

	PSC				Pro Forma 2016			
	12-W-0445	FIT Return	FIT Return	FIT Return	Existing	With New		
	4/19/13	2012	2013	2014	Rates	Rates	Ref.	#
Number of Customers	1071				1060	1060	Sch. 2,	1
Operating Revenues					470.61698	630.84434		
Metered	\$485,631	\$494,697	\$446,316	461,458	\$454,104	\$623,945	Sch. 3,	
Purchased Water Surcharge	65,434		60,494	37,558	37,560	37,560	Sch. 2,	2
Late Charges		3,151	3,449	3,889	3,500	3,500	Sch. 2,	3
Interest Inc.		31	11	12				
Miscellaneous Water Rev	3,652	1,852	3,985	3,394	3,690	3,690	Sch. 2,	4
Total Operating Revenues	\$554,717	\$499,731	\$514,255	\$506,311	\$498,854	\$668,695		
Percent Increase in Total Revenue						34.05%		
O&M Expenses:								
Supervision & Labor								
CEO and Management Salary		\$90,800	\$80,800	\$77,412	\$80,500	\$80,500	Sch. 2,	5
Operator's Assistant	\$98,913	\$81,450	\$82,075	\$80,513	47,100	47,100	Sch. 2,	5
Office and Customer Relations	43,384			6,375	36,600	36,600	Sch. 2,	5
Meter Reading and Collecting	7,061	2,755	1,222	725	1,600	1,600	Sch. 2,	3
Total Management and Labor	\$149,358	\$175,005	\$164,097	\$165,025	\$165,800	\$165,800		
Employee Benefits		\$12,811	\$13,263	\$22,323	60,500	60,500	Sch. 2,	6
Total Supervision and Labor	\$149,358	\$187,816	\$177,360	\$187,348	\$226,300	\$226,300		
Outside Services, Other		\$373						
Materials & Supplies	18,450	14,057	10,410	11,797	12,100	12,100	Sch. 2,	3
Repairs & Maintenance	33,825	6,347	7,973	17,158	44,800	44,800	Sch. 2,	7
Purchased Power								
Electricity	27,531	30,528	29,257	33,801	33,800	33,800	Sch. 2,	8
Chemicals	3,814				3,000	3,000	Sch. 2,	8
Water Purchased for Resale	65,434	58,139	60,201	37,558	37,560	37,560	Sch. 2,	2
Water Testing	5,500		5,610		6,510	6,510	Sch. 2,	9
Rate Case Amortization	1,100				8,333	8,333	Sch. 5	
Insurance	26,224	15,212	12,847	19,521	18,293	18,293	Sch. 2,	10
Professional Fees								
Accounting	5,700	12,059	5,871	5,940	5,900	5,900	Sch. 2,	8
Other Professional Fees	2,531						Sch. 2,	8
Other Expenses								
Advertising			25	25	30	30	Sch. 2,	8
Assoc. Dues & Subscriptions		240	272	272	270	270	Sch. 2,	8
Bank Charges		455	531	254	250	250	Sch. 2,	8
Bad Debts (Uncollectable)		2,031			700	700	Sch. 2,	3
Interest			2,915					
PSC Assessment	559	(235)	558		800	800	Sch. 2,	11
Rent	9,000	24,505	20,013	13,650	9,500	9,500	Sch. 2,	12
Special Service		3,445	1,953	2,751	2,700	2,700	Sch. 2,	3
Transportation	15,430	7,144	7,225	12,131	12,100	12,100	Sch. 2,	8
Office Expense	7,905	15,181	13,301	19,226	15,900	15,900	Sch. 2,	3
Miscellaneous - A&G	2,319	20	58	762			Sch. 2,	13
Total O&M Expenses	\$374,680	\$377,317	\$356,380	\$362,194	\$438,846	\$438,846		
Depreciation	\$24,340				\$26,002	\$26,002	Sch. 5	
Depreciation, Sec 179		\$33,732	\$38,883	\$32,425				
Operating Taxes:								
Real Estate (General)	\$22,938				\$27,416	\$27,416	Sch. 2,	14
Real Estate (School)	59,859				76,285	76,285	Sch. 2,	14
Total Real Estate Taxes	\$82,797	\$93,937	\$100,192	\$105,673	\$103,702	\$103,702		
Payroll	\$11,333				\$12,684	\$12,684	Sch. 2,	15
NYS Franchise Tax	312	692	989	1,680	500	500	Sch. 2,	16
Total Operating Taxes	\$94,442	\$94,629	\$101,181	\$107,353	\$116,885	\$116,885		
Total Operating Rev. Deductions	\$493,462	\$505,678	\$496,444	\$501,972	\$581,734	\$581,734		
Utility Operating Income	\$61,255	(\$5,947)	\$17,811	\$4,339	(\$82,880)	\$86,961		
State Corporate Inc Tax						n/a		
Federal Income Tax						n/a		
Operating Income	\$61,255	(\$5,947)	\$17,811	\$4,339	(\$82,880)	\$86,961		
Rate Base	\$556,860				\$756,180	\$756,180	Sch. 5	
Pre-tax Return on Rate Base	11.00%				-10.96%	11.50%	Sch. 2,	17
Revenue Deficiency					\$169,841		Sch. 6	
Rate Increase Over Current Rates						37.40%		

