

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Small Company Rate            )	Case No. <u>WR-2006-0286</u>
Increase Request of KMB Utility Corporation    )	Tariff Work ID No. YW-2006-0526

**RECOMMENDATION REGARDING DISPOSITION  
OF SMALL COMPANY RATE INCREASE REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through counsel, and for its Recommendation Regarding Disposition of Small Company Rate Increase Request ("Recommendation") states the following to the Missouri Public Service Commission ("Commission").

1. By a letter dated December 21, 2005, which was received in the Commission's Data Center on January 4, 2006, KMB Utility Corporation ("Company") filed proposed tariff revisions with the Commission for the purpose of implementing the provisions of a *Company/Staff Agreement Regarding Disposition of Small Water Company Rate Increase Request* ("Disposition Agreement"), and the instant case was established.

2. The Company and the Staff executed the above-referenced Disposition Agreement, which the Staff filed in this case on January 13, 2006, as a proposed resolution of the Company's small company rate increase request ("Request") that was received at the Commission's offices on May 2, 2005. The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-3.635, Water Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure"). Initially, the Company's Request was assigned Tracking No. QW-2005-0006.

3. The Staff's recommendations to the Commission regarding this case are set out on page 5 of the Staff's Official Case File Memorandum ("Memorandum") that is included in the document that is attached hereto as Appendix A and that is incorporated by reference herein.

Also included in Appendix A, as Attachments A through D to the Staff's Memorandum, are various documents regarding the Company's Request and the Staff's investigation of the Request, including the Staff's rate design and audit workpapers, that have not previously been filed in the case.

4. The Commission has the authority to approve the subject proposed tariff revisions in accordance with Sections 393.140(11) and 393.150, RSMo. Additionally, Section 393.130.1, RSMo provides that all charges made by any water corporation for water service rendered or to be rendered shall be "just and reasonable". The Staff's agreement with the proposed tariff revisions is evidence that the rates and charges contained in the tariff revisions are just and reasonable.

5. The procedure followed in this case complies with the requirements of the Small Company Rate Increase Procedure in general, and with 4 CSR 240-3.635(1)(D) in particular.

**WHEREFORE**, the Staff respectfully requests that the Commission issue an order consistent with the recommendations set out on page 5 of the Staff's Memorandum.

Respectfully Submitted,

**/s/ Robert S. Berlin**

Robert S. Berlin  
Associate General Counsel  
Missouri Bar No. 51709

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Missouri Public Service Commission

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of this Recommendation have been mailed with first class postage, hand-delivered, transmitted by facsimile or transmitted via e-mail to all counsel and/or parties of record this 7th day of February 2006.

**/s/ Robert S. Berlin**

# APPENDIX A

## STAFF MEMORANDUM & ATTACHMENTS

### CASE NO. WR-2006-0286

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Memo Attachment D:	Second Customer Notice Public Comments

## Official Case File Memorandum

## **MEMORANDUM**

TO: Missouri Public Service Commission Official Case File  
Case No. WR-2006-0286 - - - KMB Utility Corporation

FROM: Dale W. Johansen – Project Coordinator  
Water & Sewer Department  
John Cassidy – Auditing Department  
Sean DeVore – Auditing Department  
Guy Gilbert – Engineering & Management Services Department  
Debbie Bernsen – Engineering & Management Services Department  
Matt Barnes – Financial Analysis Department  
Steve Loethen – Water & Sewer Department  
James M. Russo – Water & Sewer Department

<u>/s/ Dale W. Johansen</u>	<u>02/07/06</u>
Project Coordinator	Date
<u>/s/ Robert S. Berlin</u>	<u>02/07/06</u>
General Counsel's Office	Date

SUBJECT: Staff Recommendation for Approval of Tariff Revisions, Agreement Regarding  
Disposition of Small Company Rate Increase Request and Depreciation Rates

DATE: February 7, 2006

### **BACKGROUND**

KMB Utility Corporation ("Company") initiated the subject small company rate increase request ("Request") by submitting a letter to the Secretary of the Commission, which was received at the Commission's offices on May 2, 2005 (hereafter, all dates refer to the year 200X unless otherwise noted). The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-3.635, Water Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure").

By its Request, the Company was seeking Commission approval of customer rates intended to generate an aggregate increase of \$152,229 in its total annual water service operating revenues. More specifically, the requested increases in the annual water system operating revenues for each of its service areas were as follows: Cedar Hills Estates service area in Jefferson County - \$26,269; Crestview Acres service area in Franklin County - \$15,808; High Ridge Manor service area in Jefferson County - \$9,253; Hillshine Community service area in Franklin County - \$6,868; Lakewood Hills service area in Jefferson County - \$65,291; City of Scotsdale service area in Jefferson County - \$19,790; and Warren Woods service area in Jefferson County - \$8,950. As stated

by the Company in its Request letter, the reasons for the requested increase in its water service operating revenues are: increases in operation and maintenance expenses and to provide an adequate return on investment.

The Company provides water service to approximately 460 customers, the vast majority of which are residential customers. The Company's current rates (those resulting from the Company's last rate case) went into effect on May 21, 2003.

Upon receipt of the Company's letter that initiated the Request, personnel in the Commission's Data Center entered the letter into the Commission's electronic filing and information system ("EFIS") and the system assigned Work I.D. No. QW-2005-0006 to the Request. The Company's request was then routed to the Commission's Water & Sewer Department ("W/S Dept") for processing under the Small Company Rate Increase Procedure. A copy of the Company's request letter is identified as item number 1 in the EFIS tracking file for the Request.

By a letter dated May 26, which Staff members in the W/S Dept had previously approved, the Company notified its customers of the Request. As a part of this initial customer notice, the Company requested that its customers' questions or comments be directed to the Commission Staff and/or the Office of the Public Counsel ("OPC"). A copy of the initial customer notice is identified as item number 2 in the EFIS tracking file for the Request.

### **STAFF'S INVESTIGATION AND CONCLUSIONS**

As noted at the beginning of this Memorandum, Staff members from the Accounting, Engineering & Management Services, Financial Analysis and Water & Sewer Departments participated in the Staff's investigation of the Company's Request. All Staff participants, and all of their respective up-line supervisors, were provided the opportunity to review and comment on this Memorandum prior to it being filed. Dale Johansen of the W/S Dept created the initial draft of this Memorandum and comments received from the reviewers were incorporated therein to create this final version of the Memorandum.

In response to the Company's initial customer notice, the W/S Dept Staff received 5 phone calls, 15 letters, 10 e-mails, 1 fax and 27 EFIS public comment forms regarding the proposed increase. These customer responses addressed the level of the proposed increase and service-related matters. Copies of the customers' letters, faxes, e-mails and EFIS public comments forms, the Staff's correspondence to customers, if any, and the W/S Dept's customer contact log are included in item number 4 in the EFIS tracking file for the Request. Consistent with established practice, the W/S Dept Staff conducted investigations of the customer responses that addressed service-related matters, and a summary of the W/S Dept's investigation regarding those matters is also included in item number 4 in the EFIS tracking file. The W/S Dept provided copies of the customers' letters, faxes, e-mails and EFIS public comment forms, and its customer contact log, to the OPC and the Company shortly after the customer comment period ended.

Based upon an audit of the Company's books and records, a determination of the Company's rate base investments and necessary operating expenses, an evaluation of the Company's depreciation rates and an analysis of the Company's capital structure and cost of capital, and an investigation of the Company's business and system operations, the Staff concluded that an aggregate increase of \$9,221 in the Company's annual water service operating revenues is warranted.

In addition to its conclusion regarding the increase in the Company's annual operating revenues, the Staff concluded that new/modified depreciation rates need to be prescribed for the Company, that certain changes in the Company's miscellaneous service charges, connection fees, business operations and system operations are warranted.

On November 22, the Staff forwarded information regarding the above items to representatives of the Company and the OPC for their review and response.

### **RESPONSES TO STAFF'S FINDINGS AND SUBSEQUENT ACTIONS**

Pursuant to negotiations held subsequent to the Company's and the OPC's receipt of the above-referenced information regarding the results of the Staff's investigation of the Company's Request, a written *Company/Staff Agreement Regarding Disposition of Small Water Company Rate Increase Request* ("Disposition Agreement") was reached between the Staff and the Company. The Staff and the Company also reached an agreement regarding the tariff revisions needed to implement the terms of the Disposition Agreement.

The Disposition Agreement reflects the following agreements: (1) that an aggregate increase of \$9,221 in the Company's water annual operating revenues is necessary; (2) that certain changes to the Company's service charges are appropriate; (3) that certain changes to the Company's system operations are appropriate; (4) that certain changes to the Company's administrative operations are appropriate; (5) that new/modified depreciation rates need to be prescribed for the Company; (6) that the rates included in the above-referenced agreed-upon tariff revisions are designed to generate revenues sufficient to recover the Company's total annualized cost of service; and (7) that the rates included in the above-referenced agreed-upon tariff revisions are just and reasonable. (The specific agreements between the Company and the Staff are set out on pages 2 & 3 of the Disposition Agreement, which the Staff filed in this case on January 13, 2006, and which can be found in the EFIS case file as item number 2.)

Since the above-referenced Disposition Agreement was only between the Company and the Staff, the Company was required to send a notice to its customers regarding the proposed tariff revisions resulting from the Disposition Agreement. By a letter dated January 13, 2006, which Staff members in the W/S Dept had previously approved, the Company notified its customers of its proposed tariff revisions. As a part of that notice, the Company requested that its customers' questions or comments be directed to the Staff and/or the OPC. In response to this second customer notice, which was filed



in the case papers on January 31, 2006, and which can be found in the EFIS case file as item number 5, the W/S Dept Staff received 2 letters and 3 EFIS public comment forms. These customer responses addressed the size of the rate increase.

By a letter that was stamped received by personnel in the Commission's Data Center on January 4, 2006, the Company submitted revised tariff sheets including the agreed-upon tariff revisions that are necessary to implement the terms of the Disposition Agreement. Upon receipt of that tariff filing, Data Center personnel scanned the filing and entered it into EFIS, and the instant case was created (the transmittal letter and revised tariff sheets are included in item number 1 in the EFIS case file). As required by the Small Company Rate Increase Procedure, the subject revised tariff sheets bore an effective date that was more than 45 days past the issue date. As is also required by the Small Company Rate Increase Procedure, the above-referenced Disposition Agreement has been filed in the case papers. (As noted previously, the Staff filed the Disposition Agreement on January 13, 2006.)

### **ADDITIONAL INFORMATION**

In addition to the above-noted documents that are in the EFIS tracking file and EFIS case file, the following documents are included with this Memorandum: (1) the Staff's ratemaking income statement, rate design worksheet and customer bill comparison are included in Attachment A; (2) the Staff's revenue requirement audit workpapers are included in Attachment B; (3) the Staff's overview of the Company and its customer service procedures and practices is included in Attachment C; and (4) copies of the customer responses to the second customer notice are included in Attachment D.

Pursuant to a review of available electronic information maintained by the Commission's Budget & Fiscal Services Department and Data Center, and in EFIS, the Staff notes that the Company was current on the payment of its Commission assessments and on the filing of its Commission annual reports when it submitted its Request, as is required by the Small Company Rate Case Procedure. The Staff also notes that the Company remains current on those matters as of the writing of this Memorandum. The assessment information reviewed covers fiscal years 1996 through 2006 (the Company is paying its FY2006 assessment on a quarterly basis), and the annual report information reviewed covers calendar years 1997 through 2004.

Additionally, the Staff notes that the Company has other matters pending before the Commission in Case No. SR-2006-0285; however, it is the Staff's opinion that approval of the subject tariff revisions in this case will not affect the matters pending in that case.

Lastly, the Staff notes that the Company received no "notices of violations" from the Missouri Department of Natural Resources (DNR) during the test year used for the Request and has also not received any since the end of the test year to date. With further regard to this matter, the Staff notes

that on January 25, 2006, DNR, in compliance with a Commission order issued on January 13, 2006, filed its "Statement of Compliance for KMB Utility Corporation" in which it stated the following:

"The Department does not consider the water supply company to be in significant non-compliance or a threat to public health or the environment at this time. However, the company has failed to submit lead/copper samples as required by the department for the time period of June through September of 2005 for the Warren Wood subdivision located in House Springs Missouri."

Staff verified with DNR on February 7, 2006, that the lead/copper sample was submitted for the 2005 year. However, DNR sent the Company the wrong sized container for collecting the sample. DNR stated that the Company will be required to retest in the summer of 2006 and the Company has received credit for testing in 2005.

### **STAFF'S RECOMMENDATIONS**

Based upon the above, the Staff recommends that the Commission issue an order in this case that:

- \* Approves the revised tariff sheets that the Company filed on January 4, 2006, to be effective for service rendered on and after February 21, 2006;
- \* Approves the Disposition Agreement submitted in this case;
- \* Directs the Company to comply with the terms of the Disposition Agreement; and
- \* Prescribes the depreciation rates set out on Attachment D to the Disposition Agreement submitted in this case as the depreciation rates authorized for the Company's use.

### **List of Attachments**

Attachment A: Ratemaking Income Statement, Rate Design Worksheet and Customer Bill Comparison

Attachment B: Revenue Requirement Audit Workpapers

Attachment C: Overview of Company and Customer Service Operations

Attachment D: Customer Responses to Second Customer Notice

## Memo Attachment A

Ratemaking Income Statement, Rate Design  
Worksheet & Customer Bill Comparison

## Cedar Hills Estates

# KMB UTILITY CORPORATION-CEDAR HILLS ESTATES

## Rate Making Income Statement-Water

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	39,636
2	Other Operating Revenues *	\$	2,240
3	<b>Total Operating Revenues</b>	<b>\$</b>	<b>41,876</b>
4	* See "Revenues - Current Rates" for Details		

### Cost of Service

	Item	Amount
1	Water Treatment Expense-Chemicals	\$ -
2	Water Treatment -Testing/Laboratory Fees	\$ -
3	Operators Salary	\$ 5,990
4	Other Wages	\$ 68
5	Repairs and Maintenance Expense	\$ 1,000
6	Vehicle Fuel Expense	\$ 1,318
7	Electricity	\$ 1,707
7	Permit Fees-Miscellaneous	\$ 311
8	Administration & General - Salaries	\$ 9,740
9	Professional Services-Accounting	\$ 701
10	Professional Services-Legal	\$ 123
11	Office Supplies	\$ 137
12	Bank Charges	\$ 286
13	Office Rent	\$ 1,180
14	Telephones	\$ 518
15	Insurance	\$ 1,499
16	Postage	\$ 976
17	Employee Pensions & Benefits	\$ 956
18	Regulatory Commission Expense	\$ 239
19	Computer Maintenance Expense	\$ 148
20	Miscellaneous General Expenses	\$ 375
21	<b>Sub-Total Operating Expenses</b>	<b>\$ 27,272</b>
22	Property Taxes	\$ 1,102
23	MO Franchise Taxes	\$ -
24	Employer FICA Taxes	\$ 1,297
25	State & Federal Income Taxes	\$ -
26	<b>Sub-Total Taxes</b>	<b>\$ 2,399</b>
27	Depreciation Expense	\$ 7,983
28	Amortization of Utility Plant (tank painting)	\$ 1,870
29	<b>Sub-Total Depreciation/Amortization</b>	<b>\$ 9,853</b>
30	<b>Return on Rate Base</b>	<b>\$ 5,782</b>
31	<b>Total Cost of Service</b>	<b>\$ 45,306</b>
32	<b>Overall Revenue Increase Needed</b>	<b>\$ 3,430</b>

# KMB UTILITY CORPORATION-CEDAR HILLS ESTATES

## Development of Tariffed Rates-Water

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

Revenues Generated by Current Tariffed Rates	\$ 39,636
Agreed-Upon Overall Revenue Increase	\$ 3,430
Percentage Increase Needed	8.654%

### Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
3/4"	\$ 7.99	\$ 8.68	\$ 1.690	\$ 1.836
1"	\$ 13.32	\$ 14.47	\$ 1.690	\$ 1.836
		\$ -	\$ -	\$ -

# KMB UTILITY CORPORATION-CEDAR HILLS ESTATES

## 3/4" Meter Residential Customer Bill Comparison-Water

### Rates for 5/8" Meter

<u>Current Base Service Charge</u>	<u>Proposed Base Service Charge</u>	<u>Current Usage Rate</u>	<u>Proposed Usage Rate</u>
<u>\$7.99</u>	<u>\$8.68</u>	<u>\$1.690</u>	<u>\$1.836</u>

current service charge is monthly charge

### MONTHLY BILL COMPARISON

#### Current Rates

Service Charge	\$ 7.99
Usage Charge	\$ 10.14
Total Bill	\$ 18.13

#### Proposed Rates

Service Charge	\$ 8.68
Usage Charge	\$ 11.02
Total Bill	\$ 19.70

#### INCREASES

##### Service Charge

\$ Increase	\$0.69
% Increase	8.65%

##### Usage Charge

\$ Increase	\$0.88
% Increase	8.65%

##### Total Bill

\$ Increase	\$1.57
% Increase	8.65%

## Crestview Acres



# KMB UTILITY CORPORATION-CRESTVIEW ACRES

## Rate Making Income Statement-Water

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	12,648
2	Other Operating Revenues *	\$	815
3	<b>Total Operating Revenues</b>	<b>\$</b>	<b>13,463</b>

4 \* See "Revenues - Current Rates" for Details

### Cost of Service

Item	Amount
1 Operators Salary	\$ 2,904
2 Other Wages	\$ 36
3 Electricity	\$ 1,209
4 Repairs and Maintenance Expense	\$ 1,500
5 Vehicle Fuel Expense	\$ 511
6 Other Assessments	\$ 241
7 Administration & General - Salaries	\$ 1,561
8 Professional Services-Accounting	\$ 197
9 Professional Services-Legal	\$ 35
10 Office Supplies	\$ 38
11 Bank Charges	\$ 80
12 Office Rent	\$ 331
13 Telephone	\$ 262
14 Postage	\$ 274
15 Insurance	\$ 421
16 Computer Maintenance Fee	\$ 41
17 Employee Pensions & Benefits	\$ 506
18 Regulatory Commission Expense	\$ 67
19 Miscellaneous General Expenses	\$ 204
20 <b>Sub-Total Operating Expenses</b>	<b>\$ 10,418</b>
21 Property Taxes	\$ 60
22 MO Franchise Taxes	\$ -
23 Employer FICA Taxes	\$ 347
24 Federal Unemployment Taxes	\$ -
25 State Unemployment Taxes	\$ -
26 State & Federal Income Taxes	\$ -
27 <b>Sub-Total Taxes</b>	<b>\$ 407</b>
28 Depreciation Expense	\$ 1,514
29 Amortization of Utility Plant (computer system)	\$ -
30 <b>Sub-Total Depreciation/Amortization</b>	<b>\$ 1,514</b>
31 <b>Return on Rate Base</b>	<b>\$ 1,690</b>
32 <b>Total Cost of Service</b>	<b>\$ 14,029</b>
33 <b>Overall Revenue Increase Needed</b>	<b>\$ 566</b>

# KMB UTILITY CORPORATION-CRESTVIEW ACRES

## Development of Tariffed Rates-Water

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

Revenues Generated by Current Tariffed Rates	\$ 12,648
Agreed-Upon Overall Revenue Increase	\$ 566
Percentage Increase Needed	4.478%

### Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
3/4"	\$ 8.43	\$ 8.81	\$ 2.490	\$ 2.602
1"	\$ -	\$ -	\$ -	\$ -
2"	\$ -	\$ -	\$ -	\$ -
3"	\$ -	\$ -	\$ -	\$ -
4"	\$ -	\$ -	\$ -	\$ -
6"+	\$ -	\$ -	\$ -	\$ -

# KMB UTILITY CORPORATION-CRESTVIEW ACRES

## Residential Customer Bill Comparison-Water

### Rates for 5/8" Meter

<u>Current Base Service Charge</u>	<u>Proposed Base Service Charge</u>	<u>Current Usage Rate</u>	<u>Proposed Usage Rate</u>
\$8.43	\$8.81	\$2.490	\$2.602

current service charge is monthly charge

### MONTHLY BILL COMPARISON

#### Current Rates

Service Charge	\$ 8.43
Usage Charge	\$ 14.94
Total Bill	\$ 23.37

#### Proposed Rates

Service Charge	\$ 8.81
Usage Charge	\$ 15.61
Total Bill	\$ 24.42

#### INCREASES

#### Service Charge

\$ Increase	\$0.38
% Increase	4.48%

#### Usage Charge

\$ Increase	\$0.67
% Increase	4.48%

#### Total Bill

\$ Increase	\$1.05
% Increase	4.48%

## High Ridge Manor

# KMB UTILITY CORPORATION-HIGH RIDGE MANOR

## Rate Making Income Statement-Water

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	22,351
2	Other Operating Revenues *	\$	1,085
3	<b>Total Operating Revenues</b>	<b>\$</b>	<b>23,436</b>
4	* See "Revenues - Current Rates" for Details		

### Cost of Service

Item	Amount
1 Operators Salary	\$ 2,506
2 Other Wages	\$ 28
3 Electricity	\$ 1,640
4 Repair and Maintenance Expense	\$ 1,750
5 Vehicle Fuel Expense	\$ 590
6 Permit Fees	\$ 269
7 Administration & General - Salaries	\$ 4,774
8 Professional Services-Accounting	\$ 299
9 Professional Services-Legal	\$ 52
10 Office Supplies	\$ 58
11 Bank Charges	\$ 122
12 Office Rent	\$ 504
13 Telephone	\$ 214
14 Postage	\$ 417
15 Insurance	\$ 640
16 Computer Maintenance Fee	\$ 63
17 Employee Pensions & Benefits	\$ 394
18 Regulatory Commission Expense	\$ 102
19 Miscellaneous General Expenses	\$ 136
20 <b>Sub-Total Operating Expenses</b>	<b>\$ 14,558</b>
21 Property Taxes	\$ 848
22 MO Franchise Taxes	\$ -
23 Employer FICA Taxes	\$ 607
24 Federal Unemployment Taxes	\$ -
25 State Unemployment Taxes	\$ -
26 State & Federal Income Taxes	\$ -
27 <b>Sub-Total Taxes</b>	<b>\$ 1,455</b>
28 Depreciation Expense	\$ 1,699
29 Amortization of Utility Plant (computer system)	\$ -
30 <b>Sub-Total Depreciation/Amortization</b>	<b>\$ 1,699</b>
31 <b>Return on Rate Base</b>	<b>\$ 899</b>
32 <b>Total Cost of Service</b>	<b>\$ 18,611</b>
33 <b>Overall Revenue Increase Needed</b>	<b>\$ (4,825)</b>

