

Bluegrass Water Utility Operating Company LLC
Case No. 2025-00354
Forecasted Test Period Twelve Months Ended July 31, 2027

Exhibit JD-1 Water
Accompanying the Direct Testimony of John Defever, CPA

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Overall Financial Summary

Line No.	Description	Per Company (A)	Difference (B)	Per OAG (C)	Reference (D)
1	Rate Base	\$ 945,862	\$ (1,105)	\$ 944,757	Schedule B
2	Requested Rate of Return	9.8%	0.00%	9.8%	Schedule D
3	Required Operating Income	\$ 92,411	\$ (108)	\$ 92,303	Line 1 x Line 2
4	Less: Adjusted Operating Income	\$ 11,931	\$ 8,451	\$ 20,382	Schedule C
5	Income Deficiency / (Sufficiency)	\$ 80,480	\$ (8,559)	\$ 71,921	Line 3 - Line 4
6	Net Income Required for ROE	\$ 55,213	\$ (65)	\$ 55,148	Line 1 * Weighted Cost of Common Equity Sch D
7	Gross Revenue Conversion Factor	1.01		1.01	Amended Exh. 9
8	Gross Income Conversion Factor	1.35	-0.02	1.33	Schedule A-1
9	Revenue Increase/(Decrease)	\$ 100,001	\$ (9,614)	\$ 90,387	Amended Exh. 9
10	Pro Forma Revenue at Present Rates	\$ 261,377	\$ 5,120	\$ 266,497	Schedule C Line 1
11	Total Revenue Requirement	\$ 361,378	\$ (4,494)	\$ 356,884	Line 5 x Line 6

Source:

Column A: Amended Exhibit 9 Revenue Requirement Water.

Income Conversion Factor

Line No.	Description	OAG Amount
1	Gross Income from Revenue	100.00%
2	Less: Bad Debt OAG %	0.06%
3	Net Income After Bad Debt	<u>99.94%</u>
4	Less: Regulatory Assesment Fee	0.16%
5	Total Before State and Federal Tax Gross UP	<u>99.78%</u>
6	Less: State Income Tax	4.95%
7	Net Income After Bad Debt and State Tax	<u>94.83%</u>
8	Less: Federal income Tax @ 21%	<u>19.72%</u>
9	Net Income After Bad Debt, State and Federal Income Taxes:	<u>75.12%</u>
10	Operating Income Conversion Factor (1/Line 12)	<u>1.3313</u>

Rate Base

Line No.	Description	13 Month Average Forward Looking Test Period Per Company (A)	OAG Adjustments (B)	13 Month Average Forward Looking Test Period OAG (C)
1	Utility Plant in Service	\$ 1,354,615		\$ 1,354,615
2	Accumulated Depreciation	\$ (378,476)		\$ (378,476)
3	Accumulated Amortization	\$ -		\$ -
4	Deferred Debits - Abandoned Plant	\$ -		\$ -
5	Net Utility Plant in Service	\$ 976,139	\$ -	\$ 976,139
6	Less			
7	Contributions in Aid of Construction, net	\$ (45,144)		\$ (45,144)
8	Advances in Aid of Construction			
9	Add:			
10	Cash Working Capital	\$ 11,695	\$ (1,102)	\$ 10,593
11	Prepayments	\$ 3,171		\$ 3,171
12	Total Original Cost Rate Base	\$ 945,862	\$ (1,102)	\$ 944,757

Source:

Amended Exhibit 9 Rate Base TY 13 Month Avg

Cash Working Capital

Line No.	Description	Per Company (A)	OAG Adjustments (B)	Per OAG (C)	Reference (D)
1	Operations and Maintenance Expenses	\$ 94,860	\$ (8,942)	\$ 85,918	
2	Number of days in year	365	365	365	
3	Daily O&M Expense	260	(24)	235	Line 1/Line 2
4	Lead/Lag Days	45	45	45	
5	Working Capital	<u>\$ 11,695</u>	<u>\$ (1,102)</u>	<u>\$ 10,593</u>	Line 3 x Line 4

