

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

RECEIVED
DEC 01 2004
PUBLIC SERVICE
COMMISSION

Milburn Water District Case 2004-00485

Name of Utility

P.O. Box 33

Milburn, Kentucky 42070

Business Mailing Address

Telephone Number (270) 694-6241

Area Code

Number

I. Basic Information

NAME, TITLE, ADDRESS and Telephone number of the person to whom correspondence or communications concerning this application should be directed:

Name: Amy Goldsmith, Treasurer

Address: P.O. Box 33

Milburn, KY 42070

Telephone Number: (270) 694-6241

- | | | | |
|----|---|--------------------------------------|--------------------------|
| 1) | Do you have 500 customers or fewer? | <input checked="" type="radio"/> Yes | <input type="radio"/> No |
| 2) | Do you have \$300,000 in Gross Annual Revenue or less? | <input checked="" type="radio"/> Yes | <input type="radio"/> No |
| 3) | Has the Utility filed an annual report with this Commission for the past year and the two previous years? | <input checked="" type="radio"/> Yes | <input type="radio"/> No |
| 4) | Are the utility's records kept separate from any other commonly-owned enterprise? | <input checked="" type="radio"/> Yes | <input type="radio"/> No |

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

II. Increased Cost Information

- (1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for the 12 months ending December 31, 2003.
- a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

See Attachment A.

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

Please see the notes to Attachment A for these descriptions.

- i. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

See attachments

III. Other Information

- a. Please complete the following questions:
- 1) Please describe any events or occurrences, which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).
- 2) Total number of Customers as of the date of filing: 151
- 3) Total amount of increased revenue requested: \$8,368

4) Please circle Yes or No:

a) Does the utility have any outstanding indebtedness?

Yes

No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.

b) Were all revenues and expenses listed in the Annual Report for 2003 incurred and collected from January 1 to December 31 of that year?

Yes

No

If no, list total revenues and total expenses incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.

5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 2003 and the amount shown on this schedule. – **Depreciation schedule attached.**

6) If utility is a sewer utility:

a) Attach a copy of the latest State and Federal Income Tax Returns. **Not applicable**

b) How much of the utility plant was recovered through the sale of lots or other contributions? (If unknown, state the reason).

b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

Milburn is a small water district which has not had a rate increase in 10 years. During that time, the District's costs have increased.

IV. Billing Analysis

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing. The following is a step-by-step description which may be used to complete the billing analysis. A completed sample of a billing analysis is also included. Although the

sample reflects water usage, it is equally applicable for gas companies using declining block rate design. This billing analysis is not intended for companies using a flat rate design.

a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step.

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Column Nos. 4, 5, 6, 7, 8, and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contain the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns numbered 2 and 3 are completed by using information obtained from usage records.

Columns numbered 4, 5, 6, 7, 8, and 9 are completed by the following steps:

Step 1: 1st 2,000 gallons minimum bill rate level
432 Bills
518,400 gallons used
All bills use 2,000 gallons or less, therefore, all usage is recorded in Column 4.

Step2: Next 3,000 gallons rate level
1,735 Bills
4,858,000 gallons used
1st 2,000 minimum x 1,735 bills = 3,470,000 gallons – record in Column 4.
Next 3,000 gallons – remainder of water over 2,000 = 1,388,000 gallons – record in Column 5.

Step3: Next 10,000 gallons rate level
1,830 Bills
16,268,700 gallons used
1st 2,000 minimum x 1,830 bills = 3,660,000 gallons – record in Column 4.

Next 3,000 gallons x 1,830 bills = 5,490,000 gallons –
record in Column 5.

Next 10,000 gallons – remainder of water over 3,000
= 7,118,700 gallons – record in Column 6.

Step4: Next 25,000 gallons rate level
650 Bills
15,275,000 gallons used
1st 2,000 minimum x 650 bills = 1,300,000 gallons –
record in Column 4.
Next 3,000 gallons x 650 bills = 1,950,000 gallons –
record in Column 5.
Next 10,000 gallons x 650 bills = 6,500,000 gallons –
record in Column 6.
Next 25,000 gallons – remainder of water over 10,000
= 5,525,000 gallons – record in Column 7.

Step5: Over 40,000 gallons rate level
153 Bills
9,975,600 gallons used
1st 2,000 minimum x 153 bills = 306,000 gallons –
record in Column 4.
Next 3,000 gallons x 153 bills = 459,000 gallons –
record in Column 5.
Next 10,000 gallons x 153 bills = 1,530,000 gallons –
record in Column 6.
Next 25,000 gallons x 153 bills = 3,825,000 gallons –
record in Column 7.
Over 40,000 gallons – remainder of water over 25,000
= 3,855,600 gallons – record in Column 8.

Step6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

The Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains the revenue produced.

