

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3487<sup>A</sup>  
March 28, 1990

R E S O L U T I O N

(RES. W-3487) TRINITY VILLAGE WATER COMPANY, (TVWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
\$21,043 OR 83.3% ADDITIONAL ANNUAL REVENUE.

TVWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on August 2, 1989, requested authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$28,639 or 114%. TVWC estimates that 1989 gross revenue of \$25,081 at present rates would increase to \$53,720 at proposed rates to produce a rate of return on rate base of 10.75%. TVWC serves 162 metered rate customers in Trinity Village, close to Willow Creek, Trinity County.

TVWC received its last rate increase pursuant to Resolution No. W-1949 effective August 1, 1976 which authorized a general rate increase producing \$7,635 or 97% additional annual revenues.

The Branch made an independent analysis of TVWC's summary of earnings. Appendix A shows TVWC's and Branch's estimated summary of earnings at present, requested and adopted rates for test year 1989. Appendix A shows differences in revenues, expenses and rate base.

The Branch's estimate of revenue at present rates is higher than TVWC's. The primary reason is that the Branch's investigation revealed that the three owners of TVWC pay no water bills. The Branch imputed the revenue from these sources which TVWC did not. At utility proposed rates, the Branch followed the same procedure, but obtained a lower figure than TVWC. TVWC provided no adequate explanation for its revenue calculation at present or proposed rates.

The significant differences in estimates for operating expenses are in purchased power, contract work, office services and rent, general expenses, employee pensions and benefits, regulatory commission expense, depreciation expense, property taxes, and income taxes.

The Branch's estimate of purchased power is higher than TVWC's. The Branch had access to PG&E's latest power rates. TVWC used the average of the power rates which were in effect over the past three recorded years.

The Branch's estimate for contract work is lower than TWC's. The Branch based its estimate on a detailed review of vouchers provided by the utility for the costs of water testing and major repairs that are beyond the abilities of the manager/operator and his equipment. TWC could not adequately explain its estimate.

The Branch's estimate of office services and rent is lower than TWC's. The Branch's estimate includes one-fifth of the sum of the rent and the utility bills the manager/operator pays on his five room house. TWC used unsubstantiated recorded 1988 expenses for its estimate.

The Branch's estimate for general expenses is lower than TWC's. According to the uniform system of accounts, general expenses are to be used for expenses not includable in other operating expense categories. The Branch inspected TWC's books of account and found no such items, and therefore included no dollars for its estimate. TWC provided no explanation for its estimate.

The Branch's estimate of employee pensions and benefits is lower than TWC's. The Branch's investigation revealed that TWC paid no pensions or benefits in the past and has no intentions to fund them in the future.

The Branch's estimate of regulatory commission expense is lower than TWC's. TWC inadvertently included the one and one-half percent surcharge to fund the CPUC in this account. This surcharge is considered separately from general rate increases. The Branch's estimate includes a nominal \$100 per year (\$300 for the three year rate cycle) for preparation costs of this rate increase request.

Both the Branch and TWC generally concur in depreciation expense. The minor difference comes from the date the 1989 test year plant additions were placed in service. The Branch used the middle of the year, since that was the approximate time the additions were placed in service, while TWC used the beginning of the year.

The Branch's estimate of property tax is lower than TWC's. The Branch used one half of the recorded 1988-89 property tax bill and one half of the estimated 1989-90 property tax bill. TWC could not adequately explain its estimate.

Both TWC's and the Branch's estimate for income taxes reflects current rates under the Federal Tax Reform Act of 1986 and the California Corporation Franchise Tax rate for 1989. The only differences are in revenue and expense estimates.

The differences in estimates for rate base are in average depreciation reserve, working cash, and materials and supplies.

Both the Branch and TWC generally concur in depreciation reserve. The minor difference comes from the date the 1989 test year plant additions are placed in service as explained above under depreciation expense.

Both TWC and the Branch used the new simplified method of calculating a working cash allowance adopted by the Commission on January 27, 1989 to estimate their respective working cash estimates. The minor difference is due to different estimates of revenue and expenses.

