

GettingGreatRatesNow© Version 1.3

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Instructions

You will be able to use this program if all of the following is true for your system:

1. It has fewer than 500 connections,
2. The growth rate in new taps is less than two percent per year,
3. Total expenditures do not exceed \$150,000 in current value dollars during any year,
4. Rate and fee revenues will not increase more than \$100,000 the first two years, and
5. Current plus future debt service and capital improvements paid with cash will not exceed \$50,000/year.

Why the limits? They lower your risk of making errors while doing your own rate analysis. If you don't satisfy one of the limits above, and maybe even if you satisfy them all, consider having us do your analysis to assure your error risks are minimal and you get the best possible results. If you are limited-out of using this program but you are determined to do your own analysis, call us about writing a program that will fit your needs better.

The program has password security and it can only be used to analyze the rates of one system. The first measure protects you from having an unauthorized person view your information. The second protects us from a few rogue users who would pirate the program. It is remotely possible that you could enter data that the program's security functions would perceive as a security threat. If that happens you will be sent an e-mail message to that effect. Then, you can just call us to verify that it was you and we will restore access to your analysis.

If you are an assistance provider and you need a program to perform analyses for clients, this program is too basic for you. **Call us and request a customized version** that will satisfy your needs. We can also provide in-service training for your staff so they can perform analyses well. In fact, before we sell you a program licence, we will verify that your staff are well-versed in user charge analysis or we will train them to assure that they know how to use our program powerfully. Our reputation as one of the premiere rate analysts in the U.S. rides on how you use our program. We want your clients to know that analyses performed by you on our programs are dependable.

This program will tell you how to adjust your rates in two ways. One is to set "**proportional to use**" rates. That structure is required by the State Revolving Fund (SRF) loan programs in the states for sewer systems. Some states may also require such rates for participation in other funding programs. The other rate increase method is a simple **across-the-board percentage rate increase** you would apply to your current and future rates. Either rate adjustment will give you adequate rates. However, at this level of analysis rate fairness is not considered. To do that, more data must be analyzed and that is almost always beyond the capability and desire of do-it-yourselfers to do. Call us if you are concerned about the fairness of your rates.

The best way to get good results from this program is this. Assure that your data and information are correct and make sure you enter them correctly. Erroneous data or data entered incorrectly will result in rates that are precisely calculated, but wrong!

This program is patterned after standard financial statements. This will make it easier for you to find the data needed for input. It will also make it easier for you to incorporate your analysis results into your future budgets. If the data you enter into this program is accurate and you model your future rates well, you can essentially transfer the figures from Charts 5 and 6 to your future years' income and expense statements. Likewise, Chart 3 can serve as your basic equipment replacement schedule and Chart 7 as your capital improvement plan.

Step 1 - Choose the "test year." This is the one-year period of time from which you will gather data to enter into this program. It may be your most recently completed fiscal year, which makes data gathering very easy and accurate. However, if it has been more than six months since that year ended you should choose a more recent period. Most of the data you need will come from your financial statements with less, but very important data coming from your billing and production reports and other sources.

Step 2 - Develop a strategy to promote the rates that you need. One way to maximize your success is to model the "do nothing scenario." That is, enter your current rates, fees, etc. into this program and see how you will come out, financially, in the future. Print and save that scenario. When you have done that, enter rates and fees you want to consider until you arrive at a solution that works well. That will be your "proposed rates scenario." When it's time to promote your proposed rates let everyone compare the two scenarios. Under the current rates your system will probably "go down the tubes" in the next five years. That will make it clear to everyone that you don't just want more money, you need it to run the system right and serve your customers well.

Step 3 - Analyze your rates.

Instructions for each page are at the top of each page and placed within several pages in **blue text**. For the most part, the data entry sheets are self-explanatory but consult the instructions for clarifications. You will enter data and information in the yellow highlighted cells. Initially the program has an example system's data to give you a better idea of what is being asked for. Some of it will be correct for your analysis, too. Otherwise, be sure to overwrite every cell with your data or delete data from cells where you have no such data to enter. If you have all data and information that the program needs and it is well organized, it will probably take you about four hours to do your analysis.

