

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF )  
CRAWFORDSVILLE, INDIANA, BY AND )  
THROUGH ITS MUNICIPAL ELECTRIC )  
UTILITY, CRAWFORDSVILLE ELECTRIC ) CAUSE NO. 45420  
LIGHT AND POWER, FOR APPROVAL OF A )  
NEW SCHEDULE OF RATES AND CHARGES )  
FOR ELECTRIC SERVICE AND FOR )  
APPROVAL TO MODIFY ITS ENERGY COST )  
ADJUSTMENT PROCEDURES )

PRE-FILED VERIFIED DIRECT TESTIMONY OF

JENNIFER Z. WILSON, CPA

AND ATTACHMENTS JZW-1 THROUGH JZW-2

ON BEHALF OF PETITIONER

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER

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PETITIONER'S EXHIBIT NO. 2

AUGUST 19, 2020

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1 **I. INTRODUCTION**

2 **Q1. PLEASE STATE YOUR NAME AND ON WHOSE BEHALF YOU ARE**  
3 **TESTIFYING.**

4 A. My name is Jennifer Z. Wilson, and I am testifying on behalf of the Petitioner, Crawfordsville  
5 Electric Light and Power ("CEL&P" or "Utility"), which is the electric utility owned and  
6 operated by the City of Crawfordsville, Indiana ("Crawfordsville").

7 **Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am a Consulting Managing Director at Crowe LLP ("Crowe"), a certified public accounting  
9 and consulting firm with offices in Indianapolis. Crowe's Consulting Public Sector Local  
10 Municipal Advisory group and its predecessor, Municipal Consultants, have been providing  
11 rate and financial consulting services to various types of utility companies for over fifty years.  
12 My business address is 135 North Pennsylvania Street, Suite 200, Indianapolis, Indiana 46204.

13 **Q3. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**  
14 **BACKGROUND.**

15 A. I received a Bachelor of Science degree in Accounting from Indiana University in 1992 and am  
16 a Certified Public Accountant in the State of Indiana. My specialty is working with public  
17 sector organizations. I have been employed by Crowe since 1992 and have nearly 28 years of  
18 experience providing financial and municipal advisory services to municipal, non-profit, quasi-  
19 governmental, and for-profit utility organizations in the areas of utility rate engagements,  
20 feasibility studies, cost of service studies, utility financial analysis, rate evaluation, revenue  
21 sufficiency reviews, and other projects related to a variety of utility issues. On behalf of my  
22 clients, I have coordinated the sale of bonds for both competitive and negotiated bond sales and  
23 have prepared applications for submittal and assisted with the issuance of debt through agencies

1 of the State of Indiana including the Indiana Finance Authority (State Revolving Fund Program)  
2 and the Indiana Bond Bank.

3 **Q4. PLEASE INDICATE ANY PROFESSIONAL AFFILIATIONS YOU HOLD.**

4 A. I am a member of the American Institute of Certified Public Accountants, the Indiana Society  
5 of Certified Public Accountant, the Government Finance Officers Association, and the  
6 American Water Works Association. I have attended numerous seminars and conferences  
7 pertaining to accounting, utility, and rate issues which were sponsored by universities, utility  
8 associations, accounting organizations, state regulatory associations, governmental entities, and  
9 other similar professional organizations. My resume is included as Attachment JZW-1 to my  
10 testimony.

11 **Q5. HAVE YOU COMPLETED THE REQUIREMENTS NECESSARY TO BE**  
12 **DESIGNATED AS A MUNICIPAL ADVISOR BY THE MUNICIPAL SECURITIES**  
13 **RULEMAKING BOARD (“MSRB”)?**

14 A. Yes. As part of its expanded mandate under the Dodd-Frank Wall Street Reform and Consumer  
15 Protection Act, the MSRB implemented the first qualifying examination for municipal advisors.  
16 MSRB Rule G-3, effective April 27, 2015, creates two classifications of municipal advisor  
17 professionals, representative and principal, with firms required to designate at least one  
18 principal to oversee the municipal advisory activities of the firm. All municipal advisor  
19 representatives and principals are required to take and pass the Series 50 exam and Series 54  
20 exam to demonstrate the level of knowledge needed to be sufficiently qualified to perform  
21 municipal advisory activities. I passed the Series 50 Pilot exam in 2016 and, because of that,  
22 am a Series 50-qualified municipal advisor representative. I passed the Series 54 Pilot exam in  
23 2019 to demonstrate the level of knowledge to serve as a municipal advisor principal.

1 **Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. The purpose of my testimony is to present the revenue requirements of CEL&P based on our  
3 analysis of the Utility's books, records and other information for the twelve months ended  
4 February 29, 2020, and to sponsor related financial exhibits. The April 27, 2020, Revenue  
5 Requirements Report ("Report"), which is marked as Attachment JZW-2, documents the results  
6 of the analysis that was performed under my supervision and direction.

7 **Q7. WHAT ATTACHMENTS ARE YOU SPONSORING IN THIS CAUSE?**

8 A. I am sponsoring Attachments JZW-1 and JZW-2.

9 **Q8. WHAT WORKPAPERS ARE YOU SPONSORING IN THIS CAUSE?**

10 A. I am sponsoring the MSFRs as indicated in Exhibit 6 (which also include my workpapers).

11 **Q9. HAVE YOU TESTIFIED BEFORE THE COMMISSION IN THE PAST?**

12 A. Yes, I testified on behalf of the City of Fort Wayne in its water rate case and financing case, in  
13 Cause Nos. 42979 and 42724. I have also testified on behalf of the City of South Bend, for its  
14 waterworks financing case in Cause No. 42779, and the City of Lafayette for its financing case  
15 in Cause No. 45006.

16 **Q10. WERE THESE EXHIBITS, ATTACHMENTS AND WORKPAPERS PREPARED**  
17 **BY YOU OR UNDER YOUR SUPERVISION?**

18 A. Yes.

19 **II. OVERVIEW**

20 **Q11. PLEASE PROVIDE AN OVERVIEW OF YOUR TESTIMONY.**

21 A. CEL&P requests recovery of the Utility's cost to serve customers using the historical test year  
22 ending February 29, 2020 ("Test Year"). CEL&P's overall requested rate relief for the Test  
23 Year is \$40,947,150, or approximately 18.06%. In his Direct Testimony, CEL&P witness

1 Joseph A. Mancinelli discusses in detail the Utility's cost of service and proposed rate design.  
2 Page 14 of Attachment JZW-2 shows the detailed calculation of the revenue increase as  
3 summarized in the following table:

|   |                             |
|---|-----------------------------|
|   |                             |
| Adjusted Purchased Power Expenses                               | \$ 27,492,095               |
| Adjusted Other Operation and Maintenance Expenses               | 6,295,538                   |
| Adjusted Taxes Other Than Income Taxes                          | 949,767                     |
| Extensions and Replacements (Capital Improvement Plan)          | 4,432,804                   |
| Annual Operating Fund Balance Funding                           | 1,690,038                   |
| Total Revenue Requirements                                      | <u>40,860,242</u>           |
|   |                             |
| Less: Adjusted Operating Revenue                                | <u>(34,739,398)</u>         |
|   |                             |
| Deficit   | 6,120,844                   |
| Divide by: Revenue Conversion Factor                            | <u>0.986</u>                |
| Revenue Increase Required                                       | 6,207,752                   |
| Divide by: Adjustable Operating Revenues                        | <u>34,373,943</u>           |
|   |                             |
| Percentage Rate Increase Required                               | <u>18.06%</u>               |
|   |                             |
| Total Revenue Requirements with Additional Utility Receipts Tax | <u><u>\$ 40,947,150</u></u> |

4  
5 The Utility has presented substantial support for its revenue increase and related relief, in  
6 accordance with the GAO-2013-5 and the Commission's Minimum Standard Filing  
7 Requirements ("MSFRs").

8 **Q12. HAVE YOU REVIEWED GENERAL ADMINISTRATIVE ORDER ("GAO") 2013**  
9 **IN PREPARATION OF THIS FILING?**

10 A. Yes. The GAO sets forth recommendations for what is to be included in a utility's case-in-chief  
11 during a rate case proceeding and the use of the MSFRs. These guidelines help facilitate the  
12 Commission's and other interested parties' review of the evidence in a rate case to meet the  
13 300-day statutory deadline for a final order from the Commission.

