

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**IN THE MATTER OF THE PETITION OF J.B. )  
WATERWORKS, INC. FOR A NEW SCHEDULE ) CAUSE NO. 45311-U  
OF RATES AND CHARGES )**

**PREFILED TESTIMONY**


**RICAHRD J. COREY – PUBLIC’S EXHIBIT NO. 1**

**ON BEHALF OF THE**

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**

**January 21, 2020**

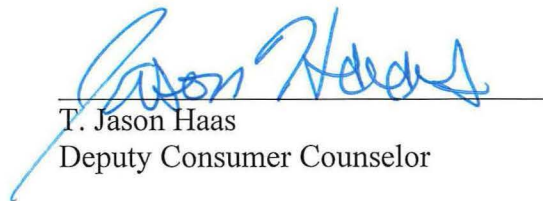
Respectfully submitted,

  
\_\_\_\_\_  
T. Jason Haas, Atty. No. 34983-29  
Deputy Consumer Counselor

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor*  
*Prefiled Testimony of Richard J. Corey* has been served upon the following counsel of record in  
the captioned proceeding by electronic service on January 21, 2020.

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**PREFILLED TESTIMONY OF OUCC WITNESS RICHARD J COREY**  
**CAUSE NO. 45311-U**  
**J. B. WATERWORKS, INC.**

**I. INTRODUCTION**

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

2 A: My name is Richard J. Corey, 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 and  
7 experience are set forth in Appendix "A" attached to this testimony.

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

9 A: J. B. Waterworks, Inc. ("J. B." or "Applicant") requests an across-the-board rate  
10 increase of 87.31%. As a result of its review and analysis, the OUCC proposes a  
11 rate increase of 60.18%. The purpose of my testimony is to present the OUCC's  
12 position as reflected in the OUCC schedules I have attached to my testimony.

13 **Q: What actions did you take to prepare your testimony?**

14 A: I reviewed Applicant's schedules and workpapers. I conducted the OUCC's site  
15 visit on December 5, 2019 at J. B.'s office. I reviewed J. B.'s Indiana Utility  
16 Regulatory Commission ("Commission" or "IURC") Annual Reports for 2016,  
17 2017, and 2018. I reviewed the final order from J. B.'s last rate case (Cause No.  
18 44115-U, order issued May 9, 2012). I reviewed ratepayer comments submitted to  
19 the OUCC. I also assisted in preparing discovery requests and reviewed  
20 Applicant's responses.

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

2 A: Yes. I sponsor the following schedules and attachments:

3 Schedule 1 – Comparison of Revenue Requirements (Page 1)  
4 Gross Revenue Conversion Factor (Page 2)  
5 Comparison of *Pro Forma* Income Statement Adjustments (Page 3)

6 Schedule 2 – Comparative Balance Sheet as of December 31, 2018, 2017 and  
7 2016

8 Schedule 3 – Comparative Income Statement for the Twelve Months Ended  
9 December 31, 2018, 2017 and 2016

10 Schedule 4 – *Pro Forma* Net Operating Income Statement

11 Schedule 5 – Operating Expense Adjustments

12 Schedule 6 – Calculation of Rate Base

13 Schedule 7 – *Pro forma* Capital Structure

14 Schedule 8 – Current and Proposed Rates and Charges

15 Attachment RJC No. 1 – Recalculation of Accumulated Depreciation

16 Attachment RJC No. 2 – Revenue Requirement Comparison

### III. PROPOSED RATE INCREASE

17 **Q: What level of rate increase is Applicant requesting?**

18 A: Applicant proposes to increase its current rates by 87.31% to generate an additional  
19 \$35,318 of revenues. Applicant proposes to implement the rate increase across-  
20 the-board and in a single phase.

21 **Q: What are the principal drivers of Applicant's requested increase?**

22 A: In Cause No. 44115-U, J. B. was authorized a 50.16% increase in rates and charges  
23 to provide Applicant the opportunity to earn an annual return on investment of  
24 \$2,314. In this Cause, rate base has decreased by \$5,181 and the requested cost of

1 equity has decreased by 0.50%. Despite the resulting \$608 decrease in the return  
2 on rate base, Applicant is seeking an 87.31% increase in rates and charges. The  
3 drivers of this requested increase are primarily related to increased operating  
4 expenses, including: (1) increased salaries and wages due to the full-time  
5 employment of the owner/operator (\$9,000); (2) the need for additional pipe and  
6 leak repair (\$6,420); (3) increased capital expenditures<sup>1</sup> (\$8,745); and (4) increased  
7 liability insurance (\$3,406). Additional drivers include an increased federal income  
8 tax rate from 15% to 21% partially offset by a reduced state income tax rate from  
9 8.5% to 5.5%. Finally, operating revenues under proposed rates in Cause No.  
10 44115-U were \$47,544 but Applicant's operating revenues under present rates in  
11 this Cause are only \$40,453, an under-recovery of \$7,091. (See Attachment RJC-  
12 2.)

13 **Q: What rate increase do you recommend?**

14 A: I recommend an overall across-the-board rate increase of 60.18% to produce an  
15 increase in water revenues of \$24,344 per year. Table 1 compares J. B. Waterworks'  
16 overall proposed revenue requirement with my proposal.

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<sup>1</sup> Applicant's request includes an increase to operating expenses of \$8,745 for capital expenditures for meter replacements.

**Table RJC-1: Comparison of Overall Revenue Requirement**

|   | <b>Per Applicant</b> | <b>Per OUCC</b> | <b>OUCC More (Less)</b> |
|---|----------------------|-----------------|-------------------------|
| Original Cost Rate Base                               | \$ 17,961            | \$ 10,882       | \$ (7,079)              |
| Times: Weighted Cost of Capital                       | 9.50%                | 9.50%           | 0                       |
| Net Operating Income Required for Return on Rate base | 1,706                | 1,034           | (672)                   |
| Less: Adjusted Net Operating income                   | (24,168)             | (16,847)        | 7,321                   |
| Net Revenue Requirement                               | 25,874               | 17,881          | (7,993)                 |
| Gross Revenue Conversion Factor                       | 136.5000%            | 136.1430%       | -0.357%                 |
| Recommended Revenue Increase                          | \$ 35,318            | \$ 24,343       | \$ (10,975)             |
| Recommended Percentage Increase                       | 87.31%               | 60.18%          | -27.13%                 |

**IV. GROSS REVENUE CONVERSION FACTOR**

1 **Q: What gross revenue conversion factor does J. B. Waterworks recommend?**

2 A: J. B. has recommended a revenue conversion factor of 136.5000%

3 **Q: Do you accept Applicant's proposed revenue conversion factor?**

4 A: No. In making the calculation for its revenue conversion factor Applicant used an  
5 Indiana state tax rate of 5.75%, and an IURC fee of .1202%. As of July 1, 2019 the  
6 correct Indiana state tax rate is 5.50%, and the IURC fee rate is .1296408%. In  
7 calculating my revenue conversion factor I used the current rates in effect. I  
8 recommend a revenue conversion factor of 136.1430%. The following table  
9 compares J. B.'s and my revenue conversion factor calculation.

