

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF ) CASE NO.  
MUHLENBERG COUNTY WATER DISTRICT ) 2012-00009

NOTICE OF FILING OF COMMISSION STAFF REPORT

Notice is hereby given that, in accordance with the Commission's Order of February 23, 2012, the attached report containing the findings and recommendations of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding.



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

DATED: MAR 30 2012

cc: Parties of Record

STAFF REPORT  
ON  
MUHLENBERG COUNTY WATER DISTRICT

CASE NO. 2012-00009

On January 10, 2012, Muhlenberg County Water District (“Muhlenberg”) filed with the Commission an application to adjust its current rates for water service. Using its historical operations for the calendar year ended December 31, 2010 and adjusting for known and measureable changes, Muhlenberg proposes rates that will produce additional revenues from water sales of \$361,778, an increase of 12.23 percent over normalized revenues from water sales of \$2,959,438. For the average residential customer who purchases 3,817 gallons of water monthly, his or her monthly bill will increase from \$32.06 to \$36.07, or approximately 12.51 percent. Muhlenberg also proposes to assess a monthly surcharge of \$1.91 on all customers for 12 months to finance a meter replacement program.

Commission Staff members Mark Frost and Jason Green performed a limited financial review of Muhlenberg’s test-year operations to determine whether test-period operating revenues and expenses are representative of normal operations and the proposed adjustments are reasonable.<sup>1</sup> They did not pursue and have not addressed in this report insignificant or immaterial discrepancies. Where they have not expressly addressed a test-period expense, they found insufficient evidence to contest the reasonableness of that expense.

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<sup>1</sup> Mr. Frost and Mr. Green inspected Muhlenberg’s records while assisting Muhlenberg in the preparation of its rate application.

This report summarizes Staff's review and recommendations. Mr. Green reviewed Muhlenberg's normalized revenue adjustment and proposed rate design. Mr. Frost addresses all pro forma expense adjustments and the revenue requirement determination. Commission Staff's recommended pro forma operating statement is set forth in Appendix A. At Appendix B, Commission Staff sets forth its findings and recommendations regarding Muhlenberg's test-period operations. Commission Staff's calculation of Muhlenberg's revenue requirements is shown at Appendix C. Commission Staff's recommended rates are found at Appendix D.

Muhlenberg proposes to use a 1.2x Debt Service Coverage ("DSC") to calculate its requested revenue requirement. The Commission has historically used the DSC methodology to determine the revenue requirement for water districts and water associations. This approach is used primarily because a bond ordinance or loan agreement requires the water district or association to maintain a predetermined DSC level. Muhlenberg currently has outstanding loans with Kentucky Rural Water Financing Corporation.<sup>2</sup> Commission Staff, therefore, agrees with the use a debt service coverage ratio of 1.2 to determine Muhlenberg's revenue requirements. Commission Staff notes that the Commission has previously found that this ratio is sufficient for a water

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<sup>2</sup> See Case No. 2004-00062, *Application of Muhlenburg County Water District to Issue Securities In the Approximate Principal Amount of \$1,248,000 For the Purpose of Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Mar. 24, 2004); Case No. 2004-000381, *Application of Muhlenburg County Water District to Issue Securities In the Approximate Principal Amount of \$1,856,000 For the Purpose of Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Oct. 20, 2004); Case No. 2007-00163, *Application of the Muhlenburg County Water District to Issue Securities In the Approximate Amount of \$1,897,000 Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC May 29, 2007). As of December 31, 2010, the outstanding amount on these loans was \$3,706,000. *Report of Muhlenburg Water District to the Public Service Commission of Kentucky for the Calendar Year Ended December 31, 2010* ("Annual Report") at 22.

association or district to cover its reasonable operating expenses, meet its debt service requirements, and provide for reasonable equity growth.

