

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
EDWARDSVILLE WATER AUTHORITY FOR) CAUSE NO. 45997
APPROVAL TO ADJUST ITS RATES AND)
CHARGES)

PUBLIC'S EXHIBIT NO. 1-S

SETTLEMENT TESTIMONY OF CARLA F. SULLIVAN

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

April 26, 2024

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



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CERTIFICATE OF SERVICE

This is to certify that a copy of the *Public's Exhibit No. 1-S OUCC's Settlement Testimony of Carla F. Sullivan on behalf of the OUCC* has been served upon the following captioned proceeding by electronic service on April 26, 2024.

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**SETTLEMENT TESTIMONY OF OUCC WITNESS CARLA F. SULLIVAN
CAUSE NO. 45997
EDWARDSVILLE WATER AUTHORITY**

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is Carla F. Sullivan, and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as
6 a Utility Analyst in the Water/Wastewater Division. My qualifications are set forth
7 in Appendix "A."

8 **Q: What is the purpose of your testimony?**

9 A: The purpose of my testimony is to summarize and support the accounting
10 adjustments and overall revenue requirement set forth in the Joint Stipulation and
11 Settlement Agreement ("Settlement" or "Settlement Agreement"). The Settlement
12 is the result of an arm's length negotiation between Edwardsville Water Authority
13 ("Edwardsville" or "Petitioner") and the OUCC (collectively, the "Settling
14 Parties").

15 Edwardsville requested a \$469,387 increase to revenues at current rates and
16 subject to increase of \$2,702,316 yielding a net annual revenue requirement of
17 \$3,171,703. The Settling Parties agree the appropriate net annual revenue
18 requirement is \$3,115,205, inclusive of gross-up fees. The agreed revenue

1 requirement ensures Edwardsville the financial means to provide safe, reliable
2 water service.

3 **Q: What have you done to formulate your opinion and prepare settlement**
4 **testimony in this Cause?**

5 A: I reviewed the direct testimony, workpapers, and supporting exhibits submitted by
6 Petitioner's witness Mr. Scott Miller. I prepared discovery questions and reviewed
7 Petitioner's responses. I discussed the issues in this Cause and the affordability of
8 the increased rates with OUCC staff in multiple meetings. I met with
9 Edwardsville's financial manager to discuss the utility's standard operating
10 procedures. I also prepared direct testimony which was not filed.

11 **Q: Are any schedules submitted with your testimony?**

12 A: Yes. I am sponsoring the following accounting schedules:

13 Schedule 1 – Revenue Requirement and Reconciliation of Net Operating Income
14 Statement Adjustments

15 Schedule 2 – Comparative Balance Sheets as of June 30, 2023, December 31, 2022,
16 and December 31, 2021

17 Schedule 3 – Comparative Income Statements for twelve months ending June 30,
18 2023, December 31, 2022, and December 31, 2021

19 Schedule 4 – Pro forma Net Operating Income Statement

20 Schedule 5 – Revenue Adjustments

21 Schedule 6 – Expense Adjustments

22 Schedule 7 – Depreciation

23 Schedule 8 – Working Capital

24 Schedule 9 – Debt Service

25 Schedule 10 – Debt Service Reserve

26 Schedule 11 – Tariff

II. SETTLEMENT ON RATES

1 **Q: Please describe the Settlement as it pertains to Petitioner's rate increase.**

2 A: The Settling Parties agree to an across-the-board rate increase of 14.45% over
3 Petitioner's current rates, resulting in an ongoing annual revenue requirement of
4 \$3,115,205 inclusive of gross-up fees. Residential customers consuming 5,000-
5 gallons per month will experience a \$6.63 increase to the current monthly rate of
6 \$45.89, yielding a monthly bill of \$52.52.

7 **Q: What revenue requirements result in a 14.45% rate increase?**

8 A: Table CFS-1 provides a comparison of the revenue requirement proposed by the
9 Petitioner with the revenue requirement agreed to in the Settlement.

Table CFS-1: Comparison of Revenue Requirements

	<u>Per</u> <u>Petitioner</u>	<u>Per</u> <u>Settlement</u>	<u>Settlement</u> <u>More(Less)</u>
Operating Expenses	\$ 1,968,346	\$ 1,956,443	\$ (11,903)
Payroll Taxes	57,465	59,045	1,580
Depreciation	527,828	527,828	-
Debt Service	719,145	659,000	(60,145)
Total Revenue Requirements	3,272,784	3,202,316	(70,468)
Less: Interest Income	(35,391)	(35,391)	-
Other Operating Income	(30,950)	(17,557)	13,393
Town of Elizabeth	(34,740)	(34,740)	-
Net Revenue Requirements	3,171,703	3,114,628	(57,075)
Less: Revenues at current rates subject to increase	(2,702,316)	(2,705,985)	(3,669)
Late Fees	-	(15,843)	(15,843)
Net Revenue Increase Required	469,387	392,800	(76,587)
Add: Additional IURC Fees	-	577	577
Recommended Increase	<u>\$ 469,387</u>	<u>\$ 393,377</u>	<u>\$ (76,010)</u>
Recommended Percentage Increase	<u>17.37%</u>	<u>14.45%</u>	<u>-2.92%</u>

A. Pro forma Net Income

Operating Revenue Adjustments

1 **Q: What level of *pro forma* operating revenue did the Petitioner propose?**

2 A: Petitioner proposed a \$13,923 increase to normalize test year operating revenue of
3 \$2,754,082 yielding *pro forma* present rate operating revenue of \$2,768,005.

