

UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION

_____)	
IN RE:)	
)	
JEFFERSON COUNTY, ALABAMA	)	CASE NO.: 11-05736-TBB9
)	
Debtor.	)	CHAPTER 9
)	
_____)	

NOTICE OF FILING COUNTY EXHIBIT C.344 (PART 1 OF 6)

Jefferson County, Alabama, the debtor in the above-referenced case (the “County”), submits the following exhibits for the plan confirmation hearing set by the Court’s *Order Continuing Confirmation Hearing and Extending Related Deadlines* [Docket No. 2169], which is scheduled to commence on November 20, 2013 at 10:00 a.m.:

1. *Ratemaking Record* of Jefferson County [County’s Exhibit No. **C.344**] (PART 1 OF 6).

Respectfully submitted this 15th day of November, 2013.

/s/ James B. Bailey
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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

In re:)	
)	
JEFFERSON COUNTY, ALABAMA,	)	Case No. 11-05736-TBB
a political subdivision of the State of)	
Alabama,	)	Chapter 9
)	
Debtor.)	

NOTICE OF SEWER RATE HEARINGS

Jefferson County, Alabama (the "County"), the debtor in the above-captioned chapter 9 case, hereby advises that the notice attached hereto as Exhibit A has been posted in the County Courthouse and will be advertised in several forthcoming editions of the *Birmingham News*.

Respectfully submitted this 4th day of June, 2012.

By: /s/ Patrick Darby

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-and-

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Counsel for Jefferson County, Alabama

C.344

Exhibit A

The Birmingham News

Sunday, June 3, 2012

PUBLIC NOTICE

To Jefferson County Sewer System Ratepayers, Creditors and Other Interested Persons:

Please take notice that the Jefferson County Commission (the "Commission") will hold a public hearing (the "Hearing") on Tuesday, June 12, 2012, from 4:30 p.m. to 7:30 p.m. at the Medical Forum Conference Center at the Birmingham-Jefferson Civic Center, 950 22nd Street North #200 in Birmingham, Alabama. The purpose of the Hearing is to receive public comments from ratepayers, creditors and any other parties (collectively, "Interested Persons") who are or may be affected by the Jefferson County Sanitary Sewer System (the "System") on the question of what reasonable and non-discriminatory rules and regulations fixing rates and charges for sewer service the Commission should consider adopting or amending. All Interested Persons are invited to attend and comment.

At the Hearing, the Commission intends to hear from one or more invited witnesses. These witnesses will be given priority in order of presentation at the hearing. Any Interested Person who wishes to speak at the Hearing must sign up on the sign-up sheet before the time the Hearing begins. The sign-up sheet will be available in the County Manager's Office in the Jefferson County Courthouse, Second Floor, Room 251, 716 Richard Arrington Jr. Boulevard North in Birmingham, Alabama during normal business hours until 3 p.m. on June 12, 2012, after which time the sign-up sheet will be available at the Medical Forum Conference Center. The Commission will limit Interested Persons' time for commentary to no more than three (3) minutes. The Commission also invites Interested Persons to submit in advance of the Hearing any written comments or material they want the Commission to consider in connection with the fixing of rates and charges for sewer service or the fixing of a rate structure. All written submissions must be delivered to the County Manager's Office before the Hearing begins.

Among other topics, the Commission seeks information regarding the costs of operating and maintaining the System in a sound, responsible manner, including appropriate renewal and rehabilitation of existing infrastructure; the level of future capital expenditures required for compliance with applicable state and federal law; the financial burden of System rates on households and businesses in the community; and the propriety of current and potential alternative rate structures. The Hearing will be recorded contemporaneously and a transcribed record of the Hearing will be prepared for the Commission's use.

This is the first of several hearings the Commission intends to hold on this important topic. Subsequent hearings are tentatively scheduled for July 24, 2012, and August 21, 2012, at times and locations in Jefferson County to be determined and announced by the Commission.

Bham News: June 3, 5, 2012

R-000002

Public Hearing Presentation and Public Comments
June 12, 2012

David Denard
Director,
Jefferson County Environmental Services Department

R-000003

System Overview

Physical Description

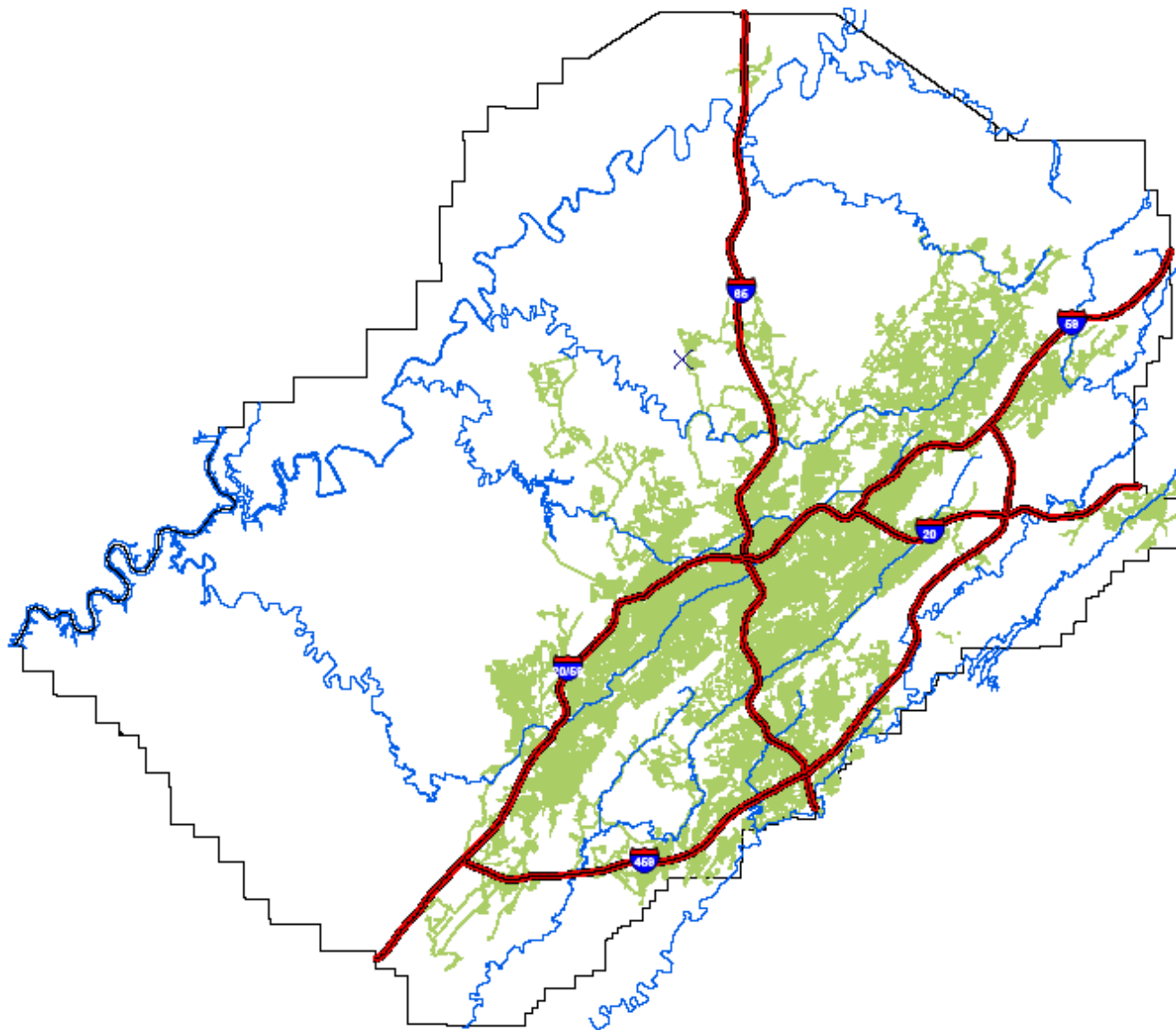
The sanitary sewer system of Jefferson County was created in the early 1900's to protect public health and allow the continued development of the Birmingham area. As the metropolitan area developed, the system grew along with it.

Collection

The sanitary sewer collection system covers 115¹ square miles as shown in Figure 1, serving twenty-three municipalities, unincorporated Jefferson County and small portions of Shelby and Saint Clair Counties. The system includes 3,145 miles of sewer lines and 177 pump stations. System piping ranges from 6 inches up to 12 feet in diameter, with some pipe remaining from the 1930's and 1940's.

¹ Based on 100-foot buffer of active sewer

Figure 1
Sewer Service Area



Treatment

The system includes nine permitted wastewater treatment plants (WWTPs) and one pre-treatment plant. Average treatment capacity is approximately 200 million gallons per day (MGD) with peak treatment and storage capacity in excess of 700 MGD. On average, 40 billion gallons of sewage is treated and discharged per year, or 110M gallons² per day.

These plants discharge into local tributaries of the Black Warrior and Cahaba River watersheds. Almost all of these waterways originate within Jefferson County and include the Cahaba River, Little Cahaba River, Village Creek, Valley Creek, Five Mile Creek, Turkey Creek and Cane Creek.

Operations

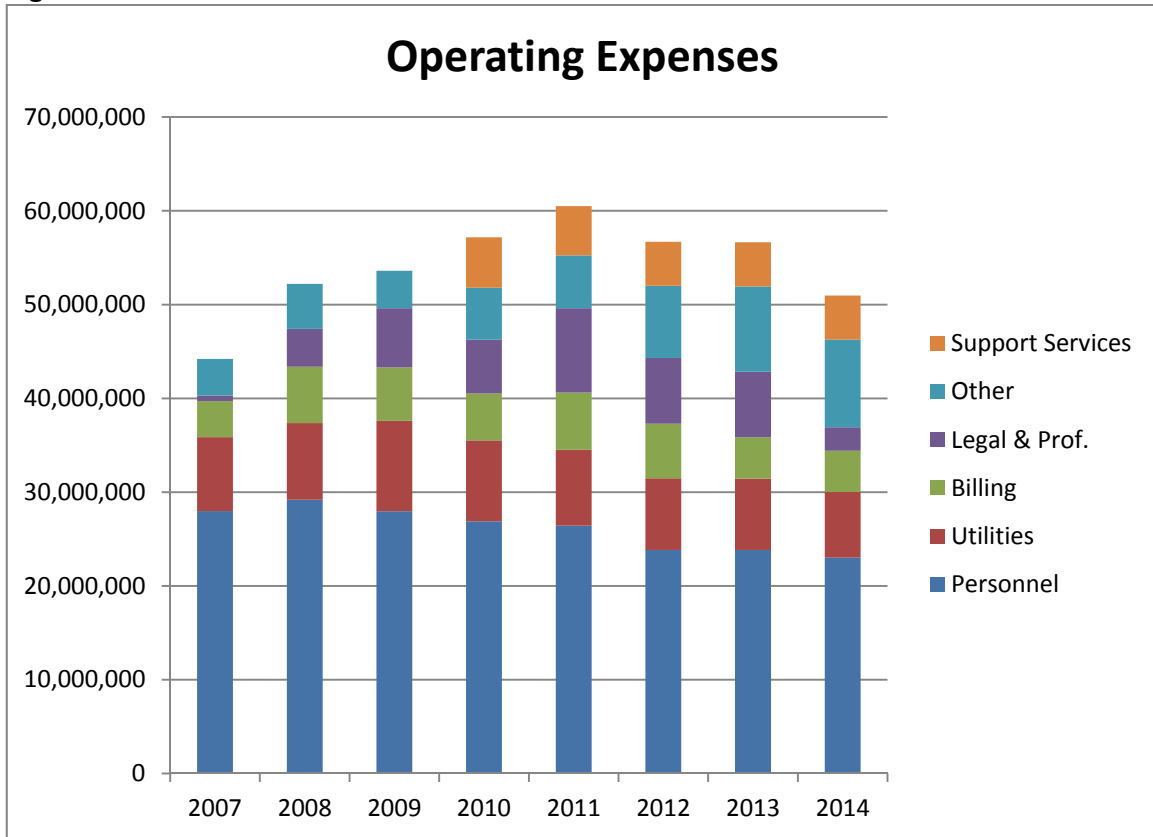
The Environmental Services Department (ESD) of Jefferson County is responsible for the administration and operations of the sewer system. Its mission is to provide effective and efficient service to its customers while protecting public health and the environment.

Budget

The ESD operating budget includes personnel, utilities, legal and professional, billing, indirect and other expenses necessary to run the system. Current annual operating expenses are estimated at \$55.6M. ESD has implemented measures to reduce operating expenses over the past several years, particularly through the reduction of energy and personnel expenses. Historical as well as estimated future operating expenses are shown in Figure 2 below.

² Five-year average from 2006-2011

Figure 2³



Due to the nature of the system, a significant portion of these expenses are relatively fixed. Energy expenses, while highly variable during 30 to 60 annual storm events, are relatively constant. Other peak flow facilities and collection system assets, although not in continuous of full use, must be maintained and available throughout the year.

It should be noted that legal and other professional expenses have increased significantly since 2008. Those expenses are expected to return near pre-2008 levels after resolution of the County’s bankruptcy case and any subsequent litigation.

Staffing

ESD staffs to meet the needs of its operations and operates on a 24-hour basis. ESD is comprised of three functional areas as follows:

Administration – responsible for capital and operating budget compilation and oversight, system planning, engineering, policy direction, billing and collection services (including oversight of wastewater billing performed by BWB and Bessemer) and overall management of the department

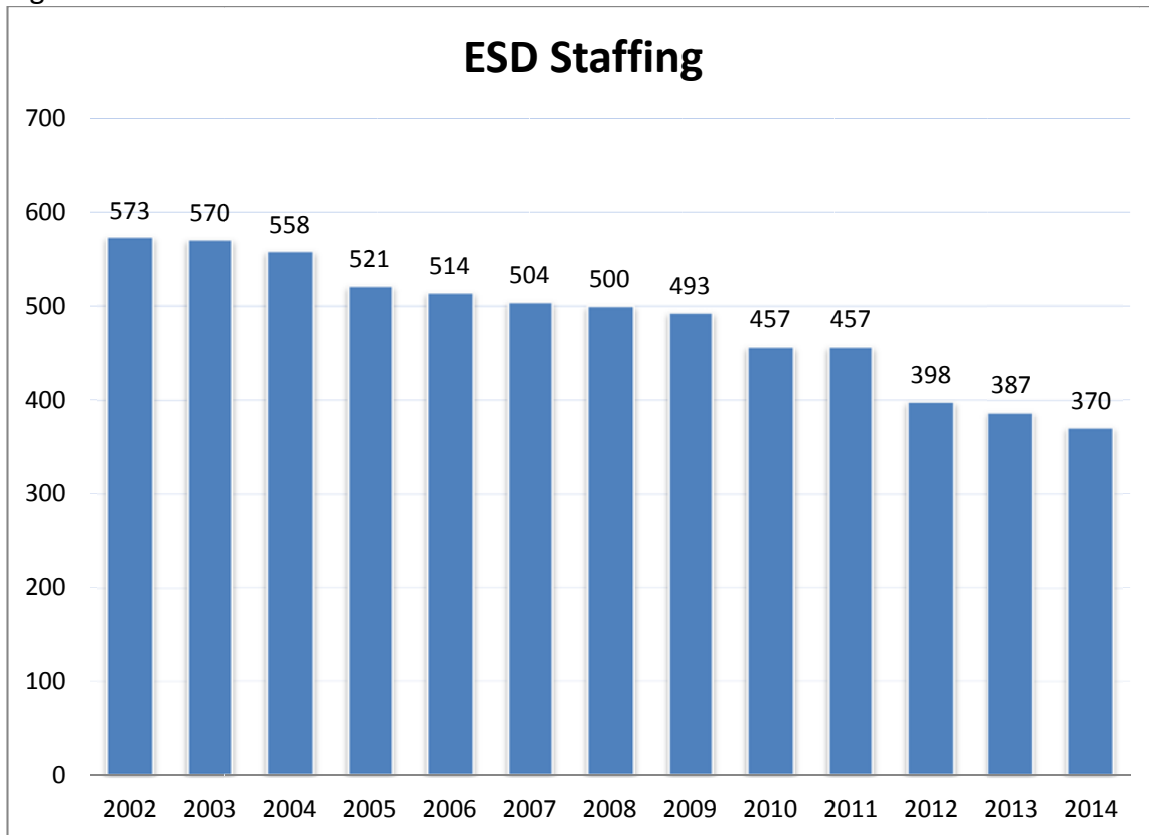
³ Based on actual expenses from 2007 to 2011 and estimated from 2012 to 2014

Collection System – responsible for field operations, construction and maintenance services for the sanitary sewer collection system and pump stations

Treatment – responsible for the operations and maintenance of the wastewater treatment plants (WWTPs), laboratory services and compliance monitoring

From 2002 to the present, ESD has reduced staffing levels from 573 to 398 as shown in Figure 3 while providing comparable levels of service. In addition, overtime expenses have been reduced by over 70% since 2009.

Figure 3⁴



In 2011, ESD prepared a 5-year personnel plan, the purpose of which was to evaluate current operations and staffing levels; identify efficiencies which could be achieved through restructuring, contracting, implementation of automation and technology, and improved operational reliability; and set staffing level targets. By 2014, execution of this plan is expected to achieve \$3.9M in annual personnel savings.

To date, ESD is ahead of the staffing targets established in the plan by over 30 positions. ESD expects to continue to meet the staffing goals and achieve these savings as

⁴ Actual filled positions from 2002 to 6/2012 and estimated 2013 to 2014

scheduled; however, significant capital improvements in the near future will be necessary to fully implement the plan, and it is not currently clear that funds will be available to construct these capital improvements.

System Usage

Customer Base

The sewer system serves approximately 145,000 of the residential and commercial connections in Jefferson County. These users receive water service from the Birmingham, Bessemer, Trussville, Irondale, Leeds, Graysville, Warrior River and Mulga water utilities. Of these, the Birmingham and Bessemer systems, through contractual agreements, provide combined water and sewer billing, while the remaining systems are billed directly by the County for sewer service only.

Accounts

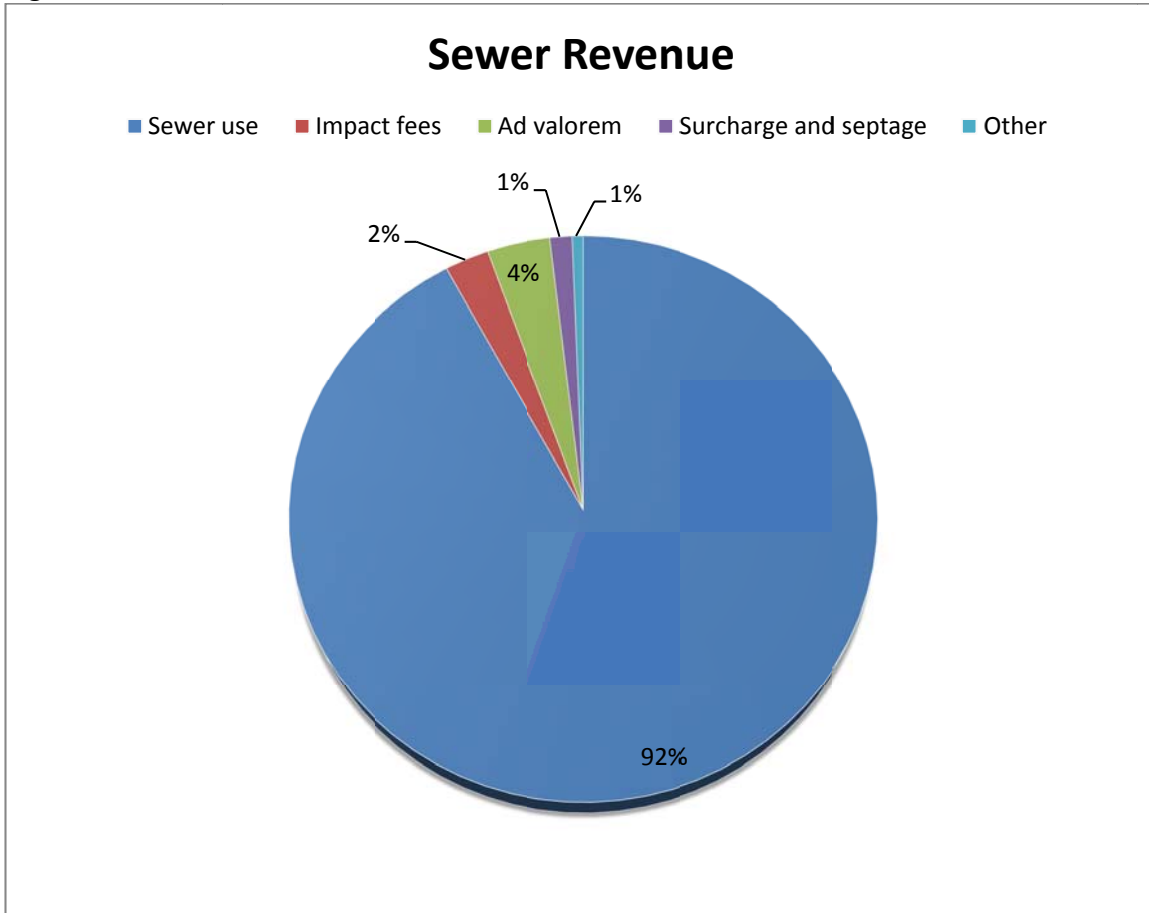
Sewer users include approximately 131,000 residential customers primarily including single-family homes and duplexes. The approximately 14,000 non-commercial users include larger multi-family residences, retail, office, restaurant, hotel and industrial users.

The total number of accounts has remained relatively stable over the past ten years. However, sewer accounts within the Birmingham system have declined by approximately five percent over the period, while the remaining smaller systems have increased by about the same number of accounts. It is anticipated that account growth will continue to remain near current levels, if decline slightly, in the next five to ten years.

Revenue

Annual revenues are currently approximately \$161.6M. Revenues are received from a combination of taxes, user charges and fees as shown in Figure 4 and described in further detail below.

Figure 4



Charges

Sewer Use: Connected sewer users are charged on the basis of metered water consumed at the rate of \$7.40 per 100 cubic feet (\$9.89 per 1,000 gallons). Residential users are provided a 15-percent "watering credit" for water that is assumed not to return to sewer to allow for outdoor water usage. Non-residential users are not allowed this credit. This revenue stream is the vast majority of the revenue received and is subject to high variability.

Impact Fees: New connections to the system are charged a fee based on the estimated volume of the connections to the system. For a typical residential home, this fee is about \$3,600. This charge has, in the past, represented a significant source of income (up to \$10M/year) but has declined significantly (as low as \$3.5M/year in 2010) with the economy.

Industrial Surcharge: In addition to their volumetric usage, high-strength users (approximately 30 industries) are charged based on the strength of their waste. It should be noted that the current rates have remained unchanged since 1991.

Septage: Septage charges include a volumetric charge for waste delivered directly to the WWTPs. These wastes typically include pumped septic tank and grease trap waste and, infrequently, other miscellaneous liquid waste. It should be noted that these rates have also remained unchanged since 1991. Additionally, grease trap waste, which has only been routinely received over the past five years, is difficult to treat and should be charged at a higher rate than regular septage.

Ad valorem Tax: By legislative act, the system receives the proceeds of a 0.7 mil tax on real property. This tax is dedicated by law to pay for operating expenses.

Interest: Interest is periodically received on the balance of remaining bond proceeds. In the past, this represented a significant source of income in excess of \$20M per year, but with the decline of interest rates and fund balances this source is now slightly in excess of \$1M per year.

Other Fees: Minor sources of revenue include a collection of primarily administrative fees such as connection/disconnection, document and grease control fees.

Minimum/Fixed Charge: The current rate structure provides for a small fixed charge to be applied when the user has no usage. This fee is based on meter size, but for the typical residential user is \$2/month. The system incurs fixed expenses to provide service for each account regardless of volumetric usage. This charge has remained unadjusted for an extended period of time and should be evaluated for its adequacy and possible conversion to a fixed, rather than minimum, charge.

Classes

As noted above customer classes include residential, non-residential and special (high-strength industrial, outside waste). Although 90% of users are in the residential class, the non-residential class accounts for 60% of sewer use revenue.

Volume

The volume of water, both billed and received for treatment, significantly affects both the revenues and expenses of the system.

Metered

As noted above, sewer use charges are based on metered consumption as read by the various water utilities. This total volume can fluctuate significantly from year to year based on factors such as rainfall and economic demand.

Additionally, the system has experienced in excess of 3% decline per year in average consumption. This phenomenon has been observed across the country due to the use of more efficient plumbing fixtures and appliances and a general mindset toward water conservation. Elasticity of demand due to increasing rates has almost certainly also contributed to the observed decline in consumption.

Since revenues are almost exclusively dependent on volumetric usage, declining usage must be addressed in order to provide a consistent revenue stream. This will almost certainly have to include a conversion of some portion of the current rate structure to a fixed charge.

I/I

A significant portion of the water received and treated (50-60% of the volume) comes from external sources of water and not from the water that enters and exits through plumbing. Most of this extraneous water comes from infiltration and inflow (I/I) that enters the system through defects in the collection system. Infiltration includes groundwater that seeps into cracks in the pipes, and rises and falls with changes in the water table. Inflow includes direct sources of rain and surface water that typically enter through storm sewer cross-connections, downspouts, sump pump and other direct sources.

This I/I creates extreme variations in the volume of water received at the WWTPs – often in excess of five times the normal volume. These peak flows increase expenses through increased pumping demand and the facilities necessary to store and treat these additional flows.

Substantial expense was incurred under the Consent Decree to address I/I, but I/I management will remain an ongoing expense and challenge for the system. Future capital decisions will have to be based on a business case analysis for removing versus treating this I/I.

System Performance

Regulations

The system is subject to environmental regulations to protect public health and the environment as administered by state and federal authorities. ESD files over 30 reports per year to environmental regulators and meets and/or reports on over 24,000 specific parameters each year. In addition, ESD regularly meets with state and federal regulators to discuss ongoing and future regulatory compliance issues with the Clean Water Act and the County's sanitary sewer Consent Decree.

Clean Water Act

The Clean Water Act was enacted in 1970s to regulate discharges into waters of the state and is the primary regulatory driver for the system. Through administration by the

states, the National Pollutant Discharge Elimination System (NPDES) has been established to regulate the quantity, quality and location of these discharges. The State of Alabama, through the Alabama Department of Environmental Management, issues and monitors these NPDES permits. Violations of these permits are violations of the Clean Water Act and subject to enforcement action and potential fines of up to \$25,000 for each occurrence.

Consent Decree

In the 1990s, citizen plaintiffs, later joined by the United States Environmental Protection Agency and the Department of Justice, filed suit against the County for violations of the Clean Water Act. In 1996, the County entered into a Consent Decree to address these violations.

Background

Up to the 1990s, the County's routinely violated its NPDES permits through the discharge of raw wastewater into the local waterways. These occurred through direct bypasses (often hundreds of millions of gallons of untreated sewage) at the WWTPs and in the collection system, as well as sanitary sewer overflows (SSOs) which typically occurred from manholes in the system. These bypasses and SSOs were primarily the result of excessive I/I in the system.

Requirements

The Consent Decree required the elimination of bypasses and the reduction of SSOs in the system. The County also agreed to acquire the sanitary sewer collection systems of the twenty-one surrounding municipalities to create a unified system, increasing the system from 600 miles to almost 3,000 miles of sewer. These municipal systems were donated to the County in 1998. Although these assets were donated, for accounting and other purposes they were valued in excess of \$1.4B. As a whole, however, these assets were subsequently determined to be in worse condition than assumed. From a practical and cash-flow, if not accounting, perspective these assets have been a net liability to the system.

The County was required to develop a plan to assess the system, identify projects to correct deficiencies, commit to construct these projects and purchase \$30M in stream buffer property. This plan formed the basis for the more than \$1.5B expended under the Decree.

Work Performed

As a direct part of the Consent Decree, the County committed and executed more than 200 projects totaling \$1.5B from 1997 to 2007. Of the more than 600 deadlines imposed, the County met all but one on time.

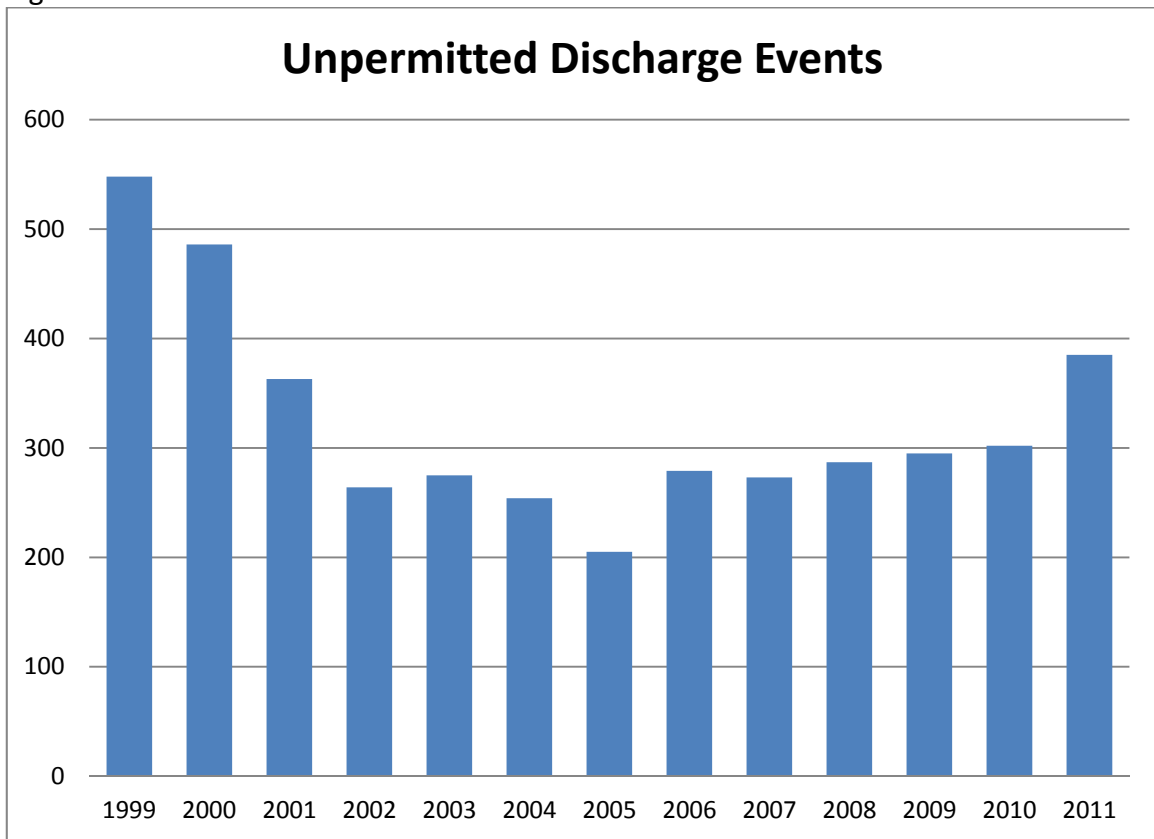
All of the automatic bypasses were eliminated by the work, and approximately 25% of the collection system was rehabilitated or replaced. Despite, however, some relative

success, much of the work done under the Consent Decree by the past ESD administration was unnecessary, poorly conceived, poorly managed and performed with little regard for the total cost.

Status

All of the work contemplated and committed to under the Consent Decree has been completed, and since 2001, the reduction in the annual volume of bypasses and SSOs (unpermitted discharges) from levels in 1996 has often exceeded 99%. The total number of SSOs has been reduced from a peak of 548 per year in 1999 to the current level of approximately 310 per year as shown in Figure 5.

Figure 5



Most of the basins within the system now perform well, and five of the nine basins have now been terminated from the Decree. ESD expects to continue efforts to remove the remainder of the basins over the next two to three years.

Discharges

Discharges from the system occur in three primary areas: permitted outfalls at the WWTPs and unpermitted discharges as SSOs or house backups.

Outfalls

NPDES permits establish specific limits for pollutant concentrations allowed to be discharged for a number of parameters. This means that ESD is required to meet hundreds of specific limitations each week. The WWTPs perform very well in this regard, achieving a compliance rate⁵ in excess of 99%. In addition, these WWTPs have received numerous awards from state and national organizations in recognition of this continued compliance.

SSOs

SSOs have been significantly reduced from their peak in both volume and number of occurrences, and most portions of the system perform well in this regard as evidenced by the termination from the Consent Decree. In particular, though, the Valley Creek system overflow rate is not satisfactory to ESD, and it is currently formulating a comprehensive plan to address these SSOs as economically and efficiently as possible.

Backups

Backups can and do occur inside a customer's structure due to blockages in the County's system, although the majority occur as the result of a problem in the customer's service line. Nevertheless, these backups from the County create a significant customer service problem, as well as financial and public health problem to remove and remediate sewage from a customer's home.

System Maintenance

Routine

To prevent blockages which lead to SSOs and backups, the sewer system must be continually maintained. The County maintains and staffs a fleet of cleaning and inspection equipment to keep the system operating and respond to problems when they occur.

Cleaning

ESD routinely cleans sewer lines to remove debris, roots, grease and other obstructions which accumulate in the system. When backups and SSOs occur, these crews respond, contain the overflow, correct the problem and mitigate the spill.

ESD is currently working with a nationally-recognized sewer maintenance consultant to evaluate and refine its cleaning operations. We expect the improved cleaning operations will substantially reduce SSOs in the near future.

⁵ Based on "wastewater treatment effectiveness rate" from American Water Works Association Benchmarking Performance Indicators for Water and Wastewater Utilities: 2007 Annual Survey Data and Analyses Report

Inspection

The system must also be inspected to assess its condition and identify defects. This provides staff the information they need to plan and prioritize work to the system. ESD has recently implemented a standardized inspection system to facilitate condition assessment across the system.

Long-term

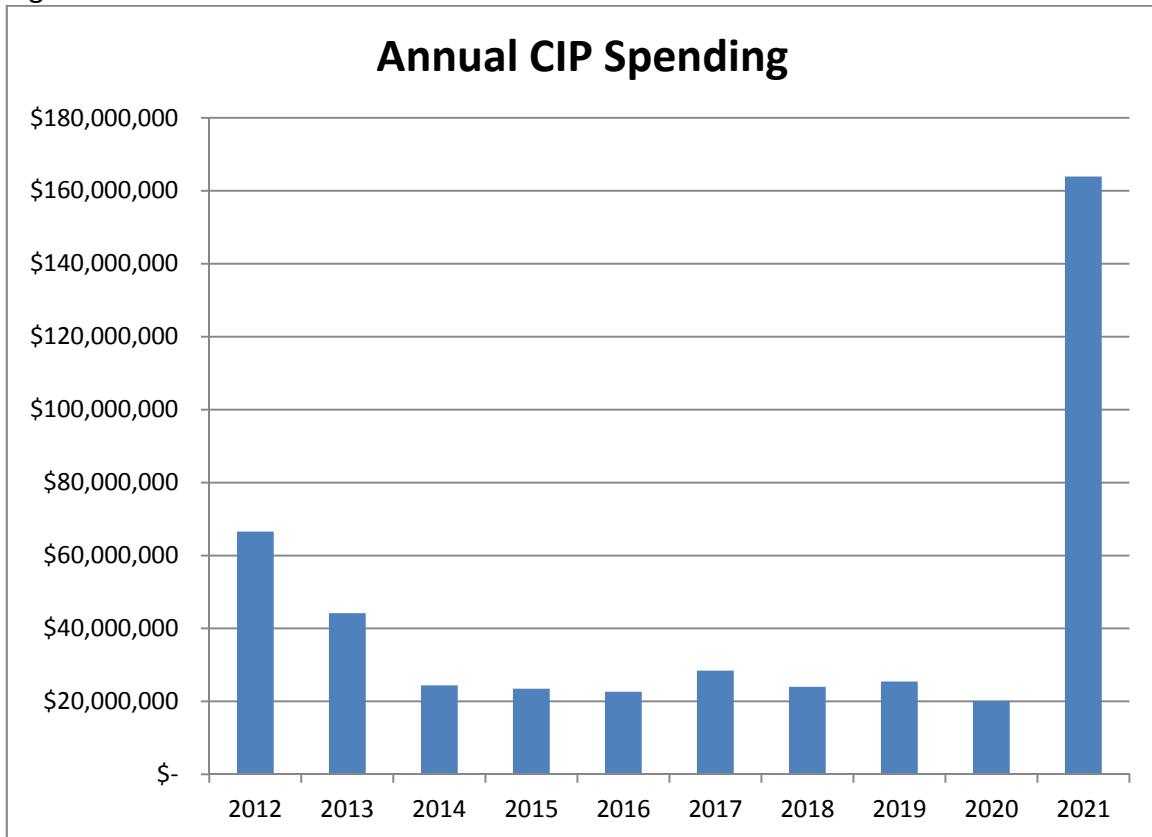
As the system continues to age, equipment and piping deteriorate. Despite the work done under the Consent Decree, most of the system was not improved, and the remainder is now seven to fifteen years older than when the work was performed.

As pipes age they crack, corrode and eventually collapse, creating SSOs. As equipment ages, it becomes less efficient and fails, creating permit violations at the WWTPs. Long-term maintenance is designed to address these issues apart from the work needed to clean and inspect the system. This work is planned for in ESDs Capital Improvement Program (CIP). It includes work necessary to keep the system in working order, maintain compliance with existing regulations and meet new regulations as they are required.

ESDs CIP is continually reevaluated and updated. At present, the CIP contemplates annual average capital expenditures⁶ of \$36M for the next five years as shown in Figure 6. CIP spending is heavily influenced by TMDL compliance projects (discussed below) in the first and last years of the period. System renewal expenses average approximately \$22M per year.

⁶ In project value

Figure 6



Rehabilitation

If a pipe or asset is not badly deteriorated, its life can be extended much more economically through rehabilitation. In the case of a pipe, a liner is placed inside the existing pipe, stabilizing the cracks in the original pipe and significantly extending the life of the asset.

Under the Consent Decree, approximately 85% of the work involved rehabilitation rather than replacement. ESD expects this ratio will continue in its CIP.

Replacement

Assets which are out-dated, severely deteriorated or undersized often require full replacement. For pipes, ESD forecasts a replacement rate consistent with prior work. Many of the WWTP assets constructed under the Consent Decree are approaching the end of their useful life. This life cycle will require significant investment in replacement equipment in the near future.

Asset Management

ESD realizes the need for significant investment in the system. Current management, however, is committed not to repeat the mistakes made under the Consent Decree and to establish a comprehensive system whereby capital improvements are performed in a rational, methodical, defensible and prioritized manner. To accomplish this, ESD is

currently in the process of establishing comprehensive asset management systems for its WWTP and collection system assets.

Document

In order to properly maintain an asset, its condition must be known. For WWTP assets, the new asset management system will provide a comprehensive maintenance history as well as aid in scheduling the correct routine maintenance needed to extend the life of these assets. For the collection system, a program is being established to standardize condition assessment and schedule system-wide inspection.

Prioritize

Even if it were desirable, the County and its ratepayers do not have unlimited resources to fix all of the defects in the system, so it must prioritize the work. Asset management systems currently being put into place will prioritize assets based on how critical they are and what happens if they fail.

Another critical part of asset management will be to use all of the information available to make informed decisions. During the Consent Decree work, the County failed to use extensive data from its flow monitoring network to prioritize or evaluate the work it was doing. Asset management will bring this and many other pieces of information together to make informed decisions and, after the work is complete, evaluate whether those decisions were correct.

New Requirements

In addition to existing regulatory requirements, new laws and regulations have been and will continue to be enacted which will require additional capital and operational expense.

TMDLs

ADEM has adopted new water quality standards based on Total Maximum Daily Loads (TMDL) for the Cahaba River. These standards will require very stringent effluent limitations for total phosphorous at the Cahaba River and Trussville WWTPs. These standards will be legally implemented in revised NPDES permits which ESD expects will be finalized in the very near future. These permits will require ESD to construct improvements totaling \$34.3M within two years and an additional \$140M within 10 years.

Unknown

Future regulations will almost certainly require new and stricter discharge limits. Current CIP planning does not include these future costs.

Jefferson County Sewer Customer Analysis

Stephanie Yates Rauterkus, PhD

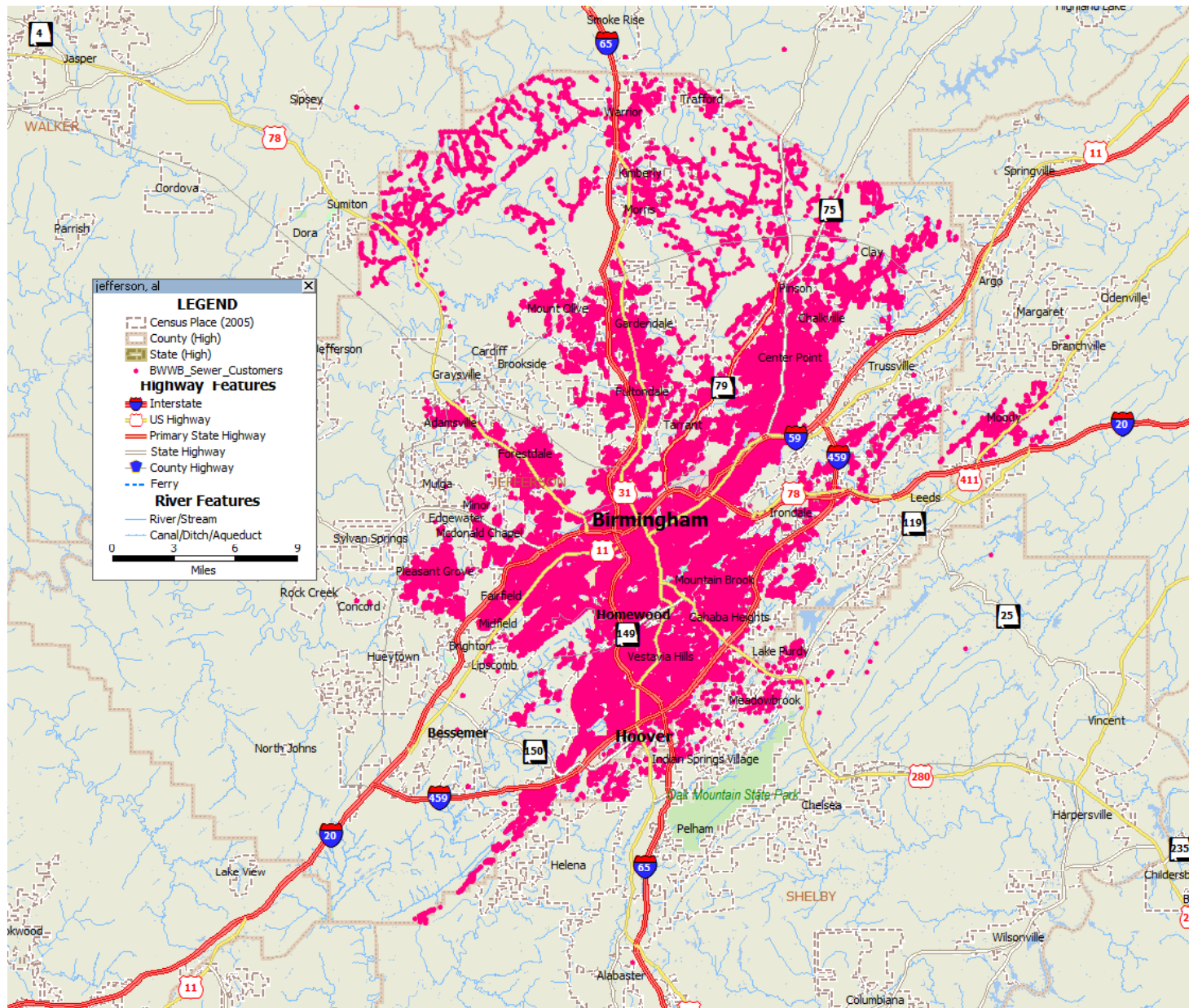
Objectives

- Customer Descriptives
- Comparative Rate Analysis

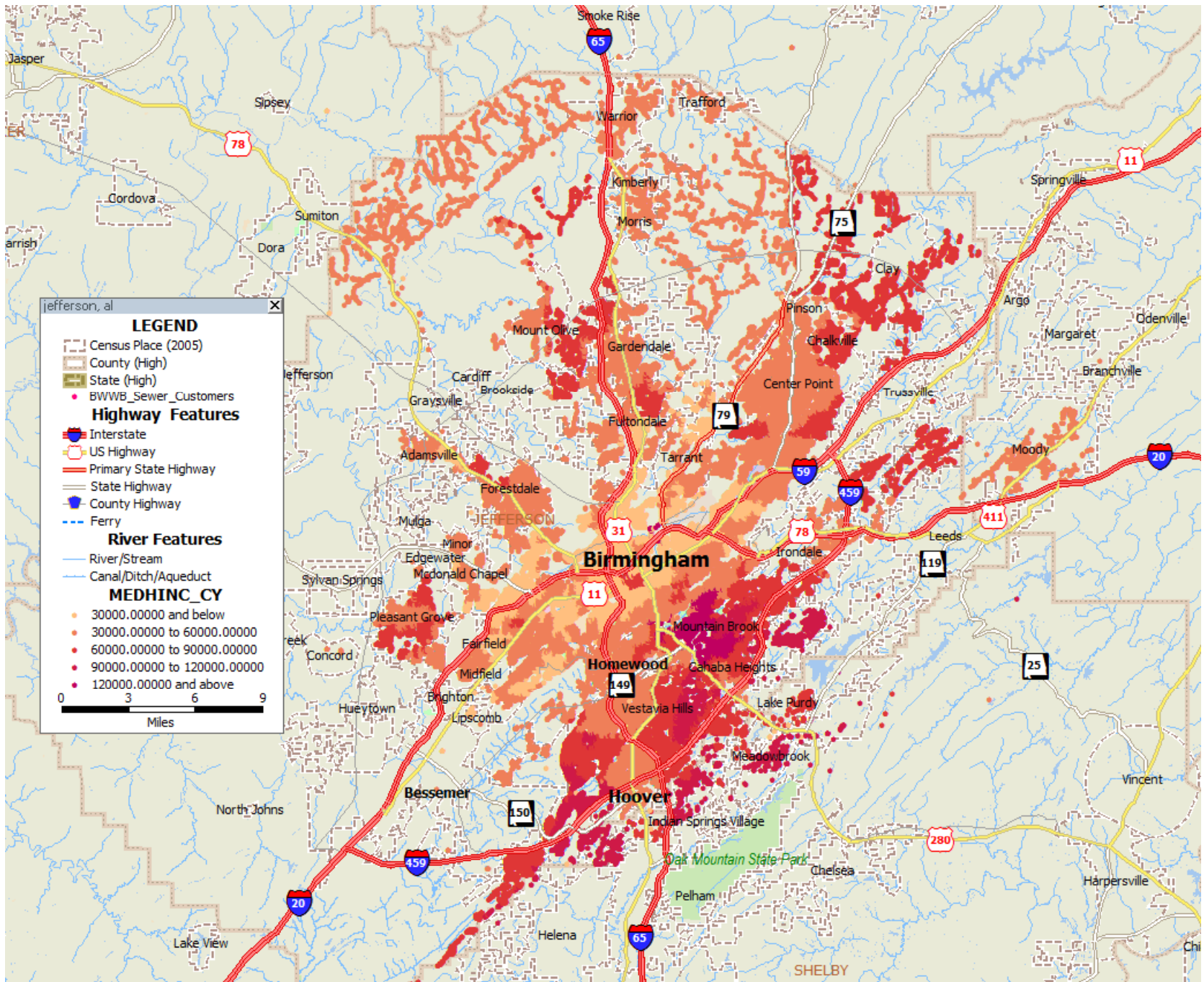
Descriptives

- Customers by income level
- Customers by usage
- Customers by size of household
- Customers by home value

Customer Map



R-000022



R-000023

Overview

- Residential, Jefferson county sewer customers geocoded to census tracts
- 1,500 to 8,000 residents in a census tract (4,000 is optimum)
- 132 census tracts in Jefferson County, AL
- Customer analysis is based on census tracts
- 1,066 sewer customers on average in each census tract (up to 5,344)

Overview

Variable	Mean	Median	Minimum	Maximum	Std. Dev.
Median Household Income	\$44,220	\$40,203	\$13,635	\$144,909	\$20,940
Size of Household	2.42	2.48	1.49	3.00	0.29
Median Home Value	\$124,978	\$97,560	\$47,881	\$517,479	\$87,889
Consumption (CCF)	5.34	5.24	3.11	9.30	0.88

Income Deciles

Decile	# of Customers	% of Customers	Average Median Income	Average Household Size	Average Home Value	Average Consumption (CCF)
1	8,511	6.05%	\$18,126	2.36	\$55,272	4.86
2	7,098	5.04%	25,484	2.78	64,005	4.82
3	12,757	9.06%	30,196	2.47	75,391	4.97
4	12,333	8.76%	34,212	2.38	80,481	4.91
5	7,782	5.53%	38,683	2.30	118,861	5.52
6	11,434	8.12%	43,357	2.44	106,787	5.26
7	17,130	12.17%	48,156	2.31	128,782	5.25
8	18,760	13.33%	53,317	2.39	145,201	5.43
9	21,543	15.31%	61,923	2.51	156,992	5.61
10	23,401	16.63%	89,958	2.54	321,579	6.79
<i>AVERAGE</i>			<i>\$44,220</i>	<i>2.42</i>	<i>\$124,978</i>	<i>5.34</i>

Sewer Bill as a % of Median Household Income

Decile	% of Customers	Currently	After 25% Increase	After 40% Increase
1	6.05%	2.50%	3.12%	3.50%
2	5.04%	1.78%	2.22%	2.49%
3	9.06%	1.50%	1.87%	2.10%
4	8.76%	1.32%	1.65%	1.85%
5	5.53%	1.17%	1.46%	1.64%
6	8.12%	1.04%	1.31%	1.46%
7	12.17%	0.94%	1.18%	1.32%
8	13.33%	0.85%	1.06%	1.19%
9	15.31%	0.73%	0.91%	1.02%
10	16.63%	0.50%	0.63%	0.70%
Average Bill		\$37.74/mo.	\$47.18/mo.	\$52.84/mo.

Sewer Bill as a % of Median Home Value

Decile	% of Customers	Currently	After 25% Increase	After 40% Increase
1	6.05%	0.82%	1.02%	1.15%
2	5.04%	0.71%	0.88%	0.99%
3	9.06%	0.60%	0.75%	0.84%
4	8.76%	0.56%	0.70%	0.79%
5	5.53%	0.38%	0.48%	0.53%
6	8.12%	0.42%	0.53%	0.59%
7	12.17%	0.35%	0.44%	0.49%
8	13.33%	0.31%	0.39%	0.44%
9	15.31%	0.29%	0.36%	0.40%
10	16.63%	0.14%	0.18%	0.20%
Average Bill		\$37.74/mo.	\$47.18/mo.	\$52.84/mo.

Comparative Analysis

- EPA Standard
- Rates by US Region:
 - Northeast
 - Midwest
 - South
 - West
- Rates Nationwide
- Largest metropolitan areas in each state

Current Rates

- Jefferson County median household income:
\$45,244
- Jefferson County median home value: \$138,300
- Typical sewer bill:
 - \$37.74/month
 - \$452.88/year
- Annual sewer bill as a % of MHI: 1.0%
- Annual sewer bill as a % of median home value:
0.33%

EPA Standard

- EPA Standard :
 - 2% of median household income
 - New sewer bill= \$636.54/yr; \$53.05/mo
 - Would result in 41% rate increase
- How Largest Metros in Each State Compare to the EPA Standard:
 - Lowest Rates: Newark, DE (\$6.84/0.21%)
 - Highest Rates: Charleston, WV (\$75.59/2.15%)
 - Average % of MHI: 0.87%
 - #/% of Metros below 1.00%: 37/76%
 - #/% of Metros above 1.00%: 12/24%

Rates in New England Division

City	Sewer Bill @ 6 CCF	Median Household Income	Median Value of Owner-Occupied Housing Units	Sewer Bill as % of Median Income	Sewer Bill as % of Median Housing Unit Value
Bridgeport, CT	\$26.00	\$41,047	\$236,000	0.76%	0.13%
Portland, ME*	48.66	44,422	248,100	1.31%	0.24%
Boston, MA	33.27	50,684	395,200	0.79%	0.10%
Manchester, NH	20.82	53,377	235,700	0.47%	0.11%
Providence, RI**	46.48	36,925	243,600	1.52%	0.23%
Burlington, VT	31.08	39,185	\$253,300	0.95%	0.15%
AVERAGE	34.39	44,273	268,650	0.93%	0.15%
Jefferson Co	\$37.74	\$45,244	\$138,300	1.00%	0.33%

Rates in Mid-Atlantic Division

City	Sewer Bill @ 6 CCF	Median Household Income	Median Value of Owner-Occupied Housing Units	Sewer Bill as % of Median Income	Sewer Bill as % of Median Housing Unit Value
Newark, NJ**	31.52	35,659	287,800	1.06%	0.13%
New York, NY	30.34	50,285	513,900	0.72%	0.07%
Philadelphia, PA	33.76	44,049	135,200	0.92%	0.30%
AVERAGE	31.87	43,331	312,300	0.88%	0.12%
Jefferson Co	\$37.74	\$45,244	\$138,300	1.00%	0.33%

Rates in Northeast Region

Division	Sewer Bill @ 6 CCF	Median Household Income	Median Value of Owner- Occupied Housing Units	Sewer Bill as % of Median Income	Sewer Bill as % of Median Housing Unit Value
New England	34.39	44,273	268,650	0.93%	0.15%
Mid-Atlantic	31.87	43,331	312,300	0.88%	0.12%
AVERAGE	33.13	43,802	290,475	0.91%	0.14%
Jefferson Co	\$37.74	\$45,244	\$138,300	1.00%	0.33%

Rates in East North Central Division

City	Sewer Bill @ 6 CCF	Median Household Income	Median Value of Owner-Occupied Housing Units	Sewer Bill as % of Median Income	Sewer Bill as % of Median Housing Unit Value
Chicago, IL	21.28	\$46,877	269,200	0.58%	0.20%
Indianapolis, IN	20.68	43,088	122,100	0.58%	0.20%
Detroit, MI	40.26	28,357	80,400	1.70%	0.60%
Columbus, OH	31.92	43,122	138,700	0.89%	0.28%
Milwaukee, WI	39.10	35,921	140,000	1.31%	0.34%
AVERAGE	30.65	39,473	150,080	0.93%	0.25%
Jefferson Co	\$37.74	\$45,244	\$138,300	1.00%	0.33%

Rates in West North Central Division

City	Sewer Bill @ 6 CCF	Median Household Income	Median Value of Owner-Occupied Housing Units	Sewer Bill as % of Median Income	Sewer Bill as % of Median Housing Unit Value
Des Moines, IA*	34.36	\$44,178	117,600	0.93%	0.35%
Wichita, KS*	21.76	44,360	111,300	0.59%	0.23%
Minneapolis, MN	21.30	46,075	228,700	0.55%	0.11%
Kansas City, MO	34.47	44,113	135,000	0.94%	0.31%
Omaha, NE*	12.65	46,230	131,900	0.33%	0.12%
Fargo, ND	19.00	41,558	146,600	0.55%	0.16%
Sioux Falls, SD	20.27	50,727	146,500	0.48%	0.17%
AVERAGE	23.40	45,320	145,371	0.62%	0.19%
Jefferson Co	\$37.74	\$45,244	\$138,300	1.00%	0.33%

Rates in Midwest Region

Division	Sewer Bill @ 6 CCF	Median Household Income	Median Value of Owner-Occupied Housing Units	Sewer Bill as % of Median Income	Sewer Bill as % of Median Housing Unit Value
East North Central	30.65	39,473	150,080	0.93%	0.25%
West North Central	23.40	45,320	145,371	0.62%	0.19%
AVERAGE	27.03	42,397	147,726	0.76%	0.22%
<i>Jefferson Co</i>	<i>\$37.74</i>	<i>\$45,244</i>	<i>\$138,300</i>	<i>1.00%</i>	<i>0.33%</i>

Rates in East South Central Division

City	Sewer Bill @ 6 CCF	Median Household Income	Median Value of Owner-Occupied Housing Units	Sewer Bill as % of Median Income	Sewer Bill as % of Median Housing Unit Value
<i>Jefferson Co</i>	\$37.74	\$45,244	\$138,300	1.00%	0.33%
Louisville, KY	34.93	43,009	137,400	0.97%	0.31%
Jackson, MS	12.90	37,881	96,500	0.41%	0.16%
Memphis, TN	19.02	43,314	134,100	0.53%	0.17%
AVERAGE	\$26.15	\$39,008	\$113,450	0.80%	0.28%

Rates in South Atlantic Division

City	Sewer Bill @ 6 CCF	Median Household Income	Median Value of Owner Occupied Housing Units	Sewer Bill as a % of Median Income	Sewer Bill as a % of Median Housing Unit Value
Newark, DE**	6.84	\$38,386	\$179,200	0.21%	0.05%
Baltimore, MD	23.66	70,647	329,400	0.40%	0.09%
Virginia Beach, VA	22.12	64,618	277,400	0.41%	0.10%
Charleston, WV	75.59	42,133	131,500	2.15%	0.69%
Charlotte, NC	31.54	52,446	173,300	0.72%	0.22%
Columbia, SC	21.55	38,272	156,100	0.68%	0.17%
Atlanta, GA	76.70	45,171	231,800	2.04%	0.40%
Jacksonville, FL	40.46	48,829	171,500	0.99%	0.28%
AVERAGE	\$41.66	\$51,731	\$210,143	0.97%	0.24%
Jefferson Co	\$37.74	\$45,244	\$138,300	1.00%	0.33%

Rates in West South Central Division

City	Sewer Bill @ 6 CCF	Median Household Income	Median Value of Owner-Occupied Housing Units	Sewer Bill as % of Median Income	Sewer Bill as % of Median Housing Unit Value
Little Rock, AR	33.91	\$44,068	\$145,300	0.92%	0.28%
New Orleans, LA	34.63	37,468	184,100	1.11%	0.23%
Oklahoma City, OK	18.60	43,798	124,600	0.51%	0.18%
Houston, TX	47.17	42,962	123,800	1.32%	0.46%
AVERAGE	\$33.47	\$41,409	\$144,167	0.97%	0.28%
Jefferson Co	\$37.74	\$45,244	\$138,300	1.00%	0.33%

Rates in Southern Region

Division	Sewer Bill @ 6 CCF	Median Household Income	Median Value of Owner-Occupied Housing Units	Sewer Bill as % of Median Income	Sewer Bill as % of Median Housing Unit Value
South Atlantic	\$41.66	\$51,731	\$210,143	0.97%	0.24%
East South Central	26.15	39,008	113,450	0.80%	0.28%
West South Central	33.47	41,409	144,167	0.97%	0.28%
AVERAGE	\$33.76	\$44,049	\$155,920	0.92%	0.26%
Jefferson Co	\$37.74	\$45,244	\$138,300	1.00%	0.33%

Rates in Mountain Division

City	Sewer Bill @ 6 CCF	Median Household Income	Median Value of Owner-Occupied Housing Units	Sewer Bill as % of Median Income	Sewer Bill as % of Median Housing Unit Value
Phoenix, AZ	34.25	\$48,823	145,300	0.84%	0.19%
Denver, CO	14.59	45,501	240,900	0.38%	0.07%
Boise, ID	23.23	50,402	205,000	0.55%	0.14%
Billings, MT*	60.02	46,433	169,000	1.55%	0.43%
Las Vegas, NV	18.47	54,334	251,300	0.41%	0.09%
Albuquerque, NM	13.21	46,662	188,600	0.34%	0.08%
Salt Lake City, UT	14.81	44,223	243,200	0.40%	0.07%
Cheyenne, WY	19.46	50,535	165,300	0.46%	0.14%
AVERAGE	24.76	48,364	201,075	0.61%	0.15%
Jefferson Co	\$37.74	\$45,244	\$138,300	1.00%	0.33%

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Rates in Pacific Division

City	Sewer Bill @ 6 CCF	Median Household Income	Median Value of Owner- Occupied Housing Units	Sewer Bill as % of Median Income	Sewer Bill as % of Median Housing Unit Value
Anchorage, AK	80.50	\$73,004	269,500	1.32%	0.36%
Los Angeles, CA	20.52	49,138	553,900	0.50%	0.04%
Honolulu, HI	71.13	91,082	774,000	0.94%	0.11%
Portland, OR	71.86	48,831	292,000	1.77%	0.30%
Seattle, WA	45.92	60,665	456,200	0.91%	0.12%
AVERAGE	57.99	64,544	469,120	1.08%	0.15%
Jefferson Co	\$37.74	\$45,244	\$138,300	1.00%	0.33%

Rates in Western Region

Division	Sewer Bill @ 6 CCF	Median Household Income	Median Value of Owner-Occupied Housing Units	Sewer Bill as % of Median Income	Sewer Bill as % of Median Housing Unit Value
Mountain	24.76	48,364	201,075	0.61%	0.15%
Pacific	57.99	64,544	469,120	1.08%	0.15%
AVERAGE	41.38	56,454	335,098	0.88%	0.15%
Jefferson Co	\$37.74	\$45,244	\$138,300	1.00%	0.33%

Rates Nationwide

Region	Sewer Bill @ 6 CCF	Median Household Income	Median Value of Owner-Occupied Housing Units	Sewer Bill as % of Median Income	Sewer Bill as % of Median Housing Unit Value
Northeast	33.13	43,802	290,475	0.91%	0.14%
Midwest	27.03	42,397	147,726	0.76%	0.22%
South	33.76	44,049	155,920	0.92%	0.26%
West	41.38	56,454	335,098	0.88%	0.15%
AVERAGE	33.83	46,676	232,305	0.87%	0.17%
Jefferson Co	\$37.74	\$45,244	\$138,300	1.00%	0.33%

Summary

- Customers
 - 6% currently pay more than 2% of MHI
 - 55% currently pay more than national average as a % of MHI
 - 83% currently pay more than national average as % of home value
- Comparatives
 - Average sewer bill as a % of MHI:
 - Nationwide: 0.87%
 - Jefferson County: 1.0%
 - Average sewer bill as a % of home value:
 - Nationwide: 0.17%
 - Jefferson County: 0.33%
 - 76% of 49 largest metropolitan areas have sewer rates lower than Jefferson County

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JEFFERSON COUNTY SEWER

PUBLIC HEARING

June 12, 2012

1 COMMISSIONER CARRINGTON: We're going
2 to go ahead and get started. We wanted to say
3 hi and welcome you to the first of what will be
4 at least three public hearings regarding the
5 sewer rates. Before we begin, I want to
6 introduce our Commission. We have Commissioner
7 George Bowman, who represents District One.
8 I'll go right here to Commissioner Jimmie
9 Stephens, who represents District Three.
10 Commissioner Sandra Little Brown, who is our
11 President Pro Temp, who represents District Two.
12 Commissioner Joe Knight, who represents District
13 Four. At the end of the table is Jefferson
14 County's first County Manager, Mr. Tony Petelos.

15 I also want to recognize a
16 couple of the -- the law school dean, John
17 Carroll, Judge John Carroll. He'll be
18 moderating today. I think he deserves a round
19 of applause. At twelve o'clock, he became a
20 grandfather for the first time.

21 I also want to recognize
22 Representative Patricia Todd. And is there any
23 other Legislator I've missed? Okay, thank you.

1 With the introductions out of
2 the way, I first want to outline the sewer rate
3 setting process. Next, we'll listen to two
4 witnesses regarding sewer rates; and then we'll
5 close by taking your comments. So it's time for
6 us to get started.

7 The Commission's charge: Under
8 Amendment 73 to the Alabama Constitution, the
9 Jefferson County Commissioner's responsible for
10 managing, operating, controlling, and
11 administering the Jefferson County Sewer System.
12 The present members of the Commission have not
13 previously had the ability to carry out this
14 constitutional function because before we took
15 office, a State Court Judge had transferred full
16 power over the sewer system, including rate
17 setting, to John Young, as Sewer System
18 Receiver.

19 As almost everyone in this room
20 knows, Mr. Young was in control of the County
21 Sewer System from September, 2010 until the
22 County filed for bankruptcy protection in
23 November of 2011.

1 On January the 6th of this
2 year, Bankruptcy Judge Thomas Bennett ruled that
3 the County's bankrupt -- bankruptcy filing
4 automatically restored the Commission's right to
5 control the system. The constitutional right to
6 control the County Sewer System carries with it
7 an important constitutional responsibility; rate
8 setting.

9 Amendment 73 to the Alabama
10 Constitution says that part of operating the
11 sewer system is making reasonable and
12 nondiscriminatory rules and regulations, fixing
13 rates and charges for -- for sewer service.
14 That's why we're here today.

15 Since none of the current
16 Commissioners have set sewer rates before, the
17 Commission has scheduled these public hearings
18 to get input from everyone; consumer users, rate
19 payors, taxpayers, creditors, and anyone else
20 who is affected by the sewer system or sewer
21 rates.

22 Over the course of the next few
23 months, we intend to hear from sewer and utility

1 rate setting experts, including one gentleman,
2 Mr. Eric Rothstein, who actually wrote the
3 leading book on how to set wastewater utility
4 rates.

5 Mr. Rothstein has considerable
6 experience and decades of expertise and
7 experience with wastewater utilities around the
8 Country, and even around the world. And he will
9 help us understand the process for setting
10 rates.

11 We will also hear testimony
12 from Mr. David Denard, the Director of the
13 County's Environmental Services Department. Mr.
14 Denard and the other men and women of the
15 Environmental Services Department operate and
16 administer the system on a day-to-day basis.

17 Mr. Denard will help the
18 Commission understand just what it costs to
19 operate the sewer system, both short-term and
20 long-term, and what kind of investments need to
21 be made to keep the system in good working
22 order.

23 As many of you know, the

1 County's been under a Federal Consent Decree for
2 more than 15 years of -- as a result of unlawful
3 discharges of sewage. Under Mr. Denard's
4 leadership, the Environmental Services
5 Department has made great progress in working
6 with the Environmental Protection Agency, and
7 the Alabama Department of Environmental
8 Management to get the County's house in order
9 and to get us in compliance with federal and
10 state laws.

11 Because of the hard work of Mr.
12 Denard and his group, a federal judge this past
13 April released the Leeds Wastewater System from
14 the Consent Decree, the fifth such Jefferson
15 County Sewer System released from the Consent
16 Decree.

17 In considering sewer rates, we
18 need to take in account of what Mr. Denard and
19 his team will need to continue this progress and
20 thereby protect the health and safety of the
21 community.

22 Finally, this Commission is
23 keenly aware of the burden that high sewer rates

1 can impose on the community, especially among
2 our most economically vulnerable residents.
3 These are tough times in Jefferson County and
4 the Country generally. And we must make sure
5 that whatever we do with regard to sewer rate is
6 consistent with the Alabama's constitutional
7 requirement that rates be set in accordance with
8 reasonable and nondiscriminatory rules and
9 regulations.

10 To help us on that front, we'll
11 hear today from Professor Stephanie Rauterkus of
12 the University of Alabama at Birmingham. Dr.
13 Rauterkus teaches Finance at UAB, and has done
14 significant work in the area of socioeconomic
15 measurements. She has served as Board President
16 for the Alabama Jump Start Coalition, which is
17 dedicated to financial literacy outreach. And
18 her scholarly work has been funded by the United
19 States Department of Housing and Urban
20 Development.

21 As I mentioned earlier, we're
22 very honored to have John Carroll, Dean of the
23 Cumberland Law School at Samford University, and

1 a former United States Magistrate Judge in the
2 Middle District of Alabama, with us today.

3 Judge Carroll will introduce
4 our witnesses and will moderate the comment
5 period for people who signed up to speak today.

6 Judge Carroll is one of the most respected
7 jurists in the community. And we could not
8 imagine a more fair or just choice to help us
9 hear from everyone who wants to speak.

10 Briefly, on the schedule, and
11 I'll be finished, Dr. Rauterkus and Mr. Denard
12 are the two witnesses scheduled to testify in
13 today's hearing. We may hear from more -- we
14 may hear more from one or both of them at future
15 hearings.

16 Mr. Rothstein will not be
17 testifying today, but he will testify at our
18 next public hearing currently scheduled for July
19 the 24th in Bessemer. And he may also make a
20 return appearance at a later hearing.

21 We will be inviting other
22 witnesses to give testimony at the upcoming
23 hearings, including representatives of the

1 County sewer creditors. We welcome any
2 suggestions for other witnesses.

3 All of our public hearings,
4 including today's, will be -- will include the
5 opportunity for members of the community to
6 present their views to the Commission in the
7 form of comments. A sign-up sheet was available
8 in the lobby before the hearing today. We will
9 take a short break after we hear from Mr. Denard
10 and Dr. Rauterkus. And you can sign up on the
11 sign-up -- sign up on the sign-up sheet until
12 the break is over.

13 In order to hear from everyone,
14 we need all citizen comments to be kept to three
15 minutes or less. We have asked Judge Carroll to
16 keep the clock, and we will ask everyone to
17 respect the time limitations.

18 If you do not get a chance to
19 sign up to speak today, you will sign up at a
20 future hearing. In addition, we invite any
21 written submissions that any interested person
22 would like to make. Those submissions would be
23 -- should be made at the County Manager's

1 office, and they will be added to the record of
2 these servings.

3 You will notice that there is a
4 court reporter here today transcribing today's
5 proceedings, and a videographer making a
6 recording, as well. We plan to assemble hearing
7 transcripts, any written statements by
8 witnesses, and any written materials submitted
9 by any pertinent interested persons to a single
10 official record that will be available to each
11 Commissioner and to the public. The record will
12 be carefully considered by the Commission as we
13 move forward with this process.

14 Before we hear from our first
15 witness, I would like to let everyone know that
16 your County Commissioners take the sewer rate
17 setting responsibility very seriously. As we
18 consider how to exercise the power and duty
19 provided for in the Alabama Constitution, we
20 don't want to prejudge anything before we have
21 all the facts and the input of the public and
22 our highly-qualified experts.

23 Although the Commissioners may

1 ask questions of the witnesses, we do not plan
2 to make statements or commitments at this time
3 or respond to questions or comments made by
4 others. That's because these hearings are an
5 opportunity for us to listen to the expert
6 witnesses, to the community, and to anyone else
7 for the sake of our county sewer system before
8 we make any decisions about what needs to be
9 done.

10 I want to reemphasize that
11 there has been -- there is no proposal on the
12 table for the Commission to vote upon with
13 regard to sewer rates. We are not yet at that
14 stage. For today and the subsequent hearings,
15 we are gathering the information we need to
16 develop a proposal with the help of our experts.
17 Any sewer rate proposal will be available to the
18 public in advance of a public hearing on the
19 proposal. For now, we are listening and
20 learning, and we do not intend to prejudge the
21 merits of any possible future proposal.

22 In conclusion, maybe the best
23 way to describe what we're doing here, and over

1 the next several months is to say this:
2 Regardless of what ultimately -- what's
3 ultimately proposed as a result of these public
4 hearings, we want everyone to be convinced that
5 the process that this Commission undertook was
6 fair, and open, and consistent with our state
7 constitution. That's one of the reasons we are
8 grateful that Judge Carroll is here today. We
9 want to consider all of the relevant data, and
10 we want to hear from everyone who desires to be
11 heard. With that, I will ask Judge Carroll to
12 introduce Mr. Denard.

13 JUDGE CARROLL: As Mr. Carrington said,
14 my name is John Carroll. I'm the Dean of the
15 Cumberland School of Law at Samford University.
16 And I'm honored to be able to moderate this
17 really important part of government. This is a
18 wonderful exercise in democracy, where the
19 people who govern the County Commission, the
20 Government, get to hear from the people who are
21 governed, the citizens of Jefferson County. And
22 I will always be proud to tell my new grandson
23 that on the day of his birth, I got to

1 participate in this kind of a wonderful process.

2 As Mr. Carrington indicated,
3 the purpose of these get-togethers is so that
4 the County Commission can hear information from
5 people who have studied rate-making in the sewer
6 system; but more importantly, from you, the
7 people of this County, so that they can hear
8 what you have to say.

9 So as Commissioner Carrington
10 indicated, the first part of this process will
11 be to hear from David Denard, the Director of
12 Jefferson County Environmental Services; and Dr.
13 Stephanie Rauterkus from UAB. We'll take a
14 ten-minute break, and then convene for the
15 public information portion of this.

16 It's my pleasure now to
17 introduce David Denard, the Director of the
18 Jefferson County Environmental Services
19 Department. David.

20 MR. DENARD: Good afternoon. As
21 Commissioner Carrington said, the -- the purpose
22 of today is not necessarily to discuss what
23 rates are, what they should be; but an important

1 component of rates is, what does it cost to run
2 the system. And that's primarily what I am here
3 to discuss today, is how much does it take to
4 run the system for -- and operating expenses and
5 the cost that it takes to maintain the system.
6 And secondly, what does that system produce; in
7 terms of revenue, how does that revenue come
8 from the system.

9 So, I'll begin with just a
10 description of the system. The -- the system
11 was begun in the early 1900s. It was a result
12 of some -- a very severe cholera epidemic, that
13 threatened the City of Birmingham. And so it
14 was very much a public health crisis that
15 originated the sewer system.

16 It was established by a
17 constitutional amendment. And as the City of
18 Birmingham grew, so did the sewer system. As
19 you can see, the -- the system stretches mostly
20 through Jones Valley; and it falls where
21 Birmingham grew, along Red Mountain. It
22 stretches from Centerpoint and Trussville, and
23 northeast; down to Bessemer, from the south, in

1 Hoover and Vestavia; up to some small systems
2 that are in the City of Warrior; to the east and
3 the City of Leeds.

4 And so it covers about 115
5 square miles of the County the service area.
6 And it covers 23 municipalities, unincorporated
7 Jefferson County, and some very small portions
8 of Shelby and St. Clair County. It has about
9 3,100 miles of sewer pipe. We have 177 pump
10 stations. And the pipe runs anywhere from six
11 inches in diameter up to 12 feet in diameter,
12 from the very small to the very large. And
13 as the system has grown, that pipe has been put
14 in place over the years. We -- we still have
15 some pipe that's in place from the '30s and
16 '40s. A great percentage of our pipe was -- was
17 put in place during the '50s and '60s. As
18 the -- as the system grew, as Birmingham grew,
19 in particular, much of that system was put in
20 place. And so, much of the system is aging now;
21 and then that is the -- one of the challenges of
22 the system.

23 In addition to the collection

1 system, we have nine wastewater treatment
2 plants. We treat on a daily basis about 110
3 million gallons a day of sewage. That's about
4 40 billion gallons of sewer -- of sewage per
5 year. And one of the -- the challenges we face
6 is not just those daily flows; but in addition,
7 we also receive flows in excess of 500 million
8 gallons a day. So, these -- these plants
9 discharge into our waterways, into the local
10 waterways of Jefferson County.

11 One of the unique features of
12 Jefferson County is that almost all of the
13 waterways that we discharge into originate
14 within the County. We -- we don't have the
15 advantage of an Atlanta with the Chattahoochee
16 River, a large water body, for us to discharge
17 this wastewater -- the treated wastewater into.

18 And so as a consequence, we
19 discharge into very small streams, into Village
20 Creek, and Valley Creek, into the Cahaba River,
21 the Five Mile Creek and Turkey Creek, which are
22 all fairly small above standards. But they are
23 our waterways. And in some cases, they serve as

1 our drinking water source. And so protecting
2 those waterways is a critical mission of -- of
3 the -- the Department.

4 So who operates the system? It
5 is the Environmental Services Department. We
6 are a Department of Jefferson County. We are
7 responsible for the administration, the
8 day-to-day operations of the system. And our
9 mission is to provide effective, efficient
10 service. And at the same time, protecting the
11 public health and the environment. And that is
12 our core mission, to balance those priorities.

13 At present, it takes about 56
14 million dollars to operate the system. Our
15 expenses include personnel; utilities; legal,
16 professional billing; indirect and other
17 expenses. It's obvious to read from this that,
18 first of all, that personnel is a significant
19 portion of our expense. It is the largest
20 category of expenses.

21 The second is this; that for
22 obvious reasons, legal fees have -- are now
23 considered a significant portion of the

1 expenses, as well. They have grown from less
2 than a million to just less than nine million
3 dollar per year in legal expenses. They are a
4 very significant, at present, expense of the
5 system.

6 Utilities to operate the
7 system, the energy is a significant portion of
8 our system, as -- as are the support services
9 that we receive from the County General Fund
10 Departments.

11 One thing that I understand is
12 that many of these costs are relatively fixed.
13 We have a -- we have to staff the treatment
14 plants. We have to staff the operations of the
15 system, and they require staffing on a 24-hour
16 basis.

17 So, while our flows may vary,
18 based on rainfall and everything else, while
19 people's sewer use may vary, at the same time,
20 the -- the facilities have to be there. They
21 have to be available to treat whatever comes
22 from the users and whatever comes into the
23 system.

1 Because of, in particular, that
2 the large size of our expenses being staffing,
3 that is one area in particular that we have
4 focused on. And in particular, being able to
5 control and reduce our -- our -- our staffing
6 expenses.

7 You can see from this, in 2002,
8 our staffing levels were in excess, we're 573 at
9 present. We have 398 positions. We reduced
10 several hundred positions, people over the last
11 several years. And at the same time, I believe
12 we provided comparable levels of service.

13 And also during that time, and
14 since 2009, we reduced our overtime expenses by
15 over 70 percent. I think this presents a
16 success -- success story to our citizens that
17 we've been able to reduce those expenses, at the
18 same time as meeting those levels of service.

19 But the obvious point here is
20 that -- that the department was obviously
21 overstaffed, and we have taken several measures
22 to reduce these expenses. The first that we did
23 in 2008, as a result of the Special Master's

1 report, was to go back and look at our staffing
2 levels, to make sure that they were comparable
3 to other -- other public utilities and to
4 benchmark ourselves against them.

5 The next level of that has been
6 in 2011 to not just compare ourselves against
7 other public utilities, but to compare ourselves
8 against privately-operated utilities. So, in
9 2011, we prepared a five-year personnel plan
10 that benchmarked ourselves against what the
11 private operators of the system would do and how
12 they would run the system.

13 With this plan put together, we
14 expect to further reduce our expenses by four
15 million dollars a year in personnel, and -- and
16 to reduce our staffing levels by initial -- by
17 now 28 people. We are currently 30 positions
18 ahead of that staffing plan and we expect to
19 meet those goals. However, one thing that is
20 going to have to happen to meet those goals is
21 to make the system more reliable. And that will
22 require capital investments to make the systems,
23 to make the plants more reliable, to allow us to

1 operate with fewer people and to rely on
2 technology and automation. And those funds have
3 to be available to achieve these kinds of
4 savings.

5 Part of the -- the system and
6 how it's used, our customer base, we serve about
7 145,000 accounts within Jefferson County within
8 our service area. These are all people that
9 receive water service from other water
10 utilities, from Birmingham, Bessemer, and
11 Trussville, Leeds, Graysville, Warrior; all of
12 these other systems that provide the water
13 service that we provide sewer service.

14 Of these, about 90 percent of
15 our customers in Birmingham and Bessemer provide
16 direct billing. That is, they send a combined
17 water and sewer bill to the consumer. And they
18 collect our revenues, and then they remit those
19 to us. The other percent the County bills
20 directly, and so we -- based on that water
21 consumption, we send them a bill. They remit
22 that to us directly.

23 Of our user base, 90 percent of

1 our customers, 130,000, are residential. And
2 about 10 percent of those other customers are
3 nonresidential. They're commercial; industrial,
4 restaurant.

5 In terms of trends, our total
6 number of accounts has remained relatively
7 stable. As the population has shifted within
8 Jefferson County, we've seen some of that
9 population, the customer account base, move from
10 the City of Birmingham and move into the
11 suburbs. As the populations move, so do our
12 sewer customers.

13 Looking at -- in the future, we
14 expect that our total account base will remain
15 relatively stable. But some significant changes
16 to the -- the core area of our customer base
17 could -- could affect our revenues.

18 In terms of the dollar amounts,
19 we receive 162 million dollars a year in
20 revenues. The vast majority of that comes from
21 a sewer use charge. Over 90 percent of our
22 charge comes from sewer use. And that is a
23 charge that is based on the -- the metered water

1 that -- that comes to the user. It is a -- for
2 residential users, it's \$7.40 for a hundred
3 cubic feet, or \$9.89 per thousand gallons. And
4 the residents have also received a 15 percent
5 credit for water that's not returned to the
6 sewer. This is also a revenue stream that's
7 highly variable, as -- as users come back with
8 water usage. As droughts occur, as water
9 restrictions occur, this revenue stream and the
10 consumption that it's based on can -- can
11 vary -- vary significantly.

12 Another -- the smaller portions
13 of the fees that we use are impact fees. These
14 are charges for new connections to the system.
15 At one point, this was a significant source of
16 revenue, up to ten million dollars a year in
17 the -- in the early 2000s. Over the past
18 several years, it has declined significantly
19 with the economy. At one point, we had impact
20 fees of three-and-a-half million dollars. And
21 so a rebound in the economy is going to affect
22 that revenue.

23 We also have some smaller

1 charges for external sources of waste. We have
2 industries that discharge, as well as septage
3 use. These are residences that are on a septic
4 tank. And as their septic tanks are pumped out,
5 they deliver that waste to our treatment plants,
6 and we charge them a charge based on that.

7 One thing to know is that these
8 charges and the industrial surcharge rate have
9 remained the same since 1991. At the same time,
10 our costs have not remained the same. And so
11 this is one component of the rates that will
12 need to be very carefully considered.

13 The last one of our rate is
14 that we had a very, very small minimum fixed
15 charge. In the early '90s, this was set at \$2 a
16 month. At the time, that covered, for a small
17 user, a few units of service. And as it is now,
18 the only time that it's imposed is if the user
19 has zero service. And so that -- that user
20 charge, that minimum charge, as well, I believe,
21 needs to be considered and reconsidered.

22 As well, there is a disconnect
23 between the -- the minimum charge and what our

1 costs are. Our costs, as I mentioned before,
2 are, for the most part, fixed. At the same
3 time, our revenue is not fixed. It is -- there
4 needs to be some consideration in the rate
5 setting process for a connection between the
6 amount of fixed costs that we have, and the
7 amount of fixed revenue that we have.

8 As I said before, the rates are
9 based on the meter consumption. We have seen in
10 the past ten years a very consistent decline in
11 the number of -- in the volume of usage from our
12 customer base. It has exceeded 3 percent per
13 year on a very consistent basis for the last ten
14 years.

15 Part of this is just due to the
16 use of more efficient plumbing fixtures, a
17 general mindset of conservation. But another
18 certainly component of this has been the
19 increase of sewer rates. And consumers react to
20 changes in prices, and they use less based on
21 that. And so, the consideration of declining
22 usage has to be addressed, as well.

23 The other portion of our cost

1 that comes -- is not only in metered
2 consumption, but in all the extra water that
3 gets into our system. About 40 to 50 percent of
4 our system comes through that metered
5 consumption.

6 But another 50 to 60 percent of
7 the water that we treat comes in -- extraneous
8 water that comes into the system. It's
9 infiltration and inflow that comes from
10 groundwater, and rainwater that comes into the
11 system. This is a very significant portion
12 of -- of -- of the -- the volume that we have to
13 treat and the expense that we have to treat.
14 And it -- it affects the way we operate the
15 system.

16 So, how does the system
17 perform? We have to meet a level service. We
18 have to provide a level of service to our
19 customers. They have to expect that when they
20 discharge the water, we can treat that. In
21 addition, we have to meet the level of service
22 for the regulators.

23 A very significant portion of

1 what we do day-to-day is to meet the
2 requirements that have been imposed by
3 environmental regulations. We report on each
4 year over 24,000 specific parameters, hundreds
5 of parameters each week that all nine wastewater
6 treatment plants have to meet on a consistent
7 basis. And these are all regulated by The Clean
8 Water Act.

9 The Clean Water Act was
10 established in 1970, in the early 1970s. And it
11 establishes clear limits for what we can
12 discharge into the local waterways. Violations
13 of these -- of The Clean Water Act are subject
14 to civil penalties. They're subject to even
15 civil and criminal enforcement action for
16 violations of these, and fines of up to \$25,000
17 per occurrence.

18 Throughout much of the history,
19 though, the sewer system had a very poor record
20 in compliance with The Clean Water Act. Up
21 until the 1990s, the system struggled to meet
22 the requirements, to meet its funding
23 requirements. It routinely violated its

1 permits, and it routinely violated discharge of
2 large volumes of -- of untreated sewage into
3 local waterways.

4 These were done to bypass the
5 system where, during periods of high flow, that
6 gate was open, that the wastewater treatment
7 plant allowed hundreds of millions of gallons of
8 untreated sewage to discharge into Village Creek
9 and to the Cahaba River.

10 In addition to that, throughout
11 the system, the -- the system experienced
12 sanitary sewer overflow; that is, discharges of
13 water from the manholes in the system. And it
14 was a very serious environmental and public
15 health problem for the system, for the County.

16 As a result of these violations
17 in the early 1990s, a citizen suit was filed by
18 citizens and environmental groups within the
19 County against Jefferson County. It was later
20 joined by the -- the EPA and the United States
21 Department of Justice. The County subsequently
22 entered into a Consent Decree in 1996. And it
23 required the County to reduce the amount of

1 sanitary overflows that it had and to eliminate
2 the bypasses of raw sewage into the system.

3 One of the secondary
4 requirements of the system -- of the Consent
5 Decree was that the County agreed to acquire all
6 of the municipal systems and bring them into one
7 unified system.

8 Before the Consent Decree, the
9 County had about 600 miles of sewer. It
10 maintained treatment plants and all of the trunk
11 sewers of all cities, 21 municipalities
12 maintained their own systems. As a part of
13 this, the County acquired and went from a
14 600-mile system to a 3,000-mile system.

15 At the same time, the County
16 took on a tremendous obligation and liability
17 to -- to fix those systems. Under the Consent
18 Decree, the County put together a plan to fix
19 these systems. It included over 200 projects
20 totalling one-and-a-half billion dollars, that
21 was completed in 2007. Of the 600 deadlines
22 imposed, the County met all but one.

23 Part of the work -- as -- as

1 far as the work, though, I believe 25 percent of
2 the system was rehabilitated or replaced. And
3 has been much reported, the work was in many
4 ways mismanaged. It was. Much of the work that
5 was done was unnecessary. It was poorly
6 conceived. It was poorly managed, and it was
7 performed with little regard for total cost.

8 Nevertheless, that's the -- the
9 system that -- that we have now. It is the
10 burden that the rate payors, as well as the
11 Commission, and the people that are left to
12 operate the system, have to meet.

13 One of the successes of the
14 Consent Decree was that over 99 percent of the
15 volumes of raw sewage that were entering the
16 local waterways had been eliminated. But there
17 still remain challenges to the system.

18 In 1991, there were 548
19 overflows. At present, we have about 300
20 overflows per year. And most of the systems
21 performed very -- very well. We have terminated
22 five of the nine basins in the Consent Decree.
23 But we have significant challenges still to

1 meet, in particular the sanitary sewer
2 overflows.

3 Our primary means to address
4 these sanitary sewer overflows now is a change
5 in velocity from what was done in the Consent
6 Decree. And that is to shift from the very
7 expensive capital work to fix all the defects in
8 the system, but instead focus on cleaning the
9 system.

10 We have realized that the
11 biggest and most efficient, effective way to
12 reduce overflows is to do this sort of routine
13 cleaning, to eliminate the roots and the grease
14 and the blockages on a day-to-day basis, to --
15 to eliminate these sanitary sewer overflows.

16 At the same time, long-term
17 maintenance still has to be done on the system.
18 Even if we focus on removing the debris in the
19 system, the pipe continues to deteriorate. And
20 since only 75 -- since over 75 percent of the
21 system was not improved under the Consent
22 Decree, there is still a significant portion of
23 the system that is very old.

1 In addition, most of the work
2 that was done under the Consent Decree is now 10
3 to 15 years ago. And -- and that work and --
4 and the work that was done, and the pipes, they
5 continue to -- to corrode. And so as a result,
6 the long-term maintenance has to be there.

7 The -- the department puts
8 together a capital improvement quality program
9 that addresses the long-term maintenance of the
10 system. This insures that the system stays in
11 working order, that it meets the existing
12 regulations, and complies with new regulations
13 as they come.

14 This is the capital improvement
15 spending that we anticipate over the next ten
16 years. Over the next five years, we expected to
17 spend the system funds of about 36 million
18 dollars to maintain the system. On a
19 year-to-year basis, we expect that it will
20 require about 22 million dollars per year just
21 to replace deteriorating and aged pipe. That
22 does not include additional requirements of the
23 system that come along.

1 One of the -- the lessons that
2 has been learned from the Consent Decree is, and
3 the way that that program was managed, is that
4 the significant investments that are still
5 required, the 22 million dollars per unit needs
6 to be invested, has to be done, has to be
7 invested in a -- in a very planned way. We have
8 to plan before spending these dollars.

9 And so as a result, we are
10 currently establishing an asset management
11 program. The first part of this is to document
12 what the condition of the system is, to gather
13 all the information that is necessary before we
14 make the -- the decisions that we make in what
15 needs to be fixed.

16 The second is to prioritize
17 what needs to be fixed. Even if we wanted to,
18 there is not enough resources from the rate
19 payors, or -- or -- or from the County, to fix
20 every defect in the system. And so those
21 defects have to be prioritized. We have to make
22 sure that we spend the money where we get the
23 most value for it.

1 The last part of this program
2 is to evaluate whether the strategies that get
3 put forth are effective, as one of the other
4 failings of the Consent Decree were that the
5 work was done without checking to -- to see
6 whether it was effective or not. And so the
7 asset management make sure that that mistake is
8 not repeated.

9 Two of the significant expenses
10 you'll see are in the first and the last year's
11 of these. And these are a result of some new
12 regulatory requirements that are currently being
13 put forth. They are total maximum daily loads
14 that will establish total phosphorous limits in
15 the Cahaba River basin. So, at the Cahaba River
16 Plants and the Trussville Plants, we will in the
17 next two years, require improvements of over 34
18 million dollars; and within ten years, an
19 additional 140 million dollars.

20 These are very expensive limits
21 that must be met. We will continue to negotiate
22 with the regulators. But at the same time, we
23 expect that these requirements will still be

1 imposed and that the system will have to be able
2 to fund these improvements.

3 The unknown is what is the
4 future. What other regulations are going to
5 continue to come. We continue to tract
6 parameters that we do not currently have limits,
7 but we expect that one day we'll have to meet.
8 And so we have to continue to evolve our capital
9 planning to meet those needs.

10 I will leave you with this:
11 One of the priorities of -- of our department in
12 the whole rate-setting process is establishing a
13 level of public trust that has not been there
14 for many, many years for understandable reasons.
15 The management of the system, the management of
16 prior County Commissions was not competent.

17 And the rate payors have to
18 know that the money that they pay, that they
19 receive a value for the service that they're
20 getting; and that the management and the people
21 that are committed to setting those rates
22 control those expenses, and rebuild public
23 trust.

1 JUDGE CARROLL: Please help me in
2 thanking Dr. David Denard for his services.
3 Before I introduce Dr. Rauterkus, a couple of
4 points need to be made. First of all, there
5 will be a website created solely for these
6 hearings. It should be up and running by the
7 end of the week. And the address will be
8 www.jeffcosewerhearings.org. That's www.jeffCo,
9 J-E-F-F-C-O, Sewer, S-E-W-E-R, Hearings,
10 H-E-A-R-I-N-G-S, dot org.

11 The slides that Mr. Denard --
12 Denard used in his presentation will be on the
13 website. There will be a transcript of his
14 remarks on the website. There will be a
15 transcript of everything that transpires at all
16 of these hearings, so that citizens who are not
17 able to attend these hearings can access the
18 website, see the presentations, read the
19 presentation of the speakers, read the public
20 comments.

21 It's my pleasure now to
22 introduce Dr. Stephanie Rauterkus. Dr.
23 Rauterkus is a Finance professor at the

1 University of Alabama, Birmingham. She holds a
2 Ph.D. from Louisiana State University, and a
3 Master's degree and MBA from University of
4 Cincinnati. She's published numerous articles
5 on various subjects, including the socioeconomic
6 impact of the Gulf Oil spill and subprime
7 lending. She is very active in the Birmingham
8 community where she's served on several
9 nonprofit boards, including Holy Family Cristo
10 Rey Catholic High School Board of Trustees, and
11 the Alabama Jump Start Coalition Board of
12 Directors. Join me in welcoming Dr. Rauterkus.

13 DR. RAUTERKUS: Let me make sure I'm at
14 the right angle so I can see you and see the
15 screen. Good afternoon. My expertise and my
16 interest in research is about trying to
17 understand or study how economic shocks affect
18 neighborhoods, because when we start taking
19 broad strokes to talk about what's going to
20 happen if we make this change or if this happens
21 in the economy, sometimes we lose sight of what
22 happens to individual neighborhoods and
23 individual residents and citizens within those

1 neighborhoods. So what I want to do is talk
2 about the sewer customers in two different ways.
3 One, just to talk about those customers and give
4 you a sense for what they look like in more of a
5 statistical sense; and then compare the rates
6 and how those rates relate to the Jefferson
7 County sewer customers, and how those -- how
8 those rates -- how that impact compares to
9 customers across the Country in other sewer
10 systems.

11 So, in this first part, in the
12 descriptive section, what I want -- the way that
13 I want to characterize these customers is with
14 regard to income, their usage of the system, the
15 size of their household, and by the value of
16 their homes. So, the primary measures that I'm
17 interested in are income and home values. So
18 thinking of income as the ability to pay, and as
19 home value as a way of thinking about wealth.

20 So, first, let me just show
21 you -- you've already seen several maps of the
22 sewer system. So, yet again -- but this map
23 shows the customers. So again, I'm focusing on

1 the customers and not so much the system itself.

2 So, what you see here is a series of red dots.

3 And I'm struggling here, because I can't see

4 anything here, and I can't see anything there.

5 But what should be out there

6 are a series of red dots, and each dot

7 represents a sewer customer. And so it's the

8 same map that you've seen already, so we're --

9 we're talking about the same geographic area.

10 But this gives you an idea of the distribution

11 of the customers throughout the geography.

12 So now, if I take that same map

13 and those same dots, but transform my

14 presentation to what we call a heat map, you can

15 see something slightly different. In a heat

16 map, we take our data and represent those same

17 customers, but relative to a particular

18 characteristic.

19 And so again, I mentioned

20 before that I'm primarily interested in income,

21 because we're talking about how the -- the sewer

22 bills, the -- the potential rate increase, would

23 impact customers and neighborhoods. And we need

1 to know something about their income and then
2 potentially their wealth.

3 So the -- so now we have the
4 same dots, the same customers; but they're
5 color-coded. They're not all red anymore.
6 They're colored-coded with respect to their
7 income. So again, thinking about a heat map,
8 and the heat meaning intensity, as the colors
9 become more intense, the income grows.

10 So, as you'll see in the, what
11 we'll call the central city, that's where the
12 heat is less intense; and that's where the
13 income is the lowest, where you see -- I guess
14 you'd call that yellow, light orange. And then
15 as we get into the darker oranges, the -- the
16 burgundy's and the red's, that's where the
17 income is greater.

18 So, forgive me for going back
19 and forth. So, before I go on to the -- to the
20 next phase, I want to step you through what I've
21 done here. And so thinking again about this --
22 this income distribution, I wanted to -- to
23 know, where are the higher income neighborhoods,

1 where are the low income neighborhoods. So,
2 obviously, we can see that here.

3 And what -- what I found is
4 that -- and again, a lot of you probably already
5 know a lot of what I'm telling you. But the --
6 if -- if we take the entire County, Jefferson
7 County, and break it into what I'd like to think
8 of as possibly neighborhoods, we can have
9 smaller chunks to analyze.

10 And so the smaller -- the
11 smaller parcels, so-to-speak, that I have chosen
12 here are census tracts. And I'm going to show
13 you those in -- in just a moment. You think of
14 a census tract as being a neighborhood, it's a
15 little bit smaller than a ZIP code, a little big
16 bigger than a group of blocks. And that's what
17 the census folks use when they're going out
18 and -- and taking their counts. So it's a
19 fairly standard measure. And we like it because
20 it doesn't change over time, whereas ZIP code
21 boundaries do.

22 So, if you look at this heat
23 map, again, you'll see -- and -- and again, this

1 is probably no surprise, that it's most intense
2 in Mountain Brook. And so the -- the census
3 tract that has the highest income is in Mountain
4 Brook, and I believe the income levels -- well,
5 I'll show -- I'll show you that in -- in just a
6 second. But then the lowest is -- and forgive
7 me, I am not a lifelong Birmingham resident, so
8 I don't know all of my neighborhoods. But it's
9 a little bit west of I-65, about the Ensley
10 area.

11 And so let me show you, and I
12 know this is small, but this -- well, we already
13 talked about Mountain Brook. So 108.04, that's
14 the actual census tract of Mountain Brook where
15 the income is the highest. And then where I was
16 mentioning, west of I-65, 51.01, which I can't
17 see, but maybe you can, that is the tract with
18 the lowest income. So just to give you an idea
19 about these ranges.

20 So, let me tell you a little
21 bit more about what I did in my analysis. So
22 I -- I took this sewer customer data and
23 stripped off the commercial data, because I

1 wanted to focus on the residential customers.
2 Because when you're talking about neighborhoods,
3 when you start lumping in commercial properties,
4 you get a slightly different picture. So just
5 looking at the residential customers simply
6 within Jefferson County. And the reason for
7 that is when I get to my comparative analysis
8 later on, it's a lot simpler and cleaner to --
9 to focus just on the County.

10 And -- and -- and so just a
11 moment ago, I talked to you about census tracts.
12 And so just to back up a little bit, a census
13 tract, again, doesn't change over time. And
14 they're actually in some ways not used as much.
15 But when they're defined, the idea is that they
16 have about 1,500 to 8,000 residents. So again,
17 smaller than a ZIP code, bigger than a group of
18 blocks.

19 And we try to get about 4,000
20 folks in a census tract when those tracts are
21 drawn. In Jefferson County, we have 132 census
22 tracts, and so my analysis is based on those
23 tracts. We've got a little under 200,000

1 customer records that I was working with, and
2 I -- and I boiled them down to these 132 census
3 tracts, based on those dots that you've seen.

4 So, I've got about 1,066 sewer
5 customers on average in each census tract. But
6 there are some tracts that are highly
7 concentrated. I've got over 5,000 customers.

8 So, here's what the -- the data
9 looks like. And I'm going to try not to be too
10 stuffy and academic. But that's what I do for a
11 living, so I apologize. But again, the four
12 things that I was interested in are median
13 household income, the size of the household, the
14 value of the home, and consumption.

15 Now, remember, I'm focusing on
16 census tracts, thinking that census tracts
17 approximate a neighborhood. And so across these
18 census tracts, the census tract, that one in,
19 roughly, Ensley that I mentioned, has a median
20 household income of \$13,635. But the one in
21 Mountain Brook has a median household income of
22 \$144,909.

23 Now, let me be clear. I don't

1 have income information for all of those
2 customers that I talked about that I was
3 analyzing. What I did was, based on where they
4 lived, I -- what we call geo coded that data.
5 And so I said, well, if you live in this
6 neighborhood, then that neighborhood has a --
7 the folks in that neighborhood have an average
8 income of this. And so again, so these are not
9 actual incomes. I didn't go out and do any
10 surveys. But based on census records, those
11 are -- those are the averages. So that's the
12 income.

13 The -- the household sizes
14 didn't really vary too much. So, about
15 two-and-a-half folks in each household. And --
16 but there's a lot of variability in the home
17 values. So, in -- in the -- the least valuable
18 homes are worth about under 50,000. And the
19 most valuable are worth over \$500,000. So, a
20 considerable amount of variability there.

21 And then lastly, I looked at
22 consumption. And so in some of these things --
23 again, I keep saying I was mostly interested in

1 income and home value. But we -- we have to
2 throw in some of these other variables just to
3 check and make sure everything holds together.
4 So you'll see consumption and these other things
5 come up a few times in my -- in my talk. But
6 consumption is in CCF. And so, on average,
7 about 5, just under 6 CCF per household.

8 How do you make this not
9 stuffy? Remember we've got these 132
10 neighborhoods that we're calling them. And in
11 those 132 neighborhoods, we just saw -- what I
12 was trying to show you is that there's a great
13 degree of variability in income, and consum --
14 not so much in consumption, certainly in home
15 value.

16 And so what I thought was,
17 well, let's -- let's take a look -- a little bit
18 more carefully at the folks at the -- at the
19 tails. You know, let's look at the folks -- not
20 that Mountain Brook isn't important, but in this
21 study, it's probably not as important as the --
22 the folks in Ensley.

23 And so what I've done here is

1 I've taken all of these 132 neighborhoods and
2 broken them into ten -- ten groups. And you'll
3 notice, they're not necessarily equally sized,
4 meaning I put the same number of customers in
5 each group. But it's based on those income --
6 the -- the income numbers that I was talking
7 about earlier.

8 So decile number one, the first
9 of these ten groups, has the customers with the
10 lowest income. Whereas, decile number ten has
11 the folks with the highest income. So number
12 one is Ensley, number ten is Mountain Brook.

13 And then because I've got all
14 these customer files mapped, then I know where
15 they all fall. And so I know that 6 percent of
16 the customers fall in that lowest income
17 category, whereas 17 percent are in that highest
18 income category, and so on.

19 So, now you see how the
20 income -- and -- and these are sorted by income.
21 So that makes sense that they're stepping up
22 from decile to decile by income. But you see
23 the income increasing by decile, and there's not

1 much of a change in household size.

2 So, remember, a moment ago I
3 said average household size is about
4 two-and-a-half people in a household. And
5 that's not very different from decile to decile,
6 meaning in the low income neighborhoods, there
7 aren't necessarily many more or many fewer
8 people in the household than there are in high
9 income neighborhoods.

10 But you do see a -- a dramatic
11 change from decile to decile in a home value,
12 which makes sense, because, depending upon your
13 income, that has a great impact on the value of
14 the home that you can purchase.

15 So you see the value of the
16 home increasing over time. And, remember, we
17 said that the lowest home values were under
18 50,000, and the highest home values were over
19 500,000. So you see how that correlates to the
20 income.

21 Lastly, as I mentioned before,
22 we've got consumption. And it does increase a
23 bit as income increases. And so it may be that

1 not -- it doesn't necessarily increase with
2 income. Just because I make more money doesn't
3 mean that I'm going to make use of the -- the
4 sewer system more.

5 But, remember, income and the
6 value of the home appear to be closely
7 correlated. So that makes sense, that as the
8 home values and potentially home sizes are
9 increasing, the consumption is increasing, as
10 well.

11 So, with those deciles as my
12 foundation for separating the very low income or
13 the lowest income neighborhoods in my spectrum,
14 from the -- the higher and certainly the highest
15 income neighborhoods, I was able to take a look
16 at the sewer bills and see what the -- the
17 average sewer bill is with respect to income.

18 And what I've done is I -- I
19 kind of started doing some "what if" scenarios.
20 And -- and -- and again, as -- as Mr. Carrington
21 pointed out, there are no recommendations or
22 proposals on the table here. I'm certainly not
23 making one. But this is just a little -- a kind

1 of rough scenario analysis.

2 And so the middle column shows
3 where rates are now. And so if you look all the
4 way at the bottom of the slide, the average
5 sewer bill is a little under \$38 a month. And
6 so at that rate, the folks in that lowest income
7 decile are paying about two-and-a-half percent
8 of their median household income.

9 I circled that one. And you'll
10 notice I've circled a couple of other figures in
11 the other columns in red, because 2 percent is a
12 number that we've talked about a little bit as
13 being fairly significant when it comes to sewer
14 bills relative to median household income,
15 meaning that it's -- it's somewhat of a
16 threshold by some standards.

17 And so when you see sewer bills
18 greater than 2 percent of median household
19 income, know that that's cause for -- for --
20 potentially a cause for concern.

21 So, you know, I -- I -- I say
22 to my students all the time, when you start
23 doing analysis, you have to have something to

1 compare it to, right, for it to have meaning.

2 So that's sort of -- I wanted to first throw
3 that 2 percent out as something to take a look
4 at to see how these fare.

5 And obviously the percentages
6 are going down as the income is going up.
7 That's simple math. So that holds together.
8 But we wanted to see, how are the people at the
9 lowest levels affected by these sewer bills.

10 And so the other two columns,
11 again, are just a simple scenario analysis to
12 see, well, how would they be affected if rates
13 went up by 25 percent, or by 40 percent. And so
14 you see that 6 percent of their customers are
15 currently paying more than two-and-a-half
16 percent. But if we experience a 25 percent
17 increase, that number would be over 10 percent.
18 And at a 40 percent increase, that number would
19 be over 20 percent.

20 Now, I'm interested in housing
21 because, again, I think traditionally in this
22 Country, housing is a significant store of
23 wealth. We've had some troubles in the housing

1 market lately. And so -- so -- but still, for
2 many people, housing is a significant store of
3 wealth. So we can think of it as a proxy, or
4 some approximation, of wealth. So that's why I
5 keep throwing this in.

6 So I thought it might be
7 interesting, then, as well as important to us,
8 to think about the sewer bills as a percentage
9 of the home value, kind of in contrast to sewer
10 bills as a percentage of income. And so I know
11 this is just a lot of numbers. But again, if
12 you need something to compare it to for it to
13 make sense, I'm going to get to that in just a
14 moment.

15 But just notice here that the
16 percentage of median home value currently ranges
17 from just under 1 percent to about .15 percent.
18 And then obviously if -- with 25 and 40 percent
19 increases, it goes up. I'll make a little bit
20 more sense with that when I talk about the
21 comparative analysis that I did.

22 So, first step is to just see
23 where we are and see, if you take the current

1 sewer customers, we see where they are
2 throughout the County. And based on that, we
3 know what their income level is, and some other
4 economic data about them, and see how that
5 relates to the sewer bill.

6 In the second part of my
7 analysis, I wanted to see how -- I wanted to see
8 how Jefferson County compared to other
9 metropolitan areas across the Country. And
10 so -- I guess you notice I spend a lot of time
11 working with census data. And so what I did was
12 I started thinking about the Country with
13 respect to the census regions.

14 So, there's four census
15 regions; and every state in the Country fits
16 into some region, obviously. And so what I did
17 was, for each state, I found out the most
18 populous metropolitan area and gathered the
19 sewer bill information and the median household
20 income and median home value data for each of
21 those metropolitan areas. So with Jefferson
22 County, that gives me a total of 50 areas; and I
23 grouped them according to these regions.

1 So, starting with Jefferson
2 County -- now, I've move into the second part of
3 my talk here. And so I want to be clear that
4 the data that I'm using here is a little bit
5 different from the data that I used in the -- in
6 the beginning. The data that I used in the
7 beginning was specific to the sewer customers.
8 This is generalized data. So this -- it doesn't
9 matter if they're -- if you're on the sewer
10 system or not, this is just strictly data coming
11 from the census.

12 So, according to the census,
13 the Jefferson County median household income is
14 45,244, very close to the median household
15 income we had from the sewer customers, within a
16 thousand dollars.

17 Median home value, 138,003.
18 Again, very close to the sewer customers. And
19 here's this sewer bill information that I talked
20 about before.

21 When you put this information
22 together, we see that the annual sewer bill for
23 the entire County is, on average, about 1

1 percent of median household income. So "MHI" is
2 my shorthand for median household income. And
3 then the annual sewer bill as a percentage of
4 median home value is .33 percent. Now, you
5 don't have to memorize that, because I'm going
6 to beat you over the head with it on every
7 slide, because I'm -- that's the point of this,
8 to compare Jefferson County to these other
9 metropolitan areas because, again, the numbers
10 don't mean anything if you can't compare it.

11 So, I talked about that 2
12 percent standard. And so this kind of sheds a
13 little bit of light on my scenario analysis I
14 talked about before, that if we went from 1
15 percent that I just showed you to 2 percent,
16 that would be about a 41 percent rate increase.
17 So that's why I threw out that 40 percent
18 earlier to see what that would look like.

19 And once I did my analysis
20 throughout all 50 states, I found the lowest
21 rates in Newark, Delaware, \$6.84 a month, or .21
22 percent of median household income. Highest
23 rates in Charleston, West Virginia, \$75 per

1 month, 2.15 percent of median household income.

2 But the average -- and now,
3 this -- the -- you know, you can spin statistics
4 any way you like. And so I'm not trying to do
5 that, but let me make sure that I'm clear again
6 on how I've -- I've done my calculations. 50
7 metros, and it's the average of those 50 metros.
8 So, I'm not saying this is the average of every
9 sewer customer in every municipality across the
10 Country. I just took the 50 largest and
11 averaged those.

12 And so, on those 50 largest
13 metropolitan areas, the average percentage of
14 median home -- median household income, the
15 sewer bill, as a percentage of median household
16 income, averages .87 percent nationwide.

17 Now, that compares to 1 percent
18 for Jefferson County. Remember, 50 metros,
19 including Jefferson County. So, out of those
20 50, so 49 remaining, there were 37 or 76 percent
21 that had a sewer bill as a percentage of median
22 household income that was lower than Jefferson
23 County.

1 So, 76 percent of the largest
2 metropolitan areas in the Country, one per
3 state, has sewer bills that were lower than
4 Jefferson County, meaning 24 percent were
5 higher.

6 So, just very briefly -- I'm
7 not going to go through all 50. But very
8 briefly, I just wanted to show you where those
9 highs and lows are. We have those four
10 geographic regions, and the regions are broken
11 into divisions. And so, within those divisions,
12 I have the various states and metropolitan areas
13 that I reviewed.

14 In each division, and in each
15 region, I went back and compared that to
16 Jefferson County. So, you can see in New
17 England, the average sewer bill for 6 CCF --
18 remember, 6 CCF corresponds with what we've seen
19 with the Jefferson County sewer customers
20 because their average consumption was right
21 about at that level.

22 So, the average sewer bill in
23 Jefferson County is higher than the average of

1 all of these metropolitan areas in new England.
2 The -- the median household income is a little
3 bit higher, fairly comparable. But the home
4 value is much lower. And so consequently, the
5 sewer bill, as a percentage of the median home
6 value, is more than double these other metros.

7 So again, I've done much more
8 throughout the Country. And you can kind of see
9 a consistent story that the sewer rates are
10 higher in Jefferson County than in many other
11 parts of the Country.

12 I mentioned a couple, more than
13 a couple, but a few locations where the rates
14 were higher elsewhere. And again, it's
15 important to make sure that you're paying
16 attention to the mathematics. It's not -- it's
17 not so much whether the bill, the monthly bill,
18 in dollars is higher. That's -- that's --
19 you're not really comparing apples to apples.

20 It's the bill with respect to
21 the income or the wealth of the customers that
22 really matters. And so that's where the real
23 comparison is.

1 Because if I go out west --
2 well, before I go out west, we'll stay in the
3 south. These are the highs and the lows. We
4 talked about these already. Newark, Delaware
5 has the lowest sewer rates of all the areas that
6 I studied. Charleston, West Virginia is the
7 highest.

8 And I believe -- and we talked
9 about that 2 percent threshold. I believe there
10 are less than half a dozen locations that I
11 studied that had rates over 2 percent. But
12 remember, Jefferson County is currently at 1
13 percent.

14 But what I was mentioning a
15 moment ago, just to -- to reiterate the point,
16 that it's not the level of the bill that
17 matters. It's that level relative income or
18 wealth that matters. Because if you go out
19 west, the rates in Honolulu and Portland are
20 quite high. They're paying more than \$70 a
21 month for sewer. But how much does a house cost
22 in Honolulu, you know. So, it's all relative.

23 Even the median household

1 income is quite high, more than twice what it is
2 in Jefferson County. So, it's all relative,
3 because when you keep going across the page to
4 the sewer bill as a percentage of median income,
5 Honolulu is quite comparable to Jefferson
6 County.

7 However, relative to housing
8 value, as -- as expensive as homes are in
9 Honolulu, the sewer bill is three times the rate
10 in Honolulu than here in Jefferson County.

11 MR. UNKNOWN SPEAKER: It's the other
12 way around. It's the other way around. It's
13 three times less. It's .11 versus .33. So,
14 it's three times less.

15 DR. RAUTERKUS: I guess the point that
16 I was trying to make, and I can be wrong, is
17 that Jefferson County is three times higher than
18 Honolulu, relative to a housing median. So, if
19 I said it backwards, I apologize.

20 So, putting all this altogether
21 nationwide, and I was -- I -- I referenced this
22 earlier. Again, we need to have something to
23 compare our rates to in order to really make

1 sense of whether or not they're -- where they
2 are relative to others.

3 So, Jefferson County may --
4 compared to all the other 49 metros that I
5 studied, the sewer bill itself is higher on
6 average; although, median household income is
7 comparable. So, with a sewer bill as a
8 percentage of median income is a little bit
9 higher than the national average, but -- but not
10 much. So, it's -- it's comparable, but
11 certainly higher is -- is -- is the point.

12 And with respect to median
13 housing value, it's significantly higher in
14 Jefferson County, relative to the rest of the
15 country. Did I get it right that time? Okay.

16 So, what I hope to show you
17 here is two things: Number one, when we look at
18 the customers, themselves, there are a few
19 things that -- that stood out in my mind, at
20 least, that I wanted to reiterate. First, 6
21 percent of the customers, so that was that group
22 in the lowest decile, are currently paying more
23 than 2 percent of median household income, which

1 some have -- have stated is -- is a fairly high
2 rate.

3 Second, with respect to the
4 customers, 55 percent of them are currently
5 paying more than an average -- the national
6 average. So, the national average is .87
7 percent. So, the sewer bill as a percentage of
8 median household income is .87 percent
9 nationwide for the 50 metros that I studied.
10 And so 55 percent of our sewer customers are
11 currently paying more than that national
12 average.

13 Lastly, with respect to the
14 customers, when we think about the Jefferson
15 County customers with respect that their sewer
16 bills, with respect to their home values, 83
17 percent are currently paying more than the
18 national average.

19 So, remember the national
20 average was .17 percent. And Jefferson County
21 was .33 percent as a percentage of home values.
22 So, going back to my original slides, the first
23 part of my presentation where I have the ten

1 deciles, 83 percent were already above that .17
2 percent level.

3 So, in the -- in the second
4 part, one of the points I was trying to make to
5 you are that, first, the average sewer bill as a
6 percent to median household income nationwide,
7 with the caveat that based on the 50 metros that
8 I studied, which are the -- the largest metros
9 in each of the 50 states, the average sewer bill
10 nationwide's 28.7 percent, as compared to 1
11 percent in Jefferson County. Taken a different
12 way, comparing the sewer bill to home value,
13 thinking of home value as -- as a proxy for
14 wealth, nationwide it's .17 percent. In
15 Jefferson County, it's .33 percent.

16 And then finally, 76 percent of
17 those 49 other metro areas have sewer rates that
18 are lower than Jefferson County, meaning only 24
19 percent has sewer rates that are higher. Thank
20 you.

21 JUDGE CARROLL: Dr. Rauterkus, thank
22 you for that very interesting presentation. It
23 was not stuffy. I promise you that.

1 As we indicated, we're now
2 going to take a ten-minute break. Before we do
3 that, though, there's one person we haven't
4 introduced, and that's Janet Arledge, the court
5 reporter. Just like a court proceeding, she is
6 taking down everything that is being said.

7 And -- and again, this website
8 will be up and running. The slides that Dr.
9 Rauterkus used will be on the website, as will
10 be a transcript of her remarks here this
11 afternoon.

12 Ten-minute break. You will
13 only be allowed to participate in the public
14 hearing in terms of speaking if you have signed
15 up in advance. If you have not signed up in
16 advance, but want to do so now, the sign-up
17 sheets will remain outside the auditorium until
18 we reconvene. And we will reconvene it at 5:55,
19 ten minutes from now. Thank you.

20 (Pause in proceedings.)

21 JUDGE CARROLL: It's good for you to
22 come back. This is really an important process
23 that we're engaged in. Now is the opportunity

1 for public comment. The way that process will
2 work is I have a list of your names. I will
3 call you in the order in which you signed up.
4 We will designate this microphone microphone
5 number one, and that microphone number --
6 microphone number two.

7 So, I'll be calling, to begin
8 with, two people up; and have the first person
9 on the list make their comment. Then I will
10 call the third person to come to the microphone
11 that they vacated, and then let the second
12 person speak.

13 The reason we're doing it this
14 way is so it will flow; that everybody will have
15 the opportunity to be heard, and so that
16 everybody who signed up can get their say.

17 You see the world's largest
18 clock up on the screen. That will tell you --
19 it will start running when you speak, and
20 hopefully you will conclude your remarks before
21 it reaches three minutes. If it reaches three
22 minutes and you haven't concluded your remarks,
23 I will probably have to intervene and ask you to

1 conclude your remarks.

2 The reason we're doing it this
3 way -- really, two reasons. One, three minutes
4 is a longer time than you might think. But it
5 really is important that everybody that wants to
6 speak at one of these proceedings has the
7 opportunity to speak. If we let people go
8 longer than three minutes, that just won't work.

9 And second of all, the reason
10 we're going to really hold you to the three
11 minutes is if we don't, some people will say,
12 how come they got five minutes and I only got
13 three. It -- it injects some unfairness into
14 the process that we really don't want in the
15 process.

16 Again, this is the opportunity
17 for you to talk to the Commissioners about your
18 views on the sewer rate increase. They have not
19 made a decision, won't make a decision, won't
20 deliberate it at this proceeding. They won't do
21 anything until after all of these public
22 hearings have concluded, and they've had the
23 opportunity to hear from you.

1 One of the most important
2 things, though, is when you begin to speak, that
3 you state your name. As I indicated, this is
4 much like a court hearing. We want to know
5 who's saying what, because the court reporter is
6 taking it down. And it's not good to have
7 "unknown" in front of the person making the
8 remarks.

9 So, Mr. Walker, Robert Walker,
10 you're the first person who has signed up. Are
11 you here? Mr. Walker, if you'd come down to
12 microphone number one on this side (indicating).
13 And Ms. Diane Sales. Ms. Sales, are you here?

14 MR. UNKNOWN SPEAKER: No, she had to go
15 to work.

16 JUDGE CARROLL: Mr. Pilgrim, Mr. James
17 Pilgrim, are you here? Mr. Pilgrim, that's
18 microphone number two. You'll be the -- the
19 second speaker. Mr. Walker and Mr. Pilgrim, if
20 you'd come up to that microphone. Mr. Walker,
21 thank you again for coming; and the floor's
22 yours.

23 MR. WALKER: Okay. Thank you. Good

1 evening, and it's a pleasure being here. My
2 name is Robert Walker. I'm a -- I'm a
3 representative of the Eastlake community, and
4 I'd -- I'd like to speak, well, about the sewer
5 rate, that I think it would be a very, very bad
6 idea to increase the sewer rates at this
7 particular time. A lot of you may know, may not
8 know, that in the Eastlake community, we've been
9 experiencing problems with -- with disconnection
10 of -- of water services. And -- and I don't
11 have any graphics or maps or anything to tell
12 you about, because, well, what I deal with is
13 not a census data, but an actual account, and
14 talk to my neighbors, because all those dots are
15 people.

16 But what I've come to find is
17 that people say that they're able to pay their
18 water bill, but they can't pay the high sewer
19 rates. But that's -- that's for someone else to
20 discuss. What I'd like for you to know is
21 that -- that -- that if you raise our sewer
22 rates, the problem that we're going to have in
23 our neighborhood is -- is that our neighborhood

1 is filled with daycare centers, nursing homes,
2 and -- and the like. If you raise the water
3 bill, the sewer rates, then a lot of our
4 businesses will fail, such as daycare centers,
5 car washes, and -- and different things like
6 that.

7 When -- when -- when you
8 talking about raising the rates, that you will
9 have to have a increase at home; and if these
10 young couples who have kids, take their kids to
11 daycare centers, they're going to have to pass
12 that same increase over to the same people who
13 just paid the increase once before. So -- so
14 it's like a tax on top of tax on top of tax.
15 What -- what we need now is to find another way
16 to -- to -- to finance whatever y'all need to
17 finance.

18 And -- and one thing, that I'm
19 looking at these people, or the lack thereof, is
20 that I know there are a lot more people
21 concerned about -- about sewer rates and such.
22 And -- and they're not here. And what we've got
23 here is -- is a vote that they don't have any

1 confidence in you to do what's right for them.

2 Because they do care. And -- and I wish y'all

3 would look at this and say, well, we've got to

4 do better by the people.

5 But -- but right now, if you

6 are raising sewer rates, what would happen there

7 is that we will have a lot of empty store

8 fronts. Daycare centers are going to go out of

9 business. Car wash going to go out of business.

10 A lot of that -- and this applies to a lot of

11 jobs here.

12 So, if you would, just take

13 this in consideration when -- when you consider

14 raising our sewer rates. Thank you.

15 JUDGE CARROLL: Thank you, Mr. Walker.

16 Mr. Palumbo, are you here?

17 MR. PALUMBO: I'm right here.

18 JUDGE CARROLL: If you would occupy

19 this microphone, and you'll be after Mr.

20 Pilgrim. Let me make one other point. We will

21 end these hearings right on time. Tonight's is

22 scheduled to end at 7:30, which means we have

23 another, roughly, hour-and-a-half.

1 If for some reason you are on
2 the list and we didn't get to you at this
3 hearing, we would move you up to be first at the
4 next hearing. I don't anticipate us having a
5 problem finishing the comments before 7:30. But
6 I just wanted to alert you to that part of the
7 process, as well.

8 Mr. Pilgrim, the floor is
9 yours.

10 MR. PILGRIM: Thank you for taking the
11 time to serve with us and also for hearing us.
12 You inherited a mess. And unfortunately, you
13 have the job of correcting this thing; and I
14 hope you will.

15 As to my understanding, the
16 Federal Government mandated that all this be
17 done. And as a result of that, I feel like that
18 they ought to bear a part of the responsibility
19 for doing this. And they seem to be able to
20 find millions of dollars to send to people
21 around the world, but many times don't have the
22 money to take care of our own.

23 I also preach for the West

1 Concord Church of Christ. One of the things I
2 teach is from Paul who said that we're to take
3 care of everybody, but especially our own. And
4 so let's go after the Federal Government who
5 mandated this, to take part of this.

6 I'm here because my sewer rates
7 have dramatically increased. I own the Five
8 Points West Mobile Home Park. In 1999 when I
9 bought that park, my water and sewer bill ran 5
10 to \$600 a month. I am now paying 6 and \$7,000
11 per month. If you raise this, my rates are
12 going up to 8, 9, \$10,000. And I'll have to
13 pass part of that on to my tenants, and many of
14 them are low-paying customers.

15 I'd like to suggest that we
16 also ask the Governor and the Legislators to do
17 a one-time tax, or whatever you may call it, on
18 the people of this state. Let's be neighbors in
19 the State of Alabama, from Mobile to Huntsville,
20 and everywhere in between. Let's help one
21 another. Why couldn't they give us money from
22 different people, everybody do their part, to
23 help us out of this mess? And then when they

1 have a time to come, then we can do the same
2 thing for them.

3 I would also like to encourage
4 a lot of us to think about what we can do. I'll
5 issue a challenge here to everybody in the State
6 of Alabama. I'm not a rich person by any means,
7 but I will give a thousand dollars to everyone
8 who will match this in the State of Alabama to
9 help relieve this state. And I'm sure there are
10 some who could give much more than a thousand
11 dollars to do it. I love sports, recreation,
12 and things of that nature. But this is a
13 serious business here that we need to take care
14 of, more than things of that nature.

15 I would also like to encourage
16 the attorneys to reduce their rates, or maybe
17 just do a donation to the State of Alabama, and
18 then write it off on their income taxes.

19 There's a lot I'd like to say, but I thank you
20 for taking the time to hear this.

21 JUDGE CARROLL: Thank you, Mr. Pilgrim.
22 Mr. Riley Williams, are you here? Mr. Williams,
23 if you will go behind that microphone. Mr.

1 Palumbo, the floor's yours.

2 MR. PALUMBO: How you doing? I am
3 Leonard Palumbo, Junior. Let me bring you in on
4 a airplane, flying into Birmingham, Alabama.
5 Jefferson County, of course. First thing we'll
6 see is a Coca-Cola company. So you say, well,
7 you know, this is a pretty nice town, we look
8 for the nearest attraction. You say, let's go
9 eat at B-J's on the Runway. That's right next
10 to the Coca-Cola company. So, you get on the
11 freeway, hop off, get right past Coca-Cola
12 company. You see the airplanes flying in, you
13 see the technology, that we are an advanced
14 society.

15 Then you get to Birmingham
16 Street and Eastlake Boulevard, Industrial
17 Parkway. Birmingham Street, is that where we're
18 at? You see two broke-down storm drains. Are
19 we getting all the water in? No, we're not.
20 Most of the storm drains are broke down in
21 Birmingham, and that's just the first picture.

22 You go to the nearest
23 attraction, you fly in, there's two broke-down

1 storm drains. What happens when -- when we have
2 a big flood? You -- you ride down First Avenue
3 North, and it's flooded. The storm drain's
4 flooded.

5 What causes this over-impact of
6 the overflow of sewer. The sanitary sewer, we
7 get this overflow just a few times a year now.
8 Well, when we have a big storm again, that's
9 true.

10 We don't need less jobs, but we
11 need more jobs. We need somebody monitoring
12 each and every storm drain and each and every
13 sewer, sanitary sewer, and storm sewer with a
14 camera annually, forever. We need maintenance.
15 We don't need a lower standard of sanitary sewer
16 and storm sewer. We need to monitor what we
17 have, evaluate its needs, and repair it.

18 We need to repair it with a
19 percentage of the gross income. Not just say,
20 well, this guy's worth 500,000; this guy's worth
21 200,000; this guy's worth 20,000. Everybody
22 should be on a level. We have different levels
23 of employment. They're saying, well, you're at

1 this base level; you're at this base level.

2 Well, that base level is a percentage of the
3 revenue that's coming in.

4 Not to say, oh, we're just
5 going to keep the CEO's and let all the folks
6 that are out there working, be laid off. We
7 need workers. The storm drains are broke down.
8 We need modern drains. We need -- we need
9 cameras in these mines (sic) every year. We
10 need to know where our status is and what needs
11 to be done, and we need to get it done. Well, I
12 appreciate you listening to me. Thank you.

13 JUDGE CARROLL: Mr. Palumbo, thank you
14 very much. Mr. Peggy Gargis, are you here?
15 This will be your microphone. Mr. Williams, the
16 floor is yours.

17 MR. WILLIAMS: Good evening, and thank
18 you for this opportunity. I want to start out
19 by saying, our past connects our future. And
20 looking back over to the issue of the sewer
21 system, which was formed in 1901, shortly
22 thereafter, there was a Ms. King who was not
23 connected to the sewer system who went to court.

1 And I just want to share with
2 you just a brief statement from that court case
3 stated by the Court. It says: "Thus, the
4 sanitary system is a health system in which all
5 the people of the County are more or less
6 interested".

7 And so I wanted to speak to
8 you. And as you make your decision about sewer
9 rate increase, just to say that this is a public
10 health concern, including the rate increase and
11 the impact that that increase will have. As --
12 as was shown earlier, the value of homes will go
13 down in currently economically-depressed areas.
14 I think that is critical for economic
15 development.

16 How are we going to attract --
17 increased value of homes, as particularly where
18 we are depressed? How are we going to attract
19 people to purchase those homes if they have got
20 a -- a large sewer debt.

21 Also, when you start people,
22 people have to pay more to get sewer, as was
23 stated earlier in Eastlake. There is -- they

1 need help. People cannot afford it. When you
2 get to the poor and impoverished communities in
3 Jefferson County, the sewer rate increases will
4 have a definitive impact.

5 So, as you prepare to make your
6 decision and you listen to us from the
7 community, I want to encourage you to consider
8 the public health impact. And that takes into
9 consideration every aspect. Thank you.

10 JUDGE CARROLL: Thank you, Mr.
11 Williams. Mr. Harvey Henley, Junior, are you
12 here?

13 MR. HENLEY: Yeah.

14 JUDGE CARROLL: That will be your
15 microphone.

16 JUDGE CARROLL: Ms. Gargis, the floor
17 is yours.

18 MS. GARGIS: Thank you. I don't envy
19 the Commissioners or the Environmental Services
20 Department, what lies forward for you. I
21 wouldn't want your jobs, with all due respect.
22 But when I began -- or when I first learned in
23 1999 of the County's plans for a ginormous sewer

1 pipe, dubbed "the super sewer", I began with the
2 help of some other folks in the interior, I'm a
3 suburbanite on a septic tank, but I tried my
4 best to inform people, let them know what was in
5 the works, because it was undertaken in secret,
6 which is why I so much appreciate Mr. Denard's
7 forthrightness in acknowledging that. Prior to
8 this Commission and this administration, there
9 had been massive corruption.

10 I have read something tonight,
11 however, that I had read and heard repeated over
12 the years. And I would just like to make this
13 one for you, which is that the federal Consent
14 Decree was not the cause of all of the sewer
15 rate increases.

16 Going back for years, the
17 corruption started in the -- we hear in the
18 '80s. I have also over the years done some of
19 the investigation of my own. I've talked with
20 the Environmental Services Protection, and asked
21 them several times over the course of about a
22 year-and-a-half to inbound for me whether the
23 Consent Decree did encompass expansion of the

1 sewer service.

2 And I was finally given a
3 voicemail by a Ms. Davina Marraccini, who at the
4 time was their spokeswoman, who told me that the
5 expansion of the sewer system into unsewered
6 areas is not in the scope of the Consent Decree.

7 The County undertook massive
8 sewer expansion, even sewer projects in Shelby
9 County. So, that's the only point I want to
10 make for clarification, that a part of that
11 expense was also because of expansion. Thank
12 you.

13 JUDGE CARROLL: Thank you, Ms. Gargis.
14 Ms. Sandra Bracknell, are you here? That will
15 be your microphone, Ms. Bracknell. Mr. Henley,
16 the floor is yours.

17 MR. HENLEY: My name is Harley Henley,
18 Junior. I live at 2460 Tempus Drive in the
19 western section of Birmingham. I would just
20 like to say that, to the Commission, you
21 inherited a mess. And I think that you are
22 doing the best that you can to straighten it
23 out. And I think that we need some money. I

1 mean, I think you're doing this because you're
2 headed to court. And that the testimony of
3 expert witnesses is very important. So I'm glad
4 you brought them before us tonight.

5 The impact that a sewer rate
6 increase would have on the pride of our
7 communities, I believe the expert witness that
8 we had here tonight could help us in that
9 direction. So, I want to say that I don't have
10 any -- I don't have anything to say bad about
11 this Commission, because you inherited this
12 mess.

13 And I hope that we -- we done
14 missed a lot of opportunities for the whole
15 State to help us do the things that need to be
16 done. But we missed those opportunities, so
17 this is where we are. So I hope that what we do
18 in these hearings, that people understand where
19 we are, and that you would be able to do your
20 job, and then get this County back where it
21 should be.

22 And this brother that made this
23 statement about a thousand dollars, now, I can't

1 give you a thousand dollars. But I'll give a
2 hundred dollars here tonight, because that's --
3 that's a compassion -- compassionate, and it's a
4 real noble idea.

5 The State of Alabama have
6 money. We -- we could borrow it. They should
7 loan us some money to straighten this out.
8 We -- we would pay them back. So I'm saying
9 that, hey, we got to get together and straighten
10 this mess out, because you inherited it. And I
11 believe once we get it straightened out, I
12 believe we'll be headed in the right direction.
13 Thank you very much.

14 JUDGE CARROLL: Thank you, Mr. Henley.
15 Mr. William Muhammad. Yes, sir, that will be
16 your microphone. Ms. Bracknell, the floor is
17 yours.

18 MS. BRACKNELL: My name is Sandra
19 Bracknell from Hueytown. First of all, I want
20 to say, if you live in -- in a community -- I'm
21 sorry, I'm nervous. But the first thing you
22 notice, you know who is on Jefferson County
23 Sewer System, because if there's a drought, we

1 have the dead grass. We don't have the
2 vegetation or the flowers and beautiful lawns,
3 because our sewer bill is so high. If we were
4 to have the grass and the lawns and everything,
5 we couldn't pay our sewer bill. Our water bill
6 is not the problem. It's our sewer bill.

7 But second of all, you don't
8 see us at the markets buying fresh vegetables,
9 because we have to wash them. That runs our
10 sewer bill up. That's a health and safety
11 issue, because now everything that we purchase
12 is processed.

13 When the original loan was made
14 for our debt, our sewer debt, the debtors knew
15 that we didn't have the customer base to support
16 the amount of money that they were lending us.
17 So therefore, they're partly responsible for --
18 for the mess we're in, because they lent us more
19 money than they knew we could pay back, that the
20 customer base didn't support it. So therefore,
21 they should be partly responsible, or maybe
22 wholly responsible, for that debt, as in our
23 bankruptcy.

1 So I think those things need to
2 be considered before you raise the rate on us.
3 Thank you.

4 JUDGE CARROLL: Thank you, Ms.
5 Bracknell. Frank Matthews. Mr. Matthews, if
6 you're here, this will be your microphone. Mr.
7 Muhammad, the floor is yours.

8 MR. MUHAMMAD: My name is William
9 Muhammad. And Judge Carroll, I'd like to read a
10 statement for the record. Judge Carroll, I
11 charge this Commission with being guilty of
12 perpetrating a fraud. Information that had been
13 presented to this Commission that the 1997 Trust
14 Agreement stated that variable rates securities
15 could not exceed 50 percent of all outstanding
16 securities held by the County sewer.
17 Information has been presented to this
18 Commission that stated that the SWAPS refunding
19 was for the sole purpose of producing hundreds
20 of millions of dollars in legal fees. This kind
21 of Commission has entered into collusion with
22 these robbers indeed, by refusing to seek
23 redress of these violations of the Trust

1 Agreement and the Alabama Constitution.
2 Instead, this County Commission is seeking to
3 perpetrate a coverup of these crimes by raising
4 rates on the two poorest districts in the
5 County, District One and District Two, and to
6 exclude any expense to the rich suburban
7 districts.

8 In closing, I read what this
9 County Commission wanted to investigate the
10 spending of \$25,000 by Cooper Green Hospital,
11 yet refuses to go after over 300 million dollars
12 stolen from the County by investment bankers and
13 lawyers, none of which live in District One or
14 Two.

15 I'd like to say that in
16 college, I flunked math. But even I know that
17 200,000 customers times \$37 average is about 88
18 million dollars. I know enough that you can't
19 run this fraud on me. Thank you.

20 JUDGE CARROLL: Thank you, Mr.
21 Muhammad. Mr. Casey, W.A. Casey, this will be
22 your microphone. Mr. Matthews, the floor is
23 yours.

1 MR. MATTHEWS: Thank you so much.
2 Reminded me when I first got here, it was like a
3 morgue or a funeral home, because the place was
4 so empty. For such a colossal issue as raising
5 our rates, seems to me more than a hundred
6 people with all the staff and all these
7 logistical legalists and the media, it would be
8 close to just a hundred people. That's so, so
9 sad. And then all the demographics and all the
10 of that we put up on the board, to me it was
11 like speaking in tongues. And the bigger
12 interpretation I got out of this, maybe I need
13 to join George Washington and cross the Delaware
14 and go to Newark, Delaware so I can pay maybe
15 \$6.24 for my sewage. I sure don't want to go to
16 West Virginia, because, boy, it's high. A month
17 there, nearly \$80.

18 But in all this, I really want
19 to ask the good question; how much money are we
20 really spending for these meetings. I hope the
21 good doctor, Professor of Law Carroll, you are
22 doing this magnanimous. And hope the young
23 lady, with all her statistics, I hope she's

1 doing it free.

2 JUDGE CARROLL: Let me assure you,
3 we're doing it free.

4 MR. MATTHEWS: Thank you. I would
5 hope, because I'm hoping that we don't do too
6 many more. What I really hope is this, is that
7 you simply mail out some forms to all the
8 citizens that are on this -- on the Jefferson
9 County Sewer System, and tell them that you're
10 going to do everything possible to lower their
11 rates, period.

12 You know, it's so sad that as I
13 look around the room, besides the elected
14 officials up there, there's only one, a Senator,
15 my Senator, Senator Cole, that's here. And
16 that's so sad that every representative, state,
17 -- anybody that elected -- a dog catcher,
18 anything; If you ain't here, you need to be in
19 West Virginia or Virginia for two days or
20 something, because you really don't care about
21 the people here.

22 But let me say this, my good
23 friend said that all the Commissioners was

1 perpetrating a fraud. Well, I beg to differ
2 with him, because Commissioner Sandra Little, my
3 Commissioner; Mr. George Foreman, I definitely
4 know they ain't perpetrating a fraud.

5 There's some serious things
6 that's going on. There's some serious issue
7 that's going to have to be address today. So
8 stop the foolishness. I hope we have no more of
9 these meetings. Settle yourself down. Send the
10 people some letters and tell them, we're going
11 to do everything we can to keep the rates low.
12 That's all we can do.

13 All this other mumbo-jumbo
14 you're doing tonight, I don't understand nothing
15 y'all put up here, other than, like I said, I
16 need to go to Delaware and stay away from West
17 Virginia. Thank you.

18 JUDGE CARROLL: Thank you, thank you,
19 Mr. Matthews. Ms. Helen Rivas, are you here?

20 MS. RIVAS: Yes.

21 JUDGE CARROLL: This will be your
22 microphone. Mr. Casey, the floor is yours.

23 MR. CASEY: I'm W.A. Casey. I'm glad

1 to be here. I want to thank the Commission for
2 having me. I really appreciate it that I'm
3 getting to assist in this opportunity. But
4 business is bad in real estate. It's real bad.
5 We are losing residents every day in Birmingham.
6 Our business is so bad that I've been in real
7 estate as a full-time broker for 30 years. And
8 I had to merge my company with Barnes &
9 Associates just to survive. And we're losing
10 homeowners every day. That's a shame.
11 People wants to live outside of Birmingham
12 because of the school system, and the sewer
13 rates. And on the statistics you were saying,
14 76 percent of 49 percent of the lawyers,
15 citizens have lower rates than Birmingham.
16 We're still losing homes because of that.
17 But one thing I think you ought
18 to have another serious look at, Alabama has the
19 lowest and the lower taxes in the United States.
20 And whenever you all decide on, when all the
21 dust clears, and decide that illegal monies
22 taken out and monies coming, whatever we got to
23 pay. I hope we ask our representatives down in

1 Montgomery to give us the right to impose an ad
2 valorem tax on the citizens. Because ad valorem
3 tax, it pays -- it's only if you have a fair
4 share of all -- all this debt, you're not going
5 to have a fair share to put in the land.

6 We are not -- consumer taxes
7 are killing Birmingham; don't go to Birmingham
8 because high -- high consumer taxes. You tax
9 the people, it's less income to do things we
10 want to do.

11 Like Oliver said, it's not
12 rocket science. When you have higher -- the
13 price to live in the city than the cities
14 outside of Birmingham. It's cheaper to live
15 outside of Birmingham and drive to Birmingham
16 and do business, to live. I think you ought to
17 take a serious look at that.

18 I don't know why we have not a
19 lot of talk about ad valorem tax. There are a
20 lot of large land owners in Birmingham, don't
21 have it as good, but it's good; and it's good
22 for the land and it's good for the City, so
23 that's my take. I appreciate y'all coming out

1 to listen to us. I wish more citizens were
2 involved. But a lot of times, the silent
3 majority have great, great concerns. It's no
4 longer going to annoy us because it's a large
5 majority of where we are now. So thank you. I
6 appreciate you, and keep on doing a good job.

7 JUDGE CARROLL: Mr. Casey, thank you
8 very much. Mr. Bill Thomaston, are you here?
9 Mr. Thomaston, that's your mic. Ms. Rivas, the
10 floor is yours.

11 MS. RIVAS: Good evening. I'm Helen
12 Rivas and a resident of District Two. And I
13 want to thank the Commissioners for taking --
14 for caring about this issue. I know you didn't
15 buy this baby, but you're having to deal with
16 it.

17 First, I like what a lot of
18 other people have said. As the rate -- the rate
19 payors and septic tank owners did not have a say
20 in the reversion of the funds away from the
21 court-mandated repair of the sewer. But I guess
22 because we voted for the people who did do that,
23 we had to shoulder some of the responsibility.

1 Second, the financial slight of
2 hand that was committed, we definitely did not
3 have a part in that. And I think that those who
4 understood very well what was going on,
5 including the creditors, need to take
6 responsibility for that. We should not have to
7 pay for that at all.

8 So please stand fast in defense
9 of the citizens of this County. Thank you.

10 JUDGE CARROLL: Thank you, Ms. Rivas.
11 The next speaker to call out, I cannot read your
12 last name. And I apologize. Mr. Anthony I --

13 MR. RICHARDS: Richards.

14 JUDGE CARROLL: Richards. Thank you.
15 This is your microphone, Mr. Richards. Mr.
16 Thomaston, the floor is yours.

17 MR. THOMASTON: Thank you. I'm Bill
18 Thomaston. I'm a retired utility employee,
19 heavily involved in the system and our cost
20 analysis, and have been volunteering with the
21 Greater Birmingham Ministry since my retirement.
22 That is approximately three years ago. And have
23 been very concerned about the impact of the

1 sewer rates on the City residents.

2 It's absolutely unconscionable

3 they would be faced with these high rates that

4 are so burdensome to them, in light of the fact,

5 as The Birmingham News has reported, that our

6 natural gas rates are some of the highest in the

7 nation. And when you look at Huntsville

8 Utilities compared to charging others throughout

9 the area, our electricity rates are very high,

10 as well. And this puts an incredible economic

11 burden on every aspect of life here in the City

12 of Birmingham or in the area. One of the

13 impacts I noticed repeatedly, that the

14 Birmingham business minds seems to be -- are

15 only preoccupied with the economic growth in the

16 area. One of the speakers mentioned earlier

17 about the impact in the real estate market. And

18 there have been several recent studies; AARP, by

19 a New England housing research group, and by

20 Arise Citizens' Policy Project that shows that

21 as much as 48 percent of Alabama renters even

22 lack a sufficient income to afford a modest

23 two-bedroom apartment. Utility costs are a

1 critical component of that. And what happens is
2 when you drive up disposable income from your
3 citizens, what happens is, it impacts other
4 areas of economic development. There's been a
5 lot in the paper about the closings in the
6 Roebuck area. And when you don't have
7 discretionary disposable income, it impacts
8 every aspect of both the City and the County
9 alike. You can imagine the turmoil in homes
10 when they face, especially with children, their
11 utilities being cut off, the water being cut
12 off, gas and electricity. And it all feeds into
13 the same issue here. And we have very high
14 rates all across the board here in Alabama. And
15 Alabama is a relatively poor state. And we
16 have -- GDM has been down at the Public Service
17 Commission trying to appeal for more relief for
18 the low income customers. And it fits into that
19 overall perspective. It's almost unconscionable
20 that sewer rates could go up even more. If they
21 go up any additionally, there should be some
22 relief mechanism for them. In fact, the County
23 Commission should work with PSE to try to get

1 relief across the board for other utility costs,
2 because they all pyramid on top or stack on top.

3 JUDGE CARROLL: Mr. Thomaston, I'll ask
4 you to conclude.

5 MR. THOMASTON: What needs to be done
6 is we need to work actively together to try to
7 get utility costs across the board lowered for
8 the citizens. It has a devastating impact on
9 the people of the area, on the economy of the
10 area. Thank you.

11 JUDGE CARROLL: Thank you. Mr.
12 Richardson.

13 MR. RICHARDSON: My name is Daphne
14 Richardson, and I'm a long-time rate payor of
15 Birmingham. I appreciate the present Commission
16 coming in and having these types of forums. I
17 think that a fraud has been perpetrated on the
18 City of Birmingham and Jefferson County by the
19 bankers, by the Government. And I think that
20 they should have assumed the costs. I had
21 nothing to do with the fraud. Why do I have to
22 pay for it? I don't think that's right.

23 Now, the demographics that was

1 shown by the Professor earlier, I'm a Ensley
2 resident. None of that pertains to me. Now,
3 the only number that I'm interested in is the
4 one that I see on my water and sewer bill. I
5 want to know why -- I guess there's some type of
6 formula that you use.

7 Like, for instance, if a person
8 has a \$25 water bill, why is the sewer bill over
9 a hundred dollars, and give somebody else the
10 sewer bill that's less. There doesn't seem to
11 be any type of formula involved at all.

12 What is going to happen, and
13 what is already happening is, if you raise sewer
14 bills on the public, they cannot already afford
15 it, they'll wind up leaving the County. That's
16 already a problem. You are going to increase
17 the problem.

18 And then you are going to come
19 back and make the people that's still in the
20 County pay more because people have left the
21 County. And then more people are going to leave
22 the County. So what you're going to have is a
23 revolving door that's not going to lead to

1 anywhere.

2 It seems to me that legislature
3 don't want to do anything for Jefferson County.
4 If that's the point, why do you even have a
5 Jefferson County? Why not just dissolve
6 Jefferson County? Call the ice cream a cake,
7 but don't call it Jefferson County. Cause if
8 you have no County, you have no debt. Thank you
9 very much.

10 JUDGE CARROLL: Thank you, Mr.
11 Richardson. That's the end of the public
12 comments of the people that signed up. I want
13 everyone to join me in thanking the people that
14 made comments. As a reminder, everything that
15 went on today, the PowerPoint slides of the
16 expert witnesses, their remarks, the remarks of
17 the public commentary will be on
18 www.jeffcosewerhearings.org before the end of
19 the week. Thank you all for coming. Have a
20 good evening.

21 (END OF PROCEEDINGS.)

22

23

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BEFORE THE JEFFERSON COUNTY COMMISSION

State of Alabama)
)
County of Jefferson)

I, David Denard, do solemnly swear (or affirm) that:

1. I have read the foregoing transcript of my testimony of June 12, 2012 before the Jefferson County Commission;
2. It is a true and correct transcription of my testimony;
3. My testimony is based on my personal knowledge, training, education and experience; and
4. My testimony is the truth, the whole truth, and nothing but the truth.



Sworn to and subscribed before me, the undersigned notary public in and for the State of Alabama, this 28th day of September, 2012.
October



Notary Public



[Seal]

Printed Name: Oneida M. Hammond
My Commission Expires

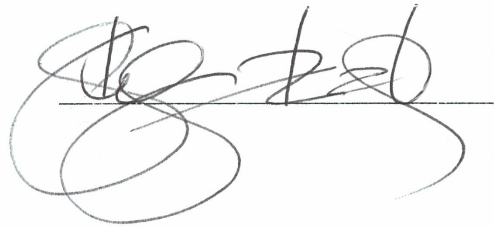
NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: Nov 20, 2014
BONDED THRU NOTARY PUBLIC UNDERWRITERS

BEFORE THE JEFFERSON COUNTY COMMISSION

State of Alabama)
)
County of Jefferson)

I, Stephanie Rauterkus, do solemnly swear (or affirm) that:

1. I have read the foregoing transcript of my testimony of June 12, 2012 before the Jefferson County Commission;
2. It is a true and correct transcription of my testimony;
3. My testimony is based on my personal knowledge, training, education and experience; and
4. My testimony is the truth, the whole truth, and nothing but the truth.



Sworn to and subscribed before me, the undersigned notary public in and for the State of ALABAMA, this 13th day of September, 2012.


Notary Public

[Seal]

Printed Name: ONEIDA M. HAMMOND
My Commission Expires

NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: Nov 20, 2014
BONDED THRU NOTARY PUBLIC UNDERWRITERS

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

In re:)	
)	
JEFFERSON COUNTY, ALABAMA,	)	Case No. 11-05736-TBB
a political subdivision of the State of)	
Alabama,	)	Chapter 9
)	
Debtor.)	

**FIRST PERIODIC STATUS REPORT
CONCERNING THE SEWER RATEMAKING PROCESS**

Pursuant to the *Interim Order on Motion to Lift or Condition the Automatic Stay Filed by Financial Guaranty Insurance Company* [Docket No. 967] entered May 7, 2012 (the “Interim Order”), Jefferson County, Alabama (the “County”), the debtor in the above-captioned chapter 9 case, respectfully submits this First Periodic Status Report Concerning the Sewer Ratemaking Process (the “Status Report”).

1. The First Public Hearing

On June 12, 2012, at the Birmingham-Jefferson Civic Center, the Jefferson County Commission (the “Commission”) held the first of several scheduled public hearings regarding sewer rates. The County published official notice of the hearing in several editions of the *Birmingham News* and by docket notice in this case, *see Notice of Sewer Rate Hearings* [Docket No. 1046], and the local press provided significant news coverage in the week prior to the hearing. In his opening remarks at the hearing, Commissioner David Carrington explained the context in which the Commission is acting:¹

Under Amendment 73 to the Alabama Constitution, the Jefferson County Commission[] [is] responsible for managing, operating, controlling, and administering the Jefferson County Sewer System.

¹ Tr. 3:7-4:21.

The present members of the Commission have not previously had the ability to carry out this constitutional function because before we took office, a State Court Judge had transferred full power over the sewer system, including rate setting, to John Young, as Sewer System Receiver.

* * *

Since none of the current Commissioners have set sewer rates before, the Commission has scheduled these public hearings to get input from everyone . . . who is affected by the sewer system or sewer rates.

Commissioner Carrington explained that there will be at least three public hearings at which invited witnesses will assist the Commission and the public in understanding the ratemaking process, and at which members of the community and parties in interest in the bankruptcy case will have the chance to share their input and concerns. Commissioner Carrington further stated that this process will precede the development and consideration of any rate proposal, because “these hearings are an opportunity for us to listen to the expert witnesses, to the community, and to anyone else [with a stake in] our county sewer system before we make any decisions about what needs to be done.” *Id.* at 11:4-9. Accordingly, the Commission is determined to take a fresh, unbiased look at the situation:²

I want to reemphasize that . . . there is no proposal on the table for the Commission to vote upon with regard to sewer rates. We are not yet at that stage. For today and the subsequent hearings, we are gathering the information we need to develop a proposal with the help of our experts.

Any sewer rate proposal will be available to the public in advance of a public hearing on the proposal. For now, we are listening and learning, and we do not intend to prejudge the merits of any possible future proposal.

* * *

² *Id.* at 11:10-12:11.

We want to consider all of the relevant data, and we want to hear from everyone who desires to be heard.

Following these opening remarks, David Denard (Director of the County's Environmental Services Department) testified about the operation of the sewer system, the value of the services it provides, the condition of system infrastructure, and the level of future capital expenditures that will be required to properly maintain the system and keep the system in compliance with applicable federal and state law. Next, Dr. Stephanie Rauterkus (a finance professor at the University of Alabama at Birmingham) testified concerning her ongoing work quantifying the level of burden on households and businesses in the community and analyzing how that burden compares with other areas. Finally, the Commission heard from fifteen members of the public about how sewer rates affect the community and how the Commission should proceed in its constitutional task.

A complete transcript of the June 12, 2012 sewer rate hearing is attached hereto as Exhibit A. The transcript and the witnesses' PowerPoint presentations are also available free of charge on a website created by the County – www.jeffcosewerhearings.org (the "Website") – at which members of the public can submit comments for consideration by the Commission. In addition to accepting comments via the Website, the Commission invites written submissions at the County Manager's office, and anticipates that all such materials (and any other materials, testimony or comments submitted or presented at future hearings) will be made available on the Website. Finally, the County will endeavor to make all the Website materials available for inspection at the County Manager's office free of charge for those without internet access.

2. Additional Public Hearings

The Commission has scheduled the next public hearing regarding sewer rates for July 24, 2012, in Bessemer. The County will announce the exact time and location of the hearing by

publication and docket notice at least one week prior to the hearing. The Commission has tentatively scheduled a third public hearing for August 21, 2012, at a time and location to be announced. At present, the Commission anticipates that these three public hearings will accommodate all witnesses, presentations and comments, and will provide a sufficient basis upon which the Commission can then proceed “in the exercise of a fair, enlightened and independent judgment in the light of all the relevant facts,” *Birmingham Elec. Co. v. Ala. Pub. Serv. Comm’n*, 47 So. 2d 455, 460 (Ala. 1950), with its constitutional task of making “reasonable and nondiscriminatory rules and regulations fixing rates and charges” for the sewer system. ALA. CONST. amend. 73. If warranted, however, the Commission may schedule additional public hearings.

In addition to the topics addressed at the first hearing, the Commission invites testimony, presentations and comments at future hearings about, *inter alia*: (i) the costs of operating and maintaining the sewer system in a sound, responsible manner, including appropriate renewal and rehabilitation of existing infrastructure; (ii) elasticity and the probable outcomes (in terms of both revenue and public health) of various levels of rate adjustments; (iii) the advisability and feasibility of adopting the GASB 34 modified approach on a going-forward basis; (iv) the impact on the revenue stream generated by the system absent appropriate levels of capital expenditures; (v) the advisability or necessity of a low income assistance program and the funding of such a program consistent with the requirements of Alabama law governing reasonableness and non-discriminatory rates; and (vi) creditor concerns. These topics are illustrative rather than exhaustive and the order in which they are listed above does not in any way equate to the relative importance of these matters. Put simply, the Commission welcomes information from any

interested persons – including customers, ratepayers, taxpayers, members of the community, employees and creditors – about any topic pertaining to sewer system rates and charges.

For the second public hearing in particular, the Commission intends to hear from Mr. Eric Rothstein, a nationally recognized expert with decades of experience in ratemaking and financial planning for municipal wastewater utilities. The Commission may also hear further testimony from Mr. Denard and Dr. Rauterkus, and intends to invite testimony from the sewer creditors and insurers who are plaintiffs in the adversary proceeding styled *The Bank of New York Mellon, as Indenture Trustee, et al. v. Jefferson County, Alabama*, Adv. Proc. No. 12-00016-TBB (the “Adversary Proceeding”), as well as from members of the community (including, for example, the homeowners who filed the *Motion for Leave to File Amicus Brief by Edgewood Boulevard Homeowners* [Docket No. 97 in the Adversary Proceeding]). The Commission is particularly interested in any expert testimony or data developed by the sewer creditors concerning the appropriate rate structure, fees and charges, and any other information deemed relevant by the creditors, as well as testimony by those who have been or worry they may be affected by any deterioration in system infrastructure (past, present or future).

3. Next Steps

Once the Commission has gathered sufficient data and has provided all interested persons with an opportunity to be heard, the Commissioners – in consultation with the County’s experts and sewer professionals – will fully consider the facts, opinions and comments gathered during the public hearing process. It is for this purpose that a complete record of the public hearings is being assembled, as that record will form the basis on which the Commission exercises its rate-setting responsibility. Once a specific proposal has been formulated, the County will make it available to all interested parties, and the Commission will hold a public hearing to consider the

proposal. Although the timing may change, the County currently anticipates releasing a specific proposal in September 2012, and holding a final hearing on the proposal in October 2012.

4. Conclusion

Unlike the Receiver, the Commissioners are elected officials with a responsibility to examine and set rates in a manner befitting a representative democracy. *See Marshall Durbin & Co. v. Jasper Util. Bd.*, 437 So. 2d 1014, 1019 (Ala. 1983) (“The municipality is *not* primarily involved in the utility business as a profit-oriented enterprise. Rather, the municipality carries on this municipal function in a service oriented context [and] is ‘subject to [the people’s] control through the democratic processes.’” (quoting *Mitchell v. City of Mobile*, 13 So. 2d 664, 667 (1943)), *overruled in part on other grounds by Ex parte Waterjet Sys., Inc.*, 758 So. 2d 505 (Ala. 1999); *see also id.* at 1023 (discussing required notice and opportunity to be heard as being satisfied by “public meetings scheduled on a regular basis”).

In the exercise of this public trust, the Commission is committed to ensuring that whatever result it reaches is supported by “substantial evidence,” *id.* at 1024, and is not “arbitrary or discriminatory,” *id.* at 1019 (quoting *Benson v. City of Andalusia*, 195 So. 443, 445-46 (Ala. 1940)). Thus, Commission will “examin[e] the relevant data and articulat[e] a satisfactory explanation for its action, including a rational connection between the facts found and the choice made.” *Ala. Dep’t of Human Res. v. Dye*, 921 So. 2d 421, 426 (Ala. Civ. App. 2005) (internal quotation marks omitted). The record being developed at the public hearings will ensure that the Commission does not “entirely fail[] to consider an important aspect of the problem, offer[] an explanation for its decision that runs counter to the evidence before [it],” or rely on any impermissible factors. *Id.* The County welcomes the participation of all interested parties – including the sewer creditors – in this important task.

The County will file its next Status Report on or before August 2, 2012, consistent with the Interim Order.

Respectfully submitted this 18th day of June, 2012.

By: /s/ Patrick Darby

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-and-

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Counsel for Jefferson County, Alabama

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

In re:)	
)	
JEFFERSON COUNTY, ALABAMA,	)	Case No. 11-05736-TBB
a political subdivision of the State of)	
Alabama,	)	Chapter 9
)	
Debtor.)	

**NOTICE OF INVITATIONS TO ADDRESS THE JEFFERSON
COUNTY COMMISSION AT THE NEXT SEWER RATE HEARING**

Jefferson County, Alabama (the "County"), the debtor in the above-captioned chapter 9 case, hereby advises that the County Manager has invited representatives of the Indenture Trustee, Liquidity Banks and Insurers to testify before the Jefferson County Commission at its next sewer rate hearing, which will be held on July 24, 2012 in Bessemer, Alabama. Attached hereto as Exhibits A through K are letters sent June 22, 2012 to:

- The Indenture Trustee (Exhibit A);
- JPMorgan Chase (Exhibit B);
- Bank of America (Exhibit C);
- Bank of Nova Scotia (Exhibit D);
- Soci t  G n rale (Exhibit E);
- Bank of New York Mellon (Exhibit F);
- State Street Bank & Trust Company (Exhibit G);
- Lloyds TSB Bank PLC (Exhibit H);
- Financial Guaranty Insurance Company (Exhibit I);
- Assured Guaranty Municipal Corp. (Exhibit J); and
- Syncora Guarantee Inc. (Exhibit K).

Additional information about the hearings can be found in the *First Periodic Status Report Concerning the Sewer Ratemaking Process* [Docket No. 1070], filed June 18, 2012, and on the website created for the hearings, www.jeffcosewerhearings.org.

Respectfully submitted this 25th day of June, 2012.

By: /s/ Patrick Darby

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-and-

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Counsel for Jefferson County, Alabama

JEFFERSON COUNTY COMMISSION



DAVID CARRINGTON- PRESIDENT
GEORGE BOWMAN
SANDRA LITTLE BROWN
T. JOE KNIGHT
JAMES A. (JIMMIE) STEPHENS

Tony Petelos
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June 22, 2012

Ms. Bridget M. Schessler
The Bank of New York Mellon,
as Indenture Trustee
525 William Penn Pl., 7th Floor
Pittsburgh, PA 15259

RE: Jefferson County, Alabama Sewer Rate Hearings

Ms. Schessler:

The Jefferson County Commission is holding a series of public hearings regarding sewer rates, the first of which was held on June 12, 2012, at the Birmingham-Jefferson Civic Center in Birmingham, Alabama, and the second of which will be held July 24, 2012, in Bessemer, Alabama. The Commission invites your appearance and testimony, or the appearance and testimony of an appropriate designee from your organization, at the July 24 public hearing.

By way of background, Amendment 73 to the Alabama Constitution of 1901 vests the Commission with the “power and authority to manage, operate, control and administer the sewers and plants [of the Jefferson County Sewer System] . . . and, to that end, [to] make any reasonable and nondiscriminatory rules and regulations fixing rates and charges, providing for the payment, collection and enforcement thereof, and the protection of its property” The current members of the Commission have not previously had the ability to undertake this constitutional duty because (prior to the commencement of their terms of office) authority over the sewer system, including ratemaking, had been transferred to a court-appointed receiver. Following the County’s November 2011 bankruptcy filing and a subsequent ruling by the Bankruptcy Court, however, the Commission is once again responsible for the sewer system – including ratemaking.

The Commission takes very seriously its newly returned authority over the system, and intends to exercise this public trust in a sound, transparent manner. The Commission is committed to proceeding on the basis of the very best information and expertise available, gleaned in a manner befitting a representative democracy: public hearings at which everyone affected by the sewer system and sewer rates and charges has the opportunity to hear the evidence on which the Commission’s decisions will be based, and

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to offer any additional testimony, evidence or commentary that may be germane to the ratemaking process.

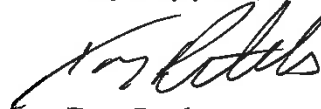
We have already received testimony from Mr. David Denard (Director of the County's Environmental Services Department) and Dr. Stephanie Rauterkus (a finance professor at the University of Alabama at Birmingham), as well as comments from more than a dozen citizens and ratepayers who addressed the Commission during the public comment portion of the first public hearing. At our second public hearing, we intend to receive testimony from Mr. Eric Rothstein, a nationally recognized expert with decades of experience in ratemaking and financial planning for municipal wastewater utilities, as well as further testimony from Mr. Denard and Dr. Rauterkus and additional public comments. We also plan to invite testimony from members of the community who have been (or worry they may be) affected by changes in sewer rates and/or deterioration in system infrastructure.

In addition to the foregoing, the Commission would appreciate testimony from the institution with which you are affiliated, which either lent a portion of the money that was used to build or expand the system or guarantees a portion of the outstanding debt pertaining to the system. We want to hear whatever information you would like us to consider as we undertake this important process.

Kindly contact my office at (205) 731-2880 or e-mail petelost@jccal.org to make arrangements for testifying at the July 24 hearing. For logistical purposes, please let us know by no later than July 17: (i) the identity of the representative(s) who will appear on behalf your firm; (ii) the anticipated length of his, her or their oral testimony; and (iii) any special technical arrangements (e.g., PowerPoint projection) we need to accommodate.

If you would like further information on what was presented at the first public hearing, you can access a complete transcript of the proceedings (as well as copies of the witnesses' PowerPoint slides) at a website created for these hearings: www.jeffcosewerhearings.org. All subsequent hearings will also be transcribed and videotaped, and we intend to post any materials you submit in connection with these hearings to this website, as well.

Very truly yours,



Tony Petelos
County Manager

CC: Commissioner David Carrington
Commissioner George Bowman
Commissioner Sandra Little Brown
Commissioner Joe Knight
Commissioner Jimmie Stephens

JEFFERSON COUNTY COMMISSION



DAVID CARRINGTON- PRESIDENT
GEORGE BOWMAN
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Tony Petelos
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Birmingham, Alabama 35203
Telephone (205) 731-2880

June 22, 2012

Mr. James Dimon
Chairman, President & CEO
JPMorgan Chase Bank, N.A.
270 Park Avenue
New York, NY 10017

RE: Jefferson County, Alabama Sewer Rate Hearings

Mr. Dimon:

The Jefferson County Commission is holding a series of public hearings regarding sewer rates, the first of which was held on June 12, 2012, at the Birmingham-Jefferson Civic Center in Birmingham, Alabama, and the second of which will be held July 24, 2012, in Bessemer, Alabama. The Commission invites your appearance and testimony, or the appearance and testimony of an appropriate designee from your organization, at the July 24 public hearing.

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to offer any additional testimony, evidence or commentary that may be germane to the ratemaking process.

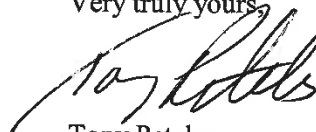
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Very truly yours,



Tony Petelos
County Manager

CC: Commissioner David Carrington
Commissioner George Bowman
Commissioner Sandra Little Brown
Commissioner Joe Knight
Commissioner Jimmie Stephens

R-000184

JEFFERSON COUNTY COMMISSION



DAVID CARRINGTON- PRESIDENT
GEORGE BOWMAN
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Telephone (205) 731-2880

June 22, 2012

Mr. Brian T. Moynihan
President & CEO
Bank of America, N.A.
100 North Tyron Street
Charlotte, NC 28255

RE: Jefferson County, Alabama Sewer Rate Hearings

Mr. Moynihan:

The Jefferson County Commission is holding a series of public hearings regarding sewer rates, the first of which was held on June 12, 2012, at the Birmingham-Jefferson Civic Center in Birmingham, Alabama, and the second of which will be held July 24, 2012, in Bessemer, Alabama. The Commission invites your appearance and testimony, or the appearance and testimony of an appropriate designee from your organization, at the July 24 public hearing.

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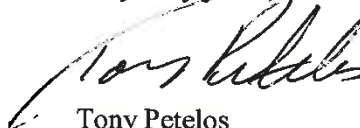
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Very truly yours,



Tony Petelos
County Manager

CC: Commissioner David Carrington
Commissioner George Bowman
Commissioner Sandra Little Brown
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JEFFERSON COUNTY COMMISSION



DAVID CARRINGTON- PRESIDENT
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Telephone (205) 731-2880

June 22, 2012

Mr. Richard E. Waugh
President & CEO
Bank of Nova Scotia
44 King Street West
Toronto, ON M5H 1H1
Canada

RE: Jefferson County, Alabama Sewer Rate Hearings

Mr. Waugh:

The Jefferson County Commission is holding a series of public hearings regarding sewer rates, the first of which was held on June 12, 2012, at the Birmingham-Jefferson Civic Center in Birmingham, Alabama, and the second of which will be held July 24, 2012, in Bessemer, Alabama. The Commission invites your appearance and testimony, or the appearance and testimony of an appropriate designee from your organization, at the July 24 public hearing.

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to offer any additional testimony, evidence or commentary that may be germane to the ratemaking process.

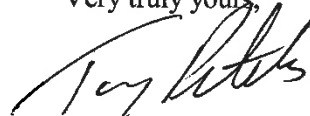
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Very truly yours,



Tony Petelos
County Manager

CC: Commissioner David Carrington
Commissioner George Bowman
Commissioner Sandra Little Brown
Commissioner Joe Knight
Commissioner Jimmie Stephens

JEFFERSON COUNTY COMMISSION



DAVID CARRINGTON- PRESIDENT
GEORGE BOWMAN
SANDRA LITTLE BROWN
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Tony Petelos
Chief Executive Officer

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Birmingham, Alabama 35203
Telephone (205) 731-2880

June 22, 2012

Mr. Frédéric Oudéa
Chairman & CEO
Société Générale, New York
1221 Avenue of the Americas
New York, NY 10020

RE: Jefferson County, Alabama Sewer Rate Hearings

Mr. Oudéa :

The Jefferson County Commission is holding a series of public hearings regarding sewer rates, the first of which was held on June 12, 2012, at the Birmingham-Jefferson Civic Center in Birmingham, Alabama, and the second of which will be held July 24, 2012, in Bessemer, Alabama. The Commission invites your appearance and testimony, or the appearance and testimony of an appropriate designee from your organization, at the July 24 public hearing.

By way of background, Amendment 73 to the Alabama Constitution of 1901 vests the Commission with the “power and authority to manage, operate, control and administer the sewers and plants [of the Jefferson County Sewer System] . . . and, to that end, [to] make any reasonable and nondiscriminatory rules and regulations fixing rates and charges, providing for the payment, collection and enforcement thereof, and the protection of its property” The current members of the Commission have not previously had the ability to undertake this constitutional duty because (prior to the commencement of their terms of office) authority over the sewer system, including ratemaking, had been transferred to a court-appointed receiver. Following the County’s November 2011 bankruptcy filing and a subsequent ruling by the Bankruptcy Court, however, the Commission is once again responsible for the sewer system – including ratemaking.

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R-000189

to offer any additional testimony, evidence or commentary that may be germane to the ratemaking process.

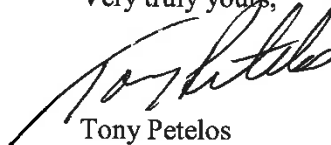
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Very truly yours,



Tony Petelos
County Manager

CC: Commissioner David Carrington
Commissioner George Bowman
Commissioner Sandra Little Brown
Commissioner Joe Knight
Commissioner Jimmie Stephens

JEFFERSON COUNTY COMMISSION



DAVID CARRINGTON- PRESIDENT
GEORGE BOWMAN
SANDRA LITTLE BROWN
T. JOE KNIGHT
JAMES A. (JIMMIE) STEPHENS

Tony Petelos Chief Executive Officer

Suite 251 Courthouse
716 Richard Arrington, Jr. Blvd. N.
Birmingham, Alabama 35203
Telephone (205) 731-2880

June 22, 2012

Mr. Gerald L. Hassell
Chairman, President & CEO
Bank of New York Mellon
One Wall Street
New York, NY 10286

RE: Jefferson County, Alabama Sewer Rate Hearings

Mr. Hassell:

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R-000191

to offer any additional testimony, evidence or commentary that may be germane to the ratemaking process.

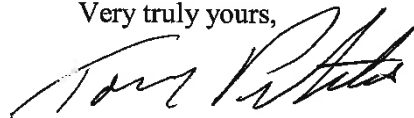
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Very truly yours,



Tony Petelos
County Manager

CC: Commissioner David Carrington
Commissioner George Bowman
Commissioner Sandra Little Brown
Commissioner Joe Knight
Commissioner Jimmie Stephens

JEFFERSON COUNTY COMMISSION



DAVID CARRINGTON- PRESIDENT
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Tony Petelos Chief Executive Officer

Suite 251 Courthouse
716 Richard Arrington, Jr. Blvd. N.
Birmingham, Alabama 35203
Telephone (205) 731-2880

June 22, 2012

Mr. Joseph L. Hooley
Chairman, President & CEO
State Street Bank & Trust Company
1 Lincoln Street, Floor 1
Boston, MA 02111

RE: Jefferson County, Alabama Sewer Rate Hearings

Mr. Hooley:

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R-000193

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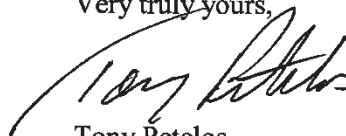
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Very truly yours,



Tony Petelos
County Manager

CC: Commissioner David Carrington
Commissioner George Bowman
Commissioner Sandra Little Brown
Commissioner Joe Knight
Commissioner Jimmie Stephens

JEFFERSON COUNTY COMMISSION



DAVID CARRINGTON- PRESIDENT
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Tony Petelos Chief Executive Officer

Suite 251 Courthouse
716 Richard Arrington, Jr. Blvd. N.
Birmingham, Alabama 35203
Telephone (205) 731-2880

June 22, 2012

Mr. António Horta-Osório
Group Chief Executive
Lloyds TSB Bank PLC
25 Gresham Street
London, EC2V 7HN
United Kingdom

RE: Jefferson County, Alabama Sewer Rate Hearings

Mr. Horta-Osório:

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R-000195

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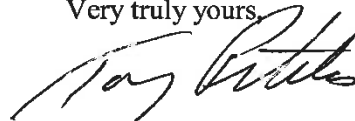
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Tony Petelos
County Manager

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Tony Petelos Chief Executive Officer

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716 Richard Arrington, Jr. Blvd. N.
Birmingham, Alabama 35203
Telephone (205) 731-2880

June 22, 2012

Mr. John S. Dubel
Chairman & CEO
Financial Guaranty Insurance Co.
125 Park Avenue
New York, NY 10017

RE: Jefferson County, Alabama Sewer Rate Hearings

Mr. Dubel:

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R-000197

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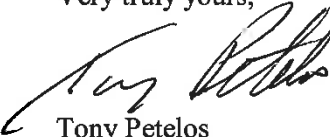
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Tony Petelos
County Manager

CC: Commissioner David Carrington
Commissioner George Bowman
Commissioner Sandra Little Brown
Commissioner Joe Knight
Commissioner Jimmie Stephens

JEFFERSON COUNTY COMMISSION



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Tony Petelos Chief Executive Officer

Suite 251 Courthouse
716 Richard Arrington, Jr. Blvd. N.
Birmingham, Alabama 35203
Telephone (205) 731-2880

June 22, 2012

Mr. Sean W. McCarthy
President
Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, NY 10019

RE: Jefferson County, Alabama Sewer Rate Hearings

Mr. McCarthy:

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R-000199

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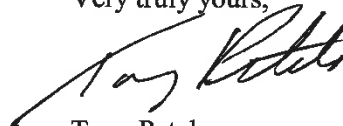
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Tony Petelos
County Manager

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JEFFERSON COUNTY COMMISSION



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Tony Petelos Chief Executive Officer

Suite 251 Courthouse
716 Richard Arrington, Jr. Blvd. N.
Birmingham, Alabama 35203
Telephone (205) 731-2880

June 22, 2012

Ms. Susan B. Comparato
CEO
Syncora Guarantee Inc.
135 West 50th Street
New York, NY 10020

RE: Jefferson County, Alabama Sewer Rate Hearings

Ms. Comparato:

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R-000201

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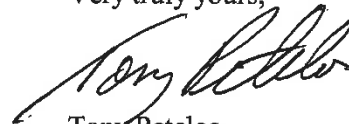
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Tony Petelos
County Manager

CC: Commissioner David Carrington
Commissioner George Bowman
Commissioner Sandra Little Brown
Commissioner Joe Knight
Commissioner Jimmie Stephens

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

In re:)	
)	
JEFFERSON COUNTY, ALABAMA,	)	Case No. 11-05736-TBB
a political subdivision of the State of)	
Alabama,	)	Chapter 9
)	
Debtor.)	

NOTICE OF SECOND SEWER RATE HEARING

Jefferson County, Alabama (the "County"), the debtor in the above-captioned chapter 9 case, hereby advises that the notice attached hereto as Exhibit A has been posted in the County Courthouse and will be advertised in several forthcoming editions of the *Birmingham News*.

Respectfully submitted this 13th day of July, 2012.

By: /s/ Patrick Darby
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-and-

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Counsel for Jefferson County, Alabama

PUBLIC NOTICE

To Jefferson County Sewer System Ratepayers, Creditors and Other Interested Persons:

Please take notice that the Jefferson County Commission (the "Commission") will hold a public hearing (the "Hearing") on **Tuesday, July 24, 2012, from 5:30 p.m. to 7:30 p.m.** at the Bessemer Courthouse, 1851 2nd Avenue North, in Bessemer, Alabama. The purpose of the Hearing is to receive testimony from invited witnesses and public comments from ratepayers, creditors and any other parties (collectively, "Interested Persons") who are or may be affected by the Jefferson County Sanitary Sewer System (the "System") on the question of what reasonable and nondiscriminatory rules and regulations fixing rates and charges for sewer service the Commission should consider adopting or amending. All Interested Persons are invited to attend and comment.

At the Hearing, the Commission intends to hear from one or more invited witnesses. These witnesses will be given priority in order of presentation at the hearing. Any Interested Person who wishes to speak at the Hearing must sign up on the sign-up sheet before the time the Hearing begins. The sign-up sheet will be available in the County Manager's Office in the Jefferson County Courthouse, Second Floor, Room 251, 716 Richard Arrington Jr. Boulevard North in Birmingham, Alabama during normal business hours until 3 p.m. on July 24, 2012, after which time the sign-up sheet will be available at the Bessemer Courthouse. The Commission will limit Interested Persons' time for commentary to no more than three (3) minutes. The Commission also invites Interested Persons to submit in advance of the Hearing any written comments or material they want the Commission to consider in connection with the fixing of rates and charges for sewer service or the fixing of a rate structure. All written submissions must be delivered to the County Manager's Office before the Hearing begins.

Among other topics, the Commission seeks information regarding the costs of operating and maintaining the System in a sound, responsible manner, including appropriate renewal and rehabilitation of existing infrastructure; the level of future capital expenditures required for compliance with applicable state and federal law; the financial burden of System rates on households and businesses in the community; and the propriety of current and potential alternative rate structures. The Hearing will be recorded contemporaneously and a transcribed record of the Hearing will be prepared for the Commission's use.

This is the second of several hearings the Commission intends to hold on this important topic. A subsequent hearing is tentatively scheduled for August 21, 2012, at a time and location in Jefferson County to be determined and announced by the Commission.

**UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

IN RE:)
)
JEFFERSON COUNTY, ALABAMA,)
)
Debtor.) CASE NO.: 11-05736-TBB-9
)
) CHAPTER 9
)

**RESPONSE OF INDENTURE TRUSTEE AND THE NAMED WARRANTHOLDERS
AND INSURERS TO JEFFERSON COUNTY’S INVITATION TO ADDRESS THE
JEFFERSON COUNTY COMMISSION AT THE NEXT SEWER RATE HEARING**

The Bank of New York Mellon, in its capacity as Indenture Trustee (the “Trustee”) for \$3.6 billion in original principal amount of special revenue sewer warrants (the “Sewer Warrants”), files this response to Jefferson County’s Notice of Invitations to Address the Jefferson County Commission at the Next Sewer Rate Hearing (the “Debtor’s Invitation”). The Trustee is filing this response on behalf of itself and certain Warrantholders and Insurers (the Named Warrantholders and Insurers (as defined in footnote 1 below) together with the Trustee, the “Invitees”).¹ The Debtor’s Invitation was filed on the docket in the above-referenced case on June 25, 2012 (Doc. No. 1090), and therefore, the Trustee is filing its response with the Court. The Invitees’ position regarding sewer rates is now well known as it has been set forth and supported in numerous federal and state court hearings and pleadings. See e.g., The Receiver’s

¹ The Notice filed by the Debtor indicated that invitations to “testify” at its next public hearing on sewer rates were sent to the Indenture Trustee, JPMorgan Chase Bank, N.A., Bank of America, Bank of Nova Scotia, Société Générale, Bank of New York Mellon, State Street Bank and Trust Company, Lloyds TSB Bank PLC, Assured Guaranty Municipal Corp. and Syncora Guarantee Inc. (the “Named Warrantholders and Insurers”). The Trustee understands that each of the Named Warrantholders and Insurers agrees with the Trustee’s Response set forth herein and that none of them intend to appear at the public hearings. The Notice further indicates that Financial Guaranty Insurance Company (“FGIC”) was also invited to “testify”. The Trustee understands that FGIC reserves all of its rights and does not intend to appear at the public hearings.

First Interim Report. Consequently, the Invitees do not intend to participate in the Debtor's Sewer Rate Hearings. The Invitees are, however, willing to meet with the County's representatives to discuss their position, including their views on an appropriate rate structure, and to engage in good faith discussions regarding the terms of a plan of adjustment. For now, the Invitees' response to the Debtor's Invitation is as follows:

1. The "public hearings" that the Debtor and its Commission have scheduled are not a part of any rate-making procedures required under Alabama law, do not provide for sworn testimony subject to cross examination, and are not administrative hearings or adjudications. Rather, the hearings have been described by the County in its First Periodic Status Report Concerning the Sewer Ratemaking Process [Doc. No. 1070] as a learning process for the Commission and to "assist the Commission and the public in understanding the rate-making process." (Status Report, p. 2.) The Trustee, on its own behalf and on behalf of all Warrantholders and Insurers, reserves all rights and remedies under that certain Trust Indenture dated February 1, 1997, and all supplemental Indentures (the "Indenture"), the related documents and applicable law, and any participation or lack of participation in the Commission's public hearings is without prejudice to those rights and remedies.

2. The County received more than \$3.6 billion from the Warrantholders pursuant to the Indenture to pay for expansion and improvement of the Debtor's sewer system (the "System"), including paying for federally required improvements to (1) protect the health and welfare of all County residents and (2) improve the quality of the Cahaba and Black Warrior rivers.² Due to the County's continuous defaults under the Indenture since 2008, the Trustee has been forced to litigate with the Debtor for four years in a federal receivership action, an Alabama

² The Invitees note that despite the County-wide benefit of these improvements and expansions, to date, the County has determined that the substantial cost should be borne only by customers of the System.

state court receivership action, and now this chapter 9 bankruptcy case. The state receivership court appointed a receiver to manage the System due to these defaults, one of which is the County's failure, since January 1, 2008, to adhere to the rate covenant in the Indenture that requires it to raise sewer rates. Throughout all of those proceedings, the Trustee has consistently reiterated and supported its position that the County is obligated under the express terms of the Indenture to repay the Sewer Warrants in full, and to "fix, revise, and maintain" sewer rates sufficient to pay the Sewer Warrants and to operate and maintain the System. Put simply, the Debtor is required to comply with the rate covenant and the other covenants set forth in the Indenture. The County has chosen not to comply with its obligations. The Debtor does not need to extend an invitation to the Invitees to elicit these views, as they are already well known by the County Commission and have been well established in numerous hearings and pleadings in both state and federal courts over the last four years.