Commission Staff finds that Muhlenberg has accurately reported its test-period operations in its application and that its proposed pro forma adjustments meet the ratemaking criteria of known and measurable. Based upon its review, Commission Staff finds that Muhlenberg's pro forma operating expenses are \$2,920,148 and its debt service requirement is \$429,351.<sup>3</sup> Applying a 1.2x DSC to Muhlenberg's average debt service produces an annual revenue requirement of \$3,435,369 and an annual revenue requirement from water sales of \$3,321,216, an increase of \$361,778, or 12.23 percent above normalized revenue from water sales of \$2,959,438. This level of revenue from water sales will allow Muhlenberg to cover its pro forma operating expenses, meet its debt service requirements, and provide for future equity growth.

Commission Staff reviewed the billing analysis of Muhlenberg's test-period sales, which is contained in Muhlenberg's application, and concurs with methodology and results of the analysis. Commission Staff finds that, based upon adjusted test-period sales, Muhlenberg's proposed rates, which are set forth in Appendix D, will produce revenues of \$3,321,216.

Neither Muhlenberg nor Commission Staff performed a cost-of-service study in this case. Commission Staff agrees with Muhlenberg's proposal that each rate block within the current rates be increased by an equal percentage derived from the percentage increase in revenue requirement over adjusted test-period revenues.

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<sup>3</sup> This amount represents the average of Muhlenberg's annual principal and interest payments for the three-year period from 2012 to 2014.

Accordingly, the rates set forth in Appendix D reflect an approximate 12.23 percent increase to each rate block of Muhlenberg's current rates.

In its application, Muhlenberg proposed that its purchased water expense not include the cost of purchased water for unaccounted-for water loss that exceeds 15 percent of total water purchases during the test period. During the test period, Muhlenberg experienced water line losses of 23.7 percent of purchased water and proposed to exclude \$87,534 of the cost of this lost water from rate recovery. 807 KAR 5:066, Section 6(3)<sup>4</sup> requires this action.

Approximately 29.29 percent of Muhlenberg's water purchases<sup>5</sup> in 2010 were non-revenue water.<sup>6</sup> Muhlenberg attributes its level of non-revenue to the age of its 3/4 x 5/8-inch water meters. According to Muhlenberg, the majority of these water meters have been in service in excess of 30 years and have exceeded their useful lives. The cost to refurbish these meters would far exceed the benefit that would be derived.

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<sup>4</sup> Except for purchased water rate adjustments for water districts and water associations, and rate adjustments pursuant to KRS 278.023(4), for rate making purposes a utility's unaccounted-for water loss shall not exceed fifteen (15) percent of total water produced and purchased, excluding water used by a utility in its own operations. Upon application by a utility in a rate case filing or by separate filing, or upon motion by the commission, an alternative level of reasonable unaccounted-for water loss may be established by the commission. A utility proposing an alternative level shall have the burden of demonstrating that the alternative level is more reasonable than the level prescribed in this section.

<sup>5</sup> 545,997,000 gallons (Total Produced and Purchased) – 386,079,000 (Total Water Sales) = 159,918,000 gallons (Total Non-Revenue Water). 159,918,000 gallons ÷ 545,997,000 gallons = 0.2928.

<sup>6</sup> According to the Commission's annual financial and statistical report form, "line loss" is the total amount of water lost as a result of tank overflows, line breaks, line leaks, and other causes. "Non-revenue water is defined as "those components of system input volume that are not billed and produce no revenue; equal to unbilled authorized consumption plus apparent losses plus real losses." American Water Works Association, *Water Audits and Loss Control Programs* (3d ed. 2009) at 271. "Unaccounted-for water loss" equals the difference of the total amount of water produced and purchased and the sum of water sold, water used for fire protection purposes, and water used in treatment and distribution operations (e.g., backwashing filters, line flushing).

To address its non-revenue water problem, Muhlenberg proposes to implement a meter replacement program for its 3/4 x 5/8-inch water meters that it estimates will cost approximately \$1,332,255<sup>7</sup> and will take ten years to complete. To fund its proposed meter replacement program, Muhlenberg has requested authorization to assess a monthly surcharge of \$1.91<sup>8</sup> to each ratepayer receiving service through a 3/4 x 5/8 inch water meter for a period of ten years.

