

***ANALYSIS AND
RECOMMENDATIONS
FOR
WHOLESALE WATER RATES***

***CITY OF FALMOUTH
May 11, 2026***

Prepared by
Mark C. Frost



Kentucky Rural Water Association

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EXECUTIVE SUMMARY

City of Falmouth (Falmouth) requested that Kentucky Rural Water Association perform a Wholesale Water Rate Analysis. The analysis is complete. A summary of the results from the analysis is presented in this report.

Falmouth can justify an increase in its wholesale rate from \$2.65 per 1,000 to \$3.28 per 1,000 gallons, a 23.77 percent increase.

The Wholesale Rate Analysis is based on Falmouth's Audit Report and Trial Balance for the 12-month fiscal year ending June 30, 2025. The water division Operating Expenses from the test period as set out below lists system expenses for 2025 and applies known and measurable adjustments to the expenses. The adjustments are to recognize any changes in operations after the end of the test period. The specific adjustments for Falmouth are shown in the Trial Balance with notes for each provided on the Reference page. Total pro forma operating expenses for the water division are \$1,046,984.

Table A allocates the operating expenses into four categories, Water Production, Transmission & Distribution, Customer Accounts and Administrative and General.

Table B allocates the system depreciation into five categories, Water Treatment, Transmission & Distribution, Storage Tanks, Accounts, and Administrative & General.

Table C contains the system information provided by the utility to determine the Wholesale Factors that are calculated in Table D. The Inch-Mile methodology is consistent with the methodology used by Commission Staff in Case No. 2006-00403. In that case the shared main costs for each wholesale customer was separated to develop a wholesale water rate for each customer. However, the City of Falmouth has a single wholesale rate for the entire rate classification so the shared main costs for both wholesale customers has been combined to calculate a new wholesale rate to be charged to each customer.

Table D Contains the rate computations. Applying the wholesale factors to the operating expenses determines the total pro forma operating expenses allocated to the wholesale customers is \$528,686. An additional \$60,138 is being allocated to the wholesale customers based on the Operating Ratio Method. This method has historically been used by the Kentucky Public Service Commission to calculate a utilities revenue requirement.

The study uses the Operating Ratio Method for Revenue Requirements. This method provides for recovery of \$588,824; \$441,015 in operation and maintenance expenses; \$87,677 in depreciation expenses; and \$60,132 in additional working capital. .

The total Revenue Required from Water Sales using the Operating Ratio Method is \$588,824, which is an increase above existing pro forma sales of \$130,941¹and indicates an overall rate increase of 27.52 percent is needed. Kentucky Rural Water Association recommends that Falmouth increase its wholesale water rate of \$2.65 per 1,000 to \$3.28 per 1,000 gallons, an increase of \$0.63 or 23.77 percent.

¹ \$2.65 (Current Wholesale Rate) x 179,579 (Wholesale Gallons Sold) = \$475,883. \$372 \$588,824 (Required Wholesale Revenues) - \$475,883 (Test Year Wholesale Revenues) = \$130,941.

City of Falmouth
Operating Expenses from Audited Trial Balance
July 1, 2024 through June 30, 2025

