

GORDON'S CORNER WATER COMPANY

Schedule A

COMPARATIVE BALANCE SHEETS

YEARS ENDED DECEMBER, 31

ACCOUNTS	ASSETS AND OTHER DEBITS	2020	2019	2018
101	WATER UTILITY PLANT	41,961,805	41,530,284	41,037,535
107	CONSTRUCTION WORK IN PROGRESS	1,859,449	238,729	97,898
111	Less: ACCUMULATED DEPRECIATION AND AMORTIZATION	13,482,842	12,931,050	12,442,782
	NET UTILITY PLANT	<u>30,338,412</u>	<u>28,837,963</u>	<u>28,692,651</u>
124	OTHER PROPERTY AND INVESTMENTS	<u>365,288</u>	<u>375,557</u>	<u>387,281</u>
	CURRENT AND ACCRUED ASSETS			
131	CASH AND WORKING FUNDS	1,146,451	243,854	251,988
142	CUSTOMER ACCOUNTS RECEIVABLE	1,005,384	888,589	947,597
143	OTHER ACCOUNTS RECEIVABLE	-	-	-
154	MATERIAL AND SUPPLIES	76,326	74,294	71,205
165	PREPAYMENTS	117,376	93,448	112,006
174	MISC. CURRENT AND ACCRUED ASSETS			39,320
	TOTAL CURRENT AND ACCRUED ASSETS	<u>2,345,537</u>	<u>1,300,185</u>	<u>1,422,116</u>
	DEFERRED DEBITS			
183	OTHER DEFERRED DEBITS	<u>13,433</u>	<u>26,697</u>	<u>54,961</u>
	TOTAL ASSETS AND OTHER DEBITS	<u>33,062,670</u>	<u>30,540,402</u>	<u>30,557,009</u>
	LIABILITIES AND OTHER CREDITS			
	PROPRIETARY CAPITAL			
201	COMMON STOCK	318,730	318,730	318,730
211	OTHER PAID-IN CAPITAL	116,294	116,294	116,294
216	UNAPPROPRIATED EARNED SURPLUS	<u>8,271,128</u>	<u>7,495,234</u>	<u>6,982,620</u>
	TOTAL PROPRIETARY CAPITAL	<u>8,706,152</u>	<u>7,930,258</u>	<u>7,417,644</u>
	LONG-TERM DEBT			
224	FIRST MORTGAGE-COBANK	<u>4,329,510</u>	<u>2,806,907</u>	<u>3,253,759</u>
	CURRENT AND ACCRUED LIABILITIES			
232	ACCOUNTS PAYABLE	672,231	553,702	674,452
235	CUSTOMER DEPOSITS	79,808	100,438	77,492
236	TAXES ACCRUED	5,210	7,213	13,089
237	INTEREST ACCRUED			-
242	MISC. CURRENT AND ACCRUED LIABILITIES	<u>297,588</u>	<u>260,107</u>	<u>289,973</u>
	TOTAL CURRENT AND ACCRUED LIABILITIES	<u>1,054,837</u>	<u>921,460</u>	<u>1,055,006</u>
253	OTHER DEFERRED CREDITS	257,404	226,641	175,464
271	CONTRIBUTION IN AID OF CONSTRUCTION	<u>18,714,769</u>	<u>18,655,136</u>	<u>18,655,136</u>
	TOTAL LIABILITIES AND OTHER CREDITS	<u>33,062,672</u>	<u>30,540,402</u>	<u>30,557,009</u>

GORDON'S CORNER WATER COMPANY

Schedule B

COMPARATIVE INCOME STATEMENTSYEARS ENDED DECEMBER, 31

ACCOUNTS	UTILITY OPERATING INCOME			
		2020	2019	2018
400	OPERATING REVENUE	<u>12,806,355</u>	<u>12,491,390</u>	<u>11,454,095</u>
	<u>OPERATING EXPENSES</u>			
401	OPERATION EXPENSES	8,028,370	8,017,646	7,938,035
402	MAINTENANCE EXPENSES	667,450	629,432	711,715
403	DEPRECIATION EXPENSE	783,524	748,735	745,129
408	TAXES - OTHER THAN	1,888,753	1,783,577	1,756,744
409	INCOME TAXES	<u>218,988</u>	<u>192,750</u>	<u>32,901</u>
	<u>TOTAL OPERATING EXPENSES</u>	<u>11,587,085</u>	<u>11,372,140</u>	<u>11,184,524</u>
	<u>NET OPERATING REVENUE</u>	<u>1,219,270</u>	<u>1,119,250</u>	<u>269,571</u>
	<u>OTHER INCOME</u>			
419	INTEREST INCOME	33,170	33,119	45,540
421	MISC NONOPERATING	<u>355,000</u>	<u>0</u>	<u>0</u>
	<u>TOTAL OTHER INCOME</u>	<u>388,170</u>	<u>33,119</u>	<u>45,540</u>
	<u>GROSS INCOME (LOSS)</u>	<u>1,607,440</u>	<u>1,152,369</u>	<u>315,111</u>
	<u>INTEREST CHARGES</u>			
427	INTEREST ON LONG-TERM	227,768	214,396	248,090
431	OTHER INTEREST	<u>3,778</u>	<u>25,361</u>	<u>26,052</u>
	<u>TOTAL INTEREST EXPENSE</u>	<u>231,546</u>	<u>239,757</u>	<u>274,142</u>
	<u>NET INCOME (LOSS)</u>	<u>1,375,894</u>	<u>912,612</u>	<u>40,969</u>