Source: _____

Column A Amended Exhibit 9 Exhibit BT-5B

Operating Income

Line No.	Description	Forward Looking Test Period Per Company (A)	OAG Adjustments (B)	Forward Looking Test Period OAG (C)
1	Operating Revenues	\$ 261,377	\$ 5,120	\$ 266,497
2	General & Administrative	\$ 105,470	\$ (6,461)	\$ 99,009
3	Operations & Maintenance	\$ 94,583	\$ (2,481)	\$ 92,102
4	Depreciation & Amortization	\$ 38,903		\$ 38,903
5	Amortization of Deferred Debits	\$ -		\$ -
6	CIAC Amort	\$ (11,733)		\$ (11,733)
7	Amortization of Regulatory Expense	\$ 18,256		\$ 18,256
8				\$ -
9	Income Taxes	\$ 3,966	\$ 5,611	\$ 9,577
10	Total Operating Expenses	\$ 249,445	\$ (3,331)	\$ 246,114
11	Operating Income	\$ 11,931	\$ 8,451	\$ 20,382

Source:

Amended Exhibit 9 Income Statement Summary Water

Operating Income

Line No.	Description	Forward Looking Test Period	Source
		(A)	
1	Operating Income Per Bluegrass	\$ 11,931	Schedule C
	<u>OAG Adjustments:</u>		
2	Late Payment Fees	\$ 5,120	Schedule C-1
3	Healthcare Expense	\$ [REDACTED]	Schedule C-2
4	Lobbying Expenses	\$ [REDACTED]	Schedule C-3
5	Uncollectibles	\$ 2,461	Schedule C-4
6	Allocated Costs	\$ 1,904	Schedule C-5
7	Unaccounted For Water	\$ 2,481	Schedule C-6
8	Income Tax Expense	\$ (5,611)	Schedules C-7 & C-8
9	OAG Net Operating Income	<u>\$ 20,382</u>	

Late Payment Fees

Line No.	Description	Forward Looking Test Period	Reference
1	Company Amount	\$ -	AG 1-121
2	OAG Amount	\$ 5,120	Testimony
3	OAG Increase to Revenues	<u>\$ 5,120</u>	

Healthcare Expense

CONFIDENTIAL

Line No.	Description	Forward Looking Test Period	Reference
1	Monthly health expense	\$ [REDACTED]	Confidential Exhibit 16
2	Annual health expense	\$ [REDACTED]	Line 1 X 12
3	BLS survey % (80% - 1% employee contribution)	79%	AG 1-39
4	Eligible Health Expense	\$ 2,063,227	Line 22 X Line 3
5	[REDACTED]	\$ 56,120	[REDACTED]
6	[REDACTED]	\$ 6,151	[REDACTED]
7	Annual Health Expense Per Company	\$ [REDACTED]	Line 2
8	Percent Allocated to Bluegrass	[REDACTED]	[a]
9	Amount Allocated to Bluegrass	\$ 71,038	Line 7 X Line 8
10	Water allocation	[REDACTED]	[a]
11	Water health expense	\$ 7,786	Line 9 X Line 10
12	Amount Per OAG	\$ 6,151	Line 6
13	OAG Adjustment	\$ (1,635)	Line 12-Line 11

Source:

[a] Confidential Response to AG -3-15

Lobbying Expenses

CONFIDENTIAL

Line No.	Description	Forward Looking Test Period	Reference
1	Company Amount	\$ [REDACTED]	Confidential Response to AG 1- 61
2	OAG Amount	\$ -	Testimony
3	OAG Adjustment	\$ [REDACTED]	Line 2 - Line 1

Uncollectibles

Line No.	Description	Forward Looking Test Period		
1	Company Annual Amount	\$	2,614	Redlined Exhibit 14 p. 13
2	OAG Amout	\$	153	Line 12
3	OAG Adjustment	\$	(2,461)	Line 2 - Line 1
4	Year	2021	2022	2025
5	Revenue	\$ 178,416	\$ 272,492	\$ 259,799
6	Writeoffs	\$ -	\$ 469	\$ -
7	Recoveries	\$ -	\$ -	\$ -
8	Net Writeoffs	\$ -	\$ 469	\$ -
9	Write-off/Revenues Ratio	0.00%	0.17%	0.00%
10	Three Year Average			0.06%
11	OAG Adjusted Test Year Revenues (Schedule C)		\$	266,497
12	OAG Uncollectible Expense (Line 10X Line11)		\$	153

Source:
Response to Attorney General's Third Set Item 73

Allocated Costs

Line No.	Description	Forward Looking Test Period	Reference
1	Company amount	\$ 54,318	AG 3-14, AG-1-116
2	OAG Amount	\$ 52,414	Line 7
3	OAG Adjustment	\$ (1,904)	Line 2 - Line 1

