

VILLAGE OF McFARLAND
McFarland, Wisconsin

REPORT ON IMPACT FEES

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VILLAGE OF McFARLAND

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Virchow, Krause & Company, LLP

Certified Public Accountants & Consultants

ACCOUNTANTS' REPORT

Utility Commission
Village of McFarland

Dear Commissioners:

We have compiled the accompanying report on impact fees in accordance with applicable guidelines established by the American Institute of Certified Public Accountants.

The scope of our work was to develop an impact fee based on water system improvements which are in the planning process in the Village of McFarland. This report does not address any other impact fees or cost recovery methods available to the village.

A compilation is limited to presenting financial information that is the representation of management and does not include evaluation of the support for the assumptions underlying the information. We have not examined the underlying cost estimates that support our calculations and, accordingly, do not express an opinion or any other form of assurance on the accompanying calculations or assumptions. Furthermore, there will usually be differences between projected and actual results since some assumptions inevitably will not materialize and unanticipated events and circumstances may occur. These variations may be material.

A Public Facilities Needs Assessment prepared by the village engineer was an integral part of this study. The facilities plan may be obtained from village management.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

VIRCHOW, KRAUSE & COMPANY, LLP
Virchow, Krause & Company, LLP

Madison, Wisconsin
December 9, 1997

VILLAGE OF MCFARLAND

MANAGEMENT INFORMATION

SCOPE OF WORK

The purpose of this study is to develop a methodology to be used in developing a water facilities impact fee for the Village of McFarland. This study addresses impact fees only for the water projects listed. The Village of McFarland may implement other impact fees at a later date, however, no consideration has been given to those possibilities in this report.

The primary resources used in this study include a Public Facilities Needs Assessment for Public Water Impact Fees dated December 9, 1997, prepared by the village engineers, the 1994 Village of McFarland Master Plan, audited financial statements of the McFarland Utilities and annual reports to the Wisconsin Public Service Commission.

Public Facilities Needs Assessment

This study must be used in conjunction with the Public Facilities Needs Assessment for Public Water Impact Fees. The Public Facilities Needs Assessment analyzes the existing conditions of the McFarland water system, evaluates future growth and demands, and recommends the needed facilities for servicing the future water supply needs of the community.

The engineers needs analysis fulfills the criteria established under Section 66.55(4)(a) of the Wisconsin State Statutes. Refer to the following for Subsections (1), (2), and (3):

1. **Inventory and Existing Deficiencies** – The inventory and existing deficiencies of the water system facilities is located in Chapter Two (2) of the needs assessment.
2. **Identification of New Public Facilities** –
 - a) The new public facilities that will be required are located in Chapter Five (5) of the needs assessment.
 - b) The service area is identified in Appendix C of the needs assessment.
 - c) The existing service standards are outlined in Chapter Two (2) and Chapter Three (3) of the needs assessment. It should be noted that the village's water system includes a number of 6" water mains while current construction standards require an 8" main to be installed. Although 8" mains are the current construction standard, the existing distribution system meets the required supply and fire flow with the exception of the three areas of deficiency identified in the needs assessment report.

Replacement of the existing 6" mains with 8" mains is expected to occur over time as the 6" mains age and deteriorate and replacement of the 6" mains may also occur when it is economically feasible such as in conjunction with a road rebuild. Because the village does not intend to remove and replace these mains on an accelerated schedule, no impact fee deficiency credit was calculated for 6" main replacement as this condition is not considered a deficiency.

3. **Estimate of Capital Costs** – Appendix G of the needs assessment details the estimated capital costs of providing the new water facilities.

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MANAGEMENT INFORMATION

IMPACT FEE CONCEPT

The basic concept of an impact fee is that the charge be reflective of the relationship between growth and capital improvements. Capital improvements necessary to provide capacity for future users are a significant component of the village's current and future costs of providing water service.

Residential, commercial, and industrial development in and around the community is placing new demands on the existing infrastructure. The cost of projects (such as those used to determine the fee computed in this study) including capacity reserved/available for future users has historically been paid for by existing utility rate payers and taxpayers.