**Table RJC – 2: Gross Revenue Conversion Factor**

|    |  | <b>Per Applicant</b> | <b>Per OUCC</b> |
|----|--|----------------------|-----------------|
| 1  | Gross Revenue Change                     | 100.0000%            | 100.0000%       |
| 2  | Less: Bad Debt Rate                      | 0.0000%              | 0.0000%         |
| 3  | Sub-total                                | 100.0000%            | 100.0000%       |
| 4  | Less: IURC Fee                           | 0.1202000%           | 0.1296408%      |
| 5  | Income Before State Income taxes         | 99.8798000%          | 99.870359%      |
| 6  | Less: State Income Tax (5.5% of Line 5)  | 5.7431%              | 5.4929%         |
| 7  | Utility Receipts Tax (1.4% of Line 3)    | 1.4000%              | 1.4000%         |
| 8  | Income before Federal income Taxes       | 92.7367%             | 92.9775%        |
| 9  | Less: Federal income Tax (21% of Line 8) | 19.4747%             | 19.5253%        |
| 10 | Change in Operating Income               | 73.2620%             | 73.4522%        |
| 11 | Gross Revenue Conversion Factor          | 136.5000%            | 136.1430%       |

**V. OPERATING REVENUE ADJUSTMENTS**

1 **Q: Did J. B. Waterworks propose any revenue adjustments?**

2 A: No.

3 **Q: Do you accept Applicant's position that no revenue adjustments are required?**

4 A: Yes. Based on my review and analysis, there was no customer growth experienced  
5 by Applicant, either during the test year or subsequent to the test year.

**VI. OPERATING EXPENSE ADJUSTMENTS**

1 **Q: What operating expense adjustments did Applicant propose?**

2 A: Applicant proposed several operating expense adjustments, including adjustments  
3 to salaries and wages, maintenance expense, capital expenditures, insurance, rate  
4 case expense, IURC fee, depreciation expense, payroll taxes, utility receipts tax,  
5 state income tax and federal income tax. Total operating expense adjustments  
6 proposed by J. B. Waterworks resulted in an increase of \$27,275 to test year  
7 operating expenses and taxes of \$37,346 yielding *pro forma* operating expenses  
8 and taxes other than income of \$64,621.

9 **Q: Do you accept any of Applicant's proposed operating expense adjustments?**

10 A: Yes. I accept Applicant's adjustments to salaries and wages, maintenance expense,  
11 insurance, rate case expense, payroll taxes, IURC fee and utility receipts tax. For  
12 the reasons discussed below I disagree with Applicant's adjustments to capital  
13 expenditures, depreciation expense, other taxes and licenses, state income tax and  
14 federal income tax.

15 My total operating expense adjustments result in an increase of \$19,954 to  
16 test year operating expenses and taxes of \$37,346 yielding *pro forma* operating  
17 expenses and taxes other than income of \$57,300.



**A. Capital Expenditures**

1 **Q: What adjustment did Applicant propose for non-recurring or capital**  
2 **expenditures?**

3 A: J. B. proposed an increase to operating expenses of \$8,745 for the purchase of  
4 meters.

5 **Q: Do you accept Applicant's proposed capital expenditure adjustment?**

6 A: No. The purpose of this adjustment is to remove capital expenditures from test year  
7 operating costs that were inadvertently recorded as expense, but which should have  
8 been capitalized and recorded as an addition to utility plant in service.

9 A review of Applicant's general ledger indicates that an expenditure of  
10 \$8,745 for meters was not recorded during the test year. Based on subsequent  
11 discussions with Applicant's rate consultant, I determined this adjustment  
12 represented a proposed addition to J. B.'s utility plant. Since proposed capital  
13 expenditures are not properly included as an operating expense I do not accept J.  
14 B.'s proposed adjustment.

**B. Depreciation Expense**

15 **Q: What *pro forma* depreciation expense did Applicant propose?**

16 A: Applicant proposed depreciation expense of \$2,344 based on depreciable utility  
17 plant in service of \$117,214 using the composite depreciation rate of 2.00%.  
18 Reducing this amount by test year depreciation of \$1,625 results in an increase of  
19 \$719.

1 **Q: Do you agree with Applicants proposed depreciation expense adjustment?**

2 A: No. As discussed below, I determined that Applicant's utility plant in service is  
3 actually \$120,999. Removing \$5,285 of land and land rights results in depreciable  
4 utility plant in service of \$115,714. Using the composite depreciation rate of 2.00%  
5 results in *pro forma* depreciation of \$2,314. (See OUCC Schedule 5, Adjustment  
6 1.) The following table compares my depreciation expense adjustment to that  
7 proposed by Applicant:

**Table RJC – 3: Depreciation Expense Adjustment**

|                                       | <b>Per<br/>Applicant</b> | <b>Per<br/>OUCC</b> | <b>OUCC<br/>More<br/>(Less)</b> |
|---------------------------------------|--------------------------|---------------------|---------------------------------|
| Utility Plant in Service              | \$ 122,499               | 120,999             | \$ (1,500)                      |
| Less: Land and Land Rights            | (5,285)                  | (5,285)             | -                               |
| Depreciable Utility Plant in Service  | 117,214                  | 115,714             | (1,500)                         |
| Times: Composite Rate                 | 2.00%                    | 2.00%               | 2.00%                           |
| <i>Pro forma</i> Depreciation Expense | 2,344                    | 2,314               | (30)                            |
| Less: Test Year Depreciation Expense  | (1,625)                  | (1,625)             | -                               |
| Adjustment                            | \$ 719                   | \$ 689              | \$ (30)                         |

**C. Other Taxes and Licenses**

8 A: **Please explain your adjustment to other taxes and licenses.**

9 Q: In response to OUCC Data Request No. 1-8, Applicant provided its adjusting  
10 journal entries for the year ended December 31, 2018. Journal entry number 11  
11 recorded accrued utility receipts taxes of \$1,116. In its filing, Applicant's  
12 adjustment number 6-16 recorded utility receipts tax of \$552. My adjustment  
13 removes this duplication. (See Schedule 5, Adjustment 2)

**D. State Income Tax Expense**

1 **Q: What *pro forma* state income tax expense did applicant propose?**

2 A: J.B. proposed a *pro forma* state income tax benefit of \$6,425.

3 **Q: Please explain your state income tax expense adjustment.**

4 A: As discussed above, in the calculation of its proposed *pro forma* present and  
5 proposed state income tax, Applicant used a state income tax rate of 5.75%. As of  
6 July 1, 2019 the correct Indiana state tax rate is 5.50%. I used the 5.50% rate in the  
7 calculation of my state income tax expense adjustment. Other changes in the  
8 proposed *pro forma* income tax amount are the result of the flow through of other  
9 expense adjustments discussed in this section. (See OUCC Schedule 1 and OUCC  
10 Schedule 5, Adjustment 3.)

