

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. WA-95-31
Foxfire Utility Company

FROM: Bill Meyer, Project Coordinator *Bill Meyer 12/23/94*
Jay Moore, Manager - Financial Analysis Department *JM*
Jim Merciel, Assistant Manager - Engineering, Water and Sewer Department *JWA 12-27-94*

SUBJECT: Staff Recommendation in Case No. WA-95-31

DATE: December 23, 1994

REVIEWED BY: *Kenneth Rademan 12/23/94*
Director Utility Services Division/Date
Sam McManis 12/27/94
Director Utility Operations Division/Date
Wm K. Hearn 1/5/95
General Counsel's Office/Date

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MISSOURI
PUBLIC SERVICE COMMISSION

Foxfire Utility Company (Foxfire) filed an Application (amended on November 17, 1994) for a specific service territory with the intent to start up water and sewer operations at the Lantern Bay Condominiums (which used to be called the Silvermine Condominiums) near Branson, Missouri. In addition, the Application includes a request for long term financing. This condominium project is being developed by one of the stockholders of Foxfire. The Village of Indian Point has been granted intervenor status in this case.

The Accounting Department, in coordination with the Water and Sewer Department, reviewed the feasibility study and supporting records of Foxfire. The Staff has computed recommended revenue requirements of \$75,529 and \$150,426 respectively for water and sewer operations. A copy of the applicable Exhibit Manipulation System schedules supporting this recommendation has been attached as Appendices 1 and 2, respectfully. The Staff's calculations were based on the following facts and assumptions:

- ▶ Plant in service levels are from Foxfire's Application and its response to Staff Data Requests. Investment levels are \$207,859 for water and \$482,639 for sewer. Additions to plant that will be necessary to get full occupancy of the condominiums (primarily a second lift station for sewer and various

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meters for water) will be paid for by the developer and treated as contributions.

- ▶ **Financial Analysis proposed a capital structure based on a 12.75% return on equity and 10.50% embedded cost of debt that was weighted 50/50 to produce a return on investment of 11.63%.**
- ▶ **The Staff's Revenue Requirement calculation assumes full occupancy. When completed, the condominiums will have 534 units in 89 buildings with two additional billing units for the swimming pool and treatment facility.**
- ▶ **Budgeted expenses are primarily from Foxfire's Application and its response to various Staff Data Requests. Variable expenses were normalized assuming full occupancy. The Staff has included depreciation expense and the PSC assessment in its calculation, both of which were originally overlooked by Foxfire.**
- ▶ **The depreciation rates used are the generic rates developed by the Water and Sewer Department with the exception of the rate for meters that was changed from 10% to 5% based on current experience. These rates are shown on Appendices 3 and 4, respectively.**
- ▶ **The PSC Assessment was annualized using the respective 1994-95 fiscal year assessment rates for water and sewer. The annualization was calculated to allow for the assessment on the portion of the revenue requirement generated by the assessment itself. Largely because of the difference in the assessment rates, the sewer PSC assessment is \$6,508 as shown in Adjustment S-3 in the sewer cost of service run [Appendix 2] while the water assessment is only \$717 as shown in Adjustment S-1 in the water cost of service run [Appendix 1].**
- ▶ **One half of the Helm's travel expense (\$900) was eliminated from the sewer cost of service calculation [Appendix 1] because these costs should have been allocated to the water operations. This adjustment is listed as Adjustment S-2.**
- ▶ **The cost of electricity needed to operate the sewage treatment plant was discussed during the prehearing conference. Bill Nickle of the PSC's Water and Sewer Department subsequently agreed that the estimated expense should be increased from the previously budgeted \$6,822 annually to an annualized level of \$14,844. This change is recognized by**

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Adjustment S-1 [Appendix 2] of the sewer cost of service calculation.

- **The tax calculation assumes that book depreciation is equal to tax depreciation.**

Other Matters:

The Water and Sewer Department developed pro-forma tariff rates for Foxfire using the above discussed revenue requirement. These rates can be found on Appendices 5 and 6 for Water and Sewer operations, respectively.

