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Chairman
East Laurel Water District
1670 Daniel Boone Parkway, East
P. O. Box 726
London, KY 40743

March 22, 2006

RE: Case No. 2005-00476

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

BOD/jc
Enclosure

John Douglas Day
Chairman
East Laurel Water District
1670 Daniel Boone Parkway, East
P. O. Box 726
London, KY 40743

Honorable David Edward Spenard
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|------------------------------------|---|------------|
| THE APPLICATION OF THE EAST LAUREL |) | |
| WATER DISTRICT FOR APPROVAL OF A |) | CASE NO. |
| PROPOSED INCREASE IN RATES FOR |) | 2005-00476 |
| WATER SERVICE |) | |

ORDER

On December 19, 2005, East Laurel Water District ("East Laurel") filed its application for Commission approval of proposed water rates. Commission Staff, having performed a limited financial review of East Laurel'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 22nd day of March, 2006.

ATTEST:


Executive Director

By the Commission

STAFF REPORT
ON
EAST LAUREL WATER DISTRICT
CASE NO. 2005-00476

On December 19, 2005, East Laurel Water District ("East Laurel") filed an application to adjust its general rates for water service. In its application East Laurel states that its total revenue requirement is \$1,843,474 and that current rates produce a revenue requirement deficiency of \$598,723. East Laurel performed a cost of service study to determine the rates necessary and appropriate to meet its revenue requirement and requests that those rates be approved by the Commission. East Laurel's proposed rates will result in a \$32.69 monthly bill for a residential customer using 5,000 gallons of water. This represents a 45.42 percent increase over the current charge at present rates for the same usage of \$22.48.

To establish the basis for its application, East Laurel selected the calendar year ended December 31, 2003, as its test year. East Laurel proposed pro forma adjustments to its test year operations. East Laurel's adjusted operating statement detailing test year operations and its adjustments thereto are shown in this report at Attachment A.

To review East Laurel's application, Staff conducted a field review to gather information concerning East Laurel's test year operating results and pro forma adjustments. The scope of Staff's review was limited to obtaining information as to whether test period operating revenues and expenses were representative of normal operations. All pro forma adjustments to test year operations are required to be known

and measurable pursuant to 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. Scott Lawless is responsible for the revenue requirement determination while Eddie Beavers determined pro forma revenues and developed the rates recommended by Staff.

At the time of East Laurel's application filing date its operating results for the calendar year ended 2004 had been published and filed with the Commission. During its review Staff decided that this reporting period would provide a better representation of East Laurel's operations since it is more current than the test year used by East Laurel. Staff recommends that the Commission use the calendar year ended 2004 as the test year in this case and has used 2004 as the test year in this report

Attachment B of this report details East Laurel's test year adjusted operating statement as determined by Staff. Attachment B also includes explanations of Staff's pro forma adjustments to test year operations as well as comments concerning the adjustments proposed by East Laurel as shown in Attachment A.

Attachment C of this report details a comparison of East Laurel's annual revenue requirements as requested by East Laurel and recommended by Staff. As shown at Attachment C, Staff determined East Laurel's revenue requirement from rates to be \$1,854,873 using a 20 percent coverage for all annual long-term debt payments. Staff recommends that the Commission approve rates for East Laurel so as to increase test year revenues from rates by \$568,418.

Staff prepared a cost of service study to determine the appropriate rate structure for East Laurel to generate the revenue requirement recommended by Staff. The study

is shown in this report at Attachment D. Staff's recommended rates are shown in Attachment D at Page 16. Pursuant to these rates the monthly bill for a residential customer using 5,000 gallons will increase to \$32.44, a 44.3 percent increase over the current charge of \$22.48 for the same usage.

East Laurel has no employees. Its operations are performed entirely by Wood Creek Water District ("Wood Creek") through an operation and maintenance contract agreement. Wood Creek also operates and maintains the water system of West Laurel Water Association, Inc. ("West Laurel") through a separate contract agreement. Wood Creek, West Laurel, and East Laurel are all operated from the office of Wood Creek using Wood Creek's employees. There is no profit realized by Wood Creek through the execution of these operating agreements. All services are billed on a cost basis.

