

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CENTER RIDGE WATER)	
DISTRICT, INC. FOR AN ADJUSTMENT OF)	
RATES PURSUANT TO THE ALTERNATIVE)	CASE NO. 2010-00397
RATE FILING PROCEDURE FOR SMALL)	
UTILITIES)	

O R D E R

On October 11, 2010, Center Ridge Water District, Inc. ("Center Ridge") filed its application seeking to increase its rates for water service pursuant to 807 KAR 5:076. Center Ridge's current flat monthly rate is \$18.66 to each customer receiving water service. Center Ridge proposes to increase this rate to \$26.05. Finding that the proposed rates are unreasonable, we deny the application and instead establish a monthly rate of \$22.29.

BACKGROUND

Center Ridge, a Kentucky corporation organized pursuant to KRS Chapter 271B,¹ owns and operates facilities that treat and distribute water to approximately 345 customers² in Calloway County, Kentucky. It began operations in 2001 with the

¹ See <https://app.sos.ky.gov/ftshow/%28S%28avwtkk45j3wnza55lh4e245%29%29/default.aspx?path=ftsearch&id=0493799&ct=09&cs=99999> (last visited Aug. 10, 2011). As of August 10, 2011, the Kentucky Secretary of State reported that Center Ridge was not a corporation in good standing.

² *Annual Report of Center Ridge Water District, Inc. to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2009* at 5 and 24.

acquisition of the Center Ridge Water System,³ the facilities of Cool Waterworks, Inc.,⁴ and a small water treatment and distribution system that served Keniana Subdivision of Calloway County, Kentucky.⁵ It subsequently acquired control and ownership of the facilities of L.H.M. Property Owners, Inc.⁶ The Commission last adjusted the water utility's rates in 2004.⁷

PROCEDURE

On October 11, 2010, Center Ridge filed its application for rate adjustment with the Commission pursuant to the Commission's Alternative Rate Filing Procedure.⁸ In addition to its application, it filed notice with the Commission of its intent to place its proposed monthly rate of \$26.05 into effect on November 15, 2010. On November 9, 2010, the Commission suspended the proposed rate until April 15, 2011.⁹ On April 15, 2011, Center Ridge placed its proposed rate into effect subject to refund.¹⁰

Following receipt of Center Ridge's application, Commission Staff conducted discovery and a field review of Center Ridge's records. On June 24, 2011, the

³ Case No. 2001-00164, *Transfer of Ownership of Center Ridge Water System to Center Ridge Water District, Inc.* (Ky. PSC Aug. 2, 2001).

⁴ Case No. 2001-00207, *The Transfer of Cool Waterworks, Inc. to Center Ridge Water District, Inc.* (Ky. PSC Oct. 3, 2001).

⁵ Case No. 2001-00408, *The Application of Center Ridge Water District – Division 3 For Approval of Initial Rates, Non-Recurring Charges and Tariffs* (Ky. PSC Feb. 25, 2002).

⁶ Case No. 2006-00042, *Center Ridge Water District's Request For Permission to Take Over L.H.M. Water Supply and Operate as Center Ridge Water District #4* (Ky. PSC Mar. 30, 2006).

⁷ Case No. 2003-00424, *Application of Center Ridge Water District, Inc. For An Adjustment of Rates Pursuant to The Alternative Rate Filing Procedure For Small Utilities* (Ky. PSC Jan. 27, 2004).

⁸ The Attorney General is the only intervenor in this proceeding. Several Center Ridge customers have filed written comments with the Commission regarding the proposed rate adjustment.

⁹ See KRS 278.190(2).

¹⁰ See Letter from William Duncan to Executive Director, Public Service Commission (Apr. 1, 2011) (filed Apr. 11, 2011).

Commission entered an Order in this proceeding in which it issued a report containing Commission Staff's findings and recommendations on the proposed rate adjustment and directed all parties to submit any comments and objections to those findings and recommendations within 14 days. The Commission further scheduled a hearing in this matter.

On July 5, 2011, Center Ridge filed a written response to the Commission Staff's report in which it objected to several of the findings and recommendations and provided documents to support its position. Citing the expense and difficulty of obtaining legal representation, Center Ridge waived a hearing in this matter.

On July 15, 2011, the Commission ordered that a telephone conference be held in lieu of a hearing in this matter. On July 18, 2011, Commission Staff conducted a telephone conference in which representatives for Center Ridge and the Attorney General participated.¹¹ Following the conference, Center Ridge filed additional documents with the Commission.

DISCUSSION

Test Period

Center Ridge proposes to use the 12-month period ending December 31, 2009 as the test period to determine the reasonableness of its proposed rates.¹² The Commission finds the use of this period reasonable. In using a historic test period, we give full consideration to appropriate and known and measurable changes.