SAMPLE

Revenue from Present/Proposed Rates
 Test Period from 01-01-XX to 12-31-XX

USAGE TABLE
Usage by Rate Increment

Class: Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) First 2,000	(5) Next 3,000	(6) Next 10,000	(7) Next 25,000	(8) Over 40,000	(9) Total
First 2,000 Minimum Bill	432	518,400	518,400					518,400
Next 3,000 Gallons	1,735	4,858,000	3,470,000	1,388,000				4,858,000
Next 10,000 Gallons	1,830	16,268,700	3,660,000	5,490,000	7,118,700			16,268,700
Next 25,000 Gallons	650	15,275,000	1,300,000	1,950,000	6,500,000	5,525,000		15,275,000
Over 40,000 Gallons	153	9,975,600	306,000	459,000	1,530,000	3,825,000	3,855,600	9,975,600
Totals	4,800	46,895,700	9,254,400	9,287,000	15,148,700	9,350,000	3,855,600	46,895,700

REVENUE TABLE
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 2,000 Minimum Bill	4,800	9,254,400	\$ 5.00 Minimum Bill	\$ 24,000.00
Next 3,000 Gallons		9,287,000	\$ 2.50 per 1,000 Gal.	23,217.50
Next 10,000 Gallons		15,148,700	\$ 2.00 per 1,000 Gal.	30,297.40
Next 25,000 Gallons		9,350,000	\$ 1.25 per 1,000 Gal.	11,687.50
Over 40,000 Gallons		3,855,600	\$ 0.75 per 1,000 Gal.	2,891.70
Totals	4,800	46,895,700		\$ 92,094.10 Total Revenue

Instructions for Completing Revenue Table:

- (1) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (2) Complete Column No. 4 using rates either present or proposed.
- (3) Column No. 5 is completed by first multiplying the bills times the minimum charge.
- (4) Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its articles of incorporation must be attached to this application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding.

b. An original and 10 copies of the completed application should be sent to:

Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

Telephone: 502 / 564 – 3940

c. One Copy of the completed application should also be sent at the same time to:

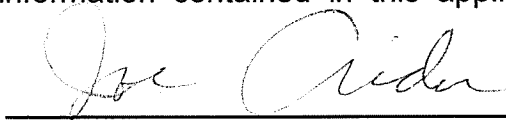
Public Service Litigation Branch
Office of the Attorney General
Post Office Box 2000
Frankfort, Kentucky 40602-2000

2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation.

3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502 / 564 – 3940.

4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed



Officer of the Company

Title



Date



**BILLING ANALYSIS FOR: MILBURN WATER DISTRICT
TEST PERIOD FROM JANUARY TO DECEMBER 2003
USAGE TABLE**

CLASS:		USAGE	BILLS	GALLONS	2,000	3,000	5,000	10,000	20,000
FIRST	2,000	501	501,000	501,000					
NEXT	3,000	753	2,642,830	1,506,000	1,136,830				
NEXT	5,000	458	3,061,610	916,000	1,374,000	771,610			
NEXT	10,000	89	1,148,540	178,000	267,000	445,000	258,540		
OVER	20,000	16	595,640	32,000	48,000	80,000	160,000	275,640	
TOTAL		1,817	7,949,620	3,133,000	2,825,830	1,296,610	418,540	275,640	

REVENUE TABLE

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	1,817	3,133,000	\$15.11 \$27,455
NEXT	3,000		2,825,830	6.27 17,718
NEXT	5,000		1,296,610	5.74 7,443
NEXT	10,000		418,540	5.20 2,176
OVER	20,000		275,640	4.73 1,304
TOTAL	1,817	7,949,620		\$56,096

Verification of Rates				
	Bills	Gallons	Rate¹	Revenue
First 2,000 gallons	1,817	3,133,000	\$15.11	\$27,455
Next 3,000 gallons		2,825,830	6.27	17,718
Next 5,000 gallons		1,296,610	5.74	7,443
Next 10,000 gallons		418,540	5.20	2,176
Over 20,000 gallons		275,640	4.73	1,304
Total Revenue from Rates				\$56,096
Other Income:				
Other Operating Income				2,231
Interest Income				121
Total Operating Revenue				\$58,448
¹ \$0.01 added to minimum bill to establish rates that generate the requested revenue requirement				