Prior to providing utility service, Foxfire will need to file complete tariffs for both water service and sewer service, as is required of regulated utilities. The Water and Sewer Department will make the appropriate recommendation at the time the proposed tariffs are filed.

Foxfire needs to keep its books and records in accordance with the Uniform System of Accounts prescribed by the Commission. Finally, it is the Staff's recommendation that the rates established in this proceeding should be reviewed within eighteen months to assure that they are reasonable. The Staff also anticipates making a review of all record-keeping practices of Foxfire at that time.

Recommendations:

Based upon the Staff's review of this matter the Staff recommends that the Commission issue an Order:

- 1. Granting a certificate of convenience and necessity to Foxfire for the provision of water and sewer service subject to the tariffed rates shown on Appendices 5 and 6, said certificate to be effective on the effective date of tariffs to be filed as recommended therein.**
- 2. Approving the Depreciation rates shown on Appendices 3 and 4.**
- 3. Approving up to \$400,000 in long term financing at an annual interest rate not exceeding 10.5% embedded cost.**
- 4. Requiring Foxfire to file, within 30 days of receipt of loan proceeds, a copy of Journal Entries reflecting the use and application of the proceeds from the financing approved in this case.**

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5. **Giving Foxfire notice that its books and records are to be kept in accordance with the Uniform System of Accounts, and will be reviewed within eighteen months of the effective date of the tariffs to be approved with respect to this case.**
6. **Requiring Foxfire to file complete tariffs for the provision of water service and sewer service, consistent with the findings of the Commission, within 20 days of the effective date of the Commission's Order.**

**cc: Milton E. Leeds (Foxfire)
W.R. England, III (Attorney for Foxfire)
David L. Smith (Attorney for Village of Indian Point)
Ken Rademan, Director of Utility Services
Jay Moore, Manager of Financial Analysis
Sam Goldammer, Director of Utility Operations
Rob Hack, General Counsel
Joan Wandel, Manager of Accounting
Larry Cox, Auditor
Bill Haas, Assistant General Counsel
Bill Sankpill, Manager, Water and Sewer Department
Jim Merciel, Water and Sewer Department
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FOXFIRE UTILITY COMPANY - WATER

Case: WR-95-31

PRO FORMA FINANCIAL DATA

Revenue Requirement

Line	11.63%
	Return

(A)		(B)
1	Net Orig Cost Rate Base (Sch 2)	\$ 207,859
2	Rate of Return	11.63%

3	Net Operating Income Requirement	\$ 24,174
4	Net Income Available (Sch 7)	\$ (48,053)

5	Additional NOIBT Needed	\$ 72,227
6	Income Tax Requirement (Sch 9)	
7	Required Current Income Tax	\$ 3,302
8	Test Year Current Income Tax	\$ 0

9	Additional Current Tax Required	\$ 3,302
10	Required Deferred ITC	\$ 0
11	Test Year Deferred ITC	\$ 0

12	Additional Deferred ITC Required	\$ 0

13	Total Additional Tax Required	\$ 3,302

14	Gross Revenue Requirement	\$ 75,529

FOXFIRE UTILITY COMPANY - WATER
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PRO FORMA FINANCIAL DATA

Rate Base

Line Description	Amount
(A)	(B)
1 Total Plant in Service (Sch 3)	\$ 207,859
Subtract from Total Plant	
2 Depreciation Reserve (Sch 6)	\$ 0
3 Net Plant in Service	\$ 207,859
Add to Net Plant in Service	
4 Cash Working Capital (Sch 10)	\$ 0
5 Materials and Supplies-Exempt	0
6 Prepaid Insurance	0
Subtract from Net Plant	
7 Federal Tax Offset 0.0000 %	\$ 0
8 State Tax Offset 0.0000 %	0
9 City Tax Offset 0.0000 %	0
10 Interest Expense Offset 0.0000 %	0
11 Customer Advances for Construction	0
12 Contribution in aid of Construction	0
13 Deferred Income Taxes-Depreciation	0
14 Total Rate Base	\$ 207,859