Wood Creek bills West Laurel and East Laurel monthly for services provided. Field operating costs including payroll, transportation, equipment, and materials and supplies are tracked and directly assigned to the appropriate entity through a work order system. Through this system Wood Creek processes approximately 1,200 work orders annually for each East Laurel and West Laurel. Office expenses are allocated based on the number of customers served by each entity.

Through passage of Kentucky Revised Statute 74.361 the General Assembly of the Commonwealth determined that reduction of the number of water districts through merger is in the public interest because it will tend to eliminate wasteful duplication of costs and efforts, resulting in a more sound and businesslike degree of management and ultimately result in greater economies, less cost, and a higher degree of service to

the general public. The General Assembly states that public policy favors the merger of water districts wherever feasible.

The fact that West Laurel is an association, and not a district, does not preclude it from merger with the other districts (See KRS 74.361 (9)). The same cost savings and principals of economics referred to by the General Assemble apply to both districts and associations.

The merger of these systems would result in eliminating three water entities of the same approximate size serving about 4,800 customers each and establishing a newly formed single entity with approximately 14,400 customers and thus create greater economies of scale and financial stability.


Savings to the customers of these entities would be realized immediately upon merger. Merger of the systems would eliminate the processing of approximately 2,400 work orders where Wood Creek bills East Laurel and West Laurel for services provided. This work order process places a tremendous administrative burden on the employees of Wood Creek. There would also be immediate savings realized from eliminating the accounting, record keeping, and reporting requirements of two entities as well as eliminating the cost of maintaining two managing boards. There would be many other areas of savings as the merged entity operated and efficiencies developed over time.

The merger transition for the employees and customers of these entities would be seamless. The employees of Wood Creek already operate East Laurel and West Laurel and have an intimate knowledge of their histories and operating systems. The customers would see no change in service. All three entities are already interconnected by transmission and distribution mains and water served to all customers originates

from Wood Creek's treatment plant. The office building and address where all customers currently pay their bill and go for customer account information and assistance would not change.

Staff recommends that the Commission order the Boards of these entities to engage in discussion regarding merger of these systems and prepare and submit to the Commission a comprehensive report stating separately whether they are in favor or opposed to merger and the reasons therefore. Staff would provide assistance or guidance to these parties on this matter if requested.

Signatures



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



Prepared by: Eddie Beavers
Public Utility Rate Analyst
Communications, Water and Sewer
Rate Design Branch
Division of Financial Analysis

ATTACHMENT A
 STAFF REPORT CASE NO. 2005-00476
 EAST LAUREL'S PROPOSED ADJUSTED OPERATING STATEMENT

| | Test Year | Adjustments | Ref. | Pro forma |
|---------------------------------------|--------------|--------------|------|--------------|
| Operating Revenue | | | | |
| Sales of Water | \$ 1,169,503 | \$ 12,004 | | \$ 1,181,507 |
| Other Water Revenues | 48,283 | | | 48,283 |
| Total Operating Revenue | 1,217,786 | 12,004 | | 1,229,790 |
| Operating Expenses | | | | |
| Operation and Maintenance | | | | |
| Purchased Water | 458,219 | 403,339 | | 861,558 |
| Purchased Power | 22,306 | | | 22,306 |
| Materials and Supplies | 185,118 | | | 185,118 |
| Contractual Services, Engineering | 2,510 | | | 2,510 |
| Contractual Services, Acct. and Legal | 11,587 | | | 11,587 |
| Contractual Services, Other | 326,622 | | | 326,622 |
| Insurance General Liability | 7,648 | | | 7,648 |
| Commissioner's Fees | 6,930 | | | 6,930 |
| Bad Debt | 6,331 | | | 6,331 |
| Miscellaneous | 1,475 | | | 1,475 |
| Total Operation and Maintenance | 1,028,746 | 403,339 | | 1,432,085 |
| Depreciation | 189,211 | | | 189,211 |
| Amortization | 11,281 | | | 11,281 |
| Taxes Other Than Income | 2,092 | | | 2,092 |
| Total Operating Expenses | 1,231,330 | 403,339 | | 1,634,669 |
| Net Operating Income | (13,544) | (391,335) | | (404,879) |
| Plus: Interest Income | 14,961 | | | 14,961 |
| Income Available to Service Debt | \$ 1,417 | \$ (391,335) | | \$ (389,918) |

