

Rural Atlantic Water Co., Inc.
Detailed Comparative Income Statement

	Last Case 03-W-1499	Tax Returns			Adjustments	Pro Forma		
		2014	2015	2016		Year Ending 12/31/2018		
						Current Rates	Ref.	Proposed Rates
Number of Customers	23					23		23
Operating Revenues								
Escrow Account			7,944			\$8,188		\$8,188
Flat Rate Service						\$15,640	(1)	\$46,127
Miscellaneous						500	(2)	500
Total Operating Revenues	\$15,638	\$24,400	\$24,475	\$15,137		\$16,140		\$46,627
O&M Expenses:								
Officer's Salaries	\$1,000				\$1,000	\$1,000	(3)	\$1,000
Operator's Salary	4,000							
Contract Operator				\$8,500	6,192	6,190	(4)	6,190
Materials & Supplies					34	30	(4)	30
Repairs & Maintenance	22,581	2,500	\$9,688	\$7,568	5,325	2,355	(5)	2,500
Purchased Power	562	5,438	3,182	3,964	3,329	4,000	(6)	4,000
Chemicals	100				720	720	(4)	720
Water Testing	700				555	560	(4)	560
Insurance	1,200	2,443	2,620	2,600		2,600	(6)	2,600
Professional Fees								
Accounting	450	3,270			950	950	(7)	950
Attorneys								
Bookkeeping	1,000				1,305	1,300	(7)	1,300
Other Expenses								
Association Dues & Subscriptions								
Bank Charges		89	78	115		90	(8)	90
Licenses & Fees								
Miscellaneous								
Meetings								
Postage								
Photocopying & Printing (bills)								
Rent	600					600	(9)	600
Secretarial								
Supplies								
Travel								
Telephone								
Transportation								
Office Expenses	650			34		650	(9)	650
Total O&M Expenses	\$12,762	\$20,928	\$13,448	\$20,538		\$21,190		\$21,190
PSC Assessment	0.24%					110		110
Depreciation		3,376	3,517	3,517		4,084	Sch. 2	4,084
Amortization (Rate Case Expense)	500					1,667	Sch. 2	1,667
Operating Taxes:								
Real Estate	1,721	671	6,540	907		7,023	(10)	7,023
NYS Corporation Tax			25	25		25	(11)	25
Gross Revenue & MTA Tax	121							
Total Operating Rev. Deductions	\$15,104	\$24,975	\$23,530	\$24,987		\$34,099		\$34,099
Utility Operating Income	\$534	(\$575)	\$945	(\$9,850)		(\$17,959)		\$12,528
Computation of Revenue Requirement								
Rate Base						\$125,283	Sch. 2	\$125,283
Pre-tax Return on Rate Base						10%	(12)	10%
Rate of Return Required						\$12,528		
Net Income Deficiency						17,959		
Total Increase Needed						\$30,487		
Revenue Under Existing Rates						15,640		
Revenue Required from Service Charge						\$46,127		

Rural Atlantic Water Co., Inc.
Explanation of Adjustments and Estimates

- (1) Base flat rate without surcharges
- (2) Late payment charges
- (3) Since this is a closely held company and an S corporation, the utility does not show an expense for the time spent supervising and managing its operations. However, the Company is entitled to compensation for this time and has included a nominal allowance, which does not reflect the level of time and expertise dedicated to the management and supervision of the utility by its president.
- (4) The contract operator charges a base rate of \$516 per month. In addition the contract operator, JCO, billed for chemicals at \$60 per month; supplies, of \$19.67 and \$13.99; and water testing, coliform analyses, \$100 and lead, copper, nitrate, and VOCs at \$455.00. In 2017 the total charged, excluding repairs and maintenance, was \$7,480.
- (5) Repairs and Maintenance varied substantially during the base periods. The Company proposed leaving the annual \$2,500 in base rates and any repairs and maintenance cost over the base amount will be drawn from the escrow account. This should minimize charges to the surcharge while still allowing the Company to cover its ongoing repairs and maintenance costs.
- (6) Most recent charge; i.e., without adjustment from known changes in 2017 or 2018 to date.
- (7) Expenses incurred for Accounting and Bookkeeping in 2017.
- (8) Average of amounts incurred in the base periods.
- (9) Since the Company uses space in one of the owner's office, this is a closely held company, and an S corporation, the owner has not booked a rental expense to the utility. However, the owner's business is entitled to compensation for the space used by the utility. We have included a nominal allowance, which does not reflect the full cost of the space used. [Ben, we may not want to bother with this since it will require estimating the space used and justification of a fair rental charge for the space used].
- (10) Most recent plus 2%.
- (11) Minimum corporate tax.
- (12) Recent pre-tax rate of return granted to small water companies.

Rural Atlantic Water Co., Inc.
Rate Base, Depreciation, and Amortizations

Rate Year Ending 12/31/18

Rate Base Funded From Equity	Cost	Net Utility Plant	Life	% Annual Depreciation	Annual Depreciation Expense	Years In Service	Accumulated Depreciation
7/1/2014 Land (Easement)	\$355	\$258					
7/1/2014 Wells	43,314	31,450	20	5.0%	\$1,573	4.0	\$6,298
7/1/2014 Structures	133,434	96,885	40	2.5%	\$2,422	4.0	\$9,698
7/1/2014 Tank	6,146	4,463	50	2.0%	\$89	4.0	\$356
Totals	\$183,249	\$133,056			\$4,084		\$16,353
Rate Base Funded By Shareholders	\$137,173						
Added Contribution from Escrow as of 12/31/17	4,118						
Plant funded by Shareholders	\$133,055						
Percent Capitalized	72.61%						

