ATTENTION

The City Council meeting will be held in a hybrid format that may include both in-person AND virtual attendance via Zoom. Unless they have cause to appear virtually, Councilmembers will attend the meeting in person in Council Chambers, fifth floor of City Hall, 316 N. 26th Street. In order to honor the Right of Participation and the Right to Know in Article II, Sections 8 and 9, of the Montana Constitution, the City of Billings and City Council are making every effort to meet the requirements of the open meeting laws.

Citizens are invited to:

- Review the Agenda Packet on the City's website at: www.billingsmt.gov and click on "Your Government," "City Council," and "Agendas & Minutes".
- View the meeting:
  - On Community 7 TV - Channel 7 or Channel 507 -- Spectrum Cable. *(On evenings when there is a conflict with School District No. 2 Board meetings, the City Council meeting will be broadcast on Channel 8 - Spectrum Cable.)* Channel 7 or Channel 978 - TDS Fiber.
  - Online at www.comm7tv.com and click on the "Watch Live" icon. Community 7 also has links to their Facebook page and YouTube channel.
  - On the City's website at www.billingsmt.gov and click on "Watch Meetings Online" on the homepage.
  - In-Person.

Citizens may submit public comment via the following methods:

- Mail: City Clerk, P.O. Box 1178, Billings, MT 59103
- Email: Council@billingsmt.gov.
  - Emails received after 3:00 PM on the day of the meeting, may be posted on the Council's webpage the following day for public viewing.
- Attend the meeting in person

Please contact Denise Bohlman, City Clerk, at bohlmand@billingsmt.gov, or at 406.657.8210, with any questions.

CITY OF Billings

VISION STATEMENT:
"The Magic City: A diverse, welcoming community where people prosper and business succeeds."

WORK SESSION AGENDA

COUNCIL CHAMBERS APRIL 21, 2025 5:30 P.M.

CALL TO ORDER: Mayor Cole

PUBLIC COMMENT ON ALL ITEMS. This is the time to comment on any matter (Agenda or Non-Agenda) falling within the scope of the Billings City Council. There will also be time in conjunction with each agenda item for public comment relating to that item. You may only speak once for each item during the meeting.

Please note, the City Council cannot take action on any item of significant interest to the public that does not appear on the agenda. Comments are limited to three (3) minutes during each public comment period or as set by the Mayor. **Speaker sign-in required.** Please sign the roster at the cart located at the back of the Council chambers or at the podium.

1. **Amend Park Recreation Center.**

   -Public Comment

2. **Public Works Rates.**

   -Public Comment

3. **City Purchasing Policy.**

   -Public Comment

LEGISLATIVE UPDATE:

HIGHLIGHT UPCOMING AGENDA ITEMS OF COUNCIL INTEREST:

COUNCIL DISCUSSION:

PUBLIC COMMENT on "NON-AGENDA ITEMS". Speaker Sign-in required. (*Restricted to ONLY items not on this printed agenda. Comments are limited to 3 minutes or as set by the Mayor. Please sign the roster at the cart located at the back of the Council chambers or at the podium.)*

ADJOURN:

Note:

- This meeting is an "informal" meeting of the City Council. The content of the Agenda is subject to change at the meeting.
- In the event there is a Closed Executive Session, the sole purpose is to discuss litigation strategy. The other parties to the case(s) discussed are not public bodies or associations as described in Section 2-3-203(1) and (2), MCA. The meeting is closed, as allowed by Section 2-3-203(4)(a), MCA, "to discuss a strategy to be followed with respect to litigation when an open meeting would have a detrimental effect on the litigating position" of the City of Billings.

City Council Work Session

Date: 04/21/2025
Title: PROJECT UPDATE - Amend Park Recreation Campus
Presented by: Gavin Woltjer
Department: Parks/Rec/Public Lands
Presentation: Yes
Legal Review: Not Applicable
Project Number: N/A

RECOMMENDATION

This item is for informational purposes only. No formal action is requested at this time. The presentation will provide an update on the Amend Park Recreation Center project, including:
Facility design and site layout
Construction timeline and progress
Budget overview
Operational model analysis

The following project partners will provide updates during the presentation:
A&E Design -- Facility design
Sanbell Land Surveying -- Site design and parking
Langlas & Associates -- Construction timeline and budget
Johnson Consulting -- Operational model and proforma analysis
Parks and Recreation Department -- Project oversight and coordination

BACKGROUND (Consistency with Adopted Plans and Policies, if applicable)

The Amend Park Recreation Campus, is a major capital project identified in the City's park planning efforts and supported by the South Billings Urban Renewal Association (SBURA).

A&E Design and Langlas & Associates are under contract to provide architectural and construction services, respectively. Johnson Consulting, as a subcontractor to A&E, is conducting an operational proforma analysis to explore viable facility use and management models. Sanbell is supporting site planning and parking layout.

The Parks and Recreation Department is actively coordinating with all project partners to minimize construction impacts on the adjacent Amend Park Soccer Complex and ensure consistent progress toward project milestones.

STAKEHOLDERS

City of Billings -- Project ownership and oversight, Project governance and budgetary approval
Parks and Recreation Department -- Day-to-day management and coordination
South Billings Urban Renewal Association (SBURA) -- Project financing through Tax Increment Financing (TIF)

Project Team:
Langlas & Associates -- Construction Manager/General Contractor
A&E Design -- Lead architectural firm
Sanbell Land Surveying -- Site planning and layout
Johnson Consulting -- Operational and financial modeling

ALTERNATIVES

This is an update only. No action is required. Council may:

Provide feedback

Request additional information or future updates

FISCAL EFFECTS

The Amend Park Recreation Campus design and construction is being fully funded using South Billings Urban Renewal Association funding.

SUMMARY
This presentation marks the first in a series of progress updates to City Council regarding the Amend Park Recreation Campus. It is intended to keep Council and the public informed about design, construction, financing, and facility planning efforts underway. Regular updates will follow as milestones are reached.

City Council Work Session

Date:	04/21/2025
Title:	Public Works Rates
Presented by:	Jennifer Duray
Department:	Public Works
Presentation:	Yes
Legal Review:	Not Applicable
Project Number:	N/A

RECOMMENDATION

No formal action is expected at this work session, but staff is seeking feedback from the Council on the proposed rates.

BACKGROUND (Consistency with Adopted Plans and Policies, if applicable)

Annual reviews of public works rates ensure alignment with operational costs; capital improvement, technology replacement and equipment replacement plans; regulatory requirements; and long-term financial sustainability. Staff has conducted a comprehensive analysis of each service area, considering factors such as inflationary impacts, infrastructure needs, service demand, and equity.

The purpose of this work session is to provide City Council with an overview of proposed adjustments to various public works-related rates and fees. Staff will present information on rate options and cost drivers for the following areas:

- Street Maintenance Districts
- Water Utility Rates
- Wastewater Utility Rates
- System Development Fees
- Solid Waste Collection and Disposal
- Stormwater Utility Rates

Staff discussed rates and rate options for all rates except System Development Fees at the Budget and Finance Committee meetings on March 26 and April 9, 2025. The presentation includes two options for street maintenance district fees, water rates, wastewater rates, and solid waste fees. The first option includes the rates and fees calculated to maintain the current service level and cost of service methodology. The second option includes the rates and fees that the Budget and Finance Committee voted to bring to the full Council. The Budget and Finance Committee voted to implement year two of staff's recommendations for the stormwater program and corresponding rates, which were discussed with Council in depth last year so there is only one rate option being presented for stormwater rates.

Public works engaged AE2S Nexus to conduct a cost-of-service rate study to review and recommend appropriate water and wastewater user rates, the resale rate for the County Water District of Billings Heights, and wholesale rates for Lockwood Water and Sewer District, Philips 66 Billings Refinery and Par Montana, as well as the System Development Fees (SDFs) for water and wastewater. These rate study reports are attached.

ALTERNATIVES

This meeting is a work session, and as such, no formal action will be taken at this time. However, staff is seeking direction from the City Council regarding the proposed rate adjustments. Based on Council feedback, staff will finalize the rate proposals and prepare the required materials to notify all water and wastewater customers. This includes mailing a letter outlining the proposed water and wastewater rate changes and providing notice of the upcoming public hearing. Formal Council action is expected to take place following the public hearings at the May 27, 2025, business meeting.

FISCAL EFFECTS

There are no direct fiscal effects for the discussion.

Attachments

Presentation

Water Rate Study
Wastewater Retail Study
Wastewater Wholesale Study
System Development Fees





Public Works
FY26 Rate Discussion

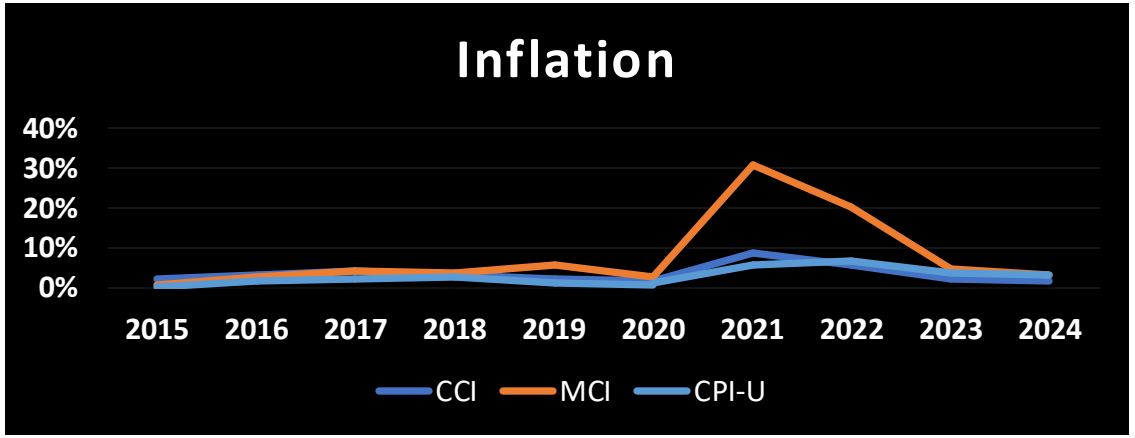
City Council Work Session

April 21, 2025

Billings PUBLIC WORKS

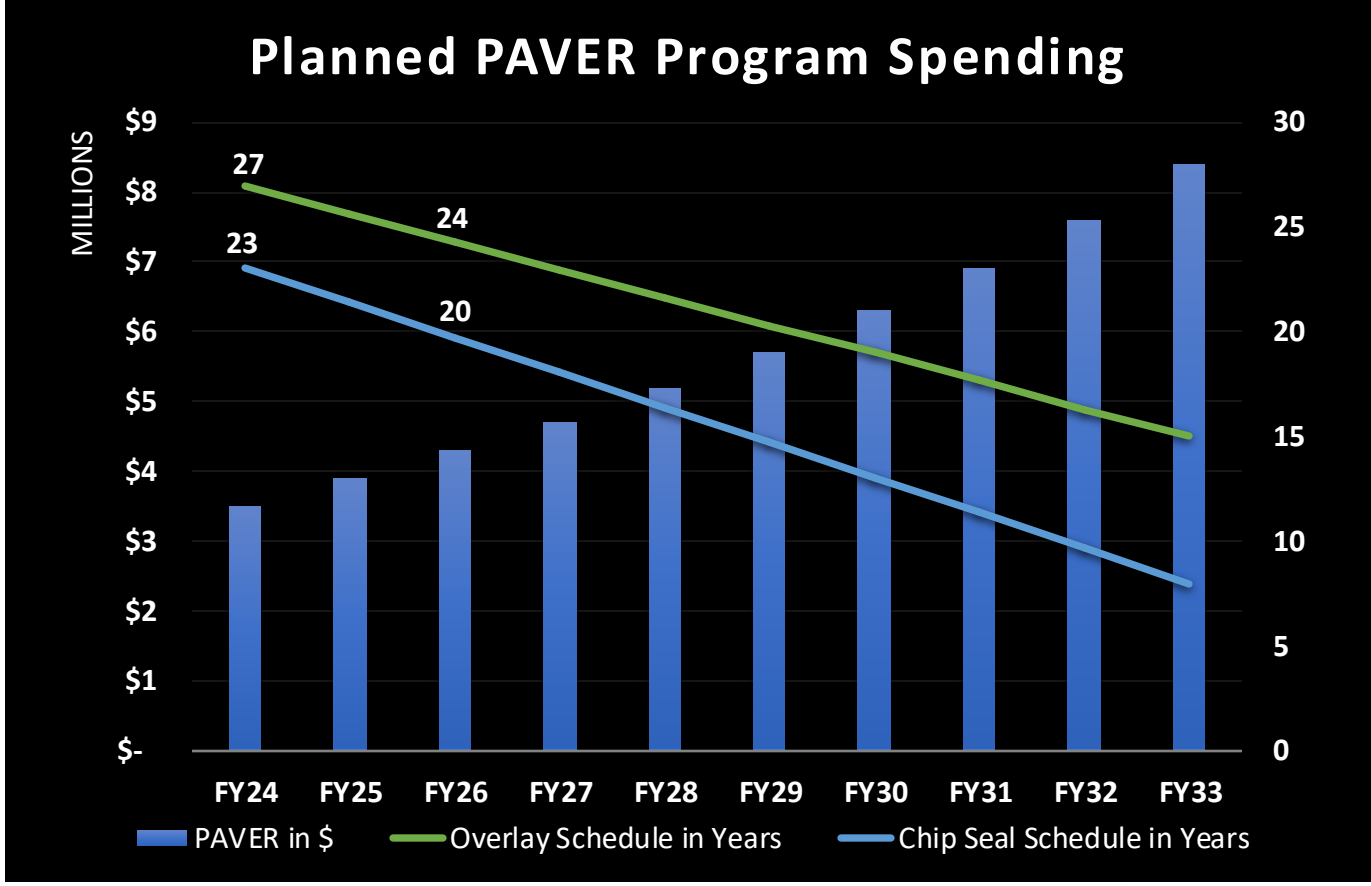
Street Maintenance District Fees

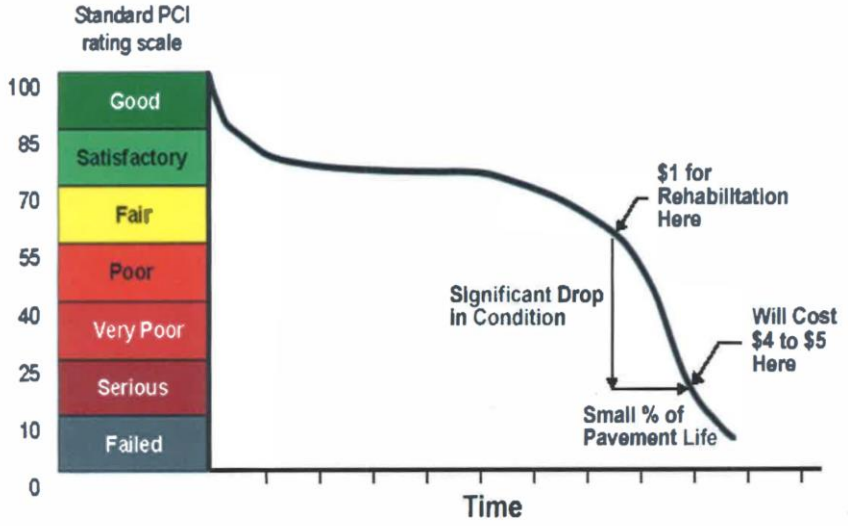
What's Driving the SMD Rate Increases?



O&M	$ Change
Cost allocations	$21,352
BOC rent	$37,865
Materials inflationary increases	$115,000

- 12% equipment operators wage increase in FY25 & 4% in FY26
- Reduction of $610,000 of entitlement funding
- Increase of $50,000 per year for traffic calming projects
- Increase of $400,000 for PAVER funding

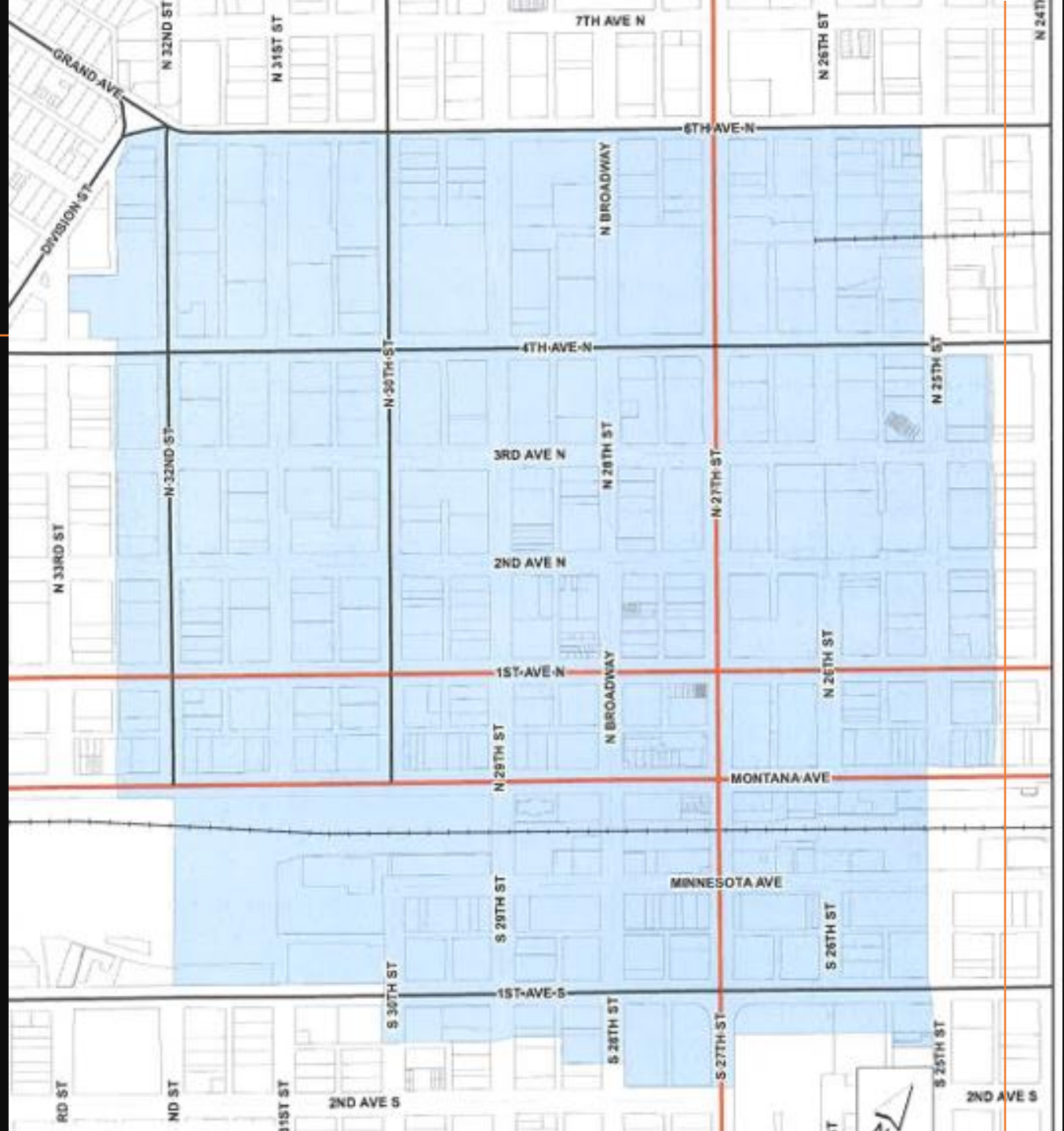




Street Maintenance District 1

Funds additional level of service in the district (sweeping and snow plowing/removal)

District	FY25	**FY26**	$ Increase	**% Increase**
SMD 1	$355,000	$355,000	$0	0%



Street Maintenance District 2 Fee Options

Option 1 (current service level and plans)				
SMD	FY25	FY26	$ Increase	% Increase
SMD 2	$17,050,000	$17,830,000	$780,000	4.6%

Residential Property	FY25	FY26	$ Change
Annual Impact	$216.25	$226.20	$9.95

Option 2 (BFC recommended)				
SMD	FY24	FY25	$ Increase	% Increase
SMD 2	$17,050,000	$17,050,000	$0	0%

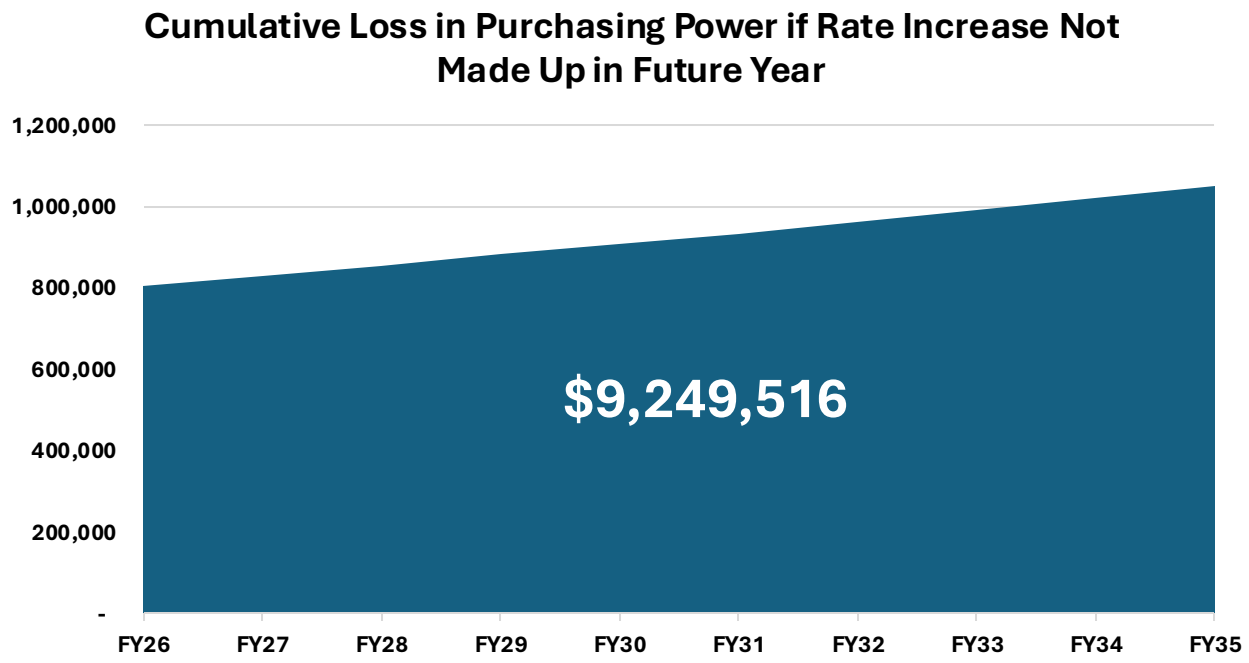
Cut $784,000 of capital projects

- $767,000 from SRTS (supplement with TA/grant $)
- $17,000 from gravel streets

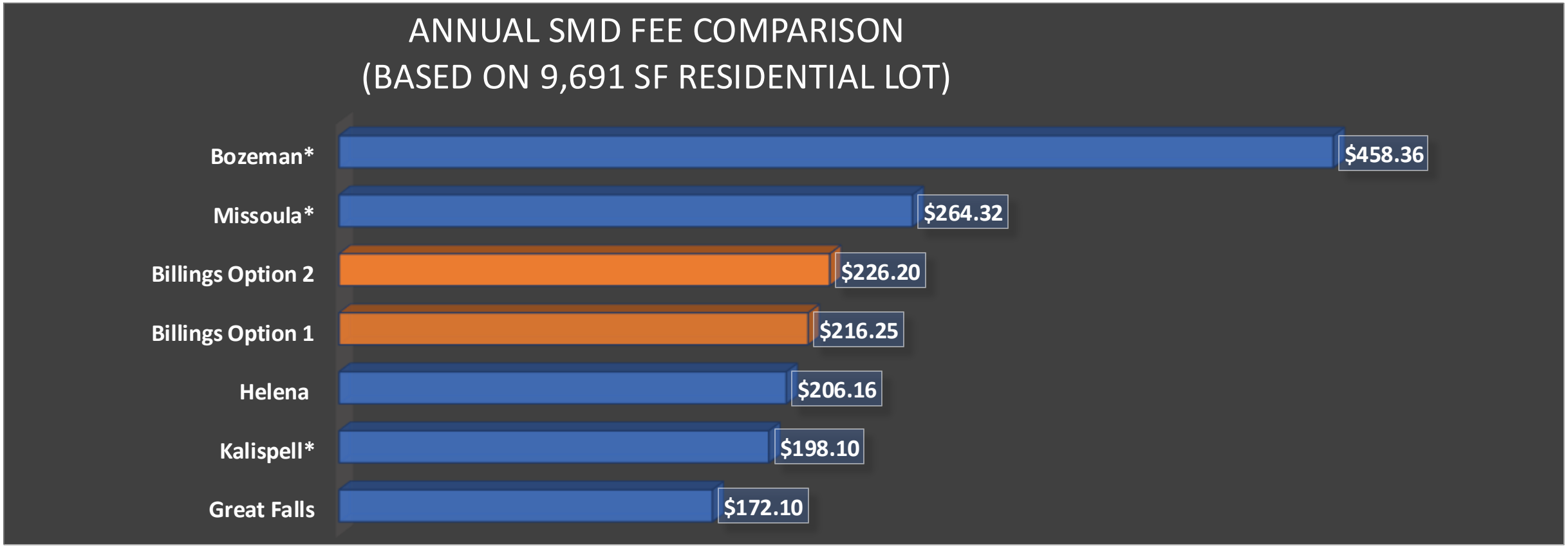
Residential Property	FY25	FY26	$ Change
Annual Impact	$216.25	$216.25	$0

Effect of 0% SMD2 Rate Increase in FY26

- Would need approximately 7.4% increase in FY27 to not lose purchasing power



Street Maintenance Comparison

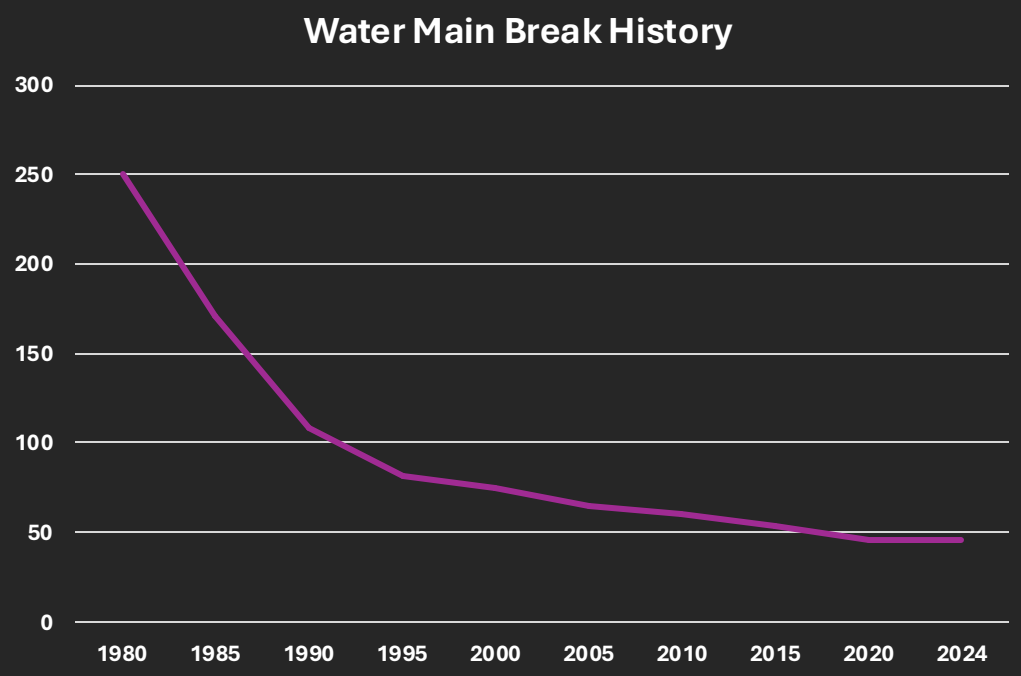


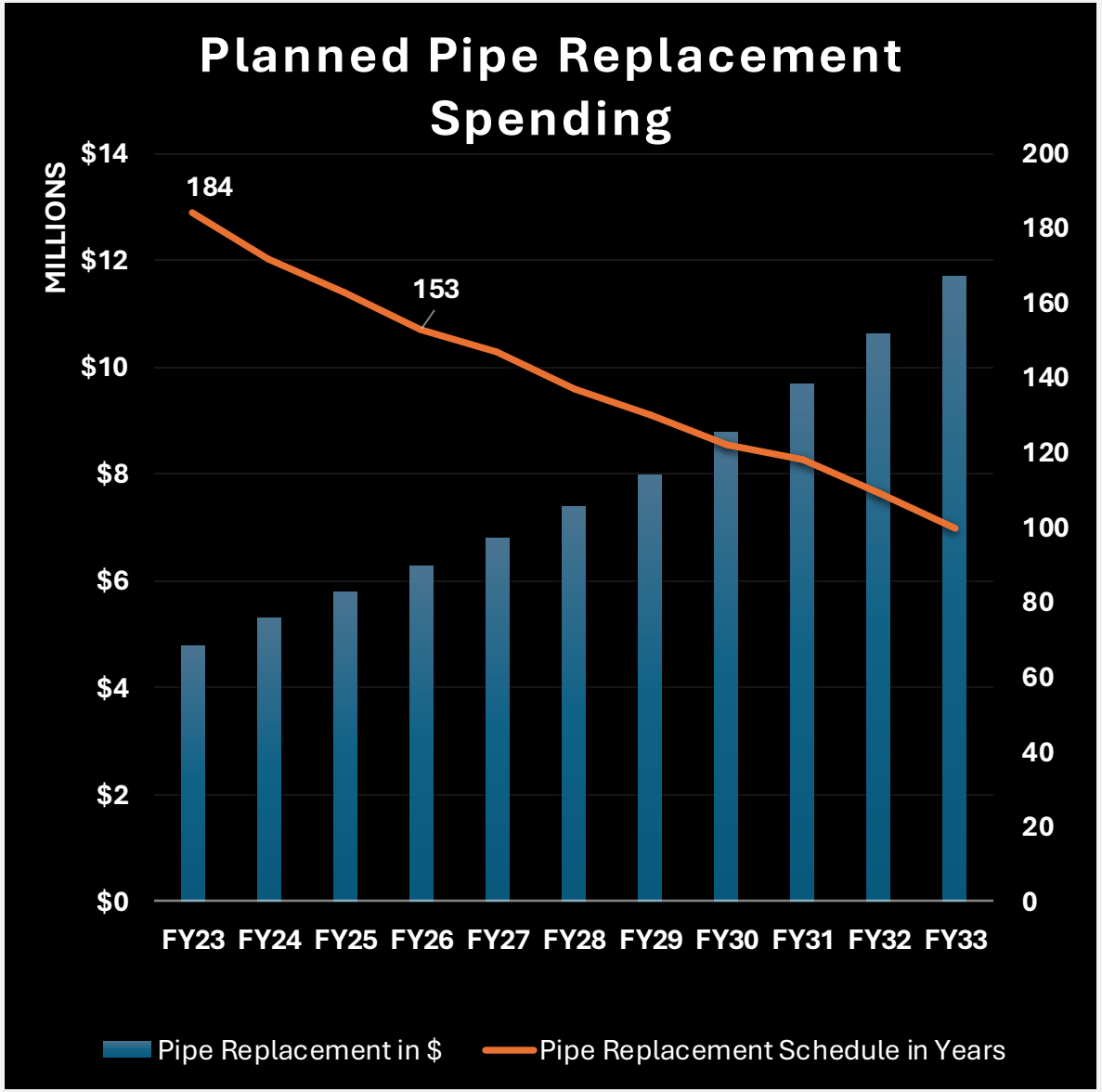
*Also have impact fees

Water Rates

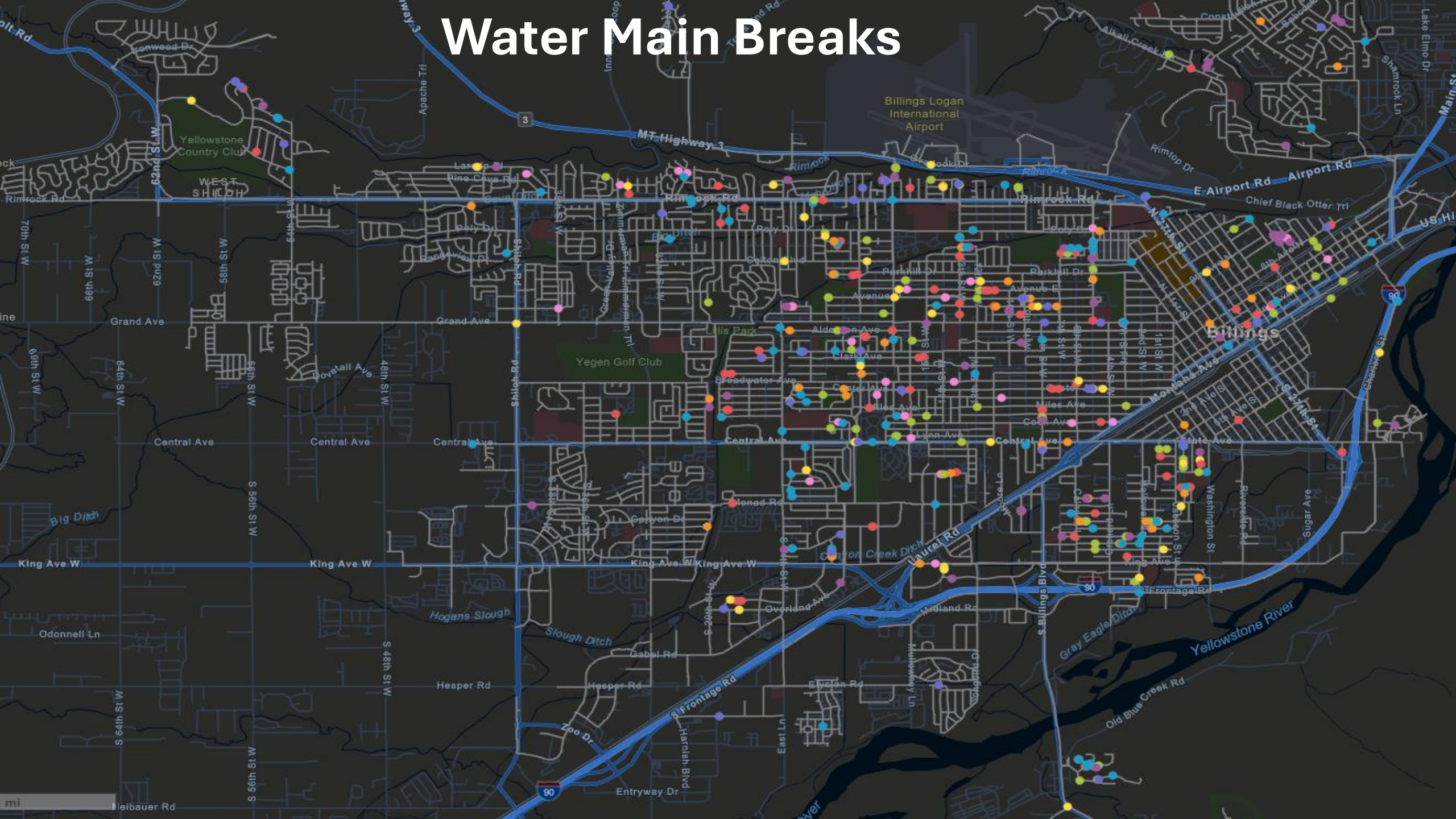
Billings
PUBLIC
WORKS

What's Driving the Water Rate Increases?

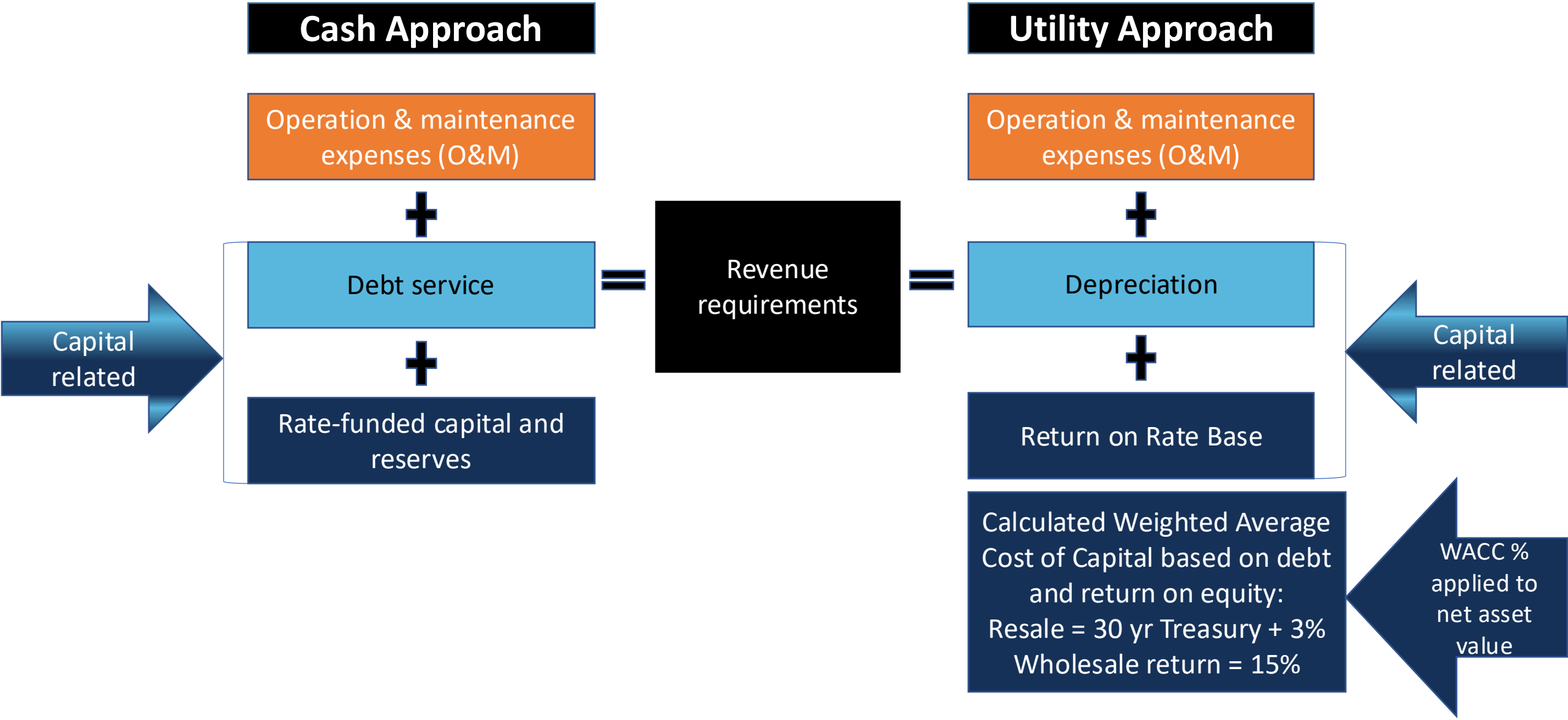




Water Main Breaks



Calculating Revenue Requirements



Water Rate Options

Option 1 – 2.4% residential rate increase in FY26 and 2% in FY27 as calculated per cost-of-service rate study (current service levels and plans)	Option 2 – O% residential rate increase in FY26 and 2% in FY27 (BFC recommendation)
• No cuts	• Cut $1.6M of water main extensions

Water – Fixed Monthly Charges

Option 1					
Meter Size	FY25 $/ Month	FY26 $/ Month	% Increase	FY27 $/ Month	% Increase
¾”	$8.75	$8.95	2.3%	$9.15	2.2%
1”	$9.95	$10.20	2.5%	$10.40	2.0%
1.5”	$12.05	$12.35	2.5%	$12.60	2.0%
2”	$17.20	$17.65	2.6%	$18.00	2.0%
3”	$53.60	$54.95	2.5%	$56.05	2.0%
4”	$69.80	$71.55	2.5%	$73.00	2.0%
6”	$104.70	$107.30	2.5%	$109.45	2.0%
8”	$143.10	$146.70	2.5%	$149.65	2.0%
10”	$208.50	$213.70	2.5%	$217.95	2.0%

Option 2					
Meter Size	FY25 $/ Month	FY26 $/ Month	% Increase	FY27 $/ Month	% Increase
¾”	$8.75	$8.75	0.0%	$ 8.95	2.3%
1”	$9.95	$9.95	0.0%	$ 10.15	2.0%
1.5”	$12.05	$12.05	0.0%	$ 12.30	2.1%
2”	$17.20	$17.20	0.0%	$ 17.55	2.0%
3”	$53.60	$53.60	0.0%	$ 54.65	2.0%
4”	$69.80	$69.80	0.0%	$ 71.20	2.0%
6”	$104.70	$104.70	0.0%	$ 106.80	2.0%
8”	$143.10	$143.10	0.0%	$ 145.95	2.0%
10”	$208.50	$208.50	0.0%	$ 212.65	2.0%

Outside city charges are approximately 9% > inside charges and increase similarly.

Water – Volumetric Rates

Option 1

Residential*	FY25 $/kgal	FY26 $/kgal	% Increase	FY27 $/kgal	% Increase
Tier 1: 0-10,000 gallons	$4.87	$4.99	2.5%	$5.09	2.1%
Tier 2: 10,001-32,000 gallons	$5.82	$5.97		$6.09	
Tier 3: 32,001-75,000 gallons	$7.57	$7.76		$7.92	
Tier 4: >75,000 gallons	$11.37	$11.65		$11.88	

Option 2

Residential*	FY25 $/kgal	FY26 $/kgal	% Increase	FY27 $/kgal	% Increase
Tier 1: 0-10,000 gallons	$4.87	$4.87	0%	$4.97	2.0%
Tier 2: 10,001-32,000 gallons	$5.82	$5.82		$5.94	
Tier 3: 32,001-75,000 gallons	$7.57	$7.57		$7.72	
Tier 4: >75,000 gallons	$11.37	$11.37		$11.60	

**Outside city charges are approximately 3.5% > inside charges and increase similarly.*

User Class	FY25 $/kgal	FY26 $/kgal	% Increase	FY27 $/kgal	% Increase
Multi-Family	$4.78	$4.78	0%	$4.78	0%
Commercial*	$3.97	$4.07	2.5%	$4.07	0%
Bulk Water Resellers	$4.91	$5.03	2.4%	$5.03	0%
Seasonal	$6.88	$7.05	2.5%	$7.97	13%
Resale (HWD)	$3.04	$3.42	12.5%	$4.40	28.6%

User Class	FY25 $/kgal	FY26 $/kgal	% Increase	FY27 $/kgal	% Increase
Multi-Family	$4.78	$4.78	0%	$4.78	0%
Commercial*	$3.97	$4.07	2.5%	$4.07	0%
Bulk Water Resellers	$4.91	$5.03	2.4%	$5.03	0%
Seasonal	$6.88	$7.05	2.5%	$7.80	10.6%
Resale (HWD)	$3.04	$3.41	12.2%	$4.38	28.4%

**Outside city charges are approximately 6.4% > inside charges and increase similarly.*

Residential Water Bill Impacts

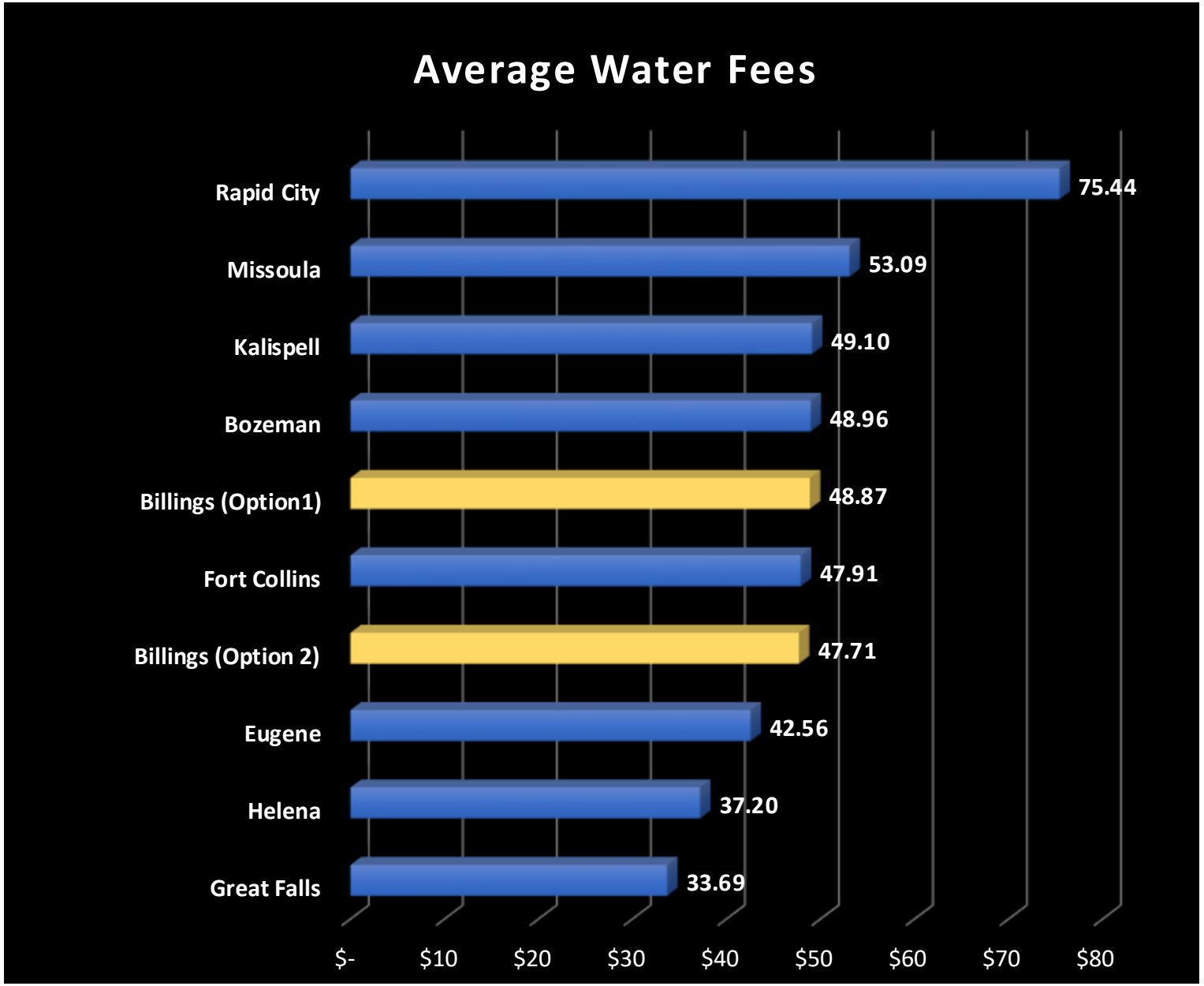
Option 1

Kgals/ Month	FY25 $/Month	FY26 $/Month	$ Increase	% Increase	FY27 $/Month	$ Increase	% Increase
2	$18.49	$18.93	$0.44	2.3%	$19.33	$0.40	2.1%
4	$28.23	$28.91	$0.68	2.4%	$29.51	$0.60	2.0%
8	**$47.71**	**$48.87**	**$1.16**	**2.4%**	**$49.87**	**$1.00**	**2.0%**
20	$115.65	$118.55	$2.90	2.4%	$120.95	$2.40	2.0%
50	$321.75	$329.87	$8.12	2.5%	$336.59	$6.72	2.0%
80	$567.85	$582.12	$14.27	2.5%	$593.99	$11.87	2.0%

Option 2

Kgals/ Month	FY25 $/Month	FY26 $/Month	$ Increase	% Increase	FY27 $/Month	$ Increase	% Increase
2	$18.49	$18.49	$0.00	0%	$18.89	$0.40	2.1%
4	$28.23	$28.23	$0.00	0%	$28.83	$0.60	2.0%
8	**$47.71**	**$47.71**	**$0.00**	**0%**	**$48.71**	**$1.00**	**2.0%**
20	$115.65	$115.65	$0.00	0%	$118.05	$2.40	2.0%
50	$321.75	$321.75	$0.00	0%	$328.29	$6.54	2.0%
80	$567.85	$567.85	$0.00	0%	$579.29	$11.44	2.0%

Residential Water Comparison

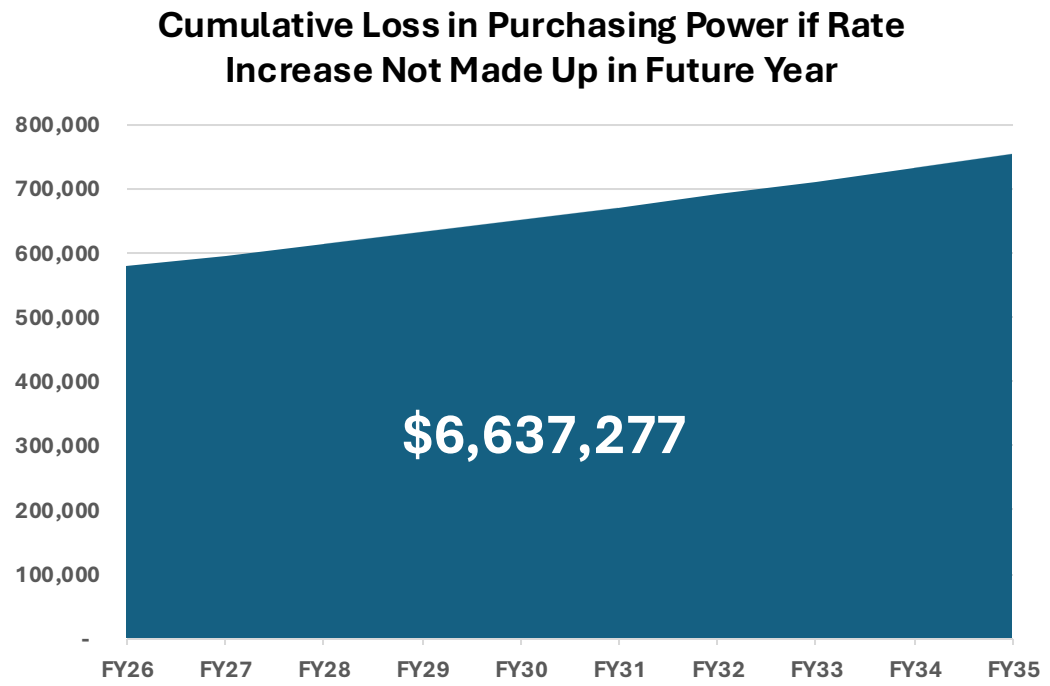


Private Fireline Annual Charges

Meter Size	Inside City FY25	Inside City FY26	% Increase	Inside City FY27	% Increase
1-1/4”	$34.55	$36.30	+5.0%	$38.85	+7.0%
1-1/2”	$46.10	$48.40		$51.80	
2”	$73.90	$77.60		$83.05	
3”	$184.45	$193.65		$207.20	
4”	$322.80	$338.95		$362.70	
6”	$737.65	$774.55		$828.75	
8”	$1,290.90	$1,355.45		$1,450.35	
10”	$2,028.40	$2,129.80		$2,278.90	
12”	$2,921.10	$3,067.15		$3,281.85	
14”	$3,975.85	$4,174.65		$4,466.90	

Effect of 0% Rate Increase in FY26

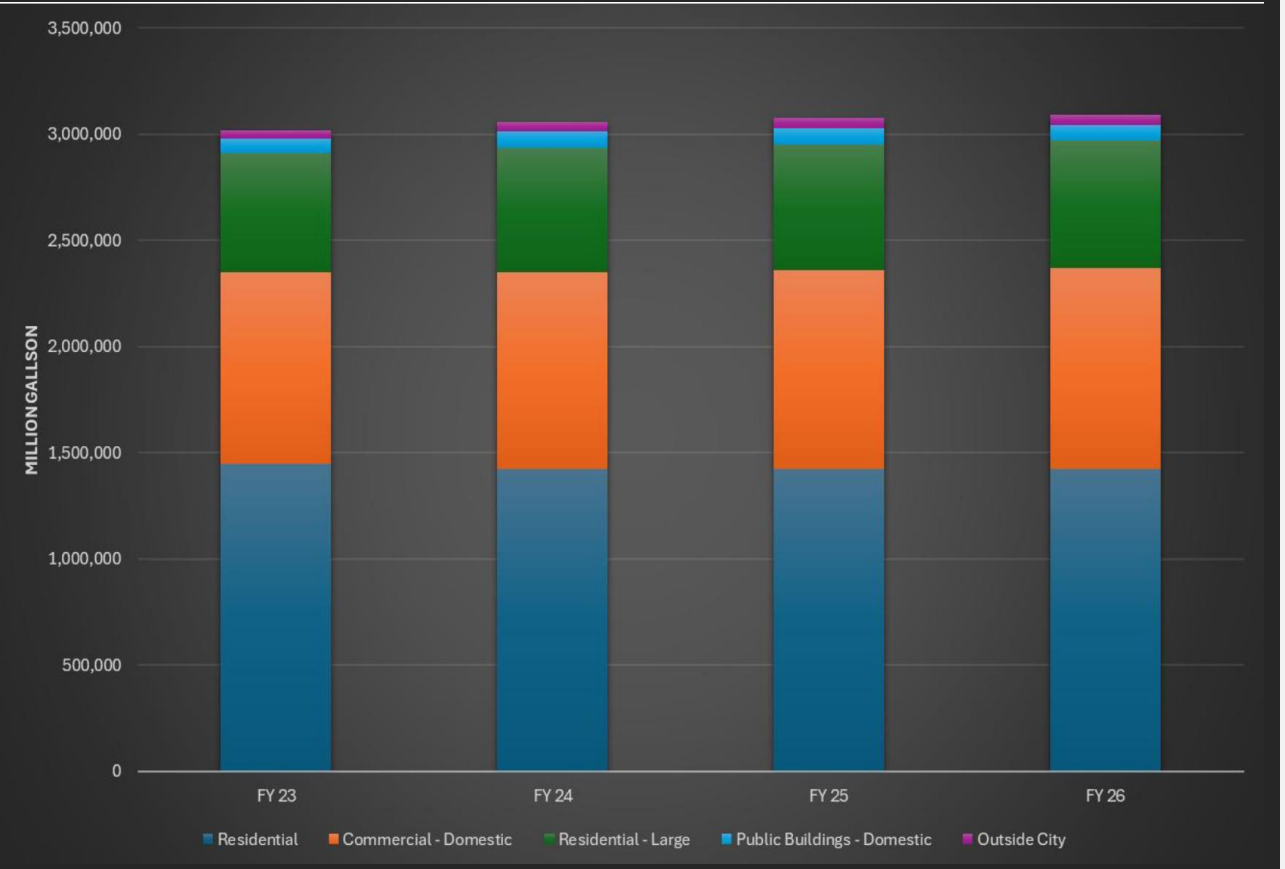
- Would need approximately 4.7% increase in FY28 to not lose purchasing power

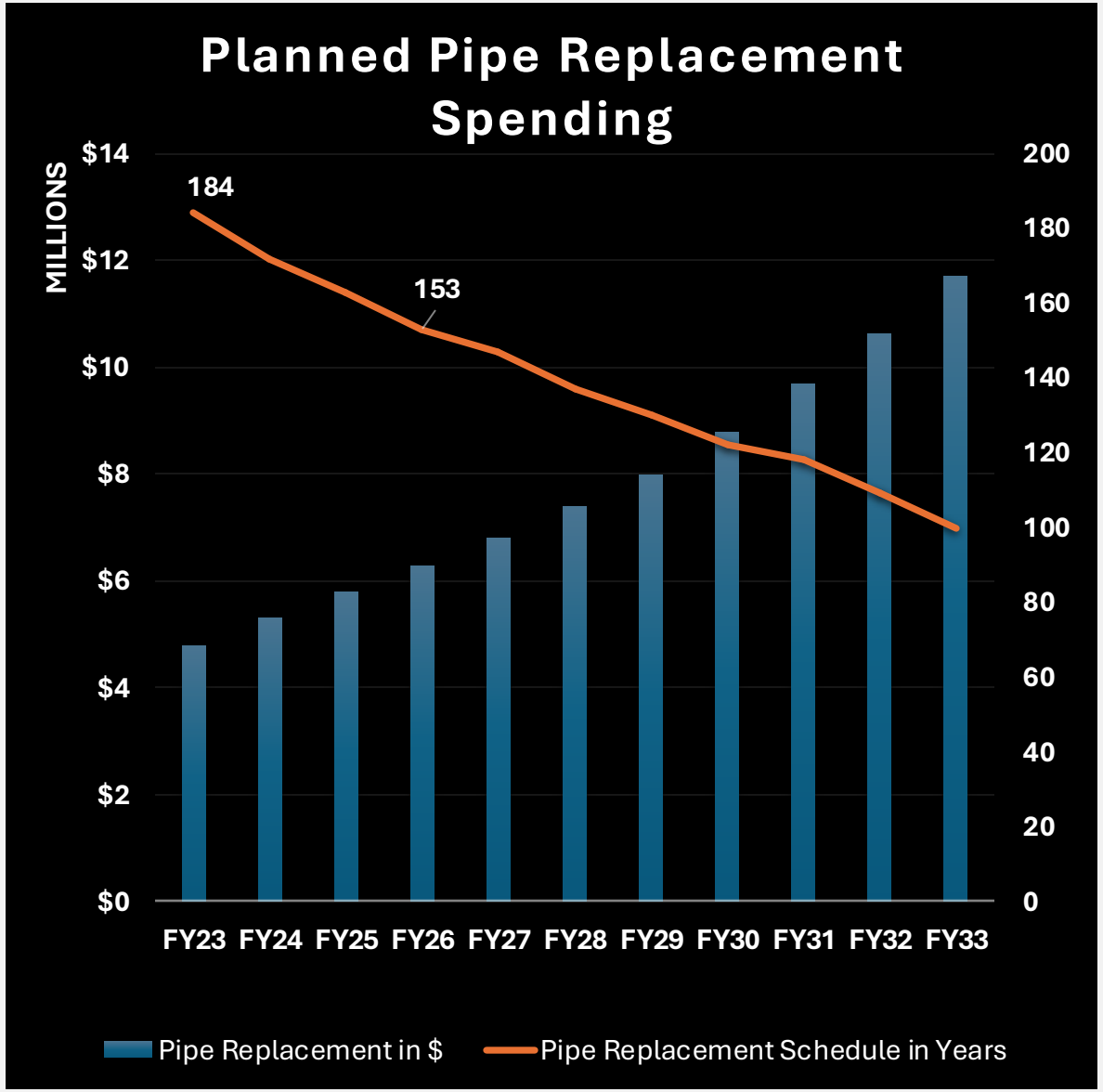


Wastewater Rates

Billings PUBLIC WORKS

What's Driving the Wastewater Rate Increases?





