

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WEST McCracken)
COUNTY WATER DISTRICT APPROVAL OF A) CASE NO.
PROPOSED INCREASE IN RATES FOR WATER) 2006-00542
SERVICE AND NON-RECURRING CHARGES)

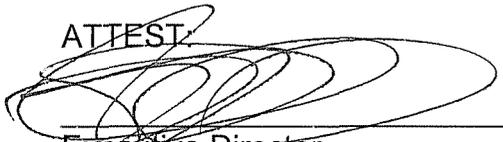
ORDER

On March 9, 2007, West McCracken County Water District ("West McCracken") filed its application for Commission approval of proposed water rates for service, non-recurring charges, and revised language to its developer contract as included in its tariff. Commission Staff, having performed a limited financial review of West McCracken's operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 25th day of May, 2007.

ATTEST:



Executive Director

By the Commission

STAFF REPORT
ON
WEST McCracken WATER DISTRICT
CASE NO. 2006-00542

On December 11, 2006, West McCracken Water District (“West McCracken”) submitted an application requesting to increase its rates for water service, an adjustment to certain existing non-recurring charges, creation of new non-recurring charges, approval of financing the installation of radio read meters, and approval to amend language in its developer contract that is a part of its tariff. West McCracken’s initial filing was found deficient. West McCracken supplemented its initial filing on March 6, 2007, with the deficient information and a request to withdraw the portions of the original application related to financing the installation of radio read meters. The case was then considered filed on March 6, 2007, when all filing deficiencies were cured.

To establish the basis for its adjustment to water service rates West McCracken selected the twelve months ended December 31, 2005 as its test-year. In its original application West McCracken determined its revenue requirement from volumetric rates excluding fire protection rates to be \$761,431, an increase of \$192,001 or 33.72 percent over normalized test-year revenues from volumetric rates excluding fire protection rates of \$569,430. Through its filing of March 6, 2007, West McCracken amended its revenue requirement by removing \$33,306 for annual debt payments on the radio read meters included in the original filing. This amendment restated the revenue required from volumetric rates excluding fire protection rates to \$728,125, an increase of

\$158,695 or 27.87 percent over normalized test-year revenues from volumetric rates excluding fire protection rates of \$569,430.

Based on the pro forma information present by West McCracken in its application the requested water service rates will not fully fund the revenue requirement from volumetric rates excluding fire protection as stated in West McCracken’s amended filing. West McCracken requests that the Commission approve a three-phase plan where rates will be adjusted annually over a two-year period to ultimately produce \$686,563 in annual revenues from rates for water service excluding fire protection revenue. The following summarizes the annual revenues to be generated through the proposed phase-in plan.

| | Pro Forma Present Rate | Year 1 | Year 2 | Year 3 |
|-----------------------------|---------------------------|------------|------------|------------|
| Revenue from Rates | \$ 569,430 | \$ 646,563 | \$ 663,563 | \$ 686,563 |
| Increase Over Previous Year | | 77,133 | 17,000 | 23,000 |
| Increase Over Test Year | | 77,133 | 94,133 | 117,133 |

West McCracken allocated its revenue requirements to its different meter sizes through the cost of service study provided in Exhibits 10, 11, and 12 of its application. The resulting rates and their effect on a 5/8 inch metered customer using 5,000 gallons per month are shown below.

| | Test Year | Year 1 | Year 2 | Year 3 |
|--------------------------------|-----------|----------|----------|----------|
| Customer Charge | | | | |
| 5/8 Inch | \$ 8.39 | \$ 8.95 | \$ 8.95 | \$ 8.95 |
| 1 Inch | 19.63 | 20.59 | 20.59 | 20.59 |
| 2 Inch | 28.06 | 29.89 | 29.89 | 29.89 |
| 3 Inch | 47.73 | 50.93 | 50.93 | 50.93 |
| 4 Inch | 75.83 | 80.91 | 80.91 | 80.91 |
| Usage Charge per 1,000 Gallons | | | | |
| Under 100,000 Gallons | \$ 3.27 | \$ 3.55 | \$ 3.77 | \$ 4.05 |
| Over 100,000 Gallons | 2.46 | 3.08 | 3.09 | 3.11 |
| Cost of 5,000 gallons to | | | | |
| 5/8 inch customer | \$ 24.74 | \$ 26.70 | \$ 27.80 | \$ 29.20 |
| Increase Over Previous Year | | 1.96 | 1.10 | 1.40 |
| Percentage | | 7.92% | 4.12% | 5.04% |
| Increase Over Test Year | | 1.96 | 3.06 | 4.46 |
| Percentage | | 7.92% | 12.37% | 18.03% |

None of the information shown above includes surcharge revenue derived from a \$.42 per thousand gallon surcharge assessed by West McCracken to all customers pursuant to Commission Order date August 4, 2000, in Case No. 2000-00140.¹ That Order approved the surcharge for no longer than five years. The surcharge expired during the test-year and is no longer assessed and collected by West McCracken. West McCracken has appropriately excluded this surcharge from the proposed tariff filed in the case at bar.

To review West McCracken's rate phase-in plan Staff conducted a field review to gather information concerning West McCracken's test-year operating results and the pro forma information presented in its application. The scope of Staff's review was limited to obtaining information as to whether the test-year and pro forma financial

¹ West McCracken County Water District for an Application for a Certificate of Public Convenience and Necessity and Approval of Financing for a 500,000 Gallon Elevated Storage Tank.

information is representative of normal operations. All pro forma adjustments to test-year operations are required to be known and measurable pursuant to administrative regulation 807 KAR 5:001, Section 10 (7). Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

This report summarizes Staff's review and recommendations. Jack Scott Lawless is responsible for the revenue requirement determination while Jason Green determined pro forma revenues, developed the cost of service study, reviewed the non-recurring charge cost justification sheets, and developer contract revision.

Attachment A of this report is West McCracken's pro forma adjusted operating income statement as determined by West McCracken and included in its application. Staff compiled the adjusted income statement as shown at Attachment B. Attachment B also includes explanation of Staff's proposed adjustments as well as discussion of the adjustments made by West McCracken as shown in Attachment A.

Attachment C of this report compares West McCracken's revenue requirement as determined by West McCracken and Staff. Staff calculated West McCracken's revenue requirements from volumetric rates excluding fire protection to be \$709,468, an increase of \$118,423, or 20.04 percent, over normalized revenues from volumetric rates excluding fire protection of \$591,045.

To determine the actual amount of West McCracken's requested revenue requirement from rates excluding fire protection, Staff applied the rates requested by West McCracken in its phase-in plan to Staff's billing analysis adjusted for customer growth which is discussed in Attachment B, Item A. Through this calculation Staff

determined West McCracken’s requested revenue requirements from rates excluding fire protection to be as shown below.

| | | |
|-------------|----|---------|
| Phase One | \$ | 667,339 |
| Phase Two | | 686,163 |
| Phase Three | | 710,628 |

Staff recommends that the Commission approve rates through a three-phase plan as proposed by West McCracken to control customer “rate shock” with the third phase limited to the revenue requirement from volumetric rates found appropriate by Staff of \$709,468. Staff’s recommended rates were developed using the cost of service study shown at Attachment D. The calculation of Staff’s recommended rates are shown in Attachment D at pages 5 and 6 and are summarized below along with the impact on a residential customer using 5,000 gallons per month.

| | Test Year | Year 1 | Year 2 | Year 3 |
|--------------------------------|-----------|----------|----------|----------|
| Customer Charge | | | | |
| 5/8 Inch | \$ 8.39 | \$ 5.79 | \$ 5.79 | \$ 5.79 |
| 1 Inch | 19.63 | 14.47 | 14.47 | 14.47 |
| 2 Inch | 28.06 | 57.88 | 57.88 | 57.88 |
| 3 Inch | 47.73 | 86.82 | 86.82 | 86.82 |
| 4 Inch | 75.83 | 144.70 | 144.70 | 144.70 |
| Usage Charge per 1,000 Gallons | | | | |
| Under 100,000 Gallons | \$ 3.27 | \$ 4.29 | \$ 4.44 | \$ 4.63 |
| Over 100,000 Gallons | 2.46 | 2.98 | 3.06 | 3.15 |
| Cost of 5,000 gallons to | | | | |
| 5/8 inch customer | \$ 24.74 | \$ 27.24 | \$ 27.99 | \$ 28.94 |
| Increase Over Previous Year | | 2.50 | 0.75 | 0.95 |
| Percentage | | 10.11% | 2.75% | 3.39% |
| Increase Over Test Year | | 2.50 | 3.25 | 4.20 |
| Percentage | | 10.11% | 13.14% | 16.98% |

Phases one and two rates produce revenues of \$670,068 and \$687,673, respectively. Phase three rates produce Staff’s recommended revenue requirement from volumetric rates excluding fire protection of \$709,468.