A preliminary estimate of the rate impact of the water tower and related mains (planned for construction in the near future) is that it will raise the water utility revenue requirement by \$175,000. These projects will require a 30% increase in rates. This increase is comprised of fixed costs as shown by the following table:

Impact of Recovery of Capital Projects (Tower and Mains) Through Rates

<u>Projects</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Tax Equivalent</u>	<u>Return</u>	<u>Revenue Required</u>
Tower	\$ 1,281,400	2.00%	2.50%	7.50%	\$ 153,768
Mains	193,700	1.00%	2.50%	7.50%	<u>21,307</u>
				Total	<u>\$ 175,075</u>
				Perc. Increase	<u>30.05%</u>

The village is concerned about the impact of the cost of its water system infrastructure expansion on existing residents. The village has indicated a desire to establish an impact fee that could be used to pay for improvements required by growth, rather than requiring existing residents to fund the entire cost of these projects.

Increases in population are expected to continue to create a need for added water infrastructure in the village. An impact fee will mitigate the impact of the cost of growth on existing residents.

IMPACT FEE DEVELOPMENT

This report adheres to the basic concept that an impact fee should reflect a "rational nexus" of growth and capital improvements. The principles of "rational nexus" are:

- There must be a reasonable connection between the need for facilities and the growth resulting from new development;
- The charge must not exceed a proportionate share of the cost incurred or to be incurred in accommodating the development paying the charge; and

VILLAGE OF MCFARLAND

MANAGEMENT INFORMATION

IMPACT FEE DEVELOPMENT (cont.)

- There must be a reasonable connection between the expenditure of the charges collected and the benefits received by the development paying the charges.

These principles, as well as the standards for impact fees defined in Wisconsin Statutes, were considered in the process of developing an impact fee for the Village of McFarland.

The capital costs which form the basis for the impact fees developed as part of this study include facilities designed to accommodate future growth. Capital costs incurred and paid for by developers that directly benefit an improvement area being developed are not addressed in this report.

The standards which must be met under Section 66.55(6) of the Wisconsin State Statutes include the following:

- Per Section (6), Subsection (c), the costs included in the design of the impact fee are to be based on actual costs or reasonable estimates.

The costs used in this study are estimates based on what was known at the time of the study. The impact fees will be adjusted if the actual costs are materially different than the estimates used.

- Per Section (6), Subsection (e), the project estimates are to be reduced for any federal or state grants received.

At the time of the study, the Village of McFarland did not anticipate receiving any state or federal grants to subsidize this project; therefore they were not considered in the calculation.

- Per Section (6), Subsection (f), the fee may not include any amount to rectify current deficiencies in the system.

The needs assessment documents the current system deficiencies and facility improvements necessary to meet development needs. The tower cost allocated to future users is dependent on the tower sizing and the amount of volume allocated to meet the existing system deficiency (102,000 gallons) and future needs (648,000 gallons). Both the new tower and well must be taken into consideration when determining the number of future users which will be served by these capital projects. Both a new 750,000 gallon storage tank and a new 1,000 gpm well will serve more population than the projected population of 9,300 in 2020. Refer to Section V of the needs assessment for this analysis.

The 13.6% deficiency allocation of the water tower was determined by averaging two methods documented in the engineer's needs assessment, both of which show a 102,000 gallon deficiency. This amount, divided by the tower size of 750,000 gallons, equals 13.6% which is the amount of cost allocated to system deficiency.

- Section (6), Subsection (g) deals with the payment of the impact fee to the village.

Payment of the impact fee is addressed in the Village of McFarland Water Impact Fee Ordinance.

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SIGNIFICANT ASSUMPTIONS

PROJECTS

Several projects are included in the calculation of the enclosed impact fee. The projects included are required to handle water infrastructure needs related to expected growth in the community. Details regarding projects are on the attached schedules. The village engineer supplied the forecasted costs and determined the allocation between future growth and existing deficiencies. This allocation is required since statutes only allow impact fees for future growth; facility deficiencies are not recoverable in impact fees.