<u>Account ID</u>	<u>Account Description</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Ref</u>	<u>Adjusted</u>	<u>Category</u>
20-310-910	Total Salaries	132,758	99,492	A		
			4,497	B	236,747	Salaries & Wages
20-310-911	Total Overtime	14,590	5,042	A	19,632	Salaries & Wages
20-310-915	Total Emp Retirement	35,258	12,430	A		Employee Benefits & Taxes
			(6,423)	B	41,265	Employee Benefits & Taxes
20-310-920	Total Health/Med Ins	30,468	7,337	A		Employee Benefits & Taxes
			36,215	C	74,020	Employee Benefits & Taxes
20-310-925	Total FICA	11,208	8,006	A		Employee Benefits & Taxes
			(1,056)	B	18,158	Employee Benefits & Taxes
20-310-930	Total Workers Comp	4,915	3,847	A	8,762	Employee Benefits & Taxes
20-310-935	Total Unemployment	79	64	A	143	Employee Benefits & Taxes
	Electricity	-	70,463	D		Electricity
			(4,256)	E	66,207	Electricity
20-310-937	CHEMICALS	180,765	(10,918)	E	169,847	Chemicals
20-310-938	CONSULTING & ANALYSIS	9,183	-		9,183	Laboratory
20-310-942	TRUCK LEASE PAYMENT	94,653	(94,653)	F	-	Truck Expense - Allocated
20-310-945	PRINTING LEASE SOFTWARE	11,397	-		11,397	General Expenses
20-310-955	AUDIT & ACCOUNTING	1,450	-		1,450	General Expenses
20-310-960	GENERAL INS	23,443	-		23,443	Insurance
20-310-961	FLOOD INSURANCE	13,790	-		13,790	General Expenses
20-310-965	REPAIR & MAINTENANCE	27,458	-		27,458	Maintenance
20-310-971	SCHOOL/TRAINING/LICENSES	987	-		987	General Expenses
20-310-972	POSTAGE	1,177	-		1,177	General Expenses
20-310-980	TELEPHONE	6,160	-		6,160	General Expenses
20-310-982	SAFETY	555	-		555	Contractual Services
20-310-985	SUPPLIES	8,862	-		8,862	General Expenses
20-310-986	UNIFORMS/ACCESSORIES	1,386	-		1,386	General Expenses
20-310-987	GASOLINE	8,818	-		8,818	Truck Expense - Allocated
20-310-990	DUES/SUBSCRIPTIONS	462	-		462	General Expenses
20-310-995	MISCELLANEOUS OTHER	1,378	-		1,378	General Expenses
20-310-997	CAPITAL OUTLAY	1,664	-		1,664	General Expenses
20-311-910	Total Salaries	99,492.00	(99,492)	A	-	
20-311-911	Total Overtime	5,042.00	(5,042)	A	-	
20-311-915	Total Emp Retirement	12,430.00	(12,430)	A	-	
20-311-920	Total Health/Med Ins	7,337.00	(7,337)	A	-	
20-311-925	Total FICA	8,006.00	(8,006)	A	-	
20-311-930	Total Workers Comp	3,847.00	(3,847)	A	-	
20-311-935	Total Unemployment	64.00	(64)	A	-	
20-311-942	TRUCK LEASE	72,727	(72,727)	F	-	Truck Expense - Allocated
20-311-945	PRINTING LEASE SOFTWARE	10,696	-		10,696	General Expenses
20-311-955	AUDIT & ACCOUNTING	1,491	-		1,491	General Expenses
20-311-960	GENERAL INS	25,057	-		25,057	Insurance
20-311-965	REPAIR & MAINTENANCE	7,755	-		7,755	Maintenance
20-311-972	POSTAGE	1,142	-		1,142	General Expenses
20-311-985	SUPPLIES	9,118	-		9,118	General Expenses
20-311-986	UNIFORMS/ACCESSORIES	1,391	-		1,391	General Expenses
20-311-987	GASOLINE	9,529	-		9,529	Truck Expense - Allocated
20-311-990	DUES/SUBSCRIPTIONS	462	-		462	General Expenses
20-311-995	MISCELLANEOUS OTHER	201	-		201	General Expenses
20-311-997	CAPITAL OUTLAY	1,664	-		1,664	Maintenance
92-310-850	WATER PRO RESERVE CHECKBK-EXP	45,207	-		45,207	Maintenance
92-311-850	WATER DIS RESERVE CHECKBK-EXP	21,397	-		21,397	Maintenance
29-200-900	CWP EXPENSE	2,625	-		2,625	Maintenance
	DEPRECIATION WATER	-	156,299	G	156,299	Depreciation
		<u>969,544</u>	<u>77,440</u>		<u>1,046,984</u>	