FOXFIRE UTILITY COMPANY - WATER

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PRO FORMA FINANCIAL DATA

Total Plant in Service

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
Source of Supply & Pumping Plant					
1	303.200	Land	\$ 1,574	\$ 0	\$ 1,574
2	304.200	Structures and Improvements	13,249	0	13,249
3	307.200	Wells & Springs	92,036	0	92,036
4		Total	\$ 106,859	\$ 0	\$ 106,859
Transmission & Distribution Plant					
5	330.400	Distribution Reservoirs & Standpipe	\$ 88,892	\$ 0	\$ 88,892
6	334.400	Meters & Meter Installations	12,108	0	12,108
7		Total	\$ 101,000	\$ 0	\$ 101,000

8		Total Plant In Service	\$ 207,859	\$ 0	\$ 207,859

Accounting Schedule: 4

Cox

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FOXFIRE UTILITY COMPANY - WATER

Case: WR-95-31

PRO FORMA FINANCIAL DATA

Adjustments to Total Plant

Adj No Description	Total Co Adjustment	No Juris Adjustment
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Accounting Schedule: 4-1

FOXFIRE UTILITY COMPANY - WATER

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PRO FORMA FINANCIAL DATA

Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)
Source of Supply & Pumping Plant					
1	303.200	Land	\$ 1,574	0.0000	\$ 0
2	304.200	Structures and Improvements	13,249	2.5000	331
3	307.200	Wells & Springs	92,036	2.0000	1,841
4		Total	\$ 106,859		\$ 2,172
Transmission & Distribution Plant					
5	330.400	Distribution Reservoirs & Standpipe	\$ 88,892	2.5000	\$ 2,222
6	334.400	Meters & Meter Installations	12,108	5.0000	605
7		Total	\$ 101,000		\$ 2,827

8		Total Depreciation Expense	\$ 207,859		\$ 4,999

FOXFIRE UTILITY COMPANY - WATER
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 PRO FORMA FINANCIAL DATA

Depreciation Reserve

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
Source of Supply & Pumping Plant					
1	303.200	Land & Land Rights	\$ 0	\$ 0	\$ 0
2	304.200	Structures & Improvements	0	0	0
3	307.200	Wells & Springs	0	0	0
4		Total	\$ 0	\$ 0	\$ 0
Transmission & Distribution Plant					
5	330.400	Distribution Reservoirs & Standpipe	\$ 0	\$ 0	\$ 0
6	334.400	Meters & Meter Installations	0	0	0
7		Total	\$ 0	\$ 0	\$ 0
General Plant					
8	341.500	Transportation Equipment	\$ 0	\$ 0	\$ 0
9		Total	\$ 0	\$ 0	\$ 0

10		Total Depreciation Reserve	\$ 0	\$ 0	\$ 0

FOXFIRE UTILITY COMPANY - WATER

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PRO FORMA FINANCIAL DATA

Income Statement

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
Operating Revenues					
1		Water portion of Flat Utility Rates	\$ 0	\$ 0	\$ 0
2		Total	\$ 0	\$ 0	\$ 0
Operation & Maintenance Expense					
3	601.000	Operator Salary	\$ 16,848	\$ 0	\$ 16,848
4	603.000	Management & Supervision	6,000	0	6,000
5	615.000	Electricity	8,496	0	8,496
6	620.000	Materials	1,200	0	1,200
7	632.000	Professional Services	600	0	600
8	635.100	Outside Repairs	996	0	996
9	635.200	Sampling and Testing	1,169	0	1,169
10	650.100	Helms Travel & Expenses	900	0	900
11	650.200	On-Site Vehicle Expense	2,040	0	2,040
12	657.000	Insurance	500	0	500
13	675.100	Telephone & Pager	600	0	600
14	675.200	Billing, Collection & Reporting	2,988	0	2,988
15		Regulatory Commission Expense	0	717	s-1 717
16		Total	\$ 42,337	\$ 717	\$ 43,054
Depreciation Expense					
17		Depreciation Expense	\$ 0	\$ 4,999	\$ 4,999
18		Total	\$ 0	\$ 4,999	\$ 4,999