Wastewater Fee Options

Option 1 – 3% overall rate increase in FY 26 and FY27 (current service levels and plans)	Option 2 – 0% in FY26, 3% in FY27 (BFC recommended)
	• Cut $1.3M in pipe extensions

Wastewater – Fixed Monthly Charges

Option 1					
Meter Size	FY25 $/ Month	FY26 $/ Month	% Increase	FY27 $/ Month	% Increase
¾”	$7.85	$8.00	1.9%	$8.05	0.6%
1”	$10.00	$10.15	1.5%	$10.25	1.0%
1.5”	$12.25	$12.50	2.0%	$12.60	0.8%
2”	$12.85	$13.05	1.6%	$13.20	1.1%
3”	$20.70	$21.05	1.7%	$21.25	1.0%
4”	$78.50	$79.90	1.8%	$80.60	0.9%
6”	$99.90	$101.70	1.8%	$102.60	0.9%
8”	$149.90	$152.55	1.8%	$153.90	0.9%
10”	$206.95	$210.65	1.8%	$212.55	0.9%

Option 2					
Meter Size	FY25 $/ Month	FY26 $/ Month	% Increase	FY27 $/ Month	% Increase
¾”	$7.85	$7.85	0.0%	$8.00	1.9%
1”	$10.00	$10.00	0.0%	$10.15	1.5%
1.5”	$12.25	$12.25	0.0%	$12.50	2.0%
2”	$12.85	$12.85	0.0%	$13.05	1.6%
3”	$20.70	$20.70	0.0%	$21.05	1.7%
4”	$78.50	$78.50	0.0%	$79.90	1.8%
6”	$99.90	$99.90	0.0%	$101.70	1.8%
8”	$149.90	$149.90	0.0%	$152.55	1.8%
10”	$206.95	$206.95	0.0%	$210.65	1.8%

Outside city charges are approximately 9% > inside charges and increase similarly.

Retail Wastewater Volumetric Rates

Option 1

User	FY25 $/kgal	FY26 $/kgal	% Increase	FY27 $/kgal	% Increase
All User Classes	$5.75	$5.95	3.5%	$6.15	3.4%

Option 2

User	FY25 $/kgal	FY26 $/kgal	% Increase	FY27 $/kgal	% Increase
All User Classes	$5.75	$5.75	0%	$5.95	3.5%

Residential Wastewater Bill Impacts

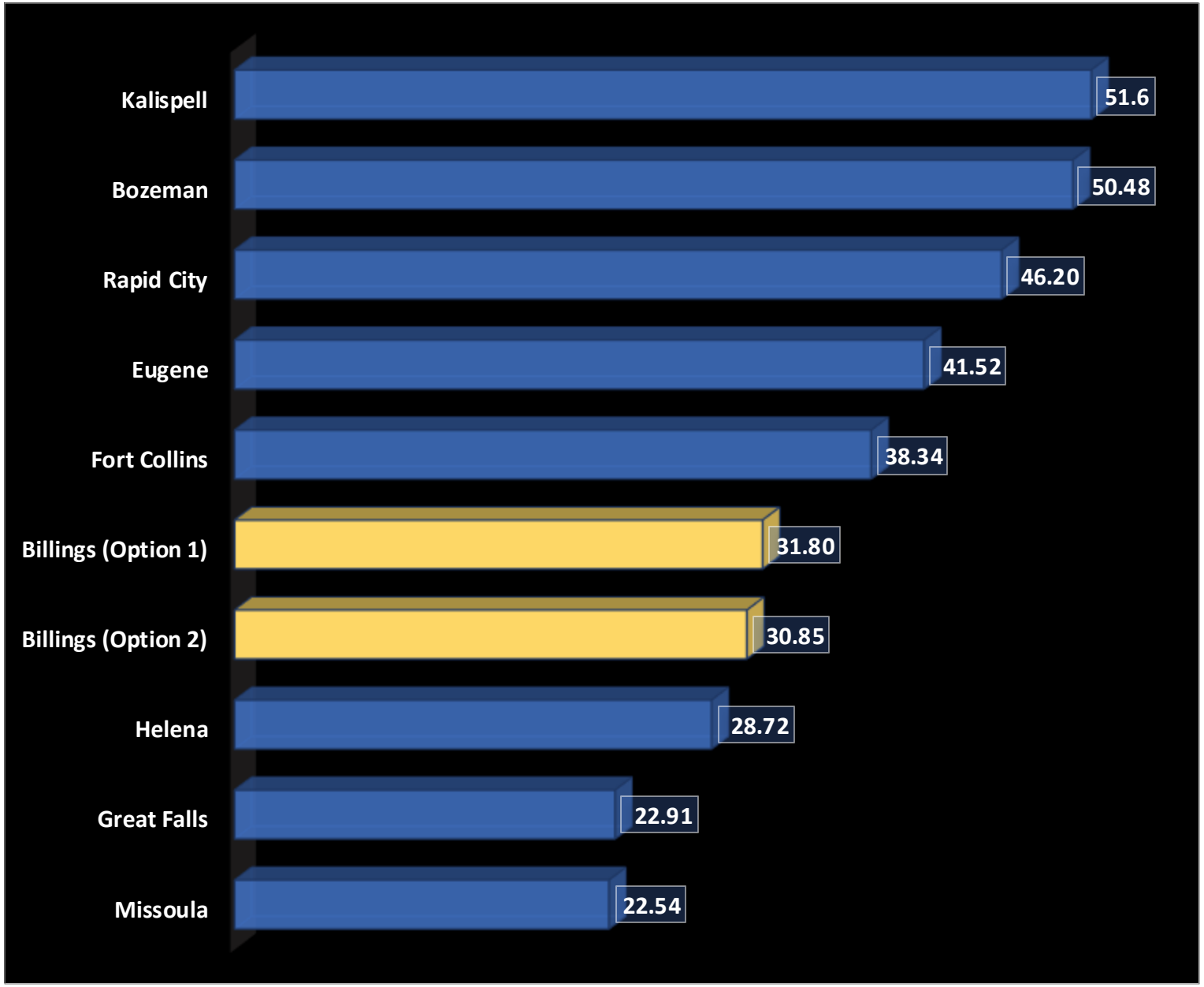
Option 1

Meter Size & Usage	FY25 $/Month	FY26 $/Month	$ Increase	% Increase	FY27 $/Month	$ Increase	% Increase
¾", 4 kgals	**$30.85**	**$31.80**	**$0.95**	**3.0%**	**$32.65**	**$0.85**	**2.6%**
¾", 8 kgals	$53.85	$55.60	$1.75	3.1%	$57.25	$1.65	2.9%
1". 50 kgals	$297.50	$307.65	$10.15	3.3%	$317.75	$10.10	3.2%
2", 100 kgals	$587.85	$608.05	$20.20	3.3%	$628.20	$20.15	3.2%
2", 150 kgals	$875.35	$905.55	$30.20	3.3%	$935.70	$30.15	3.3%

Option 2

Meter Size & Usage	FY25 $/Month	FY26 $/Month	$ Increase	% Increase	FY27 $/Month	$ Increase	% Increase
¾", 4 kgals	**$30.85**	**$30.85**	**$0.00**	**0.0%**	**$31.80**	**$0.95**	**3.0%**
¾", 8 kgals	$53.85	$53.85	$0.00	0.0%	$55.60	$1.75	3.1%
1". 50 kgals	$297.50	$297.50	$0.00	0.0%	$307.65	$10.15	3.3%
2", 100 kgals	$587.85	$587.85	$0.00	0.0%	$608.05	$20.20	3.3%
2", 150 kgals	$875.35	$875.35	$0.00	0.0%	$905.55	$30.20	3.3%

Residential Wastewater Comparison



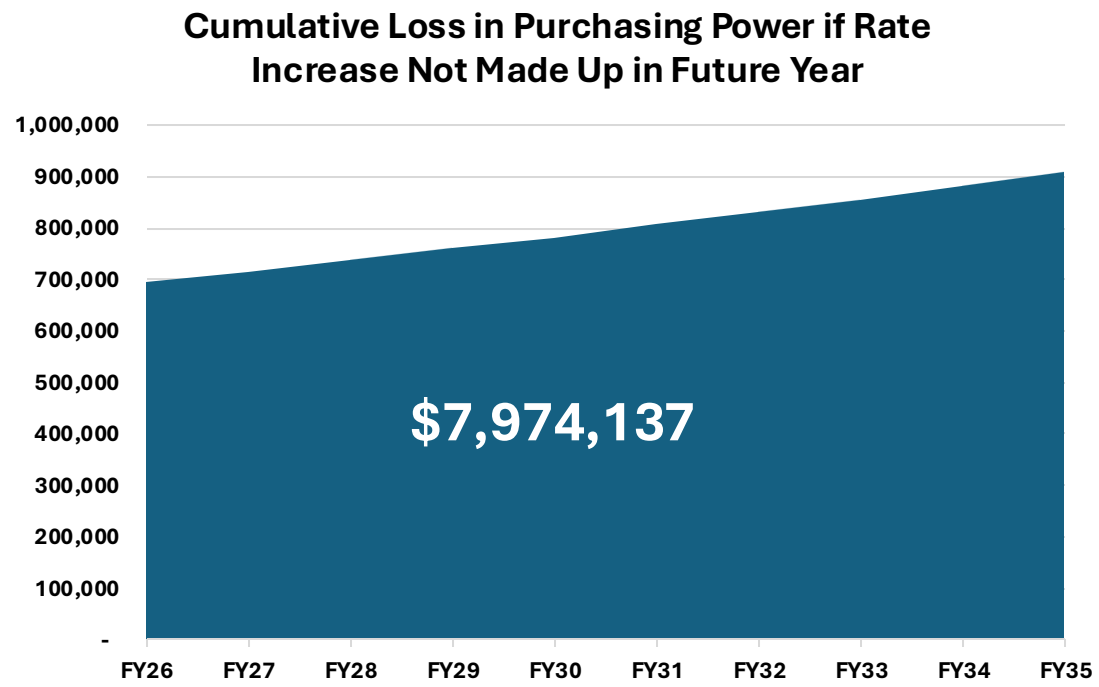
Wholesale Wastewater Characteristics and Fees

	Par Montana	Phillips 66	Lockwood
Flow	⇧ 2.5 MGD	⇧ 1.25 MGD	⇩ 0.15 MGD
BOD	⇧ 53 mg/L	⇧ 415 mg/L	⇩ 230 mg/L
TSS	⇧ 136 mg/L	⇧ 332 mg/L	⇧ 236.1 mg/L
TKN	⇧ 59 mg/L	⇧ 72 mg/L	⇩ 45 mg/L

Customer	FY25 $/Year	FY26 $/Year	$ Increase	% Increase	FY27 $/Year	$ Increase	% Increase
Par Montana	$836,106	$1,507,288	$671,182	80%	$1,560,664	$53,376	3.5%
P66	$702,148	$1,411,347	$709,199	101%	$1,466,044	$54,697	3.9%
Lockwood	$460,055	$520,089	$60,034	13%	$534,632	$14,543	2.9%

Effect of 0% Rate Increase in FY26

- Would need approximately 6.3% increase in FY28 to not lose purchasing power



System Development Fees

Billings PUBLIC WORKS

Residential Water SDF Charges

	FY 24 and FY25		FY26 and FY27		Increase
Lot Size (sq ft)	**Outdoor Component**	**Per Unit (up to 4 units)**	**Outdoor Component**	**Per Unit (up to 4 units)**	
<5,400	$630	$1,390	$759	$1,681	20.7%
5,400 to 8,600	$1,270		$1,534		
8,601 to 11,800	$1,865		$2,254		
> 11,800	$4,895		$5,909		

Fees include a 4% administrative charge which will be eliminated if SB133 is signed into law.

Recommended Water SDF Charges

METER SIZE	NON-RESIDENTIAL					SEASONAL IRRIGATION		
	FY24 – FY25	FY26 – FY27 ¾" Base	% Increase	FY26 – FY27 1" Base	% Increase	FY24 – FY25	FY26 – FY27	% Increase
3/4" or less	$8,925	$18,490		$10,905		$11,075	$13,475	
1"	$15,140	$31,345		$18,490		$18,775	$22,850	
1 1/2"	$30,270	$62,695		$36,980		$37,550	$45,705	
2"	$48,435	$100,315	107%	$59,170	22%	$60,090	$73,135	22%
3"	$96,875	$200,635		$118,340		$120,175	$146,240	
4"	$151,370	$313,495		$184,910		$187,780	$228,505	

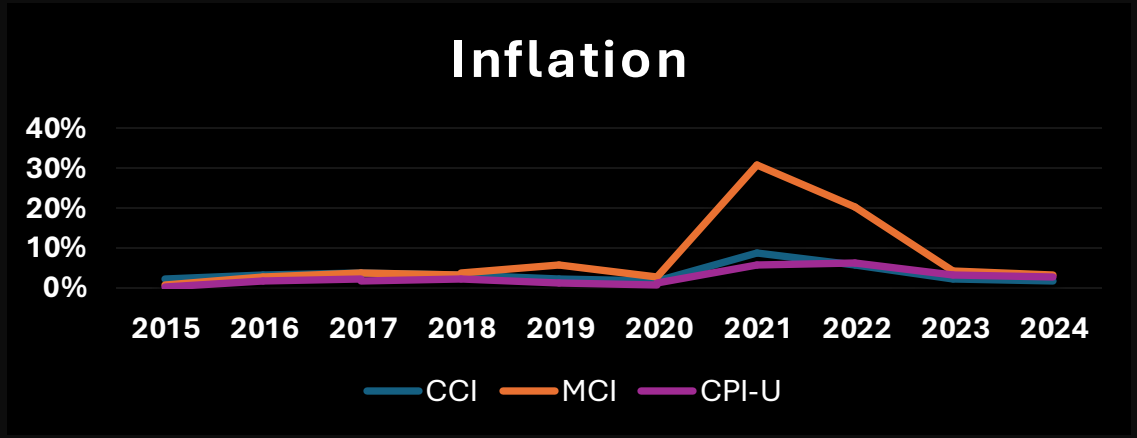
Fees include a 4% administrative charge which will be eliminated if SB133 is signed into law.

Recommended Wastewater SDF Charges

Meter Size	City Service Area			Lockwood Service Area		
	FY24 – FY25	FY26 – FY27	% Increase	FY24 – FY25	FY26 – FY27	% Increase
3/4" or less	$2,800	$2,540	-9.3%	$1,270	$1,050	-17.3%
1"	$8,600	$7,805		$3,895	$3,220	
1 1/2"	$24,970	$22,650		$11,315	$9,350	
2"	$43,100	$39,100		$19,530	$16,150	
3"	$111,830	$101,455		$50,670	$41,905	
4"	$261,800	$237,520		$118,630	$98,110	

Solid Waste Fees

What is Driving the Solid Waste Rate Increase



Rate drivers - collections

- 12% equipment operators wage increase in FY25 & 4% in FY26
- $273,000 increase in vehicle parts and labor
- 1 FTE for yard waste plus $400,0000 truck
- Increased OT by $135,000 to fund holidays
- BOC rent $37,887

Rate drivers - landfill

- 12% equipment operators wage increase in FY25 & 4% in FY26
- $165,000 increase in vehicle parts and labor
- $16.3M cell construction in FY27/28
- $615,000 loss of Pacific Recycling revenue

Collection fees include a landfill rate component

- 25% of Collection fees subsidized by landfill

Residential Cost of Service	$19.32
Residential Rate	$14.50
Subsidized Amount	$4.82

Solid Waste Rate Options

Option 1: 4% collection fee increase and 10.7% landfill increase to maintain subsidy rate of 25% (current service levels and plans)

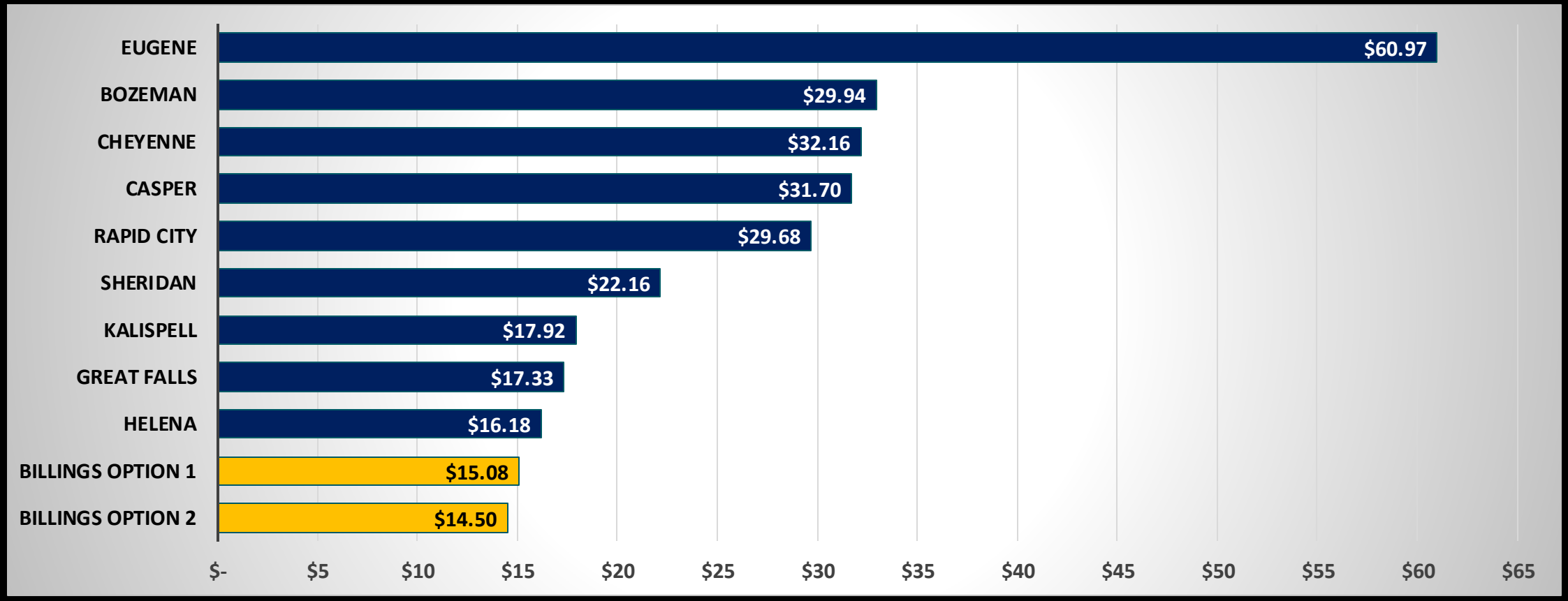
Option 2: 0% residential collection fee increase, 4% commercial collection fee increase, and 14.6% landfill increase (BFC Recommended)

Solid Waste Collection Fees

Service	FY25	FY26 Option 1	$ Increase	% Increase	FY26 Option 2	$ Increase	% Increase
Monthly residential 96-gallon container	$14.50	$15.08	$0.58	4.0%	$14.50	$0.00	0.0%
Monthly residential 64-gallon container	$10.35	$10.76	$0.41	4.0%	$10.35	$0.00	0.0%
Additional black 96-gallon container	$4.85	$5.05	$0.20	4.0%	$4.85	$0.00	0.0%
Extras per item (call in)	$5.25	$5.50	$0.25	4.5%	$5.50	$0.25	4.5%
Commercial 8 yard, 2x/week	$173.14	$180.07	$6.93	4.0%	$180.07	$6.93	4.0%
Roll-off	$212.00	$225.00	$12.00	6.1%	$225.00	$12.00	6.1%

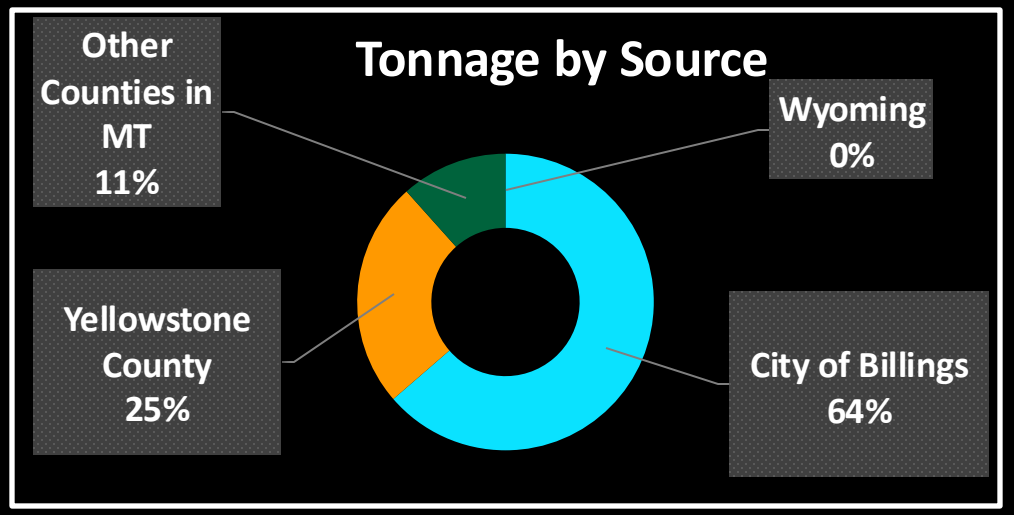
	Option 1	Option 2
Residential Cost of Service	$20.11	$20.11
Residential Rate	$15.08	$14.50
Subsidized Amount	$5.17	$5.61
Subsidized Percentage	25%	27.9%

Monthly Residential Collection
96-Gallon Container Comparison

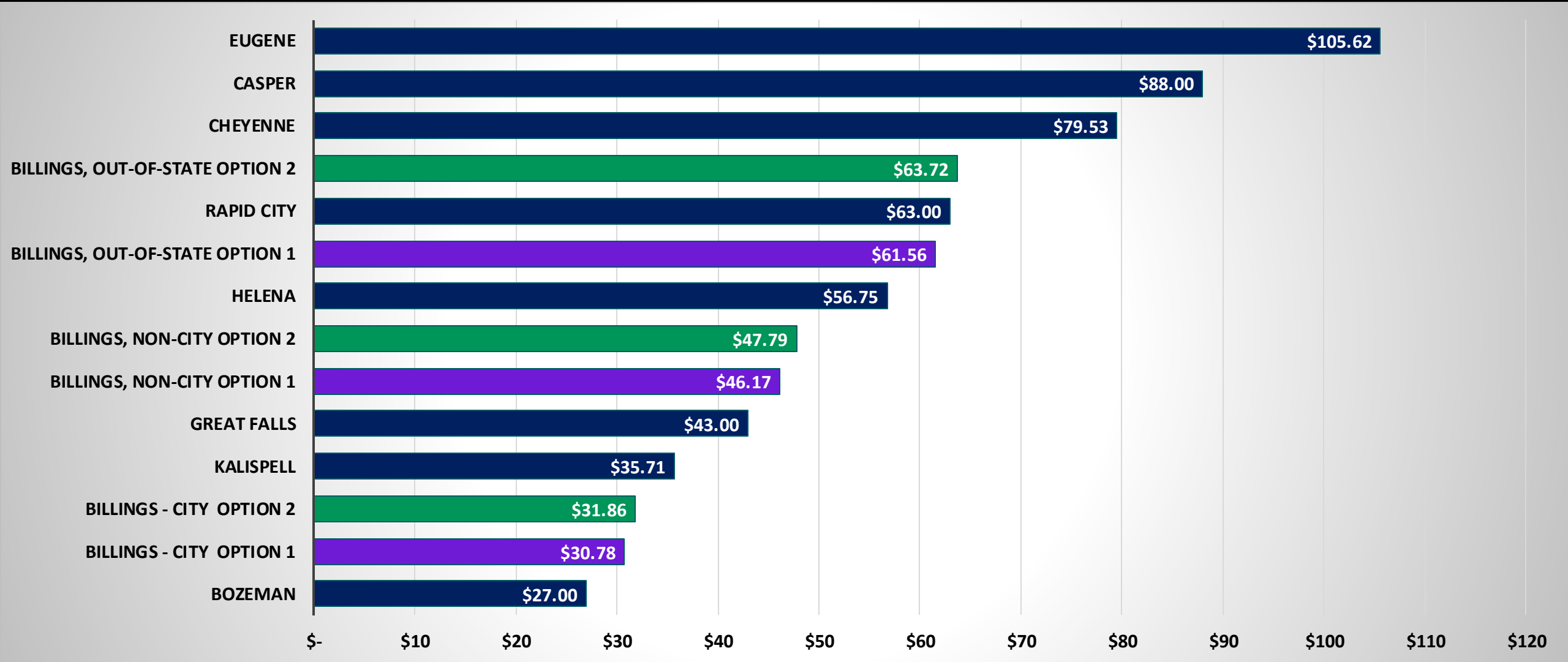


Solid Waste – Landfill Fees

Landfill Fees	FY25	FY26 Option 1	$ Increase	% Increase	FY26 Option 2	$ Increase	% Increase
Landfill fee per ton – Billings	$27.80	$30.78	$2.98	10.7%	$31.86	$4.06	14.6%
Landfill fee per ton – outside Billings	$41.70	$46.17	$4.47	10.7%	$47.79	$6.09	14.6%
Landfill fee per ton – out of state	$55.60	$61.56	$5.96	10.7%	$63.72	$8.12	14.6%



Landfill Fee Comparison Per Ton



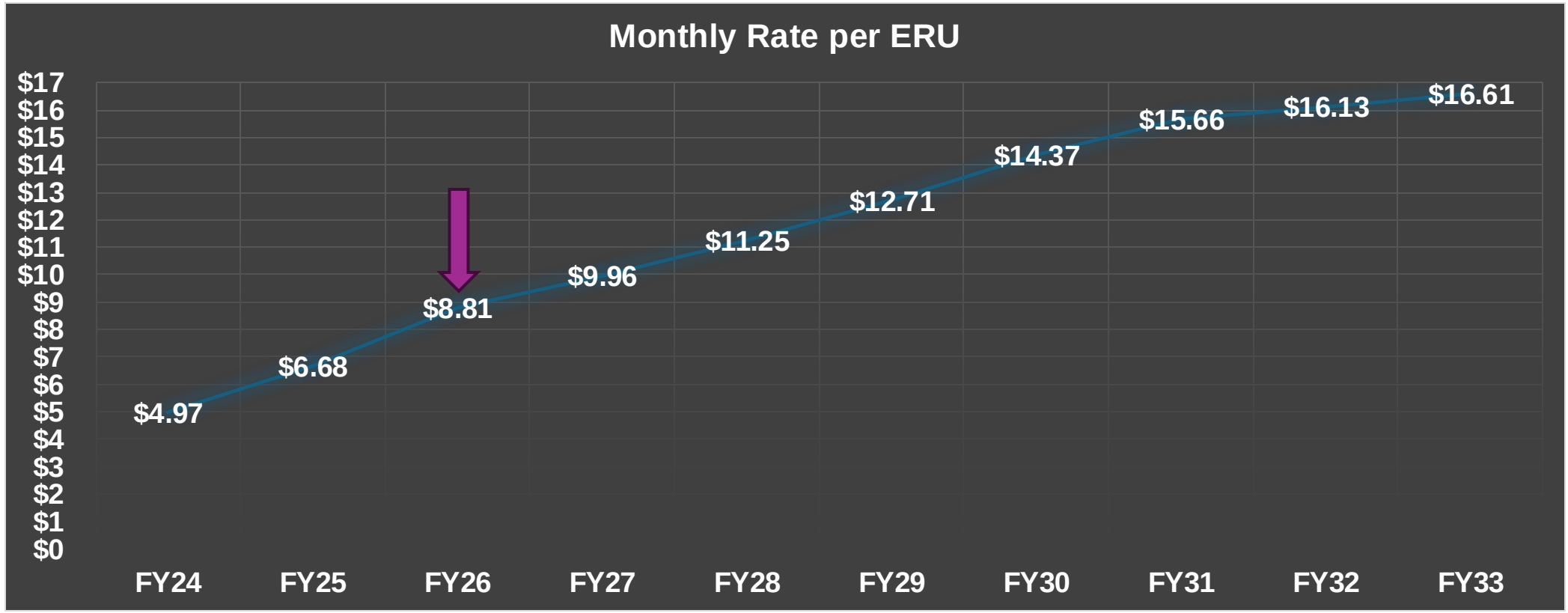
Billings PUBLIC WORKS

Storm Fees

Funding Needs

	Total Amount	Minimum	Proactive	Best Practice	B.F.C. Requested
Deferred Maintenance	$73.8 million	25-yr. completion ($3.0 million / yr.)	20-yr. completion ($3.7 million / yr.)	15-yr. completion ($4.9 million / yr.)	15-yr. completion ($4.9 million / yr.)
City-wide Capital	$83.9 million	40-yr. completion ($2.1 million / yr.)	30-yr. completion ($2.8 million / yr.)	20-yr. completion ($4.2 million / yr.)	25-yr. completion ($3.4 million / yr.)
Flood Protection Capital	$2.9 million (local only)	25-yr. completion ($0.11 million / yr.)	20-yr. completion ($0.15 million / yr.)	15-yr. completion ($0.20 million / yr.)	15-yr. completion ($0.20 million / yr.)
Water Quality Capital	Varies	$250,000 / yr.	$500,000 / yr.	$500,000 / yr.	$500,000 / yr.

Storm Rates
(7-year ramp-up + inflation)



	FY25	FY26	FY26 $ Inc
Average Residential Monthly Fee	$6.68	$8.81	$2.13
Total Storm Fee Revenues	$7,200,000	$9,500,000	$2,300,000

Total Public Works FY26 Fees
Average Residential Impact

Option 1

Property Tax Statement (Annually)	FY25	FY26	$ Change
SMD	$216.25	$226.20	$9.95

Utility Bill (Monthly)	FY25	FY26	$ Change
Water	$47.71	$48.87	$1.16
Wastewater	$30.85	$31.80	$0.95
Solid Waste	$14.50	$15.08	$0.58
Storm	$6.68	$8.81	$2.13
Total Utility Bill	$99.74	$104.56	$4.82

Total Public Works Fee Increases = $67.79/Year or $5.65/Month

Option 2

Property Tax Statement (Annually)	FY25	FY26	$ Change
SMD	$216.25	$216.25	$0.00

Utility Bill (Monthly)	FY25	FY26	$ Change
Water	$47.71	$47.71	$0.00
Wastewater	$30.85	$30.85	$0.00
Solid Waste	$14.50	$14.50	$0.00
Storm	$6.68	$8.81	$2.13
Total Utility Bill	$99.74	$104.56	$2.13

Total Public Works Fee Increases = $25.56/Year or $2.13/Month

$3.52/Month

Thank You

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FINAL

RETAIL/RESALE WATER RATE STUDY Fiscal Years 2026 and 2027

Billings, MT

March 31, 2025

AE2S NEXUS
The Financial Link

Executive Summary

The City of Billings, Montana calculates its water rates for retail and resale customers using a cost of service rate model developed specifically for its water system. The City retained AE2S Nexus to update its water rate model and develop recommendations for FY26 and FY27 water rates. This report summarizes the results of the most recent update to the water rate model, including rate recommendations for FY26 and FY27. Detailed tables are found in the Appendices. It should be noted that volumes and costs per volume are reported relative to gallons or thousand gallons (kgal).

Based on the results of this study, the recommended monthly meter charges for FY26 and FY27 are shown in Table ES.1. Tables ES.2 and ES.3 summarize the recommendations for Fire Protection charges for Owners (inside City users) and Non-Owners (outside City users), respectively.

Meter Size	Inside City Recommended Rate FY26	Outside City Recommended Rate FY26	% Increase from FY25	Inside City Recommended Rate FY27	Outside City Recommended Rate FY27	% Increase from FY26
3/4"	$8.95	$9.80	2.3%	$9.15	$10.00	2.2%
1"	$10.20	$11.05	2.5%	$10.40	$11.25	2.0%
1-1/2"	$12.35	$13.40	2.5%	$12.60	$13.65	2.0%
2"	$17.65	$19.20	2.6%	$18.00	$19.60	2.0%
3"	$54.95	$59.70	2.5%	$56.05	$60.90	2.0%
4"	$71.55	$77.80	2.5%	$73.00	$79.35	2.0%
6"	$107.30	$116.70	2.5%	$109.45	$119.05	2.0%
8"	$146.70	$159.45	2.5%	$149.65	$162.65	2.0%
10"	$213.70	$237.00	2.5%	$217.95	$241.75	2.0%

Table ES.1: Recommended FY26 and FY27 Meter Charges for Owners and Non-Owners

Meter Size	Inside City Current Rate FY25 ($/Year)	Inside City Recommended Rate FY26 ($/Year)	% Increase from FY25	Inside City Recommended Rate FY27 ($/Year)	% Increase from FY26
1-1/4"	$34.55	$36.30	5.1%	$38.85	7.0%
1-1/2"	$46.10	$48.40		$51.80	
2"	$73.90	$77.60		$83.05	
3"	$184.45	$193.65		$207.20	
4"	$322.80	$338.95		$362.70	
6"	$737.65	$774.55		$828.75	
8"	$1,290.90	$1,355.45		$1,450.35	
10"	$2,028.40	$2,129.80		$2,278.90	
12"	$2,921.10	$3,067.15		$3,281.85	
14"	$3,975.85	$4,174.65		$4,466.90	

Table ES.2: Recommended Annual Fire Protection Charges for Owners – FY26/FY27

Meter Size	Outside City Current Rate FY25 ($/Year)	Outside City Recommended Rate FY26 ($/Year)	% Increase from FY25	Outside City Recommended Rate FY27 ($/Year)	% Increase from FY26
1-1/4"	$35.15	$36.90	5.1%	$39.50	7.0%
1-1/2"	$46.75	$49.10		$52.55	
2"	$74.80	$78.55		$84.05	
3"	$187.05	$196.40		$210.15	
4"	$327.15	$343.50		$367.55	
6"	$747.95	$785.35		$840.30	
8"	$1,308.85	$1,374.30		$1,470.50	
10"	$2,056.75	$2,159.60		$2,310.75	
12"	$2,961.65	$3,109.75		$3,327.45	
14"	$4,031.20	$4,232.75		$4,529.05	

Table ES.3: Recommended Annual Fire Protection Charges for Non-Owners – FY26/FY27

Table ES.4 presents the recommended FY26 and FY27 volumetric rates for Single-Family Residential users. Consistent with the approach taken in the previous analysis, rate increase percentages for Non-Owner Residential users are equal to the increases recommended for the Owner Single Family Residential user class in FY26 and FY27. Table ES.5 presents the calculated FY26 and FY27 volumetric rates for Non-Owner Single Family Residential accounts.

The current residential tier structure consists of four tiers, designed to incentivize responsible water use, particularly outdoor water use during the summer months. City staff have noted an increase in water use by some new residential developments. Should an additional tier be desired to address excessive water use, consideration should be given to an adjustment of tier 4 to capture water use from 75,001 to 120,000 gallons per month and a fifth tier to address water use in excess of 120,000 gallons per month.

Single Family Residential - Inside City	Tier Volume (kgal)	Current FY25 Rate ($/kgal)	Recommended FY26 Rate ($/kgal)	% Increase from FY25	Recommended FY27 Rate ($/kgal)	% Increase from FY26
Tier 1	0-10	$4.87	$4.99	2.5%	$5.09	2.0%
Tier 2	11-32	$5.82	$5.97		$6.09	
Tier 3	33-75	$7.57	$7.76		$7.92	
Tier 4	>75	$11.37	$11.65		$11.88	

Table ES.4: Recommended FY26 and FY27 Volumetric Charges for Owners

Single Family Residential - Outside City	Tier Volume (kgal)	Current FY25 Rate ($/kgal)	Recommended FY26 Rate ($/kgal)	% Increase from FY25	Recommended FY27 Rate ($/kgal)	% Increase from FY26
Tier 1	0-10	$5.03	$5.16	2.5%	$5.26	2.0%
Tier 2	11-32	$6.04	$6.19		$6.31	
Tier 3	33-75	$7.87	$8.07		$8.23	
Tier 4	>75	$11.79	$12.08		$12.32	

Table ES.5: Recommended FY26 and FY27 Volumetric Charges for Non-Owners

Table ES.6 summarizes the recommended multi-family residential and non-residential volumetric rates for FY26 and FY27. These adjustments vary based on the calculated cost of service to each user class.

Table ES.6 also summarizes the non-residential volumetric rates for FY26 and FY27 for Owners and Non-Owners. For the Resale user class, it is recommended that the City continues its approach of charging the calculated cost of service rate, adopting the calculated FY26 and FY27 rates shown in Table ES.6. Due to the increase in the supply/treatment components of the rate base in FY27, the calculated FY27 rate for the Resale user increases significantly.

	Current FY25 Rate ($/kgal)	Recommended FY26 Rate ($/kgal)	% Increase from FY25	Recommended FY27 Rate ($/kgal)	% Increase from FY26
Owners					
Multi-Family Residential	$ 4.78	$ 4.78	0.0%	$ 4.78	0.0%
Non-Residential	$ 3.97	$ 4.07	2.5%	$ 4.07	0.0%
Commercial Resale	$ 4.91	$ 5.03	2.5%	$ 5.03	0.0%
Seasonal	$ 6.88	$ 7.05	2.5%	$ 7.97	13.0%
Non-Owners					
Non-Residential	$ 4.22	$ 4.33	2.5%	$ 4.33	0.0%
Resale (HWD)	$ 3.04	$ 3.42	12.5%	$ 4.40	28.6%

Table ES.6: Recommended Multi-Family and Non-Residential Volumetric Rates for Owners and Non-Owners – FY26 and FY27

Table ES.7 summarizes the projected revenue adequacy of the Water Utility for FY26 and FY27 based on the recommended rates. Based on the projected water sales and given the current cash reserve balances, the recommended rates for FY26 and FY27 will present a stable near-term approach to rate-setting, while allowing the City to step into the necessary increases to fully meet cost of service over two or more years. The projected FY26 and FY27 year-end reserve balances are shown in Table ES.8. Cash reserves are noticeably reduced by FY27 due to the planned use of cash for the West End Water Treatment Plant project.

	FY2026	FY2027
Rate Revenue Requirements		
O&M-Related	$ 17,021,313	$ 17,531,952
Less Other Operating Revenu	$ (1,000,000)	$ (1,015,000)
Capital-Related	$ 13,102,770	$ 55,601,322
Less Cash Reserves	$ 5,404,864	$ (35,658,235)
Net Rate Revenue Requirements	**$ 34,528,947**	**$ 36,460,039**
Projected Rate Revenues		
Owners		
Residential	$ 16,557,033	$ 16,980,943
Multi-Family	$ 3,053,685	$ 3,072,129
Non-Residential	$ 4,854,393	$ 4,885,660
Seasonal	$ 2,299,917	$ 2,610,006
Fire Protection	$ 553,778	$ 592,546
Non-Owners		
Residential	$ 135,297	$ 137,954
Non-Residential	$ 3,251,501	$ 3,251,884
Resale (HWD)	$ 3,604,967	$ 4,720,629
Fire Protection	$ 34,959	$ 37,405
Total Projected Rate Revenue	**$ 34,345,529**	**$ 36,289,156**
Projected Revenue Adequacy	**$ (183,418)**	**$ (170,883)**

Table ES.7: Summary of Net Cash-Based Rate Revenue Requirements – FY26 and FY27

	2025	2026	2027
Total Water Fund Balance	$ 48,388,194	$ 53,793,058	$ 18,134,823
O&M Reserve	$ 5,394,122	$ 4,690,255	$ 4,945,763
Debt Service Reserve	$ 1,386,571	$ 1,386,571	$ 1,386,571
Capital/Rate Stabilization Reserve	$ 41,607,501	$ 47,716,232	$ 11,802,489

Table ES.8: Projected Cash Reserve Balances – FY26 and FY27

Figure ES.1 illustrates the projected cash balances through FY29 based on projected revenue requirements and revenues. At cost of service-based rates for the Resale customer and an overall revenue increase of two percent annually for all users but Resale, it is projected that O&M and debt service reserve balances can be met and a capital reserve balance can be maintained through FY29.

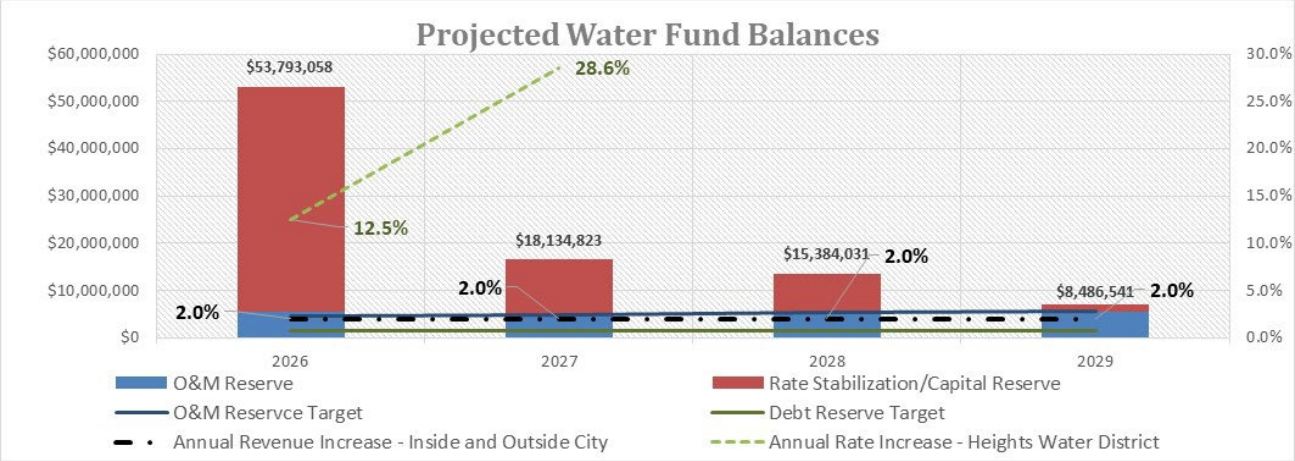


Figure ES.1: Projected Cash Balances

Lastly, to assess the potential revenue stability risk to the City of Billings, a probabilistic revenue forecasting model was developed. The framework for the model was based on a publicly available tool developed by the Alliance for Water Efficiency. The probabilistic revenue forecast completed was based on the stochastic evaluation of FY24 billing and weather data as compared to 26 years of historical weather data. The results of the revenue forecast resulted in the conclusions presented in Table ES.9. The percentages in Table ES.9 indicate the modeled probability of the FY26 rate revenues, excluding fire protection, exceeding the rate revenue values shown in Table ES.9. Total projected rate revenue requirements for FY26 are $33.9 million (M).

	$33.9M	$33.0M	$31.9M
Probability to Meet/Exceed	63%	87%	100%

Table ES.9: Estimated Probability of Achieving Revenue at Varying Targets (FY26)

The revenue forecasting model indicated that water sales are adequate to meet target revenue at a high confidence interval. Based on 1,000 regressions run, average revenue of $34 million was projected. In addition, it should be noted that the City's operation and maintenance (O&M) expenditures are typically less than budgeted. The revenue forecasting simulation projected minimum rate revenues of $31.9M in FY26, which is approximately five percent less than the assumed FY26 revenue requirements of $33.9M. In summary, the model projects a low risk of falling short of necessary revenue requirements under the proposed rates.

1.0 Introduction

The City of Billings retained AE2S Nexus to update its water rate model and recommend Retail and Resale water rates for the 2026 Fiscal Year (FY26), which begins July 1, 2025, and ends June 30, 2026, as well as for FY27. The City has utilized a detailed and comprehensive rate-setting model for several years. The rate model utilized by the City of Billings was last updated by AE2S Nexus in early 2023 for the purpose of developing rates for FY24 and FY25. The FY26/FY27 rate review involved a comprehensive review of assumptions and methodology upon which the analysis is based. It should be noted that the data and results reported herein are given in terms of gallons or thousand gallons (kgal).

The County Water District of Billings Heights is a major outside/non-owner user of the City's water system and is referred to as the Resale user class throughout this analysis. Based on the current agreement between the City of Billings and this Resale customer, the established and agreed upon rate of return is based on the weighted average cost of capital (WACC). The Memorandum of Understanding between the City and the District included the following methodology for establishing the WACC, the calculation of which is detailed in Section 3.2.2.

> *"The WACC will be calculated for each rate study, including the current study, using the City's then current effective interest rate on outstanding debt and a return on equity equal to the average 30-year treasury rate plus 300 basis points for the most recent twelve month period ending June 30th."*[1]

At the City's request, AE2S Nexus has updated the customer billing data, operation and maintenance (O&M), capital revenue requirements, and asset inventory. To complete a comprehensive update, assumptions upon which the model calculations are based were also reviewed and verified or updated to reflect current system conditions. This analysis is based on guidance as outlined in the American Water Works Association M1 Manual. In general, the cost of service analysis (COSA) methodology utilized remains consistent with previous analyses, which involved three steps: 1) Functionalization, 2) Classification, and 3) Allocation. The cost of service analysis completed using the City's existing rate model and upon which rate calculations have been historically based, involved the following steps:

1. *Functionalization:* in the methodology applied by the City of Billings, this step involves the grouping of costs based on the type of customer to which the cost applies:
    a. Joint allocation – costs allocated to all user classes
    b. All-But-Resale allocation – costs allocated to all but the Resale user class including both Inside City (Owner) and Outside (non-Owner) City users

[1] Memorandum of Understanding Between the City of Billings and County Water District of Billings Heights, May 8, 2013.

    c. Owner allocation – costs allocated only to the owner user classes
    d. Resale allocation – costs assigned to the Resale class
2. *Classification:* categorization of functionalized costs based on how the cost is related to the user characteristics (related to customer account numbers, average flow, peak flow, etc.):
    a. Fixed cost allocation
        i. Customer-based
        ii. Meter-based
    b. Variable cost allocation
        i. Base Capacity allocation
        ii. Peak Day Capacity allocation
        iii. Peak Hour Capacity allocation
    c. Direct Fire allocation
3. *Allocation:* The distribution of functionalized and classified costs to customer classes based on number of meters, equivalent meters, peak day and peak hour demands, and billed flow totals.

This report summarizes the following topics:

- Water system usage parameters assumed for FY26 and FY27 (Section 2.0);
- Projected FY26/FY27 revenue requirements and associated assumptions (Section 3.0);
- Allocation of FY26/FY27 operating and capital-related revenue requirements (Section 4.0);
- Calculated FY26/FY27 costs of service by user class and recommended FY26/FY27 water rates for Retail and Resale customer classes (Section 5.0); and
- Probabilistic revenue forecasting and rate setting risk considerations (Section 6.0).

2.0 Customers and Usage

The City of Billings provides water service to approximately 34,881 users within City limits, 354 users outside of the City, and one Resale customer, the County Water District of Billings Heights. Based on a review of billed flow and account data from FY24 and FY25, a Test Year representing recent water usage patterns by user class was developed. Customer classes include the following:

- Owners:
  - Single Family Residential (single family, two- and three-unit complexes)
  - Multi-Family Residential (multi-family complexes with greater than three units)
  - Commercial/Industrial
  - Commercial Resale
  - Seasonal
  - Private Fire Protection
- Non-Owners:
  - Residential (single family, two- and three- multi-family unit complexes)
  - Commercial (includes multi-family complexes with greater than three units)
  - Resale (County Water District of Billings Heights)
  - Private Fire Protection

Estimated FY26 customer accounts by meter size and equivalent meters for the owner and non-owner user classes are shown in Table 2.1 and Table 2.2, respectively. Similar values for FY27 are found in Table 2.3 and Table 2.4, respectively. The equivalent meter counts are shown on a 3/4-inch meter basis.

Meter Size	Residential	Multi-Family Residential	Commercial	Industrial	Seasonal	Total
3/4"	27,767	366	1,216	0	61	29,410
1"	344	247	359	0	56	1,006
1-1/2"	18	132	278	0	36	464
2"	0	54	153	0	13	220
3"	0	33	97	0	6	136
4"	0	16	20	0	1	37
6"	0	23	18	0	0	41
8"	0	4	5	0	0	9
10"	0	0	0	0	0	0
Total Accounts	28,129	875	2,146	0	173	31,323
Total Equivalent Meters	28,234	2,117	4,231	0	298	34,881

Table 2.1: Owner Customer Accounts and Equivalent Meters – Projected FY26

Meter Size	Residential	Commercial	Resale	Total
3/4"	265	47	0	312
1"	4	16	0	20
1-1/2"	0	7	0	7
2"	0	6	0	6
3"	0	6	0	6
4"	0	0	0	0
6"	0	0	0	0
8"	0	1	0	1
10"	0	1	1	2
Total Accounts	269	84	1	354
Total Equivalent Meters	270	222	41	533

Table 2.2: Non-Owner Customer Accounts and Equivalent Meters – Projected FY26

Meter Size	Residential	Multi-Family Residential	Commercial	Industrial	Seasonal	Total
3/4"	27,906	368	1,222	0	61	29,557
1"	346	248	361	0	56	1,011
1-1/2"	18	133	279	0	36	466
2"	0	54	154	0	13	221
3"	0	33	97	1	6	137
4"	0	16	20	0	1	37
6"	0	23	18	1	0	42
8"	0	4	5	0	0	9
10"	0	0	0	0	0	0
Total Accounts	28,270	879	2,156	2	173	31,480
Total Equivalent Meters	28,376	2,122	4,244	0	298	35,040

Table 2.3: Owner Customer Accounts and Equivalent Meters – Projected FY27

Meter Size	Residential	Commercial	Resale	Total
3/4"	265	47	0	312
1"	4	16	0	20
1-1/2"	0	7	0	7
2"	0	6	0	6
3"	0	6	0	6
4"	0	0	0	0
6"	0	0	0	0
8"	0	1	0	1
10"	0	1	1	2
Total Accounts	269	84	1	354
Total Equivalent Meters	270	222	41	533

Table 2.4: Non-Owner Customer Accounts and Equivalent Meters – Projected FY27

Figure 2.1 shows the recent historical trend in meter growth for all non-irrigation meter classes. As shown, meter number growth has been relatively flat. The dip in commercial accounts in FY14 correlates with identification of a Multi-Family Residential user class, which was previously accounted for in the Commercial class. Figure 2.2 shows the change in Single Family residential inside meters, which have grown at an average of just under one percent per year since FY13.

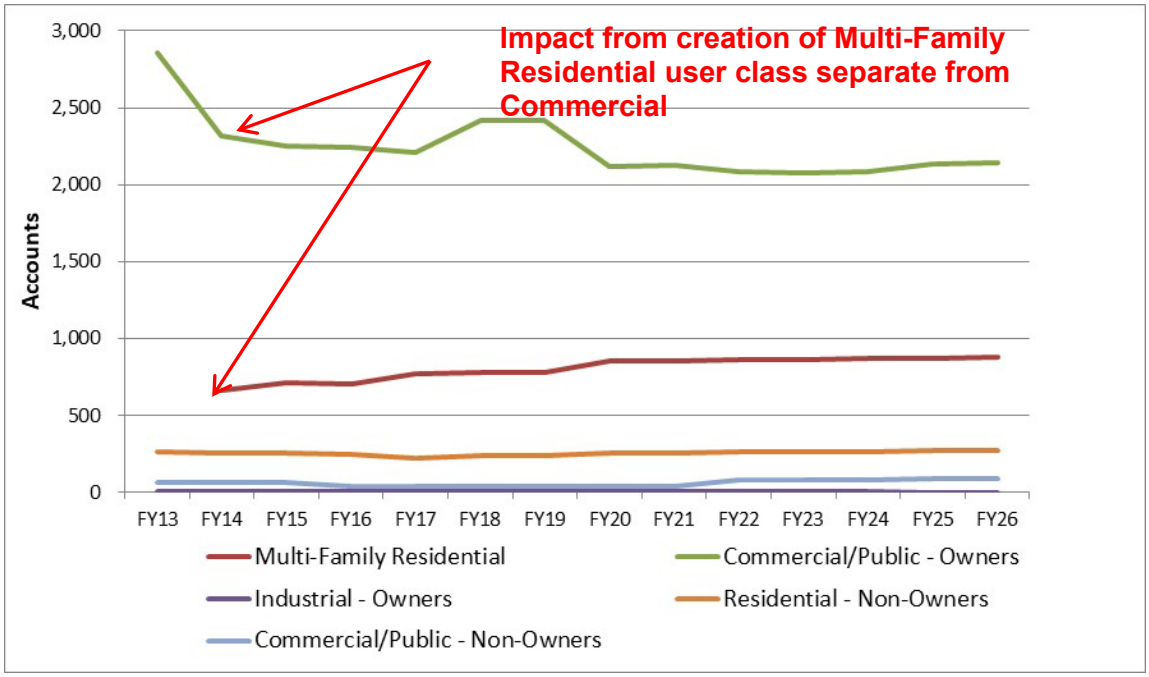


Figure 2.1: Historical Meter Counts (Excluding Irrigation)

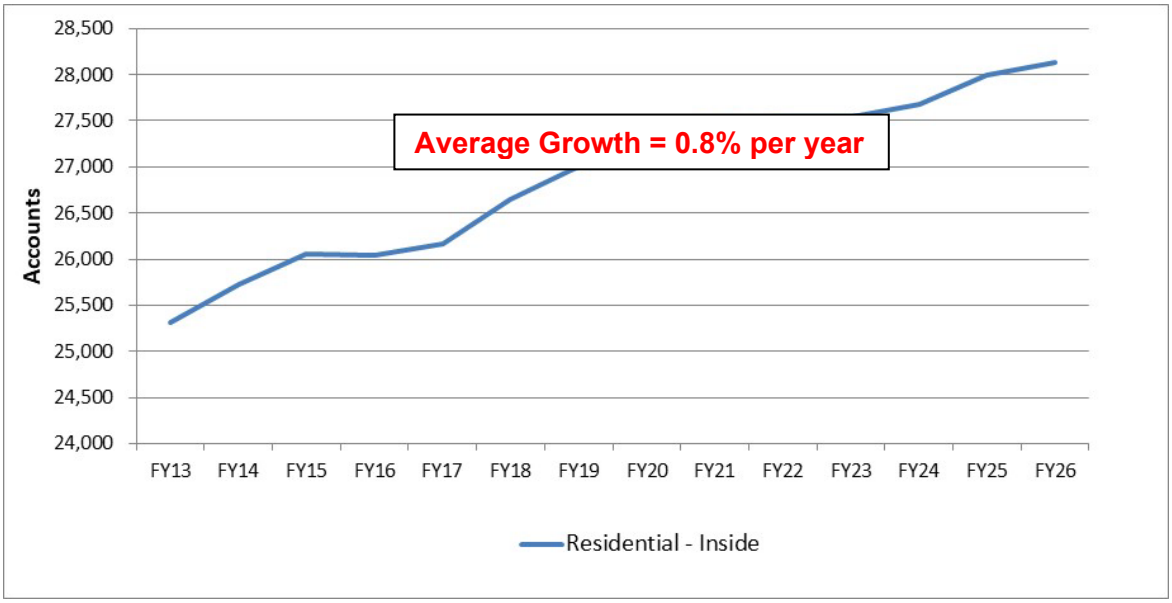


Figure 2.2: Historical Single-Family Residential (Owner) Meter Counts

Despite growth in meters, water use for the Single-Family Residential class has declined, likely as a combined result of conservation-oriented rate changes, increased use of water-saving household appliances, as well as variable weather patterns. Water use for other inside user classes has been sporadic, but the City expects to see continued growth. To avoid overestimating water sales for FY26 and FY27, account growth was projected to be 0.5 percent per year for the Single-Family Residential, Multi-Family Residential, Commercial and Irrigation Accounts. Based on recent historical water use per account, all water use was also grown at 0.5 percent per year. Water demand projections from the County Water District of Billings Heights indicate an expected increase in water use ranging from 1.8 to 2.4 percent annually. Based on this information, flow growth for Heights water district was projected to grow at 1.8 percent each year in FY26 and FY27. Meter and water demand projections for other outside users were not assumed to grow from projected FY26 levels.