Attachment A - Milburn WD Proforma	2003	Adjustments	Ref.	Adjusted
Water Sales	\$47,729	(\$14)		\$47,715
Other Rev. - Penalties	\$2,231			\$2,231
Total Operating Rev.	\$49,960	(\$14)	(A)	\$49,946
Employee Salaries	\$8,700	(\$300)	(B)	\$8,400
Purchased Water	\$18,493	\$1,802	(C)	\$20,295
Materials/Supplies	\$1,716	(\$350)	(D)	\$1,366
Contract Services	\$7,406	(\$1,350)	(E)	\$6,056
Testing	\$330	0		\$330
Transportation	\$742	0		\$742
Insurance	\$977	\$361	(F)	\$1,338
Misc.	\$2,198	0		\$2,198
Total Op. Expenses	\$40,561	\$164		\$40,725
Depreciation Exp.	\$8,827	(\$193)	(G)	\$8,634
Amortization Exp.	0	\$340	(H)	\$340
Taxes OTI	\$296	0		\$296
Total Util. Op. Exp.	\$49,684	\$311		\$49,995
<i>Util. Op. Income</i>	<i>\$276</i>	<i>(\$325)</i>		<i>(\$49)</i>
Interest Income	\$121	0		\$121
Interest Expense	(\$975)	(\$275)	(I)	(\$700)
Net Income	(\$578)	(\$50)		(\$628)

Debt Service:

2004 - \$6,000

2005 - \$6,000

2006 - \$7,000

Avg. \$6,333 (Principal)

Int. \$ 700

Total \$7,033

Revenue requirement:

\$49,995 Proforma Operating Expenses

\$ 8,440 (1.2 x DSC of \$7,033)

\$58,435 Revenue Requirement

\$49,946 Normalized Revenues

\$ 8,489

\$ (121) Interest Income

\$ 8,368 Revenue Increase Needed (16.75% increase)

Explanatory Notes:

A. Normalized Revenues – Based upon Commission Staff’s billing analysis.

B. Employee Salaries – Normalized salaries are \$700 per month, consisting of \$375 per month paid to the Secretary/Treasurer and \$325 per month paid to the operator.

C. Purchased Water Expense – Milburn purchases water from the Fancy Farm Water District at a rate of \$2.17 per thousand gallons. During 2003, Milburn’s water line loss was 16.19%, but Commission policy is to allow only 15% line loss for ratemaking purposes. Therefore, Staff calculated normalized purchased water expense as follows:

Item	2003	Normalized	Allowing 15% Line Loss
Purchases (Gallons)	9,242,000	9,485,290	9,352,490
%	100%	100%	100%
Sales	7,745,000	7,949,620	7,949,620
%	83.81%	83.81%	85%
Line Loss	1,497,000	1,535,670	1,402,870
%	16.19%	16.19%	15%
9,352.49 thousand gallons x \$2.17 = \$20,295 purchased water expense			

D. Materials and Supplies Expense – Adjustment to remove a nonrecurring expenditure of \$350 for a used computer purchased in 2003. Recovery of this expenditure over 5 years has been included in amortization expense.

E. Contractual Services Expense – Adjustment to remove a nonrecurring expenditure of \$1,350 paid for replacement of the roof on a small building owned by Milburn. Recovery of this expenditure over 5 years has been included in amortization expense.

F. Insurance Expense – Proforma Insurance Expense includes \$875 for commercial insurance and \$463 for automobile insurance.

G. Depreciation Expense – Normalized Depreciation Expense includes adjustments for items that will be fully depreciated on a proforma basis.

H. Amortization Expense – Increased by \$340 to allow a 5 year recovery of the above-mentioned expenditures totaling \$1,700.

