

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3461
September 7, 1989

RESOLUTION

(RES. W-3461) ELK GROVE WATER WORKS (EGW). ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
\$70,090 OR 11.47% ADDITIONAL ANNUAL REVENUE.

Elk Grove Water Works (EGW) filed a draft advice letter accepted by the Water Utilities Branch (Branch) on January 26, 1989 requesting authority under Section VI of General Order 96-A and section 454 of the Public Utilities Code to increase rates for water service by \$91,900 or 15.00%. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. EGW's request shows 1989 gross revenues of \$613,300 at present rates would increase to \$705,200 at proposed rates. In test year 1989 EGW estimates that it will serve approximately 119 metered, 5,282 flat rate, and 115 private fire protection customers in the unincorporated community of Elk Grove, Sacramento County.

The present rates have been in effect since May 29, 1987 pursuant to Resolution W-3364 which authorized a general rate increase of 16.0%.

The Branch made an independent analysis of EGW's summary of earnings. Appendix A shows EGW's and the Branch's estimates of the summary of earnings at present, requested, and adopted rates. Appendix A also shows differences between EGW's and the Branch's estimates in revenues, operating expenses, and rate base.

The Branch and EGW met on several occasions to discuss the summary of earnings. In general the differences in revenues and expenses result from: 1) later information provided by EGW, 2) the Branch's use of the latest power rates in calculating pumping costs, 3) differences in estimating methodologies, 4) rate-making adjustments recommended by the Branch, and 5) difference in items such as taxes which depend on the level of expenses and revenues estimated elsewhere. The major differences involved materials, management salary, professional services (accounting, consulting, and legal fees), and rate case expense. These differences are addressed below.

In developing their respective estimates of materials and supplies necessary for routine operations both the Branch and EGW relied on averages from historical data. The difference between the estimates is due to the Branch's reassignment of a portion of recorded materials expenses to other accounts, e.g. "other plant maintenance". This is consistent with the utility's current bookkeeping practice and the uniform system of accounts.

The Branch's estimate for management salary is \$46,110 versus EGW's estimate of \$47,400. While both the Branch and EGW agree on the president and general manager's base salary of \$52,700, EGW capitalized only 10% whereas the Branch, according to later information, capitalized 12.5%.

The Branch's estimate of professional services is less than that of EGW's because it recommends disallowance of most of the utility's past legal expenses. EGW's estimate of legal expenses is an average of the 34 month period through October 1988 expanded to a year and inflated by 5%. In preparing its estimate the Branch looked at an itemized accounting of legal expenses billed in 1987 and 1988. Most of the charges were associated with the formation of an "S" corporation, which would reduce the tax liabilities of the utility. Since the reduction in taxes would not benefit the ratepayers, either in lower rates or increased efficiency, the Branch did not include any charges for this type of legal work in its estimate. In addition, most of the legal charges in 1987 are associated either with the utility's expansion battle with the County or with a ballot initiative to incorporate the community of Elk Grove.

EGW's estimate for rate case expense is \$5,000 or 1/3 of \$15,000 in estimated billing by the consultant hired to prepare this rate case. The Branch's estimate differs in that it is based on the consultant's billings, which have been lower than the original estimate because this case did not go to a formal hearing.

EGW's estimate of purchased power expenses included the amortization over three years of a "balancing account". Since EGW was never specifically authorized or ordered to establish such a balancing account, the Branch's estimate did not include this amount. Commission policy has been to allow a utility a rate offset going forward, but not to allow it to recover revenue amounts foregone in the past.

After discussion EGW accepted the Branch's position and requested that it be authorized to start a balancing account for purchased power costs. The Branch agrees and recommends such authorization now, rather than at the time of the next electric power rate increase, to streamline the procedure by reducing both the time lag between the increase and any offset rate increase and reducing the paperwork required in a separate Commission proceeding.

