

SCHEDULE OF ADJUSTED OPERATIONS

Butler County Water System, Inc.

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Pro Forma</u>
<u>Operating Revenues</u>				
Total Metered Sales	\$ 2,200,475	\$ (23,666)	A	\$ 2,176,809
Private Fire Protection	6,685	(5,344)	B	1,341
Total Sales of Water	2,207,160	(29,010)		2,178,150
Other Water Revenues:				
Forfeited Discounts	32,405			32,405
Misc. Service Revenues	28,185			28,185
Other Water Revenues	256			256
Total Operating Revenues	2,268,006	(29,010)		2,238,996
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	430,015	97,270	C	527,285
Salaries and Wages - Officers	18,000			18,000
Employee Pensions and Benefits	220,330	(38,510)	D	
		5,250	E	
		22,060	F	209,130
Purchased Power	154,303	(10,428)	G	143,875
Chemicals	88,875	(6,006)	G	82,869
Materials and Supplies	86,124			86,124
Contractual Services - Accounting	6,041			6,041
Contractual Services - Legal	161			161
Contractual Services - Water Testir	12,351			12,351
Contractual Services - Other	199,571			199,571
Rental of Building/Real Prop.	16,295			16,295
Transportation Expenses	95,606			95,606
Insurance - Vehicle	3,334			3,334
Insurance - Gen. Liability	21,712			21,712
Insurance - Workers' Compensation	2,828			2,828
Insurance - Other	1,202			1,202
Bad Debt	(1,000)			(1,000)
Miscellaneous Expenses	4,944			4,944
Total Operation and Mant. Expenses	1,360,692	69,636		1,430,328
Depreciation Expense	1,459,231	(555,623)	H	
		104,680	I	
		75,655	J	1,083,943
Taxes Other Than Income	3,296	41,714	K	45,010
Total Operating Expenses	2,823,219	(263,938)		2,559,281
Net Utility Operating Income	\$ (555,213)	\$ 234,928		\$ (320,285)
<u>REVENUE REQUIREMENTS</u>				
Pro Forma Operating Expenses				\$ 2,559,281
Plus: Avg. Annual Principal and Interest Payments			L	368,377
Additional Working Capital			L	73,675
Total Revenue Requirement				\$ 3,001,333
Less: Other Operating Revenue				(60,846)
Interest Income				(10,548)
Nonutility Income				(348)
Revenue Required From Water Sales				\$ 2,929,591
Revenue from Sales at Present Rates				(2,178,150)
Surplus Revenue With Required Adjustments				\$ 751,441
				<u>34.50%</u>

## **REFERENCES**

- A. The Current Billing Analysis results in pro forma metered sales revenue of \$2,176,809. This reflects a full year at the retail rates that were effective during the calendar year 2022 and eliminates unbilled revenues.
- B. The Current Billing Analysis results in Private Fire Protection Revenues of \$6,681 for a decrease of \$4.
- C. Butler System does not have independent employees, but rather is operated by Warren County Water District (Warren District). Warren District allocates its employee hours to Butler System and in turn Butler System divides the allocated employee hours between operating expenses and capital projects. Butler System is increasing Employee Salaries and Wages expense by \$97,270 to reflect Warren District's current staff and the 2024 wage rates. In the test-year Butler System allocated a portion of the customer service employee hours to its capital projects. Butler System has determined that the customer service employees are not involved with the capital projects and, therefore, on a going forward basis 100 percent of their hours will be expensed.
- D. Butler System recorded its Employee Payroll Taxes in the Employee Pension and Benefits expense account. To correct the misclassification, Employee Pension and Benefits expense is being decreased by \$38,510. Pro Forma Payroll Taxes will be discussed in adjustment K.
- E. In the test-year, Butler System was allocated Employee Benefit expense of \$51,242 from Warren District. Using the pro forma employee allocated hours and the 2024 benefit premiums, Butler System calculates a pro forma level of Employee benefit expense of \$56,492. Warren District pays 70 percent of its employees' insurance premiums (Health and dental), and the remaining 30 percent is the responsibility of the employee.
- F. Rather than participate in the County Employee Retirement System (CERS) Warren District provides its employees with a private pension fund and a 401(a) benefit. The combined employer contribution rate is 19.83 percent, which is 3.51 percent lower than the current CERS employer contribution rate of 23.34 percent. Applying the pro forma salaries for the qualifying

employees of \$527,284 to the employer combined retirement rate of 19.83 percent results in an increase to Employee Pensions and Benefit expense of \$22,060.

- G. Butler System reported a test year water loss of 21.758 percent, which is 6.758 percent above the Commission's maximum allowable loss for rate-making purposes of 15 percent. To comply with the 15 percent limitation on water loss, the expenses for Chemicals and Power related to water purchased and pumped above the 15 percent limit are being deducted.
- H. The PSC requires that a water utilities depreciation expense be calculated using the midpoint of the depreciation life ranges recommended by NARUC in its publication titled "Depreciation Practices for Small Utilities". In 2022, Butler District adopted the midpoint of the NARUC ranges for each asset category and in doing so made a one-time adjustment to depreciation expense of \$525,623. Butler District is decreasing test-year depreciation expense to eliminate this adjustment.
- I. In calendar year 2023 Butler District invested \$1,162,653 in its Utility Plant In Service. Butler District is proposing to increase depreciation expense by \$104,680 to reflect depreciating its post-test year plant additions over the appropriate NAURC depreciation life.
- J. Butler District currently depreciates its Badger 5/8-Inch AMR meters over a 20-year depreciation life. Based upon the accuracy testing of its current meters, Butler District is proposing to decrease the depreciation lives for 20 to 10 years, which results in an increase of \$75,675
- K. Applying the Federal Insurance Contributions Act (FICA) tax rate of 7.65 percent to pro forma Salaries and Wages expense subject to the withholdings of \$545,284 results in an adjustment of \$41,714 to test-year Taxes Other than Income Tax expense.
- L. The annual debt service payments for Butler System's Rural Development bonds and Kentucky Rural Finance Corporation loan are shown in Table B. The five-year averages of the debt service payments are used in the calculation of Butler System's revenue requirement calculation.