¹¹ Participating in the telephone conference were: William Duncan, Center Ridge's sole shareholder; Jack Kaninberg, a consultant that Center Ridge retained to prepare its application; David Spenard, Assistant Attorney General; and Commission Staff members Scott Lawless and Gerald Wuetcher. A digital recording of the conference has been filed in the record of this proceeding.

¹² Application at 2.

Normalized Revenue.

Center Ridge determined normalized revenue of \$77,252 for the test period by multiplying its monthly fee of \$18.66 by the total number of its customers (345) and by the total number of bills (12) issued to each customer annually. This amount is \$440 less than the revenue recorded in its annual report for the test period. Center Ridge, proposed to decrease test-period revenue by this amount. Commission Staff concurred with the proposed adjustment. Finding the proposed adjustment to be reasonable, we accept it.

Employee Salaries Expense

Center Ridge proposed to increase Employee Salaries Expense from \$6,000 to \$12,000. This proposed increase involves an increase in the existing owner/manager fee from \$6,000 to \$9,000 and an additional \$3,000 for bookkeeping and office work.¹³ Commission Staff found that that Center Ridge has failed to demonstrate that the owner's current duties and responsibilities support the proposed level of \$9,000 and recommended the owner/manager fee be reduced to \$3,600.¹⁴ It further recommended that the proposed adjustment for bookkeeping and office work be denied since Center Ridge does not currently employ anyone to perform bookkeeping services and office work and failed to provide any credible evidence of the cost of such services, such as bids or invoices from non-affiliated persons.¹⁵

¹³ *Id.*, Attachment A.

¹⁴ Commission Staff Report, App. A at 2.

¹⁵ *Id.*

William Duncan is Center Ridge's sole shareholder and manages the water utility's operations. He is currently certified as a Class IB-D operator.¹⁶ As Center Ridge's certified operator, Mr. Duncan performs routine services, such as daily inspections of each of Center Ridge's wells and pumping stations, collection of water samples, daily record keeping, and preparation and filing of monthly operating reports. Mr. Duncan estimates that he spends, at a minimum, four hours daily performing inspections. Mr. Duncan also is responsible for administrative duties, such as billing and collection, dealing with state regulatory agencies, and addressing customer complaints and service issues.

In addition to operating Center Ridge, Mr. Duncan also operates an unincorporated excavation and trucking business under the name "B D Trucking Excavating." Center Ridge contracts with B D Trucking Excavating for water main repairs and other services.

The Commission has generally restricted to \$3,600 the level of fees paid to an owner/manager that are recoverable through rates when the owner/manager plays a

¹⁶ For details on the certification process, see 401 KAR 8:030.

passive role in operations of the utility.¹⁷ We have allowed a higher level of compensation where the owner is more actively involved in the management and day-to-day operations of the utility.¹⁸ In all cases, however, we have maintained that no strict rule governing the level of such fee exists and that “the reasonableness of the fee will depend on the circumstances of the particular utility, to include its owner’s responsibilities and duties, and the size and complexity of the . . . utility’s operations.”¹⁹

Given the evidence of record, the Commission finds that given the nature of Mr. Duncan’s duties, the time and skill required to perform these duties, and the size and nature of Center Ridge’s operations, an owner/manager fee of \$9,000 is reasonable and appropriate.²⁰

¹⁷ See, e.g., Case No. 2007-00443, *Application of South 641 Sewer District For an Adjustment of Rates Pursuant To the Alternative Rate Filing Procedure For Small Utilities* (Ky. PSC Dec. 20, 2007); Case No. 2008-00042, *Application of the Cedarbrook Treatment Plant For an Adjustment In Rates Pursuant To the Alternative Rate Filing Procedure For Small Utilities* (Ky. PSC July 29, 2008); Case No. 2008-00355, *Proposed Rate Adjustment Application For The Thomas Country Estates Wastewater Treatment Plant In Graves County* (Ky. PSC Oct. 24, 2008); Case No. 2008-00482, *Application for Rate Adjustment for Purchase Public Service Corporation d/b/a Great Oaks Subdivision* (Ky. PSC Mar. 24, 2009); Case No. 2008-00501, *Application of Ledbetter Water District For Approval of Increased Rates For Sewer Service* (Ky. PSC May 22, 2009); Case No. 2008-00506, *Application of Powell’s Valley Water District, Sewer Division, For an Adjustment In Rates Pursuant To the Alternative Rate Filing Procedure For Small Utilities* (Ky. PSC Apr. 14, 2009); Case No. 2009-00075, *Application of Longview Land Company For Alternative Rate Filing* (Ky. PSC Jul. 20, 2009); Case No. 2009-00227, *Alternative Rate Filing Application of Middletown Waste Disposal, Inc.* (Ky. PSC Apr. 30, 2010); Case No. 2009-00403, *Alternative Rate Adjustment Filing of Evergreen Disposal System, Inc.* (Ky. PSC July 29, 2010); Case No. 2010-00231, *Alternative Rate Filing of Purchase Public Service Corporation* (Ky. PSC Sep. 9, 2010).