In the cost of service study depreciation was reduced from the pro forma amount as shown in Attachment B to the level necessary to equal the revenue requirement of phases one and two. Staff recommends that each of the first two phases be assessed for a one-year period after which time phase three rates should become effective and charged for services until further Order of the Commission.

Staff recommends that West McCracken be required to file with the Commission a revised tariff within thirty days prior to the effective date of phase two and phase three rates. West McCracken should also be required to provide its customers with a one-time notice with the implementation of phase two and phase three rates.

West McCracken requested the following changes to its non-recurring charges.

| | Current | Proposed |
|--|-------------|-------------|
| Tap Fees | | |
| 5/8 Inch | \$ 480 | \$ 700 |
| 1 Inch | 583 | Actual Cost |
| 2 Inch and Above | Actual Cost | Actual Cost |
| Customer Request Meter Relocation | - | Actual Cost |
| Reconnect / Disconnect for Non-Payment | 20 | 75 |
| Returned Check Charge | 15 | 20 |
| Customer Request Meter Re-Read | 15 | 40 |
| Cusotmer Request Meter Re-Read After Hours | - | 60 |
| Customer Request Meter Test | 25 | 100 |

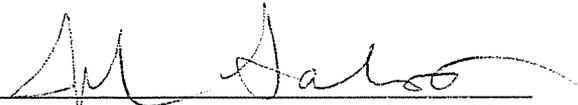
West McCracken provided cost justification sheets for each of the non-recurring charges that are fixed amounts. Those that are stated at actual cost are for services that can vary greatly from one customer to another making actual cost recovery appropriate. Staff has reviewed the cost justification sheets, finds them to be appropriate, and recommends that the Commission approve all the non-recurring charges as proposed by West McCracken and shown above.

West McCracken states in its application that it is being required to pay construction costs that should instead be borne by developers. After water lines are installed by developers and ownership is transferred to West McCracken, normal ground settling over the water main often occurs within one year. At this time West McCracken has no recourse with the developer and is required to incur the expense of re-grading, re-seeding, and re-landscaping. West McCracken proposes to amend its developer contract included as a part of its tariff so that developers must pay a deposit to West McCracken to be held for one year to pay these costs if incurred by West McCracken. The deposit would be equal to 10 percent of the cost of the water line extension made by the developer.

Staff recommends that the Commission approve a provision for deposit in West McCracken's developer contract to require, in essence, the developer to warrant his work for one year. Staff is of the opinion that the requested 10 percent deposit is excessive. A deposit of 5 percent would be adequate to cover the cost of the rehabilitation work cited by West McCracken. Staff recommends the following language be used: An advance deposit equal to 5 percent of the estimated water line construction costs made by the Developer shall be paid to West McCracken and held for a period of up to one year from the date the water line construction is fully complete and all rights and interest of ownership have passed to West McCracken. The deposit shall be used by West McCracken to offset all expenses incurred by it for re-grading, re-seeding, or re-landscaping made necessary by normal settling or other normal causes of nature. An itemized list of all charges against the deposit, along with the unused

portion, shall be provided to the Developer one year from the time West McCracken has accepted ownership of the water main extension.

Signatures:


Prepared by: Jack Scott Lawless, CPA
Financial Analyst, Water and Sewer
Revenue Requirements Branch
Division of Financial Analysis


Prepared by: Jason Green
Rate Analyst, Communications, Water,
and Sewer Rate Design Branch
Division of Financial Analysis

ATTACHMENT A
 STAFF REPORT CASE NO. 2006-00542
 WEST McCracken's REQUESTED ADJUSTED OPERATIONS

| | Test Year | Adjustments | Pro Forma |
|--------------------------------------|--------------|-------------|-------------|
| Operating Revenue | | | |
| Sales of Water | | | |
| Metered Water Sales | \$ 559,151 | \$ 5,898 | |
| | | 4,381 | \$ 569,430 |
| Sprinkler Charge | 1,440 | | 1,440 |
| Fire Service Charge | 300 | | 300 |
| | <hr/> | | |
| Total Sales of Water | 560,891 | 10,279 | 571,170 |
| Other Operating Revenue | | | |
| Forfeited Discounts | 10,598 | | 10,598 |
| Miscellaneous | 10,254 | | 10,254 |
| Surcharge | 71,611 | (71,611) | - |
| | <hr/> | | |
| Total Other Operating Revenue | 92,463 | (71,611) | 20,852 |
| | <hr/> | | |
| Total Operating Revenue | 653,354 | (61,332) | 592,022 |
| Operating Expenses | | | |
| Operation and Maintenance | | | |
| Salaries and Wages - Employees | 125,430 | | 125,430 |
| Salaries and Wages - Commissioners | 1,800 | | 1,800 |
| Employee Pensions and Benefits | 13,958 | | 13,958 |
| Purchased Water | 211,898 | 29,593 | 241,491 |
| Electricity for Pumping | 6,289 | | 6,289 |
| Chemicals | 572 | | 572 |
| Materials and Supplies | 10,989 | | 10,989 |
| Contractual Services - Accounting | 6,950 | | 6,950 |
| Contractual Services - Legal | 41 | | 41 |
| Contractual Services - Water Testing | 17,504 | | 17,504 |
| Transportation | 6,880 | | 6,880 |
| Insurance - General Liability | 10,650 | | 10,650 |
| Insurance - Workmans comp | 2,368 | | 2,368 |
| Insurance - Health | 19,984 | | 19,984 |
| Advertising | 536 | | 536 |
| Bad Debt | 4,865 | | 4,865 |
| Miscellaneous | 22,003 | | 22,003 |
| Regulatory Assessment Fee | 1,035 | | 1,035 |
| Amortization | 3,681 | | 3,681 |
| | <hr/> | | |
| Total Operation and Maintenance | 467,433 | 29,593 | 497,026 |
| Depreciation | 135,137 | | 135,137 |
| Taxes Other Than Income | 9,862 | | 9,862 |
| | <hr/> | | |
| Total Operating Expenses | 612,432 | 29,593 | 642,025 |
| | <hr/> | | |
| Net Operating Income | \$ 40,922 | \$ (90,925) | \$ (50,003) |

ATTACHMENT B
STAFF REPORT 2006-00542
STAFF'S ADJUSTED OPERATIONS

| | Test Year | Adjustments | Ref. | Pro Forma |
|---|--------------------|-------------------|------|--------------------|
| Operating Revenue | | | | |
| Sales of Water | | | | |
| Metered Water Sales | \$ 559,151 | \$ 31,894 | (A) | \$ 591,045 |
| Sprinkler Charge | 1,440 | | | 1,440 |
| Fire Service Charge | 300 | | | 300 |
| Total Sales of Water | 560,891 | 31,894 | | 592,785 |
| Other Operating Revenue | | | | |
| Forfeited Discounts | 10,598 | | | 10,598 |
| Miscellaneous | 10,254 | 3,680 | (B) | 13,934 |
| Surcharge | | | (C) | - |
| Total Other Operating Revenue | 20,852 | 3,680 | | 24,532 |
| Total Operating Revenue | 581,743 | 35,574 | | 617,317 |
| Operating Expenses | | | | |
| Operation and Maintenance | | | | |
| Salaries and Wages - Employees | 125,430 | | | 125,430 |
| Salaries and Wages - Commissioners | 1,800 | | | 1,800 |
| Employee Pensions and Benefits | 13,958 | 6,841 | (D) | 20,799 |
| Purchased Water | 211,898 | 36,040 | (E) | 247,938 |
| Electricity for Pumping | 6,289 | 168 | (F) | 6,457 |
| Chemicals | 572 | | | 572 |
| Materials and Supplies | 10,989 | | | 10,989 |
| Contractual Services - Accounting | 6,950 | | | 6,950 |
| Contractual Services - Legal | 41 | | | 41 |
| Contractual Services - Water Testing | 17,504 | | | 17,504 |
| Transportation | 6,880 | | | 6,880 |
| Insurance - General Liability | 10,650 | | | 10,650 |
| Insurance - Workmans comp | 2,363 | | | 2,363 |
| Insurance - Health | 19,984 | 1,078 | (G) | 21,062 |
| Advertising | 536 | | | 536 |
| Bad Debt | 4,865 | | | 4,865 |
| Miscellaneous | 22,003 | | | 22,003 |
| Total Operation and Maintenance | 462,712 | 44,127 | | 506,839 |
| Depreciation | 135,137 | (4,552) | (H) | 130,585 |
| Taxes Other Than Income | 10,481 | | | 10,481 |
| Total Operating Expenses | 608,330 | 39,575 | | 647,905 |
| Net Operating Income | (26,587) | (4,001) | | (30,588) |
| Interest Income | 10,057 | (4,463) | (I) | 5,594 |
| Income Available to Service Debt | \$ (16,530) | \$ (8,464) | | \$ (24,994) |

(A) Sales of Water. In its 2005 annual report West McCracken reported test-year sales of water at \$560,891. West McCracken proposed to increase this amount by \$5,898 to restate revenues equal to its billing analysis results of \$566,789 (See West McCracken's Application, Exhibit 10, Page 1: Volumetric Sales, \$565,049 + Fire Protection, \$1,740 = \$566,789).

