

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**ELECTRONIC APPLICATION OF)
MCCREARY COUNTY WATER DISTRICT) CASE NO. 2018-00170
TO ADJUST ITS WATER CONNECTION FEE)**

APPLICATION

Pursuant to KRS 278.180 and 807 KAR 5:011, Section 10, McCreary County Water District (“McCreary District”) applies to the Public Service Commission for an adjustment of its Water Connection Fee. In support of its Application, McCreary District provides the following:

1. The full name and post office address of McCreary District is: McCreary County Water District, Post Office Box 488, Whitley City, Kentucky 42653. Its e-mail address is mcwd@highland.net.
2. Copies of all orders, pleadings and other communications related to this proceeding should be directed to:

Stephen Whitaker
Superintendent
Post Office Box 488
Whitley City, KY 42653
(270) 298-7704
stepwhitaker@gmail.com

Gerald E. Wuetcher
Stoll Keenon Ogden PLLC
2100 West Vine Street, Ste 2100
Lexington, KY 40507-1801
(859) 231-3017
gerald.wuetcher@skofirm.com¹

¹ On pursuant to 807 KAR 5:001, Section 8, McCreary District notified the Public Service Commission on May 30, 2018 of its election of the use of electronic filing procedures for this proceeding.

3. McCreary District not a corporation, limited liability company or limited partnership. It has no articles of incorporation or partnership agreements.

4. McCreary District is a water district created under the provisions of KRS Chapter 74.

5. McCreary County Court created McCreary District pursuant to an order entered November 16, 1962. A copy of this Order and a subsequent Order modifying McCreary District's territory is attached at **Tab 1** of this Application.

6. As of December 31, 2016, McCreary District provides retail water service to approximately 6,149 customers in McCreary County, Kentucky and wholesale water service to Whitley County Water District.²

7. McCreary District proposes to increase its Water Connection Fee from \$500.00 to \$800.00.

8. Pursuant to 807 KAR 5:011, Section 9, a revised tariff sheet reflecting the proposed adjustment to the Water Connection Fee is attached at **Tab 2** of this Application.

9. Pursuant to 807 KAR 5:011, Section 10(1)(a), specific cost justification for the proposed adjustment to the Water Connection Fee is attached at **Tab 3** of this Application.

10. Pursuant to 807 KAR 5:011, Section 10(1)(b), McCreary County Water District ("McCreary District") has caused the notice found at **Tab 4** to be published three consecutive weeks beginning May 31, 2018 in the *McCreary County Voice*, a newspaper of general circulation in McCreary District's service area. McCreary District has also posted the notice in its offices at office at 19 Crit King Road, Whitley City, Kentucky and will post to its website

² Annual Report of McCreary County Water District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2016 ("2016 Annual Report") at Ref Page 27.

(www.mccrearywater.com) no later than June 8, 2018 a copy of the public notice and a hyperlink to the location on the Public Service Commission's Web site where the tariff filing is available.

11. McCreary District did not include the proposed adjustment to its Water Connection Fee in its most recent general rate case because it has not applied for a general rate adjustment since prior to 1985. All adjustments in its general rates for water service have been the result of conditions contained in agreements with Rural Development to finance construction projects. KRS 278.023 required Public Service Commission to take all actions necessary to implement the terms of these agreements. Rural Development has previously taken the position that that its agreements for the financing of water construction projects will not address non-recurring charges. McCreary District's last general rate adjustment under the KRS 278.023 process occurred in March 2015.³

12. McCreary District states that any delay in adjusting its present Water Connection Fee would be unfair and unjust to its existing customers. It last revised its water connection fee on November 1, 2011. Based upon McCreary District's calculations, the current fee is approximately \$150 less than the cost to make a 5/8-inch X 3/4-inch connection. If the current fee is not revised, existing water customers will be subsidizing the cost of providing service connections to new customers. Adjusting the fee will reduce the potential need for a general rate adjustment.

