

SCHEDULE OF ADJUSTED OPERATIONS

Meade County Water District

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Proforma</u>
<u>Operating Revenues</u>				
Total Metered Retail Sales	\$ 2,411,628	375,137	A	\$ 2,786,765
Sales for Resale	341,398	100,928	A	442,326
Other Water Revenues:				
Forfeited Discounts	-	43,653	B	43,653
Other Water Revenues	<u>93,927</u>	(43,653)	B	<u>50,274</u>
Total Operating Revenues	\$ 2,846,953			\$ 3,323,018
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	485,275	31,785	C	517,060
Salaries and Wages - Officers	30,000			30,000
Employee Pensions and Benefits	243,861	14,635	D	
		(42,509)	E	215,987
Purchased Water	909,331	373,799	F	
		(11,876)	G	1,271,254
Purchased Power	58,545	(542)	G	58,003
Materials and Supplies	63,784			63,784
Contractual Services - Acct. & Legal	22,186			22,186
Contractual Services - Water Testing	2,610			2,610
Transportation Expenses	22,725			22,725
Insurance - Gen. Liab. & Workers Comp.	34,745			34,745
Miscellaneous Expenses	167,520			167,520
Total Operation and Mnt. Expenses	2,040,582			2,405,874
Depreciation Expense	685,991	(175,750)	H	510,241
Taxes Other Than Income	40,956	2,907	C	43,863
Total Operating Expenses	\$ 2,767,529			\$ 2,959,977
Net Utility Operating Income	\$ 79,424			\$ 363,041

REVENUE REQUIREMENTS

Pro Forma Operating Expenses		\$ 2,959,977
Plus: Average Annual Principal and Interest Payments		I 374,415
Additional Working Capital		J <u>74,883</u>
Overall Revenue Requirement		3,409,275
Less: Other Operating Revenue		(93,927)
Nonutility Expenses	43,464	(43,464) K -
Interest Income		<u>(1,277)</u>
Revenue Required From Sales of Water		3,314,071
Less: Revenue from Sales at Present Rates		<u>3,229,091</u>
Required Sales Revenue Increase		84,980
Percent Rate Increase		2.63%

REFERENCES

- A. The Current Billing Analysis results in pro forma metered retail sales revenue of \$2,786,765. This reflects a full year at the increased retail rates that will become effective near the end of 2022 and with appropriate billing adjustments, indicates an increase in reported Metered Sales of \$375,137 is expected. With the 2022 rate change Sales for Resale will also increase by \$100,928 to a total of \$442,326.
- B. Forfeited Discounts (Late Fees) were reported with Other Water Revenues. To provide more detail this revenue is reclassified to its own category.
- C. There have been changes in the employee roster and wages since 2021 that result in an increase in Salaries and Wages expense of \$31,785 and an increase in payroll taxes of \$2,907.
- D. The increase in employee payroll expense will result in higher payments for the CERS retirement program. These payments are estimated to increase by \$14,635.
- E. The District pays 100 percent of its employees' health insurance premiums. The PSC requires that these expenses be adjusted to be consistent with the Bureau of Labor Statistics' national average for an employer's share of premiums. Average employer shares from BLS are currently 78 percent for single coverage and 66 percent for family plans. 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 \$42,509.
- F. The District's wholesale cost of water from Hardin County Water District #1 has increased by \$0.97 per thousand gallons and meter fees have also increased. Therefore, an increase of \$373,799 to the test year Purchased Water expense is required to adjust for the higher rate.
- G. The District's test year water loss was 15.93 percent. The PSC's maximum allowable loss for rate-making purposes is 15.0 percent. Therefore, the expenses for Purchased Water and Purchased Power related to costs 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 these payments is added in the revenue requirement calculation.
- J. The amount shown in Table B for coverage on long term debt is included in the revenue requirement as Additional Working Capital.
- K. Cost of Issuance expenses (listed in the Annual Report as Nonutility Expenses) are extraordinary costs that do not occur annually and should not be included in the revenue requirement computation.

Table A
DEPRECIATION EXPENSE ADJUSTMENTS
Meade County Water District

<u>Assets</u>	<u>Date in Service</u>	<u>Original Cost *</u>	<u>Reported</u>		<u>Proforma</u>		<u>Depreciation Expense Adjustment</u>
			<u>Life</u>	<u>Depr. Exp.</u>	<u>Life</u>	<u>Depr. Exp.</u>	
Hydrants							
Entire Group	various	26,694	40.0	667	50.0	534	(133)
Meters & Meter Installation							
Radio Read Meters	various	548,529	10.0	54,853	15.0	36,569	(18,284)
Remainder of Group	various	3,109,310	varies	130,755	40.0	77,733	(53,022)
Office Furniture & Equipment							
Entire Group	various	65,895	5.0	12,161	10.0	6,590	(5,572)
Other Plant & Misc. Equipment							
Entire Group	various	10,061	varies	1,268	10.0	1,006	(262)
Power Operated Equipment							
Entire Group	various	65,840	5.0	13,168	12.5	5,267	(7,901)
Pumping Equipment							
Sampling Equipment	2020	27,977	20.0	1,399	17.5	1,599	200
Remainder of Group	various	86,839	20.0	4,342	20.0	4,342	-
Services							
Entire Group	1987	63,127	40.0	1,578	40.0	1,578	-
Structures & Improvements							
Reservoirs and Tanks	various	1,636,982	varies	41,052	45.0	36,377	(4,675)
Remainder of Group	various	1,134,372	varies	28,865	37.5	30,250	1,385
Supply Mains							
Entire Group	various	14,492,171	varies	285,427	62.5	231,875	(53,552)
Transmission & Distribution Mains							
Entire Group	various	3,410,694	varies	84,970	62.5	54,571	(30,399)
Vehicles							
Entire Group	various	151,326	5.0	25,153	7.0	21,618	(3,535)
Wells and Springs							
Entire Group	1992	10,000	30.0	333	30.0	333	-
TOTALS					685,991	510,241	(175,750)

* Only includes the costs of assets that contribute to depreciation expense in the test year.

Table B
DEBT SERVICE SCHEDULE
Meade County 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>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
KRWA	\$ 49,000	\$ 1,468	\$ 4,000	\$ 103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,571
KIA F03-05	25,064	1,452	25,822	631	-	-	-	-	-	-	52,968
KIA F08-02	41,222	9,940	42,468	8,590	43,751	7,200	45,074	5,767	46,436	4,291	254,739
RD 91-06	34,000	51,040	35,000	50,091	36,000	49,115	37,000	48,111	38,000	47,080	425,438
RD 91-07	43,500	45,786	44,000	44,966	45,000	44,131	46,000	43,278	47,000	42,406	446,067
KLC 2021B	60,000	60,150	65,000	58,275	65,000	56,325	70,000	54,300	70,000	52,200	611,250
Bond Premium	5,408		5,408		5,408		5,408		5,408		27,040
TOTALS	258,194	169,835	221,697	162,656	195,159	156,771	203,482	151,457	206,844	145,978	\$ 1,872,073
Average Annual Principal & Interest											\$ 374,415
Average Annual Coverage											\$ 74,883