1 **Q13. DID CEL&P INCORPORATE THE GUIDANCE PROVIDED IN GAO 2013-5 IN**  
2 **THIS FILING?**

3 A. Yes, however, the MSFR requirements are geared primarily to rate cases from investor-owned  
4 utilities and do not always easily apply to municipally-owned utilities. Where there are such  
5 differences, it is noted in the MSFR exhibits. For example, municipally-owned electric utilities  
6 are not rate regulated by the Federal Energy Regulatory Commission ("FERC") and thus do not  
7 file FERC Form 1.

8 **Q14. HOW IS THE CALCULATION OF THE REVENUE REQUIREMENT DIFFERENT**  
9 **FOR MUNICIPALLY-OWNED UTILITIES THAN INVESTOR-OWNED**  
10 **UTILITIES ("IOUS")?**

11 A. Investor-owned utility rates include a "rate of return" or profit. For non-profit "public power"  
12 utilities, like CEL&P, rates are set using the criteria established in Indiana Code § 8-1.5-3-8 to  
13 ensure that revenues are sufficient to cover the utility's costs, including its debt service.  
14 Government based entities operate on a non-profit basis, although Indiana Code 8-1.5-3-8(e)  
15 allows a municipal utility to earn a reasonable return on its utility plant. Debt and equity  
16 investors provide IOU capital. By contrast, the revenue requirement of a public power entity is  
17 set to cover operating expenses; payments in lieu of taxes (as government entities are generally  
18 tax exempt); debt service (such as for municipal bond issuances); and funds necessary to invest  
19 in new plant and infrastructure. Revenue requirements and rates for publicly owned utilities are  
20 set to maintain the financial health of the municipal utility over time. Revenue requirements and  
21 rates for IOUs includes a return on equity which is intended to compensate shareholders for the  
22 risk of their investment. Although the revenue requirement for a publicly owned utility is made  
23 up of different components than that of an IOU, how revenue is generated through rate design

1 may be similar. At this time, CEL&P has no debt, and the Utility is not requesting a return on  
2 its utility plant as part of its revenue requirement.

3 **III. REVENUE REQUIREMENT ANALYSIS**

4 **Q15. WHAT WERE THE SOURCES OF THE DATA USED TO PREPARE THE**  
5 **REVENUE REQUIREMENTS REPORT?**

6 A. The data used to prepare the Report and related schedules was acquired from the Utility's  
7 normal business records, except for the pro forma amounts that were calculated based on figures  
8 derived from the Utility's business records and assumptions provided by and approved by  
9 Utility management. I reviewed numerous documents as part of Crowe's engagement,  
10 including but not limited to, the Utility's books and records, minutes of meetings of the City's  
11 Utility Service Board and Common Council, files of Crowe which are kept in the normal course  
12 of business, files of the Utility, files regarding previous rate cases, as well as other materials  
13 which are normally examined as part of a rate case. Management of the Utility provided and  
14 approved assumptions used in the preparation of the Report. In my opinion, the type of data  
15 used in the Report is normally found to be reliable and is used in the normal course of business  
16 for such purposes. I find this data to be reliable and believe the Report accurately summarizes  
17 the results of the analysis using such data. Our engagement was a consulting engagement and  
18 not an attest engagement; thus, we do not provide a CPA attest opinion about the proformas or  
19 the accuracy of the projections.

20 **Q16. WHAT DO CEL&P'S BALANCE SHEETS FROM 2017 THROUGH 2019**  
21 **INDICATE?**

22 A. Page 2 and 3 of the Report show the Balance Sheets as of February 29, 2020, December 31,  
23 2019, and December 31, 2018. As can be seen in the Utility Plant portion of the Assets and



1 Other Debits, the Utility Plant in Service has been depreciated over 68% as of February 29,  
2 2020. The Net Utility Plant of \$15,468,435 divided by the annual depreciation expense of  
3 \$1,120,614 results a calculation of 13.80 years remaining to be depreciated. Moody's Investors  
4 Service Rating Methodology includes Asset Condition (net Fixed Assets/ Annual Depreciation)  
5 in evaluating System Characteristics of a municipal electric utility. An "A" rated utility will  
6 have Asset Condition of between 12 years and 25 years. The Utility's current condition is on  
7 the low end of this threshold.

8 **Q17. PLEASE EXPLAIN THE STATEMENTS OF INCOME.**

9 A. The Statements of Income for the Twelve Months Ended February 29, 2020, and December 31,  
10 2019, indicate a continuing operating loss. While the Net Income for the year ended  
11 December 31, 2018, was a positive \$462,648, it was not in a sufficient amount to fund the  
12 extensions and replacements approved in the Utility's last rate case, Cause No. 44684. I defer  
13 to Mr. Mancinelli and Mr. Goode to describe the shortfall that resulted from the error in  
14 accurately calculating the tariffed rates to collect the revenue requirement authorized by the  
15 Commission in the Utility's last rate case. Otherwise, I believe the Test Year fairly represents  
16 the Utility's normal operations. In my opinion, with the adjustments shown in the Report, and  
17 discussed in more detail in my testimony below, the Test Year reasonably reflects current  
18 operations and is sufficiently reliable for ratemaking purposes.

19 **Q18. WHAT IS THE LEGAL FRAMEWORK YOU USED FOR DETERMINING THE**  
20 **REVENUE REQUIREMENT?**

21 A. The provisions in IC 8-1.5-3-8 were also considered when developing the revenue requirement.  
22 This statute includes the following requirements for determining the rates and charges for  
23 utilities owned by municipalities:

1 Sec. 8(a) A municipality owning a utility under this chapter shall furnish reasonably  
2 adequate services and facilities.

3 (b) The rates and charges made by a municipality for a service rendered or to be  
4 rendered, either directly or in connection therewith, must be nondiscriminatory,  
5 reasonable, and just.

6 (c) "Reasonable and just rates and charges for services" means rates and charges  
7 that produce sufficient revenue to:

8 (1) pay all the legal and other necessary expenses incident to the operation  
9 of the utility, including:

10 (A) maintenance costs;

11 (B) operating charges;

12 (C) upkeep;

13 (D) repairs;

14 (E) depreciation;

15 (F) interest charges on bonds or other obligations, including leases;  
16 and

17 (G) costs associated with the acquisition of utility property under IC  
18 8-1.5-2;

19 (2) provide a sinking fund for the liquidation of bonds or other obligations,  
20 including leases;

21 (3) provide a debt service reserve for bonds or other obligations, including  
22 leases, in an amount established by the municipality, not to exceed the  
23 maximum annual debt service on the bonds or obligations or the maximum  
24 annual lease rentals;

25 (4) provide adequate money for working capital;

26 (5) provide adequate money for making extensions and replacements to the  
27 extent not provided for through depreciation in subdivision (1); and

28 (6) provide money for the payment of any taxes that may be assessed against  
29 the utility.

30 (d) It is the intent of this section that the rates and charges produce an income  
31 sufficient to maintain the utility property in a sound physical and financial condition  
32 to render adequate and efficient service. Rates and charges too low to meet these  
33 requirements are unlawful.

34 (e) The board may recommend to the municipal legislative body rates and charges  
35 sufficient to include a reasonable return on the utility plant of the municipality.  
36

37 **Q19. HOW WAS THE REVENUE REQUIREMENT DETERMINED?**

38 A. CEL&P's revenue requirement was calculated using the cash basis approach. CEL&P also used  
39 the cash approach in calculating the revenue requirement for its last rate case. Under the cash  
40 basis approach, the actual cash flow expenditures of the utility derived from accounting records  
41 are included in the determination of the revenue requirements. This includes operation and

1 maintenance expenses, taxes other than income taxes, debt service, extension and replacements,  
2 and other cash funding requirements of the utility. Private IOUs, and some municipally owned  
3 utilities, use what is referred to as a utility basis approach for establishing revenue requirements  
4 to be used for ratemaking purposes. Under the utility basis approach, the capital costs are based  
5 on an accrual accounting basis (including depreciation and interest expenses for the existing  
6 debt funded utility plant, and referred to as the utility's rate base, as well as a regulated and  
7 approved return on equity (or profit) level on investor equity capital investments) and are  
8 included in the establishment of revenue requirements.

