



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
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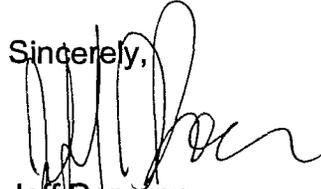
December 18, 2013

Re: Hardin County Water District #1
Case No. 2013-00050

Ladies and Gentlemen:

The enclosed memorandum has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five days of receipt of this letter. Any questions regarding this memorandum should be directed to Ann Ramser, Commission Staff Attorney, at (502) 782-2585.

Sincerely,


Jeff Derouen
Executive Director

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case No. 2013-00050
Hardin County Water District #1

FROM: Ann Ramser
Staff Attorney

DATE: December 18, 2013

RE: Informal Conference of December 16, 2013

Pursuant to the Commission's Order of December 11, 2013, an informal conference was held in Case No. 2013-00050 on December 16, 2013. Attending the conference in person was:

Eddie Beavers	-	Commission Staff
David Foster	-	Commission Staff
Mark Frost	-	Commission Staff
Ann Ramser	-	Commission Staff
Gerald Wuetcher	-	Commission Staff
Jim Bruce	-	Hardin County Water District #1
Scott Schmuck	-	Hardin County Water District #1
David T. Wilson	-	Attorney for Hardin County Water District #1
Jennifer B. Hans	-	Office of Attorney General

A copy of the signed attendance roster is attached. Bart Kreps, Rate Consultant for Hardin County Water District #1 ("HCWD") participated via telephone.

Beginning the conference, Ms. Ramser stated that Commission Staff would prepare minutes of the conference for the case record, that a copy of the minutes would be provided to all parties, and that all parties would be given an opportunity to submit written comments upon those minutes.

HCWD's motion to reschedule the January 21, 2014 hearing was discussed. Ms. Hans indicated that the Office of the Attorney General had no objection to rescheduling the hearing. Dates towards the end of March 2014 were discussed.

Mr. Wilson indicated that HCWD's witnesses would be Bart Kreps, Scott Schmuck, Jim Bruce, Brett Pyles, and Brad Walker. Mr. Wilson indicated that although he had provided direct testimony and provided responses to some questions in the data requests, Mr. Bruce would respond to any potential cross examination on those issues.

Ms. Ramser advised Mr. Wilson that the Commissioners may have some concerns regarding Mr. Wilson's provision of direct testimony and continued representation of HCWD.

Mr. Frost then discussed HCWD salaries and wages. His calculation of salaries and wages was approximately \$67,000 greater than HCWD's calculations. Mr. Frost provided a handout with the comparisons. This handout is attached. Mr. Schmuck and Mr. Kreps indicated they would review the numbers and advise Commission Staff regarding the discrepancies. Mr. Frost asked that the employee benefit, workers compensation, and payroll taxes be separately listed for each employee.

Benefits for HCWD's commissioners were discussed. A commissioner has the option of receiving health insurance coverage, including coverage for dependents, or a flex benefit. The flex benefit increases from \$140 per month to \$172 per month in 2014. The flex benefit can be applied towards a 401K plan or a medical payment plan for medical expenses not covered by insurance such as co-pays and deductibles. Ms. Ramser advised that the commissioners' receipt of the flex benefit might be considered wages. Mr. Wilson indicated that the amount involved was small and HCWD was not concerned if the amount received by the commissioners for flex benefits was disallowed for purposes of establishing rates.

Employees receive health insurance coverage for the employee only. In addition, the employees receive the flex benefit. Prior to the end of 2013, an employee who chose not to receive the health insurance coverage, received a \$234 per month opt-out payment. The opt-out payment will cease effective December 31, 2013.

The overages for the Veolia contract were discussed. The budgeted amount for the various accounts has not been changed since 2006 when the budget was initially set. The budget is not revised each year.

Mr. Bruce indicated that the 2013 overages for electric and repair and maintenance are being revised. HCWD will provide supporting documentation for the overages.

Veolia's Fee Base is also increasing from \$2,056,931 to \$2,108,354. HCWD will provide the board minutes authorizing the increase.

The current rate case expense is \$158,085. HCWD will provide all supporting documentation.

HCWD has provided figures for 2011, 2012, 2013, and 2014. Commission Staff advised that HCWD may provide the 2014 figures but the Commission will likely not consider the 2014 figures. Generally, only known and measurable amounts for the year following the test year are considered for adjusting test year amounts. If HCWD wants to use 2014 figures, they could re-file the application using a forecasted test period.

Mr. Bruce indicated that the Radcliff fund is operating at a loss. Not only has HCWD had a decrease in the number of customers, the remaining customers are using less water. Previously, HCWD allowed an adjustment during the summer for watering the lawn. That adjustment is no longer allowed. Adjustment for water leaks continues to be allowed.

Mr. Bruce handed out a document of proposed adjustments containing 2014 figures and proposed adjustments dated December 12, 2013. The document is attached.

Radcliff is a military city. Fort Knox will lose a brigade in June 2014, but the brigade has recently been stationed away from the base. HCWD does not anticipate a large drop in customers when the brigade permanently leaves Fort Knox.

A proposed ordinance before the Hardin County Fiscal Court involving sewer connections was discussed. Mr. Bruce indicated the ordinance had not passed yet and he believes any increase in customers will be slow.

HCWD has not heard concerns about the proposed rate increase from high volume users of water. The Commission has received a public comment.

Two-thirds of HCWD operating costs is for the Veolia account. Veolia has no incentive to cut costs because HCWD reimburses Veolia for costs incurred. If HCWD intends to renegotiate the Veolia contract, Veolia must receive notice by March 2015. The Veolia contract for Fort Knox is separate from the contract for Radcliff.