LOW COST HOUSING

Information from the 1990 Census showed that the Village of McFarland's median household income was \$41,090. Dane County's median household income was \$32,703 in 1989 while Wisconsin's household income was \$29,442.

Current Statutes Section 66.55(4)(a)(1) permit a community to provide a discount on an impact fee provided the median household income is lower when compared to the rest of the county and state.

IMPACT FEE CREDIT FOR RATE AND TAX PAYMENTS

The village will fund these projects with a combination of borrowed money and earnings. The addition of plant increases the utility rate base and the related revenue requirement (the amount of funds required from rates). The revenue stream that results from the rates, therefore, includes a capital component.

In developing the enclosed impact fee, we computed a credit to recognize the amount customers will pay for the projects through their rates. The credit calculations are included in the attachments.

The amount of credit was adjusted to recognize the present value of the revenue stream. The interest factor used in the present value calculation was 5.0%.

RESIDENTIAL EQUIVALENT UNITS

Residential equivalent units (REU's) form the basis for calculating this impact fee. REU's are a method of converting all customers to a common basis to measure their impact on the system. The REU's were calculated as described below.

VILLAGE OF MCFARLAND

SIGNIFICANT ASSUMPTIONS

RESIDENTIAL EQUIVALENT UNITS (cont.)

The current population of the community is estimated at 5,900. Per the needs assessment, the tower design and 12" main construction considered a population of 12,246, the 10" mains considered a population of 9,300, and the well, 14,180. The following steps were used to determine an equivalent user, first the average use of a residential user in the community was computed to be 75,000 gallons per year using actual data for the years 1994-1996. The number of residential users were then determined by using the actual customer count from the most recent Public Service Commission annual report. The next step was to divide the 75,000 gallons per year per customer (which is the residential equivalent use) into the total consumption of all users (180 million gallons) to determine the number of REU's in the system at 2,400.

To facilitate application of the fee, the village elected to implement their impact fee using meter equivalents. For purposes of the study, one residential equivalent is considered equal to the basic residential meter size (5/8 x 3/4). The meter equivalent ratios are from PSC Standards. We converted REU's to meter equivalents to be consistent with the fee structure in the ordinance.

The user equivalent calculation was also tested by taking the number of meters by customer type within the community and the multiplier included in the impact fee study to determine the number of REU's. The resulting calculation showed 2,314 equivalent meters vs. 2,400 REU's, a nominal variance.

ACCOUNTING

Revenues from impact fees shall be placed in a segregated interest bearing account separate from the other funds of the village. Impact fee revenues and interest may be expended only for capital costs for which the impact fees were imposed. Impact fees that are collected, but not used within a reasonable period of time to pay for the capital costs for which they were imposed, shall be refunded to the current owner of the property.

IMPOSITION OF FEE

The impact fee shall be payable to the village before a building permit is issued or other required approval is given by the village.

UPDATES TO THE STUDY

This study should be updated periodically. This will allow for changes in growth, project costs, estimates or other projects to be incorporated into the fee.

VILLAGE OF MCFARLAND

WISCONSIN IMPACT FEE REQUIREMENTS

The process involved in developing impact fees as defined in Wisconsin Statutes entails the following:

- Requires a Public Hearing:
 - Class 1 notice
 - Provide copy of proposed ordinances
 - Provide public facilities needs assessment
- Based on a Public Facilities Needs Assessment:
 - Inventory of existing facilities, including deficiencies
 - Identification of new public facilities
 - Detailed estimate of capital cost
 - Effect of recovering capital costs on affordable housing
 - Available for public inspection 20 days before hearing
- Follow Impact Fee Standards:
 - Rational relationship to the need for new facilities
 - Proportionality
 - Actual costs or reasonable estimates
 - Net of other charges
 - Net of grants
 - Must exclude improvements to address deficiencies
 - Payable by developer before building permit or other required approval may be given
- Establish Accounting Requirements:
 - Use of funds restricted
 - Subject to refund
- Specify Appeal Procedure