9 **Q20. HAVE YOU PREPARED AN EXHIBIT SHOWING THE DETERMINATION OF**  
10 **REVENUE REQUIREMENTS FOR CEL&P USING THE CASH APPROACH?**

11 A. Yes.

12 **Q21. PLEASE PROVIDE AN OVERVIEW OF THE ADJUSTMENTS AND**  
13 **ACCOUNTING AUTHORITY SUPPORTED BY YOUR TESTIMONY.**

14 A. CEL&P's filing includes various fixed, known and measurable adjustments, normalizations and  
15 annualizations through February 28, 2021, each of which is identified in Attachment JZW-2.

16 The adjustments address:

- 17 1. Operating Revenue;
- 18 2. Operation and Maintenance ("O&M") Expenses,
- 19 3. Taxes Other Than Income Taxes.

20 **Q22. WHAT ARE THE ACTUAL OPERATING RESULTS AND THE EFFECT OF THE**  
21 **PRO FORMA ADJUSTMENTS SHOWN ON EXHIBIT X?**

22 A. The actual operating revenue for the 12 months ended February 29, 2020, as shown in  
23 Attachment JZW-2 is \$34,814,198. On a pro forma basis, CEL&P would experience an

1 operating loss for the Test Year. A revenue increase of \$6,207,752 is required to reach  
2 CEL&P's revenue requirement of \$40,947,150 for the Test Year.

3 **Q23. Q&A DESCRIBING EACH ADJUSTMENT, ONE BY ONE STARTING WITH**  
4 **IMPA POWER SUPPLY.**

5 A. Adjustment (1) adjusts the Utility's metered sales for the reclassification of select customers  
6 from General Power Sales to Primary Power Sales.

7 Adjustment (2) adjusts the Utility's purchased power expenses for an estimated increase in  
8 purchased power based on the Indiana Municipal Power Association's (IMPA) projection of  
9 load for each member as calculated by NewGen.

10 Adjustment (3) was calculated using the pay rate and salary information that was obtained  
11 from the budgets of the Utility.

12 Adjustment (4) is made to adjust test year expenses for the change in the Utility's  
13 contributions to the Public Employees Retirement Fund (PERF). A related adjustment,  
14 Adjustment (9), allows for the change in the Federal Insurance Contribution Act (FICA) that  
15 resulted from the pro Forma salaries and wages calculations that were made in Adjustment (3).

16 Adjustment (5) was made to adjust Operation and Maintenance Expenses to remove expenses  
17 that were non-recurring in nature.

18 Adjustment (6) amortizes the cost of this rate case so that the annual expense will more  
19 properly match the time period that the expenditures will benefit. For this Cause, the rates that  
20 have been calculated will provide sufficient revenue for approximately four years. Therefore,  
21 the total expense incurred should be amortized over the four-year period.

22 Adjustment (7) allows the Utility to accelerate the vegetation management plan.

1 Adjustment (8) allows for an uncollectible accounts expense of \$20,000 as budgeted by the  
2 Utility.

3 Adjustment (10) makes an adjustment to allow for the appropriate level of Contribution in  
4 Lieu of Property Taxes.

5 **Q24. DOES CEL&P CURRENTLY HAVE LONG TERM DEBT?**

6 A. No.

7 **Q25. WHAT FINANCIAL GOALS AND OBJECTIVES DID THE UTILITY ASK TO**  
8 **ACHIEVE AS PART OF YOUR REVENUE REQUIREMENT ANALYSIS?**

9 A. The Utility has not been able to invest in capital projects to the extent approved in the last rate  
10 case due to the shortfall in revenues due to the rate design error. The Utility requested revenues  
11 to fund needed capital improvements on its aging system. The Utility also requested an  
12 operating fund balance that would allow it to weather financial turmoil and unexpected cash  
13 outages due to storms and other natural disasters.

14 **Q26. WHAT CAPITAL IMPROVEMENT PROJECTS ARE INCLUDED IN YOUR**  
15 **ANALYSIS?**

16 A. The Capital Improvement Plan ("Capital Plan") was developed by CEL&P management and its  
17 engineering consultant, Thomas A. Ghidossi. The Capital Plan is described in more detail in  
18 the testimony of Mr. Ghidossi (Petitioner's Exhibit 3). In the calculation of the Revenue  
19 Requirement, a five-year average of annual extensions and replacements in the Capital Plan  
20 from 2022-2026, equals \$4,432,804.

21 **Q27. IN YOUR OPINION, WHY DOES THE PROPOSED 18.06% RATE INCREASE**  
22 **REPRESENT A FAIR, JUST AND REASONABLE RATE INCREASE FOR**  
23 **CEL&P?**

1 A. To continue to operate successfully and provide safe and reliable service to its customers, the  
2 Utility must be able to generate sufficient revenues to support its operations. I believe the  
3 Revenue Requirement that is calculated in the Report is as close to cost as is reasonably  
4 possible, which results in the lowest practical rate increase, while still allowing the Utility the  
5 revenue it needs to invest in its community to repair and replace its aging infrastructure.

6 **Q28. DID YOU PERFORM A CALCULATION TO IDENTIFY A RECOMMENDED**  
7 **OPERATING FUND BALANCE FOR CEL&P?**

8 A. Yes. Maintaining adequate operating reserves enhances a municipal utility's ability to manage  
9 potential risks and fluctuations in revenue, to meet working capital needs, and to maintain  
10 reliable service during fiscal emergencies that can result from emergency repairs, extreme  
11 weather, and changes to the economy. This measure is often used as a rating criterion by bond  
12 rating agencies. Moody's Investors Service Rating Methodology includes Days Cash on Hand  
13 in evaluating Financial Strength of a municipal electric utility. An "A" rated utility will have  
14 days cash on hand of between 35 and 150 days. As of February 29, 2020, the Utility had 20  
15 days of cash on hand in the operating fund. Municipal utilities do not have accesses to equity  
16 markets like IOUs, so sufficient operating reserves play an important risk management tool.

17 **Q29. HOW WAS THE RECOMMENDED OPERATING FUND BALANCE**  
18 **CALCULATED?**

19 A. As shown on p. 14 of Attachment JZW-2, I divided the adjusted O&M Expenses and Taxes  
20 Other Than Income Taxes by the 90 Day Factor, and subtracted the Operating Fund Balance as  
21 of February 29, 2020. This calculation resulted in an Operating Fund Balance Deficiency of  
22 \$6,760,150, which I spread out over four years, for an annual Operating Fund Balance funding  
23 of \$1,690,038.

1 **Q30. WHAT IS THE "90 DAY FACTOR"?**

2 A. A common metric for determining appropriate operating reserve levels for a utility is a specified  
3 number of days or months of operating expenses, which is anywhere from 45 to 150 days.  
4 CEL&P management believes that an operating reserve of 90 days of total operating expenses  
5 is reasonable to support the financial integrity of its relatively small utility system and to  
6 mitigate potential cash flow problems.

7 **Q31. DO YOU BELIEVE THAT YOUR RECOMMENDED ANNUAL OPERATING**  
8 **FUND BALANCE INCLUDED IN THE REVENUE REQUIREMENT IS**  
9 **REASONABLE?**

10 A. Yes, a sufficient Operating Fund balance is particularly important during times of economic  
11 uncertainty. Mr. Goode discusses in his testimony the impact that the COVID-19 pandemic has  
12 had on CEL&P's operations. Moreover, it is important to note that CEL&P is not trying to  
13 increase its operating fund balance in one step, as that would require the utility to raise rates  
14 more quickly than what it has proposed. I believe that four years is a reasonable period of time  
15 for CEL&P to build up its Operating Fund balance.

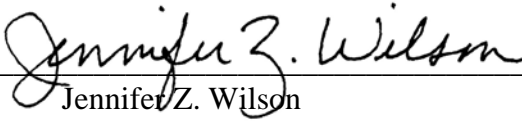
16 **IV. SUMMARY AND CONCLUSION**

17 **Q32. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 A. Yes.

**VERIFICATION**

I affirm under the penalties of perjury that the foregoing Prefiled Verified Direct  
Testimony is true to the best of my knowledge, information and belief as of the date here filed.

  
\_\_\_\_\_  
Jennifer Z. Wilson

3909417\_1





**Jennifer Wilson**  
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## Profile

Ms. Wilson is a Managing Director in the Consulting Public Sector Local Municipal Advisory Group of Crowe LLP, and is located in our Indianapolis office specializing in Municipal Advisory services with an emphasis in municipal utilities.

