SCHEDULE OF ADJUSTED OPERATIONS

Edmonson County Water District

Sewer Division

Operating Revenues 17,288 230 A 17,518 Total Sewer Sales 17,737 17,967 Operating Revenues 17,737 17,967 Operating Expenses 00 17,737 17,967 Operating Expenses 17,737 17,967 Operating Expenses 00,551 (9,727) C 824 Power for Pumping and Treatment 1,299 1,299 1,299 Miscellaneous Supplies and Expenses 335 3355 3355 Treatment & Disposal - 9,727 C 9,727 Maintenance of Collection Sewer System - - - - Customer Accounts Expenses 201 201 Administrative and General Salries - - - - - - - 201 Administrative and General Salries -		Test Year	Adjustments	Ref.	Pro Forma
Total Sewer Sales 17,288 230 A 17,518 Other Sewer Revenues 449 449 449 Total Operating Revenues 17,737 17,967 Operating Expenses 0 17,737 17,967 Operating Expenses 0 17,737 17,967 Operating Expenses 0 17,737 17,967 Operating 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 1,299 1,299 Misclaneous Supplies and Expenses 335 335 335 335 Treatment & Disposal - 9,727 C 9,727 Maintenance Of Collection Sewer System - - - Customer Records & Collection Exp - Labor - 847 D 847 Misc. Customer Accounts Expenses 201 201 201 201 201 201 201 201 201 201	Operating Revenues				
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Operation Expenses381,133B1,171Pumping - Labor, Materials and Expenses381,133B1,171Pumping - Labor, Materials and Expenses10,551(9,727)C824Power for Pumping and Treatment1,2991,299Miscellaneous Supplies and Expenses335335Treatment & Disposal-9,727C9,727Maintenance Expenses-Maintenance Collection Sever SystemCustomer Accounts Expenses201201201201Administrative and General Expenses-203F222Administrative and General Salaries-773E773Office Supplies and Other Expenses-304F-Administrative and General SalariesOffice Supplies and Other ExpensesMiscellaneous General ExpensesTransportation Expense-152F152Miscellaneous General ExpensesTotal Sewer Operation and Mnt. Expenses12,946Total SepensesTotal SepensesNet Utility Operating Income(58,493)(19,055)19,055)Pro Forma Operating ExpensesAdditional Working CapitalK1,048 <td>Total Operating Revenues</td> <td>17,737</td> <td></td> <td></td> <td>17,967</td>	Total Operating Revenues	17,737			17,967
Collection - Labor, Materials and Expenses381,133B1,171Pumping - Labor, Materials and Expenses10,551(9,727)C824Power for Pumping and Treatment1,2991,2991,299Miscellaneous Supplies and Expenses335335335Treatment & Disposal-9,727C9,727Maintenance of Collection Sewer SystemCustomer Accounts Expenses-2018470Customer Accounts Expenses201201Administrative and General Expenses201201Administrative and General Expenses-773E773EAdministrative and General Salaries-773E773522Employee Pensions and Benefits-304F-Transportation Expense16,3792043016,379Depreciation Expense223F527Transportation Expense16,37920,43012,443Total Sewer Operation and Mnt. Expenses12,94616,37920,43014,214Total Operating Expenses24,43012,943Taxes Other Than Income3211121410,483Total Operating Expenses14,244Total Operating Expenses14,313Less: Other Operating Revenue1,244Total Operating Expenses	Operating Expenses				
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Miscellaneous Supplies and Expenses335335Treatment & Disposal-9,727CMaintenance & Collection Sewer SystemCustomer Accounts ExpensesCustomer Records & Collection Exp - Labor-847DAdministrative and General Salaries-773E773Office Supplies and Other Expenses522522522Employee Pensions and Benefits-152F152Miscellaneous General ExpensesMiscellaneous General ExpensesMiscellaneous General Expenses-152F152Miscellaneous General ExpensesTotal Sewer Operation and Mnt. Expenses12,94616,379-Depreciation Expense63,281(22,421)G-Total Operating Expenses76,230(39,208)37,022Net Utility Operating Income(58,493)(19,055)-REVENUE REQUIREMENTSFro Forma Operating Expenses537,022Plus:Avg. Annual Principal and Interest Pmts.J5,242Additional Working CapitalK1,048Total Revenue Requirement(449)(1,277)Revenue Required From Sales at Present Rates\$42,864Less:Revenue Require From Sales at Present Rates\$42,864Less:Revenue Increase\$5,2545	Pumping - Labor, Materials and Expenses	10,551	(9,727)	С	824
