

North Manchester Water Assn  
7362 N. Hwy 421  
Manchester, KY 40962  
606-598-5403

ATT Dennis Jones 2010-00118

Here is a copy of newspaper from  
Manchester Enterprise, 1st one 3-10-2010  
for rate increase. #2 will run on 3-17-2010  
3rd on 3-24-2010 will mail copy of other  
two add on 3-25-2010

Mailed 3-11-2010

*Jimmy Mathis*

**RECEIVED**

MAR 15 2010

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 15 2010

PUBLIC SERVICE  
COMMISSION

In the matter of:

APPLICATION OF NORTH MANCHESTER )  
WATER ASSOCIATION FOR APPROVAL OF )  
INCREASED RATES FOR WATER SERVICE )

CASE NO. 2010-00118

STATEMENT AND NOTICE

North Manchester Water Association ("North Manchester"), by counsel, pursuant to KRS 278.180, KRS 278.190, hereby petitions the Commission for the approval of a proposed increase in the rates and charges. In support of its application, North Manchester respectfully states as follows:

1. North Manchester is a non-profit water association that has been engaged in the distribution and sale of water. It currently provides water service to approximately 1,880 residential and 30 commercial customers in Clay County Kentucky. North Manchester's principal office, place of business, and mailing address is 7362 N. HWY 421, Manchester, Kentucky 40962.

2. The proposed increase in rates and charges is necessary for North Manchester to meet its operating expenses, to maintain financial viability, and to continue to provide adequate service.

3. As authorized by KRS 278.192(1), and for the purpose of justifying the reasonableness of the proposed general increase in rates, North Manchester has

utilized an historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2008.

4. North Manchester's annual reports, including the annual report for 2008, are on file with the Public Service Commission as required by 807 KAR 5:006, Section 3(1).

5. North Manchester hereby gives notice to the Public Service Commission of the adjustments of its rates to those rates set forth in Exhibit No. 1 in the filing requirements. The proposed rates will result in increased annual operating revenues from water sales of \$62,329, an increase of approximately 7.31 percent over normalized revenues from water sales of \$852,870, and increase the average monthly residential bill by \$2.71 or 8.86 percent.

6. The proposed rates (Exhibit No. 1) are shown in comparative form to the current rates on the same sheet, side by side, and identified as Exhibit No. 2 in the filing requirements.

7. North Manchester has complied with 807 KAR 5:011, Section 9,(2) and 807 KAR 5:001, Section 10, (3) and (4), by delivering to newspapers of general circulation in its service area a copy of the Notice identified as Exhibit No. 7 in the filing requirements, for publishing once a week for three consecutive weeks in a prominent manner, the first of said publications has been made within (7) days of the date the Application was filed with the Commission.

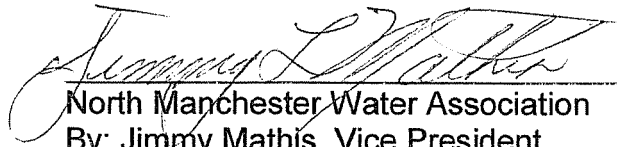
8. A copy of this filing has been mailed to the Utility Intervention and Rate Division of the Attorney General's office of the Commonwealth of Kentucky.

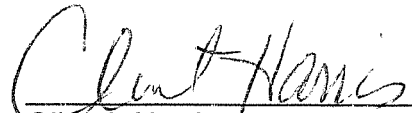
9. As required by 807 KAR 5:001 Section (10), (4), (f), North Manchester will post a copy of its Customer Notice (Exhibit No. 7) at its place of business on the date the Application is filed with the Commission, and it will remain posted until the Public Service Commission has determined North Manchester's rates.

10. The lists of documents filed in support of North Manchester's application for approval of the proposed adjustment of rates or the explanations for their absence is contained in the Filing Requirement Index.

WHEREFORE the Applicant, North Manchester Water Association requests the public Service Commission of Kentucky to find that the proposed rates are fair, just, and reasonable pursuant to KRS 278.030(1).

Dated at 7362 North Highway 421, Manchester, Kentucky this the 12, day of  
March, 2010.

