



VIA E-MAIL

August 15, 2022

Ms. Luly E. Massaro, Commission Clerk
Rhode Island Public Utility Commission
89 Jefferson Blvd.
Warwick, RI 02888

**RE: Veolia Water Rhode Island
Application to Change Rate Schedules
Docket No. 4800
Distribution System Improvement Charge**

Dear Ms. Massaro,

Enclosed for filing, please find Veolia Water Rhode Island, Inc.'s Distribution System Improvement Charge calculation for the DSIC period February 1, 2022 through July 31, 2022. Since the Company first implemented DSIC in October 2018, it has invested over \$6.1 million in its facilities. After allowing for the approximately \$2.6 million allowed in the base rate case, this yields a DSIC surcharge of 14.39%. Pursuant to the DSIC rules, the maximum percentage allowed on an annual basis is 2.50%, which has been in effect since November 5, 2021. As a result, the Company will implement the next allowable 2.50% for a total of 5.00%. Attached are the schedules that support the projected DSIC surcharge for the Company of 5.00%.

The Company hereby transmits for filing the following tariff amendments (Index, Sheets 23, 24 and 25) to reflect the addition of the rules and regulations for DISC, change to the current rate and to correct a duplication of sheet numbering in the current tariff.

The enclosed filing also includes the Earnings Calculation for the 12 months ended July 31, 2022.

If you need any additional information, please advise.

Very truly yours,

Gary S. Prettyman

Gary S. Prettyman
Senior Director – Regulatory Business
cc: Service List

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Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
February 1, 2022 to July 31, 2022

| Line No. | Description | 2/1/22 to 7/31/22 |
|----------|------------------------------------------------------------------|----------------------|
| 1 | Eligible Investment net of base spend (page 2) | \$ - |
| 2 | Less: Accumulated Depreciation (page 2) | - |
| | Accumulated Depreciation from prior surcharges (page 6) | (17,733) |
| 3 | Less: Deferred Tax (page 2) | - |
| | Accumulated Deferred Tax from prior surcharges (page 6) | (6,013) |
| 4 | Eligible Net Investment | \$ (23,746) |
| 5 | Pre-Tax Rate of Return (page 3) | 8.55% |
| 6 | Pre-Tax Return on Investment | \$ (2,030) |
| 7 | Add: Depreciation Expense (page 2) | - |
| 8 | Revenue Recovery | \$ (2,030) |
| 9 | Revenue Factor (page 4) | 1.017061 |
| 10 | Subtotal DSIC revenue Requirement Recovery Amount | \$ (2,065) |
| 11 | Plus DSIC Revenue Requirement from 2/15/2022 Filing | 356,139 |
| 12 | Amount Under-collected 11/5/2021 to 1/31/2022 (page 7) | (199) |
| 13 | Amount Over-collected 2/1/2022 to 7/31/2022 (page 7) | (7,807) |
| 14 | Total DSIC revenue Requirement Recovery Amount (L10+L11+L12+L13) | \$ 346,068 |
| 15 | Semi-Annual Projected Water Service Revenues (1) | \$ 2,404,944 |
| 16 | Projected DSIC Rate Increase Percentage (L14 / L15) | 14.39% |
| 17 | Effective DSIC Surcharge (Annual Cap) | 5.00% |

(1) Projected Water Service Revenues are for the winter period October 2022 to March 2023

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
February 1, 2022 to July 31, 2022

| Line No. | Description | 2/1/22 to 7/31/22 |
|----------|---------------------------------------|----------------------|
| 1 | Major Projects | \$ (51,813) |
| 2 | Blanket Projects | 89,130 |
| 3 | Total DSIC Plant (pages 8-9) | 37,316 |
| 5 | Less: Base Spend (page 5) | (37,316) |
| 6 | Eligible Investment | \$ - |
| | <u>Accumulated Depreciation</u> | |
| 7 | Composite Depreciation Rate | 1.5298% |
| 8 | Depreciation Expense | - |
| 9 | Half Year Convention | - |
| | <u>Deferred Taxes</u> | |
| 10 | Eligible Investment | \$ - |
| 11 | MACRS Rate for First Year Water Plant | 4.00% |
| 12 | Tax Depreciation First Year | - |
| 13 | Book Depreciation | - |
| 14 | Tax Depreciation Greater Than Book | - |
| 15 | Deferred Taxes at 21% | \$ - |