The Branch and EGW also negotiated over the issue of water testing expenses included under contract work. Although the utility pays an independent testing laboratory to conduct routine bacteriological testing of its wells, it has an agreement with the Sacramento Area Water Works Association (SAWWA) to conduct the other tests required by DHS. Due to recent additional testing regulations imposed by the Federal government and DHS EGW expects the testing expenses of the SAWWA program to increase. The Branch's investigation of this issue revealed that while EGW's SAWWA program testing expenses in the test year will be approximately \$10,710, this expense level may not be the same in the following years. It is SAWWA's intention to conduct a first round of tests and then to negotiate with DHS over the "vulnerability" of its member systems to specific contamination and therefore reduce testing expenses. Accordingly, the Branch included only 1/3 of the SAWWA testing expense in its estimate of contract work. The Branch recommends that EGW be authorized to establish a balancing account for water testing expenses to track this program's costs.

The Branch and EGW also differed in their respective estimates of rate base. As with expenses, the differences result from later information provided by EGW. The Branch also discovered that EGW has accounted for accumulated deferred taxes and unamortized Investment Tax Credit improperly.

The Branch's estimate of average plant in service, \$3,288,030, is \$455,370 less than the utility's. The Branch used end of year 1988 data from EGW's check register together with more recent information on contributions and more accurate estimates of expected plant additions costs to arrive at its estimate. EGW based its 1989 estimate on an extrapolation of eight months 1988 data. EGW inadvertently included 1989 contributions in estimating 1988 total plant. The company also relied on inaccurate estimates of the costs of a copying machine and pressure recorders to be installed in 1989.

The Branch's estimate of average depreciation reserve, \$727,580, is based on more recent estimates of 1988 depreciation expenses, plant in service, and contributions. The utility's estimate, \$743,800, includes compounded errors from the use of inaccurate 1988 estimates in plant in service and contributions.

The Branch's estimate of advances for construction, \$1,443,700, is \$1,500 less than EGW's due to a different estimate for annual refunds. The Branch used the recorded 1988 total refunds as the basis for its 1989 estimate. EGW offered no explanation of its figure.

The Branch's estimate of contributions, \$573,740, is \$381,860 less than EGW's due to the utility's inadvertent inclusion of estimated contributions in 1989 in the total for 1988. Starting in 1989 the Branch believes that all capitalized management salary and employee labor should be considered as contributions, and that the utility should include these amounts in its contributions contracts. This change is reflected in the Branch's calculations of contributions, depreciation, and other affected accounts. No retroactive adjustments should be contemplated due to the unlikely prospects of past developers putting up additional money to cover these expenses.

In examination of EGW's estimate of deferred taxes and unamortized income tax credit the Branch found that these accounts have been improperly maintained. As a result, the Branch reconstructed these accounts to obtain the proper test year balances.

The Branch used the new simplified method for calculating working cash adopted by the Commission on January 27, 1989. Under this method, EGW is not entitled to a working cash allowance, primarily because it collects most of its revenues in advance. EGW estimated working cash based on the simplified method detailed in the Commission's Standard Practice U-16, "Determination of Working Cash Allowance".

EGW's estimate of materials and supplies held in inventory, \$3,800 is based on an itemization of those items. The Branch's estimate is based on the annual average recorded in EGW's Annual Reports.

On July 5, 1989, the Branch and the utility discussed the remaining differences in the summary of earnings. After this discussion EGW stated that it accepts the Branch's recommendations on revenues, expenses, and rate base.

A notice of the proposed rate increase was mailed to each customer on February 3, 1989. Two letters protesting the increase were received by the Branch. On February 21, 1988 a public meeting was held at the Senior Center of Elk Grove in EGW's service area. The Branch's representative explained Commission rate setting procedures and EGW's representative explained the need for the rate increase. Three customers attended the meeting, in addition to five people associated with the utility and two Branch engineers. One customer questioned the need for a high priced consultant to prepare the rate increase request, one asked about EGW's plans to develop more groundwater resources, and one made no comments, but indicated he would write. No letters have been received since the meeting.