Commission Staff recommends that the request to assess a surcharge whose proceeds will be solely devoted Muhlenberg's meter replacement program be granted. As shown in the table below, Muhlenberg is experiencing a significant non-revenue water problem that appears to be worsening. Replacement of its aging meter population is expected to reduce the level of non-revenue water and thus the cost of service. Moreover, with the imposition of conditions on the use of the surcharge proceeds, the proposed surcharge represents an effective means of ensuring that the collected funds are expended for their intended purpose.

Commission Staff, therefore, recommends that the Commission authorize Muhlenberg to collect a surcharge of \$1.91 per month that will be assessed to each ratepayer served through a 3/4 x 5/8 inch water meter. The proposed surcharge should

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<sup>7</sup> Refer to Application, C.I. Thornburg bid: \$118.55 (Meter Cost) + \$106 (Transceiver Unit Cost) = \$224.55 x 5,933 (Meters) = \$1,332,255.15 + \$25,000 (5 Radio Read Units) = \$1,357,255.

<sup>8</sup> \$1,357,255.15 (Cost of Meter Replacement Program) ÷ 120 Months = \$11,310.46 (Monthly Surcharge Collections) ÷ 5,933 (3/4 x 5/8 Inch Customers) = \$1.91.

allow for the assessment and collection of \$135,984<sup>9</sup> annually for a period of 120 months or until \$1,357,255<sup>10</sup> has been assessed.

MUHLENBERG WATER DISTRICT'S NON-REVENUE WATER 2005-2010				
Year	Total Water Purchased	Total Water Sales	Non-Revenue Water	Non-Revenue Water As Percentage of Total Purchases
2005	501,115,000	398,884,000	102,231,000	20.40
2006	507,688,000	370,111,000	137,577,000	27.10
2007	519,089,000	394,314,000	124,775,000	24.04
2008	521,925,000	393,335,000	128,590,000	24.64
2009	532,802,000	376,674,000	156,128,000	29.30
2010	545,997,000	386,079,000	159,918,000	29.29

Commission Staff further recommends that authorization to assess such a surcharge be subject to the following conditions:

- Muhlenberg must deposit surcharge collections in a separate interest-bearing account.
- Muhlenberg must file quarterly activity reports with the Commission that include a statement of monthly surcharge billings and collections, a monthly surcharge bank statement, a list of each payment from the account, its payee and a description of its purpose, and invoices supporting each payment.
- The Commission may revoke Muhlenberg's authority to assess the surcharge and require refund of all surcharge proceeds if Muhlenberg fails to comply with any condition.

If the Commission authorizes Muhlenberg to assess a meter replacement surcharge, those collections constitute contributions and should be accounted for in the manner prescribed by the Uniform System of Accounts for Class A and B Water

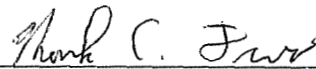
<sup>9</sup> \$1.91 (Monthly Meter Replacement Surcharge) x 5,933 (3/4 x 5/8 Inch Customers) x 12 (Months) = \$135,984.36.

<sup>10</sup> In its Application, Muhlenberg has provided invoices and cost estimates that show that the total cost of its meter replacement program will be \$1,357,255.

Districts and Associations. The monthly billing should be debited to customer accounts receivable and credited to the contribution account. When the meter replacement surcharge is actually collected from the customer, special funds would be debited and the customer account credited.

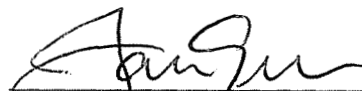
In summary, Commission Staff is of the opinion that Muhlenberg requires additional funds for its meter replacement program, but that such funds should be subject to strong controls to ensure their effective use, public acceptance of the surcharge, and public confidence in the water district's use of those funds.

