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John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

May 23, 2008

RE: Case No. 2007-00332

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

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Stumbo".

Stephanie Stumbo
Executive Director

SS/rs
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--|---|------------|
| APPLICATION OF WESTERN FLEMING |) | |
| COUNTY WATER DISTRICT FOR A GENERAL |) | |
| RATE ADJUSTMENT, FOR AN INCREASE IN |) | |
| NON-RECURRING CHARGES, AND FOR |) | CASE NO. |
| REVISIONS TO ITS TARIFF PURSUANT TO |) | 2007-00332 |
| THE PROVISIONS OF KRS 278.030, 278.0152, |) | |
| 807 KAR 5:001 AND 807 KAR 5:011 |) | |

ORDER

On July 25, 2007, Western Fleming County Water District ("Western Fleming") applied for authority to increase its water rates and certain non-recurring charges. Because of filing deficiencies, the Commission did not accept the application for filing until September 6, 2007.

Commission Staff, having performed a limited financial review of Western Fleming's operations, has prepared the attached report containing its findings and recommendations regarding the proposed rates. All parties should review the report carefully and submit any written comments on Staff's findings and recommendations or requests for a hearing or an informal conference no later than 14 days from the date of this Order.

IT IS THEREFORE ORDERED that:

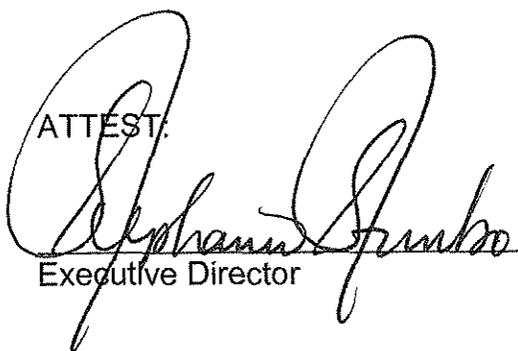
1. All parties shall, no later than 14 days from the date of this Order, submit written comments, if any, regarding the attached Staff Report or requests for a hearing or an informal conference.

2. Any party requesting a hearing shall include in its request its comments as to the particular finding of the Staff Report to which it objects and a brief summary of testimony that it would present at hearing.

3. If no request for a hearing or an informal conference is received within the 14 days, this case shall stand submitted to the Commission for decision.

Done at Frankfort, Kentucky, this 23rd day of May, 2008.

By the Commission

ATTEST:

Executive Director

STAFF REPORT
ON
WESTERN FLEMING COUNTY WATER DISTRICT
CASE NO. 2007-00332

On July 25, 2007, Western Fleming County Water District ("Western Fleming") applied for authority to increase its water rates and non-recurring charges. Because of filing deficiencies, the Commission did not accept the application for filing until September 6, 2007.

In order to evaluate the requested increase Commission Staff performed a limited financial review of Western Fleming's test period operations, the calendar year ending December 31, 2006. The scope of Staff's review was limited to obtaining information as to whether the test period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

Mark Frost and Jason Green of the Commission's Division of Financial Analysis performed the limited review. This report summarizes Staff's review and recommendations. Jason Green is responsible for the pro forma revenue adjustment, the Cost-of-Service Study, and the increase in the non-recurring charges. Mark Frost is responsible for all pro forma expense adjustments and the revenue requirement determination.

Exhibit 6 of the application, attached as Appendix A, is the comparison of Western Fleming's actual and pro forma operations. In developing its actual test-period operations to include in the income statement comparison, Western Fleming relied on

the monthly income statements, which do not correspond to the operating revenues and expenses listed in its 2006 Annual Report¹ on file with the Commission. Based upon the recommendations and findings of Staff's limited field review and the operating revenues and expenses reported in the 2006 Annual Report, Western Fleming's pro forma operating statement would appear as set forth in Appendix B.

