

WASTEWATER WHOLESALE RATE STUDY FY26 and FY27

Billings, MT

April 7, 2025

Executive Summary

The City of Billings, Montana (City) provides municipal wastewater service to its citizens, businesses, and industries. In addition to this retail wastewater service, the City provides wholesale wastewater service to the Phillips 66 Refinery (P66), Par Montana Refinery (Par Montana), and the Lockwood Water and Sewer District (Lockwood). AE2S Nexus was retained to update the City’s wholesale rate model. Consistent with the contractual provisions for the individual users, a utility-basis cost of service model is used to identify cost of service based rates for Fiscal Year 2026 (FY26) as well as Fiscal Year 2027 (FY27) for P66, Par Montana, and Lockwood.

The analysis resulted in the recommended cost of service rates as outlined in Tables ES.1, ES.2, and ES.3. In general, the variability in rate changes between the wholesale users is due to differences in actual discharges to the plant. Following the previous update, max month discharges are used to calculate capital costs associated with treatment correlating to capacity at the plant, including the Lockwood Reserve portion of capacity. The model continues to use average values for the use portion of rate setting. Both Par Montana and P66 saw large increases in strength of discharges which drove up their assigned rate.

**Table ES.1:
Proposed Par Montana Wastewater Rate**

	Current	FY26	FY27
Fixed, \$/mo	\$31,346	\$76,081	\$79,012
Variable, \$/kgal	\$0.648	\$0.873	\$0.900

**Table ES.2:
Proposed Lockwood Wastewater Rate**

	Current	FY26	FY27
Fixed, \$/mo	\$30,036	\$34,242	\$35,133
Variable, \$/ kgal	\$1.475	\$1.983	\$2.043

**Table ES.3:
Proposed Phillips 66 Wastewater Rate**

	Current	FY26	FY27
Fixed, \$/mo	\$35,222	\$88,431	\$92,097
Variable, \$/ kgal	\$0.782	\$0.933	\$0.962

1.0 Introduction

AE2S Nexus was retained by the City of Billings (City) to calculate wastewater rates for wholesale customers of the City's wastewater system for Fiscal Year 2026 (FY26) and Fiscal Year 2027 (FY27), which begins July 1 and ends June 30. The three wholesale customers connected to the City's wastewater system are Lockwood Water and Sewer District (Lockwood), Par Montana, and Phillips 66 Refinery (P66).

The City's wholesale rates are set by a comprehensive rate model based on standard industry rate setting methodology and practices using a Utility-Basis approach for calculating cost of service rates. The overall process is generally dictated by the contractual agreements between the City and wholesale wastewater customers with an established minimum return on equity of 15 percent. Consistent with these agreements, a 15 percent rate of return was utilized in the FY26 and FY27 rate model update for the establishment of capital related revenue requirements.

This report provides additional details on the methodology used in determining the rate for wholesale wastewater customers and summarizes the following topics:

- Wastewater system usage parameters (Section 2.0);
- Projected revenue requirements and associated assumptions (Section 3.0);
- Allocation of operating and capital-related revenue requirements (Section 4.0); and
- Calculated costs of service by user class and recommended FY26 and FY27 wastewater rates (Section 5.0).

2.0 Customers and Usage

The City owns and operates its wastewater treatment and conveyance facilities serving over 35,000 retail utility accounts across the City and outside city users. In addition to retail accounts, the City has contractual relationships with three wholesale users, P66, Par Montana, and Lockwood, to provide wastewater service. The customer makeup, volume of wastewater flow, and strength characteristics of the wastewater for these utility accounts in large part determines how costs are allocated across different user classes. Tables 2.1 and 2.2 show the projected utility accounts across the varying customer types and the associated equivalent meters for FY26 and FY27, respectively. Growth rates are held consistent with the retail wastewater model. The equivalent meter counts provided are on a 3/4-inch meter basis as the City’s standard residential meter size is 3/4”.

**Table 2.1:
FY26 Customer Accounts**

Meter Size	Residential	Residential - Large	Commercial-- Domestic	Public Buildings-- Domestic	Outside City	Total
3/4-Inch	33,508	447	1,316	6	32	35,309
1-Inch	380	303	397	4	9	1,093
1-1/2-Inch	26	152	292	15	5	489
2-Inch	0	64	155	22	5	246
3-Inch	1	39	75	23	2	140
4-Inch	1	19	20	4	1	46
6-Inch	1	28	14	4	0	47
8-Inch	0	5	3	2	1	11
10-Inch	0	0	0	0	0	0
12-Inch	0	0	0	0	0	0
Total	33,917	1,057	2,273	79	55	37,381
Equivalent Meters	34,058	1,919	3,174	258	94	39,502

**Table 2.2:
FY27 Customer Accounts**

Meter Size	Residential	Residential - Large	Commercial-- Domestic	Public Buildings-- Domestic	Outside City	Total
3/4-Inch	33,843	451	1,329	6	32	35,661
1-Inch	384	306	401	4	9	1,104
1-1/2-Inch	26	154	295	15	5	495
2-Inch	0	65	157	22	5	249
3-Inch	1	39	76	23	2	141
4-Inch	1	20	21	4	1	47
6-Inch	1	28	14	4	0	47
8-Inch	0	5	3	2	1	11
10-Inch	0	0	0	0	0	0
12-Inch	0	0	0	0	0	0
Total	34,256	1,068	2,296	80	55	37,755
Equivalent Meters	34,398	1,942	3,203	260	94	39,897

FY26 and FY27 flows by customer class are shown in Table 2.3 including allocation of Inflow/Infiltration (I/I) by customer class. Minimal BOD, TSS, or TKN is presumed for I/I. In calculating these flows, reserve capacity was established for Lockwood based on their agreement and no reserve capacity was set aside for P66 or Par Montana. Baseline flow contributions for Lockwood are set at 0.15 MGD based on billing history. P66 is set at 1.25 MGD capacity related flows based on billing history. Par Montana is set at 2.50 MGD capacity related based on actual billings since the last update.

Modeled loadings for each wholesale user are derived from sampling reports, using historical average and max values in the model. Capacity discharge values are set equal to max month discharges and use discharge values are set to average discharges. Concentrations and loadings by customer class are shown in Table 2.4 and Table 2.5. P66 and Par Montana user flows are kept constant between FY26 and FY27 while Lockwood and retail customer flows included estimated growth. All retail customer account, customer flow, concentrations, and loadings are consistent with the Test Year assumptions made for the FY26-FY27 Wastewater Retail Rate model.