# KMB UTILITY CORPORATION-HIGH RIDGE MANOR

## Development of Tariffed Rates-Water

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

Revenues Generated by Current Tariffed Rates	\$ 22,351
Agreed-Upon Overall Revenue Increase	\$ (4,825)
Percentage Increase Needed	-21.588%

### Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
3/4"	\$ 8.34	\$ 6.54	\$ 3.110	\$ 2.439
1"	\$ -	\$ -	\$ -	\$ -
2"	\$ -	\$ -	\$ -	\$ -
3"	\$ -	\$ -	\$ -	\$ -
4"	\$ -	\$ -	\$ -	\$ -
6"+	\$ -	\$ -	\$ -	\$ -

# KMB UTILITY CORPORATION-HIGH RIDGE MANOR

## Residential Customer Bill Comparison-Water

Rates for 5/8" Meter			
Current Base Service Charge	Proposed Base Service Charge	Current Usage Rate	Proposed Usage Rate
<u>\$8.34</u>	<u>\$6.54</u>	<u>\$3.110</u>	<u>\$2.439</u>

current service charge is monthly charge

### MONTHLY BILL COMPARISON

#### Current Rates

Service Charge	\$ 8.34
Usage Charge	\$ 18.66
Total Bill	<u>\$ 27.00</u>

#### Proposed Rates

Service Charge	\$ 6.54
Usage Charge	\$ 14.63
Total Bill	<u>\$ 21.17</u>

#### INCREASES

##### Service Charge

\$ Increase	(\$1.80)
% Increase	-21.59%

##### Usage Charge

\$ Increase	(\$4.03)
% Increase	-21.59%

##### Total Bill

\$ Increase	(\$5.83)
% Increase	-21.59%

## Hillshine Community



# KMB UTILITY CORPORATION-HILLSHINE

## Rate Making Income Statement-Water

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	7,526
2	Other Operating Revenues *	\$	425
3	<b>Total Operating Revenues</b>	<b>\$</b>	<b>7,951</b>
4	* See "Revenues - Current Rates" for Details		

### Cost of Service

Item	Amount
1 Operators Salary	\$ 2,121
2 Other Wages	\$ 24
3 Electricity	\$ 496
4 Repairs and Maintenance Expense	\$ 600
5 Vehicle Fuel Expense	\$ 338
6 Other Assessments	\$ 251
7 Administration & General - Salaries	\$ 937
8 Professional Services-Accounting	\$ 118
9 Professional Services-Legal	\$ 21
10 Office Supplies	\$ 23
11 Bank Charges	\$ 48
12 Office Rent	\$ 199
13 Telephone	\$ 174
14 Postage	\$ 165
15 Insurance	\$ 253
16 Computer Maintenance Fee	\$ 25
17 Employee Pensions & Benefits	\$ 337
18 Regulatory Commission Expense	\$ 40
19 Miscellaneous General Expenses	\$ 107
20 <b>Sub-Total Operating Expenses</b>	<b>\$ 6,277</b>
21 Property Taxes	\$ 37
22 MO Franchise Taxes	\$ -
23 Employer FICA Taxes	\$ 251
24 Federal Unemployment Taxes	\$ -
25 State Unemployment Taxes	\$ -
26 State & Federal Income Taxes	\$ -
27 <b>Sub-Total Taxes</b>	<b>\$ 288</b>
28 Depreciation Expense	\$ 694
29 Amortization of Utility Plant (computer system)	\$ -
30 <b>Sub-Total Depreciation/Amortization</b>	<b>\$ 694</b>
31 <b>Return on Rate Base</b>	<b>\$ 847</b>
32 <b>Total Cost of Service</b>	<b>\$ 8,106</b>
33 <b>Overall Revenue Increase Needed</b>	<b>\$ 155</b>

# KMB UTILITY CORPORATION-HILLSHINE

## Development of Tariffed Rates-Water

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

Revenues Generated by Current Tariffed Rates	\$ 7,526
Agreed-Upon Overall Revenue Increase	\$ 155
Percentage Increase Needed	2.059%

### Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
3/4"	\$ 10.11	\$ 10.32	\$ 1.960	\$ 2.000
1"	\$ -	\$ -	\$ -	\$ -
2"	\$ -	\$ -	\$ -	\$ -
3"	\$ -	\$ -	\$ -	\$ -
4"	\$ -	\$ -	\$ -	\$ -
6"+	\$ -	\$ -	\$ -	\$ -

# KMB UTILITY CORPORATION-HILLSHINE

## Residential Customer Bill Comparison-Water

### Rates for 5/8" Meter

<u>Current Base Service Charge</u>	<u>Proposed Base Service Charge</u>	<u>Current Usage Rate</u>	<u>Proposed Usage Rate</u>
<b>\$10.11</b>	<b>\$10.32</b>	<b>\$1.960</b>	<b>\$2.000</b>

current service charge is monthly charge

### MONTHLY BILL COMPARISON

#### Current Rates

Service Charge	\$ 10.11
Usage Charge	\$ 11.76
Total Bill	\$ 21.87

#### Proposed Rates

Service Charge	\$ 10.32
Usage Charge	\$ 12.00
Total Bill	\$ 22.32

#### INCREASES

##### Service Charge

\$ Increase	<b>\$0.21</b>
% Increase	<b>2.06%</b>

##### Usage Charge

\$ Increase	<b>\$0.24</b>
% Increase	<b>2.06%</b>

##### Total Bill

\$ Increase	<b>\$0.45</b>
% Increase	<b>2.06%</b>

## Lakewood Hills

# KMB UTILITY CORPORATION-LAKEWOOD HILLS

## Rate Making Income Statement-Water

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	37,066
2	Other Operating Revenues *	\$	1,170
3	<b>Total Operating Revenues</b>	<b>\$</b>	<b>38,236</b>
4	* See "Revenues - Current Rates" for Details		

### Cost of Service

Item	Amount
1 Operators Salary	\$ 9,011
2 Other Wages	\$ 108
3 Electricity	\$ 2,739
4 Repairs and Maintenance Expense	\$ 5,250
5 Vehicle Fuel Expense	\$ 1,720
6 Other Assessments	\$ 301
7 Administration & General - Salaries	\$ 6,824
8 Professional Services-Accounting	\$ 445
9 Professional Services-Legal	\$ 78
10 Office Supplies	\$ 87
11 Bank Charges	\$ 181
12 Office Rent	\$ 749
13 Telephone	\$ 780
14 Postage	\$ 620
15 Insurance	\$ 951
16 Computer Maintenance Fee	\$ 94
17 Employee Pensions & Benefits	\$ 1,518
18 Regulatory Commission Expense	\$ 151
19 Miscellaneous General Expenses	\$ 368
20 <b>Sub-Total Operating Expenses</b>	<b>\$ 31,975</b>
21 Property Taxes	\$ 41
22 MO Franchise Taxes	\$ -
23 Employer FICA Taxes	\$ 1,257
24 Federal Unemployment Taxes	\$ -
25 State Unemployment Taxes	\$ -
26 State & Federal Income Taxes	\$ -
27 <b>Sub-Total Taxes</b>	<b>\$ 1,298</b>
28 Depreciation Expense	\$ 5,176
29 Amortization of Utility Plant (easement)	\$ 2,007
30 <b>Sub-Total Depreciation/Amortization</b>	<b>\$ 7,183</b>
31 <b>Return on Rate Base</b>	<b>\$ 8,184</b>
32 <b>Total Cost of Service</b>	<b>\$ 48,640</b>
33 <b>Overall Revenue Increase Needed</b>	<b>\$ 10,404</b>

# KMB UTILITY CORPORATION-LAKEWOOD HILLS

## Development of Tariffed Rates-Water

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

Revenues Generated by Current Tariffed Rates	\$ 37,066
Agreed-Upon Overall Revenue Increase	\$ 10,404
Percentage Increase Needed	28.069%

### Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
3/4"	\$ 9.62	\$ 12.32	\$ 2.500	\$ 3.202
1"	\$ -	\$ -	\$ -	\$ -
2"	\$ -	\$ -	\$ -	\$ -
3"	\$ -	\$ -	\$ -	\$ -
4"	\$ -	\$ -	\$ -	\$ -
6"+	\$ -	\$ -	\$ -	\$ -

# KMB UTILITY CORPORATION-LAKEWOOD HILLS

## Residential Customer Bill Comparison-Water

Rates for 5/8" Meter			
Current Base Service Charge	Proposed Base Service Charge	Current Usage Rate	Proposed Usage Rate
\$9.62	\$12.32	\$2.500	\$3.202

current service charge is monthly charge

### MONTHLY BILL COMPARISON

#### Current Rates

Service Charge	\$ 9.62
Usage Charge	\$ 15.00
Total Bill	\$ 24.62

#### Proposed Rates

Service Charge	\$ 12.32
Usage Charge	\$ 19.21
Total Bill	\$ 31.53

#### INCREASES

##### Service Charge

\$ Increase	\$2.70
% Increase	28.07%

##### Usage Charge

\$ Increase	\$4.21
% Increase	28.07%

##### Total Bill

\$ Increase	\$6.91
% Increase	28.07%

Scotsdale



# KMB UTILITY CORPORATION-SCOTSDALE

## Rate Making Income Statement-Water

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	14,855
2	Other Operating Revenues *	\$	545
3	<b>Total Operating Revenues</b>	<b>\$</b>	<b>15,400</b>
4	* See "Revenues - Current Rates" for Details		

### Cost of Service

Item	Amount
1 Operators Salary	\$ 828
2 Other Wages	\$ 12
3 Electricity	\$ 1,277
4 Chemicals	\$ 241
5 Repairs and Maintenance Expense	\$ 1,200
6 Vehicle Fuel Expense	\$ 187
7 Other Assessments	\$ 231
8 Administration & General - Salaries	\$ 1,124
9 Professional Services-Accounting	\$ 142
10 Professional Services-Legal	\$ 25
11 Office Supplies	\$ 28
12 Bank Charges	\$ 58
13 Office Rent	\$ 239
14 Telephone	\$ 92
15 Postage	\$ 197
16 Insurance	\$ 303
17 Computer Maintenance Fee	\$ 30
18 Employee Pensions & Benefits	\$ 169
19 Regulatory Commission Expense	\$ 48
20 Miscellaneous General Expenses	\$ 92
21 <b>Sub-Total Operating Expenses</b>	<b>\$ 6,523</b>
22 Property Taxes	\$ 384
23 MO Franchise Taxes	\$ -
24 Employer FICA Taxes	\$ 153
25 Federal Unemployment Taxes	\$ -
26 State Unemployment Taxes	\$ -
27 State & Federal Income Taxes	\$ -
28 <b>Sub-Total Taxes</b>	<b>\$ 537</b>
29 Depreciation Expense	\$ 2,762
30 Amortization of Utility Plant (computer system)	\$ -
31 <b>Sub-Total Depreciation/Amortization</b>	<b>\$ 2,762</b>
32 <b>Return on Rate Base</b>	<b>\$ 4,975</b>
33 <b>Total Cost of Service</b>	<b>\$ 14,797</b>
34 <b>Overall Revenue Increase Needed</b>	<b>\$ (603)</b>

# KMB UTILITY CORPORATION-SCOTSDALE

## Development of Tariffed Rates-Water

Agreement is to decrease currently tariffed rates by a percentage equal to the agreed-upon overall revenue decrease divided by the revenues generated by the currently tariffed rates.

Revenues Generated by Current Tariffed Rates	\$ 14,855
Agreed-Upon Overall Revenue Increase	\$ (603)
Percentage Increase Needed	-4.057%

### Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
3/4"	\$ 31.50	\$ 30.22	\$ -	\$ -
Commercial	\$ 38.22	\$ 36.67	\$ 4.100	\$ 3.934
2"	\$ -	\$ -	\$ -	\$ -
3"	\$ -	\$ -	\$ -	\$ -
4"	\$ -	\$ -	\$ -	\$ -
6"+	\$ -	\$ -	\$ -	\$ -

# KMB UTILITY CORPORATION-SCOTSDALE

## Residential Customer Bill Comparison-Water

### Rates for 5/8" Meter

<u>Current Base Service Charge</u>	<u>Proposed Base Service Charge</u>	<u>Current Usage Rate</u>	<u>Proposed Usage Rate</u>
<b>\$31.50</b>	<b>\$30.22</b>	<b>\$0.000</b>	<b>\$0.000</b>

current service charge is monthly charge

### MONTHLY BILL COMPARISON

#### Current Rates

Service Charge	\$ 31.50
Usage Charge	\$ -
Total Bill	\$ 31.50

#### Proposed Rates

Service Charge	\$ 30.22
Usage Charge	\$ -
Total Bill	\$ 30.22

#### INCREASES

##### Service Charge

\$ Increase	(\$1.28)
% Increase	-4.06%

##### Usage Charge

\$ Increase	\$0.00
% Increase	N/A

##### Total Bill

\$ Increase	(\$1.28)
% Increase	-4.06%

Warren Woods

# KMB UTILITY CORPORATION-WARREN WOODS

## Rate Making Income Statement

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	9,609
2	Other Operating Revenues *	\$	325
3	<b>Total Operating Revenues</b>	<b>\$</b>	<b>9,934</b>
4	* See "Revenues - Current Rates" for Details		

### Cost of Service

Item	Amount
1 Operators Salary	\$ 659
2 Other Wages	\$ 8
3 Electricity	\$ 1,289
4 Chemicals	\$ 141
5 Repairs and Maintenance Expense	\$ 500
6 Vehicle Fuel Expense	\$ 122
7 Other Assessments	\$ 220
8 Administration & General - Salaries	\$ 656
9 Professional Services-Accounting	\$ 83
10 Professional Services-Legal	\$ 15
11 Office Supplies	\$ 16
12 Bank Charges	\$ 34
13 Office Rent	\$ 139
14 Telephone	\$ 60
15 Postage	\$ 115
16 Insurance	\$ 177
17 Computer Maintenance Fee	\$ 17
18 Employee Pensions & Benefits	\$ 112
19 Regulatory Commission Expense	\$ 28
20 Miscellaneous General Expenses	\$ 49
21 <b>Sub-Total Operating Expenses</b>	<b>\$ 4,440</b>
22 Property Taxes	\$ 408
23 MO Franchise Taxes	\$ -
24 Employer FICA Taxes	\$ 109
25 Federal Unemployment Taxes	\$ -
26 State Unemployment Taxes	\$ -
27 State & Federal Income Taxes	\$ -
28 <b>Sub-Total Taxes</b>	<b>\$ 517</b>
29 Depreciation Expense	\$ 2,076
30 Amortization of Utility Plant (computer system)	\$ -
31 <b>Sub-Total Depreciation/Amortization</b>	<b>\$ 2,076</b>
32 <b>Return on Rate Base</b>	<b>\$ 2,997</b>
33 <b>Total Cost of Service</b>	<b>\$ 10,030</b>
34 <b>Overall Revenue Increase Needed</b>	<b>\$ 96</b>

# KMB UTILITY CORPORATION-WARREN WOODS

## Development of Tariffed Rates

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

Revenues Generated by Current Tariffed Rates	\$ 9,609
Agreed-Upon Overall Revenue Increase	\$ 96
Percentage Increase Needed	1.002%

## Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
3/4"	\$ 38.13	\$ 38.51	\$ -	\$ -
1"	\$ -	\$ -	\$ -	\$ -
2"	\$ -	\$ -	\$ -	\$ -
3"	\$ -	\$ -	\$ -	\$ -
4"	\$ -	\$ -	\$ -	\$ -
6"+	\$ -	\$ -	\$ -	\$ -

# KMB UTILITY CORPORATION-WARREN WOODS

## Residential Customer Bill Comparison

### Rates for 5/8" Meter

<u>Current Base Service Charge</u>	<u>Proposed Base Service Charge</u>	<u>Current Usage Rate</u>	<u>Proposed Usage Rate</u>
\$38.12	\$38.51	\$0.000	\$0.000

current service charge is monthly charge

### MONTHLY BILL COMPARISON

#### Current Rates

Service Charge	\$ 38.12
Usage Charge	\$ -
Total Bill	\$ 38.12

#### Proposed Rates

Service Charge	\$ 38.51
Usage Charge	\$ -
Total Bill	\$ 38.51

#### INCREASES

#### Service Charge

\$ Increase	\$0.39
% Increase	1.03%

#### Usage Charge

\$ Increase	\$0.00
% Increase	N/A

#### Total Bill

\$ Increase	\$0.39
% Increase	1.03%

## Memo Attachment B

### Revenue Requirement Audit Workpapers



## Cedar Hills Estates

KMB/Cedar Hill  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
EXPENSE SCHEDULE

Line Number	A Description	B Account Number (Optional)	C Company/ Test Year Amount	D Staff Annualized	E Difference (1)	F Adjustment Number
1	OPERATIONS EXPENSES					
2	Officer Salary - Ann		\$3,539	\$3,196	(\$343)	W-1
3	Support Staff Salary - Vicki		\$7,987	\$6,544	(\$1,443)	W-2
4	Operators Salary - Donald		\$4,100	\$5,990	\$1,890	W-3
5	Other Wages- Roger		\$205	\$68	(\$137)	W-4
6	Payroll Taxes		\$5,173	\$1,297	(\$3,876)	W-5
7	Operating Expenses		\$1,453	\$0	(\$1,453)	W-6
8	Vehicle Fuel Expense		\$2,801	\$1,318	(\$1,483)	W-7
9	Electricity		\$1,707	\$1,707	\$0	
10	Outside Services		\$150	\$0	(\$150)	W-8
11	Total Operations Expense		\$27,115	\$20,120	(\$6,995)	
12	MAINTENANCE EXPENSES					
13	Tank Painting Annualization		\$0	\$1,870	\$1,870	W-9
14	Repairs and Maintenance		\$201	\$1,000	\$799	W-10
15	Total Maintenance Expense		\$201	\$2,870	\$2,669	
16	ADMINISTRATIVE & GENERAL EXPENSES					
17	Professional Services- Accounting		\$764	\$701	(\$63)	W-11
18	Professional Services- Legal		\$785	\$123	(\$662)	W-12
19	Bank Charges		\$44	\$286	\$242	W-13
20	Office Rent		\$1,286	\$1,180	(\$106)	W-14
21	Telephone		\$399	\$246	(\$153)	W-15
22	AOL		\$48	\$44	(\$4)	W-16
23	Cell Phone		\$254	\$157	(\$97)	W-17
24	Pager		\$127	\$71	(\$56)	W-18
25	Postage		\$1,372	\$976	(\$396)	W-19
26	Office Supplies		\$149	\$137	(\$12)	W-20
	Computer Maintenance Fee		\$0	\$148	\$148	W-21
27	Certification Expense		\$45	\$43	(\$3)	W-22
28	Business Insurance		\$1,527	\$1,499	(\$28)	W-23
29	Health Insurance		\$502	\$956	\$454	W-24
30	Loan Payments- Ann Rudy		\$1,380	\$0	(\$1,380)	W-25
31	Other Misc. Expenses		\$1,349	\$332	(\$1,017)	W-26
32	Total Administrative and General		\$10,031	\$6,897	(\$3,134)	
33	OTHER OPERATING EXPENSES					
34	Taxes Other Than Income					
35	Property		\$1,102	\$1,102	\$0	
36	PSC Assessment		\$331	\$239	(\$92)	W-27
37	Misc. Assessments		\$746	\$311	(\$435)	W-28
38	Depreciation		\$1,846	\$7,983	\$6,137	W-29
39	TOTAL EXPENSES BEFORE INCOME TAX		\$41,372	\$39,520	(\$1,852)	

(1) Automatic Description Required Description Should Provide Breakdown of Salaries

KMB/Cedar Hill  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Expense Adjustment Schedule

A Expense Adjustment Number	B Subset Adjustment	C Adjustment Description	D Account Number	E Total Adjustment Amount
ALL ADJUSTMENTS INCLUDE ALLOCATIONS BASED ON CUSTOMER NUMBERS.				
W-1		Officer Salary - Ann To allocate Officer Salary based on customer numbers		(343)
W-2		Support Staff Salary - Vicki To adjust salary based on hours worked at current salary levels		(1,443)
W-3		Operators Salary - Donald To adjust salary based on current salary levels		1,890
W-4		Other Wages- Roger To remove salary for part-time employee		(137)
W-5		Payroll Taxes To adjust payroll taxes for current salary levels and remove employee portion of payroll tax expense		(3,876)
W-6		Operating Expenses To reclassify repairs, miscellaneous and capital items		(1,453)
W - 7		Vehicle Fuel Expense To adjust fuel expense to current fuel prices and remove vehicle payments		(1,483)
W - 8		Outside Services To reclassify repairs, miscellaneous and capital items		(150)
W - 9		Tank Painting Annualization To include annualized tank painting expense		1,870
W - 10		Repairs and Maintenance To include current annualized level of repairs and maintenance		799
W - 11		Professional Services- Accounting To allocate accounting expense based on customer number		(63)
W - 12		Professional Services- Legal To normalize legal expense and remove expenses associated with the KMB and Cedar Hill merger		(662)
W - 13		Bank Charges To include normal bank account charges		242
W - 14		Office Rent To allocate rent based on customer number		(106)
W - 15		Telephone To allocate telephone expenses based on customer numbers and reclassify capital items		(153)
W - 16		AOL To allocate internet expenses based on customer number		(4)
W - 17		Cell Phone To allocate cell phone expense based on customer number and remove nonrecurring charges		(97)
W - 18		Pager To allocate pager expense based on customer number and remove nonrecurring charges		(56)
W - 19		Postage To adjust postage expense based on the number of customer billings		(396)
W - 20		Office Supplies To allocate supplies expense based on customer number		(12)
W - 21		Computer Maintenance Fee To include billing program maintenance fee		148
W - 22		Certification Expense To include operator certification expense		(3)
W - 23		Business Insurance To annualize business insurance at current rate		(28)
W - 24		Health Insurance To annualize health insurance at current rate		454
W - 25		Loan Payments- Ann Rudy To remove payments to Ann Rudy that Staff classified as "draws"		(1,380)
W - 26		Other Misc. Expenses To reclassify capital items		(1,017)
W - 27		PSC Assessment To allocate PCS assessments based on customer number and adjust at current assessment level		(92)
W - 28		Misc. Assessments To annualize misc. assessments at current levels and remove assessments related to lobbying		(435)
W - 29		Depreciation To update depreciation expense to current rates and plant balances		6,137
		Total Expense Adjustments		(1,852)

KMB/Cedar Hill  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
REVENUE SUMMARY SCHEDULE