  
\_\_\_\_\_  
North Manchester Water Association  
By; Jimmy Mathis, Vice President

  
\_\_\_\_\_  
Clint J. Harris, Attorney  
21 Bankers Alley  
Manchester, Kentucky 40962  
606-598-1481

## Filing Requirements Checklist

(Applicable Regulation: 807 KAR 5:001, Sections 8 and 10)

KRS 278.180	30 days' notice of rates to Commission (no effective date means no notice given and this is acceptable)	Application at No. 5
807 KAR 5:001:		
Section 8(1)	Full name and post office address of applicant and a reference to the particular provision of law requiring Commission approval.	Application at No. 1
Section 8(2)	The original and 10 copies of the application with an additional copy for any party named therein as an interested party.	The correct number of applications has been filed
Section 10(1)(b)(1)	A statement of the reason the adjustment is required.	Application at No. 2
Section 10(1)(b)(2)	A statement that the utility's annual reports, including the annual report for the most recent calendar year, are on file with the commission in accordance with 807 KAR 5:006, Section 3(1)	Application at No. 4
Section 10(1) (b)(3) and (5)	If the utility is incorporated, a certified copy of the utility's articles of incorporation and all amendments thereto or out of state documents of similar import. If the utility's articles of incorporation and amendments have already been filed with the Commission in a prior proceeding, the application may state this fact making reference to the style and case number of the prior proceeding <u>and</u> a certificate of good standing or certificate of authorization dated within sixty (60) days of the date the application is filed.	Articles of Incorporation were filed with the PSC in Case No. 2008-00025
Section 10(1)(b)(4) and (5)	If applicant is a limited partnership, a certified copy of the limited partnership agreement <u>or</u> if the agreement was filed with the PSC in a prior proceeding, a reference to the style and case number of the prior proceeding <u>and</u> a certificate of good standing or certificate of authorization dated within sixty (60) days of the date the application is filed.	N/A – Applicant is not a limited partnership
Section 10(1)(b)(6)	A certified copy of a certificate of assumed name as required by KRS 365.015 or a statement that such a certificate is not necessary.	N/A – Applicant has never operated under an assumed name
Section 10(1)(b)(7)	The proposed tariff in form complying with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed.	Exhibit No 1
Section 10(1)(b)(8)	Proposed tariff changes shown either by providing present and proposed tariffs in comparative form or indicating additions by italicized inserts or underscoring and striking over deletions in a copy of the current tariff.	Exhibit No. 2

Section 10(1)(b)(9)	Statement that notice given, see subsections (3) and (4) of 807 KAR 5:001, Section 10 with copy.	Application at No. 7 Exhibit No. 7
Section 10(2)	If gross annual revenues exceed \$1,000,000 written notice of intent filed at least four (4) weeks prior to application. Notice shall state whether the application will be supported by historical or a fully forecasted test period.	N/A – Gross annual revenues do not exceed \$1,000,000
Section 10(6)(a)	Complete description and quantified explanation for proposed adjustments with support for changes in price or activity levels, and other factors affecting the adjustment.	Exhibit No. 3
Section 10(6)(b) & (c)	If gross annual revenues exceed \$1,000,000, prepared testimony of each witness who will support the application. If less than \$1,000,000, prepared testimony of each witness who will support application or statement that utility does not plan to submit prepared testimony.	N/A – Annual revenues are less than \$1,000,000. North Manchester does not intend to submit testimony as Commission Staff assisted with the application.
Section 10(6)(d)	Estimate of effect that new rate(s) will have on revenues including, at minimum, total revenues resulting from increase or decrease and percentage of increase or decrease.	Application at No. 6
Section 10(6)(e)	If electric, gas, water or sewer utility effect upon the average bill for each customer classification to which change will apply.	Exhibit No. 6 (cost of service study)
Section 10(6)(f)	If local exchange company, effect upon the average bill for each customer class for change in basic local service.	N/A – Applicant is not a local exchange company
Section 10(6) (g)	Analysis of customers' bills in such detail that revenues from present and proposed rates can be readily determined for each customer class.	Exhibit No. 6
Section 10(6)(h)	Summary of determination of revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.	Exhibit No. 3
Section 10(6)(i)	Reconciliation of rate base and capital used to determine revenue requirements.	N/A – Revenue requirement based on a debt service coverage
Section 10(6)(j)	Current chart of accounts if more detailed than the Uniform System of Accounts.	N/A
Section 10(6)(k)	Independent auditor's annual opinion report, with any written communication from auditor which indicates existence of material weakness in internal controls.	North Manchester requests a waiver from this filing requirement. Annual audits are not routinely conducted.
Section 10(6)(l)	The most recent FERC or FCC audit reports.	N/A – Applicant is a water utility
Section 10(6)(m)	The most recent FERC Form 1 (electric), FERC Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and PSC Form T (telephone).	N/A – Applicant is a water utility

