

ELKHORN WATER DISTRICT

7165 U.S. 127 North
Frankfort, Kentucky 40601

Michael Dudgeon,
Chairman

(502) 695-4431

April 24, 2018

RECEIVED

APR 30 2018

Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

re: Alternate Rate Filing

**PUBLIC SERVICE
COMMISSION**

To the COMMISSION:

The Elkhorn Water District of Franklin County, Kentucky, respectfully requests that the COMMISSION allow us to make an adjustment in our rates in accordance with 807 KAR 5:076, Alternate Rate Adjustment Procedure.

The following documents are enclosed:

Application for Rate Adjustment

Notice to Customers

Reasons for Application

Current and Proposed Rates

Revenue Requirements Calculations

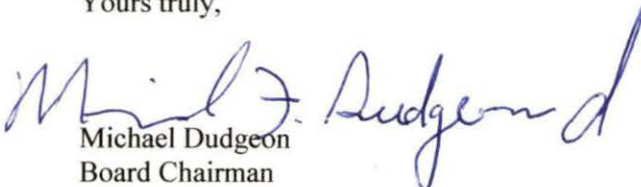
Depreciation Schedules

Outstanding Debt Instruments

Related Party Transactions

If you have any questions, please contact Warner Broughman at (859) 271-1778 or wabiii@prodigy.net, as he is handling this matter.

Yours truly,


Michael Dudgeon
Board Chairman

MD:pac

cc: Warner Broughman, III, Engineer
Office of the Attorney General

Enclosures

SUBMIT ORIGINAL AND FIVE ADDITIONAL COPIES, UNLESS FILING ELECTRONICALLY

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

RECEIVED

APR 30 2018

PUBLIC SERVICE
COMMISSION

ELKHORN WATER DISTRICT

(Name of Utility)

P.O. BOX 67

(Business Mailing Address - Number and Street, or P.O. Box)

FRANKFORT, KY 40602

(Business Mailing Address - City, State, and Zip)

502-695-4431

(Telephone Number)

BASIC INFORMATION

NAME, TITLE, ADDRESS, TELEPHONE NUMBER and E-MAIL ADDRESS of the person to whom correspondence or communications concerning this application should be directed:

WARNER BROUGHMAN

(Name)

3161 CUSTER DR STE 6

(Address - Number and Street or P.O. Box)

LEXINGTON, KY 40517

(Address - City, State, Zip)

859-271-1778

(Telephone Number)

wabiii@prodigy.net

(Email Address)

(For each statement below, the Applicant should check either "YES", "NO", or
"NOT APPLICABLE" (N/A))

- | | YES | NO | N/A |
|---|-------------------------------------|-------------------------------------|-----|
| 1. a. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| b. Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| 2. a. Applicant has filed an annual report with the Public Service Commission for the past year. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| b. Applicant has filed an annual report with the Public Service Commission for the two previous years. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| 3. Applicant's records are kept separate from other commonly-owned enterprises. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |

YES NO N/A

4. a. Applicant is a corporation that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- b. Applicant is a limited liability company that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- c. Applicant is a limited partnership that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- d. Applicant is a sole proprietorship or partnership.
- e. Applicant is a water district organized pursuant to KRS Chapter 74.
- f. Applicant is a water association organized pursuant to KRS Chapter 273.
5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.
- b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov.
6. a. Applicant has 20 or fewer customers and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
- b. Applicant has more than 20 customers and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
- c. Applicant has more than 20 customers and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." **(Attach completed "Reasons for Application" Attachment.)**

YES NO N/A

8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" Attachment.)**
9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, 2017.
10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." **(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)**
11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ 10,881 and total revenues from service rates of \$316,549. The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. **(Attach a completed "Revenue Requirement Calculation" Attachment.)**
12. As of the **date of the filing of this application**, Applicant had 580 customers.
13. A billing analysis of Applicant's current and proposed rates is attached to this application. **(Attach a completed "Billing Analysis" Attachment.)**
14. Applicant's depreciation schedule of utility plant in service is attached. **(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)**
15. a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.
- b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).
- c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.

YES NO N/A

- 16. a. Applicant is not required to file state and federal tax returns.
- b. Applicant is required to file state and federal tax returns.
- c. Applicant's most recent state and federal tax returns are attached to this Application.
(Attach a copy of returns.)
- 17. Approximately 0% **(Insert dollar amount or percentage of total utility plant)** of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions.
- 18. Applicant has attached a completed Statement of Disclosure of Related Party Transactions for each person who 807 KAR 5:076, §4(h) requires to complete such form.