19		Other Operating Expenses	\$ 0	\$ 0	\$ 0

20		Total Operating Expenses	\$ 42,337	\$ 5,716	\$ 48,053

21		Net Income Before Taxes	\$ (42,337)	\$ (5,716)	\$ (48,053)

FOXFIRE UTILITY COMPANY - WATER
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PRO FORMA FINANCIAL DATA

Income Statement

Line No	Acct Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
	(A)	(B)	(C)	(D)
Current Income Taxes				
22	Current Income Taxes	\$ 0	\$ 0	\$ 0
23	Total	\$ 0	\$ 0	\$ 0
Deferred Income Taxes				
24	Deferred Income Taxes	\$ 0	\$ 0	\$ 0
25	Total	\$ 0	\$ 0	\$ 0

26	Total Income Taxes	\$ 0	\$ 0	\$ 0

27	Net Operating Income	\$ (42,337)	\$ (5,716)	\$ (48,053)

FOXFIRE UTILITY COMPANY - WATER

Case: WR-95-31

PRO FORMA FINANCIAL DATA

Adjustments to Income Statement

Adj No	Description	Total Co Adjustment	Mo Juris Adjustment

	Regulatory Commission Expense	S-1	\$ 717

1.	To include the PSC assessment in the Company's cost of water service. (Cox)		\$ 717

FOXFIRE UTILITY COMPANY - WATER

Case: MR-95-31

PRO FORMA FINANCIAL DATA

Income Tax

Line	Test Year	11.63% Return
(A)	(B)	

1	Net Income Before Taxes (Sch 7)	\$ (48,053) \$ 27,476

Add to Net Income Before Taxes		
2	Book Depreciation Expense	\$ 4,999 \$ 4,999
3	Total	\$ 4,999 \$ 4,999
Subtr from Net Income Before Taxes		
4	Interest Expense 5.2500 %	\$ 10,913 \$ 10,913
5	Depreciation Expense	4,999 4,999
6	Total	\$ 15,912 \$ 15,912

7	Net Taxable Income	\$ (58,966) \$ 16,563

Provision for Federal Income Tax		
8	Net Taxable Income	\$ (58,966) \$ 16,563
9	Deduct Missouri Income Tax 100.0 %	\$ 0 \$ 962
10	Deduct City Income Tax	0 0
11	Federal Taxable Income	(58,966) 15,601
12	Total Federal Tax	\$ 0 \$ 2,340
Provision for Missouri Income Tax		
13	Net Taxable Income	\$ (58,966) \$ 16,563
14	Deduct Federal Income Tax 50.0 %	\$ 0 \$ 1,170
15	Deduct City Income Tax	0 0
16	Missouri Taxable Income	(58,966) 15,393
17	Total Missouri Tax	\$ 0 \$ 962

FOXFIRE UTILITY COMPANY - WATER

Case: WR-95-31

PRO FORMA FINANCIAL DATA

Income Tax

Line	(A)	Test Year	(B)	11.63% Return
	Provision for City Income Tax			
18	Net Taxable Income	\$ (58,966)	\$	16,563
19	Deduct Federal Income Tax	\$ 0	\$	2,340
20	Deduct Missouri Income Tax	0		962
21	City Taxable Income	(58,966)		13,261
22	Total City Tax	\$ 0	\$	0
	Summary of Provision for Income Tax			
23	Federal Income Tax	\$ 0	\$	2,340
24	Missouri Income Tax	0		962
25	City Income Tax	0		0
26	Total	\$ 0	\$	3,302
	Deferred Income Taxes			
27	Deferred Investment Tax Credit	\$ 0	\$	0
28	Deferred Repair Allowance	0		0
29	Deferred Tax Depreciation	0		0
30	Amort of Deferred Tax Depreciation	0		0
31	Amort of Repair Allowance	0		0
32	Amort of Deferred ITC	0		0
33	Deferred Unbilled	0		0
34	Total	\$ 0	\$	0
35	Total Income Tax	\$ 0	\$	3,302