Listed in Table 1 below, are the 6 long-term debt issuances that Western Fleming reported as having outstanding balances as of December 31, 2005.²

| <u>Description</u> | <u>Interest Rate</u> | <u>Balance 12/31/05</u> |
|---------------------------|----------------------|-------------------------|
| 1969 Serial | 5.0% to 5.5% | \$ 83,981 |
| 1980 FHA | 5.000% | \$ 331,000 |
| 1988 FHA | 5.000% | \$ 267,000 |
| 1997 FHA | 4.500% | \$ 618,500 |
| 2003 FHA | 4.500% | \$ 489,500 |
| 2004 Kentucky Rural Water | 4.021% | \$ 299,124 |

Using the 2006 principal and interest payments, Western Fleming calculated that its annual debt would be \$174,921.³ Since filing its application, Western Fleming has retired the 1969 Series Revenue Bonds. Using a 3-year average of principal and interest payments for the calendar years 2008 through 2010, Staff calculates a debt service for long term-debt debt of \$144,020 as shown in Table 2 below.

¹ Annual Report of Western Fleming to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2006 ("2006 Annual Report") at 27 and 28.

² Western Fleming Report of Audit December 31, 2005, "Notes to Financial Statements," Note 5, Long-Term Debt.

³ See Application, Exhibit 6, Income and Expenses. \$95,985 (Interest Expense) + \$78,936 (Principal Payment) = \$174,921.

| Series | 2008 | 2009 | 2010 | Totals | 3 Year Avg. |
|------------------|------------------|------------------|------------------|-----------|------------------|
| RD Series 1980 | \$ 31,850 | \$ 31,950 | \$ 32,000 | \$ 95,800 | \$ 31,933 |
| RD Series 1988 | 19,650 | 20,250 | 19,850 | \$ 59,750 | 19,917 |
| RD Series 1997 | 36,955 | 36,983 | 36,987 | \$110,925 | 36,975 |
| RD Series 2002 | 27,510 | 27,240 | 27,447 | \$ 82,197 | 27,399 |
| KRWA Series 2004 | 28,040 | 27,483 | 27,864 | \$ 83,387 | 27,796 |
| Totals | \$144,005 | \$143,906 | \$144,148 | | \$144,020 |

Using its pro forma operations, annual debt service of \$174,921 and a 1.2x Debt Service Coverage ("DSC"), Western Fleming determined that it requires a revenue requirement from water sales of \$960,645, which is \$379,682 or 65.354 percent over Western Fleming's normalized test period revenues from water sales of \$580,693. The rates proposed by Western Fleming would increase the average monthly residential bill of 5,000 gallons from \$21.50 to \$40.82, an increase of \$19.32 or 89.8 percent.

As shown in Table 3 below, Staff's recommended pro forma operations, annual debt service of \$144,020 and a 1.2x DSC, results in a revenue requirement from rates of \$832,062, an increase of \$276,131 or 49.67 percent over Staff's normalized revenue from rates of \$555,931.

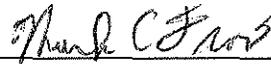
| | Western Fleming | Commission Staff |
|---------------------------------------|-------------------|-------------------|
| Debt Service | \$ 174,921 | \$ 144,020 |
| Multiplied by: DSC | 0.2 | 0.2 |
| Debt Service Coverage: RD | \$ 34,984 | \$ 28,804 |
| Add: Debt Service | 174,921 | 144,020 |
| Add: Operating Expenses | 642,571 | 515,167 |
| Depreciation | 114,031 | 194,274 |
| Taxes Other Than Income | 0 | 11,212 |
| Total Revenue Requirement | \$ 966,507 | \$ 893,477 |
| Less: Other Income & Deductions | 5,862 | 36,383 |
| Revenue Requirement from Operations | \$ 960,645 | \$ 857,094 |
| Less: Other Operating Revenues | 0 | 25,032 |
| Revenue - Water Sales | \$ 960,645 | \$ 832,062 |
| Less: Pro Forma Revenue - Water Sales | 580,963 | 555,931 |
| Requested/Recommended Increase | \$ 379,682 | \$ 276,131 |

Staff finds that a revenue requirement from rates of \$832,062 will allow Western Fleming to meet its pro forma test-period operating expenses including depreciation expense and provide for adequate equity growth. Staff's proposed rates, as calculated in the Cost-of-Service Study attached hereto as Appendix C, will increase the average monthly residential bill of 5,000 gallons from \$21.50 to \$35.12, an increase of \$13.62 or 63.3 percent.

Staff recommends that the Commission deny Western Fleming's proposed rates and approve the rates set forth in Appendix D, as they will produce the recommended revenue requirement of \$832,062.

