

SCHEDULE OF ADJUSTED OPERATIONS

Edmonson County Water District Sewer Division

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Pro Forma</u>
<u>Operating Revenues</u>				
Total Sewer Sales	17,288	230	A	17,518
Other Sewer Revenues	449			449
Total Operating Revenues	17,737			17,967
<u>Operating Expenses</u>				
Operation Expenses				
Collection - Labor, Materials and Expenses	38	1,133	B	1,171
Pumping - Labor, Materials and Expenses	10,551	(9,727)	C	824
Power for Pumping and Treatment	1,299			1,299
Miscellaneous Supplies and Expenses	335			335
Treatment & Disposal	-	9,727	C	9,727
Maintenance Expenses				
Maintenance of Collection Sewer System	-			-
Customer Accounts Expenses				
Customer Records & Collection Exp - Labor	-	847	D	847
Misc. Customer Accounts Expense	201			201
Administrative and General Expenses				
Administrative and General Salaries	-	773	E	773
Office Supplies and Other Expenses	522			522
Employee Pensions and Benefits	-	304	F	527
		223	F	152
Transportation Expense	-	152	F	-
Miscellaneous General Expenses	-			-
Total Sewer Operation and Mnt. Expenses	12,946			16,379
Depreciation Expense	63,281	(22,421)	G	20,430
		(20,430)	H	214
Taxes Other Than Income	3	211	I	3
Total Operating Expenses	76,230	(39,208)		37,022
Net Utility Operating Income	(58,493)			(19,055)

REVENUE REQUIREMENTS

Pro Forma Operating Expenses	\$	37,022
Plus: Avg. Annual Principal and Interest Pmts.	J	5,242
Additional Working Capital	K	1,048
Total Revenue Requirement	\$	43,313
Less: Other Operating Revenue		(449)
Interest & Investment Income		(1,277)
Revenue Required From Sewer Sales	\$	42,864
Less: Revenue from Sales at Present Rates		(17,518)
Required Revenue Increase	\$	25,345
Percent Increase		144.68%

REFERENCES

- A. The Current Billing Analysis results in pro forma sales revenue from residential and commercial customers of \$17,518. This indicates an addition to sales revenue of \$230 is required.
- B. During the test year of 2021 most of the labor for work on the sewer system was charged to the District's Water Division. However, in 2022 the procedure was changed and labor hours for field work on sewers were charged directly to the sewer system. Based on actual 2022 hours worked and current wage rates, the pro forma expense for sewer operations labor is \$1,171.
- C. The payments to Brownsville for wastewater disposal were reported with pumping expenses. This cost is reclassified to its own category of Treatment & Disposal.
- D. All labor expense for Customer Records & Collections was reported in the Water Division. The amount of this expense that should be allocated to the Sewer Division based on the number of customers in each division is \$847.
- E. All expense for Administrative and General Salaries was also reported in the Water Division. The amount of this expense that should be allocated to the Sewer Division based on the number of customers in each division is \$773.
- F. No expenses for employees' insurance, retirement benefits, transportation were reported in the Sewer Division. The amounts of these expenses that should be allocated to the Sewer Division based on total wages charged to each division are \$304, \$223 and \$152, respectively.
- G. The PSC requires adjustments to a utility's depreciation expense when asset lives fall outside the ranges recommended in certain publications. The required source for a sewer system's asset lives is the "O&M Guide for the Support of Rural Water-Wastewater Systems" by the Commission for Rural Water. Some assets are not listed in that guide and in those cases the schedule by NARUC in its publication titled "Depreciation Practices for Small Utilities" is used. See Table A. This table also includes a large adjustment to eliminate over \$1.6 million in assets not owned by the District.
- H. Full depreciation would place an unnecessary burden on the District's sewer customers and is not considered reasonable or practicable. Therefore, a deduction is included to reduce this expense to 50 percent of total depreciation. Further discussion of this issue is included in the application's cover letter.
- I. Based on the additional salaries and wages allocated to the Sewer Division as described above, the revised payroll tax expense is \$220.
- J. The annual debt service payments for the District's long-term debt are shown in Table B. The five-year average of these payments is added in the revenue requirement calculation.
- K. The amount shown in Table B for coverage on long term debt is required by the District's bond documents. This is included in the revenue requirement as Additional Working Capital.

Table A
DEPRECIATION EXPENSE ADJUSTMENTS

Edmonson County Water District
Sewer Division

<u>Asset</u>	<u>Date in Service</u>	<u>Original Cost *</u>	<u>Life</u>	<u>Reported Depr. Exp.</u>	<u>Life</u>	<u>Proforma Depr. Exp.</u>	<u>Depreciation Expense Adjustment</u>
Communications	12/05/18	18,460	10.0	1,846	12.5	1,477	(369)
Building	01/01/15	34,500	37.5	920	37.5	920	-
Trailer and hitch	01/01/15	6,095	17.5	348	17.5	348	-
Tools, shop & garage equipment	various	2,029	varies	64	17.5	116	52
Power operated equipment	various	13,527	varies	941	12.5	1,082	141
Safety & flow measuring equip.	various	21,066	17.5	1,178	17.5	1,204	26
Pumping equipment	01/01/06	174,507	20.0	8,725	20.0	8,725	-
Collection Sewers	01/01/06	78,997	62.5	1,264	52.5	1,505	241
Collection Sewers **	01/01/06	1,636,664	62.5	26,187	-	-	(26,187)
Collection Sewers	01/01/06	1,293,245	62.5	20,692	52.5	24,633	3,941
Services to Customers	01/01/06	44,620	40.0	1,116	52.5	850	(266)
TOTALS - SEWER SYSTEM		\$ 3,323,710		\$ 63,281		\$ 40,860	\$ (22,421)

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

** During the course of this study it was determined that the facilities constructed with these funds are owned and operated by Caveland Environmental and should not be included in ECWD's depreciation schedule.

Table B
DEBT SERVICE SCHEDULE
Edmonson County Water District
Sewer Division
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>	<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 Series 2010	2,100	3,209	2,100	3,120	2,200	3,026	2,300	2,928	2,400	2,826	26,209
Average Annual Principal & Interest - Sewer										\$	5,242
Average Annual Debt Service Coverage										\$	1,048