GORDON'S CORNER WATER COMPANY

Schedule C

COMPARATIVE SCHEDULE OF OPERATING REVENUES

YEARS ENDED DECEMBER, 31

<u>ACCOUNTS</u>	<u>SALES OF WATER</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
461	METERED SALES TO GENERAL CUSTOMERS	11,660,948	11,339,316	10,346,204
462	PRIVATE FIRE PROTECTION SERVICE	142,557	141,203	132,117
463	PUBLIC FIRE PROTECTION SERVICE	<u>488,403</u>	<u>488,403</u>	<u>481,778</u>
466	SALES FOR RESALE	<u>104,025</u>	<u>104,025</u>	<u>97,505</u>
	<u>TOTAL SALES OF WATER</u>	<u>12,395,933</u>	<u>12,072,947</u>	<u>11,057,604</u>
	<u>OTHER OPERATING REVENUES</u>			
471	MISCELLANEOUS SERVICE REVENUES	15,854	28,603	22,422
472	RENTS - WATER PROPERTY	394,009	388,619	372,348
474	OTHER WATER REVENUES	<u>559</u>	<u>1,220</u>	<u>1,721</u>
	<u>TOTAL OTHER OPERATING REVENUES</u>	<u>410,422</u>	<u>418,442</u>	<u>396,491</u>
	<u>TOTAL OPERATING REVENUES</u>	<u>12,806,355</u>	<u>12,491,389</u>	<u>11,454,095</u>

GORDON'S CORNER WATER COMPANY

Schedule D

SCHEDULES OF OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

	2020		2019		2018	
	OPERATION	MAINTENANCE	OPERATION	MAINTENANCE	OPERATION	MAINTENANCE
1. SOURCE OF SUPPLY						
601 Operation Labor and Expenses	18,585	-	17,272	-	20,130	-
602 Purchased Water	4,031,949	-	4,167,762	-	4,064,338	-
603 Miscellaneous Expenses	6,505	-	6,347	-	5,817	-
604 Rents	-	-	-	-	-	-
611 Maintenance of Structures and Improvements	-	165	-	755	-	5,389
614 Maintenance of Wells and Springs	-	42,000	-	38,291	-	37,084
616 Maintenance of Supply Mains	-	0	-	-	-	-
Total Source of Supply Expenses	4,057,039	42,165	4,191,381	39,046	4,090,285	42,473
2. PUMPING EXPENSES						
620 Operation Supervision and Engineering	176,834	-	197,293	-	216,947	-
623 Fuel or Power Purchased for Pumping	224,163	-	222,888	-	225,537	-
626 Miscellaneous Expenses	6,094	-	5,832	-	5,601	-
631 Maintenance of Structures and Improvements	-	0	-	-	-	48
632 Maintenance of Power Production Equipment	-	-	-	-	-	-
633 Maintenance of Pumping Equipment	-	34,315	-	22,596	-	24,130
Total Pumping Expenses	407,091	34,315	426,013	22,596	448,085	24,178
3. WATER TREATMENT EXPENSES						
640 Operation Supervision and Engineering	240,642	-	250,430	-	205,141	-
641 Chemicals	79,781	-	75,838	-	69,563	-
642 Operation Labor and Expenses	71,089	-	49,030	-	42,266	-
643 Miscellaneous Expenses	53,392	-	52,913	-	53,506	-
650 Maintenance of Supervision and Engineering	-	43,784	-	-	-	-
651 Maintenance of Structures and Improvements	-	63,804	-	72,845	-	65,564
652 Maintenance of Water Treatment Equipment	-	3,906	-	15,397	-	15,181
Total Water Treatment Expenses	444,904	111,494	428,211	88,242	370,476	80,745
4. TRANSMISSION AND DISTRIBUTION EXPENSES						
660 Operation Supervision and Engineering	174,425	-	162,786	-	174,744	-
661 Storage Facilities Expenses	9,187	-	6,284	-	8,564	-
662 Transmission and Distribution Lines Expenses	11,030	-	14,327	-	13,927	-
663 Meter Expenses	610	-	3,156	-	3,293	-
664 Customer Installation Expenses	(3,450)	-	(13,271)	-	(8,607)	-
665 Miscellaneous Expenses	191,932	-	202,596	-	201,643	-
670 Maintenance Supervision and Engineering	-	268,207	-	227,059	-	234,109
672 Maintenance of Distribution Reservoirs and Standpipes	-	91,000	-	107,223	-	128,673
673 Maintenance of Transmission and Distribution Mains	-	37,443	-	16,581	-	86,838
675 Maintenance of Services	-	28,701	-	56,619	-	51,375
676 Maintenance of Meters	-	-	-	42	-	-
677 Maintenance of Hydrants	-	(9,677)	-	19,419	-	2,113
678 Maintenance of Miscellaneous Plant	-	44,345	-	37,906	-	45,983
Total Transmission and Distribution Mains	383,734	460,019	375,878	464,849	393,564	549,091
5. CUSTOMER ACCOUNTS						
901 Supervision	393,274	-	318,844	-	305,010	-
902 Meter Reading Expenses	3,792	-	3,803	-	5,862	-
903 Customer Records and Collection Expenses	174,188	-	192,755	-	148,341	-
904 Uncollectible Accounts	15,643	-	12,721	-	11,104	-
905 Miscellaneous Customer Accounts Expenses	9,209	-	10,082	-	11,219	-
Total Customer Accounts Expenses	596,106	-	538,205	-	481,536	-
7. ADMINISTRATIVE AND GENERAL EXPENSES						
920 Administrative and General Salaries	749,630	-	740,120	-	794,437	-
921 Office Supplies and Other Expenses	77,650	-	73,275	-	73,571	-
923 Outside Services Employed	144,509	-	112,807	-	98,219	-
924 Property Insurance	116,878	-	110,669	-	111,162	-
925 Injuries and Damages	32,207	-	38,598	-	37,332	-
926 Employee Pensions and Benefits	608,011	-	585,178	-	619,053	-
928 Regulatory Commission Expenses	10,000	-	15,000	-	45,996	-
930 Miscellaneous General Expenses	55,659	-	74,700	-	73,425	-
931 Rents	344,952	-	307,610	-	300,894	-
932 Maintenance of General Plant	-	19,457	-	14,698	-	15,228
Total Administrative and General Expenses	2,139,496	19,457	2,057,957	14,698	2,154,089	15,228