Average Rate Base for Year Ending	12/31/18
<u>Utility Plant in Service</u>	\$133,056
Less: Accumulated Depreciation	16,353
Net Plant	\$116,703
<u>Allowance for Working Capital</u>	
O&M Expenses	\$21,190
Working Capital Percent	20.83%
Allowance for Working Capital	4,414
<u>Amortization</u>	
Rate Case Expense	\$5,000
Amortization Period (yrs.)	3
Annual Amortization	\$1,667
Average of Amortization collected in 1st rate year	834
Unamortized Balance	4,166
Total Rate Base	\$125,283

Rural Atlantic Water Co., Inc.**New Well Costs**

	Name	Memo	Split	Amount	Land	Wells	Structures	Tank	For Allocation	Totals
Easement										
	Charles A. Toal, Esq	easement	Accounts Payable	300.00						
Total Easement				<u>300.00</u>	300.00					
Engineering, design- pump house										
	Nosek Engineering		Sterling-Customer Cap. Acct.	2,500.00						
	Nosek Engineering		Accounts Payable	2,500.00						
	Nosek Engineering		Accounts Payable	712.00						
	Nosek Engineering	October billing	Accounts Payable	326.00						
	Nosek Engineering	May billing	Accounts Payable	250.00						
	Nosek Engineering	May billing	Accounts Payable	350.00						
	Nosek Engineering	drafting, revisions and response letter	Accounts Payable	1,319.50						
	Nosek Engineering		Accounts Payable	-407.50						
	Nosek Engineering	Aug billing	Sterling Bank-Checking	-900.00						
	Nosek Engineering	To settle disputed engineering bill	Accounts Payable	3,500.00						
	Civil Tec Engineering		Accounts Payable	1,725.00						
	Civil Tec Engineering	WELL ENGINEER EXPENSE	Accounts Payable	450.00						
	Civil Tec Engineering	requirements for sign-off for new system	Accounts Payable	<u>825.00</u>						
Total Engineering, design- pump house				13,150.00			13,150.00			
Gasoline										
			Capital Account - Ben Ostrer	250.00						
Total Gasoline				<u>250.00</u>					250.00	
Management and Legal Fees										
	Ben Ostrer	2013 and 2014	Accounts Payable	5,000.00						
Total Management and Legal Fees				<u>5,000.00</u>					5,000.00	
Tanks										
			Sterling Bank-Checking	5,000.00						
			Sterling Bank-Checking	<u>200.00</u>						
Total Tanks				5,200.00				5,200.00		
Well Drilling										
	Cash		Sterling Bank-Checking	2,650.00						
	turnbull well drilling		Sterling Bank-Checking	8,200.00						
	JCO Inc.	New Well analysis	Accounts Payable	<u>2,750.00</u>						
Total Well Drilling				13,600.00		13,600.00				
Well survey										
	James A Dillin PLS	survey	Accounts Payable	1,950.00						
Total Well survey				<u>1,950.00</u>					1,950.00	
Well, pump and house construction										
	Quackenbush Water Systems Co., Inc.		Sterling Bank-Checking	10,000.00					10,000.00	
	Quackenbush Water Systems Co., Inc.		Sterling Bank-Checking	6,000.00					6,000.00	
	Quackenbush Water Systems Co., Inc.		Sterling Bank-Checking	5,000.00					5,000.00	
	Biagini Construction		Accounts Payable	99,750.00			99,750.00			
	Quackenbush Water Systems Co., Inc.	BACKUP WELL	Accounts Payable	10,320.00		10,320.00				
	Quackenbush Water Systems Co., Inc.	chlorinator, b/u well online	Sterling Bank-Checking	<u>4,500.00</u>		4,500.00				
Total Well, pump and house construction				135,570.00						
New Well Expense - Other										
	Quackenbush Water Systems Co., Inc.	set test pump	Accounts Payable	2,000.00						
	Environmental Associates Ltd	new well testing	Accounts Payable	972.00						
	Quackenbush Water Systems Co., Inc.	Well testing	Accounts Payable	450.00						
	Leggette, Brashears & Graham, Inc.	coordination of MPA sample collection	Accounts Payable	1,233.28						
	Leggette, Brashears & Graham, Inc.	analysis of MPA samples	Accounts Payable	1,004.22						
	Quackenbush Water Systems Co., Inc.	Well testing	Accounts Payable	556.00						
	Leggette, Brashears & Graham, Inc.		Accounts Payable	1,500.00						
	Civil Tec Engineering		Accounts Payable	337.50						
		Town of Warwick PERMIT	Capital Account - Ben Ostrer	175.00						
			-SPLIT-							
Total New Well Expense - Other				<u>8,228.00</u>		8,228.00				
Total New Well Expense				<u>183,248.00</u>						
TOTAL				<u>183,248.00</u>						
Direct Charges					<u>\$300</u>	<u>\$36,648</u>	<u>\$112,900</u>	<u>\$5,200</u>	<u>\$28,200</u>	155,048
Percent of Direct Charges					0.19%	23.64%	72.82%	3.35%		
Allocated Amounts					55	6,666	20,534	946		28,201
Total for Category					<u>\$355</u>	<u>\$43,314</u>	<u>\$133,434</u>	<u>\$6,146</u>		<u>\$183,249</u>

Rural Atlantic Water Co., Inc.

Computation of Rate

		Annual
Number of Customers	23	
Current Rate		
Quarterly	\$170	
Annual Charge	\$680	
Annual Base Revenue		\$15,640
Proposed Rate		
Total Revenue Required	\$46,627	
Less: Miscellaneous Revenue	500	
Revenue Required from Flat Rate Charge	\$46,127	
Annual Revenue per Customer	\$2,006	
Quarterly Rate	\$501	
Annual Revenue Under Proposed Rate		\$46,127
Percent Increase	195%	