Table 2.5 summarizes the projected FY26 and FY27 billable flow for each user class, measured in units of one thousand gallons (kgal), noting the basis for the FY26 and FY27 flow assumptions. Table 2.6 presents the peaking factors utilized in the FY26/FY27 analysis.

Customer Class	FY26 Usage (kgal)	FY27 Usage (kgal)	Basis
Owners			
Residential	2,499,551	2,512,048	Based on FY24; 0.5% annual increase
Multi-Family Residential	602,718	605,731	Based on FY24; 0.5% annual increase
Commercial	1,103,964	1,109,484	Based on FY24; 0.5% annual increase
Seasonal	322,497	324,110	Based on FY24; no annual increase
Subtotal	**4,528,730**	**4,551,374**	
Non-Owners			
Residential	18,774	18,774	Based on FY24; no annual increase
Commercial	746,487	746,487	Based on FY24; no annual increase
Commecial Resale	49,947	49,947	
Resale	1,053,252	1,072,211	Based on FY24 and Height's projections
Subtotal	**1,868,460**	**1,887,419**	
Total	**6,397,190**	**6,438,792**	

Table 2.5: Projected FY26 and FY27 Billable Water Sales

Customer Class	Max (Peak) Day (MGD)/Average Day (MGD)	Max (Peak) Hour (MGD)/Average Day (MGD)
Owners		
Residential	2.30	4.00
Multi-Family	1.40	4.00
Commercial	1.50	3.00
Industrial	1.50	2.00
Seasonal	3.75	6.00
Non-Owners		
Residential	2.30	4.00
Commercial	1.50	3.00
Resale	2.55	3.61
System Data	2.20	3.40

Table 2.6: Peaking Factors – FY26 and FY27 Analyses

Single-Family Residential Water Use

Figure 2.3 illustrates Single-Family Residential water use over the past five years. The current residential volumetric rate structure consists of four tiers:

- Tier 1: 0 – 10,000 gallons
- Tier 2: 11,000 – 32,000 gallons
- Tier 3: 33,000 – 75,000 gallons
- Tier 4: 75,000 gallons

The existing tier structure was implemented in FY15 and replaced a three-tier structure sized to capture the first 3,000 gallons of water use in the first tier, 9,000 gallons in the second tier, and the balance of monthly water use in the third tier. Since that time, average monthly residential water use has declined from 8,500 gallons to 7,400 gallons.

City staff have noted that some new residential properties are exhibiting higher than average water use associated with outdoor use. Since FY20, the maximum residential water bill has ranged from 292 to 604 thousand gallons and 404 thousand gallons, respectively. Currently, the third and fourth residential tiers are intended to address outdoor water use:

- Tier 3: 32,001-75,000 gallons
- Tier 4: 75,001 gallons and greater

The rate charged to seasonal accounts is based on the calculated cost of service and falls between the rates for residential tiers 2 and 3 in FY26 and between tiers 3 and 4 in FY27. Under the current rates, residential users with significant outdoor water use pay more than the constant block rate applied to seasonal users. However, it the City desires to send a stronger conservation

price signal to residential users, a fifth tier could be considered. The existing tier 4 could be sized to approximately to match the size of tier 3, and cover water use from 75,000 to 120,000 gallons per month. It is suggested that the price for tier 5, for water use in excess of 120,000 gallons, be charged 1.5 times the price of tier 4. If irrigation meters become allowable for residential properties, the City should reconsider the constant block seasonal approach to better address the water demands associated with residential outdoor use should it shift from the residential billing to seasonal billing.

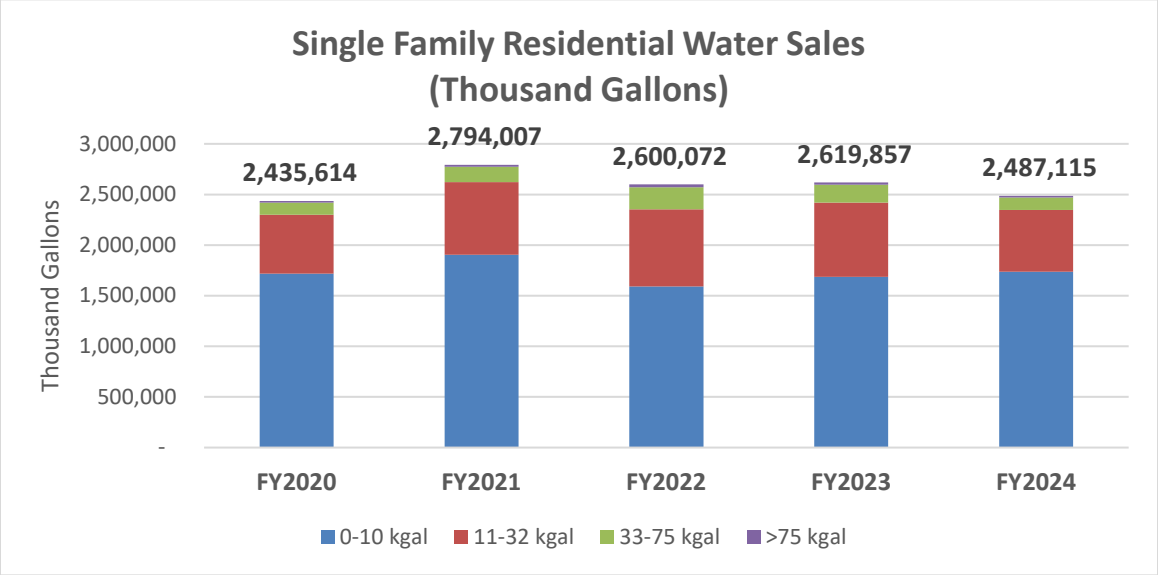


Figure 2.3: Single-Family Residential Water Sales

3.0 Revenue Requirements

Revenue requirements consist of expenses incurred for O&M of the Water Utility, as well as capital-related expenses such as debt service principal, capital outlays, and contributions to reserves.

3.1 Operation and Maintenance Costs

For the purpose of developing water rates for FY26 and FY27, the O&M component of revenue requirements was based on the preliminary FY25 Water Operating budget divisions titled Administration, Fiscal Services/Billing, Service Center, Water Treatment Plant, Distribution/Collection Maintenance, and Meter Shop. As agreed upon with the District, Joint O&M was determined based on the three-year average of the difference between budgeted and actual O&M expenses. For the FY26 and FY27 analyses, this value was 98.1 percent, updated from 94.2 percent in the FY24/FY25 study.

In determining net O&M revenue requirements, consideration is also given to non-rate operating revenue, which is applied to offset the operating costs. Tables 3.1 and 3.2 summarize total projected O&M revenue requirements, total projected O&M non-rate revenue, and net O&M revenue requirements based on ownership for FY26 and FY27, respectively.

Changes to the cost of service assumptions upon which Tables 3.1 and 3.2 are based area discussed in Section 4. Similar to the previous analysis, the portion of distribution cost associated with Zones 1, 2, and 4 was assumed to provide a benefit to non-owner users based on how water is managed within the system and provisions in place for alternate flow patterns in the case of emergency. In addition, it was noted that the City of Billings manages the Resale customer's storage tanks, which have a total volume of 8 MG. The analysis includes a direct allocation of O&M expenses to the Resale customer for the purpose of storage management. The directly assigned value for FY26 was derived as shown below based on the following assumptions:

- Heights storage volume = 8 MG
- City of Billings distribution storage volume = 29.91MG
- Assumed percentage of Water Treatment Plant budget division labor and expense associated with maintenance of pump station and storage reservoirs = 6 percent

$$8MG \div (29.91MG + 8\ MG) \times 6\% = 1.27\%$$

$$1.27\% \times \text{Water Treatment Plant division fixed cost of } \$4,349,637 = \$59,271$$

The same percentages were applied to calculate the Resale allocation of storage management costs for FY27. In FY28, the City of Billings will bring additional storage associated with the West End Reservoir online. At that time this calculation will be re-evaluated.

As Owners of the system, the Owner user classes are allocated all of the O&M non-rate revenue except for the Transfer to O&M for pipe bursting. As a result of this credit to Owner-only revenue requirements, the net O&M revenue requirements for Non-Owners appears as a negative value in Tables 3.1 and 3.2.

The net revenue requirements functionalized by ownership are shown in Tables 3.1 and 3.2 are further allocated to the user classes based on the fixed or variable nature of the cost (classification), and the system usage parameters associated with each user class (allocation). Table 3.3 summarizes the allocated O&M revenue requirements by owner of FY26 and FY27, noting in particular the total net O&M revenue requirements allocated to the Resale user class.

Budget Line Item	Total	Joint	All-But-Resale	Owners	Resale
Water Production					
Chemicals	$950,000	$932,134	$17,866	$0	$0
All Other	$4,353,504	$4,271,633	$81,871	$0	$0
High Service Pumping		$0	$0	$0	$0
Utilities (80% to Base)	$1,746,063	$1,713,227	$32,836	$0	$0
All Other	$46,812	$45,932	$880	$0	$0
System Pumping and Storage		$0	$0	$0	$0
Utilities (80% to Base)	$689,937	$84,626	$369,697	$195,414	$40,200
All Other	$280,871	$28,863	$126,089	$66,648	$59,271
Distribution System		$0	$0	$0	$0
Fire Hydrants	$741,809	$0	$741,809	$0	$0
All Other	$2,096,535	$640,417	$1,047,959	$408,160	$0
Customer Billing and Meter	$2,539,782	$2,492,019	$47,763	$0	$0
Admin.	$3,576,000	$3,508,750	$67,250	$0	$0
O&M - Total	$17,021,313	$13,717,601	$2,534,018	$670,222	$99,472
Less	Non-Rate				
O&M - Related	Revenue	Joint	All-But-Resale	Owners	Resale
Water Permits	$68,900	$0	$0	$68,900	$0
Misc. Revenue	$9,700	$0	$0	$9,700	$0
Collection of Bad Debt	$800	$0	$0	$800	$0
Sale of Material/Labor	$290,000	$0	$0	$290,000	$0
Public Water Supply	$68,000	$0	$0	$68,000	$0
Water Service Line Repair	$478,100	$0	$0	$478,100	$0
Water Service Line Admin.	$24,500	$0	$0	$24,500	$0
Hydrant Meter Rental Fee	$25,000	$0	$0	$25,000	$0
Charge for Services	$0	$0	$0	$0	$0
Transfer to O&M for Pipebursting Projects	$0	$0	$0	$0	$0
Transfers In	$0	$0	$0	$0	$0
Total O&M-Related	$965,000	$0	$0	$965,000	$0
	Total	**Joint**	**All-But-Resale**	**Owners**	**Resale**
Total O&M Revenue Requirement	**$16,021,313**	**$13,717,601**	**$2,534,018**	**($329,778)**	**$99,472**

Table 3.1: Summary of Projected FY26 O&M Revenue Requirements

Budget Line Item	Total	Joint	All-But-Resale	Owners	Resale
Water Production					
Chemicals	$978,500	$960,099	$18,401	$0	$0
All Other	$4,484,109	$4,399,782	$84,327	$0	$0
High Service Pumping	$0	$0	$0	$0	$0
Utilities (80% to Base)	$1,798,445	$1,764,624	$33,821	$0	$0
All Other	$48,216	$47,309	$907	$0	$0
System Pumping and Storage	$0	$0	$0	$0	$0
Utilities (80% to Base)	$710,635	$87,165	$380,787	$201,277	$41,406
All Other	$289,297	$29,729	$129,872	$68,648	$61,049
Distribution System	$0	$0	$0	$0	$0
Fire Hydrants	$764,063	$0	$764,063	$0	$0
All Other	$2,159,431	$659,629	$1,079,397	$420,405	$0
Customer Billing and Meter	$2,615,975	$2,566,780	$49,195	$0	$0
Admin.	$3,683,280	$3,614,013	$69,267	$0	$0
O&M - Total	$17,531,952	$14,129,129	$2,610,039	$690,329	$102,456
Less	Non-Rate				
O&M - Related	Revenue	Joint	All-But-Resale	Owners	Resale
Water Permits	$69,000	$0	$0	$69,000	$0
Misc. Revenue	$9,775	$0	$0	$9,775	$0
Collection of Bad Debt	$848	$0	$0	$848	$0
Sale of Material/Labor	$290,000	$0	$0	$290,000	$0
Public Water Supply	$68,000	$0	$0	$68,000	$0
Water Service Line Repair	$492,877	$0	$0	$492,877	$0
Water Service Line Admin.	$24,500	$0	$0	$24,500	$0
Hydrant Meter Rental Fee	$25,000	$0	$0	$0	$0
Charge for Services	$0	$0	$0	$35,000	$0
Transfer to O&M for Pipebursting Project	$0	$0	$0	$25,000	$0
Transfers In	$0	$0	$0	$0	$0
Total O&M-Related	$980,000	$0	$0	$1,015,000	$0
	Total	**Joint**	**All-But-Resale**	**Owners**	**Resale**
Total O&M Revenue Requirement	**$16,516,952**	**$14,129,129**	**$2,610,039**	**($324,671)**	**$102,456**

Table 3.2: Summary of Projected FY27 O&M Revenue Requirements

Ownership		FY26 O&M	FY27 O&M
Joint			
	Owners	$ 10,964,567	$ 11,327,017
	Resale	$ 1,758,108	$ 1,874,444
	Other Non-Owners	$ 994,927	$ 927,668
Total Joint		$ 13,717,601	$ 14,129,129
All But Resale			
	Owners	$ 2,344,445	$ 2,429,812
	Other Non-Owners	$ 189,573	$ 180,227
Total All But Resale		$ 2,534,018	$ 2,610,039
Owners-Only		$ (329,778)	$ (324,671)
Resale-Only		$ 99,472	$ 102,456
Total		**$ 16,021,313**	**$ 16,516,952**
Total Resale		$ 1,857,579	$ 1,976,900

Table 3.3: Summary of Net O&M Revenue Requirements by Ownership

3.2 Capital Costs

Total capital-related revenue requirements were evaluated in terms of the cash-basis for the purpose of establishing the utility-basis capital requirements to be met with rate revenue. Capital costs are determined on a cash basis for owners of the system and a hybrid-utility basis for non-owners of the system. The hybrid-utility basis is determined by first taking the cash-based utility revenue requirements and then adjusting for the remaining non-owner share on a utility basis. These steps are described below.

3.2.1 Development of Cash-Basis Capital-Related Revenue Requirements

The City provided information related to existing and anticipated debt service requirements, the five-year Capital Improvement Plan (CIP), non-CIP capital outlays, and anticipated capital-related non-rate revenue for FY26. In FY26, the CIP includes $10 million (M) in capital improvements. After accounting for reserve-funded capital, projected capital-related rate revenue requirements totaled $20,007,634, and net capital-related revenue requirements came to $18,507,634 after deducting capital-related non-rate revenue of $1,500,000.

The City is currently constructing major water infrastructure, including a West End Treatment Plant (online in FY27), West End Reservoir (online in FY28), and West End Distribution. In addition to these projects, the FY27 CIP projects expenditures of $17.4M. Projected FY27 capital-related rate revenue requirements totaled $21,443,087 after accounting for reserve spending of $35,658,235. Net capital-related revenue requirements totaled $19,943,087 when considering projected capital-related non-rate revenue estimate of $1,500,000. Table 3.4

summarizes the anticipated FY26 and FY27 cash-basis capital-related revenue requirements and capital-related non-rate revenues.

Line Item	Total FY26	Total FY27
Debt Service	$ 6,334,122	$ 7,931,194
Cash Funded CIP	$ 8,622,515	$ 48,564,620
Water Service Line Repair	$ 350,000	$ 350,000
Transfers To (from) O&M Reserve	$ (703,867)	$ 255,508
Increase/ (Decrease) Operating Fund Balance	$ 5,404,864	$ (35,658,235)
Total Capital Revenue Requirements - Cash Basis	$ 20,007,634	$ 21,443,087
Less: Non-Rate Capital Revenue		
interest earnings	$ 1,500,000	$ 1,500,000
Total Non-Rate Capital -Related Revenue	$ 1,500,000	$ 1,500,000
Net Capital Revenue Requirements - Cash Basis	**$ 18,507,634**	**$ 19,943,087**

Table 3.4: Summary of Net Capital-Related Revenue Requirements – Cash Basis

3.2.2 Development of Utility-Basis Capital-Related Revenue Requirements

To fairly assign the cost of only those assets in service and utilized by non-owner user classes, the Utility-basis with cash residual methodology is utilized by the City of Billings in determining the appropriate rates to charge non-owner user classes. This methodology calculates the capital-related component of revenue requirements based on depreciation of system assets in service and a return on capital investment made by the owners of the system. Contributed capital is excluded from this calculation.

Once capital-related revenue requirements have been established, the City's methodology then applies the utility-based approach for calculating the appropriate share of capital-related revenue requirements for users located outside of the City. The utility approach is considered a fair means to allocate the capital-related revenue requirements to non-owners of the system based on the value of the infrastructure used by the non-owner users. The utility approach is based upon the allocation of revenue requirements represented by depreciation and a rate of return on the utility's investment. Users located within the City are then allocated the difference between the total capital-related revenue requirements established under the cash-basis methodology and the outside city allocation of the utility-based capital-related revenue requirements. This approach is consistent with past efforts and Resale contract agreements.

There are two components to the Utility-basis capital-related revenue requirements: the return on rate base as calculated by applying a rate of return percentage to the asset base or net plant in service, and the depreciation on the net plant in service. To identify the return on rate base, the total assets in service must first be identified. Once the asset base is identified, the net plant in

service is calculated as the original cost less depreciation to date. The annual depreciation for the assets currently in service must also be determined. Table 3.5 summarizes the net fixed assets and depreciation for development of the FY26 utility-basis capital-related revenue requirements. The net fixed asset totals in Table 3.5 indicate that based on asset values at year-end FY24, new assets placed in service in FY25, assets that depreciated out in FY25, and assets that remained in service for FY25, the value of net plant in service for FY26 calculated as $176.474M. Using the FY26 net asset base and the FY25 and FY26 CIP items anticipated to be placed in service by the close of FY26, the anticipated net asset base and annual depreciation for FY27 was developed and is summarized in Table 3.6.

For the FY26 and FY27 asset bases, use of the system was evaluated in terms of ownership, as was done for the evaluation of O&M revenue requirements. Tables 3.7 and 3.8 summarize the ownership allocations of net fixed asset value and depreciation for FY26 and FY27, respectively. Detailed fixed asset tables are found in Appendix A.

Fixed Asset Type	FY24 Asset Value	Annual Depreciation	FY26 Fixed Assets	FY25 Asset Additions	FY26 Net Fixed Assets
Source of Supply	$8,720,868	$441,984	$8,278,883	$989,415	$9,268,298
Water Treatment/HS Pumping	$19,134,876	$1,725,064	$17,409,811	$2,656,677	$20,066,488
Distribution Pumping	$7,755,670	$441,043	$7,314,627	$5,098,876	$12,413,503
Reservoirs and Tanks	$18,850,283	$626,659	$18,223,624	$685,410	$18,909,034
Transmission and Distribution	$88,267,175	$3,120,433	$85,146,742	$22,954,472	$108,101,214
Meters and Hydrants	$2,312,453	$148,117	$2,166,047	$330,656	$2,496,703
General Plant	$4,869,391	$675,526	$4,200,328	$1,017,994	$5,218,322
Net	$149,910,715	$7,178,826	$142,740,063	$33,733,500	$176,473,564

Table 3.5: Summary of FY26 Fixed Assets and Depreciation

Fixed Asset Type	Net Fixed Assets	Allocat Depr
Source of Supply	$9,736,550	$795,103
Water Treatment/HS Pumping	$86,796,477	$3,466,812
Distribution Pumping	$16,729,832	$2,110,339
Reservoirs and Tanks	$25,968,985	$739,296
Transmission and Distribution	$144,708,204	$163,292
Meters and Hydrants	$2,613,058	$917,339
General Plant	$6,019,263	$499,749
Net	$292,572,369	$8,691,930

Table 3.6: Summary of FY27 Fixed Assets and Depreciation

Ownership	Net Fixed Asset	Depreciation
Joint		
Owners	$144,083,464	$5,863,141
Resale	13,041,536	765,644
Other Non-Owners	15,873,271	651,497
Subtotal Joint	$172,998,271	$7,280,283
Owners-Only	$44,859,282	$1,339,279
Resale-Only	$900,921	$72,369
Total	**$218,758,474**	**$8,691,930**
Owner Subtotal	$188,942,747	$7,202,420
Non-Owner Subtotal (including Resa	$29,815,727	$1,489,510
Resale Subtotal	$13,942,457	$838,013

Table 3.7: FY26 Utility-Basis Capital-Related Revenue Requirements Based on Ownership

Ownership	Net Fixed Asset	Depreciation
Joint		
Owners	$199,428,318	$6,793,598
Resale	26,284,832	970,601
Other Non-Owners	19,473,837	754,771
Subtotal Joint	$245,186,987	$8,518,970
Owners-Only	$46,556,821	$1,410,439
Resale-Only	$828,560	$72,369
Total	**$292,572,369**	**$10,001,777**
Owner Subtotal	$245,985,140	$8,204,036
Non-Owner Subtotal (including Resa	$46,587,229	$1,797,741
Resale Subtotal	$27,113,392	$1,042,970

Table 3.8: FY27 Utility-Basis Capital-Related Revenue Requirements Based on Ownership

Per the Memorandum of Understanding between the City and its Resale customer, the rate of return is based on the WACC, calculated using the City's current effective interest rate on outstanding debt and a return on equity equal to the average 30-year treasury rate plus 300 basis points for the most recent twelve-month period ending June 30th. Based on this formula, with an average 30-year treasury rate of 4.51 percent, the calculated rate of return on equity was 7.51 percent. For FY26 the effective interest rate on water debt for the City is estimated at 4.37 percent, resulting in a FY26 WACC of 6.36 percent. Table 3.9 summarizes the WACC calculation. The average 30-year treasury rate used for FY26 was also used for FY27. Based on a projected effective interest rate on water debt of 4.26 percent, the FY27 weighted cost of capital was projected to be 6.20 percent. This has increased in recent years and is a direct reflection of the recent interest rate environment.

Debt/Equity	FY2026	FY2027
Total Outstanding Debt	$80,075,000	$117,726,000
Interest on Outstanding Debt	$3,499,072	$5,010,267
Effective Interest Rate on Outstanding Deb	4.37%	4.26%
Total Fund Equity	$138,683,474	$174,846,369
Rate of Return on Equity	7.51%	7.51%
Total Equity and Debt	$218,758,474	$292,572,369
Weighted Cost of Capital	6.36%	6.20%

Table 3.9: Weighted Average Cost of Capital (WACC) Calculation

Table 3.10 shows the calculated return on rate base using Non-Owner rates of return of 6.36 percent and 6.20 percent in FY26 and FY27, respectively. Although the rate of return for Non-Owners decreases from FY26 to FY27, the substantial increase in the rate base as new infrastructure comes online results in an overall increase of 39 percent in net utility basis capital-related costs allocable to Non-Owners. Total capital revenue requirements under the utility method are equal to the capital-related revenue requirements under the cash basis and are based on actual capital revenue requirements for each year.

Line Item	FY2026	FY2027
Utility Basis Capital Costs for Non-Owners		
Return on Rate Base		
Rate Base		
Net Plant in Service	$28,897,007	$45,504,719
Allowance for Working Capital	$371,887	$377,969
Total Rate Base	$29,268,894	$45,882,689
Rate of Return	6.36%	6.20%
Total Rate of Return on Rate Base	$1,861,657	$2,845,000
Depreciation Less Amortization Expense	$1,451,929	$1,754,300
Net Utility Basis Capital Costs	$3,313,586	$4,599,300
Utility Basis Capital Costs for Owners		
Return on Rate Base		
Rate Base		
Net Plant in Service	$189,861,467	$247,067,650
Allowance for Working Capital	$1,630,777	$1,686,650
Total Rate Base	$191,492,244	$248,754,299
Rate of Return - Commercial Resale	4.14%	2.84%
Rate of Return - Owners	6.51%	6.34%
Return on Rate Base	$7,954,047	$7,096,310
Depreciation Less Amortization Expense	$7,240,001	$8,247,478
Net Utility Basis Capital Costs	$15,194,048	$15,343,788
Total Utility Basis Capital Revenue Requirement	**$18,507,634**	**$19,943,087**

Table 3.10: Utility-Basis Capital Revenue Requirements – FY26 and FY27

Beginning in FY24, Commercial Resale users were designated as a separate class due to the nature of the ultimate delivery of water outside the City. Commercial Resale users are charged a 7.75 percent rate of return on their share of the system equity, which resulted in overall rates of return of 6.51 percent in FY26 and 6.34 percent in FY27. All other system owners are allocated the balance of the capital revenue requirements not allocated to the non-owners and commercial resale customers. This translates to a rate of return for Owners equal to 4.12 percent in FY26 and 2.82 percent in FY27. Because the return percentage is calculated based on the total rate base, the percentage decreases from FY26 to FY27 due to the $57M increase in Owner rate base.

3.3 Total Revenue Requirements

Tables 3.11 and 3.12 summarize the total revenue requirements for FY26 and FY27, respectively, under both the Cash-Basis and Utility-Basis methodologies. Table 3.13 summarizes the total revenue requirements by ownership for both FY26 and FY27.

2026	Operating Costs	Capital Costs	Total
Cash-Basis Revenue Requirements			
O&M Expense	$17,021,313	$0	$17,021,313
Debt Service Requirements		6,334,122	6,334,122
Cash Financing of Construction		8,622,515	8,622,515
Water Line Service Repair		350,000	350,000
Operating Reserve		(703,867)	(703,867)
Total	$17,021,313	$14,602,770	$31,624,083
Revenue Requirements Met From Other Sources			
Other Operating Revenue	$1,000,000	$0	$1,000,000
Interest Income		1,500,000	1,500,000
Change in Funds Available		(5,404,864)	(5,404,864)
Total	$1,000,000	($3,904,864)	($2,904,864)
Net Costs to be Met From Charges (Rates)	**$16,021,313**	**$18,507,634**	**$34,528,947**
Restatement of Net Costs - Utility-Basis Revenue Requirements			
O&M Expenses	$16,021,313	$0	$16,021,313
Capital Costs			
Depreciation		8,691,930	8,691,930
Return on Rate Base		9,815,704	9,815,704
Total	**$16,021,313**	**$18,507,634**	**$34,528,947**

Table 3.11: Summary of Total Projected FY26 Net Revenue Requirements

2027	Operating Costs	Capital Costs	Total
Cash-Basis Revenue Requirements			
O&M Expense	$17,531,952	$0	$17,531,952
Debt Service Requirements		7,931,194	7,931,194
Cash Financing of Construction		48,564,620	48,564,620
Water Line Service Repair		350,000	350,000
Operating Reserve		255,508	255,508
Total	$17,531,952	$57,101,322	$74,633,275
Revenue Requirements Met From Other Sources			
Other Operating Revenue	$1,015,000	$0	$1,015,000
Interest Income		1,500,000	1,500,000
Change in Funds Available		35,658,235	35,658,235
Total	$1,015,000	$37,158,235	$38,173,235
Net Costs to be Met From Charges (Rates)	**$16,516,952**	**$19,943,087**	**$36,460,039**
Restatement of Net Costs - Utility-Basis Revenue Requirements			
O&M Expenses	$16,516,952	$0	$16,516,952
Capital Costs			
Depreciation		10,001,777	10,001,777
Return on Rate Base		9,941,310	9,941,310
Total	**$16,516,952**	**$19,943,087**	**$36,460,039**

Table 3.12: Summary of Total Projected FY27 Net Revenue Requirements

Ownership FY2026	O&M	Capital	Total
Owner	$12,979,234	$15,096,088	$28,075,322
Non-Owners	$3,042,079	$3,411,546	$6,453,625
Total	$16,021,313	$18,507,634	$34,528,947
Ownership FY2027	**O&M**	**Capital**	**Total**
Owner	$13,432,157	$15,231,187	$28,663,344
Non-Owners	$3,084,795	$4,711,900	$7,796,695
Total	$16,516,952	$19,943,087	$36,460,039

Table 3.13: Summary of Total Projected FY26 and FY27 Net Revenue Requirements by Ownership

4.0 Cost of Service Analysis

The following sub-sections summarize the cost of service assumptions and results. Detailed tables summarizing the costs by ownership, cost type, and cost allocation to the user classes are found in Appendix B.

4.1 Methodology

Following the establishment of total O&M and capital revenue requirements by customer group (joint, all-but-resale, owner, or resale), the revenue requirements were then taken through a series of steps to result in allocation to each user class. In the first step, revenue requirements were functionalized according to customer group. As noted in Section 1.0, Joint costs were allocated to all user classes, All-But-Resale were allocated to all owner user classes and non-owner user classes except for the Resale class, Owner costs were allocated only to Owner user classes, and Resale costs were allocated only to the Resale user class. In the second step, costs were classified as to how the cost is related to usage characteristics – Customer, Meter, Base, Max Day, or Peak Day applicability. Finally, in the third step, costs were allocated to the user classes based on the system usage characteristics of each class. For the allocation of customer costs, the percentage of meters or accounts determined the allocation percentage. For meter costs, the percentage of total equivalent meters in terms of 3/4-inch meter equivalents was used. For base capacity, average day billed water use determines the allocation percentage, and for peak/max day and peak/max hour allocations were calculated using the average day billed water use and the peaking factors from Table 2.6. The following subsections describe the Functionalization, Classification, and Allocation steps for the O&M and Capital-Related revenue requirements.

4.2 O&M Cost Allocations

Table 3.3 presented the O&M revenue requirements by ownership. To arrive at the final O&M cost allocation to each user class, the costs by ownership were also classified to the appropriate fixed or variable component based on the way the cost is related to user characteristics such as meter numbers and flow. Table 4.1 presents the functionalization percentages for each line item O&M revenue requirement by ownership. The same values were applied for both FY26 and FY27. Table 4.2 shows the classification of each line item. Per the agreement with the County Water District of Billings Heights, the amount of cost eligible for joint allocation to all users is adjusted based on the rolling three-year average percentage of actual expenditures over budgeted expenditures. For FY26 this value was 98.1 percent. The following bullets briefly summarize the assumptions behind the O&M functionalization percentages in Table 4.1.

- Water Production and High Service Pumping costs: Allocated to all users. Adjusted by 98.1 percent to account for agreement with Resale customer.

- System Pumping and Storage: Allocated based on value of asset base utilization of system components. Assumed Resale customer uses 75 percent of the Walter Pump Station, with the rest allocated to the Owner user class. The Joint allocation percentage assumes that the Resale customer benefits from the Willet and Leavens Reservoirs due to their role in serving Zone 1, and the Fox Reservoir due to it interconnect that allows for emergency service to the Resale customer. All-But-Resale allocation is based on the determination that Non-Owner users (other than Resale) benefit from infrastructure in Pressure Zones 1, 2, and 4.
- System Pumping and Storage: A portion of fixed Water Treatment Plant division costs were allocated directly to the Resale customer to account for reservoir management as described in Section 3.1.
- Allocation of Fire Hydrants based on information indicating the presence of public hydrants served outside of City limits.
- Allocation of all other Distribution (maintenance of pipelines) based on agreement that Resale customer can be charged for transmission greater than 12" and that Non-Owner customers (other than Resale) utilize the transmission system. In addition, it was assumed that Non-Owner customers (other than Resale) utilize 60 percent of the distribution system to receive water at their connection points based on the estimated miles of pipe in Pressure Zones 1, 2, and 4.
- Customer Billing and Meter: Allocated to all users. Adjusted by 98.1 percent to account for agreement with Resale customer.
- Administrative: Allocated to all users. Adjusted by 98.1 percent to account for agreement with Resale customer.

As shown in Table 4.2, the costs were classified as Base, Max Day, Max Hour, Customer, Meter, or Direct Fire. The revenue requirements comprising the Customer and Meter classified costs result in the calculation of the fixed meter charges, and those allocated to the Base, Max Day, and Max Hour components comprise the charges that derive the volumetric rates. The revenue requirements identified as Direct Fire costs are associated with the fixed fire protection charges.

The following bullets briefly summarize the assumptions behind the O&M classification percentages in Table 4.2.

- Water Production – Chemicals: This expense varies directly with water usage and is assigned as a 100 percent Base cost.
- Water Production – All Other, High Service Pumping – All Other, and System Pumping and Storage – All Other: These expenses are associated with meeting maximum day demands as well as average day usage are split between Base (average day) and Extra Capacity – Peak Day based on the system max day/average day design parameter of 2.2.

Item	Joint	All-But-Resale	Owners	Resale	Total
Water Production					
Chemicals	98.1%	1.9%	0.0%	0.0%	100.0%
All Other	98.1%	1.9%	0.0%	0.0%	100.0%
High Service Pumping					
Utilities (80% to Base)	98.1%	1.9%	0.0%	0.0%	100.0%
All Other	98.1%	1.9%	0.0%	0.0%	100.0%
System Pumping and Storage					
Utilities (80% to Base)	12.3%	53.6%	28.3%	5.8%	100.0%
All Other	10.3%	44.9%	23.7%	21.1%	100.0%
Distribution System					
Fire Hydrants	0.0%	100.0%	0.0%	0.0%	100.0%
All Other	30.5%	50.0%	19.5%	0.0%	100.0%
Customer Billing and Meter	98.1%	1.9%	0.0%	0.0%	100.0%
Administrative	98.1%	1.9%	0.0%	0.0%	100.0%
Total O&M-Related Non-Rate Revenues					
3121 Street Sprinkling	0.0%	0.0%	100.0%	0.0%	100.0%
3122 Sewer Flushing	0.0%	0.0%	100.0%	0.0%	100.0%
Water Permits	0.0%	0.0%	100.0%	0.0%	100.0%
Misc. Revenue	0.0%	0.0%	100.0%	0.0%	100.0%
Collection of Bad Debt	0.0%	0.0%	100.0%	0.0%	100.0%
Sale of Material/Labor	0.0%	0.0%	100.0%	0.0%	100.0%
Public Water Supply	0.0%	0.0%	100.0%	0.0%	100.0%
Water Service Line Repair	0.0%	0.0%	100.0%	0.0%	100.0%
Water Service Line Admin.	0.0%	0.0%	100.0%	0.0%	100.0%
Unused	0.0%	0.0%	100.0%	0.0%	100.0%
Late Payment Interest	0.0%	0.0%	100.0%	0.0%	100.0%
Hydrant Meter Rental Fee	0.0%	0.0%	100.0%	0.0%	100.0%
Charge for Services	0.0%	0.0%	100.0%	0.0%	100.0%
Transfer to O&M for Pipebursting Proj	30.5%	50.0%	19.5%	0.0%	100.0%
Interest Earnings - Operating Fund (502 &	0.0%	0.0%	100.0%	0.0%	100.0%
Transfers In	0.0%	0.0%	100.0%	0.0%	100.0%

Table 4.1: Functionalization of FY26 and FY27 O&M Revenue Requirements by Ownership

- High Service Pumping – Utilities, and System Pumping and Storage – Utilities: These expenses are classified as 80 percent Base and 20 percent Extra Capacity – Peak Day based on a review of 2022 – 2024 daily pumping data.
- Distribution System – All Other: These are costs that are driven by peak hour, as well as peak day, and are therefore classified based on system parameters for meeting peak day and peak hour requirements, with the remainder classified as average day costs.

Item	Base	Max Day	Max Hr.	Customer	Meter	Direct Fire	Total
Water Production							
Chemicals	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
All Other	45.5%	54.5%	0.0%	0.0%	0.0%	0.0%	100.0%
High Service Pumping							
Utilities (80% to Base)	80.0%	20.0%	0.0%	0.0%	0.0%	0.0%	100.0%
All Other	45.5%	54.5%	0.0%	0.0%	0.0%	0.0%	100.0%
System Pumping and Storage							
Utilities (80% to Base)	80.0%	20.0%	0.0%	0.0%	0.0%	0.0%	100.0%
All Other	45.5%	54.5%	0.0%	0.0%	0.0%	0.0%	100.0%
Distribution System							
Fire Hydrants	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
All Other	29.4%	35.3%	35.3%	0.0%	0.0%	0.0%	100.0%
Customer Billing and Meter	0.0%	0.0%	0.0%	40.6%	59.4%	0.0%	100.0%
Administrative	27.3%	32.7%	7.4%	10.3%	15.0%	7.4%	100.0%
Total O&M-Related Non-Rate Revenues							
3121 Street Sprinkling	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%
3122 Sewer Flushing	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%
Water Permits	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%
Misc. Revenue	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%
Collection of Bad Debt	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%
Sale of Material/Labor	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%
Public Water Supply	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%
Water Service Line Repair	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%
Water Service Line Admin.	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%
Late Payment Interest	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%
Hydrant Meter Rental Fee	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%
Charge for Services	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%
Transfer to O&M for Pipebursting Projects	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%
Interest Earnings - Operating Fund (502 & 5	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%
Transfers In	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%	100.0%

Table 4.2: Classification of FY26 and FY27 O&M Revenue Requirements

Tables 4.3 and 4.4, respectively, summarize the O&M revenue requirements by classification for FY26 and the allocated O&M revenue requirements to each user class for FY26. Similarly, Tables 4.5 and 4.6 present the O&M revenue requirements by classification and the allocated O&M revenue requirements to each user class for FY27, respectively. Detailed allocation tables are found in Appendix B.

Item	Total	Base	Max Day	Max Hr.	Customer	Meter	Direct Fire
Water Production							
Chemicals	$ 950,000	$ 950,000	$ -	$ -	$ -	$ -	$ -
All Other	$ 4,353,504	$ 1,978,865	$ 2,374,638	$ -	$ -	$ -	$ -
High Service Pumping							
Utilities (80% to Base)	$ 1,746,063	$ 1,396,850	$ 349,213	$ -	$ -	$ -	$ -
All Other	$ 46,812	$ 21,278	$ 25,534	$ -	$ -	$ -	$ -
System Pumping and Storage							
Utilities (80% to Base)	$ 689,937	$ 551,950	$ 137,987	$ -	$ -	$ -	$ -
All Other	$ 280,871	$ 127,669	$ 153,202	$ -	$ -	$ -	$ -
Distribution System							
Fire Hydrants	$ 741,809	$ -	$ -	$ -	$ -	$ -	$ 741,809
All Other	$ 2,096,535	$ 616,628	$ 739,954	$ 739,954	$ -	$ -	$ -
Customer Billing and Meter	$ 2,539,782	$ -	$ -	$ -	$ 1,031,151	$ 1,508,631	$ -
Administrative	$ 3,576,000	$ 975,625	$ 1,170,750	$ 263,047	$ 366,566	$ 536,305	$ 263,707
Total O&M Allocations	**$ 17,021,313**	**$ 6,618,865**	**$ 4,951,279**	**$ 1,003,001**	**$ 1,397,717**	**$ 2,044,936**	**$ 1,005,515**
Less: O&M-Related Non-rate Revenue							
Total Direct Allocations	$ 13,445,313	$ 5,643,240	$ 3,780,528	$ 739,954	$ 1,031,151	$ 1,508,631	$ 741,809
Percent Direct Allocation	100.0%	42.0%	28.1%	5.5%	7.7%	11.2%	5.5%
3121 Street Sprinkling	$ 1,900	$ 797	$ 534	$ 105	$ 146	$ 213	$ 105
3122 Sewer Flushing	$ 7,800	$ 3,274	$ 2,193	$ 429	$ 598	$ 875	$ 430
Water Permits	$ 68,900	$ 28,919	$ 19,373	$ 3,792	$ 5,284	$ 7,731	$ 3,801
Misc. Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collection of Bad Debt	$ 800	$ 336	$ 225	$ 44	$ 61	$ 90	$ 44
Sale of Material/Labor	$ 290,000	$ 121,718	$ 81,542	$ 15,960	$ 22,241	$ 32,539	$ 16,000
Public Water Supply	$ 68,000	$ 28,541	$ 19,120	$ 3,742	$ 5,215	$ 7,630	$ 3,752
Water Service Line Repair	$ 478,100	$ 200,667	$ 134,431	$ 26,312	$ 36,667	$ 53,645	$ 26,378
Water Service Line Admin.	$ 24,500	$ 10,283	$ 6,889	$ 1,348	$ 1,879	$ 2,749	$ 1,352
Hydrant Meter Rental Fee	$ 25,000	$ 10,493	$ 7,029	$ 1,376	$ 1,917	$ 2,805	$ 1,379
Charge for Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Revenue Requirements	**$ 16,021,313**	**$ 6,199,147**	**$ 4,670,100**	**$ 947,967**	**$ 1,321,025**	**$ 1,932,731**	**$ 950,343**

Table 4.3: Classified FY26 O&M Revenue Requirements

Customer Class	Base	Max Day	Max Hr.	Customer	Meter	Direct Fire	Total
Owners							
Residential	$ 2,439,488	$ 1,887,422	$ 242,717	$ 1,172,137	$ 1,538,612	$ -	$ 7,280,377
Multi-Family Residential	$ 588,235	$ 140,035	$ 89,511	$ 36,461	$ 115,360	$ -	$ 969,602
Commercial	$ 1,077,437	$ 320,619	$ 94,588	$ 89,424	$ 230,576	$ -	$ 1,812,644
Industrial	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Seasonal	$ 314,748	$ 515,137	$ 41,448	$ 7,209	$ 16,249	$ -	$ 894,791
Public Fire Protection	$ -	$ 620,511	$ 342,085	$ -	$ -	$ 842,541	$ 1,805,137
Private Fire Protection	$ -	$ 74,484	$ 41,063	$ -	$ -	$ 101,136	$ 216,683
Non-Owners							
Residential	$ 18,792	$ 14,422	$ 1,632	$ 11,868	$ 15,587	$ -	$ 62,301
Commercial	$ 747,183	$ 220,557	$ 57,272	$ 3,706	$ 12,823	$ -	$ 1,041,541
Commercial Resale	$ 49,994	$ 11,511	$ 4,113	$ 176	$ 1,191	$ -	$ 66,985
Resale	$ 963,272	$ 860,683	$ 31,249	$ 43	$ 2,333	$ -	$ 1,857,579
Private Fire Protection	$ -	$ 4,718	$ 2,289	$ -	$ -	$ 6,665	$ 13,673
Total O&M Revenue Requirements	**$ 6,199,147**	**$ 4,670,100**	**$ 947,967**	**$ 1,321,025**	**$ 1,932,731**	**$ 950,343**	**$ 16,021,313**

Table 4.4: Projected FY26 O&M Revenue Requirements by Customer Classes

Item	Total	Base	Max Day	Max Hr.	Customer	Meter	Direct Fire
Water Production							
Chemicals	$ 978,500	$ 978,500	$ -	$ -	$ -	$ -	$ -
All Other	$ 4,484,109	$ 1,272,789	$ 3,211,320	$ -	$ -	$ -	$ -
High Service Pumping							
Utilities (80% to Base)	$ 1,798,445	$ 1,438,756	$ 359,689	$ -	$ -	$ -	$ -
All Other	$ 48,216	$ 13,686	$ 34,530	$ -	$ -	$ -	$ -
System Pumping and Storage							
Utilities (80% to Base)	$ 710,635	$ 568,508	$ 142,127	$ -	$ -	$ -	$ -
All Other	$ 289,297	$ 82,115	$ 207,182	$ -	$ -	$ -	$ -
Distribution System							
Fire Hydrants	$ 764,063	$ -	$ -	$ -	$ -	$ -	$ 764,063
All Other	$ 2,159,431	$ 396,610	$ 1,000,669	$ 762,152	$ -	$ -	$ -
Customer Billing and Meter	$ 2,615,975	$ -	$ -	$ -	$ 1,062,086	$ 1,553,889	$ -
Administrative	$ 3,683,280	$ 627,514	$ 1,583,253	$ 270,939	$ 377,563	$ 552,394	$ 271,618
Total Allocations	**$ 17,531,952**	**$ 5,378,478**	**$ 6,538,771**	**$ 1,033,091**	**$ 1,439,649**	**$ 2,106,284**	**$ 1,035,681**
Total Direct Allocations	$ 13,848,672	$ 4,750,964	$ 4,955,518	$ 762,152	$ 1,062,086	$ 1,553,889	$ 764,063
Percent Direct Allocation	100.0%	34.3%	35.8%	5.5%	7.7%	11.2%	5.5%
3121 Street Sprinkling	$ 1,910	$ 655	$ 684	$ 105	$ 146	$ 214	$ 105
3122 Sewer Flushing	$ 7,865	$ 2,698	$ 2,814	$ 433	$ 603	$ 883	$ 434
Water Permits	$ 69,000	$ 23,671	$ 24,691	$ 3,797	$ 5,292	$ 7,742	$ 3,807
Misc. Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collection of Bad Debt	$ 848	$ 291	$ 303	$ 47	$ 65	$ 95	$ 47
Sale of Material/Labor	$ 290,000	$ 99,488	$ 103,772	$ 15,960	$ 22,241	$ 32,539	$ 16,000
Public Water Supply	$ 68,000	$ 23,328	$ 24,333	$ 3,742	$ 5,215	$ 7,630	$ 3,752
Water Service Line Repair	$ 492,877	$ 169,088	$ 176,368	$ 27,125	$ 37,800	$ 55,303	$ 27,193
Water Service Line Admin.	$ 24,500	$ 8,405	$ 8,767	$ 1,348	$ 1,879	$ 2,749	$ 1,352
Late Payment Interest	$ 35,000	$ 12,007	$ 12,524	$ 1,926	$ 2,684	$ 3,927	$ 1,931
Hydrant Meter Rental Fee	$ 25,000	$ 8,577	$ 8,946	$ 1,376	$ 1,917	$ 2,805	$ 1,379
Charge for Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Requirements	**$ 16,516,952**	**$ 5,030,269**	**$ 6,175,570**	**$ 977,231**	**$ 1,361,806**	**$ 1,992,396**	**$ 979,681**

Table 4.5: Classified FY27 O&M Revenue Requirements

Customer Class	Base	Max Day	Max Hr.	Customer	Meter	Direct Fire	Total
Owners							
Residential	$ 1,976,619	$ 2,492,908	$ 250,721	$ 1,208,483	$ 1,586,958	$ -	$ 7,515,688
Multi-Family Residential	$ 476,623	$ 184,959	$ 92,463	$ 37,575	$ 118,666	$ -	$ 910,286
Commercial	$ 873,004	$ 423,473	$ 97,707	$ 92,164	$ 237,352	$ -	$ 1,723,700
Industrial	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Seasonal	$ 255,028	$ 680,393	$ 42,814	$ 7,395	$ 16,676	$ -	$ 1,002,307
Public Fire Protection	$ -	$ 815,551	$ 351,632	$ -	$ -	$ 868,621	$ 2,035,804
Private Fire Protection	$ -	$ 97,896	$ 42,209	$ -	$ -	$ 104,267	$ 244,372
Non-Owners							
Residential	$ 15,146	$ 18,944	$ 1,676	$ 12,164	$ 15,983	$ -	$ 63,914
Commercial	$ 602,219	$ 289,715	$ 58,809	$ 3,799	$ 13,149	$ -	$ 967,690
Commercial Resale	$ 40,294	$ 15,120	$ 4,223	$ 181	$ 1,221	$ -	$ 61,040
Resale	$ 791,336	$ 1,150,478	$ 32,650	$ 44	$ 2,392	$ -	$ 1,976,900
Private Fire Protection	$ -	$ 6,132	$ 2,326	$ -	$ -	$ 6,793	$ 15,252
Total O&M Revenue Requirements	**$ 5,030,269**	**$ 6,175,570**	**$ 977,231**	**$ 1,361,806**	**$ 1,992,396**	**$ 979,681**	**$ 16,516,952**

Table 4.6: Projected FY27 O&M Revenue Requirements by Customer Classes

4.3 Fixed Asset Allocations

Table 3.5 presented the fixed assets by asset type and Tables 3.7 and 3.8 summarized total fixed assets by ownership for FY26 and FY27, respectively. Tables 4.7 and 4.8, respectively, summarize the functionalized FY26 and FY27 fixed assets by ownership and asset type, excluding contributed assets. Functionalization of fixed assets and depreciation costs, addressed later in this Section, was similar to that described for the corresponding O&M cost categories. The following bullets summarize specific assumptions behind the capital functionalization.

- Source of Supply, Water Treatment, High Service Pumping, General Plant, Meter and Service Connection facilities were functionalized as Joint costs.
- Distribution System Pump Station facilities serving Pressure Zones 1, 2, and 4 were functionalized to All-But-Resale. Based on an evaluation of the capital cost associated with the Walter Pump Station as completed by the design engineer for the facility, 40 percent of the Walter Pump Station was functionalized to the Resale class and the remainder was functionalized as an Owner cost, consistent with the previous analyses.
- Reservoirs and Tanks serving the Resale customer (Fox, Leavens, and Willet) were functionalized as Joint costs. The remaining facilities that support pressure zones 1, 2, and 4 were functionalized as All-But-Resale costs, and the remaining facilities were functionalized to Owner classes.
- Transmission pipelines greater than 12 inches in diameter were functionalized as Joint costs and transmission pipelines equal to 12 inches were functionalized as All-But-Resale due to the connection of outside users. Based on a review of miles of pipe within Pressure Zones 1, 2, and 4, 60 percent of distribution lines were allocated as All-But-Resale.
- Hydrants and Hydrant mains were functionalized as All-But-Resale.

Tables 4.9 and 4.10, respectively, summarize fixed assets by classification for FY26 and FY27. Classification of the functionalized fixed asset and depreciation costs is like the approach taken for classification of O&M costs. The following bullets summarize the key assumptions for capital classification.

- Source of Supply, Water Treatment, and High Service Pumping components were primarily classified based on peak day and average day parameters.
- Distribution Pump stations were classified based on peak day and average day parameters, and booster stations were assumed to include a peak hour component as well as peak day and average day.
- Storage Reservoirs and Tanks and Transmission/Distribution components were classified based on peak hour, peak day, and average day.
- Meters and Service Connections were classified as customer costs.
- Hydrants and Hydrant Mains were classified to the Direct Fire classification.

- General Plant components were classified to peak hour, peak day, and average day based on the composite classification of all other direct capital.

Table 4.11 and 4.12 present the allocated fixed assets to each user class for FY26 and FY27, respectively. Detailed tables are found in Appendix B.

Fixed Asset Type	Joint	All But Resale	Owners	Resale	Total
Source of Supply	$ 10,218,137	$ -	$ -	$ -	$ 10,218,137
Water Treatment/HS Pumping	$ 24,977,996	$ -	$ -	$ -	$ 24,977,996
Distribution Pumping	$ -	$ 12,334,536	$ 4,106,227	$ 900,921	$ 17,341,684
Reservoirs and Tanks	$ 4,708,028	$ 6,587,551	$ 8,271,449	$ -	$ 19,567,028
Transmission and Distribution	$ 36,417,007	$ 69,345,895	$ 31,626,607	$ -	$ 137,389,508
Meters and Hydrants	$ 628,247	$ 2,166,047	$ -	$ -	$ 2,794,294
General Plant	$ 5,614,828	$ -	$ 855,000	$ -	$ 6,469,828
Total	**$ 82,564,243**	**$ 90,434,028**	**$ 44,859,282**	**$ 900,921**	**$ 218,758,474**

Table 4.7: Functionalization of FY26 Fixed Assets to Ownership Category by Asset Type

Fixed Asset Type	Joint	All But Resale	Owners	Resale	Total
Source of Supply	$ 9,736,550	$ -	$ -	$ -	$ 9,736,550
Water Treatment/HS Pumping	$ 86,796,477	$ -	$ -	$ -	$ 86,796,477
Distribution Pumping	$ -	$ 11,996,853	$ 3,904,420	$ 828,560	$ 16,729,832
Reservoirs and Tanks	$ 11,540,385	$ 6,359,000	$ 8,069,600	$ -	$ 25,968,985
Transmission and Distribution	$ 36,679,500	$ 74,540,902	$ 33,487,802	$ -	$ 144,708,204
Meters and Hydrants	$ 567,958	$ 2,045,100	$ -	$ -	$ 2,613,058
General Plant	$ 4,924,263	$ -	$ 1,095,000	$ -	$ 6,019,263
Total	**$ 150,245,132**	**$ 94,941,855**	**$ 46,556,821**	**$ 828,560**	**$ 292,572,369**

Table 4.8: Functionalization of FY27 Fixed Assets to Ownership Category by Asset Type

Fixed Asset Type	Base	Max Day	Max Hour	Meter	Direct Fire	Total
Source of Supply	$ 9,007,909	$ 1,210,228	$ -	$ -	$ -	$ 10,218,137
Water Treatment/HS Pumping	$ 12,519,231	$ 12,453,757	$ 4,768	$ 54	$ 186	$ 24,977,996
Distribution Pumping	$ 7,846,996	$ 9,416,395	$ 78,293	$ -	$ -	$ 17,341,684
Reservoirs and Tanks	$ 5,755,008	$ 6,906,010	$ 6,906,010	$ -	$ -	$ 19,567,028
Transmission and Distribution	$ 40,408,679	$ 48,490,415	$ 48,490,415	$ -	$ -	$ 137,389,508
Meters and Hydrants	$ -	$ -	$ -	$ 628,247	$ 2,166,047	$ 2,794,294
General Plant	$ 2,585,213	$ 2,895,768	$ 941,427	$ 10,662	$ 36,759	$ 6,469,828
Total	**$ 78,123,036**	**$ 81,372,572**	**$ 56,420,912**	**$ 638,962**	**$ 2,202,992**	**$ 218,758,474**

Table 4.9: Classification of FY26 Fixed Assets by Asset Type

Fixed Asset Type	Base	Max Day	Max Hour	Meter	Direct Fire	Total
Source of Supply	$ 8,299,226	$ 1,437,324	$ -	$ -	$ -	$ 9,736,550
Water Treatment/HS Pumping	$ 26,021,057	$ 60,773,369	$ 1,947	$ 22	$ 80	$ 86,796,477
Distribution Pumping	$ 4,726,889	$ 11,926,214	$ 76,729	$ -	$ -	$ 16,729,832
Reservoirs and Tanks	$ 4,769,567	$ 12,033,894	$ 9,165,524	$ -	$ -	$ 25,968,985
Transmission and Distribution	$ 26,577,684	$ 67,057,036	$ 51,073,484	$ -	$ -	$ 144,708,204
Meters and Hydrants	$ -	$ -	$ -	$ 567,958	$ 2,045,100	$ 2,613,058
General Plant	$ 1,878,950	$ 3,630,608	$ 484,139	$ 5,560	$ 20,005	$ 6,019,263
Total	**$ 72,273,373**	**$ 156,858,446**	**$ 60,801,824**	**$ 573,540**	**$ 2,065,186**	**$ 292,572,369**

Table 4.10: Classification of FY27 Fixed Assets by Asset Type

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Residential	$ 34,752,517	$ 37,641,454	$ 14,880,297	$ -	$ 509,156	$ -	$ 87,783,423
Multi-Family Residential	$ 8,379,888	$ 2,792,769	$ 5,487,670	$ -	$ 38,175	$ -	$ 16,698,501
Commercial	$ 15,348,975	$ 6,394,199	$ 5,798,919	$ -	$ 76,302	$ -	$ 27,618,396
Industrial	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Seasonal	$ 4,483,845	$ 10,273,540	$ 2,541,029	$ -	$ 5,377	$ -	$ 17,303,791
Public Fire Protection	$ -	$ 12,375,054	$ 20,972,225	$ -	$ -	$ 1,953,905	$ 35,301,184
Private Fire Protection	$ -	$ 1,485,466	$ 2,517,445	$ -	$ -	$ 234,541	$ 4,237,452
Non-Owners							$ -
Residential	$ 203,518	$ 216,595	$ 80,978	$ -	$ 4,851	$ -	$ 505,942
Commercial	$ 8,092,225	$ 3,312,380	$ 2,841,040	$ -	$ 3,991	$ -	$ 14,249,636
Commercial Resale	$ 541,446	$ 172,871	$ 204,032	$ -	$ 371	$ -	$ 918,720
Resale	$ 6,320,622	$ 6,637,388	$ 983,708	$ -	$ 740	$ -	$ 13,942,457
Private Fire Protection	$ -	$ 70,857	$ 113,569	$ -	$ -	$ 14,546	$ 198,972
Total	**$ 78,123,036**	**$ 81,372,572**	**$ 56,420,912**		**$ 638,962**	**$ 2,202,992**	**$ 218,758,474**

Table 4.11: Allocation of FY26 Fixed Assets to Customer Classes

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Residential	$ 30,998,335	$ 69,587,668	$ 16,040,454	$ -	$ 457,253	$ -	$ 117,083,711
Multi-Family Residential	$ 7,474,641	$ 5,162,985	$ 5,915,521	$ -	$ 34,191	$ -	$ 18,587,338
Commercial	$ 13,690,884	$ 11,820,941	$ 6,251,038	$ -	$ 68,389	$ -	$ 31,831,252
Seasonal	$ 3,999,473	$ 18,992,669	$ 2,739,143	$ -	$ 4,805	$ -	$ 25,736,089
Public Fire Protection	$ -	$ 22,765,508	$ 22,496,447	$ -	$ -	$ 1,831,797	$ 47,093,751
Private Fire Protection	$ -	$ 2,732,706	$ 2,700,408	$ -	$ -	$ 219,884	$ 5,652,998
Non-Owners							$ -
Residential	$ 194,201	$ 430,495	$ 88,081	$ -	$ 4,339	$ -	$ 717,116
Commercial	$ 7,721,756	$ 6,583,552	$ 3,090,239	$ -	$ 3,570	$ -	$ 17,399,117
Commercial Resale	$ 516,658	$ 343,591	$ 221,929	$ -	$ 332	$ -	$ 1,082,510
Resale	$ 7,677,425	$ 18,298,975	$ 1,136,329	$ -	$ 662	$ -	$ 27,113,392
Private Fire Protection	$ -	$ 139,356	$ 122,234	$ -	$ -	$ 13,505	$ 275,095
Total	**$ 72,273,373**	**$ 156,858,446**	**$ 60,801,824**		**$ 573,540**	**$ 2,065,186**	**$ 292,572,369**

Table 4.12: Allocation of FY27 Fixed Assets to Customer Classes

4.4 Depreciation Allocations

Tables 3.5 and 3.6 presented the depreciation by asset type and Tables 3.7 and 3.8 summarized total depreciation by ownership for FY26 and FY27, respectively. Tables 4.13 and 4.14 summarize functionalized depreciation expense by asset type and ownership for FY26 and FY27, respectively. Functionalization of depreciation expense was previously described in Sub-section 4.3.