Once you have entered all data and information and the rate and fee adjustments you would like to make, the **recommended rates and fees will appear on the report print out cover page**. The detailed income, cost and other data will appear throughout the data entry screens and in the report print out.

When you are ready to print the analysis, open the "Report Printout" page and print it as you would print anything else.

As an added assurance that your analysis is correct, **your subscription includes one hour of review and phone consultation time** with the program's creator, Carl Brown. When you are ready to have Mr. Brown review your analysis, simply e-mail it to carlbrown@mchsi.com and include your phone number and availability. After reviewing it, Mr. Brown will call you to discuss any improvements he might suggest. Truth be told, we think this hour is the most valuable part of this program.

Step 4 - Adjust your rates, fees, budgets, etc. as indicated and revise your policies and ordinances accordingly.

Step 5 - Track your results to make sure things are going as you intended. About one year from now you will need to compare your actual financial position and indicators with the predictions the analysis generated. Then readjust rates appropriately. Repeat this process for as long as you continue to get good results. We recommend that you **use the GettingGreatRatesLater© spreadsheet application to make that easier** and more accurate. This application is a FREE download. Click on the following link to download it:

<http://carlbrownconsulting.com/GettingGreatRatesLater.xls>

Step 6 - Start over at Step 1 once your actual financial performance and the predictions in your analysis diverge. If your system and your finances are stable, five years might go by before you analyze again. If your system will see big changes over the next year, you should analyze again within one year. This program is cheap insurance that your rates will be adequate for your needs every year. If, after using this program the first time, you decide you want to do it every year for several years, call us about a multi-year subscription.

If you have questions about this program, about rate setting generally or to make suggestions on how to improve this program, please e-mail or call us.

Now, do Step 1 and get started. You are probably losing money fast and you need to stop it as soon as possible.

Instructions for Charts 1 & 2:

In all the charts simply key into the yellow highlighted cells the data and information requested and click the "Tab" key to enter it and advance to the next data entry cell.

Data and information from an example analysis appear in the program right now. If that data is also correct for your situation, simply leave it and click the "Tab" key. Generally, you should enter data and information as you get to each cell because later cells will use that information to customize the program for you as you go. However, you can always go back and change data and information as needed.

Chart 1 - Basic System Information

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Great Rates, MO	Enter name of city, district, etc.
Proposed Water Rates Scenario 1	Name this analysis scenario. Examples, Current Water Rates Scenario and Proposed Sewer Rates Scenario.
1	If this is a water system enter 1, if it is a sewer system enter 2
1	If use is measured in gallons enter 1, if measured in cubic feet enter 2 (Rates will be calculated on a per 1,000 gallons or per 1,000 cu ft basis, respectively)
12	Billings per year Your choices are monthly (12), bi-monthly (6) & quarterly (4)

Great Rates, MO Proposed Water Rates Scenario 1

1/1/2006	Enter the starting date of the one-year period being analyzed (the "test" year)
1/1/2007	The next year started (this is the year during which you are now analyzing and will adjust rates)
500	Average number of connections (taps) that were in service during the test year
5	Number of new taps made during the test year (Not reconnects)
1.00%	This was your growth rate during the test year
1.00%	Average growth rate you expect for the next five years If you think your growth rate will remain the same for the next five years, leave this value the same. Otherwise, recalculate the growth rate you expect and enter it here.
20,000,000	Volume (gallons) registered by all your customers' meters during the test year. Your billing program will tell you this amount.
24,000,000	Master-metered flow during the test year - this is the total volume of water you produced during the test year. You probably reported this volume to your state's drinking water agency.