ANNUALIZED & NORMALIZED REVENUES

Line Number	<u>A</u> Description	Residential		Commercial		Class #3		Total	
		<u>B</u> Amount	<u>C</u> Amount	<u>D</u> Amount	<u>E</u> Amount	<u>F</u> Amount	<u>G</u> Amount	<u>H</u> Amount	<u>I</u> Amount
1	<u>Customer Charge Revenues:</u>								
2	Customer Number	176		2				178	
3	Customer Bills Per year	2,112		24				2,136	
4	Existing Monthly Customer Charge Tariff	<u>\$7.99</u>		<u>\$13.32</u>					
5	Annualized Customer Charge Revenues		\$16,875		\$320				\$17,195
6	<u>Commodity Charge Revenues:</u>								
7	Total Gallons Sold	11,519,981		1,759,000				13,278,981	
8	Less: Base Gallons Included In Customer Charge	<u>-</u>		<u>-</u>				<u>-</u>	
9	Commodity Gallons	11,519,981		1,759,000				13,278,981	
8	Existing Commodity Charge / 1,000 gallons	<u>\$1.69</u>		<u>\$1.69</u>					
9	Annualized Commodity Charge Revenues		<u>\$19,469</u>		<u>\$2,973</u>				<u>\$22,441</u>
10	Total Annualized Water Rate Revenues		\$36,344		\$3,292				\$39,636
11	Miscellaneous Revenues		<u>\$2,240</u>		<u>\$0</u>				<u>\$2,240</u>
12	Total Annualized Water Service Revenues		<u><u>\$38,584</u></u>		<u><u>\$3,292</u></u>				<u><u>\$41,876</u></u>

KMB/Cedar Hill  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
RATE DESIGN SCHEDULE

Rate Making Income Statement - Water

<u>A</u> Description	<u>B</u> Account Number (Optional)	<u>C</u> Staff Annualized	<u>D</u>	<u>E</u>
Annualized Revenues	(1)	\$41,876		
<b>OPERATIONS EXPENSES</b>	(2)		Customer Charge	Commodity
Officer Salary - Ann		\$3,196		
Support Staff Salary - Vicki		\$6,544		
Operators Salary - Donald		\$5,990		
Other Wages- Roger		\$68		
Payroll Taxes		\$1,297		
Operating Expenses		\$0		
Vehicle Fuel Expense		\$1,318		
Electricity		\$1,707		
Outside Services		\$0		
Total Operations Expense		\$20,120		
<b>MAINTENANCE EXPENSES</b>				
Tank Painting Annualization		\$1,870		
Repairs and Maintenance		\$1,000		
Total Maintenance Expense		\$2,870		
<b>ADMINISTRATIVE &amp; GENERAL EXPENSES</b>				
Professional Services- Accounting		\$701		
Professional Services- Legal		\$123		
Bank Charges		\$286		
Office Rent		\$1,180		
Telephone		\$246		
AOL		\$44		
Cell Phone		\$157		
Pager		\$71		
Postage		\$976		
Office Supplies		\$137		
Computer Maintenance Fee		\$148		
Certification Expense		\$43		
Business Insurance		\$1,499		
Health Insurance		\$956		
Loan Payments- Ann Rudy		\$0		
Other Misc. Expenses		\$332		
Total Administrative and General		\$6,897		
<b>OTHER OPERATING EXPENSES</b>				
Taxes Other Than Income				
Property		\$1,102		
PSC Assessment		\$239		
Misc. Assessments		\$311		
Depreciation		\$7,983		
<b>TOTAL EXPENSES BEFORE INCOME TAX</b>		\$39,520		
Return on Investment & Current Income Taxes	(3)	5,782		
<b>TOTAL COST OF SERVICE</b>		45,303	\$0	\$0
Less: Miscellaneous Revenues	(4)	2,240	2,240	
<b>COST TO RECOVER IN RATES</b>		43,063	-2,240	0
<b>INCREMENTAL INCREASE IN RATE REVENUES</b>		3,427	8.18%	
<b>REQUESTED INCREASE IN REVENUES</b>		\$26,269		

Revenue Summary

**KMB/Cedar Hill**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Rate of Return Including Income Tax**

		<u>A</u>		<u>B</u>	<u>formulas</u>
1	State Income Tax Rate Statutory / Effective	<b>6.27%</b>	(2)	<b>5.83%</b>	$(1 - (B2 \times .5)) \times A1$
2	Federal Income Tax Rate Statutory / Effective	<b>15.00%</b>	(1) & (2)	<b>14.13%</b>	$(1 - B1) \times A2$
3	Composite Effective Income Tax Rate			<b>19.95%</b>	$B1 + B2$
4	Equity Tax Factor			<b>1.2493</b>	$1 / (1 - B3)$
5	Recommended Weighted Rate of Return on Equity - Common and Preferred			<b>8.78%</b>	From Capital Structure
6	Weighted Rate of Return on Equity Including Income Tax			<b>10.97%</b>	$B4 \times B5$
7	Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term			<b>0.27%</b>	From Capital Structure
8	Total Weighted Rate of Return Including Income Tax			<b>11.24%</b>	$B6 + B7$

To Rate Base

(1)

**Tax Rate Table**

<u>Net Income</u>	<u>Tax Rate</u>
\$0 - 50,000	15%
\$50,001 - 75,000	25%
\$75,001 - 100,000	34%
\$100,001 - 335,000	39%
\$335,001 - and over	34%

(2) Insert 0s For The Tax Rates If Sub-Chapter S Corporation

**KMB/Cedar Hill**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**RATE BASE, RETURN on INVESTMENT**  
**and INCOME TAX SCHEDULE**

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount	
1	Plant In Service	\$147,165	From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$95,724</u>	From Depreciation Reserve Schedule
3	Net Plant In Service	\$51,441	
4	Other Rate Base Items:	<u>\$0</u>	
5	Total Rate Base	\$51,441	
6	Total Weighted Rate of Return Including Income Tax	<u>11.24%</u>	From Return & Taxes
7	Required Return & Income Tax	<u>\$5,782</u>	

**KMB/Cedar Hill**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Capital Structure Schedule**

Line Number	<u>A</u> Description	<u>B</u> Dollar Amount	<u>C</u> Percentage of Total Capital Structure	<u>D</u> Embedded Cost of Capital	<u>E</u> Weighted Cost of Capital
1	Common Stock	\$261,018	96.58%	9.09%	8.779%
2	Preferred Stock	\$0	0.00%	0.00%	0.000%
3	Long Term Debt	\$9,255	3.42%	8.00%	0.274%
4	Short Term Debt	<u>\$0</u>	<u>0.00%</u>	0.00%	<u>0.000%</u>
5	TOTAL CAPITALIZATION	<u>\$270,273</u>	<u>100.00%</u>		<u>9.0527%</u>

To PreTax Return Rate



KMB/Cedar Hill  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Plant In Service

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F As Adjusted Plant
1		<b>SOURCE OF SUPPLY PLANT</b>				
2	321	Structures & Improvements	\$0			\$0
3	314	Wells & Springs	\$9,704			\$9,704
4		Total Source of Supply Plant	\$9,704		\$0	\$9,704
5		<b>PUMPING PLANT</b>				
6	325	Electric Pumping Equipment	\$9,883			\$9,883
7	328	Other Pumping Equipment	\$0			\$0
8		Total Pumping Plant	\$9,883		\$0	\$9,883
9		<b>WATER TREATMENT PLANT</b>				
10	321	Structures & Improvements	\$0			\$0
11		Water Treatment Equipment	\$0			\$0
12		Total Water Treatment Plant	\$0		\$0	\$0
13		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>				
14	342	Distribution Reservoirs & Standpipes	\$14,884			\$14,884
15	343	Transmission & Distribution Mains	\$24,417			\$24,417
16	346.2	Meters- Plastic Chamber	\$51,957	P - 1	-\$475	\$51,482
17	346.2	Meter Installations- Plastic	\$11,237			\$11,237
18	348	Hydrants	\$0			\$0
19		Total Trans. & Distribution Plant	\$102,495		-\$475	\$102,020
20		<b>GENERAL PLANT</b>				
21	301	Organization	\$20,076			\$20,076
22	391.1	Office Computer Equipment	\$1,289			\$1,289
23	392	Transportation Equipment	\$3,186			\$3,186
24	394	Tools, Shop, Garage Equipment	\$1,007			\$1,007
25		Total General Plant	\$25,558		\$0	\$25,558
26		<b>TOTAL PLANT IN SERVICE</b>	<u>\$147,640</u>		<u>-\$475</u>	<u>\$147,165</u>

**KMB/Cedar Hill  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Schedule of Adjustments for  
Plant In Service**

<u>A</u> Plant Adjustment Number	<u>B</u> Plant In Service Adjustments Description	<u>C</u> Adjustment Subtotal	<u>D</u> Total Adjustment Amount
P - 1	Meters- Plastic Chamber		(\$475)
	1 To remove plant classified as CIAC	(\$475)	
	Total Plant Adjustments		<u><u>-\$475</u></u>
		To Plant Schedule	

KMB/Cedar Hill  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Accumulated Depreciation Reserve

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F As Adjusted Reserve
1		<b>SOURCE OF SUPPLY PLANT</b>				
2	321	Structures & Improvements	\$0			\$0
3	314	Wells & Springs	\$10,181			\$10,181
4		Total Source of Supply Plant	\$10,181		\$0	\$10,181
5		<b>PUMPING PLANT</b>				
6	325	Electric Pumping Equipment	\$2,045			\$2,045
7	328	Other Pumping Equipment	\$0			\$0
8		Total Pumping Plant	\$2,045		\$0	\$2,045
9		<b>WATER TREATMENT PLANT</b>				
10	321	Structures & Improvements	\$0			\$0
11		Water Treatment Equipment	\$0			\$0
12		Total Water Treatment Plant	\$0		\$0	\$0
13		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>				
14	342	Distribution Reservoirs & Standpipes	\$15,970			\$15,970
15	343	Transmission & Distribution Mains	\$26,458			\$26,458
16	346.2	Meters- Plastic Chamber	\$16,987	R - 1	-\$111	\$16,876
17	346.2	Meter Installations- Plastic	\$2,779			\$2,779
18	348	Hydrants	\$0			\$0
19		Total Trans. & Distribution Plant	\$62,194		-\$111	\$62,083
20		<b>GENERAL PLANT</b>				
21	301	Organization	\$20,076			\$20,076
22	391.1	Office Computer Equipment	\$250			\$250
23	392	Transportation Equipment	\$929			\$929
24	394	Tools, Shop, Garage Equipment	\$160			\$160
25		Total General Plant	\$21,415		\$0	\$21,415
26		<b>TOTAL DEPRECIATION RESERVE</b>	\$95,835		-\$111	\$95,724

To Rate Base

**KMB/Cedar Hill  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Schedule of Adjustments for  
Accumulated Depreciation Reserve**

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Adjustment Subtotal	<u>D</u> Total Adjustment Amount
R-1	Meters- Plastic Chamber		(\$111)
	1 To remove reserve classified as CIAC	(\$111)	
	Total Reserve Adjustments		<u>(\$111)</u>
		To Reserve Schedule	

KMB/Cedar Hill  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Depreciation Expense

Line Number	<u>A</u> Account Number	<u>B</u> Plant Account Description	<u>C</u> Adjusted Plant	<u>D</u> Depreciation Rate	<u>E</u> Depreciation Expense
1		<b>SOURCE OF SUPPLY PLANT</b>			
2	321	Structures & Improvements	\$0	0.0000%	\$0
3	314	Wells & Springs	\$9,704	0.0000%	\$0
4		Total Source of Supply Plant	\$9,704		\$0
5		<b>PUMPING PLANT</b>			
6	325	Electric Pumping Equipment	\$9,883	10.0000%	\$988
7	328	Other Pumping Equipment	\$0	4.0000%	\$0
8		Total Pumping Plant	\$9,883		\$988
9		<b>WATER TREATMENT PLANT</b>			
10	321	Structures & Improvements	\$0	0.0000%	\$0
11		Water Treatment Equipment	\$0	0.0000%	\$0
12		Total Water Treatment Plant	\$0		\$0
13		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>			
14	342	Distribution Reservoirs & Standpipes	\$14,884	0.0000%	\$0
15	343	Transmission & Distribution Mains	\$24,417	0.0000%	\$0
16	346.2	Meters- Plastic Chamber	\$51,482	10.0000%	\$5,148
17	346.2	Meter Installations- Plastic	\$11,237	10.0000%	\$1,124
18	348	Hydrants	\$0	2.0000%	\$0
19		Total Trans. & Distribution Plant	\$102,020		\$6,272
20		<b>GENERAL PLANT</b>			
21	301	Organization	\$20,076	0.0000%	\$0
22	391.1	Office Computer Equipment	\$1,289	20.0000%	\$258
23	392	Transportation Equipment	\$3,186	13.0000%	\$414
24	394	Tools, Shop, Garage Equipment	\$1,007	5.0000%	\$50
25		Total General Plant	\$25,558		\$722
26		Total Depreciation	\$147,165		\$7,983

## Crestview Acres

KMB/Crestview  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
EXPENSE SCHEDULE

Line Number	A Description	B Account Number (Optional)	C Company/ Test Year Amount	D Staff Annualized	E Difference (1)	F Adjustment Number
1	OPERATIONS EXPENSES					
2	Officer Salary - Ann		\$1,003	\$898	-\$105	W-1
3	Support Staff Salary - Vicki		\$1,997	\$663	-\$1,334	W-2
4	Operators Salary - Donald		\$2,840	\$2,904	\$64	W-3
5	Other Wages- Roger		\$320	\$36	-\$284	W-4
6	Payroll Taxes		\$1,564	\$347	-\$1,217	W-5
7	Operating Expenses		\$138	\$0	-\$138	W-6
8	Vehicle Fuel Expense		\$799	\$511	-\$288	W-7
9	Electricity		\$1,209	\$1,209	\$0	
10	Outside Services		\$1,885	\$0	-\$1,885	W-8
11	Total Operations Expense		\$11,755	\$6,569	-\$5,186	
12	MAINTENANCE EXPENSES					
13	Repairs and Maintenance		\$45	\$1,500	\$1,455	W-9
14	Total Maintenance Expense		\$45	\$1,500	\$1,455	
15	ADMINISTRATIVE & GENERAL EXPENSES					
16	Professional Services- Accounting		\$218	\$197	-\$21	W-10
17	Professional Services- Legal		\$224	\$35	-\$189	W-11
18	Bank Charges		\$13	\$80	\$67	W-12
19	Office Rent		\$367	\$331	-\$36	W-13
20	Telephone		\$114	\$130	\$16	W-14
21	AOL		\$14	\$12	-\$2	W-15
22	Cell Phone		\$72	\$83	\$11	W-16
23	Pager		\$36	\$37	\$1	W-17
24	Postage		\$395	\$274	-\$121	W-18
25	Office Supplies		\$42	\$38	-\$4	W-19
	Computer Maintenance Fee		\$0	\$41	\$41	W-20
26	Certification Expense		\$13	\$23	\$10	W-21
27	Business Insurance		\$435	\$421	-\$14	W-22
28	Health Insurance		\$143	\$506	\$363	W-23
29	Loan Payments- Ann Rudy		\$393	\$0	-\$393	W-24
30	Other Misc. Expenses		\$586	\$181	-\$405	W-25
31	Total Administrative and General		\$3,065	\$2,391	-\$674	
32	OTHER OPERATING EXPENSES					
33	Taxes Other Than Income					
34	Property		\$62	\$60	-\$2	W-26
35	PSC Assessment		\$141	\$67	-\$74	W-27
36	Misc. Assessments		\$371	\$241	-\$130	W-28
37	Depreciation		\$1,846	\$1,514	-\$332	W-29
38	TOTAL EXPENSES BEFORE INCOME TAX		\$17,285	\$12,341	-\$4,944	

(1) Automatic Description Required Description Should Provide Breakdown of Salaries

KMB/Crestview  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Expense Adjustment Schedule

A Expense Adjustment Number	B Subset Adjustment	C Adjustment Description	D Account Number	E Total Adjustment Amount
W-1 (1)		Officer Salary - Ann To allocate Officer Salary based on customer numbers		(105)
W-2 (1)		Support Staff Salary - Vicki To adjust salary based on hours worked at current salary levels		(1,334)
W-3 (1)		Operators Salary - Donald To adjust salary based on current salary levels		64
W-4 (1)		Other Wages- Roger To remove salary for part-time employee		(284)
W-5		Payroll Taxes To adjust payroll taxes for current salary levels and remove employee portion of payroll tax expense		(1,217)
W - 6		Operating Expenses To reclassify repairs, miscellaneous and capital items		(138)
W - 7		Vehicle Fuel Expense To adjust fuel expense to current fuel prices and remove vehicle payments		(288)
W - 8		Outside Services To reclassify repairs, miscellaneous and capital items		(1,885)
W - 9		Repairs and Maintenance To include current annualized level of repairs and maintenance		1,455
W - 10		Professional Services- Accounting To allocate accounting expense based on customer number		(21)
W - 11		Professional Services- Legal To normalize legal expense and remove expenses associated with the KMB and Cedar Hill merger		(189)
W - 12		Bank Charges To include normal bank account charges		67
W - 13		Office Rent To allocate rent based on customer number		(36)
W - 14		Telephone To allocate telephone expenses based on customer numbers and reclassify capital items		16
W - 15		AOL To allocate internet expenses based on customer number		(2)
W - 16		Cell Phone To allocate cell phone expense based on customer number and remove nonrecurring charges		11
W - 17		Pager To allocate pager expense based on customer number and remove nonrecurring charges		1
W - 18		Postage To adjust postage expense based on the number of customer billings		(121)
W - 19		Office Supplies To allocate supplies expense based on customer number		(4)
W - 20		Computer Maintenance Fee To include billing program maintenance fee		41
W - 21		Certification Expense To include operator certification expense		10
W - 22		Business Insurance To annualize business insurance at current rate		(14)
W - 23		Health Insurance To annualize health insurance at current rate		363
W - 24		Loan Payments- Ann Rudy To remove payments to Ann Rudy that Staff classified as "draws"		(393)
W - 25		Other Misc. Expenses To reclassify capital items		(405)
W - 26		Property To allocate personal property taxes based on customer number		(2)
W - 27		PSC Assessment To allocate PCS assessments based on customer number and adjust at current assessment level		(74)
W - 28		Misc. Assessments To annualize misc. assessments at current levels and remove assessments related to lobbying		(130)
W - 29		Depreciation To update depreciation expense to current rates and plant balances		(332)
Total Expense Adjustments				(4,944)



KMB/Crestview  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
REVENUE SUMMARY SCHEDULE

ANNUALIZED & NORMALIZED REVENUES

Line Number	A Description	Residential		Commercial		Class #3		Total	
		B Amount	C Amount	D Amount	E Amount	F Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>								
2	Customer Number	50		-				50	
3	Customer Bills Per year	600		-				600	
4	Existing Monthly Customer Charge Tariff	<u>\$8.43</u>		<u>\$0.00</u>		<u></u>			
5	Annualized Customer Charge Revenues		\$5,058		\$0				\$5,058
6	<u>Commodity Charge Revenues:</u>								
7	Total Gallons Sold	3,048,050		-				3,048,050	
8	Less: Base Gallons Included In Customer Charge	<u></u>		<u>-</u>		<u></u>		<u>-</u>	
9	Commodity Gallons	3,048,050		-				3,048,050	
8	Existing Commodity Charge / 1,000 gallons	<u>\$2.49</u>		<u>\$0.00</u>		<u></u>			
9	Annualized Commodity Charge Revenues		<u>\$7,590</u>		<u>\$0</u>				<u>\$7,590</u>
10	Total Annualized Water Rate Revenues		\$12,648		\$0				\$12,648
11	Miscellaneous Revenues		<u>\$815</u>		<u>\$0</u>				<u>\$815</u>
12	Total Annualized Water Service Revenues		<u><u>\$13,463</u></u>		<u><u>\$0</u></u>				<u><u>\$13,463</u></u>

KMB/Crestview  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
RATE DESIGN SCHEDULE

Rate Making Income Statement - Water

<u>A</u> Description	<u>B</u> Account Number (Optional)	<u>C</u> Staff Annualized	<u>D</u>	<u>E</u>
Annualized Revenues	(1)	\$13,463		
<b>OPERATIONS EXPENSES</b>	(2)		Customer Charge	Commodity
Officer Salary - Ann		\$898		
Support Staff Salary - Vicki		\$663		
Operators Salary - Donald		\$2,904		
Other Wages- Roger		\$36		
Payroll Taxes		\$347		
Operating Expenses		\$0		
Vehicle Fuel Expense		\$511		
Electricity		\$1,209		
Outside Services		\$0		
Total Operations Expense		\$6,569		
<b>MAINTENANCE EXPENSES</b>				
Repairs and Maintenance		\$1,500		
Total Maintenance Expense		\$1,500		
<b>ADMINISTRATIVE &amp; GENERAL EXPENSES</b>				
Professional Services- Accounting		\$197		
Professional Services- Legal		\$35		
Bank Charges		\$80		
Office Rent		\$331		
Telephone		\$130		
AOL		\$12		
Cell Phone		\$83		
Pager		\$37		
Postage		\$274		
Office Supplies		\$38		
Computer Maintenance Fee		\$41		
Certification Expense		\$23		
Business Insurance		\$421		
Health Insurance		\$506		
Loan Payments- Ann Rudy		\$0		
Other Misc. Expenses		\$181		
Total Administrative and General		\$2,391		
<b>OTHER OPERATING EXPENSES</b>				
Taxes Other Than Income				
Property		\$60		
PSC Assessment		\$67		
Misc. Assessments		\$241		
Depreciation		\$1,514		
<b>TOTAL EXPENSES BEFORE INCOME TAX</b>		\$12,341		
Return on Investment & Current Income Taxes	(3)	1,690		
<b>TOTAL COST OF SERVICE</b>		14,031	\$0	\$0
Less: Miscellaneous Revenues	(4)	815	815	
<b>COST TO RECOVER IN RATES</b>		13,216	-815	0
<b>INCREMENTAL INCREASE IN RATE REVENUES</b>		568	4.22%	
<b>REQUESTED INCREASE IN REVENUES</b>		\$15,808		

Revenue Summary

KMB/Crestview  
 Informal Rate Case  
 QW-2005-0006  
 Test Year Ending 3/31/05  
 Rate of Return Including Income Tax

		<u>A</u>		<u>B</u>	<u>formulas</u>
1	State Income Tax Rate Statutory / Effective	6.27%	(2)	5.83%	$(1 - (B2 \times .5)) \times A1$
2	Federal Income Tax Rate Statutory / Effective	15.00%	(1) & (2)	14.13%	$(1 - B1) \times A2$
3	Composite Effective Income Tax Rate			19.95%	$B1 + B2$
4	Equity Tax Factor			1.2493	$1 / (1 - B3)$
5	Recommended Weighted Rate of Return on Equity - Common and Preferred			8.78%	From Capital Structure
6	Weighted Rate of Return on Equity Including Income Tax			10.97%	$B4 \times B5$
7	Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term			0.27%	From Capital Structure
8	Total Weighted Rate of Return Including Income Tax			11.24%	$B6 + B7$

