

# NORTH MARSHALL WATER DISTRICT

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## District Superintendent

Bobby Sirls

## Commissioners

B.W. Darnell, Chairman  
Gary E. Clark, Secretary  
Scott Solomon, Treasurer  
Bob Turner  
Roy C. Brien

April 20, 2007

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PUBLIC SERVICE  
COMMISSION

Ms. Beth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

Dear Ms. O'Donnell:

As directed by the commission in rate case 2004-00028, the North Marshall Water District is hereby filing an income statement that outlines our current revenue, operating expenses and debt service requirement to demonstrate the degree of sufficiency of our current water rates. A copy of that case is enclosed.

Sincerely,

Bobby Sirls  
District Superintendent

**NORTH MARSHALL WATER DISTRICT  
DETAILED INCOME STATEMENT REFLECTING  
IMPACT OF ALL PROPOSED ADJUSTMENTS**

	<u>NOTES</u>	<u>2006</u>	<u>ADJUSTMENTS</u>	<u>ADJUSTED</u>
<b><u>OPERATING REVENUES</u></b>				
WATER SERVICE	(a)	1,070,040	16,719	1,086,759
FORFEITED DISCOUNTS		21,240		21,240
MISCELLANEOUS REVENUE	(b)	23,450	8,000	31,450
TOTAL OPERATING REVENUE		\$ 1,114,730	\$ 24,719	\$ 1,139,449
<b><u>OPERATING EXPENSES</u></b>				
EMPLOYEE SALARIES	©	301,198	19,881	321,079
COMMISSIONER SALARIES		30,200		30,200
EMPLOYEE PENSIONS	(d)	36,789	10,383	47,172
EMPLOYEE MEDICAL INSURANCE	(e)	57,079	2,496	59,575
EMPLOYEE OTHER BENEFITS	(f)	10,386	(1,476)	8,910
PURCHASED POWER	(g)	97,661	2,139	99,800
CHEMICALS		14,136		14,136
MATERIALS AND SUPPLIES	(h)	223,609	8,944	232,553
CONTRACTUAL SERVICES - CPA		5,000		5,000
CONTRACTUAL SERVICES - ENGINEERING	(i)	8,775	(8,775)	-
CONTRACTUAL SERVICES - OTHER	(j)	15,089	(7,784)	7,305
RENT		600		600
INSURANCE - PROPERTY & LIABILITY		38,596		38,596
ADVERTISING		226		226
BAD DEBTS		2,534		2,534
DEPRECIATION	(k)	214,900	5,947	220,847
TAXES OTHER THAN INCOME		24,571		24,571
TOTAL OPERATING EXPENSES		\$ 1,081,349	\$ 31,755	\$ 1,113,104
OPERATING INCOME (LOSS)		\$ 33,381	\$ (7,036)	\$ 26,345
<b><u>OTHER INCOME/(EXPENSE)</u></b>				
INTEREST INCOME	(l)	9,645	2,855	12,500
INTEREST EXPENSE	(m)	(38,178)	1,468	(36,710)
AMORTIZATION		(12,869)		(12,869)
INCOME/(LOSS) ON SALE OF EQUIPMENT	(n)	(3,602)	1,930	(1,672)
<b><u>NET INCOME/(LOSS)</u></b>		<b>\$ (11,623)</b>	<b>\$ (783)</b>	<b>\$ (12,406)</b>

**REVENUE REQUIREMENT CALCULATION**

PROFORMA OPERATING EXPENSES		1113104
DEBT SERVICE (SEE BELOW)		136219
REVENUE REQUIREMENT		1249323
LESS NORMALIZED REVENUE		-1139449
LESS UNRESTRICTED INTEREST INCOME		-12500
<b>REQUIRED INCREASE</b>	<b>8.55%</b>	<b>97374</b>