**Table 2.3:
Annual Customer Flows – Capital Basis**

Customer Class	Fiscal Year 2026			Fiscal Year 2027		
	Contributed Flow (MG)	I/I (MG)	Total (MG)	Contributed Flow (MG)	I/I (MG)	Total (MG)
Residential	1,421	1,379	2,801	1,421	1,364	2,785
Residential - Large	597	580	1,177	603	579	1,182
Commercial - Domestic	949	922	1,871	959	921	1,880
Public Buildings - Domestic	76	74	149	77	73	150
Outside City	49	48	97	50	48	98
Lockwood	55	0	55	55	0	55
Lockwood Reserve	211	0	211	210	0	210
Retail Reserve Capacity	5,993	0	5,993	5,976	0	5,976
Phillips 66	456	0	456	456	0	456
Par Montana	913	0	913	913	0	913
Total	10,720	3,002	13,722	10,720	2,985	13,705

**Table 2.4:
FY26 Average Daily Concentrations (mg/L) and Calculated Annual Loadings (lbs)**

Customer Class	BOD – Capacity (mg/L)	TSS – Capacity (mg/L)	TKN – Capacity (mg/L)	lbs. of BOD	lbs. of TSS	lbs. of TKN
Residential	200.0	200.0	45.0	2,544,801	2,544,801	706,411
Residential – Large	200.0	200.0	45.0	1,069,380	1,069,380	296,849
Commercial - Domestic	200.0	200.0	45.0	1,700,180	1,700,180	471,953
Public Buildings - Domestic	200.0	200.0	45.0	135,655	135,655	37,656
Outside City	200.0	200.0	45.0	88,462	88,462	24,556
Lockwood	230.0	236.1	45.0	105,688	108,491	20,678
Lockwood Reserve	230.0	236.1	45.0	404,363	415,088	79,115
Retail Reserve Capacity	200.0	200.0	45.0	10,002,328	10,002,328	2,250,524
Phillips 66¹	415.0	332.0	72.0	1,580,202	1,264,161	274,155
Par Montana²	53.0	136.0	59.0	403,618	1,035,698	449,310
Total				18,034,678	18,364,246	4,611,207

¹ BOD recorded October '24, TSS recorded April '23, TKN recorded October '24.

² BOD recorded February '24, TSS recorded October '24, TKN recorded August '24.

**Table 2.5:
FY27 Average Daily Concentrations (mg/L) and Calculated Annual Loadings (lbs)**

Customer Class	BOD - Capacity	TSS - Capacity	TKN – Capacity	lbs. of BOD	lbs. of TSS	lbs. of TKN
Residential	200.0	200.0	45.0	2,542,900	2,542,900	704,510
Residential – Large	200.0	200.0	45.0	1,079,268	1,079,268	299,011
Commercial - Domestic	200.0	200.0	45.0	1,715,899	1,715,899	475,390
Public Buildings - Domestic	200.0	200.0	45.0	136,909	136,909	37,931
Outside City	200.0	200.0	45.0	89,280	89,280	24,735
Lockwood	230.0	236.1	45.0	106,216	109,033	20,781
Lockwood Reserve	230.0	236.1	45.0	403,835	414,545	79,011
Retail Reserve Capacity	200.0	200.0	45.0	9,974,423	9,974,423	2,244,245
Phillips 66	415.0	332.0	72.0	1,580,202	1,264,161	274,155
Par Montana	53.0	136.0	59.0	403,618	1,035,698	449,310
Total				18,032,550	18,362,118	4,609,080

3.0 Revenue Requirements

The next portion of the cost of service looks at revenue requirements, which are defined as the amount of revenues required to fully fund operations and maintenance (O&M) requirements as well as capital-related expenses. For a financially sustainable utility, it is important to ensure that all revenue requirements are met through non-rate revenues or user charges. Capital revenue requirements can be calculated using either the cash-basis or utility-basis approach, O&M are generally based on budgeted or planned expenditures for the given rate year. The contractually agreed upon method for calculating wholesale user capital requirements is the utility-basis approach. Using the utility-basis for rate setting, capital-related expenses are calculated based on asset depreciation and on the established rate of return on capital assets.

3.1 Operations and Maintenance

O&M is considered all expenses associated with the actual running of the wastewater collection and treatment system. O&M expenses include costs with operating the system as well as maintaining the collection and treatment system in good working order. Specific costs include administrative, billing and collections, electricity and chemical, compliance costs, and others.

While O&M expenses are a portion of total revenue requirements, all O&M expenses are not applied to revenue requirements. Non-rate revenue is subtracted from O&M expenses to result in the use of net revenue requirements for the purpose of rate-setting. Non-rate revenues include sewer permits, sale of material/labor, miscellaneous revenue, collection of bad debt, wastewater supply, and charge for services. Table 3.1 summarizes O&M expenses, non-rate revenues applied, and the resulting net O&M related revenue requirements. Consistent with previous analyses, wastewater treatment, and collection system costs are allocated on a fully variable basis using contributed flows to apportion these costs. Collection system costs are primarily allocated to non-wholesale users. Environmental affairs costs were allocated evenly on a variable (flow) basis and a fixed (meter) basis. Customer costs are allocated on a fully fixed (meter) basis.

FY26 O&M expenses are based on FY26 budget projections with FY27 inflated at approximately 3.5 percent from FY26 baseline costs (less one-time budgetary requests).

**Table 3.1:
O&M Related Revenue Requirements**

Line Item	Fiscal Year 2026			Fiscal Year 2027		
	Total	Fixed	Variable	Total	Fixed	Variable
Administrative	\$2,590,000	\$2,590,000	\$0	\$2,680,650	\$2,680,650	\$0
Utility Commercial & Meter	\$81,920	\$81,920	\$0	\$84,787	\$84,787	\$0
Wastewater Treatment	\$7,241,063	\$0	\$7,241,063	\$7,494,500	\$0	\$7,494,500
Distribution & Collection	\$2,464,205	\$0	\$2,464,205	\$2,550,452	\$0	\$2,550,452
Environmental Affairs	\$575,012	\$287,506	\$287,506	\$595,137	\$297,569	\$297,569
O&M Total	\$12,952,200	\$2,959,426	\$9,992,774	\$13,405,526	\$3,063,006	\$10,342,521
Less: Non-Rate O&M Revenue	-\$431,350	-\$431,350	\$0	\$122,250	\$122,250	\$0
Total O&M Revenue Requirement	\$12,520,850	\$2,528,076	\$9,992,774	\$13,527,776	\$3,185,256	\$10,342,521

3.2 Capital Costs

Consistent with the negotiated wholesale user agreements, this wholesale rate analysis uses the utility-basis for calculating capital costs. Under this approach, capital costs for wholesale users are calculated by identifying the rate of return and then applying that rate of return to the net assets of the system (i.e., the undepreciated value of the system). Owner capital costs are simply the difference between the identified cash-based net capital costs and the identified wholesale user specific capital costs (arrived at through the utility method). As the Owner rates are not calculated through this model, the capital costs attributable to those user classes have little to no bearing on the resulting wholesale capital costs.

