

Warren County
Water District

January 19, 2012

MR JEFF DEROUEN
EXECUTIVE DIRECTOR
PUBLIC SERVICE COMMISSION
P O BOX 615
FRANKFORT KY 40602

RECEIVED

JAN 20 2012

PUBLIC SERVICE
COMMISSION

RE: Case No. 2011-00418
Warren County Water District

Dear Mr. Derouen:

Enclosed are the original and five copies of the District's Responses to the Commission Staff's Second Request for Information to Warren County Water District.

We appreciate your assistance on this project.

Sincerely,

Alan H. Vilines, P.E.
General Manager

AHV;jh

Enclosures

Providing high quality
water and wastewater
services to families and
businesses throughout
Warren County.



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

JAN 20 2012

PUBLIC SERVICE
COMMISSION

THE APPLICATION OF WARREN COUNTY)
WATER DISTRICT, WARREN COUNTY, KENTUCKY)
(A) FOR A CERTIFICATE OF CONVENIENCE AND)
NECESSITY PURSUANT TO KRS 278.020)
AUTHORIZING SAID DISTRICT TO CONSTRUCT)
IMPROVEMENTS AND EXTENSIONS TO ITS)
EXISTING SEWER SYSTEM, WHICH)
IMPROVEMENTS AND EXTENSIONS WILL BE)
FINANCED IN WHOLE OR IN PART UNDER THE)
TERMS OF AN AGREEMENT BETWEEN THE)
WATER DISTRICT AND THE KENTUCKY)
INFRASTRUCTURE AUTHORITY; AND (B) FOR)
AUTHORITY TO ISSUE CERATIN SECURITIES)
AS REQUIRED BY KRS 278.300)

CASE NO. 2011-00418

RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO WARREN COUNTY WATER DISTRICT

The Warren County Water District by counsel, hereby provide answers and responses to the Commission Staff's request for information. An original and five (5) copies of the answers and responses are filed with the Commission. Alan H. Vilines, PE shall be the witness who will be responsible for responding to questions relating to the information provided:

1. Refer to Warren District's Response to Commission Staff's First Request for Information, Item 13. Assume that the boundary for the Sewer Interceptor Capital Recovery Area ("SICRA") included Buchanan Park. State the total amount of the proposed SICRA fee that Warren County Fiscal Court would be assessed. State all assumptions and show all calculations used to derive the total fee amount.

RESPONSE: The capital contribution would be based on the park's 4-inch water meter. As indicated in Exhibit E of Responses to Commission

Staff's First Request for Information and the proposed tariff (Application, Exhibit D) the contribution amount would be \$4,480.00.

2. State Warren District's position on any Commission-imposed condition that would require assessment of the proposed SICRA fee to terminate upon collection of \$823,000 or December 31, 2031, whichever occurs first.

RESPONSE: The calculations for the capital recovery contributions listed in the proposed tariff (Application, Exhibit D) are based on total build-out of the developable area within the SICRA over the next 20 years and the principal amount of the KIA loan, \$823,000. For the total amount of capital recovery contributions to exceed \$823,000 either the development density must be greater than expected, the pace of development must be faster than expected, or the developable area must be greater than projected. Although what has been estimated for these factors may not be exactly what occurs in the future, they are based on sound judgment and development trends for similar property. It is highly unlikely that the actual number of residential units developed in the SICRA over the next 20 years will be significantly greater than the estimated number of 1,180. It may be more likely that the actual number of units developed will be less than 1,180.

The District's agreement with the Fiscal Court (re: Application, Exhibit C) provides that capital recovery contributions be used to offset the Fiscal Court's commitment to pay the total debt service on the KIA loan including the principal, interest and service fees. Therefore, even if capital recovery contributions exceed \$823,000, the excess would be applied to the interest and service charges which will total more than \$300,000 over the life of the loan.

With the potential benefit to the Fiscal Court described above, the District would prefer that the Commission not impose a termination of the SICRA fee when collections reach \$823,000. However, as indicated on the

proposed tariff sheet (Application, Exhibit D) it has been the District's intent to stop collections of the SICRA fee after December 31, 2031, when the final payment on the KIA loan will have been made.

3. State whether Warren District will seek rate recovery of depreciation on the proposed sewer interceptor project when it next requests a rate adjustment.

RESPONSE: The District will include this depreciation expense on this project along with all of its other assets in any future rate calculations.