**1. Federal Income Tax Expense**

11 **Q: Please explain the differences between Applicants and your *pro forma* federal  
12 income tax expense.**

13 A: The differences between the Applicants and my federal tax calculation is the result  
14 of the flow through of certain operating expense adjustment differences that are  
15 discussed elsewhere in this section. (See OUCC Schedule 1, and OUCC Schedule  
16 5, Adjustment 2.)

**VII. RATE BASE**

17 **Q: What rate base has Applicant proposed?**

18 A: J. B. has proposed an original cost rate base of \$17,961. This consists of utility  
19 plant in service of \$122,499, reduced by accumulated depreciation of \$112,052 plus  
20 working capital of \$7,514.

1 **Q: Do you accept Applicant's proposed rate base?**

2 A: No. Since Applicant's last rate case, Cause No. 44115-U, in which the Commission  
3 issued its final order on May 9, 2012, J. B. has added two assets to its utility plant  
4 in service. These items consist of a truck costing \$1,500 which was purchased on  
5 December 5, 2014, and a pressure tank costing \$3,095 which was purchased on  
6 September 20, 2016.

7 During the accounting field visit, J. B. could not provide any documentation  
8 to support the purchase of the truck in 2014. It is Applicants responsibility to  
9 provide documentation of any additions made to utility plant in service.  
10 Accordingly, in my rate base calculation I reduced J. B.'s utility plant in service by  
11 the \$1,500 cost of the truck purchased in 2014.

12 **Q: Please explain your adjustment to Applicant's accumulated depreciation.**

13 A: As part of my analysis of J. B.'s proposed rate base, I recalculated accumulated  
14 depreciation from the end of the test year in Cause No. 44115-U to the end of the  
15 test year in the present Cause. In doing so I used the composite rate of 2.00% and  
16 assumed a half year convention on the addition of the pressure tank purchased in  
17 2016. My calculation resulted in accumulated depreciation as of December 31,  
18 2018 of \$116,879.<sup>2</sup>

19 Using my adjusted utility plant in service valuation and recalculated  
20 accumulated depreciation results in my recommended rate base of \$10,882. The  
21 following table presents a comparison of Applicants and my rate base calculation.

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<sup>2</sup> See Attachment RJC No. 1.

**Table RJC – 4: Calculation of Rate Base**

|   | <b>Per<br/>Applicant</b> | <b>Per<br/>OUCC</b> | <b>OUCC<br/>More<br/>(Less)</b> |
|---|--------------------------|---------------------|---------------------------------|
| Utility Plant in Service as of 12/31/18 | \$ 122,499               | \$ 120,999          | \$ (1,500)                      |
| Less: Accumulated Depreciation          | (112,052)                | (116,879)           | (4,827)                         |
| Plus: Working Capital                   | 7,514                    | 6,762               | (752)                           |
| Original Cost Rate Base                 | <u>\$ 17,961</u>         | <u>\$ 10,882</u>    | <u>\$ (7,079)</u>               |

1 **Q: Please explain the working capital included in your calculation of rate base.**

2 A: In my rate base calculation, I included \$6,762 of working capital. I calculated  
3 working capital by taking my *pro forma* operating expense of \$55,597, subtracting  
4 \$4,232 of purchased power expense, which is paid in arrears, and adding \$2,733 of  
5 payroll tax expense.<sup>3</sup> Since purchased power is paid in arrears, an additional  
6 allowance for working capital is not required. I then multiplied the adjusted  
7 operating and maintenance expense of \$54,098 by the 45 day factor of 12.5% to  
8 derive a working capital requirement of \$6,762. The following table presents a  
9 comparison of the OUCC's and Applicants working capital calculation.

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<sup>3</sup> As determined above, by taking J. B.'s proposed operating and maintenance of \$64,342 and removing the \$8,745 adjustment for meters (capital expenditures).

**Table RJC – 5: Calculation of Working Capital**

|  | <b>Per Applicant</b> | <b>Per OUCC</b> | <b>OUCC More (Less)</b> |
|--|----------------------|-----------------|-------------------------|
| Operating & Maintenance Expense          | \$ 64,342            | \$ 55,597       | \$ (8,745)              |
| Less: Purchased Power                    | (4,232)              | (4,232)         | 0                       |
| Add: Payroll Tax Expense                 | -                    | 2,733           | 2,733                   |
| Adjusted Operating & Maintenance Expense | 60,110               | 54,098          | (6,012)                 |
| Times: 45 Day Factor                     | 12.5%                | 12.5%           |                         |
| Working Capital Requirement              | \$ 7,514             | \$ 6,762        | \$ (752)                |

**VIII. CAPITAL STRUCTURE**

1 **Q: Please describe Applicants proposed capital structure.**

2 A: Applicant's capital structure of \$19,349 consists of common stock issued of  
3 \$13,000, additional paid in capital of \$6,691 offset by retained earnings of negative  
4 \$342. Applicant has no long term debt.

5 **Q: What cost of capital has Applicant proposed?**

6 A: Applicant has proposed a 9.5% cost of equity. The OUCC has not performed its  
7 own detailed cost of equity analysis, but noting the minimal effect a more precise  
8 cost of equity determination would have on rates, the OUCC accepts Applicant's  
9 proposed 9.5% cost of equity.

**IX. OUCC RECOMMENDATIONS**

1 **Q: Please summarize your recommendations to the Commission.**

2 A: I recommend the Commission authorize a 60.18% increase in operating revenues,  
3 on an across-the-board basis, to provide J. B. Waterworks the opportunity to collect  
4 \$17,881 in net revenues.