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
February 1, 2022 to July 31, 2022
Capital Structure

| Approved Capital Structure and Cost Rates | | | | |
|-------------------------------------------|----------------------------|--------------|-----------------------------|---------------------------|
| | Capital Structure Ratio | Cost Rate | Weighted Cost of Capital | Pre-Tax Rate of Return |
| Long Term Debt | 45.57% | 4.65% | 2.12% | 2.12% |
| Short Term Debt | 0.52% | 2.65% | 0.01% | 0.01% |
| Common Equity | <u>53.91%</u> | 9.40% | <u>5.07%</u> | <u>6.42%</u> |
| Total | <u>100.00%</u> | | <u>7.20%</u> | <u>8.55%</u> |

Notes:

- 1) Capital structure and ROE per current authorized return Docket No. 4800
- 2) Pre-tax rate of return reflects 21% tax rate

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
February 1, 2022 to July 31, 2022
Revenue Factor

| | |
|-------------------------------|-------------------------------|
| <u>Revenue Factor</u> | |
| Dollar of Revenue | 1.000000 |
| PSC Assessment | 0.004275 |
| Gross Receipts Tax | 0.012500 |
| | <u>0.016775</u> |
| Taxable income | 0.983225 |
| Federal Income Tax Rate @ 21% | <u>0.983225</u> |
| Net of tax | 0.983225 |
| Revenue Factor | <u><u>1.017061</u></u> |

Notes:

1) Rates per Final Order in Docket No. 4800

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
February 1, 2022 to July 31, 2022
DSIC Base Spending Schedule

| Line No. | Depreciation Expense | Account | Amount |
|----------|-------------------------------------|---------|-------------------|
| 1 | Transmission and Distribution Mains | 331 | \$ 133,748 |
| 2 | Services | 333 | 76,806 |
| 3 | Meters | 334 | 81,768 |
| 4 | Hydrants | 335 | <u>21,826</u> |
| 5 | Total Annual Base Spending | | <u>\$ 314,148</u> |

Notes:

- 1) SUEZ Water Rhode Island Annual Report to the Public Utilities Commission for 2020 has total depreciation expenses of \$823,676, Page 5 Line 25 column (d)
- 2) Referenced Accounts are those included in the definition of "Base Spending" per Docket No. 4800 DSIC Rules Effective 10/5/2018 Settlement Agreement Appendix A footnote 2 page 5 Updated account numbers in Order footnote 24 page 6

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
February 1, 2022 to July 31, 2022