Field investigations of EGW's facilities and service area were conducted on February 21, 22, and 23, 1989. Visible portions of the water system were inspected, pressures checked, customers and company employees interviewed, and methods of operation checked. The investigation indicated that EGW's system is in compliance with the requirements of the Commission's General Order 103, Rules Governing Water Service, and that service is satisfactory. The utility has a regular preventive maintenance program and responds quickly to customer complaints. Company employees are uniformly conscientious and appear dedicated to doing their jobs well. There are no outstanding Commission orders requiring system improvements. According to the State Department of Health Services EGW is providing water that meets all primary and secondary drinking water standards currently in effect. A local manganese problem is regarded as more of a nuisance than a threat to public health. However, DHS does require extensive flushing of mains whenever EGW uses one of the older wells in which manganese levels exceed the secondary standards.

EGW's current conservation program consists of participation in a county wide agency program to publicize water conservation through the use of flyers, flow reducers, etc. Company employees also watch for waste while out on their rounds and routinely offer advice to people about more efficient methods of watering lawns. Since the vast majority of its customers are not metered, EGW would have a difficult time enforcing a mandatory conservation program. There has been minor subsidence of the groundwater table in the past year, estimated at approximately eighteen inches.

EGW has filed its Annual Reports regularly. There are no outstanding Commission orders.

The Branch recommends that the Commission authorize an increase of \$70,090, or 11.47% which would increase estimated annual operating revenue from \$611,240 at present rates to \$681,330 at the recommended rates contained in Appendix B. This increase provides a 10.75% rate of return on rate base.

The utility's current rate structure is made up of four schedules: Schedule No. 1, Metered Service; Schedule No. 2, General Flat Rate Service; Schedule No. 4, Private Fire Protection Service; and Schedule No. 9C, Construction and Other Temporary Service. Metered service consists of one quantity charge for all water and a service charge determined by meter size and is billed in arrears. Flat rate service is payable bi-monthly in advance.

The rates recommended by the Branch, included here as Appendix B, were designed by applying the system average increase to all rate categories, while rounding to avoid amounts not divisible by 5.

At the Branch's recommended rates, the monthly bill for a typical flat rate residential customer with a 1-inch connection and 10,000 square foot lot will increase from \$10.05 to \$11.25. The monthly bill for a typical metered commercial customer with a 2-inch meter consuming 200 Ocf of water will increase from \$37.20 to \$42.00. A comparison of the present and recommended rates is shown in Appendix C.

Findings

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be authorized.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. EGW should be required to establish and maintain a balancing account for purchased power expenses as required by Public Utilities Code Section 792.5.
5. EGW should be required to establish and maintain a balancing account for water testing expenses as required by Public Utilities Code Section 792.5.
6. The rate increase authorized herein is justified and the resulting rates are just and reasonable.

IT IS ORDERED THAT:

1. Authority is granted under the Public Utilities Code Section 454 for Elk Grove Water Works to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedules 1, 2, 4, and 9C. The effective date of the new schedules shall be the date of filing.
2. Elk Grove Water Works shall establish and maintain a purchased power balancing account as required by Public Utilities Code Section 792.5 from the effective date of this resolution.
3. Elk Grove Water Works shall establish and maintain a water testing expenses balancing account as required by Public Utilities Code Section 792.5 from the effective date of this resolution.
4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on September 7, 1989. The following commissioners approved it:

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. CHAMAN
PATRICIA M. ECKERT
Commissioners