Before any rate of return can be applied to the net assets of the system (or net system value), net system value must be calculated. Often referred to as net plant in service (NPIS), the system value is determined by identifying the assets in service by the end of FY24 and then adding the assets expected to be placed in service by the end of FY25. The calculated FY26 NPIS totals nearly \$192 Million. The calculated FY27 NPIS totals nearly \$197 Million. Table 3.2 outlines the fixed assets and depreciation resulting in the current NPIS. FY27 depreciation increases based on the addition of new assets into the model.

**Table 3.2:
Fixed Assets and Depreciation by Functional Category**

	FY26 Ratebase	FY26 Depreciation	FY27 Ratebase	FY27 Depreciation
Collection	\$52,252,938	\$1,431,345	\$53,746,139	\$1,524,575
Trunks/ Interceptors	\$51,538,223	\$1,249,490	\$53,204,987	\$1,343,203
Lift Stations	\$2,560,708	\$115,246	\$2,574,475	\$119,791
Common Conveyance	\$496		\$379	
Preliminary Treatment	\$12,672,263	\$393,693	\$12,964,638	\$412,006
Lab	\$459,922	\$23,786	\$464,068	\$20,463
Primary Treatment	\$15,528,165	\$560,566	\$15,781,204	\$582,448
Secondary Treatment	\$31,258,811	\$1,106,308	\$31,817,346	\$1,132,918
Residuals	\$12,296,445	\$421,767	\$12,532,164	\$439,332
Disinfection/Outfall	\$13,241,861	\$475,901	\$13,458,663	\$494,417
Customer	\$1,261	\$62	\$1,260	\$64
Exclude From Ratebase	\$0	\$0	\$0	\$0
Indirect	\$0	\$0	\$0	\$0
	\$191,811,092	\$5,778,164	\$196,545,322	\$6,069,217

Once identified, NPIS is then allocated across customer classes based on ownership and functional cost component. The methodology used to allocate ownership remains consistent with

previous wholesale rate analyses for the City. P66 was allocated a portion of the treatment system assets consistent with P66’s proportional share of the overall flow and strength loading of the treatment system. Similarly, P66 was allocated a proportional share of the collection system consistent with the assets used to convey wastewater through City trunk lines from P66 to the WWTP. P66’s allocated share of the collection system is limited to the infrastructure utilized for conveyance of wastewater.

For Lockwood and Par Montana, no sole proportion of the NPIS was identified, nor were any collection system related costs as they connect directly to the WWTP (near the headworks of the facility) through non-City assets. Par Montana is allocated their proportionate share of treatment assets consistent with Par Montana’s proportional share of flow, strength loading, and conveyance in each portion of the system. The allocation of capital requirements for Lockwood, Par Montana, and P66 are shown in Table 3.3. The allocation of NPIS and depreciation is then used to calculate the utility-basis of capital costs for all wholesale users. For this analysis, the rate of return is set at the established minimum of 15 percent for P66, Par Montana, and Lockwood. Table 3.4 identifies the calculated capital costs.

**Table 3.3:
Allocation of Net Plant in Service and Depreciation Expenses**

Ownership	FY26 Net Fixed Assets	FY26 Depreciation Expense	FY27 Net Fixed Assets	FY27 Depreciation Expense
Joint				
Retail	\$73,581,982	\$2,567,993	\$74,923,253	\$2,653,870
Lockwood	\$2,165,344	\$75,427	\$2,206,450	\$77,996
Par Montana	\$4,508,704	\$157,803	\$4,586,543	\$162,844
P66	\$5,201,932	\$180,938	\$5,302,217	\$187,013
Subtotal- Joint	\$85,457,962	\$2,982,161	\$87,018,462	\$3,081,723
Retail Only	\$106,334,525	\$2,795,553	\$109,507,653	\$2,987,009
Lockwood Only	\$0	\$0	\$0	\$0
P66 Only	\$18,605	\$451	\$19,207	\$485
Total	\$191,811,092	\$5,778,164	\$196,545,322	\$6,069,217
Retail Subtotal	\$179,916,507	\$5,363,546	\$184,430,906	\$5,640,879
Lockwood Subtotal	\$2,165,344	\$75,427	\$2,206,450	\$77,996
Par Montana Subtotal	\$4,508,704	\$157,803	\$4,586,543	\$162,844
P66 Subtotal	\$5,220,537	\$181,389	\$5,321,424	\$187,497

**Table 3.4:
FY26 Utility Basis Capital Costs**

	P66	Lockwood	Par Montana
Total NPIS	\$5,220,537	\$2,165,344	\$4,508,704
Additional Allowance for Working Capital	\$66,773	\$27,696	\$57,668
Total Rate Base	\$5,287,310	\$2,193,040	\$4,566,373
Rate of Return			15%
Rate Base Capital Costs	\$793,097	\$328,956	\$684,956
Depreciation Costs	\$181,389	\$75,427	\$157,803
Total Wholesale Capital Costs	\$974,485	\$404,383	\$842,759
Residual Owner Capital Costs			\$10,051,151

**Table 3.5:
FY27 Utility Basis Capital Costs**

	P66	Lockwood	Par Montana
Total NPIS	\$5,321,424	\$2,206,450	\$4,586,543
Additional Allowance for Working Capital	\$70,920	\$29,406	\$61,126
Total Rate Base	\$5,392,344	\$2,235,856	\$4,647,669
Rate of Return			15%
Rate Base Capital Costs	\$808,852	\$335,378	\$697,150
Depreciation Costs	\$187,497	\$77,996	\$162,844
Total Wholesale Capital Costs	\$996,349	\$413,375	\$859,995
Residual Owner Capital Costs			\$9,716,001

3.3 Total Revenue Requirements

Total revenue requirements are the combination of O&M related expenses and capital related expenses. Table 3.6 and Table 3.7 detail the total revenue requirements by wholesale user and retail user. The detailed steps to arrive at these total calculations can be found in the following sections.

