

CITY OF LANCASTER - SEWER FUND

Lancaster, Pennsylvania

RATE STUDY AND DATA
IN SUPPORT OF
PROPOSED SUPPLEMENT NO. 39 TO
TARIFF SEWER PA. P.U.C. NO. 7

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Harrisburg, Pennsylvania

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CITY OF LANCASTER - SEWER FUND

SPECIFIC REASONS FOR PROPOSED INCREASE IN SEWER RATES

Pursuant to Subsection 53.52(a)(1) and (b)(1) of Tariff Regulations

The City of Lancaster - Sewer Fund (Lancaster or City) submits herewith the data required under 52 PA Code § 53.52 of the Pennsylvania Public Utility Commission Tariff Regulations in support of the proposed rates under Supplement No. 39 to Tariff Sewer-Pa. P.U.C. No. 7. The supporting data for the tariff revision is for the twelve-month periods ending December 31, 2018, December 31, 2019 and December 31, 2020, adjusted for ratemaking purposes. The last base rate revision was effective April 20, 2013, based on a future test year ended December 31, 2012.

Since the date of the last rate increase, the City has experienced higher levels of operation and maintenance expenses as a result of inflation and labor cost increases and increases to plant in service, through the end of the future test year. The effect of these increases has resulted in a net loss and reduced the rate of return on rate base for outside-City customers to approximately -0.61%.

The specific reasons for Lancaster's proposal to increase its rates for sewer service are as follows:

- (a) To provide sufficient revenues to enable it to continue to discharge, properly, its public duty to furnish adequate, safe, and reliable sewer service pursuant to the standards prescribed and enforced by the PA Department of Environmental Protection and the Federal Environmental Protection Agency;

- (b) To provide the cash flow necessary to continue to operate, maintain and renew its facilities properly and meet its financial obligations; and
- (c) To afford the opportunity to achieve a marginal rate of return on the original cost invested in the sewer property.

UTILITY BASIS

Pursuant to 52 PA Code § 53.52 of the Tariff Regulations, the supporting data are presented using the utility basis for ratemaking purposes. The utility basis includes, in addition to operating expenses, a provision for annual depreciation expense and a return on the depreciated original cost of the property (rate base) in place of debt service and renewals and replacements. The rate base and annual depreciation expense are calculated in Exhibit Nos. JJS-1, JJS-2 and JJS-3, as of December 31, 2018, December 31, 2019 and December 31, 2020, respectively.

RATE OF RETURN

Under present and proposed rates, the indicated rates of return for outside-City operations are presented below.

	<u>Present Rates</u>	<u>Proposed Rates</u>
Rate of Return	(0.61%)	7.20%

The rate of return of 7.20% is equal to the tax adjusted return that the City can justify based on an imputed capital structure capital structure based on comparable public utilities of 45% debt, 55% equity, as set forth below.

	<u>Capital Structure</u>	<u>Cost</u>	<u>12% Tax Adjustment</u>	<u>Weighted Cost</u>
Debt	45%	4.34%		1.95%
Equity	<u>55%</u>	10.85%	9.55%	<u>5.25%</u>
Total	<u>100%</u>			<u>7.20%</u>

PROPOSED RATES

Under Supplement No. 39 to Tariff Sewer-Pa. P.U.C. No. 7, increases in the minimum charges and the sewer volumetric charges for each classification are proposed, which would provide a 49.0% increase in revenues from outside-City customers. Refer to pages 8 and 9 for the increases by classification for inside-City and outside-City customers. The revenues under proposed rates are developed in Appendix C. Exhibit CEH-2 sets forth the Cost of Service Allocation Study for the test year ended December 31, 2020. The Appendix of Exhibit CEH-2 provides a comparison of present and proposed rates, as well as a comparison of customers' bills at various consumption levels by meter size.

The Pennsylvania Public Utility Commission has jurisdiction and power under Section 1301 of the Public Utility Code to regulate rates for utility service furnished by a municipality to customers beyond its corporate boundaries. The requisite data and information in the following report and related exhibits, in support of the proposed rates, include analyses of Lancaster's entire sewer system property and its operation, as well as for inside-City and outside-City customers separately.

The data presented in support of proposed Supplement No. 39 to Tariff Sewer-Pa. P.U.C. No. 7 clearly indicate that the level of revenues from Lancaster's present sewer rates is inadequate, and immediate rate relief is necessary. It is essential that the rates proposed under Supplement No. 39 to Tariff Sewer-Pa. P.U.C. No. 7 become effective as soon as possible, in order that Lancaster recovers the cost of rendering sewer service, including a return on the depreciated original cost of the sewer system's used or useful property, and continue to provide its customers with efficient, safe and reliable service.

CITY OF LANCASTER - SEWER FUND

TOTAL NUMBER OF CUSTOMERS SERVED INSIDE AND OUTSIDE THE CITY

Pursuant To Subsection 53.52 (a)(2) of Tariff Regulations

Customer Classification (1)	As of 12/31/2017		As of 12/31/2018	
	Inside-City (2)	Outside-City (3)	Inside-City (4)	Outside-City (5)
Residential	14,850	3,112	14,918	3,124
Commercial	1,985	253	1,865	253
Industrial	39	8	36	8
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Total	16,874	3,373	16,819	3,385

CITY OF LANCASTER - SEWER FUND

NUMBER OF CUSTOMERS WHOSE BILLS WILL INCREASE
INSIDE AND OUTSIDE THE CITY

Pursuant To Subsection 53.52 (a)(3) and (b)(3) of Tariff Regulations

Customer Classification (1)	As of 12/31/2017		As of 12/31/2018	
	Inside-City (2)	Outside-City (3)	Inside-City (4)	Outside-City (5)
Residential	14,850	3,112	14,918	3,124
Commercial	1,985	253	1,865	253
Industrial	39	8	36	8
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Total	16,874	3,373	16,819	3,385

CITY OF LANCASTER - SEWER FUND

STATEMENT OF THE EFFECT OF THE PROPOSED
TARIFF CHANGES ON THE UTILITY'S CUSTOMERS

Pursuant to Subsection 53.52(a)(4) through (a)(11)
of Tariff Regulations

- (a)(4): The proposed tariff changes will increase all customers' rates for outside-City sewer service by 49.0%. The overall increase in revenues is approximately 46.7%.
- (a)(5): Refer to page 10 in response to Subsection 53.52(c)(1), for the effect of the proposed tariff changes on the City's revenues and expenses.
- (a)(6): The proposed tariff changes will not change the service rendered by the Sewer Fund.
- (a)(7): Not applicable.
- (a)(8): Not applicable.
- (a)(9): Customer polls were not taken to indicate customer acceptance and desire for the proposed tariff changes. The tariff changes are in the public interest as stated in response to Subsection 53.52(a)(1) of the tariff regulations.
- (a)(10): The City of Lancaster will implement the proposed tariff changes upon the Commission's approval.
- (a)(11): Not applicable.

CITY OF LANCASTER - SEWER FUND

STATEMENT OF OPERATING REVENUES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018, DECEMBER 31, 2019 AND 2020
AND THE CALCULATION OF THE PROPOSED REVENUE INCREASE FROM INSIDE-CITY CUSTOMERS BY CUSTOMER CLASSIFICATION

Pursuant To Subsection 53.52(b)(4) and (c)(5) of Tariff Regulations.

Customer Classification	Revenues Per Books, 12 Months Ended 31-Dec-18			Historic Test Year Pro Forma Adjustments Under Present Rates, 31-Dec-18			Future Test Year Pro Forma Adjustments Under Present Rates, 31-Dec-19			Fully Proj. Future Test Year Pro Forma Adjustments Under Present Rates, 31-Dec-20			Under Proposed Rates, Supplement No. — to Tariff Sewer Pa-PUC No. 7		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
INSIDE-CITY															
Sewer Revenue	\$ 4,833,204	R-1	\$ (6,182)	\$ 4,827,022	R-5	\$ (12,363)	\$ 4,814,659	R-7	\$ (12,363)	\$ 4,802,296	28.8%	\$ 1,387,894	\$ 6,190,189		
Residential	3,879,452	R-1,R-3	37,118	3,916,569	R-5	10,846	3,927,415	R-7	10,946	3,938,261	17.3%	681,255	4,619,516		
Commercial	204,099	R1	(2,911)	201,188	R-5	(5,822)	195,366	R-7	(5,822)	189,544	13.4%	25,422	214,966		
Industrial	6,080,666			6,080,666			6,080,666			6,080,666	0.0%	-	6,080,666		
Total Sewer Revenue	14,997,421			28,025			(7,339)			(7,339)		2,054,570			
Other Operating Revenues														17,105,338	
Lien Costs	925			925			925			925		0.0%	-	925	
Rental Income	29,238			29,238			29,238			29,238		0.0%	-	29,238	
Refund of Prior Year Expenditures	15,230			15,230			15,230			15,230		0.0%	-	15,230	
Interest Income	1,716			1,716			1,716			1,716		0.0%	-	1,716	
Misc. Income	58,274			58,274			58,274			58,274		0.0%	-	58,274	
Industrial Waste Permits	9,267			9,267			9,267			9,267		0.0%	-	9,267	
SLSA Operating Charges	135,936			135,936			135,936			135,936		0.0%	-	135,936	
Industrial Waste Surcharge	536,306	R-4	70,731	607,037			607,037			607,037		11.6%	70,689	677,726	
Total Other Revenues	786,893		70,731											928,313	
Total Inside City	\$ 15,784,314		\$ 98,756	\$ 15,883,070			\$ (7,339)	\$ 15,875,731		\$ (7,339)	\$ 15,868,392	13.6%	\$ 2,165,259	\$ 18,033,651	

CITY OF LANCASTER - SEWER FUND

STATEMENT OF OPERATING REVENUES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018, DECEMBER 31, 2019 AND 2020
AND THE CALCULATION OF THE Proposed REVENUE INCREASE FROM OUTSIDE-CITY CUSTOMERS BY CUSTOMER CLASSIFICATIONPursuant To Subsection 53.52(b)(4) and (c)(5) of Tariff Regulations.

