

SCHEDULE OF ADJUSTED OPERATIONS

Sharpsburg Water District

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Pro Forma</u>
<u>Operating Revenues</u>				
Total Metered Sales	864,045	25,132	A	\$ 889,177
Bulk Loading Station	2,532	(284)	A	2,248
Other Water Revenues:				
Forfeited Discounts	-			-
Misc. Service Revenues				-
Other Water Revenues	<u>38,962</u>	(26,060)	B	<u>12,902</u>
Total Operating Revenues	905,539			\$ 904,327
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	169,324	33,951	C	
		(4,076)	D	
		(8,190)	E	191,009
Salaries and Wages - Officers	41,767	(33,951)	C	
		711	F	8,527
Employee Pensions and Benefits	23,432	3,971	G	27,403
Purchased Water	372,328	18,830	H	
		(31,527)	I	359,631
Purchased Power	20,560	(1,657)	I	18,903
Materials and Supplies	101,047	(19,110)	E	81,937
Contractual Services	6,450			6,450
Rental of Equipment	2,350			2,350
Transportation Expenses	-			-
Insurance - Other	22,265			22,265
Bad Debt	-			-
Miscellaneous Expenses	73,995			73,995
Total Operation and Mnt. Expenses	833,518			\$ 792,470
Depreciation Expense	133,792	21,520	J	155,312
Taxes Other Than Income	44,008	(25,581)	K	
		(312)	D	18,115
Total Operating Expenses	1,011,318			\$ 965,896
Net Utility Operating Income	(105,779)			(61,569)
REVENUE REQUIREMENTS				
Pro Forma Operating Expenses				\$ 965,896
Plus: Avg. Annual Principal and Interest Payments			L	83,120
Additional Working Capital			M	16,624
Total Revenue Requirement				\$ 1,065,640
Less: Other Operating Revenue				(12,902)
Interest Income				(191)
Revenue Required From Water Sales				\$ 1,052,547
Revenue from Sales at Present Rates				891,425
Required Revenue Increase				\$ 161,122
Percent Increase				18.07%

REFERENCES

- A. The Current Billing Analysis results in pro forma retail sales revenue of \$889,177. This indicates an addition of \$25,132 to reported Metered Sales is required to reflect a full year with two Purchased Water Adjustment rate increases in 2022. The billing analysis also indicates a deduction of \$284 to reported Bulk Loading Station revenue is required.
- B. The amount reported for Other Water Revenues includes \$2,257 for Truck Sales and \$23,803 in Utility Tax collections. These two amounts should not be included as operating revenue and are deducted.
- C. A portion of the Manager's salary was reported with Salaries and Wages – Officers. That amount is added to Salaries and Wages – Employees and deducted from Commissioners wages.
- D. During and after the test year of 2021 there were several changes in personnel and wage rates. These changes result in a decrease in total Salaries and Wages expense of \$4,076 and a decrease in payroll taxes of \$312.
- E. During the test year labor and materials for new meter installations were not capitalized but were charged to operating expenses. The amount of tap fees collected for these meters can be substituted for the actual installation expenses. Thirty percent of total tap fees (\$8,190) is deducted from Salaries and Wages and 70 percent (\$19,110) is deducted from Materials and Supplies expense.
- F. One Commissioner did not serve on the board for the full year in 2021. Therefore, an amount of \$711 is added to normalize this expense.
- G. The District pays 100 percent of its full time employees' health insurance premiums. The PSC requires that expenses associated with this level of employer funding be adjusted to be consistent with the Bureau of Labor Statistics' national average for an employer's share of health insurance premiums. The average employer share from BLS is currently 78 percent for single coverage. Applying that percentage to the increased premiums for the current year results in a total allowable expense of \$27,403. Total premiums paid in 2021 were \$23,432. Therefore, an addition to Pensions and Benefits expense of \$3,971 is required.
- H. In 2022 both of the District's suppliers raised their wholesale rates. To recognize these increases an addition to Purchased Water Expense of \$18,830 is required.

- I. The District's test year water loss was 23.06 percent. The PSC's maximum allowable loss for rate-making purposes is 15.0 percent. Therefore, the expenses for Purchased Water and Purchased Power above the 15 percent limit are not allowed in the rate base and must be deducted.
- J. 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. The new meter installations mentioned in Note E above were also added to the depreciation schedule. See Table A.
- K. The amount reported for Taxes Other Than Income includes \$24,723 in Utility Tax collections and \$858 in Sales Tax. Neither of these items should be included in operating expenses and are deducted.
- L. 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.
- M. The amount shown in Table B for coverage on long term debt is required by the District's bond resolutions. This is included in the revenue requirement as Additional Working Capital.

Table A
DEPRECIATION EXPENSE ADJUSTMENTS
Sharpsburg Water District

<u>Asset</u>	<u>Date in Service</u>	<u>Original Cost *</u>	<u>Life</u>	<u>Reported Depr. Exp.</u>	<u>Life</u>	<u>Pro forma Depr. Exp.</u>	<u>Depreciation Expense Adjustment</u>
Structures & Improvements							
Tanks & Improvements	07/24/13	\$ 66,228	50.0	\$ 1,324	45.0	1,472	\$ 148
Remainder of Group	various	4,149,914	50.0	82,999	37.5	110,664	27,665
Distribution Reservoirs							
Entire Group	12/31/12	554,527	50.0	11,091	45.0	12,323	1,232
Transmission & Dist. Mains							
Entire Group	12/31/12	1,834,802	50.0	36,696	62.5	29,357	(7,339)
Meters & Installations							
Meters & Services	2021	27,300	15.0	-	40.0	683	683
Miscellaneous Equipment							
Entire Group	12/31/12	16,819	10.0	1,682	17.5	961	(721)
TOTALS				\$ 133,792		\$ 153,988	\$ 21,520

Table B
DEBT SERVICE SCHEDULE
Sharpsburg Water District
CY 2023 - 2027

	<u>CY 2023</u>		<u>CY 2024</u>		<u>CY 2025</u>		<u>CY 2026</u>		<u>CY 2027</u>		<u>TOTALS</u>
	<u>Principal</u>	<u>Interest</u>									
RD Series 1984	\$12,000	\$ 1,354	\$13,000	\$ 463	-	-	-	-	-	-	\$ 26,817
RD Series 1990	13,000	6,025	14,000	5,350	15,000	4,625	14,000	16,245	14,000	15,615	117,860
RD Series 1996	9,000	6,781	9,400	6,368	9,900	5,933	10,300	5,479	10,800	5,004	78,965
RD Series 2006	5,000	8,229	5,500	8,013	5,500	7,786	6,000	7,549	6,000	7,301	66,878
RD Series 2011	13,500	11,638	13,500	11,334	14,000	11,025	14,500	10,704	14,500	10,378	125,079
TOTALS	52,500	34,027	55,400	31,528	44,400	29,369	44,800	39,977	45,300	38,298	\$ 415,599
Average Annual Principal & Interest											\$ 83,120
Average Annual Coverage											\$ 16,624