13. The proposed rate adjustment will affect only persons whose structure or property is not presently connected to McCreary District's water mains and who request a 5/8-inch X 3/4-inch connection to McCreary District's water mains. McCreary District does to change the

³ *Application of the McCreary County Water District For A Certificate of Public Convenience and Necessity To Construct, Finance and Increase Rates Pursuant To KRS 278.023, Case No. 2015-00053 (Ky. PSC Mar. 6, 2015).*

Water Connection Fee for larger connections. Persons who are seeking a larger connection are currently charged the actual cost of such connection.

14. Pursuant to 807 KAR 5:011, Section 10(1)(e), McCreary District’s unadjusted income statement for the twelve month period ending December 31, 2017 is attached at **Tab 5**.

15. Pursuant to 807 KAR 5:011, Section 10(1)(e), McCreary District’s unadjusted balance sheet as of December 31, 2017 is attached at **Tab 6**.

16. The proposed adjustment complies with the requirements of 807 KAR 5:011, Section 10(2). As shown at **Tab 3**, the proposed Water Connection Fee relates only to the establishment of a water connection for a 5/8-inch X 3/4-inch meter and produces less revenue than the cost of providing that service.

17. As shown in the table below, the revenue from the proposed adjustment to the Water Connection Fee will generate more than five percent of the total revenues provided by all nonrecurring charges for the 12-month period ending December 31, 2017.

Year	Number of 5/8" x 3/4" Connections	Revenue at Present Rate	Revenue at Proposed Rate	Revenue Increase	Non-Recurring Charge Revenue	Increase as Percentage of NR Revenue
2016	30	\$15,000	\$24,000	\$9,000	\$53,940	16.7
2017	36	\$18,000	\$28,200	\$10,200	\$51,779	19.7

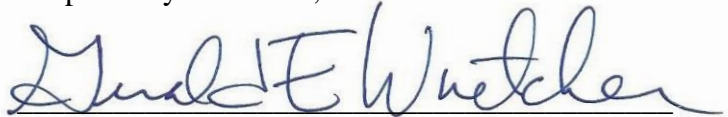
18. Because the proposed adjustment to the Water Connection Fee will generate more than five percent of the total revenues from all nonrecurring charges for the 12-month period ending December 31, 2017, McCreary District performed an absorption test. The results of the absorption test, which are found at **Tab 7** of this Application, show that the additional revenues from the proposed charge would not result in McCreary District obtaining revenues that exceed the level of revenue that the Commission has historically permitted for water districts.

WHEREFORE, McCreary County Water District requests that the Commission:

1. Enter an Order approving the proposed increase in the Water Connection Fee;
- and,
2. Grant any and all such other relief to which McCreary District may be entitled.

Dated: June 1, 2018

Respectfully submitted,



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Counsel for McCreary County Water District

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that McCreary County Water District's June 1, 2018 electronic filing of this Application is a true and accurate copy of the same document being filed in paper medium; that the electronic filing was transmitted to the Public Service Commission on June 1, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original paper medium of the Application will be delivered to the Public Service Commission on or before June 5, 2016. I further certify that, in accordance with 807 KAR 5:011, Section 10(4), a copy of this Application has been served by electronic mail to the Office of Rate Intervention at rateintervention@ag.ky.gov.



Gerald E. Wuetcher

EXHIBITS

TABLE OF EXHIBITS

<u>Tab No.</u>	<u>Description</u>
1	Orders Establishing McCreary County Water District and Modifying its Territory
2	Revised Tariff Sheet
3	Specific Cost Justification for Proposed Adjustment
4	Published Notice of Proposed Adjustment
5	Unadjusted Income Statement for 12-Month Period ending December 31, 2017
6	Unadjusted Balance Sheet as of December 31, 2017
7	Absorption Test

EXHIBIT 1

MCCREARY COUNTY WATER DISTRICT by Eldred E. Musgrove, Chairman of Its Board of Commissioner, and R. H. Anderson and O. O. Duncan, Members of the Board.

PETITIONERS

VS.

JUDGMENT

ENLARGING THE TERRITORIAL LIMITS OF THE MCCREARY COUNTY WATER DISTRICT BY ANNEXATION.

This cause came on for a hearing on the 11th day of July, 1969, in the McCreary County Court Room at the Court House, Whitley City, Kentucky, at the hour of 10:00 A. M., with the Hon. A. W. Holmes, Judge of the McCreary County Court, presiding.