Upon its review of Western Fleming's cost justification for its nonrecurring charges, Staff finds the proposed charges, as set out in Appendix D, are reasonable. Therefore, Staff recommends the Commission grant its approval of Western Fleming's proposed nonrecurring charges.

Signatures



Prepared by: Mark C. Frost
Financial Analyst, Water and Sewer
Revenue Requirements Branch
Division of Financial Analysis



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

APPENDIX A
STAFF REPORT CASE NO. 2007-00332
WESTERN FLEMING'S REQUESTED
PRO FORMA INCOME STATEMENT

| | Test-Period Operations | Pro Forma Adjustments | Test-Period Operations |
|---------------------------------------|---------------------------|--------------------------|---------------------------|
| Operating Revenues: | | | |
| Metered Water Sales | \$ 646,444 | \$ (66,134) | \$ 580,310 |
| Interest Income | 5,862 | 0 | 5,862 |
| Discounts and Adjustments | (5,437) | 0 | (5,437) |
| Miscellaneous Service Revenues | 15,070 | 0 | 15,070 |
| Late Payment Charges | 9,961 | 0 | 9,961 |
| Less - Part of Feb Shown in March | (47,176) | 47,176 | 0 |
| Less- Misread Meters | (18,950) | 37,900 | 18,950 |
| Total Operating Revenues | <u>\$ 605,774</u> | <u>\$ 18,942</u> | <u>\$ 624,716</u> |
| Operating Expenses: | | | |
| Bank Charges | \$ 308 | \$ 0 | \$ 308 |
| Purchased Water | 11,596 | 56,294 | 67,890 |
| Fuel/Power | 74,801 | 0 | 74,801 |
| Office Utilities | 144 | 0 | 144 |
| Chemicals | 95,259 | 0 | 95,259 |
| Materials & Supplies | 50,902 | 0 | 50,902 |
| Maint. - Mains | 100 | 0 | 100 |
| Maint. - Meters | 13,991 | 0 | 13,991 |
| Maint. - Equipment | 1,318 | 0 | 1,318 |
| Office Supplies & Other | 4,980 | 0 | 4,980 |
| Reimb. - Office Supplies | 1,033 | 0 | 1,033 |
| Meter Reading | 14,914 | 0 | 14,914 |
| Testing | 9,287 | 0 | 9,287 |
| Billing | 243 | 0 | 243 |
| Contract Services | 78,475 | (78,475) | 0 |
| Testing | 53,496 | 0 | 53,496 |
| Insurance - General Liability | 12,626 | 0 | 12,626 |
| Unemployment | 931 | 0 | 931 |
| Health Insurance | 24,481 | 2,981 | 27,462 |
| Workers Compensation | 6,239 | 0 | 6,239 |
| Backhoe Amortization | 0 | 4,714 | 4,714 |
| Salaries | 61,322 | 78,475 | 139,797 |
| Commissioner Salaries | 12,000 | 0 | 12,000 |
| Retirement | 0 | 26,076 | 26,076 |
| Vehicle Amortization | 0 | 4,905 | 4,905 |
| Advertising | 484 | 0 | 484 |
| Miscellaneous | 14,749 | 0 | 14,749 |
| Telephone - Plant | 1,673 | 0 | 1,673 |
| Telephone - Office | 1,940 | 0 | 1,940 |
| Training | 309 | 0 | 309 |
| Depreciation | 114,031 | 0 | 114,031 |
| Utility Operating Expenses | <u>\$ 661,632</u> | <u>\$ 94,970</u> | <u>\$ 756,602</u> |
| Net Income Available for Debt Service | <u>\$ (55,858)</u> | <u>\$ (76,028)</u> | <u>\$ (131,886)</u> |

