

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION


PETITION OF JACKSON COUNTY)
WATER UTILITY, INC., FOR)
AUTHORITY TO ISSUE LONG TERM) **CAUSE NO. 45640 PHASE 2**
DEBT AND CHANGES TO ITS RATES,)
CHARGES AND TARIFF)

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR’S

PUBLIC’S EXHIBIT NO. 1-S:

**SETTLEMENT TESTIMONY OF
OUCW WITNESS THOMAS W. MALAN**

Respectfully submitted,



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SETTLEMENT TESTIMONY OF OUCC WITNESS THOMAS W. MALAN
CAUSE NO. 45640 (Phase 2)
JACKSON COUNTY WATER UTILITY, INC.

A. Introduction

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

2 A: My name is Thomas W. Malan, and my business address is 115 W. Washington
3 St., Suite 1500 South, Indianapolis, IN 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 and
7 experience are set forth in Appendix “A” attached to this testimony.

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

9 A: I explain how the public interest will be served if the Indiana Utility Regulatory
10 Commission (“Commission”) approves the Stipulation and Settlement Agreement
11 (“Settlement”) reached between Jackson County Water Utility, Inc. (“Petitioner”
12 or “Jackson County”) and the OUCC (collectively called the “Settling Parties”). In
13 the Settlement, the Settling Parties agree to an across-the-board revenue increase of
14 \$355,813, which is a rate increase of 9.20%, and other matters affecting the
15 operations of the utility.

16 **Q: Does the Settlement resolve all issues in this proceeding?**

17 A: Yes.

1 **Q: Do you sponsor any schedules or attachments?**

2 A: Yes. I sponsor the following settlement schedules:

3 Settlement Schedule 1 – Comparison of Overall Revenue Requirements (page 1)
4 Comparison of Net Operating Income Adjustments (page
5 2)

6 Settlement Schedule 2 – Comparative Balance Sheet as of December 31, 2021,
7 December 31, 2020 and December 31, 2019

8 Settlement Schedule 3 – Comparative Income Statement for the Twelve Months
9 Ended December 31, 2021, December 31, 2020, and
10 December 31, 2019.

11 Settlement Schedule 4 – *Pro Forma* Net Operating Income Statement

12 Settlement Schedule 5 – Revenue Adjustments

13 Settlement Schedule 6 – Expense Adjustments

14 Settlement Schedule 7 – Extensions & Replacements

15 Settlement Schedule 8 – Tariff

16 **Q: Please describe the Settlement reached by the Settling Parties?**

17 A: The OUCC disagreed with some of the operating expense adjustments that
18 Petitioner proposed. However, the OUCC identified the need for additional
19 revenues for periodic maintenance and extensions and replacements. As a result,
20 the Settling Parties agree that Jackson County should be authorized to increase its
21 rates and charges for water service to reflect a total net revenue requirement of
22 \$4,231,356. This results in an increase of 9.20% on an across-the-board basis, or
23 \$355,813 over Jackson County's current revenues at exiting rates. Table TWM-1
24 compares the revenue requirement proposed by Jackson County with that agreed-
25 upon in settlement.

TABLE TWM-1: COMPARISON OF REVENUE REQUIREMENTS

	<u>Per Petitioner</u>	<u>Per OUCC & Settlement</u>	<u>Sch Ref</u>	<u>OUCC & Settlement More (Less)</u>
Operating Expenses	\$ 2,434,563	\$ 2,417,064	4	\$ (17,499)
Taxes other than Income	55,252	68,774	7	13,522
Extensions and Replacements	481,000	523,081	8	42,081
Debt Service	1,193,079	1,191,522	SD	(1,557)
Debt Service Reserve	47,953	47,728	SD	(225)
Total Revenue Requirements	4,211,847	4,248,169		36,322
Less: Interest Income	(5,313)	(5,313)	4	-
Other Income	-	(11,500)		(11,500)
Net Revenue Requirements	4,206,534	4,231,356		24,822
Less: Rev @ current rates subj to increase	(3,852,597)	(3,865,964)	4	(13,367)
Other revenues at current rates		(9,993)	4	(9,993)
Net Rev Increase Required	353,937	355,399		1,462
Add: Additional IURC Fees	412	414		2
Recommended Increase	\$ 354,349	\$ 355,813		\$ 1,464
Recommended Percentage Increase	<u>9.20%</u>	<u>9.20%</u>		<u>0.00%</u>

B. Operating Revenues

- 1 **Q: Upon what current rate revenues did the Settling Parties agree?**
2 A: The Settling Parties agreed to pro forma current rate revenues of \$3,865,964, a
3 \$66,526 increase over test year.
4 **Q: To what agreement did the Settling Parties reach regarding other revenues at**
5 **current rates?**
6 A: The Settling parties agreed to include \$9,993 of other revenues at current rates.

