

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF OHIO COUNTY WATER)
DISTRICT FOR (1) ISSUANCE OF A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY FOR)
CONSTRUCTION OF THE SERIES II WATER)
SYSTEM IMPROVEMENTS; (2) AUTHORIZATION)
TO ISSUE SERIES II REVENUE BONDS IN THE)
AMOUNT OF \$4,035,000; AND (3) AUTHORIZATION)
TO ADJUST RATES TO PAY FOR THE)
ADDITIONAL INDEBTEDNESS)

CASE NO.
2000-170

ORDER

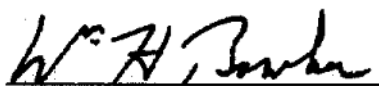
On May 31, 2000, Ohio County Water District ("Ohio District") filed its application for Commission approval of proposed water rates. Commission Staff, having performed a limited financial review of Ohio District's operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments 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 no more than 10 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 10th day of August, 2000.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "W. H. Barker", is written over a horizontal line.

Executive Director, Acting

STAFF REPORT
ON
OHIO COUNTY WATER DISTRICT
CASE NO. 2000-170

On April 13, 2000, the Public Service Commission ("Commission") received an application from Ohio County Water District ("Ohio District") requesting Commission authorization to construct certain system improvements, issue long-term debt, and adjust rates for water service. The application was considered filed on May 31, 2000, when all deficiencies were cured. On July 14, 2000, the Commission issued an interim order granting approval of the construction and financing; however, the request for rate adjustment was continued until further review could be performed.

In order to review the requested rates Commission Staff ("Staff") performed a limited financial review of Ohio District's test year operations. The scope of Staff's review was limited to obtaining information as to whether the test period operating revenues and expenses were representative of normal operation. Insignificant or immaterial discrepancies were not pursued and are not addressed herein. Ohio District used the twelve months ending September 30, 1999, as the test year in its application.

Ohio District's pro forma operating income statement is included in this report as Attachment A. It shows normalized operating revenues from rates to be \$1,785,542. Ohio District's proposed rates would increase normalized operating revenues by \$722,717 to \$2,508,259.

Staff's recommended pro forma operating income statement and explanation of adjustments thereto are shown in Attachment B of this report. Staff's recommended

revenue requirement is \$2,485,307 or \$692,119 over Staff's calculated normalized operating revenues from rates of \$1,793,188. A comparison of Ohio District's and Staff's revenue requirement calculations is shown in Attachment C.

The rates listed in Sheet 12 of Attachment E will produce the recommended revenue and should be approved by this Commission. The recommended rates were determined using the cost of service study shown in Attachment E as discussed in Attachment D.

Renee Curry is responsible for all revenue adjustments, the calculation of the recommended rates, and the cost of service study. Scott Lawless is responsible for the determination of the revenue requirement. Based on the information contained in this report, Staff recommends that the rate proposed by Ohio District be denied and the rates shown in Sheet 12 of Attachment E be approved for service.

Signatures

Prepared by: Jack Scott Lawless, CPA
Financial Analyst, Water and Sewer
Revenue Requirements Branch
Division of Financial Analysis

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

ATTACHMENT A
 STAFF REPORT CASE NO. 2000-170
 OHIO DISTRICT'S REQUESTED OPERATIONS

	Test Year	Adjustments	Pro forma
Operating Revenues			
Water Sales	1,759,956	25,586	1,785,542
Other Operating Revenues	65,564		65,564
	<hr/>		
Total Operating Revenues	1,825,520	25,586	1,851,106
	<hr/>		
Operating Expenses			
Operation and Maintenance			
Salaries and Wages-Employees	533,289	51,060	584,349
Employee Pensions and Benefits	90,467	4,726	95,193
Purchased Water	220		220
Purchased Power	133,984	17,343	151,327
Chemicals	61,710	1,631	63,341
Materials and Supplies	63,990	709	64,699
Contractual Services	77,541		77,541
Rents	19,745		19,745
Transportation	46,057		46,057
Insurance	23,536		23,536
Bad Debts	15,614		15,614
Miscellaneous	18,817		18,817
Amortizatic	15,396	3,748	19,144
	<hr/>		
Total Operation and Maintenance	1,100,366	79,217	1,179,583
Depreciation	206,197	210,762	416,959
Taxes Other Than Income Taxes	40,719	3,908	44,627
	<hr/>		
Total Operating Expenses	1,347,282	293,887	1,641,169
Net Operating Income	478,238	(268,301)	209,937
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Interest Income	120,571	(49,678)	70,893
	<hr/>		
Income Available to Service Debt	598,809	(317,979)	280,830
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ATTACHMENT B
STAFF REPORT CASE NO. 2000-170
STAFF'S RECOMMENDED OPERATIONS