4. Describe how Warren District determined that only 60 percent of the total SICRA was developable. Provide all correspondence, memoranda, notes, and other background documents used in making this determination.

RESPONSE: There are not any notes, memoranda, or correspondence detailing the estimate of the developable area; however, a description of the determination is presented here. The SICRA area contains 980 total acres. It is estimated there were over 300 acres of existing single family, estate type tracts and over 25 acres of land consumed by sink holes. With an allowance of another 75 acres for small parcels not conducive to subdivision development, greenspace, greenways, drainage facilities, and roadways, the estimated undevelopable land would be 400 acres. This amount, when subtracted from the 980 total acres, leaves approximately 580 developable acres for the SICRA area or approximately 60%.

5. Refer to Warren District's Response to Commission Staff's First Information Request, Item 9.

- a. For each of the subdivision developments listed, state the date on which the subdivision plat for the development was first filed with the Warren County Clerk's Office.

RESPONSE: The dates on which the subdivision plats were first filed with the Warren County Clerk are shown below:

<u>Subdivision</u>	<u>Plat File Date</u>
Springfield Section 2	December 13, 1999
Springfield Section 3 Phase 1	June 5, 2002
Springfield Section 3 Phase 2	August 25, 2003
Springfield Section 3 Phase 3	July 1, 2004
Springfield Section 5	December 22, 2005
Springfield Section 6	June 15, 2007
Springfield Section 7 Phase 1	August 25, 2010
Springfield Section 7 Phase 2	August 29, 2011
Sutherland Farms Section 1 Unit 1	February 6, 2002
Sutherland Farms Section 1 Unit 2	July 29, 2003
Sutherland Farms Section 2 Phase 1	September 24, 2004
Sutherland Farms Section2 Phase 1	August 10, 2006
Olde Stone	September 21, 2004
Olde Stone Section 1 & Section 5	June 16, 2006
Olde Stone Section 2	March 8, 2005
Olde Stone Section 3	March 8, 2005
Olde Stone Section 4	March 8, 2005
Ivan Downs Section 1	October 27, 2005
Ivan Downs Section 2	February 14, 2006
Ivan Downs Section 3	December 19, 2006
Belle Haven	August 3, 2009

b. For each development listed, state the distance that each is located from the SICRA.

RESPONSE: The distance that each subdivision is located from the SICRA is shown below:

Springfield Subdivision	3.4 miles
Sutherland Farms	2.6 miles
Olde Stone	6.7 miles
Ivan Downs/Belle Haven	2.7 miles

c. Provide a map of Warren County on which is indicated the location of the four subdivision developments, as well as the SICRA.

RESPONSE: A map indicating the location of the subdivision developments and the SICRA boundary are attached as Figure 1.

d. List each subdivision in Warren County that is within a 10-mile radius of the SICRA.

RESPONSE: The list of subdivisions within a 10-mile radius of the SICRA is attached as Table A. This list was based on subdivisions within the service area of Warren District which were listed by the Warren County Property Valuation Administration (PVA) for parcels within the specified 10-mile radius.

6. Refer to Warren District's Response to Commission Staff's First Information Request, Item 18. State the statutory or constitutional authority that prohibits the Warren County Fiscal Court from legally committing funds beyond the current fiscal year.

RESPONSE: The contract language referred to in this request was included to conform to the policy of the Warren County Attorney (Hon. Amy H. Milliken) that the Fiscal Court should not bind (beyond its current term) future Fiscal Court bodies without any method for the future Fiscal Court to modify or terminate its obligations under the contract. That policy was discussed in an Opinion of the Attorney General (Hon. Robert F. Stephens) dated July 21, 1978 and reported in OAG 78-432. As stated previously, there is no reason to believe that this Fiscal Court or any future Fiscal Court will elect to modify or terminate its obligations assumed in the subject Agreement.

7. Refer to Warren District's Response to Commission Staff's First Information Request, Item 20(b). Neither the Commission's Order of September 9, 1993 in Case No. 93-289 nor the letter of conditions submitted in support of Warren District's application in that proceeding make any reference to sewer connection fees.

a. State whether Warren District periodically reviews its sewer connection fees to determine these fees' adequacy.

RESPONSE: The District does not periodically review its sewer connection fees to determine the adequacy of these fees.

b. If Warren District conducts periodic reviews of its sewer connection fees, provide a copy of all studies, analyses, reports, memoranda, and correspondence related to such reviews conducted with the last ten years.