The Branch's estimate of materials and supplies is lower than TWC's. The Branch's estimate is based on the average of the last three recorded years, and is then escalated to the test year. TWC could not adequately explain its estimate.

TWC's draft advice letter requested rates which it estimated would produce a return on rate base of 10.75%. The Branch's recommended summary of earnings would produce a rate of return of 11.00% at the Branch's recommended rates. This 11.00% rate of return is the high point of the 10.50% to 11.00% standard rate of return range recommended by the Finance Branch of the Commission Advisory and Compliance Division for small 100% equity financed utilities.

TWC was informed of the Branch's differing views of revenues, expenses and rate base and has stated that it accepts the Branch's estimate.

A notice of the proposed rate increase and public meeting was mailed to each customer on August 10, 1989. Four letters protesting the magnitude of the proposed increase were received. The Branch recently sent a letter to each customer who wrote in, explaining the Branch's recommendations.

On September 6, 1989 a public meeting attended by 44 members of the public was held in Trinity Village. A Branch representative conducted the meeting and TWC's owners were there to answer questions. A question was asked about a report from the Department of Health which required some corrective work such as daily turbidity monitoring and certification of the plant operator. The expenses for the required work are included in the estimates of both TWC and the Branch prepared for this resolution. Additional questions were asked regarding alleged excess profits, and other matters. All questions appeared to be satisfactorily answered. Many of the customers present stated that they were satisfied with the water quality and the service provided by TWC.

Several customers from the upper pressure zone asked the Commission to require the utility to buy and install an auxiliary generator to keep the booster pump operational during power failures. They requested that just the customers in the upper pressure zone be required to pay for this installation. Since the entire TWC service is on one PG&E circuit, the Branch understands that during a power failure no electric pumps would be operational. Branch recommends that a generator be installed at the main pickup point as well, so that the booster pump will have water to pump to the upper zone. Otherwise, the storage tank will be rapidly depleted in the event of a power failure. The Branch recommends that the utility be authorized to file an advice letter to begin recovering the reasonable costs of two auxiliary generators to operate the main pickup pump and the booster pump for the upper pressure zone after they have been placed into service. Since this system improvement benefits all customers, the charges should be spread to all ratepayers.

Branch engineers conducted a field investigation of TWC's water system on February 8 and 9 and also September 6, 1989. Visible portions of the system were inspected, pressures checked, and the company's records reviewed. Customers contacted during the investigation indicated that there were no major water supply or water quality problems.

According to the Trinity County Department of Environmental Health, TWC's water supply meets all primary and secondary drinking water standards completely in effect. There are no outstanding Commission orders or complaints concerning TWC have been received by the Consumer Affairs Branch in the last three years. Both intake sources are in fairly good condition and TWC forces no problem with its water supply. Average water use per customer is moderate. The utility has had no water shortages in the past either during the 1976 drought or the current dry period. No additional conservation measures are needed at this time.

TWC obtains its water primarily from Hawkins Creek and a secondary source of supply is from the Trinity River. Schedule No. 1A, Public Fire Hydrant charging public protection agencies any fees for fire hydrants unless there is a written agreement between the parties to pay for such service. TWC has no written agreement at this time and no revenues are collected from the local fire protection agency. Therefore, the Branch recommends that Schedule No. 5, Public Fire Hydrant Service should be deleted from TWC's filed tariffs.

Section 2713 of the Public Utilities Code prohibits water utilities from charging public protection agencies any fees for fire hydrants unless there is a written agreement between the parties to pay for such service. TWC has no written agreement at this time and no revenues are collected from the local fire protection agency. Therefore, the Branch recommends that Schedule No. 5, Public Fire Hydrant Service should be deleted from TWC's filed tariffs.

The present annual general metered service schedule consists of a minimum charge of \$100 per year, for 3/4-inch service, covering the first 1100 cubic feet of water per month, and a charge of \$0.60 for each 100 cubic feet over the minimum. All of TWC's 162 customers are served by 3/4-inch meters. The Branch's recommended rate design for a 3/4-inch meter consists of a service charge of \$168 per year and two quantity charge blocks. The first block, up to 1100 cubic feet is priced at \$0.40 per 100 cubic feet. The second block, above 1100 cubic feet is priced at \$1.09 per 100 cubic feet.