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## Professional and Industry Experience

Since joining the firm in 1992, Ms. Wilson has been responsible for managing the delivery of rate consulting and municipal advisory services to local units of government. She concentrates on rate analysis and financing projects for municipally owned water, sewage, stormwater and electric utilities. Her specialty is in short and long term financial planning, bond financing, rate analysis, and preparation of utility revenue requirements. Ms. Wilson has assisted public sector entities in making and defending claims made by regulated utility clients before the regulating body, including preparation of testimony, written communication, and documentation in support of clients' position. Additionally, Ms. Wilson has assisted clients in formal and informal disputes with counterparties.

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## Education & Certifications

- Bachelor of Science, Accounting
    - Indiana University | Bloomington, Indiana
  - Certified Public Accountant
    - Indiana Board of Accountancy
  - Series 50 Municipal Advisor Representative
    - Municipal Securities Rulemaking Board
  - Series 54 Municipal Advisor Principal
    - Municipal Securities Rulemaking Board
- 

## Client Focus

### Services:

- Utility Rate and Financing Analysis
- Debt Structuring and Issuance
- Municipal Advisory
- Litigation Support
- Negotiation Support

### Industries:

- Public Sector
- Utilities

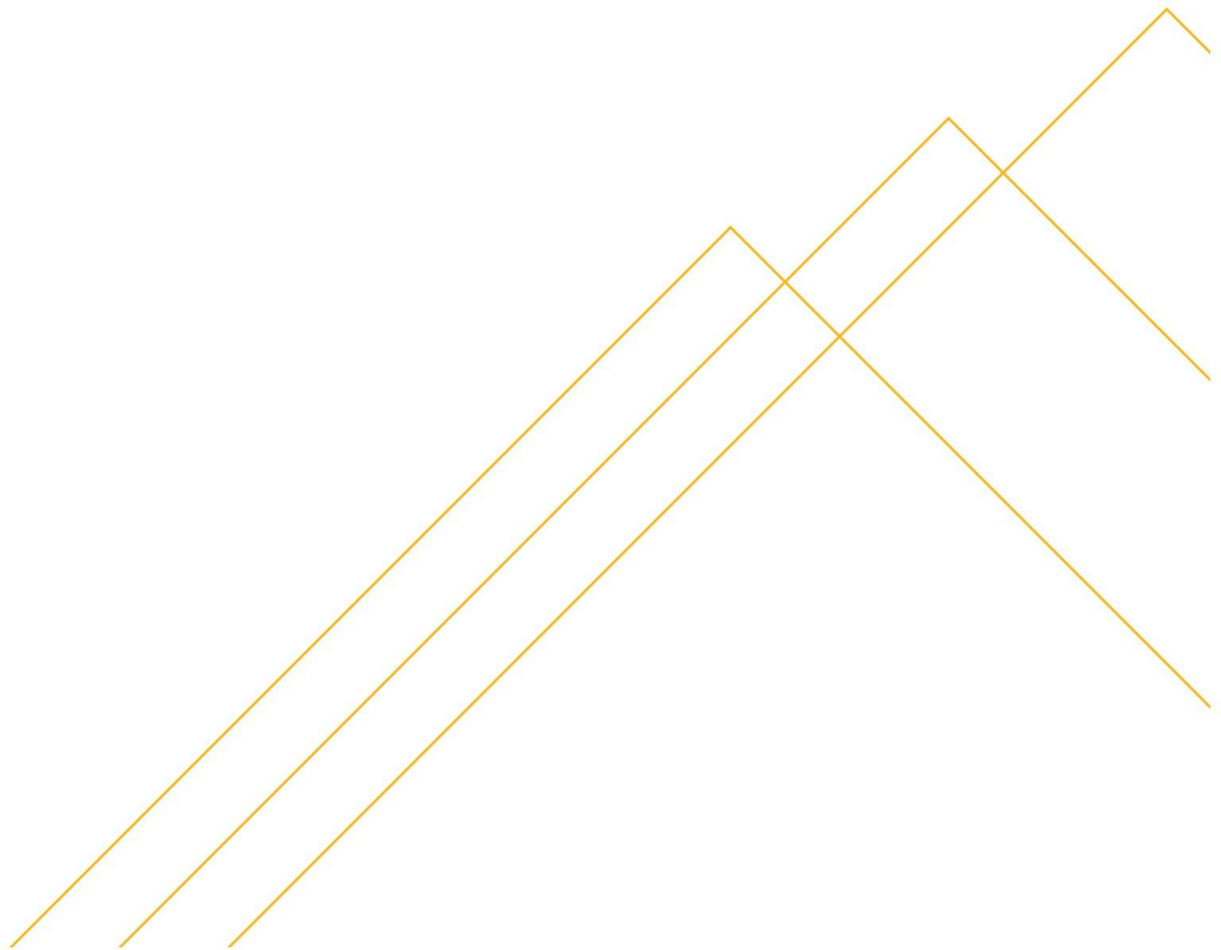


Smart decisions. Lasting value.™

# Revenue Requirements Report

Crawfordsville Electric Light & Power

April 27, 2020



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## Purpose of the Report

Crowe LLP (“Crowe” or “we”) has performed a study and analysis of the operating and financial reports, budgets, and other data pertaining to Crawfordsville Electric Light & Power (“Utility”). The results of our analysis are contained in this Revenue Requirements Report (“Report”).

The purpose of this Report is to estimate the Utility’s on-going revenue requirements for operation and maintenance expenses and make capital improvements to the Utility’s system. This Report is based on data for the twelve months ended February 29, 2020 (“Test Year”). The historical information used in this Report was taken from the books and records of the Utility and was adjusted as necessary for fixed, known, and measurable items as disclosed in the exhibits and schedules of this Report.

This Utility has developed a capital improvement plan (“Capital Improvement Plan”) with significant capital improvements to the Utility’s system. This Report summarizes the Capital Improvement Plan and assumes the Utility will fund the Capital Improvement Plan using current cash balances and ongoing extensions and replacements.

On January 7, 2020, the Centers for Disease Control and Prevention established an incident management system for, and has since responded to, an outbreak of respiratory disease caused by a novel (new) coronavirus that was first detected in China and which has now been detected in numerous locations internationally, including the United States. The virus has been named “SARS-CoV-2” and the disease it causes has been named “coronavirus disease 2019” (“COVID-19”). On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the COVID-19 outbreak a “public health emergency of international concern.” On January 31, 2020, Health and Human Services Secretary Alex M. Azar II declared a public health emergency for the United States to aid the nation’s healthcare community in responding to COVID-19. On March 6, 2020, the Governor of the State of Indiana issued Executive Order 20-02 which declared a public health emergency in the State of Indiana as a result of COVID-19. If COVID-19 persists as a public health emergency, it may adversely impact the City’s businesses and individuals’ ability to pay utility bills. The extent of the impact on the finances of the Utility in such an event is unknown at this time.

In the course of preparing this Report, we have not conducted an audit of any financial or supplemental data used in the accompanying exhibits and schedules. We have made certain projections that may vary from actual results because events and circumstances frequently do not occur as estimated and such variances may be material. We have no responsibility to update this Report for events and circumstances occurring after the date of this Report.

If you have any questions regarding this Report, please call Jennifer Wilson at (317) 269-6699 or Craig Lotz at (317) 689-5512.