Staff gathered test-year billing information from West McCracken to perform a separate billing analysis and determined that the necessary adjustment is \$6,384. Staff recommends that test-year water sales be increased by \$6,384 to reflect its billing analysis.

West McCracken further increased test-year sales by \$4,381 to account for a change in its water rates for service pursuant to a purchased water adjustment made effective during the test-year. Staff agrees with West McCracken's adjustment and recommends it be accepted.

Staff has increased test-year sales by \$21,129 to account for the additional 4,198,320 gallons necessary to normalize sales for customers added to West McCracken's distribution system throughout and subsequent to the test-year. Through a recently completed main extension project West McCracken added 53 residential customers in 2005 and 47 in 2006. Staff has included as a part of pro forma revenue requirements the expenses and debt service to be incurred to serve these customers and therefore revenues from these customers should be included to properly match revenues to expenses. Staff determined the revenue adjustment by multiplying the average test-year usage from a residential customer by the number of customers

added during and subsequent to the test-year. For those customers added during the test-year Staff used a half-year provision assuming that all customers were added June 30, 2005, requiring an increase to account for only half a year. A full year was included for those added subsequent to the test-year.

Staff's recommended net adjustment to test-year water sales is then \$31,894 as shown below.

| | | |
|-----------------------------|----|---------------|
| Billing Analysis Adjustment | \$ | 6,384 |
| Purchased Water Adjustment | | 4,381 |
| Customer Growth Adjustment | | 21,129 |
| Total Increase | \$ | <u>31,894</u> |

(B) Other Operating Revenue. For the test-year West McCracken reported other operating revenue of \$20,852 consisting of \$10,598 from late payment penalties and \$10,254 from miscellaneous service revenues. In its application West McCracken did not propose adjustment to these revenues even though it is seeking to increase certain non-recurring charges from which the miscellaneous service revenues were derived. Having recommended that West McCracken's request to increase non-recurring charges be granted, Staff has increased test-year miscellaneous service revenues by \$3,630 as shown below to account for the recommended changes to non-recurring charges.

| | |
|---|-----------------|
| Increase in Revenue for Returned Check Charge | \$ 50 |
| Increase in Revenue for Reconnect Fee | 3,630 |
| Increase | <u>\$ 3,680</u> |
| Returned Check Charge | |
| Number of Returned Check Charges Collected during Test Year | \$ 10 |
| Times: New Rate | <u>20</u> |
| Pro Forma | 200 |
| Less: Test Year | (150) |
| Increase | <u>\$ 50</u> |
| Reconnect Fee | |
| Number of Reconnection Fees Collected during Test Year | \$ 66 |
| Times: New Rate | <u>75</u> |
| Pro Forma | 4,950 |
| Less: Test Year | (1,320) |
| Increase | <u>\$ 3,630</u> |

Other than the returned check charge and reconnection fee there were no occurrences during the test-year of services for which the non-recurring charges as proposed by West McCracken were assessed. For this reason Staff's adjustment was limited to these two charges.

(C) Surcharge Revenue. During the test-year West-McCracken reported revenue of \$42,827 derived from the surcharge approved by the Commission in Case No. 2000-00140 as previously discussed in the main body of this report. Since the surcharge has expired the test-year revenue should be eliminated. This adjustment, however, has no impact on the net operating income as it was appropriately shown "below the line" in West McCracken's financial statements as presented in its annual report filed with the

Commission. In its application West McCracken misstated the test-year amount "above the line" at \$71,611, the surcharge collections from the previous year.¹

(D) Employee Pensions and Benefits. Test-year employee pensions and benefits were reported at \$13,958 and included training, dental insurance, and retirement expenses in the amounts of \$1,584, \$572, and \$11,802, respectively.

West McCracken participates in the County Employees Retirement System making contributions based upon full-time employee wages. During the first and second halves of the test-year the employer contribution rates were 8.48 percent and 10.98 percent, respectively. West McCracken has been notified by the retirement system that the rate to be contributed by the employer for the fiscal year ended June 30, 2008, will be 16.17 percent. This employer contribution is in addition to the 5 percent contribution made by the employee. Staff recommends that test-year expenses be increased by \$6,841 as calculated below to account for the contribution rate increase.

| | |
|--|-----------------|
| Test-Year Salaries and Wages Subject to Retirement | \$ 115,291 |
| Times: Pro Forma Contribution Rate | <u>16.17%</u> |
| Pro forma | 18,643 |
| Less: Test Year | <u>(11,802)</u> |
| Increase | <u>\$ 6,841</u> |

(E) Purchased Water. West McCracken reported test-year purchased water expense of \$211,898. West McCracken increased the test-year amount by \$29,593 to account for an increase in price of wholesale water from its supplier, Paducah Water. In

¹ West McCracken's Audit Report at Page 4 as shown at Exhibit 8 of the Application.

July of the test-year Paducah Water increased its wholesale rate from \$1.45 per thousand gallons to \$1.50 per thousand gallons.

Staff determined that the test-year amount should be increased by \$36,040. Staff's adjustment is based on Paducah Water's current wholesale charge of \$1.50. Staff's adjustment also includes water necessary to serve the new customers added to West McCracken's distribution system during and subsequent to the test-year as discussed previously in this Attachment at Item (A) Sales of Water. To account for this increase Staff "grossed-up" the normalized sales to these customers of 4,198,320 by 2.323 percent, the test-year water loss which is calculated below.

| | | |
|---|--------------------|------------------------------------|
| Water Purchased | <u>196,260,000</u> | |
| Water Sold | 150,219,900 | |
| Flushing | 6,165,000 | |
| Fire | 50,000 | |
| Adjustment from Supplier for Over Billing Due to Faulty Meter, Includes Only 2005 | <u>35,266,000</u> | See Application Exhibit 6, Page 6. |
| Total Sold and Used | <u>191,700,900</u> | |
| Water Loss | <u>4,559,100</u> | |
| Water Loss Percentage | <u>2.323%</u> | |

Included in the water loss calculation is a 35,266,000 gallons test-year adjustment. From the middle of 2004 to the end of 2005 West McCracken was over billed by its wholesale water supplier Paducah Water by 53,020,000 gallons due to a fast reading master meter. It was determined that the total overpayment was \$77,760 and that 35,266,000 gallons were over billed during 2005. The gallons resulting from the over-reads were included in West McCracken's test-year gallons purchased as stated above and should be removed to determine water loss and pro forma purchased water expense. The entire over payment of \$77,760 was credited to purchased water

expense by West McCracken for 2005 resulting in an understatement of test-year expenses of \$25,743, the amount attributable to the over billings of 2004. Staff's adjustment corrects this understatement.