References

A. Combining Employee related cost accounts to facilitate wage increase adjustment

B. To reflect the current employee wages

City of Falmouth
Fiscal Year 25-26

Employee	Total Pay	Water %	Water \$
Arcari, Frank	\$ 41,600.00	33%	13,728.00
Bentley, Isaac	38,438.40	100%	38,438.40
Hughes, Dawn	47,590.40	50%	23,795.20
Hutchinson, Christian	72,950.00	50%	36,475.00
McClanahan, Steve	54,080.00	100%	54,080.00
Nunnelley, Preston	41,600.00	35%	14,560.00
Perkins, Levi	40,601.60	25%	10,150.40
Treasurer	72,000.00	25%	18,000.00
Webster, John	46,800.00	25%	11,700.00
Williams, Joseph	63,280.00	25%	15,820.00
Current Salaries			<u>236,747.00</u>
Les: Test Period			<u>(232,250.00)</u>
Increase			<u>4,497.00</u>

Retirement - CERS:

Salaries & Wages - Water Division	236,747.00
Multiplied by: CeRS Employer Contribution Factor	<u>17.43%</u>
Pro Forma Retirement	41,265.00
Less: Actual Retirement	<u>(47,688.00)</u>
Adjustment	<u>(6,423.00)</u>

FICA Tax:

Salaries & Wages - Water Division	236,747.00
Multiplied by: FICA Rate	<u>7.67%</u>
Pro Forma FICA	18,158.49
Less: Actual FICA	<u>(19,214.00)</u>
Adjustment	<u>(1,055.51)</u>

C. To reflect the current employee Health Insurance Premiums

City of Falmouth
Fiscal Year 25-26

Employee	Total Pay	Water %	Water \$
Arcari, Frank	\$ 14,064.59	33%	4,641.31
Bentley, Isaac	25,802.65	100%	25,802.65
Hughes, Dawn	14,069.58	50%	7,034.79
Hutchinson, Christian	14,054.35	50%	7,027.18
McClanahan, Steve	14,064.59	100%	14,064.59
Nunnelley, Preston	13,976.98	35%	4,891.94
Perkins, Levi	14,111.88	25%	3,527.97
Treasurer	0.00	25%	0.00
Webster, John	14,064.59	25%	3,516.15
Williams, Joseph	14,051.86	25%	3,512.97
Current Salaries			<u>74,019.55</u>
Les: Test Period			<u>(37,805.00)</u>
Increase			<u>36,214.55</u>

D. To include electricity cost that was not reported in the Trial Balance

E. Remove Cost of Excess Water Loss

Water Produced	326,664.6												
Less: Total Water Sold	(248,938.4)												
Less: Water Used	<u>(8,982.3)</u>												
Line Loss \$	<u>68,743.9</u>												
Line Loss %	<u>21.04%</u>												
Line Loss In Excess of 15% Limit	<u>-6.04%</u>												
	<table border="1" style="width: 100%;"> <thead> <tr> <th></th> <th>Chemicals</th> <th>Electric</th> </tr> </thead> <tbody> <tr> <td>Test-Period Amount</td> <td style="text-align: right;">180,765.0</td> <td style="text-align: right;">70,462.6</td> </tr> <tr> <td>Multiplied by: Excess Line Loss</td> <td style="text-align: right;"><u>-6.04%</u></td> <td style="text-align: right;"><u>-6.04%</u></td> </tr> <tr> <td>Adjustments</td> <td style="text-align: right;"><u>(10,918.21)</u></td> <td style="text-align: right;"><u>(4,255.94)</u></td> </tr> </tbody> </table>		Chemicals	Electric	Test-Period Amount	180,765.0	70,462.6	Multiplied by: Excess Line Loss	<u>-6.04%</u>	<u>-6.04%</u>	Adjustments	<u>(10,918.21)</u>	<u>(4,255.94)</u>
	Chemicals	Electric											
Test-Period Amount	180,765.0	70,462.6											
Multiplied by: Excess Line Loss	<u>-6.04%</u>	<u>-6.04%</u>											
Adjustments	<u>(10,918.21)</u>	<u>(4,255.94)</u>											

F. Vehicle Leases were payed off outside the test-period.
The payments made in fiscal year 2025 is eliminated.

Reported Vehicle Lease Payments	<u>(94,653)</u>
Reported Vehicle Lease Payments	<u>(72,727)</u>