RESPONSE: Not applicable.

c. Identify all costs and expenses that the sewer connect fees are intended to recover.

RESPONSE: Sewer connect fees are intended to recover all costs related to establishing a new sewer service including (as applicable) application processing, engineering, location in the field of the sewer lateral and/or main, coordination with the plumbing inspector, excavation of and tapping the sewer main, construction of the sewer lateral and/or riser, all materials required for the service connection to the main, inspection of the customer's connection to the public sewer, mapping the new service, and setting up the new account in billing.

8. Refer to Warren District's Response to Commission Staff's First Information Request, Exhibit F. Define the following classifications that appear on Exhibit F:

a. Highway Business;

RESPONSE: The Subdivision Regulations for Warren County, adopted May 16, 2002, with revisions adopted January 16, 2003, and August 5, 2005, define zoning classifications Article 4, Section 4.6, Paragraph 4.6.4 states, "The Highway Business District is intended for the development of businesses that require a high volume of vehicular traffic due to the nature of the products or services offered by the business. This District is appropriate for parcels having frontage on collector or arterial streets, or within one-half mile of an interstate or Kentucky Toll Road interchange."

b. Highway Business Binding Elements;

RESPONSE: Same as 8.a. with Binding Elements as defined as "those conditions agreed to by the Planning Commission and the developer

which are imposed upon a development plan and which control the development and use of the property in question. The conditions may be in writing or by graphic representation."

c. General Business Binding Elements;

RESPONSE: Article 4, Section 4.6, Paragraph 4.6.2 states, "The General Business District is intended to provide opportunities for commercial development that serves the entire community or region." Binding Elements are defined in 8 (b).

d. Residential Estate Binding Elements; and

RESPONSE: Article 4, Section 4.4, Paragraph 4.4.2 states, "The Residential Estate District is intended to provide opportunities for large-lot rural estates in areas that may or may not be served by public sanitary sewer. This area is intended to serve as a transition between urban and rural areas." Binding Elements are defined in 8 (b).

e. Residential A-1 Binding Elements.

RESPONSE: Article 4, Section 4.4, Paragraph 4.4.3 states, "The Single Family Residential Districts are intended to provide opportunities for detached single family residential development, including zero lot line homes. Occupancy in these districts is limited to one family per residential unit. No accessory apartments shall be allowed in these districts. These districts shall be served by public sanitary sewer." The RS-1A classification requires, in part, the following: single-family detached or modular homes, minimum lot size of 13,500 square feet, 25% maximum lot coverage, and fire protection availability. Binding Elements are defined in 8 (b).

9. State whether any of the facilities of the South Warren Middle School and South Warren High School will be connected to the proposed sewer interceptors.

RESPONSE: No, the school will not be connected to the proposed interceptor. The South Warren Middle and High School is served by private sewers on school property that are connected to the District's existing lift station and force main.

10. Provide all studies, analyses, and reviews that Warren District performed regarding the revenues that the proposed sewer interceptor project would generate.

RESPONSE: The only projection of revenue for the proposed sewer interceptor project was presented in the proforma adjustment which was Table 3 in the Engineering Report dated October 14, 2011 (Application, Exhibit A). The revenue of \$2,136 was estimated for the new Buchanon Park sewer connection and was calculated simply by applying the existing water usage at the park to the sewer rate schedule.

11. Assume that 1,180 residential units connect to the proposed sewer interceptors and that the expenses to operate Warren District do not increase as a result of inflation. State the expected effect of these additional customers on Warren District's annual net revenues from its sewer operations.

RESPONSE: In order to estimate the effect of adding 1,180 new residential customers, the Proforma Adjustment originally presented as Table 3 in the Engineering Report (Application, Exhibit A) was supplemented and is included hereinafter as Table B. After adding the revenue and expense for 1,180 new residential customers with average usage, the District's annual net revenue from the project becomes \$121,165. It should be noted that these calculations were based on the assumption (required by the PSC staff) that there will be no increase in operating expenses due to inflation. This is not realistic given the length of time over which this number of new customers would be added.