¹⁸ See, e.g., Case No. 2010-00366, *Application Of Overland Development, Inc. For An Adjustment Of Rates* (Ky. PSC Nov. 15, 2010); Case No. 2002-00108, *An Adjustment of Rates of The South Shore Water Works Co.* (Ky. PSC Sep. 27, 2002); Case No. 2003-00044, *An Adjustment of Rates of The South Shore Water Works Co.* (Ky. PSC July 7, 2003).

¹⁹ Case No. 2007-00436, *Application of Farmdale Development Corporation For An Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure For Small Utilities* (Ky. PSC July 30, 2008) at 6-7.

²⁰ Center Ridge provided quotes from certified water plant operators to demonstrate the cost of an unrelated party providing the same services that Mr. Duncan provided. Given the limited information provided by each quote, we have afforded little weight to these quotes in this proceeding. We recognize that such quotes provide an alternative means of demonstrating the reasonableness of a proposed owner/manager fee and other fees or expenses that may properly be considered as part of such fee.

Our decision today with regard to the level of this expense should not be misinterpreted. The Commission is not establishing a standard rule to be uniformly applied to small utilities for ratemaking purposes. To the contrary, we find that rate recovery of payments to utility owner/managers should be determined on a case-by-case basis. Our decisions will vary according to the circumstances of the utility's operations. We place all small utilities on notice that applicants seeking recovery of an owner/manager fee through rates must provide substantial evidence of the services that the owner/manager provides and the time required to provide such services. This evidence must be provided each time that an application for rate adjustment is filed. Reliance upon past Commission decisions without accompanying evidence will be insufficient to meet the applicant's burden of proof.

As to the proposed adjustment for office and bookkeeping expenses, Mr. Duncan stated that, while no salary was paid for a bookkeeper or office assistant, Ms. Arlene Elmore has provided those services to the utility for several years without pay. He further noted that Ms. Elmore has frequently assisted him in performing inspections and repair work, performing as much as 20 hours of labor per week for the utility.

Notwithstanding the limited evidence in support of the proposed adjustment, the Commission finds that, given the nature of the duties involved in the operation and management of a water utility of Center Ridge's size and complexity and the level of compensation that is ordinarily provided to certified operators, the proposed adjustment is reasonable.

Fuel and Power Expense

Center Ridge proposed to adjust test-period electricity expense by \$1,146 to reflect 12 months of electric service for an adjusted test-period expense of \$14,321. It

stated that only 11 months of payments for electric service were recorded during the test period.²¹ The proposed increase of \$1,146 reflects the payment for electric service received during the twelfth month of the test period but paid after the close of the test period.

Based upon its review of Center Ridge's bills for electric service in 2010,²² Commission Staff found only a small variance in the level of expense incurred in 2010 and the adjusted test-period level and recommended acceptance of the proposed adjusted test-period expense level. We find the proposed adjusted test-period level to be reasonable and accept it.

Chemicals

During the test period, Center Ridge incurred chlorine expense of \$940. It proposed an adjustment of \$853 to reflect higher chlorine costs that were incurred in 2010. It asserted that the higher level of chlorine expense resulted from increased chlorine usage in the treatment process in 2010 and noted that the volume of chlorine purchased in that year was more than double the test-period level. Commission Staff concurred with the adjustment. The Commission finds the proposed adjustment reasonable and recommends increasing the Chemical expense by \$853.

Contractual Services – Engineering

During the test period, Center Ridge incurred expenses of \$24,100 for water main repair services. It paid this amount to B D Trucking, another business entity that Mr. Duncan operates, for these services. Neither Commission Staff nor the utility proposed any adjustments to the level of this expense. While the expense involves

²¹ Application, Attachment A.

²² Commission Staff Report, App. A at 3.

transactions with an affiliated entity, the Commission finds that the expense level is not unreasonable. Price quotes from other entities in the general area that provide a similar service indicate that the fees paid to B D Trucking for the repair work are not excessive and are generally below those of other suppliers.²³ Accordingly, we concur with Commission Staff's recommendation to accept the test-period level.

