

EXHIBIT B
ILLUSTRATION - ALLOCATION
OF
TREATMENT PLANT EXPANSION / UPGRADE COSTS

Principles:

- ▶ The current BRWWTP Capital Account Value shall be determined, according to the stated methodology, prior to the subject expansion (or upgrade) project. Facilities value is allocated to each Participant in proportion to Constructed capacity (expressed in terms of EQR units). Portions of the value of the Capital Replacements Fund are allocated to each Participant in proportion to its constructed capacity (expressed in terms of EQR units).
- ▶ The combined value of the BRWWTP and the Capital Replacements Fund is determined at the completion of the subject project. This value is allocated to each participant in proportion to Constructed capacity.
- ▶ The amount to be contributed (received) by each Participant is the difference between that Participant's value before and after the project.

Illustration (all values for illustrative purposes only):

Assume:

- a. In October, 1981, the BRWWTP has a nominal capacity of 2.7 MGD or 7,650 EQR. The BRWWTP value is \$5,200,000 and the land value is \$28,000. The value of the two outside metering stations is \$150,000. The applicable CPI is 253.6*.
- b. There is \$300,000 in the Capital Reserve Fund, which has been contributed in proportion to Constructed EQR capacity. None of this fund is to be used for the subject project.
- c. It is proposed to construct an expansion of the BRWWTP to 4.0 MGD or 11,400 EQR capacity. The project was awarded 6 months prior to October, 2001. The adjusted CPI at this time was 500.0*. The final project cost is \$6,000,000.

*Note: The original index is used here for illustration purposes; CPI's to be revised to the current index.

Step 1 – Determine Values Prior to Project

BRWWTP Trended Value = $(\$5,200,000 + \$150,000 + \$28,000) \times 500/253.6 = \$10,603,331$

Less Depreciation = $20 \text{ years} \times 2\frac{1}{2}\% \times (\$10,603,331 - \$55,205) = \$5,274,063$

Value = $\$10,603,331 - \$5,274,063 = \$5,329,268$

+ Depreciation Replacement Fund = \$300,000

Total = $\$5,329,268 + \$300,000 = \$5,629,268$

Participant	Allocation Constructed EQR	Prior Equity Value October 1, 2001
Dillon	2,081	\$1,531,308
Silverthorne	2,504	\$1,842,573
Dillon Valley	1,575	\$1,158,967
Buffalo Mountain	1,238	\$910,985
Mesa Cortina	<u>252</u>	<u>\$185,435</u>
	7,650	\$5,629,268

Step 2 – Determine Values after Project Completion

Total Value = $\$5,629,268 + \$6,000,000 = \$11,629,268$

Participant	Allocation Constructed EQR	New Equity Value October 1, 2001
Dillon	2,100	\$2,142,324
Silverthorne	5,548	\$5,659,577
Dillon Valley	1,600	\$1,632,178
Buffalo Mountain	1,900	\$1,938,211
Mesa Cortina	<u>252</u>	<u>\$257,068</u>
	11,400	\$11,629,268

Step 3 – Determine Cost Allocation to Each Participant

Dillon	=	\$2,142,234	-	\$1,531,308	=	\$610,926
Silverthorne	=	\$5,659,577	-	\$1,842,573	=	\$3,817,004
Dillon Valley	=	\$1,643,178	-	\$1,158,967	=	\$473,211
Buffalo Mountain	=	\$1,938,211	-	\$910,985	=	\$1,027,226
Mesa Cortina	=	<u>\$257,068</u>	-	<u>\$85,435</u>	=	<u>\$71,633</u>
		\$11,629,260		\$5,629,268		\$6,000,000