Because the net income shown in Table B for the “Changes due to the Project” is positive, one might conclude that capital recovery contributions are not required to offset debt service. However, with only two revisions the net income for the project is negative. The first revision is to eliminate the \$57,027 reimbursement from the Fiscal Court for debt service which is shown as “Other Sewer Revenue”. The second revision is to apply an inflation rate of 2.5% to the operation and maintenance expenses given. This inflation rate, compounded over 20 years, results in operation and maintenance expenses of \$179,272. After both of these revisions, the net income for the project is a negative \$5,729.

There are many scenarios that could be used to compare the revenue and expenses for this project. However, to rely on revenue from non-existent customers to offset debt service, even in an area that has good potential for growth, would be highly speculative and not considered an acceptable approach by the District for its rate payers.

12. In its Response to Commission Staff’s First Information Request, Item 14, Warren District states:

This request for information suggests a broader policy question concerning whether the cost of sewer extension projects should be paid for by all individual property owners ultimately served by the extension, or paid for entirely by the entity that first needed service and initiated the project to serve a specific location. Unlike water service which can be extended into rural areas at a reasonable cost, the high cost of sewer extensions into unserved areas becomes a financial burden and typically unfeasible for the initial user. The premise of the SICRA is to allow the initial user (such as the Fiscal Court) to recover its principal investment for a sewer extension that will eventually benefit a larger group of users. Allowing the initial user the possibility of recovering some, if not all, of the initial construction cost will encourage the extension of sewers into unserved areas. It is unfeasible to place this high cost of sewer extensions on all rate payers as it would result in unacceptably high rates and/or quickly deplete any reserves that the utility may have on deposit.

a. Refer to Warren District's Sewer Tariff, Rule 26. Explain why, in light of the statement set forth above, Warren District has not revised its existing tariff to permit refunds for privately financed sewer main extensions when subsequent connections to such extensions are made.

RESPONSE: The District's tariff should be revised to provide for such refunds. A revised tariff may include a general policy to provide for capital recovery contributions from sewer customers served by new interceptor extensions.

b. Identify all sewer main extensions on Warren District's system since January 1, 1996 in which Warren District provided alternative arrangements for initial users to recover the cost of the extension.

RESPONSE: Since January 1, 1996, the District has made alternative arrangements on three projects – 1) Russellville Road Sewer Extension; 2) Barren River Road Sewer Extension; & 3) South Central Industrial Park, Phase 4, Sewer Extension.

13. a. State whether, under the terms of the agreement between Warren District and Warren County Fiscal Court, Warren District may use SICRA Fee proceeds to make advance payment of principal.

RESPONSE: The agreement has no provision for the District to use SICRA fee proceeds to make advance payment of principal.

b. Assume that SICRA Fee proceeds exceed debt service payments in the later years of the proposed loan repayment period and that excess proceeds exist when the final debt service payment is made. State how, under the terms of the agreement between Warren District and Warren County Fiscal Court, these excess proceeds are to be used.

RESPONSE: The agreement states that if SICRA fee proceeds exceed the annual debt service in any year, the excess is held as a credit against the Fiscal Court's debt service obligation in future years. With reference to the answer to Item 2 above, it is not expected there will be excess proceeds in year 20 and the agreement does not address this. However, if there should be an excess at that time, the District would refund the Fiscal

Court up to the total amount it had paid in previous years toward annual debt service.

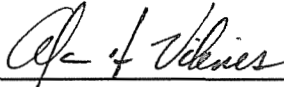
DATED this 19th day of Jan, 2012.

COLE & MOORE, P.S.C.
9221 College Street
Bowling Green, KY 42101
(270) 782-6666

BY: Frank Hampton Moore, Jr.
Frank Hampton Moore, Jr.

**CERTIFICATION OF PERSON PREPARING/SUPERVISING
THE PREPARATION OF THE RESPONSE**

This is to certify that the undersigned prepared and/or supervised the preparation of this response on behalf of Warren County Water District and that this response is true and accurate to the best of his knowledge, information, and belief formed after reasonable inquiry.

BY: 
Alan H. Vilines, PE

COMMONWEALTH OF KENTUCKY

COUNTY OF WARREN

SUBSCRIBED AND SWORN to before me by Alan H. Vilines on the 19th day of January, 2012.


Notary Public
My Commission Expires: 12/21/13

CERTIFICATION OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing was on the 19 day of Jan., 2012, mailed for overnight delivery, postage prepaid, to the following:

Original and 5 copies to:

Jeff Derouen
Executive Director
Public Service Commission
P O Box 615
Frankfort, KY 40602

Copies to:

Alan H. Vilines
General Manager
Warren County Water District
523 U.S. 31W Bypass
P. O. Box 10180
Bowling Green, KY 42102-4780


Frank Hampton Moore, Jr.

