

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

Application of Water Service Corporation            )  
of Kentucky for a General Adjustment                )  
in Existing Rates    )        Case No. 2015-00382

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**APPLICATION FOR GENERAL ADJUSTMENT IN EXISTING RATES**

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Water Service Corporation of Kentucky, by counsel, submits its application for an increase in rates pursuant to KRS 278.190 to be effective December 30, 2015, or sooner if allowed by the Commission.

1. Water Service Corporation of Kentucky is a Kentucky corporation, whose stock is wholly owned by Utilities, Inc. The mailing address of Water Service Corporation of Kentucky is 2335 Sanders Road, Northbrook, Illinois, 60062. Water Service Corporation of Kentucky can be reached via e-mail through its attorney Todd Osterloh at [tosterloh@sturgillturner.com](mailto:tosterloh@sturgillturner.com).
2. Water Service Corporation of Kentucky has elected to use the electronic filing procedures authorized by 807 KAR 5:001, Section 8. This application shall be filed electronically and a paper copy shall be filed pursuant to subsection (12)(a)(2) of that Section.
3. Water Service Corporation of Kentucky currently owns and operates water production, transmission, and distribution facilities in the cities of Middlesboro and Clinton. It serves approximately 7,204 equivalent residential customers. It also has a contract with the City

of Clinton to operate the City's wastewater system. The wastewater system and operations are not part of this rate application.

4. A certified copy of the articles of incorporation was filed in Case No. 2002-00142. Water Service Corporation of Kentucky was incorporated in Kentucky on April 12, 2002. A copy of its current Certificate of Authorization is attached as Exhibit 1, and Water Service Corporation of Kentucky attests that it is a corporation in good standing in Kentucky.
5. Water Service Corporation of Kentucky is not a limited liability company.
6. Water Service Corporation of Kentucky is not a limited partnership.
7. An adjustment in rates is necessary to recover operating expenses, debt service costs, depreciation, taxes and other expenses related to the operation of both water systems that are not presently being recovered in rates. The reasons for the proposed increase are more fully explained in Brian Halloran's testimony attached as Exhibit 5.
8. Water Service Corporation of Kentucky has no assumed names.
9. Current and proposed tariffs are attached as Exhibit 2.
10. Public notice of the rate application has and will be given in compliance with the requirements set forth in 807 KAR 5:001, Section 17. A copy of the notices are attached as Exhibit 3. Proof of publication will be filed with the Commission within 45 days pursuant to 807 KAR 5:001, Section 17(3).
11. Because Water Service Corporation of Kentucky's gross annual revenue is not greater than \$5,000,000, it is exempt from the notice requirements of 807 KAR 5:001, Section 16(2).

12. Water Service Corporation of Kentucky's Annual Reports have been filed with the Commission.
13. A pro forma schedule of changes and corresponding workpapers are attached as Exhibit 4, which along with witnesses' testimony and other documents provide a description and quantified explanation for all proposed adjustments with support for changes in price or activity levels, and other factors.
14. Prepared testimony is attached as Exhibit 5. Steven Lubertozi, Bruce Haas, and Brian Halloran are the witnesses supporting the rate adjustment and rate design, cost of capital and overview of Kentucky operations.
15. Estimated impact proposed rates will have on revenues is attached as Exhibit 6. As stated in Brian Halloran's testimony, the proposed rates will produce anticipated additional revenues of \$516,989 per year, or 24.62%, which would be a total of \$2,684,749 in annual revenue.
16. The effect of the proposed rates on the average customer's bill is attached as Exhibit 6.
17. A billing analysis is attached as Exhibit 7.
18. A summary of the calculation of the revenue requirements is attached as Exhibit 8. Supporting documentation is attached as Exhibit 4.
19. A reconciliation of rate base and capital is attached as Exhibit 9.
20. A current chart of accounts is attached as Exhibit 10.
21. The independent auditor's report is attached as Exhibit 11.
22. There are no FERC or FCC audit reports because this is a water company.

23. Water Service Corporation of Kentucky has not performed a depreciation study. An explanation of the proposed depreciation rates is contained in Brian Halloran's testimony and also attached as Exhibits 12 and 13 to this Application.
24. A list of in-house software associated with the filing of the utility's application is identified in Exhibit 14.
25. Water Service Corporation of Kentucky has no stock prospectus.
26. Water Service Corporation of Kentucky has no report to shareholders.
27. Monthly managerial reports are attached as Exhibit 15. There are no written reports other than the rolling monthly financial statement.
28. Water Service Corporation of Kentucky has no annual report or other filings with the Securities and Exchange Commission.
29. Allocations to affiliates are explained in Exhibit 16. Additional information on how the allocations are determined and the reasonableness of those allocations are contained in the testimony of Steven Lubertozzi and Brian Halloran.
30. A cost of service study is not required because Water Service Corporation of Kentucky's operating revenues do not exceed \$5,000,000.
31. An income statement and balance sheet are attached as Exhibit 17.
32. A capital construction budget is attached as Exhibit 18.
33. An operating budget is not prepared by the company.
34. The number of new customers to be added to the test period is 0.
35. The percentage change and dollar change in the rates for each customer class are identified in Exhibit 6.
36. Present and proposed rates are reflected in the tariffs filed in Exhibits 2 and 6.

37. The effect on the average customer's bill is listed in Exhibit 7.

Based on the information filed, the company requests that the Commission approve the proposed rate change. It also requests a deviation pursuant to 807 KAR 5:001, Section 21, from any requirement that might delay the review of the application if such requirement can be considered as substantially met or as unnecessary for a complete review of the proposed rates, including the preparation of a depreciation study as required by 807 KAR 5:001, Section 16(n).

Respectfully submitted,



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M. TODD OSTERLOH  
CHARLES D. COLE  
STURGILL, TURNER, BARKER & MOLONEY, PLLC  
333 W. Vine Street, Suite 1500  
Lexington, Kentucky 40507  
Telephone No.: (859) 255-8581  
tosterloh@sturgillturner.com

ATTORNEYS FOR WATER SERVICE CORPORATION  
OF KENTUCKY

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 1

**Commonwealth of Kentucky**  
**Alison Lundergan Grimes, Secretary of State**

Alison Lundergan Grimes  
Secretary of State  
P. O. Box 718  
Frankfort, KY 40602-0718  
(502) 564-3490  
<http://www.sos.ky.gov>

**Certificate of Existence**

Authentication number: 170451  
Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

**WATER SERVICE CORPORATION OF KENTUCKY**

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is April 12, 2002 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 23<sup>rd</sup> day of November, 2015, in the 224<sup>th</sup> year of the Commonwealth.



*Alison Lundergan Grimes*

Alison Lundergan Grimes  
Secretary of State  
Commonwealth of Kentucky  
170451/0534921

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 2



FOR Middlesboro and Clinton and Adjacent Territory  
Community, Town or City

P.S.C. KY. NO. 7

SHEET NO. **38**

Water Service Corporation of Kentucky  
(Name of Utility)

CANCELLING P.S.C. KY. NO. 6

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CONTENTS

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RATES

The following rates and charges are prescribed for the customers in the area served by Water Service Corporation of Kentucky. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

Middlesboro

5/8" x 3/4" Meter:

(I)	First 1,000 gallons	<del>\$9.42 Minimum bill</del> <i>\$15.53 Minimum bill</i>
(D)	<del>Next 9,000 gallons</del>	<del>3.86 per 1,000 gallons</del>
(D)	<del>Next 15,000 gallons</del>	<del>3.53 per 1,000 gallons</del>
(D)	<del>Next 25,000 gallons</del>	<del>3.35 per 1,000 gallons</del>
(D)	<del>Next 50,000 gallons</del>	<del>3.01 per 1,000 gallons</del>
(D)	<del>All Over 100,000 gallons</del>	<del>2.76 per 1,000 gallons</del>
	<i>All Over 1,000 gallons</i>	<i>\$3.817 per 1,000 gallons</i>

1" Meter:

(I)	First 6,000 gallons	<del>\$28.67 Minimum bill</del> <i>\$40.23 Minimum bill</i>
(D)	<del>Next 4,000 gallons</del>	<del>3.86 per 1,000 gallons</del>
(D)	<del>Next 15,000 gallons</del>	<del>3.53 per 1,000 gallons</del>
(D)	<del>Next 25,000 gallons</del>	<del>3.35 per 1,000 gallons</del>
(D)	<del>Next 50,000 gallons</del>	<del>3.01 per 1,000 gallons</del>
(D)	<del>All Over 100,000 gallons</del>	<del>2.76 per 1,000 gallons</del>
	<i>All Over 6,000 gallons</i>	<i>\$3.817 per 1,000 gallons</i>

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DATE OF ISSUE July 24, 2014  
Month / Date / Year

DATE EFFECTIVE July 24, 2014  
Month / Date / Year

ISSUED BY Steve Lubertozi  
(Signature of Officer)

TITLE President

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2013-00237 DATED July 24, 2014

FOR Middlesboro and Clinton and Adjacent Territory  
Community, Town or City

P.S.C. KY. NO. 7

SHEET NO. **39**

Water Service Corporation of Kentucky  
(Name of Utility)

CANCELLING P.S.C. KY. NO. 6

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1 1/2" Meter:

(D)	First 13,000 gallons	<del>\$54.62 Minimum bill</del> <i>\$81.41 Minimum bill</i>
(D)	<del>Next 12,000 gallons</del>	<del>3.53 per 1,000 gallons</del>
(D)	<del>Next 25,000 gallons</del>	<del>3.35 per 1,000 gallons</del>
(D)	<del>Next 50,000 gallons</del>	<del>3.01 per 1,000 gallons</del>
(D)	<del>All Over 100,000 gallons</del>	<del>2.76 per 1,000 gallons</del>
	<i>All Over 13,000 gallons</i>	<i>\$3.817 per 1,000 gallons</i>

2" Meter:

(I)	First 21,400 gallons	<del>\$84.18 Minimum bill</del> <i>\$130.83 Minimum bill</i>
(D)	<del>Next 3,600 gallons</del>	<del>3.53 per 1,000 gallons</del>
(D)	<del>Next 25,000 gallons</del>	<del>3.35 per 1,000 gallons</del>
(D)	<del>Next 50,000 gallons</del>	<del>3.01 per 1,000 gallons</del>
(D)	<del>All Over 100,000 gallons</del>	<del>2.76 per 1,000 gallons</del>
	<i>All Over 21,400 gallons</i>	<i>\$3.817 per 1,000 gallons</i>

3" Meter:

(I)	First 68,400 gallons	<del>\$235.96 Minimum bill</del> <i>\$246.14 Minimum bill</i>
(D)	<del>Next 31,600 gallons</del>	<del>3.01 per 1,000 gallons</del>
(D)	<del>All Over 100,000 gallons</del>	<del>2.76 per 1,000 gallons</del>
	<i>All Over 68,400 gallons</i>	<i>\$3.817 per 1,000 gallons</i>

4" Meter:

(I)	First 127,500 gallons	<del>\$406.82 Minimum bill</del> <i>\$410.86 Minimum bill</i>
(D)	<del>All Over 127,500 gallons</del>	<del>2.76 per 1,000 gallons</del>
	<i>All Over 127,500 gallons</i>	<i>\$3.817 per 1,000 gallons</i>

6" Meter:

(R)	First 281,500 gallons	<del>\$831.52 Minimum bill</del> <i>\$822.66 Minimum bill</i>
(D)	<del>All Over 281,500 gallons</del>	<del>2.76 per 1,000 gallons</del>

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DATE OF ISSUE July 24, 2014  
Month / Date / Year

DATE EFFECTIVE July 24, 2014  
Month / Date / Year

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

TITLE President

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2013-00237 DATED July 24, 2014

FOR Middlesboro and Clinton and Adjacent Territory  
Community, Town or City

P.S.C. KY. NO. 7

SHEET NO. **40**

Water Service Corporation of Kentucky  
(Name of Utility)

CANCELLING P.S.C. KY. NO. 6

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*All Over 281,500 gallons \$3.817 per 1,000 gallons*

Monthly Fire Protection Charges

- (I) Middlesboro municipally owned hydrants ~~\$4.61~~ \$5.74 per hydrant  
(I) Private Hydrants or Sprinkler Systems ~~\$ 20.73~~ \$25.83 per hydrant or sprinkler

Clinton

5/8" x 3/4" Meter:

- (I) First 1,000 gallons ~~\$12.47 Minimum bill~~ \$15.53 Minimum bill  
(D) Next 9,000 gallons 7.06 per 1,000 gallons  
(D) Next 15,000 gallons 6.48 per 1,000 gallons  
(D) Next 25,000 gallons 5.91 per 1,000 gallons  
(D) Next 50,000 gallons 5.24 per 1,000 gallons  
(D) All Over 100,000 gallons 4.58 per 1,000 gallons  
*All Over 1,000 gallons \$3.817 per 1,000 gallons*

1" Meter:

- (N) ~~First 5,300 gallons~~ First 6,000 gallons ~~\$42.84 Minimum bill~~ \$40.23 Minimum bill  
(D) Next 3,700 gallons 7.06 per 1,000 gallons  
(D) Next 15,000 gallons 6.48 per 1,000 gallons  
(D) Next 25,000 gallons 5.91 per 1,000 gallons  
(D) Next 50,000 gallons 5.24 per 1,000 gallons  
(D) All Over 100,000 gallons 4.58 per 1,000 gallons  
*All Over 6,000 gallons \$3.817 per 1,000 gallons*

1 1/2" Meter:

- (N) ~~First 11,200 gallons~~ First 13,000 gallons ~~\$83.81 Minimum bill~~ \$81.41 Minimum bill  
(D) Next 13,800 gallons 6.48 per 1,000 gallons  
(D) Next 25,000 gallons 5.91 per 1,000 gallons  
(D) Next 50,000 gallons 5.24 per 1,000 gallons  
(D) All Over 100,000 gallons 4.58 per 1,000 gallons

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Month / Date / Year

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Month / Date / Year

ISSUED BY Steve Lubertozi  
(Signature of Officer)

TITLE President

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2013-00237 DATED July 24, 2014

FOR Middlesboro and Clinton and Adjacent Territory  
Community, Town or City

P.S.C. KY. NO. 7

SHEET NO. **41**

Water Service Corporation of Kentucky  
(Name of Utility)

CANCELLING P.S.C. KY. NO. 6

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CONTENTS

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	<i>All Over 13,000 gallons</i>	<i>\$3.817 per 1,000 gallons</i>
	<u>2" Meter:</u>	
(N)	<del>First 17,600 gallons</del> <i>First 21,400 gallons</i>	<del>\$125.30 Minimum bill</del> <i>\$130.83 Minimum bill</i>
(D)	<del>Next 7,400 gallons</del>	<del>6.48 per 1,000 gallons</del>
(D)	<del>Next 25,000 gallons</del>	<del>5.91 per 1,000 gallons</del>
(D)	<del>Next 50,000 gallons</del>	<del>5.24 per 1,000 gallons</del>
(D)	<del>All Over 100,000 gallons</del> <i>All Over 21,400 gallons</i>	<del>4.58 per 1,000 gallons</del> <i>\$3.817 per 1,000 gallons</i>
	<u>6" Meter:</u>	
(N)	<del>First 250,500 gallons</del> <i>First 281,500 gallons</i>	<del>\$1,271.31 Minimum bill</del> <i>\$822.66 Minimum bill</i>
(D)	<del>All Over 250,500 gallons</del> <i>All Over 281,500 gallons</i>	<del>4.58 per 1,000 gallons</del> <i>\$3.817 per 1,000 gallons</i>
	<u>Monthly Fire Protection Charges</u>	
(I)	Clinton municipally owned hydrants	<del>\$4.61</del> \$5.74 per hydrant
(I)	Private Hydrants or Sprinkler Systems	<del>\$20.73</del> \$25.83 per hydrant or sprinkler

CUSTOMER COMPLAINTS

Complaints may be made to the Area Manager whose decision may be appealed to the Water Service Corporation of Kentucky Regional Manager. Such appeal shall be in writing within ten (10) days of the date of the decision by the Manager stating the nature of the complaint and supporting evidence. These decisions may be brought before the Public Service Commission in accordance with 807 KAR 5:006, Section 9.

WATER SHORTAGE RESPONSE PLAN

Water Service Corporation of Kentucky

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DATE OF ISSUE	<u>July 24, 2014</u> Month / Date / Year
DATE EFFECTIVE	<u>July 24, 2014</u> Month / Date / Year
ISSUED BY	<u>Steve Lubertozi</u> _____ (Signature of Officer)
TITLE	<u>President</u>

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2013-00237 DATED July 24, 2014

FOR Middlesboro and Clinton and Adjacent Territory  
Community, Town or City

P.S.C. KY. NO. 8

SHEET NO. 38

Water Service Corporation of Kentucky  
(Name of Utility)

CANCELLING P.S.C. KY. NO. 7

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RATES

The following rates and charges are prescribed for the customers in the area served by Water Service Corporation of Kentucky. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

Middlesboro

5/8" x 3/4" Meter:

(I) First 1,000 gallons \$15.53 Minimum bill  
(N) All Over 1,000 gallons \$3.817 per 1,000 gallons

1" Meter:

(I) First 6,000 gallons \$40.23 Minimum bill  
(N) All Over 6,000 gallons \$3.817 per 1,000 gallons

1 1/2" Meter:

(I) First 13,000 gallons \$81.41 Minimum bill  
(N) All Over 13,000 gallons \$3.817 per 1,000 gallons

2" Meter:


(I) First 21,400 gallons \$130.83 Minimum bill  
(N) All Over 21,400 gallons \$3.817 per 1,000 gallons

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DATE OF ISSUE November 30, 2015  
Month / Date / Year

DATE EFFECTIVE December 30, 2015  
Month / Date / Year

ISSUED BY Steve Lubertozzi

  
(Signature of Officer)

TITLE President

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2015-00382 DATED

FOR Middlesboro and Clinton and Adjacent Territory  
Community, Town or City

P.S.C. KY. NO. 8

SHEET NO. 39

Water Service Corporation of Kentucky  
(Name of Utility)

CANCELLING P.S.C. KY. NO. 7

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3" Meter:

(I) First 68,400 gallons \$246.14 Minimum bill  
(N) All Over 68,400 \$3.817 per 1,000 gallons

4" Meter:

(I) First 127,500 gallons \$410.86 Minimum bill  
(N) All Over 127,500 gallons \$3.817 per 1,000 gallons

6" Meter:

(R) First 281,500 gallons \$822.66 Minimum bill  
(N) All Over 281,500 gallons \$3.817 per 1,000 gallons

Monthly Fire Protection Charges

(I) Middlesboro municipally owned hydrants \$5.74 per hydrant  
(I) Private Hydrants or Sprinkler Systems \$25.83 per hydrant or sprinkler

Clinton

5/8" x 3/4" Meter:

(I) First 1,000 gallons \$15.53 Minimum bill  
(N) All Over 1,000 gallons \$3.817 per 1,000 gallons

1" Meter:

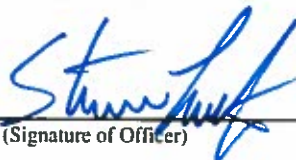
(N) First 6,000 gallons \$40.23 Minimum bill  
(N) All Over 6,000 gallons \$3.817 per 1,000 gallons

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DATE OF ISSUE November 30, 2015  
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DATE EFFECTIVE December 30, 2015  
Month / Date / Year

ISSUED BY Steve Lubertozi

  
(Signature of Officer)

TITLE President

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2015-00382 DATED

FOR Middlesboro and Clinton and Adjacent Territory  
Community, Town or City

P.S.C. KY. NO. 8

SHEET NO. 40

Water Service Corporation of Kentucky  
(Name of Utility)

CANCELLING P.S.C. KY. NO. 7

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CONTENTS

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1 1/2" Meter:

(N) First 13,000 gallons \$81.41 Minimum bill  
(N) All Over 13,000 gallons \$3.817 per 1,000 gallons

2" Meter:

(N) First 21,400 gallons \$130.83 Minimum bill  
(N) All Over 21,400 gallons \$3.817 per 1,000 gallons

6" Meter:

(N) First 281,500 gallons \$822.66 Minimum bill  
(N) All Over 281,500 gallons \$3.817 per 1,000 gallons

Monthly Fire Protection Charges

(I) Clinton municipally owned hydrants \$5.74 per hydrant  
(I) Private Hydrants or Sprinkler Systems \$ 25.83 per hydrant or sprinkler

CUSTOMER COMPLAINTS

Complaints may be made to the Area Manager whose decision may be appealed to the Water Service Corporation of Kentucky Regional Manager. Such appeal shall be in writing within ten (10) days of the date of the decision by the Manager stating the nature of the complaint and supporting evidence. These decisions may be brought before the Public Service Commission in accordance with 807 KAR 5:006, Section 9.

WATER SHORTAGE RESPONSE PLAN

Water Service Corporation of Kentucky

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DATE OF ISSUE November 30, 2015  
Month / Date / Year

DATE EFFECTIVE December 30, 2015  
Month / Date / Year

ISSUED BY Steve Lubertozzi

  
(Signature of Officer)

TITLE President

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2015-00382 DATED

FOR Middlesboro and Clinton and Adjacent Territory  
Community, Town or City

P.S.C. KY. NO. 8

SHEET NO. 41

Water Service Corporation of Kentucky  
(Name of Utility)

CANCELLING P.S.C. KY. NO. 7

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CONTENTS

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This Sheet is reserved for future use

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DATE OF ISSUE November 30, 2015  
Month / Date / Year

DATE EFFECTIVE December 30, 2015  
Month / Date / Year

ISSUED BY Steve Lubertozi

  
(Signature of Officer)

TITLE President

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2015-00382 DATED



Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 3

## *Water Service Corporation of Kentucky*

### NOTICE OF PROPOSED INCREASE

Pursuant to the regulations of the Public Service Commission of Kentucky, Water Service Corporation of Kentucky gives notice to its customers in Middlesboro that it intends to adopt an increase in its water rates. The utility is requesting an increase in annual revenue totaling \$516,989, which will be a total increase of 24.62% to the utility. The rates listed below are proposed to be effective December 30, 2015.

#### Middlesboro

<u>5/8" &amp; 3/4" Meter:</u>	<u>Current rates</u>		<u>Proposed Rates</u>	<u>Avg. Bill Increase (Dollars)</u>	<u>(Percentage)</u>	<u>Avg. Usage</u>
First 1,000 gallons	9.42	Minimum bill	15.53 Minimum bill	5.99	29.31%	3,852 gal.
Next 9,000 gallons	3.86	per 1,000 gallons				
Next 15,000 gallons	3.53	per 1,000 gallons				
Next 25,000 gallons	3.35	per 1,000 gallons				
Next 50,000 gallons	3.01	per 1,000 gallons				
All Over 100,000 gallons	2.76	per 1,000 gallons				
PROPOSED RATE: After first 1,000 gallons			3.817 per 1,000 gallons			
<u>1" Meter:</u>						
First 6,000 gallons	28.67	Minimum bill	40.23 Minimum bill	12.22	22.48%	12,905 gal.
Next 4,000 gallons	3.86	per 1,000 gallons				
Next 15,000 gallons	3.53	per 1,000 gallons				
Next 25,000 gallons	3.35	per 1,000 gallons				
Next 50,000 gallons	3.01	per 1,000 gallons				
All Over 100,000 gallons	2.76	per 1,000 gallons				
PROPOSED RATE: After first 6,000 gallons			3.817 per 1,000 gallons			
<u>1 1/2" Meter:</u>						
First 13,000 gallons	54.62	Minimum bill	81.41 Minimum bill	38.68	24.55%	43,095 gal.
Next 12,000 gallons	3.53	per 1,000 gallons				
Next 25,000 gallons	3.35	per 1,000 gallons				
Next 50,000 gallons	3.01	per 1,000 gallons				
All Over 100,000 gallons	2.76	per 1,000 gallons				
PROPOSED RATE: After first 13,000 gallons			3.817 per 1,000 gallons			
<u>2" Meter:</u>						
First 21,400 gallons	84.18	Minimum bill	130.83 Minimum bill	63.50	32.38%	55,129 gal.
Next 3,600 gallons	3.53	per 1,000 gallons				
Next 25,000 gallons	3.35	per 1,000 gallons				
Next 50,000 gallons	3.01	per 1,000 gallons				
All Over 100,000 gallons	2.76	per 1,000 gallons				
PROPOSED RATE: After first 21,400 gallons			3.817 per 1,000 gallons			
<u>3" Meter:</u>						
First 68,400 gallons	235.96	Minimum bill	246.14 Minimum bill	134.80	22.85%	193,778 gal.
Next 31,600 gallons	3.01	per 1,000 gallons				
All Over 100,000 gallons	2.76	per 1,000 gallons				
PROPOSED RATE: After first 68,400 gallons			3.817 per 1,000 gallons			
<u>4" Meter:</u>						
First 127,500 gallons	406.82	Minimum bill	410.86 Minimum bill	4.04	0.99%	106,044 gal.
All Over 127,500 gallons	2.76	per 1,000 gallons				
PROPOSED RATE: After first 127,500 gallons			3.817 per 1,000 gallons			
<u>6" Meter:</u>						
First 281,500 gallons	831.52	Minimum bill	822.66 Minimum bill	991.56	28.79%	1,227,971 gal.
All Over 281,500 gallons	2.76	per 1,000 gallons				
PROPOSED RATE: After first 281,500 gallons			3.817 per 1,000 gallons			
Private Fire protection	20.73		25.83		24.62%	

The rates contained in the notice are the rates proposed by Water Service Corporation of Kentucky on or about November 30, 2015, with the Commission but that the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

A corporation, association, or person may within thirty (30) days after the initial publication or mailing of notice of the proposed rate changes, submit a written request to intervene to the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602 that establishes the grounds for the request including the status and interest of the party. If the Commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the Commission may take final action on the application.

A person may examine this filing and any other documents Water Service Corporation of Kentucky has filed with the Public Service Commission at the offices of Water Service Corporation of Kentucky located at 102 Water Plant Road, in Middlesboro.

This filing and any other related documents can be examined at the Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or found on the Public Service Commission's Web site at <http://psc.ky.gov/>. Written comments regarding the proposed rate may be submitted to the Public Service Commission by mail or through the Public Service Commission's Web site.

If you have any questions, feel free to contact us at (800) 272-1919. Please have your account number ready.

Water Service Corporation of Kentucky

## *Water Service Company of Kentucky*

### NOTICE OF PROPOSED INCREASE

Pursuant to the regulations of the Public Service Commission of Kentucky, Water Service Corporation of Kentucky gives notice to its customers in Clinton that it intends to adopt an increase in its water rates. The utility is requesting an increase in annual revenue totaling \$516,989, which will be a total increase of 24.62% to the utility. The rates listed below are proposed to be effective December 30, 2015.

#### Clinton

<u>5/8" &amp; 3/4" Meter:</u>	<u>Current rates</u>		<u>Proposed Rates</u>		<u>Avg. Bill Increase (Dollars)</u>	<u>(Percentage)</u>	<u>Avg. Usage</u>
First 1,000 gallons	12.47	Minimum bill	15.53	Minimum bill	-4.18	-14.80%	3,232 gal.
Next 9,000 gallons	7.06	per 1,000 gallons					
Next 15,000 gallons	6.48	per 1,000 gallons					
Next 25,000 gallons	5.91	per 1,000 gallons					
Next 50,000 gallons	5.24	per 1,000 gallons					
All Over 100,000 gallons	4.58	per 1,000 gallons					
PROPOSED RATE: After first 1,000 gallons			3.817	per 1,000 gallons			
<u>1" Meter:</u>							
First 5,300 gallons	42.84	Minimum bill	40.23	Minimum bill	-21.34	-27.07%	10,524 gal.
Next 3,700 gallons	7.06	per 1,000 gallons					
Next 15,000 gallons	6.48	per 1,000 gallons					
Next 25,000 gallons	5.91	per 1,000 gallons					
Next 50,000 gallons	5.24	per 1,000 gallons					
All Over 100,000 gallons	4.58	per 1,000 gallons					
PROPOSED RATE: After first 6,000 gallons			3.817	per 1,000 gallons			
<u>1 1/2" Meter:</u>							
First 11,200 gallons	83.81	Minimum bill	81.41	Minimum bill	-117.57	-30.01%	63,512 gal.
Next 13,800 gallons	6.48	per 1,000 gallons					
Next 25,000 gallons	5.91	per 1,000 gallons					
Next 50,000 gallons	5.24	per 1,000 gallons					
All Over 100,000 gallons	4.58	per 1,000 gallons					
PROPOSED RATE: After first 13,000 gallons			3.817	per 1,000 gallons			
<u>2" Meter:</u>							
First 17,600 gallons	125.30	Minimum bill	130.83	Minimum bill	-82.97	-25.28%	51,381 gal.
Next 7,400 gallons	6.48	per 1,000 gallons					
Next 25,000 gallons	5.91	per 1,000 gallons					
Next 50,000 gallons	5.24	per 1,000 gallons					
All Over 100,000 gallons	4.58	per 1,000 gallons					
PROPOSED RATE: After first 21,400 gallons			3.817	per 1,000 gallons			
<u>6" Meter:</u>							
First 250,500 gallons	1,271.31	Minimum bill	822.66	Minimum bill	-448.65	-35.29%	281,500 gal.
All Over 250,500 gallons	4.58	per 1,000 gallons					
PROPOSED RATE: After first 281,500 gallons			3.817	per 1,000 gallons			
Private Fire protection	20.73		25.83			24.62%	
Municipally-owned Hydrants	4.61		5.74			24.62%	

The rates contained in the notice are the rates proposed by Water Service Corporation of Kentucky on or about November 30, 2015, with the Commission but that the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

A corporation, association, or person may within thirty (30) days after the initial publication or mailing of notice of the proposed rate changes, submit a written request to intervene to the Public Service Commission, 211 Sower Boulevard, P.O. Box 615,

Frankfort, Kentucky 40602 that establishes the grounds for the request including the status and interest of the party. If the Commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the Commission may take final action on the application.

A person may examine this filing and any other documents Water Service Corporation of Kentucky has filed with the Public Service Commission at the offices of Water Service Corporation of Kentucky located at 100 East Jackson Street in Clinton.

This filing and any other related documents can be examined at the Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or found on the Public Service Commission's Web site at <http://psc.ky.gov/>. Written comments regarding the proposed rate may be submitted to the Public Service Commission by mail or through the Public Service Commission's Web site.

If you have any questions, feel free to contact us at (800) 272-1919. Please have your account number ready.  
Water Service Company of Kentucky

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 4

## WATER SERVICE CORPORATION OF KENTUCKY

### List of Schedules and Workpapers

Table of Contents	TOC-List of Schedules
Schedule A	Balance Sheet
Schedule B	Income Statement
Schedule C	Rate Base
Schedule D	Revenue at Proposed Rates
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w/p [a]	Uncollectibles
w/p [b]	Summary of Salary Adjustments
w/p [c]	Plant in Service Adjustments
w/p [d]	Rate Case Expense
w/p [e]	Taxes Other Than Income
w/p [f]	Depreciation
w/p [g]	Income Taxes
w/p [h]	Capital Structure
w/p [i]	Cash Working Capital
w/p [j]	Maintenance and Repair Adjustments
w/p [k]	Chemicals Usage Change
w/p [l]	Allocation of Transportation Expense
w/p [m]	Expense Report Summary
w/p [n]	Removal of 2013 Rate Case Appeal and 2014 Show Cause Costs
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#### Cost of Service Study (COSS)

w/p [t-1]	Revenues at Present and Proposed Rates
w/p [t-2]	Revenues at Present and Proposed Rates (continued)
w/p [t-3]	Plant in Service Allocation
w/p [t-4]	Revenue Requirement Allocation
w/p [t-5]	Equivalent Meters and Services
w/p [t-6]	Explanation of Allocation Codes
w/p [t-7]	WSCKY Summary
w/p [t-8]	Distribution of Income Statement Items to ECOSS
w/p [t-9]	Distribution of Plant in Service to ECOSS

WATER SERVICE CORPORATION OF KENTUCKY

Schedule A

Case No. 2015 - 00382

Balance Sheet  
Test Year Ended 6/30/2015

Line No.	ASSETS	A	B	C	D
				<u>LIABILITIES AND OTHER CREDITS</u>	
1	Plant In Service			Capital Stock and Retained Earnings	
2	Water		\$ 11,829,534		
3	Sewer		-	Common Stock and Paid In Capital	\$ 5,068,438
4			<u>                    </u>	Retained Earnings	(161,552)
5	Total		\$ 11,829,534		
6			<u>                    </u>	Total	\$ 4,906,886
7	Accumulated Depreciation-Water		(5,181,177)	Current and Accrued Liabilities	
8	Accumulated Depreciation-Sewer		-	Accounts Payable-Trade	354,067
9			<u>                    </u>	Taxes Accrued	(25,639)
10	Total		\$ (5,181,177)	Deferred Credits	35,469
11			<u>                    </u>	Customer Deposits - Interest	901
12				A/P - Assoc. Companies	1,209,997
13	Net Utility Plant		\$ 6,648,357	Deferred Revenue	-
14			<u>                    </u>		
15				Total	\$ 1,574,795
16				Advances In Aid of Construction	
17	Plant Acquisition Adjustment-Water		(137,269)	Water	73,376
18	Plant Acquisition Adjustment-Sewer		-	Sewer	-
19			<u>                    </u>		
20	Total		\$ (137,269)	Total	\$ 73,376
21			<u>                    </u>		
22				Contributions In Aid of Construction	
23	Construction Work In Process-Water		-	Water	188,654
24	Construction Work In Process-Sewer		-	Sewer	-
25			<u>                    </u>		
26	Total		\$ -	Total	\$ 188,654
27			<u>                    </u>		
28	Current Assets			Accumulated Deferred Income Tax	
29	Cash		104,803	Unamortized ITC	-
30	Accounts Receivable - Net		725,575	Deferred Tax - Federal	757,921
31	Other Current Assets		13,800	Deferred Tax - State	78,251
32			<u>                    </u>		
33	Total		\$ 844,178	Total	\$ 836,172
34			<u>                    </u>		
35				TOTAL LIABILITIES AND OTHER CREDITS	\$ 7,579,883
36	Deferred Charges		224,617		
37			<u>                    </u>		
38	TOTAL ASSETS		\$ 7,579,883		



Line No.	A	B	C	D	E	F
		Per Books	Pro Forma Changes	Pro Forma Present	Proposed Increase	Pro Forma Proposed
1	Operating Revenues					
2	Service Revenues - Water	2,107,765	(7,503) [a]	2,100,262	516,989 [k]	2,617,251
3	Service Revenues - Sewer	-	-	-	-	-
4	Miscellaneous Revenues	67,499	-	67,499	-	67,499
5						
6	Total Operating Revenues	2,175,264	(7,503)	2,167,760	516,989	2,684,749
7						
8	Maintenance Expenses					
9	Salaries and Wages	510,822	27,339 [c]	538,161	-	538,161
10	Purchase Water/Sewer	123,204	-	123,204	-	123,204
11	Purchased Power	89,773	-	89,773	-	89,773
12	Maintenance and Repair	101,452	14,156 [j] [l]	115,608	-	115,608
13	Maintenance Testing	37,602	-	37,602	-	37,602
14	Meter Reading	-	-	-	-	-
15	Chemicals	132,664	(18,357) [n]	114,308	-	114,308
16	Transportation	39,043	(41) [o]	39,002	-	39,002
17	Operating Exp. Charged to Plant	(159,698)	4,449 [d]	(155,249)	-	(155,249)
18	Outside Services - Other	90,874	(31,919) [m] [q]	58,955	-	58,955
19						
20	Total	965,737	(4,374)	961,364	-	961,364
21						
22	General Expenses					
23	Salaries and Wages	165,731	39,330 [c]	205,061	-	205,061
24	Office Supplies & Other Office Exp.	57,999	(391) [l]	57,609	-	57,609
25	Regulatory Commission Exp.	89,439	(2,456) [e]	86,983	-	86,983
26	Pension & Other Benefits	158,342	45,775 [c] [l]	204,117	-	204,117
27	Rent	8,210	-	8,210	-	8,210
28	Insurance	69,093	-	69,093	-	69,093
29	Office Utilities	52,352	(190) [l]	52,162	-	52,162
30	Uncollectible Accounts	41,829	(149) [b]	41,680	10,260 [b]	51,939
31	Miscellaneous	22,827	(3,087) [l]	19,739	-	19,739
32						
33	Total	665,820	78,833	744,654	10,260	754,913
34						
35	Depreciation	335,723	20,231 [f]	355,955	-	355,955
36	Amortization of PAA	(3,660)	3,660 [p]	-	-	-
37	Taxes Other Than Income	140,811	1,589 [g]	142,400	872 [g]	143,272
38	Expense Reduction Related to Clinton Sewer Operations	(154,344)	-	(154,344)	-	(154,344)
39	Income Taxes - Federal	99,758	(120,689) [h]	(20,930)	162,108 [h]	141,178
40	Income Taxes - State	(227,878)	225,313 [h]	(2,565)	29,069 [h]	26,504
41	Amortization of CIAC	(4,628)	(4,724) [f]	(9,352)	-	(9,352)
42						
43	Total	185,782	125,381	311,163	192,049	503,212
44						
45	Total Operating Expenses	1,817,339	199,841	2,017,180	202,309	2,219,489
46						
47	Net Operating Income	357,924	(207,344)	150,580	314,680	465,260
48						
49	Other Income	-	-	-	-	-
50	Interest During Construction	(5,026)	-	(5,026)	-	(5,026)
51	Interest on Debt	175,513	15,697 [j]	191,210	-	191,210
52						
53	Net Income	187,438	(223,041)	(35,603)	314,680	279,077

<u>Line No.</u>	
1	[a] Support for this change can be found on w/p [s]
2	
3	[b] Adjusted based on the percentage of uncollectible accounts to revenues in the test year applied to annualized and pro forma proposed revenues. Support can be found on w/p [a]
4	
5	[c] Salaries, Wages and Benefits are adjusted to annualize as of the end of the year. Support for this change can be found on w/p [b]
6	
7	[d] Operating expense charged to plant has been adjusted for projected increases in salaries, taxes, and benefits for operators. Support for this change can be found on w/p [b]
8	
9	[e] Regulatory commission expense has been adjusted. Support for this change can be found on w/p [d]
10	
11	[f] Depreciation and Amortization Expense are annualized. Depreciation expense represents gross depreciable plant at the end of the year multiplied by their respective depreciation rates. w/]
12	
13	[g] Taxes Other than Income is adjusted for annualized payroll taxes and Utility Commission Taxes. Support for this change can be found on w/p [e]
14	
15	[h] Income taxes are computed on taxable income at current rates. Support for this change can be found on w/p [g]
16	
17	[i] Support for this change can be found on w/p [j]
18	
19	[j] Support for this change can be found on w/p [h]
20	
21	[k] Revenues are annualized at proposed rates using the actual test year bills.
22	
23	[l] Support for this change can be found on w/p [m].
24	
25	[m] Removal of 2013 Rate Case Appeal and Show Cause Case Legal Costs - Support for this change can be found on w/p [n]
26	
27	[n] Support for this change can be found on w/p [k]
28	
29	[o] Support for this change can be found on w/p [l]
30	
31	[p] Amortization of PAA has been removed for rate making purposes
32	
33	[q] Support for this change can be found on w/p [r]

Line No.	A	B	C	D	E	F
		Per Books	Pro Forma Changes	As Adjusted	Proposed Increase	Effect of Proposed Increase
1	Net Operating Income	\$ 357,924	(207,344)	\$ 150,580	314,680	\$ 465,260
2						
3	Gross Plant In Service	\$ 11,829,534	(390,934) [a]	11,438,600	-	\$ 11,438,600
4	Accumulated Depreciation	(5,181,177)	589,462 [a]	(4,591,715)	-	(4,591,715)
5	Net Plant In Service	6,648,357	198,528	6,846,885	-	6,846,885
6	Cash Working Capital	221,546	10,789 [c]	232,335	-	232,335
7	Contributions In Aid of Construction	(188,654)	6,349 [a][b]	(182,305)	-	(182,305)
8	Advances in Aid of Construction	(73,376)	4,523 [a][b]	(68,853)	-	(68,853)
9	Accumulated Deferred Income Taxes	(836,172)	-	(836,172)	-	(836,172)
10	Customer Deposits	(35,469)	-	(35,469)	-	(35,469)
11						
12	Total Rate Base	\$ 5,736,233	\$ 220,189	\$ 5,956,421	\$ -	\$ 5,956,421
13						
14						
15	Return on Rate Base	6.24%		2.53%		7.81%

18 Explanation of Adjustments to Rate Base

- 19
- 20 [a] Gross plant in service and Accumulated Depreciation adjustments per wp [c]. Net CIAC and AIAC are adjusted per w/p [p-5].
- 21
- 22 [b] Accumulated depreciation, CIAC, and AIAC have been annualized
- 23
- 24 [c] Working capital is calculated based on pro forma maintenance expenses, pro forma general expenses, and taxes other than income.