**McFarland Water Utility
Impact Fee
Summary**

Schedule 1

<u>Project</u>	<u>Design Population</u>	<u>Total Cost</u>	<u>Excess Capacity</u>	<u>Cost Allocated to Excess Capacity</u>	<u>Future Equiv. Meters</u>
Tower	12,246	\$ 1,281,400	86.4%	\$ 1,107,100	2,447
Mains					
10"	9,300	\$ 122,600	86.4%	\$ 105,900	1,311
12"	12,246	\$ 71,100	86.4%	\$ 61,400	2,447
Well	14,180	\$ 601,500	91.8%	\$ 552,200	3,193
<u>Project</u>	<u>Project Cost per Equiv. Meter</u>	<u>User Fee Credit</u>	<u>Impact Fee</u>	<u>REU's added per Year</u>	<u>Impact Fee Annual Revenue Estimate</u>
Tower	\$ 452	\$ 156	\$ 296	56	\$ 16,576
Mains	106	22	84	56	4,704
Well	173	28	145	56	8,120
	<u>\$ 731</u>	<u>\$ 206</u>	<u>\$ 525</u>		<u>\$ 29,400</u>

Please refer to Accountants' Report

**McFarland Water Utility
Water Tower
Impact Fee Methodology**

Schedule 2

New Tower

Cost	\$	1,281,400
Capacity		750,000 gallons
Capacity Allocation		
<u>Future User Allocation</u>	=	86.4% excess capacity
Design Capacity		

Existing Tower/Equivalent Users (REU's)

Capacity	500,000 gallons
Current Equivalent Users (REU's)	2,400
Current Equivalent Meters	2,447

Fee Calculation

Costs allocated to excess capacity	\$	1,107,100	A
Future equivalent meters (Schedule 6)		2,447	B
<i>Impact Fee before Credit</i>	\$	452	C

A - New Tower Cost * Future Capacity %

B - Future Equivalent Users * Conversion Factor

C -
$$\frac{\text{Costs allocated to excess capacity}}{\text{Future equivalent meters}}$$

Please refer to Accountants' Report

**McFarland Water Utility
Transmission Main
Impact Fee Methodology**

Schedule 3

<u>New Mains</u>	<u>10"</u>	<u>12"</u>	<u>Total</u>
Cost	\$ 122,600	\$ 71,100	\$ 193,700
Capacity Allocation	86.4% Excess Capacity	86.4% Excess Capacity	
Fee Calculation			
Costs allocated to excess capacity	\$ 105,900	\$ 61,400	\$ 167,300
Future equivalent meters (Schedule 6)	1,311	2,447	
Impact Fee before Credit	\$ 81	\$ 25	\$ 106 A

A - Costs allocated to excess capacity
Future equivalent meters

Please refer to Accountants' Report

MCFARLAND WATER UTILITY
Well
Impact Fee Methodology

Schedule 4

New Well

Cost	\$	601,500
Capacity		1,000 gpm
Capacity Allocation		
<u>Future User Allocation</u>	=	91.8% excess capacity
Design Capacity		

Equivalent Users (REU's)

Current Equivalent Users	2,400
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Fee Calculation

Costs allocated to excess capacity	\$	<u>552,200</u>	A
Future equivalent meters (Schedule 6)		<u>3,193</u>	B
<i>Impact Fee before Credit</i>	\$	<u>173</u>	C

A - New Well Cost * Future Capacity %

B - Future Equivalent Users * Conversion Factor

C -
$$\frac{\text{Costs allocated to excess capacity}}{\text{Future equivalent meters}}$$

Please refer to Accountants' Report

The following are the computed fees for different types of construction.