It appearing to the Court that the petition of the McCreary County Water District by Eldred E. Musgrove, Chairman of its Board of Commissioners, and R. H. Anderson and O. O. Duncan, Members of the Board, to enlarge the territorial limits of the McCreary County Water District by annexation contained a description of the territory to be annexed, set-out the reasons for said annexation and otherwise met and complied with the law setout in KRS 74.110; and it further appearing that notice of the filing of the petition, containing a description of the proposed annexation, together with a notification to the public that they had 30 days in which to file objections and exceptions to the petition, and including a notice that a hearing on the petition and upon the objections would be held at the time and place setout in the first paragraph hereof was placed in the McCreary County Record, a newspaper of general circulation in McCreary County, Kentucky, in its june 19, 17 and 24; 1969, publications, pursuant to KRS. 424.130-150 on legal notices; and it further appearing that the McCreary County Water District is located in McCreary County, Kentucky, and the territory to be annexed adjoins and encompasses said district and is located exclusively in said county and state; that no defense, objection or remonstrance has been made to the petition by anyone; and that the Court has heard the testimony of the petitioners in support of their petition for annexation that the annexation was reasonably necessard for the public health, convenience, fire protection and comfort of the residents thereof and would materially enhance the economic development of the district as a whole and would benefit and profit the owners of property and the inhabitants of the area, IT IS, THEREFORE, ORDERED AND ADJUDGED THAT:

1. The proposed annexation be, and it is hereby ,created, established and annexed; that the territorial limits of said annexation, which is inclusive of and contains within its perimeter the original McCreary County Water District, is described as follows:

Situate, lying and being in McCreary County, Kentucky, and more particularly described as follows:

The geographical area and political entity of McCreary County, Kentucky, and all the lands contained within its territorial boundaries.

The entire County of McCreary of the Commonwealth of Kentucky be, and is hereby, denominated as and known by its official, corporate and business name of McCreary County Water District.

Given under my hand as Judge of the McCreary County Court, this 11th y of July, 1969.

/S/ A. W. Holmes

McCreary County Court
Whitley City, Kentucky.

STATE OF KENTUCKY

COUNTY OF MCCREARY

I, Carl Barnett, Clerk of the Court, and State aforesaid, certify that the foregoing Judgment is a true and correct copy as appears of record here in my office in

witnessed

21st day of August, 1973

ORDERS

McCreary

COURT

Special Term, November Day, 5 Day of November 1962

McCreary County Court
Special Term
November 5, 1962

The said Will of John Brooks, having lain over for a period of thirty days for exceptions, none being filed same was this day approved by the Court, and same was ordered to record.

Whereupon the said Will was duly recorded on the 5 day of November 1962.

/s/ Prince L. Stephens, Judge

McCreary County Court
Special October Term
October , 1962

IN RE: MATTER OF THE ESTATE OF M. NEAL, DECEASED

ORDER APPOINTING ADMINISTRATRIX

On the application filed by Sallie Neal on the 29th day of October 1962, for the appointment as administratrix as required by law, administration of the estate of M. Neal, late of this county, is granted Sallie Neal, whereupon the said Sallie Neal took the necessary fiduciary's oath and qualified as required by law and filed herein the executed bond in the sum of \$1540.00, the amount fixed by the Court with Arnold Davenport as surety, all of which is approved by the Court and said administratrix shall hereafter assume the administration of the estate of M. Neal.

This 29th day of October 1962.