C. Operating Expenses

- 7 **Q: To what level of operating expenses did the Settling Parties agree?**
8 A: The Settling Parties agreed to *pro forma* operating expense of \$2,417,064 and
9 Taxes other than Income taxes of \$68,774 (\$2,485,838) resulting in an increase of

1 \$194,730 to test year operating expenses (including taxes other than income taxes)
2 of \$2,291,108.

3 **Q: To what expense adjustments do the Settling Parties agree?**

4 A: The Settling Parties agreed to adjustments for salaries and wages, employee
5 benefits, purchased water, purchased power, chemicals, system delivery,
6 contractual services, transportation, regulatory, periodic maintenance,
7 miscellaneous, payroll taxes, and rate case expense. Table TWM-2 presents a
8 comparison of the adjustments proposed by Petitioner to those agreed-upon by the
9 Settling Parties.

TABLE TWM-2: OPERATING EXPENSE ADJUSTMENTS

	<u>Revised Petitioner</u>	<u>Per OUC & Settlement</u>	<u>OUC & Settlement More (Less)</u>
O&M Expense			
Salaries and Wages	\$ 21,275	\$ 21,275	\$ -
Tap Fee Labor		(36,162)	(36,162)
Employee Benefits	1,064	1,064	-
Purchased Water	14,769	14,769	-
Purchased Power	-	2,799	2,799
Chemicals	155,783	155,783	-
System Delivery	-	7,666	7,666
Contractual Services - Accounting	-	(5,250)	(5,250)
Contractual Services - Legal	-	(24,548)	(24,548)
Transportation Expense	16,222	16,222	-
Regulatory	232	(136)	(368)
Periodic Maintenance	-	47,500	47,500
Miscellaneous Expense	327	327	-
Payroll Taxes	1,628	1,628	-
Rate case expense	32,807	(8,207)	(41,014)
Total Operating Expense	<u>\$ 244,107</u>	<u>\$ 194,730</u>	<u>\$ (49,377)</u>

D. EXTENSIONS AND REPLACEMENTS

1 **Q: Upon what amount of E&R do the Settling Parties agree upon?**

2 A: Jackson County proposed an E&R revenue requirement of \$481,000. The Settling
3 Parties agreed to an E&R revenue requirement of \$523,081, an increase of \$42,081
4 from that requested by Petitioner.

E. Revenue Requirement

5 **Q: Upon what increase did the settling parties agree?**

6 A: In its revised case, Petitioner set forth a revenue requirement that would produce
7 an across the board 9.20% rate increase. The OUCC set forth a revenue
8 requirement that would produce an across the board 9.20% rate increase. The
9 parties agreed on a 9.20% increase using the presentation prepared by the OUCC
10 in its case.

F. Debt Service Reserve Funding

11 **Q: Upon what agreement did the Settling parties come to regarding debt service**
12 **reserve funding?**

13 A: The settling parties agreed that once Jackson County's debt service reserve funding
14 has been met Petitioner would place the pro-forma annual debt service reserve
15 amount of \$47,728 into a restricted tank maintenance account. Settling parties
16 further agreed that Petitioner will discuss with the OUCC should exigent
17 circumstances arise that would require continued funding of the debt service
18 reserve. This will assure Jackson County has funding for periodic maintenance and
19 flexibility to carry out its mission.

G. Capital Improvement Plan

1 **Q: To what did the Settling Parties agree to regarding Petitioner's capital**
2 **improvement plan?**

3 A: The Settling Parties agree that Petitioner shall be allowed to defer recovery of
4 reasonable and prudent third-party engineering cost associated with developing a
5 capital improvement plan. This will promote the completion a capital improvement
6 plan helping to ensure the continued provision of reliable service to customers.

H. 30 Day Filing

7 **Q: Upon what agreement did the Settling Parties reach regarding Portioner's**
8 **non-recurring charges?**

9 A: The Settling Parties agreed that within 45 days of an order in this Cause, Petitioner
10 will submit a 30-Day Filing to make any necessary adjustments to its non-recurring
11 charges. This will ensure Petitioner's non-recurring charges are recovering the full
12 cost of providing those services.