	Test Year	Adjustments	Ref.	Pro forma
Operating Revenues				
Water Sales	1,759,956	33,232	A	1,793,188
Other Operating Revenues	65,564			65,564
Total Operating Revenues	1,825,520	33,232		1,858,752
Operating Expenses				
Operation and Maintenance				
Salaries and Wages-Employees	533,289	58,534	B	591,823
Employee Pensions and Benefits	90,467	14,141	C	104,608
Purchased Water	220			220
Purchased Power	133,984	17,343	D	151,327
Chemicals	61,710	1,631	D	63,341
Materials and Supplies	63,990	709	D	64,699
Contractual Services	77,541	(8,775)	E	68,766
Rents	19,745			19,745
Transportation	46,057			46,057
Insurance	23,536			23,536
Bad Debts	15,614			15,614
Miscellaneous	18,817			18,817
Amortization	15,396	(15,396)	F	-
Total Operation and Maintenance	1,100,366	68,187		1,168,553
Depreciation	206,197	193,305	G	399,502
Taxes Other Than Income Taxes	40,719	7,243	C	47,962
Total Operating Expenses	1,347,282	268,735		1,616,017
Net Operating Income	478,238	(235,503)		242,735
Interest Income	120,571	(49,678)	H	70,893
Income Available to Service Debt	598,809	(285,181)		313,628

ATTACHMENT B
STAFF REPORT CASE NO. 2000-170
STAFF'S RECOMMENDED OPERATIONS

A) Water Sales. Ohio District's application showed test year revenue from water sales in the amount of \$1,759,956 and total operating revenue of \$1,825,520. Staff's billing analysis showed total revenue from water sales for the test year ending September 30, 1999 was \$1,759,964. Staff then normalized gallons sold to reflect Ohio District's projected increase of 70 retail customers and for the increase in sales to one of its wholesale customers. For the purposes of this report, Ohio District's normalized revenue from water sales will be \$1,793,188¹ and its total normalized operating revenue will be \$1,858,752.

B) Salaries and Wages - Employees. Ohio District proposed to increase test year salaries and wages by \$51,060. Staff calculated an increase of \$58,534. The primary difference in the adjustment amounts originates from the wage rates used by Ohio District and those used by Staff. From the time Ohio District's application was compiled and Staff's field review was performed Ohio District's Commissioner's approved new wage rates for all employees. Staff's adjustment reflects those new rates while Ohio District's does not.

C) Employee Pensions and Benefits and Taxes Other Than Income Taxes. Ohio District proposed adjustments to test year pensions and benefits and taxes other than income taxes to reflect the increase in salaries and wages, a new pension contribution rate, and changes in health and life insurance premiums. The adjustments proposed by Ohio District were increases to employee benefits of \$4,726 and taxes other than

¹ Test year revenue from sales = \$1,759,964.
70 new users x \$30.463 (average bill) x 12 months = \$25,589.
6,940,500 (additional sales to wholesale) x \$1.10 (rate per 1,000 gallons) = \$7,635.
\$1,759,964 + \$25,589 + \$7,635 = \$1,793,188.

ATTACHMENT B
STAFF REPORT CASE NO. 2000-170
STAFF'S RECOMMENDED OPERATIONS

income taxes of \$3,906. Staff increased those same accounts by \$14,141 and \$7,234, respectively.

