

**COST OF SERVICE STUDY
North Mercer Water District**

	<u>Total</u>	<u>Customer</u>	<u>Consumption Costs</u>	
<u>Operating Expenses (1)</u>	<u>Proforma</u>	<u>Costs</u>	<u>Capacity</u>	<u>Variable</u>
	<u>Expenses</u>			
Operation and Maintenance				
Salaries and Wages - Employees	475,250	327,025		148,225
Salaries and Wages - Officers	15,300	15,300		
Employee Pensions and Benefits	166,332	114,455		51,877
Purchased Water	629,216			629,216
Purchased Power	23,274	3,641		19,633
Materials and Supplies	67,190	34,964		32,226
Contractual Services	39,225	25,563		13,663
Water Testing	15,650	15,650		
Transportation Expenses	28,455	15,834		12,622
Insurance	36,346	36,346		
Bad Debt Expense	5,054	5,054		
Miscellaneous Expenses	34,340	32,136		2,204
Total Operation and Mnt. Expenses	1,535,632	625,966	0	909,666
Depreciation Expense	385,232		385,232	
Amortization Expense	2,815		2,815	
Taxes Other Than Income	40,296	27,728		12,568
Avg. Annual Principal and Interest Pmts.	472,088		472,088	
Additional Working Capital	90,419		90,419	
Total Revenue Requirement	2,526,482	653,694	950,554	922,234
				2,526,482

Rate Computations

Total no. of Bills	49,876			
Total Customer Costs		653,694		
less Misc. Revenue		(73,592)		
Customer Costs Allocated		580,102		
Unit Customer Cost =		\$ 11.63	USE	\$ 11.60 (2)
Total Gallons sold	221,799,670			
Capacity Cost / 1,000 gals sold =		4.29		
Variable Cost / 1,000 gals sold =		4.16		
Retail Price per 1,000 gallons		\$ 8.44	USE	\$ 8.25 (2)
	Meter	Unit Cust.	1,000	Price of
	<u>Size</u>	<u>Cost</u>	<u>Gals. in</u>	<u>Water</u>
			<u>Minimum</u>	<u>in Min.</u>
				Minimum
				Bill
	5/8 inch	\$ 11.60	1.000	\$ 8.25 \$ 19.85
	1 inch	11.60	3.000	24.75 36.35
	2 inch	11.60	5.000	41.25 52.85

NOTES:

- (1) Expense figures are taken from Ref. Page 28 of the District's 2015 Annual Report to the PSC as adjusted per the SAO. In general 100% of Trans. & Dist. - Op. and 50% of Trans. & Dist. - Maint. Expenses are allocated to Variable Costs. The remaining 50% of Trans. & Dist. - Maint. Expense is allocated to Customer Costs. All Supply Expenses are Variable Costs. All Customer Accts. and Admin. & Gen. Expenses are Customer Costs. All capital expenses are considered Capacity Costs.
- (2) Adjustments needed after rates were tested in the Proposed Billing Analysis to arrive at the "Revenue Required from Retail Rates" as shown in the Schedule of Adjusted Operations.