I. Interest Expense – Proforma Interest Expense based upon reduced debt.

MILBURN WD DEPRECIATION SCHEDULE

no	description	date	cost	salvage	Business %	depr basis	life	method	rate	current depr	Accum depr
1	Dist. Reservoirs - stand	1/1/1972	46,414		100	46,414	43 SL	HY	2.326	1,079	34,603
2	HYDRANTS	1/1/1972	1,883		100	1,883	43 SL	HY	2.326	44	1,399
3	METERS & INSTALLATION	1/1/1972	15,417		100	15,417	43 SL	HY	2.326	359	11,501
4	OFFICE FURN - EQUIPMENT	1/1/1972	119		100	119	43 SL	HY	2.326	3	97
5	other plant misc equipment	1/1/1972	752		100	752	43 SL	HY	2.326	17	555
6	transmission dies ma	1/1/1972	113,776		100	113,776	43 SL	HY	2.326	2,646	84,833
7	limited term land	1/1/1976	1,191		100	1,191	43 SL	HY	2.326	0	835
8	new meters	2/2/1992	521		100	521	15 SL	HY	6.667	35	417
9	9- new meters	8/20/1992	1,396		100	1,396	15 SL	HY	6.667	93	1,052
10	15 new meters	1/29/1993	580		100	580	15 SL	MQ	6.667	37	404
11	dickson pressure recon	8/23/1993	* 325		100	325	10 SL	MQ	10	33	341
12	new meters	12/3/1993	1,031		100	1,031	15 SL	MQ	6.667	69	696
13	old fire dpal building	3/15/1994	2,000		100	2,000	20 SL	HY	5	100	983
14	10 new meters	4/5/1994	* 335		100	335	10 SL	HY	10	34	331
15	computer printer	6/3/1994	310		100	310	7		0	0	310
16	computer desk	7/30/1994	265		100	265	7		0	0	265
17	computer & installation	9/1/1994	800		100	800	7		0	0	800
18	10 new meters	10/18/1994	330		100	330	10 SL	HY	10	33	303
19	new meters	9/13/1995	763		100	763	10 SL	HY	10	76	633
20	dickson pressure recon	3/26/1996	349		100	349	5		0	0	349
21	fire dept bldg improvement	6/28/1996	775		100	775	20 SL	HY	5	39	296
22	6 new meters	2/11/1997	500		100	500	10 SL	HY	10	50	325
23	6 new meters	8/29/1997	500		100	500	10 SL	HY	10	50	325
24	10 new meters	5/5/1998	450		100	450	10 SL	HY	10	45	255
25	service truck	3/24/1998	* 500		100	500	5 SL	HY	20	100	575
26	no 304 tower paint job	3/1/1999	45,208		100	45,208	15		6.667	3,014	14,568
27	deskjet printer	1/10/2001	151		100	151	3 SL	HY	33.333	50	125
28	computer program	3/10/2001	1,695		100	1,695	5 SL	HY	20	339	848
29	10 new meters	3/12/2001	741		100	741	7 SL	HY	14.286	108	265
30	3 new meters	5/31/2001	155		100	155	7 SL	HY	14.286	22	55
31	dickson pressure gauge	7/9/2001	408		100	408	5 SL	HY	20	82	205
32	service truck	3/20/2002	1,250		100	1,250	5 SL	HY	20	250	438
33	7 new meters	9/3/2002	152		100	152	7 SL	HY	14.286	22	33
	TOTAL		241,022			241,022				8,825	159,018

(33)

(30)

(6)

(100)

(24)

(193)

Milburn Water District

Billing Analysis

Current Rates

BILLING ANALYSIS FOR: MILBURN WATER DISTRICT
TEST PERIOD FROM JANUARY TO DECEMBER 2003
USAGE TABLE

CLASS:								
	USAGE	BILLS	GALLONS	2,000	3,000	5,000	10,000	20,000
FIRST	2,000	501	501,000	501,000				
NEXT	3,000	753	2,642,830	1,506,000	1,136,830			
NEXT	5,000	458	3,061,610	916,000	1,374,000	771,610		
NEXT	10,000	89	1,148,540	178,000	267,000	445,000	258,540	
OVER	20,000	16	595,640	32,000	48,000	80,000	160,000	275,640
TOTAL		<u>1,817</u>	<u>7,949,620</u>	<u>3,133,000</u>	<u>2,825,830</u>	<u>1,296,610</u>	<u>418,540</u>	<u>275,640</u>

REVENUE TABLE

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	1,817	3,133,000	\$12.35 \$22,440
NEXT	3,000		2,825,830	5.75 16,249
NEXT	5,000		1,296,610	4.90 6,353
NEXT	10,000		418,540	4.05 1,695
OVER	20,000		275,640	3.55 979
TOTAL		<u>1,817</u>	<u>7,949,620</u>	<u>\$47,715</u>

Milburn Water District

Billing Analysis

Proposed Rates

Allocation of Plant Value				
	Total	Commodity	Demand	Customer
Land and Land Rights	\$1,191		\$1,191	
Structures and Improvements	45,208		45,208	
Dist Reservoirs & Standpipes	46,416		46,416	
Transmission & Distribution Mains	113,776		113,776	
Meters & Meter Installations	22,851			22,851
Hydrants	1,883			1,883
Subtotal	\$231,325		\$206,591	\$24,734
Other Plant & Misc Equipment	\$752		\$672	\$80
Office Furniture & Equipment	4,422		3,949	473
Transportation Equipment	1,750		1,563	187
Other Tangible Plant	2,775		2,478	297
Subtotal	\$9,699		\$8,662	\$1,037
Total	\$241,024		\$215,253	\$25,771
Allocation Percentages	100%		89.3%	10.7%

Source: PSC Annual Report 2003

Allocation of Depreciation				
	Total	Commodity	Demand	Customer
Structures and Improvements	\$14,568		\$14,568	
Dist Reservoirs & Standpipes	34,602		34,602	
Transmission & Distribution Mains	84,833		84,833	
Meters & Meter Installations	16,595			16,595
Hydrants	1,399			1,399
Subtotal	\$151,997		\$134,003	\$17,994
Other Plant & Misc Equipment	555		490	65
Office Furniture & Equipment	3,240		2,858	382
Transportation Equipment	1,013		893	120
Other Tangible Plant	1,279		1,128	151
Subtotal	\$6,087		\$5,369	\$718
Total	\$158,084		\$139,372	\$18,712
Allocation Percentages	100%		88.2%	11.8%