FOXFIRE UTILITY COMPANY - Sewer
Case: SR-95-31
PRO FORMA FINANCIAL DATA

Revenue Requirement

Line 11.63%
Return

(A)	(B)
1 Net Orig Cost Rate Base (Sch 2)	\$ 482,639
2 Rate of Return	11.63%

3 Net Operating Income Requirement	\$ 56,131
4 Net Income Available (Sch 7)	\$ (86,627)

5 Additional NOIBT Needed	\$ 142,758
6 Income Tax Requirement (Sch 9)	
7 Required Current Income Tax	\$ 7,668
8 Test Year Current Income Tax	\$ 0

9 Additional Current Tax Required	\$ 7,668
10 Required Deferred ITC	\$ 0
11 Test Year Deferred ITC	\$ 0

12 Additional Deferred ITC Required	\$ 0

13 Total Additional Tax Required	\$ 7,668

14 Gross Revenue Requirement	\$ 150,426

FOXFIRE UTILITY COMPANY - Sewer
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PRO FORMA FINANCIAL DATA

Rate Base

Line Description	Amount
(A)	(B)
1 Total Plant in Service (Sch 3)	\$ 482,639
Subtract from Total Plant	
2 Depreciation Reserve (Sch 6)	\$ 0
3 Net Plant in Service	\$ 482,639
Add to Net Plant in Service	
4 Cash Working Capital (Sch 10)	\$ 0
5 Materials and Supplies-Exempt	0
6 Prepaid Insurance	0
Subtract from Net Plant	
7 Federal Tax Offset 0.0000 %	\$ 0
8 State Tax Offset 0.0000 %	0
9 City Tax Offset 0.0000 %	0
10 Interest Expense Offset 0.0000 %	0
11 Customer Advances for Construction	0
12 Contribution in aid of Construction	0
13 Deferred Income Taxes-Depreciation	0
14 Total Rate Base	\$ 482,639

FOX FIRE UTILITY COMPANY - Sewer

Case: SR-95-31

PRO FORMA FINANCIAL DATA

Total Plant in Service

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
	(A)		(B)	(C)	(D)
System Pumping Plant					
1		Land	5,062	0	5,062
2	389.300	Other Plant & Miscellaneous Equip	\$ 31,452	\$ 0	\$ 31,452
3		Total	\$ 36,514	\$ 0	\$ 36,514
Treatment & Disposal Plant					
4	380.400	Treatment & Disposal Equipment	\$ 446,125	\$ 0	\$ 446,125
5		Total	\$ 446,125	\$ 0	\$ 446,125

6		Total Plant in Service	\$ 482,639	\$ 0	\$ 482,639

Accounting Schedule: 4

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FOXFIRE UTILITY COMPANY - Sewer

Case: SR-95-31

PRO FORMA FINANCIAL DATA

Adjustments to Total Plant

Adj		Total Co	Mo Juris
No	Description	Adjustment	Adjustment

Accounting Schedule: 4-1

FOXFIRE UTILITY COMPANY - Sewer

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PRO FORMA FINANCIAL DATA

Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
	(A)		(B)	(C)	(D)
System Pumping Plant					
1		Land	5,062	0.0000	0
2	389.300	Other Plant & Miscellaneous Equip	\$ 31,452	5.0000	\$ 1,573
3		Total	\$ 36,514		\$ 1,573
Treatment & Disposal Plant					
4	380.400	Treatment & Disposal Equipment	\$ 446,125	4.5000	\$ 20,076
5		Total	\$ 446,125		\$ 20,076

6		Total Depreciation Expense	\$ 482,639		\$ 21,649

FOXFIRE UTILITY COMPANY - Sewer
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 PRO FORMA FINANCIAL DATA