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

6 A: Yes

1 APPENDIX A

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

3 A: I graduated from Indiana University with a Bachelor of Science degree majoring in  
4 accounting. Upon graduation, I took a position as an accountant for Tousley-Bixler  
5 Construction Company for whom I worked until 1984. At that time, I began  
6 attending Indiana University School of Law. After graduating from law school in  
7 1988, I was employed by the public accounting firm of Boyd, Stamper & Leeds  
8 and participated in the preparation of compilations, audits, and corporate and  
9 individual tax returns. From 1990 to 1993, I worked for the CPA firm of Myers &  
10 Stauffer, which specializes in Medicaid accounting, consulting and rate setting.  
11 After a short tenure with the OUCC as a Principal accountant in 1993, I became  
12 Controller, Corporate Secretary, and a member of the Board of Directors of General  
13 Acceptance Corporation. I returned to the OUCC in 1998 as an Assistant Utility  
14 Consumer Counselor and represented the interests of the public before the Indiana  
15 Utility Regulatory Commission ("Commission") in a variety of Gas, Water and  
16 Telecommunications cases. I assumed my current position as a Utility Analyst with  
17 the OUCC in April of 2005. Since joining the OUCC, I have attended the NARUC  
18 Annual Regulatory Studies Program, the NARUC Utility Rate School, and other  
19 continuing educations programs. I became licensed as a Certified Public  
20 Accountant in 1983. Having left the practice of public accounting in 1993, my  
21 license is currently inactive. I am also an inactive member of the Indiana Bar in  
22 good standing.



1 **Q: Have you previously testified before the Indiana Utility Regulatory**  
2 **Commission?**

3 A: Yes. I have testified in many cases before the Commission including a number of  
4 applications by municipal, not-for-profit and investor owned water utilities for  
5 financing authority and changes to rates and charges.

**AFFIRMATION**

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

Richard J. Corey  
By: Richard J. Corey  
Cause No. 45311-U  
Indiana Office of  
Utility Consumer Counselor

1/21/2020  
Date:

**J.B. Waterworks, Inc.**  
**CAUSE NUMBER 45311-U**

**Comparison of Applicant's and OUCC's  
Revenue Requirements**

|  | <u>Per Applicant</u> | <u>Per OUCC</u>  | <u>Sch Ref</u> | <u>OUCC More (Less)</u> |
|--|----------------------|------------------|----------------|-------------------------|
| Original Cost rate Base                                  | \$ 17,961            | \$ 10,882        | 6              | \$ (7,079)              |
| Times: Weighted Cost of Capital                          | 9.50%                | 9.50%            | 7              | -                       |
| Net Operating Income Required for<br>Return on Rate base | 1,706                | 1,034            |                | (672)                   |
| Less: Adjusted Net Operating income                      | (24,168)             | (16,847)         | 4              | 7,321                   |
| Net Revenue Requirement                                  | 25,874               | 17,881           |                | (7,993)                 |
| Gross Revenue Conversion Factor                          | 136.5000%            | 136.1430%        | 1              | -0.3570%                |
| Recommended Revenue Increase                             | <u>\$ 35,318</u>     | <u>\$ 24,344</u> |                | <u>\$ (10,974)</u>      |
| Recommended Percentage Increase                          | <u>87.31%</u>        | <u>60.18%</u>    |                | <u>-27.13%</u>          |

| <u>Current Rate for 5,000 Gallons</u> | <u>Proposed</u>   |             | <u>OUCC</u>        |
|---------------------------------------|-------------------|-------------|--------------------|
|                                       | <u>Petitioner</u> | <u>OUCC</u> | <u>More (Less)</u> |
| Current Rate = \$27.43                | \$ 51.39          | \$ 43.94    | \$ (7.45)          |

**J.B. Waterworks, Inc.**  
**CAUSE NUMBER 45311-U**

**Gross Revenue Conversion Factor**

|  | <u>Per<br/>Applicant</u> | <u>Per<br/>OUCG</u> |                  |
|--|--------------------------|---------------------|------------------|
| 1 Gross Revenue Change                     | 100.0000%                | 100.0000%           | \$ 24,344        |
| 2 Less: Bad Debt Rate                      | <u>0.0000%</u>           | <u>0.0000%</u>      | -                |
| 3 Sub-total                                | 100.0000%                | 100.0000%           |                  |
| 4 Less: IURC Fee                           | <u>0.1202000%</u>        | <u>0.1296408%</u>   | 32               |
| 5 Income Before State Income taxes         | 99.879800%               | 99.870359%          |                  |
| 6 Less: State Income Tax (5.5% of Line 5)  | 5.7431%                  | 5.4929%             | 1,337            |
| 7 Utility Receipts Tax (1.4% of Line 3)    | <u>1.4000%</u>           | <u>1.4000%</u>      | 341              |
| 8 Income before Federal income Taxes       | 92.7367%                 | 92.9775%            |                  |
| 9 Less: Federal income Tax (21% of Line 8) | <u>19.4747%</u>          | <u>19.5253%</u>     | <u>4,753</u>     |
| 10 Change in Operating Income              | <u>73.2620%</u>          | <u>73.4522%</u>     | <u>\$ 17,881</u> |
| 11 Gross Revenue Conversion Factor         | <u>136.5000%</u>         | <u>136.1430%</u>    |                  |

**J.B. Waterworks, Inc.**  
**CAUSE NUMBER 45311-U**

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

|                          | <u>Per<br/>Applicant</u> | <u>Per<br/>OUC</u> | <u>OUC<br/>More (Less)</u> |
|--------------------------|--------------------------|--------------------|----------------------------|
| Operating Revenues       | \$ -                     | \$ -               | \$ -                       |
| O&M Expense              |                          |                    |                            |
| Salaries and Wages       | 12,600                   | 12,600             | -                          |
| Maintenance Expense      | 6,420                    | 6,420              | -                          |
| Capital Expenditures     | 8,745                    | -                  | (8,745)                    |
| Insurance                | 5,000                    | 5,000              | -                          |
| Rate Case Expense        | 480                      | 480                | -                          |
| IURC Fee                 | 52                       | 52                 | -                          |
|                          | -                        | -                  | -                          |
| Depreciation Expense     | 719                      | 689                | (30)                       |
| Amortization Expense     | -                        | -                  | -                          |
| Taxes Other than Income: |                          |                    |                            |
| Payroll Tax              | 964                      | 964                | -                          |
| Property Tax             | -                        | -                  | -                          |
| Utility Receipts Tax     | 552                      | 552                | -                          |
| Other Taxes and Licenes  | -                        | (1,116)            | (1,116)                    |
| State Income Tax         | (1,833)                  | (1,209)            | 624                        |
| Federal Income Tax       | (6,424)                  | (4,478)            | 1,946                      |
| Total Operating Expenses | <u>27,275</u>            | <u>19,954</u>      | <u>(7,321)</u>             |
| Net Operating Income     | <u>\$ (27,275)</u>       | <u>\$ (19,954)</u> | <u>7,321</u>               |