Source: PSC Annual Report 2003

Allocation of Operation & Maintenance Expense				
	Total	Commodity	Demand	Customer
Employee Salaries	\$7,950		\$3,705	\$4,245
Purchased Water	20,295	20,295		
Materials & Supplies	1,366		866	500
Contract Services	6,056		6,056	
Subtotal	\$35,667	\$20,295	\$10,627	\$4,745
Less Commodity	(20,295)			
Total	\$15,372		\$10,627	\$4,745
Allocation Percentages	100.0%		69.1%	30.9%
Salaries	\$450		\$311	\$139
Insurance Expense	875		605	270
Auto Ins	463		320	143
Water Testing	330		228	102
Amortization Expense	340		235	105
Transportation	742		513	229
Misc Expense	2,198		1,519	679
Taxes	296		205	91
Subtotal	\$5,694		\$3,936	\$1,758
Total Operating Expenses	\$41,361	\$20,295	\$14,563	\$6,503
Source: Field Review 2004				

Allocation of Cost of Service				
	Total	Commodity	Demand	Customer
Operation & Maintenance	\$41,361	\$20,295	\$14,563	\$6,503
Debt Service ¹	8,440		7,537	903
Depreciation ²	8,634		7,615	1,019
General Water Service Cost	\$58,435	\$20,295	\$29,715	\$8,425
<i>Less:</i>				
Other Operating Revenue	(2,231)			(2,231)
Interest Income	(121)			(121)
Revenue Required from Rates	\$56,083	\$20,295	\$29,715	\$6,073
NOTES:				
¹ Debt Service has been allocated on the percentage from the Allocation of Plant Value Sheet.				
² Depreciation has been allocated on the percentage from the Allocation of Depreciation Sheet.				

Calculation of Water Rates						
	Total	First 2,000 gallons	Next 3,000 gallons	Next 5,000 gallons	Next 10,000 gallons	Over 20,000 gallons
Actual Water Sales:						
Thousand Gallons	7,949,620	3,133,000	2,825,830	1,296,610	418,540	275,640
Percent	100%	39.4%	35.5%	16.3%	5.3%	3.5%
Weighted Sales for Demand:		2	1.75	1.5	1.25	1
Thousand Gallons	13,954,933	6,266,000	4,945,203	1,944,915	523,175	275,640
Percent	100%	44.9%	35.4%	13.9%	3.7%	2.0%
Allocation of Volumetric Costs:						
Commodity ¹	\$20,295	\$8,016	\$7,205	\$3,308	\$1,076	\$710
Demand ²	29,715	13,342	10,519	4,130	1,099	594
Customer ³	6,073	6,073				
Total	\$56,083	\$27,431	\$17,724	\$7,438	\$2,175	\$1,304
Number of Bills	1,817					
Cost of Service Rates		\$15.10	\$6.27	\$5.74	\$5.20	\$4.73
Note:						
¹ Commodity Costs are allocated by the percentage of Actual Water Sales.						
² Demand Costs are allocated by the percentage of Weighted Sales for Demand.						
³ Customer Costs are allocated to the Minimum Bill.						

Comparison of Rates				
Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
2,000	\$12.35	\$15.11	\$2.76	22.3%
3,000	18.10	21.38	3.28	18.1%
4,000	23.85	27.65	3.80	15.9%
5,000	29.60	33.92	4.32	14.6%
6,000	34.50	39.66	5.16	15.0%
7,000	39.40	45.40	6.00	15.2%
8,000	44.30	51.14	6.84	15.4%
9,000	49.20	56.88	7.68	15.6%
10,000	54.10	62.62	8.52	15.7%
15,000	74.35	88.62	14.27	19.2%
20,000	94.60	114.62	20.02	21.2%
25,000	112.35	138.27	25.92	23.1%
30,000	130.10	161.92	31.82	24.5%
35,000	147.85	185.57	37.72	25.5%
40,000	165.60	209.22	43.62	26.3%
50,000	201.10	256.52	55.42	27.6%
75,000	301.35	387.31	85.96	28.5%
100,000	378.60	493.02	114.42	30.2%
150,000	556.10	729.52	173.42	31.2%
Comparison of Rates				
Block Usage	Current Rates	Cost of Service Rates		
First 2,000 gallons	\$12.35	\$15.11		
Next 3,000 gallons	5.75	6.27		
Next 5,000 gallons	4.90	5.74		
Next 10,000 gallons	4.05	5.20		
Over 20,000 gallons	3.55	4.73		
Effect on Customer Average Bill - 5,000 Gallons Usage				
Current Rates	Proposed Rates	Amount Increase	% Increase	
\$29.60	\$33.92	\$4.32	14.60%	

Milburn Water District

Cost of Service Study

Proposed Cost of Service Rates Monthly Water Rates			
First 2,000 gallons		\$15.11	Minimum bill
Next 3,000 gallons		6.27	per 1,000 gallons
Next 5,000 gallons		5.74	per 1,000 gallons
Next 10,000 gallons		5.20	per 1,000 gallons
Over 20,000 gallons		4.73	per 1,000 gallons

NOTICE

Milburn Water District has filed an application with the Public Service Commission to increase its rates for water service. The proposed effective date of the change is _____, 2004.