**Table 3.6:
FY26 Revenue Requirements**

Ownership	Operating Costs	Capital Costs	Total
Retail	\$11,303,753	\$10,051,151	\$21,354,904
Lockwood & Lockwood Reserve	\$115,706	\$404,383	\$520,089
P66	\$436,861	\$974,485	\$1,411,347
Par Montana	\$664,529	\$842,759	\$1,507,288
Total	\$12,520,850	\$12,272,778	\$24,793,628

**Table 3.7:
FY27 Revenue Requirements**

Ownership	Operating Costs	Capital Costs	Total
Retail	\$12,236,154	\$9,716,001	\$21,952,155
Lockwood & Lockwood Reserve	\$121,258	\$413,375	\$534,632
P66	\$469,695	\$996,349	\$1,466,044
Par Montana	\$700,669	\$859,995	\$1,560,664
Total	\$13,527,776	\$11,985,719	\$25,513,495

4.0 Allocations

4.1 Customer Class Allocations

To identify the cost of service for customer classes, the revenue requirements in Section 3 must first be allocated to the customer classes themselves. This analysis identifies three sets of customer service allocations: fixed O&M, variable O&M, and capital (to include depreciation and NPIS). The resulting allocations are based on, in part, how reserve capacity and I/I for the various user classes are allocated to overall costs. P66 and Par Montana are not allocated any reserve capacity or I/I. Lockwood is allocated reserve capacity, but not I/I. Flow percentages are based on the projected customer class wastewater flow compared to total projected flow & retail reserve capacity. BOD, TSS, and TKN percentages are based on the projected customer class specific loadings compared to the total projected loadings & the excess capacity reserved for retail.

4.2 O&M Allocations

In addition to allocating revenue requirements among customer class, O&M expenses must also be allocated along functional cost components. O&M costs are spread based on how flow-, BOD-, TSS-, and TKN-related costs are incurred throughout the system. Table 4.1 and Table 4.2 outline the breakdown in allocation across these functional categories.

**Table 4.1:
FY26 O&M Cost by Functional Category**

Line Item	Total	Flow-Use	BOD-Use	TSS-Use	TKN-Use
Collection	\$1,232,103	\$1,232,103	\$0	\$0	\$0
Trunks/ Interceptors/ Common Conveyance	\$741,726	\$741,726	\$0	\$0	\$0
Lift Stations	\$490,377	\$490,377	\$0	\$0	\$0
Preliminary Treatment	\$1,091,125	\$1,091,125	\$0	\$0	\$0
Lab	\$71,877	\$0	\$23,959	\$23,959	\$23,959
Primary / Secondary Treatment	\$3,967,199	\$661,659	\$1,275,332	\$1,378,570	\$651,638
Secondary / Strength Components	\$2,182,739	\$1,138,185	\$731,188	\$313,366	\$0
Customer	\$215,630	\$118,105	\$44,781	\$37,843	\$14,900
Indirect	\$0	\$0	\$0	\$0	\$0
Total O&M Revenue Requirement	\$9,992,774	\$5,473,279	\$2,075,260	\$1,753,738	\$690,496

**Table 4.2:
FY27 O&M Cost by Functional Category**

Line Item	Total	Flow-Use	BOD-Use	TSS-Use	TKN-Use
Collection	\$1,275,226	\$1,275,226	\$0	\$0	\$0
Trunks/ Interceptors/ Common Conveyance	\$767,686	\$767,686	\$0	\$0	\$0
Lift Stations	\$507,540	\$507,540	\$0	\$0	\$0
Preliminary Treatment	\$1,129,314	\$1,129,314	\$0	\$0	\$0
Lab	\$74,392	\$0	\$24,797	\$24,797	\$24,797
Primary / Secondary Treatment	\$4,106,051	\$684,817	\$1,319,969	\$1,426,820	\$674,445
Secondary / Strength Components	\$2,259,135	\$1,178,022	\$756,779	\$324,334	\$0
Customer	\$223,176	\$122,239	\$46,348	\$39,168	\$15,421
Indirect	\$0	\$0	\$0	\$0	\$0
Total O&M Revenue Requirement	\$10,342,521	\$5,664,844	\$2,147,894	\$1,815,119	\$714,664

4.3 Capital Cost Allocations

Like the allocation of O&M costs, NPIS capital costs must be allocated across the various cost components and the functional categories as they relate to flow and strength. Table 4.3 and Table 4.4 outline the allocation of NPIS based on the functional components.

**Table 4.3:
FY26 Allocation of Net Plant in Service by Functional Category**

Category	Total	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity
Collection	\$52,252,938	\$52,252,938	\$0	\$0	\$0
Trunks/ Interceptors/Common Conveyance	\$51,538,719	\$51,538,719	\$0	\$0	\$0
Lift Stations	\$2,560,708	\$2,560,708	\$0	\$0	\$0
Preliminary Treatment	\$12,672,264	\$2,534,453	\$2,534,453	\$7,603,358	\$0
Lab	\$459,921	\$0	\$153,307	\$153,307	\$153,307
Primary Treatment	\$15,528,165	\$3,105,633	\$3,105,633	\$9,316,899	\$0
Secondary Treatment	\$31,258,811	\$4,688,822	\$11,878,348	\$6,876,938	\$7,814,703
Residuals	\$12,296,446	\$0	\$8,607,512	\$3,688,934	\$0
Effluent/ Outfall	\$13,241,861	\$13,241,861	\$0	\$0	\$0
Customer	\$1,262	\$855	\$173	\$182	\$52
Indirect	\$0	\$0	\$0	\$0	\$0
Total Fixed Asset	\$191,811,095	\$129,923,989	\$26,279,426	\$27,639,618	\$7,968,062

**Table 4.4:
FY27 Allocation of Net Plant in Service by Functional Category**

Category	Total	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity
Collection	\$53,746,139	\$53,746,139	\$0	\$0	\$0
Trunks/ Interceptors/Common Conveyance	\$53,205,366	\$53,205,366	\$0	\$0	\$0
Lift Stations	\$2,574,475	\$2,574,475	\$0	\$0	\$0
Preliminary Treatment	\$12,964,639	\$2,592,928	\$2,592,928	\$7,778,783	\$0
Lab	\$464,067	\$0	\$154,689	\$154,689	\$154,689
Primary Treatment	\$15,781,204	\$3,156,241	\$3,156,241	\$9,468,722	\$0
Secondary Treatment	\$31,817,346	\$4,769,371	\$12,192,714	\$6,972,680	\$7,882,581
Residuals	\$12,532,164	\$0	\$8,772,515	\$3,759,649	\$0
Effluent/ Outfall	\$13,458,664	\$13,458,664	\$0	\$0	\$0
Customer	\$1,260	\$856	\$172	\$180	\$52
Indirect	\$0	\$0	\$0	\$0	\$0
Total Fixed Asset	\$196,545,324	\$133,504,040	\$26,869,259	\$28,134,703	\$8,037,322

Applying the rate of return to the NPIS results in capital costs associated with the current rate base. Table 4.5 and Table 4.6 outline these rate base capital costs (excluding depreciation) allocated across the same functional categories for FY26 and FY27, respectively.