ATTACHMENT B
STAFF REPORT CASE NO. 2005-00476
STAFF'S RECOMMENDED ADJUSTED OPERATING STATEMENT

| | Test Year | Adjustments | Ref. | Pro forma |
|---|------------------|---------------------|------|---------------------|
| Operating Revenue | | | | |
| Sales of Water | \$ 1,223,286 | \$ 12,177 | (A) | \$ 1,235,463 |
| Other Water Revenues | 50,992 | | | 50,992 |
| Total Operating Revenue | 1,274,278 | 12,177 | | 1,286,455 |
| Operating Expenses | | | | |
| Operation and Maintenance | | | | |
| Purchased Water | 484,364 | 421,866 | (B) | 906,230 |
| Purchased Power | 26,765 | | | 26,765 |
| Materials and Supplies | 187,508 | | | 187,508 |
| Contractual Services, Engineering | 1,160 | | | 1,160 |
| Contractual Services, Accounting | 10,866 | | | 10,866 |
| Contractual Services, Legal | 100 | | | 100 |
| Contractual Services, Other | 340,964 | | | 340,964 |
| Insurance General Liability | 8,663 | | | 8,663 |
| Insurance Other | 1,607 | | | 1,607 |
| Bad Debt | 7,802 | | | 7,802 |
| Miscellaneous | 8,703 | | | 8,703 |
| Total Operation and Maintenance | 1,078,502 | 421,866 | | 1,500,368 |
| Depreciation | 193,128 | | | 193,128 |
| Amortization | 11,242 | | | 11,242 |
| Taxes Other Than Income | 1,842 | | | 1,842 |
| Total Operating Expenses | 1,284,714 | 421,866 | | 1,706,580 |
| Net Operating Income | (10,436) | (409,689) | | (420,125) |
| Plus: Interest Income | 11,358 | | | 11,358 |
| Income Available to Service Debt | \$ 922 | \$ (409,689) | | \$ (408,767) |

(A) Water Sales. East Laurel reported water sales for 2003 and 2004 in the amounts of \$1,169,503 and \$1,223,286, respectively. East Laurel proposed to increase the 2003 amount by \$12,004 to state pro forma water sales at the amount calculated using its billing analysis for 2003. Staff recommends East Laurel's proposed adjustment be denied and the Commission instead increase 2004 water sales by \$12,177 to state pro

forma water sales at the amount calculated in Staff's billing analysis for 2004 gallons sold.

(B) Purchased Water. East Laurel purchases all its water for resale from Wood Creek. During 2003 and 2004 Wood Creek's wholesale rate was \$1.24. On November 30, 2005, in Case Number 2005-00453 Wood Creek was granted authority by the Commission to increase this rate to \$2.32. As a result East Laurel has requested that 2003 expenses be increased by \$403,339 to calculate pro forma operating expenses. Staff recommends the Commission deny this adjustment and instead increase 2004 expenses by \$421,866 as calculated below.

| | |
|------------------------------------|------------------|
| Thousand gallons purchased in 2004 | 390,616.50 |
| Times: New rate per thousand | <u>\$2.32</u> |
| Pro forma | 906,230 |
| Less: Test year | <u>(484,364)</u> |
| Increase | <u>\$421,866</u> |