Section 10(6)(n)	Summary of latest depreciation study with schedules by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall provide schedule identifying current and test period depreciation rates used by major plant accounts. If filed in another PSC case refer to that case's number and style.	Exhibit No. 5
Section 10(6)(o)	List of all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with the filing. Include each software, program, or model; what each was used for; its supplier; brief description and specifications for the computer hardware and the operating system required to run the program.	MSWord Excel
Section 10(6)(p)	Prospectuses of most recent stock or bond offerings.	N/A – Water associations do not issue stock
Section 10(6)(q)	Annual report to shareholders, or members, and statistical supplements covering 2 years prior to application filing date.	N/A – Water Associations do have shareholders
Section 10(6)(r)	Monthly managerial reports providing financial results for 12 months in test period.	North Manchester WA requests a waiver from this filing requirement as it does not produce monthly managerial reports on a routine basis, and their production at this time would result in additional expense.
Section 10(6)(s)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued within past 2 years, and Form 10-Qs issued during the past 6 quarters updated as current information becomes available.	N/A – Water Associations do not file with the SEC
Section 10(6)(t)	If utility had any amounts charged or allocated to it by affiliate or general or home office, or paid any monies to affiliate or general or home office during test period or during previous 3 calendar years, file:	N/A – There are no affiliate allocations
	1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each charge allocation or payment;	N/A – There are no affiliate allocations
	2. Explanation of how allocator for the test period was determined; and	N/A – There are no affiliate allocations
	3. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during test period was reasonable;	N/A – There are no affiliate allocations



Section 10(6)(u)	If gas, electric or water utility, whose annual gross revenues exceed \$5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from a single time period.	Applicant does not have gross annual revenues in excess of \$5,000,000: however a cost of service study is included as Exhibit No. 6
Section 10(6)(v)	Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file	N/A – Applicant is not a local exchange carrier
	Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and	N/A – Applicant is not a local exchange carrier
	Service specific cost studies supporting pricing of all services that generate annual revenue greater than \$1,000,000 except local exchange access:	N/A – Applicant is not a local exchange carrier
	Based on current and reliable data from a single time period; and	N/A – Applicant is not a local exchange carrier
	Using generally recognized fully allocated, embedded, or incremental cost principles.	N/A – Applicant is not a local exchange carrier
Section 10(7)(a)	Detailed income statement and balance sheet reflecting impact of all proposed adjustments.	Exhibit No. 3
Section 10(7)(b)	Most recent capital construction budget containing at least period of time as proposed for any pro forma adjustment for plant additions	N/A – Applicant does not have a capital construction budget.  There are no pro forma adjustments for plant additions.
Section 10(7)(c)	For each proposed pro forma adjustment reflecting plant additions the following information:	N/A
	1. Starting date of the construction of each major component of plant;	N/A
	2. Proposed in-service date;	N/A
	3. Total estimated cost of construction at completion;	N/A
	4. Amount contained in construction work in progress at end of test period;	N/A
	5. Complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement;	N/A
	6. Original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions;	N/A

	7. Explanation of any differences in amounts contained in the capital construction budget and amounts of capital construction cost contained in the pro forma adjustment period; and	N/A
	8. Impact on depreciation expense of all proposed pro forma adjustments for plant additions and retirements;	N/A
Section 10(7)(d)	Operating budget for each month of the period encompassing the pro forma adjustments;	Applicant does not maintain a monthly operating budget and requests a waiver from this requirement
Section 10(7)(e)	Number of customers to be added to the test period – end level of customers and the related revenue requirements impact for all pro forma adjustments with complete details and supporting work papers.	No new customers are anticipated to be added by this rate increase
Section 10(3)(a)	Amount of change requested in dollar amounts and percentage for each customer classification to which change will apply.	Exhibits No. 6
Section 10(3)(b)	Present and proposed rates for each customer class to which change would apply.	Exhibit No. 6
Section 10(3)(c)	Electric, gas, water and sewer utilities - effect upon average bill for each customer class to which change will apply.	Effect on the average monthly residential bill is shown on the Application at No. 5 and Exhibit No. 7
Section 10(3)(d)	Local exchange companies include effect upon average bill for each customer class for change in basic local service.	N/A
Section 10(4)	If copy of public notice included, did it meet requirements?	Yes Exhibit No. 7