I. Conclusion

13 **Q: Is the Settlement a fair, just, and reasonable resolution of the issues presented?**

14 A: Yes. The Settlement represents a reasonable compromise that the Settling Parties
15 support as fair, reasonable, and beneficial to both the Utility and its customers. The
16 Settlement is in the public interest because Jackson County will have sufficient
17 funds to pay its necessary operating expenses and capital improvements. The
18 Settling Parties also value the certainty and speed of implementing negotiated
19 outcomes such as this. As further evidence of the settlement's reasonableness, the

1 settling parties both arrived at the same rate increase using different revenue
2 requirement inputs.

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

4 **A: Yes.**

APPENDIX A

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

2 A: In December of 2002 I received a bachelor's degree in Business Administration
3 focusing on Accounting from Indiana University Kelley School of Business. In
4 December of 2012 I received my Master of Science in Accounting from Indiana
5 University Kelley School of Business, Indianapolis Indiana.

6 **Q: Please describe your professional experience.**

7 A: I was hired as a Utility Analyst in the Water / Wastewater division of the OUCC
8 on April 30, 2018. Prior to being hired by the OUCC, I was the controller of All
9 Trades Staffing. I have over fifteen years of accounting experience. I worked for
10 several years as a Financial Analyst in the insurance and healthcare industries. I
11 have participated in conferences and seminars regarding utility regulation, rate
12 making and financial issues. I have completed the National Association of
13 Regulatory Utility Commissioners (NARUC) Eastern Utility Rate School. I also
14 regularly attend the National Association of State Utility Consumer Advocates
15 (NASUCA) Accounting and Tax committee monthly meetings. In August of 2019
16 I completed the Annual Regulatory Studies Program from the Institute of Public
17 Utilities at Michigan State University.

18 **Q: Have you previously testified before the Indiana Utility Regulatory**
19 **Commission?**

20 A: Yes.

Jackson County Water Utility Inc
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**Comparison of Petitioner's and OUCC's
Revenue Requirements**

	Per Petitioner		Per OUCC & Settlement	Sch Ref	OUCC & Settlement More (Less)
	9/7/2022	12/1/2022			
Operating Expenses	\$ 2,418,498	\$ 2,434,563	\$ 2,417,064	4	\$ (17,499)
Taxes other than Income	55,252	55,252	68,774	4	13,522
Extensions and Replacements	481,000	481,000	523,081	7	42,081
Debt Service	1,193,079	1,193,079	1,191,522	SD	(1,557)
Debt Service Reserve	47,953	47,953	47,728	SD	(225)
Total Revenue Requirements	4,195,782	4,211,847	4,248,169		36,322
Less: Revenue Requirement Offsets					
Interest Income	(5,313)	(5,313)	(5,313)	3	-
Other Income - Land Rental		-	(11,500)	3	(11,500)
Net Revenue Requirements	4,190,469	4,206,534	4,231,356		24,822
Less: Revenues at current rates subject to increase	(3,852,597)	(3,852,597)	(3,865,964)	4	(13,367)
Other revenues at current rates		-	(9,993)	4	(9,993)
Net Revenue Increase Required	337,872	353,937	355,399		1,462
Add: Additional IURC Fees	394	412	414		2
Recommended Increase	<u>\$ 338,266</u>	<u>\$ 354,349</u>	<u>\$ 355,813</u>		<u>\$ 1,464</u>
Recommended Percentage Increase	<u>8.78%</u>	<u>9.20%</u>	<u>9.20%</u>		<u>0.00%</u>

<u>Current Rate for 5,000 Gallons</u>	Proposed			OUCC More (Less)
	Petitioner		OUCC	
	9/7/2022	12/1/2022		
Current Rate = \$57.17	<u>\$62.19</u>	<u>\$ 62.43</u>	<u>\$ 62.43</u>	\$ -

Jackson County Water Utility Inc
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Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates

	Per Petitioner		Per OUCC & Settlement	Settlement More (Less)
	9/7/2022	12/1/2022		
Operating Revenues				
Residential normalization	\$ 43,165	\$ 43,165	\$ 43,165	\$ -
Residential post-test year growth	-	-	5,269	5,269
Late Payment Fees	-	-	18,091	18,091
				-
Total Operating Revenues	<u>43,165</u>	<u>43,165</u>	<u>66,525</u>	<u>23,360</u>
O&M Expense				
Salaries and Wages	21,275	21,275	21,275	-
Tap Fee Labor	-	-	(36,162)	(36,162)
Employee Benefits	1,064	1,064	1,064	-
Purchased Water	-	14,769	14,769	-
Purchased Power	-	-	2,799	2,799
Chemicals	154,487	155,783	155,783	-
System Delivery	-	-	7,666	7,666
Contractual Services - Accounting	-	-	(5,250)	(5,250)
Contractual Services - Legal	-	-	(24,548)	(24,548)
Transportation Expense	16,222	16,222	16,222	-
IURC Fee	232	232	(136)	(368)
Periodic Maintenance	-	-	47,500	47,500
Miscellaneous Expense	327	327	327	-
Payroll Taxes	1,628	1,628	1,628	-
Rate case expense	32,807	32,807	(8,207)	(41,014)
Total Operating Expenses	<u>228,042</u>	<u>244,107</u>	<u>194,730</u>	<u>(49,377)</u>
Net Operating Income	<u>\$ (184,877)</u>	<u>\$ (200,942)</u>	<u>\$ (128,205)</u>	<u>\$ 72,737</u>

Jackson County Water Utility Inc
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COMPARATIVE BALANCE SHEET
As of December 31,

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Utility Plant:			
Utility Plant in Service	\$ 37,941,883	\$ 37,136,511	\$ 35,793,786
Less: Accumulated Depreciation	14,054,756	13,187,710	11,822,982
Net Utility Plant in Service	<u>23,887,127</u>	<u>23,948,801</u>	<u>23,970,804</u>
Other Property & Investments			
Nonutility Property	140,056	140,056	140,056
Less: Accumulated Depreciated	68,283	68,283	68,283
Total Other Property & Investments	<u>71,773</u>	<u>71,773</u>	<u>71,773</u>
Restricted Assets:			
USDA	315,486	315,398	315,010
IFA (Note to DSR)	617,346	543,174	466,755
Series 2013 Bonds	519,725	519,725	519,725
Task Maintenance, IURC	609,966	558,466	437,214
2018 SRF Construction Fund	907,048	-	-
Total Restricted Assets	<u>2,969,571</u>	<u>1,936,763</u>	<u>1,738,704</u>
Current Assets:			
Cash and Cash Equivalents	373,459	675,072	683,479
Temporary Cash Investments	858,746	860,655	856,144
Customer Accounts Receivable	334,388	325,608	329,066
Provision for Uncollectible Accounts	(20,000)	(30,500)	(30,500)
Materials and Supplies	261,275	154,561	156,627
Prepayments	45,035	48,823	34,969
Total Current Assets	<u>1,852,903</u>	<u>2,034,219</u>	<u>2,029,785</u>
Deferred Debits			
Unamortized Debt Discount and Expense	454,495	504,879	559,646
Deferred Rate Case Expense	109,718	155,118	228,739
Total Deferred Debits	<u>564,213</u>	<u>659,997</u>	<u>788,385</u>
Total Assets	<u><u>\$ 29,345,587</u></u>	<u><u>\$ 28,651,553</u></u>	<u><u>\$ 28,599,451</u></u>

Jackson County Water Utility Inc
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COMPARATIVE BALANCE SHEET
As of December 31,

<u>LIABILITIES</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Equity			
Paid in Capital	\$ 843,283	\$ 819,906	\$ 790,906
Retained Earnings	7,204,206	6,918,261	6,649,289
Total Equity	<u>8,047,489</u>	<u>7,738,167</u>	<u>7,440,195</u>
Contributions in Aid of Construction			
Contributions in Aid of Construction, net	5,714,735	5,542,356	5,378,593
Accumulated Amortization of CIAC	-	-	-
Net Contributions-in-aid of Construction	<u>5,714,735</u>	<u>5,542,356</u>	<u>5,378,593</u>
Long-term Debt			
Bonds Payable - Series 2013	235,000	360,000	485,000
RD Note 2003	4,009,474	4,120,841	4,227,156
SRF Note Payable	814,001	902,001	987,001
2018 SRF Payable	6,413,000	5,680,061	4,294,936
2014 SRF Payable	3,829,936	4,064,936	5,518,657
Total Long-term Debt	<u>15,301,411</u>	<u>15,127,839</u>	<u>15,512,750</u>
Current Liabilities			
Accounts Payable	85,193	42,985	53,800
Customer Deposits	5,025	5,025	5,025
Accrued Taxes	52,964	48,736	55,115
Accrued Interest	138,770	146,445	153,973
Other Current Liabilities	<u>281,952</u>	<u>243,191</u>	<u>267,913</u>
Total Liabilities	<u>\$ 29,345,587</u>	<u>\$ 28,651,553</u>	<u>\$ 28,599,451</u>