3. Not only are the County and the County Commission fully aware of the Trustee's views, but the County and County Commission have been repeatedly advised, at significant expense, over many years by their own past and present consultants, and by court-appointed special masters and a court-appointed receiver, that the sewer system rates can and should be raised. Implementing even some of these recommended rate increases would provide sufficient revenues to allow the County to pay all of the sewer obligations in full. Indeed, when the County Commission voted not to honor its rate covenant under the Indenture and suspended its 1997 Rate Adjustment Resolution on December 16, 2008, the County did so because "... [suspending] the Rate Adjustment Resolution will allow the Commission to act directly on System Rates after consulting with and considering the recommendation of the Special Masters and the County's consultants." Three and one-half years ago the Commission found that "... [t]his action is

necessary for the Commission to balance and discharge its duties to creditors, rate payers and the environment under the Indenture, the Consent Decree and applicable law.” See Jefferson County Commission resolution Dec. 16, 2008-1373.³ The Commission has in its possession at least seven reports advising the County that sewer rates should and can be increased, including the following: (i) the Red Oak Consulting Final Technical Report for the Jefferson County Environmental Services Department dated January 31, 2007; (ii) the Raftelis Financial Consultants, Inc., Jefferson County Commission Comprehensive Wastewater Cost of Service and Rate Study Report dated February 3, 2010; (iii) the BE & K Engineering Company 2003 Final Report; (iv) the Paul B. Krebs & Associates, Inc., Analysis of Sources of Revenue for the Jefferson County Environmental Services Department dated March 31, 2002; (v) the Raftelis Financial Consultants, Inc., 2008 draft report, (vi) the Report of the Special Master’s Assessment of the Jefferson County Environmental Services Department dated January 20, 2009 (Trial Exhibit M.3 to the November 2011 stay hearing, Doc. No. 257); and (vii) the Receiver’s First Interim Report on Finances, Operations, and Rates of the Jefferson County Sewer System filed in State Court Action CV-2009-02318 dated June 14, 2011 (Trial Exhibit M.4 to the November 2011 stay hearing, Doc. No. 257). In the past, the County Commission has ignored the advice of its own consultants to set rates at the level necessary to create a sound financial foundation for the System and to repay its sewer related obligations.

4. The Trustee and other Invitees are skeptical that these public hearings are anything but a further effort to delay the process, but are hopeful that the County Commission is finally serious about implementing the necessary (albeit politically unpopular) rate increases to return the System to financial health. The County’s inaction continues to irreparably harm the

³ The special masters referenced in the resolution filed their reports three and one-half years ago, but the County has still not raised rates.

Trustee and all of the Warrantholders and Insurers. As the Bankruptcy Court recognized, the delays in implementing rate increases, which merely forestall the inevitable, generally aggravate the problem. (Transcript of May 3, 2012 Bankruptcy Court Hearing, p. 11-12) Over the last four years, the County's water rates have increased 30%, yet the County has failed to raise sewer rates.⁴ Eric Rothstein, the consultant hired by the County's lawyers, has previously testified under oath that in ninety days he could design a complete program of rate increases to repay the sewer debt in full. (Transcript of April 12, 2012 Bankruptcy Court Hearing p.264 1.20-p.265 1.18). Likewise, a year ago the Receiver for the sewer system set out in detail, with technical support, the rate increases and structural changes that should have been implemented in 2011. Despite their own expert's testimony, a plethora of consultants' reports and studies, and the Special Master's and Receiver's recommendations, the County has failed during the six months it has regained control of the System to even announce, let alone implement, a program of rate increases. Moreover, the County has advised that it does not intend to do so until September 2012, at the earliest, despite the fact that the County has failed to raise rates since January 1, 2008, and continues to exhibit no urgency to do so.

5. The Invitees's counsel are available at a mutually agreeable time and place to discuss with the County's counsel the Invitees' view on a future rate structure which the County can and should implement. Since the commencement of this case, the County's counsel has not solicited the views of the Invitees' counsel to discuss rate structure proposals. Rather, the County has used the bankruptcy process as a forum to relitigate issues previously decided in the

⁴ See: http://blog.al.com/spotnews/2011/10/birmingham_water_works_board_a_2.html;
http://blog.al.com/spotnews/2010/12/water_bills_from_birmingham_wa.html;
http://www.birminghamwaterworks.com/index.php?option=com_content&task=view&id=228&Itemid=88;
http://blog.al.com/birmingham-news-commentary/2009/01/birmingham_water_works_13_perc.html;
http://www.birminghamwaterworks.com/index.php?option=com_content&task=view&id=158.

Receivership Case and to unsuccessfully try to rewrite the Indenture to the detriment of the Warrantholders.

6. The Trustee and the other Invitees expect the County Commission to take immediate, appropriate action to enable the County to repay the funds that it borrowed from the Warrantholders. While the Trustee and the other Invitees are prepared to discuss with the County an appropriate rate structure and plan of adjustment, the Trustee, the Insurers, the Invitees and Warrantholders reserve all of their rights to seek appropriate relief from the Bankruptcy Court or the state court at any time, including seeking an order directing the Debtor to implement rate enhancements in an amount necessary to pay back the money that the County has borrowed.

Respectfully submitted on this the 17th day of July, 2012.

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- and -

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*Attorneys for The Bank of New York
Mellon, as Indenture Trustee*



STATE STREET.

State Street Bank and Trust Company
State Street Financial Center
One Lincoln Street, 5th Floor
Boston, Massachusetts 02111

July 19, 2012

Mr. Tony Petelos
Chief Executive Officer
Jefferson County Commission
Suite 251 Courthouse
716 Richard Arrington, Jr. Blvd. N.
Birmingham, AL 35203

VIA ELECTRONIC AND REGULAR MAIL

Re: Public Hearings on Sewer Rate Increases

Dear Mr. Petelos:

I am writing in response to your letter of June 22, inviting State Street to participate, along with other Jefferson County Sewer warrant holders, in a public meeting on sewer rates. The letter was received both through regular mail, as well as through its filing with United States Bankruptcy Court for the North District of Alabama, Southern Division.

The Trustee for the warrant holders has provided a response to the invitation on behalf of itself and the invitees. State Street has nothing to add to this except to say that the Commission's regular bank contacts, including the undersigned, remain available, as we have regularly for over four years, to meet with the Commission and its advisors to discuss ways to resolve this matter.

If you have any questions, please contact me at 617-664-1587.

Sincerely,

STATE STREET BANK AND TRUST COMPANY

Timothy Batler,
Senior Vice President

Cc: MEMurphy
WWKannel, Esq.

R-000211



Sewer Rate Setting



**Jefferson County Sewer Hearings
July 24, 2012 Commission Meeting**



Presentation Outline

- ◆ Introductions / Background
- ◆ Sewer Utility Capital Financing
- ◆ General Rate Setting Principles
- ◆ Jefferson County Situation
- ◆ Rate Setting In Exceptional Times
- ◆ Next Steps



INTRODUCTIONS / BACKGROUND



Introductions / Background

Eric Rothstein

Experience: 25+ years of water/wastewater strategic planning, financial and rate consulting

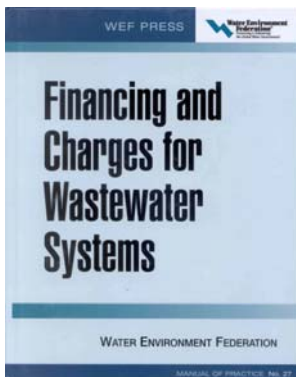
Certification: Certified Public Accountant (OR)
MSRB Registered Municipal Advisor

Associations: **WEF:** Utility Management Committee; Chair Finance and Administration Sub-Committee; Chair Financing and Charges Manual Task Force; Coordinator Asset Management Hot Topics

AWWA: Competitive Practices Committee; Rates and Charges Sub-Committee, Chair Water Rate Structures and Pricing (M34); Chair, Outside-City & Wholesale Rates (M1)

NACWA: Utility Management Committee

IWA: Economics and Statistics, WUMI Editorial Board

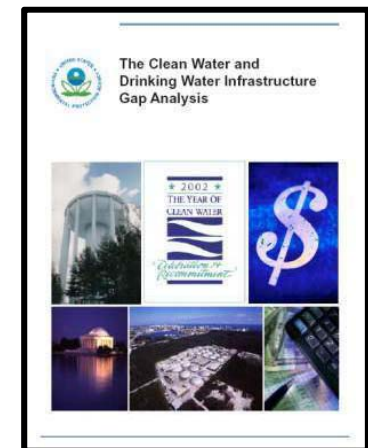




Introductions / Background

Industry Financial Drivers

- Withdrawal / restructuring of federal funding support
- Aging infrastructure – renewal and reinvestment
- Increasingly stringent regulatory requirements
- Sustainability dynamics:
 - *Resource recovery*
 - *Energy efficiency*
- Historic under pricing of services

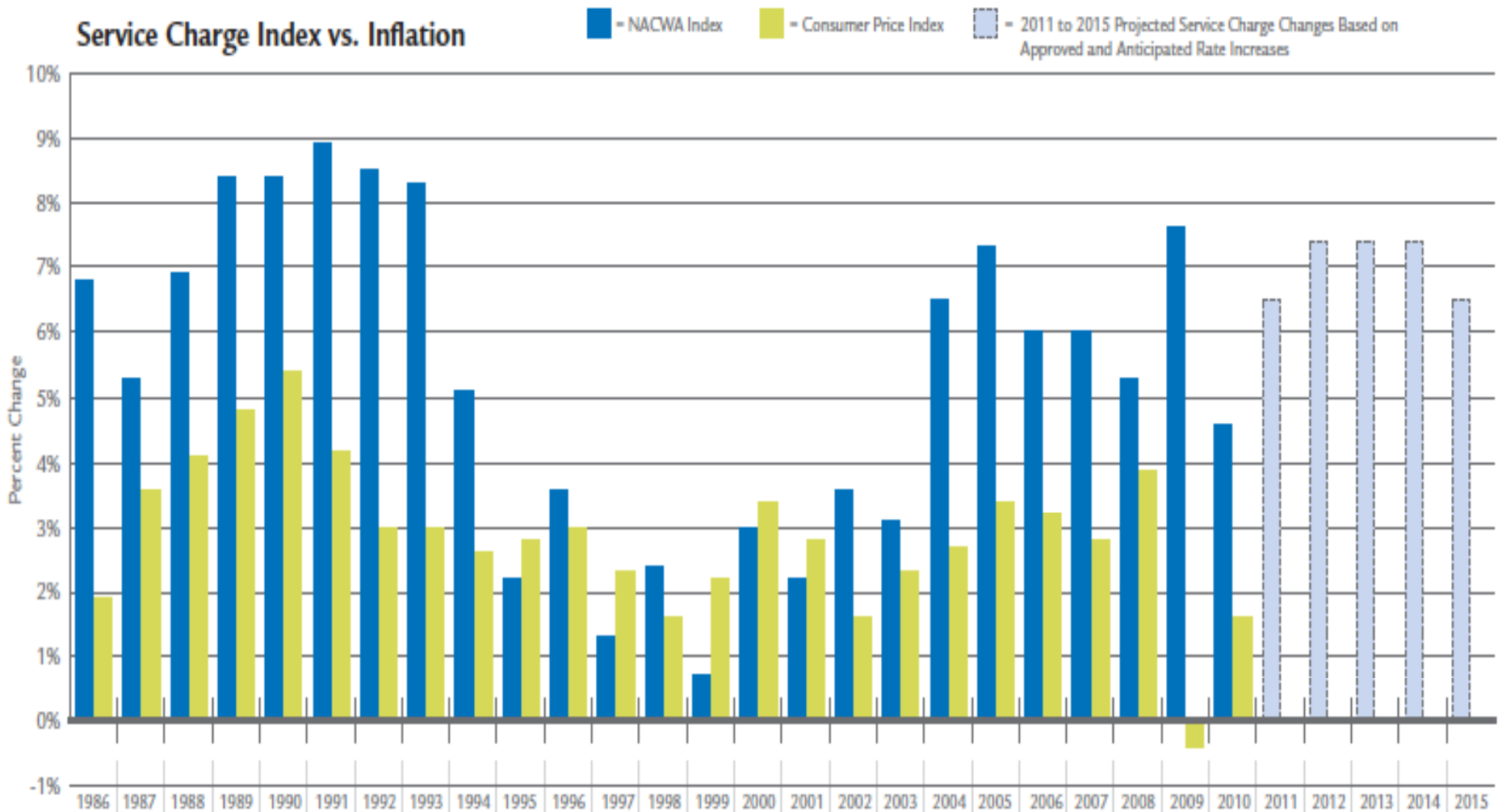




Introductions / Background

Rates up 2x Inflation Over Last Decade

NACWA 2010 Financial Survey



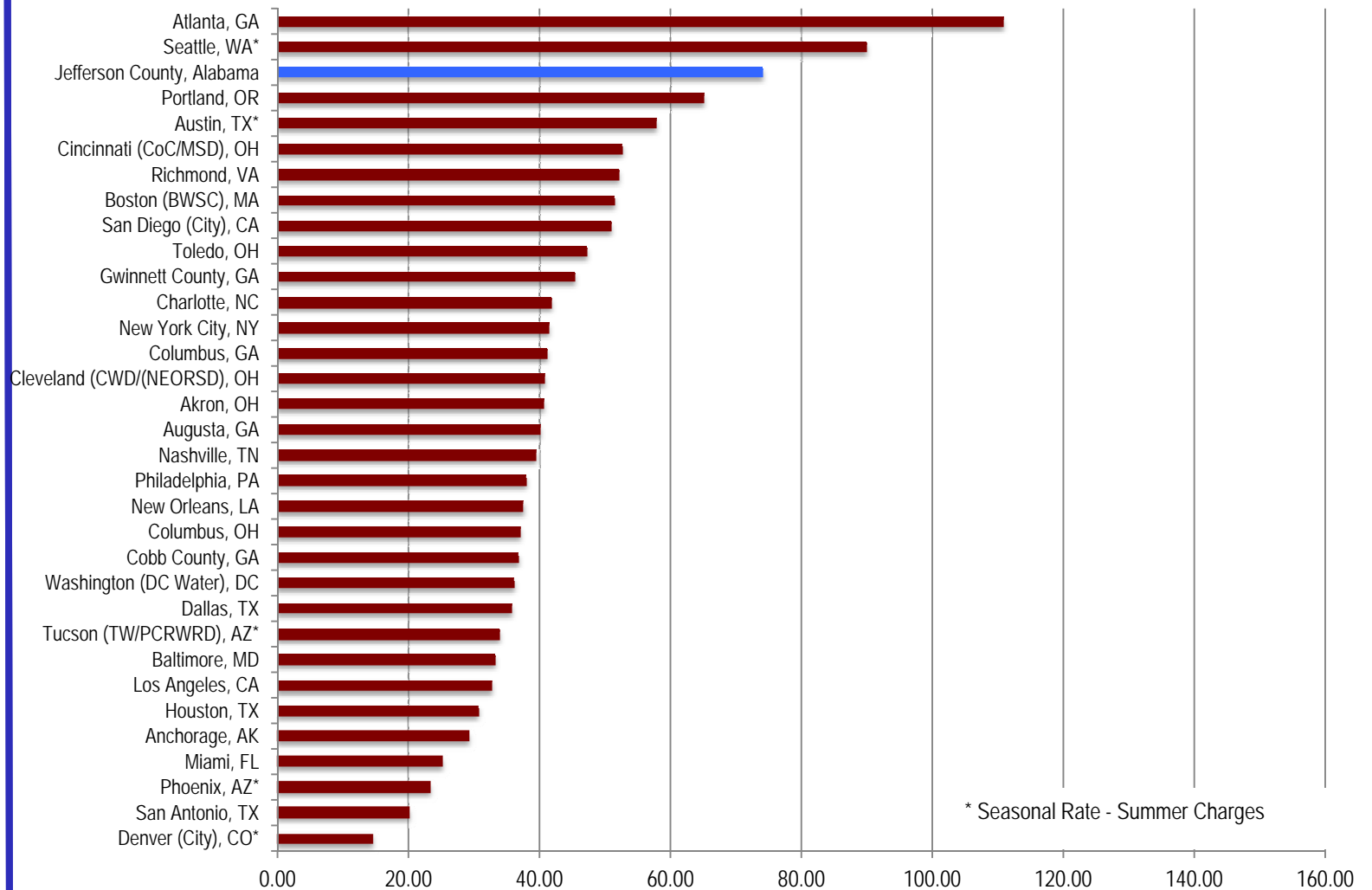
R-000217



Introductions / Background

Current Sewer Bill Comparison

2010 AWWA /RFC Water and Wastewater Rate Survey – Selected Cities
Residential Wastewater Bills - 10 CCF User - 5/8th Inch Meter



* Seasonal Rate - Summer Charges

R-000218



Introductions / Background

Jefferson Co. Rate Structure

Jefferson County Sewer Rates (2008 – Current)		
Minimum Charges by Meter Size		
	5/8"	\$2.00
	3/4"	\$2.50
	1"	\$5.00
	1.5"	\$9.00
	2"	\$14.00
	3"	\$25.00
	4"	\$45.00
	6"	\$85.00
	8"	\$200.00
	10"	\$250.00
Uniform Volume Rate (\$ / CCF)		
	Residential based on 85% of water meter readings, non-residential at 100% with exceptions	\$7.40



Introductions / Background

JeffCo. Sewer Bill Arithmetic

- 💧 Minimum Charges
 - \$2.00 for 5/8" residential meter
- 💧 Volumetric Charges
 - Based on water use
 - 85% of water use for residential
 - 100% for non-residential (with exceptions)
- 💧 10 CCF (7,458 gallons) of water use
- 💧 $\times 0.85 = 8.5$ CCF billed sewage
- 💧 $8.5 \text{ CCF} \times \$7.40 / \text{CCF}$
- 💧 $= \$62.90$ sewer bill



Introductions / Background

JeffCo. Sewer Bill Examples

- Minimum charge for no water use

- Contrasts water system base charge: \$17.34

- 7 CCF water use

- Less Watering Credit (15%)
- Total charges: \$44.03

105

Sewer Bill Summary Jefferson County Commission Customer Name: Account #		Water Bill Summary Billing Date 04-03-2012 The Birmingham Water Works Regular Bill Customer Name: Account #										
SEWER CHARGE MINIMUM BILL 2.00 TOTAL SEWER CHARGES 2.00		BASE SERVICE CHARGE 17.34 ALABAMA 4% UTILITY TAX 0.69 TOTAL WATER CHARGES 18.03										
This is your sewer bill based on the amount of water used. If you have questions concerning this portion of your bill, please call 325-5138.		This is your water bill based on the amount of water used. If you have questions concerning this portion of your bill, please call 244-4000.										
<table border="1"> <thead> <tr> <th>Meter Number</th> <th>Current Reading</th> <th>Previous Reading</th> <th>Consumption 100 CF</th> </tr> </thead> <tbody> <tr> <td>682</td> <td>03/27/12</td> <td>682</td> <td>02/22/12</td> <td>0</td> </tr> </tbody> </table>	Meter Number	Current Reading	Previous Reading	Consumption 100 CF	682	03/27/12	682	02/22/12	0	TOTAL ACCOUNT BALANCE 20.03		
Meter Number	Current Reading	Previous Reading	Consumption 100 CF									
682	03/27/12	682	02/22/12	0								

926 1068246521002000 00010001 2010216 000069816 1-1,2,4,

Sewer Bill Summary Jefferson County Commission Customer Name: Account #		Water Bill Summary Billing Date 08-04-2010 The Birmingham Water Works Regular Bill Customer Name: Account #										
SEWER CHARGE 7005 @ \$7.10 51.80 WATERING CREDIT 15% 7.77 TOTAL SEWER CHARGES 44.03		BASE SERVICE CHARGE 14.23 WATER CHARGE 7 CCF @ \$2.44 17.08 ALABAMA 4% UTILITY TAX 1.25 TOTAL WATER CHARGES 32.56										
This is your sewer bill based on the amount of water used. If you have questions concerning this portion of your bill, please call 325-5138.		This is your water bill based on the amount of water used. If you have questions concerning this portion of your bill, please call 244-4000.										
<table border="1"> <thead> <tr> <th>Meter Number</th> <th>Current Reading</th> <th>Previous Reading</th> <th>Consumption 100 CF</th> </tr> </thead> <tbody> <tr> <td>635</td> <td>07/28/10</td> <td>628</td> <td>06/28/10</td> <td>7</td> </tr> </tbody> </table>	Meter Number	Current Reading	Previous Reading	Consumption 100 CF	635	07/28/10	628	06/28/10	7	TOTAL ACCOUNT BALANCE 76.59		
Meter Number	Current Reading	Previous Reading	Consumption 100 CF									
635	07/28/10	628	06/28/10	7								

TOTAL OF BILL WHICH YOU MUST PAY: 76.59	
No amount of treatment can compare to starting with a clean water source - that's why it is so important to keep our watersheds clean. The Board developed a watershed protection policy and has purchased land around our water sources to help protect them. You can help by minimizing ferti-	
Account History Your Water Use this Period: 5236 Gallons Your Usage Same Period Last Year: 5984 Gallons Average Water Usage: 5236 Gallons Your Water Usage During the Previous 12 Months	

R-000221



SEWER UTILITY CAPITAL FINANCING



Sewer Utility Capital Financing

Sewer Utility Capital Needs

- ◆ Water and sewer systems are most capital intensive of all utilities
- ◆ Consent Decree programs have required billions of dollars of expenditures
 - Jefferson County one of many expensive programs
- ◆ Capital projects a mix of annual reinvestment and major investments

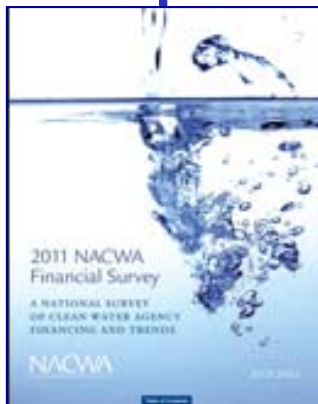




Sewer Utility Capital Financing

Capital Expenses – Financing Options

- ◆ Primary options include:
 - Current revenue
 - Revenue or general obligation bonds
 - State revolving fund loans
 - Grants
- ◆ Strategic approaches:
 - Fund annual Renewal and Reinvestment (R&R) via current revenues
 - Employ debt for “lumpy”, infrequent major investments to distribute cost burden
 - Establish a “portfolio” of debt instruments to manage costs and risks of indebtedness





Sewer Utility Capital Financing **Indenture**



- Debt service coverage provisions:
 - Net Revenues + Prior Years' Surplus \geq 110% debt service
 - Net revenues \geq 100% of debt service (After Oct. 2007)



GENERAL RATE SETTING PRINCIPLES



General Rate Setting Principles

Cost-of-Service Principles

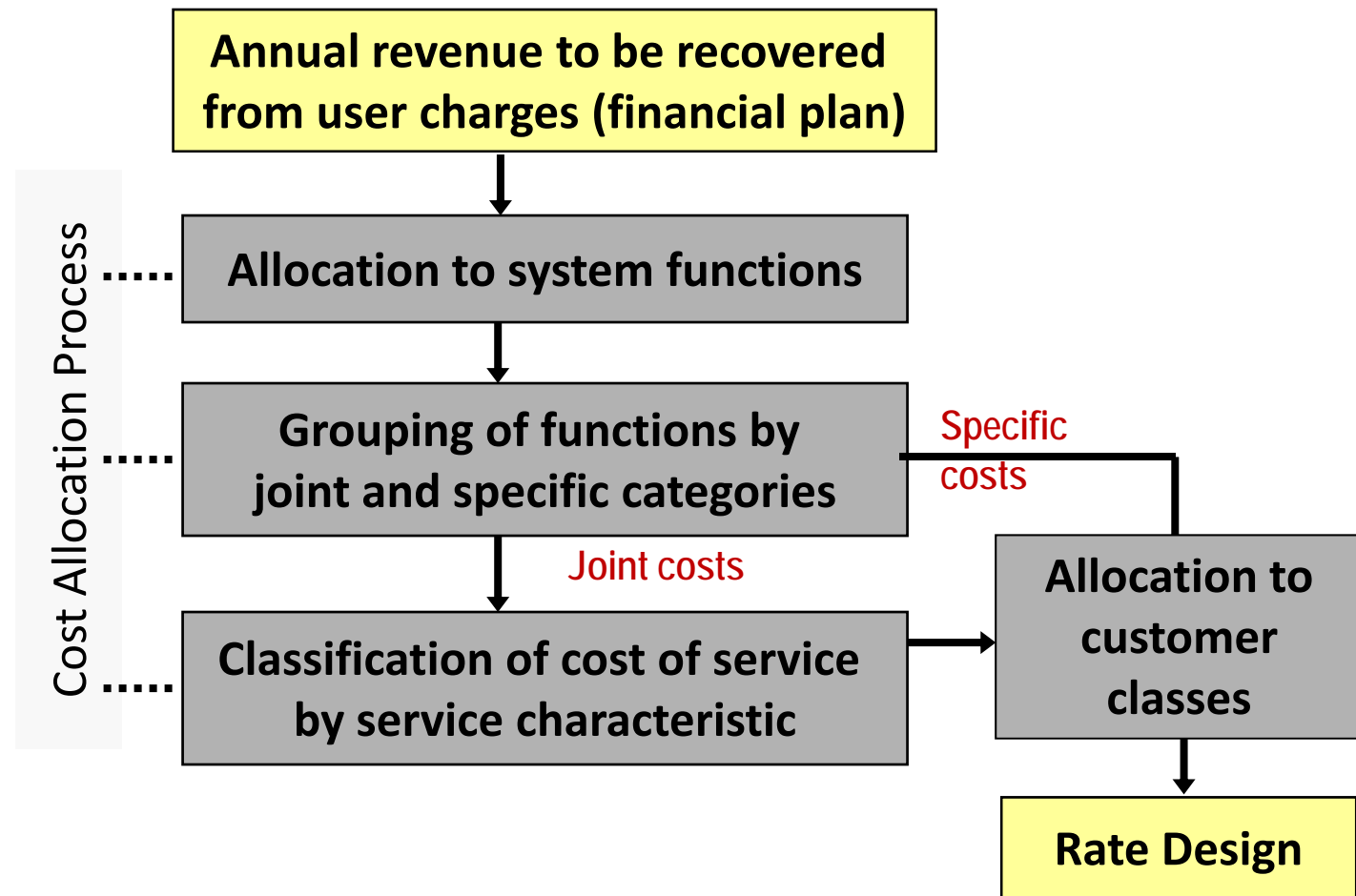


- Determine system cost factors
- Group customers with similar usage characteristics
- Allocate costs to customer classes proportionate to system demands



General Rate Setting Principles

Industry Standard Practice Overview





General Rate Setting Principles

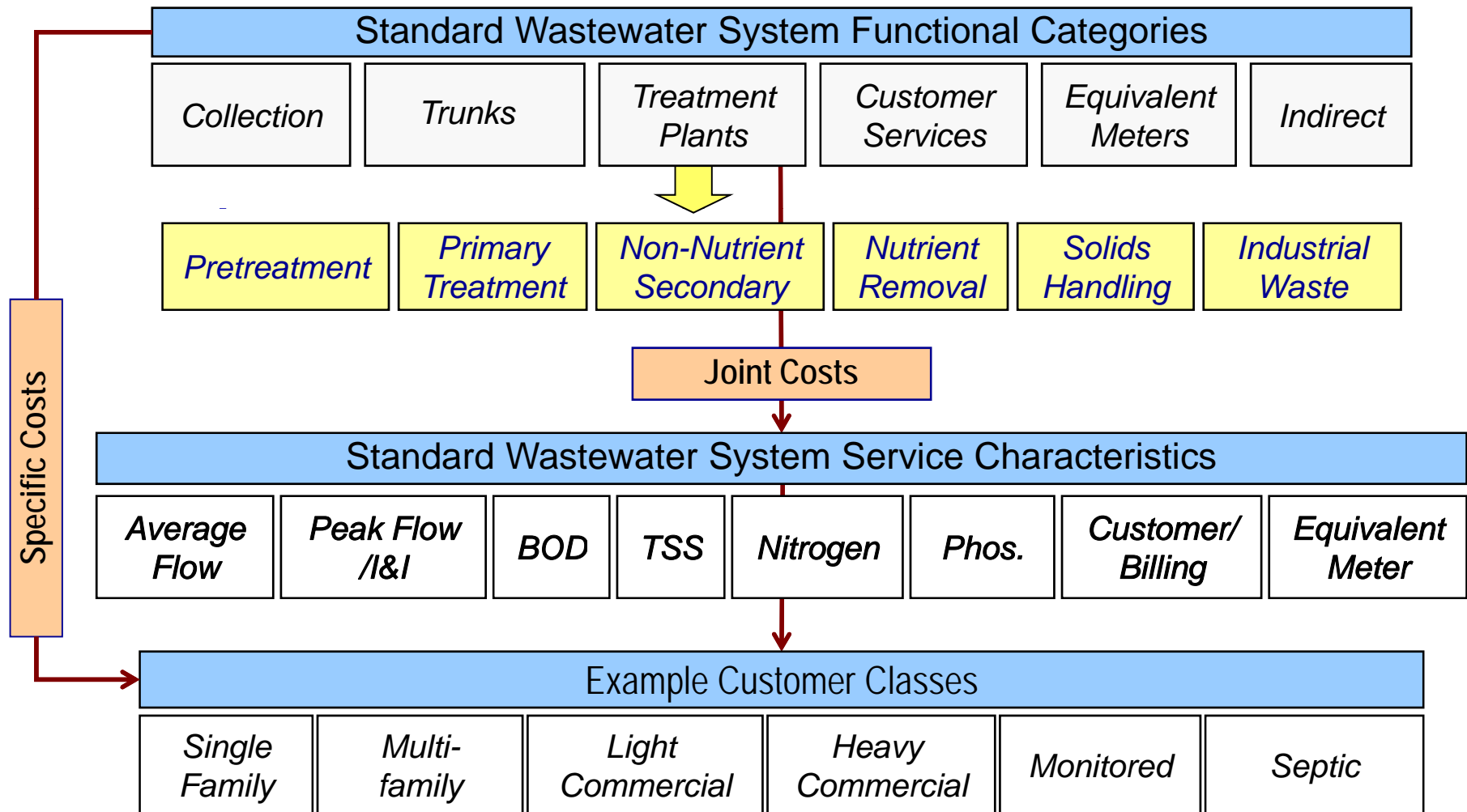
Basic Revenue Requirements

- ① Operating expenses
- ② Future Capital Expenses
 - Cash financed (PAYGO)
- ③ **Debt Service**
 - ◆ Considerations:
 - ◆ Other expenses may include Payments in Lieu of Taxes, Franchise Fees, etc.
 - ◆ **Compliance with financial policies including targeted debt service coverage, fund balances, etc.**
 - ◆ Typically coverage enables cash-funded CAPEX



General Rate Setting Principles

Cost Allocation Process





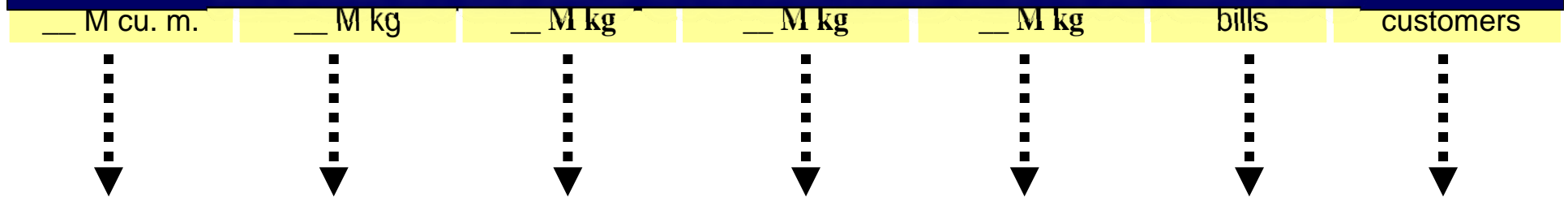
General Rate Setting Principles

Development of Unit Costs

ANNUAL COSTS BY COMPONENT



DIVIDED BY ANNUAL SYSTEM-WIDE UNITS OF SERVICE



UNIT COSTS BY COMPONENT

\$x.xx cu m.	\$x.xx/kg	\$x.xx/kg	\$x.xx/kg	\$x.xx/kg	\$x.xx/bill	\$x.xx/cust
--------------	-----------	-----------	-----------	-----------	-------------	-------------

Basis for Industrial Overstrength Charges



General Rate Setting Principles

Allocations to Service Characteristics:

SERVICE CHARACTERISTICS

USAGE CHARACTERISTICS

Average Flow



Water use*/ Metered flows

Infiltration and Inflow



Water use, customers, meter equivalents, area

Strength Loadings



Estimated/measured loads

Customer Service



Customers

Equivalent Meter



Equivalent meters

* Adjusted for non-sewered uses (winter average, percent reduction, etc.)



General Rate Setting Principles

Rate Structure Components

- ◆ Fixed Charges
 - Charges that are invariant with amount or strength of wastewater customers' flow contributions
- ◆ Volume Rates
 - Per unit of *billable* flow pricing of wastewater services
 - Note: variance of billable vs. influent volumes or water use
- ◆ Constituent Rates
 - Per unit of contributed strength loading (e.g. BOD, TSS, Phosphorous)
- ◆ Customer Specific Charges
 - Charges for specifically assigned costs
 - Industrial pre-treatment
 - facilities dedicated to a particular or limited number of customers



General Rate Setting Principles

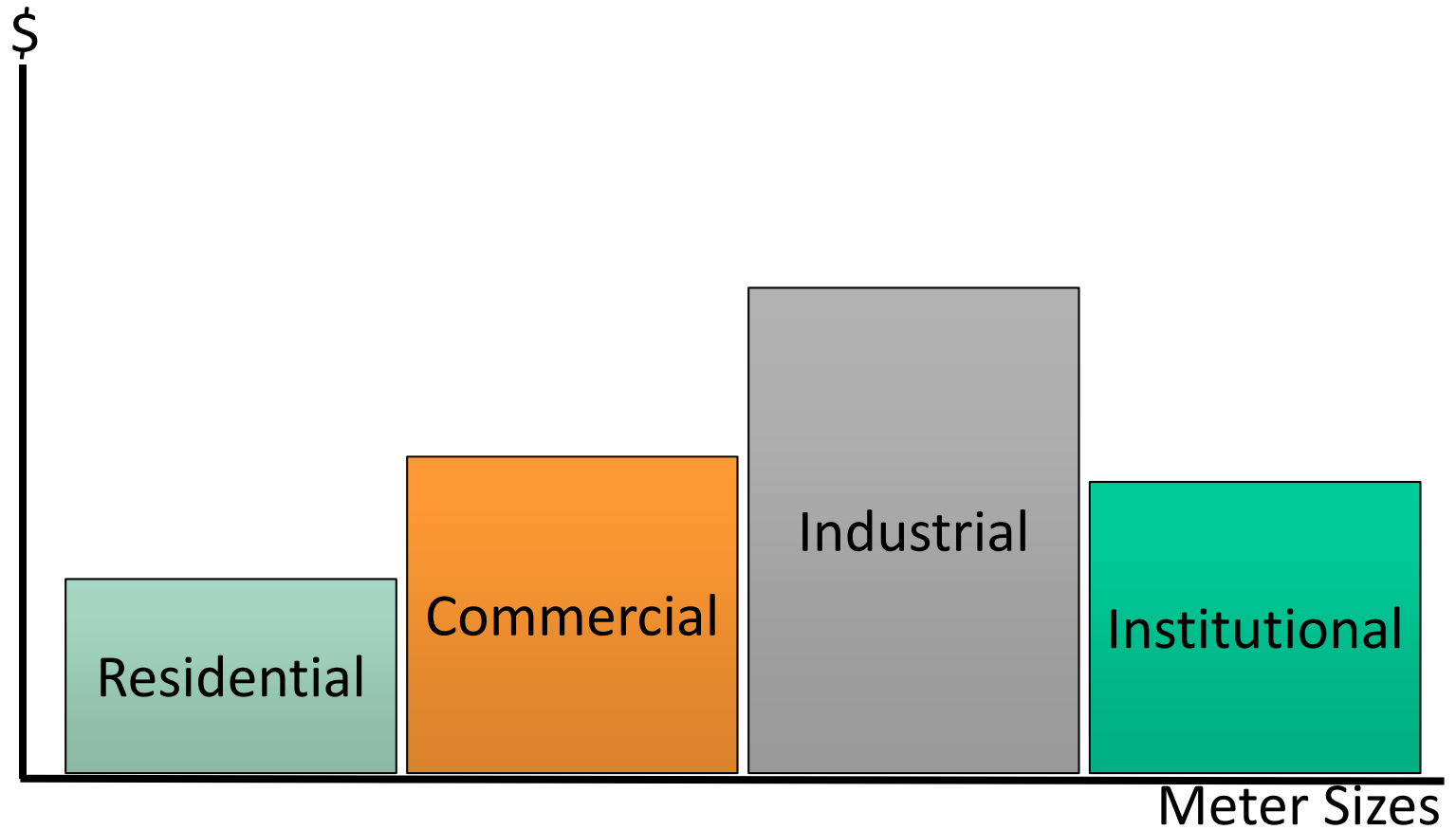
Fixed Charges





General Rate Setting Principles

Fixed Charges By Customer Class





General Rate Setting Principles

Uniform Volume Rates

\$ / Unit of Volume

Residential / Commercial / Industrial / Institutional
\$/CCF

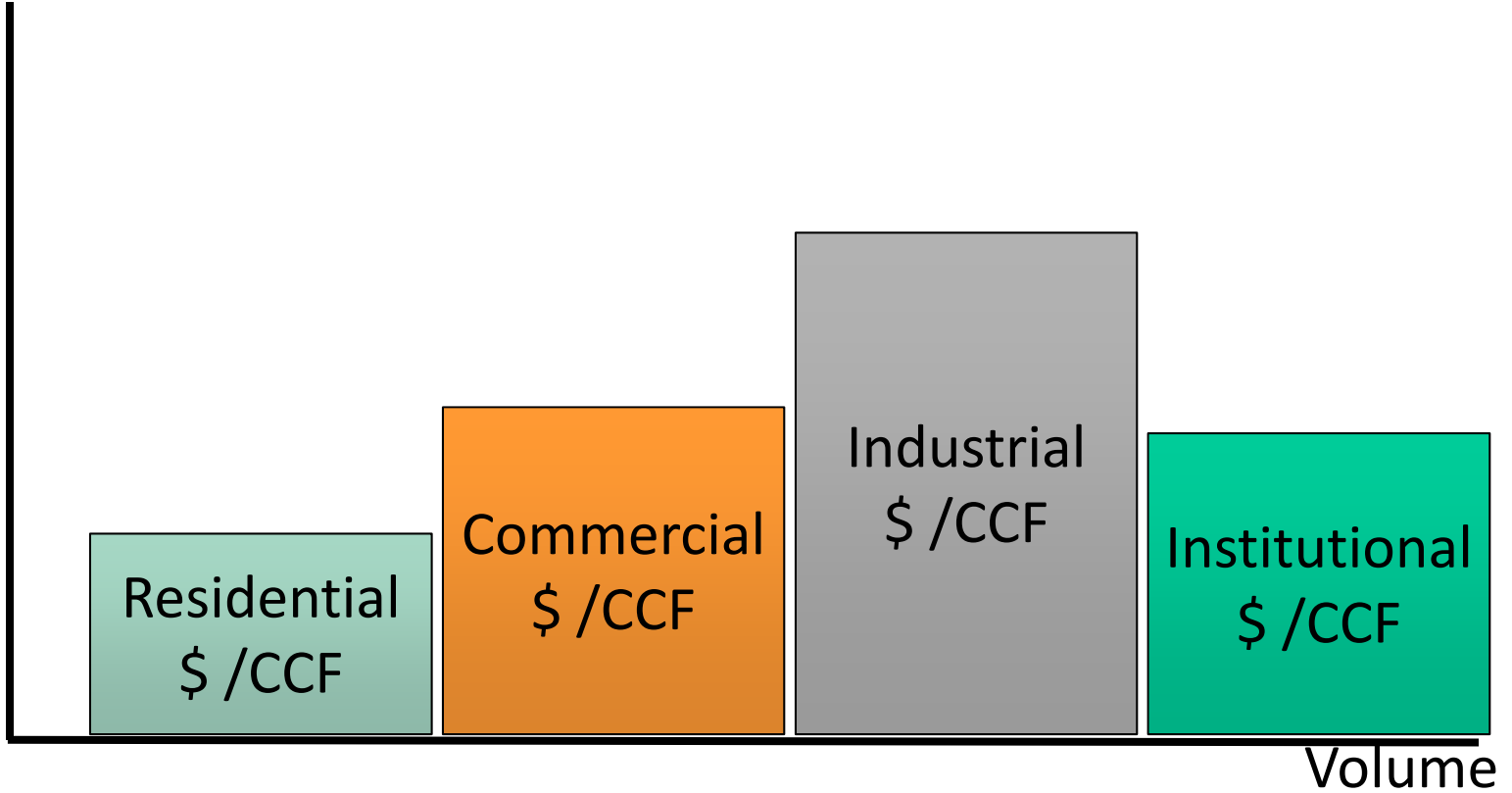
Volume



General Rate Setting Principles

Uniform Volume Rates By Customer Class

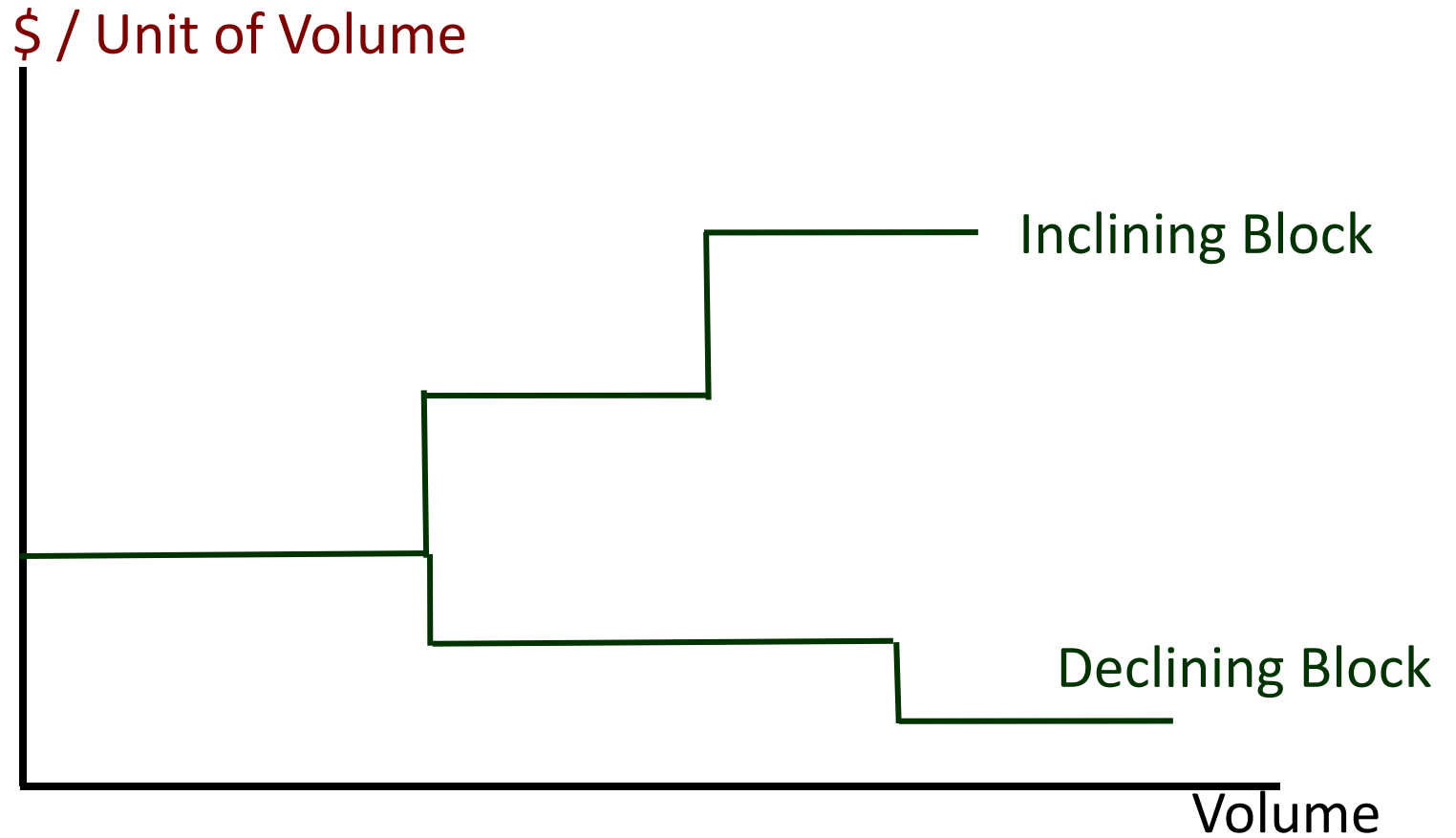
\$ / Unit of Volume





General Rate Setting Principles

Block Rates (Inclining & Declining)





General Rate Setting Principles

Diversity of Customer Strength Loadings

Typical Wastewater Strengths

User	Biochemical Oxygen Demand (mg/L)	Total Suspended Solids (mg/L)
1) Average Residential	200	200
2) Commercial		
a) Auto Steam Cleaning	1,150	1,250
b) Bakery, Retail	823	414
c) Bars without Dining	200	200
d) Car Washes	359	441
e) Department/General Retail	150	180
f) Dry Cleaners	350	235
g) Hotels/Motels without Dining	310	120
h) Hotels/Motels with Dining	500	600
i) Markets without Garbage Disposal	185	70
j) Markets with Garbage Disposal	800	800
k) Mortuaries	800	800
l) Professional Office	150	80
m) Restaurants	1,000	600

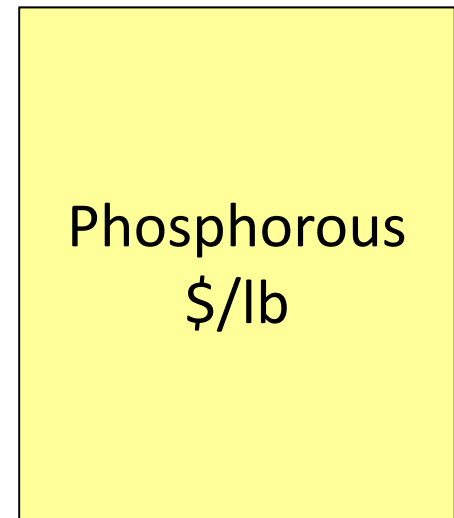
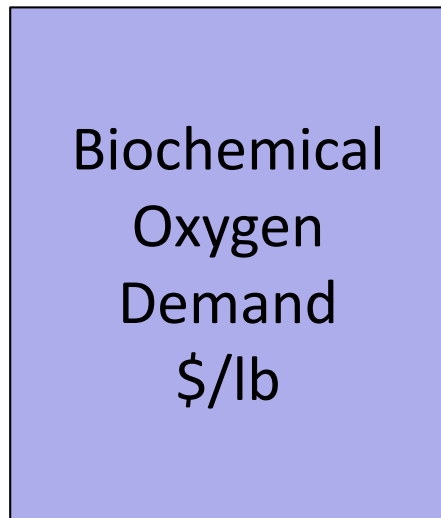
Sources: California State Water Resources Control Board (April 1983), and City of Salem Cost of Service and Rate Design Study (1998)



General Rate Setting Principles

Constituent Rates

\$ / Unit of Strength



Pounds



General Rate Setting Principles

Rate Structure Advantages / Disadvantages

	Advantages	Disadvantages
Fixed Charges (System-wide)	Revenue stability Admin Simplicity Public Understanding	Not Cost-of-Service Public Acceptance Affordability
Uniform Volume Rates (System-Wide)	Admin simplicity Public Understanding	Not Cost-of-Service
Uniform Volume Rates (By Customer Class)	Cost of Service Public Acceptance	Administrative Complexity
Block Rates (Inclining / Declining)	Support Water Conservation (I) or Economic Dev. (D)	Administrative Complexity Public Understanding



General Rate Setting Principles

Rate Design Objectives

<u>Objective</u>	<u>Considerations</u>
◆ Equity	Cost of service
◆ Revenue stability	Fixed vs. variable charges
◆ Implementability	Billing system constraints
◆ Public acceptance	Understandability
◆ Affordability	Minimum bills
◆ Water conservation	Price elasticity of demand
◆ Business attraction / retention	Economic conditions



JEFFERSON CO. SITUATION



Jefferson County Situation

Unique Factors Impacting Revenue Requirements



- Historical development
 - Consolidation of systems
 - Allowance of development using septic systems
 - Consent Decree program costs
 - Graft and corruption
- Bankruptcy
 - Legal costs
 - No or limited access to credit markets
- Debt level and portfolio
 - Debt service under contracted terms



Jefferson County Situation

Debt Level and Portfolio

FITCH MEDIANS (as 2008)

Rated Credits	Total Outstanding Long-Term Debt Per Customer (\$)	Projected Debt Per Customer - Year Five (\$)
AAA	\$1,121	\$1,793
AA	\$1,168	\$1,680
A	\$1,375	\$1,926

JeffCo **Approx \$21,000**

- ◆ Indebtedness per account exceptionally high
- ◆ Share of portfolio in variable rate debt instruments
 - ◆ Typically 5-15%; JeffCo @ 95%
- ◆ Insurers downgraded in 2008
 - ◆ DSRF requirements
 - ◆ Auctions fail – penalty rate provisions
 - ◆ Variable rate notes accelerated

Provisions precipitated debt service requirements that would require rate increases in excess of 300%

- Special Master's Report



Jefferson County Situation

Basic Revenue Requirements

- ✓ Operating expenses
- ✓ Future Capital Expenses
 - Cash financed (PAYGO)
- ? **Debt Service**
 - Debt Service Reserve Fund req.
 - After insurers downgrade
 - Acceleration provisions

Impossibility of
curing all defaults



Jefferson County Situation

Impossibility of Curing Defaults

◆ First Interim Receiver's Report:

- "Raising rates to a level sufficient to cure all defaults under the Indenture is almost **certainly not feasible.**" (p. 40)



John Young

To determine the revenue required to refinance the entire approximately \$3.158 billion of System debt currently outstanding, the Receiver asked B&V to prepare an analysis of total revenues required to pay all of the System's costs, including the annual debt service costs and coverage requirements for the next five years. The analysis assumes refinancing of the entire \$3.158 billion at current market rates, and that sewer revenues would increase uniformly for three years. As shown in the table below, in just the first five years, sewer user charges would have to be increased a total of 220%, with a 50.2% increase in 2012; another 42.7% in 2013; and a third 42.7% in 2014, followed by smaller increases the remaining two years:¹⁹⁰

(p. 54)

◆ Trial Testimony (November 21st, 2011)

- "The **three or four hundred percent rate increases**" that would be necessary to service the full amount of outstanding sewer debt, *in my mind and my professional judgment, that's excessive*".
- Even servicing around \$2 billion in debt would require rate increases "*getting on the brink of reasonableness.*"

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Jefferson County Situation

Impossibility of Curing Defaults

- ◆ Price (and other) elasticity of demand
 - 100% rate increase \neq 100% revenue increase
 - Diminishing returns from rate adjustments
- ◆ Adverse responses
 - Theft, non-payment
 - Business relocation / discouragement
- ◆ Reasonable, non-discriminatory rules and regulations setting rates
- ◆ Bottom line:
 - It is not reasonable, appropriate or likely even possible for the County to increase rates to:
 1. Pay for outstanding debt as it becomes due and payable; ***and***
 2. Pay the expenses of operating the system in compliance with applicable law.



RATE SETTING IN EXCEPTIONAL TIMES



Rate Setting in Exceptional Times

Recent Sewer Consent Decreases

- ◆ Financial limitations acknowledged
 - Several communities determined to face a “High Burden” with projected rates > 2% MHI
 - 25-year compliance periods
 - Honolulu, Kansas City, St. Louis, NEORSD
 - Strategic financial planning used to determine tenable rate increases
 - Holistic analyses provide for funding of other utility needs, ensure parties know “end game”
- ◆ Decree compliance has prompted most significant rate increase programs
 - Jefferson County – 14%+ average annual rate increases between 1997 - 2008



Rate Setting in Exceptional Times

Private Utility Regulation

- ◆ Rate of return earned on “used and useful” asset investments
- ◆ Costs may be “disallowed” if found to be imprudently incurred
 - Ex: Nuclear power cost overruns
 - NARUC (JULY 2004) Model State protocols:
 - “...a utility decision resulting in expenditures or investments must have been reasonable under the circumstances that were known or knowable at the time the decision was made.”



Rate Setting in Exceptional Times

JeffCo Issues in Regulatory Context

- Selected assets not “used and useful”
- Assets assigned under consolidations
 - Restatement of recorded asset values
- Asset values artificially inflated
 - Graft and corruption issues

Determine debt levels associated with reasonable, prudently incurred costs



Rate Setting in Exceptional Times

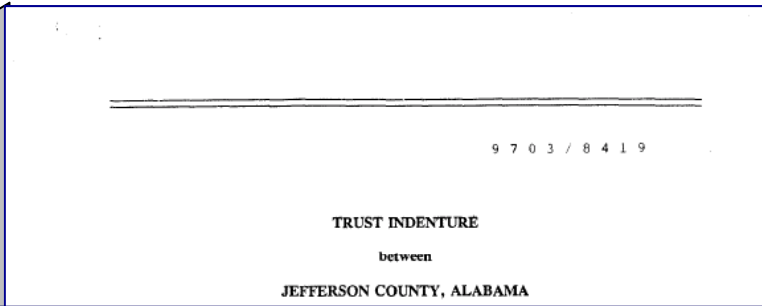
Amendment 73 – Alabama Constitution

“The governing body of Jefferson county shall have full power and authority to manage, operate, control and administer the sewers and plants herein provided for and, to that end, may make any reasonable and nondiscriminatory rules and regulations fixing rates and charges...”

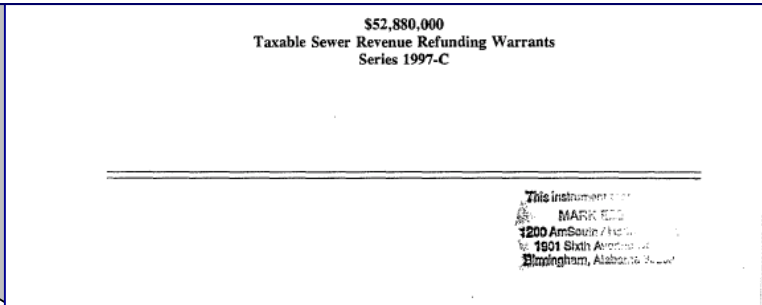


Rate Setting in Exceptional Times

Indenture – Section 12.5(b)



(b) The County will make from time to time, to the extent permitted by law, such increases and other changes in such rates and charges as may be necessary to comply with the provisions of the preceding paragraph and to provide, in each Fiscal Year, Net Revenues Available for Debt Service in an amount that shall result in compliance with each of the following two requirements (such requirements being referred to herein collectively as the "Rate Covenant"):





Rate Setting in Exceptional Times

Reasonableness & Non-Discrimination

- ◆ No “bright line reasonableness standard”
- ◆ Non-discriminatory rate requirements interpreted to preclude income indexed rates
 - Same reasonable rates applicable to all members of rate class
- ◆ Indenture (Section 12.3) prohibits:
 - ◆ provision of free service
 - ◆ provision of service at rates **not** generally applicable
- ◆ Indenture (Section 12.5a) requires County to fix, revise and maintain rates sufficient to:
 - Provide for payment of interest, premium (if any) and principal
 - Provide for payment of operating expenses
 - Enable the County to perform and comply with all covenants



Rate Setting in Exceptional Times

Reasonableness & Non-Discrimination

- ◆ Consistent with concepts of:
 - Smooth, non-disruptive rate increase plans
 - Enable recovery of prudently incurred costs
- ◆ Rates must enable funding of all 3 major components:
 - O&M
 - Annual (R&R) CAPEX
 - Debt Service
- ◆ Public health concerns call for access to service across income spectrum



Next Steps

- ◆ Refine evaluations of O&M expense and annual R&R requirements
 - Receiver's report / JeffCo consultants
- ◆ Evaluate recorded asset values in context of “used and useful” and prudence criteria
- ◆ Review cost-of-service analyses already performed by consultants
- ◆ **Develop rate structure proposal for Commission consideration:**
 - **Near-term revenue enhancements**
 - **Service rates / septage**
 - **Rate design options (block rates, revised**



Sewer Rate Setting



Jefferson County Sewer Hearings
July 24, 2012 Commission Meeting

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JEFFERSON COUNTY SEWER

PUBLIC HEARING

July 24, 2012

1 COMMISSIONER BROWN: Good evening.
2 We're here today for the second of three public
3 hearings, at which the Jefferson County
4 Commission will take testimony from witnesses
5 and comments from the public about sewer rates.
6 I am Commissioner Sandra Little Brown,
7 President Pro Temp of the Commission.
8 Commissioner David Carrington, President of the
9 Commission, could not be here with us today.
10 Other Commissioners we have present is
11 Commissioner Joe Knight, Commissioner George
12 Bowman, and Commissioner Jimmy Stephens. Also,
13 we have with us County Manager Tony Petelos.
14 We're grateful to have Judge Carroll,
15 Dean of the Cumberland School of Law and former
16 United States Magistrate Judge, here with us
17 again for this second hearing. As those who
18 were with us last time know, Judge Carroll's
19 first grandchild was born the day of the first
20 hearing, June 12th. And yet, Judge Carroll
21 still volunteered to moderate and did an
22 excellent job.
23 We will be hearing testimony today from

1 Mr. Eric Rothstein, one of the leading municipal
2 utility financial planning experts in the
3 country. Mr. Rothstein testified on behalf of
4 the County at the April trial in the bankruptcy
5 court and is advising the Commission on a rate
6 setting process.

7 Following Mr. Rothstein's testimony, we
8 will again ask for comments from the audience.
9 We will use the same format as before. In order
10 to hear from everyone, we need commenters to
11 sign up on one of the sign-up sheets that was
12 available before the hearing and that will be
13 available again before the break. We need
14 comments to be kept at three minutes or less,
15 please. Judge Carroll will again keep the clock
16 and we ask everyone to respect the time
17 limitations. With that, I'd like to turn the
18 floor over to Judge Carroll. Thank you, very
19 much.

20 JUDGE CARROLL: Thank you, Commissioner
21 Brown. Commissioner Brown indicated, I'm John
22 Carroll, the Dean of the Cumberland School of
23 Law at Samford University. It's my honor and

1 privilege to be with you this evening for this
2 very important proceeding. What we're about
3 here today is really the essence of democracy,
4 which is the elected officials get to hear from
5 you, the people that elected them, on a very,
6 very serious and important matter.

7 This get-together will follow the same
8 one that we had about a month ago in -- near the
9 courthouse in Jefferson County. Part of this
10 process is to educate everybody. I learned a
11 great deal from listening the first time around,
12 and we have -- as the first person we'll hear
13 from today, Eric Rothstein, who is one of the
14 country's foremost leading experts in rate
15 setting in sewer cases. He's been a consultant
16 to municipal water industries for over 25 years.
17 His specialty is helping water and wastewater
18 industries negotiate with the various regulators
19 to obtain financing and those sorts of things.
20 He's worked with the systems in Atlanta,
21 Cleveland, Ohio and Honolulu, which were in the
22 same position as Jefferson County is, that is
23 facing consent decrees with the Environmental

1 Protection Agency, and he's developed the
2 industry standard in this particular area.

3 After we hear from Mr. Rothstein, we're
4 going to take a five-minute break. That will
5 give you an opportunity, if you haven't signed
6 up to make some comments, to do so. We'll
7 reconvene and then we'll hear the public
8 comments about this very, very important issue.
9 Before that, though, please join me in hearing
10 -- well, before, you need to know, even if
11 people are not here, this is all being recorded,
12 and it's being placed on our website. So, if
13 you have friends that weren't here and want to
14 hear what has been going on, all this will
15 appear on the Jefferson County sewer website as
16 soon as the Court Reporter can get it
17 transcribed. So if you want to, again, see
18 what's going on, want to tell folks what's going
19 on, it's all being recorded and we -- will be
20 posted on our website just as the -- whatever
21 happened at the first hearing was posted on that
22 website.

23 Join me now, though, in welcoming Eric

1 Rothstein for his testimony.

2 MR. ROTHSTEIN: Thank you, Judge and
3 congratulations. Commissioners, good evening.
4 Good evening everyone. I'd like to get right to
5 the presentation, so let's move forward. What I
6 thought we'd go through tonight is some basic
7 introductions and some discussion about some of
8 the industry drivers and trends in the
9 wastewater industry. Much of what we talked
10 about today is driven by concerns related to
11 sewer utility capital financing, so I want to
12 talk a little bit about how sewer utility
13 capital financing works. It sets, really, the
14 stage for considerations about rate setting, and
15 then we'll talk a bit about rate setting
16 principles that, again, are industry standard.
17 And then we need to ask ourselves a bit about
18 what are the unique aspects that we face with
19 Jefferson County in its situation, and then talk
20 a bit about how we might proceed in rate setting
21 in what I consider to be exceptional times, and
22 then finish up with a little discussion about
23 next steps.

1 So, by way of introductions, perhaps I
2 ought to give you a bit of an introduction about
3 me. As the Judge mentioned, I have over 25
4 years of experience in the water and wastewater
5 utility industry, and I've worked for water and
6 wastewater utilities around the country. Again,
7 specializing somewhat in recent years in consent
8 decree negotiations. Have done many water and
9 wastewater rate studies and have been involved
10 extensively in the establishment of standard
11 practices in this area. I've been involved in a
12 number of associations in the industry; The
13 Water Environment Federation which is
14 responsible for wastewater utilities. And
15 importantly, I think, with respect to The Water
16 Environment Federation, is that it has published
17 what is referred to as really the standard
18 practice manual for wastewater rate making.
19 It's called Financing and Charges For Wastewater
20 Systems, and I served as the chair of the task
21 force that was responsible for the development
22 of that manual and practice, and that's what
23 wastewater utilities will use in determining

1 what their rate structures will be. So that's a
2 bit about me. I think I've been around the
3 block a few times anyway. I have a sense for
4 things, and particularly in light of the consent
5 decree work that I've been involved in, I think
6 I have some sense of some of the exceptional
7 considerations that we might reference in
8 thinking about how to handle our situation in
9 Jefferson County. Also, I've recently been
10 involved in work in overseas and Egypt, also
11 some exceptional circumstances, and so there's
12 some parallels there as well.

13 I thought that it might be useful to
14 provide some sense of context about where the
15 industry has gone, where it's heading, and get a
16 sense of kind of what that means relative to
17 where Jefferson County is.

18 The industry has really faced some very
19 dramatic changes over the course of like the
20 last decade or so. There's been a substantial
21 withdrawal of federal funding support. Back in
22 the 1970s, there were grants that were available
23 that funded large wastewater treatment plant

1 investments. Those grants are very few and far
2 between now. Most of the federal funding
3 support is in the form of loans and that has
4 diminished rather substantially. At the same
5 time, the industry is coming to a growing
6 recognition that it has an awful lot of aged
7 infrastructure that is in the ground and is
8 depreciating and will require renewal,
9 rehabilitation and replacements.

10 And really much of the consent decree
11 work that has happened has been a result of
12 situations in which communities have not
13 invested enough in the renewal and
14 rehabilitation of their aged infrastructure.
15 They've had capacity problems, overflow
16 problems, problems with pollution into rivers
17 and streams, and as a consequence, the
18 Environmental Protection Agency and State
19 environmental agencies have basically enforced
20 consent decrees to require the fixing up of
21 those systems. And that's certainly what has --
22 what was this case for Jefferson County, which
23 is very similar to many other communities who

1 face consent decree programs in the 1990s, and
2 were put under consent decrees to make those
3 sorts of changes.

4 Another major challenge that is again
5 causing difficulties is, in the -- at the same
6 time as we have aging of infrastructure of our
7 existing infrastructure, there is increasingly
8 stringent regulatory requirements. These keep
9 changing and so forth. And so there are, for
10 example, regulations that will affect the
11 pollutant discharges that sewer systems can put
12 into the rivers and are extremely expensive to
13 meet those new regulatory requirements.

14 Also, lots of things that are happening
15 in this industry, looking at sustainability
16 sorts of dynamics, there are, in fact, a couple
17 of utilities that are net energy producers
18 because they are, in fact, using bio solids as a
19 fuel source to generate their -- generate
20 electricity.

21 And one of the things that I think is
22 characteristic about the industry, over the long
23 term, over the last number of decades is that it

1 has basically been a historically underpriced
2 service. In part because of those grant
3 programs that occurred back in the 1970s and so
4 forth. Lots of that -- of those grants resulted
5 in relatively underpricing of services. And
6 this is -- again, I want to make sure that we
7 understand, this is a characterization of the
8 industry in general. This is not specifically
9 about Jefferson County. We'll talk a bit about
10 Jefferson County later. But I want to give you
11 a sense of context about where we stand. And,
12 in fact, those drivers have resulted in
13 wastewater rates increasing at roughly double
14 the rate of inflation over about the last decade
15 or so. And are projected to continue to
16 increase at roughly double the rate of inflation
17 for probably another decade, as utilities deal
18 with this aging infrastructure, and as they deal
19 with increasingly stringent regulatory
20 requirements.

21 Now, Jefferson County has had rate
22 increases that have well-exceeded even those
23 trends, historically. And that's why you end up

1 in a situation where now your sewer bills are
2 relatively high, relative to many other
3 communities throughout the country. You've had
4 a number of rate increases over the last -- oh,
5 last decade or so, and that has placed you
6 relatively high. This is a sewer bill
7 comparison of residential wastewater bills for a
8 10 CCF user, that's a bit higher than your
9 average water use. And these are, of course,
10 selected cities, that are water and wastewater
11 survey for 2010. So this is really reflecting
12 2009 information. And you see that Jefferson
13 County is one of the relatively higher sewer
14 bills for residential customers. And again,
15 that's a consequence of a number of rate
16 increases that occurred over the last several
17 years that have placed you in a situation that
18 we're basically driven by the consent decree
19 program that was financed sometime ago.

20 So this is where your rates stand right
21 now. You have a basic rate structure. This
22 rate structure, basically, had -- provides for a
23 minimum charge of two dollars for a five-eighths

1 inch leader and increasing minimum charges, but
2 really the rates are basically driven by charges
3 for a uniform -- for water usage.

4 And again, one thing that's very
5 important to note is that sewer bills are based
6 on water usage. So what the utility does is it
7 takes that water usage for residential
8 customers, it multiplies that by 85 percent or
9 basically gives a 15 percent, if you will,
10 credit reflecting the fact that many residential
11 customers, not all of their water usage is going
12 to be going to the wastewater system, it's going
13 to be used for lawn watering and other sorts of
14 things. So what it's trying to do is capture
15 the amount of water use that's returned to the
16 sewer system, and then it's charging on the
17 basis of that water usage. And it charges \$7.40
18 per hundred cubic feet, which is 748 gallons, I
19 believe, of water use.

20 Commercial customers don't -- are not
21 provided that 15 percent watering credit, and
22 that's the basic rate structure that you're
23 going forward with. So, just to make sure we

1 understand the arithmetic of the sewer rates.
2 So you have a minimum charge, that's again \$2.00
3 for five-eighths inch residential meter. You
4 have volumetric charges, again based on water
5 use; 85 percent for water use for residential,
6 100 percent for nonresidential. So, for
7 example, if we're talking about that 10 CCF, 100
8 cubic foot customer, the way that we would
9 calculate their bill is 10 CCF multiply it by 85
10 percent, so we get 8.5 CCF times the \$7.40 is
11 equal to \$62.90. And again, that 10 CCF is
12 above average for Jefferson County, in terms of
13 water usage. But it is that reference point
14 that we looked at when we saw those bill
15 comparisons. I don't want you to necessarily
16 believe me, so we provided a couple of actual
17 screen captures of actual sewer bills. So this
18 is what, at least, one of the sewer bills looks
19 like. This is for a customer who didn't use any
20 water. So again they are charged a minimum
21 charge of \$2.00 for their usage.

22 Now, one of the things to note is, in
23 contrast you see for the water system, they have

1 a base charge of \$17.34. It's a pretty striking
2 difference that you see for customers not using
3 any water. Differences in the way that the rate
4 structure is done between water and sewer,
5 between these two particular utilities. Look at
6 another one, let's look at a customer that's a
7 CCF water user. That's a little bit closer to
8 the systemwide average. They have a sewer
9 charge at \$7.40, they get their water -- less
10 watering credit of 15 percent, and so their
11 total charges are \$44.03. Okay. It's basically
12 seven times the \$7.40.

13 So that's the basics, basic arithmetic
14 and some sense of where things are when you
15 think about water utility rates; where they're
16 going and how you calculate yours currently here
17 in Jefferson County.

18 What do the water rates pay for?
19 Water, wastewater rates basically are paying for
20 primarily sewer utility capital finance. This
21 is true not just for Jefferson County, but one
22 of the things that is very characteristic about
23 sewer utilities, both water and sewer utilities,

1 is water and sewer systems are the most capital
2 intensive of all utilities; more so than
3 telephone; more so than electric; more so than
4 gas. It's very, very expensive to have pipes
5 placed into the ground and to treat wastewater.
6 So this is the most capital intensive utility of
7 all the utilities that you can think of. And so
8 that's really what drives the rate revenue
9 requirements for sewer systems.

10 In Jefferson County, as is true for
11 many other utilities, they have been confronted
12 by enforcement actions. These are the
13 enforcement actions that have resulted in
14 consent decrees. These consent decrees are
15 basically an agreement entered into with parties
16 to litigation that come about in litigation
17 where parties have sued over violations of The
18 Clean Water Act. And so a consent decree is an
19 agreement between the utility and typically the
20 U.S. Environmental Protection Agency, the State
21 Regulatory Agency, and oftentimes local
22 nongovernmental organizations who are interested
23 in coming to agreement about how problems with

1 violations of The Clean Water Act will be cured.

2 In many utilities, many communities
3 across the country, this has amounted to
4 agreements for the expenditure of billions of
5 dollars. I personally have said I've been
6 involved in negotiations with five or six
7 different utilities, and they are all confronted
8 with billions of dollars of expenditure. So the
9 numbers are, in many cases, quite staggering,
10 and that has been the experience of Jefferson
11 County. So it is a very difficult circumstance,
12 and there is likely little solace in
13 understanding that others have faced this as
14 well.

15 And if you go back and were to look at
16 those current sewer bill comparisons, those ones
17 that are at the top of the page that had the
18 highest sewer bills in the country, are
19 communities that have been well on their way
20 towards completing those major multi-billion
21 dollar consent decree programs. Perhaps the
22 most significant example is the City of Atlanta
23 for whom I have worked for for many, many years,

1 and they are completing a three billion
2 dollar -- three billion dollar plus consent
3 decree program. It's been extraordinarily
4 painful.

5 One also has to recognize that it is
6 easy to become myopically focused on just the
7 consent decree requirements. I'm thinking
8 about, okay, we've got to just do the consent
9 decree work. And it is important to understand
10 that there are annual renewal and rehabilitation
11 requirements necessary to basically maintain a
12 system and keep it in good working order on an
13 ongoing basis. So it is very important as we
14 think about capital financing, we recognize
15 there is consent decree requirements, there are
16 annual renewal and rehabilitation requirements.
17 And what often happens is, there are
18 requirements to either expand or upgrade major
19 treatment plants, for example. And so what
20 typically happens is, there is amiss of
21 requirements. Some of them are annual
22 requirements, and some of them are what
23 economists might refer to as lumpy investments,

1 big expenditures that need to happen on a
2 relatively infrequent basis in order to be able
3 to provide upgrades in treatment plants or to
4 make major system investments.

5 This presents some interesting
6 challenges in terms of how to establish a plan
7 of finance for that capital, which again is the
8 big driver of sewer rates. And so one looks to
9 sources of financing. There are a whole host of
10 different options out there for financing of
11 wastewater infrastructure. But most of them
12 come down to three or four kind of major options
13 which most utilities are using for the vast
14 majority of the expenditure required for sewer
15 system work. These amount to funding through
16 current revenues. So the revenue that's
17 collected from sewer bills, you essentially use
18 to pay on a pay-as-you-go cash basis for certain
19 capital expenditures.

20 Alternative, you might look at forms of
21 debt. And the most commonly used, again this is
22 industry wide, are revenue bond debt. And some
23 utilities also use general obligation bonds.

1 Revenue binds being a pledge of the revenues of
2 the sewer system to pay for the capital
3 improvements that are being financed.

4 Another form of debt are forms of loans
5 and again where the Federal Government has moved
6 its support to is in funding state revolving
7 loan programs, where the state administers
8 subsidized loans, low interest loans for funding
9 of wastewater infrastructure. And again, one
10 other option is grants. There's been a fair
11 amount of discussion among some of the parties
12 in the litigation about the accessing of grants.
13 One thing to note when we talk about grants, and
14 there's no question, grants are a great source
15 of funding, because you don't have to pay them
16 back, and so they're great. But, so this is a
17 little bit hard to read, but what you'll see is
18 in the black, there were construction grants.
19 And you see that basically the volume of
20 construction grants, this is on the left hand
21 side is, this is the investment cost and this is
22 in billions of dollars from the U.S. EPA. So
23 this is basically an amount of federal dollars

1 that were being used to support wastewater
2 infrastructures. And note that the bars in the
3 black, which is the left side, were the grants.
4 Then the blue bars is the state revolving fund.
5 And what you see here is that basically the
6 amount of grant funding was very significant in
7 the '70s and '80s, and even up until about 1990.
8 But for all intents and purposes, federal grants
9 have largely gone away, so there is not a lot of
10 grant money out there.

11 I can tell you also in the experience
12 of the City of Atlanta, and I've been working
13 there since 2001, the City of Atlanta had hoped
14 to receive grants of several hundred millions of
15 dollars for their consent decree program. To
16 date, I think they've received less than 20
17 million. So while there's lots of talk about
18 going out and getting federal grants, it's
19 unlikely that those will be available. So what
20 are some of the strategic approaches to how to
21 go about using these various funding sources in
22 order to be able to finance capital?

23 And again, this is how you might do it

1 for -- if I was to advise a sewer utility about
2 generally their strategic approach as to how
3 they would go about financing capital, my
4 thinking is, that one should fund annual renewal
5 and rehabilitation and reinvestments through
6 current revenues. Why do that?

7 Well, if you have an annual
8 requirement, if you need to spend 5, 10, 15,
9 whatever the number is, millions of dollars on
10 an annual basis to provide for appropriate
11 renewal and rehabilitation of pipelines and so
12 forth, then you already have a smooth pattern of
13 expenditure. What debt does it enables you
14 to basically spread the cost of infrastructure
15 investments over a longer period of time. So
16 one would use debt, whether that's revenue bonds
17 or loans for lumpy, infrequent major
18 investments, things like a major treatment plant
19 expansion. So you can -- so if you have a major
20 treatment plant expansion, that's 50 million
21 dollars, let's say, you can spread the cost of
22 that 50 million dollars expenditure, you have to
23 make relatively infrequently over the life of

1 that asset.

2 So strategically, that's kind of the --
3 what sort of makes sense, in terms of how you
4 might approach financing the capital that is the
5 big cost item for wastewater utilities.

6 When we talk about debt, it also makes
7 sense to establish some sort of portfolio of
8 debt instruments, so you're not using only
9 revenue bonds or only loans, but using a mix of
10 those sorts of instruments as a means of
11 managing your costs, as well as managing your
12 risks associated with participating in a revenue
13 bond issue or another form of debt issue.

14 When we talk about bonds and debt, it's
15 important to understand that, number one, that
16 is the primary mechanism by which Jefferson
17 County has funded its sewer system improvements.
18 Also know that what we're talking about when we
19 talk about debt is we're talking about a
20 situation in which the County and really anybody
21 who issues debt enters into a contract, this is
22 referred to as the indenture. The indenture
23 basically establishes the parties to the

1 agreement. You have Jefferson County in one
2 hand and the trustee on another hand, who is the
3 debt holder's representative.

4 Jefferson County in that arrangement,
5 basically pledges payment of debt service
6 through the system revenues. If it's a revenue
7 bind, they're basically saying the revenues from
8 the wastewater system will be used to pay the
9 debt service, which is basically like a mortgage
10 payment, it's your payment for -- your annual
11 payment for the money that was provided to fund
12 the infrastructure investment.

13 It also creates a lien of property
14 interest in that revenue stream. Property
15 interest in the revenue stream, not in the
16 actual assets. And typically, these indentures
17 will create some sort of, what most people refer
18 to as a waterfall provision; that says as money
19 comes into the system, it first goes to one
20 fund, revenue fund, debt service reserve fund
21 and so forth to establish where money comes into
22 the system and how it is deployed, how it is
23 used to fund different components.

1 It also, and perhaps most
2 significantly, it contains what is often
3 referred to as a rate covenant. And that
4 basically says that Jefferson County, or whoever
5 is the contract party will, whatever the utility
6 is, will raise rates to meet their obligations.
7 So when we talk about bonded indebtedness, we're
8 talking about entering into a contract in which
9 the County has basically pledged revenues to pay
10 for the debt service. It also basically says
11 that the rate -- the revenues will be created,
12 will be generated such to provide for adequate
13 debt service coverage. And what this means is
14 that the net revenues -- when we talk about net
15 revenues available for debt service what we're
16 talking about is, you take the revenues of the
17 system, minus the operating expenses, what's
18 left should be at least equal to, and then under
19 the covenant, more than the annual debt service
20 requirements. That covenant provision basically
21 provides some measure of security for the bond
22 holders.

23 In some cases -- in the case of

1 Jefferson County, there is two debt service
2 coverage provisions. One of them basically says
3 that the net revenues, plus prior year surplus,
4 will be at least equal to 110 percent of debt
5 service requirements for the subsequent year.
6 And that just the net revenues will be greater
7 to and equal to the debt service requirements.
8 I will tell you that these are relatively
9 limited covenant provisions. I have worked for
10 many utilities where the requirement is to
11 achieve 120 percent, 125 percent of debt service
12 requirements. What is also typically the case
13 is that utilities will seek to target to achieve
14 a higher level than simply the debt service
15 responsibilities in order to do a couple of
16 things. One is to ensure that they can make
17 their payments and, two, to provide funding for
18 other needs.

19 So that's kind of where we stand when
20 we talk about capital financing. And again, I
21 talked about that initially in order to be able
22 to provide some, again, sense of context of what
23 is the big driver behind what is the rate

1 revenue response to this. What are -- what is
2 the cost that really need to be covered when
3 we're talking about sewer rates?

4 And we then just talk more generally
5 also about general rate setting principals, what
6 we do when we go about setting sewer rates.
7 Again, these principles are somewhat established
8 through manuals of practice that are available
9 in the water and wastewater industry. So you
10 see on the screen copies of principles of water
11 rates, fees and charges, which is the water
12 manual of practice and the financing and charges
13 for wastewater systems, which is the sewer
14 manual of practice for rate setting. And I've
15 been involved in authorship of both those
16 manuals, and they both basically have a few
17 basic fundamentals.

18 What they attempt to do is they
19 basically determine what are the system cost
20 factors, what's driving the cost of the systems?
21 They then say we need a, you know, to group
22 customers with similar usage characteristics.
23 So what we often see with sewer rates is, or

1 water rates is, customers classified as
2 residential customers, nonresidential customers,
3 commercial, industrial, and so forth.

4 Those customer classifications are
5 developed because there is the understanding
6 that oftentimes residential customers use the
7 sewer system differently than commercial
8 customers or industrial customers for a variety
9 of different reasons.

10 Same thing on the water side,
11 residential customers use water differently than
12 commercial customers. And so on the cost to
13 serve those customers is different, and so what
14 we're trying to do is establish fair and
15 equitable rates, what we want to try to do is
16 provide rates that reflect the cost of service.
17 And so the idea is to then allocate costs to
18 those customer classes in proportion to their
19 system demands. So, I don't want to bore you
20 too much with the grinding details of cost of
21 service analysis; and believe me, it is
22 grinding. It's a basic three-step process that
23 we can -- that rate guys like me can manage to

1 make exceptionally complicated. So I'm going to
2 just try to give you the bird's eye view.

3 Basically the process is a -- is the
4 process by which the first thing you do is
5 determine what are the annual revenue to be
6 recovered from user charges; how much money
7 needs to be generated from rates? So we
8 basically look at what are the costs of the
9 system, we subtract off other sources of
10 revenue, and we determine, and that's what needs
11 to be covered through rates.

12 We then go through a cost allocation
13 process. We allocate cost of system functions.
14 We allocate costs between what are called joint
15 and specific costs, which basically says if I
16 may -- for example, if I have a pipeline that is
17 serving only a single industrial user, I would
18 say that that's specifically assignable cost to
19 just that industry.

20 Most costs are joint costs, everybody's
21 sort of shares in. The cost, for example, of
22 the treatment plants are joint costs that
23 everybody shares in based on how much demand

1 they place on those systems.

2 We then allocate the cost of those

3 customer classes, residential, commercial,

4 industrial, and establish rates to recover that

5 allocated cost responsibility. When I mentioned

6 to you that it gets complicated, it can get kind

7 of complicated. But I wanted to speak to you

8 about the basic starting point. The starting

9 point is revenue requirements, that first box,

10 annual revenues to be recovered from the

11 financial planning. How much money do we need

12 to generate. It's basically comprised of three

13 fundamental components; operating expenses,

14 future capital expenses, and debt service. And

15 when we talked about the future capital

16 expenses, that's the kind of thing that I had

17 mentioned before that you would typically want

18 to finance through current revenues. It's the

19 annual reinvestment requirements in the system

20 necessary to make sure that you're providing for

21 adequate renewal and rehabilitation of your

22 system assets, then you don't go to a -- go

23 through a process where you're only funding the

1 major system investments and other things are
2 let go. Some other considerations, many other
3 utility systems also have other expenses. They
4 have, for example, payments in lieu of taxes or
5 franchise fees, which are basically monies that
6 go from the utility to the system general funds.

7 There are concerns about compliance
8 with financial policies. So we make sure that
9 we establish rates that will generate adequate
10 revenue to meet financial performance metrics,
11 things like making sure that you have an
12 adequate fund balance, so that you are in a
13 position to pay for an emergency circumstance.
14 Pumps go out, a flood occurs, you need to
15 basically make sure that you are in a position
16 to restore service as quickly as possible as
17 this is a vital utility service.

18 So there's a certain amount of money
19 that is needed to be retained in fund balance in
20 order to be able to be in a position to properly
21 manage the system.

22 Other financial policies are often
23 related to, as I mentioned, targeting the level

1 of debt service coverage; how much money do you
2 need to have in place in order to be able to
3 ensure that you are able to meet your debt
4 obligations?

5 Once we've established those basic
6 revenue requirements, as I said, things get
7 complicated. So this is a pictorial
8 representation of multiples of long difficult
9 spreadsheets. But the basic process is this; we
10 go through a process that says how much money is
11 used for different functions?

12 COMMISSIONER BOWMAN: Where is the
13 money going in?

14 MR. ROTHSTEIN: Where is the money
15 going in?

16 COMMISSIONER BOWMAN: Let's get to the
17 chase, let's get to the bottom. Where does the
18 money go?

19 MR. ROTHSTEIN: Where does it go?

20 COMMISSIONER BOWMAN: Yeah.

21 MR. ROTHSTEIN: Well, we go through
22 this process, and we basically determine how
23 much revenue needs to be collected from

1 different customer groups. So we go through
2 this cost allocation process and we allocate
3 costs in this fashion, and we determine, here is
4 a unit cost, here is how much it costs to handle
5 a pond of pollutant. Here's how much it costs
6 to handle a thousand gallons of wastewater. And
7 then we basically say, here's the rate that
8 needs to be charged to recover those costs.

9 So when you ask where's the money go,
10 the money's coming into the system to pay for
11 the costs of the system. So when we collect --

12 COMMISSIONER BOWMAN: And to pay for
13 the cost of the maintenance of the system as
14 well.

15 MR. ROTHSTEIN: When we talk about this
16 cost allocation process, all of the costs, all
17 of the costs of the utility system, that
18 includes operating expenses, it includes the
19 cost of annual renewal and revocation; and it
20 includes operating expenses; includes salaries;
21 includes supplies; includes electricity;
22 includes pumping; includes all that sort of
23 stuff.

1 COMMISSIONER BOWMAN: It gets
2 reinvested in the community in the people that
3 are actually living in the service. I
4 understand that part. I understand that part.
5 Where it affects the people is on the
6 bill, that very same bill that you were talking
7 about, because the rates. No matter where we
8 go, we cannot pay more than we take in. I don't
9 care how you shake it. I don't care how you
10 slice it.

11 MR. ROTHSTEIN: That's correct.

12 COMMISSIONER BOWMAN: We can't pay more
13 than we take in. So if that is a constant or
14 has been a constant for the last couple of
15 years, instead of constant, agree on a number,
16 set a rate, and then let's go on. Let's rebuild
17 this County. This is draining the County. I'm
18 looking for a settlement. I'm looking for a
19 solution. The soonest solution, so that this --
20 so that we don't have to waste our time talking
21 about paying our sewer bill. You know, it's
22 embarrassing when I travel around the country
23 and, you know, folks want to know what's going

1 on, and I have to say well, you know, the
2 biggest thing we're dealing with is sewer debt.
3 And then I have to go through explaining that.

4 But my point to you is -- and I
5 understand, you're explaining the system that
6 few of us understand or deal with on a daily
7 basis; where it affects us is it affects our
8 pocket books when we get a bill that we have to
9 pay. You know, we're creatures, I mean, we're
10 creatures, we're people. And we must have
11 water, and we must have sanitation. That's a
12 given. That's the society that we live in.
13 We're going to have it.

14 Now, it's just the cost. And for us
15 here in Jefferson County, in addition to
16 everything else that we're dealing with, have
17 faced ever escalating costs. But our price, our
18 standard of living has not kept up with that
19 same escalation. As a matter of fact, as our
20 standard of living has gone down, our costs have
21 gone up, and it's hurting families. But we need
22 to stabilize it, stop it, or in my opinion, in
23 case you ask me, I don't know whether you did or

1 not.

2 MR. ROTHSTEIN: Please.

3 COMMISSIONER BOWMAN: But I will tell
4 you that we need to reduce rates, reduce rates
5 by 20 percent for everybody 'til the end of the
6 year. You want to make some happy people; you
7 want to find some friends; you tell them their
8 sewer bill has been reduced by 20 percent for
9 the rest of the year. Now, that's a cost, yes.

10 My only suggestion is that we add that
11 cost to the back end of the loan, and give these
12 people a break. We've been through two
13 tornados, a bankrupt County. We've been laying
14 off five -- upwards of 500 people. We need to
15 turn this around. And we need help from the
16 people that are requiring us to pay this cost to
17 do that. And I'm asking you, as a part of your
18 presentation, and the people that you deal with,
19 because I know you do, because nobody
20 understands this stuff like you do, that's
21 clear. On this, you're the smartest guy in the
22 room, I give you that. But what I'm telling you
23 is that as a County Commissioner, this County

1 needs help, and we need help soon.

2 We're going to agree on a number
3 somewhere. I don't care whether it's 1.6, 1.7,
4 where, let's agree on a number, and then let's
5 move on.

6 COMMISSIONER BROWN: Commissioner, let
7 me interrupt. Mr. Eric Rothstein is here as a
8 financial planner expert for this public
9 hearing. He cannot set rate. He cannot tell us
10 the rate to set. After the three public
11 hearings, then we as a Commission have another
12 meeting, and the Commissioner will be on the
13 Commission to set that rate, so we need to allow
14 Mr. Rothstein to finish his presentation, and I
15 will hope that Commissioners will not interrupt
16 so that we can finish up, and then hear the
17 public comments at the end.

18 That's the way this hearing is to be
19 set up, and that's the way -- we are following
20 the same guidelines we did at the last hearing.

21 MR. ROTHSTEIN: Commissioner, I'm very
22 sympathetic to your concerns.

23 COMMISSIONER BROWN: I'm sympathetic,

1 too. The only way to keep --

2 MR. ROTHSTEIN: I'm very sympathetic to
3 your concerns. And some of the points that
4 you've raised are exactly the points that I have
5 raised in other consent decree negotiations;
6 issues about rates that have been increasing and
7 concerns about income not growing at the same
8 kind of pace. So I certainly understand your
9 concern.

10 One of the things that I'm trying to
11 articulate here is there are some established
12 methodologies to, basically, identify how to
13 distribute that cost responsibility to different
14 sorts of customers. This cost allocation
15 process, it's very detailed and you should not
16 be worried -- you should not have to think about
17 getting into the nitty gritty details. I'm only
18 trying to convey to you this; that we do have
19 some well-established industry practices for
20 trying to ensure a fair and equitable
21 distribution of costs responsibilities across
22 different types of customers.

23 We -- although we have a fundamental

1 problem, which we will talk about in just a
2 minute, it's talking about the Jefferson County
3 situation, which is the definition of those
4 costs, and that is at the heart of the problem.
5 So let me move on, and we'll get there.

6 All of this goes to figuring out how do
7 we establish rates based on information that we
8 know. The information that we know is how much
9 -- how much water people used.

10 We also have some indication of the
11 relative strength of the sewage they contribute.
12 Now one of the things I want you to keep in mind
13 is this; right now you have sewage rates that
14 charge the same sewer cost, \$7.40 per CCF, no
15 matter what type of user you are. So one of the
16 things that we might look at are differences in
17 the characteristics of the sewage that's
18 contributed into the system.

19 In short, residential customers don't
20 contribute as strong sewage as commercial and
21 industrial customers. So one of the things we
22 might want to think about is some sort of
23 strength differentiated rates, again to try to

1 get at equitable distribution of cost
2 responsibilities.

3 So that's the sorts of things that we
4 look at, because we've allocated all these costs
5 to these different factors, to these different
6 service characteristics, in order to be able to
7 have a measure of confidence that we're
8 distributing cost responsibilities as equitably
9 as possible. We still have that fundamental
10 question; how much is the cost that we are
11 facing? So let's get to that.

12 Before we do so, I just want to give
13 you a quick, quick review of what are the ways
14 in which we collect that dollar -- those
15 dollars, because there's lots of different ways
16 to do this. Wastewater rates --

17 COMMISSIONER BOWMAN: But we usually
18 don't do that. We usually just pay the number
19 at the bottom of the bill.

20 MR. ROTHSTEIN: Right, but the way that
21 that number at the bottom of the bill is
22 calculated --

23 COMMISSIONER BOWMAN: Do you know

1 anybody that argues those are the numbers?

2 MR. ROTHSTEIN: Absolutely.

3 Absolutely.

4 COMMISSIONER BOWMAN: You must -- you
5 are in a minority. I'm serious. I don't know
6 anybody that does that.

7 MR. ROTHSTEIN: Well, let me ask -- let
8 me suggest this. For example, there are a
9 number of communities who apply a fixed charge
10 for a sewer service. So, for example, in fact
11 here in Jefferson County, you saw on the water
12 bill \$17.34, I think it was, for the customer
13 who uses no water.

14 I would -- I am here to suggest to you
15 that if, in fact, you had that same charge on
16 the sewer bill for no water usage, that there
17 would be people who would be concerned about the
18 components of the bill, so how we go about
19 calculating it, how we go about structuring to
20 get to the bottom line can be really important.
21 And the reason it can be really important is it
22 can have differential impacts on different types
23 of customers. Small volume users versus high

1 volume users. Customers that are home or not.

2 So we do have to have some approach.

3 COMMISSIONER BOWMAN: Conservation.

4 MR. ROTHSTEIN: Conservation.

5 COMMISSIONER BOWMAN: You mentioned it
6 earlier, conservation is the key; the amount of
7 water that a family uses, whether it's a family
8 of four with children, whether they're young
9 children or whether they're in school, the
10 amount of water they use varies. The amount of
11 water people use in just brushing their teeth.
12 I saw a demonstration on that, I don't know how
13 much water is wasted with people just running
14 water while they're brushing their teeth.
15 Water's just pouring down into the sewer. They
16 suggest that you just turn it on quickly to wet
17 your toothbrush, then turn it off, then brush
18 your teeth, then gargle at the end; that you
19 save something like gallons and gallons of water
20 every day that you really don't know, because
21 you just turn it on and let it run down. I've
22 seen water conservation. I understand it. I've
23 been to Egypt, like you have. I've been there

1 multiple times. There's a value for water that
2 they have there in that region that we don't
3 have. Water, we take for granted. It's always
4 here, it's always on. We turn it on, let it
5 run, we don't care. There, water is a valuable
6 commodity, and they will do whatever's necessary
7 to protect it. They've had this issue for
8 generations. For us, it's a little different
9 mindset.

10 But what I'm trying to convey to you, I
11 understand what you're saying, and this is very
12 important, but I'm trying to get it to where
13 people relate to what you're doing and what
14 you're saying. And what they're seeing is that
15 that number at the bottom that doesn't concern
16 you, it concerns me, that number at the bottom
17 keeps rising. That's the number they have to
18 pay. They know that. That number keeps rising.
19 Now, whether that's water, whether that's
20 sewage, you know, sometimes one is up, the
21 other's down. The number still keeps rising
22 nevertheless and that's the amount that they
23 have to pay. This, I'm saying, is too much.

1 We've had more than 329 percent in the last ten
2 years; when is it going to stop? How much do
3 you have to have? How much do you have to have?

4 COMMISSIONER BROWN: Let me --

5 COMMISSIONER BOWMAN: You know, you can
6 either choose to ring a mop or you can plant a
7 garden, it's your choice.

8 COMMISSIONER BROWN: Commissioner, if
9 it's in order attorneys, we will break at this
10 time and we'll come back and finish up the
11 presentation in a few minutes. Let's have a
12 five-minute break.

13 JUDGE CARROLL: While you're there, if
14 you want to sign up for a speaking engagement
15 when we go to public comments when Mr. Rothstein
16 is finished, we'll go directly to public
17 comments; if you want to sign up on the sheet,
18 please do now.

19 (Pause in proceedings.)

20 MR. ROTHSTEIN: Given that things are a
21 little behind schedule, what I've done is I've
22 skipped forward to talk specifically about the
23 Jefferson County situation. There is some

1 additional slides that we'll place in the record
2 that's part of my presentation that just goes
3 through some of the basics of the different kind
4 of rate forums and considerations involved in
5 designing rates for sewer service. Let's talk a
6 little bit about the Jefferson County situation.
7 It is a very difficult situation. And so I
8 don't want to put any lipstick on the pig, if
9 you will.

10 There are a variety of unique factors
11 that impact the revenue requirements, the cost
12 of the system in Jefferson County that are
13 atypical, they are not what you see elsewhere in
14 the country.

15 When you think about the historical
16 development of the Jefferson County system, the
17 prospector, the process of consolidation of a
18 diverse set of different sewer systems of
19 varying quality is a very difficult set of
20 circumstances for a consolidated system to try
21 to handle. It is providing a distort of
22 information on the balance sheet. It is causing
23 a great deal of challenges for the heroic

1 individuals who are currently involved in
2 operating the sewer system dealing, with all
3 kinds of different just day-to-day challenges of
4 a hodgepodge of old systems.

5 A much has been made about the prospect
6 by which the system was developed in which
7 households that wanted to were allowed to stay
8 on septic systems, rather than connecting to the
9 centralized wastewater system. Basically
10 resulting in not revenue associated with those
11 available new connections. Most other
12 communities, if sewer service is available,
13 there are requirements to connect to the system.

14 It is really the only way in which the
15 economics of centralized wastewater service are
16 manageable. That was not the case here in
17 Jefferson County. And much has been made, and I
18 don't want to belabor, you have had a difficult
19 consent decree. As I suggested, there are many
20 communities that have had consent decrees, but I
21 don't know of another community that has
22 suffered the challenges associated with the
23 graft and corruption that have resulted in huge

1 costs associated with that consent decree
2 compliance.

3 You have excellent wastewater treatment
4 plants. Ones that when peak performance works
5 and people that are running those plants that
6 are doing an excellent job, but the cost of the
7 installation of those facilities was
8 extraordinary. As a result, and as a result of
9 a variety of other factors we'll talk about,
10 there is a bankruptcy. And bankruptcies are not
11 cheap. There are incredible costs associated
12 with a bankruptcy.

13 There are legal costs and perhaps most
14 difficult is you essentially have no access or
15 limited access to credit markets. So those
16 primary options that are available to finance
17 capital on a going-forward basis are not
18 available to you.

19 The revenue bonds, general obligation
20 bonds are not available to you. That puts a
21 tremendous strain on the sewer system to be able
22 to move forward on a going-forward basis and
23 finance what needs to be put into the system.

1 And as we've talked about, and we'll talk about
2 a little bit more right now, the amount of debt
3 that was incurred to finance these consent
4 decree costs and other costs is extraordinary
5 and the portfolio of indebtedness that the
6 County entered into was quite atypical, was not
7 what it normally would be done and has resulted
8 in some extraordinary difficulties. Let me
9 speak a little bit further about those
10 extraordinary difficulties.

11 Jefferson County has some -- one of the
12 things we look at in rating utility credits,
13 when we talk about credits we're talking about
14 basically people that are going to and accessing
15 the credit markets, accessing the markets that
16 basically allow people to borrow money through
17 revenue bonds. There are -- you may have heard
18 of Moody's and Standard and Poor's and Fitch.
19 These are rating agencies that basically
20 evaluate utility credits, and they use these
21 kind of whacky credit systems that look at
22 triple A and double A and single A credits. I
23 mean if you're a triple A, you're better than a

1 double A, and that's better than an A.

2 One of the things that you look at when
3 -- what they do when they look at rating a
4 credit is that -- and this is just one of maybe
5 a couple dozen different metrics, is the median
6 values of total outstanding long-term debt per
7 customer or the amount of projected debt over
8 the next five years, because most of the time
9 utilities will go forward and present a
10 five-year forecast of their financials. And you
11 see the numbers basically for the triple A rated
12 credits are around 1,100 to 2 to \$1,793
13 depending on which of the metrics you look at,
14 and they're in this range of little over a
15 thousand to \$2,000.

16 In Jefferson County, you're an order of
17 magnitude higher. This is just an astonishing
18 number. One of the other difficulties is that
19 that debt was in an unusual debt form. It was
20 not standard, fixed rate, like a fixed rate sort
21 of mortgage kind of debt. Typically water and
22 wastewater utilities will basically have a debt
23 portfolio that looks like mostly fixed rate

1 borrowing. 85, 90, 95 percent of their debt
2 will be fixed rate. Kind of like a mortgage
3 payment. You do a fixed rate mortgage. And
4 maybe a little bit of the debt, 5 to 15 percent
5 would be in a variable debt rate instrument of
6 some kind, like a adjustable rate mortgage
7 that's triggered off of the conditions in the
8 marketplace.

9 Jefferson County is basically upside
10 down at 95 percent of their debt was in variable
11 rate instruments. What that meant was
12 extraordinary exposure to changes in credit
13 market conditions and credit markets changed.
14 We all are suffering the consequences of the
15 credit markets changing. The economic decline
16 that we are all suffering through. Many here,
17 much more so than others, is a function of the
18 credit markets changing rather dramatically.

19 One of the things that happened was
20 those folks who were involved, those firms that
21 were involved in the ensuring the debt that
22 Jefferson County entered into were downgraded.
23 They went from a triple A rating to a downgraded

1 rating, and that triggered a whole series of
2 unfortunate events. It triggered the need for
3 the County to essentially fund on a cash basis,
4 something like a hundred million dollars to be
5 put into debt service reserve fund. It
6 triggered the failure of auctions as different
7 parties who were holding the County's bonds,
8 wanted to get rid of them, because they were no
9 longer backed by triple A rated insurers. And
10 that variable rate had an acceleration
11 provision. It basically, once that debt went
12 from being bonded indebtedness to a bank
13 warrant, as those -- as that debt moved over,
14 debt that was scheduled to be paid off over 40
15 years was required to be paid off in four.
16 Think about your own personal mortgage; if you
17 had to pay it off all in four years.

18 It's just horrific. Those provisions
19 precipitated debt service requirements that
20 would have required Jefferson County to increase
21 its rates in excess of 300 percent in order to
22 be able to meet its debt service obligations and
23 comply with the rate covenants in its indenture.

1 Again, remember that is a contract. What I said
2 is an ugly circumstance, and we don't want to
3 put lipstick on the pig, this is what I'm
4 talking about.

5 So here we are, remember what that
6 basic revenue requirement is; what the basic
7 costs that all that cost allocation and all of
8 those rate structure issues are trying to deal
9 with, the very issues that we're talking about
10 here; we have to pay for operating expenses; we
11 cannot not pay for operating expenses. This is
12 a vital service. People can't do without sewer
13 service; so we have to pay for that.

14 Furthermore, I am personally of the
15 view that you have to pay for that annual
16 renewal and rehabilitation requirements. Those
17 annual capital expenses. There has been much
18 that has been awful about the way that this
19 system has been financed and has been
20 constructed. What, to me, would be even more
21 awful would to be -- go through the process of
22 going through all this pain and not taking
23 adequate care of the system that is in place now

1 and finding ourselves in situations of
2 noncompliance and further unneeded costs because
3 we let systems that we've paid so much money for
4 fall into disrepair.

5 And then we have a third set of costs,
6 which are uncertain, which is the debt service.
7 Three hundred -- in excess of 300 percent rate
8 increases. We talk about the impossibility of
9 curing the defaults. Three hundred percent rate
10 increases are simply not reasonable.

11 The receiver was put in charge of the
12 system at a point, John Young, who I thought did
13 a very commendable job in his -- in the
14 Receiver's report. He noted that raising rates
15 to a level sufficient to cure all defaults under
16 the indenture is almost certainly not feasible.

17 Also in his report, he basically talked
18 about analysis he had a consulting firm do that
19 looked at how one might go about retiring the
20 3.15 billion dollars of indebtedness. And he
21 says that shown in the table below, which I
22 haven't provided but is available, in just the
23 first five years, sewer user charges would have

1 to be increased a total of 220 percent with a
2 50.2 percent increase in 2012, another 42.7
3 percent in 2013, and a third 42.7 percent in
4 2014 followed by smaller increases in remaining
5 years. These are huge numbers.

6 One of the things I also want to point
7 out as you consider those percentages, keep in
8 mind Jefferson County's sewer rates currently
9 are not at the low end of the spectrum, they're
10 relatively high now. So when you talk about
11 percentage changes, you're talking about
12 percentage changes over a larger base. A 10
13 percent increase on \$10 is one dollar. A 10
14 percent increase on a hundred dollars is \$10.
15 We're more like the latter.

16 And so when people talk about major
17 rate increases that have occurred in the past, I
18 have personally been involved in some major rate
19 increase programs in Atlanta, in Honolulu and
20 otherwise. Those communities started from a
21 different place. Mr. Young also, in more recent
22 trial testimony, noted the 3 or 400 percent rate
23 increases that would be necessary to service the

1 full amount of outstanding sewer debt. In my
2 mind and in my professional judgment, that's
3 excessive.

4 He said even servicing around two
5 billion dollars in debt, again about a billion
6 dollars less than the 3.1 billion dollars that
7 was analyzed in the receiver's report would
8 require increases getting on the brink of
9 reasonableness. So we are faced with this
10 impossibility of curing defaults.

11 I want to also point out a couple of
12 other considerations when we think about curing
13 these defaults. Paying the debt as it's
14 currently scheduled is what we mean by curing
15 defaults. There's something called price
16 elasticity of demand, which is a fancy term that
17 economists use for basically saying when rates
18 increase so much, people stop using as much
19 water. Right? It's the same principle as
20 anything else that you buy. If a McDonald's
21 hamburger costs 15 bucks instead of 5, fewer
22 people would be buying McDonald's hamburgers.

23 So when we talk about these rate

1 increases in the huge orders of magnitude, we
2 have to understand that a 10 percent increase in
3 sewer rates is not going to mean a 10 percent
4 increase in revenue. There are price responses
5 as was noted. People in this community are
6 struggling with declining real income. There's
7 a income response. There are other kinds of
8 factors that will impact the amount of revenue
9 that may be generated from rate increases. In
10 addition, other stuff happens when sewer rates
11 get to be so difficult. Adverse behaviors,
12 theft, nonpayment, uncollectibles tend to
13 increase certainly. And certainly if you are a
14 water intensive business and have major
15 discharge of sewage, your decision to come to
16 Jefferson County may be impacted or to stay in
17 Jefferson County may be impacted by the sewer
18 system situation, only furthering the
19 difficulties.

20 We also face the basic requirement for
21 the Alabama Constitution to charge reasonable,
22 nondiscriminatory rates. But the rules and
23 regulations must be that. So the bottom line

1 is, I basically concur with John Young's earlier
2 conclusions. It's just not reasonable,
3 appropriate, or even likely even possible for
4 the County to increase rates to pay for the
5 outstanding debt as it becomes due and payable,
6 and to pay for the expenses of operating the
7 system in compliance with applicable law.

8 Again, when I talk about applicable law, keep in
9 mind those are current regulations.

10 We also have concerns about making sure
11 that we're able to comply with laws on a going
12 forward basis. So, that's the portrait of the
13 Jefferson County situation. We talked about
14 wanting to know what the costs are. The costs
15 are extraordinary. Very difficult. I would say
16 exceptional. And so we ask ourselves how do we
17 go about setting rates in exceptional times.

18 Perhaps regrettably, I have a certain
19 amount of experience with this, in part because
20 of my work in consent decrees. When I said
21 there are many communities that are facing
22 consent decrees, there are many communities
23 facing consent decrees, but it still is a

1 relatively unusual circumstance for utilities to
2 face multi-billion dollar capital financing
3 requirements.

4 One of the things that is done in
5 negotiating multi-billion dollar costs and how
6 to pay for multi-billion dollar costs is to
7 consider a number of different factors in sort
8 of scheduling out how you will generate adequate
9 revenues. We had the example of consent decree
10 negotiations where several communities have
11 determined -- have been determined to face a
12 high burden where they're projected rates will
13 be in excess of 2 percent of median household
14 income. And as a consequence, these communities
15 have been given longer periods of time to comply
16 with their consent decrees. EPA, five or six
17 years ago had never determined that any of the
18 communities; Atlanta, Honolulu, St. Louis,
19 Akron, none of these communities for whom I've
20 worked faced a high burden despite the fact that
21 they were looking at multi-billion dollar
22 consent decree programs. In the six years since
23 then, there has been something of a change.

1 They've recognized that communities facing that
2 kind of system investment need more time to
3 finance that capital. You can't do it all so
4 quickly.

5 At a point, EPA had refused to grant
6 anybody more than 20 years to comply with their
7 consent decrees. Jefferson County complied with
8 their consent decrees in shorter time than that.
9 So one of the things we might want to think
10 about is the time factor, as we think about what
11 is that debt service number.

12 One of the other things that is
13 characteristic about the consent decree
14 negotiations, and I think is absolutely critical
15 for the Commission, is when we were doing these
16 consent decree negotiations, we were involved in
17 a strategic financial planning process. We
18 looked out over the -- over a couple of decades,
19 two or three decade long period of times to make
20 projections of a financial situation. Now,
21 granted, financial projections at that time over
22 that kind of time frame are tenuous, but still
23 we looked at the overarching picture of the

1 requirements, and the fundamental there was it
2 was a holistic analysis. We looked at what are
3 all the needs that we need, what are all the
4 costs; salaries, new treatment plant upgrade
5 requirements to comply with regulations that are
6 coming about, as well as paying off the existing
7 debt service or future debt service.

8 And the folks that sign consent decrees
9 had an understanding of what was the end game,
10 what was the big picture. They didn't sign up
11 for something that says, will increase rates now
12 and start paying money, and we'll figure it out
13 later how much more we might owe. They didn't
14 sign the consent decree until they knew.

15 In fact, I was in a -- I helped my
16 friend at the City of Atlanta give a
17 presentation to the National Association of
18 Clean Water Agencies. It's a group that
19 basically is major metropolitan wastewater
20 providers, and told the City of Atlanta -- the
21 City of Atlanta signed the consent decree, one
22 of the very few a long time ago, signed a
23 consent decree, and they said they did not have

1 a financial plan, and you could feel the gasp of
2 the audience members, because people understood
3 that you need to have a financial plan, you need
4 to know the end game before you sign up for
5 investing billions of dollars.

6 Those consent decrees are what has
7 driven some of the biggest rate increases that
8 have occurred nationally. Those are the
9 exceptional circumstances. And, in fact,
10 Jefferson County is part of that group.

11 Jefferson County historically has done
12 14-and-a-half -- 14 percent average annual rate
13 increases between 1997 and 2008. That's why
14 your base is higher than the base of rate
15 increases that are quoted when you look at the
16 Atlanta's and the Honolulu's.

17 So, what might we do? We know the
18 consent decree is basically going to provide us
19 something of a lesson that says time is an
20 important consideration as we think about
21 developing some kind of plan to cure the
22 defaults. What are some of the other things we
23 might want to look at. Well, one thing that we

1 might want to look at is how private utilities
2 are regulated, because there have been some --
3 there are some interesting principles that we
4 might want to consider as we think about what
5 makes sense. Private utilities don't have the
6 same way of establishing their costs. They
7 don't add operating expenses and annual capital
8 expenses and debt service and come up with a
9 cash requirement that needs to be met through
10 revenues, through rate revenues. What they do
11 is they look at operating expenses and they look
12 at the amount of invested rate base, and
13 calculate a return on that invested rate base;
14 the concept being that those who've invested in
15 the system are entitled to receive a return on
16 their investment. One of the fundamental
17 principals of that is the rate of return is
18 earned on used and useful assets.

19 Another thing that's important to note
20 is that there are costs that may be disallowed
21 if found to be imprudently incurred. And I
22 quote here the NAROC model state protocol that
23 says a utility decision resulting in

1 expenditures or investments must have been
2 reasonable under the circumstances that were
3 known or knowable at the time the decision was
4 made.

5 So there is a precedent for disallowing
6 certain costs that a utility basically says need
7 to be recovered. Perhaps the most well known
8 examples of this are in nuclear power cost
9 overruns. So if we think about that, Jefferson
10 County's issues in that regulatory context, one
11 of the things you might want to look at is look
12 at, are there assets in the Jefferson County
13 system that are not used and useful?

14 Are there assets that are not really at
15 the value that's recorded in the fixed asset
16 records? Assets that were acquired under the
17 consolidations that may be really more of a
18 liability than an asset. Are there assets in
19 the system where the book value has been
20 artificially inflated because of the graft and
21 corruption that occurred. We may want to ask
22 ourselves, what would be the debt levels
23 associated with a reasonable prudently incurred

1 cost as opposed to where the system is now.

2 So these are some, at least,
3 considerations that we might want to look at
4 when we think about how to wrestle with the
5 uncertainty of managing under a situation where
6 we have the impossibility of curing the
7 defaults.

8 We also clearly have to recognize that
9 we have some laws that must be complied with as
10 we go forward. One of the most significant is
11 state constitution, that says the governing body
12 of Jefferson County shall have full power and
13 authority to manage, operate, control and
14 administer the sewers and plants herein provided
15 for, and to that end, may make reasonable and
16 nondiscriminatory rules and regulations fixing
17 rates and charges. Reasonable and
18 nondiscriminatory.

19 We also ought to think about that
20 contract that we went back to, because that's
21 part of what we're looking at. The County will
22 make from time-to-time to the extent permitted
23 by law. I just spoke to you about what some of

1 that law says. Reasonable and
2 nondiscriminatory. Such increases in other
3 changes and such rates and charges as may be
4 necessary to comply with the provisions of the
5 preceding paragraph, et cetera, et cetera.

6 So how do we go about thinking about
7 reasonable and nondiscriminatory? This is a
8 source of tremendous uncertainty. There is not
9 a bright line standard for reasonableness.
10 There is not some place that we can look to in
11 the law, in the indenture, anywhere that says
12 \$10 per CCF is reasonable and \$10.05 is not.

13 So we are not in a situation where we
14 can go someplace and look something up or
15 perform some calculation and define something as
16 being reasonable. We have to look to some other
17 metrics and judgments. One of the things we've
18 also have understood is that nondiscriminatory
19 rate requirements are interpreted to preclude
20 income indexed rates. So what can't be done is
21 charging more to rich people and less to poor
22 people; can't do it. That's discriminatory
23 rates. So the same reasonable rates need to be

1 applicable to everybody in the same class of
2 customers.

3 Also can't give service away for free.
4 Lots of people have asked for it. It'd be
5 great. Doesn't work. In fact, you have to
6 charge the rates that are generally applicable
7 to everybody. The indenture further requires
8 the County to fix, revise and maintain rates
9 sufficient to provide for payment of interest
10 premium, if any, and principal. Basically debt
11 service. Provide for the payment of operating
12 expenses, operating expenses. And enable the
13 County to perform and comply with all covenants.
14 You can see them typed, box word. This is a lot
15 of the stuff that deals with sort of the legal
16 considerations, if you will. There's some other
17 things that I think of when I think about sort
18 of practical considerations about, well, what
19 makes sense?

20 Reasonableness does not have a red line
21 standard, but most people have an understanding
22 of what's reasonable and what's not. Most
23 people understand that a 300 percent rate

1 increase is not reasonable. John Young
2 understood it; a 300 percent rate increase was
3 not reasonable. Commission certainly understood
4 that was unreasonable.

5 What seems more reasonable, just from a
6 sort of common sense kind of perspective is,
7 smooth, nondisruptive rate increases, people --
8 rate increases that people can plan for, people
9 can manage, people can understand. Rate
10 increases that don't ask customers to pay for
11 something that's not being used or some costs
12 that were not prudently incurred. People
13 understand, I think, that rates need to provide
14 funding for all three major components. It
15 doesn't make sense to set rates that will only
16 cover operating expenses but not pay for capital
17 expenses. It doesn't make sense to set rates
18 that will only pay for operating expenses and
19 debt service costs, but not provide for the
20 annual renewal and rehabilitation necessary to
21 keep the system in good working order. It
22 doesn't make sense to not pay for obligations
23 that you entered into by contract.

1 And most importantly, it doesn't make
2 sense to establish rates that deny customers
3 access to a vitally needed service required to
4 maintain public health. Sewer costs, the entire
5 spectrum of incomes.

6 So those are the things that I think
7 one has to consider when thinking about the
8 exceptional circumstances that Jefferson County
9 faces. Let me just end with a quick sense of
10 where we're going from here. So what do we plan
11 on doing; providing more information and some
12 numbers, the bottom line of your bill is to
13 refine the evaluations of O&M expenses and
14 annual R and R requirements.

15 One of the things that I think is
16 important to note; this County has spent a lot
17 of money on consultants, doing lots of different
18 evaluations of your costs. I don't think that
19 we need to do more. I think we should leverage
20 the information we have, refine it and update it
21 to the extent that we need to, and use the high
22 quality analysis that you've received already.

23 The receiver's report is a good

1 example. You've had rate studies done by a
2 number of high quality firms that have done
3 quality work. We can leverage that information.
4 We should also look at evaluating the recorded
5 asset values in the context of that use and
6 useful and prudence criteria and think about
7 what's the value of the system. And then we
8 come back to you with a rate structure proposal
9 for Commission consideration.

10 That rate structure proposal, I think,
11 should deal with some of the things that we
12 skipped over, not just talk about what are the
13 adjustments that may be necessary to generate
14 adequate revenue to meet those obligations, but
15 also look at some of the opportunities that
16 exist to improve the equity in the distribution
17 of costs responsibility. To look at things like
18 changes in customer classifications. To look at
19 how we might structure those rate designs to
20 provide some measures to limit the impacts of
21 rate changes on certain customers.

22 So there's a lot more to do as we think
23 about not just the question of what are the

1 overall costs, but the question of how to
2 distribute that cost responsibility to different
3 folks in order to be able to come up with a
4 tenable, manageable plan for dealing with this
5 exceptional circumstance. That's all.

6 JUDGE CARROLL: Let's thank Mr.
7 Rothstein. We're now going to shift gears to
8 the public presentation, your opportunity to
9 talk to the Commissioners about these rate
10 increases. The way we'll handle it will be use
11 a baseball analogy, we'll have a hitter and
12 somebody in the on-deck circle, so what I'm
13 going to do is call out the first two people who
14 are on the list of speakers, the deputy has the
15 microphone, first person on the list will take
16 the microphone, the next person will be in the
17 batter -- will be in the on-deck circle, and
18 then I'll call the next person out, and we'll
19 get in a rhythm that way.

20 Mr. Phillips, David Phillips?

21 MR. PHILLIPS: Archie Phillips.

22 JUDGE CARROLL: Okay, Mr. Archie
23 Phillips, sorry. Come on over, Mr. Phillips.

1 And Ms. Frankowski, are you here? Deanna
2 Frankowski.

3 MR. PHILLIPS: She's not.

4 JUDGE CARROLL: Okay. Anthony
5 Richardson. Mr. Richardson, if you come up and
6 be in the on-deck circle for --

7 SPEAKER: Yeah, Mr. Bowman's already
8 hit one out of the park, so you're up Archie.

9 JUDGE CARROLL: Go ahead, Mr. Phillips.
10 Thank you. And I'm sorry, there's the clock,
11 you got three minutes. This is the way we're
12 doing it, so go ahead.

13 MR. PHILLIPS: Thank you, sir. You
14 know, y'all had this meeting here today,
15 Pleasant Grove didn't have to go through all
16 this monkey business that y'all are going
17 through with because the politicians out there
18 got together with the developers and they
19 decided they wanted to put sewers in and we got
20 a petition together and 76 percent of us voted
21 against sewers, and it saved my community
22 millions and millions of dollars.

23 So I disagree with the gentleman that

1 where you don't allow your septic tank people to
2 hook on. In fact, we need to be encouraging
3 septic tanks, on-site cleanings of the sewers.

4 Now, the politicians love sewers,
5 because the industry comes in, they say well, we
6 have all these shopping centers, this, that and
7 the other, and then you overload the system.
8 Now, not counting the corruption and all that
9 went on there that cost us a whole lot more, you
10 -- the County Commission before this one lost
11 millions of dollars because they simply would
12 not force The Water Works Board to collect half
13 of the payments when people brought it in there.
14 And they specifically had a contract to collect
15 half sewer and half water when the system was
16 set up. So they refused to collect those monies
17 so they're much at -- much at fault there.

18 The thing that I want to stress to the
19 people is that we're going into the depression
20 of the century. Half of the houses in
21 Pleasant -- in Fairfield right now are two years
22 behind on their property tax. If we add these
23 sewer bills to them, you may talk about all the

1 rates you're going to get, but collecting them
2 is going to be another problem. It ain't going
3 to happen.

4 Now, I've got a lot of rental property
5 and they steal electricity and water all the
6 time. They rig up their own little deals to
7 steal water, and the Waterworks leaves this
8 water on, which leaves the sewer bills running,
9 and they do not enforce those people that are
10 not paying their bill by not cutting their water
11 off. They should shut that water off and it
12 will get you more compliance and more money in
13 there for the system.

14 Now, you're going to have to operate
15 with about half the people that you've got, so
16 layoffs and reductions in your labor force is
17 going to be a must to keep these rates down.

18 The last thing I wanted to touch on was
19 that the United States has a -- our banking
20 system under the Federal Reserve is fractional
21 reserve banking; for every dollar you put on
22 deposit, they can loan out 13 that they ain't
23 got and they ain't never had. What we need is

1 some hard-nosed people that go up there to those
2 people that loaned us that money and say, look,
3 we're not going to do this.

4 In 1964, Jerome Dailey challenged a
5 mortgage that the bank was foreclosing on, and
6 he made them admit that they had created that
7 money that supposedly loaned him with a fountain
8 pen. And so consequently, they did not. He was
9 able to keep his house and they defaulted on
10 their mortgage. Thank you, Council.

11 JUDGE CARROLL: Mr. Phillips, thank
12 you. If you would give the microphone to Mr.
13 Richardson. Kerry English, Mr. English, if
14 you'd come and up sit in the chair. Mr.
15 Richardson, you've got the floor.

16 MR. RICHARDSON: Yeah. My name is
17 Anthony Richardson. I live in Ensley. I
18 appreciate these forums to the Jefferson County
19 Commission, ladies and gentlemen, I think that,
20 first of all, no one in the County can afford
21 these rate increases, no matter how much or how
22 long. I mean how much is enough, a thousand
23 percent, what are we going to be doing, increase

1 it every year until the year of 2141. You know,
2 when does it stop? This is what I'm saying.

3 Another thing is that I thought that
4 these bonds had insurance. So when Jefferson
5 County got into this situation, I thought the
6 insureds was supposed to pay off these bonds.
7 Well, evidently that didn't happen; you might
8 have to look into that. What happened to the
9 500 million, 600 million dollars that the SEC
10 fined the creditors for getting Jefferson County
11 in this mess in the first place. I thought they
12 were supposed to go toward paying off Jefferson
13 County debt. Or did it go to the SEC? I don't
14 know. Maybe you need to look into that.

15 But I'm sick and tired of being sick
16 and tired of being threatened with sewer rate
17 increase, you know. I just got on a fixed
18 income myself, and I know that some people are
19 in worse shape than me that cannot afford any
20 type of rate increase. These are baby steps
21 that we are taking. We need to take giant steps
22 to correct this situation, so our children won't
23 have to. And by giant steps, I mean some people

1 saying well, they don't have enough grants, but
2 I think that the Jefferson County Commission
3 should form a panel of grant writers to bring
4 money into the County, just like we have a panel
5 of lawyers taking money out of the County.

6 Because if you got all outgoing, no income,
7 that's how come you're in this mess right now.

8 Now, another thing is about all these
9 people that don't want to pay Jefferson County
10 occupational tax. When the legislature first
11 had the chance to correct this problem, when the
12 Alabama Supreme Court rejected the occupational
13 tax, they should have effectively corrected that
14 problem right then. I think that the
15 legislature needs to be disbanded, and that home
16 rule needs to be the rule for the County, so
17 they can solve their own problem.

18 If the big banks think that they have
19 their foot on the neck of the people of Alabama,
20 I don't have to live in this County, I can
21 simply walk away. Thank you.

22 JUDGE CARROLL: Mr. Richardson, thank
23 you. Hand the microphone to Mr. English. Mr.

1 Harvey Henley, Junior. Mr. Henley, will you
2 come up and have a seat. Mr. English, you've
3 got the floor.

4 MR. ENGLISH: How are you doing? I
5 don't agree with home rule. I mean, right now
6 to me the County's proved to me that they're
7 untrustworthy. I have a problem with me paying
8 all this fraud with J.P. Morgan and Company. I
9 don't think we should have to pay all this
10 money, because of the simple fact that somebody
11 got charged with fraud. If I defrauded you, I
12 go to jail. I may have to pay restitution back
13 to you, but these people come here and rip us
14 off, and we still got to pay these people.
15 There's something wrong with that. I have a
16 major, major problem with that.

17 Then I got to think about, you know, I
18 have a sick son at home with me. You know, I'm
19 able to go out and make money like I need to,
20 but some people in my position are not able to
21 pay these rates that y'all are trying to get put
22 on us, on the back of the people here.

23 I think it's a shame that we're paying

1 these high, high, high rates. You can't squeeze
2 an orange to get the money out of us like you're
3 trying to get. Where are you going to get the
4 money from? You know, are we going to sell our
5 houses just to flush the toilet, you know?

6 I'm listening to you, and I've been to
7 a bunch of your meetings, and I listen to you on
8 the TV, but it's kind of scaring me what they're
9 doing to this County, because you're flushing
10 our city down the drain by overcharging us over
11 a lot of nonsense that we shouldn't be paying in
12 the first place.

13 I would like to see that -- I
14 understand that you are going to have to get
15 operating costs, and you may have to go up, but
16 I would like to see wipe J.P. Morgan completely
17 off the book and start over from what there, and
18 then you add what you're trying to add to it.
19 That would be the best solution to me, because
20 we didn't create this problem, and we shouldn't
21 be paying for fraud, and people with fraudulent
22 acts, and we got to hold people -- I'm not
23 saying this Commission, but I will hold you

1 accountable too, because we got to hold all of
2 y'all accountable when you lead us, and we got
3 to stop with this nonsense of not holding people
4 accountable, you know, because it hurt us.

5 District 1 and 2 can't pay those high
6 rates. There's just no way we can do it. I
7 don't understand why they keep trying to make us
8 pay more money that we don't got.

9 JUDGE CARROLL: All right. Thank you,
10 Mr. English. If you'd hand the microphone to
11 Mr. Henley. And Reverend Williams, are you
12 here? If you'd come up and have a seat, you're
13 next.

14 MR. HENLEY: My name is Harvey Henley,
15 and I live at 2460 Tempest Drive in the western
16 section of Birmingham in District 2. I would
17 like to say that I'm -- I appreciate this forum
18 tonight, and the information that was provided
19 by the expert, because I was somewhat concerned
20 about our enemies notions in the community and
21 the dialogue is that some people say if -- you
22 know, we are in bankruptcy, but then just don't
23 do anything.

1 And I got some good information from
2 the expert tonight that what if we didn't do
3 anything, we in -- we in bankrupt, and what if
4 we didn't do anything; do we have to come up
5 with a plan to satisfy the debt holder.

6 And that's the thing I'm concerned
7 about, because, you know, I don't think that
8 these Commissioners had anything to do with the
9 debt that we in, but I know that we need to --
10 we've got to come up with a plan, and I don't
11 think -- would it be up to the Judge or would it
12 be up to these Commissioners just not to do
13 anything, and the -- the debt would just go
14 away.

15 And I think that the information that
16 was provided tonight is good information, that
17 the jury will listen to this expert opinion and
18 those rates probably would remain as low, low as
19 you can -- you can get them. So I appreciate
20 the information that was provided tonight, and I
21 just hope that the Commissioners have people on
22 board that will check out all those things that
23 you are talking about, assets and all that

1 stuff, and where can we find assets that is
2 invaluable and put it somewhere or whatever.
3 And I think that you will listen to those expert
4 opinion, and I think if the jury will listen to
5 the expert -- expert opinion, and we can solve
6 this problem if we get together and solve it.
7 Like I said, I don't believe that you can just
8 say that I'm not going to do anything and that
9 debt don't go away. So I thank you for being
10 here tonight.

11 JUDGE CARROLL: Mr. Henley, thank you.
12 If you give the microphone to Reverend Williams.
13 Mr. Jesse Matthews, are you here.

14 MR. MATTHEWS: I'm here.

15 JUDGE CARROLL: Okay, if you'd come up
16 and have a seat, Mr. Matthews. Reverend
17 Williams, the floor is yours.

18 MR. WILLIAMS: Good evening, and let me
19 say thank you to the Commission for hosting
20 these meetings. I think it's so important to
21 hear from us out in the community. And I wanted
22 to stop by and just say -- well, let me first
23 say thank you to Mr. Rothstein for the

1 information provided, and I don't know how I'll
2 translate that into a sermon, but I don't think
3 I should, and I don't think I'll try, but I
4 think it's important that we try to translate
5 the information captured at these meetings and
6 take them truthfully back to the community. I
7 think that's important.

8 Now, but the bottom line is, is that
9 the community is already at a disarray. The
10 community is already losing hope for the County,
11 because of all of the debt that we're facing.
12 And so I wanted to come before this Commission
13 tonight. Now I recall, and I do participate
14 actively in meetings that are held out in the
15 community and I listened with my own ears, but I
16 do recall that there was Mr. Grigsby, who's
17 still hanging around our town, that came and
18 presented to this Commission a point that said
19 the indenture, or as I understood now the
20 indenture, normally I would have called it a
21 contract, that was established by the previous
22 County Commission was not a valid contract in
23 accordance with the State Constitution. And I

1 still pursue an answer.

2 I'm not a lawyer and I don't play one
3 on TV, but I am a resident of Jefferson County.
4 And law, God advances forgiveness when someone
5 has done you wrong, but we should, as citizens,
6 expect that our legal system will advance
7 fairness and responsibility if you violated the
8 law. And if you did, in fact, violate the law,
9 you should not be allowed to benefit from the
10 fruits of this poisonous tree. Commissioners,
11 I understand that there are filings pending in
12 the bankruptcy court even as we speak. I would
13 hope that you would look seriously at those
14 reports, and if at all possible for you to
15 provide your support to determine if Title 10
16 was actually violated in the establishment of
17 these indentures vis-a-vis contracts. I don't
18 know the true answer.

19 But on this Thursday, I will be
20 participating in a meeting at Green Shallow
21 Missionary Baptist Church in Powderly trying to
22 get an understanding. We need to deliver
23 understanding and hope to Jefferson County, and

1 this is your responsibility, Commissioners.

2 Thank you.

3 JUDGE CARROLL: Reverend, thank you
4 very much. Ms. Kitchens, Sandra Kitchens, are
5 you here? Sandra Kitchens? Mr. Matthews, it's
6 yours.

7 MR. MATTHEWS: Thank you. I'd like to
8 thank you for having this meeting here in
9 Bessemer. I wish we had more participation,
10 because there's been some fruitful information
11 that come up that has been forthcoming.

12 I'd like to just say one thing; if
13 people stop using the water, then how will
14 Jefferson County get the revenue to operate the
15 system. That was one -- one point that was
16 made.

17 Now, I represent -- and I'm on the
18 Bessemer City Council, and I represent District
19 6, which starts at the Pipe Shop, at Old
20 Jonesboro and Smith house, Harrisfield all the
21 way down to the Target shopping center.

22 But now in the Pipe Shop area, some of
23 the Pipe Shop is sewer, and I'm -- and I'm

1 getting to the point of the nonuser fee, okay,
2 with septic tank, their inability of the Pipe
3 Shop having sewage, for one, okay. Now, they're
4 in a flood zone, okay, so they -- the thought
5 process of doing a nonuser fee, we oppose 100
6 percent, okay. If you go on down to the Smith
7 house and Old Jonesboro down toward McCalla, you
8 have farms, you have large acres, and the
9 nonuser fee and the homes that's on septic
10 tanks, that's -- that's something that we flat
11 oppose.

12 So we want to let everyone know that
13 from the Commissioners who serve that area,
14 those areas from Commissioner Little,
15 Commissioner Stephens, and we -- we've had
16 meetings in our home private-like setting, and
17 we are 100 percent against -- against those --
18 that type of nonuser fee.

19 And the basic revenue requirement in
20 having the allowance of a septic tank, and I
21 agree with Mr. Phillips here about the septic
22 tanks with Pleasant Grove now are mostly on.
23 And so if you have septic tanks and then the

1 sewer is maybe three blocks from your home,
2 well, we are not on the sewer.

3 Now, we're paying that without taxes,
4 if I'm not mistaken, \$5 for the clean water,
5 okay. If we are paying that, then we are paying
6 a nonuser fee, in my opinion. So I just want
7 the Commission to know that Commissioner Little,
8 Brown, and Commissioner Stephens that their
9 districts oppose, because I represent both of
10 them, okay. So we oppose that. Thanks a lot.

11 JUDGE CARROLL: Mr. Matthews, thank you
12 very much. The most important people at this
13 proceeding are those citizens who came forward
14 to give us their comments. Please join me in
15 thanking them. As we used to say in the legal
16 business, we're adjourned. Thank you all very
17 much for coming.

18 (END OF PUBLIC HEARING.)

19

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23

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BEFORE THE JEFFERSON COUNTY COMMISSION

State of Illinois)
County of COOK)

I, Eric Rothstein, do solemnly swear (or affirm) that:

1. I have read the foregoing transcript of my testimony of July 24, 2012 before the Jefferson County Commission;
2. It is a true and correct transcription of my testimony;
3. My testimony is based on my personal knowledge, training, education and experience; and
4. My testimony is the truth, the whole truth, and nothing but the truth.



Sworn to and subscribed before me, the undersigned notary public in and for the State of Illinois, this 15th day of September, 2012.



Notary Public



Printed Name: Mario R. Albizurez
My Commission Expires 09/17/2014

R-000368

1 COURTROOM DEPUTY: Please state your name and address
2 for the record.

3 THE WITNESS: My name is John S. Young, Jr. My primary
4 residence is 109 Kingsdale Avenue, Cherry Hill, New Jersey. I
5 also have a residence at 200 Hallman Hill East, Homewood,
6 Alabama.

DIRECT EXAMINATION

7
8 BY MR. CONNER:

9 Q. Good morning, Mr. Young.

10 A. Good morning, Mr. Conner.

11 Q. Mr. Young, what is your position today as far as your
12 work position?

13 A. I am currently the receiver of the Jefferson County
14 Environmental Services Department.

15 Q. And I think Mr. Childs, in dealing with Mr.
16 Carrington's direct examination, indicated we were referring to
17 you as John Young as the receiver but actually it's your LLC is
18 the receiver and you are the chief member of that LLC; is that
19 correct?

20 A. That's correct.

21 Q. Mr. Young, I want to briefly go over your -

22 THE COURT: Are there other members of the LLC?

23 MR. CONNER: There are no other members, Your Honor.

24 Q. Mr. Young, are there any other members?

25 A. There are no other members.

1 Q. Thank you, Mr. Young.

2 MR. CONNER: If you could, Chandra, would you pull up
3 Mr. Young's bio? It is Exhibit M-66, Your Honor.

4 Q. Mr. Young, you did not go to Auburn or Alabama; did
5 you?

6 A. I did not.

7 Q. Where did you go to get your undergraduate degree?

8 A. I received my undergraduate degree at Duke University
9 with a Bachelor of Science in Civil Engineering.

10 Q. All right. We have your bio pulled up. This isn't
11 a test. So when did you get your undergraduate degree?

12 A. 1975.

13 Q. Did you go to post-graduate education after that?

14 A. I did. I got a master of science in environmental
15 engineering, with an emphasis in water resource engineering,
16 from the University of North Carolina, Chapel Hill.

17 Q. Okay. Again, this isn't a race today. We do want to
18 get through your testimony, but with respect to after your
19 post-graduate education, did you obtain any professional
20 certifications?

21 A. I received a certification as a professional
22 engineer.

23 Q. And do you still hold that certification?

24 A. I do.

25 Q. Mr. Young, if you would, I would like for you to go

1 through your work experience after 1977, from graduation, and
2 just briefly bring us forward. I don't think it will take too
3 long.

4 A. Okay. Upon graduation, after doing some research at
5 the university for a while and doing a master's thesis in water
6 quality issues, I went to work for American Water. American
7 Water is the largest investor-owned wastewater utility in the
8 country. I started there in water quality and then I went into
9 engineering. I actually designed water and wastewater
10 facilities and then went into engineering planning and
11 ultimately ran the engineering department at American Water.

12 After that, I went into some operational areas of the
13 business, got involved with running functions in health and
14 safety and research and environmental compliance and ultimately
15 I became chief operating officer at American Water, as well as
16 president of American Water Works Service Company, which
17 provides shared functional services to all of the utilities
18 that they service across the country.

19 Q. Would you explain just briefly what shared services
20 means or what did it mean in regard to American Water?

21 A. What shared services are, I mean, obviously a
22 utility's primary function is to operate and protect the public
23 health and the environment but, just like any business, they
24 require financial support, legal support, human resource
25 support, IT support and support in other areas, and the shared

1 services are those types of functional support services that
2 you provide utilities.

3 Q. Now, as chief operating officer, what degree were you
4 involved in each of those components of shared services?

5 A. Well, all of those components reported to me.

6 Q. Sometimes it is a little different having something
7 reporting to you and actually having knowledge of how to do the
8 work. Would you agree?

9 A. Absolutely.

10 Q. Did you know how to do the work, Mr. Young, in regard
11 to all of those special service functions?

12 A. Clearly I didn't know how to do the minute work in
13 all of those functions, but I clearly understood how all of
14 those functions interfaced with the utility operations, as well
15 as provide value to those operations.

16 Q. Have you ever done a cost of service study before?

17 A. Yes, I have worked on cost of service studies.

18 Q. And what is that?

19 A. A cost of service study is when you determine what
20 the full costs to serve the public is, and then you also
21 determine potentially how to allocate those costs against
22 various customer classes in your rate design.

23 Q. So that's all involved in rate making; is it not?

24 A. That is correct.

25 Q. Have you been involved for a large portion of your

1 career at American Water, or were you, in rate making?

2 A. I did. In fact, I have probably testified in at
3 least a dozen commissions across the country in rate
4 proceedings.

5 Q. All right. What is a rate proceeding?

6 A. A rate proceeding for an investor-owned utility is
7 when a utility comes forward to recommend a certain amount of
8 rate increase and there is due diligence and rulings by the
9 Public Service Commission within that state.

10 Q. Have you ever been disqualified in any of those rate
11 proceedings as testifying as a witness?

12 A. I have not.

13 Q. Have you been involved throughout your career at
14 American Water, or when you were with American Water, in any
15 capital planning processes?

16 A. I did. As I previously stated, I was involved with
17 the engineering planning process and I ran the engineering
18 function for a number of years. When I left American Water,
19 our spend was somewhere between eight hundred million to a
20 billion dollars a year on capital. So there is obviously a lot
21 of planning associated with those capital programs.

22 Q. And those capital programs would be divided up into
23 various states and subsidiaries that had to prepare their own
24 programs and plans in regard to the assets in those areas?

25 A. That is correct.

1 Q. What is a business plan for a utility, Mr. Young?

2 A. A business plan is a plan that really touches all
3 aspects of a utility. It's a combination of a strategic
4 document, a financial document, and an operational document,
5 but basically it's the road map of both financially,
6 operationally and strategically where a utility is going to go
7 within the next five, ten or fifteen years.

8 Q. All right, sir. As far as environmental compliance
9 is concerned, I understand that your degree, your master's
10 degree is in environmental engineering. To what extent were
11 you involved in environmental compliance for American Water, in
12 both wastewater and water?

13 A. For a number of years, I have the environmental
14 compliance group actually reporting to me and, you know, I
15 originally went into this business because of my concern about
16 public health and the environment, so it was very important to
17 me.

18 Q. So in your environmental compliance area, did you
19 deal directly with EPA?

20 A. Absolutely. I served actually on the National
21 Drinking Water Advisory Council for six years at EPA, which is
22 a body which helps set policy for EPA, and then continued to
23 work with them on various work groups over the years.

24 Q. Were you a participant or have you ever participated
25 as a contributing author in any documents or manuals for EPA?

1 A. Actually on several of them. I have contributed to
2 documents dealing with security of utility facilities, with
3 affordability of water rates and, most recently, I was an
4 author with EPA on a book addressing effective utility
5 management.

6 Q. An effective utility management, has that become a
7 term of art in regard to the utility management area?

8 A. Absolutely. Since the publishing of that document
9 several years ago, EPA, and I have actually helped them, have
10 gone around the country trying to sell that term and explain
11 what effective utility management is to the utility industry.

12 Q. And the utility industry in that regard, does that
13 include more than just the investor-owned utility industry?

14 A. That's the entire industry. I was involved with
15 that, as well as several people from the municipal sector in
16 developing those attributes to effective utility management.

17 Q. Now is there anything magical about having - between
18 an investor-owned utility and a governmentally-owned utility?

19 A. Essentially the operations are very, very similar
20 with respect to protecting public health and the environment,
21 environmental compliance. I think probably you might find a
22 little bit different in culture between the two but, in
23 general, they are pretty much the same.

24 Q. What is the difference typically in culture that you
25 have seen?

1 A. Well, I mean, for example, you know, I worked for
2 American Water, which was a publicly traded company on the New
3 York Stock Exchange. So like any publicly traded company, we
4 had shareholders looking over our shoulder who were driving
5 business performance, driving overall performance, driving
6 reputation, things such as that. So I would have to say, in
7 general, there is a little bit more drive in several areas on
8 an investor-owned utility around performance than there might
9 be on a municipal system.

10 Q. In your various roles at American Water, were you
11 involved in any finance, budgeting, capital, raising capital
12 with respect to the operation of American Water?

13 A. Well, obviously my senior management role, I was
14 involved in putting the business plans together every year for
15 American Water. But also since we raised, like I said earlier,
16 eight hundred to a billion dollars a year in capital, I
17 frequently went to New York and the other markets to raise
18 capital, to talk to investors.

19 And then, in the mid 2000s, we actually took American
20 Water public and I was involved, traveling the world frankly,
21 doing an IPO and met with hundreds of investors associated with
22 that.

23 Q. And then after that initial -

24 THE COURT: When you say public, are you talking about
25 - when you said "we," are you talking about Parmalat?

1 THE WITNESS: Could you ask that question again?

2 THE COURT: You said, "We took it public." Are you
3 talking about Parmalat?

4 THE WITNESS: When I talk about "we," I was talking
5 about the management team traveled and took the company public
6 into the New York Stock Exchange. We were a privately-held
7 company -

8 THE COURT: You were owned by another entity?

9 THE WITNESS: What is what?

10 THE COURT: You were owned by another entity?

11 THE WITNESS: Yes, we were owned by another entity at
12 the time.

13 BY MR. CONNER:

14 Q. Mr. Young, at this time - well, let me ask you. Are
15 you a member of any professional organizations?

16 A. I am a member of several professional organizations.
17 I have served on the Board of Directors for the American Water
18 Works Association. I have served on the Board of Directors for
19 the Water Reuse Foundation. I have served on the board and
20 been Chairman of the Design-Build Institute of America. I am
21 a member of the American Society of Civil Engineers.

22 Q. All right, sir. And I think you have already
23 mentioned you have authored a number of articles, as well as
24 papers with respect to your role in working with EPA?

25 A. Yes, and in all aspects of water utility operations.

1 Q. And water utility operations, are you also equally
2 familiar with the operation of wastewater operations?

3 A. I am. American Water operated hundreds of wastewater
4 treatment plants. So, yes, I am.

5 Q. Were you also involved in the due diligence process
6 when American Water would make acquisitions of various other
7 utilities?

8 A. Yes. American Water, one way American Water grew was
9 by the acquisition of both municipal utilities and other
10 private utilities, and I was involved in those decisions around
11 valuation and acquisition, as well as the integration of those
12 utilities. So, for instance, I spent a year in California
13 working on the integration of three utilities with American
14 Water.

15 Q. All right, sir. Mr. Young, I would like to switch
16 now and go to Jefferson County, in particular. Would you just
17 advise the court in regard to a general description of the
18 Jefferson County wastewater system? And, Your Honor, we have
19 pulled up a document. It's a slide from the county Exhibit 51
20 but it's an individual slide.

21 A. Jefferson County wastewater system is the largest
22 municipal wastewater system in the state of Alabama. It serves
23 about a hundred and forty-four thousand customers, about a
24 hundred and twenty-six thousand residential customers.
25 Obviously it was a system that was kind of the consolidation or

1 the regionalization of a number of municipal systems in 1996.

2 They have nine treatment facilities of various sizes.
3 Most of those facilities have been either expanded or built
4 since 1996 when we went into the consent order. They have over
5 three thousand miles of pipe. Interestingly enough, two
6 thousand miles of those pipes were inherited in conjunction
7 with the consent order and unfortunately were found to be in
8 pretty poor condition.

9 I think the interesting part of the slide we have
10 there is the bottom two numbers. On the average, we treat
11 about two hundred and sixty million gallons a day of wastewater
12 but, under peak conditions, we treat about one point one
13 billion gallons a day, which is four times that. And the
14 reason for that is, when it rains, the ground gets saturated
15 and the water from the ground leaks into the pipes, as well as
16 the surface water flows into the manholes. So the fact that we
17 have that differential between average flows and maximum flows
18 will give you an idea of how bad the infrastructure is in the
19 ground, the pipes that are in the ground and what kind of
20 leakage we have. And unfortunately that's even after spending
21 two and a half billion dollars to improve the system.

22 Q. Mr. Young, the differentiation there between average
23 daily treatment and maximum daily treatment, does that tell you
24 anything in regard to the plan that went into place in 1996 to
25 improve the system as a result of the consent decree?

1 A. Well, first of all, you said a plan. I am not sure
2 the county actually had a plan when they entered into the 1996
3 consent order but, to attack this issue, to attack the issue of
4 sewer overflows and illegal discharges that brought them into
5 the order, they really had a couple of different approaches
6 they could take. One is to try to fix the problem at the
7 source. In other words, try to fix the pipes, reduce the flow
8 to your treatment plants and build properly sized treatment
9 plants or just build massive treatment plants and accept
10 whatever flow you get and then, later on, fix the pipes. And
11 in general, and there are a number of reasons for this, but in
12 general they took the option to build very large treatment
13 plants and then hopefully over the years start fixing the
14 pipes, which would result in excess treatment capacity at your
15 various treatment plants in the long-term.

16 Q. Obviously from your review of this system and the
17 operation of this system, the history of this system that you
18 have been able to determine in your capacity, were they able to
19 or did they make much of an attempt to fix the collection
20 systems?

21 A. They did spend probably a billion dollars on the
22 collection system, you know, over the last past decade. The
23 problem that they had is they inherited two thousand miles of
24 pipe. They really didn't have that pipe characterized, so it
25 was difficult to try to figure out where to best spend that

1 money. So clearly given the condition of the system, a lot
2 more needed to be invested in the collection system in the
3 pipes.

4 Q. Now, who did they inherit the two thousand miles of
5 pipe from?

6 A. Well, there was twenty-one municipalities that dumped
7 their wastewater flow into the trunk mains of the Jefferson
8 County sewer system, and it was the responsibility of Jefferson
9 County to transport and treat those flows.

10 Q. Did the municipalities make any type of financial
11 contribution at all in regard to the subsequent fix?

12 A. They did not and unfortunately they transferred this
13 large liability to the county without any financial obligation.

14 Q. Or responsibility?

15 A. Or responsibility.

16 Q. Mr. Young, did the problem with this system that we
17 are here about today begin with the entry of the EPA consent
18 order?

19 A. No, the problem that we have here today started over
20 a century ago. The system was actually started in 1901 -

21 Q. Your Honor, just so we know, Mr. Young, this is
22 another slide from the same presentation on Exhibit 51 of the
23 county.

24 A. And in 1901, the way the system was originally
25 designed, you had your twenty-one municipalities that had their

1 individual systems, and they were dumped into at the time a
2 large main and, back in the turn of the century, that main
3 would just simply dump sewage into the various water courses.
4 There really wasn't treatment back then. There was no
5 mandatory hookup, so there were issues with respect to revenue
6 from customers because customers did not have to hook up to the
7 system. And unfortunately the only funding they had at the
8 time was the ad valorem tax.

9 So over the first forty-five years of the system, at
10 most they were able to raise about a million dollars through
11 bond offerings. So it was pretty poorly funded. In fact, in
12 the 1930s, it is documented that they were having extreme
13 problems with service and environmental compliance with the
14 system.

15 Q. Okay. Did it get any better in 1950 when the county
16 was given rate-making authority?

17 A. Well, I think everybody hoped it would get better.
18 In, I think 1948, they were given rate-making authority.
19 Unfortunately it took them forty years to actually use that
20 authority to implement rates. They did some studies,
21 determined what needed to be done. Unfortunately they didn't
22 put rates in at a sufficient level to fund the improvements and
23 then they went almost another twenty-five years before they did
24 a second rate increase.

25 So the system just continually was underfunded and

1 continually was recognized as a problem.

2 Q. Were there any moratoriums or litigation associated
3 with the system?

4 A. Yeah, I think the biggest moratorium they had for the
5 longest period of time was in the early 1970s, I believe, where
6 they basically said any new homes can't hook into the system
7 because they don't have the capacity, nor do they have the
8 environmental compliance, and that hurt us big time because
9 there are customers today that still have septic tanks because
10 they couldn't hook into the system, and that has had a negative
11 impact on our overall revenue.

12 Q. So even today, we have an issue of - or is there an
13 issue of residents using septic systems and having a sewer line
14 right beside their property and they are not hooked up to -

15 MR. MAYS: I am going to object to leading, Your Honor,
16 and also basically the question just restates the previous
17 answer. I object.

18 THE COURT: Sustained.

19 BY MR. CONNER:

20 Q. Is there still a problem with mandatory hookups?

21 A. There is. We still do not have mandatory hookup to
22 this day.

23 Q. Mr. Young, with respect to the 1996 consent decree,
24 how did the county address the compliance issue presented by
25 the consent decree?

1 A. Well, they really signed up to the consent decree and
2 it had some performance criteria in there that was, in my mind,
3 almost impossible to achieve. For instance, one of the
4 criteria in the consent order is there shall be no sewer
5 overflows. I don't know of a large system in the country that
6 can meet that criteria. So they basically took off trying to
7 solve the problem but there was really no comprehensive plan
8 and there was no initial budget, and I think that has been
9 documented by several of the consultant studies that also look
10 back at this. And frankly a lot of money was spent and
11 financed for the first five or six years.

12 They got to about 2002, 2003, they had spent a
13 substantial amount of money, a little less than two billion
14 dollars, and they realized they hadn't made a whole lot of
15 progress on the sewer overflow issues or the illegal discharge
16 issues. They had a lot more money to spend. They had, at that
17 time, doubled the rates and the county commission was kind of
18 in a bind there trying to figure out how do we continue to go
19 on, spend money to comply with the order, and try to minimize
20 rate increases, and that ultimately resulted in the 2002/2003
21 refinancing of the debt.

22 Q. All right. And we will talk more about that.
23 Explain to the court how you came to Birmingham, other than
24 your vehicle, today?

25 A. Well, I came to Birmingham based on a phone call I

1 received in 2008. I received a call from a county attorney,
2 Mr. Darby, who asked if I would come down and have dinner with
3 a federal judge because they were having some issues in
4 Birmingham around a utility debt and operations, and he felt
5 that I might be able to come down and help with the issue. The
6 judge had looked for resources.

7 So I took him up on the offer, came down, and I had
8 dinner with the federal judge kind of as a person that was
9 brought down by the county. The creditors also brought a
10 lawyer down on their side, and we spent the evening talking to
11 the judge about how possibly to attack this problem.

12 Q. Which judge was this?

13 A. This was Judge Proctor in the federal courts. By
14 dessert, he stood up and had decided that potentially both of
15 us could help him. He told us both that he didn't feel this
16 issue was going to resolve in the courts, he really needed some
17 expertise outside of the courts, and he felt we both could play
18 a role and asked us - well, actually asked us if we would be
19 special masters or co-special masters and work on a solution.
20 I asked him frankly at the time what a special master did
21 because I had never heard of the term before, but he basically
22 gave me a lot of latitude to take a look at a number of
23 different solutions.

24 Q. And what was Mr. Ames' responsibility in that co-
25 special master role?

1 A. Well, Mr. Ames had some bankruptcy experience and
2 obviously he was a lawyer, so he was focused more on claims and
3 some of the corruption issues. I was focused more on the
4 operations of the wastewater system, its revenue, its rates,
5 its efficiencies, things such as that.

6 MR. CONNER: Your Honor, I will just direct you to an
7 order that we would request that you take a look at as we go
8 through this. It's document number "C," or Exhibit No. C-56.
9 And, Mr. Young, I believe - I am not going to ask you to read
10 this. Obviously the court can. But this was a report that you
11 submitted to the court and it quoted what your responsibilities
12 or what you were being asked to do. Would you agree with that?

13 A. That's correct.

14 Q. And it is consistent with what you just testified?

15 A. That's correct.

16 Q. Mr. Young, this report that you prepared, and I
17 believe it's referred, if we could turn to Exhibit M-3 and just
18 the first page. Is this the report that you prepared, Mr.
19 Young, in conjunction with Mr. Ames that was submitted to the
20 court in January of 2009?

21 A. Yes. After probably about six weeks of work, I
22 submitted this report on January 20th of 2009, to the court.

23 Q. What was the level of your review and investigation
24 for this assignment?

25 A. I would say obviously it had to be done very quickly

1 at a very high level. So I think it was comprehensive but, at
2 the same time, I relied a lot on previous reports that had been
3 done. I relied on information that I got directly from the
4 Environment Services Department. I interviewed some of the
5 existing commissioners. So it was a combination of, you know,
6 review of facilities and using my expertise and some expertise
7 of people that I brought in, as well as previous work that had
8 been done, but there is only so much you can actually do in a
9 six-week time period.

10 Q. I understand. So the county or the trustee provided
11 you with consultant reports for your review that had been
12 commissioned by the county; is that correct?

13 A. Oh, yeah. I mean, since I actually had been brought
14 down by the county, the county Environmental Services
15 Department and the county itself was very cooperative in
16 providing me that information.

17 Q. Do you recall the reports that you looked at?

18 A. Well, there was a number of reports. I looked at a
19 report done by Krebs Consulting Firm, a report done by BE&K.
20 I looked at a report done by Malcolm Pirnie, Red Oak, some work
21 that had been done by Raftelis. There was a number of
22 consulting reports.

23 Q. All right, sir. And you reviewed those reports?

24 A. I did.

25 Q. You also reviewed and talked with the county ESD

1 department, officials, in regard to what actually had been done
2 with regard to the system?

3 A. We did. Obviously one of the things we did, we went
4 through the consultants' reports and went over their
5 recommendations and tried to determine what had been done, and
6 also we toured the facilities and got a firsthand view of what
7 was being done.

8 Q. From your review of the consultant reports at that
9 time, Mr. Young, had the county followed the recommendations of
10 their own consultants?

11 A. I think in general, even in specific, they had
12 followed very few of the recommendations of the consultants.

13 Q. Mr. Young, I am not going to take you through the
14 entire report, but I would like to focus on a couple of areas.
15 In your experience, when you are going in to assess this type
16 of situation - you have done this before obviously. You have
17 already testified to that; correct?

18 A. Many times.

19 Q. All right. You want to look at the budget first, the
20 exiting budget, and what did you do? If you would, pull up
21 table three out of this report.

22 A. Well, remember, this was a comprehensive view of the
23 system -

24 Q. Mr. Young, first identify what table three is for the
25 judge.

1 A. Table three was a table that I believe was extracted
2 from the special master's report.

3 Q. It was.

4 A. It is kind of a summary of some recommendations
5 around the budget.

6 Q. What is the fiscal year for Jefferson County?

7 A. The fiscal year runs from October 1 to September 30.

8 Q. So as of November and December of 2008, what fiscal
9 year was the county in?

10 A. They were just beginning fiscal year 2009.

11 Q. And the budget, had it already been approved and they
12 were operating under a budget?

13 A. The budget had been approved; it had been
14 implemented; and they were moving down the road.

15 Q. All right, sir. What did you find with respect to
16 the budget that caused you any concerns?

17 A. Well, actually I was quite surprised when I looked at
18 the budget. There were a number of components of the budget
19 that just frankly didn't make any sense. We looked at both the
20 revenue side of the budget and the operating side of the
21 budget. On the revenue side, a three percent rate increase had
22 been built into the budget. When I asked whether actually a
23 rate increase had been done, they said no. So that surprised
24 me and obviously that showed me that I had significant money in
25 the budget, almost four million dollars that I was not going to

1 - we were not going to see or the Jefferson County
2 Environmental Department was not going to see.

3 They had a significant amount of money on interest
4 income, and I asked them to give me a level of cash reserves
5 and what the interest rate assumptions were and it became
6 apparent, given their financial situation, there were very
7 little in cash reserves and the interest rates had dropped,
8 they probably over estimated their interest income by about ten
9 million dollars, which was a bit of disturbance.

10 When looking at the revenue projections, they actually
11 - and let me explain that. The way you bill sewer is by water
12 use. So you need to take a look at water use to determine what
13 your sewer bill is going to look like. They did not take into
14 account a national trend that per capita water use is declining
15 every year all across the country. In fact, they had had a
16 previous consultant who had recommended them to consider that.
17 They have just shown it as flat. And I have done obviously a
18 lot of work on revenue across the country and recognized that
19 somewhere around a two percent reduction a year was probably
20 appropriate and a very high level and, again, that was another
21 vulnerability -

22 Q. Let me just stop there. You said a consultant. Was
23 that the Raftelis study?

24 A. That was the Raftelis study.

25 Q. And what had the Raftelis study found in regard to

1 the consumption level in Jefferson County from 2003 to 2007?

2 A. They saw it was on a constant decline but that didn't
3 take a consultant to show you that. I mean, that was obvious
4 from just taking a look at the operating records and financial
5 records at Jefferson County.

6 Q. But the budget for 2009 was based on the same
7 consumption level as 2008; is that what you found?

8 A. That was correct. And then finally, you know,
9 certainly economic growth had slowed down in Birmingham over
10 the last several years. They have impact fees. When a new home
11 or development or commercial establishment wants to hook into
12 the system, they have to pay fees based on how many fixtures
13 they have on their home and things such as that. They had
14 again projected that as relatively flat even though we had a
15 declining customer growth in the area. So we made a
16 guesstimate of where, you know, that should end up, as well.

17 But at the end of the day, when you just take a look
18 at those four items, there appeared to be a twenty million
19 dollar hole in the revenue of the system, which actually is
20 about thirty-four percent of the operating budget. So that was
21 quite a concern that I had and, when I presented this to the
22 trustee and the county, they also recognized it as a major
23 concern.

24 Q. Did you also - I think this chart also summarizes
25 some findings that you made with respect to certain

1 vulnerabilities with respect to the expense side?

2 A. Correct.

3 Q. Just briefly go through those.

4 A. Well, very briefly, the biggest area - and this is
5 actually an opportunity. The way the county budgets, they put
6 not only bodies in the seats or people working into their
7 budget, but they put in open positions because the way the
8 system works is you can't bring in a new employee unless you
9 budget it in. So they actually had five million dollars worth
10 of employees in their budget that there was some question
11 whether those employees would actually be hired that year or
12 not. So that's an opportunity. Their expenses were kind of
13 over estimated from that perspective.

14 There was also a line item in there that it appeared
15 should not come out of operating expenses, should come out of
16 capital for over two million dollars. Again, showing that the
17 operating budget could be significantly lower. And there were
18 a bunch of other minor issues. For instance, they had budgeted
19 I think something around a three to six percent increase in
20 electric rates. The actual rate increase on the electric side
21 was fourteen percent. So there was some what we call
22 vulnerabilities or concerns there about the budget.

23 We also took a look at the way they did maintenance
24 and felt that they actually ought to be spending more money on
25 maintenance. So we felt that that line item should go up as

1 much. So that's all reflected on this table three, as well.

2 Q. You had indicated earlier - or let me ask you this:
3 What is an SSO?

4 A. Sanitary sewer overflow.

5 Q. Does the Jefferson County wastewater system have a
6 problem with SSOs?

7 A. They have a significant problem. In fact, that's one
8 of the reasons they are currently in the EPA consent order, and
9 EPA has, for every SSO you have, there is a fine of a thousand
10 dollars from EPA, and they had not accrued in their operating
11 expenses for those fines.

12 Q. Did they have a history of so many SSOs per year that
13 you could actually look at and budget for?

14 A. Yeah, there was about two hundred and fifty to three
15 hundred SSOs each year.

16 Q. Now, Mr. Young, with respect to the - it's not on
17 this chart. Did you also have any information given to you
18 concerning shared services that the sewer system benefitted
19 from, from county general services?

20 A. Yeah. I was actually surprised when I asked the
21 questions regarding the accounting services and the shared
22 services. They told me that, while they use services from the
23 county, the county did not bill them for those services. And
24 as a utility person who understands costs to service, you know,
25 a utility's costs ought to reflect their overall costs to

1 service. So I just said in my report there ought to be a
2 consideration of maybe some of those charges, you know, being
3 allocated to the Environmental Services Department.

4 Q. And I believe your report indicates that you were
5 advised it was close to a six point six million estimate?

6 A. Correct.

7 Q. But you didn't recommend that the county immediately
8 implement those and charge the system operating expense those
9 allocated services; did you?

10 A. No, I just said it was something that ought to be
11 looked at when you do a cost of service analysis.

12 Q. All right, sir. Mr. Young, with respect to revenue
13 enhancements, other than rate increases because I believe your
14 charge was to look at are there ways you can raise revenue or
15 the system can raise revenue. If you would, turn to the next
16 table and highlight the table. Put your glasses on there,
17 John.

18 A. Thank you.

19 Q. It's on page 58 of the report. What non-rate - and
20 when I talk rate, I am talking volumetric rate to residential
21 and non-residential customers, Mr. Young. What opportunities
22 did you see?

23 A. Well, there were a number of things. First of all,
24 there are a number of fees associated outside of residential
25 and non-residential rates that the sewer system charges. One

1 is an impact fee. I talked about that a little bit earlier
2 with respect to new development. They could take a look at
3 possibly increasing that to reflect the true cost to service.
4 Also they charge fees for hauling septage and dumping it at
5 their treatment plants; hauling fats, oil and greases from
6 commercial developments and dumping it at their treatment
7 plants. They charge fees for what they call industrial
8 surcharge. If an industry dumps a waste that's a little bit
9 nastier than what you would have in domestic waste, there is a
10 surcharge for that.

11 So I recommended they take a hard look at that. There
12 had already been some previous consulting reports that said
13 they were undercharging for most of those areas. I thought
14 that was one way to get rates up without - excuse me - revenue
15 up without increasing residential rates.

16 Q. And these are sewer haulers that are not necessarily
17 hooked up to the septic system or to the sewer system itself?

18 A. Yeah, absolutely. I mean, essentially what's
19 happening is the rate payers on the sewer system are
20 subsidizing the sewage haulers or the people that are hauling
21 fats, oil and greases. In fact, they are even subsidizing the
22 industries in the area because they are not paying true cost of
23 service.

24 Q. All right, sir.

25 A. We also talked about, as I said earlier, there is no

1 mandatory hookup here. So those people that are on septic
2 tanks are not paying at all to the system. However, if their
3 septic tank fails or they choose to go on the system, the
4 system is obligated to have capacity to service them. So
5 possibly putting in a reserve capacity fee for those people
6 that are on septic systems but in close proximity to the actual
7 system.

8 I recommended that they take a look at what we call
9 unbilled accounts in the business. Most utilities and my high
10 level view of Jefferson County, it was clear it was true here,
11 have customers that have sewer service but do not receive
12 bills. And they needed to take a good hard look at that area,
13 and fortunately we found a lot there when we actually did a
14 deeper dive.

15 And there are some other things that I recommended.
16 One of the things that's not on the chart here that I
17 recommended was what we call the clean water charge. One of
18 the things that you need to recognize here is, when the county
19 signed up for the consent order, it was to clean up the waters
20 of all of Jefferson County. Hence, everybody living in
21 Jefferson County benefitted from that. So I said maybe you
22 need to consider a clean water fee that hits everybody within
23 the county. It's not on the chart here because, when I
24 presented it in a draft report, the county said this is not
25 politically feasible to implement. So I didn't put it in the

1 chart, but that could have a twenty to twenty-five million
2 dollar a year impact on revenue.

3 Q. Did you make any rate and rate design
4 recommendations, Mr. Young?

5 A. I made several. First of all, I said we really
6 needed to do an updated cost to service study to understand,
7 you know, where rates should be and how those rates are
8 allocated across the various customer classes. I recommended
9 that we needed to take a look at the rate design. We needed to
10 do what is called in the industry de-couple the rates. Right
11 now, the rates are primarily a volumetric charge. So as you
12 have wet years and dry years, the revenue goes up and down
13 because it is all based on volume. The best practices in the
14 industry are having a portion of your charge being fixed and a
15 portion being variable based on volume. That stabilizes your
16 revenue and allows the utility to operate much more
17 effectively.

18 I recommended that they needed to do a rate increase.
19 I recommended that the initial rate increase at a very high
20 level of analysis should be capped at around twenty-five
21 percent, but I also recommended, given the breakdown of
22 customers and the fact that approximately thirty thousand of
23 the residential customers within Jefferson County are at a
24 hundred and fifty percent of the poverty level or below, a low-
25 income assistance program should also be considered.

1 Q. What is a low-income assistance program, Mr. Young?

2 A. It's a program that helps those that may have
3 affordability issues with their rates, and it can help you in
4 many different ways. First, it can help subsidize your bill.
5 It can help you if you are in arrears with your bill to have a
6 payment structure to catch up. It can help you by educating
7 the public on maybe how you minimize water use. You know, low-
8 flow fixtures and showerheads, things like that, to reduce your
9 bill. It can also help people who are looking for these needs
10 and point them to other agencies in the community that can help
11 them with the affordability issue.

12 Q. All right, sir. Have you had any experience with
13 low-income programs prior to this?

14 A. I have put in low-income programs all across the
15 country.

16 Q. All right, sir. Did you make any operational
17 recommendations?

18 A. I made a number of operational recommendations,
19 several pages of operational recommendations. That's some of
20 them. I am going to go through them here at a very, very high
21 level.

22 Q. Sure.

23 A. You need to take a utility - and when you look at a
24 utility, especially a water/wastewater utility, and you want to
25 take a look at operational costs and effectiveness, you need to

1 take a look at the three or four large areas of spend. The
2 biggest spend on almost every water/wastewater utility is
3 labor. So we took a look at labor, and it was clear to us
4 that, especially at the treatment plants, there could be a
5 substantial reduction in the labor force and still maintain
6 environmental compliance.

7 And we took a look at the energy, which is the second
8 biggest spend, and recommended they do an energy audit because
9 there were opportunities to reduce that spend.

10 We took a look at chemicals and what we call treatment
11 process optimization, things that could be done there, and we
12 looked at consolidation of offices and laboratories and things
13 such as that. So there is a plethora of recommendations there
14 to reduce operating expenses.

15 But it wasn't all about saving operating costs. There
16 are several areas we recognized that they probably needed to
17 spend more and/or implement best practices to become more
18 effective because, you know, you need to continually not forget
19 the primary responsibility of a utility manager is not only to
20 take a look at the financial side of the business but protect
21 public health and the environment.

22 Q. Did you also notice that there was a capitalization
23 of labor policy or lack thereof in regard to the system? What
24 does that mean?

25 A. Yeah, I think it's absolutely essential when you do

1 audits of your system, financial audits of your system, to make
2 sure that you use best accounting practices. And when I went
3 there and I wanted to get my hands on a few of them, I asked
4 them specifically about capitalization and capitalization of
5 labor, which is a best practice, and they just didn't do that.
6 So there were several areas that we recommended them developing
7 policies - capitalization of labor, control of overtime spend,
8 and a number of areas.

9 Q. If you have a capitalization of labor policy, what
10 impact will that have on your operating revenues or operating
11 expenses, I am sorry?

12 A. A properly done capitalization will allow you to
13 capitalize some of your operating expenses, reducing your
14 operating budget. So, again, if you are looking at making your
15 operating budget lower, that's one of the things you do but,
16 you know, that's an accounting practice. In my mind it's not
17 optional; it is something you have to do.

18 Q. And were they doing it?

19 A. No.

20 THE COURT: Can I ask a question?

21 MR. CONNER: Yes, sir.

22 THE COURT: The capitalization effectively treats labor
23 for whatever purposes as a capital expense that's amortized
24 over a number of years. The problem is the cash flow side.
25 And so you can capitalize it and effectively, mathematically,

1 you would, all other factors remaining the same, increase net
2 revenues available for distribution. The problem is there is
3 no cash potentially.

4 THE WITNESS: Would you like me to address that?

5 THE COURT: Yes.

6 THE WITNESS: Okay. As I said, there are bond proceeds
7 resulting from the finances, and there was approximately, I
8 think at the time I came in, about two hundred and thirty
9 million dollars of bond proceeds sitting in various banks right
10 now.

11 THE COURT: So you were going to use bond proceeds to
12 effectively offset the -

13 THE WITNESS: Exactly.

14 THE COURT: All right.

15 BY MR. CONNER:

16 Q. So there would be a net increase in revenue?

17 A. The net sewer revenue number would go up because
18 there was bond proceeds available for the capital.

19 Q. Mr. Young, who was in charge of the Environmental
20 Services Department at the time of your special master's
21 report?

22 A. The people involved with operation of the department
23 - the person involved was Mr. Denard. The commissioner over
24 the department was Mr. Carns.

25 Q. All right, sir. And did the Environmental Services

1 Department, Mr. Denard and as well as others in the department
2 that you were dealing with in preparation for this special
3 master's report, agree with your recommendations?

4 A. They did. In fact, I reviewed the recommendations
5 with them before I issued the final report, and then I believe
6 this report actually became the foundation for a lot of the
7 testimony in the federal trial. And I think, if you read that
8 testimony, you will see that they did buy into these
9 recommendations.

10 Q. Mr. Young, at this point in time, in January of 2009,
11 was the ESD department, under the direction and supervision of
12 Mr. Denard, an effectively managed utility?

13 A. In my mind, no.

14 Q. What did you and Mr. Ames do after completion and
15 submission of your initial report as special masters?

16 A. We submitted the report and then we reviewed the
17 report and its recommendations with all of the parties and
18 then, at that point, we got much more actively involved in
19 overall settlement, working with the creditors and the county,
20 can we find a solution, a financial solution to the problem
21 before we actually went to trial in the federal courts.

22 Q. And what was your role in the negotiation process?

23 A. Well, in any of the financial models you develop, you
24 need to have several components. You need to have revenue
25 projections, operating costs projections, capital costs

1 projections, debt service projections. So I worked on those to
2 make sure we had the right input into the models. And then I
3 worked with both the county and the creditors trying to, you
4 know, facilitate some sort of agreement here. To put it very
5 simply, you needed to get to the point where the amount of
6 concessions provided by the creditors would cross the line with
7 the rate increases that the county was willing to do, and
8 somewhere in that area is where you have a solution and I was
9 trying to get there.

10 Q. Did the county at that point in time in the
11 negotiations you participated in indicate, or their lawyers
12 indicate, that they were willing to do a rate increase?

13 A. All I am comfortable in saying is that, through their
14 lawyers, there was some rate increases discussed. I don't know
15 for sure whether the county supported any of those rate
16 increases at the time, but the level was around three percent
17 that they were talking about, a three percent rate increase.

18 Q. As a maximum?

19 A. As a maximum.

20 Q. What level were the concessions at from the major
21 creditors?

22 A. Back then in 2008, I think we were about six hundred
23 million dollars worth of concessions. We were somewhere around
24 two point six billion dollars of debt.

25 Q. Obviously we are here today. You and Mr. Ames were

1 not successful in bringing the parties together and settle the
2 case; were you?

3 A. We were not and we went - you know, this went to the
4 federal trial.

5 Q. After the federal trial, and I think there is already
6 in evidence, it's stipulated what occurred, Judge Proctor, what
7 was his ruling?

8 MR. MAYS: Judge Proctor's ruling is the best evidence
9 of his ruling, Your Honor.

10 THE COURT: Sustained.

11 MR. CONNER: That's fine, Your Honor.

12 Q. What happened as a result of that ruling with respect
13 to your role as special master?

14 A. Not long after that ruling, Judge Proctor dismissed
15 us.

16 Q. Did you submit a final report with Mr. Ames?

17 A. We did.

18 Q. Would you pull up Exhibit C-57, just the first page
19 is fine. And what is the date that this was filed, Mr. Young?

20 A. The date it was filed was July 17, 2009.

21 Q. Okay. So from that point forward, did you do any
22 further work as special master?

23 A. No. I went back to my full-time job as chief
24 operating officer at American Water.

25 Q. Did you take a leave of absence while you were

1 working as special master from American Water?

2 A. I did not. I worked many long hours on both jobs.

3 Q. Mr. Young, did the county implement the
4 recommendations that you had made in your special master's
5 report from the submission of that report in January through
6 your dismissal as receiver - I am sorry - special master in
7 July 2009?

8 A. There were probably a couple of things that they did.
9 I know I worked with them a little bit on an overtime policy.
10 They actually implemented a program around unbilled sewer
11 customers, trying to identify those customers that were
12 receiving service but not getting billed. You know, I was not
13 working with them on a daily basis, so I can't address the
14 rest, but it appears that very little was done on the remaining
15 issues.

16 Q. Did they adopt any of your revenue enhancement
17 recommendations?

18 A. Well, they did, like I said, looked at unbilled
19 customers but they did not implement any of the fees, or
20 charges, or anything else that we put in. Certainly they
21 didn't recommend a rate increase.

22 Q. Mr. Young, what was your next contact with Jefferson
23 County?

24 A. Actually my next contact with Jefferson County didn't
25 occur until September of 2010. What had happened was Judge

1 Proctor said he didn't have jurisdiction, and this went down to
2 state court, and the trustee went to state court with the
3 county, and the trial was supposed to start the day after Labor
4 Day. I think that was the date. And I got a call during the
5 first day of the trial. I got contacted by both the county and
6 the trustee.

7 Q. And what did they ask you or tell you?

8 A. They asked me how quickly I could get to Birmingham,
9 that the judge in the state trial wanted to talk to me about
10 the issue of receivership.

11 Q. Did you comply and come to Birmingham?

12 A. I did. I came down and I met with Judge Johnson and
13 we talked for about an hour and a half on a number of issues,
14 some of them dealing with the receivership.

15 Q. Did you agree at that point in time, Mr. Young, to
16 serve as receiver?

17 A. I did not. In my conversations with the judge, he
18 said - and this is a time there were a number of attorneys down
19 there in his courtroom because they were planning for two weeks
20 of trial and the trial never occurred, but he basically said,
21 "We need a receiver down here, and I am going to appoint a
22 receiver. The only thing I think these two parties here agree
23 upon is that you ought to be the receiver. Do you want the
24 job?"

25 MR. MAYS: I object to that, Your Honor. For one

1 thing, it's hearsay. For another, it's irrelevant.

2 THE COURT: Sustained.

3 MR. CONNER: That's fine, Your Honor.

4 Q. Was it your understanding, Mr. Young, that you were
5 acceptable to both the county and the trustee to serve in the
6 role as receiver?

7 A. Yes, I was told I was.

8 MR. MAYS: The same objection, hearsay.

9 THE COURT: Sustained. You can tell me your
10 understanding but not the basis of it, which he has already
11 answered.

12 MR. CONNER: Thank you, Your Honor.

13 Q. What did you do, Mr. Young, before the order went
14 down on September 22nd?

15 A. Well, what I told the judge was, even though I wasn't
16 sure whether I wanted to be a receiver and I had a very nice
17 job as COO of American Water, I would stay down and help him
18 put together a receiver order that defined the duties and the
19 protections of the receiver. The protections were also
20 important because - I don't know if I can say this but, you
21 know, I asked the judge -

22 Q. Well, don't say what the judge said.

23 A. Okay.

24 Q. Was it your understanding there had been a lot of
25 litigation going on here and just about everybody had been

1 sued?

2 A. There had been a lot of litigation. I had spent a
3 lot of time with a lot of lawyers.

4 Q. All right, sir. Did you have an opportunity to meet
5 with what everyone assumed would be the incoming commission
6 prior to the entry of the receiver order?

7 A. I did. When I was working on the receiver's duties
8 and protections, you know, as we progressed and this felt like
9 something I might be interested in doing, it was very important
10 to me, before I took this job, because I wanted to come down
11 here and solve a problem, that -

12 Q. What was the problem?

13 A. The problem was we had an excessive sewer debt and a
14 utility that was failing because of that, and so I wanted to
15 turn around a utility, I wanted to turn around the compliance
16 issues, and I wanted to basically get us going down the road
17 here with an effectively managed utility that was out of debt.
18 This was kind of a black eye to the whole utility industry,
19 what was going on in Jefferson County.

20 But I knew that I couldn't unilaterally solve this
21 problem or a receiver could not unilaterally solve this
22 problem. So I had conversations with both the county and with
23 the creditor groups to see if they were committed to try to
24 solve the problem.

25 Q. Who did you meet with on the county side?

1 A. The county was kind enough to allow me to meet with
2 what we believed to be was going to be the incoming commission.
3 So I spent some time with them. As Mr. Carrington said, it was
4 very much a meet-and-greet, but I asked some pretty pointed
5 questions, were they committed to solve this problem, because
6 clearly the previous commission, in my opinion, was not.

7 Q. And what was the response you were given?

8 A. They were very positive. They said it was going to
9 be a new day in Jefferson County and they were going to work as
10 a team to try to solve the problem, and they convinced me that
11 they were committed.

12 Q. Was a receivership order ultimately entered?

13 A. Yes, it was, on September 22, I think, of 2010.

14 Q. All right. If you would, pull up Exhibit M-2,
15 please? Oh, it's already there. She is way ahead of me.

16 Is this the order, Mr. Young, that was entered?

17 A. Yes, it is.

18 Q. Mr. Young, can you just describe to the court the
19 process for developing this document that you participated in?

20 MR. MAYS: I am going to object to that, Your Honor, on
21 grounds of relevancy. The final product is the document. It's
22 like the parol evidence rule.

23 THE COURT: What's the relevance?

24 MR. CONNER: Your Honor, I would just let Mr. Young
25 testify as to the county's full involvement, with the trustee's

1 counsel, in drafting all of the terms and conditions of this
2 document.

3 MR. DARBY: Your Honor, that's not the case.

4 THE COURT: Bear with me. I mean, look, whatever may
5 have been discussed or not discussed is merged into the
6 document, and so it's really irrelevant at this point.

7 MR. CONNER: I understand your statements, Your Honor.
8 The only thing I would like to get into evidence is that the
9 county did participate in the drafting, their lawyers
10 participated extensively in the drafting of this order that was
11 submitted to Judge Johnson.

12 MR. MAYS: Your Honor, that's just testimony from the
13 lawyer and it's also not true. This document was drafted by
14 the creditors' lawyer. It has got their subscript on it, but
15 it is also not relevant. This is -

16 THE COURT: Who drafted the order is really irrelevant,
17 all right. The order is what it is. My belief is this was
18 probably drafted and reviewed by various lawyers before it was
19 signed by the judge, and I understand that.

20 MR. CONNER: Thank you, Your Honor.

21 THE COURT: I mean, I will give you an example. On the
22 first page or the second page, there is a discussion of the
23 pricing and elasticity of demand. I mean, was there actually
24 ever any evidence presented on pricing and elasticity of
25 demand?

1 MR. CONNER: That was written by Judge Johnson, that
2 paragraph.

3 THE COURT: Well, I understand, but was there any
4 evidence presented?

5 MR. CONNER: There was no evidence - well, there was no
6 trial, Your Honor, and I was not involved -

7 THE COURT: It could have been but no trial by way of
8 people there but was there ever any evidence put in on pricing
9 and elasticity of demand?

10 MR. CHILDS: Yes, sir.

11 THE COURT: And what was the evidence?

12 MR. CHILDS: The evidence included the three days of
13 testimony that Judge Proctor took in the federal case, which
14 was submitted to the judge, and there was discussion about -

15 THE COURT: Evidence submitted by whom?

16 MR. CHILDS: It was submitted by stipulation. The
17 parties stipulated that Judge Johnson could consider the
18 evidence that was in the federal court case, which included two
19 full evidentiary hearings that involved some testimony
20 regarding the effects of elasticity on rates and revenues.

21 THE COURT: But whose testimony was it?

22 MR. CHILDS: Do you mean who the witnesses were?

23 THE COURT: Uh-huh.

24 MR. CHILDS: I think the witnesses were Jefferson
25 County witnesses, I think. I can't remember exactly who talked

1 about elasticity but it was an issue that I am sure - these
2 transcripts are in the record of this proceeding. So we can go
3 back and look and see who testified about it.

4 There was also a fairly extensive discussion in the
5 consultant's reports that were before Judge Proctor and then
6 Judge Johnson regarding the impact of elasticity on raising
7 rates.

8 THE COURT: Let me ask Mr. Young a question, and if you
9 don't know, that's fine. Was the testimony based on price and
10 elasticity or elasticity with respect to sewer services, or was
11 there a consideration of something called cross-elasticity of
12 demand, if you know?