/s/ Prince L. Stephens, Judge

McCreary County Court

Special November Term

November 16, 1962

In Re: Order Establishing and Creating the McCreary County Water District:

In accordance with Chapter #74 of the Kentucky Revised Statutes, Section #74.010 thereof, a petition was filed with this Court on October 5, 1962, containing more than seventy-five (75) names of resident freeholders of the hereinafter described water district in McCreary County, Kentucky, and in said petition said free holders have prayed for the creation and establishment of the hereinafter water district in McCreary County, Kentucky,

The Court finds and determines that said petition has been filed in this Court more than thirty days, that a notice to the public has been given by publication in the McCreary County Record, a news paper published in McCreary County, Kentucky and in three issues of said paper, that no objections have been made to this Court against the creation and establishing of said water district and the time of more than thirty days having expired for objections, the Court finds and adjudges as follows:

- 1. The Court hereby sustains the allegations of the petition filed herein and by authority of the Sections of Chapter #74 of the Kentucky Revised Statutes hereby establishes a water district in McCreary County, Kentucky to be known and designated as "McCreary County Water District" and described as follows, to-wit:

ORDERS

McCreary

COURT

Special Term, November Day, 16 Day of November 1962

Form O-7T

Beginning at a point in McCreary County, Kentucky in the center of old Highway #27, one-half mile north of Sand Hill Road and said old U. S. Highway #27 intersection and extending directly eastward for a distance of three miles; thence following a line southward and parallel to the meanders of old U. S. Highway #27 to a point two miles south of the intersection of Highway #92, east of Pine Knot, Kentucky, thence westward directly to and crossing U. S. Highway (old) #27 for a distance of three miles west of Highway #27; thence northward following a line parallel with the meanders of old U. S. Highway #27 to a point three miles directly west of the beginning point; thence turning eastward, a straight line to the beginning point, thus including an area designated as the McCreary County Water District.

In so far as this Court has authority to act, all former established water districts of McCreary County, Kentucky are hereby superseded and included in the area hereby established in the description set out herein and agreements and obligations heretofore made or entered into by reason of former water districts should be legally honored by the Commissioners hereinafter named.

The Court hereby appoints the following named as members of the McCreary County Water District, Dr. M. A. Winchester, appointed for a term of 4 years; for a term of three years, A. W. Holmes; and Eldred Musgrove for a term of 2 years who have taken oath to faithfully perform the duties of his position and executed a Bond for the faithful performance of their duties which bond is approved by the Court.

Given under my hand as Judge of McCreary County, Kentucky, this November 16, 1962.

/s/ Prince L. Stephens, Judge
McCreary County, Kentucky

McCREARY COUNTY COURT

RE: ESTATE OF JOHN JOSEPH RILEY, DECEASED

TO: ORDER APPOINTING LORA WOOD ADMINISTRATRIX

This day came Lora Wood, in open Court, and offered to file and, was by the Court, permitted to file her petition for letters of administration and for appointment as Administratrix of the Estate of John Joseph Riley and, it being shown that Evadene Wood Riley, the surviving widow of decedent, has heretofore been declared incompetent and has never been restored, and that said surviving widow is the sole surviving heir of John Joseph Riley, deceased, it is now ordered by the Court that Lora Wood be, and she is hereby appointed Administratrix of the estate of John Joseph Riley, deceased. The said applicant, Lora Wood, being in open Court accepted said trust, executed bond in the penal sum of none required at present, with Dewey Spradlin as her surety, and took the oath of office and otherwise qualified as Administratrix of said estate, as required by law, and the bond offered by the said Lora Wood, with Dewey Spradlin as surety, is now and hereby approved by the Court, and Lora Wood having fully qualified, she is now and hereby appointed Administratrix of the estate of John Joseph Riley, deceased.

Witness my hand this 28 day of November 1962.

/s/ Prince L. Stephens, Judge
McCreary County Court

EXHIBIT 2

FOR All Territory Served

PSC KY NO. _____

SHEET NO. _____

CANCELLING PSC KY NO. _____

SHEET NO. _____

McCreary County Water District
(NAME OF UTILITY)

Monthly Water Rates

Residential and Non-Residential Rates

First	2,000 gallons	\$20.35 Minimum Bill
All Over	2,000 gallons	6.75 per 1,000 gallons

Federal Correctional Facility Rates

First	1,950,000 gallons	\$13,162.50 Minimum Bill
All Over	1,950,000 gallons	6.75 per 1,000 gallons

Water Connection Fee

5/8-inch x 3/4-inch Meter	\$800.00	(I)
All Larger Size Meters	Actual Cost	

Monthly rates for special service through a multi-unit master meter agreement: The monthly charge for customers who have requested service through a master meter for multi-unit service shall be the larger of:

A. The number of housing units times the minimum water charge per unit, based on the District's standard service meter minimum charge, or:

B. The amount based on the average gallons used per housing unit at the current rate schedule times the number of housing units, in the multiple-unit facility

DATE OF ISSUE June 1, 2018
MONTH / DATE / YEAR

DATE EFFECTIVE July 1, 2018
MONTH / DATE / YEAR

ISSUED BY /s/ Raymond Taylor
SIGNATURE OF OFFICER

TITLE Chairman

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

EXHIBIT 3

**AVERAGE METER CONNECTION EXPENSE
COST JUSTIFICATION**

Name of Utility McCreary County Water District

The following is an itemization of expenses for providing a metered service connection.

A. Meter Size

5/8-Inch 3/4-Inch 1-Inch 1 1/2 -Inch 2-Inch

Other (specify) _____

B. Materials Expense

		<u>Quantity</u>	<u>Unit Cost</u>	<u>Total</u>
1.	Water Meter	<u>1</u>	<u>129.00</u>	<u>129.00</u>
2.	Meter Yoke	<u>1</u>	<u>147.78</u>	<u>147.78</u>
3.	Corporation Stop	<u>1</u>	<u>23.20</u>	<u>23.20</u>
4.	Meter Box and Top	<u>1</u>	<u>38.00</u>	<u>38.00</u>
5.	Miscellaneous Fittings	_____	_____	_____
6.	Other			
	<u>4-inch x 3/4-inch Brass Saddle</u>	<u>1</u>	<u>22.11</u>	<u>22.11</u>
	<u>Meter Gaskets</u>	<u>2</u>	<u>.20</u>	<u>.40</u>
	<u>Inserts</u>	<u>2</u>	<u>.48</u>	<u>.96</u>
	_____	_____	_____	_____
	TOTAL MATERIALS EXPENSE			<u>\$361.45</u>

C. Service Pipe Expense

Type of Service Pipe PE CTS Size of Service Pipe 3/4"

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Total</u>
1. Short Side Service	<u>25 ft.</u>	<u>0.20/ft.</u>	<u>5.00</u>
2. Long Side Service	<u>50 ft.</u>	<u>0.20/ft.</u>	<u>10.00</u>
AVERAGE SERVICE PIPE EXPENSE (add total cost and divide by 2)			<u>\$ 7.50</u>

D. Installation Labor Expense

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total</u>
1. Short Side Service	<u>9.0</u>	<u>28.82</u>	<u>259.38</u>
2. Long Side Service	<u>15.0</u>	<u>28.82</u>	<u>432.30</u>
AVERAGE INSTALLATION LABOR EXPENSE (add total cost and divide by 2)			<u>\$345.84</u>

Assumes: 3 member crew working 3 hours on short side service or 5 hours on long side. Hourly rate is average of the total hourly compensation of crew members.

E. Installation Equipment Expense

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total</u>
1. Short Side Service	<u>3.0</u>	<u>35.00</u>	<u>105.00</u>
2. Long Side Service	<u>5.0</u>	<u>35.00</u>	<u>175.00</u>
3.	<u> </u>	<u> </u>	<u> </u>
4.	<u> </u>	<u> </u>	<u> </u>
AVERAGE INSTALLATION EQUIPMENT EXPENSE (add total cost and divide by 2*)			<u>\$140.00</u>

F. Installation Miscellaneous Expense

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total</u>
1. Inspection	<u>1.0</u>	<u>28.82</u>	<u>28.82</u>
2. Site Clean-up	<u>1.0</u>	<u>28.82</u>	<u>28.82</u>
3. Other			
<u>Dump Truck and Trailer</u>	<u>20 miles</u>	<u>\$0.53/mi</u>	<u>10.60</u>
<u>Service Truck</u>	<u>20 miles</u>	<u>\$0.53/mi</u>	<u>10.60</u>
<hr/>			
AVERAGE INSTALLATION MISCELLANEOUS EXPENSE (add total cost)			<u>\$ 78.84</u>