Depreciation Reserve

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
	(A)		(B)	(C)	(D)
System Pumping Plant					
1	389.300	Other Plant & Miscellaneous Equip	\$ 0	\$ 0	\$ 0
2		Total	\$ 0	\$ 0	\$ 0
Treatment & Disposal Plant					
3	380.400	Treatment & Disposal Equipment	\$ 0	\$ 0	\$ 0
4		Total	\$ 0	\$ 0	\$ 0
General Plant					
5	391.500	Transportation Equipment	\$ 0	\$ 0	\$ 0
6		Total	\$ 0	\$ 0	\$ 0

7		Total Depreciation Reserve	\$ 0	\$ 0	\$ 0

FOXFIRE UTILITY COMPANY - Sewer
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 PRO FORMA FINANCIAL DATA

Income Statement

Line No	Acct Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
	(A)	(B)	(C)	(D)
Operating Revenues				
1	Sewer Revenues	\$ 0	\$ 0	\$ 0
2	Total	\$ 0	\$ 0	\$ 0
Operation & Maintenance Expense				
3	701.000 Operator Salary	\$ 16,848	\$ 0	\$ 16,848
4	703.000 Management & Supervision	6,000	0	6,000
5	711.000 Sludge Disposal	10,848	0	10,848
6	715.000 Electricity	6,822	8,022 S-1	14,844
7	720.000 Materials & Supplies	1,200	0	1,200
8	732.000 Professional Services	600	0	600
9	735.100 Outside Repairs	3,000	0	3,000
10	735.200 Sampling & Testing	1,090	0	1,090
11	750.100 Helm's Travel & Expenses	1,800	(900) S-2	900
12	750.200 On-Site Vehicle Expense	2,040	0	2,040
13	757.000 Insurance	500	0	500
14	775.000 Telephone & Pager	600	0	600
15	Regulatory Commission Expense	0	6,508 S-3	6,508
16	Total	\$ 51,348	\$ 13,630	\$ 64,978
Depreciation Expense				
17	Depreciation Expense	\$ 0	\$ 21,649	\$ 21,649
18	Total	\$ 0	\$ 21,649	\$ 21,649

19	Other Operating Expenses	\$ 0	\$ 0	\$ 0

20	Total Operating Expenses	\$ 51,348	\$ 35,279	\$ 86,627

21	Net Income Before Taxes	\$ (51,348)	\$ (35,279)	\$ (86,627)

FOXFIRE UTILITY COMPANY - Sewer
 Case: SR-95-31
 PRO FORMA FINANCIAL DATA

Income Statement

Line No	Acct Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
(A)		(B)	(C)	(D)
Current Income Taxes				
22	Current Income Taxes	\$ 0	\$ 0	\$ 0
23	Total	\$ 0	\$ 0	\$ 0
Deferred Income Taxes				
24	Deferred Income Taxes	\$ 0	\$ 0	\$ 0
25	Total	\$ 0	\$ 0	\$ 0

26	Total Income Taxes	\$ 0	\$ 0	\$ 0

27	Net Operating Income	\$ (51,348)	\$ (35,279)	\$ (86,627)

FOXFIRE UTILITY COMPANY - Sewer

Case: SR-95-31

PRO FORMA FINANCIAL DATA

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	No Juris Adjustment

Electricity	S-1	\$ 8,022

1. To normalize electricity expense for sewer operations. (Cox)		\$ 8,022

Helm's Travel & Expenses	S-2	\$ (900)

1. To allocate one half of Helm's Travel Expenses to the water operations. (Cox)		\$ (900)

Regulatory Commission Expense	S-3	\$ 6,508

1. To include the PSC assessment in the Company's cost of sewer service. (Cox)		\$ 6,508

FOXFIRE UTILITY COMPANY - Sewer
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 PRO FORMA FINANCIAL DATA

Income Tax

Line	Test Year	11.63% Return
(A)	(B)	

1	Net Income Before Taxes (Sch 7)	\$ (86,627) \$ 63,799

Add to Net Income Before Taxes		
2	Book Depreciation Expense	\$ 21,649 \$ 21,649
3	Total	\$ 21,649 \$ 21,649
Subtr from Net Income Before Taxes		
4	Interest Expense 5.2500 %	\$ 25,339 \$ 25,339
5	Depreciation Expense	21,649 21,649
6	Total	\$ 46,988 \$ 46,988