The difference in the benefits adjustment is attributed to Staff using more current life and health insurance premiums than those used by Ohio District and the pro forma salary level used to determine the pro forma pension contribution. The monthly health and life insurance premium used by Ohio District was \$3,920 while that used by Staff was \$4,467.

The difference in the payroll tax adjustment is attributable to the differences in pro forma payroll and the methodologies used to calculate the pro forma adjustment. Ohio District calculated its tax adjustment by applying the payroll tax rate to the net payroll adjustment. Staff calculated pro forma payroll taxes by applying the current payroll tax rate to pro forma payroll to arrive at pro forma payroll taxes. The adjustment was then calculated by subtracting test year payroll taxes from pro forma taxes. Theoretically the two methodologies used by Ohio District and Staff should produce the same results but in this case test year payroll taxes were slightly understated. Staff's calculation corrects this understatement while Ohio District's does not.

D) Purchased Power, Chemicals, and Materials and Supplies. Ohio District proposed to increase test year purchased power, chemicals, and materials and supplies expense by \$17,343, \$1,631, and \$709, respectively. These adjustments result from the new customers to be added during the Series II construction. Staff agrees with these adjustments and recommends that they be accepted.

ATTACHMENT B
STAFF REPORT CASE NO. 2000-170
STAFF'S RECOMMENDED OPERATIONS

E) Contractual Services. Included in test year contractual services was \$8,775 paid to the district's CPA for services rendered during the Series I construction approved in Case No. 98-015. These fees were included in the total construction costs of Series I that was financed through the issuance of long-term debt. Therefore, Staff has eliminated them from test year operations.

F) Amortization. Included in test year expense was \$15,396 for amortization of rate case expenses related to Case No. 98-015. These fees were included in the total construction costs of Series I that was financed through the issuance of long-term debt. Therefore, Staff has eliminated this expense from test year operations.

Ohio District proposed to increase the test year amount by \$6,412 to reflect the five-year amortization of a hydraulic analysis performed in 1995. Staff recommends that this adjustment be denied as the deferred cost is now fully amortized.

G) Depreciation. Ohio District proposed to increase test year depreciation by \$210,762. Its adjustment consisted of a full year depreciation taken on plant additions placed into service during the test year; projected capital expenditures to be placed into service through the ordinary course of business; and Series I, Series II, and the Governor's Grant construction projects.

Staff calculated an increase to test year depreciation of \$193,305. Staff agrees with Ohio District's requested adjustment relating to the Series I, Series II, and the Governor's Grant construction costs. These items makeup \$181,233 of the increase. Staff's calculation differs from Ohio District's in the ordinary course of business construction.

ATTACHMENT B
STAFF REPORT CASE NO. 2000-170
STAFF'S RECOMMENDED OPERATIONS

Ohio District noted new additions placed into service during the test year that have annual depreciation expense of \$2,630. Staff included annual depreciation taken on all items placed into service during the calendar year ended December 31, 1999. The depreciation on these items was \$10,961.

Ohio District requested depreciation on pro forma capital expenditures that include the purchase of two new trucks, tank painting, replacement of a backwash water treatment facility, and standby pumps and motors. One of the trucks and the standby pumps and motors were purchased and placed into service by the end of 1999 and thus included in Staff's \$10,961 adjustment as discussed above. The other items have not been placed into service or purchased, no bids have been received, nor has a time schedule for their purchase been determined. Staff is of the opinion that these items do not meet the rate making criteria of known and measurable. Staff recommends that they be denied.

H) Interest Income. Ohio District proposed to eliminate interest earned on restricted funds. Staff agrees with this adjustment and recommends it be accepted.