**J.B. Waterworks, Inc.**  
**CAUSE NUMBER 45311-U**

**COMPARATIVE BALANCE SHEET**  
**As of December 31,**

| <u>ASSETS</u>                    | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      |
|----------------------------------|------------------|------------------|------------------|
| Utility Plant:                   |                  |                  |                  |
| Utility Plant in Service         | \$ 122,499       | \$ 122,499       | \$ 122,499       |
| Construction Work in Progress    | (112,052)        | (110,427)        | (108,653)        |
| Less: Accumulated Depreciation   |                  |                  |                  |
| Net Utility Plant in Service     | <u>10,447</u>    | <u>12,072</u>    | <u>13,846</u>    |
| Current Assets:                  |                  |                  |                  |
| Cash and Cash Equivalents        | 9,647            | 9,379            | 3,981            |
| Accounts Receivable              | 3,566            | 908              | 903              |
| Other Current Assets             |                  |                  |                  |
| Total Current Assets             | <u>13,213</u>    | <u>10,287</u>    | <u>4,884</u>     |
| <br>Total Assets                 | <u>\$ 23,660</u> | <u>\$ 22,359</u> | <u>\$ 18,730</u> |
| <br><u>LIABILITIES</u>           |                  |                  |                  |
| Equity                           |                  |                  |                  |
| Retained Earnings                | \$ (342)         | \$ (1,449)       | \$ (5,388)       |
| Paid in Capital                  | 6,691            | 6,691            | 6,691            |
| Common Stock                     | 13,000           | 13,000           | 13,000           |
| Total Equity                     | <u>19,349</u>    | <u>18,242</u>    | <u>14,303</u>    |
| Current Liabilities              |                  |                  |                  |
| Accounts Payable                 | 277              | 334              | 507              |
| Accrued Taxes                    | 4,034            | 3,782            | 3,920            |
| Other Current Liabilities        | <u>4,311</u>     | <u>4,116</u>     | <u>4,427</u>     |
| <br>Total Equity and Liabilities | <u>\$ 23,660</u> | <u>\$ 22,358</u> | <u>\$ 18,730</u> |

J.B. Waterworks, Inc.  
CAUSE NUMBER 45311-U

COMPARATIVE INCOME STATEMENT  
Twelve Months Ended December 31,

|  | <u>2018</u>     | <u>2017</u>     | <u>2016</u>     |
|--|-----------------|-----------------|-----------------|
| Operating Revenues                     |                 |                 |                 |
| Water Sales                            | \$ 40,453       | \$ 40,892       | \$ 41,114       |
| Fire Protection                        |                 |                 | .               |
| Penalties                              |                 |                 |                 |
| Other                                  |                 |                 |                 |
| Total Operating Revenues               | <u>40,453</u>   | <u>40,892</u>   | <u>41,114</u>   |
| Operating Expenses                     |                 |                 |                 |
| Salaries and Wages                     | 16,000          | 16,000          | 16,000          |
| Purchased Power                        | 4,232           | 4,082           | 3,740           |
| Chemicals                              | 1,702           | 1,749           | 2,573           |
| Materials and Supplies                 | 1,105           | 427             | 3,021           |
| Contractual Services - Accounting      | 1,575           | 1,520           | 1,500           |
| Contractual Services - Management Fees | 400             | 400             | 400             |
| Contractual Services - Other Testing   | 525             | -               | -               |
| Contractual Services - Other           | 1,656           | 75              | 1,000           |
| Transportation Expense                 | 1,194           | 1,299           | 1,291           |
| Insurance                              | -               |                 |                 |
| Bad Debt Expense                       | -               |                 |                 |
| Rate Case Expense Amortization         | -               |                 |                 |
| Miscellaneous Expense                  | 2,656           | 2,352           | 2,749           |
| Total O&M Expense                      | <u>31,045</u>   | <u>27,904</u>   | <u>32,274</u>   |
| Depreciation Expense                   | 1,625           | 1,774           | 3,300           |
| Amortization Expense                   |                 |                 |                 |
| Taxes Other than Income:               |                 |                 |                 |
| Payroll Tax                            | 1,769           |                 | 1,819           |
| Property Tax                           | 1,791           | 1,094           | 1,394           |
| Utility Receipts Tax                   | -               | 1,788           |                 |
| Other Tax and Licenses                 | 1,116           |                 | 3,245           |
| Income Taxes:                          |                 | 3,193           |                 |
| State Income Tax                       |                 |                 |                 |
| Federal Income Tax                     |                 |                 |                 |
| Total Operating Expenses               | <u>37,346</u>   | <u>35,753</u>   | <u>42,032</u>   |
| Net Operating Income                   | 3,107           | 5,139           | (918)           |
| Other Income (Expense)                 |                 |                 |                 |
| Interest Income                        |                 |                 |                 |
| Gain (Loss) on Sale of Assets          |                 |                 |                 |
| Other Income                           |                 |                 |                 |
| Interest Expense                       |                 |                 |                 |
| Total Other Income (Expense)           | <u>-</u>        | <u>-</u>        | <u>-</u>        |
| Net Income                             | <u>\$ 3,107</u> | <u>\$ 5,139</u> | <u>\$ (918)</u> |