13 THE WITNESS: The only discussions that I had was
14 regarding to elasticity associated with higher sewer rates.

15 THE COURT: And no consideration of any cross-
16 elasticities?

17 THE WITNESS: No.

18 THE COURT: I mean, literally and in fairness, it's a
19 very complex issue on that pricing, and one of the things that
20 I will point out to you is the first sentence that says it's
21 not inelastic is contradicted by the immediately next sentence
22 in the order, if you know what inelasticity is.

23 MR. CONNER: I understand the concept, Your Honor.

24 THE COURT: And so how it got there and the discussions
25 leading up there, and that's my point, the judge put what he

1 put in the order whether it was supplied by himself or by other
2 parties, and what led up to it at this point really is merged
3 into the order.

4 MR. CONNER: That's fine, Your Honor. We will proceed.

5 Your Honor, just for planning purposes of my
6 examination, do you want to take lunch today or - I mean, we
7 can plow right on through. John and I eat -

8 THE COURT: How much more time do you think you need?

9 MR. CONNER: It's going to take a little while longer.

10 THE COURT: Is it a good breaking point?

11 MR. CONNER: Actually it probably is because I was
12 going to get into what specifically the order and what he does
13 under this order and his role, duties and responsibilities.

14 THE COURT: Any objections?

15 (No response.)

16 THE COURT: All right. A quick lunch, thirty minutes?

17 MR. CONNER: That will be fine, Your Honor.

18 MR. MAYS: Your Honor, may we request the court
19 instruct the witness not to be in conference with counsel
20 during the break?

21 THE COURT: The answer is, yeah, I was going to. Mr.
22 Young - just everybody hold on, don't go yet. What they have
23 requested and what I want to point out to you is you are still
24 under oath, you are on the stand, you are on direct
25 examination, and it is very important that you not discuss your

1 testimony while we are on break and not discuss with other
2 potential witnesses your testimony or their testimony. Mainly
3 because, when we come back, you may be asked whether you did
4 and then I will face an issue of whether your testimony gets
5 excluded, and we want to avoid that. All right.

6 THE WITNESS: Yes, Your Honor.

7 THE COURT: Thank you.

8 MR. MAYS: What time will we resume?

9 THE COURT: We will make it 12:45, an extra ten minutes
10 or so.

11 (Recess from 12:06 p.m. until 12:46 p.m.)

12 THE COURT: Let's go forward.

13 MR. CONNER: Thank you, Your Honor.

14 THE COURT: Let me just double check. The people on
15 the court call, are you still there?

16 UNIDENTIFIED PERSON: Yes, sir.

17 THE COURT: All right. We are good to go, then.

18 MR. CONNER: Thank you, Your Honor. Go ahead, Chandra,
19 and pull up the order again, the receivership order. Again, we
20 are on Exhibit M-2 for the record, Your Honor.

21 BY MR. CONNER:

22 Q. Mr. Young, what degree of control over the system did
23 you require in order to accept the job as receiver?

24 A. Well, the only way I could do the job I needed to do
25 was to have total control of the assets, you know, of the

1 employees, of the bank accounts, basically total control, very
2 similar to the control that the county had over the system.

3 Q. Okay. And does that include - do you need control of
4 the revenues, as well?

5 A. Yes, revenues, expenses, capital programs, all
6 aspects of the utility.

7 Q. Including rate-making authority?

8 A. Correct.

9 Q. Mr. Young, if you would, I would like to go through
10 and just - I know it will be methodical, and I don't want you
11 to read the order. Obviously the court can read the order.
12 But I would like to go through and let's spend a little time
13 identifying what your specific powers, and authorities and
14 control consisted of or consist of as receiver.

15 MR. MAYS: I am going to object if it's just the order.

16 THE COURT: You don't need to. I have read it. If you
17 want to point out some things to me, that's fine.

18 MR. CONNER: Okay. I think we just dealt with most of
19 them in regard to his opening - or the first question, Your
20 Honor.

21 Q. Mr. Young, with respect to - let me ask this
22 question. What are you not authorized to do in this order with
23 respect to the system itself?

24 A. I am not allowed to sell or transfer assets.

25 Q. All right. Is the county permitted to sell or

1 transfer assets as long as you are receiver?

2 A. No.

3 Q. Why do you say that?

4 A. Because I have control of the assets.

5 Q. Very good. Mr. Young, with respect to -

6 THE COURT: I am going to take that as his opinion as
7 a non-lawyer.

8 MR. CONNER: Well, Your Honor, I don't think there was
9 an objection.

10 THE COURT: I am just telling you.

11 MR. CONNER: I understand.

12 Q. Mr. Young, let me ask you about the capital fund
13 again or how your capital would be funded in regard to the
14 spend that was being made when you became the receiver on
15 capital improvements, as well as what you ultimately are
16 recommending for the system to invest in. How is that
17 structured?

18 A. How is the - I need to understand the question. You
19 are asking me how the level of spend was or where the money was
20 -

21 Q. Where does the money come from?

22 A. Oh, okay. As I previously mentioned when the judge
23 asked me the question, there are bond proceeds that are
24 available from some of the refinancings that was done. There
25 is in excess of two hundred million dollars available to

1 withdraw from the capital program. So that's where it comes
2 from. It doesn't come out of operating expenses or free cash
3 flow because we don't have any free cash flow.

4 Q. And those funds are already there?

5 A. Those funds are there.

6 Q. Did the county have access to those funds just like
7 you have access to those funds for capital improvements?

8 A. Yes, they did.

9 Q. With respect to the capitalization of labor policy
10 that you recommended in the special master's report, do you
11 have an understanding as to whether or not the lack or failure
12 to capitalize labor was a violation of the indenture?

13 MR. MAYS: I object to form, Your Honor. That's a
14 legal conclusion.

15 THE COURT: Sustained.

16 MR. CONNER: Your Honor, I was asking his understanding
17 - if he had an understanding.

18 MR. MAYS: Then I object on relevancy grounds. His
19 understanding isn't relevant to these issues.

20 THE COURT: Sustained.

21 Q. Mr. Young, with respect to the employees, what is
22 your authority with respect to the employees?

23 A. My understanding is I have complete authority over
24 them subject to state law. I can hire and fire, transfer,
25 discipline employees.

1 Q. Is there such a thing as an appointing authority?

2 A. I am the appointing authority under the personnel
3 board, which is the way the county addresses those human
4 resource issues.

5 Q. Who was the, quote, appointing authority prior to you
6 becoming the receiver?

7 A. Prior to me becoming receiver, it was the
8 commissioner over the Environmental Services Department. So
9 that would have been Jim Carns was the appointing authority for
10 the employees within the Environmental Services Department.

11 Q. Did you immediately take over that role upon
12 appointment as receiver?

13 A. I did.

14 Q. Mr. Young, what I would like for you to do is to go
15 ahead and - well, let's go ahead and deal with another issue
16 with respect to the order. There is a provision in the order,
17 I believe, for you to pay allocated costs for services provided
18 by the county; is that correct?

19 A. Yes.

20 Q. And by the same token, that includes you paying for
21 the costs, the benefits, all costs associated with county
22 employees that provide services under your control at the ESD
23 Department?

24 A. Correct.

25 Q. So you pay for everything that you get from the

1 county; correct?

2 A. I pay for the services of the existing employees with
3 the Environmental Services Department, and I have an obligation
4 to pay for the shared services or the functional support
5 services that I get from the rest of the county, yes.

6 Q. Mr. Carrington testified this morning that you had
7 not paid the allocated costs to the Environmental Services
8 Department for those resources from the county since you have
9 been receiver. Do you remember that testimony?

10 A. I do.

11 Q. Do you have a response?

12 A. He is absolutely correct. When we were in the
13 process of defining the duties of the receiver, that was an
14 issue that was brought up, and the judge made it clear that,
15 you know, I needed to review those and get comfortable with
16 them before paying those allocated costs.

17 I requested that the county, prior to completing the
18 study - and they had an ongoing study that was going on - to
19 allow me to review and have input into the study. I did not.
20 They moved forward with the study. And ultimately I had a
21 meeting with the county, its consultant and other department
22 heads to review the outcome of that study.

23 Upon reviewing that, I had a number of questions and
24 concerns. The study itself was based on allocated costs based
25 on how the county was set up in 2008. And of course obviously

1 the Environmental Services Department management had changed
2 since 2008, and I expressed concerns that, you know, the
3 allocations really were not appropriate, and I asked a number
4 of questions. I never got a response to those questions.

5 Q. When did you ask those questions?

6 A. Those questions would have been asked in early -
7 earlier this year.

8 Q. Do you recall what you had objections to or what line
9 items you may have had objections to?

10 A. Well, one of the objections I had is I didn't think
11 there was enough detail to really do an adequate review of all
12 of the line items but I had a couple of line items I
13 specifically had questions about. For instance, they are
14 allocating to me the cost of the county commission office.
15 Prior to going under receivership, that office supervised the
16 Environmental Services Department. After receivership, they
17 did not. So it was clearly inappropriate to have those costs
18 allocated to me.

19 In 2008, there was a lot of time spent out of the
20 county attorney's office working on issues associated with the
21 Environmental Services Department. Now that I was receiver and
22 had my own counsel, obviously that would change. I am not
23 saying I wouldn't use the county attorney's office, but the
24 level of the services would change. So there was a number of
25 issues like that, that I kind of asked questions about and

1 challenged whether the numbers are right.

2 MR. CONNER: All right, sir. If you would pull up M-
3 132, please, just the first page. Your Honor, this document
4 has been stipulated as to both authenticity and admissibility.

5 Q. Mr. Young, if you would take a look at the first page
6 of this document, and you can look at others if you need it.
7 Is this the study, the full cost allocation plan for fiscal -
8 it says fiscal year 2008, I believe, dated December 17, 2010.
9 Is that the study that you were provided with initially by the
10 county?

11 A. Yeah, I think it was. I was supplied a document that
12 was defined to me as pretty much done, but I don't know if it
13 was the final copy. So I don't know whether this is the final
14 copy or the prior to final copy that I looked at.

15 Q. Is this the only copy you received?

16 A. It is.

17 Q. If you would, pull up C-37. Again, Mr. Young, this
18 is a document on the county's exhibit list, which has also been
19 admitted, and it appears to be the same plan, cost allocation
20 plan. There are some different - there is different writing on
21 it, of course, and there is a different date. What is the date
22 on that document?

23 A. The date is April 20, 2011.

24 Q. Do you ever recall receiving this document from the
25 county?

1 A. I do not recall receiving this document.

2 Q. All right. If you would, Mr. Young, would you take
3 a look at Exhibit C-36? Have you seen this document before?

4 A. I have.

5 Q. What is this document?

6 A. This was a spreadsheet that was prepared by Mr.
7 Hager, who was the - I think his title is financial director of
8 the county. Mr. Hager and I met probably a month or so ago and
9 discussed allocation costs and, as a result of our discussion,
10 this spreadsheet was produced.

11 Q. All right. Allocation costs with respect to the
12 county services that you would agree to pay as receiver?

13 A. The whole issue of - yes, what I should pay as the
14 Environmental Services Department for the county support
15 services, yes.

16 Q. Up until the time of that meeting with Mr. Hager, had
17 the county presented you with an invoice or any type of request
18 for payment of those services?

19 A. They had not.

20 Q. Prior to getting this spreadsheet from Mr. Hager,
21 what was the amount of cost that the county was attempting to
22 - or was set forth in the cost allocation study as being
23 attributable to the Environmental Services Department?

24 A. As I recall, the number was a little more than eight
25 million dollars a year.

1 Q. Now, when you met with Mr. Hager, why was it
2 important at that point in time for you to determine what the
3 number was or reach an agreement on the number?

4 A. We were in the process of developing both a term
5 sheet and the definitive settlement agreement, and I recognized
6 that we needed to address this issue in both of those
7 documents. So I actually went to Mr. Hager and said, listen,
8 we need to resolve this as quickly as possible.

9 Q. And what number is reflected or what did you and Mr.
10 Hager discuss as being appropriate under those conditions?

11 A. I am having trouble reading this sheet but, as I
12 recall, I think we came up with a number of around five point
13 three million dollars for 2010, something very similar to that
14 for 2011, and then moving forward in 2012, we came up with a
15 monthly charge. And then, as I began to drive efficiencies and
16 maybe shed some of the county services, we would have a
17 reduction in that monthly charge.

18 Q. And what was your agreement at that time going
19 forward in regard to those services as far as an amount?

20 MR. MAYS: Agreement with whom, please?

21 THE COURT: The objection is an agreement with whom.

22 MR. CONNER: Mr. Hager or discussions with Mr. Hager.

23 A. My understanding, in the context of this settlement
24 agreement discussions, we would move forward with the numbers
25 on this spreadsheet.

1 Q. Okay. With respect to 2012, what was the level of
2 allocation costs that you were prepared to pay?

3 A. As I recall, it was something in the neighborhood of
4 three hundred thousand dollars a month, plus some direct
5 charges from fleet management.

6 Q. All right. Now, what type of services were you being
7 provided by the county at that time and now?

8 A. I was being provided a number of services - human
9 resource services, county attorney services, HR services, fleet
10 management services, a number of functional support services.

11 Q. And I think you indicated, in driving efficiencies
12 going forward, you would do what in regard to reducing those
13 expenses?

14 A. Well, I mean, I think any good manager takes a look
15 at his costs, both his what I call core business cost, which is
16 running the operation of the utility, and the support services
17 and tries to drive those costs down, as well as drive the
18 performance and the efficiency up. So I was looking at both of
19 those and, you know, here's an example where the county
20 initially came to me with eight point three million dollars of
21 costs and ultimately we were hopefully going to resolve this
22 thing at about five point three. That's three million dollars
23 that the rate payers of the sewer system don't have to incur.

24 Q. Now, Mr. Young, that settlement did not go through.
25 We are aware of that; correct?

1 A. It did not.

2 Q. What is your position today in regard to this
3 spreadsheet?

4 A. Well, you know, we arrived at that five point three
5 in the context of we wanted to move quickly forward with the
6 settlement. Without a settlement, I need to get the
7 information I requested and do a deeper dive on this to protect
8 the rate payers on the sewer system.

9 Q. All right. Why does this have any impact on the rate
10 payers of the sewer system?

11 A. Because this, as I mentioned earlier, this is a part
12 of the full cost of service. The county is charging these to
13 the sewer system. Therefore, this goes into the rate analysis.
14 So the lower these costs are, the lower the overall sewer rates
15 are.

16 Q. All right, sir. Are there any items in particular
17 that, just from this spreadsheet, you would take issue with?

18 A. Well, I mean, I have already mentioned the issues
19 around the county attorney's office and the lawyer's office
20 but, I mean, I need to do a deeper dive in the areas of HR, for
21 instance. While I pay a significant amount for HR services, I
22 don't receive very much in actual services and, other areas, I
23 just need to get a better understanding. It was never provided
24 to me.

25 Q. Are any of these areas and services that are being

1 provided currently by the county capable of being provided by
2 independent third-parties, other companies?

3 A. Essentially all of the services. In fact, even the
4 physical building use, I certainly don't have to stay within
5 the county building, but all of these services can be
6 outsourced.

7 Q. And you are well familiar in your experience at
8 American Water in how to do that and the type of companies,
9 actually the companies that are in those areas?

10 MR. MAYS: Objection, leading.

11 THE COURT: Sustained.

12 A. I -

13 Q. There is no question pending.

14 THE COURT: You can rephrase it.

15 Q. With respect to the provision of those outside
16 services or outsourcing of those services, Mr. Young, where
17 would you go get them?

18 A. You can get them on the open market. In fact, I have
19 already put a request for a proposal on the street for some of
20 those services.

21 Q. Such as?

22 A. Fleet management, collection, things such as that.

23 Q. Mr. Young, would you also take a look at C-35? And
24 if you could blow up the indented portion, just the listing of
25 the amounts. Do you know what this is, Mr. Young?

1 A. I assume it's a resolution that was passed by the
2 county commission.

3 Q. Okay. I am sorry. Take that back down, Chandra.
4 What is the date on that resolution?

5 A. October 25, 2011.

6 Q. And is there a provision on that resolution in regard
7 to the charge of allocated services to the sewer department?

8 A. I am assuming what's designated as sanitary
9 operations is the Environmental Services Department and is
10 shown there as five point three million dollars.

11 Q. Did Mr. Hager, Mr. Carrington, Mr. Stephens, anyone
12 at the county send you this resolution or make you aware that
13 it was being passed by the county?

14 A. No.

15 Q. And until today and the testimony from Mr.
16 Carrington, had you ever been made aware that they were
17 contending that you had improperly failed to pay these amounts?

18 A. Mr. Carrington's testimony is the first time that I
19 ever heard that they had asked for these amounts to be paid.

20 Q. With respect, going back to the order -

21 THE COURT: Actually the question was whether you had
22 been or had reason to believe that they were contending that
23 they were improperly not paid, not that they weren't not paid.
24 And your response was basically with respect to them not
25 paying. The question was improper non-payment.

1 THE WITNESS: I am having a hard time hearing the
2 judge.

3 THE COURT: The question was improper non-payment, not
4 non-payment.

5 Q. Have they ever accused you of improperly failing to
6 pay county expenses?

7 A. No.

8 Q. By the same token, Mr. Young, the order itself has a
9 provision for objection to anything you do; correct?

10 A. Ask that question again.

11 Q. I will start back. Since the filing of the
12 receivership order and the control that you have taken over the
13 system, has the county ever gone to Judge Johnson, by motion,
14 either officially or unofficially, and complained about
15 anything you have done or have not done?

16 A. They have not.

17 Q. Have they filed any kind of objection to any
18 applications for payments that you have submitted for approval?

19 MR. MAYS: I object to that. Your Honor, it is
20 undisputed that that was a term of the term sheet that, up
21 until a couple of weeks ago, we thought was going to go
22 forward. So why would we have gone to Judge Johnson when it
23 was part of the term sheet?

24 MR. CONNER: That wasn't my question, Your Honor.

25 THE COURT: The answer is that wasn't the question and

1 you can do that on cross, but go ahead.

2 THE WITNESS: No, they have not objected to anything.

3 BY MR. CONNER:

4 Q. Mr. Young, what I would like to do is ask you how
5 invoices are approved, just physically approved and paid in the
6 Environmental Services area that you control.

7 A. Okay. Let me just briefly go through it. Every week
8 I receive a listing of invoices and vendors that have been
9 signed off by other people within the department, entities that
10 are not working directly for the receiver, and I review that,
11 ask questions regarding it, and ultimately sign off on it,
12 which allows it to then go through the process of getting paid.
13 All employees' direct expenses, what we call cash tickets,
14 outlay of individual employees, I sign all of those, as well.
15 And then anything dealing with direct expenses supporting the
16 receiver - an example, that would be some of the consultants
17 that I use, my legal expenses - I review those invoices. I
18 then send them to somebody in my department who makes sure that
19 the billing rates and the contractual terms are consistent with
20 the contract that has been signed. It then comes back to me in
21 a letter form. I approve the letter. I sent that to finance.
22 Finance puts it into financial systems and then ultimately it
23 goes to the treasurer for the check to be cut or the wire to be
24 made.

25 Q. Is the county authorized to pay any invoices whether

1 it is for your professional services or other operating
2 expenses of the county - of the sewer system - without your
3 authorization?

4 A. No.

5 Q. Mr. Young, the order provides that you control all
6 accounts, all funds. We have already established that. Did
7 the county withhold any assets of the system, funds of the
8 system, in what you viewed in violation of the order after your
9 appointment as receiver?

10 A. Yes, it did. When I went to get signatory control
11 over the bank accounts, they refused to give me that control.

12 Q. And what did you do in response to that?

13 A. Well, I actually had to spend some time and money on
14 doing some research on the issue. We had to file a motion with
15 the court to try to get access to those bank accounts, and we
16 actually had to go down to Phoenix City for a hearing to get
17 control of those accounts.

18 Q. And when we arrived at the hearing with Judge
19 Johnson, what did the county do in regard to the motion?

20 A. They agreed that they would transfer the accounts
21 within the next couple of days.

22 Q. All right. Did they do that?

23 A. They did.

24 Q. If you would pull up Exhibit M-5 please. Mr. Young,
25 is this the order that was entered by Judge Johnson in regard

1 to a turnover of those accounts, a signatory authority on those
2 accounts?

3 A. It is.

4 Q. Mr. Young, what I would like you to do now is - you
5 can take that down, Chandra. Let's go back to September 23,
6 2010, the day after your appointment by order as receiver. And
7 what I would like you to do is advise the court what you did in
8 taking operational control over the system.

9 A. Well, obviously I was walking into a responsibility
10 that really hadn't been done before, so there was really no
11 road map of how to do it. There were a couple of things that
12 I felt were important to address very early on. One was just
13 to try to get a feel for the culture that I was walking into
14 and the employees, where their heads were, what we could
15 actually accomplish. So I spent some time with the leadership
16 team. I spent some time with - had meetings with the
17 supervisory group just to try to get a feel for what the
18 culture was and, probably more importantly, what was going to
19 be easy to change, make more efficient, make more effective,
20 and what might take a little bit more time. There clearly were
21 challenges there. This group had been going through some tough
22 times. They had been under this consent order for a long time,
23 you know, fifteen years, and had some compliance issues and
24 were working toward resolving that, and obviously the
25 corruption issues, you know. The top three officials had been

1 taken out of the office in handcuffs. So there were some
2 concerns about that, as well.

3 So I knew I had to work a good bit on, you know,
4 building the morale of the group.

5 Q. What was the level of the morale at ESD when you took
6 over?

7 A. I would contend it was pretty low. I mean, at the
8 first supervisors meeting, you know, a couple of people
9 expressed, you know, given everything that went on, they were
10 kind of embarrassed to be county employees. And my response to
11 that was, well, from today on, we are going to call yourselves
12 utility professionals and we are going to give you the
13 resources and the training you need to become those utility
14 professionals.

15 Q. Who was in charge, who was on the supervisory team of
16 the system when you took over?

17 A. Mr. Denard was the head of it, and kind of the chief
18 operating officer was Mr. White.

19 Q. And how long had they been in those positions?

20 A. Several years.

21 Q. They were the same people that were in those
22 positions when you did your special master's report?

23 A. Correct.

24 Q. What did you find, Mr. Young, as far as the operation
25 was concerned?

1 A. Well, you know, the other thing when I came in is I
2 needed information. So I walked in and obviously I had done
3 this several times before with other utilities, and typically
4 the first four things you look for is financial information.
5 You ask for a balance sheet, a cash flow statement and an
6 income statement, and then you ask to read the business plan.
7 Unfortunately, because of the nature of the SAP financial
8 systems, none of the financial reports were available to me,
9 and they told me it would be very hard for me to pull them up.

10 Q. Who is they?

11 A. Both the operational group, as well as Mr. Hager.
12 And they had not done a long-term comprehensive business plan.

13 Q. Who was in charge of the financial group for the
14 county at that point in time that you were talking with?

15 A. Mr. Hager. So I knew that I had my work cut out for
16 me, both getting the financial records I needed and then
17 obviously developing the business plans that I needed,
18 addressing operational issues, capital issues, revenue
19 projections, things such as that.

20 Q. Okay. What did you do in that regard?

21 A. Well, we got to work on putting those plans together
22 because, without a plan, you don't really have a strategy
23 moving forward. So -

24 Q. Before you get to the plans, what other things did
25 you find that were inferior as far as operation of the utility

1 at that point in time?

2 A. Well, just a quick overview, I took a look at, for
3 instance, the staffing levels at the treatment plants. They
4 were very excessive. You know, we took a look at issues around
5 revenue and there was just a whole lot of questions. For
6 instance, one of the issues that I even presented in my special
7 master's report is throughout the year the system gets about a
8 hundred million dollars worth of revenue from Birmingham Water
9 Works. And I asked them has anybody ever checked that the
10 check we get in, or the wire transfer we get, is right. That's
11 our biggest source of revenue. Do we know that it's right?

12 Q. Would you explain again just how the billing works?
13 You don't do your own billing for ninety percent of your
14 accounts; correct?

15 A. That's correct. Eighty percent of our billing is
16 done by Birmingham Water Works. About ten percent of our
17 billing is done by Bessemer, and then another ten percent, we
18 do ourselves at the Environmental Services Department. So it's
19 important that all of that is accurate and we needed to make
20 sure that the checks we were getting in from Birmingham were
21 correct. So, you know, that was an issue on the revenue side.

22 They had done some good work on unbilled customers but
23 that program had kind of deteriorated and we needed to jump-
24 start that.

25 So, like I said, this was a utility that had not spent

1 any money on training since 2008. So they really did not have
2 exposure to best practices. So when it got into maintenance
3 practices, revenue enhancement practices, operational
4 practices, they were doing the best that they could but they
5 really didn't have the resources and training to follow what is
6 kind of standard operating practice within the industry.

7 Q. Would you include Mr. Denard in that category?

8 A. Yes.

9 Q. Mr. Young, what I would like to ask you is, very
10 simply, you knew there was a revenue shortfall. That's one of
11 the reasons there was a default. And when you came in as
12 special master, you had the authority to raise rates. Why
13 didn't you implement a rate increase right when you walked in
14 the door?

15 A. That's a question I have actually been asked by a
16 number of people, especially on the creditors' side. I have
17 been in this business for a long time and, at the end of the
18 day, your customers are the people that pay the bill. The
19 customers are the people that will be impacted by the rate
20 increase. I knew, one, that I needed to justify to the public
21 that any rate increase I put in was appropriate, and I knew
22 that I was going to get a lot of push-back on that from the
23 public, but also you need to prove to the public, as well as to
24 the creditors, that you are doing the best you can within the
25 utility. You need to get as efficient as possible. So you

1 need to put together these business plans to determine what
2 would the future operations cost. That all goes into the rate
3 analysis. You needed to do a determination of what a future
4 capital plan looked like. That needs to go into the rate
5 analysis. You have to take a look at additional revenue. That
6 needs to go. There are other sources of revenue besides rate.
7 You need to maximize all of those. So you have to answer all
8 of those questions before you can, in my mind, put in a
9 legitimate request for rates.

10 Q. Would you pull up the slide on effectively managed
11 utilities, Chandra, please? You discussed in the opening of
12 your testimony, Mr. Young, this effectively managed utilities
13 concept and the work that you did with EPA. Does this slide -
14 and it's Exhibit C-51, I believe, Your Honor, from that
15 presentation. Explain what this slide represents.

16 A. Well, the group of us who put together this book got
17 together and said we need to define the ten most important
18 attributes of an effectively managed utility, and these are the
19 ten items that we came up with, that every utility ought to
20 focus on these.

21 Now, you will notice on the slide that we have them in
22 a circle at the bottom, and the reason that we put them in a
23 circle is because the priority of each one of these is not
24 going to be the same for every utility. You need to determine
25 what your challenges are and where your problems are, but at

1 some point along the road you need to address all of these.
2 And I used this as the foundation for assessing the utility,
3 what were we doing and what were we not doing.

4 Q. What were they not doing, Mr. Young, in regard to this
5 template?

6 A. Unfortunately there was a lot on here that was not
7 being done. There was a focus on product quality, which goes
8 directly to the consent order. Of course, we weren't doing a
9 very good job, given the nature of the overflows, so there was
10 a focus on that, and there was a focus on operational issues.
11 Not so much optimizing them but obviously running the
12 facilities. But there was very little focus at all on customer
13 satisfaction. This was not a customer focused utility.
14 Obviously they had stopped spending money on employee
15 development. There was no effective performance management
16 system to drive performance within the utility. They were
17 totally, completely underspending on the capital side. So when
18 you look at issues like infrastructure stability, they had a
19 system that was in very, very poor shape and didn't have a plan
20 to get it where they needed to.

21 And then issues regarding the community and
22 stakeholder involvement, there was almost no communication with
23 their customers and with their investors. In fact, I was
24 surprised to find there was nobody in the entire utility
25 responsible for communications.

1 Q. You mean, they have no customer service department?

2 A. They have a customer - they have people who answer the
3 phone but we didn't have a program in place to proactively go
4 out into the community, which is why I have spent a significant
5 amount of my time writing articles for the newspaper, getting
6 in front of community groups to tell people what we were
7 actually doing.

8 Q. All right, sir. How did you begin to address the
9 issues that you saw?

10 A. Well, what we did is - what I did is, you know, as I
11 said, started focusing on putting these plans together. I
12 recognized the culture there, we couldn't change too much too
13 quickly and be successful.

14 The change management issue of this turnaround of the
15 utility was going to be a challenge. So we selected some low
16 hanging fruit, as I call it, to work on to change. For
17 instance, there needed to be a reduction in staff. There was
18 no question about that. You know, I looked at that and that
19 was a no-brainer and I had been in many utilities that had
20 gotten done with fewer people.

21 Q. What was the level of staffing, approximate level at
22 the time you took office?

23 A. Somewhere around four hundred and fifty people but,
24 specifically, I was focused on the treatment plants. For
25 instance, we had two treatment plants, they are two largest

1 plants that had staffs of fifty, fifty-five, sixty people
2 working at those facilities, and I looked at it very quickly
3 and it was obvious that we could get that staffing down to the
4 twenties.

5 I worked with the management there and they basically
6 said we know we can reduce the staff but, you know, they had
7 never seen plants this large being operated any differently.
8 So I agreed to bring in resources to sit down and work with the
9 operating staff for three weeks to determine where we could
10 actually get on staffing levels of these facilities.

11 The same thing on the maintenance. You know, they had
12 very much of a break/fix approach on maintenance. Something
13 ran, it broke, you fixed it. That's not the way you maintain
14 things most effectively, and we changed that, as well, and I
15 brought in an expert to help their maintenance staff and gave
16 the people the training they needed.

17 So that is just one aspect of it.

18 Q. And what company did you bring in?

19 A. I brought in the company that I used to work for,
20 American Water, one individual on the operations side and one
21 individual on the maintenance side.

22 Q. Did you also have American Water perform a customer
23 demand study?

24 A. We did. The other issue we had is we didn't have a
25 good feel for our revenue. As I mentioned early on in the

1 special master's report, there is a decline in per capita water
2 use every year. I needed to define that specifically for
3 Jefferson County. But, on top of that, there are more
4 abandoned houses in downtown Birmingham every year than there
5 are new homes in the suburbs. So we actually had a declining
6 customer base. I needed to define that, as well.

7 Again, you need to know what your revenue stream is
8 without rate increases so you can determine how high the rate
9 increases need to be to cover the debt service, what is your
10 starting point, and that is what we were trying to define.

11 Q. Now in your special master's report, you had also
12 recommended that they manage vacancies and labor and that was
13 an opportunity, as you viewed it, from the expense side. Had
14 they, in fact, reduced the staffing level at the department
15 since the special master's report before you got there?

16 A. What they had done, and I give them credit for this,
17 they at least recognized the positions that weren't filled
18 weren't needed. So the number of positions that they were
19 budgeting for had been decreased but there had not been a
20 reduction in overall staff. And my job was to actually get
21 more efficient by the actual reduction of staff.

22 Q. Got you. What other professionals did you engage, Mr.
23 Young, and just give us a brief description on what you asked
24 them to do?

25 A. Okay. Well, we brought in a financial modeler to help

1 us once we got the input we needed from the operating plans and
2 the capital plans. Citibank came in and did some modeling
3 around the bond refinancing. They came in and actually their
4 services were at no cost to me. They are one of the leading
5 financial advisors in the muni bond market.

6 Q. How did you manage that?

7 A. They had been actively involved even prior to me
8 coming on board and obviously they wanted a solution to this
9 problem because of the impact it could potentially have on the
10 municipal bond market.

11 After that, once we had a debt service schedule coming
12 out of Citi, we then engaged Black and Veatch to work on rate
13 design and so they worked -

14 Q. Who is Black and Veatch?

15 A. Black and Veatch is a nationally recognized
16 consultant. One of the reasons I picked them is, one, I had
17 worked with them before on a rate design and, two, they had
18 credibility in the New York markets and I knew ultimately we
19 wanted to refinance this debt, so I wanted to take an engineer
20 to market who had name recognition.

21 So they came in and did not only a cost to service
22 study to see how much more revenue we needed but also how you
23 allocate those costs among the various customer groups.

24 We also brought in (indiscernible) Energy, which is a
25 non-profit group. They only charged us eight thousand dollars

1 to help put together a low-income program. We brought in
2 Industrial Economics, who we talked about earlier on, who did
3 a financial impact assessment on rate increases. And I brought
4 in a company called SAIC, who had previously been working for
5 the county with Birmingham Water Works' billing data to do that
6 audit that I talked about of the Birmingham Water Works' bill,
7 as well as work on unbilled sewer customer issues.

8 And I think the final consultant I brought in was an
9 individual from Utility Performance who I needed to come in and
10 manage a number of the projects in the areas that the sewer
11 system really didn't have expertise. For instance, developing
12 policies and procedures around certain customer service issues,
13 leak adjustment policies.

14 Q. You mean Mr. Denard couldn't do that?

15 A. Well, they had a policy in place and it clearly wasn't
16 anything close to what best practices in the industry were. So
17 I needed to bring somebody in who actually understood what the
18 best practices were. Write RFPs to out source of fleet and
19 collections. Work on the unbilled customer issues.

20 You know, one of the things that we needed to get in
21 place that had never been in place is we needed to have
22 contracts with all of the agencies that did water billing for
23 us. Well, first of all, the best way to get your sewer bill
24 paid, if it is not being paid, is to shut off the water. You
25 can't shut off the sewer. And so we needed the agreements in

1 place that allowed us, if the sewer bill wasn't being paid, to
2 get the water shut off, and that is common practices all over
3 the country.

4 Q. And that wasn't being done in this department?

5 A. Not universally across all of it because, understand,
6 we are not the water purveyor; we are the wastewater purveyor.
7 So contractually we needed to get agreements with the water
8 purveyors to do that.

9 Secondly, similar to what I was trying to do with
10 Birmingham Water Works, we wanted to be able to go in on an
11 annual basis and audit the water bills because the water bills
12 influence the sewer. So those are the types of things that
13 just had not been done but are good operating practices to do.

14 Q. Let's take the Birmingham water contract. There had
15 been a contract in place with respect to Birmingham water,
16 hadn't there?

17 A. Yes, there had.

18 Q. What, if anything, did you learn from the SAIC
19 analysis or review with respect to that contract?

20 A. We found a number of things. First of all, there were
21 certain customers that had been misclassified between
22 residential and nonresidential.

23 Q. What impact does that have?

24 A. Well, the residential class, in general, they pay
25 eighty-five percent of their bill, of the water use.

1 Commercial class pays a hundred percent of their bill. In
2 other words, the water use on the residential side, you
3 multiply times point eight-five; on the commercial side, you
4 multiply it times one and that is what the bill is based on.
5 So that was important.

6 Q. So did you have, then, commercial customers being
7 charged - classified as residential?

8 A. To some extent, yes. Probably the most disturbing
9 part was in the contract it talks about how you handle partial
10 payments to bills, and basically what it says, if there is a
11 partial payment to a bill, it gets allocated proportionally
12 across the bill. The practice that was being implemented by
13 Birmingham Water Works is they would take a partial payment and
14 initially put it all against the water bill.

15 And then they have another issue with respect to
16 credits. If Birmingham Water Works gives a customer a thirty
17 dollar credit on their bill because there is a leak in the
18 toilet, or something like that, and you owe thirty dollars on
19 the sewer, they would just credit the sewer the thirty dollars
20 and we would never see the thirty dollars.

21 So there is a number of issues that we needed to
22 address to make sure that we are getting all of the revenue
23 that we needed to get. And, like I said, that was one of the
24 recommendations I made all the way back at the special master's
25 report and we are now getting the information in.

1 But, again, this is the low-hanging fruit. There's a
2 lot of other stuff that needs to be done in the future.

3 Q. Okay. What was the status of the collection operation
4 or the method of collecting your bad debts?

5 A. Well, one of the questions I asked when I got there
6 was can you show me the metrics that tell me the effectiveness
7 of your collection agency. For example -

8 Q. Who did you ask that question?

9 A. I asked that question to the management team in the
10 ESD, to multiple people, and the question they asked, "Well,
11 what do you mean by that?" And I said, "Well, what does it
12 cost us to collect a dollar, the dollar that we have been
13 trying to get from somebody? Does it cost us a nickel? Does
14 it cost us a dime? Does it cost us a dollar?" And nobody
15 could figure it out. The records were so poor and the vendor
16 we were using could not provide us the information, as well.
17 And so we really don't have any idea what our collection
18 effectiveness is. And so that led me to believe that we need
19 to get somebody else in here to work the collections, and we
20 started to prepare a request proposal to do that.

21 Q. So that is something that is in the works but it has
22 not been done yet?

23 A. That is in the works.

24 Q. With respect to the initiative, I think that was
25 started under a pilot program after your special master report,

1 that did find unbilled accounts, did you find that that program
2 was still in place when you arrived or had it been
3 discontinued?

4 A. It essentially had been discontinued. In fact, they
5 had been piling up records within the customer service
6 department on some things that they needed to go and do field
7 verification of. I have to admit, the Environmental Services
8 Department did a really good job coming out of the special
9 master's report. They found over three million dollars worth
10 of revenue from customers that had not been paying.
11 Unfortunately they only went back a year to collect past
12 revenues.

13 Q. You mean, they didn't go back six?

14 A. No. They could have gone back a whole lot more but
15 they only went back a year. That was disappointing.

16 MR. MAYS: I object to that, Your Honor. That calls
17 for a legal conclusion. There are legal issues in that whole
18 thing. This man is not a lawyer but that calls for a legal
19 conclusion, how far back they could go.

20 THE COURT: Well, I don't know that he satisfied your
21 particular point but the answer was already out before you
22 objected.

23 Q. Proceed, Mr. Young.

24 A. But that program that they had implemented had really
25 just shut down and we needed to jumpstart it. That is

1 something that you need to do almost on a continuous basis.
2 And so one of the things that I asked SAIC and Utility
3 Performance to look at is let's put together a program to - a
4 sustainable program around unbilled customers to make sure
5 that, again, we don't bill the existing customers more than we
6 should because we have people out there who aren't paying for
7 service.

8 Q. And has that program been developed and is it ready to
9 be implemented?

10 A. No, we are still in the process of developing that
11 program.

12 Q. Have you received any pushback from Mr. Denard on that
13 program?

14 THE COURT: Can I just interrupt for a second? I mean,
15 what is the scope of the unbilled customers? What is the
16 scope? I mean, how many -

17 THE WITNESS: How would you do it, in other words?

18 THE COURT: No, no. How many unbilled customers are
19 there?

20 THE WITNESS: If I knew that answer. That's the
21 problem, you don't know. They found three hundred in probably
22 four months back in 2008. That resulted in about three million
23 dollars worth of revenue.

24 THE COURT: So they were mostly industrial users?

25 THE WITNESS: There were a number of large - they were

1 large, what we call nonresidential, yeah. Hospitals, things
2 such as that. I mean, that is the question. There could be
3 very few or there could be very many. We just don't know.

4 THE COURT: I am sorry. Mr. Conner, go ahead.

5 BY MR. CONNER:

6 Q. Is Mr. Denard giving you any pushback in regard to
7 that program?

8 A. No. I think we all agree we need to do that program.
9 There has been some very deep discussions on what is the best
10 way to attack it, and that is why the program hasn't been
11 implemented. We are still trying to figure out how best to use
12 the resources and, in fact, maybe how many additional resources
13 we need to do to implement the program.

14 Q. All right. Are there any other initiatives, Mr.
15 Young, that you have either in process or plan to implement?

16 A. That is a pretty big question. I mean, we have a lot
17 of things in process and there is a lot of things we haven't
18 even touched yet. The biggest of which is probably what is
19 referred to as asset management. As I said earlier on, the
20 condition of this system, the condition of the buried pipe, the
21 buried infrastructure, is in very, very poor condition. Sixty
22 percent of the water that we treat through our wastewater
23 treatment plants comes from leakage into the pipes. That's
24 double what, you know, most sewer systems have and, again, this
25 is after spending two and a half billion dollars to improve the

1 system.

2 Q. Does that have an impact on your chemical cost, your
3 utility cost?

4 A. It has an impact on power, chemicals, the overall
5 operation of the facility, as well as cost of that operation.
6 So we are putting in an asset management program of which the
7 first job or task is to actually identify the condition of the
8 assets. You can't begin to prioritize how you do your work
9 until you figure out not only what the condition of the assets
10 are but what is the risk to the system and the customer if
11 there is a failure of that asset. So that is the first task
12 and then, secondly, you determine where do you spend money to
13 get the best bang for your bucks. And then, finally, since we
14 know it is going to result in a very large capital program, how
15 do you actually deliver those projects and build - and that
16 program will take multiple years to implement.

17 We have gotten request for proposals in from a number
18 of engineers. We have short-listed it. We are down to one.
19 We are in negotiations with that one engineer right now to work
20 through this multi-year project.

21 Q. Will that be the first time that you will have a true
22 understanding of exactly the condition of the collection
23 system?

24 A. Well, we do right now televise portions of the system,
25 and so we have spots of the system that we understand, but this

1 is the first time this will be done on a comprehensive basis,
2 so you can actually prioritize where to best spend your money.

3 Q. Okay. Any other areas that you see that you need to
4 proceed in the future?

5 A. Yes. I mean, we touched the surface on the staffing
6 at the treatment facilities. We have not gotten into staffing
7 in our field crews. We have not gotten into staffing within
8 the administrative offices. We clearly need to do an
9 assessment of all of the support services and determine whether
10 we stay with county services or outsource those services, and
11 that is just simply on the operating side.

12 There's a number of things that we need to do on the
13 revenue side, as well. Remember, rates is not the only way
14 that you increase revenue. You know, you get at unbilled
15 customers, you change policies, you know, on how you collect,
16 leak adjustment policies, things such as that. So there are a
17 lot of things that we need to do with that, as well.

18 Q. Mr. Young, one of the things that you recommended in
19 your special master's report that we talked about was the
20 policy on capitalizing labor. Was that in place when you took
21 office?

22 A. It was not.

23 Q. Is it now?

24 A. It is. Starting with fiscal year 2011, we actually
25 have all of the employees that work on capital type projects

1 fill out a time sheet, and then we use that time sheet to
2 determine how much should go towards capitalized labor.

3 Q. Did the county have any type of time sheets, time
4 clocks, anything along those lines?

5 A. No, and that caused a real problem with the allocation
6 studies. If they actually had time sheets that we could
7 actually document how the support services were being used, the
8 allocation study would have been a whole lot easier to do.

9 Q. Okay. Mr. Young, what type of financial system do you
10 operate with at this time?

11 A. The county works on an SAP financial system.

12 Q. Has that improved at all while you have been there?

13 A. I guess my answer is I don't know. Like I said
14 earlier on, I asked to get a cash flow statement, balance
15 sheet, and an income statement. After I was there for a couple
16 of months, we did come up with a report, a standard report,
17 which is somewhat close to an income statement that I could use
18 to submit to the court. I have an obligation to submit to
19 Judge Johnson every month a financial receiver report. So I do
20 now get somebody sending me every month a quasi-income
21 statement but I really can't do a deep dive underneath the
22 numbers very well right now.

23 Q. And have you submitted monthly reports to Judge
24 Johnson as part of your role as receiver in regard to those
25 financial reports?

1 A. Yes, those reports are this financial statement that
2 I get from the county financial department with a brief
3 explanation of why there is movement on the various line items.

4 Q. With respect to year-end 2011, what were the, if you
5 can recall just generally, the financial results in regard to
6 revenue and expense?

7 A. I think year-end 2011, we were about around a hundred
8 and sixty-one million dollars in our operating revenue and
9 somewhere around fifty-eight, fifty-nine million on our
10 operating cost.

11 Q. With respect to the revenue, did revenues go up or
12 down from 2010?

13 A. The revenues went up.

14 Q. By what amount, do you recall?

15 A. It was about three or four million dollars.

16 Q. Mr. Young, you have told us a number of things. Is
17 there any type of performance measure for employees,
18 performance management system for employees? Do you know what
19 I am referring to?

20 A. I do, and this is one of the things that I really need
21 to implement going down the road. Under the merit system,
22 there is an employee evaluation that's mandated to be done.
23 There is not much to it, let's just put it that way, to be
24 kind, but there is no metrics, there's no incentives. There is
25 nothing that you can really use to drive performance and, if

1 you are going to have a high-performing utility, people need to
2 understand specifically what they need to get done and have
3 metrics to measure that, and that's a system that we really
4 need to put in if we are going to move to the next level within
5 the Environmental Services Department.

6 Q. At some point in time, Mr. Young, you are putting all
7 of this together, do you have one document that is, in effect,
8 your business plan?

9 A. I mean, we did submit the interim receiver report and,
10 within the interim receiver report, we have our operating and
11 maintenance plan, our capital plan, our revenue projections.
12 So I would contend that that is our business plan moving
13 forward.

14 Q. If you would, pull up Exhibit M-4. Mr. Young, is this
15 document that has been admitted represent the interim report
16 that was submitted?

17 A. It is.

18 Q. Your Honor, at this time I just want to make sure that
19 we direct your attention as far as exhibits are concerned. We
20 are not going to go through every one of them but, Mr. Young,
21 M-4 also had twenty-five exhibits in the appendix attached to
22 it, as well, correct?

23 A. It did.

24 Q. What's included in that collection?

25 A. Well, it's a number of the reference documents that we

1 used to support some of our statements within the interim
2 receiver report, consultant's reports that have been done prior
3 to me getting there.

4 Q. Is the cost of service study there?

5 A. The cost of service study is there; the operating
6 plans are there; the various consultant reports - all of the
7 consultant reports that were done for me are in that document.

8 Q. And does it also include consulting reports from other
9 consultants that the county had hired over the years?

10 A. It does. BE&K is an example of one.

11 MR. CONNER: Your Honor, unless you want me to, I am
12 not going to run through each of those. They are all in the
13 record, as far as identifying them. It is up to you, though.

14 THE COURT: Any particular aspects that you want me to
15 look at, in particular?

16 MR. CONNER: Well, I think they are all important from
17 the standpoint of what Mr. Young has done. I wanted to make
18 sure - and I will be glad to go through each page.

19 THE COURT: I mean, if you are using it for purposes of
20 what he has done, that's fine.

21 MR. CONNER: Okay. That is what it is, Your Honor, and
22 really to support his testimony that he has given today as to
23 some of the things that need to be corrected in the system and
24 plans going forward, as well as some of the historical
25 documents that were relied upon.

1 BY MR. CONNER:

2 Q. Mr. Young, one of the things that was done in this
3 report, there was a significant section at the very beginning
4 on the history of the system. Why did you put that in the
5 report?

6 A. Well, when assessing what you need to do moving
7 forward, it is very important that you understand what has
8 happened in the past. And frankly this problem did not start
9 in 1996 with the consent order; it started well before that
10 with an underfunded system. And I felt it was important that
11 that be identified to not only help me in my work but the
12 public needed to understand that, as well, and I knew this was
13 going to become a public document.

14 Q. All right. Can you give us just a broad summary of
15 your findings in the interim report?

16 A. I will try to be very quick on this. We presented the
17 - first of all, we talked about the history and I think I have
18 gone through the history here, and there is probably no reason
19 to repeat that. Then we talked about what I had done as the
20 receiver in putting together the various plans. And ultimately
21 what we talked about is and how we get revenue increase. So
22 what came out of the study, and I think what was the focus of
23 everyone in the study, was the proposed twenty-five percent
24 rate increase, but there was a lot of work done supporting that
25 twenty-five percent rate increase.

1 Q. Again, just a brief summary of that work?

2 A. Well, we actually looked at five or six things to
3 support the twenty-five percent rate increase, and I think just
4 pointing out a couple of them, the important ones, there had
5 always been the concern in the public that the higher rates
6 were being driven by the 2002/2003 refinancing of the debt.
7 And so we did an analysis going back and saying, well, what
8 would happen if we had never done the auction rate swaps in
9 2002 and 2003 and had continued to finance the improvements
10 with just conventional fixed rate debt, where would the rates
11 be today. And the analysis showed that they would be thirty-
12 two percent higher than they are today. So clearly I felt that
13 helped support a twenty-five percent rate increase.

14 We looked at, across the country, what was the typical
15 rate increase that occurred in wastewater systems over the past
16 five or six years. That was about six percent a year. They
17 had not done a rate increase in Jefferson County in four years.
18 Again, very supporting the twenty-five percent rate increase.

19 A number of other things we looked at. One of the
20 last things we looked at is we had the consulting firm that
21 does the financial impact around combined sewer overflows for
22 EPA, Industrial Economics, and said retrospectively look at
23 Jefferson County, even after a twenty-five percent rate
24 increase, you know, what is the financial impact of this system
25 as EPA would look at it. And they determined that the

1 financial impact, even after the twenty-five percent rate
2 increase, was still on the low end of the median range and
3 rates could be raised substantially more after that.

4 We also looked at the definition of rates under
5 Alabama law, which says it should be sufficient to cover
6 operating costs, you know, debt service and the capital
7 program.

8 So we thought we put together a very rigorous support
9 of the initial twenty-five percent rate increase.

10 Q. If you would, pull up C-32. Mr. Young, did you
11 prepare a PowerPoint presentation to be presented to the county
12 commission, as well as the public, to summarize the findings in
13 your interim report?

14 A. I did prepare this document. It is a PowerPoint
15 presentation. I never presented it to the entire commission
16 but I did present it to Commissioners Carrington, Stephens and
17 their legal team.

18 Q. What was the response from Commissioners Carrington
19 and Stephens from that presentation during the meeting?

20 A. There were no comments and there were no questions.

21 MR. CONNER: Your Honor, this has also been admitted as
22 an exhibit.

23 Q. Mr. Young, we won't run through the slide
24 presentation, but did you also present this to the public, as
25 well?

1 A. Portions of it to the public, yeah.

2 Q. Mr. Young, I think you indicated earlier you needed to
3 speak with your stakeholders and inform the public and that had
4 not been done in the past in this system. What have you done
5 in that regard in your role as receiver?

6 A. Well, I have tried to get the word out. As I put it,
7 I have tried to get the hard truths out, to let the public know
8 what actually was occurring. You know, speaking to Leadership
9 Birmingham. I went with Commissioner Carrington and spoke to
10 the leadership at Vestavia Hills. I spoke to the Rotaract
11 group. I spoke to Kiwanis. I have spoken to other
12 professional organizations in town. I have written editorials
13 in the newspaper. I have written series in the newspaper. I
14 have met with the editorial board. Again, I have tried to be
15 as transparent as possible to let the public and the
16 stakeholders know what was happening.

17 Q. As well, have you gone out of state to make
18 presentations?

19 A. I have. I mean, one of the things I have been told,
20 because the plans was to refinance this debt ultimately, is
21 that we had to change the image of Jefferson County not only
22 within Jefferson County but, probably more importantly, around
23 the rest of the industry because ultimately we needed to go to
24 New York and refinance this debt and have meetings with
25 potential investors. So I started that process. I have spoken

1 at a couple of industry functions. I have spoken to analysts
2 and investors in New York, again trying to tell them the good
3 story down here in Jefferson County. They all knew about the
4 corruption. They all knew about the inefficiencies, but I am
5 trying to tell them that it is a new day in Jefferson County
6 and we are turning this thing around.

7 Q. All right, sir. Mr. Young, after the submission of
8 your interim report, did you get sued?

9 A. I had multiple people protest my proposed twenty-five
10 percent rate increase.

11 Q. All right. Well, as far as the - do you recall the
12 motions to, quote, intervene into the receivership action had
13 been filed to contest a rate increase that had not even been
14 approved yet, is that correct?

15 A. There is a process to put the rates in. I -

16 Q. What is that process, Mr. Young?

17 A. I submitted my interim receiver report, talked to all
18 of the stakeholders about that report, talked to the judge
19 about the report, and then filed for a public hearing. I think
20 it was scheduled for June 29. And then after that, I will take
21 what comes out of the public hearing, make a decision on where
22 rates needed to be, and then I actually implement the rate
23 increase.

24 Q. Now, Mr. Young, is there any regulatory authority or
25 commission that you have to present or receive permission from

1 in order to increase rates?

2 THE COURT: Don't even go there. It's a legal
3 conclusion.

4 MR. CONNER: Very good.

5 Q. What happened, though, after - why didn't the rate
6 increase go into effect, Mr. Young?

7 A. Well, it was several days before my public hearing and
8 I got a call from the finance director from the state telling
9 me that they would like me to hold off on my rate increase. He
10 told me that there were rumblings of bankruptcy within the
11 county and, you know, the state would like to get involved and
12 see if they could help solve the problem.

13 Q. And what happened after that?

14 A. I got -

15 THE COURT: Mr. Mays, I understand it's hearsay.

16 MR. MAYS: Yes.

17 A. What happened after that is I was actually pretty
18 excited because we had been trying to get the state involved
19 for quite some time. I recognized that, if we could get the
20 state involved and provide some sort of guarantee behind -

21 MR. MAYS: I object to the rambling narrative. The
22 question was what happened after that, not how excited Mr.
23 Young was.

24 THE COURT: Sustained. You need to be more specific
25 about your questioning.

1 Q. Mr. Young, what happened in regard to the state's
2 entrée into the scene?

3 A. I agreed to enter into a standstill agreement and then
4 work with the state, both the finance director and the attorney
5 general, to see how we could get them engaged in the process to
6 drive value to the process.

7 Q. What did you agree to do in the standstill agreement?

8 A. What I agreed to do was hold off on any rate increase.
9 I agreed to pay the attorney fees of the county as they were
10 applicable to helping with the overall settlement, working on
11 legislation associated with what was needed in the overall
12 settlement and a number of other things.

13 Q. All right. Who was working on the legislation, which
14 law firm?

15 A. I think it was Balch and Bingham.

16 Q. And what is the other firm that was retained by the
17 County that you ultimately received bills from?

18 A. The other firm is typically Bradley Arant.

19 Q. Okay. Mr. Young, with respect to the attorney's fees
20 that you did receive, how would you receive - or the attorney's
21 statements from the county in conjunction with that standstill
22 agreement that you had agreed to pay, who sent those to you and
23 what was the process for approval?

24 A. Typically I would get a folder from Mr. Sewell.

25 THE COURT: Do I really need to know the process? Mr.

1 Conner, do I really need to know the process?

2 MR. CONNER: It's relevant, Your Honor.

3 THE COURT: All right.

4 THE WITNESS: I would get a stack of invoices from Mr.
5 Sewell for my review.

6 Q. And upon your review of those invoices, Mr. Young,
7 were there ever any objections that you raised to those
8 invoices?

9 A. Yes. I mean, if you go through - I had to go through
10 those line item by line item and, you know, frequently there
11 were items there that just weren't appropriate and weren't
12 applicable to what I agreed to in the settlement agreement.

13 Q. Give us an example, Mr. Young.

14 A. Working on bankruptcy issues. You know, they were not
15 directly related to an overall settlement.

16 Q. Well, that would be kind of counter to the settlement;
17 wouldn't it?

18 A. Exactly.

19 Q. Were there other instances that you reviewed the bills
20 - other examples of things that weren't appropriately tied to
21 the settlement?

22 A. Research -

23 MR. MAYS: I am going to object on relevancy grounds,
24 Your Honor. I really don't see the relevancy of all of this.

25 THE COURT: I have given you a little leeway here but,

1 I mean, tell me -

2 MR. CONNER: This is the last question, Your Honor, on
3 this line.

4 THE COURT: What's the relevance?

5 MR. CONNER: Your Honor, I think the relevance is that
6 for what they are -

7 THE COURT: For what I am dealing with.

8 MR. CONNER: From what you are dealing with, we think,
9 Your Honor, is whether or not Mr. Young will stay in place or
10 whether the fox will be in charge of the hen house again if the
11 county gets involved.

12 THE COURT: I think it is a little attenuated. It
13 really is. I mean, you know, I see thousands of fee
14 applications that unfortunately I have to deal with and, yeah,
15 there are things that occur but, unless it is something of some
16 significant dollar value, I just think it is really too
17 attenuated.

18 MR. CONNER: We will proceed, Your Honor. Thank you.

19 BY MR. CONNER:

20 Q. Mr. Young, what percentage of your time was devoted to
21 working in regard to facilitating this settlement that
22 ultimately failed?

23 A. Well, I think you kind of have to divide it into two
24 groups. You know, up until the submittal of the interim
25 receiver report, I spent almost all of my time working on the

1 business plan and the initiatives to drive efficiencies and
2 revenue enhancements within the utility. Once the interim
3 receiver report was submitted and once the state got involved,
4 I probably spent over fifty percent of my time from that point
5 on trying to facilitate an overall settlement between the
6 county and its creditors.

7 MR. CONNER: Your Honor, I don't intend to go into the
8 settlement agreement. There was an issue raised by Mr.
9 Carrington with regard to the rates issue, and I would like to
10 discuss that with Mr. Young if that is appropriate.

11 THE COURT: Ask your question and then we will see.

12 MR. CONNER: Thank you.

13 BY MR. CONNER:

14 Q. Mr. Young, Mr. Carrington indicated that they are
15 fully or that - I am not going to try to paraphrase his
16 testimony, but that the county commission is willing to
17 increase rates in conjunction with this bankruptcy that has
18 been filed. Do you recall that testimony?

19 A. I do.

20 Q. And the basis - you heard the basis he gave you for
21 that testimony. What is your view in regard to that based on
22 the communications that you have had with Mr. Carrington and
23 the other commissioners?

24 MR. MAYS: I object to that question. First of all, it
25 is an unintelligible question but, secondly, what is your view

1 based on your communications, I don't think that is a proper
2 question.

3 MR. CONNER: What is his understanding, Your Honor.

4 THE COURT: You are going to have to simplify the
5 question because I didn't understand it.

6 MR. CONNER: Okay. I will try. I will go back.

7 BY MR. CONNER:

8 Q. Mr. Young, you were deeply involved in the back and
9 forth between the county and the creditors in regard to the
10 settlement; weren't you?

11 A. I was.

12 Q. And in regard to the rates, what was your
13 understanding that the county was contemplating or agreed to do
14 with respect to the term sheet?

15 MR. MAYS: I object. There is no foundation. At what
16 time and what point, you know.

17 MR. CONNER: September 14 term sheet.

18 THE COURT: Does it matter?

19 MR. CONNER: I think it does, Your Honor.

20 THE COURT: In what way?

21 MR. CONNER: Well, I need to get the testimony out
22 first.

23 MR. MAYS: I object, Your Honor. I mean, if you can't
24 state the basis for the relevancy, I think that in and of
25 itself shows it's not relevant.

1 MR. CONNER: Your Honor, the basis for the relevancy is
2 we would like to present to the court the actual rate increase
3 that the receiver was intending to implement should the
4 settlement have proceeded.

5 MR. MAYS: Well, I object to that on the basis of
6 settlement, you know, negotiations are not admissible. The
7 fact -

8 THE COURT: Let me tell you the import I take of Mr.
9 Carrington's testimony.

10 MR. CONNER: That's fair, Your Honor.

11 THE COURT: The import is that they were willing
12 potentially to do a little over eight percent a year for a
13 three-year period and then a little over three percent for
14 maybe an infinite time period beyond that, and they had
15 problems with twenty-five percent a year. Now that is the
16 import that I take from his testimony, all right.

17 MR. CONNER: I understand that, Your Honor, and I agree
18 with you. On its face, that is what it says but -

19 THE COURT: I mean, not that that is what the deal was
20 because there wasn't any deal and the fact that - what the
21 terms of the settlement may or may not have been, or an aborted
22 settlement in this case, or a nonexistent one. I don't know
23 which it is. It really is not admissible; is it?

24 MR. CONNER: Well, I think it goes to the credibility
25 of Mr. Carrington, Your Honor, concerning what level of rate

1 increase would have actually gone into place had this
2 settlement proceeded, and they rejected it.

3 THE COURT: Why don't you just ask him what his
4 position was with respect to the amount of the rate increase
5 that needed to go in place for what time periods?

6 BY MR. CONNER:

7 Q. Mr. Young, what was your position and what were you
8 prepared to do in regard to implementation of rates consistent
9 with the settlement agreement going forward?

10 THE COURT: No, I didn't say consistent. I just said
11 what his position was regarding the rate increases that were
12 required under his analysis for the respective years that may
13 be involved.

14 MR. MAYS: And I object, Your Honor, because that was
15 part of settlement negotiations.

16 THE COURT: No, no, I didn't say what any agreement on
17 the settlement was, just his view of what was required
18 independent of any settlement or anything else.

19 MR. CONNER: Well, let me ask that question, Your
20 Honor.

21 BY MR. CONNER:

22 Q. Mr. Young, disregard the settlement. At this time,
23 you are still the receiver. You are faced with presenting a
24 rate increase at some point in time in the future. What will
25 you do in regard to that under these circumstances going

1 forward?

2 MR. MAYS: I need to know what these circumstances are
3 going forward now, Your Honor.

4 MR. CONNER: The existing circumstances as receiver
5 today, Your Honor.

6 THE COURT: Let me ask the question. Mr. Young - I
7 mean, we can dance around it but, look, if you know the Rules
8 of Evidence, you can get almost anything into evidence. It may
9 have limited utilization theoretically but you can get it in.
10 So let's not dance around this one.

11 Mr. Young, do you currently have a position with
12 respect to a rate increase or rate increases that are necessary
13 with respect to the sewer system?

14 THE WITNESS: That's a very difficult question to
15 answer. It gets to what are the assumptions behind the rate
16 increase.

17 THE COURT: Well, the question is whether you have
18 formulated a position with respect to, initially, whether they
19 are necessary. Now, the answer to that, I think your testimony
20 already is yes. And the next question is, if you have with
21 respect to a rate increase, what is the necessary rate increase
22 going forward, if you do it by year or by multiple years?

23 THE WITNESS: Well, I presented what the proposed rate
24 increase would be without the state's moral obligation - I
25 mean, with the state's - without the state's moral obligation,

1 you know, that would be something in the twenty, twenty-five
2 percent rate increase dependent upon the concession level. If
3 we are able to keep the state moral obligation, if we are able
4 to keep the concession levels where they are today, what I was
5 proposing through a revised cost of service analysis was a six
6 and a half percent rate increase for the residential and non-
7 residential customer classes, and then a substantial rate
8 increase for some of the other fees we have around septage,
9 grease and others that would exceed actually over a hundred
10 percent to bring those rates to actual cost of service.

11 So that is what has come out of my most recent rate
12 analysis, but that assumes the state moral obligation stays in
13 place and assumes that we have approximately one billion
14 dollars of concessions from the creditors.

15 THE COURT: And I take it, it assumes a refinancing?

16 THE WITNESS: It assumes a refinancing because I
17 believe, based on my discussions with the creditors, to retain
18 the billion dollars worth of concessions, I will need to do a
19 refinancing.

20 MR. CONNER: Your Honor, I would like to direct your
21 attention just to the monthly - I meant to do this earlier, the
22 monthly financial system - monthly financial reports of system
23 operations that Mr. Young has filed are County Exhibit Nos. 3,
24 4, 5, 6, 7, 8, 9, 10, and just direct your attention to those
25 because those do reflect the financial operations during the

1 period of time that Mr. Young has been receiver.

2 BY MR. CONNER:

3 Q. Mr. Young, what I would like to do now is -

4 THE COURT: And the particular purpose that you want me
5 to look at those is?

6 MR. CONNER: Your Honor, there are several issues that
7 may be raised and have been raised concerning the level of
8 revenue for 2011 and expense, and so those are accurately
9 reflected in those reports.

10 THE COURT: All right.

11 MR. CONNER: And also explanations for the changes
12 month by month.

13 BY MR. CONNER:

14 Q. Mr. Young, I am sure Mr. Mays is going to get up here
15 and say you have done a great job. With respect to - well, I
16 think he may on some things anyway. But this receiver's report
17 that you have done, and it has operation plans in it, capital
18 plans in it, things of that nature. If you have got the play
19 book, why are you necessary going forward?

20 A. Well, I think there are a number of reasons that I am
21 necessary or somebody in my role is necessary. I talked about,
22 you know, when I first came in the plans that I put together,
23 I talked about the issue of changed management, and I talked
24 about low-hanging fruit. What we have right now is a plan. In
25 that plan is some of that low-hanging fruit around operating

1 staff and maintenance procedures and some revenue enhancements
2 and some other things, as well. Unfortunately that's the easy
3 part because now you have to implement, and that's where the
4 hard part is. That's where you need people with experience who
5 have done this before. And we concede frankly there are many,
6 many consultants' reports sitting on the shelf in the
7 Environmental Services Department that have recommendations of
8 which none of them have ever been implemented, and one of the
9 reasons for that is it's hard. You need to know what you are
10 doing, and you need to have the support, you know, of everybody
11 to do it. I think you need expertise for that, and there's
12 many things in the plans that we are implementing that the
13 Environmental Services Department hasn't done before.

14 Secondly, the plan that we put together is a multi-
15 year plan and, if you notice, the actual operating cost savings
16 that occur, the majority of them start occurring in years
17 three, four and five. Okay. So this is a long plan. A
18 utility - the decisions you make in a utility today, that pipe
19 you put in the ground today, that's going to be there for a
20 hundred years. This is a slow-moving business. I talk about
21 an ocean liner, trying to turn it around. So we need to
22 implement the plan we have and then we need to continue to
23 enhance that plan. Again, you need to do change somewhat
24 slowly. You can't load everybody with everything at once. And
25 then you need to implement the second phase. So this is a long

1 process to get to where we ultimately need to get to.

2 Q. Is there anyone at the Environmental Services
3 Department that has the financial skills or even the complete
4 skill set to fully implement the effectively managed utility
5 standards that you have been testifying about today?

6 A. I have not seen anybody there.

7 Q. Mr. Young, Mr. Carrington on a number of occasions I
8 his testimony, their plan apparently is for the new county - I
9 am not sure what - county manager, the new county manager to
10 supervise Mr. Denard. Have you had a chance to meet with the
11 county manager?

12 A. I had one brief meeting with Tony.

13 Q. Did you offer to give the county manager any
14 information with regard to the sewer system?

15 A. What I really offered to do was kind of give him an
16 update of the whole interim receiver report and where we were
17 on the rates and the settlement agreement.

18 Q. Did he take you up on the offer?

19 A. Not really.

20 Q. When you say not really -

21 A. No.

22 Q. With respect to Mr. Denard - and I have asked a few
23 questions. I am not going to repeat all of these questions.
24 I think it was in regard to who was in charge when you made
25 your ultimate reports and when you came on board. Is Mr.

1 Denard in your opinion qualified to do your job?

2 A. No.

3 Q. Why?

4 A. And there's a number of reasons for that. I mean, I
5 talked about effective utility management before and the ten
6 attributes. You know, when I came to the Environmental
7 Services Department and he was focused on some product quality
8 issues and, you know, keeping the lights on and some
9 operational issues and all of that, but managing a large
10 utility is much like managing any large business. You need to
11 look at the financial side, which basically there was almost no
12 focus on the financial side. You need to take a look at your
13 customers, your stakeholders. You need to take a look at
14 employee development. I mean, we now have people going to
15 training courses around maintenance and other things, which was
16 just never happening.

17 You need to take a look at performance management.
18 You need to drive performance to turn this thing around. That
19 just wasn't happening.

20 Q. You have made, I am sure in your career at American
21 Water, you have supervised many people in this type of
22 capacity; is that correct?

23 A. That's correct.

24 Q. Let's just assume you were at American Water today
25 and you had a system - let's take Tennessee American, it's a

1 single system in Tennessee that American owns today, and that
2 president's role or the chief operating officer for that
3 facility and that asset was open and Mr. Denard applied for
4 that position, what would happen to his application?

5 MR. MAYS: I object, Your Honor. Speculation.

6 THE COURT: It's sustained. It's a hypothetical.

7 MR. CONNER: Okay. I think he has testified
8 sufficiently in regard to that, Your Honor.

9 THE COURT: I think he has said that he is not
10 qualified.

11 MR. CONNER: Yep. Your Honor, may I check with my co-
12 counsel?

13 THE COURT: Sure. Do you need a couple of minutes?

14 MR. CONNER: If you don't mind.

15 THE COURT: We will take about a five-minute break.

16 (Recess from 2:06 p.m. until 2:11 p.m.)

17 BY MR. CONNER:

18 Q. A couple of things, Mr. Young, that my assistants
19 back here reminded me that I needed to ask. It shouldn't take
20 but a minute.

21 With respect to the PowerPoint presentation on the
22 interim report, do you recall also not presenting it on a
23 PowerPoint format but providing the PowerPoint and going
24 through it with Commissioners Knight, Brown and Bowman?

25 A. I did.

1 Q. With respect to -

2 MR. CONNER: And again, Your Honor, I am not going to
3 get into the individual line items at all.

4 Q. To the extent, Mr. Young, you can recall from your
5 recollection of the Bradley Arant invoices, in particular -

6 A. I need to change that last answer. I don't recall
7 necessarily going through it with Commissioner Bowman.

8 Q. Okay. Fair enough. Do you recall the total amount
9 of attorney's fees that you have been presented with - you may
10 not have paid them all - from Bradley Arant in 2011?

11 MR. MAYS: Objection, relevancy.

12 THE COURT: It kind of comes back to what I excluded
13 already. So tell me what we are doing.

14 MR. CONNER: Your Honor, I think - I guess I am
15 anticipating a little bit the cross-examination in regard to
16 receivership expenses. And part of the expenses -

17 THE COURT: Well, why don't you wait until redirect?

18 MR. CONNER: Fair enough, Your Honor.

19 BY MR. CONNER:

20 Q. Mr. Young, Mr. Carrington said that you represent the
21 creditors. Do you take issue with that?

22 A. Absolutely.

23 Q. Why?

24 A. I am not an agent of the county. I am not an agent
25 of the creditors. I represent the interests of the system, and

1 of the public and of the court.

2 Q. With respect to the duties and the control that you
3 have that's presented in detail in the receiver order, Mr.
4 Young, if any of those duties are removed or any of that
5 authority is removed, what is -

6 THE COURT: We are not here on removal of anything.
7 What we are here really is on what the impact of the automatic
8 stay is. There is absolutely nothing in front of me asking me
9 to remove or take away any authority of Mr. Young.

10 MR. CONNER: I guess the question was related, Your
11 Honor, to what extent, if you are making a ruling in regard to
12 the automatic stay, how that may apply to his authority.

13 THE COURT: That's a fair question but you didn't ask
14 that.

15 MR. CONNER: I will try to rephrase, Your Honor.

16 BY MR. CONNER:

17 Q. Mr. Young, with respect to the position - and I am
18 not asking you to take a legal position. To the extent that
19 the county is correct and the automatic stay applies to
20 prohibit you from exercising your authority under the
21 receivership order, what impact will that have in regard to the
22 system?

23 A. Well, I couldn't tell you the specific impact unless
24 I knew what the specific duties that were taken away, but I
25 will say that, you know, we are implementing a comprehensive

1 business plan that touches assets, that touches employees, that
2 touches every aspect of the system. So obviously it would be
3 difficult to fully implement that plan.

4 Q. Okay. Mr. Young, you testified that much of your
5 responsibilities and your duties, your activities as receiver
6 have included, within the last four to five months anyway, a
7 significant amount of time facilitating a settlement; correct?

8 A. Correct.

9 Q. When I asked you if you thought Mr. Denard was
10 qualified to take your job, were you including the facilitation
11 of settlement negotiations with that or simply operation and
12 management of the system?

13 A. I think I did answer that question more from a
14 perspective of operating the largest wastewater system in
15 Alabama.

16 MR. CONNER: Thank you, Your Honor. No further
17 questions.

18 THE COURT: Any cross?

19 MR. MAYS: Thank you, Your Honor.

20 CROSS EXAMINATION

21 BY MR. MAYS:

22 Q. Mr. Young, my name is Joe Mays, and I am one of the
23 lawyers for Jefferson County in this proceeding. You and I
24 have met before.

25 A. We have.

1 Q. I want to ask you a number of questions about things
2 you have testified about, and I will try and be as clear as I
3 can but, if you don't understand any of my questions or if I
4 don't do a good job of asking them, you let me know and I will
5 try to do better, and I am sure His Honor will do the same.

6 You testified about the report that you submitted as
7 special master when you were appointed, you and John Ames were
8 appointed as special masters by Judge Proctor. Do you recall
9 that?

10 A. I do.

11 Q. And that report was submitted, I believe, on February
12 10, 2009, although it may have been prepared a month or so
13 earlier; is that right?

14 A. Subject to check, I believe those dates are about
15 right.

16 Q. Yes, sir, and that's Exhibit C-13, Your Honor. It's
17 in evidence. You said you had about six weeks, I believe, to
18 prepare it and so, in your words, it was on a pretty high
19 level; is that right?

20 A. That's correct.

21 Q. But it contained certain recommendations and findings
22 that both you and Mr. Ames had made based on interviews with
23 county personnel and other work that you did?

24 A. I think it was probably entirely my work associated
25 with it, not Mr. Ames.

1 Q. Okay. And you found the county personnel to be
2 cooperative and forthcoming in their interviews with you and
3 they gave you the information you needed to prepare that
4 report; correct?

5 A. They gave me the information that's in that report,
6 yes.

7 Q. Yeah. I mean, they didn't hold back or refuse to
8 cooperate with you; did they?

9 A. They did not, and I think I stated that earlier on.

10 Q. You talked about some of the recommendations you made
11 but I want to ask you about what's not in that report. Nowhere
12 in that report of the special master did you say I found
13 widespread fraud in the way the money was handled; did you?

14 A. No.

15 Q. And nowhere in there did you say I found corruption
16 in the way the county officials are diverting money that's due
17 to creditors and the bond creditors and applying it to other
18 purposes; did you?

19 A. No, but I didn't look at that.

20 Q. Well, if you had found it or found any evidence of
21 it, you would have reported that in your report; wouldn't you?

22 A. I am sure I would have.

23 Q. Because that's part of your job. In fact, you
24 mentioned that one of Mr. Ames' job was to look for fraud and
25 corruption; right?

1 A. That was Mr. Ames' job, that's correct.

2 Q. And as far as you know, Mr. Ames never found any
3 fraud and corruption in Jefferson County either; did he?

4 A. I was not aware of that, no.

5 Q. And he would have told you if he had; wouldn't he?

6 A. I certainly hope so.

7 Q. Okay. Well, then, time passed and you were appointed
8 receiver by Judge Johnson?

9 A. Correct.

10 Q. And you were appointed receiver in September 2010, as
11 I recall; is that right, maybe September 20th?

12 A. September 22nd.

13 Q. And you issued an interim receiver's report after
14 several months on the job. When did that interim receiver's
15 report come out?

16 A. Sometime in June.

17 Q. So you had been there, in place, eight or nine months
18 by then?

19 A. Yes.

20 Q. And unlike the special master's report where you were
21 kind of on the outside looking in and reporting at a high
22 level, when you issued the receiver's interim report, you
23 issued that from inside looking around; right?

24 A. Yes.

25 Q. And you had opportunity to see how the county ran its

1 Environmental Services Department from the inside?

2 A. Yes.

3 Q. And you had opportunity to see how the finances were
4 handled by the county?

5 A. Yes.

6 Q. Now, again, nowhere in that interim report as
7 receiver, issued after you had been on the job nine months, do
8 you say I have found widespread fraud and financial corruption
9 the way Jefferson County handles its money; did you?

10 A. No.

11 Q. And nowhere in there did you say Jefferson County is
12 stealing money that belongs to the bond creditors; did you?

13 A. No.

14 Q. And nowhere in there did you say Jefferson County is
15 improperly diverting money that belongs to the creditors or not
16 paying the creditors what they are due; that's not in that
17 report, is it?

18 A. Well, you know, you take a look at things like
19 capitalization policies, it is.

20 Q. Okay. That's an accounting issue, but I am talking
21 about theft, fraud and corruption.

22 A. Well, I mean, capitalization policies against a
23 general - GAAP principle.

24 Q. If you had found what you considered to be violations
25 of the law, you would have reported it to the authorities;

1 wouldn't you?

2 A. I would have, yes.

3 Q. And you didn't find that; did you?

4 A. I did not.

5 Q. All right. You made some recommendations in the
6 special master's report for things that ought to be done
7 better, such as identifying people that weren't paying their
8 bills and billing them and getting them to pay their bills?

9 A. Correct.

10 Q. And by the time you got on the ground as receiver,
11 some of those recommendations had been implemented; hadn't
12 they?

13 A. On the revenue side, that was the one recommendation
14 they had worked on although they didn't have an ongoing program
15 in that area.

16 Q. But they had already identified, I think you said a
17 hundred customers?

18 A. More than that, yeah.

19 Q. And had recovered three million dollars as a result
20 of that?

21 A. Exactly.

22 Q. Okay. Now, I want to talk a little bit about David
23 Denard. When you were special master, David Denard was the
24 person in charge of the Environmental Services Department?

25 A. Correct.

1 Q. You worked with him and had an opportunity to observe
2 him?

3 A. And I continue to work with him.

4 Q. You know he is a professional person who tries to do
5 a good job?

6 A. He certainly does.

7 Q. When you were receiver, you had the authority to hire
8 and fire?

9 A. That's correct.

10 Q. And you could have fired anybody you wanted to,
11 according to your earlier testimony?

12 A. Yes, I could have.

13 Q. Subject to personnel board rules and so forth. And,
14 by the way, you know David Denard is a merit employee under the
15 personnel board?

16 A. I fully understand that.

17 Q. You have taken no steps at all to fire, or demote, or
18 remove David Denard; have you?

19 A. I have not.

20 Q. He was in charge of the department when you got there
21 and he is still in charge of the department today; correct?

22 A. Well, I would claim that I am responsible for the
23 system today.

24 Q. I understand that, but he is working under you. He
25 is the head or director of Environmental Services; right?

1 A. That's correct.

2 Q. And you know, by the way, that before you got on
3 board, David Denard and his department had won certain awards
4 from industry groups for the way the Environmental Services
5 Department was being operated; correct?

6 A. I don't think that's correct.

7 Q. You don't think he has won awards?

8 A. He has won awards but not on the way that it was
9 being operated. The awards that I saw - and there may be other
10 awards that I didn't see - had to deal with environmental
11 compliance at some of the treatment plants.

12 Q. Well, isn't that the -

13 MR. CONNER: Your Honor, I am going to object. If Mr.
14 Mays has awards he is going to question my witness about, I
15 would like for him to be presented with those documents.

16 THE COURT: Why? Let me tell you, I tell people all
17 the time, you can use a lot of documents and they never have to
18 be put into evidence. It depends on how you use them.

19 MR. CONNER: Well, I think he has just testified, Your
20 Honor, he doesn't know what awards he is referring to.

21 THE COURT: I got that, and so -

22 MR. CONNER: Thank you.

23 THE COURT: Go ahead, Mr. Mays.

24 BY MR. MAYS:

25 Q. Well, you are aware that there are awards for

1 environmental compliance?

2 A. Sure.

3 Q. And that's part of the operations of the department;
4 isn't it?

5 A. That is a part of it, yes.

6 Q. It is an important part; isn't it?

7 A. It's one of the important parts, yes.

8 Q. It is one of the things you have to do, is comply
9 with the consent decree?

10 A. You do, but those awards were not around complying
11 with the consent decree.

12 Q. You also have to comply with the Clean Water Act?

13 A. That's correct.

14 Q. And other environmental laws?

15 A. That's correct.

16 Q. Well, speaking of the consent decree, the consent
17 decree was entered in 1996; right?

18 A. Right.

19 Q. Jefferson County sewer system is divided into what
20 engineers call basins; is that right?

21 A. That's correct.

22 Q. Explain to the court generally what a basin is.

23 A. A basin is pretty much based on geography. Most
24 sewage flows downhill unless you are pumping it. Sometimes you
25 have to pump it. And kind of the way -

1 THE COURT: Let me tell you my understanding of what
2 the basin is and maybe short-circuit it. It's basically the
3 way the water flow flows and the way the sewer is flowing -

4 THE WITNESS: Where it's ultimately collected and
5 treated and then returned to the river, and there's basins
6 based on geography, topography and things such as that.

7 THE COURT: Which would avoid potential pumping up
8 rather than going down.

9 BY MR. MAYS:

10 Q. And we basically have one treatment plant for each of
11 the basins?

12 A. In general, yes.

13 Q. And how many basins are there?

14 A. Nine.

15 Q. How many basins have been released from the consent
16 decree by the Environmental Protection Agency?

17 A. I think over the fifteen years we have gotten, I
18 think, four basins out of it.

19 Q. And were all four of those released before you came
20 on board?

21 A. They have been.

22 Q. Have any been released since you came on board?

23 A. They have not.

24 Q. And so they were released under Mr. Denard's
25 supervision and control when the department was under his

1 control?

2 A. I am not sure of the timing of all of that. I don't
3 know whether Mr. Denard was in control for all four of those
4 releases but most of them have been done under Mr. Denard's
5 control.

6 Q. After the county declared bankruptcy, you published
7 an op-ed piece in the *Birmingham News*. I believe it was on
8 Sunday, November 13th of this year. Do you recall that?

9 A. I believe I do.

10 Q. And in that you were critical of the decision to file
11 bankruptcy and said some things along that line?

12 A. I did.

13 Q. But you concluded with these words:

14 "Regardless of the commission's decision, the proud
15 men and women who work for the Environmental Services
16 Department will continue to do a professional job of
17 serving our customers and working toward being as
18 efficient as possible."

19 Are those your words?

20 A. They are exactly my words.

21 Q. You meant it; didn't you?

22 A. I meant it from my heart.

23 Q. And the proud men and women of the Environmental
24 Services Department that you were saluting here are David
25 Denard and the people that work for him; correct?

1 A. And I think they will continue to work hard.

2 Q. Now, I don't want to be flippant but, when a sewer
3 overflows in the middle of the night in Ensley, it's not John
4 Young or John Young, LLC, that gets in a truck and drives down
5 there and works to clear the blockage and restore sanitary
6 conditions in the sewer; is it?

7 A. It is not. It is the hardworking people of the
8 Environmental Services Department that do that.

9 Q. Right. Under the direction of their supervisors and
10 ultimately under the direction of David Denard?

11 A. Absolutely.

12 Q. You talked in response to one of Mr. Conner's
13 questions about why you needed to stay in place - I am
14 paraphrasing that - because you have got these long-range plans
15 that's going to take years to implement. Do you recall that
16 testimony?

17 A. I did.

18 Q. Now, on a different note - I am not asking about what
19 you can contribute over five years to implementing these plans
20 that have been put in place. The real question is, during the
21 pendency of this bankruptcy, can the collateral of the
22 creditors be preserved and is there any reason at all to
23 believe that that collateral is going to be wasted or
24 squandered because you are there or you are not there?

25 MR. CONNER: Objection, Your Honor. I think the issue

1 here is maybe what collateral the debtor actually has control
2 of with regard to this proceeding.

3 THE COURT: I am going to sustain the objection but
4 it's based on a different issue. I would like for you to
5 bifurcate or trifurcate your question. You have got a couple
6 of questions in the question. And then we will take up the
7 objections.

8 MR. MAYS: Well, maybe I can ask a different question.

9 BY MR. MAYS:

10 Q. You talked about all of your roles, and I realize
11 they involve making speeches, and going to New York, and
12 talking to creditors, and talking to industry groups and all.
13 How much of your time do you spend doing that?

14 A. Doing what?

15 Q. What I just said. Going to New York, making
16 speeches, writing op-ed articles, talking to industry groups,
17 talking to Leadership Birmingham, negotiating settlements.

18 A. Well, negotiating settlements was a large period of
19 my time. The rest was pretty minor.

20 Q. When you are doing that, the Environmental Services
21 Department goes on its way doing what it does; doesn't it?
22 Treating sewage and -

23 A. It certainly does.

24 Q. Okay. Even when you are doing all of these other
25 activities?

1 A. Right, because we have laid a plan out and they are
2 following the plan.

3 Q. And that plan is going to be in place whether you are
4 here or whether you are gone; isn't it?

5 A. Not necessarily.

6 MR. CONNER: Objection, Your Honor. I will withdraw
7 that objection, Your Honor. I should know better.

8 THE COURT: Mr. Young, you talk much more quickly than
9 some witnesses, and so you may want to give your counsel a
10 chance to say something before you keep going on.

11 THE WITNESS: Okay.

12 MR. CONNER: That answer was fine, Judge.

13 BY MR. MAYS:

14 Q. Well, let me put it this way, Mr. Young: Are you,
15 John Young or John Young, LLC, the only person in the world who
16 can implement these plans that you have paid all of this money
17 to put in place?

18 A. I am not the only person in the world, no.

19 Q. Okay. So if you are gone, somebody else could do it?

20 MR. CONNER: Objection, Your Honor. It calls for
21 speculation.

22 THE COURT: Sustained. I mean, it's self-evident.

23 MR. MAYS: Thank you, Judge.

24 THE COURT: And to be fair to Mr. Young, Mr. Young in
25 his direct testimony was pretty clear that he was not the only

1 one that could do it.

2 MR. MAYS: Well, in fact, he did say me or somebody in
3 my role.

4 BY MR. MAYS:

5 Q. Those were your very words, right, Mr. Young?

6 A. They were.

7 Q. Okay. Do you still maintain an interest in American
8 Water?

9 A. I am a shareholder in American Water, yes.

10 Q. So you are a shareholder in American Water?

11 A. Yes.

12 Q. Are you a director?

13 A. No.

14 Q. Officer?

15 A. No.

16 Q. Are you a more than five percent shareholder?

17 A. No.

18 Q. I want to show you C-24, and I have just chosen one
19 of these because it's just a specimen. This is your
20 application for approval of fees and expenses which was
21 submitted to the court on February 9, 2011. I could have
22 chosen the month before or the month after or month after that,
23 but this is just a specimen. You had four things in it: Your
24 bill, John Young, LLC, American Water invoice, Black and Veatch
25 and Baker Donelson. And that's typically the way you would

1 submit your request for payment; is that correct?

2 A. Yes.

3 Q. All right. Now, they don't follow in exactly that
4 order, but I don't know that that matters. The first one that
5 I have afterwards, and it's two pages over, please, is American
6 Water's bill for ninety-five thousand dollars. Do you see
7 that? Well, it seems to be in a different order than the way
8 they are bound in the book. Actually the John Young bill is
9 not in my binder for some reason, but I want to ask you about
10 the John Young bill.

11 MR. MAYS: Can somebody give me a copy of it? There
12 wasn't a copy in the binder. It is C-20.

13 (Pause)

14 Q. All right. This bill, it is hard for me to read and
15 I don't have a monitor in front of me, but it's for
16 approximately sixty-seven thousand dollars for that month; is
17 that right?

18 A. Yes.

19 Q. And what is the description of services on there?

20 A. Monthly professional services rendered.

21 Q. There is no itemization; is there?

22 A. Not on the front page, no.

23 Q. Is there an itemization anywhere that is submitted to
24 the court?

25 A. Well, every month I submit an itemized bill to Mr.

1 Sewell.

2 Q. You don't submit it to the court or to any of the
3 parties in the litigation?

4 A. No, we just submit the front pages of the invoices to
5 the court.

6 Q. So if anybody who was proceeding to the court wanted,
7 in your words, to dive down, there is nothing for them to dive
8 into there; is there?

9 A. We certainly could provide the backup, yes.

10 Q. Likewise, look at the Baker Donelson summary of
11 seventy thousand dollars, nine hundred and seventy-nine dollars
12 for that month that's on their bill. Is there any itemization
13 there?

14 A. Not on that specific page but there certainly was
15 itemization presented with the bill.

16 Q. But that's not submitted to the court either?

17 A. No.

18 Q. Or to the other people, the other participants in
19 that court proceeding?

20 A. No.

21 Q. I want to look at Exhibit 102, please. It was an
22 exhibit that -

23 THE COURT: Can I back up? You were going to ask about
24 the American Water Works and I don't think you ever got back to
25 it.

1 MR. MAYS: My only question was if he still had an
2 interest in it.

3 BY MR. MAYS:

4 Q. Do you know how much American Water has been paid in
5 the course of your receivership?

6 A. It's a little over two hundred thousand dollars. I
7 recognized, when I became the receiver, that I needed to hit
8 the ground running and that's why specifically in the receiver
9 order it mentioned American Water as a firm that I was going to
10 use, and it's actually called out by name in the receiver
11 order.

12 Q. It's been widely reported that in the nine months or
13 so since you were appointed - well, it's been longer than that
14 now but, in the time since you were appointed receiver, that
15 your bills for your services and expenses have been at or over
16 a million dollars. You are aware of that?

17 A. I haven't added it up but that's probably in the
18 general area, yes.

19 Q. And that the bills of the consultants, and attorneys,
20 and all that you have employed have been another million
21 dollars; correct?

22 A. They have probably been a little bit higher than
23 that, yes.

24 Q. Okay. So that's two plus million dollars that have
25 come out of funds that would otherwise have been paid to the

1 creditors?

2 A. That's correct.

3 Q. And to take it one step further, that's two plus
4 million dollars that has not gone to reduce the debt that
5 Jefferson County is ultimately going to have to pay depending
6 on what happens in this bankruptcy proceeding and how it is
7 adjusted and everything else?

8 A. That's correct.

9 Q. But if those expenses had not been paid to you and
10 your consultants, they would have gone to reduce that debt?

11 A. They would have but obviously the efficiencies are
12 also helping in the same way.

13 Q. Well, let's look at that.

14 MR. MAYS: Would you put up Exhibit 102, please? And
15 that's an exhibit that we looked at earlier.

16 THE COURT: C-102 or M-102?

17 MR. MAYS: Sir?

18 THE COURT: "C" or "M?"

19 MR. MAYS: M-102. I am sorry.

20 Q. M-102 is the exhibit you were examined - actually
21 David Carrington was examined about this by Mr. Childs. Do you
22 recognize the exhibit, Mr. Young?

23 A. It looks like probably the financial report that was
24 submitted with one of my receiver reports.

25 Q. Right.

1 MR. MAYS: And if I could ask you to blow up the
2 portion that was blown up before, please, which is the first
3 two columns. Yes, that part.

4 Q. Mr. Childs made the point that operating revenues had
5 increased from the fiscal year ending September 30, 2010, to
6 the current fiscal year. Do you recall that?

7 A. I do.

8 Q. And that increase is about four million dollars,
9 something in that range, a little over?

10 A. Yes.

11 Q. All right. If you would look, please, and if you
12 could blow it up, at just the columns, the rows below that in
13 the same two columns which show operating expenses as opposed
14 to operating revenues. Do you see there that in that same time
15 period from 2010 to 2011 for the same time period we looked at
16 before, that operating expenses had increased from a hundred
17 and eighty million to a hundred eighty-four million five?

18 A. I do. I would have to make one comment regarding
19 that. The depreciation line item there -

20 Q. Yeah.

21 A. I worked with the finance group. There is not a
22 whole lot of accuracy in that depreciation line item.

23 Q. Okay. Well, what about the outside services line
24 item? You don't question the accuracy of that; do you?

25 A. I do not.

1 Q. Okay. And if we look at that item, outside services
2 would be your bills; wouldn't it?

3 A. Outside services would be my bill, the consultant's
4 bill, the county attorney's bills, a number of bills, yes.

5 Q. Okay. And if we look at that, we see, then, the same
6 time period, outside services went up from eleven point nine
7 million to fourteen point four million; correct?

8 A. That's correct.

9 Q. So that's about a five and a half million dollar
10 increase in outside services - did I do the math wrong?

11 UNIDENTIFIED PERSON: Yes.

12 MR. CONNER: You have got the math all wrong.

13 UNIDENTIFIED PERSON: By double.

14 MR. MAYS: Well, I am a lawyer, not a mathematician.

15 Q. It goes from eleven nine, say twelve, to fourteen and
16 a half. So that's a two and a half million dollar increase
17 just in that area; right?

18 A. Yeah.

19 Q. Okay. Thank you for your mathematical assistance.
20 So there are two sides to that coin, I guess, aren't there?
21 There's a cost - there may be efficiencies but there's also a
22 cost associated with it?

23 MR. CONNER: Objection, Your Honor. I don't fully
24 understand that question.

25 THE COURT: Well, his question is that - what Mr. Young

1 had said five or six answers ago was that, in connection with
2 the monies that were utilized to pay lawyers, Young LLC, and
3 others, that money didn't go to pay debt, meaning net revenues
4 as defined in the indentures. And what the response of Mr.
5 Young was that, well, that has to be offset by efficiencies
6 obtained from operations, among others. And so Mr. Mays has
7 gone in and has pointed us that there may be efficiencies in
8 operations but the expenses that are being incurred and will be
9 incurred are offsetting those.

10 THE WITNESS: Well, Judge, I didn't understand that as
11 his question because I would have responded differently.

12 THE COURT: The answer is I am pretty certain that's
13 what his question was. Was I right, Mr. Mays?

14 MR. MAYS: Yes, sir.

15 THE COURT: And it's pretty obvious -

16 MR. MAYS: It's spot on.

17 THE COURT: - that it doesn't need - I don't need the
18 answer on that one.

19 MR. MAYS: Thank you, Your Honor.

20 THE COURT: However, I do want to ask a question on
21 that exhibit. You said you don't have a lot of faith in the
22 depreciation item on that report. Why?

23 THE WITNESS: As you recall, Judge, we inherited about
24 two thousand miles of pipe in 1996, contributed property, and
25 there has not been great accounting on the asset records for

1 the utility. In fact, when we did the actual cost to service
2 study and we went to allocate the assets to the various class
3 of customers, we had a very, very difficult time doing that.
4 We don't know when it was originally installed.

5 THE COURT: Were they acquired assets booked at some
6 value originally or were they booked at a nominal value?

7 THE WITNESS: That's a great question. I have not
8 gotten an answer to that question and how that is being
9 handled.

10 THE COURT: Is the depreciation - do you know the
11 depreciation allocation with respect to what would have been
12 capitalized by the bond expenditures?

13 THE WITNESS: I have asked a lot of questions around
14 depreciation and I have not gotten satisfactory answers. I
15 don't know, Judge.

16 THE COURT: My real ultimate question is it shows a
17 hundred and thirty million dollars, which would be a cash flow
18 item. Where does it go?

19 THE WITNESS: I am not convinced it's a cash item here.

20 THE COURT: Well, if we are looking at revenues in, and
21 these are operating revenues, they are not total revenues?

22 THE WITNESS: Agreement.

23 THE COURT: All right. And you are looking at
24 operating expenses. If you - you reduce and show basically a
25 net loss based on operating income and expenses, all right, and

1 the big hunk of that is the hundred and thirty million dollars
2 for fiscal year 2011. And so if you got the hundred and sixty-
3 one million in cash in, there would be a hundred and thirty
4 million that would be basically a cash flow item that didn't go
5 out the door. And so my question is what happened to it?

6 THE WITNESS: My question is I don't know. I have had
7 to focus on net sewer revenues. So basically I have taken out
8 the depreciation line item.

9 THE COURT: Well, because it's an operating expense
10 excluded from net revenues?

11 THE WITNESS: Right.

12 THE COURT: And kind of where I am going is, and will
13 go after Mr. Mays finishes, is back to the need for additional
14 - what I think I am hearing is additional capitalization that
15 may be in the form of borrowed monies but I could be wrong.
16 But go ahead, Mr. Mays.

17 BY MR. MAYS:

18 Q. I want to ask you to go with me through the
19 accounting process a little bit that's in place because you
20 have not taken all of the accounting in-house to Environmental
21 Services, you continue to use the county's accounting services
22 and financial services departments to do your billing and
23 collecting and accounting; don't you?

24 A. I really need to do that. I could not have put in a
25 new financial system in that period of time.

1 Q. Okay. And you work with Jeff Hager on that?

2 A. I do.

3 Q. He's the county financial director.

4 A. I do.

5 Q. And you have found him to be an honest, hardworking,
6 decent person to work with?

7 A. I certainly do.

8 Q. Okay. I want to just take you - and I will be brief,
9 Your Honor - through the process of when a bill gets paid.
10 Assume I am a customer, as I am, and I am on the Birmingham
11 Water Works Board. I get a bill from the Water Works Board
12 that contains both water and sewage charges; correct?

13 A. You should, yes.

14 Q. I send a check for that amount and it goes to the
15 Birmingham Water Works Board?

16 A. Correct.

17 Q. That is grossed up how often, every couple of weeks?

18 A. I think from Birmingham Water Works, maybe every few
19 days, yeah.

20 Q. And that money comes into Jefferson County?

21 A. It does.

22 Q. What does Jefferson County do with the money when it
23 comes in, those sewer receipts?

24 A. My understanding is it goes to a sewer revenue
25 account.

1 Q. Okay. And where is that sewer revenue account?

2 A. Do you mean which bank does it sit in?

3 Q. Yes.

4 A. It sits in Regions Bank is my understanding.

5 Q. Okay. Then what happens to it as it sits in that
6 account?

7 A. Well, there are expenses that the system has. So
8 they would draw from that account those to - in the account
9 that the county has from which they pay the expenses of the
10 sewer system.

11 Q. And that is all managed by county employees, by Jeff
12 Hager and people in his department?

13 A. That is correct.

14 Q. Okay. By the way, expenses as they are incurred for
15 sewer matters, gas for the trucks, whatever, chemicals to run
16 the plant, how are those expenses paid? Are they paid out of
17 that revenue account that you just described?

18 A. They are paid out of the money that is transferred
19 from the revenue account, yeah, that's my understanding.

20 Q. But when those checks are written, what account are
21 they written out of is what I am asking?

22 A. Out of the county account, I think.

23 Q. Okay. They are written out of the county's - another
24 county account?

25 A. Correct.

1 Q. And at a certain period of time, those accounts are
2 trued up, right, so that the expenses which the county has
3 paid, or advanced on behalf of the sewers, are paid back to the
4 county?

5 A. Yes, and if you take a look at the second page of my
6 receiver report, you will see kind of a reconciliation at the
7 end of every month that results in the amount of the check that
8 we pay the trustee.

9 Q. And who supervises that process, Jeff Hager?

10 A. Jeff Hager.

11 Q. And, by the way, you made a point earlier about asking
12 the court for signature authority, sole signature authority
13 over certain accounts. The court granted that authority to
14 you, or your designee, right? Yes?

15 A. That's correct.

16 Q. And you made a designee, or two, didn't you?

17 A. I designated three other people besides myself.

18 Q. And who were those three people?

19 A. Two people from the finance department, Jeff Hager and
20 somebody that reports to Jeff Hager, Mr. Denard and myself.

21 Q. Okay. So after you got this sole signature authority
22 from the court, which the county didn't oppose, as you have
23 testified, you designated three people who would have the same
24 authority - Jeff Hager, a county employee, David Denard, a
25 county employee - David Denard, a county employee - and

1 somebody else in the finance department?

2 A. Yes, because I did not have my own financial system.
3 I am going to be transitioning to that and, in the interim, I
4 needed to keep the process the same and Mr. Hager requested
5 that I give them visibility, and I will continue to give them
6 visibility into the accounts because they have to do an entire
7 accounting for the entire county.

8 Q. And you would not have granted those signature
9 authorities to David Denard or Jeff Hager if you didn't trust
10 them, would you?

11 A. No, I trust those people. No question about it. I
12 have never said I didn't.

13 Q. I understand that. Now, after the expenses are paid,
14 the creditors, the bond creditors or warrant creditors, get
15 basically what is left over; right, every month?

16 A. That is correct.

17 Q. And that is the operating revenue net of operating
18 expenses that is paid over to the bond creditors every month?

19 A. That is the net sewer revenues, correct.

20 Q. Yes. And you are not aware of a single instance in
21 which Jefferson County has held up or delayed or interfered
22 with the payment of those net sewer revenues to the warrant
23 creditors; are you?

24 A. I am not aware of any delays, no.

25 Q. That has been done smoothly and without challenge and

1 without interruption the whole time you have been there?

2 A. Yes.

3 Q. By the county employees?

4 A. To the best of my knowledge, yes.

5 Q. Okay. By the way, in your interim report on page 25
6 - it doesn't matter what page - you talk about the criminal
7 history of the system. Do you recall that section?

8 A. I believe it was a brief section, yes.

9 Q. It is on page 23. It begins on page 23. You talk
10 about the history of criminal activity. You talk about county
11 employees who have been convicted of crimes and gone to jail
12 and, in fact, there were several commissioners that that is
13 true of, right?

14 A. I believe so.

15 Q. And in mentioning that, you don't mention the fact
16 that those bribes were paid by some of these sewer creditors,
17 including JPMorgan Bank; correct?

18 MR. CONNER: I am going to object. There is no
19 relevance at all with regard to this testimony.

20 THE COURT: Mr. Mays, any -

21 MR. MAYS: It goes to bias, Your Honor.

22 MR. CONNER: Your Honor, it doesn't -

23 THE COURT: I mean, Mr. Conner, you opened this door or
24 your client opened this door on this one.

25 MR. CONNER: As far as the history of the system,

1 that's fine, Your Honor, but as far as getting into the details
2 that have already been determined by Judge Proctor -

3 THE COURT: I mean, I read dozens of pages that regaled
4 me with the history of what he is asking about. So I think you
5 have opened the door on this one.

6 MR. CONNER: Very well, Your Honor.

7 THE COURT: So overruled.

8 BY MR. MAYS:

9 Q. You do know that JPMorgan was accused of bribing
10 Larry Langford when he was president of the county commission?

11 A. I do know that they were accused.

12 Q. And that Langford was convicted and sentenced to a
13 fifteen year prison term as a result of that; don't you?

14 A. Yes.

15 Q. Okay. But it is also true, isn't it, that none of the
16 current county commissioners have ever been convicted of or
17 even accused of any of that type of criminal activity?

18 A. That is absolutely true.

19 Q. And it is also true, isn't it, that whatever may have
20 happened years past with the Environmental Services Department
21 employees, none of the current Environmental Services' managers
22 or employees have been accused of or convicted of any kind of
23 criminal activity?

24 A. That is true.

25 Q. And you are not aware of any reason why they should

1 be; are you?

2 A. No, I am not.

3 MR. MAYS: A moment if I may, Your Honor.

4 (Pause)

5 Q. Mr. Young, if you stay in place as receiver, what do
6 you foresee as what you are going to do going forward? Are you
7 going to implement rate increases?

8 A. We will do a lot of different things. I am going to
9 continue to implement the plan that we have developed. I am
10 going to initiate new initiatives both in the revenue and the
11 operating side. I see myself trying to get the revenue where
12 it belongs and that would probably include rate increases.

13 Q. Is it going to be a twenty-five percent rate increase;
14 is it going to be use whatever - in your view, you have the
15 sole authority to make that rate increase; right?

16 A. I do, but I need to do an assessment of what the
17 appropriate rate increase, given the conditions, and those
18 conditions are constantly changing.

19 Q. Well, is there an end game? I mean, do you stay as
20 receiver forever?

21 A. The end game is when the judge tells me my job is
22 done, I move on.

23 Q. If the county, as part of the bankruptcy, prepares a
24 plan for consideration by this court, are you going to
25 participate in the preparation of that plan?

1 MR. CONNER: I am going to object, Your Honor. It
2 calls for speculation.

3 THE COURT: Except in your brief, or the Bank of New
4 York Mellon's brief, they argued that he had a veto power with
5 respect to parts of the plan, so - and without his consent, it
6 couldn't be done. So, I mean, I think you opened the door on
7 that one, too.

8 MR. CONNER: Well, Your Honor, I am not sure which of
9 the briefs that we submitted that is in, Your Honor, at this
10 point in time, but I will say this. That to the extent that
11 the stay - I think it would be applicable to - the stay would
12 interfere with what Mr. Young's responsibilities are.

13 With respect to the plan is concerned, this sewer
14 system operates independently of the county. The funding, the
15 revenues - and their special revenue gentleman is right here -
16 but I don't think that's what this proceeding is about, and I
17 would object to the questions.

18 MR. LEMKE: Your Honor, since you referred to the Bank
19 of New York Mellon, I would like to address it. We didn't say
20 in our brief, I don't believe, or anybody did in their brief,
21 that Mr. Young wouldn't -

22 THE COURT: Your supplemental brief, if nothing else,
23 incorporated all of the other arguments.

24 MR. LEMKE: - wouldn't be available if there had to be
25 discussions back-and-forth between the debtor, the county and

1 Mr. Young about operations, and finances and revenues. What we
2 said was, as a legal matter, the net system revenues can only
3 be paid to the warrant holders, and that's not Mr. Young's
4 decision.

5 THE COURT: You did say that, but the brief expressly
6 says that a plan cannot be adopted without the receiver's
7 involvement, in effect approval with respect to rates. And if
8 you didn't say it directly in your brief, you incorporated in
9 your supplemental brief by adopting the position of the party
10 that put it in there, and so that's my whole point.

11 MR. LEMKE: And actually we agree with that. The
12 receiver has the sole authority to set the rates subject to -

13 THE COURT: Well, what's your objection to the
14 question, then? You put it into play.

15 MR. LEMKE: Well, I actually didn't object. I didn't
16 object, and I guess - but it still calls for some speculation
17 about what back-and-forth but, if that's all we are talking
18 about, we agree. The receiver has to set the rates subject to
19 the court's oversight, state court.

20 THE COURT: The question is what's the end game, all
21 right, is what his question is. And then he went on to the
22 plan and whether he was going to participate in the plan.

23 MR. MAYS: Thank you, Your Honor. That is exactly my
24 question because what I am trying to figure out is, if you stay
25 in place, where are we headed.

1 BY MR. MAYS:

2 Q. Now, you say you have got the sole authority to raise
3 rates?

4 A. Yes.

5 Q. And that authority derives from Judge Johnson in the
6 case pending in state court in Jefferson County, although we go
7 down to Phoenix City. It's hard to feel like you are in
8 Jefferson County when you do that. But that derives from that
9 court; doesn't it?

10 A. Under the order, yes.

11 Q. Okay. And if something happens that you don't like,
12 if I do something that you think violates your powers under the
13 order, your remedy is to go to Judge Johnson and seek to
14 enforce his order; right?

15 A. I mean, the order came from his court.

16 Q. Yes.

17 A. I am not a lawyer, so I can't - I don't want to get
18 into all of that.

19 Q. In fact, you already did that. When you thought you
20 were not given signature authority, you filed a motion in Judge
21 Johnson's court to enforce what you thought was being violated
22 in the order; didn't you?

23 A. Correct.

24 Q. Okay. So I guess my question is, if something happens
25 in this bankruptcy proceeding that you think is violative of

1 the order, are you going to go to Judge Johnson and ask him to
2 enforce his order depending on something that happens in the
3 bankruptcy proceeding?

4 MR. CONNER: Your Honor, I think that does go to a
5 legal conclusion.

6 THE COURT: I will sustain that one.

7 MR. MAYS: All I am doing, Your Honor, is pointing out
8 the sort of absurd position that we find ourselves in here.

9 That is all I have. Thank you, Your Honor, and thank
10 you, Mr. Young.

11 THE WITNESS: Thank you, Mr. Mays.

12 THE COURT: Before you start your redirect, so that I
13 don't force you all to come back a third time, let me ask a
14 couple of questions, and that way you both can follow-up.

15 Mr. Young, you indicated that one of the severe
16 problems - I know you didn't use the word severe, but what you
17 said was excessive sewer debt.

18 THE WITNESS: Yes.

19 THE COURT: And have you made an assessment of what the
20 excessive amount is?

21 THE WITNESS: Well, I think excessive is, if you take
22 a look at the sewer debt here on let's say like a per customer
23 basis. In other words, take a look at the investment per
24 customer here and the resulting sewer debt. You know, I have
25 worked in thirty-five different states all over the country.

1 I have never seen that type of investment per customer and the
2 debt associated with it. So when I say excessive, it is not a
3 particular number but it is relative to the customer base here,
4 and we have a big hole here. A large portion of our cost to
5 service in ultimate rate design is being driven not by
6 operating costs, not by capital costs, but by debt service.

7 THE COURT: Debt service, right.

8 THE WITNESS: Yeah.

9 THE COURT: And that's my point. And so, I mean - and
10 I take it, based on - but whether it's a total number or a per
11 capita number, do you have an idea of the difference between
12 what you think is - you called it excessive. I mean, without
13 knowing some amount to compare it to, how would you determine
14 it's excessive?

15 THE WITNESS: Well, I think you need to take a look at
16 the rate requirements to satisfy that debt service, as well as
17 your other operating costs. I mean, clearly if we could take
18 a billion dollars off of the debt service and solve this with
19 single digit rate increases -

20 THE COURT: And that's what you did based on the
21 numbers you gave?

22 THE WITNESS: Right. So that would certainly be
23 reasonable debt service there. I think the interim receiver
24 report that talked about multiple double digit rate increases
25 and had a debt service somewhere in the two point four, two

1 point five billion dollar range, you know, that is kind of
2 getting on the brink of reasonableness here because rates would
3 have to go up over a series of years seventy, eighty percent,
4 but that needs to be determined by the courts whether that's
5 reasonable enough.

6 Three point one billion dollars and three or four
7 hundred percent rate increases, in my mind and my professional
8 judgment, that's excessive. So it's really where we end up
9 with the debt level and the impact of rates that dictates in my
10 mind the excessiveness of the debt level.

11 THE COURT: Would you say that at the three point one,
12 three point two number that it's an unsustainable number by way
13 of getting rate relief?

14 THE WITNESS: I would say to try to get it anywhere in
15 the short term, within the next three to four years and take
16 rates up that quickly, I think that would be very, very
17 difficult and result in some significant affordability issues.

18 THE COURT: When you did your rate analysis, did you
19 look at the pricing of the sewer independent from the pricing
20 of water?

21 THE WITNESS: Well, actually what you do in the
22 assessment, you look at it that way because what you are doing
23 is, in water, there's volumetric uses -

24 THE COURT: What I am looking at is you looked at - you
25 have already testified you looked at the pricing with respect

1 to the sewer, and one of the things you considered was, or
2 someone you hired considered, was the impact of that rate in
3 connection with sewer utilization.

4 And part of the issue that concerns me, or one of the
5 issues, I should say, is that the demand for the sewer is also
6 tied into the demand for water. Likewise, the demand for the
7 water is tied in, in Birmingham, in this area, to the demand
8 for the sewer. And so you have pricing issues that cross over,
9 and my question is whether - and that's what a cross-elasticity
10 of demand is.

11 And so my question is whether you looked at the
12 interrelationship and what's the impact on demand for your rate
13 setting?

14 THE WITNESS: That's a great question and the
15 elasticity issue is really an issue that's really just
16 confronting the wastewater industry because our bills have not
17 been as high as the electric industry and the gas industry.
18 So, you know, water and wastewater services are relatively
19 cheap. But what you really need to take a look at when you
20 look at that is take a look at how much usage do you have per
21 customer. In other words, how much choice does the customer
22 have because that's what really impacts elasticity.

23 And the interesting thing about Jefferson County and
24 Birmingham, if you will look at the per capita water use, it is
25 some of the lowest in the country. So I would tell you that,

1 if you are saying if you raise sewer rates, what impact is it
2 going to have on water use, I think it is going to be
3 relatively minimal unless you are looking at the affluent group
4 that is using it for a lot of lawn watering, but the majority
5 of the customer base on the water and sewer side are already
6 pretty close to the minimal use. I mean, they are down into
7 five, six Ccf level, which is about, you know, half the level
8 you will find in most communities in the south.

9 THE COURT: My question, though, is when you did the
10 rate analysis that you have talked about, did you look at that
11 issue specifically?

12 THE WITNESS: We considered that issue, and I guess
13 what my answer is -

14 THE COURT: You thought about it but you didn't do
15 any calculation -

16 THE WITNESS: There is no systematic way to calculate
17 it that I know of and any of the consultants I work with know
18 of. For instance, when I took a look at the declining per
19 capita water use and, if you read that report, you will see a
20 discussion on elasticity in there, and the higher the water
21 rates get, the steeper the curve in per capita water use
22 reduction is. So we actually considered elasticity in looking
23 at future revenues. So it is taken into account but it's a
24 little bit more objective. I don't know of an equation you can
25 put it into. Excuse me, it's a little bit more subjective and

1 not objective.

2 THE COURT: All right. I want to go back to the
3 depreciation number. When you did your rates analysis, did you
4 use the depreciation numbers that were actually on the fiscal
5 year 2010 or '11 or something else?

6 THE WITNESS: There's multiple ways to do a rate
7 analysis. I come from the investor-owned utility side where you
8 actually take a look at depreciation and use it in the
9 assessment, but there's other ways to do it by just simply
10 looking at revenue stream, and that's what's typically done on
11 the municipal side because they typically do not have very good
12 records on assets. And so the analysis we use, and you can see
13 from the Black and Veatch assessment, did not have to use a
14 depreciation assessment as part of it because of the poor
15 information we have. We tried to do it both ways, but we
16 determined, given the poor asset information we had, we would
17 use a revenue approach as opposed to a depreciation approach.

18 THE COURT: So it's revenue and expense excluding non
19 cash flow items?

20 THE WITNESS: Yes.

21 THE COURT: When you do the net revenues, do you
22 reduce them by depreciation and amortization or is the
23 operating expense non-inclusive for net revenue determinations?

24 THE WITNESS: Let me make sure I understand your
25 question. When we calculate the municipal revenues, it does

1 not include a depreciation component.

2 THE COURT: Does it include amortization?

3 THE WITNESS: No.

4 THE COURT: And so long-term what's - so effectively
5 the non-cash - the cash flow item is paid on net revenues?

6 THE WITNESS: Yes.

7 THE COURT: And effectively that is why you have got to
8 utilize the bond monies for certain capitalization?

9 THE WITNESS: Exactly.

10 THE COURT: Which goes to one of my questions. What's
11 the game plan once you run through the remaining bond monies?

12 THE WITNESS: Well, if you take a look -

13 THE COURT: And let me tell you where I am coming from.
14 When I was reading the receivership order and some of the
15 findings, it appeared to me that what was contemplated was
16 going back to the capital markets for additional capital above
17 and beyond what might have been necessary for a refinancing for
18 purposes of what is called underutilization of the sewer
19 system. Is that a good guess on my part?

20 THE WITNESS: Can you give me a little latitude to try
21 to answer that question?

22 THE COURT: Sure.

23 THE WITNESS: The intent of the refinancing, and we had
24 a forty-year fixed rate refinancing, is if you take a look at
25 the coverages that were required for the refinancing, the free

1 cash flow that's spun off as a result of the one point two, one
2 point two-five coverage levels that we were talking about was
3 sufficient to cover the capital requirement.

4 So in the refinancing, we are not only addressing the
5 existing debt but we are also financing the capital
6 requirements for the next forty years and we are -

7 THE COURT: You are financing by way of debt or by way
8 of free cash flow from operations, or a combination?

9 THE WITNESS: Free cash flow of operations.

10 THE COURT: All right. So you are saying you are going
11 to reduce the capital structure sufficient so that you will
12 have a free cash flow that would finance future capital
13 operations, which right now doesn't look like they have?

14 THE WITNESS: Exactly.

15 THE COURT: Just bear with me for a second.

16 (Pause)

17 THE COURT: What is your understanding of whether
18 depreciation and amortization are reductions - are included in
19 the operating expenses for which - which, if they are included,
20 which would reduce net revenues payable to the bondholders?

21 THE WITNESS: My understanding, and there is a
22 spreadsheet every month that we produce that's a reconciliation
23 of the check we send to the trustee and the bondholders, and
24 the depreciation and amortization is not included in that
25 calculation.

1 THE COURT: I understand that, but what is your
2 understanding of what is required under the terms of the
3 indenture?

4 THE WITNESS: That was my - well, that was my
5 understanding although I have to admit that I haven't read the
6 indenture recently. And that's the way we have always done it,
7 and there hasn't been any objection from any of the parties.

8 THE COURT: All right. I am sorry, I interrupted Mr.
9 Conner at this time. I guess you are up.

10 MR. CONNER: Would you pull up the interim report? It
11 is number two, I believe. Four, I am sorry, Chandra.

12 THE COURT: M-4.

13 MR. CONNER: And would you turn to page 62?

14 THE COURT: M-4?

15 MR. CONNER: Yes, M-4, Your Honor.

16 REDIRECT EXAMINATION

17 BY MR. CONNER:

18 Q. Mr. Young, maybe you can remember this from your
19 recollection. You proposed a twenty-five percent rate increase
20 in the interim report. What was the impact, the financial
21 impact on the average customer with regard to that rate
22 increase?

23 A. Do you mean how much per month?

24 Q. Yes.

25 A. I think it was around nine - eight - about nine

1 dollars a month, or something like that, but that's just on my
2 memory.

3 Q. Take a look at the exhibit, page 62. Do you remember
4 -

5 MR. CONNER: Can I just hand him the report, Your
6 Honor? I think it would be quicker.

7 THE COURT: The answer is you can let him look at it,
8 yeah. I don't want him to read it but you can let him look at
9 it and see if it refreshes his recollection, which I assume in
10 this case it will.

11 A. I think the average residential bill was going like
12 from thirty-seven something to forty-six something, which is
13 the nine dollars that I was talking about.

14 Q. Thank you. Mr. Mays stated that the county didn't
15 oppose your signatory authority, the change of signatory
16 authority to you. Is that correct?

17 A. When I asked for it, they didn't give it to me and we
18 needed to do research and file a motion with the court to get
19 it.

20 Q. Did they file briefs in opposition to our motion?

21 A. They did.

22 Q. And were we prepared - were you prepared to testify in
23 court the day in Phoenix City?

24 A. I was.

25 Q. And was that when the county ultimately agreed to

1 changing the signatory authority?

2 A. That's correct.

3 Q. Although from a practical standpoint, who is in charge
4 as far as having the primary signatory authority on the
5 accounts today?

6 A. I am, and I can change access from any - to anybody
7 tomorrow if I chose to do that but -

8 Q. At whose direction does Mr. Hager, Mr. Denard, and Mr.
9 Hager's employee in county finance that has signatory authority
10 act in regard to those accounts?

11 A. My direction.

12 Q. Mr. Mays indicated - I believe it is Exhibit 102, if
13 you would pull that back up, M-102. I think the correction of
14 the math on outside services, there was about two point five
15 million dollars approximately increase from 2010 to 2011;
16 correct?

17 A. Are you talking about eleven point nine to fourteen
18 point four?

19 Q. Yes, sir.

20 A. That doesn't sound like two point five to me. It
21 looks more like four points - well, yeah, okay, two point -
22 okay. Close enough.

23 Q. Two point six, two point seven? I think he said two
24 point five approximately.

25 A. Close enough.

1 Q. How much in attorney's fees have you paid for the
2 county, county attorney's fees this year?

3 THE COURT: Trust me, I understand the expenses
4 involved. I understand what it is and those expenses are not
5 going to necessarily have any determinative basis upon what I
6 have got to decide today.

7 MR. CONNER: I understand that, Your Honor. It was
8 just opened up on cross examination and I was going to ask the
9 question for the record.

10 THE COURT: All right.

11 MR. MAYS: I object on relevancy grounds, Your Honor.

12 THE COURT: I think you opened that one up, Mr. Mays.
13 So it is overruled.

14 THE WITNESS: I mean, I don't know the specific number
15 but it's somewhere over a million and a half dollars or
16 something like that. I don't know the specific number.

17 BY MR. CONNER:

18 Q. Okay. Had you gone ahead and paid the allocated cost
19 that was reflected in the original allocation study that you
20 were presented by Mr. Hager, how much additional expenses
21 should have been reflected for this year?

22 A. Approximately three million dollars a year.

23 Q. Had that been factored into the operating expenses,
24 what would be the impact to the payment to the trustee in net
25 revenues?

1 A. That would have come right off of what the trustee was
2 paid.

3 MR. CONNER: Your Honor, I have no further questions.

4 THE COURT: Mr. Mays.

5 RECCROSS EXAMINATION

6 BY MR. MAYS:

7 Q. Well, you said it would have come right off what the
8 trustee is being paid but the fact that the county has not been
9 reimbursed that means that the county's general fund - I mean,
10 those monies have come out of the general fund; haven't they?

11 A. They will.

12 Q. And that means that the county's general fund has
13 been basically subsidizing these creditors who are only
14 entitled to the net proceeds of the sewer revenues?

15 A. And all along, I have been willing to pay that. All
16 I needed to do was to get information to support the costs.

17 Q. Well, you know, you say you may not agree with the
18 full amount but you didn't make any effort to pay the part you
19 did agree with; did you?

20 A. I didn't even ask to pay a partial, and what brought
21 this to a head was the settlement agreement.

22 Q. In which you agreed that an amount was owed and that
23 you would pay it?

24 A. And I have always agreed that a certain amount needed
25 to be paid. We just haven't agreed on what it would be and, as

1 part of the settlement agreement, to move that forward, I
2 agreed to the five point three million number.

3 Q. Okay. But as of now, you have paid nothing?

4 A. That's correct.

5 MR. MAYS: Thank you, Your Honor. That's all I have.

6 THE COURT: Mr. Conner.

7 MR. CONNER: No further questions, Your Honor.

8 MR. LEMKE: Your Honor, if I may, I just wanted to
9 clarify on the record. You asked if the net operating expenses
10 included capital expenditures, and it does not, and I can point
11 you to the indenture which is Exhibit M-10 if you want that -

12 THE COURT: No, I asked him - I knew what the answer
13 was.

14 MR. LEMKE: Okay. All right.

15 THE COURT: Any reason that Mr. Young may not be
16 excused at this time?

17 MR. MAYS: We are fine with him being excused, Your
18 Honor.

19 THE COURT: All right. Mr. Young, thank you. You are
20 excused.

21 THE WITNESS: Thank you, Judge.

22 MR. CHILDS: Your Honor, our next witness will be Mr.
23 Jeff Sewell. We can either have a really short examination or
24 a bathroom break.

25 THE COURT: Well, I would take it that you would prefer

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

In re:)	
)	
JEFFERSON COUNTY, ALABAMA,	)	Case No. 11-05736-TBB
a political subdivision of the State of)	
Alabama,	)	Chapter 9
)	
Debtor.)	

**SECOND PERIODIC STATUS REPORT
CONCERNING THE SEWER RATEMAKING PROCESS**

Pursuant to the *Interim Order on Motion to Lift or Condition the Automatic Stay Filed by Financial Guaranty Insurance Company* [Docket No. 967] entered May 7, 2012 (the “Interim Order”), Jefferson County, Alabama (the “County”), the debtor in the above-captioned chapter 9 case, respectfully submits this Second Periodic Status Report Concerning the Sewer Ratemaking Process (the “Status Report”).¹

1. The Second Public Hearing

On July 24, 2012, at the Bessemer Courthouse, the Jefferson County Commission (the “Commission”) held the second of several scheduled public hearings regarding sewer rates. The County published official notice of the hearing in several editions of the *Birmingham News* and by docket notice in this case, *see Notice of Second Sewer Rate Hearing* [Docket No. 1125], and the local press again provided news coverage in the week prior to the hearing. Commissioner Sandra Little Brown, President Pro Tempore of the Commission, presided over the hearing in Commission President David Carrington’s absence. Commissioners Bowman, Stephens and Knight were present and actively participated, as well.

¹ The County’s *First Periodic Status Report Concerning the Sewer Ratemaking Process* [Docket No. 1070] was filed June 18, 2012. It is available free of charge at www.jeffcosewerhearings.org, under the “Documents” tab.

Following Commissioner Brown’s opening remarks, Eric Rothstein (a Principal of the Galardi Rothstein Group) testified.² Mr. Rothstein provided an overview of his extensive experience in this field, *see* Tr. at 7:1-8:12, and then used several sample Jefferson County sewer bills as the starting point for a broader discussion of sewer utility capital financing and industry-standard principles of utility ratemaking. *Id.* at 13:4-15:12.³ Among other topics, Mr. Rothstein discussed the various options available for funding major capital projects of the scope required by the 1996 consent decree, including the declining availability of grants and an overview of typical bond indenture provisions. *Id.* at 15:18-27:3.

Mr. Rothstein then turned to Jefferson County’s situation specifically. He discussed the historical development of the System, including how the “process of consolidation of a diverse set of different sewer systems of varying quality” has the current effect of “distort[ing] information on the balance sheet.” *Id.* at 45:7-22. Mr. Rothstein also discussed the System’s “extraordinary” amount of debt and “quite atypical” portfolio of debt instruments utilized. *Id.* at 48:1-8. Among other metrics, he contrasted the amount of long-term indebtedness per customer of typical utilities (in the \$1,100 to \$2,000 range) to the amount of long-term indebtedness per customer in Jefferson County – which is more than \$21,000.⁴ In this regard, Mr. Rothstein concurred with certain of the conclusions reached by John Young in his First Interim Receiver Report and his November 2011 trial testimony concerning the impossibility of raising rates to a

² A complete transcript of the July 24, 2012 sewer rate hearing is attached hereto as Exhibit A. The transcript and this report are also available free of charge at www.jeffcosewerhearings.org, under the “Documents” tab.

³ Mr. Rothstein’s discussion of particular line items on sample sewer bills is best reviewed by reference to his accompanying PowerPoint slides, which the Commission and those in attendance at the hearing viewed on a projection screen. A copy of Mr. Rothstein’s PowerPoint presentation is available free of charge at www.jeffcosewerhearings.org, under the “Documents” tab.

⁴ The transcript of the hearing does not capture the \$21,000 figure, but it is referenced on the PowerPoint slide projected on the screen during the hearing. *See supra* note 3.

level high enough to repay \$3.2 billion.⁵ Mr. Rothstein advised the Commission that “[i]t’s just not reasonable, appropriate, or . . . likely even possible for the County to increase rates to pay for the outstanding debt as it becomes due and payable, and to pay for the expenses of operating the system in compliance with applicable law.” Tr. at 57:2-7.

Next, Mr. Rothstein discussed how the Commission might approach one of the three constituent components of standard municipal utility revenue requirements – debt service – in light of the fact that full repayment of the County’s outstanding sewer indebtedness is not possible.⁶ His ideas in this regard include looking for guidance in “how private utilities are regulated,” such as the concept of disallowing certain imprudently incurred costs:

Private utilities don’t have the same way of establishing their costs. They don’t add operating expenses and annual capital expenses and debt service and come up with a cash requirement that needs to be met through revenues, through rate revenues. What they do is they look at operating expenses and they look at the amount of invested rate base, and calculate a return on that invested rate base; the concept being that those who’ve invested in the system are entitled to receive a return on their investment. One of the fundamental princip[les] of that is the rate of return is earned on *used* and *useful* assets.⁷

Mr. Rothstein noted that the Commission might look to this parallel regulatory scheme for guidance: “We may want to ask ourselves, what would be the debt levels associated with a reasonable[,] prudently incurred cost [of building the System] as opposed to where the system is

⁵ Mr. Young’s First Interim Receiver Report and November 2011 trial testimony are available free of charge at www.jeffcosewerhearings.org, under the “Documents” tab.

⁶ “A utility’s revenue requirement is the amount of revenue necessary to meet the utility’s costs of providing service. In simplest terms, the revenue requirement is the sum of the following costs: (1) O&M expenses; plus (2) required capital expenditures; plus (3) debt service costs (required principal and interest payments and specified reserves).” First Interim Receiver Report at 53.

⁷ Tr. at 62:1-18 (emphasis added). Cf. *Union Springs Tel. Co. v. Ala. Pub. Serv. Comm’n*, 437 So. 2d 485, 486 (Ala. 1983) (“A regulated utility’s cost of service consists of two basic components: [1] a reasonable return on its property devoted to public service, [*i.e.*] its cost of capital; and [2] its operating expenses, including taxes and depreciation. The property upon which the Company is permitted to earn a specific rate of return is its statutory rate base. Generally, the . . . rate base [is] the reasonable value of its property devoted to the public service, calculated by its original cost, less the accrued depreciation.”).

now[?]" Tr. at 63:21-64:1. *See also id.* at 63:14-21 ("Are there assets that are not really at the value that's recorded in the fixed asset records? . . . Are there assets [for which] the book value has been artificially inflated because of the graft and corruption that occurred[?]").

Finally, Mr. Rothstein discussed the concepts of reasonableness and non-discrimination, and how those concepts might apply in the context of Jefferson County's unique situation. After noting that "[t]here is not a bright line standard for reasonableness," *id.* at 65:8-9; *see also id.* at 65:10-12 (observing that "[t]here is not some place that we can look to . . . that says \$10 per CCF is reasonable and \$10.05 is not"), Mr. Rothstein outlined some criteria for assessing reasonableness and non-discrimination. *See, e.g., id.* at 65:23-66:1 ("the same reasonable rates need to be applicable to everyone in the same class of customers"); *id.* at 66:5-7 (rates must be "generally applicable to everybody"); *id.* at 67:7-9 ("smooth, nondisruptive rate increases . . . that people can plan for, people can manage, people can understand"); *id.* at 67:9-12 ("Rate increases that don't ask customers to pay for something that's not being used or some costs that were not prudently incurred"); *id.* at 67:17-21 ("It doesn't make sense to set rates that will only pay for operating expenses and debt service costs, but not provide the annual renewal and rehabilitation necessary to keep the system in good working order."); *id.* at 68:1-4 ("[I]t doesn't make sense to establish rates that deny customers access to a vitally needed service required to maintain public health.").

When Mr. Rothstein's testimony concluded, the Commission heard from six members of the public about how sewer rates affect the community and how the Commission should proceed in its constitutional task. Although the Commission invited each of the major sewer creditors to testify or otherwise submit their views on appropriate sewer rates as part of the public hearing process, *see Notice of Invitations to Address the Jefferson County Commission at the Next Sewer*

Rate Hearing [Docket No. 1090], each has declined. *See Response of Indenture Trustee and the Named Warrantholders and Insurers to Jefferson County's Invitation to Address the Jefferson County Commission at the Next Sewer Rate Hearing* [Docket No. 1131] (“[T]he Invitees do not intend to participate in the Debtor’s Sewer Rate Hearings.”). The Commission’s invitation to the sewer creditors remains open.

2. Final Public Hearing

The Commission has scheduled what it plans as the final public hearing regarding sewer rates for August 20, 2012, at Samford University. The County will announce the exact time and location of the hearing by publication and docket notice at least one week prior to the hearing.

Once again, the Commission invites testimony, presentations and comments at the final hearing about, *inter alia*, (i) the costs of operating and maintaining the sewer system in a sound, responsible manner, including appropriate renewal and rehabilitation of existing infrastructure; (ii) elasticity and the probable outcomes (in terms of both revenue and public health) of various levels of rate adjustments; (iii) the advisability and feasibility of adopting the GASB 34 modified approach on a going-forward basis; (iv) the adverse impact on the revenue stream generated by the system absent appropriate levels of capital expenditures; (v) the advisability or necessity of a low income assistance program and the funding of such a program consistent with the requirements of Alabama law governing reasonableness and non-discriminatory rates; and (vi) creditor concerns. This topic listing is illustrative rather than exhaustive and the order in which they are listed above does not convey their relative importance.

The Commission continues to welcome information from any interested persons – including customers, ratepayers, taxpayers, members of the community, employees and creditors – about any topic pertaining to sewer system rates and charges. It is important to note that the

Commission has determined to exercise its constitutional obligations in respect of sewer rates and charges on the basis of the testimony, evidence and public comments received during and in connection with these public sewer rate hearings.

3. Next Steps

After the final public sewer rate hearing, the Commission – in consultation with the County’s experts and sewer professionals – will fully consider the facts, opinions and comments gathered during the public hearing process. Once a specific proposal has been formulated, the County will make it available to all interested parties, and the Commission will hold one or more public hearings to consider the proposal. Although the timing may change, the County currently anticipates releasing a specific proposal in September 2012, and holding a final hearing on the proposal in October 2012.

4. Conclusion

The County will file its next Status Report on or before September 17, 2012, consistent with the Interim Order.

Respectfully submitted this 2nd day of August, 2012.

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Counsel for Jefferson County, Alabama

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

In re:)	
)	
JEFFERSON COUNTY, ALABAMA,	)	Case No. 11-05736-TBB
a political subdivision of the State of)	
Alabama,	)	Chapter 9
)	
Debtor.)	

NOTICE OF THIRD SEWER RATE HEARING

Jefferson County, Alabama (the "County"), the debtor in the above-captioned chapter 9 case, hereby advises that the notice attached hereto as Exhibit A was published in the August 11, 2012, edition of the *Alabama Messenger*, has been posted in the County Courthouse, and will be advertised in several forthcoming editions of the *Birmingham News*.

Respectfully submitted this 14th day of August, 2012.

By: /s/ Patrick Darby

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Counsel for Jefferson County, Alabama

PUBLIC NOTICE

To Jefferson County Sewer System Ratepayers, Creditors and Other Interested Persons:

Please take notice that the Jefferson County Commission (the "Commission") will hold a public hearing (the "Hearing") on **Monday, August 20, 2012, from 5:30 p.m. to 7:30 p.m.** in the John L. Carroll Moot Courtroom at the Cumberland School of Law at Samford University, 800 Lakeshore Drive in Birmingham, Alabama. The purpose of the Hearing is to receive testimony from invited witnesses and public comments from ratepayers, creditors and any other parties (collectively, "Interested Persons") who are or may be affected by the Jefferson County Sanitary Sewer System (the "System") on the question of what reasonable and nondiscriminatory rules and regulations fixing rates and charges for sewer service the Commission should consider adopting or amending. All Interested Persons are invited to attend and comment.

At the Hearing, the Commission intends to hear from one or more invited witnesses. These witnesses will be given priority in order of presentation at the hearing. Any Interested Person who wishes to speak at the Hearing must sign up on the sign-up sheet before the time the Hearing begins. The sign-up sheet will be available in the County Manager's Office in the Jefferson County Courthouse, Second Floor, Room 251, 716 Richard Arrington Jr. Boulevard North in Birmingham, Alabama during normal business hours until 3 p.m. on August 20, 2012, after which time the sign-up sheet will be available at the Moot Courtroom. The Commission will limit Interested Persons' time for commentary to no more than three (3) minutes. The Commission also invites Interested Persons to submit in advance of the Hearing any written comments or material they want the Commission to consider in connection with the fixing of rates and charges for sewer service or the fixing of a rate structure. All written submissions must be delivered to the County Manager's Office before the Hearing begins.

Among other topics, the Commission seeks information regarding the costs of operating and maintaining the System in a sound, responsible manner, including appropriate renewal and rehabilitation of existing infrastructure; the level of future capital expenditures required for compliance with applicable state and federal law; the financial burden of System rates on households and businesses in the community; and the propriety of current and potential alternative rate structures. The Hearing will be recorded contemporaneously and a transcribed record of the Hearing will be prepared for the Commission's use.

This is the third of several hearings the Commission intends to hold on this important topic. A subsequent hearing will be held at a date, time, and location to be determined and announced by the Commission to discuss and receive public comments about any proposals to adjust the rules and regulations affecting sewer rates by amending the Sewer Use/Pretreatment Ordinance dated May 11, 1982.

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JEFFERSON COUNTY SEWER

PUBLIC HEARING

August 20, 2012

1 COMMISSIONER CARRINGTON: Good evening
2 everyone. We're here today for the third public
3 hearing for us as a Commission to take testimony
4 from an expert witness and comments from the
5 public about sewer rates. We have found this
6 process to be very valuable, because -- both
7 because the testimony we have heard from the
8 invited witnesses and because of the citizen
9 comments.

10 We are glad you are here, and for those
11 of you who have signed up to speak, we look
12 forward to hearing your comments. Before we
13 begin tonight's hearing, I want to express the
14 Commission's appreciation to Dean Carroll once
15 again for agreeing to moderate the three
16 hearings we have held on this important topic
17 and especially for hosting us at the moot
18 courtroom that bears his name here at Cumberland
19 School of Law. We are indebted to Dean Carroll
20 for his service in this regard. As he mentioned
21 at the first public hearing meetings like this
22 are the essence of democracy, and we are
23 grateful for his participation in this process.

1 Thank you, Dean Carroll.

2 DEAN CARROLL: You're welcome.

3 COMMISSIONER CARRINGTON: I would like
4 to remind everyone that there is no proposal on
5 the table with regard to sewer rates. The
6 purpose of this public hearing, just like the
7 previous two hearings, is for the Commission to
8 receive information that will guide us when we
9 do have a proposal on the table.

10 When we began this process a couple of
11 months ago, we knew that we were building toward
12 the day when our discussions about sewer rates
13 could become more specific. We're not there
14 yet, though. That day will come in the next
15 month or so. For now, we are still focused on
16 receiving information from our invited
17 witnesses, or from our invited witness this
18 evening, or from the public that you think we
19 should consider.

20 The format for tonight's public hearing
21 will be similar to the format of our previous
22 two meetings. First, we will hear from Mr.
23 Lance LeFleur, Director of the Alabama

1 Department of Environmental Management. Mr.
2 LeFleur oversees one of the agencies that
3 regulates our sewer system, and we will hear
4 from him tonight about the environmental laws
5 that the County has to comply with, and some of
6 the new regulations that the County will have to
7 comply with in future, and his views about the
8 costs associated with ensuring that the County
9 remains in compliance with the law. We are
10 grateful to Mr. LeFleur for coming up here
11 tonight from Montgomery to share his perspective
12 with us.

13 After Mr. LeFleur has finished, we will
14 hear from many of you who have signed up to
15 speak tonight. The signup sheet was available
16 before the hearing, including -- outside the
17 door as you came in. As with our previous
18 meetings, in order to make sure we can hear from
19 everyone, we need you to keep your comments to
20 three minutes or less. In addition to speaking
21 at tonight's hearing, we welcome any written
22 submissions you might care to make to the
23 Commission. Any time between now and September

1 1st, you are welcome to submit your written
2 comments to the County Manager's office, Room
3 251, in the County Courthouse, 716 Richard
4 Arrington Boulevard North, or you can submit
5 your comments on the website we have set up for
6 these meetings, www.jeffcosewerhearings.org.
7 There is a comment button for you to click if
8 you would like to submit your comments in that
9 way.

10 Finally, on behalf of the entire
11 Commission, I would like to express our
12 appreciation for the public's participation in
13 this process. We realize that the topic of
14 sewer rates is one of which the people -- which
15 people can disagree. That is completely
16 appropriate, and as Dean Carroll said before,
17 the discussion about that topic in meetings like
18 this is very -- the very essence of the
19 democratic process. The purpose of this process
20 has been to give you every opportunity to let us
21 know what you think before we begin to
22 deliberate about any concrete proposal. We, as
23 Commissioners will ultimately have a proposal to

1 vote on, and we will approach that vote, we will
2 take with us all the information we have learned
3 through these hearings. We appreciate your
4 input, and we thank you for taking the time to
5 be with us here tonight. Before I recognize and
6 turn it over to Dean Carroll, I would like to
7 introduce Commissioner Jimmy Stephens on my
8 left, Commissioner Joe Knight on my right.
9 Commissioner Bowman is out of town at a
10 conference, and Commissioner Brown couldn't join
11 us here this evening. With that said, I'll turn
12 the floor over to Dean Carroll. Thank you, sir.

13 DEAN CARROLL: Commissioner Carrington,
14 thank you, and let me add my welcome to all of
15 you to the Cumberland School of Law here at
16 Samford University. This is the third of the
17 three public hearings that we've had on this
18 particular issue. To echo something that
19 Commissioner Carrington said, there is a website
20 where all the testimony and exhibits from the
21 previous hearings can be found. It's
22 www.jeffcosewerhearings.org. There is a court
23 reporter who will take down all the testimony,

1 so this really is a wonderful way to get this
2 information out to the general public.

3 It's my pleasure now to introduce our
4 expert witness for this evening, and this
5 follows the format of the others where we'll
6 have some testimony from an expert witness
7 followed by a public comment period.

8 We're fortunate tonight to have the
9 Director of the Alabama Department of
10 Environmental Management, Lance LeFleur here.
11 Mr. LeFleur holds a Bachelor of Science in
12 Chemistry from Georgia Tech, an MBA in
13 Management and Finance from Southern Methodist
14 University, and he completed the Advanced
15 Management Program at Harvard University
16 Graduate School of Business. His education
17 includes extensive training in the field of
18 chemistry, physics and mathematics, subjects
19 which often left me cold in college and high
20 school, so we're glad that you're here. He
21 provides tremendous guidance for the Alabama
22 Department of Environmental Management. Please
23 join me in welcoming Lance LeFleur.

1 MR. LeFLEUR: Thank you, Dean Carroll
2 and thank you Commissioners for the opportunity
3 to speak to you today. As Dean Carroll
4 mentioned, my name is Lance LeFleur, and I am
5 the Director of the Alabama Department of
6 Environ -- Environmental Management, which is
7 referred to, by just about everyone, as ADEM.

8 I've been asked to come before you as
9 you consider potential adjustments to the sewer
10 fees paid by rate payers at a time when your
11 sanitary sewer system faces significant costs to
12 pay for upgrades required to meet
13 recently-revised ADEM permit conditions.

14 By way of background, ADEM was created
15 by the Legislature in 1982 and empowered to
16 administer and enforce state and federal
17 environmental laws in Alabama.

18 Our mission is to responsibly adopt and
19 fairly enforce environmental rules and
20 regulations to protect and improve the quality
21 of Alabama's environment and the health of all
22 its citizens. We also monitor environmental
23 conditions in Alabama and recommend changes in

1 state law. From time-to-time, we also revise
2 regulations as-needed to respond to changing
3 environmental conditions. The exceptional group
4 of men and women working for ADEM across this
5 great State understand, appreciate and take
6 extremely seriously the importance of our
7 mission.

8 One of ADEM's responsibilities is
9 issuing the National Pollution Discharge
10 Elimination, or NPDES, permits to water and
11 wastewater systems in Alabama pursuant to the
12 Federal Clean Water Act. Although the Clean
13 Water Act is a federal statute, it embraces the
14 singularity -- the singular important concept of
15 federalism by allowing states to assume primacy
16 over permitting functions.

17 Accordingly, in Alabama, ADEM and not
18 the United States Environmental Protection
19 Agency issues NPDES permits. The Clean Water
20 Act is a prescriptive statute when it comes to
21 discharges of pollutants. In other words, and
22 this is something of an oversimplification,
23 discharges are prohibited unless they are

1 expressly allowed by an NPDES permit.

2 Therefore, without an NPDES permit, a
3 wastewater utility cannot legally discharge
4 treated wastewater. ADEM has issued NPDES
5 permits to each of the nine wastewater treatment
6 plants that make up the Jefferson County sewer
7 system. These permits include specific and
8 detailed requirements addressing discharge
9 limits, monitoring, recordkeeping, and
10 reporting, and notification.

11 The requirements in the permits are
12 mandatory. The County must comply with all of
13 them. Noncompliance with any permit provision
14 can have serious consequences, such as
15 enforcement actions by ADEM, substantial
16 monetary penalties, permit termination,
17 suspension or modification, or denial of a
18 permit renewal application.

19 Indeed, NPDES violations can even
20 result in criminal charges. In light of these
21 consequences, the resources spent by the County
22 to comply with the NPDES permits are a wise and
23 prudent investment. As you know, many years

1 ago, noncompliance with Clean Water Act got the
2 County into trouble. Over the past 15 years,
3 however, the County has done a good job with its
4 compliance efforts. More particularly, the
5 professionals who operate the County sewer
6 system have done an excellent job running the
7 system. The collaborative working relationship
8 ADEM has with those professionals is, we
9 believe, critical to the continued operation of
10 the County's treatment plants in accordance with
11 the applicable NPDES permits. Needless to say,
12 ADEM expects the cooperative spirit and
13 dedicated efforts of the County personnel to
14 continue.

15 Unfortunately, operating and
16 maintaining a wastewater system in compliance
17 with law and with the conditions of an NPDES
18 permit is not free. Often permit holders must
19 spend significant amounts of money to maintain
20 or upgrade their systems so that the treatment
21 plants can comply with the terms and conditions
22 of their permits. NPDES permits are not static.
23 From time-to-time, ADEM evaluates and where

1 necessary, modifies them. Usually changes are
2 intended to improve Alabama's environment, and
3 sometimes they're also required to meet tougher
4 federal standards.

5 The tougher requirements can be driven
6 by a number of factors, such as the potential
7 impact a particular substance or pollutant might
8 have on the fish, plant life or other organisms
9 in the waters into which permit-holders
10 discharge.

11 Regardless for the reason for
12 modifications, when ADEM alters a permit, those
13 changes are mandatory. Usually when ADEM
14 changes a permit, it gives the County and other
15 permit-holders around the State, time to adjust
16 their operations to meet new requirements. This
17 is particularly true when compliance, where
18 required, new equipment or new processes or
19 other capital investments, all of which we
20 recognize cost money to comply with the new
21 requirements.

22 The challenges created and burdens
23 imposed by NPDES permit modification are

1 certainly illustrated by the renewal permits
2 ADEM anticipates issuing in the near future for
3 two of the County's treatment plants. These
4 permits will contain stricter limitations on the
5 amount of total phosphorous or TP present in the
6 treated wastewater discharge by these two
7 plants. Why TP, and why not?

8 Let me start with the first part; why
9 TP. I know you don't want a science lesson, but
10 I believe it's important to understand the
11 background of the new permits, like so many
12 nationally occurring elements, phosphorous is
13 neither inherently good, nor intrinsic --
14 intrinsically bad. It's all a question of
15 amount and concentration. A small amount of
16 phosphorous is integral to healthy plant and
17 animal growth. A larger amount, on the other
18 hand, can overstimulate algae and aquatic plant
19 growth. There is only a limited amount of
20 oxygen available in a river environment, and if
21 all the oxygen goes to algae and plants, other
22 vegetation and other aquatic life dies.

23 So one of the keys to healthy river eco

1 -- to a healthy river eco system is achieving
2 and maintaining a proper TP balance.

3 Under the Clean Water Act regulatory
4 agencies, like ADEM, must identify rivers where
5 too much of a particular pollutant exist. Such
6 a river is called an impaired water, and ADEM
7 must develop a total maximum daily load or TMDL
8 for that river. A TMDL is a way of expressing
9 how much of a particular pollutant can exist in
10 a river while still allowing that river to meet
11 water quality standards.

12 TMDL's cover an entire river, but those
13 river-wide levels are achieved through discharge
14 limitations in individual NPDES permits. The
15 theory is that by controlling what people put
16 into a river, we can effectively control the
17 overall health of the river.

18 Of course in practice, it is neither
19 simple nor as clean cut as that sounds.

20 Developing TMDL's is complicated and in many
21 instances controversial. Among the questions,
22 agencies like ADEM and EPA struggle with are;
23 are we unfairly targeting NPDES permit-holders

1 when other sources may actually contribute more
2 of the problem pollutant. Do we really have
3 sufficient scientific data to support our
4 conclusions about the health of the river? Do
5 the often infinitesimal reductions in a
6 particular pollutant truly benefit the river's
7 health, particularly when the cost of achieving
8 those reductions is so high.

9 While ADEM has tremendous respect for
10 the accomplishments and expertise of the EPA,
11 there are times when we question the wisdom of
12 its decisions, such interagency disagreements
13 are, we believe, healthy and wholly consistent
14 with our obligations as an agency of the State
15 of Alabama, as well as with the robust
16 federalism embodied in the Clean Water Act and
17 in our system of government.

18 For Jefferson County, the challenge
19 today and in coming years is that the two
20 treatment plants we are discussing discharge
21 into the Cahaba River. ADEM has concluded that
22 the Cahaba River is impaired with regard to TP.
23 Consistent with the procedure I described above,

1 ADEM in conjunction with EPA has, therefore,
2 developed a TMDL for TP in the Cahaba River and
3 begun issuing new NPDES permits designed to
4 reduce overall TP in the river to a level
5 acceptable to the EPA. I'm not here to defend
6 or dispute the EPA TP target, but to explain
7 that once EPA made the threshold water quality
8 target decision, a process began that has
9 profound and far-reaching implications for the
10 citizens of Jefferson County.

11 What ADEM has done is to develop a TMDL
12 that permits the new, more stringent TP target
13 to be faced in the NPDES permits over the
14 maximum time period available. Gradually
15 becoming stricter and stricter and presumably
16 thereby allowing the County and other
17 dischargers the time necessary to gradually
18 modify processes and technology to meet the
19 final target. Meeting the EPA's new TP target
20 will not be easy nor will it be cheap.

21 It is my understanding, based on
22 information provided by the County's Department
23 of Environmental Services, that the County will

1 have to make an estimated investment of more
2 than 150 million dollars in capital and
3 operating expenses to meet the new permit
4 requirements. We recognize that significant
5 outlays will be required for the system to
6 operate in accordance with current law and
7 permit requirements. In the future, the
8 Jefferson County sewer system can anticipate
9 that significant additional expenditures will be
10 necessary to ensure compliance with the
11 increasingly stringent requirements of NPDES
12 permits. The Commission, likewise, can
13 anticipate that funding of those requirement --
14 required expenditures will be necessary.

15 Jefferson County is not alone.
16 Wastewater systems throughout the State and the
17 nation are facing the challenge of increased
18 expenditures necessary to ensure legal
19 compliance. Many systems are making difficult
20 decisions about raising rates in these difficult
21 economic times. Nonetheless meeting the terms
22 and conditions of NPDES permits is required
23 under the Federal Clean Water Act. Failure to

1 comply carries significant adverse financial
2 consequences and possible loss of local control.

3 Given the federal requirements in the
4 Clean Water Act, ADEM considers its mandatory
5 regulatory requirements to be reasonable. User
6 rates that allow a municipal wastewater utility
7 to comply with the law would, by extension,
8 likewise have to be considered reasonable.

9 In closing, as the Commission considers
10 various possible adjustments to sewer rates, I
11 urge it to take into account the cost to comply
12 with environmental laws both now and in the
13 future and to put in place a mechanism that will
14 allow the County to pay for these increasing
15 costs. Thank you.

16 DEAN CARROLL: The format of the
17 previous hearings is the one that we'll follow,
18 which is anyone who wished to give public
19 comment was required to sign up in advance of
20 the hearing. We have no one who has signed up
21 to give public comment at this hearing. Unless
22 I'm wrong, is there anybody in the audience that
23 signed up?

1 Well, that means that this afternoon --
2 this evening's proceeding is at an end. I would
3 like to thank the Commissioners for, again,
4 allowing this process to go forward. Thank all
5 of you for coming, and we'll see you around.
6 Tour the Samford Campus while you're here.
7 Thank you.

8 (END OF HEARING.)

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Errata Sheet – Testimony of Lance LeFleur before the Jefferson County
Commission, August 20, 2012

I have the following corrections to the transcript:

Page 13, line 7 the word “not” should be changed to “now” and should read “Why TP and why now?”

Page 13, line 11 should have a period after the word “permits.” and the first letter of the word “like” should be capitalized.

Page 14, line 5 the word “exist” should have an “s” at the end and read “exists”.

Page 15, line 2 the sentence ending in “pollutant.” should end with a question mark rather than a period.

Page 15, line 8 the sentence ending in “high.” should end with a question mark rather than a period.

Page 15, line 12 should have a period after the word “decisions.” and the first letter of the word “such” should be capitalized.

Page 16, line 14 should have a comma or hyphen after the word “available” rather than a period.

BEFORE THE JEFFERSON COUNTY COMMISSION

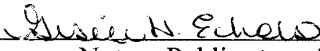
State of Alabama)
)
County of _____)

I, Lance LeFleur, do solemnly swear (or affirm) that:

1. I have read the foregoing transcript of my testimony of August 20, 2012 before the Jefferson County Commission;
2. With the changes indicated in the errata sheet attached hereto, the transcript is a true and correct transcription of my testimony;
3. My testimony is based on my personal knowledge, training, education and experience; and
4. My testimony is the truth, the whole truth, and nothing but the truth.



Sworn to and subscribed before me, the undersigned notary public in and for the State of Alabama, this 14th day of September, 2012.



Notary Public exp 6-21-2015

[Seal]

Printed Name: Gabele H. Echols
My Commission Expires 6-21-2015

Jefferson County Sewer System

Public Presentation



August 20, 2012

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Section 1

Introduction

GLC Advisors & Co.

GLC's clients

- GLC represents multiple Jefferson County Sewer Warrant Holders who collectively own over \$700 million of sewer system debt
- These holdings account for more than 20% of all of Jefferson County's outstanding sewer system debt
- This presentation is submitted in response to the express invitation of the Jefferson County Commission
- Notwithstanding anything in this presentation, we believe that Jefferson County (the "County") is obligated to set sewer fees by the existing formula established in the sewer warrant indenture
- Nevertheless, we welcome the opportunity to present commentary on sewer costs and fees, the relative burden on residents and on the state of the municipal finance market

Overview

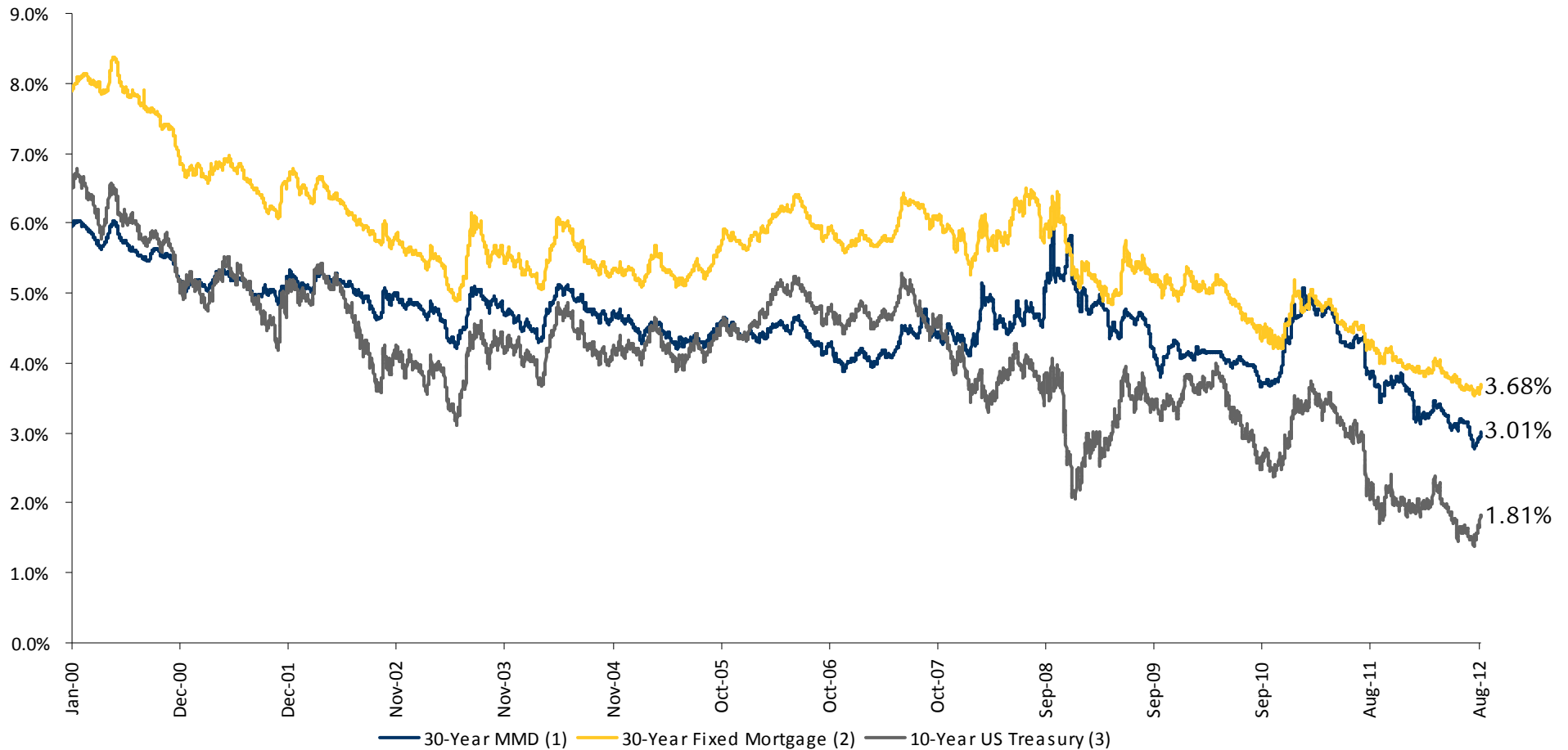
- Generally, sewer fees are increasing across the country and sewer fees for systems subject to EPA consent decrees are rising at higher rates than the national average
 - Increases in sewer fees contained in the September 14, 2011 proposed settlement (the “Proposed 2011 Settlement”) that was approved by the County Commission are similar to the average projected increases of comparable sewer systems operating under EPA consent decrees
- Sewer fees ultimately are a function of how much revenue is required to cover the costs to build, finance and operate the sewer system
- Most sewer costs are “fixed,” which means that sewer fees per user are heavily dependent on the number of users
- The County’s low number of sewer customers relative to the size of its system has the direct impact of increasing individual sewer bills

Overview (cont'd)

- Easiest way to bring down overall costs is to bring down interest cost
 - Similar to refinancing a home mortgage with lower rates
- Further, if a government utility services corporation (“GUSC”) and a State moral obligation pledge were implemented, the interest rates achievable would be even lower
 - Proposed 2011 Settlement failed in large part because the State of Alabama did not enact legislation transferring the sewer system to a GUSC and providing a State moral obligation pledge
- Fortunately, interest rates are currently near historic lows
- We believe the County has an opportunity to close a refinancing with many of the benefits of the Proposed 2011 Settlement and take advantage of today’s lower interest rate environment

Interest rates are at historic lows

Current rate environment provides an opportunity



Sources: Bloomberg, Thomson Reuters' The Municipal Market Monitor ("TM3")

Notes:

(1) As per TM3. MMD is a benchmark rate for municipal bond financings.

(2) As per ILM3NAVG Index on Bloomberg.

(3) As per USGG10YR Index on Bloomberg.

Municipal financings are up significantly year-over-year

Many municipalities are taking advantage of the current low interest rate environment

- Total municipal bond issuance increased 63% through the first 6 months of 2012 compared to the first 6 months of 2011¹
 - Issuance totaled \$191 billion on 6,826 deals through the first 6 months of 2012 compared to \$117 billion on 4,859 deals through the first 6 months of 2011
- Municipal refinancing issuances are up 137% through the first 6 months of 2012 compared to the first 6 months of 2011¹
 - Refinancing issuance totaled approximately \$83 billion on 3,401 deals through the first 6 months of 2012 compared to \$35 billion on 1,495 deals through the first 6 months of 2011
- 30-year MMD, the benchmark for municipal financings, is currently 3.01%
 - Represents a reduction of ~0.65% since Proposed 2011 Settlement was approved
- Like homeowners and businesses, municipalities are refinancing their debt at a record pace to lock-in lower rates

Sources: Thompson Reuters, www.bondbuyer.com

Note:

(1) James Ramage, "Refundings Are Main Factor in 63% Increase in Issuance," The Bond Buyer, June 29, 2012.

Section 2

Sewer Fee Analysis

GLC Advisors & Co.

Sewer systems comparable to Jefferson County

Sewer systems operating under EPA consent decrees are the most relevant comparables to the County's sewer system

- EPA consent decrees are often issued as a result of overflows of untreated sanitary sewage and storm water into rivers and other bodies of water¹
- These sewer systems generally have the following characteristics¹
 - Capacity and overflow problems
 - Historical underinvestment
 - Aging infrastructure
- Generally, substantial investments are or have been required to improve sewer systems and comply with EPA consent decrees¹
- As of July 9, 2012, there were 31 sewer systems operating with EPA consent decrees²
 - 29 sewer systems were utilized in GLC's analysis
 - Jeffersonville, IN and Youngstown, OH were excluded from GLC's analysis due to lack of publicly available financial information

Notes:

(1) As per Eric Rothstein testimony at Jefferson County Sewer Public Hearing on July 24, 2012.

(2) As per EPA website: <http://cfpub.epa.gov/compliance/cases/index.cfm>.

Section 2a

Utilization

GLC Advisors & Co.

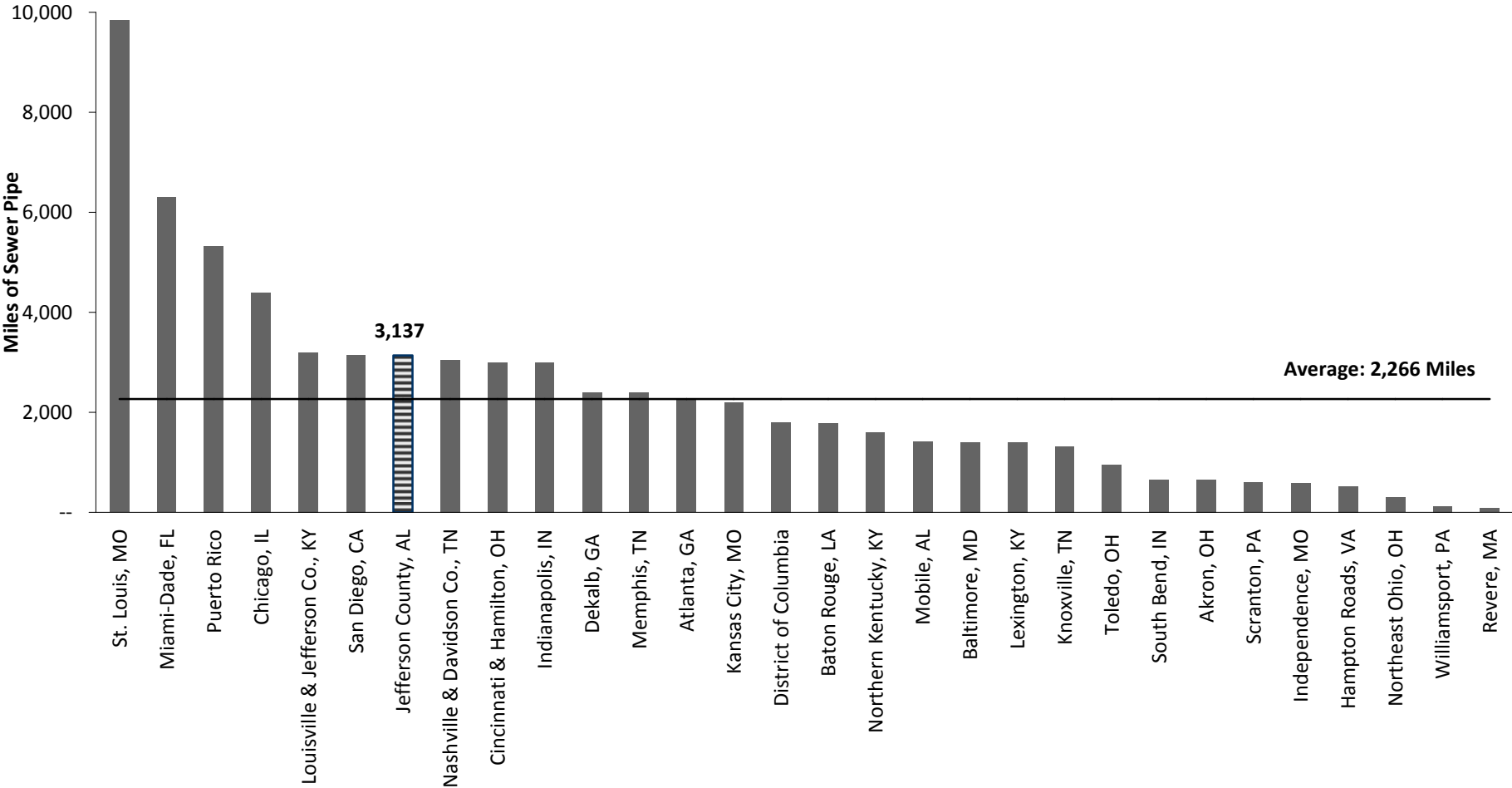
Sewer system costs

Sewer system costs are primarily composed of operating costs and interest expense

- Sewer fees are ultimately a function of how much revenue is required to cover the costs to build, finance and operate the sewer system
- Big systems, like Jefferson County's sewer system, require significant capital to build and operate
 - Significant portion of these costs are “fixed”
 - As a result, sewer fees are heavily impacted by the number of users

Size of sewer system

Jefferson County is the seventh largest sewer system among this peer group

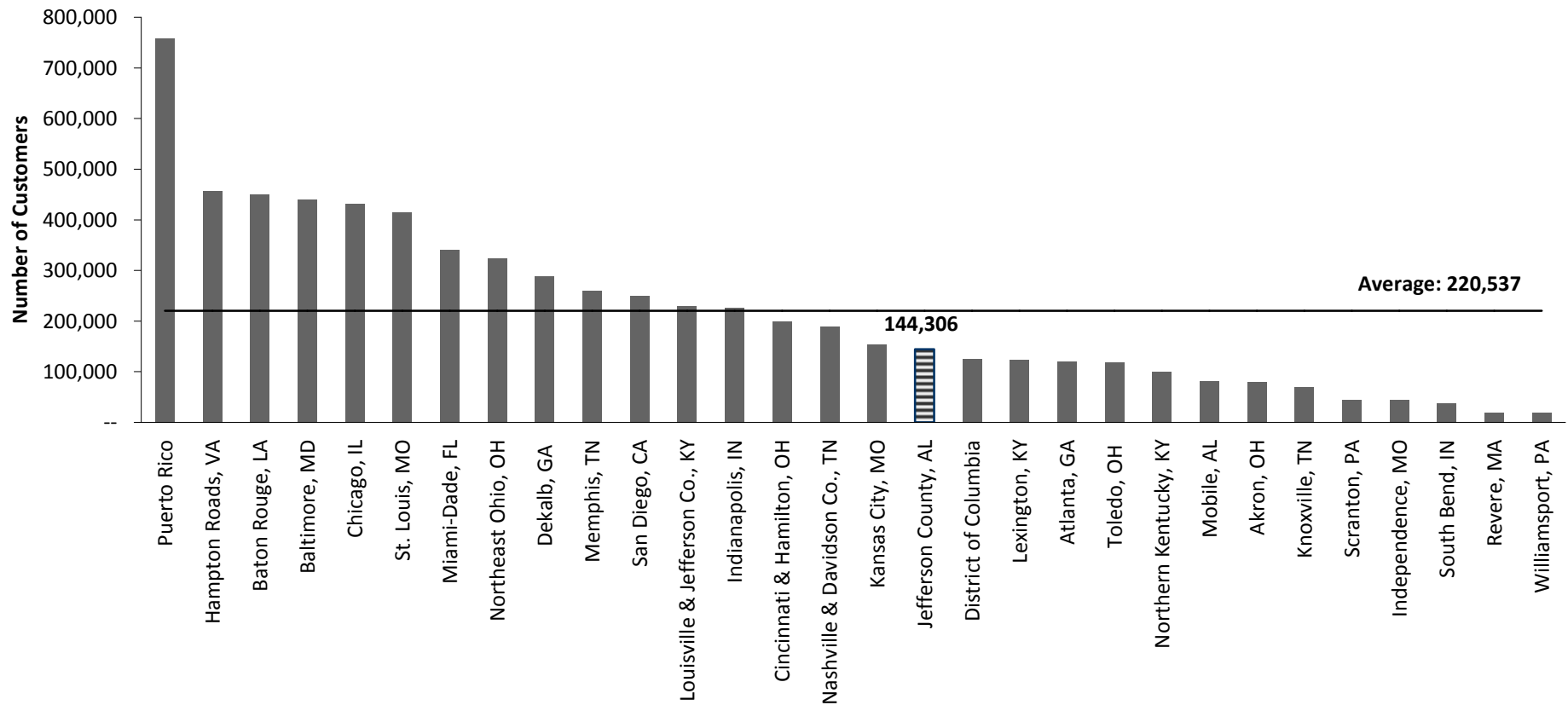


Note: See Appendix A, pages 28-29 for detailed data, source information and corresponding footnotes.

Customer base

However, Jefferson County ranks only 17th in terms of number of customers...

- Jefferson County’s sewer system is adversely impacted by lack of mandatory hook-ups
 - Approximately 60% of EPA consent decree peers have mandatory hook-up requirements¹

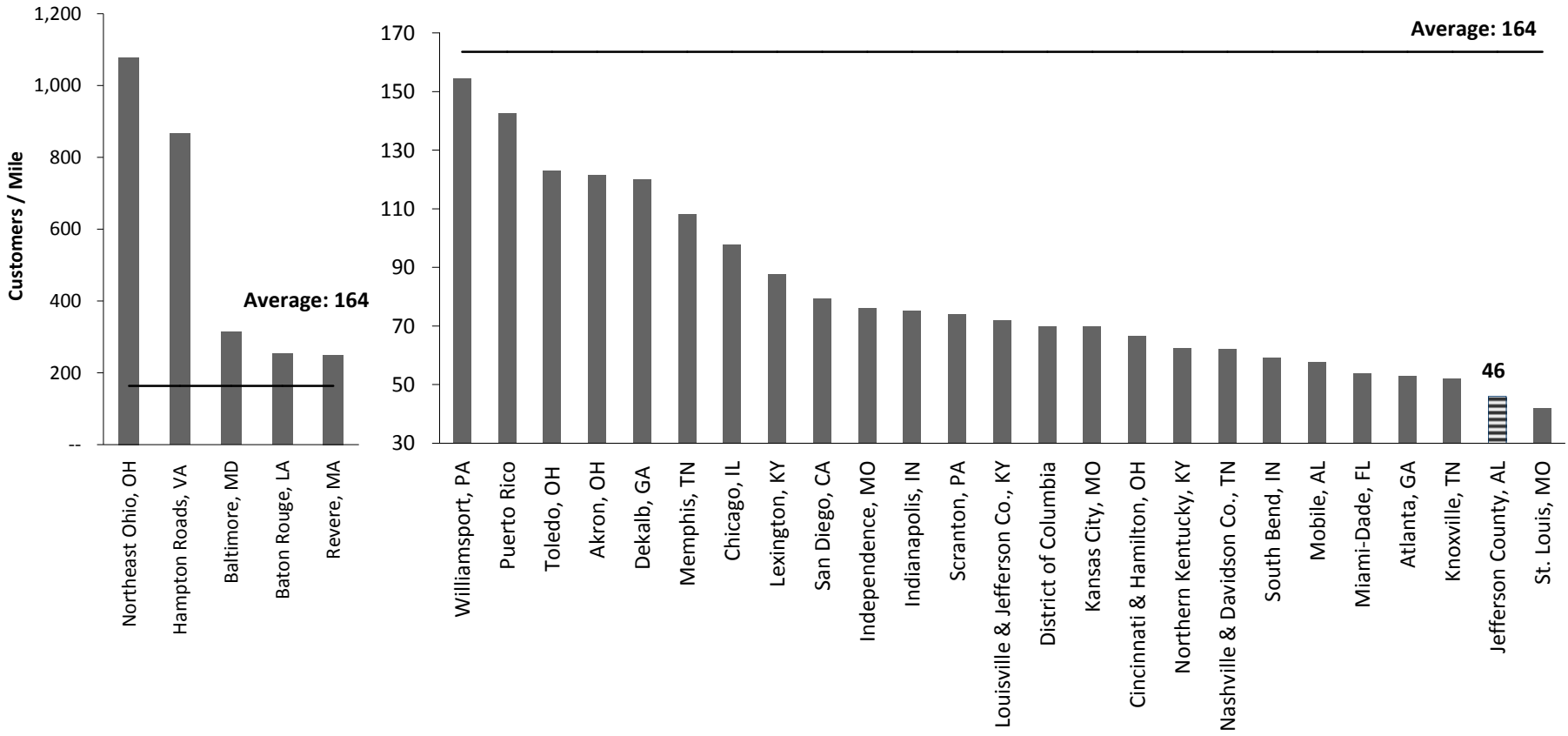


Note: See Appendix A, pages 28-29 for detailed data, source information and corresponding footnotes.

(1) 20 out of the 29 EPA consent decree peers provide information regarding mandatory hook-up requirements. 12 out of the 20 have mandatory hook-up requirements.

Sewer system utilization

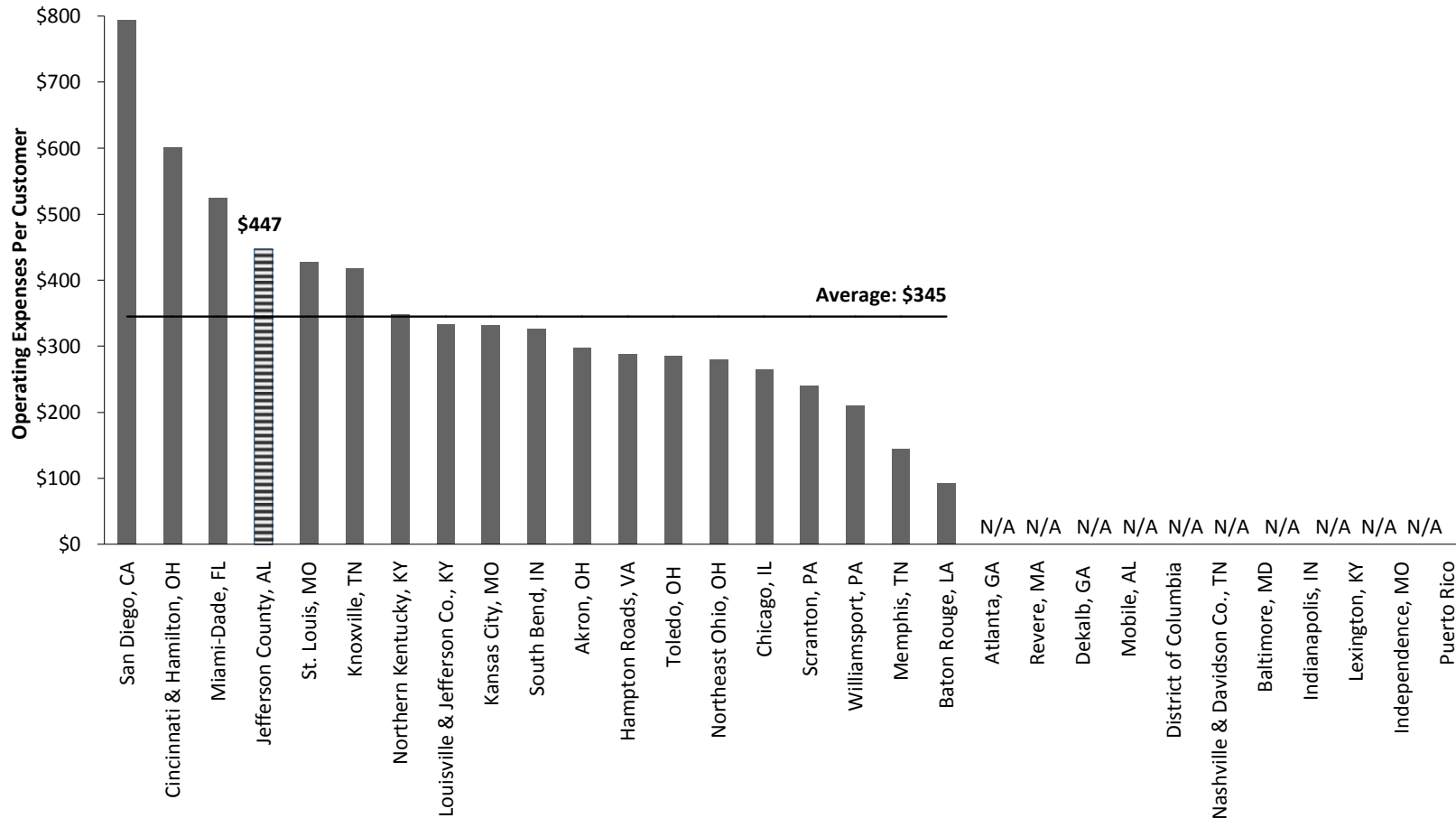
...which results in the second lowest number of customers per mile...



Note: See Appendix A, pages 28-29 for detailed data, source information and corresponding footnotes.

Operating expenses per customer

...requiring the operating burden of the system to be paid by a smaller number of users



Resulting in Jefferson County having the fourth highest operating expense per customer, even though Alabama law allows the County to require new construction in the service area to hook up to the sewer system¹

Note: See Appendix A, pages 28-29 for detailed data, source information and corresponding footnotes.

(1) As per Ala. Code 11-3-11(a)(15).

Section 2b

Sewer and Property Tax Burden on Residents

GLC Advisors & Co.

Sewer fees

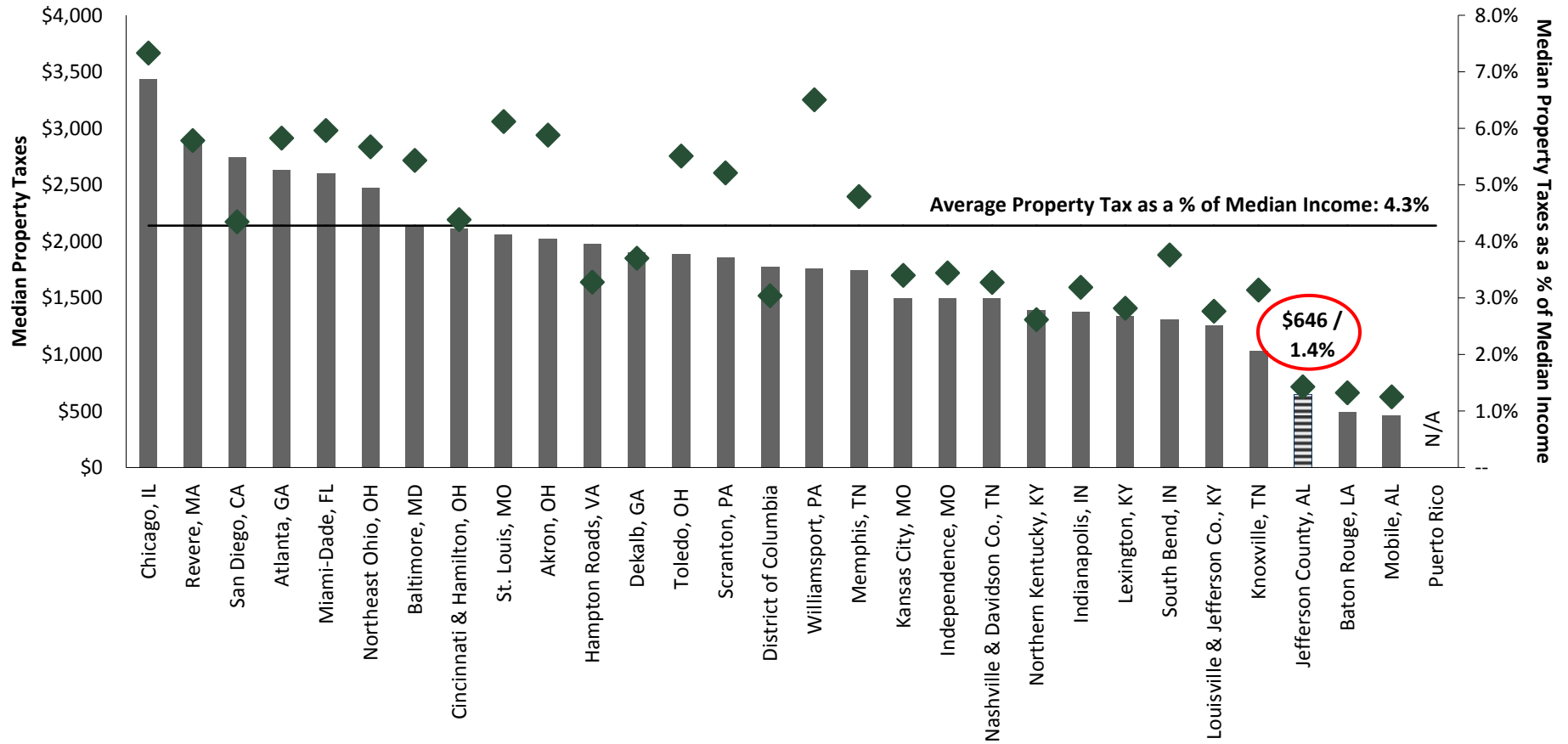
Jefferson County's sewer fees as a percentage of median income are near the average of its peers



Note: See Appendix A, pages 28-29 for detailed data, source information and corresponding footnotes.