**Table 4.5:
FY26 Rate Base Capital Costs by Functional Category**

	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Total
Collection	\$1,361,416	\$0	\$0	\$0	\$1,361,416
Trunks / Interceptors / Common Conveyance	\$1,345,156	\$0	\$0	\$0	\$1,345,156
Lift Stations	\$66,718	\$0	\$0	\$0	\$66,718
Preliminary Treatment	\$100,814	\$110,145	\$345,234	\$0	\$556,194
Lab	\$0	\$6,663	\$6,961	\$7,439	\$21,063
Primary Treatment	\$123,534	\$134,968	\$423,039	\$0	\$681,541
Secondary Treatment	\$186,509	\$516,222	\$312,251	\$379,212	\$1,394,194
Residuals	\$0	\$374,075	\$167,498	\$0	\$541,573
Effluent/ Outfall	\$526,728	\$0	\$0	\$0	\$526,728
Customer	\$22	\$5	\$5	\$1	\$33
Indirect	\$0	\$0	\$0	\$0	\$0
Total	\$3,710,897	\$1,142,077	\$1,254,988	\$386,652	\$6,494,614

**Table 4.6:
FY27 Rate Base Capital Costs by Functional Category**

	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Total
Collection	\$1,187,556	\$0	\$0	\$0	\$1,187,556
Trunks / Interceptors / Common Conveyance	\$1,178,108	\$0	\$0	\$0	\$1,178,108
Lift Stations	\$56,885	\$0	\$0	\$0	\$56,885
Preliminary Treatment	\$94,064	\$103,875	\$327,255	\$0	\$525,194
Lab	\$0	\$6,197	\$6,508	\$7,007	\$19,712
Primary Treatment	\$114,499	\$126,442	\$398,351	\$0	\$639,292
Secondary Treatment	\$173,018	\$488,453	\$293,342	\$357,070	\$1,311,883
Residuals	\$0	\$351,436	\$158,169	\$0	\$509,605
Effluent/ Outfall	\$488,239	\$0	\$0	\$0	\$488,239
Customer	\$19	\$4	\$4	\$1	\$28
Indirect	\$0	\$0	\$0	\$0	\$0
Total	\$3,292,388	\$1,076,408	\$1,183,628	\$364,078	\$5,916,502

Prior to arriving at total revenue requirements for wholesale users, depreciation is added into capital costs after the rate of return and allowance for working capital is applied to the asset base. Table 4.7 and Table 4.8 outline the depreciation capital costs by functional category that are included into overall capital costs.

**Table 4.7:
FY26 Depreciation Capital Costs by Functional Category**

	Flow – Capacity	BOD - Capacity	TSS – Capacity	TKN - Capacity	Total
Collection	\$1,431,345	\$0	\$0	\$0	\$1,431,345
Trunks / Interceptors / Common Conveyance	\$1,249,490	\$0	\$0	\$0	\$1,249,490
Lift Stations	\$115,246	\$0	\$0	\$0	\$115,246
Preliminary Treatment	\$78,739	\$78,739	\$236,216	\$0	\$393,693
Lab	\$0	\$7,929	\$7,929	\$7,929	\$23,786
Primary Treatment	\$112,113	\$112,113	\$336,340	\$0	\$560,566
Secondary Treatment	\$165,946	\$420,397	\$243,388	\$276,577	\$1,106,308
Residuals	\$0	\$295,237	\$126,530	\$0	\$421,767
Effluent/ Outfall	\$475,901	\$0	\$0	\$0	\$475,901
Customer	\$42	\$9	\$9	\$3	\$62
Indirect	\$0	\$0	\$0	\$0	\$0
Total	\$3,628,822	\$914,423	\$950,411	\$284,508	\$5,778,164

**Table 4.8:
FY27 Depreciation Capital Costs by Functional Category**

	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Total
Collection	\$1,524,575	\$0	\$0	\$0	\$1,524,575
Trunks / Interceptors / Common Conveyance	\$1,343,203	\$0	\$0	\$0	\$1,343,203
Lift Stations	\$119,791	\$0	\$0	\$0	\$119,791
Preliminary Treatment	\$82,401	\$82,401	\$247,204	\$0	\$412,006
Lab	\$0	\$6,821	\$6,821	\$6,821	\$20,463
Primary Treatment	\$116,490	\$116,490	\$349,469	\$0	\$582,448
Secondary Treatment	\$169,823	\$434,145	\$248,276	\$280,675	\$1,132,918
Residuals	\$0	\$307,532	\$131,799	\$0	\$439,332
Effluent/ Outfall	\$494,417	\$0	\$0	\$0	\$494,417
Customer	\$44	\$9	\$9	\$3	\$64
Indirect	\$0	\$0	\$0	\$0	\$0
Total	\$3,850,743	\$947,398	\$983,578	\$287,498	\$6,069,217

As each wholesale user is allocated their attributable portion of the overall O&M, Capital, and Depreciation, the rate modeling further breaks down these costs into the various flow and strength based categories across both capacity (fixed) and use (variable) categories. The total costs as they relate to Lockwood specifically are shown in Table 4.9 and Table 4.10 for FY26 and FY27, respectively.