## Exhibit Index

<u>Exhibit Title</u>	<u>Number</u>
Proposed Rates	1
Comparison of Proposed & Current Rates	2
Pro Forma Financial Statements Pro Forma Adjustment Descriptions Revenue Requirements Determination	3
Billing Analysis	4
Analysis of Depreciation	5
Cost of Service Study	6
Customer Notification	7



## Exhibit No. 2 Comparison of Present and Proposed Rates

FOR \_\_\_\_\_  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

NORTH MANCHESTER WATER ASSOCIATION  
(Name of Utility)

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

### CONTENTS

### Monthly Water Rates

**5/8" x 3/4" Meter**

First	2,000 gallons	\$	<del>15.80</del> minimum bill	\$	18.45 minimum bill
All Over	2,000 gallons	\$	<del>—4.93</del> per 1,000 gallons	\$	4.95 per 1,000 gallons

**1" Meter**

First	5,000 gallons	\$	<del>30.59</del> minimum bill	\$	33.30 minimum bill
All Over	5,000 gallons	\$	<del>—4.93</del> per 1,000 gallons	\$	4.95 per 1,000 gallons

**2" Meter**

First	15,000 gallons	\$	<del>79.89</del> minimum bill	\$	82.80 minimum bill
All Over	15,000 gallons	\$	<del>—4.93</del> per 1,000 gallons	\$	4.95 per 1,000 gallons

**3" Meter**

First	30,000 gallons	\$	<del>153.84</del> minimum bill	\$	157.05 minimum bill
All Over	30,000 gallons	\$	<del>—4.93</del> per 1,000 gallons	\$	4.95 per 1,000 gallons

DATE OF ISSUE \_\_\_\_\_  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_  
Month / Date / Year

ISSUED BY \_\_\_\_\_  
(Signature of Officer)

TITLE \_\_\_\_\_

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

Exhibit No. 3

**PRO FORMA FINANCIAL STATEMENTS**

**PRO FORMA ADJUSTMENT DESCRIPTIONS**

**REVENUE REQUIREMENT DETERMINATION**

**There are no proposed changes to the 2008 Balance Sheet**

**Balance Sheet - Assets and Other Debits (Ref Pg. 7)**

	Previous Year	Current Year
<b>UTILITY PLANT</b>		
Utility Plant (101-106)	\$4,941,277.07	\$4,941,277.07
Less: Accumulated Depreciation and Amortization (108-110)	\$1,386,617.00	\$1,500,004.00
Net Plant	\$3,554,660.07	\$3,441,273.07
Utility Plant Acquisition Adjustments (Net) (114-115)		
Other Utility Plant Adjustments (116)		
Total Net Utility Plant	\$3,554,660.07	\$3,441,273.07
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Nonutility Property (121)		
Less: Accumulated Depreciation and Amortization (122)		
Net Nonutility Property		
Investment in Associated Companies (123)		
Utility and Other Investments (124-125)		
Sinking Funds (126)		
Other Special Funds (127)		
Total Other Property and Investments		
<b>CURRENT AND ACCRUED ASSETS</b>		
Cash (131)	\$37,735.97	\$35,604.61
Special Deposits (132)		
Other Special Deposits (133)		
Working Funds (134)		
Temporary Cash Investments (135)		
Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts (141-144)	\$75,518.25	\$139,002.69
Accounts Receivable from Associated Companies (145)		
Notes Receivable from Associated Companies (146)		
Materials and Supplies (151-153)		
Stores Expense (161)		
Prepayments (162)	\$2,725.00	\$2,975.00
Accrued Interest and Dividends Receivable (171)		
Rents Receivable (172)		
Accrued Utility Revenues (173)		
Misc. Current and Accrued Assets (174)		
Total Current and Accrued Assets	\$115,979.22	\$177,582.30
<b>DEFERRED DEBITS</b>		
Unamortized Debt Discount and Expense (181)		
Extraordinary Property Losses (182)		
Preliminary Survey and Investigation Charges (183)		
Clearing Accounts (184)		
Temporary Facilities (185)		
Misc. Deferred Debits (186)		
Research and Development Expenditure (187)		
Total Deferred Debits		
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$3,670,639.29</b>	<b>\$3,618,855.37</b>

Balance Sheet - Equity Capital and Liabilities (Ref Pg. 9)