A	B	C	D	E	F	G	H	I	J	K
Line No.	Actual Gallons Consumed (000's)	# of Bills	Billable Gallons (000's)	Rates per 1,000 gal.	Revenue	Test Year Revenue	Total # of Bills	Total Billable Gallons (000's)	Proposed Rates	Proposed Revenues
<b>MIDDLESBORO</b>										
Residential 5/8" Meter	224,676									
First 1,000		59,288		\$ 9.42	\$ 558,493	\$ 558,493	59,288		\$ 11.74	\$ 695,969
Next 9,000			152,545	\$ 3.86	\$ 588,824	\$ 588,824		152,545	\$ 4.81	\$ 733,765
Next 15,000			12,302	\$ 3.53	\$ 43,427	\$ 43,427		12,302	\$ 4.40	\$ 54,117
Next 25,000			2,871	\$ 3.35	\$ 9,619	\$ 9,619		2,871	\$ 4.17	\$ 11,987
Next 50,000			1,572	\$ 3.01	\$ 4,733	\$ 4,733		1,572	\$ 3.75	\$ 5,898
Over 100,000			1,538	\$ 2.76	\$ 4,245	\$ 4,245		1,538	\$ 3.44	\$ 5,290
<b>Total Residential 5/8" Meter</b>	<b>224,676</b>	<b>59,288</b>	<b>170,829</b>		<b>\$ 1,209,342</b>	<b>\$ 1,209,342</b>	<b>59,288</b>	<b>170,829</b>		<b>\$ 1,507,027</b>
<b>Average Residential 5/8" Bill</b>						<b>\$ 20.40</b>				<b>\$ 25.42</b>
Commercial 5/8" Meter	26,730									
First 1,000		6,405		\$ 9.42	\$ 60,335	\$ 60,335	6,405		\$ 11.74	\$ 75,187
Next 9,000			12,687	\$ 3.86	\$ 48,972	\$ 48,972		12,687	\$ 4.81	\$ 61,027
Next 15,000			4,094	\$ 3.53	\$ 14,452	\$ 14,452		4,094	\$ 4.40	\$ 18,010
Next 25,000			2,538	\$ 3.35	\$ 8,503	\$ 8,503		2,538	\$ 4.17	\$ 10,596
Next 50,000			1,911	\$ 3.01	\$ 5,753	\$ 5,753		1,911	\$ 3.75	\$ 7,169
Over 100,000			931	\$ 2.76	\$ 2,569	\$ 2,569		931	\$ 3.44	\$ 3,201
<b>Total Commercial 5/8" Meter</b>	<b>26,730</b>	<b>6,405</b>	<b>22,162</b>		<b>\$ 140,585</b>	<b>\$ 140,585</b>	<b>6,405</b>	<b>22,162</b>		<b>\$ 175,190</b>
<b>Average Commercial 5/8" Bill</b>						<b>\$ 21.95</b>				<b>\$ 27.35</b>
Governmental 5/8" Meter	1,988									
First 1,000		156		\$ 9.42	\$ 1,470	\$ 1,470	156		\$ 11.74	\$ 1,831
Next 9,000			369	\$ 3.86	\$ 1,426	\$ 1,426		369	\$ 4.81	\$ 1,777
Next 15,000			298	\$ 3.53	\$ 1,052	\$ 1,052		298	\$ 4.40	\$ 1,311
Next 25,000			378	\$ 3.35	\$ 1,266	\$ 1,266		378	\$ 4.17	\$ 1,577
Next 50,000			578	\$ 3.01	\$ 1,740	\$ 1,740		578	\$ 3.75	\$ 2,168
Over 100,000			257	\$ 2.76	\$ 709	\$ 709		257	\$ 3.44	\$ 883
<b>Total Governmental 5/8" Meter</b>	<b>1,988</b>	<b>156</b>	<b>1,880</b>		<b>\$ 7,662</b>	<b>\$ 7,662</b>	<b>156</b>	<b>1,880</b>		<b>\$ 9,548</b>
<b>Average Governmental 5/8" Bill</b>						<b>\$ 49.11</b>				<b>\$ 61.20</b>
Industrial 5/8" Meter	692									
First 1,000		95		\$ 9.42	\$ 895	\$ 895	95		\$ 11.74	\$ 1,115
Next 9,000			312	\$ 3.86	\$ 1,204	\$ 1,204		312	\$ 4.81	\$ 1,501
Next 15,000			233	\$ 3.53	\$ 822	\$ 822		233	\$ 4.40	\$ 1,024
Next 25,000			49	\$ 3.35	\$ 163	\$ 163		49	\$ 4.17	\$ 203
Next 50,000			17	\$ 3.01	\$ 50	\$ 50		17	\$ 3.75	\$ 63
Over 100,000			-	\$ 2.76	\$ -	\$ -		-	\$ 3.44	\$ -
<b>Total Industrial 5/8" Meter</b>	<b>692</b>	<b>95</b>	<b>610</b>		<b>\$ 3,134</b>	<b>\$ 3,134</b>	<b>95</b>	<b>610</b>		<b>\$ 3,906</b>
<b>Average Industrial 5/8" Bill</b>						<b>\$ 32.99</b>				<b>\$ 41.11</b>
Commercial 3/4" Meter	12									
First 1,000		24		\$ 9.42	\$ 226.08	\$ 226	24		\$ 11.74	\$ 282
Next 9,000			-	\$ 3.86	\$ -	\$ -		-	\$ 4.81	\$ -
Next 15,000			-	\$ 3.53	\$ -	\$ -		-	\$ 4.40	\$ -
Next 25,000			-	\$ 3.35	\$ -	\$ -		-	\$ 4.17	\$ -
Next 50,000			-	\$ 3.01	\$ -	\$ -		-	\$ 3.75	\$ -
Over 100,000			-	\$ 2.76	\$ -	\$ -		-	\$ 3.44	\$ -
<b>Total Commercial 3/4" Meter</b>	<b>12</b>	<b>24</b>	<b>0</b>		<b>\$ 226</b>	<b>\$ 226</b>	<b>24</b>	<b>0</b>		<b>\$ 282</b>
<b>Average Commercial 3/4" Bill</b>						<b>\$ 9.42</b>				<b>\$ 11.74</b>
Commercial 1" Meter	12,178									
First 6,000		800		\$ 28.67	\$ 22,936	\$ 22,936	800		\$ 35.73	\$ 28,582
Next 4,000			1,491	\$ 3.86	\$ 5,756	\$ 5,756		1,491	\$ 4.81	\$ 7,173
Next 15,000			3,456	\$ 3.53	\$ 12,199	\$ 12,199		3,456	\$ 4.40	\$ 15,202
Next 25,000			2,425	\$ 3.35	\$ 8,123	\$ 8,123		2,425	\$ 4.17	\$ 10,123
Next 50,000			1,052	\$ 3.01	\$ 3,165	\$ 3,165		1,052	\$ 3.75	\$ 3,944
Over 100,000			134	\$ 2.76	\$ 370	\$ 370		134	\$ 3.44	\$ 461
<b>Total Commercial 1" Meter</b>	<b>12,178</b>	<b>800</b>	<b>8,558</b>		<b>\$ 52,550</b>	<b>\$ 52,550</b>	<b>800</b>	<b>8,558</b>		<b>\$ 65,485</b>
<b>Average Commercial 1" Bill</b>						<b>\$ 65.69</b>				<b>\$ 81.86</b>
Residential 1" Meter	1,767									
First 6,000		288		\$ 28.67	\$ 8,257	\$ 8,257	288		\$ 35.73	\$ 10,289
Next 4,000			283	\$ 3.86	\$ 1,092	\$ 1,092		283	\$ 4.81	\$ 1,361
Next 15,000			165	\$ 3.53	\$ 584	\$ 584		165	\$ 4.40	\$ 727
Next 25,000			41	\$ 3.35	\$ 138	\$ 138		41	\$ 4.17	\$ 172
Next 50,000			-	\$ 3.01	\$ -	\$ -		-	\$ 3.75	\$ -
Over 100,000			-	\$ 2.76	\$ -	\$ -		-	\$ 3.44	\$ -
<b>Total Residential 1" Meter</b>	<b>1,767</b>	<b>288</b>	<b>489</b>		<b>\$ 10,071</b>	<b>\$ 10,071</b>	<b>288</b>	<b>489</b>		<b>\$ 12,549</b>
<b>Average Residential 1" Bill</b>						<b>\$ 34.97</b>				<b>\$ 43.57</b>
Governmental 1" Meter	563									
First 6,000		36		\$ 28.67	\$ 1,032	\$ 1,032	36		\$ 35.73	\$ 1,286
Next 4,000			95	\$ 3.86	\$ 365	\$ 365		95	\$ 4.81	\$ 455
Next 15,000			184	\$ 3.53	\$ 648	\$ 648		184	\$ 4.40	\$ 808
Next 25,000			81	\$ 3.35	\$ 273	\$ 273		81	\$ 4.17	\$ 340
Next 50,000			13	\$ 3.01	\$ 40	\$ 40		13	\$ 3.75	\$ 50
Over 100,000			-	\$ 2.76	\$ -	\$ -		-	\$ 3.44	\$ -
<b>Total Governmental 1" Meter</b>	<b>563</b>	<b>36</b>	<b>373</b>		<b>\$ 2,358</b>	<b>\$ 2,358</b>	<b>36</b>	<b>373</b>		<b>\$ 2,939</b>
<b>Average Governmental 1" Bill</b>						<b>\$ 65.51</b>				<b>\$ 81.64</b>
Industrial 1" Meter	153									
First 6,000		12		\$ 28.67	\$ 344	\$ 344	12		\$ 35.73	\$ 429
Next 4,000			48	\$ 3.86	\$ 185	\$ 185		48	\$ 4.81	\$ 231
Next 15,000			33	\$ 3.53	\$ 116	\$ 116		33	\$ 4.40	\$ 144
Next 25,000			-	\$ 3.35	\$ -	\$ -		-	\$ 4.17	\$ -
Next 50,000			-	\$ 3.01	\$ -	\$ -		-	\$ 3.75	\$ -
Over 100,000			-	\$ 2.76	\$ -	\$ -		-	\$ 3.44	\$ -
<b>Total Industrial 1" Meter</b>	<b>153</b>	<b>12</b>	<b>81</b>		<b>\$ 645</b>	<b>\$ 645</b>	<b>12</b>	<b>81</b>		<b>\$ 804</b>
<b>Average Industrial 1" Bill</b>						<b>\$ 53.75</b>				<b>\$ 66.98</b>
Commercial 1.5" Meter	7,118									
First 13,000		202		\$ 54.62	\$ 11,033	\$ 11,033	202		\$ 68.06	\$ 13,749
Next 12,000			1,217	\$ 3.53	\$ 4,296	\$ 4,296		1,217	\$ 4.40	\$ 5,353
Next 25,000			1,779	\$ 3.35	\$ 5,959	\$ 5,959		1,779	\$ 4.17	\$ 7,426
Next 50,000			1,051	\$ 3.01	\$ 3,163	\$ 3,163		1,051	\$ 3.75	\$ 3,942
Over 100,000			1,170	\$ 2.76	\$ 3,228	\$ 3,228		1,170	\$ 3.44	\$ 4,023
<b>Total Commercial 1.5" Meter</b>	<b>7,118</b>	<b>202</b>	<b>5,216</b>		<b>\$ 27,679</b>	<b>\$ 27,679</b>	<b>202</b>	<b>5,216</b>		<b>\$ 34,492</b>
<b>Average Commercial 1.5" Bill</b>						<b>\$ 137.02</b>				<b>\$ 170.75</b>



<b>Average Industrial 4" Bill</b>									<b>\$ 443.35</b>		<b>\$ 552.48</b>
Commercial 6" Meter	1,670										
First 281,500		24	\$ 831.52	\$ 19,956	\$ 19,956	24		\$ 1,036.20	\$ 24,869		
Over 281,500		-	\$ 2.76	-	-	-		\$ 3.44	\$ -		
<b>Total Commercial 6" Meter</b>	<b>1,670</b>	<b>24</b>		<b>\$ 19,956</b>	<b>\$ 19,956</b>	<b>24</b>			<b>\$ 24,869</b>		
<b>Average Commercial 6" Bill</b>									<b>\$ 831.52</b>		<b>\$ 1,036.20</b>
Industrial 6" Meter	42,537										
First 281,500		12	\$ 831.52	\$ 9,978	\$ 9,978	12		\$ 1,036.20	\$ 12,434		
Over 281,500		-	\$ 2.76	108,078	\$ 108,078	-	39,159	\$ 3.44	\$ 134,682		
<b>Total Industrial 6" Meter</b>	<b>42,537</b>	<b>12</b>		<b>\$ 118,056</b>	<b>\$ 118,056</b>	<b>12</b>	<b>39,159</b>		<b>\$ 147,116</b>		
<b>Average Industrial 6" Bill</b>									<b>\$ 9,838.00</b>		<b>\$ 12,259.67</b>
Middlesboro Municipal Fire Protection Hydrant	-	12	\$ 20.73	\$ 249	\$ 249	12	-	\$ 25.83	\$ 310		
<b>Total Middlesboro Municipal Fire Protection Hydrant</b>	<b>-</b>	<b>12</b>		<b>\$ 249</b>	<b>\$ 249</b>	<b>12</b>	<b>-</b>		<b>\$ 310</b>		
<b>Average Middlesboro Municipal Fire Protection Hydrant</b>									<b>\$ 20.73</b>		<b>\$ 25.83</b>
Middlesboro Municipal Fire Protection Sprinkler	-	12	\$ 20.73	\$ 7,960	\$ 7,960	12	-	\$ 25.83	\$ 9,920		
<b>Total Middlesboro Municipal Fire Protection Sprinkler</b>	<b>-</b>	<b>12</b>		<b>\$ 7,960</b>	<b>\$ 7,960</b>	<b>12</b>	<b>-</b>		<b>\$ 9,920</b>		
<b>Average Middlesboro Municipal Fire Protection Sprinkler</b>									<b>\$ 663.36</b>		<b>\$ 826.65</b>
Middlesboro Municipal Fire Protection WIND	-	12	\$ 152.98	\$ 1,836	\$ 1,836	12	-	\$ 190.64	\$ 2,288		
<b>Total Middlesboro Municipal Fire Protection WIND</b>	<b>-</b>	<b>12</b>		<b>\$ 1,836</b>	<b>\$ 1,836</b>	<b>12</b>	<b>-</b>		<b>\$ 2,288</b>		
<b>Average Middlesboro Municipal Fire Protection WIND</b>									<b>\$ 152.98</b>		<b>\$ 190.64</b>
Middlesboro City/County Special Hydrant	-	12	\$ 20.73	\$ 9,950	\$ 9,950	12	-	\$ 25.83	\$ 12,400		
<b>Total Middlesboro City/County Special Hydrant</b>	<b>-</b>	<b>12</b>		<b>\$ 9,950</b>	<b>\$ 9,950</b>	<b>12</b>	<b>-</b>		<b>\$ 12,400</b>		
<b>Average Middlesboro City/County Special Hydrant</b>									<b>\$ 829.20</b>		<b>\$ 1,033.31</b>
Middlesboro Govt Water Fire Protection	-	12	\$ 4.61	\$ 15,213	\$ 15,213	12	-	\$ 5.74	\$ 18,958		
<b>Total Middlesboro Govt Water Fire Protection</b>	<b>-</b>	<b>12</b>		<b>\$ 15,213</b>	<b>\$ 15,213</b>	<b>12</b>	<b>-</b>		<b>\$ 18,958</b>		
<b>Average Middlesboro Govt Water Fire Protection</b>									<b>\$ 1,267.75</b>		<b>\$ 1,579.81</b>
<b>TOTAL MIDDLESBORO</b>	<b>379,960</b>	<b>68,167</b>	<b>293,828</b>	<b>\$ 1,847,651</b>	<b>\$ 1,847,651</b>	<b>68,167</b>	<b>293,828</b>		<b>\$ 2,302,459</b>		
<b>CLINTON</b>											
Residential 5/8" Meter	757										
First 1,000		225	\$ 12.47	\$ 2,806	\$ 2,806	225		\$ 15.54	\$ 3,496		
Next 9,000		-	\$ 7.06	3,400	\$ 3,400	-	482	\$ 8.80	\$ 4,237		
Next 15,000		-	\$ 6.48	341	\$ 341	-	53	\$ 8.08	\$ 424		
Next 25,000		-	\$ 5.91	31	\$ 31	-	5	\$ 7.36	\$ 39		
Next 50,000		-	\$ 5.24	-	-	-	-	\$ 6.53	\$ -		
Over 100,000		-	\$ 4.58	-	-	-	-	\$ 5.71	\$ -		
<b>Total Residential 5/8" Meter</b>	<b>757</b>	<b>225</b>	<b>539</b>	<b>\$ 6,577</b>	<b>\$ 6,577</b>	<b>225</b>	<b>539</b>		<b>\$ 8,196</b>		
<b>Average Residential 5/8" Bill</b>									<b>\$ 29.23</b>		<b>\$ 36.43</b>
Commercial 5/8" Meter	114										
First 1,000		46	\$ 12.47	\$ 574	\$ 574	46		\$ 15.54	\$ 715		
Next 9,000		-	\$ 7.06	544	\$ 544	-	77	\$ 8.80	\$ 678		
Next 15,000		-	\$ 6.48	7	\$ 7	-	1	\$ 8.08	\$ 9		
Next 25,000		-	\$ 5.91	-	-	-	-	\$ 7.36	\$ -		
Next 50,000		-	\$ 5.24	-	-	-	-	\$ 6.53	\$ -		
Over 100,000		-	\$ 4.58	-	-	-	-	\$ 5.71	\$ -		
<b>Total Commercial 5/8" Meter</b>	<b>114</b>	<b>46</b>	<b>78</b>	<b>\$ 1,125</b>	<b>\$ 1,125</b>	<b>46</b>	<b>78</b>		<b>\$ 1,402</b>		
<b>Average Commercial 5/8" Bill</b>									<b>\$ 24.47</b>		<b>\$ 30.49</b>
Governmental 5/8" Meter	62										
First 1,000		24	\$ 12.47	\$ 299	\$ 299	24		\$ 15.54	\$ 373		
Next 9,000		-	\$ 7.06	236	\$ 236	-	33	\$ 8.80	\$ 294		
Next 15,000		-	\$ 6.48	51	\$ 51	-	8	\$ 8.08	\$ 63		
Next 25,000		-	\$ 5.91	-	-	-	-	\$ 7.36	\$ -		
Next 50,000		-	\$ 5.24	-	-	-	-	\$ 6.53	\$ -		
Over 100,000		-	\$ 4.58	-	-	-	-	\$ 5.71	\$ -		
<b>Total Governmental 5/8" Meter</b>	<b>62</b>	<b>24</b>	<b>41</b>	<b>\$ 586</b>	<b>\$ 586</b>	<b>24</b>	<b>41</b>		<b>\$ 730</b>		
<b>Average Governmental 5/8" Bill</b>									<b>\$ 24.41</b>		<b>\$ 30.42</b>
Residential 3/4" Meter	17,400										
First 1,000		5,588	\$ 12.47	\$ 69,682	\$ 69,682	5,588		\$ 15.54	\$ 86,835		
Next 9,000		-	\$ 7.06	81,784	\$ 81,784	-	11,584	\$ 8.80	\$ 101,916		
Next 15,000		-	\$ 6.48	3,773	\$ 3,773	-	582	\$ 8.08	\$ 4,702		
Next 25,000		-	\$ 5.91	775	\$ 775	-	131	\$ 7.36	\$ 966		
Next 50,000		-	\$ 5.24	25	\$ 25	-	5	\$ 6.53	\$ 31		
Over 100,000		-	\$ 4.58	-	-	-	-	\$ 5.71	\$ -		
<b>Total Residential 3/4" Meter</b>	<b>17,400</b>	<b>5,588</b>	<b>12,302</b>	<b>\$ 156,039</b>	<b>\$ 156,039</b>	<b>5,588</b>	<b>12,302</b>		<b>\$ 194,449</b>		
<b>Average Residential 3/4" Bill</b>									<b>\$ 27.92</b>		<b>\$ 34.80</b>
Commercial 3/4" Meter	2,554										
First 1,000		663	\$ 12.47	\$ 8,268	\$ 8,268	663		\$ 15.54	\$ 10,303		
Next 9,000		-	\$ 7.06	9,132	\$ 9,132	-	1,293	\$ 8.80	\$ 11,379		
Next 15,000		-	\$ 6.48	2,391	\$ 2,391	-	369	\$ 8.08	\$ 2,980		
Next 25,000		-	\$ 5.91	886	\$ 886	-	150	\$ 7.36	\$ 1,104		
Next 50,000		-	\$ 5.24	799	\$ 799	-	153	\$ 6.53	\$ 996		
Over 100,000		-	\$ 4.58	777	\$ 777	-	170	\$ 5.71	\$ 968		
<b>Total Commercial 3/4" Meter</b>	<b>2,554</b>	<b>663</b>	<b>2,135</b>	<b>\$ 22,253</b>	<b>\$ 22,253</b>	<b>663</b>	<b>2,135</b>		<b>\$ 27,730</b>		
<b>Average Commercial 3/4" Bill</b>									<b>\$ 33.56</b>		<b>\$ 41.83</b>
Governmental 3/4" Meter	615										
First 1,000		108	\$ 12.47	\$ 1,347	\$ 1,347	108		\$ 15.54	\$ 1,678		
Next 9,000		-	\$ 7.06	1,857	\$ 1,857	-	263	\$ 8.80	\$ 2,314		
Next 15,000		-	\$ 6.48	1,083	\$ 1,083	-	167	\$ 8.08	\$ 1,349		
Next 25,000		-	\$ 5.91	338	\$ 338	-	57	\$ 7.36	\$ 421		
Next 50,000		-	\$ 5.24	244	\$ 244	-	47	\$ 6.53	\$ 304		
Over 100,000		-	\$ 4.58	-	-	-	-	\$ 5.71	\$ -		
<b>Total Governmental 3/4" Meter</b>	<b>615</b>	<b>108</b>	<b>534</b>	<b>\$ 4,869</b>	<b>\$ 4,869</b>	<b>108</b>	<b>534</b>		<b>\$ 6,067</b>		
<b>Average Governmental 3/4" Bill</b>									<b>\$ 45.08</b>		<b>\$ 56.18</b>

Commercial 1" Meter	268									
First 6,000		36	\$ 42.84	\$ 1,542	\$ 1,542	36		\$ 53.39	\$ 1,922	
Next 4,000			\$ 7.06	226	\$ 226		32	\$ 8.80	\$ 282	
Next 15,000			\$ 6.48	589	\$ 589		91	\$ 8.08	\$ 734	
Next 25,000			\$ 5.91	167	\$ 167		28	\$ 7.36	\$ 208	
Next 50,000			\$ 5.24	-	\$ -		-	\$ 6.53	\$ -	
Over 100,000			\$ 4.58	-	\$ -		-	\$ 5.71	\$ -	
<b>Total Commercial 1" Meter</b>	<b>268</b>	<b>36</b>	<b>151</b>	<b>\$ 2,524</b>	<b>\$ 2,524</b>	<b>36</b>	<b>151</b>		<b>\$ 3,145</b>	
<b>Average Commercial 1" Bill</b>									<b>\$ 70.12</b>	<b>\$ 87.37</b>
Governmental 1" Meter	160									
First 6,000		48	\$ 42.84	\$ 2,056	\$ 2,056	48		\$ 53.39	\$ 2,562	
Next 4,000			\$ 7.06	310	\$ 310		44	\$ 8.80	\$ 387	
Next 15,000			\$ 6.48	35	\$ 35		5	\$ 8.08	\$ 44	
Next 25,000			\$ 5.91	-	\$ -		-	\$ 7.36	\$ -	
Next 50,000			\$ 5.24	-	\$ -		-	\$ 6.53	\$ -	
Over 100,000			\$ 4.58	-	\$ -		-	\$ 5.71	\$ -	
<b>Total Governmental 1" Meter</b>	<b>160</b>	<b>48</b>	<b>49</b>	<b>\$ 2,402</b>	<b>\$ 2,402</b>	<b>48</b>	<b>49</b>		<b>\$ 2,993</b>	
<b>Average Governmental 1" Bill</b>									<b>\$ 50.04</b>	<b>\$ 62.36</b>
Multi Residential 1" Meter	1,341									
First 6,000		84	\$ 42.84	\$ 3,599	\$ 3,599	84		\$ 53.39	\$ 4,484	
Next 4,000			\$ 7.06	2,226	\$ 2,226		315	\$ 8.80	\$ 2,774	
Next 15,000			\$ 6.48	3,095	\$ 3,095		478	\$ 8.08	\$ 3,857	
Next 25,000			\$ 5.91	260	\$ 260		44	\$ 7.36	\$ 325	
Next 50,000			\$ 5.24	-	\$ -		-	\$ 6.53	\$ -	
Over 100,000			\$ 4.58	-	\$ -		-	\$ 5.71	\$ -	
<b>Total Multi Residential 1" Meter</b>	<b>1,341</b>	<b>84</b>	<b>837</b>	<b>\$ 9,181</b>	<b>\$ 9,181</b>	<b>84</b>	<b>837</b>		<b>\$ 11,440</b>	
<b>Average Multi Residential 1" Bill</b>									<b>\$ 109.29</b>	<b>\$ 136.20</b>
Commercial 1.5" Meter	1,570									
First 13,000		24	\$ 83.81	\$ 2,011	\$ 2,011	24		\$ 104.44	\$ 2,507	
Next 12,000			\$ 6.48	1,085	\$ 1,085		167	\$ 8.08	\$ 1,352	
Next 25,000			\$ 5.91	1,780	\$ 1,780		301	\$ 7.36	\$ 2,218	
Next 50,000			\$ 5.24	2,819	\$ 2,819		538	\$ 6.53	\$ 3,513	
Over 100,000			\$ 4.58	1,202	\$ 1,202		263	\$ 5.71	\$ 1,498	
<b>Total Commercial 1.5" Meter</b>	<b>1,570</b>	<b>24</b>	<b>1,269</b>	<b>\$ 8,897</b>	<b>\$ 8,897</b>	<b>24</b>	<b>1,269</b>		<b>\$ 11,087</b>	
<b>Average Commercial 1.5" Bill</b>									<b>\$ 370.70</b>	<b>\$ 461.96</b>
Governmental 1.5" Meter	2,177									
First 13,000		35	\$ 83.81	\$ 2,933	\$ 2,933	35		\$ 104.44	\$ 3,655	
Next 12,000			\$ 6.48	1,795	\$ 1,795		277	\$ 8.08	\$ 2,237	
Next 25,000			\$ 5.91	3,102	\$ 3,102		525	\$ 7.36	\$ 3,865	
Next 50,000			\$ 5.24	3,789	\$ 3,789		723	\$ 6.53	\$ 4,722	
Over 100,000			\$ 4.58	1,470	\$ 1,470		321	\$ 5.71	\$ 1,832	
<b>Total Governmental 1.5" Meter</b>	<b>2,177</b>	<b>35</b>	<b>1,846</b>	<b>\$ 13,089</b>	<b>\$ 13,089</b>	<b>35</b>	<b>1,846</b>		<b>\$ 16,311</b>	
<b>Average Governmental 1.5" Bill</b>									<b>\$ 373.98</b>	<b>\$ 466.04</b>
Residential 2" Meter	-									
First 21,400		-	\$ 0.00	\$ -	\$ -	-		\$ -	\$ -	
Next 3,600			\$ 0.00	-	\$ -	-		\$ -	\$ -	
Next 25,000			\$ 0.00	-	\$ -	-		\$ -	\$ -	
Next 50,000			\$ 0.00	-	\$ -	-		\$ -	\$ -	
Over 100,000			\$ 0.00	-	\$ -	-		\$ -	\$ -	
<b>Total Residential 2" Meter</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>		<b>\$ -</b>	
<b>Average Residential 2" Bill</b>									<b>\$ -</b>	<b>\$ -</b>
Commercial 2" Meter	1,614									
First 21,400		12	\$ 125.30	\$ 1,504	\$ 1,504	12		\$ 156.14	\$ 1,874	
Next 3,600			\$ 6.48	280	\$ 280		43	\$ 8.08	\$ 349	
Next 25,000			\$ 5.91	1,773	\$ 1,773		300	\$ 7.36	\$ 2,209	
Next 50,000			\$ 5.24	3,144	\$ 3,144		600	\$ 6.53	\$ 3,918	
Over 100,000			\$ 4.58	1,896	\$ 1,896		414	\$ 5.71	\$ 2,362	
<b>Total Commercial 2" Meter</b>	<b>1,614</b>	<b>12</b>	<b>1,357</b>	<b>\$ 8,596</b>	<b>\$ 8,596</b>	<b>12</b>	<b>1,357</b>		<b>\$ 10,712</b>	
<b>Average Commercial 2" Bill</b>									<b>\$ 716.35</b>	<b>\$ 892.68</b>
Governmental 2" Meter	1,176									
First 21,400		36	\$ 125.30	\$ 4,511	\$ 4,511	36		\$ 156.14	\$ 5,621	
Next 3,600			\$ 6.48	280	\$ 280		43	\$ 8.08	\$ 349	
Next 25,000			\$ 5.91	1,727	\$ 1,727		292	\$ 7.36	\$ 2,152	
Next 50,000			\$ 5.24	2,192	\$ 2,192		418	\$ 6.53	\$ 2,732	
Over 100,000			\$ 4.58	513	\$ 513		112	\$ 5.71	\$ 640	
<b>Total Governmental 2" Meter</b>	<b>1,176</b>	<b>36</b>	<b>866</b>	<b>\$ 9,223</b>	<b>\$ 9,223</b>	<b>36</b>	<b>866</b>		<b>\$ 11,494</b>	
<b>Average Governmental 2" Bill</b>									<b>\$ 256.20</b>	<b>\$ 319.27</b>
Multi Residential 2" Meter	293									
First 21,400		12	\$ 125.30	\$ 1,504	\$ 1,504	12		\$ 156.14	\$ 1,874	
Next 3,600			\$ 6.48	167	\$ 167		26	\$ 8.08	\$ 208	
Next 25,000			\$ 5.91	104	\$ 104		18	\$ 7.36	\$ 130	
Next 50,000			\$ 5.24	-	\$ -		-	\$ 6.53	\$ -	
Over 100,000			\$ 4.58	-	\$ -		-	\$ 5.71	\$ -	
<b>Total Multi Residential 2" Meter</b>	<b>293</b>	<b>12</b>	<b>43</b>	<b>\$ 1,774</b>	<b>\$ 1,774</b>	<b>12</b>	<b>43</b>		<b>\$ 2,211</b>	
<b>Average Multi Residential 2" Bill</b>									<b>\$ 147.87</b>	<b>\$ 184.27</b>
Commercial 6" Meter	-									
First 250,000		-	\$ -	\$ -	\$ -	-		\$ -	\$ -	
Next 250,000			\$ -	-	\$ -	-		\$ -	\$ -	
<b>Total Commercial 6" Meter</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>		<b>\$ -</b>	
<b>Average Commercial 6" Bill</b>									<b>\$ -</b>	<b>\$ -</b>
Clinton Hydrant Private	-	12	-	\$ 20.73	\$ 746	\$ 746	12	-	\$ 25.83	\$ 930
<b>Total Clinton Hydrant Private</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>\$ 746</b>	<b>\$ 746</b>	<b>12</b>	<b>-</b>		<b>\$ 930</b>	
<b>Average Clinton Hydrant Private</b>									<b>\$ 62.19</b>	<b>\$ 77.50</b>
Clinton Sprinkler Private	-	12	-	\$ 20.73	\$ 1,741	\$ 1,741	12	-	\$ 25.83	\$ 2,170
<b>Total Clinton Sprinkler Private</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>\$ 1,741</b>	<b>\$ 1,741</b>	<b>12</b>	<b>-</b>		<b>\$ 2,170</b>	
<b>Average Clinton Sprinkler Private</b>									<b>\$ 145.11</b>	<b>\$ 180.83</b>
Clinton Municipal Hydrant	-	12	-	\$ 4.61	\$ 2,987	\$ 2,987	12	-	\$ 5.74	\$ 3,723
<b>Total Clinton Munciple Hydrant</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>\$ 2,987</b>	<b>\$ 2,987</b>	<b>12</b>	<b>-</b>		<b>\$ 3,723</b>	
<b>Average Clinton Munciple Hydrant</b>									<b>\$ 248.94</b>	<b>\$ 310.22</b>
<b>TOTAL CLINTON</b>	<b>30,101</b>	<b>6,869</b>	<b>21,168</b>	<b>\$ 252,611</b>	<b>\$ 252,611</b>	<b>6,869</b>	<b>21,168</b>		<b>\$ 314,792</b>	
<b>Total WSC KY</b>	<b>410,061</b>	<b>75,036</b>	<b>314,996</b>	<b>\$ 2,100,262</b>	<b>\$ 2,100,262</b>	<b>75,036</b>	<b>314,996</b>		<b>\$ 2,617,251</b>	
					\$ 2,107,765					
					\$ (7,503)					
					-0.36%					

**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Revenue Requirement**  
**Test Year Ended 6/30/2015**

**Schedule E**

A	B
Line No.	Item
	Operating Ratio Method (d)
1	Total Operating Expenses \$ 2,017,180
2	Less: Federal & State Income Taxes 23,495
3	
4	Operating Expenses Net of Income Taxes \$ 2,040,676
5	Divide by: Operating Ratio 88%
6	
7	Revenue to Cover Operating Ratio \$ 2,318,950
8	Less: Operating Expenses Net of Income Taxes \$ (2,040,676)
9	
10	Net Operating Income After Income Taxes \$ 278,274
11	Less: Pro Forma Net Income 35,603
12	
13	Net Operating Income Adjustment \$ 313,877
14	Multiplied by Gross-up Factor 1.647105764
15	
16	Revenue Requirement \$ 516,989
17	
18	Percentage Increase/Decrease 25%



**WATER SERVICE CORPORATION OF KENTUCKY**

w/p [a]

Case No. 2015 - 00382

Uncollectible Accounts

Test Year Ended 6/30/2015

A

B

Line No.Water

1	Test Year / Present Revenues	\$ 2,107,765
2		
3	Uncollectible Accounts	\$ 41,829
4		
5		
6		
7	WSCKY Bad Debt	\$ 41,829
8		
9	Uncollectible %	1.98%
10		
11		
12		
13	Annualized revenues	\$ 2,100,262
14		
15	Uncollectible %	1.98%
16		
17		
18	Annualized Uncollectible Accounts	41,680
19		
20		
21		
22	Proposed Revenues	\$ 2,617,251
23		
24	Uncollectible %	1.98%
25		
26		
27	Uncollectible Accounts	\$ 51,939

**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Summary of Salary Adjustments**  
**Test Year Ended 6/30/2015**

Line No.	Description	A	B	C
			Adjustment	
			Water	Sewer
1.	Salaries - Operations		27,338.59	-
2.	Salaries - Office/Corp		39,330.33	-
3.	Payroll Taxes		5,348.13	-
4.	Benefits		45,873.65	-
5.	Captive Charged to Plant		4,448.71	-
6.	Totals		<u>122,339.41</u>	-

**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Plant in Service Adjustments**  
**Test Year Ended 6/30/2015**

w/p [c]

Line No.	A	B	C	D	E	F	G
		Per Books	Project Phoenix	Transportation	GL Capital	Pro Forma Change	As Adjusted
1	Gross Plant in Service	\$ 11,829,534	\$ (614,547)	\$ 50,989	\$ 172,624	\$ (390,934)	\$ 11,438,600
2	Accumalated Depreciation	(5,181,177)	556,453	37,609	(4,599)	589,462	(4,591,715)
3							
4		<u>\$ 6,648,357</u>	<u>\$ (58,094)</u>	<u>\$ 88,598</u>	<u>\$ 168,025</u>	<u>\$ 198,528</u>	<u>\$ 6,846,885</u>
5							

**WATER SERVICE CORPORATION OF KENTUCKY**

w/p [d]

Case No. 2015 - 00382

Rate Case Expense

Test Year Ended 6/30/2015

	A	B	C	D	E	F	G
<u>Line No.</u>							<u>Total</u>
1	Legal Fees						80,000
2							
3	Consulting fees						0
4							
5	Customer Notices:						
6	Newspaper Publication						7,000
7							
8	Fed Ex, mailings, postage, and miscellaneous costs						5,000
9							
10						# of Trips/	
11				Personnel	Cost	Nights	
12	Travel						
13	Airfare		3		500	2	3,000
14	Hotel/Meals		3		200	2	1,200
15	Rental Car				200		200
16							
17	Water Service Personnel						
18			hours	rate	\$		
19							
20	Guttormsen, Rob	200	\$	47	9,400		
21	Halloran, Brian	500	\$	38	19,000		
22	Haas, Bruce	80	\$	87	6,960		
23	Kersey, Justin	300	\$	61	18,300		
24	Leonard, James R.	80	\$	38	3,053		
25	Lubertozi, Steve	100	\$	131	13,100		
26	Neyzelman, Dimitry	52	\$	56	2,884		
27	Ortega, Jennifer	10	\$	29	290		
28	Shareef, Azfar	200	\$	32	6,400		
29							
30	Total						<u>79,387</u>
31							
32							
33							
34	Total Cost of current case						175,787
35							
36	Unamortized Rate Case Expense						85,163
37							
38	Total Rate Case expense						260,949
39							
40	Amortized over 3 years						<u>3</u>
41							
42							
43							
44	<b>Amortization Expense per year</b>						<u><u>\$ 86,983</u></u>

## WATER SERVICE CORPORATION OF KENTUCKY

w/p [e]

Case No. 2015 - 00382

## Calculation of Taxes Other Than Income Taxes

Test Year Ended 6/30/2015

Line No.	A	B	C Water
1	<b><u>Test Year</u></b>		
2			
3	Utility/Commission Tax		\$ 7,990
4	Real Estate Tax		56,190
5	Personal Property Tax		15,051
6	Property/Other General Tax		5,505
7	Gross Receipts Tax		-
8	Franchise Tax		46
9	Payroll Taxes		56,029
10			
11	Total		\$ 140,811
12			
13	<b><u>Pro Forma Present</u></b>		
14			
15	Payroll Tax Increase		5,348
16			
17	<i>Utility/Commission Tax Increase</i>		
18	Pro-Forma Present Intrastate Gross Revenue	2,167,760	
19			
20	Millage Rate for Fiscal Year 2015	<u>0.001952</u>	
21			
22	Pro Forma Present Utility / Commission Tax	<b>4,231</b>	
23			
24	Per Books	7,990	
25			
26	Utility Commission Tax Increase Adjustment		<u>(3,759)</u>
27			
28	<b>Total Pro Forma Present Adjustment</b>		<b><u>\$ 1,589</u></b>
29			
30	<b><u>Pro Forma Proposed</u></b>		
31			
32	<i>Utility/Commission Tax Increase</i>		
33	Pro-Forma Proposed Intrastate Gross Revenue		2,684,749
34			
35	Millage Rate for Fiscal Year 2016		<u>0.001901</u>
36			
37	Pro Forma Utility / Commission Tax		<b>5,104</b>
38			
39	Pro Forma Present Utility / Commission Tax		4,231
40			
41	Adjustment		<u>872</u>
42			

WATER SERVICE CORPORATION OF KENTUCKY  
Case No. 2015 - 00382  
Depreciation Expense  
Test Year Ended 6/30/2015

w/p [f]

Line No.	Account ID	Account Description	06/30/2015 Per Books Amount	06/30/2015 Pro Forma Amount	Proposed Depreciation/Amortization Rate	Proposed Depreciation/Amortization Expense
1	1020	Organization	164,394	-	2.50%	4,110
2	1025	Franchises	-	-	2.50%	-
3	1030	Land & land rights pump	-	-	0.00%	-
4	1035	Land & land rights water tr.	-	-	0.00%	-
5	1040	Land & land rights trans.	-	-	0.00%	-
6	1045	Land & land rights gen. plt.	22,551	-	0.00%	-
7	1050	Struct & improv. src. supply	119,734	2,024	2.67%	3,247
8	1055	Struct & improv. wtr. trt. plt.	469,034	7,930	2.67%	12,719
9	1060	Struct & improv. trans. dist.	462	8	2.67%	13
10	1065	Struct & improv. gen. plt.	129,603	2,191	2.67%	3,515
11	1080	Wells & springs	477,398	8,072	3.33%	16,182
12	1085	Infiltration gallery	-	-	2.50%	-
13	1090	Supply mains	9,490	160	1.60%	154
14	1095	Power generation equip.	-	-	10.00%	-
15	1100	Electric pump equip. src. plt.	9,223	156	5.00%	469
16	1105	Electric pump equip. wtp.	702,167	11,872	5.00%	35,702
17	1110	Electric pump equip. trans.	7,533	127	5.00%	383
18	1115	Water treatment equip.	1,011,297	17,099	3.64%	37,396
19	1120	Dist. resv. & standpipes	529,314	8,949	2.22%	11,961
20	1125	Trans. & distr. mains	3,390,245	57,321	1.60%	55,161
21	1130	Service lines	881,265	14,900	2.50%	22,404
22	1135	Meters	738,122	12,480	2.50%	18,765
23	1140	Meter installations	600,577	10,154	2.22%	13,572
24	1145	Hydrants	406,626	6,875	2.00%	8,270
25	1150	Backflow prevention devic.	-	-	10.00%	-
26	1160	Other plt. & misc. equip. src. su.	-	-	2.86%	-
27	1165	OTH PLT&MISC EQUIP WTP	-	-	2.86%	-
28	1175	Office struct & improv.	151,272	2,558	2.67%	4,102
29	1180	Office furn. & equip.	100,935	1,707	4.44%	4,562
30	1185	Stores equipment	-	-	5.00%	-
31	1190	Tool shop & misc. equip.	269,940	4,564	5.71%	15,686
32	1195	Laboratory equipment	78,263	1,323	5.71%	4,548
33	1200	Power operated equip.	2,570	43	8.00%	209
34	1205	Communication equip.	54,792	926	10.00%	5,572
35	1210	Misc. equipment	-	-	4.00%	-
36	1215	Water plant allocated	69,976	1,183	2.86%	2,033
37	1220	Other tangible plt. water	-	-	2.86%	-
38						
39		Total Plant	10,396,783	172,624		280,735
40			-	-		
41		Composite Rate				2.66%
42						
43		<u>Vehicles &amp; Computers</u>				
44		Pro Forma Vehicles		141,851	w/p [p]	54,754
45		Computers, net of Project Phoenix		224,000	w/p [o]	20,465
46						
47		<b>Total Depreciation</b>				<b>355,955</b>
48						
49	3350	CIAC-METERS	(83,141)		2.66%	(2,208)
50	3430	CIAC-OTHER TANGIBLE PLT W	(104,169)		2.66%	(2,767)
51	3435	CIAC-WATER-TAP	(51,712)		2.66%	(1,374)
52						
53		Total CIAC	(239,022)	-		(6,349)
54			-			
55						
56	3225	ADV-IN-AID OF CONST-WATER	(75,637)	(37,443)	2.66%	(3,004)
57			-	-		
58						
59		<b>Total Amortization</b>				<b>(9,352)</b>

**WATER SERVICE CORPORATION OF KENTUCKY**

w/p [g]

**Case No. 2015 - 00382**

**Calculation of State and Federal Income Tax**

**Test Year Ended 6/30/2015**

Line No.	A	B Pro Forma Present	C Pro Forma Proposed
1	<u>State Income Taxes</u>		
2			
3	Total Revenue	\$ 2,167,760	\$ 2,684,749
4			
5	Maintenance Expense	961,364	961,364
6	General Expense	744,654	754,913
7	Depreciation & Amortization	346,602	346,602
8	Taxes Other Than Income	142,400	143,272
9	Income from Management Services	(154,344)	(154,344)
10	Interest Expense	191,210	191,210
11			
12	Taxable Income	\$ (64,125)	\$ 441,732
13	State Tax Rate		
14	\$0 to \$50,000 @ 4.0%	(2,565)	-
15	\$50,001 to \$100,000 @ 5.0%	-	-
16	over \$100,000 @ 6.0%	-	26,504
17			
18	Total State Income Taxes	<u>\$ (2,565)</u>	<u>\$ 26,504</u>
19			
20	<u>Federal Taxes</u>		
21			
22	Taxable Income before taxes	\$ (64,125)	\$ 441,732
23			
24	Less: State I/T	<u>(2,565)</u>	<u>26,504</u>
25			
26	Federal Taxable Income	(61,560)	415,228
27	Federal Tax Rate	<u>34%</u>	<u>34%</u>
28			
29	Total Federal Taxes	<u>\$ (20,930)</u>	<u>\$ 141,178</u>
30			

**UTILITIES, INC. AND SUBSIDIARIES**  
**Capital Structure at June 30, 2015**

w/p [h-1]

Line No.	A	B	C	D
		June 30, 2015	Annual Interest Expense	Capital Structure
<b>1</b>	<b><u>COMMON SHAREHOLDERS' EQUITY:</u></b>			
<b>2</b>	Common shares, \$.10 par value; authorized and			
<b>3</b>	issued 1,000 shares	\$ 100		
<b>6</b>	Paid-in capital	139,122,616		
<b>7</b>	Retained earnings	51,154,921		
<b>8</b>				
<b>9</b>	Total Common Shareholder's Equity	<u>\$ 190,277,637</u>		<u>51.39%</u>
<b>10</b>				
<b>11</b>	<b><u>LONG-TERM DEBT:</u></b>			
<b>12</b>	Collateral trust notes -			
<b>13</b>	6.58%, \$9,000,000 due in annual installments	\$ 180,000,000	11,886,434	
<b>14</b>	beginning in 2017 through 2035			
<b>15</b>	Total Long-Term Debt	<u>\$ 180,000,000</u>	<u>11,886,434</u>	<u>48.61%</u>
<b>16</b>				
<b>21</b>				
<b>22</b>	TOTAL CAPITALIZATION	<u>\$ 370,277,637</u>		<u>100.00%</u>
<b>23</b>				
<b>24</b>	COST OF DEBT	<u>6.60%</u>		
<b>25</b>				



**WATER SERVICE CORPORATION OF KENTUCKY**  
**Pro Forma Interest Expense**  
**Calculation of Income Taxes**  
**Test Year Ended 6/30/2015**

w/p [h]

<u>Line No.</u>	<u>A</u>	<u>B</u>
		<u>Water</u>
1	Pro Forma Present Rate Base	5,956,421
2		
3	Debt Ratio	48.61%
4		
5	Embedded Cost of Debt	6.60%
6		
7		
8	Pro Forma Interest Expense	<u>191,210</u>
9		

**WATER SERVICE CORPORATION OF KENTUCKY**

w/p [i]

Case No. 2015 - 00382

**Calculation of Working Capital**

Test Year Ended 6/30/2015

<u>Line No.</u>	<u>A</u>	<u>B</u>	<u>C</u> <u>Water</u>
<b>1</b>	<b>Test Year</b>		
<b>2</b>	Maintenance Expenses		\$ 965,737
<b>3</b>	General Expenses		665,820
<b>4</b>	Taxes Other Than Income		140,811
<b>5</b>			
<b>6</b>	Total		<u>\$ 1,772,368</u>
<b>7</b>			
<b>8</b>	Working Capital	45/360	<u>\$ 221,546</u>
<b>9</b>			
<b>10</b>			
<b>11</b>	<b>Pro Forma Present</b>		
<b>12</b>	Maintenance Expenses		\$ 961,364
<b>13</b>	General Expenses		754,913
<b>14</b>	Taxes Other Than Income		142,400
<b>15</b>			
<b>16</b>	Total		<u>\$ 1,858,677</u>
<b>17</b>			
<b>18</b>	Working Capital	45/360	<u>\$ 232,335</u>
<b>19</b>			



**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Calculation of Chemical Usage Change**  
**Test Year Ended 6/30/2015**

w/p [k]

	A	B	C	D
Line No.	Account Description	Per Books	Pro Forma Change	Pro Forma Present
1	5480 - Chlorine	\$ 34,161	\$ (9,025)	\$ 25,136
2	5490 - Other Treatment Chemicals	98,503	(9,331)	89,172
3	Total - Chemicals	<u>\$ 132,664</u>	<u>\$ (18,357)</u>	<u>\$ 114,308</u>
4				

**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Allocation of Transportation Expense**  
**Test Year Ended 6/30/2015**

w/p [I]

	A	B	C	D	E	F	G
Line No.	Object Account	Description	Per Books	Remove WSC Expenses	Remove Other Non- KY Expenses	KY Portion of Bruce Haas Vehicle Expenses	Pro Forma Present
1	6215	FUEL	\$ 24,772	\$ (61)	\$ -	\$ 828	\$ 25,540
2	6220	AUTO REPAIR/TIRES	11,426	(72)	-	70	11,423
3	6225	AUTO LICENSES	710	(1)	(21)	-	688
4	6230	OTHER TRANS EXPENSES	2,135	(1)	(784)	-	1,351
5		FLEET TRANSPORTATION EXPENSE	<u>\$ 39,043</u>	<u>\$ (134)</u>	<u>\$ (805)</u>	<u>\$ 898</u>	<u>\$ 39,002</u>
6							



**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Removal of 2013 Rate Case Appeal and 2014 Show Cause**  
**Test Year Ended 6/30/2015**

w/p [n]

	A	B	C	D	E	F
				<u>Remove</u> <u>2013 Rate</u>	<u>Remove</u>	
<u>Line No.</u>	<u>Acct #</u>	<u>Account Name</u>	<u>Per Books</u>	<u>Case Appeal</u> <u>Costs</u>	<u>2014 Show</u> <u>Cause Costs</u>	<u>Pro Forma</u> <u>Present</u>
1	6010	AUDIT FEES	\$ 9,427	\$ -	\$ -	\$ 9,427
2	6015	EMPLOY FINDER FEES	60	-	(9,868)	(9,808)
3	6020	ENGINEERING FEES	-	-	-	-
4	6025	LEGAL FEES	12,783	-	-	12,783
5	6035	PAYROLL SERVICES	2,645	-	-	2,645
6	6040	TAX RETURN REVIEW	28,799	-	-	28,799
7	6045	TEMP EMPLOY - CLERICAL	348	-	(743)	(394)
8	6050	OTHER OUTSIDE SERVICES	11,933	(23,078)	-	(11,145)
9	6070	MISC REG MATTERS COMM EXP	1,800	-	-	1,800
10	6080	MISC RATE CASE EXPENSES	23,078	-	-	23,078
11						
12		<b>Total : Outside Services - Other</b>	<u>\$ 90,874</u>	<u>\$ (23,078)</u>	<u>\$ (10,610)</u>	<u>\$ 57,186</u>
13						







**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**AIAC Balance Support**  
**Test Year Ended 6/30/2015**

w/p [q]

	A	B	C	D	E
<b>Line No.</b>	<b>Account</b>	<b>Account Name</b>	<b>Per Books</b>	<b>Pro Forma Change</b>	<b>Pro Forma Present</b>
1	3225	ADV-IN-AID OF CONST-WATER	\$ (75,637)	\$ (37,443)	\$ (113,081)
2					
3	3235	ACC AMORT-AIA-WATER	\$ 2,262	\$ 41,966	\$ 44,228
4					
5		Net Book Value	<u>\$ (73,376)</u>	<u>\$ 4,523</u>	<u>\$ (68,853)</u>

WATER SERVICE CORPORATION OF KENTUCKY

w/p [r]

Case No. 2015 - 00382

Clinton Check Collection Fee

Test Year Ended 6/30/2015

A B C D

Vendor : CITY OF CLINTON WASTE WATER OP

Line No.	Service Period	# of Payments	Payment Fee	Amount
1	Jul-14	246	\$ 1	\$ 246
2	Aug-14	272	\$ 1	\$ 272
3	Sep-14	276	\$ 1	\$ 276
4	Oct-14	252	\$ 1	\$ 252
5	Nov-14	264	\$ 1	\$ 264
6	Dec-14	296	\$ 1	\$ 296
7	Jan-15	287	\$ 1	\$ 287
8	Feb-15	288	\$ 1	\$ 288
9	Mar-15	300	\$ 1	\$ 300
10	Apr-15	267	\$ 1	\$ 267
11	May-15	249	\$ 2	\$ 498
12	Jun-15	320	\$ 2	\$ 640
13				
14	Average # of Payments	276	\$ 2	\$ 552
15				
16		Per Books	Pro Forma Change	Pro Forma Present
17	Outside Services - Other	\$ 4,855	\$ 1,769	\$ 6,624

WATER SERVICE CORPORATION OF KENTUCKY  
Case No. 2015 - 00382  
Revenue - Pro Forma Change Bridge  
Test Year Ended 6/30/2015

w/p [s]