HCWD is interested in pursuing settlement discussions. Both HCWD and the AG's office prefer Commission Staff participate in the negotiations. Mr. Wuetcher indicated that Commission Staff would seek guidance from senior management regarding the level of participation by Commission Staff.

Commission Staff will contact the parties to schedule another informal conference towards the end of January 2014.

The conference then adjourned.

Attachments:

Attendance roster

Comparison of salaries and wages as calculated by HCWD and Commission Staff

HCWD proposed adjustments dated December 12, 2013

cc: Parties of Record

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HARDIN COUNTY WATER) CASE NO.
DISTRICT NO. 1 TO ADJUST ITS RATES FOR) 2013-00050
SEWER SERVICE)

Please sign in:

NAME

REPRESENTING

Ann Ramsey

PSC

Mark Ewert

PSC

JIM BRUCE

HCWD1

Eddie Beavers

PSC

David M. Foster

PSC

DAVID T WILSON

HCWD #1

SCOTT SCAMUCK

HCWD #1

JENNIFER BLACK HANS

OPG

Gerald Wetcher

PSC Staff

Case No: 2013-00050
 Utility: Hardin County Water District - Racliff Sewer
 Workpaper: Pro Foma Salaries and Wages
 Account:

	Application; Exh E; Sch 7			Staff Data Request 4, Item 1			Differences		
	Test Year	Adjustment	Pro Forma	Test Year	Adjustment	Pro Forma	Test Year	Adjustment	Pro Forma
Collection System	91,059	3,145	94,204	118,458	3,443	121,901	27,399	298	27,697
Customer Service	151,356	4,014	155,370	147,912	1,174	149,086	(3,444)	(2,840)	(6,284)
Administrative	102,927	12,227	115,154	150,486	10,894	161,380	47,559	(1,333)	46,226
	<u>345,342</u>	<u>19,386</u>	<u>364,728</u>	<u>416,856</u>	<u>15,511</u>	<u>432,367</u>	<u>71,514</u>	<u>(3,875)</u>	<u>67,639</u>
Administrative Staff				129,787	9,339	139,126			
Commissioners				20,699	1,555	22,254			
Total				<u>150,486</u>	<u>10,894</u>	<u>161,380</u>			

Radcliff Sewer Rate Case – 2013-00050
 HCWD1 Proposed Adjustments – Known & Measurable or Pending Amounts
 Provided by: Jim Bruce, HCWD1 (December 12, 2013)

Adjustment Item	2013 Rate Year (As filed with PSC)	Revised Rate Basis	Proposed Adjustment	Comments
Veolia Fee Base Fee	\$2,056,931	\$2,108,354	+ \$51,423	Approved at 11/08/13 Brd Mtg – New fee effective 1-January-2014
Veolia Limit Overages (both R&M and Electric limit accounts)	\$125,000	\$159,864	+ \$34,864	Est Limit Overages based on 2010 thru 2013
Adjustment to 2013 correct amounts	\$19,387	\$20,263	+ \$876	Correction for Wage/Benefit Adjust
Rate Case Preparation Amortized Cost	\$20,000	\$31,617	\$11,617	Based on updated Est Costs
Adjust for 2014 salary increases ¹	N/A	\$ 11,770	\$11,770	For 2014 wage adjustments
Health Insurance Allocated to Radcliff (2014) ²	N/A	(\$14,351)	(\$14,351)	Aetna rates approved at 11/19/13 Brd Mtg (Lower than Anthem rates)
Flex Benefit Allocated to Radcliff (2014) ³	N/A	\$2,995	\$2,995	Approved at 11/19/13 Brd Mtg – Increase Flex Benefit from \$140 to \$172
Business / Liability Insurance	\$25,614	\$25,912	\$298	Premium change from 2012 to 2014 (new premium effective – January-2014)
Deprec Exp for 2014 Capital Items (items not yet approved) ⁴	N/A	\$16,637	\$16,637	2014 Capital Items included in proposed budget
FK Water General and Admin ("G&A") Credit	(\$54,666)	(\$57,326)	(\$2,660)	Adjustment for updating the G&A credit from FK Water
Unknown 2014 Operating Expense Increase ⁵	N/A	???	???	2014 Budget Not Yet Approved by Board – Meeting planned in December
Total Proposed Adjustments (To latest revenue requirements) >			\$113,469	

¹ Board approved 3.5% at 15-October-2013 meeting, amount shown is allocated portion to Radcliff sewer

² Based on new Aetna Assurant policy, effective date 1-December-2013

³ Board approved \$172 Flex Benefit amount at 19-November-2013 meeting

⁴ Items currently proposed for 2014 Budget, not yet approved by Board

⁵ 2014 Budget amounts not yet approved. Board typically approves budget in December

HCWD1 - Radcliff Utility

Schedule 2c

PSC Case

Billing Analysis - Comparison (Board Approved Structure)