4 **Q: Please describe the Settlement Agreement as it pertains to Petitioner's**
5 **operating revenue.**

6 A: The Settling Parties agree to the \$13,923 increase to normalize the test year for
7 growth and added a \$6,120 increase for post-test year growth yielding *pro forma*
8 present rate operating revenue of \$2,774,125. (See Settlement Schedules, Schedule
9 No. 1, Page 2.)

Operating Expense Adjustments

10 **Q: What level of *pro forma* operating expenses did the Petitioner propose?**

11 A: Petitioner proposed a \$403,803 increase to test year operating and maintenance
12 expenses of \$1,564,543 yielding *pro forma* present rate operating expenses of
13 \$1,968,346. Petitioner's operating expense adjustments include 1) a \$65,115
14 increase to salary and wage expense; 2) a \$6,759 increase to pension expense; 3) a
15 \$6,165 increase to group health insurance expense; 4) a \$65,084 increase to
16 material and supplies expense; 5) a \$257,984 increase to repair expenses; 6) a
17 \$34,804 decrease to legal expenses; and 7) a \$37,500 increase to rate case expense.
18 (See Settlement Schedules, Schedule No. 1, Page 2.)

19 **Q: Please describe the Settlement Agreement as it pertains to the Petitioner's**
20 **operating expenses.**

21 A: The Settling Parties agree to a \$391,900 increase to test year operating and
22 maintenance expenses of \$1,564,543 yielding *pro forma* present rate operating

1 expenses of \$1,956,443. The Settling Parties agree to Petitioner's adjustments to
2 group health insurance, material and supplies expense, repair expenses, legal
3 expenses, and rate case expense. Additionally, the Settling Parties agree to a
4 \$85,778 increase to salary and wage expense and a \$7,809 increase to pension
5 expense. The Settling Parties also agree to 1) a \$1,930 increase to system delivery
6 expense based on customer growth; 2) a \$30,807 decrease to developer
7 reimbursement expense; 3) a \$29 increase in IURC fee expense based on operating
8 revenue adjustments; 4) a \$31 increase in bad debt expense based on operating
9 revenue adjustments; and 5) a \$4,799 decrease to miscellaneous expenses. (See
10 Settlement Schedules, Schedule No. 4.)

11 **Q: Is the net operating income agreed to by the Settling Parties in ratepayers' best**
12 **interest?**

13 A: Yes. The agreed upon operating and maintenance expense adjustments are required
14 to meet Edwardsville's on-going annual expenses and the operating revenue
15 adjustments provide a fair representation of Edwardsville's current annual revenue.
16 Together, the operating revenue and operating expense adjustments provide
17 Edwardsville with the financial means to provide safe, reliable water service.

B. Depreciation Expense

18 **Q: What level of annual depreciation expense did the Petitioner include in its**
19 **revenue requirement?**

20 A: Petitioner included \$527,828 of annual depreciation expense in its revenue
21 requirement, which included construction work in progress as of June 30, 2023 and
22 construction cash on hand as of June 30, 2023.

1 **Q: Please describe the Settlement Agreement as it pertains to the Petitioner's**
2 **annual depreciation expense.**

3 A: The Settling Parties agree to include \$527,828 of annual depreciation expense in its
4 revenue requirement.

5 **Q: Is the agreed depreciation expense reasonable?**

6 A: Yes. The value of construction work in progress and construction cash on hand
7 represents Edwardsville's investment in a one-million-gallon water tower which
8 will be placed in service prior to the completion of this Cause but after the twelve
9 (12) month adjustment period. Due to the time limits set forth in 170 IAC 1-5-
10 5(2)(B), the OUCC would not have recommended the inclusion of the water tower
11 in depreciation expense. However, the inclusion of the water tower is in the
12 ratepayers' best interest and is necessary to provide Edwardsville with the financial
13 means to maintain the tower.

C. Debt Service

14 **Q: What level of annual debt service did the Petitioner include in its revenue**
15 **requirement?**

16 A: Petitioner included \$719,145 of annual debt service in its proposed revenue
17 requirement. The Petitioner based its annual debt service revenue requirement on
18 payment obligations for the four years beginning 2023.

19 **Q: Please describe the Settlement Agreement as it pertains to Petitioner's annual**
20 **debt service revenue requirement.**

21 A: The Settling Parties agree to include \$659,000 of annual debt service in its revenue
22 requirement. The settlement agreement is based on the average debt service
23 obligation for the four years beginning 2025.

1 **Q: Please describe the Settlement Agreement as it pertains to retention of debt**
2 **service reserve.**

3 A: Because Petitioner's annual debt service revenue requirement is not being reduced
4 to reflect any withdrawals from the debt service reserve funds, the settlement
5 agreement states the debt service reserve balance must be retained by Edwardsville
6 and reserved for use in its next borrowing. If Petitioner does not secure a new rate
7 order by January 1, 2029, the difference in the amount of debt service approved in
8 this case (i.e. \$659,000) and the actual amount of debt service in 2029 (i.e.
9 \$480,328) will be retained and used as an offset against future debt service expense
10 and a future borrowing.