Property tax

However, Jefferson County's property tax as a percentage of median income is one of the lowest among its peers

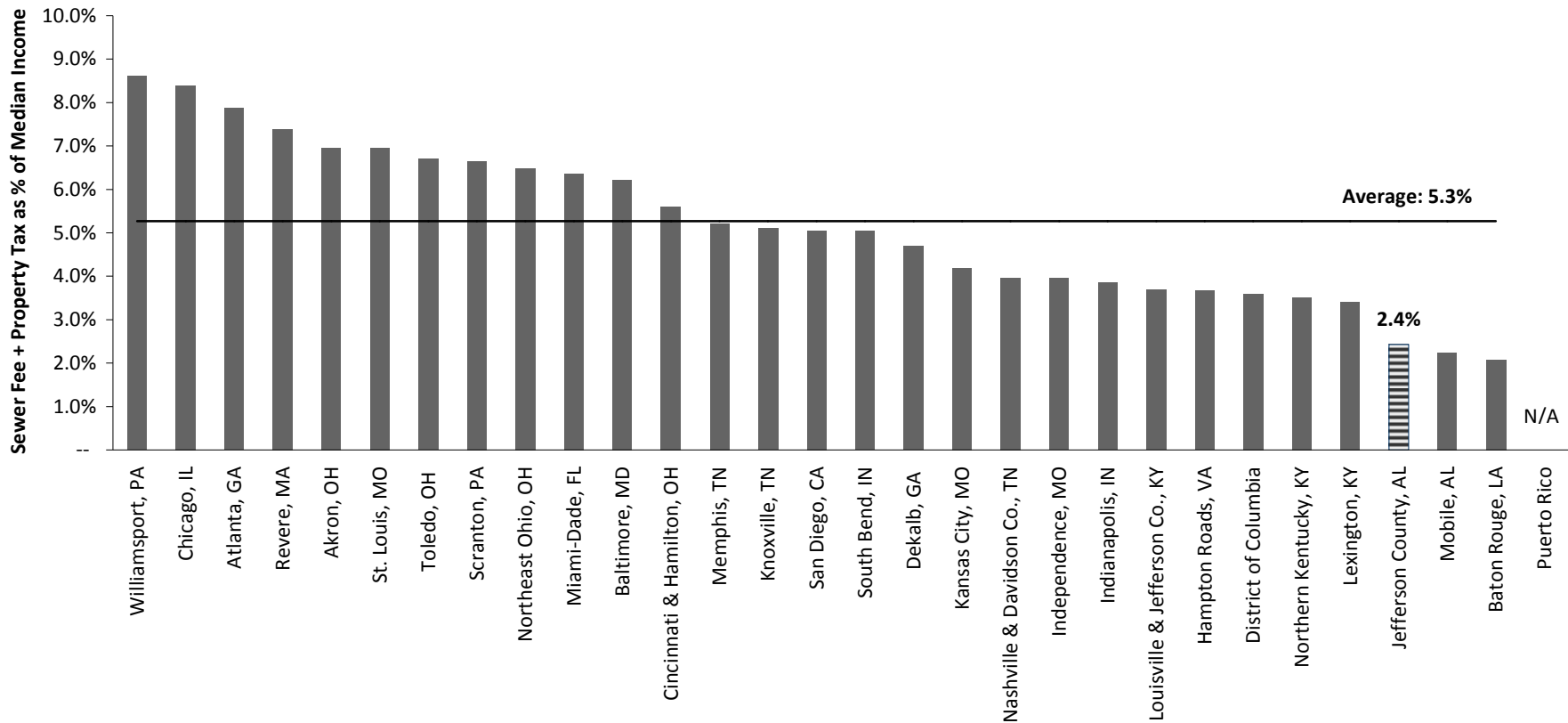


Note: See Appendix A, pages 28-29 for detailed data, source information and corresponding footnotes.

Local cost burden

Combining sewer fees and property taxes provides a proxy of the local cost burden on a municipal population

- By this measure, Jefferson County is one of the lowest among its peers



Note: See Appendix A, pages 28-29 for detailed data, source information and corresponding footnotes.

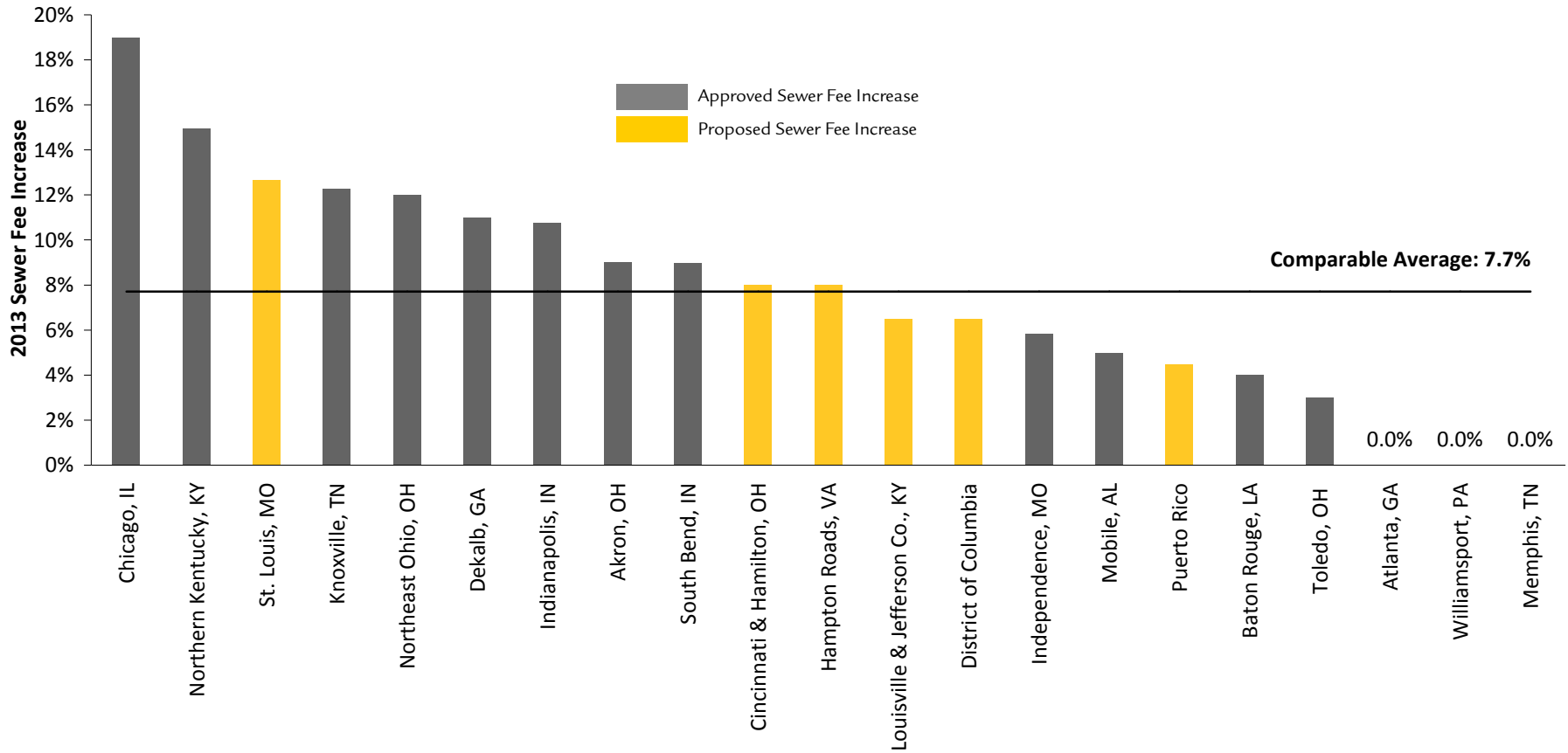
Section 2c

Sewer Fee Increases

GLC Advisors & Co.

Sewer fee increases – 2013

Sewer fees are increasing in virtually every peer jurisdiction

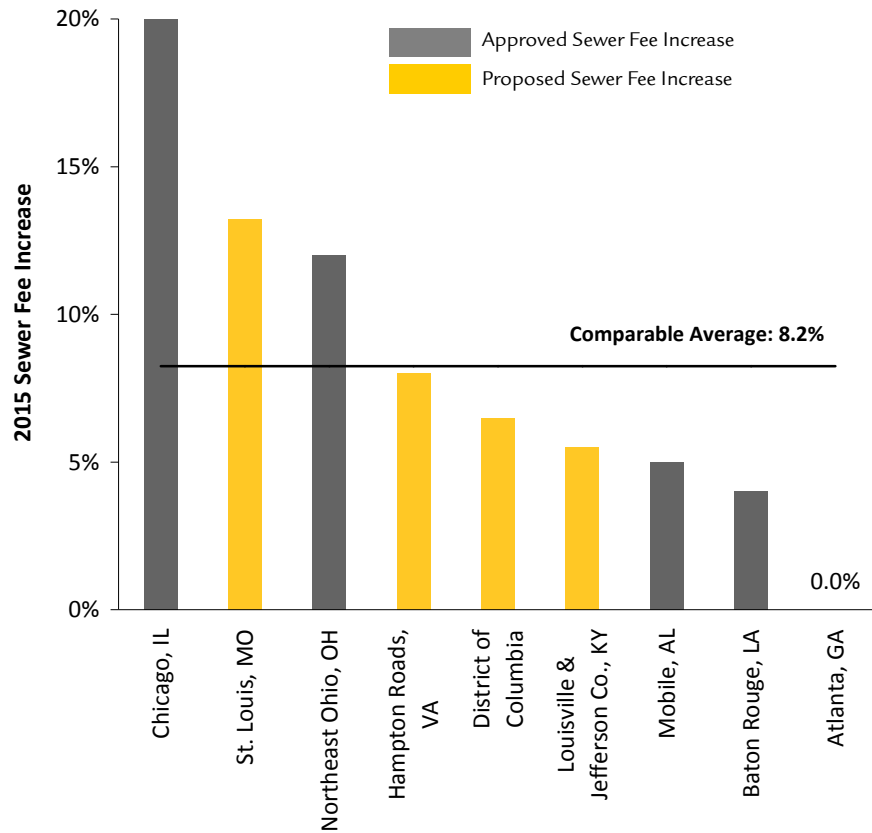
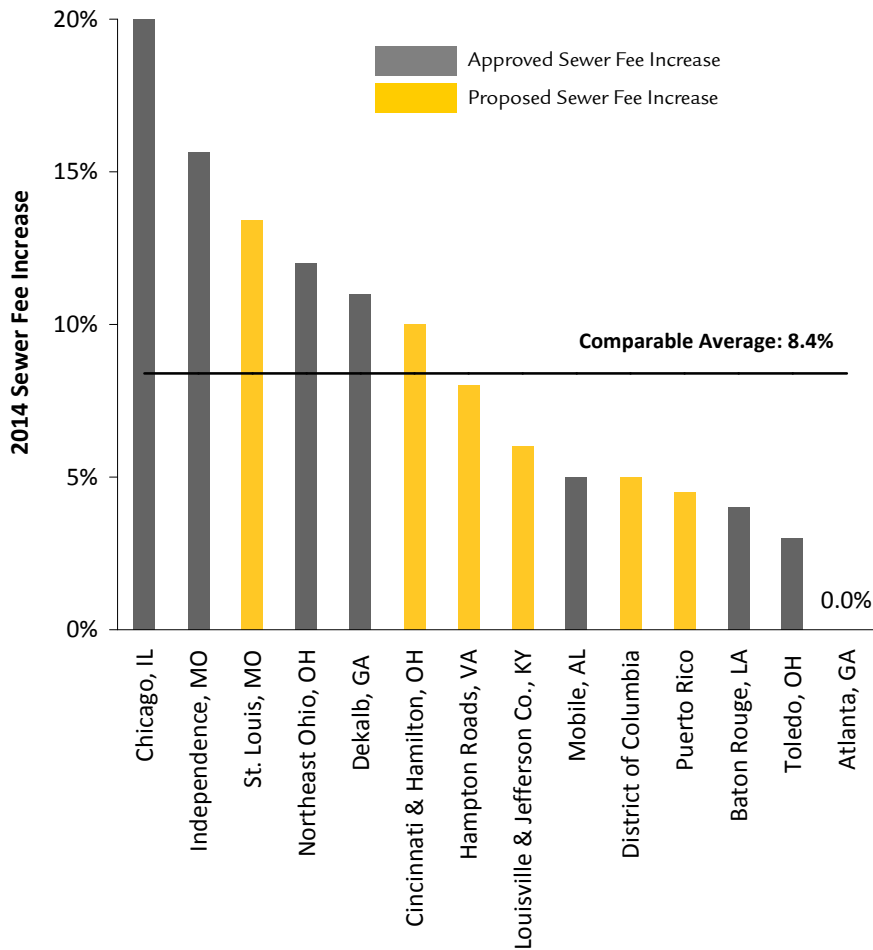


National Association of Clean Water Agencies (“NACWA”) 2011 Service Charge Index Survey (“2011 Survey”) estimates sewer fees will increase by 5.6% nationwide in 2013¹

Note: See Appendix A, pages 28-29 for detailed data, source information and corresponding footnotes.
 (1) Survey results for 2013 are based on 143 responses from NACWA members; 91 provided numeric estimates.

Sewer fee increases – 2014 & 2015

Sewer fee increases for peers are expected to average 8.4% in 2014 and 8.2% in 2015



NACWA 2011 Survey estimates average increases nationwide of 6.1% in 2014 and 5.0% in 2015¹

Note: See Appendix A, pages 28-29 for detailed data, source information and corresponding footnotes.

(1) Survey results for 2014 are based on 129 responses from NACWA members; 73 provided numeric estimates. Survey results for 2015 are based on 130 responses from NACWA members; 66 provided numeric estimates.

Section 2d

Additional Sources of Funding

GLC Advisors & Co.

Sources of revenue in addition to sewer fees

It is believed that the Jefferson County sewer system could generate an additional \$28-33 million¹ in revenue per year

- Sewer fees for Jefferson County currently represent 96% of total funding²
- By comparison, EPA consent decree peers generate 93% of revenue from sewer fees²
 - These peers generate additional revenue from other sources
- Special Master's Report outlines sources of revenue in addition to sewer fees that may be generated through
 - Clean Water Charges – for septic system owners
 - Revenue Enhancements – 12 areas outlined as opportunities

Notes:

(1) As per "Report of the Special Master – Assessment of the Jefferson County Environmental Services Department" dated January 20, 2009 ("Special Master's Report").

(2) See Appendix A, pages 28-29 for detailed data, source information and corresponding footnotes.

Conclusion

- Sewer systems operating under EPA consent decrees typically have overflow problems, have historically underinvested and have aging infrastructures, which require expenditures to remedy
 - Costs to comply with EPA consent decrees must be covered
- Jefferson County's sewer system has fewer customers, relative to its size, to support the cost of the system
 - Mandatory hook-up would ease this burden
- Jefferson County's sewer fees as a % of median household income are comparable to other EPA consent decree peers
 - Increases in sewer fees contained in the Proposed 2011 Settlement that was approved by the County Commission are similar to the average projected increases of comparable sewer systems operating under EPA consent decrees
- Jefferson County residents pay lower property taxes compared to other EPA consent decree peers
 - Combination of sewer fees and property taxes as a % of median household income provides a proxy of the local cost burden for a municipal population
 - County's population carries one of the lowest combined sewer fees plus property tax burden in its peer group

Conclusion (cont'd)

- Jefferson County's sewer system should explore additional sources of funding – other than just sewer fee increases
 - Specific ideas were outlined in the Special Master's Report¹
 - Would help minimize future sewer fee increases
- Sewer fees are increasing in EPA consent decree jurisdictions and also the broader marketplace
 - Our clients support the creation of a Low-Income Assistance Program to ensure that customers who need help, get it
- Interest rates are at historic lows
- Refinancing the Sewer Warrants now and taking advantage of today's interest rates will help keep sewer fee increases to a minimum

Note:

(1) As per "Report of the Special Master – Assessment of the Jefferson County Environmental Services Department" dated January 20, 2009.

Appendix A

Detailed Sewer Fee Analysis

GLC Advisors & Co.

EPA consent decree sewer systems

City / County	Miles of Sewer Pipe	Number of Customers	Customers / Mile	Operating Expenses				Estimated Annual Sewer Bill			Property Tax as % of Income			Sewer Fees as a % of Total Sewer Revenues
				Per Customer (1)	Estimated Annual Sewer Bill @ 6 Ccf (2)	Median Income (3)	Median Property Taxes (4)	as % of Median Income	Median Income	2013 Rate Increase	2014 Rate Increase	2015 Rate Increase		
Akron, OH	649	78,985	122	\$298	\$372	\$34,359	\$2,021	1.1%	5.9%	9.0%				
Atlanta, GA (5)	2,259	120,000	53		920	45,171	2,633	2.0%	5.8%	0.0%	0.0%	0.0%		
Baltimore, MD	1,400	440,215	314		310	39,386	2,139	0.8%	5.4%					
Baton Rouge, LA	1,781	450,000	253	93	281	36,964	488	0.8%	1.3%	4.0%	4.0%	4.0%	60.6%	
Chicago, IL	4,400	430,920	98	264	498	46,877	3,437	1.1%	7.3%	19.0%	20.0%	20.0%	97.1%	
Cincinnati & Hamilton, OH (6)	3,000	200,000	67	602	593	48,234	2,114	1.2%	4.4%	8.0%	10.0%		98.5%	
Dekalb, GA (7)	2,400	288,352	120		507	51,349	1,901	1.0%	3.7%	11.0%	11.0%			
District of Columbia (8)	1,800	125,653	70		324	58,526	1,778	0.6%	3.0%	6.5%	5.0%	6.5%		
Hampton Roads, VA (9)	528	457,000	866	289	237	60,445	1,981	0.4%	3.3%	8.0%	8.0%	8.0%	97.9%	
Independence, MO	578	44,078	76		225	43,580	1,500	0.5%	3.4%	5.9%	15.6%			
Indianapolis, IN	3,000	226,186	75		285	43,088	1,374	0.7%	3.2%	10.8%				
Kansas City, MO	2,200	153,466	70	331	346	44,113	1,500	0.8%	3.4%				94.9%	
Knoxville, TN	1,320	68,744	52	417	644	32,756	1,028	2.0%	3.1%	12.3%				
Lexington, KY (10)	1,400	123,043	88		282	47,469	1,338	0.6%	2.8%					
Louisville & Jefferson Co., KY (11)(12)	3,200	230,240	72	334	419	45,352	1,254	0.9%	2.8%	6.5%	6.0%	5.5%	94.7%	

Sources: City or county sewer water authority annual reports and websites, taxfoundation.org and US Census Bureau website

Notes:

- (1) Operating expenses exclude depreciation and amortization.
- (2) Calculated assuming 6 Ccf water use per month.
- (3) Median household income as per US Census Bureau, 2006-2010 data.
- (4) Source: taxfoundation.org. Average of median property taxes paid from 2005-2009. Property taxes are reported by county; utilized the county in which each respective city or municipality is located.
- (5) Atlanta sewer system miles of pipe from 2009 annual report.
- (6) Hamilton County median household income and owner-occupied home value used. Cincinnati & Hamilton Metropolitan Sewer District serves the entire county of Hamilton.
- (7) Estimated sewer bill assumes 3/4 inch water meter. Larger water meters have more expensive monthly base charges. 3/4 inch water meter is the smallest available billing rate on the city / county statement of waste water rates.
- (8) Estimated sewer bill assumes 50% of combined water and sewer fees.
- (9) Hampton Roads is comprised of 8 counties. Median household income and owner-occupied home value is the average of the 8 counties in Hampton Roads.
- (10) Lexington-Fayette Urban County median household income and owner-occupied home value used. Number of households in Lexington-Fayette Urban County used as a proxy for the number of customers, as households are required to connect to the sewer system.
- (11) Jefferson County, KY median household income and owner-occupied home value used. Louisville is located in Jefferson County, KY, the entirety of which is served by the waste water system.
- (12) Jefferson County, KY residential sewer water use estimated as 85% of actual metered water use.

EPA consent decree sewer systems (cont'd)

City / County	Miles of Sewer Pipe	Number of Customers	Customers / Mile	Operating Expenses	Estimated Annual Sewer Bill	Median Income	Median Property Taxes	Estimated Annual Sewer Bill as % of Income	Property Tax as % of Income	2013 Rate Increase	2014 Rate Increase	2015 Rate Increase	Sewer Fees as a % of Total Sewer System Revenues
				Per Customer (1)	@ 6 Ccf (2)	Income (3)	Taxes (4)	Median	Median				
Memphis, TN	2,400	259,416	108	145	152	36,473	1,748	0.4%	4.8%	0.0%			
Miami-Dade, FL (13)	6,300	339,927	54	524	175	43,605	2,600	0.4%	6.0%				
Mobile, AL (14)	1,420	81,889	58		370	37,056	463	1.0%	1.2%	5.0%	5.0%	5.0%	
Nashville & Davidson Co., TN (14)(15)	3,051	189,890	62		319	45,668	1,495	0.7%	3.3%				
Northeast Ohio, OH (16)	300	323,567	1,079	279	357	43,603	2,473	0.8%	5.7%	12.0%	12.0%	12.0%	95.2%
Northern Kentucky, KY (17)	1,600	100,000	63	348	482	53,213	1,391	0.9%	2.6%	14.9%			93.3%
Puerto Rico	5,325	759,167	143		195	18,862		1.0%		4.5%	4.5%		
Revere, MA (18)	80	20,000	250		802	49,759	2,879	1.6%	5.8%				
San Diego, CA (19)	3,146	250,000	79	794	443	63,069	2,742	0.7%	4.3%				98.9%
Scranton, PA	597	44,185	74	240	511	35,606	1,856	1.4%	5.2%				99.6%
South Bend, IN (14)	650	38,455	59	325	445	34,761	1,307	1.3%	3.8%	9.0%			96.2%
St. Louis, MO	9,843	414,912	42	428	282	33,652	2,059	0.8%	6.1%	12.7%	13.4%	13.2%	87.5%
Toledo, OH (14)	960	118,276	123	285	408	34,260	1,888	1.2%	5.5%	3.0%	3.0%		91.9%
Williamsport, PA (14)	123	19,000	154	211	571	27,138	1,765	2.1%	6.5%	0.0%			94.0%
Jefferson County, AL (20)(21)	3,137	144,306	46	\$447	\$453	\$45,244	\$646	1.0%	1.4%				96.2%

Sources: City or county sewer water authority annual reports and websites, taxfoundation.org and US Census Bureau website

Notes:

(1-4) See previous page.

(13) Miami-Dade County, FL median household income and owner-occupied home value used.

(14) Estimated sewer bill assumes 5/8 inch water meter. Larger water meters have more expensive monthly base charges. 5/8 inch water meter is the smallest available billing rate on the city / county statement of waste water rates.

(15) Davidson County, TN median household income and owner-occupied home value used.

(16) Cuyahoga County median household income and owner-occupied home value used. Standard rate for Subdistrict 1 (Cleveland) used.

(17) Kenton County, KY median household income and owner-occupied home value used. Northern Kentucky refers to Sanitation District No. 1, which includes the 3 most northern counties in Kentucky (Boone, Kenton, and Campbell), of which Kenton is the largest by population.

(18) Number of households in Revere used as a proxy for the the number of customers, as households are required to connect to the sewer system.

(19) San Diego County, CA median household income and owner-occupied home value used.

(20) Jefferson County, AL miles of sewer pipe, number of customers and average annual sewer bill as per the Receiver's First Interim Report dated June 14, 2011.

(21) Jefferson County, AL sewer use is calculated as 85% of the metered water use.

Appendix B

Opportunities for Legislative Action

GLC Advisors & Co.

Mandatory hook-ups

Mandatory hook-ups would reduce the burden paid by rate payers by increasing the number of customers

- Since most of the cost of having a sewer system is the cost to build it, the more people who use the sewer system, the cheaper it is for everybody
- Numerous municipalities in Alabama require mandatory connection to sewer systems
– Prattville, Mobile, Guntersville, Ozark, Madison, Opelika and Wetumpka¹
- Alabama courts have also long recognized that the authority to enforce mandatory hook-up requirements is vital to the establishment of an efficient sewer system¹
- It is in the County's control to require mandatory hook-up for new construction within proximity to the sewer line²

Notes:

(1) Receiver's First Interim Report on Finances, Operations, and Rates of the Jefferson County Sewer System dated June 14, 2011.

(2) As per Ala. Code section 11-3-11(a)(15).

Government utility services corporation

A GUSC is a public corporation set up to own and operate the utility

- GUSCs are being used in Bessemer, Greenville and Moody
- Implementation of GUSC would increase investors' confidence that the County's debt service obligations would be honored
 - Reduces credit risk and associated interest cost
 - Which translates into lower sewer fee increases

Moral obligation pledge¹

Pledge by the State of Alabama to stand behind the new debt

- The legislature makes a moral obligation pledge to appropriate funds as necessary to prevent a future default, however, the State would not be legally obligated to make up any shortfalls
- This pledge would lower the credit risk and therefore would lower the rate investors require
 - Which translates into lower sewer fee increases
- Recent examples include
 - In 1999, Alabama authorized \$55,000,000 in moral obligation bonds for Y2K expenditures²
 - State of Virginia provided moral obligation pledge to Virginia Resources Authority, a group that provides innovative, cost-effective and sustainable financial solutions to build vibrant and healthy Virginia communities³
 - State of Vermont provided moral obligation pledge to the Vermont Municipal Bond Bank, a state agency that helps other municipalities access capital⁴

Notes:

- (1) As per the Municipal Securities Rulemaking Board, the term “moral obligation bond” refers to a bond, usually issued by a state or agency, that is secured by a non-binding covenant that any amount necessary to make up any deficiency in pledged revenues available for debt service will be included in the budget recommendation made to the state legislature or other legislative body, which may appropriate moneys to make up the shortfall. The legislature or other legislative body, however, is not legally obligated to make such an appropriation. Unlike a general obligation pledge, the moral obligation bond does not require voter approval and does not have the state’s official pledge of its full faith and credit.
- (2) As per Act 99-198. As issued, the bonds were partially secured by pledge of TVA revenues, with a moral obligation pledge to make up any deficiencies.
- (3) Kyle Glazier, “Deals from 2 Virginia Authorities Total \$200M-Plus,” The Bond Buyer, July 10, 2012.
- (4) Paul Burton, “Vermont Bond Bank Refinances Debt, Saves \$6 Million,” The Bond Buyer, December 27, 2011.

Reservation of rights

GLC'S CLIENTS RESERVE ALL THEIR RIGHTS. BY SUBMITTING THIS PRESENTATION, THEY DO NOT AGREE THAT THE PROCEDURE CONTEMPLATED BY THE COUNTY IS APPROPRIATE. NO ESTOPPEL OR WAIVER IS CREATED HEREBY.

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August 31, 2012

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1819 Fifth Avenue North
Birmingham, AL 35203

Re: Jefferson County, Alabama Public Sewer Rate Hearings

Gentlemen:

As you know, on June 22, 2012, Mr. Petelos, in his capacity as Chief Executive Officer of Jefferson County (the "County"), sent letters to the Indenture Trustee and certain of the sewer warrant holders and insurers (collectively, the "Invitees") inviting them to appear and be heard on July 24 at the second of three announced public hearings to be held by the County Commission regarding sewer rates (the "County's Invitation"). Mr. Petelos stated that the purpose of the County's Invitation was "to hear whatever information [the Invitees] would like [the Commission] to consider as [it] undertake[s] this important process." While reserving all their rights, the Indenture Trustee and the Invitees responded to the County's Invitation by reiterating their position that the County is both obligated and able to raise rates to a level sufficient to pay all of the County's sewer obligations in full. The Invitees have made this position clear in no less than three separate court proceedings over the last four years. The Indenture Trustee also reminded the County of (and listed) at least seven reports prepared by the County's consultant's, the Special Masters, and the Receiver advising the County of the need and ability to raise its sewer rates.

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We assumed the Commission would consider all relevant, reliable information already in its possession or otherwise provided to them regardless of the forum in which it was provided; this includes the information referenced in the Invitation Response. Indeed, the referenced reports are in the County's possession, and have been created by the County's own consultants or Court appointed officials. However, based on statements made by the County since the filing of its First Periodic Status Report Concerning the Sewer Ratemaking Process, it is unclear whether the Commission intends to consider any information that is not separately provided as part of the purported "record" in the "public hearing process." Although such an approach is not supportable as a matter of law, in accordance with the directions contained on the website established for the public hearings, this letter, together with the reports, documents, and other information referenced herein, is being submitted to be included in the "record" of the public "hearings." This written submission is being provided, however, with full reservation of all of the Invitees' rights under the Indenture and applicable law, including all of their rights to seek relief from the Bankruptcy Court or in state court at any time with respect to the Commission's failure to set sewer rates adequate to meet the County's obligations. Without limiting the foregoing reservation of rights, the following is being submitted for the Commission's consideration:

- (a) the Indenture (which includes the "Rate Covenant" at Section 12.5);
- (b) the Invitation Response;
- (c) the following reports: (i) the Red Oak Consulting Final Technical Report for the Jefferson County Environmental Services Department dated January 31, 2007; (ii) the Raftelis Financial Consultants, Inc., Jefferson County Commission Comprehensive Wastewater Cost of Service and Rate Study Report dated February 3, 2010; (iii) the BE & K Engineering Company 2003 Final Report; (iv) the Paul B. Krebs & Associates, Inc., Analysis of Sources of Revenue for the Jefferson County Environmental Services Department dated March 31, 2002; (v) the Paul B. Krebs & Associates, Inc., Report to the Commission of Jefferson County dated November 5, 2002; (vi) the Paul B. Krebs & Associates, Inc., Draft Report of Analysis of Sources of Revenue for the Jefferson County Environmental Services Department dated March 13, 2003; (vii) the Raftelis Financial Consultants, Inc., 2008 draft report; (viii) the Report of the Special Master's Assessment of the Jefferson County Environmental Services Department dated January 20, 2009 (Trial Exhibit M.3 to the November 2011 stay hearing, Doc. No. 257); and (ix) the Receiver's First Interim Report on Finances, Operations, and Rates of the Jefferson County Sewer System filed in State Court Action CV-2009-02318 dated June 14, 2011 (Trial Exhibit M.4 to the November 2011 stay hearing, Doc. No. 257);
- (d) the enclosed copy of the County Resolution, dated as of December 16, 2008, whereby the Commission suspended the Rate Adjustment Resolution so the Commission could "act directly on System rates after consulting with and considering the recommendations of the Special Masters and the County's consultants";
- (e) the enclosed chart describing the consultants', Special Masters', and Receiver's rate setting recommendations between 2002 and 2011, as compared to the County's actual rates during that period;

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(f) the enclosed Memorandum Opinion of United States District Judge David Proctor, dated June 12, 2009, in the case styled: *The Bank of New York Mellon, et al., v. Jefferson County, Alabama*, Civil Action No. 2:09-CV-01702-RDP, finding, among other things, that the Warranholders were being irreparably harmed every day Sewer rates were not increased;

(g) the enclosed Receiver Order entered on September 22, 2010, by Circuit Judge Albert L. Johnson in the case styled: *The Bank of New York Mellon, as Indenture Trustee v. Jefferson County, Alabama, et al.*, Case No. CV-2009-02318, finding, among other things, that the Warranholders were being irreparably harmed by the loss of System Revenues and Net Revenues Available for Debt Service that the System could generate, but was not generating, and appointing the Receiver with rate making authority;

(h) the term sheet dated as of September 14, 2011, pursuant to which the County proposed "approximate rate increases of 8.2% for each of the first three years beginning November 1, 2011 (or as soon thereafter as possible), and future projected annual increases of no more than 3.25% for operating expenses and capital requirements until such time as the debt service requirements related to the Refinancing are met"¹; and

(i) excerpts from testimony of the County's consultants Peiffer Brandt and Eric Rothstein (who testified under oath and were subject to cross-examination).

The Invitees urge the Commission and its consultants to review and consider carefully all relevant information, including the information contained in and being submitted with this letter. The referenced information makes clear that System Revenues can and should be increased, and that the County has an obligation to do so. In addition, this letter is being submitted in an effort to correct a number of the County's current assumptions and conclusions about sewer bills and the impact on System customers. For example, in Mr. Rothstein's presentation at the July 24 public hearing he presented two slides in an effort to show that average sewer bills for Jefferson County customers are higher by comparison to other communities. In doing so, he calculated that a monthly bill for a Jefferson County customer would be almost \$63.00 if that customer used 10 ccf of water per month. However, the average water usage for Jefferson County sewer customers is closer to 6 ccf per month, which would result in an average monthly sewer bill closer to \$38.00. Because of this significant discrepancy, the figures for Jefferson County in Mr. Rothstein's chart are materially inflated in relation to the other communities. An accurate comparison would put Jefferson County much lower on Mr. Rothstein's chart. Dr. Rauterkus seems to have made a similar error in her presentation of June 12. She correctly assumed the average water usage for Jefferson County Sewer customers is approximately 6 ccf per month. However, she then assumed that 6 ccf is the same average monthly usage for the other communities in her comparison. We believe a number of the other

¹ These proposed rate increases assumed the outstanding principal balance of the Warrants would be reduced voluntarily by certain of the Warranholders by more than \$1 billion in the aggregate as part of a refinancing of the Warrants. The Commission chose not to pursue that settlement and refinancing, and instead commenced the County's chapter 9 case, thereby rejecting the offered concessions. Without those concessions, the County would have to raise rates even higher to meet its obligations under the Indenture.

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communities she used have higher average usage than Jefferson County. Atlanta's average usage, for example, is approximately 8 ccf. Therefore, Dr. Rauterkus appears to have materially understated the average sewer bills for other communities in her comparison to Jefferson County. These are but two significant errors uncovered to date in the information disseminated at the public hearings and upon which the Commission apparently intends to rely.

Based on the information referenced above and on currently available information, the Indenture Trustee believes the County can, consistent with Alabama law and recognized models of financial capacity, implement revenue increases over the next several years that, if done in conjunction with effective and efficient administration and operation of the System, and proper planning for future capital needs and utilization of all available resources, will allow the County to fulfill its obligations to the Warranholders and the residents of Jefferson County. The County will have to increase rates to achieve the revenues necessary to meet its obligations. However, there may be a number of different rate structures that could be implemented that would allow the County to meet its obligations to the Warranholders and to its residents.² Moreover, if the County were to increase revenues from sources other than rate increases, such as through mandatory hook up, reserve capacity fees, clean water fees, or other non-user fees, the rate increases needed to achieve the necessary revenue increases may be reduced. Finally, as the settlement term sheet from last September demonstrates, a negotiated resolution may also be a way for the County and the Warranholders to address these matters in the context of a consensual plan of adjustment.

The Invitees repeat their offer to meet with the County to discuss future rate structures the County can and should implement, and to engage in good faith negotiations regarding the terms of a plan of adjustment.

Thank you for your attention to this matter.

Sincerely,


David E. Lemke
Waller Lansden Dortch & Davis, LLP

DEL:ct

cc: The Bank of New York Mellon,
as Indenture Trustee

Counsel for Liquidity Banks
and Insurers

² In the past, the County has stated that the Trustee is calling for rate increases of 400% or more. The basis for those statements is not clear, but the Trustee has never called for such increases in the past and is not doing so now

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TRUST INDENTURE

between

JEFFERSON COUNTY, ALABAMA

and

AMSOUTH BANK OF ALABAMA

Dated as of February 1, 1997

Relating to

JEFFERSON COUNTY, ALABAMA

\$211,040,000

**Sewer Revenue Refunding Warrants
Series 1997-A**

\$48,020,000

**Taxable Sewer Revenue Refunding Warrants
Series 1997-B**

\$52,880,000

**Taxable Sewer Revenue Refunding Warrants
Series 1997-C**

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between
JEFFERSON COUNTY, ALABAMA
and
AMSOUTH BANK OF ALABAMA

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TRUST INDENTURE between **JEFFERSON COUNTY, ALABAMA**, a political subdivision of the State of Alabama, party of the first part (herein called the "County"), and **AMSOUTH BANK OF ALABAMA**, an Alabama banking corporation having its principal office in the City of Birmingham, Alabama, party of the second part (herein called the "Trustee");

RECITALS

The party of the first part makes the following recitals of facts as the basis for the undertaking following: it is a political subdivision of the State of Alabama; by proper official action it has duly authorized the issuance of the Series 1997 Warrants and Series 1997-C Warrants hereinafter referred to; and to secure payment of the principal of and the interest and premium (if any) on said Series 1997 Warrants and Series 1997-C Warrants and all additional securities that may be issued hereunder, it has by proper official action duly authorized the execution and delivery of this Indenture.

NOW, THEREFORE, THIS INDENTURE

WITNESSETH:

For the aforesaid purpose and in consideration of the respective agreements herein contained, it is hereby agreed between the parties signatory hereto and the holders of all Parity Securities issued hereunder (the holders of the said Parity Securities evidencing their consent hereto by their acceptance of the said Parity Securities and the parties signatory hereto evidencing their consent hereto by their execution hereof), each with each of the others, as follows (provided, that in the performance of any of the agreements of the party of the first part herein contained, any obligation it may thereby incur for the payment of money shall not be a general debt on its part but shall be payable solely from the sources of payment hereinafter specified):

ARTICLE I

DEFINITIONS AND USE OF PHRASES

Section 1.1 Definitions. Unless the context clearly indicates a different meaning, the following words and phrases, as used herein, shall have the following respective meanings:

"Act" means the statutes codified as Chapter 28 of Title 11 of the Code of Alabama 1975, as amended and supplemented and at the time in force and effect.

"Additional Parity Securities" means those of the Parity Securities (whether consisting of warrants, bonds, notes or other forms of indebtedness) issued subsequent to the issuance of the Series 1997 Warrants and Series 1997-C Warrants pursuant to the provisions of Article X hereof.

"Additional 1997 Parity Securities" means a series of Parity Securities to be issued subsequent to the issuance of the Series 1997 Warrants and Series 1997-C Warrants (but no later than April 30, 1997) in a principal amount that shall not exceed \$350,000,000.

"Authority" means the Alabama Water Pollution Control Authority, an Alabama public corporation.

"Authority Trustee Prime Rate" means the rate of interest established (whether or not charged) from time to time by Compass Bank in Birmingham, Alabama, as its general reference rate of interest, after taking into account such factors as Compass Bank may from time to time deem appropriate in its sole discretion (it being understood, however, that Compass Bank may from time to time make various loans at rates of interest having no relationship to such general reference rate of interest).

"Authorized County Representative" means the person or persons at the time designated as such by written certificate furnished to the Trustee, containing the specimen signature or signatures of such person or persons and signed on behalf of the County by a member of the Governing Body.

"Bond Counsel" means Independent Counsel having nationally recognized standing in matters relating to the tax-exempt nature of interest on obligations issued by or on behalf of states or political subdivisions thereof.

"Bond Insurer" means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto.

"Business Day" means any day other than (1) a Saturday, Sunday or day upon which commercial banks in Birmingham, Alabama, or New York, New York, are authorized or required to be closed, and (2) for purposes of payments and other actions relating to Parity Securities secured by a Letter of Credit, a day upon which commercial banks in the city in which the office of the Qualified Bank at which demands for payment under such Letter of Credit are to be presented is located are authorized to be closed.

"Code" means the Internal Revenue Code of 1986, as amended, or successor federal tax law at the time in force and effect.

"Counsel" means any attorney duly admitted to practice before the highest court of any state of the United States of America or the District of Columbia (including any full time

employee of the County who is so admitted to practice), it being understood that Counsel may also mean a firm of attorneys whose members are so admitted to practice.

"County" means the party of the first part hereto and, subject to the provisions of Section 12.6 hereof, includes its successors and assigns and any political subdivision of the State of Alabama resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Debt Service Fund" means the Jefferson County Sewer System Debt Service Fund established under Section 11.2 hereof.

"Depreciation Fund" means the Jefferson County Sewer System Funded Depreciation Fund established under Section 11.5 hereof.

"Eligible Bank Obligations" means demand and time deposits (whether or not interest-bearing and whether or not evidenced by certificates of deposit) in banks and acceptances by banks, provided that the banks obligated with respect to such deposits or acceptances, as the case may be, are organized under the laws of the United States of America or any state thereof and have, at the time any moneys are invested in such deposits or acceptances pursuant to the provisions of the Indenture, combined capital, surplus and undivided profits of not less than \$50,000,000; provided that the bank obligated with respect to any such deposit or acceptance shall continuously secure such deposit or acceptance, to the extent not insured by the Federal Deposit Insurance Corporation (or any department, agency or instrumentality of the United States of America that may succeed to the functions of such corporation), by depositing with an independent third party, as collateral security therefor, Federal Obligations having a market value (exclusive of accrued interest) not less than the amount of the deposit or acceptance being secured.

"Eligible Investments" means any of the following: (i) Federal Obligations; (ii) Eligible Bank Obligations; (iii) obligations issued by any state of the United States of America or political subdivision or instrumentality thereof that are fully payable, as to principal, premium (if any) and interest, from payments of principal of or interest on any Federal Obligations held in an irrevocable trust, and that are rated not less favorably than AAA by S&P and Aaa by Moody's; (iv) any share or other investment unit representing a beneficial interest in an investment company or investment trust which is registered under the Investment Company Act of 1940, as from time to time amended (or successor provision of federal law), provided that the investment portfolio of such investment company or investment trust consists exclusively of obligations or securities that would independently qualify as Eligible Investments if directly acquired by the County; (v) to the extent at the time permitted by applicable law, either of the following: (A) any repurchase agreement or collateralized investment agreement issued or guaranteed by any financial institution which has a long-term rating of at least A- by S&P or A3 by Moody's, provided that (1) the obligations or securities subject to any such agreement shall be of the kind described in clauses (i), (ii) and (iii) of this definition, (2) no transfer of moneys shall be made by the County to invest in any such agreement unless the County obtains a

security interest in all obligations and securities covered by such agreement that shall be perfected, prior to or simultaneously with the transfer of such moneys, through the physical delivery of such obligations and securities to the County or to an independent third party, and (3) such obligations and securities shall be supplemented by additional collateral from time to time to the extent required to continuously maintain collateral having an aggregate market value (exclusive of accrued interest) that is not less than the amount invested pursuant to such agreement; or (B) any investment agreement issued or guaranteed by any financial institution which has a long-term rating of at least AA- by S&P or AA3 by Moody's; and (vi) any other investments at the time permitted by applicable law.

"Event of Default" means an "Event of Default" as specified in Section 13.1 hereof.

"Federal Obligations" means (i) any direct general obligations of the United States of America, (ii) obligations the payment of the principal of and the interest on which is unconditionally and irrevocably guaranteed by, or entitled to the full faith and credit of, the United States of America, and (iii) Treasury Receipts.

"Fiscal Year" means any twelve month period ending on September 30 or any other period of twelve consecutive calendar months that may hereafter be adopted as the fiscal year of the County.

"Fitch" means Fitch Investors Service, L.P., and any successor thereto.

"fully paid", "payment in full", or any similar expression with respect to the Indenture Indebtedness, means that the entire Indenture Indebtedness has been paid in full or duly provided for pursuant to Section 16.1 hereof and that the lien of the Indenture has been cancelled, satisfied and discharged in accordance with the provisions of said Section 16.1 hereof.

"Governing Body" means the County Commission of the County or any other governing body of the County, howsoever constituted, that may succeed to its function as such governing body.

"Holder", when used in conjunction with a Parity Security, means the Person in whose name such Parity Security is registered on the registry books of the Trustee pertaining to the Parity Securities.

"Improvement Costs" means the costs of acquiring, constructing, installing and making any System Improvements (including the purchase of all easements, rights of way and land, and all engineering, legal, financing and other expenses incidental to the acquisition, construction, installation and making of such System Improvements).

"Indenture" means this Trust Indenture, as supplemented and amended by any Supplemental Indenture executed by the County and the Trustee in accordance with the applicable provisions of Article XV hereof.

"**Indenture Funds**" means the Debt Service Fund, the Rate Stabilization Fund, the Depreciation Fund, the Reserve Fund and the Redemption Fund.

"**Indenture Indebtedness**" means all indebtedness of the County at the time secured by the Indenture, including, without limitation, all principal of and interest and premium (if any) on the Parity Securities, and all reasonable and proper fees, charges and disbursements of the Trustee for services performed under the Indenture.

"**Independent Accountant**" means a certified public accountant or a firm of certified public accountants that has no continuing employment or business relationship or other connection with the County which, in the opinion of the Trustee, might compromise or interfere with the independent judgment of such accountant or firm of accountants in the performance of any services to be performed hereunder as an Independent Accountant, or the State Examiner of Public Accounts of the State of Alabama or any successor to his duties.

"**Independent Counsel**" means Counsel having no continuing employment or business relationship or other connection with the County which, in the opinion of the Trustee, might compromise or interfere with the independent judgment of such Counsel in the performance of any services to be performed hereunder as Independent Counsel.

"**Independent Engineer**" means an engineer or engineering firm licensed to engage in the independent practice of engineering under the laws of the State of Alabama (i) that has no continuing employment or business relationship or other connection with the County which, in the opinion of the Trustee, might compromise or interfere with the independent judgment of such engineer or engineering firm in the performance of any services to be performed hereunder as an Independent Engineer and (ii) that is otherwise acceptable to the Trustee and the Bond Insurer for the purpose to be served hereunder by such Independent Engineer.

"**Independent Investment Adviser**" means a municipal securities dealer having no continuing employment or business relationship or other connection with the County which, in the opinion of the Trustee, might compromise or interfere with the independent judgment of such securities dealer in the performance of any services to be performed hereunder as Independent Investment Adviser.

"**Insurance Policy**" means the municipal bond new issue insurance policy issued by the Bond Insurer that guarantees payment of principal of and interest on the Series 1997 Warrants.

"**Interest Payment Date**" means (i) with respect to the Series 1997 Warrants, August 1, 1997, and each February 1 and August 1 thereafter, (ii) with respect to the Series 1997-C Warrants, August 15, 1997, and each February 15 and August 15 thereafter, and (iii) with respect to any Additional Parity Securities, any date on which interest on such securities is due and payable.

"Issuance Cost Account" means the Series 1997 Warrants Issuance Cost Account established under Section 11.12 hereof.

"Issuance Costs" means the reasonable costs and expenses of issuing and selling the Series 1997 Warrants and Series 1997-C Warrants, including, without limitation, the fees and expenses of Bond Counsel to the County, the acceptance fee of the Trustee, the fees of any Rating Agency rating the Series 1997 Warrants, bond insurance premiums, accounting fees, financial advisory fees, underwriters' commissions and discounts, the costs of printing the Official Statement for the Series 1997 Warrants, and other usual and customary expenses.

"Letter of Credit" means an irrevocable and unconditional letter of credit, a standby purchase agreement, a line of credit or any other similar credit arrangement issued by a Qualified Bank to secure payment of any Parity Securities or to satisfy all or a portion of the Reserve Fund Requirement.

"Letter of Credit Agreement" means an agreement between the County and a Qualified Bank pursuant to which the Qualified Bank agrees to issue a Letter of Credit and which sets forth the repayment obligation of the County to the Qualified Bank on account of any payment under the Letter of Credit.

"Maximum Annual Debt Service" means the maximum amount payable in a Fiscal Year as principal of and interest on the Parity Securities then outstanding and any Additional Parity Securities proposed to be issued, subject to the following assumptions and adjustments:

(1) that the principal amount of any such securities required by the terms thereof to be redeemed or prepaid during any Fiscal Year shall, for purposes of this definition, be considered as maturing in the Fiscal Year during which such redemption or prepayment is required and not in the Fiscal Year in which their stated maturity or due date occurs;

(2) for purposes of determining the amounts of principal and interest due in any Fiscal Year on any Parity Securities that constitute Tender Indebtedness, the options or obligations of the owners of such Parity Securities to tender the same for purchase or payment prior to their stated maturity or maturities shall be treated as a principal maturity occurring on the first date on which owners of such Parity Securities may or are required to tender such Parity Securities for purchase or payment, except that any such option or obligation to tender Parity Securities shall be ignored and not treated as a principal maturity, and such Parity Securities shall be deemed to mature in accordance with their stated maturity schedule, if (i) such Parity Securities are rated in one of the two highest long-term rating categories (without reference to gradations such as "plus" or "minus") by at least two Rating Agencies or such Parity Securities are rated in the highest short-term, note or commercial paper rating categories (without reference to gradations such as "plus" or "minus") by at least two Rating Agencies, and (ii)

the obligation, if any, the County may have to the issuer of a Letter of Credit that secures such Parity Securities shall either be subordinated to the obligation of the County on the Parity Securities or be incurred under the conditions and satisfy the tests for the issuance of Additional Parity Securities set forth in the Indenture;

(3) the interest rate on any outstanding or proposed Variable Rate Securities subsequent to the date of calculation shall be assumed to be the lowest of (A) the maximum rate of interest that may be applicable to such Parity Securities, under the provisions thereof, (B) for so long as any hedging agreement that establishes a cap rate for such Parity Securities is in effect, such cap rate, and (C) the highest of (i) the actual interest rate on the date of calculation, or if the Variable Rate Securities in question are not yet outstanding, the initial rate (if established and binding), (ii) if the Variable Rate Securities in question have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Variable Rate Securities in question is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest on such Variable Rate Securities is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities plus fifty (50) basis points;

(4) the debt service payable with respect to any Parity Securities for which the County has entered into a Qualified Swap pursuant to which the County has agreed to make payments calculated by reference to a fixed rate of interest shall be calculated as if the Parity Securities bore interest at such fixed rate during the term of such Qualified Swap;

(5) the debt service payable with respect to any Parity Securities for which the County has entered into a Qualified Swap pursuant to which the County has agreed to make payments calculated by reference to variable interest rates shall be calculated as if the Parity Securities in question bore interest, during the term of such Qualified Swap, at a rate equal to the lowest of (A) for so long as any hedging agreement that establishes a cap rate with respect to such Qualified Swap remains in effect, such cap rate, or (B) the highest of (i) the actual rate of such Qualified Swap on the date of calculation, or if such Qualified Swap is not yet in effect, the initial rate (if established and binding), (ii) if the Qualified Swap has been in effect for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Variable Rate Securities in question is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest on such Variable Rate Securities is not so

excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities plus fifty (50) basis points;

(6) there shall be excluded any principal of or interest on any Parity Securities to the extent there are available and held in escrow or under a trust agreement (i) moneys sufficient to pay such principal or interest, (ii) Permitted Defeasance Obligations which, if the principal thereof and the interest thereon are paid according to their tenor, will produce moneys sufficient to pay such principal of interest, or (iii) both moneys and such Permitted Defeasance Obligations which together will produce funds sufficient to pay such principal or interest; and

(7) the County may assume that all or any portion of outstanding Parity Securities that are subject to optional redemption provisions will be redeemed in one or more installments that are consistent with such provisions and may adjust the expected payment schedule with respect to such Parity Securities to reflect such assumed redemptions.

In any case where, for purposes of determining Maximum Annual Debt Service, a portion of the principal of any Parity Securities is to be excluded, there shall also be excluded interest on the principal so excluded.

"Moody's" means Moody's Investors Service and any successor thereto.

"Net Insurance Proceeds" means the total insurance proceeds recovered by the County and the Trustee on account of any damage to or destruction of the System or any part thereof, less all expenses (including attorneys' fees and any extraordinary expenses of the Trustee) incurred in the collection of such proceeds.

"Net Revenues Available for Debt Service" means, for any period, the difference between (A) the sum of (i) the total amount of System Revenues accrued during such period, and (ii) the amount of interest earned during such period on moneys held in those of the Indenture Funds other than the Rate Stabilization Fund (to the extent that such interest is not taken into account pursuant to the preceding clause (i)) and (B) the total amount of Operating Expenses incurred during such period (determined in accordance with generally accepted accounting principles).

"Operating Expenses" means, for the applicable period or periods, (a) the reasonable and necessary expenses of efficiently and economically administering and operating the System, including, without limitation, the costs of all items of labor, materials, supplies, equipment (other than equipment chargeable to fixed capital account), premiums on insurance policies and fidelity bonds maintained with respect to the System (including casualty, liability and any other types of insurance), fees for engineers, attorneys and accountants (except where such fees are chargeable to fixed capital account) and all other items, except depreciation, amortization, interest and payments made pursuant to Qualified Swaps, that by generally accepted accounting

principles are properly chargeable to expenses of administration and operation and are not characterized as extraordinary items, (b) the expenses of maintaining the System in good repair and in good operating condition, but not including items that by generally accepted accounting principles are properly chargeable to fixed capital account, and (c) the fees and charges of the Trustee. Payments or transfers of Sewer Revenues into the General Fund of the County shall constitute payments of Operating Expenses if and to the extent that the services or benefits for which such payments or transfers are made are such that payments to a Person other than the County for such services or benefits would constitute payments of Operating Expenses.

"outstanding", when used with reference to any of the Parity Securities, means, at the date as of which the amount of such Parity Securities outstanding is to be determined, all such Parity Securities which have been theretofore authenticated and delivered by the Trustee under the Indenture, except (i) those of such Parity Securities purchased for retirement which have been delivered to and cancelled by the Trustee, (ii) those of such Parity Securities cancelled by the Trustee because of payment at or after their respective maturities or redemption prior to their respective maturities, (iii) those of such Parity Securities for the payment or redemption of which provision shall have been made with the Trustee as provided in Section 16.1 hereof, and (iv) those of such Parity Securities in exchange for which, or in lieu of which, other Parity Securities have been authenticated and delivered hereunder. In determining whether the Holders of a requisite aggregate principal amount of outstanding Parity Securities have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Parity Securities which are owned by the County shall be disregarded and deemed not to be outstanding hereunder for the purpose of any such determination.

"Parity Securities" means the Series 1997 Warrants, the Series 1997-C Warrants and any Additional Parity Securities at the time outstanding.

"Parity Securityholder" means the Holder of a Parity Security.

"Paying Agent" means (i) with respect to the Series 1997 Warrants and the Series 1997-C Warrants, the Trustee, and (ii) with respect to any series of Additional Parity Securities, the paying agent designated in the Supplemental Indenture providing for the issuance of such Additional Parity Securities.

"Permitted Defeasance Obligations" means any combination of (i) Federal Obligations and (ii) obligations issued by any state of the United States of America or political subdivision or instrumentality thereof that bear interest exempt from federal income taxation, that are fully payable, as to principal, premium (if any) and interest, from payments of principal or interest on any Federal Obligations held in an irrevocable trust, and that are rated not less favorably than AAA by S&P or Aaa by Moody's.

"Permitted Encumbrances" means, as of any particular time, any of the following: (i) inchoate mechanic's, materialmen's, supplier's, vendor's and other similar liens; (ii) liens, encumbrances or pledges subordinate to the lien or pledge imposed hereby; and (iii) such other

minor defects, irregularities, encumbrances and clouds on title as customarily exist with respect to properties of the size and character as those comprising the System and that do not in the aggregate materially impair the use of such properties in the operation of the System.

"Person" means any natural person, corporation, partnership, trust, joint venture, government or governmental body, political subdivision or other legal entity as in the context may be possible or appropriate.

"Pledged Revenues" means those of the System Revenues that are pledged, pursuant to Section 2.1 hereof, to secure the payment of the Parity Securities.

"Prior Years' Surplus" means, with respect to any particular Fiscal Year, the aggregate amount on deposit in the Rate Stabilization Fund and the Depreciation Fund on the first day of such Fiscal Year.

"Qualified Bank" means a state or national bank or trust company, or a foreign bank with a domestic branch or agency, which is organized and in good standing under the laws of the United States or any state thereof, which has a capital and surplus of \$50,000,000 or more and which has a short-term debt rating in the highest category from at least two Rating Agencies.

"Qualified Swap" means, with respect to a series of Parity Securities or any portion thereof, any financial arrangement (i) that is entered into by the County with an entity that is a Qualified Swap Provider at the time of the execution and delivery of the documents governing such arrangement; (ii) that provides (a) that the County shall pay to such entity an amount based on the interest accruing at a fixed rate on a notional amount equal to all or a portion of the principal amount of the outstanding Parity Securities of such series, and that such entity shall pay to the County an amount based on the interest accruing on the same notional amount, at either a variable rate of interest or a fixed rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by the Parity Securities), or that one shall pay to the other any net amount due under such arrangement, or (b) that the County shall pay to such entity an amount based on the interest accruing on a notional amount equal to all or a portion of the principal amount of the outstanding Parity Securities of such series at a variable rate of interest as set forth in the arrangement and that such entity shall pay to the County an amount based on interest accruing on the same notional amount at an agreed fixed rate, or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Trustee by the County as a Qualified Swap with respect to any of the Parity Securities.

"Qualified Swap Provider" means an entity whose senior long term debt obligations, other senior unsecured long-term obligations or claims paying ability, or whose payment obligations under a Qualified Swap are guaranteed by an entity whose senior long-term debt obligations, other senior unsecured long-term obligations or claims paying ability, are rated (at

the time the subject Qualified Swap is entered into) at least A- by S&P and at least A3 by Moody's.

"Rate Stabilization Fund" means the Jefferson County Sewer System Rate Stabilization Fund established under Section 11.4 hereof.

"Rate Stabilization Fund Requirement" means, as of the date of any determination thereof, seventy-five percent (75%) of the Maximum Annual Debt Service on the then outstanding Parity Securities.

"Rating Agency" means Moody's, S&P, Fitch or any other nationally recognized securities rating agency.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth day of the month immediately preceding such Interest Payment Date.

"Redemption Fund" means the Jefferson County Sewer System Redemption Fund established under Section 11.6 hereof.

"Reserve Fund" means the Jefferson County Sewer System Debt Service Reserve Fund established under Section 11.3 hereof.

"Reserve Fund Requirement" means, as of the date of any determination thereof, the lesser of (a) 125% of the average annual debt service on all Parity Securities at the time outstanding and secured by the Reserve Fund, (b) the maximum annual debt service on all Parity Securities at the time outstanding and secured by the Reserve Fund, or (c) an amount equal to the aggregate of 10% of the original principal amount (or, in the case of any series of Parity Securities sold with original issue discount in an amount greater than 2% of its original principal amount, the issue price) of each series of Parity Securities at the time outstanding and secured by the Reserve Fund. Any calculation of average annual debt service or maximum annual debt service for the purpose of determining the applicable Reserve Fund Requirement shall be made in accordance with the requirements and limitations imposed by the provisions of the Code and the regulations promulgated thereunder that pertain to reasonably required reserve or replacement funds.

"Resolution" means a resolution duly adopted by the Governing Body.

"Revenue Account" means the Jefferson County Sewer System Revenue Account established under Section 11.1 hereof.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

"**SRF Warrant**" means the County's Sewer Revenue Warrant dated August 31, 1992, that was issued to the Alabama Water Pollution Control Authority, which warrant was issued originally in the principal amount of \$58,340,000 and is now outstanding in the principal amount of \$52,880,000.

"**Series 1992 Warrants**" means the County's Sewer Revenue Warrants, Series 1992, which warrants were originally issued in the aggregate principal amount of \$53,880,000 and are now outstanding in the aggregate principal amount of \$50,780,000.

"**Series 1993 Warrants**" means the County's Sewer Revenue Warrants, Series 1993, which warrants were originally issued in the aggregate principal amount of \$46,005,000 and are now outstanding in the aggregate principal amount of \$41,800,000.

"**Series 1995-A Warrants**" means the County's Sewer Revenue Warrants, Series 1995-A, originally issued and now outstanding in the aggregate principal amount of \$130,000,000.

"**Series 1997 Warrants**" means the Series 1997-A Warrants and the Series 1997-B Warrants.

"**Series 1997-A Warrants**" means those certain Sewer Revenue Refunding Warrants, Series 1997-A, authorized to be issued pursuant to Article VII hereof in an aggregate principal amount of \$211,040,000.

"**Series 1997-B Warrants**" means those certain Taxable Sewer Revenue Refunding Warrants, Series 1997-B, authorized to be issued pursuant to Article VIII hereof in an aggregate principal amount of \$48,020,000.

"**Series 1997-C Warrants**" means those certain Taxable Sewer Revenue Refunding Warrants, Series 1997-C, authorized to be issued pursuant to Article IX hereof in an aggregate principal amount of \$52,880,000.

"**Sewer Tax**" means that certain ad valorem tax levied by the County on an annual basis for the benefit of the System pursuant to Act No. 716 of the 1900-01 Session of the General Assembly of Alabama.

"**Supplemental Indenture**" means an agreement supplementing or amending the Indenture.

"**System**" means the entire sanitary sewer system owned by the County and all additions thereto and replacements thereof, consisting of mains, laterals, collectors, transmission mains, outfalls, pumping stations, sewage disposal plants, sewage treatment plants, and all properties, rights, easements and franchises appurtenant thereto, whether any of the said properties are now owned by the County or may be hereafter acquired by it.

"System Improvements" means (i) any capital improvements, extensions or additions to the System, (ii) any other capital improvements undertaken by the County as a consequence of its ownership and operation of the System, or (iii) any land or interest therein acquired as an addition to the System or as a consequence of the County's ownership and operation of the System.

"System Revenues" means the revenues derived from the Sewer Tax and all revenues, receipts, income and other moneys hereafter received by or on behalf of the County from whatever source derived from the operation of the System, including, without limitation, the fees, deposits and charges paid by users of the System and interest earnings on the Indenture Funds (other than the Rate Stabilization Fund) and any other funds held by the County or its agents that are attributable to or traceable from moneys derived from the operation of the System, but excluding, however, any federal or state grants to the County in respect of the System and any income derived from such grants.

"Tender Indebtedness" means any Parity Securities that are payable, at the option of the holder thereof, prior to their stated maturity or due date, or that the County (or an agent thereof) is required, at the option of such holder, to purchase prior to their stated maturity or due date.

"Treasury Receipts" means custodial receipts evidencing ownership in future principal or interest payments, or both, with respect to United States Treasury obligations that have been deposited with a custodian pursuant to a custody agreement which provides for the United States Treasury obligations underlying such custodial receipts to be held in a separate account and for all payments of principal and interest received by such custodian with respect to such underlying obligations to be immediately paid to the holders of such custodial receipts in accordance with their respective ownership interests in such underlying obligations, provided that (i) the custodian issuing such custodial receipts shall be a bank that is acceptable to the Trustee, that is organized under the laws of the United States of America or any state thereof, and that, at the time of the issuance of such custodial receipts, shall have capital, surplus and undivided profits in excess of \$100,000,000 and (ii) the custody agreement pursuant to which such custodial receipts are issued shall be acceptable to Bond Counsel.

"Trust Estate" means all properties, moneys, rights and interests that were granted, conveyed, assigned, transferred and pledged to and with the Trustee in Section 2.1 hereof or that are in any way subject to the lien of the Indenture.

"Trustee" means the party of the second part hereto and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Variable Rate Security" means any Parity Security that bears interest at a rate that is subject to change prior to the maturity of such security to one or more other interest rates that cannot be determined in advance.

Section 1.2 Use of Phrases. "Herein", "hereby", "hereunder", "hereof", "hereinbefore", "hereinafter", and other equivalent words refer to the Indenture as an entirety and not solely to the particular portion thereof in which any such word is used. The definitions set forth in Section 1.1 hereof include both singular and plural. Whenever used herein, any pronoun shall be deemed to include both singular and plural and to cover all genders. Any percentage or fractional amount of all the Parity Securities or of the Parity Securities of any series, specified herein for any purpose, is to be figured on the aggregate principal amount of all the Parity Securities or of the Parity Securities of such series, as the case may be, then outstanding.

ARTICLE II

GRANTING CLAUSES

Section 2.1 Granting Clauses. In order to secure the payment of the principal of and the interest and premium (if any) on the Parity Securities and the performance and observance of the covenants and conditions herein and therein contained for the benefit of the Parity Securityholders, and in consideration of (i) the purchase and acceptance of the Parity Securities by the Holders thereof, and (ii) the acceptance by the Trustee of the trusts herein provided, the County does hereby grant, bargain, sell and convey, assign, transfer and pledge to and with the Trustee the following described properties, interests and rights of the County, whether the same are now owned by it or may be hereafter acquired:

I

The System Revenues (other than revenues derived from the Sewer Tax and any other tax revenues that constitute System Revenues) that remain after the payment of Operating Expenses, subject, however, to the right of the County to receive and use any or all of such revenues that are deemed "surplus revenues" under Section 11.6 hereof after all prior and current obligations of the County hereunder have been satisfied to the extent required to be satisfied from the System Revenues;

II

All moneys from whatever source derived that are required by the Indenture to be deposited from time to time in the Debt Service Fund and the Reserve Fund, together with any investments and reinvestments of such moneys and the income or proceeds thereof; provided that the pledge and assignment herein made with respect to the Reserve Fund shall be only for the benefit and security of the Holders of Parity Securities of those particular series that are secured by the Reserve Fund and, in particular, shall not be for the benefit and security of the Holders of the Series 1997-C Warrants; and

III

Any and all moneys, rights and properties of every kind or description which may from time to time hereafter be sold, transferred, conveyed, assigned, hypothecated, endorsed, deposited, pledged, mortgaged, granted or delivered to, or deposited with, the Trustee by the County or anyone on its part as additional security for the payment of all or any specified series of the Parity Securities, or which pursuant to any of the provisions hereof, may come into the possession or control of the Trustee as such additional security; and the Trustee is hereby authorized to receive any and all such moneys, rights and properties as and for additional security for the payment of all or any specified series of the Parity Securities and to hold and apply the same subject to the terms and conditions of the Indenture;

TO HAVE AND TO HOLD the same unto the Trustee, its successor trustees and assigns forever, subject to Permitted Encumbrances; IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and pro rata protection and benefit of the Holders, present and future, of the Parity Securities, equally and ratably, without preference, priority or distinction of any over others by reason of priority in issuance or acquisition or otherwise, as if all the Parity Securities at any time outstanding had been executed, sold, authenticated, delivered and negotiated simultaneously with the execution and delivery hereof; subject, however, to the conditions contained herein requiring the preferential application of certain moneys with respect to the various series of the Parity Securities, and subject further to the right and duty of the Trustee to apply solely for the benefit of the Holders of any particular series of the Parity Securities all moneys, rights and properties that are pledged or otherwise contractually obligated for the sole and exclusive benefit of the Holders of such particular series of the Parity Securities;

PROVIDED, HOWEVER, that this Indenture is upon the condition that if the County shall pay or cause to be paid the principal of and the interest and premium (if any) on all Parity Securities secured hereby at the times and in the manner provided in the Parity Securities, according to the true intent and meaning thereof, or shall provide for such payment as specified in Section 16.1 hereof, and shall pay or cause to be paid all other Indenture Indebtedness, then the Indenture and the estate and rights granted hereby shall cease, determine and be void; otherwise the Indenture shall be and remain in full force and effect.

Section 2.2 **Parity Securities Not General Obligations.** The principal of and the interest and premium (if any) on the Parity Securities shall be payable solely from the sources of payment provided therein and herein. Neither the Parity Securities nor the Indenture shall be a general indebtedness or pledge of the full faith and credit of the County or a claim on the taxing power of the County or charge against any debt limit imposed on the County by the constitution or laws of the State of Alabama.

ARTICLE III

ISSUANCE OF PARITY SECURITIES IN SERIES

Section 3.1 Issuance of Parity Securities in Series. The Parity Securities may be issued in different series, and each Parity Security shall have an appropriate series designation. All the Parity Securities of every series shall be equally and ratably secured by the Indenture, it being expressly understood and agreed that no Parity Securities issued hereunder shall be prior to any other Parity Securities thereafter issued hereunder, but shall be on a parity therewith with respect to the security afforded by the Indenture.

Section 3.2 Dates and Places of Payment of Parity Securities. Subject to any applicable provisions pertaining to the dating of Parity Securities issued pursuant to the provisions of either Section 5.2 or 5.3 hereof, the Parity Securities of each series shall bear such date or dates as shall be specified in the Indenture or Supplemental Indenture under which such series is issued. Subject to compliance with the Act, the Parity Securities of each series shall mature on such dates and in such amounts, shall be subject to redemption on such dates and on such terms and conditions, and shall bear interest for such periods, at such rate or rates and payable on such dates, all as shall be fixed, prior to the issuance of such Parity Securities, in this Indenture or in the Supplemental Indenture under which such Parity Securities shall be issued. All installments of principal of and interest and premium (if any) on each series of the Parity Securities shall bear interest after the respective due dates of such principal, interest and premium (if any) until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at such per annum rate or rates and subject to such grace period (if any) as shall be specified prior to their issuance. The principal of and the interest and premium (if any) on the Parity Securities shall be payable in lawful money of the United States of America.

The principal of and the premium (if any) on the Parity Securities shall be payable at the principal office of the Paying Agent, upon presentation and surrender of the Parity Securities as the same become due. In case any Parity Security is called for partial redemption, the redemption price of the principal thereof so called for redemption shall be payable at the principal office of the Paying Agent (a) upon presentation and surrender of such Parity Security in exchange for a new Parity Security or Parity Securities of the same series and in authorized denominations having an aggregate principal amount equal to the unredeemed portion of the principal of the Parity Security so surrendered, or (b) upon presentation of such Parity Security for an appropriate endorsement by the Paying Agent of such partial redemption on such Parity Security or on any record of partial redemptions appertaining thereto and constituting a part thereof. The interest on the Parity Securities shall be paid by check or draft mailed or otherwise delivered by the Paying Agent to the respective Holders thereof as of the applicable Record Date at their addresses as they appear on the registry books of the Paying Agent pertaining to the

registration of the Parity Securities; provided, however, that the final payment of such interest shall be made only upon surrender of the appropriate Parity Security to the Paying Agent.

Section 3.3 Form of Parity Securities, Etc. The Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants, together with the authentication certificate of the Trustee applicable thereto, shall be in substantially the forms respectively provided therefor in Sections 7.6, 8.3 and 9.6 hereof. The Parity Securities of each series of Additional Parity Securities and the authentication certificate of the Paying Agent and the record of partial redemptions (if any) applicable thereto shall be in substantially the form respectively provided therefor in the Supplemental Indenture under which such Additional Parity Securities are issued, which shall in general be similar to the form applicable to the Series 1997 Warrants, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof and such Supplemental Indenture.

ARTICLE IV

EXECUTION AND AUTHENTICATION OF THE PARITY SECURITIES

Section 4.1 Execution of Parity Securities. The Parity Securities shall be executed by the President of the Governing Body, and the seal of the County shall be affixed thereto and attested by the Minute Clerk of the Governing Body; provided that the signatures of the said officers on the Parity Securities may be facsimiles of their actual signatures; and provided further that a facsimile of the seal of the County may be imprinted on the Parity Securities rather than manually affixed thereto. Signatures on the Parity Securities by persons who were officers of the County at the time such signatures were written or printed shall continue effective although such persons cease to be such officers prior to the authentication of the Parity Securities or the delivery thereof.

Section 4.2 Authentication Certificate of the Paying Agent. A duly executed authentication certificate by the Paying Agent shall be endorsed on each of the Parity Securities, and no Parity Security shall be valid or obligatory for any purpose unless and until such authentication certificate shall have been duly executed by the Paying Agent. Each such certificate shall recite, in substance, that the Parity Security on which it is endorsed is one of the Parity Securities described in the Indenture. The executed authentication certificate of the Paying Agent endorsed upon any Parity Security shall be conclusive evidence of the due authentication, issue and delivery of such Parity Security under the Indenture.

Section 4.3 Replacement of Mutilated, Lost, Stolen or Destroyed Parity Securities. In the event any Parity Security is mutilated, lost, stolen or destroyed, the County may execute, and the Paying Agent shall thereupon authenticate and deliver, a new Parity Security of like tenor as that mutilated, lost, stolen or destroyed; provided that (i) in the case of any such mutilated Parity Security, such Parity Security is first surrendered to the Paying Agent, and (ii) in the case of any such lost, stolen or destroyed Parity Security, there is first furnished to the Paying Agent evidence of such loss, theft or destruction satisfactory to the Paying Agent (with such evidence to be also furnished to the County if requested), together with indemnity satisfactory to the Paying Agent (and to the County if requested); provided that if the Person claiming ownership of such lost, stolen or destroyed Parity Security is a bank or an insurance company, its own written agreement of indemnity shall be deemed to be satisfactory. The County and the Paying Agent may charge the Holder with the expenses of issuing any such new Parity Security. In lieu of issuing a new Parity Security to replace any mutilated, lost, stolen or destroyed Parity Security which shall have already matured, the Paying Agent may pay such Parity Security at or after the maturity thereof if the Holder of such Parity Security satisfies the same terms and conditions as those provided in the preceding provisions of this section for the replacement of such Parity Security.

ARTICLE V

REGISTRATION, TRANSFERS AND EXCHANGES OF THE PARITY SECURITIES

Section 5.1 Book-Entry Procedures Applicable to Series 1997 Warrants. (a) Except as provided in Section 5.1(c) hereof, the registered owner of all of the Series 1997 Warrants shall be The Depository Trust Company ("DTC") and the Series 1997 Warrants shall be registered in the name of Cede & Co., as nominee of DTC. Payment of semiannual interest for any Series 1997 Warrant registered as of a Record Date in the name of Cede & Co. shall be made by wire transfer to the account of Cede & Co. on the Interest Payment Date at the address indicated on the Record Date for Cede & Co. in the registry books of the County kept by the Paying Agent.

(b) The Series 1997 Warrants shall be initially issued in the form of a separate single authenticated fully registered warrant in the principal amount of each separately stated maturity. Upon initial issuance, the ownership of each such Series 1997 Warrant shall be registered in the registry book of the County kept by the Paying Agent in the name of Cede & Co., as nominee of DTC. The Paying Agent and the County may treat DTC (or its nominee) as the sole and exclusive owner of the Series 1997 Warrants registered in its name for the purposes of payment of the principal or redemption price of or interest on such Series 1997 Warrants, selecting such Series 1997 Warrants or portions thereof to be redeemed, giving any notice permitted or required to be given to Holders of Series 1997 Warrants under the Indenture, registering the transfer of Series 1997 Warrants, obtaining any consent or other action to be taken by Holders

of Series 1997 Warrants and for all other purposes whatsoever; and neither the Paying Agent nor the County shall be affected by any notice to the contrary. Neither the Paying Agent nor the County shall have any responsibility or obligation to any DTC participant, any Person claiming a beneficial ownership interest in the Series 1997 Warrants under or through DTC or any DTC participant, or any other Person which is not shown on the registration books of the County kept by the Paying Agent as being a Holder of Series 1997 Warrants. The County and the Paying Agent shall have no responsibility with respect to the accuracy of any records maintained by DTC, Cede & Co. or any DTC participant with respect to any ownership interest in the Series 1997 Warrants; the payment by DTC or any DTC participant to any beneficial owner of any amount in respect of the principal or redemption price of or interest on the Series 1997 Warrants; the delivery to any DTC participant or any beneficial owner of any notice which is permitted or required to be given to Holders of the Series 1997 Warrants under the Indenture; the selection by DTC or any DTC participant of any Person to receive payment in the event of a partial redemption of the Series 1997 Warrants; or the authority for any consent given or other action taken by DTC as the Holder of Series 1997 Warrants. The Paying Agent shall pay all principal of and premium, if any, and interest on the Series 1997 Warrants only to Cede & Co., as nominee of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the County's obligations with respect to the principal of and premium, if any, and interest on such Series 1997 Warrants to the extent of the sum or sums so paid. Upon delivery by DTC to the Paying Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co. and direction to effect such change on the registry books maintained by the Paying Agent, the term "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(c) In the event the County determines that it is in the best interest of the beneficial owners of the Series 1997 Warrants that they be able to obtain warrant certificates, the County may notify DTC and the Paying Agent of the availability through DTC of warrant certificates. In such event, the Paying Agent shall issue, transfer and exchange warrant certificates as requested by DTC and any other Holders of Series 1997 Warrants in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 1997 Warrants at any time by giving notice to the County and the Paying Agent and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the County and Paying Agent shall be obligated to deliver warrant certificates as described in the Indenture. In the event warrant certificates are issued to Holders of the Series 1997 Warrants other than DTC, the provisions of Article V of the Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the County and the Paying Agent to do so, the County and the Paying Agent will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Series 1997 Warrants to any DTC participant having Series 1997 Warrants credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 1997 Warrants.

(d) Notwithstanding any other provision of the Indenture to the contrary, so long as any Series 1997 Warrant is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on such Series 1997 Warrant and all notices with respect to such Series 1997 Warrant shall be made and given to DTC as provided in the Representation Letter to be signed by the County and the Paying Agent on or prior to the date of issuance and delivery of the Series 1997 Warrants and accepted by DTC. Without limitation of the foregoing, so long as any Series 1997 Warrant is registered in the name of Cede & Co., as nominee of DTC, the Paying Agent shall send a copy of any notice of redemption by overnight delivery not less than thirty (30) days before the redemption date to DTC, but such mailing shall not be a condition precedent to such redemption and failure to so mail any such notice (or failure of DTC to advise any DTC participant, or any DTC participant to notify the beneficial owner, of any such notice or its content or effect) shall not affect the validity of the proceedings for the redemption of the Series 1997 Warrants.

(e) In connection with any notice or other communication to be provided to Holders of the Series 1997 Warrants pursuant to the Indenture by the County or the Paying Agent with respect to any consent or other action to be taken by Holders of the Series 1997 Warrants, so long as any Series 1997 Warrant is registered in the name of Cede & Co., as nominee of DTC, the County or the Paying Agent, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

(f) In the event of any inconsistency between the provisions of this Section 5.1 and any other provision of the Indenture or the forms of Series 1997 Warrants, the provisions of this Section 5.1 shall govern so long as warrant certificates have not been issued to the Holders of the Series 1997 Warrants other than DTC in accordance with Section 5.1(c) hereof.

Section 5.2 Registration and Transfer of Parity Securities. The Paying Agent for each series of Parity Securities shall be the registrar and transfer agent of the County with respect to such series and shall keep at its principal office proper registry and transfer books in which it will note the registration and transfer of such Parity Securities as are presented for those purposes, all in the manner and to the extent hereinafter specified.

The transfer of any Parity Security may be registered only upon the books kept by the Paying Agent, as registrar and transfer agent for the County, for the registration and registration of transfer of Parity Securities upon surrender thereof at the office of the Paying Agent with written power to transfer signed by the Holder thereof in person or by duly authorized attorney, properly stamped if required, in form and with guaranty of signature satisfactory to the Paying Agent. Upon any such transfer the County shall execute, and the Paying Agent shall authenticate and deliver to the transferee, a new Parity Security registered in the name of such transferee and of like tenor as that presented for transfer.

Any Series 1997-A Warrant or Series 1997-B Warrant authenticated and delivered pursuant to the provisions of this section shall be dated February 1, 1997. Any Series 1997-C Warrant authenticated and delivered pursuant to the provisions of this section shall be dated February 15, 1997. Any Additional Parity Security authenticated and delivered pursuant to the provisions of this section shall be dated in accordance with the provisions of the Supplemental Indenture under which such Additional Parity Security is issued.

The Paying Agent shall not be required to transfer any Parity Security during the period of fifteen days next preceding any Interest Payment Date with respect thereto or, if such Parity Security is duly called for redemption (in whole or in part), during the period of thirty days next preceding the date fixed for such redemption.

Section 5.3 Exchange of Parity Securities. The Parity Securities of each series shall be freely exchangeable within the limits provided in the Indenture or Supplemental Indenture under which such series is issued; provided, however, that under no circumstances shall a Parity Security be issuable in exchange for other Parity Securities unless all the Parity Securities being so exchanged are of the same series, bear interest at the same rate and have the same stated maturity. Upon the request of the Holder of any Parity Security in a principal amount greater than the minimum authorized denomination applicable to the series to which such Parity Security belongs, the County shall execute, and the Paying Agent shall thereupon authenticate and deliver, upon surrender to the Paying Agent of such Parity Security and in exchange therefor, two or more Parity Securities of like tenor as the Parity Security so surrendered and in authorized denominations aggregating the same principal amount as the Parity Security so surrendered. Upon the request of the Holder of two or more Parity Securities the County shall execute, and the Paying Agent shall thereupon authenticate and deliver, upon surrender to the Paying Agent of such Parity Securities and in exchange therefor, a new Parity Security or Parity Securities of like tenor in different authorized denominations and aggregating the same principal amount as the then unpaid principal amount of the Parity Securities so surrendered. Any Parity Securities surrendered for exchange pursuant to the provisions of this section shall be accompanied by a written power to transfer signed by the Holder thereof in person or by duly authorized attorney, properly stamped if required, in form and with guaranty of signature satisfactory to the Paying Agent.

Any Series 1997-A Warrant or Series 1997-B Warrant authenticated and delivered pursuant to the provisions of this section shall be dated February 1, 1997. Any Series 1997-C Warrant authenticated and delivered pursuant to the provisions of this section shall be dated February 15, 1997. Any Additional Parity Security authenticated and delivered pursuant to the provisions of this section shall be dated in accordance with the provisions of the Supplemental Indenture under which such Additional Parity Security is issued.

The Paying Agent shall not be required to exchange any Parity Security pursuant to the provisions of this section during the period of fifteen days next preceding any Interest Payment Date with respect thereto or, if such Parity Security shall be duly called for redemption (in

whole or in part), during the period of thirty days next preceding the date fixed for such redemption.

Section 5.4 Persons Deemed Owners of Parity Securities. The Person in whose name a Parity Security is registered on the books of the Paying Agent shall be the sole Person to whom or on whose order payments on account of the principal thereof and of the interest and premium (if any) thereon may be made. The County and the Paying Agent may deem and treat the Person in whose name a Parity Security is registered as the absolute owner thereof for all purposes; they shall not be affected by notice to the contrary; and all payments by either of them to the Person in whose name a Parity Security is registered shall to the extent thereof fully discharge and satisfy all liability for the same.

Section 5.5 Expenses of Transfer and Exchange. The County and the Paying Agent may charge the Holder with their reasonable fees and expenses in connection with any transfer or exchange of any of the Parity Securities (including, without limitation, the expenses of printing any new Parity Securities that may be necessitated by any transfer or exchange after the exhaustion of an initial supply of Parity Securities for a reasonable number of such transfers and exchanges); provided, however, that no charge shall be made for the issuance of a new Parity Security issued, pursuant to the provisions of Section 6.2 hereof, as a result of a call for partial redemption of any Parity Security. In every case involving any transfer or exchange of any of the Parity Securities that is requested by the Holder thereof, such Holder shall pay all taxes and other governmental charges required to be paid in connection with such transfer or exchange.

ARTICLE VI

GENERAL PROVISIONS RESPECTING REDEMPTION OF PARITY SECURITIES

Section 6.1 Manner of Effecting Redemption of Parity Securities. Any redemption of any Parity Securities of any series shall be effected in the following manner:

(a) **Call.** The Governing Body shall adopt a Resolution containing the following: (1) a call for redemption, on a specified date when they are by their terms subject to redemption, of Parity Securities bearing a stated series designation or designations and having specified maturities (and, in the case of the partial redemption of any Parity Securities, the respective principal amounts thereof to be redeemed); (2) unless all the Parity Securities then outstanding are to be redeemed (or unless a portion of all such outstanding Parity Securities are to be redeemed and the remainder are, simultaneously with or prior to such redemption, to be otherwise retired), a statement that no Event of Default has occurred

and is continuing; and (3) a summary of all applicable restrictions upon or conditions precedent to such redemption and the provisions made to comply therewith; provided, however, that it shall not be necessary for the Governing Body to adopt any such Resolution in the case of any redemption of Series 1997-A Warrants pursuant to the provisions of Section 7.3 hereof, any redemption of Series 1997-C Warrants pursuant to Section 9.3 hereof or the redemption of the Parity Securities of any series of Additional Parity Securities, if such redemption is required by the terms of the Supplemental Indenture under which such series of Additional Parity Securities is issued or if, in such Supplemental Indenture, the adoption of such Resolution is expressly stated to be unnecessary.

(b) Notice by Mail. With respect to any Parity Securities called for redemption, in whole or in part, the Paying Agent (on behalf of the County) shall cause to be forwarded to the Holder thereof a notice by registered or certified mail stating the following: that Parity Securities bearing a stated series designation or designations and having specified maturities (and, in the case of the partial redemption of any Parity Securities, the respective principal amounts thereof to be redeemed) have been called for redemption and will become due and payable at the applicable redemption price or redemption prices on a specified redemption date, and that all interest thereon will cease after such redemption date if prior to such date, or not later than 10:00 o'clock, A.M., on such date, the total redemption price of the Parity Securities (or portions thereof) so called for redemption, together with the accrued interest thereon to such date, has been deposited with the Paying Agent. Such notice shall be so mailed not more than sixty (60) nor less than thirty (30) days prior to the date fixed for redemption [or, in the case of Series 1997-C Warrants called for optional redemption, not more than ninety (90) nor less than forty-five (45) days prior to the date fixed for redemption], but Holders of any Parity Securities may waive the requirements of this subsection with respect to the Parity Securities held by them without affecting the validity of the call for redemption of any other Parity Securities.

(c) Deposit. Prior to the date fixed for redemption the County shall deposit or cause to be deposited with the Paying Agent the total redemption price of the Parity Securities (or portions thereof) so called for redemption (as such redemption price is specified herein or in the Supplemental Indenture under which such Parity Securities are issued) in funds that will be immediately available no later than the opening of business on the date fixed for redemption and shall furnish to the Paying Agent the following: (i) a certified copy of the Resolution required by subsection (a) of this section (if, under the circumstances, the adoption of any such Resolution is required); and (ii) when such redemption is made subject, by the terms of the Indenture or any Supplemental Indenture, to any other restriction or requirement, evidence satisfactory to the Paying Agent showing compliance with such restriction or requirement.

Section 6.2 Presentation of Parity Securities for Redemption; Parity Securities Called for Redemption to Cease to Bear Interest. Upon compliance by the County and the Paying Agent with the requirements of Section 6.1 hereof [and, unless all the Parity Securities then outstanding are to be redeemed (or unless a portion of such outstanding Parity Securities are to be redeemed and the remainder are, simultaneously with or prior to such redemption, to be otherwise retired), if the County is not on the redemption date in default in payment of the principal of or the interest (or premium, if any) on any of the Parity Securities], the Parity Securities so called for redemption (or, in the case of any Parity Securities called for partial redemption, the portions thereof called for redemption) shall become due and payable at the place or places at which the same shall be payable at the redemption price or prices and on the redemption date specified in such notice, anything herein or in the Parity Securities to the contrary notwithstanding and the Holders thereof shall then and there surrender them for redemption; provided, however, that with respect to any Parity Security called for partial redemption, (i) the Holder thereof shall surrender such Parity Security to the Paying Agent in exchange for one or more new Parity Securities of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Parity Security so surrendered or (ii) such Holder shall, in lieu of surrendering such Parity Security in exchange for a new Parity Security or Parity Securities, present the same to the Paying Agent for endorsement thereon (or on any record of partial redemptions appertaining thereto and constituting a part thereof) of the payment of the portion of the principal thereof so redeemed. All future interest on the Parity Securities so called for redemption (or, in the case of any Parity Securities called for redemption in part, the portions thereof called for redemption) shall, subject to the deposit required by subsection (c) of Section 6.1 hereof having been made, cease to accrue after the date fixed for redemption. The Parity Securities so called (or, in the case of any Parity Securities called for redemption in part, the portions thereof called for redemption) shall, subject to such deposit having been made, no longer be entitled to the benefit of the lien hereof but shall look solely to the moneys deposited with the Paying Agent under the provisions of this article; and out of the moneys so deposited with it, the Paying Agent shall pay on the redemption date the applicable redemption price or prices of the Parity Securities so called for redemption (or, in the case of any Parity Securities called for redemption in part, the portions thereof called for redemption).

Section 6.3 Pro Rata Redemption of Parity Securities of Different Series Not Required. Nothing contained in the Indenture shall be construed as requiring pro rata redemption of Parity Securities of different series, even though at the time that any redemption of Parity Securities is to be effected there are then outstanding Parity Securities of two or more series then subject to redemption.

ARTICLE VII

THE SERIES 1997-A WARRANTS

Section 7.1 **Authorization and Description of the Series 1997-A Warrants and Places of Payment.** Pursuant to the applicable provisions of the Act, and for the purpose of refunding the Series 1992 Warrants and the Series 1995-A Warrants, there is hereby authorized to be issued under the Indenture an issue or series of Parity Securities designated Sewer Revenue Refunding Warrants, Series 1997-A, limited in aggregate principal amount to \$211,040,000. The Series 1997-A Warrants shall be dated February 1, 1997, shall be numbered from R1 upwards in the order issued and shall be issued initially in the respective principal amounts of \$5,000 or any greater integral multiple thereof. The Series 1997-A Warrants shall mature and become payable on the dates and in the amounts set forth below and shall bear interest from their respective dates payable on August 1, 1997, and on each February 1 and August 1 thereafter until maturity or earlier redemption at the per annum rates set forth below:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
February 1, 2005	\$ 5,870,000	5.000%
February 1, 2006	3,675,000	5.375
February 1, 2017	5,535,000	5.650
February 1, 2018	7,220,000	5.625
February 1, 2019	9,135,000	5.625
February 1, 2022	41,640,000	5.625
February 1, 2027	137,965,000	5.375

The principal of and the interest on any Series 1997-A Warrant shall bear interest after their respective due dates until paid at the rate of interest borne by the principal of such Series 1997-A Warrant prior to maturity. The Series 1997-A Warrants shall be initially issued and registered in the names of such Holders as shall be designated by the initial purchasers of the Series 1997-A Warrants.

The principal of and the interest and premium (if any) on the Series 1997-A Warrants shall be payable in accordance with the provisions of Section 3.2 hereof.

Section 7.2 **Optional Redemption of Series 1997-A Warrants.** Those of the Series 1997-A Warrants having stated maturities after February 1, 2007, but prior to February 1, 2027, will be subject to redemption and prepayment prior to their stated maturities, at the option of the County, as a whole or in part on February 1, 2007, and on any date thereafter, at and for the following respective redemption prices (expressed in percentages of the principal amount of each Series 1997-A Warrant or portion thereof to be redeemed) plus accrued interest to the date fixed for redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
February 1, 2007, through January 31, 2008	101.0%
February 1, 2008, through January 31, 2009	100.5
February 1, 2009, or thereafter	100.0

The Series 1997-A Warrants maturing on February 1, 2027, will be subject to redemption and prepayment, prior to said maturity date, at the option of the County, as a whole or in part, on February 1, 2007, and on any date thereafter, at and for a redemption price, with respect to each Series 1997-A Warrant or portion thereof to be redeemed, equal to the principal amount to be redeemed plus accrued interest thereon to the date fixed for redemption. The Series 1997-A Warrants may be redeemed only in installments of \$5,000 or any integral multiple thereof. In the event that less than all of the Series 1997-A Warrants of a particular maturity are redeemed and prepaid pursuant to this Section 7.2, the Trustee shall select by lot the Series 1997-A Warrants (or portions of the principal thereof) of such maturity to be redeemed and prepaid. The redemption of Series 1997-A Warrants pursuant to this section shall comply with the applicable provisions of Article VI and Section 7.5 hereof, with the provisions of Section 7.5 particularly applicable to the Series 1997-A Warrants to govern in the case of any conflict.

Section 7.3 **Scheduled Mandatory Redemption of Series 1997-A Warrants.** Those of the Series 1997-A Warrants maturing on February 1, 2022, shall be subject to scheduled mandatory redemption on the following respective dates and in the following respective principal amounts:

<u>Redemption Date</u>	<u>Principal Amount</u>
February 1, 2020	\$ 11,310,000
February 1, 2021	13,775,000

Series 1997-A Warrants in the aggregate principal amount of \$16,555,000 will remain to be paid at their scheduled maturity on February 1, 2022.

Those of the Series 1997-A Warrants maturing on February 1, 2027, shall be subject to scheduled mandatory redemption on the following respective dates and in the following respective principal amounts:

<u>Redemption Date</u>	<u>Principal Amount</u>
February 1, 2023	\$ 19,700,000
February 1, 2024	23,190,000
February 1, 2025	27,115,000
February 1, 2026	31,515,000

Series 1997-A Warrants in the aggregate principal amount of \$36,445,000 will remain to be paid at their scheduled maturity on February 1, 2027.

The Series 1997-A Warrants shall be redeemed pursuant to the provisions of this section at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, and such redemption shall be effected in accordance with the applicable provisions of Article VI and Section 7.5 hereof, with the provisions of Section 7.5 particularly applicable to the Series 1997-A Warrants to govern in the case of any conflict.

Section 7.4 Purchase of Series 1997-A Warrants for Retirement. The County may at any time and from time to time purchase Series 1997-A Warrants for retirement using funds from any source. Any Series 1997-A Warrants so purchased for retirement shall be delivered by the County to the Trustee, together with a written order of an authorized officer of the County for their cancellation, whereupon such purchased Series 1997-A Warrants shall be cancelled by the Trustee. The principal amount of any Series 1997-A Warrants maturing on February 1, 2022, or February 1, 2027, that are so purchased by the County and cancelled by the Trustee or redeemed by the County pursuant to Section 7.2 hereof shall be credited against the aggregate principal amount of Series 1997-A Warrants maturing on February 1, 2022, or February 1, 2027, as the case may be, that are required to be redeemed pursuant to the provisions of Section 7.3 hereof on such date or dates succeeding the date on which such purchased or redeemed Series 1997-A Warrants shall be delivered to the Trustee as shall be specified by the County, and the effect of such credit shall be to reduce by the principal amount thereof the aggregate principal amount of Series 1997-A Warrants required to be redeemed on such specified date or dates; provided, however, that no credit in respect of the redemption of Series 1997-A Warrants required on any February 1 shall be allowed for any Series 1997-A Warrants maturing on February 1, 2022, or February 1, 2027, and purchased or redeemed unless the same shall be delivered to the Trustee, or the optional redemption which is the basis for such credit shall be effected, prior to December 15 of the year preceding the year in which such mandatory redemption is to be effected. In the event that the County elects to purchase any Series 1997-A Warrants for retirement, the Trustee may, if requested to do so by the County, solicit for tenders of Series 1997-A Warrants by holders thereof who wish to sell such Series 1997-A Warrants to the County.

Section 7.5 Special Provisions Respecting Partial Redemption of Series 1997-A Warrants. The principal of any Series 1997-A Warrants shall be redeemed only in the amount of \$5,000 or any integral multiple thereof. If less than all the outstanding Series 1997-A Warrants are to be redeemed on any single redemption date pursuant to Section 7.2 hereof, those to be redeemed shall be called for redemption from such maturity or maturities as shall be specified by the County. If less than all the Series 1997-A Warrants of a single maturity are to be called for redemption on any single redemption date, the Trustee shall assign a number or other unique designation to each \$5,000 in principal amount of the Series 1997-A Warrants of such maturity then outstanding and select by lot, from among all such numbers or other unique designations associated with the Series 1997-A Warrants then outstanding, numbers or other unique designations representing an aggregate principal amount equal to the principal amount of the Series 1997-A Warrants of such maturity to be so called for redemption, whereupon there shall be called for redemption an amount of the unpaid principal of each Series 1997-A Warrant of such maturity equal to the principal amount represented by the numbers or other unique designations related thereto that were so selected.

Section 7.6 Form of Series 1997-A Warrants. The Series 1997-A Warrants and the Trustee's authentication certificate applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

[Form of Series 1997-A Warrant]

No. R _____

\$ _____

UNITED STATES OF AMERICA

STATE OF ALABAMA

JEFFERSON COUNTY, ALABAMA

SEWER REVENUE REFUNDING WARRANT
Series 1997-A

Interest Rate

Maturity Date

CUSIP

JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (herein called the "County"), hereby acknowledges that it is indebted to, and hereby directs the County Treasurer of the County to pay to _____, or registered assigns, solely out of the revenues hereinafter referred to, the principal sum of

D O L L A R S

on the date specified above with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above (computed on the basis of a 360-day year of twelve consecutive 30-day months), payable on August 1, 1997, and semiannually thereafter on each February 1 and August 1 until maturity or earlier redemption. The principal of and the interest and premium (if any) on this warrant shall be payable in lawful money of the United States of America and shall bear interest after their respective due dates until paid at the rate of interest borne by the principal hereof prior to maturity. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the principal office of the Trustee hereinafter referred to. The interest on this warrant shall be remitted by said Trustee by check or draft mailed or otherwise delivered to the registered holder hereof at the address shown on the registry books of said Trustee.

This warrant is one of a duly authorized issue or series of warrants authorized to be issued in the aggregate principal amount of \$211,040,000 and designated Sewer Revenue Refunding Warrants, Series 1997-A (herein called the "Series 1997-A Warrants"). The Series 1997-A Warrants have been issued under and pursuant to the constitution and laws of the State of Alabama and a Trust Indenture dated as of February 1, 1997 (herein called the "Indenture"),

between the County and AmSouth Bank of Alabama, as trustee (herein, together with its successors in trust, called the "Trustee"). Simultaneously with the issuance of the Series 1997-A Warrants, the County issued, under the Indenture, \$48,020,000 principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-B (herein called the "Series 1997-B Warrants"), and \$52,880,000 principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-C (herein called the "Series 1997-C Warrants").

The Series 1997-A Warrants having stated maturities after February 1, 2007, are subject to redemption and prepayment prior to maturity, at the option of the County, as a whole or in part, from such maturity or maturities as shall be specified by the County, on February 1, -2007; and on any date thereafter, such redemption (except in the case of Series 1997-A Warrants maturing on February 1, 2027) to be at and for the following respective redemption prices (expressed as a percentage of the principal amount redeemed) plus accrued interest to the date fixed for redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
February 1, 2007, through January 31, 2008	101.0%
February 1, 2008, through January 31, 2009	100.5
February 1, 2009, or thereafter	100

The redemption price for any Series 1997-A Warrant maturing on February 1, 2027, that is called for optional redemption, in whole or in part, shall be equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption.

The Series 1997-A Warrants having a stated maturity on February 1, 2022, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

<u>Redemption Date</u>	<u>Principal Amount</u>
February 1, 2020	\$ 11,310,000
February 1, 2021	13,775,000
February 1, 2022 (maturity)	16,555,000

The Series 1997-A Warrants having a stated maturity on February 1, 2027, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount

thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

<u>Redemption Date</u>	<u>Principal Amount</u>
February 1, 2023	\$ 19,700,000
February 1, 2024	23,190,000
February 1, 2025	27,115,000
February 1, 2026	31,515,000
February 1, 2027 (maturity)	36,445,000

If less than all of the outstanding Series 1997-A Warrants of a particular maturity are to be called for redemption, the Series 1997-A Warrants (or principal portions thereof) to be redeemed shall be selected by the Trustee by lot in the principal amounts designated to the Trustee by the County or otherwise as required by the Indenture. In the event any of the Series 1997-A Warrants are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Warrants, which notice shall state that on the redemption date the Series 1997-A Warrants to be redeemed shall cease to bear interest. Such notice shall be given by mailing a copy thereof by registered or certified mail at least thirty (30) days prior to the date fixed for redemption to the holders of the Series 1997-A Warrants to be redeemed at the addresses shown on the registration books of the Trustee; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of the redemption of any of the Series 1997-A Warrants for which notice was properly given. Any Series 1997-A Warrants which have been duly selected for redemption and which are deemed to be paid in accordance with the Indenture shall cease to bear interest on the date fixed for redemption and shall thereafter cease to be entitled to any lien, benefit or security under the Indenture.

Under the Indenture, the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants are equally and ratably secured by a pledge of certain revenues from the sanitary sewer system of the County (herein, as it may at any time exist, called the "System") that remain after the payment of the expenses of operating and maintaining the System. Upon compliance with certain conditions specified in the Indenture, the County may issue additional securities (without limitation as to principal amount) that are secured by the Indenture on a parity with the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants with respect to the pledge of the aforesaid revenues from the System (the Series 1997-A Warrants, the Series 1997-B Warrants, the Series 1997-C Warrants and all such additional securities being herein together called the "Parity Securities").

The holders of the Parity Securities shall never have the right to demand payment of the Parity Securities out of any funds raised or to be raised by taxation or from any source whatsoever, except the payments and amounts described in this warrant and the Indenture. Except for the revenues from the System and the other moneys that may be held by the Trustee

under the Indenture, no property of the County is encumbered by any lien or security interest for the benefit of the holder of this warrant. Neither the faith and credit, nor the taxing power, of the State of Alabama or the County, or any other public corporation, subdivision or agency of the State of Alabama or the County, is pledged to the payment of the principal of or the interest or premium (if any) on this warrant.

The transfer of this warrant shall be registered upon the registration books kept at the principal corporate office of the Trustee, at the written request of the holder hereof or his attorney duly authorized in writing, upon surrender of this warrant at said office, together with a written instrument of transfer satisfactory to the Trustee duly executed by the holder hereof or his duly authorized attorney. Upon payment of any required tax or other governmental charge, this warrant may, upon the surrender hereof at the principal corporate trust office of the Trustee, be exchanged for an equal aggregate principal amount of Series 1997-A Warrants of the same maturity in any other authorized denominations.

The Trustee shall not be required to transfer or exchange this warrant during the period of fifteen days next preceding any interest payment date with respect hereto. In the event that this warrant (or any principal portion hereof) is duly called for redemption and prepayment, the Trustee shall not be required to transfer or exchange this warrant during the period of thirty days next preceding the date fixed for such redemption and prepayment.

Except as provided in the Indenture, the registered holder of this warrant shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto.

With certain exceptions as provided therein, the Indenture may be modified or amended only with the consent of the holders of a majority in aggregate principal amount of all Parity Securities outstanding under the Indenture.

Reference is hereby made to the Indenture, a copy of which is on file with the Trustee, for the provisions thereof concerning the nature and extent of the rights, duties and obligations of the County, the Trustee and the holders of the Parity Securities. The registered holder of this warrant, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture.

The County and the Trustee may deem and treat the person in whose name this warrant is registered as the absolute owner hereof for all purposes, whether or not any principal of or interest on this warrant is overdue, and neither the County nor the Trustee shall be affected by any notice to the contrary.

It is hereby certified, recited and declared that all acts, conditions and things required by the constitution and laws of the State of Alabama to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of

this warrant, do exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this warrant or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the County in his individual capacity, and neither the members of the governing body of the County, nor any official executing this warrant, shall be liable personally on this warrant or be subject to any personal liability or accountability by reason of the issuance or sale of this warrant.

This warrant shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this warrant shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the County has caused this warrant to be executed in its name and behalf with the facsimile signature of the President of its County Commission, has caused a facsimile of its official seal to be hereunto imprinted, has caused the signature of the aforesaid President to be attested by the Minute Clerk of its County Commission, who has caused a facsimile of her signature to be imprinted hereon, and has caused this warrant to be dated February 1, 1997.

JEFFERSON COUNTY, ALABAMA

By _____
President of the County Commission

ATTEST:

Minute Clerk of the
County Commission

[S E A L]

[Form for Assignment]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within warrant and hereby irrevocably constitutes and appoints _____ attorney, with full power of substitution in the premises, to transfer the within warrant on the books kept for registration thereof by the within-mentioned Trustee.

Dated this _____ day of _____, _____.

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears upon the face of the within warrant in every particular, without alteration or enlargement or any change whatsoever.

AUTHENTICATION CERTIFICATE

DATE OF AUTHENTICATION: _____

This warrant is one of the Series 1997-A Warrants described in the within-mentioned Trust Indenture.

AMSOUTH BANK OF ALABAMA,
as Trustee

By _____
Its Authorized Officer

Section 7.7 Execution and Delivery of Series 1997-A Warrants. The Series 1997-A Warrants shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the County by the President of the Governing Body requesting such authentication and delivery and designating the Person or Persons to receive the same or any part thereof.

Section 7.8 Application of Proceeds from the Sale of Series 1997-A Warrants. The entire proceeds derived from the sale of the Series 1997-A Warrants shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

- (a) payment into the Debt Service Fund of that portion of such proceeds (if any) that is allocable to accrued interest;
- (b) payment of the sum of \$533,029.80 to the Bond Insurer;
- (c) payment of the sum of \$130,321,616.44 to Bayerische Landesbank Girozentrale, acting through its New York Branch, to provide immediate reimbursement for moneys drawn under said bank's letter of credit to effect the purchase of the Series 1995-A Warrants;
- (d) payment of the sum of \$51,439,061.58 to AmSouth Bank of Alabama, in its capacity as escrow trustee with respect to the Series 1992 Warrants under an Escrow Trust Agreement dated as of February 1, 1997, between the County and said bank;
- (e) payment into the Reserve Fund of the sum of \$19,323,212.94; and
- (f) payment of the balance of such proceeds into the Issuance Cost Account.

ARTICLE VIII

THE SERIES 1997-B WARRANTS

Section 8.1 Authorization and Description of the Series 1997-B Warrants and Places of Payment. Pursuant to the applicable provisions of the Act, and for the purpose of refunding the Series 1993 Warrants, there is hereby authorized to be issued under the Indenture an issue or series of Parity Securities designated Taxable Sewer Revenue Refunding Warrants, Series 1997-B, limited in aggregate principal amount to \$48,020,000. The Series 1997-B Warrants shall be dated February 1, 1997, shall be numbered from R1 upwards in the order issued and shall be issued initially in the respective principal amounts of \$5,000 or any greater integral multiple thereof. The Series 1997-B Warrants shall mature and become payable on the dates and in the amounts set forth below and shall bear interest from their respective dates payable on August 1, 1997, and on each February 1 and August 1 thereafter until maturity or earlier redemption at the per annum rates set forth below:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
February 1, 1998	\$ 4,200,000	5.80%
February 1, 1999	4,700,000	6.10
February 1, 2000	8,880,000	6.32
February 1, 2001	13,335,000	6.46
February 1, 2002	6,100,000	6.55
February 1, 2003	10,805,000	6.63

The principal of and the interest on any Series 1997-B Warrant shall bear interest after their respective due dates until paid at the rate of interest borne by the principal of such Series 1997-B Warrant prior to maturity. The Series 1997-B Warrants shall be initially issued and registered in the names of such Holders as shall be designated by the initial purchasers of the Series 1997-B Warrants.

The principal of and the interest on the Series 1997-B Warrants shall be payable in accordance with the provisions of Section 3.2 hereof.

Section 8.2 Purchase of Series 1997-B Warrants for Retirement. The County may at any time and from time to time purchase Series 1997-B Warrants for retirement using funds from any source. Any Series 1997-B Warrants so purchased for retirement shall be delivered by the County to the Trustee, together with a written order of an authorized officer of the County for their cancellation, whereupon such purchased Series 1997-B Warrants shall be cancelled by the Trustee.

Section 8.3 Form of Series 1997-B Warrants. The Series 1997-B Warrants and the Trustee's authentication certificate applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

[Form of Series 1997-B Warrant]

No. R _____

\$ _____

UNITED STATES OF AMERICA

STATE OF ALABAMA

JEFFERSON COUNTY, ALABAMA

TAXABLE SEWER REVENUE REFUNDING WARRANT
Series 1997-B

Interest Rate

Maturity Date

CUSIP

JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (herein called the "County"), hereby acknowledges that it is indebted to, and hereby directs the County Treasurer of the County to pay to _____, or registered assigns, solely out of the revenues hereinafter referred to, the principal sum of

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on the date specified above with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above (computed on the basis of a 360-day year of twelve consecutive 30-day months), payable on August 1, 1997, and semiannually thereafter on each February 1 and August 1 until maturity or earlier redemption. The principal of and the interest on this warrant shall be payable in lawful money of the United States of America and shall bear interest after their respective due dates until paid at the rate of interest borne by the principal hereof prior to maturity. The principal of this warrant shall be payable only upon presentation and surrender of this warrant at the principal office of the Trustee hereinafter referred to. The interest on this warrant shall be remitted by said Trustee by check or draft mailed or otherwise delivered to the registered holder hereof at the address shown on the registry books of said Trustee.

This warrant is one of a duly authorized issue or series of warrants authorized to be issued in the aggregate principal amount of \$48,020,000 and designated Taxable Sewer Revenue Refunding Warrants, Series 1997-B (herein called the "Series 1997-B Warrants"). The Series 1997-B Warrants have been issued under and pursuant to the constitution and laws of the State of Alabama and a Trust Indenture dated as of February 1, 1997 (herein called the "Indenture"),

between the County and AmSouth Bank of Alabama, as trustee (herein, together with its successors in trust, called the "Trustee"). Simultaneously with the issuance of the Series 1997-B Warrants, the County issued, under the Indenture, \$211,040,000 principal amount of its Sewer Revenue Refunding Warrants, Series 1997-A (herein called the "Series 1997-A Warrants"), and \$52,880,000 principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-C (herein called the "Series 1997-C Warrants").

Under the Indenture, the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants are equally and ratably secured by a pledge of certain revenues from the sanitary sewer system of the County (herein, as it may at any time exist, called the "System") that remain after the payment of the expenses of operating and maintaining the System. Upon compliance with certain conditions specified in the Indenture, the County may issue additional securities (without limitation as to principal amount) that are secured by the Indenture on a parity with the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants with respect to the pledge of the aforesaid revenues from the System (the Series 1997-A Warrants, the Series 1997-B Warrants, the Series 1997-C Warrants and all such additional securities being herein together called the "Parity Securities").

The holders of the Parity Securities shall never have the right to demand payment of the Parity Securities out of any funds raised or to be raised by taxation or from any source whatsoever, except the payments and amounts described in this warrant and the Indenture. Except for the revenues from the System and the other moneys that may be held by the Trustee under the Indenture, no property of the County is encumbered by any lien or security interest for the benefit of the holder of this warrant. Neither the faith and credit, nor the taxing power, of the State of Alabama or the County, or any other public corporation, subdivision or agency of the State of Alabama or the County, is pledged to the payment of the principal of or the interest on this warrant.

The transfer of this warrant shall be registered upon the registration books kept at the principal corporate office of the Trustee, at the written request of the holder hereof or his attorney duly authorized in writing, upon surrender of this warrant at said office, together with a written instrument of transfer satisfactory to the Trustee duly executed by the holder hereof or his duly authorized attorney. Upon payment of any required tax or other governmental charge, this warrant may, upon the surrender hereof at the principal corporate trust office of the Trustee, be exchanged for an equal aggregate principal amount of Series 1997-B Warrants of the same maturity in any other authorized denominations.

The Trustee shall not be required to transfer or exchange this warrant during the period of fifteen days next preceding any interest payment date with respect hereto.

Except as provided in the Indenture, the registered holder of this warrant shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto.

With certain exceptions as provided therein, the Indenture may be modified or amended only with the consent of the holders of a majority in aggregate principal amount of all Parity Securities outstanding under the Indenture.

Reference is hereby made to the Indenture, a copy of which is on file with the Trustee, for the provisions thereof concerning the nature and extent of the rights, duties and obligations of the County, the Trustee and the holders of the Parity Securities. The registered holder of this warrant, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture.

The County and the Trustee may deem and treat the person in whose name this warrant is registered as the absolute owner hereof for all purposes, whether or not any principal of or interest on this warrant is overdue, and neither the County nor the Trustee shall be affected by any notice to the contrary.

It is hereby certified, recited and declared that all acts, conditions and things required by the constitution and laws of the State of Alabama to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this warrant, do exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this warrant or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the County in his individual capacity, and neither the members of the governing body of the County, nor any official executing this warrant, shall be liable personally on this warrant or be subject to any personal liability or accountability by reason of the issuance or sale of this warrant.

This warrant shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this warrant shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the County has caused this warrant to be executed in its name and behalf with the facsimile signature of the President of its County Commission, has caused a facsimile of its official seal to be hereunto imprinted, has caused the signature of the aforesaid President to be attested by the Minute Clerk of its County Commission, who has caused a facsimile of her signature to be imprinted hereon, and has caused this warrant to be dated February 1, 1997.

JEFFERSON COUNTY, ALABAMA

By _____
President of the County Commission

ATTEST:

Minute Clerk of the
County Commission

[SEAL]

[Form for Assignment]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within warrant and hereby irrevocably constitutes and appoints _____ attorney, with full power of substitution in the premises, to transfer the within warrant on the books kept for registration thereof by the within-mentioned Trustee.

Dated this _____ day of _____, _____.

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears upon the face of the within warrant in every particular, without alteration or enlargement or any change whatsoever.

AUTHENTICATION CERTIFICATE

DATE OF AUTHENTICATION: _____

This warrant is one of the Series 1997-B Warrants described in the within-mentioned Trust Indenture.

AMSOUTH BANK OF ALABAMA,
as Trustee

By _____
Its Authorized Officer

Section 8.4 Execution and Delivery of Series 1997-B Warrants. The Series 1997-B Warrants shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the County by the President of the Governing Body requesting such authentication and delivery and designating the Person or Persons to receive the same or any part thereof.

Section 8.5 Application of Proceeds from the Sale of Series 1997-B Warrants. The entire proceeds derived from the sale of the Series 1997-B Warrants shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

- (a) payment into the Debt Service Fund of that portion of such proceeds (if any) that is allocable to accrued interest;
- (b) payment of the sum of \$63,275.51 to the Bond Insurer;
- (c) payment of the sum of \$43,113,758.97 to AmSouth Bank of Alabama, in its capacity as escrow trustee with respect to the Series 1993 Warrants under an Escrow Trust Agreement dated as of February 1, 1997, between the County and said bank;
- (d) payment of the sum of \$4,396,800.06 into the Reserve Fund; and
- (e) payment of the balance of such proceeds into the Issuance Cost Account.

ARTICLE IX

THE SERIES 1997-C WARRANTS

Section 9.1 **Authorization and Description of the Series 1997-C Warrants and Places of Payment.** Pursuant to the applicable provisions of the Act, and for the purpose of refunding by exchange the SRF Warrant, there is hereby authorized to be issued under the Indenture an issue or series of Parity Securities designated Taxable Sewer Revenue Refunding Warrants, Series 1997-C, limited in aggregate principal amount to \$52,880,000. The Series 1997-C Warrants shall be dated February 15, 1997, shall be numbered from R1 upwards in the order issued and shall be issued initially in the respective principal amounts of \$5,000 or any greater integral multiple thereof. The Series 1997-C Warrants shall mature and become payable on February 15, 2015, and shall bear interest from their date payable on August 15, 1997, and on each February 15 and August 15 thereafter until maturity or earlier redemption at the rate of 4.05% per annum. The principal of and the interest on any Series 1997-C Warrant shall bear interest after their respective due dates until paid at a per annum rate of interest equal to 2% above the Authority Trustee Prime Rate; provided that if, as a result of a failure by the County to pay when due the principal of or interest on the Series 1997-C Warrants, a withdrawal of moneys from the Bond Proceeds Account of the Debt Service Fund created in that certain Trust Indenture dated as of August 15, 1992, between the Authority and Central Bank of the South, as trustee, is necessary in order to prevent a default in the payment of the bonds of the Authority issued pursuant to said Trust Indenture, then the amount so withdrawn from said account shall be immediately due and payable by the County and shall bear interest until paid at the Authority Trustee Prime Rate. The Series 1997-C Warrants shall be initially issued as a single warrant registered in the name of the Authority.

The principal of and the interest on the Series 1997-C Warrants shall be payable in accordance with the provisions of Section 3.2 hereof.

Section 9.2 **Optional Redemption of Series 1997-C Warrants.** The Series 1997-C Warrants will be subject to redemption and prepayment prior to their stated maturities, at the option of the County, as a whole or in part on August 15, 2002, and on any February 15 or August 15 thereafter, at and for a redemption price, for each Series 1997-C Warrant or portion thereof to be redeemed equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Series 1997-C Warrants may be redeemed only in installments of \$5,000 or any integral multiple thereof. In the event that less than all of the Series 1997-C Warrants are redeemed and prepaid pursuant to this Section 9.2, the Trustee shall select by lot the Series 1997-C Warrants (or portions of the principal thereof) to be redeemed and prepaid. The redemption of Series 1997-C Warrants pursuant to this section shall comply with the applicable provisions of Article VI and Section 9.5 hereof, with the provisions of Section 9.5 particularly applicable to the Series 1997-C Warrants to govern in the case of any conflict.

Section 9.3 Scheduled Mandatory Redemption of Series 1997-C Warrants. The Series 1997-C Warrants shall be subject to scheduled mandatory redemption on the following respective dates and in the following respective principal amounts:

<u>Redemption Date</u>	<u>Principal Amount</u>
February 15, 1998	\$2,035,000
February 15, 1999	2,120,000
February 15, 2000	2,210,000
February 15, 2001	2,300,000
February 15, 2002	2,395,000
February 15, 2003	2,495,000
February 15, 2004	2,595,000
February 15, 2005	2,705,000
February 15, 2006	2,815,000
February 15, 2007	2,935,000
February 15, 2008	3,055,000
February 15, 2009	3,180,000
February 15, 2010	3,310,000
February 15, 2011	3,450,000
February 15, 2012	3,590,000
February 15, 2013	3,740,000
February 15, 2014	3,895,000

Series 1997-C Warrants in the aggregate principal amount of \$4,055,000 will remain to be paid at their scheduled maturity on February 15, 2015.

The Series 1997-C Warrants shall be redeemed pursuant to the provisions of this section at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, and such redemption shall be effected in accordance with the applicable provisions of Article VI and Section 9.5 hereof, with the provisions of Section 9.5 particularly applicable to the Series 1997-C Warrants to govern in the case of any conflict.

Section 9.4 Purchase of Series 1997-C Warrants for Retirement. The County may at any time and from time to time purchase Series 1997-C Warrants for retirement using funds from any source. Any Series 1997-C Warrants so purchased for retirement shall be delivered by the County to the Trustee, together with a written order of an authorized officer of the County for their cancellation, whereupon such purchased Series 1997-C Warrants shall be cancelled by the Trustee.

Section 9.5 Special Provisions Respecting Partial Redemption of Series 1997-C Warrants. The principal of any Series 1997-C Warrants shall be redeemed only in the amount of \$5,000 or any integral multiple thereof. If less than all the Series 1997-C Warrants are to be called for redemption on any single redemption date, the Trustee shall assign a number or other unique designation to each \$5,000 in principal amount of the Series 1997-C Warrants then outstanding and select by lot, from among all such numbers or other unique designations associated with the Series 1997-C Warrants then outstanding, numbers or other unique designations representing an aggregate principal amount equal to the principal amount of the Series 1997-C Warrants to be so called for redemption, whereupon there shall be called for redemption an amount of the unpaid principal of each Series 1997-C Warrant equal to the principal amount represented by the numbers or other unique designations related thereto that were so selected.

Section 9.6 Form of Series 1997-C Warrants. The Series 1997-C Warrants and the Trustee's authentication certificate applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

[Form of Series 1997-C Warrant]

No. R _____ \$ _____

UNITED STATES OF AMERICA

STATE OF ALABAMA

JEFFERSON COUNTY, ALABAMA

TAXABLE SEWER REVENUE REFUNDING WARRANT
Series 1997-C

JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (herein called the "County"), hereby acknowledges that it is indebted to, and hereby directs the County Treasurer of the County to pay to _____, or registered assigns, solely out of the revenues hereinafter referred to, the principal sum of

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on February 15, 2015 with interest thereon from the date hereof until the maturity hereof at the rate of 4.05% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day

months), payable on August 15, 1997, and semiannually thereafter on each February 15 and August 15 until maturity or earlier redemption. The principal of and the interest on this warrant shall be payable in lawful money of the United States of America and shall bear interest after their respective due dates until paid at a per annum rate of interest equal to 2% above the Authority Trustee Prime Rate (as defined in the Indenture hereinafter referred to); provided that if, as a result of a failure by the County to pay when due the principal of or interest on the Series 1997-C Warrants hereinafter referred to, a withdrawal of moneys from the Bond Proceeds Account of the Debt Service Fund created in that certain Trust Indenture dated as of August 15, 1992, between the Alabama Water Pollution Control Authority (herein called the "Authority"), and Central Bank of the South, as trustee, is necessary in order to prevent a default in the payment of the bonds of the Authority issued pursuant to said Trust Indenture, then the amount so withdrawn from said account shall be immediately due and payable by the County and shall bear interest until paid at the Authority Trustee Prime Rate (as defined in the Indenture hereinafter referred to). The principal of this warrant shall be payable only upon presentation and surrender of this warrant at the principal office of the Trustee hereinafter referred to. The interest on this warrant shall be remitted by said Trustee by check or draft mailed or otherwise delivered to the registered holder hereof at the address shown on the registry books of said Trustee.

This warrant is one of a duly authorized issue or series of warrants authorized to be issued in the aggregate principal amount of \$52,880,000 and designated Taxable Sewer Revenue Refunding Warrants, Series 1997-C (herein called the "Series 1997-C Warrants"). The Series 1997-C Warrants have been issued under and pursuant to the constitution and laws of the State of Alabama and a Trust Indenture dated as of February 1, 1997 (herein called the "Indenture"), between the County and AmSouth Bank of Alabama, as trustee (herein, together with its successors in trust, called the "Trustee"). Simultaneously with the issuance of the Series 1997-C Warrants, the County issued, under the Indenture, \$211,040,000 principal amount of its Sewer Revenue Refunding Warrants, Series 1997-A (herein called the "Series 1997-A Warrants") and \$48,020,000 principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-B (herein called the "Series 1997-B Warrants").

The Series 1997-C Warrants are subject to redemption and prepayment prior to maturity, at the option of the County, as a whole or in part, on August 15, 2002, and on any February 15 or August 15 thereafter, such redemption to be at and for a redemption price, for each Series 1997-C Warrant or portion thereof to be redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

The Series 1997-C Warrants are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

<u>Redemption Date</u>	<u>Principal Amount</u>
February 15, 1998	\$2,035,000
February 15, 1999	2,120,000
February 15, 2000	2,210,000
February 15, 2001	2,300,000
February 15, 2002	2,395,000
February 15, 2003	2,495,000
February 15, 2004	2,595,000
February 15, 2005	2,705,000
February 15, 2006	2,815,000
February 15, 2007	2,935,000
February 15, 2008	3,055,000
February 15, 2009	3,180,000
February 15, 2010	3,310,000
February 15, 2011	3,450,000
February 15, 2012	3,590,000
February 15, 2013	3,740,000
February 15, 2014	3,895,000
February 15, 2015	4,055,000
(maturity)	

If less than all of the outstanding Series 1997-C Warrants are to be called for redemption, the Series 1997-C Warrants (or principal portions thereof) to be redeemed shall be selected by the Trustee by lot in the principal amounts designated to the Trustee by the County or otherwise as required by the Indenture. In the event any of the Series 1997-C Warrants are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Warrants, which notice shall state that on the redemption date the Series 1997-C Warrants to be redeemed shall cease to bear interest. Such notice shall be given by mailing a copy thereof by registered or certified mail at least forty-five (45) days prior to the date fixed for redemption to the holders of the Series 1997-C Warrants to be redeemed at the addresses shown on the registration books of the Trustee; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of the redemption of any of the Series 1997-C Warrants for which notice was properly given. Any Series 1997-C Warrants which have been duly selected for redemption and which are deemed to be paid in accordance with the Indenture shall cease to bear interest on the date fixed for redemption and shall thereafter cease to be entitled to any lien, benefit or security under the Indenture.

Under the Indenture, the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants are equally and ratably secured by a pledge of certain revenues from the sanitary sewer system of the County (herein, as it may at any time exist, called the "System") that remain after the payment of the expenses of operating and maintaining the System. Upon compliance with certain conditions specified in the Indenture, the County may

issue additional securities (without limitation as to principal amount) that are secured by the Indenture on a parity with the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants with respect to the pledge of the aforesaid revenues from the System (the Series 1997-A Warrants, the Series 1997-B Warrants, the Series 1997-C Warrants and all such additional securities being herein together called the "Parity Securities").

The holders of the Parity Securities shall never have the right to demand payment of the Parity Securities out of any funds raised or to be raised by taxation or from any source whatsoever, except the payments and amounts described in this warrant and the Indenture. Except for the revenues from the System and the other moneys that may be held by the Trustee under the Indenture, no property of the County is encumbered by any lien or security interest for the benefit of the holder of this warrant. Neither the faith and credit, nor the taxing power, of the State of Alabama or the County, or any other public corporation, subdivision or agency of the State of Alabama or the County, is pledged to the payment of the principal of or the interest on this warrant.

The transfer of this warrant shall be registered upon the registration books kept at the principal corporate office of the Trustee, at the written request of the holder hereof or his attorney duly authorized in writing, upon surrender of this warrant at said office, together with a written instrument of transfer satisfactory to the Trustee duly executed by the holder hereof or his duly authorized attorney. Upon payment of any required tax or other governmental charge, this warrant may, upon the surrender hereof at the principal corporate trust office of the Trustee, be exchanged for an equal aggregate principal amount of Series 1997-C Warrants in any other authorized denominations.

The Trustee shall not be required to transfer or exchange this warrant during the period of fifteen days next preceding any interest payment date with respect hereto. In the event that this warrant (or any principal portion hereof) is duly called for redemption and prepayment, the Trustee shall not be required to transfer or exchange this warrant during the period of thirty days next preceding the date fixed for such redemption and prepayment.

Except as provided in the Indenture, the registered holder of this warrant shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto.

With certain exceptions as provided therein, the Indenture may be modified or amended only with the consent of the holders of a majority in aggregate principal amount of all Parity Securities outstanding under the Indenture.

Reference is hereby made to the Indenture, a copy of which is on file with the Trustee, for the provisions thereof concerning the nature and extent of the rights, duties and obligations of the County, the Trustee and the holders of the Parity Securities. The registered holder of this

warrant, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture.

The County and the Trustee may deem and treat the person in whose name this warrant is registered as the absolute owner hereof for all purposes, whether or not any principal of or interest on this warrant is overdue, and neither the County nor the Trustee shall be affected by any notice to the contrary.

It is hereby certified, recited and declared that all acts, conditions and things required by the constitution and laws of the State of Alabama to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this warrant, do exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this warrant or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the County in his individual capacity, and neither the members of the governing body of the County, nor any official executing this warrant, shall be liable personally on this warrant or be subject to any personal liability or accountability by reason of the issuance or sale of this warrant.

This warrant shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this warrant shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the County has caused this warrant to be executed in its name and behalf with the facsimile signature of the President of its County Commission, has caused a facsimile of its official seal to be hereunto imprinted, has caused the signature of the aforesaid President to be attested by the Minute Clerk of its County Commission, who has caused a facsimile of her signature to be imprinted hereon, and has caused this warrant to be dated February 15, 1997.

JEFFERSON COUNTY, ALABAMA

By _____
President of the County Commission

ATTEST:

Minute Clerk of the
County Commission

[S E A L]

[Form for Assignment]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within warrant and hereby irrevocably constitutes and appoints _____ attorney, with full power of substitution in the premises, to transfer the within warrant on the books kept for registration thereof by the within-mentioned Trustee.

Dated this _____ day of _____, _____.

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears upon the face of the within warrant in every particular, without alteration or enlargement or any change whatsoever.

AUTHENTICATION CERTIFICATE

DATE OF AUTHENTICATION: _____

This warrant is one of the Series 1997-C Warrants described in the within-mentioned Trust Indenture.

AMSOUTH BANK OF ALABAMA,
as Trustee

By _____
Its Authorized Officer

Section 9.7 Execution and Delivery of Series 1997-C Warrants. The Series 1997-C Warrants shall be forthwith executed and delivered to the Trustee and shall be authenticated and

delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the County by the President of the Governing Body requesting such authentication and delivery and designating the Person or Persons to receive the same or any part thereof.

ARTICLE X

ADDITIONAL PARITY SECURITIES

Section 10.1 **Additional Parity Securities—In General.** If no Event of Default shall have occurred and be continuing, the County may at any time and from time to time issue Additional Parity Securities, within the limitations of and upon compliance with the provisions of this Article X, for any one or more of the following purposes:

(a) for the purpose of constructing or otherwise acquiring any System Improvements,

(b) for the purpose of refunding any obligations issued or incurred by the County for the purpose of constructing or otherwise acquiring any System Improvements,

(c) for the purpose of refunding or otherwise retiring all or any portion of any one or more series of Parity Securities then outstanding under the Indenture,

(d) for any other purpose at the time permitted by applicable law, or

(e) for any combination of the foregoing purposes.

The Additional Parity Securities shall be in such denomination or denominations, shall bear interest at such rate or rates, shall bear such dates, shall mature in such amounts and on such dates, shall be in such form, and may be subject to redemption prior to maturity under such conditions, all as shall be provided in the Supplemental Indenture under which they are issued. Any redemption of Additional Parity Securities prior to maturity shall be effected in the manner set forth in and shall be subject to the provisions of Article VI hereof. All Additional Parity Securities so issued shall contain an appropriate series designation.

Section 10.2 **Conditions Precedent to Issuance of Additional Parity Securities.** Prior to the issuance of any Additional Parity Securities, the County shall deliver to the Trustee those of the Additional Parity Securities proposed to be issued, duly executed and sealed, accompanied by the following:

(a) Supplemental Indenture. A Supplemental Indenture between the County and the Paying Agent for the Additional Parity Securities proposed to be issued, duly executed, sealed and acknowledged on behalf of the County and said Paying Agent and containing the following: (i) a description of such Additional Parity Securities, including the aggregate principal amount, the numbers and series designation, the denomination or denominations, the date, the interest rate or rates and the maturity or maturities thereof, the provisions for redemption thereof prior to maturity and the forms of such Additional Parity Securities and various certificates applicable thereto; (ii) a confirmation of the lien of the Indenture on all revenues, properties and rights then constituting the Trust Estate; (iii) provisions for the establishment of a separate account within the Debt Service Fund to provide for the payment of such Additional Parity Securities; (iv) if the proposed Additional Parity Securities are to be secured by the Reserve Fund, provisions requiring any increase in the Reserve Fund Requirement that may result from the issuance of such Additional Parity Securities to be fully funded out of proceeds derived by the County from the sale of such Additional Parity Securities or, alternatively, provisions requiring any requisite increase in the Reserve Fund Requirement to be funded by such additional periodic payments from the System Revenues into the Reserve Fund as, when added to the moneys held in the Reserve Fund when such Additional Parity Securities are issued and any payment to be made into the Reserve Fund simultaneously with the issuance of such Additional Parity Securities, will cause the amount held in the Reserve Fund to equal the Reserve Fund Requirement within sixty (60) months after the issuance of such Additional Parity Securities; and (v) any other matters deemed appropriate by the County and not inconsistent with the terms of this Indenture;

(b) Proceedings. A certified copy of the proceedings taken by the Governing Body authorizing the issuance of such Additional Parity Securities and the execution and delivery of the Supplemental Indenture providing therefor, which said proceedings shall include a Resolution requesting the applicable Paying Agent to authenticate and deliver such Additional Parity Securities and reciting the following: (i) that no Event of Default has occurred and is continuing and no event which, with the giving of notice or the passage of time or both, would constitute an Event of Default has occurred and is continuing; (ii) the Person or Persons to whom such Additional Parity Securities have been sold and awarded and shall be delivered; (iii) the purchase price of such Additional Parity Securities; (iv) a list of all Additional Parity Securities previously issued by the County hereunder and at the time outstanding and of the Supplemental Indentures under which they were issued; (v) if any of such Additional Parity Securities are to be issued for the purpose of refunding or otherwise retiring any Parity Securities then outstanding, a brief description of such Parity Securities to be so refunded or otherwise retired; and (vi) whether or not such Additional Parity Securities are to be secured by the Reserve Fund;

(c) Revenue Certificate or Revenue Forecast. Either a Revenue Certificate or a Revenue Forecast, as such terms are defined and used in the succeeding paragraphs of this Section 10.2 (provided, however, that the delivery of a Revenue Certificate or a Revenue Forecast shall not be a condition precedent to the issuance of the Additional 1997 Parity Securities);

(d) Certificate Required for Variable Rate Securities. In the case of any Additional Parity Securities that are being issued as Variable Rate Securities, a certificate signed by an Independent Accountant, the President of the Governing Body or the County's Director of Finance certifying that, immediately following the issuance of such Additional Parity Securities, the aggregate principal amount of all outstanding Variable Rate Securities would not exceed 50% of the aggregate principal amount of all outstanding Parity Securities;

(e) Opinion of Bond Counsel Respecting Previously Issued Parity Securities. An opinion of Bond Counsel that (i) the issuance of the Additional Parity Securities will not adversely affect the exemption from federal income taxation of interest payable on the Parity Securities theretofore issued, and (ii) the Additional Parity Securities, when issued, will be entitled to the benefit and security of this Indenture in like manner as Parity Securities theretofore issued under and pursuant to this Indenture;

(f) Opinion of Independent Counsel. An opinion, acceptable to the Trustee and dated as of the date of the issuance of such Additional Parity Securities, of Independent Counsel acceptable to the Trustee [which Independent Counsel may, but need not, be the Bond Counsel rendering the opinion required by subsection (g) of this section] approving the forms of all documents required by the preceding portions of this section to be delivered to the Trustee and stating that they comply with the applicable requirements of this Article X; and

(g) Opinion of Bond Counsel as to Validity of Additional Parity Securities. An opinion, dated as of the date of the issuance of such Additional Parity Securities, of Bond Counsel approving the validity of such Additional Parity Securities.

As used in this Section 10.2, the term "Revenue Certificate" means a certificate signed by an Independent Accountant, the President of the Governing Body or the County's Director of Finance that satisfies whichever of the following is applicable:

(I) If such Revenue Certificate is delivered with respect to Additional Parity Securities issued prior to October 1, 2007, such certificate shall state the following:

(i) the sum of (A) the Prior Years' Surplus as of the beginning of the Fiscal Year that immediately preceded the Fiscal Year in which such certificate

is delivered and (B) the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than one hundred and five percent (105%) of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made; and

(ii) the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than seventy-five percent (75%) of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made; or

(II) If such Revenue Certificate is delivered with respect to Additional Parity Securities issued on or after October 1, 2007, such certificate shall state that the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than one hundred and five percent (105%) of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made.

If rates and charges for services furnished by the System were increased and put into effect by the County after the beginning of the Fiscal Year or other twelve-month period to which a Revenue Certificate refers and not thereafter reduced, an Independent Engineer may certify the amount of gross revenues from the System that would have been received by the County had such increased rates and charges been in effect during the entire Fiscal Year or other twelve-month period, and the Independent Accountant, the President of the Governing Body or the County's Director of Finance, as the case may be, preparing and signing the Revenue Certificate, may compute Net Revenues Available for Debt Service during such Fiscal Year or other twelve-month period based on the amount of revenues that would have been derived from the System during such period with such increased rates and charges, as so certified by such Independent Engineer.

As used in this Section 10.2, the term "Revenue Forecast" means a report prepared by an Independent Engineer with respect to a period that shall begin on the first day of the Fiscal Year that succeeds the Fiscal Year in which the proposed Additional Parity Securities are issued and that shall not be longer than five Fiscal Years (such period being herein called the "Forecast Period"), which report shall make the following projections with respect to the last Fiscal Year in the Forecast Period (such year being herein called the "Test Year"):

(I) If such Revenue Forecast is delivered with respect to Additional Parity Securities issued prior to October 1, 2007,

(i) the sum of (A) the projected Prior Years' Surplus as of the beginning of the Test Year and (B) the projected Net Revenues Available for Debt Service for the Test Year shall not be less than one hundred and five percent (105%) of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made; and

(ii) the projected Net Revenues Available for Debt Service for the Test Year shall not be less than seventy-five percent (75%) of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made.

(II) If such Revenue Forecast is delivered with respect to Additional Parity Securities issued on or after October 1, 2007, the projected Net Revenues Available for Debt Service for the Test Year shall not be less than one hundred and five percent (105%) of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made.

In preparing its Revenue Forecast, the Independent Engineer shall be entitled (a) to make projections with respect to the rates and charges to be imposed for services furnished by the System during each of the Fiscal Years in the Forecast Period (so long as such Independent Engineer certifies, with respect to any projected rates and charges that are higher than the actual rates and charges in effect as of the date of the Revenue Forecast, that such projected rates and charges would be reasonable for public sanitary sewer systems similar in size and character to the System) and (b) to rely upon estimates prepared by an Independent Investment Advisor with respect to the aggregate amount of debt service on the Parity Securities to become due and payable during each of the Fiscal Years in the Forecast Period.

Upon receipt of the documents required by the provisions of this section to be furnished to it, the Trustee shall, unless it has cause to believe any of the statements set out in said documents to be incorrect, thereupon acknowledge its receipt of the Supplemental Indenture so presented and, if required by pertinent law, cause the same to be filed for record at the expense of the County in the public office or offices in the State of Alabama in which such document is then required by law to be filed in order to constitute constructive notice thereof. The Trustee shall then authenticate (or direct the applicable Paying Agent to authenticate) the Additional Parity Securities with respect to which the said documents shall have been provided and shall, upon receipt of evidence satisfactory to it that the County has received the purchase price or other consideration therefor, deliver (or direct the applicable Paying Agent to deliver) such

Additional Parity Securities to the Person or Persons to whom the Resolution provided for in subsection (b) of this section directed that they be delivered.

Section 10.3 Subordinate Indebtedness Permitted. Nothing contained herein shall be construed as a restriction upon the right of the County to issue subordinate lien bonds or warrants or other obligations secured by a pledge of the Pledged Revenues that is subject and subordinate in all respects to the pledge of revenues herein made or provided for the payment of the Parity Securities.

Section 10.4 Related Obligations. In connection with the initial issuance of any series of Parity Securities, the County may obtain or cause to be obtained letters of credit, lines of credit, bond insurance or similar obligations, agreements or instruments (herein collectively called "Credit Facilities") securing or providing for the payment of all or a portion of the principal or redemption price of or interest on that series of Parity Securities or providing for the purchase of that series of Parity Securities or a portion thereof by the issuer or obligor of any such Credit Facility. In connection therewith, the County may enter into agreements with the issuer of or obligor on any such Credit Facility providing for, among other things, the payment of fees and expenses to such issuer or obligor for the issuance of such Credit Facility, the terms and conditions of such Credit Facility and the series of Parity Securities affected thereby, and the security, if any, to be provided for the issuance of such Credit Facility and the payment of such fees and expenses or the obligations of the County with respect thereto. The County may also, to the extent permitted by then applicable law, enter into an interest rate swap agreement, an interest rate cap agreement, an interest rate floor agreement, an interest rate collar agreement or any similar agreement with respect to any series of Parity Securities or portion thereof.

In addition to any other security permitted by applicable law, the County may, if it elects to do so, secure all or any portion of its contractual obligations with respect to any Credit Facility or any Qualified Swap (any such contractual obligations being herein called "Related Obligations") by a pledge of the Pledged Revenues which may be on a parity with the pledge made in the Indenture (except to the extent that any such pledge secures the payment of any amount payable by the County as a consequence of an early termination of a Qualified Swap) so long as no default exists on the part of the Person providing such Credit Facility or on the part of the related Qualified Swap Provider, as the case may be. Notwithstanding any pledge that may be made pursuant to the preceding sentence, Related Obligations shall not constitute or be treated as Parity Securities for any purpose in applying the provisions of this Indenture (including, without limitation, the conditions precedent to the issuance of Additional Parity Securities contained in Section 10.2 and the covenants contained in Article XII).

ARTICLE XI

APPLICATION OF SYSTEM REVENUES AND ESTABLISHMENT OF SPECIAL FUNDS

Section 11.1 Revenue Account. There is hereby established a special account in the name of the County, the full name of which shall be the "Jefferson County Sewer System Revenue Account". All System Revenues and all amounts received by the County pursuant to Qualified Swaps shall be deposited in the Revenue Account promptly upon receipt by the County, provided that amounts received by the County as (a) grants or borrowed funds for improvements or extensions to the System, (b) deposits or payments by contractors to offset the cost of extensions or new connections, and (c) customer deposits to ensure payment for utility services may be held by the County in a separate account or accounts pending use thereof for the said purposes.

On or before the last Business Day of each calendar month, the County will apply the moneys in the Revenue Account for the payment of all Operating Expenses that are then due and that were incurred during the then-current or in any then-preceding calendar month. On or before the various dates specified in Sections 11.2 through 11.5, the County will apply the moneys in the Revenue Account that remain after payment of Operating Expenses for payment into the Debt Service Fund, the Reserve Fund, the Rate Stabilization Fund and the Depreciation Fund, in the order named, of such amounts as are required hereby to be paid therein on or before the pertinent dates specified in the aforesaid sections, to the respective extents provided in such sections and to the extent that moneys on deposit in the Revenue Account are sufficient therefor.

Revenues derived from the Sewer Tax that are deposited into the Revenue Account shall be applied for the payment of Operating Expenses in preference to any other moneys at the time held in the Revenue Account, it being the County's intention and expectation that such tax revenues be applied for no purpose other than the payment of Operating Expenses. No payments or withdrawals shall at any time be made from the Revenue Account other than the transfers, payments or withdrawals provided for in this article.

The Governing Body may at any time and from time to time designate any banking institution or institutions as depository or depositories for the Revenue Account, provided that each such depository so designated shall at all times while acting as such be and remain a member of the Federal Deposit Insurance Corporation or of any agency of the United States of America that may succeed to its functions, if there be any such, and shall be and remain duly qualified to do business in the State of Alabama. Each such depository shall be fully protected in paying out moneys from the Revenue Account on checks, vouchers or drafts signed by any duly authorized officer, employee or agent of the County, and no such depository shall be liable for the misapplication by the County of any moneys so withdrawn if such moneys shall be so withdrawn without knowledge or reason on the part of such depository to believe that such

disbursement constitutes a misapplication of funds. So long as no Event of Default shall have occurred and be continuing, the County may combine moneys held in the Revenue Account with other moneys of the County for purposes of custody, safekeeping and investments.

Section 11.2 Debt Service Fund. There is hereby established a special trust fund, the full name of which shall be the "Jefferson County Sewer System Debt Service Fund." The Trustee shall be the depository, custodian and disbursing agent for the Debt Service Fund. Out of the moneys on deposit in the Debt Service Fund, the Trustee shall (i) pay the principal of and the interest on those of the Parity Securities for which it serves as Paying Agent, as said principal and interest respectively become due, (ii) make provision for the payment of the principal of and the interest on all other Parity Securities by transferring sufficient moneys to the applicable Paying Agent or Agents on or before the respective dates on which such principal and interest become due and payable, and (iii) pay or make provision for the payment of any Related Obligations (as defined in Section 10.4) that have been secured by a pledge of the Pledged Revenues that is on a parity with the pledge made in the Indenture (any such Related Obligation being herein called a "Secured Related Obligation").

The following amounts shall be transferred and paid into the Debt Service Fund at the following times:

(a) Amounts Referable to Series 1997 Warrants. In order to provide funds for the payment of the principal of and interest on the Series 1997 Warrants, there shall be transferred or paid into the Debt Service Fund, out of moneys held in the Revenue Account [except as otherwise provided in clause (1)], the following amounts at the following times:

(1) simultaneously with the issuance and sale of the Series 1997 Warrants and out of the proceeds derived therefrom, that portion of such proceeds allocable to accrued interest;

(2) on or before the third day preceding August 1, 1997, an amount equal to the difference between (i) the amount of interest on the Series 1997 Warrants that will become due on August 1, 1997, and (ii) the amount deposited in the Debt Service Fund pursuant to the foregoing clause (1);

(3) on or before the third day preceding February 1, 1998, and on or before the third day preceding each February 1 and August 1 thereafter until and including the third day preceding February 1, 2027, an amount equal to the interest becoming due with respect to the then outstanding Series 1997 Warrants on the then next succeeding Interest Payment Date; and

(4) on or before the third day preceding August 1, 1997, and on or before the third day preceding each February 1 and August 1 thereafter until and including the third day preceding February 1, 2027, an amount equal to one-half

(1/2) of the principal amount of Series 1997 Warrants maturing or required to be redeemed on the then next succeeding February 1.

(b) Amounts Referable to Series 1997-C Warrants. In order to provide funds for the payment of the principal of and interest on the Series 1997-C Warrants, there shall be transferred or paid into the Debt Service Fund, out of moneys held in the Revenue Account, the following amounts at the following times:

(1) on or before August 15, 1997, and on or before each February 15 and each August 15 thereafter until and including February 15, 2015, an amount equal to the interest becoming due with respect to the then outstanding Series 1997-C Warrants on each such date; and

(2) on or before February 15, 1998, and on or before each February 15 thereafter until and including February 15, 2015, an amount equal to the principal amount of Series 1997-C Warrants maturing or required to be redeemed on each such date.

(c) Amounts Referable to Additional Parity Securities. In order to provide for the payment of the principal of and interest on any Additional Parity Securities, there shall be transferred or paid into the Debt Service Fund the following amounts:

(1) simultaneously with the issuance and sale of such Additional Parity Securities and out of the proceeds derived therefrom, there shall be transferred or paid into the Debt Service Fund that portion of such proceeds allocable to premium (if any) and accrued interest;

(2) there shall be transferred or paid into the Debt Service Fund any portion of the principal proceeds derived from the sale of such Additional Parity Securities that is to be used to pay interest thereon (i.e., capitalized interest), with such capitalized interest to be applied for payment of interest on such Additional Parity Securities according to such schedule and through such arrangements as may be provided in the Supplemental Indenture under which such Additional Parity Securities are issued; and

(3) there shall be transferred or paid into the Debt Service Fund, out of moneys on deposit in the Revenue Account, such moneys as, when added to any other funds provided for the payment of such Additional Parity Securities, shall be necessary to pay the principal and interest maturing with respect to such Additional Parity Securities, as well as the redemption price of such Additional Parity Securities that are required to be redeemed prior to the maturity thereof, such moneys to be paid into the Debt Service Fund in such amounts and on such dates as shall be provided in the Supplemental Indenture under which such Additional Parity Securities are issued.

(d) Amounts Referable to Secured Related Obligations. In order to provide for the payment of Secured Related Obligations, there shall be transferred or paid into the Debt Service Fund, out of moneys on deposit in the Revenue Account, such moneys as shall be necessary to pay such obligations on or before the respective dates on which such obligations become due and payable.

(e) General. There shall be transferred or paid into the Debt Service Fund any other moneys that are expressly required to be transferred or paid therein by the provisions of the Indenture.

There may be credited against any transfer or payment required to be made into either account of the Debt Service Fund pursuant to the preceding provisions of this section any amount then held in such account, but only to the extent that such amount does not itself consist of prior transfers or payments made pursuant to any of the preceding provisions of this section and has not theretofore been credited against any transfer or payment previously required by any of such provisions; provided, however, that moneys in the Debt Service Fund shall not be so credited against any required transfer or payment into such fund if such moneys (i) are held therein for payment of matured but unpaid Parity Securities, Parity Securities called for redemption but not yet redeemed, and matured but unpaid interest on the Parity Securities, (ii) are held therein pursuant to instructions from the County for the future redemption or purchase of Parity Securities, (iii) are held therein for the payment of unmatured Parity Securities not called for redemption if such Parity Securities are considered fully paid pursuant to the provisions of Section 16.1 hereof by reason of the fact that such moneys are so held in the Debt Service Fund, or (iv) are held therein subject to the provisions of a Supplemental Indenture providing for the issuance of Additional Parity Securities which requires such moneys to be credited in a manner inconsistent with the provisions hereof, in which case such moneys shall be credited in the manner provided by such Supplemental Indenture.

Subject to the provisions of Section 11.8 hereof, the Trustee shall hold and apply moneys in the Debt Service Fund for the payment of principal of and interest on the Parity Securities on or after the respective due dates of such principal and interest, for the redemption of Parity Securities prior to their maturity, and for the purchase of Parity Securities for retirement at a purchase price not greater than the original principal amount thereof plus accrued interest thereon. The Trustee shall pay or provide for the payment of the principal and interest maturing with respect to the Parity Securities, as well as the redemption price of any Parity Securities that are required by the provisions of the Indenture to be redeemed prior to the stated maturity thereof, out of the moneys held in the Debt Service Fund, as and when such principal, interest or redemption price shall be due and payable.

The County and the Trustee covenant that (i) all funds transferred to or deposited in the Debt Service Fund shall be applied to the payment of the principal and premium (if any) and interest on the Parity Securities within twelve months from the date of such transfer or deposit and (ii) all income and profits received from the investment of moneys in the Debt Service Fund

shall be applied to the payment of the principal and premium (if any) and interest on the Parity Securities within twelve months from the date of receipt of such income or profits.

Section 11.3 Reserve Fund. There is hereby established a special trust fund, the full name of which shall be the "Jefferson County Sewer System Debt Service Reserve Fund". The Trustee shall be the depository, custodian and disbursing agent for the Reserve Fund. Simultaneously with the delivery hereof, the County shall cause to be deposited into the Reserve Fund proceeds of the Series 1997-A Warrants in the amount of \$19,323,212.94 and proceeds of the Series 1997-B Warrants in the amount of \$4,396,800.06.

If on the first Business Day of any calendar month the total amount held in the Reserve Fund is less than the Reserve Fund Requirement, then, on or before the fifteenth day of such calendar month, the County shall pay into the Reserve Fund (from any moneys remaining in the Revenue Account after there shall have been made therefrom all payments required to be made during such month into the Debt Service Fund) an amount obtained by dividing (i) the amount by which the Reserve Fund Requirement exceeds the amount then held in the Reserve Fund by (ii) the number of months between the first day of such calendar month and the last day of the fifth calendar month next succeeding that during which the amount held in the Reserve Fund is first determined to be below the Reserve Fund Requirement, all to the end that the monthly amounts to be paid into the Reserve Fund pursuant to this paragraph will cause any deficiency in the Reserve Fund to be restored within six months after such deficiency first occurred.

In the event that the County hereafter issues any Additional Parity Securities that are secured by the Reserve Fund, the County will cause to be added to the moneys then on deposit in the Reserve Fund an amount equal to the difference obtained by subtracting (a) the Reserve Fund Requirement immediately prior to the issuance of those of the Additional Parity Securities that have been most recently issued from (b) the Reserve Fund Requirement immediately following the issuance of those of the Additional Parity Securities that have been most recently issued. Any such addition of moneys to the Reserve Fund that is required to be made in connection with the issuance of any such Additional Parity Securities may be effected through any of the following methods:

(i) a single deposit to the Reserve Fund out of the proceeds of the Additional Parity Securities with respect to which such deposit is required to be made, such deposit to be made at the time of issuance of such Additional Parity Securities;

(ii) a series of ten (10) equal semiannual deposits to the Reserve Fund out of the moneys remaining in the Revenue Account after compliance with the then applicable provisions of Section 11.2 hereof, such deposits to be made on or before the February 15 or August 15, as the case may be, next succeeding the month during which the Additional Parity Securities with respect to which such deposits are required to be made were issued and on or before each February 15

and each August 15 thereafter until the ten (10) required deposits have been made; or

(iii) any series of deposits to the Reserve Fund out of the moneys remaining in the Revenue Account after compliance with the then applicable provisions of Section 11.2 hereof that will result in the moneys required to be added to the Reserve Fund being accumulated at a faster rate than the series of deposits described in the foregoing clause (ii).

If, upon the issuance of any Additional Parity Securities, any required addition of moneys to the Reserve Fund is effected through a method described in the preceding clause (ii) or (iii), then the Reserve Fund shall be divided into two or more accounts and all moneys and securities held in the Reserve Fund upon the issuance of such Additional Parity Securities shall be allocated first on a proportionate basis to the account or accounts that secure those of the Parity Securities that were outstanding prior to the issuance of such Additional Parity Securities, until each such account is funded in an amount equal to the Reserve Fund Requirement for those of the Parity Securities to which such account is referable, and the balance of such moneys and securities shall be allocated to the account that secures such Additional Parity Securities.

The moneys on deposit in the Reserve Fund shall be used to pay interest coming due on the Parity Securities secured thereby on any Interest Payment Date, or to pay the principal of such Parity Securities as it comes due, whether at maturity or by mandatory redemption, but only in the event that, at the time of any Interest Payment Date, the moneys then held in the Debt Service Fund shall be insufficient for the said payments; provided, however, that, if any of the Parity Securities are issued in a form which permits the holders thereof to require the County or an agent thereof to purchase such Parity Securities prior to maturity, moneys in the Reserve Fund shall not be used to effect any such mandatory purchase or to pay the principal of any such Parity Securities which become due solely because of an inability to remarket them following any such mandatory purchase. In no event shall any moneys withdrawn from the Reserve Fund be used to provide for the payment of any principal of or interest on the Series 1997-C Warrants.

If on any date on which a valuation of the investments held in the Reserve Fund is made the amount on deposit in the Reserve Fund exceeds the Reserve Fund Requirement, the Trustee shall withdraw the amount of such excess and deposit the same in the Debt Service Fund. The Governing Body hereby finds and determines that the Reserve Fund will constitute a reasonable reserve for payment of principal of and interest on the Parity Securities and that the period of time herein provided for the restoration of any deficiency in the Reserve Fund will constitute a reasonable period for the restoration of any such deficiency.

The Reserve Fund Requirement may be satisfied, in whole or in part, with an insurance policy, surety bond or letter of credit that satisfies the various requirements specified in Section 11.11 of this Indenture.

Section 11.4 Rate Stabilization Fund. There is hereby established a special trust fund, the name of which shall be the "Jefferson County Sewer System Rate Stabilization Fund." The Governing Body may at any time and from time to time designate any banking institution or institutions as depository or depositories for the Rate Stabilization Fund, provided that each such depository so designated shall at all times while acting as such be and remain a member of the Federal Deposit Insurance Corporation or of any agency of the United States of America that may succeed to its functions, if there be any such, and shall be and remain duly qualified to do business in the State of Alabama. Simultaneously with the issuance of the Series 1997 Warrants, the County shall deposit into the Rate Stabilization Fund the sum of \$10,000,000 from moneys that are not proceeds of the Series 1997 Warrants or of any other obligations of the County.

At any time when the total amount held in the Rate Stabilization Fund is less than the Rate Stabilization Fund Requirement, the County shall pay into the Rate Stabilization Fund from the Revenue Account, on or before each February 15 and each August 15 and after there shall have been made from the Revenue Account all payments required to be made on or before such date into the Debt Service Fund and the Reserve Fund, an amount equal to 10% of the then effective Rate Stabilization Fund Requirement (or such lesser amount as shall result in the amount held in the Rate Stabilization Fund being equal to the Rate Stabilization Fund Requirement). In addition, the County may from time to time deposit into the Rate Stabilization Fund other moneys that do not constitute System Revenues.

The County may, from time to time at the election of the County's Director of Finance, transfer moneys from the Rate Stabilization Fund into the Revenue Account.

Section 11.5 Depreciation Fund. There is hereby established a special trust fund, the name of which shall be the "Jefferson County Sewer System Funded Depreciation Fund." The Governing Body may at any time and from time to time designate any banking institution or institutions as depository or depositories for the Depreciation Fund, provided that each such depository so designated shall at all times while acting as such be and remain a member of the Federal Deposit Insurance Corporation or of any agency of the United States of America that may succeed to its functions, if there be any such, and shall be and remain duly qualified to do business in the State of Alabama.

At any time when the total amount held in the Depreciation Fund is less than the amount of accumulated depreciation referable to the System (as known in the then most recent audited financial statements of the County), the County shall pay into the Depreciation Fund from the Revenue Account, on or before each February 15 and each August 15 and after there shall have been made from the Revenue Account all payments required to be made on or before such date into the Debt Service Fund, the Reserve Fund and the Rate Stabilization Fund, the sum of \$5,000,000. If on any such date the moneys available in the Revenue Account are not sufficient to permit a deposit of said sum into the Depreciation Fund, such shortfall shall not increase the required amount of any subsequent deposit to the Depreciation Fund. Moneys held in the

Depreciation Fund may be withdrawn from time to time by the County, but only to pay the costs of System Improvements or to purchase or redeem Parity Securities.

Section 11.6 Surplus Revenues. After making the transfers and payments required by Sections 11.1 through 11.5 hereof, and after making good any delinquency or deficit existing in the Debt Service Fund or the Reserve Fund by reason of withdrawals therefrom or the failure during any prior period to pay therein the amounts respectively required to be paid therein by the provisions of Sections 11.2 and 11.3 hereof, the balance remaining in the Revenue Account on each February 15 and each August 15 shall be deemed "surplus revenues" and may be withdrawn from the Revenue Account by the County and used for any lawful purpose related to the County's ownership and operation of the System.

For purposes of this section a deficiency in the Debt Service Fund or the Reserve Fund shall be the difference between the amount then held in such fund and the amount scheduled to be held therein pursuant to the respectively applicable provisions of Section 11.2 or 11.3 hereof.

Section 11.7 Redemption Fund. There is hereby created a special trust fund, the name of which shall be the "Jefferson County Sewer System Redemption Fund" and which shall be maintained as long as any of the Parity Securities are outstanding. There shall be paid into the Redemption Fund only such moneys as are herein expressly required to be paid therein. The Trustee shall, subject to the provisions of Section 11.8 hereof, use and apply the moneys in the Redemption Fund solely for the purpose of redeeming Parity Securities prior to their maturity; provided that if at any time the aggregate of available moneys held in the Debt Service Fund shall not be sufficient to pay the principal of or the interest on any of the Parity Securities at the respective maturities of such principal and interest or the redemption price of any of the Parity Securities on the date on which, under the terms hereof, they are required to be redeemed, then the moneys held in the Redemption Fund shall be used to pay said principal or interest so maturing or the redemption price of any such Parity Securities, but only to such extent as may be necessary to prevent default in the payment thereof.

Not more than sixty (60) days and not less than forty-five (45) days prior to each Interest Payment Date, the Trustee will determine the amount then held in the Redemption Fund, and if such amount is sufficient to effect the redemption of at least \$5,000 in principal amount of Parity Securities, the Trustee shall so notify the County, whereupon the County will take such action as may be necessary under the provisions hereof to exhaust, as nearly as may be practicable, the moneys held in the Redemption Fund by effecting the redemption of Parity Securities on the earliest practicable date thereafter on which such redemption may be effected.

Section 11.8 Investment of Indenture Fund Moneys. Moneys on deposit in the Indenture Funds shall be invested by the Trustee or the depository therefor in accordance with the succeeding provisions of this section in Eligible Investments; provided, however, that the moneys

at any time held in the Debt Service Fund may be invested only in Federal Obligations having stated maturities, or being redeemable at the option of the holder thereof at a stated price and time, not later than the date upon which such moneys will be needed for the payment of principal of or interest on the Parity Securities. The investments held in each of the other Indenture Funds shall have such maturities as shall result in the availability at all times of sufficient cash moneys for the various purposes to be served by each of such funds.

Subject to the limitations imposed by the provisions of the first paragraph of this section, the County hereby reserves the right to control the investment of the moneys at any time on deposit in the Indenture Funds and hereby designates the County's Director of Finance as its representative for the purpose of communicating investment decisions to the Trustee. In particular, and without limiting the generality of the foregoing, County's Director of Finance may from time to time specify to the Trustee the types and maturities of the Eligible Investments to be acquired with the moneys held in the Indenture Funds, the price to be paid for such investments and the securities dealer or dealers from which such investments are to be acquired. So long as such directions from the County's Director of Finance are not inconsistent with the provisions of the first paragraph of this section, the Trustee will acquire the specified investments from the specified dealer or dealers and at any specified price, regardless of its opinion as to the prudence of such investments or its ability to acquire such investments upon more favorable terms from another source; provided, however, that the County's Director of Finance shall have no right to require, and the Trustee shall be prohibited from making, any investment that would result in any of the Parity Securities being considered "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations thereunder. In the absence of general or specific investment directions from the County's Director of Finance, the Trustee shall invest the moneys held in the Indenture Funds in accordance with its general practices respecting the investment of public moneys held in trust. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the provisions of this paragraph.

All Eligible Investments in which any portion of the moneys in any Indenture Fund are invested, together with all income therefrom, shall become a part of the particular Indenture Fund from which moneys were used to make such investment; provided that (a) so long as the balance in the Reserve Fund is equal to the Reserve Fund Requirement, any income or profits derived from the investment of moneys held in the Reserve Fund shall be transferred to the Debt Service Fund Primary Account and (b) so long as the balance in the Rate Stabilization Fund is equal to the Rate Stabilization Fund Requirement, any income or profits derived from the investment of moneys held in the Rate Stabilization Fund shall be paid to the County.

Section 11.9 Commingling of Moneys in Separate Indenture Funds. Any provision hereof to the contrary notwithstanding, moneys on deposit in any Indenture Fund may be commingled and combined with moneys in any of the other Indenture Funds for the purpose of making investments under the provisions of Section 11.8 hereof, subject to the following conditions:

(a) all interest, income or profit realized from any such commingled investment shall be credited, and all losses resulting therefrom shall be charged, to each such fund in the same respective proportions as the amount invested from each such fund bears to the total amount so invested (subject, however, to the provisions of the said section which, under certain circumstances, provide for a different disposition of the earnings from the Reserve Fund or the Rate Stabilization Fund); and

(b) no moneys forming a part of any such fund shall be invested in any investments other than such as are expressly authorized herein.

Section 11.10 Valuation of Indenture Funds. Any investments constituting a part of the Indenture Funds shall, for purposes of this Indenture, be valued at their fair market value (exclusive of accrued interest), except that any investments having a term of less than six months may be valued at par. The Trustee shall make a valuation of investments in the Reserve Fund on the first Business Day of each calendar month and at such other times as the County may request or as may be necessary to ascertain compliance with the provisions of the Indenture. If as a result of such valuation the balance in such fund is determined to be less than the balance required to be maintained therein under the terms of this Indenture, then monthly transfers to such fund shall be resumed and continued as required by Section 11.3 hereof.

Section 11.11 Reserve Fund Surety Requirements. The County may satisfy all or a portion of the Reserve Fund Requirement by the deposit with the Trustee of a surety bond, insurance policy or letter of credit that satisfies the succeeding requirements of this Section 11.11.

A surety bond or insurance policy issued to the Trustee by a company licensed to issue insurance policies guaranteeing the timely payment of debt service on municipal bonds (a "municipal bond insurer") may be deposited in the Reserve Fund to meet the Reserve Fund Requirement if the claims paying ability of the issuer thereof is rated "AAA" or "Aaa" by S&P or Moody's, respectively. A surety bond or insurance policy issued to the Trustee by an entity other than a municipal bond insurer may be deposited in the Reserve Fund to meet the Reserve Fund Requirement if the form and substance of such instrument and the issuer thereof are approved by the Bond Insurer.

An unconditional irrevocable letter of credit issued to the Trustee by a bank may be deposited in the Reserve Fund to meet the Reserve Fund Requirement if the issuer thereof is rated at least "AA" by S&P or "Aa" by Moody's. Any such letter of credit shall be payable in one or more draws upon presentation by the Trustee of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Parity Securities. Any such draw shall be payable within two days of presentation of the related sight draft. Any such letter of credit shall be for a term of not less

than three years. The issuer of any such letter of credit shall be required to notify the County and the Trustee, not later than 30 months prior to the stated expiration date of such letter of credit, as to whether such expiration date will be extended, and if so, shall indicate the new expiration date. If any such notice indicates that the expiration date will not be extended, the County shall deposit in the Reserve Fund an amount sufficient to cause the cash or Eligible Investments on deposit in the Reserve Fund, together with any other qualifying credit instruments, to equal the Reserve Fund Requirement on all outstanding Parity Securities, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the letter of credit in question is replaced by another Reserve Fund credit instrument. Any letter of credit in the Reserve Fund shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee shall, in turn, draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Reserve Fund is fully funded in its required amount. The use of any Reserve Fund credit instrument pursuant to this section shall be subject to receipt of an opinion of counsel acceptable to the Bond Insurer and in form and substance satisfactory to the Bond Insurer as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Bond Issuer. In addition, the use of an irrevocable letter of credit to satisfy all or a portion of the Reserve Fund Requirement shall be subject to receipt of an opinion of counsel acceptable to the Bond Insurer and in form and substance satisfactory to the Bond Insurer to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the United States Bankruptcy Code or similar state laws by or against the County.

The obligation to reimburse the issuer of a Reserve Fund credit instrument for any fees, expenses, claims or draws upon such Reserve Fund credit instrument shall be subordinate to the payment of debt service on the Parity Securities. The right of the issuer of a Reserve Fund credit instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Reserve Fund, and, subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Reserve Fund. Any Reserve Fund credit instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Fund credit instrument to reimbursement will be further subordinated to cash replenishment of the Reserve Fund to an amount equal to the difference between the full original amount available under the Reserve Fund credit instrument and the amount then available for further draws or claims. If (a) the issuer of a Reserve Fund credit instrument becomes insolvent or (b) the issuer of a Reserve Fund credit instrument defaults in its payment obligations thereunder or (c) the claims-paying ability of the issuer of a Reserve Fund insurance policy or surety bond falls below an S&P "AAA" or a Moody's "Aaa" or (d) the rating of the issuer of a Reserve Fund letter of credit falls below an S&P "AA", the

obligation to reimburse the issuer of such Reserve Fund credit instrument shall be subordinate to the cash replenishment of the Reserve Fund.

If (a) the revolving reinstatement feature of a Reserve Fund credit instrument described in the preceding paragraph is suspended or terminated or (b) the rating of the claims paying ability of the issuer of a Reserve Fund surety bond or insurance policy falls below an S&P "AAA" or a Moody's "Aaa" or (c) the rating of the issuer of a Reserve Fund letter of credit falls below an S&P "AA", the County shall either (i) deposit into the Reserve Fund an amount sufficient to cause the cash or Eligible Investments on deposit in the Reserve Fund to equal the Reserve Fund Requirement on all outstanding Parity Securities, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements of this section within six months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of a Reserve Fund surety bond or insurance policy falls below "A" or (b) the rating of the issuer of a Reserve Fund letter of credit falls below "A" or (c) the issuer of a Reserve Fund credit instrument defaults in its payment obligations or (d) the issuer of a Reserve Fund credit instrument becomes insolvent, the County shall either (i) deposit into the Reserve Fund an amount sufficient to cause the cash or Eligible Investments on deposit in the Reserve Fund to equal the Reserve Fund Requirement on all outstanding Parity Securities, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements of this section within six months of such occurrence. Where applicable, the amount available for draws or claims under a Reserve Fund credit instrument may be reduced by the amount of cash or Eligible Investments deposited in the Reserve Fund pursuant to the preceding provisions of this paragraph.

If the County chooses any of the permitted alternatives to a fully cash-funded Reserve Fund described in the preceding provisions of this Section 11.11, any amounts owed by the County to the issuer of any such credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Indenture for any purpose.

The Trustee shall ascertain the necessity for a claim or draw upon any Reserve Fund credit instrument and provide notice to the issuer of the Reserve Fund credit instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Reserve Fund credit instrument) prior to each Interest Payment Date.

Cash on deposit in the Reserve Fund shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Fund credit instrument. If and to the extent that more than one Reserve Fund credit instrument is deposited in the Reserve Fund, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

Section 11.12 Issuance Cost Account. There is hereby created a special account the full name of which shall be the "Series 1997 Warrants Issuance Cost Account." The Issuance Cost Account shall be maintained as a separate account until the moneys in said account shall have been fully expended as hereinafter provided. The Trustee shall be the depository and disbursing agent for the Issuance Cost Account.

The County will apply the moneys in the Issuance Cost Account solely for payment of the Issuance Costs, as and when such costs become due and payable. The President of the Governing Body or any Authorized County Representative is hereby authorized and directed to cause the said costs to be paid, as promptly as may be feasible following the issuance of the Series 1997 Warrants and Series 1997-C Warrants, by submitting to the Trustee requisitions signed by any one of said officers directing the payment of the costs specified in said requisition.

In the event the moneys deposited in or transferred to the Issuance Cost Account are not sufficient to pay all Issuance Costs, the President of the Governing Body is hereby authorized and directed to pay, out of any other funds of the County available therefor, the remainder of such costs. If any moneys remain in the Issuance Cost Account after the payment of all costs of issuing the Series 1997 Warrants and Series 1997-C Warrants, the Trustee shall transfer such moneys to the County upon receipt of a certificate signed by the President of the Governing Body or any Authorized County Representative stating that all expenses of issuing the Series 1997 Warrants and Series 1997-C Warrants, to the extent known to or anticipated by the County, have been paid in full.

ARTICLE XII

PARTICULAR COVENANTS AND AGREEMENTS OF THE COUNTY; RELEASE OF PORTION OF THE SYSTEM

Section 12.1 Budget for the System. No later than the first Tuesday in the month of October at the beginning of each Fiscal Year, beginning with the Fiscal Year that begins on October 1, 1997, the County shall cause to be prepared and approved by the Governing Body an annual budget and monthly budgets for the System. Each such budget shall include the following:

- (a) the estimated gross revenues and income to be derived from the System during such Fiscal Year and in each month thereof;
- (b) an estimated sum sufficient to provide for the payment of all Operating Expenses during such Fiscal Year and in each month thereof;

(c) the sum required by this Indenture to be paid into the Debt Service Fund during such Fiscal Year and in each month thereof;

(d) the sum (if any) required by this Indenture to be paid into the Reserve Fund during such Fiscal Year and in each month thereof; and

(e) the sum (if any) expected to be transferred from the Rate Stabilization Fund into the Revenue Account during such Fiscal Year and in each month thereof.

The budget in effect for any Fiscal Year may be amended or revised by the County in accordance with changed circumstances and conditions at any time during such Fiscal Year. The County shall submit a copy of each such budget as initially approved to the Trustee.

Section 12.2 Maintenance of Books and Records; Annual Audits. The County will maintain complete and separate books and records pertaining to the System and all receipts and disbursements with respect thereto. Within ninety (90) days following the close of each Fiscal Year, the County will provide the Trustee with unaudited financial statements respecting the System prepared by the County's financial officers. The County will cause an audit of the books and records for the System to be completed as soon as practicable after the close of each Fiscal Year. Each such audit shall be made by an Independent Accountant and shall include: (a) a statement in reasonable detail of the revenues derived from the System and of Operating Expenses during such Fiscal Year; (b) a statement of changes in fund balances for such Fiscal Year; (c) a balance sheet respecting the System as of the end of such Fiscal Year; (d) a statement of the amounts on deposit in the Indenture Funds at the end of such Fiscal Year; (e) the Independent Accountant's comments regarding the manner in which the County has carried out the requirements of the Indenture; (f) the Independent Accountant's recommendations for any changes or improvements in the financial operation of the System; (g) a list of the insurance policies and fidelity bonds in force with respect to the System at the end of such Fiscal Year, setting out with respect to each such policy the amount thereof, the risk covered, the name of the insurer and the expiration date of the policy; and (h) the number of customers connected to and served by the System at the end of such Fiscal Year, as disclosed by the records of the County and without any requirement of verification thereof by the Independent Accountant. Within one hundred and eighty (180) days following the close of each Fiscal Year, the County will furnish a copy of such audit to the Trustee and to each Rating Agency which has a rating outstanding respecting any series of the Parity Securities, and each of them is granted the right to discuss the contents of the audit with the Independent Accountant making the same and to secure from the Independent Accountant such additional information respecting the matters therein set out as may be reasonably required.

Section 12.3 Restrictions as to Free Service. The County will not furnish or permit to be furnished any free service from the System to the State of Alabama, any county or incor-

porated municipality or any agency, instrumentality, person, firm or corporation whatsoever, other than to itself and its agencies. All services furnished from the System shall be charged for at the rates at the time established therefor (except for those instances in which the County has entered into specific agreements with particular customers, which special agreements will not, in the aggregate, affect System Revenues by more than \$100,000).

Section 12.4 Discontinuance of Service on Non-Payment of Bills and Charges. If the account of any user of utility service supplied by the System shall remain unpaid for a period of thirty days after such account shall become due (or such longer period, if any, as may be required for compliance with applicable federal and state law), the County thereupon will use its best efforts promptly to discontinue furnishing service to such user whose account shall so remain unpaid, but upon subsequent payment of the account, including any penalties which may be provided for in the applicable schedule of rates of the County, the County may thereafter furnish service to such user until such time as his account shall again remain unpaid for a period of thirty days after such account shall become due (or such longer period, if any, as may be required for compliance with applicable federal and state laws), whereupon the County will again use its best efforts to the end that the furnishing of service shall again be discontinued. The schedule of rates for service furnished by and from the System shall provide that all accounts for such service shall become due not less often than once each calendar quarter.

Section 12.5 Maintenance of Rates. (a) The County hereby covenants and agrees to fix, revise and maintain such rates for services furnished by the System as shall be sufficient (i) to provide for the payment of the interest and premium (if any) on and the principal of the Parity Securities, as and when the same become due and payable, (ii) to provide for the payment of the Operating Expenses and (iii) to enable the County to perform and comply with all of its covenants contained in the Indenture.

(b) The County will make from time to time, to the extent permitted by law, such increases and other changes in such rates and charges as may be necessary to comply with the provisions of the preceding paragraph and to provide, in each Fiscal Year, Net Revenues Available for Debt Service in an amount that shall result in compliance with each of the following two requirements (such requirements being referred to herein collectively as the "Rate Covenant"):

(i) the sum of (A) Net Revenues Available for Debt Service for a given Fiscal Year and (B) the Prior Years' Surplus as of the beginning of such Fiscal Year shall not be less than one hundred and ten percent (110%) of the aggregate amount payable during such Fiscal Year as debt service on all outstanding Parity Securities; and

(ii) the Net Revenues Available for Debt Service for a given Fiscal Year shall not be less than eighty percent (80%) [or, in the case of any Fiscal

Year beginning on or after October 1, 2007, one hundred percent (100%)] of the aggregate amount payable during such Fiscal Year as debt service on all outstanding Parity Securities.

For purposes of the Rate Covenant, (a) debt service on the Parity Securities shall not include any interest (i.e., accrued interest or capitalized interest) paid with proceeds of Parity Securities, (b) debt service shall be reduced by any amounts received by the County during the Fiscal Year in question pursuant to Qualified Swaps, and (c) debt service shall be increased by any amounts paid by the County during such Fiscal Year pursuant to Qualified Swaps.

(c) The County's Director of Finance shall, within sixty (60) days after the end of each Fiscal Year, (i) determine whether or not the Net Revenues Available for Debt Service and Prior Years' Surplus for the then most recently completed Fiscal Year were sufficient to result in compliance with the Rate Covenant for such Fiscal Year (the "Historical Evaluation"), (ii) determine whether or not the combination of the Net Revenues Available for Debt Service for the then most recently completed Fiscal Year (subject to adjustment in the manner hereinafter described) and the Prior Years' Surplus as of the beginning of the then current Fiscal Year would be sufficient to result in compliance with the Rate Covenant for the then current Fiscal Year (the "Immediate Prospective Evaluation"), and (iii) determine whether or not the Net Revenues Available for Debt Service for the then most recently completed Fiscal Year (subject to adjustment in the manner hereinafter described) were equal to or greater than 100% of Maximum Annual Debt Service (the "Extended Prospective Evaluation"). For purposes of the Immediate Prospective Evaluation and the Extended Prospective Evaluation, the Net Revenues Available for Debt Service for the preceding Fiscal Year may be adjusted to give effect to any increase in the rates and charges for services furnished by the System that was put into effect after the beginning of such Fiscal Year.

If at the beginning of any Fiscal Year the County's Director of Finance makes the afore-said determinations and concludes that the County has failed to satisfy the Historical Evaluation, the Immediate Prospective Evaluation or the Extended Prospective Evaluation, then a written notice setting forth such determinations and the conclusions reached shall be delivered, no later than December 10 in such Fiscal Year, to the Trustee and to each member of the Governing Body. The County hereby covenants, in the event of the delivery of any such notice of failure to satisfy the Historical Evaluation or the Immediate Prospective Evaluation (or both), to make an increase in the rates and charges for services furnished by the System, in an amount intended to result in compliance with the rate covenant contained in subsection (b), with such rate increase to be effective no later than January 1 in such Fiscal Year.

Section 12.6 Continued Operation of the System; Transfer of the System. The County will not hereafter sell, transfer, lease or otherwise dispose of or cease control of the whole or any essential operating part of the System (except pursuant to Section 12.10 or 12.11 hereof) until all principal of and interest and premium (if any) on the Parity Securities shall have been paid in full, or unless and until provision for such payment shall have been made, as per-

mitted in Article XVI hereof. So long as any of the Parity Securities shall remain outstanding, the County will keep the System in good repair and efficient operating condition, making from time to time all needed repairs and replacements thereto, and it will continuously operate the System in an economical and efficient manner.

If the laws of Alabama at the time shall permit such action to be taken, nothing contained in this section shall prevent the transfer by the County of the entire System to a public corporation whose property and income are not subject to taxation and which has the power to own and operate the System; provided that (a) upon any such transfer, the due and punctual payment of the principal of and interest on the Parity Securities according to their tenor and the due and punctual performance and observance of all the agreements and conditions provided in this Indenture to be kept and performed by the County shall be expressly assumed in writing by the corporation to which the System shall be so transferred; (b) such transfer shall not cause or result in any mortgage or other lien being affixed to or imposed on the System or the revenues therefrom that will be prior to or on a parity with the lien of the pledge herein made for the benefit of the Parity Securities; and (c) the County shall deliver to the Trustee an opinion of Bond Counsel to the effect that such transfer shall not result in the interest on the Parity Securities becoming subject to federal income taxation.

Nothing contained in this section shall be construed to prevent the County from disposing of portions of the System that may become obsolete or worn out or that may no longer be needed for the efficient operation of the System.

Section 12.7 Warranties and Representations Concerning Title to the System. The County warrants its title to the System as it presently exists to be free and clear of every lien, encumbrance or charge other than Permitted Encumbrances. The County further warrants and represents that no pledges of, or agreements respecting, the revenues from the System are now outstanding other than those made herein.

Except to the extent specifically permitted otherwise by the provisions of the third paragraph of this section, the County will maintain its existence, will not dissolve, and will not consolidate with or merge into another county or political subdivision or permit one or more other counties or political subdivision to consolidate with or merge into it. Further, the County will use its best efforts to maintain, preserve and renew all the rights and powers provided to it by the constitution or any applicable laws of the State of Alabama or of the United States of America.

If the constitution and laws of the State of Alabama at the time shall permit such action to be taken, nothing contained in this section shall prevent the consolidation of the County with, or the merger of the County into, any county or political subdivision which has authority to undertake and perform the obligations and agreements of the County under the Indenture; provided that upon any such consolidation or merger the following conditions shall be satisfied: (i) the due and punctual payment of the principal of and the interest and premium (if any) on the

Parity Securities according to their tenor and the due and punctual performance and observance of all the agreements and conditions contained in the Indenture to be kept and performed by the County shall be expressly assumed in writing by the corporation resulting from such consolidation or surviving such merger; (ii) such consolidation or merger shall not cause or result in any pledge or lien being imposed on the moneys pledged under the Indenture that will be prior to the pledge made in the Indenture for the benefit of the Parity Securities; and (iii) the County shall deliver to the Trustee an opinion of Bond Counsel to the effect that such consolidation or merger shall not cause or result in the interest income on any of the Parity Securities becoming subject to income taxation by the United States of America, the State of Alabama or any political subdivision of either thereof.

Section 12.8 System to be Kept Free of Prior Liens. The County will keep the System free and clear from all liens, encumbrances and charges other than Permitted Encumbrances, but it may defer payment of any claim against the System or the revenues therefrom pending the bona fide contest of any such claim unless by such action the title of the County to the System or any part thereof or the revenues therefrom shall be materially endangered or the System or any part thereof shall be subject to loss or forfeiture, in which event any such payment then due shall not be deferred. Nothing herein contained shall be construed to prevent the County from hereafter acquiring from other governmental entities properties that are to constitute additions or improvements to the System, even though the properties to be acquired, or the revenues derived therefrom, have been subjected, prior to the County's acquisition thereof, to a lien that is or may be prior to the lien of the Indenture.

Section 12.9 Priority of Pledge. The pledge of the Pledged Revenues herein made shall be prior and superior to any pledge thereof hereafter made for the benefit of any securities hereafter issued by the County (other than Additional Parity Securities), and the County agrees that in the event it should hereafter issue any securities (other than Additional Parity Securities) or make any contract payable out of the Pledged Revenues or for which any part of the said revenues may be pledged, the County will, in the proceedings under which any such securities or contract are authorized, recognize the priority of the pledge of the Pledged Revenues herein made. The County will not place any mortgage, lien or other encumbrance on the System unless such mortgage, lien or other encumbrance is junior or subordinate in all respects to the pledge herein made and the lien herein created.