COMPARATIVE SCHEDULE OF TAXES OTHER THAN INCOME TAXESYEARS ENDED DECEMBER, 31

<u>FEDERAL TAXES</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
FEDERAL PAYROLL TAXES	<u>145,587</u>	<u>137,773</u>	<u>138,245</u>
<u>TOTAL FEDERAL TAXES</u>	<u>145,587</u>	<u>137,773</u>	<u>138,245</u>
<u>STATE TAXES</u>			
UNEMPLOYMENT	16,269	17,134	21,079
EXCISE TAXES	183,040	171,424	168,822
PUBLIC COMMUNITY WATER TAX	14,544	13,979	13,743
MISCELLANEOUS TAXES	0	0	325
BPU ANNUAL ASSESSMENT	<u>29,425</u>	<u>32,272</u>	<u>29,303</u>
<u>TOTAL STATE TAXES</u>	<u>243,278</u>	<u>234,809</u>	<u>233,272</u>
<u>LOCAL TAXES</u>			
GROSS RECEIPTS	904,423	828,290	815,913
LOCAL PROPERTY	35,568	39,600	34,326
FRANCHISE	<u>559,897</u>	<u>543,105</u>	<u>534,989</u>
<u>TOTAL LOCAL TAXES</u>	<u>1,499,888</u>	<u>1,410,995</u>	<u>1,385,228</u>
<u>TOTAL TAXES OTHER THAN INCOME TAXES</u>	<u>1,888,753</u>	<u>1,783,577</u>	<u>1,756,745</u>

PROFORMA STATEMENT OF REVENUE & EXPENSES UNDER PRESENT & PROPOSED RATES

ACCOUNTS	Test Year	Under Present Rates		Under Proposed Rates	
	Dec 31, 2021	adjustment	proforma	adjustment	proforma
<u>UTILITY OPERATING INCOME</u>					
400 Operating Revenues	12,217,635	(39,900)	12,177,735	2,292,237	14,469,972
Other Operating Revenues	399,000	(95,000)	304,000		304,000
<u>OPERATING EXPENSES</u>					
401 Operation Expense	8,285,664	1,184,303	9,469,967		9,469,967
402 Maintenance Expense	769,285	0	769,285		769,285
403 Depreciation Expense	765,566	73,390	838,956		838,956
408 Taxes - Other than Income	1,967,620	(22,215)	1,945,405	313,120	2,258,524
409 Income Taxes	130,652	(130,652)	0	262,562	262,562
TOTAL OPERATING EXPENSE	11,918,787		13,023,613	575,681	13,599,294
NET OPERATING REVENUE	697,848		(541,878)	1,716,556	1,174,678
<u>OTHER INCOME</u>					
419 CoBank Patronage Distribution (Equity & Cash)	35,685	(5,685)	30,000		30,000
TOTAL OTHER INCOME	35,685		30,000		30,000
TOTAL INCOME	733,533		(511,878)		1,204,678
<u>OTHER CHARGES</u>					
427 Interest Expense - Co-Bank	222,531	(25,085)	197,446		197,446
431 Other Interest Expense	19,500	0	19,500		19,500
TOTAL OTHER CHARGES	242,031		216,946		216,946
NET INCOME	491,502		(728,824)		987,732

**GORDON'S CORNER WATER COMPANY
EXPLANATION OF TEST YEAR**

The Company's test year is the 12 months ended December 31, 2021 which consists of Five (5) months of "actual", and Seven (7) months of "estimated" results.

