ALLOCATION OF COMMON FACILITY EXPENSES

GENERAL POLICY

1) The company uses common facility allocations when distributing expenses related to administrative and general, customer service, and stores expenses.
2) Accounts Payable uses an annual allocation percentage distribution for any expenses in FERC ranges 901-935 and with other similar Operating & Maintenance accounts.
3) A review of these allocations is performed during the annual audit.

PROCEDURES

At the end of each calendar year following the audit and prior to the budget, common facility allocations are calculated on the previous year's data to be used in the next full calendar year. For example allocations calculated on the year 2006 will be implemented and used in the calendar year 2008.

Allocations are calclulated for three main groups of FERC: administrative and general (FERC 907-935), customer accounting (FERC 901-905), and stores expenses (FERC 163 and FCC 712252). Other allocations are calculated for specific situations involving select utilities, such as: electric and gas or gas and water.

The administrative and general allocation is calculated on utility plant, operating revenues, and labor distributions. The customer accounting allocation is based on number of customers and operating revenues. The stores expense allocation is based on material and supplies issued/returned and number of stock items.