Section 12.10 Sale or Disposition of Personal Property. While the County is not in default under this Indenture, it may, without the consent of or any release from the Trustee, sell or otherwise dispose of any machinery, equipment or other personal property (including mains and pipes embedded in land but not including land itself or any building thereon) that shall have become inadequate, obsolete, worn out, unsuitable for use or undesirable or unnecessary for use as a part of the System. The proceeds of any such sale or other disposition shall not be regarded

as revenues of the System which are subject to the lien of this Indenture or which are required by the provisions hereof to be paid into the Revenue Account.

Section 12.11 Sale or Disposition of Portions of the System. While the County is not in default under this Indenture, the County may sell or otherwise dispose of any part of the System (including, without limitation, real property or improvements or buildings thereon or machinery, equipment and other personal property not described in Section 12.10 hereof), and the Trustee shall consent to such sale or other disposition, upon deposit by the County with the Trustee of the following:

(i) a resolution of the Governing Body describing in reasonable detail the property to be released, stating the consideration to be received by the County for such sale or disposition, stating that the County is not in default under any of the provisions of this Indenture, and requesting such release;

(ii) a certificate of a licensed engineer, who may be an employee of the County, stating that the property to be released is not and will not be needed by the County for the safe, efficient and economical operation of the remaining portions of the System and that the consideration to be received by the County for such sale or disposition is not less than the reasonable value of the property to be released; and

(iii) the proceeds from such sale or other disposition.

Upon compliance by the County with the foregoing conditions, the Trustee shall, at the expense of the County, execute and deliver to the County any and all instruments that may be necessary to release such property from the lien or encumbrance imposed by this Indenture.

Subject to the provisions of the next paragraph, the proceeds from any such sale or other disposition of any part or parts of the System shall be deposited in the Revenue Account, unless the Governing Body shall provide the Trustee with written directions to apply all or a portion of such proceeds for the redemption of Parity Securities prior to maturity in accordance with the terms of the Indenture and on the earliest practicable date permitted thereby, in which event the proceeds from such sale or other disposition to be used for such purpose shall be deposited in the Redemption Fund.

Section 12.12 Insurance with Respect to the System. The County will take out and continuously maintain in effect insurance with respect to those components of the System other than underground mains, laterals and collection lines against such risks as are customarily insured against by systems similar in size and character to the System, paying as the same become due all premiums with respect thereto, including but not limited to:

(a) insurance to the extent of the full insurable value of the insured portions of the System against loss or damage by fire or other casualty, with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in the State of Alabama;

(b) comprehensive public liability insurance against liability for bodily injury to or death of persons and for damage to or loss of property occurring on or about the properties comprising the System or as a result of operation of the System (including the operation of vehicles owned or leased by the County and used in connection with the System) in such amounts as are customarily carried by systems similar in size and character to the System; provided that the County may, at its election, be self-insured for such risks to the extent customary at the time for systems similar in size and character to the System; and

(c) workmen's compensation insurance respecting all employees of the System in such amount as is customarily carried by systems similar in size and character to the System; provided that the County may, at its election, be self-insured for such risk to the extent customary at the time for systems similar in size and character to the System.

All policies evidencing the insurance required by the terms of this section shall be taken out and maintained in generally recognized responsible insurance companies qualified under the laws of the State of Alabama to assume the respective risks undertaken.

Each insurance policy required to be carried by this section shall contain, to the extent obtainable, an agreement by the insurer that (i) the County may not, without the consent of the Trustee, cancel such insurance or sell, assign or dispose of any interest in such insurance, such policy, or any proceeds thereof, (ii) such insurer will notify the Trustee if any premium shall not be paid when due or any such policy shall not be renewed prior to the expiration thereof, and (iii) such insurer shall not cancel any such policy except on sixty (60) days' prior written notice to the Trustee.

All policies evidencing the insurance required to be carried by this section shall be deposited with the Trustee; provided, however, that in lieu thereof the County may deposit with the Trustee a certificate or certificates of the respective insurers attesting the fact that such insurance is in force and effect. Prior to the expiration of any such policy, the County will furnish to the Trustee evidence reasonably satisfactory to the Trustee that such policy has been renewed or replaced by another policy or that there is no necessity therefor under this Indenture.

Section 12.13 Damage and Destruction Provisions. If the System is destroyed, in whole or in part, or is damaged, by fire or other casualty, to such extent that the loss to the System resulting therefrom is not greater than \$25,000,000, the County will promptly repair,

replace or restore the property destroyed or damaged to substantially the same condition as prior to the event causing such damage or destruction with such changes, alterations or modifications (including the substitution and addition of other property) as will not significantly impair the operating utility of the System. The County will apply so much as may be necessary of any Net Insurance Proceeds referable to such damage or destruction to the payment of the costs of such repair, replacement or restoration, and if such costs exceed the available Net Insurance Proceeds, the County will provide any additional moneys required for the payment of such costs. In the event that the total costs of such repair, replacement and restoration are less than such Net Insurance Proceeds, the County will pay into the Revenue Account the amount by which such proceeds exceed said total costs.

If the System is destroyed, in whole or in part, or is damaged, by fire or other casualty, to such extent that the loss to the System resulting therefrom is greater than \$25,000,000, the County will promptly so notify the Trustee in writing. The Net Insurance Proceeds recovered by the County and the Trustee on account of such damage or destruction shall be paid to and held by the Trustee. Pursuant to written directions to be given to the Trustee by the Governing Body not more than sixty (60) days following the event causing such damage or destruction, such proceeds shall be applied by the Trustee in one or both of the following ways (the amount, if any, to be applied in each such way to be specified in such written directions):

(a) payment of the costs of repairing, replacing or restoring the property damaged or destroyed to the extent necessary for it to have substantially the same operating utility that it had prior to the event causing such damage or destruction, with such changes, alterations or modifications as shall be specified by the Governing Body;

(b) the redemption of Parity Securities prior to maturity in accordance with the terms of the Indenture and on the earliest practicable date permitted thereby, in which case such portion of the Net Insurance Proceeds to be used therefor shall be deposited in the Redemption Fund.

In the event that the Net Insurance Proceeds held by the Trustee (or any specified portion thereof) are to be applied for payment of the costs of repairing, replacing or restoring the property damaged or destroyed, a special construction fund shall be established with the Trustee and such proceeds (or specified portion thereof) shall be deposited therein, and the Trustee will provide for such proceeds (or specified portion thereof) to be disbursed as needed for the payment of such costs pursuant to requisitions submitted by the County. Any balance of the Net Insurance Proceeds (or any balance of the portion thereof specified for the payment of such costs) remaining after the payment of all such costs shall be paid into the Revenue Account. In the event that the Net Insurance Proceeds (or the portion thereof specified for the payment of such costs) are not sufficient to pay in full the costs of such repair, replacement or restoration, the County will nonetheless complete the work thereof and will pay that portion of the costs thereof in excess of the Net Insurance Proceeds (or specified portion thereof) available for the payment of such costs.

All property acquired in connection with the repair, replacement or restoration of any part of the System pursuant to the provisions of this Section 12.13 shall be and become part of the System, with the revenues derived therefrom being subject to the pledge made herein for the benefit of the Holders of the Parity Securities.

Section 12.14 Fidelity Bonds. The County will at all times carry fidelity bonds on all of its officers and employees who may handle funds of the County appertaining to the System, such bonds to be in such amounts as are customarily carried by systems similar in size and character to the System.

Section 12.15 Tax Covenants. The County recognizes that the Holders of the Series 1997-A Warrants from time to time will have accepted them on, and paid therefor a price which reflects, the understanding that interest on the Series 1997-A Warrants is excluded from gross income for federal income tax purposes under the laws in force at the time the Series 1997-A Warrants shall have been delivered. In this connection the County covenants (i) that it will not take any action or omit to take any action if the taking of such action or the failure to take such action, as the case may be, will result in the interest on any of the Series 1997-A Warrants becoming includable in gross income for purposes of federal income taxation, (ii) that it will use the "proceeds" of the Series 1997-A Warrants and any other funds of the County in such a manner that the use thereof, as reasonably expected by the County at the time of issuance of the Series 1997-A Warrants, will not cause the Series 1997-A Warrants to be "arbitrage bonds" under Section 103(b)(2) and Section 148 of the Code and the regulations thereunder and (iii) that it will satisfy the requirements of Section 148(f) of the Code and the applicable regulations thereunder. The County further covenants and agrees that it will not permit at any time any "proceeds" of the Series 1997-A Warrants or any other funds of the County to be used, directly or indirectly, in a manner which would result in any Series 1997-A Warrant being classified as a "private activity bond" within the meaning of Section 141(a) of the Code. The officers and employees of the County shall execute and deliver from time to time, on behalf of the County, such certificates, instruments and documents as shall be deemed necessary or advisable to evidence compliance by the County with said Section 103(b)(2) and Section 148 and the regulations thereunder with respect to the use of the proceeds of the Series 1997-A Warrants. Such certificates, instruments and documents may contain such stipulations as shall be necessary or advisable in connection with the stated purpose of this section and the foregoing provisions hereof, and the County hereby covenants and agrees to comply with the provisions of any such stipulations throughout the term of the Series 1997-A Warrants.

Section 12.16 Compliance with Requirements of Law. The County will comply with all of the terms, provisions and requirements of the Act and any other state or federal laws which are applicable to the County by reason of the ownership and operation of the System or the issuance of the Parity Securities. Without limiting the generality of the foregoing, the County will use its best efforts to comply with the requirements imposed on it by the Consent

Decree entered in those civil actions consolidated in the United States District Court, Northern District of Alabama, and styled *United States of America v. Jefferson County, Alabama, et al.*, Civil Action No. 94-G-2947-S, and *R. Allen Kipp, Jr., et al. and Cahaba River Society, Inc. v. Jefferson County, Alabama, et al.*, Civil Action No. 93-G-2492-S.

Section 12.17 Levy of Sewer Tax. As long as it is permitted to do so by applicable law, the County will levy and collect, on an annual basis, the Sewer Tax and will apply the revenues derived therefrom solely for purposes related to the System.

Section 12.18 Payment of Parity Securities. The County will pay or cause to be paid, out of the sources of payment provided in the Indenture, the principal of and the interest and premium (if any) on the Parity Securities as specified therein, and it will otherwise perform all obligations that either expressly or by reasonable implication are imposed on it in the Indenture and it will not default hereunder.

ARTICLE XIII

EVENTS OF DEFAULT AND REMEDIES OF TRUSTEE AND PARITY SECURITYHOLDERS

Section 13.1 Events of Default Defined. Any of the following shall be "Events of Default" under the Indenture, and the term "Event of Default" shall mean, whenever it is used in the Indenture, any one or more of the following conditions or events:

(a) failure by the County to pay the principal of or the interest or premium (if any) on any Parity Security as and when the same become due as therein and herein provided (whether such shall become due at maturity or by redemption, acceleration or otherwise);

(b) failure by the County to satisfy the Rate Covenant, provided that any such failure shall not constitute an Event of Default if (i) the Trustee receives evidence satisfactory to it that an increase in the rates charged for services furnished by the System has occurred pursuant to the provisions of the ordinance of the County that governs such rates, or (ii) the County employs a utility system consultant to review the System and its existing rates and fees and makes a good faith effort to comply with the recommendations of such consultant;

(c) failure by the County to perform or observe any agreement, covenant or condition required by the Indenture to be performed or observed by it [other than its agreement to pay the principal of and the interest and premi

m (if any) on the Parity Securities or the Rate Covenant] after thirty (30) days' written notice (which said notice must state that it is a "notice of default" hereunder) to it of such failure given by the Trustee or by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Parity Securities then outstanding hereunder, unless during such period or any extension thereof the County has commenced and is diligently pursuing appropriate corrective action;

(d) any material warranty, representation or other statement by or on behalf of the County contained in the Indenture, or in any document furnished by the County in connection with the issuance and sale of any of the Parity Securities, being false or misleading in any material respect at the time made; or

(e) an order, judgment or decree shall be entered by any court of competent jurisdiction (i) appointing a receiver, trustee or liquidator for the System, (ii) approving a petition filed by the County under the federal or any state bankruptcy laws, (iii) granting relief to the County under federal or state bankruptcy laws or relief substantially similar to that afforded under the said laws or (iv) assuming the custody or control of the System (or any part thereof) under the provisions of any other law for the relief or aid of debtors, and such order, judgment or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof, or the County shall file a petition in bankruptcy or make an assignment for the benefit of its creditors or consent to the appointment of a receiver of the whole or any substantial part of its properties or shall file a petition or answer seeking relief under the federal or any state bankruptcy laws.

Section 13.2 Remedies on Default. Upon the occurrence and continuation of any Event of Default, the Trustee shall have the following rights and remedies:

(a) Upon the occurrence and continuation of any Event of Default described in clause (a) of Section 13.1 hereof, the Trustee shall, and, upon the occurrence and continuation of any other Event of Default described in Section 13.1 hereof, the Trustee may, declare the Parity Securities to be immediately due and payable, whereupon they shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Parity Securities to the contrary notwithstanding.

(b) The Trustee may, by civil action, mandamus or other proceedings, protect, enforce and compel performance of all duties of the officials of the County, including the fixing of sufficient rates, the collection of revenues, the proper segregation of the revenues of the System and the proper application thereof and may, without limitation of the foregoing, proceed to protect and

enforce its rights and the rights of the Parity Securityholders by a suit or suits, whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power granted herein or for the enforcement of any other proper, legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce its rights and the rights of the Parity Securityholders hereunder.

(c) The Trustee shall be entitled upon or at any time after the commencement of any proceedings instituted with respect to an Event of Default, as a matter of strict right, upon the order of any court of competent jurisdiction, to the appointment of a receiver to administer and operate the System, with power to fix and charge rates and collect revenues sufficient to provide for the payment of the Parity Securities and any other obligations outstanding against the System or the revenues thereof and for the payment of expenses of operating and maintaining the System and with power to apply the income and revenues of the System in conformity with the Act and the Indenture.

The provisions of the preceding subparagraph (a), however, are subject to the condition that if, after the principal of the Parity Securities shall have been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the County shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Parity Securities and the principal of any and all Parity Securities which shall have become due otherwise than by reason of such declaration (with interest upon such principal and on overdue installments of interest, at the rates per annum determined as provided in the Parity Securities) and such amount as shall be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee, and all Events of Default hereunder other than nonpayment of the principal of the Parity Securities which shall have become due by said declaration shall have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission or annulment to the County; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Section 13.3 Application of Moneys Collected. All moneys collected by the Trustee pursuant to this article or pursuant to any right given to it or action taken by it under the provisions of this article, together with all other funds of the County from the System then held by it or the Trustee hereunder, shall, after payment of all amounts for which the Trustee has a lien under Section 14.7 hereof, be applied in the following order, on the date or dates fixed by the Trustee, and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Parity Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) Unless the principal of all Parity Securities shall have become or shall have been declared due and payable, all such moneys shall be applied:

First. To the payment to the persons entitled thereto of interest then due on the Parity Securities, with interest on overdue installments of such interest, and if the amount available shall not be sufficient to pay in full all such installments plus the said interest thereon, then to the proportionate payment of all such installments and the interest thereon, according to the amounts thereof, without preference or priority of any installment of interest over any other installment or any discrimination or privilege among the persons entitled thereto.

Second. To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on the Parity Securities which shall have matured, with interest on overdue installments of principal and premium, if any, from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full all such principal and premium, if any, together with the aforesaid interest thereon, then to the proportionate payment of such principal, premium, if any, and interest, according to the amounts thereof, without preference or priority of any installment of principal over any other installment or any discrimination or privilege among the persons entitled thereto; and

Third. The surplus, if any, to the Revenue Account.

(b) If the principal of all the Parity Securities shall have become or been declared due and payable, all such moneys shall be applied as follows:

First. To the payment of the principal and interest then due and unpaid upon the Parity Securities, with interest on overdue principal and on overdue interest, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Parity Security over any other Parity Security, in proportion to the amounts for both principal and interest due respectively to the persons entitled thereto, without any discrimination or privilege among such persons; and

Second. The surplus, if any, to the County or to whomsoever may be entitled thereto.

Section 13.4 Parity Securityholders Need Not be Joined in Actions. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Parity Securities may be prosecuted and enforced by the Trustee without the possession of any of the Parity Securities or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as trustee of

an express trust without the necessity of joining as plaintiffs or defendants any Parity Securityholders and any recovery shall (after provisions for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) be for the ratable benefit of the Parity Securityholders in respect of which such judgment has been recorded.

Section 13.5 Rights of the Parity Securityholders to Direct Proceedings. The Holders of a majority in aggregate principal amount of the Parity Securities then outstanding shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under this Indenture or exercising any trust or power conferred on the Trustee by this Indenture.

Section 13.6 Limitation on Suits by Parity Securityholders. No Parity Securityholder shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (a) such Holder has previously given written notice to the Trustee of a continuing Event of Default; (b) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Parity Securities then outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder; (c) such Holder or Holders have offered to the Trustee indemnity in the manner provided in Section 14.3(e) hereof; (d) the Trustee for thirty days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and (e) no direction inconsistent with such written request has been given to the Trustee during such thirty-day period by the Holders of a majority in aggregate principal amount of the outstanding Parity Securities, it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provisions of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

Notwithstanding any other provision hereof, the right of the Parity Securityholders, which is absolute and unconditional, to receive payment of the principal of and the interest and premium (if any) on the Parity Securities on or after the due date of the same, but solely from the sources of payment provided herein, as therein and herein expressed, or to institute suit for the enforcement of such payment on or after such due date, or the obligation of the County, which is also absolute and unconditional, to pay, but solely from the said sources of payment, the principal of and the interest on the Parity Securities to the respective Holders thereof at the time and place in the Parity Securities expressed, shall not be impaired or affected without the consent of such Holder; provided, however, that no Parity Securityholder shall be entitled to take any action or institute any such suit to enforce the payment of his Parity Securities, whether for principal or interest, if and to the extent that the taking of such action or the institution or prosecution of any such suit or the entry of judgment therein would under applicable law result

in a surrender, impairment, waiver or loss of the lien hereof upon the revenues from the System, or any part thereof, as security for the Parity Securities held by any other Parity Securityholder.

Section 13.7 Remedies Cumulative. No remedy herein conferred upon or reserved to the Trustee or to the Parity Securityholders is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 13.8 Delay or Omission Not a Waiver. No delay or omission of the Trustee or any Parity Securityholder to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or the Parity Securityholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Parity Securityholders.

Section 13.9 Remedies Subject to Applicable Law. All rights, remedies and powers provided by this Indenture may be exercised only to the extent the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Indenture are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render the Indenture invalid or unenforceable.

Section 13.10 Waivers of Past Defaults Under the Indenture. The Holders of not less than a majority in aggregate principal amount of the outstanding Parity Securities may, on behalf of the Holders of all outstanding Parity Securities, waive any past default under this Indenture and its consequence, except for the following types of defaults:

(a) any default in the payment of the principal of or interest or premium (if any) on any Parity Security, or

(b) any default or failure in respect of any covenant or provision of this Indenture which under Article XIV hereof cannot be modified or amended without the consent of the Holder of each outstanding Parity Security affected.

Upon any such waiver, such default shall cease to exist, and an Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

ARTICLE XIV

THE TRUSTEE

Section 14.1 **Certain Duties and Responsibilities.** (a) Except during the continuance of an Event of Default,

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from its own gross negligence or its own willful misconduct, except that

(i) this subsection shall not be construed to limit the effect of subsection (a) of this section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in aggregate principal amount of the outstanding Parity Securities of each series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance

of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this section.

Section 14.2 Notice of Defaults. Within ninety (90) days after the occurrence of any Event of Default the Trustee shall give notice by registered or certified mail to the Parity Securityholders of such Event of Default known to the Trustee; provided, however, that except in the case of a default in the payment of the principal of or interest or premium (if any) on any Parity Securities, the Trustee shall be protected in withholding such notice if and so long as a responsible officer of the Trustee in good faith determines that the withholding of such notice is in the interests of the Parity Securityholders.

Section 14.3 Certain Rights of the Trustee. Except as otherwise provided in Section 14.1 hereof:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, warrant or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, election, order or demand of the County shall be sufficiently evidenced by an instrument signed in the name of the County by the President or other presiding officer of the Governing Body (unless otherwise in this Indenture specifically prescribed), and any resolution of the County may be evidenced to the Trustee by a copy thereof certified by the Minute Book Clerk of the County;

(c) the Trustee may consult with Independent Counsel and the written advice or opinion of such Independent Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(d) whenever, in the administration of the trust of this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be

conclusively proved and established by a certificate of the County, and such certificate of the County shall, in the absence of negligence or bad faith on the part of the Trustee, be full warranty to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof;

(e) the Trustee shall be under no obligation to exercise any of the rights, powers or remedies vested in it by this Indenture at the request or direction of any of the Parity Securityholders pursuant to this Indenture, unless such Parity Securityholders shall have furnished to the Trustee satisfactory indemnity for the reimbursement of all expenses to which it may be put and to protect it against all liability which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 14.4 Trustee not Responsible for Certain Matters Respecting Parity Securities or Security Therefor. The recitals contained herein and in the Parity Securities, except the Trustee's certificate of authentication and its recital of its authority to accept the trusts hereof, shall be taken as the statements of the County, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Parity Securities. The Trustee is not responsible for the recording of this Indenture or for the payment of taxes, charges, assessments and liens upon the System, or for insuring the System or the maintenance thereof, or for the sufficiency of the security for the Parity Securities.

Section 14.5 Trustee May Hold Parity Securities. The Trustee, in its individual or any other capacity, may become the Holder or pledgee of Parity Securities and may otherwise deal with the County with the same rights it would have if it were not Trustee hereunder.

Section 14.6 Right of the Trustee to Perform Certain Acts on Failure of the County. In case the County shall fail seasonably to pay or to cause to be paid any tax, assessment, or governmental or other charge upon any part of the System or the premiums on insurance on the

System or the expenses of maintaining or preserving the System, the Trustee may pay such tax, assessment, governmental charge, premiums or expenses without prejudice, however, to any rights of the Trustee or the Parity Securityholders arising in consequence of such failure; and any amount at any time so paid under this section, with interest thereon from the date of payment at the Trustee's prime lending rate plus two percent (2%) per annum or the maximum rate of interest allowed by law, whichever is less, shall be repaid by the County upon demand, and shall become additional indebtedness secured by this Indenture, but the Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so by the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of the outstanding Parity Securities and shall have been provided with adequate funds for the purpose of such payment.

Section 14.7 Compensation of the Trustee; Lien Therefor. The Trustee shall have a lien on the revenues of the System and all funds held or collected by the Trustee as such (except funds held in trust for the benefit of the Holders of particular Parity Securities) with right of payment prior to payment on account of interest, principal or premium (if any) of any Parity Security, for reasonable compensation for all services rendered by it hereunder and for all reasonable expenses, advances, disbursements and counsel fees incurred or made in and about the execution of the trusts hereby created and exercise and performance of the powers and duties of the Trustee hereunder and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee).

Section 14.8 Resignation and Removal of the Trustee; Appointment of Successor. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this article shall become effective until the acceptance of appointment by the successor Trustee under Section 14.9 hereof.

The Trustee may resign at any time by giving written notice thereof to the County. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

The Trustee may be removed at any time (a) by the Holders of a majority in aggregate principal amount of the outstanding Parity Securities by an instrument or instruments in writing delivered to the Trustee and to the County or (b) by the County, if no Event of Default exists, by written notice delivered to the Trustee.

If at any time the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then (i) the County may remove the

Trustee, or (ii) any Parity Securityholder who has been a Parity Securityholder for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the County shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by the Holders of a majority in aggregate principal amount of the outstanding Parity Securities of each series by an instrument or instruments in writing delivered to the County and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the County. If no successor Trustee shall have been so appointed by the County or the Parity Securityholders and accepted appointment in the manner hereinafter provided, any Parity Securityholder who has been a Parity Securityholder for at least six months may, on behalf of himself and all other similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

The County shall give notice by registered or certified mail to the Holders of all outstanding Parity Securities and to each Rating Agency of each resignation and each removal of the Trustee and each appointment of a successor Trustee. Each notice shall include the name and address of the principal corporate trust office of the successor Trustee.

Section 14.9 Acceptance of Appointment by Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the County and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the estate and title of the retiring Trustee to the Trust Estate and all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the County or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the estate and title of the retiring Trustee to the Trust Estate and all the rights, powers, and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 14.7 hereof. Upon request of any such successor Trustee, the County shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estate, title, rights, powers and trusts.

Section 14.10 Merger or Consolidation of the Trustee. Any corporation or association into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation or association succeeding to all or substantially

all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Parity Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Parity Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Parity Securities.

Section 14.11 Paying Agents. (a) Any Paying Agent other than the Trustee shall signify its acceptance of such appointment and its assumption of the duties and obligations imposed upon it by this Indenture by execution and delivery of an agreement satisfactory to the Trustee and the County.

(b) Any Paying Agent may resign at any time by giving 30 days' notice to the County and the Trustee; provided, however, that no such resignation shall become effective until a successor Paying Agent has been appointed and has accepted its duties and obligations hereunder.

(c) The County may, with the consent of the Trustee (if such Paying Agent is other than the Trustee), remove any Paying Agent by giving 30 days' notice to such Paying Agent; provided, however, that no such removal shall be effective until a successor Paying Agent has been appointed and has accepted its duties and obligations hereunder.

(d) If any Paying Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Paying Agent for any cause, the County shall appoint a successor Paying Agent.

(e) Any Paying Agent shall (i) be a commercial bank with trust powers or a trust company, (ii) have a combined capital and surplus of at least \$50,000,000, and (iii) be subject to supervision and examination by federal or state authority.

(f) Compensation of any Paying Agent shall be paid directly by the County.

(g) The provisions of the Indenture shall be applicable to any Paying Agent.

ARTICLE XV

**AMENDMENTS AND SUPPLEMENTS
TO THE INDENTURE**

Section 15.1 Supplemental Indentures Without Consent of Parity Securityholders. Without the consent of or any notice to any Parity Securityholders, the County and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(a) to add to the covenants of the County for the benefit of the Parity Securityholders, or to surrender any right or power herein conferred upon the County; or

(b) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions which shall not be inconsistent with the provisions of this Indenture, provided such action shall not adversely affect the interests of the Parity Securityholders; or

(c) to subject to this Indenture additional revenues, properties or collateral; or

(d) to authorize the issuance of Additional Parity Securities; or

(e) to grant to or confer or impose upon the Trustee for the benefit of the Parity Securityholders any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Indenture as theretofore in effect, provided that no such additional liabilities or duties shall be imposed upon the Trustee without its consent; or

(f) to authorize a different denomination or denominations of the Series 1997 Warrants or Series 1997-C Warrants and to make correlative amendments and modifications to the Indenture regarding exchangeability of Series 1997 Warrants or Series 1997-C Warrants of different denominations, redemptions of portions of Series 1997 Warrants or Series 1997-C Warrants of particular denominations and similar amendments and modifications of a technical nature; or

(g) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Parity Securityholders and which does not involve a change described in Section 15.2 hereof.

Before the County and the Trustee shall enter into any Supplemental Indenture pursuant to this section, there shall have been delivered to the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the County in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Series 1997-A Warrants.

Section 15.2 Supplemental Indentures With Consent of Parity Securityholders. With the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Parity Securities, the County and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Parity Securityholders under the Indenture; provided, however, that no such Supplemental Indenture shall, without the consent of the Holder of each outstanding Parity Security adversely affected thereby,

(1) change the security for, the stated maturity or mandatory redemption date of the principal of, or any installment of interest on, any Parity Security, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, change the coin or currency in which any Parity Security or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date), or

(2) reduce the percentage in principal amount of the outstanding Parity Securities, the consent of whose Holders is required for any such Supplemental Indenture, or

(3) eliminate or modify any provision of the Indenture, the elimination or modification of which by its terms requires the consent of the Holder of each Parity Security affected thereby, or

(4) create a lien or charge on the revenues from the System ranking prior to or on a parity of lien with the lien and pledge thereon contained herein (other than for Additional Parity Securities), or

(5) establish preference or priority as between the Parity Securities.

It shall not be necessary for any written consent of any Parity Securityholder under this section to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

If at any time the County shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Parity Securityholder. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Parity Securityholders. Except in the case of a Supplemental Indenture requiring the consent of the Holder of each outstanding Parity Security adversely affected thereby, if the Holders of not less than a majority in aggregate principal amount of the Parity Securities of each series outstanding at the time of the execution of any Supplemental Indenture shall consent to and approve the execution thereof as herein no provided, no Parity Securityholder shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from executing the same or from taking any action pursuant to the provisions thereof.

Before the County and the Trustee shall enter into any Supplemental Indenture pursuant to this section, there shall have been delivered to the County and the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and the Act, complies with their respective terms, will be valid and binding upon the County in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Series 1997-A Warrants.

Section 15.3 Discretion of the Trustee. In the case of any amendments or supplements authorized under the provisions of this article, the Trustee shall be entitled to exercise its discretion in determining whether or not any proposed amendment or supplement, or any term or provision therein contained, is proper or desirable, having in view the purposes of such instrument, the needs of the County and the System and the rights and interests of the Parity Securityholders, and the Trustee shall not be under any responsibility or liability to the County or to any Parity Securityholder or to anyone whomsoever for any act or thing which it may in good faith do or decline to do under the provisions of Sections 15.1 and 15.2 hereof. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of Independent Counsel acceptable to it as conclusive evidence that any such amendment or supplement complies with the provisions hereof and that the Trustee is authorized hereunder to join in the execution of or consent to such amendment or supplement. The Trustee may, but shall not be obligated to, enter into any Supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture.

Section 15.4 Effect of Supplemental Indentures. Upon the execution of any Supplemental Indenture under this article, this Indenture shall be modified in accordance therewith and such Supplemental Indenture or supplement or amendment shall form a part of the Indenture for all purposes; and every Holder of any Parity Security theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

ARTICLE XVI

**PAYMENT AND CANCELLATION OF
THE PARITY SECURITIES
AND SATISFACTION OF THE INDENTURE**

Section 16.1 Satisfaction of Indenture. Whenever the principal of and the interest and premium (if any) on the Parity Securities and the fees, charges and disbursements of the Trustee for services performed hereunder shall have been fully paid and the County shall have performed and observed all the covenants and promises expressed in the Parity Securities and in the Indenture to be performed and observed by it or on its part, the Trustee shall, at the expense of the County, cancel, satisfy and discharge the lien of the Indenture and shall execute and deliver to the County such instruments as shall be requisite to satisfy of record the lien hereof. For purposes of the Indenture (except as may herein be expressly provided otherwise), any of the Parity Securities shall be deemed to have been fully paid when there shall have been irrevocably deposited with the Trustee for payment thereof the entire amount (principal, interest and premium, if any) due or to become due thereon until and at maturity, and, further, any Parity Securities subject to redemption shall also be deemed to have been fully paid when the County shall have deposited with the Trustee the following:

- (a) the applicable redemption price in cash of such Parity Securities, including the interest that will mature thereon to the earliest date on which they may, under the terms of the Indenture, be redeemed, and
- (b) a certified copy of a Resolution calling such Parity Securities for redemption (if, under the terms of Section 6.1 hereof, the adoption of such a Resolution is required).

In addition, any of the Parity Securities shall, for all purposes of the Indenture (except as may herein be expressly provided otherwise), be considered as fully paid if the Trustee shall be provided with each of the following:

- (1) a trust agreement between the County and the Trustee making provision for the retirement of such Parity Securities by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of such Parity Securities (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable), either by redemption prior to their respective maturities, by payment at their respective maturities or by payment of part thereof at their respective maturities and redemption of the remainder prior to their respective maturities, which said trust fund shall consist of (i) Permitted Defeasance Obligations which are not subject to redemption prior to their respective maturities at the option of the

issuer and which, if the principal thereof and the interest thereon are paid at their respective maturities, will produce funds sufficient so to provide for payment and retirement of all such Parity Securities, or (ii) both cash and such Permitted Defeasance Obligations which together will produce funds sufficient for such purpose, or (iii) cash sufficient for such purpose; provided, however, that said trust agreement shall require the Trustee to keep all cash held on deposit in such trust fund continuously secured by holding on deposit, as collateral security, Permitted Defeasance Obligations having a market value not less than the amount of cash on deposit in such trust fund;

(2) a certified copy of a Resolution calling for redemption those of such Parity Securities that, according to said trust agreement, are to be redeemed prior to their respective maturities (if, under the terms of Section 6.1 hereof, the adoption of such a Resolution is required);

(3) a certificate of a firm of certified public accountants stating that, if the principal of and the interest on the Permitted Defeasance Obligations (if any) forming part of the trust fund provided for in the preceding subparagraph (1) are paid on the respective due dates of such principal and interest, said trust fund will produce funds sufficient to provide for the full payment and retirement of such Parity Securities; and

(4) an opinion of Bond Counsel to the effect that the execution and effectuation of the trust agreement referred to in the preceding subparagraph (1) will not result in subjecting the interest income on such Parity Securities to federal income taxation.

The Trustee is hereby irrevocably authorized to give notice, in accordance with the applicable requirements of Article VI hereof, of any redemption of Parity Securities to be effected in connection with arrangements made pursuant to the provisions of this Section 16.1.

If a trust fund of the type described in subparagraph (1) of the preceding paragraph is established for payment of less than all of the Parity Securities of a particular series and maturity, the particular Parity Securities (or portions thereof) of such series and maturity to be paid from such trust fund shall be selected by the Trustee within seven days after such trust fund is established and shall be identified by a separate CUSIP number or other designation satisfactory to the Trustee. The Trustee shall notify Holders whose Parity Securities (or portions thereof) have been selected for payment from such trust fund and shall direct such Holders to surrender their Parity Securities to the Trustee in exchange for replacement securities with an appropriate CUSIP number and corresponding series and maturity designation.

Section 16.2 Destruction of Surrendered Parity Securities. Upon the surrender to the Trustee of any mutilated Parity Securities, or Parity Securities transferred or exchanged for other

Parity Securities, or Parity Securities redeemed or paid at maturity by the County, such Parity Securities shall forthwith be cancelled and destroyed by the Trustee, which shall deliver its certificate confirming such destruction to the County.

Section 16.3 Release of Funds Upon Payment of Parity Securities. Any amounts remaining in any of the Indenture Funds after payment in full of the Parity Securities, the fees, charges and expenses of the Trustee and all other amounts required to be paid hereunder shall be paid to the County.

ARTICLE XVII

PROVISIONS CONCERNING THE INSURANCE POLICY

Section 17.1 Payments Under the Insurance Policy. (a) If, on the third day preceding any Interest Payment Date for the Series 1997 Warrants, there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the Series 1997 Warrants due on such date, the Trustee shall immediately notify the Bond Insurer and State Street Bank and Trust Company, N.A., New York, New York, or its successor as the Bond Insurer's Fiscal Agent (the "Fiscal Agent"), of the amount of such deficiency. If, by said Interest Payment Date, the County has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the Bond Insurer and to the Fiscal Agent the registration books for the Series 1997 Warrants maintained by the Trustee. In addition:

(i) the Trustee shall provide the Bond Insurer with a list of the Holders of the Series 1997 Warrants entitled to receive principal or interest payments from the Bond Insurer under the terms of the Insurance Policy and shall make arrangements for the Bond Insurer and its Fiscal Agent (1) to mail checks or drafts to Warrantheolders entitled to receive full or partial interest payments from the Bond Insurer and (2) to pay principal of the Warrants surrendered to the Fiscal Agent by the Warrantheolders entitled to receive full or partial principal payments from the Bond Insurer; and

(ii) the Trustee shall, at the time it makes the registration books available to the Bond Insurer, notify Warrantheolders entitled to receive payment of principal of or interest on the Series 1997 Warrants from the Bond Insurer (1) as to the fact of such entitlement, (2) that the Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Insurance Policy, (3) that, except as provided in paragraph (b) below, in the event that any Warrantheolder is entitled to receive full payment of principal from the Bond Insurer, such Warrantheolder must tender his Series 1997 Warrant to the Fiscal

Agent with the instrument of transfer in the form provided on the Series 1997 Warrant executed in the name of the Bond Insurer, and (4) that, except as provided in paragraph (b) below, in the event that such Warrantholder is entitled to receive partial payment of principal from the Bond Insurer, such Warrantholder must tender his Series 1997 Warrant for payment first to the Trustee, which shall note on such Series 1997 Warrant the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Bond Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Warrantholder subject to the terms of the Insurance Policy.

(b) In the event that the Trustee has notice that any payment of principal of or interest on a Series 1997 Warrant has been recovered from a Warrantholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer, notify all Holders of Series 1997 Warrants that, in the event that any Warrantholder's payment is so recovered, such Warrantholder will be entitled to payment from the Bond Insurer to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Series 1997 Warrants which have been made by the Trustee and subsequently recovered from Warrantholders, and the dates on which such payments were made.

(c) The Bond Insurer shall, to the extent it makes payment of principal of or interest on the Series 1997 Warrants, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Holders of such Series 1997 Warrants and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books for the Series 1997 Warrants maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Holders of such Series 1997 Warrants. Notwithstanding anything in the Indenture or the Series 1997 Warrants to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the Bond Insurer to the extent that the Bond Insurer is a subrogee with respect thereto.

Section 17.2 Information to be Provided to the Bond Insurer. The Bond Insurer shall be provided with the following information:

(a) within 180 days after the end of each Fiscal Year of the County, a copy of the County's budget for the then current Fiscal Year, a copy of the County's annual audited financial statements for the most recently completed Fiscal Year, a statement of the amount on deposit in the Reserve Fund as of the last valuation and, if not presented in the audited financial statements, a statement

of the net revenues pledged to payment of the Parity Securities for the most recently completed Fiscal Year;

(b) the Official Statement or other disclosure document, if any, prepared in connection with the issuance of additional debt instruments payable from the System Revenues, whether or not such instruments constitute Additional Parity Securities, within 30 days after the sale thereof;

(c) notice of any draw upon, or any deficiency due to market fluctuation in the amount on deposit in, the Reserve Fund;

(d) notice of the redemption, other than mandatory sinking fund redemption, of any of the Parity Securities, including the principal amount, maturities and CUSIP numbers thereof;

(e) simultaneously with the delivery of the County's annual audited financial statements:

(i) the number of System users as of the end of the most recently completed Fiscal Year;

(ii) notification of the withdrawal of any System user responsible for 5% or more of System Revenues since the last reporting date;

(iii) any significant plant retirements or expansions planned or undertaken in the System's service area since the last reporting date;

(iv) maximum and average daily System usage for the most recently completed Fiscal Year;

(v) any updated capital plans for expansion and improvement projects; and

(vi) results of any annual engineering inspections.

(f) such additional information as the Bond Insurer may reasonably request from time to time.

Section 17.3 Miscellaneous Special Provisions Respecting the Bond Insurer and the Bond Insurance Policy. (a) In determining whether a payment default has occurred or whether a payment on the Series 1997-A Warrants or Series 1997-B Warrants has been made under the Indenture, no effect shall be given to payments made under the Insurance Policy.

(b) The Bond Insurer shall receive immediate notice of any default in payment of principal of or interest on the Series 1997 Warrants and notice of any other Event of Default known to the Trustee within 30 days of the Trustee's knowledge thereof.

(c) For all purposes of Article XIII of the Indenture, except the giving of notice of default to Warrant holders, the Bond Insurer shall be deemed to be the sole holder of the Series 1997 Warrants it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy.

(d) No resignation or removal of the Trustee shall become effective until a successor has been appointed and has accepted the duties of Trustee. The Bond Insurer shall be furnished with written notice of the resignation or removal of the Trustee and the appointment of any successor thereto.

(e) The Bond Insurer shall be treated as a party in interest and as a party entitled to (i) notify the Trustee of the occurrence of an Event of Default and (ii) request the Trustee to intervene in judicial proceedings that affect the Series 1997 Warrants or the security therefor.

(f) Any amendment or supplement to the Indenture shall be subject to the prior written consent of the Bond Insurer. The Bond Insurer shall be deemed to be the holder of all outstanding Series 1997 Warrants for the purpose of consenting to any proposed amendment or supplement to the Indenture (except for any such amendment or supplement that, under the provisions of the Indenture, requires the consent of the Holder of each outstanding Series 1997 Warrant). Any rating agency rating any of the Series 1997-A Warrants or Series 1997-B Warrants must receive notice of each amendment or supplement hereafter executed and a copy thereof at least fifteen days in advance of its execution or adoption.

(g) The Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any Supplemental Indenture hereafter executed.

(h) Any notices to the Bond Insurer or the Fiscal Agent pursuant to the Indenture shall be sent to the following addresses (unless and until different addresses are specified in writing to the County and the Trustee):

Financial Guaranty Insurance Company
115 Broadway
New York, New York 10006
Attention: General Counsel

State Street Bank and Trust Company, N.A.
61 Broadway
New York, New York 10006
Attention: Corporate Trust Department

ARTICLE XVIII

MISCELLANEOUS PROVISIONS

Section 18.1 **Disclaimer of General Liability.** It is hereby expressly made a condition of the Indenture that any agreements, covenants or representations herein contained or contained in the Parity Securities do not and shall never constitute or give rise to any personal or general pecuniary liability or charge against the general credit or taxing powers of the County, and in the event of a breach of any such agreement, covenant or representation, no personal or general pecuniary liability or charge payable directly or indirectly from the general revenues of the County shall arise therefrom. Nothing contained in this section, however, shall relieve the County from the observance and performance of the several covenants and agreements on its part herein contained.

Section 18.2 **Counterparts.** The Indenture may be executed in several counterparts, and each executed copy shall constitute an original instrument but such counterparts shall together constitute but one and the same instrument.

Section 18.3 **Notices.** All notices, demands and requests to be given or made hereunder shall be deemed sufficient and properly given or made if in writing and sent by United States first class mail, postage prepaid, or sent by an electronic method capable of producing a written document, addressed as follows:

(a) If to the County:

Jefferson County
Jefferson County Courthouse
Birmingham, Alabama 35203
Attention: President of County Commission

(b) If to the Trustee:

AmSouth Bank of Alabama
Post Office Box 11426
Birmingham, Alabama 35202
Attention: Corporate Trust Department

The County and the Trustee may, by like notice, designate any further or different addresses to which subsequent notices shall be sent.

Section 18.4 Retention of Moneys for Payment of Parity Securities. Should any of the Parity Securities not be presented for payment when due, whether by maturity or otherwise, or should it be impossible for the Trustee to pay the interest on any of the Parity Securities as such interest becomes due, the Trustee shall, subject to the provisions of any applicable escheat or other similar law, retain from any moneys transferred to it for the purpose of paying the principal of and the interest and premium (if any) on such Parity Securities, for the benefit of the Holders thereof, a sum of money sufficient to pay such principal and premium (if any) when the appropriate Parity Securities are presented by the Holders thereof for payment and to pay such interest when it becomes possible to do so (upon which sum the Trustee shall not be required to pay interest). All liability of the County to the Holders of such Parity Securities and all rights of such Holders against the County under such Parity Securities or under the Indenture in respect of such principal, interest and premium (if any) shall thereupon cease and terminate, and the sole right of such Holders in respect of such principal, interest and premium (if any) shall thereafter be against such sum of money retained by the Trustee. If the principal of or any interest or premium on any Parity Security shall not be paid within a period of ten (10) years following the date when such principal, interest or premium first becomes due, whether by maturity or otherwise, the Trustee shall, subject to the provisions of any applicable escheat or other similar law, pay to the County any moneys theretofore retained by it for the payment of such principal, interest or premium. After the payment to the County of any moneys retained by the Trustee for the payment of any principal of or interest or premium on any of the Parity Securities, such principal, interest or premium shall (subject to the defense of any applicable statute of limitation) be an unsecured obligation of the County.

Section 18.5 Payments Not Due on Business Day. In any case where the date of maturity of the principal of or the interest or premium (if any) on the Parity Securities, or the date fixed for redemption of any Parity Securities, shall not be a Business Day, then payment of such principal, interest and premium (if any) need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on such date of maturity or such date fixed for redemption, and no interest shall accrue for the period after such date of maturity or date fixed for redemption, as the case may be.

Section 18.6 Form of Requests, etc., by Parity Securityholders. Any request, direction or other instrument required to be signed or executed by Parity Securityholders may be in any number of concurrent instruments of similar tenor, signed, or executed in person or by agent appointed in writing. Such signature or execution may be proved by the certificate of a notary public or other officer at the time authorized to take acknowledgments to deeds to be recorded in the State of Alabama, stating that the signer was known to him and acknowledged to him the execution thereof.

Section 18.7 Notice to Rating Agencies. The Trustee shall give written notice of any Supplemental Indenture or any other modification to documents or agreements respecting the

rights or duties of the County or the Trustee with respect to any of the Parity Securities to each Rating Agency that has outstanding a rating with respect to any of the Parity Securities. Such notice shall be given to each Rating Agency within five Business Days after the date on which the Supplemental Indenture, amendment or modification requiring such notice shall become effective.

Section 18.8 Severability. In the event any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 18.9 Article and Section Captions. The article and section headings and captions contained herein are included for convenience only and shall not be considered a part hereof or affect in any manner the construction or interpretation hereof.

Section 18.10 Indenture Governed by Alabama Law. The Indenture shall in all respects be governed by and construed in accordance with the laws of the State of Alabama.

Section 18.11 Binding Effect. The Indenture shall inure to the benefit of, and shall be binding upon, the County and the Trustee and their respective successors and assigns.

IN WITNESS WHEREOF, the County has caused this Indenture to be signed in its name by the President of the Governing Body and its official seal to be hereunto affixed and the said seal to be attested by the Minute Clerk of the Governing Body, and the Trustee, to evidence its acceptance of the trusts hereby created, has caused this Indenture to be executed in its corporate name and behalf by its duly authorized officer and its corporate seal to be hereunto affixed and the said seal to be attested by its duly authorized officer, all of whom are hereunto duly authorized, and the parties hereto have caused this Indenture to be dated as of February 1, 1997, although actually executed and delivered on February 27, 1997.

JEFFERSON COUNTY, ALABAMA

By Mary M Buckelew
President of the County Commission

ATTEST:

Virginia Dair
Minute Clerk
of the County Commission

[SEAL]

AMSOUTH BANK OF ALABAMA

By Renee Ragland
Its CORPORATE TRUST OFFICER

ATTEST:

Kerilee Porter
ASSISTANT VICE PRESIDENT
AND CORPORATE TRUST OFFICER

[SEAL]

STATE OF ALABAMA)
 :
 JEFFERSON COUNTY)

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that MARY BUCKELEW, whose name as President of the County Commission of JEFFERSON COUNTY, ALABAMA, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the said instrument, she, as such officer and with full authority, executed the same voluntarily for and as the act of said County.

GIVEN under my hand and seal, this 26th day of February, 1997.

[NOTARIAL SEAL]

James K. Miller
Notary Public
My Commission Expires: 2/17/99

STATE OF ALABAMA)
 :
 JEFFERSON COUNTY)

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that Renee Rayland, whose name as Corporate Trust Officer of AMSOUTH BANK OF ALABAMA, an Alabama banking corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said banking corporation.

GIVEN under my hand and seal, this 26th day of February, 1997.

[NOTARIAL SEAL]

James K. Miller
Notary Public
My Commission Expires: 2/17/99

**UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

IN RE:)
)
JEFFERSON COUNTY, ALABAMA,)
)
Debtor.) CASE NO.: 11-05736-TBB-9
)
) CHAPTER 9
)

**RESPONSE OF INDENTURE TRUSTEE AND THE NAMED WARRANTHOLDERS
AND INSURERS TO JEFFERSON COUNTY'S INVITATION TO ADDRESS THE
JEFFERSON COUNTY COMMISSION AT THE NEXT SEWER RATE HEARING**

The Bank of New York Mellon, in its capacity as Indenture Trustee (the "Trustee") for \$3.6 billion in original principal amount of special revenue sewer warrants (the "Sewer Warrants"), files this response to Jefferson County's Notice of Invitations to Address the Jefferson County Commission at the Next Sewer Rate Hearing (the "Debtor's Invitation"). The Trustee is filing this response on behalf of itself and certain Warrantholders and Insurers (the Named Warrantholders and Insurers (as defined in footnote 1 below) together with the Trustee, the "Invitees").¹ The Debtor's Invitation was filed on the docket in the above-referenced case on June 25, 2012 (Doc. No. 1090), and therefore, the Trustee is filing its response with the Court. The Invitees' position regarding sewer rates is now well known as it has been set forth and supported in numerous federal and state court hearings and pleadings. See e.g., The Receiver's

¹ The Notice filed by the Debtor indicated that invitations to "testify" at its next public hearing on sewer rates were sent to the Indenture Trustee, JPMorgan Chase Bank, N.A., Bank of America, Bank of Nova Scotia, Société Générale, Bank of New York Mellon, State Street Bank and Trust Company, Lloyds TSB Bank PLC, Assured Guaranty Municipal Corp. and Syncora Guarantee Inc. (the "Named Warrantholders and Insurers"). The Trustee understands that each of the Named Warrantholders and Insurers agrees with the Trustee's Response set forth herein and that none of them intend to appear at the public hearings. The Notice further indicates that Financial Guaranty Insurance Company ("FGIC") was also invited to "testify". The Trustee understands that FGIC reserves all of its rights and does not intend to appear at the public hearings.

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First Interim Report. Consequently, the Invitees do not intend to participate in the Debtor's Sewer Rate Hearings. The Invitees are, however, willing to meet with the County's representatives to discuss their position, including their views on an appropriate rate structure, and to engage in good faith discussions regarding the terms of a plan of adjustment. For now, the Invitees' response to the Debtor's Invitation is as follows:

1. The "public hearings" that the Debtor and its Commission have scheduled are not a part of any rate-making procedures required under Alabama law, do not provide for sworn testimony subject to cross examination, and are not administrative hearings or adjudications. Rather, the hearings have been described by the County in its First Periodic Status Report Concerning the Sewer Ratemaking Process [Doc. No. 1070] as a learning process for the Commission and to "assist the Commission and the public in understanding the rate-making process." (Status Report, p. 2.) The Trustee, on its own behalf and on behalf of all Warrantholders and Insurers, reserves all rights and remedies under that certain Trust Indenture dated February 1, 1997, and all supplemental Indentures (the "Indenture"), the related documents and applicable law, and any participation or lack of participation in the Commission's public hearings is without prejudice to those rights and remedies.

2. The County received more than \$3.6 billion from the Warrantholders pursuant to the Indenture to pay for expansion and improvement of the Debtor's sewer system (the "System"), including paying for federally required improvements to (1) protect the health and welfare of all County residents and (2) improve the quality of the Cahaba and Black Warrior rivers.² Due to the County's continuous defaults under the Indenture since 2008, the Trustee has been forced to litigate with the Debtor for four years in a federal receivership action, an Alabama

² The Invitees note that despite the County-wide benefit of these improvements and expansions, to date, the County has determined that the substantial cost should be borne only by customers of the System.

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state court receivership action, and now this chapter 9 bankruptcy case. The state receivership court appointed a receiver to manage the System due to these defaults, one of which is the County's failure, since January 1, 2008, to adhere to the rate covenant in the Indenture that requires it to raise sewer rates. Throughout all of those proceedings, the Trustee has consistently reiterated and supported its position that the County is obligated under the express terms of the Indenture to repay the Sewer Warrants in full, and to "fix, revise, and maintain" sewer rates sufficient to pay the Sewer Warrants and to operate and maintain the System. Put simply, the Debtor is required to comply with the rate covenant and the other covenants set forth in the Indenture. The County has chosen not to comply with its obligations. The Debtor does not need to extend an invitation to the Invitees to elicit these views, as they are already well known by the County Commission and have been well established in numerous hearings and pleadings in both state and federal courts over the last four years.

3. Not only are the County and the County Commission fully aware of the Trustee's views, but the County and County Commission have been repeatedly advised, at significant expense, over many years by their own past and present consultants, and by court-appointed special masters and a court-appointed receiver, that the sewer system rates can and should be raised. Implementing even some of these recommended rate increases would provide sufficient revenues to allow the County to pay all of the sewer obligations in full. Indeed, when the County Commission voted not to honor its rate covenant under the Indenture and suspended its 1997 Rate Adjustment Resolution on December 16, 2008, the County did so because "... [suspending] the Rate Adjustment Resolution will allow the Commission to act directly on System Rates after consulting with and considering the recommendation of the Special Masters and the County's consultants." Three and one-half years ago the Commission found that "... [t]his action is

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necessary for the Commission to balance and discharge its duties to creditors, rate payers and the environment under the Indenture, the Consent Decree and applicable law.” See Jefferson County Commission resolution Dec. 16, 2008-1373.³ The Commission has in its possession at least seven reports advising the County that sewer rates should and can be increased, including the following: (i) the Red Oak Consulting Final Technical Report for the Jefferson County Environmental Services Department dated January 31, 2007; (ii) the Raftelis Financial Consultants, Inc., Jefferson County Commission Comprehensive Wastewater Cost of Service and Rate Study Report dated February 3, 2010; (iii) the BE & K Engineering Company 2003 Final Report; (iv) the Paul B. Krebbs & Associates, Inc., Analysis of Sources of Revenue for the Jefferson County Environmental Services Department dated March 31, 2002; (v) the Raftelis Financial Consultants, Inc., 2008 draft report, (vi) the Report of the Special Master’s Assessment of the Jefferson County Environmental Services Department dated January 20, 2009 (Trial Exhibit M.3 to the November 2011 stay hearing, Doc. No. 257); and (vii) the Receiver’s First Interim Report on Finances, Operations, and Rates of the Jefferson County Sewer System filed in State Court Action CV-2009-02318 dated June 14, 2011 (Trial Exhibit M.4 to the November 2011 stay hearing, Doc. No. 257). In the past, the County Commission has ignored the advice of its own consultants to set rates at the level necessary to create a sound financial foundation for the System and to repay its sewer related obligations.

4. The Trustee and other Invitees are skeptical that these public hearings are anything but a further effort to delay the process, but are hopeful that the County Commission is finally serious about implementing the necessary (albeit politically unpopular) rate increases to return the System to financial health. The County’s inaction continues to irreparably harm the

³ The special masters referenced in the resolution filed their reports three and one-half years ago, but the County has still not raised rates.

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Trustee and all of the Warranholders and Insurers. As the Bankruptcy Court recognized, the delays in implementing rate increases, which merely forestall the inevitable, generally aggravate the problem. (Transcript of May 3, 2012 Bankruptcy Court Hearing, p. 11-12) Over the last four years, the County's water rates have increased 30%, yet the County has failed to raise sewer rates.⁴ Eric Rothstein, the consultant hired by the County's lawyers, has previously testified under oath that in ninety days he could design a complete program of rate increases to repay the sewer debt in full. (Transcript of April 12, 2012 Bankruptcy Court Hearing p.264 l.20-p.265 l.18). Likewise, a year ago the Receiver for the sewer system set out in detail, with technical support, the rate increases and structural changes that should have been implemented in 2011. Despite their own expert's testimony, a plethora of consultants' reports and studies, and the Special Master's and Receiver's recommendations, the County has failed during the six months it has regained control of the System to even announce, let alone implement, a program of rate increases. Moreover, the County has advised that it does not intend to do so until September 2012, at the earliest, despite the fact that the County has failed to raise rates since January 1, 2008, and continues to exhibit no urgency to do so.

5. The Invitees's counsel are available at a mutually agreeable time and place to discuss with the County's counsel the Invitees' view on a future rate structure which the County can and should implement. Since the commencement of this case, the County's counsel has not solicited the views of the Invitees' counsel to discuss rate structure proposals. Rather, the County has used the bankruptcy process as a forum to relitigate issues previously decided in the

⁴ See: http://blog.al.com/spotnews/2011/10/birmingham_water_works_board_a_2.html;
http://blog.al.com/spotnews/2010/12/water_bills_from_birmingham_wa.html;
http://www.birminghamwaterworks.com/index.php?option=com_content&task=view&id=228&Itemid=88;
http://blog.al.com/birmingham-news-commentary/2009/01/birmingham_water_works_13_perc.html;
http://www.birminghamwaterworks.com/index.php?option=com_content&task=view&id=158.

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Receivership Case and to unsuccessfully try to rewrite the Indenture to the detriment of the Warranholders.

6. The Trustee and the other Invitees expect the County Commission to take immediate, appropriate action to enable the County to repay the funds that it borrowed from the Warranholders. While the Trustee and the other Invitees are prepared to discuss with the County an appropriate rate structure and plan of adjustment, the Trustee, the Insurers, the Invitees and Warranholders reserve all of their rights to seek appropriate relief from the Bankruptcy Court or the state court at any time, including seeking an order directing the Debtor to implement rate enhancements in an amount necessary to pay back the money that the County has borrowed.

Respectfully submitted on this the 17th day of July, 2012.

By: /s/ Larry B. Childs
Larry B. Childs
Brian J. Malcom
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- and -

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*Attorneys for The Bank of New York
Mellon, as Indenture Trustee*

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CERTIFICATE OF SERVICE

I hereby certify that the foregoing was filed and served by the Court's electronic case filing and noticing system to all parties registered to receive electronic notices in this matter and via email or via first class mail as stated below to the following, this 17th day of July, 2012.

PARTIES SERVED VIA E-MAIL

Jefferson County, Alabama c/o Patrick Darby c/o Jay Bender Bradley Arant Boult Cummings LLP 1819 Fifth Avenue North Birmingham, AL 35203 pdarby@babbc.com jbender@babbc.com	Jefferson County Special Counsel J.F. "Foster" Clark, Esq. Balch & Bingham, LLC 1901 6th Avenue North 2600 AmSouth Harbert Plaza Birmingham, AL 35203-4644 fclark@balch.com
Jefferson County, Alabama c/o Kenneth Klee c/o Lee Bogdanoff c/o Robert J. Pfister Klee, Tuchin, Bogdanoff & Stern, LLP 1999 Avenue of the Stars, Thirty-Ninth Floor Los Angeles, CA 90067-5061 kklee@ktbslaw.com lbogdanoff@ktbslaw.com rpfister@ktbslaw.com	Jefferson County Special Counsel J. Hobson Presley, Jr. Presley Burton & Collier, LLC 2031 11 th Avenue South Birmingham, AL 35205-2801 hpresley@presleyllc.com
Jefferson County Attorney Jeffrey M. Sewell, County Attorney Room 280, Jefferson County Courthouse 716 North Richard Arrington Jr. Blvd. Birmingham, AL 35203 sewellj@jccal.org	Bankruptcy Administrator for the Northern District of Alabama (Birmingham) Office of the Bankruptcy Administrator c/o J. Thomas Corbett, Esq. United States Bankruptcy Court Robert S. Vance Federal Building 1800 5th Ave. North Birmingham AL 35203 Thomas.Corbett@alnaba.uscourts.gov

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<p>The Bank of New York Mellon, as Indenture Trustee c/o Gerald F. Mace, Esq. c/o Michael R. Paslay, Esq. c/o Dave E. Lemke, Esq. c/o Ryan K. Cochran, Esq. c/o Paul S. Davidson, Esq. Waller Lansden Dortch & Davis, LLP 511 Union Street, Suite 2700 Nashville, TN 37219 Gerald.Mace@wallerlaw.com Mike.Paslay@wallerlaw.com David.Lemke@wallerlaw.com Ryan.Cochran@wallerlaw.com Paul.Davidson@wallerlaw.com</p>	<p>The Bank of New York Mellon, as Indenture Trustee c/o Larry Childs, Esq. c/o Brian J. Malcom, Esq. c/o Heath A. Fite, Esq. Waller Lansden Dortch & Davis, LLP Regions Harbert Plaza 1901 Sixth Avenue North, Suite 1400 Birmingham, AL 35203 Larry.Childs@wallerlaw.com Brian.Malcom@wallerlaw.com Heath.Fite@wallerlaw.com</p>
<p>The Bank of New York Mellon, as Indenture Trustee c/o Bridget M. Schessler The Bank of New York Mellon Trust Company, N.A. 525 William Penn Place, 7th Floor Pittsburgh, PA 15259 Bridget.schessler@bnymellon.com</p>	<p>JPMorgan Chase Bank, as Liquidity Agent c/o Steve Fuhrman Simpson Thacher & Bartlett LLP 425 Lexington Avenue New York, New York 10017 sfuhrman@stblaw.com</p>
<p>The Bank of New York Mellon c/o Debra L. Felder Orrick, Herrington, & Sutcliffe LLP Columbia Center 1152 15th Street, N.W. Washington, D.C. 20005-1706 dfelder@orrick.com</p>	<p>The Bank of New York Mellon c/o Thomas C. Mitchell Orrick, Herrington & Sutcliffe LLP The Orrick Building 405 Howard Street San Francisco, CA 94105-2669 tmitchell@orrick.com</p>
<p>U.S. Bank, National Association, as Paying Agent 2204 Lakeshore Drive Suite 302 Mail Code: EX-AL-WWPH Homewood, AL 35209 felicia.cannon@usbank.com</p>	<p>The Bank of New York Mellon Sirote & Permut, P.C. c/o Stephen B. Porterfield c/o Donald Wright 2311 Highland Avenue South Birmingham, AL 35205 sporterfield@sirote.com dwright@sirote.com</p>

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<p>Bank of America, N.A. c/o David L. Eades c/o Daniel G. Clodfelter c/o David S. Walls Moore & Van Allen, PLLC 100 North Tryon Street, Suite 4700 Charlotte, NC 28202-4003 davideades@mvalaw.com danclodfelter@mvalaw.com davidwalls@mvalaw.com</p>	<p>Blue Ridge Investments Affiliate of Bank of America, N.A. c/o Cathleen Curran Moore Burr & Forman LLP 420 20th Street, Suite 3400 Birmingham, AL 35203 cmoore@burr.com</p>
<p>Blue Ridge Investments, LLC Affiliate of Bank of America, N.A. c/o David L Eades c/o Daniel G. Clodfelter c/o David S. Walls Moore & Van Allen, PLLC 100 North Tryon Street, Suite 4700 Charlotte, NC 28202-4003 davideades@mvalaw.com danclodfelter@mvalaw.com davidwalls@mvalaw.com</p>	<p>JPMorgan Chase Bank c/o Steve M. Fuhrman, Esq. c/o Ian Dattner c/o Mary Beth Forshaw c/o Elisha David Graff c/o Thomas C. Rice Simpson Thacher & Bartlett LLP 425 Lexington Avenue New York, NY 10017 sfuhrman@stblaw.com idattner@stblaw.com mforshaw@stblaw.com egraff@stblaw.com trice@stblaw.com</p>
<p>Bank of America, N.A. c/o Joe A. Joseph c/o Clifton C. Mosteller c/o Cathleen Curran Moore Burr & Forman LLP 420 North 20th Street, Suite 3400 Birmingham, AL 35203 jjoseph@burr.com cmostell@burr.com cmoore@burr.com</p>	<p>Regions Bank c/o Jayna Partain Lamar c/o J. Leland Murphree Maynard Cooper & Gale, P.C. AmSouth/Harbert Plaza, Suite 2400 1901 6th Avenue North Birmingham, AL 35203-2618 jlamar@maynardcooper.com lmurphree@maynardcooper.com</p>

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<p>State Street Bank and Trust Company c/o William W. Kannel c/o Adrienne K. Walker Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. One Financial Center Boston, MA 02111 wkannel@mintz.com awalker@mintz.com</p>	<p>Regions Bank, as Trustee c/o Brian P. Hall Smith, Gambrell & Russell, LLP Promenade II, Suite 3100 1230 Peachtree Street, N.E. Atlanta, Georgia 30309-3592 bhall@sgrlaw.com</p>
<p>State Street Bank and Trust Company Sirote & Permut, P.C. c/o Stephen B. Porterfield c/o Donald Wright 2311 Highland Avenue South Birmingham, AL 35205 sporterfield@sirote.com dwright@sirote.com</p>	<p>Financial Guaranty Insurance Company c/o William H. Patrick, III c/o Tristan E. Manthey c/o Cherie Dessauer Nobles Heller, Draper, Patrick & Horn, L.L.C. 650 Poydras Street, Suite 2500 New Orleans, Louisiana 70130-6103 wpatrick@hellerdraper.com tmanthey@hellerdraper.com cnobles@hellerdraper.com</p>
<p>Societe Generale c/o Mark J. Fiekers c/o Joyce T. Gorman Ashurst LLP 1875 K Street N.W., Suite 750 Washington, DC 20006 mark.fiekers@ashurst.com joyce.gorman@ashurst.com</p>	<p>Financial Guaranty Insurance Company c/o H. Slayton Dabney, Jr. Dabney, PLLC 303 Grande Court Richmond, Virginia 23229 sdabney@dabneypllc.com</p>

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<p>Financial Guaranty Insurance Company c/o Robert K. Spotswood c/o Michael T. Sansbury c/o Emily J. Tidmore c/o Grace L. Kipp Spotswood Sansom & Sansbury LLC 940 Concord Center 2100 Third Avenue North Birmingham, Alabama 35203 rks@spotswoodllc.com msansbury@spotswoodllc.com etidmore@spotswoodllc.com gkipp@spotswoodllc.com</p>	<p>Receiver for County's Sewer System John S. Young, Jr. LLC, as Receiver c/o Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. Timothy M. Lupinacci, Esq. W. Patton Hahn, Esq. Max A. Moseley, Esq. Daniel J. Ferretti, Esq. Bill D. Bensinger, Esq. Joe A. Conner 1600 Wells Fargo Tower Birmingham, AL 35203 tlupinacci@bakerdonelson.com phahn@bakerdonelson.com mmoseley@bakerdonelson.com dferretti@bakerdonelson.com bbensinger@bakerdonelson.com</p>
<p>Assured Guaranty Municipal Corp. c/o Winston & Strawn LLP Lawrence A. Larose, Esq. Samuel S. Kohn, Esq. Sarah L. Trum, Esq. 200 Park Avenue New York, New York 10166-4193 llarose@winston.com skohn@winston.com strum@winston.com</p>	<p>Receiver for County's Sewer System John S. Young, Jr. LLC, as Receiver c/o Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. Joe A. Conner 1800 Republic Centre 633 Chestnut Street Chattanooga, TN 37450 jconner@bakerdonelson.com</p>
<p>Assured Guaranty Municipal Corp. c/o Mark P. Williams Norman, Wood, Kendrick & Turner Financial Center – Suite 1600 505 20th Street North Birmingham, AL 35203 mpwilliams@nwkt.com</p>	<p>Jefferson County Personnel Board c/o Lee R. Benton c/o Jamie A. Wilson Benton & Centeno, LLP 2019 3rd Avenue North Birmingham, AL 35203 lbenton@bcattys.com jwilson@bcattys.com</p>

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<p>Syncora Guarantee, Inc. c/o Quinn Emanuel Urquhart & Sullivan, LLP c/o Jonathan E. Pickhardt c/o Jake M. Shields c/o Susheel Kirpalani c/o Daniel Holzman c/o Eric Kay c/o Katherine Scherling c/o Robert S. Loigman c/o Xochitl Strohbahn 51 Madison Avenue, 22nd Floor New York, NY 10010 jonpickhardt@quinnemanuel.com jakeshields@quinnemanuel.com susheelkirpalani@quinnemanuel.com danielholzman@quinnemanuel.com erickay@quinnemanuel.com katherinescherling@quinnemanuel.com robertloigman@quinnemanuel.com xochitlstrohbahn@quinnemanuel.com</p>	<p>Bayern LB c/o Joseph Campagna Vice President 560 Lexington Avenue New York, New York 10022 icampagna@bayernlbny.com</p>
<p>Bayern LB c/o Edward A. Smith Venable Rockefeller Center 1270 Avenue of the Americas Twenty-fifth Floor New York, NY 10020 EASmith@Venable.com</p>	<p>Ambac Assurance Corporation c/o Charles L. Denaburg Najjar Denaburg, P.C. 2125 Morris Avenue Birmingham, AL 35203 cdenaburg@najjar.com</p>
<p>Societe Generale c/o Jack Rose Ashurst LLP Times Square Tower 7 Times Square New York, NY 10036 Jack.rose@ashurst.com</p>	<p>Ambac Assurance Corporation c/o Miles W. Hughes c/o William P. Smith c/o Robert A. Dall'Asta c/o Greg Kopacz McDermott Will & Emery LLP 227 West Monroe Street Chicago, Illinois 60606 mwhughes@mwe.com wsmith@mwe.com rdallasta@mwe.com gkopacz@mwe.com</p>

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This the 17th day of July, 2012.

/s/ Larry B. Childs
Of Counsel

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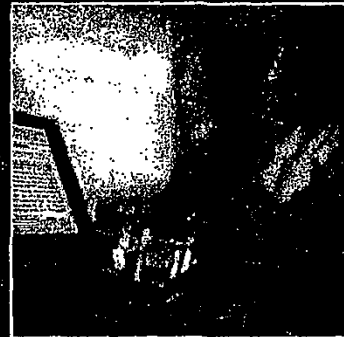
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Jefferson County Environmental Services Department

Final Report

Final Technical Report



January 31, 2007
3286014

Pathways to Lasting Solutions

**REDOAK
CONSULTING**
A DIVISION OF MALCOLM PIRNIE

Jeffco-000176

**JEFFERSON COUNTY ENVIRONMENTAL SERVICES
DEPARTMENT
FINAL TECHNICAL REPORT**

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**JEFFERSON COUNTY ENVIRONMENTAL SERVICES
DEPARTMENT**

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Jefferson County Environmental Services Department

Final Technical Report

1

Introduction

1. Introduction

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Pathways to Lasting Solutions



1.0 INTRODUCTION

1.1. Background

Jefferson County, (the "County"), is Alabama's most populated county and is the principal center of finance, trade, healthcare, manufacturing, transportation and education in the State of Alabama. Birmingham, the State's largest city, is the county seat. In addition to Birmingham, forty-five other municipalities are located within the County's 1,141 square mile area. The Birmingham-Hoover Metropolitan Statistical Area is spread over a seven county area including the counties of Bibb, Blount, Chilton, Jefferson, Saint Clair, Shelby and Walker. Jefferson County, which had a population of 663,047 in 2000, is the center of the seven-county, Birmingham-Hoover area.

The County and Birmingham have experienced steady population growth over the years. Although the City experienced an 8.7 percent loss in population between 1990 and 2000, the greater seven county area of Birmingham-Hoover grew 12.37 percent from 1990 to 2003. It is anticipated that most of the population growth in the Birmingham-Hoover area will continue to occur outside the city limits of Birmingham. Jefferson County's population has been in the range of 660,000 since 1990.

A majority of the sewer customers in the County receive water service from the Birmingham Water Works Board system or other city-owned water systems. Jefferson County sewer customers receiving water service from Birmingham Water Works Board and Bessemer are billed for sewer service on their monthly water bills issued by these Cities. The remaining sewer customers are billed by and pay directly to the County. Some industrial and/or commercial customers are subject to a surcharge based on the strength of their waste effluent. This surcharge is administered by the County.

Jefferson County's Department of Environmental Services is responsible for the construction, operation and maintenance of the County's sewage disposal plants, sewage lines and landfills. In total, the Department employs approximately 495. Environmental Services functions are organized into five divisions pertaining to the sanitary system: Finance, Administration, Engineering & Construction, Wastewater Treatment Plants and Barton Laboratory. The responsibilities of each department are provided in the mission statements below:

Finance: "The Finance Department's mission is to provide efficient and effective fiduciary services to achieve county-wide goals required by citizens, employees, and County departments. Finance Department responsibilities encompass accounting, accounts payable, accounts receivable, auditing, cash management and investments, debt management and investor relations, inventory management, sewer billing and purchasing."

Administration: "The Sanitation Administration Division of Environmental Services is responsible for providing management direction and coordinating efforts to all phases of the operation of the County-wide sewage and landfill operations as well as the development of treatment plants and trunk sewers. The department is responsible for developing policies and procedures that guide the operation of Environmental Services wastewater treatment plants and direct the maintenance and construction activity for the unified County Sewer System."

Engineering & Construction: "Sanitary Engineering and Construction Administration provides for the overall direction, supervision, secretarial and office management for the construction, surveying and inspection of sewer projects and development. The department manages and directs the activities of sewer line construction, maintenance and inspection crews to ensure compliance with all applicable environmental rules and regulations."

Wastewater Treatment Plants: "The Wastewater Treatment Plant department of Environmental Services is responsible for the operation of County wastewater treatment plants within the discharge permits issued by the Alabama Department of Environmental Management in cooperation with the U.S. Environmental Protection Agency (EPA) under Public Law 92-500."

Barton Laboratory: "Barton Laboratory has the responsibility for operations of a quality assessment laboratory for Jefferson County programs concerned with the environment and coordinates environmental regulatory activities for the Department of Environmental Services with federal and state regulatory agencies."

The Department currently faces significant financial challenges resulting from:

- a federal Consent Decree requiring the elimination of sewer overflows and compliance with all requirements of the Clean Water Act by 2007,
- agreement by the Department to take responsibility for a consolidated sewer system serving 21 municipalities in the County, and
- a doubling of Consent Decree cost estimates from \$1.5 billion in 1999 to a current estimate of \$3.05 billion.

A report reviewing the Department's efforts to meet these challenges, prepared by a consulting team headed by BE&K Engineering Company, has identified a number of

opportunities for the Department to enhance the effectiveness and efficiency of its resources. Specifically, the report pointed out the need for long-term financial planning, including a rate study and affordability analysis.

1.2. Scope of Services

Malcolm Pirnie prepared our project approach to include the following Scope of Services:

- Develop a comprehensive baseline financial model and assist the County with preparing a basis for a long-term financial plan that achieves the County's revenue sufficiency requirements
- Evaluate the impact and feasibility of enhancing the County's overall revenue base to reduce the sewer rate revenue requirements including but not limited to a review of other revenue sources such as the Ad Valorem tax
- Perform a cost of service analysis to associate with the sewer services provided by the County including the evaluation of various fees and charges and the use of such fees
- Review the sewer customer class (residential, commercial and industrial) and allocate the cost of services to each customer class
- Review alternative sewer rate structures to evaluate and determine a rate structure that will provide equity to all customer classes and avoid rate shock utilizing an interactive financial model that is capable of demonstrating the impact of alternative rate structures on different customer classes
- Develop a system of rates and charges that will recover the revenue targets developed from the baseline financial model in a manner consistent with generally accepted rate-making practice
- Hold periodic meetings with the County, as required

1.3. Rate Study Process

The first step in the rate study involves the identification of annual net revenue requirements that need to be recovered from rates, often referred to as a revenue sufficiency analysis. The next step is to identify an equitable method of recovering these revenue requirements from customer rates. This method involves allocating the cost of providing utility service to each type of customer. Once the cost-of-service for customer types is determined, cost-based rates can be developed. The rate study process used to

update the County's wastewater rates is discussed in detail in the remaining sections of this report.

In addition to this introduction section, this report contains the following sections:

- **Section 2 - Revenue Sufficiency Evaluation** – This section describes the revenue sufficiency evaluation that was conducted by developing a financial forecast model and using simulation techniques developed in close consultation with County staff to identify the total annual revenue required from rates to meet the County's financial goals for the utility. It also includes the development of a financial management plan for the funding and financing of these revenue requirements.
- **Sections 3 through 5 - Cost of Service Analysis And Rate Design** – These sections describe the cost of service analysis that was conducted to allocate the costs associated with wastewater utility operations to customer types. These sections also describe the rate design model developed to evaluate the customer impact of different rate structures.
- **Section 6 - Impact Fee Evaluation** – This section describes the impact fee evaluation that was completed to ensure that the cost of providing sewer connections and capacity to serve new customers are reflected in the fees that are charged at the time of connection.
- **Section 7 – Alternative Revenue Sources** - This section provides a summary of alternative sources of revenue which may be available to enhance the County's overall revenue base and reduce rate revenue requirements.

Detailed descriptions of these tasks are described in Sections 2 through 7 of this report

Jefferson County Environmental Services Department

Final Technical Report

2

Revenue Sufficiency Analysis

2. Revenue Sufficiency Analysis

3286014 / ORL

Pathways to Lasting Solutions



Jeffco-000183

2.0 REVENUE SUFFICIENCY ANALYSIS

2.1 Introduction

In order to ensure adequate service is delivered to all customers, utilities must receive sufficient revenue to cover the annual cost of operations and capital facilities. Typically, an analysis of funding requirements and resources, referred to hereafter as the revenue sufficiency analysis, is conducted each year, whether it is in the form of a balanced budget or a separate formal study by a consultant or staff. During the conduct of this study, we developed a revenue sufficiency analysis using our utility financial model, customized to reflect the specific financial dynamics of the County wastewater system. This section of the report describes the process that was completed to conduct the revenue sufficiency analysis and presents the projected annual rate revenue increases required to fund system costs and meet financial objectives identified by County staff in our interactive working sessions.

2.2 General Methodology

The goal of the revenue sufficiency analysis is to determine the annual revenue needed to fully fund the budgeted and projected costs required to provide service to customers. In order to determine the annual revenue requirements, the financial model is populated with revenue and expenditure data. Then, based on certain assumptions, the model projects annual surpluses or shortfalls in required revenue. Baseline data for this analysis include:

- FY 2005 ending fund balances for the wastewater fund from the Comprehensive Annual Financial Report (CAFR).
- FY 2006 estimated year end results
- FY 2007 budgeted revenues and expenses.
- 5-Year Capital Improvement Program, FY 2007 through 2011.
- Annual debt service information as contained in outstanding bond documents/official statements and staff-prepared analyses.

Projection of Financial Results of Operations

After the model is populated with the above costs and financial parameters, annual increases in operating costs, minor capital expenses and debt service (if new debt service was identified during the forecast period) are projected in order to compare them to

projected annual revenue sources during the forecast period (fiscal year 2006 through 2010).

Baseline Revenue Projections

Baseline revenue projections are assumed to exclude additional revenue from rate increases. The following assumptions are used to project annual changes in baseline revenue during the period:

- Baseline wastewater rate revenue, that is, rate revenue increases that are exclusive of programmed rate increases, is projected to remain constant through the projection period. This reflects a zero growth scenario in the wastewater customer base.
- Non-rate revenue includes the following sources and corresponding projections:
 - Tax revenue, projected to increase by 6% annually
 - Intergovernmental Revenues, projected to remain constant
 - Additional Interest Income in Restricted Funds, projected at 3% of average restricted fund balance.
 - Additional Funds from Rate Stabilization Fund, at a minimum consisting of two annual payments of 10% of the Rate Stabilization Fund Requirement. At a maximum, the entire balance of the Rate Stabilization Fund may be transferred.
- Wastewater impact fee revenue is projected to remain constant at \$8,000,000 annually.
- Interest income is calculated based on projected fund balances during the period and assumed interest earnings rate of 3.00% per year through the projection period.

Baseline Expense Projections

Baseline expense projections for the forecast period assumed the following:

- All operating expenses will increase by 3% per year.
- Annual debt service expenses and debt service coverage requirements are taken from the County's outstanding debt information and only projected to increase in years in which additional debt is projected.

Interest Rate Swap Program

The County has an interest rate swap program associated with a significant portion of its outstanding revenue bond debt. As a result of this program, the County has enjoyed "lower than projected" debt service, as compared to the annual debt service projections as shown in the County's 2003-C Official Statement. However, if conditions change such that the swap program were to result in "higher than projected" debt service, then the rate revenue increases presented in each scenario in this report could be higher and those increases could be significant.

It is important to note that this report renders no opinion as to the likelihood of the interest rate swap program resulting in either continued debt service savings, or future additional debt service increases resulting from the program. For the analysis presented herein, we have assumed the County's annual debt service is equal to the projected debt service presented in 2003-C Official Statement.

Rate Stabilization Fund

The "Summary of the Indenture" as provided in the County's Series 2003-C Sewer Revenue Refunding Warrants indicates "At any time when the total amount held in the Rate Stabilization Fund is less than the Rate Stabilization Fund Requirement, the County shall pay into the Rate Stabilization Fund, on or before each February 15 and each August 15...an amount equal to 10% of the then effective Rate Stabilization Fund Requirement". However, based on conversations with ESD staff, and verified by County Bond Council, the County is not obligated to make these transfers. In order to assess the impact on rate increases of a decision to eliminate these transfers, some scenarios provided in this report do not include transfers to the Rate Stabilization Fund.

Depreciation Fund

The "Summary of the Indenture" as provided in the County's Series 2003-C Sewer Revenue Refunding Warrants indicates "At any time when the total amount held in the Depreciation Fund is less than the amount of accumulated depreciation referable to the system, the County shall pay into the Depreciation Fund from the Revenue Account, on or before each February 15 and each August 15...the sum of \$5,000,000". However, based on conversations with ESD staff, and verified by County Bond Council, the County is not under obligation to make these transfers. In order to assess the impact on rate increases of a decision to eliminate these transfers, some scenarios provided in this report do not include transfers to the Rate Stabilization Fund.

Other Revenue Requirements

In addition to operating expenses, minor capital expenses, debt service and CIP-related costs, the County must also maintain sufficient revenue to ensure that the annual debt service coverage ratio is met. Pursuant to requirements outlined in the County's outstanding debt agreements, the County is required to maintain two coverage ratios. The first requires that Net Revenues and surplus balances at the end of each fiscal year not be less than 110% of debt service. The second test requires that Net Revenues not be less than 80% of annual debt service. On October 1, 2007, this requirement will increase to 100%.

Maximum Annual Debt Service

In addition to these obligations, the County has established by ordinance an internal Maximum Annual Debt Service (MADS) requirement. This test evaluates whether Net Revenues are adequate to provide 100% of maximum annual debt service. To the extent there is a shortfall, the MADS test requires rate increases to provide 35% of the shortfall amount.

Maximum annual debt service over the term of all outstanding debt, as shown in the Official Statement for the 2003-C Sewer Revenue Refunding Warrants is \$271,242,827. The County provided an alternative maximum annual debt service of \$162,854,380 in the November 24, 2004, "Restructured Principal for MADS" prepared by Banc of America Securities.

Also, the County has no formal policy to maintain a specific level of unrestricted or, working capital reserves, as such, the analysis assumes the County does not maintain a working capital reserve. However, it is important to note that the County does maintain a Reserve Fund in accordance with its outstanding debt, which can be used to fund short-term shortfalls.

Pursuant to the County's bond Indenture, the amount held in the Reserve Fund is required to be the lesser of (a) 125% of the average annual debt service on all Parity Securities, (b) the maximum annual debt service on all Parity Securities, or (c) equal to 10% of the original principal amount of each series of Parity Securities. In the event that funds are withdrawn from the Reserve Fund, the County is required to restore the Reserve Fund within six months.

Determination of Sufficiency of Annual Revenues

The sufficiency of annual revenues is evaluated in each year of the forecast using the financial model. The financial model calculations are based on the following logic:

- ✓ Compares the projected revenues to projected expenses and determines whether a shortfall exists. If a shortfall exists, the model determines whether the shortfall can be funded with existing working capital reserves in excess of the working capital target. To the extent that existing reserves cannot fund the shortfall, a component of a rate increase necessary to fund the shortfall and/or maintain the working capital reserve level at the minimum required level is identified.
- ✓ Tests the annual debt service coverage requirement to ensure annual net income and fund balances are at least 1.10 times annual debt service and net income is at least 0.80 times annual debt service payments (1.00 after October 1, 2007). To the extent that this is not the case, the model identifies another component of a rate increase necessary to meet that requirement.
- ✓ Tests the annual debt service to evaluate whether annual net income is 1.00 times annual debt service payments. In accordance with MADS, to the extent net revenues are not 1.00 times annual debt service, a component of a rate increase to provide 35% the net revenue shortfall is identified.

Together, the combined rate increase components, if any, are identified and comprise the percent increase in rate revenue required during each fiscal year in the forecast period in order to meet cash flow requirements, maintain required debt service coverage, maintain required and/or target reserve levels, and fund the capital improvements program.

2.3 Results

Six alternative rate plans have been developed for consideration by the County. The variables considered in each of these scenarios are:

Impact Fee revenue used to pay debt service: Impact Fees are a source of restricted funds which can only be used to fund expansion related projects (pursuant industry standards developed from National case law). However, it is possible to use Impact Fees to pay debt service related to expansion projects.

Rate Stabilization and Depreciation Fund Transfers: Transfers to the County's Rate Stabilization and Depreciation Funds are discussed in the Series 2003-C Official

Statement. Based on the opinion of the County's Bond Council, these transfers are not required and in some scenarios are not made.

Maximum Debt Service: The County has established by ordinance a Maximum Annual Debt Service (MADS) coverage requirement (as discussed above). The County produced documentation providing an alternative maximum debt service to that provide in the Series 2003-C Official Statement. In some scenarios, the alternative maximum debt service is used to calculate MADS coverage and reserve requirements.

Maximum Annual Debt Service Coverage (MADS): The County has established by ordinance the MADS coverage requirement. Based on information provided by staff, the County, through Commission approval, can and has waived this coverage requirement.

Percent CIP Funded: In order to show the effect of the Count's CIP on resulting revenue requirements, revenue increases using different levels of the County's CIP are calculated.

Table 2-1 below provides a summary of the scenarios:

**Table 2-1
Summary of Scenario Assumptions**

	Make Rate Stabilization and Depreciation Transfers (Yes/No)	Use Maximum Debt Service From 2003 OS (Yes/No)	Maintain MADS Coverage Requirement (Yes/No)	Percent CIP Funded
Scenario 1	Yes	Yes	Yes	100%
Scenario 2	No	Yes	Yes	100%
Scenario 3	No	No	Yes	100%
Scenario 4	No	No	No	100%
Scenario 5	No	No	No	50%
Scenario 6	No	No	No	25%

Scenario 1 (Make Rate Stabilization and Depreciation Transfers, Use Maximum Debt Service From 2003 OS, Maintain MADS Coverage Requirement, Fund 100% of CIP)

Scenario 1 represents a scenario in which the County would 1) make rate stabilization and depreciation fund transfers pursuant to "Summary of the Indenture", 2) use maximum debt service from the 2003 Official Statement, 3) maintain the County established MADS coverage requirement and, 4) fully fund the provided CIP.

The results of this scenario are presented in Figure 2-1 below. As can be seen, 2006 and 2007 revenue is fixed with 7% and 8.2% increase, which are representative of increases

previously adopted by the County. It is important to note that in these years Working Capital shortfalls are anticipated. The Working Capital shortfall in 2007 is approximately equal to the County's Rate Stabilization fund of approximately \$40,000,000.

The rate revenue increase required in 2008 is 56%. This increase is required to restore the working capital balance, which is negative in the previous years. The 5.2% and 2.5% rate increases in 2009 and 2010, respectively, result from the MADS coverage requirement. The detailed Proforma and CIP output for this Scenario are provided in Appendix 2-1 of this report.

Scenario 2 (Forgo Rate Stabilization and Depreciation Transfers, Use Maximum Debt Service From 2003 OS, Maintain MADS Coverage Requirement, Fund 100% of CIP)

The results of Scenario 2 are presented in Figure 2-2. Scenario 1 results, shown in blue, are also presented in this Figure. The scenario includes the same assumptions as Scenario 1 with the exception of rate stabilization and depreciation transfers, which in this scenario are forgone. In order to provide fund balances after the exclusion of rate stabilization and depreciation fund transfers, a Working Capital requirement of 3 months of Operation & Maintenance expenses is added to the analysis. The balance of the County's Rate Stabilization fund (approximately \$40,000,000) is used to maintain the Working Capital balance.

As discussed in Scenario 1, fiscal years 2006 and 2007 rate revenue are fixed with 7% and 8.2% rate revenue increase, representative of increases previously adopted by the County. An increase of just over 50% is required in fiscal year 2008 in order to meet the County's MADS coverage requirement. Increases of 16.4% and 6.7%, respectively, are required in fiscal years 2009 and 2010, also as a result of the MADS test. Overall, these increases are greater than Scenario 1 increases. This results from the use of Rate Stabilization funds, which in Scenario 1 are maintained and included in the MADS coverage calculation through the projection period.

The figure also shows an increase in Working Capital reserves up to \$228,000,000 in fiscal year 2010. This increase results from the accumulation of reserves resulting from the rate increase required by MADS. Detailed Proforma and CIP schedules for this scenario are provided in Appendix 2-2.

Scenario 3 (Forgo Rate Stabilization and Depreciation Transfers, Use Alternative Debt Service Provided, Maintain MADS Coverage Requirement, Fund 100% of CIP)

Scenario 3 results are provided in Figure 2-3. The assumptions used in this scenario are similar to these used in Scenario 2 above, with the exception of maximum annual debt service. Scenario 3 used an alternative maximum annual debt service of \$163,000,000 (as opposed to \$271,000,000 provided in the 2003 Official Statement) as provided by the County. As a reference, Scenario 2 results represented on the Figure as blue bars.

Similar to other scenarios, fiscal years 2006 and 2007 rate revenue increases are fixed at 7% and 8.2%, respectively. Rate revenue increases in 2008 through 2010 are 13.6%, 6.8% and 3.8%, respectively. The increases result from the required MADS coverage requirement at the alternative maximum annual debt service. Detailed Proforma and CIP schedules for this scenario are provided in Appendix 2-3.

Scenario 4 (Forgo Rate Stabilization and Depreciation Transfers, Use Alternative Debt Service Provided, Forgo MADS Coverage Requirement, Fund 100% of CIP)

Figure 2-4 presents the results of Scenario 4 with Scenario 3 results referenced in blue. This scenario uses the same assumptions as Scenario 3, with exception of the MADS coverage requirement which is forgone. The governing variable in this scenario include rate covenant coverage requirements (1.10 – Net Revenue plus fund balances & 1.00 – Net Revenue only) and minimum working capital balances (3-months of O&M). Based on conversation with County staff, it is anticipated that this scenario represents the most likely scenario for the County. As such, results from this scenario are used for the purpose of rate design, discussed in Section 5.

In fiscal years 2008 through 2010, rate increase of 12.8%, 4.5% and 7.0% are calculated. These increase result from minimum required Working Capital balances in each year. The minimum Working Capital balance, 3-months of annual Operations & Maintenance expenses, is established to provide a reserve in the absence of rate stabilization and depreciation fund transfers. Detailed Proforma and Capital Improvement Project schedules for this scenario are provided in Appendix 2-4.

Scenario 5 (Forgo Rate Stabilization and Depreciation Transfers, Use Alternative Debt Service Provided, Forgo MADS Coverage Requirement, Fund 50% of CIP)

The results of Scenario 5 are provided in Figure 2-5. Similar to Scenario 4, this forgoes transfers to the rate stabilization and depreciation funds, uses an alternative maximum debt service, and forgoes the County's MADS coverage requirement. In this scenario, the CIP in years 2007 through 2010 is reduced to 50%. The 2006 CIP represents funds expended in 2006 and therefore must remain unchanged.

The calculated rate revenue increase in fiscal years 2008 through 2010 are 9.6%, 5.7% and 6.1%, respectively. The increases are driven by the minimum Working Capital

requirements in each year. Detailed Proforma and CIP schedules for this scenario are provided in Appendix 2-5.

Scenario 6 (Impact Forgo Rate Stabilization and Depreciation Transfers, Use Alternative Debt Service Provided, Forgo MADS Coverage Requirement, Fund 25% of CIP)

Scenario 6 uses the same baseline assumptions as Scenario 5 with the exception of the funded CIP which is reduced to 25%. The results of this scenario are provided in Figure 2-6.

Rate revenue increase calculated under this scenario are 8.0%, 6.3% and 5.5% for fiscal years 2008 through 2010. Similar to Scenario 5, the increase are necessary to maintain minimum Working Capital balances. Detailed Proforma and CIP schedules for this scenario are provided in Appendix 2-6.

2.4 Conclusion

Table 2-2 below summarizes the rate revenue increases for each of the above scenarios. The Percentage Adjustment represents the percentage change over the five-year period. It is anticipated that Scenario 4 represents the most likely scenario for the County. Scenarios 5 and 6, which produce lower overall rate revenue adjustments, require a reduced Capital Improvement Program.

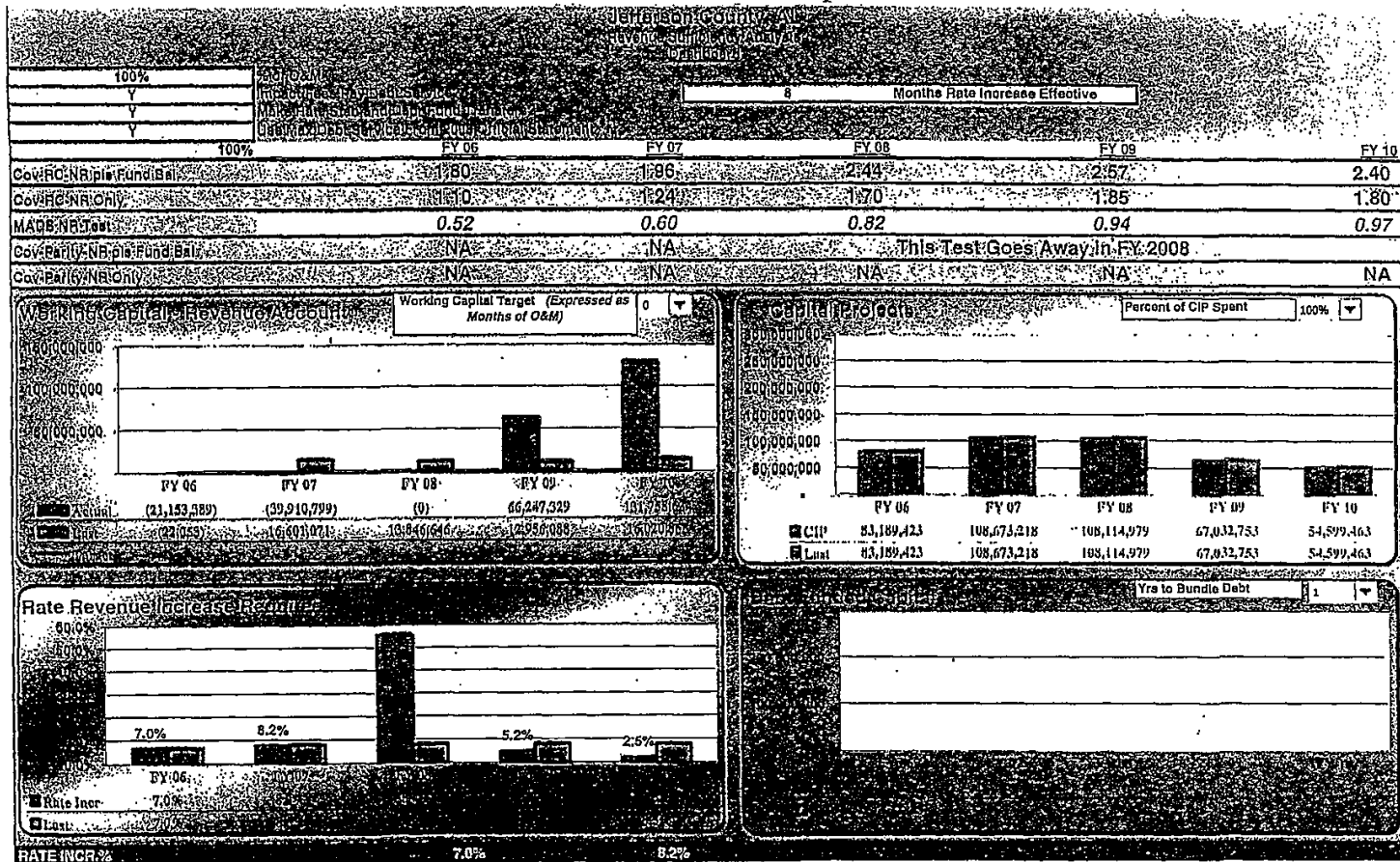
**Table 2-2
Summary of Rate Revenue Adjustments**

Analysis	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Percent Adjustment ¹
Scenario 1	7.0%	8.2%	56.4%	5.2%	2.5%	195%
Scenario 2	7.0%	8.2%	50.4%	16.4%	6.7%	216%
Scenario 3	7.0%	8.2%	13.6%	6.8%	3.8%	146%
Scenario 4	7.0%	8.2%	12.8%	4.5%	7.0%	146%
Scenario 5	7.0%	8.2%	9.6%	5.7%	6.1%	142%
Scenario 6	7.0%	8.2%	8.0%	6.3%	5.5%	140%

Note:

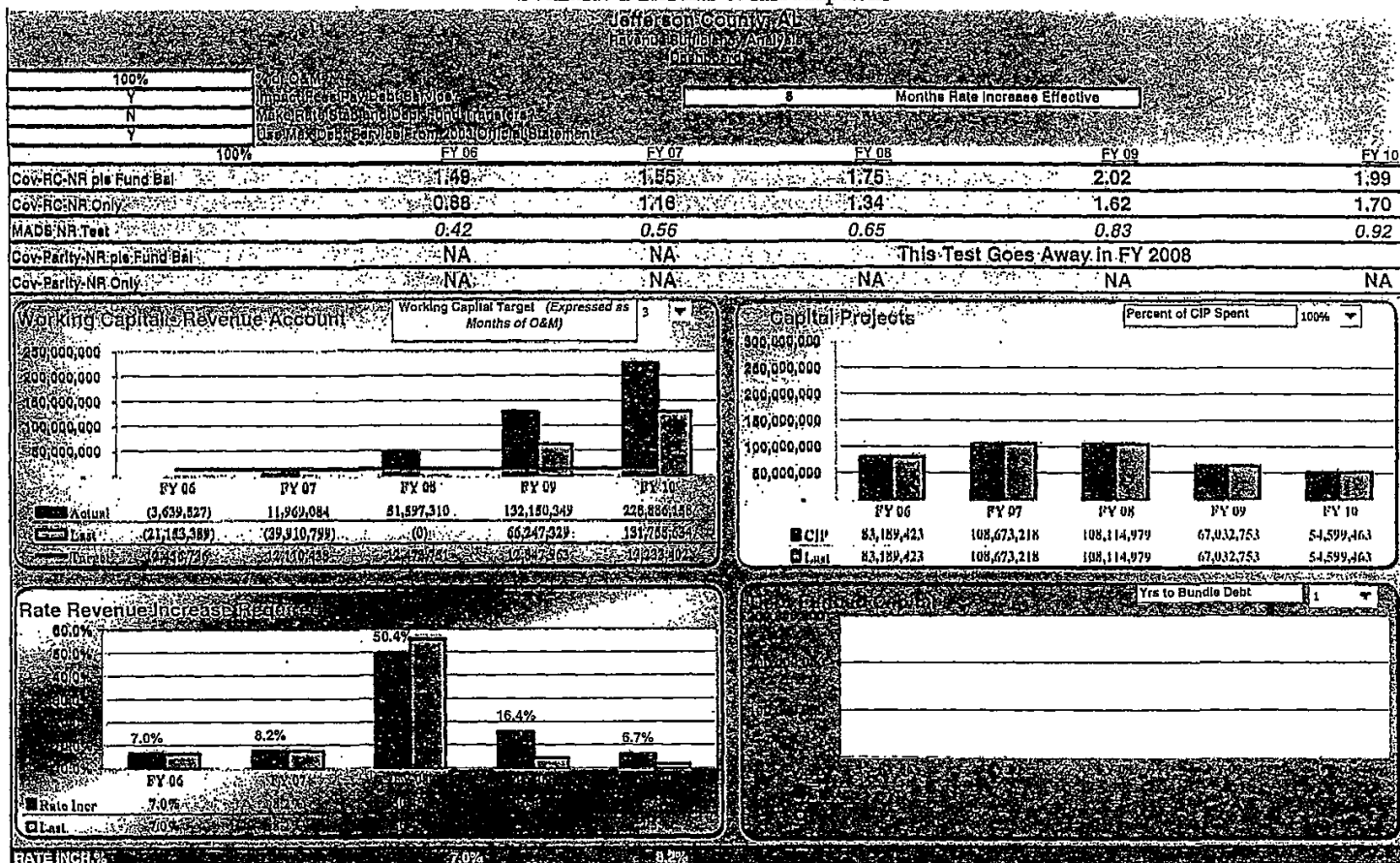
1 Represents the percentage adjustment over the five-year period.

Figure 2-1
Scenario 1 Results & Assumptions



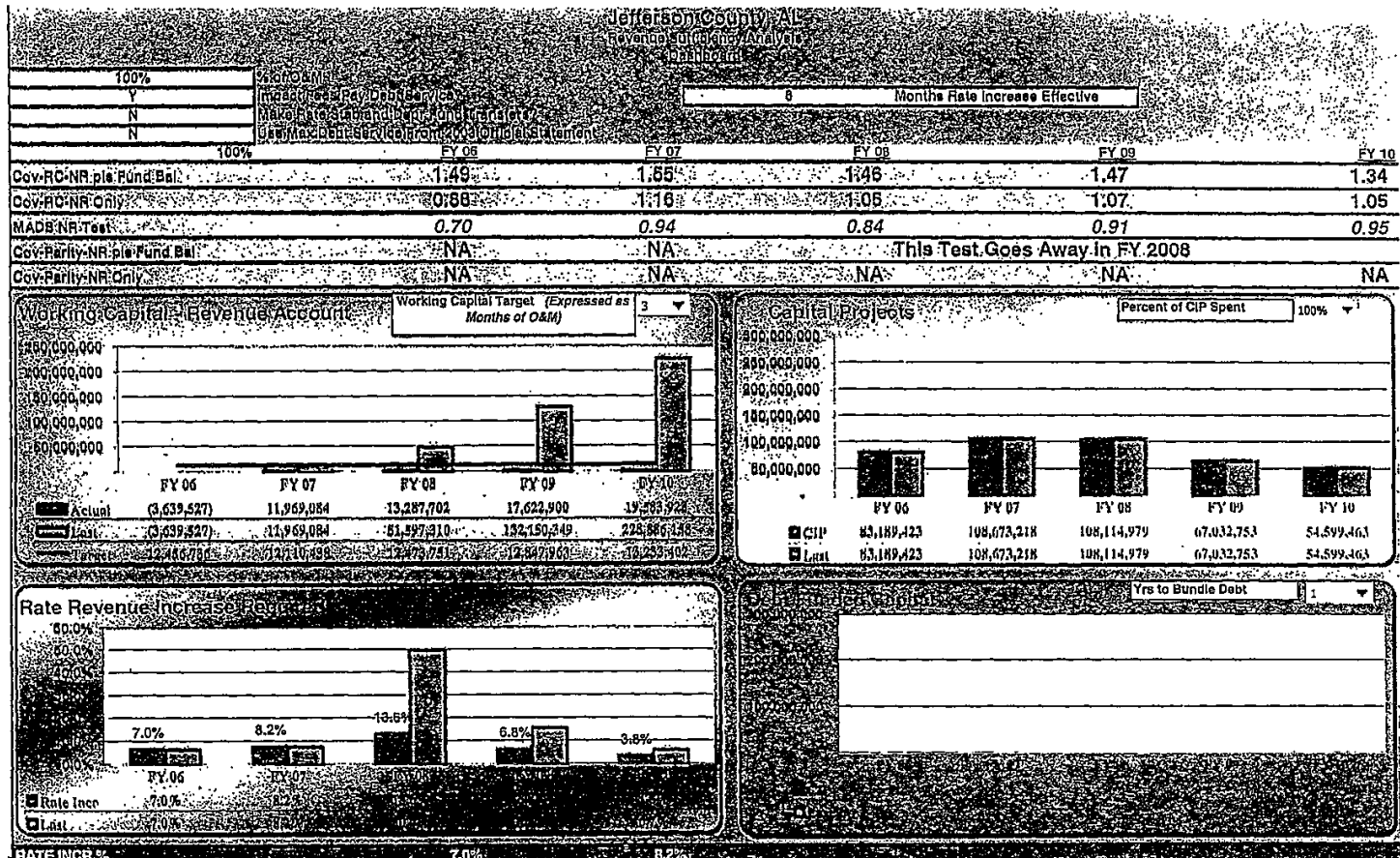
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Figure 2-2
Scenario 2 Results & Assumptions



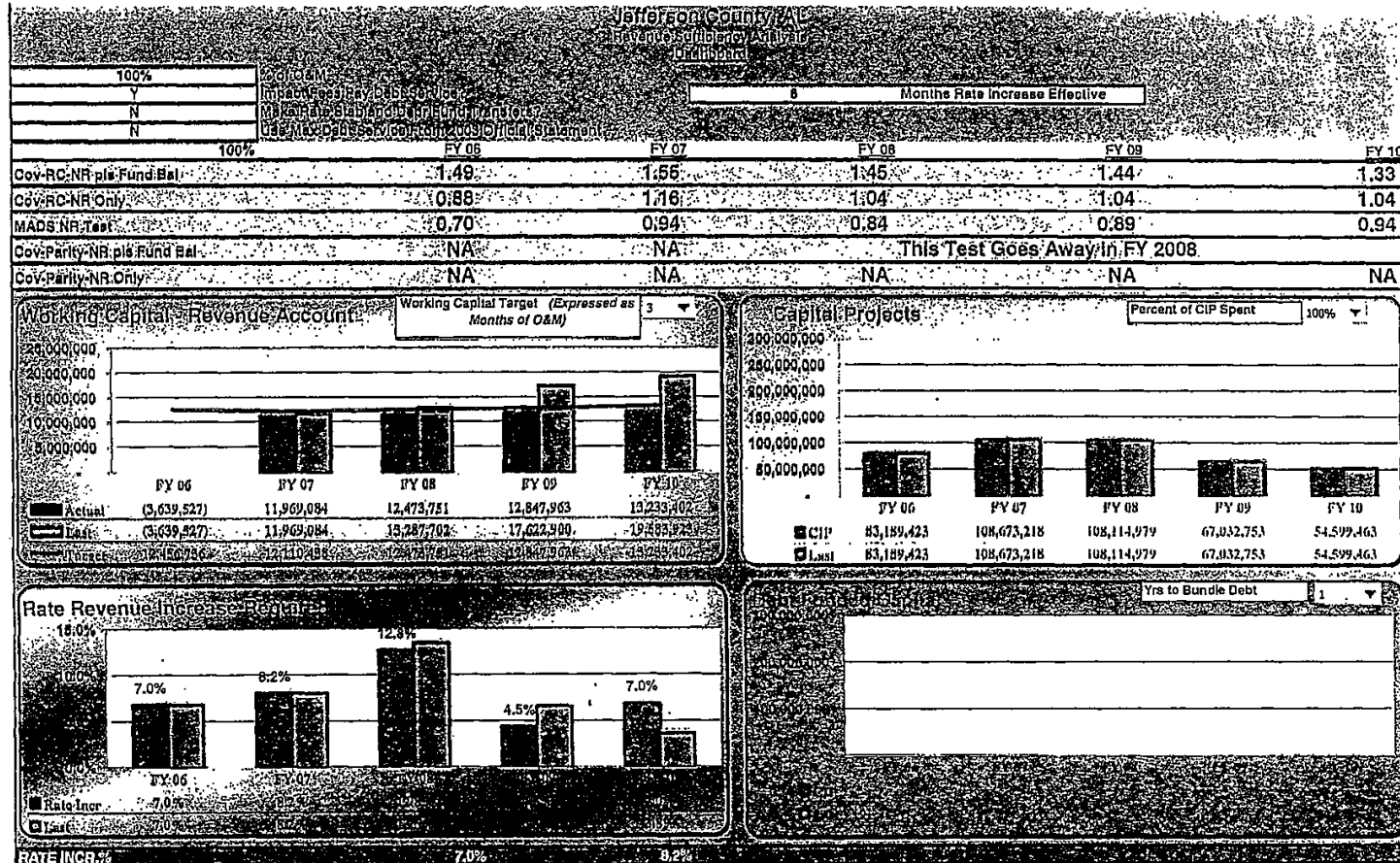
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Figure 2-3
Scenario 3 Results & Assumptions



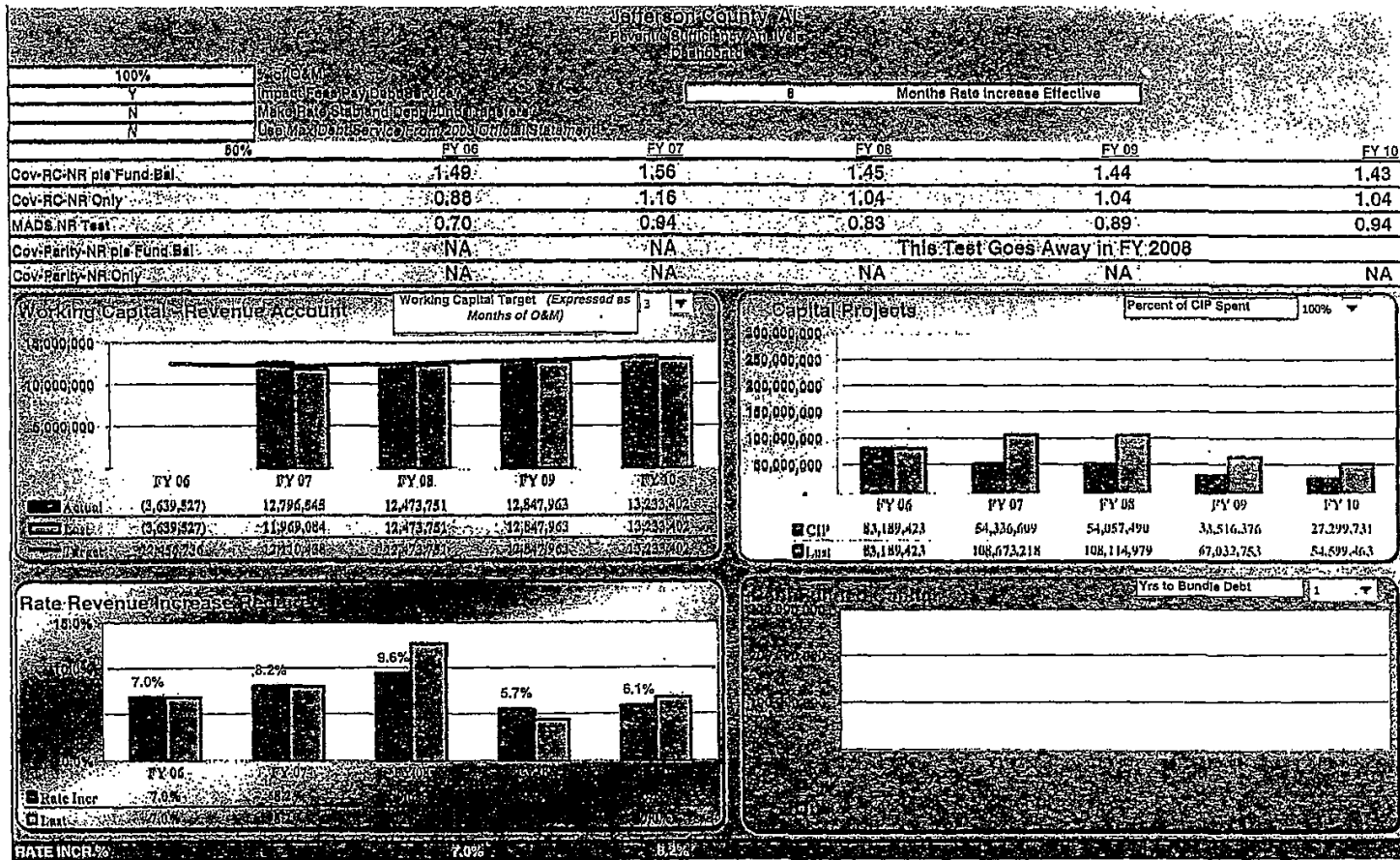
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Figure 2-4
Scenario 4 Results & Assumptions



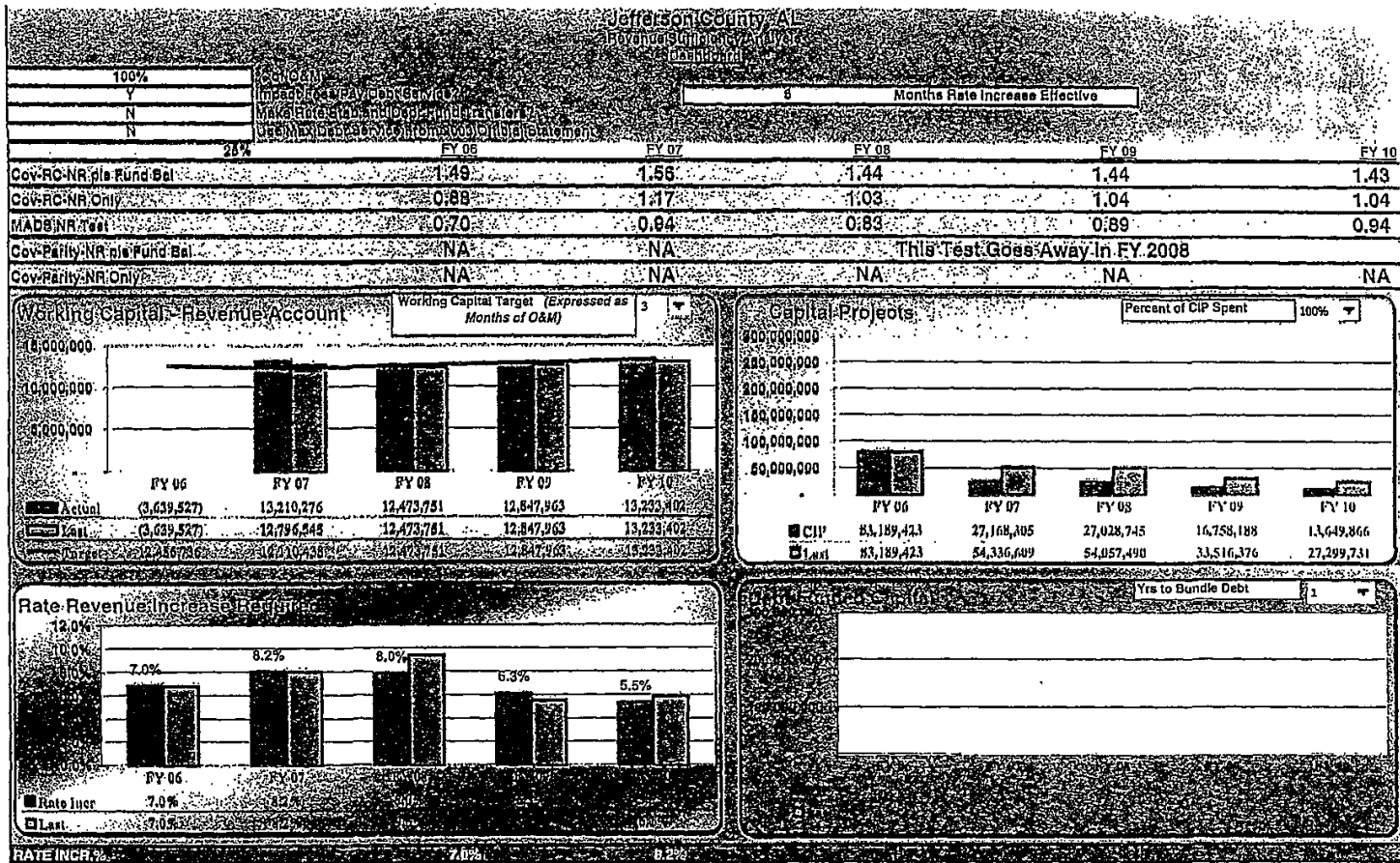
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Figure 2-5
Scenario 5 Results & Assumptions



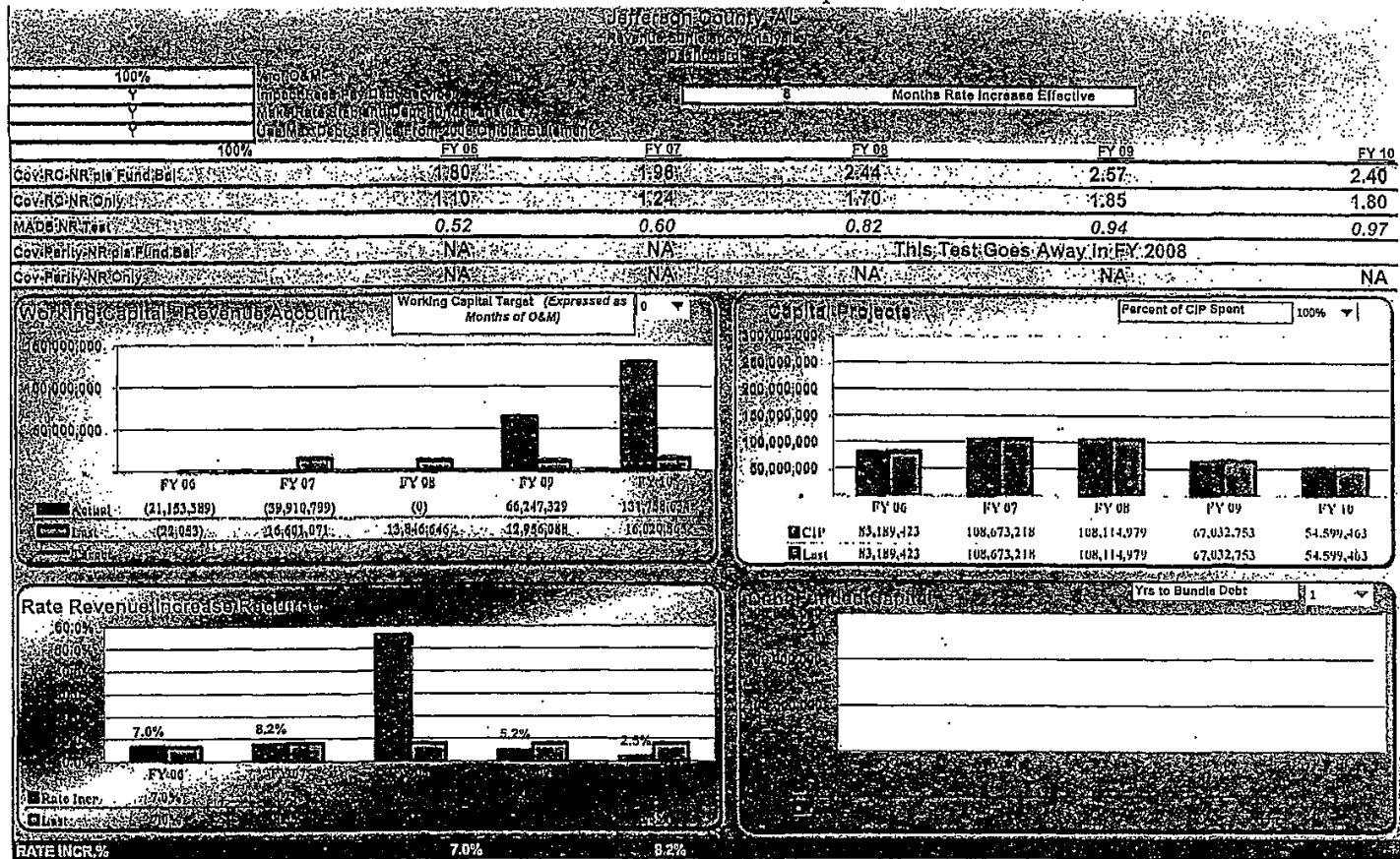
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Figure 2-6
Scenario 6 Results & Assumptions



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Figure 2-1
Scenario 1 Results & Assumptions



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Figure 2

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Summary of Significant Assumptions and Results

Summary of Significant Assumptions and Results	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Annual Growth in Customer Base	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Annual O&M Cost Escalation Factor	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Annual Assumed Interest Earning on Fund Balances	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Terms of New Debt:						
Term	30	30	30	30	30	30
Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Annual Rate Revenue	139,158,520	150,037,703	211,845,989	249,152,468	257,578,500	261,750,885
Annual Rate Increases	7.0%	8.2%	56.4%	5.2%	2.5%	1.2%
Percent of Year Rate Increase Effective	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%
Total Operating Expenses	49,826,845	48,441,750	49,885,003	51,391,853	52,933,608	54,521,616
Total Minor Capital Expenses	5,066,031	5,034,156	5,185,181	5,340,736	5,500,958	5,665,987
Total Annual Debt Service	129,465,255	131,842,232	130,445,301	138,467,573	145,846,176	153,968,184
Total Expenses (Not Including Interfund Transfers Out)	184,356,231	185,316,139	185,525,484	195,200,162	205,080,742	214,155,787
Debt Service as Percent of Total Expenses	70%	71%	70%	71%	72%	72%
Net Cash Flow - Revenue Account	(38,409,389)	(18,757,410)	39,910,799	66,247,329	65,511,305	62,122,499
Total Capital Projects Funded	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291
Projects Funded with Cash	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291
Projects Funded with Debt	-	-	-	-	-	-

Figure 3

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Summary of Capital Project Funding

Summary of Capital Project Funding	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Funded with Net Cash and Available Balances (incl. Bond Funds on Hand)						
Revenue Account	-	-	-	-	-	11,320,008
Rate Stabilization Fund	-	-	-	-	-	-
Depreciation Fund	-	-	-	-	13,873,171	42,846,284
Restricted Funds	83,189,423	108,673,218	108,114,979	67,032,753	40,726,292	-
Total Funded with Cash and Balances	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291
New Debt Required						
Total Projects Funded	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291
Total Projects	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291

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Figure 4

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Summary of Fund Balances

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Fund						
Revenue Account	(21,153,389)	(39,910,799)	(0)	66,247,329	131,758,834	182,561,126
Rate Stabilization Fund	41,738,148	43,009,361	44,319,291	45,669,117	47,060,055	48,493,356
Depreciation Fund	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Restricted Fund	324,547,241	215,874,023	107,759,044	40,726,282	-	-
Total	395,062,977	270,424,302	205,097,109	207,276,297	221,031,776	231,054,482

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Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Calculation of Debt Service Coverage

Figure 5

Debt Service Coverage Calculation:	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Sewer Rate Revenue	132,954,000	142,260,780	153,926,164	240,805,902	253,325,750	259,704,875
Growth	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Additional Rate Revenue From Growth	-	-	-	-	-	-
Rate Revenue After Growth	132,954,000	142,260,780	153,926,164	240,805,902	253,325,750	259,704,875
Rate Increase	7.0%	8.2%	56.4%	5.2%	2.5%	1.2%
Pct of Year Rate Increase Effective	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%
Additional Rate Revenue From Rate Increase	6,204,520	7,776,923	57,919,825	8,346,566	4,252,750	2,046,010
Rate Increase 2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pct of Year Rate Increase Effective	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Additional Rate Revenue From Rate Increase	-	-	-	-	-	-
Sewer Rate Revenue After Rate Increase	139,158,520	150,037,703	211,845,989	249,152,468	257,578,500	261,750,885
Rate Covenant Test						
Rate Covenant Test 1						
Total Rate Revenue	139,158,520	150,037,703	211,845,989	249,152,468	257,578,500	261,750,885
Miscellaneous Revenue	52,476,746	62,209,450	59,276,717	56,987,737	55,729,882	55,489,029
Interest Earnings	-	-	-	893,710	2,970,089	4,714,796
Total Revenue	191,635,266	212,247,152	271,122,707	307,133,915	316,278,471	321,964,711
Operations and Maintenance Expenses	49,826,945	48,441,750	49,895,003	51,391,853	52,933,608	54,521,616
Net Income	141,808,321	163,805,402	221,227,704	255,742,062	263,344,863	267,443,094
Current Year Debt Service	129,465,255	131,842,232	130,445,301	138,467,573	146,646,176	153,968,184
Debt Service Coverage - Rate Covenant Test 1	1.10	1.24	1.70	1.85	1.80	1.74
Rate Covenant Test 2						
Net Income (Restated)	141,808,321	163,805,402	221,227,704	255,742,062	263,344,863	267,443,094
Plus: Rate Stabilization Fund Balances	41,738,148	43,009,361	44,319,291	45,669,117	47,060,055	48,493,356
Plus: Depreciation Fund Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Total Net Revenue for Debt Service Plus Avail Bal	233,477,445	258,266,480	318,565,769	356,044,738	352,618,005	315,936,450
Debt Svc	129,465,255	131,842,232	130,445,301	138,467,573	146,646,176	153,968,184
Debt Service Coverage Ratio - Rate Covenant Test 2	1.80	1.96	2.44	2.57	2.40	2.05
Maximum Annual Debt Service (MADS) Coverage Test - Per Ordinance						
Net Income (Restated)	141,808,321	163,805,402	221,227,704	255,742,062	263,344,863	267,443,094
Max Ann Debt Svc (MADS)	271,242,827	271,242,827	271,242,827	271,242,827	271,242,827	271,242,827
MADS Cov Ratio	0.52	0.60	0.82	0.94	0.97	0.99
Parity Test						
New Debt Issued?	n	n	n	n	n	n
Net Income (Restated)	141,808,321	163,805,402	221,227,704	255,742,062	263,344,863	267,443,094
Plus: Rate Stabilization Fund Balances	41,738,148	43,009,361	44,319,291	45,669,117	47,060,055	48,493,356
Plus: Depreciation Fund Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Total Net Revenue for Debt Service Plus Avail Bal	233,477,445	258,266,480	318,565,769	356,044,738	352,618,005	315,936,450
Debt Svc	271,242,827	271,242,827	271,242,827	271,242,827	271,242,827	271,242,827
Debt Service Coverage Ratio - Parity Test	NA	NA	NA	NA	NA	NA
Net Income (Restated)	141,808,321	163,805,402	221,227,704	255,742,062	263,344,863	267,443,094
Maximum Debt Service	271,242,827	271,242,827	271,242,827	271,242,827	271,242,827	271,242,827
Debt Service Coverage - Parity Test	NA	NA	NA	NA	NA	NA

Jeffco-000202

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Fund Balance Reconciliation and Net Annual Cash Flow- Revenue Account

Fund Balances - By Fund	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Revenue Account						
Current Assets	26,573,000					
Plus: Restricted Assets	-					
Less: Current Liabilities	(9,317,000)					
Beginning Balances	17,258,000	(21,153,389)	(39,910,799)	(0)	66,247,329	131,758,634
Plus:						
Rate Revenue 1	139,158,520	150,037,703	211,845,989	249,152,468	257,578,500	261,750,885
Other Operating Revenue	52,476,746	62,209,450	59,276,717	56,987,737	55,729,882	55,499,029
Interest Income	-	-	-	993,710	2,970,089	4,714,796
Transfer In	-	-	-	-	-	-
Funding of Debt Service Reserve from New Debt	-	-	-	-	-	0
Loss:						
O&M	(49,826,945)	(48,441,750)	(48,885,003)	(51,391,853)	(52,933,608)	(54,521,816)
Non Operating Expense	-	-	-	-	-	-
Debt Service	(129,465,255)	(131,842,232)	(130,445,301)	(138,467,573)	(146,646,176)	(153,968,184)
Capital Outlay	(5,066,031)	(5,034,156)	(5,185,181)	(5,340,736)	(5,500,958)	(5,665,987)
Transfers Out	(45,686,424)	(45,686,424)	(45,686,424)	(45,686,424)	(45,686,424)	(45,686,424)
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Working Capital Reserve	-	-	-	-	-	-
Net Funds Available for Capital Projects	(21,153,389)	(39,910,799)	(0)	66,247,329	131,758,634	193,881,134
Less:						
Capital Projects Funded with Cash	-	-	-	-	-	(11,320,008)
Ending Balance	(21,153,389)	(39,910,799)	(0)	66,247,329	131,758,634	182,561,126
Plus:						
Working Capital Reserve	-	-	-	-	-	-
Ending Unrestricted Balances	(21,153,389)	(39,910,799)	(0)	66,247,329	131,758,634	182,561,126
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	(21,153,389)	(39,910,799)	(0)	66,247,329	131,758,634	182,561,126
Net Annual Cash Flow	(38,409,389)	(18,757,410)	39,910,799	66,247,329	66,511,305	62,122,499
Ending Unrestricted Balances	(21,153,389)	(39,910,799)	(20,142,594)	66,247,329	131,758,634	182,561,126
Plus:						
Additional Revenue From Rate Incr for Coverage	-	-	20,142,594	-	-	-
Working Capital Reserves	-	-	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	(21,153,389)	(39,910,799)	-	66,247,329	131,758,634	182,561,126
Variance	-	-	(0)	(0)	-	-

Jeffco-000203

Figure 7

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Rate Stabilization Fund

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Rate Stabilization Fund						
Beginning Balances	28,376,809	41,738,148	43,009,361	44,319,291	45,669,117	47,060,055
Plus:						
Interest Income	1,051,724	1,271,213	1,309,930	1,349,826	1,390,938	1,433,301
Transfer In From Revenue Acct	40,686,424	40,686,424	40,686,424	40,686,424	40,686,424	40,686,424
Less:						
Transfers Out to Revenue Account	(28,376,809)	(40,686,424)	(40,686,424)	(40,686,424)	(40,686,424)	(40,686,424)
Restricted Reserves	-	-	-	-	-	-
Working Capital Reserve	(203,432,120)	(203,432,120)	(203,432,120)	(203,432,120)	(203,432,120)	(203,432,120)
Net Funds Available for Capital Projects	(161,693,972)	(160,422,759)	(159,112,829)	(157,763,003)	(156,372,066)	(154,938,765)
Less:						
Capital Projects Funded with Cash	-	-	-	-	-	-
Ending Balance	(161,693,972)	(160,422,759)	(159,112,829)	(157,763,003)	(156,372,066)	(154,938,765)
Plus:						
Working Capital Reserve	203,432,120	203,432,120	203,432,120	203,432,120	203,432,120	203,432,120
Ending Unrestricted Balances	41,738,148	43,009,361	44,319,291	45,669,117	47,060,055	48,493,355
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	41,738,148	43,009,361	44,319,291	45,669,117	47,060,055	48,493,355

Jeffco-000204

Figure 8

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Rate Stabilization Fund

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Depreciation Fund						
Beginning Balances	48,455,184	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087
Plus:						
Interest Income	1,475,792	1,520,740	1,567,057	1,614,785	1,452,700	633,196
Transfers In from Revenue Account	-	-	-	-	-	-
Less:						
O&M	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Working Capital Reserve	-	-	-	-	-	-
Net Funds Available for Capital Projects	49,930,976	51,451,716	53,018,774	54,633,559	56,086,259	42,846,284
Less:						
Capital Projects Funded with Cash	-	-	-	-	(13,873,171)	(42,846,284)
Ending Balance	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Plus:						
Working Capital Reserve	-	-	-	-	-	-
Ending Unrestricted Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-

Jeffco-000205

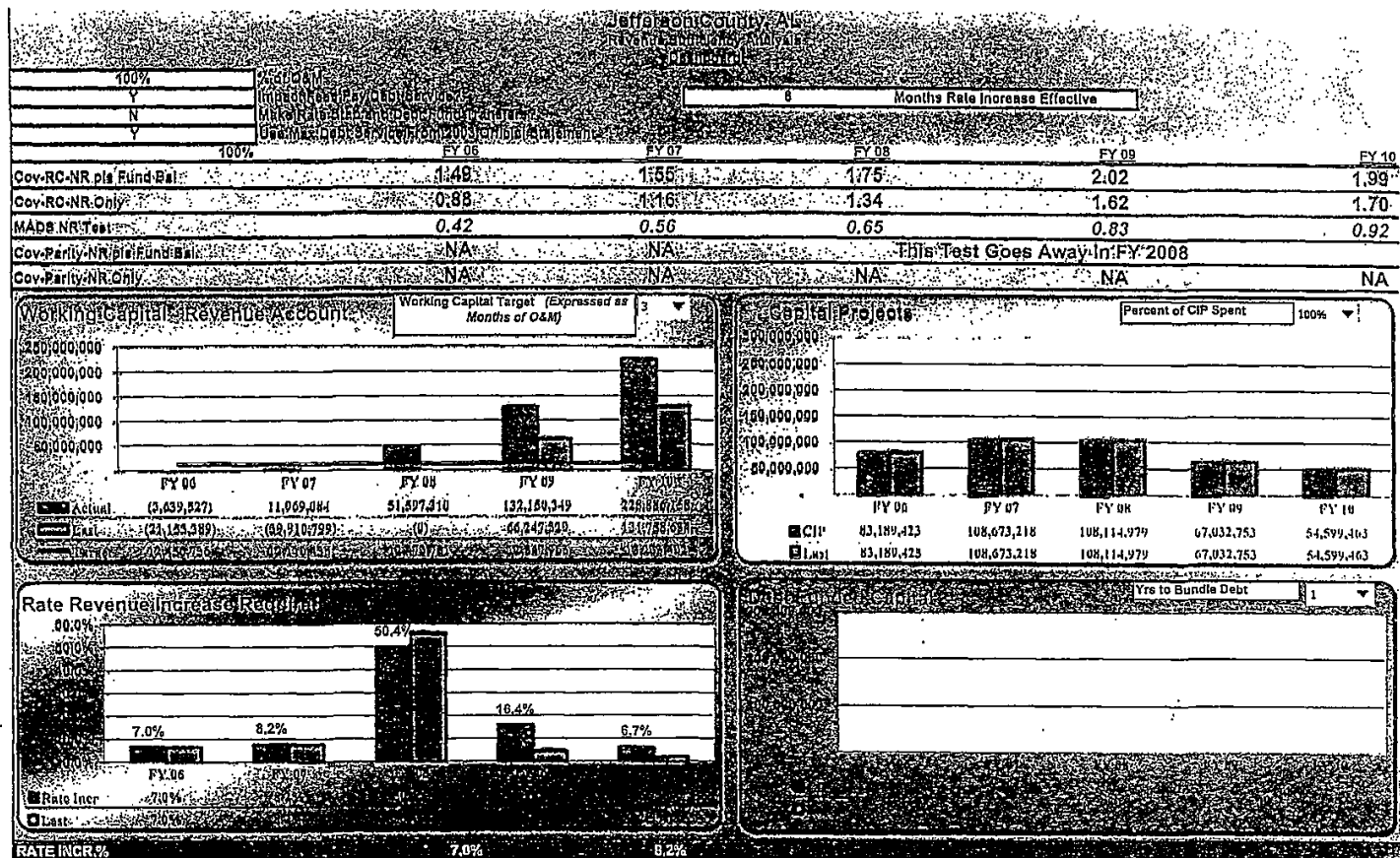
Figure 9

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Restricted Funds (Including Existing Bond Funds)

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Restricted Funds						
Beginning Balances	407,736,664	324,547,241	215,874,023	107,759,044	40,726,292	-
Plus:						
Interest Income	10,964,259	8,106,319	4,854,496	2,227,280	610,894	-
Less:						
Transfers Out	(10,984,259)	(8,106,319)	(4,854,496)	(2,227,280)	(610,894)	-
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Working Capital Reserve	-	-	-	-	-	-
Net Funds Available for Capital Projects	407,736,664	324,547,241	215,874,023	107,759,044	40,726,292	-
Less:						
Capital Projects Funded with Cash	(83,169,423)	(108,673,218)	(108,114,979)	(67,032,753)	(40,726,292)	-
Ending Balance	324,547,241	215,874,023	107,759,044	40,726,292	-	-
Plus:						
Working Capital Reserve	-	-	-	-	-	-
Ending Unrestricted Balances	324,547,241	215,874,023	107,759,044	40,726,292	-	-
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	324,547,241	215,874,023	107,759,044	40,726,292	-	-

Jeffco-000206

Figure 2-2
Scenario 2 Results & Assumptions



Jeffco-000207

Figure 2

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Summary of Significant Assumptions and Results

Summary of Significant Assumptions and Results	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Annual Growth in Customer Base	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Annual O&M Cost Escalation Factor	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Annual Assumed Interest Earning on Fund Balances	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Terms of New Debt:						
Term	30	30	30	30	30	30
Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Annual Rate Revenue	139,158,520	150,037,703	205,609,921	256,695,672	261,357,546	282,751,100
Annual Rate Increases	7.0%	8.2%	50.4%	16.4%	6.7%	2.8%
Percent of Year Rate Increase Effective	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%
Total Operating Expenses	49,826,945	48,441,750	49,895,003	51,391,853	52,933,608	54,521,616
Total Minor Capital Expenses	5,066,031	5,034,156	5,185,181	5,340,736	5,500,958	5,665,987
Total Annual Debt Service	129,465,255	131,842,232	130,445,301	138,467,573	146,846,178	153,966,184
Total Expenses (Not Including Interfund Transfers Out)	184,358,231	185,318,138	185,925,484	195,200,162	205,080,742	214,155,787
Debt Service as Percent of Total Expenses	70%	71%	70%	71%	72%	72%
Net Cash Flow - Revenue Account	(20,895,527)	15,608,612	39,626,226	80,553,039	96,735,609	101,629,140
Total Capital Projects Funded	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291
Projects Funded with Cash	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291
Projects Funded with Debt	-	-	-	-	-	-

Figure 3

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Summary of Capital Project Funding

Summary of Capital Project Funding	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Funded with Net Cash and Available Balances (incl. Bond Funds on Hand)						
Revenue Account	-	-	-	-	-	11,320,008
Rate Stabilization Fund	-	-	-	-	-	-
Depreciation Fund	-	-	-	-	13,873,171	42,846,284
Restricted Funds	83,189,423	108,673,218	108,114,979	67,032,753	40,726,292	-
Total Funded with Cash and Balances	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291
New Debt Required						
Total Projects Funded	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291
Total Projects	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291

Jeffco-000208

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Summary of Fund Balances

Figure 4

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Fund						
Revenue Account	(3,639,527)	11,969,084	51,597,310	132,160,349	228,886,158	319,195,291
Rate Stabilization Fund	29,241,078	445,296	468,858	472,833	487,234	502,074
Depreciation Fund	49,930,978	51,451,716	53,018,774	54,633,559	42,213,087	-
Restricted Fund	324,547,241	215,874,023	107,759,044	40,726,292	-	-
Total	400,079,768	279,740,120	212,833,986	227,983,032	271,586,480	319,697,365

Jeffco-000209

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Calculation of Debt Service Coverage

Figure 5

Debt Service Coverage Calculation:	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Sewer Rate Revenue	132,954,000	142,260,780	153,926,164	231,451,799	269,317,609	287,377,515
Growth	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Additional Rate Revenue From Growth	-	-	-	-	-	-
Rate Revenue After Growth	132,954,000	142,260,780	153,926,164	231,451,799	269,317,609	287,377,515
Rate Increase	7.0%	8.2%	50.4%	16.4%	6.7%	2.8%
Pct of Year Rate Increase Effective	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%
Additional Rate Revenue From Rate Increase	6,204,520	7,776,923	51,683,757	25,243,873	12,039,937	5,373,585
Rate Increase 2	139,158,520	150,037,703	205,609,921	256,695,672	281,357,546	292,751,100
Pct of Year Rate Increase Effective	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Additional Rate Revenue From Rate Increase	-	-	-	-	-	-
Sewer Rate Revenue After Rate Increase	139,158,520	150,037,703	205,609,921	256,695,672	281,357,546	292,751,100
Rate Covenant Test						
Rate Covenant Test 1						
Total Rate Revenue	139,158,520	150,037,703	205,609,921	256,695,672	281,357,546	292,751,100
Miscellaneous Revenue	24,099,937	50,764,104	16,590,293	16,301,313	15,043,458	14,812,605
Interest Earnings	204,247	124,843	953,498	2,756,215	5,415,548	8,221,222
Total Revenue	163,462,704	200,926,750	222,553,712	275,753,201	301,816,552	315,784,927
Operations and Maintenance Expenses	49,826,945	48,441,790	49,895,003	51,391,853	52,933,608	54,521,616
Net Income	113,635,759	152,485,000	172,658,709	224,361,348	248,882,944	261,263,311
Current Year Debt Service	129,465,255	131,842,232	130,445,301	138,467,573	146,646,176	153,668,184
Debt Service Coverage - Rate Covenant Test 1	0.88	1.16	1.34	1.62	1.70	1.70
Rate Covenant Test 2						
Net Income (Restated)	113,635,759	152,485,000	172,658,707	224,361,348	248,882,944	261,263,311
Plus: Rate Stabilization Fund Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus: Depreciation Fund Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Total Net Revenue for Debt Service Plus Avail Bal	192,807,812	204,382,012	228,736,339	279,467,740	291,583,265	261,765,385
Debt Svc	129,465,255	131,842,232	130,445,301	138,467,573	146,646,176	153,668,184
Debt Service Coverage Ratio - Rate Covenant Test 2	1.49	1.55	1.75	2.02	1.99	1.70
Maximum Annual Debt Service (MADS) Coverage Test - Per Ordinance						
Net Income (Restated)	113,635,759	152,485,000	172,658,707	224,361,348	248,882,944	261,263,311
Max Ann Debt Svc (MADS)	271,242,827	271,242,827	271,242,827	271,242,827	271,242,827	271,242,827
MADS Cov Ratio	0.42	0.56	0.65	0.83	0.92	0.96
Parity Test						
New Debt Issued?	n	n	n	n	n	n
Net Income (Restated)	113,635,759	152,485,000	172,658,707	224,361,348	248,882,944	261,263,311
Plus: Rate Stabilization Fund Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus: Depreciation Fund Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Total Net Revenue for Debt Service Plus Avail Bal	192,807,812	204,382,012	228,736,339	279,467,740	291,583,265	261,765,385
Debt Svc	271,242,827	271,242,827	271,242,827	271,242,827	271,242,827	271,242,827
Debt Service Coverage Ratio - Parity Test	NA	NA	NA	NA	NA	NA
Net Income (Restated)	113,635,759	152,485,000	172,658,707	224,361,348	248,882,944	261,263,311
Maximum Debt Service	271,242,827	271,242,827	271,242,827	271,242,827	271,242,827	271,242,827
Debt Service Coverage - Parity Test	NA	NA	NA	NA	NA	NA

Jeffco-000210

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Fund Balance Reconciliation and Net Annual Cash Flow- Revenue Account

Figure 6

Fund Balances - By Fund	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Revenue Account						
Current Assets	26,573,000					
Plus: Restricted Assets	-					
Less: Current Liabilities	(9,317,000)					
Beginning Balances	17,256,000	(3,639,527)	11,969,084	51,597,310	132,150,349	228,886,158
Plus:						
Rate Revenue 1	139,158,520	150,037,703	205,609,921	256,695,672	281,357,546	292,751,100
Other Operating Revenue	24,099,937	50,764,104	18,590,293	16,301,313	15,043,458	14,812,605
Interest Income	204,247	124,943	953,496	2,756,215	5,415,548	8,221,222
Transfer In	-	-	-	-	-	-
Funding of Debt Service Reserve from New Debt	-	-	-	-	-	0
Less:						
O&M	(49,826,945)	(46,441,750)	(49,895,003)	(51,391,853)	(52,933,608)	(54,521,616)
Non Operating Expense	-	-	-	-	-	-
Debt Service	(129,465,255)	(131,842,232)	(130,445,301)	(138,467,573)	(146,646,176)	(153,966,184)
Capital Outlay	(5,066,031)	(5,034,156)	(5,185,181)	(5,340,736)	(5,500,958)	(5,665,987)
Transfers Out	-	-	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Working Capital Reserve	(12,456,736)	(12,110,438)	(12,473,751)	(12,847,963)	(13,233,402)	(13,630,404)
Net Funds Available for Capital Projects	(16,096,264)	(141,353)	39,123,559	119,302,386	215,652,756	316,884,894
Less:						
Capital Projects Funded with Cash	-	-	-	-	-	(11,320,008)
Ending Balance	(16,096,264)	(141,353)	39,123,559	119,302,386	215,652,756	305,564,887
Plus:						
Working Capital Reserve	12,456,736	12,110,438	12,473,751	12,847,963	13,233,402	13,630,404
Ending Unrestricted Balances	(3,639,527)	11,969,084	51,597,310	132,150,349	228,886,158	319,195,291
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	(3,639,527)	11,969,084	51,597,310	132,150,349	228,886,158	319,195,291
Net Annual Cash Flow						
Ending Unrestricted Balances	(16,096,264)	(141,353)	39,123,559	119,302,386	215,652,756	305,564,887
Plus:						
Additional Revenue From Rate Incr for Coverage	-	-	-	-	-	-
Working Capital Reserves	12,456,736	12,110,438	12,473,751	12,847,963	13,233,402	13,630,404
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	(3,639,527)	11,969,084	51,597,310	132,150,349	228,886,158	319,195,291
Variance	-	(0)	-	-	-	-

Jeffco-000211

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Figure 7

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Fund Balance Reconciliation - Rate Stabilization Fund

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Rate Stabilization Fund						
Beginning Balances	28,376,809	29,241,078	445,296	458,858	472,833	487,234
Plus:						
Interest Income	864,268	445,296	13,562	13,975	14,401	14,840
Transfer In From Revenue Acct	-	-	-	-	-	-
Less:						
Transfers Out to Revenue Account	-	(29,241,078)	-	-	-	-
Restricted Reserves						
Working Capital Reserve	(203,432,120)	(203,432,120)	(203,432,120)	(203,432,120)	(203,432,120)	(203,432,120)
Net Funds Available for Capital Projects	(174,191,042)	(202,986,825)	(202,973,262)	(202,959,287)	(202,944,886)	(202,930,046)
Less:						
Capital Projects Funded with Cash	-	-	-	-	-	-
Ending Balance	(174,191,042)	(202,986,825)	(202,973,262)	(202,959,287)	(202,944,886)	(202,930,046)
Plus:						
Working Capital Reserve	203,432,120	203,432,120	203,432,120	203,432,120	203,432,120	203,432,120
Ending Unrestricted Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	29,241,078	445,296	458,858	472,833	487,234	502,074

Jeffco-000212

Figure 8

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Rate Stabilization Fund

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Depreciation Fund						
Beginning Balances	46,465,184	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087
Plus:						
Interest Income	1,475,792	1,520,740	1,567,057	1,614,785	1,452,700	633,196
Transfers in from Revenue Account	-	-	-	-	-	-
Less:						
O&M	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Working Capital Reserve	-	-	-	-	-	-
Net Funds Available for Capital Projects	49,930,976	51,451,716	53,018,774	54,633,559	56,086,258	42,846,284
Less:						
Capital Projects Funded with Cash	-	-	-	-	(13,873,171)	(42,846,284)
Ending Balance	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Plus:						
Working Capital Reserve	-	-	-	-	-	-
Ending Unrestricted Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-

Jeffco-000213

Figure 9

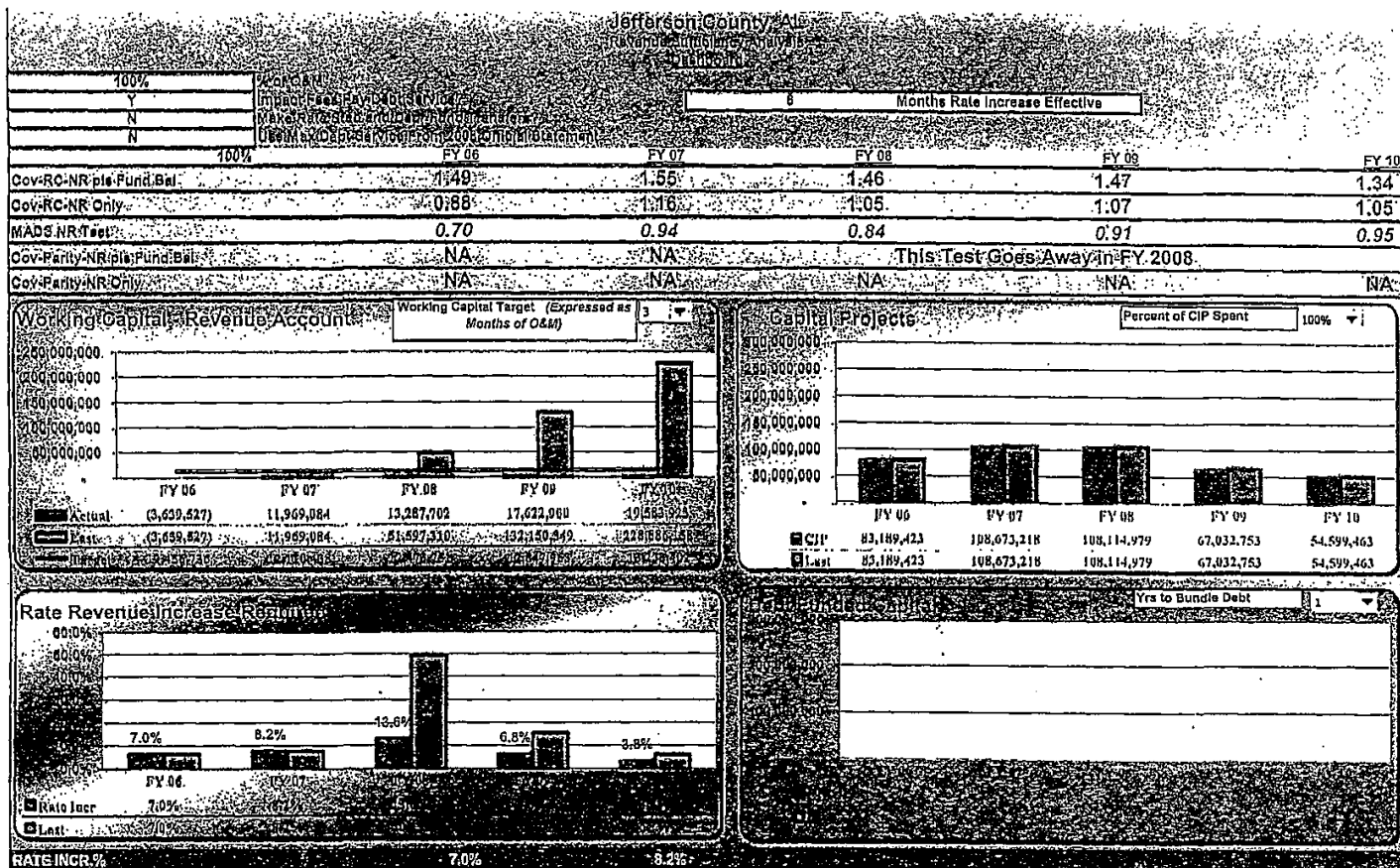
Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Restricted Funds (Including Existing Bond Funds)

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Restricted Funds						
Beginning Balances	407,736,664	324,547,241	215,874,023	107,759,044	40,726,292	-
Plus:						
Interest Income	10,984,259	6,106,319	4,854,496	2,227,280	610,894	-
Less:						
Transfers Out	(10,984,259)	(6,106,319)	(4,854,496)	(2,227,280)	(610,894)	-
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Working Capital Reserve	-	-	-	-	-	-
Net Funds Available for Capital Projects	407,736,664	324,547,241	215,874,023	107,759,044	40,726,292	-
Less:						
Capital Projects Funded with Cash	(83,189,423)	(108,673,218)	(108,114,978)	(67,032,753)	(40,726,292)	-
Ending Balance	324,547,241	215,874,023	107,759,044	40,726,292	-	-
Plus:						
Working Capital Reserve	-	-	-	-	-	-
Ending Unrestricted Balances	324,547,241	215,874,023	107,759,044	40,726,292	-	-
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	324,547,241	215,874,023	107,759,044	40,726,292	-	-

Jeffco-000214

R-000777

Figure 2-3
Scenario 3 Results & Assumptions



Jeffco-000215

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Summary of Significant Assumptions and Results

Figure 2

Summary of Significant Assumptions and Results	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Annual Growth in Customer Base	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Annual O&M Cost Escalation Factor	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Annual Assumed Interest Earning on Fund Balances	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Terms of New Debt:						
Term	30	30	30	30	30	30
Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Annual Rate Revenue	199,158,520	150,037,703	167,874,957	182,770,387	191,440,205	208,015,791
Annual Rate Increases	7.0%	8.2%	13.6%	6.8%	3.8%	11.0%
Percent of Year Rate Increase Effective	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%
Total Operating Expenses	49,826,945	48,441,750	49,895,003	51,391,853	52,933,608	54,521,616
Total Minor Capital Expenses	5,066,031	5,034,166	5,185,181	5,340,736	5,500,958	5,665,987
Total Annual Debt Service	129,465,255	131,842,232	130,445,301	138,467,573	146,646,176	153,988,184
Total Expenses (Not Including Interfund Transfers Out)	184,358,231	185,318,138	185,526,484	195,200,182	205,080,742	214,155,787
Debt Service as Percent of Total Expenses	70%	71%	70%	71%	72%	72%
Net Cash Flow - Revenue Account	(20,895,527)	15,608,612	1,318,618	4,335,198	1,961,023	9,228,758
Total Capital Projects Funded	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291
Projects Funded with Cash	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291
Projects Funded with Debt	-	-	-	-	-	-

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Summary of Capital Project Funding

Figure 3

Summary of Capital Project Funding	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Funded with Net Cash and Available Balances (incl. Bond Funds on Hand)						
Revenue Account	-	-	-	-	-	11,320,008
Rate Stabilization Fund	-	-	-	-	-	-
Depreciation Fund	-	-	-	-	13,873,171	42,846,284
Restricted Funds	83,189,423	108,673,218	108,114,979	67,032,753	40,726,292	-
Total Funded with Cash and Balances	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291
New Debt Required	-	-	-	-	-	-
Total Projects Funded	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291
Total Projects	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291

Jeffco-000216

Figure 4

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Summary of Fund Balances

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Fund						
Revenue Account	(3,639,527)	11,969,084	13,287,702	17,622,900	19,583,923	17,492,673
Rate Stabilization Fund	29,241,078	445,296	458,858	472,833	487,234	502,074
Depreciation Fund	49,830,976	51,451,716	53,018,774	54,833,559	42,213,087	-
Restricted Fund	324,547,241	215,874,023	107,759,044	40,726,292	-	-
Total	400,079,768	279,740,120	174,524,378	113,455,584	62,284,245	17,994,747

Jeffco-000217

Figure 5

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Calculation of Debt Service Coverage

Debt Service Coverage Calculation:	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Sewer Rate Revenue	132,954,000	142,260,780	153,926,164	174,849,353	186,730,905	193,794,855
Growth	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Additional Rate Revenue From Growth	-	-	-	-	-	-
Rate Revenue After Growth	132,954,000	142,260,780	153,926,164	174,849,353	186,730,905	193,794,855
Rate Increase	7.0%	8.2%	13.6%	6.8%	3.8%	11.0%
Pct of Year Rate Increase Effective	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%
Additional Rate Revenue From Rate Increase	6,204,520	7,776,523	13,948,793	7,921,035	4,709,300	14,220,936
Rate Increase 2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pct of Year Rate Increase Effective	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Additional Rate Revenue From Rate Increase	-	-	-	-	-	-
Sewer Rate Revenue After Rate Increase	139,158,520	150,037,703	167,874,957	182,770,387	191,440,205	208,015,791
Rate Covenant Test						
Rate Covenant Test 1						
Total Rate Revenue	139,158,520	150,037,703	167,874,957	182,770,387	191,440,205	208,015,791
Miscellaneous Revenue	24,099,937	50,764,104	16,590,293	16,301,313	15,043,458	14,812,605
Interest Earnings	204,247	124,943	376,852	463,659	558,102	556,149
Total Revenue	163,462,704	200,926,750	186,844,102	199,535,360	207,041,765	223,384,545
Operations and Maintenance Expenses	49,826,945	48,441,750	49,895,003	51,391,853	52,933,808	54,621,816
Net Income	113,635,759	152,485,000	136,949,099	148,143,507	154,108,157	168,862,928
Current Year Debt Service	129,465,255	131,842,232	130,445,301	138,467,573	146,646,176	153,968,184
Debt Service Coverage - Rate Covenant Test 1	0.88	1.16	1.05	1.07	1.05	1.10
Rate Covenant Test 2						
Net Income (Restated)	113,635,759	152,485,000	136,949,099	148,143,507	154,108,157	168,862,928
Plus: Rate Stabilization Fund Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus: Depreciation Fund Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Total Net Revenue for Debt Service Plus Avail Bal	192,807,812	204,382,012	190,426,731	203,249,899	196,808,479	169,365,002
Debt Svc	129,465,255	131,842,232	130,445,301	138,467,573	146,646,176	153,968,184
Debt Service Coverage Ratio - Rate Covenant Test 2	1.49	1.55	1.46	1.47	1.34	1.10
Maximum Annual Debt Service (MADS) Coverage Test - Per Ordinance						
Net Income (Restated)	113,635,759	152,485,000	136,949,099	148,143,507	154,108,157	168,862,928
Max Ann Debt Svc (MADS)	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000
MADS Cov Ratio	0.70	0.94	0.84	0.91	0.95	1.04
Parity Test						
New Debt Issued?	n	n	n	n	n	n
Net Income (Restated)	113,635,759	152,485,000	136,949,099	148,143,507	154,108,157	168,862,928
Plus: Rate Stabilization Fund Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus: Depreciation Fund Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Total Net Revenue for Debt Service Plus Avail Bal	192,807,812	204,382,012	190,426,731	203,249,899	196,808,479	169,365,002
Debt Svc	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000
Debt Service Coverage Ratio - Parity Test	NA	NA	NA	NA	NA	NA
Net Income (Restated)	113,635,759	152,485,000	136,949,099	148,143,507	154,108,157	168,862,928
Maximum Debt Service	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000
Debt Service Coverage - Parity Test	NA	NA	NA	NA	NA	NA

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R-000781

Figure 6

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation and Net Annual Cash Flow- Revenue Account

Fund Balances - By Fund	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Revenue Account						
Current Assets	26,573,000					
Plus: Restricted Assets	-					
Less: Current Liabilities	(9,317,000)					
Beginning Balances	17,256,000	(3,639,527)	11,969,084	13,287,702	17,622,900	19,583,923
Plus:						
Rate Revenue 1	139,158,520	150,037,703	167,874,957	182,770,387	191,440,205	208,015,791
Other Operating Revenue	24,099,937	50,764,104	18,590,293	16,301,313	15,043,458	14,812,605
Interest Income	204,247	124,943	378,852	463,659	658,102	558,149
Transfer In	-	-	-	-	-	-
Funding of Debt Service Reserve from New Debt	-	-	-	-	-	0
Less:						
O&M	(49,826,945)	(48,441,750)	(49,895,003)	(51,391,853)	(52,933,608)	(54,521,616)
Non Operating Expense	-	-	-	-	-	-
Debt Service	(129,485,255)	(131,842,232)	(130,445,301)	(138,467,573)	(146,646,176)	(153,968,184)
Capital Outlay	(5,066,031)	(5,034,156)	(5,185,181)	(5,340,736)	(5,500,958)	(5,665,987)
Transfers Out	-	-	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Working Capital Reserve	(12,456,736)	(12,110,438)	(12,473,751)	(12,847,963)	(13,233,402)	(13,630,404)
Net Funds Available for Capital Projects	(16,096,264)	(141,353)	813,951	4,774,937	6,350,521	15,182,276
Less:						
Capital Projects Funded with Cash	-	-	-	-	-	(11,320,008)
Ending Balance	(16,096,264)	(141,353)	813,951	4,774,937	6,350,521	3,862,269
Plus:						
Working Capital Reserve	12,456,736	12,110,438	12,473,751	12,847,963	13,233,402	13,630,404
Ending Unrestricted Balances	(3,639,527)	11,869,084	13,287,702	17,622,900	19,583,923	17,492,673
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	(3,639,527)	11,869,084	13,287,702	17,622,900	19,583,923	17,492,673
Net Annual Cash Flow	(20,895,527)	15,608,612	1,318,618	4,335,198	1,961,023	9,228,758
Ending Unrestricted Balances	(16,096,264)	(141,353)	813,951	4,774,937	6,350,521	3,862,269
Plus:						
Additional Revenue From Rate Incr for Coverage	-	-	-	-	-	-
Working Capital Reserves	12,456,736	12,110,438	12,473,751	12,847,963	13,233,402	13,630,404
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	(3,639,527)	11,869,084	13,287,702	17,622,900	19,583,923	17,492,673
Variance	-	(0)	(0)	(0)	-	(0)

Jeffco-000219

Figure 7

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Rate Stabilization Fund

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Rate Stabilization Fund						
Beginning Balances	28,376,809	29,241,078	445,296	458,858	472,833	487,234
Plus:						
Interest Income	664,268	445,296	13,662	13,975	14,401	14,840
Transfer In From Revenue Acct	-	-	-	-	-	-
Less:						
Transfers Out to Revenue Account	-	(29,241,078)	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Working Capital Reserve	(122,140,500)	(122,140,500)	(122,140,500)	(122,140,500)	(122,140,500)	(122,140,500)
Net Funds Available for Capital Projects	(92,899,422)	(121,695,204)	(121,681,642)	(121,667,667)	(121,653,266)	(121,638,426)
Less:						
Capital Projects Funded with Cash	-	-	-	-	-	-
Ending Balance	(92,899,422)	(121,695,204)	(121,681,642)	(121,667,667)	(121,653,266)	(121,638,426)
Plus:						
Working Capital Reserve	122,140,500	122,140,500	122,140,500	122,140,500	122,140,500	122,140,500
Ending Unrestricted Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	29,241,078	445,296	458,858	472,833	487,234	502,074

Jeffco-000220

Figure 8

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Rate Stabilization Fund

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Depreciation Fund						
Beginning Balances	48,465,184	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087
Plus:						
Interest Income	1,475,792	1,520,740	1,567,057	1,614,785	1,452,700	633,196
Transfers In from Revenue Account	-	-	-	-	-	-
Less:						
O&M	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Working Capital Reserve	-	-	-	-	-	-
Net Funds Available for Capital Projects	49,930,976	51,451,716	53,018,774	54,633,559	56,086,256	42,846,284
Less:						
Capital Projects Funded with Cash	-	-	-	-	(13,873,171)	(42,846,284)
Ending Balance	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Plus:						
Working Capital Reserve	-	-	-	-	-	-
Ending Unrestricted Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-

Jeffco-000221

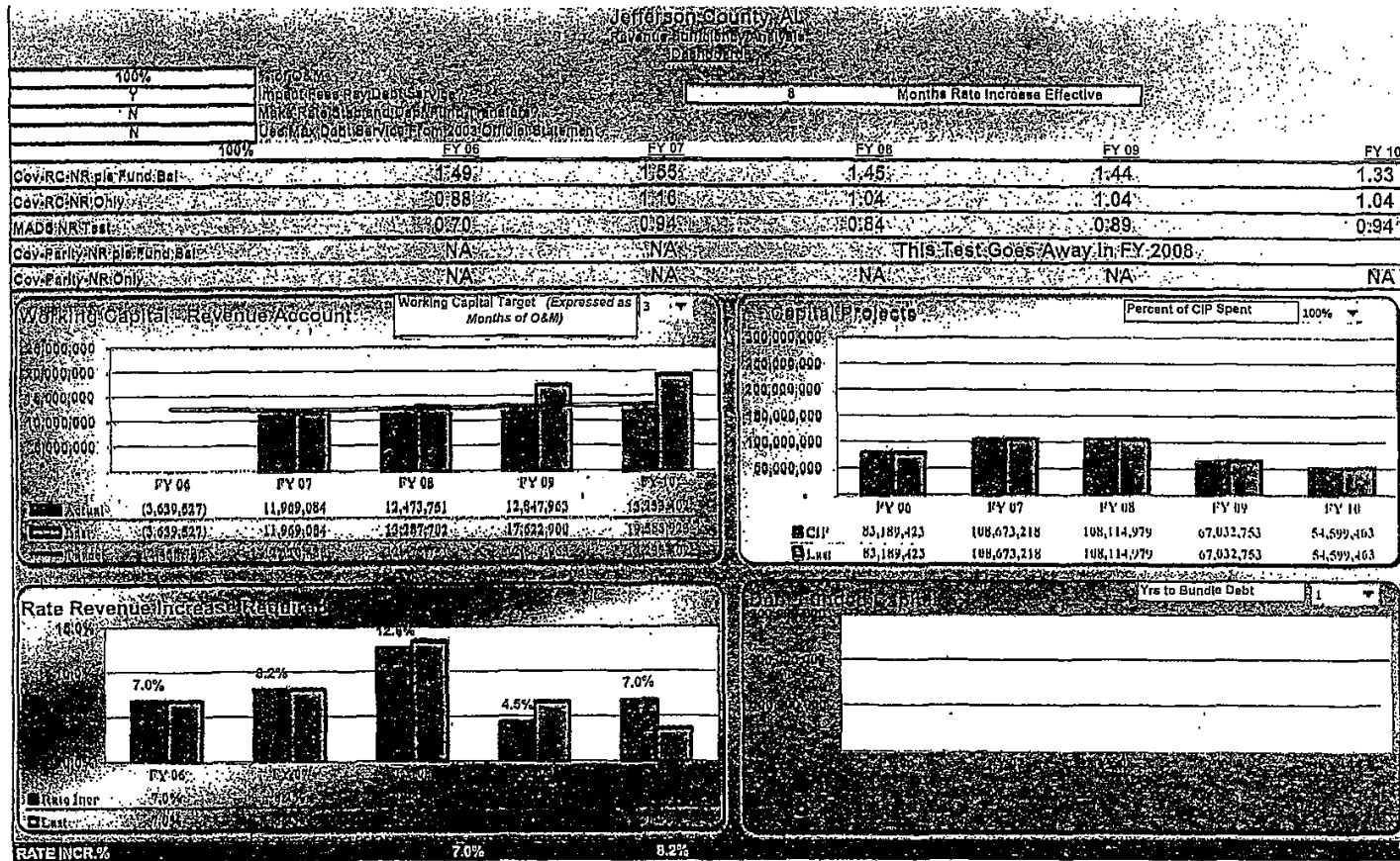
Figure 9

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Restricted Funds (Including Existing Bond Funds)

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Restricted Funds						
Beginning Balances	407,736,664	324,547,241	215,874,023	107,759,044	40,726,292	-
Plus:						
Interest Income	10,984,259	8,106,319	4,854,496	2,227,280	810,894	-
Less:						
Transfers Out	(10,984,259)	(8,106,319)	(4,854,496)	(2,227,280)	(810,894)	-
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Working Capital Reserve	-	-	-	-	-	-
Net Funds Available for Capital Projects	407,736,664	324,547,241	215,874,023	107,759,044	40,726,292	-
Less:						
Capital Projects Funded with Cash	(83,189,423)	(108,673,218)	(108,114,879)	(87,032,753)	(40,726,292)	-
Ending Balance	324,547,241	215,874,023	107,759,044	40,726,292	-	-
Plus:						
Working Capital Reserve	-	-	-	-	-	-
Ending Unrestricted Balances	324,547,241	215,874,023	107,759,044	40,726,292	-	-
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	324,547,241	215,874,023	107,759,044	40,726,292	-	-

Jeffco-000222

Figure 2-4
Scenario 4 Results & Assumptions



Jefco-000223

Figure 2

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Summary of Significant Assumptions and Results

Summary of Significant Assumptions and Results	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Annual Growth in Customer Base	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Annual O&M Cost Escalation Factor	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Annual Assumed Interest Earning on Fund Balances	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Terms of New Debt:						
Term	30	30	30	30	30	30
Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Annual Rate Revenue	138,158,520	150,037,703	167,073,215	178,893,235	190,031,503	208,168,893
Annual Rate Increases	7.0%	8.2%	12.8%	4.5%	7.0%	10.7%
Percent of Year Rate Increase Effective	65.7%	66.7%	66.7%	66.7%	66.7%	66.7%
Total Operating Expenses	49,826,945	48,441,750	49,895,003	51,391,853	52,933,508	54,521,618
Total Minor Capital Expenses	5,065,031	5,034,156	5,185,181	5,340,736	5,500,958	5,665,987
Total Annual Debt Service	128,465,255	131,842,232	130,445,301	138,467,573	146,846,176	153,968,184
Total Expenses (Not Including Interfund Transfers Out)	184,358,231	185,318,138	185,525,484	195,200,162	205,080,742	214,155,787
Debt Service as Percent of Total Expenses	70%	71%	70%	71%	72%	72%
Net Cash Flow - Revenue Account	(20,895,527)	15,608,612	504,666	374,213	385,439	9,228,758
Total Capital Projects Funded	83,189,423	108,673,218	108,114,979	87,032,753	54,599,463	54,166,291
Projects Funded with Cash	83,189,423	108,673,218	108,114,979	87,032,753	54,599,463	51,861,320
Projects Funded with Debt	-	-	-	-	-	2,304,971

Figure 3

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Summary of Capital Project Funding

Summary of Capital Project Funding	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Funded with Net Cash and Available Balances (incl. Bond Funds on Hand)						
Revenue Account	-	-	-	-	-	9,015,036
Rate Stabilization Fund	-	-	-	-	-	-
Depreciation Fund	-	-	-	-	13,873,171	42,846,284
Restricted Funds	83,189,423	108,673,218	108,114,979	67,032,753	40,726,292	-
Total Funded with Cash and Balances	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	51,861,320
New Debt Required	-	-	-	-	-	2,304,971
Total Projects Funded	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291
Total Projects	83,189,423	108,673,218	108,114,979	67,032,753	54,599,463	54,166,291

Jeffco-000224

Figure 4

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Summary of Fund Balances

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Fund						
Revenue Account	(3,639,527)	11,969,084	12,473,751	12,847,963	13,233,402	13,630,405
Rate Stabilization Fund	29,241,078	445,296	458,858	472,833	487,234	502,074
Depreciation Fund	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Restricted Fund	324,547,241	215,874,023	107,759,044	40,726,292	-	-
Total	400,078,768	279,740,120	173,710,426	108,680,647	55,933,724	14,132,478

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Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Calculation of Debt Service Coverage

Figure 5

Debt Service Coverage Calculation:	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Sewer Rate Revenue	132,954,000	142,260,780	153,926,164	173,646,740	181,516,483	194,289,013
Growth	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Additional Rate Revenue From Growth	-	-	-	-	-	-
Rate Revenue After Growth	132,954,000	142,260,780	153,926,164	173,646,740	181,516,483	194,289,013
Rate Increase	7.0%	8.2%	12.8%	4.5%	7.0%	10.7%
Pct of Year Rate Increase Effective	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%
Additional Rate Revenue From Rate Increase	6,204,520	7,776,923	13,147,051	5,246,495	8,515,020	13,879,969
Rate Increase 2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pct of Year Rate Increase Effective	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Additional Rate Revenue From Rate Increase	-	-	-	-	-	-
Sewer Rate Revenue After Rate Increase	139,158,520	150,037,703	167,073,215	178,893,235	190,031,503	208,168,982
Rate Covenant Test						
Rate Covenant Test 1						
Total Rate Revenue	139,158,520	150,037,703	167,073,215	178,893,235	190,031,503	208,168,982
Miscellaneous Revenue	24,089,937	50,784,104	18,590,293	16,301,313	15,043,458	14,812,605
Interest Earnings	204,247	124,943	386,643	379,826	391,220	402,657
Total Revenue	163,462,704	200,926,750	186,030,151	195,574,374	205,468,181	223,384,546
Operations and Maintenance Expenses	49,826,945	48,441,750	49,895,003	51,391,853	52,933,608	54,521,816
Net Income	113,635,759	152,485,000	136,135,148	144,182,522	152,532,573	168,862,928
Current Year Debt Service	129,465,255	131,842,232	130,445,301	138,467,573	146,646,176	153,968,184
Debt Service Coverage - Rate Covenant Test 1	0.88	1.16	1.04	1.04	1.04	1.10
Rate Covenant Test 2						
Net Income (Restated)	113,635,759	152,485,000	136,135,148	144,182,522	152,532,573	168,862,928
Plus: Rate Stabilization Fund Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus: Depreciation Fund Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Total Net Revenue for Debt Service Plus Avail Bal	192,807,812	204,382,012	189,612,780	199,288,914	195,232,895	169,365,002
Debt Svc	129,465,255	131,842,232	130,445,301	138,467,573	146,646,176	153,968,184
Debt Service Coverage Ratio - Rate Covenant Test 2	1.49	1.55	1.45	1.44	1.33	1.10
Maximum Annual Debt Service (MADS) Coverage Test - Per Ordinance						
Net Income (Restated)	113,635,759	152,485,000	136,135,148	144,182,522	152,532,573	168,862,928
Max Ann Debt Svc (MADS)	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000
MADS Cov Ratio	0.70	0.94	0.84	0.89	0.94	1.04
Parity Test						
New Debt Issued?	n	n	n	n	n	Y
Net Income (Restated)	113,635,759	152,485,000	136,135,148	144,182,522	152,532,573	168,862,928
Plus: Rate Stabilization Fund Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus: Depreciation Fund Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Total Net Revenue for Debt Service Plus Avail Bal	192,807,812	204,382,012	189,612,780	199,288,914	195,232,895	169,365,002
Debt Svc	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000
Debt Service Coverage Ratio - Parity Test	NA	NA	NA	NA	NA	1.08
Net Income (Restated)	113,635,759	152,485,000	136,135,148	144,182,522	152,532,573	168,862,928
Maximum Debt Service	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000
Debt Service Coverage - Parity Test	NA	NA	NA	NA	NA	1.04

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Figure 6

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Fund Balance Reconciliation and Net Annual Cash Flow- Revenue Account

Fund Balances - By Fund	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Revenue Account						
Current Assets	26,573,000					
Plus: Restricted Assets	-					
Less: Current Liabilities	(9,317,000)					
Beginning Balances	17,256,000	(3,639,527)	11,969,084	12,473,751	12,847,963	13,233,402
Plus:						
Rate Revenue 1	139,158,520	150,037,703	167,073,215	178,893,235	190,031,503	208,168,982
Other Operating Revenue	24,089,937	50,764,104	18,590,293	16,301,313	15,043,458	14,812,605
Interest Income	204,247	124,943	366,643	379,826	391,220	402,957
Transfer In	-	-	-	-	-	-
Funding of Debt Service Reserve from New Debt	-	-	-	-	-	183,281
Less:						
O&M	(49,826,945)	(48,441,750)	(49,895,003)	(51,391,853)	(52,933,608)	(54,521,616)
Non Operating Expense	-	-	-	-	-	-
Debt Service	(129,465,255)	(131,842,232)	(130,445,301)	(138,467,573)	(146,646,176)	(153,968,184)
Capital Outlay	(5,066,031)	(5,034,156)	(5,185,181)	(5,340,736)	(5,500,958)	(5,665,987)
Transfers Out	-	-	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Working Capital Reserve	(12,456,736)	(12,110,438)	(12,473,751)	(12,847,963)	(13,233,402)	(13,630,404)
Net Funds Available for Capital Projects	(18,096,264)	(141,353)	(0)	(0)	(0)	9,015,036
Less:						
Capital Projects Funded with Cash	-	-	-	-	-	(9,015,036)
Ending Balance	(18,096,264)	(141,353)	(0)	(0)	(0)	(0)
Plus:						
Working Capital Reserve	12,456,736	12,110,438	12,473,751	12,847,963	13,233,402	13,630,404
Ending Unrestricted Balances	(3,639,527)	11,969,084	12,473,751	12,847,963	13,233,402	13,630,404
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	(3,639,527)	11,969,084	12,473,751	12,847,963	13,233,402	13,630,404
Net Annual Cash Flow	(20,895,527)	15,608,612	504,666	374,213	385,439	9,228,758
Ending Unrestricted Balances	(16,096,264)	(141,353)	(5,689,847)	(5,246,495)	(5,886,397)	0
Plus:						
Additional Revenue From Rate Incr for Coverage	-	-	5,689,847	5,246,495	5,886,397	(0)
Working Capital Reserves	12,456,736	12,110,438	12,473,751	12,847,963	13,233,402	13,630,404
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	(3,639,527)	11,969,084	12,473,751	12,847,963	13,233,402	13,630,404
Variance	-	(0)	(0)	(0)	(0)	(0)

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Figure 7

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Rate Stabilization Fund

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Rate Stabilization Fund						
Beginning Balances	28,376,809	29,241,078	445,296	458,858	472,833	487,234
Plus:						
Interest Income	864,268	445,296	13,562	13,975	14,401	14,840
Transfer In From Revenue Acct	-	-	-	-	-	-
Less:						
Transfers Out to Revenue Account	-	(29,241,078)	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Working Capital Reserve	(122,140,500)	(122,140,500)	(122,140,500)	(122,140,500)	(122,140,500)	(122,140,500)
Net Funds Available for Capital Projects	(92,899,422)	(121,695,204)	(121,681,642)	(121,667,667)	(121,653,266)	(121,638,426)
Less:						
Capital Projects Funded with Cash	-	-	-	-	-	-
Ending Balance	(92,899,422)	(121,695,204)	(121,681,642)	(121,667,667)	(121,653,266)	(121,638,426)
Plus:						
Working Capital Reserve	122,140,500	122,140,500	122,140,500	122,140,500	122,140,500	122,140,500
Ending Unrestricted Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	29,241,078	445,296	458,858	472,833	487,234	502,074

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Figure 8

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Rate Stabilization Fund

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Depreciation Fund						
Beginning Balances	48,455,184	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087
Plus:						
Interest Income	1,475,792	1,520,740	1,567,057	1,614,785	1,452,700	633,196
Transfers In from Revenue Account	-	-	-	-	-	-
Less:						
O&M	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Working Capital Reserve	-	-	-	-	-	-
Net Funds Available for Capital Projects	49,930,976	51,451,716	53,018,774	54,633,559	56,086,258	42,846,284
Less:						
Capital Projects Funded with Cash	-	-	-	-	(13,873,171)	(42,846,284)
Ending Balance	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Plus:						
Working Capital Reserve	-	-	-	-	-	-
Ending Unrestricted Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	49,930,976	51,451,716	53,018,774	54,633,559	42,213,087	-

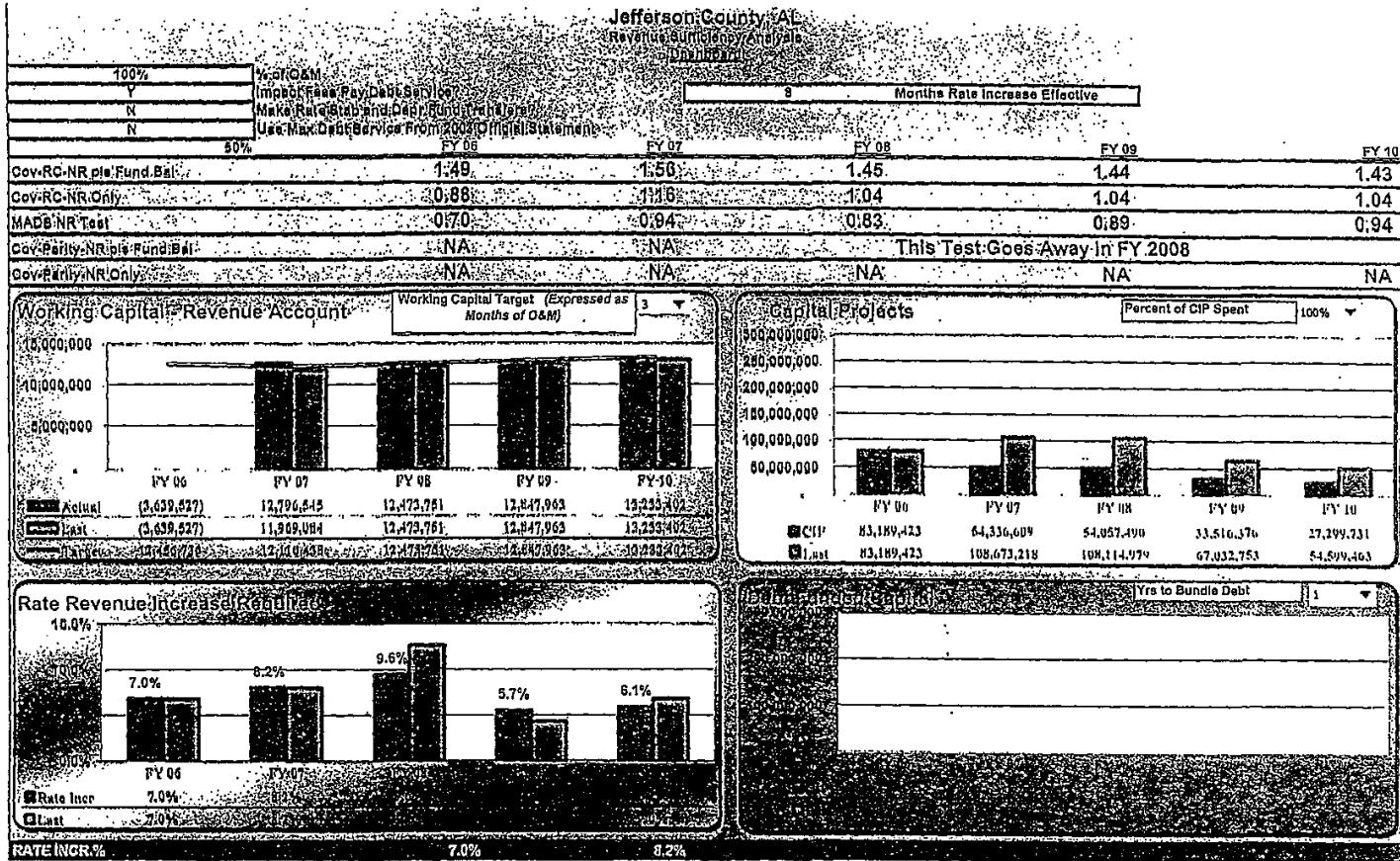
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Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Restricted Funds (Including Existing Bond Funds)