The Commission's metered rate design policy for water utilities outlined in D.86-05-064 established a goal to recover up to 50% of a water utility's fixed expenses through the metered service charges. The first increase in recommended metered rates are designed to recover revenue Branch's quantity rate. Due to changing from a minimum and have a single metered service charge 75% of the utility's fixed costs will result in a high increase in rates. The Branch's recommended rates will experience a 121% increase in the monthly bill for a residential user using the system in average 11 Ccf per month (one Ccf is equal to 100 cubic feet). There are also many homes which are occupied only seasonally and use no water during the month producing the overall system increase of 83.3%. The average monthly bill would increase from \$8.33 to \$18.40. A comparison of the present and recommended rates is shown in Appendix C.

The Branch recommends that the Commission authorize an increase in gross annual revenue of \$21,043 or 83.3%. This increase provides an 11.00% rate of return on the rate base in test year 1989.

# **CORRECTION**

**THIS DOCUMENT HAS  
BEEN REPHOTOGRAPHED**

**TO ASSURE**

**LEGIBILITY**

According to the Trinity County Department of Environmental Health, TVWC's water supply meets all primary and secondary drinking water standards currently in effect.

No complaints concerning TVWC have been received by the Consumer Affairs Branch in the last three years. There are no outstanding Commission orders requiring system improvements.

TVWC obtains its water primarily from Hawkins Creek and a secondary source of supply is from the Trinity River. Both intake sources are in fairly good condition and TVWC foresees no problem with its water supply. Average water use per customer is moderate. The utility has had no water shortages in the past either during the 1976 drought or the current dry period. No additional conservation measures are needed at this time.

TVWC's current rate structure consists of two schedules: Schedule No. 1A, Annual General Metered Service; and Schedule No. 5, Public Fire Hydrant Service.

Section 2713 of the Public Utilities Code prohibits water utilities from charging public fire protection agencies any fees for fire hydrants unless there is a written agreement between the parties to pay for such service. TVWC has no written agreement at this time and no revenues are collected from the local fire protection agency. Therefore, the Branch recommends that Schedule No. 5, Public Fire Hydrant Service should be deleted from TVWC's filed tariffs.

The present annual general metered service schedule consists of a minimum charge of \$100 per year, for 3/4-inch service, covering the first 1100 cubic feet of water per month, and a charge of \$0.60 for each 100 cubic feet over the minimum. All of TVWC's 162 customers are served by 3/4-inch meters. The Branch's recommended rate design for a 3/4-inch meter consists of a service charge of \$168 per year and two quantity charge blocks. The first block, up to 1100 cubic feet is priced at \$0.40 per 100 cubic feet. The second block, above 1100 cubic feet is priced at \$1.09 per 100 cubic feet.

The Commission's metered rate design policy for water utilities outlined in D.86-05-064 established a goal to recover up to 50% of a water utility's fixed expenses through the metered service charges. The Branch's recommended metered rates are designed to recover revenue in proportion to approximately 75% of the utility's fixed costs and have a single metered quantity rate. Due to changing from a minimum charge type tariff to a service charge type tariff, the average user will experience a high increase in rates. The Branch's recommended rates will result in a 121% increase in the monthly bill for a residential metered rate customer using the system average 11 Ccf per month (one Ccf is equal to 100 cubic feet). There are also many homes which are occupied only seasonally and use no water during most of the year. These seasonal customers will receive a very much lower increase, thus producing the overall system increase of 83.3%. The average monthly bill would increase from \$8.33 to \$18.40. A comparison of the present and recommended rates is shown in Appendix C.

The Branch recommends that the Commission authorize an increase in gross annual revenue of \$21,043 or 83.3%. This increase provides an 11.00% rate of return on the rate base in test year 1989.