Asset Type	Joint	All-But-Resale	Owners	Resale	Total
Source of Supply	$ 449,833	$ 287,411	$ 57,859	$ -	$ 795,103
Water Treatment/HS Pumping	$ 698,980	$ 1,872,780	$ 895,052	$ -	$ 3,466,812
Distribution Pumping	$ 2,106,444	$ 3,896	$ -	$ -	$ 2,110,339
Reservoirs and Tanks	$ 410,032	$ 80,681	$ 176,215	$ 72,369	$ 739,296
Transmission and Distribution	$ -	$ 163,292	$ -	$ -	$ 163,292
Meters and Hydrants	$ 909,071	$ -	$ 8,268	$ -	$ 917,339
General Plant	$ 146,050	$ 151,813	$ 201,886	$ -	$ 499,749
Total	**$4,720,410**	**$ 2,559,873**	**$1,339,279**	**$72,369**	**$8,691,930**

Table 4.13: FY26 Depreciation Expense by Ownership

Asset Type	Joint	All-But-Resale	Owners	Resale	Total
Source of Supply	$ 449,833	$ 287,411	$ 72,859	$ -	$ 810,103
Water Treatment/HS Pumping	$ 1,613,205	$ 1,957,020	$ 951,212	$ -	$ 4,521,437
Distribution Pumping	$ 2,149,129	$ 63,896	$ -	$ -	$ 2,213,025
Reservoirs and Tanks	$ 410,032	$ 80,681	$ 176,215	$ 72,369	$ 739,296
Transmission and Distribution	$ -	$ 163,292	$ -	$ -	$ 163,292
Meters and Hydrants	$ 909,071	$ -	$ 8,268	$ -	$ 917,339
General Plant	$ 283,587	$ 151,813	$ 201,886	$ -	$ 637,286
Total	**$5,814,857**	**$2,704,113**	**$1,410,439**	**$72,369**	**$10,001,777**

Table 4.14: FY27 Depreciation Expense by Ownership

Tables 4.15 and 4.16 summarize depreciation expense by asset type classification and Tables 4.17 and 4.18 present the allocated depreciation expense to each user class for FY26 and FY27, respectively. Classification of depreciation expense was previously described in Sub-section 4.3. Detailed tables are found in Appendix B.

Asset Type	Base	Max Day	Max Hour	Meter	Direct Fire	Total
Source of Supply	$ 366,050	$ 115,511	$ -	$ -	$ -	$ 481,561
Water Treatment/HS Pumping	$ 947,111	$ 886,484	$ 1,098	$ 12	$ 43	$ 1,834,748
Distribution Pumping	$ 277,357	$ 332,829	$ 1,553	$ -	$ -	$ 611,739
Reservoirs and Tanks	$ 192,375	$ 230,850	$ 230,850	$ -	$ -	$ 654,075
Transmission and Distribution	$ 1,231,356	$ 1,477,628	$ 1,477,628	$ -	$ -	$ 4,186,612
Meters and Hydrants	$ -	$ -	$ -	$ 60,308	$ 120,874	$ 181,182
General Plant	$ 297,242	$ 333,443	$ 105,990	$ 1,200	$ 4,138	$ 742,013
Total	**$3,311,492**	**$3,376,744**	**$1,817,118**	**$61,521**	**$125,055**	**$8,691,930**

Table 4.15: FY26 Depreciation Expense by Classification

Asset Type	Base	Max Day	Max Hour	Meter	Direct Fire	Total
Source of Supply	$ 366,050	$ 115,511	$ -	$ -	$ -	$ 481,561
Water Treatment/HS Pumping	$ 1,366,434	$ 1,389,671	$ 1,098	$ 12	$ 43	$ 2,757,258
Distribution Pumping	$ 277,357	$ 332,829	$ 1,553	$ -	$ -	$ 611,739
Reservoirs and Tanks	$ 234,728	$ 281,674	$ 281,674	$ -	$ -	$ 798,075
Transmission and Distribution	$ 1,300,415	$ 1,560,498	$ 1,560,498	$ -	$ -	$ 4,421,412
Meters and Hydrants	$ -	$ -	$ -	$ 60,308	$ 120,874	$ 181,182
General Plant	$ 300,290	$ 336,618	$ 108,192	$ 1,225	$ 4,224	$ 750,550
Total	**$3,845,275**	**$4,016,801**	**$1,953,014**	**$61,546**	**$125,141**	**$10,001,777**

Table 4.16: FY27 Depreciation Expense by Classification

Customer Class	Base	Max Day	Max Hr.	Customer	Meter	Direct Fire	Total
Owners							
Residential	$ 1,409,509	$ 1,484,643	$ 474,645	$ -	$ 49,022	$ -	$ 3,417,819
Multi-Family Residential	$ 339,875	$ 110,152	$ 175,043	$ -	$ 3,675	$ -	$ 628,746
Commercial	$ 622,531	$ 252,198	$ 184,971	$ -	$ 7,346	$ -	$ 1,067,047
Industrial	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Seasonal	$ 181,858	$ 405,206	$ 81,053	$ -	$ 518	$ -	$ 668,634
Public Fire Protection	$ -	$ 488,093	$ 668,963	$ -	$ -	$ 110,915	$ 1,267,971
Private Fire Protection	$ -	$ 58,589	$ 80,300	$ -	$ -	$ 13,314	$ 152,204
Non-Owners							
Residential	$ 8,811	$ 9,113	$ 2,711	$ -	$ 468	$ -	$ 21,103
Commercial	$ 350,333	$ 139,366	$ 95,120	$ -	$ 385	$ -	$ 585,204
Commercial Resale	$ 23,441	$ 7,273	$ 6,831	$ -	$ 36	$ -	$ 37,581
Resale	$ 375,135	$ 419,129	$ 43,678	$ -	$ 71	$ -	$ 838,013
Private Fire Protection	$ -	$ 2,981	$ 3,802	$ -	$ -	$ 826	$ 7,610
Total	**$ 3,311,492**	**$ 3,376,744**	**$ 1,817,118**	**$ -**	**$ 61,521**	**$ 125,055**	**$ 8,691,930**

Table 4.17: Allocated FY26 Depreciation Expense by User Class

Customer Class	Base	Max Day	Max Hr.	Customer	Meter	Direct Fire	Total
Owners							
Residential	$ 1,623,667	$ 1,746,430	$ 510,867	$ -	$ 49,067	$ -	$ 3,930,031
Multi-Family Residential	$ 391,516	$ 129,575	$ 188,401	$ -	$ 3,669	$ -	$ 713,161
Commercial	$ 717,117	$ 296,668	$ 199,087	$ -	$ 7,339	$ -	$ 1,220,211
Industrial	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Seasonal	$ 209,489	$ 476,656	$ 87,238	$ -	$ 516	$ -	$ 773,898
Public Fire Protection	$ -	$ 571,342	$ 716,482	$ -	$ -	$ 111,000	$ 1,398,824
Private Fire Protection	$ -	$ 68,582	$ 86,004	$ -	$ -	$ 13,324	$ 167,911
Non-Owners							
Residential	$ 10,277	$ 10,921	$ 2,916	$ -	$ 466	$ -	$ 24,580
Commercial	$ 408,642	$ 167,022	$ 102,303	$ -	$ 383	$ -	$ 678,351
Commercial Resale	$ 27,342	$ 8,717	$ 7,347	$ -	$ 36	$ -	$ 43,441
Resale	$ 457,224	$ 537,353	$ 48,321	$ -	$ 71	$ -	$ 1,042,970
Private Fire Protection	$ -	$ 3,535	$ 4,047	$ -	$ -	$ 817	$ 8,399
Total	**$ 3,845,275**	**$ 4,016,801**	**$ 1,953,014**	**$ -**	**$ 61,546**	**$ 125,141**	**$ 10,001,777**

Table 4.18: Allocated FY27 Depreciation Expense by User Class

4.5 Capital Cost Allocations

The capital-related revenue requirements were introduced in Table 3.4. Tables 4.19 and 4.20, respectively, show the capital-related revenue requirements allocated to each user class for FY26 and FY27.

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Residential	$ 2,776,646	$ 3,007,465	$ 1,188,901	$ -	$ 40,680	$ -	$ 7,013,692
Multi-Family Residential	$ 669,534	$ 223,136	$ 438,452	$ -	$ 3,050	$ -	$ 1,334,172
Commercial	$ 1,226,348	$ 510,882	$ 463,320	$ -	$ 6,096	$ -	$ 2,206,646
Seasonal	$ 358,249	$ 820,832	$ 203,022	$ -	$ 430	$ -	$ 1,382,533
Public Fire Protection	$ -	$ 988,738	$ 1,675,632	$ -	$ -	$ 156,112	$ 2,820,483
Private Fire Protection	$ -	$ 118,685	$ 201,138	$ -	$ -	$ 18,739	$ 338,563
Non-Owners							$ -
Residential	$ 21,922	$ 23,067	$ 7,928	$ -	$ 780	$ -	$ 53,698
Commercial	$ 871,665	$ 352,762	$ 278,151	$ -	$ 642	$ -	$ 1,503,220
Commercial Resale	$ 57,732	$ 18,433	$ 21,755	$ -	$ 40	$ -	$ 97,959
Resale	$ 787,101	$ 826,547	$ 122,500	$ -	$ 92	$ -	$ 1,736,240
Private Fire Protection	$ -	$ 7,546	$ 11,119	$ -	$ -	$ 1,763	$ 20,428
Total	**$ 6,769,196**	**$ 6,898,093**	**$ 4,611,919**		**$ 51,811**	**$ 176,615**	**$ 18,507,634**

Table 4.19: Summary of FY26 Allocated Capital-Related Revenue Requirements

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Residential	$ 1,919,390	$ 4,308,808	$ 993,211	$ -	$ 28,313	$ -	$ 7,249,722
Multi-Family Residential	$ 462,823	$ 319,688	$ 366,284	$ -	$ 2,117	$ -	$ 1,150,912
Commercial	$ 847,728	$ 731,942	$ 387,059	$ -	$ 4,235	$ -	$ 1,970,964
Seasonal	$ 247,644	$ 1,176,010	$ 169,605	$ -	$ 298	$ -	$ 1,593,556
Public Fire Protection	$ -	$ 1,409,621	$ 1,392,961	$ -	$ -	$ 113,423	$ 2,916,004
Private Fire Protection	$ -	$ 169,207	$ 167,207	$ -	$ -	$ 13,615	$ 350,029
Non-Owners							$ -
Residential	$ 22,419	$ 37,836	$ 8,423	$ -	$ 737	$ -	$ 69,415
Commercial	$ 891,414	$ 578,632	$ 295,508	$ -	$ 606	$ -	$ 1,766,161
Commercial Resale	$ 53,742	$ 35,740	$ 23,085	$ -	$ 34	$ -	$ 112,600
Resale	$ 775,327	$ 1,847,976	$ 114,756	$ -	$ 67	$ -	$ 2,738,126
Private Fire Protection	$ -	$ 12,248	$ 11,689	$ -	$ -	$ 1,661	$ 25,598
Total	**$ 5,220,487**	**$ 10,627,707**	**$ 3,929,787**		**$ 36,406**	**$ 128,699**	**$ 19,943,087**

Table 4.20: Summary of FY27 Allocated Capital-Related Revenue Requirements

5.0 Results and Proposed Rates

5.1 Cost of Service Results

For FY26, the total revenue requirements to be recovered through rates or use of cash reserves total $34,528,947. Tables 5.1 and 5.2 summarize the allocated revenue requirements by user class for FY26 and FY27, respectively. Note that the Max Day and Max Hour revenue requirements allocated to Owner and Non-Owner Residential, Commercial, and Industrial user classes include public fire protection costs. The Resale user class is not allocated fire protection charges as the Resale system provides its own fire protection. Tables 5.3 and 5.4, respectively, present the calculated unit costs of service for each user class for FY26 and FY27.

Customer Class	Base	Max Day	Max Hr.	Customer	Meter	Direct Fire	Total
Owners Cost Allocation							
Residential	$5,216,134	$4,894,887	$1,431,618	$1,172,137	$1,579,292	$0	$14,294,069
Multi-Family Residential	$1,257,768	$363,171	$527,963	$36,461	$118,410	$0	$2,303,774
Commercial	$2,303,784	$831,500	$557,908	$89,424	$236,672	$0	$4,019,289
Industrial	$0	$0	$0	$0	$0	$0	$0
Seasonal	$672,997	$1,335,969	$244,470	$7,209	$16,679	$0	$2,277,324
Public Fire Protection	$0	$1,609,250	$2,017,717	$0	$0	$998,654	$4,625,620
Private Fire Protection	$0	$193,170	$242,201	$0	$0	$119,876	$555,246
Non-Owners							
Residential	$40,714	$37,489	$9,561	$11,868	$16,368	$0	$115,999
Commercial	$1,618,848	$573,319	$335,422	$3,706	$13,465	$0	$2,544,761
Commercial Resale	$107,726	$29,943	$25,868	$176	$1,230	$0	$164,944
Resale	$1,750,372	$1,687,230	$153,749	$43	$2,425	$0	$3,593,819
Private Fire Protection	$0	$12,264	$13,408	$0	$0	$8,428	$34,101
Subtotal Owner and Non-Owner Cost Allocation							**$34,528,947**
Public Fire Protection Adjustment							
Owners							
Residential	$0	$1,492,648	$1,275,456	$0	$0	$0	$2,768,104
Multi-Family Residential	$0	$110,745	$470,372	$0	$0	$0	$581,118
Commercial	$0	$253,558	$497,051	$0	$0	$0	$750,609
Industrial	$0	$0	$0	$0	$0	$0	$0
Public Fire Protection	$0	-$2,052,343	-$2,573,278	$0	$0	$0	($4,625,620)
Non-Owners							
Residential	$0	$11,432	$8,518	$0	$0	$0	$19,950
Commercial	$0	$174,828	$298,834	$0	$0	$0	$473,662
Subtotal Fire Protection Adjustment							**($32,177)**
Adjusted Cost Allocation							
Owners							
Residential	$5,216,134	$6,387,536	$2,707,074	$1,172,137	$1,579,292	$0	$17,062,173
Multi-Family Residential	$1,257,768	$473,917	$998,336	$36,461	$118,410	$0	$2,884,892
Commercial	$2,303,784	$1,085,058	$1,054,959	$89,424	$236,672	$0	$4,769,898
Industrial	$0	$0	$0	$0	$0	$0	$0
Seasonal	$672,997	$1,335,969	$244,470	$7,209	$16,679	$0	$2,277,324
Public Fire Protection	$0	-$443,093	-$555,561	$0	$0	$998,654	$0
Private Fire Protection	$0	$193,170	$242,201	$0	$0	$119,876	$555,246
Non-Owners							
Residential	$40,714	$48,921	$18,078	$11,868	$16,368	$0	$135,949
Commercial	$1,618,848	$748,147	$634,257	$3,706	$13,465	$0	$3,018,423
Commercial Resale	$107,726	$39,074	$48,915	$176	$1,230	$0	$197,122
Resale	$1,750,372	$1,687,230	$153,749	$43	$2,425	$0	$3,593,819
Private Fire Protection	$0	$12,264	$13,408	$0	$0	$8,428	$34,101
Total Adjusted Cost Allocation	**$12,968,344**	**$11,568,194**	**$5,559,886**	**$1,321,025**	**$1,984,541**	**$198,026**	**$34,528,947**

Table 5.1: Summary of FY26 Cost of Service Results

Customer Class	Base	Max Day	Max Hr.	Customer	Meter	Direct Fire	Total
Owners Cost Allocation							
Residential	$3,896,010	$6,801,716	$1,243,932	$1,208,483	$1,615,270	$0	$14,765,411
Multi-Family Residential	$939,446	$504,646	$458,747	$37,575	$120,783	$0	$2,061,198
Commercial	$1,720,732	$1,155,416	$484,766	$92,164	$241,586	$0	$3,694,664
Industrial	$0	$0	$0	$0	$0	$0	$0
Seasonal	$502,672	$1,856,403	$212,420	$7,395	$16,974	$0	$2,595,863
Public Fire Protection	$0	$2,225,172	$1,744,592	$0	$0	$982,044	$4,951,808
Private Fire Protection	$0	$267,103	$209,416	$0	$0	$117,882	$594,401
Non-Owners							
Residential	$37,565	$56,781	$10,099	$12,164	$16,720	$0	$133,329
Commercial	$1,493,633	$868,347	$354,317	$3,799	$13,755	$0	$2,733,851
Commercial Resale	$94,036	$50,860	$27,308	$181	$1,256	$0	$173,640
Resale	$1,566,663	$2,998,454	$147,406	$44	$2,459	$0	$4,715,026
Private Fire Protection	$0	$18,380	$14,015	$0	$0	$8,454	$40,850
Subtotal Owner and Non-Owner Cost Allocation							**$36,460,039**
Public Fire Protection Adjustment							
Owners							
Residential	$0	$2,000,378	$1,049,567	$0	$0	$0	$3,049,944
Multi-Family Residential	$0	$148,416	$387,067	$0	$0	$0	$535,483
Commercial	$0	$339,807	$409,021	$0	$0	$0	$748,827
Industrial	$0	$0	$0	$0	$0	$0	$0
Public Fire Protection	$0	-$2,775,637	-$2,176,171	$0	$0	$0	($4,951,808)
Non-Owners							
Residential	$0	$16,699	$8,521	$0	$0	$0	$25,220
Commercial	$0	$255,380	$298,955	$0	$0	$0	$554,335
Subtotal Fire Protection Adjustment							**($37,999)**
Adjusted Cost Allocation							
Owners							
Residential	$3,896,010	$8,802,093	$2,293,499	$1,208,483	$1,615,270	$0	$17,815,355
Multi-Family Residential	$939,446	$653,062	$845,814	$37,575	$120,783	$0	$2,596,681
Commercial	$1,720,732	$1,495,222	$893,787	$92,164	$241,586	$0	$4,443,491
Industrial	$0	$0	$0	$0	$0	$0	$0
Seasonal	$502,672	$1,856,403	$212,420	$7,395	$16,974	$0	$2,595,863
Public Fire Protection	$0	-$550,465	-$431,579	$0	$0	$982,044	$0
Private Fire Protection	$0	$267,103	$209,416	$0	$0	$117,882	$594,401
Non-Owners							
Residential	$37,565	$73,480	$18,620	$12,164	$16,720	$0	$158,549
Commercial	$1,493,633	$1,123,727	$653,272	$3,799	$13,755	$0	$3,288,185
Commercial Resale	$94,036	$65,817	$50,349	$181	$1,256	$0	$211,639
Resale	$1,566,663	$2,998,454	$147,406	$44	$2,459	$0	$4,715,026
Private Fire Protection	$0	$18,380	$14,015	$0	$0	$8,454	$40,850
Total Adjusted Cost Allocation	**$10,250,756**	**$16,803,277**	**$4,907,018**	**$1,361,806**	**$2,028,802**	**$198,026**	**$36,460,039**

Table 5.2: Summary of FY27 Cost of Service Results

Customer Class	Base ($/kgaL)	Max Day ($/kgal)	Max Hour ($/kgal)	Customer ($/month)	Meter ($/month for 3/4-inch Meter)	Direct Fire ($/month for 6-inch Meter)
Owners						
Residential	$2.09	$2.56	$1.08	$3.47	$4.66	$0.00
Multi-Family Residential	$2.09	$0.78	$1.63	$3.47	$4.66	$0.00
Commercial	$2.09	$0.98	$0.96	$3.47	$4.66	0.00
Industrial	N/A	N/A	N/A	$0.00	$0.00	0.00
Seasonal	$2.04	$4.00	$0.75	$3.47	$4.66	0.00
Public Fire Protection	N/A	N/A	N/A	0.00	0.00	0.00
Private Fire Protection	N/A	N/A	N/A	0.00	0.00	64.72
Non-Owners						
Residential	$2.17	$2.61	$0.96	$3.68	$5.05	$0.00
Commercial	2.17	1.00	0.85	3.68	5.05	0.00
Commercial Resale	2.16	0.78	0.98	3.68	4.97	0.00
Resale	1.66	1.60	0.15	3.61	4.91	0.00
Private Fire Protection	N/A	N/A	N/A	0.00	0.00	63.84

Table 5.3: Summary of FY26 Cost of Service Results – Unit Results

Customer Class	Base ($/kgaL)	Max Day ($/kgal)	Max Hour ($/kgal)	Customer ($/month)	Meter ($/month for 3/4-inch Meter)	Direct Fire ($/month for 6-inch Meter)
Owners						
Residential	$1.55	$3.50	$0.91	$3.56	$4.74	$0.00
Multi-Family Residential	$1.55	$1.07	$1.37	$3.56	$4.74	$0.00
Commercial	1.55	1.34	0.80	3.56	4.74	0.00
Industrial	N/A	N/A	N/A	0.00	0.00	0.00
Seasonal	1.52	5.56	0.65	3.56	4.74	0.00
Public Fire Protection	N/A	N/A	N/A	0.00	0.00	0.00
Private Fire Protection	N/A	N/A	N/A	0.00	0.00	68.94
Non-Owners						
Residential	$2.00	$3.91	$0.99	$3.77	$5.16	$0.00
Commercial	2.00	1.51	0.88	3.77	5.16	0.00
Commercial Resale	1.88	1.32	1.01	3.77	5.07	0.00
Resale	1.46	2.80	0.14	3.70	4.97	0.00
Private Fire Protection	N/A	N/A	N/A	0.00	0.00	76.90

Table 5.4: Summary of FY27 Cost of Service Results – Unit Results

5.2 Resale Water Rate

Based on parameters outlined in the 2009 Memorandum of Agreement between the City of Billings and the County Water District of Billings Heights, the City's rate model applies the utility basis cost of service approach to establish the water rate for the Resale user class. As part of this study, the functionalization, classification, and allocation assumptions upon which the analysis is based were reviewed and updated, where applicable, to reflect the current configuration and operation of the system, as well as recent historical demands on the system. Table 5.5 summarizes the FY26 and FY27 Resale rate calculations.

Resale Water Rate Summary	FY2026	FY2027
Projected Water Purchase (kgal)	1,053,252	1,072,211
Actual Water Sales (kgal)		
Peaking Factor - Peak Day	*2.55*	*2.55*
Peaking Factor - Peak Hour	*3.61*	*3.61*
Allocated O&M Revenue Requirements - Resale	**FY2026**	**FY2027**
Base	$ 963,272	$ 791,336
Max Day	$ 860,683	$ 1,150,478
Max Hr.	$ 31,249	$ 32,650
Customer	$ 43	$ 44
Meter	$ 2,333	$ 2,392
Direct Fire	$ -	$ -
Total Resale O&M Revenue Requirements	**$ 1,857,579**	**$ 1,976,900**
Debt/Equity	**FY2026**	**FY2027**
Total Outstanding Debt	$ 80,075,000	$ 117,726,000
Interest on Outstanding Debt	$ 3,499,072	$ 5,010,267
Effective Interest Rate on Outstanding Debt	4.37%	4.26%
Total Fund Equity	$ 138,683,474	$ 174,846,369
Rate of Return on Equity	7.51%	7.51%
Total Equity and Debt	$ 218,758,474	$ 292,572,369
Weighted Cost of Capital	6.36%	6.20%
Allocated Capital Revenue Requirements - Resale	**FY2026**	**FY2027**
Base	$ 787,101	$ 775,327
Max Day	$ 826,547	$ 1,847,976
Max Hr.	$ 122,500	$ 114,756
Customer	$ -	$ -
Meter	$ 92	$ 67
Direct Fire	$ -	$ -
Total Resale Capital Revenue Requirements	**$ 1,736,240**	**$ 2,738,126**
Total Resale Revenue Requirements	**$ 3,593,819**	**$ 4,715,026**
Calculated Rate - Resale ($/kgal)	**$ 3.42**	**$ 4.40**

Table 5.5: Summary of Resale Water Rate Calculations – FY26-FY27

Based on the capital expenditures currently planned for the remainder of FY25 through FY27, the Source of Supply and Treatment components of the asset base are anticipated increase significantly by FY27. Specifically, the West End Water Treatment Plant will be online and come into the rate base in FY27. The West End Reservoir project is anticipated to come into the rate based in FY28, which is beyond the planning period for this analysis, but is notable as it will bring further increases to the rate base. As supply/treatment infrastructure, the West End Water Treatment Plant is jointly allocated to all user classes, which is why the Resale customer sees an increase in its applicable rate base and a corresponding increase in the capital-related revenue requirements.

5.4 Recommended FY26 and FY27 Water Rates

Based on the results of this study, the recommended monthly meter rates for FY26 and FY27 are shown in Table 5.7. Tables 5.8 and 5.9 summarize the cost of service-based recommendations for Fire Protection charges for Owners and Non-Owners, respectively.

Meter Size	Inside City Recommended Rate FY26	Outside City Recommended Rate FY26	% Increase from FY25	Inside City Recommended Rate FY27	Outside City Recommended Rate FY27	% Increase from FY26
3/4"	$8.95	$9.80	2.3%	$9.15	$10.00	2.2%
1"	$10.20	$11.05	2.5%	$10.40	$11.25	2.0%
1-1/2"	$12.35	$13.40	2.5%	$12.60	$13.65	2.0%
2"	$17.65	$19.20	2.6%	$18.00	$19.60	2.0%
3"	$54.95	$59.70	2.5%	$56.05	$60.90	2.0%
4"	$71.55	$77.80	2.5%	$73.00	$79.35	2.0%
6"	$107.30	$116.70	2.5%	$109.45	$119.05	2.0%
8"	$146.70	$159.45	2.5%	$149.65	$162.65	2.0%
10"	$213.70	$237.00	2.5%	$217.95	$241.75	2.0%

Table 5.7: Recommended FY26 and FY27 Meter Charges for Owners and Non-Owners

Meter Size	Inside City Current Rate FY25 ($/Year)	Inside City Recommended Rate FY26 ($/Year)	% Increase from FY25	Inside City Recommended Rate FY27 ($/Year)	% Increase from FY26
1-1/4"	$34.55	$36.30	5.1%	$38.85	7.0%
1-1/2"	$46.10	$48.40		$51.80	
2"	$73.90	$77.60		$83.05	
3"	$184.45	$193.65		$207.20	
4"	$322.80	$338.95		$362.70	
6"	$737.65	$774.55		$828.75	
8"	$1,290.90	$1,355.45		$1,450.35	
10"	$2,028.40	$2,129.80		$2,278.90	
12"	$2,921.10	$3,067.15		$3,281.85	
14"	$3,975.85	$4,174.65		$4,466.90	

Table 5.8: Recommended Annual Fire Protection Charges for Owners – FY26/FY27

Meter Size	Outside City Current Rate FY25 ($/Year)	Outside City Recommended Rate FY26 ($/Year)	% Increase from FY25	Outside City Recommended Rate FY27 ($/Year)	% Increase from FY26
1-1/4"	$35.15	$36.90	5.1%	$39.50	7.0%
1-1/2"	$46.75	$49.10		$52.55	
2"	$74.80	$78.55		$84.05	
3"	$187.05	$196.40		$210.15	
4"	$327.15	$343.50		$367.55	
6"	$747.95	$785.35		$840.30	
8"	$1,308.85	$1,374.30		$1,470.50	
10"	$2,056.75	$2,159.60		$2,310.75	
12"	$2,961.65	$3,109.75		$3,327.45	
14"	$4,031.20	$4,232.75		$4,529.05	

Table 5.9: Calculated Annual Fire Protection Charges for Non-Owners – FY26/FY27

Table 5.10 presents the recommended FY26 and FY27 volumetric rates for Single-Family Residential users that are Owners (within City limits) of the system. Consistent with the approach taken in the previous analysis, rate increase percentages for Non-Owner Residential users are equal to the increases recommended for the Owner Single Family Residential user class in FY26 and FY27. Table 5.11 presents the calculated FY26 and FY27 volumetric rates for Non-Owner Single Family Residential accounts.

Single Family Residential - Inside City	Tier Volume (kgal)	Current FY25 Rate ($/kgal)	Recommended FY26 Rate ($/kgal)	% Increase from FY25	Recommended FY27 Rate ($/kgal)	% Increase from FY26
Tier 1	0-10	$4.87	$4.99	2.5%	$5.09	2.0%
Tier 2	11-32	$5.82	$5.97		$6.09	
Tier 3	33-75	$7.57	$7.76		$7.92	
Tier 4	>75	$11.37	$11.65		$11.88	

Table 5.10: Recommended FY26 and FY27 Volumetric Charges for Owners

Single Family Residential - Outside City	Tier Volume (kgal)	Current FY25 Rate ($/kgal)	Recommended FY26 Rate ($/kgal)	% Increase from FY25	Recommended FY27 Rate ($/kgal)	% Increase from FY26
Tier 1	0-10	$5.03	$5.16	2.5%	$5.26	2.0%
Tier 2	11-32	$6.04	$6.19		$6.31	
Tier 3	33-75	$7.87	$8.07		$8.23	
Tier 4	>75	$11.79	$12.08		$12.32	

Table 5.11: Recommended FY26 and FY27 Volumetric Charges for Non-Owners

The current residential tier structure consists of four tiers, designed to incentivize responsible water use, particularly outdoor water use during the summer months. City staff have noted an increase in water use by some new residential developments. Should an additional tier be desired to address excessive water use, consideration should be given to an adjustment of tier 4 to

capture water use from 75,001 to 120,000 gallons per month and a fifth tier to address water use in excess of 120,000 gallons per month.

Table 5.12 presents the recommended non-residential volumetric rates for FY26 and FY27 for Owner and Non-Owner user classes.

	Current FY25 Rate ($/kgal)	Recommended FY26 Rate ($/kgal)	% Increase from FY25	Recommended FY27 Rate ($/kgal)	% Increase from FY26
Owners					
Multi-Family Residential	$ 4.78	$ 4.78	0.0%	$ 4.78	0.0%
Non-Residential	$ 3.97	$ 4.07	2.5%	$ 4.07	0.0%
Commercial Resale	$ 4.91	$ 5.03	2.5%	$ 5.03	0.0%
Seasonal	$ 6.88	$ 7.05	2.5%	$ 7.97	13.0%
Non-Owners					
Non-Residential	$ 4.22	$ 4.33	2.5%	$ 4.33	0.0%
Resale (HWD)	$ 3.04	$ 3.42	12.5%	$ 4.40	28.6%

Table 5.12: Recommended Multi-Family and Non-Residential Volumetric Rates for Owners and Non-Owners – FY26 and FY27

Table 5.13 summarizes the projected revenue adequacy of the Water Utility for FY26 and FY27 based on the recommended rates. As shown in Table 5.14, the adoption of rates for FY26 that are less than the calculated cost of service results in a projected revenue deficiency for FY26 and FY27; however, as shown in Table 5.14, even with significant investment of reserve funds in those years, it is anticipated that utility reserves would be adequate to adsorb the projected revenue deficiency. In summary, under the projected water sales and given the current cash reserve balances, the recommended rates for FY26 and FY27 will present a stable near-term approach to rate-setting approach without significantly impacting overall revenue adequacy.

	FY2026	FY2027
Rate Revenue Requirements		
O&M-Related	$ 17,021,313	$ 17,531,952
Less Other Operating Revenu	$ (1,000,000)	$ (1,015,000)
Capital-Related	$ 13,102,770	$ 55,601,322
Less Cash Reserves	$ 5,404,864	$ (35,658,235)
Net Rate Revenue Requirements	**$ 34,528,947**	**$ 36,460,039**
Projected Rate Revenues		
Owners		
Residential	$ 16,557,033	$ 16,980,943
Multi-Family	$ 3,053,685	$ 3,072,129
Non-Residential	$ 4,854,393	$ 4,885,660
Seasonal	$ 2,299,917	$ 2,610,006
Fire Protection	$ 553,778	$ 592,546
Non-Owners		
Residential	$ 135,297	$ 137,954
Non-Residential	$ 3,251,501	$ 3,251,884
Resale (HWD)	$ 3,604,967	$ 4,720,629
Fire Protection	$ 34,959	$ 37,405
Total Projected Rate Revenue	**$ 34,345,529**	**$ 36,289,156**
Projected Revenue Adequacy	**$ (183,418)**	**$ (170,883)**

Table 5.13: Net Cash-Based Rate Revenue Requirements – FY26 and FY27

	2025	2026	2027
Total Water Fund Balance	$ 48,388,194	$ 53,793,058	$ 18,134,823
O&M Reserve	$ 5,394,122	$ 4,690,255	$ 4,945,763
Debt Service Reserve	$ 1,386,571	$ 1,386,571	$ 1,386,571
Capital/Rate Stabilization Reserve	$ 41,607,501	$ 47,716,232	$ 11,802,489

Table 5.14: Projected Cash Reserve Balances – FY26 and FY27

Figure 5.1 illustrates the projected cash balances through FY29 based on projected revenue requirements and revenues. At cost of service-based rates for the Resale customer and an overall revenue increase of two percent annually for all users but Resale, it is projected that O&M and debt service reserve balances can be met and a capital reserve balance can be maintained through FY29.

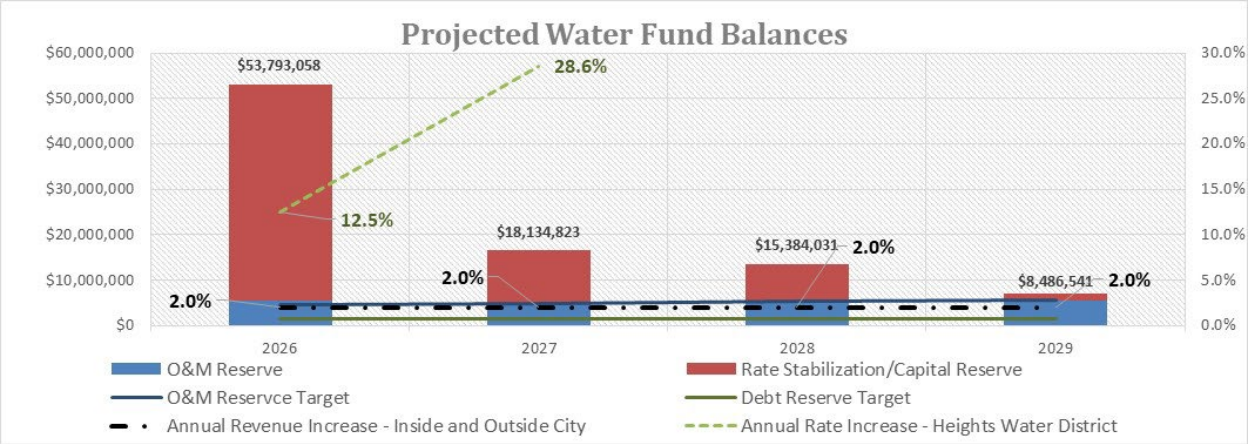


Figure 5.1: Projected Cash Balances

6.0 Revenue Forecasting

The recommended rates presented in Section 5.4 are based on several assumptions outlined in this report, primarily: O&M revenue requirements, capital revenue requirements, number of users, and water sales. While actual expenditures rarely are exactly equal to the budget, utilities are very good at forecasting and managing expenditures. The most volatile variable in the forecasting model is water sales, which can be attributed to factors outside the control of the utility – primarily weather.

Rate-setting approaches generally involve making a realistic but conservative estimate of future water sales. If sales are overestimated, rates can be set too low to obtain the required revenue, while taking an overly conservative approach and greatly underestimating sales can result in rate increases that place an undue burden on the users. In the end, projecting water sales involves determining the amount of risk that can be reasonably accepted by the utility.

To assess the potential risk to the City of Billings posed by lower water sales, a probabilistic revenue forecasting model developed by the Alliance for Water Efficiency was utilized. The model evaluates the probability of varying levels of water sales and revenue based on a minimum of 15 years of monthly maximum temperature and total rainfall values and a recent year of billed water sales.

For the purpose of this analysis, actual meter and flow data (existing fire services) from FY24 was evaluated based on 26 years of weather data. Table 6.1 summarizes the total precipitation by (fiscal) year for the City of Billings and indicates that the 26-year average is 13.88 inches.

Year	Total Precipitation (Inches)	Year	Total Precipitation (Inches)
1999	11.67	2012	7.13
2000	10.70	2013	16.70
2001	10.95	2014	14.03
2002	9.24	2015	12.96
2003	9.74	2016	14.89
2004	11.08	2017	17.63
2005	15.27	2018	19.01
2006	13.11	2019	19.10
2007	16.46	2020	13.24
2008	13.89	2021	10.13
2009	10.91	2022	15.28
2010	18.75	2023	17.46
2011	19.54	2024	11.96

Table 6.1: Precipitation Data, City of Billings (National Oceanic and Atmospheric Administration)

A review of recent annual residential water sales as compared to precipitation found that the City of Billings' water use patterns followed a predictable pattern – there is a general inverse relationship between water use and precipitation, as show in Figure 6.1.

Other factors considered in the revenue forecasting model included existing and projected water rates, growth factors, and demand elasticity factors. Once all data was entered, the model ran through 1,000 simulations to project the average, maximum, and minimum water sales and revenue values. The model results are shown in Figure 6.2 and Table 6.2. Projected average annual reduction in water sales of 0.35 percent.

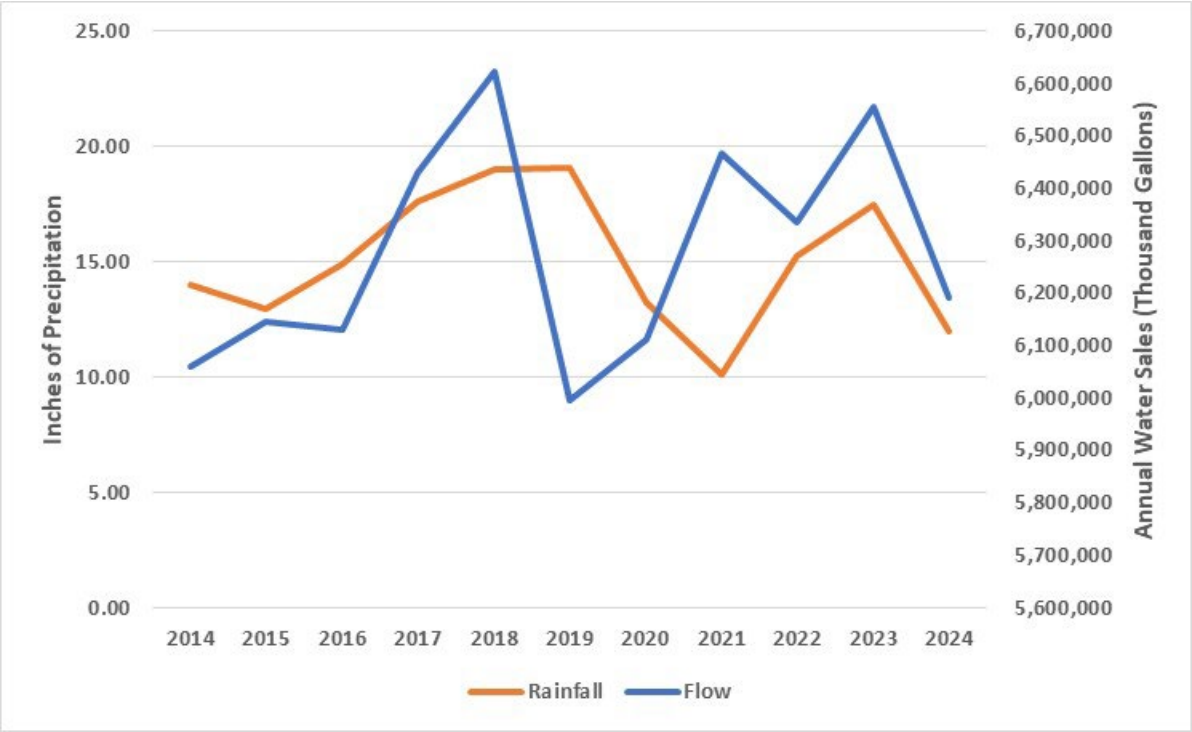


Figure 6.1: Precipitation Data vs Residential Water Sales, City of Billings

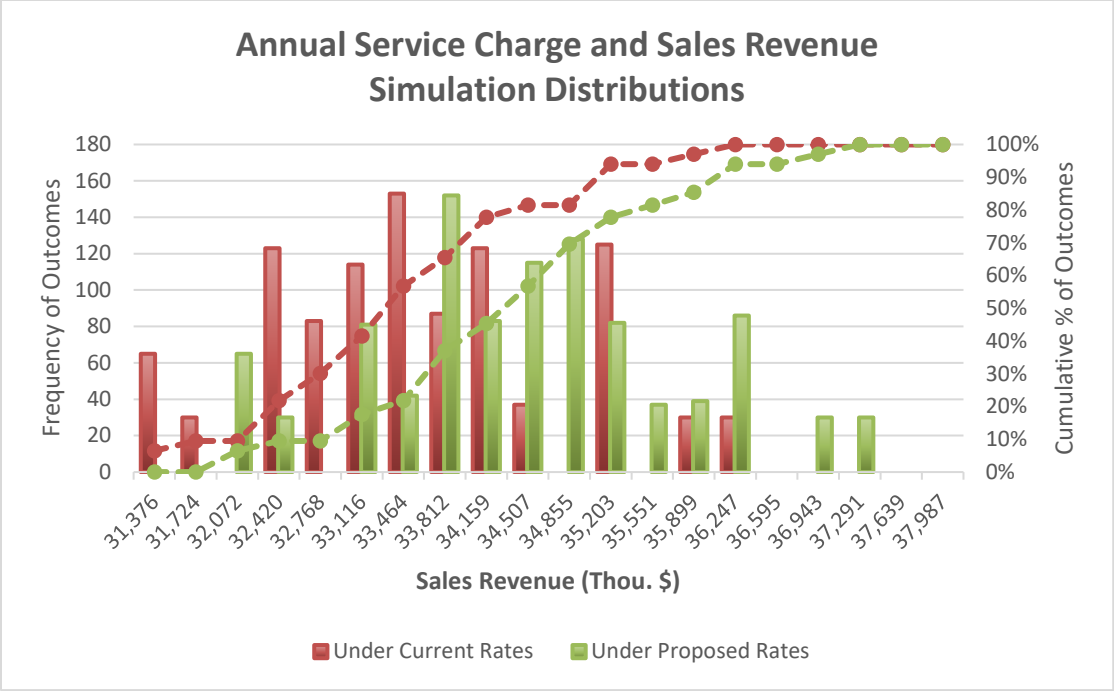


Figure 6.2: Probabilistic Revenue Forecast for FY26

	$33.9M	$33.0M	$31.9M
Probability to Meet/Exceed	63%	87%	100%

Table 6.2: Estimated Probability of Achieving Revenue at Varying Targets (FY26)

Figure 6.2 and Table 6.2 give an illustration of the risk associated with adoption of the FY26 rates. Total FY26 rate revenues, excluding fire protection, from Table 5.12, are projected at $33.9M. Figure 6.2 would suggest that the probability of obtaining revenues at that level is high. Based on 1,000 regressions run, average revenue of $34 million was projected. In addition, it should be noted that the City's O&M expenditures are typically less than budgeted. The revenue forecasting simulation projected minimum rate revenues of $31.9M in FY26, which is approximately five percent less than the assumed FY26 revenue requirements of $33.9M. In summary, the model projects a low risk of falling short of necessary revenue requirements under the proposed rates.

It is recommended that the City continues its practice of evaluating rates at least once every two years and maintaining a healthy cash position. It appears that the maximum revenue shortfall as predicted by the forecasting model could be readily offset using existing cash reserves should a shortfall materialize.

Appendix A: Fixed Asset Tables

Fixed Asset	Original Cost	Annual Depreciation	Accumulated Depreciation Through FY2024	Net Fixed Assets (Book Value FY2026)	Allocated Depreciation Expense FY2026	Net Fixed Assets (Book Value FY2027)	Allocated Depreciation Expense FY2027
Clear Well Standpipe #1	$641,250	$0	$641,250	$0	$0	$0	$0
Clear Well Standpipe #2	$127,594	$0	$127,594	$0	$0	$0	$0
Clear Well Standpipe #3	$35,843	$0	$35,843	$0	$0	$0	$0
Clear Well Standpipe #4	$2,597,191	$77,924	$1,837,182	$682,086	$77,924	$604,200	$77,924
Clear Well Standpipe #5	$2,425,638	$121,282	$1,303,781	$1,000,575	$121,282	$879,300	$121,282
Clear Well Standpipe #6	$628,231	$12,565	$79,576	$536,091	$12,565	$523,500	$12,565
Clear Well Standpipe #7	$0	$0	$0	$0	$0	$0	$0
#1 Intake Channel Head Wk	$2,945,079	$85,248	$1,462,146	$2,202,031	$93,456	$2,100,358	$101,663
#1 Low Duty Pumping St	$2,654,637	$94,873	$1,213,705	$1,346,058	$94,873	$1,251,200	$94,873
#2 Low Duty Pumping St.	$358,304	$0	$358,304	$0	$0	$0	$0
#2 River Intake	$4,677,960	$50,093	$1,311,478	$4,451,296	$61,674	$4,377,992	$73,254
Booster St-12 Av N & N27	$6,230	$0	$0	$6,230	$0	$6,200	$0
Briarwood Reservoir	$3,515,064	$70,301	$568,269	$2,876,494	$70,301	$2,806,200	$70,301
Chapple Pump Station	$1,238,738	$18,194	$1,073,820	$146,724	$18,194	$128,500	$18,194
Chem Bldg & Treatment Bsn	$5,578,448	$189,891	$3,664,565	$4,868,673	$206,039	$67,714,669	$1,149,690
Christensen Pump Station	$3,403,350	$0	$3,249,148	$154,202	$0	$154,200	$0
Cold Storage Building	$188,305	$3,206	$148,766	$36,333	$3,206	$33,100	$3,206
Communication Equipment	$487,970	$6,463	$487,970	$0	$6,463	$0	$0
Construction Equipment	$1,534,666	$72,823	$1,162,966	$298,877	$72,823	$226,100	$72,823
Distribution Mains < 12	$57,118,237	$1,254,151	$24,449,035	$79,066,517	$1,677,240	$83,719,504	$2,367,030
Filter Bldg,Clr Bsn & Ps	$30,732,269	$1,240,326	$18,658,249	$15,257,199	$1,262,130	$14,524,508	$1,312,720
Fox Pump Station	$2,420,426	$80,681	$410,128	$1,929,617	$80,681	$1,848,900	$80,681
Fox Reservoir	$3,746,659	$157,266	$2,034,394	$1,555,000	$157,266	$1,397,700	$157,266
Gas Pumps	$18,617	$927	$7,369	$10,321	$927	$9,400	$927
Heated Storage Bldg & Yrd Storage	$110,224	$4,255	$87,483	$18,486	$4,255	$14,200	$4,255
High Svc Pumping Station	$10,071,927	$324,249	$7,329,980	$2,819,673	$327,656	$2,488,574	$331,062
Hydrant Mains	$667,566	$7,255	$599,610	$60,701	$7,255	$53,400	$7,255
Hydrants	$3,999,958	$113,619	$1,780,993	$2,105,346	$113,619	$1,991,700	$113,619
Laboratory & Test Equipment	$453,176	$34,116	$306,544	$112,516	$34,116	$78,400	$34,116
Lateral Lines - Below 15	$95,686	$1,914	$3,030	$90,742	$1,914	$88,800	$1,914
Leavens Pump Station	$995,805	$8,268	$873,770	$113,767	$8,268	$105,500	$8,268
Leavens Reservoir	$2,026,360	$38,917	$177,819	$1,809,625	$38,917	$1,770,700	$38,917
Logan Reservoir	$330,763	$0	$330,763	$0	$0	$0	$0
Maint & Personnel Bldg	$68,310	$0	$68,310	$0	$0	$0	$0
Meters	$136,214	$27,243	$110,682	$628,247	$43,776	$567,958	$60,308
Office Furniture & Equip	$8,243	$0	$8,243	$0	$0	$0	$0
Office Furniture & Equipment	$574,724	$25,657	$458,729	$90,339	$25,657	$64,700	$25,657

Fixed Asset	Original Cost	Annual Depreciation	Accumulated Depreciation Through FY2024	Net Fixed Assets (Book Value FY2026)	Allocated Depreciation Expense FY2026	Net Fixed Assets (Book Value FY2027)	Allocated Depreciation Expense FY2027
Plant Electrical Shop	$609,000	$23,622	$317,400	$267,977	$23,622	$244,400	$23,622
Plant Maintenance Whse	$17,990	$0	$17,990	$0	$0	$0	$0
Public Utilities CIP	$0	$0	$0	$0	$0	$0	$0
Rights And Licenses	$68,101	$0	$68,101	$855,000	$15,000	$1,095,000	$60,000
Service Connections	$29,182	$0	$29,182	$0	$0	$0	$0
Staples Pump Station #1	$2,741,800	$83,045	$1,497,417	$1,161,338	$83,045	$1,078,300	$83,045
Staples Reservoir #1	$2,377,948	$30,199	$1,748,697	$599,052	$30,199	$568,900	$30,199
Staples Reservoir #2	$1,065,870	$53,294	$541,818	$470,759	$53,294	$417,500	$53,294
Staples Reservoir #3	$72,559	$0	$72,559	$0	$0	$0	$0
Terrace Estates Pump Station	$255,748	$12,787	$111,529	$131,432	$12,787	$118,600	$12,787
Thomas Pump Station	$79,522	$71	$1,470	$77,980	$71	$77,900	$71
Tools & Working Equipment	$627,126	$30,194	$488,955	$107,978	$30,194	$77,800	$30,194
Transmission Amain 12" & Up-	$41,653,320	$909,071	$26,136,807	$14,607,442	$909,071	$13,698,400	$909,071
Transmission Mains = 12"	$26,744,415	$534,888	$4,394,285	$21,815,243	$534,888	$21,280,400	$534,888
Transmission Mains > 12"	$21,020,467	$420,409	$3,381,793	$21,809,564	$456,409	$22,981,100	$548,509
Transportation Equipment	$2,069,441	$151,180	$1,570,462	$347,799	$151,180	$196,600	$151,180
Utilities Service Center	$1,391,850	$60,827	$440,038	$1,903,510	$68,164	$1,827,988	$75,501
Utilities Water	$318,945	$8,072	$137,010	$173,864	$8,072	$165,800	$8,072
UV BLDG WTP	$3,319,730	$165,986	$1,299,895	$1,853,849	$165,986	$1,687,900	$165,986
Voelker Pump Station	$1,888,686	$47,318	$749,874	$1,831,954	$53,593	$1,772,080	$59,868
Waldo Pump Station	$452,109	$7,794	$214,404	$229,911	$7,794	$222,100	$7,794
Waldo Reservoir	$40,509	$0	$40,509	$0	$0	$0	$0
Walter Pumping Station	$4,464,583	$180,921	$2,031,360	$2,252,302	$180,921	$2,071,400	$180,921
West End Reservoir	$0	$0	$0	$0	$0	$0	$0
Willett Pumping St #1	$1,624,421	$1,963	$1,602,826	$133,647	$2,929	$129,775	$3,896
Yard Piping & Flumes	$6,340,568	$58,796	$3,856,340	$2,425,433	$58,796	$2,366,600	$58,796
Zone 3 Chapple Reservoir	$6,579,214	$131,584	$1,052,675	$5,394,955	$131,584	$5,263,400	$131,584
Zone 4 Reservoir	$7,478,484	$145,098	$1,815,646	$5,517,740	$145,098	$5,372,600	$145,098
(blank)	$0	$0	$0	$0	$0	$0	$0
Grand Total	$0	$0	$0	$0	$0	$0	$0
Zone 4 Pump Station	$0	$0	$0	$8,956,981	$75,907	$8,805,177	$151,813
Zone 1 Storage	$0	$0	$0	$1,343,404	$13,708	$8,371,985	$171,416
IBL Storage and Distribution	$0	$0	$0	$215,600	$2,200	$211,200	$4,400
West End Distribution	$0	$0	$0	$0	$0	$2,940,000	$60,000
Net Fixed Assets & Depreciation	**$279,951,248**	**$7,178,826**	**$130,040,533**	**$218,758,474**	**$7,836,989**	**$292,572,369**	**$10,001,777**

Appendix B: Detailed Allocation Tables

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Owners						
Single Family Residential	39.0%	39.6%	24.6%	88.8%	79.7%	0.0%
Multi-Family Residential	9.4%	2.9%	9.1%	2.8%	6.0%	0.0%
Commercial	17.2%	6.7%	9.6%	6.8%	11.9%	0.0%
Industrial	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Seasonal	5.0%	10.8%	4.2%	0.5%	0.8%	0.0%
Public Fire Protection	0.0%	13.0%	34.5%	0.0%	0.0%	88.7%
Private Fire Protection	0.0%	1.6%	4.1%	0.0%	0.0%	10.6%
Non-Owners	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Residential	0.3%	0.3%	0.2%	0.8%	0.8%	0.0%
Commercial	11.6%	4.5%	6.5%	0.3%	0.6%	0.0%
Commercial Resale	0.8%	0.2%	0.5%	0.0%	0.1%	0.0%
Resale	16.7%	20.2%	6.5%	0.0%	0.1%	0.0%
Private Fire Protection	0.0%	0.1%	0.3%	0.0%	0.0%	0.7%
Total - Joint	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table B.1: Summary of Customer Service Characteristics - Joint

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Owners						
Single Family Residential	46.8%	49.7%	26.3%	88.8%	79.8%	0.0%
Multi-Family Residential	11.3%	3.7%	9.7%	2.8%	6.0%	0.0%
Commercial	20.7%	8.4%	10.3%	6.8%	11.9%	0.0%
Industrial	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Seasonal	6.0%	13.6%	4.5%	0.5%	0.8%	0.0%
Public Fire Protection	0.0%	16.2%	36.9%	0.0%	0.0%	88.7%
Private Fire Protection	0.0%	2.0%	4.4%	0.0%	0.0%	10.6%
Non-Owners	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Residential	0.3%	0.4%	0.2%	0.8%	0.8%	0.0%
Commercial	13.9%	5.7%	6.9%	0.3%	0.6%	0.0%
Commercial Resale	0.9%	0.3%	0.5%	0.0%	0.1%	0.0%
Resale	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Private Fire Protection	0.0%	0.1%	0.3%	0.0%	0.0%	0.7%
Total - All-But-Resale	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table B.2: Summary of Customer Service Characteristics – All-But-Resale