**J.B. Waterworks, Inc.**  
**CAUSE NUMBER 45311-U**

*Pro-forma* Net Operating Income Statement

|                          | <u>Year<br/>Ended<br/>12/31/2018</u> | <u>Adjustments</u> | <u>Sch<br/>Ref</u> | <u>Pro-forma<br/>Present<br/>Rates</u> | <u>Adjustments</u> | <u>Sch<br/>Ref</u> | <u>Pro-Forma<br/>Proposed<br/>Rates</u> |
|--------------------------|--------------------------------------|--------------------|--------------------|--|--------------------|--------------------|---|
| Operating Revenues       |                                      |                    |                    |  |                    |                    |   |
| Water Sales              | \$ 40,453                            |                    |                    | \$ 40,453                              | \$ 24,344          | 1                  | \$ 64,797                               |
| Fire Protection          | -                                    |                    |                    | -                                      | -                  | 1                  | -                                       |
| Penalties                | -                                    |                    |                    | -                                      | -                  | 1                  | -                                       |
| Other                    | -                                    |                    |                    | -                                      | -                  |                    | -                                       |
| Total Operating Revenues | <u>40,453</u>                        | <u>-</u>           |                    | <u>40,453</u>                          | <u>24,344</u>      |                    | <u>64,797</u>                           |
| O&M Expense              | 31,045                               |                    |                    | 55,597                                 |                    |                    | 55,629                                  |
| Salaries and Wages       |                                      | 12,600             | App                |  |                    |                    |   |
| Maintenance Expense      |                                      | 6,420              | App                |  |                    |                    |   |
| Insurance                |                                      | 5,000              | App                |  |                    |                    |   |
| Rate Case Expense        |                                      | 480                | App                |  |                    |                    |   |
| IURC Fee                 |                                      | 52                 | App                |  | 32                 | 1                  |   |
| Bad Debt Expense         |                                      |                    |                    |  | -                  | 1                  |   |
| Depreciation Expense     | 1,625                                | 689                | 5-1                | 2,314                                  |                    |                    | 2,314                                   |
| Amortization Expense     | -                                    |                    |                    | -                                      |                    |                    | -                                       |
| Taxes Other than Income: |                                      |                    |                    |  |                    |                    |   |
| Payroll Tax              | 1,769                                | 964                | App                | 2,733                                  |                    |                    | 2,733                                   |
| Property Tax             | 1,791                                |                    |                    | 1,791                                  |                    |                    | 1,791                                   |
| Utility Receipts Tax     | -                                    | 552                | App                | 552                                    | 341                | 1                  | 893                                     |
| Other Taxes and Licenses | 1,116                                | (1,116)            | 5-2                | -                                      |                    |                    | -                                       |
| Income Taxes:            |                                      |                    |                    |  |                    |                    |   |
| State Income Tax         | -                                    | (1,209)            | 5-4                | (1,209)                                | 1,337              | 1                  | 128                                     |
| Federal Income Tax       | -                                    | (4,478)            | 5-3                | (4,478)                                | 4,753              | 1                  | 275                                     |
| Total Operating Expenses | <u>37,346</u>                        | <u>19,954</u>      |                    | <u>57,300</u>                          | <u>6,463</u>       |                    | <u>63,763</u>                           |
| Net Operating Income     | <u>\$ 3,107</u>                      | <u>\$ (19,954)</u> |                    | <u>\$ (16,847)</u>                     | <u>\$ 17,881</u>   |                    | <u>\$ 1,034</u>                         |



**J.B. Waterworks, Inc.**  
**CAUSE NUMBER 45311-U**

**Expense Adjustments**

(1)

**Depreciation Expense**

To reflect *pro forma* present depreciation expense.

|  |                      |
|--|----------------------|
| UPIS as of 12/31/18                    | \$ 120,999           |
| Less: Land and Land Rights             | (5,285)              |
| Depreciable UPIS                       | <u>115,714</u>       |
| Times: Composite Depreciation Rate     | 2.00%                |
| <i>Pro forma</i> Depreciations Expense | <u>2,314</u>         |
| Less: Test Year Depreciation Expense   | <u>(1,625)</u>       |
| <b>Adjustment Increase (Decrease)</b>  | <b><u>\$ 689</u></b> |

(2)

**Other Taxes and Licenses**

To remove utility receipts tax accrued in error.

|                          |                |
|--------------------------|----------------|
| Other Taxes and Licenses | <u>(1,116)</u> |
|--------------------------|----------------|

(3)

**Federal Income Tax**

To adjust pro-forma present federal income tax.

|                                       |                          |
|---------------------------------------|--------------------------|
| Pre-tax Net Income                    | \$ (21,982)              |
| Less: Utility Receipts Tax            | 552                      |
| State Income Tax                      | <u>(1,209)</u>           |
| Federal Taxable Income                | \$ (21,325)              |
| Times: Rate                           | 21.00%                   |
| Federal Taxable Income                | <u>(4,478)</u>           |
| Less: Test year                       | <u>0</u>                 |
| <b>Adjustment Increase (Decrease)</b> | <b><u>\$ (4,478)</u></b> |

**J.B. Waterworks, Inc.**  
**CAUSE NUMBER 45311-U**

**Expense Adjustments**

(4)

**State Income Tax**

To adjust pro-forma present state income tax.

Utility Receipts Tax

|                    |           |
|--------------------|-----------|
| Operating revenues | \$ 40,453 |
| Less: Exemption    | (1,000)   |

|  |        |
|--|--------|
| Operating Revenues Subject to Utility Receipts Tax | 39,453 |
|--|--------|

|                      |               |
|----------------------|---------------|
| Tax Rate             | 1.40%         |
| Utility Receipts Tax | <u>\$ 552</u> |

State Income Tax

|                             |                |
|-----------------------------|----------------|
| State Taxable income        | \$ (21,982)    |
| State Tax Rate              | 5.50%          |
| Pro Forma Present State Tax | <u>(1,209)</u> |
| Less: Test year             | <u>0</u>       |

|                                       |                          |
|---------------------------------------|--------------------------|
| <b>Adjustment Increase (Decrease)</b> | <b><u>\$ (1,209)</u></b> |
|---------------------------------------|--------------------------|

**J.B. Waterworks, Inc.**  
**CAUSE NUMBER 45311-U**

**Calculation of Rate Base**

|                                      |          | <u>Per<br/>Applicant</u> | <u>Per<br/>OUCC</u> | <u>OUCC<br/>More (Less)</u> |
|--------------------------------------|----------|--------------------------|---------------------|-----------------------------|
| Utility Plant in Service at          | 12/31/18 | \$ 122,499               | \$ 120,999          | \$ (1,500)                  |
| Add: Accumulated Depreciation        |          | (112,052)                | (116,879)           | (4,827)                     |
|                                      |          |                          |                     | -                           |
|                                      |          |                          |                     | -                           |
| Gross Utility Plant in Service       |          | <u>10,447</u>            | <u>4,120</u>        | <u>(6,327)</u>              |
| Less: Accumulated Depreciation       |          | -                        | -                   | -                           |
| Contributions in Aid of Construction |          | -                        | -                   | -                           |
| Add: Amortization of CIAC            |          | -                        | -                   | -                           |
| Net Utility Plant in Service         |          | <u>10,447</u>            | <u>4,120</u>        | <u>(6,327)</u>              |
| Add: Materials & Supplies            |          |                          | -                   | -                           |
| Working Capital (see below)          |          | 7,514                    | 6,762               | (752)                       |
|                                      |          |                          |                     | -                           |
| Total Original Cost Rate Base        |          | <u>\$ 17,961</u>         | <u>\$ 10,882</u>    | <u>\$ (7,079)</u>           |

