

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF THE )  
WHITLEY COUNTY WATER DISTRICT )

CASE NO. 2000-001

O R D E R


On January 4, 2000, Whitley County Water District No. 1 ("Whitley County") submitted its application for Commission approval of proposed water rates. The application was considered filed on March 3, 2000, when all deficiencies were cured. Commission Staff ("Staff"), having performed a limited financial review of Whitley County's test period operations, has prepared the attached report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and submit to the Commission any written comments on Staff's findings and recommendations or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have 10 days from the date of this Order to submit written comments regarding the attached Staff Report or to request for a hearing or informal conference. If no request for a hearing or informal conference is received within that period, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 19th day of June, 2000.

ATTEST:

By the Commission

  
Executive Director

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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WHITLEY COUNTY WATER DISTRICT )

CASE NO. 2000-001

STAFF REPORT

Prepared by: Karen S. Harrod, CPA  
Public Utilities Financial Analyst  
Water and Sewer Revenue  
Requirements Branch  
Division of Financial Analysis

Prepared by: Renee Curry  
Public Utilities Rate Analyst  
Communications, Water and  
Sewer Rate Design Branch  
Division of Financial Analysis

STAFF REPORT  
ON  
WHITLEY COUNTY WATER DISTRICT NO. 1  
CASE NO. 2000-001

On January 4, 2000, Whitley County Water District No. 1 ("Whitley County") submitted its application for Commission approval of proposed water rates. The application was considered filed on March 3, 2000, when all deficiencies were cured. In order to evaluate the requested increase, Commission Staff ("Staff") performed a limited financial review of Whitley County's test period operations, the year ended December 31, 1998.

Karen Harrod, Scott Lawless, and Renee Curry, of the Commission's Division of Financial Analysis, began the review on March 2, 1999. Ms. Harrod is responsible for the preparation of this Staff Report except for the determination of normalized operating revenue and Attachments D and E, which were prepared by Ms. Curry.

A comparison of Whitley County's actual and proposed pro-forma operations is shown in Attachment A. Based on Staff's recommendations Whitley County's operating statement and revenue requirement would appear as set forth in Attachments B and C, respectively.

Whitley County's proposed rates would produce an increase in revenues of \$115,872, or 17.2 percent over normalized test year revenues from water sales. Based on Staff's recommended operations and a 1.2 Debt Service Requirement, Staff calculated Whitley County's revenue requirement to be \$792,502. This results in an increase of \$105,127, or 15.6 percent over normalized test year revenues from water sales, as shown in Attachment C.

Current Rate Design. Whitley County's current rate design is a 4-step declining block schedule with usage increments of 1,000 gallons, 4,000 gallons, 95,000 gallons, and over 100,000 gallons. Whitley County also has two non-metered customers that are billed the rate for the average customer usage of 5,000 gallons each month. Whitley County did not propose to make any changes to its current rate design.

Cost of Service Study. Commission Staff prepared a cost of service study for Whitley County and has attached this study as Attachment D. A cost of service study is necessary to allocate expenses to customers in proportion with the cost of providing service.

Staff has used the commodity demand methodology as set out in the American Water Works Association's ("AWWA") Manual M-1 in preparing the cost of service study for Whitley County. This study recognizes that a utility must be prepared for meeting peak demand requirements as well as average water use needs. In other words, a system must be sized to meet the demand of the residential customers who tend to place a larger peak demand on the system than very large customers. The large consumers use water throughout the day and night and generally place a smaller peak demand on the system than residential customers who use water for a few hours each day.

The commodity demand method allocates costs into either commodity, demand or customer functions. Commodity costs are those costs that vary directly with the quantity of water produced such as chemicals, purchased water, and purchased power. Demand costs are associated with providing facilities to meet the peak demands placed on the system. These costs include transmission and distribution costs. Customer costs

are those costs associated with serving the customers regardless of the amount of water used. These costs include meter reading and billing and collection.