APPENDIX B
STAFF REPORT CASE NO. 2007-00332
STAFF'S RECOMMENDED
PRO FORMA INCOME STATEMENT

| | Test-Period Operations | Pro Forma Adjustments | Adj. Ref | Pro Forma Operations |
|-------------------------------------|---------------------------|--------------------------|-------------|-------------------------|
| Operating Revenues: | | | | |
| Metered Water Sales: | \$ 640,196 | \$ (84,265) | (a) | \$ 555,931 |
| Other Water Rev.: | | | | |
| Misc. Service Rev. | \$ 15,070 | \$ 0 | | \$ 15,070 |
| Other Water Revenues | 9,962 | 0 | | 9,962 |
| Total Other Water Rev. | \$ 25,032 | \$ 0 | | \$ 25,032 |
| Total Operating Rev. | \$ 665,228 | \$ (84,265) | | \$ 580,963 |
| Operating Expenses: | | | | |
| Operation & Maintenance: | | | | |
| Salaries & Wages | \$ 143,080 | \$ (10,345) | (b) | \$ 132,735 |
| Commissioner Fees | 12,000 | 0 | | 12,000 |
| Emp. Pension & Benefits | 0 | 42,443 | (c) | 42,443 |
| Purchased Water | 50,721 | 17,169 | (d) | 67,890 |
| Purchased Power | 81,630 | 0 | | 81,630 |
| Chemicals | 95,260 | 0 | | 95,260 |
| Materials & Supplies | 14,647 | 0 | | 14,647 |
| Cont. Services - Accounting | 2,900 | 0 | | 2,900 |
| Cont. Services - Mgt Fees | 1,484 | 0 | | 1,484 |
| Cont. Services - Water Testing | 9,286 | 0 | | 9,286 |
| Cont. Services - Other | 34,351 | 0 | | 34,351 |
| Ins. - Gen. Liability | 9,382 | 0 | | 9,382 |
| Ins. - Workers' Compensation | 6,239 | (547) | (e) | 5,692 |
| Ins. - Other | 28,639 | (27,708) | (f) | 931 |
| Advertising | 484 | 0 | | 484 |
| Bad Debt Expense | 0 | 0 | | 0 |
| Miscellaneous | 4,052 | 0 | | 4,052 |
| Total Operation & Maint. | \$ 494,155 | \$ 21,012 | | \$ 515,167 |
| Depreciation | 151,012 | 43,262 | (g) | 194,274 |
| Taxes Other Than Income | 10,737 | 475 | (h) | 11,212 |
| Utility Operating Expenses | \$ 655,904 | \$ 64,749 | | \$ 720,653 |
| Net Utility Operating Income | \$ 9,324 | \$ (149,014) | | \$ (139,690) |
| Other Income & Deductions: | | | | |
| Interest Income | 36,383 | 0 | | 36,383 |
| Net Inc. Available for Debt Service | \$ 45,707 | \$ (149,014) | | \$ (103,307) |

a. Metered Water Sales. In its 2006 Annual Report, Western Fleming reported test-period revenue from metered water sales of \$640,196. Exhibit 8 of the application is a test period billing analysis, wherein Western Fleming calculates normalized revenue from water sales of \$580,318. Adjusting the results of its billing analysis by the discounts and adjustments, and the misread meters, Western Fleming arrived at its pro forma revenue from water sales of \$593,823.¹

In 2007 the Fleming County Water Association ("Fleming County") ceased purchasing water from Western Fleming. Eliminating Fleming County as wholesale customer results in a decrease to normalized operating revenues from water sales of \$41,245.²

In its pro forma income statement,³ Western Fleming mistakenly added the adjustment for corrections for the misread meters in the amount of \$18,950. To correct this error, Western Fleming's pro forma operating revenue from water sales should be decreased by \$37,900⁴ for a corrected pro forma level of \$555,931. Staff is decreasing test-period revenue from water sales of \$640,196 by \$84,265 to reflect the correct pro forma level.

b. Salaries and Wages. Western Fleming reports a test period level of salaries and wages expense of \$143,080. Using Western Fleming's current staff level

¹ See Application, Exhibit 6, Income and Expenses January 1 to December 31, 2006. \$580,310 (Metered Sales) - \$5,437 (Discounts and Adjustments) + \$18,950 (Misread Meters) = \$593,823.

² 2006 Annual Report at 30.

³ Application, Exhibit 6.