TEST YEAR OPERATION AND MAINTENANCE EXPENSES

<u>ACCOUNTS</u>	<u>TEST YEAR 12/31/21</u>	<u>OPERATION</u>	<u>MAINTENANCE</u>	<u>TOTAL</u>
600-617	Source of Supply	4,122,985	48,800	4,171,785
620-633	Pumping	424,619	13,062	437,681
640-652	Water Treatment	442,069	127,707	569,776
660-678	Transmission & Distribution	410,564	565,856	976,420
901-905	Customer Accounts	613,091	0	613,091
920-932	Administrative & General	2,272,336	13,860	2,286,196
401 & 402	TOTAL O & M EXPENSES	8,285,664	769,285	9,054,949

BREAKDOWN OF TEST YEAR REVENUES

Accounts	TEST YEAR 12/31/21	
<u>SALES OF WATER</u>		
461	Metered Sales to General Customers	11,456,252
461	Purchased Water Adjustment Clause	0
462	Private Fire Protection	142,417
463	Public Fire Protection	490,940
466	Sales For Resale	104,025
471 & 474	Miscellaneous Service/Other Water Revenue	<u>24,000</u>
TOTAL SALES OF WATER		12,217,635
<u>OTHER OPERATING REVENUES</u>		
472	Rents From Water Property (Cellular Rental)	<u>399,000</u>
TOTAL OTHER OPERATING REVENUES		399,000
TOTAL OPERATING REVENUES		<u><u>12,616,635</u></u>

STATEMENT OF TAXES - OTHER THAN INCOME TAXES

ACCOUNTS	TEST YEAR 12/31/21	Proforma Present Rates	
<u>FEDERAL TAXES</u>			
408.2	Federal Insurance Contribution Act (FICA)	165,760	170,733
408.3	Federal Unemployment	1,050	1,082
	TOTAL FEDERAL TAXES	166,810	171,814
<u>STATE TAXES</u>			
408.6	Unemployment & Disability	20,232	20,839
408.9	Excise Tax	187,934	185,102
408.7	BPU/RC Assessments	35,177	35,177
408.10	PCWT	14,000	14,100
	TOTAL STATE TAXES	257,343	255,218
<u>LOCAL TAXES</u>			
408.1	Gross Receipts	928,604	913,330
408.4	Local Property	39,996	39,996
408.5	Franchise	574,867	565,047
	TOTAL LOCAL TAXES	1,543,467	1,518,373
408	TOTAL TAXES - OTHER THAN INCOME	1,967,620	1,945,405
	Increase in Taxes -Other Than Income Under Present Rates		<u>(22,215)</u>

PROJECTED BALANCE SHEET AS OF December 31, 2021

ACCOUNTS

<u>ASSETS AND OTHER DEBITS</u>		
101	WATER UTILITY PLANT	46,474,255
107	CONSTRUCTION WORK IN PROGRESS	-
111	LESS: ACCUMULATED DEPRECIATION AND AMORTIZATION	<u>14,023,015</u>
	NET UTILITY PLANT	32,451,240
124	OTHER PROPERTY AND INVESTMENTS	356,226
<u>CURRENT AND ACCRUED ASSETS</u>		
131	CASH AND WORKING FUNDS	208,451
142	CUSTOMER ACCOUNTS RECEIVABLE	878,738
154	MATERIALS AND SUPPLIES	78,000
165	PREPAYMENTS	<u>152,863</u>
	TOTAL CURRENT & ACCRUED ASSETS	1,318,052
<u>DEFERRED DEBITS</u>		
186	UNAMORTIZED RATE CASE EXPENSES	50,000
186	UNAMORTIZED DEFERRED DEBITS	-
186	UNAMORTIZED DEBT ISSUANCE EXPENSE	8,809
	TOTAL DEFERRED DEBITS	<u>58,809</u>
	TOTAL ASSETS AND OTHER DEBITS	<u><u>34,184,327</u></u>
<u>LIABILITIES AND OTHER CREDITS</u>		
<u>PROPRIETARY CAPITAL</u>		
201	COMMON STOCK ISSUES	318,730
211	PAID IN CAPITAL	116,294
216	UNAPPROPRIATED EARNED SURPLUS	<u>8,362,630</u>
	TOTAL PROPRIETARY CAPITAL	8,797,654
<u>LONG-TERM DEBT</u>		
224	FIRST MORTGAGE - COBANK	3,826,386
<u>CURRENT AND ACCRUED LIABILITIES</u>		
231	LINE OF CREDIT	1,000,000
232	ACCOUNTS PAYABLE TRADE	926,914
235	CUSTOMER DEPOSITS	75,000
236	TAXES ACCRUED AND PAYABLE	5,210
242	MISC CURRENT & ACCRUED LIABILITIES	<u>324,000</u>
	TOTAL CURRENT & ACCRUED LIABILITIES	2,331,124
252.00	ACCUMULATED DEFERRED INCOME TAXES	299,821
271	CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>18,929,342</u>
	TOTAL LIABILITIES AND OTHER CREDITS	<u><u>34,184,327</u></u>