III. ADDITIONAL SETTLEMENT ISSUES

11 **Q: Does the Settlement Agreement address any additional issues?**

12 A: Yes. The Settlement Agreement addresses the removal of rate case expense at the
13 end of four years, and the need for restricted accounts.

A. Rate Case Expense

14 **Q: Please elaborate on the removal of rate case expense at the end of four years.**

15 A: The Settling Parties agree to amortize \$150,000 of rate case expense incurred in the
16 filing and litigation of this Cause over four years. Once the Petitioner has recouped
17 the expense through rates, it should be removed from the revenue requirement to
18 prevent over collection. The Settling Parties agree Petitioner will either remove rate
19 case expense from the approved rates and file a new tariff with the Commission¹

¹ Residential customers consuming 5,000-gallons per month will experience a \$0.63 decrease to the approved monthly rate of \$52.52, yielding a monthly bill of \$51.89.

1 or, in leu of reducing rates, Petitioner may set aside \$37,500 annually to be used for
2 reasonable rate case expenses in Petitioner's next rate case.

B. Restricted Accounts

3 **Q: Please elaborate on the restricted accounts.**

4 A: The Settling Parties agree to Petitioner's proposed \$257,984 increase to operating
5 expenses for repairs (Petitioner's Adjustment (8)-Periodic Maintenance), which
6 includes filter media cost of \$353,360 amortized over ten years, resulting in an
7 annual revenue requirement of \$35,336 for filter media. The revenue associated
8 with this expense should be placed in a restricted account to ensure it is available
9 when needed. Restricted accounts are often used to separate revenue related to large
10 and/or infrequent expenses from the general funds and using a restricted account is
11 appropriate in this Cause.

IV. CONCLUSION

12 **Q: In your opinion, is the Settlement fair, reasonable, and in the public interest?**

13 A: Yes. I believe the Settlement is an appropriate compromise between the Settling
14 Parties and balances Edwardsville's needs with the interest of the ratepayers.

15 **Q: Does this conclude your testimony?**

16 A: Yes.

APPENDIX A - QUALIFICATIONS

1 **Q: Please describe your educational background and experience.**

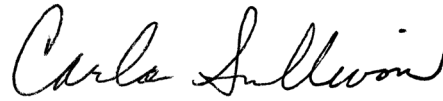
2 A: I graduated from Lipscomb University in June 1989 and received a Bachelor of
3 Science degree in business management. I earned a master's degree in business
4 administration from Phoenix University in 2011 and a master's degree in
5 accounting and financial management from the Keller Graduate School in 2014.
6 Beginning in 2014, I worked as a balance sheet and payroll accountant for the State
7 of Wisconsin's Department of Health Services. In April of 2019, I joined the staff
8 of the Indiana Office of Utility Consumer Counselor as a Utility Analyst II.

9 **Q: Have you previously testified before the Indiana Utility Regulatory**
10 **Commission?**

11 A: Yes.

AFFIRMATION

I affirm the representations I made in the foregoing testimony are true to the best of my knowledge, information, and belief.



By: Carla F. Sullivan
Cause No. 45997
Office of Utility Consumer Counselor (OUCC)

Date: April 26, 2024

CAUSE NUMBER 45997
Settlement Schedules

Edwardsville Water Authority
CAUSE NUMBER 45997

**Comparison of Petitioner's, OUCC's, and Settlement's
Revenue Requirements**

	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Sch Ref</u>	<u>Settlement More (Less)</u>
Operating Expenses	\$ 1,968,346	\$ 1,956,443	4	\$ (11,903)
Payroll Taxes	57,465	59,045	4	1,580
Depreciation	527,828	527,828	7	-
Working Capital	-	-	8	-
Debt Service	719,145	659,000	9	(60,145)
Debt Service Reserve	-	-	10	-
Total Revenue Requirements	3,272,784	3,202,316		(70,468)
Less: Interest Income	(35,391)	(35,391)	PET	-
Other Operating Income	(30,950)	(17,557)	4	13,393
Town of Elizabeth	(34,740)	(34,740)		-
Net Revenue Requirements	3,171,703	3,114,628		(57,075)
Less: Revenues at current rates subject to increas	(2,702,316)	(2,705,985)	4	(3,669)
Late Fees	-	(15,843)	4	(15,843)
Net Revenue Increase Required	469,387	392,800		(76,587)
Add: Additional IURC Fees	-	577		577
Recommended Increase	\$ 469,387	\$ 393,377		\$ (76,010)
Recommended Percentage Increase	17.37%	14.45%		-2.92%

<u>Current Rate for 5,000 Gallons</u>	<u>Proposed</u>		<u>Settlement More (Less)</u>
	<u>Petitioner</u>	<u>Settlement</u>	
Current Rate = \$45.89	\$ 53.86	\$ 52.52	\$ (1.34)