Chart 2 - Reserves and Incomes (for the test year)

Starting Reserve Balances as of 1/1/06

\$0	Working Capital	The operating fund balance carried over from "last" year, the test year
\$0	Equipment Replacement	(For system equipment replacement, not capital improvements)
\$0	Capital Improvement Program (CIP) and Debt Reserves	

Incomes From 1/1/06 Through 12/31/06

\$90,000	User Fees Actually Collected (Minimum charge and unit charge revenues)	
\$1,000	Surcharge Revenues	(High-strength waste water, fire flow capacity and the like)
\$1,000	Total Tap Fees	\$200 Average Tap fee
\$0	Other Charges	(Late Payment Penalties, bad check charges, etc.)
\$500	Interest Earned on Working Capital	
\$2,000	Other Income, describe at right	Special Meter Sets
\$0	Other Income, describe at right	
\$0	Other Income, describe at right	

\$94,500 Sum of Incomes Plus Working Capital Starting Balance

Instructions for Chart 3:

If you don't know right now what equipment replacements and costs to model, leave the default information that will later appear in the chart. The replacement costs will be assumed at 15 percent of your annual operating costs. Soon you should determine what your replacement needs will be and replace these items with real values.

Likewise, the "Minimum Desired Balance in Today's Dollars" in the bottom right corner of the chart has been assumed at two times the average replacement costs during the 20 year period. Change this value if you desire but err on the side of being conservative.

Enter a description of the equipment replacements, rebuilds, etc. you plan and the total cost of the work for each year. The items to include in this chart are the in-betweeners. They are too expensive or infrequent to include in Chart 4 as annual operating costs. But, they are not so expensive that you would consider them capital improvements and enter them in Chart 7. In the bottom right-hand corner of this chart, set a minimum desired balance and a discretionary annuity as follows:

1. Initially, the minimum desired balance amount in today's dollars (bottom right corner of the chart) will be set at twice the average of the costs you will enter for the replacements you plan to do during the next 20 years. If that is acceptable to you, skip to item number 3 below.
2. If you want to maintain a different balance in this reserve account (we advise higher and not lower), at the bottom of this column enter the balance you want.
3. The column above this entry will then show you the balance you should have on hand at the end of each year in future dollars that equals the minimum balance you entered in today's dollars. Enter ever larger amounts in the "Discretionary Annuity" cell until the amount in the green highlighted cell is greater than or equal to the amount in the pink cell.
4. Now compare the balances in all previous years with the desired balances. If you come up short in any except the first several years, increase the "Discretionary Annuity" until the earlier balances meet the goal balances.
5. To help you more easily see which years will have a balance that is too low to satisfy your desired balance, a message in red text will appear in the right-most column.

Great Rates, MO Proposed Water Rates Scenario 1

Chart 3 - Replacement Schedule

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4.00%	Average Inflation Rate for the Following Water System Equipment for the Term of This Replacement Schedule
2.00%	Average Interest Rate on Balances Invested for the Term of This Replacement Schedule
4.00%	Average Interest Rate on Amounts Borrowed for the Term of This Replacement Schedule

Year Beginning	Item Description	Amount in Today's Dollars	Yearly Total in Future Dollars	End of Year Balance	Desired End of Year Balance
1/1/06	Various equipment replacements	\$10,695	\$10,695	\$6,725	\$21,390
1/1/07	Various equipment replacements	\$10,695	\$11,123	\$13,156	\$22,246
1/1/08	Various equipment replacements	\$10,695	\$11,568	\$19,272	\$23,135
1/1/09	Various equipment replacements	\$10,695	\$12,030	\$25,047	\$24,061
1/1/10	Various equipment replacements	\$10,695	\$12,512	\$30,456	\$25,023
1/1/11	Various equipment replacements	\$10,695	\$13,012	\$35,473	\$26,024
1/1/12	Various equipment replacements	\$10,695	\$13,533	\$40,070	\$27,065
1/1/13	Various equipment replacements	\$10,695	\$14,074	\$44,217	\$28,148
1/1/14	Various equipment replacements	\$10,695	\$14,637	\$47,884	\$29,274
1/1/15	Various equipment replacements	\$10,695	\$15,222	\$51,040	\$30,445
1/1/16	Various equipment replacements	\$10,695	\$15,831	\$53,649	\$31,662
1/1/17	Various equipment replacements	\$10,695	\$16,464	\$55,678	\$32,929
1/1/18	Various equipment replacements	\$10,695	\$17,123	\$57,088	\$34,246