TABLE A

**SUBDIVISIONS WITHIN A 10-MILE RADIUS OF THE SICRA
WARREN COUNTY WATER DISTRICT**

Alta Vista Estates	Christians Farm
Angus Acres	Claiborne Farms Sec I
Applewood	Claiborne Farms Sec II
Applewood Phase II	Claiborne Farms Sec II
Ashmoor Park	Coalition Estates
Ashmoor Parke Section I	Coalition Estates Section 6, Phase 3
Ashmoor Parke Section II Phase 1	Coleman
Ashmoor Parke Section II Phase 2	Collett View
Ashton Place (Hidden River Phase 6)	Cool Springs Farm
B.G. Corporate Park Sections 3, 6, & 7	Copperfield
Bailey's Farm	Coppertree
Bailey's Farm Phases 1 & 2	Corvette View
Bailey's Farm Section 2	Country Place
Bailey's Farm Section 2, Phase 2	Country Place At Plano
Barclay Manor	Crandle Gardens
Barrington Manor	Crestwood Estates
Beddington Park	Crimson Ridge
Belle Haven	Crossings At Cave Mill Section 1
Bent Creek Farm	Crossings At Cave Mill Section 2
Birdland Estates	Crossings At Cave Mill Section 3
Blue Heron	Crossings At Cave Mill Section 4
Blue Heron Court	Cumberland Estates
Blue Level Properties	Cumberland Estates 2
Blue Springs Farm	Cumberland Landing
Bluegrass Meadows	Cumberland Ridge
Boddeker	Cumberland Ridge Section II
Bogle Farm	Cumberland Ridge Section IV
Brentwood Place	Deer Haven
Briar Creek	Deer Meadow
Brite Industrial Park	Deer Valley
Browning Heights	Deer Valley Section II
Cambridge Grove	Deerfield
Cambridge Heights	Deermeadow Section III
Cardinal Park	Dogwood Village
Cedar Grove Section IX	Dogwood Village 2
Cedar Grove Section VII	Drakes Creek
Cedar Grove Section VIII	Drakes Creek Hills
Cedarmoor Estates	Drakesborough
Central KY Industrial Park Rev	E B Gregory
Charles Moore	E H Webster
Charleston Place	Eaglestone Villa Condominiums
Chenoweth	Echo Valley
Cherry Farm	Elk Creek Farms

TABLE A – Continued

SUBDIVISIONS WITHIN A 10-MILE RADIUS OF THE SICRA
WARREN COUNTY WATER DISTRICT

Evergreen	Hidden River Estates
Ewing Ford Place	Hidden River Phase 1
Fairview Homesites	Hidden River Phase 2B & 2C
Farmgate	Hidden River Phase 3A
Farmington Woods	Hidden River Phase 3B & 3C
Farmwood	Hidden River Phase 5
Fieldstone Farms	Hidden River Phase 7A
Fieldstone Farms Commercial	Hidden River Phase 7B
Fieldstone Farms Section III	Hidden River Phase 7C & 8
Fieldstone Farms Section IV, Phase 1	Hidden River Phase 13
Fieldstone Farms Section IV, Phase 2	Hidden River Phase 14
Flat Rock Acres	Hilltop Acres
Fountain Crest	Hillview Mills
Fountain Trace	Hillview Mills Commercial Section 1
Fountain Trace Section 2	Hillview Mills Residential Section 1
Fox Run Trail	Hillwood Estates
Glen Lily	Hillwood Estates 2
Golden Acres	Hines
Golden Ayr Estates	Holman Estates
Grassland	Honeysuckle
Greathouse	Hopkins Property
Green Acres	Hunt Lester
Greenbriar Acres	Hunter Hills
Greenwood Commerce Park	Hunters Crossing Section 1
Greenwood Heights	Hunters Crossing Section 2
Greenwood Manor	Hunters Crossing Section 3
Greystone Section 1	Hunters Crossing Section 4 Ph. 1
Greystone Section 2	Hunters Crossing Section 4 Ph. 2
Greystone Section 3	Hunters Gate Estates
Greystone Section 4	Idle Acres
Greystone Section 5	Ironbridge Estates
Greystone Section 6	Ivan Downs
Greystone Section 7	Jennings Mill
Greystone Section 8	Joe Bill Bryant
Greystone Section 9	Kentucky Ave Development
Greystone Section 10	Lake Ayre
Hallmark Manor	Lakeview Estates
Hamford	Larmon Mill Hills
Harvest Landing	Lebanon
Heard And Tabor	Lillian Fields
Heritage Meadows	Lind Cliff Meadows
Hickory Glen Park	Lockhart Acres
Hidden Ridge	M C Hinton