Contractual Services – Water Testing

In its application, Center Ridge proposed that \$6,160 in water testing expense be amortized. The amortized expenses are for testing of Synthetic Organic Compounds and lead and copper. The cost of testing for Synthetic Organic Compounds is \$4,620. Center Ridge proposed to amortize this cost over three years for a yearly expense of \$1,540. The lead and copper testing has a cost of \$305, which Center Ridge proposed to amortize over five years for a yearly expense of \$61. The proposed amortization periods are based upon testing schedules furnished by McCoy & McCoy Laboratories. Commission Staff agreed with the proposed adjustment but recommended that the adjusted amount be placed in Amortization and that account be increased by \$1,601. We find the proposed adjustment, as modified by Commission Staff's recommendation, to be reasonable.

Rent

Center Ridge maintains a small storage structure on property that Mr. Duncan owns. This structure, which is equipped with office equipment and furniture and which has electric service and telephone service,²⁴ serves as Center Ridge's offices. The

²³ Letter from Jeff Derouen, Executive Director, Public Service Commission to Parties of Record (Aug. 8, 2011), Enclosure at 5 – 9.

²⁴ West Kentucky Rural Telephone Cooperative provides landline telephone service to the structure. Service is listed in Mr. Duncan's name. Mr. Duncan stated that service is listed in his name, rather than Center Ridge's name, to reduce telephone costs.

utility conducts its operations from this office and stores its records there. Mr. Duncan also uses the office for his other business activities.

In its application, Center Ridge proposed an adjustment to reflect a monthly rent of \$100. It did not report any rent expense on its annual report for 2009, nor did it provide any evidence in its application to support the proposed adjustment. In the absence of such evidence, Commission Staff recommended that the proposed adjustment be denied. In response to the Commission Staff's recommendation, Center Ridge provided real estate listings for office space in the area.

Based upon the evidence of record, the Commission finds that some allowance for rental expense is appropriate. We note that the Commission has previously allowed small utilities some compensation through rates for office space provided by the utility owner at no cost.²⁵ We further find the proposed monthly rental expense of \$100 is reasonable and have adjusted test-period operations to reflect this amount.

Transportation Expense

In its Annual Report and its application, Center Ridge reported \$26,125 in transportation expense. This expense represents Mr. Duncan's cost of traveling daily to inspect Center Ridge's water treatment and pumping stations. Center Ridge estimated this expense by multiplying Mr. Duncan's estimated daily driving mileage by 365 days and the IRS reimbursement rate of \$0.55 per mile.

Commission Staff recommended that the proposed adjustment be denied. It found that Center Ridge had not submitted adequate evidence to demonstrate that daily inspection trips actually occurred. It further noted that Commission Staff had previously

²⁵ See, e.g. Case No. 2007-00436, *Application of Farmdale Development Corporation For An Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure For Small Utilities* (Ky. PSC July 30, 2008).

advised Center Ridge in writing to maintain a mileage log or other written records to document business travel. Center Ridge has not presented any mileage log or other contemporaneously maintained record of travel. As Center Ridge claimed a deduction for travel mileage expenses on its 2009 Federal Tax return and federal regulations require written evidence of such expense to claim a deduction, Commission Staff reasoned that the utility should have had such evidence readily available.

In response to Commission Staff's report, Center Ridge submitted its monthly operation reports for all of its plants for calendar year 2009. These reports indicate daily production readings and are offered as evidence that the owner/manager conducted daily inspections. These reports were made under oath and submitted to the Kentucky Division of Water.

Based upon our review of the record, the Commission finds that Center Ridge has adequately documented the occurrence of Mr. Duncan's daily inspections. While we agree that utilities should maintain accurate and contemporaneous records of their travel, such as a mileage log, precluding recovery of reasonable transportation costs ignores substantial evidence that transportation costs are being incurred.

While we find that transportation expenses should be reflected in test-period operations, we do not accept Center Ridge's calculation of those expenses. In its application, it asserts that a daily inspection of its plants and facilities involves travel of 120 miles. Our review indicates that the daily inspections involve only 64 miles of

travel.²⁶ Using this distance and applying the current IRS-approved reimbursable rate,²⁷ the Commission finds that the appropriate level of annual travel expense is \$12,965.²⁸

The Commission places Center Ridge on notice that its failure to adequately document its travel expenses in future proceedings will result in disallowance of claimed travel or transportation expenses.²⁹

Miscellaneous Expenses

During the test period, Center Ridge reported miscellaneous expenses of \$2,764 related to a subscription for wireless telephone service. Finding that \$1,090.92 of this expense represented usage charges for exceeding the monthly minutes allowed on the wireless phone subscription plan, Commission Staff recommended that this amount be disallowed since the utility had landline telephone service for office use and reportedly used the cellular phone only when its office was unmanned or when the owner/manger was in the field. Given the limited intended use for the wireless telephone service, Commission Staff reasoned, these additional charges were unreasonable.