ATTACHMENT C
 STAFF REPORT CASE NO. 2005-00476
 COMPARISON OF EAST LAUREL'S REQUESTED AND STAFF'S
 RECOMMENDED REVENUE REQUIREMENTS

| | Requested By East Laurel | Calculated By Staff | Difference |
|---|--------------------------------|------------------------|-------------|
| Operating Expenses | \$ 1,634,669 | \$ 1,706,580 | \$ 71,911 |
| Annual Debt Service | 174,004 | 175,536 | 1,532 |
| Debt Service Coverage | 34,801 | 35,107 | 306 |
| <hr/> | | | |
| Total Revenue Requirement | 1,843,474 | 1,917,223 | 73,749 |
| Less: Other Operating Revenue | (48,283) | (50,992) | (2,709) |
| Interest Income | (14,961) | (11,358) | 3,603 |
| <hr/> | | | |
| Revenue Required from Rates | 1,780,230 | 1,854,873 | 74,643 |
| Less: Pro forma Revenues at Present Rates | (1,181,507) | (1,286,455) | (104,948) |
| <hr/> | | | |
| Revenue Increase | \$ 598,723 | \$ 568,418 | \$ (30,305) |

ATTACHMENT D
STAFF REPORT 2005-00476
STAFF'S COST OF SERVICE STUDY

Wholesale Allocation Factors: Staff has accepted the inch diameter mile method as filed by East Laurel. However, the Wholesale Allocation Factors contained errors in the Jointly Used Inch Miles calculation which affected the Allocation Factors. The proper Total Jointly Used Inch Miles are reflected on the Inch Mile Ratio page.

Cost of Service Study:

Rates: Staff's review established the total revenue required for East Laurel is \$1,917,223. \$50,992 is obtained through other operating revenue and \$11,358 is obtained through interest income. Staff developed rates that will collect the remaining \$1,854,873 from the company's retail and wholesale customers. The utility's expenses were analyzed and allocated according to three different classifications: Pumping and Treatment, Transmission and Distribution, and Customer.

Pumping and Treatment costs are those directly associated with the cost of water. Transmission and Distribution costs are those associated with providing the facilities to meet the peak demands placed on the system. Customer costs are those incurred to serve customers regardless of the varying usage.

The Allocation of Expenses sheet of the following cost of service study shows the allocation of Operation and Maintenance expenses to the functional cost components, Commission Staff utilized information obtained through the utility's application and field reviews to allocate these costs. Administrative and general expenses are allocated to the cost components based on the subtotal allocated percentages.

The Wholesale Rate sheet of the following Cost of Service Study allocates the Operation and Maintenance expenses to the wholesale customer. Staff accepted East Laurel's method of allocating costs to transmission and distribution and to purchased power and purchased water proportionate to the wholesale customer. [See note on Wholesale Rate sheet]

Additionally, applying the inch diameter mile allocation factors to the various cost components; Staff has calculated the Wholesale Rate for East Laurel as \$3.22.

The Allocation of Retail Costs sheet of the attached Cost of Service Study allocates the remaining portion of the Revenue Requirement from Rates to the retail customer in the functional cost components of Commodity, Demand and Customer. The allocation process results in \$857,236 in commodity costs, \$629,410 in demand costs and \$290,334 in customer costs. Commodity costs are allocated across the rate steps in accordance with usage percentages. Total demand costs are allocated across the rate steps in accordance with usage that has been adjusted to reflect the higher peak demands that are caused in the lower rate steps. Total customer costs are all collected in the first rate step, or minimum bill, since those costs do not differ with varying usage.

The total for the first rate step is \$867,878 which is divided by the number of bills issued on an annual basis which calculates to a minimum bill of \$15.37 for the first 2,000 gallons. The totals for the remaining rate steps are each divided by the actual water usage for each rate step to calculate the remainder of the rates. The rates being recommended by Staff have been adjusted from the Cost of Service Study rates to reduce the impact of the increase to the larger users.