	Previous Year	Current Year
<b>EQUITY CAPITAL</b>		
Appropriated Retained Earnings (214)		
Retained Earnings From Income before contributions (215.1)	(\$504,551.94)	(\$596,713.02)
Donated Capital (215.2)	\$2,154,303.74	\$2,168,703.74
<b>Total Equity Capital</b>	<b>\$1,649,751.80</b>	<b>\$1,571,990.72</b>
<b>LONG-TERM DEBT</b>		
Bonds (221)		
Reacquired Bonds (222)		
Advances from Associated Companies (223)		
Other Long-Term Debt (224)	\$1,797,779.80	\$1,767,981.64
<b>Total Long Term Debt</b>	<b>\$1,797,779.80</b>	<b>\$1,767,981.64</b>
<b>CURRENT AND ACCRUED LIABILITIES</b>		
Accounts Payable (231)	\$35,690.43	\$30,769.15
Notes Payable (232)	\$77,504.90	\$129,808.16
Accounts Payable to Associated Co. (233)		
Notes Payable to Associated Co (234)		
Customer Deposits (235)	\$99,400.00	\$103,500.00
Accrued Taxes (236)	\$5,892.18	\$6,652.12
Accrued Interest (237)	\$4,620.18	\$8,153.58
Matured Long-Term Debt (239)		
Matured Interest (240)		
Tax Collections Payable (241)		
Misc. Current and Accrued Liabilities (242)		
<b>Total Current and Accrued Liabilities</b>	<b>\$223,107.69</b>	<b>\$278,883.01</b>
<b>DEFERRED CREDITS</b>		
Unamortized Premium on Debt (251)		
Advances for Construction (252)		
Other Deferred Credits (253)		
<b>Total Deferred Credits</b>		
<b>OPERATING RESERVES</b>		
Accumulated Provision For:		
Property Insurance (261)		
Injuries and Damages (262)		
Pensions and Benefits (263)		
Miscellaneous Operating Reserves (265)		
<b>Total Operating Reserves</b>		
<b>Total Equity Capital and Liabilities</b>	<b>\$3,670,639.29</b>	<b>\$3,618,855.37</b>



## Pro Forma Income Statement

	<u>2008</u>	<u>ADJ.</u>	<u>REF.</u>	<u>ADJUSTED</u>
<b><u>OPERATING REVENUE</u></b>				
Water Sales Revenue	\$726,953	\$125,049	A	\$852,002
Other Revenues	<u>\$868</u>	<u>0</u>		<u>\$868</u>
Total Operating Revenue	\$727,821	\$125,049		\$852,870
<b><u>OPERATING EXPENSES</u></b>				
Salary and Wages	\$162,254	\$5,687	B	\$167,941
Purchased Water	\$265,922	\$4,123	C	\$270,045
Pensions/Benefits	\$0	\$35,284	D	\$35,284
Purchased Power	\$20,294	\$0		\$20,294
Chemicals	\$5,482	\$0		\$5,482
Supplies and Expense	\$36,337	\$0		\$36,337
Accounting Services	\$25,592	(\$300)	E	\$25,292
Equipment Rental	\$2,736	\$0		\$2,736
Transportation Expense	\$22,628	\$0		\$22,628
Transportation Insurance	\$23,541	\$0		\$23,541
Insurance Expense	\$37,250	(\$30,433)	F	\$6,817
Worker's Comp. Insurance	\$8,350	\$0		\$8,350
Regulatory Comm. Fee	\$1,008	\$0		\$1,008
Communication Expense	\$8,387	\$0		\$8,387
Payroll Taxes	\$12,329	\$1,912	G	\$14,241
Miscellaneous Expense	<u>\$5,653</u>	<u>(\$1,617)</u>	H	<u>\$4,036</u>
Operating Expenses	\$637,763	\$14,656		\$652,419
Depreciation Expense	<u>\$113,387</u>	<u>\$0</u>		<u>\$113,387</u>
TOTAL EXPENSES	<u>\$751,150</u>	<u>\$14,656</u>		<u>\$765,806</u>
OPERATING INCOME	(\$23,329)	\$110,393		\$87,064

