

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

Exhibit JD-2 Wastewater
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	\$ 10,861,957	\$ (190,839)	\$ 10,671,118	Schedule B
2	Requested Rate of Return	9.8%	0.00%	9.8%	Schedule D
3	Required Operating Income	\$ 1,061,216	\$ (18,645)	\$ 1,042,571	Line 1 x Line 2
4	Less: Adjusted Operating Income	\$ (1,331,354)	\$ 198,949	\$ (1,132,405)	Schedule C
5	Income Deficiency / (Sufficiency)	\$ 2,392,570	\$ (217,594)	\$ 2,174,976	Line 3 - Line 4
6	Net Income Required for ROE	\$ 634,044	\$ (11,165)	\$ 622,879	Line 1 * Weighted Cost of Common Equity Sch D
7	Gross Revenue Conversion Factor	1.01		1.01	Amended Exhibit 9
8	Gross Income Conversion Factor	1.35	-0.02	1.33	Schedule A-1
9	Revenue Increase/(Decrease)	\$ 2,633,981	\$ (235,062)	\$ 2,398,919	Amended Exhibit 9
10	Pro Forma Revenue at Present Rates	\$ 2,712,163	\$ 72,595	\$ 2,784,758	Schedule C Line 1
11	Total Revenue Requirement	\$ 5,346,144	\$ (162,466)	\$ 5,183,677	Line 5 x Line 6

Source:

Column A: Amended Exhibit 9.

Income Conversion Factor

Line No.	Description	OAG Amount
1	Gross Income from Revenue	100.00%
2	Less: Bad Debt OAG %	0.0012%
3	Net Income After Bad Debt	100.00%
4	Less: Regulatory Assesment Fee	0.16%
5	Total Before State and Federal Tax Gross UP	99.84%
6	Less: State Income Tax	4.95%
7	Net Income After Bad Debt and State Tax	94.89%
8	Less: Federal income Tax @ 21%	19.72%
9	Net Income After Bad Debt, State and Federal Income Taxes:	75.17%
10	Operating Income Conversion Factor (1/Line 12)	1.3303

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	\$ 13,945,941		\$ 13,945,941
2	Accumulated Depreciation	\$ (3,639,613)		\$ (3,639,613)
3	Acquisition Adjustment	\$ 112,926		\$ 112,926
4	Accumulated Amortization	\$ (76)		\$ (76)
5	Deferred Debits - Abandoned Plant	\$ 164,740	\$ (164,740)	\$ -
6	Net Utility Plant in Service	\$ 10,583,918	\$ (164,740)	\$ 10,419,178
7	Less			
8	Contributions in Aid of Construction, net	\$ (58,117)		\$ (58,117)
8	Advances in Aid of Construction			
	Add:			
9	Cash Working Capital	\$ 288,075	\$ (26,099)	\$ 261,976
10	Prepayments	\$ 48,080		\$ 48,080
11	Total Original Cost Rate Base	\$ 10,861,957	\$ (190,839)	\$ 10,671,118

Source:

Amended Exhibit 9 Exhibit BT-4A.

Cash Working Capital

Line No.	Description	Per Company (A)	OAG Adjustments (B)	Per OAG (C)	Reference (D)
1	Operations and Maintenance Expenses	\$ 2,336,616	\$ (211,696)	\$ 2,124,920	Schedule C Line 3
2	Number of days in year	365	365	365	
3	Daily O&M Expense	6,402	(580)	5,822	Line 1/Line 2
4	Lead/Lag Days	45	45	45	
5	Working Capital	\$ 288,075	\$ (26,100)	\$ 261,976	Line 3 x Line 4

Randview Stranded Cost

Line No.	Description	Forward Looking Test Period	Reference
1	Company Amount	\$ 164,740	Amended Exhibit 9 Exhibit BT-4A RB TY 13-Moth Avg Tab
2	OAG Amount	<u>\$ -</u>	
3	OAG Adjustment	<u><u>\$ (164,740)</u></u>	