Customer Classification	Revenues Per Books, 12 Months Ended 31-Dec-18	Historic Test Year				Future Test Year				Fully Proj. Future Test Year				Under Proposed Rates, Supplement No. — to Tariff Sewer Pa-PUC No. 7			
		Pro Forma Adjustments Under Present Rates*		Pro Forma, Present Rates, 31-Dec-18		Pro Forma, Present Rates, 31-Dec-19		Pro Forma, Present Rates, 31-Dec-20		Pro Forma, Present Rates, 31-Dec-20		Pro Forma, Present Rates, 31-Dec-20		Pro Forma, Proposed Rates, 31-Dec-20			
		Ref.	Amount	(3)	(4)	Ref.	Amount	(6)	(7)	Ref.	Amount	(9)	(10)	Ref.	Amount	(12)	(13)
OUTSIDE-CITY																	
Sewer Revenue	\$ 602,600	R-2	\$ (104)	\$ 602,496	R-6	\$ (209)	\$ 602,287	R-8	\$ (209)	\$ 602,078	R-8	\$ 269,276	\$ 871,354				
Residential	658,986	R2, R-3	1,845	660,841	R-6	2,647	663,488	R-8	2,647	666,135	R-8	52,6%	\$ 350,620	1,016,756			
Commercial			-														
Industrial	43,547		43,547														64,756
Total Sewer Revenue	<u>1,305,143</u>		<u>1,741</u>	<u>1,306,884</u>		<u>2,438</u>	<u>1,309,322</u>		<u>2,438</u>	<u>1,311,760</u>		<u>49,0%</u>	<u>641,136</u>	<u>1,952,896</u>			
Other Operating Revenues																	
Lien Costs	100		100														
Lien Income	3,155		3,155														100
Refund of Prior Year Expenditures	1,644		1,644														3,155
Interest Income	185		185														1,644
Misc. Income	6,288		6,288														185
Industrial Waste Permits	733		733														6,288
SLSA Operating Charges	14,669		14,669														733
Industrial Waste SurchARGE	42,421	R-4	5,595	48,015													14,669
Total Other Revenues	<u>69,195</u>		<u>5,595</u>	<u>74,789</u>		<u>-</u>	<u>74,789</u>		<u>-</u>	<u>74,789</u>		<u>7.5%</u>	<u>5,591</u>	<u>80,381</u>			
Total Outside City	<u>1,374,337</u>		<u>7,336</u>	<u>1,381,673</u>		<u>2,438</u>	<u>1,384,111</u>		<u>2,438</u>	<u>1,386,549</u>		<u>46.7%</u>	<u>646,727</u>	<u>2,033,277</u>			
Total Inside & Outside City	<u>\$ 17,158,651</u>		<u>\$ 106,092</u>	<u>\$ 17,264,743</u>		<u>\$ (4,901)</u>	<u>\$ 17,259,842</u>		<u>\$ (4,901)</u>	<u>\$ 17,254,941</u>		<u>16.3%</u>	<u>\$ 2,81,986</u>	<u>\$ 20,066,927</u>			

CITY OF LANCASTER - SEWER FUND

NUMBER OF CUSTOMERS WHOSE BILLS WILL BE DECREASED

Pursuant to Subsection 53.52(b)(5) of Tariff Regulations

Under the proposed rates, no customers' bills will be decreased for sewer service.

CALCULATION OF TOTAL REVENUE DECREASE
UNDER THE PROPOSED RATES PROJECTED TO AN ANNUAL BASIS

Pursuant to Subsection 53.52(b)(6) of Tariff Regulations

Under the proposed rates, operating revenues for sewer service will not decrease.

CITY OF LANCASTER - SEWER FUND

STATEMENT OF THE CALCULATION OF THE RATE OF RETURN UNDER PRESENT RATES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018, DECEMBER 31, 2019 AND DECEMBER 31, 2020, AND THE ANTICIPATED RATE OF RETURN UNDER PROPOSED RATES
INSIDE-CITY AND OUTSIDE-CITY CUSTOMERS

Pursuant To Subsection 53.52 (b)(2) and (c)(1) of Tariff Regulations

CITY OF LANCASTER - SEWER FUND

STATEMENT OF THE CALCULATION OF THE RATE OF RETURN UNDER PRESENT RATES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018,
DECEMBER 31, 2019 AND DECEMBER 31, 2020, AND THE ANTICIPATED RATE OF RETURN UNDER PROPOSED RATES
INSIDE-CITY CUSTOMERS

Pursuant To Subsection 56.52 (b)(2) and (c)(1) of Tariff Regulations

Line No.	Description	Pro Forma Present Rates, Test Year Adjustments				Pro Forma Present Rates, Test Year Adjustments				Pro Forma Present Rates, Test Year Adjustments				Under Proposed Rates, Under Proposed Rates, Supplement No. to Tariff Sewer Pa-PIC No. 7				
		12 Months Ended		31-Dec-18		Ref. Amount		31-Dec-18		Ref. Amount		31-Dec-19		Ref. Amount		31-Dec-20		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
1	Operating Revenue	\$ 15,784,314	P. 10	\$ 98,756	\$ 15,883,070	P. 10	\$ (7,339)	\$ 15,875,731	\$ (7,339)	\$ (7,339)	\$ 15,868,392	\$ (7,339)	\$ 2,165,259	\$ 18,033,651				
2	Operating Revenue Deductions:																	
3	Operation and Maintenance Expenses	11,937,467	*	(43,522)	11,893,945	*	473,965	12,367,910	95,824	12,463,734	-	12,463,734	-					
4	Depreciation Amortizations	3,300,077	*	(1,740,189)	1,559,888	*	32,091	1,591,979	125,453	1,700,018	-	1,700,018	-					
5	Total Operating Revenue Deductions	15,237,544		(1,783,711)	13,453,833													
6																		
7																		
8																		
9	Net Operating Income Available for Return	\$ 546,770		\$ 1,882,467	\$ 2,429,237		\$ (513,395)	\$ 1,915,842	\$ (228,616)	\$ 1,704,640	\$ 2,165,259	\$ 3,869,899						
10																		
11	Original Cost Measure of Value	\$ 49,935,739	*	\$ -	\$ 49,935,739	*	\$ 186,221	\$ 50,121,960	\$ 3,633,254	\$ 53,755,214	\$ 53,755,214							
12	Rate of Return	1.09%			4.86%		3.82%		3.17%									

* Operating revenue deductions and measures of value were allocated to Inside-City and Outside-City service areas based on the cost of service allocation study.

CITY OF LANCASTER - SEWER FUND

STATEMENT OF THE CALCULATION OF THE RATE OF RETURN UNDER PRESENT RATES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018
 DECEMBER 31, 2019 AND DECEMBER 31, 2020, AND THE ANTICIPATED RATE OF RETURN UNDER PROPOSED RATES
OUTSIDE-CITY CUSTOMERS

Pursuant To Subsection 53.52.(b)(2) and (c)(1) of Tariff Regulations

Line No.	Description	Under Proposed Rates,						Under Proposed Rates, Supplement No. _____ to Tariff Sewer Pa-PIC No. 7 Pro Forma 31-Dec-20			
		12 Months Ended 31-Dec-18		Pro Forma Present Rates, 31-Dec-18		Pro Forma Present Rates, 31-Dec-19		Pro Forma Fully Proj. Future Test Year Adjustments Ref. 31-Dec-20			
		Ref. (2)	Amount (4)	Ref. (5)	Amount (6)	Ref. (7)	Amount (8)	Ref. (9)	Amount (10)	Ref. (11)	Amount (12)
1	Operating Revenue	\$ 1,374,337	P. 11	\$ 7,336	\$ 1,381,673	P. 11	\$ 2,438	\$ 1,384,111	P. 11	\$ 2,438	\$ 1,386,549
2	Operating Revenue Deductions:										
3	Operation and Maintenance Expenses	1,113,645	*	(4,060)	1,109,584	*	44,216	1,153,801	8,939	1,162,740	-
4	Depreciation	531,918	*	(280,490)	251,428	*	5,173	256,601	0	274,015	-
5	Amortizations										
6											
7	Total Operating Revenue Deductions	1,645,563		(284,550)	1,361,012		49,389	1,410,402	8,939	1,436,755	-
8											
9	Net Operating Income Available for Return	\$ (271,225)		\$ 291,886	\$ 20,661		\$ (46,951)	\$ (26,290)	\$ (6,501)	\$ (50,206)	\$ 646,727
10											\$ 596,521
11	Original Cost Measure of Value	\$ 7,697,654	*	\$ -	\$ 7,697,654	*	\$ 28,706	\$ 7,726,360	\$ 560,070	\$ 8,286,430	\$ 8,286,430
12	Rate of Return		-3.52%		0.27%						-0.61%
											7.20%

* Operating revenue deductions and measures of value were allocated to Inside-City and Outside-City service areas based on the cost of service allocation study.