Allocation of plant value, shown at Sheet 1, allocates plant value into demand or customer components. No plant value is allocated to commodity since the value does not change with the amount of produced water. Sheet 2 shows allocation of depreciation. Sheet 3 shows the allocation of expenses to the functional cost components. Administrative and general expenses are allocated to the cost components based on the subtotal of all other expenses, excluding commodity costs. Depreciation expense is allocated based on the percentages shown in Sheet 2. Debt Service is based on the allocation of plant value as shown on Sheet 1.

Once operating and maintenance expense has been allocated, all other expenses and income must be allocated to the functional categories. Sheet 4 is the allocation of expenses and other revenue based on Whitley County's revenue requirement (Sheet 3). Sheet 4 shows that \$330,817 should be collected from the commodity category, \$236,087 from the demand category, and \$210,180 from the customer category.

Based upon the aforementioned allocation of expenses, the rates produced (Sheet 5) are \$14.24 for the first 1,000 gallons; \$5.10 per 1,000 gallons for the next 4,000 gallons; \$4.67 per 1,000 gallons for the next 95,000 gallons; and \$4.25 per 1,000 gallons for all usage in excess of 100,000 gallons. Sheet 6 is a verification schedule showing that the rates produced by the cost of service study will in fact produce the correct amount of revenue. Sheet 7 is the comparison of Whitley County's current rates and the cost of service rates. This comparison shows that most of Whitley County's

customers will receive a moderate increase. Attachment E is Staff's recommended rates.

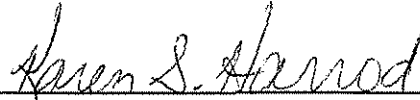
Other Issues. Whitley County's office suffered extensive fire damage in January 1999. As a result, the majority of the records for 1998 were destroyed. Mr. Roger Ayers, CPA prepared an audit for 1998, based on the information he was able to salvage from the remaining records. No opinion was expressed on the financial statements resulting from that audit.

The test year used in this rate application is based on the 1998 audit figures. Staff was not able to verify test year operations due to the unavailability of records. However, based on a review of Mr. Ayers workpapers and the few records that were salvaged, Staff has chosen to rely on the 1998 audit for the test year in this proceeding.

Staff anticipates that the recommended rates will generate sufficient revenues to allow the utility to meet all its cash operating expenses and annual debt service requirements for the next three years. However, because of the unusual circumstances surrounding this case, after a two-year period, a limited review of Whitley County's operations should be performed and necessary adjustments, if any, made to ensure that the utility's rates remain adequate. As part of that review, the utility may be required to file additional information.

Commission Staff recommends that the Commission require Whitley County to notify the Commission in writing if, during this two-year period, and prior to the limited review, the revenues generated by the recommended rates become inadequate to meet its cash operating expenses annual debt services requirements.

Signatures



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Prepared by: Karen S. Harrod, CPA  
Public Utility Financial Analyst  
Water and Sewer Revenue  
Requirements Branch  
Division of Financial Analysis



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Prepared by: Renee Curry  
Public Utilities Rate Analyst  
Communications, Water and  
Sewer Rate Design Branch  
Division of Financial Analysis

ATTACHMENT A  
 STAFF REPORT CASE NO. 2000-001  
 WHITLEY COUNTY WATER DISTRICT NO. 1 - REQUESTED OPERATIONS

	Test Year per Annual Report	Proposed Adjustments	Proposed Test Year
Operating Revenues			
Metered Water Sales	531,840	152,640	684,480
Misc. Service Revenues	16,513	-	16,513
<b>Total Operating Revenues</b>	<b>548,353</b>	<b>152,640</b>	<b>700,993</b>
Operating Expenses			
Purchased Water	292,172	83,419	375,591
Salaries & Wages	116,488	21,623	138,111
Payroll Taxes	9,541	1,562	11,103
Employee Workmen's Comp.	6,142		6,142
Sampling	7,644	1,834	9,478
Insurance	10,762		10,762
Legal & Accounting	279	12,500	12,779
Materials & Supplies	31,167	7,480	38,647
Rents	2,215	532	2,747
Vehicle Expense	10,345	2,483	12,828
Utilities	5,085	1,220	6,305
Miscellaneous	14,089	3,381	17,470
Depreciation Expense	84,446	58,285	142,731
<b>Total Operating Expenses</b>	<b>590,375</b>	<b>194,319</b>	<b>784,694</b>
Utility Operating Income	(42,022)	(41,679)	(83,701)
Interest Income	4,491	-	4,491
<b>Income Available for Debt Service</b>	<b>(37,531)</b>	<b>(41,679)</b>	<b>(79,210)</b>



