

MUPB
WATER CONTRACT VARIABLE RATE SCHEDULE PER INTERLOCAL AGREEMENT
CALENDAR YEAR 2012 RATE CALCULATION

1. Cash Operation and Maintenance Expense	(a) Amount x	Percent /	(b) Total Billed Gals (1,000's)	equals	Rate per 1,000 gals.
Water Utility Operating Expense	1,713,212	74%	1,360,359	equals	0.932
General & Admin Expense	702,350	30%	1,360,359	equals	0.155

Total rate per 1,000 gallons to Rowan and Bath Water	1.087
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2. Capital Cost including Part C meter and billing charges

<u>Part A</u>	<u>Rowan</u>	<u>Bath</u>
Fixed Capital Charge per Month to Dec 2021 From Original 1979 Water Contract	3,378.75	1,822.25
Raw Water Intake Capital Charge to Dec 2023	1,370.60	584.13
Sludge Dewatering Project:		
Debt Service for 240 months to Dec 2013	604.93	403.29
Debt Reserve to June 2001 - completed	0.00	0.00
[c] Additional Unfunded Capital Expenditures adjusted annually 17,093.99 divided by 12	35.3671% Rowan 503.80	27.0323% Bath 385.07
<u>Part B</u>		
Fixed Capital Charge per Month-adjusted Jan 2024	17,662.36	13,927.91
Debt Reserve per month - new debt issue to Dec 2013	1,612.93	1,271.90
Total Monthly Capital Cost	25,133.37	18,394.55
<u>Part C</u>		
Monthly Charge (\$10.00 per meter)	70.00	10.00

- (a) Expense amounts taken from the annual audited financial statements
- (b) Water Consumption (billed gallons) furnished by the Morehead Utility Plant Board
- (c) Represents annual depreciation expense amounts for unfunded capital expenditures

December 1, 2011

Robert M Nickell
Morehead Utility Plant Board
135 South Wilson Avenue
Morehead, KY 40351

Dear Mr. Nickell:

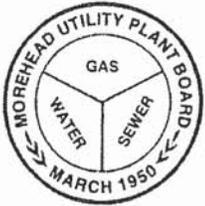
Pursuant to the Interlocal Agreement between The City of Morehead, Morehead Utility Plant Board, Rowan Water Incorporated and Bath County Water District, it has been determined that the wholesale rate for water sold by you to Rowan Water, Inc. and the Bath County Water District in calendar year 2011 shall be as follows:

	Rowan Water Incorporated	Bath County Water District
Monthly Capital Costs	\$ 25,133.37	\$ 18,394.55
Meter and Billing Charges \$ 10.00 per meter	70.00	10.00
Per Thousand Gallons of Water Sold	\$1.087	\$1.087

If I can be of further assistance, please feel free to contact me at any time.

Sincerely,

Timothy S Eldridge
Certified Public Accountant



MOREHEAD UTILITY PLANT BOARD

Serving You Over 50 Years

December 2, 2011

Ms. Sherry Green
Bath County Water
PO Box 369
Salt Lick KY 40371

Re: Water Rates for 2012

Dear Ms. Green:

Attached for your information and review are copies of our accountant's letter and his computation of the cost for water we will furnish to you during calendar year 2012.

Should you have any questions or desire additional information regarding this computation please advise.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. Mike Nickell".

R. Mike Nickell
General Manager

RMN:bh

enclosures

December 1, 2011

Robert M. Nickell
Morehead Utility Plant Board
Morehead, KY 40351

Mike,

Please find attached the final reports for 2012 water rates for Rowan and Bath water which can be forwarded to Rowan and Bath water.

Following are a summary of observations regarding the change in the rates:

- 1 Overall gallons of water billed increased 4%, 53M gallons for the year, compared to about 6M gallon decrease in the prior year. This is a fairly large increase compared to the past several years. Most of this increase was due to Rowan Water's increased consumption of about 54M gallons. Bath Water and MUPB had small variances from the prior year.
- 2 Water department operational expenses increased by \$177,000 or 11.5% for the year.
- 3 Administrative expenses increased overall by \$3,500 (.5%).

Combining these changes resulted in an increase in the per thousand gallon charge for water from \$1.03 per 1,000 gallons to \$1.087 per 1,000 gallons (**5.5%**). The increase in the per 1,000 charge should result in additional combined revenue from both Rowan and Bath water of approximately \$60,000.

If you need any additional information, please contact me at your convenience.

Sincerely,

Timothy S Eldridge, CPA