**Explanation**

- A. **Normalized Revenues** increase as determined by Commission Staff's billing analysis of \$125,049.
- B. **Officer and Employee Salaries and Wages Expense.** Current pay rates x hrs worked during 2008 x current number of employees.
- C. **Purchased Water Expense** was adjusted to reflect normalized purchases of 180,029,900 gallons at the rate of \$1.50 per thousand.
- D. **Employee Pensions and Benefits Expense.** Adjusted to reclassify the health insurance benefits of \$30,433 that had been accounted for as Insurance Expense and to increase this expense by \$4,851 for the current health insurance charges of \$2,940.35 per month.
- E. **Accounting Services** was reduced to reflect the actual payments made to Mr. Strivers per the 2008 check register and to reflect a \$21 UPS charge that was reclassified as a miscellaneous expense.
- F. **Insurance Expense** was adjusted to reclassify employee health insurance from this account to Pensions and Benefits Expense.
- G. **Payroll Taxes** was adjusted to reflect the increase in pro forma wages and salaries
- H. **Miscellaneous Expense** was reduced to reflect the removal a \$580 Christmas bonus, \$705 in KRWA dues, and \$353 paid to florists during the test period, and increased by \$21 to include a UPS reimbursement paid to Mr. Strivers.

**Determination of Revenue Requirement**

**3 Year Average Debt Service**

Payment Date	Principal	Interest	Total
6/1/08	\$38,469	\$29,535	\$68,004
12/1/08	\$39,036	\$28,930	\$67,966
6/1/09	\$39,612	\$28,315	\$67,927
12/1/09	\$40,196	\$27,691	\$67,887
6/1/10	\$40,789	\$27,058	\$67,847
12/1/10	<u>\$41,391</u>	<u>\$26,415</u>	<u>\$67,806</u>
3 yr Total	\$239,493	\$167,944	\$407,437
3 YR Avg. Debt Service	\$79,831	\$55,981	\$135,812

**Revenue Requirement Calculation**

3 yr. Avg. Principal Payment	\$79,831	\$0	\$79,831
3 yr Avg. Interest Payment	<u>\$55,981</u>	<u>\$0</u>	<u>\$55,981</u>
Total Debt Service	\$135,812	\$0	\$135,812
X 1.1 DSC	\$149,393	\$0	\$149,393
Adjusted Total Expenses	<u>\$751,150</u>	<u>\$14,656</u>	<u>\$765,806</u>
Revenue Requirement	\$900,543	\$14,656	\$915,199
Less Normalized Revenue	<u>\$727,821</u>	<u>\$125,049</u>	<u>\$852,870</u>
Additional Revenue Required	\$172,722	(\$110,393)	\$62,329

**Exhibit No. 4**

**Billing**  
**Analysis**

**Exhibit No. 5  
Analysis of Depreciation**

	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)	\$26,404.00	\$0.00	\$0.00	\$0.00	\$0.00	\$26,404.00
Pumping Equipment (311)	\$10,685.00	\$207.00	\$0.00	\$0.00	\$0.00	\$10,892.00
Water Treatment Equipment (320)						
Distributions Reservoirs and Standpipes (330)	\$31,197.00	\$993.00	\$0.00	\$0.00	\$0.00	\$32,190.00
Transmission and Distribution Mains (331)	\$1,043,996.00	\$87,487.00	\$0.00	\$0.00	\$0.00	\$1,131,483.00
Services (333)	\$50,523.00	\$1,514.00	\$0.00	\$0.00	\$0.00	\$52,037.00
Meters and Meter Installations (334)	\$96,746.00	\$3,640.00	\$0.00	\$0.00	\$0.00	\$100,386.00
Hydrants (335)	\$28,244.00	\$1,279.00	\$0.00	\$0.00	\$0.00	\$29,523.00
Backflow Prevention Devices (336)						
Other Plant and Miscellaneous Equipment (339)						
Office Furniture and Equip. (340)	\$31,229.00	\$7,274.00	\$0.00	\$0.00	\$0.00	\$38,503.00
Transportation Equipment (341)	\$67,593.00	\$10,993.00	\$0.00	\$0.00	\$0.00	\$78,586.00
Stores Equipment (342)						
Tools, Shop and Garage Equip (343)						
Laboratory Equipment (344)						
Power Operated Equipment (345)						
Communication Equipment (346)						
Miscellaneous Equipment (347)						
Other Tangible Plant (348)						
<b>Totals</b>	<b>\$1,386,617.00</b>	<b>\$113,387.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$1,500,004.00</b>