By submitting this application, the Applicant consents to the procedures set forth in 807 KAR 5:076 and waives any right to place its proposed rates into effect earlier than six months from the date on which the application is accepted by the Public Service Commission for filing.

I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed *M. D. Dudgeon*
Officer of the Company/Authorized Representative
 Title CHAIRMAN
 Date 4/17/2018

COMMONWEALTH OF KENTUCKY
COUNTY OF _____

Before me appeared MICHAEL DUDGEON, who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.

[Signature]
 Notary Public
 My commission expires: April 24, 2021

LIST OF ATTACHMENTS
(Indicate all documents submitted by checking box)

- Customer Notice of Proposed Rate Adjustment
- "Reasons for Application" Attachment
- Current and Proposed Rates" Attachment
- "Statement of Adjusted Operations" Attachment
- "Revenue Requirements Calculation" Attachment
- Attachment Billing Analysis" Attachment
- Depreciation Schedules
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- State Tax Return
- Federal Tax Return
- Statement of Disclosure of Related Party Transactions - ARF Form 3

NOTICE TO THE PUBLIC OF UTILITY RATE CHANGE

Elkhorn Water District

Elkhorn Water District ("Elkhorn") has asked for approval from the Public Service Commission to adjust its rates for water service.

<u>Monthly Rates</u>				
	<u>Prior Rates</u>	<u>New Rates</u>	<u>\$ Change</u>	<u>% Change</u>
<u>5/8 inch x 3/4 Meter</u>				
First 2,000 Gallons (Minimum Bill)	\$15.73	\$16.29	.56	3.6% Increase
Next 3,000 Gallons (per 1,000 gallons)	\$ 6.22	\$ 6.44	.22	3.5% Increase
Next 5,000 Gallons (per 1,000 gallons)	\$ 5.64	\$ 5.84	.20	3.5% Increase
Over 10,000 Gallons (per 1,000 gallons)	\$ 4.41	\$ 4.57	.18	3.5% Increase
<u>1-inch Meter</u>				
5,000 Gallons (min. bill)	<u>\$34.39</u>	<u>\$35.61</u>	<u>\$1.22</u>	<u>3.5% Increase</u>
<u>1-1/2 Meter</u>				
10,000 Gallons (min. bill)	<u>\$62.59</u>	<u>\$64.81</u>	<u>\$2.22</u>	<u>3.5% Increase</u>
<u>Mobil Home Parks</u>				
Southcreek	\$117.98	\$122.18	\$4.20	3.6% Increase
Elkhorn	\$597.74	\$619.02	\$21.26	3.6% Increase
Capital	\$983.13	\$1018.13	\$35.00	3.6% Increase
<u>Emergency Wholesale Rate</u>				
	<u>\$4.41</u>	<u>\$4.57</u>	<u>\$0.16</u>	<u>3.6% Increase</u>

The monthly bill for an average customer using 5,000 gallons of water each month will increase \$1.22 (or 3.5%) from \$34.39 to \$35.61.

A person may examine this application at Elkhorn Water District office located at 7165 U.S. 127 North in Frankfort, Kentucky.

A person may also examine this application at the Public Service Commission, located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m. or on the PSC website at <http://psc.ky.gov>; telephone (502) 564-3940.

EXHIBIT B

REASONS FOR APPLICATION

(In the space below list all reasons why the Applicant requires a rate adjustment. Describe any event or occurrence of significance that may affect the Applicant's present or future financial condition, including but not limited to excessive water line losses, regulatory changes, major repairs, planned construction, and increases in wholesale water costs.)

The Elkhorn water District is desirous of adjusting its rates because the balance sheet shows that the District is loosing money. the Commissioners feel that a small increase in a timely fashion is far better than a large increase that has been postponed for several years.

No single financial event is prompting this increase request. The District has combined its offices with Peaks Mill Water District in the last two years. This has resulted in better billing and collections for the District, making the request smaller than expected only one year ago.