Operating Income

Line No.	Description	Forward Looking Test Period Per Company (A)	OAG Adjustments (B)	Forward Looking Test Period OAG (C)
1	Operating Revenues	\$ 2,712,163	\$ 72,595	\$ 2,784,758
2	General & Administrative	\$ 971,163	\$ (59,908)	\$ 911,255
3	Operations & Maintenance	\$ 2,349,934		\$ 2,349,934
4	Depreciation & Amortization	\$ 559,919		\$ 559,919
5	Amortization of Deferred Debits	\$ 39,017		\$ 39,017
6	CIAC Amort	\$ (20,005)		\$ (20,005)
7	Amortization Expense	\$ 248	\$ (17,341)	\$ (17,093)
8	Amortization of Regulatory Expense	\$ 585,842	\$ (134,447)	\$ 451,395
9	Income Taxes	\$ (442,602)	\$ 85,343	\$ (357,259)
10	Total Operating Expenses	\$ 4,043,516	\$ (66,444)	\$ 3,917,163
11	Operating Income	\$ (1,331,354)	\$ 198,949	\$ (1,132,405)

Source:

Exhibit 9 Income Statement Summary Wastewater Exhibit BT-2A

Operating Income

Line No.	Description	Forward Looking Test Period	Source
		(A)	
1	Operating Income Per Bluegrass	\$ (1,132,405)	
	<u>OAG Adjustments:</u>		
2	Late Payment Fees	\$ 43,464	Schedule C-1
3	Late Fee Overcollection	\$ 29,131	Schedule C-2
4	Healthcare Expense	\$ [REDACTED]	Schedule C-3
5	Lobbying Expenses	\$ [REDACTED]	Schedule C-4
6	Uncollectibles	\$ 26,945	Schedule C-5
7	Allocated Costs	\$ 15,937	Schedule C-6
8	Randview Amortization Expense	\$ 17,341	Schedule C-7
9	Rate Case Expense	\$ 134,447	Schedule C-8
10	Income Tax Expense	\$ 85,343	Schedules C-9 and C-10
11	OAG Net Operating Income	<u>\$ (762,770)</u>	

Late Payment Fees

Line No.	Description	Forward Looking Test Period	Reference
1	Company Amount	\$ 14,244	AG 1-121
2	OAG Amount	\$ 57,708	Testimony
3	OAG Increase to Revenues	<u>\$ 43,464</u>	Line 2 - Line 1

Late Fee Overcollection

Line No.	Description	Forward Looking Test Period	Reference
1	Company Amount	\$	Redlined Thies - Testimony page 53
2	OAG Amount	<u>\$ 29,131</u>	Line 10
3	OAG Increase to Revenues	<u><u>\$ 29,131</u></u>	
4		Overcollection	Collected
5	2024	\$ 32,671	\$ 46,915
6	2025	\$ 43,464	\$ 57,708
7	YTD 2026	\$ 11,259	\$ 25,503
8	Total Overcollection	\$ 87,394	
9	Amortization Period	\$ 3	
10		\$ 29,131	

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]	\$ 49,969	[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	Wastewater allocation	[REDACTED]	[a]
11	Wastewater health expense	\$ 63,252	Line 9 X Line 10
12	Amount Per OAG	\$ 49,969	Line 6
13	OAG Adjustment	\$ (13,283)	Line 12-Line 11

Source:

[a] Confidential Exhibit 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	Reference
1	Company Annual Amount	\$ 26,979	Redlined Exhibit 14 p. 13
2	OAG Amount	\$ 34	Line 12
3	OAG Adjustment	\$ (26,945)	Line 2 - Line 1
4		2022	2023
5	Revenue	\$ 2,369,324	\$ 2,306,476
6	Writeoffs	\$ 2,357	\$ 265
7	Recoveries	\$ (2,336)	\$ (200)
8	Net Writeoffs	\$ 21	\$ 65
9	Write-off/Revenues Ratio	0.0009%	0.0028%
10	Three Year Average		0.0000%
11	OAG Adjusted Test Year Revenues (Schedule C)		\$ 2,784,758
12	OAG Uncollectible Expense (Line 10X Line11)		\$ 34