To Rate Base

(1)

Tax Rate Table

<u>Net Income</u>	<u>Tax Rate</u>
\$0 - 50,000	15%
\$50,001 - 75,000	25%
\$75,001 - 100,000	34%
\$100,001 - 335,000	39%
\$335,001 - and over	34%

(2) Insert 0s For The Tax Rates If Sub-Chapter S Corporation

**KMB/Crestview**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**RATE BASE, RETURN on INVESTMENT**  
**and INCOME TAX SCHEDULE**

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount	
1	Plant In Service	\$39,627	From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$24,597</u>	From Depreciation Reserve Schedule
3	Net Plant In Service	\$15,030	
4	Other Rate Base Items:	<u>\$0</u>	
5	Total Rate Base	\$15,030	
6	Total Weighted Rate of Return Including Income Tax	<u>11.24%</u>	From Return & Taxes
7	Required Return & Income Tax	<u>\$1,690</u>	

**KMB/Crestview**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Capital Structure Schedule**

Line Number	<u>A</u> Description	<u>B</u> Dollar Amount	<u>C</u> Percentage of Total Capital Structure	<u>D</u> Embedded Cost of Capital	<u>E</u> Weighted Cost of Capital
1	Common Stock	\$261,018	96.58%	9.09%	8.779%
2	Preferred Stock	\$0	0.00%	0.00%	0.000%
3	Long Term Debt	\$9,255	3.42%	8.00%	0.274%
4	Short Term Debt	<u>\$0</u>	<u>0.00%</u>	0.00%	<u>0.000%</u>
5	TOTAL CAPITALIZATION	<u>\$270,273</u>	<u>100.00%</u>		<u>9.0527%</u>

To PreTax Return Rate

KMB/Crestview  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Plant In Service

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F As Adjusted Plant
1		<b>SOURCE OF SUPPLY PLANT</b>				
2	321	Structures & Improvements	\$1,391	P - #		\$1,391
3		Total Source of Supply Plant	\$1,391		\$0	\$1,391
4		<b>PUMPING PLANT</b>				
5	325	Electric Pumping Equipment	\$9,065			\$9,065
6	328	Other Pumping Equipment- depreciated	\$18,792			\$18,792
7	328	Other Pumping Equipment	\$3,021			\$3,021
8		Total Pumping Plant	\$30,878		\$0	\$30,878
9		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>				
10	343	Transmission & Distribution Mains	\$2,777			\$2,777
11	346.2	Meters- Plastic Chamber	\$551	P - 1	-\$475	\$76
12	346.2	Meter Installations- Plastic	\$420			\$420
13		Total Trans. & Distribution Plant	\$3,748		-\$475	\$3,273
14		<b>GENERAL PLANT</b>				
15	301	Organization	\$1,600			\$1,600
16	391.1	Office Computer Equipment	\$370			\$370
17	392	Transportation Equipment	\$1,470	P - #		\$1,470
18	394	Tools, Shop, Garage Equipment	\$630			\$630
19	397	Communication Equipment	\$15			\$15
20		Total General Plant	\$4,085		\$0	\$4,085
21		<b>TOTAL PLANT IN SERVICE</b>	<u>\$40,102</u>		<u>-\$475</u>	<u>\$39,627</u>

**KMB/Crestview  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Schedule of Adjustments for  
Plant In Service**

<u>A</u> Plant Adjustment Number	<u>B</u> Plant In Service Adjustments Description	<u>C</u> Adjustment Subtotal	<u>D</u> Total Adjustment Amount
P - 1	Meters- Plastic Chamber		(\$475)
	1 To remove plant classified as CIAC	(\$475)	
	Total Plant Adjustments		<u><u>- \$475</u></u>
		To Plant Schedule	

KMB/Crestview  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Accumulated Depreciation Reserve

Line Number	A Account Number	B Depreciation Reserve Descriptior	C Total Reserve	D Adjustment Number	E Adjustments	F As Adjusted Reserve
1		<b>SOURCE OF SUPPLY PLANT</b>				
2	321	Structures & Improvements	\$1,117	R -		\$1,117
3		Total Source of Supply Plant	\$1,117		\$0	\$1,117
4		<b>PUMPING PLANT</b>				
5	325	Electric Pumping Equipment	-\$1,634			-\$1,634
6	328	Other Pumping Equipment- depreciated	\$20,994			\$20,994
7	328	Other Pumping Equipment	\$479			\$479
8		Total Pumping Plant	\$19,839		\$0	\$19,839
9		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>				
10	343	Transmission & Distribution Mains	\$995			\$995
11	346.2	Meters- Plastic Chamber	\$327	R - 1	-\$111	\$216
12	346.2	Meter Installations- Plastic	\$98			\$98
13		Total Trans. & Distribution Plant	\$1,420		-\$111	\$1,309
14		<b>GENERAL PLANT</b>				
15	301	Organization	\$1,614			\$1,614
16	391.1	Office Computer Equipment	\$74			\$74
17	392	Transportation Equipment	\$429	R -		\$429
18	394	Tools, Shop, Garage Equipment	\$215			\$215
19	397	Communication Equipment	\$4			\$4
20		Total General Plant	\$2,332		\$0	\$2,332
21		<b>TOTAL DEPRECIATION RESERVE</b>	<u>\$24,708</u>		<u>-\$111</u>	<u>\$24,597</u>
						To Rate Base



**KMB/Crestview**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Schedule of Adjustments for**  
**Accumulated Depreciation Reserve**

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Adjustment Subtotal	<u>D</u> Total Adjustment Amount
R-1	Meters- Plastic Chamber		(\$111)
	1 To remove reserve classified as CIAC	(\$111)	
	Total Reserve Adjustments		<u>(\$111)</u>
		To Reserve Schedule	

KMB/Crestview  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Depreciation Expense

Line Number	<u>A</u> Account Number	<u>B</u> Plant Account Description	<u>C</u> Adjusted Plant	<u>D</u> Depreciation Rate	<u>E</u> Depreciation Expense
1		<b>SOURCE OF SUPPLY PLANT</b>			
2	321	Structures & Improvements	\$1,391	2.5000%	\$35
3		Total Source of Supply Plant	\$1,391		\$35
4		<b>PUMPING PLANT</b>			
5	325	Electric Pumping Equipment	\$9,065	10.0000%	\$907
6	328	Other Pumping Equipment- depreciated	\$18,792	0.0000%	\$0
7	328	Other Pumping Equipment	\$3,021	4.0000%	\$170
8		Total Pumping Plant	\$30,878		\$1,077
9		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>			
10	343	Transmission & Distribution Mains	\$2,777	2.0000%	\$56
11	346.2	Meters- Plastic Chamber	\$76	10.0000%	\$8
12	346.2	Meter Installations- Plastic	\$420	10.0000%	\$42
13		Total Trans. & Distribution Plant	\$3,273		\$105
14		<b>GENERAL PLANT</b>			
15	301	Organization	\$1,600	0.0000%	\$0
16	391.1	Office Computer Equipment	\$370	20.0000%	\$74
17	392	Transportation Equipment	\$1,470	13.0000%	\$191
18	394	Tools, Shop, Garage Equipment	\$630	5.0000%	\$32
19	397	Communication Equipment	\$15	6.7000%	\$1
20		Total General Plant	\$4,085		\$298
21		Total Depreciation	\$39,627		\$1,514

-Two-year depreciati  
remaining Plant balai

## High Ridge Manor

KMB/High Ridge Manor  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
EXPENSE SCHEDULE

Line Number	A Description	B Account Number (Optional)	C Company/ Test Year Amount	D Staff Annualized	E Difference (1)	F Adjustment Number
1	OPERATIONS EXPENSES					
2	Officer Salary - Ann		\$1,154	\$1,365	\$211	W-1
3	Support Staff Salary - Vicki		\$1,997	\$3,409	\$1,412	W-2
4	Operators Salary - Donald		\$3,663	\$2,506	-\$1,157	W-3
5	Other Wages- Roger		\$550	\$28	-\$522	W-4
6	Payroll Taxes		\$1,918	\$607	-\$1,311	W-5
7	Operating Expenses		\$1,834	\$0	-\$1,834	W-6
8	Vehicle Fuel Expense		\$979	\$590	-\$389	W-7
9	Electricity		\$1,640	\$1,640	\$0	
10	Outside Services		\$0	\$0	\$0	
11	Total Operations Expense		\$13,735	\$10,145	-\$3,590	
12	MAINTENANCE EXPENSES					
13	Repairs and Maintenance		\$678	\$1,750	\$1,072	W-8
14	Total Maintenance Expense		\$678	\$1,750	\$1,072	
15	ADMINISTRATIVE & GENERAL EXPENSES					
16	Professional Services- Accounting		\$267	\$299	\$32	W-9
17	Professional Services- Legal		\$275	\$52	-\$223	W-10
18	Bank Charges		\$471	\$122	-\$349	W-11
19	Office Rent		\$450	\$504	\$54	W-12
20	Telephone		\$140	\$101	-\$39	W-13
21	AOL		\$17	\$19	\$2	W-14
22	Cell Phone		\$89	\$65	-\$24	W-15
23	Pager		\$44	\$29	-\$15	W-16
24	Postage		\$483	\$417	-\$66	W-17
25	Office Supplies		\$52	\$58	\$6	W-18
	Computer Maintenance Fee		\$0	\$63	\$63	W-19
26	Certification Expense		\$16	\$18	\$2	W-20
27	Business Insurance		\$534	\$640	\$106	W-21
28	Health Insurance		\$176	\$394	\$218	W-22
29	Loan Payments- Ann Rudy		\$483	\$0	-\$483	W-23
30	Other Misc. Expenses		\$672	\$118	-\$554	W-24
31	Total Administrative and General		\$4,169	\$2,898	-\$1,271	
32	OTHER OPERATING EXPENSES					
33	Taxes Other Than Income					
34	Property		\$845	\$848	\$3	W-25
35	PSC Assessment		\$173	\$102	-\$71	W-26
36	Misc. Assessments		\$448	\$269	-\$179	W-27
37	Depreciation		\$1,846	\$1,699	-\$147	W-28
38	TOTAL EXPENSES BEFORE INCOME TAX		\$21,894	\$17,712	-\$4,182	

(1) Automatic Description Required Description Should Provide Breakdown of Salaries

KMB/High Ridge Manor  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Expense Adjustment Schedule

A Expense Adjustment Number	B Subset Adjustment	C Adjustment Description	D Account Number	E Total Adjustment Amount
W-1 (1)		Officer Salary - Ann To allocate Officer Salary based on customer numbers		211
W-2 (1)		Support Staff Salary - Vicki To adjust salary based on hours worked at current salary levels		1,412
W-3 (1)		Operators Salary - Donald To adjust salary based on current salary levels		(1,157)
W-4 (1)		Other Wages- Roger To remove salary for part-time employee		(522)
W-5		Payroll Taxes To adjust payroll taxes for current salary levels and remove employee portion of payroll tax expense		(1,311)
W - 6		Operating Expenses To reclassify repairs, miscellaneous and capital items		(1,834)
W - 7		Vehicle Fuel Expense To adjust fuel expense to current fuel prices and remove vehicle payments		(389)
W - 8		Repairs and Maintenance To include current annualized level of repairs and maintenance		1,072
W - 9		Professional Services- Accounting To allocate accounting expense based on customer numbers		32
W - 10		Professional Services- Legal To normalize legal expense and remove expenses associated with the KMB and Cedar Hill merger		(223)
W - 11		Bank Charges To include normal bank account charges		(349)
W - 12		Office Rent To allocate rent based on customer numbers		54
W - 13		Telephone To allocate telephone expenses based on customer numbers and reclassify capital items		(39)
W - 14		AOL To allocate internet expenses based on customer numbers		2
W - 15		Cell Phone To allocate cell phone expense based on customer numbers and remove nonrecurring charges		(24)
W - 16		Pager To allocate pager expense based on customer numbers and remove nonrecurring charges		(15)
W - 17		Postage To adjust postage expense based on the number of customer billings		(66)
W - 18		Office Supplies To allocate supplies expense based on customer numbers		6
W - 19		Computer Maintenance Fee To include billing program maintenance fees		63
W - 20		Certification Expense To include operator certification expenses		2
W - 21		Business Insurance To annualize business insurance at current rates		106
W - 22		Health Insurance To annualize health insurance at current rates		218
W - 23		Loan Payments- Ann Rudy To remove payments to Ann Rudy that Staff classifies as "draws"		(483)
W - 24		Other Misc. Expenses To reclassify capital items		(554)
W - 25		Property To allocate personal property taxes based on customer numbers		3
W - 26		PSC Assessment To allocate PCS assessments based on customer numbers and adjust at current assessment levels		(71)
W - 27		Misc. Assessments To annualize misc. assessments at current levels and remove assessments related to lobbying		(179)
W - 28		Depreciation To update depreciation expense to current rates and plant balances		(147)
Total Expense Adjustments				(4,182)

KMB/High Ridge Manor  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
REVENUE SUMMARY SCHEDULE

ANNUALIZED & NORMALIZED REVENUES

Line Number	A Description	Residential		Commercial		Class #3		Total	
		B Amount	C Amount	D Amount	E Amount	F Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>								
2	Customer Number	76		-				76	
3	Customer Bills Per year	912		-				912	
4	Existing Monthly Customer Charge Tariff	<u>\$8.34</u>		<u>\$0.00</u>		<u></u>			
5	Annualized Customer Charge Revenues		\$7,606		\$0				\$7,606
6	<u>Commodity Charge Revenues:</u>								
7	Total Gallons Sold	4,741,150		-				4,741,150	
8	Less: Base Gallons Included In Customer Charge	<u>-</u>		<u>-</u>		<u></u>		<u>-</u>	
9	Commodity Gallons	4,741,150		-				4,741,150	
8	Existing Commodity Charge / 1,000 gallons	<u>\$3.11</u>		<u>\$0.00</u>		<u></u>			
9	Annualized Commodity Charge Revenues		<u>\$14,745</u>		<u>\$0</u>				<u>\$14,745</u>
10	Total Annualized Water Rate Revenues		\$22,351		\$0				\$22,351
11	Late Fees		<u>\$1,085</u>		<u>\$0</u>				<u>\$1,085</u>
12	Total Annualized Water Service Revenues		<u><u>\$23,436</u></u>		<u><u>\$0</u></u>				<u><u>\$23,436</u></u>

KMB/High Ridge Manor  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
RATE DESIGN SCHEDULE

Rate Making Income Statement - Water

<u>A</u> Description	<u>B</u> Account Number (Optional)	<u>C</u> Staff Annualized	<u>D</u>	<u>E</u>
Annualized Revenues	(1)	\$23,436		
<b>OPERATIONS EXPENSES</b>	(2)		Customer Charge	Commodity
Officer Salary - Ann		\$1,365		
Support Staff Salary - Vicki		\$3,409		
Operators Salary - Donald		\$2,506		
Other Wages- Roger		\$28		
Payroll Taxes		\$607		
Operating Expenses		\$0		
Vehicle Fuel Expense		\$590		
Electricity		\$1,640		
Outside Services		\$0		
Total Operations Expense		\$10,145		
<b>MAINTENANCE EXPENSES</b>				
Repairs and Maintenance		\$1,750		
Total Maintenance Expense		\$1,750		
<b>ADMINISTRATIVE &amp; GENERAL EXPENSES</b>				
Professional Services- Accounting		\$299		
Professional Services- Legal		\$52		
Bank Charges		\$122		
Office Rent		\$504		
Telephone		\$101		
AOL		\$19		
Cell Phone		\$65		
Pager		\$29		
Postage		\$417		
Office Supplies		\$58		
Computer Maintenance Fee		\$63		
Certification Expense		\$18		
Business Insurance		\$640		
Health Insurance		\$394		
Loan Payments- Ann Rudy		\$0		
Other Misc. Expenses		\$118		
Total Administrative and General		\$2,898		
<b>OTHER OPERATING EXPENSES</b>				
Taxes Other Than Income				
Property		\$848		
PSC Assessment		\$102		
Misc. Assessments		\$269		
Depreciation		\$1,699		
<b>TOTAL EXPENSES BEFORE INCOME TAX</b>		\$17,712		
Return on Investment & Current Income Taxes	(3)	899		
<b>TOTAL COST OF SERVICE</b>		18,611	\$0	\$0
Less: Miscellaneous Revenues	(4)	1,085	1,085	
<b>COST TO RECOVER IN RATES</b>		17,526	-1,085	0
<b>INCREMENTAL INCREASE IN RATE REVENUES</b>		-4,825	-20.59%	
<b>REQUESTED INCREASE IN REVENUES</b>		\$9,253		

Revenue Summary

KMB/High Ridge Manor  
 Informal Rate Case  
 QW-2005-0006  
 Test Year Ending 3/31/05  
 Rate of Return Including Income Tax

		<u>A</u>		<u>B</u>	<u>formulas</u>
1	State Income Tax Rate Statutory / Effective	6.27%	(2)	5.83%	$(1 - (B2 \times .5)) \times A1$
2	Federal Income Tax Rate Statutory / Effective	15.00%	(1) & (2)	14.13%	$(1 - B1) \times A2$
3	Composite Effective Income Tax Rate			19.95%	$B1 + B2$
4	Equity Tax Factor			1.2493	$1 / (1 - B3)$
5	Recommended Weighted Rate of Return on Equity - Common and Preferred			8.78%	From Capital Structure
6	Weighted Rate of Return on Equity Including Income Tax			10.97%	$B4 \times B5$
7	Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term			0.27%	From Capital Structure
8	Total Weighted Rate of Return Including Income Tax			11.24%	$B6 + B7$

To Rate Base

(1)

Tax Rate Table

<u>Net Income</u>	<u>Tax Rate</u>
\$0 - 50,000	15%
\$50,001 - 75,000	25%
\$75,001 - 100,000	34%
\$100,001 - 335,000	39%
\$335,001 - and over	34%

(2) Insert 0s For The Tax Rates If Sub-Chapter S Corporation



**KMB/High Ridge Manor**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**RATE BASE, RETURN on INVESTMENT**  
**and INCOME TAX SCHEDULE**

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount	
1	Plant In Service	\$72,233	From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$64,237</u>	From Depreciation Reserve Schedule
3	Net Plant In Service	\$7,996	
4	Other Rate Base Items:	<u>\$0</u>	
5	Total Rate Base	\$7,996	
6	Total Weighted Rate of Return Including Income Tax	<u>11.24%</u>	From Return & Taxes
7	Required Return & Income Tax	<u>\$899</u>	

**KMB/High Ridge Manor**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Capital Structure Schedule**

Line Number	<u>A</u> Description	<u>B</u> Dollar Amount	<u>C</u> Percentage of Total Capital Structure	<u>D</u> Embedded Cost of Capital	<u>E</u> Weighted Cost of Capital
1	Common Stock	\$261,018	96.58%	9.09%	8.779%
2	Preferred Stock	\$0	0.00%	0.00%	0.000%
3	Long Term Debt	\$9,255	3.42%	8.00%	0.274%
4	Short Term Debt	<u>\$0</u>	<u>0.00%</u>	0.00%	<u>0.000%</u>
5	TOTAL CAPITALIZATION	<u>\$270,273</u>	<u>100.00%</u>		<u>9.0527%</u>

To PreTax Return Rate

KMB/High Ridge Manor  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Plant In Service

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F As Adjusted Plant
1		<b>SOURCE OF SUPPLY PLANT</b>				
2	321	Structures & Improvements	\$2,830	P - #		\$2,830
3		Total Source of Supply Plant	\$2,830		\$0	\$2,830
4		<b>PUMPING PLANT</b>				
5	325	Electric Pumping Equipment- depreciated	\$24,098			\$24,098
6	325	Electric Pumping Equipment	\$1,691			\$1,691
7		Total Pumping Plant	\$25,789		\$0	\$25,789
8		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>				
9	342	Distribution Reservoirs & Standpipes	\$322			\$322
10	343	Transmission & Distribution Mains- depreciated	\$17,703			\$17,703
11	343	Transmission & Distribution Mains	\$4,828			\$4,828
12	346.2	Meters- Plastic Chamber- depreciated	\$1,318			\$1,318
13	346.2	Meters- Plastic Chamber	\$6,764	P - 1	-\$6,650	\$114
14	346.2	Meter Installations- Plastic	\$6,430		-\$2,375	\$4,055
15		Total Trans. & Distribution Plant	\$37,365		-\$9,025	\$28,340
16		<b>GENERAL PLANT</b>				
17	301	Organization	\$1,600			\$1,600
18	303	Misc. Intangible Plant	\$11,160			\$11,160
19	391.1	Office Computer Equipment	\$508			\$508
20	392	Transportation Equipment	\$1,189	P - #		\$1,189
21	394	Tools, Shop, Garage Equipment	\$802			\$802
22	397	Communication Equipment	\$15			\$15
23		Total General Plant	\$15,274		\$0	\$15,274
24		<b>TOTAL PLANT IN SERVICE</b>	<u>\$81,258</u>		<u>-\$9,025</u>	<u>\$72,233</u>

**KMB/High Ridge Manor**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Schedule of Adjustments for**  
**Plant In Service**

<u>A</u> Plant Adjustment Number	<u>B</u> Plant In Service Adjustments Description	<u>C</u> Adjustment Subtotal	<u>D</u> Total Adjustment Amount
P - 1	Meters- Plastic Chamber		(\$6,650)
	1 To remove plant classified as CIAC	(\$6,650)	
	Total Plant Adjustments		<u><u>-\$6,650</u></u>
		To Plant Schedule	

KMB/High Ridge Manor  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Accumulated Depreciation Reserve

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F As Adjusted Reserve
1		<b>SOURCE OF SUPPLY PLANT</b>				
2	321	Structures & Improvements	\$242	R -		\$242
3		Total Source of Supply Plant	\$242	\$0	\$0	\$242
4		<b>PUMPING PLANT</b>				
5	325	Electric Pumping Equipment- depreciated	\$21,544			\$21,544
6	325	Electric Pumping Equipment	\$2,696			\$2,696
7		Total Pumping Plant	\$24,240	\$0	\$0	\$24,240
8		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>				
9	342	Distribution Reservoirs & Standpipes	\$64			\$64
10	343	Transmission & Distribution Mains- depreciate	\$22,393			\$22,393
11	343	Transmission & Distribution Mains	\$322			\$322
12	346.2	Meters- Plastic Chamber- depreciated	\$1,678			\$1,678
13	346.2	Meters- Plastic Chamber	\$1,881	R - 1	-\$922	\$959
14	346.2	Meter Installations- Plastic	\$868			\$868
15		Total Trans. & Distribution Plant	\$27,206	\$0	-\$922	\$26,284
16		<b>GENERAL PLANT</b>				
17	301	Organization	\$1,614			\$1,614
18	303	Misc. Intangible Plant	\$11,160	R -		\$11,160
19	391.1	Office Computer Equipment	\$89			\$89
20	392	Transportation Equipment	\$347	R -		\$347
21	394	Tools, Shop, Garage Equipment	\$257			\$257
22	397	Communication Equipment	\$4			\$4
23		Total General Plant	\$13,471	\$0	\$0	\$13,471
24		<b>TOTAL DEPRECIATION RESERVE</b>	<u>\$65,159</u>		<u>-\$922</u>	<u>\$64,237</u>