Jackson County Water Utility Inc
CAUSE NUMBER 45640

COMPARATIVE INCOME STATEMENT
Twelve Months Ended December 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues			
Water Sales			
Unmetered	\$ 87,153	\$ 24,963	\$ 23,680
Residential	2,842,562	2,800,396	2,662,589
Commercial	543,064	590,091	663,463
Industrial	11,132	12,367	10,837
Public Authority	14,882	65,783	77,393
Sales for Resale	146,086	156,981	152,049
Church	34,163	32,261	33,541
School	35,494	31,181	36,755
Fire Protection			
Public	62,595	62,595	61,029
Private	22,017	20,487	22,104
Late Payment Fees	291	3,490	19,283
Miscellaneous Service Revenue	9,993	24,438	27,922
Total Operating Revenues	<u>3,809,432</u>	<u>3,825,033</u>	<u>3,790,645</u>
Operating Expenses			
Salaries and Wages	717,775	642,505	666,844
Officers	14,625	13,875	14,875
Employee Benefits	279,122	269,382	247,879
Purchased Water	61,651	87,771	74,328
Purchased Power	210,191	202,303	204,827
Chemicals	245,843	214,824	196,710
Materials and Supplies	143,780	136,315	172,890
Contractual Services			
Accounting	34,874	29,646	28,908
Engineering	4,517	-	5,810
Legal	38,140	16,720	5,992
Testing	213,894	257,028	209,512
Transportation Expense	70,521	48,277	46,526
Insurance	63,780	50,593	57,105
Regulatory	4,645	4,485	4,291
Bad Debt Expense	7,051	308	383
Miscellaneous Expense	(a) 68,153	68,548	95,787
Total O&M Expense	<u>2,178,562</u>	<u>2,042,580</u>	<u>2,032,667</u>

Jackson County Water Utility Inc
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COMPARATIVE INCOME STATEMENT
Twelve Months Ended December 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Depreciation Expense	\$ 860,219	\$ 900,474	\$ 879,488
Amortization of Utility Plant Acquisition Adjus	6,828	6,828	6,827
Rate Case Amortization	45,400	73,636	54,706
Taxes Other than Income:			
Property Taxes	(b) 13,522		
Payroll Taxes	53,624	47,672	48,098
Total Operating Expenses	<u>3,158,155</u>	<u>3,071,190</u>	<u>3,021,786</u>
Net Operating Income	651,277	753,843	768,859
Other Income (Expense)			
Interest & Dividend Income	5,313	17,773	34,729
Gain (Loss) on Sale of Assets	5,799	-	-
Non-Utility Income	13,140	-	11,500
Miscellaneous Non-Utility Expenses	-	25,296	3,882
Total Other Income (Expenses)	<u>24,252</u>	<u>43,069</u>	<u>50,111</u>
Interest Expense			
Interest Expense	447,235	467,112	479,857
Debt Issuance Cost Amortization	(c) 50,371	54,767	59,137
Total Interest Expense	<u>497,606</u>	<u>521,879</u>	<u>538,994</u>
Net Income	<u>\$ 177,923</u>	<u>\$ 275,033</u>	<u>\$ 279,976</u>

- (a) Petitioner's 2019 IURC Annual Report, page W-2(a) does not tie to total operating expenses reflected on page F-3. The \$42,443 difference was added to Miscellaneous Expense.
- (b) Because Petitioner has not properly recorded its property tax expense, prior year expense is not available from the financial information provided in either this case or its IURC annual reports.
- (c) Petitioner included \$50,371 of Debt issuance cost combined with rate case expense

Jackson County Water Utility Inc
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Pro Forma Net Operating Income Statement