The following schedule details the calculation of Staff's purchased water adjustment.

| | | |
|---|---------------|-------------------------|
| Test-year purchases | | 196,260,000 |
| Plus: Customer Growth | | |
| Gallons to be Sold | 4,198,320 | |
| Gross-up for Water Loss | <u>97.68%</u> | |
| Gallons Needed to Purchase | | 4,298,166 |
| Less: Test Year Gallons Refunded by Supplier for Fast Meter Readings | | <u>(35,266,000)</u> |
| Pro Forma Gallons to be Purchased | | 165,292,166 |
| Times: Current Rate Per Thousand | | <u>\$ 1.50</u> |
| Pro Forma Purchased Water | | 247,938 |
| Less: Test Year | | <u>(211,898)</u> |
| Increase | | <u><u>\$ 36,040</u></u> |

(F) Electricity for Pumping. West McCracken reported test-year electricity for pumping in the amount of \$6,289. Staff has increased this amount by \$168 to account for the additional pumping to be incurred to meet the normalized purchases as discussed previously in the purchased water section of this report. The calculation is based on test-year pumping costs per gallon pumped and is detailed below.

| | | | |
|--|---------------------|----|--------------------|
| Test Year Electricity for Pumping | | \$ | 6,289 |
| Divide by: Actual Gallons Pumped | | | |
| Test-Year Gallons Purchased | 196,260,000 | | |
| Gallons Refunded due to Fast Meter | <u>(35,266,000)</u> | | |
| Actual Gallons Pumped | | | <u>160,994,000</u> |
| Cost of Pumping per Gallon | | \$ | 0.00003906 |
| Times: Increased Gallons to Purchase for Customer Growth | | | <u>4,298,166</u> |
| Increase | | \$ | <u>168</u> |

(G) Insurance – Health. West McCracken provides health insurance to its three full-time employees. The test-year health insurance expense was reported at \$19,984. Staff recommends that the test-year amount be increased by \$1,078, as calculated below, based on the most recent monthly premium available at the time of Staff's field visit.

| | | |
|-----------------------------|----|-----------------|
| Premium Paid for March 2007 | \$ | 1,755 |
| Annualize | | <u>12</u> |
| Pro Forma | | 21,062 |
| Less: Test Year | | <u>(19,984)</u> |
| Increase | \$ | <u>1,078</u> |

(H) Depreciation. West McCracken reported test-year depreciation expense at \$135,137. Staff has decreased the test-year amount by \$4,552 as detailed below.

| | | |
|---|----|----------------|
| Transmission and Distribution Main Change to Remaining Life | \$ | (13,882) |
| Meters and Installations Change to Remaining Life | | (2,612) |
| 2006 Plant Additions | | <u>11,942</u> |
| Decrease | \$ | <u>(4,552)</u> |

The depreciable lives assigned to West McCracken's utility plant in service accounts are consistent with those recommended by the National Association of

Regulatory Utility Commissioners (“NARUC”) except for the lives assigned to transmission and distribution mains and meters and installations.

West McCracken assigned lives to transmission and distribution mains of 40 to 75 years with the majority being assigned 40. NARUC recommends a life range of 50 to 75 years for these mains. West McCracken assigned lives to meters and installations of 10 to 50 years with the majority being assigned 20. NARUC recommends a life range of 35 to 50 years for meters and installations. Staff has applied the straight-line, remaining life method of calculating depreciation to the mains and meter installations based on 65 and 45 year whole lives, respectively, roughly the average lives recommended by NARUC.

When calculating the remaining life Staff assumed that the asset’s in-service date was January 1 of the year placed into service even though the actual in-service date may have been different. The difference resulting from this method is not material. The following details the calculation for the adjustment to depreciation of mains and meter installations.

Transmission and Distribution Mains

| Year In Service | Original Useful Whole Life | Reassigned Useful Whole Life | Age at 12/31/2005 | Remaining Life Based on Reassigned Useful Whole Life | Undepreciated Balance at 12/31/2005 | Annual Depreciation Based on Remaining Life |
|--------------------|-------------------------------------|---------------------------------------|----------------------|--|---|--|
| 1992 | 40 | 65 | 14 | 51 | \$ 3,264 | \$ 64 |
| 1993 | 40 | 65 | 13 | 52 | 127,230 | 2,447 |
| 1986 | 50 | 65 | 20 | 45 | 41,028 | 912 |
| 1994 | 40 | 65 | 12 | 53 | 362,065 | 6,831 |
| 1995 | 40 | 65 | 11 | 54 | 44,317 | 821 |
| 1996 | 40 | 65 | 10 | 55 | 144,730 | 2,631 |
| 1997 | 40 | 65 | 9 | 56 | 534,990 | 9,553 |
| 1998 | 40 | 65 | 8 | 57 | 22,103 | 388 |
| 1968 | 75 | 65 | 38 | 27 | 300,773 | 11,140 |
| 1976 | 75 | 65 | 30 | 35 | 13,299 | 380 |
| 1983 | 50 | 65 | 23 | 42 | 25,319 | 603 |
| 1985 | 50 | 65 | 21 | 44 | 1,225 | 28 |
| 1986 | 50 | 65 | 20 | 45 | 2,062 | 46 |
| 1987 | 50 | 65 | 19 | 46 | 982 | 21 |
| 1988 | 50 | 65 | 18 | 47 | 3,697 | 79 |
| 1989 | 40 | 65 | 17 | 48 | 139,239 | 2,901 |
| 1990 | 40 | 65 | 16 | 49 | 1,846 | 38 |
| 1991 | 40 | 65 | 15 | 50 | 13,935 | 279 |
| 1999 | 40 | 65 | 7 | 58 | 168,720 | 2,909 |
| 2000 | 40 | 65 | 6 | 59 | 135,993 | 2,305 |
| 2001 | 40 | 65 | 5 | 60 | 115,526 | 1,925 |
| 2002 | 40 | 65 | 4 | 61 | 360 | 6 |
| 2003 | 40 | 65 | 3 | 62 | 76 | 1 |
| 2004 | 40 | 65 | 2 | 63 | 85,526 | 1,358 |
| 2005 | 40 | 65 | 1 | 64 | 847,246 | 13,238 |
| Total | | | | | 3,135,553 | 60,903 |
| Less: Test Year | | | | | | <u>(74,785)</u> |
| Decrease | | | | | | <u>\$ (13,882)</u> |

Meters and Installations

| Year In Service | Original Useful Whole Life | Reassigned Useful Whole Life | Age at 12/31/2005 | Remaining Life Based on Reassigned Useful Whole Life | Undepreciated Balance at 12/31/2005 | Annual Depreciation Based on Remaining Life |
|--------------------|-------------------------------------|---------------------------------------|----------------------|--|---|--|
| 1968 | 50 | 45 | 38 | 7 | \$ 11,166 | \$ 1,595 |
| 1976 | 50 | 45 | 30 | 15 | 1,849 | 123 |
| 1978 | 50 | 45 | 28 | 17 | 1,489 | 88 |
| 1979 | 50 | 45 | 27 | 18 | 1,067 | 59 |
| 1980 | 50 | 45 | 26 | 19 | 943 | 50 |
| 1981 | 50 | 45 | 25 | 20 | 1,608 | 80 |
| 1983 | 10 | 45 | 23 | 22 | | - |
| 1984 | 50 | 45 | 22 | 23 | 1,462 | 64 |
| 1985 | 50 | 45 | 21 | 24 | 647 | 27 |
| 1986 | 50 | 45 | 20 | 25 | 1,663 | 67 |
| 1987 | 50 | 45 | 19 | 26 | 2,348 | 90 |
| 1988 | 50 | 45 | 18 | 27 | 2,689 | 100 |
| 1989 | 20 | 45 | 17 | 28 | 893 | 32 |
| 1990 | 20 | 45 | 16 | 29 | 693 | 24 |
| 1991 | 20 | 45 | 15 | 30 | 1,133 | 38 |
| 1992 | 20 | 45 | 14 | 31 | 1,713 | 55 |
| 1993 | 20 | 45 | 13 | 32 | 5,124 | 160 |
| 1994 | 20 | 45 | 12 | 33 | 2,191 | 66 |
| 1995 | 20 | 45 | 11 | 34 | 4,237 | 125 |
| 1996 | 20 | 45 | 10 | 35 | 3,937 | 112 |
| 1997 | 20 | 45 | 9 | 36 | 5,998 | 167 |
| 1998 | 20 | 45 | 8 | 37 | 1,653 | 45 |
| 1999 | 20 | 45 | 7 | 38 | 6,109 | 161 |
| 2000 | 20 | 45 | 6 | 39 | 6,690 | 172 |
| 2001 | 20 | 45 | 5 | 40 | 3,915 | 98 |
| 2002 | 20 | 45 | 4 | 41 | 1,915 | 47 |
| 2003 | 20 | 45 | 3 | 42 | 4,578 | 109 |
| 2004 | 20 | 45 | 2 | 43 | 3,994 | 93 |
| 2005 | 20 | 45 | 1 | 44 | 17,953 | 408 |
| Total | | | | | 99,658 | 4,253 |
| Less: Test Year | | | | | | <u>(6,865)</u> |
| Decrease | | | | | | <u>\$ (2,612)</u> |

During its review Staff identified post test-year plant additions for which an adjustment to test-year depreciation should be made. The adjustment appears below. All items included in this adjustment were placed into service during 2006.

| | Cost | Life | Depreciation |
|------------------------------------|----------|------|------------------|
| Hydrants | \$ 1,194 | 50 | \$ 24 |
| Meters and Installations | 12,773 | 45 | 284 |
| Computer Software | 740 | 3 | 247 |
| Computer Hardware | 5,863 | 5 | 1,173 |
| Services | 27,860 | 40 | 697 |
| Tools and Shop Equipment | 2,400 | 10 | 240 |
| Transmission and Distribution Main | 302,679 | 65 | 4,657 |
| Transportation | 23,107 | 5 | <u>4,621</u> |
| Increase | | | <u>\$ 11,942</u> |

(I) Interest Income. West McCracken reported test-year interest income of \$10,057 of which \$4,463 was accrued on funds deposited in a temporary cash construction account used to pay for West McCracken's latest improvement project. Staff recommends that this amount be removed to determine income available to service debt as it is non-recurring revenue accrued on funds that have been expended.

