M E M O R A N D U M

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

STEPHANIE MILLER

SCOTT WOODBURY

TERRI CARLOCK

GEORGE FINK

WORKING FILE

FROM:BOB SMITH

DATE:JUNE 17, 1998

SUBJECT:MCGUIRE ESTATES WATER CO. RATE CASE NO. MCG-W-98-1

At yesterday’s decision meeting the Commission was made aware of a major repair to the Company’s well that occurred subsequent to the 1997 test year.  Staff estimated the cost of the repair at $3,000.  The Commission indicated it would like to recognize this repair if the actual cost could be verified.

I have received facsimile copies of the invoices the Company has paid to complete the repairs.  The total cost was $2,988.09. Of this amount, $2,156.93 was paid to R.C. Worst Co. to pull the pump, replace a bad check valve and reinstall the pump.  To pull the pump, part of the well house had to be dismantled.  An additional $831.16 was paid to Mr. Jim Meyers to repair and re-roof the portion of the well house that was dismantled.

The capitalized cost of the repair ($2,988.09) if recognized in this case would increase the Company’s revenue requirement by $648 calculated as follows:

Additional Rate Base$2,988

Rate of Returnx    12%

Additional Operating Income$   359

Gross-up for Income Taxx   1.25

Pre-Tax income requirement$    449

Depreciation Expense (15 Yr life)$   199

Total Additional Revenue Req.$    648

This amount compares with the $650 revenue requirement Scott Woodbury brought to your attention during the decision meeting.  The rates mentioned during the meeting of $14.75 base rate plus a commodity charge of $0.56 per 1,000 gallons in excess of 10,000 per month are therefore still appropriate and should provide the Company’s total revenue requirement of $16,733.

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