Wesley Franklin

WESLEY FRANKLIN
Acting Executive Director

Appendix A

ELK GROVE WATER WORKS
SUMMARY OF EARNINGS
Test Year 1989

Item	Utility Estimated		Branch Estimated		Adopted Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenue</u>					
Metered	\$ 51,000	\$ 58,600	\$ 50,400	\$ 58,000	\$ 56,920
Flat Rate	541,200	622,400	538,400	619,200	599,260
Private Fire	19,500	22,400	20,840	23,940	23,370
Other	1,600	1,800	1,600	1,840	1,780
Total Revenue	613,300	705,200	611,240	702,980	681,330
<u>Operating Expenses</u>					
Purchased Power	150,400	150,400	157,560	157,560	157,560
Employee Labor	53,900	53,900	52,390	52,390	52,390
Materials	17,500	17,500	12,230	12,230	12,230
Contract Work	7,400	7,400	9,180	9,180	9,180
Transportation	7,600	7,600	7,600	7,600	7,600
Other Plant Maint.	5,000	5,000	8,420	8,420	8,420
Office Salaries	63,500	63,500	63,500	63,500	63,500
Management Salaries	47,400	47,400	46,110	46,110	46,110
Employee Benefits	9,500	9,500	14,430	14,430	14,430
Office Svcs. & Rent	34,100	34,100	34,100	34,100	34,100
Office Supplies	19,000	19,000	21,140	21,140	21,140
Professional Services	48,400	48,400	34,250	34,250	34,250
Insurance	34,500	34,500	34,500	34,500	34,500
General Expenses	9,000	9,000	10,330	10,330	10,330
Uncollectibles	1,500	1,700	1,500	1,700	1,700
Rate Case Expense	5,000	5,000	2,660	2,660	2,660
Subtotal	513,700	513,900	509,900	510,100	510,100
Depreciation	66,200	66,200	65,540	65,540	65,540
Property Taxes	16,700	16,700	13,360	13,360	13,360
Payroll Taxes	13,100	13,100	13,090	13,090	13,090
Income Taxes	1,400	38,300	2,140	40,500	31,805
Total Deductions	611,100	648,200	604,030	642,590	633,895
<u>Net Revenue</u>	2,200	57,000	7,210	60,390	47,435
<u>Rate Base</u>					
Average Plant	3,743,400	3,743,400	3,315,840	3,315,840	3,315,840
Average Dep. Reserve	743,800	743,800	731,150	731,150	\$731,150
Net Plant	2,999,600	2,999,600	2,584,690	2,584,690	2,584,690
Less Advances	1,445,200	1,445,200	1,445,140	1,445,140	1,445,140
Contributions	955,600	955,600	574,170	574,170	574,170
Reserve - ITC	48,100	48,100	126,610	126,610	126,610
Plus Working Cash	20,400	20,400	0	0	0
Mat'l. & Supplies	3,800	3,800	2,500	2,500	2,500
Rate Base	574,900	574,900	441,270	441,270	441,270
Rate of Return	0.38%	9.91%	1.63%	13.69%	10.75%

APPENDIX B
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ELK GROVE WATER WORKS

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Elk Grove and vicinity, Sacramento County.

RATES

Quantity Rate:	<u>Per Meter</u> <u>Per Month</u>	
All water, per 100 cu.ft.	\$ 0.17	(I) (T)
 Service Charge:		
For 5/8 x 3/4-inch meter	\$ 2.80	(I)
For 3/4-inch meter	3.25	
For 1-inch meter	4.50	
For 1-1/2-inch meter	6.00	
For 2-inch meter	8.00	
For 3-inch meter	14.80	
For 4-inch meter	20.20	
For 6-inch meter	33.60	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate. (T)

All bills subject to the reimbursement fee set forth on Schedule No. UF. (L)
(L)

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ELK GROVE WATER WORKS

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Elk Grove and vicinity, Sacramento County.

