

**Madison Water Utility**  
**Test Year 2019 Rate Study Summary (PSC-Based)**  
**June 25, 2019**

**OPERATING STATEMENT SUMMARY**

	Actual		Proposed		
	2017	2018	(At Present Rates) 2019	Proposed Increase	(After Rate Inc.) 2019
Operating Revenues	\$ 35,138,138	\$ 35,099,182	\$ 44,579,813	<b>\$ 3,487,960</b> <b>8.02%</b>	\$ 48,067,773
Operating Expenses:					
Oper. & Maint. Exp.	17,360,616	17,031,987	16,602,860		16,602,860
Depreciation	5,320,731	5,773,275	6,085,759		6,085,759
Amortization Expense	471,939	-	-		-
Taxes & Tax Equivalent	7,079,299	7,145,381	7,686,371		7,686,371
Total Oper. Expenses	<u>30,232,585</u>	<u>29,950,643</u>	<u>30,374,990</u>		<u>30,374,990</u>
<b>Operating Income</b>	<b><u>\$ 4,905,553</u></b>	<b><u>\$ 5,148,539</u></b>	<b><u>\$ 14,204,823</u></b>		<b><u>\$ 17,692,783</u></b>
<b>Rate of Return</b>	<b>2.51%</b>	<b>2.44%</b>	<b>6.42%</b>		<b>8.00%</b>
	<b>Authorized in rate order</b>				
	<b>3280-WR-113</b>		<b>3280-WR-114</b>		
	<b>2017</b>	<b>2018</b>	<b>2019 *</b>		
Operating Revenues	\$ 37,076,374	\$ 35,175,138	\$ 45,547,595		
Authorized Rate of Return	<b>6.50%</b>	<b>3.14%</b>	<b>8.00%</b>		

\* The 2019 authorized revenues and rate of return are estimates included in the Test Year 2018 rate order. Actual rates were effective beginning in December 2018 therefore the additional authorized revenues were not realized for 2018. The revenue estimates were carried-forward to 2019 at which point a full year of revenues of the new rates will be realized.

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<b>CASH FLOW SUMMARY</b>	<b>Actual</b>		<b>Proposed</b>	
	<b>2017</b>	<b>2018</b>	<b>Without Increase Forecasted 2019</b>	<b>With Increase Forecasted 2019</b>
	<u>2017</u>	<u>2018</u>	<u>Without Increase Forecasted 2019</u>	<u>With Increase Forecasted 2019</u>
Operating Income/Loss	\$ 4,905,553	\$ 5,148,539	\$ 14,204,823	\$ 17,692,783
Add:				
Depreciation	5,320,731	5,773,275	6,085,759	6,085,759
Investment income	511,259	413,102	462,000	462,000
Less:				
Debt Payments (Principal)	(8,825,000)	(6,890,000)	(9,255,000) **	(9,255,000) **
Debt Payments (Interest)	(7,424,644)	(6,365,178)	(7,656,130) **	(7,656,130) **
Advance Payments (Principal)	(854,040)	(854,122)	(917,586)	(917,586)
Advance Payments (Interest)	(53,815)	(55,557)	(54,014)	(54,014)
Total Debt Payments	(17,157,499)	(14,164,857)	(17,882,730)	(17,882,730)
Net Cash Flow Available for Capital Projects, Contingencies or Reserves	<u>\$ (6,419,956)</u>	<u>\$ (2,829,941)</u>	<u>\$ 2,869,852</u>	<u>\$ 6,357,812</u>
Average Capital Additions (not funded through debt proceeds)	18,216,498	23,002,326	10,249,000	10,249,000
Use of Funds for Capital Additions	<u><b>\$ (24,636,454)</b></u>	<u><b>\$ (25,832,267)</b></u>	<u><b>\$ (7,379,148)</b></u>	<u><b>\$ (3,891,188)</b></u>

Deficit funded through debt proceeds of \$40.2m, temporary loan from city of \$6.2m and \$4.1m of cash reserves

\*\* Payments for 2018 Revenue bonds in the amount of \$40.2 million beginning in 2020 will require an additional \$2.6 million in payments through 2028 are not included in this analysis.