## Financial Statements

### Balance Sheets as of February 29, 2020, December 31, 2019, and December 31, 2018

| ASSETS AND OTHER DEBITS                          | February 29,<br>2020 | December 31,<br>2019 | December 31,<br>2018 |
|--|----------------------|----------------------|----------------------|
| <u>Utility Plant</u>                             |                      |                      |                      |
| Utility Plant in Service                         | \$ 46,497,417        | \$ 46,049,965        | \$ 45,668,386        |
| Accumulated Depreciation                         | (31,717,715)         | (31,706,055)         | (30,713,333)         |
| Net Utility Plant in Service                     | 14,779,702           | 14,343,910           | 14,955,053           |
| Add: Construction Work in Progress               | 688,733              | 866,287              | 186,627              |
| Net Utility Plant                                | 15,468,435           | 15,210,197           | 15,141,680           |
| <u>Restricted Assets</u>                         |                      |                      |                      |
| Cash Reserve                                     | 176,457              | 41,432               | 61,263               |
| Meter Deposit Fund                               | 285,276              | 284,531              | 293,226              |
| Depreciation Fund                                | 2,299,333            | 2,495,731            | 2,543,030            |
| Total Restricted Assets                          | 2,761,066            | 2,821,694            | 2,897,519            |
| <u>Current and Accrued Assets</u>                |                      |                      |                      |
| Operating Fund                                   | 1,924,200            | 1,814,862            | 1,903,377            |
| Accounts Receivable - Electric Services          | 824,698              | 840,556              | 1,127,500            |
| Accounts Receivable                              | 81,235               | 74,361               | 120,917              |
| Accumulated Provision for Uncollectible Accounts | (222,959)            | (202,000)            | (357,837)            |
| Prepaid Assets                                   | 79,226               | 104,347              | 104,081              |
| Inventory  | 314,317              | 282,792              | 265,556              |
| Total Current and Accrued Assets                 | 3,000,717            | 2,914,918            | 3,163,594            |
| <u>Deferred Debits</u>                           |                      |                      |                      |
| Temporary Facilities                             | 3,831                | 3,831                | 3,362                |
| Deferred Outflow of Resources (Pension)          | 255,587              | 255,587              | 256,216              |
| Total Deferred Debits                            | 259,418              | 259,418              | 259,578              |
| Total Assets and Other Debits                    | \$ 21,489,636        | \$ 21,206,227        | \$ 21,462,371        |

## Balance Sheets as of February 29, 2020, December 31, 2019, and December 31, 2018 (Continued)

| LIABILITIES AND OTHER CREDITS               | February 29,<br>2020 | December 31,<br>2019 | December 31,<br>2018 |
|---|----------------------|----------------------|----------------------|
| <u>Equity Capital</u>                       |                      |                      |                      |
| Retained Earnings                           | \$ 13,099,253        | \$ 13,246,080        | \$ 12,783,432        |
| Current Period Earnings                     | (694)                | (146,826)            | 462,648              |
| Total Equity Capital                        | <u>13,098,559</u>    | <u>13,099,254</u>    | <u>13,246,080</u>    |
| <u>Current and Accrued Liabilities</u>      |                      |                      |                      |
| Indiana Municipal Power Agency Payable      | 4,220,703            | 4,163,778            | 4,200,520            |
| Accounts Payable                            | 86,347               | 126,122              | 104,935              |
| Payroll Liabilities                         | 124,404              | -                    | -                    |
| Customer Deposits                           | 276,139              | 277,364              | 287,901              |
| Net Pension Liability                       | 1,709,440            | 1,709,440            | 1,731,673            |
| Taxes Payable                               | 183,373              | 97,502               | 100,676              |
| Miscellaneous Accrued Liabilities           | 147,737              | 89,833               | 70,068               |
| Total Current and Accrued Liabilities       | <u>6,748,143</u>     | <u>6,464,039</u>     | <u>6,495,773</u>     |
| <u>Operating Reserves</u>                   |                      |                      |                      |
| Pensions and Benefits Reserve               | <u>14,793</u>        | <u>14,793</u>        | <u>14,793</u>        |
| <u>Contributions in Aid of Construction</u> |                      |                      |                      |
| Contributions in Aid of Construction        | 1,046,431            | 1,046,431            | 1,046,431            |
| Federal Grants                              | 142,170              | 142,170              | 142,170              |
| Total Contributions in Aid of Construction  | <u>1,188,601</u>     | <u>1,188,601</u>     | <u>1,188,601</u>     |
| <u>Deferred Credits</u>                     |                      |                      |                      |
| Deferred Inflow of Resources (Pension)      | <u>439,540</u>       | <u>439,540</u>       | <u>517,124</u>       |
| Total Liabilities and Other Credits         | <u>\$ 21,489,636</u> | <u>\$ 21,206,227</u> | <u>\$ 21,462,371</u> |

## Statements of Income for the Twelve Months Ended February 29, 2020, December 31, 2019, and December 31, 2018

|   | February 29,<br>2020 | December 31,<br>2019 | December 31,<br>2018 |
|---|----------------------|----------------------|----------------------|
| <u>Operating Revenue</u>                  |                      |                      |                      |
| Residential Sales                         | \$ 9,107,375         | \$ 9,189,443         | \$ 9,584,103         |
| General Power Sales                       | 5,270,902            | 5,302,212            | 5,670,413            |
| Primary Power Sales                       | 19,490,874           | 19,625,610           | 20,423,651           |
| Outdoor Lighting Sales                    | 131,509              | 131,775              | 131,928              |
| Municipal Street Lighting Sales           | 207,972              | 206,995              | 205,776              |
| Traffic Signal Sales                      | 19,015               | 19,501               | 21,920               |
| Preemptive Signals                        | 1,375                | 1,317                | 57                   |
| Municipal Electric Service Sales          | 219,721              | 223,013              | 156,437              |
| Forfeited Discounts                       | 159,003              | 180,025              | 147,186              |
| Miscellaneous Service Revenue             | 35,378               | 31,327               | 44,362               |
| Other Electric Revenues                   | 171,074              | 171,849              | 151,699              |
| Total Operating Revenue                   | <u>34,814,198</u>    | <u>35,083,067</u>    | <u>36,537,532</u>    |
| <u>Operating Expenses</u>                 |                      |                      |                      |
| <u>Operation and Maintenance Expenses</u> |                      |                      |                      |
| Power Production Expenses                 |                      |                      |                      |
| Purchased Power - Demand                  | 18,308,942           | 18,331,745           | 17,821,746           |
| Purchased Power - Energy                  | 12,271,805           | 12,482,926           | 13,437,170           |
| Purchased Power - ECA Demand Charge       | (1,865,589)          | (1,818,478)          | (708,674)            |
| Purchased Power - ECA Energy              | (1,369,146)          | (1,421,833)          | (1,960,246)          |
| Transmission Expenses                     |                      |                      |                      |
| Station Equipment                         | 3,022                | 3,022                | -                    |
| Overhead Lines                            | 97,902               | 93,265               | -                    |
| Distribution Expenses                     |                      |                      |                      |
| Distribution Operations                   |                      |                      |                      |
| Supervision                               | 144,239              | 164,952              | 117,902              |
| Station Equipment                         | 110,283              | 101,644              | 146,772              |
| Overhead Lines                            | 5,250                | 5,628                | -                    |
| Metering                                  | 5,268                | 5,741                | 30,545               |
| Customer Installations                    | 77,997               | 78,133               | 73,901               |
| Miscellaneous                             | 263,620              | 265,945              | 178,157              |
| Maintenance Supervision                   | -                    | -                    | 5,493                |
| Distribution Maintenance                  |                      |                      |                      |
| Station Equipment                         | 75,400               | 75,145               | 54,266               |
| Overhead Lines                            | 1,016,698            | 913,219              | 864,218              |
| Customer Premise                          | 92,049               | 97,527               | 78,664               |
| Transformers                              | 5,904                | 7,774                | 6,847                |
| Street Lighting                           | 82,178               | 89,094               | 75,860               |
| Metering                                  | 10,725               | 15,514               | 15,284               |
| Miscellaneous                             | 118,702              | 112,096              | 99,907               |