| ALLOCATION OF PLANT | | | | |
|-------------------------------------|---------------------|-----------|--------------------|-------------------|
| | Total | Commodity | Demand | Customer |
| Structures and Improvements | \$ 21,125 | | \$ 21,125 | |
| Pumping Equipment | 179,037 | | 179,037 | |
| Dist. Reservoirs and Standpipes | 855,566 | | 855,566 | |
| Transmission and Distribution Mains | 5,823,582 | | 5,823,582 | |
| Land and Land Rights | 26,161 | | 26,161 | |
| Meters | 602,043 | | | 602,043 |
| Services | 692,017 | | 692,017 | |
| Hydrants | 24,211 | | | 24,211 |
| Subtotal | 8,223,742 | | 7,597,488 | 626,254 |
| Percentage | | | 0.9238 | 0.0762 |
| Other Plant | 7,604 | | 7,025 | 579 |
| Organization | 6,608 | | 6,105 | 503 |
| Total | \$ 8,237,954 | | \$7,610,618 | \$ 627,336 |
| Percentage | | | 0.9238 | 0.0762 |

| ALLOCATION OF DEPRECIATION | | | | |
|-------------------------------------|--------------------|-----------|--------------------|------------------|
| | Total | Commodity | Demand | Customer |
| Structures and Improvements | \$11,777 | | \$11,777 | |
| Pumping Equipment | 70,610 | | 70,610 | |
| Dist. Reservoirs and Standpipes | 108,064 | | 108,064 | |
| Transmission and Distribution Mains | 1,393,941 | | 1,393,941 | |
| Meters | 328,799 | | | 328,799 |
| Services | 357,426 | | 357,426 | |
| Hydrants | 13,591 | | | 13,591 |
| Subtotal | \$2,284,208 | | \$1,941,818 | \$342,390 |
| Percentage | | | 0.8501 | 0.1499 |
| Organization | 5,547 | | 4,716 | 831 |
| Other Plant | 2,215 | | 1,883 | 332 |
| Total | \$2,291,970 | | \$1,948,417 | \$343,553 |
| Percentage | | | 0.8501 | 0.1499 |

| ALLOCATION OF EXPENSES | | | | |
|---------------------------------|-------------|-----------|-----------|-----------|
| | | Commodity | Demand | Customer |
| Purchased Water | \$906,230 | \$906,230 | | |
| Purchased Power | 26,765 | 26,765 | | |
| Materials and Supplies | 181,327 | | 8,450 | 172,877 |
| Contractual Services | 231,930 | | 169,306 | 62,624 |
| Bad Debt Expense | 7,802 | | | 7,802 |
| Engineering | 1,160 | | 1,160 | |
| Insurance | 10,270 | | 10,270 | |
| Commissioner's Fees | | | | |
| Depreciation | 193,128 | | 164,179 | 28,949 |
| Subtotal | \$1,558,612 | \$932,995 | \$353,365 | \$272,252 |
| Percentage Less Commodity | | | 0.5648 | 0.4352 |
| Administrative and General | | | | |
| Materials and Supplies | 6,181 | | 3,491 | 2,690 |
| Accounting and Legal | 10,966 | | 6,194 | 4,772 |
| Contractual Services | 109,034 | | 61,585 | 47,449 |
| Taxes other than Income | 1,842 | | 1,040 | 802 |
| Amortization | 11,242 | | 6,350 | 4,892 |
| Miscellaneous | 8,703 | | 4,916 | 3,787 |
| Total Operating and Maintenance | \$1,706,580 | \$932,995 | \$436,941 | \$336,644 |
| Principal and Interest | 175,536 | | 162,169 | 13,367 |
| Coverage | 35,107 | | 32,434 | 2,673 |
| Total Expenses | \$1,917,223 | \$932,995 | \$31,544 | \$352,684 |

| WATER PURCHASED AND SOLD | | | |
|--------------------------|--|-------------|--------|
| Purchased | | 390,617,000 | |
| Retail Sales | | 268,740,000 | 0.6880 |
| Wholesale | | 23,748,000 | 0.0608 |
| Flushing and Other | | 42,355,000 | 0.1084 |
| Loss | | 55,774,000 | 0.1428 |