From	To	Average Usage	Accounts	Bills	Existing Rates		Proposed Rates		\$ Change	% Change
					Monthly Charge for Average Use					
0	0	0	788	9,456	\$ 17.11	\$ 20.45	\$ 3.34	19.5%		
0	999	500	958	11,497	\$ 17.11	\$ 20.45	\$ 3.34	19.5%		
1,000	1,999	1,500	1,406	16,871	\$ 17.11	\$ 20.45	\$ 3.34	19.5%		
2,000	2,999	2,500	1,431	17,172	\$ 19.90	\$ 23.78	\$ 3.88	19.5%		
3,000	3,999	3,500	1,213	14,560	\$ 25.48	\$ 30.45	\$ 4.97	19.5%		
4,000	4,999	4,500	940	11,274	\$ 31.06	\$ 37.12	\$ 6.06	19.5%		
5,000	5,999	5,500	622	7,468	\$ 36.64	\$ 43.78	\$ 7.14	19.5%		
6,000	6,999	6,500	403	4,840	\$ 42.22	\$ 50.45	\$ 8.23	19.5%		
7,000	7,999	7,500	248	2,976	\$ 47.80	\$ 57.12	\$ 9.32	19.5%		
8,000	8,999	8,500	161	1,927	\$ 53.38	\$ 63.79	\$ 10.41	19.5%		
9,000	9,999	9,500	106	1,272	\$ 58.96	\$ 70.46	\$ 11.50	19.5%		
10,000	10,999	10,500	70	834	\$ 64.54	\$ 77.12	\$ 12.58	19.5%		
11,000	11,999	11,500	47	558	\$ 70.12	\$ 83.79	\$ 13.67	19.5%		
12,000	12,999	12,500	36	435	\$ 75.70	\$ 90.46	\$ 14.76	19.5%		
13,000	13,999	13,500	27	318	\$ 81.28	\$ 97.13	\$ 15.85	19.5%		
14,000	14,999	14,500	23	278	\$ 86.86	\$ 103.80	\$ 16.94	19.5%		
15,000	24,999	20,000	91	1,094	\$ 112.00	\$ 137.14	\$ 25.14	22.4%		
25,000	34,999	30,000	30	357	\$ 156.70	\$ 197.15	\$ 40.45	25.8%		
35,000	44,999	40,000	20	244	\$ 201.40	\$ 257.16	\$ 55.76	27.7%		
45,000	54,999	50,000	13	158	\$ 246.10	\$ 317.17	\$ 71.07	28.9%		
55,000	64,999	60,000	8	100	\$ 290.80	\$ 377.18	\$ 86.38	29.7%		
65,000	74,999	70,000	6	75	\$ 335.50	\$ 437.19	\$ 101.69	30.3%		
75,000	84,999	80,000	3	40	\$ 380.20	\$ 497.20	\$ 117.00	30.8%		
85,000	94,999	90,000	3	33	\$ 424.90	\$ 557.22	\$ 132.32	31.1%		
95,000	104,999	100,000	2	27	\$ 469.60	\$ 617.23	\$ 147.63	31.4%		
105,000	114,999	110,000	2	27	\$ 514.30	\$ 677.24	\$ 162.94	31.7%		
115,000	124,999	120,000	2	23	\$ 559.00	\$ 737.25	\$ 178.25	31.9%		
125,000	134,999	130,000	2	18	\$ 603.70	\$ 797.26	\$ 193.56	32.1%		
135,000	144,999	140,000	2	22	\$ 648.40	\$ 857.27	\$ 208.87	32.2%		
145,000	154,999	150,000	2	20	\$ 693.10	\$ 917.29	\$ 224.19	32.3%		
155,000	164,999	160,000	1	12	\$ 737.80	\$ 977.30	\$ 239.50	32.5%		
165,000	174,999	170,000	1	13	\$ 782.50	\$ 1,037.31	\$ 254.81	32.6%		
175,000	184,999	180,000	1	12	\$ 827.20	\$ 1,097.32	\$ 270.12	32.7%		
185,000	194,999	190,000	1	10	\$ 871.90	\$ 1,157.33	\$ 285.43	32.7%		
195,000	204,999	200,000	0	5	\$ 916.60	\$ 1,217.34	\$ 300.74	32.8%		
205,000	214,999	210,000	1	10	\$ 961.30	\$ 1,277.35	\$ 316.05	32.9%		
215,000	224,999	220,000	0	4	\$ 1,006.00	\$ 1,337.37	\$ 331.37	32.9%		
225,000	234,999	230,000	0	5	\$ 1,050.70	\$ 1,397.38	\$ 346.68	33.0%		
235,000	244,999	240,000	0	5	\$ 1,095.40	\$ 1,457.39	\$ 361.99	33.0%		
245,000	254,999	250,000	0	4	\$ 1,140.10	\$ 1,517.40	\$ 377.30	33.1%		
255,000	264,999	260,000	0	2	\$ 1,184.80	\$ 1,577.41	\$ 392.61	33.1%		
265,000	274,999	270,000	0	4	\$ 1,229.50	\$ 1,637.42	\$ 407.92	33.2%		
275,000	284,999	280,000	1	8	\$ 1,274.20	\$ 1,697.44	\$ 423.24	33.2%		
285,000	294,999	290,000	0	5	\$ 1,318.90	\$ 1,757.45	\$ 438.55	33.3%		
295,000	304,999	300,000	0	5	\$ 1,363.60	\$ 1,817.46	\$ 453.86	33.3%		
305,000	314,999	310,000	1	7	\$ 1,408.30	\$ 1,877.47	\$ 469.17	33.3%		
315,000	324,999	320,000	0	3	\$ 1,453.00	\$ 1,937.48	\$ 484.48	33.3%		
325,000	334,999	330,000	1	7	\$ 1,497.70	\$ 1,997.49	\$ 499.79	33.4%		
335,000	344,999	340,000	0	4	\$ 1,542.40	\$ 2,057.50	\$ 515.10	33.4%		
345,000	354,999	350,000	0	0	\$ 1,587.10	\$ 2,117.52	\$ 530.42	33.4%		
355,000	374,999	365,000	0	4	\$ 1,654.15	\$ 2,207.53	\$ 553.38	33.5%		
375,000	384,999	380,000	0	2	\$ 1,721.20	\$ 2,297.55	\$ 576.35	33.5%		
385,000	404,999	395,000	0	3	\$ 1,788.25	\$ 2,387.57	\$ 599.32	33.5%		
405,000	424,999	415,000	0	1	\$ 1,877.65	\$ 2,507.59	\$ 629.94	33.5%		
425,000	464,999	445,000	0	5	\$ 2,011.75	\$ 2,687.63	\$ 675.88	33.6%		
465,000	624,999	545,000	1	13	\$ 2,458.75	\$ 3,287.74	\$ 828.99	33.7%		
625,000	654,999	640,000	0	2	\$ 2,883.40	\$ 3,857.85	\$ 974.45	33.8%		
655,000	714,999	685,000	1	8	\$ 3,084.55	\$ 4,127.90	\$ 1,043.35	33.8%		
715,000	844,999	780,000	2	22	\$ 3,509.20	\$ 4,698.01	\$ 1,188.81	33.9%		
845,000	900,000	845,000	0	0	\$ 3,922.68	\$ 5,253.12	\$ 1,330.44	33.9%		