ATTACHMENT C
 STAFF REPORT CASE NO. 2000-170
 COMPARISON OF OHIO DISTRICT'S AND STAFF'S REVENUE
 REQUIREMENT CALCULATIONS

	District Requested	Staff Recommended	Staff More/ (Less)
Pro forma Operating Expenses	1,641,167	1,616,017	(25,150)
Pro forma Debt Service Requirement ¹	<u>1,003,549</u>	<u>1,005,747</u>	<u>2,198</u>
Total Revenue Requirement	2,644,716	2,621,764	(22,952)
Less: Other Operating Revenue	(65,564)	(65,564)	-
Interest Income	<u>(70,893)</u>	<u>(70,893)</u>	<u>-</u>
Revenue Required from Rates	2,508,259	2,485,307	(22,952)
Less: Pro forma present rate revenue	<u>(1,785,542)</u>	<u>(1,793,188)</u>	<u>(7,646)</u>
Required Revenue Increase	<u><u>722,717</u></u>	<u><u>692,119</u></u>	<u><u>(30,598)</u></u>

1 Ohio District used a three year average while Staff used a five year average.

ATTACHMENT D
STAFF REPORT CASE NO. 2000-170
STAFF'S DISCUSSIONS ON THE
COST OF SERVICE STUDY

Current Rate Design. Ohio District's current rate design is a 5-step declining block schedule with usage increments of 2,000 gallons, 18,000 gallons, 30,000 gallons, 50,000 gallons and over 100,000 gallons. Ohio District proposed to increase the minimum bill by 33.33% and the remaining rate steps an average of 56.23%. Ohio District also has a flat per 1,000 gallon wholesale rate. Ohio District proposed to increase the wholesale rate 18.18%.

Ohio District filed a cost of service study with its application but did not base its proposed rates on the results of the study. Commission Staff prepared a cost of service study for Ohio District and has attached this study as Attachment E.

Wholesale Rate. The first step in preparing the cost of service study was to determine the wholesale rate. Ohio District has two wholesale customers, Beaver Dam and Fordsville. Commission Staff first determined the amount of water produced and sold shown at Sheet 1. Ohio District sold 117,120,800 gallons to its wholesale customers, reported line lost of 14.73% and plant use of 12.77%.

The wholesale allocation factors shown at Sheet 2 were determined based on the ratio of normalized sales to the wholesale customers (124,061,300 gallons) to total normalized sales (417,493,239 gallons) to the jointly used miles of line. A water production allocation factor of .2569 and a pipeline transmission factor of .0763 were determined to be the factors to be used in allocating costs to the wholesale customers.

Staff's allocation of wholesale costs (Sheet 4) shows the total cost to Ohio District, the allocation factor used to allocate each cost and the dollar amount allocated to the wholesale customers. The wholesale costs are then subtracted from the total cost

ATTACHMENT D
STAFF REPORT CASE NO. 2000-170
STAFF'S DISCUSSIONS ON THE
COST OF SERVICE STUDY

to determine the cost to be paid by the retail customers. The wholesale costs are then divided by the total normalized gallons sold to the wholesale customers to determine the wholesale rate. Based upon Staff's cost of service study, the rate for the wholesale customers should be \$1.53 per 1,000 gallons.

Retail Rates. 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 for Ohio District's retail customers. 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 chemical, 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 collecting.

Allocation of plant value, shown at Sheet 5, allocated plant value into demand or customer components. No plant value is allocated to commodity since the value does

ATTACHMENT D
STAFF REPORT CASE NO. 2000-170
STAFF'S DISCUSSIONS ON THE
COST OF SERVICE STUDY

not change with the amount of produced water. Sheet 6 shows allocation of depreciation. Sheet 7 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 based on the percentages shown in Sheet 6. Debt Service is based on the allocation of plant value as shown on Sheet 5.

Once operating and maintenance expense has been allocated, all other expenses and income must be allocated to the functional categories. Sheet 8 is the allocation of expenses and other revenue. Sheet 8 shows that \$172,928 should be collected from the commodity category, \$2,000,801 from the demand category, and \$122,495 from the customer category.

Based upon the aforementioned allocation of expenses, the rates produced (Sheet 9) are \$17.23 for the first 2,000 gallons; \$7.55 per 1,000 gallons for the next 18,000 gallons; \$6.56 per 1,000 gallons for the next 30,000 gallons; \$5.56 per 1,000 gallons for the next 50,000 gallons; and \$4.57 per 1,000 gallons for all usage in excess of 100,000 gallons. Sheet 10 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 11 is the comparison of Ohio District's current rates and the cost of service rates. Sheet 12 shows Staff's recommended rates.