## Statements of Income (continued)

|  | February 29,<br>2020 | December 31,<br>2019 | December 31,<br>2018 |
|--|----------------------|----------------------|----------------------|
| <b>Customer Accounts Expenses</b>        |                      |                      |                      |
| Customer Accounting Expense              |                      |                      |                      |
| Supervision                              | \$ 58,701            | \$ 57,139            | \$ 50,185            |
| Meter Reading                            | 31,841               | 27,539               | 47,019               |
| Billing & Cashiering                     | 454,725              | 467,443              | 440,117              |
| Uncollectible Accounts                   | (126,464)            | (116,464)            | 180,000              |
| Miscellaneous                            | 49,976               | 36,175               | 3,279                |
| Customer Service Expense                 |                      |                      |                      |
| Customer Assistance                      | 277,462              | 283,457              | 281,233              |
| Customer Service Expenses                | -                    | -                    | 157                  |
| Sales Expense                            |                      |                      |                      |
| Customer Services - Information          | 44,214               | 37,976               | 33,398               |
| Administrative and General Expenses      |                      |                      |                      |
| Administrative Salaries                  | 661,669              | 658,528              | 611,393              |
| Office Supplies & Expense                | 352,469              | 356,801              | 390,673              |
| Outside Services                         | 266,306              | 181,332              | 89,928               |
| Property Insurance                       | 95,608               | 97,070               | 81,812               |
| Injuries and Damages                     | 12,331               | 13,969               | 10,221               |
| Pensions & Benefits                      | 1,273,652            | 1,272,897            | 1,162,549            |
| Miscellaneous                            | 39,268               | 36,562               | 68,784               |
| Maintenance of Equipment                 | 60,710               | 70,812               | 117,592              |
| Total Operation and Maintenance Expenses | <u>33,007,717</u>    | <u>33,084,295</u>    | <u>33,906,152</u>    |
| <u>Depreciation Expense</u>              | <u>1,120,614</u>     | <u>1,107,458</u>     | <u>1,098,312</u>     |
| <u>Taxes Other Than Income Taxes</u>     |                      |                      |                      |
| FICA Taxes                               | 215,445              | 216,967              | 198,950              |
| Contribution In Lieu of Taxes            | 425,000              | 425,000              | 425,000              |
| Utility Receipts Tax                     | 484,900              | 488,500              | 507,500              |
| Other Taxes                              | 5                    | 5                    | 21                   |
| Total Taxes Other Than Income Taxes      | <u>1,125,350</u>     | <u>1,130,472</u>     | <u>1,131,471</u>     |
| Total Operating Expenses                 | <u>35,253,681</u>    | <u>35,322,225</u>    | <u>36,135,935</u>    |
| Net Operating Income                     | <u>(439,483)</u>     | <u>(239,158)</u>     | <u>401,597</u>       |
| <u>Other Income</u>                      |                      |                      |                      |
| Interest Income                          | 11,829               | 12,356               | 11,661               |
| Contract Revenue                         | 163,754              | 188,499              | 75,696               |
| Miscellaneous Revenue                    | 2,684                | 8,553                | 13,253               |
| Total Other Income                       | <u>178,267</u>       | <u>209,408</u>       | <u>100,610</u>       |
| <u>Other Expenses</u>                    |                      |                      |                      |
| Contract Work Expense                    | 38,952               | 75,927               | 26,560               |
| Miscellaneous Income Deductions          | 676                  | 676                  | 676                  |
| Loss on Asset Disposal                   | 33,372               | 40,473               | 12,323               |
| Total Other Expenses                     | <u>73,000</u>        | <u>117,076</u>       | <u>39,559</u>        |
| Net Income                               | <u>\$ (334,216)</u>  | <u>\$ (146,826)</u>  | <u>\$ 462,648</u>    |



## Adjustments to the Financial Statements

### Adjusted Statement of Income

|   | February 29,<br>2020 | Adjustment      | Pro Forma         |
|---|----------------------|-----------------|-------------------|
| <b>Operating Revenue</b>                  |                      |                 |                   |
| Residential Sales                         | \$ 9,107,375         | \$ 435 (2)      | \$ 9,107,810      |
| General Power Sales                       | 5,270,902            | (661,626) (1)   | 4,609,276         |
| Primary Power Sales                       | 19,490,874           | 586,391 (1)     | 20,077,265        |
| Outdoor Lighting Sales                    | 131,509              |                 | 131,509           |
| Municipal Street Lighting Sales           | 207,972              |                 | 207,972           |
| Traffic Signal Sales                      | 19,015               |                 | 19,015            |
| Preemptive Signals                        | 1,375                |                 | 1,375             |
| Municipal Electric Service Sales          | 219,721              |                 | 219,721           |
| Forfeited Discounts                       | 159,003              |                 | 159,003           |
| Miscellaneous Service Revenue             | 35,378               |                 | 35,378            |
| Other Electric Revenues                   | 171,074              |                 | 171,074           |
| <b>Total Operating Revenue</b>            | <b>34,814,198</b>    | <b>(74,800)</b> | <b>34,739,398</b> |
| <b>Operating Expenses</b>                 |                      |                 |                   |
| <b>Operation and Maintenance Expenses</b> |                      |                 |                   |
| <b>Power Production Expenses</b>          |                      |                 |                   |
| Purchased Power - Demand                  | 18,308,942           | 948,860 (2)     | 19,257,802        |
| Purchased Power - Energy                  | 12,271,805           | (641,998) (2)   | 11,629,807        |
| Purchased Power - ECA Demand Charge       | (1,865,589)          | (529,057) (2)   | (2,394,646)       |
| Purchased Power - ECA Energy              | (1,369,146)          | 368,278 (2)     | (1,000,868)       |
| <b>Transmission Expenses</b>              |                      |                 |                   |
| Station Equipment                         | 3,022                | 114 (3)         | 3,136             |
| Overhead Lines                            | 97,902               | 2,756 (3)       | 129,377           |
|   |                      | 28,719 (7)      |                   |
| <b>Distribution Expenses</b>              |                      |                 |                   |
| <b>Distribution Operations</b>            |                      |                 |                   |
| Supervision                               | 144,239              | 6,242 (3)       | 150,481           |
| Station Equipment                         | 110,283              | 4,168 (3)       | 114,451           |
| Overhead Lines                            | 5,250                |                 | 5,250             |
| Metering                                  | 5,268                | 30 (3)          | 5,298             |
| Customer Installations                    | 77,997               | 3,351 (3)       | 81,348            |
| Miscellaneous                             | 263,620              | 4,818 (3)       | 268,438           |
| <b>Distribution Maintenance</b>           |                      |                 |                   |
| Station Equipment                         | 75,400               | 1,011 (3)       | 54,388            |
|   |                      | (22,023) (5)    |                   |
| Overhead Lines                            | 1,016,698            | 27,426 (3)      | 1,427,880         |
|   |                      | 383,756 (7)     |                   |
| Customer Premise                          | 92,049               | 173 (3)         | 92,222            |
| Transformers                              | 5,904                | 122 (3)         | 6,026             |
| Street Lighting                           | 82,178               | 2,056 (3)       | 84,234            |
| Metering                                  | 10,725               | 34 (3)          | 10,759            |
| Miscellaneous                             | 118,702              | 788 (3)         | 119,490           |

## Adjusted Statement of Income (Continued)

|   | February 29,<br>2020 | Adjustment          | Pro Forma             |
|---|----------------------|---------------------|-----------------------|
| <b>Customer Accounts Expenses</b>               |                      |                     |                       |
| <b>Customer Accounting Expense</b>              |                      |                     |                       |
| Supervision                                     | \$ 58,701            | \$ 2,540 (3)        | \$ 61,241             |
| Meter Reading                                   | 31,841               | 1,295 (3)           | 33,136                |
| Billing & Cashiering                            | 454,725              | 12,875 (3)          | 467,600               |
| Uncollectible Accounts                          | (126,464)            | 146,464 (8)         | 20,000                |
| Miscellaneous                                   | 49,976               | 2,152 (3)           | 52,128                |
| <b>Customer Service Expense</b>                 |                      |                     |                       |
| Customer Assistance                             | 277,462              | 11,243 (3)          | 288,705               |
| <b>Sales Expense</b>                            |                      |                     |                       |
| Customer Services - Information                 | 44,214               |                     | 44,214                |
| <b>Administrative and General Expenses</b>      |                      |                     |                       |
| Administrative Salaries                         | 661,669              | 28,570 (3)          | 690,239               |
| Office Supplies & Expense                       | 352,469              | 19 (3)              | 352,488               |
| Outside Services                                | 266,306              | (170,867) (5)       | 223,293               |
|   |                      | 127,854 (6)         |                       |
| Property Insurance                              | 95,608               |                     | 95,608                |
| Injuries and Damages                            | 12,331               |                     | 12,331                |
| Pensions & Benefits                             | 1,273,652            | 28,061 (4)          | 1,301,713             |
| Miscellaneous                                   | 39,268               |                     | 39,268                |
| Maintenance of Equipment                        | 60,710               | 86 (3)              | 60,796                |
| <b>Total Operation and Maintenance Expenses</b> | <b>33,007,717</b>    | <b>779,916</b>      | <b>33,787,633</b>     |
| <b>Depreciation Expense</b>                     | <b>1,120,614</b>     |                     | <b>1,120,614</b>      |
| <b>Taxes Other Than Income Taxes</b>            |                      |                     |                       |
| FICA Taxes                                      | 215,445              | 19,417 (9)          | 234,862               |
| Contribution In Lieu of Taxes                   | 425,000              | (195,000) (10)      | 230,000               |
| Utility Receipts Tax                            | 484,900              |                     | 484,900               |
| Other Taxes                                     | 5                    |                     | 5                     |
| <b>Total Taxes Other Than Income Taxes</b>      | <b>1,125,350</b>     | <b>(175,583)</b>    | <b>949,767</b>        |
| <b>Total Operating Expenses</b>                 | <b>35,253,681</b>    | <b>604,333</b>      | <b>35,858,014</b>     |
| <b>Net Operating Income</b>                     | <b>\$ (439,483)</b>  | <b>\$ (679,133)</b> | <b>\$ (1,118,616)</b> |