A	B	C	D	E	F	G	H	I	
Line No.	Account #	Account Name	Per Books	Remove: Out-of Period Adj	Remove: Clinton Detention Center	Remove: Other	Usage Normalization Adjustment	Annualization of Test Year Revenues at Current Rates	Pro Forma Present Service Revenues
1	5025	WATER REVENUE-RESIDENTIAL	1,384,496	1,208	-	-	(16,373)	12,698	1,382,029
2	5030	WATER REVENUE-ACCRUALS	(4,653)	-	-	4,653	-	-	-
3	5035	WATER REVENUE-COMMERCIAL	399,747	(3,912)	-	-	(3,617)	142	392,360
4	5040	WATER REVENUE-INDUSTRIAL	156,255	(622)	-	-	8,119	698	164,450
5	5045	WATER REVENUE-PUBLIC AUTH	125,306	(3,137)	(8,809)	-	(1,222)	3,123	115,260
6	5050	WATER REVENUE-MULT FAM DWE	11,539	-	-	-	(643)	59	10,955
7	5052	WATER REVENUE-GUARANTEE	(18)	-	-	-	-	18	-
8	5060	PUBLIC FIRE PROTECTION	35,093	-	-	-	-	115	35,208
9		<b>Service Revenues - Water</b>	<b>2,107,765</b>	<b>(6,464)</b>	<b>(8,809)</b>	<b>4,653</b>	<b>(13,737)</b>	<b>16,853</b>	<b>2,100,262</b>

WATER SERVICE CORPORATION OF KENTUCKY  
Case No. 2015 - 00382  
Cost of Service Study  
"Revenues at Present and Proposed Rates"  
Test Year Ended 6/30/2015

w/p [t-1]

LINE	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
	ITEM	PRESENT RATES		PROPOSED RATES	RESIDENTIAL		COMMERCIAL		GOVERNMENTAL		INDUSTRIAL		MULTI RESIDENTIAL		TOTAL	
					BILL ANALYSIS	ADJUSTMENT	BILL ANALYSIS	ADJUSTMENT	BILL ANALYSIS	ADJUSTMENT	BILL ANALYSIS	ADJUSTMENT	BILL ANALYSIS	ADJUSTMENT		
1	BASE CHARGE, MONTHLY															
2	5/8"	9.43		15.53	59,513	-	6,451	-	180	-	95	-	-	-	-	66,239
3	3/4"	12.46		15.53	5,588	-	687	-	108	-	-	-	-	-	-	6,383
4	1"	30.50		40.23	288	-	836	-	84	-	12	-	84	-	-	1,304
5	1.5"	59.61		81.41	-	-	226	-	95	-	24	-	-	-	-	345
6	2"	88.01		130.83	-	-	370	-	228	-	35	-	-	12	-	645
7	3"	235.96		246.14	-	-	36	-	48	-	12	-	-	-	-	96
8	4"	406.82		410.86	-	-	12	-	12	-	12	-	-	-	-	36
9	6"	831.52		822.66	-	-	24	-	-	-	12	-	-	-	-	36
10																
11																
12	Total Bills				65,389	-	8,642	-	755	-	202	-	96	-	-	75,084
13																
14																
15	TOTAL CUSTOMER CHARGE REVENUES	Present			639,822	-	174,276	-	47,541	-	23,465	-	3,618	-	-	888,722
16					-	-	-	-	-	-	-	-	-	-	-	-
17		Proposed			1,022,605	-	244,826	-	62,160	-	26,247	-	4,949	-	-	1,360,788
18																
19	USAGE CHARGES (1000 GALLONS)															
20	5/8"	3.79		3.817	171,369	-	22,240	-	1,921	-	610	-	-	-	-	196,140
21	3/4"	6.94		3.817	12,302	-	2,135	-	534	-	-	-	-	-	-	14,971
22	1"	3.79		3.817	489	-	8,709	-	422	-	81	-	837	-	-	10,538
23	1.5"	3.65		3.817	-	-	6,485	-	5,158	-	1,376	-	-	-	-	13,018
24	2"	3.17		3.817	-	-	21,584	-	4,589	-	327	-	43	-	-	26,543
25	3"	2.78		3.817	-	-	1,289	-	4,653	-	8,965	-	-	-	-	14,907
26	4"	2.76		3.817	-	-	442	-	-	-	159	-	-	-	-	601
27	6"	2.76		3.817	-	-	-	-	-	-	39,159	-	-	-	-	39,159
28																
29																
30	USAGE CHARGE REVENUES	Present			742,791	-	220,461	-	60,489	-	141,262	-	5,853	-	-	1,170,856
31					-	-	-	-	-	-	-	-	-	-	-	-
32		Proposed			702,941	-	240,025	-	65,947	-	193,428	-	3,361	-	-	1,205,701

			RESIDENTIAL		COMMERCIAL		GOVERNMENTAL		INDUSTRIAL		MULTI RESIDENTIAL		TOTAL		
LINE	A	B	C	E	F	G	H	I	J	K	L	M	N	O	
			BILL ANALYSIS	ADJUSTMENT	BILL ANALYSIS	ADJUSTMENT	BILL ANALYSIS	ADJUSTMENT	BILL ANALYSIS	ADJUSTMENT	BILL ANALYSIS	ADJUSTMENT	TOTAL		
1	TOTAL METERED REVENUES		Present	\$ 1,382,613	\$ -	\$ 394,738	\$ -	\$ 108,031	\$ -	\$ 164,727	\$ -	\$ 9,471	\$ -	\$ 2,059,578	
2	AND AVAILABILITY CHARGE REVENUES			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
3			Proposed	\$ 1,725,545	\$ -	\$ 484,852	\$ -	\$ 128,108	\$ -	\$ 219,674	\$ -	\$ 8,310	\$ -	\$ 2,566,489	
4															
5															
6															
7															
8	NON-METERED REVENUES		Present	\$ 40,683	\$ -	\$ -	\$ -	\$ 40,683					Present	2,100,262	
9				\$ -	\$ -	\$ -	\$ -	\$ -						0	
10			Proposed	\$ 50,697	\$ -	\$ -	\$ -	\$ 50,697					Proposed	2,617,186	
11													TARGET REVENUES	2,684,749	
12															
13															
14															
15															
16															
17	ALLOCATION FACTORS														
18	SOURCE OF SUPPLY (2)			PUMPING (3)			TREATMENT (4)			STORAGE (7)					
19		(Cust.)	(Factor)		(Cust.)	(Factor)		(Cust.)	(Factor)		(Cust.)	(Factor)			
20	Full Service Customers	75,084	100.00%	Full Service Customers	75,084	100.00%	Full Service Customers	75,084	100.00%	Full Service Customers	75,084	100.00%			
21	Availability Customers	0	0.00%	Availability Customers	0	0.00%	Availability Customers	0	0.00%	Availability Customers	0	0.00%			
22	Total	75,084	100.00%	Total	75,084	100.00%	Total	75,084	100.00%	Total	75,084	100%			
23	MAINS (1)			TREATMENT (4)			STORAGE (7)								
24	Full Service Customers	75,084	100.00%	Full Service Customers	75,084	100.00%	Full Service Customers	75,084	100.00%	Full Service Customers	75,084	100.00%			
25	Availability Customers	0	0.00%	Availability Customers	0	0.00%	Availability Customers	0	0.00%	Availability Customers	0	0.00%			
26	Total Customers	75,084	100%	Total Customers	75,084	100%	Total Customers	75,084	100%	Total Customers	75,084	100%			
27	SERVICES (6)			STORAGE (7)											
28	Full Service Customers	75,084	100.00%	Full Service Customers	75,084	100.00%	Full Service Customers	75,084	100.00%	Full Service Customers	75,084	100.00%			
29	Availability Customers	0	0.00%	Availability Customers	0	0.00%	Availability Customers	0	0.00%	Availability Customers	0	0.00%			
30	Total Services	75,084		Total Customers	75,084		Total Customers	75,084		Total Customers	75,084				
31															
32															
33	(10) Availability		100.00%												
34															
35	(11) Uncollectibles		100.00%												
36															
37															
38	Cost of Service														
39	Availability														
40	Commercial Cost/Bill	-0.95													
41	Revenue Requested	0													
42	Number of Bills	75,084													
43	Availability Rate	#REF!													

67563

WATER SERVICE CORPORATION OF KENTUCKY

w/p [t-3]

Case No. 2015 - 00382

Cost of Service Study

"Plant in Service Allocation"

Test Year Ended 6/30/2015

		A	B	C	D	E	F	G
LINE	DESCRIPTION	PLANT IN SERVICE	ALLOCATED TO				CODE	
			USAGE	AVAILABILITY	METERS	SERVICES		
1	INTANGIBLE PLANT (3nn.1)	164,394	98,636				65,758	(1)*
2	SOURCE OF SUPPLY (3nn.2)	616,878	370,127				246,751	(1)*
3	PUMPING PLANT (3nn.3)	9,379	5,627				3,752	(1)*
4	WATER TREATMENT PLANT (3nn.4)	2,219,399	1,331,640				887,760	(1)*
5	TRANSMISSION AND DISTRIBUTION (3nn.5)							
6	Mains (331.5)	3,447,566	2,068,540				1,379,026	(1)*
7	Meters (334.5)	1,361,333				1,361,333		(5)
8	Services (333.5)	896,165					896,165	(6)
9	Hydrants (335.5)	413,501	248,101				165,401	(1)*
10	Storage (330.5)	546,393	327,836				218,557	(1)*
11	Other Plant & Misc. Equip. (339)	-	-			-	-	(8)
12	GENERAL PLANT (3nn.6)	1,763,591	811,252			248,148	704,191	(8)
13	RECONCILIATION	-	-			-	-	
14	TOTAL PLANT IN SERVICE	11,438,600	5,261,759			1,609,481	4,567,360	
15								
16		1	0		-	0	0	(9)
17								
18	Distribution Plant Allocator							
19	Total Distribution Plant	9,675,009	4,450,507		0	1,361,333	3,863,170	
20	Percentage	100.00%	46.00%		0.00%	14.07%	39.93%	(8)
21								
22		* Fixed		40%				
23		Variable		60%				
24				100%				

WATER SERVICE CORPORATION OF KENTUCKY

w/p [t-4]

Case No. 2015 - 00382

Cost of Service Study

"Revenue Requirement Allocation"

Test Year Ended 6/30/2015

LINE	DESCRIPTION	A	B	C	D	E	F	G	H	I	J
		PER COMPANY	ADJUSTMENTS	OPERATION & MAINTENANCE	ALLOCATED TO					CODE	
					USAGE	AVAILABILITY	BILLING	METERS	SERVICES		
1	SOURCE OF SUPPLY (6nn.1)	-	-	-	-						(10)
2	PUMPING EXPENSES										
3	Electrical (615.2)	123,204	-	123,204	73,922				49,282		(10)*
4	Other (6nn.2 & 6nn.3)	-	-	-	-						(10)
5	WATER TREATMENT EXPENSE										
6	Chemicals (618.4)	114,308	-	114,308	68,585				45,723		(10)*
7	Other (6nn.4 & 6nn.5))	37,602	-	37,602	22,561				15,041		(10)*
8	TRANSMISSION AND DISTRIBUTION										
9	Supervision	768,839	-	768,839	353,666			108,180	306,993		(8)
10	Mains	115,608	-	115,608	69,365				46,243		(1)*
11	Storage/Structures/Hydrants	-	-	-	-						(7)
12	Meters	-	-	-	-						(5)
13	Services	-	-	-	-						(6)
14	Misc, Rents, Other Plant	419,114	-	419,114	192,793			58,972	167,350		(8)
15	CUSTOMER ACCOUNTS EXPENSE										
16	Remainder excl. uncol. & Meter Reading & Billing (6nn.8)	-	-	-	-						(15)
17	Meter Reading and Billing	(68,682)	-	(68,682)			(68,682)				(13)
18	ADMINISTRATIVE AND GENERAL (6nn.9)	-	-	-	-						(11)
19	Uncollectible (670.8)	51,939	-	51,939	26,860		(2,362)	5,750	21,692		(14)
20	SUBTOTAL OPER. & MAIN.	1,561,933		1,561,933	807,753		(71,045)	172,902	652,323		
21	RECONCILIATION	-	-	-	-						
22	TOTAL OPERATION & MAINTENANCE	1,561,933		1,561,933	807,753		(71,045)	172,902	652,323		
23	Depreciation (403)	346,602	-	346,602	159,437			48,769	138,396		(9)
24	Other Taxes (408)	143,272	-	143,272	65,905			20,159	57,208		(9)
25	Income Taxes (409)	167,682	-	167,682	77,134			23,594	66,954		(9)
26	Utility Operating Income	465,260	-	465,260	214,020			65,465	185,775		(9)
27	REVENUES REQUIRED	2,684,749	-	2,684,749	1,324,248		(71,045)	330,889	1,100,656		

* Fixed	40%
Variable	60%
	100%



WATER SERVICE CORPORATION OF KENTUCKY

w/p [t-5]

Case No. 2015 - 00382

Cost of Service Study

"Equivalent Meters and Services"

Test Year Ended 6/30/2015

	A	B	C	D	E	F	G	H	I
LINE	ITEM	METER	SERVICE	RESIDENTIAL	COMMERCIAL	GOVERNMENTAL	INDUSTRIAL	MULTI RESIDENTIAL	TOTAL
1	METER SIZE								
2	5/8"	1.0	1.0	59,513	6,451	180	95	0	66,239
3	3/4"	1.0	1.0	5,588	687	108	0	0	6,383
4	1"	2.5	2.5	288	836	84	12	84	1,304
5	1.5"	5.0	5.0	0	226	95	24	0	345
6	2"	8.0	8.0	0	370	228	35	12	645
7	3"	15.0	15.0	0	36	48	12	0	96
8	4"	25.0	25.0	0	12	12	12	0	36
9	6"	50.0	50.0	0	24	0	12	0	36
10									
11									
12	Equivalent Meters			65,821	15,358	3,817	1,605	306	86,907
13									
14	Equivalent Services			65,821	14,158	3,817	1,005	306	86,907

Case No. 2015 - 00382

Cost of Service Study

"Explanation of Allocation Codes"

Test Year Ended 6/30/2015

- 1\* This Code refers to allocations made between Full Service Customers and Availability Customers based on the ratio to Total Customers.
- 2 This Code refers to allocations made between Full Service Customers and Availability Customers based on the ratio of Well Capacity currently utilized by Full Service customers.
- 3 This Code refers to allocations made between Full Service Customers and Availability Customers based on the ratio of Pumping Capacity currently utilized by Full Service customers.
- 4 This Code refers to allocations made between Full Service Customers and Availability Customers based on the ratio of Treatment Capacity currently utilized by Full Service customers.
- 5 This Code refers to allocations made 100% to Meters.
- 6 This Code refers to allocations made between Full Service Customers and Availability Customers based on the number of customers with services.
- 7 This Code refers to allocations made between Full Service Customers and Availability Customers based on the ratio of Storage Capacity currently utilized by usage customers.
- 8 This Code refers to allocations made among the subgroups of Usage Customers, Availability Customers, Meters and Services, and based on each subgroup's Total Plant in Service, less General Plant as a percentage of Total Plant in Service, less General Plant.
- 9 This Code refers to allocations made among the subgroups of Usage Customers, Availability Customers, Meters and Services, and based on each subgroup's Total Plant in Service as a percentage of Total Plant in Service.
- 10\* This Code refers to allocations made 100% to Full Service Customers.
- 11 This Code refers to allocations made to each subgroup based upon each subgroup's Total O&M, less A&G, as a percentage of Total O&M, less A&G.
- 12 This Code refers to allocations made 100% to Availability Customers.
- 13 This Code refers to allocations made 100% to Billing.
- 14 This Code refers to allocations made to each subgroup based upon each subgroups Total O&M, less A&G and uncollectible, as a percentage of Total O&M, less A&G and uncollectible.
- 15 This Code refers to allocations made to each subgroup based upon each subgroups Total O&M, less A&G, uncollectible, and Remainder excl. uncol. & Meter Reading & Billing, as a percentage of Total O&M, less A&G, uncollectible, and Remainder excl. uncol. & Meter Reading & Billing.

\* Please note that Codes 1 and 10 have been adjusted to reflect a 40/60 split to account for fixed and variable components.

**WATER SERVICE CORPORATION OF KENTUCKY**

w/p [t-7]

<b>Water Plant in Service</b>	<b>Plant In Service 6/30/2015</b>
<i>Intangible Plant</i>	\$ 164,394.10
<i>Source of Supply</i>	\$ 616,878.42
<i>Pumping plant</i>	\$ 9,378.95
<i>Water Treatment Plant</i>	\$ 2,219,399.29
<i>Transmission and Distribution</i>	
Mains	\$ 3,447,565.97
Meters	\$ 1,361,332.79
Services	\$ 896,165.18
Hydrants	\$ 413,501.39
Storage	\$ 546,392.78
<i>General Plant</i>	\$ 1,763,591.04
<i>Total Water Plant in Service</i>	\$11,438,599.91

**Source of Supply** \$ 2,684,749.34 Rev

<b>Pumping Expense</b>	
Electrical	\$ 123,204.00
Other	\$ -

<b>Water Treatment Expense</b>	
Chemicals	\$ 114,307.69
Other	\$ 37,602.36

<b>Transmission and Distribution</b>	
Supervision	\$ 768,839.07
Mains	\$ 115,608.20
Storage/Structures	\$ -
Hydrants	\$ -
Meters	\$ -
Services	\$ -
Misc, Rents, Other Plant	\$ 419,114.34

<b>Customer Accounts Expense</b>	
Remainder excl. Uncoll	
<i>Sales Expense</i>	\$ (68,682.06)

<b>Administrative And General</b>	
Uncollectible	\$ 51,939.36

<i>Sub total Oper Main</i>	\$ 1,561,932.95
<i>Reconciliation</i>	

<b>Total Operating and Maintenance</b>	
Depreciation	\$ 346,602.31
Other Taxes	\$ 143,272.41
Income Taxes	\$ 167,681.52
Utility Operating Income	\$ 465,260.14

Line No.	Pro Forma Proposed	PUMPING		WATER TREATMENT		TRANSMISSION & DISTRIBUTION					CUSTOMER Sales	A&G		NON-O&M			REVENUES REQUIRED				
		Electrical	Other	Chemicals	Other	Supervision	Mains	Storage/Structor/Struct/Hy	Meters	Services		Misc Rents etc	General	Uncollectibles	Depreciation	Other Taxes		Inc Taxes	Op Inc		
1	Operating Revenues																				
2	Service Revenues - Water	2,617,251																	2,617,251		
3	Service Revenues - Sewer	-																			
4	Miscellaneous Revenues	67,499																	67,499		
5	Revenues Required	2,684,749																			
6	Total Operating Revenues	2,684,749																			
7																					
8	Maintenance Expenses																				
9	Salaries and Wages	538,161				538,161															
10	Purchased Power	123,204	123,204																		
11	Purchased Water	89,773																			
12	Maintenance and Repair	115,608					115,608														
13	Maintenance Testing	37,602			37,602																
14	Meter Reading	-																			
15	Chemicals	114,308		114,308																	
16	Transportation	39,002				39,002															
17	Operating Exp. Cap time Charged to Plar	(155,249)				(155,249)															
18	Outside Services - Other	58,955																			
19		-																			
20																					
21	Total	961,364																			
22																					
23	General Expenses																				
24	Salaries and Wages	205,061				156,221					48,840										
25	Office Supplies & Other Office Exp.	57,609									34,200	23,408									
26	Regulatory Commission Exp.	86,983									86,983										
27	Pension & Other Benefits	204,117				190,704					-	13,413									
28	Rent	8,210									8,210										
29	Insurance	69,093									69,093										
30	Office Utilities	52,162									52,162										
31	Uncollectible Accounts	51,939											51,939								
32	Miscellaneous	19,739									19,739										
33		-									-										
34																					
35	Total	754,913																			
36																					
37	Depreciation	355,955												355,955							
38	Amortization of PAA	-												-							
39	Taxes Other Than Income	143,272																			
40	Expense Reduction Related to Clinton Sewer O	(154,344)									(154,344)										
41	Income Taxes - Federal	141,178																			
42	Income Taxes - State	26,504																			
43	Amortization of CIAC	(9,352)												(9,352)							
44		-																			
45																					
46	Total	503,212																			
47																					
48	Total Operating Expenses	2,219,489																			
49																					
50	Net Operating Income	465,260																	465,260		
	Total	2,684,749	\$123,204	\$0	\$114,308	\$37,602	\$768,839	\$115,608	\$0	\$0	\$0	\$0	\$419,114	(\$68,682)	\$0	\$51,939	\$346,602	\$143,272	\$167,682	\$465,260	\$2,684,749

**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Distribution of Plant in Service to ECOS**  
**Test Year Ended 6/30/2015**

BALANCE SHEET		Allocated	Intangible	Source of	Pumping	Water	Transmission	Mains	Meters	Services	Hydrants	Storage	General	Total
AC #	Description	Water	Plant	Supply	Plant	Treatment	Distribution						Plant	
1020	ORGANIZATION	164,394.10	164,394.10											164,394.10
1025	FRANCHISES	-	0.00											0.00
1030	LAND & LAND RIGHTS PUMP	-			0.00									0.00
1035	LAND & LAND RIGHTS WTR TRT	-				0.00								0.00
1040	LAND & LAND RIGHTS TRANS DIST	-										0.00		0.00
1045	LAND & LAND RIGHTS GEN PLT	22,551.41											22,551.41	22,551.41
1050	STRUCT & IMPRV SRC SUPPLY	121,758.47		121,758.47										121,758.47
1055	STRUCT & IMPRV WTR TRT PLT	476,964.47				476,964.47								476,964.47
1060	STRUCT & IMPRV TRANS DIST PLT	469.30										469.30		469.30
1065	STRUCT & IMPRV GEN PLT	131,793.93											131,793.93	131,793.93
1070	COLLECTING RESERVOIRS	-		0.00										0.00
1080	WELLS & SPRINGS	485,469.79		485,469.79										485,469.79
1090	SUPPLY MAINS	9,650.17		9,650.17										9,650.17
1095	POWER GENERATION EQUIP	-			0.00									0.00
1100	ELECTRIC PUMP EQUIP SRC PUMP	9,378.95			9,378.95									9,378.95
1105	ELECTRIC PUMP EQUIP WTP	714,038.89				714,038.89								714,038.89
1110	ELECTRIC PUMP EQUIP TRANS DIST	7,660.23										7,660.23		7,660.23
1115	WATER TREATMENT EQPT	1,028,395.93				1,028,395.93								1,028,395.93
1120	DIST RESV & STANDPIPES	538,263.25										538,263.25		538,263.25
1125	TRANS & DISTR MAINS	3,447,565.97						3,447,565.97						3,447,565.97
1130	SERVICE LINES	896,165.18								896,165.18				896,165.18
1135	METERS	750,601.91							750,601.91					750,601.91
1140	METER INSTALLATIONS	610,730.88							610,730.88					610,730.88
1145	HYDRANTS	413,501.39									413,501.39			413,501.39
1150	BACKFLOW PREVENTION DEVICES	-										0.00		0.00
1165	OTH PLT&MISC EQUIP WTP	-				0.00								0.00
1175	OFFICE STRUCT & IMPRV	153,829.23											153,829.23	153,829.23
1180	OFFICE FURN & EQPT	102,641.98											102,641.98	102,641.98
1190	TOOL SHOP & MISC EQPT	274,503.95											274,503.95	274,503.95
1195	LABORATORY EQUIPMENT	79,586.44											79,586.44	79,586.44
1200	POWER OPERATED EQUIP	2,613.62											2,613.62	2,613.62
1205	COMMUNICATION EQPT	55,717.89											55,717.89	55,717.89
1215	WATER PLANT ALLOCATED	71,159.13											71,159.13	71,159.13
TOTAL PLANT IN SERVICE		10,569,406.43												10,569,406.43
1555	TRANSPORTATION EQPT WTR	645,193.41											645,193.41	645,193.41
TOTAL TRANSPORTATION EQPT		645,193.41												645,193.41
1580	MAINFRAME COMPUTER WTR	28,678.82											28,678.82	28,678.82
1585	MINI COMPUTERS WTR	134,842.59											134,842.59	134,842.59
1590	COMP SYS COST WTR	42,399.57											42,399.57	42,399.57
1595	MICRO SYS COST WTR	18,079.08											18,079.08	18,079.08
TOTAL COMPUTER EQUIPMENT		224,000.06												224,000.06
TOTAL CURRENT UTILITY PLANT IN SERVICE		11,438,599.91												11,438,599.91
TOTAL UTILITY PLANT IN SERVICE		11,438,599.91	164,394.10	616,878.42	9,378.95	2,219,399.29	0.00	3,447,565.97	1,361,332.79	896,165.18	413,501.39	546,392.78	1,763,591.04	11,438,599.91
													Check	0.00

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 5

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

Application of Water Service Corporation        )  
of Kentucky for a General Adjustment            )  
in Existing Rates                                    )        Case No. 2015-00382

---

**DIRECT TESTIMONY OF STEVEN M. LUBERTOZZI**

---

1 **Q. Please state your name, present position and business address.**

2 A. My name is Steven Lubertozi. I am the President of Water Service Corporation of  
3 Kentucky (“WSCK” or “Company”). My business address is 2335 Sanders Road,  
4 Northbrook, IL 60062.

5 **Q. What are the duties of your current position?**

6 A. As President of WSCK, I am responsible for all aspects of the Company’s business,  
7 culminating in the ongoing provision of safe drinking water and environmentally  
8 responsible wastewater service to all of our customers.

9 **Q. Please describe your professional background.**

10 A. I graduated from Indiana University in 1990, and I am a Certified Public Accountant. I  
11 earned my Master of Business Administration from Northwestern University’s Kellogg  
12 School of Management. I am a member of the American Institute of Certified Public  
13 Accountants. I have been employed by Utilities, Inc. since June of 2001.

14 **Q. Have you testified previously before the Public Service Commission of Kentucky?**

15 A. Yes. I have provided written and oral testimony before public utilities commissions  
16 throughout the United States, including the Public Service Commission of Kentucky  
17 (“Commission”), on topics ranging from cost of equity, capital structure, cost of debt,  
18 acquisition adjustments, divestment strategies, appropriate levels of operations and  
19 maintenance expense, parent company allocations, affiliate transactions, income taxes and  
20 most every aspect of utility operations. The other state commissions where I have presented  
21 testimony include Florida, Illinois, Indiana, Maryland, Nevada, New Jersey, New Mexico,  
22 North Carolina and South Carolina.

23 **Q. What is the purpose of your testimony in this proceeding?**



1 A. My testimony will provide an overview of the reasons for the rate increase requested by  
2 WSCK, introduce the Company's witnesses, discuss Project Phoenix and discuss salaries  
3 allocated from Water Service Corporation ("WSC").

4 **Q. Why is WSCK requesting rate relief at this time?**

5 A. Under present rates, WSCK is not able to cover its operating expenses and earn a  
6 reasonable return on its system investments. The utility's current operating income  
7 statement for twelve months ended June 30, 2015, ("Per Books") is shown in Schedule B  
8 of Petitioner's Exhibit BNH-1. The current rates for WSCK's systems do not reflect rising  
9 operational costs and capital investments in infrastructure which have been realized since  
10 WSCK's water rates were last established. Without rate relief WSCK may not be able to  
11 meet its obligations as they come due.

12 **Q. Are costs allocated to WSCK from WSC?**

13 A. Yes, costs are allocated to WSCK are from Utilities, Inc.'s ("UI") shared services  
14 organization, WSC.

15 **Q. Please describe WSC and the type of services it provides to WSCK.**

16 A. WSC is a wholly owned subsidiary of UI. WSC manages the operation of all of UI's water  
17 and wastewater systems, including WSCK. WSC provides management, administration,  
18 engineering, accounting, billing, customer relations, data processing, and regulatory  
19 services for its subsidiaries. WSC's expenses and rate base items are assigned directly to  
20 a utility, when applicable, or distributed to the various companies pursuant to a formula.  
21 The formula is the number of Equivalent Residential Connections ("ERCs") for the specific  
22 subsidiary divided by the total number of ERCs served by WSC. Expenses specific to the  
23 Mid-Atlantic and Midwest Regions and state-cost centers are allocated to WSCK using the

1 same methodology. The distribution of expenses and rate base is automatically calculated  
2 by WSC's billing and accounting information system (commonly referred to as Project  
3 Phoenix) on a monthly basis.

4 **Q. How does WSCK and WSC account for these transactions, and does WSC charge a**  
5 **fee for these services?**

6 A. These allocated costs are accounted for via intercompany transactions, and services  
7 provided by WSC to WSCK do not include any markup for profit.

8 **Q. Are the services that WSC provides to WSCK directly related to providing water**  
9 **service?**

10 A. Yes. For example, WSC provides accounts payable ("AP") and accounts receivable ("AR")  
11 services to WSCK. If the AP function of WSC was not providing services to WSCK, the  
12 vendors that provide critical services (e.g., purchased power and chemicals) would not be  
13 paid for their services, and would be unwilling and/or unable to provide service. Without  
14 their services WSCK would be unable to provide water service to its customers.

15 **Q. How do the services that WSC provides benefit the ratepayers of WSCK?**

16 A. There are many benefits, but one primary example is that all of WSCK's operators are  
17 employed by WSC and without these operators WSCK would not be able to function. In  
18 addition, the customer service function that WSC provides to WSCK is used directly by  
19 WSCK's customers.

20 **Q. How do WSCK customers use the customer service function that WSC provides?**

21 A. WSCK customers call WSC customer service representatives to inquire about their bills,  
22 payment options, consumption questions and other billing related issues.

1 **Q. If WSC did not provide customer service functionality to WSCK, do you know who**  
2 **would provide these services?**

3 A. No, I do not. These services would nevertheless have to be provided in order for WSCK  
4 to operate as a water utility. It is my understanding that WSCK would have to obtain these  
5 services from third parties if WSC did not provide them directly.

6 **Q. Do you have any other examples of services that WSC provides that benefit the**  
7 **ratepayers of WSCK?**

8 A. Another example would be the accounting services that WSC provide. Without these  
9 accounting services, WSCK would not be able to pay vendors, accept customer payments,  
10 pay income taxes, pay property taxes, pay gross receipts taxes, or file an annual report,  
11 which are vital to WSCK's operations and its customers.

12 **Q. If WSC did not provide any services to WSCK, how would WSCK continue to**  
13 **operate?**

14 A. If WSC did not provide any services to WSCK, WSCK would be required to obtain and  
15 provide management, administration, engineering, accounting, billing, customer relations,  
16 data processing, and regulatory services through its in-house operations or third-party  
17 vendors.

18 **Q. Did you compare the amount of allocated corporate salaries allocated from WSC to**  
19 **WSCK from WSCK's last case (Case No. 2013-00237) to this case?**

20 A. Yes, I did. In Case No. 2013-00237 the Commission allowed \$167,131 of allocated  
21 corporate salaries. Since the end of the last case, UI reorganized some of its operations, so  
22 in order to obtain an apples-to-apples comparison I needed to adjust the \$167,131 to  
23 account for the reorganization.

1 **Q. Please explain that adjustment.**

2 A. In Case No. 2013-00237, WSCK included allocated salaries from the following employees:  
3 Bruce Haas, Carl Daniel, Veronica Stannis, Helen Lupton and Mary Rollins. But these  
4 employees, operating in supervisory roles, were allocated out of UI's Charlotte office and  
5 had different allocation percentages than the employees that the Attorney General's expert  
6 witness recommended excluding. The allocated salaries, tax and benefits for those five  
7 employees totaled \$65,773. This information was contained in the WSCK's 2013 rate filing  
8 in work paper B. Therefore, we added the \$65,773 to the \$167,131 for a total of \$232,864.

9 **Q. How does the \$232,864 compare to the current case?**

10 A. In our current case the amount allocated corporate salaries is \$244,172, which is a 1.59%  
11 compound annual growth rate.

12 **Q. Since the last rate case, has WSCK implemented a system of reviewing the monthly**  
13 **expenses allocated to WSCK from WSC?**

14 A. Yes, WSC sends WSCK a monthly report of the expenses being allocated or billed to  
15 WSCK. Then WSCK's regional manager, James Leonard, who is assigned exclusively to  
16 WSCK operations, reviews the amounts, expenses and information received from WSC's  
17 accounting department and questions any expense that he determines may not be  
18 appropriate for allocation to WSCK. As part of this review and the rate case preparation  
19 process WSCK eliminated some expenses. Additionally, WSCK reviewed all expense  
20 report-related expenses allocated from WSC to WSCK and removed those expenses  
21 regardless of WSCK's position that these expenses were prudently incurred.

22 **Q. Did WSCK remove costs associated Project Phoenix from this rate case?**

1 A. Yes, even though the Project Phoenix assets are in service and currently providing a benefit  
2 to customers, WSCK removed any impact from this case.

3 **Q. Would you please introduce all of the Company's other witnesses.**

4 A. Yes, testimony on behalf of WSCK will also be presented by Brian Halloran and Bruce  
5 Haas.

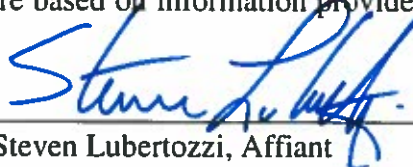
6 Brian Halloran will sponsor the Petitioner's application and provide details regarding pro  
7 forma adjustments made to the Company's rate filing, including revenue, expenses and  
8 capital investment. Bruce Haas will discuss capital projects and their benefits to customers  
9 and overall operations.

10 **Q. Does this conclude your prepared direct testimony?**

11 A. Yes, it does.

**AFFIDAVIT**

The undersigned, Steven Lubertozi, being duly sworn, deposes and says that he is the President of Water Service Corporation of Kentucky and is authorized to submit this testimony on behalf of Water Service Corporation of Kentucky, and that the information contained in the testimony is true and accurate to the best of his knowledge, information and belief, after reasonable inquiry, and as to those matters that are based on information provided to him, he believes to be true and correct.



Steven Lubertozi, Affiant

**NOTARY CERTIFICATE**

**STATE OF ILLINOIS**

**COUNTY OF COOK**

Subscribed, acknowledged and sworn to before me by Steven Lubertozi on this 25<sup>th</sup> day of November, 2015.

My commission expires: 1/29/18.

  
NOTARY PUBLIC



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

Application of Water Service Corporation )  
of Kentucky for a General Adjustment ) Case No. 2015-00382  
in Existing Rates )

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**DIRECT TESTIMONY OF BRUCE T. HAAS**

---

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Bruce T. Haas. My business address is 2235 Sanders Rd., Northbrook, Illinois,  
3 60062.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am the Vice President of Operations for the Midwest and Mid-Atlantic Regions of  
6 Utilities, Inc. ("UI"), which includes Illinois, Indiana, Kentucky, Maryland, New Jersey,  
7 Pennsylvania and Virginia. Water Service Corporation of Kentucky, Inc. ("WSCK" or  
8 "Petitioner") is a wholly-owned subsidiary of UI.

9 **Q. WHAT DO YOUR JOB RESPONSIBILITIES INCLUDE?**

10 A. In my current position, I am responsible for making sure our customers receive adequate,  
11 efficient, reliable, environmentally safe and least-cost water and wastewater (where  
12 applicable) utility service. As such, I am responsible for all operations personnel, facilities,  
13 maintenance and capital projects as well as other operational issues. In addition, I am  
14 responsible for communications with state and federal regulators, including state utility  
15 commissions, public staffs in the states that have them, and environmental authorities.

16 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.**

17 A. I first began my employment as a meter reader and maintenance worker in 1978 for Lake  
18 Holiday Utilities, Corp., which is also a subsidiary of UI. During the next several years, I  
19 was promoted to Operator and Operating Manager positions for a number of Utilities, Inc.  
20 subsidiary systems, while earning various water and wastewater licenses in Illinois and  
21 Ohio, including the highest levels of water treatment and wastewater treatment licenses  
22 from the Illinois EPA. I eventually became the Area Manager for the Peoria, Illinois



1 region, overseeing the water and wastewater facilities in this area. In 1989, I relocated to  
2 Charlotte, North Carolina taking on the position of Area Manager for several areas for  
3 Carolina Water Service, Inc. of North Carolina, a sister subsidiary of UI, along with the  
4 operations of two large UI-subsiary systems located in York County, South  
5 Carolina. While in Charlotte, I was promoted to Regional Manager, during which time I  
6 also obtained various water and wastewater licenses in Water Treatment, Water  
7 Distribution, Wastewater Collection, and Backflow/Cross-Connection certifications from  
8 the State of North Carolina while taking night courses in Civil Engineering Technology. I  
9 also earned the highest levels of water and wastewater certifications for Water Treatment,  
10 Water Distribution, Wastewater Treatment and Wastewater Collection from the State of  
11 South Carolina. Additionally, I have successfully completed the utility regulation seminar  
12 sponsored by NARUC. In 2002, I was promoted to the position of Regional Director and  
13 given responsibility for UI's systems in South Carolina and Georgia. Following a  
14 reorganization of various Regions within UI in mid-2010, I accepted the position as  
15 Regional Director for the Midwest Region, which includes WSCK. During a further  
16 reorganization within UI in early-2014, I assumed the title of Vice President of Operations  
17 for the Midwest Region, which covers Illinois, Indiana and Kentucky. I have also attended  
18 and completed in December 2012, the North Carolina Rural Water Association "Utility  
19 Management Certification School". In mid-2015, I also assumed the duties of Vice  
20 President of Operations for the Mid-Atlantic Region.

21 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY**  
22 **COMMISSION ("COMMISSION")?**

1 A. Yes. I've testified before the Commission previously, including WSCK's last rate case,  
2 Case No. 2013-00237.

3 **Q. HAVE YOU TESTIFIED BEFORE ANY OTHER PUBLIC UTILITY**  
4 **COMMISSIONS?**

5 A. Yes. I have previously testified before the commissions in North Carolina, South Carolina,  
6 Illinois and Indiana during my tenure with UI.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

8 A. The purpose of my testimony is to provide the Commission with a brief overview of our  
9 Kentucky operations, along with support for WSCK's request to adjust water rates.

10 **Q. PLEASE GENERALLY DESCRIBE WSCK'S SERVICE TERRITORY AND**  
11 **WATER SYSTEM.**

12 A. WSCK provides water service to approximately 7,200 ERCs in two locations within the  
13 state. We deliver safe and reliable water service to our customers' homes and businesses  
14 by way of drilled ground water wells in our Clinton operations, and by way of a surface  
15 water treatment facility in our Middlesboro operations.

16 **Q. PLEASE DESCRIBE THE DUTIES OF THE STAFF AT WSCK.**

17 A. Our Operations Staff collects and tests water samples at the point of entry and distribution  
18 system on a daily basis. Staff also completes daily operations, equipment repairs and  
19 maintenance of assets. They are responsible for submitting complete and accurate monthly  
20 reports to the Kentucky Department of Environmental Protection ("KDEP") and maintain  
21 compliance with all KDEP, local, state, and federal regulations. Our operations staff  
22 maintains the distribution system, purchase and safely store and identify necessary

1 chemicals, and complete field activities as well as respond to customer inquiries. The staff  
2 is also responsible for reading water meters on a monthly basis.

3 **Q. DOES WSCK CURRENTLY HAVE ANY ISSUES REGARDING ITS WATER**  
4 **QUALITY?**

5 A. No. The water at WSCK is compliant with all KDEP, Local, State and Federal standards  
6 for safe drinking water and WSCK staff is dedicated to providing its customers with safe  
7 and reliable drinking water. WSCK was previously recognized by the Kentucky/Tennessee  
8 Section of the American Water Works Association and received the “**2013 Award of**  
9 **Excellence for Water Treatment Plant Operation**” for our Middlesboro, Kentucky,  
10 surface water treatment facility.

11 **Q. WHAT IMPROVEMENTS OR UPGRADES TO THE WATER TREATMENT**  
12 **PLANT HAS WSCK UNDERTAKEN REGARDING ITS WATER QUALITY?**

13 A. In 2015, WSCK completed upgrades at its Surface Water Treatment Plant in Middlesboro  
14 with the installation of Plate Settlers in the treatment process.

15 **Q. PLEASE DESCRIBE THIS PROJECT AND ANY BENEFITS THE CUSTOMERS**  
16 **MAY REALIZE FROM IT?**

17 A. The old piping and tube settlers in the settling basins were in poor condition and limited  
18 the water treatment plant to a flow rate of approx. 1,800 gallons per minute, which was  
19 lower than the total plant capacity of 2,083 gallons per minute. The installation of new  
20 piping and plate settler equipment resulted in a more efficient settling process with more  
21 effective particulate removal which also allows for increased flows through the treatment  
22 process providing additional finished water for high demand periods. These upgrades  
23 were completed to ensure that WSCK continued to meet all applicable drinking water

1 standards and remain in compliance with all Treatment Techniques (TTs). In addition, the  
2 increased efficiency of the treatment plant operations has also resulted in a cost savings to  
3 our customers due to a reduction of chemicals required to treat the surface water. This  
4 savings, estimated annually at approximately \$18,000 in chemical expenses, has been  
5 reflected in the recent filing for rate relief and reduces the overall costs which would  
6 ultimately be passed along to our customers.

7 **Q. PLEASE DESCRIBE ANY ADDITIONAL PROJECTS COMPLETED SINCE THE**  
8 **LAST RATE INCREASE?**

9 A. WSCK has completed the sandblasting and painting of the Water Storage Tank (Standpipe)  
10 in the Clinton Water System to maintain its integrity and ensure adequate storage is  
11 maintained for the system in compliance with KDEP Regulations. WSCK is also  
12 developing a detailed Asset Management Plan (“AMP”) for all of our Assets. This AMP  
13 will allow for the detailed planning, management of utilities infrastructure and to justify  
14 and optimize assets. It will also address the current and anticipated level of service (“LoS”)  
15 needs, the condition of existing assets, risks and the capital operating plan needed to meet  
16 our LoS needs.

17 **Q. PLEASE SUMMARIZE ANY CUSTOMER COMPLAINTS RECEIVED WITHIN**  
18 **THE LAST 18 MONTHS.**

19 A. During the last 18 months, WSCK has received 8 water quality complaints related to  
20 discoloration due to possible iron leaching from unlined Cast Iron water mains, or Taste  
21 and Odor complaints. All WSCK water quality complaints are responded to immediately.

22 **Q. PLEASE DESCRIBE WHAT ACTIONS WERE TAKEN TO RECTIFY THESE**  
23 **WATER QUALITY SITUATIONS?**

1 A. Each of the identified complaints was responded to immediately. Once a call was received  
2 or a Field Activity issued, staff immediately initiated contact with the customer to discuss  
3 and perform an on-site visit. During on-site visits, water samples were collected and  
4 analysis conducted on each sample. While all water quality parameters were within  
5 applicable guidelines and no objectionable tastes or odors were noted, WSCK staff  
6 conducted flushing within the system to address these water quality concerns.  
7 Additionally, water treatment plant personnel also tested the source water to ensure and  
8 confirm that all water quality standards were being met.

9 **Q. PLEASE EXPLAIN HOW YOUR JOB RESPONSIBILITIES RELATE TO THE**  
10 **MONTHLY REVIEW OF ALLOCATED COSTS FOR WSCK AND THE**  
11 **BUDGETING PROCESS.**

12 A. As more fully described in Mr. Lubertozi's testimony, a monthly report of the expenses  
13 being allocated or billed to WSCK is sent to WSCK's Regional Manager, James Leonard,  
14 who reviews the amounts, expenses and questions any expense. I also review the progress  
15 of monthly spending and allocated costs with Mr. Leonard, to ensure that all allocated costs  
16 are accurate and applicable to WSCK, and discuss or request additional information as  
17 necessary.

18 **Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

19 A. Yes, it does.

**AFFIDAVIT**

The undersigned, Bruce T. Haas, being duly sworn, deposes and says that he is the Vice President of Operations for the Midwest and Mid-Atlantic Regions of Utilities, Inc., that is authorized to submit this testimony on behalf of Water Service Corporation of Kentucky, and that the information contained in the testimony is true and accurate to the best of his knowledge, information and belief, after reasonable inquiry, and as to those matters that are based on information provided to him, he believes to be true and correct.

*Bruce T. Haas*

\_\_\_\_\_  
Bruce T. Haas, Affiant

**NOTARY CERTIFICATE**

STATE OF North Carolina

COUNTY OF Mecklenburg

Subscribed, acknowledged and sworn to before me by Bruce T. Haas on  
this 25<sup>th</sup> day of November, 2015.

My commission expires: 01/08/2019.



*Veronica M. Stans*  
\_\_\_\_\_  
NOTARY PUBLIC

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

Application of Water Service Corporation     )  
of Kentucky for a General Adjustment         )     Case No. 2015-00382  
in Existing Rates                                     )

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**DIRECT TESTIMONY OF BRIAN N. HALLORAN**

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**WATER SERVICE CORPORATION OF KENTUCKY**

**CASE NO. 2015-00382**

**Direct Testimony of Brian N. Halloran**

**INTRODUCTION AND QUALIFICATIONS**

- 1
- 2
- 3 **Q1. Please state your name and business address.**
- 4 A1. My name is Brian Halloran. My business address is 2335 Sanders Road, Northbrook, IL
- 5 60062.
- 6 **Q2. By whom are you employed and in what capacity?**
- 7 A2. I am a Financial Analyst II for Utilities, Inc. (“UI”) and its subsidiaries. Water Service
- 8 Corporation of Kentucky (“Petitioner”, “WSCK”) is a wholly owned subsidiary of UI.
- 9 **Q3. What is your educational and professional background?**
- 10 A3. I joined UI in December 2012 as a Capital Asset Accountant. Prior to joining UI, I was a
- 11 staff accountant for Axis Logistics Management and Warehouse, in Elk Grove Village,
- 12 Illinois. In August 2011, I graduated from the University of Illinois at Chicago with a
- 13 Bachelor’s of Science in Accounting degree.
- 14 **Q4. Please describe your job responsibilities with UI.**
- 15 A4. My responsibilities include: financial analysis of individual subsidiaries of UI, preparation
- 16 of rate applications, facilitation of regulatory audits and the submission of testimony and
- 17 exhibits to support rate applications. I am responsible for ratemaking activities for
- 18 individual companies, including WSCK.



1 **Q5. Have you previously testified before the Public Service Commission of Kentucky?**

2 A5. No, I have not.

3 **Q6. What is the purpose of your testimony?**

4 A6. The purpose of my testimony is to sponsor the Petitioner's application for an adjustment  
5 of certain rates and charges for the provision of water and sewer services. I will provide  
6 an overview of the pro forma changes to the Petitioner's financial schedules, affiliate  
7 transactions, and rate case expense.

8 **Q7. Are you sponsoring any Exhibits?**

9 A7. Yes

10 Petitioner's Exhibit BNH-1. This exhibit contains the following pro-forma financial  
11 schedules:

12 Schedule A – Balance Sheet

13 Schedule B – Income Statement

14 Schedule C – Rate Base and Rate of Return

15 Schedule D – Test Year / Present Revenues / Proposed Revenues

16 Schedule E – Revenue Requirement

17

18 Petitioner's Exhibit BNH-2. This exhibit consists of the Petitioner's proposed tariffs.

19 Petitioner's Exhibit BNH-3. This exhibit contains support bridges for the pro forma  
20 changes included in Petitioner's Exhibit BNH-1.