In its response to the Commission Staff report, Center Ridge noted that, given the distance between the water utility's service areas, Mr. Duncan's "substantial daily travel" to operate the system, and Mr. Duncan's need to be readily available to address service-related issues, the level of wireless telephone expense was reasonable.³⁰

²⁶ Mr. Duncan indicated during the conference call that he travels from Center Ridge's office to all plants in his daily inspection and does not return to the office until all inspections are completed. Appendix B shows the most efficient route to complete the daily round of inspections.

²⁷ IRS Announcement 2011-40 (available at <http://www.irs.gov/pub/irs-drop/a-11-40.pdf>).

²⁸ 64 miles per day x 365 days per year x \$0.555 per mile = \$12,964.80.

²⁹ Center Ridge also sought transportation expenses unrelated to daily inspections but provided no evidence to document or support such expenses. We have disallowed the expense associated with that travel.

³⁰ Center Ridge Comments at 5.

Mr. Duncan subscribes to AT&T for wireless telephone service. Service is listed in Mr. Duncan's name and in the name of B D Trucking. The subscription plan provides for two wireless telephones. Mr. Duncan has one of these telephones. Ms. Elmore has the other. Mr. Duncan states that all telephone calls made to Center Ridge's landline telephone are forwarded to his wireless telephone. He further notes that the wireless telephones allow him and Ms. Elmore to communicate quickly regarding utility business.

While the Commission recognizes the advantage of Center Ridge's certified operator being accessible at all times, in the absence of detailed usage records, there is simply no means of determining the amount of usage that is related to personal matters or to Mr. Duncan's non-utility business activities. We find a fair and reasonable method for allocating costs between utility ratepayers and utility owners is to limit recovery of the costs of this service to the monthly cost of the subscribed plan. Based upon the most recent bill provided to the Commission, the annual cost of this service is \$1,356.³¹ Accordingly, we have reduced test-period miscellaneous expense by \$1,408.

Depreciation

In its application, Center Ridge proposed to eliminate all depreciation expense because all of the depreciated assets were contributed property and should have been listed in Account 271 – Contributions in Aid of Construction. Commission Staff concurred with the proposed adjustment. We find the proposed adjustment reasonable and have adjusted test-operations to reflect the proposed elimination of depreciation expense.

³¹ \$113 per month x 12 months = \$1,356 per year.

Amortization

Center Ridge increased this expense by \$950 to allow for the amortization of rate case expense of \$2,850 related to costs associated with its retention of a rate consultant. Commission Staff concurred with this adjustment. The total amount of amortization, when including this adjustment, is \$2,551.

Taxes Other Than Income

In its application, Center Ridge proposed to remove the utilities gross receipts tax of three percent from this expense account, which will reduce this expense by \$1,848. Commission Staff concurred with the proposed adjustment. As KRS 160.613(1) requires the assessment of the tax on a utility's gross receipts from each customer, but KRS 160.617 allows the utility to assess an additional amount from each customer equal to this assessment and identify that increase as a "rate increase for school tax," inclusion of such tax in this account is inappropriate. We find the proposed adjustment reasonable and have adjusted test-period operations to reflect this revision.

Revenue Requirement Determination

The Commission has historically used an operating ratio approach³² to determine the revenue requirement for small, privately-owned utilities. This approach is used primarily when there is no basis for a rate-of-return determination or the cost of the utility has fully or largely been funded through contributions. The Commission finds that the operating ratio method should be used to determine Center Ridge's revenue requirement. We further find that an operating ratio of 88 percent will allow Center

³² Operating Ratio is defined as the ratio of expenses, including depreciation and taxes, to gross revenues.

$$\text{Operating Ratio} = \frac{\text{Operating Expenses} + \text{Depreciation} + \text{Taxes}}{\text{Gross Revenues}}$$

Ridge sufficient revenues to cover its reasonable operating expenses and to provide for reasonable equity growth. Using an 88-percent operating ratio, we find that Center Ridge's pro forma operations support a revenue requirement from water rates of \$92,274,³³ which is \$15,022, or 19.45 percent, over Center Ridge's normalized revenues.

SUMMARY

Having reviewed the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. To meet its reasonable operating expenses and depreciation expense and provide for reasonable equity growth, Center Ridge requires a monthly rate that will produce annual revenues from water sales of \$92,274 based upon its adjusted test-period operations.
2. Center Ridge's proposed monthly rate of \$26.05 will produce annual revenues in excess of that necessary to meet its reasonable operating expenses and depreciation expense and provide for reasonable equity growth.
3. Center Ridge's proposed monthly rate should be denied.
4. Based upon Center Ridge's adjusted test-period operations, a monthly rate of \$22.29³⁴ will produce the level of annual revenues necessary to meet its reasonable operating expenses and depreciation expense and provide for reasonable equity growth.
5. A monthly rate of \$22.29 should be approved for water service that Center Ridge provided on and after April 15, 2011.