ATTACHMENT E
STAFF REPORT CASE NO. 2000-170

Cost of Service Study

Ohio County Water District

Wholesale Rate Allocations	Sheet 1 - Sheet 4
Retail Rate Allocations	Sheet 5 - Sheet 9
Verification of Recommended Rates	Sheet 10
Comparison of Current & Cost of Service Rates	Sheet 11
Recommended Rates	Sheet 12

ATTACHMENT E
STAFF REPORT CASE NO. 2000-170

Total Water Produced and Sold

	Gallons	Percent
Sales to Retail	288,958,083	
Sales to Wholesale	117,120,800	
Total Water Produced and Purchased	560,071,800	
Total Sold	406,078,883	
Plant Use	71,505,246	12.77%
Line Loss	82,487,671	14.73%

ATTACHMENT E
STAFF REPORT CASE NO. 2000-170

Wholesale Allocation Factors

		Multiplier
Plant Use Percentage	0.1277	
Line Loss Percentage	0.1473	
Plant Use and Line Loss	.1277 + .1473	0.2750
Ohio Co Water Production Multiplier	1/1-.2750	1.3793
Wholesale Inch Mile Ratio	546.95/2384.27	0.2294
Wholesale Share of Line Loss	.2294 x .1473	0.0338
Joint Share of Plant Use & Line Loss	.0338 + .1277	0.1615
Production Multiplier	1/1-.1615	1.1926
Production Allocation Factor *	124,061,300/417,493,239 x (1.1926/1.3793)	0.2569
Pipeline Transmission Factor *	124,061,300/417,493,239 x (.2569)	0.0763

*Normalized sales used to determine factor.

ATTACHMENT E
STAFF REPORT CASE NO. 2000-170

Allocation of Debt Service

Ohio County Water District Wholesale Customers

Loan Amount Per Mile of System	11,804,880/467.47	\$25,253
Lines Serving Wholesale Customers	49.62 x 25,253	1,253,054
Use Factor (1)*	124,061,300/417,493,239 x 1.1926	0.3544
Joint Share of Debt Service	1,253,054/11,804,880 x \$1,005,747	106,757
Wholesale Allocated Cost	106,757 x .3544	\$37,835

(1) Joint share of plant use and line loss=.1615
Use Factor $1/(1-.1615)=1.1926$

* Normalized sales used.

ATTACHMENT E
STAFF REPORT CASE NO. 2000-170

ALLOCATION OF OPERATION AND MAINTENANCE EXPENSES

Ohio County Water District - Wholesale

	Total	Wholesale Allocation Factor	Wholesale	Ohio County Retail Customers
Salaries				
Transmission/Distribution	411,898	0.0763	31,428	380,470
Customer Accounts	90,630	0.0000	0	90,630
Administrative/General	89,295	0.0763	6,813	82,482
Employee Pension/Benefits				
Transmission/Distribution	73,226	0.0763	5,587	67,639
Customer Accounts	15,691	0.0000	0	15,691
Administrative/General	15,691	0.0763	1,197	14,494
Purchased Water	220	0.2569	57	163
Purchased Power*	151,327		25,631	125,696
Chemicals	63,341	0.2569	16,272	47,069
Materials & Supplies	64,699	0.2569	16,621	48,078
Contractual Services	68,766	0.0763	5,247	63,519
Rents	19,745	0.0763	1,507	18,238
Transportation	46,057	0.0763	3,514	42,543
Insurance	23,536	0.0763	1,796	21,740
Bad Debt Expense	15,614	0.0000	0	15,614
Miscellaneous Expense	18,817	0.0763	1,436	17,381
Total Operation/Maintenance	\$1,168,553		\$117,106	\$1,051,447
Taxes Other Than Income	47,962	0.0763	3,660	44,302
Depreciation	399,502	0.0763	30,482	369,020
Debt Service**	1,005,747		37,835	967,912
Total - Utility Req Revenue	\$2,621,764		\$189,083	\$2,432,681
Rate to Wholesale			\$1.53	

Note: Rate to Wholesale increased \$0.01 to obtain revenue requirement.