To Rate Base

**KMB/High Ridge Manor**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Schedule of Adjustments for**  
**Accumulated Depreciation Reserve**

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Reserve	Accumulated Depreciation Reserve	Adjustment	Total
Adjustment	Adjustments Description	Subtotal	Adjustment
Number			Amount
R-1	Meters- Plastic Chamber		(\$922)
	1 To remove reserve classified as CIAC	(\$922)	
	Total Reserve Adjustments		<u>(\$922)</u>
		To Reserve Schedule	

KMB/High Ridge Manor  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Depreciation Expense

Line Number	A Account Number	B Plant Account Description	C Adjusted Plant	D Depreciation Rate	E Depreciation Expense	
1		SOURCE OF SUPPLY PLANT				
2	321	Structures & Improvements	\$2,830	2.5000%	\$71	
3		Total Source of Supply Plant	\$2,830		\$71	
4		PUMPING PLANT				
5	325	Electric Pumping Equipment- depreciated	\$24,098	10.0000%	\$2,410	
6	325	Electric Pumping Equipment	\$1,691	10.0000%	\$169	
7		Total Pumping Plant	\$25,789			774.5 two-year depreciation on remaining plant balance
8		TRANSMISSION & DISTRIBUTION PLANT				
9	342	Distribution Reservoirs & Standpipes	\$322	2.5000%	\$8	
10	343	Transmission & Distribution Mains- depreciated	\$17,703	0.0000%	\$0	Account fully depreciated
11	343	Transmission & Distribution Mains	\$4,828	0.0000%	\$0	Account fully depreciated
12	346.2	Meters- Plastic Chamber- depreciated	\$1,318	10.0000%	\$132	
13	346.2	Meters- Plastic Chamber	\$114	10.0000%	\$11	
14	346.2	Meter Installations- Plastic	\$4,055	10.0000%	\$406	
15		Total Trans. & Distribution Plant	\$28,340		\$557	
16		GENERAL PLANT				
17	301	Organization	\$1,600	0.0000%	\$0	
18	303	Misc. Intangible Plant	\$11,160	0.0000%	\$0	
19	391.1	Office Computer Equipment	\$508	20.0000%	\$102	
20	392	Transportation Equipment	\$1,189	13.0000%	\$155	
21	394	Tools, Shop, Garage Equipment	\$802	5.0000%	\$40	
22	397	Communication Equipment	\$15	6.7000%	\$1	
23		Total General Plant	\$15,274		\$297	
24		Total Depreciation	\$72,233		\$1,699	
			From Plant		To Income Statement	

## Hillshine Community



KMB/Hillshine  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
EXPENSE SCHEDULE

Line Number	A Description	B Account Number (Optional)	C Company/ Test Year Amount	D Staff Annualized	E Difference (1)	F Adjustment Number
1	OPERATIONS EXPENSES					
2	Officer Salary - Ann		\$530	\$539	\$9	W-1
3	Support Staff Salary - Vicki		\$1,331	\$398	-\$933	W-2
4	Operators Salary - Donald		\$1,967	\$2,121	\$154	W-3
5	Other Wages- Roger		\$135	\$24	-\$111	W-4
6	Payroll Taxes		\$855	\$251	-\$604	W-5
7	Operating Expenses		\$479	\$0	-\$479	W-6
8	Vehicle Fuel Expense		\$437	\$338	-\$99	W-7
9	Electricity		\$598	\$496	-\$102	W-8
10	Outside Services		\$40	\$0	-\$40	W-9
11	Total Operations Expense		\$6,372	\$4,167	-\$2,205	
12	MAINTENANCE EXPENSES					
13	Repairs and Maintenance		\$18	\$600	\$582	W-10
14	Total Maintenance Expense		\$18	\$600	\$582	
15	ADMINISTRATIVE & GENERAL EXPENSES					
16	Professional Services- Accounting		\$119	\$118	-\$1	W-11
17	Professional Services- Legal		\$122	\$21	-\$101	W-12
18	Bank Charges		\$7	\$48	\$41	W-13
19	Office Rent		\$201	\$199	-\$2	W-14
20	Telephone		\$63	\$87	\$24	W-15
21	AOL		\$7	\$7	\$0	
22	Cell Phone		\$40	\$55	\$15	W-16
23	Pager		\$20	\$25	\$5	W-17
24	Postage		\$213	\$165	-\$48	W-18
25	Office Supplies		\$23	\$23	\$0	
	Computer Maintenance Fee		\$0	\$25	\$25	W-19
26	Certification Expense		\$7	\$15	\$8	W-20
27	Business Insurance		\$238	\$253	\$15	W-21
28	Health Insurance		\$78	\$337	\$259	W-22
29	Loan Payments- Ann Rudy		\$215	\$0	-\$215	W-23
30	Other Misc. Expenses		\$96	\$92	-\$4	W-24
31	Total Administrative and General		\$1,449	\$1,469	\$20	
32	OTHER OPERATING EXPENSES					
33	Taxes Other Than Income					
34	Property		\$37	\$37	\$0	
35	PSC Assessment		\$77	\$40	-\$37	W-25
36	Misc. Assessments		\$323	\$251	-\$72	W-26
37	Depreciation		\$1,846	\$694	-\$1,152	W-27
38	TOTAL EXPENSES BEFORE INCOME TAX		\$10,122	\$7,259	-\$2,863	

(1) Automatic Description Required Description Should Provide Breakdown of Salaries

(2) Explained in Expense Adjustments Schedule

KMB/Hillshine  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Expense Adjustment Schedule

A Expense Adjustment Number	B Subset Adjustment	C Adjustment Description	D Account Number	E Total Adjustment Amount
W-1		Officer Salary - Ann To allocate Officer Salary based on customer numbers		9
W-2		Support Staff Salary - Vicki To adjust salary based on hours worked at current salary levels		(933)
W-3		Operators Salary - Donald To adjust salary based on current salary levels		154
W-4		Other Wages- Roger To remove salary for part-time employee		(111)
W-5		Payroll Taxes To adjust payroll taxes for current salary levels and remove employee portion of payroll tax expense		(604)
W - 6		Operating Expenses To reclassify repairs, miscellaneous and capital items		(479)
W - 7		Vehicle Fuel Expense To adjust fuel expense to current fuel prices and remove vehicle payments		(99)
W - 8		Electricity To normalize electric expense because of extra usage of pump during leak		(102)
W - 9		Outside Services To reclassify repairs, miscellaneous and capital items		(40)
W - 10		Repairs and Maintenance To include current annualized level of repairs and maintenance		582
W - 11		Professional Services- Accounting To allocate accounting expense based on customer numbers		(1)
W - 12		Professional Services- Legal To normalize legal expense and remove expenses associated with the KMB and Cedar Hill merger		(101)
W - 13		Bank Charges To include normal bank account charges		41
W - 14		Office Rent To allocate rent based on customer numbers		(2)
W - 15		Telephone To allocate telephone expenses based on customer numbers and reclassify capital items		24
W - 16		Cell Phone To allocate cell phone expense based on customer numbers and remove nonrecurring charges		15
W - 17		Pager To allocate pager expense based on customer numbers and remove nonrecurring charges		5
W - 18		Postage To adjust postage expense based on the number of customer billings		(48)
W - 19		Computer Maintenance Fee To include billing program maintenance fees		25
W - 20		Certification Expense To include operator certification expenses		8
W - 21		Business Insurance To annualize business insurance at current rates		15
W - 22		Health Insurance To annualize health insurance at current rates		259
W - 23		Loan Payments- Ann Rudy To remove payments to Ann Rudy that Staff classifies as "draws"		(215)
W - 24		Other Misc. Expenses To reclassify capital items		(4)
W - 25		PSC Assessment To allocate PCS assessments based on customer numbers and adjust at current assessment levels		(37)
W - 26		Misc. Assessments To annualize misc. assessments at current levels and remove assessments related to lobbying		(72)
W - 27		Depreciation To update depreciation expense to current rates and plant balances		(1,152)
Total Expense Adjustments				<u>(2,863)</u>

KMB/Hillshine  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
REVENUE SUMMARY SCHEDULE

ANNUALIZED & NORMALIZED REVENUES

Line Number	A Description	Residential		Commercial		Class #3		Total	
		B Amount	C Amount	D Amount	E Amount	F Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>								
2	Customer Number	30		-				30	
3	Customer Bills Per year	360		-				360	
4	Existing Monthly Customer Charge Tariff	<u>\$10.11</u>		<u>\$0.00</u>					
5	Annualized Customer Charge Revenues		\$3,640		\$0				\$3,640
6	<u>Commodity Charge Revenues:</u>								
7	Total Gallons Sold	1,982,877		-				1,982,877	
8	Less: Base Gallons Included In Customer Charge	<u>-</u>		<u>-</u>				<u>-</u>	
9	Commodity Gallons	1,982,877		-				1,982,877	
8	Existing Commodity Charge / 1,000 gallons	<u>\$1.96</u>		<u>\$0.00</u>					
9	Annualized Commodity Charge Revenues		<u>\$3,886</u>		<u>\$0</u>				<u>\$3,886</u>
10	Total Annualized Water Rate Revenues		\$7,526		\$0				\$7,526
11	Miscellaneous Revenues		<u>\$425</u>		<u>\$0</u>				<u>\$425</u> (1)
12	Total Annualized Water Service Revenues		<u>\$7,951</u>		<u>\$0</u>				<u>\$7,951</u> (1)

(1) To rate Design Schedule

KMB/Hillshine  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
RATE DESIGN SCHEDULE

Rate Making Income Statement - Water

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D	E
	Annualized Revenues	(1)	\$7,951		
1	OPERATIONS EXPENSES	(2)		Customer Charge	Commodity
2	Officer Salary - Ann		\$539		
3	Support Staff Salary - Vicki		\$398		
4	Operators Salary - Donald		\$2,121		
5	Other Wages- Roger		\$24		
6	Payroll Taxes		\$251		
7	Operating Expenses		\$0		
8	Vehicle Fuel Expense		\$338		
9	Electricity		\$496		
10	Outside Services		\$0		
11	Total Operations Expense		\$4,167		
12	MAINTENANCE EXPENSES				
13	Repairs and Maintenance		\$600		
14	Total Maintenance Expense		\$600		
15	ADMINISTRATIVE & GENERAL EXPENSES				
16	Professional Services- Accounting		\$118		
17	Professional Services- Legal		\$21		
18	Bank Charges		\$48		
19	Office Rent		\$199		
20	Telephone		\$87		
21	AOL		\$7		
22	Cell Phone		\$55		
23	Pager		\$25		
24	Postage		\$165		
25	Office Supplies		\$23		
26	Computer Maintenance Fee		\$25		
26	Certification Expense		\$15		
27	Business Insurance		\$253		
28	Health Insurance		\$337		
29	Loan Payments- Ann Rudy		\$0		
30	Other Misc. Expenses		\$92		
31	Total Administrative and General		\$1,469		
32	OTHER OPERATING EXPENSES				
33	Taxes Other Than Income				
34	Property		\$37		
35	PSC Assessment		\$40		
36	Misc. Assessments		\$251		
37	Depreciation		\$694		
38	TOTAL EXPENSES BEFORE INCOME TAX		\$7,259		
39	Return on Investment & Current Income Taxes	(3)	\$47		
40	TOTAL COST OF SERVICE		8,106	\$0	\$0
41	Less: Miscellaneous Revenues	(4)	425	425	
42	COST TO RECOVER IN RATES		7,681	-425	0
43	INCREMENTAL INCREASE IN RATE REVENUES		155	1.95%	
44	REQUESTED INCREASE IN REVENUES		\$6,868		

- (1) From Revenue Summary  
(2) From Expense Schedule  
(3) From Rate Base & Return Schedule  
(4) From Revenue Summary

**KMB/Hillshine**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Rate of Return Including Income Tax**

		<u>A</u>		<u>B</u>	<u>formulas</u>
1	State Income Tax Rate Statutory / Effective	<b>6.27%</b>	(2)	<b>5.83%</b>	$(1 - (B2 \times .5)) \times A1$
2	Federal Income Tax Rate Statutory / Effective	<b>15.00%</b>	(1) & (2)	<b>14.13%</b>	$(1 - B1) \times A2$
3	Composite Effective Income Tax Rate			<b>19.95%</b>	$B1 + B2$
4	Equity Tax Factor			<b>1.2493</b>	$1 / (1 - B3)$
5	Recommended Weighted Rate of Return on Equity - Common and Preferred			<b>8.78%</b>	From Capital Structure
6	Weighted Rate of Return on Equity Including Income Tax			<b>10.97%</b>	$B4 \times B5$
7	Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term			<b>0.27%</b>	From Capital Structure
8	Total Weighted Rate of Return Including Income Tax			<b>11.24%</b>	$B6 + B7$

To Rate Base

(1)

**Tax Rate Table**

<u>Net Income</u>	<u>Tax Rate</u>
\$0 - 50,000	15%
\$50,001 - 75,000	25%
\$75,001 - 100,000	34%
\$100,001 - 335,000	39%
\$335,001 - and over	34%

(2) Insert 0s For The Tax Rates If Sub-Chapter S Corporation

**KMB/Hillshine**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**RATE BASE, RETURN on INVESTMENT**  
**and INCOME TAX SCHEDULE**

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount	
1	Plant In Service	\$15,714	From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$8,183</u>	From Depreciation Reserve Schedule
3	Net Plant In Service	\$7,531	
4	Other Rate Base Items:	<u>\$0</u>	
5	Total Rate Base	\$7,531	
6	Total Weighted Rate of Return Including Income Tax	<u>11.24%</u>	From Return & Taxes
7	Required Return & Income Tax	<u>\$847</u>	

**KMB/Hillshine**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Capital Structure Schedule**

Line Number	<u>A</u> Description	<u>B</u> Dollar Amount	<u>C</u> Percentage of Total Capital Structure	<u>D</u> Embedded Cost of Capital	<u>E</u> Weighted Cost of Capital
1	Common Stock	\$261,018	96.58%	9.09%	8.779%
2	Preferred Stock	\$0	0.00%	0.00%	0.000%
3	Long Term Debt	\$9,255	3.42%	8.00%	0.274%
4	Short Term Debt	<u>\$0</u>	<u>0.00%</u>	0.00%	<u>0.000%</u>
5	TOTAL CAPITALIZATION	<u><u>\$270,273</u></u>	<u><u>100.00%</u></u>		<u><u>9.0527%</u></u>

To PreTax Return Rate

KMB/Hillshine  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Plant In Service

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F As Adjusted Plant
1		<b>SOURCE OF SUPPLY PLANT</b>				
2	321	Structures & Improvements	\$5,327	P - #		\$5,327
3		Total Source of Supply Plant	\$5,327		\$0	\$5,327
4		<b>PUMPING PLANT</b>				
5	325	Electric Pumping Equipment	\$1,015			\$1,015
6	328	Other Pumping Equipment	\$1,034			\$1,034
7		Total Pumping Plant	\$2,049		\$0	\$2,049
8		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>				
9	346.2	Meters- Plastic Chamber	\$1,832	P - 1	-\$950	\$882
10	346.2	Meter Installations- Plastic	\$1,415			\$1,415
11		Total Trans. & Distribution Plant	\$3,247		-\$950	\$2,297
12		<b>GENERAL PLANT</b>				
13	301	Organization	\$4,465			\$4,465
14	391.1	Office Computer Equipment	\$213			\$213
15	392	Transportation Equipment	\$966	P - #		\$966
16	394	Tools, Shop, Garage Equipment	\$390			\$390
17	397	Communication Equipment	\$7			\$7
18		Total General Plant	\$6,041		\$0	\$6,041
19		<b>TOTAL PLANT IN SERVICE</b>	<u>\$16,664</u>		<u>-\$950</u>	<u>\$15,714</u>

To Rate Base & Depereciation Schedules



**KMB/Hillshine**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Schedule of Adjustments for**  
**Plant In Service**

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Plant Adjustment Number	Plant In Service Adjustments Description	Adjustment Subtotal	Total Adjustment Amount
P - 1	Meters- Plastic Chamber		(\$950)
	1 To remove plant classified as CIAC	(\$950)	
	Total Plant Adjustments		<u><u>-\$950</u></u>
		To Plant Schedule	

KMB/Hillshine  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Accumulated Depreciation Reserve

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F As Adjusted Reserve
1		SOURCE OF SUPPLY PLANT				
2	321	Structures & Improvements	\$595	R -		\$595
3		Total Source of Supply Plant	\$595		\$0	\$595
4		PUMPING PLANT				
5	325	Electric Pumping Equipment	\$930			\$930
6	328	Other Pumping Equipment	\$474			\$474
7		Total Pumping Plant	\$1,404		\$0	\$1,404
8		TRANSMISSION & DISTRIBUTION PLANT				
9	346.2	Meters- Plastic Chamber	\$1,011	R - 1	-\$26	\$985
10	346.2	Meter Installations- Plastic	\$267			\$267
11		Total Trans. & Distribution Plant	\$1,278		-\$26	\$1,252
12		GENERAL PLANT				
13	301	Organization	\$4,479			\$4,479
14	391.1	Office Computer Equipment	\$40			\$40
15	392	Transportation Equipment	\$282	R -		\$282
16	394	Tools, Shop, Garage Equipment	\$129			\$129
17	397	Communication Equipment	\$2			\$2
18		Total General Plant	\$4,932		\$0	\$4,932
19		TOTAL DEPRECIATION RESERVE	\$8,209		-\$26	\$8,183

To Rate Base

**KMB/Hillshine**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Schedule of Adjustments for**  
**Accumulated Depreciation Reserve**

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Adjustment Subtotal	<u>D</u> Total Adjustment Amount
R-1	Meters- Plastic Chamber		(\$26)
	1 To remove reserve classified as CIAC	(\$26)	
	Total Reserve Adjustments		<u>(\$26)</u>
		To Reserve Schedule	

KMB/Hillshine  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Depreciation Expense

Line Number	<u>A</u> Account Number	<u>B</u> Plant Account Description	<u>C</u> Adjusted Plant	<u>D</u> Depreciation Rate	<u>E</u> Depreciation Expense
1		<b>SOURCE OF SUPPLY PLANT</b>			
2	321	Structures & Improvements	\$5,327	2.5000%	\$133
3		Total Source of Supply Plant	<u>\$5,327</u>		<u>\$133</u>
4		<b>PUMPING PLANT</b>			
5	325	Electric Pumping Equipment	\$1,015	10.0000%	\$102
6	328	Other Pumping Equipment	\$1,034	4.0000%	\$41
7		Total Pumping Plant	<u>\$2,049</u>		<u>\$143</u>
8		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>			
9	346.2	Meters- Plastic Chamber	\$882	10.0000%	\$88
10	346.2	Meter Installations- Plastic	\$1,415	10.0000%	\$142
11		Total Trans. & Distribution Plant	<u>\$2,297</u>		<u>\$230</u>
12		<b>GENERAL PLANT</b>			
13	301	Organization	\$4,465	0.0000%	\$0
14	391.1	Office Computer Equipment	\$213	20.0000%	\$43
15	392	Transportation Equipment	\$966	13.0000%	\$126
16	394	Tools, Shop, Garage Equipment	\$390	5.0000%	\$20
17	397	Communication Equipment	\$7	6.7000%	\$0
18		Total General Plant	<u>\$6,041</u>		<u>\$188</u>
19		Total Depreciation	<u>\$15,714</u>		<u>\$694</u>
			From Plant	To Income Statement	

## Lakewood Hills

KMB/Lakewood Hills  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
EXPENSE SCHEDULE

Line Number	<u>A</u> Description	<u>B</u> Account Number (Optional)	<u>C</u> Company/ Test Year Amount	<u>D</u> Staff Annualized	<u>E</u> Difference (1)	<u>F</u> Adjustment Number
1	OPERATIONS EXPENSES					
2	Officer Salary - Ann		\$2,119	\$2,029	-\$90	W-1
3	Support Staff Salary - Vicki		\$3,994	\$4,795	\$801	W-2
4	Operators Salary - Donald		\$7,169	\$9,011	\$1,842	W-3
5	Other Wages- Roger		\$1,913	\$108	-\$1,805	W-4
6	Payroll Taxes		\$3,362	\$1,257	-\$2,105	W-5
7	Operating Expenses		\$418	\$0	-\$418	W-6
8	Vehicle Fuel Expense		\$1,717	\$1,720	\$3	W-7
9	Electricity		\$2,739	\$2,739	\$0	
10	Outside Services		\$7,041	\$0	-\$7,041	W-8
11	Total Operations Expense		\$30,472	\$21,658	-\$8,814	
12	MAINTENANCE EXPENSES					
13	Easement annualization		\$0	\$2,007	\$2,007	W-9
14	Repairs and Maintenance		\$2,509	\$5,250	\$2,741	W-10
15	Total Maintenance Expense		\$2,509	\$7,257	\$4,748	
16	ADMINISTRATIVE & GENERAL EXPENSES					
17	Professional Services- Accounting		\$468	\$445	-\$23	W-11
18	Professional Services- Legal		\$7,604	\$78	-\$7,526	W-12
19	Bank Charges		\$251	\$181	-\$70	W-13
20	Office Rent		\$789	\$749	-\$40	W-14
21	Telephone		\$245	\$390	\$145	W-15
22	AOL		\$30	\$28	-\$2	W-16
23	Cell Phone		\$155	\$250	\$95	W-17
24	Pager		\$78	\$112	\$34	W-18
25	Postage		\$837	\$620	-\$217	W-19
26	Office Supplies		\$91	\$87	-\$4	W-20
	Computer Maintenance Fee		\$0	\$94	\$94	W-21
27	Certification Expense		\$28	\$68	\$40	W-22
28	Business Insurance		\$936	\$951	\$15	W-23
29	Health Insurance		\$308	\$1,518	\$1,210	W-24
30	Loan Payments- Ann Rudy		\$846	\$0	-\$846	W-25
31	Other Misc. Expenses		\$604	\$300	-\$304	W-26
32	Total Administrative and General		\$13,270	\$5,870	-\$7,400	
33	OTHER OPERATING EXPENSES					
34	Taxes Other Than Income					
35	Property		\$43	\$41	-\$2	W-27
36	PSC Assessment		\$304	\$151	-\$153	W-28
37	Misc. Assessments		\$569	\$301	-\$268	W-29
38	Depreciation		\$1,846	\$5,176	\$3,330	W-30
39	TOTAL EXPENSES BEFORE INCOME TAX		\$49,013	\$40,454	-\$8,559	