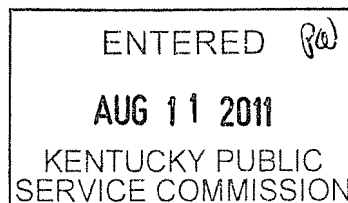
³³ $\$81,201 \div .88 = \$92,274.$

³⁴ $\$92,274 \div (345 \text{ bills} \times 12 \text{ months}) = \$92,274 \div 4,140 \text{ bills} = \22.29 per month.

IT IS THEREFORE ORDERED that:

1. Center Ridge's proposed monthly rate is denied.
2. Center Ridge is authorized to assess a monthly rate of \$22.29 for water service provided on and after April 15, 2011.
3. No later than October 10, 2011, Center Ridge shall refund or credit to its customers all amounts collected for service rendered from April 15, 2011 to the date of this Order that are in excess of the monthly rate approved in this Order.
4. No later than October 25, 2011, Center Ridge shall file with the Commission a written report in which it describes its efforts to refund all monies collected in excess of the rate approved in this Order.
5. No later than August 31, 2011, Center Ridge shall file a revised tariff sheet with the Commission that sets forth the rate approved in this Order.
6. Any documents filed pursuant to ordering paragraph 4 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

By the Commission



ATTEST:


Executive Director

Case No. 2010-00397

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2010-00397 DATED

AUG 11 2011

ADJUSTED OPERATIONS

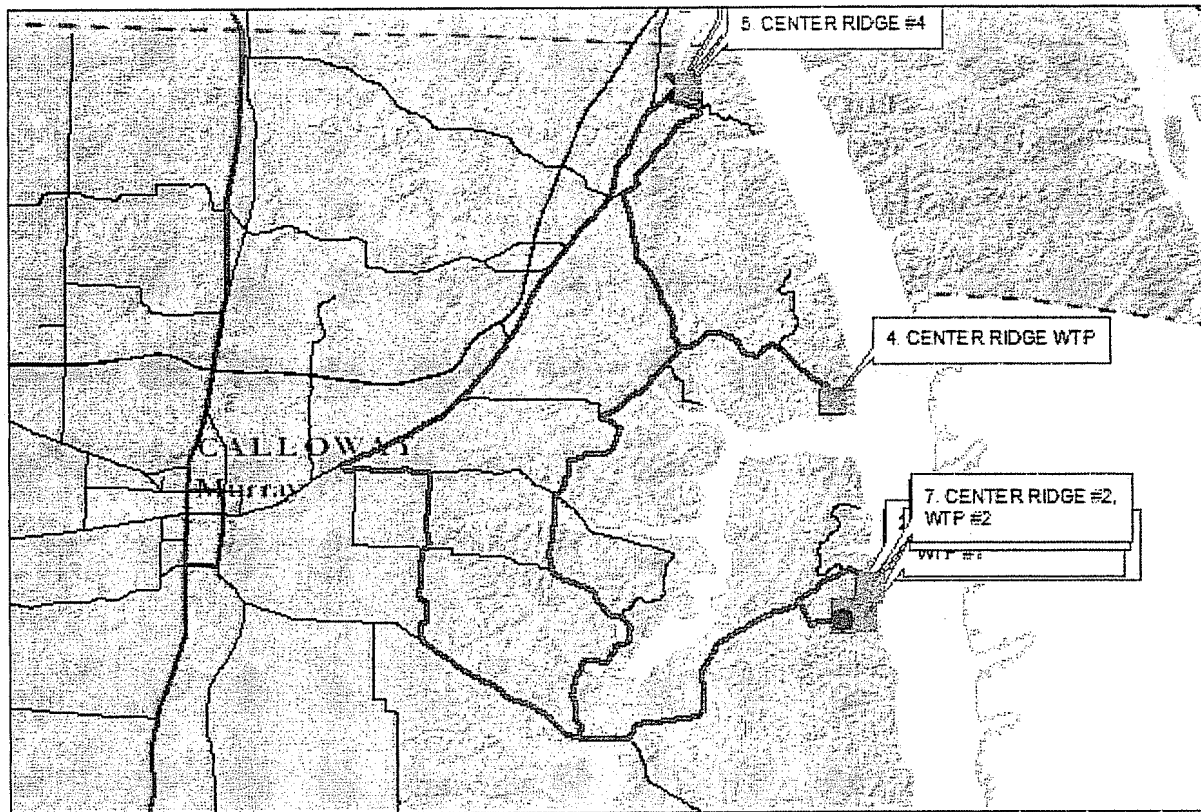
	Test Year	Adjustment	Pro forma
Operating Revenues			
Sales of Water			
Residential Customers	\$ 77,692	(440)	\$ 77,252
Total Sales of Water	<u>77,692</u>	<u>(440)</u>	<u>77,252</u>
Operating Expenses			
Operation and Maintenance Expenses			
Salaries and Wages - Employees	6,000	(3,000)	3,000
Salaries and Wages - Officers	-	9,000	9,000
Purchased Power	13,175	1,146	14,321
Chemicals	940	853	1,793
Materials and Supplies	3,815	-	3,815
Contractual Services - Engineering	24,100	-	24,100
Contractual Services - Water Testing	3,729	-	3,729
Rents	-	1,200	1,200
Transportation Expenses	26,125	(13,160)	12,965
Miscellaneous Expenses	2,764	(1,408)	1,356
Total Operation and Maintenance Expenses	<u>80,648</u>	<u>(5,369)</u>	<u>75,279</u>
Depreciation	1,618	(1,618)	-
Amortization	122	2,551	2,673
Taxes Other than Income	<u>5,097</u>	<u>(1,848)</u>	<u>3,249</u>
Total Operating Expenses	<u>87,485</u>	<u>(6,284)</u>	<u>81,201</u>
Utility Operating Income	<u>(9,793)</u>	<u>5,844</u>	<u>(3,949)</u>
Income Available to Service Debt	<u>\$ (9,793)</u>	<u>5,844</u>	<u>\$ (3,949)</u>