Edwardsville Water Authority
CAUSE NUMBER 45997

Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates

	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Settlement More (Less)</u>
Operating Revenues			
Water Sales	\$ 13,923	\$ 13,923	\$ -
Post-Test Year Growth	-	6,120	6,120
Total Operating Revenues	13,923	20,043	6,120
O&M Expense			
Salaries and Wages - Employees	65,115	85,778	20,663
Pension	6,759	7,809	1,050
Group Health	6,165	6,165	-
System Delivery Expense	-	1,930	1,930
Materials and Supplies	65,084	65,084	-
Repairs	257,984	257,984	-
Contractual Services			
Legal	(34,804)	(34,804)	-
Developer Reimbursement	-	(30,807)	(30,807)
Regulatory Commission Expense	-	29	29
Rate Case Expense	37,500	37,500	-
Bad Debt Expense	-	31	31
Miscellaneous Expense	-	-	-
Computer Expenses	-	(455)	(455)
Telecommunication Expense	-	72	72
Non-Allowable Expenses	-	(3,846)	(3,846)
Non-Recurring Expenses	-	(570)	(570)
Total O&M Expense	403,803	391,900	(11,903)
Other Operating Expenses			
Depreciation Expense	108,845	108,845	-
Payroll Taxes	3,208	4,788	1,580
Total Other Operating Expense	112,053	113,633	1,580
Total Operating Expenses	515,856	505,533	(10,323)
Net Operating Income	<u>\$ (501,933)</u>	<u>\$ (485,490)</u>	<u>\$ 16,443</u>

Edwardsville Water Authority
CAUSE NUMBER 45997

COMPARATIVE BALANCE SHEET

As of:

<u>ASSETS</u>	<u>June 30 2023</u>	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
Utility Plant:			
Utility Plant in Service	\$ 21,440,757	\$ 21,311,269	\$ 20,652,585
Construction Work in Progress	1,131,373		
Less: Accumulated Depreciation	(8,694,462)	(8,485,575)	(8,077,512)
Net Utility Plant in Service	<u>13,877,668</u>	<u>12,825,694</u>	<u>12,575,073</u>
Current Assets:			
Cash and Cash Equivalents	2,650,732	2,530,441	2,545,536
Restricted Cash	4,004,728	5,808,293	
Restricted Cash - Debt Service	705,679	501,680	
Customer Accounts Receivable	206,782	236,009	247,708
Cash Bond Escrow			1,068,142
Materials and Supplies	166,423	183,851	207,764
Prepayments	21,032	34,519	36,423
Total Current Assets	<u>7,755,376</u>	<u>9,294,793</u>	<u>4,105,573</u>
Deferred Debits			
Unamortized Debt Discount and Expense	11,963	14,355	19,140
Total Deferred Debits	<u>11,963</u>	<u>14,355</u>	<u>19,140</u>
Total Assets	<u><u>\$ 21,645,007</u></u>	<u><u>\$ 22,134,842</u></u>	<u><u>\$ 16,699,786</u></u>

Edwardsville Water Authority
CAUSE NUMBER 45997

COMPARATIVE BALANCE SHEET

As of:

<u>LIABILITIES</u>	<u>June 30</u> <u>2023</u>	<u>Dec 31,</u> <u>2022</u>	<u>Dec 31,</u> <u>2021</u>
Equity			
Retained Earnings	\$ 6,544,775	\$ 5,828,476	\$ 5,358,476
Paid in Capital	1,068,142	1,068,142	1,068,142
Total Equity	<u>7,612,917</u>	<u>6,896,618</u>	<u>6,426,618</u>
Contributions in Aid of Construction			
Contributions in Aid of Construction, net	5,134,062	6,074,070	5,387,700
Accumulated Amortization of CIAC			
Net Contributions-in-aid of Construction	<u>5,134,062</u>	<u>6,074,070</u>	<u>5,387,700</u>
Long-term Debt			
Bonds Payable	7,850,284	7,073,114	2,882,732
Other Long-Term Debt	-	1,461,209	1,489,907
Total Long-term Debt	<u>7,850,284</u>	<u>8,534,323</u>	<u>4,372,639</u>
Current Liabilities			
Accounts Payable	24,504	90,271	29,202
Customer Deposits	430,538	425,100	418,628
Current Portion of Long-term Debt	513,270		
Accrued Interest Payable	82,193	88,353	36,608
Miscellaneous Current & Accrued Liabilities	(2,767)	26,107	28,391
Total Current Liabilities	<u>1,047,738</u>	<u>629,831</u>	<u>512,829</u>
Total Liabilities	<u>\$ 21,645,001</u>	<u>\$ 22,134,842</u>	<u>\$ 16,699,786</u>

Edwardsville Water Authority
CAUSE NUMBER 45997

COMPARATIVE INCOME STATEMENT

Twelve Months Ended:

	<u>June 30, 2023</u>	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
Operating Revenue			
Residential	\$ 2,141,214	\$ 2,319,178	\$ 2,317,431
Commercial	43,657	41,445	48,351
Public Authority	49,356	43,153	40,211
Sales for Resale	480,714	262,384	267,993
Private Fire Protection	5,741	5,741	5,741
Late Payment Fees	15,843	13,033	10,173
Other Water Revenues	2,450		
Miscellaneous Service Revenues	15,107	1,965	7,849
Total Operating Revenues	<u>2,754,082</u>	<u>2,686,899</u>	<u>2,697,749</u>
Operating Expenses			
Salaries and Wages - Employees	686,057	730,306	664,159
Salaries and Wages - Officers	24,550	24,175	20,925
Pension	30,783	29,324	29,537
HSA Savings	6,720		
Group Health	129,215	147,378	170,296
Purchased Water	10,834	9,887	8,760
Purchased Power	246,289	230,693	189,270
Chemicals	47,508	43,886	36,877
Materials and Supplies	(8,591)	29,306	28,735
Repairs	57,905		
Contractual Services			
Engineer	3,500	20,705	2,000
Accounting	20,705	6,150	35,726
Legal	47,468	25,756	61,840
Auditing	10,500	10,250	
Professional Services-Surveyor	3,100	3,151	
Contracted Svcs - Labor Admin	4,975		
Contract Services - Labor	2,491		
Developer Reimbursement	30,807	19,551	22,603
Rental of Equipment	1,789	2,589	
Transportation Expense	44,453	51,642	39,029