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Restricted Funds						
Beginning Balances	407,736,664	324,547,241	215,874,023	107,759,044	40,726,292	-
Plus:						
Interest Income	10,984,259	8,106,319	4,854,498	2,227,280	610,894	-
Less:						
Transfers Out	(10,984,259)	(8,106,319)	(4,854,498)	(2,227,280)	(610,894)	-
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Working Capital Reserve	-	-	-	-	-	-
Net Funds Available for Capital Projects	407,736,664	324,547,241	215,874,023	107,759,044	40,726,292	-
Less:						
Capital Projects Funded with Cash	(83,189,423)	(108,673,218)	(106,114,979)	(67,032,753)	(40,726,292)	-
Ending Balance	324,547,241	215,874,023	107,759,044	40,726,292	-	-
Plus:						
Working Capital Reserve	-	-	-	-	-	-
Ending Unrestricted Balances	324,547,241	215,874,023	107,759,044	40,726,292	-	-
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	324,547,241	215,874,023	107,759,044	40,726,292	-	-

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Figure 2-5
Scenario 5 Results & Assumptions



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Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Summary of Significant Assumptions and Results

Figure 2

Summary of Significant Assumptions and Results	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Annual Growth in Customer Base	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Annual D&M Cost Escalation Factor	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Annual Assumed Interest Earning on Fund Balances	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Terms of New Debt:						
Term	30	30	30	30	30	30
Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Annual Rate Revenue	139,158,520	150,037,703	163,792,381	175,138,666	185,572,790	195,083,363
Annual Rate Increases	7.0%	8.2%	9.6%	5.7%	6.1%	4.7%
Percent of Year Rate Increase Effective	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%
Total Operating Expenses	49,826,945	48,441,750	49,895,003	51,391,853	52,933,608	54,521,616
Total Minor Capital Expenses	5,066,031	5,034,156	5,185,181	5,340,736	5,500,958	5,665,987
Total Annual Debt Service	129,465,255	131,842,232	130,445,301	138,467,573	146,646,178	153,968,184
Total Expenses (Not Including Interfund Transfers Out)	184,358,231	185,318,138	185,525,484	195,200,182	205,080,742	214,155,787
Debt Service as Percent of Total Expenses	70%	71%	70%	71%	72%	72%
Net Cash Flow - Revenue Account	(20,895,527)	16,436,073	(322,795)	374,213	385,439	397,002
Total Capital Projects Funded	83,189,423	54,336,609	54,057,490	33,516,376	27,299,731	27,083,146
Projects Funded with Cash	83,189,423	54,336,609	54,057,490	33,516,376	27,299,731	27,083,146
Projects Funded with Debt	-	-	-	-	-	-

Figure 3

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Summary of Capital Project Funding

Summary of Capital Project Funding	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Funded with Net Cash and Available Balances (incl. Bond Funds on Hand)						
Revenue Account	-	-	-	-	-	-
Rate Stabilization Fund	-	-	-	-	-	-
Depreciation Fund	-	-	-	-	-	-
Restricted Funds	83,189,423	54,336,609	54,057,490	33,516,376	27,299,731	27,083,146
Total Funded with Cash and Balances	83,189,423	54,336,609	54,057,490	33,516,376	27,299,731	27,083,146
New Debt Required	-	-	-	-	-	-
Total Projects Funded	83,189,423	54,336,609	54,057,490	33,516,376	27,299,731	27,083,146
Total Projects	83,189,423	54,336,609	54,057,490	33,516,376	27,299,731	27,083,146

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Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Summary of Fund Balances

Figure 4

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Fund						
Revenue Account	(3,639,527)	12,786,545	12,473,751	12,847,965	13,233,402	13,630,404
Rate Stabilization Fund	29,241,078	445,296	458,858	472,833	487,234	502,074
Depreciation Fund	49,930,976	51,451,716	53,018,774	54,633,559	56,297,525	58,012,170
Restricted Fund	324,547,241	270,210,632	216,153,143	182,636,766	155,337,035	128,253,890
Total	400,078,768	334,804,190	282,104,525	250,591,122	225,355,197	200,398,538

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Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Calculation of Debt Service Coverage

Figure 5

Debt Service Coverage Calculation:	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Sewer Rate Revenue	132,954,000	142,260,780	153,925,164	168,725,480	178,345,255	189,186,558
Growth	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Additional Rate Revenue From Growth	-	-	-	-	-	-
Rate Revenue After Growth	132,954,000	142,260,780	153,925,164	168,725,480	178,345,255	189,186,558
Rate Increase	7.0%	8.2%	9.8%	5.7%	6.1%	4.7%
Pct of Year Rate Increase Effective	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%
Additional Rate Revenue From Rate Increase	6,204,520	7,776,923	9,866,217	6,413,177	7,227,535	5,896,805
Rate Increase 2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pct of Year Rate Increase Effective	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Additional Rate Revenue From Rate Increase	-	-	-	-	-	-
Sewer Rate Revenue After Rate Increase	139,158,520	150,037,703	163,792,381	175,138,666	185,572,790	195,083,363
Rate Covenant Test						
Rate Covenant Test 1						
Total Rate Revenue	139,158,520	150,037,703	163,792,381	175,138,666	185,572,790	195,083,363
Miscellaneous Revenue	24,099,937	51,579,153	21,031,254	20,055,882	19,502,171	19,066,469
Interest Earnings	204,247	137,355	379,054	379,826	391,220	402,957
Total Revenue	163,462,704	201,754,211	185,202,690	195,574,374	205,466,181	214,552,789
Operations and Maintenance Expenses	49,826,945	48,441,750	49,895,003	51,391,853	52,933,608	54,521,616
Net Income	113,635,759	153,312,461	135,307,687	144,182,522	152,532,573	160,031,173
Current Year Debt Service	129,465,255	131,842,232	130,445,301	138,467,573	145,646,176	153,988,184
Debt Service Coverage - Rate Covenant Test 1	0.88	1.16	1.04	1.04	1.04	1.04
Rate Covenant Test 2						
Net Income (Restated)	113,635,759	153,312,461	135,307,687	144,182,522	152,532,573	160,031,173
Plus: Rate Stabilization Fund Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus: Depreciation Fund Balances	49,930,976	51,451,716	53,018,774	54,633,559	55,297,525	58,012,170
Total Net Revenue for Debt Service Plus Avail Bal	192,807,812	205,209,473	188,785,319	199,288,914	209,317,332	218,545,417
Debt Svc	129,465,255	131,842,232	130,445,301	138,467,573	145,646,176	153,988,184
Debt Service Coverage Ratio - Rate Covenant Test 2	1.49	1.56	1.45	1.44	1.43	1.42
Maximum Annual Debt Service (MADS) Coverage Test - Per Ordinance						
Net Income (Restated)	113,635,759	153,312,461	135,307,687	144,182,522	152,532,573	160,031,173
Max Ann Debt Svc (MADS)	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000
MADS Cov Ratio	0.70	0.94	0.83	0.88	0.94	0.88
Parity Test						
New Debt Issued?	n	n	n	n	n	n
Net Income (Restated)	113,635,759	153,312,461	135,307,687	144,182,522	152,532,573	160,031,173
Plus: Rate Stabilization Fund Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus: Depreciation Fund Balances	49,930,976	51,451,716	53,018,774	54,633,559	55,297,525	58,012,170
Total Net Revenue for Debt Service Plus Avail Bal	192,807,812	205,209,473	188,785,319	199,288,914	209,317,332	218,545,417
Debt Svc	182,854,000	182,854,000	182,854,000	182,854,000	182,854,000	182,854,000
Debt Service Coverage Ratio - Parity Test	NA	NA	NA	NA	NA	NA
Net Income (Restated)	113,635,759	153,312,461	135,307,687	144,182,522	152,532,573	160,031,173
Maximum Debt Service	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000
Debt Service Coverage - Parity Test	NA	NA	NA	NA	NA	NA

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Figure 6

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation and Net Annual Cash Flow- Revenue Account

Fund Balances - By Fund	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Revenue Account						
Current Assets	26,573,000					
Plus: Restricted Assets	-					
Less: Current Liabilities	(9,317,000)					
Beginning Balances	17,256,000	(3,639,527)	12,796,545	12,473,751	12,847,963	13,233,402
Plus:						
Rate Revenue 1	139,158,520	150,037,703	163,792,381	175,138,666	185,572,790	195,083,363
Other Operating Revenue	24,099,937	51,579,153	21,031,254	20,055,882	19,502,171	19,056,469
Interest Income	204,247	137,355	379,054	379,826	391,220	402,957
Transfer In	-	-	-	-	-	-
Funding of Debt Service Reserve from New Debt	-	-	-	-	-	0
Less:						
O&M	(49,826,945)	(48,441,750)	(49,895,003)	(51,391,853)	(52,933,608)	(54,521,616)
Non Operating Expense	-	-	-	-	-	-
Debt Service	(129,485,255)	(131,842,232)	(130,445,301)	(138,467,573)	(146,646,176)	(153,968,184)
Capital Outlay	(5,066,031)	(5,034,156)	(5,185,181)	(5,340,736)	(5,500,858)	(5,665,987)
Transfers Out	-	-	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Working Capital Reserve	(12,456,736)	(12,110,438)	(12,473,751)	(12,847,963)	(13,233,402)	(13,630,404)
Net Funds Available for Capital Projects	(16,096,264)	686,108	(0)	(0)	(0)	(0)
Less:						
Capital Projects Funded with Cash	(16,096,264)	686,108	-	-	-	-
Ending Balance	(16,096,264)	686,108	(0)	(0)	(0)	(0)
Plus:						
Working Capital Reserve	12,456,736	12,110,438	12,473,751	12,847,963	13,233,402	13,630,404
Ending Unrestricted Balances	(3,639,527)	12,796,545	12,473,751	12,847,963	13,233,402	13,630,404
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	(3,639,527)	12,796,545	12,473,751	12,847,963	13,233,402	13,630,404
Net Annual Cash Flow	(20,895,527)	16,436,073	(322,765)	374,213	365,439	397,002
Ending Unrestricted Balances	(16,096,264)	686,108	(4,862,386)	(5,714,949)	(5,886,397)	(5,896,805)
Plus:						
Additional Revenue From Rate Incr for Coverage	-	-	4,862,386	5,714,949	5,886,397	5,896,805
Working Capital Reserves	12,456,736	12,110,438	12,473,751	12,847,963	13,233,402	13,630,404
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	(3,639,527)	12,796,545	12,473,751	12,847,963	13,233,402	13,630,404
Variance	-	-	(0)	(0)	(0)	(0)

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Figure 7

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Rate Stabilization Fund

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Rate Stabilization Fund						
Beginning Balances	28,376,809	29,241,078	445,296	458,858	472,833	487,234
Plus:						
Interest Income	864,268	445,296	13,562	13,975	14,401	14,840
Transfer In From Revenue Acct	-	-	-	-	-	-
Less:						
Transfers Out to Revenue Account	-	(29,241,078)	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Working Capital Reserve	(122,140,500)	(122,140,500)	(122,140,500)	(122,140,500)	(122,140,500)	(122,140,500)
Net Funds Available for Capital Projects	(92,899,422)	(121,695,204)	(121,681,642)	(121,667,667)	(121,653,266)	(121,638,426)
Less:						
Capital Projects Funded with Cash	-	-	-	-	-	-
Ending Balance	(92,899,422)	(121,695,204)	(121,681,642)	(121,667,667)	(121,653,266)	(121,638,426)
Plus:						
Working Capital Reserve	122,140,500	122,140,500	122,140,500	122,140,500	122,140,500	122,140,500
Ending Unrestricted Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	29,241,078	445,296	458,858	472,833	487,234	502,074

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Figure 8

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Rate Stabilization Fund

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Depreciation Fund						
Beginning Balances	48,455,184	49,930,976	51,451,716	53,018,774	54,633,559	56,297,525
Plus:						
Interest Income	1,475,792	1,520,740	1,567,057	1,614,785	1,663,966	1,714,645
Transfers In from Revenue Account	-	-	-	-	-	-
Less:						
O&M	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Working Capital Reserve	-	-	-	-	-	-
Net Funds Available for Capital Projects	49,930,976	51,451,716	53,018,774	54,633,559	56,297,525	58,012,170
Less:						
Capital Projects Funded with Cash	-	-	-	-	-	-
Ending Balance	49,930,976	51,451,716	53,018,774	54,633,559	56,297,525	58,012,170
Plus:						
Working Capital Reserve	-	-	-	-	-	-
Ending Unrestricted Balances	49,930,976	51,451,716	53,018,774	54,633,559	56,297,525	58,012,170
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	49,930,976	51,451,716	53,018,774	54,633,559	56,297,525	58,012,170

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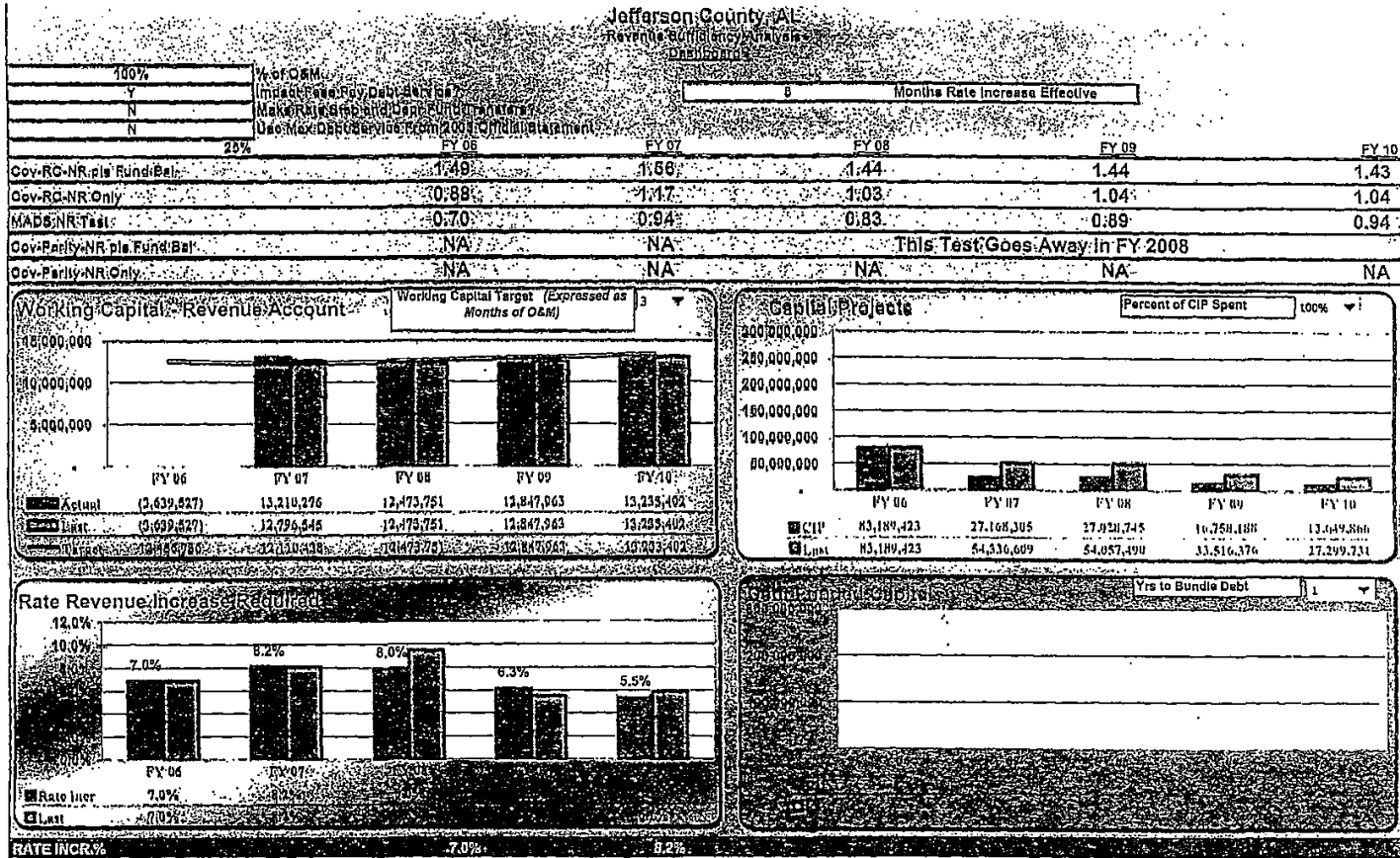
Figure 9

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Restricted Funds (Including Existing Bond Funds)

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Restricted Funds						
Beginning Balances	407,736,664	324,547,241	270,210,632	216,153,143	182,636,766	155,337,035
Plus:						
Interest Income	10,984,259	8,921,368	7,295,457	5,981,849	5,069,607	4,253,864
Less:						
Transfers Out	(10,984,259)	(8,921,368)	(7,295,457)	(5,981,849)	(5,069,607)	(4,253,864)
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Working Capital Reserve						
Net Funds Available for Capital Projects	407,736,664	324,547,241	270,210,632	216,153,143	182,636,766	155,337,035
Less:						
Capital Projects Funded with Cash	(83,189,423)	(54,336,609)	(54,057,490)	(33,516,376)	(27,289,731)	(27,083,146)
Ending Balance	324,547,241	270,210,632	216,153,143	182,636,766	155,337,035	128,253,890
Plus:						
Working Capital Reserve	-	-	-	-	-	-
Ending Unrestricted Balances	324,547,241	270,210,632	216,153,143	182,636,766	155,337,035	128,253,890
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	324,547,241	270,210,632	216,153,143	182,636,766	155,337,035	128,253,890

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Figure 2-6
Scenario 6 Results & Assumptions



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Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Summary of Significant Assumptions and Results

Figure 2

Summary of Significant Assumptions and Results	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Annual Growth in Customer Base	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Annual O&M Cost Escalation Factor	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Annual Assumed Interest Earning on Fund Balances	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Terms of New Debt:						
Term	30	30	30	30	30	30
Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Annual Rate Revenue	139,158,520	150,037,703	162,151,964	173,261,382	183,239,385	192,342,086
Annual Rate Increases	7.0%	8.2%	8.0%	6.3%	5.5%	4.7%
Percent of Year Rate Increase Effective	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%
Total Operating Expenses	49,826,945	48,441,750	49,895,003	51,391,853	52,933,608	54,521,616
Total Minor Capital Expenses	5,066,031	5,034,156	5,185,181	5,340,736	5,500,958	5,665,967
Total Annual Debt Service	129,465,255	131,842,232	130,445,301	138,467,573	146,646,176	153,968,184
Total Expenses (Not Including Interfund Transfers Out)	184,358,231	185,318,138	185,525,484	195,200,162	205,080,742	214,155,787
Debt Service as Percent of Total Expenses	70%	71%	70%	71%	72%	72%
Net Cash Flow - Revenue Account	(20,895,527)	16,849,803	(736,525)	374,213	385,439	397,002
Total Capital Projects Funded	83,189,423	27,168,305	27,028,745	16,758,188	13,649,866	13,541,573
Projects Funded with Cash	83,189,423	27,168,305	27,028,745	16,758,188	13,649,866	13,541,573
Projects Funded with Debt	-	-	-	-	-	-

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Summary of Capital Project Funding

Figure 3

Summary of Capital Project Funding	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Funded with Net Cash and Available Balances (incl. Bond Funds on Hand)						
Revenue Account	-	-	-	-	-	-
Rate Stabilization Fund	-	-	-	-	-	-
Depreciation Fund	-	-	-	-	-	-
Restricted Funds	83,189,423	27,168,305	27,028,745	16,758,188	13,649,866	13,541,573
Total Funded with Cash and Balances	83,189,423	27,168,305	27,028,745	16,758,188	13,649,866	13,541,573
New Debt Required	-	-	-	-	-	-
Total Projects Funded	83,189,423	27,168,305	27,028,745	16,758,188	13,649,866	13,541,573
Total Projects	83,189,423	27,168,305	27,028,745	16,758,188	13,649,866	13,541,573

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Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Summary of Fund Balances

Figure 4

Fund	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Revenue Account	(3,639,527)	13,210,276	12,473,751	12,847,963	13,233,402	13,630,404
Rate Stabilization Fund	29,241,078	445,298	458,858	472,833	487,234	502,074
Depreciation Fund	49,930,976	51,451,718	53,018,774	54,633,559	56,297,525	58,012,170
Restricted Fund	324,547,241	297,378,937	270,350,192	253,592,004	239,842,138	226,400,565
Total	400,079,768	362,486,225	336,301,574	321,548,359	309,960,300	298,545,214

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Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Calculation of Debt Service Coverage

Figure 5

Debt Service Coverage Calculation:	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Sewer Rate Revenue	132,954,000	142,260,780	153,926,164	166,264,864	176,759,641	186,479,257
Growth	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Additional Rate Revenue From Growth	-	-	-	-	-	-
Rate Revenue After Growth	132,954,000	142,260,780	153,926,164	166,264,864	176,759,641	186,479,257
Rate Increase	7.0%	8.2%	8.0%	6.3%	5.5%	4.7%
Pct of Year Rate Increase Effective	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%
Additional Rate Revenue From Rate Increase	6,204,520	7,776,923	8,225,800	6,996,518	6,479,744	5,862,829
Rate Increase 2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pct of Year Rate Increase Effective	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Additional Rate Revenue From Rate Increase	-	-	-	-	-	-
Sewer Rate Revenue After Rate Increase	139,158,520	150,037,703	162,151,964	173,261,382	183,239,385	192,342,086
Rate Covenant Test						
Rate Covenant Test 1						
Total Rate Revenue	139,158,520	150,037,703	162,151,964	173,261,382	183,239,385	192,342,086
Miscellaneous Revenue	24,089,937	51,988,677	22,251,734	21,933,166	21,835,576	21,807,746
Interest Earnings	204,247	143,581	385,260	379,826	391,220	402,587
Total Revenue	163,462,704	202,167,941	184,788,958	195,574,374	205,466,181	214,552,419
Operations and Maintenance Expenses	49,826,945	48,441,750	49,895,003	51,391,853	52,833,608	54,521,818
Net Income	113,635,759	153,726,191	134,893,956	144,182,522	152,632,573	160,031,173
Current Year Debt Service	129,465,255	131,842,232	130,445,301	138,467,573	146,646,176	153,868,184
Debt Service Coverage - Rate Covenant Test 1	0.88	1.17	1.03	1.04	1.04	1.04
Rate Covenant Test 2						
Net Income (Restated)	113,635,759	153,726,191	134,893,956	144,182,522	152,632,573	160,031,173
Plus: Rate Stabilization Fund Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus: Depreciation Fund Balances	49,930,976	51,451,716	53,018,774	54,633,559	56,297,525	58,012,170
Total Net Revenue for Debt Service Plus Avail Bal	192,807,812	205,623,203	188,371,588	199,288,914	209,317,332	218,545,417
Debt Svc	129,465,255	131,842,232	130,445,301	138,467,573	146,646,176	153,868,184
Debt Service Coverage Ratio - Rate Covenant Test 2	1.49	1.56	1.44	1.44	1.43	1.42
Maximum Annual Debt Service (MADS) Coverage Test - Per Ordinance						
Net Income (Restated)	113,635,759	153,726,191	134,893,956	144,182,522	152,632,573	160,031,173
Max Ann Debt Svc (MADS)	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000
MADS Cov Ratio	0.70	0.94	0.83	0.89	0.94	0.98
Parity Test						
New Debt Issued?	n	n	n	n	n	n
Net Income (Restated)	113,635,759	153,726,191	134,893,956	144,182,522	152,632,573	160,031,173
Plus: Rate Stabilization Fund Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus: Depreciation Fund Balances	49,930,976	51,451,716	53,018,774	54,633,559	56,297,525	58,012,170
Total Net Revenue for Debt Service Plus Avail Bal	192,807,812	205,623,203	188,371,588	199,288,914	209,317,332	218,545,417
Debt Svc	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000
Debt Service Coverage Ratio - Parity Test	NA	NA	NA	NA	NA	NA
Net Income (Restated)	113,635,759	153,726,191	134,893,956	144,182,522	152,632,573	160,031,173
Maximum Debt Service	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000	162,854,000
Debt Service Coverage - Parity Test	NA	NA	NA	NA	NA	NA

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Figure 6

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation and Net Annual Cash Flow- Revenue Account

Fund Balances - By Fund	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Revenue Account						
Current Assets	26,573,000					
Plus: Restricted Assets						
Less: Current Liabilities	(9,317,000)					
Beginning Balances	17,256,000	(3,639,527)	13,210,276	12,473,751	12,847,963	13,233,402
Plus:						
Rate Revenue 1	139,158,520	150,037,703	162,151,964	173,261,362	183,239,385	192,342,086
Other Operating Revenue	24,099,937	51,986,677	22,251,734	21,933,168	21,835,576	21,807,745
Interest Income	204,247	143,561	385,260	379,826	391,220	402,957
Transfer In	-	-	-	-	-	-
Funding of Debt Service Reserve from New Debt	-	-	-	-	-	0
Less:						
O&M	(49,826,945)	(48,441,750)	(49,895,003)	(51,391,853)	(52,933,608)	(54,521,616)
Non Operating Expense	-	-	-	-	-	-
Debt Service	(129,465,255)	(131,842,232)	(130,445,301)	(138,467,573)	(146,646,176)	(153,968,184)
Capital Outlay	(5,066,031)	(5,034,166)	(5,185,181)	(5,340,736)	(5,500,958)	(5,665,987)
Transfers Out	-	-	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Working Capital Reserve	(12,456,736)	(12,110,438)	(12,473,751)	(12,847,963)	(13,233,402)	(13,630,404)
Net Funds Available for Capital Projects	(16,096,264)	1,099,838	(0)	(0)	(0)	(0)
Less:						
Capital Projects Funded with Cash	-	-	-	-	-	-
Ending Balance	(16,096,264)	1,099,838	(0)	(0)	(0)	(0)
Plus:						
Working Capital Reserve	12,456,736	12,110,438	12,473,751	12,847,963	13,233,402	13,630,404
Ending Unrestricted Balances	(3,639,527)	13,210,276	12,473,751	12,847,963	13,233,402	13,630,404
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	(3,639,527)	13,210,276	12,473,751	12,847,963	13,233,402	13,630,404
Net Annual Cash Flow	(20,895,527)	16,849,803	(736,525)	374,213	385,439	397,002
Ending Unrestricted Balances	(16,096,264)	1,099,838	(4,448,655)	(5,714,949)	(5,886,397)	(5,882,829)
Plus:						
Additional Revenue From Rate Incr for Coverage	-	-	4,448,655	5,714,949	5,886,397	5,882,829
Working Capital Reserves	12,456,736	12,110,438	12,473,751	12,847,963	13,233,402	13,630,404
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	(3,639,527)	13,210,276	12,473,751	12,847,963	13,233,402	13,630,404
Variance		(0)	(0)	(0)	(0)	(0)

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Figure 7

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Rate Stabilization Fund

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Rate Stabilization Fund						
Beginning Balances	28,376,809	29,241,078	445,296	458,858	472,833	487,234
Plus:						
Interest Income	864,268	445,298	13,562	13,975	14,401	14,840
Transfer In From Revenue Acct	-	-	-	-	-	-
Less:						
Transfers Out to Revenue Account	-	(29,241,078)	-	-	-	-
Restricted Reserves						
Working Capital Reserve	(122,140,500)	(122,140,500)	(122,140,500)	(122,140,500)	(122,140,500)	(122,140,500)
Net Funds Available for Capital Projects	(92,899,422)	(121,695,204)	(121,681,642)	(121,667,667)	(121,653,266)	(121,638,426)
Less:						
Capital Projects Funded with Cash	-	-	-	-	-	-
Ending Balance	(92,899,422)	(121,695,204)	(121,681,642)	(121,667,667)	(121,653,266)	(121,638,426)
Plus:						
Working Capital Reserve	122,140,500	122,140,500	122,140,500	122,140,500	122,140,500	122,140,500
Ending Unrestricted Balances	29,241,078	445,296	458,858	472,833	487,234	502,074
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	29,241,078	445,296	458,858	472,833	487,234	502,074

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Figure 8

Jefferson County, AL
Sewer Revenue Sufficiency Analysis
Fund Balance Reconciliation - Rate Stabilization Fund

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Depreciation Fund						
Beginning Balances	48,455,184	49,930,976	51,451,716	53,018,774	54,633,559	56,297,525
Plus:						
Interest Income	1,475,792	1,520,740	1,567,057	1,614,785	1,663,986	1,714,645
Transfers In from Revenue Account	-	-	-	-	-	-
Less:						
O&M	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Restricted Reserves	-	-	-	-	-	-
Working Capital Reserve	-	-	-	-	-	-
Net Funds Available for Capital Projects	49,930,976	51,451,716	53,018,774	54,633,559	56,297,525	58,012,170
Less:						
Capital Projects Funded with Cash	-	-	-	-	-	-
Ending Balance	49,930,976	51,451,716	53,018,774	54,633,559	56,297,525	58,012,170
Plus:						
Working Capital Reserve	-	-	-	-	-	-
Ending Unrestricted Balances	49,930,976	51,451,716	53,018,774	54,633,559	56,297,525	58,012,170
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	49,930,976	51,451,716	53,018,774	54,633,559	56,297,525	58,012,170

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Figure 9

Jefferson County, AL
 Sewer Revenue Sufficiency Analysis
 Fund Balance Reconciliation - Restricted Funds (Including Existing Bond Funds)

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Restricted Funds						
Beginning Balances	407,736,664	324,547,241	297,378,937	270,350,192	253,592,004	239,942,138
Plus:						
Interest Income	10,984,259	9,328,893	8,515,937	7,859,133	7,403,012	6,995,141
Less:						
Transfers Out	(10,984,259)	(9,328,893)	(8,515,937)	(7,859,133)	(7,403,012)	(6,995,141)
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Working Capital Reserve	-	-	-	-	-	-
Net Funds Available for Capital Projects	407,736,664	324,547,241	297,378,937	270,350,192	253,592,004	239,942,138
Less:						
Capital Projects Funded with Cash	(83,189,423)	(27,168,305)	(27,028,745)	(16,758,188)	(13,649,866)	(13,541,573)
Ending Balance	324,547,241	297,378,937	270,350,192	253,592,004	239,942,138	226,400,565
Plus:						
Working Capital Reserve	-	-	-	-	-	-
Ending Unrestricted Balances	324,547,241	297,378,937	270,350,192	253,592,004	239,942,138	226,400,565
Plus:						
Restricted Reserves	-	-	-	-	-	-
Additional Restricted Reserves From New Debt	-	-	-	-	-	-
Ending Balances	324,547,241	297,378,937	270,350,192	253,592,004	239,942,138	226,400,565

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Final Technical Report

3

Cost Allocation to Functional Categories

3. Cost Allocation to Functional Categories

3.0 COST ALLOCATION TO FUNCTIONAL CATEGORIES

3.1. Introduction

The first step in the cost of service and rate design process involves the allocation of costs to functional categories. Cost allocation is the process of apportioning costs into various cost categories for subsequent distribution to customer classes based on their service characteristics.¹ This section of the report describes the process that was completed to apportion costs into functional categories.

3.2. Capital Cost Allocation

To recognize that wastewater capital facilities are designed to handle both the flows and the strength of wastewater, capital costs are allocated to functional components of flow and four strength components: Total Suspended Solids (TSS), Biological Oxygen Demand (BOD), Total Phosphorous (P), and Oil & Grease (O&G). The cost allocation process includes allocating fixed asset costs to functional components and identifying an overall percentage of capital facilities dedicated to flow, and each of the four strength characteristics. Once these percentages are identified, they are used to allocate budgeted revenue requirements associated with capital items to functional categories.

The methodology used for completing the fixed asset cost allocation consists of the following steps:

1. Obtaining of a list of fixed assets, original costs, and depreciated costs for treatment collection and transmission-related assets;
2. Allocation of the amortized costs to functional cost components; and
3. Development of average capital cost allocation percentages from the annualized capital recovery costs and the functional cost allocation results.

As a source for fixed assets, the County provided lists of existing assets, construction in progress and contributed capital assets (resulting from the Clean Water suit). Each of these lists includes asset categories (treatment or collection) as well as original and depreciated values. In addition to treatment and collection related assets, the list provides information regarding original and depreciated land value. For the propose of this analysis, land assets are excluded. The asset list also includes a description of each asset provided.

Original cost less depreciation (Book Value) is allocated to flow, TSS, BOD, P and O&G components based on the intended design of the facilities (cost-causative factors).

From the information provided, it is not possible to determine the nature of treatment related assets. In most cases, the allocation of treatment-related assets to cost-causative components is based on the nature of the treatment-related asset and its intended use. For

¹ Financing and Charges for Wastewater Systems, Manual of Practice No. 27, Water Environment Federation Press, 2005

example, sedimentation tanks are used primarily to remove biosolids and therefore are assigned to the BOD component. However, the description of treatment-related assets in the list provided, does not provide sufficient detail to assign the assets to a cost-causative component. As an alternative, the components of each wastewater treatment facility were reviewed and the facility as a whole divided into component categories based on analyses prepared for similar systems. A summary of the allocations for each facility is provided in Table 3-1 below:

**Table 3-1
Summary of Treatment Plant Cost-Causative Allocation**

Treatment Plant	Flow	TSS	BOD	P	O&G
Cahaba	31.57%	25.43%	36.92%	2.04%	4.04%
Five Mile	33.16%	34.05%	32.79%	0.00%	0.00%
Leeds	32.69%	20.61%	46.70%	0.00%	0.00%
Prudes	32.45%	23.26%	44.29%	0.00%	0.00%
Trussville	32.69%	31.38%	35.93%	0.00%	0.00%
Turkey	33.16%	31.46%	35.38%	0.00%	0.00%
Valley	25.27%	24.09%	44.79%	2.53%	3.32%
Village	24.80%	26.43%	43.25%	1.93%	3.59%
Warrior	37.60%	20.86%	41.54%	0.00%	0.00%
All	31.49%	26.40%	40.18%	0.72%	1.22%

Based on the facility cost-causative allocations described above, the total amount of costs assigned to flow, TSS, BOD, P and O&G is calculated to determine the capital cost allocation factors. The resulting overall average cost allocation factors that are calculated using this method are shown for existing assets, construction in progress and contributed assets in Appendices 3-1, 3-2 and 3-3, respectively. Appendix 3-4 presents a summary of the three assets lists. The final result of these allocations is summarized in Table 3-2 below:

**Table 3-2
Summary of Capital Cost Allocation Factors**

Flow	TSS	BOD	P	O&G
78.58%	7.68%	12.18%	0.55%	1.01%

In addition to fixed assets, the County also provided a list of current Capital Improvement Projects (CIP). The CIP is allocated in a similar manor to the fixed asset list above. Appendix 3-5 provides the CIP and each project's allocation to cost-causative components. Table 3-3 below provides the final results of the CIP allocation.

**Table 3-3
Summary of CIP Cost-Causative Allocations**

Flow	TSS	BOD	P	O&G	Customer	
					Billing	Customer
62.45%	10.63%	20.04%	0.33%	0.47%	0.00%	6.08%

These cost allocation factors are used to allocate the fiscal year 2005 operating budget, budgeted annual capital outlays and debt service expenditures to cost components, as described in Sections 3.3 and 3.4, below.

3.3. Operation & Maintenance Cost Allocation

Operation and maintenance costs are allocated to functional components of flow, TSS, BOD, P, O&G, Customer Billing and Customer categories to recognize the costs incurred to handle wastewater flow, strength characteristics, billing related activities, and other general operating costs. The County provided a detailed list of their operating budget for fiscal year 2005. The list identifies each department (Finance, Administration, Engineering & Construction, Wastewater Treatment Plants and Barton Laboratory) as well as each expense object (Examples: Regular Salaries, Health Insurance, Staff Development, etc.). The operating budget is filtered and each object for each department summarized.

The operating budget for each department is allocated to functional components of flow, TSS, BOD, P, O&G, Customer Billing and Customer. The allocations for each department are shown in Appendices 3-6 through 3-10, Appendix 3-11 provides a summary of all departments. A summary of the allocations for each department is provided in Table 3-4 below:

**Table 3-4
Summary of Department Cost-Causative Allocations**

Department	Flow	TSS	BOD	P	O&G	Customer	
						Billing	Customer
Finance	0.00%	0.00%	0.00%	0.00%	0.00%	95.32%	4.68%
Administration	54.44%	15.91%	24.47%	0.70%	1.12%	0.00%	3.37%
Engr & Const	89.46%	2.98%	5.62%	0.09%	0.13%	0.00%	1.70%
WWTPs	46.80%	21.30%	29.07%	1.06%	1.78%	0.00%	0.00%
Barton Lab	0.00%	56.04%	43.96%	0.00%	0.00%	0.00%	0.00%

These cost allocation factors are used to allocate the department specific Revenue Requirements described in Section 3.4, below.

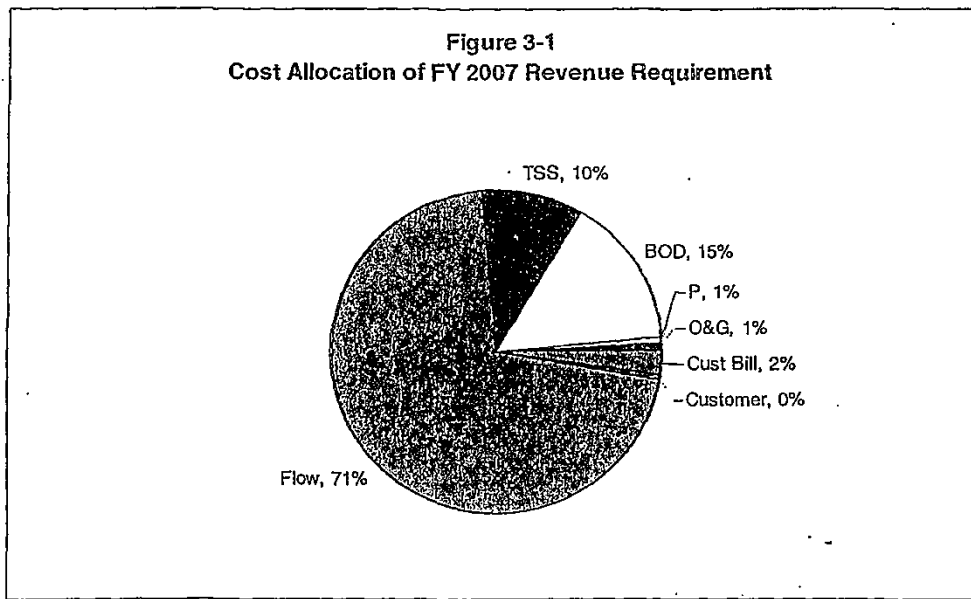
3.4. Allocation of Revenue Requirements to Functional Components

The cost allocation factors described above are use to allocate the Revenue Requirement developed in Section 2. The forecasted Revenue Requirement for fiscal years 2006 through 2010, discussed in Section 2 of this report, is allocated to each functional component using the above cost allocation factors. Table 3-5 provides a summary of cost allocations for each fiscal year. The allocation of the 2007 forecasted Revenue Requirement is also presented in Figure 3-1 below. A summary of the resulting allocations for each fiscal year are provided in Appendixes 3-11 through 3-15.

Table 3-5
Summary of Annual Revenue Requirement Allocations

Fiscal Year	Flow	TSS	BOD	P	O&G	Customer Billing	Customer	Total Requirement
2006	\$ 101,583,405	\$ 14,531,843	\$ 21,322,372	\$ 824,221	\$ 1,458,583	\$ 4,109,858	\$ 692,444	\$ 144,522,726
2007	110,589,707	15,849,311	23,289,392	902,767	1,597,790	3,454,133	690,491	156,373,590
2008	124,358,065	18,004,907	26,411,442	1,019,692	1,803,110	4,009,081	801,427	176,407,723
2009	130,307,975	18,722,784	27,499,907	1,064,912	1,884,344	4,102,559	820,114	184,402,595
2010	139,783,877	19,944,381	29,328,952	1,138,875	2,016,465	4,305,064	860,595	197,378,208

Figure 3-1
Cost Allocation of FY 2007 Revenue Requirement



The allocated revenue requirements are used to estimate cost based rates. The revenue requirement allocated to each cost-causative component is divided by the determinants discussed in Section 4, to calculate the estimated rate for each component. This process is discussed further in Section 5.

APPENDIX 3-A
 CAUSING ASSETS
 ALLOCATION TO COST-CAUSATIVE COMPONENTS

LINE	DESCRIPTION	ENVIRONMENTAL SERVICES CATEGORY	BOOK VALUE	TREATMENT PLANT	ALLOCATION REFERENCE					ALLOCATION VALUE								
					FLOW %	TSS %	BOD %	P %	O&G %	CUSTOMER BILLING %	CUSTOMER %	FLOW	TSS	BOD	P	O&G		
185	VALLEY CREEK DECONTAMINATION	treatment	115,000	Valley	23%	24%	45%	3%	3%	0%	0%	31,593	30,114	15,897	0	4,177	0	
186	VALLEY CREEK WWTY PHASE I-GEO/TECHNICAL	treatment	31,473	Valley	25%	43%	43%	3%	3%	0%	0%	8,551	15,212	1,877	0	1,171	0	
187	LAND APPLICATIONS-SANITIZATION	treatment	7,235	Valley	25%	45%	45%	3%	3%	0%	0%	4,819	4,819	218	492	640	0	
188	LAND APPLICATIONS-SANITIZATION-VALLEY CREEK	treatment	5,211	Valley	25%	45%	45%	3%	3%	0%	0%	3,344	3,344	215	432	547	0	
189	SUBSURFACE EXPANSION-VALLEY CREEK	collection	30,000	Valley	25%	45%	45%	3%	3%	0%	0%	14,215	14,215	2,181	425	1,847	0	
190	VALLEY CREEK WWTY PHASE II	treatment	330,000	Valley	25%	45%	45%	3%	3%	0%	0%	10,010	10,010	0	0	0	0	
201	DESIGN VALLEY CREEK WWTY PHASE II	treatment	384,850	Valley	25%	45%	45%	3%	3%	0%	0%	8,659	8,659	0	0	0	0	
202	DESIGN VALLEY CREEK WWTY PHASE II	treatment	129,611	Valley	25%	45%	45%	3%	3%	0%	0%	30,669	30,669	51,785	36,683	40,159	0	
203	DESIGN VALLEY CREEK WWTY PHASE II	treatment	75,345	Valley	25%	45%	45%	3%	3%	0%	0%	14,411	14,411	0	0	0	0	
204	DESIGN VALLEY CREEK WWTY PHASE II	treatment	91,266	Valley	25%	45%	45%	3%	3%	0%	0%	23,194	23,194	3,262	65	85	0	
205	DESIGN VALLEY CREEK WWTY PHASE II	treatment	37,500	Valley	25%	45%	45%	3%	3%	0%	0%	18,011	18,011	0	0	0	0	
206	DESIGN VALLEY CREEK WWTY PHASE II	treatment	37,500	Valley	25%	45%	45%	3%	3%	0%	0%	17,132	17,132	0	0	0	0	
207	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	97,076	97,076	4,381	5,513	14	0	
208	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	41,951	41,951	11	14	0	0	
209	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	30,134	30,134	1,159	1,933	0	0	
210	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	19,203	19,203	33,254	19,020	34,145	0	
211	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	31,516	31,516	66,594	31,636	43,718	0	
212	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	16,730	16,730	52,599	13,533	63,718	0	
213	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	47,613	47,613	27,600	16,690	21,810	0	
214	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	21,931	21,931	0	0	0	0	
215	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	16,033	16,033	21,421	1,605	1,602	0	
216	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	33,598	33,598	43,668	34,428	32,054	0	
217	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	10,705	10,705	683	744	0	0	
218	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	3,377	3,377	73	47	0	0	
219	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	12,200	12,200	0	0	0	0	
220	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	74,537	74,537	13,974	3,440	16,123	0	
221	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	71	71	1,283	56	105	0	
222	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	1,982,077	1,982,077	141,394	155,577	30,924	0	
223	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	36,443	36,443	69,261	2,859	2,851	0	
224	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	4,775,175	4,775,175	345,590	849,118	0	0	
225	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	5,642,436	5,642,436	312,700	489,285	0	0	
226	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	10,343	10,343	11,023	665	11,377	0	
227	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	87,147	87,147	143,607	6,364	11,817	0	
228	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	13,586,313	13,586,313	2,651,749	1,846,252	0	0	
229	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	1,071,973	1,071,973	23,702,633	1,201,068	1,884,444	0	
230	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	39,774	39,774	54,724	1,013	3,044	0	
231	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	6,520	6,520	11,971	25	577	0	
232	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	44,750	44,750	0	0	0	0	
233	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	6,256	6,256	0	0	0	0	
234	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	102,640	102,640	178,403	7,902	14,611	0	
235	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	12,313	12,313	31,194	1,172	1,017	0	
236	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	22,329	22,329	43,998	1,503	3,582	0	
237	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	21,146	21,146	375,400	16,665	30,979	0	
238	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	71,355	71,355	17,937	3,709	10,617	0	
239	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	5,250	5,250	16,894	718	1,353	0	
240	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	24,980	24,980	44,731	3,791	5,240	0	
241	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	48,590	48,590	84,339	3,791	7,034	0	
242	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	1,301,242	1,301,242	21,092,332	94,146	174,100	0	
243	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	64,454	64,454	88,991	1,133,234	50,359	93,450	0
244	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	28,684	28,684	31,737	2,007	4,944	0	
245	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	110,457	110,457	17,217	19,251	15,992	0	
246	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	18,732	18,732	16,526	1,421	1,441	0	
247	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	11,434	11,434	18,226	1,421	2,277	0	
248	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	16,400	16,400	0	0	0	0	
249	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	10,253	10,253	0	0	0	0	
250	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	3,969	3,969	3,969	0	0	0	
251	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	1,452,847	1,452,847	2,382,256	36,669	0	0	
252	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	14,816	14,816	0	0	0	0	
253	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	110,943	110,943	188,199	0	0	0	
254	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	19,079	19,079	12,035	25,640	0	0	
255	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	3,311	3,311	1,894	0	0	0	
256	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	1,833	1,833	3,254	0	0	0	
257	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	2,477	2,477	1,384	0	0	0	
258	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	61,697	61,697	79	0	0	0	
259	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	101,943	101,943	3,400	0	0	0	
260	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	3,268,020	3,268,020	21,114	53,021	1,351	0	
261	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	1,024,353	1,024,353	0	0	0	0	
262	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0%	0%	0	0	0	0	0	0	
263	DESIGN VALLEY CREEK WWTY PHASE II	treatment	112,333	Valley	25%	45%	45%	3%	3%	0								

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APPENDIX 3-1
 ALLCATION TO COST-CASUALTY COMPONENTS

LINE	DESCRIPTION	ENVIRONMENTAL SERVICES	BOOK	FLAUNT	THREATMENT	PLANT	TSS	DOD	E	O&C	CUSTOMER	BLIND	%	CUSTOMER	BLIND	%	CUSTOMER	BLIND	%	FLOW	TSS	ALLCATION TO COST-CASUALTY COMPONENTS
464	PLANT SERVICES BOARD PROFESSIONAL SERVICE																					
465	PLANT SERVICES BOARD PROFESSIONAL SERVICE																					
466	PLANT SERVICES BOARD PROFESSIONAL SERVICE																					
467	PLANT SERVICES BOARD PROFESSIONAL SERVICE																					
468	PLANT SERVICES BOARD PROFESSIONAL SERVICE																					
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500	PLANT SERVICES BOARD PROFESSIONAL SERVICE																					

APPENDIX A
 CAUSING ASSETS
 ALLOCATION TO COST-CAUSATIVE COMPONENTS

LINE	DESCRIPTION	ENVIRONMENTAL SERVICES CATEGORY	BOC VALUE	TREATMENT PLANT	ALLOCATION REFERENCE					ALLOCATION VALUE					CUSTOMER			
					FLOW %	TSS %	BOD %	P %	O&G %	CUSTOMER BILLING %	FLOW \$	TSS \$	BOD \$	P \$		O&G \$		
1480	BTW INSPECTIONS ON W/ VALLEY CREEK	collection	107,743		100%	0%	0%	0%	0%	0%	0%	107,743	0	0	0	0	0	0
1481	UTTER VALLEY SANITARY SEWER	collection	130,343		100%	0%	0%	0%	0%	0%	0%	130,343	0	0	0	0	0	0
1482	UTTER VALLEY CREEK DESIGN	collection	2,400,000		100%	0%	0%	0%	0%	0%	0%	2,400,000	0	0	0	0	0	0
1483	W VALLEY CREEK	collection	1,077,700		100%	0%	0%	0%	0%	0%	0%	1,077,700	0	0	0	0	0	0
1484	VALLEY CREEK COLL SYS	collection	1,850,000		100%	0%	0%	0%	0%	0%	0%	1,850,000	0	0	0	0	0	0
1485	WASHINGTON BRANCH SANITARY SEWERS	collection	112,425		100%	0%	0%	0%	0%	0%	0%	112,425	0	0	0	0	0	0
1486	W VALLEY CREEK COLL SYS	collection	1,932,000		100%	0%	0%	0%	0%	0%	0%	1,932,000	0	0	0	0	0	0
1487	FISHBONES CREEK COLLECTION SYSTEM	collection	3,333,333		100%	0%	0%	0%	0%	0%	0%	3,333,333	0	0	0	0	0	0
1488	W VALLEY CREEK SANITARY SWR	collection	18,441		100%	0%	0%	0%	0%	0%	0%	18,441	0	0	0	0	0	0
1489	HAILEM AVE DESIGN	collection	62,977		100%	0%	0%	0%	0%	0%	0%	62,977	0	0	0	0	0	0
1490	W VALLEY CREEK SANITARY SWR	collection	14,640		100%	0%	0%	0%	0%	0%	0%	14,640	0	0	0	0	0	0
1491	ENGINEERING DESIGN SERVICES	collection	15,506		100%	0%	0%	0%	0%	0%	0%	15,506	0	0	0	0	0	0
1492	17TH AVENUE SEWER EXT	collection	33,339		100%	0%	0%	0%	0%	0%	0%	33,339	0	0	0	0	0	0
1493	ENGINEERING REPORT MCT VALLA SS SYSTEM	collection	1,303		100%	0%	0%	0%	0%	0%	0%	1,303	0	0	0	0	0	0
1494	BOG SWR REPAIR-REPLACEMENT ON PROJECTS	collection	2,129		100%	0%	0%	0%	0%	0%	0%	2,129	0	0	0	0	0	0
1495	REPAIR-REPLACEMENT ON PROJECTS	collection	49,373		100%	0%	0%	0%	0%	0%	0%	49,373	0	0	0	0	0	0
1496	HAILEM AVE SANITARY SWR	collection	6,044		100%	0%	0%	0%	0%	0%	0%	6,044	0	0	0	0	0	0
1497	DRIFTER BRANCH INTERCEPTOR DM	collection	32,521	All	100%	0%	0%	0%	0%	0%	0%	32,521	0	0	0	0	0	0
1498	HAILEM AVE SANITARY SWR	collection	7,471		100%	0%	0%	0%	0%	0%	0%	7,471	0	0	0	0	0	0
1499	NATIONAL LINER PIPE CONTRACT	collection	16,878		100%	0%	0%	0%	0%	0%	0%	16,878	0	0	0	0	0	0
1500	W VALLEY CREEK SANITARY SWR	collection	34,450	Wiley	100%	0%	0%	0%	0%	0%	0%	34,450	0	0	0	0	0	0
1501	VALLEY CREEK TRUNK SWR REPLACEMENT	collection	54,831		100%	0%	0%	0%	0%	0%	0%	54,831	0	0	0	0	0	0
1502	HURSTOWN TRUNK SWR REPLACEMENT	collection	427,300		100%	0%	0%	0%	0%	0%	0%	427,300	0	0	0	0	0	0
1503	HURSTOWN TRUNK SWR REPLACEMENT	collection	181,313		100%	0%	0%	0%	0%	0%	0%	181,313	0	0	0	0	0	0
1504	HURSTOWN TRUNK SWR REPLACEMENT	collection	131,041		100%	0%	0%	0%	0%	0%	0%	131,041	0	0	0	0	0	0
1505	VALLEY CREEK SANITARY SEWER SYSTEM	collection	156,076		100%	0%	0%	0%	0%	0%	0%	156,076	0	0	0	0	0	0
1506	W VALLEY CREEK SANITARY SWR	collection	71,118		100%	0%	0%	0%	0%	0%	0%	71,118	0	0	0	0	0	0
1507	LOWER VALLEY CREEK SANITARY SEWER	collection	149,940		100%	0%	0%	0%	0%	0%	0%	149,940	0	0	0	0	0	0
1508	LOWER VALLEY CREEK SANITARY SEWER	collection	210,881		100%	0%	0%	0%	0%	0%	0%	210,881	0	0	0	0	0	0
1509	LOWER VALLEY CREEK SANITARY SEWER	collection	333,874		100%	0%	0%	0%	0%	0%	0%	333,874	0	0	0	0	0	0
1510	UPPER VALLEY CREEK SANITARY SEWER	collection	44,007		100%	0%	0%	0%	0%	0%	0%	44,007	0	0	0	0	0	0
1511	UPPER VALLEY CREEK SANITARY SEWER	collection	57,145		100%	0%	0%	0%	0%	0%	0%	57,145	0	0	0	0	0	0
1512	UPPER VALLEY CREEK SANITARY SEWER	collection	413,198		100%	0%	0%	0%	0%	0%	0%	413,198	0	0	0	0	0	0
1513	UPPER VALLEY CREEK SANITARY SEWER	collection	338,640		100%	0%	0%	0%	0%	0%	0%	338,640	0	0	0	0	0	0
1514	UPPER VALLEY CREEK SANITARY SEWER	collection	239,143		100%	0%	0%	0%	0%	0%	0%	239,143	0	0	0	0	0	0
1515	UPPER VALLEY CREEK SANITARY SEWER	collection	270,910		100%	0%	0%	0%	0%	0%	0%	270,910	0	0	0	0	0	0
1516	UPPER VALLEY CREEK SANITARY SWR	collection	67,335		100%	0%	0%	0%	0%	0%	0%	67,335	0	0	0	0	0	0
1517	DA LANE TO PALMER RD SANITARY SWP	collection	55,470		100%	0%	0%	0%	0%	0%	0%	55,470	0	0	0	0	0	0
1518	LOWER VALLEY CREEK SANITARY SEWER	collection	43,529		100%	0%	0%	0%	0%	0%	0%	43,529	0	0	0	0	0	0
1519	LOWER VALLEY CREEK SANITARY SEWER	collection	345,662	Wiley	100%	0%	0%	0%	0%	0%	0%	345,662	0	0	0	0	0	0
1520	LOWER VALLEY CREEK SANITARY SEWER	collection	163,270	Wiley	100%	0%	0%	0%	0%	0%	0%	163,270	0	0	0	0	0	0
1521	LOWER VALLEY CREEK SANITARY SEWER	collection	37,081	Wiley	100%	0%	0%	0%	0%	0%	0%	37,081	0	0	0	0	0	0
1522	LOWER VALLEY CREEK SANITARY SEWER	collection	22,337	Wiley	100%	0%	0%	0%	0%	0%	0%	22,337	0	0	0	0	0	0
1523	LOWER VALLEY CREEK SANITARY SEWER	collection	3,854		100%	0%	0%	0%	0%	0%	0%	3,854	0	0	0	0	0	0
1524	LOWER VALLEY CREEK SANITARY SEWER	collection	34,198		100%	0%	0%	0%	0%	0%	0%	34,198	0	0	0	0	0	0
1525	LOWER VALLEY CREEK SANITARY SEWER	collection	11,415		100%	0%	0%	0%	0%	0%	0%	11,415	0	0	0	0	0	0
1526	LOWER VALLEY CREEK SANITARY SEWER	collection	69,417		100%	0%	0%	0%	0%	0%	0%	69,417	0	0	0	0	0	0
1527	LOWER VALLEY CREEK SANITARY SEWER	collection	91,350		100%	0%	0%	0%	0%	0%	0%	91,350	0	0	0	0	0	0
1528	LOWER VALLEY CREEK SANITARY SEWER	collection	2,533,333		100%	0%	0%	0%	0%	0%	0%	2,533,333	0	0	0	0	0	0
1529	LOWER VALLEY CREEK SANITARY SEWER	collection	10,700	Other	100%	0%	0%	0%	0%	0%	0%	10,700	0	0	0	0	0	0
1530	LOWER VALLEY CREEK SANITARY SEWER	collection	1,037	Other	100%	0%	0%	0%	0%	0%	0%	1,037	0	0	0	0	0	0
1531	LOWER VALLEY CREEK SANITARY SEWER	collection	47,337	Other	100%	0%	0%	0%	0%	0%	0%	47,337	0	0	0	0	0	0
1532	LOWER VALLEY CREEK SANITARY SEWER	collection	500,000		100%	0%	0%	0%	0%	0%	0%	500,000	0	0	0	0	0	0
1533	LOWER VALLEY CREEK SANITARY SEWER	collection	9,331,643		100%	0%	0%	0%	0%	0%	0%	9,331,643	0	0	0	0	0	0
1534	LOWER VALLEY CREEK SANITARY SEWER	collection	2,729,000		100%	0%	0%	0%	0%	0%	0%	2,729,000	0	0	0	0	0	0
1535	LOWER VALLEY CREEK SANITARY SEWER	collection	1,811,886		100%	0%	0%	0%	0%	0%	0%	1,811,886	0	0	0	0	0	0
1536	LOWER VALLEY CREEK SANITARY SEWER	collection	2,433,333		100%	0%	0%	0%	0%	0%	0%	2,433,333	0	0	0	0	0	0
1537	LOWER VALLEY CREEK SANITARY SEWER	collection	1,540,800		100%	0%	0%	0%	0%	0%	0%	1,540,800	0	0	0	0	0	0
1538	LOWER VALLEY CREEK SANITARY SEWER	collection	2,494,374		100%	0%	0%	0%	0%	0%	0%	2,494,374	0	0	0	0	0	0
1539	LOWER VALLEY CREEK SANITARY SEWER	collection	1,336,046		100%	0%	0%	0%	0%	0%	0%	1,336,046	0	0	0	0	0	0
1540	LOWER VALLEY CREEK SANITARY SEWER	collection	3,231,264		100%	0%	0%	0%	0%	0%	0%	3,231,264	0	0	0	0	0	0
1541	LOWER VALLEY CREEK SANITARY SEWER	collection	3,231,264		100%	0%	0%	0%	0%	0%	0%	3,231,264	0	0	0	0	0	0
1542	LOWER VALLEY CREEK SANITARY SEWER	collection	3,231,264		100%	0%	0%	0%	0%	0%	0%	3,231,264	0	0	0	0	0	0
1543	LOWER VALLEY CREEK SANITARY SEWER	collection	6,279,431		100%	0%	0%	0%	0%	0%	0%	6,279,431	0	0	0	0	0	0
1544	LOWER VALLEY CREEK SANITARY SEWER	collection	4,234,431		100%	0%	0%	0%	0%	0%	0%	4,234,431	0	0	0	0	0	0
1545	LOWER VALLEY CREEK SANITARY SEWER	collection	3,231,264		100%	0%	0%	0%	0%	0%	0%	3,231,264	0	0	0	0	0	0
1546	LOWER VALLEY CREEK SANITARY SEWER	collection	4,662,399		100%	0%	0%	0%	0%	0%	0%	4,662,399	0	0	0	0	0	0

APPENDIX 4 -
EXISTING ASSETS
ALLOCATION TO COST-CAPITIVE COMPONENTS

LINE	DESCRIPTION	ENVIRONMENTAL SERVICES CATEGORY	BOOK VALUE	TREATMENT PLANT	ALLOCATION PERCENTAGES					ALLOCATION VALUES					
					FLOW %	YES %	DOD %	F %	CUSTOMER BILLING %	FLOW \$	YES \$	MOU \$	D&G \$	CUSTOMER \$	
1747	GLORIBUDE DR. SWR REPLACEMENT	collection	181,164		100%	0%	0%	0%	0%	0%	181,164	0	0	0	0
1748	VILLAGE CHEEK SANITARY SWR	collection	3,479,225		100%	0%	0%	0%	0%	0%	3,479,225	0	0	0	0
1749	411 VILLAGE CHEEK SANITARY SWR	collection	3,479,225		100%	0%	0%	0%	0%	0%	3,479,225	0	0	0	0
1750	VILLAGE CHEEK SANITARY SWR	collection	3,479,225		100%	0%	0%	0%	0%	0%	3,479,225	0	0	0	0
1751	VILLAGE CHEEK SANITARY SWR	collection	3,479,225		100%	0%	0%	0%	0%	0%	3,479,225	0	0	0	0
1752	VILLAGE CHEEK SANITARY SWR COLL	collection	3,479,225		100%	0%	0%	0%	0%	0%	3,479,225	0	0	0	0
1753	VILLAGE CHEEK SANITARY SWR COLL	collection	3,479,225		100%	0%	0%	0%	0%	0%	3,479,225	0	0	0	0
1754	VILLAGE CHEEK SANITARY SWR COLL	collection	3,479,225		100%	0%	0%	0%	0%	0%	3,479,225	0	0	0	0
1755	810 EAST VILLAGE CHEEK SANITARY SWER	collection	1,025,245		100%	0%	0%	0%	0%	0%	1,025,245	0	0	0	0
1756	810 EAST VILLAGE CHEEK SANITARY SWER	collection	1,025,245		100%	0%	0%	0%	0%	0%	1,025,245	0	0	0	0
1757	810 EAST VILLAGE CHEEK SANITARY SWER	collection	1,025,245		100%	0%	0%	0%	0%	0%	1,025,245	0	0	0	0
1758	810 EAST VILLAGE CHEEK SANITARY SWER	collection	1,025,245		100%	0%	0%	0%	0%	0%	1,025,245	0	0	0	0
1759	VALLEY DRIVE SWER REPLACEMENT	collection	21,486		100%	0%	0%	0%	0%	0%	21,486	0	0	0	0
1760	VALLEY DRIVE SWER REPLACEMENT	collection	21,486		100%	0%	0%	0%	0%	0%	21,486	0	0	0	0
1761	VALLEY DRIVE SWER REPLACEMENT	collection	21,486		100%	0%	0%	0%	0%	0%	21,486	0	0	0	0
1762	VALLEY DRIVE SWER REPLACEMENT	collection	21,486		100%	0%	0%	0%	0%	0%	21,486	0	0	0	0
1763	EAST VILLAGE CHEEK SANITARY SWER	collection	1,025,245		100%	0%	0%	0%	0%	0%	1,025,245	0	0	0	0
1764	WABEUC A HADONY SWER	collection	11,823		100%	0%	0%	0%	0%	0%	11,823	0	0	0	0
1765	WABEUC A HADONY SWER	collection	11,823		100%	0%	0%	0%	0%	0%	11,823	0	0	0	0
1766	PUMP FOR SHERIDAN HEIGHTS STATION	collection	18,471		100%	0%	0%	0%	0%	0%	18,471	0	0	0	0
1767	EMER SWER REPAIR 4230 AVE SOUTH	collection	5,119		100%	0%	0%	0%	0%	0%	5,119	0	0	0	0
1768	EMER SWER REPAIR 4230 AVE SOUTH	collection	5,119		100%	0%	0%	0%	0%	0%	5,119	0	0	0	0
1769	REPAIRS SEWER WITH STREET SOUTH	collection	6,119		100%	0%	0%	0%	0%	0%	6,119	0	0	0	0
1770	EMERGENCY SEWER REPAIR 3174 CT W HOOPER	collection	2,839		100%	0%	0%	0%	0%	0%	2,839	0	0	0	0
1771	EMERGENCY SEWER REPAIR 3174 CT W HOOPER	collection	2,839		100%	0%	0%	0%	0%	0%	2,839	0	0	0	0
1772	EMERGENCY SEWER REPAIR 4TH AVE & 26TH PL	collection	7,369		100%	0%	0%	0%	0%	0%	7,369	0	0	0	0
1773	EMERGENCY SEWER REPAIR 23ND ST NORTH	collection	14,516		100%	0%	0%	0%	0%	0%	14,516	0	0	0	0
1774	EMERGENCY SEWER REPAIR 23ND ST NORTH	collection	14,516		100%	0%	0%	0%	0%	0%	14,516	0	0	0	0
1775	EMERGENCY SEWER REPAIR 21ST ALLEY BRAM	collection	4,003		100%	0%	0%	0%	0%	0%	4,003	0	0	0	0
1776	EMERGENCY SEWER REPAIR 21ST ALLEY BRAM	collection	4,003		100%	0%	0%	0%	0%	0%	4,003	0	0	0	0
1777	EMERGENCY SEWER REPAIR PHASE II 32ND AVE 4TH PL	collection	31,420		100%	0%	0%	0%	0%	0%	31,420	0	0	0	0
1778	EMER SWR REPAIR PHASE I 32ND AVE 4TH PL	collection	31,420		100%	0%	0%	0%	0%	0%	31,420	0	0	0	0
1779	EMER SWR REPAIR PHASE I 32ND AVE 4TH PL	collection	31,420		100%	0%	0%	0%	0%	0%	31,420	0	0	0	0
1780	EMER SWR REPAIR PHASE I 32ND AVE 4TH PL	collection	31,420		100%	0%	0%	0%	0%	0%	31,420	0	0	0	0
1781	EMER SWR REPAIR 161 AVE	collection	4,300		100%	0%	0%	0%	0%	0%	4,300	0	0	0	0
1782	EMER SWR REPAIR 23ND ST OFF CLIFF RD	collection	4,348		100%	0%	0%	0%	0%	0%	4,348	0	0	0	0
1783	EMER SWR REPAIR 23ND ST OFF CLIFF RD	collection	4,348		100%	0%	0%	0%	0%	0%	4,348	0	0	0	0
1784	EMER SWER REPAIR 23ND ST OFF CLIFF RD	collection	4,348		100%	0%	0%	0%	0%	0%	4,348	0	0	0	0
1785	EMER SWER REPAIR 23ND ST OFF CLIFF RD	collection	4,348		100%	0%	0%	0%	0%	0%	4,348	0	0	0	0
1786	EMER SWER REPAIR 1ST CT & 11TH ST	collection	7,544		100%	0%	0%	0%	0%	0%	7,544	0	0	0	0
1787	EMER SWER REPAIR 1ST CT & 11TH ST	collection	7,544		100%	0%	0%	0%	0%	0%	7,544	0	0	0	0
1788	EMER SWER REPAIR 1ST CT & 11TH ST	collection	7,544		100%	0%	0%	0%	0%	0%	7,544	0	0	0	0
1789	EMER SWER REPAIR 1ST CT & 11TH ST	collection	7,544		100%	0%	0%	0%	0%	0%	7,544	0	0	0	0
1790	EMER SWR REPAIR 17TH ST & AVE	collection	10,000		100%	0%	0%	0%	0%	0%	10,000	0	0	0	0
1791	EMER SWR REPAIR 17TH ST & AVE	collection	10,000		100%	0%	0%	0%	0%	0%	10,000	0	0	0	0
1792	EMER SWR REPAIR 202ND AVE WEST	collection	4,619		100%	0%	0%	0%	0%	0%	4,619	0	0	0	0
1793	EMER SWR REPAIR 17TH AVE & 17TH ST	collection	1,831		100%	0%	0%	0%	0%	0%	1,831	0	0	0	0
1794	EMER SWR REPAIR 17TH AVE & 17TH ST	collection	1,831		100%	0%	0%	0%	0%	0%	1,831	0	0	0	0
1795	EMER SWR REPAIR 17TH AVE & 17TH ST	collection	1,831		100%	0%	0%	0%	0%	0%	1,831	0	0	0	0
1796	EMER SWR REPAIR 17TH AVE & 17TH ST	collection	1,831		100%	0%	0%	0%	0%	0%	1,831	0	0	0	0
1797	EMER SWR REPAIR 4TH AVE & 20TH ST	collection	2,108		100%	0%	0%	0%	0%	0%	2,108	0	0	0	0
1798	EMER SWR REPAIR 4TH AVE & 20TH ST	collection	2,108		100%	0%	0%	0%	0%	0%	2,108	0	0	0	0
1799	EMER SWR REPAIR 4TH AVE & 20TH ST	collection	2,108		100%	0%	0%	0%	0%	0%	2,108	0	0	0	0
1800	EMER SWR REPAIR 4TH AVE & 20TH ST	collection	2,108		100%	0%	0%	0%	0%	0%	2,108	0	0	0	0
1801	EMER SWR REPAIR 4TH AVE & 20TH ST	collection	2,108		100%	0%	0%	0%	0%	0%	2,108	0	0	0	0
1802	EMER SWR REPAIR 4TH AVE & 20TH ST	collection	2,108		100%	0%	0%	0%	0%	0%	2,108	0	0	0	0
1803	EMER SWR REPAIR 4TH AVE & 20TH ST	collection	2,108		100%	0%	0%	0%	0%	0%	2,108	0	0	0	0
1804	EMER SWR REPAIR 4TH AVE & 20TH ST	collection	2,108		100%	0%	0%	0%	0%	0%	2,108	0	0	0	0
1805	EMER SWR REPAIR 4TH AVE & 20TH ST	collection	2,108		100%	0%	0%	0%	0%	0%	2,108	0	0	0	0
1806	EMER SWR REPAIR 4TH AVE & 20TH ST	collection	2,108		100%	0%	0%	0%	0%	0%	2,108	0	0	0	0
1807	EMER SWR REPAIR 4TH AVE & 20TH ST	collection	2,108		100%	0%	0%	0%	0%	0%	2,108	0	0	0	0
1808	EMER SWR REPAIR 4TH AVE & 20TH ST	collection	2,108		100%	0%	0%	0%	0%	0%	2,108	0	0	0	0
1809	EMER SWR REPAIR 4TH AVE & 20TH ST	collection	2,108		100%	0%	0%	0%	0%	0%	2,108	0	0	0	0
1810	EMER SWR REPAIR 4TH AVE & 20TH ST	collection	2,108		100%	0%	0%	0%	0%	0%	2,108	0	0	0	0
1811	EMERGENCY SEWER REPAIR 17TH AVE	collection	2,671		100%	0%	0%	0%	0%	0%	2,671	0	0	0	0
1812	EMERGENCY SEWER REPAIR 17TH AVE	collection	2,671		100%	0%	0%	0%	0%	0%	2,671	0	0	0	0
1813	EMERGENCY PUMP STATION RE	collection	6,253		100%	0%	0%	0%	0%	0%	6,253	0	0	0	0
1814	VILLAGE CHEEK PUMP SURVEY	collection	6,253		100%	0%	0%	0%	0%	0%	6,253	0	0	0	0
1815	VILLAGE CHEEK PUMP SURVEY	collection	6,253		100%	0%	0%	0%	0%	0%	6,253	0	0	0	0
1816	FOR REMEDIATION AT VILLAGE CHEEK	treatment	56,075		35%	26%	43%	2%	4%	19,766	14,710	16,873	20,430	0	0
1817	FOR REMEDIATION AT VILLAGE CHEEK	treatment	56,075		35%	26%	43%	2%	4%	19,766	14,710	16,873	20,430	0	0
1818	VILLAGE CHEEK ACCESS ROAD	treatment	3,553		35%	26%	43%	2%	4%	1,243	1,026	1,155	1,417	0	0
1819	VILLAGE CHEEK WWT #4 MODS/DOS	treatment	11,451,321		35%	26%	43%	2%	4%	4,053,001	3,381,144	3,855,333	4,717,816	0	0
1820	VILLAGE CHEEK WWT #4 MODS/DOS	treatment	11,451,321		35%	26%	43%	2%	4%	4,053,001	3,381,144	3,855,333	4,717,816	0	0
1821	HAZARDOUS WASTE DISPOSAL	treatment	20,114,545		31%	24%	45%	1%	1%	6,236,508	5,227,297	5,943,753	7,272,712	0	0
1822	HAZARDOUS WASTE DISPOSAL	treatment	20,114,545		31%	24%	45%	1%	1%	6,236,508	5,227,297	5,943,753	7,272,712	0	0
1823	ACCESS ROAD HAZARDOUS WASTE DISPOSAL	treatment	4,326		31%	24%	45%	1%	1%	1,342	1,115	1,264	1,551	0	0
1824	HAZARDOUS WASTE DISPOSAL	treatment	4,326		31%	24%	45%	1%	1%	1,342	1,115	1,264	1,551	0	0
1825	HAZARDOUS WASTE DISPOSAL	treatment	4,615		31%	24%	45%	1%	1%	1,441	1,209	1,377	1,684	0	0
1826	HAZARDOUS WASTE DISPOSAL	treatment	4,615		31%	24%	45%	1%	1%	1,441	1,209	1,377	1,684	0	0
1827	HAZARDOUS WASTE DISPOSAL	treatment	4,615		31%	24%	45%	1%	1%	1,441	1,209	1,377	1,684	0	0
1828	VILLAGE CHEEK PEAK FLOW	treatment	17,316,129		31%	24%	45%	1%	1%	5,368,500	4,511,440	5,137,114	6,273,114	0	0
1829	VILLAGE CHEEK PEAK FLOW	treatment	17,316,129		31%	24%	45%	1%	1%	5,368,500	4,511,440	5,137,114	6,273,114	0	0
1830	HAZARDOUS WASTE DISPOSAL	treatment	6,472		35%	26%	43%	2%	4%	2,270	1,885	2,163	2,666	0	0
1831	EMERGENCY SEWER REPAIR VILLAGE CHEEK DR	collection	3,777		100%	0%	0%	0%	0%	3,777	0	0	0	0	
1832	EMERGENCY SEWER REPAIR VILLAGE CHEEK DR	collection	3,777		100%	0%	0%	0%	0%	3,777	0	0	0	0	
1833	EMERGENCY SEWER REPAIR VILLAGE CHEEK DR	collection	3,777		100%	0%	0%	0%	0%	3,777	0	0	0	0	
1834	EMERGENCY SEWER REPAIR VILLAGE CHEEK DR	collection	3,777		100%	0%	0%	0%	0%	3,777	0	0	0	0	
1835	EMERGENCY SEWER REPAIR 4TH ST ENGLE	collection	3,112		100%	0%	0%	0%	0%	3,112	0	0	0	0	
1836	EMERGENCY SEWER REPAIR 4TH ST ENGLE	collection	3,112		100%	0%	0%	0%	0%	3,112	0	0	0	0	
1837	EMERGENCY SEWER REPAIR 4TH ST ENGLE	collection	3,112		100%	0%	0%	0%	0%	3,112	0	0	0	0	
1838	EMERGENCY SEWER REPAIR 4TH ST ENGLE	collection	3,112		100%	0%	0%	0%	0%	3,112	0	0	0	0	
1839	EMER SWR REPAIR 4TH ST	collection	3,112		100%	0%	0%	0%	0%	3,112	0	0	0	0	
1840	EMER SWR REPAIR 4TH ST	collection	3,112		10										

APPENDIX F-1
 BULKY ITEM
 ALLOCATION TO COST-CAUSATIVE COMPONENTS

LINE	DESCRIPTION	ENVIRONMENTAL SERVICES CATEGORY	BOOK VALUE	TREATMENT PLANT	ALLOCATION REFERENCE					ALLOCATION VALUE									
					FLOW %	TSS %	BOD %	P %	OGG %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	OGG \$	CUSTOMER \$			
208	BLUFF TUNNEL CONSTRUCTION	collection	5,821.19		100%	0%	0%	0%	0%	0%	0%	5,821.19	0	0	0	0	0	0	0
209	BLUFF TUNNEL CONSTRUCTION	collection	1,271		100%	0%	0%	0%	0%	0%	0%	1,271	0	0	0	0	0	0	0
210	BLUFF TUNNEL CONSTRUCTION	collection	10,380		100%	0%	0%	0%	0%	0%	0%	10,380	0	0	0	0	0	0	0
211	BLUFF TUNNEL CONSTRUCTION	collection	3,555.81		100%	0%	0%	0%	0%	0%	0%	3,555.81	0	0	0	0	0	0	0
212	BLUFF TUNNEL CONSTRUCTION	collection	3,277.37		100%	0%	0%	0%	0%	0%	0%	3,277.37	0	0	0	0	0	0	0
213	BLUFF TUNNEL CONSTRUCTION	collection	2,513.54		100%	0%	0%	0%	0%	0%	0%	2,513.54	0	0	0	0	0	0	0
214	BLUFF TUNNEL CONSTRUCTION	collection	4,513.54		100%	0%	0%	0%	0%	0%	0%	4,513.54	0	0	0	0	0	0	0
215	BLUFF TUNNEL CONSTRUCTION	collection	4,172.10		100%	0%	0%	0%	0%	0%	0%	4,172.10	0	0	0	0	0	0	0
216	BLUFF TUNNEL CONSTRUCTION	collection	4,172.10		100%	0%	0%	0%	0%	0%	0%	4,172.10	0	0	0	0	0	0	0
217	BLUFF TUNNEL CONSTRUCTION	collection	2,249.23		100%	0%	0%	0%	0%	0%	0%	2,249.23	0	0	0	0	0	0	0
218	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	15,666		100%	0%	0%	0%	0%	0%	0%	15,666	0	0	0	0	0	0	0
219	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	718,013		100%	0%	0%	0%	0%	0%	0%	718,013	0	0	0	0	0	0	0
220	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	31,500		100%	0%	0%	0%	0%	0%	0%	31,500	0	0	0	0	0	0	0
221	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	191,023		100%	0%	0%	0%	0%	0%	0%	191,023	0	0	0	0	0	0	0
222	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	10,922		100%	0%	0%	0%	0%	0%	0%	10,922	0	0	0	0	0	0	0
223	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	2,545		100%	0%	0%	0%	0%	0%	0%	2,545	0	0	0	0	0	0	0
224	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	2,092,009		100%	0%	0%	0%	0%	0%	0%	2,092,009	0	0	0	0	0	0	0
225	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	14,718		100%	0%	0%	0%	0%	0%	0%	14,718	0	0	0	0	0	0	0
226	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	801,187		100%	0%	0%	0%	0%	0%	0%	801,187	0	0	0	0	0	0	0
227	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	1,181,701		100%	0%	0%	0%	0%	0%	0%	1,181,701	0	0	0	0	0	0	0
228	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	3,463		100%	0%	0%	0%	0%	0%	0%	3,463	0	0	0	0	0	0	0
229	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	14,597		100%	0%	0%	0%	0%	0%	0%	14,597	0	0	0	0	0	0	0
230	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	21,607		100%	0%	0%	0%	0%	0%	0%	21,607	0	0	0	0	0	0	0
231	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	21,607		100%	0%	0%	0%	0%	0%	0%	21,607	0	0	0	0	0	0	0
232	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	493,448		100%	0%	0%	0%	0%	0%	0%	493,448	0	0	0	0	0	0	0
233	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	3,519		100%	0%	0%	0%	0%	0%	0%	3,519	0	0	0	0	0	0	0
234	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	2,119		100%	0%	0%	0%	0%	0%	0%	2,119	0	0	0	0	0	0	0
235	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	3,182.97		100%	0%	0%	0%	0%	0%	0%	3,182.97	0	0	0	0	0	0	0
236	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	27,283		100%	0%	0%	0%	0%	0%	0%	27,283	0	0	0	0	0	0	0
237	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	35,359		100%	0%	0%	0%	0%	0%	0%	35,359	0	0	0	0	0	0	0
238	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	144,448		100%	0%	0%	0%	0%	0%	0%	144,448	0	0	0	0	0	0	0
239	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	14,534		100%	0%	0%	0%	0%	0%	0%	14,534	0	0	0	0	0	0	0
240	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	1,600		100%	0%	0%	0%	0%	0%	0%	1,600	0	0	0	0	0	0	0
241	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	13,809		100%	0%	0%	0%	0%	0%	0%	13,809	0	0	0	0	0	0	0
242	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	325,228		100%	0%	0%	0%	0%	0%	0%	325,228	0	0	0	0	0	0	0
243	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	2,229		100%	0%	0%	0%	0%	0%	0%	2,229	0	0	0	0	0	0	0
244	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	1,791		100%	0%	0%	0%	0%	0%	0%	1,791	0	0	0	0	0	0	0
245	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	5,931.18		100%	0%	0%	0%	0%	0%	0%	5,931.18	0	0	0	0	0	0	0
246	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	1,337		100%	0%	0%	0%	0%	0%	0%	1,337	0	0	0	0	0	0	0
247	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	15,337		100%	0%	0%	0%	0%	0%	0%	15,337	0	0	0	0	0	0	0
248	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	83,515		100%	0%	0%	0%	0%	0%	0%	83,515	0	0	0	0	0	0	0
249	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	2,145,000		100%	0%	0%	0%	0%	0%	0%	2,145,000	0	0	0	0	0	0	0
250	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	7,529		100%	0%	0%	0%	0%	0%	0%	7,529	0	0	0	0	0	0	0
251	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	1,791		100%	0%	0%	0%	0%	0%	0%	1,791	0	0	0	0	0	0	0
252	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	5,931.18		100%	0%	0%	0%	0%	0%	0%	5,931.18	0	0	0	0	0	0	0
253	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	1,337		100%	0%	0%	0%	0%	0%	0%	1,337	0	0	0	0	0	0	0
254	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	15,337		100%	0%	0%	0%	0%	0%	0%	15,337	0	0	0	0	0	0	0
255	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	83,515		100%	0%	0%	0%	0%	0%	0%	83,515	0	0	0	0	0	0	0
256	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	2,145,000		100%	0%	0%	0%	0%	0%	0%	2,145,000	0	0	0	0	0	0	0
257	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	7,529		100%	0%	0%	0%	0%	0%	0%	7,529	0	0	0	0	0	0	0
258	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	1,791		100%	0%	0%	0%	0%	0%	0%	1,791	0	0	0	0	0	0	0
259	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	5,931.18		100%	0%	0%	0%	0%	0%	0%	5,931.18	0	0	0	0	0	0	0
260	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	1,337		100%	0%	0%	0%	0%	0%	0%	1,337	0	0	0	0	0	0	0
261	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	15,337		100%	0%	0%	0%	0%	0%	0%	15,337	0	0	0	0	0	0	0
262	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	83,515		100%	0%	0%	0%	0%	0%	0%	83,515	0	0	0	0	0	0	0
263	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	2,145,000		100%	0%	0%	0%	0%	0%	0%	2,145,000	0	0	0	0	0	0	0
264	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	7,529		100%	0%	0%	0%	0%	0%	0%	7,529	0	0	0	0	0	0	0
265	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	1,791		100%	0%	0%	0%	0%	0%	0%	1,791	0	0	0	0	0	0	0
266	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	5,931.18		100%	0%	0%	0%	0%	0%	0%	5,931.18	0	0	0	0	0	0	0
267	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	1,337		100%	0%	0%	0%	0%	0%	0%	1,337	0	0	0	0	0	0	0
268	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	15,337		100%	0%	0%	0%	0%	0%	0%	15,337	0	0	0	0	0	0	0
269	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	83,515		100%	0%	0%	0%	0%	0%	0%	83,515	0	0	0	0	0	0	0
270	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	2,145,000		100%	0%	0%	0%	0%	0%	0%	2,145,000	0	0	0	0	0	0	0
271	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	7,529		100%	0%	0%	0%	0%	0%	0%	7,529	0	0	0	0	0	0	0
272	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	1,791		100%	0%	0%	0%	0%	0%	0%	1,791	0	0	0	0	0	0	0
273	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	5,931.18		100%	0%	0%	0%	0%	0%	0%	5,931.18	0	0	0	0	0	0	0
274	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	1,337		100%	0%	0%	0%	0%	0%	0%	1,337	0	0	0	0	0	0	0
275	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	15,337		100%	0%	0%	0%	0%	0%	0%	15,337	0	0	0	0	0	0	0
276	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	83,515		100%	0%	0%	0%	0%	0%	0%	83,515	0	0	0	0	0	0	0
277	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	2,145,000		100%	0%	0%	0%	0%	0%	0%	2,145,000	0	0	0	0	0	0	0
278	BENTLEY HIGHER SCHOOL SANITARY SEWER REPLACEMENT	collection	7,529																

APPENDIX 2-2
CONSTRUCTION IN PROGRESS
ALLOCATION TO COST-CAUSATIVE COMPONENTS

LINE	PROJECT	FROM ENVIRO SERVICES		BAL EXPENDITURES @ 04/00/05	NOTE	TREATMENT PLANT	ALLOCATION REFERENCE						ALLOCATED VALUE									
		TREATMENT	COLLECTION				FLOW %	TSS %	BOD %	P %	O&G %	CUSTOMER BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	BILLING \$	CUSTOMER \$		
1	IA040	yes		141,305	1		100%	0%	0%	0%	0%	0%	0%	0%	\$ 141,305	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	IA04P	yes	(0)	(0)	1		100%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
3	IA04S	yes		242,576	1		100%	0%	0%	0%	0%	0%	0%	0%	242,576	0	0	0	0	0	0	0
4	IA04T	yes		5,162,023	1		100%	0%	0%	0%	0%	0%	0%	5,162,023	0	0	0	0	0	0	0	0
5	IA04U	yes		389,124	1		100%	0%	0%	0%	0%	0%	0%	389,124	0	0	0	0	0	0	0	0
6	IA06B	yes		19,334	1		100%	0%	0%	0%	0%	0%	0%	19,334	0	0	0	0	0	0	0	0
7	IA06F	yes		3,760	1		100%	0%	0%	0%	0%	0%	0%	3,760	0	0	0	0	0	0	0	0
8	IA06G	yes		951,481	1		100%	0%	0%	0%	0%	0%	0%	951,481	0	0	0	0	0	0	0	0
9	IA07C	yes		309,712	1		100%	0%	0%	0%	0%	0%	0%	309,712	0	0	0	0	0	0	0	0
10	IA07E	yes		187,995	1		100%	0%	0%	0%	0%	0%	0%	187,995	0	0	0	0	0	0	0	0
11	IA09C	yes		416,657	1		100%	0%	0%	0%	0%	0%	0%	416,657	0	0	0	0	0	0	0	0
12	IA09D	yes		439,000	1		100%	0%	0%	0%	0%	0%	0%	439,000	0	0	0	0	0	0	0	0
13	IA09E	yes		306,800	1		100%	0%	0%	0%	0%	0%	0%	306,800	0	0	0	0	0	0	0	0
14	IA09G	yes		62,560	1		100%	0%	0%	0%	0%	0%	0%	62,560	0	0	0	0	0	0	0	0
15	IA09I	yes		9,996,590	1		100%	0%	0%	0%	0%	0%	0%	9,996,590	0	0	0	0	0	0	0	0
16	IA09J	yes		1,745,711	1		100%	0%	0%	0%	0%	0%	0%	1,745,711	0	0	0	0	0	0	0	0
17	IA09K	yes		56,194	1		100%	0%	0%	0%	0%	0%	0%	56,194	0	0	0	0	0	0	0	0
18	IA09L	yes		10,000	1		100%	0%	0%	0%	0%	0%	0%	10,000	0	0	0	0	0	0	0	0
19	IA09M	yes		286,952	1		100%	0%	0%	0%	0%	0%	0%	286,952	0	0	0	0	0	0	0	0
20	IA19I	yes		6,709	1		100%	0%	0%	0%	0%	0%	0%	6,709	0	0	0	0	0	0	0	0
21	IA10C	yes		2,713,049	1		100%	0%	0%	0%	0%	0%	0%	2,713,049	0	0	0	0	0	0	0	0
22	IA11C	yes		45,000	1		100%	0%	0%	0%	0%	0%	0%	45,000	0	0	0	0	0	0	0	0
23	IA12D	yes		1,869,647	1		100%	0%	0%	0%	0%	0%	0%	1,869,647	0	0	0	0	0	0	0	0
24	IA12A	yes		155,283	1		100%	0%	0%	0%	0%	0%	0%	155,283	0	0	0	0	0	0	0	0
25	IA12E	yes		58,279	1		100%	0%	0%	0%	0%	0%	0%	58,279	0	0	0	0	0	0	0	0
26	IA16A	yes		258,134	1		100%	0%	0%	0%	0%	0%	0%	258,134	0	0	0	0	0	0	0	0
27	IA16C	yes		47,152	1		100%	0%	0%	0%	0%	0%	0%	47,152	0	0	0	0	0	0	0	0
28	IA16D	yes		40,490	1		100%	0%	0%	0%	0%	0%	0%	40,490	0	0	0	0	0	0	0	0
29	IA19G	yes		313,209	1		100%	0%	0%	0%	0%	0%	0%	313,209	0	0	0	0	0	0	0	0
30	IA19H	yes		21,907	1		100%	0%	0%	0%	0%	0%	0%	21,907	0	0	0	0	0	0	0	0
31	IA19I	yes		88,288	1		100%	0%	0%	0%	0%	0%	0%	88,288	0	0	0	0	0	0	0	0
32	IA19J	yes		3,768,584	1		100%	0%	0%	0%	0%	0%	0%	3,768,584	0	0	0	0	0	0	0	0
33	IA19K	yes		337,089	1		100%	0%	0%	0%	0%	0%	0%	337,089	0	0	0	0	0	0	0	0
34	IA23A	yes		158,926	1		100%	0%	0%	0%	0%	0%	0%	158,926	0	0	0	0	0	0	0	0
35	IA24B	yes		145,779	1		100%	0%	0%	0%	0%	0%	0%	145,779	0	0	0	0	0	0	0	0
36	IA24C	yes		27,771,182	1		100%	0%	0%	0%	0%	0%	0%	27,771,182	0	0	0	0	0	0	0	0
37	IA24D	yes		386,074	1		100%	0%	0%	0%	0%	0%	0%	386,074	0	0	0	0	0	0	0	0
38	IA24E	yes		661,049	1		100%	0%	0%	0%	0%	0%	0%	661,049	0	0	0	0	0	0	0	0
39	IA24G	yes		330,454	1		100%	0%	0%	0%	0%	0%	0%	330,454	0	0	0	0	0	0	0	0
40	IA24H	yes		23,926,600	1		100%	0%	0%	0%	0%	0%	0%	23,926,600	0	0	0	0	0	0	0	0
41	IA25D	yes		245,827	1		100%	0%	0%	0%	0%	0%	0%	245,827	0	0	0	0	0	0	0	0
42	IA28B	yes		112,510	1		100%	0%	0%	0%	0%	0%	0%	112,510	0	0	0	0	0	0	0	0
43	IA28A	yes		62,215	1		100%	0%	0%	0%	0%	0%	0%	62,215	0	0	0	0	0	0	0	0
44	IA28C	yes		437,761	1		100%	0%	0%	0%	0%	0%	0%	437,761	0	0	0	0	0	0	0	0
45	IA30B	yes		299,409	1		100%	0%	0%	0%	0%	0%	0%	299,409	0	0	0	0	0	0	0	0
46	IA30C	yes		72,297	1		100%	0%	0%	0%	0%	0%	0%	72,297	0	0	0	0	0	0	0	0
47	IA30E	yes		88,127	1		100%	0%	0%	0%	0%	0%	0%	88,127	0	0	0	0	0	0	0	0
48	IA30G	yes		49,685	1		100%	0%	0%	0%	0%	0%	0%	49,685	0	0	0	0	0	0	0	0
49	IA31A	yes		198,161	1		100%	0%	0%	0%	0%	0%	0%	198,161	0	0	0	0	0	0	0	0
50	IA31B	yes		3,193	1		100%	0%	0%	0%	0%	0%	0%	3,193	0	0	0	0	0	0	0	0
51	IA32A	yes		0	1		100%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0
52	IA32B	yes		158,388	1		100%	0%	0%	0%	0%	0%	0%	158,388	0	0	0	0	0	0	0	0
53	IA34A	yes		0	1		100%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0
54	IA35A	yes		283,127	1		100%	0%	0%	0%	0%	0%	0%	283,127	0	0	0	0	0	0	0	0
55	IA37A	yes		784,401	1		100%	0%	0%	0%	0%	0%	0%	784,401	0	0	0	0	0	0	0	0
56	IA38A	yes		222,879	1		100%	0%	0%	0%	0%	0%	0%	222,879	0	0	0	0	0	0	0	0
57	IA38B	yes		17,240	1		100%	0%	0%	0%	0%	0%	0%	17,240	0	0	0	0	0	0	0	0
58	IA38C	yes		199,986	1		100%	0%	0%	0%	0%	0%	0%	199,986	0	0	0	0	0	0	0	0
59	IA39A	yes		30,801	1		100%	0%	0%	0%	0%	0%	0%	30,801	0	0	0	0	0	0	0	0
60	IA41A	yes		25,805	1		100%	0%	0%	0%	0%	0%	0%	25,805	0	0	0	0	0	0	0	0
61	IA50C	yes		4,762,053	1		100%	0%	0%	0%	0%	0%	0%	4,762,053	0	0	0	0	0	0	0	0
62	IA50D	yes		56,928	1		100%	0%	0%	0%	0%	0%	0%	56,928	0	0	0	0	0	0	0	0
63	IA50E	yes		(6,897,999)	1		100%	0%	0%	0%	0%	0%	0%	(6,897,999)	0	0	0	0	0	0	0	0
64	IA50I	yes		104,459	1		100%	0%	0%	0%	0%	0%	0%	104,459	0	0	0	0	0	0	0	0
65	IA50K	yes		3,330,070	1		100%	0%	0%	0%	0%	0%	0%	3,330,070	0	0	0	0	0	0	0	0
66	IA50M	yes		3,007,030	1		100%	0%	0%	0%	0%	0%	0%	3,007,030	0	0	0	0	0	0	0	0
67	IA50X	yes		100,000	1		100%	0%	0%	0%	0%	0%	0%	100,000	0	0	0	0	0	0	0	0
68	IA50Y	yes		14,341,549	1		100%	0%	0%	0%	0%	0%	0%	14,341,549	0	0	0	0	0	0	0	0
69	IA50W	yes		129,675	1		100%	0%	0%	0%	0%	0%	0%	129,675	0	0	0	0	0	0	0	0
70	IA50Z	yes		186,401	1		100%	0%	0%	0%	0%	0%	0%	186,401	0	0	0	0	0	0	0	0
71	IA50Y	yes		445,250	1		100%	0%	0%	0%	0%	0%	0%	445,250	0	0	0	0	0	0	0	0
72	IA51B	yes		221,549	1		100%	0%	0%	0%	0%	0%	0%	221,549	0	0	0	0	0	0	0	0
73	IA51C	yes		22,608,843	1		100%	0%	0%	0%	0%	0%	0%	22,608,843	0	0	0	0	0	0	0	0
74	IA51H	yes		247,488	1		100%	0%	0%	0%	0%	0%	0%	247,488	0	0	0	0	0	0	0	0
75	IA51I	yes		998,282	1		100%	0%	0%	0%	0%	0%	0%	998,282	0	0	0	0	0	0	0	0
76	IA51J	yes		3,358,675	1		100%	0%	0%	0%	0%	0%	0%	3,358,675	0	0	0	0	0	0	0	0
77	IA51O	yes		295,761	1		100%	0%	0%													

APPENDIX 12
 MAIN PROCESS
 ALLOCATION TO COST CAUSATIVE COMPONENTS

LINE	PROJECT	FRONT-END SERVICES		DAL EXPENDITURES @ 660.00	NOTE	TREATMENT PLANT	ALLOCATION REFERENCE							ALLOCATED VALUE										
		TREATMENT	COLLECTION				FLOW %	TSS %	BOD %	F %	O&G %	CUSTOMER BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	F \$	O&G \$	BILLING \$	CUSTOMER \$				
177	187A		Y4	196012			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	196012	0	0	0	0	0	0	0
178	187B		Y4	232389			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	232389	0	0	0	0	0	0	0
179	187C		Y4	411660			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	411660	0	0	0	0	0	0	0
180	187D		Y4	52075			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	52075	0	0	0	0	0	0	0
181	187E		Y4	1697581			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1697581	0	0	0	0	0	0	0
182	187F		Y4	246171			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	246171	0	0	0	0	0	0	0
183	187G		Y4	47815			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	47815	0	0	0	0	0	0	0
184	187H		Y4	354522			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	354522	0	0	0	0	0	0	0
185	187I		Y4	336066			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	336066	0	0	0	0	0	0	0
186	187J		Y4	558488			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	558488	0	0	0	0	0	0	0
187	187K		Y4	411151			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	411151	0	0	0	0	0	0	0
188	187L		Y4	241151			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	241151	0	0	0	0	0	0	0
189	187M		Y4	140230			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	140230	0	0	0	0	0	0	0
190	187N		Y4	141714			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	141714	0	0	0	0	0	0	0
191	187O		Y4	235882			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	235882	0	0	0	0	0	0	0
192	187P		Y4	210453			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	210453	0	0	0	0	0	0	0
193	187Q		Y4	140599			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	140599	0	0	0	0	0	0	0
194	187R		Y4	941367			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	941367	0	0	0	0	0	0	0
195	187S		Y4	3182318			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	3182318	0	0	0	0	0	0	0
196	187T		Y4	70369			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	70369	0	0	0	0	0	0	0
197	187U		Y4	4191346			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	4191346	0	0	0	0	0	0	0
198	187V		Y4	244371			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	244371	0	0	0	0	0	0	0
199	187W		Y4	1081622			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1081622	0	0	0	0	0	0	0
200	187X		Y4	296191			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	296191	0	0	0	0	0	0	0
201	187Y		Y4	5291059			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	5291059	0	0	0	0	0	0	0
202	187Z		Y4	5271670			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	5271670	0	0	0	0	0	0	0
203	188A		Y4	32124			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	32124	0	0	0	0	0	0	0
204	188B		Y4	170302			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	170302	0	0	0	0	0	0	0
205	188C		Y4	206080			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	206080	0	0	0	0	0	0	0
206	188D		Y4	5846047			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	5846047	0	0	0	0	0	0	0
207	188E		Y4	3096771			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	3096771	0	0	0	0	0	0	0
208	188F		Y4	7740350			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	7740350	0	0	0	0	0	0	0
209	188G		Y4	865167			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	865167	0	0	0	0	0	0	0
210	188H		Y4	39403			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	39403	0	0	0	0	0	0	0
211	188I		Y4	493706			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	493706	0	0	0	0	0	0	0
212	188J		Y4	2234543			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2234543	0	0	0	0	0	0	0
213	188K		Y4	357397			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	357397	0	0	0	0	0	0	0
214	188L		Y4	87209			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	87209	0	0	0	0	0	0	0
215	188M		Y4	408407			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	408407	0	0	0	0	0	0	0
216	188N		Y4	1832355			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1832355	0	0	0	0	0	0	0
217	188O		Y4	53914			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	53914	0	0	0	0	0	0	0
218	188P		Y4	112624			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	112624	0	0	0	0	0	0	0
219	188Q		Y4	134027			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	134027	0	0	0	0	0	0	0
220	188R		Y4	86262			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	86262	0	0	0	0	0	0	0
221	188S		Y4	30303			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	30303	0	0	0	0	0	0	0
222	188T		Y4	144599			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	144599	0	0	0	0	0	0	0
223	188U		Y4	278374			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	278374	0	0	0	0	0	0	0
224	188V		Y4	278331			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	278331	0	0	0	0	0	0	0
225	188W		Y4	30303			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	30303	0	0	0	0	0	0	0
226	188X		Y4	54086127			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	54086127	0	0	0	0	0	0	0
227	188Y		Y4	215667			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	215667	0	0	0	0	0	0	0
228	189A		Y4	540108			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	540108	0	0	0	0	0	0	0
229	189B		Y4	115449			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	115449	0	0	0	0	0	0	0
230	189C		Y4	6887042			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	6887042	0	0	0	0	0	0	0
231	189D		Y4	311953			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	311953	0	0	0	0	0	0	0
232	189E		Y4	323339			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	323339	0	0	0	0	0	0	0
233	189F		Y4	128028			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	128028	0	0	0	0	0	0	0
234	189G		Y4	120011			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	120011	0	0	0	0	0	0	0
235	189H		Y4	41019			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	41019	0	0	0	0	0	0	0
236	189I		Y4	51527			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	51527	0	0	0	0	0	0	0
237	189J		Y4	71703			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	71703	0	0	0	0	0	0	0
238	189K		Y4	470358			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	470358	0	0	0	0	0	0	0
239	189L		Y4	311650			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	311650	0	0	0	0	0	0	0
240	189M		Y4	81932			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	81932	0	0	0	0	0	0	0
241	189N		Y4	1016			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1016	0	0	0	0	0	0	0
242	189O		Y4	69370			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	69370	0	0	0	0	0	0	0
243	189P		Y4	269			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	269	0	0	0	0	0	0	0
244	189Q		Y4	192419			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	192419	0	0	0	0	0	0	0
245	189R		Y4	719308			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	719308	0	0	0	0	0	0	0
246	189S		Y4	94703			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	94703	0	0	0	0	0	0	0
247	189T		Y4	158139			100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	158139	0	0	0	0	0	0	0

APPENDIX 12
CUMULATIVE INVESTMENT IN PROGRESS
ALLOCATION TO COST-CAUSATIVE COMPONENTS

LINE	PROJECT	TREATMENT	BAL. EXPENDITURES @ 6/30/03	NOTE	TREATMENT PLANT	ALLOCATION DEFERENCE						ALLOCATED VALUE									
						FLOW %	TES %	ROD %	P %	O&G %	CUSTOMER BILLING %	CUSTOMER %	CUSTOMER %	FLOW \$	TES \$	ROD \$	P \$	O&G \$	BILLING \$	CUSTOMER \$	
333	1505L		18,830			100%	0%	0%	0%	0%	0%	0%	0%	18,830	0	0	0	0	0	0	0
334	1506M		281,604			100%	0%	0%	0%	0%	0%	0%	0%	281,604	0	0	0	0	0	0	0
335	1506N		1,142,410			100%	0%	0%	0%	0%	0%	0%	0%	1,142,410	0	0	0	0	0	0	0
336	1507Q		73,433			100%	0%	0%	0%	0%	0%	0%	0%	73,433	0	0	0	0	0	0	0
337	1508P		72,335			100%	0%	0%	0%	0%	0%	0%	0%	72,335	0	0	0	0	0	0	0
338	1509Q		110,747			100%	0%	0%	0%	0%	0%	0%	0%	110,747	0	0	0	0	0	0	0
339	1509R		765,080			100%	0%	0%	0%	0%	0%	0%	0%	765,080	0	0	0	0	0	0	0
340	1509S		144,418			100%	0%	0%	0%	0%	0%	0%	0%	144,418	0	0	0	0	0	0	0
341	1510T		136,948			100%	0%	0%	0%	0%	0%	0%	0%	136,948	0	0	0	0	0	0	0
342	1511U		242,433			100%	0%	0%	0%	0%	0%	0%	0%	242,433	0	0	0	0	0	0	0
343	1503E		158,551			100%	0%	0%	0%	0%	0%	0%	0%	158,551	0	0	0	0	0	0	0
344	1503F		773,571			100%	0%	0%	0%	0%	0%	0%	0%	773,571	0	0	0	0	0	0	0
345	1503G		183,031			100%	0%	0%	0%	0%	0%	0%	0%	183,031	0	0	0	0	0	0	0
346	1503H		78,076			100%	0%	0%	0%	0%	0%	0%	0%	78,076	0	0	0	0	0	0	0
347	1503I		353,800			100%	0%	0%	0%	0%	0%	0%	0%	353,800	0	0	0	0	0	0	0
348	1503J		503,700			100%	0%	0%	0%	0%	0%	0%	0%	503,700	0	0	0	0	0	0	0
349	1503K		183,188			100%	0%	0%	0%	0%	0%	0%	0%	183,188	0	0	0	0	0	0	0
350	1503L		33,256			100%	0%	0%	0%	0%	0%	0%	0%	33,256	0	0	0	0	0	0	0
351	1503M		5,570			100%	0%	0%	0%	0%	0%	0%	0%	5,570	0	0	0	0	0	0	0
352	1503N		132,606			100%	0%	0%	0%	0%	0%	0%	0%	132,606	0	0	0	0	0	0	0
353	1503O		121,640			100%	0%	0%	0%	0%	0%	0%	0%	121,640	0	0	0	0	0	0	0
354	1503P		9,407			100%	0%	0%	0%	0%	0%	0%	0%	9,407	0	0	0	0	0	0	0
355	1503Q		365,500			100%	0%	0%	0%	0%	0%	0%	0%	365,500	0	0	0	0	0	0	0
356	1503R		44,801			100%	0%	0%	0%	0%	0%	0%	0%	44,801	0	0	0	0	0	0	0
357	1503S		9,414			100%	0%	0%	0%	0%	0%	0%	0%	9,414	0	0	0	0	0	0	0
358	1503T		252,538			100%	0%	0%	0%	0%	0%	0%	0%	252,538	0	0	0	0	0	0	0
359	1503U		172,870			100%	0%	0%	0%	0%	0%	0%	0%	172,870	0	0	0	0	0	0	0
360	1503V		6,060			100%	0%	0%	0%	0%	0%	0%	0%	6,060	0	0	0	0	0	0	0
361	1503W		9,407			100%	0%	0%	0%	0%	0%	0%	0%	9,407	0	0	0	0	0	0	0
362	1503X		318			100%	0%	0%	0%	0%	0%	0%	0%	318	0	0	0	0	0	0	0
363	1503Y		64,921			100%	0%	0%	0%	0%	0%	0%	0%	64,921	0	0	0	0	0	0	0
364	1503Z		15,164			100%	0%	0%	0%	0%	0%	0%	0%	15,164	0	0	0	0	0	0	0
365	1504A		252,538			100%	0%	0%	0%	0%	0%	0%	0%	252,538	0	0	0	0	0	0	0
366	1504B		172,870			100%	0%	0%	0%	0%	0%	0%	0%	172,870	0	0	0	0	0	0	0
367	1504C		6,060			100%	0%	0%	0%	0%	0%	0%	0%	6,060	0	0	0	0	0	0	0
368	1504D		9,407			100%	0%	0%	0%	0%	0%	0%	0%	9,407	0	0	0	0	0	0	0
369	1504E		318			100%	0%	0%	0%	0%	0%	0%	0%	318	0	0	0	0	0	0	0
370	1504F		64,921			100%	0%	0%	0%	0%	0%	0%	0%	64,921	0	0	0	0	0	0	0
371	1504G		15,164			100%	0%	0%	0%	0%	0%	0%	0%	15,164	0	0	0	0	0	0	0
372	1504H		252,538			100%	0%	0%	0%	0%	0%	0%	0%	252,538	0	0	0	0	0	0	0
373	1504I		172,870			100%	0%	0%	0%	0%	0%	0%	0%	172,870	0	0	0	0	0	0	0
374	1504J		6,060			100%	0%	0%	0%	0%	0%	0%	0%	6,060	0	0	0	0	0	0	0
375	1504K		9,407			100%	0%	0%	0%	0%	0%	0%	0%	9,407	0	0	0	0	0	0	0
376	1504L		318			100%	0%	0%	0%	0%	0%	0%	0%	318	0	0	0	0	0	0	0
377	1504M		64,921			100%	0%	0%	0%	0%	0%	0%	0%	64,921	0	0	0	0	0	0	0
378	1504N		15,164			100%	0%	0%	0%	0%	0%	0%	0%	15,164	0	0	0	0	0	0	0
379	1504O		252,538			100%	0%	0%	0%	0%	0%	0%	0%	252,538	0	0	0	0	0	0	0
380	1504P		172,870			100%	0%	0%	0%	0%	0%	0%	0%	172,870	0	0	0	0	0	0	0
381	1504Q		6,060			100%	0%	0%	0%	0%	0%	0%	0%	6,060	0	0	0	0	0	0	0
382	1504R		9,407			100%	0%	0%	0%	0%	0%	0%	0%	9,407	0	0	0	0	0	0	0
383	1504S		318			100%	0%	0%	0%	0%	0%	0%	0%	318	0	0	0	0	0	0	0
384	1504T		64,921			100%	0%	0%	0%	0%	0%	0%	0%	64,921	0	0	0	0	0	0	0
385	1504U		15,164			100%	0%	0%	0%	0%	0%	0%	0%	15,164	0	0	0	0	0	0	0
386	1504V		252,538			100%	0%	0%	0%	0%	0%	0%	0%	252,538	0	0	0	0	0	0	0
387	1504W		172,870			100%	0%	0%	0%	0%	0%	0%	0%	172,870	0	0	0	0	0	0	0
388	1504X		6,060			100%	0%	0%	0%	0%	0%	0%	0%	6,060	0	0	0	0	0	0	0
389	1504Y		9,407			100%	0%	0%	0%	0%	0%	0%	0%	9,407	0	0	0	0	0	0	0
390	1504Z		318			100%	0%	0%	0%	0%	0%	0%	0%	318	0	0	0	0	0	0	0
391	1505A		64,921			100%	0%	0%	0%	0%	0%	0%	0%	64,921	0	0	0	0	0	0	0
392	1505B		15,164			100%	0%	0%	0%	0%	0%	0%	0%	15,164	0	0	0	0	0	0	0
393	1505C		252,538			100%	0%	0%	0%	0%	0%	0%	0%	252,538	0	0	0	0	0	0	0
394	1505D		172,870			100%	0%	0%	0%	0%	0%	0%	0%	172,870	0	0	0	0	0	0	0
395	1505E		6,060			100%	0%	0%	0%	0%	0%	0%	0%	6,060	0	0	0	0	0	0	0
396	1505F		9,407			100%	0%	0%	0%	0%	0%	0%	0%	9,407	0	0	0	0	0	0	0
397	1505G		318			100%	0%	0%	0%	0%	0%	0%	0%	318	0	0	0	0	0	0	0
398	1505H		64,921			100%	0%	0%	0%	0%	0%	0%	0%	64,921	0	0	0	0	0	0	0
399	1505I		15,164			100%	0%	0%	0%	0%	0%	0%	0%	15,164	0	0	0	0	0	0	0
400	1505J		252,538			100%	0%	0%	0%	0%	0%	0%	0%	252,538	0	0	0	0	0	0	0
401	1505K		172,870			100%	0%	0%	0%	0%	0%	0%	0%	172,870	0	0	0	0	0	0	0
402	1505L		6,060			100%	0%	0%	0%	0%	0%	0%	0%	6,060	0	0	0	0	0	0	0
403	1505M		9,407			100%	0%	0%	0%	0%	0%	0%	0%	9,407	0	0	0	0	0	0	0
404	1505N		318			100%	0%	0%	0%	0%	0%	0%	0%	318	0	0	0	0	0	0	0
405	1505O		64,921			100%	0%	0%	0%	0%	0%	0%	0%	64,921	0	0	0	0	0	0	0
406	1505P		15,164			100%	0%	0%	0%	0%	0%	0%	0%	15,164	0	0	0	0	0	0	0
407	1505Q		252,538			100%	0%	0%	0%	0%	0%	0%	0%	252,538	0	0	0	0	0	0	0
408	1505R		172,870			100%	0%	0%	0%	0%	0%	0%	0%	172,870	0	0	0	0	0	0	0
409	1505S		6,060			100%	0%	0%	0%	0%	0%	0%	0%	6,060	0	0	0	0	0	0	0
410	1505T		9,407			100%	0%	0%	0%	0%	0%	0%	0%	9,407	0	0	0	0	0	0	0
411	1505U		318			100%	0%	0%	0%	0%	0%	0%	0%	318	0	0	0	0	0	0	0
412	1505V		64,921			100%	0%	0%	0%	0%	0%	0%	0%	64,921	0	0	0	0	0	0	0
413	1505W		15,164			100%	0%	0%	0%	0%	0%	0%	0%	15,164	0	0	0	0	0	0	0
414	1505X		252,538		</																

APPENDIX 31
CONSTRUCTION IN PROGRESS
ALLOCATION TO COST CAUSATIVE COMPONENTS

LINE	PROJECT	FROM SERVICES		BAL EXPENDITURES @ 04/98/99	ALLOCATION REFERENCE						ALLOCATED VALUE						
		TREATMENT	COLLECTION		FLOW %	TSS %	BOD %	F %	O&C %	CUSTOMER BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	F \$	O&C \$	BILLING \$	CUSTOMER $
441	1258E	YES	YES	1,182	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
442	1258F	YES	YES	9,579	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
443	1258G	YES	YES	4,522	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
444	1258H	YES	YES	4,977	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
445	1258I	YES	YES	82	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
446	1258J	YES	YES	2,190	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
447	1258L	YES	YES	2,394	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
448	1258M	YES	YES	17,161	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
449	1258O	YES	YES	12,526	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
450	1258Q	YES	YES	27,656	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
451	1258P	YES	YES	25,003	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
452	1258Q	YES	YES	27,773	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
453	1258R	YES	YES	14,976	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
454	1258U	YES	YES	6,166	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
455	1258U	YES	YES	6,887	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
456	1258X	YES	YES	12,632	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
457	1258Z	YES	YES	3,293	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
458	1259A	YES	YES	11,267	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
459	1259B	YES	YES	7,543	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
460	1259B	YES	YES	3,181	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
461	1259C	YES	YES	10,316	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
462	1259E	YES	YES	6,307	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
463	1259E	YES	YES	2,566	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
464	1259E	YES	YES	10,816	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
465	1259F	YES	YES	6,307	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
466	1259H	YES	YES	3,616	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
467	1259H	YES	YES	7,682	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
468	1259I	YES	YES	5,131	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
469	1259J	YES	YES	37,448	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
470	1259K	YES	YES	27,484	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
471	1259M	YES	YES	18,754	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
472	1259M	YES	YES	14,052	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
473	1259N	YES	YES	3,443	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
474	1259O	YES	YES	12,526	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
475	1259R	YES	YES	3,991	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
476	1259S	YES	YES	29,014	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
477	1259S	YES	YES	2,325	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
478	1259U	YES	YES	5,495	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
479	1259V	YES	YES	5,495	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
480	1259V	YES	YES	4,517	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
481	1259Y	YES	YES	11,031	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
482	1259Y	YES	YES	14,680	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
483	1259Z	YES	YES	279,883	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
484	1260A	YES	YES	374,685	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
485	1260A	YES	YES	62,241	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
486	1260B	YES	YES	44,520	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
487	1260K	YES	YES	188,839	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
488	1260M	YES	YES	30,552	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
489	1260O	YES	YES	138,370	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
490	1260O	YES	YES	74,548	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
491	1260P	YES	YES	42,372	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
492	1261A	YES	YES	49,338	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
493	1261A	YES	YES	49,338	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
494	1261B	YES	YES	49,338	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
495	1261B	YES	YES	49,338	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
496	1261C	YES	YES	49,338	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
497	1261E	YES	YES	49,338	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
498	1260A	N/A	N/A	14,070	15%	23%	23%	1%	3%	3%	3%	0%	0%	0%	0%	0%	0%
499	1260B	N/A	N/A	295,849	3%	15%	23%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
500	1260C	N/A	N/A	40,000	3%	15%	23%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
501	1260D	N/A	N/A	44,520	3%	15%	23%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
502	1260E	N/A	N/A	755,000	3%	15%	23%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
503	1260F	N/A	N/A	91,081	3%	15%	23%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
504	1260G	YES	YES	12,120	3%	15%	23%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
505	1260H	YES	YES	46,375	3%	15%	23%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
506	1260Q	YES	YES	235,311	3%	15%	23%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
507	1260R	YES	YES	14,070	3%	15%	23%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
508	1260U	YES	YES	105,068	3%	15%	23%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
509	1260U	YES	YES	1,000	3%	15%	23%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
510	1260U	YES	YES	25,012	3%	15%	23%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
511	1261B	N/A	N/A	21,174	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
512	1261K	YES	YES	314,445	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
513	1261K	YES	YES	201,116	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
514	1261D	N/A	N/A	49,250	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
515	1261S	YES	YES	16,000	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
516	1261U	YES	YES	141,645	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
517	1261V	YES	YES	53,275	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
518	1261V	YES	YES	337,443	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
519	1261V	YES	YES	635,004	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
520	1261Z	YES	YES	11,495	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
521	1262F	YES	YES	11,495	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
522	1263I	YES	YES	3,900	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
523	1263I	YES	YES	96,579	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
524	1265F	YES	YES	104,432	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
525	1265O	YES	YES	57,235	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
526	1265T	YES	YES	8,465	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
527	1265T	YES	YES	15,480	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

R-000844

APPENDIX 2-2
 CONSTRUCTION IN PROGRESS
 ALLOCATION TO COST-CAUSATIVE COMPONENTS

LINE	PROJECT	FROM ENVIRO SERVICES		BAL EXPENDITURES @ 04/30/05	NOTE	TREATMENT PLANT	ALLOCATION REFERENCE										ALLOCATED VALUE							
		TREATMENT	COLLECTION				FLOW %	TSS %	BOD %	P %	O&G %	CUSTOMER BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	BILLING \$	CUSTOMER \$				
617	2B51K		yes	1,595,543	1		100%	0%	0%	0%	0%	0%	0%	1,596,543	0	0	0	0	0	0	0	0	0	
618	2C15L		yes	249,878	1		100%	0%	0%	0%	0%	0%	0%	249,878	0	0	0	0	0	0	0	0	0	
619	2C15I			462,851	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	146,122	177,703	170,885	9,442	18,699	0	0	0	0	0	
620	2C15M	yes		94,269	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	29,742	33,937	34,782	1,522	3,505	0	0	0	0	0	
621	2C15O	yes		44,285,063	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	13,983,951	11,264,235	16,353,737	903,619	1,789,521	0	0	0	0	0	0
622	2C15K	yes		303,563	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	158,975	128,246	185,916	10,273	20,344	0	0	0	0	0	0
623	2C15T	yes		5,933	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	1,873	1,509	2,191	131	240	0	0	0	0	0	
624	2C15W	yes		968,809	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	302,853	246,368	357,694	19,104	39,148	0	0	0	0	0	0
625	2C15X	yes		23,549	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	7,434	5,889	8,694	480	951	0	0	0	0	0	0
626	2C15D	yes		(88,855)	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	(21,109)	(17,004)	(24,687)	(1,264)	(2,701)	0	0	0	0	0	0
627	2C16D	yes		5,189,041	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	1,631,861	1,314,469	1,908,412	105,449	208,830	0	0	0	0	0	0
628	2C18F	yes		890	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	281	226	329	18	36	0	0	0	0	0	0
629	2C18H	yes		289,273	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	186,034	149,852	217,560	12,021	23,807	0	0	0	0	0	0
630	2C18E	yes		6,914,100	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	2,182,781	1,738,256	2,552,686	141,048	279,330	0	0	0	0	0	0
631	2C18E	yes		28,739	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	13,230	11,021	15,894	811	1,622	0	0	0	0	0	0
632	2C22A			231,066	1		100%	0%	0%	0%	0%	0%	231,066	9,851	14,302	790	1,585	0	0	0	0	0	0	
633	2C22C		yes	9,094	1		100%	0%	0%	0%	0%	0%	9,094	0	0	0	0	0	0	0	0	0	0	
634	2C23A		yes	195,801	1		100%	0%	0%	0%	0%	0%	195,801	0	0	0	0	0	0	0	0	0	0	
635	2C23A	yes		934,949	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	292,732	238,215	345,848	19,110	37,845	0	0	0	0	0	0
636	2D02A	yes		199,986	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	63,136	50,846	73,885	4,000	8,079	0	0	0	0	0	0
637	2D05D	yes		23,749,638	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	16,966,867	13,667,007	19,842,151	1,096,370	2,171,243	0	0	0	0	0	0
638	2D05H	yes		26,612,398	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	8,401,534	6,767,533	9,825,297	542,823	1,075,141	0	0	0	0	0	0
639	2D05I	yes		24,245	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	7,256	6,380	9,117	504	998	0	0	0	0	0	0
640	2D05K	yes		808,931	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	255,379	205,311	296,827	16,102	31,841	0	0	0	0	0	0
641	2D05N	yes		970,518	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	306,328	246,751	358,240	19,794	39,201	0	0	0	0	0	0
642	2D05F	yes		2,231,236	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	708,235	588,929	853,987	45,640	90,384	0	0	0	0	0	0
643	2D05Q	yes		617,606	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	194,978	157,897	228,020	12,599	24,951	0	0	0	0	0	0
644	2F03C	yes		2,060	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	631	509	738	41	81	0	0	0	0	0	0
645	2F03G	yes		(533,165)	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	(168,320)	(135,584)	(196,844)	(10,877)	(21,540)	0	0	0	0	0	0
646	2F03K	yes		242,546	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	76,892	61,781	89,690	4,956	9,815	0	0	0	0	0	0
647	2F03L	yes		906,638	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	286,224	230,556	334,721	18,405	36,838	0	0	0	0	0	0
648	2F03M	yes		34,521	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	10,858	8,779	12,745	704	1,395	0	0	0	0	0	0
649	2Q14C	yes		(108,531)	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	(33,632)	(27,091)	(39,331)	(2,173)	(4,304)	0	0	0	0	0	0
650	2Q14L	yes		1,467,002	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	483,418	373,288	541,551	29,945	59,893	0	0	0	0	0	0
651	2Q14M	yes		33,919,298	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	10,708,332	8,655,677	12,323,005	691,354	1,376,540	0	0	0	0	0	0
652	2Q14N	yes		242,611	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	76,592	61,696	89,572	4,949	9,801	0	0	0	0	0	0
653	2H01G	yes		12,282,391	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	4,287,961	3,454,002	5,014,619	277,081	548,729	0	0	0	0	0	0
654	2H01E	yes		7,413,282	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	2,340,563	1,869,330	2,737,205	151,243	299,221	0	0	0	0	0	0
655	2H08D	yes		872,115	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	271,739	221,779	321,965	17,071	35,233	0	0	0	0	0	0
656	2H08P	yes		907,123	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	286,379	230,681	334,910	18,505	36,644	0	0	0	0	0	0
657	2H08S	N/A	N/A	3,372,148	3		59%	15%	23%	1%	2%	0%	0%	2,002,886	495,597	767,107	36,095	70,463	0	0	0	0	0	0
658	2H08Q	N/A	N/A	9,808	3		59%	15%	23%	1%	2%	0%	0%	5,825	1,441	2,221	103	206	0	0	0	0	0	0
659	2H08T	N/A	N/A	122,512	3		59%	15%	23%	1%	2%	0%	0%	72,647	17,976	27,824	1,309	2,556	0	0	0	0	0	0
660	2H08U			49,977	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	15,778	12,709	18,451	1,020	2,019	0	0	0	0	0	0
661	2H08W	yes		846	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	267	215	312	17	34	0	0	0	0	0	0
662	2H08V	yes		1,481,227	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	478,808	390,675	562,567	30,525	61,051	0	0	0	0	0	0
663	2K08B	yes	N/A	0	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	879,953	217,327	332,022	15,838	30,937	0	0	0	0	0	0
664	2K08C	yes		0	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	0	0	0	0	0	0	0	0	0	0	0
665	2K08D	yes		3,836,013	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	1,211,029	975,498	1,416,256	78,255	154,075	0	0	0	0	0	0
666	2K08E	yes		252,555	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	79,858	64,276	93,591	5,150	10,219	0	0	0	0	0	0
667	2K08F	yes		48,685	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	15,370	12,381	17,974	993	1,967	0	0	0	0	0	0
668	2M01B	yes		477,001	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	150,569	121,201	176,109	9,731	19,271	0	0	0	0	0	0
669	2M01C	yes		944,704	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	298,243	240,236	348,765	19,272	38,166	0	0	0	0	0	0
670	2M01F	yes		332,553	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	104,987	84,588	122,778	6,784	13,435	0	0	0	0	0	0
671	2M01G	yes		2,285,501	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	724,816	583,848	841,647	46,336	92,754	0	0	0	0	0	0
672	2M01H	yes		800,477	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	252,771	203,561	293,536	16,330	32,339	0	0	0	0	0	0
673	2M01I	yes		0	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	0	0	0	0	0	0	0	0	0	0	0
674	2M01L	yes		251,788	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	80,121	64,538	93,699	5,177	10,253	0	0	0	0	0	0
675	2W01E	yes		17,250	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	-5,430	4,374	6,330	331	692	0	0	0	0	0	0
676	2W01G	yes		14,992	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	4,735	3,814	5,337	306	696	0	0	0	0	0	0
677	2W01H	yes		3,657,932	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	1,154,809	932,212	1,350,909	74,622	147,780	0	0	0	0	0	0
678	2W01I	yes		2,481,318	2	Cahaba	25%	25%	37%	2%	4%	0%	0%	63,100	51,613	74,042	5,063	10,025	0	0	0	0	0	0
679	2W01J	yes		23,174	1	Cahaba	25%	25%	37%	2%	4%	0%	0%	7,316	5,893	8,516	473	936</						

APPENDIX C-2
CONSTRUCTION IN PROGRESS
ALLOCATION TO COST-CAUSATIVE COMPONENTS

LINE	PROJECT	TREATMENT	COLLECTION	EXPENDITURES @ 600MB	NOTE	TREATMENT PLANT	ALLOCATION REFERENCE					ALLOCATION VALUE					BILLING	CUSTOMER
							FLOW %	TSS %	BOD %	O&G %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	F \$	O&G \$			CUSTOMER $
703	3203F		YES	22,111	1		100%	0%	0%	0%	0%	22,111	0	0	0	0	0	0
704	3200K		YES	49,970	1		100%	0%	0%	0%	0%	49,970	0	0	0	0	0	0
707	3200K		YES	48,183	1		100%	0%	0%	0%	0%	48,183	0	0	0	0	0	0
709	3200K		YES	49,005	1		100%	0%	0%	0%	0%	49,005	0	0	0	0	0	0
710	3200K		YES	49,042	1		100%	0%	0%	0%	0%	49,042	0	0	0	0	0	0
711	3200S		YES	81,078	2	Chula	100%	25%	37%	2%	0%	20,694	30,045	1,660	0	0	0	0
712	3200S		YES	20,320	1		100%	0%	0%	0%	0%	20,320	0	0	0	0	0	0
713	3200V		YES	48,750	1		100%	0%	0%	0%	0%	48,750	0	0	0	0	0	0
714	3200X		YES	48,750	1		100%	0%	0%	0%	0%	48,750	0	0	0	0	0	0
715	3200Y		YES	231,566	1		100%	0%	0%	0%	0%	231,566	0	0	0	0	0	0
716	3201F		YES	520,765	1		100%	0%	0%	0%	0%	520,765	0	0	0	0	0	0
717	3201G		YES	1,281,788	1		100%	0%	0%	0%	0%	1,281,788	0	0	0	0	0	0
719	3201H		YES	451,582	1		100%	0%	0%	0%	0%	451,582	0	0	0	0	0	0
720	3205E		YES	17,678	1		100%	0%	0%	0%	0%	17,678	0	0	0	0	0	0
721	3208F		YES	34,372	1		100%	0%	0%	0%	0%	34,372	0	0	0	0	0	0
723	3209A		YES	54,520	1		100%	0%	0%	0%	0%	54,520	0	0	0	0	0	0
724	3209D		YES	472,665	1		100%	0%	0%	0%	0%	472,665	0	0	0	0	0	0
725	3209E		YES	472,665	1		100%	0%	0%	0%	0%	472,665	0	0	0	0	0	0
727	3209F		YES	933,180	1		100%	0%	0%	0%	0%	933,180	0	0	0	0	0	0
728	3209R		YES	0	1		100%	0%	0%	0%	0	0	0	0	0	0	0	0
729	3209S		YES	46,540	1		100%	0%	0%	0%	0	46,540	0	0	0	0	0	0
730	3209T		YES	46,540	1		100%	0%	0%	0%	0	46,540	0	0	0	0	0	0
731	3209V		YES	49,233	1		100%	0%	0%	0%	0	49,233	0	0	0	0	0	0
732	4A17A		YES	994,634	2	Chula	33%	25%	37%	2%	0%	314,006	362,219	20,320	0	0	0	40,035
733	4A17D		YES	19,115	2	Five Mile	33%	25%	37%	2%	0%	6,403	6,334	0	0	0	0	0
734	4A17E		YES	50,272	2	Forest	33%	25%	37%	2%	0%	16,431,748	10,340,533	2,476,713	0	0	0	0
735	4A17F		YES	1,321,489	2	Troutville	33%	25%	37%	2%	0%	439,586	143,392	164,413	0	0	0	0
736	4A17G		YES	1,321,489	2	Turkey	33%	25%	37%	2%	0%	439,586	143,392	164,413	0	0	0	0
737	4A17H		YES	894,938	2	Chula	33%	25%	37%	2%	0%	296,937	231,523	284,168	0	0	0	0
738	4A17J		YES	0	2	Chula	33%	25%	37%	2%	0%	0	0	0	0	0	0	0
739	4A17K		YES	546,835	2	Chula	33%	25%	37%	2%	0%	182,609	144,060	221,176	0	0	0	0
741	4A17T		YES	2,742,974	2	Valley	23%	26%	45%	3%	0%	653,155	650,717	1,258,337	60,378	91,087	0	0
742	4A17D		YES	11,018,336	2	Valley	23%	26%	45%	3%	0%	2,744,957	2,928,700	48,045,792	2,144,009	3,988,678	0	0
743	4A17E		YES	1,465,918	2	Chula	23%	26%	45%	3%	0%	344,300	332,620	164,970	18,032	0	0	0
743	4A17T		YES	3,000	2	Chula	23%	26%	45%	3%	0%	1,200	76	1,403	71	154	0	0
746	4C15A		YES	9,345,000	2	Chula	23%	26%	45%	3%	0%	2,150,374	2,378,561	3,408,339	190,648	377,558	0	0
747	4C15B		YES	84,079	2	Chula	23%	26%	45%	3%	0%	20,000	22,000	19,538	17,546	34,546	0	0
748	4C15C		YES	748,016	2	Chula	23%	26%	45%	3%	0%	180,310	197,969	376,338	15,371	302,501	0	0
749	4C15D		YES	220,065	2	Chula	23%	26%	45%	3%	0%	54,546	61,572	110,103	5,101	10,103	0	0
750	4C15N		YES	218,226	2	Chula	23%	26%	45%	3%	0%	54,546	61,572	110,103	5,101	10,103	0	0
751	4C15N		YES	218,226	2	Chula	23%	26%	45%	3%	0%	54,546	61,572	110,103	5,101	10,103	0	0
752	4C15P		YES	1,465,918	2	Chula	23%	26%	45%	3%	0%	357,300	381,410	574,908	29,008	57,448	0	0
753	4C15S		YES	71,482,341	2	Chula	23%	26%	45%	3%	0%	17,179,416	18,179,416	36,358,832	1,831,352	2,888,039	0	0
754	4C15T		YES	1,220,248	2	Chula	23%	26%	45%	3%	0%	288,074	312,598	453,838	21,077	48,650	0	0
755	4C15U		YES	317,555	2	Chula	23%	26%	45%	3%	0%	76,271	83,156	119,100	5,900	13,000	0	0
756	4C15V		YES	993,302	2	Chula	23%	26%	45%	3%	0%	237,574	257,574	366,937	20,226	40,126	0	0
758	4C15Y		YES	317,696	2	Chula	23%	26%	45%	3%	0%	76,271	83,156	119,100	5,900	13,000	0	0
760	4C15Z		YES	3,962,416	2	Chula	23%	26%	45%	3%	0%	1,007,744	1,097,744	1,605,071	80,841	160,688	0	0
762	4B03		YES	6,565,642	2	Chula	23%	26%	45%	3%	0%	1,511,661	1,607,744	2,324,000	117,290	242,835	0	0
763	4B03		YES	48,740	2	Chula	23%	26%	45%	3%	0%	11,813	12,813	18,813	984	19,813	0	0
764	4B03D		N/A	1,194,998	3	Chula	23%	26%	45%	3%	0%	280,633	302,633	431,857	21,857	43,857	0	0
765	4B03E		N/A	484,603	3	Chula	23%	26%	45%	3%	0%	117,625	127,625	175,862	8,862	18,862	0	0
767	4B03O		N/A	0	3	Chula	23%	26%	45%	3%	0%	0	0	0	0	0	0	0
768	4B03H		N/A	489,489	3	Chula	23%	26%	45%	3%	0%	117,625	127,625	175,862	8,862	18,862	0	0
769	4B01		N/A	227,345	3	Chula	23%	26%	45%	3%	0%	55,315	60,315	83,433	4,233	9,233	0	0
770	4B01		N/A	227,345	3	Chula	23%	26%	45%	3%	0%	55,315	60,315	83,433	4,233	9,233	0	0
771	4B03K		N/A	759,971	2	Chula	23%	26%	45%	3%	0%	181,481	197,481	272,881	13,881	28,881	0	0
772	4B03A		YES	22,835	2	Chula	23%	26%	45%	3%	0%	5,484	5,984	8,284	429	929	0	0
773	4B03B		YES	24,000	2	Chula	23%	26%	45%	3%	0%	5,864	6,364	8,664	429	929	0	0
774	4B03C		YES	4,002	1	Chula	23%	26%	45%	3%	0%	1,111	1,211	1,611	81	181	0	0
775	4B03L		YES	13,550	1	Chula	23%	26%	45%	3%	0%	3,350	3,650	5,050	250	550	0	0
777	4B03M		YES	10,377	1	Chula	23%	26%	45%	3%	0%	2,577	2,877	3,877	197	427	0	0
778	4B03N		YES	44,370	1	Chula	23%	26%	45%	3%	0%	11,170	12,170	16,170	817	1,817	0	0
780	4B03Q		YES	1,569	1	Chula	23%	26%	45%	3%	0%	392	422	562	28	62	0	0
781	4B03R		YES	7,815	1	Chula	23%	26%	45%	3%	0%	1,953	2,153	2,853	143	313	0	0
782	4B03S		YES	4,867	1	Chula	23%	26%	45%	3%	0%	1,217	1,317	1,767	87	187	0	0
784	4B03U		YES	4,675	1	Chula	23%	26%	45%	3%	0%	1,167	1,267	1,667	83	183	0	0
785	4B03V		YES	1,725	1	Chula	23%	26%	45%	3%	0%	431	461	611	31	61	0	0
786	4B03W		YES	5,033	1	Chula	23%	26%	45%	3%	0%	1,257	1,357	1,807	93	203	0	0
788	4B03X		YES	2,004	1	Chula	23%	26%	45%	3%	0%	501	541	721	36	81	0	0
789	4B03Y		YES	1,013	1	Chula	23%	26%	45%	3%	0%	253	273	363	18	43	0	0
790	4B03Z		N/A	0	1	Chula	23%	26%	45%	3%	0%	0	0	0	0	0	0	0
791	4B03A		N/A	0	1	Chula	23%	26%	45%	3%	0%	0	0	0	0	0	0	0
792	4B03B		N/A	33,067	1	Chula	23%	26%	45%	3%	0%	8,267	8,967	12,067	607	1,307	0	0

APPENDIX 3-3
CONSTRUCTION IN PROGRESS
ALLOCATION TO COST-CENTERS COMPONENTS

LINE	PROJECT	FROM ENVIRONMENTAL SERVICES		NAT'L EXPENDITURES @ 60%	TREATMENT PLANT	ALLOCATION REFERENCE						ALLOCATION VALUE					
		TREATMENT	COLLECTION			FLOW %	TSS %	BOD %	P %	O&G %	CUSTOMER BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	BILLING $	CUSTOMER $
881	7245C			49,880		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
882	7245D			49,880		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
883	7245E			46,150		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
884	7245F			49,880		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
885	7245G			11,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
886	7245H			48,245		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
887	7245I			47,990		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
888	7245J			48,245		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
889	7245K			48,245		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
890	7245L			48,245		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
891	7245M			48,245		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
892	7245N			48,245		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
893	7245O			48,245		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
894	7245P			48,245		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
895	7245Q			48,245		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
896	7245R			48,245		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
897	7245S			48,245		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
898	7245T			48,245		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
899	7245U			48,245		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
900	7245V			48,245		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
901	7250A			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
902	7250B			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
903	7250C			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
904	7250D			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
905	7250E			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
906	7250F			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
907	7250G			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
908	7250H			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
909	7250I			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
910	7250J			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
911	7250K			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
912	7250L			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
913	7250M			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
914	7250N			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
915	7250O			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
916	7250P			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
917	7250Q			1,250		100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
918	Totals			3,102,572		59%	15%	23%	1%	2%	0%	0%	0%	0%	0%	0%	0%
919	TOTAL - CAHARA			\$ 419,105,101	Chubb	32%	25%	37%	2%	2%	0%	0%	0%	0%	0%	0%	0%
920	TOTAL - FIVE MILE			19,315	Five Mile	33%	34%	33%	0%	0%	0%	0%	0%	0%	0%	0%	0%
921	TOTAL - LEADS			50,271,483	Leads	33%	21%	47%	0%	0%	0%	0%	0%	0%	0%	0%	0%
922	TOTAL - FREDAS			1,208,489	Fredas	32%	23%	44%	0%	0%	0%	0%	0%	0%	0%	0%	0%
923	TOTAL - TOWNVILLE			457,591	Townville	33%	31%	36%	0%	0%	0%	0%	0%	0%	0%	0%	0%
924	TOTAL - TURKEY			804,998	Turkey	33%	31%	35%	0%	0%	0%	0%	0%	0%	0%	0%	0%
925	TOTAL - VILLY			2,765,994	Villy	25%	24%	45%	3%	3%	0%	0%	0%	0%	0%	0%	0%
926	TOTAL - VILLAGN			111,018,536	Villagn	21%	26%	43%	0%	0%	0%	0%	0%	0%	0%	0%	0%
927	TOTAL - WANDER			566,885	Wander	33%	31%	42%	0%	0%	0%	0%	0%	0%	0%	0%	0%
928	TOTAL - TREATMENT ONLY			586,344,973	All	30%	25%	35%	0%	0%	0%	0%	0%	0%	0%	0%	0%
918	TOTAL			\$ 3,102,572		59%	15%	23%	1%	2%	0%	0%	0%	0%	0%	0%	0%
919	TOTAL			\$ 1,023,417,171		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
920	TOTAL			16,837,948		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
921	TOTAL			424,603		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
922	TOTAL			1,149,246		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
923	TOTAL			266,237		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
924	TOTAL			629,155		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
925	TOTAL			27,259,957		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
926	TOTAL			205,849		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
927	TOTAL			\$ 1,843,507,347		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
928	TOTAL			\$ 1,023,417,171		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
929	TOTAL			\$ 16,837,948		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
930	TOTAL			\$ 424,603		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
931	TOTAL			\$ 1,149,246		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
932	TOTAL			\$ 266,237		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
933	TOTAL			\$ 629,155		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
934	TOTAL			\$ 27,259,957		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
935	TOTAL			\$ 205,849		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
936	TOTAL			\$ 1,843,507,347		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
937	TOTAL			\$ 1,023,417,171		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
938	TOTAL			\$ 16,837,948		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
939	TOTAL			\$ 424,603		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
940	TOTAL			\$ 1,149,246		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
941	TOTAL			\$ 266,237		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
942	TOTAL			\$ 629,155		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
943	TOTAL			\$ 27,259,957		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
944	TOTAL			\$ 205,849		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
945	TOTAL			\$ 1,843,507,347		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
946	TOTAL			\$ 1,023,417,171		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
947	TOTAL			\$ 16,837,948		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
948	TOTAL			\$ 424,603		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
949	TOTAL			\$ 1,149,246		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
950	TOTAL			\$ 266,237		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
951	TOTAL			\$ 629,155		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
952	TOTAL			\$ 27,259,957		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
953	TOTAL			\$ 205,849		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
954	TOTAL			\$ 1,843,507,347		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
955	TOTAL			\$ 1,023,417,171		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
956	TOTAL			\$ 16,837,948		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
957	TOTAL			\$ 424,603		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
958	TOTAL			\$ 1,149,246		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
959	TOTAL			\$ 266,237		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
960	TOTAL			\$ 629,155		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
961	TOTAL			\$ 27,259,957		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
962	TOTAL			\$ 205,849		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
963	TOTAL			\$ 1,843,507,347		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
964	TOTAL			\$ 1,023,417,171		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
965	TOTAL			\$ 16,837,948		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
966	TOTAL			\$ 424,603		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
967	TOTAL			\$ 1,149,246		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
968	TOTAL			\$ 266,237		51%	18%	25%	1%	1%	0%	0%	0%	0%	0%	0%	0%
969	TOTAL			\$ 629,155		5											

APPENDIX 3-3
 CONTRIBUTED CAPITAL
 ALLOCATION TO COST-CAUSATIVE COMPONENTS

LINE	MUNICIPALITY	BOOK VALUE	NOTE	ALLOCATION REFERENCE								ALLOCATED VALUE											
				FLOW %	TSS %	BOD %	TGN %	P %	O&G %	CUSTOMER BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	TGN \$	P \$	O&G \$	BILLING \$	CUSTOMER \$				
1	Grypsville, Adamsville	\$ 9,851,182	1	100%	0%	0%	0%	0%	0%	0%	0%	0%	\$ 9,851,182	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
2	Fulwood, Gardendale, Tarrant	106,842,387	1	100%	0%	0%	0%	0%	0%	0%	0%	0%	106,842,387	0	0	0	0	0	0	0	0	0	0
3	Adamsville, Birmingham, Fairfield	295,446,680	1	100%	0%	0%	0%	0%	0%	0%	0%	0%	295,446,680	0	0	0	0	0	0	0	0	0	0
4	Birmingham, Trussville	18,263,262	1	100%	0%	0%	0%	0%	0%	0%	0%	0%	18,263,262	0	0	0	0	0	0	0	0	0	0
5	Warrior	2,849,044	1	100%	0%	0%	0%	0%	0%	0%	0%	0%	2,849,044	0	0	0	0	0	0	0	0	0	0
6	Birmingham	3,892,584	1	100%	0%	0%	0%	0%	0%	0%	0%	0%	3,892,584	0	0	0	0	0	0	0	0	0	0
7	Bessemer, Birmingham, Brighton, Fairfield, Hueytown, Lipscomb, Pleasant Grove, Midfield	384,803,655	1	100%	0%	0%	0%	0%	0%	0%	0%	0%	384,803,655	0	0	0	0	0	0	0	0	0	0
8	Birmingham, Hoover, Mountain Brook, Vestavia Hills	129,537,776	1	100%	0%	0%	0%	0%	0%	0%	0%	0%	129,537,776	0	0	0	0	0	0	0	0	0	0
9	Leeds	19,799,708	1	100%	0%	0%	0%	0%	0%	0%	0%	0%	19,799,708	0	0	0	0	0	0	0	0	0	0
10	Birmingham, Homewood, Hoover, Irondale, Mountain Brook, Bessemer	183,135,360	1	100%	0%	0%	0%	0%	0%	0%	0%	0%	183,135,360	0	0	0	0	0	0	0	0	0	0
11	TOTAL	\$ 1,154,421,639		100%	0%	0%	0%	0%	0%	0%	0%	0%	\$ 1,154,421,639	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	TOTAL - CAHABA	\$ 0		0%	0%	0%	0%	0%	0%	0%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
13	TOTAL - FIVE MILE	0		0%	0%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0	0	0
14	TOTAL - LEEDS	0		0%	0%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0	0	0
15	TOTAL - PRUDIS	0		0%	0%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0	0	0
16	TOTAL - TRUSSVILLE	0		0%	0%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0	0	0
17	TOTAL - TURKEY	0		0%	0%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0	0	0
18	TOTAL - VALLEY	0		0%	0%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0	0	0
19	TOTAL - VILLAGE	0		0%	0%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0	0	0
20	TOTAL - WARRIOR	0		0%	0%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0	0	0
21	TOTAL - TREATMENT ONLY	\$ 0		0%	0%	0%	0%	0%	0%	0%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Note References
 1 Pursuant to Jefferson County staff, all KJPP assets are collection related.

Jeffco-000287

APPENDIX 3-4
SUMMARY REPORT
ALLOCATION TO COST-CAUSATIVE COMPONENTS

LINE	CATEGORY	BOOK VALUE	ALLOCATION REFERENCE							ALLOCATED VALUE						
			FLOW %	TSS %	BOD %	P %	O&G %	CUSTOMER BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	BILLING \$	CUSTOMER \$
ALL ASSETS (EXCLUDING LAND)																
1	Existing Assets	\$ 1,103,399,726								\$ 814,435,726	\$ 101,106,503	\$ 166,035,467	\$ 7,140,099	\$ 11,681,937	\$ 0	\$ 0
2	Construction In Progress	1,076,459,722								609,665,529	150,856,364	233,502,248	10,987,187	21,448,394	0	0
3	KIPP Assets	1,154,421,639								0	0	0	0	0	0	0
4	TOTAL	\$ 3,281,281,087	78.6%	7.7%	12.2%	0.6%	1.0%	0.0%	0.0%	\$ 2,578,522,894	\$ 281,962,867	\$ 399,537,709	\$ 18,127,286	\$ 33,130,331	\$ 0	\$ 0
TREATMENT BY PLANT																
TOTAL - CAHABA																
5	Existing Assets	\$ 426,428								\$ 134,623	\$ 108,441	\$ 157,437	\$ 8,699	\$ 17,328	\$ 0	\$ 0
6	Construction In Progress	419,199,167								132,341,177	106,602,348	154,768,332	8,551,663	16,935,646	0	0
7	KIPP Assets	0								0	0	0	0	0	0	0
8	Subtotal	\$ 419,625,594	32%	25%	37%	2%	4%	0%	0%	\$ 132,475,800	\$ 108,710,789	\$ 154,925,769	\$ 8,560,363	\$ 16,952,974	\$ 0	\$ 0
TOTAL - FIVE MILE																
9	Existing Assets	\$ 9,804,997								\$ 3,251,337	\$ 3,338,601	\$ 3,215,058	\$ 0	\$ 0	\$ 0	\$ 0
10	Construction In Progress	19,315								6,405	6,577	6,334	0	0	0	0
11	KIPP Assets	0								0	0	0	0	0	0	0
12	Subtotal	\$ 9,824,312	33%	34%	33%	0%	0%	0%	0%	\$ 3,257,742	\$ 3,345,178	\$ 3,221,392	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL - LEEDS																
13	Existing Assets	\$ 1,445,786								\$ 472,577	\$ 297,976	\$ 925,182	\$ 0	\$ 0	\$ 0	\$ 0
14	Construction In Progress	50,271,483								16,433,748	10,360,953	23,476,783	0	0	0	0
15	KIPP Assets	0								0	0	0	0	0	0	0
16	Subtotal	\$ 51,717,269	35%	21%	47%	0%	0%	0%	0%	\$ 16,906,325	\$ 10,638,929	\$ 24,131,965	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL - PRUDES																
17	Existing Assets	\$ 1,378,753								\$ 447,405	\$ 320,698	\$ 610,650	\$ 0	\$ 0	\$ 0	\$ 0
18	Construction In Progress	1,308,489								424,605	304,355	579,530	0	0	0	0
19	KIPP Assets	0								0	0	0	0	0	0	0
20	Subtotal	\$ 2,687,243	32%	23%	44%	0%	0%	0%	0%	\$ 872,010	\$ 625,053	\$ 1,190,180	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL - TRUSSVILLE																
21	Existing Assets	\$ 14,634,373								\$ 4,783,977	\$ 4,592,266	\$ 5,258,130	\$ 0	\$ 0	\$ 0	\$ 0
22	Construction In Progress	457,591								149,586	143,592	164,412	0	0	0	0
23	KIPP Assets	0								0	0	0	0	0	0	0
24	Subtotal	\$ 15,091,964	33%	31%	36%	0%	0%	0%	0%	\$ 4,933,563	\$ 4,735,858	\$ 5,422,543	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL - TURKEY																
25	Existing Assets	\$ 1,116,925								\$ 370,372	\$ 351,385	\$ 395,168	\$ 0	\$ 0	\$ 0	\$ 0
26	Construction In Progress	804,998								266,937	253,252	284,806	0	0	0	0
27	KIPP Assets	0								0	0	0	0	0	0	0
28	Subtotal	\$ 1,921,923	33%	31%	35%	0%	0%	0%	0%	\$ 637,310	\$ 604,637	\$ 679,976	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL - VALLEY																
29	Existing Assets	\$ 111,638,857								\$ 28,223,774	\$ 26,905,846	\$ 30,025,439	\$ 2,825,728	\$ 3,708,070	\$ 0	\$ 0
30	Construction In Progress	2,742,994								693,155	660,787	1,238,587	49,398	91,067	0	0
31	KIPP Assets	0								0	0	0	0	0	0	0
32	Subtotal	\$ 114,381,851	25%	24%	45%	3%	3%	0%	0%	\$ 28,916,929	\$ 27,566,633	\$ 31,264,026	\$ 2,875,126	\$ 3,799,137	\$ 0	\$ 0
TOTAL - VILLAGE																
33	Existing Assets	\$ 208,070,377								\$ 51,601,503	\$ 54,993,054	\$ 89,990,525	\$ 4,015,762	\$ 7,469,734	\$ 0	\$ 0
34	Construction In Progress	111,088,336								27,549,937	29,360,700	41,045,392	2,144,009	3,988,078	0	0
35	KIPP Assets	0								0	0	0	0	0	0	0
36	Subtotal	\$ 319,158,713	25%	26%	43%	2%	4%	0%	0%	\$ 79,151,440	\$ 84,353,754	\$ 131,035,917	\$ 6,159,771	\$ 11,457,812	\$ 0	\$ 0
TOTAL - WARRIOR																
37	Existing Assets	\$ 1,367,590								\$ 314,214	\$ 285,279	\$ 368,097	\$ 0	\$ 0	\$ 0	\$ 0
38	Construction In Progress	546,885								205,822	114,810	227,176	0	0	0	0
39	KIPP Assets	0								0	0	0	0	0	0	0
40	Subtotal	\$ 1,914,475	35%	21%	42%	0%	0%	0%	0%	\$ 719,843	\$ 399,360	\$ 795,273	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL - ALL TREATMENT																
41	Existing Assets	\$ 349,934,286								\$ 89,799,833	\$ 91,191,546	\$ 150,895,686	\$ 6,850,189	\$ 11,855,031	\$ 0	\$ 0
42	Construction In Progress	586,439,458								178,071,195	147,806,644	232,781,754	10,765,069	21,014,792	0	0
43	KIPP Assets	0								0	0	0	0	0	0	0
44	Subtotal	\$ 936,373,744	29%	26%	41%	2%	3%	0%	0%	\$ 267,871,028	\$ 239,000,190	\$ 379,677,440	\$ 17,615,259	\$ 32,209,824	\$ 0	\$ 0
PACIAGE (WARRIOR/PRUDES)																
45	Existing Assets	\$ 2,746,343								\$ 561,619	\$ 605,977	\$ 1,178,747	\$ 0	\$ 0	\$ 0	\$ 0
46	Construction In Progress	1,835,375								630,234	418,435	806,706	0	0	0	0
47	KIPP Assets	0								0	0	0	0	0	0	0
48	Subtotal	\$ 4,601,718	35%	22%	43%	0%	0%	0%	0%	\$ 1,191,853	\$ 1,024,412	\$ 1,985,453	\$ 0	\$ 0	\$ 0	\$ 0
7308 (FIVE MILE, TURKEY, TRUSSVILLE, LEEDS)																
49	Existing Assets	\$ 27,007,081								\$ 8,878,313	\$ 8,580,229	\$ 9,543,539	\$ 0	\$ 0	\$ 0	\$ 0
50	Construction In Progress	31,533,387								16,856,676	10,764,374	23,932,337	0	0	0	0
51	KIPP Assets	0								0	0	0	0	0	0	0
52	Subtotal	\$ 78,535,468	33%	25%	43%	0%	0%	0%	0%	\$ 25,734,990	\$ 19,344,603	\$ 33,475,875	\$ 0	\$ 0	\$ 0	\$ 0
7309 (VALLEY, CAHABA)																
53	Existing Assets	\$ 112,115,284								\$ 28,338,397	\$ 27,014,286	\$ 36,183,876	\$ 2,834,427	\$ 3,725,298	\$ 0	\$ 0
54	Construction In Progress	421,942,161								133,004,332	107,263,135	152,996,919	8,621,061	17,026,714	0	0

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APPENDIX 3-4
 SUPPLEMENTARY REPORT
 ALLOCATION TO COST-CAUSATIVE COMPONENTS

LINE	CATEGORY	BOOK VALUE	ALLOCATION REFERENCE					ALLOCATION VALUE														
			FLOW %	TSS %	DOD %	F %	O&C %	CUSTOMER BILLING %	CUSTOMER %	FLOW \$	TSS \$	DOD \$	F \$	O&C \$	BILLING \$	CUSTOMER \$						
55	KIPP Assets	0																				
56	Subtotal	\$ 34,037,443	30%	25%	35%	2%	4%	0%	0%	0%	0%	0%	14,277,471	0	0	26,759,972	0	0	0	0	0	
57	7319 (VILLAGE, CAHADA)	\$ 574,493,025											\$ 51,785,014	\$ 55,014,404	\$ 89,142,895	\$ 4,051,461	\$ 7,463,951	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
58	Edging, Assets	33,021,703											132,861,048	0	202,814,124	0	202,814,124	0	0	0	0	0
59	KIPP Assets	0											0	0	0	0	0	0	0	0	0	
60	Subtotal	\$ 716,787,707	25%	16%	40%	2%	4%	0%	0%	0%	0%	0%	191,866,542	0	292,864,686	0	14,710,133	0	0	0	0	0

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APPENDIX 3-5
WASTEWATER COST OF SERVICE STUDY
ALLOCATION OF CIP

LINE	PROJECT DESCRIPTION	TOTAL COST	TREATMENT PLANT	ALLOCATION REFERENCE								ALLOCATED VALUE							
				FLOW %	TSS %	BOD %	P %	O&G %	CUSTOMER BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	CUSTOMER BILLING \$	CUSTOMER \$		
1	Hopewell Area Sewer System and Pump Station-I-Exp	416,114		100%	0%	0%	0%	0%	0%	0%	0%	416,114	0	0	0	0	0	0	
2	Hopewell Area Sewer System and Pump Station-C-Exp	8,241,733		100%	0%	0%	0%	0%	0%	0%	0%	8,241,733	0	0	0	0	0	0	
3	Hopewell Area Sewer System and Pump Station-T-Exp	16,195		100%	0%	0%	0%	0%	0%	0%	0%	16,195	0	0	0	0	0	0	
4	Bessemer Hospital P/S Removal-D-CWA	4,316		100%	0%	0%	0%	0%	0%	0%	0%	4,316	0	0	0	0	0	0	
5	McCalls Area Sewers - As-Built-O-EXP	401,320		100%	0%	0%	0%	0%	0%	0%	0%	401,320	0	0	0	0	0	0	
6	Valley Creek Trunk Relief Sewer - Phase 1-C-CWA	2,295,195		100%	0%	0%	0%	0%	0%	0%	0%	2,295,195	0	0	0	0	0	0	
7	Shades Valley Relief Sewer-D-CWA	215,665		100%	0%	0%	0%	0%	0%	0%	0%	215,665	0	0	0	0	0	0	
8	Valley Creek Trunk Relief Sewer - Phase 1-I-CWA	361,717		100%	0%	0%	0%	0%	0%	0%	0%	361,717	0	0	0	0	0	0	
9	Valley Creek Trunk Relief Sewer - Phase 1A-C-CWA	1,737,047		100%	0%	0%	0%	0%	0%	0%	0%	1,737,047	0	0	0	0	0	0	
10	Freemans Avenue Sanitary Sewer Relocation-D-CWA	43,446		0%	0%	0%	0%	0%	0%	100%	0	0	0	0	0	0	43,446		
11	Bessemer Replacement Sewers, Phase 1-I-CWA	285,516		100%	0%	0%	0%	0%	0%	0%	0%	285,516	0	0	0	0	0	0	
12	Bessemer Replacement Sewers, Phase 1-C-CWA	5,659,921		100%	0%	0%	0%	0%	0%	0%	0%	5,659,921	0	0	0	0	0	0	
13	Hueytown Lateral Extension to Chapel Drive-D-CWA	109,229		100%	0%	0%	0%	0%	0%	0%	0%	109,229	0	0	0	0	0	0	
14	Field Hills Highlands Sanitary Sewers and Pumping Stations-D-Exp	258,419		100%	0%	0%	0%	0%	0%	0%	0%	258,419	0	0	0	0	0	0	
15	Five Mile Creek West P/S and Trunk Sewer - Stinkhole Remed.-C-CWA	5,116,369		100%	0%	0%	0%	0%	0%	0%	0%	5,116,369	0	0	0	0	0	0	
16	Five Mile Creek West P/S and Trunk Sewer - Stinkhole Remed.-I-CWA	140,797		100%	0%	0%	0%	0%	0%	0%	0%	140,797	0	0	0	0	0	0	
17	Five Mile Creek West P/S and Trunk Sewer - Stinkhole Remed.-T-CWA	25,563		100%	0%	0%	0%	0%	0%	0%	0%	25,563	0	0	0	0	0	0	
18	Five Mile Creek West P/S and Trunk Sewer - Stinkhole Remed. Design-D-CWA	128,332		100%	0%	0%	0%	0%	0%	0%	0%	128,332	0	0	0	0	0	0	
19	Five Mile Creek West P/S and Trunk Sewer - Stinkhole Remed. Geology-G-CWA	17,380		100%	0%	0%	0%	0%	0%	0%	0%	17,380	0	0	0	0	0	0	
20	Grasselli Heights Sewer Replacement-C-CWA	1,369,100		100%	0%	0%	0%	0%	0%	0%	0%	1,369,100	0	0	0	0	0	0	
21	Grasselli Heights Sewer Replacement-D-CWA	102,000		100%	0%	0%	0%	0%	0%	0%	0%	102,000	0	0	0	0	0	0	
22	ALDUJ Reimbursement for Sanitary Sewer Restoration for Widening of Morgan Road-C-CWA	(833,627)		0%	0%	0%	0%	0%	0%	100%	0	0	0	0	0	0	(833,627)		
23	Sanitary Sewer Relocation for Widening of Morgan Road-C-CWA	833,627		0%	0%	0%	0%	0%	0%	100%	0	0	0	0	0	0	833,627		
24	Sanitary Sewer Relocation for Widening of Morgan Road-D-CWA	75,618		0%	0%	0%	0%	0%	0%	100%	0	0	0	0	0	0	75,618		
25	Evaluation of As-Built/ GPS (Valley 11, Five Mile 5)-O-CD-OM	878,216		100%	0%	0%	0%	0%	0%	0%	0%	878,216	0	0	0	0	0	0	
26	Evaluation of As-Built/ GPS (Valley 10, Five Mile 4)-O-CD-OM	864,389		100%	0%	0%	0%	0%	0%	0%	0%	864,389	0	0	0	0	0	0	
27	Construction Materials Testing-T-CD	27,127		100%	0%	0%	0%	0%	0%	0%	0%	27,127	0	0	0	0	0	0	
28	Valley Creek (Upper) Rehab Contract 03-C-CD	40,667		100%	0%	0%	0%	0%	0%	0%	0%	40,667	0	0	0	0	0	0	
29	Valley Creek (Upper) Rehab Contract 03-I-CD	10,876		100%	0%	0%	0%	0%	0%	0%	0%	10,876	0	0	0	0	0	0	
30	Central Park Area Sewer Replacement-D-CD	0		100%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
31	Valley Creek (Lower) Rehab Contract 25 - 25-C-CD	2,799,825		100%	0%	0%	0%	0%	0%	0%	0%	2,799,825	0	0	0	0	0	0	
32	Valley Creek (Lower) Rehab Contract 32-I-CD	137,835		100%	0%	0%	0%	0%	0%	0%	0%	137,835	0	0	0	0	0	0	
33	Valley Creek (Lower) Rehab Contract 32-C-CD	1,373,023		100%	0%	0%	0%	0%	0%	0%	0%	1,373,023	0	0	0	0	0	0	
34	Valley Creek (Lower) Rehab Contract 30 - 31-I-CD	372,665		100%	0%	0%	0%	0%	0%	0%	0%	372,665	0	0	0	0	0	0	
35	Valley Creek (Lower) Rehab Contract 28 - 29-I-CD	304,500		100%	0%	0%	0%	0%	0%	0%	0%	304,500	0	0	0	0	0	0	
36	Valley Creek (Lower) Rehab Contract 26 - 27-I-CD	266,287		100%	0%	0%	0%	0%	0%	0%	0%	266,287	0	0	0	0	0	0	
37	Valley Creek (Lower) Rehab Contract 26 - 27-C-CD	2,916,738		100%	0%	0%	0%	0%	0%	0%	0%	2,916,738	0	0	0	0	0	0	
38	Valley Creek (Lower) Rehab Contract 22 - 23-I-CD	484,114		100%	0%	0%	0%	0%	0%	0%	0%	484,114	0	0	0	0	0	0	
39	Valley Creek (Lower) Rehab Contract 30 - 31-C-CD	3,747,244		100%	0%	0%	0%	0%	0%	0%	0%	3,747,244	0	0	0	0	0	0	
40	Valley Creek (Upper) Rehab Contract 14-I-CD	0		100%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
41	Evaluation of As-Built/ GPS Contract 12 (Phase 3, Valley 1)-O-CD-DM	181,590		100%	0%	0%	0%	0%	0%	0%	0%	181,590	0	0	0	0	0	0	
42	Evaluation of As-Built/ GPS Contract 12 (Valley 2)-O-CD-DM	161,990		100%	0%	0%	0%	0%	0%	0%	0%	161,990	0	0	0	0	0	0	
43	Valley Creek Rehab Inspection, Phase 2 Contract 2-I-CD	0		100%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
44	Clabum Road Sewer Replacement-D-CWA	0		100%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
45	Valley Creek (Lower) Rehab Contract 34-D-CD	0		100%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
46	Midfield Park Subdivision Sanitary Sewer Replacement-D-CWA	4,907		100%	0%	0%	0%	0%	0%	0%	0%	4,907	0	0	0	0	0	0	
47	Valley Creek (Lower) Rehab Contract 10-I-CD	7,670		100%	0%	0%	0%	0%	0%	0%	0%	7,670	0	0	0	0	0	0	
48	Valley Creek (Lower) Rehab Contract 09-I-CD	36,287		100%	0%	0%	0%	0%	0%	0%	0%	36,287	0	0	0	0	0	0	
49	Evaluation of As-Built/ GPS Contract 16 (Valley 3, Shades 1)-O-CD-DM	88,450		100%	0%	0%	0%	0%	0%	0%	0%	88,450	0	0	0	0	0	0	
50	Valley Creek (Lower) Rehab Contract 12-I-CD	23,909		100%	0%	0%	0%	0%	0%	0%	0%	23,909	0	0	0	0	0	0	
51	Smithfield Court Sewer Relocation-D-CWA	17,488		100%	0%	0%	0%	0%	0%	0%	0%	17,488	0	0	0	0	0	0	
52	Valley Creek Rehab Design Phase 3-D-CD	390,665		100%	0%	0%	0%	0%	0%	0%	0%	390,665	0	0	0	0	0	0	
53	Valley Creek (Lower) Rehab Contract 11-I-CD	33,313		100%	0%	0%	0%	0%	0%	0%	0%	33,313	0	0	0	0	0	0	
54	Valley Creek Trunk Replacement to Olsen Oaks-C-CWA	1,340,776		100%	0%	0%	0%	0%	0%	0%	0%	1,340,776	0	0	0	0	0	0	
55	Minnesota Ave. Sewer Replacement-C-CWA	456,750		100%	0%	0%	0%	0%	0%	0%	0%	456,750	0	0	0	0	0	0	
56	Midfield Park Subdivision Sanitary Sewer Replacement-C-CWA	212,180		100%	0%	0%	0%	0%	0%	0%	0%	212,180	0	0	0	0	0	0	
57	Valley Creek (Upper) Rehab Contract 13-C-CD	0		100%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
58	Valley Creek (Upper) Rehab Contract 12 & 15-C-CD	172,555		100%	0%	0%	0%	0%	0%	0%	0%	172,555	0	0	0	0	0	0	
59	Valley Creek (Upper) Rehab Contract 13-I-CD	67,928		100%	0%	0%	0%	0%	0%	0%	0%	67,928	0	0	0	0	0	0	
60	Valley Creek (Lower) Rehab Contract 13 - 14-I-CD	36,398		100%	0%	0%	0%	0%	0%	0%	0%	36,398	0	0	0	0	0	0	
61	Valley Creek (Lower) Rehab Contract 13 - 14-I-CD	43,758		100%	0%	0%	0%	0%	0%	0%	0%	43,758	0	0	0	0	0	0	
62	Valley Creek (Lower) Rehab Contract 21 TVI-TV-I-CD	0		100%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
63	Valley Creek (Lower) Rehab Contract 34-C-CD	0		100%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
64	Valley Creek (Lower) Rehab Contract 34-I-CD	0		100%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
65	Valley Creek (Lower) Rehab Contract 15-I-CD	50,018		100%	0%	0%	0%	0%	0%	0%	0%	50,018	0	0	0	0	0	0	

Jeffco-000290

R-000853

APPENDIX 3-5
WASTEWATER COST OF SERVICE STUDY
ALLOCATION OF CIP

LINE	PROJECT DESCRIPTION	TOTAL COST	TREATMENT PLANT	ALLOCATION REFERENCE							ALLOCATED VALUE						
				FLOW %	TSS %	BOD %	P %	O&G %	CUSTOMER BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	CUSTOMER BILLING \$	CUSTOMER \$
194	Furnace Branch Trunk Sewer Repl. to Janet Lane-C-CWA	25,000		100%	0%	0%	0%	0%	0%	0%	25,000	0	0	0	0	0	0
195	Furnace Branch Trunk Sewer Repl. to Janet Lane-T-CWA	10,583		100%	0%	0%	0%	0%	0%	0%	10,583	0	0	0	0	0	0
196	Furnace Branch Trunk Sewer Repl. to Janet Lane-I-CWA	265,771		100%	0%	0%	0%	0%	0%	0%	265,771	0	0	0	0	0	0
197	Furnace Branch Trunk Sewer Repl. to Janet Lane-C-CWA	5,300,821		100%	0%	0%	0%	0%	0%	0%	5,300,821	0	0	0	0	0	0
198	Furnace Branch Trunk Sewer Repl. to Janet Lane-D-CWA	743		100%	0%	0%	0%	0%	0%	0%	743	0	0	0	0	0	0
199	Scots Branch Trunk Sewer Replacement-D-CWA	78,141		100%	0%	0%	0%	0%	0%	0%	78,141	0	0	0	0	0	0
200	Giffen Branch Trunk Improvement-D-CWA	468,509		100%	0%	0%	0%	0%	0%	0%	468,509	0	0	0	0	0	0
201	Overbrook Road Replacement Sewer-I-CWA	124,844		100%	0%	0%	0%	0%	0%	0%	124,844	0	0	0	0	0	0
202	Overbrook Road Replacement Sewer-C-CWA	3,289,373		100%	0%	0%	0%	0%	0%	0%	3,289,373	0	0	0	0	0	0
203	Overbrook Road Replacement Sewer-D-CWA	28,866		100%	0%	0%	0%	0%	0%	0%	28,866	0	0	0	0	0	0
204	John Rogers Drive Area Sanitary Sewer S-Exp	0		100%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0
205	Forest Branch T/S Replacement-C-CWA	1,268,630		100%	0%	0%	0%	0%	0%	0%	1,268,630	0	0	0	0	0	0
206	Shades Creek Rehab Design Contract 1-D-CD	141,121		100%	0%	0%	0%	0%	0%	0%	141,121	0	0	0	0	0	0
207	Evaluation of As-Built GPS Contract 1 (Shades 2)-O-CD-OM	271,517		100%	0%	0%	0%	0%	0%	0%	271,517	0	0	0	0	0	0
208	Survey of SS MIs, Evaluation of As-Built 2003 Contract 1 (Shades 3)-O-CD-OM	777,723		100%	0%	0%	0%	0%	0%	0%	777,723	0	0	0	0	0	0
209	Shades Creek Rehab Contract 04-CD	50,819		100%	0%	0%	0%	0%	0%	0%	50,819	0	0	0	0	0	0
210	Shades Creek Rehab Contract 04-C-CD	1,782,614		100%	0%	0%	0%	0%	0%	0%	1,782,614	0	0	0	0	0	0
211	Shades Creek Rehab Contract 01, 02, 03-C-CD	933,250		100%	0%	0%	0%	0%	0%	0%	933,250	0	0	0	0	0	0
212	Shades Creek Rehab Contract 01, 02, 03-I-CD	89,761		100%	0%	0%	0%	0%	0%	0%	89,761	0	0	0	0	0	0
213	Shades Creek Rehab Contract 05 - 06-C-CD	2,157,815		100%	0%	0%	0%	0%	0%	0%	2,157,815	0	0	0	0	0	0
214	Shades Creek Rehab Contract 09, 10, 11-C-CD	3,131,603		100%	0%	0%	0%	0%	0%	0%	3,131,603	0	0	0	0	0	0
215	Shades Creek Rehab Contract 09, 10, 11-I-CD	339,580		100%	0%	0%	0%	0%	0%	0%	339,580	0	0	0	0	0	0
216	Shades and Valley Creek Rehab-T-CD	18,000		100%	0%	0%	0%	0%	0%	0%	18,000	0	0	0	0	0	0
217	Shades Creek Rehab Contract 05 - 06-I-CD	256,628		100%	0%	0%	0%	0%	0%	0%	256,628	0	0	0	0	0	0
218	Shades Creek Rehab Contract 12 - 13-C-CD	491,249		100%	0%	0%	0%	0%	0%	0%	491,249	0	0	0	0	0	0
219	Shades Creek Rehab Contract 12 - 13-I-CD	155,925		100%	0%	0%	0%	0%	0%	0%	155,925	0	0	0	0	0	0
220	Shades Creek Rehab Contract 07 - 08-C-CD	2,278,368		100%	0%	0%	0%	0%	0%	0%	2,278,368	0	0	0	0	0	0
221	Shades Creek Rehab Contract 07 - 08-I-CD	248,500		100%	0%	0%	0%	0%	0%	0%	248,500	0	0	0	0	0	0
222	Shades Creek Rehab Contract 15 - 16-C-CD	3,287,985		100%	0%	0%	0%	0%	0%	0%	3,287,985	0	0	0	0	0	0
223	Shades Creek Rehab Contract 15 - 16-I-CD	354,001		100%	0%	0%	0%	0%	0%	0%	354,001	0	0	0	0	0	0
224	Shades Creek Rehab Contract 17-I-CD	3,656,217		100%	0%	0%	0%	0%	0%	0%	3,656,217	0	0	0	0	0	0
225	Shades Creek Rehab Contract 18 - 19-I-CD	416,150		100%	0%	0%	0%	0%	0%	0%	416,150	0	0	0	0	0	0
226	Shades Creek Rehab Contract 16-I-CD	285,815		100%	0%	0%	0%	0%	0%	0%	285,815	0	0	0	0	0	0
227	Shades Creek Rehab Contract 16-C-CD	423,280		100%	0%	0%	0%	0%	0%	0%	423,280	0	0	0	0	0	0
228	Shades Creek Rehab Contract 20-C-CD	1,733,305		100%	0%	0%	0%	0%	0%	0%	1,733,305	0	0	0	0	0	0
229	Shades Creek Rehab Contract 18 - 19-C-CD	2,856,000		100%	0%	0%	0%	0%	0%	0%	2,856,000	0	0	0	0	0	0
230	Shades Creek Rehab Contract 14-C-CD	3,187,082		100%	0%	0%	0%	0%	0%	0%	3,187,082	0	0	0	0	0	0
231	Shades Creek Rehab Contract 20-I-CD	244,320		100%	0%	0%	0%	0%	0%	0%	244,320	0	0	0	0	0	0
232	Corridor X - Hwy 31 Interchange Sewer Relocation-C-CWA	257,200		0%	0%	0%	0%	0%	100%	0	0	0	0	0	0	257,200	
233	ALDOT Maintenance for Corridor X - North-Southfield Trunk Sewer Rehabilitation-CWA	(265,225)		0%	0%	0%	0%	0%	100%	0	0	0	0	0	0	(265,225)	
234	Corridor X Sewer Crossing Contract 3-D-Exp	77,643		0%	0%	0%	0%	0%	100%	0	0	0	0	0	0	77,643	
235	Westwood Gardens Replacement Sewer-C-CWA	920,230		100%	0%	0%	0%	0%	0%	0%	920,230	0	0	0	0	0	0
236	Evaluation of As-Built GPS Contract 14 (Yudes Creek, Warner, Turkey Creek)-U-CD-OM	351,300		100%	0%	0%	0%	0%	0%	0%	351,300	0	0	0	0	0	0
237	MHI Raising - Pruden Creek, Turkey Creek and Warrion-C-CD-OM	174,294		100%	0%	0%	0%	0%	0%	0%	174,294	0	0	0	0	0	0
238	Warrior Rehab Project 01-I-CD	27,235		100%	0%	0%	0%	0%	0%	0%	27,235	0	0	0	0	0	0
239	Local Service Lateral Rehab Pilot Project-S-CD	63,375		100%	0%	0%	0%	0%	0%	0%	63,375	0	0	0	0	0	0
240	Feasibility Study - Consolidation of North Shelby Co. Service Area-S-Exp	1,568		0%	0%	0%	0%	0%	100%	0	0	0	0	0	0	1,568	
241	Feasibility Study - Acquisition of BWWB Sewer System Pump Station-S-Exp	82,102		0%	0%	0%	0%	0%	100%	0	0	0	0	0	0	82,102	
242	Agreement To Provide Professional Engineering Services for Evaluation of Birmingham Water Works and Sewer Board Wastewater Collection System-S-Exp	74,393		100%	0%	0%	0%	0%	0%	0%	74,393	0	0	0	0	0	0
243	Agreement for Engineering Services for Expansion of the City of Florence Wastewater Pumping Stations and Connections To Jefferson County System - 2004-S-Exp	52,634		100%	0%	0%	0%	0%	0%	0%	52,634	0	0	0	0	0	0
244	CWA Sewer Rehabilitation - FY05-07-I-CWA	1,515,114		100%	0%	0%	0%	0%	0%	0%	1,515,114	0	0	0	0	0	0
245	CWA Sewer Rehabilitation - FY05-07-C-CWA	18,413,511		100%	0%	0%	0%	0%	0%	0%	18,413,511	0	0	0	0	0	0
246	CWA Sewer Rehabilitation - FY05-07-T-CWA	91,529		100%	0%	0%	0%	0%	0%	0%	91,529	0	0	0	0	0	0
247	CWA Sewer Rehabilitation - FY05-07-D-CWA	1,460,462		100%	0%	0%	0%	0%	0%	0%	1,460,462	0	0	0	0	0	0
248	Agreement to Prepare Jefferson County Sanitary Sewer Exposure Master Plan-O-Exp	612,000		100%	0%	0%	0%	0%	0%	0%	612,000	0	0	0	0	0	0
249	Evaluation of Siphons and Junction Boxes-S-CWA	157,243		100%	0%	0%	0%	0%	0%	0%	157,243	0	0	0	0	0	0
250	Sanitary Sewer Repair and Replacement - FY 2007-C-CWA	1,060,900		100%	0%	0%	0%	0%	0%	0%	1,060,900	0	0	0	0	0	0
251	Sanitary Sewer Repair and Replacement - FY 2006-C-CD	1,030,000		100%	0%	0%	0%	0%	0%	0%	1,030,000	0	0	0	0	0	0
252	Sanitary Sewer Repair and Replacement - FY 2005-C-CD	1,798,730		100%	0%	0%	0%	0%	0%	0%	1,798,730	0	0	0	0	0	0
253	2003 Sanitary Sewer Repairs & Replacements, Contract 1-C-CD	35,871		100%	0%	0%	0%	0%	0%	0%	35,871	0	0	0	0	0	0
254	2003 Sanitary Sewer Repairs & Replacements, Contract 3-C-CD	184,313		100%	0%	0%	0%	0%	0%	0%	184,313	0	0	0	0	0	0
255	2004 Sanitary Sewer Repairs & Replacements, Contract 1-C-CD	744,190		100%	0%	0%	0%	0%	0%	0%	744,190	0	0	0	0	0	0

Jeffco-000293

R-000856

APPENDIX 3 -
WASTEWATER COST OF SERVICE STUDY
ALLOCATION OF CIP

LINE	PROJECT DESCRIPTION	TOTAL COST	TREATMENT PLANT	ALLOCATION REFERENCE						ALLOCATED VALUE								
				FLOW %	TSS %	BOD %	P %	O&G %	CUSTOMER BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	CUSTOMER BILLING \$	CUSTOMER \$	
256	Agreement to Provide Design Engineering Services for Miscellaneous Sanitary Sewer Repair and Replacements, 2005-D-CD	252,813		100%	0%	0%	0%	0%	0%	0%	252,813	0	0	0	0	0	0	0
257	Removal/Upgrade of Acquired P/S's-D-CWA	327,506		100%	0%	0%	0%	0%	0%	0%	327,506	0	0	0	0	0	0	0
258	Construction Admin Services - Gardendale, Grayville P/S's-I-CWA	228,902		100%	0%	0%	0%	0%	0%	0%	228,902	0	0	0	0	0	0	0
259	Pump Station Telemetry-D-CWA	512,990		100%	0%	0%	0%	0%	0%	0%	512,990	0	0	0	0	0	0	0
260	Wastewater Pumping Station Design-D-CWA	135,631		100%	0%	0%	0%	0%	0%	0%	135,631	0	0	0	0	0	0	0
261	Highlands Subdivision Pump Stations & Collection System Improvements-D-CWA	150,014		100%	0%	0%	0%	0%	0%	0%	150,014	0	0	0	0	0	0	0
262	P/S Upgrades - FY 2006-I-CWA	153,427		100%	0%	0%	0%	0%	0%	0%	153,427	0	0	0	0	0	0	0
263	P/S Upgrades - FY 2007-C-CWA	1,591,350		100%	0%	0%	0%	0%	0%	0%	1,591,350	0	0	0	0	0	0	0
264	P/S Upgrades - FY 2006-C-CWA	1,545,000		100%	0%	0%	0%	0%	0%	0%	1,545,000	0	0	0	0	0	0	0
265	P/S Upgrades - FY 2007-I-CWA	160,000		100%	0%	0%	0%	0%	0%	0%	160,000	0	0	0	0	0	0	0
266	P/S Upgrades - FY 2008-C-CWA	1,639,091		100%	0%	0%	0%	0%	0%	0%	1,639,091	0	0	0	0	0	0	0
267	P/S Upgrades - FY 2008-I-CWA	164,893		100%	0%	0%	0%	0%	0%	0%	164,893	0	0	0	0	0	0	0
268	P/S Upgrades-D-CWA	789,881		100%	0%	0%	0%	0%	0%	0%	789,881	0	0	0	0	0	0	0
269	P/S Upgrades-I-CWA	405,834		100%	0%	0%	0%	0%	0%	0%	405,834	0	0	0	0	0	0	0
270	P/S Upgrades-C-CWA	8,076,101		100%	0%	0%	0%	0%	0%	0%	8,076,101	0	0	0	0	0	0	0
271	Survey of Sanitary Sewer Force Mains and Evaluation and Development of "As-Built" Drawings 2005-C-CD-CWA	0		100%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
272	Emergency Repair Design-D-CD	0		100%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
273	ROW Acquisition - FY 2005 - Consent Decree-ROW-CD	750,000		100%	0%	0%	0%	0%	0%	0%	750,000	0	0	0	0	0	0	0
274	ROW Acquisition - rem of FY 2004 - Consent Decree-ROW-CD	0		100%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
275	ROW Acquisition - FY 2006 - Consent Decree-ROW-CD	772,500		100%	0%	0%	0%	0%	0%	0%	772,500	0	0	0	0	0	0	0
276	ROW Acquisition - FY 2007 - Consent Decree-ROW-CD	795,675		100%	0%	0%	0%	0%	0%	0%	795,675	0	0	0	0	0	0	0
277	ROW Acquisition - rem of FY 2004 - CWA-ROW-CWA	0		100%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
278	ROW Acquisition - FY 2005 - CWA-ROW-CWA	375,000		100%	0%	0%	0%	0%	0%	0%	375,000	0	0	0	0	0	0	0
279	ROW Acquisition - FY 2006 - CWA-ROW-CWA	346,250		100%	0%	0%	0%	0%	0%	0%	346,250	0	0	0	0	0	0	0
280	ROW Acquisition - FY 2007 - CWA-ROW-CWA	397,838		100%	0%	0%	0%	0%	0%	0%	397,838	0	0	0	0	0	0	0
281	Valley Creek WWTP - Line Stabilization-D-CWA	77,558		0%	0%	100%	0%	0%	0%	0%	0	0	77,558	0	0	0	0	0
282	Valley Creek WWTP - Line Stabilization-I-CWA	0		0%	0%	100%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
283	Five Mile Creek WWTP Improvements - 2005-T-CWA	419,557	Five Mile	33%	34%	33%	0%	0%	0%	0%	139,125	143,859	137,573	0	0	0	0	0
284	Five Mile Creek WWTP Improvements - 2005-C-CWA	57,819,526	Five Mile	33%	34%	33%	0%	0%	0%	0%	19,196,167	19,711,384	18,261,976	0	0	0	0	0
285	Five Mile Creek WWTP Improvements - 2005-I-CWA	2,373,948	Five Mile	33%	34%	33%	0%	0%	0%	0%	787,201	808,329	778,418	0	0	0	0	0
286	Five Mile Creek WWTP Improvements-D-CWA	467,106	Five Mile	33%	34%	33%	0%	0%	0%	0%	154,852	159,050	153,164	0	0	0	0	0
287	Five Mile Creek Rehab Design, Phase 2-D-CD	932,351	Five Mile	33%	34%	33%	0%	0%	0%	0%	309,168	317,466	305,718	0	0	0	0	0
288	Five Mile Creek Rehab Project 01-I-CD	3,540	Five Mile	33%	34%	33%	0%	0%	0%	0%	1,174	1,205	1,161	0	0	0	0	0
289	Five Mile Creek Rehab Project 02-I-CD	0	Five Mile	33%	34%	33%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
290	Five Mile Creek Rehab Project 01-I-CD	19,811	Five Mile	33%	34%	33%	0%	0%	0%	0%	6,569	6,746	6,496	0	0	0	0	0
291	Five Mile Creek Rehab Project 03-I-CD	3,740	Five Mile	33%	34%	33%	0%	0%	0%	0%	1,240	1,273	1,230	0	0	0	0	0
292	Five Mile Creek Rehab Project 01-C-CD	0	Five Mile	33%	34%	33%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
293	Five Mile Creek Rehab Project 04-I-CD	19,082	Five Mile	33%	34%	33%	0%	0%	0%	0%	6,321	6,491	6,239	0	0	0	0	0
294	Five Mile Creek Rehab Project 10-C-CD	0	Five Mile	33%	34%	33%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
295	Five Mile Creek Rehab Project 10-I-CD	68,606	Five Mile	33%	34%	33%	0%	0%	0%	0%	22,750	23,261	22,496	0	0	0	0	0
296	Five Mile Creek Rehab Project 06-I-CD	8,312	Five Mile	33%	34%	33%	0%	0%	0%	0%	2,756	2,830	2,726	0	0	0	0	0
297	Five Mile Creek Rehab Project 05-I-CD	17,538	Five Mile	33%	34%	33%	0%	0%	0%	0%	5,816	5,972	5,751	0	0	0	0	0
298	Five Mile Creek Rehab Project 07-C-CD	44,299	Five Mile	33%	34%	33%	0%	0%	0%	0%	14,769	15,186	14,624	0	0	0	0	0
299	Five Mile Creek Rehab Project 07-I-CD	54,113	Five Mile	33%	34%	33%	0%	0%	0%	0%	17,944	18,426	17,744	0	0	0	0	0
300	Five Mile Creek Rehab Project 09-C-CD	0	Five Mile	33%	34%	33%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
301	Five Mile Creek Rehab Project 05-C-CD	0	Five Mile	33%	34%	33%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
302	Five Mile Creek Rehab Project 09-I-CD	9,800	Five Mile	33%	34%	33%	0%	0%	0%	0%	3,276	3,364	3,240	0	0	0	0	0
303	Five Mile Creek Rehab Project 13-C-CD	725,746	Five Mile	33%	34%	33%	0%	0%	0%	0%	240,657	247,117	237,971	0	0	0	0	0
304	Five Mile Creek Rehab Project 13-I-CD	88,949	Five Mile	33%	34%	33%	0%	0%	0%	0%	29,495	30,287	29,166	0	0	0	0	0
305	Five Mile Creek Rehab Project 11 - 12-C-CD	930,276	Five Mile	33%	34%	33%	0%	0%	0%	0%	308,479	316,759	305,037	0	0	0	0	0
306	Five Mile Creek Rehab Project 11 - 12-I-CD	118,970	Five Mile	33%	34%	33%	0%	0%	0%	0%	39,450	40,509	39,010	0	0	0	0	0
307	Five Mile Creek Rehab Project 14-C-CD	1,250,229	Five Mile	33%	34%	33%	0%	0%	0%	0%	414,576	425,703	409,950	0	0	0	0	0
308	Five Mile Creek Rehab Project 14-I-CD	146,104	Five Mile	33%	34%	33%	0%	0%	0%	0%	48,448	49,749	47,908	0	0	0	0	0
309	Five Mile Creek Rehab Project 15 - 16-C-CD	1,041,295	Five Mile	33%	34%	33%	0%	0%	0%	0%	345,326	354,595	341,473	0	0	0	0	0
310	Five Mile Creek Rehab Project 15 - 16-I-CD	161,448	Five Mile	33%	34%	33%	0%	0%	0%	0%	53,536	54,973	52,939	0	0	0	0	0
311	Earley Avenue F Trunk Sewer-D-CWA	9,018		100%	0%	0%	0%	0%	0%	0%	9,018	0	0	0	0	0	0	0
312	Village Creek WWTP Odor Control Improvements-D-CWA	0		0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
313	Cahaba River WWTP Improvements - Blossids Tr. T-CWA	273,156		0%	0%	100%	0%	0%	0%	0%	0	0	273,156	0	0	0	0	0
314	Cahaba River WWTP Improvements - Blossids Tr-I-CWA	1,109,449		0%	0%	100%	0%	0%	0%	0%	0	0	1,109,449	0	0	0	0	0
315	Cahaba River WWTP Improvements - Blossids Tr-C-CWA	21,190,345		0%	0%	100%	0%	0%	0%	0%	0	0	21,190,345	0	0	0	0	0
316	Cahaba River WWTP Improvements - Blossids Tr-G-CWA	76,125		0%	0%	100%	0%	0%	0%	0%	0	0	76,125	0	0	0	0	0
317	Cahaba River WWTP - Permit Improvements-C-CWA	4,388,193		0%	0%	0%	0%	0%	100%	0%	0	0	0	0	0	0	4,388,193	
318	Cahaba River WWTP - Permit Improvements-I-CWA	843,196		0%	0%	0%	0%	0%	100%	0%	0	0	0	0	0	0	843,196	
319	Cahaba River WWTP - Permit Improvements-T-CWA	20,820		0%	0%	0%	0%	0%	100%	0%	0	0	0	0	0	0	20,820	
320	Cahaba River WWTP Improvements - Blossids Tr-D-CWA	498,624		0%	0%	0%	0%	0%	100%	0%	0	0	0	0	0	0	498,624	

Jeffco-000294

R-000857

APPENDIX 3-S
WASTEWATER COST OF SERVICE STUDY
ALLOCATION OF CIP

LINE	PROJECT DESCRIPTION	TOTAL COST	TREATMENT PLANT			ALLOCATION REFERENCE						ALLOCATED VALUE						CUSTOMER BILLING	CUSTOMER											
			FLOW %	TSS %	BOD %	P %	O&G %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	\$	\$														
385	Owner Controlled Insurance Program - FY 2006-O-C-D	1,236,000	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1,236,000	0										
386	Owner Controlled Insurance Program - FY 2005-O-C-D	0	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0	0										
387	Engineering Services - FY 2006-O-C-D	636,540	62%	11%	20%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	397,694	57,649	127,575	3,119	1,946	0	0	0	0	38,672		
388	Engineering Services - FY 2005-O-C-D	394,590	62%	11%	20%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	190,148	31,378	61,024	1,819	1,428	0	0	0	0	18,100		
389	Engineering Services - FY 2004-O-C-D	212,161	62%	11%	20%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	134,360	22,478	43,123	720	1,099	0	0	0	0	13,072		
390	Owner Controlled Insurance Program - FY 2004-O-C-D	1,082,071	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	6,371,171		
391	CIP Program Management-O-C-D	6,273,124	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	6,371,171	
392	Retention for Professional Services for Development at 6 Saver Lake Substations	214,258	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	214,258	
393	Program-O-C-D	399,840	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	399,840	
394	Program-O-C-D	1,971,047	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1,971,047	0	0	0	0	0	0	0	0	0	0	1,971,047
395	Agreement for Professional Services to Review Chase River TMDL Loadings and Model Evaluations-O-C-D	185,678	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	185,678	0	0	0	0	0	0	0	0	0	185,678	
396	Shade Creek MH Raising - Contract 06-C-D-O-M	113,676	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	113,676	0	0	0	0	0	0	0	0	0	113,676	
397	Eng. & CM - 2008 - Loans and Rains MHS-4-CD-O-M	225,914	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	225,914	0	0	0	0	0	0	0	0	0	225,914	
398	Eng. & CM - 2007 - Loans and Rains MHS-5-CD-O-M	267,877	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	267,877	0	0	0	0	0	0	0	0	0	267,877	
399	Eng. & CM - 2005 - Loans and Rains MHS-1-CD-O-M	260,075	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	260,075	0	0	0	0	0	0	0	0	0	260,075	
400	Eng. & CM - 2005 - Loans and Rains MHS-2-CD-O-M	196,691	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	196,691	0	0	0	0	0	0	0	0	0	196,691	
401	Shade Creek MH Raising - Contract 13-C-CD-O-M	185,400	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	185,400	0	0	0	0	0	0	0	0	0	185,400	
402	Shade Creek MH Raising - Contract 05-C-CD-O-M	186,181	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	186,181	0	0	0	0	0	0	0	0	0	186,181	
403	Shade Creek MH Raising - Contract 07-C-CD-O-M	190,952	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	190,952	0	0	0	0	0	0	0	0	0	190,952	
404	Shade Creek MH Raising - Contract 08-C-CD-O-M	191,821	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	191,821	0	0	0	0	0	0	0	0	0	191,821	
405	Shade Creek MH Raising - Contract 09-C-CD-O-M	194,140	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	194,140	0	0	0	0	0	0	0	0	0	194,140	
406	Shade Creek MH Raising - Contract 10-C-CD-O-M	0	100%	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	
407	Shade Creek MH Raising - Contract 02-C-CD-O-M	251	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	251	0	0	0	0	0	0	0	0	0	251	
408	Shade Creek MH Raising - Contract 01-C-CD-O-M	0	100%	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	
409	Shade Creek MH Raising - Contract 04-C-CD-O-M	43,828	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	43,828	0	0	0	0	0	0	0	0	0	43,828	
410	Eng. & CM - 2005 - Loans and Rains MHS-3-CD-O-M	511,692	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	511,692	0	0	0	0	0	0	0	0	0	511,692	
411	Stability Sewer Repairs - FY2005-D-CD-O-M	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	
412	Stability Sewer Repairs - FY2005-D-CD-O-M	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	
413	SUBTOTAL	5,401,252,112	62%	11%	20%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	3,250,930,443	561,102,214	105,910,258	1,767,686	2,476,181	0	0	0	0	0	3,244,802,119	
414	Unmetered CWA project-per 06K1 (6008)	538,441,455	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	538,441,455	
415	TOTAL	5,939,693,567	62%	11%	20%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	3,250,930,443	561,102,214	105,910,258	1,767,686	2,476,181	0	0	0	0	0	3,244,802,119	

NOTES/REFERENCE
1 The project is a project to improve the wastewater treatment plant to increase flow to the WWTP, 100% flow.
2 Reference event for the purpose of flow credit is the 2008 flow credit event.
3 The purpose of Line Stabilization is to reduce bacteria (BOD) in inflow, 100% BOD.
4 Need to obtain the nature of the WWTP improvement project.
5 Stormwater (rain) should be allocated according to the plant design loadings for TSS, BOD, TKN and P. Plant design loading (lb/ma/ha) exceed.
6 Rainfall are not specific to any wastewater function. Customer. Need specific project info and cost. (2008 Pg 21)
7 Project includes repairs to oxidation basin, BOD. Need more info and cost. (2008 Pg 21)
8 Project includes repairs to oxidation basin, BOD. Need more info and cost. (2008 Pg 21)
9 Project includes repairs to oxidation basin, BOD. Need more info and cost. (2008 Pg 21)
10 Project includes repairs to oxidation basin, BOD. Need more info and cost. (2008 Pg 21)
11 Project includes repairs to oxidation basin, BOD. Need more info and cost. (2008 Pg 21)
12 Project is for expansion of WWTP. Need more info and cost. (2008 Pg 21)
13 Project is for expansion of WWTP. Need more info and cost. (2008 Pg 21)
14 Project is related to development of a GIS system. (2008 Pg 21)
15 Project is for maintenance complex, 100% Customer. (2008 Pg 21)
16 Management/Administrative/IT services. 100% Customer.
17 Not specific to a treatment plant function. 100% Customer.