KMB/Lakewood Hills  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Expense Adjustment Schedule

A Expense Adjustment Number	B Subset Adjustment	C Adjustment Description	D Account Number	E Total Adjustment Amount
W-1 (1)		Officer Salary - Ann To allocate Officer Salary based on customer numbers		(90)
W-2 (1)		Support Staff Salary - Vicki To adjust salary based on hours worked at current salary levels		801
W-3 (1)		Operators Salary - Donald To adjust salary based on current salary levels		1,842
W-4 (1)		Other Wages- Roger To remove salary for part-time employee		(1,805)
W-5		Payroll Taxes To adjust payroll taxes for current salary levels and remove employee portion of payroll tax expense		(2,105)
W - 6		Operating Expenses To reclassify repairs, miscellaneous and capital items		(418)
W - 7		Vehicle Fuel Expense To adjust fuel expense to current fuel prices and remove vehicle payments		3
W - 8		Outside Services To reclassify repairs, miscellaneous and capital items		(7,041)
W - 9		Easement annualization To annualize easement legal fees		2,007
W - 10		Repairs and Maintenance To include current annualized level of repairs and maintenance		2,741
W - 11		Professional Services- Accounting To allocate accounting expense based on customer number		(23)
W - 12		Professional Services- Legal To normalize legal expense and remove expenses associated with the KMB and Cedar Hill merger		(7,526)
W - 13		Bank Charges To include normal bank account charges		(70)
W - 14		Office Rent To allocate rent based on customer number		(40)
W - 15		Telephone To allocate telephone expenses based on customer numbers and reclassify capital items		145
W - 16		AOL To allocate internet expenses based on customer number		(2)
W - 17		Cell Phone To allocate cell phone expense based on customer number and remove nonrecurring charges		95
W - 18		Pager To allocate pager expense based on customer number and remove nonrecurring charges		34
W - 19		Postage To adjust postage expense based on the number of customer billings		(217)
W - 20		Office Supplies To allocate supplies expense based on customer number		(4)
W - 21		Computer Maintenance Fee To include billing program maintenance fee		94
W - 22		Certification Expense To include operator certification expense		40
W - 23		Business Insurance To annualize business insurance at current rate		15
W - 24		Health Insurance To annualize health insurance at current rate		1,210
W - 25		Loan Payments- Ann Rudy To remove payments to Ann Rudy that Staff classified as "draws"		(846)
W - 26		Other Misc. Expenses To reclassify capital items		(304)
W - 27		Property To allocate personal property taxes based on customer number		(2)
W - 28		PSC Assessment To allocate PCS assessments based on customer number and adjust at current assessment level		(153)
W - 29		Misc. Assessments To annualize misc. assessments at current levels and remove assessments related to lobbying		(268)
W - 30		Depreciation To update depreciation expense to current rates and plant balances		3,330
Total Expense Adjustments				(8,559)

KMB/Lakewood Hills  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
REVENUE SUMMARY SCHEDULE

ANNUALIZED & NORMALIZED REVENUES

Line Number	A Description	Residential		Commercial		Class #3		Total	
		B Amount	C Amount	D Amount	E Amount	F Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>								
2	Customer Number	113		-				113	
3	Customer Bills Per year	1,356		-				1,356	
4	Existing Monthly Customer Charge Tariff	<u>\$9.62</u>		<u>\$0.00</u>					
5	Annualized Customer Charge Revenues		\$13,045		\$0				\$13,045
6	<u>Commodity Charge Revenues:</u>								
7	Total Gallons Sold	9,608,489		-				9,608,489	
8	Less: Base Gallons Included In Customer Charge	<u>-</u>		<u>-</u>				<u>-</u>	
9	Commodity Gallons	9,608,489		-				9,608,489	
8	Existing Commodity Charge / 1,000 gallons	<u>\$2.50</u>		<u>\$0.00</u>					
9	Annualized Commodity Charge Revenues		\$24,021		\$0				\$24,021
10	Total Annualized Water Rate Revenues		\$37,066		\$0				\$37,066
11	Late Fees	<u>\$1,170</u>		<u>\$0</u>				<u>\$1,170</u>	(1)
12	Total Annualized Water Service Revenues		<u>\$38,236</u>		<u>\$0</u>			<u>\$38,236</u>	(1)

(1) To rate Design Schedule



KMB/Lakewood Hills  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
RATE DESIGN SCHEDULE

Rate Making Income Statement - Water					
Line Number	<u>A</u> Description	<u>B</u> Account Number (Optional)	<u>C</u> Staff Annualized	<u>D</u>	<u>E</u>
	Annualized Revenues	(1)	\$38,236		
1	OPERATIONS EXPENSES	(2)		Customer Charge	Commodity
2	Officer Salary - Ann		\$2,029		
3	Support Staff Salary - Vicki		\$4,795		
4	Operators Salary - Donald		\$9,011		
5	Other Wages- Roger		\$108		
6	Payroll Taxes		\$1,257		
7	Operating Expenses		\$0		
8	Vehicle Fuel Expense		\$1,720		
9	Electricity		\$2,739		
10	Outside Services		\$0		
11	Total Operations Expense		\$21,658		
12	MAINTENANCE EXPENSES				
13	Easement annualization		\$2,007		
14	Repairs and Maintenance		\$5,250		
15	Total Maintenance Expense		\$7,257		
16	ADMINISTRATIVE & GENERAL EXPENSES				
17	Professional Services- Accounting		\$445		
18	Professional Services- Legal		\$78		
19	Bank Charges		\$181		
20	Office Rent		\$749		
21	Telephone		\$390		
22	AOL		\$28		
23	Cell Phone		\$250		
24	Pager		\$112		
25	Postage		\$620		
26	Office Supplies		\$87		
27	Computer Maintenance Fee		\$94		
27	Certification Expense		\$68		
28	Business Insurance		\$951		
29	Health Insurance		\$1,518		
30	Loan Payments- Ann Rudy		\$0		
31	Other Misc. Expenses		\$300		
32	Total Administrative and General		\$5,870		
33	OTHER OPERATING EXPENSES				
34	Taxes Other Than Income				
35	Property		\$41		
36	PSC Assessment		\$151		
37	Misc. Assessments		\$301		
38	Depreciation		\$5,176		
39	TOTAL EXPENSES BEFORE INCOME TAX		\$40,454		
40	Return on Investment & Current Income Taxes	(3)	8,184		
41	TOTAL COST OF SERVICE		48,638	\$0	\$0
42	Less: Miscellaneous Revenues	(4)	1,170	1,170	
43	COST TO RECOVER IN RATES		47,468	-1,170	0
44	INCREMENTAL INCREASE IN RATE REVENUES		10,402	27.21%	
45	REQUESTED INCREASE IN REVENUES		\$65,291		

- (1) From Revenue Summary  
(2) From Expense Schedule  
(3) From Rate Base & Return Schedule  
(4) From Revenue Summary

**KMB/Lakewood Hills**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Rate of Return Including Income Tax**

		<u>A</u>		<u>B</u>	<u>formulas</u>
1	State Income Tax Rate Statutory / Effective	<b>6.27%</b>	(2)	<b>5.83%</b>	$(1 - (B2 \times .5)) \times A1$
2	Federal Income Tax Rate Statutory / Effective	<b>15.00%</b>	(1) & (2)	<b>14.13%</b>	$(1 - B1) \times A2$
3	Composite Effective Income Tax Rate			<b>19.95%</b>	$B1 + B2$
4	Equity Tax Factor			<b>1.2493</b>	$1 / (1 - B3)$
5	Recommended Weighted Rate of Return on Equity - Common and Preferred			<b>8.78%</b>	From Capital Structure
6	Weighted Rate of Return on Equity Including Income Tax			<b>10.97%</b>	$B4 \times B5$
7	Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term			<b>0.27%</b>	From Capital Structure
8	Total Weighted Rate of Return Including Income Tax			<b>11.24%</b>	$B6 + B7$

To Rate Base

(1)

**Tax Rate Table**

<u>Net Income</u>	<u>Tax Rate</u>
\$0 - 50,000	15%
\$50,001 - 75,000	25%
\$75,001 - 100,000	34%
\$100,001 - 335,000	39%
\$335,001 - and over	34%

(2) Insert 0s For The Tax Rates If Sub-Chapter S Corporation

**KMB/Lakewood Hills**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**RATE BASE, RETURN on INVESTMENT**  
**and INCOME TAX SCHEDULE**

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount	
1	Plant In Service	\$121,348	From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$48,542</u>	From Depreciation Reserve Schedule
3	Net Plant In Service	\$72,806	
4	Other Rate Base Items:	<u>\$0</u>	
5	Total Rate Base	\$72,806	
6	Total Weighted Rate of Return Including Income Tax	<u>11.24%</u>	From Return & Taxes
7	Required Return & Income Tax	<u>\$8,184</u>	

**KMB/Lakewood Hills**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Capital Structure Schedule**

Line Number	<u>A</u> Description	<u>B</u> Dollar Amount	<u>C</u> Percentage of Total Capital Structure	<u>D</u> Embedded Cost of Capital	<u>E</u> Weighted Cost of Capital
1	Common Stock	\$261,018	96.58%	9.09%	8.779%
2	Preferred Stock	\$0	0.00%	0.00%	0.000%
3	Long Term Debt	\$9,255	3.42%	8.00%	0.274%
4	Short Term Debt	<u>\$0</u>	<u>0.00%</u>	0.00%	<u>0.000%</u>
5	TOTAL CAPITALIZATION	<u><u>\$270,273</u></u>	<u><u>100.00%</u></u>		<u><u>9.0527%</u></u>

To PreTax Return Rate

KMB/Lakewood Hills  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Plant In Service

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F As Adjusted Plant
1		<b>SOURCE OF SUPPLY PLANT</b>				
2	321	Structures & Improvements	\$4,072	P - #		\$4,072
3	314	Wells & Springs	\$6,185			\$6,185
4		Total Source of Supply Plant	<u>\$10,257</u>		\$0	<u>\$10,257</u>
5		<b>PUMPING PLANT</b>				
6	325	Electric Pumping Equipment- depreciated	\$16,942			\$16,942
7	325	Electric Pumping Equipment	\$11,057			\$11,057
8		Total Pumping Plant	<u>\$27,999</u>		\$0	<u>\$27,999</u>
9		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>				
10	343	Transmission & Distribution Mains	\$48,203			\$48,203
11	345	Services	\$350			\$350
12	346.2	Meters- Plastic Chamber-depreciated	\$6,092			\$6,092
13	346.2	Meters- Plastic Chamber	\$9,664	P - 1	\$0	\$9,664
14	346.2	Meter Installations- Plastic- depreciated	\$2,137			\$2,137
15	346.2	Meter Installations- Plastic	\$240			\$240
16	348	Hydrants	\$5,242			\$5,242
17		Total Trans. & Distribution Plant	<u>\$71,928</u>		\$0	<u>\$71,928</u>
18		<b>GENERAL PLANT</b>				
19	301	Organization	\$2,400			\$2,400
20	310	Land and Land Rights	\$2,025			\$2,025
21	391.1	Office Computer Equipment	\$811			\$811
22	392	Transportation Equipment	\$4,312	P - #		\$4,312
23	394	Tools, Shop, Garage Equipment	\$1,585			\$1,585
24	397	Communication Equipment	\$31			\$31
25		Total General Plant	<u>\$11,164</u>		\$0	<u>\$11,164</u>
26		<b>TOTAL PLANT IN SERVICE</b>	<u><u>\$121,348</u></u>		<u>\$0</u>	<u><u>\$121,348</u></u>

To Rate Base & Depereciation Schedules

**KMB/Lakewood Hills  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Schedule of Adjustments for  
Plant In Service**

<u>A</u> Plant Adjustment Number	<u>B</u> Plant In Service Adjustments Description	<u>C</u> Adjustment Subtotal	<u>D</u> Total Adjustment Amount
	No Adjustments		
	Total Plant Adjustments		<u><u>\$0</u></u>
		To Plant Schedule	

KMB/Lakewood Hills  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Accumulated Depreciation Reserve

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F As Adjusted Reserve
1		<b>SOURCE OF SUPPLY PLANT</b>				
2	321	Structures & Improvements	\$672	R -		\$672
3	314	Wells & Springs	\$515			\$515
4		Total Source of Supply Plant	\$1,187		\$0	\$1,187
5		<b>PUMPING PLANT</b>				
6	325	Electric Pumping Equipment- depreciated	\$17,451			\$17,451
7	325	Electric Pumping Equipment	\$6,676			\$6,676
8		Total Pumping Plant	\$24,127		\$0	\$24,127
9		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>				
10	343	Transmission & Distribution Mains	\$1,744			\$1,744
11	345	Services	\$71			\$71
12	346.2	Meters- Plastic Chamber-depreciated	\$6,351			\$6,351
13	346.2	Meters- Plastic Chamber	\$7,314	R - 1	\$0	\$7,314
14	346.2	Meter Installations- Plastic- depreciated	\$2,155			\$2,155
15	346.2	Meter Installations- Plastic	\$48			\$48
16	348	Hydrants	\$1,165			\$1,165
17		Total Trans. & Distribution Plant	\$18,848		\$0	\$18,848
18		<b>GENERAL PLANT</b>				
19	301	Organization	\$2,420			\$2,420
20	310	Land and Land Rights	\$0			\$0
21	391.1	Office Computer Equipment	\$156			\$156
22	392	Transportation Equipment	\$1,258	R -		\$1,258
23	394	Tools, Shop, Garage Equipment	\$538			\$538
24	397	Communication Equipment	\$8	R -		\$8
25		Total General Plant	\$4,380		\$0	\$4,380
26		TOTAL DEPRECIATION RESERVE	\$48,542		\$0	\$48,542

To Rate Base

**KMB/Lakewood Hills  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Schedule of Adjustments for  
Accumulated Depreciation Reserve**

**A**  
**Reserve  
Adjustment  
Number**

**B**  
**Accumulated Depreciation Reserve  
Adjustments Description**  
**No Adjustments**

**Total Reserve Adjustments**

**C**  
**Adjustment  
Subtotal**

**D**  
**Total  
Adjustment  
Amount**

**\$0**

**To Reserve Schedule**



KMB/Lakewood Hills  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Depreciation Expense

Line Number	A Account Number	B Plant Account Description	C Adjusted Plant	D Depreciation Rate	E Depreciation Expense
1		<b>SOURCE OF SUPPLY PLANT</b>			
2	321	Structures & Improvements	\$4,072	2.5000%	\$102
3	314	Wells & Springs	\$6,185	2.0000%	\$124
4		Total Source of Supply Plant	<u>\$10,257</u>		<u>\$226</u>
5		<b>PUMPING PLANT</b>			
6	325	Electric Pumping Equipment- depreciated	\$16,942	10.0000%	\$1,694
7	325	Electric Pumping Equipment	\$11,057	10.0000%	\$1,106
8		Total Pumping Plant	<u>\$27,999</u>		
9		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>			
10	343	Transmission & Distribution Mains	\$48,203	2.0000%	\$964
11	345	Services	\$350	2.5000%	\$9
12	346.2	Meters- Plastic Chamber-depreciated	\$6,092	10.0000%	-
13	346.2	Meters- Plastic Chamber	\$9,664	10.0000%	-
14	346.2	Meter Installations- Plastic- depreciated	\$2,137	0.0000%	-
15	346.2	Meter Installations- Plastic	\$240	10.0000%	-
16	348	Hydrants	\$5,242	2.0000%	\$105
17		Total Trans. & Distribution Plant	<u>\$71,928</u>		<u>\$1,078</u>
18		<b>GENERAL PLANT</b>			
19	301	Organization	\$2,400	0.0000%	\$0
20	310	Land and Land Rights	\$2,025	0.0000%	\$0
21	391.1	Office Computer Equipment	\$811	20.0000%	\$162
22	392	Transportation Equipment	\$4,312	13.0000%	\$561
23	394	Tools, Shop, Garage Equipment	\$1,585	5.0000%	\$79
24	397	Communication Equipment	\$31	6.7000%	\$2
25		Total General Plant	<u>\$11,133</u>		<u>\$804</u>
26		Total Depreciation	<u><u>\$121,317</u></u>		<u><u>\$5,176</u></u>

1936 two-year depreciation on  
remaining plant balance

1133 two-year depreciation on  
remaining plant balance

From Plant

To Income Statement

Scotsdale

KMB/Scottsdale  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
EXPENSE SCHEDULE

Line Number	<u>A</u> Description	<u>B</u> Account Number (Optional)	<u>C</u> Company/ Test Year Amount	<u>D</u> Staff Annualized	<u>E</u> Difference (1)	<u>F</u> Adjustment Number
1	OPERATIONS EXPENSES					
2	Officer Salary - Ann		\$701	\$646	-\$55	W-1
3	Support Staff Salary - Vicki		\$1,331	\$478	-\$853	W-2
4	Operators Salary - Donald		\$4,743	\$828	-\$3,915	W-3
5	Other Wages- Roger		\$1,181	\$12	-\$1,169	W-4
6	Payroll Taxes		\$1,091	\$153	-\$938	W-5
7	Operating Expenses		\$54	\$0	-\$54	W-6
8	Vehicle Fuel Expense		\$557	\$187	-\$370	W-7
9	Chemicals		\$191	\$241	\$50	W-8
9	Electricity		\$1,841	\$1,277	-\$564	W-9
10	Outside Services		\$5,092	\$0	-\$5,092	W-10
11	Total Operations Expense		\$16,782	\$3,823	-\$12,959	
12	MAINTENANCE EXPENSES					
13	Repairs and Maintenance		\$495	\$1,200	\$705	W-11
14	Total Maintenance Expense		\$495	\$1,200	\$705	
15	ADMINISTRATIVE & GENERAL EXPENSES					
16	Professional Services- Accounting		\$152	\$142	-\$10	W-12
17	Professional Services- Legal		\$156	\$25	-\$131	W-13
18	Bank Charges		\$9	\$58	\$49	W-14
19	Office Rent		\$256	\$239	-\$17	W-15
20	Telephone		\$79	\$43	-\$36	W-16
21	AOL		\$10	\$9	-\$1	W-17
22	Cell Phone		\$50	\$28	-\$22	W-18
23	Pager		\$25	\$12	-\$13	W-19
24	Postage		\$272	\$197	-\$75	W-20
25	Office Supplies		\$30	\$28	-\$2	W-21
	Computer Maintenance Fee		\$0	\$30	\$30	W-22
26	Certification Expense		\$9	\$8	-\$2	W-23
27	Business Insurance		\$304	\$303	-\$1	W-24
28	Health Insurance		\$100	\$169	\$69	W-25
29	Loan Payments- Ann Rudy		\$323	\$0	-\$323	W-26
30	Other Misc. Expenses		\$406	\$84	-\$322	W-27
31	Total Administrative and General		\$2,181	\$1,373	-\$808	
32	OTHER OPERATING EXPENSES					
33	Taxes Other Than Income					
34	Property		\$385	\$384	-\$1	W-28
35	PSC Assessment		\$99	\$48	-\$51	W-29
36	Misc. Assessments		\$324	\$231	-\$93	W-30
37	Depreciation		\$1,846	\$2,762	\$916	W-31
38	TOTAL EXPENSES BEFORE INCOME TAX		\$22,112	\$9,823	-\$12,289	

KMB/Scottsdale  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Expense Adjustment Schedule

A Expense Adjustment Number	B Subset Adjustment	C Adjustment Description	D Account Number	E Total Adjustment Amount
W-1		Officer Salary - Ann To allocate Officer Salary based on customer numbers		(55)
W-2		Support Staff Salary - Vicki To adjust salary based on hours worked at current salary levels		(853)
W-3		Operators Salary - Donald To adjust salary based on current salary levels		(3,915)
W-4		Other Wages- Roger To remove salary for part-time employee		(1,169)
W-5		Payroll Taxes To adjust payroll taxes for current salary levels and remove employee portion of payroll tax expense		(938)
W-6		Operating Expenses To reclassify repairs, miscellaneous and capital items		(54)
W-7		Vehicle Fuel Expense To adjust fuel expense to current fuel prices and remove vehicle payments		(370)
W-8		Chemicals To allocate chemicals based on customer numbers		50
W-9		Electricity To normalize electricity expense due to excess pumping to fill storage after pump outage		(564)
W-10		Outside Services To reclassify repairs, miscellaneous and capital items		(5,092)
W-11		Repairs and Maintenance To include current annualized level of repairs and maintenance		705
W-12		Professional Services- Accounting To allocate accounting expense based on customer numbers		(10)
W-13		Professional Services- Legal To normalize legal expense and remove expenses associated with the KMB and Cedar Hill merger		(131)
W-14		Bank Charges To include normal bank account charges		49
W-15		Office Rent To allocate rent based on customer numbers		(17)
W-16		Telephone To allocate telephone expenses based on customer numbers and reclassify capital items		(36)
W-17		AOL To allocate internet expenses based on customer numbers		(1)
W-18		Cell Phone To allocate cell phone expense based on customer numbers and remove nonrecurring charges		(22)
W-19		Pager To allocate pager expense based on customer numbers and remove nonrecurring charges		(13)
W-20		Postage To adjust postage expense based on the number of customer billings		(75)
W-21		Office Supplies To allocate supplies expense based on customer numbers		(2)
W-22		Computer Maintenance Fee To include billing program miantenance fees		30
W-23		Certification Expense To include operator certification expenses		(2)
W-24		Business Insurance To annualize business insurance at current rates		(1)
W-25		Health Insurance To annualize health insurance at current rates		69
W-26		Loan Payments- Ann Rudy To remove payments to Ann Rudy that Staff classifies as "draws"		(323)
W-27		Other Misc. Expenses To reclassify capital items		(322)
W-28		Property To allocate personal property taxes based on customer numbers		(1)
W-29		PSC Assessment To allocate PCS assessments based on customer numbers and adjust at current assessment levels		(51)
W-30		Misc. Assessments To annualize misc. assessments at current levels and remove assessments related to lobbying		(93)
W-31		Depreciation To update depreciation expense to current rates and plant balances		916
Total Expense Adjustments				<u>(12,289)</u>

KMB/Scottsdale  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
REVENUE SUMMARY SCHEDULE

