McGuire Estates Water Co.

Case No. MCG-W-98-1

Addendum to

Commission Staff Report

Dated June 16, 1998

Subsequent to the preparation of Staff’s report, final cost data has been received and verified by Staff regarding a major repair to the Company’s well that occurred subsequent to the 1997 test year.  Staff has 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 wellhouse had to be dismantled.  An additional $831.16 was paid to Mr. Jim Meyers to repair and re-roof the portion of the wellhouse 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

Recovery of this additional $648 revenue requirement would increase the Company’s total revenue requirement to $16,733.  The total revenue requirement could be achieved with a monthly $14.75 base rate plus a commodity charge of $0.56 per 1,000 gallons in excess of 10,000 per month.  These rates compare with Staff’s earlier recommendation for a monthly base rate of $14.20 plus a commodity rate of $0.54 per thousand gallons in excess of 10,000 gallons per month.

Respectfully submitted this                     day of June, 1998.

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Robert E. Smith, Auditor

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George Fink, Engineer

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