7	Net Taxable Income	\$ (111,966) \$ 38,460

Provision for Federal Income Tax		
8	Net Taxable Income	\$ (111,966) \$ 38,460
9	Deduct Missouri Income Tax 100.0 %	\$ 0 \$ 2,234
10	Deduct City Income Tax	0 0
11	Federal Taxable Income	(111,966) 36,226
12	Total Federal Tax	\$ 0 \$ 5,434
Provision for Missouri Income Tax		
13	Net Taxable Income	\$ (111,966) \$ 38,460
14	Deduct Federal Income Tax 50.0 %	\$ 0 \$ 2,717
15	Deduct City Income Tax	0 0
16	Missouri Taxable Income	(111,966) 35,743
17	Total Missouri Tax	\$ 0 \$ 2,234

FOXFIRE UTILITY COMPANY - Sewer
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PRO FORMA FINANCIAL DATA

Income Tax

Line	(A)	Test Year	(B)	11.63% Return
	Provision for City Income Tax			
18	Net Taxable Income	\$ (111,966)	\$	38,460
19	Deduct Federal Income Tax	\$ 0	\$	5,434
20	Deduct Missouri Income Tax	0		2,234
21	City Taxable Income	(111,966)		30,792
22	Total City Tax	\$ 0	\$	0
	Summary of Provision for Income Tax			
23	Federal Income Tax	\$ 0	\$	5,434
24	Missouri Income Tax	0		2,234
25	City Income Tax	0		0
26	Total	\$ 0	\$	7,668
	Deferred Income Taxes			
27	Deferred Investment Tax Credit	\$ 0	\$	0
28	Deferred Repair Allowance	0		0
29	Deferred Tax Depreciation	0		0
30	Amort of Deferred Tax Depreciation	0		0
31	Amort of Repair Allowance	0		0
32	Amort of Deferred ITC	0		0
33	Deferred Unbilled	0		0
34	Total	\$ 0	\$	0
35	Total Income Tax	\$ 0	\$	7,668

FOXFIRE UTILITY COMPANY

**Depreciation Rates for
Water Company**

PSC Depreciation Department

<u>Acct. No.</u>	<u>Description of Account</u>	<u>Annual Rate Percent</u>
311	Structures & Improvements	2.5
312	Collecting & Impounding Reservoirs	2.0
313	Lake, River & Other Intakes	2.5
314	Wells & Springs	2.0
315	Infiltration Galleries & Tunnels	2.0
316	Supply Mains	2.0
317	Other Water Source Plant	2.0
321	Structures & Improvements	2.5
323	Other Power Production Equipment	4.0
325	Electric Pumping Equipment	10.0
326	Diesel Pumping Equipment (35 yr, +5% salv)	2.7
327	Hydraulic Pumping Equipment	2.5
328	Other Pumping Equipment	5.0
331	Structures & Improvements	2.5
332	Water Treatment Equipment	2.9
341	Structures & Improvements	2.5
342	Distribution Reservoirs & Standpipes	2.5
343	Transmission & Distribution Mains	2.0
344	Fire Mains	2.0
345	Services	2.9
346.1	Meters - Bronze (35 yr, +5% salv)	2.7
346.2	Meters - Plastic	5.0
347	Meter Installations	2.9
348	Hydrants	2.5
349	Other Transmission & Distribution Plant	3.3
390	Structures & Improvemtns	2.9
391	Office Furniture & Equipment	5.0
392	Transportation Equipment (7 yr, +10% salv)	13.0
393	Stores Equipment	4.0
394	Tools, Shop, Garage Equipment	5.0
395	Laboratory Equipment	5.0
396	Power Operated Equipment	6.7
397	Communication Equipment	6.7
398	Miscellaneous Equipment	5.0