Signatures



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



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



APPENDIX A  
STAFF REPORT, CASE NO. 2012-00009  
PRO FORMA OPERATIONS

	2010 Annual Report	Pro Forma Adjustments	Adj. Ref.	Pro Forma Operations
Operating Revenues:				
Revenue - Metered Water Sales	\$ 2,931,857	\$ 27,581	(a)	\$ 2,959,438
Other Operating Revenues:				
Forfeited Discounts	49,970	0		49,970
Misc. Service revenues	51,859	0		51,859
Total Other Operating Rev.	\$ 101,829	\$ 0		\$ 101,829
Total Operating Rev.	\$ 3,033,686	\$ 27,581		\$ 3,061,267
Operating Expenses:				
Operation & Maintenance:				
Salaries & Wages – Emp.	\$ 799,698	\$ (75,491)	(b)	\$ 724,207
Salaries & Wages – Com.	13,000	0		13,000
Employee Pension & Benefits	541,575	(16,849)	(c)	524,726
Purchased Water	854,129	(87,534)	(d)	766,595
Purchased Power	80,378	0		80,378
Chemicals	11,632	0		11,632
Materials & Supplies	68,377	0		68,377
Contractual Services – Eng.	13,146	(12,800)	(e)	346
Contractual Services – Acc.	15,382	0		15,382
Contractual Services - Legal	5,288	0		5,288
Contractual Services - Water Testing	4,448	0		4,448
Rental – Equipment	592	0		592
Transportation	54,725	0		54,725
Insurance - Gen. Liability	39,584	(8,616)	(f)	30,968
Insurance - Workers Comp.	31,129	445	(g)	31,574
Advertising	1,221	0		1,221
Bad Debt Expense	12,085	0		12,085
Miscellaneous	111,670	(16,298)	(h)	95,372
Total Operation & Maint.	\$ 2,658,059	\$ (217,143)		\$ 2,440,916
Depreciation	402,541	16,549	(i)	419,090
Taxes Other Than Income:				
Payroll Taxes	62,874	(7,474)	(j)	55,400
PSC Assessment	4,742	0		4,742
Utility Operating Exp.	\$ 3,128,216	\$ (208,068)		\$ 2,920,148
Net Utility Operating Income	\$ (94,530)	\$ 235,649		\$ 141,119
Other Income & Deductions:				
Interest Income	12,324	0		12,324
Net Income Available for Debt Service	\$ (82,206)	\$ 235,649		\$ 153,443

**APPENDIX B  
STAFF REPORT, CASE NO. 2012-00009  
PRO FORMA ADJUSTMENTS**

**(a) Revenue from Water Sales:** This adjustment reflects the results of Commission Staffs billing analysis and the current tariffed rate.

Customers	Gallons	Revenue
6,010	384,692,900	2,959,438
6,022	386,079,000	2,931,857
(12)	(1,386,100)	27,581

Billing Analysis  
Annual Report  
Difference

**(b) Salaries & Wages:** This adjustment applies the 2011 wages to the hours worked during the 2010 test period.

Position Title	Pay Method	2011 Wages		2010 Weeks/Hours		Overtime	Pro Forma Salaries & Wages		Total
		2011	2010	Regular	Regular		Misc./on Call <sup>1</sup>	Total	
General Manager	Weekly	\$ 956.34	\$ 824.28	52		N/A	49,730	0	49,730
Superintendent	Weekly	\$ 824.28	\$ 824.28	52		N/A	42,863	4,050	46,913
Asst. Superintendent	Weekly	\$ 824.28	\$ 824.28	52		N/A	42,863	4,875	47,738
Maintenance	Hourly	\$ 15.39	\$ 15.39	2,110	2,110	19.00	32,912	150	33,062
Meter Reader	Hourly	\$ 15.39	\$ 15.39	2,060	2,060	143.00	35,005	5,848	40,853
Meter Reader	Hourly	\$ 15.39	\$ 15.39	2,120	2,120	226.25	37,851	500	38,351
Maintenance	Hourly	\$ 15.39	\$ 15.39	1,356	1,356	11.00	21,115	0	21,115
Meter Reader	Hourly	\$ 15.39	\$ 15.39	1,988	1,988	55.00	31,865	0	31,865
Maintenance	Hourly	\$ 15.39	\$ 15.39	2,120	2,120	205.50	37,372	600	37,972
Maintenance	Hourly	\$ 15.39	\$ 15.39	2,168	2,168	129.50	37,537	600	38,137
Maintenance	Hourly	\$ 15.39	\$ 15.39	2,120	2,120	188.50	36,979	900	37,879
Meter Reader	Hourly	\$ 16.53	\$ 16.53	2,120	2,120	351.00	40,732	800	41,532
Meter Reader	Hourly	\$ 17.03	\$ 17.03	2,120	2,120	283.00	42,062	700	42,762
Maint. Foreman	Hourly	\$ 17.03	\$ 17.03	2,120	2,120	533.00	49,722	1,200	50,922
Maintenance	Hourly	\$ 16.53	\$ 16.53	2,160	2,160	140.50	39,830	500	40,330
Mechanic	Hourly	\$ 15.39	\$ 15.39	2,096	2,096	31.25	36,480	400	36,880
Office Manager	Hourly	\$ 13.10	\$ 13.10	2,120	2,120	19.75	32,713	50	32,763
Asst. Office Mgr.	Hourly	\$ 13.10	\$ 13.10	2,080	2,080	0.00	28,155	0	28,155
Clerical	Hourly	\$ 13.10	\$ 13.10	2,080	2,080	0.00	27,248	0	27,248
Clerical	Hourly	\$ 13.10	\$ 13.10	2,080	2,080	0.00	27,248	0	27,248
Pro Forma Salaries & Wages - Employees									\$ 724,207
Less: Reported Salaries & Wages - Employees									\$ -
Pro Forma Adjustment									\$ (75,491)