CURRENT AND PROPOSED RATES
(List Applicant's Current and Proposed Rates)

	CURRENT	PROPOSED
First 2,000 gallons	\$15.73 minimum bill	\$16.29
Next 3,000 gallons	6.22	6.44
Next 5,000 gallons	5.64	5.84
Over 10,000 gallons	4.41	4.57
Meter Sizes		
1-inch meter		
5,000 gallons minimum bill	\$34.39	\$35.61
1-1/2 inch meter		
10,000 gallons minimum bill	\$62.59	\$64.81
Mobile Home Parks		
Southcreek		
15,000 gallons minimum bill	\$117.98	\$122.18
Elkhorn		
76,000 gallons minimum bill	\$597.74	\$619.02
Capital		
125,000 gallons minimum bill	\$983.13	\$1,018.13
Emergency Wholesale Rate per 1,000 gallons	\$4.41	\$4.57

SCHEDULE OF ADJUSTED OPERATIONS - WATER UTILITY

TYE 12/31/20

	Test Year	Adjustment	Ref.	Pro Forma
<u>Operating Revenues</u>				
Sales of Water				
Unmetered Water Sales				0.00
Metered Water Sales	305,513.00			305,513.00
Bulk Loading Stations				0.00
Fire Protection Revenue				0.00
Sales for Resale				0.00
Total Sales of Water	305,513.00	0.00		305,513.00
Other Water Revenues				
Forfeited Discounts				0.00
Miscellaneous Service Revenues				0.00
Rents from Water Property				0.00
Other Water Revenues	155.00			155.00
Total Other Water Revenues	155.00	0.00		155.00
Total Operating Revenues	305,668.00	0.00		305,668.00
<u>Operating Expenses</u>				
Operation and Maintenance Expenses				
Salaries and Wages - Employees				0.00
Salaries and Wages - Officers	7,200.00			7,200.00
Employee Pensions and Benefits				0.00
Purchased Water	165,826.00			165,826.00
Purchased Power	7,153.00			7,153.00
Fuel for Power Production				0.00
Chemicals				0.00
Materials and Supplies				0.00
Contractual Services	21,678.00	-11,800.00	1	9,878.00
Water Testing	2,220.00			2,220.00
Rents	64.00			64.00
Transportation Expenses				0.00
Insurance	4,136.00			4,136.00
Regulatory Commission Expenses				0.00
Bad Debt Expense				0.00

Miscellaneous Expenses	76,729.00		2	76,729.00
Total Operation and Maintenance Expenses	285,006.00	-11,800.00		273,206.00
Depreciation Expense	27,804.00			27,804.00
Amortization Expense				0.00
Taxes Other Than Income				0.00
Income Tax Expense				0.00
Total Operating Expenses	<u>312,810.00</u>	<u>-11,800.00</u>		<u>301,010.00</u>
Utility Operating Income	<u>-7,142.00</u>	<u>11,800.00</u>		<u>4,658.00</u>

References

1. Less two previous audits (\$13,000); plus increase for plant operator \$1200
2. Miscellaneous: Advertising, Payroll Taxes, Postage, Maintenance, Office Expenses, Insurance, Utilities & Telephone, & Miscellaneous.

REVENUE REQUIREMENT CALCULATION - DEBT COVERAGE METHOD

(This method is used commonly by non-profits that have long-term debts outstanding.)

Pro forma Operating Expenses	\$301,010.00
Plus: Average Annual Debt Principal and Interest Payments*	12,949.00
Debt Coverage Requirement**	2,590.00
Total Revenue Requirement	<u>316,549.00</u>
Less: Other Operating Revenue	
Non-operating Revenue	
Interest Income	<u>-155.00</u>
Revenue Required from Rates	316,394.00
Less: Revenue from Sales at Present Rates	<u>-305,513.00</u>
Required Revenue Increase	<u><u>\$10,881.00</u></u>

Required Revenue Increase stated as a Percentage of Revenue at Present Rates 3.56%

* This should be a 3 year average calculated using the debt principal and interest payments for the three years following the test year.

** This amount is calculated by multiplying the average annual debt principal and interest payments by the debt service requirement of the utility's lending agency.