G. To include depreciation expense that was not reported in the Trial Balance.

Table A
SUMMARY OF OPERATING EXPENSES BY CATEGORY
City of Falmouth

<u>Account/Category</u>	<u>Account Description</u>	<u>Amount</u>	<u>Water Production</u>	<u>Transmission & Distribution</u>	<u>Water Tanks</u>	<u>Customer Accounts</u>	<u>Administrative & General</u>
Chemicals:							
Chemicals	CHEMICALS	169,847	169,847	-	-	-	-
Depreciation:							
Depreciation	DEPRECIATION WATER Vehicle	156,299	83,951	44,927	24,242	3,179	-
		<u>156,299</u>	<u>83,951</u>	<u>44,927</u>	<u>24,242</u>	<u>3,179</u>	<u>-</u>
Employee Benefits & Taxes:							
Employee Benefits & Taxes	Total Emp Retirement	41,265	22,484	8,720	-	3,874	6,187
Employee Benefits & Taxes	Total FICA	18,158	9,894	3,837	-	1,705	2,723
Employee Benefits & Taxes	Total Health/Med Ins	74,020	40,329	15,642	-	6,950	11,098
Employee Benefits & Taxes	Total Unemployment	143	78	30	-	13	21
Employee Benefits & Taxes	Total Workers Comp	8,762	4,774	1,852	-	823	1,314
Total Employee Benefits & Taxes		<u>142,348</u>	<u>77,559</u>	<u>30,081</u>	<u>-</u>	<u>13,365</u>	<u>21,343</u>
Electricity							
Electricity	Electricity	66,207	62,945	3,262	-	-	-
General Expenses:							
General Expenses	AUDIT & ACCOUNTING	1,450	-	-	-	-	1,450
General Expenses	AUDIT & ACCOUNTING	1,491	-	-	-	-	1,491
General Expenses	CAPITAL OUTLAY	1,664	832	832	-	-	-
General Expenses	DUES/SUBSCRIPTIONS	462	-	-	-	393	69
General Expenses	DUES/SUBSCRIPTIONS	462	-	-	-	393	69
General Expenses	MISCELLANEOUS OTHER	1,378	-	-	-	1,171	207
General Expenses	MISCELLANEOUS OTHER	201	-	-	-	171	30
General Expenses	POSTAGE	1,177	-	-	-	1,177	-
General Expenses	POSTAGE	1,142	-	-	-	1,142	-
General Expenses	PRINTING LEASE SOFTWARE	11,397	-	-	-	11,396	-
General Expenses	PRINTING LEASE SOFTWARE	10,696	-	-	-	10,696	-
General Expenses	SAFETY	555	284	114	-	31	126
General Expenses	SCHOOL/TRAINING/LICENSES	987	504	203	-	55	224
General Expenses	SUPPLIES	8,862	4,528	1,826	-	496	2,013
General Expenses	SUPPLIES	9,118	4,658	1,878	-	510	2,071
General Expenses	TELEPHONE	6,160	-	-	-	5,236	924
General Expenses	UNIFORMS/ACCESSORIES	1,386	708	286	-	78	315
General Expenses	UNIFORMS/ACCESSORIES	1,391	711	287	-	78	316
Total General Expenses		<u>59,979</u>	<u>12,225</u>	<u>5,426</u>	<u>-</u>	<u>33,023</u>	<u>9,305</u>
Insurance:							
Insurance	FLOOD INSURANCE	13,790	6,895	6,895	-	-	-
Insurance	GENERAL INS	23,443	11,722	11,722	-	-	-
Insurance	GENERAL INS	25,057	12,528	12,528	-	-	-
Total Insurance		<u>62,290</u>	<u>31,145</u>	<u>31,145</u>	<u>-</u>	<u>-</u>	<u>-</u>
Laboratory:							
Laboratory	CONSULTING & ANALYSIS	<u>9,183</u>	9,183	-	-	-	-
Maintenance:							
Maintenance	CAPITAL OUTLAY	1,664	832	832	-	-	-
Maintenance	CWP EXPENSE	2,625	1,313	1,313	-	-	-
Maintenance	REPAIR & MAINTENANCE	27,458	27,458	-	-	-	-
Maintenance	REPAIR & MAINTENANCE	7,755	-	7,755	-	-	-
Maintenance	WATER DIS RESERVE CHECKBK-EXP	21,397	-	21,396	-	-	-
Maintenance	WATER PRO RESERVE CHECKBK-EX	45,207	45,207	-	-	-	-
		<u>106,106</u>	<u>74,810</u>	<u>31,296</u>	<u>-</u>	<u>-</u>	<u>-</u>
Salaries & Wages							
Salaries & Wages	Salaries & Wages	236,747	128,994	50,029	-	22,228	35,495
Salaries & Wages	Salaries & Wages	19,632	10,697	4,149	-	1,843	2,943
		<u>256,379</u>	<u>139,691</u>	<u>54,178</u>	<u>-</u>	<u>24,071</u>	<u>38,438</u>
Truck Expense - Allocated							
Truck Expense - Allocated	GASOLINE	8,818	5,829	2,351	-	638	-
Truck Expense - Allocated	GASOLINE	9,529	6,299	2,540	-	690	-
Truck Expense - Allocated	TRUCK LEASE	-	-	-	-	-	-
Truck Expense - Allocated	TRUCK LEASE PAYMENT	-	-	-	-	-	-
		<u>18,347</u>	<u>12,128</u>	<u>4,891</u>	<u>-</u>	<u>1,328</u>	<u>-</u>
Grand Total		<u>1,046,984</u>	<u>673,484</u>	<u>205,206</u>	<u>24,242</u>	<u>74,966</u>	<u>69,086</u>