Pro Forma Salaries & Wages - Employees  
Less: Reported Salaries & Wages - Employees  
Pro Forma Adjustment

<sup>1</sup> Miscellaneous includes payments for cleaning, attending board meetings, and testing.

**(c) Employee Pension and Benefits:** This adjustment is based upon the current employer retirement contribution rate, the pro forma salaries and wages, and the current employee insurance premiums.

Position Title	Health	Dental	Life	Annual	Retirement	Totals
	\$	\$	\$	\$	\$	\$
General Manager	2,389	58	64	30,132	9,399	39,531
Superintendent	0	0	55	660	8,867	9,527
Asst. Superintendent	2,579	19	63	31,932	9,022	40,954
Maintenance	1,877	37	55	23,628	6,249	29,877
Meter Reader	1,289	37	55	16,572	7,721	24,293
Meter Reader	2,120	58	55	26,796	7,248	34,044
Maintenance	0	19	0	228	3,991	4,219
Maintenance	0	19	45	768	6,022	6,790
Maintenance	2,210	37	55	27,624	7,177	34,801
Maintenance	1,245	58	55	16,296	7,208	23,504
Meter Reader	1,105	0	55	13,920	7,159	21,079
Meter Reader	2,124	19	55	26,376	7,850	34,226
Maint. Foreman	2,292	19	57	28,416	8,082	36,498
Maintenance	2,250	19	57	27,912	9,624	37,536
Mechanic	2,661	19	57	32,844	7,622	40,466
Office Manager	1,125	19	54	14,376	6,970	21,346
Asst. Office Mgr.	2,210	19	55	27,408	6,192	33,600
Clerical	1,105	19	52	14,112	5,321	19,433
Clerical	2,250	19	52	27,852	5,150	33,002
Pro Forma Employee Pension and Benefits						\$ 524,726
Less: Reported 2010 Salaries & Wages - Employees						\$ -
Pro Forma Adjustment						\$ (16,849)

**(d) Purchased Water:** Muhlenberg's non-revenue water exceeds the allowable limit of 15 percent. Non-revenue water is being limited to 15 percent and the current wholesale water rates are being applied to the allowable water purchases.