ANNUALIZED & NORMALIZED REVENUES

Line Number	A Description	Residential		Commercial		Class #3		Total	
		B Amount	C Amount	D Amount	E Amount	F Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>								
2	Customer Number	33		3				36	
3	Customer Bills Per year	396		36				432	
4	Existing Monthly Customer Charge Tariff	<u>\$31.50</u>		<u>\$38.22</u>					
5	Annualized Customer Charge Revenues		\$12,474		\$1,376				\$13,850
6	<u>Commodity Charge Revenues:</u>								
7	Total Gallons Sold	-		380,889				380,889	
8	Less: Base Gallons Included In Customer Charge	<u>-</u>		<u>135,849</u>				<u>135,849</u>	
9	Commodity Gallons	-		245,040				245,040	
8	Existing Commodity Charge / 1,000 gallons	<u>\$0.00</u>		<u>\$4.10</u>					
9	Annualized Commodity Charge Revenues		<u>\$0</u>		<u>\$1,005</u>				<u>\$1,005</u>
10	Total Annualized Water Rate Revenues		\$12,474		\$2,381				\$14,855
11	Late Fees		<u>\$545</u>		<u>\$0</u>				<u>\$545</u> (1)
12	Total Annualized Water Service Revenues		<u>\$13,019</u>		<u>\$2,381</u>				<u>\$15,400</u> (1)

(1) To rate Design Schedule

KMB/Scottsdale  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
RATE DESIGN SCHEDULE

Rate Making Income Statement - Water

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D	E
	Annualized Revenues	(1)	\$15,400		
1	OPERATIONS EXPENSES	(2)		Customer Charge	Commodity
2	Officer Salary - Ann		\$646		
3	Support Staff Salary - Vicki		\$478		
4	Operators Salary - Donald		\$828		
5	Other Wages- Roger		\$12		
6	Payroll Taxes		\$153		
7	Operating Expenses		\$0		
8	Vehicle Fuel Expense		\$187		
9	Chemicals		\$241		
9	Electricity		\$1,277		
10	Outside Services		\$0		
11	Total Operations Expense		\$3,823		
12	MAINTENANCE EXPENSES				
13	Repairs and Maintenance		\$1,200		
14	Total Maintenance Expense		\$1,200		
15	ADMINISTRATIVE & GENERAL EXPENSES				
16	Professional Services- Accounting		\$142		
17	Professional Services- Legal		\$25		
18	Bank Charges		\$58		
19	Office Rent		\$239		
20	Telephone		\$43		
21	AOL		\$9		
22	Cell Phone		\$28		
23	Pager		\$12		
24	Postage		\$197		
25	Office Supplies		\$28		
26	Computer Maintenance Fee		\$30		
26	Certification Expense		\$8		
27	Business Insurance		\$303		
28	Health Insurance		\$169		
29	Loan Payments- Ann Rudy		\$0		
30	Other Misc. Expenses		\$84		
31	Total Administrative and General		\$1,373		
32	OTHER OPERATING EXPENSES				
33	Taxes Other Than Income				
34	Property		\$384		
35	PSC Assessment		\$48		
36	Misc. Assessments		\$231		
37	Depreciation		\$2,762		
38	TOTAL EXPENSES BEFORE INCOME TAX		\$9,823		
39	Return on Investment & Current Income Taxes	(3)	4,975		
40	TOTAL COST OF SERVICE		14,797	\$0	\$0
41	Less: Miscellaneous Revenues	(4)	545	545	
42	COST TO RECOVER IN RATES		14,252	-545	0
43	INCREMENTAL INCREASE IN RATE REVENUES		-602	-3.91%	
44	REQUESTED INCREASE IN REVENUES		\$19,790		

- (1) From Revenue Summary  
(2) From Expense Schedule  
(3) From Rate Base & Return Schedule  
(4) From Revenue Summary

**KMB/Scottsdale**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Rate of Return Including Income Tax**

		<u>A</u>		<u>B</u>	<u>formulas</u>
1	State Income Tax Rate Statutory / Effective	<b>6.27%</b>	(2)	<b>5.83%</b>	$(1 - (B2 \times .5)) \times A1$
2	Federal Income Tax Rate Statutory / Effective	<b>15.00%</b>	(1) & (2)	<b>14.13%</b>	$(1 - B1) \times A2$
3	Composite Effective Income Tax Rate			<b>19.95%</b>	$B1 + B2$
4	Equity Tax Factor			<b>1.2493</b>	$1 / (1 - B3)$
5	Recommended Weighted Rate of Return on Equity - Common and Preferred			<b>8.78%</b>	From Capital Structure
6	Weighted Rate of Return on Equity Including Income Tax			<b>10.97%</b>	$B4 \times B5$
7	Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term			<b>0.27%</b>	From Capital Structure
8	Total Weighted Rate of Return Including Income Tax			<b>11.24%</b>	$B6 + B7$

To Rate Base

(1)

**Tax Rate Table**

<u>Net Income</u>	<u>Tax Rate</u>
\$0 - 50,000	15%
\$50,001 - 75,000	25%
\$75,001 - 100,000	34%
\$100,001 - 335,000	39%
\$335,001 - and over	34%

(2) Insert 0s For The Tax Rates If Sub-Chapter S Corporation

**KMB/Scottsdale**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**RATE BASE, RETURN on INVESTMENT**  
**and INCOME TAX SCHEDULE**

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount	
1	Plant In Service	\$74,682	From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$30,427</u>	From Depreciation Reserve Schedule
3	Net Plant In Service	\$44,255	
4	Other Rate Base Items:	<u>\$0</u>	
5	Total Rate Base	\$44,255	
6	Total Weighted Rate of Return Including Income Tax	<u>11.24%</u>	From Return & Taxes
7	Required Return & Income Tax	<u>\$4,975</u>	



**KMB/Scottsdale**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Capital Structure Schedule**

Line Number	<u>A</u> Description	<u>B</u> Dollar Amount	<u>C</u> Percentage of Total Capital Structure	<u>D</u> Embedded Cost of Capital	<u>E</u> Weighted Cost of Capital
1	Common Stock	\$261,018	96.58%	9.09%	8.779%
2	Preferred Stock	\$0	0.00%	0.00%	0.000%
3	Long Term Debt	\$9,255	3.42%	8.00%	0.274%
4	Short Term Debt	<u>\$0</u>	<u>0.00%</u>	0.00%	<u>0.000%</u>
5	TOTAL CAPITALIZATION	<u><u>\$270,273</u></u>	<u><u>100.00%</u></u>		<u><u>9.0527%</u></u>

To PreTax Return Rate

KMB/Scottsdale  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Plant In Service

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F As Adjusted Plant
1		<b>SOURCE OF SUPPLY PLANT</b>				
2	321	Structures & Improvements	\$1,382	P - #		\$1,382
3		Total Source of Supply Plant	\$1,382		\$0	\$1,382
4		<b>PUMPING PLANT</b>				
5	325	Electric Pumping Equipment-depreciated	\$12,422			\$12,422
6	325	Electric Pumping Equipment	\$5,325			\$5,325
7		Total Pumping Plant	\$17,747		\$0	\$17,747
8		<b>WATER TREATMENT PLANT</b>				
9	332	Water Treatment Equipment	\$1,389			\$1,389
10		Total Water Treatment Plant	\$1,389		\$0	\$1,389
11		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>				
12	342	Distribution Reservoirs & Standpipes	\$17,412			\$17,412
13	343	Transmission & Distribution Mains	\$27,691			\$27,691
14	346.2	Meters- Plastic Chamber	\$1,655	P - 1	\$0	\$1,655
15		Total Trans. & Distribution Plant	\$46,758		\$0	\$46,758
16		<b>GENERAL PLANT</b>				
17	301	Organization	\$1,954			\$1,954
18	303	Misc. Intangible Plant	\$4,109			\$4,109
19	391.1	Office Computer Equipment	\$262			\$262
20	392	Transportation Equipment	\$528	P - #		\$528
21	394	Tools, Shop, Garage Equipment	\$542			\$542
22	397	Communication Equipment	\$11			\$11
23		Total General Plant	\$7,406		\$0	\$7,406
24		<b>TOTAL PLANT IN SERVICE</b>	\$74,682		\$0	\$74,682

To Rate Base & Depereciation Schedules

**KMB/Scottsdale**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Schedule of Adjustments for**  
**Plant In Service**

<u>A</u> Plant Adjustment Number	<u>B</u> Plant In Service Adjustments Description	<u>C</u> Adjustment Subtotal	<u>D</u> Total Adjustment Amount
	No Adjustments		
Total Plant Adjustments			<u><u>\$0</u></u>
		To Plant Schedule	

KMB/Scottsdale  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Accumulated Depreciation Reserve

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F As Adjusted Reserve
1		<b>SOURCE OF SUPPLY PLANT</b>				
2	321	Structures & Improvements	\$322	R -		\$322
3		Total Source of Supply Plant	\$322		\$0	\$322
4		<b>PUMPING PLANT</b>				
5	325	Electric Pumping Equipment-depreciated	\$13,443			\$13,443
6	325	Electric Pumping Equipment	\$1,535			\$1,535
7		Total Pumping Plant	\$14,978		\$0	\$14,978
8		<b>WATER TREATMENT PLANT</b>				
9	332	Water Treatment Equipment	\$882			\$882
10		Total Water Treatment Plant	\$882		\$0	\$882
11		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>				
12	342	Distribution Reservoirs & Standpipes	\$3,815			\$3,815
13	343	Transmission & Distribution Mains	\$2,709			\$2,709
14	346.2	Meters- Plastic Chamber	\$1,257	R - 1	\$0	\$1,257
15		Total Trans. & Distribution Plant	\$7,781		\$0	\$7,781
16		<b>GENERAL PLANT</b>				
17	301	Organization	\$1,970			\$1,970
18	303	Misc. Intangible Plant	\$4,109			\$4,109
19	391.1	Office Computer Equipment	\$51			\$51
20	392	Transportation Equipment	\$154	R -		\$154
21	394	Tools, Shop, Garage Equipment	\$177			\$177
22	397	Communication Equipment	\$3			\$3
23		Total General Plant	\$6,464		\$0	\$6,464
24		<b>TOTAL DEPRECIATION RESERVE</b>	\$30,427		\$0	\$30,427

To Rate Base

**KMB/Scottsdale  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Schedule of Adjustments for  
Accumulated Depreciation Reserve**

**A**  
**Reserve  
Adjustment  
Number**

**B**  
**Accumulated Depreciation Reserve  
Adjustments Description**  
**No Adjustments**

**Total Reserve Adjustments**

**C**  
**Adjustment  
Subtotal**

**D**  
**Total  
Adjustment  
Amount**

**\$0**

**To Reserve Schedule**

KMB/Scottsdale  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Depreciation Expense

Line Number	A Account Number	B Plant Account Description	C Adjusted Plant	D Depreciation Rate	E Depreciation Expense
1		<b>SOURCE OF SUPPLY PLANT</b>			
2	321	Structures & Improvements	\$1,382	2.5000%	\$35
3		Total Source of Supply Plant	<u>\$1,382</u>		<u>\$35</u>
4		<b>PUMPING PLANT</b>			
5	325	Electric Pumping Equipment-depreciated	\$12,422	10.0000%	\$1,242
6	325	Electric Pumping Equipment	\$5,325	10.0000%	\$533
7		Total Pumping Plant	<u>\$17,747</u>		
8		<b>WATER TREATMENT PLANT</b>			
9	332	Water Treatment Equipment	\$1,389	2.9000%	\$40
10		Total Water Treatment Plant	<u>\$1,389</u>		<u>\$40</u>
11		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>			
12	342	Distribution Reservoirs & Standpipes	\$17,412	2.5000%	\$435
13	343	Transmission & Distribution Mains	\$27,691	2.0000%	\$554
14	346.2	Meters- Plastic Chamber	\$1,655	10.0000%	\$166
15		Total Trans. & Distribution Plant	<u>\$46,758</u>		<u>\$1,155</u>
16		<b>GENERAL PLANT</b>			
17	301	Organization	\$1,954	0.0000%	\$0
18	303	Misc. Intangible Plant	\$4,109	0.0000%	\$0
19	391.1	Office Computer Equipment	\$262	20.0000%	\$52
20	392	Transportation Equipment	\$528	13.0000%	\$69
21	394	Tools, Shop, Garage Equipment	\$542	5.0000%	\$27
22	397	Communication Equipment	\$11	6.7000%	\$1
23		Total General Plant	<u>\$7,406</u>		<u>\$149</u>
24		Total Depreciation	<u><u>\$74,682</u></u>		<u><u>\$2,762</u></u>

1384 two-year depreciation on  
remaining plant balance

From Plant

To Income Statement

Warren Woods

KMB/Warren Woods  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
EXPENSE SCHEDULE

Line Number	<u>A</u> Description	<u>B</u> Account Number (Optional)	<u>C</u> Company/ Test Year Amount	<u>D</u> Staff Annualized	<u>E</u> Difference (1)	<u>F</u> Adjustment Number
1	OPERATIONS EXPENSES					
2	Officer Salary - Ann		\$415	\$377	-\$38	W-1
3	Support Staff Salary - Vicki		\$666	\$279	-\$387	W-2
4	Operators Salary - Donald		\$2,840	\$659	-\$2,181	W-3
5	Other Wages- Roger		\$205	\$8	-\$197	W-4
6	Payroll Taxes		\$647	\$109	-\$538	W-5
7	Operating Expenses		\$26	\$0	-\$26	W-6
8	Vehicle Fuel Expense		\$330	\$122	-\$208	W-7
9	Chemicals		\$191	\$141	-\$50	W-8
9	Electricity		\$1,289	\$1,289	\$0	
10	Outside Services		\$0	\$0	\$0	
11	Total Operations Expense		\$6,609	\$2,983	-\$3,626	
12	MAINTENANCE EXPENSES					
13	Repairs and Maintenance		\$14	\$500	\$486	W-9
14	Total Maintenance Expense		\$14	\$500	\$486	
15	ADMINISTRATIVE & GENERAL EXPENSES					
16	Professional Services- Accounting		\$90	\$83	-\$7	W-10
17	Professional Services- Legal		\$93	\$15	-\$78	W-11
18	Bank Charges		\$5	\$34	\$29	W-12
19	Office Rent		\$152	\$139	-\$13	W-13
20	Telephone		\$47	\$29	-\$18	W-14
21	AOL		\$6	\$5	-\$1	W-15
22	Cell Phone		\$30	\$18	-\$12	W-16
23	Pager		\$15	\$8	-\$7	W-17
24	Postage		\$161	\$115	-\$46	W-18
25	Office Supplies		\$18	\$16	-\$2	W-19
	Computer Maintenance Fee		\$0	\$17	\$17	W-20
26	Certification Expense		\$5	\$5	\$0	
27	Business Insurance		\$179	\$177	-\$2	W-21
28	Health Insurance		\$59	\$112	\$53	W-22
29	Loan Payments- Ann Rudy		\$163	\$0	-\$163	W-23
30	Other Misc. Expenses		\$73	\$44	-\$29	W-24
31	Total Administrative and General		\$1,096	\$818	-\$278	
32	OTHER OPERATING EXPENSES					
33	Taxes Other Than Income					
34	Property		\$408	\$408	\$0	
35	PSC Assessment		\$59	\$28	-\$31	W-25
36	Misc. Assessments		\$274	\$220	-\$54	W-26
37	Depreciation		\$1,846	\$2,076	\$230	W-27
38	TOTAL EXPENSES BEFORE INCOME TAX		\$10,306	\$7,033	-\$3,273	



KMB/Warren Woods  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Expense Adjustment Schedule

A Expense Adjustment Number	B Subset Adjustment	C Adjustment Description	D Account Number	E Total Adjustment Amount
W-1		Officer Salary - Ann To allocate Officer Salary based on customer numbers		(38)
W-2		Support Staff Salary - Vicki To adjust salary based on hours worked at current salary levels		(387)
W-3		Operators Salary - Donald To adjust salary based on current salary levels		(2,181)
W-4		Other Wages- Roger To remove salary for part-time employee		(197)
W-5		Payroll Taxes To adjust payroll taxes for current salary levels and remove employee portion of payroll tax expense		(538)
W-6		Operating Expenses To reclassify repairs, miscellaneous and capital items		(26)
W-7		Vehicle Fuel Expense To adjust fuel expense to current fuel prices and remove vehicle payments		(208)
W-8		Chemicals To allocate chemicals based on customer numbers		(50)
W-9		Repairs and Maintenance To include current annualized level of repairs and maintenance		486
W-10		Professional Services- Accounting To allocate accounting expense based on customer numbers		(7)
W-11		Professional Services- Legal To normalize legal expense and remove expenses associated with the KMB and Cedar Hill merger		(78)
W-12		Bank Charges To include normal bank account charges		29
W-13		Office Rent To allocate rent based on customer numbers		(13)
W-14		Telephone To allocate telephone expenses based on customer numbers and reclassify capital items		(18)
W-15		AOL To allocate internet expenses based on customer numbers		(1)
W-16		Cell Phone To allocate cell phone expense based on customer numbers and remove nonrecurring charges		(12)
W-17		Pager To allocate pager expense based on customer numbers and remove nonrecurring charges		(7)
W-18		Postage To adjust postage expense based on the number of customer billings		(46)
W-19		Office Supplies To allocate supplies expense based on customer numbers		(2)
W-20		Computer Maintenance Fee To include billing program maintenance fees		17
W-21		Business Insurance To annualize business insurance at current rates		(2)
W-22		Health Insurance To annualize health insurance at current rates		53
W-23		Loan Payments- Ann Rudy To remove payments to Ann Rudy that Staff classifies as "draws"		(163)
W-24		Other Misc. Expenses To reclassify capital items		(29)
W-25		PSC Assessment To allocate PCS assessments based on customer numbers and adjust at current assessment levels		(31)
W-26		Misc. Assessments To annualize misc. assessments at current levels and remove assessments related to lobbying		(54)
W-27		Depreciation To update depreciation expense to current rates and plant balances		230
Total Expense Adjustments				(3,273)

KMB/Warren Woods  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
REVENUE SUMMARY SCHEDULE

ANNUALIZED & NORMALIZED REVENUES

Line Number	A Description	Residential		Commercial		Class #3		Total	
		B Amount	C Amount	D Amount	E Amount	F Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>								
2	Customer Number	21		-				21	
3	Customer Bills Per year	252		-				252	
4	Existing Monthly Customer Charge Tariff	<u>\$38.13</u>		<u>\$0.00</u>					
5	Annualized Customer Charge Revenues		\$9,609		\$0				\$9,609
6	<u>Commodity Charge Revenues:</u>								
7	Total Gallons Sold	-		-				-	
8	Less: Base Gallons Included In Customer Charge	<u>-</u>		<u>-</u>				<u>-</u>	
9	Commodity Gallons	-		-				-	
8	Existing Commodity Charge / 1,000 gallons	<u>\$0.00</u>		<u>\$0.00</u>					
9	Annualized Commodity Charge Revenues		<u>\$0</u>		<u>\$0</u>				<u>\$0</u>
10	Total Annualized Water Rate Revenues		\$9,609		\$0				\$9,609
11	Late Fees		<u>\$325</u>		<u>\$0</u>				<u>\$325</u> (1)
12	Total Annualized Water Service Revenues		<u><u>\$9,934</u></u>		<u><u>\$0</u></u>				<u><u>\$9,934</u></u> (1)

(1) To rate Design Schedule

KMB/Warren Woods  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
RATE DESIGN SCHEDULE

Rate Making Income Statement - Water

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D	E
	Annualized Revenues	(1)	\$9,934		
1	OPERATIONS EXPENSES	(2)		Customer Charge	Commodity
2	Officer Salary - Ann		\$377		
3	Support Staff Salary - Vicki		\$279		
4	Operators Salary - Donald		\$659		
5	Other Wages- Roger		\$8		
6	Payroll Taxes		\$109		
7	Operating Expenses		\$0		
8	Vehicle Fuel Expense		\$122		
9	Chemicals		\$141		
9	Electricity		\$1,289		
10	Outside Services		\$0		
11	Total Operations Expense		\$2,983		
12	MAINTENANCE EXPENSES				
13	Repairs and Maintenance		\$500		
14	Total Maintenance Expense		\$500		
15	ADMINISTRATIVE & GENERAL EXPENSES				
16	Professional Services- Accounting		\$83		
17	Professional Services- Legal		\$15		
18	Bank Charges		\$34		
19	Office Rent		\$139		
20	Telephone		\$29		
21	AOL		\$5		
22	Cell Phone		\$18		
23	Pager		\$8		
24	Postage		\$115		
25	Office Supplies		\$16		
26	Computer Maintenance Fee		\$17		
26	Certification Expense		\$5		
27	Business Insurance		\$177		
28	Health Insurance		\$112		
29	Loan Payments- Ann Rudy		\$0		
30	Other Misc. Expenses		\$44		
31	Total Administrative and General		\$818		
32	OTHER OPERATING EXPENSES				
33	Taxes Other Than Income				
34	Property		\$408		
35	PSC Assessment		\$28		
36	Misc. Assessments		\$220		
37	Depreciation		\$2,076		
38	TOTAL EXPENSES BEFORE INCOME TAX		\$7,033		
39	Return on Investment & Current Income Taxes	(3)	2,997		
40	TOTAL COST OF SERVICE		10,030	\$0	\$0
41	Less: Miscellaneous Revenues	(4)	325	325	
42	COST TO RECOVER IN RATES		9,705	-325	0
43	INCREMENTAL INCREASE IN RATE REVENUES		96	0.97%	
44	REQUESTED INCREASE IN REVENUES		\$8,950		

- (1) From Revenue Summary  
(2) From Expense Schedule  
(3) From Rate Base & Return Schedule  
(4) From Revenue Summary

**KMB/Warren Woods**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Rate of Return Including Income Tax**

		<u>A</u>		<u>B</u>	<u>formulas</u>
1	State Income Tax Rate Statutory / Effective	<b>6.27%</b>	(2)	<b>5.83%</b>	$(1 - (B2 \times .5)) \times A1$
2	Federal Income Tax Rate Statutory / Effective	<b>15.00%</b>	(1) & (2)	<b>14.13%</b>	$(1 - B1) \times A2$
3	Composite Effective Income Tax Rate			<b>19.95%</b>	$B1 + B2$
4	Equity Tax Factor			<b>1.2493</b>	$1 / (1 - B3)$
5	Recommended Weighted Rate of Return on Equity - Common and Preferred			<b>8.78%</b>	From Capital Structure
6	Weighted Rate of Return on Equity Including Income Tax			<b>10.97%</b>	$B4 \times B5$
7	Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term			<b>0.27%</b>	From Capital Structure
8	Total Weighted Rate of Return Including Income Tax			<b>11.24%</b>	$B6 + B7$

To Rate Base

(1)