Equivalent Meter Conversion	Meter Size	Impact Fee
1	3/4"	\$ 525
2.5	1"	\$ 1,313
3.7	1.25"	\$ 1,943
5	1.5"	\$ 2,625
8	2"	\$ 4,200
15	3"	\$ 7,875
25	4"	\$ 13,125
50	6"	\$ 26,250

Please Refer to Accountants' Report

Calculation of Residential Equivalent Use:					
Year	Use (000)		Customers		
1996	133,637	/	1,806	=	74
1995	135,646	/	1,763	=	77
1994	131,308	/	1,732	=	76
Average Use per Year (000)					<u>75</u>

Calculation of Total System Equivalent Users					
Year	Total Usage		Average Use per Year		Total REU's
1996	180,109	/	75	=	2400

Calculation of Future Equivalent Users				
	Tower	10" Main	12" Main	Well
Design Population	12,246	9,300	12,246	14,180
Current Population	5,900	5,900	5,900	5,900
Additional Population	<u>6,346</u>	<u>3,400</u>	<u>6,346</u>	<u>8,280</u>
Divided by:				
REU Conversion Factor (5,900/2,400)	2.5	2.5	2.5	2.5
Additional REU's	<u>2,538</u>	<u>1,360</u>	<u>2,538</u>	<u>3,312</u>
Multiplied by:				
Meter Equiv. conversion factor (sched 7)	<u>96.42%</u>	<u>96.42%</u>	<u>96.42%</u>	<u>96.42%</u>
Additional Meter Equivalents	<u>2,447</u>	<u>1,311</u>	<u>2,447</u>	<u>3,193</u>

Please refer to Accountants' Report

**McFarland Water Utility
Impact Fees
Meter Equivalent Conversion**

Schedule 7

Meter Equivalent Conversion

<u>Size</u>	<u>Total Meters 12/31/96</u>	<u>Conversion</u>	<u>Equivalent Meters</u>
5/8	1,918	1	1,918
1	24	2.5	60
1 1/2	33	5	165
2	12	8	96
3	<u>5</u>	15	<u>75</u>
	<u><u>1,992</u></u>		<u><u>2,314</u></u>

Total Equivalent Users 2,400

Conversion Factor 96.42% A

A - Total equivalent meters (2,314) divided by total equivalent users (2,400)

Please refer to Accountants' Report

ATTACHMENTS

MCFARLAND WATER UTILITY
Water Tower Capital Recovery
Credit

Attachment A1

Service Life	Original Cost	Accumulated Depreciation	Net Investment Rate Base	(B) Contributions	Rate Base	4.20% Rate of Return	Future Capacity Allocation 86%	(A) Per REU Share	Present Value Factor	Present Value
1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ 0.95238	\$ -
2	-	-	-	15,344	(15,344)	(644)	(557)	(0.26)	0.90703	-
3	1,281,400	12,814	1,268,586	30,688	1,237,898	51,992	44,921	20.70	0.86384	17.88
4	1,281,400	38,442	1,242,958	46,032	1,196,926	50,271	43,434	19.58	0.82270	16.11
5	1,281,400	64,070	1,217,330	61,376	1,155,954	48,550	41,947	18.50	0.78353	14.50
6	1,281,400	89,698	1,191,702	76,720	1,114,982	46,829	40,460	17.47	0.74622	13.04
7	1,281,400	115,326	1,166,074	92,064	1,074,010	45,108	38,974	16.49	0.71068	11.72
8	1,281,400	140,954	1,140,446	107,408	1,033,038	43,388	37,487	15.54	0.67684	10.52
9	1,281,400	166,582	1,114,818	122,752	992,066	41,667	36,000	14.63	0.64461	9.43
10	1,281,400	192,210	1,089,190	138,096	951,094	39,946	34,513	13.76	0.61391	8.44
11	1,281,400	217,838	1,063,562	153,440	910,122	38,225	33,027	12.91	0.58468	7.55
12	1,281,400	243,466	1,037,934	168,784	869,150	36,504	31,540	12.10	0.55684	6.74
13	1,281,400	269,094	1,012,306	184,128	828,178	34,783	30,053	11.32	0.53032	6.00
14	1,281,400	294,722	986,678	199,472	787,206	33,063	28,566	10.57	0.50507	5.34
15	1,281,400	320,350	961,050	214,816	746,234	31,342	27,079	9.84	0.48102	4.73
16	1,281,400	345,978	935,422	230,160	705,262	29,621	25,593	9.14	0.45811	4.19
17	1,281,400	371,606	909,794	245,504	664,290	27,900	24,106	8.46	0.43630	3.69
18	1,281,400	397,234	884,166	260,848	623,318	26,179	22,619	7.81	0.41552	3.25
19	1,281,400	422,862	858,538	276,192	582,346	24,459	21,132	7.18	0.39573	2.84
20	1,281,400	448,490	832,910	291,536	541,374	22,738	19,645	6.56	0.37689	2.47
21	1,281,400	474,118	807,282	306,880	500,402	21,017	18,159	5.97	0.35894	2.14
22	1,281,400	499,746	781,654	322,224	459,430	19,296	16,672	5.40	0.34185	1.84
23	1,281,400	525,374	756,026	337,568	418,458	17,575	15,185	4.84	0.32557	1.58
24	1,281,400	551,002	730,398	352,912	377,486	15,854	13,698	4.30	0.31007	1.33
25	1,281,400	576,630	704,770	368,256	336,514	14,134	12,211	3.82	0.29530	1.13
				<u>\$ 368,256</u>		<u>\$ 760,441</u>				<u>\$ 156.46</u>