*Wholesale purchased power allocated on a joint cost of \$99,770 due to part of the system being gravity fed.
Reduction factor = .3407. Wholesale = (\$151,327 - 34.07% = \$99,770 x .2569 = \$25,631)

**Based on wholesale allocation of debt service at Sheet 3.

ATTACHMENT E
STAFF REPORT CASE NO. 2000-170

Allocation of Plant Value				
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	Total	Commodity	Demand	Customer
Source of Supply/Pumping	1,071,860		1,071,860	
Treatment Plant	1,392,852		1,392,852	
Transmission/Distribution				
Mains & Storage	14,331,943		14,331,943	
Meters	657,407			657,407
Hydrants	20,940			20,940
Subtotal	17,475,002		16,796,655	678,347
Percentage	100.00%		96.12%	3.88%
General Plant	519,860		499,689	20,171
Total Value	17,994,862		17,296,344	698,518
	100.00%		96.12%	3.88%

ATTACHMENT E
STAFF REPORT CASE NO. 2000-170

Allocation of Depreciation				
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	Total	Commodity	Demand	Customer
Plant	359,851		359,851	
Meters and Hydrants	25,019			25,019
Subtotal	384,870		359,851	25,019
Percentage	100.00%		93.50%	6.50%
General Plant	32,089		30,003	2,086
Amortization	19,144		17,900	1,244
Total Depreciation/Amortization	416,959		389,854	27,105
	100.00%		93.50%	6.50%

ATTACHMENT E
STAFF REPORT CASE NO. 2000-170

ALLOCATION OF OPERATION AND MAINTENANCE EXPENSES

Ohio County Water District-Retail Customers

	Total	Commodity	Demand	Customer
Salaries				
Transmission/Distribution	\$380,470		\$380,470	
Customer Accounts	90,630			90,630
Employee Pension/Benefits				
Transmission/Distribution	67,639		67,639	
Customer Accounts	15,691			15,691
Purchased Water	163	163		
Purchased Power	125,696	125,696		
Chemicals	47,069	47,069		
Bad Debt Expense	15,614			15,614
Subtotal	742,972	172,928	448,109	121,935
Less Commodity	(172,928)			
Total	570,044		448,109	121,935
Percentages	100.00%		78.61%	21.39%
Administrative & General				
Salaries	82,482		64,839	17,643
Pensions & Benefits	14,494		11,394	3,100
Materials & Supplies	48,078		37,794	10,284
Contractual Services	63,519		49,932	13,587
Rents	18,238		14,337	3,901
Transportation	42,543		33,443	9,100
Insurance	21,740		17,090	4,650
Miscellaneous Expense	17,381		13,663	3,718
Taxes Other Than Income	44,302		34,826	9,476
Total Operation& Maintenance	1,095,749	172,928	725,427	197,394
Depreciation(1)	369,020		345,034	23,986
Debt Service(2)	967,912		930,340	37,572
Total - Utility Req Revenue	\$2,432,681	\$172,928	\$2,000,801	\$258,952

(1) Based on test year depreciation.

(2) Based on plant value.

ATTACHMENT E
STAFF REPORT CASE NO. 2000-170

ALLOCATION OF RETAIL COST OF SERVICE

Ohio County Water District

	Total	Commodity	Demand	Customer
Operation & Maintenance	\$1,095,749	\$172,928	\$725,427	\$197,394
Depreciation	369,020		345,034	23,986
Debt Service	967,912		930,340	37,572
General Water Service Cost-Retail	\$2,432,681	\$172,928	\$2,000,801	\$258,952
Less: Other Operating Revenue	(65,564)			(65,564)
Less: Interest Income	(70,893)			(70,893)
Revenue Required from Retail Rates	\$2,296,224	\$172,928	\$2,000,801	\$122,495
Wholesale Revenue	189,083			
Total Revenue Required from Rates	\$2,485,307			