Test Period Water Purchases – Central City  
 Test Period Water Purchases – Taylor County Water District

Total Water Purchased	543,065,700	
Water Sales - Staff's Billing Analysis	+ 274,200	
System Flushing	543,339,900	
Fire Department	384,692,900	
Other	29,233,000	
	522,000	
	+ 79,000	
	+ 414,526,900	
Total Water Sold and Used	128,813,000	
<b>Non-Revenue Water - Gallons</b>	23,708%	
Percentage of Non-Revenue Water	384,692,900	
Pro Forma Water Sales	+ 29,834,000	
Add: System Flushing, Fire Department, and Other	414,526,900	
Subtotal	85.00%	
Divided by: 15% Line Loss Reciprocal	487,678,706	
Allowable Purchases		

	Central City	Taylor County
Test-Period Purchases	543,065,700	Water Dist.
Divided by: Water Produced/Purchased	543,339,900	274,200
Percentage of Purchases	99.950%	543,339,900
Allowable Purchases/Production	487,678,706	0.050%
Multiplied by: Percentage of Purchases	x 99.950%	487,678,706
Allowable Purchases	487,434,867	x 0.050%
Multiplied by: Wholesale Water Rate per 1,000 Gallons	x \$ 1.570	243,839
Pro Forma Purchased Water Expense	\$ 765,273	x \$ 5,420
		\$ 1,322

Allowable Purchases - Central City	\$ 765,273
Allowable Purchases - Taylor County WD	+ 1,322
Total Allowable Water Purchases	\$ 766,595
Less: Actual Test-period Expense	- 854,129
Pro Forma Adjustment	\$ (87,534)

**(e) Contractual Services - Engineering:** This adjustment removes capital items that were incorrectly expensed in the test period.

Date	Description	Check. #	
6/30/2010	GRW Engineers Tie-in	23714	\$ (3,477)
12/31/2010	GRW Engineers Tie-in	23902	+ (9,323)
			<u>\$ (12,800)</u>

Total Capital Expenditures

	\$ 30,968
	39,584
	<u>\$ (8,616)</u>

**(f) Insurance:** This expense is being adjusted to reflect the current premiums for various coverages listed below.

Premium Total - Annual  
 Less: Reported Expense  
 Pro Forma Adjustment

**(g) Insurance - Workers Compensation:** Workers Compensation insurance expense is being adjusted to reflect the current premium.

Description	Payroll	per \$100	Premium
Waterworks Operation	\$ 599,161	\$ 3.81	\$ 22,828
Clerical	125,046	\$ 0.27	+ 338
Total Manual Premium	<u>\$ 724,207</u>		\$ 23,166
Inc. Limits			+ 394
Subject Premium			\$ 23,560
Experience Modifier			+ 32,277
Premium Discount		1.37%	- 2,982
Normal Premium			\$ 29,295
Expense Constant			210
Foreign/Domestic Terrorism			+ 142
Estimated Premium			\$ 29,647
Kentucky Special Fund Assessment			+ 1,927
Total Pro Forma Annual Cost			\$ 31,574
Less: Reported Premium			- 31,129
Pro Forma Adjustment			<u>\$ 445</u>

**(h) Miscellaneous:** This adjustment removes capital items that were incorrectly expensed in the test period and expenses that the Commission has historically held should not be borne by the rate payer.

Description	Amount
Flowers	\$ (1,674)
Employee Christmas	(2,390)
GRW Capital	(4,085)
Miscellaneous	+ (8,149)
Pro Forma Adjustment	<u>\$ (16,298)</u>

**(i) Depreciation:** This adjustment reflects a full-year of depreciation for items capitalized in 2010.

Description	Date Acquired	Dep. Exp.	Cost	Life	Depreciation	
					Expense	Adjustment
Meter Installation	12/31/10	\$ 89	\$ 10,737	10	\$ 1,074	\$ 985
United Printer	04/23/10	\$ 242	\$ 1,615	5	\$ 323	\$ 81
3 Laptops	06/02/10	\$ 290	\$ 2,487	5	\$ 497	\$ 207
2008 White Dodge Ram	07/01/10	\$ 1,569	\$ 31,374	10	\$ 3,137	\$ 1,568
Telemetry	08/31/10	\$ 7,070	\$ 169,680	10	\$ 16,968	\$ 9,898
Used Generator	02/16/10	\$ 1,815	\$ 19,800	10	\$ 1,980	\$ 165
Tractor	05/18/10	\$ 753	\$ 11,300	10	\$ 1,130	\$ 377
4 Generators	05/04/10	\$ 6,532	\$ 98,000	10	\$ 9,800	\$ 3,268
Pro Forma Adjustment						<u>\$ 16,549</u>