Edwardsville Water Authority
CAUSE NUMBER 45997

COMPARATIVE INCOME STATEMENT

Twelve Months Ended:

	<u>June 30, 2023</u>	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
Insurance			
Vehicle	7,705	8,159	8,699
General Liability	28,557	25,466	10,386
Workers' Compensation	4,714	4,296	5,083
Regulatory Commission Expense	2,053	2,163	2,193
Bad Debt Expense	1,492	111	2,367
Miscellaneous Expense	118,964	165,891	176,789
Total O&M Expense	<u>1,564,543</u>	<u>1,590,835</u>	<u>1,515,274</u>
Other Operating Expenses			
Depreciation Expense	414,198	408,063	399,225
Amortization Expense	4,785		
Payroll Taxes	54,257	57,729	50,915
Total Other Operating Expense	<u>473,240</u>	<u>465,792</u>	<u>450,140</u>
Total Operating Expenses	<u>2,037,783</u>	<u>2,056,627</u>	<u>1,965,414</u>
Net Operating Income	<u>\$ 716,299</u>	<u>\$ 630,272</u>	<u>\$ 732,335</u>
Other Income (Expense)			
Interest Income	179,953	63,650	2,568
Interest Expense	(273,381)	219,137	130,716
Amortization of Debt Discount		4,785	4,785
Total Other Income (Expense)	<u>(93,428)</u>	<u>287,572</u>	<u>138,069</u>
Net Income	<u>\$ 622,871</u>	<u>\$ 917,844</u>	<u>\$ 870,404</u>

Edwardsville Water Authority
CAUSE NUMBER 45997

Pro Forma Net Operating Income Statement

	Test Year Ended 6/30/2023	Adjustments	Sch Ref	Pro Forma Present Rates	Adjustments	Sch Ref	Pro Forma Proposed Rates
Operating Revenues							
Water Sales	\$ 2,714,941	\$ 13,923	5-1	\$ 2,734,984	\$ 390,297		\$ 3,125,281
Post-Test Year Growth		6,120	5-2		-		
Private Fire Protection	5,741			5,741	819		6,560
Late Payment Fees	15,843			15,843	2,261		18,104
Other Water Revenues	2,450			2,450			2,450
Miscellaneous Service Revenues	15,107			15,107			15,107
Total Operating Revenues	<u>2,754,082</u>	<u>20,043</u>		<u>2,774,125</u>	<u>393,377</u>	1	<u>3,167,502</u>
O&M Expense							
Salaries and Wages - Employees	686,057	85,778	6-1	771,835			771,835
Salaries and Wages - Officers	24,550			24,550			24,550
Pension	30,783	7,809	6-2	38,592			38,592
HSA Savings	6,720			6,720			6,720
Group Health	129,215	6,165	6-4	135,380			135,380
Purchased Water	10,834			10,834			10,834
Purchased Power	246,289			246,289			246,289
Chemicals	47,508			47,508			47,508
System Delivery Expense	-	1,930	6-5	1,930			1,930
Materials and Supplies	(8,591)	65,084	6-6	56,493			56,493
Repairs	57,905	257,984	6-7	315,889			315,889
Contractual Services							
Engineer	3,500			3,500			3,500
Accounting	20,705			20,705			20,705
Legal	47,468	(34,804)	6-8	12,664			12,664
Other Contractual Services	21,066			21,066			21,066
Developer Reimbursement	30,807	(30,807)	6-9	-			-
Rental of Equipment	1,789			1,789			1,789
Transportation Expense	44,453			44,453			44,453
Insurance							
Vehicle	7,705			7,705			7,705
General Liability	28,557			28,557			28,557
Workers' Compensation	4,714			4,714			4,714
Regulatory Commission Expense	2,053	29	6-10	2,082	577		2,659
Rate Case Expense	-	37,500	6-11	37,500			37,500
Bad Debt Expense	1,492	31	6-12	1,523			1,523
Miscellaneous Expense	118,964			118,964			118,964
Computer Expenses		(455)	6-13	(455)			(455)
Telecommunication Expense		72	6-14	72			72
Non-Allowable Expenses		(3,846)	6-15	(3,846)			(3,846)
Non-Recurring Expenses		(570)	6-16	(570)			(570)
Total O&M Expense	<u>1,564,543</u>	<u>391,900</u>		<u>1,956,443</u>	<u>577</u>		<u>1,957,020</u>
Other Operating Expenses							
Depreciation Expense	414,198	108,845	7	523,043			523,043
Amortization Expense	4,785			4,785			4,785
Payroll Taxes	54,257	4,788	6-3	59,045			59,045
Total Other Operating Expense	<u>473,240</u>	<u>113,633</u>		<u>586,873</u>	<u>-</u>		<u>586,873</u>
Total Operating Expenses	<u>2,037,783</u>	<u>505,533</u>		<u>2,543,316</u>	<u>577</u>		<u>2,543,893</u>
Net Operating Income	<u>\$ 716,299</u>	<u>\$ (485,490)</u>		<u>\$ 230,809</u>	<u>\$ 392,800</u>		<u>\$ 623,609</u>

Edwardsville Water Authority
CAUSE NUMBER 45997

OUCR Revenue Adjustments

(1)

Test Year Normalization

To capture revenue from post-test year growth.