1/1/19	Various equipment replacements	\$10,695	\$17,808	\$57,842	\$35,616
1/1/20	Various equipment replacements	\$10,695	\$18,520	\$57,898	\$37,041
1/1/21	Various equipment replacements	\$10,695	\$19,261	\$57,215	\$38,522
1/1/22	Various equipment replacements	\$10,695	\$20,032	\$55,748	\$40,063
1/1/23	Various equipment replacements	\$10,695	\$20,833	\$53,450	\$41,666
1/1/24	Various equipment replacements	\$10,695	\$21,666	\$50,272	\$43,332
1/1/25	Various equipment replacements	\$10,695	\$22,533	\$46,165	\$45,066

Notes: What do you want to say about this schedule?	Starting Account Balance	\$0	\$21,390
	Minimum Annual Annuity	\$15,520	Minimum Desired Balance in Today's Dollars
	Discretionary Annuity	\$1,900	
	Payment to Replacement Account (entered into Chart 4)	\$17,420	

Instructions for Chart 4:

This chart covers regular operating costs. It also covers capital improvement and debt costs for the test year only. Future capital improvement related items are covered in Chart 7. Note that in the report output that you will print, all capital improvement items you enter at the bottom of this chart will show up in Chart 7.

Data you enter here is critical. Also, your estimate of the percentage of cost that is fixed for each cost item is critical to the rate structure that will result, if you desire proportional to use rates.

From your statement of costs for the test year, enter your various operating costs. For some cost categories below you will need to add together several of the costs you track. Then decide the percentage of each cost that should be considered fixed and; therefore, recovered in the minimum charge. If you are not sure, accept the default values in the program now. If you have special costs, enter those on the lines near the bottom of the chart and write in a description in the left-most column.

In the bottom right corner of the chart is the relative cost of water loss (water) or inflow and infiltration (sewer). Relative costs are usually 90% or so for water and 50% for sewer. That means it costs you almost as much to produce water that ends up leaking out of your pipes as it costs to deliver that water to your customers. The same thing happens with storm water leaking into your sewer pipes but the cost to treat that water is usually lower than the cost of lost drinking water.

If you don't have a better estimate of your relative cost for unaccounted-for water, accept the default values. Just below this percentage is the dollar cost of this item you experienced during the test year. If the percentage and dollar amount for this cost is high, you should look for ways to reduce it.

The first two cost items below are administration staff costs and office costs. Cities commonly pay most or all of these costs from the general fund. By all rights, the water and sewer utilities should pay the true costs they cause the city to incur for these and all other items. If you don't have actual amounts for these items, estimate them.

Great Rates, MO

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Chart 4 - Costs (for the test year) From

1/1/06 Through 12/31/06

Operating Cost Items	Amount	% of This Cost That is Fixed	Fixed Costs	Variable Costs
Admin Staff - Salaries, Benefits, Training, Etc.	\$10,000	100%	\$10,000	\$0
Office Operation, Billing, Rent, Utilities, Etc.	\$5,000	100%	\$5,000	\$0
Insurance & Bonding	\$1,000	100%	\$1,000	\$0
Accounting, Legal, etc.	\$1,000	100%	\$1,000	\$0
Operations Staff - Salaries, Benefits, Training, Etc.	\$20,000	0%	\$0	\$20,000
Operations Electricity & Utilities	\$15,000	0%	\$0	\$15,000
Small Tools and Equipment Purchased Annually	\$0	0%	\$0	\$0

Chemicals & Supplies	\$3,000	0%	\$0	\$3,000
Collection Losses (bad Debt)	\$1,000	0%	\$0	\$1,000
Regular Maintenance & Repairs	\$10,000	0%	\$0	\$10,000
Water Sampling	\$5,000	0%	\$0	\$5,000
Permit Fees	\$300	0%	\$0	\$300
Franchise Fees	\$0	0%	\$0	\$0
Payment to Replacement Account	\$17,420	0%	\$0	\$17,420
Other (describe)	\$0	0%	\$0	\$0
Other (describe)	\$0	0%	\$0	\$0
Other (describe)	\$0	0%	\$0	\$0
Other (describe)	\$0	0%	\$0	\$0
Other (describe)	\$0	0%	\$0	\$0