	<u>Test Year Ended 12/31/2021</u>	<u>Adjustments</u>	<u>Sch Ref</u>	<u>Pro Forma Present Rates</u>	<u>Adjustments</u>	<u>Sch Ref</u>	<u>Pro Forma Proposed Rates</u>
Operating Revenues							
Water Sales							
Unmetered	\$ 87,153	\$ -		\$ 87,153	\$ 8,021		\$ 95,174
Residential	2,842,562	43,165	PET	2,890,996	266,080		3,157,076
		5,269	5-1		-		
Commercial	543,064	-		543,064	49,982		593,046
Industrial	11,132	-		11,132	1,025		12,157
Public Authority	14,882	-		14,882	1,370		16,252
Sales for Resale	146,086	-		146,086	13,445		159,531
Church	34,163	-		34,163	3,144		37,307
School	35,494	-		35,494	3,267		38,761
Fire Protection							
Public	62,595	-		62,595	5,761		68,356
Private	22,017	-		22,017	2,026		24,043
Late Payment Fees	291	18,091	5-2	18,382	1,692		20,074
Miscellaneous Service Revenue	9,993	-		9,993			9,993
Total Operating Revenues	<u>3,809,432</u>	<u>66,525</u>		<u>3,875,957</u>	<u>355,813</u>	1	<u>4,231,770</u>
O&M Expense							
Salaries and Wages	717,775	21,275	PET	702,888			702,888
		(36,162)	6-1				
Officers	14,625	-		14,625			14,625
Employee Benefits	279,122	1,064	PET	280,186			280,186
Purchased Water	61,651	14,769	PET	76,420			76,420
Purchased Power	210,191	2,799	6-2	212,990			212,990
Chemicals	245,843	155,783	PET	401,626			401,626
System Delivery	-	7,666	6-3	7,666			7,666
Materials and Supplies	143,780	-		143,780			143,780
Contractual Services							
Accounting	34,874	(5,250)	6-4	29,624			29,624
Engineering	4,517	-		4,517			4,517
Legal	38,140	(24,548)	6-5	13,592			13,592
Testing	213,894	-		213,894			213,894
Transportation Expense	70,521	16,222	PET	86,743			86,743
Insurance	63,780	-		63,780			63,780
Regulatory	4,645	(136)	6-6	4,509	414	1	4,923
Bad Debt Expense	7,051	-		7,051			7,051
Periodic Maintenance	-	47,500	6-8	47,500			47,500
Miscellaneous Expense	68,153	327	PET	68,480			68,480
Depreciation Expense	860,219	-		860,219			860,219
Amortization of Acquisition Adj.	6,828	-		6,828			6,828
Rate case expense	45,400	(8,207)	6-7	37,193			37,193
Taxes Other than Income							
Property Taxes	13,522	-		13,522			13,522
Payroll Taxes	53,624	1,628	PET	55,252			55,252
Total Operating Expenses	<u>3,158,155</u>	<u>194,730</u>		<u>3,352,885</u>	<u>414</u>		<u>3,353,299</u>
Net Operating Income	<u>\$ 651,277</u>	<u>\$ (128,205)</u>		<u>\$ 523,072</u>	<u>\$ 355,399</u>		<u>\$ 878,471</u>

Jackson County Water Utility Inc
CAUSE NUMBER 45640

Settlement Revenue Adjustments

(1)

Post Test Year Customer Growth

To adjust Petitioner's operating revenue for the growth in residential customers post test year.

# of Billings last month of the adjustment period	5,531
Months in adjustment period	<u>12</u>
# of Full Year Expected Billings	66,372
# of Test Year Billings Adjusted for Test Year Growth	<u>66,252</u>
Additional Adjustment Period Billings	120
Average bill	\$ 43.91
Adjustment	<u>\$ 5,269</u>

Adjustment Increase (Decrease)

\$ 5,269

Average Bill Calculation

Post test year sales	\$ 2,175,924
# of post test year billings	<u>49,551</u>
	<u>\$ 43.91</u>

(2)

Late Fee Revenues

To normalize late fee revenues, which were understated during the test year due to COVID-19 pandemic. Petitioner resumed charging late fees in 2022.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Average</u>
Operating Revenues	3,124,750	3,587,155	3,438,823	3,527,722	3,790,645	\$ 3,493,819
Late Fee Rev	17,776	19,210	11,989	23,653	19,283	18,382
% of Operating Reven	0.57%	0.54%	0.35%	0.67%	0.51%	0.53%

Pro Forma Late Fee Revenue (5-Year Average - 2015 - 2019)	\$ 18,382
Less: Test year revenue	<u>291</u>

Adjustment Increase (Decrease)

\$ 18,091

Jackson County Water Utility Inc
CAUSE NUMBER 45640

Settlement Expense Adjustments

(1)

Salaries and Wages

Adjustment to remove test year salaries that were collected through tap fees based on Petitioner's response to DR 4-5 & 4-7 (a)

	Total Tap Fee	Tap Fee Labor
Line side	1,313.73	309.12
Line side with pressure regulator	1,520.64	309.12
Road boar 60 ft	1,761.60	506.34
Road boar with pressure regulator 60 ft	1,968.51	506.34
Road boar >60 ft	2,559.00	506.34
Road boar with pressure regulator >60 ft	2,765.91	506.34
Average cost for a tap	<u>\$ 1,982</u>	
Average amount of labor for a tap		<u>\$ 441</u>
Test Year Taps		82
Amount of Labor included in Tapping fees		<u>\$ 36,162</u>

Adjustment Increase (Decrease) \$ (36,162)

(2)

Purchased Power

Adjustment to include test year electric invoice that was recorded in January 2022.