**Table B
ALLOCATION OF DEPRECIATION EXPENSE
City of Falmouth**

Description	Life	UPIS		Dep Exp	Purification	DistributionO&M	Water Tanks	Accounts	Administrative & General	Check Col.	
		06/30/25	Sewer								
1974 OAK HAVEN WATER LINE	50	11,970		239.40		239.40				239.40	
1983 CHLORINATOR	50	1,634		32.68	32.68					32.68	
1988 EQUIPMENT	50	54,480		1,089.60	1,089.60					1,089.60	
1988 EQUIPMENT	50	45,667		913.34	913.34					913.34	
May-88 WATERLINE INSTALL	50	10,364		207.28		207.28				207.28	
1987 NEW WATER PLANT CONST.	40	930,336		23,258.40	23,258.40					23,258.40	
Apr-93 WATER PLANT RENOVATION	50	1,442,206		28,844.12	28,844.12					28,844.12	
Sep-96 CHLORINATION BOOSTER	50	4,048		80.96	80.96					80.96	
Jun-97 Replacement Equip-Water Plant	50	60,890		1,217.80	1,217.80					1,217.80	
Jun-97 Replacement Equip-Water Plant	50	4,996		99.92	99.92					99.92	
Sep-97 Heritage Ent-fix water plant	50	26,353		527.06		527.06				527.06	
Aug-97 Water Tower/Central Coating	50	38,670		773.40		773.40				773.40	
Jun-98 Waterfill station	50	9,800		196.00				196.00		196.00	
Oct-01 Waterfill station	50	6,613		132.26				132.26		132.26	
Oct-01 Waterfill station	50	38,201		764.02				764.02		764.02	
Nov-01 per 250-1, need info	50	7,692		153.84		153.84				153.84	
Nov-01 per 250-1, need info	50	6,204		124.08		124.08				124.08	
Jun-06 20 20 Grant improvements	20	321,511		16,075.55		16,075.55				16,075.55	
Jun-06 Carbon Feeder Project	20	46,200		2,310.00	2,310.00					2,310.00	
Jun-06 Chlorine line Project	20	17,900		895.00	895.00					895.00	
Water meters	50	104,370		2,087.40				2,087.40		2,087.40	
Jul 2015-Service Unit for Care Unit	15	7,325		488.33		488.33				488.33	
Water improvement project (Tank Refurbish)	15	3,736,218	(3,372,593)	24,241.67			24,241.67			24,241.67	
Pump	15	7,214		480.93	480.93					480.93	
Pump	15	8,542		569.47	569.47					569.47	
Mower	5	10,469		2,093.80	2,093.80					2,093.80	
Flowmeter	15	11,950		796.67	796.67					796.67	
River Pump	15	7,328		488.53	488.53					488.53	
Ferguson Hydrant Buddy	10	5,858		585.82		585.82				585.82	
Line Locator	10	4,529		452.87		452.87				452.87	
Chlorine CL17	10	7,185		718.55	718.55					718.55	
Electric Panel	15	15,800		1,053.33	1,053.33					1,053.33	
Lamella Gear Box	10	5,244		524.45	524.45					524.45	
2020 Ford F2500	5	29,885	(14,943)	2,988.50	2,988.50	0.00	0.00	0.00	0.00	2,988.50	
2023 Dodge Ram	5	44,142		8,828.40	8,828.40	0.00	0.00	0.00	0.00	8,828.40	
2023 Chevy Silverado	5	70,048		14,009.60	0.00	14,009.60	0.00	0.00	0.00	14,009.60	
2024 Chevrolet	5	96,888	(48,444)	9,688.80	0.00	9,688.80	0.00	0.00	0.00	9,688.80	
Case Mine Excavator	10	16,005		1,600.50	1,600.50					1,600.50	
Generator	30	200,000		6,666.67	6,666.67					6,666.67	
Totals		7,474,736		4,038,756	156,299.00	83,951.12	44,926.53	24,241.67	3,179.68	-	156,299.00
Allocation Factors						53.712%	28.744%	15.510%	2.034%	0.000%	100.00%