**Tax Rate Table**

<u>Net Income</u>	<u>Tax Rate</u>
\$0 - 50,000	15%
\$50,001 - 75,000	25%
\$75,001 - 100,000	34%
\$100,001 - 335,000	39%
\$335,001 - and over	34%

(2) Insert 0s For The Tax Rates If Sub-Chapter S Corporation

**KMB/Warren Woods**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**RATE BASE, RETURN on INVESTMENT**  
**and INCOME TAX SCHEDULE**

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount	
1	Plant In Service	\$59,791	From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$27,359</u>	From Depreciation Reserve Schedule
3	Net Plant In Service	\$32,432	
4	Other Rate Base Items: customer contribution	<u>-\$5,768</u>	
5	Total Rate Base	\$26,664	
6	Total Weighted Rate of Return Including Income Tax	<u>11.24%</u>	From Return & Taxes
7	Required Return & Income Tax	<u>\$2,997</u>	

**KMB/Warren Woods**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Capital Structure Schedule**

Line Number	<u>A</u> Description	<u>B</u> Dollar Amount	<u>C</u> Percentage of Total Capital Structure	<u>D</u> Embedded Cost of Capital	<u>E</u> Weighted Cost of Capital
1	Common Stock	\$261,018	96.58%	9.09%	8.779%
2	Preferred Stock	\$0	0.00%	0.00%	0.000%
3	Long Term Debt	\$9,255	3.42%	8.00%	0.274%
4	Short Term Debt	<u>\$0</u>	<u>0.00%</u>	0.00%	<u>0.000%</u>
5	TOTAL CAPITALIZATION	<u><u>\$270,273</u></u>	<u><u>100.00%</u></u>		<u><u>9.0527%</u></u>

To PreTax Return Rate

KMB/Warren Woods  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Plant In Service

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F As Adjusted Plant
1		<b>SOURCE OF SUPPLY PLANT</b>				
	314	Wells and Springs	\$3,275			\$3,275
2	321	Structures & Improvements	\$17,999	P - #		\$17,999
3		Total Source of Supply Plant	\$21,274		\$0	\$21,274
4		<b>PUMPING PLANT</b>				
5	325	Electric Pumping Equipment-depreciated	\$5,236			\$5,236
6	325	Electric Pumping Equipment	\$10,208			\$10,208
7		Total Pumping Plant	\$15,444		\$0	\$15,444
8		<b>WATER TREATMENT PLANT</b>				
9	332	Water Treatment Equipment	\$537			\$537
10		Total Water Treatment Plant	\$537		\$0	\$537
11		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>				
13	343	Transmission & Distribution Mains	\$15,213			\$15,213
	346.2	Meters- Depreciated	\$754			\$754
14	346.2	Meters- Plastic Chamber	\$2,408	P - 1	\$0	\$2,408
15		Total Trans. & Distribution Plant	\$18,375		\$0	\$18,375
16		<b>GENERAL PLANT</b>				
17	301	Organization	\$3,314			\$3,314
19	391.1	Office Computer Equipment	\$154			\$154
20	392	Transportation Equipment	\$347	P - #		\$347
21	394	Tools, Shop, Garage Equipment	\$340			\$340
22	397	Communication Equipment	\$6			\$6
23		Total General Plant	\$4,161		\$0	\$4,161
24		<b>TOTAL PLANT IN SERVICE</b>	\$59,791		\$0	\$59,791

To Rate Base & Depreciation Schedules

KMB/Warren Woods  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Schedule of Adjustments for  
Plant In Service

<u>A</u> Plant Adjustment Number	<u>B</u> Plant In Service Adjustments Description	<u>C</u> Adjustment Subtotal	<u>D</u> Total Adjustment Amount
	No Adjustments		
Total Plant Adjustments			<u><u>\$0</u></u>
		To Plant Schedule	



KMB/Warren Woods  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Accumulated Depreciation Reserve

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F As Adjusted Reserve
1		<b>SOURCE OF SUPPLY PLANT</b>				
	314	Wells and Springs	\$164	R -		\$164
2	321	Structures & Improvements	\$5,012	R -		\$5,012
3		Total Source of Supply Plant	\$5,176		\$0	\$5,176
4		<b>PUMPING PLANT</b>				
5	325	Electric Pumping Equipment-depreciated	\$5,928			\$5,928
6	325	Electric Pumping Equipment	\$7,853			\$7,853
7		Total Pumping Plant	\$13,781		\$0	\$13,781
8		<b>WATER TREATMENT PLANT</b>				
9	332	Water Treatment Equipment	\$188			\$188
10		Total Water Treatment Plant	\$188		\$0	\$188
11		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>				
13	343	Transmission & Distribution Mains	\$2,908			\$2,908
	346.2	Meters- Depreciated	\$855			\$855
14	346.2	Meters- Plastic Chamber	\$859	R - 1	\$0	\$859
15		Total Trans. & Distribution Plant	\$4,622		\$0	\$4,622
16		<b>GENERAL PLANT</b>				
17	301	Organization	\$3,342			\$3,342
19	391.1	Office Computer Equipment	\$30			\$30
20	392	Transportation Equipment	\$101	R -		\$101
21	394	Tools, Shop, Garage Equipment	\$117			\$117
22	397	Communication Equipment	\$2			\$2
23		Total General Plant	\$3,592		\$0	\$3,592
24		<b>TOTAL DEPRECIATION RESERVE</b>	\$27,359		\$0	\$27,359

To Rate Base

**KMB/Warren Woods**  
**Informal Rate Case**  
**QW-2005-0006**  
**Test Year Ending 3/31/05**  
**Schedule of Adjustments for**  
**Accumulated Depreciation Reserve**

A  
 Reserve  
 Adjustment  
 Number

B  
 Accumulated Depreciation Reserve  
 Adjustments Description  
 No Adjustments

C  
 Adjustment  
 Subtotal

D  
 Total  
 Adjustment  
 Amount

Total Reserve Adjustments

\$0

To Reserve Schedule

KMB/Warren Woods  
Informal Rate Case  
QW-2005-0006  
Test Year Ending 3/31/05  
Depreciation Expense

Line Number	A Account Number	B Plant Account Description	C Adjusted Plant	D Depreciation Rate	E Depreciation Expense
1		<b>SOURCE OF SUPPLY PLANT</b>			
	314	Wells and Springs	\$3,275	2.0000%	\$66
2	321	Structures & Improvements	\$17,999	2.5000%	\$450
3		Total Source of Supply Plant	<u>\$21,274</u>		<u>\$515</u>
4		<b>PUMPING PLANT</b>			
5	325	Electric Pumping Equipment-depreciated	\$5,236	10.0000%	\$524
6	325	Electric Pumping Equipment	\$10,208	10.0000%	\$1,021
7		Total Pumping Plant	<u>\$15,444</u>		
8		<b>WATER TREATMENT PLANT</b>			
9	332	Water Treatment Equipment	\$537	2.9000%	\$16
10		Total Water Treatment Plant	<u>\$537</u>		<u>\$16</u>
11		<b>TRANSMISSION &amp; DISTRIBUTION PLANT</b>			
13	343	Transmission & Distribution Mains	\$15,213	2.0000%	\$304
	346.2	Meters- Depreciated	\$754	10.0000%	\$75
14	346.2	Meters- Plastic Chamber	\$2,408	10.0000%	\$241
15		Total Trans. & Distribution Plant	<u>\$18,375</u>		<u>\$620</u>
16		<b>GENERAL PLANT</b>			
17	301	Organization	\$3,314	0.0000%	\$0
19	391.1	Office Computer Equipment	\$154	20.0000%	\$31
20	392	Transportation Equipment	\$347	13.0000%	\$45
21	394	Tools, Shop, Garage Equipment	\$340	5.0000%	\$17
22	397	Communication Equipment	\$6	6.7000%	\$0
23		Total General Plant	<u>\$4,161</u>		<u>\$93</u>
24		Total Depreciation	<u><u>\$59,791</u></u>		<u><u>\$2,076</u></u>

831 two-year depreciation on  
remaining plant balance

From Plant

To Income Statement

## Memo Attachment C

### Overview of Company and Customer Service Operations

## **KMB UTILITY CORPORATION**

### **CUSTOMER SERVICE OPERATIONS**

The Engineering and Management Services Department (EMSD) staff initiated an informal review of the customer service processes, procedures and practices at KMB Utility Corporation (KMB or Company) in June of 2005. Prior to the on-site interviews, the EMSD staff examined Company tariffs, annual reports, Missouri Public Service Commission (Commission) complaint records and other documentation related to the Company's customer service operations. The EMSD staff participated in two meetings with Company personnel in June and July of 2005.

The objectives of this review were to document and analyze the management control processes, procedures, and practices used by the Company to ensure that its customers' service needs are met and to make recommendations, where appropriate, by which the Company may improve the quality of service provided to its customers. The findings of this review will also provide the Commission with information regarding the Company's customer service operations.

The scope of this review focused on processes, procedures and practices related to:

- Customer Billing
- Customer Information Systems
- Meter Reading
- Customer Contact Handling
- Credit and Collections

This report contains the results of the EMSD staff's review.

The EMSD staff previously performed a customer service review of the Company in September of 2002. The review identified recommendations for improvements in the areas of returned checks, depositing customer receipts and a secured storage area. The Company has taken action to address these situations. However, since the time of the review, a number of changes have occurred at the Company, including a change in ownership. In this review, the EMSD staff has focused on several operational issues that have prompted a number of customer comments and concerns.

## **Overview**

The KMB Utility Corporation has been owned by Ann Rudy since 2002. Ms. Rudy owns the Piffel Excavating Company, a construction firm in the Pacific area. Ms. Rudy was familiar with the Company as her construction firm had completed a number of projects for KMB. When the prior owner of KMB Utility passed away suddenly, Ms. Rudy eventually bought the Company.

KMB Utility Corporation has an office at House Springs, Missouri. The office is staffed by an Office Manager from 8:00 a.m. to 12:00 p.m. who handles the administrative functions at the office. After these hours, calls are routed to a paging system that the Office Manager has responsibility for responding to. If a call involves an emergency, the Office Manager contacts the Chief Operator via his pager or home phone. The Chief Operator is responsible for responding to the needs for repairs and, with the assistance of the Office Manager, will arrange for the necessary materials and equipment to be available.

Calls that do not involve water emergencies are responded to the next business day by the Office Manager. At the present time, she does not keep a log to record the number and types of calls received.

Most of the capital improvement and repair work that requires the use of large equipment is performed by Piffel Excavating with the assistance of the Chief Operator of KMB. The Company asserts that it is impractical to solicit bids from other competitors in the area to perform work for them.

KMB has seven water systems and one sewer system. The water system names, county location and number of customers are displayed in the following table.

<b>WATER SYSTEMS</b>		
<b>Name</b>	<b>County</b>	<b>No. of Customers</b>
Cedar Hill Estates	Jefferson County	178
Crestview Acres	Franklin	50
High Ridge Manor	Jefferson	76
Hillshine Acres	Franklin	30
Lakewood Hills	Jefferson	113

Scotsdale	Jefferson	36
Warren Woods	Jefferson	21

The sewer system, Cape Rock Village, is located in Cape Girardeau and has 220 customers whose charges are on a flat rate.

### **Meter Reading Process**

The Company reads meters on a pre-determined schedule each month. Several of the systems depend upon customer supplied readings throughout the year. The table below lists the information provided to the EMSD staff regarding meter reading.

<b>System</b>	<b>Date Read</b>	<b>Time To Read</b>
Cedar Hill Estates	1-2 days before the 15 <sup>th</sup> of month	4-5 hours to read meters
Crestview Acres	Customers read own meters & send in w/ payment	Customers read own meters & send in w/ payment
High Ridge Manor	1-2 days before the last day of the month	3-4 hours to read
Lakewood Hills	1-2 days before the last day of the month	
Hillshine Acres	Customers read own meters & send in w/ payment	Customers read own meters & send in w/ payment
Scotsdale		Flat rate
Warren Woods		Flat rate

Meters are read by the Office Manager and the Chief Operator. If the meter pit is filled with water, a clear tube is used to view the reading. The Company has a number of meters that it has been unable to read because of access problems. However, in response to data requests, the Company was unable to provide the exact number of estimated bills and the number of consecutive estimated bills. The Auditing staff was able to develop a total number of estimates on an annual basis per system. According to this information, the Cedar Hill system had the most problems with over 28% of its total readings estimated. Staff has been unable to determine the number of consecutive estimates on a per customer basis.

### **Customer Billing Process**

The Company uses a DOS based software program to complete its customer billing and maintain records. Although the Company was unsure of the year it acquired the software, it did believe that it was quite dated. The Office Manager enters the meter reading data and the system computes and prints a bill. The printed bills are normally mailed the same day.

The billing software keeps 36 months of data; however, the data is kept on a monthly basis. The Office Manager must look at each individual month bill to review history. There is no record that maintains usage data for 12 months, or payment performance for 12 months. Hard copies of customer bills are kept for seven years.

The customer is able to pay their bill by remitting check, cash or a money order. Payments are almost always mailed to the office. Once the payment has been received and processed that day, the receipts for all systems are totaled. As a verification, the individual system checks are also totaled to ensure that the numbers are the same. The amounts are then posted to the individual customer's account. This process normally takes from 20 to 30 minutes to complete.

The Office Manager is paid a salary that is allocated to each system on a percentage. The percentage reflects the number of customers per system. The chief operator keeps a time sheet to note the system and the type of work he has completed.

The Company stated that it has no established credit and collection policies. When a customer becomes delinquent on their bills by a couple of months, the Office Manager normally contacts the customer to set up some type of payment arrangement. This action has always resolved the delinquent bill situations and allowed the Company to keep the customers' service on. The Company does have a provision to collect late fees and returned check fees; however, it is unaware of any amounts associated with these. The Company stated that it had not performed any non-pay disconnections of service in the last year and a half. The Company did not write-off any amounts due to delinquent accounts for the years 2002 through 2004.



New customers may initiate service by calling the office and requesting that the bill be put in their name. Deposits are not required of any customers.

### **Findings, Conclusions and Recommendations**

The following discussion presents a summary of the findings, conclusions and recommendations pertaining to the Company's customer service operations. The information presented in this section focuses on the following areas that require Company management's attention:

- Customer Information/Billing Process
- Meter Reading
- Complaint Log
- Use of Piffel Excavating Services
- Credit and Collection

The EMSD staff realizes that some of the recommendations presented will require a substantial amount of work on the part of the Company to evaluate and implement. At the present time, the Company Office Manager is only in the office in the morning to complete administrative tasks. The additional work associated with these recommendations may require additional office hours by the Office Manager. The EMSD staff does believe that the implementation of these recommendations is very important for effective Company operations and to assure compliance with the Commissions Billing Standards Rules.

### **Customer Information/Billing Process**

The Company does not have an effective computer information system that allows it to maintain customer information and produce bills in an efficient manner. The Company is unsure of the age of the present system, but has discussed with the Staff the limitations of it being a DOS based system with the Staff. In several instances, basic customer or premise information requested by the Staff was unable to be obtained because of the system inadequacies. This information should have been readily available and used by the Office Manager.

A Company's customer information/billing systems are utilized to maintain information on the premise and the customer. This includes the customer's usage and payment history, information on meters, and any inquiries or interaction between the Company and the customer. A small company the size of KMB does not require a complex or expensive software system to maintain customer records and produce bills. The Company should examine systems in use by other small water companies and other programs that may provide a more useful and effective system for this purpose. Trade schools specializing in information technology may also represent an opportunity to obtain specialized programs at a reasonable price.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Investigate and analyze the alternatives to provide computerized customer information and billing systems in an efficient and effective manner.*

### **Meter Reading**

The Company does not obtain an actual read on all meters on at least an annual basis. The Staff accompanied Company personnel on one of its meter reading routes that had produced a number of complaints to the Commission. In many instances, the meters for these locations were within fenced-in areas that contained vicious dogs. The Company has a number of locations that they have been unable to obtain actual readings for long periods of time. The Company is unable to monitor the number of estimated bills rendered and the number of consecutive estimated bills. Meter reading sheets do note if the prior bill was estimated but do not indicate the frequency of estimates.

The billing system used to maintain information on customer accounts does not allow the office manager to determine, for example, the number of estimated bills at a specific premise over the course of the year without a tedious review of each record. There is no summary document that allows them to determine the extent and the specifics of a problem with estimated bills.

The EMSD staff reviewed the public comments received in this case and noted that a number of customers expressed concerns that bills are consistently estimated. The EMSD staff has attempted to contact these customers and has confirmed issues relating to

consecutive estimated bills. The EMSD staff believes that estimated bills represent a significant problem at several of KMB Utilities certificated service areas.

Estimated bills are never a preferred outcome because they do not reflect actual usage. The frequency of estimated bills is addressed in the Commission's Billing Rules in several places.

Commission Rule 4 CSR 240-13.020(2)(B) states that a utility shall not render a bill based on estimated usage for more than three (3) consecutive billing periods, except under certain conditions. If the Company does render an estimated bill for three consecutive billing periods, the Company is required to take specific actions to contact the customer and try to obtain an actual reading.

To correct its estimated billing problems, the Company needs to take several courses of action. The Company needs to be aware of the frequency of estimated billing and target those customers that have received an excessive number of estimated bills.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Develop an effective method to track the number and location of estimates used for customer billings.*

Once the Company can determine the extent and location of estimated bills, it should then develop a series of specific actions to be taken in attempting to obtain an actual reading. This series of procedures will assist it in addressing the requirements of 4 CSR 240-13.020(3) which defines the actions required when the Company is unable to obtain an actual meter reading for three consecutive billing periods.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Develop and utilize a series of procedures to attempt contact with customers receiving consecutive estimated bills. These procedures should include efforts on the part of the Company to schedule appointments to obtain access to the meter.*

## **Complaint Log**

The Company does not maintain a log noting the complaints and inquiries received by the customer. The lack of a complaint and inquiry log makes it difficult to determine the level of inquiries received by the Company. Handling customer inquiries is one of the responsibilities of the Office Manager, who at the present time, works in the office from 8 to noon Monday through Friday. The Office Manager does carry a pager when she leaves the office and is essentially on call the rest of the day and evening. However, the Company has been unable to quantify the amount of calls they must respond to, either during normal business hours or beyond.

The maintenance of a complaint log is required under the Commission's Billing Rules.

Commission Rule 4 CSR 240-13.040(5) states:

A utility shall maintain records on its customers for at least two (2) years which contain information concerning:

.....

(B) The number and general description of complaints registered with the utility;

The maintenance of this information would ensure the Company's compliance with the Commission rule and also provide the Company with information regarding such issues as the number of calls received and handled and the types of calls.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Develop and utilize a log that documents the complaints and inquiries received by the Company. Ensure that records are maintained for two years.*

## **Use of Piffel Excavating Services**

The Company has not provided documentation to verify that its utilization of services from the Piffel Excavating Company represents the best value for the customer. Staff does understand the difficulty involved in soliciting its business competitors to perform work for its water company. However, as a regulated utility, KMB does need to ensure that its use of outside contractors represents a cost effective alternative for the customer. Piffel Excavating

should maintain documentation to show that it is not charging KMB a premium for its services over what it charges other clients in the area. It also needs to be prepared to document this to the Commission staff within an audit.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Maintain the appropriate documentation regarding the utilization of outside contractors, including Piffel Excavating Company.*

**Formalize Credit and Collection Policies and Procedures**

The Company does not presently have a documented set of procedures that it follows regarding credit and collections activities. The Office Manager has indicated that delinquent payments are dealt with by making a phone call to the customer. At that time, the customer is offered a payment arrangement to clear up the amount. The Office Manager stated that this happens infrequently. The existence of a formal set of procedures regarding how delinquent payments are handled should be communicated to the customers so they know what to expect if a payment is delinquent. This also sets guidelines so that customers are handled in a consistent manner.

Another issue involves the utilization of late payment fees. The Company's tariff allows for the use of a late payment fee. If a customer's payment is received 21 days or more after rendition of the bill, then the Company is able to impose a charge of \$5.00 or three percent per month times the unpaid balance, whichever is more. The Company indicated it had not imposed any late charges. However, they did note that they have to call some customers to remind them that their payment is overdue. While it is desirable to allow customers some flexibility in meeting their payment obligations, it is also important to ensure that good paying customers do not subsidize other customers.

A related issue involves the utilization of deposits for new customers. The Company does not presently require deposits from new customers who desire to establish service. While it appears that the Company has not had difficulties with its level of bad debt, deposits can help to ensure that customers do not leave the Company with large amounts of uncollectibles. The utilization of deposits for new customers based upon the provisions of

4CSR 240-13.030 could assist the Company in ensuring that it maintains a low level of write-offs.

The EMSD staff believes that the lack of records for items like delinquencies, late payments and bad debts is somewhat misleading regarding whether there is a problem and the extent of it. Better and more detailed record keeping associated with an improved billing system will assist in determining whether there is actually a problem in this area and the true extent of it.

The Company needs to refer to the provisions outlined in the Commission's Rule 4 CSR 240-13 to develop procedures related to delinquent accounts and disconnection. The existence and distribution of a customer informational brochure is consistent with the requirements specified in the Billing Rules.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Develop and document a set of procedures to be utilized in dealing with delinquent accounts and communicate this information to the customer in a mailing or brochure.*

*Develop a customer informational brochure to be distributed to all customers informing them of the rights and responsibilities of the customer and the Company.*

*Consider and evaluate the use of deposits for new customers, consistent with the provisions of 4CSR 240-13.050, to assist the Company in its management of bad debt.*

## Memo Attachment D

### Second Customer Notice Public Comments

**AFFIDAVIT OF DALE W. JOHANSEN**

STATE OF MISSOURI     )

) ss

**Case No. WR-2006-0286**

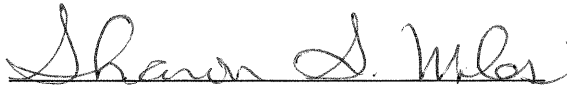
COUNTY OF COLE     )

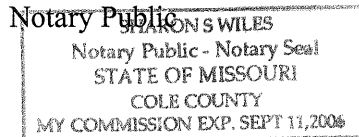
Dale W. Johansen, of lawful age, on his oath states: (1) that he is a member of the Staff of the Missouri Public Service Commission; (2) that he participated in the preparation of this Recommendation Regarding Disposition of Small Company Rate Increase Request ("Recommendation") and the attached appendix; (3) that the knowledge of the matters set forth in this Recommendation and the documents included in the attached appendix; and (4) that the matters set forth in this Recommendation and the documents included in the attached appendix are true and correct to the best of his knowledge, information and belief.



Dale W. Johansen – Manager  
Water & Sewer Department  
Utility Operations Division

Subscribed and sworn to before me this 7th day of February 2006.





My Commission Expires: \_\_\_\_\_