ATTACHMENT C
STAFF REPORT CASE NO. 2006-00542
COMPARISON OF REVENUE REQUIREMENT DETERMINATION

| | Calculated By West McCracken | Calculated By Staff | Difference |
|--|------------------------------------|------------------------|-------------|
| Operating Expenses | \$ 642,025 | \$ 647,905 | \$ 5,880 |
| Debt Service: | | | |
| Principal | 56,233 | 46,609 | (9,624) |
| Interest | 34,344 | 31,249 | (3,095) |
| Coverage at 20 Percent | 18,115 | 15,572 | (2,544) |
| Total Revenue Requirement | 750,717 | 741,334 | (9,383) |
| Less: Other Operating Income | (20,852) | (24,532) | (3,680) |
| Interest Income | | (5,594) | (5,594) |
| Revenue Required from Rates | 729,865 | 711,208 | (18,657) |
| Less: Fire Protection Revenue | (1,740) | (1,740) | - |
| Revenue Required from Volumetric Rates | 728,125 | 709,468 | (18,657) |
| Less: Pro Forma Present Rate Revenue | (569,430) | (591,045) | (21,615) |
| Required Revenue Increase | \$ 158,695 | \$ 118,423 | \$ (40,272) |

To determine West McCracken's revenue requirement Staff added the pro forma operating expenses as presented in Attachment B to West McCracken's debt service requirement. Staff then deducted other operating income and interest income to determine the revenue required from sales of water. Fire protection revenues were then deducted to determine the revenue requirement from volumetric rates.

To determine its debt service requirement West McCracken calculated a three-year average principal and interest payment plus a 20 percent coverage requirement. West McCracken's three-year average was based on 2006-2008. Staff used a five-year average for 2007-2011, as shown below, plus the 20 percent coverage required by West McCracken's bond resolution.

| | Interest | Principal | Total |
|-------------------|-----------|-----------|-----------|
| 2007 | 35,931 | 72,856 | 108,787 |
| 2008 | 32,376 | 39,066 | 71,442 |
| 2009 | 30,895 | 39,383 | 70,278 |
| 2010 | 29,322 | 41,731 | 71,053 |
| 2011 | 27,722 | 40,008 | 67,730 |
| <hr/> | | | |
| Five-Year Average | \$ 31,249 | \$ 46,609 | \$ 77,858 |

Staff's debt provision is based upon more recent data and helps "smooth" the effects of the annual reduction in principal payments that will occur after 2007, as demonstrated in the principal payments listed above, when West McCracken's Paducah Bank note with an outstanding balance of \$34,892 is fully retired.

Attachment D
Staff Report Case No. 2006-00542
Cost of Service Study

| WEST MCCRACKEN COUNTY WATER DISTRICT | | | | |
|--|--------------------|------------------|--------------------|------------------|
| ALLOCATION OF PLANT VALUE | | | | |
| | | | | |
| | TOTAL | COMMODITY | DEMAND | CUSTOMER |
| Structures & Improvements | \$93,614 | | \$93,614 | |
| Land & Land Rights | 12,252 | | 12,252 | |
| Pumping Equipment | 30,203 | | 30,203 | |
| Distribution Reservoirs & Standpipes | 1,038,887 | | 1,038,887 | |
| Transmission & Distribution Mains | 4,075,945 | | 4,075,945 | |
| Hydrants | 56,520 | | | \$56,520 |
| Meters | 190,108 | | | 190,108 |
| Services | 374,277 | | 374,277 | |
| SUBTOTAL | \$5,871,806 | \$0.00 | \$5,625,178 | \$246,628 |
| PERCENT | 100.00% | 0 | 95.80% | 4.20% |
| General Plant (1) | | | | |
| Tools, Shop & Garage Equipment | 18,728 | | 17,941 | 787 |
| Transportation | 38,043 | | 36,445 | 1,598 |
| Office Equipment | 42,677 | | 40,884 | 1,793 |
| Communication Equipment | 26,011 | | 24,918 | 1,093 |
| TOTAL VALUE | \$5,997,265 | \$0.00 | \$5,745,367 | \$251,898 |
| (1) General Plant allocated based on overall weighted allocation of all other plant. | | | | |
| Note: Figures used were derived from 2005 annual report | | | | |

| WEST MCCRACKEN COUNTY WATER DISTRICT | | | | |
|---|------------------|------------------|------------------|-----------------|
| ALLOCATION OF DEPRECIATION EXPENSE | | | | |
| | | | | |
| | TOTAL | COMMODITY | DEMAND | CUSTOMER |
| Structures & Improvements | \$3,240 | | \$3,240 | |
| Hydrants | 1,130 | | | \$1,130 |
| Meters | 6,865 | | | 6,865 |
| Pumping Equipment | 1,338 | | 1,338 | |
| Services | 8,327 | | 8,327 | |
| Distribution Reservoirs & Standpipes | 27,774 | | 27,774 | |
| Tranmission & Distribution Mains | 74,785 | | 74,785 | |
| SUBTOTAL | \$123,459 | \$0.00 | \$115,464 | \$7,995 |
| PERCENT | 100.00% | 0.00% | 93.52% | 6.48% |
| Tools, Shop & Garage Equipment | 468 | | 438 | 30 |
| Other Plant | 2,400 | | 2,245 | 155 |
| Transportation Equipment | 4,494 | | 4,203 | 291 |
| Office Equipment | 4,316 | | 4,037 | 279 |
| TOTAL DEPRECIATION | \$135,137 | \$0.00 | \$126,386 | \$8,751 |
| Note: Figures used were derived from 2005 annual report | | | | |

| WEST MCCrackEN COUNTY WATER DISTRICT | | | | |
|--|-------------------|------------------|------------------|------------------|
| ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE | | | | |
| | TOTAL | COMMODITY | DEMAND | CUSTOMER |
| Employee Salaries | \$84,968 | | \$44,062 | \$40,906 |
| Employee Benefits | 20,799 | | 10,786 | 10,013 |
| Officer Salaries | 1,800 | | | 1,800 |
| Purchased Water | 247,938 | \$247,938 | | |
| Chemicals | 572 | 572 | | |
| Materials & Supplies - Customer | 5,182 | | | 5,182 |
| Materials & Supplies - Maintenance | 1,786 | | 1,786 | |
| Accounting | 6,950 | | | 6,950 |
| Legal | 41 | | | 41 |
| Bad Debt | 4,865 | | | 4,865 |
| Advertising | 536 | | | 536 |
| Insurance - General Liability | 10,650 | | 10,650 | |
| Taxes other than Income | 10,481 | | | 10,481 |
| Electricity for Pumping | 6,457 | 6,457 | | |
| Contractual Services - Water Testing | 17,504 | | 17,504 | |
| SUBTOTAL | \$420,529 | \$254,967 | \$84,788 | \$80,774 |
| LESS COMMODITY | -\$254,967 | | | |
| SUBTOTAL | \$165,562 | | \$84,788 | \$80,774 |
| PERCENT | 100.00% | | 51.21% | 48.79% |
| Salaries - Administration & General | 40,462 | | 20,721 | 19,741 |
| Insurance - Workmans Comp | 2,363 | | 1,210 | 1,153 |
| Insurance - Health | 21,062 | | 10,786 | 10,276 |
| Materials & Supplies - Admin & General | 4,021 | | 2,059 | 1,962 |
| Transportation Expense | 6,880 | | 3,523 | 3,357 |
| Miscellaneous Expense | 22,003 | | 11,268 | 10,735 |
| TOTAL | \$517,320 | \$254,967 | \$134,356 | \$127,997 |