| Line No. | Accumulated Depreciation and Deferred Tax | Effective 11/5/21 1st filing | 2nd filing | 3rd filing | No rate change 2nd filing | 3rd filing | Full Year |
|----------|--------------------------------------------------------|---------------------------------|----------------------|------------------------|------------------------------|------------------------|-----------|
| | | 10/1/18 to 7/31/21 | 8/1/21 to 1/31/22 | 2/1/22 to 7/31/2022 | 8/1/21 to 1/31/22 | 2/1/22 to 7/31/2022 | |
| | | | | | (a) | | (b) |
| 1 | Major Projects | \$ 1,817,078 | | | \$ 2,096,366 | | |
| 2 | Blanket Projects | 1,865,855 | | | 408,371 | | |
| 3 | Total DSIC Plant | 3,682,933 | | | 2,504,737 | | |
| 4 | Less amount included in Base Rates 10/1/18-9/30/19 | (2,224,330) | | | | | |
| 5 | Less: Base Spend (page 5) | (314,148) | | | (157,074) | | |
| 6 | Eligible Investment | \$ 1,144,455 | | | \$ 2,347,663 | | |
| | <u>Accumulated Depreciation</u> | | | | | | |
| 7 | Composite Depreciation Rate (match base spend year) | 1.5298% | | | 1.5298% | | |
| 8 | Depreciation Expense | \$ 17,508 | | | \$ 35,915 | | |
| 9 | Half Year Convention | \$ 4,377 | \$ 4,377 | \$ 8,754 | \$ 8,979 | \$ 8,979 | \$ 17,733 |
| | <u>Deferred Taxes</u> | | | | | | |
| 10 | Eligible Investment | \$ 1,144,455 | | | \$ 2,347,663 | | |
| 11 | MACRS Rate for First Year Water Plant | 4.00% | | | 4.00% | | |
| 12 | Tax Depreciation First Year | \$ 11,445 | \$ 11,445 | | \$ 23,477 | | |
| 13 | Book Depreciation | 4,377 | 4,377 | | 8,979 | | |
| 14 | Tax Depreciation Greater Than Book | 7,068 | 7,068 | | 14,498 | | |
| 15 | Deferred Taxes at 21% (c) | \$ 1,484 | \$ 1,484 | \$ 2,968 | \$ 3,045 | \$ 3,045 | \$ 6,013 |

Notes:

(a) This period reflects the second 6 months of the 12 month period and therefore still reflects half year convention

(b) This period reflects the full year depreciation

(c) The FIT rate effective 1/1/18 is 21% and therefore the current period calculation is at 21%.

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
February 1, 2022 to July 31, 2022
Revenues Collected

| <u>Month</u> | <u>Actual</u> | <u>Authorized</u> | <u>Over(under) Collected</u> |
|---------------------------------|------------------|-------------------|----------------------------------|
| 11/5/2021 | \$ | 111,347 | \$ 9,279 |
| 11/30/2021 | 3,029 | 3,026 | 3 (1) |
| 12/31/2021 | 9,374 | 9,279 | 95 |
| 1/31/2022 | 8,982 | 9,279 | (297) |
| <hr/> | | | |
| Total Nov21-Jan22 | \$ 21,385 | \$ 21,584 | \$ (199) |
| <hr/> | | | |
| <u>Month</u> | <u>Actual</u> | <u>Authorized</u> | <u>Over(under) Collected</u> |
| 2/28/2022 | 12,037 | 9,279 | 2,758 |
| 3/31/2022 | 8,714 | 9,279 | (564) |
| 4/30/2022 | 7,041 | 9,279 | (2,238) |
| 5/31/2022 | 10,829 | 9,279 | 1,550 |
| 6/30/2022 | 10,692 | 9,279 | 1,414 |
| 7/31/2022 | 12,967 | 9,279 | 3,688 |
| <hr/> | | | |
| Total Feb22-Jul22 | \$ 62,281 | \$ 55,673 | \$ 6,608 |
| <hr/> | | | |
| Interest Rate on Overcollection | | | |
| Monthly Interest Rate | | | 0.072000 |
| Months | | | 6 |
| Cumulative Interest | | \$ | <u>1,199</u> |
| Over Collection Plus Interest | | | <u>\$ 7,807 (2)</u> |

Notes

(1) Billing cycle 10/23-11/22 . DSIC Effective 11/5/2021 25% Bills with DSIC

| | |
|-----------------|-------------------|
| 11/2021 Revenue | \$ 484,163 |
| Bills with DSIC | 25% |
| | <u>\$ 121,041</u> |
| DSIC Schge | 2.50% |
| Projected DSIC | <u>\$ 3,026</u> |

(2) Over collection shall have Interest at the adjusted weighted average cost of capital

Veolia Water Rhode Island Inc.
Main Replacement Projects
February 1, 2022 to July 31, 2022