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Owners						
Single Family Residential	55.2%	53.1%	28.6%	89.8%	81.0%	0.0%
Multi-Family Residential	13.3%	3.9%	10.5%	2.8%	6.1%	0.0%
Commercial	24.4%	9.0%	11.1%	6.8%	12.1%	0.0%
Industrial	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Seasonal	7.1%	14.5%	4.9%	0.5%	0.9%	0.0%
Public Fire Protection	0.0%	17.4%	40.1%	0.0%	0.0%	89.3%
Private Fire Protection	0.0%	2.1%	4.8%	0.0%	0.0%	10.7%
Total - Owner	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table B.3: Summary of Customer Service Characteristics – Owner

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Non-Owners						
Residential	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commercial	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commercial Resale	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Resale	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private Fire Protection	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total - Resale	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table B.4: Summary of Customer Service Characteristics – Resale

Line Item	Total	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Water Production							
Chemicals	$932,134	$932,134	$0	$0	$0	$0	$0
All Other	4,271,633	1,941,651	2,329,982	0	0	0	0
High Service Pumping							
Utilities	1,713,227	1,370,581	342,645	0	0	0	0
All Other	45,932	20,878	25,054	0	0	0	0
System Pumping & Storage							
Utilities	84,626	67,701	16,925	0	0	0	0
All Other	28,863	13,119	15,743	0	0	0	0
Distribution System							
Fire Hydrants	0	0	0	0	0	0	0
All Other	640,417	188,358	226,029	226,029	0	0	0
Customer Billing & Meter	2,492,019	0	0	0	1,011,760	1,480,260	0
Admin.	3,508,750	957,278	1,148,733	258,100	359,672	526,220	258,747
O&M - Total	$13,717,601	$5,491,701	$4,105,112	$484,130	$1,371,432	$2,006,479	$258,747
Less: O&M Non-Rate Rev							
Water Permits	$0	$0	$0	$0	$0	$0	$0
Sale of Material/Labor	0	0	0	0	0	0	0
Public Water Supply	0	0	0	0	0	0	0
Water Srvc Line Repair	0	0	0	0	0	0	0
Water Srvc Line Admin.	0	0	0	0	0	0	0
Hydrant Mtr Rental Fee	0	0	0	0	0	0	0
Charge for Services	0	0	0	0	0	0	0
Total O&M Non-Rate Rev	$0	$0	$0	$0	$0	$0	$0
Total Joint O&M Rev Req.	$13,717,601	$5,491,701	$4,105,112	$484,130	$1,371,432	$2,006,479	$258,747

Table B.5: Joint O&M Costs by Functional Cost Component – FY26

Line Item	Total	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Water Production							
Chemicals	$17,866	$17,866	$0	$0	$0	$0	$0
All Other	81,871	37,214	44,657	0	0	0	0
High Service Pumping							
Utilities	32,836	26,269	6,567	0	0	0	0
All Other	880	400	480	0	0	0	0
System Pumping & Storage							
Utilities	369,697	295,757	73,939	0	0	0	0
All Other	126,089	57,313	68,776	0	0	0	0
Distribution System							
Fire Hydrants	741,809	0	0	0	0	0	741,809
All Other	1,047,959	308,223	369,868	369,868	0	0	0
Customer Billing & Meter	47,763	0	0	0	19,392	28,371	0
Admin.	67,250	18,347	22,017	4,947	6,894	10,086	4,959
O&M - Total	$2,534,018	$761,390	$586,304	$374,815	$26,285	$38,457	$746,768
Less: O&M Non-Rate Rev							
Water Permits	$0	$0	$0	$0	$0	$0	$0
Misc. Revenue	0	0	0	0	0	0	0
Collection of Bad Debt	0	0	0	0	0	0	0
Sale of Material/Labor	0	0	0	0	0	0	0
Public Water Supply	0	0	0	0	0	0	0
Water Srvc Line Repair	0	0	0	0	0	0	0
Water Srvc Line Admin.	0	0	0	0	0	0	0
Hydrant Mtr Rental Fee	0	0	0	0	0	0	0
Charge for Services	0	0	0	0	0	0	0
Total O&M Non-Rate Rev	$0	$0	$0	$0	$0	$0	$0
Total All-But-Resale O&M Rev Req.	$2,534,018	$761,390	$586,304	$374,815	$26,285	$38,457	$746,768

Table B.6: All-But-Resale O&M Costs by Functional Cost Component – FY26

Line Item	Total	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Water Production							
Chemicals	$0	$0	$0	$0	$0	$0	$0
All Other	0	0	0	0	0	0	0
High Service Pumping							
Utilities	0	0	0	0	0	0	0
All Other	0	0	0	0	0	0	0
3121 Street Sprinkling	$1,900	$797	$534	$105	$146	$213	$105
3122 Sewer Flushing	$7,800	$3,274	$2,193	$429	$598	$875	$430
Water Permits	$68,900	$28,919	$19,373	$3,792	$5,284	$7,731	$3,801
Misc. Revenue	0	0	0	0	0	0	0
Collection of Bad Debt	800	336	225	44	61	90	44
Sale of Material/Labor	290,000	121,718	81,542	15,960	22,241	32,539	16,000
Public Water Supply	68,000	28,541	19,120	3,742	5,215	7,630	3,752
Water Srvc Line Repair	478,100	200,667	134,431	26,312	36,667	53,645	26,378
Water Srvc Line Admin.	24,500	10,283	6,889	1,348	1,879	2,749	1,352
Hydrant Mtr Rental Fee	25,000	10,493	7,029	1,376	1,917	2,805	1,379
Charge for Services	0	0	0	0	0	0	0
Total O&M Non-Rate Rev	$965,000	$405,028	$271,337	$53,108	$74,008	$108,278	$53,241
Total Owner O&M Rev Req.	($294,778)	($98,355)	($51,844)	$90,948	($74,008)	($108,278)	($53,241)

Table B.7: Owner O&M Costs by Functional Cost Component – FY26

Line Item	Total	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Water Production							
Chemicals	$0	$0	$0	$0	$0	$0	$0
All Other	0	0	0	0	0	0	0
High Service Pumping							
Utilities	0	0	0	0	0	0	0
All Other	0	0	0	0	0	0	0
System Pumping & Storage							
Utilities	40,200	32,160	8,040	0	0	0	0
All Other	59,271	26,941	32,330	0	0	0	0
Distribution System							
Fire Hydrants	0	0	0	0	0	0	0
All Other	0	0	0	0	0	0	0
Customer Billing & Meter	0	0	0	0	0	0	0
Admin.	0	0	0	0	0	0	0
O&M - Total	$99,472	$59,102	$40,370	$0	$0	$0	$0
Less: O&M Non-Rate Rev	$0	$0	$0	$0	$0	$0	$0
Total Resale O&M Rev Req.	$99,472	$59,102	$40,370	$0	$0	$0	$0

Table B.8: Resale O&M Costs by Functional Cost Component – FY26

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Single Family Residential	$2,145,752	$1,629,324	$118,919	$1,217,670	$1,598,759	$0	$6,710,425
Multi-Family Residential	$517,406	$120,886	$43,856	$37,878	$119,869	$0	$839,895
Commercial	947,704	276,775	46,343	92,898	239,590	0	1,603,310
Industrial	0	0	0	0	0	0	0
Seasonal	276,850	444,694	20,307	7,489	16,884	0	766,224
Public Fire Protection	0	535,659	167,604	0	0	229,485	932,748
Private Fire Protection	0	64,299	20,119	0	0	27,547	111,964
Non-Owners							
Residential	$16,117	$12,238	$893	$11,645	$15,294	$0	$56,186
Commercial	640,826	187,152	31,337	3,636	12,582	0	875,532
Commercial Resale	42,877	9,767	2,250	173	1,169	0	56,237
Resale	904,170	820,314	31,249	43	2,333	0	1,758,108
Private Fire Protection	0	4,004	1,253	0	0	1,715	6,971
Total - Joint	**$5,491,701**	**$4,105,112**	**$484,130**	**$1,371,432**	**$2,006,479**	**$258,747**	**$13,717,601**

Table B.9: Allocation of Joint O&M Costs to Customer Class – FY26

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Multi-Family Residential	$85,874	$21,577	$36,296	$726	$2,300	$0	$146,773
Commercial	157,290	49,402	38,355	1,781	4,597	0	251,424
Industrial	0	0	0	0	0	0	0
Seasonal	45,949	79,374	16,807	144	324	0	142,596
Public Fire Protection	0	95,610	138,713	0	0	662,315	896,638
Private Fire Protection	0	11,477	16,651	0	0	79,502	107,630
Non-Owners							
Residential	$2,675	$2,184	$739	$223	$293	$0	$6,115
Commercial	106,357	33,405	25,935	70	241	0	166,008
Commercial Resale	7,116	1,743	1,863	3	22	0	10,748
Resale	0	0	0	0	0	0	0
Private Fire Protection	0	715	1,037	0	0	4,950	6,701
Total - All-But-Resale	**$761,390**	**$586,304**	**$374,815**	**$26,285**	**$38,457**	**$746,768**	**$2,534,018**

Table B.10: Allocation of All-But-Resale O&M Costs to Customer Class – FY26

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Single Family Residential	($62,393)	($32,720)	$25,378	($68,872)	($90,825)	$0	($229,432)
Multi-Family Residential	($15,045)	($2,428)	$9,359	($2,142)	($6,810)	$0	($17,066)
Commercial	(27,557)	(5,558)	9,890	(5,254)	(13,611)	0	(42,091)
Industrial	0	0	0	0	0	0	0
Seasonal	(8,050)	(8,930)	4,334	(424)	(959)	0	(14,030)
Public Fire Protection	0	(10,757)	35,768	0	0	(49,259)	(24,249)
Private Fire Protection	0	(1,291)	4,293	0	0	(5,913)	(2,911)
Total - Owner	**($113,045)**	**($61,685)**	**$89,022**	**($76,692)**	**($112,205)**	**($55,172)**	**($329,778)**

Table B.11: Allocation of Owner O&M Costs to Customer Class – FY26

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Non-Owners							
Residential	$0	$0	$0	$0	$0	$0	$0
Commercial	0	0	0	0	0	0	0
Commercial Resale	0	0	0	0	0	0	0
Resale	59,102	40,370	0	0	0	0	99,472
Private Fire Protection	0	0	0	0	0	0	0
Total - Resale	**$59,102**	**$40,370**	**$0**	**$0**	**$0**	**$0**	**$99,472**

Table B.12: Allocation of Resale O&M Costs to Customer Class – FY26

Line Item	Total	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Water Production							
Chemicals	$960,099	$960,099	$0	$0	$0	$0	$0
All Other	$4,399,782	$1,248,853	$3,150,929	$0	$0	$0	$0
High Service Pumping							
Utilities	$1,764,624	$1,411,699	$352,925	$0	$0	$0	$0
All Other	$47,309	$13,429	$33,881	$0	$0	$0	$0
System Pumping & Storage							
Utilities	$87,165	$69,732	$17,433	$0	$0	$0	$0
All Other	$29,729	$8,438	$21,290	$0	$0	$0	$0
Distribution System							
Fire Hydrants	$0	$0	$0	$0	$0	$0	$0
All Other	$659,629	$121,150	$305,669	$232,810	$0	$0	$0
Customer Billing & Meter	$2,566,780	$0	$0	$0	$1,042,113	$1,524,667	$0
Admin.	$3,614,013	$615,713	$1,553,479	$265,843	$370,462	$542,006	$266,510
O&M - Total	$14,129,129	$4,449,112	$5,435,605	$498,654	$1,412,575	$2,066,674	$266,510
Less: O&M Non-Rate Rev							
Water Permits	$0	$0	$0	$0	$0	$0	$0
Misc. Revenue	$0	$0	$0	$0	$0	$0	$0
Collection of Bad Debt	$0	$0	$0	$0	$0	$0	$0
Sale of Material/Labor	$0	$0	$0	$0	$0	$0	$0
Public Water Supply	$0	$0	$0	$0	$0	$0	$0
Water Srvc Line Repair	$0	$0	$0	$0	$0	$0	$0
Water Srvc Line Admin.	$0	$0	$0	$0	$0	$0	$0
Hydrant Mtr Rental Fee	$0	$0	$0	$0	$0	$0	$0
Charge for Services	$0	$0	$0	$0	$0	$0	$0
Total O&M Non-Rate Rev	$0	$0	$0	$0	$0	$0	$0
Total Joint O&M Rev Req.	**$14,129,129**	**$4,449,112**	**$5,435,605**	**$498,654**	**$1,412,575**	**$2,066,674**	**$266,510**

Table B.13: Joint O&M Costs by Functional Cost Component – FY27

Line Item	Total	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Water Production							
Chemicals	$18,401	$18,401	$0	$0	$0	$0	$0
All Other	$84,327	$23,936	$60,391	$0	$0	$0	$0
High Service Pumping							
Utilities	$33,821	$27,057	$6,764	$0	$0	$0	$0
All Other	$907	$257	$649	$0	$0	$0	$0
System Pumping & Storage							
Utilities	$380,787	$304,630	$76,157	$0	$0	$0	$0
All Other	$129,872	$36,863	$93,008	$0	$0	$0	$0
Distribution System							
Fire Hydrants	$764,063	$0	$0	$0	$0	$0	$764,063
All Other	$1,079,397	$198,246	$500,187	$380,964	$0	$0	$0
Customer Billing & Meter	$49,195	$0	$0	$0	$19,973	$29,222	$0
Admin.	$69,267	$11,801	$29,774	$5,095	$7,100	$10,388	$5,108
O&M - Total	$2,610,039	$621,192	$766,933	$386,059	$27,074	$39,610	$769,171
Less: O&M Non-Rate Rev							
Water Permits	$0	$0	$0	$0	$0	$0	$0
Misc. Revenue	$0	$0	$0	$0	$0	$0	$0
Collection of Bad Debt	$0	$0	$0	$0	$0	$0	$0
Sale of Material/Labor	$0	$0	$0	$0	$0	$0	$0
Public Water Supply	$0	$0	$0	$0	$0	$0	$0
Water Srvc Line Repair	$0	$0	$0	$0	$0	$0	$0
Water Srvc Line Admin.	$0	$0	$0	$0	$0	$0	$0
Hydrant Mtr Rental Fee	$0	$0	$0	$0	$0	$0	$0
Charge for Services	$0	$0	$0	$0	$0	$0	$0
Total O&M Non-Rate Rev	$0	$0	$0	$0	$0	$0	$0
Total All-But-Resale O&M Rev Req.	**$2,610,039**	**$621,192**	**$766,933**	**$386,059**	**$27,074**	**$39,610**	**$769,171**

Table B.14: All-But-Resale O&M Costs by Functional Cost Component – FY27

Line Item	Total	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Water Production							
Chemicals	$0	$0	$0	$0	$0	$0	$0
All Other	$0	$0	$0	$0	$0	$0	$0
High Service Pumping							
Utilities	$0	$0	$0	$0	$0	$0	$0
All Other	$0	$0	$0	$0	$0	$0	$0
System Pumping & Storage							
Utilities	$201,277	$161,021	$40,255	$0	$0	$0	$0
All Other	$68,648	$19,485	$49,162	$0	$0	$0	$0
Distribution System							
Fire Hydrants	$0	$0	$0	$0	$0	$0	$0
All Other	$420,405	$77,213	$194,813	$148,378	$0	$0	$0
Customer Billing & Meter	$0	$0	$0	$0	$0	$0	$0
Admin.	$0	$0	$0	$0	$0	$0	$0
O&M - Total	$690,329	$257,720	$284,231	$148,378	$0	$0	$0
Less: O&M Non-Rate Rev							
3121 Street Sprinkling	$1,910	$655	$684	$105	$146	$214	$105
3122 Sewer Flushing	$7,865	$2,698	$2,814	$433	$603	$883	$434
Water Permits	$69,000	$23,671	$24,691	$3,797	$5,292	$7,742	$3,807
Misc. Revenue	$0	$0	$0	$0	$0	$0	$0
Collection of Bad Debt	$848	$291	$303	$47	$65	$95	$47
Sale of Material/Labor	$290,000	$99,488	$103,772	$15,960	$22,241	$32,539	$16,000
Public Water Supply	$68,000	$23,328	$24,333	$3,742	$5,215	$7,630	$3,752
Water Srvc Line Repair	$492,877	$169,088	$176,368	$27,125	$37,800	$55,303	$27,193
Water Srvc Line Admin.	$24,500	$8,405	$8,767	$1,348	$1,879	$2,749	$1,352
Hydrant Mtr Rental Fee	$25,000	$8,577	$8,946	$1,376	$1,917	$2,805	$1,379
Charge for Services	$0	$0	$0	$0	$0	$0	$0
Total O&M Non-Rate Rev	$980,000	$336,202	$350,677	$53,934	$75,158	$109,961	$54,069
Total Owner O&M Rev Req.	**($289,671)**	**($78,482)**	**($66,446)**	**$94,444**	**($75,158)**	**($109,961)**	**($54,069)**

Table B.15: Owner O&M Costs by Functional Cost Component – FY27

Line Item	Total	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Water Production							
Chemicals	$0	$0	$0	$0	$0	$0	$0
All Other	$0	$0	$0	$0	$0	$0	$0
High Service Pumping							
Utilities	$0	$0	$0	$0	$0	$0	$0
All Other	$0	$0	$0	$0	$0	$0	$0
System Pumping & Storage							
Utilities	$41,406	$33,125	$8,281	$0	$0	$0	$0
All Other	$61,049	$17,328	$43,721	$0	$0	$0	$0
Distribution System							
Fire Hydrants	$0	$0	$0	$0	$0	$0	$0
All Other	$0	$0	$0	$0	$0	$0	$0
Customer Billing & Meter	$0	$0	$0	$0	$0	$0	$0
Admin.	$0	$0	$0	$0	$0	$0	$0
O&M - Total	$102,456	$50,454	$52,002	$0	$0	$0	$0
Less: O&M Non-Rate Rev	$0	$0	$0	$0	$0	$0	$0
Total Resale O&M Rev Req.	**$102,456**	**$50,454**	**$52,002**	**$0**	**$0**	**$0**	**$0**

Table B.16: Resale O&M Costs by Functional Cost Component – FY27

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Owners						
Single Family Residential	1,735,789	2,153,954	122,666	1,254,350	1,647,572	0
Multi-Family Residential	418,551	159,810	45,238	39,002	123,198	0
Commercial	766,637	365,895	47,803	95,663	246,417	0
Industrial	0	0	0	0	0	0
Seasonal	223,955	587,882	20,947	7,676	17,313	0
Public Fire Protection	0	704,663	172,037	0	0	236,387
Private Fire Protection	0	84,586	20,651	0	0	28,375
Non-Owners						
Residential	$12,973	$16,098	$917	$11,936	$15,682	$0
Commercial	$515,812	$246,183	$32,163	$3,727	$12,901	$0
Commercial Resale	$34,513	$12,848	$2,310	$177	$1,198	$0
Resale	$740,882	$1,098,476	$32,650	$44	$2,392	$0
Private Fire Protection	$0	$5,211	$1,272	$0	$0	$1,748
Total - Joint	**$4,449,112**	**$5,435,605**	**$498,654**	**$1,412,575**	**$2,066,674**	**$266,510**

Table B.17: Allocation of Joint O&M Costs to Customer Class – FY27

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Owners						
Single Family Residential	$290,774	$380,883	$101,622	$24,042	$31,614	$0
Multi-Family Residential	$70,115	$28,259	$37,477	$748	$2,364	$0
Commercial	$128,425	$64,701	$39,603	$1,834	$4,728	$0
Industrial	$0	$0	$0	$0	$0	$0
Seasonal	$37,516	$103,955	$17,353	$147	$332	$0
Public Fire Protection	$0	$124,605	$142,523	$0	$0	$682,233
Private Fire Protection	$0	$14,957	$17,108	$0	$0	$81,893
Non-Owners						
Residential	$2,173	$2,847	$759	$229	$301	$0
Commercial	$86,407	$43,532	$26,646	$71	$248	$0
Commercial Resale	$5,781	$2,272	$1,914	$3	$23	$0
Resale	$0	$0	$0	$0	$0	$0
Private Fire Protection	$0	$921	$1,054	$0	$0	$5,045
Total - All But Resale	**$621,192**	**$766,933**	**$386,059**	**$27,074**	**$39,610**	**$769,171**

Table B.18: Allocation of All-But-Resale O&M Costs to Customer Class – FY27

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Owners						
Single Family Residential	($49,944)	($41,929)	$26,433	($69,910)	($92,228)	$0
Multi-Family Residential	($12,043)	($3,111)	$9,748	($2,174)	($6,896)	$0
Commercial	($22,058)	($7,123)	$10,301	($5,332)	($13,794)	$0
Industrial	$0	$0	$0	$0	$0	$0
Seasonal	($6,444)	($11,444)	$4,514	($428)	($969)	$0
Public Fire Protection	$0	($13,717)	$37,072	$0	$0	($49,998)
Private Fire Protection	$0	($1,647)	$4,450	$0	$0	($6,002)
Total - Owner	**($90,489)**	**($78,970)**	**$92,518**	**($77,843)**	**($113,888)**	**($56,000)**

Table B.19: Allocation of Owner O&M Costs to Customer Class – FY27

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire
Non-Owners						
Residential	$0	$0	$0	$0	$0	$0
Commercial	$0	$0	$0	$0	$0	$0
Commercial Resale	$0	$0	$0	$0	$0	$0
Resale	$50,454	$52,002	$0	$0	$0	$0
Private Fire Protection	$0	$0	$0	$0	$0	$0
Total - Resale	**$50,454**	**$52,002**	**$0**	**$0**	**$0**	**$0**

Table B.20: Allocation of Resale O&M Costs to Customer Class – FY27

Fixed Asset	Joint	All But Resale	Owners	Resale	Total
Clear Well Standpipe #1	$0	$0	$0	$0	$0
Clear Well Standpipe #2	*	$0	$0	$0	$0
Clear Well Standpipe #3	$0	$0	$0	$0	$0
Clear Well Standpipe #4	$682,086	$0	$0	$0	$682,086
Clear Well Standpipe #5	$1,000,575	$0	$0	$0	$1,000,575
Clear Well Standpipe #6	$536,091	$0	$0	$0	$536,091
Clear Well Standpipe #7	$0	$0	$0	$0	$0
#1 Intake Channel Head Wk	$2,202,031	$0	$0	$0	$2,202,031
#1 Low Duty Pumping St	$1,346,058	$0	$0	$0	$1,346,058
#2 Low Duty Pumping St.	$0	$0	$0	$0	$0
#2 River Intake	$4,451,296	$0	$0	$0	$4,451,296
Booster St-12 Av N & N27	$0	$6,230	$0	$0	$6,230
Briarwood Reservoir	$0	$0	$2,876,494	$0	$2,876,494
Chapple Pump Station	$0	$146,724	$0	$0	$146,724
Chem Bldg & Treatment Bsn	$4,868,673	$0	$0	$0	$4,868,673
Christensen Pump Station	$0	$0	$154,202	$0	$154,202
Cold Storage Building	$36,333	$0	$0	$0	$36,333
Communication Equipment	$0	$0	$0	$0	$0
Construction Equipment	$298,877	$0	$0	$0	$298,877
Distribution Mains < 12	$0	$47,439,910	$31,626,607	$0	$79,066,517
Filter Bldg,Clr Bsn & Ps	$15,257,199	$0	$0	$0	$15,257,199
Fox Pump Station	$0	$1,929,617	$0	$0	$1,929,617
Fox Reservoir	$1,555,000	$0	$0	$0	$1,555,000
Gas Pumps	$10,321	$0	$0	$0	$10,321
Heated Storage Bldg & Yrd Storage	$18,486	$0	$0	$0	$18,486
High Svc Pumping Station	$2,819,673	$0	$0	$0	$2,819,673
Hydrant Mains	$0	$60,701	$0	$0	$60,701
Hydrants	$0	$2,105,346	$0	$0	$2,105,346
Laboratory & Test Equipment	$112,516	$0	$0	$0	$112,516
Lateral Lines - Below 15	$0	$90,742	$0	$0	$90,742
Leavens Pump Station	$0	$0	$113,767	$0	$113,767
Leavens Reservoir	$1,809,625	$0	$0	$0	$1,809,625
Logan Reservoir	$0	$0	$0	$0	$0
Maint & Personnel Bldg	$0	$0	$0	$0	$0
Meters	$628,247	$0	$0	$0	$628,247
Office Furniture & Equip	$0	$0	$0	$0	$0
Office Furniture & Equipment	$90,339	$0	$0	$0	$90,339
Plant Electrical Shop	$267,977	$0	$0	$0	$267,977
Plant Maintenance Whse	$0	$0	$0	$0	$0
Public Utilities CIP	$0	$0	$0	$0	$0
Rights And Licenses	$0	$0	$855,000	$0	$855,000
Service Connections	$0	$0	$0	$0	$0
Staples Pump Station #1	$0	$1,161,338	$0	$0	$1,161,338

Fixed Asset	Joint	All But Resale	Owners	Resale	Total
Staples Reservoir #1	$0	$599,052	$0	$0	$599,052
Staples Reservoir #2	$0	$470,759	$0	$0	$470,759
Staples Reservoir #3	$0	$0	$0	$0	$0
Terrace Estates Pump Station	$0	$0	$131,432	$0	$131,432
Thomas Pump Station	$0	$0	$77,980	$0	$77,980
Tools & Working Equipment	$107,978	$0	$0	$0	$107,978
Transmission Amain 12" & Up-	$14,607,442	$0	$0	$0	$14,607,442
Transmission Mains = 12"	$0	$21,815,243	$0	$0	$21,815,243
Transmission Mains > 12"	$21,809,564	$0	$0	$0	$21,809,564
Transportation Equipment	$347,799	$0	$0	$0	$347,799
Utilities Service Center	$1,903,510	$0	$0	$0	$1,903,510
Utilities Water	$173,864	$0	$0	$0	$173,864
UV BLDG WTP	$1,853,849	$0	$0	$0	$1,853,849
Voelker Pump Station	$0	$0	$1,831,954	$0	$1,831,954
Waldo Pump Station	$0	$0	$229,911	$0	$229,911
Waldo Reservoir	$0	$0	$0	$0	$0
Walter Pumping Station	$0	$0	$1,351,381	$900,921	$2,252,302
West End Reservoir	$0	$0	$0	$0	$0
Willett Pumping St #1	$0	$133,647	$0	$0	$133,647
Yard Piping & Flumes	$2,425,433	$0	$0	$0	$2,425,433
Zone 3 Chapple Reservoir	$0	$0	$5,394,955	$0	$5,394,955
Zone 4 Reservoir	$0	$5,517,740	$0	$0	$5,517,740
(blank)	$0	$0	$0	$0	$0
Grand Total	$0	$0	$0	$0	$0
Zone 4 Pump Station	$0	$8,956,981	$0	$0	$8,956,981
Zone 1 Storage	$1,343,404	$0	$0	$0	$1,343,404
IBL Storage and Distribution	$0	$0	$215,600	$0	$215,600
West End Distribution	$0	$0	$0	$0	$0
Grandtotal	**$82,564,243**	**$90,434,028**	**$44,859,282**	**$900,921**	**$218,758,474**

Table B.21: Allocation of Net Fixed Assets to Ownership Categories – FY26

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Clear Well Standpipe #1	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #2	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #3	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #4	$310,039	$372,047	$0	$0	$0	$0	$682,086
Clear Well Standpipe #5	$454,807	$545,768	$0	$0	$0	$0	$1,000,575
Clear Well Standpipe #6	$243,678	$292,413	$0	$0	$0	$0	$536,091
Clear Well Standpipe #7	$0	$0	$0	$0	$0	$0	$0
#1 Intake Channel Head Wk	$2,202,031	$0	$0	$0	$0	$0	$2,202,031
#1 Low Duty Pumping St	$1,346,058	$0	$0	$0	$0	$0	$1,346,058
#2 Low Duty Pumping St.	$0	$0	$0	$0	$0	$0	$0
#2 River Intake	$4,451,296	$0	$0	$0	$0	$0	$4,451,296
Booster St-12 Av N & N27	$1,832	$2,199	$2,199	$0	$0	$0	$6,230
Briarwood Reservoir	$846,028	$1,015,233	$1,015,233	$0	$0	$0	$2,876,494
Chapple Pump Station	$66,693	$80,031	$0	$0	$0	$0	$146,724
Chem Bldg & Treatment Bsn	$2,213,033	$2,655,640	$0	$0	$0	$0	$4,868,673
Christensen Pump Station	$70,092	$84,110	$0	$0	$0	$0	$154,202
Cold Storage Building	$12,975	$13,515	$9,371	$0	$106	$366	$36,333
Communication Equipment	$0	$0	$0	$0	$0	$0	$0
Construction Equipment	$106,735	$111,175	$77,085	$0	$873	$3,010	$298,877
Distribution Mains < 12	$23,254,858	$27,905,829	$27,905,829	$0	$0	$0	$79,066,517
Filter Bldg,Clr Bsn & Ps	$6,935,090	$8,322,108	$0	$0	$0	$0	$15,257,199
Fox Pump Station	$877,099	$1,052,518	$0	$0	$0	$0	$1,929,617
Fox Reservoir	$457,353	$548,823	$548,823	$0	$0	$0	$1,555,000
Gas Pumps	$3,686	$3,839	$2,662	$0	$30	$104	$10,321
Heated Storage Bldg & Yrd Storage	$6,602	$6,876	$4,768	$0	$54	$186	$18,486
High Svc Pumping Station	$1,281,669	$1,538,003	$0	$0	$0	$0	$2,819,673
Hydrant Mains	$0	$0	$0	$0	$0	$60,701	$60,701
Hydrants	$0	$0	$0	$0	$0	$2,105,346	$2,105,346
Laboratory & Test Equipment	$112,516	$0	$0	$0	$0	$0	$112,516
Lateral Lines - Below 15	$26,689	$32,027	$32,027	$0	$0	$0	$90,742
Leavens Pump Station	$51,712	$62,055	$0	$0	$0	$0	$113,767
Leavens Reservoir	$532,243	$638,691	$638,691	$0	$0	$0	$1,809,625
Logan Reservoir	$0	$0	$0	$0	$0	$0	$0
Maint & Personnel Bldg	$0	$0	$0	$0	$0	$0	$0
Meters	$0	$0	$0	$0	$628,247	$0	$628,247
Office Furniture & Equip	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equipment	$32,262	$33,604	$23,300	$0	$264	$910	$90,339
Plant Electrical Shop	$121,808	$146,169	$0	$0	$0	$0	$267,977

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Plant Maintenance Whse	$0	$0	$0	$0	$0	$0	$0
Public Utilities CIP	$0	$0	$0	$0	$0	$0	$0
Rights And Licenses	$305,338	$318,038	$220,517	$0	$2,497	$8,610	$855,000
Service Connections	$0	$0	$0	$0	$0	$0	$0
Staples Pump Station #1	$527,881	$633,457	$0	$0	$0	$0	$1,161,338
Staples Reservoir #1	$176,192	$211,430	$211,430	$0	$0	$0	$599,052
Staples Reservoir #2	$138,459	$166,150	$166,150	$0	$0	$0	$470,759
Staples Reservoir #3	$0	$0	$0	$0	$0	$0	$0
Terrace Estates Pump Station	$59,742	$71,690	$0	$0	$0	$0	$131,432
Thomas Pump Station	$35,446	$42,535	$0	$0	$0	$0	$77,980
Tools & Working Equipment	$38,561	$40,165	$27,849	$0	$315	$1,087	$107,978
Transmission Amain 12" & Up-	$4,296,307	$5,155,568	$5,155,568	$0	$0	$0	$14,607,442
Transmission Mains = 12"	$6,416,248	$7,699,497	$7,699,497	$0	$0	$0	$21,815,243
Transmission Mains > 12"	$6,414,578	$7,697,493	$7,697,493	$0	$0	$0	$21,809,564
Transportation Equipment	$124,206	$129,372	$89,702	$0	$1,016	$3,502	$347,799
Utilities Service Center	$679,781	$708,057	$490,942	$0	$5,560	$19,169	$1,903,510
Utilities Water	$173,864	$0	$0	$0	$0	$0	$173,864
UV BLDG WTP	$1,853,849	$0	$0	$0	$0	$0	$1,853,849
Voelker Pump Station	$832,706	$999,247	$0	$0	$0	$0	$1,831,954
Waldo Pump Station	$104,505	$125,406	$0	$0	$0	$0	$229,911
Waldo Reservoir	$0	$0	$0	$0	$0	$0	$0
Walter Pumping Station	$1,023,774	$1,228,528	$0	$0	$0	$0	$2,252,302
West End Reservoir	$0	$0	$0	$0	$0	$0	$0
Willett Pumping St #1	$60,749	$72,898	$0	$0	$0	$0	$133,647
Yard Piping & Flumes	$1,102,469	$1,322,963	$0	$0	$0	$0	$2,425,433
Zone 3 Chapple Reservoir	$1,586,751	$1,904,102	$1,904,102	$0	$0	$0	$5,394,955
Zone 4 Reservoir	$1,622,865	$1,947,438	$1,947,438	$0	$0	$0	$5,517,740
(blank)	$0	$0	$0	$0	$0	$0	$0
Grand Total	$0	$0	$0	$0	$0	$0	$0
Zone 4 Pump Station	$4,071,355	$4,885,626	$0	$0	$0	$0	$8,956,981
Zone 1 Storage	$395,119	$474,142	$474,142	$0	$0	$0	$1,343,404
IBL Storage and Distribution	$63,412	$76,094	$76,094	$0	$0	$0	$215,600
West End Distribution	$0	$0	$0	$0	$0	$0	$0
Net	**78,123,036**	**81,372,572**	**56,420,912**	**0**	**638,962**	**2,202,992**	**218,758,474**

Table B.22: Allocation of Net Fixed Assets to Functional Cost Component – FY26

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Clear Well Standpipe #1	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #2	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #3	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #4	$310,039	$372,047	$0	$0	$0	$0	$682,086
Clear Well Standpipe #5	$454,807	$545,768	$0	$0	$0	$0	$1,000,575
Clear Well Standpipe #6	$243,678	$292,413	$0	$0	$0	$0	$536,091
Clear Well Standpipe #7	$0	$0	$0	$0	$0	$0	$0
#1 Intake Channel Head Wk	$2,202,031	$0	$0	$0	$0	$0	$2,202,031
#1 Low Duty Pumping St	$1,346,058	$0	$0	$0	$0	$0	$1,346,058
#2 Low Duty Pumping St.	$0	$0	$0	$0	$0	$0	$0
#2 River Intake	$4,451,296	$0	$0	$0	$0	$0	$4,451,296
Booster St-12 Av N & N27	$0	$0	$0	$0	$0	$0	$0
Briarwood Reservoir	$0	$0	$0	$0	$0	$0	$0
Chapple Pump Station	$0	$0	$0	$0	$0	$0	$0
Chem Bldg & Treatment Bsn	$2,213,033	$2,655,640	$0	$0	$0	$0	$4,868,673
Christensen Pump Station	$0	$0	$0	$0	$0	$0	$0
Cold Storage Building	$12,975	$13,515	$9,371	$0	$106	$366	$36,333
Communication Equipment	$0	$0	$0	$0	$0	$0	$0
Construction Equipment	$106,735	$111,175	$77,085	$0	$873	$3,010	$298,877
Depreciation City	$0	$0	$0	$0	$0	$0	$0
Depreciation Contributed Capital	$0	$0	$0	$0	$0	$0	$0
Distribution Mains < 12	$0	$0	$0	$0	$0	$0	$0
Filter Bldg,Clr Bsn & Ps	$6,935,090	$8,322,108	$0	$0	$0	$0	$15,257,199
Fox Pump Station	$0	$0	$0	$0	$0	$0	$0
Fox Reservoir	$457,353	$548,823	$548,823	$0	$0	$0	$1,555,000
Gas Pumps	$3,686	$3,839	$2,662	$0	$30	$104	$10,321
Heated Storage Bldg & Yrd Storage	$6,602	$6,876	$4,768	$0	$54	$186	$18,486
High Svc Pumping Station	$1,281,669	$1,538,003	$0	$0	$0	$0	$2,819,673
Hydrant Mains	$0	$0	$0	$0	$0	$0	$0
Hydrants	$0	$0	$0	$0	$0	$0	$0
Laboratory & Test Equipment	$112,516	$0	$0	$0	$0	$0	$112,516
Lateral Lines - Below 15	$0	$0	$0	$0	$0	$0	$0
Leavens Pump Station	$0	$0	$0	$0	$0	$0	$0
Leavens Reservoir	$532,243	$638,691	$638,691	$0	$0	$0	$1,809,625
Logan Reservoir	$0	$0	$0	$0	$0	$0	$0
Maint & Personnel Bldg	$0	$0	$0	$0	$0	$0	$0
Meters	$0	$0	$0	$0	$628,247	$0	$628,247
Office Furniture & Equip	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equipment	$32,262	$33,604	$23,300	$0	$264	$910	$90,339
Plant Electrical Shop	$121,808	$146,169	$0	$0	$0	$0	$267,977
Plant Maintenance Whse	$0	$0	$0	$0	$0	$0	$0
Public Utilities CIP	$0	$0	$0	$0	$0	$0	$0
Rights And Licenses	$0	$0	$0	$0	$0	$0	$0

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Service Connections	$0	$0	$0	$0	$0	$0	$0
Staples Pump Station #1	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #1	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #2	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #3	$0	$0	$0	$0	$0	$0	$0
Terrace Estates Pump Station	$0	$0	$0	$0	$0	$0	$0
Thomas Pump Station	$0	$0	$0	$0	$0	$0	$0
Tools & Working Equipment	$38,561	$40,165	$27,849	$0	$315	$1,087	$107,978
Transmission Amain 12" & Up-	$4,296,307	$5,155,568	$5,155,568	$0	$0	$0	$14,607,442
Transmission Mains = 12"	$0	$0	$0	$0	$0	$0	$0
Transmission Mains > 12"	$6,414,578	$7,697,493	$7,697,493	$0	$0	$0	$21,809,564
Transportation Equipment	$124,206	$129,372	$89,702	$0	$1,016	$3,502	$347,799
Utilities Service Center	$679,781	$708,057	$490,942	$0	$5,560	$19,169	$1,903,510
Utilities Water	$173,864	$0	$0	$0	$0	$0	$173,864
UV BLDG WTP	$1,853,849	$0	$0	$0	$0	$0	$1,853,849
Voelker Pump Station	$0	$0	$0	$0	$0	$0	$0
Waldo Pump Station	$0	$0	$0	$0	$0	$0	$0
Waldo Reservoir	$0	$0	$0	$0	$0	$0	$0
Walter Pumping Station	$0	$0	$0	$0	$0	$0	$0
West End Reservoir	$0	$0	$0	$0	$0	$0	$0
Willett Pumping St #1	$0	$0	$0	$0	$0	$0	$0
Yard Piping & Flumes	$1,102,469	$1,322,963	$0	$0	$0	$0	$2,425,433
Zone 3 Chapple Reservoir	$0	$0	$0	$0	$0	$0	$0
Zone 4 Reservoir	$0	$0	$0	$0	$0	$0	$0
(blank)	$0	$0	$0	$0	$0	$0	$0
Grand Total	$0	$0	$0	$0	$0	$0	$0
Zone 4 Pump Station	$0	$0	$0	$0	$0	$0	$0
Zone 1 Storage	$395,119	$474,142	$474,142	$0	$0	$0	$1,343,404
IBL Storage and Distribution	$0	$0	$0	$0	$0	$0	$0
West End Distribution	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
Net	**35,902,614**	**30,756,433**	**15,240,396**	**0**	**636,465**	**28,335**	**82,564,243**

Table B.23: Allocation of Net Fixed Assets to Functional Cost Component – Joint – FY26

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Clear Well Standpipe #1	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #2	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #3	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #4	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #5	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #6	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #7	$0	$0	$0	$0	$0	$0	$0
#1 Intake Channel Head Wk	$0	$0	$0	$0	$0	$0	$0
#1 Low Duty Pumping St	$0	$0	$0	$0	$0	$0	$0
#2 Low Duty Pumping St.	$0	$0	$0	$0	$0	$0	$0
#2 River Intake	$0	$0	$0	$0	$0	$0	$0
Booster St-12 Av N & N27	$1,832	$2,199	$2,199	$0	$0	$0	$6,230
Briarwood Reservoir	$0	$0	$0	$0	$0	$0	$0
Chapple Pump Station	$66,693	$80,031	$0	$0	$0	$0	$146,724
Chem Bldg & Treatment Bsn	$0	$0	$0	$0	$0	$0	$0
Christensen Pump Station	$0	$0	$0	$0	$0	$0	$0
Cold Storage Building	$0	$0	$0	$0	$0	$0	$0
Communication Equipment	$0	$0	$0	$0	$0	$0	$0
Construction Equipment	$0	$0	$0	$0	$0	$0	$0
Depreciation City	$0	$0	$0	$0	$0	$0	$0
Depreciation Contributed Capital	$0	$0	$0	$0	$0	$0	$0
Distribution Mains < 12	$13,952,915	$16,743,498	$16,743,498	$0	$0	$0	$47,439,910
Filter Bldg,Clr Bsn & Ps	$0	$0	$0	$0	$0	$0	$0
Fox Pump Station	$877,099	$1,052,518	$0	$0	$0	$0	$1,929,617
Fox Reservoir	$0	$0	$0	$0	$0	$0	$0
Gas Pumps	$0	$0	$0	$0	$0	$0	$0
Heated Storage Bldg & Yrd Storage	$0	$0	$0	$0	$0	$0	$0
High Svc Pumping Station	$0	$0	$0	$0	$0	$0	$0
Hydrant Mains	$0	$0	$0	$0	$0	$60,701	$60,701
Hydrants	$0	$0	$0	$0	$0	$2,105,346	$2,105,346
Laboratory & Test Equipment	$0	$0	$0	$0	$0	$0	$0
Lateral Lines - Below 15	$26,689	$32,027	$32,027	$0	$0	$0	$90,742
Leavens Pump Station	$0	$0	$0	$0	$0	$0	$0
Leavens Reservoir	$0	$0	$0	$0	$0	$0	$0
Logan Reservoir	$0	$0	$0	$0	$0	$0	$0
Maint & Personnel Bldg	$0	$0	$0	$0	$0	$0	$0
Meters	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equip	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equipment	$0	$0	$0	$0	$0	$0	$0
Plant Electrical Shop	$0	$0	$0	$0	$0	$0	$0
Plant Maintenance Whse	$0	$0	$0	$0	$0	$0	$0

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Public Utilities CIP	$0	$0	$0	$0	$0	$0	$0
Rights And Licenses	$0	$0	$0	$0	$0	$0	$0
Service Connections	$0	$0	$0	$0	$0	$0	$0
Staples Pump Station #1	$527,881	$633,457	$0	$0	$0	$0	$1,161,338
Staples Reservoir #1	$176,192	$211,430	$211,430	$0	$0	$0	$599,052
Staples Reservoir #2	$138,459	$166,150	$166,150	$0	$0	$0	$470,759
Staples Reservoir #3	$0	$0	$0	$0	$0	$0	$0
Terrace Estates Pump Station	$0	$0	$0	$0	$0	$0	$0
Thomas Pump Station	$0	$0	$0	$0	$0	$0	$0
Tools & Working Equipment	$0	$0	$0	$0	$0	$0	$0
Transmission Amain 12" & Up-	$0	$0	$0	$0	$0	$0	$0
Transmission Mains = 12"	$6,416,248	$7,699,497	$7,699,497	$0	$0	$0	$21,815,243
Transmission Mains > 12"	$0	$0	$0	$0	$0	$0	$0
Transportation Equipment	$0	$0	$0	$0	$0	$0	$0
Utilities Service Center	$0	$0	$0	$0	$0	$0	$0
Utilities Water	$0	$0	$0	$0	$0	$0	$0
UV BLDG WTP	$0	$0	$0	$0	$0	$0	$0
Voelker Pump Station	$0	$0	$0	$0	$0	$0	$0
Waldo Pump Station	$0	$0	$0	$0	$0	$0	$0
Waldo Reservoir	$0	$0	$0	$0	$0	$0	$0
Walter Pumping Station	$0	$0	$0	$0	$0	$0	$0
West End Reservoir	$0	$0	$0	$0	$0	$0	$0
Willett Pumping St #1	$60,749	$72,898	$0	$0	$0	$0	$133,647
Yard Piping & Flumes	$0	$0	$0	$0	$0	$0	$0
Zone 3 Chapple Reservoir	$0	$0	$0	$0	$0	$0	$0
Zone 4 Reservoir	$1,622,865	$1,947,438	$1,947,438	$0	$0	$0	$5,517,740
(blank)	$0	$0	$0	$0	$0	$0	$0
Grand Total	$0	$0	$0	$0	$0	$0	$0
Zone 4 Pump Station	$4,071,355	$4,885,626	$0	$0	$0	$0	$8,956,981
Zone 1 Storage	$0	$0	$0	$0	$0	$0	$0
IBL Storage and Distribution	$0	$0	$0	$0	$0	$0	$0
West End Distribution	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
Net	**27,938,974**	**33,526,769**	**26,802,238**	**0**	**0**	**2,166,047**	**90,434,028**

Table B.24: Allocation of Net Fixed Assets to Functional Cost Component – All-But-Resale – FY26

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Clear Well Standpipe #1	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #2	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #3	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #4	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #5	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #6	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #7	$0	$0	$0	$0	$0	$0	$0
#1 Intake Channel Head Wk	$0	$0	$0	$0	$0	$0	$0
#1 Low Duty Pumping St	$0	$0	$0	$0	$0	$0	$0
#2 Low Duty Pumping St.	$0	$0	$0	$0	$0	$0	$0
#2 River Intake	$0	$0	$0	$0	$0	$0	$0
Booster St-12 Av N & N27	$0	$0	$0	$0	$0	$0	$0
Briarwood Reservoir	$846,028	$1,015,233	$1,015,233	$0	$0	$0	$2,876,494
Chapple Pump Station	$0	$0	$0	$0	$0	$0	$0
Chem Bldg & Treatment Bsn	$0	$0	$0	$0	$0	$0	$0
Christensen Pump Station	$70,092	$84,110	$0	$0	$0	$0	$154,202
Cold Storage Building	$0	$0	$0	$0	$0	$0	$0
Communication Equipment	$0	$0	$0	$0	$0	$0	$0
Construction Equipment	$0	$0	$0	$0	$0	$0	$0
Depreciation City	$0	$0	$0	$0	$0	$0	$0
Depreciation Contributed Capital	$0	$0	$0	$0	$0	$0	$0
Distribution Mains < 12	$9,301,943	$11,162,332	$11,162,332	$0	$0	$0	$31,626,607
Filter Bldg,Clr Bsn & Ps	$0	$0	$0	$0	$0	$0	$0
Fox Pump Station	$0	$0	$0	$0	$0	$0	$0
Fox Reservoir	$0	$0	$0	$0	$0	$0	$0
Gas Pumps	$0	$0	$0	$0	$0	$0	$0
Heated Storage Bldg & Yrd Storage	$0	$0	$0	$0	$0	$0	$0
High Svc Pumping Station	$0	$0	$0	$0	$0	$0	$0
Hydrant Mains	$0	$0	$0	$0	$0	$0	$0
Hydrants	$0	$0	$0	$0	$0	$0	$0
Laboratory & Test Equipment	$0	$0	$0	$0	$0	$0	$0
Lateral Lines - Below 15	$0	$0	$0	$0	$0	$0	$0
Leavens Pump Station	$51,712	$62,055	$0	$0	$0	$0	$113,767
Leavens Reservoir	$0	$0	$0	$0	$0	$0	$0
Logan Reservoir	$0	$0	$0	$0	$0	$0	$0
Maint & Personnel Bldg	$0	$0	$0	$0	$0	$0	$0
Meters	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equip	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equipment	$0	$0	$0	$0	$0	$0	$0
Plant Electrical Shop	$0	$0	$0	$0	$0	$0	$0
Plant Maintenance Whse	$0	$0	$0	$0	$0	$0	$0
Public Utilities CIP	$0	$0	$0	$0	$0	$0	$0
Rights And Licenses	$305,338	$318,038	$220,517	$0	$2,497	$8,610	$855,000
Service Connections	$0	$0	$0	$0	$0	$0	$0
Staples Pump Station #1	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #1	$0	$0	$0	$0	$0	$0	$0

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Staples Reservoir #2	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #3	$0	$0	$0	$0	$0	$0	$0
Terrace Estates Pump Station	$59,742	$71,690	$0	$0	$0	$0	$131,432
Thomas Pump Station	$35,446	$42,535	$0	$0	$0	$0	$77,980
Tools & Working Equipment	$0	$0	$0	$0	$0	$0	$0
Transmission Amain 12" & Up-	$0	$0	$0	$0	$0	$0	$0
Transmission Mains = 12"	$0	$0	$0	$0	$0	$0	$0
Transmission Mains > 12"	$0	$0	$0	$0	$0	$0	$0
Transportation Equipment	$0	$0	$0	$0	$0	$0	$0
Utilities Service Center	$0	$0	$0	$0	$0	$0	$0
Utilities Water	$0	$0	$0	$0	$0	$0	$0
UV BLDG WTP	$0	$0	$0	$0	$0	$0	$0
Voelker Pump Station	$832,706	$999,247	$0	$0	$0	$0	$1,831,954
Waldo Pump Station	$104,505	$125,406	$0	$0	$0	$0	$229,911
Waldo Reservoir	$0	$0	$0	$0	$0	$0	$0
Walter Pumping Station	$614,264	$737,117	$0	$0	$0	$0	$1,351,381
West End Reservoir	$0	$0	$0	$0	$0	$0	$0
Willett Pumping St #1	$0	$0	$0	$0	$0	$0	$0
Yard Piping & Flumes	$0	$0	$0	$0	$0	$0	$0
Zone 3 Chapple Reservoir	$1,586,751	$1,904,102	$1,904,102	$0	$0	$0	$5,394,955
Zone 4 Reservoir	$0	$0	$0	$0	$0	$0	$0
(blank)	$0	$0	$0	$0	$0	$0	$0
Grand Total	$0	$0	$0	$0	$0	$0	$0
Zone 4 Pump Station	$0	$0	$0	$0	$0	$0	$0
Zone 1 Storage	$0	$0	$0	$0	$0	$0	$0
IBL Storage and Distribution	$63,412	$76,094	$76,094	$0	$0	$0	$215,600
West End Distribution	$0	$0	$0	$0	$0	$0	$0
Net	**13,871,938**	**16,597,959**	**14,378,277**	**0**	**2,497**	**8,610**	**44,859,282**

Table B.25: Allocation of Net Fixed Assets to Functional Cost Component – Owner – FY26

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Clear Well Standpipe #1	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #2	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #3	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #4	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #5	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #6	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #7	$0	$0	$0	$0	$0	$0	$0
#1 Intake Channel Head Wk	$0	$0	$0	$0	$0	$0	$0
#1 Low Duty Pumping St	$0	$0	$0	$0	$0	$0	$0
#2 Low Duty Pumping St.	$0	$0	$0	$0	$0	$0	$0
#2 River Intake	$0	$0	$0	$0	$0	$0	$0
Booster St-12 Av N & N27	$0	$0	$0	$0	$0	$0	$0
Briarwood Reservoir	$0	$0	$0	$0	$0	$0	$0
Chapple Pump Station	$0	$0	$0	$0	$0	$0	$0
Chem Bldg & Treatment Bsn	$0	$0	$0	$0	$0	$0	$0
Christensen Pump Station	$0	$0	$0	$0	$0	$0	$0
Cold Storage Building	$0	$0	$0	$0	$0	$0	$0
Communication Equipment	$0	$0	$0	$0	$0	$0	$0
Construction Equipment	$0	$0	$0	$0	$0	$0	$0
Depreciation City	$0	$0	$0	$0	$0	$0	$0
Depreciation Contributed Capital	$0	$0	$0	$0	$0	$0	$0
Distribution Mains < 12	$0	$0	$0	$0	$0	$0	$0
Filter Bldg,Clr Bsn & Ps	$0	$0	$0	$0	$0	$0	$0
Fox Pump Station	$0	$0	$0	$0	$0	$0	$0
Fox Reservoir	$0	$0	$0	$0	$0	$0	$0
Gas Pumps	$0	$0	$0	$0	$0	$0	$0
Heated Storage Bldg & Yrd Storage	$0	$0	$0	$0	$0	$0	$0
High Svc Pumping Station	$0	$0	$0	$0	$0	$0	$0
Hydrant Mains	$0	$0	$0	$0	$0	$0	$0
Hydrants	$0	$0	$0	$0	$0	$0	$0
Laboratory & Test Equipment	$0	$0	$0	$0	$0	$0	$0
Lateral Lines - Below 15	$0	$0	$0	$0	$0	$0	$0
Leavens Pump Station	$0	$0	$0	$0	$0	$0	$0
Leavens Reservoir	$0	$0	$0	$0	$0	$0	$0
Logan Reservoir	$0	$0	$0	$0	$0	$0	$0
Maint & Personnel Bldg	$0	$0	$0	$0	$0	$0	$0
Meters	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equip	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equipment	$0	$0	$0	$0	$0	$0	$0
Plant Electrical Shop	$0	$0	$0	$0	$0	$0	$0
Plant Maintenance Whse	$0	$0	$0	$0	$0	$0	$0
Public Utilities CIP	$0	$0	$0	$0	$0	$0	$0
Rights And Licenses	$0	$0	$0	$0	$0	$0	$0
Service Connections	$0	$0	$0	$0	$0	$0	$0
Staples Pump Station #1	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #1	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #2	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #3	$0	$0	$0	$0	$0	$0	$0

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Terrace Estates Pump Station	$0	$0	$0	$0	$0	$0	$0
Thomas Pump Station	$0	$0	$0	$0	$0	$0	$0
Tools & Working Equipment	$0	$0	$0	$0	$0	$0	$0
Transmission Amain 12" & Up-	$0	$0	$0	$0	$0	$0	$0
Transmission Mains = 12"	$0	$0	$0	$0	$0	$0	$0
Transmission Mains > 12"	$0	$0	$0	$0	$0	$0	$0
Transportation Equipment	$0	$0	$0	$0	$0	$0	$0
Utilities Service Center	$0	$0	$0	$0	$0	$0	$0
Utilities Water	$0	$0	$0	$0	$0	$0	$0
UV BLDG WTP	$0	$0	$0	$0	$0	$0	$0
Voelker Pump Station	$0	$0	$0	$0	$0	$0	$0
Waldo Pump Station	$0	$0	$0	$0	$0	$0	$0
Waldo Reservoir	$0	$0	$0	$0	$0	$0	$0
Walter Pumping Station	$409,509	$491,411	$0	$0	$0	$0	$900,921
West End Reservoir	$0	$0	$0	$0	$0	$0	$0
Willett Pumping St #1	$0	$0	$0	$0	$0	$0	$0
Yard Piping & Flumes	$0	$0	$0	$0	$0	$0	$0
Zone 3 Chapple Reservoir	$0	$0	$0	$0	$0	$0	$0
Zone 4 Reservoir	$0	$0	$0	$0	$0	$0	$0
(blank)	$0	$0	$0	$0	$0	$0	$0
Grand Total	$0	$0	$0	$0	$0	$0	$0
Zone 4 Pump Station	$0	$0	$0	$0	$0	$0	$0
Zone 1 Storage	$0	$0	$0	$0	$0	$0	$0
IBL Storage and Distribution	$0	$0	$0	$0	$0	$0	$0
West End Distribution	$0	$0	$0	$0	$0	$0	$0
Net	**409,509**	**491,411**	**0**	**0**	**0**	**0**	**900,921**

Table B.26: Allocation of Net Fixed Assets to Functional Cost Component – Resale – FY26

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Single Family Residental	$14,028,096	$12,207,270	$3,743,569	$0	$507,134	$0	$30,486,069
Multi-Family Residential	$3,382,600	$905,706	$1,380,582	$0	$38,023	$0	$5,706,911
Commercial	6,195,721	2,073,664	1,458,886	0	75,999	0	9,804,269
Industrial	0	0	0	0	0	0	0
Seasonal	1,809,936	3,331,749	639,269	0	5,356	0	5,786,310
Public Fire Protection	0	4,013,278	5,276,170	0	0	25,130	9,314,578
Private Fire Protection	0	481,742	633,336	0	0	3,017	1,118,095
Non-Owners							
Residential	$105,364	$91,688	$28,118	$0	$4,851	$0	$230,022
Commercial	4,189,470	1,402,186	986,480	0	3,991	0	6,582,127
Commercial Resale	280,315	73,179	70,845	0	371	0	424,710
Resale	5,911,112	6,145,976	983,708	0	740	0	13,041,536
Private Fire Protection	0	29,995	39,434	0	0	188	69,617
Total - Joint	**$35,902,614**	**$30,756,433**	**$15,240,396**	**$0**	**$636,465**	**$28,335**	**$82,564,243**