1 Petitioner's Exhibit BNH-4. This exhibit contains support for the salary comparison of  
2 similar water utility companies operating in Kentucky.

3 **Q8. Were the Exhibits that you're sponsoring prepared by you and/or under your**  
4 **supervision?**

5 A8. Yes, and I am incorporating these Exhibits into my testimony by reference.

6 **RELIEF REQUESTED**

7  
8 **Q9. What test year is WSCK using to request rate relief?**

9 A9. WSCK is requesting rate relief using a test year twelve months ended June 30, 2015 so that  
10 it can continue to provide safe, reliable and efficient water utility services to its customers  
11 while earning a reasonable return for its investors.

12 **Q10. Please summarize the relief sought by WSCK.**

13 A10. As discussed in greater detail below, WSCK is requesting a basic water rate increase to  
14 produce additional revenues of \$516,989 per year, or 24.62%. WSCK used an 88%  
15 operating ratio, which is consistent with prior PSC decisions, in order to calculate the  
16 revenue requirement.

17 **Q11. What rates is WSCK proposing?**

18 A11. The proposed charges for WSCK customers have been included in Petitioner's Exhibit  
19 BNH-2.

20 **Q12. Did WSCK cause a notice of rate increase of its petition to its customers?**

21 A12. Yes. WSCK is publishing a notice of rate increase in the local newspapers for three  
22 consecutive weeks, pursuant to 807 KAR 5:001, Section 16.

**REVENUE: PRO FORMA CHANGES**

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**Q13. Please explain how test year revenues were adjusted.**

A13. Pro forma changes were made to the test year revenues based on known and measurable changes to actual revenues.

**Q14. Please summarize the pro forma changes made to water service revenues.**

A14. The test year total level of water service revenues were reduced by a total of \$7,503 to reflect changes including, but not limited to, out-of-period adjustments, customer counts, a usage normalization adjustment, and the annualization of test year revenues at current rates. If these changes are not included, test year revenues will be overstated.

**Q15. What is a usage normalization adjustment?**

A15. WSCK has performed an analysis on our system’s water consumption, using historical consumption per customer from July 2008 through June 2015. This analysis showed that WSCK’s customers are using less water and therefore WSCK is experiencing a consumption decline. This analysis also provided WSCK with the ability to reasonably measure WSCK’s annual consumption decline. WSCK is proposing an adjustment to test year consumption that will reflect a decline in usage, which is fully supported by the historical consumption patterns. WSCK measured the historical usage trends by customer class and meter size. WSCK then applied this consumption change to the test year consumption by customer class in order to calculate the pro forma revenues. The resulting change caused a decrease of \$13,737 to test year revenues.

**Q16. Has weather impacted the consumption decline trend noticed by the Company?**

1 A16. No. WSCK has also analyzed consumption patterns during winter months over the same  
2 time period in order to assist in identifying if consumption decline trends are effected by  
3 weather. Our analysis showed that while WSCK’s customers use .72% less water on an  
4 annual basis, they use .79% less water each winter season. The nearly identical  
5 consumption decline during the winter season confirms the annual usage decline proposed  
6 by the Company is weather-neutral.

7 **Q17. What impact does the usage normalization have on proposed revenues?**

8 A17. There is no impact on the proposed revenues. The only impact is on the calculation of  
9 customer’s rates.

10 **OPERATING EXPENSE: PRO FORMA CHANGES**

11  
12 **SUPPORT BRIDGES FOR ALL PRO FORMA CHANGES TO OPERATING**  
13 **EXPENSE CAN BE FOUND IN PETITIONER’S EXHIBIT BNH-3.**

14  
15 **Q18. Please explain how test year operating expenses were adjusted.**

16 A18. Pro forma changes were made to the test year operating expenses based on known and  
17 measurable changes to actual expenses.

18 **Q19. Please explain the pro forma change made to salaries and wages expense.**

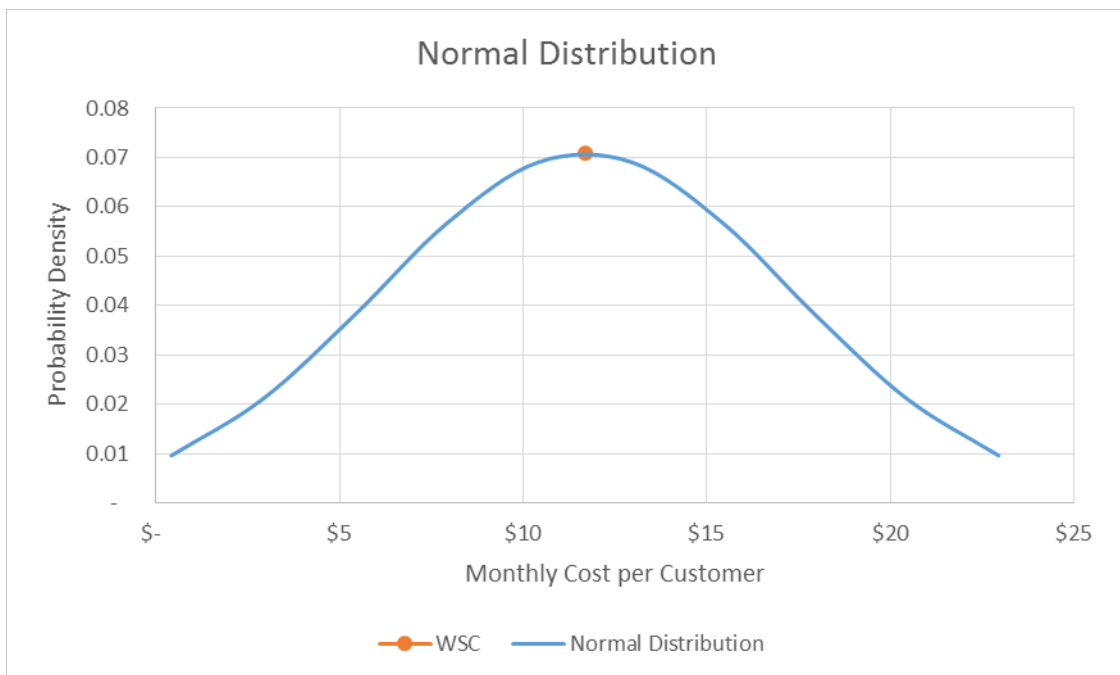
19 A19. Salaries and Wage expense has been adjusted for projected salaries, taxes, and benefits for  
20 employees. The changes in employee salaries, taxes, and benefits resulted in an increase  
21 of \$66,669 to test year expense.

22 **Q20. Did WSCK perform an analysis of salary and wage reasonableness as previously**  
23 **performed in the prior rate case?**

1 A20. Yes, in order to reduce the amount of rate case expense that would eventually be passed  
2 onto customers, the analysis was performed in-house rather than hiring an outside  
3 consultant to perform the study. WSCK sampled 10 water utility companies, similar in  
4 size and operating within Kentucky, and used data that was reported in the 2014 Kentucky  
5 Annual Reports. The analysis is presented as Petitioner's Exhibit BNH-4.

6 **Q21. Please discuss your conclusions and findings from this salary and wage**  
7 **reasonableness analysis.**

8 A21. The proposed level of total salaries and wages is reasonable and comparable to the sampled  
9 water utilities in Kentucky. As presented in Petitioner's Exhibit BNH-4, the graph below  
10 shows the monthly cost of total salaries and wages, pension and benefits, and payroll taxes  
11 per customer is nearly identical to the average of the sampled companies. WSCK included  
12 the pro forma proposed level of costs for Kentucky and WSC allocated employees when  
13 performing this analysis.



14

1 WSCK also compared the annual cost of WSC allocated salaries and wages, pension and  
 2 benefits, and payroll taxes per customer to the salaries and wages presented in Case No.  
 3 2013-00237. Since the re-organization of UI's company structure in early 2014, the  
 4 allocation of costs has changed from what was previously presented in Case No. 2013-  
 5 00237. The 2013 amounts have been adjusted to include the costs of supervisory  
 6 personnel. This adjustment in amounts is necessary for comparison purposes. Please refer  
 7 to Table 1 for a summary of the comparison:

**Table 1 - Annual WSC Allocated Salaries Cost Per Customer**

<u>Expense Type</u>	<u>2013-0237 Adjusted</u>	<u>2015-00382 Proposed</u>	<u>% Change</u>	<u>CAGR</u>
Salaries & Wages	\$ 188,796	\$ 195,196	3%	1.12%
Taxes	\$ 14,604	\$ 14,877	2%	0.62%
Benefits	\$ 29,464	\$ 34,099	16%	4.99%
Total	<u>\$ 232,864</u>	<u>\$ 244,172</u>	<u>5%</u>	<u>1.59%</u>
WSCK Customers	7,362	7,204	-2%	-0.72%
Amount per Customer	\$ 32	\$ 34	7%	2.33%

8  
 9 In the table above, WSCK is showing an increase of \$2 per customer since the last rate  
 10 case. The analysis shows a compounded annual growth rate (CARG) of 1.59% for the total  
 11 allocated corporate salaries and benefits, which is below the average salary increase of 3%  
 12 for UI employees. Since these findings are fully supported, I strongly believe that WSCK's  
 13 pro forma level of salaries and wages, pension and benefits, and payroll taxes is reasonable  
 14 and justifiable.

15 **Q22. Please explain the pro forma change made to maintenance and repair expense.**

1 A22. Maintenance and repair expense has been increased for known deferred maintenance  
2 projects, specifically, a tank painting project that is being undertaken in Clinton that is  
3 budgeted for a total cost of \$111,103, or an annual deferred maintenance expense of  
4 \$11,110 and will be completed prior to the rate base cutoff of December 31, 2015. This  
5 change, plus other smaller pro forma deferred maintenance assets, will result in an increase  
6 of \$14,156 to test year expense. If this change is not included, test year operating expenses  
7 will be understated.

8 **Q23. Please explain the pro forma change made to chemicals expense.**

9 A23. As outlined in Bruce Haas' direct testimony, WSCK is anticipating cost savings as a result  
10 of completing the Plate Settler Project and related upgrades at the surface water treatment  
11 plant in Middlesboro. The reduction of test year Calcium Hypochlorite and Powder  
12 Activated Carbon purchases by 40% each will result in a decrease to Chemicals expense  
13 of \$18,357. If this adjustment is not included, test year operating expenses will be  
14 overstated.

15 **Q24. Please explain the pro forma change made to transportation expense.**

16 A24. Transportation expense was adjusted based on vehicles operating in Kentucky, as well as  
17 an allocated vehicle used by Bruce Haas, Vice President of Operations for the Midwest and  
18 Mid-Atlantic Regions of UI. This adjustment results in a decrease to Transportation  
19 expense of \$41. If this adjustment is not included, test year operating expenses will be  
20 slightly overstated.

21 **Q25. Please explain the pro forma change made to operating expense charged to plant.**

1 A25. Operating expense charged to plant has been changed to reflect a decrease in the capitalized  
2 time of employees. The change resulted in a decrease of \$4,449 to test year expense.

3 **Q26. Please explain the pro forma change made to outside services expense.**

4 A26. The test year level of outside services expenses was reduced to eliminate any amounts  
5 related to the legal proceedings undertaken by WSCK that were included in the test year  
6 balance. The costs related to Case No. 2013-00237 (“Project Phoenix Appeal”) and Case  
7 No. 2014-00272 (“Show Cause”) were removed in the amounts of \$23,078 and \$10,610,  
8 respectively. Another change made to the test year level of outside services expenses was  
9 associated with the increase to the Clinton Wastewater Check Collection amount per  
10 payment from \$1 to \$2. The resulting change caused an increase to the test year expense  
11 of \$1,769. All of the pro forma changes made to this account resulted in a decrease of  
12 \$31,919 to test year expense.

13 **Q27. Are any “Project Phoenix” costs included in WSCK’s rate calculation?**

14 A27. All costs associated with “Project Phoenix” have been removed from test year balances  
15 included in operating expense, as well as rate base.

16 **Q28. Please explain the pro forma change made to office supplies and other office  
17 expense.**

18 A28. The test year balance for office supplies and other office expense included items from  
19 employee expense reports at various levels of the organization. WSCK removed these  
20 items from the test year balance for rate making purposes only. This change resulted in a  
21 decrease of \$391 to test year expense.

22 **Q29. Please explain the pro forma change made to regulatory commission expense.**



1 A29. The test year level of regulatory expense was reduced to reflect the anticipated costs of this  
 2 proceeding, amortized over a three year period. The prior rate case expense total cost was  
 3 \$255,488. The unamortized portion of the balance of the prior rate case will be transferred  
 4 to the new rate case expense balance upon the completion of the new case, and is estimated  
 5 to be \$85,163 at the projected effective date of the new order, 7/1/2016. The total cost of  
 6 the new case will total \$175,787, which is \$79,701 less than the prior rate case. The costs  
 7 associated with the new case are summarized below:

**Table 2 - Rate Case Expense**

<u>Category</u>	<u>Estimated Cost</u>
Legal Fees	\$ 80,000
Customer Notices	\$ 7,000
Miscellaneous Costs	\$ 5,000
Travel	\$ 4,400
Capitalized Time	\$ 79,387
Total Estimated Cost	<u>\$ 175,787</u>

8  
 9 Total rate case expense for this rate case, which includes the unamortized balance of the  
 10 prior case and the total estimated costs of the new case, is \$260,949. This rate case balance  
 11 will be amortized over a three year period, which will create an annual amortization  
 12 expense of \$86,983. This will result in a decrease of \$2,456 to test year expense.

13 **Q30. Please explain the pro forma change made to pensions and other benefits.**

14 A30. The test year level of Pensions and other benefits was increased by \$45,874 to reflect the  
 15 increased costs of Pension and other benefits for employees. If this adjustment is not  
 16 included, test year operating expenses would be understated. Outside of the adjustment  
 17 described above, the test year balance for Pensions and other benefits included items from

1 employee expense reports at various levels of the organization. WSCK removed these  
2 items from the test year balance for rate making purposes only. This change resulted in a  
3 decrease of \$99 to the test year balance. The total adjustments made by WSCK related to  
4 this account resulted in an increase of \$45,775 to the test year balance.

5 **Q31. Please explain the pro forma change made to office utilities expense.**

6 A31. The test year balance for office utilities expense included items from employee expense  
7 reports at various levels of the organization. WSCK removed these items from the test  
8 year balance for rate making purposes only. This change resulted in a decrease of \$190 to  
9 the test year balance.

10 **Q32. Please explain the pro forma change made to uncollectible accounts.**

11 A32. Uncollectible accounts expense were adjusted based on the percentage of uncollectible  
12 accounts to revenues in the test year applied to annualized and pro forma proposed  
13 revenues. WSCK calculated its pro forma uncollectible percentage by taking the test year  
14 uncollectible expense amount, \$41,829, and dividing it by the amount of test year service  
15 revenues, \$2,107,765, to get an uncollectible percentage of 1.98%. WSCK applied this  
16 rate of 1.98% that resulted in decrease to pro forma present in the amount of \$149, and an  
17 increase to pro forma proposed in the amount of \$10,260.

18 **Q33. Please explain the pro forma change made to miscellaneous expense.**

19 A33. The test year balance for miscellaneous expense included items from employee expense  
20 reports at various levels of the organization. WSCK removed these items from the test  
21 year balance for rate making purposes only. This change resulted in a decrease of \$3,087  
22 to the test year balance.

1 **Q34. Please explain the pro forma change to depreciation.**

2 A34. Depreciation expense was annualized based upon gross depreciable plant at the end of the  
3 test year plus pro forma additions. The depreciation rates proposed by the Company are  
4 consistent with the National Association of Regulatory Utility Commissioners Study of  
5 Depreciation Practices for Small Water Utilities and the average service lives, salvage  
6 values, and calculations that have been accepted by the PSC for other similar small utilities.  
7 By incorporating these proposed depreciation rates, WSCK will increase test year  
8 depreciation expense by \$20,231.

9 **Q35. Please explain the pro forma change to the amortization of PAA.**

10 A35. As accepted in Case No. 2013-00237, WSCK is proposing to increase pro forma operating  
11 expenses by \$3,660 to eliminate the amortization of Plant Acquisition Adjustment.

12 **Q36. Please explain the pro forma change to the amortization of CIAC.**

13 A36. The amortization of Contributions In Aid of Construction uses a composite rate of 2.66%.  
14 The composite rate is calculated by taking the proposed depreciation expense and dividing  
15 it by the sum of total plant in service and pro forma plant additions. When the composite  
16 rate is applied, it will result in a \$4,724 decrease to operating expense.

17 **Q37. Please explain the pro forma change made to Taxes other than income, income taxes**  
18 **– federal and income taxes – state.**

19 A37. Taxes other than Income were adjusted for annualized payroll taxes and Utility  
20 Commission Taxes. This adjustment results in an increase of \$1,589 to test year Taxes  
21 other than Income. Income Taxes – Federal and Income Taxes – State were both adjusted  
22 to reflect taxable income at current rates. This results in a decrease to Income Taxes –

1 Federal and an increase to Income Taxes – State of \$120,689 and \$225,313, respectively.  
2 If these adjustments are not included, test year operating expenses would be under- or  
3 overstated.

4 **NET ORIGINAL COST RATE BASE**

5  
6 **Q38. What rate base cutoff date have you used for purposes of your rate request?**

7 A38. We have started with the rate base as of the close of the test year, June 30, 2015. We are  
8 proposing to update that rate base to December 31, 2015, net of the growth in the  
9 accumulated depreciation reserve. The total net original cost rate base after the adjustments  
10 I will describe is \$5,956,421.

11 **Q39. Is all of the property that is included in WSCK's rate base used and useful for  
12 service to the public?**

13 A39. Yes. All of the utility's property included in rate base, including plant adjustments, is used  
14 and useful, and is currently or will be in service no later than December 31, 2015, to provide  
15 service to WSCK's customers.

16 **Q40. Please describe the adjustments being made to the rate base.**

17 A40. As shown on Schedule C of Petitioner's Exhibit BNH-1, the Company is proposing a  
18 number of adjustments to its rate base, resulting in a net increase in rate base of \$220,189.  
19 The specific adjustments are discussed in greater detail below.

20 **Q41. Please explain the adjustment to gross plant in service.**

21 A41. The adjustment to gross plant in service reflects the total of three adjustments. First, an  
22 adjustment was made to update rate base through the cut-off period. Second, an adjustment

1 was made to annualize the allocation of vehicles at the end of the test year. Third, a similar  
2 adjustment was made to annualize the allocation of computers at the end of the test year,  
3 with an adjustment made to remove any costs associated with “Project Phoenix” from Rate  
4 Base. The total change will result in a decrease of \$390,934 to gross plant in service.

5 **Q42. Please explain the adjustment to accumulated depreciation.**

6 A42. Accumulated depreciation has been adjusted in a similar manner as gross plant. The  
7 accumulated depreciation balance was adjusted to normalize accumulated depreciation  
8 associated with computers, net of “Project Phoenix” and pro forma vehicle additions. The  
9 total change will result in a decrease of \$589,462 to accumulated depreciation.

10 **Q43. Please explain the cash working capital calculation.**

11 A43. Working capital has been calculated based on pro forma expenses. This results in an  
12 increase of \$10,789 to rate base.

13 **COST OF SERVICE STUDY AND RATE DESIGN**

14  
15 **Q44. Please describe the Cost of Service Study (COSS) that WSCK used to prepare a  
16 recommended tariff design for the proposed rates.**

17 A44. WSCK used the cost of service model developed in conjunction with the Illinois Commerce  
18 Commission Staff during Docket Number 14-0741, a consolidated rate case in Illinois for  
19 one of UI’s subsidiaries, Utility Services of Illinois, Inc. (USI), for rate making purposes.  
20 The COSS Model (“Model”) calculates rates and allocates the revenue requirement to the  
21 customers’ base facility charge and the customers’ per gallon charge, which is based on a  
22 40/60 fixed to variable ratio.

1 **Q45. What assumptions were made in the Model that were specific to WSCK?**

2 A45. The Model used by USI was adapted to incorporate assumptions that are specific to WSCK.  
3 The COSS was adjusted to reflect consolidated rates, equivalent meters and services, a  
4 minimum usage charge consistent with WSCK's current tariff per meter size, and the  
5 removal of usage tiers. The changes are described in greater detail below.

6 **Q46. Why is WSCK proposing consolidated rates?**

7 A46. WSCK is proposing consolidated rates because under the current rate structure, Clinton  
8 customers pay 72% more per gallon than Middlesboro customers. Consolidated rates  
9 should be implemented because many of the operational and management costs are  
10 common amongst both territories and are allocated to each customer at the same cost.  
11 Additionally, a consolidated rate base is used for rating making, yet customers are paying  
12 different rates based on where their territory is located.

13 **Q47. How was the Model adjusted to reflect equivalent meters and services for WSCK?**

14 A47. The Model was developed under the assumption that the average residential customer  
15 would be using a 5/8" meter, as shown by the large number of residential bills in  
16 Middlesboro. However, in Clinton, the average residential customer is using a 5/8"x3/4"  
17 meter and under the Model developed by the ICC, the usage of a 3/4" meter would have  
18 had an equivalent meter multiplier of 1.5 and inflated the cost to serve these customers.  
19 WSCK adjusted the model to reflect a multiplier of 1.0 for both 5/8" and 3/4" meter sizes  
20 as they are the average meter size for customers and, under the current rates tariff, use the  
21 same rate structure for their respective systems.

22 **Q48. What are the Model assumptions for the minimum usage charges per meter size?**

1 A48. WSCK is proposing to consolidate the minimum usage charge structure per meter size.  
 2 The minimum usage charge, or base facility charge, is the fixed charge per bill that a  
 3 customer will pay regardless if they fall below the minimum usage amount. Usage for any  
 4 amount of water over the threshold based on the customer's specific meter size is addressed  
 5 in greater detail later in my testimony. Table 3 outlines the proposed minimum usage  
 6 charges by meter size, per system:

**Table 3 - Minimum Usage**

<u>System</u>	<u>Meter Size</u>	<u>Current Minimum Usage (Gal)</u>	<u>Proposed Minimum Usage (Gal)</u>
Middlesboro	5/8" & 3/4"	1,000	1,000
Middlesboro	1"	6,000	6,000
Middlesboro	1.5"	13,000	13,000
Middlesboro	2"	21,400	21,400
Middlesboro	3"	68,400	68,400
Middlesboro	4"	127,500	127,500
Middlesboro	6"	281,500	281,500
Clinton	5/8" & 3/4"	1,000	1,000
Clinton	1"	5,300	6,000
Clinton	1.5"	11,200	13,000
Clinton	2"	17,600	21,400
Clinton	6"	250,500	281,500

7

8 **Q49. Why did WSCK propose the removal of usage tiers?**

9 A49. For the simplicity of rate making and treating all gallons of water over the minimum usage  
 10 charge equally, WSCK has proposed the removal of usage tiers and is proposing a flat  
 11 usage charge per 1,000 gallons over the minimum usage charge. The tiered system of rates  
 12 didn't treat high usage customers and low usage customers equally. WSCK believes any

1           gallonage over the minimum usage threshold should be charged the same usage rate per  
 2           1,000 gallons.

3   **Q50. How would WSCK’s proposed rates impact customers’ bills and how would the**  
 4   **proposed revenues differ in Middlesboro without consolidated rates?**

5   A50. For the average bill impact under the proposed consolidated rates, please refer to table 4  
 6   below. Without consolidated rates, a Middlesboro customer would see an average bill  
 7   increase of 24.62%, regardless of meter size.

**Table 4 - Middlesboro**

A	B	C	D	E	F	G
<u>Average Bill Current vs. Proposed (All Classes)</u>						
Meter Size	Current	Consolidated	Percent Change	Average Usage (Gallons)	Without Consolidation	Difference (C - F)
5/8"	\$ 20.43	\$ 26.42	29.31%	3,852	\$ 25.46	\$ 0.96
3/4"	\$ 20.43	\$ 26.42	29.31%	3,852	\$ 25.46	\$ 0.96
1"	\$ 54.36	\$ 66.59	22.48%	12,905	\$ 67.75	\$ (1.16)
1.5"	\$ 157.60	\$ 196.28	24.55%	43,095	\$ 196.40	\$ (0.12)
2"	\$ 196.08	\$ 259.57	32.38%	55,129	\$ 244.35	\$ 15.22
3"	\$ 589.90	\$ 724.71	22.85%	193,778	\$ 735.14	\$ (10.43)
4"	\$ 406.82	\$ 410.86	0.99%	106,044	\$ 506.98	\$ (96.12)
6"	\$3,443.78	\$ 4,435.34	28.79%	1,227,971	\$ 4,291.64	\$ 143.70

8

9   **Q51. How would WSCK’s proposed rates impact customers’ bills and how would the**  
 10   **proposed revenues differ in Clinton without consolidated rates?**

11   A51. For the average bill impact under the proposed consolidated rates, please refer to table 5  
 12   below. Without consolidated rates, a Clinton customer would see an average bill increase  
 13   of 24.62%, regardless of meter size.



**Table 5 - Clinton**

A	B	C	D	E	F	G
<u>Average Bill Current vs. Proposed (All Classes)</u>						
Meter Size	Current	Consolidated	Percent Change	Average Usage (Gallons)	Without Consolidation	Difference (C - F)
5/8"	\$ 28.23	\$ 24.05	-14.80%	5,629	\$ 35.18	\$ (11.13)
3/4"	\$ 28.23	\$ 24.05	-14.80%	5,629	\$ 35.18	\$ (11.13)
1"	\$ 78.84	\$ 57.50	-27.07%	10,524	\$ 98.25	\$ (40.75)
1.5"	\$ 391.79	\$ 274.21	-30.01%	63,512	\$ 488.24	\$ (214.03)
2"	\$ 328.24	\$ 245.27	-25.28%	51,381	\$ 409.05	\$ (163.78)

1

2 **Q52. What is the impact to residential customers in Middlesboro and Clinton with**  
 3 **consolidated rates and without consolidated rates?**

4 A52. The impact of consolidating rates versus not consolidating rates would be an increase of  
 5 \$1.04 to the average residential bill in Middlesboro, and a decrease of \$10.58 to the average  
 6 residential bill in Clinton. Please refer to Table 6 below for a summary of the impact to  
 7 residential customers with and without consolidated rates.

**Table 6 - Residential Rate Comparison**

<u>Average Bill Current vs. Proposed (Middlesboro Residential)</u>						
Meter Size	Current	Consolidated	Percent Change	Number of Customer Bills	Without Consolidation	Difference (C - F)
5/8"	\$ 20.19	\$ 26.18	29.67%	59,288	\$ 25.16	\$ 1.02
1"	\$ 29.19	\$ 40.75	39.60%	288	\$ 36.38	\$ 4.37
WAVG	\$ 20.23	\$ 26.25	29.74%		\$ 25.21	\$ 1.04

<u>Average Bill Current vs. Proposed (Clinton Residential)</u>						
Meter Size	Current	Consolidated	Percent Change	Number of Customer Bills	Without Consolidation	Difference (C - F)
5/8"	\$ 29.17	\$ 24.56	-15.80%	225	\$ 36.35	\$ (11.79)
3/4"	\$ 27.39	\$ 23.60	-13.84%	5,588	\$ 34.13	\$ (10.53)
WAVG	\$ 27.46	\$ 23.64	-13.92%		\$ 34.22	\$ (10.58)

8

9 **Q53. Does this conclude your direct testimony?**

10 A53. Yes.

**AFFIDAVIT**

The undersigned, Brian Halloran, being duly sworn, deposes and says that he is the Financial Analyst II of Utilities, Inc., that is authorized to submit this testimony on behalf of Water Service Corporation of Kentucky, and that the information contained in the testimony is true and accurate to the best of his knowledge, information and belief, after reasonable inquiry, and as to those matters that are based on information provided to him, he believes to be true and correct.

  
\_\_\_\_\_  
Brian Halloran, Affiant

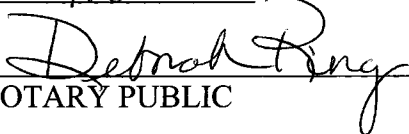
**NOTARY CERTIFICATE**

**STATE OF ILLINOIS**

**COUNTY OF COOK**

Subscribed, acknowledged and sworn to before me by BRIAN HALLORAN on this 25<sup>th</sup> day of November, 2015.

My commission expires: 1/29/18

  
\_\_\_\_\_  
NOTARY PUBLIC



# Petitioner's Exhibit

**BNH-1**

WATER SERVICE CORPORATION OF KENTUCKY

Schedule A

Case No. 2015 - 00382

Balance Sheet

Test Year Ended 6/30/2015

	A	B	C	D
<u>Line No.</u>	<u>ASSETS</u>		<u>LIABILITIES AND OTHER CREDITS</u>	
1	Plant In Service		Capital Stock and Retained Earnings	
2	Water	\$ 11,829,534		
3	Sewer	-	Common Stock and Paid In Capital	\$ 5,068,438
4		<u>                    </u>	Retained Earnings	(161,552)
5	Total	\$ 11,829,534		
6		<u>                    </u>	Total	\$ 4,906,886
7	Accumulated Depreciation-Water	(5,181,177)	Current and Accrued Liabilities	
8	Accumulated Depreciation-Sewer	-	Accounts Payable-Trade	354,067
9		<u>                    </u>	Taxes Accrued	(25,639)
10	Total	\$ (5,181,177)	Deferred Credits	35,469
11		<u>                    </u>	Customer Deposits - Interest	901
12			A/P - Assoc. Companies	1,209,997
13	Net Utility Plant	\$ 6,648,357	Deferred Revenue	-
14		<u>                    </u>		
15			Total	\$ 1,574,795
16			Advances In Aid of Construction	
17	Plant Acquisition Adjustment-Water	(137,269)	Water	73,376
18	Plant Acquisition Adjustment-Sewer	-	Sewer	-
19		<u>                    </u>		
20	Total	\$ (137,269)	Total	\$ 73,376
21		<u>                    </u>		
22			Contributions In Aid of Construction	
23	Construction Work In Process-Water	-	Water	188,654
24	Construction Work In Process-Sewer	-	Sewer	-
25		<u>                    </u>		
26	Total	\$ -	Total	\$ 188,654
27		<u>                    </u>		
28	Current Assets		Accumulated Deferred Income Tax	
29	Cash	104,803	Unamortized ITC	-
30	Accounts Receivable - Net	725,575	Deferred Tax - Federal	757,921
31	Other Current Assets	13,800	Deferred Tax - State	78,251
32		<u>                    </u>		
33	Total	\$ 844,178	Total	\$ 836,172
34		<u>                    </u>		
35	Deferred Charges	224,617	TOTAL LIABILITIES AND OTHER CREDITS	\$ 7,579,883
36		<u>                    </u>		
37	TOTAL ASSETS	\$ 7,579,883		
38		<u>                    </u>		

Line No.	A	B	C	D	E	F
		Per Books	Pro Forma Changes	Pro Forma Present	Proposed Increase	Pro Forma Proposed
1	Operating Revenues					
2	Service Revenues - Water	2,107,765	(7,503) [a]	2,100,262	516,989 [k]	2,617,251
3	Service Revenues - Sewer	-	-	-	-	-
4	Miscellaneous Revenues	67,499	-	67,499	-	67,499
5						
6	Total Operating Revenues	2,175,264	(7,503)	2,167,760	516,989	2,684,749
7						
8	Maintenance Expenses					
9	Salaries and Wages	510,822	27,339 [c]	538,161	-	538,161
10	Purchase Water/Sewer	123,204	-	123,204	-	123,204
11	Purchased Power	89,773	-	89,773	-	89,773
12	Maintenance and Repair	101,452	14,156 [j] [l]	115,608	-	115,608
13	Maintenance Testing	37,602	-	37,602	-	37,602
14	Meter Reading	-	-	-	-	-
15	Chemicals	132,664	(18,357) [n]	114,308	-	114,308
16	Transportation	39,043	(41) [o]	39,002	-	39,002
17	Operating Exp. Charged to Plant	(159,698)	4,449 [d]	(155,249)	-	(155,249)
18	Outside Services - Other	90,874	(31,919) [m] [q]	58,955	-	58,955
19						
20	Total	965,737	(4,374)	961,364	-	961,364
21						
22	General Expenses					
23	Salaries and Wages	165,731	39,330 [c]	205,061	-	205,061
24	Office Supplies & Other Office Exp.	57,999	(391) [l]	57,609	-	57,609
25	Regulatory Commission Exp.	89,439	(2,456) [e]	86,983	-	86,983
26	Pension & Other Benefits	158,342	45,775 [c] [l]	204,117	-	204,117
27	Rent	8,210	-	8,210	-	8,210
28	Insurance	69,093	-	69,093	-	69,093
29	Office Utilities	52,352	(190) [l]	52,162	-	52,162
30	Uncollectible Accounts	41,829	(149) [b]	41,680	10,260 [b]	51,939
31	Miscellaneous	22,827	(3,087) [l]	19,739	-	19,739
32						
33	Total	665,820	78,833	744,654	10,260	754,913
34						
35	Depreciation	335,723	20,231 [f]	355,955	-	355,955
36	Amortization of PAA	(3,660)	3,660 [p]	-	-	-
37	Taxes Other Than Income	140,811	1,589 [g]	142,400	872 [g]	143,272
38	Expense Reduction Related to Clinton Sewer Operations	(154,344)	-	(154,344)	-	(154,344)
39	Income Taxes - Federal	99,758	(120,689) [h]	(20,930)	162,108 [h]	141,178
40	Income Taxes - State	(227,878)	225,313 [h]	(2,565)	29,069 [h]	26,504
41	Amortization of CIAC	(4,628)	(4,724) [f]	(9,352)	-	(9,352)
42						
43	Total	185,782	125,381	311,163	192,049	503,212
44						
45	Total Operating Expenses	1,817,339	199,841	2,017,180	202,309	2,219,489
46						
47	Net Operating Income	357,924	(207,344)	150,580	314,680	465,260
48						
49	Other Income	-	-	-	-	-
50	Interest During Construction	(5,026)	-	(5,026)	-	(5,026)
51	Interest on Debt	175,513	15,697 [j]	191,210	-	191,210
52						
53	Net Income	187,438	(223,041)	(35,603)	314,680	279,077

<u>Line No.</u>	
1	[a] Support for this change can be found on w/p [s]
2	
3	[b] Adjusted based on the percentage of uncollectible accounts to revenues in the test year applied to annualized and pro forma proposed revenues. Support can be found on w/p [a]
4	
5	[c] Salaries, Wages and Benefits are adjusted to annualize as of the end of the year. Support for this change can be found on w/p [b]
6	
7	[d] Operating expense charged to plant has been adjusted for projected increases in salaries, taxes, and benefits for operators. Support for this change can be found on w/p [b]
8	
9	[e] Regulatory commission expense has been adjusted. Support for this change can be found on w/p [d]
10	
11	[f] Depreciation and Amortization Expense are annualized. Depreciation expense represents gross depreciable plant at the end of the year multiplied by their respective depreciation rates. w/p [f]
12	
13	[g] Taxes Other than Income is adjusted for annualized payroll taxes and Utility Commission Taxes. Support for this change can be found on w/p [e]
14	
15	[h] Income taxes are computed on taxable income at current rates. Support for this change can be found on w/p [g]
16	
17	[i] Support for this change can be found on w/p [j]
18	
19	[j] Support for this change can be found on w/p [h]
20	
21	[k] Revenues are annualized at proposed rates using the actual test year bills.
22	
23	[l] Support for this change can be found on w/p [m].
24	
25	[m] Removal of 2013 Rate Case Appeal and Show Cause Case Legal Costs - Support for this change can be found on w/p [n]
26	
27	[n] Support for this change can be found on w/p [k]
28	
29	[o] Support for this change can be found on w/p [l]
30	
31	[p] Amortization of PAA has been removed for rate making purposes
32	
33	[q] Support for this change can be found on w/p [r]

Line No.	A	B	C	D	E	F
		Per Books	Pro Forma Changes	As Adjusted	Proposed Increase	Effect of Proposed Increase
1	Net Operating Income	\$ 357,924	(207,344)	\$ 150,580	314,680	\$ 465,260
2						
3	Gross Plant In Service	\$ 11,829,534	(390,934) [a]	11,438,600	-	\$ 11,438,600
4	Accumulated Depreciation	(5,181,177)	589,462 [a]	(4,591,715)	-	(4,591,715)
5	Net Plant In Service	6,648,357	198,528	6,846,885	-	6,846,885
6	Cash Working Capital	221,546	10,789 [c]	232,335	-	232,335
7	Contributions In Aid of Construction	(188,654)	6,349 [a][b]	(182,305)	-	(182,305)
8	Advances in Aid of Construction	(73,376)	4,523 [a][b]	(68,853)	-	(68,853)
9	Accumulated Deferred Income Taxes	(836,172)	-	(836,172)	-	(836,172)
10	Customer Deposits	(35,469)	-	(35,469)	-	(35,469)
11						
12	Total Rate Base	\$ 5,736,233	\$ 220,189	\$ 5,956,421	\$ -	\$ 5,956,421
13						
14						
15	Return on Rate Base	6.24%		2.53%		7.81%
16						
17						
18	<u>Explanation of Adjustments to Rate Base</u>					
19						
20	[a]	Gross plant in service and Accumulated Depreciation adjustments per wp [c]. Net CIAC and AIAC are adjusted per w/p [p-5].				
21						
22	[b]	Accumulated depreciation, CIAC, and AIAC have been annualized				
23						
24	[c]	Working capital is calculated based on pro forma maintenance expenses, pro forma general expenses, and taxes other than income.				





Governmental 1.5" Meter	3,581										
First 13,000		60	\$ 54.62	\$ 3,277	\$ 3,277	60	\$ 68.06	\$ 4,084			
Next 12,000			\$ 3.53	\$ 547	\$ 547		\$ 4.40	\$ 682			
Next 25,000			\$ 3.35	\$ 922	\$ 922		\$ 4.17	\$ 1,149			
Next 50,000			\$ 3.01	\$ 1,656	\$ 1,656		\$ 3.75	\$ 2,063			
Over 100,000			\$ 2.76	\$ 6,435	\$ 6,435		\$ 3.44	\$ 8,020			
<b>Total Governmental 1.5" Meter</b>	<b>3,581</b>	<b>60</b>	<b>3,312</b>	<b>\$ 12,837</b>	<b>\$ 12,837</b>	<b>60</b>	<b>3,312</b>	<b>\$ 15,997</b>			
<b>Average Governmental 1.5" Bill</b>				<b>\$ 213.95</b>				<b>\$ 266.62</b>			
Industrial 1.5" Meter	1,626										
First 13,000		24	\$ 54.62	\$ 1,311	\$ 1,311	24	\$ 68.06	\$ 1,634			
Next 12,000			\$ 3.53	\$ 700	\$ 700		\$ 4.40	\$ 872			
Next 25,000			\$ 3.35	\$ 1,155	\$ 1,155		\$ 4.17	\$ 1,440			
Next 50,000			\$ 3.01	\$ 1,545	\$ 1,545		\$ 3.75	\$ 1,926			
Over 100,000			\$ 2.76	\$ 881	\$ 881		\$ 3.44	\$ 1,097			
<b>Total Industrial 1.5" Meter</b>	<b>1,626</b>	<b>24</b>	<b>1,376</b>	<b>\$ 5,592</b>	<b>\$ 5,592</b>	<b>24</b>	<b>1,376</b>	<b>\$ 6,968</b>			
<b>Average Industrial 1.5" Bill</b>				<b>\$ 232.99</b>				<b>\$ 290.35</b>			
Commercial 2" Meter	25,695										
First 21,400		358	\$ 84.18	\$ 30,136	\$ 30,136	358	\$ 104.90	\$ 37,555			
Next 3,600			\$ 3.53	\$ 2,143	\$ 2,143		\$ 4.40	\$ 2,670			
Next 25,000			\$ 3.35	\$ 11,522	\$ 11,522		\$ 4.17	\$ 14,358			
Next 50,000			\$ 3.01	\$ 14,399	\$ 14,399		\$ 3.75	\$ 17,943			
Over 100,000			\$ 2.76	\$ 31,457	\$ 31,457		\$ 3.44	\$ 39,200			
<b>Total Commercial 2" Meter</b>	<b>25,695</b>	<b>358</b>	<b>20,227</b>	<b>\$ 89,656</b>	<b>\$ 89,656</b>	<b>358</b>	<b>20,227</b>	<b>\$ 111,726</b>			
<b>Average Commercial 2" Bill</b>				<b>\$ 250.44</b>				<b>\$ 312.08</b>			
Industrial 2" Meter	652										
First 21,400		35	\$ 84.18	\$ 2,946	\$ 2,946	35	\$ 104.90	\$ 3,672			
Next 3,600			\$ 3.53	\$ 152	\$ 152		\$ 4.40	\$ 190			
Next 25,000			\$ 3.35	\$ 804	\$ 804		\$ 4.17	\$ 1,002			
Next 50,000			\$ 3.01	\$ 130	\$ 130		\$ 3.75	\$ 162			
Over 100,000			\$ 2.76	\$ -	\$ -		\$ 3.44	\$ -			
<b>Total Industrial 2" Meter</b>	<b>652</b>	<b>35</b>	<b>327</b>	<b>\$ 4,033</b>	<b>\$ 4,033</b>	<b>35</b>	<b>327</b>	<b>\$ 5,026</b>			
<b>Average Industrial 2" Bill</b>				<b>\$ 115.23</b>				<b>\$ 143.60</b>			
Governmental 2" Meter	5,903										
First 21,400		192	\$ 84.18	\$ 16,163	\$ 16,163	192	\$ 104.90	\$ 20,141			
Next 3,600			\$ 3.53	\$ 869	\$ 869		\$ 4.40	\$ 1,083			
Next 25,000			\$ 3.35	\$ 3,984	\$ 3,984		\$ 4.17	\$ 4,965			
Next 50,000			\$ 3.01	\$ 3,425	\$ 3,425		\$ 3.75	\$ 4,269			
Over 100,000			\$ 2.76	\$ 3,173	\$ 3,173		\$ 3.44	\$ 3,953			
<b>Total Governmental 2" Meter</b>	<b>5,903</b>	<b>192</b>	<b>3,723</b>	<b>\$ 27,613</b>	<b>\$ 27,613</b>	<b>192</b>	<b>3,723</b>	<b>\$ 34,411</b>			
<b>Average Governmental 2" Bill</b>				<b>\$ 143.82</b>				<b>\$ 179.22</b>			
Commercial 3" Meter	3,118										
First 68,400		36	\$ 235.96	\$ 8,495	\$ 8,495	36	\$ 294.04	\$ 10,586			
Next 31,600			\$ 3.01	\$ 1,915	\$ 1,915		\$ 3.75	\$ 2,387			
Over 100,000			\$ 2.76	\$ 1,800	\$ 1,800		\$ 3.44	\$ 2,244			
<b>Total Commercial 3" Meter</b>	<b>3,118</b>	<b>36</b>	<b>1,289</b>	<b>\$ 12,210</b>	<b>\$ 12,210</b>	<b>36</b>	<b>1,289</b>	<b>\$ 15,216</b>			
<b>Average Commercial 3" Bill</b>				<b>\$ 339.17</b>				<b>\$ 422.66</b>			
Governmental 3" Meter	5,699										
First 68,400		48	\$ 235.96	\$ 11,326	\$ 11,326	48	\$ 294.04	\$ 14,114			
Next 31,600			\$ 3.01	\$ 1,141	\$ 1,141		\$ 3.75	\$ 1,422			
Over 100,000			\$ 2.76	\$ 11,796	\$ 11,796		\$ 3.44	\$ 14,700			
<b>Total Governmental 3" Meter</b>	<b>5,699</b>	<b>48</b>	<b>4,653</b>	<b>\$ 24,264</b>	<b>\$ 24,264</b>	<b>48</b>	<b>4,653</b>	<b>\$ 30,236</b>			
<b>Average Governmental 3" Bill</b>				<b>\$ 505.50</b>				<b>\$ 629.93</b>			
Industrial 3" Meter	9,786										
First 68,400		12	\$ 235.96	\$ 2,832	\$ 2,832	12	\$ 294.04	\$ 3,529			
Next 31,600			\$ 3.01	\$ 1,141	\$ 1,141		\$ 3.75	\$ 1,422			
Over 100,000			\$ 2.76	\$ 23,696	\$ 23,696		\$ 3.44	\$ 29,529			
<b>Total Industrial 3" Meter</b>	<b>9,786</b>	<b>12</b>	<b>8,965</b>	<b>\$ 27,669</b>	<b>\$ 27,669</b>	<b>12</b>	<b>8,965</b>	<b>\$ 34,480</b>			
<b>Average Industrial 3" Bill</b>				<b>\$ 2,305.76</b>				<b>\$ 2,873.34</b>			
Commercial 4" Meter	1,924										
First 127,500		12	\$ 406.82	\$ 4,882	\$ 4,882	12	\$ 506.96	\$ 6,084			
Over 127,500			\$ 2.76	\$ 1,220	\$ 1,220		\$ 3.44	\$ 1,520			
<b>Total Commercial 4" Meter</b>	<b>1,924</b>	<b>12</b>	<b>442</b>	<b>\$ 6,102</b>	<b>\$ 6,102</b>	<b>12</b>	<b>442</b>	<b>\$ 7,604</b>			
<b>Average Commercial 4" Bill</b>				<b>\$ 508.49</b>				<b>\$ 633.66</b>			
Governmental 4" Meter	370										
First 127,500		12	\$ 406.82	\$ 4,882	\$ 4,882	12	\$ 506.96	\$ 6,084			
Over 127,500			\$ 2.76	\$ -	\$ -		\$ 3.44	\$ -			
<b>Total Governmental 4" Meter</b>	<b>370</b>	<b>12</b>	<b>-</b>	<b>\$ 4,882</b>	<b>\$ 4,882</b>	<b>12</b>	<b>-</b>	<b>\$ 6,084</b>			
<b>Average Governmental 4" Bill</b>				<b>\$ 406.82</b>				<b>\$ 506.96</b>			
Industrial 4" Meter	1,523										
First 127,500		12	\$ 406.82	\$ 4,882	\$ 4,882	12	\$ 506.96	\$ 6,084			
Over 127,500			\$ 2.76	\$ 438	\$ 438		\$ 3.44	\$ 546			
<b>Total Industrial 4" Meter</b>	<b>1,523</b>	<b>12</b>	<b>159</b>	<b>\$ 5,320</b>	<b>\$ 5,320</b>	<b>12</b>	<b>159</b>	<b>\$ 6,630</b>			