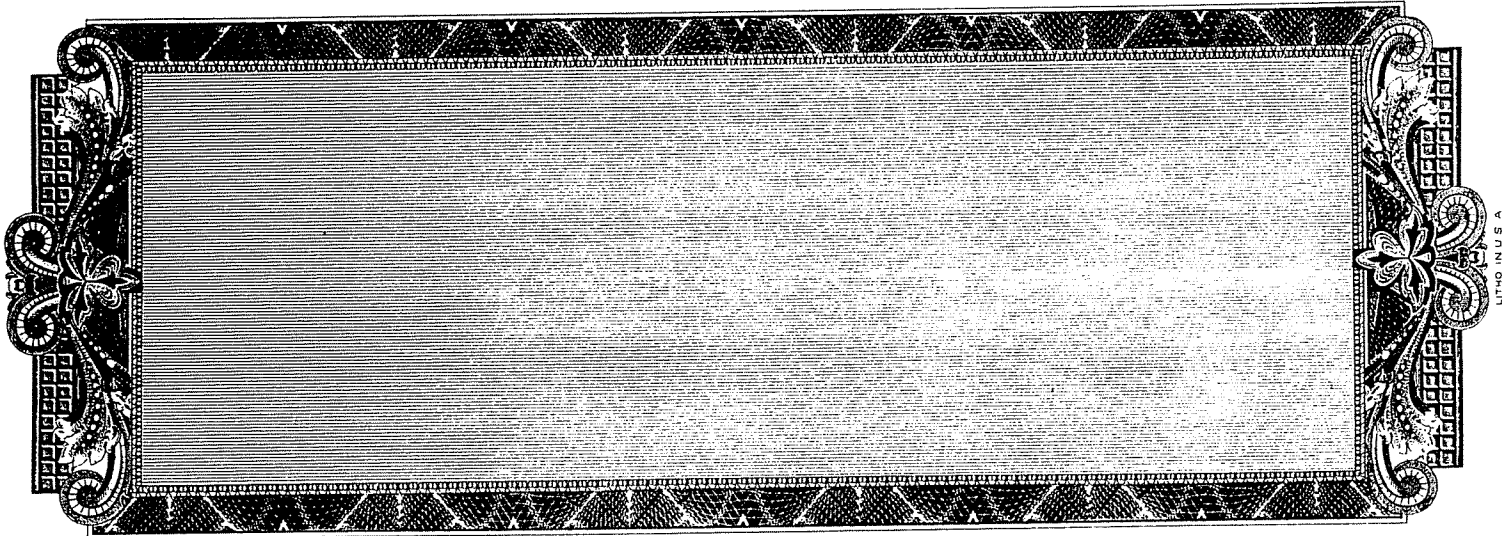
Monthly Rate:

	<u>Current</u>	<u>Proposed</u>	<u>% Increase</u>
First 2,000 Gallons	\$12.35	\$15.11	22.3%
Next 3,000 Gallons	5.75	6.27	9.0%
Next 5,000 Gallons	4.90	5.74	17.1%
Next 10,000 Gallons	4.05	5.20	28.4%
Over 20,000 Gallons	3.55	4.73	33.2%