<u>Billing Cycle</u>	<u>Existing Customers Billed Residential</u>	<u>Increase (Decrease) in Users Residential</u>	<u>Times Additional Bills</u>	<u>Additional Monthly Bills</u>
Jul-22	4,503			
Aug-22	4,543	40	1	40
Sep-22	4,531	(12)	2	(24)
Oct-22	4,545	14	3	42
Nov-22	4,553	8	4	32
Dec-22	4,555	2	5	10
Jan-23	4,563	8	6	48
Feb-23	4,569	6	7	42
Mar-23	4,573	4	8	32
Apr-23	4,577	4	9	36
May-23	4,581	4	10	40
Jun-23	<u>4,587</u>	6	11	<u>66</u>
Total Billings	54,680			
Increase In Number of Billings				364
Times residential bill for 4,000 gallons				<u>\$ 38.25</u>
				<u>\$ 13,923</u>

(2)

Post-Test Year Growth

To capture revenue from post-test year growth.

No. of Bills at Feb - 2024	4,652			
Number of Months	<u>8</u>			
Total Number of Billings		37,216		
Actual Number of Billings		<u>37,056</u>		
Additional Bills			160	
Bill for 4,000 gallons			<u>\$ 38.25</u>	
				<u>\$ 6,120</u>

Edwardsville Water Authority
CAUSE NUMBER 45997

OUCC Expense Adjustments

(1)

Salary and Wages

To increase salary and wages to current expense level.

<u>Emp No.</u>	<u>Rate</u>	<u>Employment Note</u>	<u>Annual Salary</u>	
1	\$20.31		\$ 42,245	
2	41.85		87,050	
3	23.28		48,422	
4	28.61		59,509	
5	24.58		51,126	
6	21.22		44,138	
7	31.25		65,000	
8	18.00	Temp Employee		
9	34.67		72,120	
10	21.42	Hired 4/24/2023	44,554	
11	27.80		57,824	
12	26.46		55,037	
13	21.63		44,990	
14	26.45	Retired 1/05/2024	-	
15	27.64	Hired 9/05/2023	57,500	
Regular Salary			\$ 729,515	
Overtime Salary			33,558	
Other Pay			8,762	
Pro forma Salary and Wages				\$ 771,835
Less: Test Year Salary Expense				<u>686,057</u>
Adjustment Increase (Decrease)				<u><u>\$ 85,778</u></u>

(2)

Pension Expense

To increase pension expense stemming from the increase in salary and wages.

Pro forma Salary Expense	\$ 771,835	
Pension Contribution	5%	
Pro forma Pension Expense	\$ 38,592	
Less: Test Year Pension Expense	<u>30,783</u>	
Adjustment Increase (Decrease)		<u><u>\$ 7,809</u></u>

Edwardsville Water Authority
CAUSE NUMBER 45997

OUCC Expense Adjustments

(3)

Payroll Tax Expense

To increase payroll expense stemming from the increase in salary and wages.

Pro forma Salary Expense	\$ 771,835	
Payroll Tax Percentage	<u>7.65%</u>	
Pro forma Payroll Tax		\$ 59,045
Less: Test Year Payroll Tax Expense		<u>54,257</u>
Adjustment Increase (Decrease)		<u>\$ 4,788</u>

(4)

Employee Insurance and HAS

To adjust test year employee insurance and HSA to reflect the most recent premium renewal information provided by utility management.

Year to date monthly premium cost (six months)	\$ 71,050	
Times 2	<u>2</u>	
Pro forma 2023 total employee insurance and HSA expense		\$ 142,100
Less test year insurance and HSA expense		<u>(135,935)</u>
Adjustment Increase (Decrease)		<u>\$ 6,165</u>

Edwardsville Water Authority
CAUSE NUMBER 45997

OUCC Expense Adjustments

(5)

System Delivery Expense

To increase purchased water, purchased power, and chemical expenses related to customer growth.

PURCHASE WATER	\$ 10,834		
Purchased Power - REMC	246,289		
Chemicals - Chlorine	47,508		
System Delivery Expenses	\$ 304,631		
Test Year Consumption	367,703,900		
System Delivery Cost per Gallon	0.000828		
Additional Gallons Consumed*	2,096,000		
		\$ 1,736	
Postage	\$ 0.37		
Increase No. of Bills	524		
			194
Adjustment Increase (Decrease)			\$ 1,930

*Additional Gallons Consumed	
Additional Bills - Normalization	364
Additional Bills - Growth	160
Total Increase No. of Bills	524
Average Consumption per Bill	4,000
Additional Gallons Consumed	2,096,000

(6)

Materials and Supplies

To adjust materials and supplies (Act. No. 620-001) to normalize for an entry made in December of 2022 to reclassify items to capital assets and the assumed 2023 adjustment based on activity through June 30, 2023.