TABLE A – Continued

SUBDIVISIONS WITHIN A 10-MILE RADIUS OF THE SICRA
WARREN COUNTY WATER DISTRICT

McCoy Place	Powell
McFadden Ferry	Quarryview Estates
McFaddin Station	Rector Hills
McLellan Farms	Red Cedar
Melody Acres	Regent Meadows
Memphis Junction	Remington Place
Mill Valley	Ridgewood
Millee Pond	Ridgewood Estates Sections 2 & 3
Morning Star	Rigelwood
Mount Victor Estates	Rigelwood Rd in Elk Creek Farms
Mount Victor Gardens	Rivergreen
Mt. Victor Olde Towne Section 1	Rockfield Estates
Mt. Victor Olde Towne Section 2	Roddy Estates
Nob View	Rosehaven
Nobhill	Roselawn
Oak Valley Acres	Saddlebrook
Oakwood	Scottish Manor
Olde Stone	Scottish Manor Section 3
Oxford Center	Scottsdale Estates
Park Hills Section Vi	September Lakes
Parkland Gardens	Shaker Mill Bend
Parkway Villa	Shamrock Acres
Paul Cohron	Shaver, David & Paula
Peach Meadows	Sherwood Forest
Peach Tree Downs Section 1	Sherwood Forest Section 2
Peach Tree Downs Section 2	Silver Springs
Peach Tree Downs Section 3	Singletree Meadows
Peach Tree Manor	Skipaway Point
Peachtree Downs	Smalling
Peachtree Valley	South Fork
Pebble Ridge	Southern Hills
Pedigo Acres	Spindletop
Pepperwood Trail	Springfield Section 1
Perkins Heights	Springfield Section 2
Pinewood Estates	Springfield Section 3
Pioneer Villa	Springfield Section 5 & 6
Plano Acres	Springfield Section 7
Plano North	Springfield Section 7 Ph. 2
Plano Place	Springhurst
Pleasant Colony	Stagecoach Springs
Pleasant Place	Stone Bluff
Pleasant Place Section 4	Stone Crest
Point Breeze	Stone Trace

TABLE A – Continued

SUBDIVISIONS WITHIN A 10-MILE RADIUS OF THE SICRA
WARREN COUNTY WATER DISTRICT

Stonehenge Section I	Westgate View
Stonehenge Section II & III	Whisperwind
Stonehenge Section IV	Willow Heights
Stonehenge Section V	Windhaven
Sugar Mill Plantation	Windland Estates
Sunset Acres	Windmill Heights
Sutherland Farms Section 1	Windover
Sutherland Farms Section 1 Phase 1	Winston Place
Sutherland Farms Section 1 Phase 2	Woodside Estates
Sutherland Farms Section 2 Phase 1 & 2	Wyndham Estates
The Meadows	
The Oaks	
The Preserve At Cumberland Ridge (Section III)	
The Springfield	
The Summit	
The Summit Ph. 2	
Thomasdale	
Thompson Heights	
Three Springs	
Three Springs Hollow	
Timber Ridge	
Traditions At Lovers Lane	
Trammel Creek	
Tranquility Acres	
Truitt Estates	
Twin Elms	
Twin Elms Section 6	
Twin Elms Section 9	
University Estates	
University Estates Section 6	
Valley View	
Village At Jennings Creek	
Walnut Ridge	
Walter Stevens	
Wesley Estates	
Wesley Estates Sections 1 & 2	
Wesley Estates Sections 3 & 4	
West Wind Estates	
Westen Hills	
Western Heights	
Western Hills	
Westgate	

TABLE B**REVISED PROFORMA ADJUSTMENT - 1,180 RESIDENTIAL
CUSTOMERS SERVED BY THE BUCHANON PARK SEWER LINE EXTENSION
WARREN COUNTY WATER DISTRICT - SEWER DIVISION**