REDACTED

| Project ID | Project Title | Project Scope | DSIC Category | Install Length | Replacement Main Size | Design Start Date | Construction Start Date | Engineering In-Service Date | Actual Project Cost (2/1/22 to 7/31/22) | Comments |
|-------------|--------------------------------------------------|---------------|---------------|----------------|--------------------------|-------------------|-------------------------|-----------------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| C20D601_061 | Ocean Dr WM REpl | | Replacement | 1,603 | 12" | Sep-19 | Oct-21 | Dec-21 | \$ 80,031 | Charges during this DSIC period pertains to charges related to material reconciliation from work performed in 4th Quarter of 2021. Restoration is required in 3rd or 4th quarter of 2022. |
| C22D602_061 | Alan Avenue Service Transfers and WM Abandonment | | Replacement | - | 0 | May-22 | May-22 | Jun-22 | 25,577 | Frequent breaks caused repeated flooding of customers in this area and frequent interruption to water service. Restoration of roadway is required in the 3rd or 4th Quarter of 2022. |
| | | | | | | | | | \$ 105,608 | |
| C21D603_061 | Bonnet Point Rd. WM Repl | | Replacement | 3,140 | 8" - 2,096 - 1,044 6" | Aug-21 | Sep-21 | Dec-21 | (149,418) | Pipe material for other project was erroneously charged to account during DISC period 2021-08 to 2022-01. Restoration is required in 3rd or 4th Quarter of 2022. |
| C20D602_061 | Winchester WM Repl | | Replacement | 3,860 | 8" | Jul-19 | Jun-20 | Oct-20 | (8,004) | Transfer from CWIP to RWIP |
| | | | | | | | | | \$ (157,422) | |
| | | | | | | | | | \$ (51,813) | |

Blankets
February 1, 2022 to July 31, 2022

| Project Name | Project ID | Blanket Replacements | Expenditure between 2/1/22 to 7/31/22 |
|------------------------------------------------|-------------------|-----------------------------|----------------------------------------------|
| Replacement Hydrants | CYYD501 | 2 | \$ 6,160 |
| Replace Valves and section of Mains | CYYD502 | 3 | 5,243 |
| Repl Domestic / Fire Services | CYYF501 | 27 | 76,110 |
| Replace Meters | CYYG501 | 91 | 14,511 |
| Replace Customer Meter RFs | CYYG501 | 90 | 1,298 |
| Total Blanket Expenditures | | 213 | \$ 103,321 |
| Replacement Hydrants-Reclassified to Inventory | CYYD501 | 0 | (14,191) |
| Adjustments | | 0 | \$ (14,191) |
| Blanket Expenditures Net | | 213 | \$ 89,130 |

COMPLIANCE TARIFFS STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: VEOLIA WATER RHODE ISLAND, INC.
APPLICATION TO CHANGE RATE SCHEDULES

DOCKET NO: 4800

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: SUEZ WATER RHODE ISLAND, INC.
APPLICATION TO CHANGE RATE SCHEDULES

DOCKET NO: 4800

SHEET NO. 23

RATES FOR PRIVATE FIRE SERVICE

Application: To all customers having private connections to the water system.

Rates: For each connection:

| <u>Size</u> | <u>Monthly</u> | <u>Quarterly</u> |
|-------------|----------------|------------------|
| 2 1/2" | \$11.60 | \$34.80 |
| 3" | 16.79 | 50.37 |
| 4" | 31.99 | 95.97 |
| 6" | 85.97 | 257.91 |
| 8" | 178.73 | 536.19 |
| 10" | 318.67 | 956.01 |
| 12" | 512.19 | 1,536.57 |
| 16" | 1,087.14 | 3,261.42 |

Terms of Payment: Private fire protection will be billed monthly or quarterly on the basis of the size of the service connection, regardless of the number of sprinklers, hose connections or fire hydrants that the customer may have, bills are due and payable when rendered.