SUMMARY OF ADJUSTMENTS TO TEST YEAR

	<u>Test Year</u>	<u>Adjustment</u>	<u>Proforma Present Rates</u>
OPERATING REVENUE	12,217,635	(39,900)	12,177,735
CELLULAR REVENUE	399,000	(95,000)	304,000
 <u>OPERATION EXPENSE ADJUSTMENTS</u>			
PURCHASED WATER	4,098,844	1,037,303	5,136,147
RATE CASE	0	50,000	50,000
ALL OTHER OPERATION EXPENSES	4,186,820	97,000	4,283,820
TOTAL OPERATION EXP ADJUSTMENTS	8,285,664	1,184,303	9,469,967
 <u>MAINTENANCE EXPENSE ADJUSTMENTS</u>			
ALL OTHER MAINTENANCE EXPENSES	769,285	0	769,285
TOTAL MAINTENANCE EXP ADJUSTMENTS	769,285	0	769,285
DEPRECIATION	765,566	73,390	838,956
TAXES OTHER THAN INCOME TAXES	1,967,620	(22,215)	1,945,405
INCOME TAXES	130,652	(130,652)	0
INTEREST EXPENSE - COBANK	222,531	(25,085)	197,446

**GORDON'S CORNER WATER COMPANY
EXPLANATION OF ADJUSTMENT TO TEST YEAR
OPERATING REVENUES AND CELLULAR REVENUES**

Adjustment to Revenues Under Present Rates

The \$ (39,900) adjustment to pro forma operating revenues under present rates was determined as follows:

Based on the Howard J. Woods regression analysis utilized to calculate the Company's pro forma consumption in the previous base rate case, BPU Docket # WR18030268, the Company has calculated a decrease to test year consumption of 7 MG which yields proforma consumption under present rates of 1,397,000 thousand gallons. The regression analysis was updated to encompass the water sales years 2011-2020. It does not include the Sales For Resale Englishtown consumption of 18,250 thousand gallons, similar to the methodology utilized in the previous base rate case.

The \$ (95,000) adjustment to pro forma cellular revenues is based on the merger between T-Mobile and Sprint and the forecasted loss of Sprint as a tenant at two (2) of the Company's water tank properties in 2022.

**GORDON'S CORNER WATER COMPANY
EXPLANATION OF ADJUSTMENT TO TEST YEAR
PURCHASED WATER COST**

The company's diversion from its ground water sources is limited to a maximum annual diversion of 804.277 MG. The balance of the water needed to serve its customers is purchased from the Marlboro Township Water Utility Division and Suez-Matchaponix pursuant to long term water supply agreements.

The increase in the Company's water purchase costs in the amount of \$1,037,303 is due primarily to an anticipated increase in the rates and charges of the Marlboro Township Water Utility Division (whose own rates will increase as a result of a rate increase that is pending before the NJBPU by Middlesex Water Company under Docket #WR21050813) and an overall rate increase of 5.51% approved for Suez on May 19, 2021 by the NJBPU under Docket #WR20110729.

**GORDON'S CORNER WATER COMPANY
EXPLANATION OF ADJUSTMENT TO TEST YEAR
RATE CASE EXPENSES**

The Company's anticipated rate case expenses for this proceeding are \$100,000 amortized over a 2-year period.

Regarding the legal fee component, the Company has retained Stephen Genzer, Esq. of the law firm of Saul Ewing Arnstein & Lehr, LLP for an agreed upon, estimated fee of \$75,000, to perform all legal services required in this matter, including but not limited to the review and analysis of all exhibits, preparation and filing of the necessary Petition and supporting exhibits with the Board of Public utilities, reviewing all discovery and the Company's responses thereto, attending all meetings, settlement or other conferences, drafting any stipulation agreements, representing the Company at the public hearing in the service area and all other services needed to conclude the matter by means of settlement. It does not include any costs related to hearings or litigation at OAL.

Guastella Associates, LLC has been retained to prepare a Cost of Service Study at an estimated cost of \$25,000. This fee includes filing the COSS and related testimony.

Costs are broken down as follows:

	NAME AND FIRM	ESTIMATED COST
Legal	Stephen Genzer, Esq Saul Ewing Arnstein & Lehr, LLP	\$75,000
Cost of Service	John F. Guastella, President Guastella Associates, LLC	\$25,000
	<u>Total</u>	\$100,000
	Amortization Period	<u>2 Years</u>
	<u>ANNUAL RECOVERY OF CURRENT RATE CASE EXPENSES</u>	<u>\$50,000</u>

**EXPLANATION OF ADJUSTMENT TO TEST YEAR
OPERATION & MAINTENANCE EXPENSES**

OPERATION:

An increase in payroll in the pro forma period in the amount of \$67,000 based on 2022 annual salary and wage increases.

An increase in employee benefits in the pro forma period in the amount of \$30,000 to account for increases in 2022.

MAINTENANCE:

No pro forma adjustment.

**GORDON'S CORNER WATER COMPANY
EXPLANATION OF ADJUSTMENT TO TEST YEAR
DEPRECIATION**

The Company calculates depreciation on utility plant in service over established services lives. For the year an asset is placed in service, a half year convention is used to calculate the depreciation recovery. The accompanying Schedule N of utility plant in service at December 31, 2021 reflects the test year and pro forma year depreciation expense and the related adjustment to the test year of \$ 73,390.

In determining the revenue requirement, only depreciation on company financed plant investment has been reflected. No recovery for CIAC depreciation is sought, which is consistent with all prior rate making treatment.

