

**ABC Utility  
Billing & Payment Processing**

		<u>Annual Expense</u>
<b>Direct Charges</b>		
Customer Records & Collection Labor		\$ 1,500,000
Customer Records & Collection Expenses		500,000
Stationary & Envelopes		2,000,000
Postage		8,000,000
Bank Collection Fees		2,500,000
Lock Box Fees		300,000
Transfer Agent Fees		600,000
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<b>Subtotal Direct Charges</b>		<b>\$ 15,400,000</b>
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		<b><u>Allocation Method</u></b>
<b>Indirect Charges</b>		
Customer Care (Call/Service Centers)	Activity Study	\$ 12,000,000
Information Resources		
(computer hardware/software, support, maintenance etc)	Revenue	1,500,000
Credit & Collection Services	Revenue	150,000
Uncollectible accounts	Revenue	125,000
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<b>Subtotal Indirect Costs</b>		<b>13,775,000</b>
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<b>Overheads</b>		
Administrative and General Expenses	Labor	\$ 525,000
Common Plant	Labor	3,200,000
Employee Benefits and Payroll Taxes	Labor	1,300,000
Working Capital		700,000
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<b>Subtotal Overheads</b>		<b>\$ 5,725,000</b>
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<b>Total Annual Cost</b>		<b>\$ 34,900,000</b>
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<b>Number of Bills Issued Annually</b>		<b>36,000,000</b>
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<b>Cost Per Bill (rate per Month)</b>		<b>\$ 0.97</b>
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