Conditions of Contract: The Company reserves the right to meter any fire line where evidence indicates that water is being taken from the line for purposes other than fire protection, and such metered service shall then be billed in accordance with the regular schedule of meter rates in addition to the above rates, with proper allowance for water consumed in fire fighting.

EFFECTIVE: September 29, 2022

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: VEOLIA WATER RHODE ISLAND, INC.
APPLICATION TO CHANGE RATE SCHEDULES

DOCKET NO: 4800

SHEET NO. 24

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

The Commission authorized the Company to implement a Distribution System Improvement Charge ("DSIC") to recover its costs associated with completed (i.e., placed in service) transmission and distribution ("T&D") system replacement and rehabilitation projects between base rate proceedings. This program began on October 5, 2018 in Docket 4800.

- a. The DSIC surcharge will be re-calculated and implemented semi-annually. The DSIC will reflect qualified additions for the previous six-month period that are nonrevenue producing and include additions that are replacing and rehabilitating in nature ("Qualified Additions").
- b. Qualified Additions may include among other things: mains; main cleaning and lining; services; hydrants; valves; short mains and valves; meters; dead-end looping; and re-location due to government requirements.
- c. The DSIC surcharge shall be calculated on eligible investment in excess of Base Spend on an annual basis. The Base Spend may be allocated in each six-month period as long as it equals the total in the annual calculation.

"Base Spend" means the level of investment equal to the Company's depreciation expense for utility plant Accounts 331 (Transmission & Distribution Mains), 333 (Services), 335 (Hydrants), and 334 (Meters) as reported in the Company's most recent annual report to the Commission.
- d. The rate of return would be based upon the rate of return approved by the Commission in the Company's most recent base rate case.
- e. Rate base would include accumulated depreciation and deferred federal income tax on Qualified Additions.
- f. Depreciation expense on the DSIC plant would be included using the composite depreciation rate for the DSIC eligible accounts.
- g. Revenue taxes would be grossed-up and the revenue requirement would be on a pre-tax basis.
- h. The DSIC surcharge would be capped at: 1) 2.5% per fiscal year (fiscal year begins with the first DSIC surcharge); and 2) 7.5% between base rate cases.
- i. Within 15 days after the end of the six-month DSIC period, the Company will submit to Commission Staff a DSIC Filing containing its surcharge calculation. The surcharge will go into effect 45 days following the Company's filing of the surcharge calculation.

EFFECTIVE: September 29, 2022

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: VEOLIA WATER RHODE ISLAND, INC.
APPLICATION TO CHANGE RATE SCHEDULES

DOCKET NO: 4800

SHEET NO. 25

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (Continued)

- j. A surcharge would be applied to all customer bills equal to the percentage calculated by dividing the DSIC revenue requirement by the Company's projected revenues for the next six months. The surcharge will be applied on a bills rendered basis.
- k. After the first twelve-month DSIC period and each six-month period thereafter on a rolling twelve-month basis, the Company will include an Earnings Test as part of its DSIC Filing. If the Company is earning in excess of 15 basis points over its last allowed overall rate of return on rate base, as approved by the Commission in the Company's most recent base rate case, then the DSIC surcharge would cease until such time as the Company is in an under-earning position.
- l. Each DSIC filing will include a reconciliation on the over (under) recovery of the DSIC surcharge.
- m. There will be no "Gap Period" as a result of the Company filing for new base rates. The Gap Period represents the time between: 1) when Qualified Additions are reflected in base rates; and 2) the Company's subsequent DSIC Filing. For example, if increased rates become effective in April and that increase only includes Qualified Additions through the prior December, the next DSIC surcharge after the rate increase would include Qualified Additions from January through September (i.e., six months after the April effective date of new rates).
- n. The Company may include Restoration Service Costs (i.e., costs necessary to restore construction to pre-construction condition or as dictated by State, Federal, or municipal laws, rules, ordinances, orders, or regulations, including, but not limited to, paving, sidewalks, curbing, landscaping, and traffic control costs) for Qualified Additions that are incurred after a Qualified Addition is placed in service in future DSIC Filings.
- o. The Company will submit to Commission Staff an Annual DSIC Filing, to be made within 90 days after the end of the first 12-month DSIC period and each 12-month period thereafter. This filing should provide back-up data (such as in service dates, actual paid capital expenditures, work orders and other details as requested by the Commission) for all Qualified Additions included in the prior DSIC period.
- p. The DSIC surcharge will remain in place until the Commission orders new base rates for the Company. After the DSIC surcharge resets to zero through a base rate proceeding, the plant additions previously included in the DSIC will be accounted for and included in the Company's base rates.