FINDINGS:

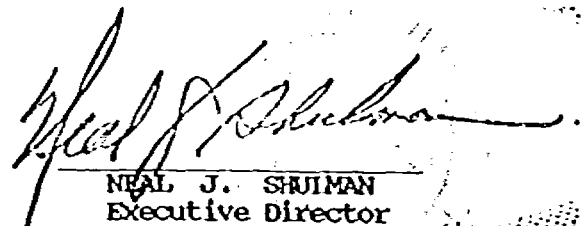
1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be authorized.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. TWC should be authorized to recover the reasonable costs of furnishing and installing two auxiliary generators to operate the electric pump motors for the primary intake and the booster pump for the upper pressure zone after they have been placed into service.
5. Tariff Schedule No. 5, Public Fire Hydrant Service, should be cancelled.
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 Public Utilities Code Section 454 for Trinity Village Water Company to file an advice letter incorporating the summary of earnings and revised rate schedule attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedules 1A, and 5. Its filing shall comply with General Order 96-A. The effective date of the revised rate schedule shall be the date of filing.
2. Trinity Village Water Company is authorized to file an advice letter to begin recovering the reasonable cost of furnishing and installing two auxiliary generators to operate the electric pump motors for the primary intake and the booster pump for the upper pressure zone after they have been placed into service.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on March 28, 1990. The following commissioners approved it:

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

  
NEAL J. SHUMAN  
Executive Director

## APPENDIX A

TRINITY VILLAGE WATER COMPANY  
SUMMARY OF EARNINGS  
Test Year 1989

| Item                      | : Utility Estimated : |               | : Branch Estimated : |               | :           |
|---------------------------|-----------------------|---------------|----------------------|---------------|-------------|
|                           | : Present :           | : Requested : | : Present :          | : Requested : | : Adopted : |
|                           | : Rates :             | : Rates :     | : Rates :            | : Rates :     | : Rates :   |
| <u>Operating Revenue</u>  |                       |               |                      |               |             |
| Flat Rate                 | \$ 0                  | \$ 0          | \$ 0                 | \$ 0          | \$ 0        |
| Metered                   | 25,081                | 53,720        | 25,276               | 48,397        | 46,319      |
| Total Revenue             | 25,081                | 53,720        | 25,276               | 48,397        | 46,319      |
| <u>Operating Expenses</u> |                       |               |                      |               |             |
| Purchased Power           | 3,506                 | 3,506         | 4,072                | 4,072         | 4,072       |
| Other Volume Related      | 891                   | 891           | 891                  | 891           | 891         |
| Employee Labor            | 12,000                | 12,000        | 12,000               | 12,000        | 12,000      |
| Materials                 | 250                   | 250           | 250                  | 250           | 250         |
| Contract Work             | 9,000                 | 9,000         | 3,500                | 3,500         | 3,500       |
| Transportation            | 1,584                 | 1,584         | 1,584                | 1,584         | 1,584       |
| Office Salaries           | 0                     | 0             | 0                    | 0             | 0           |
| Management Salaries       | 0                     | 0             | 0                    | 0             | 0           |
| Office Serv. & Rent       | 1,764                 | 1,764         | 1,584                | 1,584         | 1,584       |
| Office Supplies           | 356                   | 152           | 152                  | 152           | 152         |
| Professional Services     | 1,000                 | 1,000         | 1,000                | 1,000         | 1,000       |
| Insurance                 | 6,614                 | 6,614         | 6,614                | 6,614         | 6,614       |
| General Expenses          | 97                    | 97            | 0                    | 0             | 0           |
| Employee Pen. & Ben.      | 1,200                 | 1,200         | 0                    | 0             | 0           |
| Reg. Conn. Exp.           | 376                   | 806           | 100                  | 100           | 100         |
| Subtotal                  | 38,638                | 38,864        | 31,747               | 31,747        | 31,747      |
| Depreciation Exp.         | 3,722                 | 3,722         | 3,665                | 3,665         | 3,665       |
| Payroll Tax               | 1,237                 | 1,237         | 1,237                | 1,237         | 1,237       |
| Property Tax              | 800                   | 800           | 397                  | 397           | 397         |
| Income Tax                | 600                   | 2,097         | 600                  | 2,600         | 2,124       |
| Total Deductions          | 44,997                | 46,720        | 37,646               | 39,646        | 39,170      |
| Net Revenue               | (19,916)              | 7,000         | (12,370)             | 8,751         | 7,149       |
| Average Plant             | 127,070               | 127,070       | 127,070              | 127,070       | 127,070     |
| Avg. Depr. Reserve        | 71,283                | 71,283        | 71,230               | 71,230        | 71,230      |
| Net Plant                 | 55,787                | 55,787        | 55,840               | 55,840        | 55,840      |
| Less: Contributions       | 0                     | 0             | 0                    | 0             | 0           |
| Advances                  | 0                     | 0             | 0                    | 0             | 0           |
| Plus: Working Cash        | 8,332                 | 8,332         | 8,897                | 8,897         | 8,897       |
| Mat'l & Suppl.            | 1,000                 | 1,000         | 250                  | 250           | 250         |
| Rate Base                 | 65,119                | 65,119        | 64,987               | 64,987        | 64,987      |
| Rate of Return            | (Loss)                | 10.75%        | (Loss)               | 13.47%        | 11.00%      |