ATTACHMENT B  
STAFF REPORT CASE NO. 2000-001  
STAFF'S RECOMMENDED OPERATIONS

	Test Year per Audit	Recommended Adjustments	Ref.	Recommended Test Year
Operating Revenues:				
Total Water Sales	531,840	140,118	(A)	671,958
Other Operating Revenues	16,513	(4,049)	(B)	12,464
<b>Total Operating Revenues</b>	<b>548,353</b>	<b>136,069</b>		<b>684,422</b>
Operating Expenses:				
Purchased Water	292,172	38,645	(C)	330,817
Salaries & Wages - Employees	116,488	13,684	(D)	130,172
Payroll Taxes	9,541	1,047	(E)	10,588
Insurance - Workers Comp	6,142	-		6,142
Sampling	7,644	-	(F)	7,644
Insurance - General Liability	10,762	-		10,762
Legal & Accounting	279	12,500	(G)	12,779
Materials & Supplies	31,167	-	(F)	31,167
Rents	2,215	-	(F)	2,215
Vehicle Expense	10,345	-	(F)	10,345
Utilities	5,085	-	(F)	5,085
Miscellaneous Expense	14,089	(11,278)	(F,G)	2,811
Depreciation & Amortization Exp.	84,446	58,275	(H)	142,721
<b>Total Operating Expenses</b>	<b>590,375</b>	<b>112,873</b>		<b>703,248</b>
Operating Income	(42,022)	23,196		(18,826)
Interest Income	4,491	(1,538)	(I)	2,953
<b>Income Available for Debt Service</b>	<b>(37,531)</b>	<b>21,658</b>		<b>(15,873)</b>

ATTACHMENT B  
STAFF REPORT CASE NO. 2000-001  
STAFF'S RECOMMENDED OPERATIONS

(A) Operating Revenues – Water Sales

Because 1998 billing record information was not available, Staff performed its billing analysis using Whitley County's 1997 billing records. Whitley County's 1997 annual report showed annual revenue from water sales in the amount of \$529,654. Staff's billing analysis showed total revenue from water sales for 1997 was \$522,535. Staff then normalized test year revenue for Whitley County for the number of customers at the end of the 1998 test year. For the purposes of this report, Whitley County's normalized revenue from water sales will be \$671,958 ( $\$522,535 + (413 \text{ additional customers} \times 12 \times \$30.15) = \$671,958$ ).

(B) Other Operating Revenues

For the test year Whitley County reported Other Operating Revenues of \$16,513. Based on Staff's review of the trial balance and other audit workpapers, it appears that only \$12,465 of this amount should be classified in this account. Whitley County did collect \$12,465 in miscellaneous operating revenues during the test period. Accordingly, Staff recommends an adjustment be made to decrease test year other operating revenues by \$4,049.

(C) Purchased Water Expense

Whitley County reported test year purchased water expense of \$292,172 which it proposed to increase by \$83,419. Based on normalized usage of 111,577,000 gallons and the current purchased water contracts in effect, Staff recommends an adjustment be made to increase test year expense by \$38,645, calculated as follows:

Normalized Usage	111,577,000 gallons
Adjustment for 15% allowable line loss	<u>          .85</u>