CUSTOMER IMPACTS AFTER ADDING LATEST ADJ (+113,469)

8,680 104,159

Hardin County Water District No. 1 Radcliff Sewer Fund
 Detail Comparative Income Statements
 For the 11 Months Ended Saturday, November 30, 2013

MONTH END INCOME STATEMENT

	November	November Budget	November Previous Year	2013	2013 Budget	2012
OPERATING REVENUE						
Residential Sales	\$209,786.77	\$236,791.13	\$216,527.19	\$2,377,063.26	\$2,710,708.54	\$2,478,733.48
Commercial Sales	34,388.64	36,830.68	33,742.75	391,909.75	431,167.70	395,012.54
Multi-Family Sales	18,060.09	22,332.70	20,587.13	207,980.28	246,144.28	226,905.17
High Strength Surcharge		223.98	334.38	796.10	500.00	746.48
Discharge Permit Fees		48.55	27.78	55.48	1,451.45	830.58
Bad Debt Recovered	620.38	462.26	385.13	6,820.38	8,206.27	6,837.09
Penalties, Services Fees and Reimbursements	12,410.33	15,131.90	15,485.90	165,365.71	155,335.55	160,329.83
Total Operating Revenues	275,266.21	311,821.20	287,090.26	3,149,990.96	3,553,507.79	3,269,395.17
OPERATING EXPENSES						
Collection System Labor	10,122.60	9,492.04	6,860.68	99,021.43	113,269.21	81,868.99
Customer Service Labor	13,256.64	12,766.94	11,982.18	144,697.54	145,914.74	136,945.67
Administration Labor	12,845.87	5,346.47	3,519.92	103,626.10	148,073.24	97,485.91
Professional Services-Accounting	573.34	614.15	614.17	5,986.74	6,755.85	6,756.03
Professional Services-Legal	520.48	713.07	390.16	5,709.76	7,843.77	4,291.76
Information Technology Expense	1,346.09	1,000.10	1,237.09	13,733.35	10,896.35	13,478.41
Management Fee - Veolia	209,545.89	181,827.58	185,766.57	1,975,223.46	2,000,103.42	1,945,612.95
Contractual Services	8,878.38	8,418.99	7,934.11	88,102.59	92,275.63	87,178.36
Insurance Expense	2,134.49	2,133.33	2,515.85	23,479.39	23,466.67	26,715.10
Transportation Fuel & Repairs	138.14	155.00	159.01	1,959.69	1,786.50	1,832.75
Utility Regulatory Expense	534.91	519.88	513.45	5,755.25	5,680.12	5,298.86
Office Supplies	381.69	624.66	609.93	7,236.95	7,307.65	7,150.76
Utilities	969.83	994.93	969.42	11,189.71	10,860.50	10,582.25
Bad Debt Expense	4,632.33	2,584.83	2,807.36	39,216.86	31,777.22	34,512.95
Agency Collection Expense	148.49	71.29	64.12	3,619.69	2,978.70	2,679.18
Advertising Expense						42.23
Rent Expense	187.50	187.50	187.50	2,437.50	2,062.50	2,062.50
Travel & Lodging	625.63	657.24	633.98	5,802.46	2,661.95	2,567.74
Certification & Training	38.00			1,297.61	1,400.00	1,707.80
Education & Conferences		128.07	72.33	2,021.67	3,082.30	1,740.77
Routine Maintenance Service	130.18	174.33	167.31	1,291.45	1,681.58	1,613.84
Miscellaneous Customer Expense	15.02	48.12	55.81	710.05	697.16	808.60
Miscellaneous Expense		41.67	4,272.22	255.47	458.33	4,343.07
Customer Deposit Interest Expense	10.95	39.89	35.76	226.55	765.34	686.16
Allocated FK Water G&A Expense	(4,397.00)	(4,555.50)	(8,029.90)	(49,793.50)	(50,110.50)	(80,299.00)
Total Operating Expenses	262,639.45	223,984.58	223,339.03	2,492,807.77	2,571,688.23	2,397,663.64
Operating Income Before Depreciation	12,626.76	87,836.62	63,751.23	657,183.19	981,819.56	871,731.53
Less Depreciation & Amortization	90,208.27	87,197.20	82,904.29	946,821.48	944,594.40	898,183.90
Operating Income	(77,581.51)	639.42	(19,153.06)	(289,638.29)	37,225.16	(26,452.37)
Non Operating Income/(Expense)						
Interest & Dividend Income	958.84	1,326.68	1,624.57	13,195.81	18,413.57	22,548.10
Gain/(Loss) on Assets			(166.61)	(49,691.07)		(63,448.04)
Interest Expense	(6,114.17)	(6,241.72)	(7,086.45)	(69,770.46)	(70,606.58)	(80,214.25)
Income Before Capital Contributions	(82,736.84)	(4,275.62)	(24,781.55)	(395,904.01)	(14,967.85)	(147,566.56)
Capital Contributions						
Misc Revenue - Grant			2,113.05			125,519.10
Misc Revenue - Grant - Pump Stations	134,607.94	100,000.00	34,169.39	270,567.80	1,100,000.00	119,197.40
Misc Revenue - Grant - SI	1,067.00	100,000.00	100,259.99	155,766.82	1,100,000.00	369,910.14
Tap Fees	300.00	312.50		750.00	3,437.50	3,000.00
Capital Contributions						1,873.20
Change In Net Assets	53,238.10	196,036.88	111,760.88	31,180.61	2,188,469.65	471,933.28

