

2010-2011 Final Rate Analysis Narrative
August 2012

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The rate analysis contains expense numbers from the 2010-2011 audit ending June 30, 2011, and adjustments necessary to correctly reflect where those expenses should be allocated.

The water, restoration and PUD expenses are amounts paid within the fiscal year so those numbers must be adjusted to reflect actual water consumed and the related expenses actually paid (the district pays restoration and PUD in arrears and water is purchased two months in advance).

The distribution system contains expenses for both North Fork Ranch and Cottonwood Estates, which are reimbursable projects therefore those expenses must be reversed from the distribution expenses. According to the 2007 Master Water Plan, capital improvements to the district should be allocated to 78% growth, so that 78% also must be reversed. Until an updated MWP is complete this allocation will remain skewed due to the economy, however the current method is the only way that is supportable.

The revenue from the Centerville must also be taken into consideration before total expenses are determined.

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The adjusted expenses from page one are carried forward to page two to be applied to both M&I and agricultural accounts.

The cost of water, restoration and PUD are allocated as explained on page one. The M&I and agricultural deficits and ARRA charges are direct charged to each category.

Customer Accounts is allocated based on the unit numbers as listed on page three.

Conduit, distribution, water treatment, administration, well field/booster station, regulatory and depreciation are allocated by usage, as also listed on page three. This allocation method has been used in all previous rate analysis studies due to the majority of water being transmitted was for agricultural purposes.

The results from those allocations are divided by the actual acre-feet delivered during the same period to determine the cost.

**2011-2012 Rate Analysis Study
Audited Numbers
Final, October 2012**

Source of Supply		132,644.09		
Less CVP		(37,331.38)		
Less PUD		(278.81)		
Subtotal				95,033.90
M&I sold 2010	1277.2 x 38.25	(48,852.90)		
2011	632.2 x 39.04	(24,681.09)		
Ag sold 2010	1717.8 x 14.83	(25,474.97)		
2011	822.5 x 15.64	(12,863.90)		
			(111,872.86)	
				(16,838.96)
Distribution		325,776.56		
Less NFR		0.00		
Less CEP		(15,689.96)		
Less Capital Improvement		(62,755.65)		
				247,330.95
Capital Improvement		62,755.65		
Less 78% growth		(48,949.41)		
				13,806.24
Centerville		111,849.44		
Less Retro Adjustment		0.00		
				111,849.44

78% growth is based on the dollar amount projected in the 2007 MWP. Funding from developer paid fees.
Results of purchased water vs. sold water is dependent on when water is purchased and used.

Allocation varies from previous studies due to change in customer base. Administration and Regulatory allocated by unit.

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All Expenses	Allocated by Unit	Common Costs Allocated by Usage %	
Water Costs	95,033.90		
PUD	278.81		
CVP	<u>37,331.38</u>		
Subtotal Water	132,644.09		
Water Treatment		256,646.06	
Conduit		25,226.89	
Distribution		251,973.00	
Customer Accounts	187,585.37		
Administration	750,700.00		
Wells/Booster Station		3,715.69	
Regulatory	<u>59,397.31</u>		
Depreciation		<u>223,109.00</u>	
Subtotal		760,670.64	
Less Centerville Share		<u>(111,849.44)</u>	
Total	997,682.68	648,821.20	
M&I			
Common Cost Share	42.9%		278,344.29
Cost of Water Sold			73,533.99
CA, Admin, Regulatory	87.0%		867,983.93
M&I Deficit			0.00
CVP \$18.59/AF			35,495.75
PUD \$.11/AF			210.03
ARRA			<u>0.00</u>
Subtotal			1,255,568.00
Divided by usage		AF Delivered	<u>1,909.4</u>
Cost per acre foot delivered			\$657.57
Agricultural			
Common Costs Share	57.1%		370,476.91
Cost of Water Sold			38,338.87
CA, Admin, Regulatory	13.0%		129,698.75
Ag Deficit			0.00
ARRA Charge			0.00
PUD \$.11/AF			<u>279.43</u>
Subtotal			538,793.95
Divided by usage		AF Delivered	<u>2,540.3</u>
Cost per acre foot delivered			\$212.10

The cost of water sold, CVP and PUD calculated on exact water during specific period.
 (ARRA) American Recovery and Investment Act.
 Deficits are single year, have not been billed yet.

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Ag Rate Codes	Units	\$ July 2012			Monthly	Yearly
111	86	5,093.78				
112	31	2,189.53				
113	40	2,511.07				
114	69	5,515.29				
115	73	7,286.85				
131	8	73.12				
132	7	86.94				
133	7	106.47				
134	17	310.76				
135	12	<u>256.68</u>	350	x 17.10	5,985.00	71,820.00
211	2	125.43				
212	1	36.56				
215	16	3,026.89				
141	8	501.77				
142	7	339.95	141-145	water only		
143	7	474.51				
144	17	1,070.79				
145	<u>13</u>	<u>1,547.24</u>				
	421	30,553.63				

Water Usage			Units		
M&I	1,909.4	42.9%		2,340	87.0%
AG	<u>2,540.3</u>	<u>57.1%</u>		<u>350</u>	<u>13.0%</u>
	4,449.7	100.0%		2,690	100.0%

Rate codes 130's and 140's used together
Rate codes 111's and 211's used together

2011 and 2012 Rate Analysis Study
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M&I

Revenue	1,042,087.76	
Less Ag account unit charge	<u>(71,820.00)</u>	
Subtotal		970,267.76
Divided by usage		<u>1,909.40</u>
Customer Paid per/AF		508.15
Cost per AF delivered		<u>657.57</u>
Difference		(149.42)

AG

Revenue	175,711.35	
Plus unit charge	<u>71,820.00</u>	
Subtotal		247,531.35
Divided by usage		<u>2,540.30</u>
Customer Paid per/AF		97.44
Cost per AF delivered		<u>212.10</u>
		(114.66)

350 domestic ag units
17 ag only units

M&I results from sales

Direct Income	970,267.76
Indirect Income*	<u>51,075.99</u>
Subtotal	1,021,343.75
Total Expenses	<u>1,255,568.00</u>
Net increase	(234,224.25)

AG results from sales

Direct Income	247,531.35
Indirect Income*	<u>37,328.09</u>
Subtotal	284,859.44
Total Expenses	<u>538,793.95</u>
Net Loss	(253,934.51)

*Indirect income results from penalties, convenience fee, turn on charges, backflow maintenance and PUD.
 Restoration income directed to M&I only.

Filter plant and chestnut revenues are not included because payment liabilities are not included.