

SCHEDULE OF ADJUSTED OPERATIONS
West Laurel Water Association, Inc.

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Pro Forma</u>
<u>Operating Revenues</u>				
Total Retail Metered Sales	\$ 2,569,512	(14,476)	A	\$ 2,555,036
Sales for Resale	1,878			1,878
Other Water Revenues:				
Forfeited Discounts	-	11,331	B	
		60,121	C	71,452
Misc. Service Revenues	38,467	(11,331)	B	<u>27,136</u>
Total Operating Revenues	\$ 2,609,857			\$ 2,655,501
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	-			-
Salaries and Wages - Officers	-	27,900	D	27,900
Employee Pensions and Benefits	-			
Purchased Water	1,254,926			1,254,926
Purchased Power	15,154			15,154
Materials and Supplies	209,612			209,612
Contractual Services	835,957			835,957
Rental of Equipment	-			-
Transportation Expenses	-			-
Insurance - Other	22,109			22,109
Bad Debt	17,924			17,924
Miscellaneous Expenses	<u>45,115</u>	(27,900)	D	<u>17,215</u>
Total Operation and Mnt. Expenses	2,400,797			2,400,797
Depreciation Expense	284,602	(44,968)	E	239,634
Taxes Other Than Income	<u>7,489</u>			<u>7,489</u>
Total Operating Expenses	\$ 2,692,888			\$ 2,647,920
Net Utility Operating Income	\$ (83,031)			\$ 7,581

REVENUE REQUIREMENTS

Pro Forma Operating Expenses		\$ 2,647,920
Plus: Avg. Annual Principal and Interest Payments		F 212,335
Additional Working Capital		G <u>42,467</u>
Total Revenue Requirement		\$ 2,902,721
Less: Other Operating Revenue		(98,588)
Interest Income		(4,122)
Nonutility Income	6,520	(6,520) H <u>-</u>
Revenue Required From Water Sales		\$ 2,800,012
Revenue from Sales at Present Rates		<u>2,556,914</u>
Required Revenue Increase		\$ 243,098
Percent Increase		9.51%

REFERENCES

- A. The Current Billing Analysis results in pro forma metered sales revenue of \$2,555,036. This indicates a deduction to reported Metered Sales of \$14,476 is required.
- B. Forfeited Discounts (Late Fees) were reported with Misc. Service Revenues. This revenue item is moved to its own category to provide more detail. The total amount of Late Fees collected in the test year was \$11,331.
- C. In spring of 2020, the Governor issued an Executive Order that prohibited utilities from charging Late Fees on past due accounts. That Order has now been rescinded. To normalize the revenue from Late Fees an adjustment of \$60,121 is added to the amount reported for 2020. This brings the pro forma figure for Late Fees up to a level equal to the average for the two years prior to 2020.
- D. Salaries for the District's board members was reported with Miscellaneous Expenses. This item is moved to its own category to provide more detail. The total amount of Director's salaries paid in the test year was \$27,900.
- E. 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.
- F. The annual debt service payments for the District's loans are shown in Table B. The five-year average of these payments is added in the revenue requirement calculation.
- G. 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.
- H. The revenue reported as Nonutility Income is a capital contribution from Laurel County Fiscal Court. Since this income should not be included with an analysis of operating revenues and expenses, it is deducted.

Table A
DEPRECIATION EXPENSE ADJUSTMENTS

West Laurel Water Association, Inc.

<u>Asset Description</u>	<u>Date in Service</u>	<u>Original Cost *</u>	<u>Reported Life</u>	<u>Depr. Exp.</u>	<u>Pro Forma Life</u>	<u>Depr. Exp.</u>	<u>Depreciation Expense Adjustment</u>
<u>Communications Equipment</u>							
Misc. Equipment	06/30/18	\$ 4,629	5.0	\$ 926	10.0	\$ 463	\$ (463)
<u>Distribution Reservoirs & Standpipes</u>							
Entire Group	various	1,397,378	50.0	27,953	45.0	31,053	3,100
<u>Hydrants</u>							
Entire Group	various	45,866	40.0	1,147	50.0	917	(230)
<u>Meters</u>							
Entire Group	various	1,245,406	varies	30,197	20.0	62,270	32,073
<u>Office Equipment</u>							
Entire Group - Software, etc.	various	30,789	20.0	1,539	10.0	3,079	1,540
<u>Pumping Equipment</u>							
Entire Group	various	586,413	7.0	83,773	20.0	29,321	(54,453)
<u>Services</u>							
Entire Group	various	570,882	35.0	16,094	40.0	14,272	(1,822)
<u>Structures & Improvements</u>							
Entire Group	various	6,124,987	varies	122,550	62.5	98,000	(24,550)
<u>Transmission & Distribution Mains</u>							
Entire Group	various	9,680	40.0	422	37.5	258	(164)
TOTALS				\$ 284,601		\$ 239,633	\$ (44,968)

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

Table B
DEBT SERVICE SCHEDULE
West Laurel Water Association, Inc.
 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</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
RD Loan #91-04	\$ 21,019	\$ 8,557	\$ 22,070	\$ 7,506	\$ 23,174	\$ 6,402	\$ 24,332	\$ 5,244	\$ 25,549	\$ 4,027	\$ 147,880
RD Loan #91-05	6,430	2,618	6,752	2,296	7,089	1,959	7,444	1,604	7,816	1,232	45,240
RD Loan #91-06	15,569	15,256	16,347	14,478	17,164	13,660	18,023	12,802	18,925	11,901	154,125
RD Loan #91-07	32,504	58,051	34,129	56,426	35,836	54,720	37,628	52,928	39,509	51,047	452,778
KRWFC Loan	19,179	33,151	19,706	32,624	20,248	32,082	20,805	31,525	21,377	30,953	261,650
TOTALS	94,701	117,633	99,004	113,330	103,511	108,823	108,232	104,103	113,176	99,160	\$ 1,061,673
5 Year Average Annual Principal & Interest											\$ 212,335
Average Annual Coverage											\$ 42,467