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Misc. Customer Accounts Expense201201Administrative and General Expenses-773E773Administrative and General Salaries-773E773Office Supplies and Other Expenses522522522Employee Pensions and Benefits-304F527Transportation Expense-152F152Miscellaneous General ExpensesTotal Sewer Operation and Mnt. Expenses12,94616,37916,379Depreciation Expense63,281(22,421)G616,379Taxes Other Than Income3211I21470tal Operating Expenses76,230(39,208)37,022Net Utility Operating Income(58,493)(19,055)5216,379REVENUE REQUIREMENTSPro Forma Operating Expenses\$\$ 37,022Plus:Avg. Annual Principal and Interest Pmts.J5,242Additional Working CapitalK1,048Total Revenue Requirement\$ 43,31343,313Less:Operating Revenue(1,277)Revenue Required From Sewer Sales\$ 42,864Less:Revenue from Sales at Present Rates(17,518)Required Revenue Increase\$ 25,345	Customer Accounts Expenses				
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Transportation Expense-152F152Miscellaneous General ExpensesTotal Sewer Operation and Mnt. Expenses12,94616,379Depreciation Expense63,281(22,421)G(20,430)H20,430Taxes Other Than Income3211ITotal Operating Expenses76,230(39,208)37,022Net Utility Operating Income(58,493)(19,055)REVENUE REQUIREMENTSPro Forma Operating Expenses\$37,022Plus:Avg. Annual Principal and Interest Pmts.J5,242Additional Working CapitalK1,048Total Revenue Requirement\$43,313Less:Other Operating Revenue(449)Interest & Investment Income\$42,864Less:Revenue from Sales at Present Rates\$42,864Less:Revenue Increase\$25,345	Employee Pensions and Benefits	-	304	F	
Miscellaneous General Expenses-Total Sewer Operation and Mnt. Expenses12,946Depreciation Expense63,281(22,421)G(20,430)H20,430(20,430)Taxes Other Than Income3211I21476,230Total Operating Expenses76,230Net Utility Operating Income(58,493)REVENUE REQUIREMENTSPro Forma Operating Expenses\$ 37,022Plus:Avg. Annual Principal and Interest Pmts.JAdditional Working CapitalKTotal Revenue Requirement\$ 43,313Less:Other Operating Revenue(12,277)Revenue Required From Sewer Sales\$ 42,864Less:Revenue from Sales at Present Rates(17,518)Required Revenue Increase\$ 25,345			223	F	527
Total Sewer Operation and Mnt. Expenses12,94616,379Depreciation Expense63,281(22,421)G(20,430)H20,430Taxes Other Than Income3211I20,4303211I214Total Operating Expenses76,230(39,208)37,022Net Utility Operating Income(58,493)(19,055)REVENUE REQUIREMENTSPro Forma Operating Expenses\$Plus:Avg. Annual Principal and Interest Pmts.J5,242Additional Working CapitalK1,048Total Revenue Requirement\$43,313Less:Other Operating Revenue(449)Interest & Investment Income\$42,864Less:Revenue from Sales at Present Rates\$Required Revenue Increase\$25,345Required Revenue Increase\$25,345	Transportation Expense	-	152	F	152
Depreciation Expense63,281(22,421)GTaxes Other Than Income3211I214Total Operating Expenses76,230(39,208)37,022Net Utility Operating Income(58,493)(19,055)37,022REVENUE REQUIREMENTSPro Forma Operating Expenses\$37,022Plus:Avg. Annual Principal and Interest Pmts.J5,242Additional Working CapitalK1,048Total Revenue Requirement\$43,313Less:Other Operating Revenue(449)Interest & Investment Income\$42,864Less:Revenue from Sales at Present Rates\$42,864Required Revenue Increase\$25,345	Miscellaneous General Expenses				-
Taxes Other Than Income3211I20,430Total Operating Expenses76,230(39,208)37,022Net Utility Operating Income(58,493)(19,055)REVENUE REQUIREMENTSPro Forma Operating Expenses\$37,022Plus:Avg. Annual Principal and Interest Pmts.J5,242Additional Working CapitalK1,048Total Revenue Requirement\$43,313Less:Other Operating Revenue(449)Interest & Investment Income\$42,864Less:Revenue from Sales at Present Rates\$42,864Required Revenue Increase\$25,345	Total Sewer Operation and Mnt. Expenses	12,946			16,379
Taxes Other Than Income3211I214Total Operating Expenses76,230(39,208)37,022Net Utility Operating Income(58,493)(19,055)REVENUE REQUIREMENTSPro Forma Operating Expenses\$37,022Plus:Avg. Annual Principal and Interest Pmts.J5,242Additional Working CapitalK1,048Total Revenue Requirement\$43,313Less:Other Operating Revenue(1,277)Revenue Required From Sewer Sales\$42,864Less:Revenue from Sales at Present Rates\$25,345Required Revenue Increase\$25,345	Depreciation Expense	63,281	(22,421)	G	