| INCH MILE RATIO | | | | | | |
|-----------------|--------------|--------|------------|--------------|-------|------------|
| | Total System | | | Jointly Used | | |
| Size | Feet | Miles | Inch Miles | Feet | Miles | Inch Miles |
| 16 | 42,273 | 8.01 | 128.10 | 35,640 | 6.75 | 108 |
| 8 | 1,292 | 0.24 | 1.96 | - | 0.00 | - |
| 6 | 75,945 | 14.38 | 86.30 | 30,096 | 5.70 | 34.20 |
| 4 | 148,037 | 28.04 | 112.15 | 5,808 | 1.10 | 4 |
| 3 | 41,945 | 7.94 | 23.83 | - | - | - |
| 2 | 29,969 | 5.68 | 11.35 | - | - | - |
| | 339,461 | 64.29 | 363.69 | 71,544 | 13.55 | 146.60 |
| Inch Mile Ratio | | 0.4031 | | | | |

| ALLOCATION FACTORS | | | | |
|---|----------------------|---|--------|--------|
| Plant Use and Line Loss and Other | 0.2512 | | | |
| Water Production Factor | 1 | | | 1.3355 |
| | 1 - .2512 | | | |
| Jointly Used Pipe / Total Pipe | 146.60 | / | 363.69 | 0.4031 |
| Wholesale Water Production Factor | | | | |
| Plant and System Use + Line Loss x Jointly Used Lines | 0.2512 | x | 0.4031 | 0.1013 |
| Wholesale Water Production Factor | 1 | | | 1.1127 |
| | 1 - .1013 | | | |
| Wholesale Production Allocation Factor | 1.1127 x 23,748,000 | | | 0.0676 |
| | 1.3355 x 292,488,000 | | | |
| Transmission Factor | 23,748,000 | x | 0.1013 | 0.0082 |
| | 292,488,000 | | | |
| Commodity Factor | 23,748,000 | | | 0.0812 |
| | 292,488,000 | | | |

ALLOCATION OF COSTS TO RETAIL CUSTOMERS

| | Total | 2,000 | 2,000 | 2,000 | 4,000 | 10,000 |
|-----------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|
| Actual Usage | 268,679.5 | 95,352.5 | 67,433.2 | 36,761.4 | 28,776.5 | 40,355.9 |
| Percentage | | 0.3549 | 0.2510 | 0.1368 | 0.1071 | 0.1502 |
| | | 2.00 | 1.75 | 1.50 | 1.25 | 1.00 |
| Weighted Sales | 440,181.7 | 190,705.0 | 118,008.1 | 55,142.1 | 35,970.6 | 40,355.9 |
| Percentage | | 0.4332 | 0.2681 | 0.1253 | 0.0817 | 0.0917 |
| Commodity | \$857,236 | \$304,227 | \$215,149 | \$117,289 | \$91,813 | \$128,758 |
| Demand | 629,410 | 272,687 | 168,738 | 78,847 | 51,434 | 57,704 |
| Subtotal | \$1,486,646 | \$576,914 | \$383,887 | \$196,136 | \$143,247 | \$186,462 |
| Customer Chg. (56,480 bills) | 290,334 | 290,334 | | | | |
| Total | \$1,776,980 | \$867,248 | \$383,887 | \$196,136 | \$143,247 | \$186,462 |
| Rate per 1,000 | | \$15.35 | \$5.69 | \$5.34 | \$4.98 | \$4.62 |
| Current Rates | | 10.82 | 4.09 | 3.48 | 2.81 | 2.47 |
| % Increase | | 42% | 39% | 53% | 77% | 87% |
| Requested Rates in Application | | 15.40 | 5.86 | 5.57 | 4.95 | 4.34 |
| % Increase | | 42% | 43% | 60% | 76% | 76% |