LOSS INCREASE
+ 305%

LOSS INCREASE
x 4.95

HARDIN COUNTY WATER DISTRICT NO. 1
As of November 30, 2013

*"FLASH REPORT"
(All FUNDS + CONSOLIDATED)*

YEAR to DATE

	<u>WATER FUND</u>	<u>FT. KNOX SEWER</u>	<u>FT. KNOX STORMWATER</u>	<u>RADCLIFF SEWER</u>	<u>FT. KNOX WATER</u>	<u>TOTAL</u>	<u>WATER FUND</u>	<u>FT. KNOX SEWER</u>	<u>FT. KNOX STORMWATER</u>	<u>RADCLIFF SEWER</u>	<u>FT. KNOX WATER</u>	<u>TOTAL</u>
Total Operating Revenue	317,121.67	240,467.12	45,867.00	275,266.21	343,210.23	1,221,932.23	3,639,018.02	2,710,045.37	481,054.33	3,149,990.96	3,805,244.65	13,785,353.33
Total Operating Expenses	198,881.43	176,771.50	28,420.91	262,639.45	226,158.30	890,871.59	1,992,029.67	1,716,119.85	274,091.60	2,492,807.77	2,472,015.74	8,947,064.63
Less Depreciation & Amortization	83,164.40	59,824.16	8,543.89	90,208.27	31,048.88	270,789.60	912,175.30	642,225.61	56,610.81	946,821.48	361,970.34	2,919,803.54
Operating Income	35,075.84	3,871.46	12,902.20	(77,581.51)	86,003.05	60,271.04	734,813.05	351,699.91	150,351.92	(269,638.29)	971,258.57	1,918,485.16
Interest Income	728.26	1,234.17	208.62	958.84	2,723.28	5,853.17	8,937.55	14,546.10	2,795.14	13,195.81	26,160.31	65,634.91
Interest Expense	(21,878.95)	(82.06)	-	(6,114.17)	-	(28,075.18)	(252,979.13)	(940.65)	-	(69,770.46)	-	(323,690.24)
Net Unrealized Gain (Loss)	-	-	-	-	-	-	-	-	-	-	-	-
Gain/(Loss) on Investments	-	-	-	-	-	-	-	-	-	-	-	-
Gain/(Loss) on Assets	-	-	-	-	-	-	(16,604.04)	(6,710.44)	-	(49,691.07)	(6,767.40)	(79,772.95)
Non-utility income	-	-	-	-	-	-	-	-	-	-	-	-
Inter-Departmental Transfer	-	-	-	-	-	-	42,028.01	-	-	-	(42,026.01)	-
Income Before Contributed Capital	13,925.15	5,023.57	13,110.82	(82,736.84)	88,726.33	38,049.03	516,193.44	358,594.92	153,147.06	(395,904.01)	948,625.47	1,580,656.88
Government Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Misc Grants	-	-	-	-	-	-	-	-	-	-	-	-
Misc Grants-HWY 1882	-	-	-	-	-	-	24,625.15	-	-	-	-	24,625.15
Misc Grants-HWY 144	-	-	-	-	-	-	5,429.52	-	-	-	-	5,429.52
Misc Grants Louisville H2O Connector	1,000.00	-	-	-	-	1,000.00	10,500.00	-	-	-	-	10,500.00
Misc Grants Constantine Road	-	-	-	-	-	-	-	-	-	-	-	-
Misc Revenue/Grant/II & I	-	-	-	-	-	-	-	-	-	-	-	-
Misc Revenue/Grant/Pump Stations	-	-	-	134,607.94	-	134,607.94	-	-	270,567.80	-	-	270,567.80
Misc Revenue/Grant/SI	-	-	-	1,067.00	-	1,067.00	-	-	155,766.82	-	-	155,766.82
Tap fees	2,261.50	-	-	300.00	-	2,561.50	20,037.30	-	750.00	-	2,941.00	23,728.30
Capital contributions	-	18,143.56	137,522.73	-	302,664.12	458,330.41	4,825.39	2,275,669.55	2,846,613.10	-	4,711,118.12	9,838,226.16
Change in Net Assets	17,186.65	23,167.13	150,633.55	53,238.10	391,390.45	635,615.88	561,810.80	2,634,264.47	2,999,760.16	31,180.61	5,662,684.59	11,909,500.63
Return on Assets (ROA)							1.58%	1.43%	2.81%	-1.57%	4.56%	1.47%

The contributed capital received this month is as follows: Ft. Knox Sewer, \$18,144, was for Dietz Lift Station, PTB Rehab/Replace, Basins 2 & 7 Improvements FK East End, Pritchard Place Lift Station Improvements and Wilson Range. Ft. Knox Storm Water, \$137,523 was for Godman Airfield Improvements. Ft. Knox Water, \$302,664 was for the ISDC surcharge.

Water: Compared to Last Year, Y-T-D sales change is as follows: Residential down (5.5%), Commercial down (5.7%), Multi-Family down (7.2)% and Wholesale up .74%. Total Revenues Y-T-D are Down (2.3%). Purchased Water is up due to leak on a 8" cast iron line that was repaired on 11/15/13. Maintenance & Repairs is up due to stock issued for service line repairs. Advertising Expense is up due to ads being placed for Engineering Manager position, and the Chemical Bids. Travel & Lodging is up due to three employees attending the Harris User Conference.