	EXISTING SYSTEM	CHANGES DUE TO PROJECT	TOTAL FUTURE SYSTEM AFTER PROJECT
OPERATING REVENUE:			
Metered Revenue - Residential	\$838,332	\$247,092 (1a)	\$1,085,424
Metered Revenue - Commercial	904,521	2,136 (1b)	906,657
Forfeited Discounts	21,680	0	21,680
Miscellaneous Service Revenue	17,583	0	17,583
Other Sewer Revenue	599	57,027 (2)	57,626
Interest Income	28,271	0	28,271
Rental Revenue - Office Building	<u>9,066</u>	<u>0</u>	<u>9,066</u>
TOTAL OPERATING REVENUE	\$1,820,052	306,255	\$2,126,307
OPERATING EXPENSES:			
SOURCE OF SUPPLY & PUMPING			
Disposal Costs	470,261	51,129 (3)	521,390
Purchased Power	80,037	6,502 (4)	86,539
Contractual Services	3,036	793 (5)	3,829
Insurance	3,426	895 (5)	4,321
TRANSMISSION & DISTRIBUTION			
Wages & Benefits	23,492	0	23,492
Materials & Supplies	882	8 (6)	890
Contractual Services	2,006	19 (6)	2,025
Equipment	4,018		4,018
Insurance	1,995	19 (6)	2,014
CUSTOMER ACCOUNTS			
Wages & Benefits	68,835	17,985 (5)	86,820
Materials & Supplies	554	145 (5)	699
Contractual Services	33,489	8,750 (5)	42,239
Equipment	72	19 (5)	91
Insurance	1,995	521 (5)	2,516
Bad Debts	1,867	488 (5)	2,355
Miscellaneous	29	8 (5)	37
ADMINISTRATIVE & GENERAL			
Wages & Benefits	46,584	12,172 (5)	58,756
Materials & Supplies	2,540	664 (5)	3,204
Contractual Services	22,047	5,761 (5)	27,808
Equipment	26	7 (5)	33
Insurance	4,343	1,135 (5)	5,478
Miscellaneous	3,127	817 (5)	3,944
Commissioner Fees	15,000	0	15,000
Regulatory Commission Assessment	2,628	687 (5)	3,315
TOTAL OPERATING EXPENSE	792,289	108,521	900,810

TABLE B - Continued

**REVISED PROFORMA ADJUSTMENT - 1,180 RESIDENTIAL
CUSTOMERS SERVED BY THE BUCHANON PARK SEWER LINE EXTENSION
WARREN COUNTY WATER DISTRICT - SEWER DIVISION**

	<u>EXISTING SYSTEM</u>	<u>CHANGES DUE TO PROJECT</u>	<u>TOTAL FUTURE SYSTEM AFTER PROJECT</u>
MAINTENANCE EXPENSE:			
Wages & Benefits	41,222	385 (6)	41,607
Chemicals	26,671	0	26,671
Materials & Supplies	15,831	148 (6)	15,979
Contractual Services	30,491	285 (6)	30,776
Equipment	7,230	67 (6)	7,297
DEPRECIATION & OTHER:			
Depreciation	737,415	18,658 (7)	756,073
Non-Utility Income	(14)	0	(14)
Consumer Deposit Interest	1,410	0 (5)	1,410
Amortization Expense	1,016	1,648 (8)	2,664
PRINCIPAL & INTEREST EXPENSE:			
Principal Payments - KIA	64,974	0	64,974
Interest Payments - KIA	23,036	0	23,036
Principal Payment - KRWFC	14,897	0	14,897
Interest Payment - KRWFC	12,155	0	12,155
Principal Payment - USDA	14,500	0	14,500
Interest Payment - USDA	26,951	0	26,951
Principal Payments - KIA New		30,662 (9)	30,662
Interest Payments - KIA New		24,717 (9)	24,717
TOTAL OPERATING, MAINTENANCE, AND OTHER EXPENSES	<u>1,810,074</u>	<u>185,091</u>	<u>1,995,165</u>
NET OPERATING INCOME	<u>\$9,978</u>	<u>\$121,165</u>	<u>\$131,143</u>