**Working Capital Calculation**

|  |  |                 |                 |                 |
|--|--|-----------------|-----------------|-----------------|
| Operation & Maintenance Expense          |  | \$ 64,342       | \$ 55,597       | \$ (8,745)      |
| Less: Purchased Water                    |  | -               | -               | -               |
| Purchased Power                          |  | 4,232           | 4,232           | -               |
| Add: Payroll Tax Expense                 |  | <u>-</u>        | <u>2,733</u>    | <u>2,733</u>    |
| Adjusted Operation & Maintenance Expense |  | 60,110          | 54,098          | (6,012)         |
| Times: 45 Day Factor                     |  | <u>12.50%</u>   | <u>12.50%</u>   |                 |
| Working Capital Requirement              |  | <u>\$ 7,514</u> | <u>\$ 6,762</u> | <u>\$ (752)</u> |

**J.B. Waterworks, Inc.**  
**CAUSE NUMBER 45311-U**

***Pro forma* Capital Structure**  
**As of December 31, 2018**

|                       | <u>Amount</u>    | <u>Percent of<br/>Total</u> | <u>Cost</u> | <u>Weighted<br/>Cost</u> |
|-----------------------|------------------|-----------------------------|-------------|--------------------------|
| Common Equity         | \$ 19,349        | 100.00%                     | 9.50%       | 9.50%                    |
| Long Term Debt        | -                | 0.00%                       |             | 0.00%                    |
| Shareholder Loans     | -                | 0.00%                       |             | 0.00%                    |
| Deferred Income Taxes | -                | 0.00%                       |             | 0.00%                    |
| Total                 | <u>\$ 19,349</u> | <u>100.00%</u>              |             | <u>9.50%</u>             |

**Synchronized Interest Calculation**

|                               |                |
|-------------------------------|----------------|
| Total Original Cost Rate Base | \$ 10,882      |
| Times: Weighted Cost of Debt  | <u>0.0000%</u> |
| Synchronized Interest Expense | <u>\$ -</u>    |

**J.B. Waterworks, Inc.**  
**CAUSE NUMBER 45311-U**

**Current and Proposed Rates and Charges**

|                                       |        | <u>Current</u> | <u>Applicant<br/>Proposed</u> | <u>OUCC<br/>Proposed</u> |
|---------------------------------------|--------|----------------|-------------------------------|--------------------------|
| <b><u>Metered Rates Per Month</u></b> |        |                |                               |                          |
| First                                 | 2,000  | \$ 6.23        | \$ 11.67                      | \$ 9.98                  |
| Next                                  | 8,000  | 4.99           | 9.35                          | 7.99                     |
| Next                                  | 20,000 | 3.74           | 7.01                          | 5.99                     |
| Over                                  | 30,000 | 2.49           | 4.66                          | 3.99                     |

**Minimum Rate Per Month**

|                                   |          |          |          |
|-----------------------------------|----------|----------|----------|
| 5/8" - 3/4" Meter (2,000 gallons) | \$ 12.46 | \$ 23.34 | \$ 19.96 |
| 1" Meter (5,500)                  | 29.93    | 56.05    | 47.93    |
| 1 1/4" Meter (8,500)              | 44.90    | 84.09    | 71.91    |
| 1 1/2" meter (11,169)             | 56.75    | 106.30   | 90.90    |
| 2" Meter (21,169)                 | 94.15    | 176.35   | 154.19   |
| 3" Meter (36,169)                 | 142.54   | 266.99   | 228.32   |
| 4" Meter (101,169)                | 304.39   | 570.14   | 487.57   |

**J. B. Waterworks  
Cause No. 45311-U  
Attachment RJC No. 1  
Recalculation of Accumulated Depreciation**

12/31/2010

|                          |                |                     |                 |                   |  |
|--------------------------|----------------|---------------------|-----------------|-------------------|--|
| Utility Plant            |                |                     | 117,904         |                   |  |
| Accumulated Depreciation |                |                     | (98,705)        |                   |  |
| working Capital          |                |                     | 3,943           |                   |  |
|                          |                |                     | <u>23,142</u>   |                   | Utility Plant last Rate Case per order 44115-U |
|                          | UPIS           | Depreciable<br>UPIS | Accum Deprec    | Composite<br>Rate |  |
|                          | -----          | -----               | -----           | -----             |  |
| 12/31/2010               | 117,904        | 112,619             | 98,705          | 2.00%             | From order last rate case 44115-U              |
| 2011 Deprec Exp          |                |                     | <u>2,252.38</u> |                   |  |
| 12/31/2011               | 117,904        | 112,619             | 100,957         | 2.00%             |  |
| 2012 Deprec Exp          |                |                     | 2,252           |                   |  |
| 12/31/2012               | <u>117,904</u> | <u>112,619</u>      | <u>103,210</u>  | 2.00%             |  |
| 2013 Deprec Exp          |                |                     | 2,252           |                   |  |
| 12/31/2013               | <u>117,904</u> | <u>112,619</u>      | <u>105,462</u>  | 2.00%             |  |
| additions                | 0              |                     |                 |                   | Disallowed undocumented truck                  |
| 2014 Deprec Exp          |                |                     | 2,252           |                   |  |
| 12/31/2014               | <u>117,904</u> | <u>112,619</u>      | <u>107,715</u>  | 2.00%             |  |
| 2015 Deprec Exp          |                |                     | 2,252           |                   |  |
| 12/31/2015               | <u>117,904</u> | <u>112,619</u>      | <u>109,967</u>  | 2.00%             |  |
| additions                | 3,095          | 3,095               | 31              |                   | Pressure tank                                  |
| 2016 Deprec Exp          |                |                     | 2,252           | 2,283.33          | tot 2016 deprec                                |
| 12/31/2016               | <u>120,999</u> | <u>115,714</u>      | <u>112,250</u>  | 2.00%             |  |
| 2017 Deprec Exp          |                |                     | 2,314           |                   |  |
| 12/31/2017               | <u>120,999</u> | <u>115,714</u>      | <u>114,565</u>  | 2.00%             |  |
| 2018 Deprec Exp          |                |                     | 2,314           |                   |  |
| 12/31/2018               | <u>120,999</u> | <u>115,714</u>      | <u>116,879</u>  | 2.00%             |  |
| Requested in filing      | <u>122,499</u> | 112,052             | <u>112,052</u>  |                   |  |