| WEST MCCRACKEN COUNTY WATER DISTRICT | | | | |
|--|------------------|------------------|------------------|------------------|
| SUMMARY OF ALLOCATIONS | | | | |
| PHASE IN - Year One | | | | |
| | TOTAL | COMMODITY | DEMAND | CUSTOMER |
| Plant Percentages | 100.00% | | 95.80% | 4.20% |
| Available For Debt Service | \$93,430 | | \$89,506 | \$3,924 |
| Depreciation Percentages | 100.00% | | 93.52% | 6.48% |
| Total Depreciation | 88,456 | | 82,728 | 5,728 |
| Total Operation & Maintenance | 517,320 | \$254,967 | 134,356.47 | 127,997 |
| <i>Less: Other Operating Revenue</i> | | | | -24,532 |
| <i>Less: Interest Income</i> | | | | -5,594 |
| <i>Less: Fire Protection Revenue</i> | | | | -1,740 |
| COST TO PROVIDE WATER SERVICE | \$667,340 | \$254,967 | \$306,590 | \$105,783 |
| REVENUE REQUIRED FROM RATES | \$667,340 | | | |
| SUMMARY OF ALLOCATIONS | | | | |
| PHASE IN - Year Two | | | | |
| | TOTAL | COMMODITY | DEMAND | CUSTOMER |
| Plant Percentages | 100.00% | | 95.80% | 4.20% |
| Available For Debt Service | \$93,430 | | \$89,506 | \$3,924 |
| Depreciation Percentages | 100.00% | | 93.52% | 6.48% |
| Total Depreciation | 107,280 | | 100,333 | 6,947 |
| Total Operation & Maintenance | 517,320 | \$254,967 | 134,356 | 127,997 |
| <i>Less: Other Operating Revenue</i> | | | | -24,532 |
| <i>Less: Interest Income</i> | | | | -5,594 |
| <i>Less: Fire Protection Revenue</i> | | | | -1,740 |
| COST TO PROVIDE WATER SERVICE | \$686,164 | \$254,967 | \$324,195 | \$107,002 |
| REVENUE REQUIRED FROM RATES | \$686,164 | | | |
| SUMMARY OF ALLOCATIONS | | | | |
| Full Cost of Service Study Allocation | | | | |
| | TOTAL | COMMODITY | DEMAND | CUSTOMER |
| Plant Percentages | 100.00% | | 95.80% | 4.20% |
| Available For Debt Service | \$93,430 | | \$89,506 | \$3,924 |
| Depreciation Percentages | 100.00% | | 93.52% | 6.48% |
| Total Depreciation | 130,585 | | 122,129 | 8,456 |
| Total Operation & Maintenance | 517,320 | \$254,967 | 134,356 | 127,997 |
| <i>Less: Other Operating Revenue</i> | | | | -24,532 |
| <i>Less: Interest Income</i> | | | | -5,594 |
| <i>Less: Fire Protection Revenue</i> | | | | -1,740 |
| COST TO PROVIDE WATER SERVICE | \$709,469 | \$254,967 | \$345,991 | \$108,511 |
| REVENUE REQUIRED FROM RATES | \$709,469 | | | |

| WEST MCCRACKEN COUNTY WATER DISTRICT | | | | |
|---|------------------------|-------------------------|------------------------------|-----------------------|
| CALCULATION OF CUSTOMER CHARGE | | | | |
| Meter Size | Number of Bills | Equivalent Ratio | Equivalent 5/8" Meter | Monthly Charge |
| 5/8" | 17,338 | 1 | 17,338 | \$5.79 |
| 1" | 36 | 2.5 | 90 | \$14.47 |
| 2" | 36 | 10 | 360 | \$57.88 |
| 3" | 24 | 15 | 360 | \$86.82 |
| 4" | 24 | 25 | 600 | \$144.70 |
| Total | 17,458 | | 18,748 | |
| Customer Expenses | | | | \$108,511.25 |

| WEST MCCRACKEN COUNTY WATER DISTRICT | | | |
|---|---------------------|----------------------|---------------------|
| CALCULATION OF WATER RATES | | | |
| Phased in Rates for Year One | | | |
| | TOTAL | FIRST 100,000 | OVER 100,000 |
| FROM BILLING ANALYSIS: | | | |
| COMMODITY PERCENTS | 100.00% | 54.17% | 45.83% |
| ACTUAL COMMODITY SALES | 152,096,637 | 82,394,205 | 69,702,432 |
| PEAK DEMAND WEIGHTED FACTOR | | 2 | 1 |
| PEAK DEMAND WEIGHTED SALES | 234,490,842 | 164,788,410 | 69,702,432 |
| DEMAND PERCENTS | 100.00% | 70.27% | 29.73% |
| COMMODITY COSTS | \$254,967.00 | \$138,121.42 | \$116,845.58 |
| DEMAND COSTS | \$306,589.96 | \$215,456.05 | \$91,133.90 |
| CUSTOMER COSTS | | | |
| TOTAL COSTS | \$561,556.96 | \$353,577.47 | \$207,979.48 |
| DIVIDE BY BILLS/GALLONS | | 82,394,205 | 69,702,432 |
| CALCULATED RATES | | \$4.29 | \$2.98 |
| | | FIRST 100,000 | OVER 100,000 |
| CALCULATION OF WATER RATES | | | |
| Phased in Rates for Year Two | | | |
| | TOTAL | FIRST 100,000 | OVER 100,000 |
| FROM BILLING ANALYSIS: | | | |
| COMMODITY PERCENTS | 100.00% | 54.17% | 45.83% |
| ACTUAL COMMODITY SALES | 152,096,637 | 82,394,205 | 69,702,432 |
| PEAK DEMAND WEIGHTED FACTOR | | 2 | 1 |
| PEAK DEMAND WEIGHTED SALES | 234,490,842 | 164,788,410 | 69,702,432 |
| DEMAND PERCENTS | 100.00% | 70.27% | 29.73% |
| COMMODITY COSTS | \$254,967.00 | \$138,121.42 | \$116,845.58 |
| DEMAND COSTS | \$324,194.95 | \$227,827.96 | \$96,366.99 |
| CUSTOMER COSTS | | | |
| TOTAL COSTS | \$579,161.95 | \$365,949.38 | \$213,212.57 |
| DIVIDE BY BILLS/GALLONS | | 82,394,205 | 69,702,432 |
| CALCULATED RATES | | \$4.44 | \$3.06 |
| | | FIRST 100,000 | OVER 100,000 |
| CALCULATION OF WATER RATES | | | |
| Phased in Rates for Year Three | | | |
| | TOTAL | FIRST 100,000 | OVER 100,000 |
| FROM BILLING ANALYSIS: | | | |
| COMMODITY PERCENTS | 100.00% | 54.17% | 45.83% |
| ACTUAL COMMODITY SALES | 152,096,637 | 82,394,205 | 69,702,432 |
| PEAK DEMAND WEIGHTED FACTOR | | 2 | 1 |
| PEAK DEMAND WEIGHTED SALES | 234,490,842 | 164,788,410 | 69,702,432 |
| DEMAND PERCENTS | 100.00% | 70.27% | 29.73% |
| COMMODITY COSTS | \$254,967.00 | \$138,121.42 | \$116,845.58 |
| DEMAND COSTS | \$345,990.75 | \$243,144.96 | \$102,845.79 |
| CUSTOMER COSTS | | | |
| TOTAL COSTS | \$600,957.75 | \$381,266.38 | \$219,691.38 |
| DIVIDE BY BILLS/GALLONS | | 82,394,205 | 69,702,432 |
| CALCULATED RATES | | \$4.63 | \$3.15 |
| | | FIRST 100,000 | OVER 100,000 |

WEST MCCRACKEN COUNTY WATER DISTRICT

VERIFICATION OF RATES - YEAR ONE

| Meter Size | Bills | Useage | Revenue |
|-------------------|---------------|--------------------|---------------------|
| 5/8 Inch | 17,338 | 84,399,319 | \$451,965.72 |
| 1 Inch | 36 | 476,090 | \$2,558.59 |
| 2 Inch | 36 | 497,997 | \$4,215.11 |
| 3 Inch | 24 | 31,102,900 | \$96,698.11 |
| 4 Inch | 24 | 35,620,331 | \$112,076.98 |
| Totals | 17,458 | 152,096,637 | \$667,514.50 |