Table B.27: Allocation of Joint Related Net Fixed Assets to Customer Class – FY26

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Single Family Residental	$13,068,056	$16,629,936	$7,037,821	$0	$0	$0	$36,735,812
Multi-Family Residential	$3,151,105	$1,233,841	$2,595,461	$0	$0	$0	$6,980,408
Commercial	$5,771,705	$2,824,947	$2,742,671	$0	$0	$0	$11,339,323
Industrial	$0	$0	$0	$0	$0	$0	$0
Seasonal	$1,686,069	$4,538,834	$1,201,811	$0	$0	$0	$7,426,714
Public Fire Protection	$0	$5,467,280	$9,919,074	$0	$0	$1,921,087	$17,307,441
Private Fire Protection	$0	$656,276	$1,190,657	$0	$0	$230,602	$2,077,535
Non-Owners							
Residential	$98,154	$124,907	$52,861	$0	$0	$0	$275,921
Commercial	$3,902,755	$1,910,194	$1,854,560	$0	$0	$0	$7,667,509
Commercial Resale	$261,131	$99,692	$133,187	$0	$0	$0	$494,010
Resale	$0	$0	$0	$0	$0	$0	$0
Private Fire Protection	$0	$40,862	$74,135	$0	$0	$14,358	$129,355
Total - All-But-Resale	**$27,938,974**	**$33,526,769**	**$26,802,238**	**$0**	**$0**	**$2,166,047**	**$90,434,028**

Table B.28: Allocation of All-But-Resale Related Net Fixed Assets to Customer Class – FY26

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Single Family Residental	$7,656,365	$8,804,248	$4,098,907	$0	$2,021	$0	$20,561,542
Multi-Family Residential	$1,846,182	$653,222	$1,511,626	$0	$152	$0	$4,011,182
Commercial	3,381,550	1,495,588	1,597,363	0	303	0	6,474,804
Industrial	0	0	0	0	0	0	0
Seasonal	987,841	2,402,957	699,948	0	21	0	4,090,768
Public Fire Protection	0	2,894,496	5,776,981	0	0	7,687	8,679,165
Private Fire Protection	0	347,447	693,452	0	0	923	1,041,822
Total - Owner	**$13,871,938**	**$16,597,959**	**$14,378,277**	**$0**	**$2,497**	**$8,610**	**$44,859,282**

Table B.29: Allocation of Owner Related Net Fixed Assets to Customer Class – FY26

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Non-Owners							
Residential	$0	$0	$0	$0	$0	$0	$0
Commercial	0	0	0	0	0	0	0
Commercial Resale	0	0	0	0	0	0	0
Resale	409,509	491,411	0	0	0	0	900,921
Private Fire Protection	0	0	0	0	0	0	0
Total - Resale	**$409,509**	**$491,411**	**$0**	**$0**	**$0**	**$0**	**$900,921**

Table B.30: Allocation of Resale Related Net Fixed Assets to Customer Class – FY26

Fixed Asset	Joint	All But Resale	Owners	Resale	Total
Clear Well Standpipe #1	$0	$0	$0	$0	$0
Clear Well Standpipe #2	$0	$0	$0	$0	$0
Clear Well Standpipe #3	$0	$0	$0	$0	$0
Clear Well Standpipe #4	$77,924	$0	$0	$0	$77,924
Clear Well Standpipe #5	$121,282	$0	$0	$0	$121,282
Clear Well Standpipe #6	$12,565	$0	$0	$0	$12,565
Clear Well Standpipe #7	$0	$0	$0	$0	$0
#1 Intake Channel Head Wk	$101,663	$0	$0	$0	$101,663
#1 Low Duty Pumping St	$94,873	$0	$0	$0	$94,873
#2 Low Duty Pumping St.	$0	$0	$0	$0	$0
#2 River Intake	$73,254	$0	$0	$0	$73,254
Booster St-12 Av N & N27	$0	$0	$0	$0	$0
Briarwood Reservoir	$0	$0	$70,301	$0	$70,301
Chapple Pump Station	$0	$18,194	$0	$0	$18,194
Chem Bldg & Treatment Bsn	$235,466	$0	$0	$0	$235,466
Christensen Pump Station	$0	$0	$0	$0	$0
Cold Storage Building	$3,206	$0	$0	$0	$3,206
Communication Equipment	$6,463	$0	$0	$0	$6,463
Construction Equipment	$72,823	$0	$0	$0	$72,823
Distribution Mains < 12	$0	$1,335,978	$890,652	$0	$2,226,630
Filter Bldg,Clr Bsn & Ps	$1,304,435	$0	$0	$0	$1,304,435
Fox Pump Station	$0	$80,681	$0	$0	$80,681
Fox Reservoir	$157,266	$0	$0	$0	$157,266
Gas Pumps	$927	$0	$0	$0	$927
Heated Storage Bldg & Yrd Storage	$4,255	$0	$0	$0	$4,255
High Svc Pumping Station	$331,062	$0	$0	$0	$331,062
Hydrant Mains	$0	$7,255	$0	$0	$7,255
Hydrants	$0	$113,619	$0	$0	$113,619
Laboratory & Test Equipment	$34,116	$0	$0	$0	$34,116
Lateral Lines - Below 15	$0	$1,914	$0	$0	$1,914
Leavens Pump Station	$0	$0	$8,268	$0	$8,268
Leavens Reservoir	$38,917	$0	$0	$0	$38,917
Logan Reservoir	$0	$0	$0	$0	$0

Fixed Asset	Joint	All But Resale	Owners	Resale	Total
Maint & Personnel Bldg	$0	$0	$0	$0	$0
Meters	$60,308	$0	$0	$0	$60,308
Office Furniture & Equip	$0	$0	$0	$0	$0
Office Furniture & Equipment	$25,657	$0	$0	$0	$25,657
Plant Electrical Shop	$23,622	$0	$0	$0	$23,622
Plant Maintenance Whse	$0	$0	$0	$0	$0
Public Utilities CIP	$0	$0	$0	$0	$0
Rights And Licenses	$0	$0	$45,000	$0	$45,000
Service Connections	$0	$0	$0	$0	$0
Staples Pump Station #1	$0	$83,045	$0	$0	$83,045
Staples Reservoir #1	$0	$30,199	$0	$0	$30,199
Staples Reservoir #2	$0	$53,294	$0	$0	$53,294
Staples Reservoir #3	$0	$0	$0	$0	$0
Terrace Estates Pump Station	$0	$0	$12,787	$0	$12,787
Thomas Pump Station	$0	$0	$71	$0	$71
Tools & Working Equipment	$30,194	$0	$0	$0	$30,194
Transmission Amain 12" & Up-	$909,071	$0	$0	$0	$909,071
Transmission Mains = 12"	$0	$534,888	$0	$0	$534,888
Transmission Mains > 12"	$514,109	$0	$0	$0	$514,109
Transportation Equipment	$151,180	$0	$0	$0	$151,180
Utilities Service Center	$75,501	$0	$0	$0	$75,501
Utilities Water	$8,072	$0	$0	$0	$8,072
UV BLDG WTP	$165,986	$0	$0	$0	$165,986
Voelker Pump Station	$0	$0	$59,868	$0	$59,868
Waldo Pump Station	$0	$0	$7,794	$0	$7,794
Waldo Reservoir	$0	$0	$0	$0	$0
Walter Pumping Station	$0	$0	$108,553	$72,369	$180,921
West End Reservoir	$0	$0	$0	$0	$0
Willett Pumping St #1	$0	$3,896	$0	$0	$3,896
Yard Piping & Flumes	$58,796	$0	$0	$0	$58,796
Zone 3 Chapple Reservoir	$0	$0	$131,584	$0	$131,584
Zone 4 Reservoir	$0	$145,098	$0	$0	$145,098
(blank)	$0	$0	$0	$0	$0
Grand Total	$0	$0	$0	$0	$0
Zone 4 Pump Station	$0	$151,813	$0	$0	$151,813
Zone 1 Storage	$27,416	$0	$0	$0	$27,416
IBL Storage and Distribution	$0	$0	$4,400	$0	$4,400
West End Distribution	$0	$0	$0	$0	$0
Net	**$4,720,410**	**$2,559,873**	**$1,339,279**	**$72,369**	**$8,691,930**

Table B.31: Allocation of Depreciation Expense to Ownership Categories – FY26

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Clear Well Standpipe #1	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #2	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #3	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #4	$35,420	$42,504	$0	$0	$0	$0	$77,924
Clear Well Standpipe #5	$55,128	$66,154	$0	$0	$0	$0	$121,282
Clear Well Standpipe #6	$5,711	$6,853	$0	$0	$0	$0	$12,565
Clear Well Standpipe #7	$0	$0	$0	$0	$0	$0	$0
#1 Intake Channel Head Wk	$101,663	$0	$0	$0	$0	$0	$101,663
#1 Low Duty Pumping St	$94,873	$0	$0	$0	$0	$0	$94,873
#2 Low Duty Pumping St.	$0	$0	$0	$0	$0	$0	$0
#2 River Intake	$73,254	$0	$0	$0	$0	$0	$73,254
Booster St-12 Av N & N27	$0	$0	$0	$0	$0	$0	$0
Briarwood Reservoir	$20,677	$24,812	$24,812	$0	$0	$0	$70,301
Chapple Pump Station	$8,270	$9,924	$0	$0	$0	$0	$18,194
Chem Bldg & Treatment Bsn	$107,030	$128,436	$0	$0	$0	$0	$235,466
Christensen Pump Station	$0	$0	$0	$0	$0	$0	$0
Cold Storage Building	$1,145	$1,193	$827	$0	$9	$32	$3,206
Communication Equipment	$2,308	$2,404	$1,667	$0	$19	$65	$6,463
Construction Equipment	$26,007	$27,088	$18,782	$0	$213	$733	$72,823
Distribution Mains < 12	$654,891	$785,869	$785,869	$0	$0	$0	$2,226,630
Filter Bldg,Clr Bsn & Ps	$592,925	$711,510	$0	$0	$0	$0	$1,304,435
Fox Pump Station	$36,673	$44,008	$0	$0	$0	$0	$80,681
Fox Reservoir	$46,255	$55,506	$55,506	$0	$0	$0	$157,266
Gas Pumps	$331	$345	$239	$0	$3	$9	$927
Heated Storage Bldg & Yrd Storage	$1,520	$1,583	$1,098	$0	$12	$43	$4,255
High Svc Pumping Station	$150,483	$180,579	$0	$0	$0	$0	$331,062
Hydrant Mains	$0	$0	$0	$0	$0	$7,255	$7,255
Hydrants	$0	$0	$0	$0	$0	$113,619	$113,619
Laboratory & Test Equipment	$34,116	$0	$0	$0	$0	$0	$34,116
Lateral Lines - Below 15	$563	$675	$675	$0	$0	$0	$1,914
Leavens Pump Station	$3,758	$4,510	$0	$0	$0	$0	$8,268
Leavens Reservoir	$11,446	$13,735	$13,735	$0	$0	$0	$38,917
Logan Reservoir	$0	$0	$0	$0	$0	$0	$0
Maint & Personnel Bldg	$0	$0	$0	$0	$0	$0	$0
Meters	$0	$0	$0	$0	$60,308	$0	$60,308
Office Furniture & Equip	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equipment	$9,162	$9,544	$6,617	$0	$75	$258	$25,657
Plant Electrical Shop	$10,737	$12,885	$0	$0	$0	$0	$23,622
Plant Maintenance Whse	$0	$0	$0	$0	$0	$0	$0
Public Utilities CIP	$0	$0	$0	$0	$0	$0	$0
Rights And Licenses	$16,070	$16,739	$11,606	$0	$131	$453	$45,000
Service Connections	$0	$0	$0	$0	$0	$0	$0

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Staples Pump Station #1	$37,748	$45,297	$0	$0	$0	$0	$83,045
Staples Reservoir #1	$8,882	$10,659	$10,659	$0	$0	$0	$30,199
Staples Reservoir #2	$15,675	$18,809	$18,809	$0	$0	$0	$53,294
Staples Reservoir #3	$0	$0	$0	$0	$0	$0	$0
Terrace Estates Pump Station	$5,812	$6,975	$0	$0	$0	$0	$12,787
Thomas Pump Station	$32	$39	$0	$0	$0	$0	$71
Tools & Working Equipment	$10,783	$11,231	$7,787	$0	$88	$304	$30,194
Transmission Amain 12" & Up-	$267,374	$320,848	$320,848	$0	$0	$0	$909,071
Transmission Mains = 12"	$157,320	$188,784	$188,784	$0	$0	$0	$534,888
Transmission Mains > 12"	$151,209	$181,450	$181,450	$0	$0	$0	$514,109
Transportation Equipment	$53,989	$56,235	$38,992	$0	$442	$1,522	$151,180
Utilities Service Center	$26,963	$28,085	$19,473	$0	$221	$760	$75,501
Utilities Water	$8,072	$0	$0	$0	$0	$0	$8,072
UV BLDG WTP	$165,986	$0	$0	$0	$0	$0	$165,986
Voelker Pump Station	$27,213	$32,656	$0	$0	$0	$0	$59,868
Waldo Pump Station	$3,543	$4,251	$0	$0	$0	$0	$7,794
Waldo Reservoir	$0	$0	$0	$0	$0	$0	$0
Walter Pumping Station	$82,237	$98,684	$0	$0	$0	$0	$180,921
West End Reservoir	$0	$0	$0	$0	$0	$0	$0
Willett Pumping St #1	$1,771	$2,125	$0	$0	$0	$0	$3,896
Yard Piping & Flumes	$26,725	$32,070	$0	$0	$0	$0	$58,796
Zone 3 Chapple Reservoir	$38,701	$46,442	$46,442	$0	$0	$0	$131,584
Zone 4 Reservoir	$42,676	$51,211	$51,211	$0	$0	$0	$145,098
(blank)	$0	$0	$0	$0	$0	$0	$0
Grand Total	$0	$0	$0	$0	$0	$0	$0
Zone 4 Pump Station	$69,006	$82,807	$0	$0	$0	$0	$151,813
Zone 1 Storage	$8,064	$9,676	$9,676	$0	$0	$0	$27,416
IBL Storage and Distribution	$1,294	$1,553	$1,553	$0	$0	$0	$4,400
West End Distribution	$0	$0	$0	$0	$0	$0	$0
Net	**$3,311,492**	**$3,376,744**	**$1,817,118**	**$0**	**$61,521**	**$125,055**	**$8,691,930**

Table B.32: Allocation of Depreciation Expense to Functional Cost Component – FY26

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Clear Well Standpipe #1	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #2	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #3	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #4	$35,420	$42,504	$0	$0	$0	$0	$77,924
Clear Well Standpipe #5	$55,128	$66,154	$0	$0	$0	$0	$121,282
Clear Well Standpipe #6	$5,711	$6,853	$0	$0	$0	$0	$12,565
Clear Well Standpipe #7	$0	$0	$0	$0	$0	$0	$0
#1 Intake Channel Head Wk	$101,663	$0	$0	$0	$0	$0	$101,663
#1 Low Duty Pumping St	$94,873	$0	$0	$0	$0	$0	$94,873
#2 Low Duty Pumping St.	$0	$0	$0	$0	$0	$0	$0
#2 River Intake	$73,254	$0	$0	$0	$0	$0	$73,254
Booster St-12 Av N & N27	$0	$0	$0	$0	$0	$0	$0
Briarwood Reservoir	$0	$0	$0	$0	$0	$0	$0
Chapple Pump Station	$0	$0	$0	$0	$0	$0	$0
Chem Bldg & Treatment Bsn	$107,030	$128,436	$0	$0	$0	$0	$235,466
Christensen Pump Station	$0	$0	$0	$0	$0	$0	$0
Cold Storage Building	$1,145	$1,193	$827	$0	$9	$32	$3,206
Communication Equipment	$2,308	$2,404	$1,667	$0	$19	$65	$6,463
Construction Equipment	$26,007	$27,088	$18,782	$0	$213	$733	$72,823
Depreciation City	$0	$0	$0	$0	$0	$0	$0
Depreciation Contributed Capital	$0	$0	$0	$0	$0	$0	$0
Distribution Mains < 12	$0	$0	$0	$0	$0	$0	$0
Filter Bldg,Clr Bsn & Ps	$592,925	$711,510	$0	$0	$0	$0	$1,304,435
Fox Pump Station	$0	$0	$0	$0	$0	$0	$0
Fox Reservoir	$46,255	$55,506	$55,506	$0	$0	$0	$157,266
Gas Pumps	$331	$345	$239	$0	$3	$9	$927
Heated Storage Bldg & Yrd Storage	$1,520	$1,583	$1,098	$0	$12	$43	$4,255
High Svc Pumping Station	$150,483	$180,579	$0	$0	$0	$0	$331,062
Hydrant Mains	$0	$0	$0	$0	$0	$0	$0
Hydrants	$0	$0	$0	$0	$0	$0	$0
Laboratory & Test Equipment	$34,116	$0	$0	$0	$0	$0	$34,116
Lateral Lines - Below 15	$0	$0	$0	$0	$0	$0	$0
Leavens Pump Station	$0	$0	$0	$0	$0	$0	$0
Leavens Reservoir	$11,446	$13,735	$13,735	$0	$0	$0	$38,917
Logan Reservoir	$0	$0	$0	$0	$0	$0	$0
Maint & Personnel Bldg	$0	$0	$0	$0	$0	$0	$0
Meters	$0	$0	$0	$0	$60,308	$0	$60,308
Office Furniture & Equip	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equipment	$9,162	$9,544	$6,617	$0	$75	$258	$25,657
Plant Electrical Shop	$10,737	$12,885	$0	$0	$0	$0	$23,622
Plant Maintenance Whse	$0	$0	$0	$0	$0	$0	$0
Public Utilities CIP	$0	$0	$0	$0	$0	$0	$0
Rights And Licenses	$0	$0	$0	$0	$0	$0	$0
Service Connections	$0	$0	$0	$0	$0	$0	$0

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Staples Pump Station #1	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #1	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #2	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #3	$0	$0	$0	$0	$0	$0	$0
Terrace Estates Pump Station	$0	$0	$0	$0	$0	$0	$0
Thomas Pump Station	$0	$0	$0	$0	$0	$0	$0
Tools & Working Equipment	$10,783	$11,231	$7,787	$0	$88	$304	$30,194
Transmission Amain 12" & Up-	$267,374	$320,848	$320,848	$0	$0	$0	$909,071
Transmission Mains = 12"	$0	$0	$0	$0	$0	$0	$0
Transmission Mains > 12"	$151,209	$181,450	$181,450	$0	$0	$0	$514,109
Transportation Equipment	$53,989	$56,235	$38,992	$0	$442	$1,522	$151,180
Utilities Service Center	$26,963	$28,085	$19,473	$0	$221	$760	$75,501
Utilities Water	$8,072	$0	$0	$0	$0	$0	$8,072
UV BLDG WTP	$165,986	$0	$0	$0	$0	$0	$165,986
Voelker Pump Station	$0	$0	$0	$0	$0	$0	$0
Waldo Pump Station	$0	$0	$0	$0	$0	$0	$0
Waldo Reservoir	$0	$0	$0	$0	$0	$0	$0
Walter Pumping Station	$0	$0	$0	$0	$0	$0	$0
West End Reservoir	$0	$0	$0	$0	$0	$0	$0
Willett Pumping St #1	$0	$0	$0	$0	$0	$0	$0
Yard Piping & Flumes	$26,725	$32,070	$0	$0	$0	$0	$58,796
Zone 3 Chapple Reservoir	$0	$0	$0	$0	$0	$0	$0
Zone 4 Reservoir	$0	$0	$0	$0	$0	$0	$0
(blank)	$0	$0	$0	$0	$0	$0	$0
Grand Total	$0	$0	$0	$0	$0	$0	$0
Zone 4 Pump Station	$0	$0	$0	$0	$0	$0	$0
Zone 1 Storage	$8,064	$9,676	$9,676	$0	$0	$0	$27,416
IBL Storage and Distribution	$0	$0	$0	$0	$0	$0	$0
West End Distribution	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0
Net	**2,078,679**	**1,899,915**	**676,698**	**0**	**61,390**	**3,728**	**4,720,410**

Table B.33: Allocation of Joint Related Depreciation Expense to Functional Cost Component – FY26

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Clear Well Standpipe #1	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #2	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #3	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #4	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #5	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #6	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #7	$0	$0	$0	$0	$0	$0	$0
#1 Intake Channel Head Wk	$0	$0	$0	$0	$0	$0	$0
#1 Low Duty Pumping St	$0	$0	$0	$0	$0	$0	$0
#2 Low Duty Pumping St.	$0	$0	$0	$0	$0	$0	$0
#2 River Intake	$0	$0	$0	$0	$0	$0	$0
Booster St-12 Av N & N27	$0	$0	$0	$0	$0	$0	$0
Briarwood Reservoir	$0	$0	$0	$0	$0	$0	$0
Chapple Pump Station	$8,270	$9,924	$0	$0	$0	$0	$18,194
Chem Bldg & Treatment Bsn	$0	$0	$0	$0	$0	$0	$0
Christensen Pump Station	$0	$0	$0	$0	$0	$0	$0
Cold Storage Building	$0	$0	$0	$0	$0	$0	$0
Communication Equipment	$0	$0	$0	$0	$0	$0	$0
Construction Equipment	$0	$0	$0	$0	$0	$0	$0
Depreciation City	$0	$0	$0	$0	$0	$0	$0
Depreciation Contributed Capital	$0	$0	$0	$0	$0	$0	$0
Distribution Mains < 12	$392,935	$471,522	$471,522	$0	$0	$0	$1,335,978
Filter Bldg,Clr Bsn & Ps	$0	$0	$0	$0	$0	$0	$0
Fox Pump Station	$36,673	$44,008	$0	$0	$0	$0	$80,681
Fox Reservoir	$0	$0	$0	$0	$0	$0	$0
Gas Pumps	$0	$0	$0	$0	$0	$0	$0
Heated Storage Bldg & Yrd Storage	$0	$0	$0	$0	$0	$0	$0
High Svc Pumping Station	$0	$0	$0	$0	$0	$0	$0
Hydrant Mains	$0	$0	$0	$0	$0	$7,255	$7,255
Hydrants	$0	$0	$0	$0	$0	$113,619	$113,619
Laboratory & Test Equipment	$0	$0	$0	$0	$0	$0	$0
Lateral Lines - Below 15	$563	$675	$675	$0	$0	$0	$1,914
Leavens Pump Station	$0	$0	$0	$0	$0	$0	$0
Leavens Reservoir	$0	$0	$0	$0	$0	$0	$0
Logan Reservoir	$0	$0	$0	$0	$0	$0	$0
Maint & Personnel Bldg	$0	$0	$0	$0	$0	$0	$0
Meters	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equip	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equipment	$0	$0	$0	$0	$0	$0	$0
Plant Electrical Shop	$0	$0	$0	$0	$0	$0	$0
Plant Maintenance Whse	$0	$0	$0	$0	$0	$0	$0
Public Utilities CIP	$0	$0	$0	$0	$0	$0	$0
Rights And Licenses	$0	$0	$0	$0	$0	$0	$0
Service Connections	$0	$0	$0	$0	$0	$0	$0

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Staples Pump Station #1	$37,748	$45,297	$0	$0	$0	$0	$83,045
Staples Reservoir #1	$8,882	$10,659	$10,659	$0	$0	$0	$30,199
Staples Reservoir #2	$15,675	$18,809	$18,809	$0	$0	$0	$53,294
Staples Reservoir #3	$0	$0	$0	$0	$0	$0	$0
Terrace Estates Pump Station	$0	$0	$0	$0	$0	$0	$0
Thomas Pump Station	$0	$0	$0	$0	$0	$0	$0
Tools & Working Equipment	$0	$0	$0	$0	$0	$0	$0
Transmission Amain 12" & Up-	$0	$0	$0	$0	$0	$0	$0
Transmission Mains = 12"	$157,320	$188,784	$188,784	$0	$0	$0	$534,888
Transmission Mains > 12"	$0	$0	$0	$0	$0	$0	$0
Transportation Equipment	$0	$0	$0	$0	$0	$0	$0
Utilities Service Center	$0	$0	$0	$0	$0	$0	$0
Utilities Water	$0	$0	$0	$0	$0	$0	$0
UV BLDG WTP	$0	$0	$0	$0	$0	$0	$0
Voelker Pump Station	$0	$0	$0	$0	$0	$0	$0
Waldo Pump Station	$0	$0	$0	$0	$0	$0	$0
Waldo Reservoir	$0	$0	$0	$0	$0	$0	$0
Walter Pumping Station	$0	$0	$0	$0	$0	$0	$0
West End Reservoir	$0	$0	$0	$0	$0	$0	$0
Willett Pumping St #1	$1,771	$2,125	$0	$0	$0	$0	$3,896
Yard Piping & Flumes	$0	$0	$0	$0	$0	$0	$0
Zone 3 Chapple Reservoir	$0	$0	$0	$0	$0	$0	$0
Zone 4 Reservoir	$42,676	$51,211	$51,211	$0	$0	$0	$145,098
(blank)	$0	$0	$0	$0	$0	$0	$0
Grand Total	$0	$0	$0	$0	$0	$0	$0
Zone 4 Pump Station	$69,006	$82,807	$0	$0	$0	$0	$151,813
Zone 1 Storage	$0	$0	$0	$0	$0	$0	$0
IBL Storage and Distribution	$0	$0	$0	$0	$0	$0	$0
West End Distribution	$0	$0	$0	$0	$0	$0	$0
Net	**771,518**	**925,821**	**741,660**	**0**	**0**	**120,874**	**2,559,873**

Table B.34: Allocation of All-But-Resale Related Depreciation Expense to Functional Cost Component - FY26

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Clear Well Standpipe #1	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #2	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #3	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #4	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #5	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #6	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #7	$0	$0	$0	$0	$0	$0	$0
#1 Intake Channel Head Wk	$0	$0	$0	$0	$0	$0	$0
#1 Low Duty Pumping St	$0	$0	$0	$0	$0	$0	$0
#2 Low Duty Pumping St.	$0	$0	$0	$0	$0	$0	$0
#2 River Intake	$0	$0	$0	$0	$0	$0	$0
Booster St-12 Av N & N27	$0	$0	$0	$0	$0	$0	$0
Briarwood Reservoir	$20,677	$24,812	$24,812	$0	$0	$0	$70,301
Chapple Pump Station	$0	$0	$0	$0	$0	$0	$0
Chem Bldg & Treatment Bsn	$0	$0	$0	$0	$0	$0	$0
Christensen Pump Station	$0	$0	$0	$0	$0	$0	$0
Cold Storage Building	$0	$0	$0	$0	$0	$0	$0
Communication Equipment	$0	$0	$0	$0	$0	$0	$0
Construction Equipment	$0	$0	$0	$0	$0	$0	$0
Depreciation City	$0	$0	$0	$0	$0	$0	$0
Depreciation Contributed Capital	$0	$0	$0	$0	$0	$0	$0
Distribution Mains < 12	$261,956	$314,348	$314,348	$0	$0	$0	$890,652
Filter Bldg,Clr Bsn & Ps	$0	$0	$0	$0	$0	$0	$0
Fox Pump Station	$0	$0	$0	$0	$0	$0	$0
Fox Reservoir	$0	$0	$0	$0	$0	$0	$0
Gas Pumps	$0	$0	$0	$0	$0	$0	$0
Heated Storage Bldg & Yrd Storage	$0	$0	$0	$0	$0	$0	$0
High Svc Pumping Station	$0	$0	$0	$0	$0	$0	$0
Hydrant Mains	$0	$0	$0	$0	$0	$0	$0
Hydrants	$0	$0	$0	$0	$0	$0	$0
Laboratory & Test Equipment	$0	$0	$0	$0	$0	$0	$0
Lateral Lines - Below 15	$0	$0	$0	$0	$0	$0	$0
Leavens Pump Station	$3,758	$4,510	$0	$0	$0	$0	$8,268
Leavens Reservoir	$0	$0	$0	$0	$0	$0	$0
Logan Reservoir	$0	$0	$0	$0	$0	$0	$0
Maint & Personnel Bldg	$0	$0	$0	$0	$0	$0	$0
Meters	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equip	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equipment	$0	$0	$0	$0	$0	$0	$0
Plant Electrical Shop	$0	$0	$0	$0	$0	$0	$0
Plant Maintenance Whse	$0	$0	$0	$0	$0	$0	$0
Public Utilities CIP	$0	$0	$0	$0	$0	$0	$0
Rights And Licenses	$16,070	$16,739	$11,606	$0	$131	$453	$45,000
Service Connections	$0	$0	$0	$0	$0	$0	$0
Staples Pump Station #1	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #1	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #2	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #3	$0	$0	$0	$0	$0	$0	$0
Terrace Estates Pump Station	$5,812	$6,975	$0	$0	$0	$0	$12,787
Thomas Pump Station	$32	$39	$0	$0	$0	$0	$71
Tools & Working Equipment	$0	$0	$0	$0	$0	$0	$0

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Transmission Amain 12" & Up-	$0	$0	$0	$0	$0	$0	$0
Transmission Mains = 12"	$0	$0	$0	$0	$0	$0	$0
Transmission Mains > 12"	$0	$0	$0	$0	$0	$0	$0
Transportation Equipment	$0	$0	$0	$0	$0	$0	$0
Utilities Service Center	$0	$0	$0	$0	$0	$0	$0
Utilities Water	$0	$0	$0	$0	$0	$0	$0
UV BLDG WTP	$0	$0	$0	$0	$0	$0	$0
Voelker Pump Station	$27,213	$32,656	$0	$0	$0	$0	$59,868
Waldo Pump Station	$3,543	$4,251	$0	$0	$0	$0	$7,794
Waldo Reservoir	$0	$0	$0	$0	$0	$0	$0
Walter Pumping Station	$49,342	$59,211	$0	$0	$0	$0	$108,553
West End Reservoir	$0	$0	$0	$0	$0	$0	$0
Willett Pumping St #1	$0	$0	$0	$0	$0	$0	$0
Yard Piping & Flumes	$0	$0	$0	$0	$0	$0	$0
Zone 3 Chapple Reservoir	$38,701	$46,442	$46,442	$0	$0	$0	$131,584
Zone 4 Reservoir	$0	$0	$0	$0	$0	$0	$0
(blank)	$0	$0	$0	$0	$0	$0	$0
Grand Total	$0	$0	$0	$0	$0	$0	$0
Zone 4 Pump Station	$0	$0	$0	$0	$0	$0	$0
Zone 1 Storage	$0	$0	$0	$0	$0	$0	$0
IBL Storage and Distribution	$1,294	$1,553	$1,553	$0	$0	$0	$4,400
West End Distribution	$0	$0	$0	$0	$0	$0	$0
Net	**428,400**	**511,534**	**398,761**	**0**	**131**	**453**	**1,339,279**

Table B.35: Allocation of Owner Related Depreciation Expense to Functional Cost Component – FY26

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Clear Well Standpipe #1	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #2	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #3	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #4	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #5	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #6	$0	$0	$0	$0	$0	$0	$0
Clear Well Standpipe #7	$0	$0	$0	$0	$0	$0	$0
#1 Intake Channel Head Wk	$0	$0	$0	$0	$0	$0	$0
#1 Low Duty Pumping St	$0	$0	$0	$0	$0	$0	$0
#2 Low Duty Pumping St.	$0	$0	$0	$0	$0	$0	$0
#2 River Intake	$0	$0	$0	$0	$0	$0	$0
Booster St-12 Av N & N27	$0	$0	$0	$0	$0	$0	$0
Briarwood Reservoir	$0	$0	$0	$0	$0	$0	$0
Chapple Pump Station	$0	$0	$0	$0	$0	$0	$0
Chem Bldg & Treatment Bsn	$0	$0	$0	$0	$0	$0	$0
Christensen Pump Station	$0	$0	$0	$0	$0	$0	$0
Cold Storage Building	$0	$0	$0	$0	$0	$0	$0
Communication Equipment	$0	$0	$0	$0	$0	$0	$0
Construction Equipment	$0	$0	$0	$0	$0	$0	$0
Depreciation City	$0	$0	$0	$0	$0	$0	$0
Depreciation Contributed Capital	$0	$0	$0	$0	$0	$0	$0
Distribution Mains < 12	$0	$0	$0	$0	$0	$0	$0
Filter Bldg,Clr Bsn & Ps	$0	$0	$0	$0	$0	$0	$0
Fox Pump Station	$0	$0	$0	$0	$0	$0	$0
Fox Reservoir	$0	$0	$0	$0	$0	$0	$0
Gas Pumps	$0	$0	$0	$0	$0	$0	$0
Heated Storage Bldg & Yrd Storage	$0	$0	$0	$0	$0	$0	$0
High Svc Pumping Station	$0	$0	$0	$0	$0	$0	$0
Hydrant Mains	$0	$0	$0	$0	$0	$0	$0
Hydrants	$0	$0	$0	$0	$0	$0	$0
Laboratory & Test Equipment	$0	$0	$0	$0	$0	$0	$0
Lateral Lines - Below 15	$0	$0	$0	$0	$0	$0	$0
Leavens Pump Station	$0	$0	$0	$0	$0	$0	$0
Leavens Reservoir	$0	$0	$0	$0	$0	$0	$0
Logan Reservoir	$0	$0	$0	$0	$0	$0	$0
Maint & Personnel Bldg	$0	$0	$0	$0	$0	$0	$0
Meters	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equip	$0	$0	$0	$0	$0	$0	$0
Office Furniture & Equipment	$0	$0	$0	$0	$0	$0	$0
Plant Electrical Shop	$0	$0	$0	$0	$0	$0	$0
Plant Maintenance Whse	$0	$0	$0	$0	$0	$0	$0
Public Utilities CIP	$0	$0	$0	$0	$0	$0	$0
Rights And Licenses	$0	$0	$0	$0	$0	$0	$0
Service Connections	$0	$0	$0	$0	$0	$0	$0
Staples Pump Station #1	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #1	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #2	$0	$0	$0	$0	$0	$0	$0
Staples Reservoir #3	$0	$0	$0	$0	$0	$0	$0
Terrace Estates Pump Station	$0	$0	$0	$0	$0	$0	$0
Thomas Pump Station	$0	$0	$0	$0	$0	$0	$0

Fixed Asset	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Tools & Working Equipment	$0	$0	$0	$0	$0	$0	$0
Transmission Amain 12" & Up-	$0	$0	$0	$0	$0	$0	$0
Transmission Mains = 12"	$0	$0	$0	$0	$0	$0	$0
Transmission Mains > 12"	$0	$0	$0	$0	$0	$0	$0
Transportation Equipment	$0	$0	$0	$0	$0	$0	$0
Utilities Service Center	$0	$0	$0	$0	$0	$0	$0
Utilities Water	$0	$0	$0	$0	$0	$0	$0
UV BLDG WTP	$0	$0	$0	$0	$0	$0	$0
Voelker Pump Station	$0	$0	$0	$0	$0	$0	$0
Waldo Pump Station	$0	$0	$0	$0	$0	$0	$0
Waldo Reservoir	$0	$0	$0	$0	$0	$0	$0
Walter Pumping Station	$32,895	$39,474	$0	$0	$0	$0	$72,369
West End Reservoir	$0	$0	$0	$0	$0	$0	$0
Willett Pumping St #1	$0	$0	$0	$0	$0	$0	$0
Yard Piping & Flumes	$0	$0	$0	$0	$0	$0	$0
Zone 3 Chapple Reservoir	$0	$0	$0	$0	$0	$0	$0
Zone 4 Reservoir	$0	$0	$0	$0	$0	$0	$0
(blank)	$0	$0	$0	$0	$0	$0	$0
Grand Total	$0	$0	$0	$0	$0	$0	$0
Zone 4 Pump Station	$0	$0	$0	$0	$0	$0	$0
Zone 1 Storage	$0	$0	$0	$0	$0	$0	$0
IBL Storage and Distribution	$0	$0	$0	$0	$0	$0	$0
West End Distribution	$0	$0	$0	$0	$0	$0	$0
Net	**32,895**	**39,474**	**0**	**0**	**0**	**0**	**72,369**

Table B.36: Allocation of Resale Related Depreciation Expense to Functional Cost Component – FY26

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Single Family Residential	$812,195	$754,079	$166,220	$0	$48,915	$0	$1,781,409
Multi-Family Residential	$195,845	$55,948	$61,300	$0	$3,668	$0	$316,760
Commercial	358,718	128,096	64,777	0	7,330	0	$558,922
Industrial	0	0	0	0	0	0	$0
Seasonal	104,791	205,812	28,385	0	517	0	$339,504
Public Fire Protection	0	247,912	234,270	0	0	3,307	$485,489
Private Fire Protection	0	29,759	28,121	0	0	397	$58,277
Non-Owners							$0
Residential	$6,100	$5,664	$1,248	$0	$468	$0	$13,481
Commercial	242,561	86,617	43,801	0	385	0	$373,364
Commercial Resale	16,230	4,520	3,146	0	36	0	$23,931
Resale	342,240	379,655	43,678	0	71	0	$765,644
Private Fire Protection	0	1,853	1,751	0	0	25	$3,629
Total - Joint	**$2,078,679**	**$1,899,915**	**$676,698**	**$0**	**$61,390**	**$3,728**	**$4,720,410**

Table B.37: Allocation of Joint Depreciation Expense to Customer Class – FY26

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Single Family Residential	$360,866	$459,226	$194,748	$0	$0	$0	$1,014,840
Multi-Family Residential	$87,016	$34,072	$71,821	$0	$0	$0	$192,908
Commercial	$159,382	$78,009	$75,894	$0	$0	$0	$313,285
Industrial	$0	$0	$0	$0	$0	$0	$0
Seasonal	$46,560	$125,337	$33,256	$0	$0	$0	$205,153
Public Fire Protection	$0	$150,976	$274,476	$0	$0	$107,204	$532,656
Private Fire Protection	$0	$18,123	$32,947	$0	$0	$12,868	$63,939
Non-Owners							$0
Residential	$2,710	$3,449	$1,463	$0	$0	$0	$7,622
Commercial	$107,772	$52,749	$51,319	$0	$0	$0	$211,840
Commercial Resale	$7,211	$2,753	$3,686	$0	$0	$0	$13,649
-Resale	$0	$0	$0	$0	$0	$0	$0
Private Fire Protection	$0	$1,128	$2,051	$0	$0	$801	$3,981
Total - All-But-Resale	**$771,518**	**$925,821**	**$741,660**	**$0**	**$0**	**$120,874**	**$2,559,873**

Table B.38: Allocation of All-But-Resale Depreciation Expense to Customer Class – FY26

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Single Family Residential	$236,447	$271,339	$113,677	$0	$106	$0	$621,570
Multi-Family Residential	$57,015	$20,132	$41,923	$0	$8	$0	$119,077
Commercial	104,431	46,093	44,301	0	16	0	194,840
Industrial	0	0	0	0	0	0	0
Seasonal	30,507	74,057	19,412	0	1	0	123,977
Public Fire Protection	0	89,206	160,216	0	0	405	249,826
Private Fire Protection	0	10,708	19,232	0	0	49	29,988
Total - Owner	**$428,400**	**$511,534**	**$398,761**	**$0**	**$131**	**$453**	**$1,339,279**

Table B.39: Allocation of Owner Depreciation Expense to Customer Class – FY26

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Non-Owners							
Residential	$0	$0	$0	$0	$0	$0	$0
Commercial	0	0	0	0	0	0	0
Commercial Resale	0	0	0	0	0	0	0
-Resale	32,895	39,474	0	0	0	0	72,369
Private Fire Protection	0	0	0	0	0	0	0
Total - Resale	**$32,895**	**$39,474**	**$0**	**$0**	**$0**	**$0**	**$72,369**

Table B.40: Allocation of Resale Depreciation Expense to Customer Class – FY26

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Single Family Residential	$994,148	$976,270	$181,543	$0	$48,925	$0	$2,200,886
Multi-Family Residential	$239,719	$72,433	$66,951	$0	$3,658	$0	$382,762
Commercial	$439,081	$165,840	$70,748	$0	$7,317	$0	$682,986
Industrial	$0	$0	$0	$0	$0	$0	$0
Seasonal	$128,267	$266,455	$31,001	$0	$514	$0	$426,237
Public Fire Protection	$0	$319,385	$254,610	$0	$0	$3,249	$577,244
Private Fire Protection	$0	$38,338	$30,563	$0	$0	$390	$69,291
Non-Owners							$0
Residential	$7,430	$7,296	$1,357	$0	$466	$0	$16,549
Commercial	$295,424	$111,581	$47,601	$0	$383	$0	$454,989
Commercial Resale	$19,767	$5,823	$3,419	$0	$36	$0	$29,044
-Resale	$424,330	$497,879	$48,321	$0	$71	$0	$970,601
Private Fire Protection	$0	$2,362	$1,883	$0	$0	$24	$4,269
Total - Joint	**$2,548,165**	**$2,463,663**	**$737,995**	**$0**	**$61,371**	**$3,663**	**$5,814,857**

Table B.41: Allocation of Joint Depreciation Expense to Customer Class – FY27

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Single Family Residential	$380,999	$485,074	$208,627	$0	$0	$0	$1,074,700
Multi-Family Residential	$91,870	$35,990	$76,939	$0	$0	$0	$204,799
Commercial	$168,274	$82,400	$81,303	$0	$0	$0	$331,977
Industrial	$0	$0	$0	$0	$0	$0	$0
Seasonal	$49,157	$132,392	$35,626	$0	$0	$0	$217,176
Public Fire Protection	$0	$158,691	$292,596	$0	$0	$107,212	$558,499
Private Fire Protection	$0	$19,049	$35,122	$0	$0	$12,869	$67,041
Non-Owners							$0
Residential	$2,847	$3,625	$1,559	$0	$0	$0	$8,032
Commercial	$113,219	$55,441	$54,703	$0	$0	$0	$223,362
Commercial Resale	$7,575	$2,893	$3,929	$0	$0	$0	$14,397
-Resale	$0	$0	$0	$0	$0	$0	$0
Private Fire Protection	$0	$1,174	$2,164	$0	$0	$793	$4,130
Total - All-But-Resale	**$813,941**	**$976,730**	**$792,568**	**$0**	**$0**	**$120,874**	**$2,704,113**

Table B.42: Allocation of All-But-Resale Depreciation Expense to Customer Class – FY27

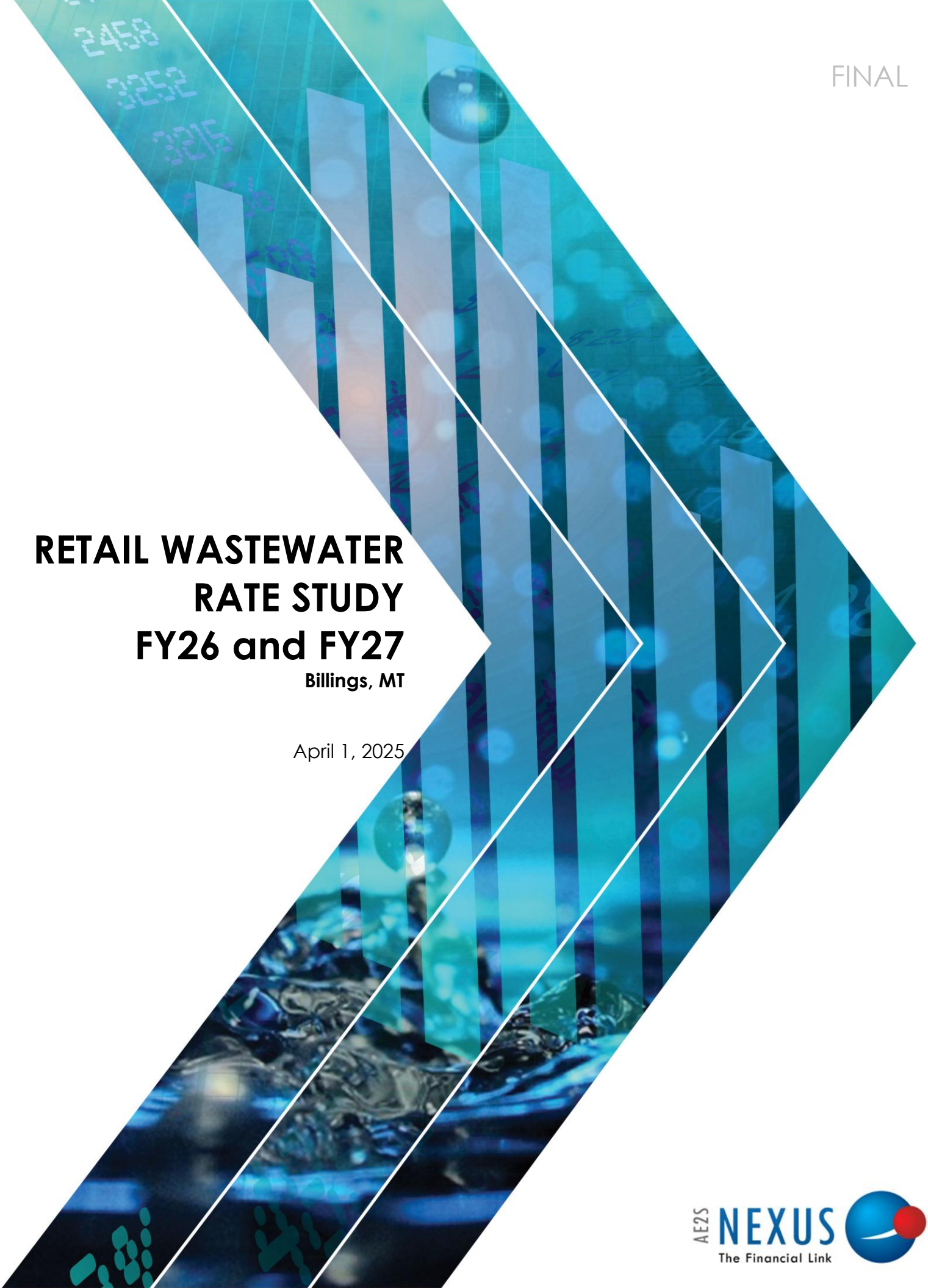
Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Owners							
Single Family Residential	$248,521	$285,086	$120,697	$0	$142	$0	$654,445
Multi-Family Residential	$59,926	$21,152	$44,512	$0	$11	$0	$125,600
Commercial	$109,763	$48,428	$47,036	$0	$21	$0	$205,248
Industrial	$0	$0	$0	$0	$0	$0	$0
Seasonal	$32,065	$77,809	$20,611	$0	$1	$0	$130,486
Public Fire Protection	$0	$93,265	$169,275	$0	$0	$539	$263,080
Private Fire Protection	$0	$11,195	$20,319	$0	$0	$65	$31,579
Total - Owner	**$450,274**	**$536,935**	**$422,450**	**$0**	**$175**	**$604**	**$1,410,439**

Table B.43: Allocation of Owner Depreciation Expense to Customer Class – FY27

Customer Class	Base	Max Day	Max Hour	Customer	Meter	Direct Fire	Total
Non-Owners							
Residential	$0	$0	$0	$0	$0	$0	$0
Commercial	$0	$0	$0	$0	$0	$0	$0
Commercial Resale	$0	$0	$0	$0	$0	$0	$0
-Resale	$32,895	$39,474	$0	$0	$0	$0	$72,369
Private Fire Protection	$0	$0	$0	$0	$0	$0	$0
Total - Resale	**$32,895**	**$39,474**	**$0**	**$0**	**$0**	**$0**	**$72,369**

Table B.44: Allocation of Resale Depreciation Expense to Customer Class – FY27

FINAL



RETAIL WASTEWATER RATE STUDY FY26 and FY27

Billings, MT

April 1, 2025

AE2S NEXUS
The Financial Link

Executive Summary

The City of Billings, Montana (City) calculates its retail wastewater rates using a cost of service rate model developed specifically for its wastewater treatment and collection system. The last rate analysis was completed in May 2023, at which time rates for FY24 and FY25 were set. This report summarizes the results of the most recent update to the wastewater rate model, including rate recommendations for FY26 and FY27. Detailed asset tables are found in the Appendices.

The City currently maintains two rate models for the Wastewater System – a cash-based model used to calculate retail rates and a utility-based model used to calculate the rates for wholesale users. The retail rate model utilizes the cash-basis approach for determining capital costs and therefore does not readily provide a mechanism for differentiating between retail and wholesale users in terms of cost allocation. The wholesale model utilizes the utility-method to better differentiate between retail and wholesale users. The wholesale model, discussed in detail in the Wastewater Wholesale Rate Study, applies a minimum 15 percent rate of return on the asset base, which includes 12.5 percent working capital, to calculate capital costs for wholesale users. The rate of return plus depreciation forms the basis for the capital component of the revenue requirements for wholesale users. This revenue projection is then utilized in the cash model to offset retail user costs.

Based on the results of this study, the recommended fixed monthly meter rates for retail users for the study period are shown in Tables ES.1 and ES.2 for Inside City Users and Outside City users, respectively. Due to the City's practice of rounding the wastewater fixed charge to the nearest $0.05, the calculated cost of service-based rate changes vary slightly for some of the meters in FY26 and FY27.

The recommended retail volumetric rates are shown in Table ES.3. Based on projected expenditures and wastewater flows, the cost of service model indicated the need for rate increases in both FY26 and FY27. Over the last few years, the rate strategy has been to gradually step into rate increases needed to operate the wastewater treatment facility while keeping rate adjustments at a moderate level by utilizing existing cash reserves. The combined increase between fixed and volumetric averages around 3 to 3.5 percent for the average user.

Meter Size	Inside City Current FY25 Rate ($/Month)	Recommended Inside City FY26 Rate ($/Month)	% Increase	Recommended Inside City FY27 Rate ($/Month)	% Increase
3/4"	$7.85	$8.00	1.9%	$8.05	0.6%
1"	$10.00	$10.15	1.5%	$10.25	1.0%
1-1/2"	$12.25	$12.50	2.0%	$12.60	0.8%
2"	$12.85	$13.05	1.6%	$13.20	1.1%
3"	$20.70	$21.05	1.7%	$21.25	1.0%
4"	$78.50	$79.90	1.8%	$80.60	0.9%
6"	$99.90	$101.70	1.8%	$102.60	0.9%
8"	$149.90	$152.55	1.8%	$153.90	0.9%
10"	$206.95	$210.65	1.8%	$212.55	0.9%

Table ES.1: FY26 and FY27 Recommended Monthly Minimum Wastewater Charges – Inside City Retail Users

Meter Size	Outside City Current FY25 Rate ($/Month)	Recommended Outside City FY26 Rate ($/Month)	% Increase	Recommended Outside City FY27 Rate ($/Month)	% Increase
3/4"	$8.65	$8.80	1.7%	$8.85	0.6%
1"	$11.00	$11.15	1.4%	$11.25	0.9%
1-1/2"	$13.45	$13.70	1.9%	$13.80	0.7%
2"	$14.10	$14.30	1.4%	$14.45	1.0%
3"	$22.75	$23.15	1.8%	$23.35	0.9%
4"	$86.35	$87.90	1.8%	$88.65	0.9%
6"	$109.90	$111.90	1.8%	$112.90	0.9%
8"	$164.90	$167.80	1.8%	$169.30	0.9%
10"	$227.65	$231.70	1.8%	$233.80	0.9%

Table ES.2: FY26 and FY27 Recommended Monthly Minimum Wastewater Charges – Outside City Retail Users

User Class	Current FY25 Rate ($/kgal)	Recommended FY26 Rate ($/kgal)	% Increase	Recommended FY27 Rate ($/kgal)	% Increase
Residential	$5.75	$5.95	3.5%	$6.15	3.4%
Large Residential	$5.75	$5.95	3.5%	$6.15	3.4%
Commercial	$5.75	$5.95	3.5%	$6.15	3.4%
Public Buildings	$5.75	$5.95	3.5%	$6.15	3.4%
Outside Retail Users	$5.75	$5.95	3.5%	$6.15	3.4%

Table ES.3: FY26 and FY27 Recommended Wastewater Volumetric Rates

Lastly, strength surcharge rates are shown in Table ES.4.

	Current FY25 Rate ($/Pound)	Calculated FY26 Rate ($/Pound)	% Increase	Calculated FY27 Rate ($/Pound)	% Increase
BOD	$0.9019	$0.9019	0.0%	$0.9019	0.0%
TSS	$0.5811	$0.6144	5.7%	$0.6144	0.0%
TKN	$1.7217	$1.7892	3.9%	$1.7892	0.0%
	Current FY25 Rate ($/kgal)	**Calculated FY26 Rate ($/kgal)**	**% Increase**	**Calculated FY27 Rate ($/kgal)**	**% Increase**
Septage	$61.12	$62.88	2.9%	$62.88	0.0%

Table ES.4: Recommended FY26 and FY27 Strength Surcharge Rates

1.0 Introduction

The City of Billings (City) retained AE2S Nexus to update its wastewater rate model and recommend retail wastewater rates for the 2026 Fiscal Year (FY26), which begins July 1, 2025 and ends June 30, 2026, as well as for FY27, which begins July 1, 2026 and ends June 30, 2027. The rate model utilized by the City of Billings was last updated by AE2S Nexus in early 2023 for the purpose of developing rates for FY24 and FY25. The FY26/FY27 rate review involved a comprehensive review of assumptions and methodology upon which the analysis is based. The results of that review are described herein.

The City's cost of service wastewater rate model utilizes a cash-based approach in calculating retail rates. This approach is designed to meet all legal requirements for rate setting under Montana law (specifically, clearly tying the benefit of service received to the cost paid). Revenue requirements are functionalized to the categories of flow, biochemical oxygen demand (BOD), total suspended solids (TSS), total Kjeldahl nitrogen (TKN), and customer costs. The flow, BOD, TSS, and TKN costs are allocated to the user classes based on user-specific characteristics and respective usage of the system and form the basis for the volumetric and strength components of the user charges. Customer costs are then allocated to the user classes and form the basis for the monthly minimum component of the rate.

At the City's request, AE2S Nexus has updated the customer billing data, operating and maintenance (O&M) budget, and capital revenue requirements. To complete a comprehensive update, assumptions upon which the model calculations are based were also reviewed and verified or updated to reflect current system conditions. This report summarizes the following topics:

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

2.0 Customers and Usage

The City of Billings provides wastewater service to approximately 37,382 users within City limits, 55 users outside of the City, and to the wholesale customers, Lockwood, ExxonMobil, and Phillips 66. Projected FY26 and FY27 accounts and meters are based on actual meter and account data from FY24, adjusted by one percent annually for all accounts. As shown in Table 2.1, a growth factor of zero percent per year is used to project flows for FY26 and FY27. Residential flows were held constant due to recent flows fluctuating around existing levels; all other user classes were grown at one percent annually.

Customer Class	Description	Flow Growth Factor
Residential	single family, two- and three- multi-family unit complexes	0.0%
Commercial		1.0%
Residential - Large	includes multi-family complexes with greater than three units	1.0%
Public Buildings	Includes governments and schools	1.0%
Outside City – Domestic Strength		1.0%

Table 2.1 : Flow Growth Factors

Rates for the wholesale users (Lockwood Water and Sewer District, ExxonMobil, and Phillips 66) are calculated in separate rate models that apply the utility basis cost of service methodology rather than the cash-based methodology employed for retail rate analysis. For the purpose of calculating rates for the retail customers, revenue associated with the wholesale users was treated as non-rate revenue, reducing the net revenue requirements. Estimated FY26 and FY27 retail customer accounts by meter size and equivalent meters are shown in Tables 2.2 and 2.3, respectively. The equivalent meter counts are shown on a 3/4-inch meter basis. Table 2.4 summarizes the projected FY26 and FY27 billable retail flow for each user class, measured in units of million gallons (MG).

Meter Size	Residential	Commercial	Residential-Large	Public Buildings-Domestic	Outside City	Total Inside City
3/4"	33,508	1,316	447	6	32	35,309
1"	380	397	303	4	9	1,093
1-1/2"	26	292	152	15	5	489
2"	-	155	64	22	5	246
3"	1	75	39	23	2	140
4"	1	20	19	4	1	46
6"	1	14	28	4	-	47
8"	-	3	5	2	1	11
10"	-	-	-	-	-	-
12"	-	-	1	-	-	1
Total	33,917	2,273	1,058	79	55	37,382
Equivalent Meters	34,058	3,174	1,919	258	94	39,502

Table 2.2: Projected FY26 Wastewater Customer Accounts and Equivalent Meters

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

Table 2.3: Projected FY27 Wastewater Customer Accounts and Equivalent Meters

Customer Class	FY2026 Flow (MG)	FY2027 Flow (MG)
Residential	1,421.17	1,421.17
Large Residential	597.20	603.18
Commercial - Domestic	949.48	958.97
Public Buildings - Domestic	75.76	76.52
Outside City	49.40	49.90
Total	**3,093.01**	**3,109.73**

Table 2.4: Projected FY26 and FY27 Retail Customer Flows

Tables 2.5 and 2.6 present projected retail customer strength concentrations and loadings for FY26 and FY27, respectively. Consistent with previous analyses, BOD and TSS strengths of 200 milligrams per liter (mg/L) (the current domestic limit) were assumed for all user classes, and beginning in FY24, a TKN strength of 45 milligrams per liter (mg/L) was assumed and remains in effect for FY26 and FY27.