**Table 4.9:
FY26 Lockwood Specific Costs by Functional Category**

	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use	Total
Collection	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Trunks / Interceptors / Common Conveyance	\$4	\$0	\$0	\$0	\$32	\$0	\$0	\$0	\$36
Lift Stations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Preliminary Treatment	\$9,083	\$13,116	\$39,667	\$0	\$14,290	\$0	\$0	\$0	\$76,157
Lab	\$0	\$3,272	\$3,240	\$2,455	\$0	\$361	\$479	\$225	\$10,032
Primary Treatment	\$11,437	\$16,514	\$49,944	\$0	\$3,502	\$4,033	\$16,048	\$0	\$101,477
Secondary Treatment	\$17,202	\$62,925	\$36,725	\$31,678	\$5,164	\$15,203	\$11,532	\$6,116	\$186,544
Residuals	\$0	\$45,332	\$19,585	\$0	\$0	\$11,028	\$6,269	\$0	\$82,215
Effluent/ Outfall	\$48,721	\$0	\$0	\$0	\$14,906	\$0	\$0	\$0	\$63,628
Customer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indirect	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$86,447	\$141,160	\$149,161	\$34,133	\$37,894	\$30,626	\$34,328	\$6,341	\$520,089

**Table 4.10:
FY27 Lockwood Specific Costs by Functional Category**

	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use	Total
Collection	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Trunks / Interceptors / Common Conveyance	\$4	\$0	\$0	\$0	\$33	\$0	\$0	\$0	\$37
Lift Stations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Preliminary Treatment	\$9,345	\$13,478	\$40,763	\$0	\$14,804	\$0	\$0	\$0	\$78,390
Lab	\$0	\$3,872	\$3,829	\$2,902	\$0	\$374	\$496	\$233	\$11,705
Primary Treatment	\$11,692	\$16,865	\$51,003	\$0	\$3,628	\$4,173	\$16,605	\$0	\$103,967
Secondary Treatment	\$17,547	\$64,700	\$37,300	\$32,018	\$5,349	\$15,732	\$11,932	\$6,332	\$190,911
Residuals	\$0	\$46,414	\$20,053	\$0	\$0	\$11,413	\$6,487	\$0	\$84,367
Effluent/ Outfall	\$49,813	\$0	\$0	\$0	\$15,443	\$0	\$0	\$0	\$65,256
Customer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indirect	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$88,401	\$145,329	\$152,948	\$34,920	\$39,258	\$31,692	\$35,521	\$6,565	\$534,632

The O&M, Capital, and Depreciation costs as they relate to Par Montana specifically are shown in Table 4.11 and Table 4.12 for FY26 and FY27, respectively.

**Table 4.11:
FY26 Par Montana Specific Costs by Functional Category**

	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use	Total
Collection	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Trunks / Interceptors / Common Conveyance	\$14	\$0	\$0	\$0	\$399	\$0	\$0	\$0	\$414
Lift Stations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Preliminary Treatment	\$31,193	\$10,379	\$78,466	\$0	\$176,712	\$0	\$0	\$0	\$296,751
Lab	\$0	\$9,824	\$24,190	\$41,697	\$0	\$562	\$317	\$1,963	\$78,553
Primary Treatment	\$39,274	\$13,068	\$98,794	\$0	\$43,304	\$6,275	\$10,617	\$0	\$211,332
Secondary Treatment	\$59,071	\$49,794	\$72,647	\$142,628	\$63,854	\$23,655	\$7,629	\$53,389	\$472,669
Residuals	\$0	\$35,873	\$38,742	\$0	\$0	\$17,160	\$4,148	\$0	\$95,922
Effluent/ Outfall	\$167,313	\$0	\$0	\$0	\$184,334	\$0	\$0	\$0	\$351,647
Customer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indirect	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$296,865	\$118,938	\$312,839	\$184,326	\$468,604	\$47,652	\$22,711	\$55,352	\$1,507,288

**Table 4.12:
FY27 Par Montana Specific Costs by Functional Category**

	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use	Total
Collection	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Trunks / Interceptors / Common Conveyance	\$13	\$0	\$0	\$0	\$411	\$0	\$0	\$0	\$425
Lift Stations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Preliminary Treatment	\$32,091	\$10,666	\$80,634	\$0	\$182,161	\$0	\$0	\$0	\$305,551
Lab	\$0	\$12,131	\$29,865	\$51,499	\$0	\$579	\$326	\$2,022	\$96,422
Primary Treatment	\$40,153	\$13,345	\$100,890	\$0	\$44,639	\$6,461	\$10,931	\$0	\$216,420
Secondary Treatment	\$60,256	\$51,199	\$73,783	\$144,161	\$65,823	\$24,357	\$7,855	\$54,998	\$482,433
Residuals	\$0	\$36,729	\$39,667	\$0	\$0	\$17,669	\$4,270	\$0	\$98,335
Effluent/ Outfall	\$171,061	\$0	\$0	\$0	\$190,018	\$0	\$0	\$0	\$361,078
Customer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indirect	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$303,574	\$124,070	\$324,839	\$195,659	\$483,053	\$49,066	\$23,383	\$57,020	\$1,560,664

Finally, the O&M, Capital, and Depreciation costs as they relate to P66 specifically are shown in Table 4.13 and Table 4.14 for FY26 and FY27, respectively.

**Table 4.13:
FY26 P66 Specific Costs by Functional Category**

	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use	Total
Collection	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Trunks / Interceptors / Common Conveyance	\$3,282	\$0	\$0	\$0	\$487	\$0	\$0	\$0	\$3,769
Lift Stations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Preliminary Treatment	\$10,289	\$40,636	\$95,775	\$0	\$97,382	\$0	\$0	\$0	\$244,082
Lab	\$0	\$38,461	\$29,526	\$25,442	\$0	\$442	\$354	\$1,025	\$95,249
Primary Treatment	\$12,955	\$51,163	\$120,587	\$0	\$23,864	\$4,932	\$11,839	\$0	\$225,340
Secondary Treatment	\$19,485	\$194,950	\$88,672	\$87,028	\$35,189	\$18,590	\$8,508	\$27,869	\$480,291
Residuals	\$0	\$140,444	\$47,288	\$0	\$0	\$13,486	\$4,625	\$0	\$205,844
Effluent/ Outfall	\$55,190	\$0	\$0	\$0	\$101,582	\$0	\$0	\$0	\$156,773
Customer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indirect	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$101,202	\$465,653	\$381,848	\$112,470	\$258,504	\$37,450	\$25,326	\$28,894	\$1,411,347

**Table 4.14:
FY27 P66 Specific Costs by Functional Category**

	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use	Total
Collection	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Trunks / Interceptors / Common Conveyance	\$3,409	\$0	\$0	\$0	\$503	\$0	\$0	\$0	\$3,912
Lift Stations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Preliminary Treatment	\$10,586	\$41,758	\$98,421	\$0	\$100,385	\$0	\$0	\$0	\$251,149
Lab	\$0	\$47,494	\$36,452	\$31,423	\$0	\$455	\$364	\$1,056	\$117,244
Primary Treatment	\$13,245	\$52,248	\$123,146	\$0	\$24,600	\$5,078	\$12,190	\$0	\$230,506
Secondary Treatment	\$19,876	\$200,448	\$90,059	\$87,963	\$36,274	\$19,142	\$8,759	\$28,709	\$491,230
Residuals	\$0	\$143,797	\$48,417	\$0	\$0	\$13,886	\$4,762	\$0	\$210,862
Effluent/ Outfall	\$56,427	\$0	\$0	\$0	\$104,714	\$0	\$0	\$0	\$161,141
Customer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indirect	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$103,542	\$485,746	\$396,494	\$119,385	\$266,476	\$38,561	\$26,075	\$29,764	\$1,466,044

4.4 Allocation of Total Revenue Requirements

Wholesale rates are based on the total allocation of both O&M costs and capital costs. Table 4.15 and Table 4.16 outline this total allocation of revenue requirements. As not all customer classes incur these costs equally, Table 4.17 and Table 4.18 outline each customer classes' share of functional cost components.