**Exhibit No. 6**

**COST  
OF  
SERVICE STUDY**

ALLOCATION OF PLANT VALUE				
	TOTAL	COMMODITY	DEMAND	CUSTOMER
Power Generation Equipment	\$26,450		\$26,450	
Land & Land Rights	5,032		5,032	
Pumping Equipment	12,138		12,138	
Distribution Reservoirs & Standpipes	49,695		49,695	
Transmission & Distribution Mains	4,374,244		4,374,244	
Hydrants	63,934			\$63,934
Meters & Meter Installations	188,583			188,583
Services	75,687			75,687
<b>SUBTOTAL</b>	<b>\$4,795,762</b>	<b>\$0</b>	<b>\$4,467,559</b>	<b>\$328,204</b>
<b>PERCENT</b>	<b>100.00%</b>	<b>0</b>	<b>93.16%</b>	<b>6.84%</b>
General Plant (1)				
Transportation Equipment	93,367		86,978	6,390
Office Furniture & Equipment	52,147		48,579	3,569
<b>TOTAL VALUE</b>	<b>\$4,941,277</b>	<b>\$0</b>	<b>\$4,603,115</b>	<b>\$338,162</b>
(1) General Plant allocated based on overall weighted allocation of all other plant.				
Note: Figures used were derived from 2008 annual report				

## ALLOCATION OF DEPRECIATION EXPENSE

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Power Generating Equipment	\$26,404		\$26,404	
Pumping Equipment	10,892		10,892	
Distribution Reservoirs & Standpipes	32,190		32,190	
Meters & Meter Installations	100,386			\$100,386
Hydrants	29,523			29,523
Services	52,037			52,037
Transmission & Distribution Mains	1,131,483		1,131,483	
<b>SUBTOTAL</b>	<b>\$1,382,915</b>	<b>\$0.00</b>	<b>\$1,200,969</b>	<b>\$181,946</b>
<b>PERCENT</b>	100.00%	0.00%	86.84%	13.16%
Transportation Equipment	78,586		68,247	10,339
Office Furniture & Equipment	38,503		33,437	5,066
<b>TOTAL DEPRECIATION</b>	<b>\$1,500,004</b>	<b>\$0.00</b>	<b>\$1,302,653</b>	<b>\$197,351</b>

Note: Figures used were derived from 2008 annual report

## ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Employee Salaries - Operation & Maint.	\$101,964		\$101,964	
Employee Salaries - Customer	\$33,988			\$33,988
Employee Pension & Benefits	43,634		32,726	10,909
Purchased Water	270,045	\$270,045		
Chemicals	5,482	5,482		
Purchased Power	20,294	20,294		
<b>SUBTOTAL</b>	<b>\$475,407</b>	<b>\$295,821</b>	<b>\$134,689</b>	<b>\$44,896</b>
<b>LESS COMMODITY</b>	<b>-\$295,821</b>			
<b>SUBTOTAL</b>	<b>\$179,586</b>		<b>\$134,689</b>	<b>\$44,896</b>
<b>PERCENT</b>	<b>100.00%</b>		<b>75.00%</b>	<b>25.00%</b>
Rental of Equipment	2,736		2,052	684
Materials & Supplies	36,337		27,253	9,084
Taxes Other Than Income	14,241		10,681	3,560
Contractual Services - Accounting	25,292		18,969	6,323
Officer Salaries	31,990		23,992	7,997
Transportation Expense	46,169		34,627	11,542
Regulatory Comm. Fee	1,008		756	252
Communication Expense	8,387		6,290	2,097
Insurance expense	6,817		5,113	1,704
Miscellaneous Expense	4,036		3,027	1,009
<b>TOTAL</b>	<b>\$652,419</b>	<b>\$295,821</b>	<b>\$267,449</b>	<b>\$89,150</b>



SUMMARY OF ALLOCATIONS

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Plant Percentages	100.00%		93.16%	6.84%
Total Debt Service	\$149,393		\$139,169	\$10,224
Depreciation Percentages	100.00%		86.84%	13.16%
Total Depreciation	113,387		98,469	14,918
Total Operation & Maintenance	652,419	\$295,821.00	267,449	89,150
<i>Less: Other Operating Revenue</i>	-868.00			-868.00
<b>COST TO PROVIDE WATER SERVICE</b>	<b>\$914,331.34</b>	<b>\$295,821.00</b>	<b>\$505,086.88</b>	<b>\$113,423.46</b>
<b>REV. REQ. FROM WATER SALES</b>	<b>\$914,331.34</b>			