| BILLING ANALYSIS FOR YEAR ENDING DEC. 2004 | | | | | | | |
|---|--------|-----------|----------|-------------|----------|----------|----------|
| 5/8 INCH CONNECTIONS | | | | | | | |
| STAFF RECOMMENDED RATES | | | | | | | |
| USAGE TABLE | | | | | | | |
| | Bills | Gallons | 2,000 | 2,000 | 2,000 | 4,000 | 10,000 |
| First 2,000 | 14,525 | 11,859.0 | 11,859.0 | | | | |
| Next 2,000 | 17,000 | 51,921.9 | 34,000.0 | 17,921.9 | | | |
| Next 2,000 | 12,240 | 60,659.1 | 24,480.0 | 24,480.0 | 11,699.1 | | |
| Next 4,000 | 8,746 | 66,075.0 | 17,492.0 | 17,492.0 | 17,492.0 | 13,599.0 | |
| Over 10,000 | 3,749 | 67,420.0 | 7,498.0 | 7,498.0 | 7,498.0 | 14,996.0 | 29,930.0 |
| Total | 56,260 | 257,935.0 | 95,329.0 | 67,391.9 | 36,689.1 | 28,595.0 | 29,930.0 |
| REVENUE TABLE | | | | | | | |
| | Bills | Gallons | Rate | Revenue | Current | % Inc. | |
| First 2,000 | 56,260 | 95,329.0 | \$15.40 | \$866,404 | \$10.82 | 42% | |
| Next 2,000 | | 67,391.9 | 5.75 | 387,503 | 4.09 | 41% | |
| Next 2,000 | | 36,689.1 | 5.54 | 203,258 | 3.48 | 59% | |
| Next 4,000* | | 28,595.0 | 4.86 | 138,972 | 2.81 | 73% | |
| Over 10,000** | | 29,930.0 | 4.29 | 128,400 | 2.47 | 74% | |
| Total | 56,260 | 257,935.0 | | \$1,724,536 | | | |
| 1 Inch | | | | 14,640 | | | |
| 2 Inch | | | | 23,688 | | | |
| 3 Inch | | | | 14,185 | | | |
| Other Income | | | | 62,350 | | | |
| Wholesale Revenue | | | | 77,893 | | | |
| Revenue Required | | | | \$1,917,292 | | | |
| NOTE: The District has requested that Cost of Service Rates not be fully implemented so as to minimize the impact on the larger users. Staff concurs with this request. | | | | | | | |

| BILLING ANALYSIS FOR YEAR ENDING DEC. 2004 | | | | | |
|--|-------|---------|---------|----------|---------|
| 1 INCH CONNECTIONS | | | | | |
| STAFF RECOMMENDED RATES | | | | | |
| USAGE TABLE | | | | | |
| | Bills | Gallons | 6,000 | 4,000 | 10,000 |
| First 6,000 | 34 | 91.9 | 91.9 | | |
| Next 4,000 | 21 | 167.8 | 126.0 | 41.8 | |
| Over 10,000 | 50 | 2,709.1 | 300.0 | 200.0 | 2,209.1 |
| Total | 105 | 2,968.8 | 517.9 | 241.8 | 2,209.1 |
| REVENUE TABLE | | | | | |
| | Bills | Gallons | Rate | Revenue | |
| First 6,000 | 105 | 517.9 | \$37.98 | \$3,988 | |
| Next 4,000 | | 241.8 | 4.86 | \$1,175 | |
| Over 10,000 | | 2,209.1 | 4.29 | \$9,477 | |
| Total | 105 | 2,968.8 | | \$14,640 | |

| BILLING ANALYSIS FOR YEAR ENDING DEC. 2004 | | | | |
|--|-------|---------|----------|----------|
| 2 INCH CONNECTIONS | | | | |
| STAFF RECOMMENDED RATES | | | | |
| USAGE TABLE | | | | |
| | Bills | Gallons | 20,000 | 20,000 |
| First 20,000 | 36 | 56.9 | 56.9 | |
| Over 20,000 | 55 | 4,493.6 | 1,100.0 | 3,393.6 |
| Total | 91 | 4,550.5 | 1,156.9 | 3,393.6 |
| REVENUE TABLE | | | | |
| | Bills | Gallons | Rate | Revenue |
| First 20,000 | 91 | 1,156.9 | \$100.32 | \$9,129 |
| Over 20,000 | | 3,393.6 | 4.29 | 14,559 |
| Total | 91 | 4,550.5 | | \$23,688 |