## Detail of Adjustments

| (1)   |                      |                      |                     |
|---|----------------------|----------------------|---------------------|
| To adjust metered sales for the reclassification of select customers from General Power Sales to Primary Power Sales. |                      |                      |                     |
|   |                      | <u>Adjustment</u>    |                     |
| General Power Sales   |                      | \$ (661,626)         |                     |
| Primary Power Sales   |                      | <u>586,391</u>       |                     |
| Adjustment - Increase   |                      |                      | <u>\$ (75,235)</u>  |
| (2)   |                      |                      |                     |
| To adjust purchased power expenses for IMPA 2020 published rates as calculated by NewGen Strategies & Solutions.      |                      |                      |                     |
| <u>Account Name</u>   | <u>Pro Forma</u>     | <u>Test Year</u>     | <u>Change</u>       |
| Purchased Power - Energy  | \$ 11,629,807        | \$ 12,271,805        | \$ (641,998)        |
| Purchased Power - ECA Energy  | (1,000,868)          | (1,369,146)          | 368,278             |
| Energy Efficiency Cost Share  | <u>398</u>           | <u>833</u>           | <u>(435)</u>        |
| Total Energy Cost   | <u>\$ 10,629,337</u> | <u>\$ 10,903,492</u> | <u>\$ (274,155)</u> |
| Purchased Power - Demand  | 19,257,802           | 18,308,942           | 948,860             |
| Purchased Power - ECA Demand Charge   | <u>(2,394,646)</u>   | <u>(1,865,589)</u>   | <u>(529,057)</u>    |
| Total Demand Cost   | <u>16,863,156</u>    | <u>16,443,353</u>    | <u>419,803</u>      |
| Total   | <u>\$ 27,492,493</u> | <u>\$ 27,346,845</u> |                     |
| Adjustment - Increase   |                      |                      | <u>\$ 145,648</u>   |

## Detail of Adjustments (Continued)

(3)

To adjust "Operation and Maintenance Expenses" for the Pro Forma Salaries and Wages anticipated for 2020.

| <u>Account Number</u> | <u>Pro Forma</u> | <u>Test Year</u> | <u>Increase</u> |
|-----------------------|------------------|------------------|-----------------|
| 570.000               | \$ 2,758         | \$ 2,644         | \$ 114          |
| 571.000               | 66,453           | 63,697           | 2,756           |
| 580.000               | 150,481          | 144,239          | 6,242           |
| 582.000               | 100,481          | 96,313           | 4,168           |
| 586.000               | 726              | 696              | 30              |
| 587.000               | 80,761           | 77,410           | 3,351           |
| 588.000               | 116,161          | 111,343          | 4,818           |
| 592.000               | 24,388           | 23,377           | 1,011           |
| 593.000               | 661,174          | 633,748          | 27,426          |
| 594.000               | 4,174            | 4,001            | 173             |
| 595.000               | 2,940            | 2,818            | 122             |
| 596.000               | 45,169           | 43,295           | 1,874           |
| 596.100               | 4,385            | 4,203            | 182             |
| 597.000               | 827              | 793              | 34              |
| 598.000               | 18,998           | 18,210           | 788             |
| 901.000               | 61,241           | 58,701           | 2,540           |
| 902.000               | 31,217           | 29,922           | 1,295           |
| 903.000               | 310,367          | 297,492          | 12,875          |
| 905.000               | 51,867           | 49,715           | 2,152           |
| 908.000               | 271,045          | 259,802          | 11,243          |
| 920.000               | 198,171          | 189,951          | 8,220           |
| 920.100               | 4,692            | 4,497            | 195             |
| 920.200               | 53,022           | 50,822           | 2,200           |
| 920.400               | 47,265           | 45,305           | 1,960           |
| 920.500               | 112,041          | 107,394          | 4,647           |
| 920.600               | 100,018          | 95,869           | 4,149           |
| 920.700               | 17,234           | 16,519           | 715             |
| 920.800               | 156,319          | 149,835          | 6,484           |
| 921.800               | 473              | 454              | 19              |
| 932.100               | 1,656            | 1,588            | 68              |
| 932.400               | 426              | 408              | 18              |

Pro Forma Salaries and Wages Recorded to

|                                   |                    |
|-----------------------------------|--------------------|
| Operation and Maintenance Expense | \$ 2,696,930       |
| Less: Test Year                   | <u>(2,585,061)</u> |

Adjustment - Increase \$ 111,869

(4)

To adjust "Operation and Maintenance Expenses" for the estimated change in annual PERF expense due to the change in Salaries and Wages.

|   |                  |
|---|------------------|
| Pro Forma Operation and Maintenance Salaries and Wages              | \$ 2,696,930     |
| Pro Forma Salaries and Wages Expected to be Capitalized             | 373,167          |
| Less: Wages not eligible for PERF                                   | <u>(108,950)</u> |
| Pro Forma PERF Eligible Salaries and Wages                          | 2,961,147        |
| Times: 2020 PERF Contribution Rate                                  | <u>11.20%</u>    |
| Pro Forma PERF Expense  | 331,648          |
| Less: Test Year (excluding GASB 68 and Deferred Inflow Adjustments) | <u>(303,587)</u> |

Adjustment - Increase \$ 28,061

## Detail of Adjustments (Continued)

(5)

To adjust "Operation and Maintenance Expenses" to remove all or a portion of nonrecurring expenditures.

| Account Name                         | Description                       |                     |
|--------------------------------------|-----------------------------------|---------------------|
| Distribution/Maintenance Substations | Relay Testing (2/3 of Invoice)    | \$ (22,023)         |
| A&G Expense - Outside Services       | Exploratory Cost of Service Study | <u>(170,867)</u>    |
| Adjustment - Decrease                |                                   | <u>\$ (192,890)</u> |

(6)

To adjust "Operation and Maintenance Expenses" to include a share of rate case expenses.

|  |                   |
|--|-------------------|
| Rate Consultant                                      | \$ 100,000        |
| Initial Engineering/Cost of Service Study Consultant | 86,414            |
| New Engineering/Cost of Service Study Consultant     | 125,000           |
| Regulatory Council                                   | <u>200,000</u>    |
| Total Estimated Rate Case Expense                    | 511,414           |
| Amortize by: Number of Years                         | <u>4</u>          |
| Adjustment - Increase                                | <u>\$ 127,854</u> |

(7)

To adjust "Operation and Maintenance Expenses" to include additional costs of implementing an accelerated vegetation management plan.

| Account Number                           | Pro Forma | Test Year | Increase          |
|--|-----------|-----------|-------------------|
| 571.000                                  | \$ 46,200 | \$ 17,481 | \$ 28,719         |
| 593.000                                  | 613,800   | 230,044   | <u>383,756</u>    |
| Pro Forma Vegetation Management Expenses |           |           | 660,000           |
| Less: Test Year                          |           |           | <u>(247,525)</u>  |
| Adjustment - Increase                    |           |           | <u>\$ 412,475</u> |

(8)

To adjust "Operation and Maintenance Expenses" to include an estimated increase in budgeted uncollectible accounts expense.

|  |                   |
|--|-------------------|
| Pro Forma Uncollectible Accounts Expense | \$ 20,000         |
| Less: Test Year                          | <u>126,464</u>    |
| Adjustment - Increase                    | <u>\$ 146,464</u> |

(9)

To adjust "Taxes Other Than Income Taxes" for the estimated change in FICA due to the change in Salaries and Wages.