Jeffco-000296

APPENDIX 3-6
ALLOCATION OF 2005 OPERATING BUDGET - FINANCIAL PLANNING

BUDGET ITEMS				ALLOCATION REFERENCE							Allocated Value						
DEPT	OBJ	DEPT/ACCOUNT TITLE	FY 2005 BUDGET	FLOW %	TSS %	BOD %	F %	O&G %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	F \$	O&G \$	BILLING \$	CUSTOMER \$
PERSONAL SERVICES																	
805	50101	REGULAR SALARIES	\$ 298,002	0%	0%	0%	0%	0%	50%	50%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 149,001	\$ 149,001
805	50110	CONTRACTED PERSONNEL	20,800	0%	0%	0%	0%	0%	50%	50%	0	0	0	0	0	10,400	10,400
805	50301	REGULAR OVERTIME	1,000	0%	0%	0%	0%	0%	50%	50%	0	0	0	0	0	500	500
805	50401	FICA - SS	18,382	0%	0%	0%	0%	0%	50%	50%	0	0	0	0	0	9,191	9,191
805	50402	FICA - MC	4,240	0%	0%	0%	0%	0%	50%	50%	0	0	0	0	0	2,120	2,120
805	50501	PENSION	17,916	0%	0%	0%	0%	0%	50%	50%	0	0	0	0	0	8,958	8,958
805	50601	HEALTH INSURANCE	46,464	0%	0%	0%	0%	0%	50%	50%	0	0	0	0	0	23,232	23,232
805	50603	LIFE INSURANCE	1,777	0%	0%	0%	0%	0%	50%	50%	0	0	0	0	0	889	889
SUBTOTAL PERSONAL SERVICES			\$ 408,581	0%	0%	0%	0%	0%	50%	50%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 204,291	\$ 204,291
OPERATING EXPENSES																	
805	51306	OTHER PROFESSIONAL SE	\$ 45,245	0%	0%	0%	0%	0%	95%	5%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43,130	\$ 2,115
805	51309	BIRMINGHAM WATER WORK	3,186,123	0%	0%	0%	0%	0%	100%	0%	0	0	0	0	0	3,186,123	0
805	51310	OTHER UTILITIES COLLE	729,200	0%	0%	0%	0%	0%	100%	0%	0	0	0	0	0	729,200	0
805	51315	ATTORNEY COLLECTION F	10,000	0%	0%	0%	0%	0%	100%	0%	0	0	0	0	0	10,000	0
805	52303	REPAIR OFFICE EQUIPME	500	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	477	23
805	52310	REPAIR CONTRACTUAL MA	0	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	0	0
805	53105	NOTARY BONDS	200	0%	0%	0%	0%	0%	0%	100%	0	0	0	0	0	0	200
805	53201	TELEPHONE - LOCAL SER	853	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	813	40
805	53202	TELEPHONE - LONG DIST	125	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	119	6
805	53203	TELEPHONE - SERVICE C	200	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	191	9
805	53204	TELEPHONE - DATA LINE	300	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	286	14
805	53206	POSTAGE	39,910	0%	0%	0%	0%	0%	100%	0%	0	0	0	0	0	39,910	0
805	53401	EXT. PRINTING & BINDI	9,500	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	9,056	444
805	53501	STAFF DEVELOPMENT & A	1,845	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	1,759	86
805	53502	LOCAL MILEAGE	2,000	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	1,906	94
805	53601	MEMBERSHIP DUES	155	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	148	7
805	54111	GENERAL OFFICE	3,500	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	3,336	164
805	54144	SMALL EQUIPMENT	5,065	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	4,828	237
805	54149	OTHER TECHNICAL MATER	3,500	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	3,336	164
805	54401	BOOKS & PERIODICALS	400	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	381	19
805	55402	FURNITURE & FIXTURES	0	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	0	0
805	55403	MISCELLANEOUS EQUIPME	0	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	0	0
805	57102	SQUARE FOOTAGE CHARGE	42,318	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	40,540	1,978
805	57104	PRINT SHOP CHARGES	4,200	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	4,004	196
805	57110	OTHER INTERDEPARTMENT	13,080	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	12,392	608
805	57120	ARCHIVAL CHARGES	92	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	88	4
805	57905	MISCELLANEOUS BANK CH	7,500	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	7,149	351
805	58502	LEASE OFFICE EQUIPME	5,000	0%	0%	0%	0%	0%	95%	5%	0	0	0	0	0	4,766	234
805	61403	CONTRA TO MISC EQUIP	0														
805	69403	DEPREC: MISCELLANEOUS	0														
SUBTOTAL OPERATING EXPENSES			\$ 4,110,730	0%	0%	0%	0%	0%	100%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,103,737	\$ 6,993
TOTAL FINANCIAL SERVICES			\$ 4,519,311	0%	0%	0%	0%	0%	95%	5%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,308,028	\$ 211,283

- Notes:
- Allocation between "Billing and "Customer" is based on an estimate from Jefferson County staff.
 - Allocations are based on the weighted average of the total allocated values.
 - Represents payments for billing services.
 - Bonds are allocated to "Customer".
 - Postage is assumed to be related to customer bills.

Jeffco-000297

R-000860

APPENDIX 3-7
ALLOCATION OF 2005 OPERATING BUDGET - SANITATION ADMINISTRATION

BUDGET ITEMS				ALLOCATION REFERENCE							Allocated Value							
DEPT	ACCNT	DEPT/ACCOUNT TITLE	FY 2005 BUDGET	FLOW %	TSS %	BOD %	P %	O&G %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	BILLING \$	CUSTOMER \$	
PERSONAL SERVICES																		
50101	Total	REGULAR SALARIES	\$ 2,256,790	55%	16%	25%	1%	1%	0%	3%	\$ 1,232,702	\$ 360,293	\$ 554,123	\$ 15,764	\$ 25,354	\$ 0	\$ 0	\$ 68,555
50201	Total	PART-TIME & TEMPORARY	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0	0
50301	Total	REGULAR OVERTIME	25,000	55%	16%	25%	1%	1%	0%	3%	13,655	3,991	6,138	175	1,523	0	4,118	
50401	Total	FICA - SS	135,572	55%	16%	25%	1%	1%	0%	3%	74,052	21,644	33,288	947	281	0	759	
50402	Total	FICA - MC	32,089	55%	16%	25%	1%	1%	0%	3%	17,528	5,123	7,879	224	361	0	975	
50501	Total	PENSION	135,571	55%	16%	25%	1%	1%	0%	3%	74,051	21,644	33,288	947	1,523	0	4,118	
50601	Total	HEALTH INSURANCE	320,316	55%	16%	25%	1%	1%	0%	3%	174,963	51,138	78,649	2,237	3,599	0	9,730	
50603	Total	LIFE INSURANCE	11,852	55%	16%	25%	1%	1%	0%	3%	6,474	1,892	2,910	83	133	0	360	
50803	Total	UNEMPLOYMENT COMPENSA	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0	
50802	Total	WORKMANS COMPENSATION	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0	
50803	Total	TUITION REFUND	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0	
SUBTOTAL PERSONAL SERVICES			\$ 2,917,190	55%	16%	25%	1%	1%	0%	3%	\$ 1,593,425	\$ 465,725	\$ 716,275	\$ 20,577	\$ 32,773	\$ 0	\$ 88,616	
OPERATING EXPENSES																		
51201	Total	EMPLOYMENT PHYSICAL E	\$ 150	55%	16%	25%	1%	1%	0%	3%	\$ 82	\$ 24	\$ 37	\$ 1	\$ 2	\$ 0	\$ 5	
51301	Total	LEGAL	3,000	55%	16%	25%	1%	1%	0%	3%	1,639	479	737	21	36	0	91	
51303	Total	ENGINEERING	1,000	55%	16%	25%	1%	1%	0%	3%	546	160	246	7	11	0	30	
51306	Total	OTHER PROFESSIONAL SE	634,050	55%	16%	25%	1%	1%	0%	3%	346,330	101,225	155,682	4,429	7,123	0	19,261	
51307	Total	OTHER CONTRACTUAL SER	6,758	55%	16%	25%	1%	1%	0%	3%	3,691	1,079	1,659	47	76	0	205	
51310	Total	OTHER UTILITIES COLLE	3,000	0%	0%	0%	0%	0%	0%	100%	0	0	0	0	0	0	3,000	
51315	Total	ATTORNEY COLLECTION F	12,000	55%	16%	25%	1%	1%	0%	3%	6,600	1,920	2,880	84	135	0	365	
52101	Total	WATER	750	55%	16%	25%	1%	1%	0%	3%	410	120	184	5	8	0	23	
52301	Total	REPAIR BUILDING & STR	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0	
52303	Total	REPAIR OFFICE EQUIPME	300	55%	16%	25%	1%	1%	0%	3%	164	48	74	2	3	0	9	
52310	Total	REPAIR CONTRACTUAL MA	12,000	55%	16%	25%	1%	1%	0%	3%	6,555	1,916	2,946	84	135	0	365	
52311	Total	REPAIR SEWER PLANT &	2,000	55%	16%	25%	1%	1%	0%	3%	1,092	319	491	14	22	0	61	
52402	Total	RENT BUILDING & STRUC	1,000	55%	16%	25%	1%	1%	0%	3%	546	160	246	7	11	0	30	
52403	Total	RENT COMMUNICATIONS E	1,650	55%	16%	25%	1%	1%	0%	3%	901	263	405	12	19	0	50	
52404	Total	RENT OFFICE EQUIPMENT	2,500	55%	16%	25%	1%	1%	0%	3%	1,366	399	614	17	28	0	76	
52502	Total	RENOVATIONS & REMODEL	3,000	55%	16%	25%	1%	1%	0%	3%	1,639	479	737	21	36	0	91	
52503	Total	RIGHT OF WAY	14,000	55%	16%	25%	1%	1%	0%	3%	7,647	2,295	3,438	98	157	0	425	
53105	Total	NOTARY BONDS	150	55%	16%	25%	1%	1%	0%	3%	82	24	37	1	2	0	5	
53106	Total	OTHER INSURANCE PREMI	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0	
53116	Total	AUTO LIABILITY EXPENS	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0	
53117	Total	GENERAL LIABILITY EXP	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0	
53201	Total	TELEPHONE - LOCAL SER	114,000	55%	16%	25%	1%	1%	0%	3%	62,269	18,200	27,991	796	1,281	0	3,463	
53202	Total	TELEPHONE - LONG DIST	550	55%	16%	25%	1%	1%	0%	3%	300	88	135	4	6	0	17	
53203	Total	TELEPHONE - SERVICE C	2,500	55%	16%	25%	1%	1%	0%	3%	1,366	399	614	17	28	0	76	
53204	Total	TELEPHONE - DATA LINE	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0	
53205	Total	CELLULAR TELEPHONE SE	12,000	55%	16%	25%	1%	1%	0%	3%	6,555	1,916	2,946	84	135	0	365	
53206	Total	POSTAGE	6,000	55%	16%	25%	1%	1%	0%	3%	3,277	958	1,473	42	67	0	182	
53301	Total	ADVERTISING	82,000	55%	16%	25%	1%	1%	0%	3%	44,790	13,091	20,134	573	921	0	2,491	
53401	Total	EXT. PRINTING & BINDI	4,000	55%	16%	25%	1%	1%	0%	3%	2,185	639	982	28	45	0	122	
53501	Total	STAFF DEVELOPMENT & A	17,000	55%	16%	25%	1%	1%	0%	3%	9,286	2,714	4,174	119	191	0	516	
53503	Total	OTHER TRAVEL	100	55%	16%	25%	1%	1%	0%	3%	55	16	25	1	1	0	3	
53601	Total	MEMBERSHIP DUES	16,500	55%	16%	25%	1%	1%	0%	3%	9,013	2,634	4,051	115	185	0	501	
53602	Total	SUBSCRIPTIONS	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0	
54111	Total	GENERAL OFFICE	23,500	55%	16%	25%	1%	1%	0%	3%	12,836	3,752	5,770	164	264	0	714	
54115	Total	INT. PRINTING & BINDI	7,000	55%	16%	25%	1%	1%	0%	3%	3,824	1,118	1,719	49	79	0	213	
54118	Total	OTHER MATERIALS & SUP	600	55%	16%	25%	1%	1%	0%	3%	328	96	147	4	7	0	18	
54138	Total	DRUGS	100	55%	16%	25%	1%	1%	0%	3%	55	16	25	1	1	0	3	
54141	Total	UNIFORMS & PROTECTIVE	1,500	55%	16%	25%	1%	1%	0%	3%	819	239	368	10	17	0	46	
54144	Total	SMALL EQUIPMENT	61,398	55%	16%	25%	1%	1%	0%	3%	33,537	9,802	15,075	429	690	0	1,865	
54145	Total	SMALL TOOLS	1,500	55%	16%	25%	1%	1%	0%	3%	819	239	368	10	17	0	46	
54148	Total	DRAFTING & FIELD	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0	
54149	Total	OTHER TECHNICAL MATER	16,162	55%	16%	25%	1%	1%	0%	3%	8,828	2,580	3,968	113	182	0	491	
54151	Total	OILS & OTHER LUBRICAN	75	55%	16%	25%	1%	1%	0%	3%	41	12	18	1	1	0	2	
54152	Total	PARTS	5,000	55%	16%	25%	1%	1%	0%	3%	2,731	798	1,228	35	56	0	152	
54153	Total	COMMERCIAL REPAIRS	1,500	55%	16%	25%	1%	1%	0%	3%	819	239	368	10	17	0	46	
54155	Total	AUTOMOTIVE LICENSE	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0	
54156	Total	TIRES	2,000	55%	16%	25%	1%	1%	0%	3%	1,092	319	491	14	22	0	61	
54161	Total	COMMUNICATIONS EQUIPM	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0	
54181	Total	SEWER LINE	4,000	55%	16%	25%	1%	1%	0%	3%	2,185	639	982	28	45	0	122	
54210	Total	ELECTRICITY	13,000	55%	16%	25%	1%	1%	0%	3%	7,101	2,075	3,192	91	146	0	395	

Jeffco-000298

R-000861

APPENDIX 3-7
 ALLOCATION OF 2005 OPERATING BUDGET - SANITATION ADMINISTRATION

BUDGET ITEMS				ALLOCATION REFERENCE							Allocated Value						
DEPT	ACCNT	DEPT/ACCOUNT TITLE	FY 2005 BUDGET	FLOW %	TSS %	BOD %	P %	O&G %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	BILLING \$	CUSTOMER \$
54220	Total	GAS (NATURAL)	6,000	55%	16%	25%	1%	1%	0%	3%	3,277	958	1,473	42	67	0	182
54241	Total	FUEL	32,897	55%	16%	25%	1%	1%	0%	3%	17,969	5,252	8,077	230	370	0	999
54310	Total	FOOD	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0
54335	Total	HOSPITALITY	100	55%	16%	25%	1%	1%	0%	3%	55	16	25	1	1	0	3
54401	Total	BOOKS & PERIODICALS	250	55%	16%	25%	1%	1%	0%	3%	137	40	61	2	3	0	8
55402	Total	FURNITURE & FIXTURES	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0
55403	Total	MISCELLANEOUS EQUIPME	11,352	55%	16%	25%	1%	1%	0%	3%	6,201	1,812	2,787	79	128	0	345
55405	Total	MAJOR SOFTWARE	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0
55501	Total	AUTOMOTIVE EQUIPMENT	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0
55601	Total	FIXED MAINTENANCE EQU	28,500	55%	16%	25%	1%	1%	0%	3%	15,567	4,550	6,998	199	320	0	866
57101	Total	DATA PROCESSING CHARG	0	55%	16%	25%	1%	1%	0%	3%	0	0	0	0	0	0	0
57102	Total	SQUARE FOOTAGE CHARGE	268,387	55%	16%	25%	1%	1%	0%	3%	146,598	42,848	65,899	1,875	3,015	0	8,153
57104	Total	PRINT SHOP CHARGES	1,000	55%	16%	25%	1%	1%	0%	3%	546	160	246	7	11	0	30
57106	Total	FLEET LABOR & SURCHAR	12,000	55%	16%	25%	1%	1%	0%	3%	6,555	1,916	2,946	84	135	0	365
57107	Total	MOTOR POOL CHARGES	2,500	55%	16%	25%	1%	1%	0%	3%	1,366	399	614	17	28	0	76
57110	Total	OTHER INTERDEPARTMENT	1,000	55%	16%	25%	1%	1%	0%	3%	546	160	246	7	11	0	30
57111	Total	TAX ASSESSOR MAPPING	1,200	55%	16%	25%	1%	1%	0%	3%	655	192	295	8	13	0	36
57112	Total	PROBATE COURT CHARGES	700	55%	16%	25%	1%	1%	0%	3%	382	112	172	5	8	0	21
57114	Total	FLEET MANAGEMENT SURC	2,000	55%	16%	25%	1%	1%	0%	3%	1,092	319	491	14	22	0	61
57120	Total	ARCHIVAL CHARGES	271	55%	16%	25%	1%	1%	0%	3%	148	43	67	2	3	0	8
58502	Total	LEASE OFFICE EQUIPMEN	41,850	55%	16%	25%	1%	1%	0%	3%	22,859	6,681	10,276	292	470	0	1,271
61402	Total	CONTRA TO FURN & FIXT	0														
61403	Total	CONTRA TO MISC EQUIP	0														
61405	Total	CONTRA ACCOUNT TO FX	0														
61501	Total	CONTRA TO AUTO EQUIP	0														
61601	Total	CONTRA TO FIX MAINT E	0														
69401	Total	DEPREC. MAINTENANCE E	0														
69402	Total	DEPREC. FURNITURE & F	0														
69403	Total	DEPREC. MISCELLANEOUS	0														
69404	Total	FIXED ASSETS DEPRECA	0														
69405	Total	FIXED ASSETS DEPRECA	0														
69501	Total	DEPREC. AUTOMOTIVE EQ	0														
69601	Total	DEPREC. FIXED MAINTEN	0														
SUBTOTAL OPERATING EXPENSES			\$ 1,499,300	54%	16%	24%	1%	1%	0%	4%	\$ 810,753	\$ 236,966	\$ 364,449	\$ 10,368	\$ 16,675	\$ 0	\$ 60,089
TOTAL SANITATION ADMINISTRATION			\$ 4,416,490	54%	16%	24%	1%	1%	0%	3%	\$ 2,404,178	\$ 702,691	\$ 1,080,724	\$ 30,744	\$ 49,448	\$ 0	\$ 148,704

Notes:
 1. Allocated based on 50% Wastewater Treatment Plant total allocation (Schedule 4-4) and 50% total CIP allocation
 2. Represents collection of impact fees, allocated 100% to Customer.

Jeffco-000299

APPENDIX 3-8
 ALLOCATION OF 2005 OPERATING BUDGET - SANITATION ENGINEERING & CONSTRUCTION

BUDGET ITEMS				ALLOCATION REFERENCE							Allocated Value						
DEPT	ACCT	DEPT/ACCOUNT TITLE	FY 2005 BUDGET	FLOW %	TSS %	BOD %	P %	O&G %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	BILLING \$	CUSTOMER \$
PERSONAL SERVICES																	
7200 Total		ENG ENGINEERING & CONSTRUCTION	\$ 0	88%	3%	6%	0%	0%	0%	2%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
7210 Total		ADMIN ENGINEER & CONST	142,528	88%	3%	6%	0%	0%	0%	3%	125,874	4,715	8,888	148	268	0	2,694
7212 Total		SURVEY ENGINEER & CONST	775,333	62%	11%	20%	0%	0%	0%	6%	484,164	82,441	155,392	2,593	3,637	0	47,105
7214 Total		INSPECT ENGINEER & CONST	1,725,605	62%	11%	20%	0%	0%	0%	6%	1,077,571	183,484	345,846	5,772	8,094	0	104,838
7230 Total		CONSTRUCT SEWER LINE	924,103	100%	0%	0%	0%	0%	0%	0%	924,103	0	0	0	0	0	0
7250 Total		ADMIN LINE MAINTENANCE	693,417	100%	0%	0%	0%	0%	0%	0%	693,417	0	0	0	0	0	0
7252 Total		VILLAGE LINE MAINTENANCE	1,118,259	100%	0%	0%	0%	0%	0%	0%	1,118,259	0	0	0	0	0	0
7253 Total		SHADES LINE MAINTENANCE	1,611,977	100%	0%	0%	0%	0%	0%	0%	1,611,977	0	0	0	0	0	0
7270 Total		TV INSPECTION & GROUTING	1,190,000	100%	0%	0%	0%	0%	0%	0%	1,190,000	0	0	0	0	0	0
SUBTOTAL PERSONAL SERVICES			\$ 8,180,322	88%	3%	6%	0%	0%	0%	2%	\$ 7,224,465	\$ 270,641	\$ 510,126	\$ 8,514	\$ 11,939	\$ 0	\$ 154,636
OPERATING EXPENSES																	
7210 Total		ADMIN ENGINEER & CONST	\$ 32,203	95%	1%	3%	0%	0%	0%	1%	\$ 30,616	\$ 449	\$ 847	\$ 14	\$ 20	\$ 0	\$ 257
7212 Total		SURVEY ENGINEER & CONST	58,490	62%	11%	20%	0%	0%	0%	6%	36,525	6,219	11,723	196	274	0	3,554
7214 Total		INSPECT ENGINEER & CONST	157,192	62%	11%	20%	0%	0%	0%	6%	98,160	16,714	31,504	526	737	0	9,550
7230 Total		CONSTRUCT SEWER LINE	111,339	100%	0%	0%	0%	0%	0%	0%	111,339	0	0	0	0	0	0
7250 Total		ADMIN LINE MAINTENANCE	262,039	100%	0%	0%	0%	0%	0%	0%	262,039	0	0	0	0	0	0
7252 Total		VILLAGE LINE MAINTENANCE	109,453	100%	0%	0%	0%	0%	0%	0%	109,453	0	0	0	0	0	0
7253 Total		SHADES LINE MAINTENANCE	176,405	100%	0%	0%	0%	0%	0%	0%	176,405	0	0	0	0	0	0
7270 Total		TV INSPECTION & GROUTING	241,413	100%	0%	0%	0%	0%	0%	0%	241,413	0	0	0	0	0	0
54181 Total		SEWER LINE	527,445	100%	0%	0%	0%	0%	0%	0%	527,445	0	0	0	0	0	0
61401 Total		CONTRA ACCOUNT TO FIX	0														
61402 Total		CONTRA ACCOUNT TO FIX	0														
61403 Total		CONTRA ACCOUNT TO FIX	0														
61405 Total		CONTRA ACCOUNT TO FIX	0														
61501 Total		CONTRA ACCOUNT TO FIX	0														
61502 Total		CONTRA ACCOUNT TO FIX	0														
61503 Total		CONTRA ACCOUNT TO FIX	0														
69331 Total		FIXED ASSETS DEPRECIA	0														
69401 Total		FIXED ASSETS DEPRECIA	0														
69402 Total		FIXED ASSETS DEPRECIA	0														
69403 Total		FIXED ASSETS DEPRECIA	0														
69404 Total		FIXED ASSETS DEPRECIA	0														
69405 Total		FIXED ASSETS DEPRECIA	0														
69501 Total		FIXED ASSETS DEPRECIA	0														
69502 Total		FIXED ASSETS DEPRECIA	0														
69503 Total		FIXED ASSETS DEPRECIA	0														
SUBTOTAL OPERATING EXPENSES			\$ 1,675,999	95%	1%	3%	0%	0%	0%	1%	\$ 1,595,415	\$ 23,383	\$ 44,074	\$ 736	\$ 1,032	\$ 0	\$ 13,360
TOTAL SANITATION E&C			\$ 9,856,321	89%	3%	6%	0%	0%	0%	2%	\$ 8,817,881	\$ 294,024	\$ 554,200	\$ 9,249	\$ 12,971	\$ 0	\$ 167,997

- Notes:
 1 Allocation based on subtotal
 2 Allocation based on total from CIP
 3 Line related expenses are allocated 100% to Flow

Jeffco-000300

APPENDIX 3-9
ALLOCATION OF 2005 OPERATING BUDGET - WASTEWATER PLANTS

BUDGET ITEMS				ALLOCATION REFERENCE							Allocated Value							
DEPT	ACCNT	DEPT/ACCOUNT TITLE	FY 2005 BUDGET	FLOW %	TSS %	BOD %	P %	O&G %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	BILLING \$	CUSTOMER \$	
PERSONAL SERVICES																		
7301 Total		WWTP - CAHABA RIVER PLANT	\$ 1,772,779	32%	25%	31%	2%	4%	0%	0%	\$ 559,666	\$ 450,816	\$ 654,510	\$ 36,165	\$ 71,620	\$ 0	\$ 0	\$ 0
7302 Total		WWTP - FIVE MILE CREEK PLANT	1,501,659	33%	34%	33%	0%	0%	0%	0%	497,930	511,315	492,394	0	0	0	0	0
7303 Total		WWTP - LEEDS PLANT	589,129	33%	21%	47%	0%	0%	0%	0%	192,586	121,419	275,123	0	0	0	0	0
7304 Total		WWTP - TRUSSVILLE PLANT	464,870	33%	31%	36%	0%	0%	0%	0%	151,965	145,876	167,028	0	0	0	0	0
7305 Total		WWTP - TURKEY CREEK PLANT	430,829	33%	21%	35%	0%	0%	0%	0%	142,896	135,570	152,463	0	0	0	0	0
7305 Total		WWTP - VALLEY CREEK PLANT	3,131,169	25%	24%	45%	5%	5%	0%	0%	791,246	754,299	1,402,451	79,219	103,955	0	0	0
7307 Total		WWTP - VILLAGE CREEK PLANT	3,463,438	25%	26%	43%	2%	4%	0%	0%	858,933	915,387	1,497,937	66,844	124,337	0	0	0
7308 Total		WWTP - FIVE MILE MAINTENANCE SHO	222,543	33%	25%	43%	0%	0%	0%	0%	72,906	54,802	94,345	0	0	0	0	0
7309 Total		WWTP - VALLEY MAINT SHOP	376,373	30%	25%	39%	2%	4%	0%	0%	113,740	94,631	145,304	8,073	14,625	0	0	0
7310 Total		WWTP - VILLAGE MAINT SHOP	336,923	29%	26%	40%	2%	4%	0%	0%	96,513	87,135	133,605	6,713	12,957	0	0	0
7311 Total		WWTP - VILLAGE ELECTRICAL SHOP	484,572	29%	26%	41%	2%	3%	0%	0%	138,623	123,682	196,483	9,116	16,669	0	0	0
7312 Total		WWTP - VILLAGE INSTRUMENT SHOP	354,089	70%	11%	17%	1%	1%	0%	0%	247,862	37,978	60,332	2,799	5,118	0	0	0
7313 Total		WWTP - PACKAGE WWTP & PUMP STAT.	1,844,714	70%	21%	9%	0%	0%	0%	0%	1,291,200	379,904	173,510	0	0	0	0	0
7314 Total		WWTP - BIOSOLIDS HANDLING	802,917	0%	56%	44%	0%	0%	0%	0%	0	449,980	352,937	0	0	0	0	0
SUBTOTAL PERSONAL SERVICES			\$ 15,776,104	33%	27%	37%	1%	2%	0%	0%	\$ 5,156,187	\$ 4,262,796	\$ 5,798,911	\$ 208,929	\$ 349,281	\$ 0	\$ 0	\$ 0
OPERATING EXPENSES																		
7301 Total		WWTP - CAHABA RIVER PLANT	\$ 427,683	32%	25%	37%	2%	4%	0%	0%	\$ 135,020	\$ 108,760	\$ 157,901	\$ 8,725	\$ 17,278	\$ 0	\$ 0	\$ 0
7302 Total		WWTP - FIVE MILE CREEK PLANT	150,654	33%	34%	33%	0%	0%	0%	0%	49,937	51,298	49,400	0	0	0	0	0
7303 Total		WWTP - LEEDS PLANT	124,437	33%	21%	47%	0%	0%	0%	0%	40,698	25,659	58,140	0	0	0	0	0
7304 Total		WWTP - TRUSSVILLE PLANT	61,330	33%	31%	36%	0%	0%	0%	0%	20,049	19,245	22,036	0	0	0	0	0
7305 Total		WWTP - TURKEY CREEK PLANT	42,361	33%	31%	35%	0%	0%	0%	0%	14,047	13,327	14,987	0	0	0	0	0
7306 Total		WWTP - VALLEY CREEK PLANT	692,507	25%	24%	45%	3%	3%	0%	0%	174,997	166,825	310,174	17,500	22,891	0	0	0
7307 Total		WWTP - VILLAGE CREEK PLANT	730,091	25%	26%	43%	2%	4%	0%	0%	181,062	192,963	315,764	14,091	26,210	0	0	0
7308 Total		WWTP - FIVE MILE MAINTENANCE SHO	33,809	33%	25%	43%	0%	0%	0%	0%	11,076	8,326	14,407	0	0	0	0	0
7309 Total		WWTP - VALLEY MAINT SHOP	33,335	30%	25%	39%	2%	4%	0%	0%	10,074	8,381	12,870	715	1,295	0	0	0
7310 Total		WWTP - VILLAGE MAINT SHOP	110,129	29%	26%	40%	2%	4%	0%	0%	31,547	26,482	43,671	2,194	4,235	0	0	0
7311 Total		WWTP - VILLAGE ELECTRICAL SHOP	208,706	29%	26%	41%	2%	3%	0%	0%	59,705	53,270	84,625	3,926	7,179	0	0	0
7312 Total		WWTP - VILLAGE INSTRUMENT SHOP	36,328	70%	11%	17%	1%	1%	0%	0%	25,430	3,896	6,190	287	525	0	0	0
7313 Total		WWTP - PACKAGE WWTP & PUMP STAT.	430,404	70%	21%	9%	0%	0%	0%	0%	301,283	88,638	49,463	0	0	0	0	0
7314 Total		WWTP - BIOSOLIDS HANDLING	191,164	0%	56%	44%	0%	0%	0%	0%	0	107,134	84,030	0	0	0	0	0
52316 Total		SEWER LINE REPAIR->\$1	0	100%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
54210 Total		ELECTRICITY	4,540,450	100%	0%	0%	0%	0%	0%	0%	4,540,450	0	0	0	0	0	0	0
54220 Total		GAS (NATURAL)	541,000	100%	0%	0%	0%	0%	0%	0%	541,000	0	0	0	0	0	0	0
61101 Total		CONTRA ACCOUNT TO FIX	0															Excluded - Not a Cash Flow Account
61108 Total		CONTRA ACCOUNT TO FIX	0															Excluded - Not a Cash Flow Account
61271 Total		CONTRA ACCOUNT TO FIX	0															Excluded - Not a Cash Flow Account
61301 Total		CONTRA ACCOUNT TO FIX	0															Excluded - Not a Cash Flow Account
61331 Total		CONTRA ACCOUNT TO FIX	0															Excluded - Not a Cash Flow Account
61371 Total		CONTRA ACCOUNT TO FIX	0															Excluded - Not a Cash Flow Account
61401 Total		CONTRA TO MAINT EQUIP	0															Excluded - Not a Cash Flow Account
61403 Total		CONTRA TO MSC EQUIP	0															Excluded - Not a Cash Flow Account
61405 Total		CONTRA ACCOUNT TO FIX	0															Excluded - Not a Cash Flow Account
61501 Total		CONTRA TO AUTO EQUIP	0															Excluded - Not a Cash Flow Account
61502 Total		CONTRA TO CONST EQUIP	0															Excluded - Not a Cash Flow Account
61503 Total		CONTRA TO MSC MOVING	0															Excluded - Not a Cash Flow Account
61601 Total		CONTRA ACCOUNT TO FIX	0															Excluded - Not a Cash Flow Account
61603 Total		CONTRA ACCOUNT TO FIX	0															Excluded - Not a Cash Flow Account
69103 Total		FIXED ASSETS DEPRECA	0															Excluded - Not a Cash Flow Account
69201 Total		FIXED ASSETS DEPRECA	0															Excluded - Not a Cash Flow Account
69202 Total		FIXED ASSETS DEPRECA	0															Excluded - Not a Cash Flow Account
69210 Total		FIXED ASSETS DEPRECA	0															Excluded - Not a Cash Flow Account
69211 Total		FIXED ASSETS DEPRECA	0															Excluded - Not a Cash Flow Account
69221 Total		FIXED ASSETS DEPRECA	0															Excluded - Not a Cash Flow Account
69221 Total		FIXED ASSETS DEPRECA	0															Excluded - Not a Cash Flow Account
69281 Total		FIXED ASSETS DEPRECA	0															Excluded - Not a Cash Flow Account
69301 Total		DEPRECIATION-CAHABA B	0															Excluded - Not a Cash Flow Account
69302 Total		FIXED ASSETS DEPRECA	0															Excluded - Not a Cash Flow Account
69310 Total		FIXED ASSETS DEPRECA	0															Excluded - Not a Cash Flow Account
69311 Total		FIXED ASSETS DEPRECA	0															Excluded - Not a Cash Flow Account
69321 Total		FIXED ASSETS DEPRECA	0															Excluded - Not a Cash Flow Account
69331 Total		FIXED ASSETS DEPRECA	0															Excluded - Not a Cash Flow Account
69371 Total		FIXED ASSETS DEPRECA	0															Excluded - Not a Cash Flow Account

Jeffco-000301

R-000864

APPENDIX 3-9
ALLOCATION OF 2005 OPERATING BUDGET - WASTEWATER PLANTS

BUDGET ITEMS				ALLOCATION REFERENCE							Allocated Value							
DEPT	ACCNT	DEPT/ACCOUNT TITLE	FY 2005 BUDGET	FLOW %	TSS %	BOD %	P %	O&G %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	BILLING \$	CUSTOMER \$	
69381 Total		FIXED ASSETS DEPRECA	0															
69401 Total		DEPREC: MAINTENANCE E	0															
69402 Total		DEPREC: FURNITURE & F	0															
69403 Total		DEPREC: MISCELLANEOUS	0															
69404 Total		FIXED ASSETS DEPRECA	0															
69405 Total		FIXED ASSETS DEPRECA	0															
69501 Total		FIXED ASSETS DEPRECA	0															
69502 Total		FIXED ASSETS DEPRECA	0															
69503 Total		FIXED ASSETS DEPRECA	0															
69601 Total		FIXED ASSETS DEPRECA	0															
69603 Total		FIXED ASSETS DEPRECA	0															
		SUBTOTAL OPERATING EXPENSES	\$ 6,354,448	73%	10%	15%	1%	1%	0%	0%	\$ 6,136,393	\$ 876,204	\$ 1,214,677	\$ 47,439	\$ 79,715	\$ 0	\$ 0	0
		TOTAL WASTEWATER PLANTS	\$ 24,130,352	47%	21%	29%	1%	2%	0%	0%	\$ 11,292,581	\$ 5,139,000	\$ 7,013,588	\$ 256,388	\$ 428,595	\$ 0	\$ 0	0

Notes:

- 1 Allocation based on treatment plant total allocator
- 2 Based on conversations with staff, 70% is pump station related (allocated to Flow). Remaining 30% allocated based on 30% of total plants
- 3 Allocated based on review of plant influent data
- 4 Allocated 100% to Flow

Jeffco-000302

APPENDIX 3-10
ALLOCATION OF 2005 OPERATING BUDGET - BARTON LAB

BUDGET ITEMS				ALLOCATION REFERENCE							Allocated Value								
DEPT	ACCN	DEPT/ACCOUNT TITLE	FY 2005 BUDGET	FLOW %	TSS %	BOD %	TKN %	F %	O&G %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	TKN \$	F \$	O&G \$	BILLING \$	CUSTOMER \$
PERSONAL SERVICES																			
50101	Total	REGULAR SALARIES	\$ 1,225,554	0%	56%	44%	0%	0%	0%	0%	0%	\$ 0	\$ 686,839	\$ 538,715	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
50201	Total	PART-TIME & TEMPORARY	13,695	0%	56%	44%	0%	0%	0%	0%	0%	0	7,676	6,020	0	0	0	0	0
50301	Total	REGULAR OVERTIME	6,000	0%	56%	44%	0%	0%	0%	0%	0%	0	3,363	2,637	0	0	0	0	0
50401	Total	F I C A - SS	76,502	0%	56%	44%	0%	0%	0%	0%	0%	0	42,874	33,628	0	0	0	0	0
50402	Total	F I C A - MC	17,626	0%	56%	44%	0%	0%	0%	0%	0%	0	9,878	7,748	0	0	0	0	0
50501	Total	PENSION	73,603	0%	56%	44%	0%	0%	0%	0%	0%	0	41,249	32,354	0	0	0	0	0
50601	Total	HEALTH INSURANCE	170,556	0%	56%	44%	0%	0%	0%	0%	0%	0	95,585	74,971	0	0	0	0	0
50603	Total	LIFE INSURANCE	6,427	0%	56%	44%	0%	0%	0%	0%	0%	0	3,602	2,825	0	0	0	0	0
50802	Total	WORKMANS COMPENSATION	1,500	0%	56%	44%	0%	0%	0%	0%	0%	0	841	659	0	0	0	0	0
50803	Total	TUITION REFUND	2,500	0%	56%	44%	0%	0%	0%	0%	0%	0	1,401	1,099	0	0	0	0	0
SUBTOTAL PERSONAL SERVICES			\$ 1,593,964	0%	56%	44%	0%	0%	0%	0%	0%	\$ 0	\$ 893,308	\$ 700,656	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
OPERATING EXPENSES																			
51201	Total	EMPLOYMENT PHYSICAL E	750	0%	56%	44%	0%	0%	0%	0%	0%	\$ 0	\$ 420	\$ 330	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
51306	Total	OTHER PROFESSIONAL SE	338,453	0%	56%	44%	0%	0%	0%	0%	0%	0	189,680	148,773	0	0	0	0	0
51307	Total	OTHER CONTRACTURAL SE	142,262	0%	56%	44%	0%	0%	0%	0%	0%	0	79,728	62,534	0	0	0	0	0
52201	Total	GARBAGE DISPOSAL	3,500	0%	56%	44%	0%	0%	0%	0%	0%	0	1,962	1,538	0	0	0	0	0
52302	Total	REPAIR COMMUNICATIONS	250	0%	56%	44%	0%	0%	0%	0%	0%	0	140	110	0	0	0	0	0
52303	Total	REPAIR OFFICE EQUIPME	760	0%	56%	44%	0%	0%	0%	0%	0%	0	425	334	0	0	0	0	0
52304	Total	REPAIR DATA PROCESSIN	1,000	0%	56%	44%	0%	0%	0%	0%	0%	0	560	440	0	0	0	0	0
52305	Total	REPAIR MOTOR VEHICLES	1,000	0%	56%	44%	0%	0%	0%	0%	0%	0	580	440	0	0	0	0	0
52309	Total	REPAIR OTHER EQUIPMEN	750	0%	56%	44%	0%	0%	0%	0%	0%	0	420	330	0	0	0	0	0
52310	Total	REPAIR CONTRACTUAL MA	80,809	0%	56%	44%	0%	0%	0%	0%	0%	0	45,288	35,521	0	0	0	0	0
52311	Total	REPAIR SEWER PLANT &	5,191	0%	56%	44%	0%	0%	0%	0%	0%	0	2,909	2,282	0	0	0	0	0
52403	Total	RENT COMMUNICATIONS E	800	0%	56%	44%	0%	0%	0%	0%	0%	0	448	352	0	0	0	0	0
53116	Total	AUTO LIABILITY EXPENS	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
53117	Total	GENERAL LIABILITY EXP	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
53201	Total	TELEPHONE - LOCAL SER	2,600	0%	56%	44%	0%	0%	0%	0%	0%	0	1,457	1,143	0	0	0	0	0
53202	Total	TELEPHONE - LONG DIST	1,000	0%	56%	44%	0%	0%	0%	0%	0%	0	560	440	0	0	0	0	0
53203	Total	TELEPHONE - SERVICE C	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
53204	Total	TELEPHONE - DATA LINE	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
53205	Total	CELLULAR TELEPHONE SE	1,440	0%	56%	44%	0%	0%	0%	0%	0%	0	807	633	0	0	0	0	0
53206	Total	POSTAGE	850	0%	56%	44%	0%	0%	0%	0%	0%	0	476	374	0	0	0	0	0
53207	Total	EXPRESS MAIL	260	0%	56%	44%	0%	0%	0%	0%	0%	0	112	88	0	0	0	0	0
53501	Total	STAFF DEVELOPMENT & A	20,000	0%	56%	44%	0%	0%	0%	0%	0%	0	11,209	8,791	0	0	0	0	0
53601	Total	MEMBERSHIP DUES	3,200	0%	56%	44%	0%	0%	0%	0%	0%	0	1,793	1,407	0	0	0	0	0
53602	Total	SUBSCRIPTIONS	3,500	0%	56%	44%	0%	0%	0%	0%	0%	0	1,962	1,538	0	0	0	0	0
54111	Total	GENERAL OFFICE	4,000	0%	56%	44%	0%	0%	0%	0%	0%	0	2,242	1,758	0	0	0	0	0
54114	Total	DATA PROCESSING	2,100	0%	56%	44%	0%	0%	0%	0%	0%	0	1,177	923	0	0	0	0	0
54115	Total	INT. PRINTING & BINDI	350	0%	56%	44%	0%	0%	0%	0%	0%	0	196	154	0	0	0	0	0
54118	Total	OTHER MATERIALS & SUP	1,500	0%	56%	44%	0%	0%	0%	0%	0%	0	841	659	0	0	0	0	0
54141	Total	UNIFORMS & PROTECTIVE	2,500	0%	56%	44%	0%	0%	0%	0%	0%	0	1,401	1,099	0	0	0	0	0
54144	Total	SMALL EQUIPMENT	8,000	0%	56%	44%	0%	0%	0%	0%	0%	0	4,483	3,517	0	0	0	0	0
54145	Total	SMALL TOOLS	2,000	0%	56%	44%	0%	0%	0%	0%	0%	0	1,121	879	0	0	0	0	0
54149	Total	OTHER TECHNICAL MATER	22,000	0%	56%	44%	0%	0%	0%	0%	0%	0	12,329	9,671	0	0	0	0	0
54151	Total	OILS & OTHER LUBRICAN	100	0%	56%	44%	0%	0%	0%	0%	0%	0	56	44	0	0	0	0	0
54152	Total	PARTS	1,200	0%	56%	44%	0%	0%	0%	0%	0%	0	673	527	0	0	0	0	0
54153	Total	COMMERCIAL REPAIRS	250	0%	56%	44%	0%	0%	0%	0%	0%	0	140	110	0	0	0	0	0
54156	Total	TUBES	700	0%	56%	44%	0%	0%	0%	0%	0%	0	392	308	0	0	0	0	0
54157	Total	CUSTODIAL SUPPLIES	3,000	0%	56%	44%	0%	0%	0%	0%	0%	0	1,681	1,319	0	0	0	0	0
54182	Total	SEWER PLANTS	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
54210	Total	ELECTRICITY	91,000	0%	56%	44%	0%	0%	0%	0%	0%	0	50,999	40,001	0	0	0	0	0
54220	Total	GAS (NATURAL)	30,000	0%	56%	44%	0%	0%	0%	0%	0%	0	16,813	13,187	0	0	0	0	0
54241	Total	FUEL	7,058	0%	56%	44%	0%	0%	0%	0%	0%	0	3,956	3,102	0	0	0	0	0
54242	Total	DIESEL	200	0%	56%	44%	0%	0%	0%	0%	0%	0	112	88	0	0	0	0	0
54401	Total	BOOKS & PERIODICALS	750	0%	56%	44%	0%	0%	0%	0%	0%	0	420	330	0	0	0	0	0
55403	Total	MISCELLANEOUS EQUIPME	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
55404	Total	TELEPHONES	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
55501	Total	AUTOMOTIVE EQUIPMENT	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
57104	Total	PRINT SHOP CHARGES	200	0%	56%	44%	0%	0%	0%	0%	0%	0	112	88	0	0	0	0	0
57106	Total	FLEET LABOR & SURCHAR	5,000	0%	56%	44%	0%	0%	0%	0%	0%	0	2,802	2,198	0	0	0	0	0
57107	Total	MOTOR POOL CHARGES	500	0%	56%	44%	0%	0%	0%	0%	0%	0	280	220	0	0	0	0	0
57110	Total	OTHER INTERDEPARTMENT	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
57111	Total	TAX ASSESSOR MAPPING	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0

Jeffco-000303

APPENDIX 3-10
 ALLOCATION OF 2005 OPERATING BUDGET - BARTON LAB

BUDGET ITEMS				ALLOCATION REFERENCE								Allocated Value								
DEPT	ACCNT	DEPT/ACCOUNT TITLE	FY 2005 BUDGET	FLOW %	TSS %	BOD %	TKN %	P %	O&G %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	TKN \$	P \$	O&G \$	BILLING \$	CUSTOMER \$	
	57114 Total	FLEET MANAGEMENT SURC	1,200	0%	56%	44%	0%	0%	0%	0%	0%	0	673	527	0	0	0	0	0	0
	58502 Total	LEASE OFFICE EQUIPMEN	9,000	0%	56%	44%	0%	0%	0%	0%	0%	0	5,044	3,956	0	0	0	0	0	0
	61403 Total	CONTRA TO MISC EQUIP	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0
	61404 Total	CONTRA ACCOUNT TO FLX	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0
	61501 Total	CONTRA TO AUTO EQUIP	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0
	69401 Total	DEPREC: MAINTENANCE E	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0
	69402 Total	DEPREC: FURNITURE & F	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0
	69403 Total	DEPREC: MISCELLANEOUS	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0
	69404 Total	FIXED ASSETS DEPRECA	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0
	69501 Total	DEPREC: AUTOMOTIVE EQ	0	0%	56%	44%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0
		SUBTOTAL OPERATING EXPENSES	\$ 800,923	0%	56%	44%	0%	0%	0%	0%	0%	\$ 0	\$ 445,863	\$ 352,061	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
		TOTAL BARTON LAB	\$ 2,394,387	0%	56%	44%	0%	0%	0%	0%	0%	\$ 0	\$ 1,342,171	\$ 1,052,717	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Notes:
 1 Allocated based on review of pilot influent data

Jeffco-000304

APPENDIX 3-11
SUMMARY OF 2005 BUDGET ALLOCATIONS

BUDGET ITEMS				ALLOCATION REFERENCE							Allocated Value						
DEPT	ACCNT	DEPT/ACCOUNT TITLE	FY 2005 BUDGET	FLOW %	TSS %	BOD %	P %	O&G %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G %	BILLING \$	CUSTOMER \$
BUDGET ALLOCATIONS																	
Financial Planning																	
		Personnel	\$ 408,581	0%	0%	0%	0%	0%	50%	50%	\$ 0	\$ 0	\$ 0	\$ 0	0%	\$ 204,291	\$ 204,291
		Operating Expenses	4,110,730	0%	0%	0%	0%	0%	100%	0%	0	0	0	0	0	4,103,737	6,993
		Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0
		Subtotal	\$ 4,519,311								\$ 0	\$ 0	\$ 0	\$ 0	0%	\$ 4,308,028	\$ 211,283
Sanitation Administration																	
		Personnel	\$ 2,917,190	55%	16%	25%	1%	1%	0%	3%	\$ 1,593,025	\$ 465,725	\$ 716,275	\$ 20,377	\$ 32,773	\$ 0	\$ 88,616
		Operating Expenses	1,499,300	54%	16%	24%	1%	1%	0%	4%	810,753	236,966	364,449	10,368	16,675	0	60,089
		Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0
		Subtotal	\$ 4,416,490								\$ 2,404,178	\$ 702,691	\$ 1,080,724	\$ 30,744	\$ 49,448	\$ 0	\$ 148,704
Sanitation Engineering and Construction																	
		Personnel	\$ 8,180,522	88%	3%	6%	0%	0%	0%	2%	\$ 7,224,465	\$ 270,641	\$ 510,126	\$ 8,514	\$ 11,939	\$ 0	\$ 154,636
		Operating Expenses	1,675,999	95%	1%	3%	0%	0%	0%	1%	1,593,415	23,363	44,074	736	1,032	0	13,360
		Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0
		Subtotal	\$ 9,856,521								\$ 8,817,881	\$ 294,024	\$ 554,200	\$ 9,249	\$ 12,971	\$ 0	\$ 167,997
Wastewater Treatment Plants																	
		Personnel	\$ 15,776,104	33%	27%	37%	1%	2%	0%	0%	\$ 5,156,187	\$ 4,262,796	\$ 5,798,911	\$ 208,929	\$ 349,281	\$ 0	\$ 0
		Operating Expenses	8,354,448	73%	10%	15%	1%	1%	0%	0%	6,136,393	876,204	1,214,677	47,459	79,715	0	0
		Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0
		Subtotal	\$ 24,130,552								\$ 11,292,581	\$ 5,139,000	\$ 7,013,588	\$ 256,388	\$ 428,995	\$ 0	\$ 0
Barton Laboratory																	
		Personnel	\$ 1,593,964	0%	56%	44%	0%	0%	0%	0%	\$ 0	\$ 893,308	\$ 700,656	\$ 0	\$ 0	\$ 0	\$ 0
		Operating Expenses	800,923	0%	56%	44%	0%	0%	0%	0%	0	448,865	352,061	0	0	0	0
		Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0
		Subtotal	\$ 2,394,887								\$ 0	\$ 1,342,171	\$ 1,052,717	\$ 0	\$ 0	\$ 0	\$ 0
		TOTAL	\$ 45,317,562	50%	17%	21%	1%	1%	10%	1%	\$ 22,514,640	\$ 7,477,886	\$ 9,701,228	\$ 296,381	\$ 491,414	\$ 4,308,028	\$ 527,984

Jeffco-000305

R-000868

APPENDIX 3-12
WASTE WATER COST OF SERVICE STUDY
ALLOCATION OF 2006 REVENUE REQUIREMENT

LINE	DEPARTMENT / FUNCTIONS	2006 PROJECTED	ALLOCATION REFERENCE								ALLOCATED VALUE					
			FLOW %	TSS %	BOD %	P %	O&C %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&C \$	BILLING \$	CUSTOMER \$
1	Electricity Expenses:	\$ 516,392	0%	0%	0%	0%	0%	0%	50%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 258,196	\$ 258,196
2	Personnel	\$ 5,195,415	0%	0%	0%	0%	0%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,195,415	\$ 5,195,415
3	Operating Expenses	\$ 0	0%	0%	0%	0%	0%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
4	Capital Outlay	\$ 5,711,804	0%	0%	0%	0%	0%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,711,804	\$ 5,711,804
5	Subtotal	\$ 10,823,611	0%	0%	0%	0%	0%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,823,611	\$ 10,823,611
6	Sanitation Administration:	\$ 2,088,000	58%	15%	21%	1%	1%	0%	7%	\$ 1,209,240	\$ 312,600	\$ 437,640	\$ 20,880	\$ 37,056	\$ 0	\$ 1,947,416
7	Personnel	\$ 1,388,000	54%	16%	24%	1%	1%	0%	4%	\$ 750,120	\$ 203,568	\$ 278,880	\$ 13,440	\$ 24,528	\$ 0	\$ 1,266,036
8	Operating Expenses	\$ 0	0%	0%	0%	0%	0%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
9	Capital Outlay	\$ 4,366,609	0%	0%	0%	0%	0%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,366,609	\$ 4,366,609
10	Subtotal	\$ 7,454,609	58%	15%	21%	1%	1%	0%	7%	\$ 1,209,240	\$ 516,168	\$ 716,520	\$ 34,320	\$ 61,584	\$ 0	\$ 2,007,832
11	Sanitation Engineering and Construction:	\$ 8,843,017	88%	3%	6%	0%	0%	0%	2%	\$ 7,780,728	\$ 262,568	\$ 51,452	\$ 0	\$ 0	\$ 0	\$ 8,554,748
12	Personnel	\$ 1,465,570	95%	1%	3%	0%	0%	0%	1%	\$ 1,392,281	\$ 45,735	\$ 27,554	\$ 0	\$ 0	\$ 0	\$ 1,465,570
13	Operating Expenses	\$ 0	0%	0%	0%	0%	0%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
14	Capital Outlay	\$ 10,308,587	0%	0%	0%	0%	0%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,308,587	\$ 10,308,587
15	Subtotal	\$ 18,813,204	88%	3%	6%	0%	0%	0%	2%	\$ 17,772,989	\$ 518,303	\$ 79,006	\$ 0	\$ 0	\$ 0	\$ 18,370,298
16	Wastewater Treatment Plant:	\$ 16,883,908	33%	27%	37%	1%	2%	0%	0%	\$ 5,580,940	\$ 4,589,132	\$ 6,242,870	\$ 224,924	\$ 376,021	\$ 0	\$ 0
17	Personnel	\$ 11,411,117	73%	10%	15%	0%	0%	0%	0%	\$ 3,381,536	\$ 1,996,184	\$ 2,650,925	\$ 64,322	\$ 108,830	\$ 0	\$ 0
18	Operating Expenses	\$ 0	0%	0%	0%	0%	0%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	Capital Outlay	\$ 28,393,025	0%	0%	0%	0%	0%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,393,025	\$ 28,393,025
20	Subtotal	\$ 45,284,043	33%	27%	37%	1%	2%	0%	0%	\$ 5,580,940	\$ 4,589,132	\$ 6,242,870	\$ 224,924	\$ 376,021	\$ 0	\$ 0
21	Baron Laboratory:	\$ 1,687,415	0%	56%	44%	0%	0%	0%	0%	\$ 0	\$ 945,681	\$ 741,734	\$ 0	\$ 0	\$ 0	\$ 0
22	Personnel	\$ 1,058,200	0%	57%	46%	0%	0%	0%	0%	\$ 0	\$ 591,651	\$ 465,150	\$ 0	\$ 0	\$ 0	\$ 0
23	Operating Expenses	\$ 0	0%	0%	0%	0%	0%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
24	Capital Outlay	\$ 2,745,622	0%	0%	0%	0%	0%	0%	0%	\$ 0	\$ 1,518,730	\$ 1,266,583	\$ 0	\$ 0	\$ 0	\$ 0
25	Subtotal	\$ 4,432,837	0%	56%	44%	0%	0%	0%	0%	\$ 0	\$ 1,518,730	\$ 1,266,583	\$ 0	\$ 0	\$ 0	\$ 0
26	Non-Departmental (Fund 34):	\$ 0	50%	17%	21%	1%	1%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	Subtotal O&M	\$ 3,747,547	50%	17%	21%	1%	1%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
28	O&M Adjustment:	\$ 51,797,697	100%	0%	0%	0%	0%	0%	0%	\$ 25,633,808	\$ 8,367,869	\$ 10,821,858	\$ 331,541	\$ 550,093	\$ 5,444,770	\$ 597,785
29	Total O&M	\$ 55,545,244	100%	0%	0%	0%	0%	0%	0%	\$ 25,633,808	\$ 8,367,869	\$ 10,821,858	\$ 331,541	\$ 550,093	\$ 5,444,770	\$ 597,785
30	Existing Debt Service:	\$ 134,455,811	75%	8%	12%	1%	1%	0%	0%	\$ 105,639,155	\$ 10,324,487	\$ 16,371,705	\$ 742,795	\$ 1,357,360	\$ 0	\$ 0
31	New Debt Service:	\$ 0	62%	11%	20%	0%	0%	0%	0%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
32	Transfers:	\$ 0	0%	0%	0%	0%	0%	0%	100%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	Capital Projects:	\$ 5,261,314	62%	11%	20%	0%	0%	0%	0%	\$ 3,285,479	\$ 559,437	\$ 1,044,473	\$ 17,599	\$ 34,679	\$ 0	\$ 319,646
34	Expense Requirement:	\$ 191,464,771	70%	10%	15%	1%	1%	0%	0%	\$ 134,578,642	\$ 19,231,892	\$ 28,248,035	\$ 1,091,935	\$ 1,932,341	\$ 3,464,719	\$ 917,355
35	Less: Other Non-Rate Revenue:	\$ (75,028,928)	70%	10%	15%	1%	1%	0%	0%	\$ (17,592,553)	\$ (2,516,673)	\$ (3,692,650)	\$ (142,741)	\$ (252,602)	\$ (711,259)	\$ (119,020)
36	Less: Interest Earnings:	\$ (212,120)	70%	10%	15%	1%	1%	0%	0%	\$ (149,697)	\$ (21,292)	\$ (31,293)	\$ (1,910)	\$ (2,141)	\$ (6,032)	\$ (1,016)
37	Balance:	\$ 166,233,723	70%	10%	15%	1%	1%	0%	0%	\$ 118,965,992	\$ 16,713,891	\$ 24,596,060	\$ 941,293	\$ 1,679,598	\$ 4,755,939	\$ 796,219
38	Less: Existing Balance Used:	\$ (21,709,997)	70%	10%	15%	1%	1%	0%	0%	\$ (15,253,337)	\$ (2,182,048)	\$ (3,201,688)	\$ (123,763)	\$ (219,015)	\$ (671,211)	\$ (103,975)
39	Total Requirement:	\$ 144,523,726	70%	10%	15%	1%	1%	0%	0%	\$ 101,589,405	\$ 14,531,843	\$ 21,394,372	\$ 817,530	\$ 1,460,583	\$ 4,109,358	\$ 692,244

Jeffco-000306

APPENDIX 3-13
WASTEWATER COST OF SERVICE STUDY
ALLOCATION OF 2007 REVENUE REQUIREMENT

LINE	DEPARTMENT/FUNCTIONS	2007 PROJECTED	ALLOCATION REFERENCE						ALLOCATION VALUE							
			FLOW %	TSS %	BOD %	P %	O&G %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	BILLING \$	CUSTOMER \$
1	Financial Function:	\$ 404,628	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
2	Personnel	4,970,562	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
3	Operating Expenses	0	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
4	Capital Outlay	0	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
5	Subtotal	\$ 4,975,390	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
6	Sanitation Administration:	\$ 3,716,607	55%	16%	52%	1%	1%	0%	602,944	602,944	877,315	24,350	42,420	0	0	0
7	Personnel	546	54%	16%	24%	1%	1%	0%	397,739	116,231	174,791	5,086	8,431	0	0	0
8	Operating Expenses	715,527	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
9	Capital Outlay	0	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
10	Subtotal	\$ 4,112,228	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
11	Sanitation Enforcement and Construction:	\$ 8,935,200	88%	2%	6%	0%	0%	0%	7,891,226	295,619	577,207	9,300	13,041	0	0	0
12	Personnel	1,473,278	9%	1%	3%	0%	0%	0	1,400,683	20,555	38,743	647	907	0	0	0
13	Operating Expenses	0	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0
14	Capital Outlay	0	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0	0
15	Subtotal	\$ 10,408,278	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
16	Wastewater Treatment Plants:	\$ 17,908,913	3%	27%	37%	1%	2%	0%	5,852,265	4,839,094	6,582,879	237,174	396,201	0	0	0
17	Personnel	875,735	0%	0%	44%	0%	0%	0	0	0	782,868	0	0	0	0	0
18	Operating Expenses	0	0%	0%	4%	0%	0%	0	0	0	38,464	0	0	0	0	0
19	Capital Outlay	2,655,884	0%	0%	0%	0%	0%	0	0	0	1,067,443	0	0	0	0	0
20	Subtotal	\$ 20,440,532	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
21	Non-Departmental (Fund 34):	\$ 50,487,239	50%	17%	21%	1%	1%	100%	25,237,368	8,466,877	10,982,811	338,383	561,495	4,266,351	334,093	100%
22	Subtotal O&M	\$ 50,487,239	100%	100%	100%	100%	100%	100%	0	0	0	0	0	0	0	0
23	O&M Adjustment	\$ 50,487,239	0%	0%	0%	0%	0%	0%	25,237,368	8,466,877	10,982,811	338,383	561,495	4,266,351	334,093	100%
24	Total O&M	\$ 100,974,478	0%	0%	0%	0%	0%	0%	25,237,368	8,466,877	10,982,811	338,383	561,495	4,266,351	334,093	100%
25	Existing Debt Service	\$ 137,409,749	78%	8%	12%	1%	1%	0%	107,890,443	10,551,414	16,731,285	759,114	1,397,394	0	0	0
26	New Debt Service	0	62%	11%	20%	0%	0%	0%	0	0	0	0	0	0	0	0
27	Totals	0	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
28	Capital Outlay	\$ 5,246,742	62%	11%	20%	0%	0%	0%	3,276,380	557,887	1,051,552	17,550	24,611	0	318,761	0
29	Capital Projects	0	62%	11%	20%	0%	0%	0%	0	0	0	0	0	0	0	0
30	Expense Requirement	\$ 192,143,870	71%	10%	15%	1%	1%	0%	136,594,193	19,576,176	28,765,748	1,115,046	1,573,508	4,266,351	832,856	0
31	Less: Other Non-Rate Revenue	(52,007,802)	71%	10%	15%	1%	1%	0%	(37,417,177)	(5,362,493)	(7,879,287)	(302,444)	(540,600)	(1,168,679)	(233,622)	0
32	Less: Interest Earnings	(130,220)	71%	10%	15%	1%	1%	0%	(92,093)	(13,193)	(19,394)	(72)	(1,321)	(3,376)	(972)	0
33	Balance	\$ 140,105,848	71%	10%	15%	1%	1%	0%	99,084,920	14,200,697	20,886,569	808,631	1,431,570	3,094,795	618,689	0
34	Less: Existing Balance Used	16,267,742	71%	10%	15%	1%	1%	0%	11,504,787	1,648,824	2,422,825	92,916	166,220	349,318	71,813	0
35	Total Requirement	\$ 156,373,290	71%	10%	15%	1%	1%	0%	110,289,707	15,349,311	23,289,392	902,747	1,597,790	3,454,133	690,497	0

APPENDIX 3-14
 WASTEWATER COST OF SERVICE STUDY
 ALLOCATION OF 2008 REVENUE REQUIREMENT

LINE	DEPARTMENT FUNCTIONS	2008 PROJECTED	ALLOCATION REFERENCE							ALLOCATED VALUE						
			FLOW %	TSS %	BOD %	P %	O&G %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	BILLING \$	CUSTOMER \$
Financial Planning:																
1	Personnel	\$ 422,222	0%	0%	0%	0%	0%	50%	50%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 211,111	\$ 211,111
2	Operating Expenses	4,247,976	0%	0%	0%	0%	0%	100%	0%	0	0	0	0	0	4,240,750	7,226
3	Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0
4	Subtotal	\$ 4,670,198								\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,451,861	\$ 218,337	
Sanitation Administration:																
5	Personnel	\$ 3,940,915	53%	16%	25%	1%	1%	0%	3%	\$ 2,152,604	\$ 629,161	\$ 967,636	\$ 27,527	\$ 44,274	\$ 0	\$ 119,713
6	Operating Expenses	767,509	54%	16%	24%	1%	1%	0%	4%	415,034	121,305	186,566	5,307	8,536	0	30,760
7	Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0
8	Subtotal	\$ 4,708,424								\$ 2,567,638	\$ 750,467	\$ 1,154,202	\$ 32,835	\$ 52,810	\$ 0	\$ 150,473
Sanitation Engineering and Construction:																
9	Personnel	\$ 9,323,826	88%	3%	6%	0%	0%	0%	2%	\$ 8,234,352	\$ 308,473	\$ 581,435	\$ 9,704	\$ 13,608	\$ 0	\$ 176,253
10	Operating Expenses	1,537,339	93%	1%	3%	0%	0%	0%	1%	1,461,587	21,448	40,427	675	0	0	12,255
11	Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0
12	Subtotal	\$ 10,861,164								\$ 9,695,940	\$ 329,921	\$ 621,863	\$ 10,379	\$ 14,554	\$ 0	\$ 188,508
Wastewater Treatment Plant:																
13	Personnel	\$ 18,687,629	33%	27%	37%	1%	2%	0%	0%	\$ 6,107,777	\$ 5,049,508	\$ 6,869,116	\$ 247,467	\$ 413,742	\$ 0	\$ 0
14	Operating Expenses	10,983,891	73%	10%	15%	1%	1%	0%	0%	8,067,735	1,151,977	1,596,979	62,386	104,804	0	0
15	Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0
16	Subtotal	\$ 29,671,520								\$ 14,175,512	\$ 6,201,484	\$ 8,466,096	\$ 309,853	\$ 518,546	\$ 0	\$ 0
Barton Laboratory:																
17	Personnel	\$ 1,857,556	0%	56%	44%	0%	0%	0%	0%	\$ 0	\$ 1,041,033	\$ 816,523	\$ 0	\$ 0	\$ 0	\$ 0
18	Operating Expenses	913,811	0%	50%	44%	0%	0%	0%	0%	0	512,129	401,683	0	0	0	0
19	Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0
20	Subtotal	\$ 2,771,367								\$ 0	\$ 1,553,162	\$ 1,218,206	\$ 0	\$ 0	\$ 0	\$ 0
21	Non-Departmental (Fund 34):	\$ 0	50%	17%	21%	1%	1%	10%	1%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
22	Subtotal O&M	\$ 52,682,675								\$ 26,439,089	\$ 8,835,034	\$ 11,460,366	\$ 353,096	\$ 585,910	\$ 4,451,861	\$ 557,319
23	O&M Adjustments	100%								100%	100%	100%	100%	100%	100%	100%
24	Total O&M	\$ 52,682,675								\$ 26,439,089	\$ 8,835,034	\$ 11,460,366	\$ 353,096	\$ 585,910	\$ 4,451,861	\$ 557,319
25	Existing Debt Service	137,733,380	79%	8%	12%	1%	1%	0%	0%	\$ 108,234,761	\$ 10,576,265	\$ 16,770,791	\$ 760,902	\$ 1,390,662	\$ 0	\$ 0
26	New Debt Service	0	62%	11%	20%	0%	0%	0%	6%	0	0	0	0	0	0	0
27	Transfers	0	0%	0%	0%	0%	0%	0%	100%	0	0	0	0	0	0	0
28	Capital Outlay	5,474,881	62%	11%	20%	0%	0%	0%	6%	3,418,843	582,146	1,097,276	18,313	25,681	0	332,621
29	Capital Projects	0	62%	11%	20%	0%	0%	0%	6%	0	0	0	0	0	0	0
30	Expense Requirement	\$ 195,890,933	70%	10%	15%	1%	1%	2%	0%	\$ 138,092,693	\$ 19,993,444	\$ 29,328,433	\$ 1,152,311	\$ 2,062,255	\$ 4,451,861	\$ 889,940
31	Less: Other Non-Rate Revenue	(19,628,947)	70%	10%	15%	1%	1%	2%	0%	(13,837,364)	(2,003,412)	(2,938,810)	(113,461)	(200,633)	(446,092)	(89,175)
32	Less: Interest Earnings	(387,127)	70%	10%	15%	1%	1%	2%	0%	(272,904)	(39,512)	(57,960)	(2,238)	(3,957)	(8,798)	(1,759)
33	Balance	\$ 175,874,861	70%	10%	15%	1%	1%	2%	0%	\$ 123,982,425	\$ 17,950,521	\$ 26,331,663	\$ 1,016,612	\$ 1,797,663	\$ 3,996,971	\$ 799,066
34	Less: Existing Balance Used	532,862	70%	10%	15%	1%	1%	2%	0%	\$ 375,640	\$ 54,386	\$ 79,779	\$ 3,080	\$ 5,447	\$ 12,110	\$ 2,421
35	Total Requirement	\$ 176,407,723	70%	10%	15%	1%	1%	2%	0%	\$ 124,358,065	\$ 18,004,907	\$ 26,411,442	\$ 1,019,692	\$ 1,803,110	\$ 4,009,081	\$ 801,427

Jeffco-000308

APPENDIX 3-15
WASTEWATER COST OF SERVICE STUDY
ALLOCATION OF 2009 REVENUE REQUIREMENT

LINE	DEPARTMENT FUNCTIONS	2009 PROJECTED	ALLOCATION REFERENCE								ALLOCATED VALUE						
			FLOW %	TSS %	BOD %	P %	O&G %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	BILLING \$	CUSTOMER \$	
Financial Planning:																	
1	Personnel	\$ 424,562	0%	0%	0%	0%	0%	50%	50%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 212,281	\$ 212,281	
2	Operating Expenses	4,271,512	0%	0%	0%	0%	0%	100%	0%	0	0	0	0	0	4,264,245	7,266	
3	Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
4	Subtotal	\$ 4,696,073								\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,476,526	\$ 219,547	
Sanitation Administration:																	
5	Personnel	\$ 3,562,750	55%	16%	25%	1%	1%	0%	3%	\$ 2,164,530	\$ 632,647	\$ 972,597	\$ 27,680	\$ 44,519	\$ 0	\$ 120,377	
6	Operating Expenses	771,761	54%	16%	24%	1%	1%	0%	4%	417,333	121,978	187,589	5,337	8,584	0	30,931	
7	Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
8	Subtotal	\$ 4,334,511								\$ 2,581,864	\$ 754,625	\$ 1,160,597	\$ 33,017	\$ 53,103	\$ 0	\$ 151,307	
Sanitation Engineering and Construction:																	
9	Personnel	\$ 9,375,484	88%	3%	6%	0%	0%	0%	2%	\$ 8,279,975	\$ 310,182	\$ 584,657	\$ 9,758	\$ 13,684	\$ 0	\$ 177,229	
10	Operating Expenses	1,545,857	95%	1%	3%	0%	0%	0%	1%	1,460,685	21,567	40,651	678	951	0	12,323	
11	Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
12	Subtotal	\$ 10,921,341								\$ 9,740,660	\$ 331,749	\$ 625,308	\$ 10,436	\$ 14,635	\$ 0	\$ 189,552	
Wastewater Treatment Plant:																	
13	Personnel	\$ 18,791,168	33%	27%	37%	1%	2%	0%	0%	\$ 6,141,617	\$ 5,077,484	\$ 6,907,174	\$ 248,859	\$ 416,034	\$ 0	\$ 0	
14	Operating Expenses	11,044,747	73%	10%	15%	1%	1%	0%	0%	8,112,435	1,158,359	1,605,828	62,741	105,384	0	0	
15	Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
16	Subtotal	\$ 29,835,915								\$ 14,254,051	\$ 6,235,844	\$ 8,513,002	\$ 311,690	\$ 521,418	\$ 0	\$ 0	
Baron Laboratory:																	
17	Personnel	\$ 1,867,848	0%	56%	44%	0%	0%	0%	0%	\$ 0	\$ 1,046,801	\$ 821,047	\$ 0	\$ 0	\$ 0	\$ 0	
18	Operating Expenses	918,874	0%	59%	44%	0%	0%	0%	0%	0	514,966	403,908	0	0	0	0	
19	Capital Outlay	0	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
20	Subtotal	\$ 2,786,722								\$ 0	\$ 1,561,767	\$ 1,224,955	\$ 0	\$ 0	\$ 0	\$ 0	
21	Non-Departmental (Fund 34)	\$ 0	50%	17%	21%	1%	1%	10%	1%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
22	Subtotal O&M	\$ 52,974,363								\$ 26,585,575	\$ 8,883,985	\$ 11,523,862	\$ 355,053	\$ 589,136	\$ 4,476,526	\$ 560,406	
23	O&M Adjustment	100%								100%	100%	100%	100%	100%	100%	100%	
24	Total O&M	\$ 52,974,363								\$ 26,585,575	\$ 8,883,985	\$ 11,523,862	\$ 355,053	\$ 589,136	\$ 4,476,526	\$ 560,406	
25	Existing Debt Service	142,731,947	79%	8%	12%	1%	1%	0%	0%	\$ 112,162,775	\$ 10,960,094	\$ 17,379,430	\$ 788,516	\$ 1,441,131	\$ 0	\$ 0	
26	New Debt Service	0	62%	11%	20%	0%	0%	0%	6%	0	0	0	0	0	0	0	
27	Transfers	0	0%	0%	0%	0%	0%	0%	100%	0	0	0	0	0	0	0	
28	Capital Outlay	5,505,214	62%	11%	20%	0%	0%	0%	6%	3,437,785	585,371	1,103,355	18,415	25,824	0	334,464	
29	Capital Projects	0	62%	11%	20%	0%	0%	0%	6%	0	0	0	0	0	0	0	
30	Expense Requirement	\$ 201,211,724	71%	10%	15%	1%	1%	2%	0%	\$ 142,186,136	\$ 20,429,450	\$ 30,006,647	\$ 1,161,983	\$ 2,056,111	\$ 4,476,526	\$ 894,871	
31	Less: Other Non-Rate Revenue	(16,803,344)	71%	10%	15%	1%	1%	2%	0%	(11,874,072)	(1,706,079)	(2,505,878)	(97,038)	(171,707)	(373,838)	(74,731)	
32	Less: Interest Earnings	(301,523)	71%	10%	15%	1%	1%	2%	0%	(276,670)	(39,752)	(58,388)	(2,261)	(4,001)	(8,711)	(1,741)	
33	Balance	\$ 184,016,858	71%	10%	15%	1%	1%	2%	0%	\$ 130,035,394	\$ 18,683,619	\$ 27,442,382	\$ 1,052,684	\$ 1,880,403	\$ 4,093,978	\$ 818,398	
34	Less: Existing Balance Used	385,737	71%	10%	15%	1%	1%	2%	0%	\$ 272,581	\$ 39,165	\$ 57,525	\$ 2,228	\$ 3,942	\$ 8,582	\$ 1,716	
35	Total Requirement	\$ 184,402,595	71%	10%	15%	1%	1%	2%	0%	\$ 130,307,975	\$ 18,722,784	\$ 27,499,907	\$ 1,054,912	\$ 1,884,344	\$ 4,102,559	\$ 820,114	

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APPENDIX 3-16
WASTEWATER COST OF SERVICE STUDY
ALLOCATION OF 2010 REVENUE REQUIREMENT

LINE	DEPARTMENT/FUNCTIONS	2010 PROJECTED	ALLOCATION REFERENCE						ALLOCATED VALUE						
			FLOW %	TSS %	BOD %	P %	O&G %	BILLING %	CUSTOMER %	FLOW \$	TSS \$	BOD \$	P \$	O&G \$	BILLING \$	CUSTOMER $
1	Financial Planning:	\$ 440,635	0%	0%	0%	0%	0%	50%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 220,317	\$ 220,317
2	Personnel	4,432,220	0%	0%	0%	0%	0%	0%	0	0	0	0	0	4,432,220	7,541
3	Operating Expenses	0	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0
4	Capital Outlay	0	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0
	Subtotal	\$ 4,872,855												\$ 4,652,536	\$ 227,839
5	Sanitation Administration:	\$ 4,152,770	55%	16%	24%	1%	1%	0%	\$ 2,286,474	\$ 656,597	\$ 1,005,833	\$ 28,723	\$ 46,205	\$ 0	\$ 124,934
6	Personnel	54%	16%	24%	1%	1%	0%	433,133	126,556	194,701	5,519	8,908	0	32,101	
7	Operating Expenses	80%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
8	Capital Outlay	0	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
	Subtotal	\$ 4,913,748							\$ 2,679,607	\$ 783,193	\$ 1,204,534	\$ 34,266	\$ 55,113	\$ 0	\$ 157,033
9	Sanitation Facilities and Construction:	\$ 9,770,416	88%	31%	6%	0%	0%	0%	\$ 8,592,434	\$ 321,925	\$ 605,700	\$ 10,127	\$ 14,202	\$ 0	\$ 183,339
10	Personnel	95%	1%	3%	0%	0%	0%	1,525,374	21,384	42,190	704	987	0	12,769	
11	Operating Expenses	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
12	Capital Outlay	0	0%	0%	0%	0%	0%	10,118,757	344,308	648,581	10,831	15,189	0	196,728	
	Subtotal	\$ 11,334,793							\$ 10,118,757	\$ 344,308	\$ 648,581	\$ 10,831	\$ 15,189	\$ 0	\$ 196,728
13	Wastewater Treatment Plant:	\$ 19,502,554	33%	27%	37%	1%	2%	\$ 6,374,123	\$ 5,269,705	\$ 7,166,663	\$ 238,280	\$ 431,784	\$ 0	\$ 0	
14	Personnel	71%	10%	15%	1%	1%	0%	8,419,551	1,202,212	1,666,620	65,117	109,374	0	0	
15	Operating Expenses	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	
16	Capital Outlay	0	0%	0%	0%	0%	0%	14,793,674	6,471,917	\$ 3,333,283	\$ 323,396	\$ 541,158	\$ 0	\$ 0	
	Subtotal	\$ 30,953,627							\$ 14,793,674	\$ 6,471,917	\$ 3,333,283	\$ 323,396	\$ 541,158	\$ 0	\$ 0
17	Energy/Laboratory:	\$ 1,938,460	0%	56%	44%	0%	0%	\$ 0	\$ 1,084,430	\$ 852,130	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
18	Personnel	95%	0%	56%	44%	0%	0%	0	534,461	418,139	0	0	0	0	0
19	Operating Expenses	0%	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
20	Capital Outlay	0	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
	Subtotal	\$ 2,892,220							\$ 1,203,892	\$ 1,271,339	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
21	Non-Departmental (Fund 34):	\$ 0	50%	17%	21%	1%	1%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Subtotal O&M	\$ 54,980,866							\$ 27,592,038	\$ 9,220,310	\$ 11,990,126	\$ 368,494	\$ 611,460	\$ 4,643,936	\$ 381,622
22	O&M Adjustment	100%							100%	100%	100%	100%	100%	100%	100%
23	Total O&M	\$ 54,980,866							\$ 27,592,038	\$ 9,220,310	\$ 11,990,126	\$ 368,494	\$ 611,460	\$ 4,643,936	\$ 381,622
24	Existing Debt Service	152,315,483	75%	8%	12%	1%	1%	\$ 119,693,867	\$ 11,696,002	\$ 18,545,160	\$ 841,460	\$ 1,537,895	\$ 0	\$ 0	\$ 0
25	New Debt Service	0	62%	0%	20%	0%	0%	0	0	0	0	0	0	0	0
26	Transfers	0	0%	0%	0%	0%	0%	0	0	0	0	0	0	0	0
27	Capital Outlay	5,713,628	62%	11%	20%	0%	0%	3,567,931	607,532	1,145,126	19,112	26,801	0	347,156	
28	Capital Projects	0	62%	11%	20%	0%	0%	0	0	0	0	0	0	0	
29	Expense Requirement	\$ 215,089,256	71%	10%	15%	1%	1%	\$ 150,853,635	\$ 21,523,844	\$ 31,651,612	\$ 1,228,056	\$ 2,176,155	\$ 4,643,936	\$ 928,748	
30	Less: Other Non-Rate Revenue	(15,625,043)	71%	10%	15%	1%	1%	(11,664,707)	(1,578,450)	(2,321,767)	(90,157)	(159,631)	(340,802)	(63,127)	
31	Less: Interest Earnings	(406,345)	71%	10%	15%	1%	1%	(281,775)	(41,060)	(60,380)	(2,343)	(4,151)	(8,663)	(1,772)	
32	Balance	402,340	71%	10%	15%	1%	1%	\$ 139,585,335	\$ 19,003,928	\$ 29,269,443	\$ 1,136,565	\$ 2,012,375	\$ 4,296,332	\$ 533,849	
33	Less: Existing Balance Used	0	71%	10%	15%	1%	1%	\$ 283,522	\$ 40,453	\$ 59,488	\$ 2,310	\$ 4,090	\$ 8,732	\$ 1,746	
34	Total Requirement	\$ 199,578,208	71%	10%	15%	1%	1%	\$ 139,782,817	\$ 19,944,181	\$ 29,328,932	\$ 1,138,835	\$ 2,016,465	\$ 4,305,064	\$ 560,293	

Customer Characteristics

Table 4-3 below provides a summary of the estimated mass of each customer classes' strength based component.

Table 4-3
Summary of Mass Loading by Customer Class

Customer Class	Concentration (mg/l)				Flow (1,000 gal)	Mass (lbs.)			
	TSS	BOD	P	O&G		TSS	BOD	P	O&G
Residential ^{1,2,3}	175	175	10	50	6,066,270	6,625,574	6,625,574	378,604	1,893,021
Commercial ^{1,2,3}	200	200	10	50	10,171,065	12,695,802	12,695,802	634,790	3,173,951
Industrial Base ^{1,2,3}	200	200	10	50	650,576	812,067	812,067	40,603	203,017
Industrial Surcharge	From Industrial Surcharge Analysis					467,747	3,360,093	14,199	154,719
Total						20,601,190	23,493,536	1,068,197	5,424,707

Notes:

¹ TSS, BOD concentrations obtained from California State Resources Control Board Revenue Program Guidelines (March 1998).

² P concentrations obtained from City of Reno Nevada residential sampling

³ O&G concentrations obtained from Washington State Department of Health Research Report on Wastewater Quality/Strength/Content (April 2002)

Billed wastewater and mass loadings described above are used as determinants in the calculation of wastewater rates. The allocated cost for each component is divided by the respective determinant to calculate respective component rates. As discussed further in Section 5, the rate design model allows determinants to be weighted in order to design rates around different components.

Jefferson County Environmental Services Department

Final Technical Report

5

Rate Design Analysis

5. Rate Design Analysis

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Pathways to Lasting Solutions



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4.0 CUSTOMER CHARACTERISTICS

4.1. Introduction

This section of the report describes the process of identifying customer flow and discharge characteristics from each of the County's three customer classes: residential, commercial and industrial. The process includes obtaining and analyzing flow data for each class and obtaining and analyzing industrial discharge characteristics pursuant to the County's industrial surcharge program.

A majority of the sewer customers in the County receive water service from the Birmingham Water Works Board system or another city-owned water system. Jefferson County sewer customers receiving water service from Birmingham Water Works Board and the City of Bessemer are billed for sewer service on their monthly water bills issued by these entities. The remaining sewer customers are billed by and pay directly to the County. Some industrial customers are subject to a surcharge based on the strength of their waste. This surcharge is administered by the County.

As such, customer flow information for County sewer customers was obtained from Birmingham Water Works Board, the City of Bessemer and Jefferson County. The information identifies customers based on customer class, meter size and billed water consumption. Using this information it is possible to identify residential billed sewer in 1,000-gallon increments. Billed sewer for commercial and industrial customers was provided as the total for the year and can not be identified in 1000-gallon increments.

In addition to customer billing information, information pertaining to the County's industrial surcharge program was obtained from Barton Laboratory. This information includes the results of past sampling and testing of industrial discharges for each customer in the industrial surcharge program, as well as billed industrial flow.

4.2. Billed Wastewater Flow

Customer flow information for County sewer customers was obtained from Birmingham Water Works Board, City of Bessemer and Jefferson County. The information identifies customers based on customer class, meter size and billed water consumption. Using this information, billed residential sewer was identified in 1,000-gallon increments. Detail needed to perform this analysis for commercial and industrial customers was not available.

Billed flow from customers of the industrial surcharge program was obtained from the County. This information provides the total flow for these customers. Table 4-1 provides a summary of billed wastewater flow for each customer class:

Table 4-1
Summary of Billed Flow

Customer Class	Flow (1,000 gal)
Residential	6,066,270
Commercial	10,171,065
Industrial	650,576
Total	16,887,911

4.3. Wastewater Discharge Characteristics

In order to develop industrial surcharge rates based on concentrations, it necessary to estimate the discharge characteristics of each customer class. Residential and commercial customer class service demands are estimated using wastewater discharge strength characteristics and flow for each customer class. Strength characteristics for these customer classes is not sampled on a regular basis as are industrial surcharge customers. As such, estimates of strength characteristics are obtained from published industry data. For the purpose of this analysis, residential and commercial wastewater strength is estimated based on information from the California State Resources Control Board Revenue Guidelines (March 1998), City of Reno, Nevada residential sampling and Washington State Department of Health Research Report on Wastewater Quality/Strength/Content (April 2002).

As part of the industrial surcharge program, the County samples certain industrial customers for strength characteristics on a frequent basis, typically monthly. The program includes surcharges for Total Suspended Solids (TSS), Biochemical Oxygen Demand (BOD), Phosphorus (P) and Oil & Grease (O&G). This information is used to estimate the mass of these parameter discharges in the surcharge program. A summary of the calculated mass loadings from the industrial surcharge program are presented in Table 4-2.

Table 4-2
Summary of Industrial Surcharge Mass Loading

Customer	Concentration (mg/l)				Mass (lbs.)			
	TSS	BOD	P	O&G	TSS	BOD	P	O&G
Buffalo Rock Bottling Co.	46	4413.3	6.6	28.3	15,827	1,518,473	2,271	9,737
Barber Pure Milk (Mayfield)	561	844	7.7	93	326,753	491,585	4,485	54,168
Golden Flake Snack Food	0	546.3	1.53	37.8	0	388,004	1,087	26,847
Birmingham Coca Cola Bottling	0	980	0	0	0	400,155	0	0
Ventura Foods Inc.	0	0	0	0	0	0	0	0
Cintas Corp.	0	102.7	0	94.7	0	20,690	0	19,079
Doane Products Co.	226.7	250	12	0	3,929	4,333	208	0
Milo's Tea	385	1550	8.5	47	10,292	41,435	227	1,256
Home Baking Co.	443.3	3400	10.3	350	7,490	57,446	174	5,914
Unifirst	58.5	1664.4	0	121.9	3,987	113,437	0	8,308
Paramount Cleaners	0	0	0	0	0	0	0	0
Oxmoor Press (Stevens Graphic)	0	0	0	0	0	0	0	0
M&B Metals	0	0	0	0	0	0	0	0
Aramark Services	0	480.8	0.5	0	0	24,537	26	0
Kent Corp.	0	3583.3	19.3	0	0	52,098	281	0
Mrs. Stratton's Salads	328	1326	18	3	13,311	53,814	731	122
Stone Container	1076.5	624.2	0.9	0	37,995	22,031	32	0
Pemco Aeroplex Outside	2.5	400	0	0	126	20,131	0	0
Gemini Corrugated	1249.5	758.3	0	0	42,126	25,565	0	0
Interstate Brands	50	1450	5.1	200	1,134	32,874	116	4,534
Meadowcraft Carson	0	0	26.9	0	0	0	888	0
Progressive Metal Finishers (Deaver)	0	0	49.5	0	0	0	1,438	0
Cummins Inc.	0	1316.7	5.3	70	0	13,699	55	728
Bham Tank Wash	0	3550	9.1	160.9	0	44,052	113	1,997
J&M	0	0	0	0	0	0	0	0
APAC	0	960	0	615	0	12,582	0	8,060
United Chair Inc.	0	0	7.5	18.5	0	0	89	220
Cowin Machine	95	0	0	21	840	0	0	186
Earthgrains Bakery	70	3466.7	304.3	9	408	20,192	1,772	52
Scholar Craft	0	126.7	30	581.3	0	750	177	3,439
Key Part and Machinery	1571	972.8	8.1	4479	3,530	2,186	18	10,063
Miller Transport	0	306.9	147.5	100.7	0	23	11	8
Consolidated Biscuit Company	0	0	0	0	0	0	0	0
SRA Foods								
Total					Data Not Available			
					467,747	3,360,093	14,199	154,719

5.0 RATE DESIGN ANALYSIS

5.1. Introduction

This section of the report describes the rate design analysis. The process involves using the unit cost of service results developed in Section 3 and the customer classes' service demands developed in Section 4, as may be adjusted for rate design characteristics. This process identifies the appropriate charges to each customer class based on their service demand characteristics.

5.2. General Methodology

The goal of the rate design analysis is to develop user rates required to generate the revenue requirement determined from the revenue sufficiency analysis in Section 2. In order to calculate required rates, the model uses customer billing data provided by Jefferson County, City of Bessemer and Birmingham Water Works, discussed in Section 4. This billing data serves as a basis for the number of billing units (billing determinants) through which the revenue requirement is recovered.

In order to provide flexibility in the rate design model, billing determinants are adjusted for several factors including "Design", "Irrigation Adjustment", "Collection Adjustment" and "Elasticity":

- The "Design" factor is used to adjust rates for different consumption blocks as may be desired in designing conservation or life-line rates.
- "Irrigation Adjustment" represents the adjustment to billed water consumption in recognition of irrigation usage. Currently, the County uses a 0.85 irrigation adjustment for residential customers.
- The "Collection Adjustment" represents an adjustment to billed charges for uncollectible amounts, and
- "Elasticity" is used to adjust consumption for anticipated changes resulting from the price change in rates.

As discussed in detail in Section 3, the rate design model also considers cost of service allocations to cost-components as part of the rate design. This process considers each cost-component's allocated portion of revenue requirement and develops rates consistent with the cost-components.

Mass loadings, discussed in Section 4, are used as determinants for rate design for each cost-component. This design results in rates on a dollar per mass unit basis. Using the base concentration of each customer class, the mass based rates are converted to volumetric consumption based rates (rate per 1,000 gallons of consumption). The cost-

component's volumetric rates are summed to determine the final rate for each customer class. Industrial surcharge rates are also developed using this methodology.

5.3. RESULTS AND RATE IMPACTS

Four scenarios based on different rate structures are discussed below. It is important to note that the rate design model is populated with fiscal year 2007 revenue requirement, from in Section 2. As such, rates designed in each of these scenarios are based on revenue requirements for fiscal year 2007. Rate increases for fiscal year 2008 would be based on increases from scenarios provided in Section 2. Table 5-1 below provides a summary of the rate design scenarios discussed below:

**Table 5-1
Summary of Rate Design Scenarios**

Scenario 1	No change to current rate structure
Scenario 2	Current rate structure with COS surcharge rates
Scenario 3	Residential life-line rate design
Scenario 4	Cost of Service Based Rates

Scenario 1 (No Change to Current Rate Structure)

Scenario 1 does not consider any changes to the County's current rate structure. This scenario includes a minimum bill of \$2.00 and a volumetric rate of \$9.19 per 1,000-gallons for residential, commercial and industrial customers. Pursuant to the current rate structure, residential customers receive an irrigation adjustment of 15%. Mass based rates associated with the industrial surcharge program remain at their current level. A "snapshot" of the rate design model dashboard is provided in Figure 5-1A at the end of this section. This figure summarizes the scenario assumptions and results.

Summaries showing the percent change in monthly sewer bills, per 1,000-gallons of consumption for each customer class, are provided in Figure 5-1B.

Scenario 2 (Current Rate Structure with COS Surcharge Rates)

Scenario 2 provides the results of rates designed using 1) industrial surcharge rates based on cost-of-service (COS) and 2) resulting volumetric rates using the County's current volumetric rate structure. This scenario summarizes the highest defensible industrial surcharge rates based on COS rate design, and the resulting volumetric rate. It is important to note that in this scenario, COS surcharge rates are up to 600% higher than the County's current surcharge rates. Using COS surcharge rates, the County's volumetric rate will decrease by \$0.24 (\$9.19 less \$8.95). Table 2-2 provides a summary of the rates resulting from this scenario. Figure 5-2A provides a summary of the scenario

assumptions and results and Table 5-2 below summarizes the calculated rates. Figure 5-2B provides the percent change in monthly bills for each customer class.

**Table 5-2
Scenario 2 Rate Results**

	Min Charge	Vol Rate	
Residential	\$ 2.00	\$ 8.95	
Commercial	2.00	8.95	
Industrial	2.00	8.95	

Industrial Surcharge Rates			
	Range (mg/l)		Rate (\$/lb.)
Total Suspended Solids	300	1,000	\$ 0.7681
Total Suspended Solids	1,000	> 1,000	1.5362
Biochem Oxygen Demand	300	1,200	0.9367
Biochem Oxygen Demand	1,200	> 1,200	1.8735
Chemical Oxygen Demand	750	3,000	0.9367
Chemical Oxygen Demand	3,000	> 3,000	1.8735
Phosphorus	4	> 4	0.8451
Oil & Greases	50	> 50	0.2945

Scenario 3 (Residential Life-Line Rate Design)

In this scenario, residential consumption up to 3,000-gallons is set at a lower rate than consumption above this amount. This structure is known as a "life-line" rate structure, as lower consumption residential customers are sheltered from rate increases. This structure results in lower consumption residential customers receiving a discount in their monthly bill.

The customer billing data provided for this study classifies customers as residential, commercial and industrial. Multi-family residential customers are included in the commercial classification and can not be segregated. This limitation in the customer billing data prevents multi-family residential from receiving the life-line rate. It is also important to note that in this rate structure, the life-line discount results in higher rates for commercial (and multi-family) customers.

The assumptions and results of this structure are provided in Figure 5-3A. Percentage changes in sewer bills by consumption for each customer class are provided in Figure 5-3B. As shown in this figure, using the assumptions of this scenario, lower consumption residential users do not receive a change in their sewer bills.

Scenario 4 (Cost-of-Service Based Rates)

Scenario 4 provides the results of rates designed using the cost of service allocations discussed earlier in the report. Figure 5-4A provides a summary of the scenario assumptions and results and Table 5-3 below summarizes the calculated rates.

**Table 5-3
Scenario 4 Rate Results**

	Base Charge		Vol Rate
Residential	\$	2.47	\$ 8.56
Commercial		2.47	8.82
Industrial		2.47	8.82

	Industrial Surcharge Rates		
	Range (mg/l)		Rate (\$/lb.)
Total Suspended Solids	300	1,000	\$ 0.7681
Total Suspended Solids	1,000	> 1,000	1.5362
Biochem Oxygen Demand	300	1,200	0.9367
Biochem Oxygen Demand	1,200	> 1,200	1.8735
Chemical Oxygen Demand	750	3,000	0.9367
Chemical Oxygen Demand	3,000	> 3,000	1.8735
Phosphorus	4	> 4	0.8451
Oil & Greases	50	> 50	0.2945

This scenario results in a base charge, which is not part of the County's current rate structure. The base charge represents a fixed fee charged to each customer regardless of consumption. On a percentage change basis, base charges result in higher increases for lower consumption customers. This can be seen in Figure 5-4B which provides the percent change in monthly sewer bills for each 1,000-gallons of consumption for each customer class.

Table 5-4 below provides a summary of the rates resulting from each of the above scenarios.

Table 5-4
Summary of Rates

Rates per 1,000 gallons				Rates per 100 ft. ³			
Scenario	Customer Classes			Scenario	Customer Classes		
	Residential	Commercial	Industrial		Residential	Commercial	Industrial
Existing Rates				Existing Rates			
Base Rate	NA	NA	NA	Base Rate	NA	NA	NA
Minimum Charge	\$ 2.00	\$ 2.00	\$ 2.00	Minimum Charge	\$ 2.00	\$ 2.00	\$ 2.00
Volumetric Rate	\$ 9.19	\$ 9.19	\$ 9.19	Volumetric Rate	\$ 6.87	\$ 6.87	\$ 6.87
Scenario 1 (Current Structure)				Scenario 1 (Current Structure)			
Base Rate	NA	NA	NA	Base Rate	NA	NA	NA
Minimum Charge	\$ 2.00	\$ 2.00	\$ 2.00	Minimum Charge	\$ 2.00	\$ 2.00	\$ 2.00
Volumetric Rate	\$ 9.19	\$ 9.19	\$ 9.19	Volumetric Rate	\$ 6.87	\$ 6.87	\$ 6.87
Scenario 2 (Cost-of-Service Surcharge Rates)				Scenario 2 (Cost-of-Service)			
Base Rate	NA	NA	NA	Base Rate	NA	NA	NA
Minimum Charge	\$ 2.00	\$ 2.00	\$ 2.00	Minimum Charge	\$ 2.00	\$ 2.00	\$ 2.00
Volumetric Rate	\$ 8.95	\$ 8.95	\$ 8.95	Volumetric Rate	\$ 6.69	\$ 6.69	\$ 6.69
Scenario 3 (Residential Life-Line Rates)				Scenario 3 (Industrial Surcharge Rates Doubled)			
Base Rate	NA	NA	NA	Base Rate	NA	NA	NA
Minimum Charge	\$ 2.00	\$ 2.00	\$ 2.00	Minimum Charge	\$ 2.00	\$ 2.00	\$ 2.00
Volumetric Rate (Residential)				Volumetric Rate			
0 - 3,000 gal	\$ 8.21	\$ 9.38	\$ 9.38	0 - 401 ft. ³	\$ 6.14	\$ 7.02	\$ 7.02
4,000 - 7,000 gal	\$ 9.38	\$ 9.38	\$ 9.38	535 - 936 ft. ³	\$ 7.02	\$ 7.02	\$ 7.02
> 8,000 gal	\$ 9.38	\$ 9.38	\$ 9.38	> 1,070 ft. ³	\$ 7.02	\$ 7.02	\$ 7.02
Scenario 4 (Cost-of-Service Rates)				Scenario 4 (Excluding Minimum Charge)			
Base Rate	\$ 2.47	\$ 2.47	\$ 2.47	Base Rate	\$ 2.47	\$ 2.47	\$ 2.47
Minimum Charge	NA	NA	NA	Minimum Charge	NA	NA	NA
Volumetric Rate				Volumetric Rate			
Residential	\$ 8.56	\$ 8.56	\$ 8.56	Residential	\$ 6.40	\$ 6.40	\$ 6.40
Commercial	\$ 8.82	\$ 8.82	\$ 8.82	Commercial	\$ 6.60	\$ 6.60	\$ 6.60
Industrial	\$ 8.82	\$ 8.82	\$ 8.82	Industrial	\$ 6.60	\$ 6.60	\$ 6.60

5.4. RATE IMPACT COMPARISON

A rate survey was completed to compare the County's wastewater rates to the rates of other wastewater service providers. The rate survey was conducted by completing municipal code and telephone surveys of twelve wastewater service providers. For purposes of comparison, the listed rates are for single family residential homes and exclude any billed charges not related to the utility, if any. The results from the rate design scenario 1 are used for comparison purposes. A summary of the results of the survey are presented in Table 5-5.

**Table 5-5
Comparison of Typical Monthly Sewer Rates**

Gallons Used ¹	5,100
Utility	Wastewater
Jefferson County (Existing) ²	\$ 46.87
Other Utilities	
Knoxville Tennessee (Outside City)	\$ 46.76
Hanover County, Virginia	41.88
Atlanta Georgia (Outside City)	40.97
San Francisco California	33.28
San Diego California	33.26
Fulton County Georgia	31.45
Columbus Ohio	25.04
Nashville Tennessee	24.17
Mobile Alabama	21.73
Memphis Tennessee	18.80
Huntsville Alabama	18.62
Jackson MS (Outside City)	12.30
Other Utilities Average	\$ 29.02

Note:

1 Based on average residential usage determined from billing records

2 A rate of \$9.19 per 1,000 gallons was implemented January 1, 2007.

The results of the rate survey indicate that the County's current wastewater rates are at the high end when compared to other service providers. The rates adopted January 1, 2007, are higher than other wastewater service providers.

Figure 5-1A
(No Change to Current Rate Structure)

JEFFERSON COUNTY, ALABAMA - ENVIRONMENTAL SERVICES DEPARTMENT
RATE STRUCTURE DESIGN

Revenue Generated Residential		Revenue Generated Commercial		Revenue Generated Industrial	
Volume Charge (Flow Based)	\$ 55,724,329	Volume Charge (Flow Based)	\$ 93,430,692	Volume Charge (Flow Based)	\$ 5,976,145
Concentration Based Charge	0	Concentration Based Charge	0	Concentration Based Charge	907,779
Fixed Charge	0	Fixed Charge	0	Fixed Charge	0
Minimum Bill	253,232	Minimum Bill	81,414	Minimum Bill	0
Total	\$ 55,977,561	Total	\$ 93,512,106	Total	\$ 6,883,923

Minimum Bill / Fixed Charge Residential			Minimum Bill / Fixed Charge Commercial			Minimum Bill / Fixed Charge Industrial		
Minimum Bill Amount	Include	\$ 2.00	Minimum Bill Amount	Include	\$ 2.00	Minimum Bill Amount	Include	\$ 2.00
Fixed Charge per Bill	Exclude	NA	Fixed Charge per Bill	Exclude	NA	Fixed Charge per Bill	Exclude	NA

Block Intervals (1,000 gal) Residential				Block Intervals (1,000 gal) Commercial				Block Intervals (1,000 gal) Industrial			
Blk	From	To	Flow-Based-Rate	Blk	From	To	Flow-Based-Rate	Blk	From	To	Flow-Based-Rate
Blk 1	0	3	\$ 9.19	Blk 1	0	>10	\$ 9.19	Blk 1	0	>10	\$ 9.19
Blk 2	4	10	9.19	Blk 2	Not Applicable		NA	Blk 2	Not Applicable		NA
Blk 3	11	>10	9.19	Blk 3	Not Applicable		NA	Blk 3	Not Applicable		NA

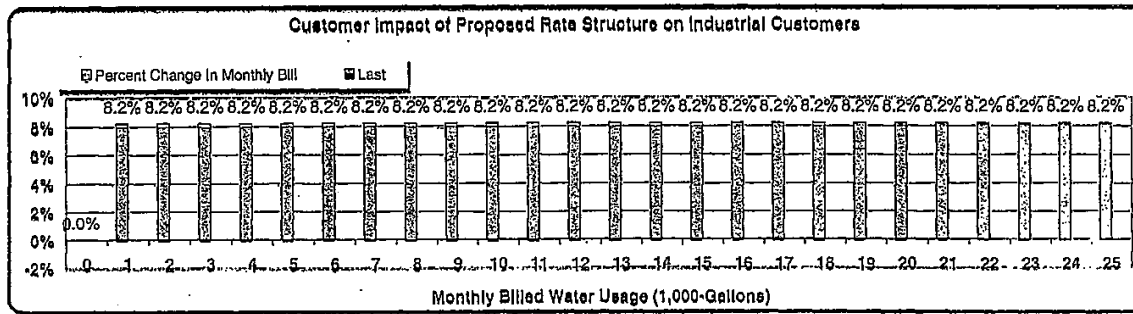
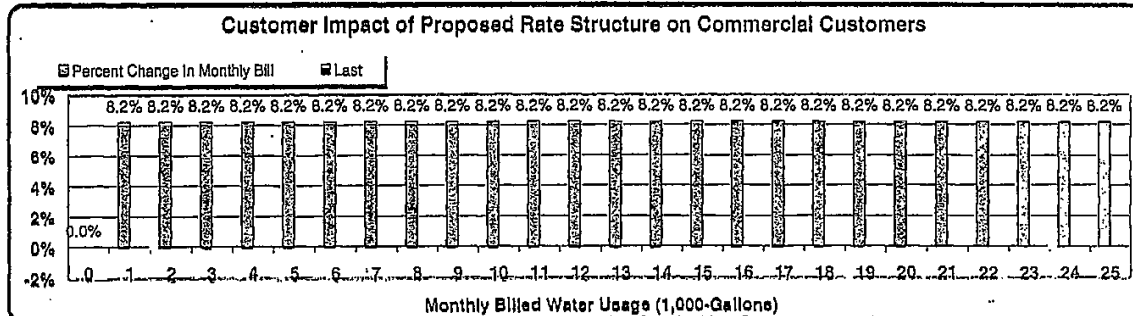
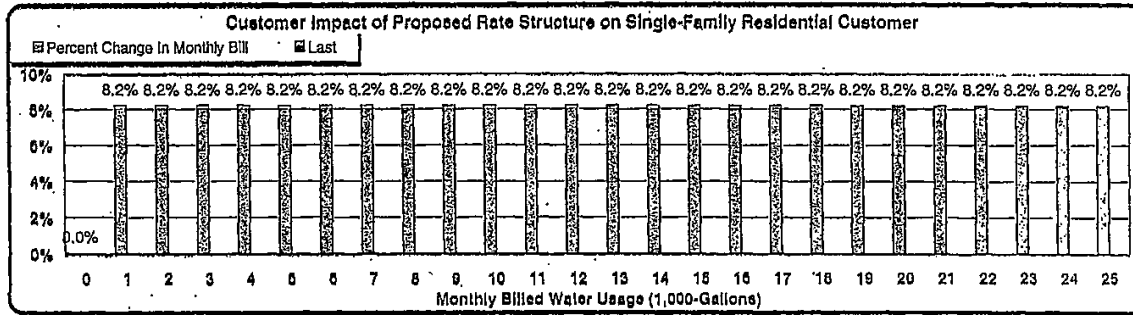
Block Design Residential					Block Design Commercial					Block Design Industrial				
Blk	Design	Irr. Adjust.	Coll. Adj.	Elasticity	Blk	Design	Irr. Adjust.	Coll. Adj.	Elasticity	Blk	Design	Irr. Adjust.	Coll. Adj.	Elasticity
Blk 1	1.00	0.85	0.92	1.00	Blk 1	1.00	1.00	0.92	1.00	Blk 1	1.00	1.00	1.00	1.00
Blk 2	1.00	0.85	0.92	1.00	Blk 2	Not Applicable				Blk 2	Not Applicable			
Blk 3	1.00	0.85	0.92	1.00	Blk 3	Not Applicable				Blk 3	Not Applicable			

Base Concentration (mg/l) Residential					Base Concentration (mg/l) Commercial					Base Concentration (mg/l) Industrial				
Conc.	TSS	BOD	P	O&G	Conc.	TSS	BOD	P	O&G	Conc.	TSS	BOD	P	O&G
	175	175	10	50		200	200	10	50		200	200	10	50

Concentration Based Rate					
	Range (mg/l)		Design	Rate (\$/lb.)	
	Min	Max		Rate (\$/lb.)	Rate (\$/lb.)
Total Suspended Solids	300	1,000	1.00	\$0.1500	0.1500
Total Suspended Solids	1,000	> 1,000	2.00	0.3000	0.3000
Biochem Oxygen Demand	300	1,200	1.00	0.1950	0.1950
Biochem Oxygen Demand	1,200	> 1,200	2.00	0.2925	0.2925
Chemical Oxygen Demand	750	3,000	1.00	0.1950	0.1950
Chemical Oxygen Demand	3,000	> 3,000	2.00	0.2925	0.2925
Phosphorus	4	> 4	1.00	2.0000	2.0000
Oil & Greases	50	> 50	1.00	0.1000	0.1000

Jeffco-000323

Figure 5-1B
(No Change to Current Rate Structure)



Jeffco-000324

Figure 5-2A
(Current Rate Structure with COS Surcharge Rates)

JEFFERSON COUNTY, ALABAMA - ENVIRONMENTAL SERVICES DEPARTMENT
RATE STRUCTURE DESIGN

Revenue Generated Residential				Revenue Generated Commercial				Revenue Generated Industrial			
Volume Charge (Flow Based)	\$	54,300,159		Volume Charge (Flow Based)	\$	91,042,846		Volume Charge (Flow Based)	\$	5,823,410	
Concentration Based Charge		0		Concentration Based Charge		0		Concentration Based Charge		4,872,529	
Fixed Charge		0		Fixed Charge		0		Fixed Charge		0	
Minimum Bill		253,232		Minimum Bill		81,414		Minimum Bill		0	
Total		\$ 54,553,391		Total		\$ 91,124,260		Total		\$ 10,695,938	

Minimum Bill / Fixed Charge Residential				Minimum Bill / Fixed Charge Commercial				Minimum Bill / Fixed Charge Industrial			
Minimum Bill Amount	Include	\$ 2.00		Minimum Bill Amount	Include	\$ 2.00		Minimum Bill Amount	Include	\$ 2.00	
Fixed Charge per Bill	Exclude	NA		Fixed Charge per Bill	Exclude	NA		Fixed Charge per Bill	Exclude	NA	

Block Intervals (1,000 gal) Residential				Block Intervals (1,000 gal) Commercial				Block Intervals (1,000 gal) Industrial			
Blk 1	From	To	Flow-Based-Rate	Blk 1	From	To	Flow-Based-Rate	Blk 1	From	To	Flow-Based-Rate
	0	3	\$ 8.95		0	>10	\$ 8.95		0	>10	\$ 8.95
Blk 2	4	10	8.95	Blk 2	Not Applicable		NA	Blk 2	Not Applicable		NA
Blk 3	11	>10	8.95	Blk 3	Not Applicable		NA	Blk 3	Not Applicable		NA

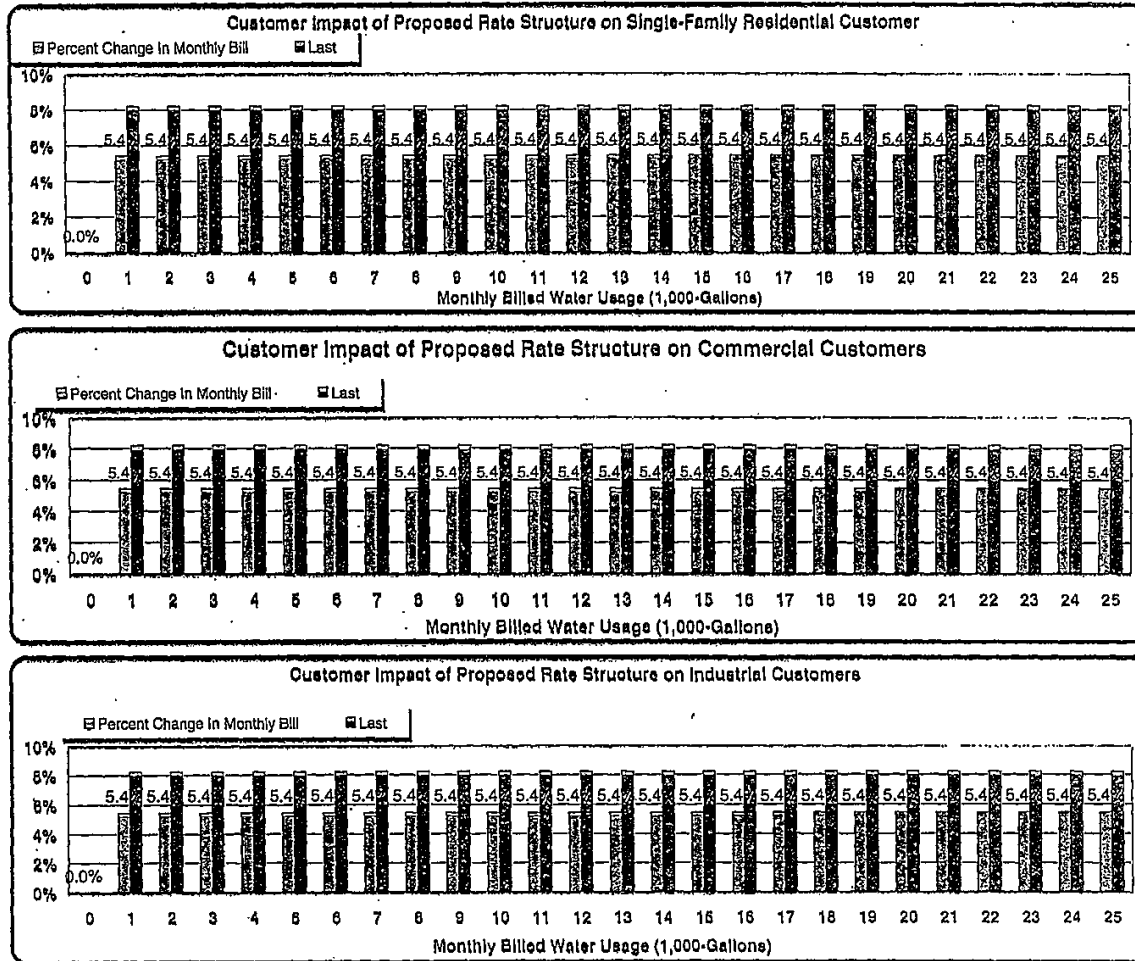
Block Design Residential					Block Design Commercial					Block Design Industrial				
Blk 1	Design	Irr. Adjust.	Coll. Adj.	Elasticity	Blk 1	Design	Irr. Adjust.	Coll. Adj.	Elasticity	Blk 1	Design	Irr. Adjust.	Coll. Adj.	Elasticity
	1.00	0.85	0.92	1.00		1.00	1.00	0.92	1.00		1.00	1.00	1.00	1.00
Blk 2	1.00	0.85	0.92	1.00	Blk 2	Not Applicable				Blk 2	Not Applicable			
Blk 3	1.00	0.85	0.92	1.00	Blk 3	Not Applicable				Blk 3	Not Applicable			

Base Concentration (mg/l) Residential					Base Concentration (mg/l) Commercial					Base Concentration (mg/l) Industrial				
Conc.	TSS	BOD	P	O&G	Conc.	TSS	BOD	P	O&G	Conc.	TSS	BOD	P	O&G
	175	175	10	50		200	200	10	50		200	200	10	50

	Concentration Based Rate				Override
	Range (mg/l)	Design	Rate (\$/lb.)	Rate (\$/lb.)	
Total Suspended Solids	300 - 1,000	1.00	\$0.7881	0.7881	
Total Suspended Solids	1,000 - >1,000	2.00	1.5362	1.5362	
Biochem Oxygen Demand	300 - 1,200	1.00	0.9367	0.9367	
Biochem Oxygen Demand	1,200 - >1,200	2.00	1.8735	1.8735	
Chemical Oxygen Demand	750 - 3,000	1.00	0.9367	0.9367	
Chemical Oxygen Demand	3,000 - >3,000	2.00	1.8735	1.8735	
Phosphorus	4 - > 4	1.00	0.8451	0.8451	
Oil & Greases	50 - > 50	1.00	0.2945	0.2945	

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Figure 5-2B
 (Current Rate Structure with COS Surcharge Rates)



Jeffco-000326

Figure 5-3A
(Residential Life-Line Rate Design)

JEFFERSON COUNTY, ALABAMA - ENVIRONMENTAL SERVICES DEPARTMENT
RATE STRUCTURE DESIGN

Revenue Generated Residential				Revenue Generated Commercial				Revenue Generated Industrial			
Volume Charge (Flow Based)	\$	53,634,785		Volume Charge (Flow Based)	\$	95,394,617		Volume Charge (Flow Based)	\$	6,101,764	
Concentration Based Charge		0		Concentration Based Charge		0		Concentration Based Charge		907,779	
Fixed Charge		0		Fixed Charge		0		Fixed Charge		0	
Minimum Bill		253,232		Minimum Bill		81,414		Minimum Bill		0	
Total	\$	53,888,017		Total	\$	95,476,031		Total	\$	7,009,542	

Minimum Bill / Fixed Charge Residential				Minimum Bill / Fixed Charge Commercial				Minimum Bill / Fixed Charge Industrial			
Minimum Bill Amount	Include	\$	2.00	Minimum Bill Amount	Include	\$	2.00	Minimum Bill Amount	Include	\$	2.00
Fixed Charge per Bill	Exclude		NA	Fixed Charge per Bill	Exclude		NA	Fixed Charge per Bill	Exclude		NA

Block Intervals (1,000 gal) Residential					Block Intervals (1,000 gal) Commercial					Block Intervals (1,000 gal) Industrial							
	From	To	Flow-Based-Rate		From	To	Flow-Based-Rate		From	To	Flow-Based-Rate		From	To	Flow-Based-Rate		
Blk 1	0	3	\$ 8.21	Blk 1	0	>10	\$ 9.38		Blk 1	0	>10	\$ 9.38		Blk 1	0	>10	\$ 9.38
Blk 2	4	10	9.38	Blk 2	Not Applicable		NA		Blk 2	Not Applicable		NA		Blk 2	Not Applicable		NA
Blk 3	11	>10	9.38	Blk 3	Not Applicable		NA		Blk 3	Not Applicable		NA		Blk 3	Not Applicable		NA

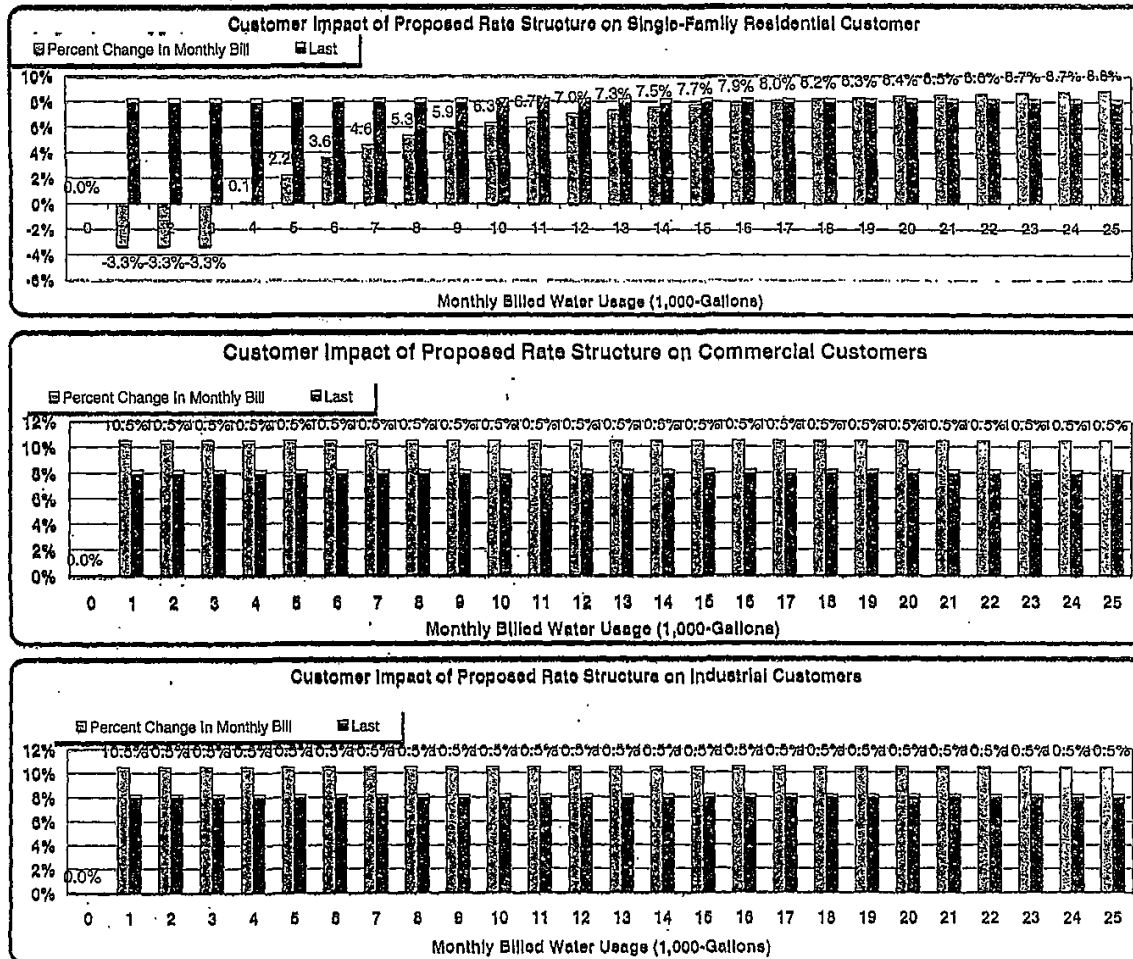
Block Design Residential						Block Design Commercial						Block Design Industrial					
	Design	Irr. Adjust.	Coll. Adj.	Elasticity		Design	Irr. Adjust.	Coll. Adj.	Elasticity		Design	Irr. Adjust.	Coll. Adj.	Elasticity			
Blk 1	0.88	0.85	0.92	1.00	Blk 1	1.00	1.00	0.92	1.00		1.00	1.00	1.00	1.00			
Blk 2	1.00	0.85	0.92	1.00	Blk 2												
Blk 3	1.00	0.85	0.92	1.00	Blk 3												

Base Concentration (mg/l) Residential					Base Concentration (mg/l) Commercial					Base Concentration (mg/l) Industrial				
Conc.	TSS	BOD	P	O&G	Conc.	TSS	BOD	P	O&G	Conc.	TSS	BOD	P	O&G
	175	175	10	50		200	200	10	50		200	200	10	50

Concentration Based Rate				
	Range (mg/l)	Design	Rate (\$/lb.)	Override
Total Suspended Solids	300 - 1,000	1.00	\$0.1500	0.1500
Total Suspended Solids	1,000 - > 1,000	2.00	0.3000	0.3000
Biochem Oxygen Demand	300 - 1,200	1.00	0.1950	0.1950
Biochem Oxygen Demand	1,200 - > 1,200	2.00	0.2925	0.2925
Chemical Oxygen Demand	750 - 3,000	1.00	0.1950	0.1950
Chemical Oxygen Demand	3,000 - > 3,000	2.00	0.2925	0.2925
Phosphorus	4 - > 4	1.00	2.0000	2.0000
Oil & Greases	50 - > 50	1.00	0.1000	0.1000

Jeffco-000327

Figure 5-3B
(Residential Life-Line Rate Design)



Jeffco-000328

Figure 5-4A
(Cost of Service Based Rates)

JEFFERSON COUNTY, ALABAMA - ENVIRONMENTAL SERVICES DEPARTMENT
RATE STRUCTURE DESIGN

Revenue Generated Residential		Revenue Generated Commercial		Revenue Generated Industrial	
Volume Charge (Flow Based)	\$ 39,724,688	Volume Charge (Flow Based)	\$ 66,604,752	Volume Charge (Flow Based)	\$ 1,260,266
Concentration Based Charge	12,172,900	Concentration Based Charge	23,115,297	Concentration Based Charge	6,351,062
Fixed Charge	3,367,759	Fixed Charge	775,885	Fixed Charge	980
Minimum Bill	0	Minimum Bill	0	Minimum Bill	0
Total	\$ 55,265,347	Total	\$ 90,495,935	Total	\$ 10,612,308

Minimum Bill / Fixed Charge Residential		Minimum Bill / Fixed Charge Commercial		Minimum Bill / Fixed Charge Industrial	
Minimum Bill Amount	Exclude \$ 0.00	Minimum Bill Amount	Exclude \$ 0.00	Minimum Bill Amount	Exclude \$ 0.00
Fixed Charge per Bill	Include \$ 2.47	Fixed Charge per Bill	Include \$ 2.47	Fixed Charge per Bill	Include \$ 2.47

Block Intervals (1,000 gal) Residential			Block Intervals (1,000 gal) Commercial			Block Intervals (1,000 gal) Industrial					
Blk	From	To	Flow-Based-Rate	Blk	From	To	Flow-Based-Rate	Blk	From	To	Flow-Based-Rate
Blk 1	0	3	\$ 8.56	Blk 1	0	>10	\$ 8.82	Blk 1	0	>10	\$ 8.82
Blk 2	4	10	8.56	Blk 2	Not Applicable		NA	Blk 2	Not Applicable		NA
Blk 3	11	>10	8.56	Blk 3	Not Applicable		NA	Blk 3	Not Applicable		NA

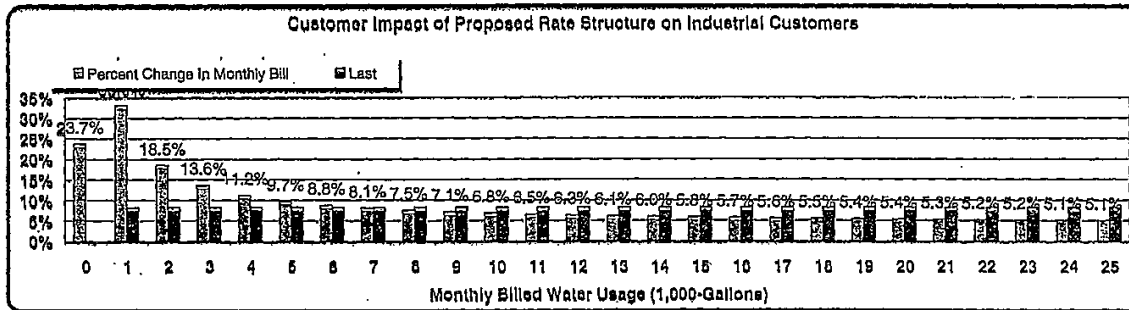
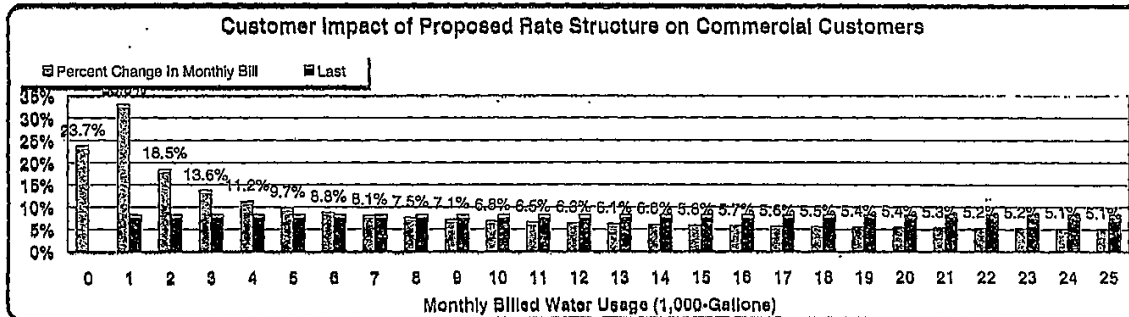
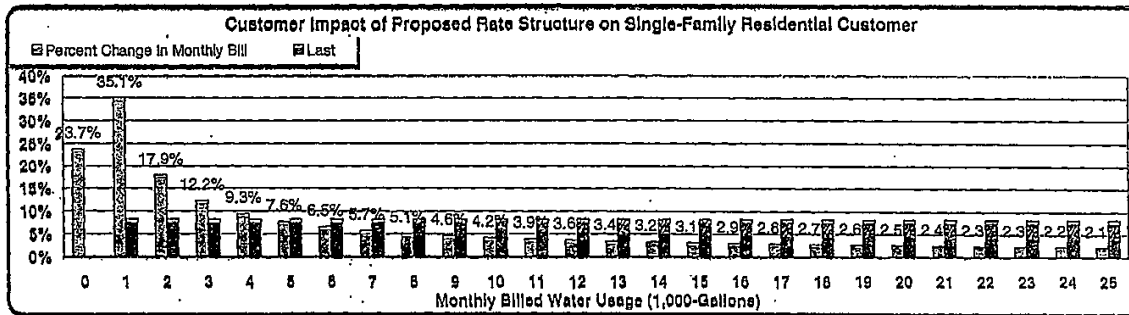
Block Design Residential					Block Design Commercial					Block Design Industrial				
Blk	Design	Irr. Adjust.	Coll. Adj.	Elasticity	Blk	Design	Irr. Adjust.	Coll. Adj.	Elasticity	Blk	Design	Irr. Adjust.	Coll. Adj.	Elasticity
Blk 1	1.00	0.85	0.92	1.00	Blk 1	1.00	1.00	0.92	1.00	Blk 1	1.00	1.00	1.00	1.00
Blk 2	1.00	0.85	0.92	1.00	Blk 2	Not Applicable				Blk 2	Not Applicable			
Blk 3	1.00	0.85	0.92	1.00	Blk 3	Not Applicable				Blk 3	Not Applicable			

Base Concentration (mg/l) Residential					Base Concentration (mg/l) Commercial					Base Concentration (mg/l) Industrial				
Conc.	TSS	BOD	P	O&G	Conc.	TSS	BOD	P	O&G	Conc.	TSS	BOD	P	O&G
	175	175	10	50		200	200	10	50		200	200	10	50

Concentration Based Rate					
Concentration (mg/l)	Design	Rate (\$/lb.)	Rate (\$/lb.)	Calculate	
Total Suspended Solids	300 - 1,000	1.00	\$0.7681	0.1500	
Total Suspended Solids	1,000 - >1,000	2.00	1.5362	0.3000	
Biochem Oxygen Demand	300 - 1,200	1.00	0.9367	0.1950	
Biochem Oxygen Demand	1,200 - >1,200	2.00	1.8735	0.2925	
Chemical Oxygen Demand	750 - 3,000	1.00	0.9367	0.1950	
Chemical Oxygen Demand	3,000 - >3,000	2.00	1.8735	0.2925	
Phosphorus	2 - >4	1.00	0.8451	2.0000	
Oil & Greases	50 - >50	1.00	0.2945	0.1000	

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Figure 5-4B
(Cost of Service Based Rates)



Jeffco-000330

Jefferson County Environmental Services Department

Final Technical Report

6

Impact Fee Evaluation

6. Impact Fee Evaluation

Jeffco-000331

3286014 / ORL

Pathways to Lasting Solutions



6.0 IMPACT FEE EVALUATION

6.1. Introduction

This section of the report describes the process completed to update the County's impact fees. Impact fees are one-time charges to customers or developers specifically designed to pay for the capacity to serve new growth. The methodology applied in this evaluation was a modified replacement value method. This method is based on the premise that new customers should reimburse existing customers for new customers' proportionate share of the cost of existing assets based on total system capacity. The cost of existing assets is based on a replacement cost evaluation.

This method does not consider the cost of expanding system capacity beyond the current level. However, Jefferson County's existing system has significant excess capacity and growth related expansions are not anticipated in the foreseeable future. Debt service associated with existing capacity is also considered in this analysis. Through user rates, new customers will pay a portion of debt service associated with existing capacity. As such, an adjustment to the value of existing assets is made to consider these payments. This methodology satisfies the objectives of recovering growth-related costs in an equitable and cost-based manner.

The procedure used to calculate the impact fees is as follows:

Assessment of Existing Capital Costs –The County provided lists of existing assets, construction in progress and contributed capital assets (resulting from the Clean Water suit). Each of these lists includes asset categories (treatment or collection) as well as original values and in service dates. The Engineering News and Record Construction Cost Index is used to escalate original assets costs to their present value. The value of contributed capital assets are excluded from the analysis since the County did not make a capital investment in these assets.

Assessment of System Capacity – System capacity is based on the total of each wastewater treatment plants (WWTPs) average day design capacity. Capacity information relative to the collection system is not available; therefore, it is assumed that the collection system capacity is similar to the capacities of the WWTPs.

Assessment of Debt Service – In order to consider future payments of customers, and analysis of annual debt service was conducted. The analysis considers the present value of future debt service payments related to expansion, as an offset to existing capital costs.

Assessment of Unit Capacity – The County uses fixture units as a basis for impact fees. In order to apply this unit, an analysis to determine the required capacity of a fixture unit was completed. This calculation considers daily customer consumption and an assumed number of fixture units per customer.

Development of Impact Fees – Impact fees are developed by calculated the unit cost of capacity. The unit cost of capacity is calculated by dividing the total existing capital costs, less debt service adjustment, by the total capacity of the system. The unit cost of capacity is multiplied by the capacity per fixture unit to calculate the impact fee.

6.2. Assessment of Existing Capital Costs

The County provided lists summarizing the original costs of existing facilities, which includes lists for existing assets, construction in progress and contributed capital assets. Contributed capital assets are excluded from the impact fee calculation since the cost of these contributed assets was not born by the County. The existing asset and construction in progress lists identify treatment and collection related assets. The existing assets list also provides each asset's in-service date. The replacement cost method requires escalating original costs to present value. This was accomplished using the Engineering News and Record (ENR) index and in-service date of each asset. The present value of treatment and collection related assets are provided in Figure 6-1A & 6-1B and Table 6-1 below:

**Table 6-1
Present Value of County System**

Asset Type	Treatment	Collection	Combined
Existing Assets	\$ 582,450,157	\$ 1,656,855,247	\$ 2,239,305,405
Construction In Progress	598,539,566	427,920,156	1,026,459,722
Total	\$ 1,180,989,723	\$ 2,084,775,404	\$ 3,265,765,127

6.3. Assessment of System Capacity

The current average day capacities of each of the nine wastewater treatment facility are used to estimate the treatment and collection capacity of the system. The capacity of each facility is provided in Table 6-2 below:

Jeffco-000333

**Table 6-2
Treatment Plant Capacity**

Treatment Plant	Capacity (gal per day)
Vilage Creek	60,000,000
Valley Creek	65,000,000
Five Mile Creek	20,000,000
Cabaha River	16,000,000
Turkey Creek	4,000,000
Leeds	5,000,000
Trussville	4,500,000
Warrior	100,000
Prudes	600,000
Total Capacity	175,200,000

6.4. Assessment of Debt Service

Assets are often constructed using debt proceeds, which are paid from proceeds collected through user rates. An adjustment for future debt service is made in order to eliminate double payment by future customers (future customers would pay for existing assets via impact fees and debt service included in user rates). This analysis considers the present value of all future debt service payments associated with expansion projects. The present value calculation is provided in Appendix 6-2, and the adjustment to existing capital costs is shown below in Table 6-3:

**Table 6-3
Existing Asset Adjustment for Debt Service**

Description	- Treatment	Collection	Combined
Existing Assets	\$ 582,450,157	\$ 1,656,855,247	\$ 2,239,305,405
Construction In Progress	598,539,566	427,920,156	1,026,459,722
Debt Service Adjustment	(376,641,920)	(664,877,768)	(1,041,519,688)
Total	\$ 804,347,803	\$ 1,419,897,636	\$ 2,224,245,439

6.5. Assessment of Unit Capacity

The County uses fixture units as a basis for impact fees. In order to apply this unit, an analysis to determine the capacity of a fixture unit was completed. This calculation considers billed wastewater consumption adjusted for irrigation use, number of customers and an assumed number of fixture units per equivalent. This analysis is summarized in Table 6-4 below:

Table 6-4
Evaluation of Unit Capacity

Parameter	Residential	Commercial	Combined
Billed Flow (gal)	7,776,187,091	11,055,505,949	18,831,693,040
Irrigation Adjustment	0.85	1.00	NA
Adjusted Flow (gal)	6,609,759,027	11,055,505,949	17,665,264,976
Customers	123,285	21,494	144,780
Annual Cust Consumption	53,614	514,347	122,015
Daily Cust Consumption	147	1,409	334
	Fixture Units per Customer ¹		14
	Flow per Fixture Unit		23.9

Note:

¹ Obtained from the International Association of Plumbing and Mechanical Codes - Uniform Plumbing Code

6.6. Impact Fee Development

Impact fees on a per fixture unit basis are developed using the adjusted capital costs and system capacity information described above. A unit cost of capacity is calculated by dividing the total adjusted value of existing assets by total system capacity (resulting in a \$/gallon unit capacity). The unit cost of capacity is then multiplied by the capacity required for a fixture unit to determine the capacity cost per fixture unit. Table 6-5 provides a summary of the calculation of the unit impact fee for a fixture unit.

**Table 6-5
Calculation of Impact Fees**

Description	Treatment	Collection
Existing Assets	\$ 582,450,157	\$ 1,656,855,247
Construction in Progress	598,539,566	427,920,156
Debt Service Adjustment	(376,641,920)	(664,877,768)
Total	\$ 804,347,803	\$ 1,419,897,636
Capacity (gallons)	175,200,000	175,200,000
Cost per Gallon	\$ 4.59	\$ 8.10
Gallons per Day per Fixture Unit	23.9	23.9
Cost per Fixture Unit	\$ 109.62	\$ 193.52
Calculated Impact Fee	\$ 303.14	
Proposed Impact Fee (per fixture unit)	\$ 300.00	
Fixture Units per Single-Family Residence	14	
Proposed Impact Fee Single-Family Residence	\$ 4,200.00	
Existing Impact Fee Single-Family Residence	\$ 3,150.00	
Percent Difference	33.3%	

6.7. Impact Fee Comparison

An impact fee survey was completed to compare the County's sewer impact fee to the fees of other sewer service providers. The impact fee survey was conducted by completing municipal code and telephone surveys of twelve sewer service providers. For purposes of comparison, the listed fees are for single-family residential homes (14 fixture units). A summary of the results of the survey are presented in Table 6-6.

**Table 6-6.
Comparison of Wastewater Impact Fees**

System	Wastewater Impact Fee
Mobile Alabama	\$ 720.00
City of Jackson MS	NA
Huntsville Alabama	500.00
City of Atlanta GA	600.00
Fulton County GA	3,613.00
City of Nashville Tenn	2,000.00
City of Knoxville Tenn	600.00
Memphis Tenn	1,390.00
Columbus Ohio	NA
San Francisco California	2,604.00
San Diego California	3,710.00
Hanover County, Virginia	6,970.00
Average	\$ 2,270.70
Jefferson County Existing ¹	\$ 3,150.00
Jefferson County Proposed ¹	4,200.00

Notes:

¹ The impact fee calculation is based on a 3 bedroom 2 bathroom single family residence. The County currently charges \$225 per fixture unit. Pursuant to the Uniform Plumbing Code, single-family residences average 14 fixture units.

The results of the survey indicate that the County's current and proposed impact fee are higher than other wastewater service providers. Of the systems surveyed, the highest impact fee is \$ 6,970. The Cities of Jackson, Mississippi and Columbus, Ohio do not charge wastewater impact fees. The average fee for the comparable systems is \$2,270.70.

APPENDIX 6-1
EXISTING ASSETS
PRESENT VALUE ANALYSIS

LINE	DESCRIPTION	IN SVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
1	NEWFOUND CREEK PS/SEWER-ROW	1994	1.422	550	782	collection system	0	782
2	LEEDS WWTP: TRACT #4	1992	1.542	70,000	107,956	treatment	107,956	0
3	SETTLEMENT CONDOMINATION CASE ROWAN	1992	1.542	84,786	130,759	treatment	130,759	0
4	LEEDS WWTP- 9.2 ACRES	1992	1.542	22,750	35,086	treatment	35,086	0
5	LEEDS WWTP: 40.64 ACRES	1992	1.542	155,000	239,045	treatment	239,045	0
6	LAND - TRUSSVILLE WWTP	1994	1.422	263,525	374,626	treatment	374,626	0
7	LAND - TRUSSVILLE WWTP	1995	1.405	389,925	547,933	treatment	547,933	0
8	RIGHT OF WAY-TURKEY CREEK TRUNK SEWER	1989	1.666	14,871	58,091	collection system	0	58,091
9	MORGAN/GREENWOOD SEWER SYSTEM-LAND	1992	1.542	30,000	46,267	collection system	0	46,267
10	EMER SWR REPAIR 1221 1ST COURT W BHAM	2001	1.212	12,143	14,718	collection	0	14,718
11	EMR SWR REPAIR-BRANCH TRUNK SEWER	2000	1.236	6,769	8,365	collection	0	8,365
12	PATTON CREEK SWR REPLACEMENT	1999	1.269	2,295,288	2,912,391	collection	0	2,912,391
13	SHADES CREEK PLANT SITE	1992	1.542	52,118	80,378	treatment	80,378	0
14	MAINTENANCE BUILDING	1991	1.590	141,200	224,518	collection system	0	224,518
15	BLOWER BUILDING	1991	1.590	895,200	1,423,576	collection system	0	1,423,576
16	NEW ADMINISTRATION	1991	1.590	190,010	302,130	collection system	0	302,130
17	CHLORINE BLDG.	1978	2.769	100,899	279,435	collection system	0	279,435
18	OLD ADMINISTRATION BLDG.	1978	2.769	852,020	2,359,639	collection system	0	2,359,639
19	PUMP HOUSE BLDG. #33D	1991	1.590	51,360	81,666	collection system	0	81,666
20	PIPE GALLERY	1978	2.769	610,801	1,691,584	collection system	0	1,691,584
21	COVERED SAND BED	1982	2.010	182,101	366,011	collection system	0	366,011
22	TURKEY CREEK-W.W.T.P.	1973	4.057	8,268,680	33,545,969	collection system	0	33,545,969
23	OFFICE/LAB	1982	2.010	68,370	137,419	collection system	0	137,419
24	SHOP BLDG.	1982	2.010	11,860	24,039	collection system	0	24,039
25	BLOWER BLDG.	1982	2.010	17,280	34,732	collection system	0	34,732
26	RETURN/STORM PUMP	1982	2.010	50,509	101,520	collection system	0	101,520
27	RETURN SLUDGE PUMP	1982	2.010	43,171	86,771	collection system	0	86,771
28	OLD PUMP BUILDING	1982	2.010	54,150	108,838	collection system	0	108,838
29	EFFLUENT WATER PUMP	1986	1.790	325,331	582,339	collection system	0	582,339
30	LANDFILL GAS PUMP	1986	1.790	63,310	113,324	collection system	0	113,324
31	PUMP HOUSE B	1986	1.790	637,050	1,140,312	collection system	0	1,140,312
32	STORM FLOW GRIT PUMP	1986	1.790	100,570	180,019	collection system	0	180,019
33	GRIT CLASSIFIER	1986	1.790	86,880	155,514	collection system	0	155,514
34	GRIT PUMP BUILDING	1986	1.790	87,419	156,479	collection system	0	156,479
35	VALLEY CREEK SHOP	1976	3.202	95,031	304,289	collection system	0	304,289
36	GENERATOR BUILDING	1986	1.790	646,424	1,157,091	collection system	0	1,157,091
37	BLDG #59AA	1981	2.175	56,410	122,682	collection system	0	122,682
38	DRY BED FILTRATE PUMP	1976	3.202	8,410	26,929	collection system	0	26,929
39	UTILITY BUILDING	1976	3.202	75,216	240,842	collection system	0	240,842
40	NEW SLUDGE DRYING	1981	2.175	1,564,810	3,403,185	collection system	0	3,403,185
41	MAIN PUMP HOUSE	1975	3.202	517,345	1,656,538	collection system	0	1,656,538
42	VALLEY CREEK W.W.T.P.	1976	3.202	49,309,609	157,889,327	collection system	0	157,889,327
43	MAIN CONTROL BLDG.	1976	3.202	833,159	2,667,774	collection system	0	2,667,774
44	AERATION BASIN CONT.	1976	3.202	10,530	33,717	collection system	0	33,717
45	INTERMEDIATE CLARIFIER	1976	3.202	31,839	101,948	collection system	0	101,948
46	FINAL CLARIFIER/CONTROL HOUSE	1976	3.202	31,839	101,948	collection system	0	101,948
47	SCREW PUMP STATION	1976	3.202	332,100	743,184	collection system	0	743,184
48	FINAL CLARIFIER CONTROL	1976	3.202	4,501	63,727	collection system	0	63,727
49	EFFLUENT PUMPING	1986	1.790	214,950	384,758	collection system	0	384,758
50	HOLDING POND PUMP	1976	3.202	51,544	165,044	collection system	0	165,044
51	BLDG #6AH	1956	11.110	191,711	2,129,876	collection system	0	2,129,876
52	CONTROL HOUSE	1956	11.110	11,620	129,096	collection system	0	129,096
53	ELUTRATION BLDG.	1957	10.619	13,000	138,044	collection system	0	138,044
54	BLDG #60AF	1991	1.590	68,360	108,697	collection system	0	108,697
55	BLDG #60AK	1991	1.590	68,360	108,697	collection system	0	108,697
56	COMPRESSOR BUILDING	1956	11.110	15,080	167,536	collection system	0	167,536
57	VILLAGE CREEK SEWAGE TREATMENT PLANT	1987	1.745	11,573	20,194	collection system	0	20,194
58	CONTROL HOUSE	1956	11.110	11,620	129,096	collection system	0	129,096
59	CONTROL HOUSE	1956	11.110	11,620	129,096	collection system	0	129,096
60	RETURN SLUDGE	1976	3.202	33,814	108,272	collection system	0	108,272
61	BLDG #60AE	1990	1.625	139,430	226,530	collection system	0	226,530
62	BLDG #60AG	1985	1.833	279,336	511,927	collection system	0	511,927
63	BLDG #60AD	1990	1.625	139,430	226,530	collection system	0	226,530
64	BLDG #60AE	1990	1.625	139,430	226,530	collection system	0	226,530
65	CONTROL HOUSE	1949	16.117	2,029	32,702	collection system	0	32,702
66	BLDG #60AB	1991	1.590	114,930	182,747	collection system	0	182,747
67	BLDG #60AA	1991	1.590	114,930	182,747	collection system	0	182,747
68	CONTROL HOUSE	1949	16.117	2,459	39,633	collection system	0	39,633
69	ENSLEY LIFT STATION	1956	11.110	51,145	568,212	collection system	0	568,212
70	PRIMARY SLUDGE PUMP	1956	11.110	67,911	754,479	collection system	0	754,479
71	DRAINAGE PUMP	1975	3.476	44,979	156,328	collection system	0	156,328
72	SCREW PUMP BLDG.	1976	3.202	263,864	844,892	collection system	0	844,892
73	THICKENER PUMP	1975	3.476	107,910	375,051	collection system	0	375,051
74	SLAKER BUILDING	1976	3.202	185,621	594,358	collection system	0	594,358
75	SHOP-LINE	1990	1.625	264,370	429,517	collection system	0	429,517
76	SHOP-SEWER LINE	1975	3.476	49,900	173,432	collection system	0	173,432
77	ADMINISTRATION BLDG.	1976	3.202	3,184,880	10,197,983	collection system	0	10,197,983
78	SCREW PUMP BLDG.	1976	3.202	263,864	844,892	collection system	0	844,892
79	OLD BLOWER BLDG.	1975	3.476	188,571	655,395	collection system	0	655,395
80	NEW BLOWER BLDG.	1990	1.625	235,401	382,452	collection system	0	382,452
81	BLDG #60AL	1988	1.701	745,860	1,268,903	collection system	0	1,268,903
82	BLDG #60AM	1988	1.701	38,279	65,123	collection system	0	65,123
83	SUPERNATE PUMP	1930	37.872	35,979	1,362,594	collection system	0	1,362,594
84	METER BLDG.	1956	11.110	13,450	149,427	collection system	0	149,427
85	BLDG #60AJ	1940	31.769	47,480	1,508,373	collection system	0	1,508,373
86	CONTROL HOUSE	1949	16.117	2,029	32,702	collection system	0	32,702
87	VILLAGE CREEK W.W.T.P.	1981	2.175	41,639,151	90,557,791	collection system	0	90,557,791
88	PUMP STATION 3	1988	1.701	195,000	331,746	collection system	0	331,746
89	PUMP STATION #23	1977	2.984	181,026	540,267	collection system	0	540,267
90	PUMP STATION # 9	1980	2.375	119,150	282,986	collection system	0	282,986
91	PUMP STATION #22	1977	2.984	162,170	483,992	collection system	0	483,992
92	PUMP STATION #4	1983	1.701	24,577	41,812	collection system	0	41,812
93	PUMP STATION #2	1982	2.010	88,583	178,046	collection system	0	178,046
94	TIN BUILDING	1976	3.202	1,250	4,002	collection system	0	4,002

APPENDIX 6-1
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LINE	DESCRIPTION	IN SVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
95	PUMP STATION #24	1988	1.701	58,061	98,777	collection system	0	98,777
96	PUMP STATION #7	1962	8.817	64,401	567,792	collection system	0	567,792
97	PUMP STATION #1	1982	2.010	247,541	497,541	collection system	0	497,541
98	PUMP STATION #26	1982	2.010	37,261	74,892	collection system	0	74,892
99	PUMP STATION #10	1986	1.790	229,799	411,338	collection system	0	411,338
100	PUMP STATION #8	1972	4.386	34,440	151,041	collection system	0	151,041
101	PUMP STATION #11	1986	1.790	30,863	91,044	collection system	0	91,044
102	FRUDES CREEK PACKAGE	1983	1.701	1,367,952	4,028,505	collection system	0	4,028,505
103	PUMP STATION #12	1989	1.666	81,888	136,415	collection system	0	136,415
104	PUMP STATION #3	1989	1.666	62,410	103,967	collection system	0	103,967
105	PUMP STATION #17	1970	5.567	854,815	4,758,738	collection system	0	4,758,738
106	PUMP STATION #16	1984	1.854	240,920	446,742	collection system	0	446,742
107	PUMP STATION #15	1980	2.375	173,700	412,544	collection system	0	412,544
108	WARRIOR PACKAGE PLANT	1990	1.625	1,374,909	2,233,791	collection system	0	2,233,791
109	PUMP STATION #14	1984	1.854	116,500	216,028	collection system	0	216,028
110	TRUSSVILLE PACKAGE	1979	2.560	866,996	2,219,602	collection system	0	2,219,602
111	PUMP STATION #20	1979	2.560	155,350	397,713	collection system	0	397,713
112	PUMP STATION #19	1987	1.745	71,040	123,957	collection system	0	123,957
113	PUMP STATION #25	1987	1.745	29,551	51,563	collection system	0	51,563
114	PUMP STATION #28	1984	1.854	65,992	122,370	collection system	0	122,370
115	PUMP STATION #27	1986	1.790	22,445	40,176	collection system	0	40,176
116	PUMP STATION #30	1990	1.625	84,420	137,156	collection system	0	137,156
117	PUMP STATION #31	1989	1.666	70,399	117,276	collection system	0	117,276
118	PUMP STATION #32	1989	1.666	51,220	85,326	collection system	0	85,326
119	PATTON CAHABA TRANSFER PUMP STATION	1988	1.701	1,335,480	2,272,000	collection system	0	2,272,000
120	ADMINISTRATION BLDG.	1958	10.129	39,430	399,391	collection system	0	399,391
121	CHLORINE BLDG.	1958	10.129	14,700	148,898	collection system	0	148,898
122	PUMP HOUSE BLDG.	1958	10.129	4,210	42,644	collection system	0	42,644
123	T.V. GROUTING & EQUIPMENT BLDG.	1974	3.806	77,540	295,113	collection system	0	295,113
124	STORAGE BUILDING	1960	9.330	5,390	50,289	collection system	0	50,289
125	BARTON LAB BLDG.	1973	4.057	216,264	877,381	collection system	0	877,381
126	MAINTENANCE STORAGE	1960	9.330	8,871	82,767	collection system	0	82,767
127	PACKAGE PLANT SHOP	1960	9.330	58,171	542,741	collection system	0	542,741
128	BARTON STORAGE BLDG.	1960	9.330	8,310	77,533	collection system	0	77,533
129	MAINTENANCE SHOP	1960	9.330	35,380	330,099	collection system	0	330,099
130	COMPRESSOR BUILDING	1960	9.330	6,020	56,167	collection system	0	56,167
131	PINCHGUT CREEK PUMP STATION	1987	1.745	1,194,750	2,084,711	collection system	0	2,084,711
132	SHADES VALLEY IMPROVEMENTS	1997	1.320	6,012,953	7,934,704	collection system	0	7,934,704
133	SHADES VALLEY DRAINAGE IMPROVEMENTS	1997	1.320	867,959	1,145,350	collection system	0	1,145,350
134	PATTON CREEK REPLACEMENT PHASE III	1999	1.269	10,749,723	13,639,833	collection system	0	13,639,833
135	HOOVER HIGH SCHOOL PUMP STATION IMPROV	2004	1.081	150,000	162,080	collection system	0	162,080
136	CAHABA WWTP REVISIONS DESIGN	1992	1.542	248,847	383,778	collection system	0	383,778
137	CAHABA WWTP PATTON STATION ADDS	1991	1.590	197,580	314,119	collection system	0	314,119
138	PATTON STATION ADDITIONS (CONSTR)	1990	1.625	1,093,450	1,776,510	collection system	0	1,776,510
139	CAHABA WWTP CONST. PHASE II	1993	1.476	7,288,670	10,755,335	collection system	0	10,755,335
140	PATTON TRANSFER P.S. #1C/WZ DESIGN	1991	1.590	144,974	230,520	collection system	0	230,520
141	PATTON TRANSFER PS 1 & 2	1993	1.476	275,968	407,225	collection system	0	407,225
142	RIVERCHASE PUMP STATION BUBBLER SYSTEM	1999	1.269	9,843	12,489	collection system	0	12,489
143	CAHABA RIVER WWTP (GEOTECHNICAL)	2000	1.236	41,040	50,718	collection system	0	50,718
144	SHADES VALLEY GEOTECHNICAL	1998	1.299	22,879	29,712	collection system	0	29,712
145	SHADES VALLEY-GEOTECHNICAL	1998	1.299	2,923	3,796	collection system	0	3,796
146	CAHABA RIVER WWTP/BIO NU	2002	1.176	356,000	418,618	collection system	0	418,618
147	CAHABA PHASE III GEOTECHNICAL INSPECTION	1998	1.299	90,431	117,437	collection system	0	117,437
148	RIVERCHASE PUMP STATION REMOVAL ASBESTOS	1998	1.299	25,262	32,916	collection system	0	32,916
149	CAHABA WWTP CONSTRUCTION REVIEW	1998	1.299	838,133	1,088,440	collection system	0	1,088,440
150	SHADES VALLEY CONSTRUCTION REVIEW	1998	1.299	88,638	115,136	collection system	0	115,136
151	FIVE MILE CREEK WWTP EXPANSION	1993	1.476	739,816	1,091,690	treatment	1,091,690	0
152	FIVE MILE CREEK WWTP-NEW	1992	1.542	15,785,196	24,344,350	treatment	24,344,350	0
153	FIVE MILE CK WWTP-GEOTECHNICAL INSPECTIO	1993	1.476	92,332	136,248	treatment	0	136,248
154	FIVE MILE CREEK WWTP	2001	1.212	3,664,323	4,441,323	treatment	4,441,323	0
155	5 MILE CREEK STUDY 2000	2002	1.176	49,938	58,722	treatment	58,722	0
156	FIVE MILE WWTP MODS	2003	1.148	453,722	521,096	treatment	521,096	0
157	5 MILE CREEK WWTP	2002	1.176	31,792	37,384	treatment	37,384	0
158	NEWFOUND CREEK CONSTRUCTION	1998	1.299	116,909	151,823	collection system	0	151,823
159	LEEDS WWTP MODIF-STUDY	1992	1.542	64,122	98,890	treatment	98,890	0
160	NORMAN R. SKINNER WWTP	2000	1.236	1,600,324	1,977,703	treatment	1,977,703	0
161	LEEDS WWTP UPGRADE-GEOTECHNICAL	1998	1.299	116,484	151,272	treatment	151,272	0
162	NORMAN SKINNER WWTP	2002	1.176	33,794	39,738	treatment	39,738	0
163	LEEDS WWTP UPGRADE-ENGINEERING	1999	1.269	774,823	983,139	treatment	983,139	0
164	NORMAN R. SKINNER WWTP	2000	1.236	162,122	200,353	treatment	200,353	0
165	NORMAN R. SKINNER WWTP MODS	2002	1.176	10,797	12,696	treatment	12,696	0
166	LEEDS SKINNER WWTP ROAD IMPROVEMENTS	2004	1.081	89,648	96,868	treatment	96,868	0
167	NORMAN R. SKINNER WWTP ACCESS	2003	1.148	6,372	7,318	treatment	7,318	0
168	EMER REPAIR TRUSSVILLE WWP	2003	1.148	73,322	84,210	treatment	84,210	0
169	TRUSSVILLE WWTP UPGRADE-DESIGN	1992	1.542	347,471	535,880	treatment	535,880	0
170	TRUSSVILLE WWTP-GEOTECHNICAL	1998	1.299	4,061	5,274	treatment	5,274	0
171	GEOTECH TRUSSVILLE WWTP	2002	1.176	16,038	18,858	treatment	18,858	0
172	DERBY PARKWAY PUMP STATION	2003	1.148	87,634	100,647	collection	0	100,647
173	TRUSSVILLE DESIGN	2003	1.148	126,030	144,745	treatment	144,745	0
174	TURKEY CREEK CONSTRUCTION PHASE "C"	1999	1.269	1,599,872	2,030,007	collection	0	2,030,007
175	TURKEY CREEK PHASE I	1998	1.299	3,381,285	4,391,102	collection	0	4,391,102
176	TURKEY CREEK WWTP IMPROV	2002	1.176	650,210	764,578	treatment	764,578	0
177	TURKEY CREEK WWTP	2002	1.176	331,448	389,748	treatment	389,748	0
178	TURKEY CREEK WWTP PHASE I	2001	1.212	202,594	245,552	treatment	245,552	0
179	TURKEY CREEK WWTP	2001	1.212	40,440	49,015	treatment	49,015	0
180	EMER SWR REP-BIOLOGICAL CONSULTING FEE	2000	1.236	8,675	10,721	treatment	10,721	0
181	EMER SWR REP-BIOLOGICAL CONSULTING FEE	2000	1.236	10,325	12,760	treatment	12,760	0
182	EMER SWR REP-BIOLOGICAL CONSULTING FEE	2000	1.236	1,275	1,576	treatment	1,576	0
183	EMER SWR REP-BIOLOGICAL CONSULTING FEES	2000	1.236	5,950	7,353	treatment	7,353	0
184	EMER SWR REP-BIOLOGICAL CONSULTING FEES	2000	1.236	8,675	10,721	treatment	10,721	0
185	EMER SWR REP-CAHABA RIVER PROJECT	2000	1.236	2,850	3,522	treatment	3,522	0
186	SHADES VALLEY TRANSFER SYSTEM	2002	1.176	2,400,748	2,823,027	collection	0	2,823,027
187	ACADEMY BUSINESS PARK-PUMP STATION	1999	1.269	185,974	235,974	collection	0	235,974
188	FIVE MILE CREEK WEST PUMP STATION	2004	1.081	508,706	547,513	collection	0	547,513

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LINE	DESCRIPTION	IN SVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
189	PH II-A VALLEY CRK WWTP	2001	1.212	27,925,132	33,846,510	treatment	33,846,510	0
190	PHASE II B VALLEY CREEK WWTP	2000	1.236	21,427,950	26,480,964	treatment	26,480,964	0
191	SHADES VALLEY FACILITY PARKING	2000	1.236	38,560	47,653	treatment	47,653	0
192	VALLEY CREEK WWTP-GEOTECH SVCS	1993	1.476	43,070	63,556	treatment	63,556	0
193	VALLEY CREEK WASTE WATER TREATMENT PLANT	2004	1.081	59,190,000	63,956,812	treatment	63,956,812	0
194	VALLEY LAND APPLICATIONS	1996	1.368	230,933	315,909	treatment	315,909	0
195	VALLEY CREEK DECHLORINATION	1993	1.299	150,781	195,811	treatment	195,811	0
196	VALLEY CREEK WWTP PHASE I-GEOTECHNICAL	1999	1.269	42,104	53,424	treatment	53,424	0
197	HYDROGEOLOGIC EVALUATION	1998	1.299	23,416	30,410	treatment	30,410	0
198	LAND APPLICATION SAMPLINGS 1996	1998	1.299	10,589	13,752	treatment	13,752	0
199	SUBSURFACE EXPLORATION-VALLEY CREEK	2000	1.236	64,750	80,019	treatment	80,019	0
200	RICE CREEK SWR SYSTEM	2001	1.212	100,095	101,000	collection	0	121,320
201	VALLEY CREEK WWTP EXPANSION	1998	1.299	329,593	428,025	treatment	428,025	0
202	VALLEY CREEK FY98 PHASE II	1998	1.299	474,983	616,836	treatment	616,836	0
203	DESIGN VALLEY CREEK WWTP	2000	1.236	1,399,070	1,728,990	treatment	1,728,990	0
204	PRINCE STREET PUMP STATION	1998	1.299	101,000	101,164	collection	0	131,164
205	SHADES VALLEY COMPLEX	2001	1.212	78,050	94,600	treatment	94,600	0
206	VALLEY CREEK WWTP PH 8 & 9	2002	1.176	998,211	1,173,791	treatment	1,173,791	0
207	VALLEY CREEK WASTEWATER TREATMENT PLANT	2002	1.176	42,774	50,297	treatment	50,297	0
208	RICE CREEK & MORGAN/GREENWOOD SSS	1998	1.299	44,800	58,179	collection	0	58,179
209	GARDENDALE/GRAYSVILLE/WARRIOR PH II	2004	1.081	185,270	200,190	collection	0	200,190
210	VALLEY CREEK 1993 IMPROVEMENTS	1998	1.299	461,953	599,915	treatment	599,915	0
211	VALLEY CREEK RELOCATION CONTRACT I	1998	1.299	199,759	259,417	treatment	259,417	0
212	POWDER PLANT ROAD/VALLEY CREEK	1998	1.299	5,391	7,000	treatment	7,000	0
213	GEOTECHNICAL SER-SHADES VALLEY PHASE II	2001	1.212	34,106	41,237	collection	0	41,237
214	96 LAND APPLICATIONS OF BIOSOLIDS	1998	1.299	193,080	250,743	treatment	250,743	0
215	RICE CREEK & MORGAN GREENWOOD	2004	1.081	77,696	83,953	collection	0	83,953
216	VALLEY WWTP DESIGN	2001	1.212	885,328	1,073,057	treatment	1,073,057	0
217	VALLEY CREEK WWTP PHASE III	2004	1.081	1,552,278	1,677,289	treatment	1,677,289	0
218	PH III VLY CRK WWTP	2001	1.212	225,000	272,709	treatment	272,709	0
219	PHASE II-B SLUDGE DEWATER	2002	1.176	721,128	847,971	treatment	847,971	0
220	MCADORY ELEM PUMP STATION	1998	1.299	57,279	74,385	collection	0	74,385
221	PRINCE STREET PUMPING STATION * & SEWERS	2003	1.148	23,085	26,513	collection	0	26,513
222	SHADES VALLEY FACILITY PHASE II	1999	1.269	591,954	751,104	treatment	751,104	0
223	GEOTECH SVCS-VALLEY CREEK	2001	1.212	70,993	86,053	treatment	86,053	0
224	VALLEY CREEK WASTE WATER TREATMENT PLANT	2004	1.081	990,296	1,070,049	treatment	1,070,049	0
225	VALLEY CREEK WWTP SLUDGE DRYING PAD	2003	1.148	25,162	28,898	treatment	28,898	0
226	VALLEY CREEK WASTE WATER TREATMENT PLANT	2003	1.148	13,828	15,881	treatment	15,881	0
227	CORBET BRANCH TRUNK SEWER P.S.	1989	1.666	497,781	829,239	collection	0	829,239
228	CORBET BRANCH P.C. STAND BY POWER	1990	1.625	11,594	18,836	collection	0	18,836
229	MINOR PUMP STATION	2003	1.148	12,749,759	14,642,986	collection	0	14,642,986
230	VILLAGE CREEK SEWAGE TREATMENT PLANT	1990	1.625	1,181,460	1,929,246	treatment	1,929,246	0
231	VILLAGE MAINT. BLDG. INSPEC. 5	1990	1.625	11,487	18,663	treatment	18,663	0
232	VILLAGE CK WWTP-GEOTECHNICAL INSPECTION	1992	1.542	70,984	109,473	treatment	109,473	0
233	VILLAGE CREEK WWTP MODIFICATION	1992	1.542	10,942,256	16,875,439	treatment	16,875,439	0
234	VILLAGE CK WWTP #4 INSPECTION	1993	1.476	387,975	572,505	treatment	572,505	0
235	VYLO CRK PEAK FLOW W/PUMP	2001	1.212	20,045,151	24,295,621	treatment	24,295,621	0
236	VILLAGE CREEK DESIGN	2001	1.212	23,912,405	28,982,906	treatment	28,982,906	0
237	VILLAGE CREEK WWTP LAGOON ACCESS	2000	1.236	47,660	58,899	treatment	58,899	0
238	EMR SWR REPAIR VILLAGE CREEK WWTP	2002	1.176	359,702	422,972	treatment	422,972	0
239	VILLAGE PEAK FLOW WWTP	2004	1.081	84,360	91,153	treatment	91,153	0
240	VILLAGE CREEK PEAK FLOW HANDLING	2003	1.148	57,669,706	66,233,149	treatment	66,233,149	0
241	#5 VILLAGE CREEK PEAK FLOW HANDLING	2003	1.148	54,893,204	63,044,361	treatment	63,044,361	0
242	BILL OF SALE AGREEMENT	2001	1.212	629,600	763,103	treatment	763,103	0
243	VILLAGE CREEK WWTP DRYING FACILITIES	1996	1.368	195,567	267,530	treatment	267,530	0
244	VILLAGE WWTP PEAK POWER	1998	1.299	33,328	43,281	treatment	43,281	0
245	MINOR PUMP STATION AND SEWERS	2003	1.148	47,776	54,870	collection	0	54,870
246	PHASE I ZION CITY PUMPING STATION	2002	1.176	2,320	2,728	collection	0	2,728
247	ZION CITY PUMPING STATION	2003	1.148	6,788	7,796	collection	0	7,796
248	VILLAGE WWTP-ENGINEERING	2001	1.212	460,532	558,186	treatment	558,186	0
249	VILLAGE CRK-PEAK FLOW HANDLING	2001	1.212	64,735	78,461	treatment	78,461	0
250	VILLAGE CREEK SLUDGE DIGESTING	2002	1.176	96,921	113,969	treatment	113,969	0
251	VILLAGE WWTP DESIGN MODIFICATIONS	1998	1.299	122,689	159,330	treatment	159,330	0
252	VILLAGE CRK PEAK FLOW WW PLANT	2000	1.236	998,736	1,234,252	treatment	1,234,252	0
253	VILLAGE CREEK DIGESTING/DEWATERING	1998	1.299	1,077,421	1,399,192	treatment	1,399,192	0
254	VILLAGE CREEK WASTEWATER TREATMENT	2002	1.176	319,767	376,012	treatment	376,012	0
255	VILLAGE CREEK MODIFICATIONS-ENGINEERING	1999	1.269	44,792	56,835	treatment	56,835	0
256	VILLAGE CREEK PEAK FLOW HANDLING	2001	1.212	1,556,037	1,885,986	treatment	1,885,986	0
257	ELECTRICAL ALTERNATIVES/VILLAGE CREEK	2002	1.176	112,910	132,771	treatment	132,771	0
258	VILLAGE CREEK WWTP/ENGINEERING SER.	2001	1.212	221,284	268,206	treatment	268,206	0
259	VILLAGE CRK WWTP BIO SOLIDS MGMT	2000	1.236	5,641,456	6,971,791	treatment	6,971,791	0
260	GEOTECHNICAL SER. VILLAGE CRK. WWTP	2000	1.236	8,475	10,473	treatment	10,473	0
261	VILL CRK WWTP RETROFIT	2002	1.176	2,846,181	3,346,809	treatment	3,346,809	0
262	VILLAGE CREEK WWTP-SLUDGE DIGESTION	1998	1.299	1,449,969	1,883,000	treatment	1,883,000	0
263	VILLAGE CREEK WASTEWATER & DEWATERING	2003	1.148	296,786	340,856	treatment	340,856	0
264	VILLAGE CREEK ODOR CONTROL	2001	1.212	491,468	595,681	treatment	595,681	0
265	EMER SWR REPAIR-2024 29TH AVE NO	1999	1.269	25,003	31,725	collection	0	31,725
266	VILLAGE CREEK ACCESS ROAD #2	1999	1.269	578,641	734,212	treatment	734,212	0
267	PROJ MGMT BIOSOLID APP-BELTONA	1999	1.269	228,118	289,449	treatment	289,449	0
268	ADAMSVILLE P.S.	1990	1.625	635,016	1,031,700	collection	0	1,031,700
269	ADAMSVILLE P.S.	1991	1.590	33,846	53,818	collection	0	53,818
270	PRUDES CREEK WATER QUALITY SAMPLING STAT	1999	1.269	48,209	61,170	treatment	61,170	0
271	PRUDES CREEK WWTP UPGRADE	1999	1.269	370,079	1,104,006	treatment	1,104,006	0
272	POP-1.6.5 180 RPM MIXER	1998	1.299	14,900	19,350	treatment	19,350	0
273	POP-1.6.5 180 RPM MIXER	1998	1.299	14,900	19,350	treatment	19,350	0
274	#2 MORRIS/KIMBERLY WWTP	2003	1.148	5,747,833	6,601,336	treatment	6,601,336	0
275	PRUDES CREEK WWTP EVALUATION	2003	1.148	64,108	73,627	treatment	73,627	0
276	WARRIOR WASTE WATER TREATMENT PLANT	2004	1.081	473,610	511,752	treatment	511,752	0
277	PRUDES CREEK DESIGN & ENGINEERING	2004	1.081	351,273	379,562	treatment	379,562	0
278	PRUDES CREEK WWTP-ENGINEERING SVCS	1999	1.269	69,000	87,551	treatment	87,551	0
279	PRUDES CRK WWTP-ENGINEERING	1997	1.320	93,700	123,647	treatment	123,647	0
280	PRUDES CREEK WWTP	2001	1.212	47,036	57,010	treatment	57,010	0
281	WARRIOR WWTP UPGRADE/GEOTECHNICAL	1998	1.299	5,237	6,801	treatment	6,801	0
282	ENGINEERING CONSTRUCTION REVIEW WARRIOR	1998	1.299	94,549	122,785	treatment	122,785	0