Rolling Meadows Water Corporation

Explanation of Adjustments

1 Number of Customers

As of 3rd quarter 2015 (most recent) billing, there were 1,060 active customers in RMWC. These numbers are from the billing registers. Seasonal, foreclosures, and vacancies can account for small deviations of this number each billing period.

High Ridge	28
Leewood Knolls	42
Rolling Meadows & Elmendorf	316
Hillside Acres	199
Hurley	475
Total	<u>1,060</u>

2 Purchased Water Surcharge

Pass thru "charges" to Hillside Acres area customers only for purchased water from Ulster Water District. The surcharge rate is refigured each billing to match the cost.

3 Pro Forma for Rate Year Based Upon 3 Year Average

The rate year estimate is based upon the actual income or expense during the three years ended 2014 and rounded to the nearest hundred dollars.

4 Misc. Revenue

The average, for 2013 and 2014, land use charges plus miscellaneous charges minus customer credits.

5 Pro Forma Labor

The salaries paid in 2014 were increased 2% per year.

	<u>2014</u>	<u>Rate Yr.</u>
CEO and Management Salary	\$77,412	\$80,500
Operator's Assistant	\$45,313	\$47,100
Office and Customer Relations	\$35,200	\$36,600

6 Employee Benefits

- Actual health insurance paid in 2012 thru 2014. This amount was separated from the total insurance shown on the tax returns.
- RMWC is implementing an employee benefits package that is typical for the industry. The pro forma amount for the rate year is calculated and shown on Schedule 4.

7 Repairs & Maintenance

In discussions with the Staff of the PSC, it was suggested that the Escrow Account for repairs and plant replacements be eliminated. To eliminate the escrow for R&M, the amount allowed in base rates must be set to collect the anticipated expenditure in the rate period.

The Expenditures for M&S were:

	<u>2014</u>
R&M from Escrow	\$27,690
R&M not from Escrow	17,158
Total	<u>\$44,848</u>
Total rounded	\$44,800

8 Pro Forma for Rate Year Based Upon Most Recent Data Available, i.e., 2014.

The actual base period expense, rounded to the nearest \$100.

9 Water Testing

Adjusted to match Staff's determination in Case 08-W-0993 which seems accurate. Frequency of water testing varies greatly. It was normalized to smooth out annual variations.

10 Insurance

The insurance expense category is the sum of various types including general liability, property, vehicle, workers compensation and disability.

Disability: \$232

Worker's Comp: RMWC paid \$11,006 and Windemere paid \$1,150 in 2014. \$12,156

Liability, property and vehicle (Grundy Agency): 7/1/14 renewal = \$7,383 plus the new truck will require additional insurance cost of \$1,400 annually

Grundy Insurance Agency quote. 8,783

Bond: 100

Subtotal \$21,271

Windemere Highlands' Share of Insurance Expense 14% (2,978)

Total Insurance \$18,293

11 PSC Assessment

Adopted the same percentage of gross revenue as used in the PSC's last rate decision and rounded this estimate to the nearest hundred dollars.

	Revenue	Assessment	%	Assessment
PSC's Estimate	\$554,717	\$559	0.10%	
Rate Year Estimate	\$668,695		0.10%	\$700

12 Rent

The PSC allowance in Case 12-W-0445 was increased by 3% per year and rounded to the nearest hundred dollars.

13 Miscellaneous - A&G

RMWC has included these costs as part of Office Expense.

14 Real Estate Taxes

The actual 2015 taxes plus 2% anticipated increase for the rate period.