ATTACHMENT B  
STAFF REPORT CASE NO. 2000-001  
STAFF'S RECOMMENDED OPERATIONS

Allowable Purchased Water	131,267,059 gallons		
	%		
<u>Vendor</u>	<u>Allocation*</u>	<u>Gallons</u>	<u>Cost</u>
Jellico Electric & Water Systems (\$3.38 per 1000 gal.)	23.86%	31,325,861	\$105,881
City of Williamsburg (\$2.20 per 1000 gal.)	34.47%	45,253,729	99,558
Cumberland Falls Highway Water District (\$2.44 per 1000 gal.)	27.49%	36,082,038	79,981
City Utilities Commission (\$2.20 per 1000 gal. +\$50 mthly. serv. chg.)	14.17%	<u>18,605,431</u>	<u>45,397</u>
		131,267,059	\$330,817
Less: Test Year Expense			<u>292,172</u>
Recommended Increase			<u>\$ 38,645</u>

\*Based on September 1999 purchased water invoices.

(D) Salaries & Wages

For the test year, Whitley County reported salaries & wages expense of \$116,488. This included employee salaries, commissioner fees, and employee benefits at levels of \$111,096, \$3,600 and \$1,792, respectively. Whitley County proposed to increase test year salary expense by \$21,623 to a level of \$138,111. In calculating its proposed adjustment Whitley County included salary expense of \$6,131 for part-time help which it currently does not employ. It also included Commissioners pay at a rate of \$200 per month or \$7,200. Whitley County's three commissioners are currently paid only \$100 per month, a total of \$3,600. Accordingly, Staff excluded these amounts in the calculation of salaries & wages expense.

Based on the aforementioned adjustments and the current salary levels of Whitley County's employees, Staff calculated salaries & wages expense as follows:

Current Employee Salaries & Wages	\$130,911
Less: Other Part-time Help	6,131
Add: Commissioners Fees	3,600

ATTACHMENT B  
STAFF REPORT CASE NO. 2000-001  
STAFF'S RECOMMENDED OPERATIONS

Employee Benefits	<u>1,792</u>
Recommended Salaries & Wages Expense	\$130,172
Less: Test Year Expense	<u>116,488</u>
Recommended Increase	<u>\$ 13,684</u>

(E) Payroll Taxes

Whitley County reported test year payroll tax expense of \$9,541 which it proposed to increase by \$1,562, based on its proposed increase to test year salary expense. Staff recommends an increase to this expense of \$1,047, based on the recommended increase to salaries and wages expense.

Recommended Salaries & Wages Increase	\$ 13,684
FICA Rate	<u>.0765</u>
Recommended Increase	<u>\$ 1,047</u>

(F) New Customer Expenses

In its application Whitley County proposed an adjustment to increase test year expenses in the following accounts by 24 percent or a total of \$16,930, based on additional costs expected to be incurred as a result of serving additional customers.

<u>Account</u>	<u>Proposed Increase</u>
Sampling	\$ 1,834
Materials & Supplies	7,480
Rents	582
Vehicle Expense	2,483
Utilities	1,220
Miscellaneous Expense	<u>3,381</u>
Total Proposed Increase	<u>\$16,980</u>

The 24 percent increase was calculated based on an increase in revenue of \$132,960 over the test year level of \$548,353. Although a minimal increase in some

ATTACHMENT B  
STAFF REPORT CASE NO. 2000-001  
STAFF'S RECOMMENDED OPERATIONS

expenses is likely to occur, it is Staff's opinion that these expenses will not necessarily increase in direct proportion to an increase in revenues or in customer level. The proposed adjustments do not meet the rate-making criteria of being known and measurable and, therefore have been disallowed in the determination of Whitley County's revenue requirement.

(G) Legal & Accounting Expenses

For the test period Whitley County reported legal and accounting expenses of \$279. Based on Staff's review the \$279 was actually incurred for collection services. In its application Whitley County proposed an adjustment to increase this expense by \$12,500 for accounting services. Due to a change in staffing, Whitley County is now having monthly bookkeeping work performed at a cost of \$750 per month, or \$9,000 annually. The projected cost of an annual audit is \$3,500. Staff concurs with the proposed adjustment to include these accounting costs in proforma operations. Therefore, an adjustment has been made to increase test year expense by \$12,500.