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2010-00397 DATED **AUG 11 2011**

Route: 69 Marguerite Boulevard, New Concord, KY - 69 Marguerite Boulevard, New Concord, KY

64 mile(s) 2 hour(s) 53 minute(s)



- | | | | |
|-----|------------------------------------------------------------|---------------|-------------|
| 1: | Start at 69 Marguerite Boulevard, New Concord, KY | | |
| 2: | Go northwest on Marguerite Blvd toward Keniana Dr/Ridge Rd | < 0.1 mile(s) | < 1 minute |
| 3: | Bear left on Ridge Rd | 0.1 mile(s) | < 1 minute |
| 4: | Make sharp right on Lake Dr | 0.1 mile(s) | < 1 minute |
| 5: | Arrive at CENTER RIDGE #3, KENIANA, on the left | | |
| 6: | Depart CENTER RIDGE #3, KENIANA | | |
| 7: | Go back west on Lake Dr | 0.1 mile(s) | < 1 minute |
| 8: | Make sharp left on Ridge Rd | 0.1 mile(s) | < 1 minute |
| 9: | Turn left on Keniana Dr | 0.4 mile(s) | 1 minute(s) |
| 10: | Bear left on Lakeview Dr | < 0.1 mile(s) | < 1 minute |
| 11: | Turn left on Hillcrest Ln | < 0.1 mile(s) | < 1 minute |
| 12: | Arrive at CENTER RIDGE #3, WTP #1, on the right | | |
| 13: | Depart CENTER RIDGE #3, WTP #1 | | |
| 14: | Go back south on Hillcrest Ln | < 0.1 mile(s) | < 1 minute |
| 15: | Turn left on Lakeview Dr | 0.3 mile(s) | < 1 minute |
| 16: | Turn left on Waterway Trl | 0.2 mile(s) | < 1 minute |
| 17: | Turn right at Parkview Dr to stay on Waterway Trl | 0.1 mile(s) | < 1 minute |
| 18: | Turn right at Lake View Dr to stay on Waterway Trl | < 0.1 mile(s) | < 1 minute |
| 19: | Turn right on Lakeshore Dr | 0.1 mile(s) | < 1 minute |
| 20: | Turn left on Pineview Dr | 0.2 mile(s) | < 1 minute |
| 21: | Turn right on Star Dr (Dogwood Dr) | < 0.1 mile(s) | < 1 minute |
| 22: | Arrive at CENTER RIDGE #2, WTP #1, on the right | | |