G. Overhead Expense

Installation expense (\$ _____) X overhead rate (_____ %) \$ _____

H. Administrative Expense

Office expense for establishing a new account and billing record. \$ \$34.39

I. Total Expenses

Materials Expense	<u>\$361.45</u>
Service Pipe Expense	<u>\$ 7.50</u>
Installation Labor Expense	<u>\$345.84</u>
Installation Equipment Expense	<u>\$140.00</u>
Installation Miscellaneous Expense	<u>\$ 78.84</u>
Overhead Expense	<u> </u>
Administrative Expense	<u>\$ 34.39</u>

TOTAL CONNECTION EXPENSE \$ 968.02

EXHIBIT 4

NOTICE

McCreary County Water District will make a tariff filing on or about June 1, 2018 with the Kentucky Public Service Commission that revises its Water Connection Fee to more accurately reflect the current cost of providing that service. McCreary County Water District proposes to place the following rate into effect for service rendered on or after July 1, 2018:

	Present Rate	Proposed Rate	Change (\$)	Change (%)
Water Connection Fee 5/8" x 3/4" Meter	\$ 500.00	\$ 800.00	\$300.00	60.0

The proposed rate change will not alter the rates that McCreary County Water District charges for monthly water service and will not affect any customer's monthly bill for water service.

Any person may examine the tariff filing submitted to the Public Service Commission at McCreary County Water District's office at 19 Crit King Road, Whitley City, KY 42653 or at the Public Service Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's Web site at <http://psc.ky.gov>.

Comments regarding the application may be submitted to the Public Service Commission through the Commission's Web Site at <http://psc.ky.gov> or by mail to the Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602.

The rate contained in this notice is the rate proposed by McCreary County Water District. However, the Public Service Commission may order a rate to be charged that differs from the proposed rate. Such action may result in a rate for consumers other than the rate in this notice.

A person may submit a timely written request for intervention to the Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the person's status and interest. If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the initial publication of notice, it may take final action on the tariff filing.

McCreary County Water District
First Publication Date: May 31, 2018

EXHIBIT 5

McCreary County Water District
Unadjusted Profit and Loss Statement
 January through December 2017

	Jan - Dec 17
Ordinary Income/Expense	
Income	
METERED WATER REVENUE	
461.1 · RESIDENTIAL SALES	2,231,357.21
461.2 · COMMERCIAL SALES	215,674.16
461.3 · INDUSTRIAL SALES	6,424.23
461.4 · GOVERNMENTAL SALES	
SCHOOL SALES	40,366.22
461.4 · GOVERNMENTAL SALES - Other	677,154.97
Total 461.4 · GOVERNMENTAL SALES	717,521.19
METERED WATER REVENUE - Other	3,549.19
Total METERED WATER REVENUE	3,174,525.98
471 · MISCELLANEOUS SERVICE REVENUE	
Bad Debt Collections	310.48
Contract	14,021.11
Cost Estimate	765.00
INVOICE	12,287.62
MISC INCOME	6,260.69
MISC WATER SALES	222.76
Move Meter	1,600.00
RECONNECT FEES	28,800.00
Total 471 · MISCELLANEOUS SERVICE REVENUE	64,267.66
472 · RENT INCOME	34,362.40
Total Income	3,273,156.04
Gross Profit	3,273,156.04
Expense	
TAXES OTHER THAN INCOME	
408.12 · PAYROLL TAX	73,693.37
Total TAXES OTHER THAN INCOME	73,693.37
403 · DEPRECIATION	1,020,650.00
601 · SALARIES & WAGES-EMPLOYEES	995,736.74
603 · SALARIES & WAGES-OFFICER, COMMIS	20,000.00
604 · EMPLOYEE PENSIONS & BENEFITS	
Employee Insurance	236,611.74
Payroll Expenses (Uniform)	10,557.20
RETIREMENT	189,008.08
604 · EMPLOYEE PENSIONS & BENEFITS - Other	26,384.43
Total 604 · EMPLOYEE PENSIONS & BENEFITS	462,561.45
615 · PURCHASED POWER	290,457.75
618 · CHEMICALS	126,517.78
620 · MATERIALS & SUPPLIES	387,416.32
632 · CONTRACTUAL SERVICES-ACC1	41,800.00
633 · CONTRACTUAL SERVICES- LEGAL	24,258.30
634 · CONTRACTUAL SERVICES-MGT FEES	450.00
635 · CONTRACTUAL SERVICES WATER TEST	5,695.23
636 · CONTRACTUAL SERVICES OTHET	175,719.09
650 · TRANSPORTATION EXPENSES	117,432.26
657 · INSURANCE GENL LIABILITY	57,672.60
658 · INSURANCE WORKERS COMP	44,190.27
659 · INSURANCE OTHER	8,416.89
660 · ADVERTISING EXPENSE	2,695.11
665 · UTILITY REGULATORY ASSESS FEE	8,384.55