<b>Average Industrial 4" Bill</b>										<b>\$ 443.35</b>	<b>\$ 552.48</b>
Commercial 6" Meter	1,670			\$ 831.52	\$ 19,956	\$ 19,956	24		\$ 1,036.20	\$ 24,869	
First 281,500		24		\$ 2.76					\$ 3.44	\$ -	
Over 281,500										\$ -	
<b>Total Commercial 6" Meter</b>	<b>1,670</b>	<b>24</b>	<b>-</b>		<b>\$ 19,956</b>	<b>\$ 19,956</b>	<b>24</b>	<b>-</b>		<b>\$ 24,869</b>	
<b>Average Commercial 6" Bill</b>										<b>\$ 831.52</b>	<b>\$ 1,036.20</b>
Industrial 6" Meter	42,537			\$ 831.52	\$ 9,978	\$ 9,978	12		\$ 1,036.20	\$ 12,434	
First 281,500		12		\$ 2.76	108,078	108,078	39,159		\$ 3.44	\$ 134,682	
Over 281,500			39,159							\$ -	
<b>Total Industrial 6" Meter</b>	<b>42,537</b>	<b>12</b>	<b>39,159</b>		<b>\$ 118,056</b>	<b>\$ 118,056</b>	<b>12</b>	<b>39,159</b>		<b>\$ 147,116</b>	
<b>Average Industrial 6" Bill</b>										<b>\$ 9,838.00</b>	<b>\$ 12,259.67</b>
Middlesboro Municipal Fire Protection Hydrant		12		\$ 20.73	\$ 249	\$ 249	12		\$ 25.83	\$ 310	
<b>Total Middlesboro Municipal Fire Protection Hydrant</b>	<b>-</b>	<b>12</b>	<b>-</b>		<b>\$ 249</b>	<b>\$ 249</b>	<b>12</b>	<b>-</b>		<b>\$ 310</b>	
<b>Average Middlesboro Municipal Fire Protection Hydrant</b>										<b>\$ 20.73</b>	<b>\$ 25.83</b>
Middlesboro Municipal Fire Protection Sprinkler		12		\$ 20.73	\$ 7,960	\$ 7,960	12		\$ 25.83	\$ 9,920	
<b>Total Middlesboro Municipal Fire Protection Sprinkler</b>	<b>-</b>	<b>12</b>	<b>-</b>		<b>\$ 7,960</b>	<b>\$ 7,960</b>	<b>12</b>	<b>-</b>		<b>\$ 9,920</b>	
<b>Average Middlesboro Municipal Fire Protection Sprinkler</b>										<b>\$ 663.36</b>	<b>\$ 826.65</b>
Middlesboro Municipal Fire Protection WIND		12		\$ 152.98	\$ 1,836	\$ 1,836	12		\$ 190.64	\$ 2,288	
<b>Total Middlesboro Middlesboro Municipal Fire Protection WIND</b>	<b>-</b>	<b>12</b>	<b>-</b>		<b>\$ 1,836</b>	<b>\$ 1,836</b>	<b>12</b>	<b>-</b>		<b>\$ 2,288</b>	
<b>Average Middlesboro Municipal Fire Protection WIND</b>										<b>\$ 152.98</b>	<b>\$ 190.64</b>
Middlesboro City/County Special Hydrant		12		\$ 20.73	\$ 9,950	\$ 9,950	12		\$ 25.83	\$ 12,400	
<b>Total Middlesboro City/County Special Hydrant</b>	<b>-</b>	<b>12</b>	<b>-</b>		<b>\$ 9,950</b>	<b>\$ 9,950</b>	<b>12</b>	<b>-</b>		<b>\$ 12,400</b>	
<b>Average Middlesboro City/County Special Hydrant</b>										<b>\$ 829.20</b>	<b>\$ 1,033.31</b>
Middlesboro Govt Water Fire Protection		12		\$ 4.61	\$ 15,213	\$ 15,213	12		\$ 5.74	\$ 18,958	
<b>Total Middlesboro Govt Water Fire Protection</b>	<b>-</b>	<b>12</b>	<b>-</b>		<b>\$ 15,213</b>	<b>\$ 15,213</b>	<b>12</b>	<b>-</b>		<b>\$ 18,958</b>	
<b>Average Middlesboro Govt Water Fire Protection</b>										<b>\$ 1,267.75</b>	<b>\$ 1,579.81</b>
<b>TOTAL MIDDLESBORO</b>	<b>379,960</b>	<b>68,167</b>	<b>293,828</b>		<b>\$ 1,847,651</b>	<b>\$ 1,847,651</b>	<b>68,167</b>	<b>293,828</b>		<b>\$ 2,302,459</b>	
<b>CLINTON</b>											
<b>Average Residential 5/8" Meter</b>										<b>\$ 29.23</b>	<b>\$ 36.43</b>
Residential 5/8" Meter	757			\$ 12.47	\$ 2,806	\$ 2,806	225		\$ 15.54	\$ 3,496	
First 1,000		225		\$ 7.06	3,400	3,400	482		\$ 8.80	\$ 4,237	
Next 9,000			482	\$ 6.48	341	341	53		\$ 8.08	\$ 424	
Next 15,000			53	\$ 5.91	31	31	5		\$ 7.36	\$ 39	
Next 25,000			5	\$ 5.24	-	-	-		\$ 6.53	\$ -	
Next 50,000			-	\$ 4.58	-	-	-		\$ 5.71	\$ -	
Over 100,000			-							\$ -	
<b>Total Residential 5/8" Meter</b>	<b>757</b>	<b>225</b>	<b>539</b>		<b>\$ 6,577</b>	<b>\$ 6,577</b>	<b>225</b>	<b>539</b>		<b>\$ 8,196</b>	
<b>Average Residential 5/8" Bill</b>										<b>\$ 29.23</b>	<b>\$ 36.43</b>
Commercial 5/8" Meter	114			\$ 12.47	\$ 574	\$ 574	46		\$ 15.54	\$ 715	
First 1,000		46		\$ 7.06	544	544	77		\$ 8.80	\$ 678	
Next 9,000			77	\$ 6.48	7	7	1		\$ 8.08	\$ 9	
Next 15,000			1	\$ 5.91	-	-	-		\$ 7.36	\$ -	
Next 25,000			-	\$ 5.24	-	-	-		\$ 6.53	\$ -	
Next 50,000			-	\$ 4.58	-	-	-		\$ 5.71	\$ -	
Over 100,000			-							\$ -	
<b>Total Commercial 5/8" Meter</b>	<b>114</b>	<b>46</b>	<b>78</b>		<b>\$ 1,125</b>	<b>\$ 1,125</b>	<b>46</b>	<b>78</b>		<b>\$ 1,402</b>	
<b>Average Commercial 5/8" Bill</b>										<b>\$ 24.47</b>	<b>\$ 30.49</b>
Governmental 5/8" Meter	62			\$ 12.47	\$ 299	\$ 299	24		\$ 15.54	\$ 373	
First 1,000		24		\$ 7.06	236	236	33		\$ 8.80	\$ 294	
Next 9,000			33	\$ 6.48	51	51	8		\$ 8.08	\$ 63	
Next 15,000			8	\$ 5.91	-	-	-		\$ 7.36	\$ -	
Next 25,000			-	\$ 5.24	-	-	-		\$ 6.53	\$ -	
Next 50,000			-	\$ 4.58	-	-	-		\$ 5.71	\$ -	
Over 100,000			-							\$ -	
<b>Total Governmental 5/8" Meter</b>	<b>62</b>	<b>24</b>	<b>41</b>		<b>\$ 586</b>	<b>\$ 586</b>	<b>24</b>	<b>41</b>		<b>\$ 730</b>	
<b>Average Governmental 5/8" Bill</b>										<b>\$ 24.41</b>	<b>\$ 30.42</b>
Residential 3/4" Meter	17,400			\$ 12.47	\$ 69,682	\$ 69,682	5,588		\$ 15.54	\$ 86,835	
First 1,000		5,588		\$ 7.06	81,784	81,784	11,584		\$ 8.80	\$ 101,916	
Next 9,000			11,584	\$ 6.48	3,773	3,773	582		\$ 8.08	\$ 4,702	
Next 15,000			582	\$ 5.91	775	775	131		\$ 7.36	\$ 966	
Next 25,000			131	\$ 5.24	25	25	5		\$ 6.53	\$ 31	
Next 50,000			5	\$ 4.58	-	-	-		\$ 5.71	\$ -	
Over 100,000			-							\$ -	
<b>Total Residential 3/4" Meter</b>	<b>17,400</b>	<b>5,588</b>	<b>12,302</b>		<b>\$ 156,039</b>	<b>\$ 156,039</b>	<b>5,588</b>	<b>12,302</b>		<b>\$ 194,449</b>	
<b>Average Residential 3/4" Bill</b>										<b>\$ 27.92</b>	<b>\$ 34.80</b>
Commercial 3/4" Meter	2,554			\$ 12.47	\$ 8,268	\$ 8,268	663		\$ 15.54	\$ 10,303	
First 1,000		663		\$ 7.06	9,132	9,132	1,293		\$ 8.80	\$ 11,379	
Next 9,000			1,293	\$ 6.48	2,391	2,391	369		\$ 8.08	\$ 2,980	
Next 15,000			369	\$ 5.91	886	886	150		\$ 7.36	\$ 1,104	
Next 25,000			150	\$ 5.24	799	799	153		\$ 6.53	\$ 996	
Next 50,000			153	\$ 4.58	777	777	170		\$ 5.71	\$ 968	
Over 100,000			170							\$ -	
<b>Total Commercial 3/4" Meter</b>	<b>2,554</b>	<b>663</b>	<b>2,135</b>		<b>\$ 22,253</b>	<b>\$ 22,253</b>	<b>663</b>	<b>2,135</b>		<b>\$ 27,730</b>	
<b>Average Commercial 3/4" Bill</b>										<b>\$ 33.56</b>	<b>\$ 41.83</b>
Governmental 3/4" Meter	615			\$ 12.47	\$ 1,347	\$ 1,347	108		\$ 15.54	\$ 1,678	
First 1,000		108		\$ 7.06	1,857	1,857	263		\$ 8.80	\$ 2,314	
Next 9,000			263	\$ 6.48	1,083	1,083	167		\$ 8.08	\$ 1,349	
Next 15,000			167	\$ 5.91	338	338	57		\$ 7.36	\$ 421	
Next 25,000			57	\$ 5.24	244	244	47		\$ 6.53	\$ 304	
Next 50,000			47	\$ 4.58	-	-	-		\$ 5.71	\$ -	
Over 100,000			-							\$ -	
<b>Total Governmental 3/4" Meter</b>	<b>615</b>	<b>108</b>	<b>534</b>		<b>\$ 4,869</b>	<b>\$ 4,869</b>	<b>108</b>	<b>534</b>		<b>\$ 6,067</b>	
<b>Average Governmental 3/4" Bill</b>										<b>\$ 45.08</b>	<b>\$ 56.18</b>



**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Revenue Requirement**  
**Test Year Ended 6/30/2015**

**Schedule E**

A	B
Line No.	Item
	Operating Ratio Method
	(d)
1	Total Operating Expenses \$ 2,017,180
2	Less: Federal & State Income Taxes 23,495
3	
4	Operating Expenses Net of Income Taxes \$ 2,040,676
5	Divide by: Operating Ratio 88%
6	
7	Revenue to Cover Operating Ratio \$ 2,318,950
8	Less: Operating Expenses Net of Income Taxes \$ (2,040,676)
9	
10	Net Operating Income After Income Taxes \$ 278,274
11	Less: Pro Forma Net Income 35,603
12	
13	Net Operating Income Adjustment \$ 313,877
14	Multiplied by Gross-up Factor 1.647105764
15	
16	Revenue Requirement \$ 516,989
17	
18	Percentage Increase/Decrease 25%

**Petitioner's Exhibit**  
**BNH-2**

FOR Middlesboro and Clinton and Adjacent Territory  
Community, Town or City

P.S.C. KY. NO. 8

SHEET NO. 38

Water Service Corporation of Kentucky  
(Name of Utility)

CANCELLING P.S.C. KY. NO. 7

---

CONTENTS

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RATES

The following rates and charges are prescribed for the customers in the area served by Water Service Corporation of Kentucky. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

Middlesboro

5/8" x 3/4" Meter:

(I) First 1,000 gallons \$15.53 Minimum bill  
(N) All Over 1,000 gallons \$3.817 per 1,000 gallons

1" Meter:

(I) First 6,000 gallons \$40.23 Minimum bill  
(N) All Over 6,000 gallons \$3.817 per 1,000 gallons

1 1/2" Meter:

(I) First 13,000 gallons \$81.41 Minimum bill  
(N) All Over 13,000 gallons \$3.817 per 1,000 gallons

2" Meter:


(I) First 21,400 gallons \$130.83 Minimum bill  
(N) All Over 21,400 gallons \$3.817 per 1,000 gallons

---

DATE OF ISSUE November 30, 2015  
Month / Date / Year

DATE EFFECTIVE December 30, 2015  
Month / Date / Year

ISSUED BY Steve Lubertozzi

  
(Signature of Officer)

TITLE President

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2015-00382 DATED

FOR Middlesboro and Clinton and Adjacent Territory  
Community, Town or City

P.S.C. KY. NO. 8

SHEET NO. 39

Water Service Corporation of Kentucky  
(Name of Utility)

CANCELLING P.S.C. KY. NO. 7

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CONTENTS

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3" Meter:

(I) First 68,400 gallons \$246.14 Minimum bill  
(N) All Over 68,400 \$3.817 per 1,000 gallons

4" Meter:

(I) First 127,500 gallons \$410.86 Minimum bill  
(N) All Over 127,500 gallons \$3.817 per 1,000 gallons

6" Meter:

(R) First 281,500 gallons \$822.66 Minimum bill  
(N) All Over 281,500 gallons \$3.817 per 1,000 gallons

Monthly Fire Protection Charges

(I) Middlesboro municipally owned hydrants \$5.74 per hydrant  
(I) Private Hydrants or Sprinkler Systems \$25.83 per hydrant or sprinkler

Clinton

5/8" x 3/4" Meter:

(I) First 1,000 gallons \$15.53 Minimum bill  
(N) All Over 1,000 gallons \$3.817 per 1,000 gallons

1" Meter:

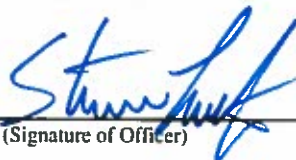
(N) First 6,000 gallons \$40.23 Minimum bill  
(N) All Over 6,000 gallons \$3.817 per 1,000 gallons

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DATE OF ISSUE November 30, 2015  
Month / Date / Year

DATE EFFECTIVE December 30, 2015  
Month / Date / Year

ISSUED BY Steve Lubertozi

  
(Signature of Officer)

TITLE President

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2015-00382 DATED

FOR Middlesboro and Clinton and Adjacent Territory  
Community, Town or City

P.S.C. KY. NO. 8

SHEET NO. 40

Water Service Corporation of Kentucky  
(Name of Utility)

CANCELLING P.S.C. KY. NO. 7

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CONTENTS

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1 1/2" Meter:

(N) First 13,000 gallons \$81.41 Minimum bill  
(N) All Over 13,000 gallons \$3.817 per 1,000 gallons

2" Meter:

(N) First 21,400 gallons \$130.83 Minimum bill  
(N) All Over 21,400 gallons \$3.817 per 1,000 gallons

6" Meter:

(N) First 281,500 gallons \$822.66 Minimum bill  
(N) All Over 281,500 gallons \$3.817 per 1,000 gallons

Monthly Fire Protection Charges

(I) Clinton municipally owned hydrants \$5.74 per hydrant  
(I) Private Hydrants or Sprinkler Systems \$ 25.83 per hydrant or sprinkler

CUSTOMER COMPLAINTS

Complaints may be made to the Area Manager whose decision may be appealed to the Water Service Corporation of Kentucky Regional Manager. Such appeal shall be in writing within ten (10) days of the date of the decision by the Manager stating the nature of the complaint and supporting evidence. These decisions may be brought before the Public Service Commission in accordance with 807 KAR 5:006, Section 9.

WATER SHORTAGE RESPONSE PLAN

Water Service Corporation of Kentucky

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DATE OF ISSUE November 30, 2015  
Month / Date / Year

DATE EFFECTIVE December 30, 2015  
Month / Date / Year

ISSUED BY Steve Lubertozzi

  
(Signature of Officer)

TITLE President

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2015-00382 DATED



FOR Middlesboro and Clinton and Adjacent Territory  
Community, Town or City

P.S.C. KY. NO. 8

SHEET NO. 41

Water Service Corporation of Kentucky  
(Name of Utility)

CANCELLING P.S.C. KY. NO. 7

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CONTENTS

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This Sheet is reserved for future use

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DATE OF ISSUE November 30, 2015  
Month / Date / Year

DATE EFFECTIVE December 30, 2015  
Month / Date / Year

ISSUED BY Steve Lubertozi

  
(Signature of Officer)

TITLE President

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2015-00382 DATED

**Petitioner's Exhibit**  
**BNH-3**

WATER SERVICE CORPORATION OF KENTUCKY  
Case No. 2015 - 00382  
Summary of Operating Expense Pro Forma Changes  
Test Year Ended 6/30/2015

Petitioner's Exhibit BNH-3

A	B	
Line No.	Description	Amount
1	Test Year - Total Operating Expense (Per Books)	\$ 1,817,339
2		
3	<i>General &amp; Maintenance Expense Change:</i>	
4	Salaries and Wages	\$ 66,669
5	Maintenance and Repair	14,156
6	Chemicals	(18,357)
7	Transportation	(41)
8	Operating Exp. Charged to Plant	4,449
9	Outside Services - Other	(31,919)
10	Office Supplies & Other Office Expense	(391)
11	Regulatory Commission Expense	(2,456)
12	Pension & Other Benefits	45,775
13	Uncollectible Accounts	(149)
14	Office Utilities	(190)
15	Miscellaneous	(3,087)
16	<i>General &amp; Maintenance Expense Change Total</i>	<u>\$ 74,460</u>
17		
18	<i>Depreciation and Amortization Change:</i>	
19	Depreciation	\$ 20,231
20	Amortization of PAA	3,660
21	Amortization of CIAC	(4,724)
22	<i>Depreciation and Amortization Change Total</i>	<u>\$ 19,167</u>
23		
24	<i>Tax Change:</i>	
25	Taxes Other Than Income	\$ 1,589
26	Income Taxes - Federal	(120,689)
27	Income Taxes - State	225,313
28	<i>Tax Change Total</i>	<u>\$ 106,214</u>
29		
30	<b>Pro Forma Present - Total Operating Expense</b>	<u><u>\$ 2,017,180</u></u>

**WATER SERVICE CORPORATION OF KENTUCKY**

w/p [a]

**Case No. 2015 - 00382**

**Uncollectible Accounts**

**Test Year Ended 6/30/2015**

<u>Line No.</u>	A	B
		<u>Water</u>
1	Test Year / Present Revenues	<u>\$ 2,107,765</u>
2		
3	Uncollectible Accounts	\$ 41,829
4		
5		
6		
7	WSCKY Bad Debt	<u>\$ 41,829</u>
8		
9	Uncollectible %	<u>1.98%</u>
10		
11		
12		
13	Annualized revenues	<u>\$ 2,100,262</u>
14		
15	Uncollectible %	<u>1.98%</u>
16		
17		
18	Annualized Uncollectible Accounts	41,680
19		
20		
21		
22	Proposed Revenues	<u>\$ 2,617,251</u>
23		
24	Uncollectible %	<u>1.98%</u>
25		
26		
27	Uncollectible Accounts	<u>\$ 51,939</u>

**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Summary of Salary Adjustments**  
**Test Year Ended 6/30/2015**

w/p [b]

<b>Line No.</b>	<b>Description</b>	<b>A</b>	<b>B</b>	<b>C</b>
			<b>Adjustment</b>	
			<b>Water</b>	<b>Sewer</b>
1.	Salaries - Operations		27,338.59	-
2.	Salaries - Office/Corp		39,330.33	-
3.	Payroll Taxes		5,348.13	-
4.	Benefits		45,873.65	-
5.	Captive Charged to Plant		4,448.71	-
6.	Totals		<u>122,339.41</u>	-

**WATER SERVICE CORPORATION OF KENTUCKY**

w/p [d]

Case No. 2015 - 00382

Rate Case Expense

Test Year Ended 6/30/2015

	A	B	C	D	E	F	G
<u>Line No.</u>							<u>Total</u>
1	Legal Fees						80,000
2							
3	Consulting fees						0
4							
5	Customer Notices:						
6	Newspaper Publication						7,000
7							
8	Fed Ex, mailings, postage, and miscellaneous costs						5,000
9							
10						# of Trips/	
11				<u>Personnel</u>	<u>Cost</u>	<u>Nights</u>	
12	Travel						
13	Airfare		3	500	2		3,000
14	Hotel/Meals		3	200	2		1,200
15	Rental Car			200			200
16							
17	Water Service Personnel						
18			<u>hours</u>	<u>rate</u>	<u>\$</u>		
19							
20	Guttormsen, Rob	200	\$ 47	9,400			
21	Halloran, Brian	500	\$ 38	19,000			
22	Haas, Bruce	80	\$ 87	6,960			
23	Kersey, Justin	300	\$ 61	18,300			
24	Leonard, James R.	80	\$ 38	3,053			
25	Lubertozi, Steve	100	\$ 131	13,100			
26	Neyzelman, Dimitry	52	\$ 56	2,884			
27	Ortega, Jennifer	10	\$ 29	290			
28	Shareef, Azfar	200	\$ 32	6,400			
29							
30	Total						<u>79,387</u>
31							
32							
33							
34	Total Cost of current case						175,787
35							
36	Unamortized Rate Case Expense						85,163
37							
38	Total Rate Case expense						260,949
39							
40	Amortized over 3 years						<u>3</u>
41							
42							
43							
44	<b>Amortization Expense per year</b>						<u><u>\$ 86,983</u></u>

WATER SERVICE CORPORATION OF KENTUCKY

w/p [e]

Case No. 2015 - 00382

Calculation of Taxes Other Than Income Taxes

Test Year Ended 6/30/2015

Line No.	A	B	C Water
1	<b><u>Test Year</u></b>		
2			
3	Utility/Commission Tax		\$ 7,990
4	Real Estate Tax		56,190
5	Personal Property Tax		15,051
6	Property/Other General Tax		5,505
7	Gross Receipts Tax		-
8	Franchise Tax		46
9	Payroll Taxes		<u>56,029</u>
10			
11	Total		\$ 140,811
12			
13	<b><u>Pro Forma Present</u></b>		
14			
15	Payroll Tax Increase		5,348
16			
17	<i>Utility/Commission Tax Increase</i>		
18	Pro-Forma Present Intrastate Gross Revenue	2,167,760	
19			
20	Millage Rate for Fiscal Year 2015	<u>0.001952</u>	
21			
22	Pro Forma Present Utility / Commission Tax	<b>4,231</b>	
23			
24	Per Books	7,990	
25			
26	Utility Commission Tax Increase Adjustment		<u>(3,759)</u>
27			
28	<b>Total Pro Forma Present Adjustment</b>		<b><u><u>\$ 1,589</u></u></b>
29			
30	<b><u>Pro Forma Proposed</u></b>		
31			
32	<i>Utility/Commission Tax Increase</i>		
33	Pro-Forma Proposed Intrastate Gross Revenue		2,684,749
34			
35	Millage Rate for Fiscal Year 2016		<u>0.001901</u>
36			
37	Pro Forma Utility / Commission Tax		<b>5,104</b>
38			
39	Pro Forma Present Utility / Commission Tax		4,231
40			
41	Adjustment		<u><u>872</u></u>
42			

WATER SERVICE CORPORATION OF KENTUCKY  
Case No. 2015 - 00382  
Depreciation Expense  
Test Year Ended 6/30/2015

w/p [f]

A		B	C	D	E	F
Line No.	Account ID	Account Description	06/30/2015 Per Books Amount	06/30/2015 Pro Forma Amount	Proposed Depreciation / Amortization Rate	Proposed Depreciation / Amortization Expense
1	1020	Organization	164,394	-	2.50%	4,110
2	1025	Franchises	-	-	2.50%	-
3	1030	Land & land rights pump	-	-	0.00%	-
4	1035	Land & land rights water tr.	-	-	0.00%	-
5	1040	Land & land rights trans.	-	-	0.00%	-
6	1045	Land & land rights gen. plt.	22,551	-	0.00%	-
7	1050	Struct & improv. src. supply	119,734	2,024	2.67%	3,247
8	1055	Struct & improv. wtr. trt. plt.	469,034	7,930	2.67%	12,719
9	1060	Struct & improv. trans. dist.	462	8	2.67%	13
10	1065	Struct & improv. gen. plt.	129,603	2,191	2.67%	3,515
11	1080	Wells & springs	477,398	8,072	3.33%	16,182
12	1085	Infiltration gallery	-	-	2.50%	-
13	1090	Supply mains	9,490	160	1.60%	154
14	1095	Power generation equip.	-	-	10.00%	-
15	1100	Electric pump equip. src. plt.	9,223	156	5.00%	469
16	1105	Electric pump equip. wtp.	702,167	11,872	5.00%	35,702
17	1110	Electric pump equip. trans.	7,533	127	5.00%	383
18	1115	Water treatment equip.	1,011,297	17,099	3.64%	37,396
19	1120	Dist. resv. & standpipes	529,314	8,949	2.22%	11,961
20	1125	Trans. & distr. mains	3,390,245	57,321	1.60%	55,161
21	1130	Service lines	881,265	14,900	2.50%	22,404
22	1135	Meters	738,122	12,480	2.50%	18,765
23	1140	Meter installations	600,577	10,154	2.22%	13,572
24	1145	Hydrants	406,626	6,875	2.00%	8,270
25	1150	Backflow prevention devic.	-	-	10.00%	-
26	1160	Other plt. & misc. equip. src. su.	-	-	2.86%	-
27	1165	OTH PLT&MISC EQUIP WTP	-	-	2.86%	-
28	1175	Office struct & improv.	151,272	2,558	2.67%	4,102
29	1180	Office furn. & equip.	100,935	1,707	4.44%	4,562
30	1185	Stores equipment	-	-	5.00%	-
31	1190	Tool shop & misc. equip.	269,940	4,564	5.71%	15,686
32	1195	Laboratory equipment	78,263	1,323	5.71%	4,548
33	1200	Power operated equip.	2,570	43	8.00%	209
34	1205	Communication equip.	54,792	926	10.00%	5,572
35	1210	Misc. equipment	-	-	4.00%	-
36	1215	Water plant allocated	69,976	1,183	2.86%	2,033
37	1220	Other tangible plt. water	-	-	2.86%	-
38						
39		Total Plant	10,396,783	172,624		280,735
40			-	-		
41		Composite Rate				2.66%
42						
43		<u>Vehicles &amp; Computers</u>				
44		Pro Forma Vehicles		273,771	w/p [p]	54,754
45		Computers, net of Project Phoenix		224,000	w/p [o]	20,465
46						
47		<b>Total Depreciation</b>				<b>355,955</b>
48						
49	3350	CIAC-METERS	(83,141)		2.66%	(2,208)
50	3430	CIAC-OTHER TANGIBLE PLT W	(104,169)		2.66%	(2,767)
51	3435	CIAC-WATER-TAP	(51,712)		2.66%	(1,374)
52						
53		Total CIAC	(239,022)	-		(6,349)
54			-			
55						
56	3225	ADV-IN-AID OF CONST-WATER	(75,637)	(37,443)	2.66%	(3,004)
57			-	-		
58						
59		<b>Total Amortization</b>				<b>(9,352)</b>



Case No. 2015 - 00382

## Calculation of State and Federal Income Tax

Test Year Ended 6/30/2015

Line No.	A	B Pro Forma Present	C Pro Forma Proposed
1	<u>State Income Taxes</u>		
2			
3	Total Revenue	\$ 2,167,760	\$ 2,684,749
4			
5	Maintenance Expense	961,364	961,364
6	General Expense	744,654	754,913
7	Depreciation & Amortization	346,602	346,602
8	Taxes Other Than Income	142,400	143,272
9	Income from Management Services	(154,344)	(154,344)
10	Interest Expense	191,210	191,210
11			
12	Taxable Income	\$ (64,125)	\$ 441,732
13	State Tax Rate		
14	\$0 to \$50,000 @ 4.0%	(2,565)	-
15	\$50,001 to \$100,000 @ 5.0%	-	-
16	over \$100,000 @ 6.0%	-	26,504
17			
18	Total State Income Taxes	<u>\$ (2,565)</u>	<u>\$ 26,504</u>
19			
20	<u>Federal Taxes</u>		
21			
22	Taxable Income before taxes	\$ (64,125)	\$ 441,732
23			
24	Less: State I/T	<u>(2,565)</u>	<u>26,504</u>
25			
26	Federal Taxable Income	(61,560)	415,228
27	Federal Tax Rate	<u>34%</u>	<u>34%</u>
28			
29	Total Federal Taxes	<u>\$ (20,930)</u>	<u>\$ 141,178</u>
30			

WATER SERVICE CORPORATION OF KENTUCKY  
Case No. 2015 - 00382  
Calculation of Maintenance and Repair Adjustments  
Test Year Ended 6/30/2015

w/p [j]

	A	B	C	D	E	F	G
						Pro Forma	
Line No.	Acct #	Account Name	Per Books	Remove Per Books	Current Deferred Assests	Deferred Assets	Pro Forma Present
1	6285	WATER-MAINT SUPPLIES	\$ 8,072	\$ -	\$ -	\$ -	\$ 8,072
2	6290	WATER-MAINT REPAIRS	9,888	-	-	-	9,888
3	6295	WATER-MAIN BREAKS	10,643	-	-	-	10,643
4	6300	WATER-ELEC EQUIPT REPAIR	90	-	-	-	90
5	6310	WATER-OTHER MAINT EXP	26,048	-	-	-	26,048
6	6320	SEWER-MAINT SUPPLIES	1,753	-	-	-	1,753
7	6325	SEWER-MAINT REPAIRS	1,500	-	-	-	1,500
8	6330	SEWER-MAIN BREAKS	-	-	-	-	-
9	6335	SEWER-ELEC EQUIPT REPAIR	7,721	-	-	-	7,721
10	6340	SEWER-PERMITS	-	-	-	-	-
11	6345	SEWER-OTHER MAINT EXP	3,710	-	-	-	3,710
12	6355	DEFERRED MAINT EXPENSE	19,977	(19,977)	20,106	14,027	34,133
13	6360	COMMUNICATION EXPENSE	188	-	-	-	188
14	6370	OPER CONTRACTED WORKERS	7,200	-	-	-	7,200
15	6380	REPAIRS & MAINT-MAINT, LAND	-	-	-	-	-
16	6385	UNIFORMS	2,595	-	-	-	2,595
17	6390	WEATHER/HURRICANE/FUEL EXP	2,067	-	-	-	2,067
18	6400	SEWER RODDING	-	-	-	-	-
19	6410	SLUDGE HAULING	-	-	-	-	-
20		Maintenance and Repair TOTAL	<u>\$ 101,452</u>	<u>\$ (19,977)</u>	<u>\$ 20,106</u>	<u>\$ 14,027</u>	<u>\$ 115,608</u>
21							

**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Calculation of Chemical Usage Change**  
**Test Year Ended 6/30/2015**

w/p [k]

	A	B	C	D
Line No.	Account Description	Per Books	Pro Forma Change	Pro Forma Present
1	5480 - Chlorine	\$ 34,161	\$ (9,025)	\$ 25,136
2	5490 - Other Treatment Chemicals	98,503	(9,331)	89,172
3	Total - Chemicals	<u>\$ 132,664</u>	<u>\$ (18,357)</u>	<u>\$ 114,308</u>
4				

**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Allocation of Transportation Expense**  
**Test Year Ended 6/30/2015**

w/p [1]

	A	B	C	D	E	F	G
Line No.	Object Account	Description	Per Books	Remove WSC Expenses	Remove Other Non- KY Expenses	KY Portion of Bruce Haas Vehicle Expenses	Pro Forma Present
1	6215 FUEL		\$ 24,772	\$ (61)	\$ -	\$ 828	\$ 25,540
2	6220 AUTO REPAIR/TIRES		11,426	(72)	-	70	11,423
3	6225 AUTO LICENSES		710	(1)	(21)	-	688
4	6230 OTHER TRANS EXPENSES		2,135	(1)	(784)	-	1,351
5	FLEET TRANSPORTATION EXPENSE		<u>\$ 39,043</u>	<u>\$ (134)</u>	<u>\$ (805)</u>	<u>\$ 898</u>	<u>\$ 39,002</u>
6							



**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Removal of 2013 Rate Case Appeal and 2014 Show Cause**  
**Test Year Ended 6/30/2015**

w/p [n]

	A	B	C	D	E	F
				<u>Remove</u>	<u>Remove</u>	
<u>Line No.</u>	<u>Acct #</u>	<u>Account Name</u>	<u>Per Books</u>	<u>2013 Rate Case Appeal Costs</u>	<u>2014 Show Cause Costs</u>	<u>Pro Forma Present</u>
1	6010	AUDIT FEES	\$ 9,427	\$ -	\$ -	\$ 9,427
2	6015	EMPLOY FINDER FEES	60	-	(9,868)	(9,808)
3	6020	ENGINEERING FEES	-	-	-	-
4	6025	LEGAL FEES	12,783	-	-	12,783
5	6035	PAYROLL SERVICES	2,645	-	-	2,645
6	6040	TAX RETURN REVIEW	28,799	-	-	28,799
7	6045	TEMP EMPLOY - CLERICAL	348	-	(743)	(394)
8	6050	OTHER OUTSIDE SERVICES	11,933	(23,078)	-	(11,145)
9	6070	MISC REG MATTERS COMM EXP	1,800	-	-	1,800
10	6080	MISC RATE CASE EXPENSES	23,078	-	-	23,078
11						
12		<b>Total : Outside Services - Other</b>	<u>\$ 90,874</u>	<u>\$ (23,078)</u>	<u>\$ (10,610)</u>	<u>\$ 57,186</u>
13						

WATER SERVICE CORPORATION OF KENTUCKY

w/p [r]

Case No. 2015 - 00382

Clinton Check Collection Fee

Test Year Ended 6/30/2015

A B C D

Vendor : CITY OF CLINTON WASTE WATER OP

Line No.	Service Period	# of Payments	Payment Fee	Amount
1	Jul-14	246	\$ 1	\$ 246
2	Aug-14	272	\$ 1	\$ 272
3	Sep-14	276	\$ 1	\$ 276
4	Oct-14	252	\$ 1	\$ 252
5	Nov-14	264	\$ 1	\$ 264
6	Dec-14	296	\$ 1	\$ 296
7	Jan-15	287	\$ 1	\$ 287
8	Feb-15	288	\$ 1	\$ 288
9	Mar-15	300	\$ 1	\$ 300
10	Apr-15	267	\$ 1	\$ 267
11	May-15	249	\$ 2	\$ 498
12	Jun-15	320	\$ 2	\$ 640
13				
14	Average # of Payments	276	\$ 2	\$ 552
15				
16		<b>Per Books</b>	<b>Pro Forma Change</b>	<b>Pro Forma Present</b>
17	Outside Services - Other	\$ 4,855	\$ 1,769	\$ 6,624

# Petitioner's Exhibit

**BNH-4**



**2014 Annual Report Data**

Line No.	Company Name	Customers	Salaries & Wages					Statistics	
		Ref pg 27	Ref pg 28	Ref pg 28	Ref pg 28	Ref pg 25	Year End	Cost Per	Cost Per
		Customers	Employees	Officers, Directors	Pension & Benefits	Payroll Taxes	Total Salaries & Wages	Customer	Customer (Monthly)
1	Muhlenberg County Water District	5,920	\$ 776,518	\$ 18,000	\$ 390,347	\$ 62,510	\$ 1,247,375	\$ 210.71	\$ 17.56
2	McCreary County Water District	6,151	\$ 762,404	\$ 19,340	\$ 493,118	\$ 63,445	\$ 1,338,306	\$ 217.58	\$ 18.13
3	Henderson County Water District	6,424	\$ 411,052	\$ 9,750	\$ 160,981	\$ 30,910	\$ 612,693	\$ 95.38	\$ 7.95
4	Henry County Water District	6,353	\$ 733,406	\$ 32,700	\$ 326,773	\$ 60,839	\$ 1,153,718	\$ 181.60	\$ 15.13
5	Southeast Daviess County Water District	6,959	\$ 335,067	\$ 9,000	\$ 152,693	\$ 25,640	\$ 522,400	\$ 75.07	\$ 6.26
6	Green River Valley Water District	6,855	\$ 966,985	\$ 15,749	\$ 270,633	\$ 74,498	\$ 1,327,865	\$ 193.71	\$ 16.14
7	Rowan Water, Inc.	7,028	\$ 474,478	\$ 20,340	\$ 316,147	\$ 43,724	\$ 854,689	\$ 121.61	\$ 10.13
8	South Eastern Water Association	7,440	\$ 319,258	\$ 36,500	\$ 7,220	\$ 29,563	\$ 392,542	\$ 52.76	\$ 4.40
9	Oldham County Water District	7,946	\$ 873,564	\$ 30,000	\$ 630,277	\$ 61,957	\$ 1,595,798	\$ 200.83	\$ 16.74
10	Western Pulaski County Water District	8,251	\$ 302,748	\$ 12,200	\$ 96,095	\$ 23,607	\$ 434,650	\$ 52.68	\$ 4.39
11	Minimum	5,920	\$ 302,748	\$ 9,000	\$ 7,220	\$ 23,607	\$ 392,542	\$ 52.68	\$ 4.39
12	Maximum	8,251	\$ 966,985	\$ 36,500	\$ 630,277	\$ 74,498	\$ 1,595,798	\$ 217.58	\$ 18.13
13	Average	6,933	\$ 595,548	\$ 20,358	\$ 284,428	\$ 47,669	\$ 948,004	\$ 140.19	\$ 11.68

**Per 2015 KY RC Filing**

ERC's	Maintenance Salaries	General Salaries	Pension & Benefits	Payroll Taxes	Total Salaries & Wages	Cost Per Customer	Customer (Monthly)		
14	Water Service Corporation of Kentucky	7,204	\$ 538,161	\$ 205,061	\$ 204,117	\$ 61,377	\$ 1,008,716	\$ 140.01	\$ 11.67
15	WSC of KY vs. Average of Sample - B/(W)		(272)				\$ (60,712)	\$ 0.18	\$ 0.01

Standard Deviation 5.6323618

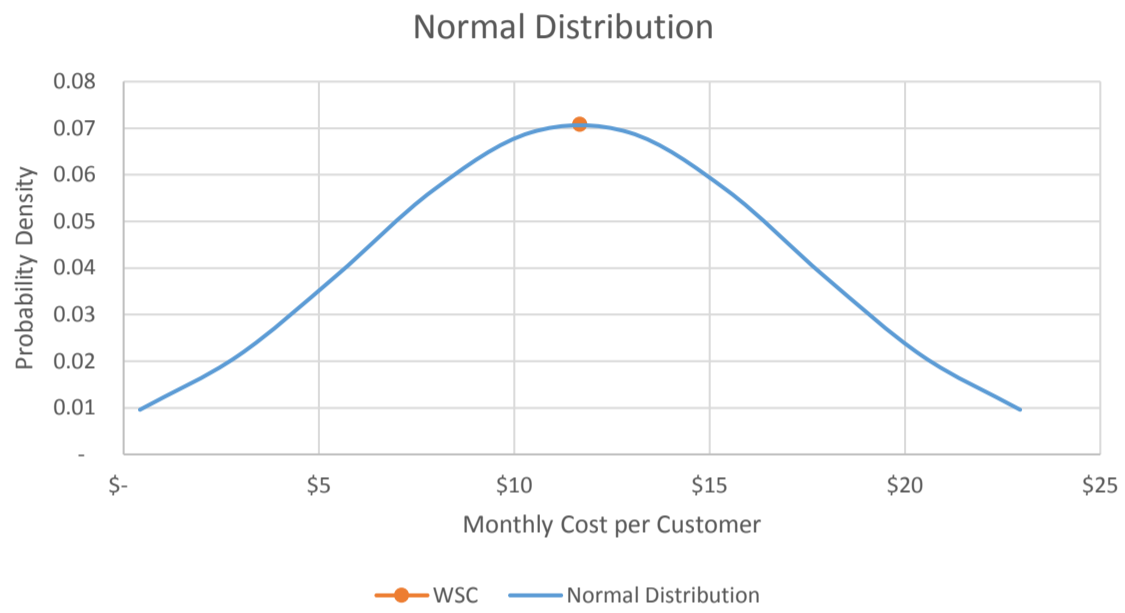
**Settings**

Mean	11.68
Std	5.632362
NumRows	10
Zmin	-2
Zmax	2
PctClear	0.25
PctShade	0.75

**Calculations**

Shade Left	7.88
Shade Right	15.48
CurveMin	0.42
CurveMax	22.95

Sequence	Z	X	Y	Area
1	(2.00)	\$ 0	0.01	#N/A
2	(1.56)	\$ 3	0.02	#N/A
3	(1.11)	\$ 5	0.04	#N/A
4	(0.67)	\$ 8	0.06	0.056717
5	(0.22)	\$ 10	0.07	0.069103
6	0.22	\$ 13	0.07	0.069103
7	0.67	\$ 15	0.06	0.056717
8	1.11	\$ 18	0.04	#N/A
9	1.56	\$ 20	0.02	#N/A
10	2.00	\$ 23	0.01	#N/A
		\$ 12	0.07	



Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 6

**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Calculation of Average Bill Increase**  
**Test Year Ended 6/30/2015**

	A	B	C	D	E	F	G	H	I
Line No.		# of Bills	Pro Forma Revenue	Current Avg Bill	Proposed Revenue	Proposed Avg Bill	Dollar Increase	% Increase	Average Gallons Per Bill
1	Middlesboro								
2									
3	5/8" and 3/4" Meter( all Classes)	65,968	\$ 1,360,948	\$ 20.43	\$ 1,770,048	\$ 26.42	\$ 5.99	29.31%	3,852
4	1" Meter (all Classes)	1,136	\$ 65,623	\$ 54.36	\$ 81,937	\$ 66.59	\$ 12.22	22.48%	12,905
5	1.5" Meter (all Classes)	286	\$ 46,108	\$ 157.60	\$ 61,056	\$ 196.28	\$ 38.68	24.55%	43,095
6	2" Meter (all Classes)	585	\$ 121,303	\$ 196.08	\$ 169,127	\$ 259.57	\$ 63.50	32.38%	55,129
7	3" Meter (all Classes)	96	\$ 64,143	\$ 589.90	\$ 80,482	\$ 724.71	\$ 134.80	22.85%	193,778
8	4" Meter (all Classes)	36	\$ 16,304	\$ 406.82	\$ 17,082	\$ 410.86	\$ 4.04	0.99%	106,044
9	6" Meter (all Classes)	36	\$ 138,013	\$ 3,443.78	\$ 178,966	\$ 4,435.34	\$ 991.56	28.79%	1,227,971
10									
11	Private Fire Protection			\$ 20.73		\$ 25.83	\$ 5.10	24.62%	
12	Municipally-owned Hydrants			\$ 4.61		\$ 5.74	\$ 1.13	24.62%	
13									
14	Clinton								
15									
16	5/8" and 3/4" Meter( all Classes)	6,654	\$ 191,449	\$ 28.23	\$ 162,995	\$ 24.05	\$ (4.18)	-14.80%	5,629
17	1" Meter (all Classes)	168	\$ 14,107	\$ 78.84	\$ 10,719	\$ 57.50	\$ (21.34)	-27.07%	10,524
18	1.5" Meter (all Classes)	59	\$ 21,986	\$ 391.79	\$ 16,693	\$ 274.21	\$ (117.57)	-30.01%	63,512
19	2" Meter (all Classes)	60	\$ 19,594	\$ 328.24	\$ 16,500	\$ 245.27	\$ (82.97)	-25.28%	51,381
20	6" Meter (all Classes)	-	-	-	-	-	\$ -		-

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 7

**Revenue from Present/Proposed Rates  
Test Period from 7/1/14 to 6/30/15**

**Usage Table  
Usage by Rate Increment**

Meter Class: 5/8"      System: Middlesboro

	Bills	Gallons	First 1,000	Next 9,000	Next 15,000	Next 25,000	Next 50,000	Over 100,000	Total
<b>5/8" Meters</b>									
First 1,000 Minimum Bill	12,007	4,666,959	4,666,959						4,666,959
Next 9,000	50,875	189,230,392	50,875,000	138,355,392					189,230,392
Next 15,000	2,620	36,497,265	2,620,000	23,580,000	10,297,265				36,497,265
Next 25,000	312	10,386,317	312,000	2,808,000	4,680,000	2,586,317			10,386,317
Next 50,000	82	5,778,556	82,000	738,000	1,230,000	2,050,000	1,678,556		5,778,556
Over 100,000	48	7,525,608	48,000	432,000	720,000	1,200,000	2,400,000	2,725,608	7,525,608
<b>Total 5/8" Meters</b>	<b>65,944</b>	<b>254,085,097</b>	<b>58,603,959</b>	<b>165,913,392</b>	<b>16,927,265</b>	<b>5,836,317</b>	<b>4,078,556</b>	<b>2,725,608</b>	<b>254,085,097</b>

**Revenue Table  
Revenue by Rate Increment**

	Bills	Gallons	Current Rates	Current Revenue	Proposed Rates	Proposed Revenue
<b>5/8" Meters</b>						
First 1,000 Minimum Bill	65,944	58,603,959	\$ 9.42	\$ 621,192	\$ 15.53	\$ 1,024,110
Next 9,000		165,913,392	\$ 3.86	\$ 640,426	\$ 3.817	\$ 633,291
Next 15,000		16,927,265	\$ 3.53	\$ 59,753	\$ 3.817	\$ 64,611
Next 25,000		5,836,317	\$ 3.35	\$ 19,552	\$ 3.817	\$ 22,277
Next 50,000		4,078,556	\$ 3.01	\$ 12,276	\$ 3.817	\$ 15,568
Over 100,000		2,725,608	\$ 2.76	\$ 7,523	\$ 3.817	\$ 10,404
<b>Total 5/8" Meters</b>	<b>65,944</b>	<b>254,085,097</b>		<b>\$ 1,360,722</b>		<b>\$ 1,770,262</b>

**Usage Table  
Usage by Rate Increment**

Meter Class: 3/4"      System: Middlesboro

	Bills	Gallons	First 1,000	Next 9,000	Next 15,000	Next 25,000	Next 50,000	Over 100,000	Total
<b>3/4" Meters</b>									
First 1,000 Minimum Bill	24	11,835	11,835						11,835
Next 9,000		-	-	-					-
Next 15,000		-	-	-	-				-
Next 25,000		-	-	-	-	-			-
Next 50,000		-	-	-	-	-	-		-
Over 100,000		-	-	-	-	-	-	-	-
<b>Total 3/4" Meters</b>	<b>24</b>	<b>11,835</b>	<b>11,835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,835</b>