ATTACHMENT E
STAFF REPORT CASE NO. 2000-170

CALCULATION OF RETAIL WATER RATES

Ohio County Water District

	Total	First 2,000	Next 18,000	Next 30,000	Next 50,000	Over 100,000
Actual Water Sales:						
Thousand Gallons	293,431,939	96,798,782	131,429,579	20,515,134	15,996,617	28,691,827
	100.00%	32.988%	44.790%	6.991%	5.452%	9.778%
Weighted Sales for Demand:						
Thousand Gallons	503,059,626	193,597,564	230,001,763	30,772,701	19,995,771	28,691,827
Percent	100.00%	38.484%	45.721%	6.117%	3.975%	5.703%
Allocation of Volumetric Costs:						
Commodity	\$172,928	\$57,045	\$77,454	\$12,089	\$9,428	\$16,909
Demand	2,000,801	769,988	914,786	122,389	79,532	114,106
Customer	122,495	122,495				
Total	\$2,296,224	\$949,528	\$992,240	\$134,478	\$88,960	\$131,015
Number of Bills		55,094				
Proposed Rates		\$17.23	\$7.55	\$6.56	\$5.56	\$4.57

ATTACHMENT E
STAFF REPORT CASE NO. 2000-170

VERIFICATION OF RATES

Ohio County Water District

	Bills	Gallons	Rate	Revenue
First 2,000 gallons	55,094	96,798,782	\$17.23	\$949,269.62
Next 18,000 gallons		131,429,579	7.55	992,293.32
Next 30,000 gallons		20,515,134	6.56	134,579.28
Next 50,000 gallons		15,996,617	5.56	88,941.19
Over 100,000 gallons		28,691,827	4.58	131,408.57
	55,094			
Revenue from Retail Rates				\$2,296,491.98
Wholesale Revenue		124,061,300	\$1.53	\$189,813.79
Total Revenue from Rates				\$2,486,305.77
Other Operating Revenue				65,564.00
Interest Income				70,893.00
Total Revenue				\$2,622,762.77

Note: Over 100,000 gallon rate increased \$0.01 to obtain revenue requirement.

ATTACHMENT E
STAFF REPORT CASE NO. 2000-170

COMPARISON OF RETAIL RATES

Ohio County Water District

Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
1000	\$13.50	\$17.23	\$3.73	27.63%
2000	13.50	17.23	\$3.73	27.63%
3000	18.60	24.78	\$6.18	33.23%
4000	23.70	32.33	\$8.63	36.41%
5000	28.80	39.88	\$11.08	38.47%
6000	33.90	47.43	\$13.53	39.91%
7000	39.00	54.98	\$15.98	40.97%
8000	44.10	62.53	\$18.43	41.79%
9000	49.20	70.08	\$20.88	42.44%
10000	54.30	77.63	\$23.33	42.97%
12000	64.50	92.73	\$28.23	43.77%
20000	105.30	135.90	\$30.60	29.06%
25000	127.70	168.70	\$41.00	32.11%
30000	150.10	201.50	\$51.40	34.24%
35000	172.50	234.30	\$61.80	35.83%
50000	239.70	332.70	\$93.00	38.80%
75000	334.95	471.70	\$136.75	40.83%
100000	430.20	610.70	\$180.50	41.96%
200000	743.20	1,068.70	\$325.50	43.80%
300000	1,056.20	1,526.70	\$470.50	44.55%
500000	1,682.20	2,442.70	\$760.50	45.21%
1000000	3,247.20	4,732.70	\$1,485.50	45.75%

COMPARISON OF WHOLESALE RATE

Gallon Usage	Current Rate	Cost of Service Rate	Increase	Percentage
per 1,000 gallons	\$1.10	\$1.53	\$0.43	39.09%

ATTACHMENT E
STAFF REPORT CASE NO. 2000-170

Ohio County Water District
Recommended Rates

Monthly Water Rates

First 2,000 gallons	\$17.23 Minimum bill
Next 18,000 gallons	7.55 per 1,000 gallons
Next 30,000 gallons	6.56 per 1,000 gallons
Next 50,000 gallons	5.56 per 1,000 gallons
Over 100,000 gallons	4.58 per 1,000 gallons
Wholesale rate	\$1.53 per 1,000 gallons