Net Income/(Loss) YTD comparison: This Year Compared to Budget YTD = +\$54,765 difference; This Year Compared to Last Year YTD = -\$17,070.

Ft. Knox Sewer: Contractual Services is up due to Smoke Testing being done that is not related to projects.

Radcliff: Compared to Last Year, Y-T-D sales change as follows: Residential down (14.1%), Commercial Sales down (.79%) and Multi-Family is down (8.3%). Total Revenues are down (3.7%). Veolia Mgmt Fee is up due to increased limit overage accrual by \$8,650.

Net Income/(Loss) YTD comparison: This Year Compared to Budget YTD = -\$380,936 difference; This Year YTD Compared to Last Year YTD = -\$248,337.

Ft. Knox Water: Storage Maintenance is up due to Light Bulbs and Heat Tape being installed on Tanks. Booster Station Expense is up due to Paint Supplies & Sandblasting Expenses.

Bad Debt Expense: Compared to last year Y-T-D, Radcliff is up approx 13.6% & Water is up approx 32.3%. Compared to Last Year, Bad Debt Recovered for Water is up approx 10.1% and Radcliff is down approx (.24%).

2012 Test Year to 2013 Projected Actual

(For 12/16/13 PSC Informal Conference)

	<u>2012</u>	<u>2013 YTD</u>	<u>2013 YE</u>	<u>% Change</u>	<u>2014 Budget</u>	<u>Comparing</u>
\$	3,371,082	\$ 2,976,954	\$ 3,247,586	-3.7%	\$ 3,728,100	Sewer Sales Reveues
\$	3,555,337	\$ 3,149,991	\$ 3,436,354	-3.3%	\$ 3,940,414	Total Revenues
\$	498,492	\$ 517,585	\$ 564,638	13.3%	\$ 660,210	Operating Expenses
\$	972,021	\$ 935,479	\$ 1,020,523	5.0%	\$ 1,139,800	Depreciation Expense
\$	2,102,540	1975223	\$ 2,154,789	2.5%	\$ 2,268,400	Contract Operations
\$	(189,386)	\$ (395,904)	\$ (431,895)	128.1%	\$ (127,996)	Net Income
	9,004	8,894	8,894	-1.2%	8,849	Avg # Active Accounts
	4,534	4,357	4,357	-3.9%	4,407	Billed Sewer / Account
	489,915,000	426,254,700	465,005,127	-5.1%	467,938,533	Total Billed Gallons