APPENDIX B  
Page 1

TRINITY VILLAGE WATER COMPANY

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The area known as Trinity Village Subdivision, and vicinity, located approximately 11 miles southeast of Willow Creek, Trinity County.

RATES

|  |          |                                     |     |
|--|----------|-------------------------------------|-----|
| Quantity Rate:                         |          |                                     | (T) |
| First 1100 cu.ft., per 100 cu.ft. .... | \$ 0.40  |                                     | (C) |
| Over 1100 cu.ft., per 100 cu.ft. ....  | 1.09     |                                     | (C) |
| Service Charge:                        |          |                                     | (C) |
|  |          | <u>Per Meter</u><br><u>Per Year</u> |     |
| For 5/8 x 3/4-inch meter .....         | \$154.00 |                                     | (I) |
| For 3/4-inch meter .....               | 168.00   |                                     |     |
| For 1-inch meter .....                 | 230.00   |                                     |     |
| For 1 1/2-inch meter .....             | 310.00   |                                     | (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. (C)

(Continued)

APPENDIX B

Page 2

TRINITY VILLAGE WATER COMPANY

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. (C)  
If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated service charges on a semiannual basis in advance of January 1 and July 1. (C)  
(C)  
(D)
2. The established billing cycle for water is monthly. The (N)  
billing cycle may be at longer intervals during winter season. (N)
3. The opening bill for metered service shall be the established (C)  
annual service charge for the service. Where initial service is (C)  
established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth (1/365) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period in which service is taken. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.
4. All bills are subject to the reimbursement fee set forth on (L)  
on Schedule No. UF. (L)

APPENDIX C

TRINITY VILLAGE WATER COMPANY

COMPARISON OF RATES

METERED SERVICE

|   | <u>Per Meter Per Month</u> |                        |                      |                  |
|---|----------------------------|------------------------|----------------------|------------------|
|   | :Present<br>:Rates         | :Recommended<br>:Rates | :Increase<br>:Amount | :<br>:Percentage |
| <b>Quantity Charge:</b>                   |                            |                        |                      |                  |
| First 700 cu.ft. or less ....             | \$ 5.90                    |                        |                      |                  |
| Over 700 cu.ft.,<br>per 100 cu.ft. ....   | 0.60                       |                        |                      |                  |
| First 1100 cu.ft.,<br>per 100 cu.ft. .... | \$ 0.40                    |                        |                      |                  |
| Over 1100 cu.ft.,<br>per 100 cu.ft. ....  | 1.09                       |                        |                      |                  |

|                                | <u>Annual</u>       |                     |          |        |
|--------------------------------|---------------------|---------------------|----------|--------|
|                                | :Minimum<br>:Charge | :Service<br>:Charge | :        | :      |
| <b>Minimum/Service Charge:</b> |                     |                     |          |        |
| For 5/8 x 3/4-inch meter ...   | \$ 72.00            | \$154.00            | \$ 82.00 | 113.9% |
| For 3/4-inch meter ...         | 100.00              | 168.00              | 68.00    | 68.0   |
| For 1-inch meter ...           | 144.00              | 230.00              | 86.00    | 59.7   |
| For 1 1/2-inch meter ...       | 240.00              | 310.00              | 70.00    | 29.2   |