RATES

Per Service Connection
Per Month

1. For a single-family residential unit, including premises not exceeding 4,000 sq. ft. in area and served from a service connection having a diameter of:		
3/4-inch meter	\$ 4.80	(I)
1-inch meter	8.55	
1-1/4-inch meter	13.30	
1-1/2-inch meter	18.90	
2-inch meter	31.50	
3-inch meter	74.95	(I)
a. For each additional single-family residential unit on the same premises and served from the same service connection	\$1.80	(I)
b. For each 100 sq. ft. of premises in excess of 4,000 sq. ft.	\$0.045	(I)
2. For each office, public hall, or lodge room.	\$4.00	(I)
3. For each grocery or produce market, bakery, beauty shop or other commercial establishment where water is used for commercial operations.	\$4.90	(I)
All bills subject to the reimbursement fee set forth on Schedule No. UF.		(L) (L)

SPECIAL CONDITION

For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service.

APPENDIX B

ELK GROVE WATER WORKS

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

Elk Grove and vicinity, Sacramento County.

RATES

	<u>Per Month</u>	
For each 3-inch or less connection	\$ 8.25	(I)
For each 4-inch connection	9.70	
For each 6-inch connection	14.00	
For each 8-inch connection	17.95	
For each 10-inch connection	22.00	(I)
All bills subject to the reimbursement fee set forth on Schedule No. UF.		(L) (L)

SPECIAL CONDITIONS

1. The fire protection service shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be not more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.
5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

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ELK GROVE WATER WORKS

Schedule No. 9C

CONSTRUCTION AND OTHER TEMPORARY SERVICE

APPLICABILITY

Applicable to water service furnished for construction and temporary purposes.

TERRITORY

Elk Grove and vicinity, Sacramento County.

RATE

For water delivered to tank wagons or trucks,
per 100 cu. ft. (750 gallons) \$0.31 (I)

All bills subject to the reimbursement fee set forth on
Schedule No. UF. (L)
(L)

SPECIAL CONDITIONS

1. For temporary uses other than delivery to tank wagons or trucks, an estimate of the quantity of water used will be made by the utility. The charge for this water will be made at the quantity rates for General Metered Service.
2. The applicant for such temporary service shall be required to pay to the utility in advance the net cost of installing and removing facilities necessary in connection with furnishing such service by the utility.
3. The applicant for temporary service shall be required to deposit with the utility a sum of money equal to the estimated amount of the utility's bill for such service or to otherwise secure, in a manner satisfactory to the utility, the payment of any bills which accrue by reason of such service so furnished or supplied.

APPENDIX C
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ELK GROVE WATER WORKS

COMPARISON OF RATES

A comparison of the present and Branch's recommended rates is shown below:

METERED SERVICE

Service Charge:	<u>Per Meter Per Month</u>		<u>Percent Increase</u>
	<u>Present Rates</u>	<u>Recommended Rates</u>	
For 5/8 x 3/4-inch meter	\$ 2.50	\$ 2.80	12.00%
For 3/4-inch meter	2.90	3.25	12.07
For 1-inch meter	4.05	4.50	11.11
For 1-1/2-inch meter	5.35	6.00	12.15
For 2-inch meter	7.20	8.00	11.11
For 3-inch meter	13.30	14.80	11.28
For 4-inch meter	18.10	20.20	11.60
For 6-inch meter	30.15	33.60	11.44

Quantity Rates:

Per 100 cu. ft.	\$ 0.15	\$ 0.17	13.33%
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FLAT RATES

1. For a single-family residential unit, including premises not exceeding 4,000 sq. ft. in area and served from a service connection of diameter:

3/4-inch	\$ 4.30	\$ 4.80	11.63%
1-inch	7.65	8.55	11.77
1-1/4-inch	11.95	13.30	11.30
1-1/2-inch	16.95	18.90	11.50
2-inch	28.30	31.50	11.31
3-inch	67.25	74.95	11.45