In addition to the net charges provided for in this Tariff, a charge of 5.00% will apply to all charges for bills rendered on or after September 29, 2022.

EFFECTIVE: September 29, 2022

**Veolia Water Rhode Island
Income Statement
Earnings Calculation**

| Line No. | Description | Actual 12 Months Ending 7/31/2022 | Ratemaking Adjustments | Adjusted 12 Months Ending 7/31/2022 |
|----------|------------------------------------------|--------------------------------------------|---------------------------|----------------------------------------------|
| 1 | Operating Revenues | \$ 5,669,144 | | \$ 5,669,144 |
| | Operating Expenses | | | |
| 2 | Operation and Maintenance Expenses | 2,445,240 [1] | 14,346 [2] | 2,459,586 |
| 3 | Depreciation and Amortization | 899,369 | 24,330 | 923,700 [3] |
| 4 | Taxes Other Than Income | 499,689 | | 499,689 |
| 5 | Operating Expenses Before Income Taxes | 3,844,298 | | 3,882,974 |
| 6 | Pre-tax utility operating income | 1,824,846 | | 1,786,169 |
| 7 | Federal Income Taxes (from tax calc tab) | 283,520 | (23,036) | 260,484 [4] |
| 8 | Utility Operating Income | \$ 1,541,325 | | \$ 1,525,685 |
| 9 | Rate Base | \$ 25,743,829 | | \$ 25,743,829 |
| 10 | Return on Rate Base | 5.99% | | 5.93% |
| 11 | Allowed Return on Rate Base | 7.20% | | 7.20% |
| 12 | Earnings Adjustment | 0.15% | | 0.15% |
| 13 | Earnings Base Rate of Return | 7.35% | | 7.35% |

Notes:

| | | |
|-----|--------------------------------------------------------------|--------------|
| [1] | Operation & Maintenance Expenses | 2,391,746 |
| | 71257426 Pension-Other componts of NPPC | 76,471 |
| | 71258426 PBOP-Other components of NPPC | (22,977) |
| | Total Operation & Maintenance Expenses | \$ 2,445,240 |
| [2] | O&M Expenses | |
| | Veolia M&S shared assets - return, interest taxes not booked | \$ 14,346 |
| | See Shared asset file | |
| [3] | Depreciation Expense Annualized | \$ 76,975 |
| | July-22 Expense | X12 |
| | | \$ 923,700 |

| | | | |
|-----|----------------------------------|---------------|--------------|
| [4] | FIT Calculation | | |
| | Pre-tax utility operating income | | \$ 1,786,169 |
| | Rate Base | \$ 25,743,829 | |
| | Interest | 2.12% | 545,769 |
| | Taxable income | | 1,240,400 |
| | Federal income tax | 21.00% | \$ 260,484 |

| Return on Equity Calculation 6/30/2022 | |
|----------------------------------------------------------|---------------|
| Rate Base | \$ 25,743,829 |
| Equity | 53.91% |
| Equity on Rate Base | \$ 13,878,498 |
| Utility Operating Income | \$ 1,525,685 |
| Less Interest Expense | (545,769) |
| Utility Operating Income Net | \$ 979,916 |
| ROE (Utility Operating Income Net / Equity on Rate Base) | 7.06% |