		Water - 922000	Water - 922001	Total Account 922
4				
5	2023	\$ 38,906		\$ 38,906
6	2024	\$ 66,504		\$ 66,504
7	2025	\$ 39,537	\$ 12,877	\$ 52,414
8				
9	Base Year ending March 2026	\$ 39,766	\$ 12,947	\$ 52,714
10	Forecasted Test Year ending July 2027	\$ 40,909	\$ 13,409	\$ 54,318

Unaccounted For Water

Line No.	Description	Forward Looking Test Period	Reference
1	OAG Reduction for Unaccounted for Water	<u>\$ (2,481)</u>	Line 13
		Unaccounted for Water in excess of 15%	
2	Kentucky Water Utility Name		
3	Kentucky American Water	2.60%	Testimony
4	Graves	16.94%	Testimony
5	Bath	0.06%	Testimony
6	Allen	5.92%	Testimony
7	McLean	9.11%	Testimony
8	Average	<u>6.93%</u>	
		Forecast Test Period	
9	Chemicals Expense	\$ 24,109	Amended Exhibit 9 Income Statement Detail [a]
10	Purchased Power	\$ 11,702	Amended Exhibit 9 Income Statement Detail
11	Total Expenses	<u>\$ 35,811</u>	
12	Average Unaccounted for Water in excess of 15%	<u>-6.93%</u>	
13	OAG Reduction to Expense	<u>\$ (2,481)</u>	

Source:

[a] Used 2024 amount as the Company stated in AG 3-88 that chemical expense is now part of contract services and did not give an amount applicable to the forward looking test period

Income Tax Expense

Line No.	Description	Forward Looking Test Period	Reference
1	<u>Federal Income Tax</u> OAG Operating Income Adjustments	\$ (14,062)	Schedule C
2	Less State Income Tax	\$ 703	Line 8
3	Total	\$ (13,359)	Line 1 + Line 2
4	Federal Income Tax Rate	21.000%	Exhibit BT-10B
5	OAG Adjustment to Federal Income Expense	\$ 2,805	- Line 3 X Line 4
6	<u>State Income Tax Rate</u> Operating Income Adjustments (Line 1)	\$ (14,062)	Line 1
7	State Income Tax Rate	5.000%	Exhibit BT-10B
8	OAG Adjustment to State Income Tax	\$ 703	- Line 6 X Line 8
9	OAG Total Adjustments to Income Tax	\$ 3,508	Line 5 + Line 8

Interest Synchronization

Line No	Description	Forward Looking Test Period	Reference
1	Rate base, as adjusted	\$ 944,757	Schedule B
2	Weighted Cost of Debt	0.95%	Schedule D
3	Interest Deduction for Tax Purposes	\$ 8,975	Line 1 X Line 2
4	Interest Deduction, per Company	\$16,747	Exhibit 9 Amended
5	Increase/(Decrease) in Deductible Interest	\$ (7,772)	Line 3 - Line 4
6	Consolidated Income Tax Rate	24.950%	Line 15
7	Increase/(Decrease) to Income Tax Expense	\$ 1,939	Line 5 X Line 6
8	State Income Tax Increase	\$ 389	Line 5 x Line 14
9	Federal Income Tax Increase	\$ 1,714	(Line 5 - Line 8) X Line 11
10	OAG Total Increase/(Decrease) to Income Tax Expense	\$ 2,102	
11	Federal Tax Rate	0.21	Schedule E-1.1
12	State Tax Rate	0.05	Schedule E-1.2
13		0.1995	(1- line 12) * Line 11
14	State Tax Rate	0.05	Line 12
15	Consolidated Income Tax Rate	0.2495	Line 13 + Line 14

Rate of Return

Line No.	Description	Amount	Capital Structure	Cost Rate	Weighted Cost
1	Payable to Associated Companies	6,179,752	35.01%	8.500%	2.980%
2	Long Term Debt	2,504,208	14.19%	6.700%	0.950%
3	Common Equity	<u>8,968,007</u>	<u>50.80%</u>	<u>11.500%</u>	<u>5.837%</u>
5	Total	17,651,967			<u>9.8%</u>

Source:

Lines 1-5 Capital Structure Sheet