**Revenue Table  
Revenue by Rate Increment**

	Bills	Gallons	Current Rates	Current Revenue	Proposed Rates	Proposed Revenue
<b>3/4" Meters</b>						
First 1,000 Minimum Bill	24	11,835	\$ 9.42	\$ 226	\$ 15.53	\$ 373
Next 9,000		-	\$ 3.86	\$ -	\$ 3.817	\$ -
Next 15,000		-	\$ 3.53	\$ -	\$ 3.817	\$ -
Next 25,000		-	\$ 3.35	\$ -	\$ 3.817	\$ -
Next 50,000		-	\$ 3.01	\$ -	\$ 3.817	\$ -
Over 100,000		-	\$ 2.76	\$ -	\$ 3.817	\$ -
<b>Total 3/4" Meters</b>	<b>24</b>	<b>11,835</b>		<b>\$ 226</b>		<b>\$ 373</b>

**Usage Table**  
Usage by Rate Increment

Meter Class: 1"                      System: Middlesboro

	Bills	Gallons	First 6,000	Next 4,000	Next 15,000	Next 25,000	Next 50,000	Over 100,000	Total
<b>1" Meters</b>									
First 6,000 Minimum Bill	542	1,595,471	1,595,471						1,595,471
Next 4,000	202	1,560,693	1,212,000	348,693					1,560,693
Next 15,000	206	3,107,633	1,236,000	824,000	1,047,633				3,107,633
Next 25,000	140	4,897,410	840,000	560,000	2,100,000	1,397,410			4,897,410
Next 50,000	40	2,764,907	240,000	160,000	600,000	1,000,000	764,907		2,764,907
Over 100,000	6	734,014	36,000	24,000	90,000	150,000	300,000	134,014	734,014
<b>Total 1" Meters</b>	<b>1,136</b>	<b>14,660,129</b>	<b>5,159,471</b>	<b>1,916,693</b>	<b>3,837,633</b>	<b>2,547,410</b>	<b>1,064,907</b>	<b>134,014</b>	<b>14,660,129</b>

**Revenue Table**  
Revenue by Rate Increment

	Bills	Gallons	Current Rates	Current Revenue	Proposed Rates	Proposed Revenue
<b>1" Meters</b>						
First 6,000 Minimum Bill	1,136	5,159,471	\$ 28.67	\$ 32,569	\$ 40.23	\$ 45,701
Next 4,000		1,916,693	\$ 3.86	\$ 7,398	\$ 3.817	\$ 7,316
Next 15,000		3,837,633	\$ 3.53	\$ 13,547	\$ 3.817	\$ 14,648
Next 25,000		2,547,410	\$ 3.35	\$ 8,534	\$ 3.817	\$ 9,723
Next 50,000		1,064,907	\$ 3.01	\$ 3,205	\$ 3.817	\$ 4,065
Over 100,000		134,014	\$ 2.76	\$ 370	\$ 3.817	\$ 512
<b>Total 1" Meters</b>	<b>1,136</b>	<b>14,660,129</b>		<b>\$ 65,623</b>		<b>\$ 81,965</b>

**Usage Table**  
Usage by Rate Increment

Meter Class: 1.5"                      System: Middlesboro

	Bills	Gallons	First 13,000	Next 12,000	Next 25,000	Next 50,000	Over 100,000	Total
<b>1.5" Meters</b>								
First 13,000 Minimum Bill	137	484,505	484,505					484,505
Next 12,000	34	632,171	442,000	190,171				632,171
Next 25,000	50	2,023,734	650,000	600,000	773,734			2,023,734
Next 50,000	33	2,164,235	429,000	396,000	825,000	514,235		2,164,235
Over 100,000	32	7,020,453	416,000	384,000	800,000	1,600,000	3,820,453	7,020,453
<b>Total 1.5" Meters</b>	<b>286</b>	<b>12,325,097</b>	<b>2,421,505</b>	<b>1,570,171</b>	<b>2,398,734</b>	<b>2,114,235</b>	<b>3,820,453</b>	<b>12,325,097</b>

**Revenue Table**  
Revenue by Rate Increment

	Bills	Gallons	Current Rates	Current Revenue	Proposed Rates	Proposed Revenue
<b>1.5" Meters</b>						
First 13,000 Minimum Bill	286	2,421,505	\$ 54.62	\$ 15,621	\$ 81.41	\$ 23,283
Next 12,000		1,570,171	\$ 3.53	\$ 5,543	\$ 3.817	\$ 5,993
Next 25,000		2,398,734	\$ 3.35	\$ 8,036	\$ 3.817	\$ 9,156
Next 50,000		2,114,235	\$ 3.01	\$ 6,364	\$ 3.817	\$ 8,070
Over 100,000		3,820,453	\$ 2.76	\$ 10,544	\$ 3.817	\$ 14,583
<b>Total 1.5" Meters</b>	<b>286</b>	<b>12,325,097</b>		<b>\$ 46,108</b>		<b>\$ 61,085</b>

**Usage Table**  
Usage by Rate Increment

Meter Class: **2"**                      System: **Middlesboro**

	Bills	Gallons	First 21,400	Next 3,600	Next 25,000	Next 50,000	Over 100,000	Total
<b>2" Meters</b>								
First 21,400 Minimum Bill	322	2,345,268	2,345,268					2,345,268
Next 3,600	22	499,539	470,800	28,739				499,539
Next 25,000	93	3,493,657	1,990,200	334,800	1,168,657			3,493,657
Next 50,000	62	4,764,941	1,326,800	223,200	1,550,000	1,664,941		4,764,941
Over 100,000	86	21,146,836	1,840,400	309,600	2,150,000	4,300,000	12,546,836	21,146,836
<b>Total 2" Meters</b>	<b>585</b>	<b>32,250,242</b>	<b>7,973,468</b>	<b>896,339</b>	<b>4,868,657</b>	<b>5,964,941</b>	<b>12,546,836</b>	<b>32,250,242</b>

**Revenue Table**  
Revenue by Rate Increment

	Bills	Gallons	Current Rates	Current Revenue	Proposed Rates	Proposed Revenue
<b>2" Meters</b>						
First 21,400 Minimum Bill	585	7,973,468	\$ 84.18	\$ 49,245	\$ 130.83	\$ 76,536
Next 3,600		896,339	\$ 3.53	\$ 3,164	\$ 3.817	\$ 3,421
Next 25,000		4,868,657	\$ 3.35	\$ 16,310	\$ 3.817	\$ 18,584
Next 50,000		5,964,941	\$ 3.01	\$ 17,954	\$ 3.817	\$ 22,768
Over 100,000		12,546,836	\$ 2.76	\$ 34,629	\$ 3.817	\$ 47,891
<b>Total 2" Meters</b>	<b>585</b>	<b>32,250,242</b>		<b>\$ 121,303</b>		<b>\$ 169,200</b>

**Usage Table**  
Usage by Rate Increment

Meter Class: **3"**                      System: **Middlesboro**

	Bills	Gallons	First 68,400	Next 31,600	Over 100,000	Total
<b>3" Meters</b>						
First 68,400 Minimum Bill	48	412,924	412,924			412,924
Next 31,600	8	677,856	547,200	130,656		677,856
Over 100,000	40	17,511,948	2,736,000	1,264,000	13,511,948	17,511,948
<b>Total 3" Meters</b>	<b>96</b>	<b>18,602,728</b>	<b>3,696,124</b>	<b>1,394,656</b>	<b>13,511,948</b>	<b>18,602,728</b>

**Revenue Table**  
Revenue by Rate Increment

	Bills	Gallons	Current Rates	Current Revenue	Proposed Rates	Proposed Revenue
<b>3" Meters</b>						
First 68,400 Minimum Bill	96	3,696,124	\$ 235.96	\$ 22,652	\$ 246.14	\$ 23,629
Next 31,600		1,394,656	\$ 3.01	\$ 4,198	\$ 3.817	\$ 5,323
Over 100,000		13,511,948	\$ 2.76	\$ 37,293	\$ 3.817	\$ 51,575
<b>Total 3" Meters</b>	<b>96</b>	<b>18,602,728</b>		<b>\$ 64,143</b>		<b>\$ 80,528</b>

**Usage Table**  
Usage by Rate Increment

Meter Class: **4"**                      System: **Middlesboro**

	Bills	Gallons	First 127,500	Over 127,500	Total
<b>4" Meters</b>					
First 127,500 Minimum Bill	23	1,559,200	1,559,200		1,559,200
Over 127,500	13	2,258,372	1,657,500	600,872	2,258,372
<b>Total 4" Meters</b>	<b>36</b>	<b>3,817,572</b>	<b>3,216,700</b>	<b>600,872</b>	<b>3,817,572</b>

**Revenue Table**  
Revenue by Rate Increment

	Bills	Gallons	Current Rates	Current Revenue	Proposed Rates	Proposed Revenue
<b>4" Meters</b>						
First 127,500 Minimum Bill	36	3,216,700	\$ 406.82	\$ 14,646	\$ 410.86	\$ 14,791
Over 127,500		600,872	\$ 2.76	\$ 1,658	\$ 3.817	\$ 2,294
<b>Total 4" Meters</b>	<b>36</b>	<b>3,817,572</b>		<b>\$ 16,304</b>		<b>\$ 17,084</b>



**Usage Table**  
Usage by Rate Increment

Meter Class: **6"**                      System: **Middlesboro**

	Bills	Gallons	First 281,500	Over 281,500	Total
<b>6" Meters</b>					
First 281,500 Minimum Bill	24	1,670,328	1,670,328		1,670,328
Over 281,500	12	42,536,621	3,378,000	39,158,621	42,536,621
<b>Total 6" Meters</b>	<b>36</b>	<b>44,206,949</b>	<b>5,048,328</b>	<b>39,158,621</b>	<b>44,206,949</b>

**Revenue Table**  
Revenue by Rate Increment

	Bills	Gallons	Current Rates	Current Revenue	Proposed Rates	Proposed Revenue
<b>6" Meters</b>						
First 281,500 Minimum Bill	36	5,048,328	\$ 831.52	\$ 29,935	\$ 822.66	\$ 29,616
Over 281,500		39,158,621	\$ 2.76	\$ 108,078	\$ 3.817	\$ 149,468
<b>Total 6" Meters</b>	<b>36</b>	<b>44,206,949</b>		<b>\$ 138,013</b>		<b>\$ 179,084</b>

**Revenue from Present/Proposed Rates**  
**Test Period from 7/1/14 to 6/30/15**

**Usage Table**  
Usage by Rate Increment

Meter Class: 5/8"      System: Clinton

	Bills	Gallons	First 1,000	Next 9,000	Next 15,000	Next 25,000	Next 50,000	Over 100,000	Total
<b>5/8" Meters</b>									
First 1,000 Minimum Bill	42	21,825	21,825						21,825
Next 9,000	246	775,086	246,000	529,086					775,086
Next 15,000	6	106,524	6,000	54,000	46,524				106,524
Next 25,000	1	30,278	1,000	9,000	15,000	5,278			30,278
Next 50,000	0	-	-	-	-	-	-	-	-
Over 100,000	0	-	-	-	-	-	-	-	-
<b>Total 5/8" Meters</b>	<b>295</b>	<b>933,713</b>	<b>274,825</b>	<b>592,086</b>	<b>61,524</b>	<b>5,278</b>	<b>-</b>	<b>-</b>	<b>933,713</b>

**Revenue Table**  
Revenue by Rate Increment

	Bills	Gallons	Current Rates	Current Revenue	Proposed Rates	Proposed Revenue
<b>5/8" Meters</b>						
First 1,000 Minimum Bill	295	274,825	\$ 12.47	\$ 3,679	\$ 15.53	\$ 4,581
Next 9,000		592,086	\$ 7.06	\$ 4,180	\$ 3.817	\$ 2,260
Next 15,000		61,524	\$ 6.48	\$ 399	\$ 3.817	\$ 235
Next 25,000		5,278	\$ 5.91	\$ 31	\$ 3.817	\$ 20
Next 50,000		-	\$ 5.24	\$ -	\$ 3.817	\$ -
Over 100,000		-	\$ 4.58	\$ -	\$ 3.817	\$ -
<b>Total 5/8" Meters</b>	<b>295</b>	<b>933,713</b>		<b>\$ 8,289</b>		<b>\$ 7,096</b>

**Usage Table**  
Usage by Rate Increment

Meter Class: 3/4"      System: Clinton

	Bills	Gallons	First 1,000	Next 9,000	Next 15,000	Next 25,000	Next 50,000	Over 100,000	Total
<b>3/4" Meters</b>									
First 1,000 Minimum Bill	1,283	522,866	522,866						522,866
Next 9,000	4,882	16,276,608	4,882,000	11,394,608					16,276,608
Next 15,000	161	2,233,448	161,000	1,449,000	623,448				2,233,448
Next 25,000	27	863,249	27,000	243,000	405,000	188,249			863,249
Next 50,000	3	203,792	3,000	27,000	45,000	75,000	53,792		203,792
Over 100,000	3	469,605	3,000	27,000	45,000	75,000	150,000	169,605	469,605
<b>Total 3/4" Meters</b>	<b>6,359</b>	<b>20,569,568</b>	<b>5,598,866</b>	<b>13,140,608</b>	<b>1,118,448</b>	<b>338,249</b>	<b>203,792</b>	<b>169,605</b>	<b>20,569,568</b>

**Revenue Table**  
Revenue by Rate Increment

	Bills	Gallons	Current Rates	Current Revenue	Proposed Rates	Proposed Revenue
<b>3/4" Meters</b>						
First 1,000 Minimum Bill	6,359	5,598,866	\$ 12.47	\$ 79,297	\$ 15.53	\$ 98,755
Next 9,000		13,140,608	\$ 7.06	\$ 92,773	\$ 3.817	\$ 50,158
Next 15,000		1,118,448	\$ 6.48	\$ 7,248	\$ 3.817	\$ 4,269
Next 25,000		338,249	\$ 5.91	\$ 1,999	\$ 3.817	\$ 1,291
Next 50,000		203,792	\$ 5.24	\$ 1,068	\$ 3.817	\$ 778
Over 100,000		169,605	\$ 4.58	\$ 777	\$ 3.817	\$ 647
<b>Total 3/4" Meters</b>	<b>6,359</b>	<b>20,569,568</b>		<b>\$ 183,161</b>		<b>\$ 155,898</b>

**Usage Table**  
Usage by Rate Increment  
**CURRENT TIER STRUCTURE**

Meter Class: 1"      System: Clinton

	Bills	Gallons	First 5,300	Next 3,700	Next 15,000	Next 25,000	Next 50,000	Over 100,000	Total
<b>1" Meters</b>									
First 5,300 Minimum Bill	62	94,546	94,546						94,546
Next 3,700	14	110,401	74,200	36,201					110,401
Next 15,000	79	1,166,392	418,700	292,300	455,392				1,166,392
Next 25,000	13	396,626	68,900	48,100	195,000	84,626			396,626
Next 50,000	0	-	-	-	-	-	-	-	-
Over 100,000	0	-	-	-	-	-	-	-	-
<b>Total 1" Meters</b>	<b>168</b>	<b>1,767,965</b>	<b>656,346</b>	<b>376,601</b>	<b>650,392</b>	<b>84,626</b>	<b>-</b>	<b>-</b>	<b>1,767,965</b>

**Usage Table**  
Usage by Rate Increment  
PROPOSED TIER STRUCTURE

Meter Class: 1" System: Clinton

	Bills	Gallons	First 6,000	Next 4,000	Next 15,000	Next 25,000	Next 50,000	Over 100,000	Total
<b>1" Meters</b>									
First 6,000 Minimum Bill	63	100,331	100,331						100,331
Next 4,000	20	171,325	120,000	51,325					171,325
Next 15,000	73	1,123,986	438,000	292,000	393,986				1,123,986
Next 25,000	12	372,323	72,000	48,000	180,000	72,323			372,323
Next 50,000	0	-	-	-	-	-	-	-	-
Over 100,000	0	-	-	-	-	-	-	-	-
<b>Total 1" Meters</b>	<b>168</b>	<b>1,767,965</b>	<b>730,331</b>	<b>391,325</b>	<b>573,986</b>	<b>72,323</b>	<b>-</b>	<b>-</b>	<b>1,767,965</b>

**Revenue Table**  
Revenue by Rate Increment

	Bills	Current Gallons	Proposed Gallons	Current Rates	Current Gallons Current Revenue	Proposed Gallons Current Revenue	Proposed Rates	Current Gallons Proposed Rates	Proposed Gallons Proposed Rates
<b>1" Meters</b>									
Minimum Bill	168	656,346	730,331	\$ 42.84	\$ 7,197	\$ 7,197	\$ 40.23	\$ 6,759	\$ 6,759
Tier 1		376,601	391,325	\$ 7.06	\$ 2,659	\$ 2,763	\$ 3.817	\$ 1,437	\$ 1,494
Tier 2		650,392	573,986	\$ 6.48	\$ 4,215	\$ 3,719	\$ 3.817	\$ 2,483	\$ 2,191
Tier 3		84,626	72,323	\$ 5.91	\$ 500	\$ 427	\$ 3.817	\$ 323	\$ 276
Tier 4		-	-	\$ 5.24	\$ -	\$ -	\$ 3.817	\$ -	\$ -
Tier 5		-	-	\$ 4.58	\$ -	\$ -	\$ 3.817	\$ -	\$ -
<b>Total 1" Meters</b>	<b>168</b>	<b>1,767,965</b>	<b>1,767,965</b>		<b>\$ 14,571</b>	<b>\$ 14,107</b>		<b>\$ 11,002</b>	<b>\$ 10,719</b>

**Usage Table**  
Usage by Rate Increment  
CURRENT TIER STRUCTURE

Meter Class: 1.5" System: Clinton

	Bills	Gallons	First 11,200	Next 13,800	Next 25,000	Next 50,000	Over 100,000	Total
<b>1.5" Meters</b>								
First 11,200 Minimum Bill	14	49,229	49,229					49,229
Next 13,800	9	127,492	100,800	26,692				127,492
Next 25,000	5	175,967	56,000	69,000	50,967			175,967
Next 50,000	13	1,011,045	145,600	179,400	325,000	361,045		1,011,045
Over 100,000	18	2,383,494	201,600	248,400	450,000	900,000	583,494	2,383,494
<b>Total 1.5" Meters</b>	<b>59</b>	<b>3,747,226</b>	<b>553,229</b>	<b>523,492</b>	<b>825,967</b>	<b>1,261,045</b>	<b>583,494</b>	<b>3,747,226</b>

**Usage Table**  
Usage by Rate Increment  
PROPOSED TIER STRUCTURE

Meter Class: 1.5" System: Clinton

	Bills	Gallons	First 13,000	Next 12,000	Next 25,000	Next 50,000	Over 100,000	Total
<b>1.5" Meters</b>								
First 13,000 Minimum Bill	16	73,332	73,332					73,332
Next 12,000	7	103,389	91,000	12,389				103,389
Next 25,000	5	175,967	65,000	60,000	50,967			175,967
Next 50,000	13	1,011,045	169,000	156,000	325,000	361,045		1,011,045
Over 100,000	18	2,383,494	234,000	216,000	450,000	900,000	583,494	2,383,494
<b>Total 1.5" Meters</b>	<b>59</b>	<b>3,747,226</b>	<b>632,332</b>	<b>444,389</b>	<b>825,967</b>	<b>1,261,045</b>	<b>583,494</b>	<b>3,747,226</b>

**Revenue Table**  
Revenue by Rate Increment

	Bills	Current Gallons	Proposed Gallons	Current Rates	Current Gallons Current Revenue	Proposed Gallons Current Revenue	Proposed Rates	Current Gallons Proposed Rates	Proposed Gallons Proposed Rates
<b>1.5" Meters</b>									
Minimum Bill	59	553,229	632,332	\$ 83.81	\$ 4,945	\$ 4,945	\$ 81.41	\$ 4,803	\$ 4,803
Tier 2		523,492	444,389	\$ 6.48	\$ 3,392	\$ 2,880	\$ 3.817	\$ 1,998	\$ 1,696
Tier 3		825,967	825,967	\$ 5.91	\$ 4,881	\$ 4,881	\$ 3.817	\$ 3,153	\$ 3,153
Tier 4		1,261,045	1,261,045	\$ 5.24	\$ 6,608	\$ 6,608	\$ 3.817	\$ 4,813	\$ 4,813
Tier 5		583,494	583,494	\$ 4.58	\$ 2,672	\$ 2,672	\$ 3.817	\$ 2,227	\$ 2,227
<b>Total 1.5" Meters</b>	<b>59</b>	<b>3,747,226</b>	<b>3,747,226</b>		<b>\$ 22,499</b>	<b>\$ 21,986</b>		<b>\$ 16,995</b>	<b>\$ 16,693</b>

**Usage Table**  
 Usage by Rate Increment  
 CURRENT TIER STRUCTURE

Meter Class: 2"                      System: Clinton

	Bills	Gallons	First 17,600	Next 7,400	Next 25,000	Next 50,000	Over 100,000	Total
<b>2" Meters</b>								
First 17,600 Minimum Bill	24	53,086	53,086					53,086
Next 7,400	7	150,615	123,200	27,415				150,615
Next 25,000	6	184,849	105,600	44,400	34,849			184,849
Next 50,000	5	368,370	88,000	37,000	125,000	118,370		368,370
Over 100,000	18	2,325,950	316,800	133,200	450,000	900,000	525,950	2,325,950
<b>Total 2" Meters</b>	<b>60</b>	<b>3,082,870</b>	<b>686,686</b>	<b>242,015</b>	<b>609,849</b>	<b>1,018,370</b>	<b>525,950</b>	<b>3,082,870</b>

**Usage Table**  
 Usage by Rate Increment  
 PROPOSED TIER STRUCTURE

Meter Class: 2"                      System: Clinton

	Bills	Gallons	First 21,400	Next 3,600	Next 25,000	Next 50,000	Over 100,000	Total
<b>2" Meters</b>								
First 21,400 Minimum Bill	26	88,994	88,994					88,994
Next 3,600	5	114,707	107,000	7,707				114,707
Next 25,000	6	184,849	128,400	21,600	34,849			184,849
Next 50,000	5	368,370	107,000	18,000	125,000	118,370		368,370
Over 100,000	18	2,325,950	385,200	64,800	450,000	900,000	525,950	2,325,950
<b>Total 2" Meters</b>	<b>60</b>	<b>3,082,870</b>	<b>816,594</b>	<b>112,107</b>	<b>609,849</b>	<b>1,018,370</b>	<b>525,950</b>	<b>3,082,870</b>

**Revenue Table**  
 Revenue by Rate Increment

	Bills	Current Gallons	Proposed Gallons	Current Rates	Current Gallons Current Revenue	Proposed Gallons Current Revenue	Proposed Rates	Current Gallons Proposed Rates	Proposed Gallons Proposed Rates
<b>2" Meters</b>									
Minimum Bill	60	686,686	816,594	\$ 125.30	\$ 7,518	\$ 7,518	\$ 130.83	\$ 7,850	\$ 7,850
Tier 2		242,015	112,107	\$ 6.48	\$ 1,568	\$ 726	\$ 3.817	\$ 924	\$ 428
Tier 3		609,849	609,849	\$ 5.91	\$ 3,604	\$ 3,604	\$ 3.817	\$ 2,328	\$ 2,328
Tier 4		1,018,370	1,018,370	\$ 5.24	\$ 5,336	\$ 5,336	\$ 3.817	\$ 3,887	\$ 3,887
Tier 5		525,950	525,950	\$ 4.58	\$ 2,409	\$ 2,409	\$ 3.817	\$ 2,008	\$ 2,008
<b>Total 2" Meters</b>	<b>60</b>	<b>3,082,870</b>	<b>3,082,870</b>		<b>\$ 20,436</b>	<b>\$ 19,594</b>		<b>\$ 16,996</b>	<b>\$ 16,500</b>

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 8

**WATER SERVICE CORPORATION OF KENTUCKY**

Case No. 2015 - 00382

**Revenue Requirement**

Test Year Ended 6/30/2015

**Schedule E**

	A	B
Line No.	Item	Operating Ratio Method
		(d)
1	Total Operating Expenses	\$ 2,017,180
2	Less: Federal & State Income Taxes	23,495
3		<hr/>
4	Operating Expenses Net of Income Taxes	\$ 2,040,676
5	Divide by: Operating Ratio	88%
6		<hr/>
7	Revenue to Cover Operating Ratio	\$ 2,318,950
8	Less: Operating Expenses Net of Income Taxes	\$ (2,040,676)
9		<hr/>
10	Net Operating Income After Income Taxes	\$ 278,274
11	Less: Pro Forma Net Income	35,603
12		<hr/>
13	Net Operating Income Adjustment	\$ 313,877
14	Multiplied by Gross-up Factor	1.647105764
15		<hr/>
16	Revenue Requirement	\$ 516,989
17		<hr/> <hr/>
18	Percentage Increase/Decrease	24.62%

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 9

**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**RECONCILIATION OF RATE BASE AND CAPITAL**  
**Test Year Ended 6/30/2015**

Line No.	A	B
		6/30/2015
1	Total Capitalization:	\$ 7,579,883
2		
3	Reconciling Items:	
4	Reduction of Gross Plant in Service	(390,934)
5	Restatement of accumulated depreciation	589,462
6	Actual and estimated cash working capital	232,335
7	Contributions in aid of construction (restated)	(182,305)
8	Advances in aid of construction (restated)	(68,853)
9	Accumulated deferred income taxes	(836,172)
10	Customer deposits	(35,469)
11	Plant acquisition adjustment	137,269
12	Work in process on books at 06/30/15	-
13	Cash	(104,803)
14	Accounts receivable - net	(725,575)
15	Other current assets	(13,800)
16	Deferred charges	(224,617)
17		
18		
19	Net Rate Base Used to Determine Interest Expense:	<u><u>5,956,421</u></u>



Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 10

AFFILIATE AGREEMENT  
APPENDIX A

The following list includes expense accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc operating companies at a business unit level:

The following list includes asset and liability accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc operating companies:

JDE Object Number	Account Description	JDE Object Number	Subsidiary Number	Account Description
5505	Agency Expense	1030		Land & Land Rights Pump
5525	Bill Stock	1035		Land & Land Rights Wtr Trt
5530	Billing Computer Supplies	1040		Land & Land Rights Trans Dist
5535	Billing Envelopes	1045		Land & Land Rights Gen Plt
5540	Billing Postage	1175		Office Struct & Imprv
5545	Customer Service Printing	1180		Office Furn & Eqpt
5625	401K/ESOP Contributions	1190		Tool Shop & Misc Eqpt
5630	Dental Premiums	1205		Communication Eqpt
5635	Dental Ins Reimbursements	1260		Land & Land Rights Intang Plt
5640	Emp Pensions & Benefits	1265		Land & Land Rights Coll Plt
5645	Employee Ins Deductions	1270		Land & Land Rights Trtmnt Plt
5650	Health Costs & Other	1275		Land & Land Rights Reclaim Wtp
5655	Health Ins Reimbursements	1280		Land & Land Rights Rcl Dst Plt
5660	Other Emp Pensions/Benefits	1285		Land & Land Rights Gen Plt
5665	Pension Contributions	1455		Office Struct & Imprv
5670	Term Life Ins	1460		Office Furn & Eqpt
5675	Term Life Ins - Opt	1470		Tool Shop & Misc Eqpt
5680	Depend Life Ins - Opt	1485		Communication Eqpt
5685	Supplemental Life Ins	1575		Desktop Computer Wtr
5690	Tuition	1580		Mainframe Computer Wtr
5700	Insurance -Vehicle	1585		Mini Computers Wtr
5705	Insurance -Gen Liab	1590		Comp Sys Cost Wtr
5710	Insurance -Workers Comp	1595		Micro Sys Cost Wtr
5715	Insurance -Other	1605		Desktop Computer Swr
5735	Computer Maintenance	1610		Mainframe Computer Swr
5740	Computer Supplies	1615		Mini Computers Swr
5745	Computer Amort & Prog Cost	1620		Comp Sys Cost Swr
5750	Internet Suppiler	1625		Micro Sys Cost Swr
5755	Microfilming	1741		Other Plant In Process History
5760	Website Development	1745	301	Wip-Cap Time Office Renovation
5785	Advertising/Marketing	1745	302	Wip-Cap Time Electrical
5790	Bank Service Charges	1745	303	Wip-Cap Time Lab Expansion
5795	Contributions	1745	304	Wip-Cap Time Computer Equipmnt
5800	Letter or Credit Fee	1745	305	Wip-Cap Time Computer Software
5805	License Fees	1745	306	Wip-Cap Time Radio Equipment
5810	Memberships	1746	301	Wip -Interest During Constr
5815	Penalties/Fines	1746	302	Wip -Interest During Constr
5820	Training Expense	1746	303	Wip -Interest During Constr
5825	Other Mise Expense	1746	304	Wip -Interest During Constr
5855	Answering Service	1746	305	Wip -Interest During Constr
5855	Answering Service	1746	306	Wip -Interest During Constr
5860	Cleaning Supplies	1747	303	Wip -Labor/Installation
5865	Copy Machine	1747	304	Wip -Labor/Installation
5870	Holiday Events/Picnics	1747	305	Wip -Labor/Installation
5875	Kitchen Supplies	1748	302	Wip -Equipment
5880	Office Supply Stores	1748	303	Wip -Equipment
5885	Printing/Blueprints	1748	304	Wip -EqUipment
5890	Publ Subscriptions/Tapes	1748	306	Wip -Equipment
5895	Shipping Charges	1749	301	Wip -Material
5900	Other Office Expenses	1749	302	Wip -Material
5930	Office Electric	1749	303	Wip -Material
5935	Office Gas	1749	304	Wip -Material
5940	Office Water	1749	305	Wip -Material
5945	Office Telecom	1749	306	Wip -Material
5950	Office Garbage Removal	1750	301	Wip -Electrical
5955	Office Landscape / Mow / Plow	1751	301	Wip -Site Work
5960	Office Alarm Sys Phone Exp	1752	301	Wip -Contractor/Labor
5965	Office Maintenance	1752	302	Wip -Contractor/Labor
5970	Office Cleaning Service	1753	301	Wip -Architect/Designer
5975	Office Machine/Heat&Cool	1753	302	Wip -Architect/Designer
5980	Other Office Utilities	1753	303	Wip -Architect/Designer
5985	Telemetering Phone Expense	1754	303	Wip -Building Addition
6005	Accounting Studies	1755	301	Wip -Furniture
6010	Audit Fees	1755	302	Wip -Furniture
6015	Employ Finder Fees	1756	301	Wip -Heating/Air Condition
6020	Engineering Fees	1756	302	Wip -Heating/Air Condition
6025	Legal Fees	1757	301	Wip -Interior Finish
6030	Management Fees	1757	302	Wip -Interior Finish
6035	Payroll Services	1758	305	Wip -Modification/Convert
6040	Tax Return Review	1759	304	Wip -Remodeling
6045	Temp Employ -Clerical	1769	301	Wip -Transfer To Fixed Assets
6050	Olher Outside Serv	1769	302	Wip -Transfer To Fixed Assets
6075	Water Resource Conserve Exp	1769	303	Wip -Transfer To Fixed Assets
6090	Rent	1769	304	Wip -Transfer To Fixed Assets
6105	Salaries - System Project	1769	305	Wip -Transfer To Fixed Assets
6110	Salaries -Acctg/Finance	1769	306	Wip -Transfer To Fixed Assets
6115	Salaries -Admin	1771		Deferred Plant In Process History
6120	Salaries -Officers/Stkhldr	1775	401	Wip -Cap Time Water Tower Paint
6125	Salaries -HR	1775	402	Wip-Cap Time W/S Plt Paint
6130	Salaries -MIS	1775	403	Wip-Cap Time Water Tank Paint
		1775	404	Wip-Cap Time Clean Sewer Line

AFFILIATE AGREEMENT  
APPENDIX A

The following list includes expense accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc operating companies at a business unit level:

The following list includes asset and liability accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc operating companies:

JDE Object Number	Account Description	JDE Object Number	Subsidiary Number	Account Description
6135	Salaries -Leadership Ops	1775	405	Wip-Cap Time Chng Filter Media
6140	Salaries -Regulatory	1775	406	Wip-Cap Time Tv Sewer Main
6145	Salaries -Customer Service	1775	407	Wip-Cap Time Sludge & Hauling
6185	Travel Lodging	1775	408	Wip-Cap Time W/S Plt Landscape
6190	Travel Airfare	1776	401	Wip -Interest During Constr
6195	Travel Transportation	1776	401	Wip -Interest During Constr
6200	Travel Meals	1776	403	Wip -Interest During Constr
6205	Travel Entertainment	1776	404	Wip -Interest During Constr
6207	Travel Other	1776	405	Wip -Interest During Constr
6355	Deferred Maint Expense	1776	406	Wip -Interest During Constr
6360	Communication Expense	1776	407	Wip -Interest During Constr
6365	Equipment Rentals	1776	408	Wip -Interest During Constr
6385	Uniforms	1777	408	Wip -Engineering
6390	Weather/Hurricane Costs	1778	401	Wip -Labor/Installation
6580	Deprec-Office Structure	1779	401	Wip -Equipment
6585	Deprec-Office Furn/Eqpt	1779	404	Wip -Equipment
6610	Deprec-Communciation Eqpt	1779	406	Wip -Equipment
6615	Deprec-Misc Equipment	1780	401	Wip -Material
6820	Deprec-Office Structure	1780	402	Wip -Material
6825	Deprec-Office Furn/Eqpt	1780	403	Wip -Material
6850	Deprec-Communciation Eqpt	1780	404	Wip -Material
6855	Deprec-Misc Equipment	1780	405	Wip -Material
6920	Depree-Computer	1780	406	Wip -Material
7510	FICA Expense	1780	407	Wip -Material
7515	Federal Unemployment Tax	1780	408	Wip -Material
7520	State Unemployment Tax	1781	408	Wip -Site Work
7535	Franchise Tax	1782	401	Wip -Contractor/Labor
7540	Gross Receipts Tax	1782	402	Wip -Contractor/Labor
7545	Personal Property/ICT Tax	1782	403	Wip -Contractor/Labor
7550	Property/Otller General Tax	1782	405	Wip -Contractor/Labor
7555	Real Estate Tax	1782	406	Wip -Contractor/Labor
7560	Sales/Use Tax Expense	1783	404	Wip -Grouting/Sealing
7565	Special Assessments	1784	404	Wip -Jet Cleaning
7665	Extraordinary Gain/Loss	1785	407	Wip -Pump & Haul Sludge
7670	Extraordinary Deductions	1786	404	Wip -Rental/Machine
7680	Rental Income	1786	405	Wip -Rental/Machine
7685	Interest Income	1787	402	Wip -Repair
7690	Sale of Equipment	1787	403	Wip -Repair
		1799	401	Wip -Transfer To Fixed Assets
		1799	402	Wip -Transfer To Fixed Assets
		1799	403	Wip -Transfer To Fixed Assets
		1799	404	Wip -Transfer To Fixed Assets
		1799	405	Wip -Transfer To Fixed Assets
		1799	406	Wip -Transfer To Fixed Assets
		1799	407	Wip -Transfer To Fixed Assets
		1799	408	Wip -Transfer To Fixed Assets
		1970		Acc Depr-Office Structure
		1975		Acc Depr-Office Furn/Eqpt
		1985		Acc Depr-Tool Shop & Misc Eqpt
		2000		Acc Depr-Communication Eqpt
		2215		Acc Depr-Office Structure
		2220		Acc Depr-Office Furn/Eqpt
		2230		Acc Depr-Tool Shop & Misc Eqpt
		2245		Acc Depr-Communication Eqpt
		2315		Acc Depr-Desktop Computer Wtr
		2320		Acc Depr-Mainframe Comp Wtr
		2325		Acc Depr-Mini Comp Wtr
		2330		Comp Sys Amortization Wtr
		2335		Micro Sys Amortization Wtr
		2345		Acc Depr-Desktop Computer Swr
		2350		Acc Depr-Mainframe Comp Swr
		2355		Acc Depr-Mini Comp Swr
		2360		Comp Sys Amortization Swr
		2365		Micro Sys Amortization Swr
		2950		Def Chgs-Landscaping
		2955		Def Chgs-Customer Complaints
		2960		Def Chgs-Tank Maint&Rep Wtr
		2965		Def Chgs-Relocation Expenses
		2970		Def Chgs-Attorney Fee
		2975		Def Chgs-Hurricane/Storms Cost
		2980		Def Chgs-Emp Fees
		2985		Def Chgs-Other
		3000		Def Chgs-Other Wtr & Swr
		3005		Def Chgs-Voc Testing
		3020		Def Chgs-Sludge Hauling
		3025		Def Chgs-Pr Wash/Jet Swr Mains
		3030		Def Chgs-Tv Sewer Mains
		3040		Def Chgs-Tank Maint&Rep Swr
		3080		Amort -Landscaping
		3090		Amort -Customer Complaints

AFFILIATE AGREEMENT  
APPENDIX A

The following list includes expense accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc operating companies at a business unit level:

<u>JDE Object Number</u>	<u>Account Description</u>
--------------------------	----------------------------

The following list includes asset and liability accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc operating companies:

<u>JDE Object Number</u>	<u>Subsidiary Number</u>	<u>Account Description</u>
3110		Amort -Tank Maint&Rep Wtr
3120		Amort -Relocation Exp
3125		Amort -Attorney Fee
3130		Amort -Hurricane/Storms
3135		Amort -Employee Fees
3140		Amort -Other
3155		Amort -Other Wtr & Swr
3160		Amort -Voc Testing
3175		Amort -Sludge Hauling
3180		Amort -Pr Wash/Jet Swr Mains
3185		Amort -Tv Sewer Mains
3195		Amort -Tank Maint&Rep Swr
4367		Accum Def Income Tax-Fed
4369		Def Fed Tax -Ciac Pre 1987
4371		Def Fed Tax -Tap Fee Post 2000
4373		Def Fed Tax -Idc
4375		Def Fed Tax -Rate Case
4377		Def Fed Tax -DefMaint
4379		Def Fed Tax -Other Operation
4381		Def Fed Tax -Sold Co
4383		Def Fed Tax -Orgn Exp
4385		Def Fed Tax -Bad Debt
4387		Def Fed Tax -Depreciation
4389		OefFed Tax -Nol
4391		Def Fed Tax -Cont Prop
4393		Def Fed Tax -Amt
4395		Def Fed Tax -Pre Acrs
4397		Def Fed Tax -Res Cap Fee
4417		Accum Def Income Tax -St
4419		Def St Tax -Ciac Pre 1987
4421		Def St Tax -Tap Fee Post 2000
4423		Def St Tax -Idc
4425		Def St Tax -Rate Case
4427		Def St Tax -Def Maint
4429		Def St Tax -Other Operation
4431		Def St Tax -Sold Co
4433		Def St Tax -Orgn Exp
4435		Def St Tax -Bad Debt
4437		Def St Tax -Depreciation
4439		Def St Tax -Nol
4441		Def St Tax -Cont Prop
4443		Def St Tax -Amt
4445		Def St Tax -Res Cap Fee

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 11

# Utilities, Inc. and Subsidiaries

Consolidated Financial Statements  
December 31, 2014 and 2013

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## Report of Independent Auditors

To the Board of Directors and Shareholder of Utilities, Inc.

We have audited the accompanying consolidated financial statements of Utilities, Inc. and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Utilities, Inc. and subsidiaries at December 31, 2014, and 2013, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

March 6, 2015



**Utilities, Inc. and Subsidiaries**  
**Consolidated Statements of Operations**  
(In thousands)

	Year Ended December 31,	
	2014	2013
Operating revenues:		
Water	\$ 69,249	\$ 66,090
Wastewater	52,722	50,209
Other	2,549	2,365
Non-regulated services	985	726
Total	125,505	119,390
Operating expenses:		
Operations and maintenance	71,883	69,387
Depreciation and amortization	18,051	16,210
Taxes other than income	9,729	10,386
Total	99,663	95,983
Operating income	25,842	23,407
Non-operating expense (income):		
Interest expense, net	12,426	12,637
Allowance for funds used during construction	(667)	(626)
Loss on sale of utility systems and other assets	1,419	2,082
Total	13,178	14,093
Income before taxes	12,664	9,314
Provision for income taxes	5,045	3,353
<b>Net income</b>	<b>\$ 7,619</b>	<b>\$ 5,961</b>

The accompanying notes are an integral part of these financial statements.

**Utilities, Inc. and Subsidiaries****Consolidated Balance Sheets**

(In thousands, except share and per share amounts)

	December 31,	
	2014	2013
Property, plant and equipment:		
Property, plant and equipment, at cost	\$ 857,545	\$ 835,622
Less accumulated depreciation	156,243	142,976
Property, plant and equipment, net	701,302	692,646
Current assets:		
Cash and cash equivalents	194	502
Restricted cash	431	434
Accounts receivable, net	14,434	13,897
Prepayments and other assets	2,224	3,019
Total	17,283	17,852
Regulatory and other assets:		
Regulatory assets (See Note 7)	9,631	10,490
Deferred charges (See Note 7)	8,756	7,289
Goodwill	16,953	17,238
Total	35,340	35,017
<b>Total assets</b>	<b>\$ 753,925</b>	<b>\$ 745,515</b>
Equity:		
Common shares \$.10 par value, 1,000 shares authorized and issued	\$ -	\$ -
Paid-in capital	139,123	124,123
Retained earnings	48,321	53,002
Total	187,444	177,125
Long-term debt	182,300	185,700
Commitments and contingencies (See Note 14)	-	-
Current liabilities:		
Accounts payable	12,766	10,907
Customer deposits	1,393	1,443
Accrued taxes	638	983
Accrued interest	5,588	5,715
Other	168	188
Total	20,553	19,236
Deferred credits and other liabilities:		
Deferred income taxes	51,992	46,913
Regulatory liabilities (See Note 9)	1,972	2,506
Due to parent	2,702	3,480
Other liabilities and deferred credits	1,065	780
Total	57,731	53,679
Contributions in aid of construction	301,838	305,708
Advances in aid of construction	4,059	4,067
<b>Total capitalization and liabilities</b>	<b>\$ 753,925</b>	<b>\$ 745,515</b>

The accompanying notes are an integral part of these financial statements.

**Utilities, Inc. and Subsidiaries****Consolidated Statements of Changes in Shareholder's Equity**

(Dollars in thousands)

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	Common Shares		Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balance at January 1, 2013	1,000	\$ -	\$ 106,623	\$ 53,541	\$ 160,164
Net income	-	-	-	5,961	5,961
Dividend to parent	-	-	-	(6,500)	(6,500)
Contribution from parent	-	-	17,500	-	17,500
Balance at December 31, 2013	1,000	-	124,123	53,002	177,125
Net income	-	-	-	7,619	7,619
Dividend to parent	-	-	-	(12,300)	(12,300)
Contribution from parent	-	-	15,000	-	15,000
<b>Balance at December 31, 2014</b>	<b>1,000</b>	<b>\$ -</b>	<b>\$ 139,123</b>	<b>\$ 48,321</b>	<b>\$ 187,444</b>

The accompanying notes are an integral part of these financial statements.

**Utilities, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(In thousands)

	Year Ended December 31,	
	2014	2013
<b>Cash flows from operating activities:</b>		
Net income	\$ 7,619	\$ 5,961
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,051	16,210
Deferred income taxes and credits, net	4,584	(1,418)
Amortization of deferred charges and regulatory assets	3,791	3,155
Amortization of debt acquisition cost	83	79
Allowance for funds used during construction-equity	(340)	(310)
Disallowed utility plant in service	-	503
Loss on sale of utility systems and other assets	1,419	2,082
Other, net	(234)	1,573
Changes in assets and liabilities:		
Accounts receivable, net	(543)	(150)
Prepayments	685	1,037
Additions to deferred charges being amortized	(2,483)	(1,353)
Regulatory assets and liabilities	(648)	(2,263)
Accounts payable and accrued liabilities	1,861	(1,774)
Accrued taxes and interest	(1,250)	2,768
Other assets and liabilities, net	(61)	(1,127)
Net cash provided by operating activities	32,534	24,973
<b>Cash flows from investing activities:</b>		
Capital expenditures	(40,118)	(45,676)
Acquisition expenditures	(3,437)	(660)
Change in restricted cash	3	3
Proceeds from the sale of utility systems and other assets	8,095	202
Net cash used in investing activities	(35,457)	(46,131)
<b>Cash flows from financing activities:</b>		
Contributions and advances in aid of construction, net	3,315	4,774
Dividend to parent	(12,300)	(6,500)
Contribution from parent	15,000	17,500
Borrowings under revolving credit facility	16,800	27,200
Repayments of revolving credit facility	(20,200)	(22,000)
Net cash provided by financing activities	2,615	20,974
Net decrease in cash and cash equivalents	(308)	(184)
Cash and cash equivalents at beginning of year	502	686
<b>Cash and cash equivalents at end of year</b>	<b>\$ 194</b>	<b>\$ 502</b>
<b>Supplemental cash flow information:</b>		
Interest paid (net of amounts capitalized)	\$ 11,840	\$ 11,790
Income taxes paid	\$ 704	\$ 2,165
Non-cash property, plant and equipment contributions	\$ 1,304	\$ 894

The accompanying notes are an integral part of these financial statements.

## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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#### 1. Basis of Presentation

##### *Business Description*

Utilities, Inc. (the “Company”) is a holding company, which, at December 31, 2014, owned and operated approximately 500 regulated water and wastewater utility systems through 52 subsidiary operating companies. The Company operates in 15 states with primary service areas in Florida, North Carolina, South Carolina, Nevada, and Louisiana.

##### *Principles of Consolidation*

The consolidated financial statements of the Company and its wholly owned subsidiaries have been prepared using accounting principles generally accepted in the United States of America (“GAAP”). The presentation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and certain financial statement disclosures.

Certain reclassifications have been made to prior year financial statements to conform to current year presentations, which had no impact on the Consolidated Statement of Operations for 2013.

#### 2. Summary of Significant Accounting Policies

##### *Regulation*

Most of the Company’s operations are subject to regulation by the public utility commissions of the states in which they operate. The extent of a commission’s jurisdiction varies from state to state and usually includes the regulation of rates, accounting policies, financing, rules of service, sales, and purchases of property, mergers and acquisitions, and the determination of service areas.

Utilities are generally subject to regulation, which is relied upon in lieu of the economic controls of competition in assuring fair prices and adequate service. Rates are based on the allocation of costs to customers who cause their incurrence. These rates are generally set to provide the utility the opportunity to recover its allowable operating expenses, including depreciation and taxes, and a return on the debt and equity capital invested.

The accounting practices of utility companies differ in certain aspects from those of other businesses not subject to regulation. GAAP applies to utilities just as it does to other industries, although the application at times may be different. The economic effect of regulation can result in a utility deferring costs or revenues that have been, or are expected to be, allowed in the ratemaking process in future periods. As a result, regulated entities record assets and liabilities resulting from the ratemaking process that would generally not be recorded by a non-regulated entity. These regulatory assets and liabilities are then reflected in the statement of operations in the periods in which the costs and credits are reflected in the rates charged for services.

## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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#### *Property, Plant and Equipment*

All costs incurred to bring an asset to the condition and location necessary for its intended use are capitalized. Costs include contracted labor, direct labor, materials, and indirect costs including an allowance for funds used during construction.

Expenditures for repairs and maintenance are expensed in accordance with the system of accounts prescribed by the public utility commissions of the states in which the Company operates. These expenditures are typically expensed as incurred but, in certain jurisdictions, may be deferred and amortized over the period of recovery.

Property in service is generally depreciated using the straight-line method over the estimated useful lives of the related property. Depreciation rates typically range between 1.5% and 5.0% per year. The majority of property in service is depreciated at approximately 2.0% per year. In certain instances, the composite or group method is used in which a single depreciation rate is applied to the total cost of a particular property class. This method pools similar assets and depreciates each group as a whole. Depreciation expense is a recoverable cost of service included in rates charged to customers. Under this method, when assets are replaced, retired or abandoned, the recorded value of the asset is reduced to zero with a corresponding reduction in accumulated depreciation. As a result, neither a gain nor loss is recognized.

Long-lived assets are reviewed for potential impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. When it becomes probable that a portion of the cost of a long-lived asset will be disallowed for ratemaking purposes such amounts are deducted from the reported cost of the asset and recognized as a loss.

#### *Plant Acquisition Adjustments*

For utility plant subject to traditional cost-of-service regulation, the depreciated original cost of an acquired asset is considered to equal its fair value. To the extent an amount paid for utility plant differs from its depreciated original cost, and that amount is included for ratemaking purposes, the fair value is deemed to have been increased (or decreased) and an acquisition adjustment is recorded as a component of utility plant. If the excess amount paid is not included in future rates, the amount is recorded as goodwill.

#### *Cash and Cash Equivalents*

The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

#### *Restricted Cash*

The Company receives cash from real estate developers and builders to finance the construction of water and wastewater systems. In certain jurisdictions, such cash is restricted and can only be spent in connection with that specific project.

## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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#### *Accounts Receivable*

The Company's accounts receivable primarily consists of trade receivables. The allowance for doubtful accounts is developed based upon several factors including the age of the Company's accounts receivable, historical write-off experience and specific account analysis. The Company writes off accounts when they become uncollectible.

#### *Regulatory Assets and Deferred Charges*

Regulatory assets primarily consist of costs related to the rate filing process for which the Company has received or expects to receive prospective rate recovery. Deferred charges primarily consist of repair and maintenance costs incurred in jurisdictions where these expenditures may be deferred and amortized over the period of rate recovery.

#### *Goodwill*

The Company evaluates its goodwill for impairment on an annual basis during the fourth quarter, or whenever indicators of impairment exist. In 2013, the Company performed a qualitative (step zero) test at a company level to determine the existence of events or circumstances that would indicate that it is not more likely than not that the fair value of the Company exceeds its carrying amount, including goodwill. If the qualitative test indicates that it is more likely than not that the fair value of the Company exceeds its carrying value, a quantitative assessment (step one) is not required.

A quantitative test, if required, determines the fair value of the Company using recent comparable transactions in the water utility sector. If the carrying amount exceeds the fair value, goodwill would be considered impaired. To measure the amount of the impairment loss, the implied fair value of goodwill is compared to the carrying amount of goodwill. If the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination is determined.

In 2014, the Company was reorganized into six business units. Each business unit meets the definition of an operating segment and is considered a reporting unit for goodwill impairment testing purposes. Because of the change in reporting units during the year, a quantitative assessment was performed at a reporting unit level at December 31, 2014.

#### *Customer Deposits*

In certain jurisdictions, customers are required to remit a deposit equal to their estimated monthly bill. These deposits earn interest and are returned to the customer either when the customer demonstrates a history of timely payments or when the customer no longer requires service.

#### *Advances and Contributions in Aid of Construction*

The Company receives cash advances and property and cash contributions from real estate developers and builders to fund construction necessary to extend service to their properties.

## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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Advances for construction are refundable for limited periods of time as new customers begin to receive service. Advances that are no longer refundable are reclassified as contributions. Contributed property is depreciated at the same rate that the related contribution in aid of construction is amortized. As a result, a return is not earned on contributed property.

#### *Revenue Recognition*

Customers are billed for residential water and wastewater services on a monthly, bimonthly, or quarterly cycle. Revenues include amounts billed to customers and unbilled amounts based on estimated usage from the last billing date to the end of the accounting period.

#### *Allowance for Funds Used During Construction*

The allowance for funds used during construction ("AFUDC") represents the capitalized cost of funds used to finance the construction of utility plant. AFUDC is not applied to projects funded by advances and contributions in aid of construction. AFUDC is recovered through rate base as the utility plant is depreciated. The AFUDC rate approximated 8.9% during 2014 and 2013.

#### *Income Taxes*

The Company is a wholly owned subsidiary of Corix Utilities (Illinois) LLC ("Corix Utilities") whose parent is Corix Infrastructure (US) Inc. The Company is included in the consolidated federal income tax return of Corix Infrastructure (US) Inc., whereby subsidiaries contribute to the consolidated tax liability based on their share of taxable income or loss for each period under a tax allocation arrangement. In the Company's financial statements, income tax expense and income taxes payable have been determined on a separate return basis.

Investment tax credits are deferred and amortized over the estimated useful lives used for financial reporting purposes of the related properties.

Deferred tax assets and liabilities are recorded for all temporary differences between the tax basis of assets and liabilities and the amounts reported in the financial statements, measured at the currently enacted statutory income tax rate, which is also the rate that is expected to be in effect when the temporary items reverse. Certain temporary differences have not been recognized as deferred income tax expense for ratemaking purposes. In situations when such timing differences reverse and become currently payable, and it is probable that the higher income taxes will be recoverable through rates charged customers, a net regulatory asset has been established to recognize this expected regulatory treatment.

Deferred taxes are recorded for differences that result from accelerated depreciation, contributions in aid of construction for certain contributions received from 1986 to 1996, and 2001 to 2007, investment tax credits, certain deferred charges and certain other differences in the recognition of income and expense for tax and financial reporting purposes.



## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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Judgment is required in evaluating the Company's federal and state tax positions. Despite management's belief that the Company's tax return positions are fully supportable, the Company establishes reserves when it believes that its tax positions are likely to be challenged and it may not fully prevail in these challenges. The Company recognized accrued interest and penalties related to tax positions as a component of income tax expense.

#### *New Accounting Standards*

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11, *Income Taxes: Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This update requires that an unrecognized tax benefit should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward when settlement in this manner is available under the law. This update is effective prospectively for reporting periods beginning after December 15, 2014. The Company does not expect this update to have a material impact on the Company's consolidated results of operations or consolidated financial position.

In April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This update amends the requirements for reporting and disclosing discontinued operations. Under ASU No. 2014-08, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity's operations and financial results. ASU No. 2014-18 is effective for annual periods beginning after December 15, 2014, with early adoption permitted and is to be applied prospectively. The Company adopted the provisions of this update for its annual reporting period beginning January 1, 2014. The adoption of this update did not have a material impact on the Company's consolidated results of operations or consolidated financial position.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. Under the new rules, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects to receive in exchange for the goods or services. The rules also require more detailed disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including significant judgments and changes in judgments. ASU No. 2014-09 allows for both retrospective and prospective methods of adoption. These rules are effective for the Company for annual periods beginning after December 15, 2017. ASU 2014-09 also allows non-public companies the option to early adopt for fiscal years beginning after December 15, 2016. The Company does not expect this new guidance to have a material impact on the Company's consolidated results of operations or consolidated financial position.

## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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In August 2014, the FASB issued guidance that explicitly requires an entity's management to assess the entity's ability to continue as a going concern. The new guidance requires an entity to evaluate, at each interim and annual period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued (or are available to be issued) and to provide related disclosures, if applicable. The new guidance is effective for annual periods ending after December 15, 2016 and for interim and annual periods thereafter. Early adoption is permitted. The Company does not expect this new guidance to have a material impact on the Company's consolidated results of operations or consolidated financial position.

### 3. Acquisitions and Dispositions

The Company completed the acquisition of six utility systems in 2014 for a combined purchase price of \$3,437, which was paid in cash and approximated the respective fair values of the assets acquired. These transactions met the definition of a business combination as defined in Accounting Standards Codification ("ASC") 805, *Business Combinations*. The purchase price was primarily allocated to property, plant and equipment and related accounts. A plant acquisition adjustment was recognized to the extent that the purchase price differed from the depreciated original cost of the acquired assets. Accordingly, no goodwill was recognized as a result of these transactions. The Company incurred acquisition expenses of \$33 related to these acquisitions.

During 2013, the Company completed the acquisition of three utility systems for a combined purchase price of \$660, which was paid in cash and approximated the respective fair values of the assets acquired. These transactions met the definition of a business combination as defined in ASC 805. The purchase price was primarily allocated to property, plant and equipment and related accounts. A plant acquisition adjustment was recognized to the extent that the purchase price differed from the depreciated original cost of the acquired assets. Accordingly, no goodwill was recognized as a result of these transactions. The Company incurred acquisition expenses of \$59 related to these acquisitions.

In 2014, the Company (or one of its subsidiaries) sold utility systems with a combined net book value of \$9,277. Net proceeds from the sales were \$8,003 resulting in the recognition of a loss on the sale of \$1,274. The utility systems that were sold represented approximately two percent of the Company's total assets.

## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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#### 4. Property, Plant and Equipment

The components of property, plant and equipment at December 31, are as follows:

	2014	2013
Plant in service		
Water	\$ 444,270	\$ 427,033
Wastewater	383,068	380,043
Other	45,079	42,772
Total	872,417	849,848
Plant under construction	6,988	8,212
Accumulated depreciation	(156,243)	(142,976)
Plant acquisition adjustments, net	(21,860)	(22,438)
<b>Property, plant and equipment, net</b>	<b>\$ 701,302</b>	<b>\$ 692,646</b>

#### 5. Accounts Receivable

The components of accounts receivable at December 31, are as follows:

	2014	2013
Billed utility revenue	\$ 9,799	\$ 9,489
Unbilled utility revenue	5,833	5,422
Total	15,632	14,911
Less allowance for doubtful accounts	1,198	1,014
<b>Accounts receivable, net</b>	<b>\$ 14,434</b>	<b>\$ 13,897</b>

The following table summarizes the activity of the allowance for doubtful accounts for the years ended December 31:

	2014	2013
Balance at January 1,	\$ 1,014	\$ 911
Amounts charged to expense	861	769
Amounts written off	(677)	(666)
<b>Balance at December 31,</b>	<b>\$ 1,198</b>	<b>\$ 1,014</b>

## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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#### 6. Goodwill

A qualitative goodwill impairment test was performed at a company level at December 31, 2013, which indicated that it was not more likely than not that the fair value of the Company was less than its carrying value and therefore, a quantitative test was not performed.

In 2014, the Company was reorganized into six business units. Each business unit meets the definition of an operating segment and is considered a reporting unit for goodwill impairment testing purposes. Because of the change in reporting units during the year, a quantitative assessment was performed at a reporting unit level at December 31, 2014. The fair value of each reporting unit was estimated using recent comparable transactions in the water utility sector. The estimated fair value of each reporting unit exceeded its carrying amount.

The goodwill associated with a utility system that was sold in 2014, in the amount of \$285, was written-off and included in determining the net loss on disposal. There were no changes in the carrying amounts of goodwill during 2013 and there are no accumulated impairment losses.

#### 7. Regulatory Assets and Deferred Charges

The components of regulatory assets and deferred charges at December 31, are as follows:

	2014	2013
Regulatory assets		
Rate case filing expenses	\$ 6,693	\$ 7,655
Deferred income taxes recoverable through rates	2,938	2,835
<b>Total</b>	<b>\$ 9,631</b>	<b>\$ 10,490</b>
	2014	2013
Deferred charges		
Debt acquisition cost	\$ 1,001	\$ 1,084
Maintenance and testing	3,716	2,780
Other	4,039	3,425
<b>Total</b>	<b>\$ 8,756</b>	<b>\$ 7,289</b>

The regulatory assets related to deferred income taxes will be adjusted as the amounts reverse and are included in income tax expense for regulatory purposes. Other regulatory assets and deferred charges are being amortized over periods that typically range from 3 to 12 years, corresponding to the period of rate recovery.

## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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#### 8. Debt

##### *Lines of Credit*

At December 31, 2014 and 2013, the Company had a \$40,000 unsecured revolving credit facility (the "Credit Facility") with a maturity date of April 3, 2017. Borrowings under the existing Credit Facility bear interest at the existing prime rate or LIBOR plus a spread of between 195 and 245 basis points (depending on the Company's debt to capitalization ratio), at the option of the Company. Under the terms of the Credit Facility, the Company is subject to financial covenants, which consist of a debt to capitalization ratio and a minimum interest coverage ratio.

Outstanding borrowings under the Credit Facility were \$2,300 and \$5,700 at December 31, 2014 and 2013, respectively. The Company also has letters of credit outstanding against the Credit Facility in the amount of \$6,069 and \$6,649 at December 31, 2014 and 2013, respectively. During 2014 and 2013, the Company was in compliance with the financial covenants of the Credit Facility.

At December 31, 2014 and 2013, the outstanding balances of \$2,300 and \$5,700 were classified as non-current at December 31, 2014 and 2013, respectively.

##### *Long-term Debt*

In July 2006, the Company entered into a Master Note Purchase Agreement for the issuance, in series, of collateral trust notes in an aggregate amount of up to \$400,000. The initial issuance of \$180,000 6.58% notes are due July 21, 2036. Interest is payable semi-annually in January and July. Annual principal payments of \$9,000 are due beginning in 2017 and continue through 2036.

The common stock and indebtedness of subsidiary companies have been pledged as collateral for the long-term debt.

The fair value of the long-term debt, which is classified as Level 2, has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration.

The following table summarizes the carrying amounts and fair value of long-term debt at December 31:

	2014	2013
Carrying value	\$ 182,300	\$ 185,700
Fair value	\$ 245,012	\$ 236,449

## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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The following table summarizes the maturity of the Company's long-term debt over the next five years:

	Amount
Year ended December 31,	
2015	\$ -
2016	-
2017	9,000
2018	9,000
2019	9,000
Thereafter	155,300
<b>Total</b>	<b>\$ 182,300</b>

#### 9. Regulatory Liability

In connection with the sale of a utility system in 2012, the local utility commission ruled that a portion of the gain on sale should flow back to ratepayers over a five-year period. At December 31, 2013, the Company recorded a regulatory liability of \$2,506 for the estimated amount of the gain to be flown back to customers. The amount was originally expected to flow back through customers' rates beginning in April 2014 and extending through November 2016.

In March 2014, the regulatory liability was increased to \$2,743 based on the final rate order. The regulatory liability will be amortized from March 2014 through January 2017. For the year ended December 31, 2014, the Company recorded amortization of \$771 resulting in a liability balance of \$1,972 at December 31, 2014.

#### 10. Dividends

During 2014 and 2013, the Company paid quarterly dividends of \$1,625 to Corix Utilities. The dividends were funded by a combination of cash flows from ongoing operations and short-term borrowings.

In June 2014, the Company paid an additional dividend of \$5,800 to Corix Utilities, which was funded by the proceeds from the sale of certain of the Company's utility systems.

## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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#### 11. Capital Contribution

In December 2014 and September 2013, the Company received capital contributions of \$15,000 and \$17,500, respectively, from Corix Utilities, which was used to fund ongoing capital projects and acquisitions.

#### 12. Employee Benefit Plans

The Company maintains a 401(k) plan. Under the terms of the plan, the Company will match \$.50 on every \$1.00 contributed by participants up to a maximum contribution equal to 3% of eligible compensation per participant or to the maximum permitted by law. The Company match expense was \$321 and \$303 for the years ended December 31, 2014 and 2013, respectively. The plan also includes a non-elective Company contribution made annually on 4% of eligible wages. The non-elective contribution was \$841 and \$813 for the years ended December 31, 2014 and 2013, respectively.

#### 13. Income Taxes

The provision for income taxes related to operations for the years ended December 31, is as follows:

	2014	2013
Current		
Federal	\$ 164	\$ 4,239
State and local	626	1,560
Deferred		
Federal	4,442	(109)
State and local	(187)	(2,337)
<b>Provision for income taxes</b>	<b>\$ 5,045</b>	<b>\$ 3,353</b>

## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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A reconciliation of the statutory federal income tax rate to the effective income tax rate for the years ended December 31, is as follows:

	2014	2013
Statutory federal income tax rate	34.0%	34.0%
State income taxes, net of federal tax benefit	2.6	4.2
Valuation allowance on state net operating losses	(1.3)	(12.4)
Equity component of AFUDC, not subject to tax	(0.4)	(0.4)
Amortization of investment tax credits	(0.3)	(0.3)
Rate changes	(0.1)	(1.0)
Uncertain tax position	2.1	-
True up prior year balances	2.1	17.6
Other	1.9	(5.7)
<b>Effective income tax rate</b>	<b>40.6%</b>	<b>36.0%</b>

The deferred tax assets and liabilities are attributable to the following components at December 31:

	2014	2013
Deferred tax assets		
State net operating losses	\$ 2,294	\$ 3,325
Federal net operating losses	6,945	3,976
Valuation allowances related to state net operating losses	(722)	(1,368)
Regulatory liability	747	907
Bad debt	454	432
Other	887	497
<b>Total</b>	<b>\$ 10,605</b>	<b>\$ 7,769</b>
Deferred tax liabilities		
Plant-related differences	\$ 51,076	\$ 43,595
Deferred charges	5,482	5,446
Regulatory assets	2,938	2,835
Organizational costs	3,101	2,806
<b>Total</b>	<b>\$ 62,597</b>	<b>\$ 54,682</b>
<b>Net deferred tax liability</b>	<b>\$ 51,992</b>	<b>\$ 46,913</b>



## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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The accumulated deferred tax liability attributed to regulatory assets reflects the probable future regulatory treatment afforded certain temporary differences such as the tax effect of investment tax credits, the equity component of AFUDC and other regulatory actions.

The federal net operating loss carry forward of \$20,427 will expire in 2033 and 2034. A deferred tax asset related to state net operating losses, which vary in different amounts over different periods, has been recorded. The state net operating losses of \$58,850 expire generally between 2015 and 2030. Alternative minimum tax credits can be carried forward indefinitely.

State income tax returns are generally subject to examination for a period of three to four years after the filing of the respective returns. The state impact of amended federal returns remain subject to examination by various states for a period of up to one year after formal notification of such amendments to the states. The consolidated federal income tax returns of Corix Infrastructure (US) Inc., of which the Company is a part of, remain subject to examination by the Internal Revenue Service for tax years 2011, 2012 and 2013.

The Company evaluates the realizability of its deferred tax assets on an annual basis. A valuation allowance is established when it is "more likely than not" that all or a portion of deferred tax assets will not be realized. The Company has established a valuation allowance related to certain of its state net operating losses based on estimates of future taxable income in these jurisdictions.

In evaluating its various tax filing positions, the Company records tax benefits only if management determines that they are more likely than not to be realized. Adjustments are made to the Company's liability for unrecognized tax benefits in the period in which an issue is settled with the respective tax authorities, the statute of limitations expires for the return containing the tax position or when new information becomes available.

At December 31 2014 and 2013, the Company recorded intercompany payables to its parent of \$2,702 and \$3,480, respectively, which represents its use of net operating losses from other members of the consolidated federal income tax group offset by the Company's alternative minimum tax credit used by those members.

## 14. Commitments and Contingencies

### *Operating Leases*

The Company leases office space in various buildings for its own use. Most of the lease terms are for relatively short periods of time, many of which are less than two years. The Company also leases parcels of land on which treatment plants and other facilities are situated. These land leases expire at various dates through 2085. Rent expense, for both office and land, was \$387 and \$375 for the years ended December 31, 2014 and 2013, respectively.

## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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Minimum future lease payments due in each of the next five years and thereafter are as follows:

	Office Leases	Land Leases	Total
Year ended December 31,			
2015	\$ 238	\$ 3	\$ 241
2016	167	3	170
2017	103	3	106
2018	14	3	17
2019	-	3	3
Thereafter	-	339	339
<b>Total</b>	<b>\$ 522</b>	<b>\$ 354</b>	<b>\$ 876</b>

#### *Litigation*

The Company is subject to various claims and other litigation matters arising in the ordinary course of the Company's business. Some of these matters are covered by insurance. Although the Company's ultimate liability in these matters cannot be determined, based upon information currently available, the Company believes that the resolution of such claims and litigation will not have a material adverse effect on its financial condition, results of operations or liquidity.

#### *Contingencies*

In the normal course of business, the Company may enter into agreements with real estate developers related to the provision of water and/or wastewater service. These agreements may require payments to these developers that are contingent upon the number of customers added to the systems of the various operating companies. Connection charges are collected from customers as they sign up for service. Amounts due to developers are accrued as new customers are added. Amounts paid to developers were \$100 and \$155 for the years ended December 31, 2014 and 2013, respectively.

Potential future asset retirement costs relating to certain water and wastewater properties have been identified. However, the Company has determined that it does not have any legal obligations to retire assets. In addition, the Company intends on using its assets indefinitely. Therefore, the Company has not recognized a liability for these potential asset retirement costs at December 31, 2014.

On December 18, 2012, Nye County Nevada filed an action in Nye County District Court against, among other defendants, Utilities, Inc. of Central Nevada ("UICN"), a subsidiary of the Company, and other parties in connection with damage to a county road in the Pahrump Nevada area following a significant rain event in December 2010. The County's complaint alleges, among other things, that the road damage was caused by the negligence by UICN, Corrections Corporation of America

## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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("CCA") and their respective contractors in connection with the construction of offsite improvements related to a new detention facility constructed and operated by CCA, and provided with water and sewer service by UICN. On December 21, 2012, UICN filed a partial answer and counterclaims against Nye County for the County's own negligence in overseeing the project, and for interfering with the work at issue. This matter was settled in October 2014 without liability to UICN or the Company.

In addition to the County's lawsuit, on December 18, 2012, several business owners filed an action naming UICN, among others, and claiming lost profits during the time Blagg Road was closed because of the damage that occurred following the rain event and road damage. UICN successfully sought dismissal of the business owner claims. The Nye County District Court's order dismissing the claims against UICN was entered on September 6, 2013. The business owners appealed that decision to the Nevada Supreme Court. This matter was settled in April 2014 and the appeal was dismissed with prejudice at that time. UICN's contribution to the property owners' settlement was \$3.

#### 18. Subsequent Events

##### *Acquisition*

On January 12, 2015, Utilities, Inc. of Louisiana, a wholly owned subsidiary of the Company, purchased the assets of Density Utilities of Louisiana, LLC ("Density"), which serves 2,400 wastewater customers across seven parishes in southern Louisiana, for cash consideration of \$1,206. The transaction met the definition of a business combination as defined in ASC 805. Acquisition costs of \$465 and \$51 were expensed as incurred during 2014 and 2013, respectively.

The Louisiana Public Service Commission approved the asset sale in November 2014 and determined that the rate base for the acquisition would include the cash purchase price and related acquisition costs. At December 31, 2014, the accumulated transaction costs were considered a contingent asset.

ASC 980, *Regulatory Operations*, provides criteria for deferring costs that would otherwise be charged to expense by non-regulated enterprises. This accounting standard allows for the deferral of costs as long as it is probable that those specific deferred costs are subject to recovery in future revenues. The term probable is defined in the glossary to ASC 450, *Contingencies*, as "the future event or events are likely to occur." At December 31, 2014, the Company did not believe that the acquisition was probable. Once the transaction closed in January 2015, all previously expensed acquisition costs were capitalized.

##### *Litigation*

On January 14, 2015, the Congaree Riverkeeper, Inc. ("CRK") filed an action against Carolina Water Service, Inc. ("CWS"), a subsidiary of the Company, in United States District Court for the District of

## Utilities, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands of dollars)

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South Carolina. The action alleges violations of the Federal Clean Water Act with respect to the operation of the wastewater treatment facility located in Lexington County, South Carolina. Specifically, the claims made in this civil action allege that CWS has violated the terms of its National Pollutant Discharge Eliminations System ("NPDES") permit because (A) it has not eliminated the treated wastewater discharge by CWS from the facility into its receiving stream, the Lower Saluda River, by connecting to facilities owned by the Town of Lexington and (B) it has on occasion discharged treated wastewater into such stream which exceeded the discharge constituent permit limits set out in the CWS NPDES permit. The relief sought by the complaint in the Action includes a request that the court impose a civil penalty of up to \$37 per violation per day for nineteen violations that occurred during different time periods between January of 2009 and May of 2013. The number of days a violation is alleged to have persisted will be a matter that is required to be litigated and is therefore currently unknown to CWS. CWS has until March 16, 2015, to answer, move, or otherwise plead in response to the complaint in the Action. CWS will dispute that a basis exists for the imposition of penalties by the District Court under the Clean Water Act for the matters alleged in the action and intends to vigorously contest the allegations described in the complaint. The Company believes that the likelihood of an unfavorable outcome in this matter is not probable and that the amount of any potential loss cannot be reasonably estimated.

#### *Other Events*

The Company has evaluated events and transaction subsequent to the balance sheet date through March 6, 2015, the date the financial statements were available to be issued. Based on this evaluation, the Company is not aware of any additional events or transactions that occurred subsequent to the balance sheet date but prior to March 6, 2015 that would require recognition or disclosure in its Consolidated Financial Statements.

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 12

WATER SERVICE CORPORATION OF KENTUCKY

**Exhibit 12**

Case No. 2015 - 00382

Current and Proposed Depreciation Rates

Test Year Ended 6/30/2015

Line No.	A		C	D
	Account ID	Account Description		
			Current Depreciation/ Amortization Rate	Proposed Depreciation/ Amortization Rate
1	1020	Organization	2.00%	2.50%
2	1025	Franchises	2.00%	2.50%
3	1030	Land & land rights pump	0.00%	0.00%
4	1035	Land & land rights water tr.	0.00%	0.00%
5	1040	Land & land rights trans.	0.00%	0.00%
6	1045	Land & land rights gen. plt.	0.00%	0.00%
7	1050	Struct & improv. src. supply	2.00%	2.67%
8	1055	Struct & improv. wtr. trt. plt.	2.00%	2.67%
9	1060	Struct & improv. trans. dist.	2.00%	2.67%
10	1065	Struct & improv. gen. plt.	2.00%	2.67%
11	1080	Wells & springs	2.00%	3.33%
12	1085	Infiltration gallery	2.00%	2.50%
13	1090	Supply mains	2.00%	1.60%
14	1095	Power generation equip.	2.00%	10.00%
15	1100	Electric pump equip. src. plt.	2.00%	5.00%
16	1105	Electric pump equip. wtp.	2.00%	5.00%
17	1110	Electric pump equip. trans.	2.00%	5.00%
18	1115	Water treatment equip.	2.00%	3.64%
19	1120	Dist. resv. & standpipes	2.00%	2.22%
20	1125	Trans. & distr. mains	2.00%	1.60%
21	1130	Service lines	2.00%	2.50%
22	1135	Meters	2.00%	2.50%
23	1140	Meter installations	2.00%	2.22%
24	1145	Hydrants	2.00%	2.00%
25	1150	Backflow prevention devic.	2.00%	10.00%
26	1160	Other plt. & misc. equip. src. su.	2.00%	2.86%
27	1165	OTH PLT&MISC EQUIP WTP	2.00%	2.86%
28	1175	Office struct & improv.	2.00%	2.67%
29	1180	Office furn. & equip.	2.00%	4.44%
30	1185	Stores equipment	2.00%	5.00%
31	1190	Tool shop & misc. equip.	2.00%	5.71%
32	1195	Laboratory equipment	2.00%	5.71%
33	1200	Power operated equip.	2.00%	8.00%
34	1205	Communication equip.	2.00%	10.00%
35	1210	Misc . equipment	2.00%	4.00%
36	1215	Water plant allocated	2.00%	2.86%
37	1220	Other tangible plt. water	2.00%	2.86%
38				
39	1555	Transportation Equipment	25.00%	25.00%
40	1580	Mainframe Computer	20.00%	20.00%
41	1585	Mini Computers	33.33%	33.33%
42	1590	Comp Sys Cost	12.50%	12.50%
43	1595	Micro Sys Cost	33.33%	33.33%
44				
45	3350	CIAC - Meters	2.00%	2.66%
46	3430	CIAC - Other Tangible Plant WTR	2.00%	2.66%
47	3435	CIAC - Water Taps	2.00%	2.66%
48	3225	Advances In Aid of Construction	2.00%	2.66%

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 13

WATER SERVICE CORPORATION OF KENTUCKY  
Case No. 2015 - 00382  
Depreciation Expense  
Test Year Ended 6/30/2015

w/p [f]

Line No.	A Account ID	B Account Description	C 06/30/2015 Per Books Amount	D 06/30/2015 Pro Forma Amount	E Current Depreciation/ Amortization Rate	F Current Depreciation/ Amortization Expense
1	1020	Organization	164,394	-	2.00%	3,288
2	1025	Franchises	-	-	2.00%	-
3	1030	Land & land rights pump	-	-	0.00%	-
4	1035	Land & land rights water tr.	-	-	0.00%	-
5	1040	Land & land rights trans.	-	-	0.00%	-
6	1045	Land & land rights gen. plt.	22,551	-	0.00%	-
7	1050	Struct & improv. src. supply	119,734	2,024	2.00%	2,435
8	1055	Struct & improv. wtr. trt. plt.	469,034	7,930	2.00%	9,539
9	1060	Struct & improv. trans. dist.	462	8	2.00%	9
10	1065	Struct & improv. gen. plt.	129,603	2,191	2.00%	2,636
11	1080	Wells & springs	477,398	8,072	2.00%	9,709
12	1085	Infiltration gallery	-	-	2.00%	-
13	1090	Supply mains	9,490	160	2.00%	193
14	1095	Power generation equip.	-	-	2.00%	-
15	1100	Electric pump equip. src. plt.	9,223	156	2.00%	188
16	1105	Electric pump equip. wtp.	702,167	11,872	2.00%	14,281
17	1110	Electric pump equip. trans.	7,533	127	2.00%	153
18	1115	Water treatment equip.	1,011,297	17,099	2.00%	20,568
19	1120	Dist. resv. & standpipes	529,314	8,949	2.00%	10,765
20	1125	Trans. & distr. mains	3,390,245	57,321	2.00%	68,951
21	1130	Service lines	881,265	14,900	2.00%	17,923
22	1135	Meters	738,122	12,480	2.00%	15,012
23	1140	Meter installations	600,577	10,154	2.00%	12,215
24	1145	Hydrants	406,626	6,875	2.00%	8,270
25	1150	Backflow prevention devic.	-	-	2.00%	-
26	1160	Other plt. & misc. equip. src. su.	-	-	2.00%	-
27	1165	OTH PLT&MISC EQUIP WTP	-	-	2.00%	-
28	1175	Office struct & improv.	151,272	2,558	2.00%	3,077
29	1180	Office furn. & equip.	100,935	1,707	2.00%	2,053
30	1185	Stores equipment	-	-	2.00%	-
31	1190	Tool shop & misc. equip.	269,940	4,564	2.00%	5,490
32	1195	Laboratory equipment	78,263	1,323	2.00%	1,592
33	1200	Power operated equip.	2,570	43	2.00%	52
34	1205	Communication equip.	54,792	926	2.00%	1,114
35	1210	Misc. equipment	-	-	2.00%	-
36	1215	Water plant allocated	69,976	1,183	2.00%	1,423
37	1220	Other tangible plt. water	-	-	2.00%	-
38						
39		Total Plant	10,396,783	172,624		210,937
40			-	-		
41		Composite Rate				2.00%
42						
43		<u>Vehicles &amp; Computers</u>				
44		Pro Forma Vehicles		141,851	w/p [p]	54,754
45		Computers, net of Project Phoenix		224,000	w/p [o]	20,465
46						
47		<b>Total Depreciation</b>				<b>286,157</b>
48						
49	3350	CIAC-METERS	(83,141)		2.00%	(1,663)
50	3430	CIAC-OTHER TANGIBLE PLT W	(104,169)		2.00%	(2,083)
51	3435	CIAC-WATER-TAP	(51,712)		2.00%	(1,034)
52						
53		Total CIAC	(239,022)	-		(4,780)
54			-			
55						
56	3225	ADV-IN-AID OF CONST-WATER	(75,637)	(37,443)	2.00%	(2,262)
57			-	-		
58						
59		<b>Total Amortization</b>				<b>(7,042)</b>



WATER SERVICE CORPORATION OF KENTUCKY  
Case No. 2015 - 00382  
Depreciation Expense  
Test Year Ended 6/30/2015

w/p [f]

Line No.	A Account ID	B Account Description	C 06/30/2015 Per Books Amount	D 06/30/2015 Pro Forma Amount	E Proposed Depreciation/ Amortization Rate	F Proposed Depreciation/ Amortization Expense
1	1020	Organization	164,394	-	2.50%	4,110
2	1025	Franchises	-	-	2.50%	-
3	1030	Land & land rights pump	-	-	0.00%	-
4	1035	Land & land rights water tr.	-	-	0.00%	-
5	1040	Land & land rights trans.	-	-	0.00%	-
6	1045	Land & land rights gen. plt.	22,551	-	0.00%	-
7	1050	Struct & improv. src. supply	119,734	2,024	2.67%	3,247
8	1055	Struct & improv. wtr. trt. plt.	469,034	7,930	2.67%	12,719
9	1060	Struct & improv. trans. dist.	462	8	2.67%	13
10	1065	Struct & improv. gen. plt.	129,603	2,191	2.67%	3,515
11	1080	Wells & springs	477,398	8,072	3.33%	16,182
12	1085	Infiltration gallery	-	-	2.50%	-
13	1090	Supply mains	9,490	160	1.60%	154
14	1095	Power generation equip.	-	-	10.00%	-
15	1100	Electric pump equip. src. plt.	9,223	156	5.00%	469
16	1105	Electric pump equip. wtp.	702,167	11,872	5.00%	35,702
17	1110	Electric pump equip. trans.	7,533	127	5.00%	383
18	1115	Water treatment equip.	1,011,297	17,099	3.64%	37,396
19	1120	Dist. resv. & standpipes	529,314	8,949	2.22%	11,961
20	1125	Trans. & distr. mains	3,390,245	57,321	1.60%	55,161
21	1130	Service lines	881,265	14,900	2.50%	22,404
22	1135	Meters	738,122	12,480	2.50%	18,765
23	1140	Meter installations	600,577	10,154	2.22%	13,572
24	1145	Hydrants	406,626	6,875	2.00%	8,270
25	1150	Backflow prevention devic.	-	-	10.00%	-
26	1160	Other plt. & misc. equip. src. su.	-	-	2.86%	-
27	1165	OTH PLT&MISC EQUIP WTP	-	-	2.86%	-
28	1175	Office struct & improv.	151,272	2,558	2.67%	4,102
29	1180	Office furn. & equip.	100,935	1,707	4.44%	4,562
30	1185	Stores equipment	-	-	5.00%	-
31	1190	Tool shop & misc. equip.	269,940	4,564	5.71%	15,686
32	1195	Laboratory equipment	78,263	1,323	5.71%	4,548
33	1200	Power operated equip.	2,570	43	8.00%	209
34	1205	Communication equip.	54,792	926	10.00%	5,572
35	1210	Misc. equipment	-	-	4.00%	-
36	1215	Water plant allocated	69,976	1,183	2.86%	2,033
37	1220	Other tangible plt. water	-	-	2.86%	-
38						
39		Total Plant	10,396,783	172,624		280,735
40			-	-		
41		Composite Rate				2.66%
42						
43		<u>Vehicles &amp; Computers</u>				
44		Pro Forma Vehicles		141,851	w/p [p]	54,754
45		Computers, net of Project Phoenix		224,000	w/p [o]	20,465
46						
47		<b>Total Depreciation</b>				<b>355,955</b>
48						
49	3350	CIAC-METERS	(83,141)		2.66%	(2,208)
50	3430	CIAC-OTHER TANGIBLE PLT W	(104,169)		2.66%	(2,767)
51	3435	CIAC-WATER-TAP	(51,712)		2.66%	(1,374)
52						
53		Total CIAC	(239,022)	-		(6,349)
54			-			
55						
56	3225	ADV-IN-AID OF CONST-WATER	(75,637)	(37,443)	2.66%	(3,004)
57			-	-		
58						
59		<b>Total Amortization</b>				<b>(9,352)</b>

WATER SERVICE CORPORATION OF KENTUCKY  
Case No. 2015 - 00382  
Depreciation Expense  
Test Year Ended 6/30/2015

w/p [f]

Line No.	A Account ID	B Account Description	C Current Depreciation/ Amortization Expense	D Proposed Depreciation/ Amortization Expense	E Proposed vs. Current (D - C)	F % Change
1	1020	Organization	3,288	4,110	822	25%
2	1025	Franchises	-	-	-	0%
3	1030	Land & land rights pump	-	-	-	0%
4	1035	Land & land rights water tr.	-	-	-	0%
5	1040	Land & land rights trans.	-	-	-	0%
6	1045	Land & land rights gen. plt.	-	-	-	0%
7	1050	Struct & improv. src. supply	2,435	3,247	812	33%
8	1055	Struct & improv. wtr. trt. plt.	9,539	12,719	3,180	33%
9	1060	Struct & improv. trans. dist.	9	13	3	33%
10	1065	Struct & improv. gen. plt.	2,636	3,515	879	33%
11	1080	Wells & springs	9,709	16,182	6,473	67%
12	1085	Infiltration gallery	-	-	-	0%
13	1090	Supply mains	193	154	(39)	-20%
14	1095	Power generation equip.	-	-	-	0%
15	1100	Electric pump equip. src. plt.	188	469	281	150%
16	1105	Electric pump equip. wtp.	14,281	35,702	21,421	150%
17	1110	Electric pump equip. trans.	153	383	230	150%
18	1115	Water treatment equip.	20,568	37,396	16,828	82%
19	1120	Dist. resv. & standpipes	10,765	11,961	1,196	11%
20	1125	Trans. & distr. mains	68,951	55,161	(13,790)	-20%
21	1130	Service lines	17,923	22,404	4,481	25%
22	1135	Meters	15,012	18,765	3,753	25%
23	1140	Meter installations	12,215	13,572	1,357	11%
24	1145	Hydrants	8,270	8,270	-	0%
25	1150	Backflow prevention devic.	-	-	-	0%
26	1160	Other plt. & misc. equip. src. su.	-	-	-	0%
27	1165	OTH PLT&MISC EQUIP WTP	-	-	-	0%
28	1175	Office struct & improv.	3,077	4,102	1,026	33%
29	1180	Office furn. & equip.	2,053	4,562	2,509	122%
30	1185	Stores equipment	-	-	-	0%
31	1190	Tool shop & misc. equip.	5,490	15,686	10,196	186%
32	1195	Laboratory equipment	1,592	4,548	2,956	186%
33	1200	Power operated equip.	52	209	157	300%
34	1205	Communication equip.	1,114	5,572	4,457	400%
35	1210	Misc. equipment	-	-	-	0%
36	1215	Water plant allocated	1,423	2,033	610	43%
37	1220	Other tangible plt. water	-	-	-	0%
38						
39		Total Plant	<b>210,937</b>	<b>280,735</b>	<b>69,798</b>	33%
40						
41		Composite Rate	2.00%	2.66%		
42						
43		<u>Vehicles &amp; Computers</u>				
44		Pro Forma Vehicles	54,754	54,754	-	0%
45		Computers, net of Project Phoenix	20,465	20,465	-	0%
46						
47		<b>Total Change in Depreciation Expense</b>	<b>286,157</b>	<b>355,955</b>	<b>69,798</b>	24%
48						
49	3350	CIAC-METERS	(1,663)	(2,208)	(545)	33%
50	3430	CIAC-OTHER TANGIBLE PLT W	(2,083)	(2,767)	(683)	33%
51	3435	CIAC-WATER-TAP	(1,034)	(1,374)	(339)	33%
52						
53		Total CIAC	<b>(4,780)</b>	<b>(6,349)</b>	<b>(1,568)</b>	33%
54						
55						
56	3225	ADV-IN-AID OF CONST-WATER	(2,262)	(3,004)	(742)	33%
57						
58						
59		<b>Total Change in Amortization Expense</b>	<b>(7,042)</b>	<b>(9,352)</b>	<b>(2,310)</b>	33%

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 14

Water Service Corporation of Kentucky uses Microsoft Office, Oracle JD Edwards, and Oracle Customer Care & Billing as the software in preparation of this rate case.