CITY OF LANCASTER - SEWER FUND

ORIGINAL COST MEASURE OF VALUE AS OF DECEMBER 31, 2018, 2019 AND 2020

Pursuant To Subsection 53.52 (c)(1) of Tariff Regulations

	As of 31-Dec-18	As of 31-Dec-19	As of 31-Dec-20
Original Cost of Utility Plant in Service	\$139,801,951	\$143,092,301	\$151,574,801
Less: Accumulated Depreciation	47,474,101	50,350,214	53,284,491
Subtotal	<u>92,327,850</u>	<u>92,742,087</u>	<u>98,290,310</u>
 Deduct:			
Contributions in Aid of Construction	50,557,499	52,031,637	54,652,437
Less: Accrued Depreciation	14,237,601	15,447,656	16,700,462
Subtotal	<u>36,319,898</u>	<u>36,583,981</u>	<u>37,951,975</u>
 Net Utility Plant	56,007,952	56,158,106	60,338,335
 Add:			
Cash Working Capital	<u>1,625,441</u>	<u>1,690,214</u>	<u>1,703,309</u>
 Total Original Cost Measure of Value	<u><u>\$57,633,393</u></u>	<u><u>\$57,848,320</u></u>	<u><u>\$62,041,645</u></u>

CITY OF LANCASTER - SEWER FUND

BALANCE SHEET AS OF DECEMBER 31, 2018

	<u>As of 12/31/2017</u>	<u>As of 12/31/2016</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Equivalents	\$ 300	\$ 300
Cash and Equivalents - Restricted	20,654,076	27,076,614
Investments		
Investments - Restricted		
Receivables:		
Accounts	1,510,042	1,272,172
Bulk	4,949,163	3,743,506
Unbilled	936,359	996,872
Industrial Waste Surcharge	118,532	68,610
Prepaid Expenses	6,563	17,891
Total Current Assets	<u>28,175,035</u>	<u>33,175,965</u>
Long-term Assets		
Due from Other Governments	147,336	138,906
Debt Issuance Costs	389,682	435,651
Capital Assets, not being depreciated	21,774,865	18,797,193
Capital Assets, being depreciated, net	86,401,344	86,645,807
Total Long-term Assets	<u>108,713,227</u>	<u>106,017,557</u>
Total Assets	<u><u>\$ 136,888,262</u></u>	<u><u>\$ 139,193,522</u></u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charge on Refunding	676,783	853,840
Deferred Outflows of Resources for Pension	54,302	74,079
Total Deferred Outflows of Resources	<u>731,085</u>	<u>927,919</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 137,619,347</u></u>	<u><u>\$ 140,121,441</u></u>

CITY OF LANCASTER - SEWER FUND

BALANCE SHEET AS OF DECEMBER 31, 2018

	<u>As of 12/31/2017</u>	<u>As of 12/31/2016</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	2,284,551	3,222,180
Accrued Salaries and Benefits	371,499	377,009
Accrued Expenses	7,611,997	5,502,566
Due to Other Funds	8,131,254	9,374,906
Due to other governments	178,060	185,000
Deferred Revenue	25,168	21,327
Compensated Absences, Current Portion	121,380	232,458
Workers Compensation	707,155	618,192
Capital Lease, Current Portion	Bonds Payable, Current Portion	1,750,000
Notes Payable, Current Portion	21,181,064	1,415,000
Total Current Liabilities	21,181,064	20,948,638
Long-Term Liabilities:		
Due to Other Governments	84,211	71,358
Compensated Absences	-	1,276
Workers' Compensation Liability	627,834	690,742
Net Pension Liability	4,498,058	4,160,472
Net Other Post-Retirement Liability	124,386	123,796
Capital Lease	Notes Payable	12,115,182
Bonds Payable	33,608,308	35,625,311
Total Long-Term Liabilities	51,057,979	53,319,021
Total Liabilities	<u>\$ 72,239,043</u>	<u>\$ 74,267,659</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows of Resources For Pension	68,368	23,948
Total Deferred Inflows of Resources	<u>68,368</u>	<u>23,948</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	67,696,675	64,647,725
Restricted for Capital Acquisition	6,528,834	8,586,696
Unrestricted	<u>(8,913,573)</u>	<u>(7,404,587)</u>
Total Net Assets	<u>65,311,936</u>	<u>65,829,834</u>
Total Liabilities, Deferred Inflows of Resources and Net Assets	<u>\$ 137,619,347</u>	<u>\$ 140,121,441</u>

CITY OF LANCASTER - SEWER FUND

SUMMARY BY DETAILED PLANT ACCOUNTS OF THE BOOK VALUE OF SEWER
UTILITY PLANT IN SERVICE AS OF DECEMBER 31, 2018, DECEMBER 31, 2019
AND DECEMBER 31, 2020

Pursuant to Subsection 53.52(c)(3) of Tariff Regulations

Refer to Exhibit No. JJS-1 titled, "Depreciation Study – Calculated Annual Depreciation Accruals Related to Utility Plant at December 31, 2018" for the book value of sewer utility plant by plant account for the historic test year.

Refer to Exhibit No. JJS-1 titled, "Depreciation Study – Calculated Annual Depreciation Accruals Related to Utility Plant at December 31, 2019" for the book value of sewer utility plant by plant account for the future test year.

Refer to Exhibit No. JJS-1 titled, "Depreciation Study – Calculated Annual Depreciation Accruals Related to Utility Plant at December 31, 2020" for the book value of sewer utility plant by plant account for the fully projected future test year.

CITY OF LANCASTER - SEWER FUND

DEPRECIATION RESERVE PER BOOKS AS OF DECEMBER 31, 2018, DECEMBER 31, 2019 AND DECEMBER 31, 2020 APPLICABLE TO SEWER UTILITY PLANT IN SERVICE

Pursuant to Subsection 53.52(c)(4) of Tariff Regulations

Refer to Exhibit No. JJS-1 titled, "Depreciation Study – Calculated Annual Depreciation Accruals Related to Utility Plant at December 31, 2018" for the depreciation reserve applicable to sewer utility plant in service for the historic test year.

Refer to Exhibit No. JJS-1 titled, "Depreciation Study – Calculated Annual Depreciation Accruals Related to Utility Plant at December 31, 2019" for the depreciation reserve applicable to sewer utility plant in service for the future test year.

Refer to Exhibit No. JJS-1 titled, "Depreciation Study – Calculated Annual Depreciation Accruals Related to Utility Plant at December 31, 2020" for the depreciation reserve applicable to sewer utility plant in service for the fully projected future test year.

CITY OF LANCASTER - SEWER FUND

STATEMENT OF PRO FORMA OPERATING EXPENSES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018, DECEMBER 31, 2019 AND 2020

Pursuant To Subsection 53.52 (c)(5) of Tariff Regulations

Line No.	Account	Account Title (1)	Per Books, 12 Months Ended 31-Dec-18 (2)			Historic Test Year Pro Forma Adjustments Appen. B (3) Amount (4)			Future Test Year Pro Forma Adjustments Appen. B (5) Amount (6)			Fully Projected Future Test Year Pro Forma Adjustments Appen. B (7) Amount (8)			Fully Projected Future Test Year Pro Forma Adjustments Appen. B (9) Amount (10)			Pro Forma, 31-Dec-20 (11)		
1	2	OPERATION AND MAINTENANCE EXPENSES																		
2	3	TREATMENT																		
4	5	701.50 SALARIED PERSONNEL	\$ 798,011 50,181	E-4	(4,516)		798,011 45,655	E-7 E-8	38,474 1,142	\$ 836,485 46,806	E-19 E-20	\$ 20,912 1,170	\$ 857,397 47,977							
5	6	701.50 OVERTIME	-				-													
6	7	704.50 EDUCATIONAL INCENTIVE																		
8	9	TREATMENT - SALARY/BENEFITS	848,192		(4,516)		843,676		39,615		883,291		22,082		905,374					
10	11	720.50 MAINTENANCE-BUILDING	39,941				39,941				39,941				39,941					
12	13	720.50 MAINTENANCE-COMMUNICATION	403,004				403,004				403,004				403,004					
14	15	720.50 MAINTENANCE-EQUIPMENT	11,867				-				-				-					
15	16	720.50 MAINTENANCE-VEHICLES	283,557				293,557				293,557				293,557					
16	17	720.50 METER EXPENSE	129,461				129,461				129,461				129,461					
17	18	720.50 WATER UTILITY EXPENSE	1,507,042	E-6	(32,962)		1,474,080	E-18	61,1920		1,536,000	E-23			24,000		1,560,000			
18	19	720.50 SLUDGE DISPOSAL	1,001,564				1,001,564				1,001,564				1,001,564					
19	20	720.50 POWER ELECTRIC	32,155				32,155				32,155				32,155					
20	21	720.50 OPERATING SUPPLIES	57,004				57,004				57,004				57,004					
21	22	720.50 LABORATORY SUPPLIES	491,304				491,304				491,304				491,304					
22	23	718.50 CHEMICALS	16,434				16,434				16,434				16,434					
23	24	720.50 GASOLINE, OIL AND DIESEL	70,900				70,900				70,900				70,900					
24	25	720.50 HEATING OIL	5,371				5,371				5,371				5,371					
25	26	TREATMENT - OPERATING EXPENSES	4,059,604		(32,962)		4,026,641		219,598		4,246,240				24,000		4,270,240			
27	28	750.50 VEHICLE LEASE CAPITAL OUTLAY	-																	
29	30	TREATMENT-CAPITAL EXPENSE	74,466				74,466				74,466						74,466			
31	32	TOTAL TREATMENT	74,466		-		74,466				74,466							74,466		
33	34	PUMPING STATIONS - SALARIED PERSONNEL	4,982,262		(37,478)		4,944,784		259,214		5,203,998				46,082		5,250,080			
35	36	PUMPING STATIONS - SALARY/BENEFITS	773,723		(2,523)		773,723	E-7 E-8	(718) 638		773,005 26,149	E-19 E-20								
37	38	701.30 OVERTIME	28,034	E-4	(2,523)		25,511													
39	40	TREATMENT - CAPITAL INCENTIVE	-				-													
41	42	PUMPING STATIONS - SALARY/BENEFITS	801,757		(2,523)		799,234		(80)		798,154				19,979		819,133			
43	44	720.30 MAINT. BUILDINGS	1,937				1,937				1,937				1,937					
45	46	720.30 MAINT. EQUIPMENT	67,587				67,587				67,587				67,587					
47	48	715.30 POWER ELECTRIC	426,296				426,296				426,296				426,296					
49	50	720.30 OPERATING SUPPLIES	2,159				2,159				2,159				2,159					
50	51	720.30 HEATING OIL	22,335				22,335				22,335				22,335					
52	53	720.30 MINOR EQUIPMENT	5,274				5,274				5,274				5,274					
54	55	PUMPING STATIONS - OPERATING EXPENSE	525,589		-		525,589				525,589						525,589			

