

- a. **Normalized Operating Revenue:** Revenue normalization using end-of-period customer level and the current tariffed rate.
- b. **Sludge Hauling:** Current sludge hauling fees and charges have been applied to the amount of sludge removed from the treatment facilities during the test-period.
- c. **Routine Maintenance:** To reflect the increased plant visits required by the Division of Water, the monthly fee has been increased from \$800 to \$900 per month.
- d. **Rent:** Office rent has been increased to reflect the current office rents charged in the general area.
- e. **Main Plant Repairs:** Items viewed as capital expenditures have been removed from test-period operating expenses. The collection line repairs will decrease the I/I problem, and therefore the cost of extra plant visits for storms has been removed. Depreciation of the capital expenditures is included in a separate adjustment.
- f. **Collection Fee:** The fee has been increased to reflect monthly billing by the Louisville Water Company.
- g. **Insurance - Health:** The current cost of health insurance coverage is being reduced by 50 percent to reflect the allocation of these costs to Mr. Helm's other business interests. Because the deductibles/co-payments, are the personal responsibility of Mr. Helm, they are not included in the allocation.
- h. **Telephone:** In Case No. 2001-00252, the Commission determined that 50 percent of the cellular telephone expense should be allocated to Mr. Helm's other business interests. Based upon this prior determination, Cellular telephone expense has been decreased by 50 percent.
- i. **Charitable Contributions:** The Commission previously found that charitable contributions are not a cost incurred in providing utility service and should be borne by the stockholder. Accordingly, these contributions have been removed from operating expenses.
- j. **Testing:** Testing expense has been increased to reflect the current fees.
- k. **Depreciation:** Depreciation increase has been adjusted to reflect: (1) removal of depreciation for plant that will be fully depreciated in 2007; (2) the capital items removed from test-period expenses; (3) a pump replaced post-test period; and (4) the renovations necessary to correct the I/I problems.
- l. **Corporate income Taxes:** Income tax expense is removed because the allowance for this cost is included in the revenue gross-up calculation.
- m. **Interest:** Interest for the proposed 2 year term loan is included in test-period operations.
- n. **Seminars; Memberships; & Subscriptions:** To reflect the Commission's decision in Case No. 2001-00252 that costs of subscriptions are not warranted, they have been removed.