Total Operating Expenses76,230 (39,208)37,022 (19,055)Net Utility Operating Income(58,493)(19,055)REVENUE REQUIREMENTSPro Forma Operating Expenses\$ 37,022Plus:Avg. Annual Principal and Interest Pmts.J5,242 (1,048)Additional Working CapitalK1,048Total Revenue Requirement\$ 43,313 (1,277)Less:Other Operating Revenue (1,277)(1,277) (1,277)Revenue Required From Sales at Present Rates\$ 42,864 (17,518)Required Revenue Increase\$ 25,345			(20,430)	Η	20,430
Net Utility Operating Income(58,493)(19,055)REVENUE REQUIREMENTSPro Forma Operating Expenses\$37,022Plus:Avg. Annual Principal and Interest Pmts.J5,242Additional Working CapitalK1,048Total Revenue Requirement\$43,313Less:Other Operating Revenue(149)Interest & Investment Income(1,277)Revenue Required From Sewer Sales\$42,864Less:Revenue from Sales at Present Rates(17,518)Required Revenue Increase\$25,345	Taxes Other Than Income	3	211	Ι	214
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	Total Operating Expenses	76,230	(39,208)		37,022
Pro Forma Operating Expenses\$ 37,022Plus:Avg. Annual Principal and Interest Pmts.J5,242Additional Working CapitalK1,048Total Revenue Requirement\$ 43,313Less:Other Operating Revenue(449)Interest & Investment Income(1,277)Revenue Required From Sewer Sales\$ 42,864Less:Revenue from Sales at Present Rates(17,518)Required Revenue Increase\$ 25,345	Net Utility Operating Income	(58,493)			(19,055)
Pro Forma Operating Expenses\$ 37,022Plus:Avg. Annual Principal and Interest Pmts.J5,242Additional Working CapitalK1,048Total Revenue Requirement\$ 43,313Less:Other Operating Revenue(449)Interest & Investment Income(1,277)Revenue Required From Sewer Sales\$ 42,864Less:Revenue from Sales at Present Rates(17,518)Required Revenue Increase\$ 25,345	REVENUE REQ	UIREMENTS			
Additional Working CapitalK1,048Total Revenue Requirement\$43,313Less:Other Operating Revenue(449)Interest & Investment Income(1,277)Revenue Required From Sewer Sales\$42,864Less:Revenue from Sales at Present Rates(17,518)Required Revenue Increase\$25,345				\$ 37,022	
Total Revenue Requirement\$43,313Less:Other Operating Revenue(449)Interest & Investment Income(1,277)Revenue Required From Sewer Sales\$42,864Less:Revenue from Sales at Present Rates(17,518)Required Revenue Increase\$25,345	Plus: Avg. Annual Principal and Interest Pmts.			J	5,242
Less:Other Operating Revenue(449)Interest & Investment Income(1,277)Revenue Required From Sewer Sales\$ 42,864Less:Revenue from Sales at Present RatesRequired Revenue Increase\$ 25,345	Additional Working Capital			Κ	1,048
Less:Other Operating Revenue(449)Interest & Investment Income(1,277)Revenue Required From Sewer Sales\$ 42,864Less:Revenue from Sales at Present Rates(17,518)Required Revenue Increase\$ 25,345	Total Revenue Requirement				\$ 43,313
Revenue Required From Sewer Sales\$42,864Less:Revenue from Sales at Present Rates(17,518)Required Revenue Increase\$25,345					(449)
Less:Revenue from Sales at Present Rates(17,518)Required Revenue Increase\$25,345	Interest & Investment Income				(1,277)
Less:Revenue from Sales at Present Rates(17,518)Required Revenue Increase\$25,345	Revenue Required From Sewer Sales				\$ 42,864
Required Revenue Increase\$25,345					(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 <u>DEPRECIATION EXPENSE ADJUSTMENTS</u> Edmonson County Water District Sewer Division										
<u>Asset</u>	Date in <u>Service</u>	Original <u>Cost *</u>	<u>Re</u> Life	ported Depr. Exp.	Pr. Life	<u>oforma</u> Depr. Exp.	Depreciation Expense Adjustment			
Communications	12/05/19	18.460	10.0	1.946	12.5	1 477	(260			
Building	12/05/18 01/01/15	18,460 34,500	37.5	1,846 920	37.5	1,477 920	(369			
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 2</u> Principal	2023 Interest	<u>CY 2</u> Principal	2024 Interest	<u>CY 2</u> Principal	025 Interest	<u>CY 2</u> Principal	026 Interest	CY 2027 Principal Interest		T	OTALS
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 Average Annual Debt Service Coverage									\$ \$	5,242 1,048		