Line by line instructions and definitions:

WORKSHEET – SUMMARY AND CALCULATION

You will not be able to input data on this sheet. The values on the sheet will be pulled from the other forms you complete and calculate revenue over or under-collection.

WORKSHEET - REVENUE
Schedule RV-1 – Operating Revenue

Unmetered Water Revenue

A. Include the net billing for water supplied for residential, commercial and industrial purposes(except irrigation)where the charge is not dependent in any way on the quantity of water delivered but is based on diameter of service pipe, room, foot of frontage or other similar unit.

B. Records shall be maintained so that the estimated quantity of water sold and the amount of revenue under each rate schedule shall be readily available.

Metered Water Revenue

A. Include the net billing for measured water supplied for residential, commercial or industrial (except irrigation) purposes where the total charge is, or may be, in any way dependent on the quantity of water delivered.

   Subdivide as follows:

   Metered Sales to Residential Customers
   Metered Sales to Commercial Customers
   Metered Sales to Industrial Customers
   Metered Sales to Public Authorities
   Metered Sales to Multiple Family Dwellings
   Metered Sales through Bulk Loading Stations

Note: **-** Include all revenues under service classifications which consist of a rate for a specified diameter of service pipe, or per meter, fixture, room, foot of frontage, or other similar unit, plus an additional charge or an adjustment dependent upon the quantity of water delivered.

B. Records shall be maintained so that the quantity of water sold and the amount of revenue under each rate schedule shall be readily available.

Fire Protection Revenue
Include all revenue from public agencies and others for hydrant charges, private fire protection service, street sprinkling, sewer flushing, and similar sources.

Sales to Irrigation Customers

A. Include the net billing for water supplied for commercial irrigation purposes, under distinct irrigation rates, billed under either metered or flat rate tariff schedules.

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each rate schedule shall be readily available.

Sales for Resale

A. Include the net billing for water supplied (including stand-by service) to other water utilities or to public authorities for resale purposes.

Note: - Where the contract is reciprocal, i.e., where either party thereto may take water from the other, the total amount receivable for water supplied to the other party shall be included herein and the total amount payable for water received from the other party shall be included in Purchased Water.

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each rate schedule shall be readily available.

Schedule RV-2 - Other Water Revenues
Guaranteed Revenues
This is revenue received from developers or other persons for a period of time prior to water service being established. Normally, this type of revenue is usually received to reserve or guarantee the availability of plant capacity when needed.

Other Water Revenues
This includes revenues derived from water operations not includable in any of the preceding accounts. This would include but is not limited to NSF charges, reconnect fees, and late fees charged to customers. If there are other categories, please list and include.

WORKSHEET – OPERATING AND MAINTENANCE
Schedule OM-1 – Water Operation and Maintenance Expenses

Salaries and Wages – Non-Related Party Employees
Include the compensation (salaries, bonuses and other consideration for services) paid or accrued to non-related party employees of the utility company for work related to operation and maintenance of that utility company. Do not include the salaries and wages of officers, directors or majority stockholders of the utility company. Include Social Security and other employee related taxes. Do not include Workers Compensation or Unemployment Insurance. Those are included in Schedule OM-3 "Insurance Expense."
Note – Please see "Definitions" for the definition of "Related Party." Related Party Employees are included in Management Cost - Schedule RP-1.

Non-Related Party Employee Pensions and Benefits
Include all accruals under employee pension plans to which the utility has irrevocably committed such funds, and payments for employee accident, sickness, hospital and death benefits or insurance therefor. Include also expenses for medical, educational or recreational activities of employees.

NOTE: - Please see "Definitions" for the definition of "Related Party." Related Party Employee Pension and Benefits are included in Management Cost - Schedule RP-1.

Purchased Water
Include the cost at the point of delivery of water purchased for resale. The supporting records shall be so kept as to show each supplier from which water is purchased, the point of delivery, the quantity purchased, the basis of charges, and the cost of water purchased.