CITY OF LANCASTER - SEWER FUND

STATEMENT OF PRO FORMA OPERATING EXPENSES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018, DECEMBER 31, 2019 AND 2020

Pursuant To Subsection 53.52(c)(5) of Tariff Regulations

Line No.	Account	Account Title (1)	Per Books, 12 Months Ended 31-Dec-18 (2)				Historic Test Year Pro Forma Adjustments Appen. B (3)				Future Test Year Pro Forma Adjustments Appen. B (4)				Fully Projected Future Test Year Pro Forma Adjustments Appen. B (5)				Fully Projected Future Test Year Pro Forma Adjustments Appen. B (6)				Fully Projected Future Test Year Pro Forma Adjustments Appen. B (7)			
			Amount (4)	Amount (3)	Amount (5)	Amount (6)	Amount (7)	Amount (8)	Amount (9)	Amount (10)	Amount (11)															
51	750.30	VEHICLE LEASE	-	-	-	-	-	-	-	-	-															
52	750.30	TOTAL PUMPING STATIONS	1,327,345	(2,523)	1,324,822	(80)	1,324,743	-	-	19,979	1,344,721															
54		COLLECTIONS	830,602	(2,765)	830,602	E-7	870,377	E-19	21,759	892,136																
55	57	701.10 SALARIED PERSONNEL	30,724	E-4	27,695	E-8	28,656	E-20	716	29,376																
56	58	701.10 OVERTIME	861,326	(2,765)	858,561	40,474	899,035	-	22,476	921,511																
59		COLLECTIONS - SALARY/BENEFITS	106,299	E-5	17,569	123,886	123,886	-	-	123,868																
60	61	750.10 MAINT. VEHICLES	60,657	60,657	60,657	60,657	60,657	60,657	102,269	60,657																
62	63	731.10 CONTRACT SERVICES	32,898	E-5	69,372	102,259	102,259	-	-	102,269																
64	64	720.10 TRENCH PAVING	308,280	54,200	308,280	54,200	308,280	54,200	-	308,280																
65	66	720.10 OPERATING SUPPLIES	54,200	-	-	-	-	-	-	54,200																
67	68	720.10 GASOLINE	562,334	86,941	649,274	-	649,274	-	-	649,274																
69	70	750.10 VEHICLE LEASE	-	-	-	-	-	-	-	-																
71	71	COLLECTIONS - CAPITAL EXPENSE	-	-	-	-	-	-	-	-																
72	72	TOTAL COLLECTIONS	1,423,660	84,175	1,507,835	40,474	1,548,309	-	-	22,476	1,570,785															
73	74		-	-	-	-	-	-	-	-																
75	75		-	-	-	-	-	-	-	-																
76	77	ADMINISTRATION	107,822	-	107,822	E-7	(591)	107,231	E-19	2,681	109,912															
78	78	701.80 SALARY BUREAU CHIEF	267,632	-	267,632	E-7	40,203	307,835	E-19	7,696	315,531															
79	79	701.80 SALARY PERSONNEL	7,363	-	7,363	E-7	(3,069)	4,293	E-19	107	4,401															
80	80	701.80 SALARY TEMPORARY	135	E-4	(12)	123	3	126	128	3	129															
81	81	701.80 OVERTIME	486	-	486	486	486	486	486	486	486															
82	82	701.80 VESTED ABSENSES	21,788	-	21,788	E-11	78,623	100,411	14,308	14,308	14,308															
83	83	704.80 OPER ABC EXPENSE	14,308	-	14,308	14,308	850,000	850,000	850,000	850,000	850,000															
84	84	704.80 EDUCATIONAL INCENTIVE	850,000	-	850,000	31,508	E-13	2,525	34,033	34,033	34,033															
85	85	704.80 MEDICAL INSURANCE	31,508	-	31,508	221,906	E-10	7,668	229,574	229,574	235,313															
86	86	704.80 DENTAL/VISION	221,906	-	221,906	6,909	6,909	667	7,576	7,576	7,576															
87	87	704.80 SOCIAL SECURITY	6,909	E-2	(178,411)	E-12	(45,178)	64,093	64,093	18,905	18,905															
88	88	704.80 LIFE INSURANCE	242,494	-	22,712	-	-	-	-	-	-															
89	89	704.80 PENSION CONTRIBUTION/EXPENSE	22,712	-	22,712	-	-	-	-	-	-															
90	90	704.80 UNEMPLOYMENT COMPENSATION	-	-	-	-	-	-	-	-	-															
91	91	704.80 WORKERS COMP	-	-	-	-	-	-	-	-	-															
92	92	ADMINISTRATION - SALARY/BENEFITS	1,795,062	(178,423)	1,616,639	80,851	1,697,490	16,226	-	1,713,716	-															
93	93	741.80 PC LEASE	10,983	-	10,983	10,983	10,983	10,983	10,983	10,983	10,983															
94	94	741.80 PC LEASE	3,457	-	3,457	11,154	11,154	3,457	11,154	3,457	11,154															
95	95	741.80 RENTAL OF PARKING LOT	7,276	-	7,276	7,276	7,276	7,276	7,276	7,276	7,276															
96	96	741.80 RENTAL OF UNIFORMS	-	-	-	-	-	-	-	-	-															
97	97	720.80 MAINTENANCE OF EQUIPMENT	-	-	-	-	-	-	-	-	-															
98	98	760.80 ADVERTISING	-	-	-	-	-	-	-	-	-															
99	99	720.80 POSTAGE	23,212	-	23,212	-	-	-	-	-	-															
100	100	720.80 PRINTING	4,261	-	4,261	34,465	34,465	4,261	34,465	4,261	34,465															
101	101	720.80 TELEPHONE	6,603	6,603	6,603	6,603	6,603	6,603	6,603	6,603	6,603															
102	102	775.80 TRAVEL	-	-	-	-	-	-	-	-	-															

CITY OF LANCASTER - SEWER FUND

STATEMENT OF PRO FORMA OPERATING EXPENSES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018, DECEMBER 31, 2019 AND 2020

Pursuant To Subsection 53.52(c)(5) of Tariff Regulations

Line No.	Account	Account Title	Historic Test Year			Future Test Year			Fully Projected Future Test Year		
			Per Books, 12 Months Ended 31-Dec-18		Pro Forma Adjustments	Pro Forma 31-Dec-18		Pro Forma Adjustments	Pro Forma 31-Dec-19		Pro Forma Adjustments
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
103	736.80	PROFESSIONAL SERVICES	654,033	E-1	86,667	654,033	86,667	654,033	86,667	9,157	654,033
104	767.80	RATE CASE EXPENSE	9,157			9,157					
105	775.80	BANK SERVICE CHARGES	6,390			6,390					
106	775.80	CREDIT CARD FEES	2,014,835			2,014,835					
107	770.80	BAD DEBT EXPENSE	42,320			42,320					
108	736.80	CONTRACT SERVICES	18,896			18,896					
109	775.80	TRAINING - SCHOOL	1,830			1,830					
110	720.80	OFFICE SUPPLIES	165,771			165,771	E-15	54,229	220,000		220,000
111	759.80	INSURANCE PACKAGE									
112											
113		ADMINISTRATION - OPERATING EXPENSES	3,015,183		86,667	3,101,850		54,229	3,156,079		3,156,079
114	720.80	MINOR EQUIPMENT	4,382			4,382					
116	720.80	SAFETY EQUIPMENT	6,821			6,821					
117	720.80	COMPUTER APPLICATIONS	6,060			6,060					
118											
119		ADMINISTRATION-CAPITAL EXPENSE	17,263			17,263					
120			468,328			468,328	E-16	89,484	557,812		557,812
121	775.80	ADMIN. INDIRECT COSTS	782			782					
122	775.80	PAYING AGENT									
123			469,110			469,110		89,484	556,594		556,594
124											
125		ADMINISTRATION -INTERGOVERNMENTAL	5,296,619		(91,756)	5,204,862		224,564	5,429,426		5,445,653
126											
127		TOTAL ADMINISTRATION									
128		GROUNDS MAINTENANCE	5,990			5,990	E-7	(5,990)	-	-	-
129	701.80	SALARY									
130	701.80	SALARIED PERSONNEL									
131	701.80	SALARY TEMPORARY									
132	701.80	OVERTIME									
133											
134		GROUNDS MAINT. - SALARY/BENEFITS	5,990			5,990		(5,990)	-	-	-
135	742.80	RENTAL OF UNIFORMS									
136	720.80	MAINT. EQUIPMENT									
137	720.80	FRINGE									
138	736.80	OPERATING SUPPLIES	3,011			3,011					
139	720.80		12,225			12,225					
140											
141		GROUNDS MAINT. - OPERATING EXPENSES	15,235			15,235					
142											
143	720.80	MINOR EQUIPMENT									
144		GROUNDS MAINT. - CAPITAL EXPENSE									
145											
146		TOTAL GROUNDS MAINTENANCE	21,225			21,225		(5,990)	15,235		15,235
147											
148		TOTAL OPERATING AND MAINTENANCE	13,051,112		(47,583)	13,003,529		518,181	13,521,710		13,626,474
149											
150		DEPRECIATION EXPENSE	3,831,985	E-3	(2,020,679)	1,811,316	E-9	37,264	1,848,580	E-21	1,974,033
151											

APPENDIX A

**PROFORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES**

CITY OF LANCASTER - SEWER FUND
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj.	Explanation	Adjustment Increase (Decrease)
Ref.		

