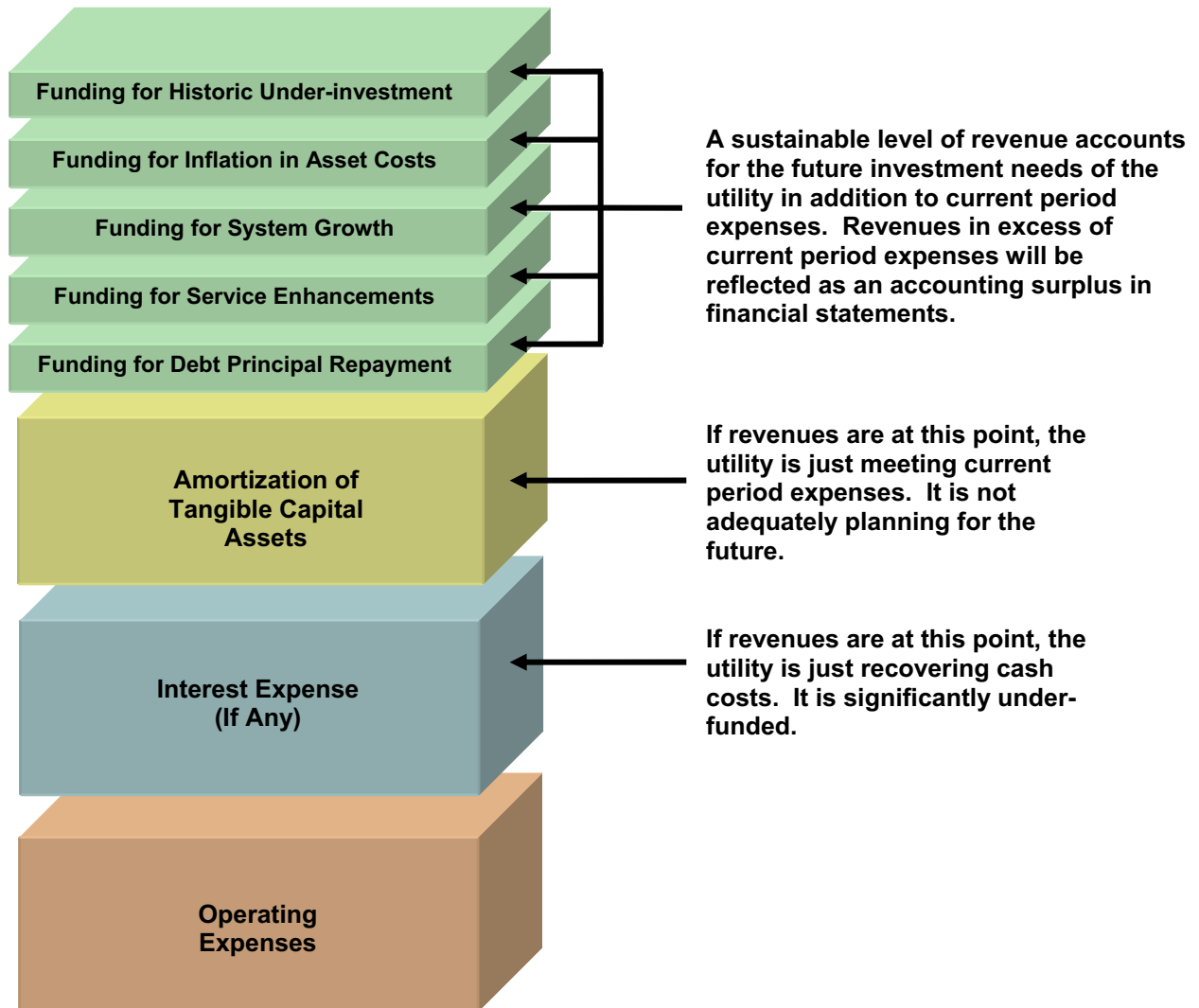


components represented are summarized below, and discussed in more detail in subsequent chapters.

Figure 1-1 – A Building-block Approach to Determining Utility Needs



1.2.1 Measuring Current Period Expenses

The bottom three components make up an accounting view of cost under full accrual accounting; that is, they are the costs measured by the accounting system of the utility. These include operating costs, debt interest expenses, and tangible capital asset amortization. Added together, the three components constitute current period expenses. For any given period, a utility that is generating more revenue than these costs combined will show a positive net income (i.e. a surplus) for that period from an accounting perspective. An

2008 Operating Budget	2009 Operating Budget
<p style="text-align: center;">Revenues</p> <p>User Fees Fees, Permits, Licenses & Fines Government Grants Investment Income Other</p>	<p style="text-align: center;">Revenues</p> <p>User Fees Fees, Permits, Licenses & Fines Government Grants Investment Income Other</p>
<p style="text-align: center;">Expenses</p> <p>Salaries & Benefits Goods & Services Debt Charges (Interest) Other</p> <p>Transfer to Capital / Reserve</p> <p>Transfer to Reserve Transfer to Reserve Transfer to Reserve Transfer to Reserve Debt Charges (Principal)</p>	<p style="text-align: center;">Expenses</p> <p>Salaries & Benefits Goods & Services Interest Other</p> <p>Amortization</p> <p>Funding for Historic Under-investment Funding for Inflation in Asset Costs Funding for System Growth Funding for Service Enhancements Funding for Debt Principal Repayment</p>
Taxation	Taxation

2009 Operating Budget	2009 Statement of Operations
<p style="text-align: center;">Revenues</p> <p>User Fees Fees, Permits, Licenses & Fines Government Grants Investment Income Other</p>	<p style="text-align: center;">Revenues</p> <p>Taxation</p> <p>User Fees Fees, Permits, Licenses & Fines Government Grants Investment Income Other</p>
<p style="text-align: center;">Expenses</p> <p>Salaries & Benefits Goods & Services Interest Other</p> <p>Amortization</p> <p>Funding for Historic Under-investment Funding for Inflation in Asset Costs Funding for System Growth Funding for Service Enhancements Funding for Debt Principal Repayment</p>	<p style="text-align: center;">Expenses</p> <p>Salaries & Benefits Goods & Services Interest Other</p> <p>Amortization</p>
<p>Taxation</p>	<p>Annual Surplus / Deficit</p>