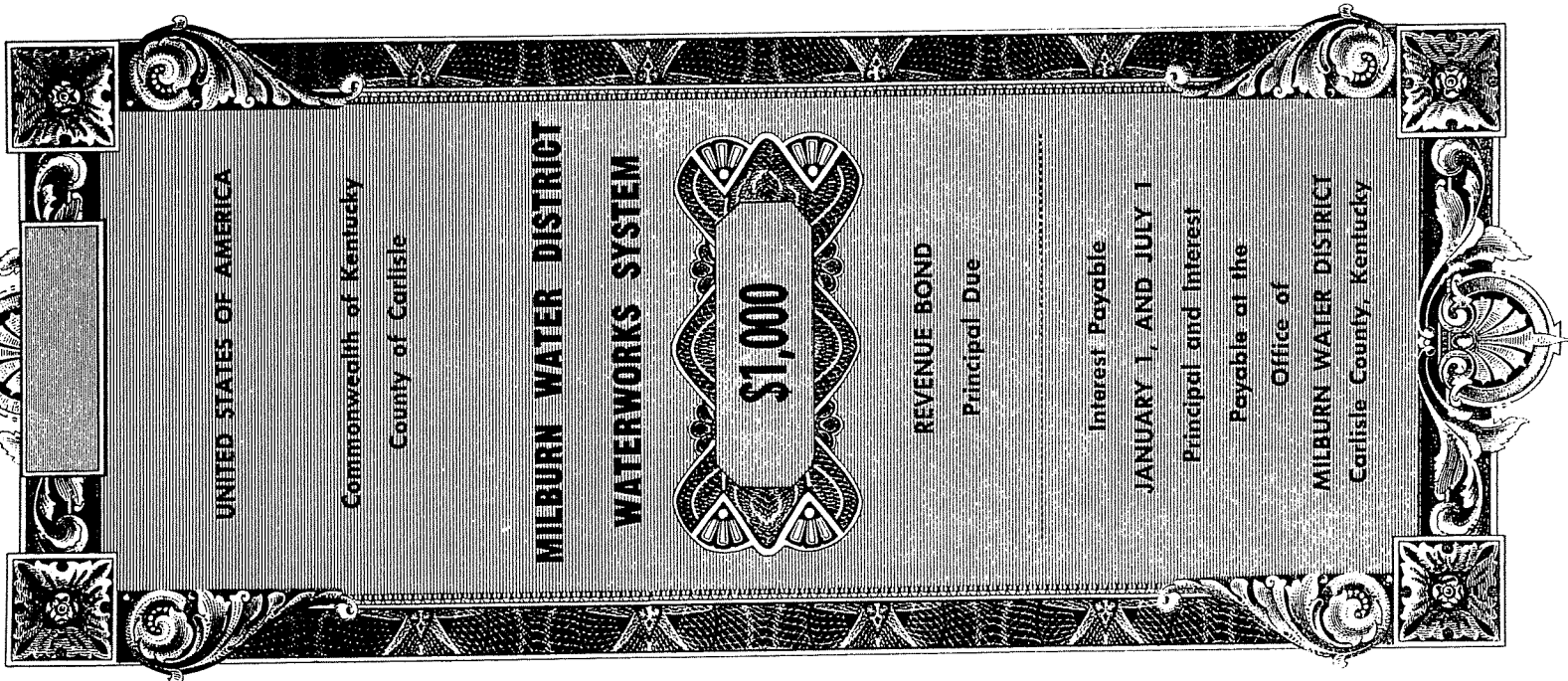
The rates contained in this notice are the rates proposed by the Milburn Water District. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the District office at Route 1 in Arlington, KY 42021. Upon request from an intervenor, the District shall furnish to the intervenor a copy of the application and supporting documents.

Milburn Water District



LITHO IN U.S.A.



UNITED STATES OF AMERICA

Commonwealth of Kentucky
County of Carlisle

MILBURN WATER DISTRICT
WATERWORKS SYSTEM

\$1,000

REVENUE BOND
Principal Due

Interest Payable

JANUARY 1, AND JULY 1

Principal and Interest

Payable at the

Office of

MILBURN WATER DISTRICT
Carlisle County, Kentucky

PROVISIONS FOR REGISTRATION

This bond may be registered on the books of the District kept for the purpose by the Secretary, as Bond Registrar, upon presentation hereof to said Secretary which shall make notation of such registration in the registration blank, and this bond may thereafter be transferred only upon written transfer acknowledged by the registered holder or his attorney, such transfer to be made on said books and indorsed hereon.

REGISTRATION

Date of Registration

Name of Registered Holder

Signature of Registrar

JUL 11 1968

UNITED STATES OF AMERICA,
FARMERS HOME ADMINISTRATION

Roger Edgington

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY

129

COUNTY OF CARLISLE

\$1,000

MILBURN WATER DISTRICT
WATERWORKS SYSTEM
REVENUE BOND

KNOW ALL MEN BY THESE PRESENTS that Milburn Water District, acting by and through its Commission, a public body corporate in Carlisle County, Kentucky, for value received, hereby promises to pay to the registered holder hereof, out of the special fund as hereinafter provided, the sum of \$1,000.00 on the first day of January, 2004, and to pay the registered holder hereof, interest on said sum from the date hereof at the rate of 3.75 per cent per annum semiannually on the first days of January and July in each year until said sum is paid, except as the provisions hereinafter set forth with respect to prior redemption may be and become applicable hereto. Principal shall be payable at the principal office of Milburn Water District in Carlisle County, Kentucky, upon presentation and surrender of this bond. Interest shall be payable to the registered holder at the address shown on the registration book of the district.

