

SCHEDULE OF ADJUSTED OPERATIONS

Southern Water & Sewer District

	<u>Test Year 2021</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Pro Forma</u>
<u>Operating Revenues</u>				
Total Metered Sales	\$ 3,472,502	\$ (198,574)	A	\$ 3,273,928
Sales for Resale	71,634	3,946	A	75,580
Other Water Revenues:				
Forfeited Discounts	83,003			83,003
Misc. Service Revenues	29,319	(15,215)	B	14,104
Total Operating Revenues	3,656,458			3,446,614
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	721,850	(35,225)	C	
		(7,200)	D	679,425
Salaries and Wages - Officers	18,000			18,000
Employee Pensions and Benefits	204,152	1,867	E	
		(31,853)	F	174,167
Purchased Water	342,556	(136,330)	G	206,226
Purchased Power	428,312	(159,553)	G	268,759
Chemicals	204,950	(81,565)	G	123,385
Materials and Supplies	206,762	(16,800)	D	189,962
Contractual Services - Acctng & Legal	61,531			61,531
Contractual Services - Mgmt Fees	213,438			213,438
Contractual Services - Other	39,745			39,745
Transportation Expenses	62,179			62,179
Insurance	106,224			106,224
Advertising	5,059			5,059
Bad Debt	106,691			106,691
Miscellaneous Expenses	19,500			19,500
Total Operation and Mnt. Expenses	2,740,949			2,274,291
Depreciation Expense	902,114	(43,000)	H	859,114
Amortization Expense	2,460			2,460
Taxes Other Than Income	63,345	(2,832)	C	60,513
Total Operating Expenses	\$ 3,708,868			\$ 3,196,378
Net Utility Operating Income	\$ (52,410)			\$ 250,236

REVENUE REQUIREMENTS

Pro Forma Operating Expenses		\$ 3,196,378
Plus: Avg. Annual Principal and Interest Payments		I 415,945
Additional Working Capital		J 83,189
Total Revenue Requirement		3,695,512
Less: Interest Income	23	23
Nonutility Income	378,720	(352,419) K 26,301
Other Operating Revenue		(97,107)
Revenue Required From Sales of Water		3,624,729
Less: Revenue from Sales at Present Rates		(3,349,507)
Indicated Revenue Increase		\$ 275,222
Percent Increase		8.22%

REFERENCES

- A. The Current Billing Analysis results in Pro Forma Metered Retail Sales Revenue of \$3,273,928 and Pro Forma Sales for Resale of \$75,580. This indicates a decrease in reported retail sales of \$198,574 is required and an increase in reported wholesale sales of \$3,946 is required.
- B. The amount reported for Misc. Service Revenues includes \$15,215 in tap fees that were collected for new meter installations. These capital contributions are deducted from operating revenues.
- C. There were several changes in the employee roster and wages during and after 2021 that result in a decrease in Salaries and Wages expense of \$35,225 and a reduction in payroll taxes of \$2,832.
- D. During the test year labor and materials for new meter installations were charged to operating expenses. These costs should be capitalized. The amount of tap fees charged for these meters (\$24,000) can be substituted for the actual installation expenses. Thirty percent of the total tap fees is deducted from Salaries and Wages and 70 percent is deducted from Materials and Supplies. The estimated expense for new meters is included in Depreciation Expense Adjustments, Table A.
- E. Changes in the employee roster and plan participation are estimated to increase the District contributions to employee's 401k accounts by \$1,867.
- F. The District pays 100 percent of its full-time employees' health and dental/vision insurance premiums less certain lump sum payments by employees. The PSC requires that expenses associated with this level of employer-funded premiums be adjusted to be consistent with the Bureau of Labor Statistics' national average for an employer's share of health insurance premiums. Average employer shares from BLS are currently 79 percent for single coverage and 66 percent for family coverage. The PSC allowable employer share for dental insurance is 60 percent. Applying these percentages to premiums to be paid in the current year results in a deduction from 2021 benefits expense of \$31,853.
- G. The District's test year water loss was 54.8 percent. The PSC's maximum allowable loss for rate-making purposes is 15.0 percent. Therefore, the expenses for Purchased Water, Power for pumping, and Chemicals related to water purchased, treated, and pumped above the 15 percent limit are not allowed in the rate base and must be deducted.
- H. The PSC requires adjustments to a water utility's depreciation expense when asset lives fall outside the ranges recommended by NARUC in its publication titled "Depreciation Practices for Small Utilities". Therefore, adjustments are included to bring asset lives to the midpoint of the recommended ranges. See Table A.
- I. The annual debt service payments for the District's loans are shown in Table B. The five-year average of payments related to normal operations is added in the revenue requirement calculation. This does not include the loan associated with the Meter Replacement Program. Payments on that loan are covered by the Meter Replacement Surcharge.
- J. The amount shown in Table B for coverage on long term debt is required by the District's loan documents. This is included in the revenue requirement as Additional Working Capital.
- K. The amount reported for Nonutility Income includes \$352,419 in Meter Replacement Surcharge collections. These special funds are deducted from operating revenues.