CALCULATION OF WATER RATES			
	TOTAL	FIRST 2,000	OVER 2,000
FROM BILLING ANALYSIS:			
COMMODITY PERCENTS	100.00%	28.64%	71.36%
<b>ACTUAL COMMODITY SALES</b>	139,561,839	39,970,995	99,590,844
PEAK DEMAND WEIGHTED FACTOR		2	1
PEAK DEMAND WEIGHTED SALES	179,532,834	79,941,990	99,590,844
<b>DEMAND PERCENTS</b>	100.00%	44.53%	55.47%
COMMODITY COSTS	\$295,821.00	\$84,724.16	\$211,096.84
DEMAND COSTS	\$505,086.88	\$224,903.99	\$280,182.89
CUSTOMER COSTS	\$113,423.46	\$113,423.46	
<b>TOTAL COSTS</b>	<b>\$914,331.34</b>	<b>\$423,051.61</b>	<b>\$491,279.73</b>
DIVIDE BY BILLS/GALLONS		22,779	99,590,844
<b>CALCULATED RATES</b>		<b>\$18.57</b>	<b>\$4.93</b>
<b>RECOMMENDED RATES</b>		<b>\$18.45</b>	<b>\$4.95</b>
		<b>FIRST 2,000</b>	<b>OVER 2,000</b>

## Exhibit No. 7 Customer Notice

Notice is hereby given that the North Manchester Water Association seeks approval by the Public Service Commission, Frankfort, Kentucky, for an adjustment of rates in the total amount of \$62,329 on an annual basis. The percentage of increase will approximate 7.31 percent to the North Manchester Water Association.

Comparison of the present and proposed rates of the North Manchester Water Association is as follows:

<u>Current Monthly Rates</u>			<u>Proposed Monthly Rates</u>		<u>Percentage Increase</u>
<b><u>5/8" x 3/4" Meter</u></b>					
First	2,000 gallons	\$ 15.80 minimum bill	\$	18.45 minimum bill	16.8 %
All Over	2,000 gallons	\$ 4.93 per 1,000 gallons	\$	4.95 per 1,000 gallons	0.4 %
<b><u>1" Meter</u></b>					
First	5,000 gallons	\$ 30.59 minimum bill	\$	33.30 minimum bill	8.6 %
All Over	5,000 gallons	\$ 4.93 per 1,000 gallons	\$	4.95 per 1,000 gallons	0.4 %
<b><u>2" Meter</u></b>					
First	15,000 gallons	\$ 79.89 minimum bill	\$	82.80 minimum bill	3.6 %
All Over	15,000 gallons	\$ 4.93 per 1,000 gallons	\$	4.95 per 1,000 gallons	0.4 %
<b><u>3" Meter</u></b>					
First	30,000 gallons	\$ 153.84 minimum bill	\$	157.05 minimum bill	2.1 %
All Over	30,000 gallons	\$ 4.93 per 1,000 gallons	\$	4.95 per 1,000 gallons	0.4 %

Estimated effect on the average customer bill:

<b>5/8" x 3/4" Residential Meter – Average Residential Usage: 5,000 Gallons Per Month</b>					
<u>Current Rate</u>			<u>Proposed Rate</u>		
First 2,000 Gallons	\$	15.80	First 2,000 Gallons	\$	18.45
Next 1,000 Gallons	\$	4.93	Next 1,000 Gallons	\$	4.95
Next 1,000 Gallons	\$	4.93	Next 1,000 Gallons	\$	4.95
Next 1,000 Gallons	\$	<u>4.93</u>	Next 1,000 Gallons	\$	<u>4.95</u>
Total 5,000 Gallons			Total 5,000 Gallons		
Average Residential Bill	\$	30.59	Average Residential Bill	\$	33.30
Average Increase: \$2.71 / Month or 8.86%					

The rates contained in this notice are the rates proposed by the North Manchester Water Association; however, the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

Notice is further given that any corporation, association, or person with a substantial interest in the matter may, by written request within thirty (30) days after the publication of this notice, request to intervene in the matter before the Public Service Commission. Intervention may be granted beyond the thirty (30) day period for good cause shown. The request should be submitted to the Public Service Commission at its address shown below. Any person who has been granted intervention by the Commission may obtain copies, free of charge, of the application and testimony by contacting North Manchester Water Association at the address below. Any person may examine the rate application and any other filings made by North Manchester Water Association at its offices or at the Public Service Commission at the addresses below.

North Manchester Water Association  
7362 North Highway 421  
Manchester, Kentucky 40962  
Telephone: (606) 598 – 5403

Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602  
Telephone: 502-564-3940

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Next 1,000 Gallons	\$ 4.93		Next 1,000 Gallons	\$ 4.95	
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Total 5,000 Gallons			Total 5,000 Gallons	\$ 4.95	
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