

APPENDIX B  
 STAFF REPORT CASE NO. 2007-00433  
 REVENUE REQUIREMENT DETERMINATION  
 AND CALCULATION OF THE RECOMMENDED RATE

**Operating Ratio Determination**

	<b>Actual</b>	<b>Pro Forma</b>
Operating Revenues	\$ 87,913	\$ 89,100
Divided by: Operating Expenses	÷ 93,279	÷ 103,195
Operating Ratio	94.247%	86.342%

**Revenue Requirement**

Operating Expenses	\$ 103,195
Divided by: Operating Ratio	÷ 88%
Revenue Requirement before Income Tax Gross-up & Interest Exp.	\$ 117,267
Less: Operating Expenses	- 103,195
Net Income After Income Taxes	\$ 14,072
Multiplied by: Income Tax Gross-up	x 1.2254902
Net Income Before Income Tax	\$ 17,246
Add: Operating Expenses	+ 103,195
Revenue Requirement before Interest Exp.	\$ 120,441
Add: Interest Expense	+ 5,156
Revenue Requirement - Sewer Rates	\$ 125,597
Less: Normalized Operating Revenue	- 89,100
Requested Increase in Revenue from Rates	\$ 36,497

**Rate Determination**

Requested Revenue Requirement	\$ 125,597
Divided by: 12-Months	÷ 12
Monthly Requested Revenue Requirement	\$ 10,466.40
Divided by: End-of-Period Customer Level	÷ 180.0
Monthly Rate per Customer	\$ 58.16