BILLING ANALYSIS FOR: WEST MCCrackEN WATER
 VERIFICATION OF RATES
 USAGE TABLE
 METER SIZE: 5/8 X 3/4

| CLASS: | USAGE | BILLS | GALLONS | FIRST | OVER | TOTAL |
|--------|---------|--------|------------|-----------|-----------|------------|
| FIRST | 100,000 | 17,320 | 75,288,418 | 100,000 | 100,000 | 75,288,418 |
| OVER | 100,000 | 18 | 9,110,901 | 1,800,000 | 7,310,901 | 9,110,901 |

| | | | | | |
|-------|--------|------------|------------|-----------|------------|
| TOTAL | 17,338 | 84,399,319 | 77,088,418 | 7,310,901 | 84,399,319 |
|-------|--------|------------|------------|-----------|------------|

REVENUE TABLE

REVENUE BY RATE INCREMENT

| Monthly Meter Charge | BILLS | GALLONS | RATE | REVENUE |
|----------------------|--------|------------|--------|--------------|
| FIRST | 17,338 | 77,088,418 | \$5.79 | \$100,387.02 |
| OVER | | 7,310,901 | \$4.28 | 329,938.43 |
| | | | 2.96 | 21,640.27 |

| | | | | |
|-------|--------|------------|--|--------------|
| TOTAL | 17,338 | 84,399,319 | | \$451,965.72 |
|-------|--------|------------|--|--------------|

BILLING ANALYSIS FOR: WEST MCCrackEN WATER
 VERIFICATION OF RATES
 USAGE TABLE
 METER SIZE: 1"

| CLASS: | USAGE | BILLS | GALLONS | FIRST | OVER | TOTAL |
|--------|---------|-------|---------|---------|---------|---------|
| | 100,000 | 36 | 476,090 | 100,000 | 100,000 | 476,090 |
| FIRST | | | | 476,090 | | |
| OVER | 100,000 | 0 | 0 | 0 | 0 | 0 |

| | | | | | |
|-------|----|---------|---------|---|---------|
| TOTAL | 36 | 476,090 | 476,090 | 0 | 476,090 |
|-------|----|---------|---------|---|---------|

REVENUE TABLE

REVENUE BY RATE INCREMENT

| Monthly Meter Charge | BILLS | GALLONS | RATE | REVENUE |
|----------------------|-------|---------|---------|----------|
| | 36 | | \$14.47 | \$520.92 |
| FIRST | | 476,090 | 4.28 | 2,037.67 |
| OVER | | 0 | 2.96 | 0.00 |

| | | | |
|-------|----|---------|------------|
| TOTAL | 36 | 476,090 | \$2,558.59 |
|-------|----|---------|------------|

BILLING ANALYSIS FOR: WEST MCCrackEN WATER
 VERIFICATION OF RATES
 USAGE TABLE
 METER SIZE: 2"

| CLASS: | USAGE | BILLS | GALLONS | FIRST | OVER | TOTAL |
|--------|---------|-------|---------|---------|---------|---------|
| | 100,000 | 36 | 497,997 | 100,000 | 100,000 | 497,997 |
| FIRST | | | | 497,997 | | |
| OVER | 100,000 | 0 | 0 | 0 | 0 | 0 |

| | | | | | |
|-------|----|---------|---------|---|---------|
| TOTAL | 36 | 497,997 | 497,997 | 0 | 497,997 |
|-------|----|---------|---------|---|---------|

REVENUE TABLE

REVENUE BY RATE INCREMENT

| Monthly Meter Charge | BILLS | GALLONS | RATE | REVENUE |
|----------------------|-------|---------|---------|------------|
| | 36 | | \$57.88 | \$2,083.68 |
| FIRST | | 497,997 | 4.28 | 2,131.43 |
| OVER | | 0 | 2.96 | 0.00 |

| | | | | |
|-------|----|---------|--|------------|
| TOTAL | 36 | 497,997 | | \$4,215.11 |
|-------|----|---------|--|------------|

**BILLING ANALYSIS FOR: WEST MCCrackEN WATER
 VERIFICATION OF RATES
 USAGE TABLE
 METER SIZE: 3"**

| CLASS: | USAGE | BILLS | GALLONS | FIRST | OVER | TOTAL |
|--------|---------|-------|------------|-----------|------------|------------|
| FIRST | 100,000 | 9 | 431,700 | 100,000 | 100,000 | 431,700 |
| OVER | 100,000 | 15 | 30,671,200 | 1,500,000 | 29,171,200 | 30,671,200 |

| | | | | | |
|-------|----|------------|-----------|------------|------------|
| TOTAL | 24 | 31,102,900 | 1,931,700 | 29,171,200 | 31,102,900 |
|-------|----|------------|-----------|------------|------------|

**REVENUE TABLE
 REVENUE BY RATE INCREMENT**

| Monthly Meter Charge | BILLS | GALLONS | RATE | REVENUE |
|----------------------|-------|------------|---------|------------|
| FIRST | 24 | 1,931,700 | \$86.82 | \$2,083.68 |
| OVER | | 29,171,200 | 4.28 | 8,267.68 |
| | | | 2.96 | 86,346.75 |

| | | | | |
|-------|----|------------|--|-------------|
| TOTAL | 24 | 31,102,900 | | \$96,698.11 |
|-------|----|------------|--|-------------|

BILLING ANALYSIS FOR: WEST MICCRACKEN WATER
 VERIFICATION OF RATES
 USAGE TABLE
 METER SIZE: 4"

| CLASS: | USAGE | BILLS | GALLONS | FIRST | OVER | TOTAL |
|--------|---------|-------|------------|-----------|------------|------------|
| FIRST | 100,000 | 0 | 0 | 100,000 | 100,000 | 0 |
| OVER | 100,000 | 24 | 35,620,331 | 2,400,000 | 33,220,331 | 35,620,331 |

| | | | | | |
|-------|----|------------|-----------|------------|------------|
| TOTAL | 24 | 35,620,331 | 2,400,000 | 33,220,331 | 35,620,331 |
|-------|----|------------|-----------|------------|------------|

REVENUE TABLE

REVENUE BY RATE INCREMENT

| Monthly Meter Charge | BILLS | GALLONS | RATE | REVENUE |
|----------------------|-------|------------|----------|------------|
| FIRST | 24 | 2,400,000 | \$144.70 | \$3,472.80 |
| OVER | | 33,220,331 | 4.28 | 10,272.00 |
| | | | 2.96 | 98,332.18 |

| | | | | |
|-------|----|------------|--|--------------|
| TOTAL | 24 | 35,620,331 | | \$112,076.98 |
|-------|----|------------|--|--------------|

WEST MCCrackEN COUNTY WATER DISTRICT

VERIFICATION OF RATES - YEAR TWO

| Meter Size | Bills | Useage | Revenue |
|-------------------|---------------|--------------------|---------------------|
| 5/8 Inch | 17,338 | 84,399,319 | \$464,884.73 |
| 1 Inch | 36 | 476,090 | \$2,634.76 |
| 2 Inch | 36 | 497,997 | \$4,294.79 |
| 3 Inch | 24 | 31,102,900 | \$99,340.88 |
| 4 Inch | 24 | 35,620,331 | \$115,118.61 |
| Totals | 17,458 | 152,096,637 | \$686,273.76 |

**BILLING ANALYSIS FOR: WEST MCCrackEN WATER
 VERIFICATION OF RATES
 USAGE TABLE
 METER SIZE: 5/8 X 3/4**

| | | | | |
|--------|---------|------------|-----------|------------|
| CLASS: | | FIRST | OVER | TOTAL |
| USAGE | 100,000 | 100,000 | 100,000 | 75,288,418 |
| | 100,000 | 100,000 | 100,000 | 9,110,901 |
| FIRST | 17,320 | 75,288,418 | | |
| OVER | 18 | 9,110,901 | 7,310,901 | |

TOTAL 17,338 84,399,319 77,088,418 7,310,901 84,399,319

REVENUE TABLE

REVENUE BY RATE INCREMENT

| | | | | |
|----------------------|--------|------------|--------|--------------|
| Monthly Meter Charge | BILLS | GALLONS | RATE | REVENUE |
| 100,000 | 17,338 | | \$5.79 | \$100,387.02 |
| 100,000 | | 77,088,418 | \$4.44 | 342,272.58 |
| OVER | | 7,310,901 | 3.04 | 22,225.14 |