(G) Miscellaneous Expense

Whitley County reported test year miscellaneous expense of \$14,089. Included in this total was \$11,278 for cash shortages. It is Staff's opinion that these cash shortages are not likely to recur and should be excluded from the calculation of Whitley County's revenue requirement. Accordingly, an adjustment has been made to decrease test year miscellaneous expense to a level of \$2,811.

(H) Depreciation & Amortization

For the test year Whitley County reported depreciation and amortization expense of \$84,446. An adjustment was proposed to increase this amount by \$58,285 to allow

ATTACHMENT B  
STAFF REPORT CASE NO. 2000-001  
STAFF'S RECOMMENDED OPERATIONS

for depreciation for additional water lines being constructed. The estimated total project cost is \$2,331,000. The proposed depreciable life of 40 years is reasonable and acceptable for rate-making purposes. Therefore, Staff has included an adjustment to increase test year depreciation and amortization expense by \$58,275 ( $\$2,331,000 \div 40$ ).

(I) Interest Income

Whitley County reported test year interest income of \$4,491. Based on Staff's review, \$1,538 of this interest is restricted to the construction fund. Accordingly, Staff recommends an adjustment be made to decrease test year interest income to a level of \$2,953.

ATTACHMENT C  
STAFF REPORT CASE NO. 2000-001  
CALCULATION OF REVENUE REQUIREMENT

Recommended Operating Expenses	703,248
Average Annual Debt Service	74,378
20 Percent Debt Service Coverage	<u>14,876</u>
 Total Revenue Requirement	 792,502
 Less:	
Normalized Operating Revenues from Water Sales	671,958
Other Operating Revenues	12,464
Interest Income	<u>2,953</u>
 Required Revenue Increase	 <u>105,127</u>
 % Increase over Normalized Operating Revenues from Water Sales	 <u>15.6%</u>

ATTACHMENT D  
STAFF REPORT CASE NO. 2000-001  
COST OF SERVICE STUDY

**ALLOCATION OF PLANT VALUE**

Whitley County Water District

	Total	Commodity	Demand	Customer
Land & Land Rights	\$200		\$200	
Structures & Improvements	44,494		\$44,494	
Collecting & Impounding Reservoirs	183,539		\$183,539	
Wells and Springs	81,298		81,298	
Supply Mains	1,444,322		1,444,322	
Pumping Equipment	40,390		40,390	
Water Treatment Equipment	1,448		1,448	
Transmission & Distribution				
Mains	1,395,873		1,395,873	
Services	685,026			685,026
Meters & Meter Installation	125,537			125,537
<b>Subtotal</b>	<b>\$4,002,127</b>		<b>\$3,191,564</b>	<b>\$810,563</b>
Allocation Percentages	100%		80%	20%
Office Furniture & Equipment	\$27,918		\$22,334	\$5,584
Transportation Equipment	\$26,310		\$21,048	\$5,262
Tools, Shop, & Garage Equip	3,059		2,447	612
Power Operated Equipment	43,072		34,458	8,614
Communication Equipment	4,965		3,972	993
Other Tangible Plant	(1)		(1)	0
<b>Total</b>	<b>\$4,107,450</b>		<b>\$3,275,822</b>	<b>\$831,628</b>
Percentages	100%		80%	20%



ATTACHMENT D  
STAFF REPORT CASE NO. 2000-001  
COST OF SERVICE STUDY

**ALLOCATION OF DEPRECIATION**

Whitley County Water District

	Total	Commodity	Demand	Customer
Structures & Improvements	\$1,060		\$1,060	
Collecting & Impounding Reservoirs	3,527		3,527	
Wells and Springs	2,322		2,322	
Supply Mains	28,791		28,791	
Pumping Equipment	959		959	
Water Treatment Equipment	86		86	
Services	24,191			24,191
Meters & Meter Installations	12,229			12,229
<b>Subtotal</b>	<b>\$73,165</b>		<b>\$36,745</b>	<b>\$36,420</b>
Allocation Percentages	100%		50.22%	49.78%
Office Furniture & Equipment	\$1,831		\$920	\$911
Other Plant & Misc. Equipment	510		256	254
Transportation Equipment	4,667		2,344	2,323
Tools, Shop & Garage Equipment	41		21	20
Power Operated Equipment	4,100		2,059	2,041
<b>Total</b>	<b>\$84,314</b>		<b>\$42,345</b>	<b>\$41,969</b>
Percentages	100%		50.22%	49.78%