Materials and Supplies - December 2022 adjustment	\$ 65,231	
Materials and Supplies - Assumed 2023 adjustment	(147)	
Adjustment Increase (Decrease)		\$ 65,084

**Edwardsville Water Authority
 CAUSE NUMBER 45997**

OUCC Expense Adjustments

(7)

Periodic Maintenance Expense

To adjust the test year expenses for pro forma well, treatment plant, tanks, pump and distribution system periodic maintenance.

	Description	Frequency	Annual
Wells:			
Well Cleaning	\$30,000 per well, 4 wells	8 years	\$ 15,000
Well services/ flow test	\$4,950 every year	yearly	4,950
Well Painting	\$8,000 per well, 4 wells	10 years	3,200
Well starter maintenance	\$4,500 per well, 4 wells	10 years	1,800
Treatment Plant:			
Filter Media testing: 4 filters	\$5,000	2 years	2,500
Filter Media maintenance: 4 filters	\$88,339 per filter	10 years	35,336
Backwash waste tank clean out	\$5,764	3 years	1,921
Pump services	\$4,950	yearly	4,950
Meter testing at the plant	\$2,000	yearly	2,000
Chlorine and chemical services	\$6,393	yearly	6,393
Building Maintenance/generator	\$1,512	yearly	1,512
Chemical feed equipment maintenance	\$1,715 2 pumps	2 years	1,715
Lab testing equipment maintenance	\$1,570	yearly	1,570
SCADA Maintenance - Plant	\$1,950	yearly	1,950
Tanks:			
Suez Contracted Tanks	\$203,039	yearly	203,039
SCADA maintenance - Tanks	\$2,600 each tank site, 6 tanks	5 years	3,120
Pumps and Distribution			
SCADA Maintenance	\$1,300	yearly	1,300
Hickman Hill/EBS VFD maintenance	2-20hp & 1-40hp \$11,500	15 years	767
Hickman Hill/well generator maintenance	\$1,693.00	yearly	1,693
Transfer Pump Maintenance	\$14,230, 2- Transfer Pumps	15 years	1,897
High Service Pump Maintenance	\$9,475, 4-high service pumps	15 years	2,527
200 hp motor (wells)	\$29,332, 4-wells	15 years	7,822
Building Maintenance			<u>5,433</u>
Sub-total			312,394
Less test year periodic maintenance expense			<u>(54,410)</u>
Adjustment Increase (Decrease)			<u><u>\$ 257,984</u></u>

Edwardsville Water Authority
CAUSE NUMBER 45997

OUCC Expense Adjustments

(8)

Non-recurring Charges

To adjust the test year to exclude non-recurring charges.

10/30/22	577BTMA16611/30DAYFILINGNON-RECURRINGCHARGES	\$ (6,410.00)
8/31/22	138832075/LEGAL(AUG2022)-30DAYDAY	(2,529.25)
9/30/22	138834080/LEGAL(SEPT2022)-WATERAUTHORITYAUTHORITY	(2,439.50)
10/31/22	138837034/LEGAL(OCT2022)-WATERAUTHORITY/RATEAUTHORITY/RATE	(476.00)
1/1/23	138849087/LEGAL(MARCH2023)-ARROWOODRESEARCHRESEARCH	(1,177.00)
1/31/23	138843454/LEGAL(JANUARY2023)-MEMBERVOTING/IURCVOTING/IURC	(2,799.00)
3/31/23	138INV849087/LEGAL(MARCH2023)-ARROWOODARROWOOD	(1,177.00)
3/31/23	138849086/LEGAL(MARCH2023)-IURC/AUDIT/ARROW/ANNUALMTGMTG	(9,083.20)
5/31/23	138854875/LEGAL#2(MAY2023)-RAMSEY/RATERAMSEY/RATE	(1,841.50)
6/30/23	138856089/LEGAL(JULY2023)-RATECASE/WATERCASE/WATER	(5,207.00)
6/30/23	138856088/LEGAL(JUNE2023)-WATERAUTHORITYAUTHORITY	(1,664.50)
	Adjustment Increase (Decrease)	<u>\$ (34,804)</u>

(9)

Developer Reimbursements

To remove main extension refunds from expenses.

Developer Reimbursements	\$ 30,807
Adjustment Increase (Decrease)	<u>\$ (30,807)</u>

(10)

Regulatory Expense

To increase IURC Fee stemming from customer grow.

Normalization increase	13,923	
Growth increase	<u>6,120</u>	
Total Revenue Adjustments		20,043
Multiply by IURC fee		<u>0.1467603%</u>
Adjustment Increase (Decrease)		<u>\$ 29</u>

Edwardsville Water Authority
CAUSE NUMBER 45997

OUCC Expense Adjustments

(11)

Rate Case Expense

To adjust the test year to provide an annual allowance for current rate case fees.

Estimated Rate Case Fees			
Legal Fees	\$	75,000	
Financial and Rate Fees		<u>75,000</u>	
			\$ 150,000
			<u>4</u>
Adjustment Increase (Decrease)			<u><u>\$ 37,500</u></u>

(12)

Bad Debt Expense

To increase bad debt expense stemming from customer grow.