**Table 4.15:
FY26 Allocation of Total Revenue Requirements**

Line Item	Total	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use
Revenue Requirements									
O&M	\$12,520,850	\$488,494	\$910,454	\$600,298	\$528,830	\$5,473,279	\$2,075,260	\$1,753,738	\$690,496
Capital	\$12,272,778	\$7,339,719	\$2,056,500	\$2,205,399	\$671,161				
Total	\$24,793,628	\$7,828,213	\$2,966,954	\$2,805,696	\$1,199,991	\$5,473,279	\$2,075,260	\$1,753,738	\$690,496

**Table 4.16:
FY27 Allocation of Total Revenue Requirements**

Line Item	Total	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use
Revenue Requirements									
O&M	\$13,527,776	\$615,479	\$1,147,129	\$756,346	\$666,301	\$5,664,844	\$2,147,894	\$1,815,119	\$714,664
Capital	\$11,985,719	\$7,143,131	\$2,023,806	\$2,167,206	\$651,576				
Total	\$25,513,495	\$7,758,610	\$3,170,935	\$2,923,552	\$1,317,877	\$5,664,844	\$2,147,894	\$1,815,119	\$714,664

**Table 4.17:
FY26 Allocation of Functional Revenue Requirements to Customer Class**

Customer Class	Total	Flow - Capacity	BOD – Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use
Residential	\$7,314,616	\$1,812,731	\$622,272	\$483,352	\$288,958	\$2,163,343	\$900,359	\$767,957	\$275,644
Residential - Large	\$3,073,760	\$761,749	\$261,492	\$203,115	\$121,426	\$909,084	\$378,350	\$322,712	\$115,832
Commercial-- Domestic	\$4,886,891	\$1,211,084	\$415,740	\$322,927	\$193,052	\$1,445,328	\$601,529	\$513,072	\$184,158
Public Buildings-- Domestic	\$389,919	\$96,631	\$33,171	\$25,766	\$15,403	\$115,321	\$47,995	\$40,937	\$14,694
Outside City	\$254,270	\$63,014	\$21,631	\$16,802	\$10,045	\$75,202	\$31,298	\$26,696	\$9,582
Lockwood	\$199,498	\$17,913	\$31,144	\$32,770	\$8,483	\$37,894	\$30,626	\$34,328	\$6,341
Lockwood - Reserve	\$320,590	\$68,534	\$110,016	\$116,391	\$25,650	\$0	\$0	\$0	\$0
Retail Reserve Capacity	\$5,435,449	\$3,398,489	\$886,897	\$909,884	\$240,178	\$0	\$0	\$0	\$0
Phillips 66	\$1,411,347	\$101,202	\$465,653	\$381,848	\$112,470	\$258,504	\$37,450	\$25,326	\$28,894
Par Montana	\$1,507,288	\$296,865	\$118,938	\$312,839	\$184,326	\$468,604	\$47,652	\$22,711	\$55,352
Total Revenue Requirement	\$24,793,628	\$7,828,213	\$2,966,954	\$2,805,696	\$1,199,991	\$5,473,279	\$2,075,260	\$1,753,738	\$690,496

**Table 4.18:
FY27 Allocation of Functional Revenue Requirements to Customer Class**

Customer Class	Total	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use
Residential	\$7,636,703	\$1,815,268	\$714,465	\$538,033	\$338,848	\$2,228,389	\$927,071	\$790,685	\$283,945
Residential - Large	\$3,241,199	\$770,443	\$303,236	\$228,354	\$143,815	\$945,782	\$393,471	\$335,585	\$120,513
Commercial-- Domestic	\$5,153,098	\$1,224,907	\$482,107	\$363,054	\$228,648	\$1,503,673	\$625,570	\$533,539	\$191,600
Public Buildings-- Domestic	\$411,159	\$97,734	\$38,467	\$28,968	\$18,244	\$119,976	\$49,913	\$42,570	\$15,288
Outside City	\$268,121	\$63,733	\$25,085	\$18,890	\$11,897	\$78,238	\$32,549	\$27,761	\$9,969
Lockwood	\$207,342	\$18,409	\$32,650	\$34,197	\$9,050	\$39,258	\$31,692	\$35,521	\$6,565
Lockwood - Reserve	\$327,291	\$69,992	\$112,679	\$118,750	\$25,871	\$0	\$0	\$0	\$0
Retail Reserve Capacity	\$5,241,875	\$3,291,008	\$852,432	\$871,974	\$226,460	\$0	\$0	\$0	\$0
Phillips 66	\$1,466,044	\$103,542	\$485,746	\$396,494	\$119,385	\$266,476	\$38,561	\$26,075	\$29,764
Par Montana	\$1,560,664	\$303,574	\$124,070	\$324,839	\$195,659	\$483,053	\$49,066	\$23,383	\$57,020
Total Revenue Requirement	\$25,513,495	\$7,758,610	\$3,170,935	\$2,923,552	\$1,317,877	\$5,664,844	\$2,147,894	\$1,815,119	\$714,664

5.0 Costs by Class and Proposed Rates

For FY26, the total revenue requirements attributable to wholesale users to be recovered through rates are \$3,413,429. P66 is allocated \$1,403,839 of these costs, Par Montana is allocated \$1,485,088, and Lockwood is allocated \$524,502 of these. Table 5.1 shows these costs across the categories of fixed O&M, variable O&M, depreciation, and return on NPIS. For FY27, the total revenue requirements attributable to wholesale users to be recovered through rates are \$3,535,318. P66 is allocated \$1,458,315 of these costs, Par Montana is allocated \$1,537,807 and Lockwood is allocated \$539,198. Table 5.2 shows these costs across the categories of fixed O&M, variable O&M, depreciation, and return on NPIS for FY27. Wholesale rates are set as a function of the total cost of serving these users with wastewater service. The rate is broken into both a fixed and variable component. Table 5.3 and Table 5.4 outline the proposed rates.

