

SCHEDULE OF ADJUSTED OPERATIONS

Simpson County Water District

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Pro Forma</u>
<u>Operating Revenues</u>				
Total Metered Sales	\$ 2,611,738	\$ (93,251)	A	\$ 2,518,487
Private Fire Protection	41,703	(156)	B	41,547
Total Sales of Water	2,653,441	(93,407)		2,560,034
Other Water Revenues:				
Forfeited Discounts	37,943			37,943
Misc. Service Revenues	16,785			16,785
Rents from Water Property	37,014			37,014
Other Water Revenues	2,233			2,233
Total Other Water Revenues	93,975	0		93,975
Total Operating Revenues	2,747,416	(93,407)		2,654,009
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	228,656	52,616	C	281,272
Salaries and Wages - Officers	10,800			10,800
Employee Pensions and Benefits	112,610	(20,531)	D	
		783	E	
		11,996	F	104,858
Purchased Water	1,216,129	(1,143)	G	1,214,986
Purchased Power	30,953	(29)	G	30,924
Materials and Supplies	38,961			38,961
Contractual Services - Accounting	6,029			6,029
Contractual Services - Legal	113			113
Contractual Services - Water Testing	6,812			6,812
Contractual Services - Other	127,101			127,101
Rental of Building/Real Prop.	9,912			9,912
Transportation Expenses	37,509			37,509
Insurance - Vehicle	1,173			1,173
Insurance - Gen. Liability	11,946			11,946
Insurance - Workers' Compensation	1,445			1,445
Insurance - Other	804			804
Bad Debt	1,859			1,859
Miscellaneous Expenses	5,226			5,226
Total Operation and Mant. Expenses	1,848,038	43,692		1,891,730
Depreciation Expense	700,686	(155,930)	H	
		82,024	I	
		41,654	J	668,434
Taxes Other Than Income	3,916	22,343	K	26,259
Total Operating Expenses	2,552,640	33,783		2,586,423
Net Utility Operating Income	\$ 194,776	\$ (127,190)		\$ 67,586

REVENUE REQUIREMENTS

Pro Forma Operating Expenses	\$ 2,586,423
Plus: Avg. Annual Principal and Interest Payments	L 198,881
Additional Working Capital	L 39,776
Total Revenue Requirement	\$ 2,825,080
Less: Other Operating Revenue	(93,975)
Income from Utility Plant Leases	
Gains for Disposition of Property	
Interest Income	(14,635)
Nonutility Income	(7,790)
Revenue Required From Water Sales	\$ 2,708,680
Revenue from Sales at Present Rates	(2,560,034)
Surplus Revenue With Required Adjustments	\$ 148,646
Percentage Increase	5.81%

## REFERENCES

- A. The Current Billing Analysis results in pro forma metered sales revenue of \$2,518,487. This reflects a full year at the retail rates that were effective during the calendar year 2023 and eliminates unbilled revenues.
- B. The Current Billing Analysis results in Private Fire Protection Revenues of \$41,547 for a decrease of \$156.
- C. Simpson District does not have independent employees, but rather is operated by Warren County Water District (Warren District). Warren District allocates its employee hours to Simpson District and in turn Simpson District divides the allocated employee hours between operating expenses and capital projects. Simpson District is increasing Employee Salaries and Wages expense by \$52,616 to reflect Warren District's current staff and the 2024 wage rates. In the test-year Simpson District allocated a portion of the customer service employee hours to its capital projects. Simpson District 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. Simpson District 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 \$20,531. Pro Forma Payroll Taxes will be discussed in adjustment K.
- E. In the test-year, Simpson District was allocated Employee Benefit expense of \$27,192 from Warren District. Using the pro forma employee allocated hours and the 2024 benefit premiums, Simpson District calculates a pro forma level of Employee benefit expense of \$27,975. 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 District (CERS) Warren District provides its employees with a private pension fund and a 401(k) 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 \$281,271 to the employer combined retirement rate of 19.83 percent results in an increase to Employee Pensions and Benefit expense of \$11,996.

- G. Simpson District reported a test year water loss of 15.094 percent, which is 0.094 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 Purchased Water 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, Simpson 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 \$155,930. Simpson District is decreasing test-year depreciation expense to eliminate this adjustment.
- I. In calendar year 2023 Simpson District invested \$1,248,502 in its Utility Plant In Service. Simpson District is proposing to increase depreciation expense by \$82,024 to reflect depreciating its post-test year plant additions over the appropriate NAURC depreciation life.
- J. Simpson 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, Simpson District is proposing to decrease the depreciation lives for 20 to 10 years, which results in an increase of \$41,654.
- 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 \$292,071 results in an adjustment of \$22,343 to test-year Taxes Other than Income Tax expense.
- L. The annual debt service payments for Simpson District'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 Simpson District's revenue requirement calculation.