- R-1 To annualize Inside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2018 under present rates.

Customer Classification	4 Year Average	Annual Bill, Present Rates	Annualized Revenue Adjustment (Half Year)	
(1)	(4)	(5)	(6)	
Residential	(37)	\$ 334.14	\$ (6,182)	(6,182)
Commercial	5	\$ 2,169.13	\$ 5,423	5,423
Industrial	(1)	5,822.47	(2,911)	(2,911)
 				-
Total	(33)		(3,670)	

- R-2 To annualize Outside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2018 under present rates.

Customer Classification	4 Year Average	Average Annual Bill, Present Rates	Annualized Revenue Adjustment (Half Year)	
(1)	(4)	(5)	(6)	
Residential	(1)	\$ 208.60	\$ (104)	(104)
Commercial	1	2,646.67	1,323	1,323
 				-
Total	-		1,219	

CITY OF LANCASTER - SEWER FUND
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj.	Ref.	Explanation	Adjustment Increase (Decrease)
<hr/>			
R-3		To impute Inside-City and Outside-City operating revenues for City-owned properties, not recorded by the City under present rates	
		<u>Customer Classification</u>	<u>Revenue</u>
		INSIDE-CITY - Commercial	\$ 31,695
		OUTSIDE-CITY - Commercial	522
R-4		To adjust Industrial Surcharge revenue for current tariff rates.	
		Per Books Industrial Surcharge Revenue	\$ 578,727
		Pro Forma Industrial Surcharge Revenue	655,053
		Total Adjustment	76,326
		Adjustment Inside (Based on Exhibit CEH-2 - Cost of Service Study)	70,731
		Adjustment Outside (Based on Exhibit CEH-2 - Cost of Service Study)	5,595
		Total Historic Test Year, Pro Forma Operating Revenue Adjustments Under Present Rates	\$ 106,092

CITY OF LANCASTER - SEWER FUND
FUTURE TEST YEAR

**PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES**

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
--------------	-------------	--------------------------------------

- R-5 To adjust Inside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2019

Customer Classification	4 Year Average Gain/Loss in Customers	Average Annual Bill, Present Rates	Annualized Revenue Adjustment	
Residential	(37.0)	\$ 334.14	\$ (12,363)	\$ (12,363)
Commercial	5.0	2,169.13	10,846	10,846
Industrial	(1.0)	5,822.47	(5,822)	(5,822)
Total	(33.0)		(7,339)	

- R-6 To adjust Outside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2019

Customer Classification	4 Year Average Gain/Loss in Customers	Average Annual Bill, Present Rates	Annualized Revenue Adjustment	
Residential	(1.0)	\$ 208.60	\$ (209)	\$ (209)
Commercial	1.0	2,646.67	2,647	2,647
Total	-		2,438	

Total Future Test Year, Pro Forma Operating
Revenue Adjustments Under Present Rates \$ (4,901)

CITY OF LANCASTER - SEWER FUND
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
--------------	-------------	--------------------------------------

R-7 To adjust Inside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2020

Customer Classification	4 Year Average Gain/Loss in Customers	Average Annual Bill, Present Rates	Annualized Revenue Adjustment	
Residential	(37.0)	\$ 334.14	\$ (12,363)	\$ (12,363)
Commercial	5.0	\$ 2,169.13	10,846	10,846
Industrial	(1.0)	\$ 5,822.47	(5,822)	(5,822)
Total	(33.0)		(7,339)	

R-8 To adjust Outside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2020

Customer Classification	4 Year Average Gain/Loss in Customers	Average Annual Bill, Present Rates	Annualized Revenue Adjustment	
Residential	(1.0)	\$ 208.60	\$ (209)	\$ (209)
Commercial	1.0	\$ 2,646.67	2,647	2,647
Total	-		2,438	

Total Future Test Year, Pro Forma Operating
 Revenue Adjustments Under Present Rates \$ (4,901)

APPENDIX B
PROFORMA OPERATING EXPENSE ADJUSTMENTS

CITY OF LANCASTER - SEWER FUND
HISTORIC TEST YEAR

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
E-1	To normalize operating expenses for the estimated cost of this rate case over three years.	
	Revenue Requirement, Rate Base, Depreciation, Rate of Return, Rate Design and Application	\$ 160,000
	Legal Fees	100,000
	<hr/>	<hr/>
	Total	<u>\$ 260,000</u>
	Normalized Amount (Divided by 3 years)	86,667
	Less: Test Year Rate Case Expense	<u>-</u>
	Adjustment	\$ 86,667
E-2	To adjust Pension Expense to reflect the amount reimbursed by General Municipal Pension System State Aid	
	2018 State Aid Contribution to the Pension Plan	\$ (178,411)
		(178,411)
E-3	To adjust depreciation expense as of December 31, 2018	
	Annual Depreciation Expense as of December 31, 2018- Exhibit No. JJS-1	\$ 1,811,316
	Less: Depreciation Expense Per Books as of December 31, 2018	<u>3,831,995</u>
	Adjustment	<u>(2,020,679)</u>

CITY OF LANCASTER - SEWER FUND
HISTORIC TEST YEAR

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)		
Account	Per Books 2018	Pro Forma as of 12/31/2018	Increase (Decrease)	
Treatment	\$ 50,181	\$ 45,665	\$ (4,516)	
Pumping	28,034	25,511	(2,523)	
Collections	30,724	27,959	(2,765)	
Admin - Personnel	<u>135</u>	<u>123</u>	<u>(12)</u>	
Total	\$ 109,074	\$ 99,258	\$ (9,817)	
E-4	To adjust actual test year overtime expense to reflect overtime expense at based on a 3-year average of overtime hours.			
E-5	To adjust Account 750.1, Maintenance of Vehicles and Account 720.1 Trench Paving to equal 3-year average of expense			
Maint. Vehicles	2016 <u>105,355</u>	2017 \$ 159,950	2018 \$ 106,299	3- Year Ave. \$ 123,868
	Less Per Books Expense			\$ (106,299)
	Adjustment			17,569
Trench Paving	2016 <u>150,502</u>	2017 \$ 123,408	2018 \$ 32,898	3- Year Ave. \$ 102,269
	Less Per Books Expense			\$ (32,898)
	Adjustment			69,372
E-6	To adjust Account 720.50, Sludge Processing for 2018 contract rate.			
2019 Rate per Pound	\$ 61.42			
Pounds of Sludge	24,000			
Pro Forma Cost	\$ 1,474,080			
Less Per Books Expense	\$ 1,507,042			
Adjustment				(32,962)
Total				<u>\$ (2,068,262)</u>

CITY OF LANCASTER - SEWER FUND
FUTURE TEST YEAR

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation		Adjustment Increase (Decrease)	
		Pro Forma 2018	Pro Forma FTY	Increase (Decrease)
E-7	To adjust pro forma salaries and wages to reflect pro forma labor expense at wage rates effective January 1, 2019			
		<u>Account</u>	<u>2018</u>	<u>FTY</u>
		Treatment	\$ 798,011	\$ 836,485
		Pumping	773,723	773,005
		Collections	830,602	870,377
		Admin - Salary Bureau Chief	107,822	107,231
		Admin - Personnel	267,632	307,835
		Admin - Temporary	7,363	4,293
		Grounds Maintenance - Salary Facilities Mg	<u>5,990</u>	<u>(5,990)</u>
		Total	\$ 2,791,142	\$ 2,899,226
				\$ 108,084
E-8	To adjust actual test year overtime expense to reflect overtime expense at wage rates effective January 1, 2019, and the three year average of overtime hours.			
		<u>Account</u>	<u>Proforma 2018</u>	<u>Pro Forma as of 12/31/2019</u>
		Treatment	\$ 45,665	\$ 46,806
		Pumping	25,511	26,149
		Collections	27,959	28,658
		Grounds Maintenance	-	-
		Admin - Personnel	<u>123</u>	<u>126</u>
		Total	\$ 99,258	\$ 101,739
				\$ 2,481
E-9	To adjust Depreciation Expense as of December 31, 2019			
		Annual Depreciation Expense as of December 31, 2019 - Exhibit No. JJS-2		\$ 1,848,580
		Less: Depreciation Expense as of December 31, 2018		<u>\$ 1,811,316</u>
		Adjustment		\$ 37,264