A - (One Meter Equivalent / System Meter Equivalent) * Future Capacity Share of Return
B - This assumes 56 REU's will be added to the system each year.

MCFARLAND WATER UTILITY
Main Capital Recovery
Credit

Attachment B1

Service Life	Original Cost	Accumulated Depreciation	Net Investment Rate Base	(B) Contributions	Rate Base	4.20% Rate of Return	Future Capacity Allocation 86%	(A) Per REU Share	Present Value Factor	Present Value
1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$0.95238	\$ -
2	-	-	-	4,368	(4,368)	(183)	(159)	(0.06)	0.90703	-
3	193,700	922	192,778	8,736	184,042	7,730	6,679	3.08	0.86384	2.66
4	193,700	2,767	190,933	13,104	177,829	7,469	6,453	2.91	0.82270	2.39
5	193,700	4,612	189,088	17,472	171,616	7,208	6,228	2.75	0.78353	2.15
6	193,700	6,456	187,244	21,840	165,404	6,947	6,002	2.59	0.74622	1.93
7	193,700	8,301	185,399	26,208	159,191	6,686	5,777	2.44	0.71068	1.74
8	193,700	10,146	183,554	30,576	152,978	6,425	5,551	2.30	0.67684	1.56
9	193,700	11,991	181,709	34,944	146,765	6,164	5,326	2.16	0.64461	1.40
10	193,700	13,835	179,865	39,312	140,553	5,903	5,100	2.03	0.61391	1.25
11	193,700	15,680	178,020	43,680	134,340	5,642	4,875	1.91	0.58468	1.11
12	193,700	17,525	176,175	48,048	128,127	5,381	4,649	1.78	0.55684	0.99
13	193,700	19,370	174,330	52,416	121,914	5,120	4,424	1.67	0.53032	0.88
14	193,700	21,214	172,486	56,784	115,702	4,859	4,199	1.55	0.50507	0.78
15	193,700	23,059	170,641	61,152	109,489	4,599	3,973	1.44	0.48102	0.69
16	193,700	24,904	168,796	65,520	103,276	4,338	3,748	1.34	0.45811	0.61
17	193,700	26,749	166,951	69,888	97,063	4,077	3,522	1.24	0.43630	0.54
18	193,700	28,593	165,107	74,256	90,851	3,816	3,297	1.14	0.41552	0.47
19	193,700	30,438	163,262	78,624	84,638	3,555	3,071	1.04	0.39573	0.41
20	193,700	32,283	161,417	82,992	78,425	3,294	2,846	0.95	0.37689	0.36
21	193,700	34,128	159,572	87,360	72,212	3,033	2,620	0.86	0.35894	0.31
				<u>\$ 87,360</u>		<u>\$ 102,245</u>			Credit	<u>\$ 22.25</u>

A - (One Meter Equivalent / System Meter Equivalent) * Future Capacity Share of Return
B - This assumes 56 REU's will be added to the system each year.