Source: _____

Allocated Costs

Line No.	Description	Forward Looking Test Period	Reference	
1	Company amount	\$ 453,097	AG 3-14, 1-116	AG 3-14, AG-1-116
2	OAG Amount	<u>\$ 437,160</u>	Line 7	Line 7
3	OAG Adjustment	<u><u>\$ (15,937)</u></u>	Line 2 - Line 1	Line 2 - Line 1
4		Waste Water Account 922000	Waste Water Account 922001	Total Account 922
5		2023 \$ 439,737		\$ 439,737
6		2024 \$ 553,661		\$ 553,661
7		2025 \$ 329,856	\$ 107,304	\$ 437,160
8				
9	Base Year ending March 2026	\$ 331,819	\$ 107,909	\$ 439,727
10	Forecasted Test Year ending July 2027	\$ 341,347	\$ 111,750	\$ 453,097

Line No.	Description	Forward Looking Test Period	Reference
			Redlined Thies Testimony p. 45 filed 6/6/26
1	Company amount	\$ 17,341	
2	OAG Amount	\$ -	
3	OAG Adjustment	<u>\$ (17,341)</u>	Line 2 - Line 1

Rate Case Expense

Line No.	Description	Forward Looking Test Period	Reference
1	Company Annual Amount	<u>\$ 201,670</u>	AG 1-151
2	OAG Amount	<u>\$ 67,223</u>	Testimony
3	OAG Adjustment	<u><u>\$ (134,447)</u></u>	Line 2-Line 1
4	Prior unamortized rate case expense	\$ 201,670	Line 1
5	OAG Amortization Period	<u>\$ 3</u>	Testimony
6	Annual Amortization	\$ 67,223	Line 4/Line 5

Income Tax Expense

Line No.	Description	Forward Looking Test Period	Reference
	<u>Federal Income Tax</u>		
1	OAG Operating Income Adjustments	\$ (284,291)	Schedule C p 2
2	Less State Income Tax	\$ 14,215	Line 8
3	Total	\$ (270,077)	Line 1 + Line 2
4	Federal Income Tax Rate	21.000%	Exhibit BT-10B
5	OAG Adjustment to Federal Income Expense	\$ 56,716	-Line 3 X Line 4
	<u>State Income Tax Rate</u>		
6	Operating Income Adjustments (Line 1)	\$ (284,291)	Line 1
7	State Income Tax Rate	5.000%	Exhibit BT-10B
8	OAG Adjustment to State Income Tax	\$ 14,215	-Line 6 X Line 7
9	OAG Total Adjustments to Income Tax	\$ 70,931	Line 5 + Line 8

Interest Synchronization

Line No	Description	Forward Looking Test Period	Reference
1	Rate base, as adjusted	\$ 10,671,118	Schedule B
2	Weighted Cost of Debt	0.95%	Schedule D
3	Interest Deduction for Tax Purposes	\$ 101,376	Line 1 X Line 2
4	Interest Deduction, per Company	\$159,142	Amended Exhibit 9
5	Increase/(Decrease) in Deductible Interest	\$ (57,766)	Line 3 - Line 4
6	Consolidated Income Tax Rate	24.950%	Line 15
7	Increase/(Decrease) to Income Tax Expense	\$ 14,413	Line 5 X Line 6
8	State Income Tax Increase	\$ 2,888	Line 5 x Line 14
9	Federal Income Tax Increase	\$ 11,524	(Line 5 - Line 8) X Line 11
10	OAG Increase/(Decrease) to Income Tax Expense	\$ 14,413	
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>	50.80%	11.500%	5.837%
5	Total	<u><u>17,651,967</u></u>			<u><u>9.8%</u></u>

Source:

Lines 1-5 Capital Structure Sheet