Purchased Power

A. Include the cost of all electric power expense incurred by the utility.
B. Records shall be maintained to show the electric power expense incurred.

Fuel for Power Production

A. Include the cost of fuel used in the production of power to operate the pumps.
B. Records shall be maintained to show the quantity and cost of each type of fuel used.

Chemicals

A. Include the cost of all chemicals used in the treatment of water. Include also the cost (except salaries and wages) of any chemicals manufactured by the utility and used to provide water services.
B. Records shall be maintained to verify the costs of chemicals used in the treatment of water.

Materials and Supplies
Include all materials and supplies used in the operation and maintenance of the water system, other than materials and supplies included in "Payments for Services Rendered by Non-Related Parties."
NOTE: - Please see "Definitions" for the definition of "Related Party."

Contractual Services – Non-Related Parties (From Schedule OM-2)
NOTE: - Please see "Definitions" for the definition of "Related Party."

Water Testing

A. Include costs paid to outside laboratories for testing.
B. Records shall be maintained verifying the costs for outside laboratory testing.

Rents

A. Include those costs associated with the rental of non-related party buildings, real property and equipment, except for the rental of automobiles and trucks which shall be included in Transportation Expenses.
B. Records shall be maintained verifying the costs of rents paid.

Transportation Expenses

A. Include all truck, automobile, construction equipment, and other vehicle expense chargeable to utility operations, except depreciation and insurance.

B. A log in sufficient detail must be maintained supporting the expenses regardless of if it is company owned or privately owned.

Insurance Expense – From Schedule OM-3

Regulatory Commission Expenses
Include all expenses (except salaries of regular utility employees) incurred by the utility in connection with formal cases before regulatory commissions. Do not include payment of taxes, which shall be reported in the taxes other than income account.

Bad Debt Expense

A. Include all charged-off accounts in that year. All bad debt recoveries in that year will be netted against the bad debt expense.
B. Records must be maintained showing all charge-offs and recoveries

Other Fees and Charges
Include all expenses not includable in other operating expense accounts. This would include:

a. Industry association dues for company memberships.
b. Contributions for conventions and meetings of the Industry.
c. Communication service not chargeable to other accounts.
d. Trustee, registrar, and transfer agent fees and expenses.
e. The cost of legal and engineering, if such work is not performed by employees of the utility.

Schedule OM-2 – Payments for Services Rendered by Non-Related Parties
Payments for Services Rendered by Non-Related Parties
Include the costs of operation and maintenance work not performed by utility employees but by third party vendors that are not related to the owners or management of the company. The total amount is entered on Schedule OM-1 Line "Contractual Services – Non Related Parties."
NOTE: - Please see "Definitions" for the definition of related parties.

Schedule OM-3 – Insurance Expense
Insurance Expense
Include all insurance costs applicable to the accounting period, including workers' compensation, unemployment insurance, liability, vehicle, fire and theft or robbery insurance. The total amount is entered on Schedule OM-1 "Insurance Expense."
Note A:--Insurance dividends and refunds shall be credited back to this account.
Note B:--The cost of policies extending over a period of more than one year shall be prorated over the period of coverage.

Schedule OM-4 – Taxes other than Income
Taxes Other than Income
Include the amount of PSC Fees, MCC Fees, Property Taxes, and all other taxes assessed by federal state, county, municipal, or local governmental authorities, except income taxes. The total amount is entered on Schedule OM-1 Line "Taxes other than Income."

WORKSHEET – PLANT DEPRECIATION
Schedule PD-1 – Plant Depreciation
Input into Date of First Service Connection, the date that the company started supplying water service to its first customer.

For each capital expenditure with a useful life of greater than 1 year since the first service connection date:

Describe the plant addition
The date the plant was put into service
The expected service life in years
The original cost of the plant
The expected salvage value.

The schedule should calculate the net original cost and the annual depreciation expense. For regulatory purposes, the straight line method of depreciation is used.