**GORDON'S CORNER WATER COMPANY
EXPLANATION OF ADJUSTMENT TO TEST YEAR
TAXES OTHER THAN INCOME TAXES**

Payroll and Property Taxes

The Company is reflecting a \$5,611 increase in payroll and property taxes for the pro forma period.

Revenue Taxes (Under Present Rates)

The Company is reflecting a decrease in operating revenue under present rates of \$ (39,900). The related decrease in revenue taxes amounts to \$ (27,826).

Summary of Increase and Adjustment

Payroll and Property Taxes	\$ 5,611
Revenue Taxes	\$ <u>(27,826)</u>
<u>Total</u>	<u>\$ (22,215)</u>

**GORDON'S CORNER WATER COMPANY
EXPLANATION OF ADJUSTMENT TO TEST YEAR
INCOME TAXES**

Pro Forma Year Under Present Rates

The Company is reflecting a net income of \$ (728,824) in the pro forma year under present rates which produces \$0 for income taxes in the pro forma year under present rates.

Pro Forma Year - Proposed Rates

The Company has calculated applicable Federal Income Taxes at the maximum corporate income tax rate at the calculated taxable income. Under the current internal revenue code, the Company is utilizing a tax rate of 21%.

**GORDON'S CORNER WATER COMPANY
EXPLANATION OF ADJUSTMENT TO TEST YEAR
INTEREST EXPENSE**

CoBank, ACB

The Company has five outstanding long term loans from CoBank used to fund additions to utility plant.

The first loan of \$2,500,000 was approved October 23, 1996 by the BPU under Docket #WF96080588. It carries an interest rate of 8.75%. This loan will be fully paid off by December 31, 2021 and is not reflected on the Company's pro forma balance sheet or Schedule T of this petition.

The second loan of \$2,000,000 was approved November 23, 1998 by the BPU under Docket #WF98090974. It carries an interest expense rate of 8.1% and matures in 2024.

The third loan of \$1,500,000 was approved December 5, 2002 by the BPU under Docket #WF02080529. It carries an interest rate of 7.31% and matures in 2028.

The fourth loan of \$1,500,000 was approved January 18, 2012 by the BPU under Docket #WF11110801. It carries an interest rate of 4.76% and matures in 2033.

The fifth loan of \$2,000,000 was approved November 13, 2019 by the BPU under Docket #WF19091004. It carries an interest rate of 4.18% and matures in 2041.

**TEST YEAR REVENUES UNDER PRESENT RATES
TEST YEAR CUSTOMER COUNT @ 12/31/21**

<u>METER SIZE</u>	<u>QUANTITY</u>	<u>PRESENT TARIFF RATE (Monthly)</u>	<u>ANNUAL FIXED REVENUES</u>
<u>GENERAL METERED SERVICES</u>			
5/8"	10194	\$16.25 x12	1,987,830
3/4"	4214	\$24.38 x12	1,232,848
1"	60	\$40.63 x12	29,254
1 1/2"	12	\$81.23 x12	11,697
2"	48	\$129.96 x12	74,857
4"	18	\$406.13 x12	87,724
6"	3	\$812.30 x12	29,243
TOTAL FIXED SERVICE REVENUE			3,453,452
<u>PRIVATE FIRE SERVICE</u>			
2"	14	\$7.51 x12	1,262
4"	16	\$37.46 x12	7,192
6"	37	\$74.90 x12	33,256
8"	70	\$119.89 x12	100,708
TOTAL PRIVATE FIRE REVENUE			142,417
<u>PUBLIC FIRE SERVICE</u>			
<u>HYDRANTS</u>	<u>1161</u>	<u>\$422.86</u>	<u>490,940</u>
TOTAL PUBLIC FIRE REVENUE			490,940
SALES FOR RESALE-ENGLISHTOWN (18,250 TG X 5.70/1,000 GAL)			104,025
TOTAL REVENUES OTHER THAN FROM CONSUMPTION AND MISC. SERVICE REVENUE			4,190,835
MISCELLANEOUS SERVICE/OTHER WATER REVENUE			24,000
RENTS FROM WATER PROPERTY(Cellular Rental)			399,000
CONSUMPTION REVENUE (1,404,000 TG X 5.70/1,000 GAL)			8,002,800
TEST YEAR REVENUES UNDER PRESENT RATES			12,616,635