⁴ \$18,950 x 2 = \$37,900.

and the hourly wages that became effective on January 1, 2008, Staff calculates a pro forma salaries and wages expense of \$132,735.⁵ Accordingly, Staff recommends salaries and wages expense be decreased by \$10,345 to reflect its pro forma level of \$132,735.

c. Employee Pensions and Benefits. In 2007 Western Fleming began contributing to the County Employees Retirement System (“CERS”) on behalf of its full-time employees. The current CERS employer contribution rate of 16.17 percent became effective on July 1, 2007. Using the current employee insurance premiums and the employer retirement contribution rate of 16.17 percent, Staff calculates a pro forma level of employee pensions and benefits expense of \$42,442.⁶ Test period operating expenses have been increased by \$42,442 to reflect Staff’s pro forma employee pensions and benefits expense.

d. Purchased Water. Western Fleming reports a test-period level of purchased water expense of \$50,721. Western Fleming entered into a contract with the Greater Fleming County Water Commission wherein it agreed to “take or pay” for 100,000 gallons of water per day. By applying the current rate of \$1.86 per 1,000

| | | | |
|---|-------------------------|----------------------------|-------------------|
| 5 | Office Manager | \$ 1,718.10 x 12 Months ≈ | \$ 20,617 |
| | Supervisor | \$ 3,660.14 x 12 Months ≈ | 43,922 |
| | Plant Operator | \$ 2,083.33 x 12 Months ≈ | 25,000 |
| | Maint. Supervisor | \$ 2,333.33 x 12 Months ≈ | 28,000 |
| | Meter Reader (Contract) | \$ 0.93 x 16,340 (Bills) ≈ | + 15,196 |
| | Pro Forma Level | | <u>\$ 132,735</u> |

⁶ \$132,735 (Pro Forma Salaries and Wages) - \$15,196 (Meter Reader) = \$117,539 x 16.17% = \$19,007 (Retirement) + \$23,436 (\$5,859 Annual Employee Health Ins. Premium x 4 Employees) = \$42,442.

gallons to the contracted annual water purchases of 36,500,000,⁷ Staff calculates a pro forma purchased water expense of \$67,890,⁸ \$17,169 above the test period actual level of \$50,721. Accordingly, Staff proposes to increase test-period purchased water expense by \$17,169.

e. Workers' Compensation Insurance. Western Fleming reports a test-period level of workers compensation expense of \$6,239. The workers compensation insurance premium for the 12 month period of July 1, 2007 through July 1, 2008 is \$5,692, which is \$547 less than the reported expense. Accordingly, Staff is reducing test-period workers compensation insurance expense by \$547.

f. Insurance - Other. Western Fleming reports a test-period insurance – other expense of \$27,708, which is the misclassification of the employee health insurance premiums. To correct this error, Staff is reducing pro forma operating expenses by \$27,708 and has included the employee health insurance premiums in the account employee pensions and benefits expense.

g. Depreciation. Western Fleming reports a test-period depreciation expense of \$151,012. Western Fleming provided Staff with a copy of its depreciation schedule for the calendar year 2007. In reviewing this schedule, Staff notes that depreciation expense will increase to \$194,274 in 2008 based upon the un-depreciated level of utility plant in service reported on December 31, 2007. Accordingly, Staff proposes to increase depreciation expense by \$43,262 to reflect its pro forma level of \$194,274.

⁷ 100,000 Gallons (Daily Purchases) x 365 (Days) = 36,500,000 Gallons.

⁸ 36,500,000 Gallons (Annual Purchases) ÷ 1,000 Gallons x \$1.86 (Rate per 1,000 Gallons) = \$57,890.

h. Payroll Taxes. Western Fleming reports a test period payroll tax expense of \$9,679. Using the pro forma payroll determined reasonable herein and the current "FICA" rate of 7.65 percent, Staff calculates a pro forma payroll tax expense of \$10,154,⁹ \$475 above the reported level. Accordingly, Staff is increasing payroll tax expense by \$475.

⁹ \$132,735 (Pro Forma Payroll) x 7.65% (FICA Rate) = \$10,154.