Table C
SYSTEM INFORMATION
City of Falmouth, Kentucky

Schedule of All Mains and Jointly Used Mains

<u>Main Size</u>	<u>Total System</u>			<u>Joint Use (PCWD)</u>	
	<u>Length (feet)</u>	<u>Miles of Mains</u>	<u>Inch - Miles</u>	<u>Miles of Mains</u>	<u>Inch - Miles</u>
16	1,336	0.25	4.05	-	-
12	6,488	1.23	14.75	1.04	12.48
10	-	-	-	-	-
8	28,318	5.36	42.91	0.85	6.80
6	29,522	5.59	33.55	1.26	7.56
4	30,476	5.77	23.09	0.93	3.72
2	7,692	1.46	2.91	-	-
1	1,697	0.32	0.32	-	-
Totals	105,529	19.99	121.57	4.08	30.56

Water Purchased, Sold and Used

	<u>Gallons</u> <u>x 1,000</u>	<u>Percent</u>
Water Produced	326,664.6	
Retail Sales	69,359.6	27.9%
Wholesale Sales	179,578.8	72.1%
Total Water Sold	248,938.4	
Water Used at WTP	7,809.8	2.4%
System Flushing	1,172.5	0.4%
Line Losses	68,743.8	21.0%
Less: Allowable Line Loss		-15.0%
Excess Line Loss Over 15%		6.0%

Table D
WHOLESALE ALLOCATION FACTORS
City of Falmouth

	<u>FACTOR</u>
Line Loss Percentage	0.1500
Plant Use Percentage	0.0239
Line Loss + Plant Use	0.1739
Joint Use Inch-miles (PCWD)	30.56
Total Inch-Miles	121.57
Water Sold - Wholesale (PCWD)	179,578.78
Water Sold - Total	248,938.40

$$\text{Production Multiplier} = \frac{1}{1 - 0.1739} = \mathbf{1.2105}$$

Factor to determine quantity that must be produced to service all sales. (For each gal sold, 1.3400 gals must be produced)

$$\text{Joint Use Pipeline Ratio} = \frac{30.56}{121.57} = \mathbf{0.2514}$$

Ratio of Joint Use pipes to all pipes in the system. (In-miles are used instead of miles to recognize additional first cost and maintenance for larger mains.)