MCFARLAND WATER UTILITY
Well Capital Recovery
Credit

Attachment C1

Service Life	Original Cost	Accumulated Depreciation	Net Investment Rate Base	(B) Contributions	Rate Base	4.20% Rate of Return	Future Capacity Allocation 92%	(A) Per REU Share	Present Value Factor	Present Value
1	\$ -	\$ -	\$ -	7,336	\$ -	-	-	-	0.95238	\$ -
2	-	-	-	14,672	-	-	-	-	0.90703	-
3	-	-	-	22,008	-	-	-	-	0.86384	-
4	-	-	-	29,344	-	-	-	-	0.82270	-
5	-	-	-	36,680	-	-	-	-	0.78353	-
6	-	-	-	44,016	-	-	-	-	0.74622	-
7	-	-	-	51,352	-	-	-	-	0.71068	-
8	-	-	-	58,688	-	-	-	-	0.67684	-
9	-	-	-	66,024	-	-	-	-	0.64461	-
10	-	-	-	73,360	-	-	-	-	0.61391	-
11	-	-	-	80,696	-	-	-	-	0.58468	-
12	-	-	-	88,032	-	-	-	-	0.55684	-
13	-	-	-	95,368	-	-	-	-	0.53032	-
14	601,500	6,015	595,485	102,704	492,781	20,697	19,000	6.62	0.50507	3.34
15	601,500	18,045	583,455	110,040	473,415	19,883	18,253	6.24	0.48102	3.00
16	601,500	30,075	571,425	117,376	454,049	19,070	17,506	5.89	0.45811	2.70
17	601,500	42,105	559,395	124,712	434,683	18,257	16,760	5.54	0.43630	2.42
18	601,500	54,135	547,365	132,048	415,317	17,443	16,013	5.20	0.41552	2.16
19	601,500	66,165	535,335	139,384	395,951	16,630	15,266	4.88	0.39573	1.93
20	601,500	78,195	523,305	146,720	376,585	15,817	14,520	4.57	0.37689	1.72
21	601,500	90,225	511,275	154,056	357,219	15,003	13,773	4.26	0.35894	1.53
22	601,500	102,255	499,245	161,392	337,853	14,190	13,026	3.97	0.34185	1.36
23	601,500	114,285	487,215	168,728	318,487	13,376	12,280	3.68	0.32557	1.20
24	601,500	126,315	475,185	176,064	299,121	12,563	11,533	3.41	0.31007	1.06
25	601,500	138,345	463,155	183,400	279,755	11,750	10,786	3.18	0.29530	0.94
26	601,500	150,375	451,125	190,736	260,389	10,936	10,040	2.91	0.28124	0.82

Service Life	Original Cost	Accumulated Depreciation	Net Investment Rate Base	(B) Contributions	Rate Base	4.20% Rate of Return	Future Capacity Allocation 92%	(A) Per REU Share	Present Value Factor	Present Value
27	601,500	162,405	439,095	198,072	241,023	10,123	9,293	2.66	0.26785	0.71
28	601,500	174,435	427,065	205,408	221,657	9,310	8,546	2.41	0.25509	0.61
29	601,500	186,465	415,035	212,744	202,291	8,496	7,800	2.17	0.24295	0.53
30	601,500	198,495	403,005	220,080	182,925	7,683	7,053	1.93	0.23138	0.45
31	601,500	210,525	390,975	227,416	163,559	6,869	6,306	1.70	0.22036	0.38
32	601,500	222,555	378,945	234,752	144,193	6,056	5,560	1.48	0.20987	0.31
33	601,500	234,585	366,915	242,088	124,827	5,243	4,813	1.26	0.19987	0.25
34	601,500	246,615	354,885	249,424	105,461	4,429	4,066	1.05	0.19035	0.20
35	601,500	258,645	342,855	256,760	86,095	3,616	3,319	0.85	0.18129	0.15
				\$ 256,760		\$ 267,441			Credit	\$ 27.76

A - (One Meter Equivalent / System Meter Equivalent) * Future Capacity Share of Return

B - This assumes 56 REU's will be added to the system each year.