FOXFIRE UTILITY COMPANY

**Depreciation Rates for
Sewer Company**

PSC Depreciation Department

<u>Acct. No.</u>	<u>Description of Account</u>	<u>Annual Rate Percent</u>
311	Structures & Improvements	3.0
352.1	Collection Sewers (Force)	2.0
352.2	Collection Sewers (Gravity)	2.0
353	Other Collection Plant	4.0
354	Services to Customers	2.0
355	Flow Measurement Devices	3.3
362	Receiving Wells & Pump Pits	5.0
363	Pumping Equipment	10.0
372	Oxidation Lagoons	4.0
373	Treatment & Disposal Facilities	4.5
374	Plant Sewers	4.5
375	Outfall Sewers	2.0
376	Other Treatment & Disposal Plant	5.0
391	Office Furniture & Equipment	5.0
392	Transportation Equipment	14.2
393	Other General Equipment	10.0
394	Tools, Shop, Garage Equipment	5.0
395	Laboratory Equipment	5.0
396	Power Operated Equipment	6.7
397	Communication Equipment	6.7
398	Miscellaneous Equipment	5.0

**FOXFIRE UTILITY COMPANY
WA-95-31
METERED WATER RATES**

12/14/94

Rates based on the following:

498 customers
3,000 average monthly use per customer

Expenses	total	customer	commodity
plant operator	\$16,848	\$4,212	\$12,636
Mgt-supervision	6,000	6,000	0
electric	8,496	0	8,496
materials	1,200	300	900
pro services	600	600	0
repairs-outside	996	0	996
sampling-testing	1,169	1,169	0
Mgt travel	900	900	0
vehicle	2,040	510	1,530
insurance	500	500	0
telephone	600	600	0
billing	2,988	2,988	0
PSC	717	717	0
depreciation	4,999	291	4,708
income tax exp	3,302	193	3,109
return	\$24,174	1,409	22,765
totals	\$75,529	\$20,389	\$55,140

WATER RATES - metered

Minimum charge - Based on Meter size

Monthly charge

5/8"	Includes	2,000 gallons
3/4"	Includes	3,000 gallons
1"	Includes	5,000 gallons
1 1/2"	Includes	10,000 gallons

\$9.57

\$14.36

\$23.93

\$47.86

Commodity (over minimum amount)

\$3.08 /1,000 gal

Revenue check - based on 5/8" meters on all customers

498 customers	\$9.57 x 12 months	\$57,190.32
498 Kgal	x \$3.08 x 12 months	\$18,406.08

Revenue	\$75,596.40
design revenue	\$75,529.00

difference	\$67.40
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FOXFIRE UTILITY COMPANY

12/14/94

WA-95-31

SEWER RATES -- BASED ON METERED WATER USE

Rates based on the following:

498 customers
3000 average monthly use per customer

Expenses	total
plant operator	\$16,848
Mgt-supervision	6,000
sludge disp	10848
elelctric	14,844
materials	1,200
pro services	600
repairs-outside	3,000
sampling-testing	1,090
Mgt travel	900
vehicle	2,040
insurance	500
telephone	600
PSC	6,508
depreciation	21,649
income tax exp	7,668
return	\$56,131
<hr style="border-top: 1px dashed black;"/>	
total	\$150,426

SEWER RATES - based on water use

Minimum charge - Based on Water Meter size			Monthly charge
5/8"	Includes	2,000 gallons	\$16.78
3/4"	Includes	3,000 gallons	\$25.17
1"	Includes	5,000 gallons	\$41.95
1 1/2"	Includes	10,000 gallons	\$83.90

Commodity (over minimum amount) \$8.39 /1,000 gal

Revenue check - based on 5/8" meters on all customers

498 customers	\$16.78 x 12 months	\$100,277.28
498 Kgal	x \$8.39 x 12 months	\$50,138.64
		<hr style="border-top: 1px dashed black;"/>
	Revenue	\$150,415.92
	design revenue	\$150,426.00
		<hr style="border-top: 1px dashed black;"/>
	difference	(\$10.08)