- a. For each additional single family residential unit on the same premises and served from the same service connection ... \$ 1.60 \$ 1.80 12.50%
- b. For each 100 sq. ft. of premises in excess of 4,000 sq. ft. 0.04 0.045 12.50
2. For each office, public hall or lodge room \$ 3.60 \$ 4.00 11.11%
3. For each grocery or produce market, bakery, beauty shop or other commercial establishment where water is used for commercial operations \$ 4.40 \$ 4.90 11.36%

APPENDIX C
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ELK GROVE WATER WORKS

COMPARISON OF RATES

A comparison of the present and Branch's recommended rates is shown below:

Usage 100 cu. ft.	Present Bills	Recommended Bills	Amount Increase	Percent Increase
5/8"x3/4"				
0	\$ 2.50	\$ 2.80	\$ 0.30	12.00%
3	2.95	3.31	0.36	12.20
5	3.25	3.65	0.40	12.31
10	4.00	4.50	0.50	12.50
20	5.50	6.20	0.70	12.73
30	7.00	7.90	0.90	12.86
50	10.00	11.30	1.30	13.00
100	17.50	19.80	2.30	13.14

(END OF APPENDIX C)

ELK GROVE WATER WORKS

ADOPTED QUANTITIES

Test Year 1989

Federal Tax Rate:	34%
State Tax Rate:	9.3%
Local Franchise Rate:	0.0%
<u>Expenses:</u>	

1. Purchased power

Sacramento Municipal Utility District

Rate Schedule	47
Effective Date of Schedule	4/1/89
KW Demand Up to 30 KW - Summer	1,760
KW Demand Over 30 KW - "	1,570
KWh Used First 8750 - "	460,700
KWh Used Over 8750 - "	967,500
KW Demand Up to 30 KW - Winter	1,760
KW Demand Over 30 KW - "	1,570
KWh Used First 8750 KWh - "	363,100
KWh Used Over 8750 KWh - "	345,900
Summer Demand Charge	
\$/KW - Up to 30 KW	2.85
\$/KW - Over 30 KW	7.50
Winter Demand Charge	
\$/KW - Up to 30 KW	2.65
\$/KW - Over 30 KW	6.20
Summer Energy Charge	
\$/KWh - First 8750 KWh	0.08301
\$/KWh - Over 8750 KWh	0.04495
Winter Energy Charge	
\$/KWh - First 8750 KWh	0.074
\$/KWh - Over 8750 KWh	0.04474
Energy Commission Surcharge -\$/KWh	0.0002
Summer Customer Charge	\$ 16
Winter Customer Charge	16
Total Purchased Power	\$157,560
2. Purchased Water	None
3. Insurance Expenses	\$ 34,500
4. Ad Valorem Taxes	\$ 13,360
Composite Tax Rate	1.073%
Assessed Value	\$1,232,000
Special Assessments	139
5. Testing Expenses	
Bacteriological	\$ 3,020
SAWWA program	3,570

Appendix D
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ELK GROVE WATER WORKS

ADOPTED QUANTITIES
Test Year 1989Service ConnectionsMeter Size

5/8 x 3/4-inch meter	6
3/4-inch meter	4
1-inch meter	14
1-1/2-inch meter	8
2-inch meter	76
3-inch meter	6
4-inch meter	3
6-inch meter	1
Total	118

Flat Rate

3/4-inch connection	1,480
1-inch connection	3,699
1-1/4-inch connection	45
1-1/2-inch connection	4
2-inch connection	29
Total	5,257

Metered Water Sales Used to Design Rates 269,040 Ccf

ADOPTED TAX CALCULATIONS
Test Year 1989

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$681,330	\$681,330
2.	O & M Expenses	510,100	510,100
3.	Taxes Other Than Income	26,450	26,450
4.	Depreciation	65,540	65,540
5.	Interest	0	0
6.	Taxable Income for State Tax	79,240	
7.	State Tax	7,369	7,369
8.	Taxable Income for FIT		71,871
9.	Federal Income Tax		24,436
10.	Total Income Tax		31,805

(END OF APPENDIX D)