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 15

Description	June	July	August	September	October	November	December	January	February	March	April	May	June	Total
5000 TOTAL REVENUE														
5005 OPERATING REVENUES														
5010 WATER OPERATING R														
5015 WATER REVENUE														
5020 WATER REVENUE U														
5025 WATER REVENUE-R	117,987	116,460	114,341	116,694	114,503	110,299	108,578	121,137	109,174	117,871	119,799	114,736	120,904	1,384,496
5030 WATER REVENUE-A	(2,565)	384	4,943	(217)	(5,982)	(2,679)	6,591	(10,177)	(3,531)	24,365	(8,280)	1,811	(11,881)	(4,653)
5035 WATER REVENUE-C	31,639	35,813	33,273	33,741	33,312	31,382	30,118	30,938	30,269	32,222	44,973	31,098	32,609	399,747
5040 WATER REVENUE-I	10,568	10,109	13,711	16,040	12,357	13,239	14,379	12,424	11,506	10,623	14,117	12,746	15,004	156,255
5045 WATER REVENUE-P	8,982	8,381	7,767	9,473	10,205	9,329	9,163	9,854	8,063	8,175	22,436	11,684	10,775	125,306
5050 WATER REVENUE-M	976	837	784	964	975	887	980	1,012	961	934	1,401	926	878	11,539
5051 WATER REVENUE-S														
5052 WATER REVENUE-G				(18)										(18)
5015 WATER REVENUE	167,587	171,984	174,819	176,677	165,369	162,457	169,809	165,187	156,442	194,191	194,445	173,000	168,291	2,072,672
5055 FIRE PROTECTION														
5060 PUBLIC FIRE PRO	2,851	2,851	2,914	2,959	2,957	2,939	2,939	2,939	2,903	2,918	2,918	2,923	2,934	35,093
5065 PRIVATE FIRE PR														
5055 FIRE PROTECTION	2,851	2,851	2,914	2,959	2,957	2,939	2,939	2,939	2,903	2,918	2,918	2,923	2,934	35,093
5070 OTHER SALES TO P														
5075 SALES TO IRRIGAT														
5080 SALES FOR RESALE														
5085 INTERDEPARTMENTA														
5010 WATER OPERATING R	170,438	174,835	177,733	179,636	168,326	165,395	172,748	168,127	159,345	197,109	197,363	175,924	171,225	2,107,765
5090 SEWER OPERATING R														
5095 SEWER REVENUE FL														
5100 SEWER REVENUE-R														
5105 SEWER REVENUE-A														
5110 SEWER REVENUE-C														
5115 SEWER REVENUE-I														
5120 SEWER REVENUE-P														
5125 SEWER REVENUE-M														
5127 SEWER REVENUE-S														
5128 SEWER REVENUE-G														
5130 SEWER REVENUE-O														
5095 SEWER REVENUE FL														
5135 SEWER REVENUE ME														
5140 SEWER REVENUE-R														
5145 SEWER SOLIDS PU														
5150 SEWER REVENUE-A														
5155 SEWER REVENUE-C														
5160 SEWER REVENUE-I														
5165 SEWER REVENUE-P														
5170 SEWER REVENUE-M														
5135 SEWER REVENUE ME														
5175 REVENUES FROM PU														
5180 REVENUES FROM OT														
5185 INTERDEPARTMENTA														
5090 SEWER OPERATING R														
5190 REUSE REVENUE														
5195 REUSE REVENUE FL														
5200 REUSE REVENUE-R														
5205 REUSE REVENUE-C														
5210 REUSE REVENUE-I														
5215 REUSE REVENUE-P														
5220 REUSE REVENUE-O														
5195 REUSE REVENUE FL														
5225 REUSE REVENUE ME														
5230 REUSE REVENUE-R														
5235 REUSE REVENUE-C														
5240 REUSE REVENUE-I														
5245 REUSE REVENUE-P														
5225 REUSE REVENUE ME														
5190 REUSE REVENUE														
5250 MISC OPERATING RE														
5255 GUARANTEED REVEN														
5260 SALE OF SLUDGE														
5265 FORFEITED DISCOU														
5270 MISC SERVICE REV	45	50	50	50	55	50	50	52	50	50	50	50	50	606
5275 RENTS FROM W/S P														
5280 INTERDEPARTMENTA														
5285 OTHER W/S REVENU	5,604	4,712	6,435	7,992	5,280	2,763	7,266	4,740	3,294	5,298	5,568	4,968	6,777	65,092
5250 MISC OPERATING RE	5,649	4,762	6,485	8,042	5,335	2,813	7,316	4,792	3,344	5,348	5,618	5,018	6,827	65,699
5290 NON-REGULATED REV														
5295 MAINTENANCE INTE														
5300 MAINTENANCE REV														
5305 MAINTENANCE-INT														
5310 MAINTENANCE-INT														
5295 MAINTENANCE INTE														
5315 MAINTENANCE EXTE														
5320 MAINTENANCE-EXT														
5325 MAINTENANCE-EXT														
5315 MAINTENANCE EXTE														
5330 SLUDGE INTERNAL														
5335 REVENUE-INTERNA														
5340 REVENUE-INTERNA														
5345 REVENUE-INTERNA														
5350 REVENUE-INTERNA														
5355 REVENUE-INTERNA														
5330 SLUDGE INTERNAL														
5360 SLUDGE EXTERNAL														
5365 REVENUE-EXTERNA														
5370 REVENUE-EXTERNA														
5375 REVENUE-EXTERNA														
5380 REVENUE-EXTERNA														
5360 SLUDGE EXTERNAL														
5385 3RD PARTY BILLIN														
5390 3RD PARTY BILLI														
5395 3RD PARTY BILLI														
5385 3RD PARTY BILLIN														
5400 REV FROM MGMT SE														
5405 REV FROM MGMT S	10,968	13,886	12,471	13,967	13,166	10,764	8,585	12,872	14,495	11,182	17,667	11,713	13,576	154,344
5400 REV FROM MGMT SE	10,968	13,886	12,471	13,967	13,166	10,764	8,585	12,872	14,495	11,182	17,667	11,713	13,576	154,344
5290 NON-REGULATED REV	10,968	13,886	12,471	13,967	13,166	10,764	8,585	12,872	14,495	11,182	17,667	11,713	13,576	154,344
5005 OPERATING REVENUES	187,055	193,483	196,688	201,645	186,827	178,972	188,649	185,791	177,184	213,639	220,649	192,654	191,628	2,327,808
5000 TOTAL REVENUE	187,055	193,483	196,688	201,645	186,827	178,972	188,649	185,791	177,184	213,639	220,649	192,654	191,628	2,327,808

Description	June	July	August	September	October	November	December	January	February	March	April	May	June	Total
5410 TOTAL OPERATING EXP														
5415 OPERATING EXPENSES														
5420 OPERATING EXPENSE														
5425 PURCHASED WATER														
5430 PURCHASED WATER														
5435 PURCHASED WATER	10,267	10,267	10,267	10,267	10,267	10,267	10,600	10,267	9,934	10,267	10,267	10,267	10,267	123,204
5440 PURCHASED WATER														
5445 PURCHASED WATER														
5425 PURCHASED WATER	10,267	10,267	10,267	10,267	10,267	10,267	10,600	10,267	9,934	10,267	10,267	10,267	10,267	123,204
5450 PURCHASED SEWER														
5455 PURCHASED SEWER														
5460 PURCHASED SEWER														
5450 PURCHASED SEWER														
5465 ELEC PWR - WATER														
5465.10 ELEC PWR - W	10,850	2,068	6,729	5,532	7,647	4,786	7,880	7,368	7,912	11,322	7,426	3,887	6,825	79,381
5465.11 ELEC PWR - W														
5465.12 ELEC PWR - W														
5465.13 ELEC PWR - W														
5465 ELEC PWR - WATER	10,850	2,068	6,729	5,532	7,647	4,786	7,880	7,368	7,912	11,322	7,426	3,887	6,825	79,381
5470 ELEC PWR - SWR S														
5470.10 ELEC PWR - S	548	(88)	1,397	(15)	396	(1)	1,306	1,393	855	1,432	436	1,225	2,054	10,392
5470.11 ELEC PWR - S														
5470.12 ELEC PWR - S														
5470.13 ELEC PWR - S														
5470.14 ELEC PWR - S														
5470.15 ELEC PWR - S														
5470 ELEC PWR - SWR S	548	(88)	1,397	(15)	396	(1)	1,306	1,393	855	1,432	436	1,225	2,054	10,392
5471 ELEC PWR - OTHER														
5475 CHEMICALS														
5480 CHLORINE	4,140	3,442	4,221	3,278	3,827	3,533	3,414	696	1,831	3,991	2,140	1,225	2,563	34,161
5485 ODOR CONTROL CH														
5490 OTHER TREATMENT	9,538	9,586	10,326	9,404	18,568	4,911	4,135	3,769	3,501	4,433	12,263	7,685	9,923	98,503
5475 CHEMICALS	13,678	13,028	14,547	12,682	22,395	8,443	7,549	4,465	5,332	8,423	14,403	8,910	12,486	132,664
5495 METER READING														
5500 BAD DEBT EXPENSE														
5505 AGENCY EXPENSE	69	55	54	70	91	52	39	27	(23)	60	53	37	34	549
5510 UNCOLLECTIBLE A	4,038	3,790	(8,030)	6,472	5,452	4,382	5,189	2,509	2,219	4,226	2,977	2,822	3,119	35,128
5515 UNCOLL ACCOUNTS	300	2,415	699	(1,748)	4	1,511	(2,126)	1,952	1,672	(70)	752	612	479	6,152
5500 BAD DEBT EXPENSE	4,407	6,260	(7,277)	4,795	5,547	5,944	3,102	4,488	3,869	4,216	3,782	3,470	3,632	41,829
5520 BILLING & CUSTOM														
5525 BILL STOCK	78	49	63	58	56	38	68	61	60	64	66	67	68	718
5530 BILLING COMPUTE														
5535 BILLING ENVELOP	90	116	121	109	128	72	126	108	111	102	96	108	94	1,292
5540 BILLING POSTAGE	1,640	1,763	2,076	890	2,131	1,722	1,098	2,186	1,388	1,716	1,771	1,524	1,914	20,179
5545 CUSTOMER SERVIC	1,559	20			159	155	1	22			185	697	139	1,378
5520 BILLING & CUSTOM	3,366	1,949	2,260	1,057	2,475	1,987	1,292	2,378	1,560	1,882	2,117	2,395	2,215	23,567
5620 EMPLOYEE BENEFIT														
5625 401K PROFIT SHA	2,010	2,036	2,030	2,022	2,012	2,604	2,185	2,058	2,022	2,013	2,043	2,037	2,040	25,102
5630 HEALTH ADMIN AN	1,356	1,458	1,371	1,344	1,366	1,363	1,337	1,928	1,423	1,428	1,457	1,457	1,443	17,375
5635 DENTAL	405	230	519	110	284	329	260	308	227	324	168	328	309	3,395
5640 EMP PENSIONS &														
5645 EMPLOYEE INS DE	(2,207)	(2,145)	(2,034)	(2,819)	(2,175)	(2,119)	(2,145)	(2,080)	(2,140)	(2,886)	(2,094)	(2,142)	(2,207)	(26,987)
5650 HEALTH COSTS &	63	109	64	1,021	46	302	82	2	48	59	1	62	106	1,902
5655 HEALTH INS CLAI	8,493	10,696	6,530	10,144	11,341	7,871	12,375	15,761	10,851	9,219	7,765	8,893	13,081	124,527
5660 OTHER EMP BENEF	19	60	86	87	154	36	57	6	46	101	54	116	110	913
5665 PENSION / 401K	812	703	1,139	667	649	774	652	721	823	871	629	874	715	9,216
5670 TERM LIFE INS	349	351	357	363	363	357	354	356	356	356	356	356	356	4,288
5675 TERM LIFE INS-O	(71)	(71)	(76)	(94)	(76)	(75)	(75)	(75)	(74)	(92)	(74)	(71)	(71)	(923)
5680 DEPEND LIFE INS	(39)	(39)	(38)	(47)	(37)	(37)	(37)	(37)	(37)	(46)	(38)	(38)	(38)	(468)
5685 SUPPLEMENTAL LI														
5690 TUITION				1										1
5620 EMPLOYEE BENEFIT	11,189	13,389	9,948	12,800	13,926	11,406	15,044	18,949	13,545	11,347	10,267	11,634	16,087	158,342
5695 INSURANCE EXPENS														
5700 INSURANCE-VEHIC														
5705 INSURANCE-GEN L	5,186	5,262	5,240	5,243	5,203	5,159	5,128	5,006	4,343	4,872	4,969	4,876	4,893	60,193
5710 INSURANCE-WORKE														
5715 INSURANCE-OTHER	(0)	1,467	1,225	137		2,648	80	164	295	161	609	712	1,402	8,900
5695 INSURANCE EXPENS	5,185	6,729	6,465	5,380	5,203	7,807	5,208	5,170	4,638	5,033	5,578	5,588	6,295	69,093
5730 IT DEPARTMENT														
5735 COMPUTER MAINTE	1,514	1,572	1,509	1,592	1,795	1,946	1,593	1,149	1,195	2,262	1,935	1,886	1,820	20,254
5740 COMPUTER SUPPLI	112			1										1
5745 COMPUTER AMORT			(15)		15									(0)
5750 INTERNET SUPPLI	246	249	249		246	245	490	245	240	241	240	277	281	3,004
5755 MICROFILMING														
5760 WEBSITE DEVELOP														
5730 IT DEPARTMENT	1,873	1,822	1,742	1,593	2,056	2,191	2,083	1,394	1,435	2,503	2,176	2,163	2,101	23,258
5780 MISCELLANEOUS EX														
5785 ADVERTISING/MAR	61	677	64			69	192							1,002
5790 BANK SERVICE CH	206	214	217	230	414	214	332	176	142	241	202	254	190	2,827
5795 CONTRIBUTIONS			4	96	(86)							13		27
5800 LETTER OF CREDI														
5805 LICENSE FEES	52	24				4		49				247		325
5810 MEMBERSHIPS	16	67		64	10	5	270	3,737	140	1,236		27	4	5,561
5815 PENALTIES/FINES					1	5,002		(5,000)						3
5820 TRAINING EXPENS	(4)	19	440	89	34	93	40			26	19	4	149	913
5825 OTHER MISC EXPE	167	105	196	(204)	208	(204)	25	1	8	(21)	127	(30)	99	310
5780 MISCELLANEOUS EX	498	1,106	921	276	581	5,184	859	(1,037)	290	1,483	348	515	442	10,967
5850 OFFICE EXPENSE														
5855 ANSWERING SERVI	57	58	57	53	57		113			111	30	86	82	647
5860 CLEANING SUPPLI		14	123	15	116	0	40	17	341	74	43	228	59	1,071
5865 COPY MACHINE	21	52	147	105	7	84	239	39	18	70	197	130	67	1,155
5870 HOLIDAY EVENTS/	4	(1)		5	73	41	213			65		5	6	407
5875 KITCHEN SUPPLIE	7	6	8	9	9	5	11	95	17	50	56	35	6	307
5880 OFFICE SUPPLY S	15	213	47	152	38	54	66	235	72	100	44	26	23	1,070
5885 PRINTING/BLUEPR	8	33					33	49	80	32		1	5	232
5890 PUBL SUBSCRIPTPT	0	0						7						7
5895 SHIPPING CHARGE	349	728	767	271	640	164	417	244	259	418	309	561	474	5,252
5900 OTHER OFFICE EX														

Description	June	July	August	September	October	November	December	January	February	March	April	May	June	Total
5925 OFFICE UTILITIES	4,097	4,133	4,963	4,528	4,880	3,262	4,451	3,585	3,624	4,282	4,707	4,661	5,275	52,352
6000 OUTSIDE SERVICE														
6005 ACCOUNTING STUD														
6010 AUDIT FEES	2,710	2,595	604	990	985	980	(269)	594	613	586	584	582	583	9,427
6015 EMPLOY FINDER F		2	2	5		32	13	4	0	1		1		60
6020 ENGINEERING FEE														
6025 LEGAL FEES		7	9	47		1,080	11,338		338	(338)	301			12,783
6030 MANAGEMENT FEES														
6035 PAYROLL SERVICE	184	187	283	185	201	234	229	316	181	185	235	190	221	2,645
6040 TAX RETURN REVI	253	256	255	3,712	3,694	6,030	9,696	857	842	937	841	839	840	28,799
6045 TEMP EMPLOY - C	86	17			110	161	57			4				348
6050 OTHER OUTSIDE S	618	893	956	871	854	2,102	816	563	1,130	804	570	1,366	1,007	11,933
6000 OUTSIDE SERVICE	3,850	3,957	2,109	5,810	5,844	10,620	21,879	2,335	3,104	2,179	2,531	2,978	2,651	65,996
6060 REGULATORY COMM														
6065 RATE CASE AMORT	3,926	11,081	7,155	7,155	7,155	7,155	7,155	7,097	7,097	7,097	7,097	7,097	7,097	89,439
6070 MISC REG MATTER	228				4,905	(4,162)	1,058							1,800
6075 WATER RESOURCE														
6080 MISC RATE CASE												23,078		23,078
6060 REGULATORY COMM	4,154	11,081	7,155	7,155	12,060	2,993	8,213	7,097	7,097	7,097	7,097	30,175	7,097	114,316
6085 RENT EXPENSE														
6090 RENT	691	453	499	750	638	787	734	709	691	692	708	706	843	8,210
6085 RENT EXPENSE	691	453	499	750	638	787	734	709	691	692	708	706	843	8,210
6100 SALARIES & WAGES														
6105 SALARIES-SYSTEM														
6110 SALARIES-ACCOUN	2,191	2,359	2,631	2,259	2,316	2,202	4,497	2,259	2,040	2,502	2,774	2,302	2,335	30,476
6115 SALARIES-ADMIN	368	396	318	272	407	369	389	419	303	391	512	341	351	4,468
6120 SALARIES-OFFICE	6,270	2,423	6,172	2,867	2,853	2,840	(11,822)	1,826	1,849	1,774	1,848	1,813	1,818	16,261
6125 SALARIES-HR	339	345	344	343	336	339	352	356	355	356	360	371	370	4,226
6130 SALARIES-IT	813	844	821	828	834	729	866	847	799	762	825	818	824	9,798
6135 SALARIES-LEADER	5,370	6,982	9,769	7,743	4,628	5,850	6,165	2,974	3,419	2,759	4,650	4,866	6,057	65,863
6140 SALARIES-HSE	967	980	977	973	955	864	715	484	628	703	750	641	701	9,370
6145 SALARIES-CUSTOM	2,269	2,420	2,125	2,308	2,496	2,239	2,454	2,339	2,134	2,171	2,282	2,239	2,374	27,579
6146 SALARIES-BILLIN	1,099	1,028	977	958	1,001	1,013	1,002	981	907	949	1,154	947	975	11,894
6147 SALARIES-CORP S														
6150 SALARIES-OPERAT	35,454	37,869	35,777	39,734	37,799	30,284	38,236	36,921	33,265	44,467	34,808	38,232	37,567	444,959
6155 SALARIES-OPERAT	3,212	3,648	3,277	3,936	3,564	3,975	5,099	3,616	3,045	3,989	3,611	3,429	3,694	44,883
6160 SALARIES-CHGD T								665	660	1,067	1,088	1,086	2,210	6,777
6165 CAPITALIZED TIM	(20,015)	(13,622)	(15,820)	(23,759)	(14,060)	(10,465)	(8,106)	(7,506)	(7,959)	(12,509)	(10,849)	(21,454)	(13,590)	(159,698)
6170 CAPITALIZED TIM														
6100 SALARIES & WAGES	38,337	45,674	47,368	38,460	43,130	40,239	39,846	46,181	41,443	49,380	43,813	35,632	45,688	516,856
6180 TRAVEL EXPENSE														
6185 TRAVEL LODGING	300	683	659	796	202	751	522	200	104	837	280	218	282	5,532
6190 TRAVEL AIRFARE	(9)	580	699	34	74	533	68	15	50	171	68	87	375	2,753
6195 TRAVEL TRANSPOR	3	313	39	3	16	186	26	1	11	10	31	7	53	696
6200 TRAVEL MEALS	108	840	223	(180)	185	223	245	65	43	522	65	233	175	2,638
6205 TRAVEL ENTERTAI			13		2	3	13		2		19	1	5	57
6207 TRAVEL OTHER	4	4	69	2	5	51	3	5	14	3	734	(640)	(66)	183
6180 TRAVEL EXPENSE	406	2,419	1,701	654	483	1,747	876	286	223	1,542	1,197	(94)	825	11,859
6210 FLEET TRANSPORTA														
6215 FUEL	3,327	2,630	2,897	2,553	2,701	1,801	1,820	1,650	1,733	1,792	1,656	1,872	1,669	24,772
6220 AUTO REPAIR/TIR	131	288	360	94	786	1,687	404	2,606	1,262	257	2,664	907	111	11,426
6225 AUTO LICENSES						187	21		501				1	710
6230 OTHER TRANS EXP	28								476		566		320	2,135
6210 FLEET TRANSPORTA	3,486	2,918	3,258	2,647	3,487	3,674	2,245	4,256	3,972	2,823	4,885	2,778	2,100	39,043
6250 MAINTENANCE TEST														
6255 TEST-WATER	1,435	3,331	1,248	998	2,257	838	1,798	1,538	508	747	3,299	1,666	1,344	19,573
6260 TEST-EQUIP/CHEM	175	779	993	622	791	342	497	2,561	361	545	774	945	427	9,638
6265 TEST-SAFE DRINK								203						203
6270 TEST-SEWER	1,208	1,154	597		190	231	808	1,029	779	516	457	1,537	889	8,188
6250 MAINTENANCE TEST	2,818	5,265	2,838	1,620	3,238	1,412	3,104	5,331	1,648	1,808	4,530	4,148	2,660	37,602
6280 MAINTENANCE-WATE														
6285 WATER-MAINT SUP	1,011	410	1,032	414	489	1,657	205	408	795	594	452	587	1,028	8,072
6290 WATER-MAINT REP	336	70	293	1,934	2,400	1,590		113	1,731	1,758				9,888
6295 WATER-MAIN BREA	701	734		671						5,063		4,175		10,643
6300 WATER-ELEC EQUI						90								90
6305 WATER-PERMITS														
6310 WATER-OTHER MAI	167	988	6,733	12,397	(2,355)	1,898	1,409	240	1,337	509	716	1,846	331	26,048
6280 MAINTENANCE-WATE	2,214	2,201	8,057	15,416	535	5,235	1,613	761	3,863	7,924	1,168	6,608	1,359	54,741
6315 MAINTENANCE-SEWE														
6320 SEWER-MAINT SUP	32	1,037	(138)	55	140		35				624			1,753
6325 SEWER-MAINT REP	300			1,500										1,500
6330 SEWER-MAIN BREA														
6335 SEWER-ELEC EQUI										7,095	626			7,721
6340 SEWER-PERMITS														
6345 SEWER-OTHER MAI		30	86	2,807			788							3,710
6315 MAINTENANCE-SEWE	332	1,067	(53)	4,362	140		822			7,095	1,250			14,684
6350 MAINTENANCE-WTR&														
6355 DEFERRED MAINT	1,506	1,506	1,506	1,574	1,986	1,676	1,676	1,676	1,676	1,676	1,676	1,676	1,676	19,977
6360 COMMUNICATION E							120	11		45			11	188
6365 EQUIPMENT RENTA														
6370 OPER CONTRACTED	600	600	600	600	600	600	600	600	600	600	600	600	600	7,200
6375 OUTSIDE LAB FEE														
6380 REPAIRS & MAINT														
6385 UNIFORMS	69	118		191		1,179	(14)	118	68	8		868	60	2,595
6390 WEATHER/HURRICA	261	52	189	147	125	106		953	160	81	12	142	101	2,067
6350 MAINTENANCE-WTR&	2,436	2,276	2,295	2,512	2,711	3,561	2,382	3,358	2,503	2,410	2,287	3,286	2,446	32,028
6400 SEWER RODDING														
6410 SLUDGE HAULING														
5420 OPERATING EXPENSE	125,087	139,122	128,348	138,935	148,656	132,035	142,243	129,774	118,515	146,068	131,725	141,927	134,211	1,631,558
6430 DEPRECIATION & AM														
6435 DEPRECIATION EXP														
6445 DEPREC-ORGANIZA	274	274	274	274	274	274	274	274	274	274	274	274	274	3,288
6450 DEPREC-FRANCHIS														







Description	June	July	August	September	October	November	December	January	February	March	April	May	June	Total
7650 MISCELLANEOUS IN														
7675 RENTAL / OTHER I														
7680 RENTAL INCOME		300	600	300	300		600		300	300	600	(1,200)		1,800
7685 INTEREST INCOME														
7690 SALE OF EQUIPME														
7691 NET BOOK VALUE-														
7692 DISPOSAL-CLEARI														
7693 DISPOSAL-PROCEE														
7675 RENTAL / OTHER I		300	600	300	300		600		300	300	600	(1,200)		1,800
7630 OTHER INCOME		300	600	300	300		600		300	300	600	(1,200)		1,800
7625 OTHER INCOME		300	600	300	300		600		300	300	600	(1,200)		1,800
7695 OTHER EXPENSE														
7700 INTEREST EXPENSE														
7705 AMORT OF DEB & A														
7710 INTEREST EXPENSE	44,364			42,291			44,543			42,342			46,375	175,551
7715 LONG TERM INTERE														
7720.10 L/T INT EXP														
7720.11 L/T INT EXP														
7720.12 L/T INT EXP														
7720.13 L/T INT EXP														
7720.14 L/T INT EXP														
7720.15 L/T INT EXP														
7720.16 L/T INT EXP														
7720.17 L/T INT EXP														
7720.18 L/T INT EXP														
7720.19 L/T INT EXP														
7720.20 L/T INT EXP														
7720.21 L/T INT EXP														
7720.22 L/T INT EXP														
7720.23 L/T INT EXP														
7720.24 L/T INT EXP														
7720.25 L/T INT EXP														
7720.26 L/T INT EXP														
7720.27 L/T INT EXP														
7720.28 L/T INT EXP														
7715 LONG TERM INTERE														
7725 LOSS ON DEBT REF														
7730 SHORT TERM INTER														
7735.10 S/T INT EXP														
7735.11 S/T INT EXP		3	3	3	4	4	4	3	3	3	3	3	3	41
7735.12 S/T INT EXP		(2)	(22)	(9)	(7)	(5)	(8)	(5)	(112)	61	(1)	36	(3)	(79)
7735.13 S/T INT EXP														
7735.14 S/T INT EXP														
7735.15 S/T INT EXP														
7735.16 S/T INT EXP														
7735.17 S/T INT EXP														
7735.18 S/T INT EXP														
7735.19 S/T INT EXP														
7730 SHORT TERM INTER		1	(19)	(6)	(3)	(1)	(5)	(2)	(108)	64	3	40	0	(38)
7700 INTEREST EXPENSE	44,365	(19)	(6)	42,288	(1)	(5)	44,541	(108)	64	42,344	40	0	46,375	175,513
7745 ALLOW FUNDS USED														
7750 INTEREST DURING							(335)	(363)	(366)	(366)	(404)	(486)	(2,707)	(5,026)
7745 ALLOW FUNDS USED							(335)	(363)	(366)	(366)	(404)	(486)	(2,707)	(5,026)
7760 GAIN/LOSS ON DISP														
7765 SALE OF UTILITY														
7770 TAX EFFECT OF CA														
7775 CURRENT TAX-FIT														
7780 DEFERRED TAX-FI														
7785 CURRENT TAX-SIT														
7790 DEFERRED TAX-SI														
7795 TAX EFFECT OF C														
7770 TAX EFFECT OF CA														
7760 GAIN/LOSS ON DISP														
7695 OTHER EXPENSE	44,365	(19)	(6)	42,288	(1)	(5)	44,207	(471)	(301)	41,978	(364)	(486)	43,668	170,486
7620 TOTAL OTHER INCOME	44,065	(19)	(606)	41,988	(301)	(5)	43,607	(471)	(601)	41,678	(964)	714	43,668	168,686
Net Income (Loss)	(17,727)	41,643	32,498	(16,197)	860	7,582	76,229	18,486	21,909	(38,225)	52,188	13,983	(23,519)	187,438

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 16

Water Service Corporation of Kentucky  
Docket 2015-00382  
Allocated Expenses and Rate Base  
For the Test Year Ended June 30, 2015

	A	B	C	D	E	F	G
Line No.	Account Number	Account Description	Water Service Corporation (WSC)	President Cost Center	Midwest Cost Center	State Cost Center	Per Books Allocations
<i>Expenses</i>							
1	5505	AGENCY EXPENSE	549	-	-	-	549
2	5510	UNCOLLECTIBLE ACCOUNTS	(0)	-	-	-	(0)
3	5525	BILL STOCK	718	-	-	-	718
4	5535	BILLING ENVELOPES	1,292	-	-	-	1,292
5	5540	BILLING POSTAGE	20,371	-	-	-	20,371
6	5545	CUSTOMER SERVICE PRINTI	224	-	-	-	224
7	5625	401K PROFIT SHARING	25,102	-	-	-	25,102
8	5630	HEALTH ADMIN AND STOP LOSS	17,375	-	-	-	17,375
9	5635	DENTAL	3,395	-	-	-	3,395
10	5645	EMPLOYEE INS DEDUCTIONS	(26,987)	-	-	-	(26,987)
11	5650	HEALTH COSTS & OTHER	657	-	-	-	657
12	5655	HEALTH INS CLAIMS	124,527	-	-	-	124,527
13	5660	OTHER EMP BENEFITS	779	-	-	134	913
14	5665	PENSION / 401K MATCH	9,216	-	-	-	9,216
15	5670	TERM LIFE INS	4,288	-	-	-	4,288
16	5675	TERM LIFE INS-OPT	(923)	-	-	-	(923)
17	5680	DEPEND LIFE INS-OPT	(468)	-	-	-	(468)
18	5690	TUITION	1	-	-	-	1
19	5705	INSURANCE-GEN LIAB	60,193	-	-	-	60,193
20	5715	INSURANCE-OTHER	8,900	-	-	-	8,900
21	5735	COMPUTER MAINTENANCE	20,254	-	-	-	20,254
22	5740	COMPUTER SUPPLIES	1	-	-	-	1
23	5745	COMPUTER AMORT & PROG C	(0)	-	-	-	(0)
24	5750	INTERNET SUPPLIER	3,004	-	-	-	3,004
25	5785	ADVERTISING/MARKETING	847	69	-	-	916
26	5790	BANK SERVICE CHARGE	2,779	-	-	-	2,779
27	5795	CONTRIBUTIONS	14	14	-	-	27
28	5805	LICENSE FEES	4	-	74	-	77
29	5810	MEMBERSHIPS	1,278	59	76	-	1,414
30	5815	PENALTIES/FINES	3	-	-	(0)	3
31	5820	TRAINING EXPENSE	470	-	3	-	473
32	5825	OTHER MISC EXPENSE	523	-	(187)	-	336
33	5855	ANSWERING SERVICE	647	-	-	-	647
34	5860	CLEANING SUPPLIES	96	-	-	-	96
35	5865	COPY MACHINE	189	-	21	-	209
36	5870	HOLIDAY EVENTS/PICNICS	96	-	38	-	133
37	5875	KITCHEN SUPPLIES	89	-	-	-	89

38	5880	OFFICE SUPPLY STORES	245	-	-	-	245
39	5885	PRINTING/BLEUPRINTS	115	-	-	69	184
40	5890	PUBL SUBSCRIPTIONS/TAPE	7	-	-	-	7
41	5895	SHIPPING CHARGES	721	-	20	-	741
42	5900	OTHER OFFICE EXPENSES	392	19	-	-	410
43	5930	OFFICE ELECTRIC	414	-	-	-	414
44	5935	OFFICE GAS	155	-	-	-	155
45	5940	OFFICE WATER	32	-	-	-	32
46	5945	OFFICE TELECOM	32,883	391	14	-	33,287
47	5950	OFFICE GARBAGE REMOVAL	228	-	159	-	388
48	5955	OFFICE LANDSCAPE / MOW	538	-	-	-	538
49	5960	OFFICE ALARM SYS PHONE	172	-	-	-	172
50	5965	OFFICE MAINTENANCE	569	-	-	-	569
51	5970	OFFICE CLEANING SERVICE	803	-	-	-	803
52	5975	OFFICE MACHINE/HEAT&COO	147	-	-	-	147
53	5980	OTHER OFFICE UTILITIES	4	-	-	-	4
54	6010	AUDIT FEES	9,427	-	-	-	9,427
55	6015	EMPLOY FINDER FEES	60	-	-	-	60
56	6025	LEGAL FEES	777	-	-	1,080	1,858
57	6035	PAYROLL SERVICES	2,645	-	-	-	2,645
58	6040	TAX RETURN REVIEW	28,799	-	-	-	28,799
59	6045	TEMP EMPLOY - CLERICAL	348	-	-	-	348
60	6050	OTHER OUTSIDE SERVICES	6,701	-	-	113	6,814
61	6090	RENT	511	-	1,758	-	2,269
62	6110	SALARIES-ACCTG/FINANCE	28,278	-	-	-	28,278
63	6115	SALARIES-ADMIN	4,468	-	-	-	4,468
64	6120	SALARIES-OFFICERS/STKHL	18,459	-	-	-	18,459
65	6125	SALARIES-HR	4,226	-	-	-	4,226
66	6130	SALARIES-MIS	9,798	-	-	-	9,798
67	6135	SALARIES-LEADERSHIP OPS	-	54,727	(6,209)	1,311	49,829
68	6140	SALARIES-REGULATORY	9,370	-	-	-	9,370
69	6145	SALARIES-CUSTOMER SERVI	27,579	-	-	-	27,579
70	6146	SALARIES-BILLING	11,894	-	-	-	11,894
71	6150	SALARIES-OPERATIONS FIE	-	-	-	222	222
72	6155	SALARIES-OPERATIONS OFF	-	-	(405)	74	(331)
73	6160	SALARIES-CHGD TO PLT-WS	-	6,777	-	-	6,777
74	6165	CAPITALIZED TIME ADJUST	(166)	-	-	(1,311)	(1,476)
75	6185	TRAVEL LODGING	1,061	-	461	1,656	3,178
76	6190	TRAVEL AIRFARE	618	449	-	1,686	2,753
77	6195	TRAVEL TRANSPORTATION	141	61	-	257	459
78	6200	TRAVEL MEALS	730	7	144	432	1,312
79	6205	TRAVEL ENTERTAINMENT	57	-	-	-	57
80	6207	TRAVEL OTHER	52	5	12	115	183
81	6215	FUEL	61	-	(40)	24,752	24,772
82	6220	AUTO REPAIR/TIRES	72	-	-	8,854	8,926

83	6225	AUTO LICENSES	1	-	166	543	710
84	6230	OTHER TRANS EXPENSES	1	-	11	2,123	2,135
85	6360	COMMUNICATION EXPENSE	-	-	120	-	120
86	6385	UNIFORMS	73	-	-	-	73
87	6390	WEATHER/HURRICANE/FUEL	-	-	-	1,228	1,228
88	6580	DEPREC-OFFICE STRUCTURE	1,943	-	-	-	1,943
89	6585	DEPREC-OFFICE FURN/EQPT	1,078	-	-	-	1,078
90	6595	DEPREC-TOOL SHOP & MISC	(61)	-	-	-	(61)
91	6610	DEPREC-COMMUNICATION EQ	1,557	-	157	-	1,714
92	6905	DEPREC-AUTO TRANS	-	-	-	32,421	32,421
93	6920	DEPREC-COMPUTER	102,347	-	-	-	102,347
94	7510	FICA EXPENSE	7,640	4,960	1,990	35,240	49,830
95	7515	FEDERAL UNEMPLOYMENT TA	89	29	9	1,302	1,429
96	7520	STATE UNEMPLOYMENT TAX	1,378	627	186	2,581	4,770
97	7535	FRANCHISE TAX	31	-	-	15	46
98	7545	PERSONAL PROPERTY/ICT T	8	-	-	-	8
99	7550	PROPERTY/OTHER GENERAL	225	-	-	-	225
100	7555	REAL ESTATE TAX	1,977	-	-	-	1,977
101	7595	DEF INCOME TAX-FEDERAL	(3)	-	-	-	(3)
102	7600	DEF INCOME TAXES-STATE	(10)	-	-	-	(10)
103	7605	INCOME TAXES-FEDERAL	-	-	-	-	-
104	7610	INCOME TAXES-STATE	(1)	-	-	-	(1)
105	7710	INTEREST EXPENSE-INTERCO	175,551	-	-	-	175,551
106	7735	S/T INT EXP BANK ONE	(79)	-	-	-	(79)
107	7750	INTEREST DURING CONSTRUC	(80)	-	-	-	(80)
108							
109		<b>Total Expenses</b>	<b>776,557</b>	<b>68,192</b>	<b>(1,425)</b>	<b>114,898</b>	<b>958,222</b>
110		<b>Rate Base</b>					
111	1045	LAND & LAND RIGHTS GEN	2,507	-	-	-	2,507
112	1175	OFFICE STRUCT & IMPRV	78,909	-	-	-	78,909
113	1180	OFFICE FURN & EQPT	37,237	-	-	-	37,237
114	1190	TOOL SHOP & MISC EQPT	554	-	-	-	554
115	1205	COMMUNICATION EQPT	9,364	-	1,271	-	10,636
116	1555	TRANSPORTATION EQPT WTR	939	-	-	593,266	594,204
117	1580	MAINFRAME COMPUTER WTR	28,679	-	-	-	28,679
118	1585	MINI COMPUTERS WTR	92,263	-	-	42,579	134,843
119	1590	COMP SYS COST WTR	656,947	-	-	-	656,947
120	1595	MICRO SYS COST WTR	14,842	-	-	3,237	18,079
121	1970	ACC DEPR-OFFICE STRUCTU	(40,728)	-	-	-	(40,728)
122	1975	ACC DEPR-OFFICE FURN/EQ	(33,010)	-	-	-	(33,010)
123	1985	ACC DEPR-TOOL SHOP & MI	(524)	-	-	-	(524)
124	2000	ACC DEPR-COMMUNICATION	(5,006)	-	(742)	-	(5,748)
125	2300	ACC DEPR-TRANSPORTATION	(939)	-	-	(549,287)	(550,225)
126	2320	ACC DEPR-MAINFRAME COMP	(28,653)	-	-	-	(28,653)
127	2325	ACC DEPR-MINI COMP WTR	(58,397)	-	-	(42,579)	(100,976)
128	2330	COMP SYS AMORTIZATION W	(573,458)	-	-	-	(573,458)
129	2335	MICRO SYS AMORTIZATION	(14,842)	-	-	(3,237)	(18,079)
130	4387	DEF FED TAX - DEPRECIATION	(12,195)	-	-	-	(12,195)
131	4389	DEF FED TAX - NOL	128	-	-	-	128
132	4417	ACCUM DEF INCOME TAX - ST	5	-	-	-	5
133	4427	DEF ST TAX - DEF MAINT	(0)	-	-	-	(0)
134	4437	DEF ST TAX - DEPRECIATION	(320)	-	-	-	(320)
135	4612	ACCRUED TAXES GENERAL	(151)	-	-	-	(151)
136	4628	ACCRUED REAL EST TAX	(1,972)	-	-	-	(1,972)
137	4635	ACCRUED USE TAX	(2)	-	-	-	(2)
138	4661	ACCRUED ST INCOME TAX	200	-	-	-	200
139							
140		<b>Total Rate Base</b>	<b>152,380</b>	<b>-</b>	<b>530</b>	<b>43,979</b>	<b>196,888</b>

**AGREEMENT**

Agreement dated December 19, 2007 between Water Service Corp., a Delaware corporation (hereinafter called the "**Service Company**") and Water Service Corporation of Kentucky (hereinafter called the "**Operating Company**");

WHEREAS, both the Service Company and the Operating Company are subsidiaries of or affiliated with Utilities, Inc., an Illinois corporation (hereinafter called the "**Parent**"); and

WHEREAS, the Service Company maintains an organization which includes among its officers and employees, persons who are familiar with the development, business and property of the Operating Company and are experienced in the conduct, management, financing, construction, accounting and operation of water and sewer properties and are qualified to be of great aid and assistance to the Operating Company through the services to be performed under this Agreement; and

WHEREAS, the Service Company has or proposes to enter into agreements similar to this Agreement with certain affiliated water and/or sewer companies (hereinafter referred to collectively as the "**Operating Companies**"); and

WHEREAS, the services to be rendered under this Agreement are to be rendered at cost and without profit to the Service Company;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

The Service Company will furnish to the Operating Company, upon the terms and conditions hereinafter set forth, the following services:

- A. EXECUTIVE: The principal executive officers of the Service Company, such as the Chairman of the Board, President and Vice Presidents, and Treasurer will assist and advise the Operating Company in respect to corporate, financial, operating, engineering, organization, regulatory, and other



problems. They will keep themselves informed in regard to the operation, maintenance and financial condition of, and other matters relating to, the Operating Company through contacts with the officers, directors and other representatives of the Operating Company. Such officers of the Service Company will visit the property of the Operating Company when necessary to the proper furnishing of the services provided for in this Agreement. They will also supervise the personnel of the Service Company to the end that services under this Agreement shall be performed efficiently, economically and satisfactorily to the Operating Company.

- B. ENGINEERING: The Service Company will supply engineering services as required in all areas of design, construction, operation and management of the Operating Company.
- C. OPERATING: The Service Company will furnish competent personnel to perform and/or control all normal operating functions, including pumping, treatment, and distribution as well as maintenance of all equipment and facilities. These responsibilities will include testing and record keeping to insure compliance with all state and local regulatory agency requirements.
- D. ACCOUNTING: The Service Company will provide total accounting service, including bookkeeping, payroll, tax determination, financial statement preparation, budgets, credit, P.S.C. annual reports, etc. Periodic analyses will be made for purposes of planning and measurement of efficiency.
- E. LEGAL: The Service Company will employ general counsel as necessary to advise and assist it in the performance of the services herein provided for and to aid the operating company in all matters where such assistance may be desired.
- F. BILLING AND CUSTOMER RELATIONS: The Service Company will handle all billing and collections. It will serve as the link between the customer and

the Operating Company in all areas such as new accounts, deposits, meter reading, inquiries, and complaints.

- G. CONSTRUCTION: The Service Company will perform directly or supervise all construction, including customer connections, meter installations, main extensions, plant expansions, or capital additions of any nature as required by the Operating Company.
- H. ALL OTHER SERVICES AS PROVIDED FOR IN APPENDIX A: In addition to items (A) through (G), the Service Company will employ or provide personnel to perform the attached services, or in the instance of assets. Liabilities, and associated non-cash items, has incurred costs associated with providing service to the corporate headquarters, regional areas, or to all operating companies as a whole. The allocated costs from these services will be for costs attributable to all operating companies, costs attributable to the Service Company, or for costs that cannot, without excessive effort and expense, be directly identified and related to services rendered to a particular operating company.

In consideration for the services to be rendered by the Service Company as hereinabove provided, the Operating Company agrees to pay to the Service Company the cost of said services. Said cost shall not include a markup for profit. In addition, the investment in the Service Company rate base, including depreciation, amortization, interest on debt and a return on the equity invested.

All costs of the Service Company, including salaries and other expenses, incurred in connection with services rendered by the Service Company for the Operating Companies which can, without excessive effort or expense, be identified and related to services rendered to a particular Operating Company, shall be charged directly to such company. Examples of such costs to be directly allocated include salary and other expenses incurred for specific projects such as rate cases, construction projects, legal proceedings, etc. Similarly, all such costs which may be identified and related to

services rendered to a particular group of the Operating Companies shall be charged directly to such group of the Operating Companies.

All such costs which, because of their nature, cannot, without excessive effort or expense, be identified and related to services rendered to a particular Operating Company, shall be allocated among all the Operating Companies, in the manner hereinafter set forth.

First, the allocable costs shall be distributed on a monthly basis, unless the Parent should elect to make a supplementary analysis for a special purpose.

Secondly, these costs will be prorated on the basis of the proportion of active Equivalent Residential Customers ("ERCs") served by the Operating Company to the total number of active ERCs served by the Parent and its affiliates (including, without limitation, the Operating Company), determined as of the end of each month. For purposes of this Agreement, the number of ERCs attributable to each water and sewer connection maintained by the Parent and its affiliates (including, without limitation, the Operating Company) will be determined by applying the formulae set forth in Appendix B.

The Service Company will also at any time, upon request of the Operating Company, furnish to it any and all information required by the Operating Company or by any governmental authorities having jurisdiction over the Operating Company with respect to the services rendered by the Service Company hereunder, the cost thereof and the allocation of such cost among the Operating Companies. In the case of services in connection with construction, the Service Company will, to the extent practicable, furnish to the Operating Company such information as shall be necessary to permit the allocation of charges for such services to particular work orders.

This Agreement shall be in full force and effect from the date as hereinabove mentioned and shall continue in full force and effect until termination by either of the parties hereto upon ninety days notice in writing.

IN WITNESS WHEREOF, the Service Company and the Operating Company have caused these presence to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and attest by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

Water Service Corporation

BY Steven Luberto  
Steven Luberto  
Vice President and Chief Financial  
Officer

Attest

JLH

Water Service Corporation of Kentucky

BY Steven Luberto  
Steven Luberto  
Vice President and Chief Financial  
Officer

Attest

JLH

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 17

**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Balance Sheet**  
**Test Year Ended 6/30/2015**

**Schedule A**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
<u>Line No.</u>	<u>ASSETS</u>		<u>LIABILITIES AND OTHER CREDITS</u>	
1	Plant In Service		Capital Stock and Retained Earnings	
2	Water	\$ 11,829,534		
3	Sewer	-	Common Stock and Paid In Capital	\$ 5,068,438
4		<u>                    </u>	Retained Earnings	(161,552)
5	Total	\$ 11,829,534		
6		<u>                    </u>	Total	\$ 4,906,886
7	Accumulated Depreciation-Water	(5,181,177)		
8	Accumulated Depreciation-Sewer	-	Current and Accrued Liabilities	
9		<u>                    </u>	Accounts Payable-Trade	354,067
10	Total	\$ (5,181,177)	Taxes Accrued	(25,639)
11		<u>                    </u>	Deferred Credits	35,469
12			Customer Deposits - Interest	901
13	Net Utility Plant	\$ 6,648,357	A/P - Assoc. Companies	1,209,997
14		<u>                    </u>	Deferred Revenue	-
15				
16			Total	\$ 1,574,795
17	Plant Acquisition Adjustment-Water	(137,269)	Advances In Aid of Construction	
18	Plant Acquisition Adjustment-Sewer	-	Water	73,376
19		<u>                    </u>	Sewer	-
20	Total	\$ (137,269)		
21		<u>                    </u>	Total	\$ 73,376
22				
23	Construction Work In Process-Water	-	Contributions In Aid of Construction	
24	Construction Work In Process-Sewer	-	Water	188,654
25		<u>                    </u>	Sewer	-
26	Total	\$ -		
27		<u>                    </u>	Total	\$ 188,654
28	Current Assets		Accumulated Deferred Income Tax	
29	Cash	104,803	Unamortized ITC	-
30	Accounts Receivable - Net	725,575	Deferred Tax - Federal	757,921
31	Other Current Assets	13,800	Deferred Tax - State	78,251
32		<u>                    </u>		
33	Total	\$ 844,178	Total	\$ 836,172
34		<u>                    </u>		
35				
36	Deferred Charges	224,617		
37		<u>                    </u>		
38	TOTAL ASSETS	\$ 7,579,883	TOTAL LIABILITIES AND OTHER CREDITS	\$ 7,579,883
		<u>                    </u>		<u>                    </u>

**WATER SERVICE CORPORATION OF KENTUCKY**  
**Case No. 2015 - 00382**  
**Combined Operations**  
**Test Year Ended 6/30/2015**

**Schedule B**

Line No.	A	B
		Per Books
1	<u>Operating Revenues</u>	
2	Service Revenues - Water	2,107,765
3	Service Revenues - Sewer	-
4	Miscellaneous Revenues	67,499
5		
6	Total Operating Revenues	<u>2,175,264</u>
7		
8	<u>Maintenance Expenses</u>	
9	Salaries and Wages	510,822
10	Purchase Water/Sewer	123,204
11	Purchased Power	89,773
12	Maintenance and Repair	101,452
13	Maintenance Testing	37,602
14	Meter Reading	-
15	Chemicals	132,664
16	Transportation	39,043
17	Operating Exp. Charged to Plant	(159,698)
18	Outside Services - Other	90,874
19		
20	Total	<u>965,737</u>
21		
22	<u>General Expenses</u>	
23	Salaries and Wages	165,731
24	Office Supplies & Other Office Exp.	57,999
25	Regulatory Commission Exp.	89,439
26	Pension & Other Benefits	158,342
27	Rent	8,210
28	Insurance	69,093
29	Office Utilities	52,352
30	Uncollectible Accounts	41,829
31	Miscellaneous	22,827
32		
33	Total	<u>665,820</u>
34		
35	Depreciation	335,723
36	Amortization of PAA	(3,660)
37	Taxes Other Than Income	140,811
38	Expense Reduction Related to Clinton Sewer Operations	(154,344)
39	Income Taxes - Federal	99,758
40	Income Taxes - State	(227,878)
41	Amortization of CIAC	(4,628)
42		
43	Total	<u>185,782</u>
44		
45	Total Operating Expenses	<u>1,817,339</u>
46		
47	<u>Net Operating Income</u>	<u>357,924</u>
48		
49	Other Income	-
50	Interest During Construction	(5,026)
51	Interest on Debt	175,513
52		
53	Net Income	<u><u>187,438</u></u>

Water Service Corporation of Kentucky  
Application  
Case No. 2015-00382  
Exhibit 18



**UTILITY NAME: Water Service Corporation of Kentucky**

<b>Original Budget</b>	<b>2015 Q1</b>	<b>2015 Q2</b>	<b>2015 Q3</b>	<b>2015 Q4</b>	<b>2015 Budget</b>	<b>2016 Q1</b>	<b>2016 Q2</b>	<b>2016 Q3</b>	<b>2016 Q4</b>	<b>2016 Budget</b>
<b>Plant Spending</b>	13,045	35,280	35,280	20,753	<b>104,357</b>	19,839	19,839	19,839	19,839	<b>79,357</b>
<b>Cap Time (Plant and Project)</b>	15,046	40,710	40,710	23,900	<b>120,366</b>	30,091	30,091	30,091	30,091	<b>120,366</b>
<b>Projects (excluding cap time and IDC)</b>										
Middlesboro W - Install Plate Settlers at WTP	-	200,000	-	-	<b>200,000</b>	-	-	-	-	-
Tank Cleaning	-	-	-	6,000	<b>6,000</b>	-	-	-	-	-
Paint 210,000 gall Standpipe on Washington Street	-	-	-	-	-	-	75,000	-	-	<b>75,000</b>
<b>Transportation</b>	-	-	28,000	28,000	<b>56,000</b>	-	-	30,000	-	<b>30,000</b>
<b>Total</b>	<b>28,090</b>	<b>275,990</b>	<b>103,990</b>	<b>78,652</b>	<b>486,723</b>	<b>49,931</b>	<b>124,931</b>	<b>79,931</b>	<b>49,931</b>	<b>304,723</b>

<b>Updated Forecast</b>	<b>Actuals</b>	<b>Actuals</b>	<b>Forecast<sup>1</sup></b>	<b>Forecast<sup>1</sup></b>	<b>2015 Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>2016 Forecast</b>
<b>Plant Spending</b>	6,484	26,596	51,864	28,299	<b>113,243</b>	18,731	18,731	18,731	18,731	<b>74,924</b>
<b>Cap Time (Plant)</b>	24,810	27,831	59,821	32,640	<b>145,101</b>	28,999	28,999	28,999	28,999	<b>115,996</b>
<b>Projects (including cap time and IDC)</b>										
Middlesboro W - Install Plate Settlers at WTP	4,367	320,828	-	-	<b>325,194</b>	-	-	-	-	-
Tank Cleaning <sup>2</sup>	-	-	-	6,000	<b>6,000</b>	-	-	-	-	-
Paint 210,000 gall Standpipe on Washington Street <sup>2</sup>	-	-	-	111,103	<b>111,103</b>	-	-	-	-	-
Sealing Driveway @ Middlesboro <sup>2</sup>	-	-	2,750	-	<b>2,750</b>	-	-	-	-	-
<b>Transportation</b>	3,431	-	56,000	60,000	<b>119,431</b>	-	-	-	-	-
<b>Total</b>	<b>39,091</b>	<b>375,254</b>	<b>170,435</b>	<b>238,042</b>	<b>822,823</b>	<b>47,730</b>	<b>47,730</b>	<b>47,730</b>	<b>47,730</b>	<b>190,920</b>

<sup>1</sup> Forecasted spending included as pro-forma adjustments in 2015-00382

<sup>2</sup> Projects classified as maintenance and are not included in Rate Base