	Actual					Projected 2016	
	2013	2014	% Inc.	2015	% Inc.	Base Taxes	W/Int. Late Fee
General Taxes	\$23,148	\$25,613	11%	\$26,096	2%	\$26,618	\$27,416
School Taxes	63,700	71,454	12%	72,611	2%	74,063	76,285
	\$86,848	\$97,067		\$98,707		\$100,681	\$103,702

15 Payroll Taxes

Payroll \$165,800

Employer Taxes 7.65%

Payroll Taxes \$12,684

16 NYS Franchise Tax

Minimum NYS Franchise Tax

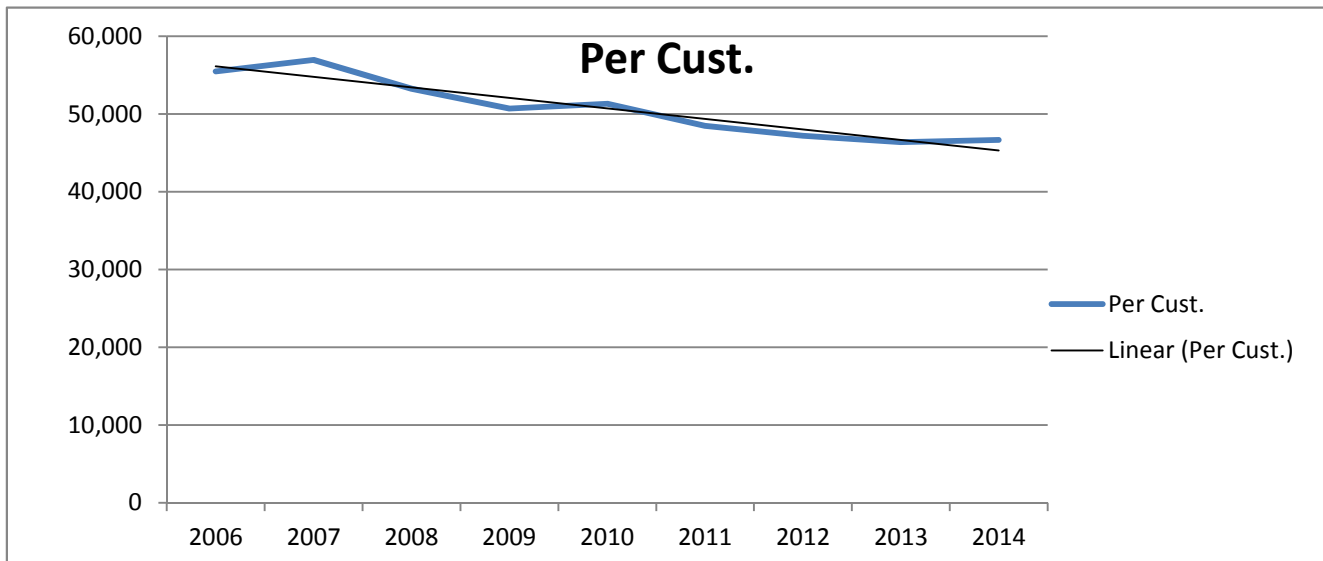
17 An 11.5% pre-tax rate of return was selected based upon the pre-tax rates of return for small water companies currently being granted by the NYS Public Service Commission.

Rolling Meadows Water Corporation

Revenue from Existing Rates and Usage

	Accounts	Billed	Per Cust.	% Change	Av Billed Rate /Customer	CHARGES	Average Revenue Per Cust
2006	1065	59,096,090	55,489			\$355,206	\$334
2007	1067	60,760,408	56,945	2.62%		\$417,321	\$391
2008	1073	57,151,626	53,263	-6.47%		\$401,640	\$374
2009	1070	54,257,039	50,708	-4.80%		\$442,032	\$413
2010	1070	54,914,236	51,322	1.21%		\$456,385	\$427
2011	1069	51,821,860	48,477	-5.54%		\$443,943	\$415
2012	1067	50,373,428	47,210	-2.61%		\$434,319	\$407
2013	1066	49,459,650	46,397	-1.72%		\$447,712	\$420
2014	1069	49,882,941	46,663	0.57%	\$9.31	\$464,562	\$435
2015							
2016							
	Extrapolated from trend		42,591				
Pro Forma Estimate	1060	48,760,000	46,000		\$9.31	\$454,104	

RMWC has adopted a conservative estimate of pro forma sales for 2016 based upon a review of the trend line tempered by the recognition that in the last two years sales were slightly more than in the trend. Since RMWC is requesting a revenue reconciliation adjustment, the precision of the estimate will be less important.



Rolling Meadows Water Corporation

Industry Standard Employee Benefits Package

Comparative - Total Labor and Employee Benefits

Rolling Meadows is implementing an employee benefit package that is commensurate with that granted to other similarly sized utilities. Total labor and benefits are still less than the comparative utility.