WORKSHEET – INTEREST EXPENSE
Schedule IE-1 – Interest Expense
For each obligation since the first service connection date, input:

To whom the obligation is owed
The date of the borrowing
Original amount borrowed
The interest rate
The payment amount
The current balance
The interest that was actually paid last year, the year before that and 2 years before that. If there was no interest paid, then it cannot be claimed as an expense, even if it were accrued.

The schedule should calculate the average amount of interest expense paid per year for the last 3 years.

WORKSHEET – RELATED PARTY
Schedule RP-1 – Management Costs
For last year, the year prior and the second year prior, input the number of customers the company served.

The Management Cost includes accounting and management of the company. It does not include operator expenses. If the operator expenses are incurred by related parties of the company, those expenses are included in RP-2 – Contract services rendered by related parties.

Schedule RP-2 – Contract Services rendered by Related Parties

For last year, the year prior, and the second year prior, input the related party contract information including:

- Name of the Contractor
- Relationship
- Service Performed
- Cost of the service and year incurred

This will include operator expenses if performed by the owners of the company. Any contract services performed by a related party must be supported by at least 2 independent itemized bids to perform the same work.

Schedule RP-3 – Rents paid to Related Parties

For last year, the year prior, and the second year prior, input the related party rental contract information including:

- Description of the rental property
- Relationship
- Purpose of the rental
- Cost of rental and year incurred.

All related party rental must be supported by at least two independent comparative rentals, and must be actually paid by the company.

Schedule RP-4 – Related Party Debt Cost

For last year, the year prior, and the second year prior, input the related party debt costs for all related party borrowings since the First Service Connection Date. That includes:

- The name of the borrowing
- Relationship of the lender
- Original amount borrowed
- Interest Rate
- Payment
- Current balance
- Interest actually paid last year, the year prior and two years prior.

All related party debt must be supported by a signed note and be for company purposes only.

WORKSHEET – USAGE

Schedule U-1 – Average Number of Customers

For each year, input the beginning of year and end of year customer counts.

This schedule calculates the average number of customers the company has had over the last 3 years.

Schedule U-2 – Water Usage

For each year input the beginning of year and end of year master meter reads.

This schedule calculates the average annual usage of water for the last 3 years.

Schedule U-3 – Excess Usage
No input necessary. This is a calculated schedule that will calculate the excess usage average and per year for the last 3 years.

DEFINITIONS:
Related Party – See IRS Sec 267, Publication 542 and 544 for more exact definitions, but generally related parties include family members, a taxpayer and a corporation controlled directly or indirectly (through attribution from other family member stock holdings) by the taxpayer (more than 50% of the value of the stock), and a partner and a controlled (directly or indirectly) partnership. Other related parties, include a trust and its grantor, a trust and its beneficiary, and a personal services company and *any* shareholder-employee. Family members defined as related parties include brothers and sisters, spouse, ancestors, and lineal descendants. Half-brothers and half-sisters are related parties.
NOTE - For purposes of rate filings in Montana, in-laws and step relationships are considered related parties as well. This differs from the general IRS definition of related parties.

Documentation that may be necessary to support the filing request.

This list is not all inclusive. The documentation will need to be available for examination by the Commission and the Montana Consumer Counsel. It should not be needed in the evidentiary record unless a contested case proceeding is initiated.

- Copy of Tax Informational Statements (1099's showing interest expense)
- Copy of tax return if the company pays taxes, or copy of Schedule C or 1065, filed with the IRS.
- Copy of W2's of employees
- Mileage Log
- Copy of Contracts
- The most current Public Water Supply Monitoring Schedule from the Montana Department of Environmental Quality
- Be able to provide:
  - Copies of invoices for all expenses that recovery is requested
  - General Ledger showing all transactions for the period, reconciling to the application
  - Check register and cancelled checks.
  - Supporting documentation for capital project additions