APPENDIX C
 STAFF REPORT CASE NO. 2007-00332
 STAFF'S
 COST-OF-SERVICE STUDY

CALCULATION OF WATER RATES

| | <u>Total</u> | <u>FIRST 1,000</u> | <u>NEXT 6,000</u> | <u>NEXT 3,000</u> | <u>OVER 10,000</u> |
|-------------------------------|--------------|------------------------|-----------------------|-----------------------|------------------------|
| FROM BILLING ANALYSIS | | | | | |
| COMMODITY PERCENTS | 100.00% | 17.15% | 52.00% | 13.28% | 17.58% |
| ACTUAL COMMODITY SALES | 94,059,093 | 16,129,518 | 48,910,791 | 12,487,630 | 16,531,154 |
| PEAK DEMAND WEIGHTED FACTOR | | 2.00 | 1.75 | 1.50 | 1.00 |
| PEAK DEMAND WEIGHTED SALES | 153,115,519 | 32,259,036 | 85,593,884 | 18,731,445 | 16,531,154 |
| DEMAND PERCENTS | 100.00% | 21.07% | 55.90% | 12.23% | 10.80% |
| COMMODITY COSTS | \$ 9,202 | \$ 1,578 | \$ 4,785 | \$ 1,222 | \$ 1,617 |
| DEMAND COSTS | \$ 510,769 | \$ 107,611 | \$ 285,528 | \$ 62,485 | \$ 55,145 |
| CUSTOMER COSTS | \$ 76,513 | \$ 76,513 | | | |
| TOTAL COSTS | \$ 596,484 | \$ 185,702 | \$ 290,313 | \$ 63,707 | \$ 56,762 |
| DIVIDE BY BILLS/GALLONS | | 16,340 | 48,910,791 | 12,487,630 | 16,531,154 |
| CALCULATED RATES | | \$ 11.36 | \$ 5.94 | \$ 5.10 | \$ 3.43 |
| RECOMMENDED RATES | | \$ 11.36 | \$ 5.94 | \$ 5.10 | \$ 3.43 |
| | | FIRST 1,000 | NEXT 6,000 | NEXT 3,000 | OVER 10,000 |

SUMMARY OF ALLOCATIONS

| | <u>TOTAL</u> | <u>COMMODITY</u> | <u>DEMAND</u> | <u>CUSTOMER</u> |
|---------------------------------------|-------------------|------------------|-------------------|------------------|
| Plant Percentages | 100.00% | | 94.45% | 5.55% |
| Available for Debt Service | \$ 172,824 | | \$ 163,237 | \$ 9,587 |
| Depreciation Percentages | 100.00% | | 91.82% | 8.18% |
| Total Depreciation | 194,274 | | \$ 178,373 | \$ 15,901 |
| Total Operations & Maintenance | 526,379 | 244,780 | 169,159 | 112,440 |
| REVENUE REQUIREMENT | \$ 893,477 | | | |
| Less: Other Operating Revenue | (25,032) | | | (25,032) |
| Less: Interest Income | (36,383) | | | (36,383) |
| Less: Sales for Resale | (235,578) | (235,578) | | |
| REVENUE REQUIREMENT FROM RATES | \$ 596,484 | \$ 9,202 | \$ 510,769 | \$ 76,513 |

ALLOCATION OF PLANT VALUE

| | <u>TOTAL</u> | <u>COMMODITY</u> | <u>DEMAND</u> | <u>CUSTOMER</u> |
|--------------------------------------|---------------------|------------------|---------------------|-------------------|
| Structures & Improvements | \$ 70,500 | | \$ 70,500 | |
| Land & Land Rights | 28,171 | | 28,171 | |
| Water Treatment Equipment | 1,326,392 | | 1,326,392 | |
| Distribution Reservoirs & Standpipes | 194,344 | | 194,344 | |
| Meters & Meter Installations | 290,095 | | | \$ 290,095 |
| Transmission & Distribution Mains | 3,320,111 | | 3,320,111 | |
| SUBTOTAL | \$ 5,229,613 | \$ - | \$ 4,939,518 | \$ 290,095 |
| PERCENT | 100.00% | 0.00% | 94.45% | 5.55% |
| General Plant (1) | | | | |
| Power Operated Equipment | 226 | 0 | 213 | 13 |
| TOTAL VALUE | \$ 5,229,839 | \$ - | \$ 4,939,731 | \$ 290,108 |

(1) General Plant allocated based on overall weighted allocation of all other plant.
 Note: Figures used were derived from 2006 Annual Report