21400 Elkhorn Water District 01/01/2017 - 12/31/2017
Accumulated Depreciation (Acct. 108) (Ref Page: 13)

Description	Total
Balance First of Year	\$1,007,438.00
Credit during year	
Accruals Charged to Account 108.1	\$27,804.00
Accruals Charged to Account 108.2	
Accruals Charged to Account 108.3	
Accruals Charged to Other Accounts (specify)	
(specify)	
Salvage Value Recovered on Plant Retired	
Other Credits	
(specify)	
Total Credits	\$27,804.00
Debits during year:	
Book Cost of Plant Retired	
Cost of Removal	
Other Debits	
(specify)	
Total Debits	
Balance at End of Year	\$1,035,242.00

21400 Elkhorn Water District 01/01/2017 - 12/31/2017

Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)

	Balance Beg Yr(c)	Cr-Chg Dep Exp(d)	Other Credits (e)	Charges-Plant Ret(f)	Other Charges (g)	Balance End Yr (h)
Organization (301)						
Franchises (302)						
Land and Land Rights (303)						
Structures and Improvements (304)						
Collecting and Impounding Reservoirs (305)						
Lake, River and Other Intakes (306)						
Wells and Springs (307)						
Infiltration Galleries and Tunnels (308)						
Supply Mains (309)						
Power Generating Equipment (310)						
Pumping Equipment (311)						
Water Treatment Equipment (320)						
Distributions Reservoirs and Standpipes (330)	\$216,765.00	\$7,864.00	\$0.00	\$0.00	\$0.00	\$224,629.00
Transmission and Distribution Mains (331)	\$775,592.00	\$19,940.00	\$0.00	\$0.00	\$0.00	\$795,532.00
Services (333)						
Meters and Meter Installations (334)	\$6,058.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6,058.00
Hydrants (335)						
Backflow Prevention Devices (336)						
Other Plant and Miscellaneous Equipment (339)						
Office Furniture and Equip. (340)	\$9,023.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9,023.00
Transportation Equipment (341)						
Stores Equipment (342)						

21400 Elkhorn Water District 01/01/2017 - 12/31/2017

Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)

	Balance Beg Yr (c)	Cr-Chg Dep Exp (d)	Other Credits (e)	Charges-Plant Ret (f)	Other Charges (g)	Balance End Yr (h)
Tools, Shop and Garage Equip (343)						
Laboratory Equipment (344)						
Power Operated Equipment (345)						
Communication Equipment (346)						
Miscellaneous Equipment (347)						
Other Tangible Plant (348)						
Totals	\$1,007,438.00	\$27,804.00	\$0.00	\$0.00	\$0.00	\$1,035,242.00

Note F - Long-Term Debt

In December 1993 the District issued and sold \$200,000 of USDA Rural Development Bonds for the purpose of extending water service to other customers. The bonds pay interest at 5.25% and mature ratably through the year 2032. The District's annual principle payments are due January 1st of each year. The District paid it's principle and interest requirement for January 1, 2016 at December 31, 2015.

The outstanding amount of the bonds were \$138,200 at December 31, 2016 and \$143,250 at December 31, 2015.

The annual debt service requirements to retire the bonds outstanding at December 31, 2016 for each of the next five years and in remaining five year increments are as follows:

Year Ending	Bond/Note Principle	Bond/Note Interest
2017	5,500	7,254
2018	5,900	6,966
2019	6,300	6,656
2020	6,700	6,326
2021	7,200	5,974
Thereafter	106,600	33,954
Total	<u>\$ 138,200</u>	<u>\$ 67,130</u>

Changes in Long-Term Debt:

December 31, 2016

Description	31-Dec-15	Additions	Repayments	31-Dec-16
Long-term Debt	143,250	-	(5,050)	138,200
Total	<u>\$ 143,250</u>	<u>\$ -</u>	<u>\$ (5,050)</u>	<u>\$ 138,200</u>

December 31, 2015

Description	31-Dec-14	Additions	Repayments	31-Dec-15
Long-Term Debt	152,600	-	(9,350)	\$ 143,250
Total	<u>\$ 152,600</u>	<u>\$ -</u>	<u>\$ (9,350)</u>	<u>\$ 143,250</u>

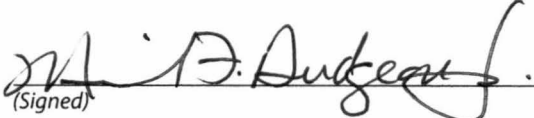
**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Elkhorn Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Michael Dudgeon
(Print Name)


(Signed)

Chairman
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF _____

Subscribed and sworn to before me by Michael Dodgson
(Name)

this 17 day of April, 2018.

[Signature]
NOTARY PUBLIC
State-at-Large