Typical bill for a typical user on a 3/4-inch meter

| <u>Monthly Usage<br/>in CCF</u> | <u>Present Rates</u> | <u>Recommended Rates</u> | <u>Increase</u> |                   |
|---------------------------------|----------------------|--------------------------|-----------------|-------------------|
|                                 |                      |                          | <u>Amount</u>   | <u>Percentage</u> |
| 0                               | \$ 8.33              | \$14.00                  | \$ 5.67         | 68.1%             |
| 3                               | 8.33                 | 15.20                    | 6.87            | 82.5              |
| 7                               | 8.33                 | 16.80                    | 8.47            | 101.7             |
| 10                              | 8.33                 | 18.00                    | 9.67            | 116.1             |
| 11 (avg.)                       | 8.33                 | 18.40                    | 10.08           | 120.4             |
| 20                              | 13.73                | 28.21                    | 14.48           | 105.5             |
| 30                              | 19.73                | 39.11                    | 19.38           | 98.2              |
| 50                              | 31.73                | 60.91                    | 29.88           | 92.0              |

APPENDIX D  
Page 1

TRINITY VILLAGE WATER COMPANY

ADOPTED QUANTITIES  
Test Year 1989

Federal Tax Rate: 15%  
State Tax Rate: 9.3%  
Local Franchise Rate: 0.0%

Expenses:

1. Purchased Power:

|                            |          |
|----------------------------|----------|
| Pacific Gas & Electric Co. |          |
| Rate Schedule              | A-1      |
| Effective Date of Schedule | 1/1/90   |
| kWh Used - Total           | 32,845   |
| kWh Used - Summer          | 26,605   |
| kWh Used - Winter          | 6,240    |
| \$/kWh - Summer            | 0.12170  |
| \$/kWh - Winter            | 0.10006  |
| Quantity Charge - Summer   | \$ 3,238 |
| Quantity Charge - Winter   | 624      |
| Service Charge             | 210      |
| Total Purchased Power      | \$ 4,072 |

2. Purchased Water None

3. Payroll and Employee Benefits:

|                     |           |
|---------------------|-----------|
| Employee Labor      | \$ 12,000 |
| Office Salary       | 0         |
| Management Salary   | 0         |
| Total Payroll       | \$ 12,000 |
| Pensions & Benefits | \$ 0      |
| Payroll Taxes       | \$ 1,237  |

3. Ad Valorem Taxes:

|                    |           |
|--------------------|-----------|
| Tax Rate Used      | 1.0%      |
| Assessed Value     | \$ 39,694 |
| Total Taxes (Avg.) | \$ 397    |

4. Water Testing (in Contract Work) \$ 300

APPENDIX D  
Page 2

TRINITY VILLAGE WATER COMPANY

ADOPTED QUANTITIES  
Test Year 1989

Service Connections:

Metered Rate

|                      |       |     |
|----------------------|-------|-----|
| 5/8 x 3/4-inch meter | ..... | 0   |
| 3/4-inch meter       | ..... | 162 |
| 1-inch meter         | ..... | 0   |
| 1 1/2-inch meter     | ..... | 0   |
| Total Metered        | ..... | 162 |

Flat Rate ..... None

Metered water sales used to design rates ..... 21,769 OCF

ADOPTED INCOME TAX CALCULATIONS  
Test Year 1989

| Line No. | Item                             | State Tax | Federal Tax |
|----------|----------------------------------|-----------|-------------|
| 1.       | Operating Revenue                | \$ 46,319 | \$ 46,319   |
| 2.       | Expenses                         | 31,747    | 31,747      |
| 3.       | Taxes Other Than Income          | 1,634     | 1,634       |
| 4.       | Depreciation                     | 3,665     | 3,665       |
| 5.       | Interest                         | 0         | 0           |
| 6.       | Taxable Income for State Tax     | 9,273     |             |
| 7.       | State Tax @ 9.3% (\$600 Minimum) | 862       | 862         |
| 8.       | Taxable Income for FIT           |           | 8,411       |
| 9.       | Federal Income Tax @ 15%         |           | 1,262       |
| 10.      | Total Income Tax                 |           | 2,124       |

(END OF APPENDIX D)