ALLOCATION OF DEPRECIATION EXPENSE

| | <u>TOTAL</u> | <u>COMMODITY</u> | <u>DEMAND</u> | <u>CUSTOMER</u> |
|--------------------------------------|---------------------|------------------|---------------------|-------------------|
| Structures & Improvements | \$ 915,389 | | \$ 915,389 | |
| Distribution Reservoirs & Standpipes | 147,807 | | 147,807 | |
| Pumping Equipment | 52,260 | | 52,260 | |
| Meters & Meter Installations | 197,154 | | | \$ 197,154 |
| Water Treatment Equipment | 1,198 | | 1,198 | |
| Transmission & Distribution Mains | 1,095,010 | | 1,095,010 | |
| SUBTOTAL | \$ 2,408,818 | \$ - | \$ 2,211,664 | \$ 197,154 |
| PERCENT | 100.00% | 0.00% | 91.82% | 8.18% |
| Power Generating Equipment | 226 | 0 | 208 | 18 |
| Office Furniture & Equipment | 41,976 | 0 | 38,540 | 3,436 |
| TOTAL DEPRECIATION | \$ 2,451,020 | \$ - | \$ 2,250,412 | \$ 200,608 |

Note: Figures used were derived from 2006 Annual Report

ALLOCATION OF DEPRECIATION EXPENSE

| | <u>TOTAL</u> | <u>COMMODITY</u> | <u>DEMAND</u> | <u>CUSTOMER</u> |
|--|---------------------|-------------------|-------------------|-------------------|
| Contractual Services - Management Fees | \$ 1,484 | | | \$ 1,484 |
| Contractual Services - Water Testing | 9,286 | | \$ 9,286 | |
| Contractual Services - Accounting | 2,900 | | | 2,900 |
| Employees Salaries & Wages | 132,735 | | 82,845 | 49,890 |
| Employee Pension & Benefits | 42,443 | | 28,337 | 14,106 |
| Taxes Other Than Income | 11,212 | | | 11,212 |
| Advertising | 484 | | | 484 |
| Purchased Water | 67,890 | \$ 67,890 | | |
| Purchased Power | 81,630 | 81,630 | | |
| Chemicals | 95,260 | 95,260 | | |
| SUBTOTAL | \$ 445,324 | \$ 244,780 | \$ 120,468 | \$ 80,076 |
| LESS COMMODITY | \$ (244,780) | | | |
| SUBTOTAL | \$ 200,544 | | \$ 120,468 | \$ 80,076 |
| PERCENT | 100.00% | 0.00% | 60.07% | 39.93% |
| Insurance - Gen. Liability | 9,382 | 0 | 5,636 | 3,746 |
| Insurance - Workers' Compensation | 931 | | 559 | 372 |
| Insurance - Other | 5,692 | | 3,419 | 2,273 |
| Contractual Services - Other | 34,351 | | 20,635 | 13,716 |
| Materials & Supplies | 14,647 | | 8,799 | 5,848 |
| Commissioner Fees | 12,000 | | 7,208 | 4,792 |
| Miscellaneous | 4,052 | 0 | 2,434 | 1,618 |
| TOTAL DEPRECIATION | \$ 526,379 | \$ 244,780 | \$ 169,159 | \$ 112,440 |

Note: Figures used were derived from 2006 Annual Report

APPENDIX D
STAFF REPORT CASE NO. 2007-00332
STAFF'S
RECOMMENDED RATES AND
NONRECURRING CHARGES

RATES AND CHARGES

5/8" x 3/4" Meter

| | | | | |
|-------|----------------|----|-------|-------------------|
| First | 1,000 gallons | \$ | 11.36 | Minimum bill |
| Next | 6,000 gallons | | 5.94 | per 1,000 gallons |
| Next | 3,000 gallons | | 5.10 | per 1,000 gallons |
| Over | 10,000 gallons | | 3.43 | per 1,000 gallons |

Wholesale Water Rates \$ 1.43 per 1,000 gallons

METER CONNECTION/TAP CHARGES

| | | |
|----------------|----|-------------|
| 5/8 Inch Meter | \$ | 600 |
| 1 Inch Meter | | Actual Cost |

SPECIAL NON-RECURRING CHARGES

| | | |
|-----------------------------|----|-------|
| Connection-Turn On | \$ | 25.00 |
| Re-Connection | \$ | 50.00 |
| Re-Connection (After Hours) | \$ | 60.00 |
| Service Call/Investigation | \$ | 25.00 |
| Service Call (After Hours) | \$ | 35.00 |