$8,576.00
NEXT	99,000	1,887,520	1.50	2,831.28	6.09	11,495.00
OVER 100,000	0	0	1.50	0.00	5.30	0.00
		2,899,160		\$6,315.28		\$20,071.00

<u>NORMALIZED TEST YEAR</u>				<u>RECOMMENDED RATES</u>		<u>INCREASE</u>
	<u>BILLS</u>	<u>GALLONS</u>	<u>RATE</u>	<u>REVENUE</u>	<u>RATE</u>	<u>REVENUE</u>
FIRST	1,000	1,886,970	\$11.93	\$25,208.09	\$16.00	\$33,808.00
NEXT	99,000	7,039,628	5.68	39,985.09	6.09	42,871.33
OVER 100,000	0	0	5.23	0.00	5.30	0.00
		8,926,598		\$65,193.18		\$76,679.33

<b>TOTALS</b>		73,026,158		\$480,378.97		\$552,803.02
						15.08%

COMMERCIAL  
5/8" X 3/4" METER

RESIDENTIAL  
5/8" X 3/4" METER  
DIVISION TWO

RESIDENTIAL  
5/8" X 3/4" METER  
DIVISION THREE

TOTALS