**ATTACHMENT D**  
**STAFF REPORT CASE NO. 2000-001**  
**COST OF SERVICE STUDY**

ALLOCATION OF OPERATION AND MAINTENANCE EXPENSES				
Whitley County Water District				
	Total	Commodity	Demand	Customer
<b>Salaries and Wages</b>				
Source of Supply	\$1,970		\$1,970	
Water Treatment-Maintenance	3,087		\$3,087	
Transmission & Distribution	27,779		27,779	
Customer Accounts	59,664			59,664
<b>Payroll Taxes</b>				
Source of Supply	169		169	
Water Treatment-Maintenance	254		254	
Transmission & Distribution	2,319		2,319	
Customer Accounts	4,987			4,987
<b>Insurance - Workers Comp</b>				
Source of Supply	98		98	
Water Treatment-Maintenance	147		147	
Transmission & Distribution	1,345		1,345	
Customer Accounts	2,893			2,893
<b>Insurance-General Liability</b>				
Source of Supply	172		172	
Water Treatment-Maintenance	258		258	
Transmission & Distribution	2,357		2,357	
Customer Accounts	5,069			5,069
<b>Purchased Water</b>	330,817	330,817		
<b>Sampling</b>	7,644			7,644
<b>Materials and Supplies</b>	17,854		17,854	
<b>Materials &amp; Supplies-Postage</b>	4,709			4,709
<b>Subtotal</b>	\$473,592	\$330,817	\$57,809	\$84,966
Less Commodity	(330,817)			
<b>Total</b>	\$142,775		\$57,809	\$84,966
<b>Allocation Percentages</b>	100.00%		40.49%	59.51%
<b>Administrative &amp; General</b>				
Salaries & Wages	37,672		15,253	22,419
Payroll Taxes	2,859		1,158	1,701
Insurance-Workers Comp	1,659		672	987
Insurance-General Liability	2,906		1,177	1,729
Legal & Accounting	12,779		5,174	7,605
<b>Materials &amp; Supplies</b>				
Office Supplies	8,604		3,484	5,120
Rents	2,215		897	1,318
Vehicle Expense	10,345		4,189	6,156
Utilities	5,085		2,059	3,026
Miscellaneous Expense	2,811		1,138	1,673
<b>Subtotal</b>	\$86,935		35,201	51,734
<b>Subtotal</b>	\$560,527	\$330,817	\$93,010	\$136,700
Less:				
Interest Income	(2,953)			(2,953)
Other Operating Revenue	(12,464)			(12,464)
<b>Operating Expenses</b>	\$545,110	\$330,817	\$93,010	\$121,283
Depreciation(1)	\$142,721		\$71,674	\$71,046
Debt Service Coverage(2)	\$89,254		\$71,403	\$17,851
<b>Revenue Required from Rates</b>	\$777,085	\$330,817	\$236,087	\$210,180

(1) Depreciation based on percentages at sheet 2.

(2) Debt Service based on plant value percentages.

ATTACHMENT D  
STAFF REPORT CASE NO. 2000-001  
COST OF SERVICE STUDY

<b>Allocation of Cost of Service</b>
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Whitley County Water District

	Total	Commodity	Demand	Customer
Operation and Maintenance	\$560,527	\$330,817	\$93,010	\$136,700
Depreciation	142,721		71,674	71,046
Debt Service	89,254		71,403	17,851
<b>General Water Service Cost</b>	<b>\$792,502</b>	<b>\$330,817</b>	<b>\$236,087</b>	<b>\$225,597</b>
Less: Interest Income	(2,953)			(2,953)
Less: Other Income	(12,464)			(12,464)
<b>Revenue Required from Rates</b>	<b>\$777,085</b>	<b>\$330,817</b>	<b>\$236,087</b>	<b>\$210,180</b>