**CALCULATION OF DEBT SERVICE**

	PRINCIPAL	INTEREST	SERVICE FEE	TOTAL
KIA LOAN				
2007	\$ 90,000	\$ 35,219	\$ 1,490	\$ 126,709
2008	\$ 90,000	\$ 31,786	\$ 1,310	\$ 123,096
2009	\$ 92,500	\$ 28,015	\$ 1,187	\$ 121,702
		3 YEAR AVERAGE		\$ 123,836
		X 1.1 DSC		\$ 136,219

## EXPLANATORY NOTES ON ADJUSTMENTS

- (a) Additional revenue generated from an average of 85 new customers each year.
- (b) A large customer leak adjustment that occurred in 2006 is not expected to occur in 2007.
- (c) A salary adjustment of 4% for employees effective 1/1/2007. Merit increases for two employees who upgraded their operator licenses during 2006 and some additional overtime that is expected.
- (d) Increased percentage of CERS pension contributions for employees as mandated by the state.
- (e) Increased medical insurance premium as determined by the state.
- (f) Reduced dental insurance premiums achieved by switching to KRWA group plan with Delta Dental.
- (g) Increased electricity rates that become effective in 2007.
- (h) Increased materials and supplies costs due to inflation, especially in brass and copper products.
- (i) We wrote off some engineering work in 2006 that was being carried in construction in progress relating to the replacement of asbestos cement water mains.
- (j) Salary, for consultant who worked on grants, will not be needed in 2007. Laboratory expense for testing inorganic and SOC contaminants will not be necessary in 2007.
- (k) Depreciation will increase due to the capitalization of water mains installed in 2006 plus depreciation on two new trucks purchased by the district.
- (l) Interest income will increase due to the purchase of additional certificates of deposit.
- (m) Interest expense will increase as required on the repayment schedule of our KIA loan.
- (n) Income will be generated by the sale of two used trucks, partially offset by the writeoff of old residual meters that will be taken out of service and sold for scrap.

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PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE NORTH	)	
MARSHALL WATER DISTRICT FOR	)	CASE NO.
APPROVAL OF A PROPOSED INCREASE	)	2004-00028
IN RATES FOR WATER SERVICE	)	

O R D E R

On January 27, 2004, North Marshall Water District ("North Marshall") filed its application for Commission approval of its proposed water rates. North Marshall proposed to increase its rates to produce additional revenues of \$146,051, an increase of 15.24 percent over normalized revenues from water sales of \$958,456. This proposal would increase North Marshall's average monthly bill for 5,000 gallons of usage from \$19.01 to \$21.89, an increase of 15.1 percent.

By Order dated April 1, 2004, the Commission issued a Staff Report that was prepared upon review of North Marshall's test-year operations. Staff's report recommended that an increase of \$140,522, or 14.66 percent, be granted. The Order granted the parties 10 days to file written comments regarding the Staff Report or requests for a hearing or informal conference. No such comments or requests were received.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. The recommendations and findings contained in the Staff Report are supported by the evidence of record, are reasonable, and should be adopted as the findings of the Commission.

2. The rates in Appendix A will produce annual revenue from water service of \$1,098,978.

IT IS THEREFORE ORDERED that:

1. The findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.

2. The rates in Appendix A are approved for service rendered by North Marshall on and after the date of this Order.

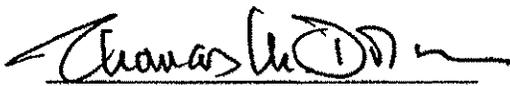
3. Within 30 days of the date of this Order, North Marshall shall file with the Commission its revised tariff setting out the rates approved herein.

4. Three years from the effective date of this Order, North Marshall shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Done at Frankfort, Kentucky, this 20<sup>th</sup> day of April, 2004.

By the Commission

ATTEST:

  
Executive Director

Case No. 2004-00028

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00028 DATED April, 20, 2004

The following rates and charges are prescribed for the customers in the area served by North Marshall Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

#### Monthly Water Rates

##### Customer Charge:

5/8" X 3/4" Meter	\$10.78
1" Meter	17.03
1 1/2" Meter	27.46
2" Meter	39.99
3" Meter	69.19
4" Meter	110.93
6" Meter	215.25

##### All Water Usage:

\$2.20 per 1,000 gallons