CITY OF LANCASTER - SEWER FUND
FUTURE TEST YEAR

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
E-10	To adjust Social Security and Medicare Expense to reflect the 2019 labor Expense	
		<u>2019 Amount</u>
	Social Security and Medicare Expense - Proforma based on 7.65% of 2019 Labor Expense	\$ 229,574
	Social Security and Medicare Expense- Per Books 2018	<u>221,906</u>
	Adjustment	\$ 7,668
E-11	To adjust OPEB Expense to reflect 2019 expense.	
	2019 Expense	100,411
	Less Per Books Expense	<u>(21,788)</u>
	Adjustment	78,623
E-12	To adjust Pension Expense to reflect the amount of pension expense projected for 2019.	
	2019 Pension Expense Budget less State Aid	18,905
	Less 2018 Contribution to the Pension Plan Net of State Aid	<u>64,083</u>
	Adjustment	(45,178)
E-13	To adjust Per Books Dental/Vision Insurance expense to reflect the 2019 expense	
	2019 Expense	34,033
	Less: Dental/Vision Expense Per Books	<u>31,508</u>
	Adjustment	2,525
E-14	To adjust Per Books Life Insurance expense to reflect the 2019 expense	
	2019 Expense	7,576
	Less: Life Insurance Expense Per Books	<u>6,909</u>
	Adjustment	667

CITY OF LANCASTER - SEWER FUND
FUTURE TEST YEAR

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)																																																								
E-15	To adjust Per Books Insurance Package expense to reflect the 2019 expense																																																									
	2019 Expense	220,000																																																								
	Less: Life Insurance Expense Per Books	<u>165,771</u>																																																								
	Adjustment	54,229																																																								
E-16	To adjust Per Books Indirect Costs expense to reflect the 2019 expense																																																									
	2019 Expense	557,812																																																								
	Less: Indirect Costs Expense Per Books	<u>468,328</u>																																																								
	Adjustment	89,484																																																								
E-17	To adjust Per Books Chemicals expense to reflect the 2019 expense																																																									
	2019 Expense:																																																									
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding-bottom: 2px;"><u>Chemicals</u></th> <th style="text-align: right; padding-bottom: 2px;"><u>Quantity</u></th> <th style="text-align: right; padding-bottom: 2px;"><u>Price Per Unit</u></th> <th style="text-align: right; padding-bottom: 2px;"><u>Expense</u></th> </tr> </thead> <tbody> <tr> <td>Quicklime</td> <td style="text-align: right;">865 tons</td> <td style="text-align: right;">\$ 149.00</td> <td style="text-align: right;">128,930</td> </tr> <tr> <td>Polymer</td> <td style="text-align: right;">51,263 pounds</td> <td style="text-align: right;">\$ 1.96</td> <td style="text-align: right;">100,475</td> </tr> <tr> <td>Sodium Bisulfite</td> <td style="text-align: right;">17,060 gallons</td> <td style="text-align: right;">\$ 1.67</td> <td style="text-align: right;">28,490</td> </tr> <tr> <td>Liquid Oxygen</td> <td style="text-align: right;">3,544 1000 scf</td> <td style="text-align: right;">\$ 4.00 **</td> <td style="text-align: right;">14,176</td> </tr> <tr> <td>Chlorine</td> <td style="text-align: right;">257,971 pounds</td> <td style="text-align: right;">\$ 0.27</td> <td style="text-align: right;">69,652</td> </tr> <tr> <td>Alum</td> <td style="text-align: right;">496 tons</td> <td style="text-align: right;">\$ 173.35</td> <td style="text-align: right;">85,974</td> </tr> <tr> <td>VX-456</td> <td style="text-align: right;">21,700 pounds</td> <td style="text-align: right;">\$ 1.21</td> <td style="text-align: right;">26,257</td> </tr> <tr> <td>Bioxide (Calcium Nitrate)</td> <td style="text-align: right;">22,221 gallons</td> <td style="text-align: right;">\$ 2.67</td> <td style="text-align: right;">59,330</td> </tr> <tr> <td>Odophos (Ferrous Sulfate)</td> <td style="text-align: right;">121,879 gallons</td> <td style="text-align: right;">\$ 0.99</td> <td style="text-align: right;">120,660</td> </tr> <tr> <td>Biocide and Microorganisms</td> <td></td> <td style="text-align: right;">See note below*</td> <td style="text-align: right;">3,941</td> </tr> <tr> <td>Defoamer</td> <td style="text-align: right;">660 gallons</td> <td style="text-align: right;">\$ 7.64</td> <td style="text-align: right;">5,042</td> </tr> <tr> <td>Water treatment boiler chemicals</td> <td></td> <td></td> <td style="text-align: right;"><u>6,056</u></td> </tr> <tr> <td>Total</td> <td></td> <td></td> <td style="text-align: right;"><u>\$ 648,982</u></td> </tr> </tbody> </table>	<u>Chemicals</u>	<u>Quantity</u>	<u>Price Per Unit</u>	<u>Expense</u>	Quicklime	865 tons	\$ 149.00	128,930	Polymer	51,263 pounds	\$ 1.96	100,475	Sodium Bisulfite	17,060 gallons	\$ 1.67	28,490	Liquid Oxygen	3,544 1000 scf	\$ 4.00 **	14,176	Chlorine	257,971 pounds	\$ 0.27	69,652	Alum	496 tons	\$ 173.35	85,974	VX-456	21,700 pounds	\$ 1.21	26,257	Bioxide (Calcium Nitrate)	22,221 gallons	\$ 2.67	59,330	Odophos (Ferrous Sulfate)	121,879 gallons	\$ 0.99	120,660	Biocide and Microorganisms		See note below*	3,941	Defoamer	660 gallons	\$ 7.64	5,042	Water treatment boiler chemicals			<u>6,056</u>	Total			<u>\$ 648,982</u>	
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	* Purchased in pails on as needed basis. Price reflects 2018 Price.																																																									
	** Refect 2018 price.																																																									
	Less Per Books Expense	491,304																																																								
	Adjustment	157,678																																																								

CITY OF LANCASTER - SEWER FUND
FUTURE TEST YEAR

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
E-18	To adjust Account 720.50, Sludge Processing for 2019 contract rate.	
2019 Rate per Pound	\$ 64.00	
Pounds of Sludge	24,000	
Pro Forma Cost	\$ 1,536,000	
Less HTY Pro Forma Expense	\$ 1,474,080	
Adjustment		61,920
Total Future Test Year Adjustments		<hr/> \$ 555,445

CITY OF LANCASTER - SEWER FUND
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)			
		Pro Forma 2019	Pro Forma FTY	Increase (Decrease)	
E-19	To adjust pro forma salaries and wages to reflect pro forma labor expense at wage rates effective January 1, 2020				
		<u>Account</u>	<u>2019</u>	<u>FTY</u>	<u>Increase (Decrease)</u>
	Treatment	\$ 836,485	\$ 857,397	\$ 20,912	\$ 20,912
	Pumping	773,005	792,330	19,325	19,325
	Collections	870,377	892,136	21,759	21,759
	Admin - Salary Bureau Chief	107,231	109,912	2,681	2,681
	Admin - Personnel	307,835	315,531	7,696	7,696
	Admin - Temporary	4,293	4,401	107	107
	Grounds Maintenance - Salary Facilities Mg	-	-	-	-
	Total	\$ 2,899,226	\$ 2,971,707	\$ 72,481	
E-20	To adjust actual test year overtime expense to reflect overtime expense at wage rates effective January 1, 2020, and the three year average of overtime hours.				
		<u>Account</u>	<u>Proforma 2019</u>	<u>Pro Forma as of 12/31/2020</u>	<u>Increase (Decrease)</u>
	Treatment	\$ 46,806	\$ 47,977	\$ 1,170	\$ 1,170
	Pumping	26,149	26,803	654	654
	Collections	28,658	29,375	716	716
	Grounds Maintenance	-	-	-	-
	Admin - Personnel	126	129	3	3
	Total	\$ 101,739	\$ 104,282	\$ 2,543	
E-21	To adjust Depreciation Expense as of December 31, 2020				
	Annual Depreciation Expense as of December 31, 2020 - Exhibit No. JJS-3			\$ 1,974,033	
	Less: Pro Forma Depreciation Expense as of December 31, 2019			<u>\$ 1,848,580</u>	
	Adjustment			\$ 125,453	

CITY OF LANCASTER - SEWER FUND
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
E-22	To adjust Social Security and Medicare Expense to reflect the 2019 labor Expense	
		<u>2019 Amount</u>
	Social Security and Medicare Expense - Proforma based on 7.65% of 2019 Labor Expense	\$ 235,313
	Social Security and Medicare Expense- Pro Forma 2019	<u>229,574</u>
	Adjustment	\$ 5,739
E-23	To adjust Account 720.50, Sludge Processing for 2020 contract rate.	
	2019 Rate per Pound	\$ 65.00
	Pounds of Sludge	24,000
	Pro Forma Cost	\$ 1,560,000
	Less FTY Pro Forma Expense	\$ 1,536,000
	Adjustment	24,000
	Total Future Test Year Adjustments	<u>\$ 230,216</u>

APPENDIX C
PRO FORMA REVENUES UNDER PRESENT
AND PROPOSED RATES

CITY OF LANCASTER - SEWER FUND

SUMMARY OF APPLICATION OF PRESENT RATES TO CONSUMPTION ANALYSIS AS OF 12/31/2018
AND PRO FORMA REVENUES UNDER PROPOSED RATES AS OF 12/31/2019 AND 12/31/2020