Test Year Revenue	\$	2,754,082	
Normalization Adjustment		13,923	
Growth Adjustment		<u>6,120</u>	
Present Rate Revenue	\$	2,774,125	
Bad Debt Expense Ratio		<u>0.05490%</u>	
Present Rate Bad Debt Expense			\$ 1,522.99
Less: Test Year Bad Debt Expense			<u>(1,492.00)</u>
Adjustment Increase (Decrease)			<u><u>\$ 31</u></u>

(13)

Computer Expenses

To remove non-recurring computer expenses.

Normalize GSUITE EMAIL Expense	\$	72.58	
		<u>2</u>	
			\$ 145.16
Less: Non-recurring SERVER INSTALL			<u>(600.00)</u>
Adjustment Increase (Decrease)			<u><u>\$ (455)</u></u>

Edwardsville Water Authority
CAUSE NUMBER 45997

OUCG Expense Adjustments

(14)

Telecommunication Expense

To normalize telecommunication expense.

Normalize METRO ANSWERING SERVICE	\$ (170.00)
Normalize BEACON HOSTING	<u>241.85</u>

Adjustment Increase (Decrease)	<u><u>\$ 72</u></u>
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(15)

Non-allowable Expenses

To remove non-allowable expenses.

XMAS PARTY DEPOSIT	\$ 200.00
TABLECLOTHS (XMAS PARTY)	99.90
XMAS GIFTS FOR BOARD	119.95
XMAS PARTY	1,452.50
GIFT CARD FOR XMAS PARTY	<u>361.90</u>
	\$ 2,234

SUBS FOR BOARD MEETING	110.41
PIZZA FOR AUGUST BOARD MEETING	82.94
SUBS FOR BOARD MEETING	105.19
PIZZA & CHICKEN FOR BOARD MEETING	121.79
SUBS FOR BOARD MEETING	100.86
CHICKEN FOR BOARD MEETING	82.39
FOOD FOR FEB BOARD MEETING	123.42
SUBS FOR APRIL BOARD MEETING	83.81
PIZZA FOR MAY BOARD MEETING	110.57
SUBS FOR BOARD MEETING	<u>87.34</u>
	1,009

LUNCHEON (BJ LILLPOP) - LAST DAY	169.48
MANAGERS' LUNCH	252.73
LUNCH FOR FIELD CREW (LEAK - PLANT)	<u>181.23</u>
	<u>603</u>

Adjustment Increase (Decrease)	<u><u>\$ (3,846)</u></u>
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Edwardsville Water Authority
CAUSE NUMBER 45997

OUCG Expense Adjustments

(16)

Non-recurring Expense

To re-move non-recurring expense.

PLUMBER REIMB

\$ 570.00

Adjustment Increase (Decrease)

\$ (570)

Edwardsville Water Authority
CAUSE NUMBER 45997

Depreciation

	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Settlement More (Less)</u>
Capital assets as of June 30, 2023	\$21,440,757	\$21,440,757	\$ -
Plus construction work in progress as of June 30, 2023	1,131,373	1,131,373	-
Plus construction cash on hand as of June 30, 2023	3,609,716	3,609,716	-
Plus developer installed lines not included in capital assets at June 30, 2023	763,295	763,295	-
Less historical capitalized periodic maintenance*	<u>(553,735)</u>	<u>(553,735)</u>	<u>-</u>
 Sub-total	 \$26,391,406	 \$26,391,406	
Times composite 2% depreciation rate	<u>2%</u>	<u>2%</u>	
	\$527,828	\$527,828	\$ -
Test year depreciation	418,983	418,983	-
Depreciation Adjustment	\$108,845	\$108,845	\$ -

Edwardsville Water Authority
CAUSE NUMBER 45997

Working Capital

Working Capital is not required.

Edwardsville Water Authority
CAUSE NUMBER 45997

Debt Service

To reflect the average amount of debt service required over a four year period.

	<u>2025</u> <u>Year 1</u>	<u>2026</u> <u>Year 2</u>	<u>2027</u> <u>Year 3</u>	<u>2028</u> <u>Year 4</u>	<u>Total</u>
Annual Payments	\$ 718,487	\$ 719,145	\$ 716,530	\$ 481,021	\$ 2,635,183
					<u>4</u>
Annual Debt Service					\$ 658,796
Rounding Factor					<u>204</u>
			Annual Debt Service		<u><u>\$ 659,000</u></u>

Edwardsville Water Authority
CAUSE NUMBER 45997

Debt Service Reserve

Debt Service Reserve is not required.

Edwardsville Water Authority
CAUSE NUMBER 45997

Current and Proposed Rates and Charges

	<u>Current</u>	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Settlement More (Less)</u>
<u>Metered Consumption</u>				
First 15,000 Gallons	\$ 7.63	\$ 8.96	\$ 8.73	\$ (0.23)
Next 110,000 Gallons	7.57	8.88	8.66	(0.22)
Over 125,000 Gallons	6.97	8.18	7.98	(0.20)
<u>Meter Size</u>				
5/8" & 3/4"	7.74	9.08	8.86	(0.22)
1"	17.00	19.95	19.46	(0.49)
1 1/2"	32.44	38.07	37.13	(0.94)
2"	50.96	59.81	58.33	(1.48)
3"	94.19	110.55	107.80	(2.75)
4"	155.94	183.03	178.48	(4.55)
6"	310.31	364.21	355.16	(9.05)
8"	495.56	581.64	567.18	(14.46)