23:	Depart CENTER RIDGE #2, WTP #1		
24:	Go back west on Star Dr (Dogwood Dr)	< 0.1 mile(s)	< 1 minute
25:	Turn right on Pineview Dr	0.1 mile(s)	< 1 minute
26:	Arrive at CENTER RIDGE #2, WTP #2, on the right		
27:	Depart CENTER RIDGE #2, WTP #2		
28:	Continue north on Pineview Dr	< 0.1 mile(s)	< 1 minute
29:	Turn left on Noah Dr	0.2 mile(s)	< 1 minute
30:	Turn right on Wedgewood Dr (Primrose Rd)	0.1 mile(s)	< 1 minute
31:	Turn right on Tearose Dr	< 0.1 mile(s)	< 1 minute
32:	Turn left on Dunbar Rd (KY-444)	0.3 mile(s)	< 1 minute
33:	Bear right at Ridge Rd to stay on Dunbar Rd (KY-444)	5.7 mile(s)	17 minute(s)
34:	Turn right at Beechy Creek Ln to stay on Dunbar Rd (KY-444)	0.5 mile(s)	1 minute(s)
35:	Turn right on KY-121 (State Route 121 S)	4.7 mile(s)	9 minute(s)
36:	Turn right on Century Dr	0.4 mile(s)	1 minute(s)
37:	Turn right on Cherry Corner Rd	0.1 mile(s)	< 1 minute
38:	Turn left on Forrest Rd	1.6 mile(s)	4 minute(s)
39:	Turn right on Ezell Rd	0.1 mile(s)	< 1 minute
40:	Turn left on Cohoon Rd	1.6 mile(s)	4 minute(s)
41:	Turn left on Pottertown Rd (KY-280)	1.8 mile(s)	4 minute(s)
42:	Continue on KY-280	< 0.1 mile(s)	< 1 minute
43:	Turn right on KY-94 (State Route 94 E)	4.3 mile(s)	8 minute(s)
44:	Turn right at KY-94C to stay on KY-94 (State Route 94 E)	5.5 mile(s)	10 minute(s)
45:	Turn right on Lancaster Rd (KY-497)	1.1 mile(s)	3 minute(s)
46:	Turn left on Cedar Haven Dr	0.4 mile(s)	1 minute(s)
47:	Turn left at Summertree Ln to stay on Cedar Haven Dr	< 0.1 mile(s)	< 1 minute
48:	Bear left on Woodsong Cir	0.1 mile(s)	< 1 minute
49:	Arrive at CENTER RIDGE #4, on the left		
50:	Depart CENTER RIDGE #4		
51:	Go back east on Woodsong Cir	0.1 mile(s)	< 1 minute
52:	Bear right on Cedar Haven Dr	< 0.1 mile(s)	< 1 minute
53:	Turn right at Summertree Ln to stay on Cedar Haven Dr	0.4 mile(s)	1 minute(s)
54:	Continue on Highland Rd	0.1 mile(s)	< 1 minute
55:	Turn right at Cindy Dr/Connie Dr to stay on Highland Rd	2.3 mile(s)	7 minute(s)
56:	Turn left on Liberty Rd (KY-1346)	3.4 mile(s)	10 minute(s)
57:	Turn left on Rowlett Trl (KY-732)	1.3 mile(s)	3 minute(s)
58:	Turn left at Boatwright Trl to stay on Rowlett Trl (KY-732)	2.7 mile(s)	7 minute(s)
59:	Arrive at CENTER RIDGE WTP, on the right		
60:	Depart CENTER RIDGE WTP		
61:	Go back northwest on Rowlett Trl (KY-732)	2.7 mile(s)	7 minute(s)
62:	Turn right at Boatwright Trl to stay on Rowlett Trl (KY-732)	1.3 mile(s)	3 minute(s)

63:	Bear left on Irvin Cobb Rd (KY-1346)	< 0.1 mile(s)	< 1 minute
64:	Turn left at Old Newburg Rd to stay on Irvin Cobb Rd (KY-1346)	0.4 mile(s)	1 minute(s)
65:	Turn right at Russell Dr to stay on Irvin Cobb Rd (KY-732)	1.7 mile(s)	5 minute(s)
66:	Turn left on Beane Rd	0.5 mile(s)	1 minute(s)
67:	Turn right at Geurin Rd to stay on Beane Rd	2.2 mile(s)	6 minute(s)
68:	Turn left on Wright Rd	1.5 mile(s)	4 minute(s)
69:	Turn left on Douglas Rd	1.8 mile(s)	5 minute(s)
70:	Turn right on Speaker Trl (KY-280)	3.3 mile(s)	8 minute(s)
71:	Turn left on KY-121 (State Route 121 S)	1 mile(s)	1 minute(s)
72:	Turn left on Dunbar Rd (KY-444)	0.5 mile(s)	1 minute(s)
73:	Turn left at Beechy Creek Ln to stay on Dunbar Rd (KY-444)	4.5 mile(s)	13 minute(s)
74:	Turn right on Blood River Rd (Grindstone)	0.6 mile(s)	1 minute(s)
75:	Turn left on Keniana Dr	0.7 mile(s)	1 minute(s)
76:	Turn right on Marguerite Blvd	< 0.1 mile(s)	< 1 minute
77:	Finish at 69 Marguerite Boulevard, New Concord, KY, on the left		
	Driving time: 2 hour(s) 53 minute(s)		
	Driving distance: 64 mile(s)		

William M Duncan
Owner & Operator
Center Ridge Water District No. 2
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New Concord, KY 42076

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