	UW Owego- Nichols C 11-W-0082 Yr. Endg 1/31/15	RMWC Pro Forma 2016
Supervision & Labor		
Officer's Salary		\$80,500
Operators' Salaries		47,100
Office Salaries		36,600
Meter Reading Billing and Collecting		1,600
Direct Labor		
Labor	\$300,639	
Labor Transferred In	1,288	
Labor Transferred Out	(46,062)	
Total Direct Labor	<u>\$255,865</u>	<u>\$165,800</u>
Employee Benefits		
Pensions	\$65,678	
OPEBs	\$9,285	
Fringe Allowance	(\$39,622)	
Employee 401K	\$5,008	
Employee Benefits	\$48,065	
Other Employee Benefits	\$4,896	
Total Employee Benefits	<u>\$93,310</u>	
RMWC Employee Benefits Package		<u>\$60,500</u>
Total Supervision and Labor	<u>\$349,175</u>	<u>\$226,300</u>

27%

Rolling Meadows Water Corporation

Rate Base, Depreciation, and Amortizations

Average For Year Ending June 30, 2016

Account Name	Rate	Plant Bal as of	Dep Res Bal as	Additions for			Rate Year Deprec	Plant Bal as of	Dep Res Bal as
		6/30/15	of 6/30/15	Annual Dep	Yr. Ending 6/30/16	Half-year Deprec		6/30/16	of 6/30/16
Fire Plant	1.67%	\$22,998.30	\$7,769.42	\$383.31	\$0.00	\$0.00	\$383	\$22,998.30	\$8,152.73
Franchise Consent	0	550.00	0.00	0.00	0.00	0.00	0.00	550.00	0.00
Land	0	29,558.00	0.00	0.00	0.00	0.00	0.00	29,558.00	0.00
Large Mains >6"	1.11%	514,510.91	171,277.81	5,716.79	0.00	0.00	5,716.79	514,510.91	176,994.60
Meters	3.33%	120,249.99	53,608.72	4,008.33	1,373.00	22.88	4,031.21	121,622.99	57,639.93
Office Furniture & Equip.	5.00%	25,958.81	11,930.02	1,297.94	0.00	0.00	1,297.94	25,958.81	13,227.96
Other General Equip.	6.67%	47,041.31	16,525.23	3,136.09	0.00	0.00	3,136.09	47,041.31	19,661.32
Power and Pumping	5.00%	99,923.39	50,907.13	4,996.17	9,065.00	226.63	5,222.80	108,988.39	56,129.93
Purification System	6.67%	3,199.28	1,994.40	213.29	0.00	0.00	213.29	3,199.28	2,207.69
Services	2.50%	124,318.23	63,699.23	3,107.96	0.00	0.00	3,107.96	124,318.23	66,807.19
Structures	2.50%	46,979.65	21,258.65	1,174.49	0.00	0.00	1,174.49	46,979.65	22,433.14
Water Source	2.50%	68,739.57	42,184.77	1,718.49	0.00	0.00	1,718.49	68,739.57	43,903.26
Totals		\$1,104,027.44	\$441,155.38	\$25,752.86	\$10,438.00	\$249.51	\$26,002.37	\$1,114,465.44	\$467,157.75
Average for Rate Year								\$1,109,246.44	\$454,156.57

Average Rate Base Year Ending June 30, 2016

<u>Utility Plant in Service</u>	\$1,109,246	
Less, Accumulated Depreciation:	454,157	
Net Plant		\$655,090
<u>Allowance for Working Capital</u>		
O&M Expenses	\$438,846	
Less Purchased Water Surcharge	37,560	
	\$401,286	
Working Capital Percent	20.00%	
Allowance for Working Capital		80,257
<u>Amortization</u>		
Rate Case Expense*	\$25,000	
Amortization Period (yrs.)	3	
Annual Amortization	\$8,333	
Amount Amortized in the rate year	4,167	
Unamortized Balance		20,833
Total Rate Base		\$756,180

* Recognizing that the PSC has not allowed small water companies to reflect the true cost of processing a rate application in rates, the Company has included only a portion of the actual cost for rate case in its pro forma expenses. Moreover, the amount included assumes there will be no need for extensive negotiations or briefing of rate case issues or hearings. If any of these items occur, rate case expenses must be increased to reflect the actual amount being incurred in this filing.

Rolling Meadows Water Corporation Revenue Deficiency Calculation

	2016
Rate Base	\$756,180
Rate of Return	11.50%
Utility Operating Income Required	\$86,961
Less: Utility Operating Income at Current Rate	<u>(82,880)</u>
Utility Operating Income Deficiency	\$169,841
Retention Factor	100.0%
Additional Revenue Required	\$169,841