Purchased Power invoice for December 2021 in the amount of \$2,799.34 (Duke Energy, Account #2940-2913-01-9, Meter located at 1121 Spring Street)

(Duke Energy, Account #2940-2913-01-9, Meter located at 1121 Spring Street)	
December 2021 invoice recorded in 2022	2,799.00

Adjustment Increase (Decrease) \$ 2,799

Jackson County Water Utility Inc
CAUSE NUMBER 45640

Settlement Expense Adjustments

(3)

System Delivery Adjustment

To account for increased system delivery costs due to customer growth.

Purchased Water	76,420			
Purchased Power	212,990			
Chemical Expense	<u>401,626</u>			
Total Variable Cost		691,036		
Gallons Sold (000's Omitted)		<u>385,188</u>		
Cost per 1,000 Gallons			\$ 1.794023	
 Residential Cost per Bill				
Cost per 1,000 gallons		1.794023		
Average Consumption (000's Omitted)		<u>3.54</u>		
Variable Cost per Residential Bill			6.35	
Add: Postage			<u>0.55</u>	
Cost per Residential Bill				6.90
Increase in number of Residential Bills				<u>1,111</u>
Increased System Deliver Cost				7,666
				<u>\$ 7,666</u>

(4)

Contractual Services - Accounting

To remove test year rate case expense recorded during the test year per Petitioner's response to DR 6-1.

London Witte Group

Rate case filing and testimony	12.31.2021	\$ 5,250.00		
				<u>\$ (5,250)</u>

Jackson County Water Utility Inc
CAUSE NUMBER 45640

Settlement Expense Adjustments

(5)

Contractual Services - Legal

Adjustment to remove rate case expense that was recorded during the test year per Petitioner's response to DR 6-1.

Barnes & Thronburg:

Discussions on new IURC Filing	07.30.2021	\$ 4,137.50
Work related to debt/rate filing	08.31.2021	214
Work on IURC petition, easement work	09.30.2021	3,638.00
Work on IURC petition	10.25.2021	4,113.00
work on IURC petition, testimony	11.19.2021	5,136.00
work on IURC Phase I	12.29.2021	7,309.50
		<u>\$ 24,548</u>

Adjustment Increase (Decrease)

\$ (24,548)

(6)

IURC Fee

To adjust test year IURC fee to reflect amount of fees for pro forma operating revenues.

Pro forma Operating Revenue	\$ 3,875,957	
Less: Bad Debt Expense	<u>(7,051)</u>	
	\$ 3,868,906	
Multiply by: 2022/2023 IURC Rate	<u>0.1163372%</u>	
Pro Forma IURC Fee		4,509
Less: Test year Expense		<u>4,645</u>

Adjustment Increase (Decrease)

\$ (136)

(7)

Rate Case Expense

Adjustment to add the rate case amortization to test year expense. Petitioner miscalculated unamortized rate case expense

Phase I rate case expenses	\$ 212,091
Phase II rate case expenses	125,000
Unamortized rate case expense at 2/28/2023	56,752
Less: Amounts funded by debt	<u>(207,877)</u>
Rate Case Expense to be Amortized	\$ 185,966
Divide by: 5- Year Amortization period	<u>5</u>
Pro Forma Annual Rate Case Amortization Expense	37,193
Less: Test year Rate Case Amortization Expense	<u>(45,400)</u>

Adjustment Increase (Decrease)

\$ (8,207)

Unamortized Rate Case Expense at 12	\$ 109,719
Less: Additional Amortization Expens	<u>(52,967)</u>
Unamortized Rate Case Expense at 02	<u>\$ 56,752</u>

Additional Amortization Expense:

Annual Amortization	\$ 45,400
Divide by 12 months	<u>12</u>
Monthly Amortization	3,783.33
Multiply by 14 months	<u>14</u>
Additional Amortization Expense	<u>\$ 52,967</u>

Jackson County Water Utility Inc
CAUSE NUMBER 45640

Settlement Expense Adjustments

(8)

Periodic Maintenance - Tank Painting Expense

To include annual tank painting expenditures.