**(j) Payroll Taxes:** This adjustment applies the payroll tax rate to the normalized salaries and wages expense.

Position Title	FICA
General Manager	3,804
Superintendent	3,589
Asst. Superintendent	3,652
Maintenance	2,529
Meter Reader	3,125
Meter Reader	2,934
Maintenance	1,615
Maintenance	2,438
Maintenance	2,905
Maintenance	2,917
Maintenance	2,898
Meter Reader	3,177
Meter Reader	3,271
Maint. Foreman	3,896
Maintenance	3,085
Mechanic	2,821
Office Manager	2,506
Asst. Office Mgr.	2,154
Clerical	2,084
Clerical	55,400
Pro Forma Payroll Taxes	62,874
Less: Test Period Payroll Taxes	(7,474)
Pro Forma Adjustment	55,400

APPENDIX C  
STAFF REPORT, CASE NO. 2012-00009  
REVENUE REQUIREMENT DETERMINATION

Three Year Average Debt Service			
Bonds	Principal	Interest	Annual Debt Service
2012	\$ 284,000	\$ 142,803	\$ 426,803
2013	\$ 297,000	\$ 132,433	429,433
2014	\$ 311,000	\$ 120,818	431,818
Total			\$ 1,288,054
Divided by: Three Years			÷ 3
Average Debt Service			\$ 429,351

Revenue Requirement from Water Sales			
Debt Service Coverage	\$ 429,351	x 1.2	= \$ 515,221
Add: Pro Forma Operating Exp.			2,440,916
Depreciation			419,090
Taxes Other Than Income			60,142
Total Revenue Requirement			\$ 3,435,369
Less: Other Income & Deductions			12,324
Revenue Requirement - Operations			\$ 3,423,045
Less: Other Operating Revenues			101,829
Revenue Requirement – Water			\$ 3,321,216
Less: Normalized Revenue -- Water			2,959,438
Requested Increase			\$ 361,778
Percentage Increase			12.23%



APPENDIX D  
 STAFF REPORT, CASE NO. 2012-00009  
 STAFF'S RECOMMENDED  
 RATES

<u>Usage Brackets</u>	<u>Rates</u>
<u>5/8 x 3/4 Inch Meter:</u>	
First 2,000	\$ 22.53 Min. Bill
Next 8,000	\$ 7.45 Per 1,000 Gal
Next 10,000	\$ 6.79 Per 1,000 Gal
Next 30,000	\$ 6.14 Per 1,000 Gal
Over 50,000	\$ 5.48 Per 1,000 Gal
<u>1 Inch Meter:</u>	
First 5,000	\$ 44.88 Min. Bill
Next 5,000	\$ 7.45 Per 1,000 Gal
Next 10,000	\$ 6.79 Per 1,000 Gal
Next 30,000	\$ 6.14 Per 1,000 Gal
Over 50,000	\$ 5.48 Per 1,000 Gal
<u>1 1/2 Inch Meter:</u>	
First 11,000	\$ 88.89 Min. Bill
Next 9,000	\$ 6.79 Per 1,000 Gal
Next 30,000	\$ 6.14 Per 1,000 Gal
Over 50,000	\$ 5.48 Per 1,000 Gal
<u>2 Inch Meter:</u>	
First 16,000	\$ 122.82 Min. Bill
Next 4,000	\$ 6.79 Per 1,000 Gal
Next 30,000	\$ 6.14 Per 1,000 Gal
Over 50,000	\$ 5.48 Per 1,000 Gal
<u>3 Inch Meter:</u>	
First 26,000	\$ 186.77 Min. Bill
Next 24,000	\$ 6.14 Per 1,000 Gal
Over 50,000	\$ 5.48 Per 1,000 Gal
<u>4 Inch Meter:</u>	
First 36,000	\$ 248.15 Min. Bill
Next 14,000	\$ 6.14 Per 1,000 Gal
Over 50,000	\$ 5.48 Per 1,000 Gal
Wholesale	\$ 4.35 Per 1,000 Gal

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