Customer Classification	Revenues Per Books, 12/31/2018	Application of Present Rates to Bill Analysis	Application of Proposed Rates to Bill Analysis	Adjusted Revenues at Present Rates	Historic Test Year Pro Forma				Future Test Year Pro Forma				Fully Projected Future Test Year								
					Adjustment Factor	Ref.	Adjustments Under Proposed Rates		Ref.	Adjustments Under Proposed Rates		Ref.	Adjustments Under Proposed Rates		Ref.	Adjustments Under Proposed Rates					
							(4)=(3)/(2)	(5)		(6)=(5)(X4)	(7)		(8)	(9)		(10)	(11)				
INSIDE-CITY																					
Residential	\$ 4,833,204	\$ 4,850,271	0.996481	\$ 4,252,029	\$ 6,230,029	R-9	\$ (7,968)	6,222,061	R-13	\$ (15,936)	6,206,125	R-15	(15,936)	\$ 6,190,189							
Commercial	3,879,452	3,921,608	0.989250	4,591,690	4,542,330	R-9, R-11	\$ 4,584,118	4,606,817	R-13	\$ (12,699)	4,606,817	R-15	(12,699)	4,619,516							
Industrial	204,099	211,550	0.964781	239,924	231,474	R-9	\$ (3,302)	228,172	R-13	\$ (6,603)	221,569	R-15	(6,603)	214,966							
Bulk Sewage Treatment	6,080,666	6,080,666	1.000000	6,080,666	6,080,666			6,080,666						6,080,666	6,080,666				6,080,666		
Total Inside Sewer Revenue	14,997,421	15,064,095		17,164,309	17,084,500			40,518	17,125,018				(9,840)	17,115,178					(8,840)	17,105,338	
Lien Costs	925	925		925	925									925	925					925	925
Rental Income	28,238	29,238		29,238	29,238									29,238	29,238					29,238	29,238
Refund of Prior Year Expenditures	15,230	15,230		15,230	15,230									15,230	15,230					15,230	15,230
Interest Income	1,716	1,716		1,716	1,716									1,716	1,716					1,716	1,716
Misc. Income	58,274	58,274		58,274	58,274									58,274	58,274					58,274	58,274
Industrial Waste Permits	9,267	9,267		9,267	9,267									9,267	9,267					9,267	9,267
SLSA Operating Charges	135,936	135,936		135,936	135,936									135,936	135,936					135,936	135,936
Industrial Waste Surcharge	536,306	607,037		607,037	607,037									607,037	677,726					677,726	677,726
Total Other Revenues	786,893	857,624		-	857,624									857,624	928,313					-	928,313
Total Inside City Revenue	15,784,314	15,921,719		-	18,021,933	17,942,124								18,053,331	(9,840)	18,043,491				(9,840)	18,033,651
OUTSIDE-CITY																					
Residential	\$ 602,600	\$ 604,641	0.996625	\$ 875,062	\$ 872,109	R-10	\$ (151)	871,958	R-14	\$ (302)	871,656	R-16	(302)	871,354						4,040	4,040
Commercial	658,996	658,360	1.000965	1,004,929	1,005,889	R-10, R-11	\$ 2,777	1,008,675	R-14	\$ 4,040	1,012,715	R-16	-	64,786						4,040	4,040
Industrial	43,547	48,294	0.901702	71,849	64,786															64,786	64,786
Total Outside Sewer Revenue	1,305,143	1,311,295			1,951,840	1,942,794								2,626	1,945,420				3,738	1,949,158	
Lien Costs	100	100		100	100									100	100					100	100
Rental Income	3,155	3,155		3,155	3,155									3,155	3,155					3,155	3,155
Refund of Prior Year Expenditures	1,644	1,644		1,644	1,644									1,644	1,644					1,644	1,644
Interest Income	185	185		185	185									185	185					185	185
Misc. Income	6,288	6,288		6,288	6,288									6,288	6,288					6,288	6,288
Industrial Waste Permits	733	733		733	733									733	733					733	733
SLSA Operating Charges	14,669	14,669		14,669	14,669									14,669	14,669					14,669	14,669
Industrial Waste Surcharge	42,421	48,015		48,015	48,015									48,015	53,607					53,607	53,607
Total Other Revenues	69,195	74,789		-	74,789	74,789								80,381	-				-	80,381	-
Total Outside City Revenues	1,374,337																				-
Total Sewer Revenue	\$ 16,371,158	\$ 15,064,095												\$ (9,840)	\$ 17,125,018					\$ (6,102)	\$ 19,058,234

CITY OF LANCASTER - SEWER FUND
INSIDE THE CITY

APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2018

Rate Block 1000 Gallons (1)	Present Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Present Revenue (5)	Proposed Number Of Bills (6)	Proposed							
						Consumption (7)	Rate (8)	Revenue (9)					
<u>Residential - Quarterly</u>													
Meter Charge													
5/8"	4,981	4,482	14.55	72,474	7,042	10,665	26.10	183,796					
3/4"	264	211	14.55	3,841	376	547	26.10	9,814					
1"	116	427	43.65	5,063	177	889	78.27	13,854					
1 1/2"	12	106	87.30	1,048	20	222	156.54	3,131					
2"	10	137	145.50	1,455	10	137	260.88	2,609					
Total	5,383	5,363		83,881	7,625	12,460		213,203					
First 75	52,491	695,321	6.7852	4,717,892	50,249	688,224	8.6960	5,984,796					
Next 925	189	9,479	5.1164	48,498	189	9,479	5.7000	54,030					
Over 1,000	0	0	3.8134	0	0	0	3.9000	0					
	52,680	704,800		4,766,390	50,438	697,703		6,038,826					
Total Residential	58,063	710,163		4,850,271	58,063	710,163		6,252,029					
<u>Commercial - Quarterly</u>													
Meter Charge													
5/8"	498	475	14.55	7,246	609	808	26.10	15,895					
3/4"	164	137	14.55	2,386	215	290	26.10	5,612					
1"	194	506	43.65	8,468	236	819	78.27	18,472					
1 1/2"	105	630	87.30	9,167	160	1,476	156.54	25,046					
2"	184	1,674	145.50	26,772	235	2,985	260.88	61,307					
3'	4	43	291.00	1,164	4	54	521.76	2,087					
4"	7	219	413.10	2,892	10	428	737.70	7,377					
6"	3	239	709.20	2,128	7	786	1,250.70	8,755					
Total	1,159	3,923		60,222	1,476	7,646		144,550					
First 75	4,588	144,908	6.7852	983,230	4,275	141,432	8.6960	1,229,893					
Next 925	385	25,140	5.1164	128,626	381	24,893	5.7000	141,890					
Over 1,000	5	1,244	3.8134	4,744	5	1,244	3.9000	4,852					
	4,978	171,292		1,116,600	4,661	167,569		1,376,634					
Subtotal	6,137	175,215		1,176,822	6,137	175,215		1,521,185					

CITY OF LANCASTER - SEWER FUND
INSIDE THE CITY

APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2018

Rate Block 1000 Gallons (1)	Present Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Present Revenue (5)	Proposed Number Of Bills (6)	Proposed							
						Consumption (7)	Rate (8)	Revenue (9)					
<u>Commercial - Monthly</u>													
Meter Charge													
5/8"	6	0	4.85	29	10	4	8.70	87					
3/4"	16	0	4.85	78	24	8	8.70	209					
1"	10	0	14.55	146	10	(1)	26.09	261					
1 1/2"	10	31	29.10	291	17	72	52.18	887					
2"	50	168	48.50	2,425	60	261	86.96	5,218					
3"	3	26	97.00	291	11	166	173.92	1,913					
4"	29	293	137.70	3,993	50	832	245.90	12,295					
6"	9	99	236.40	2,128	16	460	416.90	6,670					
8"	24	747	368.00	8,832	29	1,112	690.50	20,025					
Total	157	1,364		18,212	227	2,914		47,564					
First 25	647	72,765	6.7852	493,725	598	71,677	8.6960	623,303					
Next 308	2,115	253,985	5.1164	1,299,489	2,094	253,523	5.7000	1,445,081					
Over 333	365	244,758	3.8134	933,360	353	244,758	3.9000	954,556					
	<u>3,127</u>	<u>571,508</u>		<u>2,726,574</u>	<u>3,045</u>	<u>569,958</u>		<u>3,022,940</u>					
Subtotal	3,284	572,872		2,744,786	3,272	572,872		3,070,505					
Total Commercial	9,421	748,087		3,921,608	9,409	748,087		4,591,690					
<u>Industrial - Quarterly</u>													
Meter Charge													
5/8"	6	3	14.55	87	7	6	26.10	183					
3/4"	5	10	14.55	73	9	22	26.10	235					
1 1/2"	4	20	87.30	349	4	20	156.54	626					
2"	15	166	145.50	2,183	17	229	260.88	4,435					
4"	4	7	413.10	1,652	4	7	737.70	2,951					
Total	34	206		4,344	41	284		8,430					
First 75	52	2,896	6.7852	19,650	45	2,818	8.6960	24,505					
Next 925	16	794	5.1164	4,062	16	794	5.7000	4,526					
Over 1,000	0	0	3.8134	0	0	0	3.9000	0					
	<u>68</u>	<u>3,690</u>		<u>23,712</u>	<u>61</u>	<u>3,612</u>		<u>29,031</u>					
Subtotal	102	3,896		28,057	102	3,896		37,461					

CITY OF LANCASTER - SEWER FUND
INSIDE THE CITY

APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2018

Rate Block 1000 Gallons (1)	Present Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Present Revenue (5)	Proposed Number Of Bills (6)	Proposed		
						Consumption (7)	Rate (8)	Revenue (9)
<u>Industrial - Monthly</u>								
Meter Charge 1 1/2" 10"	2	8	29.10	58	9 1	47 140	52.18 935.60	470 936
Total	2	8		58	10	187		1,405
First 25	19	2,969	6.7852	20,145	12	2,905	8.6960	25,262
Next 308	72	20,226	5.1164	103,484	71	20,111	5.7000	114,633
Over 333	37	15,683	3.8134	59,806	37	15,683	3.9000	61,164
	128	38,878		183,435	120	38,699		201,058
Subtotal	130	38,886		183,493	130	38,886		202,464
Total Industrial	232	42,782		211,550		42,782		239,924
Total - Inside	67,716	1,501,032		8,983,429		1,501,032		11,083,643