Schedule N

ACCT#	DESCRIPTION	PLANT COST 12/31/20	ADDITIONS	RETIREMENTS	PLANT COST 12/31/21	DEPRECIATION RATES	TEST YEAR DEPRECIATION	PRO FORMA DEPRECIATION
301	Organization	7,529			7,529			
310	S/S - Land	189,017			189,017			
311	S/S - Structures & Imp.	63,570			63,570	2.5	1,349	1,349
314	S/S - Wells	3,290,941	1,436,022		4,726,963	4	73,784	102,504
316	S/S - Supply Mains	466,132	8,000		474,132	2	9,403	9,483
317	S/S - Other Water Source	9,579			9,579	2	192	191
320	Pump - Land	3,665			3,665			
321	Pump - Structures & Imp.	397,226			397,226	10	196	34
325	Pump - Electric Pump Equip.	2,947,239	2,060,071	76,105	4,931,205	5	169,791	213,842
331	W/T - Structures & Imp.	689,036	10,000		699,036	3	18,445	18,595
332	W/T - Water Treatment Equip.	2,292,434	20,000		2,312,434	4	57,470	56,566
340	T&D - Land	68,864			68,864			
341	T&D - Structures & Imp.	102,671			102,671	2	2,053	2,053
342	T&D - Standpipes	3,633,077	135,000		3,768,077	5	85,687	89,062
343	T&D - Trans. & Dist. Mains	17,574,474	430,356		18,004,830	2	38,631	39,599
345	T&D - Services	4,132,221	230,000		4,362,221	2	30,155	32,400
346	T&D - Meters	2,458,828	220,000	143,475	2,535,353	5	121,268	121,901
347	T&D - Meter Installation	21,563		5,812	15,751	5	787	437
348	T&D - Hydrants	1,663,049	75,000		1,738,049	2	28,494	29,233
349	T&D - Other Trans. & Dist.	5,830			5,830	5		
390	G/P - Structures & Imp.	244,145			244,145	2	4,883	4,883
391	G/P - Office Furn. & Equip.	583,024	13,000		596,024	10	40,562	40,992
392	G/P - Transportation Equip.	487,225			487,225	33.3	36,516	25,889
394	G/P - Tool, Shop & Garage	526,007	100,392		626,399	10	45,899	49,942
397	G/P - Communication Equip.	88,859			88,859	10		0
399	G/P - Other Tangible Property	15,601			15,601	10		0
	TOTALS	<u>41,961,806</u>	<u>4,737,841</u>	<u>225,392</u>	<u>46,474,255</u>		<u>765,566</u>	<u>838,956</u>

PURCHASED WATER

<u>SOURCE OF SUPPLY</u>	<u>THOUSAND GALLONS</u>	COST PER 1,000 <u>GALLONS</u>	<u>TOTAL COST</u>
MINIMUM TAKE OR PAY @ 1.5 MG PER DAY:			
SUEZ-MATCHAPONIX	547,500	\$2.8957	\$1,585,396
MARLBORO TWP. WATER UTILITY DIVISION	547,500	\$6.48539	\$3,550,751
PLANT PRODUCTION	<u>804,277</u>	N/A	0
TOTAL SOURCE OF SUPPLY	1,899,277		
TOTAL PROFORMA WATER COST			5,136,147
TEST YEAR			<u>4,098,844</u>
ADJUSTMENT			<u><u>1,037,303</u></u>

**GORDON'S CORNER WATER COMPANY
EXPLANATION OF ADJUSTMENT TO TEST YEAR
RATE BASE**

The Company has shown rate base as of December 31, 2021 to reflect utility plant in service at that date less accumulated depreciation, contributions in aid (CIAC), and customer advances for construction. No post test year plant additions are proposed in this filing. Working capital, inventory, and prepayments which consist primarily of prepaid revenue taxes, have been included.

The Company is requesting a working capital allowance of 1/12 of O&M Expenses. A 1/12 working capital allowance is reasonable since the company bills monthly in arrears and in light of the severe cash flow impact of large water purchase costs payable monthly throughout the year pursuant to the Company's water purchase agreements.

COMPUTATION OF RATE BASE AND REQUIRED RETURN

GROSS UTILITY PLANT AT DECEMBER 31, 2021	46,474,255
LESS: ACCUMULATED DEPRECIATION	14,023,015
CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>18,929,342</u>
NET UTILITY PLANT	13,521,898
<u>OTHER INCREASES (DECREASES) FOR RATE BASE</u>	
INCREASES:	
INVENTORY	78,000
PREPAYMENTS	152,863
WORKING CAPITAL ALLOWANCE (1/12)	853,237
(DECREASES)	
DEFERRED INCOME TAXES	299,821
CUSTOMER DEPOSITS	<u>75,000</u>
RATE BASE	14,231,177
OVERALL RATE OF RETURN	<u>8.25%</u>
REQUIRED UTILITY OPERATING INCOME	<u><u>1,174,678</u></u>

COMPUTATION OF REQUIRED REVENUE AND REQUIRED REVENUE INCREASE

OPERATION AND MAINTENANCE EXPENSES		10,239,252
DEPRECIATION EXPENSE		838,956
TAXES	1,945,405	
LESS: REVENUE TAXES	1,663,479	281,926
FEDERAL INCOME TAXES		262,562
PROPOSED RETURN		1,174,678
LESS: CELLULAR REVENUE		304,000
REVENUE REQUIRED BEFORE REVENUE TAXES		<u>12,493,374</u>
REQUIRED REVENUE FROM OPERATIONS AFTER REVENUE TAXES		14,469,972
CURRENT REVENUE FROM OPERATIONS		<u>12,177,735</u>
REQUIRED INCREASE IN OPERATING REVENUES		<u><u>2,292,237</u></u>
PERCENT INCREASE IN OPERATING REVENUES OVER PRESENT REVENUES		<u><u>18.82%</u></u>

PROOF OF REVENUE TAXES

REVENUE REQUIRED FROM OPERATIONS		14,469,972
REVENUE TAX RATES:		
GROSS RECEIPTS TAX	7.50%	
FRANCHISE TAX	4.64%	
EXCISE TAX	1.52%	
	<u>13.66%</u>	
TOTAL REVENUE TAXES		1,976,598
PRESENT REVENUE TAXES		<u>1,663,479</u>
INCREASE IN REVENUE TAXES		<u><u>313,120</u></u>