Total **Operating** Costs: \$88,720 \$17,000 \$71,720

Capital Improvement (CIP) and Debt Cost Items for the Test Year Only

Loan Payments in Effect in Test Year	\$8,500	75%	\$6,375	\$2,125
Debt Reserve Payments in Effect in Test Year	\$850	75%	\$638	\$213
CIP Paid With Operating Cash in Test Year	\$15,000	75%	\$11,250	\$3,750
Total CIP Costs	\$24,350		\$18,263	\$6,088

Grand Total **All** Costs During Test Year \$113,070 \$35,263 \$77,807

Special Cost Calculations

Monthly Fixed Costs/User = \$5.88	Unaccounted-for water volume is estimated at 17%
Variable Costs/1,000 Gallons = \$3.89	Relative cost to produce unaccounted-for water* 90%
Total Cost to Produce Each 1,000 Gallons = \$5.65	Cost to produce unaccounted-for water \$14,005
Gallons Used by Average Customer Monthly = 3,333	*Relative costs are usually 90% or so for water and around 50% for sewer

Volume Sold or Given to Customers 20,000,000 gallons/year
+ Unaccounted-for water 4,000,000 gallons/year
= Total Master-metered Flow 24,000,000 gallons/year

Instructions for Charts 5 & 6:

From Chart 5 on, you will see test year (historical) data and projected (future) data. You can make adjustments to projected data in two ways. If the data is highlighted yellow, just find the year during which that data will change, go to that cell and overwrite the data that is there now with the correct amount. If the cell you need is not highlighted yellow, go to a line below it that is. Figure out how that data needs to be adjusted (up, down and by how much.) Now, enter that amount (a negative number for a decrease) and describe the adjustment you just made.

For example, if two years from now you intend to double your tap fees (which will double your tap fee revenues), you should enter the additional tap fee revenue you expect to collect in the column two years out and call that item "Additional Revenue From Doubling Tap Fees." Be aware, your rates (and rate revenues) will change in the future based on an inflation factor you will select later in Chart 8. Likewise, costs will change according to inflation factors you select.

In Chart 6 consider your costs. If some will change, other than by an inflationary factor, enter the amount of those changes in the years they will occur. Note that in later years those costs will go up by the inflation factor.

Finally, if you think costs will experience inflation at a rate other than five percent, enter those percentages. Err on the side inflating costs too much, not too little. If you think a future cost will go down (not normal), enter a negative percentage.

Great Rates, MO Proposed Water Rates Scenario 1

Chart 5 - Starting Operating Balances and Incomes

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(First year balances and incomes are actual, subsequent years are projected.)

	Test Year Starting 1/1/06	Year Starting 1/1/07	Year Starting 1/1/08	Year Starting 1/1/09	Year Starting 1/1/10	Year Starting 1/1/11	Year Starting 1/1/12
Average Number of Customers for the Year	500	505	510	515	520	526	531
Working Capital	\$0	\$5,780	\$19,713	\$33,610	\$34,985	\$36,430	\$37,947
Weighted Average Full-year Calculated Rate/User	\$15.00	\$16.57	\$19.50	\$20.28	\$21.09	\$21.93	\$22.81
Operating Incomes							
Actual and Estimated User Fee Collections	\$90,000	\$100,426	\$119,352	\$125,367	\$131,686	\$138,322	\$145,294
Surcharge Revenues	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Total Tap Fees	\$1,000	\$2,677	\$5,050	\$5,100	\$5,152	\$5,203	\$5,255
Other Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Earned on Working Capital	\$500	\$116	\$394	\$672	\$700	\$729	\$759
Special Meter Sets	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Income or Loss (-) describe	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Income or Loss (-) describe	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sum of Incomes Plus Working Capital Starting Balance	\$94,500	\$111,998	\$147,509	\$167,750	\$175,522	\$183,684	\$192,254

Chart 6 - Operating Costs and Net Operating Income

(First year costs and net incomes are actual, subsequent years are projected.)