This bond is one of a duly authorized issue of bonds numbered consecutively from 1-150, inclusive, aggregating \$150,000.00 principal amount and has been issued by Milburn Water District pursuant to a resolution duly adopted by the Commission of said District on February 15, 1968, for the purpose of financing the cost, not otherwise provided, of constructing a water distribution system. This bond was issued under and in full compliance with the constitution and statutes of the Commonwealth of Kentucky including Chapters 74 and 106 of Kentucky Revised Statutes.

This bond, and series of which it is one, with interest thereon, is payable from and is secured by a pledge of the income and revenues to be derived from the operation of said water distribution system, a sufficient portion of the gross revenue has been ordered set aside as a special fund and pledged for that purpose and identified as the "Waterworks Bond and Interest Sinking Fund." This bond and the issue of which it forms a part do not in any manner constitute an indebtedness of said District within the meaning of the laws and Constitution of Kentucky, and said District shall not be obligated to pay this bond or the interest thereon except from said special fund. Said District acting by and through its Commission covenants that it will fix and revise such rates and charges for the services and facilities of the water distribution system and collect and account for income and revenues therefrom to promptly pay the principal of and interest on this bond and the issue of which it is one as the same become due and to pay when due all costs and expenses of operating and maintaining said water distribution system.

This bond shall be registered as to principal and interest in the name of the holder after which it shall be transferable only upon presentation to the Secretary of the District as registrar with a written transfer acknowledged by the registered holder or his attorney, such transfer shall be noted upon the bond and upon the books of the District kept for that purpose.

Any of said bonds outstanding may be from time to time subject to redemption by said District, at its option, prior to maturity, serially and in inverse numerical order at 100 per cent of face amount, and with 100 per cent of accrued interest. All of the bonds of this issue as to which said District exercises the right of redemption for the retirement of which, upon terms aforesaid funds are duly provided, will cease to bear interest on the redemption date. Notice of redemption shall be given by registered mail to the registered holder at least 30 days prior to the date fixed for redemption.

Upon default in the payment of principal or interest on this bond or any other bond of the series of which it forms a part or upon failure by said District to comply with any other provision of this bond or with the provisions of the bond resolution the registered holder may, at its option, institute all rights and remedies provided by law or said Resolution.

A statutory mortgage lien upon said water distribution system of the District is created by Section 106.080 of the Kentucky Revised Statutes, to and in favor of the holder or holder or holders of the issue of bonds of which this bond is one, and same is hereby recognized as valid and binding and shall remain in effect until the payment in full of the principal of and interest on all of said bonds.

It is hereby certified that all acts, conditions, and things required to exist, happen and be performed precedent to issuance of this bond now exist, have happened and have been performed in due time, form and manner as required by law.

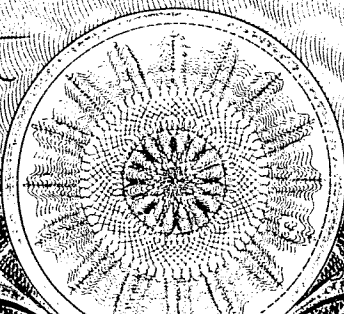
IN WITNESS WHEREOF, the Milburn Water District by its Commission has caused this bond to be signed by its Chairman, its corporate seal to be hereunto affixed and attested by its Secretary on JUL 1 1 1968

ATTEST:

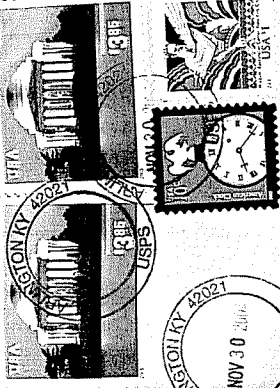
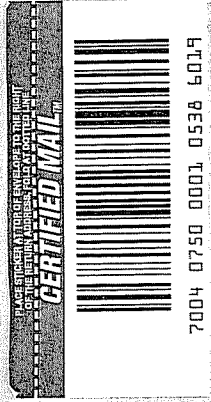
MILBURN WATER DISTRICT

Rogers Edrington
Secretary

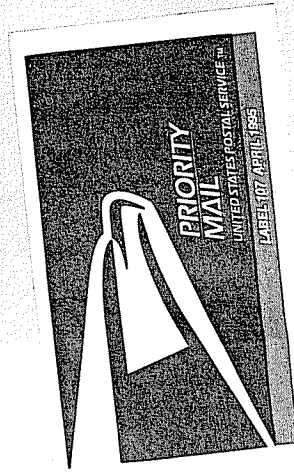
BY *[Signature]*
Chairman



Mylburn Water Dept
P.O. Box 33
Mylburn Ky 42070



RETURN RECEIPT
REQUESTED



Public Service Commission
Division of Financial Analysis
Attn: Jack Karinberg
211 Sower Blvd.
P.O. Box 615
Frankfort Ky 40602-0615