Estimated Annual Tank Painting Costs per Jim Parks' Testimony	\$	120,000
Amount Available Per Petitioner's Propoed 9.2% Rate Increase	\$	47,500

Adjustment Increase (Decrease) \$ 47,500

Jackson County Water Utility Inc
CAUSE NUMBER 45640

Extensions and Replacements

To reflect the average amount of extensions and replacements required over a three year period.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
Office, Billing, Security				
Office remodel, new roof on office/plant			\$233,162	\$ 233,162
Windows and front door replacement in office		10,505		10,505
Office desks after remodel of office			11,792	11,792
Replace bad security cameras & door access systems	14,655			14,655
Replace security camera system			13,709	13,709
New copier	6,743			6,743
Replacement of server		15,215		15,215
UMS Billing Software upgrade	16,174			16,174
Upgrade cell phones	2,606			2,606
Vehicles & Equipment				
New Pipe locator (2)			8,650	8,650
Valve box locator			1,122	1,122
Valve exercising equipment	9,050			9,050
Concrete saw		2,335		2,335
Traded for new Bobcat E50 Excavator			18,846	18,846
New Bobcat E85 Excavator			85,250	85,250
Brush cutter for Bobcat skid loader	5,422			5,422
Bobcat breaker (for breaking concrete)	8,575			8,575
New International dump truck	102,866			102,866
Three new pickup trucks		93,331		93,331
Truck safety lighting			3,626	3,626
Well Field				
Three test wells to determine new well site			22,500	22,500
Well #8 bowls and column pipe repair			20,316	20,316
Well #4 motor replacement		5,516		5,516
Water Treatment Plant				
5 New hanging heaters in plant		18,719		18,719
High service #3 motor replacement			7,850	7,850
Install disconnect switches in High Service Room			6,260	6,260
Replace transfer switch on generator			17,261	17,261
Replace bottom sections of Catalytic reactors #3 & #4	23,105			23,105
Change out meters on reactors in plant	9,157			9,157
Sample stations	1,704			1,704
Water Distribution System				
Total water main install	93,714	172,812	110,290	376,817
Hydrant replacement/install	19,200	16,129	12,430	47,759
Service line bores in addition to tap fee	85,186	94,233	64,782	244,201
Residential meters to finish meter change out	85,680			85,680
Large meter change out	4,633	11,081	3,049	18,764
	<u>\$ 488,469</u>	<u>\$ 439,877</u>	<u>\$ 640,896</u>	<u>\$ 1,569,242</u>

Divide by 3 Years

3

Pro Forma Annual Extensions and Replacements

\$ 523,081

Jackson County Water Utility Inc
CAUSE NUMBER 45640

Current and Proposed Rates and Charges

	<u>Current</u>	<u>Petitioner Proposed</u>	<u>OUCC & Settlement Proposed</u>	<u>OUCC & Settlement More (Less)</u>
Metered Rates				
First 3,000 Gallons	\$ 11.71	\$ 12.79	\$ 12.79	\$ 0.00
Next 7,000	11.02	12.03	12.03	0.00
Next 15,000	8.37	9.14	9.14	0.00
Next 75,000	6.72	7.34	7.34	0.00
Next 100,000	5.11	5.58	5.58	0.00
Over 200,000	4.10	4.48	4.48	0.00
Minimum Charge				
5/8" (2,000)	23.42	25.57	25.57	0.00
3/4" (3,000)	35.14	38.37	38.37	0.00
1" (5,000)	57.19	62.45	62.45	0.00
1-1/2 (12,000)	129.04	140.91	140.91	0.00
2" (20,000)	196.03	214.06	214.06	0.00
3" (30,000)	271.51	296.48	296.49	0.01
4" (50,000)	405.99	443.33	443.34	0.01
6" (100,000)	742.19	810.45	810.47	0.02
Industrial Rate				
Cost Per 1,000 gallons	2.29	2.50	2.50	0.00
Monthly Customer Charge	15.87	17.33	17.33	0.00
Fire- Protection Services				
Public Fire Hydrants	962.96	1,051.53	1,051.55	0.02
Private Fire Hydrants	962.96	1,051.53	1,051.55	0.02
Private Fire Service				
2" Service	144.38	157.66	157.66	0.00
3"	325.04	354.94	354.94	0.01
4"	577.88	631.03	631.05	0.01
6"	1,300.10	1,419.68	1,419.71	0.03
8"	2,311.08	2,523.65	2,523.70	0.05
10"	3,611.17	3,943.31	3,943.40	0.08
12"	5,200.02	5,678.30	5,678.42	0.12

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served upon the following counsel of record in the captioned proceeding by electronic service on January 27, 2023.

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