	Inflation/De-flation (-) Factor	Test Year Starting	Year Starting	Year Starting	Year Starting	Year Starting	Year Starting	Year Starting
		1/1/06	1/1/07	1/1/08	1/1/09	1/1/10	1/1/11	1/1/12
Admin Staff - Salaries, Benefits, Training, Etc.	5.0%	\$10,000	\$10,500	\$11,025	\$11,576	\$12,155	\$12,763	\$13,401
Office Operation, Billing, Rent, Utilities, Etc.	5.0%	\$5,000	\$5,250	\$5,513	\$5,788	\$6,078	\$6,381	\$6,700
Insurance & Bonding	5.0%	\$1,000	\$1,050	\$1,103	\$1,158	\$1,216	\$1,276	\$1,340
Accounting, Legal, etc.	5.0%	\$1,000	\$1,050	\$1,103	\$1,158	\$1,216	\$1,276	\$1,340
Operations Staff - Salaries, Benefits, Training, Etc.	5.0%	\$20,000	\$21,000	\$22,050	\$23,153	\$24,310	\$25,526	\$26,802
Operations Electricity & Utilities	5.0%	\$15,000	\$15,750	\$16,538	\$17,364	\$18,233	\$19,144	\$20,101
Small Tools and Equipment Purchased Annually	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Chemicals & Supplies	5.0%	\$3,000	\$3,150	\$3,308	\$3,473	\$3,647	\$3,829	\$4,020
Collection Losses (bad Debt)	5.0%	\$1,000	\$1,050	\$1,103	\$1,158	\$1,216	\$1,276	\$1,340
Regular Maintenance & Repairs	5.0%	\$10,000	\$10,500	\$11,025	\$11,576	\$12,155	\$12,763	\$13,401
Water Sampling	5.0%	\$5,000	\$5,250	\$5,513	\$5,788	\$6,078	\$6,381	\$6,700
Permit Fees	5.0%	\$300	\$315	\$331	\$347	\$365	\$383	\$402
Franchise Fees	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payment to Replacement Account	N.A.	\$17,420	\$17,420	\$17,420	\$17,420	\$17,420	\$17,420	\$17,420
Other (describe)	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other (describe)	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other (describe)	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other (describe)	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other (describe)	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost Adjustments (+ or -) describe	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost Adjustments (+ or -) describe	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost Adjustments (+ or -) describe	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Costs		\$88,720	\$92,285	\$96,028	\$99,959	\$104,085	\$108,419	\$112,969
Net Income (or Loss)		\$5,780	\$19,713	\$51,481	\$67,791	\$71,437	\$75,265	\$79,286
Working Capital Goal 35% That is		\$31,052	\$32,300	\$33,610	\$34,985	\$36,430	\$37,947	\$39,539
Transfer to CIP Account		\$0	\$0	\$17,871	\$32,806	\$35,007	\$37,319	\$39,747

Over time your net income should be at least as high as your working capital goal.

Instructions for Chart 7:

You will enter all future costs and incomes related to capital improvements and debt service in this chart. The test year amounts carried over from Chart 4.

In the relevant years, enter the estimated costs of capital improvements, how you plan to fund them and future debt payments, if you plan to borrow.

Great Rates, MO Proposed Water Rates Scenario 1

GettingGreatRatesNow© Version 1.3

Chart 7 - Capital Improvement Program (CIP)

CIP Spending Plan	Test Year Starting 1/1/06	Year Starting 1/1/07	Year Starting 1/1/08	Year Starting 1/1/09	Year Starting 1/1/10	Year Starting 1/1/11	Year Starting 1/1/12
Capital Improvements to be Paid With Debt							
Describe Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Describe Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Describe Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Improvements to be Paid With Cash							
CIP Paid With Operating Cash in Test Year	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0
Describe Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Describe Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0
Total CIP Planned Spending	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0

CIP Funding Plan

CIP and Debt Reserves Carryover Balance From Previous Year	\$0	-\$24,350	-\$34,674	-\$27,540	-\$5,901	\$18,208	\$45,505
CIP Account Interest Earned (or Paid)	\$0	-\$974	-\$1,387	-\$1,816	-\$1,548	-\$672	\$164
Loan (describe terms)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan (describe terms)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grant (describe grant)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grant (describe grant)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total CIP Fund Sources	\$0	-\$25,324	-\$36,061	-\$29,356	-\$7,449	\$17,536	\$45,668