APPENDIX 6-1
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LINE	DESCRIPTION	IN SVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
283	PROFESSIONAL ENGINEERING SV WARRIOR WWTP	1999	1,269	5,380	7,080	treatment	7,080	0
284	BLUE RIDGE BLVD PUMP STATION	1998	1,299	779,472	1,012,260	collection	0	1,012,260
285	SHADES CK-CONST SEC. 9	1992	1,542	3,072,086	3,195,626	collection	0	3,195,626
286	SCOTT'S BRANCH PRETREATMENT FACILITY	1991	1,590	176,653	280,891	treatment	280,891	0
287	SCOTT'S BRANCH-PRETREATMENT FACILITY	1996	1,368	9,323,170	12,753,831	treatment	12,753,831	0
288	SHADES VALLEY PHASE II	1997	1,320	284,352	375,231	collection	0	375,231
289	UST REMOVAL/REPLACEMENT/UPGRADE	1999	1,269	94,990	120,528	collection	0	120,528
290	MT OLIVE AVENUE PUMP STATION	2003	1,148	274,306	315,038	collection	0	315,038
291	STATION #1 FIVE MILE CREEK WWTP MONITOR	1998	1,299	42,579	55,293	treatment	55,293	0
292	STATION 2 FIVE MILE CREEK	1998	1,299	29,296	38,045	treatment	38,045	0
293	LEEDS WWTP WATER QUALITY SAMPLING STATIO	1998	1,299	38,068	49,437	treatment	49,437	0
294	LEEDS WWTP SAMPLING STATION #2	1998	1,299	29,652	38,508	treatment	38,508	0
295	SCOTT'S BRAND CONSTR REV	2001	1,212	49,046	59,446	treatment	59,446	0
296	SHADES VALLEY ROADWAY MODIFICATIONS	2000	1,235	49,823	61,571	treatment	61,571	0
297	VALLEY CREEK WWTP SOLIDS HANDLING FACILI	1992	1,542	1,964,992	3,030,464	treatment	3,030,464	0
298	SHADES VALLEY & VILLAGE CRK DESIGN	2003	1,148	647,042	743,122	collection	0	743,122
299	REMOVE UNDERGROUND STORAGE TANKS	1999	1,269	229,500	291,203	treatment	291,203	0
300	PHASE OPEN UPGRADE GARDENDALE	2002	1,176	164,914	193,922	collection	0	193,922
301	PUMP STATION ANALYSIS	2003	1,148	353,249	350,854	collection	0	350,854
302	JEFFCO WW PUMPING STATION	2000	1,236	149,530	184,791	collection	0	184,791
303	GARDENDALE GRAYSVILLE & WARRIOR PUMP STA	2001	1,212	316,058	395,196	collection	0	395,196
304	PUMP STATION DESIGN AND ENGINEERING	2004	1,081	232,262	250,967	collection	0	250,967
305	ENGINEER SVS WASTEWATER PUMP STATION	2003	1,148	649,969	746,483	collection	0	746,483
306	MORRIS/KIMBERLY WWTP/TRUNK SEWER	1997	1,320	65,332	86,212	treatment	86,212	0
307	BELTON A REUSE SITE	2003	1,148	291,537	334,827	treatment	334,827	0
308	VILLAGE CREEK WWTP LAGOON	2004	1,081	41,245	44,566	treatment	44,566	0
309	SWR INFRASTRUCTURE MOMT SYSTEM	2005	1,033	1,194,970	1,233,808	collection	0	1,233,808
310	PRUDES CREEK-GEO/TECHNICAL	2000	1,236	3,694	4,565	treatment	4,565	0
311	MORRIS/KIMBERLY WWTP	2004	1,081	81,105	87,637	treatment	87,637	0
312	MCADORY PUMP STATION & FORCE MAIN	1996	1,368	511,350	699,513	collection	0	699,513
313	WARRIOR WWTP IMPROVEMENTS	1997	1,320	1,040,016	1,372,407	treatment	1,372,407	0
314	ROD TURNING MACHINE	2000	1,236	2,750	3,398	0	3,398	0
315	RIDGEDALE SANITARY SEWER	1987	1,745	121,064	211,244	collection system	0	211,244
316	CAHABA RIVER TRUNK SEWER EXTENSION	1986	1,790	505,272	546,433	collection system	0	546,433
317	CAHABA RIVER TRUNK SEWER EXTENSION	1987	1,745	1,349,656	2,355,022	collection system	0	2,355,022
318	FINAL PUMP STATION	1987	1,745	390,259	681,030	collection system	0	681,030
319	SHOP BUILDING	1971	4,863	24,800	169,224	collection system	0	169,224
320	DEWATERING SYSTEM #3	1987	1,745	41,490	72,396	collection system	0	72,396
321	DEWATERING STATION #2	1987	1,745	157,550	274,908	collection system	0	274,908
322	CONTROL BLDG.	1987	1,745	75,091	131,026	collection system	0	131,026
323	RECIRCULATING PUMP	1987	1,745	12,765	22,274	collection system	0	22,274
324	OLD BLOWER BLDG.	1971	4,863	75,620	367,721	collection system	0	367,721
325	CAHABA RIVER W.W.T.P.	1981	2,175	23,870,410	51,913,921	collection system	0	51,913,921
326	NEW BLOWER BLDG.	1987	1,745	565,350	986,475	collection system	0	986,475
327	CONTROL BUILDING	1987	1,745	85,020	148,351	collection system	0	148,351
328	CONTROL BUILDING	1987	1,745	58,020	101,239	collection system	0	101,239
329	FILTER PRESS BUILDING	1987	1,745	619,719	1,081,344	collection system	0	1,081,344
330	SAND FILTER BLDG.	1987	1,745	505,475	882,000	collection system	0	882,000
331	ADMINISTRATION BLDG.	1971	4,863	63,039	306,543	collection system	0	306,543
332	PRIMARY PUMP STATION	1987	1,745	255,660	446,099	collection system	0	446,099
333	INTERMEDIATE PUMP	1987	1,745	314,400	548,594	collection system	0	548,594
334	CHLORINE BLDG.	1971	4,863	39,460	191,884	collection system	0	191,884
335	SLUDGE PUMP STATION	1971	4,863	38,150	185,514	collection system	0	185,514
336	HEADWORKS CONTROL	1991	1,590	69,930	111,194	collection system	0	111,194
337	SHOP ANNEX BLDG. #82I	1987	1,745	49,361	86,130	collection system	0	86,130
338	FIVE MILE CREEK SANITARY SEWER	1986	1,790	2,317,428	2,358,181	collection system	0	2,358,181
339	LEWISBURG OUTFALL SANITARY SEWER	1987	1,745	361,908	631,490	collection system	0	631,490
340	FIVE MILE CREEK SANITARY SEWER	1985	1,833	294,199	539,166	collection system	0	539,166
341	FIVE MILE CREEK TO OLD SPRINGVILL ROAD	1988	1,701	25,465	43,322	collection system	0	43,322
342	FIVE MILE CREEK-WWTP.	1978	2,769	18,617,305	51,559,741	collection system	0	51,559,741
343	TRUSSVILLE INDUSTRIAL PARK SEWER	1986	1,790	1,225,366	2,193,391	collection system	0	2,193,391
344	WESTCHESTER TO CENTER PT SANITARY SEWER	1987	1,745	150,437	262,497	collection system	0	262,497
345	CENTER PT PKWY ESTATES CAPPED SEWER	1986	1,790	152,122	272,296	collection system	0	272,296
346	SEWER PIPE HOLIDAY PARK ESTATES	1985	1,833	117,909	216,087	collection system	0	216,087
347	LOWER VALLEY CREEK INTERCEPTOR SEWER	1985	1,833	1,480,682	2,715,584	collection system	0	2,715,584
348	LOWER VALLEY CREEK INTERCEPTOR	1985	1,833	959,895	1,832,465	collection system	0	1,832,465
349	PORTABLE BUILDING/AGRARIAN PROJ	1998	1,299	1,895	2,461	collection system	0	2,461
350	VILLAGE CREEK WASTEWATER TREATMENT	1986	1,790	39,365	70,463	collection system	0	70,463
351	VILLAGE CREEK CLARIFIER REDESIGN UNIT	1985	1,833	134,000	245,576	collection system	0	245,576
352	BRANDY LANE II ASSESSMENT SEWER	1986	1,790	32,354	93,714	collection system	0	93,714
353	DUGAN AV TO CHICKASAW DR. SANITARY SEWER	1986	1,790	88,014	157,544	collection system	0	157,544
354	HOLIDAY HILLS 10TH SECTOR ASSESSMENT	1987	1,745	124,255	216,811	collection system	0	216,811
355	BLACK CREEK P.S. REPLACEMENT	1987	1,745	287,225	501,177	collection system	0	501,177
356	ALUMINUM STORAGE BLDG	1992	1,542	2,300	3,547	collection system	0	3,547
357	BEAVER CREEK TO PINSON ROCK SCHOOL SS	1985	1,833	126,976	232,704	collection system	0	232,704
358	PONDEROSA PARK SANITARY SEWER	1985	1,833	71,673	131,352	collection system	0	131,352
359	NOHAVE DR-MIAMI CIRCLE ASSESSMENT SEWER	1987	1,745	89,120	155,504	collection system	0	155,504
360	CHICKASAW DRIVE TO AVACADO DRIVE	1987	1,745	79,525	138,762	collection system	0	138,762
361	PRUDES CREEK SEWAGE SYSTEM	1988	1,701	8,442	14,361	collection system	0	14,361
362	IMPROVEMENT FOR PINCHGUT CREEK	1988	1,701	2,364,640	4,022,871	collection system	0	4,022,871
363	WYLLAM MORNNEVILLE SANITARY SEWER	1986	1,790	59,576	1,037,434	collection system	0	1,037,434
364	PRUDES CREEK SEWAGE SYSTEM	1988	1,701	2,021,032	3,438,304	collection system	0	3,438,304
365	HICKORY HILLS TO SWBENEY HOLLOW	1987	1,745	97,702	170,479	collection system	0	170,479
366	SAND RIDGE TRUNK SEWER	1997	1,320	1,454,327	1,919,132	collection system	0	1,919,132
367	DESIGN/MISC CAPPED SEWER CONNECTORS	1997	1,320	74,697	98,571	collection system	0	98,571
368	CAHABA TRN/TL SHADES CRK CONS REV	1998	1,299	402,803	523,160	collection system	0	523,160
369	DESIGN-SAND RIDGE OUTFALL SWR	2000	1,236	120,500	148,916	collection system	0	148,916
370	CAHABA RIVER TRANSFER SEWER	1988	1,701	949,575	1,615,475	collection system	0	1,615,475
371	CAHABA RIVER WASTEWATER TREATMENT	1988	1,701	21,145,000	35,973,171	collection system	0	35,973,171
372	PATTON TRANSFER PUMP-CONSTRUCTION	1993	1,476	3,432,941	5,065,729	collection system	0	5,065,729
373	VALLEY BRICK CONSTRUCTION SECTION F	1989	1,666	810,330	1,349,905	collection system	0	1,349,905
374	CAHABA RIVER SEWER SYSTEM	1989	1,666	476,248	793,368	collection system	0	793,368
375	ORESHAM SCHOOL TO CARDINAL CIRCLE	1989	1,666	63,042	105,020	collection system	0	105,020
376	CAHABA RIVER TRUNK SEWER EXTENSION	1988	1,701	192,504	327,500	collection system	0	327,500

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LINE	DESCRIPTION	IN SVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
377	CAHABA HEIGHTS TO OVERTON SEWER SYSTEM	1992	1,542	45,213	69,729	collection system	0	69,729
378	ACTON ROAD SANITARY SEWER	1991	1,590	167,108	265,713	collection system	0	265,713
379	ACTON ROAD SEWER P.S.	1998	1,701	2,222,663	3,781,331	collection system	0	3,781,331
380	ACTON DRIVE TO ASSA WINTHA DR. CAPPED	1991	1,590	101,462	161,333	collection system	0	161,333
381	MEDOWLAWN ESTATES ASSESSMENT SEWER	1991	1,854	83,540	132,835	collection system	0	132,835
382	KYLE LANE ASSESSMENT SEWER	1984	1,422	76,858	142,518	collection system	0	142,518
383	CAHABA WWTP-CONSTRUCTION REVIEW	1994	1,422	365,022	518,914	collection system	0	518,914
384	CAHABA WWTP-ENGINEERING	1994	1,422	443,578	630,590	collection system	0	630,590
385	CAHABA RIVER PLANT IMPROVEMENTS	1988	1,701	3,118,210	5,304,890	collection system	0	5,304,890
386	CAHABA RIVER PLANT IMPROVEMENTS	1986	1,790	871,366	1,559,735	collection system	0	1,559,735
387	BERRY HIGH SCHOOL EMERGENCY SEWER	1989	1,666	19,922	33,188	collection system	0	33,188
388	SHADES/CAHABA TRUCK GEOTECHNICAL	1999	1,269	31,823	40,379	collection system	0	40,379
389	CLOVERLEAF & KNOLLWOOD DRIVE-SEWER	1999	1,269	690,977	876,751	collection system	0	876,751
390	MILL RUN/CAHABA HGTS-DESIGN	1995	1,405	62,535	87,876	collection system	0	87,876
391	CAHABA RIVER TRUNK SEWER	2002	1,176	13,940,900	16,392,914	collection system	0	16,392,914
392	#2 CAHABA RIVER TRUNK SEWER	2004	1,081	14,835,532	16,030,287	collection system	0	16,030,287
393	#3 CAHABA RIVER TRUNK SEWER	2004	1,081	12,459,027	13,462,403	collection system	0	13,462,403
394	RIVERCHASE PUMP RELOCATION-ENGINEERING	1995	1,405	124,286	174,650	collection system	0	174,650
395	CAHABA RIVER TRUNK REPLACEMENT (ENG)	1995	1,405	234,388	329,369	collection system	0	329,369
396	CAHABA RIVER TRUNK SEWER #4	2004	1,081	19,542,150	21,115,959	collection system	0	21,115,959
397	LITTLE SHADES PHASE I	1999	1,269	5,832,472	7,400,568	collection system	0	7,400,568
398	PH III LITTLE SHADES	2001	1,212	396,699	480,817	collection system	0	480,817
399	CHRISTOPHER/KNOLLWOOD CAPPED SEWER-CONST	1995	1,405	392,755	551,910	collection system	0	551,910
400	LOCK RIDGE SEWER CONTRACT I	1998	1,299	129,678	168,406	collection system	0	168,406
401	CROSS HAVEN SWR & PUMP STATION	2001	1,212	940,837	1,140,337	collection system	0	1,140,337
402	GRANTS MILL ROAD #1	2001	1,212	5,271,368	6,289,134	collection system	0	6,289,134
403	GRANTS MILL RD SEWER #1	2001	1,212	1,838,444	2,228,276	collection system	0	2,228,276
404	BLUBERRY LANE SEWER EXTENSION	2003	1,148	377,487	433,540	collection system	0	433,540
405	ALTADENA RD TRUNK TO HICKORY RIDGE ESTAT	2004	1,081	667,126	720,852	collection system	0	720,852
406	NAPIER DRIVE REPLACEMENT SEWER	2003	1,148	197,172	226,450	collection system	0	226,450
407	CAHABA COLLECTION SYSTEM CONTRACT I	1998	1,299	1,726,008	2,241,478	collection system	0	2,241,478
408	CAHABA REHABILITATION CONTRACT 2	1998	1,299	1,892,541	2,457,746	collection system	0	2,457,746
409	CONTRACT 3 CAHABA REHABILITATION	1998	1,299	2,541,797	3,300,902	collection system	0	3,300,902
410	CAHABA RIVER SCS REHAB	2000	1,236	4,407,161	5,446,433	collection system	0	5,446,433
411	CAHABA RIVER COLLECTION SYSTEM CONTRACTS	1998	1,299	2,964,189	3,849,440	collection system	0	3,849,440
412	CONTRACT 6 CAHABA RIVER REHABILITATION	1998	1,299	2,094,740	2,720,331	collection system	0	2,720,331
413	CONTRACT 7 CAHABA SCS REHAB	1998	1,299	3,262,066	3,327,223	collection system	0	3,327,223
414	CAHABA REHABILITATION CONTRACT #	1998	1,299	2,946,662	3,826,679	collection system	0	3,826,679
415	CAHABA RIVER SCS REHAB #10	1999	1,269	4,707,425	5,973,045	collection system	0	5,973,045
416	#11 CAHABA RIVER SCS REHAB	1998	1,299	2,428,535	3,153,814	collection system	0	3,153,814
417	CAHABA RIVER SCS REHAB #12	1999	1,269	2,420,435	3,071,184	collection system	0	3,071,184
418	CHAPPEL HILL REPLACEMENT SEWERS	2003	1,148	3,255,162	3,738,525	collection system	0	3,738,525
419	PATTON CREEK/CONSTRUCTION REVIEW PH I	1998	1,299	200,313	260,136	collection system	0	260,136
420	VESTAVIA TRNK SWR REPLACE	2002	1,176	12,642,488	14,866,235	collection system	0	14,866,235
421	BYRD BRANCH TRUNK EXTENSION	2002	1,176	516,367	607,193	collection system	0	607,193
422	VESTAVIA LATERAL EXT (WALD PARK)	2003	1,148	1,120,119	1,286,447	collection system	0	1,286,447
423	KNOB KNOSTER CAPPED SEWER CONNECTION	1999	1,269	261,103	331,302	collection system	0	331,302
424	EMERGENCY SEWER REPAIR LONG MEADOW	1998	1,299	45,942	59,663	collection system	0	59,663
425	EMERGENCY SEWER REPAIR TRACE CROSSINGS	1998	1,299	4,118	5,348	collection system	0	5,348
426	EMERGENCY SEWER REPAIR MAGNOLIA-HOOVER M	1998	1,299	5,229	6,791	collection system	0	6,791
427	HIGHLAND DAY SCHOOL SEWERS	1999	1,269	139,645	177,189	collection system	0	177,189
428	EMERGENCY SEWER REPAIR PRINCE OF PEACE	1999	1,269	50,407	63,959	collection system	0	63,959
429	SANITARY SEWER CONSTRUCTION	2000	1,236	148,215	183,166	collection system	0	183,166
430	CONSTRUCT SANITARY SEWER	2000	1,236	38,350	47,393	collection system	0	47,393
431	EMERGENCY SEWER REPAIR 745 SUSSEX DR	1999	1,269	19,539	24,792	collection system	0	24,792
432	EMER SWR RPR PFTTICOAT LANE	1999	1,269	9,197	11,670	collection system	0	11,670
433	EMER SWR REP HIGHLAND DRIVE	2000	1,236	3,484	4,300	collection system	0	4,300
434	EMER SWR REP -4803 AVEY, BIRMINGHAM	2000	1,236	7,980	9,874	collection system	0	9,874
435	EMER SWR REP -1304 PARLIAMENT LANE	2000	1,236	2,360	2,917	collection system	0	2,917
436	EMER SWR REP -2456 REGENT LANE	2000	1,236	10,867	13,429	collection system	0	13,429
437	EMER SWR REP-2605 APOLLO CIR-HOOVER	2000	1,236	11,338	14,012	collection system	0	14,012
438	EMER SWR REP-2155 MONTREAT PKWY-VESTAVIA	2000	1,236	4,568	5,645	collection system	0	5,645
439	EMER SWR REP-SUMMIT SHOP CTR BHAM	2000	1,236	19,366	23,933	collection system	0	23,933
440	ACTON ROAD TRUNK SWR EXT	2000	1,236	119,779	148,024	collection system	0	148,024
441	IDA LANE TO PIPELINE RD SANITARY SWR	2004	1,081	1,895,079	2,047,697	collection system	0	2,047,697
442	EMER SWR REP-BELLWOOD & CROSSHAVEN DR	2000	1,236	6,120	7,563	collection system	0	7,563
443	EMER SWR REP-512 EASTWOOD PL-VESTAVIA	2000	1,236	5,599	6,919	collection system	0	6,919
444	EMER SWR REPAIR - MATCHEZ DRIVE CAHABA	2000	1,236	10,497	12,973	collection system	0	12,973
445	EMER SWR REPAIR - 1950 WATERFORD PL	2000	1,236	5,635	6,964	collection system	0	6,964
446	EMER SEW REP-HWY 150 & DEER VALLEY PKWY	2000	1,236	3,317	4,099	collection system	0	4,099
447	EMER SEW REP-513 MONTGOMERY HWY	2000	1,236	2,279	2,816	collection system	0	2,816
448	EMER SEW REP-2005 SOUTHWOOD DRIVE	2000	1,236	12,099	14,952	collection system	0	14,952
449	EMER SEW REP-2005 SOUTHWOOD DRIVE	2000	1,236	2,481	3,066	collection system	0	3,066
450	EMER SEW REP-224 BURGUNDY DRIVE	2000	1,236	10,054	12,425	collection system	0	12,425
451	EMER SWER REPR-1925 OLD CREEK TRAIL	2000	1,236	16,244	20,074	collection system	0	20,074
452	EMER SWR REP-3990 METHODIST CIR BESSEMER	2000	1,236	2,133	2,636	collection system	0	2,636
453	EMER SWR REPAIR-3257 MOCKINGBIRD LANE	2000	1,236	2,562	3,166	collection system	0	3,166
454	EMER SWR REP-2337 GARLAND DR	2000	1,236	13,482	16,662	collection system	0	16,662
455	EMER SWR REP-1905 MONTGOMERY HWY	2000	1,236	1,560	1,928	collection system	0	1,928
456	EMER SWR REP-357 LAREDO DR	2000	1,236	5,523	6,826	collection system	0	6,826
457	EMER SWR REP-2013 COUNTRY RIDGE PLACE	2000	1,236	2,671	3,301	collection system	0	3,301
458	EMER SWR REP-2677 PADEN CIRCLE	2000	1,236	7,258	8,970	collection system	0	8,970
459	EMER SWR REP-624 PADEN DR - HOOVER	2001	1,212	5,083	6,160	collection system	0	6,160
460	EMER SWR REPAIR HOOVER COMMONS SANITARY	2001	1,212	72,201	87,511	collection system	0	87,511
461	EMER SWR REPAIR-2131 MONTREAT WAY-VESTAV	2001	1,212	36,929	44,760	collection system	0	44,760
462	EMR SWR REPAIR 1808 CANTON ROAD VESTAVIA	2002	1,176	40,654	47,805	collection system	0	47,805
463	EMR SWR REPAIR 509 RAYBURN ROAD HOOVER	2002	1,176	49,948	58,734	collection system	0	58,734
464	EMER SWR REPAIR 455 SHENANDOH DRIVE HOOV	2002	1,176	49,748	58,498	collection system	0	58,498
465	EMR SWR REPAIR-1809 CATALA ROAD VESTAVIA	2002	1,176	48,838	57,429	collection system	0	57,429
466	EMR SWR REPAIR-OLD CREEK TRAIL	2002	1,176	37,364	43,936	collection system	0	43,936
467	EMR SWR REPAIR-624 PADEN DRIVE	2002	1,176	48,236	56,721	collection system	0	56,721
468	CAHABA TRUNK LITTLE SHADES CREEK	1998	1,299	17,237,491	22,385,444	collection system	0	22,385,444
469	RIVERCHASE PUMPING STATION RELIEF SEWER	1998	1,299	22,381	29,065	collection system	0	29,065
470	PATTON CREEK SSES	1998	1,299	742,326	964,021	collection system	0	964,021

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PRESENT VALUE ANALYSIS

LINE	DESCRIPTION	IN SVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
471	HURRICANE BRANCH SSES	1998	1,299	285,150	371,608	collection system	0	371,608
472	PATTON CREEK-OEOTECHNICAL	1998	1,299	5,251	6,819	collection system	0	6,819
473	VESTAVIA LATERAL EXTENSION TO WALD PARK	2003	1,148	14,851	17,057	collection system	0	17,057
474	CAHABA HEIGHTS SWR EXT	2000	1,236	1,982,598	2,450,123	collection system	0	2,450,123
475	DOLLY BROOK TRUNK SEWER	2000	1,236	98,005	121,116	collection system	0	121,116
476	LITTLE SHADES TRUNK REPLACEMENT	1998	1,299	167,625	217,686	collection system	0	217,686
477	CROSSHAVEN SEWER/PUMP STATION	2002	1,176	100,610	118,307	collection system	0	118,307
478	CAHABA RIVER SEWER REHAP DESIGN	1999	1,269	1,593,819	2,024,865	collection system	0	2,024,865
479	CON DJI CAHABA RIVER BASIN	2002	1,176	1,657,378	1,948,902	collection system	0	1,948,902
480	PATTON CREEK SYSTEM DATA COLLECTION	2004	1,081	446,561	482,524	collection system	0	482,524
481	MISC. ASSESSMENT-SEWERS DESIGN	2003	1,148	201,552	231,481	collection system	0	231,481
482	TRUNK EXTENSION TO CAHABA HEIGHTS	2004	1,081	19,228	20,777	collection system	0	20,777
483	VESTAVIA HILLS EASY ELEMENTARY	2003	1,148	20,384	23,411	collection system	0	23,411
484	CAHABA INTERCEP-ENGINEERING	2003	1,148	515,208	591,712	collection system	0	591,712
485	EMER. SEW. REP-PROJECT # IM-459-4 (78)	2000	1,236	293,513	362,728	collection system	0	362,728
486	INLINE SEWER REHAB PROFESSIONAL SERVICES	1998	1,299	98,877	128,406	collection system	0	128,406
487	TENBUSCH TRENCHLESS PIPE REPLACEMENT	1998	1,299	114,311	148,449	collection system	0	148,449
488	MANHOLE REHAB-PROTECTIVE LINER	1999	1,269	5,968	7,572	collection system	0	7,572
489	PRODUCTIVITY STUDIES-CAHABA RIVER	2000	1,236	24,897	30,891	treatment	30,891	0
490	EMR SWR REPAIR-BIOLOGICAL CONSULTING	2002	1,176	7,000	8,231	treatment	8,231	0
491	EMR SWR REPAIR-BIOLOGICAL CONSULTING	2002	1,176	6,019	7,077	treatment	7,077	0
492	EMR SWR REPAIR-MACRONINVERTEBRATES	2002	1,176	9,100	10,701	treatment	10,701	0
493	EMR SWR REPAIR-SPECIMEN SORTING ASSESSME	2002	1,176	913	1,073	treatment	1,073	0
494	EMR SWR REPAIR-MACRONINVERTEBRATES & FISH	2002	1,176	5,400	6,350	treatment	6,350	0
495	EMR SWR REPAIR-FISHES & MACRONINVERTEBRAT	2002	1,176	6,000	7,055	treatment	7,055	0
496	EMR SWR REPAIR-MACRONINVERTEBRATE ASSESSM	2002	1,176	4,875	5,732	treatment	5,732	0
497	EMR SWR REPAIR-MACRONINVERTEBRATES & FISH	2002	1,176	7,050	8,290	treatment	8,290	0
498	EMR SWR REPAIR-MACRONINVERTEBRATE ASSESSM	2002	1,176	5,325	6,262	treatment	6,262	0
499	EMR SWR REPAIR-FISHES & MACRONINVERTEBRAT	2002	1,176	5,500	6,467	treatment	6,467	0
500	EMR SWR REPAIR-FISHES & MACRONINVERTEBRAT	2002	1,176	6,600	7,761	treatment	7,761	0
501	EMR SWR REPAIR-MACRONINVERTEBRATE ASSESSM	2002	1,176	400	470	treatment	470	0
502	EMR SWR REPAIR-CAHABA RIVER	2002	1,176	27,843	32,740	treatment	32,740	0
503	EMR SWR REPAIR-MACRONINVERTEBRATE ASSESSM	2002	1,176	1,000	1,176	treatment	1,176	0
504	EMR SWR REPAIR-MACRONINVERTEBRATE ASSESSM	2002	1,176	520	611	treatment	611	0
505	EMR SWR REPAIR	2002	1,176	925	1,088	treatment	1,088	0
506	EMR SWR REPAIR-MACRONINVERTEBRATE ASSESSM	2002	1,176	475	559	treatment	559	0
507	EMR SWR REPAIR-FISHES & MACRONINVERTEBRAT	2002	1,176	5,250	6,173	treatment	6,173	0
508	EMR SWR REPAIR BIOLOGICAL CONSULTING	2002	1,176	863	1,014	treatment	1,014	0
509	EMR SWR REPAIR CAHABA RIVER	2002	1,176	19,018	22,363	treatment	22,363	0
510	EMR SWR REPAIR BIOLOGICAL CONSULTING	2002	1,176	680	800	treatment	800	0
511	EMR SWR REPAIR BIOLOGICAL CONSULTING	2002	1,176	7,150	8,408	treatment	8,408	0
512	EMR SWR REPAIR MACRONINVERTEBRATE ASSESSM	2002	1,176	1,163	1,367	treatment	1,367	0
513	EMR SWR REPAIR BIOLOGICAL CONSULTING	2002	1,176	4,900	5,762	treatment	5,762	0
514	EMR SWR REPAIR SPECIMEN SORTING ASSESSME	2002	1,176	920	1,082	treatment	1,082	0
515	EMR SWR REPAIR CAHABA RIVER	2002	1,176	4,750	5,586	treatment	5,586	0
516	EMER SWR REPAIR MACRONINVERTEBRATES	2002	1,176	3,141	3,693	treatment	3,693	0
517	EMR SWR REPAIR CAHABA RIVER STUDY	2002	1,176	8,250	9,701	treatment	9,701	0
518	EMR SWR REPAIR CAHABA RIVER PROJECT	2002	1,176	4,950	5,821	treatment	5,821	0
519	EMR SWR REPAIR CAHABA RIVER	2002	1,176	19,372	22,779	treatment	22,779	0
520	EMR SWR REPAIR CAHABA RIVER PROJECT	2002	1,176	51,699	60,792	treatment	60,792	0
521	EMR SWR REPAIR CAHABA RIVER PROJECT	2002	1,176	4,550	5,350	treatment	5,350	0
522	EMR SWR REPAIR CAHABA RIVER PROJECT	2002	1,176	6,250	7,349	treatment	7,349	0
523	EMR SWR REPAIR CAHABA RIVER PROJECT	2002	1,176	2,700	3,175	treatment	3,175	0
524	EMR SWR REPAIR CAHABA RIVER	2002	1,176	400	470	treatment	470	0
525	EMR SWR REPAIR MACRONINVERTEBRATES	2002	1,176	4,050	4,762	treatment	4,762	0
526	EMR SWR REPAIR CAHABA RIVER	2002	1,176	31,567	37,119	treatment	37,119	0
527	EMR SWR REPAIR CAHABA RIVER	2002	1,176	26,165	30,767	treatment	30,767	0
528	EMR SWR REPAIR CAHABA RIVER PROJECT	2002	1,176	33,230	37,316	treatment	37,316	0
529	EMR SWR REPAIR CAHABA RIVER PROJECT	2002	1,176	4,200	4,939	treatment	4,939	0
530	EMR SWR REPAIR CAHABA RIVER STUDY	2001	1,212	12,051	14,606	treatment	14,606	0
531	EMR SWR REPAIR CAHABA RIVER STUDY	2002	1,176	11,491	13,512	treatment	13,512	0
532	EMER SWR REPAIR BIOLOGICAL CONSULTING	2001	1,212	3,750	4,545	treatment	4,545	0
533	EMR SWR REPAIR EXAMINATION OF 16 ALGAE	2001	1,212	4,000	4,848	treatment	4,848	0
534	EMER SWR REPAIR BIOLOGICAL CONSULTING	2001	1,212	1,013	1,227	treatment	1,227	0
535	EMER SWR REPAIR BIOLOGICAL CONSULTING	2001	1,212	3,500	4,242	treatment	4,242	0
536	EMER SWR REPAIR-NON-BUILDING	2001	1,212	1,238	1,500	treatment	1,500	0
537	EMER SWR REPAIR-NON-BUILDING	2001	1,212	9,250	11,211	treatment	11,211	0
538	EMER SWR REPAIR-NON-BUILDING	2001	1,212	5,150	6,242	treatment	6,242	0
539	EMER SWR REPAIR-NON-BUILDING	2001	1,212	7,450	9,030	treatment	9,030	0
540	EMER SWR REPAIR-NON-BUILDING	2001	1,212	513	621	treatment	621	0
541	EMER SWR REPAIR-NON-BUILDING	2001	1,212	6,250	7,575	treatment	7,575	0
542	EMER SWR REPAIR-NON-BUILDING	2001	1,212	6,500	7,878	treatment	7,878	0
543	EMER SEWER REPAIR	2001	1,212	10,823	13,118	treatment	13,118	0
544	EMR SWR REPAIR CAHABA RIVER PROJECT	2001	1,212	29,414	35,652	treatment	35,652	0
545	EMER SWR REPAIR-NON-BUILDING	2001	1,212	6,000	7,272	treatment	7,272	0
546	EMER SWR REPAIR-CAHABA RIVER PROJECT	2001	1,212	21,013	25,468	treatment	25,468	0
547	EMER SWR REPAIR-NON-BUILDING	2001	1,212	7,400	8,969	treatment	8,969	0
548	EMER SWR REPAIR	2001	1,212	11,256	13,643	treatment	13,643	0
549	EMER SWR REPAIR-NON-BUILDING	2001	1,212	5,550	6,727	treatment	6,727	0
550	EMER SWR REPAIR-CAHABA RIVER PROJ NUT ST	2001	1,212	8,256	10,007	treatment	10,007	0
551	EMER SWR REPAIR-CAHABA RIVER PROJ NUT ST	2001	1,212	19,242	23,323	treatment	23,323	0
552	EMER SWR REPAIR-CAHABA RIVER PROJ NUT ST	2001	1,212	9,452	11,457	treatment	11,457	0
553	EMER SWR REPAIR	2001	1,212	263	318	treatment	318	0
554	EMER SWR REPA CAHABA RIVER PROJ	2001	1,212	6,164	7,472	treatment	7,472	0
555	EMER SWR REPAIR CAHABA RIVER	2001	1,212	11,325	13,726	treatment	13,726	0
556	EMER SWR REPAIR CAHABA RIVER PROJ	2001	1,212	3,072	3,723	treatment	3,723	0
557	EMER SWR REPAIR-CAHABA RIVER	2001	1,212	8,162	9,893	treatment	9,893	0
558	EMER SWR REPAIR	2001	1,212	1,950	2,363	treatment	2,363	0
559	EMER SWR REPAIR-NON-BUILDING	2001	1,212	1,256	1,521	treatment	1,521	0
560	EMER SWR REPAIR	2001	1,212	46,692	56,593	treatment	56,593	0
561	EMER SWR REPAIR PRIMARY PRODUCTIVITY STU	2001	1,212	25,348	30,722	treatment	30,722	0
562	EMER SWR REPAIR	2001	1,212	1,100	1,333	treatment	1,333	0
563	EMER SWR REPAIR-CAHABA RIVER	2001	1,212	29,002	35,151	treatment	35,151	0
564	EMER SWR REP-CAHABA RIV PROJ-NUTR & PROD	2000	1,236	15,188	18,770	treatment	18,770	0

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PRESENT VALUE ANALYSIS

LINE	DESCRIPTION	IN SVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
565	EMER SWR REP-CAHABA RIVER PROJ NUTRIENT	2000	1.236	5,268	6,510	treatment	6,510	0
566	EMER SWR REP-BIOLOGICAL CONSULTING FEE	2000	1.236	24,747	30,582	treatment	30,582	0
567	EMER SWR REP-CAHABA RIVER NUTRIENT STUDY	2000	1.236	10,397	12,849	treatment	12,849	0
568	EMER SWR REP-CAHABA RIVER NUT. STATION	2000	1.236	2,660	3,287	treatment	3,287	0
569	EMER SWR REP-CAHABA NUT. & P&L PROD.	2000	1.236	6,013	7,431	treatment	7,431	0
570	CAHABA RIVER MODELING PROJECT	1999	1.269	16,999	20,428	treatment	20,428	0
571	EMER SWR REPAIR-CAHABA RIVER PROJECT	2000	1.236	18,900	23,357	treatment	23,357	0
572	#2 CAHABA RIVER TRUNK SEWER	2000	1.236	432,968	535,068	collection system	0	535,068
573	#4 CAHABA RIVER TRUNK SEWER	2003	1.148	738,900	847,586	collection system	0	847,586
574	CONSTRUCTION REVIEW/LITTLE SHADES CRK SE	1999	1.269	297,836	377,912	collection system	0	377,912
575	LITTLE SHADES TRUNK SWR PHASE II	2003	1.212	340,420	412,605	collection system	0	412,605
576	GRANTS MILL RD SEWER SYSTEM	2003	1.148	371,808	427,018	collection system	0	427,018
577	NAPIER DRIVE SEWER REPLACEMENT	2004	1.081	26,288	28,405	collection system	0	28,405
578	CAHABA TRNK SWR REHAB	2000	1.236	124,573	154,072	collection system	0	154,072
579	CAHABA RIVER SS MINI SYSTEMS	1999	1.269	134,039	170,076	collection system	0	170,076
580	CAHABA RIVER SCS REHAP	2000	1.236	181,952	224,859	collection system	0	224,858
581	# 4 CAHABA SCS REHAB	2002	1.176	276,325	324,929	collection system	0	324,929
582	CONTRACT 6 CAHABA RIVER SCS REHAB	2002	1.176	143,350	168,565	collection system	0	168,565
583	CAHABA RIVER SCS REHAP	2000	1.236	188,157	232,527	collection system	0	232,527
584	CAHABA RIVER SANITARY SEWER	2003	1.148	130,530	149,912	collection system	0	149,912
585	CAHABA RIVER SCS REHABILITATION # 8	2002	1.176	172,202	202,492	collection system	0	202,492
586	CAHABA REHAB #10	2002	1.176	203,222	238,968	collection systems	0	238,968
587	#12 CAHABA RIVER SCS REHAB	2002	1.176	104,925	123,381	collection system	0	123,381
588	VESTHAVEN REPLACEMENT SW	2002	1.176	81,932	96,343	collection system	0	96,343
589	VESTAVIA TRNK SWR REPLAC	2001	1.212	565,259	685,119	collection system	0	685,119
590	VESTAVIA LATERAL SEWER EXTENSION	2004	1.081	149,906	161,978	collection system	0	161,978
591	WALKER CHAPEL TRUNK SEWER	1993	1.476	69,600	102,703	collection system	0	102,703
592	FULTONDAL ESTATES TRUNK SEWER	1991	1.590	64,917	103,223	collection system	0	103,223
593	VALLEY VIEW ESTATES ASSESS SEWER	1993	1.476	177,914	262,534	collection system	0	262,534
594	TUGGLES ADDITION TO CELINDA LANE	1990	1.625	58,400	94,881	collection system	0	94,881
595	CRESTLANE GARDENS OUTFALL SEWER	1991	1.590	70,990	112,880	collection system	0	112,880
596	N. SMITHFIELD TRUNK OUTFALL SEWER	1993	1.476	117,836	173,881	collection system	0	173,881
597	DANIEL DR CAPPED SEWER CONSTRUCTION	1993	1.476	110,698	163,348	collection system	0	163,348
598	GARDENDALE SEWER SYSTEM	1988	1.701	103,040	175,298	collection system	0	175,298
599	BRIDLEWOOD & 17TH AVENUE CAPPED	1994	1.422	318,334	452,543	collection system	0	452,543
600	WALKER CHAPEL TRUNK SEWER-CONSTRUCTION	1994	1.422	522,180	742,330	collection system	0	742,330
601	NEWFOUND CRK PUMP STATION (ENGINEERING)	1995	1.405	299,500	420,866	collection system	0	420,866
602	VALLEYVIEW EST-ENGINEERING DESIGN	1991	1.590	5,576	8,866	collection system	0	8,866
603	NEWFOUND CREEK/GEOTECHNICAL	1997	1.320	16,615	21,925	collection system	0	21,925
604	VALLEY VIEW ESTATES CONSTRUCTION	1994	1.422	99,556	141,529	collection system	0	141,529
605	NORTH SMITHFIELD TRUNK SEWER (CONSTR)	1994	1.422	2,116,957	3,009,461	collection system	0	3,009,461
606	GREENLEAS HEIGHTS TRUNK SWR SYSTEM	2000	1.236	1,404,805	1,736,078	collection system	0	1,736,078
607	GREEN LEAS HEIGHTS TRUNK	2003	1.148	1,747,402	2,006,875	collection system	0	2,006,875
608	W GARDENDALE TRUNK-PUMP STATIONS	1994	1.422	35,121	49,927	collection system	0	49,927
609	GARDENDALE SANITARY SEWER CONTRACT D	1997	1.320	3,640,157	4,803,558	collection system	0	4,803,558
610	GARDENDALE SANITARY SEWER SECTION III	1998	1.299	1,559,277	2,024,553	collection system	0	2,024,553
611	BLACK CREEK TRUNK SEWER SYSTEM V-A	1998	1.299	180,150	233,951	collection system	0	233,951
612	BLACK CREEK TRUNK SEWER EXTENSION	2003	1.148	1,052,224	1,208,471	collection system	0	1,208,471
613	TARRANT TRUNK REPLACEMENT DESIGN	1995	1.405	201,791	283,562	collection system	0	283,562
614	FIVE MILE CREEK TRUNK SWR REPLACEMENT	2000	1.236	8,991,882	11,112,295	collection system	0	11,112,295
615	#2 FIVE MILE CRK REPLACE	2001	1.212	7,227,756	8,760,364	collection system	0	8,760,364
616	DUCTILE IRON PIPE FIVE MILE CREEK	1999	1.269	64,181	81,437	collection system	0	81,437
617	#4 FIVE MILE SWR REPLACE	2001	1.212	6,404,413	7,762,436	collection system	0	7,762,436
618	5 MILE TRUNK SWR REPLACE	2001	1.212	2,084,903	2,526,996	collection system	0	2,526,996
619	COWAN/SWANN/OE CAPPED SEWER-CONSTR	1995	1.405	163,678	230,005	collection system	0	230,005
620	GOLE TRUNK SWR EXT ODUM	2001	1.212	1,789,903	2,169,443	collection system	0	2,169,443
621	BLACK CRK TO CARSON EXT	2001	1.212	1,316,276	1,595,386	collection system	0	1,595,386
622	MAY AVENUE CAPPED SEWER CONNECTION	2003	1.148	289,337	332,301	collection system	0	332,301
623	EMERGENCY SEWER REPAIR 23RD&3RD ST NW	1998	1.299	12,142	15,768	collection system	0	15,768
624	EMERGENCY SEWER REPAIR TWIN LAKE	1998	1.299	136,021	176,644	collection system	0	176,644
625	EMERGENCY SEWER REPAIR HWY 79	1999	1.269	6,679	8,474	collection system	0	8,474
626	EMER SWR REPAIR-MAJUY ST & GREENWALD ST	1999	1.269	5,303	6,729	collection system	0	6,729
627	EMER SWR REPAIR-TAMMY ANN DRIVE	1999	1.269	5,374	6,819	collection system	0	6,819
628	EMER SWR REPAIR-617 TUPELO ROAD	1999	1.269	7,523	9,545	collection system	0	9,545
629	#1 FIVE MILE CREEK CS	2001	1.212	48,772	59,114	collection system	0	59,114
630	#2 FIVE MILE CREEK CS	2001	1.212	48,903	59,273	collection system	0	59,273
631	#3 FIVE MILE CREEK CS	2001	1.212	49,034	59,431	collection system	0	59,431
632	#4 FIVE MILE CREEK	2001	1.212	49,476	59,967	collection system	0	59,967
633	SANITARY SEWER	2002	1.176	631,187	742,209	collection system	0	742,209
634	FIVE MILE CREEK SANITARY SWR	2004	1.081	1,695,106	1,831,620	collection system	0	1,831,620
635	#4FIVE MILE CREEK SANITARY SEWER	2004	1.081	1,559,630	1,685,234	collection system	0	1,685,234
636	FIVE MILE CREEK SANITARY SWR	2004	1.081	72,374	78,202	collection system	0	78,202
637	EMERGENCY SEWER REPAIR MILROED ANN DR	1999	1.269	1,781	2,260	collection system	0	2,260
638	EMR SWR REPAIR-GARDENDALE FORCE MAIN	1999	1.269	11,222	14,239	collection system	0	14,239
639	EMER SWR REPAIR - MOUNTAIN CIRCLE	1999	1.269	20,411	25,899	collection system	0	25,899
640	EMER SWR REPAIR-POLLY REED RD	2000	1.236	9,942	12,287	collection system	0	12,287
641	EMER SWR REP. - MANHOLE GRAYSON VALLEY	2000	1.236	2,699	3,336	collection system	0	3,336
642	EMER SWR REP. CARSON ROAD	2000	1.236	5,843	7,220	collection system	0	7,220
643	EMER SWR REP.-612 24TH CTNW	2000	1.236	6,329	7,821	collection system	0	7,821
644	EMER SWR REP-JUNIPER DR REPLACEMENT SEWE	2000	1.236	46,383	57,320	collection system	0	57,320
645	EMER SWR REP-1056 MEDINA LN-BHAM	2000	1.236	20,653	25,523	collection system	0	25,523
646	EMER SWR REP-5916 AVE P & 60TH ST BHAM	2000	1.236	24,814	30,666	collection system	0	30,666
647	EMER SWR REP-762 VAUGHN CIR BHAM	2000	1.236	27,227	33,647	collection system	0	33,647
648	EMER SWR REP-VALLEY EAST IND PARK-BHM	2000	1.236	3,216	3,974	collection system	0	3,974
649	EMER SWR REP-1909 WINEWOOD RD OPONT	2000	1.236	3,862	4,773	collection system	0	4,773
650	EMER SWR REP-820 JACKSON BLVD TARRANT	2000	1.236	10,869	13,431	collection system	0	13,431
651	MISC SANITARY IMPRV-DESIGN	2001	1.212	40,694	49,323	collection system	0	49,323
652	OXMOOR WENONAH	2002	1.176	292,842	344,351	collection system	0	344,351
653	FULTONBROOK MANOR SEWER	2001	1.212	158,181	191,722	collection system	0	191,722
654	ANNENDALS TRUNK SEWER	2002	1.176	105,492	124,047	collection system	0	124,047
655	EMER SWR REP-1405 HIGHPOINT TER BHAM	2000	1.236	4,145	5,122	collection system	0	5,122
656	EMER SWR REP-1405 HIGHPOINT TER-BHAM	2000	1.236	10,656	13,169	collection system	0	13,169
657	EMER SWR REP-1409 TYLER LN-BHAM	2000	1.236	20,952	25,893	collection system	0	25,893
658	EMER SWR REP-908 TAMMY ANN DR-BHAM	2000	1.236	28,151	34,789	collection system	0	34,789

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659	EMER SWR REP-921 TOMMY ANN DR BHAM	2000	1.236	10,674	13,192	collection system	0	13,192
660	EMER SWR REP-1535 JUNIPER DR-BHAM	2000	1.236	34,319	42,412	collection system	0	42,412
661	EMER SWR REP-BHAM & HATCHET STREETS	2000	1.236	11,666	14,417	collection system	0	14,417
662	EMER SWR REP-ARGONNE DR & BOBOLINK-BHAM	2000	1.236	10,309	12,740	collection system	0	12,740
663	EMER SWR REP-E HAVEN & LAKE DR BHAM	2000	1.236	11,906	14,714	collection system	0	14,714
664	EMER SWR REP-2592 COMMERCE CR-TARRANT	2000	1.236	4,375	5,406	collection system	0	5,406
665	EMER SWR REP-916-29TH AVE NW C'POINT	2000	1.236	5,805	7,174	collection system	0	7,174
666	EMER SWR REP-309 ORCHID D-ROBBUCK	2000	1.236	7,811	9,652	collection system	0	9,652
667	EMER SWR REP-KIMBERLY DR GARDENDALE	2000	1.236	9,200	11,370	collection system	0	11,370
668	EMER SWR REP-801 SPRING LAKE CIR-BHAM	2000	1.236	16,678	20,611	collection system	0	20,611
669	EMER SWR REP-176 VAUGHN CIR BHAM	2000	1.236	10,704	13,228	collection system	0	13,228
670	EMER SWR REP-1437 HICKORY LN-BHAM	2000	1.236	24,044	29,713	collection system	0	29,713
671	EMER SWR REP-1433 HICKORY LN-BHAM	2000	1.236	9,015	11,141	collection system	0	11,141
672	EMER SWR REPAIR - 601 VAUGHN CIR BHAM	2000	1.236	7,982	9,865	collection system	0	9,865
673	EMER SWR REPAIR - 916 PINEHILL RD BHAM	2000	1.236	11,381	14,065	collection system	0	14,065
674	EMER SEW REP-1757 MOLLY DRIVE	2000	1.236	10,631	13,138	collection system	0	13,138
675	EMER SEW REP-1753 MOLLY DRIVE	2000	1.236	15,414	19,049	collection system	0	19,049
676	EMER SEW REP-1726 MOLLY DRIVE	2000	1.236	7,778	9,612	collection system	0	9,612
677	EMER SEW REP-1718 MOLLY DRIVE	2000	1.236	7,970	9,850	collection system	0	9,850
678	EMER SEW REP-1704 MOLLY DRIVE	2000	1.236	8,733	10,792	collection system	0	10,792
679	EMER SEW REP-1813 MOLLY DRIVE	2000	1.236	6,647	8,215	collection system	0	8,215
680	EMER SWR REP 1709 MOLLY DRIVE	2000	1.236	6,589	8,143	collection system	0	8,143
681	EMER SWR REPR-185 VAUGHN CIRCLE BHAM	2000	1.236	2,145	2,651	collection system	0	2,651
682	EMER SWR REPR-253 OLYNN DRL RD BHAM	2000	1.236	1,449	1,790	collection system	0	1,790
683	EMER SWR REP-RIDGEMONT RD & CROYDON CIR	2000	1.236	10,008	12,368	collection system	0	12,368
684	EMER SWR REP-1813 MOLLY LANE	2000	1.236	5,480	6,773	collection system	0	6,773
685	EMER SWR REP-1711 MOLLY CIRCLE	2000	1.236	15,261	18,859	collection system	0	18,859
686	EMER SWR REP-1734 MOLLY LANE	2000	1.236	9,714	12,005	collection system	0	12,005
687	EMER SWR REP-MOLLY LANE & MOLLY DRIVE	2000	1.236	12,961	16,018	collection system	0	16,018
688	EMER SWR REP-1733 BREWSTER RD	2000	1.236	7,550	9,330	collection system	0	9,330
689	EMER SWR REP-1708 PATRICIA CIR	2000	1.236	15,267	18,867	collection system	0	18,867
690	EMER SWR REP-1701 PATRICIA DR	2000	1.236	1,728	2,135	collection system	0	2,135
691	EMER SWR REP-1701 PATRICIA DR	2000	1.236	1,728	2,135	collection system	0	2,135
692	EMER SWR REP-1707 TUDOR RD	2000	1.236	9,937	12,280	collection system	0	12,280
693	EMER SWR REP-1707 TUDOR RD	2000	1.236	9,937	12,280	collection system	0	12,280
694	EMER SWR REP 1160 HUFFMAN RD BHAM	2000	1.236	8,309	10,269	collection system	0	10,269
695	EMER SWR REP-1160 HUFFMAN RD BHAM	2000	1.236	16,345	20,200	collection system	0	20,200
696	EMER SWR REPAIR-200 PINE HILL RD BHAM	2000	1.236	78,279	96,739	collection system	0	96,739
697	EMER SER REP-1901 ETOWAH STREET TARRANT	2000	1.236	7,600	9,393	collection system	0	9,393
698	EMER SWR REP-4317 41ST STREET N BHAM	2000	1.236	110,636	136,725	collection system	0	136,725
699	EMER SWR REP-5094 PARKWAY EAST BHAM	2000	1.236	9,623	10,656	collection system	0	10,656
700	EMER SWR REP-409 OLYNN DRIVE BHAM	2001	1.212	9,465	11,471	collection system	0	11,471
701	EMER SWR REP-440 DANIEL DR - BHAM	2001	1.212	8,694	10,526	collection system	0	10,526
702	EMER SWR REP-1613 MARDIS DRIVE	2001	1.212	7,296	8,843	collection system	0	8,843
703	EMER SWR REPAIR MOUNTAIN DR	2001	1.212	15,466	18,746	collection system	0	18,746
704	EMER SWR REPAIR-1118 SUNCREST LANE	2001	1.212	18,984	23,009	collection system	0	23,009
705	EMER SWR REPAIR	2001	1.212	16,400	19,878	collection system	0	19,878
706	EMER SWR REPAIR BARRINGTON LANE & ANGORA	2001	1.212	24,041	29,139	collection system	0	29,139
707	UPPER FIVE MILE CREEK COLLECTION SYSTEM	2003	1.148	49,799	57,194	collection system	0	57,194
708	FIVE MILE CREEK MANHOLE HEIGHT ADJ.	2003	1.148	49,678	57,054	collection system	0	57,054
709	#14 FIVE MILE CREEK	2002	1.176	49,220	57,878	collection system	0	57,878
710	EMER SWR REPAIR UPDATE	2001	1.212	49,504	60,002	collection system	0	60,002
711	EMER SWR REPAIR UPDATE	2001	1.212	49,838	60,406	collection system	0	60,406
712	EMER SWR REPAIR UPDATE	2001	1.212	49,608	60,127	collection system	0	60,127
713	EMR SWR REPAIR UPDATE	2001	1.212	39,609	48,008	collection system	0	48,008
714	EMER SWR REPAIR NORTH SMITHFIELD SEWER	2001	1.212	19,760	23,950	collection system	0	23,950
715	EMR SWR REPAIR 116 REDSTONE WAY BHAM	2002	1.176	45,256	53,217	collection system	0	53,217
716	EMR SWR REPAIR 2109 3RD STREET NE BHAM	2002	1.176	28,064	33,000	collection system	0	33,000
717	EMR SWR REPAIR-103 SHAWNEE LANE BHAM	2002	1.176	12,834	15,091	collection system	0	15,091
718	EMR SWR REPAIR 4020 40TH AVENUE NORTH	2002	1.176	47,325	55,649	collection system	0	55,649
719	EMR SWR REPAIR-40TH TERRACE N	2002	1.176	45,890	53,961	collection system	0	53,961
720	FIVE MILE CREEK COLLECTION SYSTEM	2003	1.148	49,994	57,417	collection system	0	57,417
721	UPPER FIVE MILE CREEK HEIGHT ADJUSTMENT	2003	1.148	48,723	55,957	collection system	0	55,957
722	#17 FIVE MILE CREEK COLLECTION SYSTEM	2003	1.148	47,353	54,385	collection system	0	54,385
723	UPPER FIVE MILE CREEK COLLECTION SYSTEM	2003	1.148	48,743	55,980	collection system	0	55,980
724	UPPER FIVE MILE CREEK COLLECTION	2002	1.176	48,750	57,325	collection system	0	57,325
725	FIVE MILE CREEK #5	2003	1.148	49,185	56,489	collection system	0	56,489
726	JEFFERSON CASE SETTLEMENT	2003	1.148	67,926	78,012	collection system	0	78,012
727	NEWFOUND CREEK PUMP STATIONS AND SEWERS	1998	1.299	5,742,305	7,457,237	collection system	0	7,457,237
728	FIVE MILE CREEK REPLACEMENT ASSESSMENT	1998	1.299	54,626	70,940	collection system	0	70,940
729	TARRANT TRNK REP SEWER GEOTECHNICAL TEST	1998	1.299	120,249	156,161	collection system	0	156,161
730	FIVE MILE TRUNK SEWER REPLACEMENT	2003	1.148	52,601	60,412	collection system	0	60,412
731	UPPER FIVE MILE CREEK SEWER PROJECT	2003	1.143	161,322	185,276	collection system	0	185,276
732	BLACK CREEK TRUNK EXT	2001	1.212	22,522	27,298	collection system	0	27,298
733	DESIGN TARRANT TRUNK REPLACEMENT	1998	1.299	298,370	387,478	collection system	0	387,478
734	GARDENDALE TRUNK SWR EXT DESIGN	2000	1.236	144,529	178,611	collection system	0	178,611
735	DESIGN OF TARRANT SPRINGS BRAND	2002	1.176	558,500	656,737	collection system	0	656,737
736	SEWER CONNECTION 15TH AVE NW & 6TH ST	2003	1.148	19,700	22,625	collection system	0	22,625
737	DOGWOOD ACRES CAPPED SEWER	2004	1.081	78,950	85,308	collection system	0	85,308
738	SWR SYSTEM EVAL-FIVE MILE CRK	2000	1.236	680,624	841,125	collection system	0	841,125
739	SWR SYSTEM EVAL FIVE MILE CREEK	2000	1.236	798,454	986,740	collection system	0	986,740
740	LOMB AVE & BORDER ST REPLACEMENT SEWER	2004	1.081	138,490	149,643	collection system	0	149,643
741	FIVE MILE CREEK REPL	2001	1.212	413,652	501,364	collection system	0	501,364
742	CONTRACT/FIVE MILE REPLACEMENT	2002	1.176	30,692	36,091	collection system	0	36,091
743	GARDENDALE TRUNK SEWER EXTENSION	2004	1.081	272,883	294,644	collection system	0	294,644
744	FIVE MILE CREEK TV INSPECTION	2004	1.081	96,836	104,635	collection system	0	104,635
745	FIVE MILE CREEK SANITARY SWR	2004	1.081	35,754	38,634	collection system	0	38,634
746	FIVE MILE CREEK SANITARY SEWER	2004	1.081	41,486	44,827	collection system	0	44,827
747	LEEDS WWTP CONSTRUCTION REVIEW	1994	1.422	30,398	43,213	treatment	43,213	0
748	LEEDS WWTP-DESIGN	1993	1.476	376,695	555,860	treatment	555,860	0
749	LEEDS WWTP EXPANSION-ENGINEERING	1994	1.422	20,576	29,250	treatment	29,250	0
750	LEEDS WWTP 1990 MODIFICATIONS	1992	1.542	442,513	682,455	treatment	682,455	0
751	WEST LEEDS SEWER PH I	2004	1.081	987,628	1,067,165	collection system	0	1,067,165
752	NORMAN R. SKINNER WWTP ACCESS	2003	1.148	262,496	301,475	treatment	301,475	0

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753	EMER SWR REP-CORRIDOR X EMER SWR REPLACE	2000	1.236	442,955	547,410	collection system	0	547,410
754	EMER SWR REP-1217 LOLLY AVE	2000	1.236	2,634	3,255	collection system	0	3,255
755	EMR SWR REPAIR 304 PARKWAY DR LEEDS	2002	1.176	42,075	49,476	collection system	0	49,476
756	LEEDS SSES	1998	1.299	209,581	272,172	collection system	0	272,172
757	LEEDS & TRUSSVILLE SEWER DESIGN	1999	1.269	420,253	533,241	collection system	0	533,241
758	6 PS DATA COLLECTION #6	2002	1.176	395,781	465,397	collection system	0	465,397
759	LEEDS SANITARY SWR COLLECTION	2001	1.212	373,932	453,222	collection system	0	453,222
760	GLENN AVE SEWER REPLACEMENT	1992	1.542	351,471	542,048	collection system	0	542,048
761	TRUSSVILLE WWTP DRYING BEDS	1994	1.422	7,642	10,864	treatment	10,864	0
762	TRUSSVILLE WWTP DRYING BEDS-INSPECTION	1995	1.405	28,555	40,126	treatment	40,126	0
763	TRUSSVILLE TRUNK SEWER-CONSTR REVIEW	1997	1.320	227,599	300,341	collection system	0	300,341
764	GREEN DRIVE TRUNK SEWER	1998	1.399	354,067	459,809	collection system	0	459,809
765	PHASE III TRUSSVILLE TRUNK SEWER	2004	1.081	1,159,589	1,252,975	collection system	0	1,252,975
766	E TRUSSVILLE/DEERFOOT PK	2002	1.176	1,571,507	1,847,927	collection system	0	1,847,927
767	MAPLEWOOD S/D SWR INSTALL	2000	1.236	88,650	109,555	collection system	0	109,555
768	SHERMAN OAKS SEWER/TRUSSVILLE LATERAL	2003	1.148	1,364,925	1,567,604	collection system	0	1,567,604
769	TRUSSVILLE SSES REHAP	1999	1.269	3,905,974	4,956,119	collection system	0	4,956,119
770	TRUSSVILLE SSES TV INSPECTION	2000	1.236	265,083	327,593	collection system	0	327,593
771	TRUSSVILLE PARK SEWER-DESIGN	1995	1.405	227,442	319,608	collection system	0	319,608
772	TRUSSVILLE INDUSTRIAL ENG CONSTRUCTION	2003	1.148	244,917	281,285	collection system	0	281,285
773	CITY OF TRUSSVILLE-SWR AGREEMENT	1999	1.269	24,128	30,615	collection system	0	30,615
774	SANITARY SWR CONSTR-TRUSSVILLE	2000	1.236	103,097	127,408	collection system	0	127,408
775	TRUSSVILLE WWTP DRYING BEDS-CONSTR	1995	1.405	2,234,540	3,140,037	treatment	3,140,037	0
776	TRUSSVILLE WWTP EXPANSION	2000	1.236	14,321,602	17,698,839	treatment	17,698,839	0
777	TRUSSVILLE WWTP EXPANSION	2000	1.236	139,135	171,944	treatment	171,944	0
778	EMER SWR REPAIR - TRUSSVILLE WWTP	2000	1.236	12,660	15,646	treatment	15,646	0
779	EMER SWR REP-HIDDEN TRACE SUB TRUSSVILLE	2000	1.236	9,238	11,417	collection system	0	11,417
780	EMER SWR REP-107 SO MALL ST TRVILLE	2000	1.236	8,428	10,415	collection system	0	10,415
781	EMR SWR REP-JEFCO RSCOMMERCE DR W TSVLE	2000	1.236	1,691	2,090	collection system	0	2,090
782	EMER SWR REP-317 LINDEN AVE - TRUSSVILLE	2000	1.236	15,644	19,333	collection system	0	19,333
783	EMER SWR REP-107 MEADOW LAKE - TRUSSVILLE	2000	1.236	7,463	9,223	collection system	0	9,223
784	EMER SWR REP-305 PALACE DR TRUSSVILLE	2000	1.236	12,618	15,594	collection system	0	15,594
785	EMER SWR REP-90 PARKWAY DR TRUSSVILLE	2001	1.212	2,279	2,762	collection system	0	2,762
786	EMER SWR REPAIR-101 MORROW STREET TRUSSV	2001	1.212	47,592	57,684	collection system	0	57,684
787	EMER SWR REPAIR	2001	1.212	49,813	60,376	collection system	0	60,376
788	EMER SWR REPAIR NORTH SERVICE ROAD	2001	1.212	25,580	31,004	collection system	0	31,004
789	TRUSSVILLE SSES	1999	1.269	209,581	265,928	collection system	0	265,928
790	TRUSSVILLE EXTENTION-DEERFOOT PARKWAY	1999	1.269	16,146	20,487	collection system	0	20,487
791	TRUSSVILLE WWTP EXPANSION	1999	1.269	479,461	608,367	treatment	608,367	0
792	DESIGN SVCS-MISC SEWERS	2001	1.212	165,813	200,972	collection system	0	200,972
793	EVALUATIONS-GRS DATA COLLECTIONS	2001	1.212	417,101	505,545	collection system	0	505,545
794	TRUSSVILLE WWTP-INSPECTION SERVICES	2003	1.148	533,165	612,335	treatment	612,335	0
795	TRUSSVILLE SERVICE ROAD RELIEF TUNNEL	2004	1.081	185,909	200,881	collection system	0	200,881
796	ENGINEERING SER-MAPLEWOOD S/D	2000	1.236	23,896	29,531	collection system	0	29,531
797	TRUSSVILLE SSES REHAP	2000	1.236	242,929	300,215	collection system	0	300,215
798	TRUSSVILLE SSES TV INSPECTION	2002	1.176	105,898	124,525	collection system	0	124,525
799	TRUSSVILLE SSES TV INSPECTION	2002	1.176	105,898	124,525	collection system	0	124,525
800	TRUSSVILLE WWTP DRYING BEDS	1998	1.299	180,906	234,933	treatment	234,933	0
801	TURKEY CREEK TRUNK SEWER	1993	1.476	1,379,026	2,034,924	collection system	0	2,034,924
802	TURKEY CREEK TRUNK GEOTECH/SHADOW LAKE	1992	1.542	9,500	14,651	collection system	0	14,651
803	7TH,8TH,9TH ST ASSESS. SEWER IMPROVEMENT	1991	1.590	15,375	24,447	collection system	0	24,447
804	HOLIDAY PARK ESTATES ASSESSMENT SEWER	1992	1.542	207,946	320,699	collection system	0	320,699
805	GRIST MILL RD. CAPPED SEWER EXTENSION	1991	1.590	45,020	71,585	collection system	0	71,585
806	GRISTMILL ROAD SANITARY SEWER	1992	1.542	349,536	539,064	collection system	0	539,064
807	MIMS ADDITION TO CENTER POINT ASSESSMENT	1991	1.590	43,059	68,467	collection system	0	68,467
808	WILLOWOOD CIRCLE TO LEIGH DRIVE	1985	1.833	40,521	74,261	collection system	0	74,261
809	TURKEY CREEK SOILS EVALUATION	1995	1.405	4,800	6,745	collection system	0	6,745
810	TURKEY CREEK TRUNK EXTENSION-DESIGN	1995	1.405	287,508	404,014	collection system	0	404,014
811	TURKEY CREEK TRUNK EXTENSION-CONSTR	1993	1.476	964,372	1,423,050	collection system	0	1,423,050
812	TURKEY CREEK TRUNK SEWER (ENGINEERING)	1994	1.422	18,451	26,229	collection system	0	26,229
813	TURKEY CREEK TRUNK EXTENSION	1996	1.568	4,495,888	6,150,247	collection system	0	6,150,247
814	TURKEY CRK PHASE "C" LATERAL "A"	1997	1.320	64,253	84,789	collection system	0	84,789
815	CHALKVILLE GIRLS SCHOOL-DESIGN	1991	1.590	2,262	3,597	collection system	0	3,597
816	TURKEY CREEK LATERAL EXTENTION (SURVEY)	1994	1.422	34,465	48,995	collection system	0	48,995
817	TURKEY CREEK LATERAL EXTENTION (CONSTR)	1994	1.422	327,039	464,919	collection system	0	464,919
818	SWEENEY HOLLOW EXTENTION (CONSTR)	1995	1.405	218,444	306,963	collection system	0	306,963
819	PINSON VALLEY TRUNK EXTENSION PHASE I	1998	1.299	1,503,497	1,952,515	collection system	0	1,952,515
820	PINSON VALLEY TRUNK SEWER EXTENSION	1999	1.269	889,605	1,128,781	collection system	0	1,128,781
821	TURKEY CREEK LAERAL EXTENTION	2001	1.212	3,108,788	3,767,990	collection system	0	3,767,990
822	TURKEY CREEK EXTENTION-CLAY-CHVILLE-CAM	1999	1.269	324,715	412,017	collection system	0	412,017
823	TURKEY CREEK TRUNK	2002	1.176	754,497	887,209	collection system	0	887,209
824	HOLIDAY PK ESTATES SEWER-CONST	1995	1.405	242,358	340,568	collection system	0	340,568
825	BEAVER CREEK TRUNK SWR RELOCATION	2000	1.236	1,222,474	1,510,750	collection system	0	1,510,750
826	MIMOSA TRAILER PK SS REL	2001	1.212	430,067	545,501	collection system	0	545,501
827	25TH CT/2ND WAY NE ASSES	2001	1.212	68,149	82,600	collection system	0	82,600
828	OLD SPRINGVILLE ROAD SS EXT	2002	1.176	613,307	721,185	collection system	0	721,185
829	TURKEY CREEK SANITARY SEWER	2002	1.176	9,858,204	11,592,210	collection system	0	11,592,210
830	TURKEY CREEK SANITARY SEWER	2004	1.081	1,516,243	1,638,460	collection system	0	1,638,460
831	EMERGENCY SEWER REPAIR SWEENEY HOLLOW RD	1999	1.269	6,235	8,419	collection system	0	8,419
832	EMERGENCY SEWER REPAIR SWEENEY HOLLOW RD	1999	1.269	9,981	12,664	collection system	0	12,664
833	EMERGENCY SEWER REPAIR SWEENEY HOLLOW RD	1999	1.269	2,523	3,201	collection system	0	3,201
834	EMERGENCY SEWER REPAIR SHOEMATER DR	1999	1.269	7,360	9,339	collection system	0	9,339
835	SANITARY PUMP STATION	2000	1.236	161,172	199,179	collection system	0	199,179
836	SANITARY TRUNK SWR CONSTR	2000	1.236	23,071	28,514	collection system	0	28,514
837	TURKEY CREEK/WARRIOR WWTP	2003	1.148	178,113	204,561	collection system	0	204,561
838	EMER SWR REPL SLEEPY HOLLOW DR	1999	1.269	8,335	10,576	collection system	0	10,576
839	EMER SWR REP-6TH ST NE & WOOD DR C'POINT	2000	1.236	15,179	18,758	collection system	0	18,758
840	EMER SWR REP-1424 WINOLA DR BHAM	2000	1.236	47,633	58,865	collection system	0	58,865
841	EMER SWR REPAIR - 175 SATURN LN BHAM	2000	1.236	4,284	5,294	collection system	0	5,294
842	EMER SWR REPR-135 SATURN LANE PINSON	2000	1.236	24,707	30,534	collection system	0	30,534
843	EMER SWR REP-100 KALEY DRIVE PINSON	2000	1.236	5,411	6,686	collection system	0	6,686
844	EMER SWR REP-2330 RAINIER DR NE	2000	1.236	3,124	3,861	collection system	0	3,861
845	EMER SWR REP-301 25TH AVE NE	2000	1.236	2,549	3,150	collection system	0	3,150
846	EMER SWR REP-2608 6TH ST NE	2000	1.236	2,711	3,350	collection system	0	3,350

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LINE	DESCRIPTION	IN SVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
847	EMER SWR REP-2408 COVE CIRCLE NE	2000	1.236	2,860	3,334	collection system	0	3,534
848	EMER SWR REP 475 HERITAGE WAY PINSON	2000	1.236	11,189	13,838	collection system	0	13,838
849	EMER SWR REPAIR-312 MARTIN DRIVE BHAM	2000	1.236	21,481	26,546	collection system	0	26,546
850	EMER SWR REP-3500 WILLOW CIRCLE	2000	1.236	1,932	2,388	collection system	0	2,388
851	EMER SWR REP - 333 25TH AVE NE	2000	1.236	9,356	11,563	collection system	0	11,563
852	EMER SWR REP -2727 6TH STREET NE	2000	1.236	1,748	2,160	collection system	0	2,160
853	EMER SWR REP-409 MARTIN DRIVE-BHAM	2000	1.236	26,308	32,512	collection system	0	32,512
854	EMER SWR REP-316 MARTIN DRIVE -BHAM	2000	1.236	11,071	13,682	collection system	0	13,682
855	EMER SWR REP-317 ST JOHN ST - BHAM	2000	1.236	4,084	5,047	collection system	0	5,047
856	EMER SWR REP-200 MARTIN DRIVE -BHAM	2000	1.236	5,929	7,327	collection system	0	7,327
857	EMER SWR REP-3809 VENUS AVS BHAM	2000	1.236	16,989	20,996	collection system	0	20,996
858	EMER SWR REP-230 JUPITER DRIVE BHAM	2000	1.236	5,532	6,837	collection system	0	6,837
859	EMER SWR REP- 195 SATURN LANE BHAM	2000	1.236	4,174	5,158	collection system	0	5,158
860	EMER SWR REP-4023 ST JOHN'S WAY BHAM	2000	1.236	9,725	12,019	collection system	0	12,019
861	EMER SWR REP-4014 ST JOHN'S WAY BHAM	2000	1.236	4,921	6,081	collection system	0	6,081
862	EMER SWR REP-ARROWHEAD SUDVISION CTR.PT	2001	1.212	17,727	21,485	collection system	0	21,485
863	EMER SWR REP-2650 SWBENEY HOLLOW RD PINS	2001	1.212	1,266	1,535	collection system	0	1,535
864	EMER SWR REPAIR-520 PINSON VALLEY PKWY	2001	1.212	16,352	19,832	collection system	0	19,832
865	PINSON VILLY TRUNK SEWER EXT PLANS	1999	1.269	118,800	150,740	collection system	0	150,740
866	GEOTECHNICAL/TURKEY CREEK DEERFOOT PKWY	1998	1.299	31,023	40,288	collection system	0	40,288
867	TURKEY CREEK TRUNK #1	2000	1.236	179,615	221,971	collection system	0	221,971
868	TURKEY CRK SWR TO DEWEY HIGHT	2001	1.212	123,515	148,494	collection system	0	148,494
869	ALDOT PROJECT SEWER RELACATION HWY 75	2003	1.148	272,376	312,821	collection system	0	312,821
870	CARDINAL DRIVE CAPPED SEWER COLLECTION	2000	1.236	44,680	55,216	collection system	0	55,216
871	TURKEY CREEK SANITARY COLLECTION SYSTEM	2003	1.148	332,479	381,850	collection system	0	381,850
872	ENGINEERING SERVICES-TURKEY CRK SEWER	2000	1.236	9,847	12,168	collection system	0	12,168
873	DRY RANCH TRUNK EXTENSION	1998	1.299	9,095	11,811	collection system	0	11,811
874	TURKEY CRK SEWER STUDY	2001	1.212	46,566	56,440	collection system	0	56,440
875	TURKEY CREEK SEWER	2001	1.212	46,566	56,440	collection system	0	56,440
876	TURKEY CREEK-PHASE I	2000	1.236	16,811	20,776	collection system	0	20,776
877	VALLEY CREEK WASTEWATER TREATMENT	1989	1.666	26,841,170	44,713,958	treatment	44,713,958	0
878	PRINCE STREET PUMPING STATION/SEWERS	1999	1.269	929,705	729,891	collection	0	925,891
879	CONTRUCTION OF LOWER VALLEY CREEK SEWER	1987	1.745	20,507,289	35,783,032	collection	0	35,783,032
880	LOWER VALLEY CREEK INTERCEPTER SEWER	1987	1.745	2,791,445	4,870,774	collection	0	4,870,774
881	SOUTH BESSEMER SANITARY SEWER	1991	1.590	1,531,926	2,435,873	collection	0	2,435,873
882	S. BESSEMER OUTFALL MCADORY TRUNK SEWER	1993	1.476	369,169	544,755	collection	0	544,755
883	VALLEY BRICK INSPECTION	1991	1.390	449,547	714,812	collection	0	714,812
884	VALLEY CREEK BRICK SEWER REPLACEMENT	1990	1.625	563,948	916,235	collection	0	916,235
885	VALLEY CREEK OLD BRICK SEWER REPLACEMENT	1991	1.590	3,938,048	6,261,782	collection	0	6,261,782
886	VALLEY BK SEWER CONSTR-A,I,F	1991	1.590	60,166	95,668	collection	0	95,668
887	VALLEY CREEK OLD BRICK SEWER REPLACEMENT	1993	1.476	1,039,686	1,563,698	collection	0	1,563,698
888	VALLEY CREEK OLD BRICK SEWER	1992	1.542	436,377	672,992	collection	0	672,992
889	VALLEY CREEK DIVERSION TUNNEL PHASE I	1989	1.666	3,105,050	4,584,423	collection	0	4,584,423
890	VALLEY CREEK DIVERSION TUNNEL PHASE II	1990	1.625	3,982,850	6,470,869	collection	0	6,470,869
891	RICE CREEK SANITARY SEWER	1991	1.590	945,612	1,503,591	collection	0	1,503,591
892	SHADES VALLEY TRANSFER EMER. GATE REPAIR	1990	1.625	159,000	258,325	collection	0	258,325
893	HOPEWELL PRELIMINARY SEWER REPORT	1992	1.542	18,525	28,570	collection	0	28,570
894	SHANNON ENGINEERING DESIGN SERVICES	1993	1.476	13,000	19,183	collection	0	19,183
895	LOWER VALLEY CREEK INTERPRETER SEWER	1987	1.745	2,289,782	3,995,425	collection	0	3,995,425
896	SHADES VALLEY TRANSFER SEWER	1985	1.833	4,358,038	7,986,793	collection	0	7,986,793
897	DOLONAH RD RELOCATION (SURVEY)	1995	1.405	21,000	29,510	treatment	29,510	0
898	ULTIMATE SLUDGE DISPOSAL PLAN-ENGINEERIN	1994	1.422	547,788	778,734	treatment	778,734	0
899	SLUDGE DISPOSAL-MULGA LOOP (RNG)	1995	1.405	185,031	261,417	treatment	261,417	0
900	SOUTH BESSEMER-ENGINEERING	1990	1.625	7,377	11,986	collection	0	11,986
901	SOUTH BESSEMER-DESIGN	1992	1.542	7,966	12,285	collection	0	12,285
902	BESSEMER ENGINEERING-DESIGN	1992	1.542	7,966	12,285	collection	0	12,285
903	VALLEY CREEK BRICK SEWER	1996	1.368	563,948	771,464	collection	0	771,464
904	VALLEY CREEK TRUNK (ENGINEERING)	1995	1.405	284,940	400,405	collection	0	400,405
905	VALLEY CRK BRICK REPLACEMENT-REVIEW	1994	1.422	189,758	269,760	collection	0	269,760
906	VALLEY CREEK BRICK SEWER-CONSTR	1994	1.422	1,391,013	1,977,461	collection	0	1,977,461
907	VALLEY CRK BRICK SEWER-CV89-8388	1994	1.422	7,262	10,324	collection	0	10,324
908	VALLEY CREEK SEWER REPL (SEC C-1)	1996	1.368	2,158,472	2,952,729	collection	0	2,952,729
909	VALLEY CREEK BRICK SEWER REPLACEMENT	1997	1.320	4,896,221	6,461,061	collection	0	6,461,061
910	VALLEY CREEK SEC E CONSTRUCTION REVIEW	1997	1.320	249,304	328,982	collection	0	328,982
911	VALLEY CREEK BRICK SEWER REPLACEMENT	2003	1.148	5,266,161	6,048,140	collection	0	6,048,140
912	FAIRFIELD TRUNK REPLACEMENT DESIGN	1995	1.405	166,283	233,806	collection	0	233,806
913	FAIRFIELD SS IMPROVEMENTS	1997	1.320	1,906,018	2,515,185	collection	0	2,515,185
914	HOPEWELL/LOVELESS PARK (ENGINEERING)	1995	1.405	52,500	73,774	collection	0	73,774
915	OXMOOR TRUNK SEWER-CONSTR	1995	1.405	4,497,414	6,319,890	collection	0	6,319,890
916	OXMOOR TRUNK SEWER	1996	1.368	1,614,839	2,209,054	collection	0	2,209,054
917	SAND RIDGE TRUNK SWR EXT	2000	1.236	375,025	463,461	collection	0	463,461
918	MARTIN DR OUTFALL SEWER-CONSTR	1994	1.422	444,389	631,742	collection	0	631,742
919	PIPE SHOP SS/PUMP STATION	2002	1.176	3,563,820	4,190,678	collection	0	4,190,678
920	JEFFERSON METRO PARK TRUNK SEWER-PHASE 1	1999	1.269	373,900	474,425	collection	0	474,425
921	JEFFERSON METRO PARK SEWER	2003	1.148	3,098,174	3,558,225	collection	0	3,558,225
922	PHASE II VALLEY CREEK TRUNK SEWER RELIEF	2004	1.081	2,061,450	2,227,467	collection	0	2,227,467
923	VINTAGE TRACE SWR & PUMP STA	1999	1.269	400,255	507,866	collection	0	507,866
924	ALASKA DRIVE SANITARY SEWER REHAB	2004	1.081	274,163	296,243	collection	0	296,243
925	EASTERN VALLEY ROAD SANITARY SEWER EXT.	2003	1.148	486,424	558,654	collection	0	558,654
926	#1 VALLEY CREEK SSCSR	2001	1.212	6,855,354	8,308,996	collection	0	8,308,996
927	RIVER CREEK SANITARY SWR	2001	1.212	102,606	124,362	collection	0	124,362
928	#1 W END VLY CRK SSCS RE	2001	1.212	6,957,959	8,433,358	collection	0	8,433,358
929	VALLEY CREEK SANITARY SWR COLL	2001	1.212	6,256,222	7,582,821	collection	0	7,582,821
930	#1 UPPER VALLEY CREEK	2002	1.176	4,469,720	5,255,921	collection	0	5,255,921
931	#2 LOWER VALLEY CREEK	2002	1.176	5,878,333	6,912,301	collection	0	6,912,301
932	LOWER VALLEY CRK SSC SYSTEM #3	2001	1.212	4,892,587	5,930,034	collection	0	5,930,034
933	#LOWER VALLEY CRK SSC	2002	1.176	3,646,814	4,288,270	collection	0	4,288,270
934	UPPER VALLEY CREEK SEWER SYSTEM	2003	1.148	6,203,887	7,125,110	collection	0	7,125,110
935	UPPER VALLEY CREEK COLLECTION	2003	1.148	2,699,479	3,100,328	collection	0	3,100,328
936	#5 LOWER VALLEY CREEK	2001	1.212	4,835,643	5,861,016	collection	0	5,861,016
937	LOWER VALLEY CREEK SANITARY SEWER	2002	1.176	4,077,125	4,794,270	collection	0	4,794,270
938	#7 LOWER VALLEY CREEK	2002	1.176	3,923,040	4,613,082	collection	0	4,613,082
939	#9 LOWER VALLEY CREEK	2003	1.148	1,866,113	2,143,214	collection	0	2,143,214
940	LOWER VALLEY CREEK SANITATION	2002	1.176	3,201,898	3,765,095	collection	0	3,765,095

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941	TV INSPECTION FOR LOWER VALLEY CREEK	2002	1.176	350,274	999,833	collection	0	999,833
942	#14 UPPER VALLEY CREEK SANITARY SEWER	2004	1.081	2,459,661	2,657,747	collection	0	2,657,747
943	#13 UPPER VALLEY CREEK	2002	1.176	668,558	786,154	collection	0	786,154
944	#11 & 12 UPPER VALLEY CREEK	2002	1.176	456,790	537,136	collection	0	537,136
945	#9 LOWER VALLEY CREEK SANITARY SWR	2004	1.081	6,722,667	7,264,071	collection	0	7,264,071
946	UPPER VALLEY CREEK SANITARY SWR	2004	1.081	6,294,276	6,801,180	collection	0	6,801,180
947	UPPER VALLEY CREEK SANITARY SWR COLL SYS	2003	1.148	2,658,035	3,052,730	collection	0	3,052,730
948	VALLEY CREEK TV INSPECTION	2004	1.081	185,916	200,888	collection	0	200,888
949	LOWER VALLEY CREEK SWR (28 & 29)	2004	1.081	329,386	247,850	collection	0	247,850
950	26&27 LOWER VALLY CRK #20 TO 5 MILE ROAD	2004	1.081	328,472	246,871	collection	0	246,871
951	28TH STREET SOUTH EXTENSION-CONSTR	1995	1.405	441,324	620,161	collection	0	620,161
952	EMER SWR REP-SANITARY SWR REHAB DEMO	2001	1.212	27,996	33,933	collection	0	33,933
953	EMER SWR REPAIR	2004	1.081	262,317	283,442	collection	0	283,442
954	EMER SEWER REPAIR-FIVE MILE CREEK	2004	1.081	151,282	163,466	collection	0	163,466
955	LINING 24" OUTFALL AT OXMOOR & GRIFFIN	1998	1.299	36,020	46,751	collection	0	46,751
956	EMERGENCY WORK AT ALSHER ROAD	1998	1.299	2,630	3,480	collection	0	3,480
957	REPAIR MANHOLE BEHIND AL POWER ON US280	1998	1.299	16,285	21,149	collection	0	21,149
958	REPAIR SEWER AT SOUTHRUST BANK US280	1998	1.299	7,062	9,172	collection	0	9,172
959	EMERGENCY SEWER REPAIR KENT LANE	1998	1.299	6,812	8,846	collection	0	8,846
960	EMERGENCY POINT REPAIR PARKER HIGH SCHOOL	1998	1.299	10,218	13,270	collection	0	13,270
961	EMERGENCY POINT REPAIR ALLEY COTTON AVEN	1998	1.299	13,494	17,524	collection	0	17,524
962	8" MAIN LINE REPLACEMENT BEECH STREET	1998	1.299	20,389	26,478	collection	0	26,478
963	18" REPLACEMENT AT HOMEWOOD PARK	1998	1.299	3,975	5,162	collection	0	5,162
964	POINT REPAIR AT MALAGA DR	1998	1.299	1,517	1,710	collection	0	1,710
965	POINT REPAIR AT KENT DRIVE	1998	1.299	5,299	6,882	collection	0	6,882
966	EMERGENCY POINT REPAIR 220 KENT DRIVE	1998	1.299	4,707	6,112	collection	0	6,112
967	POINT REPAIR 102 MALAGA DRIVE	1998	1.299	2,006	2,605	collection	0	2,605
968	RAISE MH #01 FRANK & COVER 400 SHADES CR	1998	1.299	1,906	2,475	collection	0	2,475
969	POINT REPAIR 105 PONCIANA DRIVE	1998	1.299	6,954	9,031	collection	0	9,031
970	EMERGENCY SEWER REPAIR 11TH PLACE SOUTH	1998	1.299	39,931	51,857	collection	0	51,857
971	EMERGENCY SEWER REPAIR DIXON AVENUE	1998	1.299	35,446	46,032	collection	0	46,032
972	EMERGENCY SEWER REPAIR SHADES ROAD	1998	1.299	27,235	35,369	collection	0	35,369
973	EMERGENCY SEWER REPAIR HOLLYWOOD BLVD	1998	1.299	17,221	22,364	collection	0	22,364
974	REPAIR SEWER FOREST ROAD HUEYTOWN	1998	1.299	6,547	8,502	collection	0	8,502
975	REPAIR SEWER RED FERN ST. HOMEWOOD	1998	1.299	17,918	23,269	collection	0	23,269
976	REPAIR SEWER 16TH ST N ALLEY	1998	1.299	17,563	22,808	collection	0	22,808
977	VALLEY CREEK BASIN SEWER REPAIR	1998	1.299	40,366	52,421	collection	0	52,421
978	EMERGENCY SEWER REPAIR ABERDEEN ROAD	1998	1.299	3,853	5,004	collection	0	5,004
979	EMERGENCY SEWER REPAIR HEMLOCK AVE	1998	1.299	58,262	75,662	collection	0	75,662
980	EMERGENCY SEWER REPAIR	1998	1.299	26,891	34,922	collection	0	34,922
981	SEWER REPAIR 6TH AVE SOUTH VALLEY CREEK	1998	1.299	7,577	9,840	collection	0	9,840
982	EMERGENCY SEWER REPAIR FULTON AVE 16TH S	1998	1.299	15,363	19,951	collection	0	19,951
983	EMERGENCY SEWER REPAIR ALTALOMA	1998	1.299	12,155	15,785	collection	0	15,785
984	EMERGENCY SEWER REPAIR 423 WINDSOR DR	1998	1.299	1,723	2,237	collection	0	2,237
985	EMERGENCY SEWER REPAIR 352S INDEPENDENCE	1998	1.299	1,878	2,439	collection	0	2,439
986	EMERGENCY SEWER REPAIR 508 WINDSOR DR	1998	1.299	2,141	2,780	collection	0	2,780
987	EMERGENCY SEWER REPAIR 508 RUNSOM RD	1998	1.299	7,008	9,100	collection	0	9,100
988	EMERGENCY SEWER REPAIR 317 WINDSOR DR	1998	1.299	5,213	6,770	collection	0	6,770
989	EMERGENCY SEWER REPAIR 307 WINDSOR DR	1998	1.299	6,930	9,000	collection	0	9,000
990	EMERGENCY SEWER REPAIR 304 WINSOR DR	1998	1.299	1,923	2,497	collection	0	2,497
991	EMERGENCY SEWER REPAIR 126 WINDSOR DR	1998	1.299	10,499	13,634	collection	0	13,634
992	EMERGENCY SEWER REPAIR DEO DARA DRIVE	1998	1.299	8,222	10,677	collection	0	10,677
993	EMERGENCY SEWER REPAIR WILDWOOD CROSSING	1998	1.299	9,791	12,715	collection	0	12,715
994	EMERGENCY SEWER REPAIR BEVERLY DRIVE	1998	1.299	2,311	3,001	collection	0	3,001
995	EMERGENCY SEWER REPAIR PRINCETON HOSPITA	1998	1.299	9,194	11,940	collection	0	11,940
996	EMERGENCY SEWER REPAIR 13TH ST & 15TH AV	1998	1.299	9,006	11,695	collection	0	11,695
997	EMERGENCY SEWER REPAIR 16TH ST BESSEMER	1998	1.299	30,029	38,998	collection	0	38,998
998	EMERGENCY SEWER REPAIR GREENWOOD BESSEME	1998	1.299	1,650	2,156	collection	0	2,156
999	EMERGENCY SEWER REPAIR GLENCOE DRIVE	1998	1.299	8,870	11,519	collection	0	11,519
1,000	EMERGENCY SEWER REPAIR HWY 150 DITCH	1998	1.299	22,746	29,539	collection	0	29,539
1,001	EMERGENCY SEWER REPAIR HWY 150 BESSEMER	1998	1.299	21,412	27,806	collection	0	27,806
1,002	EMERGENCY SEWER REPAIR 20TH STREET	1998	1.299	5,351	6,949	collection	0	6,949
1,003	EMERGENCY SEWER REPAIR 28TH ST ALLEY	1998	1.299	3,032	3,937	collection	0	3,937
1,004	EMERGENCY SEWER REPAIR FAIRFAX AVE & 20T	1998	1.299	8,425	10,941	collection	0	10,941
1,005	EMERGENCY SEWER REPAIR PARKER HIGH SCHOOL	1998	1.299	10,761	13,974	collection	0	13,974
1,006	EMERGENCY SEWER REPAIR 6TH AVE NORTH	1998	1.299	4,116	5,345	collection	0	5,345
1,007	EMERGENCY SEWER REPAIR LONG MEADOW LANE	1998	1.299	2,970	3,857	collection	0	3,857
1,008	EMERGENCY SEWER REPAIR HUEYTOWN HIGH SCH	1998	1.299	1,369	1,777	collection	0	1,777
1,009	EMERGENCY SEWER REPAIR RIDGE RD HOMEWOOD	1998	1.299	4,643	6,030	collection	0	6,030
1,010	EMERGENCY SEWER REPAIR BURGIN AVENUE	1998	1.299	22,767	29,567	collection	0	29,567
1,011	EMERGENCY SEWER REPAIR DELLVIEW HUEYTOW	1998	1.299	12,183	17,120	collection	0	17,120
1,012	EMERGENCY SEWER REPAIR MONTCLAIR ROAD	1998	1.299	4,116	5,345	collection	0	5,345
1,013	EMERGENCY SEWER REPAIR SALLSBURY ROAD	1998	1.299	12,722	16,521	collection	0	16,521
1,014	EMERGENCY SEWER REPAIR 18TH AVE SOUTH	1998	1.299	23,641	30,702	collection	0	30,702
1,015	EMERGENCY SEWER REPAIR BAKER SCHOOL	1998	1.299	19,956	25,916	collection	0	25,916
1,016	EMERGENCY SEWER REPAIR 18TH ST BESSEMER	1998	1.299	6,894	8,953	collection	0	8,953
1,017	EMERGENCY SEWER REPAIR ALLEY 15TH ST	1998	1.299	27,287	35,436	collection	0	35,436
1,018	EMERGENCY SEWER REPAIR FULTON AVENUE	1998	1.299	7,631	9,910	collection	0	9,910
1,019	EMERGENCY SEWER REPAIR 17TH ST BESSEMER	1998	1.299	115,093	149,466	collection	0	149,466
1,020	EMERGENCY SEWER REPAIR 16TH STREET	1998	1.299	7,519	9,765	collection	0	9,765
1,021	EMERGENCY SEWER REPAIR 15TH AVE SOUTH	1998	1.299	11,905	15,460	collection	0	15,460
1,022	EMERGENCY SEWER REPAIR 3RD AVE WEST & 3R	1998	1.299	14,882	19,326	collection	0	19,326
1,023	EMERGENCY SEWER REPAIR PRINCETON AVE & S	1998	1.299	22,592	29,338	collection	0	29,338
1,024	EMERGENCY SEWER REPAIR PONCIANA DR & LE	1998	1.299	8,717	11,321	collection	0	11,321
1,025	EMERGENCY SEWER REPAIR LEE COURT	1998	1.299	12,544	16,291	collection	0	16,291
1,026	FIVE MILE WEST PUMP INSTALLATION	1999	1.269	12,612	16,003	collection	0	16,003
1,027	EMER SWR REPAIR CHARLESTON AV BESS VALLY	1999	1.269	17,849	22,647	collection	0	22,647
1,028	EMER SWR REPAIR BESS VALLEY CRK BASIN	1999	1.269	3,060	3,882	collection	0	3,882
1,029	EMER SWR REPAIR VALLEY CRK BASIN	1999	1.269	7,888	10,009	collection	0	10,009
1,030	EMER SWR REPAIR 5TH AVE SW & 2ND ST	1999	1.269	7,054	8,950	collection	0	8,950
1,031	EMER SWR REPAIR 1557 MEADOW LN	1999	1.269	4,718	5,986	collection	0	5,986
1,032	EMER SWR REPAIR SHADES VALLEY	1999	1.269	3,057	3,879	collection	0	3,879
1,033	EMER SWR REPAIR 515 WINDSOR DR	1999	1.269	3,494	4,433	collection	0	4,433
1,034	EMER SWR REPAIR 1640 VALLEY AVE	1999	1.269	17,403	22,081	collection	0	22,081

APPENDIX 6-1
EXISTING ASSETS
PRESENT VALUE ANALYSIS

LINE	DESCRIPTION	IN SVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
1,035	EMER SWR REPAIR ALLEY 411 CLIFF	1999	1,369	25,769	32,697	collection	0	32,697
1,036	EMER SWR REPAIR 601 WARWICK RD	1999	1,369	3,520	4,467	collection	0	4,467
1,037	EMER SWR REPAIR 218 WINDSOR DR	1999	1,369	4,934	6,261	collection	0	6,261
1,038	EMER SEWER REPAIR 14 STREET S W	1999	1,369	2,377	3,016	collection	0	3,016
1,039	EMERGENCY SEWER REPAIR ISHKOODA RD	1999	1,269	14,607	18,534	collection	0	18,534
1,040	EMER SEWER REPAIR MIDWOOD AVE	1999	1,269	5,543	7,034	collection	0	7,034
1,041	EMER SEWER REPAIR MONTEVALLO RD	1999	1,269	7,654	9,712	collection	0	9,712
1,042	EMERGENCY SEWER REPAIR FRANCIS ST	1999	1,269	8,198	10,402	collection	0	10,402
1,043	EMER SWR REPAIR ALLEY BEHIND 708 FOREST	1999	1,269	9,623	12,211	collection	0	12,211
1,044	EMER SWR REPAIR 526 DURHAM DR	1999	1,269	6,698	8,498	collection	0	8,498
1,045	EMER SWR REPAIR WINDSOR DR & LAKESHORE P	1999	1,269	5,626	7,139	collection	0	7,139
1,046	EMER SWR REPAIR ALLEY BEHIND FAIRFIELD C	1999	1,269	18,377	23,318	collection	0	23,318
1,047	EMER SWR REPAIR COTTON AVE & TUSCALOOSA	1999	1,269	62,494	79,196	collection	0	79,196
1,048	EMER SEWER REPAIR CARLOS AVE ISHKOODA	1999	1,269	6,765	8,584	collection	0	8,584
1,049	EMER SEWER REPAIR-COURT R & 48TH ST N	1999	1,269	3,518	4,464	collection	0	4,464
1,050	EMER SEWER REPAIR 8TH AVE & 34TH ST SO	1999	1,269	11,371	14,428	collection	0	14,428
1,051	EMER SEWER REPAIR DURHAM DR AND LAKESHOR	1999	1,269	21,097	26,769	collection	0	26,769
1,052	EMER SWR REPAIR 1673 WACO AVE AND FRANCI	1999	1,269	33,469	42,467	collection	0	42,467
1,053	EMER SEWER REPAIR 413 WINDSOR DR	1999	1,269	4,340	5,507	collection	0	5,507
1,054	EMER SEWER REPAIR 701 FAIRFAX DR	1999	1,269	4,659	5,912	collection	0	5,912
1,055	EMER SEWER REPAIR 532 FRANCIS ST	1999	1,269	4,419	5,607	collection	0	5,607
1,056	EMER SEWER REPAIR 922 GRAYMONT AVE	1999	1,269	13,663	17,336	collection	0	17,336
1,057	EMER SEWER REPAIR 707 BRISCO DR	1999	1,269	3,476	4,411	collection	0	4,411
1,058	EMER SEWER REPAIR 620 MANCHESTER DR	1999	1,269	4,071	5,166	collection	0	5,166
1,059	EMER SEWER REPAIR 1438 18 PL SW	1999	1,269	2,034	2,581	collection	0	2,581
1,060	EMER SEWER REPAIR 910 LOMB AVE	1999	1,269	2,597	3,295	collection	0	3,295
1,061	EMER SWR REPAIR-21ST AVE 7 22ND ST SO	1999	1,269	4,348	5,518	collection	0	5,518
1,062	EMER SWR REPAIR-18TH AVE SOUTH	1999	1,269	4,129	5,240	collection	0	5,240
1,063	EMER SWR REPAIR-9TH AVE NO ALLEY	1999	1,269	5,341	6,776	collection	0	6,776
1,064	EMERGENCY SEWER REPAIR 515 HAMPTON DR	1999	1,269	10,053	12,756	collection	0	12,756
1,065	EMERGENCY SEWER REPAIR 30 SHADOW LAWN DR	1999	1,269	8,123	10,307	collection	0	10,307
1,066	EMERGENCY SEWER REPAIR 120 DEVON DR	1999	1,269	11,366	14,422	collection	0	14,422
1,067	EMERGENCY SEWER REPAIR 8 EDGE HILL RD	1999	1,269	8,862	11,244	collection	0	11,244
1,068	EMERGENCY SEWER REPAIR 607 WARVILLE RD	1999	1,269	14,602	18,528	collection	0	18,528
1,069	EMERGENCY SEWER REPAIRS	1999	1,269	4,166	5,286	collection	0	5,286
1,070	EMERGENCY SEWER REPAIR 48 GREENWAY RD	1999	1,269	1,669	2,118	collection	0	2,118
1,071	EMERGENCY SEWER REPAIR 609 WINSOR DR	1999	1,269	5,614	7,123	collection	0	7,123
1,072	EMERGENCY SEWER REPAIR 302 WINSOR DR	1999	1,269	5,775	7,327	collection	0	7,327
1,073	EMERGENCY SEWER REPAIR 533 FRANCIS ST	1999	1,269	4,850	6,154	collection	0	6,154
1,074	EMERGENCY SEWER REPAIR 736 SAULER LANE	1999	1,269	1,400	1,776	collection	0	1,776
1,075	EMERGENCY SEWER REPAIR 164 FAIRMONT DR	1999	1,269	14,143	17,946	collection	0	17,946
1,076	EMERGENCY SEWER REPAIR 703 BELMONT DR	1999	1,269	2,423	3,074	collection	0	3,074
1,077	EMERGENCY SEWER REPAIR 38 SHADOW LAWN DR	1999	1,269	3,265	4,143	collection	0	4,143
1,078	EMERGENCY SEWER REPAIR 309 HAMPTON DR	1999	1,269	4,538	5,758	collection	0	5,758
1,079	EMERGENCY SEWER REPAIR 620 MANCHESTER LN	1999	1,269	19,632	24,910	collection	0	24,910
1,080	EMERGENCY SEWER REPAIR 701 FAIRFAX DR	1999	1,269	3,108	3,944	collection	0	3,944
1,081	EMERGENCY SEWER REPAIR 1605 BERRY RD	1999	1,269	21,136	26,819	collection	0	26,819
1,082	EMERGENCY SEWER REPAIR 405 YORKSHIRE DR	1999	1,269	1,641	2,083	collection	0	2,083
1,083	EMERGENCY SEWER REPAIR 401-3 YORKSHIRE	1999	1,269	8,785	11,147	collection	0	11,147
1,084	EMERGENCY SEWER REPAIR 123 DENON DR	1999	1,269	1,424	1,807	collection	0	1,807
1,085	EMERGENCY SEWER REPAIR 312 DENON DR	1999	1,269	3,196	4,055	collection	0	4,055
1,086	EMERGENCY SEWER REPAIR 703 WINDSOR DR	1999	1,269	3,270	4,149	collection	0	4,149
1,087	EMERGENCY SEWER REPAIR 421 WINDSOR DR	1999	1,269	3,102	3,936	collection	0	3,936
1,088	EMERGENCY SEWER REPAIR 1017 15TH AVE S	1999	1,269	5,078	7,205	collection	0	7,205
1,089	EMERGENCY SEWER REPAIR 704 WORTH RD	1999	1,269	2,031	2,576	collection	0	2,576
1,090	EMERGENCY SEWER REPAIR DENON DR	1999	1,269	7,206	9,143	collection	0	9,143
1,091	EMERGENCY SEWER REPAIR MANCHESTER DR	1999	1,269	7,498	9,487	collection	0	9,487
1,092	EMERGENCY SEWER REPAIR 1106 IRVING DR	1999	1,269	26,788	33,990	collection	0	33,990
1,093	EMERGENCY SEWER REPAIR GRASSELL RD	1999	1,269	1,325	1,555	collection	0	1,555
1,094	EMERGENCY SEWER REPAIR WINDSOR DR	1999	1,269	9,932	12,602	collection	0	12,602
1,095	EMERGENCY SEWER REPAIR RIDGE RD	1999	1,269	4,498	5,707	collection	0	5,707
1,096	EMERGENCY SEWER REPAIR WINDSOR DR	1999	1,269	8,799	11,165	collection	0	11,165
1,097	EMERGENCY SEWER REPAIR EDGE HILL RD	1999	1,269	4,869	6,178	collection	0	6,178
1,098	EMERGENCY SEWER REPAIR MELROSE PL	1999	1,269	1,913	2,428	collection	0	2,428
1,099	EMERGENCY SEWER REPAIR SAULTER RD	1999	1,269	1,546	1,962	collection	0	1,962
1,100	EMERGENCY SEWER REPAIR HAMPTON DR	1999	1,269	1,182	1,590	collection	0	1,590
1,101	EMERGENCY SEWER REPAIR YORKSHIRE DR	1999	1,269	9,579	12,155	collection	0	12,155
1,102	EMERGENCY SEWER REPAIR WINDSOR BLVD	1999	1,269	4,522	5,738	collection	0	5,738
1,103	EMERGENCY SEWER REPAIR FAIRMONT DR	1999	1,269	8,977	11,391	collection	0	11,391
1,104	EMERGENCY SEWER REPAIR 15TH AVE S	1999	1,269	2,190	2,778	collection	0	2,778
1,105	EMERGENCY SEWER REPAIR CANTERBURY	1999	1,269	2,394	3,038	collection	0	3,038
1,106	EMERGENCY SEWER REPAIR 1717 18TH ALLEY BES	1999	1,269	9,721	12,335	collection	0	12,335
1,107	EMER SWR REPAIR 15TH & 16TH ST, BESSEMER	1999	1,269	19,569	24,830	collection	0	24,830
1,108	EMERGENCY SEWER REPAIR 1516 ST ALLEY	1999	1,269	5,650	7,170	collection	0	7,170
1,109	EMERGENCY SEWER REPAIR 1516TH ST ALLEY	1999	1,269	6,743	8,556	collection	0	8,556
1,110	EMERGENCY SEWER REPAIR LEWER LINE DEMO	1999	1,269	27,496	34,888	collection	0	34,888
1,111	EMER SWR REPAIR EAST HAWTHORNE	1999	1,269	14,976	19,003	collection	0	19,003
1,112	EMER SWR REPAIR-4767 7TH CT SO	1999	1,269	6,166	7,824	collection	0	7,824
1,113	EMER SWR REPAIR-425 13TH ST SW	1999	1,269	6,887	8,738	collection	0	8,738
1,114	EMER SWR REPAIR 1535 19TH ST SOUTH	1999	1,269	12,432	15,774	collection	0	15,774
1,115	EMER SWR REPAIR-PRINCETON PK WY	1999	1,269	3,893	4,940	collection	0	4,940
1,116	EMER SWR REPAIR-30TH AVE NO & 22ND ST	1999	1,269	13,938	17,685	collection	0	17,685
1,117	EMER SWR REPAIR-400 GRAY AVE	1999	1,269	7,943	10,079	collection	0	10,079
1,118	EMERGENCY SEWER REPAIR WADWICK DR	1999	1,269	3,980	5,050	collection	0	5,050
1,119	EMERGENCY SEWER REPAIR 1518 RIDGE RD	1999	1,269	6,566	8,331	collection	0	8,331
1,120	EMERGENCY SEWER REPAIR 159 FAIRMONT DR	1999	1,269	6,307	8,002	collection	0	8,002
1,121	EMERGENCY SEWER REPAIR 400 CREST DR	1999	1,269	3,618	4,591	collection	0	4,591
1,122	EMERGENCY SEWER REPAIR 1424 OVERLOOK RD	1999	1,269	3,616	4,589	collection	0	4,589
1,123	EMERGENCY SEWER REPAIRS MELROSE PL	1999	1,269	7,862	9,975	collection	0	9,975
1,124	EMERGENCY SEWER REPAIR 6613 GRASSELLI RD	1999	1,269	9,151	11,612	collection	0	11,612
1,125	EMERGENCY SEWER REPAIR 116 FAIRMONT DR	1999	1,269	6,708	8,512	collection	0	8,512
1,126	EMERGENCY SEWER REPAIR 207 WINDSOR DR	1999	1,269	2,236	2,837	collection	0	2,837
1,127	EMERGENCY SEWER REPAIR 1501 WELLINGTON	1999	1,269	2,578	3,271	collection	0	3,271
1,128	EMER SWR REPAIR-CLARDEON	1999	1,269	5,496	6,973	collection	0	6,973

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PRESENT VALUE ANALYSIS

LINE	DESCRIPTION	IN SVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
1,129	EMER SWR REPAIR-ARLINGTON BERKLEY	1999	1,269	4,517	5,731	collection	0	5,731
1,130	EMER SWR REPAIRS ARLINGTON AVE	1999	1,269	11,031	13,997	collection	0	13,997
1,131	EMER SWR REPAIR ARLINGTON & BERKLEY ALLE	1999	1,269	15,663	19,874	collection	0	19,874
1,132	4A SHADES CREEK COLLECTION SYSTEM	2002	1,176	49,484	58,187	collection	0	58,187
1,133	#5A SHADES CREEK COLLECTION SYSTEM	2002	1,176	49,040	57,665	collection	0	57,665
1,134	#17 MANHOLE HEIGHT SHADES	2001	1,212	50,000	60,602	collection	0	60,602
1,135	#18 MANHOLE HEIGHT SHADES	2001	1,212	44,592	54,047	collection	0	54,047
1,136	4B SHADES CREEK COLLECTION SYSTEM	2002	1,176	49,950	58,736	collection	0	58,736
1,137	6A SHADES CREEK COLLECTION SYSTEM	2002	1,176	49,966	58,754	collection	0	58,754
1,138	#9 VALLEY CREEK COLLECTION SYSTEM	2002	1,176	47,882	56,304	collection	0	56,304
1,139	#10 VALLEY CREEK COLLECTION SYSTEM	2002	1,176	49,985	58,777	collection	0	58,777
1,140	#19 SHADES CREEK COLLECTION	2002	1,176	49,363	58,045	collection	0	58,045
1,141	#20 SHADES CREEK CS	2002	1,176	49,301	58,207	collection	0	58,207
1,142	#11 VALLEY CREEK COLL SYSTEM	2001	1,212	49,967	60,562	collection	0	60,562
1,143	#12 VALLEY CREEK COLL SYSTEM	2001	1,212	49,905	60,487	collection	0	60,487
1,144	#13 VALLEY CREEK COLLECTION SYSTEM	2002	1,176	49,898	58,675	collection	0	58,675
1,145	#14 VALLEY CREEK COLLECTION SYSTEM	2001	1,212	50,000	60,602	collection	0	60,602
1,146	SAN SWR PART RIDGEWAY LLC	1999	1,269	129,347	164,122	collection	0	164,122
1,147	EMR SWR REPAIR-COOKS PEST CONTROL	2000	1,236	86,476	106,869	collection	0	106,869
1,148	PURCHASE-HOPWELL SEWER	2003	1,148	660,309	758,359	collection	0	758,359
1,149	SANITARY TRNK. CONSTR. TUNNEL-IRONDALE	2001	1,212	139,798	169,441	collection	0	169,441
1,150	SANITARY TRUNK SEWER	2001	1,212	192,218	232,977	collection	0	232,977
1,151	SANITARY PUMP STATION	2002	1,176	593,500	697,894	collection	0	697,894
1,152	SANITARY SEWER CONSTR	2002	1,176	230,909	271,524	collection	0	271,524
1,153	VALLEY CRK WWTP DECHLORINATION FACILITY	1996	1,368	919,337	1,257,627	treatment	1,257,627	0
1,154	EMER SWR REPAIR	2001	1,212	1,170,146	1,418,269	collection	0	1,418,269
1,155	VILLAGE/VALLEY SLUDGE	1996	1,368	1,000	1,368	treatment	1,368	0
1,156	EMER SWR REPAIR 1019 FOREST CIRCLE	1999	1,269	7,724	9,800	collection	0	9,800
1,157	EMER SWR REP EXETER AVE & 16TH ST	1999	1,269	4,432	5,624	collection	0	5,624
1,158	EMER SWR RPR CAROLINA & ARLINGTON	1999	1,269	17,498	22,202	collection	0	22,202
1,159	EMER SWR REPA 600 KARR CIRCLE	1999	1,269	4,921	6,244	collection	0	6,244
1,160	EMER SWR REPAIR BLACK AVE & ALA AVE	1999	1,269	12,647	16,047	collection	0	16,047
1,161	EMER SWR REPAIR KENLINDWORTH DR	1999	1,269	1,510	1,916	collection	0	1,916
1,162	EMER SWR REPAIR 512 10TH AVE SOUTH	1999	1,269	11,145	14,141	collection	0	14,141
1,163	EMERGENCY SEWER REPAIR 315 BERKLEY PL	1999	1,269	3,989	5,062	collection	0	5,062
1,164	EMERGENCY SEWER REPAIR ARDSLEY PL	1999	1,269	5,559	7,033	collection	0	7,033
1,165	EMER SWR REPAIR MIDWAY ST-MIDFIELD	1999	1,269	56,077	71,154	collection	0	71,154
1,166	EMER SWR REPAIR-4TH AVE 11TH ST W	1999	1,269	38,734	49,148	collection	0	49,148
1,167	EMERGENCY SEWER REPAIR 3405 AVOLON DR	1999	1,269	9,352	11,867	collection	0	11,867
1,168	EMERGENCY SEWER REPAIR PARK RIDGE DR	1999	1,269	5,189	6,584	collection	0	6,584
1,169	EMERGENCY SEWER REPAIR 112 WOODMART DR	1999	1,269	42,065	53,375	collection	0	53,375
1,170	EMERGENCY SEWER REPAIR 1120 ALA AVE	1999	1,269	59,943	64,640	collection	0	64,640
1,171	EMERGENCY SEWER REPAIR TUSCALOOSA AVE	1999	1,269	5,085	6,452	collection	0	6,452
1,172	EMERGENCY SEWER REPAIR VALLEYVIEW CIRCLE	1999	1,269	3,657	4,641	collection	0	4,641
1,173	EMERGENCY SEWER REPAIR	1999	1,269	5,302	6,728	collection	0	6,728
1,174	EMERGENCY SEWER REPAIR VICKSBURG CIRCLE	1999	1,269	2,597	3,295	collection	0	3,295
1,175	EMERGENCY SEWER REPAIR SAMFORD UNIV	1999	1,269	11,634	14,762	collection	0	14,762
1,176	EMERGENCY SEWER REPAIR OVERLOOK RD	1999	1,269	9,439	11,976	collection	0	11,976
1,177	EMERGENCY SEWER REPAIR ARDSLEY PL	1999	1,269	5,367	6,810	collection	0	6,810
1,178	EMERGENCY SWER REPAIR 21ST AVB S	1999	1,269	1,074	1,362	collection	0	1,362
1,179	EMERGENCY SEWER REPAIR GREENSPRING HWY	1999	1,269	1,702	2,159	collection	0	2,159
1,180	EMERGENCY SEWER REPAIR GRASSLEI RD	1999	1,269	3,893	4,939	collection	0	4,939
1,181	EMERGENCY SEWER REPAIR LOMB AVE	1999	1,269	1,062	1,348	collection	0	1,348
1,182	EMERGENCY SEWER REPAIR 454 CREST LANE	1999	1,269	2,299	2,917	collection	0	2,917
1,183	EMERGENCY SEWER REPAIR PARKER HIGH SCHOOL	1999	1,269	4,232	5,369	collection	0	5,369
1,184	EMERGENCY SEWER REPAIR 1121 BREWSTER RD	1999	1,269	6,080	7,715	collection	0	7,715
1,185	EMERGENCY SEWER REPAIR 210 3RD AVE SO	1999	1,269	8,046	10,209	collection	0	10,209
1,186	EMERGENCYSEWER REPAIR 503 9TH ST SO	1999	1,269	6,757	8,574	collection	0	8,574
1,187	EMERGENCY SEWER REPAIR 1414 ARDSLEY PL	1999	1,269	1,483	1,882	collection	0	1,882
1,188	EMERGENCY SEWER REPAIR 700 COLONIAL CIR	1999	1,269	1,844	2,340	collection	0	2,340
1,189	EMERGENCY SEWER REPAIR 909 COLLEGE AVE	1999	1,269	1,547	1,963	collection	0	1,963
1,190	EMERGENCY SEWER REPAIR 120010TH AVE W	1999	1,269	1,803	2,288	collection	0	2,288
1,191	EMERGENCY SEWER REPAIR 721 EUCLID AV	1999	1,269	1,327	1,684	collection	0	1,684
1,192	EMERGENCY SEWER REPAIR 2045 MT.ROYAL DR	1999	1,269	15,014	19,051	collection	0	19,051
1,193	EMERGENCY SEWER REPAIR 504 RUMSON RD	1999	1,269	1,112	1,411	collection	0	1,411
1,194	EMERGENCY SEWER REPAIR 114 SUGAR BUSH AV	1999	1,269	53,164	67,458	collection	0	67,458
1,195	EMR SWR FUEL-SPILL-SHADES VALLEY	1999	1,269	3,609	4,655	collection	0	4,655
1,196	EMR SWR REPR-OVERFLOW OF UST	1999	1,269	14,109	17,902	collection	0	17,902
1,197	EMER SWR REPR-1855 PRINCETON AVE	1999	1,269	22,330	28,334	collection	0	28,334
1,198	EMER SWR REPR-WREN AVE,HUEYTOWN	1999	1,269	12,349	15,669	collection	0	15,669
1,199	EMER SWR REPR-512 MCMILLAN AVE	1999	1,269	7,544	9,572	collection	0	9,572
1,200	EMER SWR REPR-3907 CLAIRMONT AVE	1999	1,269	4,962	6,296	collection	0	6,296
1,201	EMER SWR REPR-1500 51ST PLACE NORTH	1999	1,269	4,725	5,996	collection	0	5,996
1,202	EMER SWR REPR-1418 BENHEDM PLACE	1999	1,269	6,253	7,934	collection	0	7,934
1,203	EMER SWR REPR-3118 OVERLOOK RD	1999	1,269	8,040	10,201	collection	0	10,201
1,204	EMER SWR REPR-726 RALEIGH VILLA DR	1999	1,269	2,138	2,713	collection	0	2,713
1,205	EMER SWR REPR-408 CLIFF PLACE	1999	1,269	3,911	4,962	collection	0	4,962
1,206	EMER SWR REPR-108 TUSC AVE	1999	1,269	2,074	2,631	collection	0	2,631
1,207	EMER SWR REPR-14TH AVE & 20TH ST ALLEY	1999	1,269	43,996	55,825	collection	0	55,825
1,208	EMER SWR REPR-SUNSET DRIVE	1999	1,269	14,260	18,093	collection	0	18,093
1,209	EMER SWR REPR-2ND AVE ALLEY-IRONDALE	1999	1,269	23,221	29,464	collection	0	29,464
1,210	EMER SWR REPR-SOUTHCREST RD	1999	1,269	32,435	41,156	collection	0	41,156
1,211	EMER SWR REPR-6TH ALLEY & 30TH ST NO	1999	1,269	26,121	33,143	collection	0	33,143
1,212	EMER SWR REPR- HAZEL AVENUE	2000	1,236	13,183	16,291	collection	0	16,291
1,213	EMER SWR REPR-13TH STREET BESSEMER	2000	1,236	25,844	31,939	collection	0	31,939
1,214	EMER SWR REPR-VALLEY VIEW-HOMESWOOD	2000	1,236	66,981	82,776	collection	0	82,776
1,215	EMER SWR REPR-CATEBERRY ROAD	2000	1,236	16,510	20,403	collection	0	20,403
1,216	EMR SWR REPR- MT. RIDGE ROAD	2000	1,236	9,924	12,264	collection	0	12,264
1,217	EMER SWR REPR-	2000	1,236	49,899	61,665	collection	0	61,666
1,218	EMER SWR REPR - CULVER ROAD	2000	1,236	7,639	9,440	collection	0	9,440
1,219	EMER SWR REPR	2000	1,236	33,871	41,858	collection	0	41,858
1,220	EMER SWR REPR-GRASSLEI ROAD	2000	1,236	22,167	27,395	collection	0	27,395
1,221	EMER SWR REPR-ADAMSVILLE PUMP STATION	2000	1,236	19,214	23,745	collection	0	23,745
1,222	EMER SWR REPR-SHAD VALLEY TANK LEAK TEST	2000	1,236	1,216	1,502	N/A	0	1,502

APPENDIX 6-1
EXISTING ASSETS
PRESENT VALUE ANALYSIS

LINE	DESCRIPTION	IN SVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
1,223	EMER.SWR.REP-624 8TH TERR.SO	2000	1,236	4,435	5,481	collection	0	5,481
1,224	EMER.SWR.REP-140 E.EDGEWOOD-HOMEWOOD	2000	1,236	2,795	3,454	collection	0	3,454
1,225	EMER.SWR.REP-711 MORRIS BLVD.	2000	1,236	1,191	1,472	collection	0	1,472
1,226	EMER.SWR.REP-439A CAPPA DR	2000	1,236	1,095	1,353	collection	0	1,353
1,227	EMER.SWR.REP-821 GREEN SPRINGS HWY	2000	1,236	2,794	3,453	collection	0	3,453
1,228	EMER.SWR.REP-3951 GREENWOOD PARKWAY	2000	1,236	5,186	6,408	collection	0	6,408
1,229	EMER.SWR.REP-632 TUSCALOOSA AVENUE	2000	1,236	22,677	28,025	collection	0	28,025
1,230	EMER.SWR.REP-813 GREENSPRINGS HWY	2000	1,236	6,087	7,522	collection	0	7,522
1,231	EMER.SWR.REP-22ND ST & 5TH AVENUE	2000	1,236	40,714	50,315	collection	0	50,315
1,232	EMER.SWR.REP-457 IODA AVENUE	2000	1,236	36,045	44,545	collection	0	44,545
1,233	EMER.SWR.REP-2ND/3RD ST.SO.@ 23TH	2000	1,236	5,108	6,313	collection	0	6,313
1,234	EMER.SWR.REP-457 IODA AVENUE	2000	1,236	32,981	40,758	collection	0	40,758
1,235	EMER.SWR.REP-GREENSPRINGS & BROADWAY	2000	1,236	15,506	19,162	collection	0	19,162
1,236	EMER.SWR.REP-5147 HILLSIDE DRIVE	2000	1,236	7,870	9,725	collection	0	9,725
1,237	EMER.SWR.REP-2198 COLUMBINA RD	2000	1,236	13,532	16,723	collection	0	16,723
1,238	EMER.SWR.REP-2198 COLUMBINA RD	2000	1,236	3,130	3,868	collection	0	3,868
1,239	EMER.SWR.REP-1631 15TH AVENUE SOUTH	2000	1,236	5,597	6,916	collection	0	6,916
1,240	EMER.SWR.REP-44 CHURCH STREET	2000	1,236	1,139	1,407	collection	0	1,407
1,241	EMER.SWR.REP-LUCERNE BLVD & RIVERIA DR	2000	1,236	4,754	5,875	collection	0	5,875
1,242	EMER.SWR.REP-1220 GLOVERDALE GDNS	2000	1,236	1,898	2,345	collection	0	2,345
1,243	EMER.SWR.REP-632 LOMB AVENUE	2000	1,236	26,436	32,670	collection	0	32,670
1,244	EMER.SWR.REP-EDGE HILL DRIVE	2000	1,236	51,535	63,688	collection	0	63,688
1,245	EMER.SWR.REP-ASCOT ROAD-HOMWOOD	2000	1,236	7,720	9,541	collection	0	9,541
1,246	EMER.SWR.REP-23RD ST. IRONDAL	2000	1,236	29,255	36,154	collection	0	36,154
1,247	EMER.SWR.REP-ERIE ST., WYLLAM	2000	1,236	56,279	69,551	collection	0	69,551
1,248	EMER.SWR.REP-ERIE ST., WYLLAM	2000	1,236	1,098	1,357	collection	0	1,357
1,249	EMER.SWR.REP-3TH AVENUE IRONDAL	2000	1,236	21,531	26,609	collection	0	26,609
1,250	EMER.SWR.REP-18 SPRING ST.-MT.BROOK	2000	1,236	9,599	11,862	collection	0	11,862
1,251	EMER.SWR.REP-516 TUSCALOOSA AVENUE	2000	1,236	37,551	46,406	collection	0	46,406
1,252	EMER.SWR.REP - #42 MUNGER	2000	1,236	1,112	1,374	collection	0	1,374
1,253	EMER.SWR.REP-646 39TH STREET SOUTH	2000	1,236	96,608	119,389	collection	0	119,389
1,254	EMER.SWR.REP. 20TH AVE & CENTER WAY	2000	1,236	11,583	14,315	collection	0	14,315
1,255	EMER.SWR.REP-2161 AVENUE I, ENSLEY	2000	1,236	5,660	6,995	collection	0	6,995
1,256	EMER.SWR.REP-805 NEW AV. MUSCODA	2000	1,236	4,298	5,312	collection	0	5,312
1,257	EMER.SWR.REP-462 RIDGEBWOOD AVE	2000	1,236	12,416	15,343	collection	0	15,343
1,258	EMER.SWR.REP-508 EUCLID AVENUE	2000	1,236	7,667	9,475	collection	0	9,475
1,259	EMER.SWR.REP-641 19TH AVE. SO	2000	1,236	6,980	8,626	collection	0	8,626
1,260	EMER.SWR.REP-14 WINTHROP AVENUE	2000	1,236	1,117	1,380	collection	0	1,380
1,261	EMER.SWR.REP-AVE H & 61ST ST.FAIRFIELD	2000	1,236	9,451	11,679	collection	0	11,679
1,262	EMER.SWR.REP-FRANCIS PLACE	2000	1,236	4,187	5,175	collection	0	5,175
1,263	EMER.SWR.REP-1311 ROSELAND DR	2000	1,236	5,383	6,653	collection	0	6,653
1,264	EMER.SWR.REP-1737 WINDSOR DR	2000	1,236	8,093	10,001	collection	0	10,001
1,265	EMER.SWR.REP-457-475-SPRINGS HWY	2000	1,236	7,809	9,651	collection	0	9,651
1,266	EMER.SWR.REP-312 LAPRADO PLACE	2000	1,236	3,498	4,322	collection	0	4,322
1,267	EMER.SWR.REP-1742 WINDSOR DR	2000	1,236	3,623	4,478	collection	0	4,478
1,268	EMER.SWR.REP-609 DEVON DR	2000	1,236	4,750	5,871	collection	0	5,871
1,269	EMER.SWR.REP-3422 WAVERLY DR	2000	1,236	2,281	2,819	collection	0	2,819
1,270	EMER.SWR.REP-808 SYLVIA DR	2000	1,236	1,203	1,486	collection	0	1,486
1,271	EDGEWOOD SCHOOL SS REPAIRS	2000	1,236	49,949	61,728	collection	0	61,728
1,272	EMER.SWR.REP-AVENUE T ENSLEY	2000	1,236	18,625	23,017	collection	0	23,017
1,273	EMER.SWR.REP-ENGLISH VILLAGE LANE	2000	1,236	10,242	12,658	collection	0	12,658
1,274	EMER.SWR.REP-CHERRY STREET	2000	1,236	13,621	16,833	collection	0	16,833
1,275	EMER.SWR.REP-306-319 LEXINGTON BLVD	2000	1,236	12,612	15,585	collection	0	15,585
1,276	EMER.SWR.REP-404 CREST DR. F.F	2000	1,236	3,716	4,592	collection	0	4,592
1,277	EMER.SWR.REP-1506 MANHATTEN, H'WOOD	2000	1,236	1,059	1,309	collection	0	1,309
1,278	EMER.SWR.REPAIR-5TH TERRACE SOUTH	2000	1,236	1,589	1,964	collection	0	1,964
1,279	EMER.SWR.REPAIR-AVE L ENSLEY	2000	1,236	1,148	1,419	collection	0	1,419
1,280	EMER.SWR.REPAIR-VANN ST-MIDFIELD	2000	1,236	1,393	1,721	collection	0	1,721
1,281	EMER.SWR.REPAIR-OAKMOUNT ST	2000	1,236	4,984	6,159	collection	0	6,159
1,282	EMER.SWR.REPAIR-POINCIANNA DR	2000	1,236	27,956	34,548	collection	0	34,548
1,283	EMER.SWR.REPAIR-ALABAMA ST.	2000	1,236	42,896	53,011	collection	0	53,011
1,284	EMER.SWR.REPAIR-EDWARDS ST	2000	1,236	45,649	56,413	collection	0	56,413
1,285	EMER.SWR.REPAIR-OWEN & CENTER ST	2000	1,236	44,325	54,777	collection	0	54,777
1,286	EMER.SWR.REPAIR-RAY ST & JEFF AVE	2000	1,236	47,815	59,090	collection	0	59,090
1,287	EMER.SWR.REP-FAIRFAK AV-BESSEMER	2000	1,236	13,567	16,766	collection	0	16,766
1,288	EMER.SWR.REP-3762 JACKSON BLVD-MT BROOK	2000	1,236	13,450	16,621	collection	0	16,621
1,289	EMER.SWR.REP-4326 CHEROKEE BLVD APTS	2000	1,236	3,294	4,071	collection	0	4,071
1,290	EMER.SWR.REP-8TH AVE & 12TH ST SO UAB	2000	1,236	4,714	5,825	collection	0	5,825
1,291	EMER.SWR.REP-DWAINE AV & NOVEL DR/H/TOWN	2000	1,236	15,771	19,490	collection	0	19,490
1,292	EMER.SWR.REP-125 LAKE DE-CENTERPOINT	2000	1,236	3,184	3,934	collection	0	3,934
1,293	EMER.SWR.REP-715 5TH AVE NO-BESS	2000	1,236	8,032	9,927	collection	0	9,927
1,294	EMER.SWR.REP-414 MEADOWBROOK LN MT BRK	2000	1,236	5,180	6,401	collection	0	6,401
1,295	EMER.SWR.REP-6129 JESSE OWENS AV BESS	2000	1,236	5,369	6,636	collection	0	6,636
1,296	EMER.SWR.REP-217 GLORIA RD-BHAM	2000	1,236	4,585	5,666	collection	0	5,666
1,297	EMER.SWR.REP-#9 RICEMAR DR-MT BROOK	2000	1,236	3,592	4,439	collection	0	4,439
1,298	EMER.SWR.REPAIR-TIM MILL RD HUEYTOWN	2000	1,236	31,246	38,615	collection	0	38,615
1,299	EMER.SWR.REP-CRESTHILL RD-BHAM	2000	1,236	96,029	118,674	collection	0	118,674
1,300	EMER.SWR.REP-HANOVER CIRCLE-BHAM	2000	1,236	24,210	29,919	collection	0	29,919
1,301	EMER.SWR.REP-9TH AV N & 4TH ST BHAM	2000	1,236	49,926	61,699	collection	0	61,699
1,302	EMER.SWR.RPR-MT PARK DR MT BROOK	2000	1,236	17,985	22,226	collection	0	22,226
1,303	EMER.SWR.RPR-18TH AV SO BHAM	2000	1,236	44,469	54,955	collection	0	54,955
1,304	EMER.SWR.RPR-FOREST BROOK CIR H'WOOD	2000	1,236	25,285	31,248	collection	0	31,248
1,305	EMER.SWR.RPR-FIVE MILE WEST-BESS	2000	1,236	13,877	17,150	collection	0	17,150
1,306	EMER.SWR.REP-401 KENILWORTH DR	2000	1,236	1,941	2,399	collection	0	2,399
1,307	EMER.SWR.REP- 503 KENILWORTH DR	2000	1,236	4,355	5,382	collection	0	5,382
1,308	EMER.SWR.REP-710 COLONY CIRCLE	2000	1,236	5,163	6,380	collection	0	6,380
1,309	EMER.SWR.REP-7740 CRESTWOOD BLVD	2000	1,236	20,238	25,011	collection	0	25,011
1,310	EMER.SWR.REP-500 PRINCETON AV SW	2000	1,236	45,810	56,612	collection	0	56,612
1,311	EMER.SWR.REP-1ST AVE SO & 35TH ST SO	2000	1,236	1,294	1,599	collection	0	1,599
1,312	EMER.SWR.REP-940 9TH CT SO	2000	1,236	8,346	10,314	collection	0	10,314
1,313	EMER.SWR.REP-#5-18TH ST	2000	1,236	6,724	8,309	collection	0	8,309
1,314	EMER.SWR.REP-660 ST CHARLES AVE	2000	1,236	4,746	5,866	collection	0	5,866
1,315	#22 SHADES CREEK COLL SY	2002	1,176	49,540	58,254	collection	0	58,254
1,316	#15 VALLEY CREEK COLLECTION SYSTEM	2002	1,176	49,899	58,675	collection	0	58,675

APPENDIX 6-1
EXISTING ASSETS
PRESENT VALUE ANALYSIS

LINE	DESCRIPTION	IN SVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
1,317	#16 VALLEY CREEK COLLECTION SYSTEM	2002	1,176	49,540	58,254	collection	0	58,254
1,318	#17 VALLEY CREEK COLLECTION SYSTEM	2002	1,176	49,968	58,757	collection	0	58,757
1,319	#18 VALLEY CREEK COLLECTION SYSTEM	2001	1,212	49,969	60,565	collection	0	60,565
1,320	#1 UPPER SHADES VALLEY	2001	1,212	49,866	60,440	collection	0	60,440
1,321	# UPPER SHADES VALLEY	2001	1,212	49,503	60,000	collection	0	60,000
1,322	#19 VALLEY CREEK COLLECTION SYSTEM	2002	1,176	49,536	58,249	collection	0	58,249
1,323	#20 VALLEY CREEK COLLECTION SYSTEM	2001	1,212	49,894	60,474	collection	0	60,474
1,324	#3 UPPER SHADES VALLEY	2002	1,176	49,915	58,695	collection	0	58,695
1,325	#21 VALLEY CREEK COLLECTION SYSTEM	2001	1,212	49,920	60,506	collection	0	60,506
1,326	UPPER SHADES CREEK #1	2003	1,148	1,250	1,436	collection	0	1,436
1,327	VALLEY CREEK SYSTEM #25	2002	1,176	49,914	58,694	collection	0	58,694
1,328	VALLEY CRK COLL SYSTEM #26	2002	1,176	49,951	58,737	collection	0	58,737
1,329	#5 UPPER SHADES VALLEY	2002	1,176	49,959	58,747	collection	0	58,747
1,330	#6 UPPER SHADES VALLEY	2002	1,176	49,925	58,707	collection	0	58,707
1,331	#28 VALLEY CREEK	2003	1,148	49,178	56,480	collection	0	56,480
1,332	CONSTRUCTION OF SANITARY SEWERS	2002	1,176	500,748	588,827	collection	0	588,827
1,333	BROOKS RIDGE CONSTRUCTION	2002	1,176	774,380	910,589	collection	0	910,589
1,334	SEWER REPLACEMENT BELLEVUE MANHATTAN	2003	1,148	526,829	605,058	collection	0	605,058
1,335	ROSDALE STREET CONSTRUCTION	2003	1,148	255,661	293,624	collection	0	293,624
1,336	IRVING RD STORM DRAINAGE IMPROVEMENTS	2004	1,081	244,584	264,282	collection	0	264,282
1,337	TRUNK EXTENSION TO HARLEM AVENUE	2003	1,148	483,699	555,455	collection	0	555,455
1,338	EMER SWR REP-5705 MONT SANO DR-BHAM	2000	1,236	2,527	3,122	collection	0	3,122
1,339	EMER SWR REP-2028-20TH ST H TOWN	2000	1,236	8,511	10,518	collection	0	10,518
1,340	EMER SWR REP-5705 MONT SANO DR-BHAM	2000	1,236	2,678	3,309	collection	0	3,309
1,341	EMER SWR REP-FOREST & WARRIOR RIVER RDS	2000	1,236	1,336	1,651	collection	0	1,651
1,342	EMER SWR REP-1510 OXMOOR RD-HWOOD	2000	1,236	1,276	1,577	collection	0	1,577
1,343	EMER SWR REP #6 OFFICE PARK MT BROOK	2000	1,236	6,482	8,010	collection	0	8,010
1,344	EMER SWR REP-218-5TH AVE SO BHAM	2000	1,236	2,255	2,787	collection	0	2,787
1,345	EMER SWR REP-5321 CRESTWOOD BLVD-BH	2000	1,236	2,742	3,388	collection	0	3,388
1,346	EMER SWR REP-24 MONTCREST DR. MT BR	2000	1,236	10,177	12,577	collection	0	12,577
1,347	EMER SWR REP-1430-12TH ST SO BHAM	2000	1,236	44,620	55,142	collection	0	55,142
1,348	EMER SWR REP-1935 MONTGOMERY HWY BHAM	2000	1,236	13,738	16,978	collection	0	16,978
1,349	EMER SWR REP-176 ROSS DR-MT BR	2000	1,236	48,746	60,241	collection	0	60,241
1,350	EMER SWR REPAIR - 1600A STERLING PL BHAM	2000	1,236	7,947	9,921	collection	0	9,921
1,351	EMER SWR REPAIR - 306 18TH ST BESSEMER	2000	1,236	1,215	1,501	collection	0	1,501
1,352	EMER SWR REPAIR - 1185 14TH AVE S BHAM	2000	1,236	8,029	9,922	collection	0	9,922
1,353	EMER SWR REPAIR - 816 24TH ST BESSEMER	2000	1,236	84,492	104,417	collection	0	104,417
1,354	EMER SWR REPAIR - 814 24TH ST BESSEMER	2000	1,236	49,104	60,684	collection	0	60,684
1,355	EMER SWR REPAIR - 2100 9TH AVE N BESSEMER	2000	1,236	49,338	60,973	collection	0	60,973
1,356	EMER SWR REPAIR - 140 INDUSTRIAL DR	2000	1,236	7,051	8,727	collection	0	8,727
1,357	EMER SWR REPAIR - 460 GSPRINGS HWY HWOOD	2000	1,236	8,082	9,987	collection	0	9,987
1,358	EMER SWR REPAIR - 4807 HUNTSVILLE AVE	2000	1,236	13,150	16,510	collection	0	16,510
1,359	EMER SWR REPAIR - 1114 FOREST BROOK DR	2000	1,236	10,377	12,824	collection	0	12,824
1,360	EMER SWR REPAIR - 58 MAIN ST MT BROOK	2000	1,236	11,244	13,895	collection	0	13,895
1,361	EMER SWR REPAIR - 1373 ORLANDO CIR BHAM	2000	1,236	47,924	59,225	collection	0	59,225
1,362	EMER SWR REPAIR - 824 18TH AVE BESSEMER	2000	1,236	44,530	55,030	collection	0	55,030
1,363	EMER SWR REPAIR - 1905 CRSTWD BLVD IRNDL	2000	1,236	1,569	1,939	collection	0	1,939
1,364	EMER SWR REPAIR - 85 GSPRINGS HWY HOMEWD	2000	1,236	7,815	9,658	collection	0	9,658
1,365	EMER SWR REPAIR - 1253 24TH ST SW BHAM	2000	1,236	4,063	5,021	collection	0	5,021
1,366	EMER SWR REPAIR - 11 CT S & 21 ST BHAM	2000	1,236	1,725	2,132	collection	0	2,132
1,367	EMER SWR REPAIR - 1700 28TH AVE HUBYTOWN	2000	1,236	2,004	2,477	collection	0	2,477
1,368	EMER SWR REPAIR - 1630 28TH CT HOMEWOOD	2000	1,236	1,013	1,252	collection	0	1,252
1,369	EMER SWR REP-1420 BRANCH WATER CIRCLE	2000	1,236	5,721	7,070	collection	0	7,070
1,370	EMER SWR REP-FOREST DRIVE	2000	1,236	5,392	6,663	collection	0	6,663
1,371	EMER SWR REP-414 NORFOLK DRIVE	2000	1,236	10,412	12,867	collection	0	12,867
1,372	EMER SWR REP-1321 SAULLER ROAD	2000	1,236	9,742	12,040	collection	0	12,040
1,373	EMER SWR REP-1512 VALLEY PLACE	2000	1,236	21,395	26,440	collection	0	26,440
1,374	EMER SWR REP-704 CREST DRIVE	2000	1,236	20,261	25,039	collection	0	25,039
1,375	EMER SWR REP-431 DEVON DRIVE	2000	1,236	6,807	8,412	collection	0	8,412
1,376	EMER SWR REP-2710 27TH CT SO	2000	1,236	12,026	14,862	collection	0	14,862
1,377	EMER SWR REP-410 MAPLE STREET	2000	1,236	6,830	8,441	collection	0	8,441
1,378	EMER SWR REP-GLENN MIDDLE SCHOOL	2000	1,236	17,646	21,807	collection	0	21,807
1,379	EMER SWR REP-419 EDGEWOOD BLVD	2000	1,236	5,450	6,710	collection	0	6,710
1,380	EMER SWR REP-COURTHOUSE SEWER REPAIR	2000	1,236	112,475	138,998	collection	0	138,998
1,381	EMER SWR REP-GRN SPRGS HWY & BROADWAY AV	2000	1,236	25,597	31,633	collection	0	31,633
1,382	EMER SWR REP-1607 OXMOOR ROAD	2000	1,236	33,856	41,839	collection	0	41,839
1,383	EMER SWR REP-COOPER GREEN PARK	2000	1,236	1,740	2,150	collection	0	2,150
1,384	EMER SWR REP-2 SPRING STREET	2000	1,236	12,178	15,050	collection	0	15,050
1,385	EMER SWR REP-3206 WHITEHALL DRIVE	2000	1,236	1,488	1,839	collection	0	1,839
1,386	EMER SWR REP-1512 GROVE PLACE	2000	1,236	5,772	7,133	collection	0	7,133
1,387	EMER SWR REP-1406 ROSELAND DRIVE	2000	1,236	4,095	5,060	collection	0	5,060
1,388	EMER SWR REP-405 CHERRY STREET	2000	1,236	9,412	11,631	collection	0	11,631
1,389	EMER SWR REP-HILSDALE ROAD	2000	1,236	7,627	9,425	collection	0	9,425
1,390	EMER SWR REP-9031 HILSDALE ROAD	2000	1,236	1,951	2,411	collection	0	2,411
1,391	EMER SWR REP-1931 MAYFAIR DRIVE	2000	1,236	7,519	9,292	collection	0	9,292
1,392	EMER SWR REP-714 OXMOOR CIRCLE	2000	1,236	1,084	1,339	collection	0	1,339
1,393	EMER SWR REP-323 LANTHROP ROAD	2000	1,236	5,490	6,785	collection	0	6,785
1,394	EMER SWR REP-315 E GLENWOOD DRIVE	2000	1,236	6,753	8,346	collection	0	8,346
1,395	EMER SWR REP-317 E GLENWOOD DRIVE	2000	1,236	13,482	16,661	collection	0	16,661
1,396	EMER SWR REP-322 E GLENWOOD DRIVE	2000	1,236	1,989	2,458	collection	0	2,458
1,397	EMER SWR REP-1308 PALMETTO DRIVE	2000	1,236	5,806	7,175	collection	0	7,175
1,398	EMER SWR REP-1820 25TH COURT SOUTH	2000	1,236	1,914	2,365	collection	0	2,365
1,399	EMER SWR REP-1747 KINGSRINGTON DRIVE	2000	1,236	10,537	13,021	collection	0	13,021
1,400	EMER SWR REP-AVE A & 5TH ST HUBYTOWN	2000	1,236	4,879	6,029	collection	0	6,029
1,401	EMER SWR REP-1000 GREEN SPRINGS HWY	2000	1,236	3,634	4,491	collection	0	4,491
1,402	EMER SWR REP-TIN MILL RD & ALLISON BONNE	2000	1,236	4,862	6,008	collection	0	6,008
1,403	EMER SWR REP-1600 29TH COURT SOUTH	2000	1,236	38,961	48,148	collection	0	48,148
1,404	EMER SWR REP-1612 29TH COURT SOUTH	2000	1,236	38,443	47,508	collection	0	47,508
1,405	EMER SWR REP-314 LAUHUNB DRIVE	2000	1,236	15,300	18,908	collection	0	18,908
1,406	EMER SWR REP-1601 OXMOOR ROAD	2000	1,236	4,934	6,098	collection	0	6,098
1,407	EMER SWR REPAIR-201 EAST LINWOOD DRIVE	2000	1,236	5,694	7,024	collection	0	7,024
1,408	EMER SWR REPAIR-312 EAST LINWOOD DRIVE	2000	1,236	4,446	5,495	collection	0	5,495
1,409	EMER SWR REPAIR-645 HAMBOUGH TERR	2000	1,236	5,321	6,576	collection	0	6,576
1,410	EMER SWR REPAIR-1412 RAFORD AVENUE	2000	1,236	4,692	5,799	collection	0	5,799

APPENDIX 6-1
EXISTING ASSETS
PRESENT VALUE ANALYSIS

LINE	DESCRIPTION	IN SVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
1,411	EMER SWR REPAIR-1905 MONTGOMERY HWY	2000	1,236	61,439	75,927	collection	0	75,927
1,412	EMER SWR REPAIR-413 BERRY AVENUE	2000	1,236	6,794	8,396	collection	0	8,396
1,413	EMER SWR REPA-1600 29TH CT SOUTH	2000	1,236	46,730	57,774	collection	0	57,774
1,414	EMER SWR REP- 1600-29TH CT SO	2000	1,236	3,682	4,550	collection	0	4,550
1,415	EMER SWER REPR-318 GREENWOOD STREET	2000	1,236	10,800	13,346	collection	0	13,346
1,416	EMER SWER REPR-ACTON AVENUE	2000	1,236	4,947	6,114	collection	0	6,114
1,417	EMER SWR REP 3450 MANOR DRIVE	2000	1,236	14,323	17,701	collection	0	17,701
1,418	EMER SWER REPR-1607 PRIMROSE DRIVE	2000	1,236	3,861	4,772	collection	0	4,772
1,419	EMER SWER REPR-4535 LITTLE RIVER ROAD	2000	1,236	9,111	11,259	collection	0	11,259
1,420	EMER SWER REPR-1117 SIMS AVE - MT BROOK	2000	1,236	2,402	2,968	collection	0	2,968
1,421	EMER SWR REP-5209 BEACON DR IRONDALE	2000	1,236	3,875	4,789	collection	0	4,789
1,422	EMER SWR REP-513 60TH ST FAIRFIELD	2000	1,236	1,029	1,267	collection	0	1,267
1,423	EMER SWR REPAIR 237 ALLEN AVE	2000	1,236	1,679	2,075	collection	0	2,075
1,424	EMER SWR REP-101 ACTON RD	2000	1,236	52,083	64,267	collection	0	64,267
1,425	EMER SWR REP-21ST ST & 10TH AVE SO	2000	1,236	1,210	1,495	collection	0	1,495
1,426	EMER SWR REP-213 GREEN SPRINGS HWY	2000	1,236	4,362	5,391	collection	0	5,391
1,427	EMER SWR REP-4585 LITTA RIVER RD	2000	1,236	1,730	2,138	collection	0	2,138
1,428	EMER SWR REP. 1715 12TH ST. SC.	2000	1,236	60,238	74,443	collection	0	74,443
1,429	EMER SWR REP-1114 FOREST BROOK DR H/WD	2000	1,236	44,121	54,526	collection	0	54,526
1,430	EMER SWR REP-4601 MONTEVALLO RD	2000	1,236	46,618	55,139	collection	0	55,139
1,431	EMER SWR REP-GREEN SPRINGS	2000	1,236	742,752	917,904	collection	0	917,904
1,432	EMER SWR REP-1316A-16TH ST SO BHAM	2000	1,236	23,152	28,612	collection	0	28,612
1,433	EMER SER REP-5028 JANET LANE	2000	1,236	14,561	18,119	collection	0	18,119
1,434	EMER SWR REP-821 GREEN SPRINGS HWY	2000	1,236	48,731	60,223	collection	0	60,223
1,435	EMER SWR REPA-244 KENT AVENUE	2000	1,236	3,131	3,869	collection	0	3,869
1,436	EMER SWR REP-6136 INDUSTRIAL DR BHAM	2000	1,236	6,632	8,196	collection	0	8,196
1,437	EMER SWR REP-1812 FOREST BROOK CIR-BHAM	2000	1,236	11,396	14,084	collection	0	14,084
1,438	EMER SWR REP-616 - 16TH ST N-BHAM	2000	1,236	27,261	33,690	collection	0	33,690
1,439	EMER SWR REP-718 8TH AVENUE W - BHAM	2000	1,236	15,227	18,818	collection	0	18,818
1,440	EMER SWR REP-6TH STREET WEST BHAM	2000	1,236	3,637	4,454	collection	0	4,454
1,441	EMER SWR REP-334 ALA AVE SW BHAM	2000	1,236	1,153	1,424	collection	0	1,424
1,442	EMER SWR REPA-27TH PL S & HANOVER CIR BH	2000	1,236	3,213	3,970	collection	0	3,970
1,443	EMER SWR REP-236 & 245 KENT DRIVE	2000	1,236	2,826	3,492	collection	0	3,492
1,444	EMER SWR REP-244 HALL AVENUE	2000	1,236	1,894	2,341	collection	0	2,341
1,445	EMER SWR REP-1600 29TH CT SO	2000	1,236	18,689	23,096	collection	0	23,096
1,446	EMER SWR REP-12TH ST & FINLEY AVE BHAM	2000	1,236	10,592	13,089	collection	0	13,089
1,447	EMER SWR REP-3937 FOREST DR HOMEWOOD	2000	1,236	14,877	18,385	collection	0	18,385
1,448	EMER SWR REP-SAMFORD UNIV SANITARY SEWER	2000	1,236	878,815	1,086,052	collection	0	1,086,052
1,449	EMER SWR REP-705 MILORAY LANE BESSEMER	2001	1,212	4,462	5,408	collection	0	5,408
1,450	EMER SWR REP-2712 AV & CIRCLE DR H/TOWN	2001	1,212	5,323	6,452	collection	0	6,452
1,451	EMER SWR REP-100 CARLTON RD BHAM	2001	1,212	5,324	6,453	collection	0	6,453
1,452	EMER SWR REP-VINESVILLE RD & TERR. I BHAM	2001	1,212	3,610	4,375	collection	0	4,375
1,453	EMER SWR REPAIR OWIN AVENUE	2001	1,212	12,388	15,014	collection	0	15,014
1,454	EMER SWR REPAIR JEFFERSON AVE	2001	1,212	54,229	65,849	collection	0	65,849
1,455	EMER SWR REPAIR 1ST AVE WEST	2001	1,212	21,651	26,241	collection	0	26,241
1,456	EMER SWR REPAIR 1911 5TH BHAM	2001	1,212	14,121	17,116	collection	0	17,116
1,457	EMER SWR REPAIR JEFFERSON AVE	2001	1,212	18,710	22,677	collection	0	22,677
1,458	EMER SWR REPAIR JEFFERSON AVE	2001	1,212	11,659	14,131	collection	0	14,131
1,459	EMER SWR REPAIR JEFFERSON AVE	2001	1,212	31,298	37,934	collection	0	37,934
1,460	EMER SWR REPAIR JEFFERSON AVE	2001	1,212	25,080	30,398	collection	0	30,398
1,461	EMER SWR REPAIR JEFFERSON AVE	2001	1,212	57,926	70,209	collection	0	70,209
1,462	EMER SWR REPAIR 1226 25TH STREET N BHAM	2001	1,212	12,744	15,446	collection	0	15,446
1,463	EMER SWR REPAIR 733 29TH ST SW BHAM	2001	1,212	19,404	23,519	collection	0	23,519
1,464	EMER SWR REPAIR-MORRIS YARD & 21ST STREE	2001	1,212	233,395	282,885	collection	0	282,885
1,465	EMER SWR REPAIR NORRIS YARD & 21ST ST	2001	1,212	113,113	137,098	collection	0	137,098
1,466	EMER SWR REPAIR NORRIS YARD 21ST	2001	1,212	192,375	233,167	collection	0	233,167
1,467	EMER SWR REPAIR MELROSE PLACE	2001	1,212	63,982	77,549	collection	0	77,549
1,468	EMER SWR REPAIR-501 SWANN DR MIDFIELD	2001	1,212	10,497	12,723	collection	0	12,723
1,469	EMER SWR REPAIR-512 LEWIS AVENUE	2001	1,212	21,518	26,081	collection	0	26,081
1,470	EMER SWR REPAIR-5301 TERACACE Q-BHAM	2001	1,212	46,035	55,796	collection	0	55,796
1,471	EMER SWR REPAIR-1448 WOODWARD RD	2001	1,212	15,712	19,220	collection	0	19,220
1,472	EMER SWR REPAIR-10 PHILLIPS DR	2001	1,212	17,653	21,396	collection	0	21,396
1,473	EMER SWR REPAIR-3829 SOUTH COVE DR	2001	1,212	10,424	12,634	collection	0	12,634
1,474	EMER SWR REPAIR-2045 BROOKWOOD MED CTR D	2001	1,212	27,686	33,556	collection	0	33,556
1,475	EMER SWR REPAIR 737 BEACON DR	2001	1,212	41,511	50,313	collection	0	50,313
1,476	EMER SWR REPAIR-965 WESTFIELD DR	2001	1,212	27,327	33,121	collection	0	33,121
1,477	EMER SWR REPAIR 5300 QUINCEY CT	2001	1,212	48,437	58,708	collection	0	58,708
1,478	EMER SWR REPAIR-708 BESSEMER HIGHWAY	2001	1,212	49,470	59,960	collection	0	59,960
1,479	EMER SWR REPAIR-921 4TH CT WEST	2001	1,212	49,042	59,441	collection	0	59,441
1,480	EMER SWR REPAIR-5301 AVENUE R	2001	1,212	36,008	43,644	collection	0	43,644
1,481	EMER SWR REPAIR-5517 SUGAR RAY DR	2001	1,212	22,161	26,860	collection	0	26,860
1,482	EMER SWR REPAIR 1550 MONTGOMERY HIGHWAY	2001	1,212	49,914	60,498	collection	0	60,498
1,483	EMER SWR REPAIR-249 McMILLIAN AVENUE	2001	1,212	11,633	14,100	collection	0	14,100
1,484	EMER SWR REPAIR-1800 50TH ST NORTH	2001	1,212	11,448	13,875	collection	0	13,875
1,485	EMER SWR REPAIR	2001	1,212	57,000	69,087	collection	0	69,087
1,486	EMER SWR REPAIR 19TH STREET ALLEY SW	2001	1,212	28,371	34,387	collection	0	34,387
1,487	EMER SWR REPAIR 19TH ST ALLEY SW	2001	1,212	60,570	73,414	collection	0	73,414
1,488	EMER SWR REPAIR-219 RICHMAR DR	2001	1,212	12,785	15,496	collection	0	15,496
1,489	EMER SWR REPAIR-CANTEBERRY UMC-MT BROOK	2001	1,212	10,271	12,448	collection	0	12,448
1,490	EMER SWR REPAIR-3529 MOUNTAIN PARK DR	2001	1,212	11,373	13,785	collection	0	13,785
1,491	EMER SWR REPAIR-3114 OVERBROOK RD	2001	1,212	11,645	14,114	collection	0	14,114
1,492	EMER SWR REPAIR-1384 WENDSOR BLVD	2001	1,212	12,557	15,219	collection	0	15,219
1,493	EMER SWR REPAIR-SHADES CREEK TRUNK SEWER	2001	1,212	12,917	15,655	collection	0	15,655
1,494	EMER SWR REPAIR-1934 BESSEMER RD BHAM	2001	1,212	13,197	15,995	collection	0	15,995
1,495	EMER SWR REPAIR-3351 OLD MONTGOMERY HWY	2001	1,212	16,865	20,441	collection	0	20,441
1,496	EMER SWR REPAIR-3715 OLD LEEDS RD	2001	1,212	18,336	22,224	collection	0	22,224
1,497	EMER SWR REPAIR-3913 RICHARD SCHRUSY PKY	2001	1,212	46,105	56,306	collection	0	56,306
1,498	EMER SWR REPAIR-106 LINDBURG RD	2001	1,212	48,420	58,687	collection	0	58,687
1,499	EMER SWR REPAIR-5500 AVENUE O CENTRAL PK	2001	1,212	15,943	19,324	collection	0	19,324
1,500	EMER SWR REPAIR-1ST & 2ND ALLEY-13TH & 1	2001	1,212	46,611	56,495	collection	0	56,495
1,501	EMER SWR REPAIR-BROOKWOOD MALL	2001	1,212	12,448	15,088	collection	0	15,088
1,502	EMER SWR REPAIR-1521 19TH ST SW BHAM	2001	1,212	11,534	13,979	collection	0	13,979
1,503	EMER SWR REPAIR 18TH AVE SOUTH BHAM	2001	1,212	15,071	18,267	collection	0	18,267
1,504	EMER SWR REPAIR 1200 2ND AVE N BESSEMER	2001	1,212	49,601	60,118	collection	0	60,118

APPENDIX 4-1
EXISTING ASSETS
PRESENT VALUE ANALYSIS

LINE	DESCRIPTION	INSVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
1,503	EMER SWR REPAIR 23TH AVE W BHAM	2001	1,212	15,223	18,451	collection	0	18,451
1,506	#29 VALLEY CREEK COLL SYSTEM	2003	1,148	49,937	57,352	collection	0	57,352
1,507	#30 VALLEY CREEK COLL SYSTEM	2003	1,148	49,773	57,164	collection	0	57,164
1,508	UPPER SHADES CREEK #2	2003	1,148	1,250	1,436	collection	0	1,436
1,509	UPPER SHADES CREEK #3	2003	1,148	1,250	1,436	collection	0	1,436
1,510	#31 VALLEY CREEK COLL SYSTEM	2003	1,148	49,798	57,192	collection	0	57,192
1,511	#32 VALLEY CREEK COLL SYSTEM	2003	1,148	49,958	57,377	collection	0	57,377
1,512	#33 VALLEY CREEK COLL SYSTEM	2003	1,148	49,998	57,422	collection	0	57,422
1,513	#1B VALLEY CREEK COLLECTION SYSTEM	2003	1,148	48,060	55,195	collection	0	55,195
1,514	VALLEY CREEK #1B	2003	1,148	1,250	1,436	collection	0	1,436
1,515	VALLEY CREEK MANHOLE #34	2003	1,148	1,250	1,436	collection	0	1,436
1,516	UPPER SHADES CREEK #5	2003	1,148	1,250	1,436	collection	0	1,436
1,517	#35 VALLEY CREEK COLL SYSTEM	2003	1,148	49,738	57,124	collection	0	57,124
1,518	2B VALLEY CREEK COLLECTION SYSTEM	2003	1,148	48,547	55,756	collection	0	55,756
1,519	VALLEY CREEK #2B	2003	1,148	1,250	1,436	collection	0	1,436
1,520	EMER SWR REPAIR 200 EDGEVIEW AVE	2001	1,212	16,600	20,120	collection	0	20,120
1,521	EMER SWR REPAIR 301 ENGLISH CIRCLE	2001	1,212	14,995	18,174	collection	0	18,174
1,522	EMER SWR REPAIR OAK COURT	2001	1,212	10,595	12,841	collection	0	12,841
1,523	EMER SWR REPAIR 323 EAST GLENWOOD DR	2001	1,212	17,841	21,625	collection	0	21,625
1,524	EMER SWR REPAIR 249 MCGLLAN	2001	1,212	18,530	22,459	collection	0	22,459
1,525	EMER SWR REPAIR 1843 WINDSOR BVLD	2001	1,212	11,931	14,460	collection	0	14,460
1,526	EMER SWR REPAIR 3319 OLD MONTGOMERY HWY	2001	1,212	16,300	19,757	collection	0	19,757
1,527	EMER SWR REPAIR 648 ROEBUCK PARKWAY	2001	1,212	22,622	27,419	collection	0	27,419
1,528	EMER SWR REPAIR 1120 SIMS AVE	2001	1,212	16,986	20,587	collection	0	20,587
1,529	EMER SWR REPAIR 7716 AVE SOUTH	2001	1,212	14,637	17,741	collection	0	17,741
1,530	EMER SWR REPAIR 7741 5TH AVE SOUTH	2001	1,212	28,847	34,963	collection	0	34,963
1,531	EMER SWR REPAIR 4TH AVE SOUTH	2001	1,212	32,592	39,504	collection	0	39,504
1,532	EMER SWR REPAIR 1905 ALABAMA AVE	2001	1,212	30,015	36,379	collection	0	36,379
1,533	EMER SWR REPAIR KELDWORTH DR	2001	1,212	10,811	13,103	collection	0	13,103
1,534	EMER SWR REPAIR 1426 OVERLOOK RD	2001	1,212	11,944	14,477	collection	0	14,477
1,535	EMER SWR REPAIR 25TH COURT & 17TH ST	2001	1,212	34,554	41,881	collection	0	41,881
1,536	EMR SWR REPAIR UPDATE	2001	1,212	49,922	60,508	collection	0	60,508
1,537	EMR SWR REPAIR UPDATE	2001	1,212	49,991	60,591	collection	0	60,591
1,538	EMR SWR REPAIR UPDATE	2001	1,212	49,598	60,115	collection	0	60,115
1,539	EMER SWR REPAIR 3203 ARLINGTON AVE	2001	1,212	11,361	13,770	collection	0	13,770
1,540	EMR SWR REPAIR UPDATE	2001	1,212	49,855	60,426	collection	0	60,426
1,541	EMR SWR REPAIR 837 AVE N BHAM	2001	1,212	17,110	20,738	collection	0	20,738
1,542	EMR SWR REPAIR REDFERN STREET	2002	1,176	13,185	15,504	collection	0	15,504
1,543	EMR SWR REPAIR 2303 9TH AVENUE BESSEMER	2002	1,176	17,076	20,080	collection	0	20,080
1,544	EMR SWR REPAIR 25 HOADLEY STREET	2002	1,176	12,416	14,599	collection	0	14,599
1,545	EMER SWR REPAIR 1923 8TH AVENUE NORTH	2002	1,176	49,594	58,318	collection	0	58,318
1,546	EMR SWR REPAIR-KENILWORTH DRIVE SEWER	2002	1,176	60,981	71,707	collection	0	71,707
1,547	EMR SWR REPAIR KENILWORTH DR SEWER	2001	1,212	45,446	55,083	collection	0	55,083
1,548	EMR SWR REPAIR WALLACE DR & MAPLES DR	2002	1,176	13,299	15,638	collection	0	15,638
1,549	EMR SWR REPAIR 2008 TIMBER COVE VESTA VIA	2002	1,176	27,916	32,826	collection	0	32,826
1,550	EMR SWR REPAIR-FOREST GLEN MOUNTAIN	2002	1,176	11,034	12,974	collection	0	12,974
1,551	EMR SWR REPAIR-400 19TH ST N	2002	1,176	49,864	58,635	collection	0	58,635
1,552	EMR SWR REPAIR-BERKLEY & 24TH BESSEMER	2002	1,176	25,027	29,429	collection	0	29,429
1,553	EMR SWR REPAIR-700 ROSE AVE BHAM	2002	1,176	48,587	57,133	collection	0	57,133
1,554	WMR SWR REPAIR-700 ALABAMA AVE BHAM	2002	1,176	26,481	31,139	collection	0	31,139
1,555	EMR SWR REPAIR-712 18TH ST N BESSEMER	2002	1,176	49,903	58,681	collection	0	58,681
1,556	EMR SWR REPAIR-814 9TH ST N BESSEMER	2002	1,176	49,826	58,590	collection	0	58,590
1,557	EMR SWR REPAIR-2106 9TH AVE N BESSEMER	2002	1,176	49,088	57,722	collection	0	57,722
1,558	EMR SWR REPAIR-716 17TH ST N BESSEMER	2002	1,176	48,878	57,476	collection	0	57,476
1,559	EMR SWR REPAIR-400 FOREST GLEN DR MT BRO	2002	1,176	19,750	23,223	collection	0	23,223
1,560	EMR SWR REPAIR-231 JRD ST N BESSEMER	2002	1,176	48,865	57,460	collection	0	57,460
1,561	EMR SWR REPAIR 2016 CENTERWAY SOUTH BIR	2002	1,176	38,756	45,572	collection	0	45,572
1,562	EMR SWR REPAIR 1917 EXETER AVE BESSEMER	2002	1,176	42,379	49,834	collection	0	49,834
1,563	EMR SWR REPAIR 1901 FAIRFAX AVE BESSEMER	2002	1,176	32,601	38,335	collection	0	38,335
1,564	EMR SWR REPAIR 1240 PRINCETON AVE BIR	2002	1,176	38,349	45,094	collection	0	45,094
1,565	EMR SWR REPAIR 2500 FAIRFAX AVE BESSEMER	2002	1,176	40,638	47,786	collection	0	47,786
1,566	EMR SWR REPAIR 334 BIRWOOD AVE MIDFIELD	2002	1,176	47,571	55,939	collection	0	55,939
1,567	EMR SWR REPAIR 3129 CAROLINA AVE BESSEMER	2002	1,176	44,384	52,191	collection	0	52,191
1,568	EMR SWR REPAIR 204 ELMORE ST BESSEMER	2002	1,176	19,914	23,416	collection	0	23,416
1,569	EMR SWR REPAIR 204 ELMORE ST BESSEMER	2002	1,176	21,808	25,762	collection	0	25,762
1,570	EMR SWR REPAIR 2320 8TH AVE N BESSEMER	2002	1,176	48,429	56,948	collection	0	56,948
1,571	EMR SWR REPAIR 810 24TH ST N BESSEMER	2002	1,176	49,879	58,653	collection	0	58,653
1,572	EMR SWR REPAIR 2102 9TH AVE N BESSEMER	2002	1,176	49,856	58,625	collection	0	58,625
1,573	EMR SWR REPAIR 111 7ND AVE N BIR	2002	1,176	44,526	52,358	collection	0	52,358
1,574	EMR SWR REPAIR 1209 DANIEL DR MIDFIELD	2002	1,176	47,031	55,304	collection	0	55,304
1,575	EMR SWR REPAIR ROCKLEDGE LANE MOUNTAIN	2002	1,176	31,977	39,954	collection	0	39,954
1,576	EMR SWR REPAIR 32 SHADES ST BESSEMER	2002	1,176	48,314	56,812	collection	0	56,812
1,577	EMR SWR REPAIR 33 ALABAMA ST BESSEMER	2002	1,176	47,130	55,420	collection	0	55,420
1,578	EMR SWR REPAIR 1872 COLLIER DR MIDFIELD	2002	1,176	28,524	33,541	collection	0	33,541
1,579	EMR SWR REPAIR 512 PINE PLACE FAIRFIELD	2002	1,176	44,578	52,419	collection	0	52,419
1,580	EMR SWR REPAIR 524 OAK PLACE FAIRFIELD	2002	1,176	39,972	47,003	collection	0	47,003
1,581	EMR SWR REPAIR 1426 3RD AVE N BESSEMER	2002	1,176	22,469	26,421	collection	0	26,421
1,582	EMR SWR REPAIR 233 JEFFERSON AVE BESSEMER	2002	1,176	10,963	12,891	collection	0	12,891
1,583	EMR SWR REPAIR 1316 1ST COURT W BIR	2002	1,176	42,162	49,578	collection	0	49,578
1,584	EMR SWR REPAIR 2366 9TH AVE N BESSEMER	2002	1,176	46,007	54,099	collection	0	54,099
1,585	EMR SWR REPAIR 21 MONTCREST DR MT BROOK	2002	1,176	49,780	58,536	collection	0	58,536
1,586	EMR SWR REPAIR 1300 CHALET DR BIR	2002	1,176	46,677	54,887	collection	0	54,887
1,587	EMR SWR REPAIR 35 WEST MONTCREST DR MT B	2002	1,176	48,285	56,778	collection	0	56,778
1,588	EMR SWR REPAIR 2633 6TH ST CENTER POINT	2002	1,176	11,314	13,304	collection	0	13,304
1,589	EMR SWR REPAIR 126 13TH ST W BHAM	2002	1,176	45,374	53,355	collection	0	53,355
1,590	EMR SWR REPAIR-108 TUSCALOOSA AVE	2002	1,176	12,647	14,872	collection	0	14,872
1,591	EMR SWR REPAIR-210 BLACK AVE	2002	1,176	49,723	58,469	collection	0	58,469
1,592	EMR SWR REPAIR-1301 2ND AVE WEST	2002	1,176	39,609	46,575	collection	0	46,575
1,593	EMR SWR REPAIR-1318 HUEY TOWN DR	2002	1,176	45,487	53,487	collection	0	53,487
1,594	EMR SWR REPAIR-213 GREEN SPRING AVE	2002	1,176	12,408	14,590	collection	0	14,590
1,595	#36 VALLEY CREEK COLL SYSTEM	2003	1,148	49,683	57,060	collection	0	57,060
1,596	UPPER SHADES CREEK	2003	1,148	1,250	1,436	collection	0	1,436
1,597	UPPER SHADES CREEK #6	2003	1,148	1,250	1,436	collection	0	1,436
1,598	#1 LOWER VALLEY CREEK COLL SYSTEM	2003	1,148	48,920	56,184	collection	0	56,184

APPENDIX 6-1
EXISTING ASSETS
PRESENT VALUE ANALYSIS

LINE	DESCRIPTION	IN SVC	ERN	COST	ESCALATED COST	ENVIRONMENTAL SERVICES CATEGORY	TREATMENT	COLLECTION
1,599	3B VALLEY CREEK COLLECTION SYSTEM	2003	1,148	48,260	55,426	collection	0	55,426
1,600	VALLEY CREEK #3B	2003	1,148	1,250	1,436	collection	0	1,436
1,601	UPPER SHADES CREEK #7	2003	1,148	1,250	1,436	collection	0	1,436
1,602	VALLEY CREEK MANHOLE #2	2003	1,148	1,250	1,436	collection	0	1,436
1,603	4B VALLEY CREEK COLLECTION SYSTEM	2003	1,148	47,140	54,140	collection	0	54,140
1,604	VALLEY CREEK #4B	2003	1,148	1,250	1,436	collection	0	1,436
1,605	LOWER VALLEY CREEK MANHOLE #3	2003	1,148	1,250	1,436	collection	0	1,436
1,606	UPPER SHADES CREEK #8	2003	1,148	1,250	1,436	collection	0	1,436
1,607	LOWER VALLEY CREEK MANHOLE #4	2003	1,148	1,250	1,436	collection	0	1,436
1,608	5B VALLEY CREEK COLLECTION	2003	1,148	47,358	54,390	collection	0	54,390
1,609	VALLEY CREEK #5B	2003	1,148	1,250	1,436	collection	0	1,436
1,610	VALLEY CREEK COLL SYSTEM MANHOLE	2003	1,148	1,250	1,436	collection	0	1,436
1,611	#5 LOWER VALLEY CREEK	2003	1,148	49,876	57,282	collection	0	57,282
1,612	#6 LOWER VALLEY CREEK COLL SYSTEM	2003	1,148	49,399	56,734	collection	0	56,734
1,613	6-B VALLEY CREEK COLLECTION SYSTEM	2003	1,148	48,185	55,340	collection	0	55,340
1,614	VALLEY CREEK #6B	2003	1,148	1,250	1,436	collection	0	1,436
1,615	#7 LOWER VALLEY CREEK COLL SYSTEM	2003	1,148	49,676	57,053	collection	0	57,053
1,616	VALLEY CREEK MANHOLE-CONTRACT #	2003	1,148	48,938	56,205	collection	0	56,205
1,617	VALLEY CREEK #7B	2003	1,148	49,253	56,566	collection	0	56,566
1,618	VALLEY CREEK COLLECTION-5C	2003	1,148	42,958	49,337	collection	0	49,337
1,619	VALLEY CREEK COLL SYSTEM-5C	2003	1,148	49,368	56,698	collection	0	56,698
1,620	VALLEY CREEK MANHOLE #10	2003	1,148	28,238	32,431	collection	0	32,431
1,621	SHADES CREEK COLL SYSTEM CONSTRUCTION	2004	1,081	55,336	59,792	collection	0	59,792
1,622	SHADES CREEK CONTRACT 2	2004	1,081	75,333	81,400	collection	0	81,400
1,623	FAIRFIELD TRUNK CONSTRUCTION REVIEW	1998	1,299	160,678	203,664	collection	0	203,664
1,624	VALLEY CREEK SSES	1998	1,299	758,000	984,376	collection	0	984,376
1,625	VALLEY CREEK PH I SEWER SYSTEM EVALUATIO	2003	1,148	1,892,669	2,173,714	collection	0	2,173,714
1,626	GEOTECHNICAL TESTING/HOPEWELL PUMP	2003	1,148	16,990	19,513	collection	0	19,513
1,627	MAGNOLIA & PRINCE STREET TRUNK SEWER	2004	1,081	10,956	11,839	collection	0	11,839
1,628	JOHS RD TRUNK SEWER (BESSEMER)	2003	1,148	73,175	84,041	collection	0	84,041
1,629	PHASE 2 GEOTECHNICAL SERVICES	2002	1,176	4,717	5,547	collection	0	5,547
1,630	VALLEY CREEK BRICK SWR REPLACEMENT	2000	1,236	197,562	244,150	collection	0	244,150
1,631	RICE CREEK DESIGN ENGINEERING	1999	1,269	62,127	78,830	collection	0	78,830
1,632	HOPEWELL SSS DESIGN	2004	1,081	301,566	325,852	collection	0	325,852
1,633	LINDSEY LOOP ROAD SEWER EXTENSION	2003	1,148	43,300	49,730	collection	0	49,730
1,634	OXMOOR VALLEY TRK SWR	2000	1,236	302,613	373,973	collection	0	373,973
1,635	OXMOOR VALLEY TRNK SWR DESIGN	2000	1,236	49,523	61,201	collection	0	61,201
1,636	OXMOOR TRUNK SEWER EXTENSION	2003	1,148	60,586	69,583	collection	0	69,583
1,637	SAND RIDGE TRUNK SEWER	2004	1,081	35,071	37,895	collection	0	37,895
1,638	MCCALLA AREA SANITARY SEWER	2003	1,148	1,485,449	1,706,025	collection	0	1,706,025
1,639	MCCALLA AREA SANITARY SEWER	2003	1,148	1,803,959	2,071,831	collection	0	2,071,831
1,640	OPOSSUM CREEK TRUNK SEWER DESIGN	1997	1,320	325,019	428,896	collection	0	428,896
1,641	VALLEY CREEK TRUNK RELIEF	1998	1,299	393,233	510,672	collection	0	510,672
1,642	VISION LAND PARKWAY	2000	1,236	87,686	108,364	collection	0	108,364
1,643	ACADEMY DR & POWDER PLANT ROAD	2000	1,236	141,677	175,087	collection	0	175,087
1,644	BESSEMER REPLACEMENT SEWERS	2003	1,148	289,413	332,389	collection	0	332,389
1,645	33RD & BERKLEY	2002	1,176	54,675	64,292	collection	0	64,292
1,646	VALLEY CRK SSES REHAB	2002	1,176	2,429,995	2,857,420	collection	0	2,857,420
1,647	LOMB AVE. & BORDER ST. SANITARY SEWER	2003	1,148	34,227	39,309	collection	0	39,309
1,648	#8 TV INSPECTION	2002	1,176	44,272	52,059	collection	0	52,059
1,649	LOWER VALLEY SS COLLECTION	2002	1,176	43,407	51,043	collection	0	51,043
1,650	#9 TV INSPECTION/LOWER VALLEY CREEK	2003	1,148	214,940	246,857	collection	0	246,857
1,651	UPPER VALLEY SANITARY SEWER	2004	1,081	108,205	116,920	collection	0	116,920
1,652	UPPER VALLEY CREEK DESIGN	2003	1,148	144,848	166,356	collection	0	166,356
1,653	#10, 11, AND 12 LOWER	2002	1,176	123,497	144,044	collection	0	144,044
1,654	#3 VALLEY CREEK	2002	1,176	2,750,000	3,233,710	collection	0	3,233,710
1,655	VALLEY CREEK COLL SYS	2001	1,212	2,250,000	2,727,101	collection	0	2,727,101
1,656	UPPER VALLEY CREEK SANITARY SEWER	2003	1,148	122,201	140,346	collection	0	140,346
1,657	WASHINGTON ELEMENTARY SCHOOL SEWERS	2003	1,148	16,158	18,557	collection	0	18,557
1,658	#2 VALLEY CREEK COLL SYS	2002	1,176	2,250,000	2,645,763	collection	0	2,645,763
1,659	# SHADES CREEK COLLECTION SYSTEM	2002	1,176	2,750,000	3,233,710	collection	0	3,233,710
1,660	MIDWAY STREET SANITARY SEWER	2003	1,148	3,479	3,996	collection	0	3,996
1,661	CANTEBURY LANE SANITARY SWR REPLACEMENT	2004	1,081	19,556	21,131	collection	0	21,131
1,662	HARLEM AVE DESIGN	2002	1,176	72,900	85,723	collection	0	85,723
1,663	OXMOOR TRUNK SWR	2001	1,212	18,000	21,817	collection	0	21,817
1,664	ENGINEERING DESIGN SERVICES	2003	1,148	148,000	169,977	collection	0	169,977
1,665	12TH AVENUE SEWER EXT	2002	1,176	29,546	34,743	collection	0	34,743
1,666	ENGINEERING REPORT MCCALLA SS SYSTEM	1997	1,320	47,369	62,509	collection	0	62,509
1,667	VISIONLAND INTERCHANGE	1999	1,269	20,000	25,377	collection	0	25,377
1,668	EMR SWR REPAIR-BE BETTERMENT ON PROJECTS	2002	1,176	2,485	2,922	collection	0	2,922
1,669	EMR SWR REPAIR-BETTERMENT ON PROJECTS	2002	1,176	2,291	2,694	collection	0	2,694
1,670	POWER PLANT RD SERVICE AREA STDY	2001	1,212	49,204	59,638	collection	0	59,638
1,671	GRIFFIN BRANCH	2003	1,148	53,557	61,510	collection	0	61,510
1,672	GRIFFIN BRANCH INTERCEPTOR IMP	2004	1,081	6,476	6,997	collection	0	6,997
1,673	SHADES GAS TO ENERGY FACILITY	2003	1,148	381,392	438,025	treatment	438,025	0
1,674	OLD GRANTS MILL ROAD	2002	1,176	16,219	19,072	collection	0	19,072
1,675	BLACK CREEK SEWER SYSTEM MANHOLE REHAB	1998	1,299	3,400	4,415	collection	0	4,415
1,676	WEST END TRENCHLESS SEWER LINE	1999	1,269	215,629	273,602	collection	0	273,602
1,677	EVALUATION-PIPELINE RECONSTR VALLEY WWTP	2000	1,236	39,000	48,197	treatment	48,197	0
1,678	CIPF PRODUCT LINE RECONSTRUCTION	2000	1,236	31,192	38,548	collection	0	38,548
1,679	NATIONAL LINER PIPE-CONTRACT	2001	1,212	67,405	81,698	collection	0	81,698
1,680	SSES UPPER VALLEY #2	1998	1,299	744,000	966,194	collection	0	966,194
1,681	VALLEY CREEK TRUNK SEWER	2003	1,148	512,341	588,419	collection	0	588,419
1,682	HUEYTOWN TRUNK SWR REPLACEMENT	2004	1,081	450,000	486,240	collection	0	486,240
1,683	RICE CREEK SSES REHAB	2001	1,212	220,695	267,492	collection	0	267,492
1,684	#1 W END VLY CRK SSES RE	2001	1,212	167,991	203,613	collection	0	203,613
1,685	VALLEY CREEK SANITARY SEWER SYSTEM	2003	1,148	146,914	168,729	collection	0	168,729
1,686	LWR VLY CRK SAN SWR COL	2001	1,212	162,828	197,355	collection	0	197,355
1,687	UPPER VALLEY CREEK	2001	1,212	146,995	178,165	collection	0	178,165
1,688	LOWER VALLEY CRK #2	2001	1,212	67,998	82,416	collection	0	82,416
1,689	LOWER VALLEY CREEK SSES #3	2001	1,212	178,500	216,350	collection	0	216,350
1,690	#5 LOWER VALLEY CREEK SANITARY SEWER	2004	1,081	223,517	241,517	collection	0	241,517
1,691	#5 UPPER VALLEY CREEK SANITARY SEWER	2004	1,081	238,023	257,192	collection	0	257,192
1,692	#6 UPPER VALLEY CREEK SANITARY SEWER	2004	1,081	376,515	406,837	collection	0	406,837