Table A
DEPRECIATION EXPENSE ADJUSTMENTS

<u>Assets</u>		<u>Date in Service</u>	<u>Original Cost *</u>	<u>Reported</u>		<u>Proforma</u>		<u>Depreciation Expense</u>
<u>No.</u>	<u>Description</u>			<u>Life</u>	<u>Depr. Exp.</u>	<u>Life</u>	<u>Depr. Exp.</u>	<u>Adjustment</u>
<u>BEWD SCHEDULE</u>								
<u>303-2 LAND</u>								
187	2001 CIP Right of Way	06/30/01	3,618	20	89	-	-	(89)
<u>304-2 STRUCTURES</u>								
128	1994 Plant Expansion	10/01/94	2,893,361	45	64,297	35.0	82,667	18,371
155	Tank Repairs	06/30/98	995	45	22	37.5	27	4
156	Telemetry systems	06/30/98	4,380	45	97	10.0	-	(97)
157	Tank repairs	06/30/98	36,500	40	913	37.5	973	61
171	1999 CIP Tanks	01/01/99	778,722	40	19,468	45.0	17,305	(2,163)
181	Telemetry 2000 CIP	06/30/00	26,403	45	587	10.0	-	(587)
189	2001 CIP - Tanks & Install	06/30/01	1,185,270	45	26,339	45.0	26,339	-
192	2001 CIP - Telemetry	06/30/01	37,351	45	830	10.0	-	(830)
201	Spurlock Tank	06/30/03	166,000	40	4,150	45.0	3,689	(461)
216	2004 CIP Tanks (RD)	06/30/04	1,292,040	45	28,712	45.0	28,712	-
235	Office Building	05/31/07	167,940	50	3,359	37.5	4,478	1,120
244	2007 CIP Telemetry	06/30/17	10,450	45	232	10.0	1,045	813
248	2007 CIP Tank	06/30/07	99,659	45	2,215	45.0	2,215	-
273	Security System	09/30/10	5,012	50	100	10.0	-	(100)
274	Roof	10/26/10	13,500	50	270	20.0	675	405
275	Price Tank	11/04/10	413,530	50	8,271	45.0	9,190	919
294	John Hall Branch Tank Repair	10/20/12	47,000	45	1,044	37.5	1,253	209
306	2013 Building Improvements	07/31/13	10,500	50	210	37.5	280	70
358	2017 Melvin Tank Repairs	08/01/17	16,246	50	325	37.5	433	108
363	Ligon Tank	03/05/18	343,599	50	6,872	45.0	7,636	764
372	Storage Container	05/27/20	2,724	10	272	20.0	136	(136)
380	Telemetry	09/14/20	18,822	50	376	10.0	1,882	1,506
399	Mink Branch Tank	12/31/21	604,936	50	33	45.0	13,443	13,410
<u>304-5 FURNITURE</u>								
365	Phone System	01/09/18	2,095	7	299	10.0	210	(90)
<u>305-2 RESERVES</u>								
5	Reserves	06/01/74	11,996	50	240	50.0	240	-
<u>306-2 LAKE</u>								
6	Lake, River	09/01/74	147,466	50	2,949	62.5	2,359	(590)
<u>310-2 LINE REPAIR</u>								
61	Electrical Line Repair	10/31/86	4,373	50	87	37.5	117	30
<u>311-2 PUMP EQUIPMENT</u>								
	Pump Stations	various	1,561,149	20	54,338	37.5	41,631	(12,707)
	Remainder of Group (equipment)	various	264,269	varies	6,992	20.0	13,213	6,221
<u>320-3 WATER TREATMENT EQUIPMENT</u>								
	Water Treatment Plant	various	895,542	varies	22,059	37.5	23,881	1,822
	Remainder of Group (equipment)	various	327,525	35	9,357	27.5	11,910	2,553
<u>330-4 RESERVOIRS</u>								
17	Distribution reservoirs	06/01/74	178,942	50	3,579	62.5	2,863	(716)
<u>331-4 TRANS. & DIST. MAINS</u>								
	Entire Group	various	24,943,401	varies	502,279	62.5	399,094	(103,185)
<u>333-4 SERVICES</u>								
	Entire Group	various	464,253	50	9,285	40.0	11,606	2,321

* Includes only costs associated with assets that contributed to depreciation expense in the test year.