COMPUTATION OF INCOME TAXES

PROPOSED UTILITY OPERATING INCOME AND RETURN	1,174,678
LESS: INTEREST EXPENSE	216,946
ADD: NON OPERATING INCOME	<u>30,000</u>
NET INCOME AFTER TAXES	987,732

INCOME TAX COMPUTATION

TAXABLE INCOME (NET INCOME DIVIDED BY INVERSE OF 21% TAX RATE)	1,250,294
TAX RATE	21%
INCOME TAXES	262,562
INCOME TAX EXPENSE PRO FORMA PRESENT RATES	<u>0</u>
INCOME TAX EXPENSE ADJUSTMENT UNDER PROFORMA PROPOSED RATES	<u><u>262,562</u></u>

CAPITAL STRUCTURE AND RATE OF RETURN @ December 31, 2021

	<u>AMOUNT</u>	<u>% OF TOTAL</u>	<u>COST FACTOR</u>	<u>WEIGHTED COST</u>
CO-BANK	480,444	3.81%	8.10%	0.31%
CO-BANK	415,000	3.29%	7.31%	0.24%
CO-BANK	996,031	7.89%	4.76%	0.38%
CO-BANK	1,934,911	15.33%	4.18%	0.64%
	<u>3,826,386</u>	<u>30.31%</u>	5.16%	<u>1.56%</u>
EQUITY	<u>8,797,654</u>	<u>69.69%</u>	9.60%	<u>6.69%</u>
	<u><u>12,624,040</u></u>	<u><u>100.00%</u></u>		<u><u>8.25%</u></u>

REVENUES UNDER PROPOSED TARIFF RATES

<u>METER SIZE</u>	<u>QUANTITY</u>	<u>RATE (Monthly)</u>	<u>ANNUAL FIXED REVENUES</u>	<u>% INCREASE</u>	
<u>GENERAL METERED SERVICES</u>					
5/8"	10194	\$21.20	2,593,354		
3/4"	4214	\$28.02	1,416,915		
1"	60	\$41.87	30,146		
1 1/2"	12	\$76.01	10,945		
2"	48	\$116.97	67,375		
4"	18	\$289.16	62,459		
6"	3	\$570.60	20,542		
TOTAL FIXED SERVICE REVENUE			\$4,201,736	21.70%	
<u>PRIVATE FIRE SERVICE</u>					
2"	14	\$7.51	1,262		
4"	16	\$37.46	7,192		
6"	37	\$74.90	33,256		
8"	70	\$119.89	100,708		
TOTAL PRIVATE FIRE REVENUE			\$142,417	0.00%	
<u>PUBLIC FIRE SERVICE</u>					
		<u>ANNUAL RATE</u>			
HYDRANTS	1161	\$439.77	510,578		
TOTAL PUBLIC FIRE REVENUE			\$510,578	4.00%	
SALES FOR RESALE-ENGLISHTOWN 18,250 TG X			\$5.7 /TG	\$104,025	0.00%
TOTAL REVENUES OTHER THAN FROM COMSUMPTION AND MISC. SERVICE REVENUE			\$4,958,756		
MISCELLANEOUS SERVICE/OTHER WATER REVENUE			24,000		
RENTS FROM WATER PROPERTY(Cellular Rental)			304,000		
CONSUMPTION REVENUE	1,397,000 TG X	\$6.79 /TG	9,487,216	19.14%	
PROFORMA REVENUES UNDER PROPOSED TARIFF RATES			\$14,773,972		

COMPARISON OF PRESENT AND PROPOSED RATES

<u>METER SIZE</u>	<u>PRESENT TARIFF RATE (MONTHLY)</u>	<u>PROPOSED RATES</u>	<u>% TO INCREASE</u>
<u>GENERAL METERED SERVICES</u>			
5/8"	\$16.25	\$21.20	30.5%
3/4"	\$24.38	\$28.02	14.9%
1"	\$40.63	\$41.87	3.1%
1 1/2"	\$81.23	\$76.01	-6.4%
2"	\$129.96	\$116.97	-10.0%
4"	\$406.13	\$289.16	-28.8%
6"	\$812.30	\$570.60	-29.8%
8"	\$1,300.43	\$1,582.62	21.7%
<u>PRIVATE FIRE SERVICE</u>			
2"	\$7.51	\$7.51	0.00%
4"	\$37.46	\$37.46	0.00%
6"	\$74.90	\$74.90	0.00%
8"	\$119.89	\$119.89	0.00%
<u>PUBLIC FIRE SERVICE</u>			
	<u>ANNUAL RATES</u>		
HYDRANTS	\$422.86	\$439.77	4.00%
GENERAL METERED CONSUMPTION	\$5.70	\$6.79	19.14%

AVERAGE MONTHLY BILL FOR A TYPICAL CUSTOMER

<u>AVERAGE MONTHLY USAGE (Gal)</u>	<u>PRESENT RATE</u>	<u>PROPOSED RATE</u>	<u>PERCENTAGE INCREASE</u>
7,000	\$56.15	\$68.74	22.4%