CITY OF LANCASTER - SEWER FUND
OUTSIDE THE CITY

APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2018

Rate Block 1000 Gallons (1)	Present Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Present Revenue (5)	Proposed Number Of Bills (6)	Proposed							
						Consumption (7)	Rate (8)	Revenue (9)					
<u>Residential - Quarterly</u>													
Minimum Charge													
5/8"	658	709	13.05	8,587	1,086	1,993	18.93	20,558					
3/4"	56	53	13.05	731	75	110	18.93	1,420					
1"	85	417	39.18	3,330	102	570	56.76	5,790					
1 1/2"	12	116	78.39	941	12	116	113.49	1,362					
3"	2	28	130.62	261	2	28	189.15	378					
2"	3	13	261.27	784	3	13	378.30	1,135					
Total - Minimum	816	1,336		14,634	1,280	2,830		30,642					
First 75	10,746	134,096	4.3543	583,894	10,282	132,602	6.3050	836,056					
Next 925	32	2,091	2.9234	6,113	32	2,091	4.0000	8,364					
Over 1,000	0	0	2.2246	0	0	0	3.8000	0					
	10,778	136,187		590,007	10,314	134,693		844,420					
Total Residential	11,594	137,523		604,641	11,594	137,523		875,062					
<u>Commercial - Quarterly</u>													
Minimum Charge													
5/8"	49	49	13.05	639	67	103	18.93	1,268					
3/4"	12	6	13.05	157	17	21	18.93	322					
1"	84	247	39.18	3,291	88	283	56.76	4,995					
1 1/2"	19	159	78.39	1,489	19	159	113.49	2,156					
2"	39	588	130.62	5,094	40	618	189.15	7,566					
6"	4	22	636.72	2,547	4	22	892.88	3,572					
Total - Minimums	207	1,071		13,218	235	1,206		19,879					
First 75	448	13,028	4.3543	56,728	420	12,893	6.3050	81,290					
Next 925	37	1,217	2.9234	3,558	37	1,217	4.0000	4,868					
Over 1,000	0	0	2.2246	0	0	0	3.8000	0					
	485	14,245		60,286	457	14,110		86,158					
Subtotal	692	15,316		73,503	692	15,316		106,037					

CITY OF LANCASTER - SEWER FUND
OUTSIDE THE CITY

APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2018

Rate Block 1000 Gallons (1)	Present Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Present Revenue (5)	Proposed Number Of Bills (6)	Proposed							
						Consumption (7)	Rate (8)	Revenue (9)					
<u>Commercial - Monthly</u>													
Minimum Charge													
5/8"	9	9	4.35	39	9	9	6.31	57					
3/4"	2	0	4.35	9	2	0	6.31	13					
1"	6	11	13.06	78	6	11	18.92	114					
1 1/2"	0	5	26.13	0	0	5	37.83	0					
2"	8	5	43.54	348	8	5	63.05	504					
3"	0	0	87.09	0	0	0	126.10	0					
4"	9	180	123.63	1,113	9	180	177.63	1,599					
6"	25	422	212.24	5,306	25	422	297.63	7,441					
Total - Minimums	59	632		6,893	59	632		9,727					
First 25	118	20,502	4.3543	89,272	118	20,502	6.3050	129,265					
Next 308	621	75,347	2.9234	220,269	621	75,347	4.0000	301,388					
Over 333	111	120,661	2.2246	268,422	111	120,661	3.8000	458,512					
	850	216,510		577,964	850	216,510		889,165					
Subtotal	909	217,142		584,857	909	217,142		898,891					
Total Commercial	1,601	232,458		658,360	1,601	232,458		1,004,929					
<u>Industrial - Quarterly</u>													
Minimum Charge													
5/8"	1	1	13.05	13	1	1	18.93	19					
1"	3	9	39.18	118	3	9	56.76	170					
1 1/2"	4	27	78.39	314	4	27	113.49	454					
2"	1	11	130.62	131	1	11	189.15	189					
Total - Minimums	9	48		576	9	48		832					
First 75	5	581	4.3543	2,530	5	581	6.3050	3,663					
Next 925	6	3,435	2.9234	10,042	6	3,435	4.0000	13,740					
Over 1,000	0	0	2.2246	0	0	0	3.8000	0					
	11	4,016		12,572	11	4,016		17,403					
Subtotal	20	4,064		13,148	20	4,064		18,235					

CITY OF LANCASTER - SEWER FUND
OUTSIDE THE CITY

APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2018

Rate Block 1000 Gallons (1)	Present Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Present Revenue (5)	Proposed Number Of Bills (6)	Proposed		
						Consumption (7)	Rate (8)	Revenue (9)
<u>Industrial - Monthly</u>								
Minimum Charge								
2"	0	0	\$ 43.54	\$ -	0	0	\$ 63.05	\$ -
10"	0	0	478.08	0	0	0	661.63	0
Total - Minimums	0	0		0	0	0		0
First 25	0	1,046	4.3543	4,555	0	1,046	6.3050	6,595
Next 308	33	5,270	2.9234	15,406	30	5,270	4.0000	21,080
Over 333	11	6,826	2.2246	15,185	11	6,826	3.8000	25,939
	44	13,142		35,146	41	13,142		53,614
Subtotal	44	13,142		35,146	41	13,142		53,614
Total Industrial	64	17,206		48,294	61	17,206		71,849
Total Outside	13,259	387,187		1,311,295	13,256	387,187		1,951,840

CITY OF LANCASTER - SEWER FUND
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PROPOSED RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
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- R-9 To annualize Inside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2018 under proposed rates.

Customer Classification	4 Year Customer Gain/(Loss)	Annual Bill, Proposed Rates	Annualized Revenue Adjustment (Half Year)	
(1)	(4)	(5)	(6)	
Residential	(37)	\$ 430.71	\$ (7,968)	\$ (7,968)
Commercial	5	\$ 2,539.77	\$ 6,349	\$ 6,349
Industrial	(1)	6,603.42	(3,302)	\$ (3,302)
Total	(33)		(4,921)	

- R-10 To annualize Outside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2018 under proposed rates.

Customer Classification	4 Year Average Customer Gain/(Loss)	Average Annual Bill, Proposed Rates	Annualized Revenue Adjustment (Half Year)	
(1)	(4)	(5)	(6)	
Residential	(1)	\$ 301.90	\$ (151)	\$ (151)
Commercial	1	4,039.91	2,020	2,020
Total	-		1,869	

- R-11 To impute Inside-City and Outside-City operating revenues for City-owned properties, not recorded by the City under proposed rates.

INSIDE-CITY - Commercial	\$ 45,439	\$ 45,439
OUTSIDE-CITY - Commercial		
Total Adjustment	<u>757</u>	757
	\$ 46,196	
R-12 To calculate Industrial Surcharge revenue based on Proposed Rates		
Total Industrial Surcharge revenue under Proposed rates	\$ 731,333	
Less Pro Forma Revenue	<u>(655,053)</u>	
Total Adjustment	<u>\$ 76,280</u>	
Inside City Revenue (Based on Exhibit CEH-2 - Cost of Service Study)	70,689	
Outside City Revenue (Based on Exhibit CEH-2 - Cost of Service Study)	5,591	
Total Historic Test Year, Pro Forma Operating Revenue Adjustments Under Proposed Rates	\$ 119,424	

CITY OF LANCASTER - SEWER FUND
FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PROPOSED RATES

<u>Adj. Ref.</u>	<u>Explanation</u>	<u>Adjustment Increase (Decrease)</u>
R-13	To adjust Inside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2019	

<u>Customer Classification</u>	<u>Average Gain/Loss in Customers</u>	<u>Average Annual Bill, Proposed Rates</u>	<u>Annualized Revenue Adjustment</u>	
Residential	(37.0)	\$ 430.71	\$ (15,936)	\$ (15,936)
Commercial	5.0	2,539.77	12,699	12,699
Industrial	(1.0)	6,603.42	(6,603)	(6,603)
Total	(33.0)		(9,840)	

R-14 To adjust Outside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2013

<u>Customer Classification</u>	<u>Average Gain/Loss in Customers</u>	<u>Average Annual Bill, Proposed Rates</u>	<u>Annualized Revenue Adjustment</u>	
Residential	(1.0)	\$ 301.90	\$ (302)	\$ (302)
Commercial	1.0	4,039.91	4,040	4,040
Total	-		3,738	

Total Future Test Year, Pro Forma Operating Revenue Adjustments Under Proposed Rates \$ (6,102)

CITY OF LANCASTER - SEWER FUND
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PROPOSED RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
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- R-15 To adjust Inside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2020

Customer Classification	4 Year Average Gain/Loss in Customers	Average Annual Bill, Proposed Rates	Annualized Revenue Adjustment	
Residential	(37.0)	\$ 430.71	\$ (15,936)	\$ (15,936)
Commercial	5.0	\$ 2,539.77	12,699	12,699
Industrial	(1.0)	\$ 6,603.42	(6,603)	(6,603)
Total	(33.0)		(9,840)	

- R-16 To adjust Outside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2020

Customer Classification	4 Year Average Gain/Loss in Customers	Average Annual Bill, Proposed Rates	Annualized Revenue Adjustment	
Residential	(1.0)	\$ 301.90	\$ (302)	\$ (302)
Commercial	1.0	\$ 4,039.91	4,040	4,040
Total	-		3,738	

Total Future Test Year, Pro Forma Operating
Revenue Adjustments Under Proposed Rates \$ (6,102)