2014 Budget Line Accounts				Formula =>		#VALUE!
Proposed for Board Review						
ROW#	ACCOUNT	2012 Actual YE	2013 Approved	2013 Sep YTD	2014 Requested	
RADCLIFF SEWER						
Expenses:						
245	4.03.70100	Collection System Labor	\$ 91,059	\$ 125,984	\$ 79,874	\$ 112,765
254	4.03.71000	Routine Maintenance Service	\$ 1,727	\$ 1,800	\$ 1,028	\$ 1,600
268	4.04.90300	Customer Service Labor	\$ 151,356	\$ 181,269	\$ 117,279	\$ 153,987
268	4.04.90301	Miscellaneous Customer Expense	\$ 812	\$ 700	\$ 683	\$ 900
269	4.04.92100	Office Supplies & Expense	\$ 1,151	\$ 1,300	\$ 836	\$ 1,300
270	4.04.92303	Contracted Services	\$ 75,535	\$ 78,900	\$ 54,294	\$ 74,600
273	4.04.93007	Customer Interest Expense	\$ 717	\$ 900	\$ 203	\$ 600
274	4.08.92000	Administrative Labor	\$ 102,927	\$ 158,338	\$ 85,320	\$ 120,310
275	4.08.93004	Utilities	\$ 11,400	\$ 11,700	\$ 9,221	\$ 12,700
276	4.08.92302	Professional Services - Engineering	\$ -	\$ -	\$ -	\$ -
277	4.08.92300	Professional Services - Accounting	\$ 7,370	\$ 7,370	\$ 4,872	\$ 6,600
278	4.08.92301	Professional Services - Legal	\$ 4,559	\$ 8,332	\$ 4,969	\$ 8,573
279	4.08.93000	IT Expense	\$ 14,698	\$ 11,800	\$ 11,112	\$ 14,200
280	4.08.93005	Certification & Training	\$ 1,708	\$ 1,400	\$ 1,280	\$ 1,600
281	4.08.93010	Education & Conferences	\$ 1,751	\$ 3,100	\$ 2,022	\$ 2,200
282	4.08.93002	Promotion/Advertising	\$ 42	\$ -	\$ -	\$ -
284	4.08.90302	Agency Collection Expense	\$ 2,868	\$ 3,300	\$ 3,194	\$ 4,400
285	4.08.90400	Bad Debt Expense	\$ 41,567	\$ 38,300	\$ 29,629	\$ 40,700
286	4.08.70000	Veolia Management Fee	\$ 2,102,540	\$ 2,181,931	\$ 1,593,679	\$ 2,288,400
287	4.08.92100	Office Supplies & Expense	\$ 6,787	\$ 6,600	\$ 5,128	\$ 7,000
288	4.08.92303	Contracted Services	\$ 19,398	\$ 21,600	\$ 18,585	\$ 22,800
289	4.08.93003	Investment expenses	\$ -	\$ -	\$ -	\$ -
290	4.08.92400	Insurance Expenses	\$ 29,231	\$ 25,600	\$ 19,210	\$ 25,900
291	4.08.40800	Regulatory Commission Expense	\$ 5,812	\$ 6,200	\$ 4,885	\$ 6,300
292	4.08.92900	Travel & Lodging	\$ 2,701	\$ 2,800	\$ 5,105	\$ 2,800
293	4.08.92901	Transportation Fuel & Repairs	\$ 1,849	\$ 1,900	\$ 1,874	\$ 2,300
293	4.08.93008	Rents	\$ 2,250	\$ 2,250	\$ 2,021	\$ 3,000
294	4.08.93009	Miscellaneous General Expenses	\$ 7,415	\$ 500	\$ 255	\$ 1,000
297	4.08.40300	Depreciation Expense	\$ 903,181	\$ 954,786	\$ 707,470	\$ 1,087,400
298	4.08.40301	Allocated Depreciation Expense	\$ 68,840	\$ 67,960	\$ 52,457	\$ 72,400
299	4.08.43200	Amortization of Acquisition Expense	\$ 9,100	\$ 9,100	\$ 8,825	\$ 9,100
300	4.08.40804	Amortization of Rate Case Expense	\$ -	\$ -	\$ -	\$ 18,700
303	4.08.42700	Interest on Long Term Debt	\$ 78,770	\$ 68,400	\$ 50,712	\$ 65,700
304	4.08.93008	Remarketing & Other Bond Fees	\$ 5,138	\$ 4,500	\$ 3,485	\$ 4,000
305	4.08.42701	Allocated Interest Expense	\$ 4,882	\$ 5,500	\$ 3,360	\$ 4,100
305	4.08.53600	Allocated FK Water G&A Expenses	\$ (88,329)	\$ (54,866)	\$ (41,000)	\$ (57,326)
TOTAL RADCLIFF SEWER EXPENSE >>		\$ 3,668,944	\$ 3,915,534	\$ 2,837,128	\$ 4,068,410	
Revenues:						
311	4.00.52201	Measured Revenue - Multi Family	\$ 247,883	\$ 268,900	\$ 172,833	\$ 264,700
312	4.00.52202	Measured Revenue - Residential	\$ 2,694,621	\$ 2,948,900	\$ 1,952,572	\$ 2,975,000
313	4.00.52102	Measured Revenue - Commercial	\$ 428,579	\$ 467,800	\$ 322,130	\$ 488,400
318	4.00.53600	Penalties & Misc. Fees	\$ 173,875	\$ 169,900	\$ 135,860	\$ 184,255
320	4.00.53601	Discharge Permit Fees	\$ 858	\$ 1,500	\$ 65	\$ 1,500
321	4.00.53602	Sewer High Strength Surcharge	\$ 748	\$ 500	\$ 788	\$ 1,100
323	4.00.41900	Interest & Dividend Income	\$ 24,123	\$ 19,700	\$ 11,123	\$ 16,159
325	4.00.41700	Gain/Loss on Assets Dispositions	\$ (89,903)	\$ -	\$ (48,200)	\$ -
326	4.00.53604	Non-Utility Income	\$ 1,360	\$ -	\$ 1,608	\$ 2,100
328	4.00.27101	Sewer Tap Fees	\$ 3,000	\$ 3,750	\$ 450	\$ 3,000
330	4.00.27104	Misc. Revenue - Grants - Pump Stations	\$ 122,936	\$ 1,200,000	\$ 128,898	\$ 1,500,000
330	4.00.27105	Misc. Revenue - Grants - St Grant	\$ 391,896	\$ 1,200,000	\$ 153,200	\$ 1,300,000
330	4.00.27106	Misc. Revenue - Grant	\$ 125,519	\$ -	\$ -	\$ -
331	4.00.42100	Bad Debt Recovered	\$ 7,415	\$ 8,900	\$ 5,184	\$ 7,200
SUB TOTAL REV >>		\$ 4,122,909	\$ 8,287,750	\$ 2,836,820	\$ 6,743,414	
NON-OPERATING REVENUES >>		\$ 643,351	\$ 2,403,750	\$ 280,848	\$ 2,803,000	
TOTAL OPERATING REVENUES >>		\$ 3,479,558	\$ 3,884,000	\$ 2,555,972	\$ 3,940,414	
EXPENSES >>		\$ 3,668,944	\$ 3,915,534	\$ 2,837,128	\$ 4,068,410	
OPERATING INCOME >>		\$ (189,386)	\$ (31,534)	\$ (281,157)	\$ (127,996)	
						-3.2%