|   |                  |
|---|------------------|
| Pro Forma Operation and Maintenance Salaries and Wages  | \$ 2,696,930     |
| Pro Forma Salaries and Wages Expected to be Capitalized | <u>373,167</u>   |
| Pro Forma Salaries and Wages Subject to FICA            | 3,070,097        |
| Times: FICA Rate  | <u>7.65%</u>     |
| Pro Forma FICA Tax                                      | 234,862          |
| Less: Test Year   | <u>(215,445)</u> |
| Adjustment - Increase                                   | <u>\$ 19,417</u> |

## Detail of Adjustments (Continued)

| (10)   |                            |
|--|----------------------------|
| To adjust "Taxes Other Than Income Taxes" for the pro forma contribution in lieu of property taxes |                            |
| Net Utility Plant in Service as of February 29, 2020   | \$ 14,779,702              |
| Times: Inside City Multiplier  | 95%                        |
| Estimated Inside City Utility Plant in Service   | <u>14,040,717</u>          |
| Add: Construction Work in Progress   | <u>688,733</u>             |
| Estimated Inside City Net Utility Plant  | 14,729,450                 |
| Times: Gross Corporate Tax Rate (per \$100 Assessed Valuation)                                     | <u>1.5615</u>              |
| Pro Forma Contribution in Lieu of Property Taxes   | 230,000                    |
| Less: Test Year  | <u>(425,000)</u>           |
| Adjustment - Decrease  | <u><u>\$ (195,000)</u></u> |

## Capital Improvement Plan

| Projects  | 2021       | 2022       | 2023       | 2024       | 2025       | 2026      | Total      |
|---|------------|------------|------------|------------|------------|-----------|------------|
| 50% down payment on Memorial Drive Substation Transformer   | \$ 628,595 |            |            |            |            |           | \$ 628,595 |
| 20% down payment on Memorial Drive Substation Distribution Switchgear                               | 137,148    |            |            |            |            |           | 137,148    |
| AMI metering system   | 192,691    | \$ 195,379 | \$ 198,115 | \$ 200,901 | \$ 203,739 | 206,628   | 1,197,453  |
| Transformer Oil Containment at Kentucky Street substation   | 184,175    |            |            |            |            |           | 184,175    |
| Build Transmission Line from Spann Ave. to Memorial Drive Substations                               |            | 1,547,641  | 1,737,397  |            |            |           | 3,285,038  |
| Build Transmission Line from Memorial Drive to Kentucky St. Substations                             |            | 608,004    | 682,123    |            |            |           | 1,290,127  |
| Memorial Drive Substation (138kV Tap, Transformer, Switchgear, Breakers)                            |            | 2,867,556  | 716,182    |            |            |           | 3,583,738  |
| Transmission Line Relay System Replacement at Spann Ave. Substation                                 |            |            | 153,666    |            |            |           | 153,666    |
| Transmission Line Relay System Replacement at Kentucky St. Substation                               |            |            | 153,666    |            |            |           | 153,666    |
| Rebuild Transmission Line from Big Four Arch to Dry Branch Rd Substations                           |            |            |            | 2,790,233  |            |           | 2,790,233  |
| Rebuild Transmission Line from Dry Branch Rd to Spann Ave. Substations                              |            |            |            | 1,239,796  |            |           | 1,239,796  |
| Transmission Line Relay System Replacement at Big Four Arch Substation                              |            |            |            | 158,178    |            |           | 158,178    |
| Transmission Line Relay System Replacement at Dry Branch Substation                                 |            |            |            | 158,178    |            |           | 158,178    |
| GIS System Upgrades   |            |            |            | 27,368     |            |           | 27,368     |
| Rebuild Transmission Line from PSI to Big Four Arch Substations                                     |            |            |            |            | 4,869,308  |           | 4,869,308  |
| 13.8 kV Switchgear replacement at Spann Avenue substation   |            |            |            |            |            | 205,203   | 205,203    |
| SCADA upgrades and Capacitor controls at Kentucky Street, Spann Ave., and Big Four Arch substations |            |            |            |            |            | 171,003   | 171,003    |
| Rebuild Holiday Inn feeder circuit over Sugar Creek toward the Power Plant                          |            |            |            |            |            | 153,010   | 153,010    |
| Vehicle Additions (#10 42' Aerial Lift Truck)   |            |            |            |            |            | 154,372   | 154,372    |
| Vehicle Fleet Additions (Fiber Splicing Trailer)  |            |            |            |            |            | 32,163    | 32,163     |
| Switchgear relay upgrades at Big Four Arch Road substation  |            |            |            |            |            | 1,123,147 | 1,123,147  |

## Capital Improvement Plan (Continued)

| Projects  | 2021                | 2022                | 2023                | 2024                | 2025                | 2026                | Total                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Replace 75 kW indoor generator at Utility office with a new 200 kVA generator set with sound attenuation (Engineering, Materials and Labor) |                     |                     |                     |                     |                     | \$ 191,111          | \$ 191,111           |
| Transmission Line Relay System Replacement at PSI Substation  |                     |                     |                     |                     |                     | 167,613             | 167,613              |
| Replace under sized conductor; BF 302 circuit   |                     |                     |                     |                     |                     | 210,952             | 210,952              |
| Replace (2) 138 kV OCB's with 138 kV SF6 breakers at Kentucky Street Substation   |                     |                     |                     |                     |                     | 388,108             | 388,108              |
| Replace (3) 138 kV Air Break Switches at Kentucky Street Substation   |                     |                     |                     |                     |                     | 100,759             | 100,759              |
| #2 Switchgear Relay Upgrades at Kentucky Street Substation  |                     |                     |                     |                     |                     | 150,483             | 150,483              |
| Digger Derek  |                     |                     |                     |                     |                     | 402,040             | 402,040              |
| <b>Total Capital Improvement Plan</b>   | <b>\$ 1,142,609</b> | <b>\$ 5,218,580</b> | <b>\$ 3,641,149</b> | <b>\$ 4,574,654</b> | <b>\$ 5,073,047</b> | <b>\$ 3,656,592</b> | <b>\$ 23,306,631</b> |
| <b>Less: Funding from Depreciation Fund</b>   | <b>(1,142,609)</b>  |                     |                     |                     |                     |                     | <b>(1,142,609)</b>   |
| <b>Extensions And Replacements</b>  | <b>\$ -</b>         | <b>\$ 5,218,580</b> | <b>\$ 3,641,149</b> | <b>\$ 4,574,654</b> | <b>\$ 5,073,047</b> | <b>\$ 3,656,592</b> | <b>\$ 22,164,022</b> |
| <b>Five Year Average Annual Extensions and Replacements (2022-2026)</b>   |                     |                     |                     |                     |                     |                     | <b>\$ 4,432,804</b>  |



## Statement of Revenue Requirements

|   |                             |
|---|-----------------------------|
| Adjusted Purchased Power Expenses                               | \$ 27,492,095               |
| Adjusted Other Operation and Maintenance Expenses               | 6,295,538                   |
| Adjusted Taxes Other Than Income Taxes                          | 949,767                     |
| Extensions and Replacements (Capital Improvement Plan)          | 4,432,804                   |
| Annual Operating Fund Balance Funding (A)                       | <u>1,690,038</u>            |
| Total Revenue Requirements                                      | 40,860,242                  |
| Less: Adjusted Operating Revenue                                | <u>(34,739,398)</u>         |
| Deficit   | 6,120,844                   |
| Divide by: Revenue Conversion Factor                            | <u>0.986</u>                |
| Revenue Increase Required                                       | 6,207,752                   |
| Divide by: Adjustable Operating Revenues                        | <u>34,373,943</u>           |
| Percentage Rate Increase Required                               | <u><u>18.06%</u></u>        |
| Total Revenue Requirements with Additional Utility Receipts Tax | <u><u>\$ 40,947,150</u></u> |
| <b>(A) Calculation of Recommended Operating Fund Balance</b>    |                             |
| Adjusted Operation and Maintenance Expenses                     | \$ 33,787,633               |
| Adjusted Taxes Other Than Income Taxes                          | 949,767                     |
| Subtotal  | <u>34,737,400</u>           |
| Divide by: 90 Day Factor  | <u>4</u>                    |
| Total   | 8,684,350                   |
| Less: Operating Fund Balance as of February 29, 2020            | <u>(1,924,200)</u>          |
| Excess/(Deficiency) of Fund Balance                             | \$ 6,760,150                |
| Divide by: Number of Years to Accumulate                        | <u>4</u>                    |
| Annual Operating Fund Balance Funding                           | <u><u>\$ 1,690,038</u></u>  |