Customer Class	BOD (mg/L)	TSS (mg/L)	TKN (mg/L)	BOD (pounds)	TSS (pounds)	TKN (pounds)
Residential	200	200	45	2,372,117	2,372,117	533,726
Large Residential	200	200	45	996,815	996,815	224,283
Commercial - Domestic	200	200	45	1,584,810	1,584,810	356,582
Public Buildings - Domestic	200	200	45	126,450	126,450	28,451
Outside City	200	200	45	82,459	82,459	18,553
Total				5,162,650	5,162,650	1,161,596

Table 2.5: Estimated FY26 Retail Concentrations and Loadings

Customer Class	BOD (mg/L)	TSS (mg/L)	TKN (mg/L)	BOD (pounds)	TSS (pounds)	TKN (pounds)
Residential	200	200	45	2,372,117	2,372,117	533,726
Large Residential	200	200	45	1,006,783	1,006,783	226,526
Commercial - Domestic	200	200	45	1,600,658	1,600,658	360,148
Public Buildings - Domestic	200	200	45	127,714	127,714	28,736
Outside City	200	200	45	83,284	83,284	18,739
Total				5,190,556	5,190,556	1,167,875

Table 2.6: Estimated FY27 Retail Concentrations and Loadings

3.0 Revenue Requirements

Revenue requirements consist of expenses incurred for O&M of the Wastewater Utility, as well capital-related expenses such as debt service principal, capital outlays, and contributions to reserves. These revenue requirements form the basis of costs recouped through calculated rates.

3.1 Operation and Maintenance Costs

For the purpose of developing wastewater rates for FY26 and FY27, the O&M component of revenue requirements was based on the preliminary FY26 Wastewater Operating budget. To maintain consistency with previous reports for historic tracking, the analysis grouped divisions according to the following naming system: Administration, Fiscal Services – Service Center, Wastewater Treatment Plant, Distribution and Collection, and Environmental Affairs.

The utility also generates non-rate operating revenue, which is applied to offset operating costs. For the purpose of calculating the retail rates, revenues from existing wholesale users Lockwood, ExxonMobil, and Phillips 66 are accounted for as non-rate O&M revenue. Table 3.1 summarizes total projected O&M revenue requirements for FY26 and FY27, total projected O&M non-rate revenue, and net O&M revenue requirements.

Line Item	FY2026 Total	FY2027 Total
Administrative	$ 2,590,000	$ 2,680,650
Utility Commercial & Mete	$ 81,920	$ 84,787
Wastewater Treatment	$ 7,241,063	$ 7,494,500
Distribution & Collection	$ 2,464,205	$ 2,550,452
Environmental Affairs	$ 575,012	$ 595,137
O&M – Total	$ 12,952,200	$ 13,405,527
Less: Non-Rate O&M Revenue		
Sewer Permits	$ 65,650	$ 66,307
Sale of Material/ Labor	$ 6,000	$ 6,000
Collection of Bad Debt	$ 600	$ 600
Wastewater Supply	$ 50,000	$ 50,000
Phillips 66	$ 1,351,285	$ 1,403,416
Lockwood	$ 525,002	$ 539,496
Exxon	$ 1,292,138	$ 1,340,922
Misc & Surcharge Revenu	$ 190,105	$ 197,030
Charge for Services	$ -	$ -
Total Non-Rate O&M Reve	$ 3,480,780	$ 3,603,771
Net O&M Revenue Requir	**$ 9,471,420**	**$ 9,801,756**

Table 3.1: Summary of FY26 and FY27 Wastewater O&M Revenue Requirements

3.2 Capital Costs

The City provided information related to existing and anticipated debt service requirements, the five-year Capital Improvement Plan (CIP), non-CIP capital outlays, and anticipated capital-related non-rate revenue for FY26 and FY27. Capital projects planned for FY25 total approximately $37.04 million (M), including capital work in progress. The CIP includes $10.7M in capital projects for FY26 and $10.9M in FY27. Table 3.2 summarizes net capital revenue requirements for FY26 and FY27.

Line Item	FY2026 Total	FY2027 Total
Debt Service	$ 5,331,000	$ 5,331,000
Cash Funded CIP	$ 9,214,403	$ 9,436,400
Transfers To (from) O&M Reserve	$ -	$ -
Increase (Decrease) Operating Fund Balance	$ (1,433,157)	$ (1,288,403)
Capital – Total	$ 13,112,246	$ 13,478,997
Less: Non-Rate Capital Revenue		
Late Payment Interest	$ 35,000	$ 35,000
Interest Earnings	$ 300,000	$ 301,500
Total Non-Rate O&M Revenue	$ 335,000	$ 336,500
Net Capital Revenue Requirements	**$ 12,777,246**	**$ 13,142,497**

Table 3.2: Summary of Net Capital-Related Revenue Requirements

3.3 Total Revenue Requirements

Table 3.3 summarizes the total net revenue requirements from rates for FY26 and FY27, which total approximately $22.2M and $22.9M, respectively.

Revenue Requirement	Projected FY25	Projected FY26
Net O&M	$ 9,471,420	$ 9,801,756
Net Capital	$ 12,777,246	$ 13,142,497
Total	$ 22,248,666	$ 22,944,254

Table 3.3: Summary of Total Projected FY26 and FY27 Wastewater Net Revenue Requirements

4.0 Cost of Service Analysis

4.1 Methodology

Following the establishment of net O&M and capital revenue requirements, costs must be allocated to each user class. To arrive at the final cost allocation to each user class, the revenue requirements were classified based on the manner in which the cost is related to user characteristics such as equivalent meters, flow, BOD, TSS, and TKN. The methodology employed for this analysis utilized the following classifications:

- Flow;
- BOD;
- TSS;
- TKN; and
- Customer.

Once classified, the costs were allocated to the user classes based on the service characteristics associated with each user class for each classification. The revenue requirements comprising the Customer classified costs result in the calculation of the fixed monthly meter charges, and those allocated to the Flow, BOD, TSS, and TKN components comprise the charges that derive the volumetric rates. The following subsections illustrate the classification and allocation of O&M and Capital-related revenue requirements.

4.2 Classification of O&M Revenue Requirements

Previously, Section 3.1 and Table 3.1 summarized the O&M net revenue requirements. Table 4.1 summarizes the O&M revenue classification percentages used for both FY26 and FY27. Tables 4.2 and 4.3, respectively, summarize the classified O&M net revenue requirements for FY26 and FY27.

Item	Flow	BOD	TSS	TKN	Customer	Total
Revenue Requirements						
Administrative	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Commercial & Meter	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Wastewater Treatment	30.8%	26.8%	25.9%	16.4%	0.0%	100.0%
Distribution and Collection	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Environmental Affairs	0.0%	33.3%	33.3%	33.3%	0.0%	100.0%
Non-Rate Revenues						
Sewer Permits	46.4%	20.3%	19.5%	13.0%	0.8%	100.0%
Sale of Material/Labor	46.4%	20.3%	19.5%	13.0%	0.8%	100.0%
Misc Revenue	46.4%	20.3%	19.5%	13.0%	0.8%	100.0%
Collection Bad Debt	46.4%	20.3%	19.5%	13.0%	0.8%	100.0%
Wastewater Supply	46.4%	20.3%	19.5%	13.0%	0.8%	100.0%
Franchise Fee	46.4%	20.3%	19.5%	13.0%	0.8%	100.0%
Phillips 66	30.5%	26.5%	25.6%	16.2%	1.1%	100.0%
Lockwood	30.5%	26.5%	25.6%	16.2%	1.1%	100.0%
P66 Surcharge	30.5%	26.5%	25.6%	16.2%	1.1%	100.0%
Charge for Service	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Transfer to O&M for Pipebursting Projects	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%

Table 4.1: FY26-FY27 Wastewater Classification Percentages for O&M and Non-Rate Revenue

Line Item	FY2026 Total	Flow	BOD	TSS	TKN	Customer
Administrative	$ 2,590,000	$ -	$ -	$ -	$ -	$ 2,590,000
Utility Commercial & Meter	$ 81,920	$ -	$ -	$ -	$ -	$ 81,920
Wastewater Treatment	$ 7,241,063	$ 2,232,960	$ 1,942,344	$ 1,875,563	$ 1,187,867	$ 2,329
Distribution & Collection	$ 2,464,205	$ 2,464,205	$ -	$ -	$ -	$ -
Environmental Affairs	$ 575,012	$ -	$ 191,671	$ 191,671	$ 191,671	$ -
O&M – Total	$ 12,952,200	$ 4,697,165	$ 2,134,015	$ 2,067,234	$ 1,379,538	$ 2,674,249
Less: Non-Rate O&M Revenue						
Sewer Permits	$ 65,650	$ 30,438	$ 13,304	$ 12,812	$ 8,560	$ 536
Sale of Material/ Labor	$ 6,000	$ 2,782	$ 1,216	$ 1,171	$ 782	$ 49
Collection of Bad Debt	$ 600	$ 278	$ 122	$ 117	$ 78	$ 5
Wastewater Supply	$ 50,000	$ 23,182	$ 10,132	$ 9,758	$ 6,519	$ 408
Phillips 66	$ 1,351,285	$ 1,351,285				$ -
Lockwood	$ 525,002	$ 160,179	$ 139,332	$ 134,542	$ 85,211	$ 5,738
Exxon	$ 1,292,138	$ 394,234	$ 342,925	$ 331,135	$ 209,721	$ 14,122
Misc & Surcharge Revenue	$ 190,105	$ 190,105	$ -	$ -	$ -	$ -
Charge for Services	$ -	$ -	$ -	$ -	$ -	$ -
Total Non-Rate O&M Revenue	$ 3,480,780	$ 2,152,484	$ 507,031	$ 489,535	$ 310,871	$ 20,859
Net O&M Revenue Requirements	**$ 9,471,420**	**$ 2,544,680**	**$ 1,626,983**	**$ 1,577,699**	**$ 1,068,667**	**$ 2,653,390**

Table 4.2: Classified FY26 O&M Net Revenue Requirements

Line Item	FY2027 Total	Flow	BOD	TSS	TKN	Customer
Administrative	$ 2,680,650	$ -	$ -	$ -	$ -	$ 2,680,650
Utility Commercial & Meter	$ 84,787	$ -	$ -	$ -	$ -	$ 84,787
Wastewater Treatment	$ 7,494,500	$ 2,311,113	$ 2,010,326	$ 1,941,208	$ 1,229,443	$ 2,410
Distribution & Collection	$ 2,550,452	$ 2,550,452	$ -	$ -	$ -	$ -
Environmental Affairs	$ 595,137	$ -	$ 198,379	$ 198,379	$ 198,379	$ -
O&M – Total	$ 13,405,527	$ 4,861,565	$ 2,208,705	$ 2,139,587	$ 1,427,822	$ 2,767,848
Less: Non-Rate O&M Revenue						
Sewer Permits	$ 66,307	$ 30,743	$ 13,437	$ 12,940	$ 8,645	$ 541
Sale of Material/ Labor	$ 6,000	$ 2,782	$ 1,216	$ 1,171	$ 782	$ 49
Collection of Bad Debt	$ 600	$ 278	$ 122	$ 117	$ 78	$ 5
Wastewater Supply	$ 50,000	$ 23,182	$ 10,132	$ 9,758	$ 6,519	$ 408
Phillips 66	$ 1,403,416	$ 428,186	$ 372,458	$ 359,652	$ 227,782	$ 15,339
Lockwood	$ 539,496	$ 164,601	$ 143,179	$ 138,256	$ 87,563	$ 5,896
Exxon	$ 1,340,922	$ 409,118	$ 355,872	$ 343,637	$ 217,639	$ 14,656
Misc & Surcharge Revenue	$ 197,030	$ 197,030	$ -	$ -	$ -	$ -
Charge for Services	$ -	$ -	$ -	$ -	$ -	$ -
Total Non-Rate O&M Revenue	$ 3,603,771	$ 1,255,920	$ 896,416	$ 865,532	$ 549,008	$ 36,894
Net O&M Revenue Requirements	**$ 9,801,756**	**$ 3,605,645**	**$ 1,312,289**	**$ 1,274,055**	**$ 878,813**	**$ 2,730,953**

Table 4.3: Classified FY27 O&M Net Revenue Requirements

4.3 Classification of Capital Cost Revenue Requirements

The capital-related revenue requirements are shown in Table 3.2. In general, capital-related revenue requirements were classified in accordance with the composite makeup of the fixed asset base according to asset type.

Fixed assets and classification of such are summarized in detail in Appendix A. Table 4.4 summarizes FY26 and FY27 net fixed assets for the wastewater system by asset type. Tables 4.5 and 4.6 summarize fixed assets by classification, as well as capital-related revenue requirements associated with capital outlays and debt for FY26 and FY27, respectively.

Fixed Asset Type	Original Cost	Annual Depreciation	Estimated Accumulated Depreciation Through 2024	FY2025 CWIP Net Fixed Assets	Net Fixed Assets 2026	Net Fixed Assets 2027
Wastewater Treatment	$ 13,676,125	$ 293,178	$ 5,712,644	$ 933,624	$ 8,603,927	$ 9,600,489
Collection & Distribution	$ 6,383,835	$ 124,126	$ 4,902,819	$ -	$ 1,356,890	$ 1,232,800
General Plant	$ 2,683,569	$ 152,484	$ 1,880,152	$ -	$ 650,933	$ 2,251,360
Total	$ 22,743,530	$ 569,788	$ 12,495,616	$ 933,624	$ 10,611,750	$ 13,084,649

Table 4.4: Summary of FY26 and FY27 Net Fixed Assets by Asset Type

Fixed Asset Type	Flow	BOD	TSS	TKN	Customer	Total
Wastewater Treatment	$ 4,078,342	$ 2,362,697	$ 1,496,356	$ 657,697	$ 8,836	$ 8,603,927
Collection & Distribution	$ 1,356,890	$ -	$ -	$ -	$ -	$ 1,356,890
General Plant	$ 499,746	$ 65,133	$ 52,365	$ 33,241	$ 447	$ 650,933
Total - Fixed Assets	$ 5,934,979	$ 2,427,830	$ 1,548,721	$ 690,938	$ 9,282	$ 10,611,750
ocation - Net Plant In Service	55.9%	22.9%	14.6%	6.5%	0.1%	100.0%
y-Related Revenue Requirements	**$ 4,974,631**	**$ 2,034,979**	**$ 1,298,120**	**$ 579,136**	**$ 7,780**	**$ 8,894,646**
Treatment-Related Assets	$ 24,862,311	$ 21,626,528	$ 20,882,974	$ 13,226,002	$ 25,930	$ 80,623,744
ocation - Treatment Plant	30.8%	26.8%	25.9%	16.4%	0.0%	100.0%
Treatment Plant Debt-Related Revenue Requirements	**$ 1,197,295**	**$ 1,041,469**	**$ 1,005,662**	**$ 636,925**	**$ 1,249**	**$ 3,882,600**
Total Capital-Related Revenue Requirements	**$ 6,171,926**	**$ 3,076,449**	**$ 2,303,782**	**$ 1,216,061**	**$ 9,029**	**$ 12,777,246**

Table 4.5: Classification of FY26 Net Fixed Assets

Fixed Asset Type	Flow	BOD	TSS	TKN	Customer	Total
Wastewater Treatment	$ 4,694,248	$ 2,507,554	$ 1,631,496	$ 757,021	$ 10,170	$ 9,600,489
Collection & Distribution	$ 1,232,800	$ -	$ -	$ -	$ -	$ 1,232,800
General Plant	$ 2,133,014	$ 50,985	$ 40,991	$ 26,021	$ 350	$ 2,251,360
Total - Fixed Assets	$ 8,060,062	$ 2,558,539	$ 1,672,486	$ 783,042	$ 10,520	$ 13,084,649
Percent Allocation - Net Plant In Service	61.6%	19.6%	12.8%	6.0%	0.1%	100.0%
Capital Outlay-Related Revenue Requirements	**$ 5,701,698**	**$ 1,809,914**	**$ 1,183,119**	**$ 553,925**	**$ 7,442**	**$ 9,256,097**
Treatment-Related Assets	$ 32,323,262	$ 23,462,355	$ 22,221,879	$ 14,094,422	$ 43,244	$ 92,145,163
Percent Allocation - Treatment Plant	35.1%	25.5%	24.1%	15.3%	0.0%	100.0%
Treatment Plant Debt-Related Revenue Requirements	**$ 1,363,296**	**$ 989,570**	**$ 937,251**	**$ 594,459**	**$ 1,824**	**$ 3,886,400**
Total Capital-Related Revenue Requirements (Capital Outlay + Treatment Debt)	**$ 7,064,994**	**$ 2,799,484**	**$ 2,120,370**	**$ 1,148,384**	**$ 9,266**	**$ 13,142,497**

Table 4.6: Classification of FY27 Net Fixed Assets

4.4 Summary of Total Classified Net Revenue Requirements

Table 4.7 summarizes the net O&M and Capital-related revenue requirements by classification. Flow, BOD, TSS, and TKN costs were all tied to actual billed discharged flow from those individual user classes as opposed to customer costs, which were considered to be related to total and sizes of meters in service. As a result, the majority of costs are flow related.

Wastewater rate-setting analyses in previous years established a method for gradually bringing fixed charges in line with the cost of service by allocating a percentage of fixed cost to a fixed demand component. To remain consistent with this approach, a portion of the flow costs were reallocated to the fixed demand component in FY26. Table 4.8 shows the FY26 net revenue requirements reflecting this adjustment. Similarly, a portion of flow costs were reallocated to the fixed demand component in the FY27 rate calculation. Net O&M and Capital-related revenue requirements for FY27 are shown in Table 4.9, with adjusted net revenue requirements in Table 4.10.

The final step in calculating the cost of service is to allocate the classified costs to the user classes. Table 4.11 summarizes the allocation factors, derived based on customer usage characteristics, for each classified component of the revenue requirements. The allocation of revenue requirements to each user class is summarized in Section 5.0.

Line Item	Flow	BOD	TSS	TKN	Volume - Total	Customer	Total
Revenue Requirements							
O&M	$ 2,544,680	$ 1,626,983	$ 1,577,699	$ 1,068,667	$ 6,818,030	$ 2,653,390	$ 9,471,420
Capital	$ 6,171,926	$ 3,076,449	$ 2,303,782	$ 1,216,061	$ 12,768,217	$ 9,029	$ 12,777,246
Total	$ 8,716,606	$ 4,703,432	$ 3,881,481	$ 2,284,728	$ 19,586,247	$ 2,662,419	$ 22,248,666

Table 4.7: Summary of FY26 Classified Net Revenue Requirements

Line Item	Flow	BOD	TSS	TKN	Volume - Total	Customer	Total
Revenue Requirements							
O&M	$2,285,123	$1,626,983	$1,577,699	$1,068,667	$6,558,472	$2,912,948	$9,471,420
Capital	$5,542,389	$3,076,449	$2,303,782	$1,216,061	$12,138,681	$638,566	$12,777,246
Total	$7,827,512	$4,703,432	$3,881,481	$2,284,728	$18,697,153	$3,551,513	$22,248,666

Table 4.8: Summary of Adjusted FY26 Classified Net Revenue Requirements

Line Item	Flow	BOD	TSS	TKN	Volume - Total	Customer	Total
Revenue Requirements							
O&M	$3,605,645	$1,312,289	$1,274,055	$878,813	$7,070,803	$2,730,953	$9,801,756
Capital	$7,064,994	$2,799,484	$2,120,370	$1,148,384	$13,133,232	$9,266	$13,142,497
Total	$10,670,639	$4,111,773	$3,394,425	$2,027,198	$20,204,035	$2,740,219	$22,944,254

Table 4.9: Summary of FY27 Classified Net Revenue Requirements

Line Item	Flow	BOD	TSS	TKN	Volume - Total	Customer	Total
Revenue Requirements							
O&M	$3,273,926	$1,312,289	$1,274,055	$878,813	$6,739,084	$3,062,673	$9,801,756
Capital	$6,415,014	$2,799,484	$2,120,370	$1,148,384	$12,483,252	$659,245	$13,142,497
Total	$9,688,940	$4,111,773	$3,394,425	$2,027,198	$19,222,336	$3,721,918	$22,944,254

Table 4.10: Summary of Adjusted FY27 Classified Net Revenue Requirements

Customer Class	Flow	BOD	TSS	TKN	Customer
Residential	46%	46%	45.9%	45.9%	86%
Large Residential	19%	19%	19.3%	19.3%	5%
Commercial	31%	31%	30.7%	30.7%	8%
Public Buildings	2%	2%	2.4%	2.4%	1%
Outside City	2%	2%	1.6%	1.6%	0%
Total	100%	100%	100%	100%	100%

Table 4.11: Summary of Retail Customer Service Characteristics

5.0 Results and Proposed Rates

5.1 Cost of Service Results

The total revenue requirements to be recovered through rates for FY26 and FY27 were projected to total $22,248,666 and $22,944,254, respectively. Tables 5.1 and 5.2 summarize the allocated revenue requirements by user class for these respective years.

User Class	Total Meter	Total Volume	Total
Residential	$ 2,292,727	$ 9,000,891	$ 11,293,618
Large Residential	$ 129,182	$ 3,782,369	$ 3,911,551
Commercial	$ 213,652	$ 6,013,490	$ 6,227,141
High Strength Commercial	$ -	$ -	$ -
Public Buildings	$ 17,345	$ 479,808	$ 497,153
Outside City	$ 6,315	$ 312,888	$ 319,203
Total	$ 2,659,220	$ 19,589,446	$ 22,248,666

Table 5.1: Summary of FY26 Wastewater Cost of Service Results

User Class	Total Meter	Total Volume	Total
Residential	$ 2,377,376	$ 9,225,497	$ 11,602,873
Large Residential	$ 134,226	$ 3,915,521	$ 4,049,747
Commercial	$ 221,375	$ 6,225,185	$ 6,446,560
High Strength Commercial	$ -	$ -	$ -
Public Buildings	$ 17,987	$ 496,699	$ 514,687
Outside City	$ 6,484	$ 323,903	$ 330,387
Total	$ 2,757,448	$ 20,186,806	$ 22,944,254

Table 5.2: Summary of FY27 Wastewater Cost of Service Results

5.2 Recommended FY26 and FY27 Wastewater Rates

Based on the results of this study, the recommended rates for inside and outside City Users are shown in Tables 5.3 and 5.4, respectively. Due to the City's practice of rounding the wastewater fixed charge to the nearest $0.05, the cost of service-based rate increases vary slightly for some of the meters in FY26 and FY27.

Based on projected expenditures and wastewater flows, the cost of service model indicated a rate increase is necessary in FY26 and FY27. Over the last few years, the rate strategy has been to increase rates as part of strategy to replenish cash reserves in a fair and equitable manner. Rate increases in FY26 and FY27 are recommended as part of the same strategy. Table 5.5 outlines recommended volumetric rates based on this approach. Calculated cost of service-based rates for the outside users Lockwood, ExxonMobil, and Phillips 66 were evaluated as part of this study but are reported under separate cover.

Meter Size	Inside City Current FY25 Rate ($/Month)	Recommended Inside City FY26 Rate ($/Month)	% Increase	Recommended Inside City FY27 Rate ($/Month)	% Increase
3/4"	$7.85	$8.00	1.9%	$8.05	0.6%
1"	$10.00	$10.15	1.5%	$10.25	1.0%
1-1/2"	$12.25	$12.50	2.0%	$12.60	0.8%
2"	$12.85	$13.05	1.6%	$13.20	1.1%
3"	$20.70	$21.05	1.7%	$21.25	1.0%
4"	$78.50	$79.90	1.8%	$80.60	0.9%
6"	$99.90	$101.70	1.8%	$102.60	0.9%
8"	$149.90	$152.55	1.8%	$153.90	0.9%
10"	$206.95	$210.65	1.8%	$212.55	0.9%

Table 5.3: FY26 and FY27 Recommended Monthly Minimum Wastewater Charges – Inside City Retail Users

Meter Size	Outside City Current FY25 Rate ($/Month)	Recommended Outside City FY26 Rate ($/Month)	% Increase	Recommended Outside City FY27 Rate ($/Month)	% Increase
3/4"	$8.65	$8.80	1.7%	$8.85	0.6%
1"	$11.00	$11.15	1.4%	$11.25	0.9%
1-1/2"	$13.45	$13.70	1.9%	$13.80	0.7%
2"	$14.10	$14.30	1.4%	$14.45	1.0%
3"	$22.75	$23.15	1.8%	$23.35	0.9%
4"	$86.35	$87.90	1.8%	$88.65	0.9%
6"	$109.90	$111.90	1.8%	$112.90	0.9%
8"	$164.90	$167.80	1.8%	$169.30	0.9%
10"	$227.65	$231.70	1.8%	$233.80	0.9%

Table 5.4: FY26 and FY27 Recommended Monthly Minimum Wastewater Charges – Outside City Retail Users

User Class	Current FY25 Rate ($/kgal)	Recommended FY26 Rate ($/kgal)	% Increase	Recommended FY27 Rate ($/kgal)	% Increase
Residential	$5.75	$5.95	3.5%	$6.15	3.4%
Large Residential	$5.75	$5.95	3.5%	$6.15	3.4%
Commercial	$5.75	$5.95	3.5%	$6.15	3.4%
Public Buildings	$5.75	$5.95	3.5%	$6.15	3.4%
Outside Retail Users	$5.75	$5.95	3.5%	$6.15	3.4%

Table 5.5: FY26 and FY27 Recommended Wastewater Volumetric Rates

5.3 Strength Surcharge Recommendations

Table 5.6 presents the recommended BOD, TSS, and TKN surcharge rates for FY26 and FY27. Based on the asset base and review of retail functionalization, slight changes are recommended to strength charges.

	Current FY25 Rate ($/Pound)	Calculated FY26 Rate ($/Pound)	% Increase	Calculated FY27 Rate ($/Pound)	% Increase
BOD	$0.9019	$0.9019	0.0%	$0.9019	0.0%
TSS	$0.5811	$0.6144	5.7%	$0.6144	0.0%
TKN	$1.7217	$1.7892	3.9%	$1.7892	0.0%
	Current FY25 Rate ($/kgal)	**Calculated FY26 Rate ($/kgal)**	**% Increase**	**Calculated FY27 Rate ($/kgal)**	**% Increase**
Septage	$61.12	$62.88	2.9%	$62.88	0.0%

Table 5.6: Recommended FY26 and FY27 Strength Surcharge Rates

5.4 FY26 Bill Comparison

Finally, for the purpose of illustrating the effect of the recommended FY26 rates on varying levels of usage, Table 5.7 provides a bill comparison.

Description	Meter Size	Consumption (kgal)	Previous	Proposed	Difference	Percent Change
Residential						
Minimum	3/4"	0	$7.85	$8.00	$0.15	1.9%
Small	3/4"	2	$19.35	$19.90	$0.55	2.8%
Medium	3/4"	7	$48.10	$49.65	$1.55	3.2%
Large	3/4"	20	$122.85	$127.00	$4.15	3.4%
Commercial--Domestic						
Minimum	3/4"	0	$7.85	$8.00	$0.15	1.9%
Small	3/4"	8	$53.85	$55.60	$1.75	3.2%
Medium	3/4"	30	$180.35	$186.50	$6.15	3.4%
Large	3/4"	100	$582.85	$603.00	$20.15	3.5%
Minimum	1"	0	$10.00	$10.15	$0.15	1.5%
Small	1"	20	$125.00	$129.15	$4.15	3.3%
Medium	1"	50	$297.50	$307.65	$10.15	3.4%
Large	1"	400	$2,310.00	$2,390.15	$80.15	3.5%
Minimum	2"	0	$12.85	$13.05	$0.20	1.6%
Small	2"	20	$127.85	$132.05	$4.20	3.3%
Medium	2"	90	$530.35	$548.55	$18.20	3.4%
Large	2"	400	$2,312.85	$2,393.05	$80.20	3.5%
Outside City						
Minimum	3/4"	0	$8.65	$8.80	$0.15	1.7%
Small	3/4"	2	$20.15	$20.70	$0.55	2.7%
Medium	3/4"	8	$54.65	$56.40	$1.75	3.2%
Large	3/4"	20	$123.65	$127.80	$4.15	3.4%

Table 5.7: Wastewater Bill Comparison – FY25 to FY26

Appendix A: Fixed Asset Tables

Asset and Asset Group	Original Cost	Annual Depreciation	FY2025 CWIP	FY2026 Net Fixed Assets	Estimated FY2027 Net Fixed Assets
Administration Building-Building	$653,374	$3,940	$870,858	$987,403	$1,773,006
Administration Building-Equipment	$695,300	$4,305	$133,221	$133,221	$249,728
Administration Building-Infrastructure	$225,075	$0	$300,000	$300,000	$554,000
Administration Building-Non Building	$62,047	$0	$0	$0	$0
Air Flotation Thickener-Infrastructure	$674,990	$20,454	$0	$585,105	$564,700
Black Otter Trail Land-Infrastructure	$3,100	$44	$0	$2,381	$2,300
Chlorine Contact 1 - 5-Building	$50,000	$0	$0	$0	$0
Chlorine Contact 1 - 6-Infrastructure	$4,415,201	$133,158	$0	$2,273,434	$2,140,300
Cold Storage Building-Building	$17,841	$0	$0	$0	$0
Cold Storage Building-Non Building	$78,446	$0	$0	($1)	$0
Communications Equip-Equipment	$91,803	$0	$0	$0	$0
Construction Equipment-Equipment	$1,172,638	$74,242	$0	$284,361	$210,100
Decant Pump Bldg & Tanks-Building	$207,874	$0	$0	$0	$0
Decant Pump Bldg & Tanks-Equipment	$89,529	$0	$0	$0	$0
Decant Pump Bldg & Tanks-Infrastructure	$104,674	$0	$0	($1)	$0
Electrical Shop-Building	$751,292	$30,697	$0	$68,225	$37,500
Electrical Shop-Equipment	$468,798	$46,880	$0	$289,089	$242,200
Engine Generator-Building	$518,846	$9,911	$0	$341,928	$332,000
Engine Generator-Equipment	$236,310	$0	$0	$0	$0
Engine Generator-Non Building	$507,688	$0	$0	$0	$0
Five Mile Lift Station-Building	$1,943,216	$38,864	$55,083	$1,551,359	$1,561,061
Five Mile Lift Station-Infrastructure	$993,004	$49,650	$67,501	$499,649	$507,101
Gas Pumps-Equipment	$12,412	$621	$0	$6,878	$1,759,260
Gravity Thickening Building-Infrastructure	$39,917	$1,210	$0	$33,787	$32,600
Grit Building-Building	$59,625	$2,981	$0	$11,938	$9,000
Grit Building-Equipment	$294,047	$0	$0	$0	$0

Asset and Asset Group	Original Cost	Annual Depreciation	FY2025 CWIP	FY2026 Net Fixed Assets	Estimated FY2027 Net Fixed Assets
Grit Building-Infrastructure	$42,000	$2,100	$0	$21,175	$19,100
Headworks Building-Building	$6,211,360	$124,227	$0	$3,975,273	$3,851,000
Headworks Building-Equipment	$36,052	$3,605	$0	$13,820	$10,200
Headworks Building-Infrastructure	$3,693,566	$109,618	$0	$3,070,436	$2,960,800
Heated Storage Building-Building	$81,270	$2,395	$0	$10,776	$8,400
Interceptor Lines-Infrastructure	$6,383,835	$124,126	$0	$1,356,890	$1,232,800
Ironwood Lift Station-Building	$51,728	$7,390	$0	$6,774	$0
Laboratory Test Equip-Equipment	$117,043	$6,353	$0	$21,238	$14,900
Lake Hills Lift Station-Equipment (& Infrastructure)	$711,090	$12,875	$0	$615,844	$603,000
Lateral Lines - Below 15"-Infrastructure	$60,718,299	$1,150,143	$13,401,187	$54,366,533	$67,335,516
Lloyd Mangrum Lift Station-Building	$51,728	$7,390	$0	$6,774	$0
Maintenance Building-Building	$275,329	$0	$0	$0	$0
Non-Potable Waterline-Infrastructure	$42,656	$853	$0	$38,320	$37,500
Odor Control-Building	$181,900	$3,638	$933,624	$963,637	$2,249,689
Odor Control-Infrastructure	$7,208,765	$218,447	$0	$6,106,005	$5,887,600
Office Furniture & Equip-Equipment	$341,408	$31,825	$0	$86,559	$54,700
Outfall-Infrastructure	$213,363	$6,466	$0	$180,600	$174,100
Primary Clarifiers 1 - 10-Infrastructure	$3,068,536	$87,507	$0	$916,750	$829,200
Primary Digesters-Building	$1,000,203	$0	$0	$0	$0
Primary Digesters-Equipment	$837,355	$7,811	$0	$64,455	$56,600
Primary Digesters-Infrastructure	$1,288,858	$12,269	$0	$346,496	$334,200
Rehberg Ranch Lagoons-Infrastructure	$102,267	$0	$0	$0	$0
Scum Pumping Station-Building	$139,859	$3,917	$0	$322	$0
Scum Pumping Station-Equipment	$55,669	$0	$0	$0	$0
Scum Pumping Station-Infrastructure	$9,262	$0	$0	$0	$0
Secondary Aerator 1,2,3,4-Building	$12,500	$0	$0	$0	$0
Secondary Aerator 1,2,3,4-Equipment	$230,070	$0	$0	$0	$0
Secondary Aerator 1,2,3,4-Infrastructure	$28,032,067	$850,114	$0	$21,696,470	$20,846,400
Secondary Digester-Equipment	$800,000	$0	$0	$0	$0
Secondary Digester-Infrastructure	$2,586,975	$53,473	$0	$1,493,660	$1,440,200

Asset and Asset Group	Original Cost	Annual Depreciation	FY2025 CWIP	FY2026 Net Fixed Assets	Estimated FY2027 Net Fixed Assets
Secondary Final Clarifier 1-4-Equipment	$31,250	$0	$0	$0	$0
Secondary Final Clarifier 1-6-Infrastructure	$20,753,346	$615,787	$0	$17,200,651	$16,584,900
Secondary Flotation Thickener-Building	$237,857	$9,482	$0	$0	$0
Secondary Flotation Thickener-Equipment	$32,500	$0	$0	$0	$0
Secondary Flotation Thickener-Infrastructure	$94,166	$0	$0	$0	$0
Secondary Pumping Station-Building	$31,250	$0	$0	$0	$0
Secondary Pumping Station-Equipment	$2,916,855	$4,550	$0	$12,133	$7,600
Secondary Pumping Station-Infrastructure	$1,409,905	$40,565	$0	$1,105,931	$1,065,400
Sewage Lift Station #003 Bldg 517-Infrastructure	$31,825	$3,182	$0	$0	$0
Site Work, Landscaping/Yrd-Equipment	$9,200	$0	$0	$0	$0
Site Work, Landscaping/Yrd-Infrastructure	$1,902,246	$63,405	$0	$1,393,772	$1,330,400
Site Work, Landscaping/Yrd-Non Building	$633,193	$11,544	$0	$79,762	$68,200
Sludge Control Building-Building	$57,200	$0	$0	$0	$0
Sludge Control Building-Equipment	$12,500	$0	$0	$0	$0
Sludge Control Building-Infrastructure	$6,486	$0	$0	$0	$0
Sludge Pumping House-Building	$227,596	$3,470	$0	$13,893	$10,400
Sludge Pumping House-Infrastructure	$549,929	$5,470	$0	$425,267	$419,800
Solids Processing Building-Building	$601,410	$12,249	$0	$13,906	$1,700
Solids Processing Building-Equipment	$2,297,075	$5,370	$0	$26,720	$21,300
Total	$170,727,848	$4,018,575	$15,761,474	$122,999,597	$137,430,461

Table A.1: Net Fixed Assets

Item	Flow	BOD	TSS	TKN	Customer	Total
Administration Building-Building	$456,261	$144,172	$115,910	$73,579	$197,481	$987,403
Administration Building-Equipment	$61,559	$19,452	$15,639	$9,927	$26,644	$133,221
Administration Building-Infrastructure	$138,625	$43,803	$35,216	$22,355	$60,000	$300,000
Administration Building-Non Building	$0	$0	$0	$0	$0	$0
Air Flotation Thickener-Infrastructure	$117,021	$146,276	$175,532	$146,276	$0	$585,105
Black Otter Trail Land-Infrastructure	$2,381	$0	$0	$0	$0	$2,381
Chlorine Contact 1 - 5-Building	$0	$0	$0	$0	$0	$0
Chlorine Contact 1 - 6-Infrastructure	$2,273,434	$0	$0	$0	$0	$2,273,434
Cold Storage Building-Building	$0	$0	$0	$0	$0	$0
Cold Storage Building-Non Building	$0	$0	$0	$0	$0	-$1
Communications Equip-Equipment	$0	$0	$0	$0	$0	$0
Construction Equipment-Equipment	$284,361	$0	$0	$0	$0	$284,361
Decant Pump Bldg & Tanks-Building	$0	$0	$0	$0	$0	$0
Decant Pump Bldg & Tanks-Equipment	$0	$0	$0	$0	$0	$0
Decant Pump Bldg & Tanks-Infrastructure	$0	$0	$0	$0	$0	-$1
Electrical Shop-Building	$39,358	$12,437	$9,999	$6,347	$85	$68,225
Electrical Shop-Equipment	$166,770	$52,697	$42,367	$26,894	$361	$289,089
Engine Generator-Building	$197,252	$62,329	$50,110	$31,810	$427	$341,928
Engine Generator-Equipment	$0	$0	$0	$0	$0	$0
Engine Generator-Non Building	$0	$0	$0	$0	$0	$0
Five Mile Lift Station-Building	$1,551,359	$0	$0	$0	$0	$1,551,359
Five Mile Lift Station-Infrastructure	$499,649	$0	$0	$0	$0	$499,649
Gas Pumps-Equipment	$6,878	$0	$0	$0	$0	$6,878
Gravity Thickening Building-Infrastructure	$6,757	$6,757	$13,515	$6,757	$0	$33,787
Grit Building-Building	$2,388	$2,388	$4,775	$2,388	$0	$11,938
Grit Building-Equipment	$0	$0	$0	$0	$0	$0
Grit Building-Infrastructure	$4,235	$4,235	$8,470	$4,235	$0	$21,175
Headworks Building-Building	$795,055	$795,055	$1,590,109	$795,055	$0	$3,975,273
Headworks Building-Equipment	$2,764	$2,764	$5,528	$2,764	$0	$13,820
Headworks Building-Infrastructure	$614,087	$614,087	$1,228,175	$614,087	$0	$3,070,436
Heated Storage Building-Building	$6,217	$1,964	$1,579	$1,003	$13	$10,776
Interceptor Lines-Infrastructure	$1,356,890	$0	$0	$0	$0	$1,356,890
Ironwood Lift Station-Building	$6,774	$0	$0	$0	$0	$6,774
Laboratory Test Equip-Equipment	$12,252	$3,871	$3,112	$1,976	$27	$21,238

Item	Flow	BOD	TSS	TKN	Customer	Total
Lake Hills Lift Station-Equipment (& Infrastructure)	$615,844	$0	$0	$0	$0	$615,844
Lateral Lines - Below 15"-Infrastructure	$54,366,533	$0	$0	$0	$0	$54,366,533
Lloyd Mangrum Lift Station-Building	$6,774	$0	$0	$0	$0	$6,774
Maintenance Building-Building	$0	$0	$0	$0	$0	$0
Non-Potable Waterline-Infrastructure	$38,320	$0	$0	$0	$0	$38,320
Odor Control-Building	$555,904	$175,657	$141,223	$89,648	$1,204	$963,637
Odor Control-Infrastructure	$3,522,439	$1,113,039	$894,847	$568,048	$7,632	$6,106,005
Office Furniture & Equip-Equipment	$39,997	$12,639	$10,161	$6,450	$17,312	$86,559
Outfall-Infrastructure	$180,600	$0	$0	$0	$0	$180,600
Primary Clarifiers 1 - 10-Infrastructure	$0	$403,370	$513,380	$0	$0	$916,750
Primary Digesters-Building	$0	$0	$0	$0	$0	$0
Primary Digesters-Equipment	$0	$45,118	$19,336	$0	$0	$64,455
Primary Digesters-Infrastructure	$0	$242,547	$103,949	$0	$0	$346,496
Rehberg Ranch Lagoons-Infrastructure	$0	$0	$0	$0	$0	$0
Scum Pumping Station-Building	$64	$64	$129	$64	$0	$322
Scum Pumping Station-Equipment	$0	$0	$0	$0	$0	$0
Scum Pumping Station-Infrastructure	$0	$0	$0	$0	$0	$0
Secondary Aerator 1,2,3,4-Building	$0	$0	$0	$0	$0	$0
Secondary Aerator 1,2,3,4-Equipment	$0	$0	$0	$0	$0	$0
Secondary Aerator 1,2,3,4-Infrastructure	$4,339,294	$5,424,117	$6,508,941	$5,424,117	$0	$21,696,470
Secondary Digester-Equipment	$0	$0	$0	$0	$0	$0
Secondary Digester-Infrastructure	$0	$1,045,562	$448,098	$0	$0	$1,493,660
Secondary Final Clarifier 1-4-Equipment	$0	$0	$0	$0	$0	$0
Secondary Final Clarifier 1-6-Infrastructure	$3,440,130	$4,300,163	$5,160,195	$4,300,163	$0	$17,200,651
Secondary Flotation Thickener-Equipment	$0	$0	$0	$0	$0	$0
Secondary Flotation Thickener-Infrastructure	$0	$0	$0	$0	$0	$0
Secondary Pumping Station-Building	$0	$0	$0	$0	$0	$0
Secondary Pumping Station-Equipment	$0	$0	$0	$0	$0	$0
Secondary Pumping Station-Infrastructure	$12,133	$0	$0	$0	$0	$12,133
Sewage Lift Station #003 Bldg 517-Infrastructure	$1,105,931	$0	$0	$0	$0	$1,105,931
Site Work, Landscaping/Yrd-Equipment	$0	$0	$0	$0	$0	$0

Item	Flow	BOD	TSS	TKN	Customer	Total
Site Work, Landscaping/Yrd-Infrastructure	$0	$0	$0	$0	$0	$0
Site Work, Landscaping/Yrd-Non Building	$804,041	$254,065	$204,260	$129,664	$1,742	$1,393,772
Sludge Control Building-Building	$46,013	$14,540	$11,689	$7,420	$100	$79,762
Sludge Control Building-Equipment	$0	$0	$0	$0	$0	$0
Sludge Control Building-Infrastructure	$0	$0	$0	$0	$0	$0
Sludge Pumping House-Building	$0	$0	$0	$0	$0	$0
Solids Processing Building-Building	$0	$9,725	$4,168	$0	$0	$13,893
Solids Processing Building-Equipment	$0	$297,687	$127,580	$0	$0	$425,267
Solids Processing Building-Infrastructure	$0	$9,735	$4,172	$0	$0	$13,906
Supernatant Tank-Infrastructure	$0	$18,704	$8,016	$0	$0	$26,720
Tools & Working Equp-Equipment	$0	$4,476,328	$1,918,426	$0	$0	$6,394,754
Transportation Equipment-Equipment	$0	$0	$0	$0	$0	-$1
Trunk Lines 15" & Up-Infrastructure	$7,149	$2,259	$1,816	$1,153	$15	$12,393
Utilities Service Center-Building	$477,254	$0	$0	$0	$0	$477,254
Grand Total - Net Fixed Assets	$78,160,744	$19,757,606	$19,380,422	$12,272,183	$313,043	$129,883,998
Percent Allocation	60.18%	15.21%	14.92%	9.45%	0.24%	100.00%
Capital Outlay-Related Costs	$5,352,562	$1,353,030	$1,327,200	$840,417	$21,438	$8,894,646
Treatment Debt -Related Costs	$1,197,295	$1,041,469	$1,005,662	$636,925	$1,249	$3,882,600
Total Capital-Related Costs	**$6,549,857**	**$2,394,499**	**$2,332,862**	**$1,477,342**	**$22,686**	**$12,777,246**

Table A.2: Classification of Net Fixed Assets – FY26

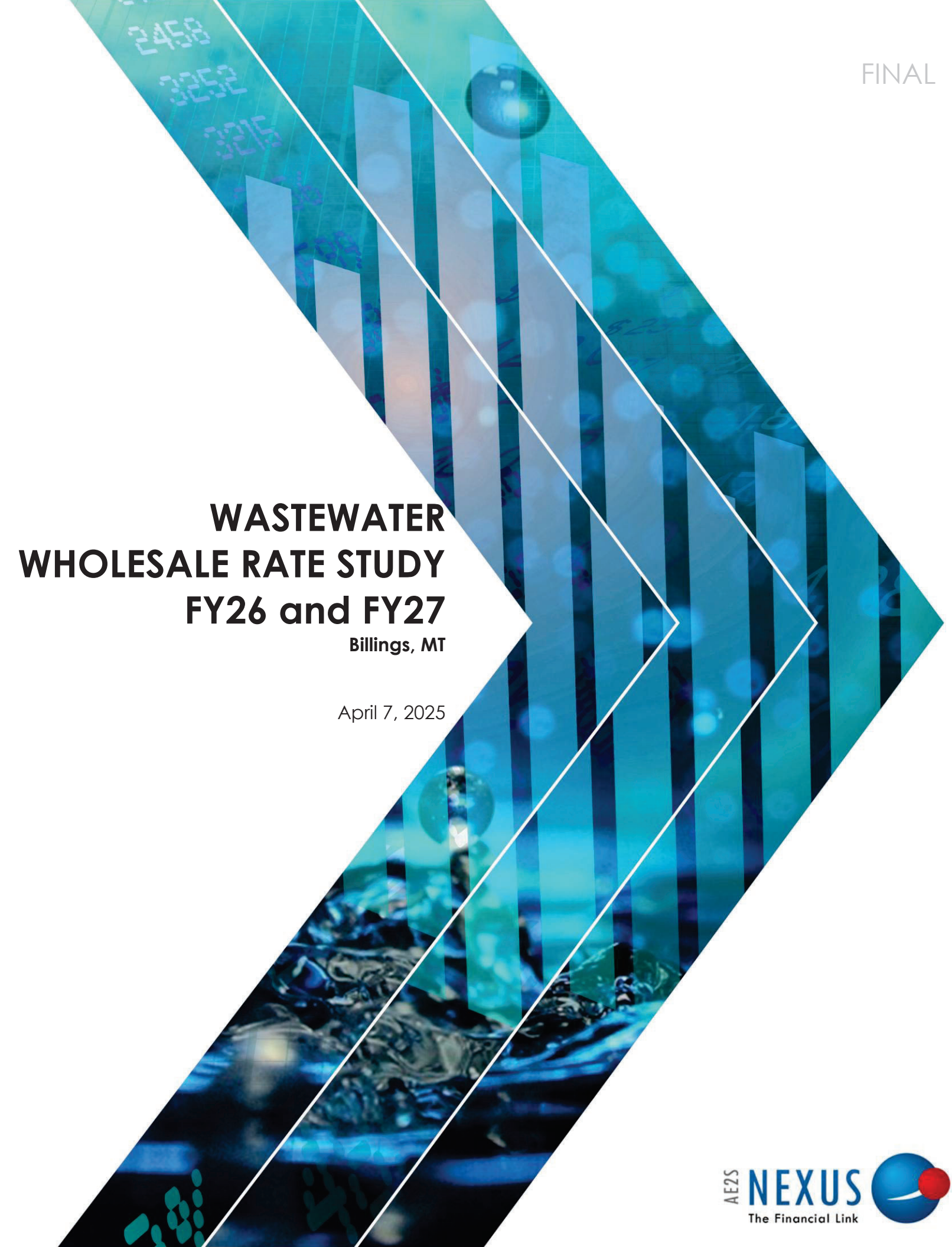
Item	Flow	BOD	TSS	TKN	Customer	Total
Administration Building-Building	$819,275	$258,879	$208,130	$132,121	$354,601	$1,773,006
Administration Building-Equipment	$115,395	$36,463	$29,315	$18,609	$49,946	$249,728
Administration Building-Infrastructure	$255,994	$80,890	$65,033	$41,283	$110,800	$554,000
Administration Building-Non Building	$0	$0	$0	$0	$0	$0
Air Flotation Thickener-Infrastructure	$112,940	$141,175	$169,410	$141,175	$0	$564,700
Black Otter Trail Land-Infrastructure	$2,300	$0	$0	$0	$0	$2,300
Chlorine Contact 1 - 5-Building	$0	$0	$0	$0	$0	$0
Chlorine Contact 1 - 6-Infrastructure	$2,140,300	$0	$0	$0	$0	$2,140,300
Cold Storage Building-Building	$0	$0	$0	$0	$0	$0
Cold Storage Building-Non Building	$0	$0	$0	$0	$0	$0
Communications Equip-Equipment	$0	$0	$0	$0	$0	$0
Construction Equipment-Equipment	$210,100	$0	$0	$0	$0	$210,100
Decant Pump Bldg & Tanks-Building	$0	$0	$0	$0	$0	$0
Decant Pump Bldg & Tanks-Equipment	$0	$0	$0	$0	$0	$0
Decant Pump Bldg & Tanks-Infrastructure	$0	$0	$0	$0	$0	$0
Electrical Shop-Building	$21,633	$6,836	$5,496	$3,489	$47	$37,500
Electrical Shop-Equipment	$139,721	$44,150	$35,495	$22,532	$303	$242,200
Engine Generator-Building	$191,525	$60,519	$48,655	$30,886	$415	$332,000
Engine Generator-Equipment	$0	$0	$0	$0	$0	$0
Engine Generator-Non Building	$0	$0	$0	$0	$0	$0
Five Mile Lift Station-Building	$1,561,061	$0	$0	$0	$0	$1,561,061
Five Mile Lift Station-Infrastructure	$507,101	$0	$0	$0	$0	$507,101
Gas Pumps-Equipment	$1,759,260	$0	$0	$0	$0	$1,759,260
Gravity Thickening Building-Infrastructure	$6,520	$6,520	$13,040	$6,520	$0	$32,600
Grit Building-Building	$1,800	$1,800	$3,600	$1,800	$0	$9,000
Grit Building-Equipment	$0	$0	$0	$0	$0	$0
Grit Building-Infrastructure	$3,820	$3,820	$7,640	$3,820	$0	$19,100
Headworks Building-Building	$770,200	$770,200	$1,540,400	$770,200	$0	$3,851,000
Headworks Building-Equipment	$2,040	$2,040	$4,080	$2,040	$0	$10,200
Headworks Building-Infrastructure	$592,160	$592,160	$1,184,320	$592,160	$0	$2,960,800
Heated Storage Building-Building	$4,846	$1,531	$1,231	$781	$10	$8,400

Item	Flow	BOD	TSS	TKN	Customer	Total
Interceptor Lines-Infrastructure	$1,232,800	$0	$0	$0	$0	$1,232,800
Ironwood Lift Station-Building	$0	$0	$0	$0	$0	$0
Laboratory Test Equip-Equipment	$8,596	$2,716	$2,184	$1,386	$19	$14,900
Lake Hills Lift Station-Equipment (& Infrastructure)	$603,000	$0	$0	$0	$0	$603,000
Lateral Lines - Below 15"-Infrastructure	$67,335,516	$0	$0	$0	$0	$67,335,516
Lloyd Mangrum Lift Station-Building	$0	$0	$0	$0	$0	$0
Maintenance Building-Building	$0	$0	$0	$0	$0	$0
Non-Potable Waterline-Infrastructure	$37,500	$0	$0	$0	$0	$37,500
Odor Control-Building	$1,297,803	$410,087	$329,696	$209,291	$2,812	$2,249,689
Odor Control-Infrastructure	$3,396,445	$1,073,227	$862,839	$547,730	$7,359	$5,887,600
Office Furniture & Equip-Equipment	$25,276	$7,987	$6,421	$4,076	$10,940	$54,700
Outfall-Infrastructure	$174,100	$0	$0	$0	$0	$174,100
Primary Clarifiers 1 - 10-Infrastructure	$0	$364,848	$464,352	$0	$0	$829,200
Primary Digesters-Building	$0	$0	$0	$0	$0	$0
Primary Digesters-Equipment	$0	$39,620	$16,980	$0	$0	$56,600
Primary Digesters-Infrastructure	$0	$233,940	$100,260	$0	$0	$334,200
Rehberg Ranch Lagoons-Infrastructure	$0	$0	$0	$0	$0	$0
Scum Pumping Station-Building	$0	$0	$0	$0	$0	$0
Scum Pumping Station-Equipment	$0	$0	$0	$0	$0	$0
Scum Pumping Station-Infrastructure	$0	$0	$0	$0	$0	$0
Secondary Aerator 1,2,3,4-Building	$0	$0	$0	$0	$0	$0
Secondary Aerator 1,2,3,4-Equipment	$0	$0	$0	$0	$0	$0
Secondary Aerator 1,2,3,4-Infrastructure	$4,169,280	$5,211,600	$6,253,920	$5,211,600	$0	$20,846,400
Secondary Digester-Equipment	$0	$0	$0	$0	$0	$0
Secondary Digester-Infrastructure	$0	$1,008,140	$432,060	$0	$0	$1,440,200
Secondary Final Clarifier 1-4-Equipment	$0	$0	$0	$0	$0	$0
Secondary Final Clarifier 1-6-Infrastructure	$3,316,980	$4,146,225	$4,975,470	$4,146,225	$0	$16,584,900
Secondary Flotation Thickener-Building	$0	$0	$0	$0	$0	$0
Secondary Flotation Thickener-Equipment	$0	$0	$0	$0	$0	$0
Secondary Flotation Thickener-Infrastructure	$0	$0	$0	$0	$0	$0

Item	Flow	BOD	TSS	TKN	Customer	Total
Secondary Pumping Station-Building	$0	$0	$0	$0	$0	$0
Secondary Pumping Station-Equipment	$7,600	$0	$0	$0	$0	$7,600
Secondary Pumping Station-Infrastructure	$1,065,400	$0	$0	$0	$0	$1,065,400
Sewage Lift Station #003 Bldg 517-Infrastructure	$0	$0	$0	$0	$0	$0
Site Work, Landscaping/Yrd-Equipment	$0	$0	$0	$0	$0	$0
Site Work, Landscaping/Yrd-Infrastructure	$767,483	$242,513	$194,973	$123,769	$1,663	$1,330,400
Site Work, Landscaping/Yrd-Non Building	$39,343	$12,432	$9,995	$6,345	$85	$68,200
Sludge Control Building-Building	$0	$0	$0	$0	$0	$0
Sludge Control Building-Equipment	$0	$0	$0	$0	$0	$0
Sludge Control Building-Infrastructure	$0	$0	$0	$0	$0	$0
Sludge Pumping House-Building	$0	$7,280	$3,120	$0	$0	$10,400
Sludge Pumping House-Infrastructure	$0	$293,860	$125,940	$0	$0	$419,800
Solids Processing Building-Building	$0	$1,190	$510	$0	$0	$1,700
Solids Processing Building-Equipment	$0	$14,910	$6,390	$0	$0	$21,300
Solids Processing Building-Infrastructure	$0	$4,315,920	$1,849,680	$0	$0	$6,165,600
Supernatant Tank-Infrastructure	$0	$0	$0	$0	$0	$0
Tools & Working Equp-Equipment	$3,000	$948	$762	$484	$6	$5,200
Transportation Equipment-Equipment	$216,500	$0	$0	$0	$0	$216,500
Trunk Lines 15" & Up-Infrastructure	$70,539,395	$0	$0	$0	$0	$70,539,395
Utilities Service Center-Building	$287,092	$90,717	$72,933	$46,298	$124,260	$621,300
Grand Total - Net Fixed Assets	$163,741,097	$19,485,143	$19,024,331	$12,064,620	$663,265	$214,978,456
Percent Allocation	76.17%	9.06%	8.85%	5.61%	0.31%	100.00%
Capital Outlay-Related Costs	$7,050,025	$838,951	$819,110	$519,453	$28,558	$9,256,097
Treatment Debt -Related Costs	$1,363,296	$989,570	$937,251	$594,459	$1,824	$3,886,400
Total Capital-Related Costs	**$8,413,321**	**$1,828,521**	**$1,756,361**	**$1,113,913**	**$30,381**	**$13,142,497**
Grand Total - Net Fixed Assets	$163,741,097	$19,485,143	$19,024,331	$12,064,620	$663,265	$214,978,456
Percent Allocation	76.17%	9.06%	8.85%	5.61%	0.31%	100.00%

Table A.3: Classification of Net Fixed Assets – FY27

FINAL



WASTEWATER WHOLESALE RATE STUDY FY26 and FY27

Billings, MT

April 7, 2025

AE2S NEXUS
The Financial Link

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 ¾".