$$\text{Joint Share of Line Loss} = 0.1500 \times 0.2514 = \mathbf{0.0377}$$

Allocation of line loss to Joint Use mains.

$$\text{Joint Share Line Loss + Plant Use} = 0.0377 + 0.0239 = \mathbf{0.0616}$$

Total percentage allocation of non-revenue water to Joint Use.

$$\text{Wholesale Production Multiplier} = \frac{1}{1 - 0.0616} = \mathbf{1.0657}$$

Factor to determine quantity that must be produced to service wholesale sales. For each gal sold to wholesale customers, 1.1799 gals must be produced.

$$\text{Water Production Factor} = \frac{1.0657 \times 179,578.8}{1.2105 \times 248,938.4} = \mathbf{0.6351}$$

Water produced for wholesale customers divided by total water produced. (Percentage of all water produced that is for wholesale water sales.)

$$\text{Pipeline Transmission Factor} = \frac{179,578.8}{248,938.4} \times 0.2514 = \mathbf{0.1813}$$

Portion of Joint Use pipes allocated to wholesale customers.

$$\text{Use Factor} = \frac{179,578.8}{248,938.4} = \mathbf{0.7214}$$

Allocation for tank expenses and sometimes other costs where water losses and transmission system issues don't apply.

Table E
WHOLESALE RATE COMPUTATION
City of Falmouth

	<u>Total</u>	<u>Allocation Factors</u>		<u>Wholesale</u> <u>Allocation</u>	<u>Retail</u> <u>Allocation</u>
		<u>Type</u>	<u>Factor</u>		
Salaries & Wages					
Water Production	\$ 139,691	WPF	0.6573	\$ 91,816	\$ 47,875
Trans./Distribution	54,178	PTF	0.3340	18,093	36,085
Employee Benefits + Taxes					
Water Production	\$ 77,559	WPF	0.6573	50,978	26,581
Trans./Distribution	30,081	PTF	0.3340	10,046	20,035
Maintenance:					
Water Production	\$ 74,810	WPF	0.6573	49,171	25,639
Trans./Distribution	31,296	PTF	0.3340	10,451	20,845
Purchased Power					
Water Production	62,945	WPF	0.6573	41,373	21,572
Trans./Distribution	3,262	PTF	0.3340	1,089	2,173
Purchased Water					
Water Production	-	WPF	0.6573	-	-
Chemicals & Chlorine					
Water Production	169,847	WPF	0.6573	111,637	58,210
Insurance					
Water Production	\$ 31,145	WPF	0.6573	20,471	10,674
Trans./Distribution	31,145	PTF	0.3340	10,401	20,744
Laboratory					
Water Production	9,183	WPF	0.6573	6,036	3,147
Trans./Distribution	-	PTF	0.3340	-	-
General Expenses					
Water Production	\$ 12,225	WPF	0.6573	8,035	4,190
Trans./Distribution	5,426	PTF	0.3340	1,812	3,614
Transportation					
Water Production	12,128	WPF	0.6573	7,972	4,156
Trans./Distribution	4,891	PTF	0.3340	1,633	3,258
Total Operation & Maint. Exp.	749,812			441,015	308,797
Depreciation Expense					
Water Production	83,951	WPF	0.6573	55,179	28,772
Trans. / Distribution	44,927	PTF	0.3340	15,004	29,923
Storage Tanks	24,242	UF	0.7214	17,488	6,754
Admin & General	-	PTF	0.3340	-	-
Customer	3,179	-	-	-	3,179
Total Operating Expenses	906,111			528,686	68,628
Operating Ratio					
Total Operating expenses divided by 0.88 operating ratio					
Net Operating Income	102,247			60,138	42,109
Total Revenue Required	1,008,358			588,824	110,737
Wholesale Gallons Sold (x 1,000)				179,579	
Computed Wholesale Rate per 1,000 Gallons				\$ 3.28	
Current Wholesale Rate				\$ 2.65	
Increase				\$ 0.63	
Percent				23.77%	