| BILLING ANALYSIS FOR YEAR ENDING DEC. 2004 | | | | |
|--|-------|---------|----------|----------|
| 3 INCH CONNECTIONS | | | | |
| STAFF RECOMMENDED RATES | | | | |
| USAGE TABLE | | | | |
| | Bills | Gallons | 30,000 | 30,000 |
| First 30,000 | - | - | - | |
| Over 30,000 | 24 | 3,225.2 | 720.0 | 2,505.2 |
| Total | 24 | 3,225.2 | 720.0 | 2,505.2 |
| REVENUE TABLE | | | | |
| | Bills | Gallons | Rate | Revenue |
| First 30,000 | 24 | 720.0 | \$143.22 | \$3,437 |
| Over 30,000 | | 2,505.2 | 4.29 | 10,748 |
| Total | 24 | 3,225.2 | | \$14,185 |

| Comparison of Rates | | | | |
|----------------------------|---------------|-----------------|-----------|------------|
| Gallon Usage | Current Rates | Staff Rec Rates | Increase | Percentage |
| 1,000 | \$10.82 | \$15.40 | \$4.58 | 42.3% |
| 2,000 | 10.82 | 15.40 | 4.58 | 42.3% |
| 3,000 | 14.91 | 21.15 | 6.24 | 41.9% |
| 4,000 | 19.00 | 26.90 | 7.90 | 41.6% |
| 5,000 | 22.48 | 32.44 | 9.96 | 44.3% |
| 6,000 | 25.96 | 37.98 | 12.02 | 46.3% |
| 7,000 | 28.77 | 42.84 | 14.07 | 48.9% |
| 8,000 | 31.58 | 47.70 | 16.12 | 51.0% |
| 9,000 | 34.39 | 52.56 | 18.17 | 52.8% |
| 10,000 | 37.20 | 57.42 | 20.22 | 54.4% |
| 20,000 | 61.90 | 100.32 | 38.42 | 62.1% |
| 25,000 | 74.25 | 121.77 | 47.52 | 64.0% |
| 50,000 | 136.00 | 229.02 | 93.02 | 68.4% |
| 75,000 | 197.75 | 336.27 | 138.52 | 70.0% |
| 100,000 | 259.50 | 443.52 | 184.02 | 70.9% |
| 200,000 | 518.85 | 893.97 | 375.12 | 72.3% |
| 300,000 | 753.50 | 1,301.52 | 548.02 | 72.7% |
| 400,000 | 1,000.50 | 1,730.52 | 730.02 | 73.0% |
| 500,000 | 1,247.50 | 2,159.52 | 912.02 | 73.1% |
| 1,000,000 | 2,482.50 | 4,304.52 | 1,822.02 | 73.4% |
| 2,500,000 | 6,187.50 | 10,739.52 | 4,552.02 | 73.6% |
| 5,000,000 | 12,362.50 | 21,464.52 | 9,102.02 | 73.6% |
| 10,000,000 | 24,712.50 | 42,914.52 | 18,202.02 | 73.7% |

| Comparison of Rates | | |
|----------------------------|---------------|-----------------|
| Block Usage | Current Rates | Staff Rec Rates |
| First 2,000 gallons | \$10.82 | \$15.40 |
| Next 2,000 gallons | 4.09 | 5.75 |
| Next 2,000 gallons | 3.48 | 5.54 |
| Next 4,000 gallons | 2.81 | 4.86 |
| Over 10,000 gallons | 2.47 | 4.29 |

| Effect on Customer Average Bill - 5,000 Gallons Usage | | | | |
|--|-----------------|-----------------|------------|--|
| Current Rates | Staff Rec Rates | Amount Increase | % Increase | |
| \$22.48 | \$32.44 | \$9.96 | 44.30% | |