**J.B. Waterworks, Inc.**  
**CAUSE NUMBER 45311-U**

**Revenue Requirement Comparision**

|  | <u>Cause No.</u><br><u>45311-U</u> | <u>Cause No.</u><br><u>44115-U</u> | <u>OUCG</u><br><u>More (Less)</u> |
|--|------------------------------------|------------------------------------|-----------------------------------|
| Original Cost rate Base                                  | \$ 17,961                          | \$ 23,142                          | \$ (5,181)                        |
| Times: Weighted Cost of Capital                          | 9.50%                              | 10.00%                             | -0.50%                            |
| Net Operating Income Required for<br>Return on Rate base | 1,706                              | 2,314                              | (608)                             |
| Less: Adjusted Net Operating income                      | (24,168)                           | (9,835)                            | (14,333)                          |
| Net Revenue Requirement                                  | 25,874                             | 12,149                             | <u>13,725</u>                     |
| Gross Revenue Conversion Factor                          | 136.5000%                          | 130.7300%                          |                                   |
| Recommended Revenue Increase                             | <u>\$ 35,318</u>                   | <u>\$ 15,882</u>                   |                                   |
| Recommended Percentage Increase                          | <u>87.31%</u>                      | <u>50.16%</u>                      |                                   |

**Determination of Adjusted Net Operating Income:**

|                                      |                    |                   |                    |
|--------------------------------------|--------------------|-------------------|--------------------|
| Revenues                             | \$ 40,453          | \$ 31,662         | \$ 8,791           |
| Operating Expenses                   |                    |                   |                    |
| Salaries & Wages                     | 28,600             | 19,000            | 9,600              |
| Purchased Power                      | 4,232              | 3,615             | 617                |
| Chemicals                            | 1,702              | 1,602             | 100                |
| Materials and Supplies               | 7,525              | 966               | 6,559              |
| Capital Expenditures                 | 8,745              | -                 | 8,745              |
| Contract Services - Mgmt Fees        | 400                | -                 | 400                |
| Contract Services - Accounting       | 1,575              | 1,410             | 165                |
| Contract Services - Other            | 2,181              | 2,030             | 151                |
| Transport                            | 1,194              | 1,138             | 56                 |
| Insurance                            | 5,000              | 1,594             | 3,406              |
| Rate Case Expense                    | 480                | 480               | -                  |
| Miscellaneous Expense                | 2,708              | 3,321             | (613)              |
| Deperciation Expense                 | 2,344              | 2,252             | 92                 |
| Property Taxes                       | 1,791              | 2,665             | (874)              |
| Payroll Taxes                        | 2,733              | 1,608             | 1,125              |
| Other Taxes                          | 1,116              | 2,156             | (1,040)            |
| Utility Receipts Tax                 | 552                | 429               | 123                |
| State Income Taxes                   | (1,833)            | (1,035)           | (798)              |
| Federal Income Taxes                 | (6,425)            | (1,736)           | (4,689)            |
| <b>Adjusted Net Operating Income</b> | <u>\$ (24,167)</u> | <u>\$ (9,833)</u> | <u>\$ (14,334)</u> |

**Increase (Decrease) in Operating Revenues:**

|   |                 |
|---|-----------------|
| Current Rate Operating Revenues in CN 44115-U           | \$ 31,662       |
| CN 44115-U Increase to Operating Revenues               | <u>15,882</u>   |
| Operating Revneues under Authorized Rates in CN 44115-U | 47,544          |
| Less: Current Rate Operating Revneues in CN 45311-U     | <u>40,453</u>   |
| (Over) Under Recovery of Operating Revenues             | <u>\$ 7,091</u> |

**J.B. Waterworks, Inc.**  
**Cause No. 45311-U**

|                                | CN 45311-U   |                 |                 | CN 44115-U     |                |                | CN 45311-U<br>More (Less) |
|--------------------------------|--------------|-----------------|-----------------|----------------|----------------|----------------|---------------------------|
|                                | TY           | ADJ             | PF              | TY             | ADJ            | PF             |                           |
| Revenues                       | 40,453       | -               | 40,453          | 31,662         | -              | 31,662         | 8,791                     |
| Operating Expenses             |              |                 |                 |                |                |                |                           |
| Salaries & Wages               | 16,000       | 12,600          | 28,600          | 12,000         | 7,000          | 19,000         | 9,600                     |
| Purchased Power                | 4,232        |                 | 4,232           | 3,615          |                | 3,615          | 617                       |
| Chemicals                      | 1,702        |                 | 1,702           | 1,602          |                | 1,602          | 100                       |
| Materials and Supplies         | 1,105        | 6,420           | 7,525           | 266            | 700            | 966            | 6,559                     |
| Capital Expenditures           |              | 8,745           | 8,745           | -              | -              | -              | 8,745                     |
| Contract Services - Mgmt Fees  | 400          |                 | 400             | -              |                | -              | 400                       |
| Contract Services - Accounting | 1,575        |                 | 1,575           | 1,410          |                | 1,410          | 165                       |
| Contract Services - Other      | 2,181        |                 | 2,181           | 2,030          |                | 2,030          | 151                       |
| Transport                      | 1,194        |                 | 1,194           | 1,138          |                | 1,138          | 56                        |
| Insurance                      |              | 5,000           | 5,000           | 1,594          |                | 1,594          | 3,406                     |
| Rate Case Expense              |              | 480             | 480             | -              | 480            | 480            | -                         |
| Miscellaneous Expense          | 2,656        | 52              | 2,708           | 3,286          | 36             | 3,322          | (614)                     |
| Deperciation Expense           | 1,625        | 719             | 2,344           | 1,288          | 964            | 2,252          | 92                        |
| Property Taxes                 | 1,791        |                 | 1,791           | 929            | 1,736          | 2,665          | (874)                     |
| Payroll Taxes                  | 1,769        | 964             | 2,733           | 1,072          | 536            | 1,608          | 1,125                     |
| Other Taxes                    | 1,116        |                 | 1,116           | 2,506          | (350)          | 2,156          | (1,040)                   |
| Utility Receipts Tax           |              | 552             | 552             | -              | 429            | 429            | 123                       |
| State Income Taxes             |              | (1,833)         | (1,833)         | -              | (1,035)        | (1,035)        | (798)                     |
| Federal Income Taxes           | -            | (6,425)         | (6,425)         | -              | (1,736)        | (1,736)        | (4,689)                   |
|                                | <u>3,107</u> | <u>(27,274)</u> | <u>(24,167)</u> | <u>(1,074)</u> | <u>(8,760)</u> | <u>(9,834)</u> | <u>(14,333)</u>           |