<u>Assets</u>		<u>Date in Service</u>	<u>Original Cost *</u>	<u>Reported</u>		<u>Proforma</u>		<u>Depreciation Expense</u>
<u>No.</u>	<u>Description</u>			<u>Life</u>	<u>Depr. Exp.</u>	<u>Life</u>	<u>Depr. Exp.</u>	<u>Adjustment</u>
<u>334-4 METERS</u>								
	Meters	various	308,765	40	7,556	40.0	7,556	-
	Meters - RG3	various	1,360,407	40	34,009	20.0	68,020	34,011
<u>335-4 HYDRANTS</u>								
	Entire Group	various	264,887	50	5,129	50.0	5,298	169
<u>340-5 OFFICE EQUIPMENT</u>								
	Computer Equip. and Software	01/01/17	47,343	7	6,763	10.0	4,734	(2,029)
<u>341-5 VEHICLES</u>								
	Entire Group	various	296,063	varies	45,350	7.0	42,295	(3,055)
<u>345-5 POWER EQUIPMENT</u>								
	Entire Group	various	59,291	varies	9,173	12.5	4,743	(4,430)
<u>347-5 EQUIPMENT</u>								
367	Equipment	04/04/18	1,400	7	200	10	140	(60)
TOTALS					\$ 888,727		\$ 842,290	\$ (46,437)
<u>MUD SCHEDULE</u>								
<u>311 PUMP EQUIPMENT</u>								
	Entire Group	various	98,716	50	1,974	20	4,936	2,962
<u>330 DISTRIBUTION RESERVOIRS</u>								
	Entire Group	various	50,046	45	1,112	45.0	1,112	-
<u>331-4 TRANS. & DIST. MAINS</u>								
	Entire Group	various	231,810	50	4,636	62.5	3,709	(927)
<u>333 SERVICES</u>								
	Entire Group	various	120,550	50	2,411	40.0	3,014	603
<u>334-4 METERS</u>								
	Entire Group	various	204,348	40	3,251	40.0	3,251	-
TOTALS					\$ 13,384		\$ 16,022	\$ 2,638
<u>2021 ADDITIONS</u>								
	Meters and Services	2021	24,000	-	-	30.0	800	800
GRAND TOTALS					\$ 902,111		\$ 859,111	\$ (43,000)

* Includes only costs associated with assets that contributed to depreciation expense in the test year.

Table B
DEBT SERVICE SCHEDULE
Southern Water & Sewer District
CY 2022 - 2026

	<u>CY 2022</u>		<u>CY 2023</u>		<u>CY 2024</u>		<u>CY 2025</u>		<u>CY 2026</u>		<u>TOTALS</u>
	<u>Principal</u>	<u>Interest & Fees</u>	<u>Principal</u>	<u>Interest & Fees</u>	<u>Principal</u>	<u>Interest & Fees</u>	<u>Principal</u>	<u>Interest & Fees</u>	<u>Principal</u>	<u>Interest & Fees</u>	
KIA 1994	63,776	5,803	65,703	3,747	67,689	1,629					208,347
KIA 1997	121,171	24,133	124,833	20,227	128,606	16,201	132,494	12,055	136,498	7,784	724,002
RD Bonds 2010	10,500	9,726	11,000	9,484	11,000	9,236	11,500	8,983	12,000	8,719	102,148
Citizen's NB 2017	22,421	1,454	21,419	466							45,759
CTB 2019	21,748	3,331	22,763	2,316	23,826	1,253	14,447	183			89,868
Peoples Bank 2020	6,204	1,438	6,527	1,115	6,865	777	7,222	420	4,338	119	35,026
Cobank 06/02/20	76,090	66,001	78,636	63,459	81,093	61,007	83,979	58,125	86,788	55,321	710,499
Cobank 05/02/21	44,183	3,838	46,108	1,914	47,048	976	19,888	122			164,077
TOTALS	366,093	115,724	376,989	102,727	366,128	91,079	269,529	79,888	239,625	71,943	\$ 2,079,726
Average Annual Principal & Interest \$ 415,945											
Average Annual Coverage \$ 83,189											
METER REPLACEMENT LOAN											
Cobank 05/20/21	276,666	20,208	283,173	13,701	289,832	7,042	145,095	3,342	-	-	1,039,059