Debt Payment Plan

Loan Payments in Effect in Test Year	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500
Loan Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Reserve Payments in Effect in Test Year	\$850	\$850	\$850	\$850	\$850	\$850	\$850
Total Debt Obligations	\$9,350	\$9,350	\$9,350	\$9,350	\$9,350	\$9,350	\$9,350
Total CIP Spending Plus Debt Repayment	\$24,350	\$9,350	\$9,350	\$9,350	\$9,350	\$9,350	\$9,350
Capital Improvement Fund Balance	-\$24,350	-\$34,674	-\$45,411	-\$38,706	-\$16,799	\$8,186	\$36,318

Describe CIP projects, funding sources, etc. here.

Great Rates, MO Proposed Water Rates Scenario 1

Chart 8 - Rate and fee Adjustments

1/1/07

Through

12/31/07

\$200 Current Average Tap fee

\$1,000

Proposed Average Tap fee

Considering the current average tap fee above, raise this fee as desired here.

\$1,000 Current Surcharge Revenues

\$1,000

Proposed Surcharge Revenues

Raise surcharge fees as desired to total this amount during a full year.

8/1/07

Date when rates and fees will first be collected at adjusted rates

Date the rates become effective needs to be about one month before this date to allow time to start collecting.

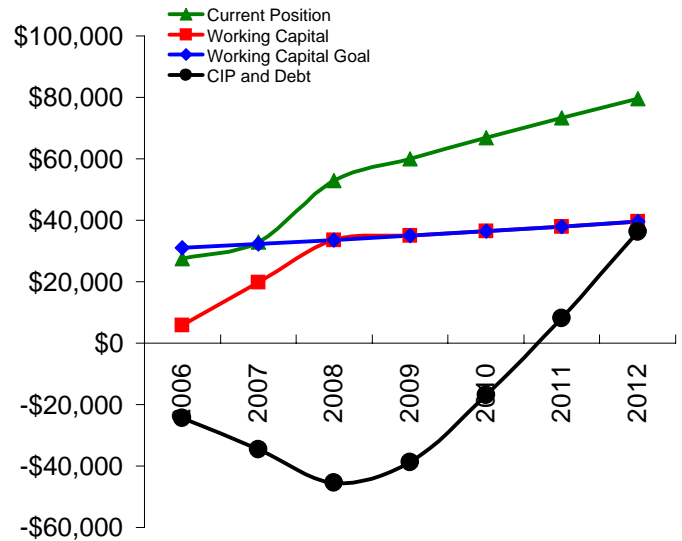
25.00%

Percent to increase or decrease (negative number) user rates immediately compared to current rates. (0.00% is no change. 20% is a 20% increase.) This is the large initial rate adjustment that you will do as soon as possible.

4.00%

Percent to increase user rates in future years. You will increase rates by this percentage during each of the five years following this year to help keep revenues tracking with inflation.

Rate setting hint: As you adjust rates, fees, surcharge revenues and the rate adjustment date above, watch how the graph to the right changes. If your current position (green line) is below the zero (\$0) line, you're broke. Raise rates. If working capital (red line) is below the working capital goal (blue line), again, raise rates and other items above to bring the working capital up to the goal as soon as reasonably possible. This can almost always be done within five years. Similarly, CIP and debt, the black line, should be above the zero (\$0) line or headed there.



Rate setting hint: Now, think outside the "rate setting box." Consider other issues that impact your finances and rates. Can you qualify for a grant for a capital improvement? If so, how much and what effect will that have on your rates? If you will have to wait for the grant for two years and construction inflation is running at 10% per year, will the grant actually net you any money compared to borrowing now and avoiding about 20% inflation? What if inflation and interest rates are higher or lower? Go back through the charts and model every variation you think is realistic. Then, return to this chart and model new rates to see what rate effects each will have.

Your cumulative increase this year and over the next five years will be 47%

Note: Your rates will become progressively less equitable as you increase them across the board even if they were fair to start with. If the total increase over five years in the box at the left exceeds 50%, and you have 100 or more connections, you should call Carl Brown Consulting for a comprehensive rate analysis so you can make your rates fair to your ratepayers as well as adequate.