2014 PROPOSED BUDGET

NET LOSS = \$127,996 = 3.2% OF REVENUES

Hardin County Water District No. 1								
5 Year Financial Forecast - Preliminary Budget - Board Review								
Period: 2014 - 2019								
LINE	ITEM	Approved 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019
RADCLIFF SEWER UTILITY:								
201	OPERATING REVENUES:							
202	(Rate Increase Proposed)	0.0%	0.0%	6.0%	0.0%	0.0%	10.0%	0.0%
203	Interest on investments	\$ 19,700	\$ 16,159	\$ 11,800	\$ 13,500	\$ 14,600	\$ 15,500	\$ 16,800
204	Sewer Sales:	\$ 3,683,500	\$ 3,728,100	\$ 3,969,786	\$ 3,999,559	\$ 4,029,556	\$ 4,463,728	\$ 4,497,206
205	Residential	\$ 2,946,800	\$ 2,975,000	\$ 3,153,500	\$ 3,177,151	\$ 3,200,980	\$ 3,545,876	\$ 3,572,470
206	Multi-Family	\$ 268,900	\$ 264,700	\$ 280,582	\$ 282,686	\$ 264,807	\$ 315,494	\$ 317,880
207	Commercial	\$ 467,800	\$ 488,400	\$ 535,704	\$ 539,722	\$ 543,770	\$ 602,359	\$ 606,877
208	Rate Increase Impact	\$ -	\$ -	\$ 223,686	\$ -	\$ -	\$ 400,944	\$ -
209	Other revenues	\$ 180,800	\$ 196,155	\$ 197,626	\$ 199,108	\$ 200,602	\$ 202,106	\$ 203,622
210	TOTAL-OPERATING REVENUES	\$ 3,884,000	\$ 3,940,414	\$ 4,179,212	\$ 4,212,168	\$ 4,244,758	\$ 4,681,335	\$ 4,717,628
211	OPERATING EXPENSES:							
212	- Other Oper Expenses	\$ 668,043	\$ 631,835	\$ 644,472	\$ 657,361	\$ 670,509	\$ 683,919	\$ 697,597
213	- Fixed Charges	\$ 25,600	\$ 25,900	\$ 26,418	\$ 26,946	\$ 27,485	\$ 28,035	\$ 28,596
214	- FKW Allocations (Credit to RaSw)	\$ (54,666)	\$ (57,326)	\$ (57,329)	\$ (57,329)	\$ (24,090)	\$ (21,851)	\$ (21,851)
215	- Depreciation	\$ 1,022,726	\$ 1,139,800	\$ 1,232,014	\$ 1,250,835	\$ 1,270,062	\$ 1,289,789	\$ 1,310,135
216	- Contract Operations	\$ 2,181,931	\$ 2,268,400	\$ 2,325,110	\$ 2,383,238	\$ 2,442,819	\$ 2,503,889	\$ 2,566,486
217	- Debt Service Interest	\$ 71,900	\$ 59,800	\$ 45,536	\$ 34,011	\$ 22,043	\$ 9,616	\$ -
218	- New Debt Service Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
219	Year End Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
220	Large Repair Proj / Requested Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
221	TOTAL-OPERATING EXPENSES	\$ 3,915,534	\$ 4,068,410	\$ 4,216,221	\$ 4,295,062	\$ 4,408,828	\$ 4,493,398	\$ 4,580,964
222	NET OPERATING INCOME (LOSS)	\$ (31,534)	\$ (127,996)	\$ (37,009)	\$ (82,894)	\$ (164,070)	\$ 187,937	\$ 136,664
223	Income Margin (Income to Revenues)	-0.81%	-3.25%	-0.89%	-1.97%	-3.87%	4.01%	2.90%
224	Rate Adj Req'd ->			1.0%	2.1%	4.1%		
225	Operating Ratio ->	100.8	103.2	100.9	102.0	103.9	96.0	97.1
226	SOURCE OF FUNDS:							
227	Net Operating Income (Loss)	\$ (31,534)	\$ (127,996)	\$ (37,009)	\$ (82,894)	\$ (164,070)	\$ 187,937	\$ 136,664
228	Depreciation Expense	\$ 1,022,726	\$ 1,139,800	\$ 1,232,014	\$ 1,250,835	\$ 1,270,062	\$ 1,289,789	\$ 1,310,135
229	Other Non-Cash Amortized Costs	\$ 9,100	\$ 27,800	\$ 41,100	\$ 41,100	\$ 41,100	\$ 22,433	\$ 9,100
230	Tap Fees	\$ 3,750	\$ 3,000	\$ 4,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
231	Use of Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
232	New Bond / Loan Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
233	Grant Proceeds	\$ 2,400,000	\$ 2,860,400	\$ -	\$ -	\$ -	\$ -	\$ -
234	Year-end cash adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
235	TOTAL-SOURCES	\$ 3,404,042	\$ 3,903,005	\$ 1,240,606	\$ 1,216,541	\$ 1,154,592	\$ 1,507,659	\$ 1,463,400
236	USE OF FUNDS:							
237	General Plant	\$ 111,167	\$ 38,389	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
238	Treatment	\$ 66,300	\$ 46,500	\$ 50,000	\$ 62,500	\$ 78,125	\$ 97,656	\$ 122,070
239	Collection System	\$ 3,170,345	\$ 2,937,597	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
240	Capitalized HCWD1 Salaries	\$ 60,440	\$ 51,322	\$ 52,348	\$ 53,395	\$ 54,463	\$ 55,553	\$ 56,664
241	Capital Improvements (Total):	\$ 3,408,252	\$ 3,073,808	\$ 627,348	\$ 640,895	\$ 657,588	\$ 678,209	\$ 703,734
242	Bond Principal Payments	\$ 278,656	\$ 289,346	\$ 300,445	\$ 311,971	\$ 323,938	\$ 336,365	\$ -
243	ST Loan Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
244	TOTAL-USES	\$ 3,686,908	\$ 3,363,154	\$ 927,794	\$ 952,866	\$ 981,526	\$ 1,014,574	\$ 703,734
245	WORKING CAPITAL SUMMARY:							
246	Beginning Balance-Working Capital	\$ 2,954,024	\$ 2,671,158	\$ 3,211,009	\$ 3,523,821	\$ 3,787,495	\$ 3,960,561	\$ 4,453,646
247	Increase <Decrease>	\$ (282,866)	\$ 539,851	\$ 312,812	\$ 263,675	\$ 173,065	\$ 493,086	\$ 759,666
248	% Cash Incr of Total Revenues	-7.3%	13.7%	7.5%	6.3%	4.1%	10.5%	16.1%
249	Ending Balance-Working Capital	\$ 2,671,158	\$ 3,211,009	\$ 3,523,821	\$ 3,787,495	\$ 3,960,561	\$ 4,453,646	\$ 5,213,312
250	Desired Balance (4 Mos O&M + Debt)	\$ 1,043,580	\$ 1,052,751	\$ 1,070,372	\$ 1,093,982	\$ 1,129,129	\$ 1,160,788	\$ 1,076,370
251	Over <Under>	\$ 1,627,578	\$ 2,158,258	\$ 2,453,449	\$ 2,693,513	\$ 2,831,431	\$ 3,292,858	\$ 4,136,942

10% RATE INCR IN 2018

2014 BUDGET 5-YEAR PROJ.

ALL NEGATIVE INCOME - AFTER 2014 RATE INCREASE