NOTES FOR PROFORMA ADJUSTMENT

- (1a) Residential revenue based on 1,180 new customers at average usage and existing retail rates
- (1b) Commercial revenue projection based on 1 new commercial customer.
- (2) Reimbursement from Warren Fiscal Court for debt service not covered by SICRA contributions.
- (3) Disposal expense for 41,203,000 gals at \$1.2409/1,000 gals from new customers projected in Notes 1a & 1b.
- (4) Existing expense of \$0.1578/1,000 gallons applied to disposal gals. from Note 4.
- (5) Prorated amount of existing expense (1,181 new customers/4,520 existing customers).
- (6) Prorated amount of existing expense (1.4 new miles of main/150 existing miles of main).
- (7) \$932,900 x 2%
- (8) Loan servicing fee - 0.2% of outstanding balance.
- (9) Principal & Interest on loan amount of \$823,900 at a term of 20 years and 3.0% interest.

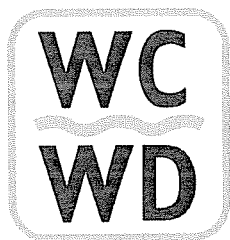
Buchanon Park Sewer Interceptor Capital Recovery Area (SICRA)

Warren County Overview



Legend

-  SICRA Boundary
-  Subdivisions



Warren County Water District



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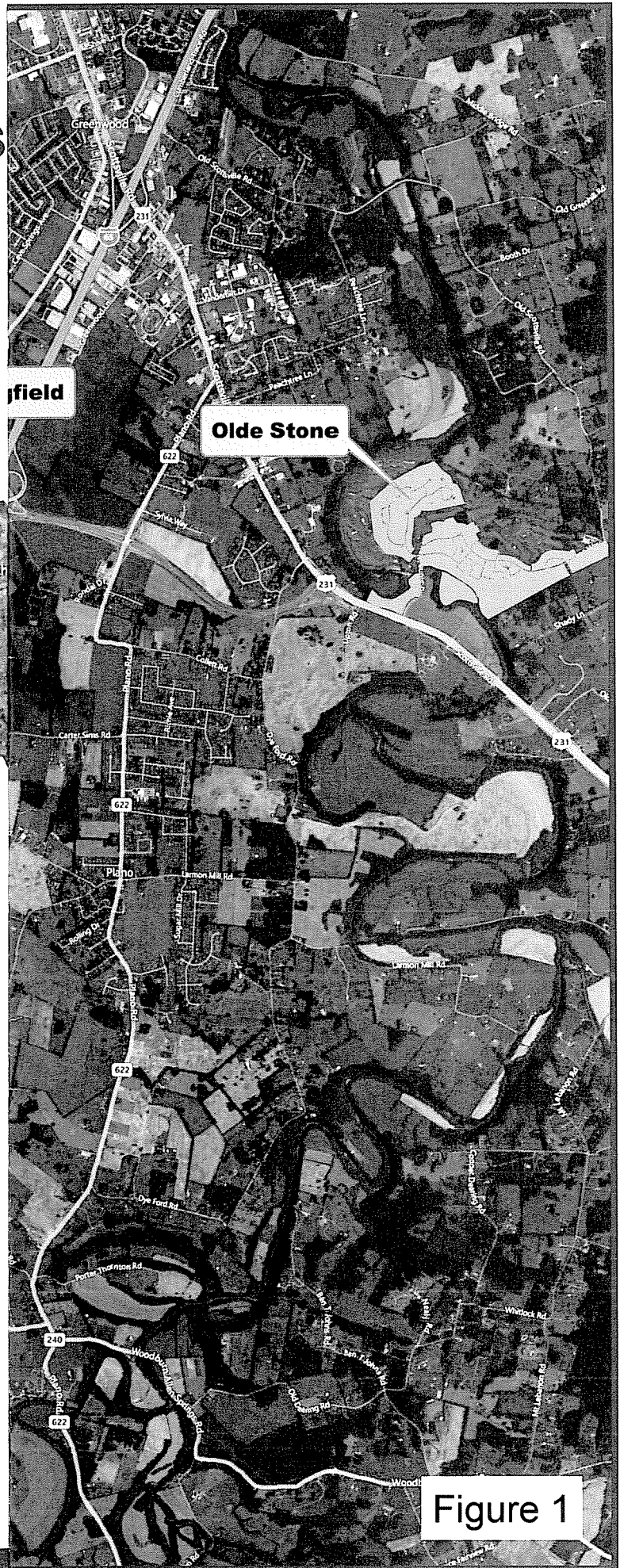


Figure 1