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

	Fiscal Year 2026			Fiscal Year 2027		
Customer Class	**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 66[1]	415.0	332.0	72.0	1,580,202	1,264,161	274,155
Par Montana[2]	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

	Fiscal Year 2026			Fiscal Year 2027		
Line Item	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.

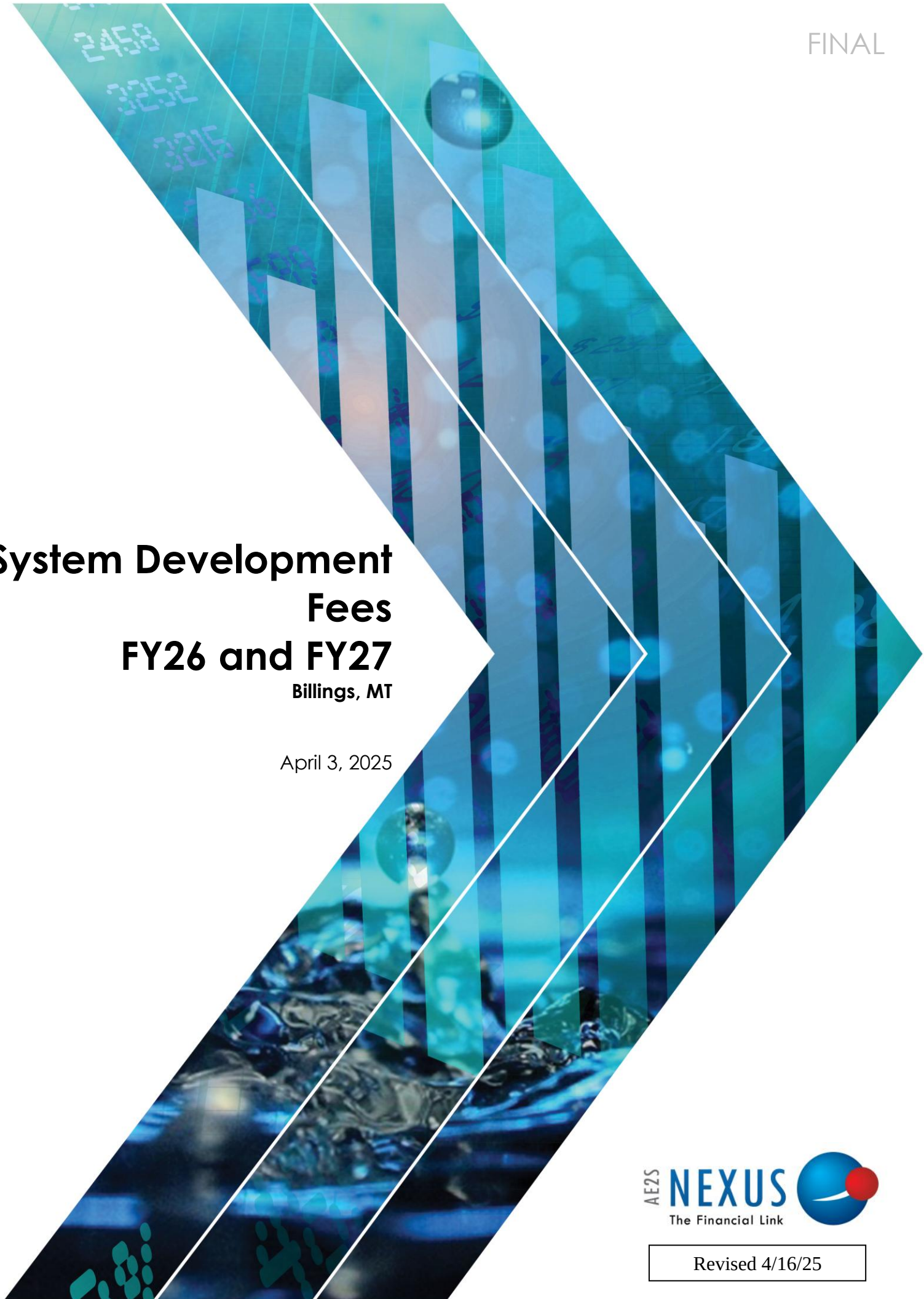
Table A.5:
FY26 Summary of Customer Service Characteristics, Depreciation & Rate Base

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%

FINAL



System Development Fees FY26 and FY27

Billings, MT

April 3, 2025

AE2S NEXUS
The Financial Link

Revised 4/16/25

Executive Summary

The City of Billings (City) charges a System Development Fee (SDF) designed to recoup, in part, the costs of building and holding excess system capacity to serve future growth. This SDF is based on the value of existing infrastructure and reasonable expectations of costs for future infrastructure. These costs are then apportioned by anticipated demand placed on the system in conjunction with the benefits provided to new development.

Using information provided by the City, AE2S Nexus performed a multi-step analysis for each utility to:

1. Identify the area served by the utility on which to levy an SDF,
2. Evaluate the existing system and determine available capacity based on level of service determinants,
3. Forecast future demand for system growth,
4. Allocate capital costs to either existing or future capacity,
5. Calculate the value of the applicable system assets,
6. Assign system values equitably based on capacity and standard system service profiles, and
7. Ultimately, determine the final SDF charge.

The residential Water SDF recommendations are reflected in the Water SDF fees in Table ES-1 to Table ES-2. Remaining water SDF are provided in table ES-3 with multi-family greater than 4 units being treated under the standard non-residential schedule. The maximum supportable SDF charges for the Water and Wastewater systems for the FY26-FY27 period from the above analysis are presented in Tables ES-3 and ES-4, respectively, each service area identified.

The most notable change this year is during a review of the level of service for the non-commercial water use, it was determined that a ¾" base for that service was more reflective of the actual connections from the existing 1" base. As a result, the fee schedule was adjusted to use the updated base for non-residential connections.

Table ES-1
Detailed Residential Water SDF – Current

	1 Unit	2 Unit	3 Unit	4 Unit
Tier 1	$2,020	$3,410	$4,800	$6,190
Tier 2	$2,660	$4,050	$5,440	$6,830
Tier 3	$3,255	$4,645	$6,035	$7,425
Tier 4	$6,285	$7,675	$9,065	$10,455

Table ES-2
Detailed Residential Water SDF – Updated

	1 Unit	2 Unit	3 Unit	4 Unit
Tier 1	$2,440	$4,121	$5,801	$7,481
Tier 2	$3,215	$4,896	$6,576	$8,256
Tier 3	$3,935	$5,616	$7,296	$8,976
Tier 4	$7,590	$9,271	$10,951	$12,631

Table ES-3
Maximum Supportable SDF Water Charge FY26 – FY27

Meter Size	Non-Residential (Including Multi-Family Above 4 Units)		Seasonal Irrigation	
	Current	Updated	Current	Updated
3/4" or less	$8,925	$18,490	$11,075	$13,475
1"	$15,140	$31,345	$18,775	$22,850
1 1/2"	$30,270	$62,695	$37,550	$45,705
2"	$48,435	$100,315	$60,090	$73,135
3"	$96,875	$200,635	$120,175	$146,240
4"	$151,370	$313,495	$187,780	$228,505
With 4% Administration Charge				

Table ES-4
Maximum Supportable SDF Wastewater Charge FY26 – FY27

Wastewater				
Meter Size	**City Service Area**		**Lockwood Service Area**	
	Current	Updated	Current	Updated
3/4" or less	$2,800	$2,540	$1,270	$1,050
1"	$8,600	$7,805	$3,895	$3,220
1 1/2"	$24,970	$22,650	$11,315	$9,350
2"	$43,100	$39,100	$19,530	$16,150
3"	$111,830	$101,455	$50,670	$41,905
4"	$261,800	$237,520	$118,630	$98,110
With 4% Administration Charge				

1.0 Introduction

The City of Billings, Montana (City) retained AE2S Nexus to conduct a water and wastewater system utility rate study to include an evaluation and update to the System Development Fees (SDF) charged by the City for new or upgraded connections. This analysis evaluated and updated the SDF to ensure the revised SDF continues to be equitable and proportionate to benefits received based on the City's existing assets, planned infrastructure, and changes in usage.

The City provides water and wastewater service to over 35,000 retail and wholesale customers throughout the region. Access to water and wastewater service is a critical factor for ongoing development and growth within the community and the region. Cities generally build and hold excess capacity within their treatment systems so they have the ability to serve new residents and businesses as they look to build and grow within their community. The City of Billings is no exception and takes proactive steps to have capacity ready for new connections. Building and holding this excess capacity comes with a cost that is borne by existing customers of the system. To recoup a portion of these costs, the City has historically charged an SDF to new or upgraded connections based on the additional service capacity required to serve that new connection with water and/or wastewater service.

An SDF is a charge directly tied to the cost of excess capacity to serve new growth. This direct linkage is important to the legal basis for such fees and is called the rational nexus. The three major components to the rational nexus test are 1) the connection between the need for a facility and the development being charged, 2) a demonstrable benefit to the new growth, and 3) that the charge is proportionate to the benefit received. This analysis is designed to demonstrate compliance with the rational nexus as well as all other requirements under Montana law.

Impact Fees (or SDFs as in the case of Billings) are developed based on the requirements set forth in Title 7, Chapter 6, Part 16 of the Montana Code. Per subsection 7, an impact fee must meet the following requirements:

- "The amount of the impact fee must be reasonably related to and reasonably attributable to the development's share of the cost of infrastructure improvements made necessary by the new development.
- The impact fees imposed may not exceed a proportionate share of the costs incurred or to be incurred by the governmental entity in accommodating the development. The following factors must be considered in determining a proportionate share of public facilities capital improvements costs:
    - the need for public facilities capital improvements required to serve new development; and
    - consideration of payments for system improvements reasonably anticipated to be made by or as a result of development in the form of user fees, debt service payments, taxes, and other available sources of funding the system improvements.

- Costs for correction of existing deficiencies in a public facility may not be included in the impact fee.
- New development may not be held to a higher level of service than existing users unless there is a mechanism in place for the existing users to make improvements to the existing system to match the higher level of service.
- Impact fees may not include expenses for operations and maintenance of the facility."

In order to ensure the analysis does meet all of Montana's legal requirements for impact fees, the following basic outline was used to calculate the water and wastewater system development charges:

1. Identify service area;
2. Evaluate existing facility conditions;
3. Forecast growth-related demands;
4. Determine capital improvements needed to serve both existing and future capacity;
5. Calculate value of existing assets and capital improvements;
6. Determine unit value for capacity;
7. Establish level of service standards for each user class; and
8. Assign the proportionate share of costs based on established level of service.

The specifics of how this outline was applied to each system is described in more detail within the individual system analyses described herein. The final SDF arrived at through this process is a combination of the value of existing system assets, credited for the component of debt and equity in the system, along with the value of planned improvements that benefit growth.

2.0 Water System Development Fee

1. Service Area

While the City of Billings' water system is designed with a number of zones within the system itself, the service area of the system as a whole is considered to be the entire City area (including areas to be annexed with planned provision for water service) and is not divided down to the pressure zones. All new customers to the City's system are included in this service area.

2. Existing Facility Conditions

Existing water assets are currently estimated at 86.2 percent capacity. The available capacity was calculated based on the peak day usage for the water treatment plant from 2009 through 2024. As the capacity used can fluctuate in any given year due to a number of factors, historic peak day usage was used to represent the maximum amount of capacity needed to serve the user base. The resultant peak capacity utilization is 51.7 million gallon per day output from fiscal year 2012. All other facility conditions are outlined in the most recent facility plan on file with the City.

3. Growth-Related Demands

Growth-related demands are forecast based on the 2017 Integrated Water Plan adjusted for growth realized since the adoption of the facility plan. Additional capacity will be brought on when the West End Treatment Plant is online with anticipated overall system capacity of 23 percent available by the end of the 10-year timeframe.

4. Capital Improvements

The City maintains an extensive capital improvements plan (CIP) to identify the investments needed to both expand the water system as well as increase the capacity to serve growth over a 10-year period. The analysis evaluated this CIP in conjunction with City staff to determine which projects contribute to expanding system capacity and to what level those projects contribute to system expansion. Projects designed to increase the overall treatment capacity, the trunk transmission system, and improve operations at the plant in a way that still benefits excess capacity were included and assigned a value applicable to growth to weight the overall cost of the project. The overall SDF charge is calculated to coincide with this same 10-year CIP planning period. The CIP used in the analysis is included in Appendix A.

5. Facility Valuations

Future Facilities

The CIP identifies nearly $369 million in capital improvements from FY25 – FY36, including $36.8 million in construction work in progress in FY23. The facility determination and growth percentages identified during the CIP process were used to adjust the overall CIP valuation and ensure that it accounts solely for projects that benefit future connections. This adjustment for

growth results in approximately $200,058,353 in growth-related capital projects over the time horizon.

Existing Facilities

The existing system value is based on the Replacement Cost New less Depreciation (RCNLD) for all applicable assets. The starting point for this calculation is the City's existing listing of all current assets for the system. The process then reviews the existing asset information listing and excludes all assets that were classified as contributed capital, i.e. not paid for with ratepayer funds. Once the asset list was defined, the original cost was adjusted to 2025 dollars using the *Engineering News Record Construction Cost Index (CCI)* for Denver to determine the replacement cost new of the assets. Accumulated depreciation percentage was then netted off the replacement cost new to identify the final RCNLD. The system valuations are shown below.

- **RCLND of all water assets:** $270,621,655
- **RCLND of water assets, less contributed capital:** $223,036,290

Cash Equity

The third piece of identifying the overall facility valuation is accounting for the value of cash that ratepayers have contributed to the system over the years, the outstanding debt on existing assets, and the SDF's currently available to buy-down future assets. Cash values are estimated based on current utility budgeting data and cash-flow trends through the end of FY25. Projected cash on hand is equal to $22,957,839. Both the value of existing debt and the outstanding SDF fund balance are then netted off the value of cash on hand to arrive at the cash equity value. Outstanding debt is calculated to be $80,075,000 based on current debt issuances and FY25 principal payments. SDF values are set at $245,204 based on budgeted expenditures. Total cash equity portion is ($57,362,365).

6. Determine unit value for capacity

To arrive at a single unit value for capacity, the analysis looks at existing facilities (less cash equity) and future facilities separately and then combines them into a single unit value. The total treatment capacity was used as the capacity basis for existing system and is set at 60 MGD. The value for planned capital improvements is divided by the currently available capacity of 8.3 MGD plus the new capacity additions in the CIP of 18 MGD to determine that unit value. Facility valuations are divided by these unit values to calculate the unit capacity values on a gallon per day basis. Table 2-1 provides the resulting unit capacity values.

Table 2-1
Water Unit Capacity Values

Component	Facility Value	Capacity	Value*
Existing Capital	$223,036,290	60 MGD	$3.72 / gpd
Cash Equity	($57,362,365)	60 MGD	($0.96) / gpd
Planned Capital	$200,058,353	26.3 MGD	$7.61/ gpd
		Total	$10.37 / gpd
**Values rounded to the nearest whole cent*			

7. Level of Service Standards

Level of service standards are identified for three separate user classes: residential, non-residential, and seasonal irrigation. The overall level of service is determined by the demands placed on the system from each user class. These various user classes have dramatically different usage profiles and as such are separated accordingly. To determine the overall demand from each user class, recent historical usage from 2010 through 2024 was evaluated. Since many factors contribute to the variation in usage of system capacity from year to year, the peak annual average usage from this data set (FY 2013) was selected for inclusion to the analysis to represent peak capacity utilization, consistent with prior years. The non-residential meter size standard was updated based on a review of typical new connections for that meter class. The majority of meters now reflect a ¾" base usage for that class from a previous 1". Table 2-2 outlines identified level of service standards for the user classes. Residential indoor and outdoor demand was based on estimated lawn watering values and should be reviewed during each subsequent update.

Table 2-2
Water Level of Service Standards

User Class	Usage (gpd)	Standard Meter Size
Residential - Outdoor	176	¾"
Residential - Indoor	156	¾"
Non-Residential	1,715	¾"
Seasonal Irrigation	6,782	2"

8. Proportionate Share of Costs

To fairly assign a proportionate share of costs to the various user classes, the level of service standard set by those classes was multiplied by the unit cost per gpd capacity to arrive at a standard SDF per user class. The resulting residential indoor SDF is a per unit basis for service at four unit and lower developments. The residential outdoor standard SDF is then scaled based on the tier factors developed. Those factors are provided in table 2-3. For commercial and seasonal user classes, industry standard equivalent meter factors are applied to the standard SDF to adjust these costs into charges across the variety of meter sizes that those user classes could have.

By breaking down the system values into the unit cost and assigning it proportionately based water service standards, it provides a total cost associated with the proportionate share of growth and growth-related costs by new users. This calculated total cost was rounded down to the nearest $5 equivalent to ensure that the recommended maximum supportable impact fee to ensure the final adopted impact fee does not exceed the maximum supportable. After the proportionate share of costs were calculated, a 4.0 percent administrative charge was added to reflect the ongoing costs associated with managing an SDF program. The resulting final SDF charges are outlined in Table 2-3.

Table 2-3
Detailed Residential Water SDF – Current

	1 Unit	2 Unit	3 Unit	4 Unit
Tier 1	$2,020	$3,410	$4,800	$6,190
Tier 2	$2,660	$4,050	$5,440	$6,830
Tier 3	$3,255	$4,645	$6,035	$7,425
Tier 4	$6,285	$7,675	$9,065	$10,455

Table 2-4
Detailed Residential Water SDF – Updated

	1 Unit	2 Unit	3 Unit	4 Unit
Tier 1	$2,440	$4,121	$5,801	$7,481
Tier 2	$3,215	$4,896	$6,576	$8,256
Tier 3	$3,935	$5,616	$7,296	$8,976
Tier 4	$7,590	$9,271	$10,951	$12,631

Table 2-5
Maximum Supportable SDF Water Charge FY26– FY27

Water System SDF				
Meter Size	**Non-Residential**		**Seasonal Irrigation**	
	Current	Updated	Current	Updated
3/4" or less	$8,925	$18,490	$11,075	$13,475
1"	$15,140	$31,345	$18,775	$22,850
1 1/2"	$30,270	$62,695	$37,550	$45,705
2"	$48,435	$100,315	$60,090	$73,135
3"	$96,875	$200,635	$120,175	$146,240
4"	$151,370	$313,495	$187,780	$228,505

In instances where the meter size needed to service a new connection is greater than 4” or when the unique characteristics of a larger water user may require, the SDF should be calculated by multiplying the anticipated average daily demand of the user by the unit rate of $10.37 per gallon. An additional 4.0 percent administrative fee should then be added to the resulting SDF. In instances where the characteristics of the user may result in a change in capital use patterns, a special study may be required to calculate the charge.

3.0 Wastewater System Development Fee

1. Service Area

The wastewater system has two separate service areas resulting in two distinct SDF calculations. These service areas are: the City of Billings and Lockwood Water & Sewer District. Lockwood Water & Sewer District connects directly at the plant and does not use any of the City's collection system, necessitating modifications to the baseline SDF for this benefit of use of a smaller overall asset base.

2. Existing Facility Conditions

The capacity of the wastewater system is currently set at 34 MGD based on average day treatment capacity. The available capacity was calculated based on the average day usage for the wastewater treatment plant from 2009 through 2022. As the capacity used can fluctuate in any given year due to a number of factors, historic plant influent average day recordings were used to represent the maximum amount of capacity needed to serve the in-place user base. For these reasons, a maximum average day usage of 24.4 million gallon per day of plant influent from FY22 was incorporated into the analysis. This existing system capacity is applicable to both service areas. All other facility conditions are outlined in the most recent facility plan on file with the City.

3. Growth-Related Demands

The City evaluates the existing plant capacity and the demands placed on it by new connections on an ongoing basis. The most recent comprehensive engineering study on current treatment facilities, including an evaluation of in-place capacity and the demands of growth, was the 2016 study (updated January 2017) done in conjunction with the ongoing nutrient upgrade, expansion, and plant improvement work. The overall capacity and the demands growth continues to place on available capacity is derived from this report.

4. Capital Improvements

The City maintains an extensive capital improvements plan (CIP) to identify the investments needed to both expand the system treatment and collection system as well as increase the capacity to serve growth over a 10-year period. The analysis evaluated the currently adopted CIP in conjunction with City staff to determine which projects contribute to expanding system capacity and to what level those projects contribute to system expansion. Particular care is taken to adjust out projects that do not affect overall system capacity such as the local collection system. The SDF charge is calculated to coincide with this same 10-year CIP planning period. The biggest change in capital improvements was moving additional treatment enhancements to beyond the 10-year window.

5. Facility Valuations

Future Facilities

The CIP identifies over $153 million in capital improvements from FY25 – FY35, including $15.4 million in construction work in progress in FY25. As part of the process to identify which projects expand system capacity, all small line collection system projects are removed from the system growth value calculation due to assessment policy. The remaining project costs are weighted based on the proportion of the project benefiting growth-related capacity as estimated at the time of improvement (based on growth-related demand calculations). This results in $8,106,180 in growth-related capital projects identified for the City service area. Further reductions are necessary for the Lockwood service area since it does not share in any of the large, trunk collection infrastructure. While there is a reduction, the majority of the City's investment for growth throughout the system is targeting capacity at the plant. As a result, these reductions reflect the limited use of the overall system by Lockwood and are equal to growth related capital of $7,801,074 for Lockwood.

Existing Facilities

The existing system value is based on the Replacement Cost New less Depreciation (RCNLD) for all applicable assets. The starting point for this calculation is the City's existing listing of all current assets for the system. The process then reviews the existing asset information listing and excludes all assets that were classified as contributed capital, i.e. not paid for with ratepayer funds. Once the asset list was defined, the original cost was adjusted to 2025 dollars using the *Engineering News Record Construction Cost Index (CCI)* for Denver to determine the replacement cost new of the assets. Accumulated depreciation percentage was then netted off the replacement cost new to identify the final RCNLD. The system valuations are shown below.

- **RCLND of all wastewater assets:** $302,772,016
- **RCLND of wastewater assets, less contributed capital:** $217,665,319
- **Lockwood benefitting wastewater assets, less contributed capital:** $93,177,356

Cash Equity

The third piece of identifying the overall system valuation is accounting for the value of cash that ratepayers have contributed to the system over the years, the outstanding debt on existing assets, and the SDF balances currently available to buy-down future assets. Cash values are estimated based on current utility budgeting data and cash-flow trends through the end of FY25. Projected cash on hand is equal to $14,097,937. Both the value of existing debt and the outstanding SDF fund balance are then netted off the value of cash on hand to arrive at the cash equity value. Outstanding debt is calculated to be $47,651,000 based on current debt issuances and FY25 principal payments. SDF values are set at $2,174,121. Total cash equity portion is $(35,727,184). Lockwood's adjustment nets off items not applicable to the service area and results in a total cash equity of $(33,546,859).

6. Determine unit value for capacity

To arrive at a single unit value for capacity, the analysis looks at existing facilities (less cash equity) and future facilities separately and then combines them into a single unit value. In this instance, the total treatment capacity was used as our capacity factor for existing system and is set at 34 MGD. Average day flows are set to recent historical maximums of 24.4 MGD, resulting in the capacity value for existing system components of 9.6 MGD. The capacity value for planned capital is based on the currently available capacity for growth plus direct new treatment capacity added by capital improvements of 0 MGD. The resulting available capacity value is 9.6 MGD for planned capital improvements. Tables 3-1 and 3-2 provide the resulting unit capacity values. Both service areas share in the capacity equally without any adjustments.

Table 3-1
Wastewater Unit Capacity Values (City Service Area)

Component	Facility Value	Capacity	Value for City Service Area*
Existing Capital	$217,665,319	34 MGD	$6.40 / gpd
Cash Equity	$(35,727,184)	34 MGD	$(1.05) / gpd
Planned Capital	$8,106,180	9.6 MGD	$0.84 / gpd
		Total	$6.19 / gpd
**Values rounded to the nearest whole cent*			

Table 3-2
Wastewater Unit Capacity Values (Lockwood Service Area)

Component	Facility Value	Capacity	Value for Lockwood Service Area*
Existing Capital	$93,177,356	34 MGD	$2.74 / gpd
Cash Equity	$(33,546,859)	34 MGD	$(0.99) / gpd
Planned Capital	$7,801,074	9.6 MGD	$0.81/ gpd
		Total	$2.56 / gpd
**Values rounded to the nearest whole cent*			

7. Level of Service Standards

One level of service standard has been identified for the wastewater system. The overall level of service is determined by the demands placed on the system by the contributing users. To determine the overall demand, total equivalent dwelling units (EDUs) contributing to the system were analyzed. Total capacity and EDUs were used to identify an average gallon capacity use per EDU per day. This established a level of service of 395 gallons per day per EDU.

8. Proportionate Share of Costs

Proportionate share of costs were determined by taking the calculated unit value by the level of service standard. As the standard units associated with the level of service standard are provided in an EDU meter size of ¾", industry standard equivalent meter factors are applied to translate these costs into charges for the appropriate meter size. This provides a total cost associated with the proportionate share of growth and growth-related costs by new users. The total cost is rounded down to the nearest $5 to ensure the actual charge is at or just less than the maximum supportable. After the proportionate share of costs were determined, a 4.0 percent administrative charge was added, under the state maximum allowance of 5 percent. The resulting final SDF charges are outlined in the Table 3-3.

Table 3-3
Maximum Supportable SDF Wastewater Charge FY24– FY25

Wastewater				
Meter Size	**City Service Area**		**Lockwood Service Area**	
	Current	Updated	Current	Updated
3/4" or less	$2,800	$2,540	$1,270	$1,050
1"	$8,600	$7,805	$3,895	$3,220
1 1/2"	$24,970	$22,650	$11,315	$9,350
2"	$43,100	$39,100	$19,530	$16,150
3"	$111,830	$101,455	$50,670	$41,905
4"	$261,800	$237,520	$118,630	$98,110

In instances where the meter size needed to service a new connection within the City service area is greater than 4" or when the unique characteristics of a larger wastewater user may require a more in-depth review, the SDF should be calculated by identifying the key usage characteristics of flow, Biochemical Oxygen Demand (BOD) loading, Total Suspended Solids (TSS), and Total Kjeldahl Nitrogen (TKN) loading and using the formula below.

($6.19 * Flow * (0.578 + (BOD * 0.182/200) + (TSS * 0.147/200) + (TKN * 0.093/45))) * 1.04

Where $6.19 is the total unit cost identified through the analysis, 0.578 is the weighted capital allocation (across all assets) from the cost of service model applicable to flow, 0.182 is the weighted capital allocation applicable to BOD, 0.147 is the weighted capital allocation to TSS, 0.093 is the weighted capital allocation applicable to TKN, and 1.04 represents the administrative charge. These weighted capital allocations are available from the 2026 capital allocations in the retail rate model.

In instances where the user requesting connection to the system presents a demand that may result in different allocation factors used above, a special study may be required to calculate the charge.

4.0 Summary

The SDFs calculated in this analysis are based on the value of the in-place assets and the reasonably expected costs of future capital to expand and improve the City's water and wastewater systems. The fees calculated are based on the proportionate share of the capital costs tied to the demand placed by new development. Tables 4-1, 4-2, 4-3, and 4-4 present the SDF fee schedule in its entirety for the water system and the wastewater service areas, respectively.

Table 4-1
Detailed Residential Water SDF – Current

	1 Unit	2 Unit	3 Unit	4 Unit
Tier 1	$2,020	$3,410	$4,800	$6,190
Tier 2	$2,660	$4,050	$5,440	$6,830
Tier 3	$3,255	$4,645	$6,035	$7,425
Tier 4	$6,285	$7,675	$9,065	$10,455

Table 4-2
Detailed Residential Water SDF

	1 Unit	2 Unit	3 Unit	4 Unit
Tier 1	$2,440	$4,121	$5,801	$7,481
Tier 2	$3,215	$4,896	$6,576	$8,256
Tier 3	$3,935	$5,616	$7,296	$8,976
Tier 4	$7,590	$9,271	$10,951	$12,631

Table 4-3
Maximum Supportable SDF Water Charge FY24– FY25

Meter Size	Non-Residential (Including Multi-Family Above 4 Units)		Seasonal Irrigation	
	Current	Updated	Current	Updated
3/4" or less	$8,925	$18,490	$11,075	$13,475
1"	$15,140	$31,345	$18,775	$22,850
1 1/2"	$30,270	$62,695	$37,550	$45,705
2"	$48,435	$100,315	$60,090	$73,135
3"	$96,875	$200,635	$120,175	$146,240
4"	$151,370	$313,495	$187,780	$228,505
With 4% Administration Charge				

Table 4-3
Maximum Supportable SDF Wastewater Charge FY24– FY25

Wastewater				
Meter Size	**City Service Area**		**Lockwood Service Area**	
	Current	Updated	Current	Updated
3/4" or less	$2,800	$2,540	$1,270	$1,050
1"	$8,600	$7,805	$3,895	$3,220
1 1/2"	$24,970	$22,650	$11,315	$9,350
2"	$43,100	$39,100	$19,530	$16,150
3"	$111,830	$101,455	$50,670	$41,905
4"	$261,800	$237,520	$118,630	$98,110

Appendix A

Water Capital Improvement Plan

D?	Project	Percent Growth	Current FY 25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	Total Cost	Adj. Percent Growth	Growth Total
	West End Reservoir*	100%	78,190,910	-	-	-	-	-	-	-	-	-	-	78,190,910	100%	78,190,910
D	West End Distribution*	50%	5,000,000	-	-	-	-	-	-	-	-	-	-	5,000,000	0%	0
	West End Treatment Plant	100%	63,420,586	-	-	-	-	-	-	-	-	-	-	63,420,586	100%	63,420,586
	Zone 4 PS Improvements*	50%	7,339,253			-	-	-	-	-	-	-	-	7,339,253	50%	3,669,627
D	Zone 4 Water Line	50%	566,298			-	-	-	-	-	-	-	-	566,298	0%	0
	Intake Catwalk*	0%	4,379,034											4,379,034	14%	605,766
	Willett and Christrensen PS	0%	57,974			-								57,974	14%	8,020
	HSPS Zone 2 Piping Modifications	25%	75,950			-								75,950	25%	18,988
	Voelker Pump Station PRV	0%	332,635			-	-	-	-	-	-	-	-	332,635	14%	46,015
	Belknap Service Center Fiber	0%	300,000			-	-	-	-	-	-	-	-	300,000	14%	41,500
D	Central Water Extension	100%	502,013			-	-	-	-	-	-	-	-	502,013	0%	0
D	Water Main Replacements	0%	10,633,078	6,315,000	6,320,000	7,740,000	8,000,000	8,800,000	9,270,000	9,548,000	9,800,000	10,094,000	10,400,000	96,920,078	0%	0
D	Compensation Agreements (oversized lines)	0%	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	3,300,000	0%	0
	Equipment Replacements	0%	1,130,370	929,515	575,124	852,667	780,000	852,313	940,000	780,000	795,000	800,000	950,000	9,384,989	23%	2,183,532
	New Equipment	100%	23,249	80,000	80,000	80,000	80,000	80,000	80,000	650,000	80,000	80,000	80,000	1,393,249	100%	1,393,249
	Water Plant Electrical Improvements	0%	980,260	200,000	500,000	315,000	325,000	250,000	350,000	325,000	325,000	350,000	350,000	4,270,260	22%	922,093
D	Waterline extensions	100%	1,800,000	1,000,000	1,000,000	1,000,000								4,800,000	0%	0
D	Daniels to Moore Ln Water extension	100%		85,000	720,000									805,000	0%	0
	Water Treatment Plant Air Scour Line Replacemer	0%		1,050,000										1,050,000	12%	130,725
	Water Treatment Plant Post Chlorination Improven	0%		105,000										105,000	12%	13,073
	Zone 1 Water Storage Improvements	50%	102,960		7,200,000									7,302,960	50%	3,651,480
D	Grand Avenue Water Extension	100%			700,000									700,000	0%	0
	Water Treatment Plant Leaks Mitigation	0%				2,200,000								2,200,000	32%	709,775
	Zone 6 Storage and Looping Improvements	50%	110,000			1,100,000	10,400,000							11,610,000	50%	5,805,000
D	Skyway Drive Water Line Loop	75%					300,000	2,900,000						3,200,000	0%	0
	Water Treatment Plant 750kW Solar PV Generatio	0%						1,010,000						1,010,000	29%	297,908
D	South 32nd St W/I-90/S Frontage Loop	0%						325,000	3,300,000					3,625,000	0%	0
	Water - Fox Reservoir #1 Replacement	0%						440,000	4,050,000					4,490,000	28%	1,268,338
	Water Treatment Plant Facility Plan	0%								350,000				350,000	27%	93,552
	Staples	50%								700,000	6,300,000			7,000,000	50%	3,500,000
	Water Storage Improvements Zone 4	100%										825,000	7,700,000	8,525,000	100%	8,525,000
D	O'Malley St area / Oak St to 7th St West	0%	291,359											291,359	0%	0
D	Briarwood Blvd; Turnberry Cir to McMasters Rd	0%	56,838											56,838	0%	0
	Water Master Plan Update	50%	421,649											421,649	50%	210,825
	West End Reservoir	100%	7,343,474											7,343,474	100%	7,343,474
	WO 19-42 West End Water Treatment Plant Proje	100%	17,240,072											17,240,072	100%	17,240,072
	Zone 1 Water Storage Improvements	50%	582,450											582,450	50%	291,225
D	Water/Sewer Main Replacement	0%	4,055,182											4,055,182	0%	0
	Zone 4 Pump Station & Waterline Improvements	50%	515,144											515,144	50%	257,572
	High Service Pump Station Piping Modifications	50%	32,801											32,801	50%	16,401
	HSPS Zone 2 Piping Modification	50%	95,642											95,642	50%	47,821
	Belknap Service Center Remodel	0%	213,600											213,600	14%	29,548
	FEMA Intake Rehabilitation	0%	410,381											410,381	14%	56,769
D	Water/Sewer Main Replacement	0%	4,499,313											4,499,313	0%	0
	West End Raw Water Unloader	50%	7,419											7,419	50%	3,709
D	Central Avenue Water Extension	100%	49,584											49,584	0%	0
	Voelker Pump Station PRV	0%	43,870											43,870	14%	6,069
	2024 GE Switchgear Services Agreement	0%	101,149											101,149	14%	13,992
D	Charles St	0%	500,809											500,809	0%	0
	VertexOne Utility Billing Software Implementation F	0%	330,656											330,656	14%	45,741
	Total		212,035,961	10,064,515	17,395,124	13,587,667	20,185,000	14,957,313	18,290,000	12,653,000	17,600,000	12,449,000	19,780,000	368,997,580		200,058,353

Projects that will be debt funded are in boxes

CWIP

Wastewater Capital Improvement Plan

C?	I/E	Project	Percent Growth	Current FY 25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	10-Yr Total	Adj. Percent Growth	Growth Total	Lockwood Total
	1	Digester Boiler	0%	2,141,281											2,141,281	28%	604,597	604,597
	1	Belknap Service Center Fiber	0%	300,000											300,000	28%	84,706	84,706
	1	Influent Lift Station	20%	156,000											156,000	20%	31,200	31,200
	1	Nutrient Recovery	50%	747,565											747,565	50%	373,783	373,783
C	0	Wastewater Compensation Agreements	0%	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	3,300,000	0%	0	0
C	0	Wastewater Main Replacements	0%	10,175,557	6,300,000	6,800,000	7,400,000	8,000,000	8,800,000	9,270,000	9,548,000	9,800,000	10,094,000	10,400,000	96,587,557	0%	0	0
	1	Wastewater Treatment Plant Electrical	0%	322,443	300,000	300,000	300,000	300,000	300,000	350,000	350,000	350,000	350,000	350,000	3,572,443	16%	569,631	569,631
	1	Equipment Replacements	0%	463,294	938,403	582,000	599,000	617,000	635,000	653,000	673,000	693,000	693,000	693,000	7,239,697	16%	1,167,602	1,167,602
	1	New Equipment	100%	23,249	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	600,000	80,000	1,343,249	100%	1,343,249	1,343,249
C	0	Sewer Extensions	0%	1,200,000	1,000,000	1,000,000	1,000,000								4,200,000	0%	0	0
	1	Hydrogen Sulfide Mitigation (Phase 2 and 3)	0%	933,624		520,000									1,453,624	27%	395,753	395,753
C	0	Monad Sewer	0%	187,208		530,000	4,800,000								5,517,208	0%	0	0
	1	Digester Gas Interior Piping Display	0%		1,290,000										1,290,000	25%	327,812	327,812
	1	Laboratory Remodel	0%								400,000				400,000	11%	45,176	45,176
C	0	Hesper Sewer Extension (Sholoh to 48th)	100%	3,800,000											3,800,000	0%	0	0
C	0	Central Avenue Sewer Extension (Shiloh to 44th)	100%	859,724											859,724	0%	0	0
	1	Replace Buried Digester Gas and Sludge Pipe	0%		536,000										536,000	25%	136,207	136,207
C	0	Grand Avenue Sewer Extension (60th to 62nd)	100%			885,000									885,000	0%	0	0
	0	Rehberg Ranch Lift Station	0%						180,000	1,700,000					1,880,000	14%	270,494	0
C	0	Highway 3 Sanitary Sewer Extension	100%				200,000	1,500,000							1,700,000	0%	0	0
	1	Wastewater Treatment Plant Intercom	0%								200,000				200,000	11%	22,588	22,588
C	0	Monad Road Sewer Extension	100%	3,076,990.00											3,076,990	0%	0	0
	1	WRF Digester Boiler	0%	58,748.87											58,749	28%	16,588	16,588
	1	WRF Nutrient Recovery & Biosolids Facilities Plan	50%	203,306.45											203,306	50%	101,653	101,653
	1	WRF Nutrient Recover Improvements Project	50%	4,373,267.54											4,373,268	50%	2,186,634	2,186,634
	1	WRF Electrical Improvements	0%	295,291.86											295,292	28%	83,377	83,377
C	0	Water/Sewer Replacement Project	0%	4,207,297.19											4,207,297	0%	0	0
	0	Briarwood H2S Mitigation	0%	67,501.27											67,501	28%	19,059	0
	1	Belknap Office Remodel Phase 2	0%	870,857.81											870,858	28%	245,889	245,889
C	0	Hesper Road Sewer Extension	100%	752,051.65											752,052	0%	0	0
	0	Saraha Sands Lift Station	0%	55,082.65											55,083	28%	15,553	0
C	0	Sewer Main Replacement Project	0%	1,027,692.19											1,027,692	0%	0	0
C	0	Hesper Sewer	100%	26,300.00											26,300	0%	0	0
	1	WRF Campus Electrical	0%	95,677.36											95,677	28%	27,015	27,015
C	0	Charles St	0%	191,616.01											191,616	0%	0	0
	1	VertexOne Software	0%	133,221.07											133,221	28%	37,615	37,615
		Total		37,044,847	10,744,403	10,997,000	14,679,000	10,797,000	10,295,000	12,353,000	11,551,000	11,223,000	12,037,000	11,823,000	153,544,250		8,106,180	7,801,074
		CWIP																

City Council Work Session

Date: 04/21/2025
Title: City of Billings Purchasing Policy - City Council Initiative
Presented by: Liz Kampa
Department: Finance
Presentation: Yes
Legal Review: Yes
Project Number: N/A

RECOMMENDATION

Staff recommends City Council adopt the Citywide Purchasing Policy Resolution when presented for approval in May at a regular business meeting.

BACKGROUND (Consistency with Adopted Plans and Policies, if applicable)

City staff was asked to complete a comprehensive review of the contract solicitation processes for all departments, specifically as it relates to professional services, and to present consistent recommendations for Citywide use.

The City's Purchasing Procedures have been amended and adopted through Administrative Order five times since 2003, and the Request for Proposals (RFP) process has remained relatively the same, pursuant to MCA.
The RFP process, as opposed to an Invitation for Bids process, has historically allowed for greater flexibility for a committee to choose the consultant, firm, or software that best suits or is in the best interest of the City and its taxpayers. The requirement of a scoring criteria and/or a price matrix has been optional, but a selection committee mandatory. Pursuant to MCA 18-8-204, City staff has been allowed to conduct a prequalification (RFQ) process, specifically for architectural, engineering, and land surveying services, from which firms may be chosen for contract award on an as-needed basis for one or more projects and for a term to be mutually agreed to by the parties. The City's Public Works and Aviation and Transit Departments have exercised variations of this option for a number of years, but the process has not been implemented City-wide.

STAKEHOLDERS

Considerable input was received by City staff, as well as a focus group of seven individuals from the local architectural and engineering community. That feedback is being incorporated into a revised RFQ/RFP process within the City's Purchasing Procedure manual, which will be adopted by Administrative Order.

ALTERNATIVES

No alternatives were analyzed for this Work Session. A Purchasing Policy Resolution is attached for Council's review and feedback and will be presented for approval in May at a regular business meeting.

FISCAL EFFECTS

There are no fiscal effects to this action, other than staff time.

SUMMARY

In summary, the Purchasing Procedures are being redrafted with the assistance of both internal and external stakeholders, and the Request for Proposals section revised to allow for selection through one of three processes:

1. A Request for Qualifications process from which the short-listed firms may submit a project-specific proposal.
2. A Request for Proposals process specific to Architectural, Engineering and Land Surveying services, which shall include a scoring matrix, but price may not be requested and will be negotiated with the selected firm.
3. A standard Request for Proposals process, including a scoring matrix, as well as a sealed price matrix.

In all cases, a selection committee shall be formed to evaluate and score proposals. Presentation to Council for contract award shall occur at the appropriate dollar thresholds.

Attachments

Council Initiative
Purchasing Policy Resolution
RFP and RFQ Summary
Presentation

COUNCIL INITIATIVE PROPOSAL FORM

City Code Sec. 2-214(14). *Council Initiatives. This section of the agenda is reserved for individual councilmember requests for future legislative or staff action. These shall be limited to giving direction to staff to assist in formulating policies, work plans, etc. for future consideration of the city council. An initiative moves forward by majority vote of the city council.*

City Charter Sec. 3.08. *Interference with Administration. Except for the purposes of inquiries and investigations, the Council, its members and the Mayor shall deal with the City officers and employees who are subject to the direction and supervision of the City Administrator solely through the City Administrator.*

COUNCIL MEMBER PROPOSING INITIATIVE: SCOTT ASPENLIEDER

SHORT NAME OF INITIATIVE: PROFESSIONAL SERVICES CONTRACTING REVIEW/UPDATE

TERMS OF MOTION PROPOSING LEGISLATIVE OR STAFF ACTION: Move to complete a comprehensive review of contracting processes for all departments as it relates to professional services as defined by MCA 18.8.204 with staff presenting recommendations to create consistency across City government.

CITY STAFF OR DEPARTMENT POTENTIALLY IMPACTED BY INITIATIVE: Library, Parks, Airport/Transit, Public Works, Facilities, Planning

HAS COUNCIL MEMBER COMMUNICATED WITH CITY ADMINISTRATOR ABOUT THE INITIATIVE?
YES X NO

ESTIMATE OF APPROXIMATE STAFF AND COUNCIL TIME REQUIRED: .1-2 Council Work Sessions and 1 Council Regular Business. Staff time to provide existing contracting processes for each department as it relates to Architects, Engineers, and Surveyors (MCA 18.8.204) and propose consistent process used uniformly across City.

APPROXIMATE TIMELINE FOR STAFF/DEPARTMENT ACTION:
GIVEN THE LIABILITY RISK ASSOCIATED WITH NOT FOLLOWING MCA 18.8.204 IT SHOULD HAPPEN WITHIN 4-6 MONTHS AND BE COMPLETED BY THE END OF FY25.

COSTS OTHER THAN STAFF TIME, IF ANY: None

PRIORITY RELATIVE TO EXISTING INITIATIVES (SEE LIST AVAILABLE FROM CITY ADMINISTRATOR): Given liability and exposure I would hope sooner rather than later.

ADDITIONAL INFORMATION OR COMMENTS:
GIVEN THE RECENT CONTRACTING QUESTIONS ARISING FROM PARKS ACTIONS WITH THE AMEND RECREATIONAL COMPLEX IT WAS CONCERNING TO FIND THAT WE DO NOT USE CONSISTENT CONTRACTING OR SOLICITATION PROCESSES ACROSS CITY DEPARTMENTS AS IT RELATES TO MCA 18.8.204. AT A MINIMUM WE'RE OPEN TO LIABILITY WITH OUR CURRENT PROCESSES AND SHOULD BE USING AND FOLLOWING THE PROCESS THAT THE PROFESSIONALS IN AIRPORT/TRANSIT AND PUBLIC WORKS IMPLEMENT AS OPPOSED TO THE QUESTIONABLE PROCESS JUST USED THROUGH PARKS. CREATING A CONSISTENT PROCESS THAT IS FULLY COMPLIANT WITH MCA 18.8.204 IS THE GOAL AND SHOULD BE EASILY ATTAINABLE GIVEN AIRPORT/TRANSIT AND PUBLIC WORKS

already have it in place and use it seamlessly. Discussion should be had as to whether agencies outside of those two should be tasked with managing professional services solicitation and contracts given the lack of training and understanding of the process. This could lead to a discussion of consolidation of contracting in the City or at a minimum discussion of who's capable of managing significant public infrastructure and building projects in the best interest of the City and taxpayers. It's questionable whether we hit the mark with our process on the Amend Recreational Complex and at a minimum we owe it to the taxpayer and professional service providers in our community to assure that we have a consistent and fair process.

RESOLUTION NO. 25- _____

A RESOLUTION OF THE BILLINGS, MONTANA CITY COUNCIL ADOPTING A CITY-WIDE PURCHASING POLICY

WHEREAS, the City of Billings purchases a substantial amount of goods and services each year through its various departments and agencies; and,

WHEREAS, each year the City Council duly approves and adopts by resolution, a budget which provides specific funding for specific purposes; and,

WHEREAS, formal approval of said annual budget constitutes legal authorization by the City Council to expend funds for specified purposes; and,

WHEREAS, it is City Council's priority to have a purchasing program that is clear, consistent, promotes fairness and competition, and maintains the public trust that funds are spent prudently for the procurement of materials, supplies, equipment and professional services for the operation of municipal departments.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BILLINGS, MONTANA, AS FOLLOWS:

Section 1: It is the policy of the City of Billings to obtain maximum value for all funds expended in the purchase of goods and services, and to establish systematic, consistent and fiscally responsible accountability and control over all City purchases.

Section 2: This policy applies to all activities, including the City's state and federally funded programs or grants and other entities under the authority of the City Administrator and/or City Council.

Section 3: It is the policy of the City of Billings that all purchases comply with applicable federal, state, and local laws.

Section 4: Pursuant to the City of Billings Charter Sec. 4.03, the City Administrator shall establish procedures and standards necessary for implementation of this policy.

Section 5: This resolution shall be immediately effective and remain in effect thereafter until changed by resolution.

APPROVED AND ADOPTED by the City Council this _____ day

of _____, 2025.

THE CITY OF BILLINGS:

BY:_____

William A. Cole, MAYOR

ATTEST:

BY:_____

Denise Bohlman, CITY CLERK

Procurement Planning & Advertising

Procurement planning should focus on finding the best overall solution, using a procurement method that is legal, meets short- and long-range needs, and provides and promotes competition. Procurement planning begins with determining the type of purchase that is needed. Requirements for different types of procurements are discussed in more detail below.

Depending on the type of procurement, you will generally need to advertise an Invitation for bids (IFB), request for proposals (RFP), or request for qualifications (RFQ). Certain purchases may be exempt from the requirement to advertise.

An RFP is a solicitation by the City for specific and detailed proposals from interested professionals and consultants **to complete a specified project**. It is an effective method to use to ensure that all potential vendors receive the same information regarding the City's request to complete a specific project. Based on the proposals the City receives in response to an RFP, the City will select a proposal and award the contract to it. A RFP is used to acquire proposals for a project **greater than $80,000.00**.

Similar to a RFP, a RFQ is a solicitation by the City for expressions of interest to **provide a professional service and/or to complete a specific project**. An RFQ is used to acquire professional services **greater than $80,000.00**. Unlike an RFP, an RFQ may be used by staff to create a pre-approved pool of vendors. Staff can then select from the pre-qualified pool of vendors to provide services for projects on an as-needed basis. For example, if a plumbing service is needed, staff has the discretion to call any plumber who was already pre-approved by being selected after submitting a response to an RFQ.

Architectural, engineering, and land surveying services

Services costing over $50,000

The City must publicly announce requirements for architectural, engineering, and land surveying services over $50,000 by publishing an **RFQ** and negotiate contracts for such professional services on the basis of demonstrated competence and qualifications for the type of professional services required and at fair and reasonable prices.[1]

The City must publish in advance its requirement for professional services. The announcement must state concisely the general scope and nature of the project or work for which the services are required and the address of a representative of the government who can provide further details. The City may comply with this section by:

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1 18-8-201. Statement of policy, MCA

1. Publishing an announcement on each occasion when professional services provided by a licensed professional are required by the City; or
2. Announcing generally to the public its projected requirement for any category or type of professional services.[2]

The City typically advertises these professional services for each particular project, but may also encourage firms engaged in the lawful practice of their profession to submit annually or biennially a statement of qualifications and performance data. When selecting the firm, the City evaluates current statements of qualifications and performance data on file with the City, if any, together with those that may be submitted by other firms regarding the proposed project and conducts discussions with one or more firms regarding anticipated concepts and the relative utility of alternative methods of approach for furnishing the required services. The City will then select the firm considered most qualified to provide the services required for the proposed project. The selection criteria must be available to the public and include at a minimum the criteria specified in 18-8- 204(2)(b) as they relate to each firm.

Exception for contracts estimated to cost less than $50,000

When architectural, engineering, and land surveying services fees are estimated not to exceed $50,000, the City may contract for those professional services by direct negotiation.[3]

This does not mean the selection of an architect, engineer, or land surveyor may be made based on price; selection must still be based on qualifications. However, rather than publishing an RFQ the project manager may directly contact (for example) engineering firms the City knows to be qualified based on previous work for the City or a recent Statement of Qualifications submitted by the firm.

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2 18-8-203. Public notice of agency requirements, MCA

3 18-8-205, MCA. Negotiation of Contract for Services, MCA

Writing specifications/scopes of work

Specifications establish minimum requirements, characteristics, or standards a product or service must meet to be considered. Complete and understandable specifications are the only information the prospective Vendor has on which to base a bid/proposal. Specifications also establish legal parameters for acceptability. Specifications should:

(a) *Identify Minimum Requirements:* Specifications describe the minimum acceptable requirements of the supply or service the department needs. Minimum, in this sense, does not mean substandard; it simply means those characteristics that a product must have in order to be considered. When writing a specification, include every feature that is needed.

(b) *Allow for Competitive Bids:* Specifications should ensure that Vendors can compete. Competition is the best way to ensure low prices and equitable treatment of Vendors. Generally, specifications based upon performance requirements will allow for more competition than a specification based upon design requirements.

(c) *List Evaluation Criteria and Test Methods:* Specifications should state how the supply/service requested will be evaluated for award. If products will be compared, each Vendor needs to know how those comparisons will be made.

(d) *Provide for a Fair Award at the Lowest Possible Cost:* Specifications should ensure that the department receives the supplies/services it needs at a reasonable price and that the award will be made fairly. To perform those functions, specifications should be simple and clear, identifying exactly what is needed.

Preparing the solicitation notice; publication requirements

Based on the specifications or scope of work, the Project Manager will develop the **IFB**, **RFP**, or **RFQ**. Therefore, it is critical the Project Manager have clear, concise, and detailed specifications or scope of work. Keep in mind it is unacceptable to draft or cause to be drafted any statement of work/specifications in such a manner as to limit the competition directly or indirectly to any one Vendor.

Advertised solicitations for certain public works contracts and other non-construction services contracts over $25,000 must include information on Montana's prevailing wage requirements.[4] If you're unsure whether the prevailing wage requirements apply to your solicitation, please consult with your department director or the City Attorney's Office.

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4 18-2-401, MCA

The advertisement for IFBs, RFPs, and RFQs must be published as provided in 7-1-4127, MCA, and the second publication must be made not less than 5 days or more than 12 days before the consideration of bids/proposals.[5] For scheduling, please contact the City Clerks' Office to ensure availability at the desired time of submission date. In addition to the print advertisement, the City Clerk will post the IFB/RFP/RFQ on [webpage].

Examples of previously advertised IFBs, RFPs, and RFQs are available on the City's bid postings webpage.

Questions from potential vendors

Solicitations must include contact information for the Project Manager so that prospective vendors may submit questions regarding the solicitation. Such questions and their answers must be forwarded to the City Clerks so they may be posted on the City's bid website.

Pre-bid/proposal conferences

Pre-bid or pre-proposal conferences provide an opportunity for bidders/offerors to emphasize and clarify critical aspects of solicitations (for example, statement of work), eliminate ambiguities or misunderstandings, and permit Vendor input. Attendance at conferences or site visits may be optional or mandatory. When mandatory attendance is stipulated, only bids or proposals from those Vendors represented will be accepted. After the conference, an addendum will be issued if a modification to the solicitation is required as a result of the conference. Contact the City Clerks' Office for publication of necessary addenda.

Bid/proposal receipt

The time and date for receipt of bids/proposals will be included in the solicitation notice. At the time of submission, all bids/proposals will be marked with a receiving date and time and signed by the City Clerk.

If bids/proposals are not submitted by the specified date, time, and location identified in the solicitation notices, the response may be deemed non-responsive and may not be considered for review/evaluation. Late bids/proposals will be marked with a receiving date and time and returned to sender.

The City reserves the right to reject any and all bids.

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5 7-5-4302(2), MCA

Bid/proposal mistakes

By the City

If the Vendor alleges a mistake in the City's solicitation prior to opening, the bid/proposal may be corrected or withdrawn.

Solicitation amendments may be made by the issuance of an addendum prior to the time set for receipt of responses. Acknowledgement of receipt of an addendum must accompany the bid or proposal. Failure to acknowledge receipt of an addendum may be cause for rejection of the bid or proposal.

By the Vendor

A bid "informality" is a minor deficiency or variation of a bid or proposal from the exact requirements of the IFB, RFP, or RFQ, which does not affect the price, quality, quantity, or delivery schedule for the commodities, goods, or services being purchased. The City Attorney's Office may waive such informalities or permit the Vendor to correct them, whichever procedure is in the best interest of the City. An example is where the Vendor fails to sign the solicitation documentation. In no instance will the absence of a Bid Bond be considered a minor defect or variation.

A Vendor may amend or withdraw a bid or proposal before the deadline if the City Clerk receives a request in writing before the due date and time. The request must be signed by a person authorized to represent the Vendor that submitted the bid or proposal.

No bid may be withdrawn after the opening of the bids or proposals without the consent of the City Council for a period of sixty (60) days after the scheduled time of receiving bids or proposals.

If you believe there is a mistake in a bid or proposal, please contact the City Attorney's Office for further assistance.

Templates

Templates are located on [city webpage]. Examples of previously advertised IFBs, RFPs, and RFQs are available on the [city webpage].

City of Billings Purchasing Policy & Procedures

Presented by:
Liz Kampa
Purchasing Agent

Purchasing Policy

- Policy adopted via Res. 16-10523
- Res. 18-10756:
  - Amended signing authority and contract execution process
  - Inadvertently repealed policy statement

New Purchasing Policy

- New Resolution – 5/12/25 meeting
  - To include:
    - Title;
    - Statement of intent; and,
    - Direction to set Procedures

Purchasing Procedures

- Standardizes forms and contracts
- Establishes efficient procedures and guidelines
- Applies to all City staff
- Maximizes return on investment
- Creates accountability
- Last updated April 2024 by AO #160

New Purchasing Procedures

- Clarification of RFP process
- Addition of RFQ process
- Addition of Scoring/Evaluation
- Consistent RFP/RFQ process
- Addition of Print Management Procedures
- Reviewed to ensure support of:
  - Code, MCA and AG Opinions

Request for Proposals (RFP)

- Used for professional services other than A&E, consulting, software, etc. - $50k+
  - Innovative ideas anticipated
  - Best value for the City
  - Evaluation factors
  - Negotiable

Request for Qualifications (RFQ)

- Used for Architectural, engineering and land surveying services:
  - At least every 5 years for Fed funded;
  - Annual or biennial for all others;

Or….

Request for Qualifications (RFQ)

- Project-specific RFP of shortlist @ $50k+
  - Best value for the City
  - Evaluation factors
  - Direct negotiation

Questions?