TOTAL 17,338 84,399,319 \$464,884.73

BILLING ANALYSIS FOR: WEST MCCrackEN WATER
 VERIFICATION OF RATES
 USAGE TABLE
 METER SIZE: 1"

| CLASS: | USAGE | BILLS | GALLONS | FIRST | OVER | TOTAL |
|--------|---------|-------|---------|---------|---------|---------|
| FIRST | 100,000 | 36 | 476,090 | 100,000 | 100,000 | 476,090 |
| OVER | 100,000 | 0 | 0 | 0 | 0 | 0 |

TOTAL 36 476,090 476,090 0 476,090

REVENUE TABLE

REVENUE BY RATE INCREMENT

| Monthly Meter Charge | BILLS | GALLONS | RATE | REVENUE |
|----------------------|-------|---------|---------|----------|
| FIRST | 36 | 476,090 | \$14.47 | \$520.92 |
| OVER | 0 | 0 | 4.44 | 2,113.84 |
| | | | 3.04 | 0.00 |

TOTAL 36 476,090 \$2,634.76

BILLING ANALYSIS FOR: WEST MCCrackEN WATER
 VERIFICATION OF RATES
 USAGE TABLE
 METER SIZE: 2"

| CLASS: | USAGE | BILLS | GALLONS | FIRST | OVER | TOTAL |
|--------|---------|-------|---------|---------|---------|---------|
| FIRST | 100,000 | 36 | 497,997 | 100,000 | 100,000 | 497,997 |
| OVER | 100,000 | 0 | 0 | 0 | 0 | 0 |

| | | | | | |
|-------|----|---------|---------|---|---------|
| TOTAL | 36 | 497,997 | 497,997 | 0 | 497,997 |
|-------|----|---------|---------|---|---------|

REVENUE TABLE

REVENUE BY RATE INCREMENT

| Monthly Meter Charge | BILLS | GALLONS | RATE | REVENUE |
|----------------------|-------|---------|---------|------------|
| 100,000 | 36 | 497,997 | \$57.88 | \$2,083.68 |
| OVER | 0 | 0 | 4.44 | 2,211.11 |
| | | | 3.04 | 0.00 |

| | | | | |
|-------|----|---------|--|------------|
| TOTAL | 36 | 497,997 | | \$4,294.79 |
|-------|----|---------|--|------------|

BILLING ANALYSIS FOR: WEST MCCrackEN WATER
 VERIFICATION OF RATES
 USAGE TABLE
 METER SIZE: 4"

| CLASS: | USAGE | BILLS | GALLONS | FIRST | OVER | TOTAL |
|--------|---------|-------|------------|-----------|------------|------------|
| FIRST | 100,000 | 0 | 0 | 100,000 | 100,000 | 0 |
| OVER | 100,000 | 24 | 35,620,331 | 2,400,000 | 33,220,331 | 35,620,331 |

| | | | | | |
|-------|----|------------|-----------|------------|------------|
| TOTAL | 24 | 35,620,331 | 2,400,000 | 33,220,331 | 35,620,331 |
|-------|----|------------|-----------|------------|------------|

REVENUE TABLE
 REVENUE BY RATE INCREMENT

| Monthly Meter Charge | BILLS | GALLONS | RATE | REVENUE |
|----------------------|-------|------------|----------|------------|
| FIRST | 24 | 2,400,000 | \$144.70 | \$3,472.80 |
| OVER | | 33,220,331 | 4.44 | 10,656.00 |
| | | | 3.04 | 100,989.81 |

| | | | | |
|-------|----|------------|--|--------------|
| TOTAL | 24 | 35,620,331 | | \$115,118.61 |
|-------|----|------------|--|--------------|

WEST MCCRACKEN COUNTY WATER DISTRICT
VERIFICATION OF RATES - YEAR THREE

| Meter Size | Bills | Useage | Revenue |
|-------------------|---------------|--------------------|---------------------|
| 5/8 Inch | 17,338 | 84,399,319 | \$480,335.73 |
| 1 Inch | 36 | 476,090 | \$2,725.22 |
| 2 Inch | 36 | 497,997 | \$4,389.41 |
| 3 Inch | 24 | 31,102,900 | \$102,916.73 |
| 4 Inch | 24 | 35,620,331 | \$119,228.84 |
| Totals | 17,458 | 152,096,637 | \$709,595.93 |

BILLING ANALYSIS FOR: WEST MCCrackEN WATER
 VERIFICATION OF RATES
 USAGE TABLE
 METER SIZE: 5/8 X 3/4

| CLASS: | USAGE | BILLS | GALLONS | FIRST | OVER |
|--------|---------|--------|------------|-----------|-----------|
| FIRST | 100,000 | 17,320 | 75,288,418 | 100,000 | 100,000 |
| OVER | 100,000 | 18 | 9,110,901 | 1,800,000 | 7,310,901 |

TOTAL 17,338 84,399,319 77,088,418 7,310,901

REVENUE TABLE
 REVENUE BY RATE INCREMENT

| Monthly Meter Charge | BILLS | GALLONS | RATE | REVENUE |
|----------------------|--------|------------|--------|--------------|
| FIRST | 17,338 | 77,088,418 | \$5.79 | \$100,387.02 |
| OVER | | 7,310,901 | \$4.63 | 356,919.38 |
| | | | 3.15 | 23,029.34 |

TOTAL 17,338 84,399,319 \$480,335.73

BILLING ANALYSIS FOR: WEST MCCrackEN WATER
 VERIFICATION OF RATES
 USAGE TABLE
 METER SIZE: 2"

| CLASS: | USAGE | BILLS | GALLONS | FIRST | OVER | TOTAL |
|--------|---------|-------|---------|---------|---------|---------|
| FIRST | 100,000 | 36 | 497,997 | 100,000 | 100,000 | 497,997 |
| OVER | 100,000 | 0 | 0 | 0 | 0 | 0 |

TOTAL 36 497,997 497,997 0 497,997

REVENUE TABLE
 REVENUE BY RATE INCREMENT

| Monthly Meter Charge | BILLS | GALLONS | RATE | REVENUE |
|----------------------|-------|---------|---------|------------|
| FIRST | 36 | 497,997 | \$57.88 | \$2,083.68 |
| OVER | 0 | 0 | 4.63 | 2,305.73 |
| | | | 3.15 | 0.00 |

TOTAL 36 497,997 \$4,389.41

BILLING ANALYSIS FOR: WEST MCCrackEN WATER
 VERIFICATION OF RATES
 USAGE TABLE
 METER SIZE: 3"

| CLASS: | USAGE | BILLS | GALLONS | FIRST | OVER | TOTAL |
|--------|---------|-------|------------|-----------|------------|------------|
| FIRST | 100,000 | 9 | 431,700 | 100,000 | 100,000 | 431,700 |
| OVER | 100,000 | 15 | 30,671,200 | 1,500,000 | 29,171,200 | 30,671,200 |

TOTAL 24 31,102,900 1,931,700 29,171,200 31,102,900

REVENUE TABLE
 REVENUE BY RATE INCREMENT

| | BILLS | GALLONS | RATE | REVENUE |
|----------------------|-------|------------|---------|------------|
| Monthly Meter Charge | 24 | | \$86.82 | \$2,083.68 |
| FIRST | | 1,931,700 | 4.63 | 8,943.77 |
| OVER | | 29,171,200 | 3.15 | 91,889.28 |

TOTAL 24 31,102,900 \$102,916.73

BILLING ANALYSIS FOR: WEST MCCrackEN WATER
 VERIFICATION OF RATES
 USAGE TABLE
 METER SIZE: 4"

| CLASS: | USAGE | BILLS | GALLONS | FIRST | OVER |
|--------|---------|-------|------------|-----------|------------|
| FIRST | 100,000 | 0 | 0 | 100,000 | 100,000 |
| OVER | 100,000 | 24 | 35,620,331 | 2,400,000 | 33,220,331 |
| TOTAL | | | | | 0 |
| | | | | | 35,620,331 |

TOTAL 24 35,620,331 2,400,000 33,220,331 35,620,331

REVENUE TABLE

REVENUE BY RATE INCREMENT

| Monthly Meter Charge | BILLS | GALLONS | RATE | REVENUE |
|----------------------|-------|------------|----------|------------|
| FIRST | 24 | 2,400,000 | \$144.70 | \$3,472.80 |
| OVER | | 33,220,331 | 4.63 | 11,112.00 |
| | | | 3.15 | 104,644.04 |

TOTAL 24 35,620,331 - 24 - \$119,228.84