Table 5.1:
FY26 Wholesale Cost of Service

Line Item	Fixed O&M	Variable O&M	Depreciation	Return	Total
Lockwood & Lockwood Reserve	\$6,518	\$109,188	\$75,427	\$328,956	\$520,089
Phillips 66	\$86,688	\$350,173	\$181,389	\$793,097	\$1,411,347
Par Montana	\$70,209	\$594,320	\$157,803	\$684,956	\$1,507,288

Table 5.2:
FY27 Wholesale Cost of Service

Line Item	Fixed O&M	Variable O&M	Depreciation	Return	Total
Lockwood & Lockwood Reserve	\$8,223	\$113,035	\$77,996	\$335,378	\$534,632
Phillips 66	\$108,819	\$360,877	\$187,497	\$808,852	\$1,466,044
Par Montana	\$88,147	\$612,522	\$162,844	\$697,150	\$1,560,664

**Table 5.3:
Proposed Par Montana Wastewater Rates**

	Current	FY26	FY27
Fixed, \$/mo	\$31,346	\$76,081	\$79,012
Variable, \$/kgal	\$0.648	\$0.873	\$0.900

**Table 5.4:
Proposed Lockwood Wastewater Rates**

	Current	FY26	FY27
Fixed, \$/mo	\$30,036	\$34,242	\$35,133
Variable, \$/kgal	\$1.475	\$1.983	\$2.043

**Table 5.5:
Proposed Phillips 66 Wastewater Rates**

	Current	FY26	FY27
Fixed, \$/mo	\$35,222	\$88,431	\$92,097
Variable, \$/kgal	\$0.782	\$0.933	\$0.962

Appendix A: Customer Class Allocations

Table A.1 & A.2 outline FY26 & FY27 Fixed O&M Cost of Service Characteristics by Owner/Non-Owner class. Split of Flow, BOD, TSS, and TKN are for O&M purposes are based on actual average annual flows and loadings. Retail reserve capacity is not used in O&M breakdowns.

Table A.1:
FY26 Summary of Customer Service Characteristics, Fixed O&M

Customer Class	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use
Owners	77.06%	71.19%	68.19%	60.95%	77.06%	79.26%	76.82%	74.69%
Par Montana	14.70%	5.57%	13.68%	23.58%	14.70%	4.01%	9.97%	15.28%
Lockwood	0.89%	1.46%	1.43%	1.09%	0.89%	1.05%	1.04%	0.70%
Phillips 66	7.35%	21.79%	16.70%	14.39%	7.35%	15.69%	12.17%	9.33%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Table A.2:
FY27 Summary of Customer Service Characteristics, Fixed O&M

Customer Class	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Capacity
Owners	77.12%	71.29%	68.30%	61.08%	77.12%	79.31%	76.88%	74.75%
Par Montana	14.66%	5.54%	13.63%	23.50%	14.66%	4.00%	9.94%	15.24%
Lockwood	0.89%	1.46%	1.43%	1.09%	0.89%	1.05%	1.05%	0.71%
Phillips 66	7.33%	21.70%	16.63%	14.34%	7.33%	15.64%	12.13%	9.30%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Table A.3 and A.4 present FY26 & FY27 Variable Capital Cost of Service Characteristics by Owner/Non-Owner class. Split of Flow, BOD, TSS, and TKN are for O&M purposes are based on actual average annual flows and loadings.

Table A.3:
FY26 Summary of Customer Service Characteristics, Variable O&M

Customer Class	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use
Owner	73.57%	94.30%	95.20%	86.59%	73.57%	94.30%	95.20%	86.59%
Par Montana	16.20%	2.35%	1.32%	8.19%	16.20%	2.35%	2.69%	6.18%
Lockwood	1.31%	1.51%	2.00%	0.94%	1.31%	1.51%	2.00%	2.24%
Phillips 66	8.92%	1.84%	1.48%	4.28%	8.92%	1.84%	4.83%	5.80%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Table A.4:
FY27 Summary of Customer Service Characteristics, Variable O&M

Customer Class	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use
Owner	73.67%	94.32%	95.21%	86.65%	73.67%	94.32%	95.21%	86.65%
Par Montana	16.13%	2.33%	1.32%	8.15%	16.13%	2.33%	1.32%	8.15%
Lockwood	1.31%	1.51%	2.00%	0.94%	1.31%	1.51%	2.00%	0.94%
Phillips 66	8.89%	1.83%	1.47%	4.26%	8.89%	1.83%	1.47%	4.26%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Table A.5 and A.6 present FY26 & FY27 Fixed Capital Cost of Service Characteristics by Owner/Non-Owner class. Split of Flow, BOD, TSS, and TKN are for O&M purposes are based on actual average annual flows and loadings. Reserve capacity are included in these capital allocations.

**Table A.5:
FY26 Summary of Customer Service Characteristics, Depreciation & Rate Base**

Customer Class	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use
Owner	89.10%	86.17%	84.63%	82.15%	88.09%	92.86%	91.07%	89.50%
Par Montana	6.73%	2.24%	5.64%	9.74%	6.65%	1.86%	4.67%	7.25%
Lockwood & Lockwood Reserve	1.96%	2.83%	2.85%	2.16%	1.94%	.49%	.49%	.33%
Phillips 66	2.22%	8.76%	6.88%	5.95%	3.32%	4.80%	3.76%	2.92%
Total	100%	100%	100%	100%	100%	100%	100%	100%

**Table A.6:
FY27 Summary of Customer Service Characteristics, Depreciation & Rate Base**

Customer Class	Flow - Capacity	BOD - Capacity	TSS - Capacity	TKN - Capacity	Flow - Use	BOD - Use	TSS - Use	TKN - Use
Owner	89.08%	86.17%	84.62%	82.14%	88.07%	92.85%	91.06%	89.49%
Par Montana	6.73%	2.24%	5.64%	9.75%	6.66%	1.86%	4.68%	7.26%
Lockwood & Lockwood Reserve	1.96%	2.83%	2.85%	2.17%	1.94%	.49%	.49%	.34%
Phillips 66	2.22%	8.76%	6.88%	5.95%	3.33%	4.80%	3.77%	2.92%
Total	100%	100%	100%	100%	100%	100%	100%	100%