ATTACHMENT D  
 STAFF REPORT CASE NO. 2000-001  
 COST OF SERVICE STUDY

**CALCULATION OF WATER RATES**  
 Whitley County Water District

	Total	First 1,000	Next 4,000	Next 95,000	Over 100,000
<b>Actual Water Sales:</b>					
Thousand Gallons	111,577,000	22,492,000	63,516,000	23,971,000	1,598,000
	100.00%	20.16%	56.93%	21.48%	1.43%
<b>Weighted Sales for Demand:</b>					
Thousand Gallons	183,899,990	44,984,000	105,436,560	31,881,430	1,598,000
Percent	100.00%	24.46%	57.33%	17.34%	0.87%
<b>Allocation of Volumetric Costs:</b>					
Commodity	\$330,817	\$66,693	\$188,334	\$71,059	\$4,731
Demand	236,087	57,747	135,349	40,937	2,054
Customer	210,180	210,180			
<b>Total</b>	<b>\$777,084</b>	<b>\$334,620</b>	<b>\$323,683</b>	<b>\$111,996</b>	<b>\$6,785</b>
<b>Number of Bills</b>		23,503			
<b>Proposed Rates</b>		<b>\$14.24</b>	<b>\$5.10</b>	<b>\$4.67</b>	<b>\$4.25</b>

ATTACHMENT D  
STAFF REPORT CASE NO. 2000-001  
COST OF SERVICE STUDY

<b>VERIFICATION OF RATES</b>
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Whitley County Water District

	Bills	Gallons	Rate	Revenue
First 1,000 gallons	23,503	22,492,000	\$14.23	\$334,448
Next 4,000 gallons		63,516,000	5.10	323,932
Next 95,000 gallons		23,971,000	4.67	111,945
Over 100,000 gallons		1,598,000	4.25	6,792
Non-Metered	24		\$34.63	\$831.12
Subtotal				\$777,117
Interest Income				2,953
Other Income				12,464
<b>Total Revenue</b>		111,577,000		\$792,534

Note: First 1,000 gallons reduced \$0.01 to obtain revenue requirement.

ATTACHMENT D  
STAFF REPORT CASE NO. 2000-001  
COST OF SERVICE STUDY

**COMPARISON OF RATES**

Whitley County Water District

Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
1000	\$10.83	\$14.23	\$3.40	31.39%
2000	15.66	19.33	\$3.67	23.44%
3000	20.49	24.43	\$3.94	19.23%
4000	25.32	29.53	\$4.21	16.63%
<b>5000</b>	<b>30.15</b>	<b>34.63</b>	<b>\$4.48</b>	<b>14.86%</b>
6000	34.48	39.30	\$4.82	13.98%
7000	38.81	43.97	\$5.16	13.30%
8000	43.14	48.64	\$5.50	12.75%
9000	47.47	53.31	\$5.84	12.30%
10000	51.80	57.98	\$6.18	11.93%
15000	73.45	81.33	\$7.88	10.73%
20000	95.10	104.68	\$9.58	10.07%
25000	116.75	128.03	\$11.28	9.66%
30000	138.40	151.38	\$12.98	9.38%
35000	160.05	174.73	\$14.68	9.17%
50000	225.00	244.78	\$19.78	8.79%
75000	333.25	361.53	\$28.28	8.49%
100000	441.50	478.28	\$36.78	8.33%
200000	824.50	903.28	\$78.78	9.55%

ATTACHMENT E  
STAFF REPORT CASE NO. 2000-001  
STAFF RECOMMENDED RATES

Whitley County Water District

Monthly Water Rates

First	1,000 gallons	\$14.23	Minimum bill
Next	4,000 gallons	5.10	per 1,000 gallons
Next	95,000 gallons	4.67	per 1,000 gallons
Over	100,000 gallons	4.25	per 1,000 gallons
Non-Metered		\$34.63	per month