	<u>Jan - Dec 17</u>
675 · MISCELLANEOUS EXPENSE	
675.2 · Utility	
675.21 · Gas	4,793.19
675.22 · Water/Sewer	519.38
675.24 · Telephone	8,638.31
675.25 · Garbage	3,049.55
675.2 · Utility - Other	<u>3,740.50</u>
Total 675.2 · Utility	20,740.93
675 · MISCELLANEOUS EXPENSE - Other	<u>119,863.82</u>
Total 675 · MISCELLANEOUS EXPENSE	<u>140,604.75</u>
Total Expense	<u>4,004,352.46</u>
Net Ordinary Income	-731,196.42
Other Income/Expense	
Other Income	
Miscellaneous Other Income	341,390.79
419 · Interest & Dividend Inc	
INTEREST INCOME	8,074.74
419 · Interest & Dividend Inc - Other	<u>4.68</u>
Total 419 · Interest & Dividend Inc	8,079.42
432 · Proceeds from Capital Contribu	
GRANT	
KY Dept of Transportator	433,170.19
USDA	<u>3,007.36</u>
Total GRANT	436,177.55
SYSTEM DEVELOPMENT CHARGE - TAF	20,303.88
SYSTEM DEVELOPMENT CHARGE LINE	<u>20,169.55</u>
Total 432 · Proceeds from Capital Contribu	476,650.98
Total Other Income	826,121.19
Other Expense	
Revelo to Stearns Expense	288.40
416 · Project Cost	40,202.57
427.3 · INTEREST ON LONG TERM DEBT	
2012D	
Less Accrued Interest 2012D	-53,145.63
2012D - Other	<u>105,301.25</u>
Total 2012D	52,155.62
2013 B Interest	
Less Accrued Interest	-15,801.88
2013 B Interest - Other	<u>30,511.26</u>
Total 2013 B Interest	14,709.38
91-29 New Liberty	
Less Accrued Interest 91-29	-3,017.28
Plus Accrued Interest 91-29	2,967.30
91-29 New Liberty - Other	<u>12,100.68</u>
Total 91-29 New Liberty	12,050.70

	<u>Jan - Dec 17</u>
91-33	
Less Accrued Interest 91-33	-5,829.76
Plus Accrued Interest	20,437.14
91-33 - Other	<u>23,371.87</u>
Total 91-33	37,979.25
91-35	
Less Accrued Interest 91-35	-2,841.86
Plus Accrued Interest	2,790.87
91-35 - Other	<u>11,390.62</u>
Total 91-35	11,339.63
Cumberland Falls	
Less Accrued Interest Cumberland Falls	-1,392.36
Plus Accrued Interest 91-31	1,368.90
Cumberland Falls - Other	<u>5,583.18</u>
Total Cumberland Falls	5,559.72
D-2012-1	
PLUS ACCRUED INTEREST	<u>52,155.63</u>
Total D-2012-1	52,155.63
Kia	
Less Accrued Interest KIA	-599.63
PLUS Accrued Interest KIA	<u>539.15</u>
Total Kia	-60.48
RD	
Less Accrued Interest 91-27	-6,675.36
PLUS ACCRUED INTEREST 91-27	6,552.97
RD - Other	<u>26,750.62</u>
Total RD	26,628.23
Series 2015 Bond	28,950.00
427.3 · INTEREST ON LONG TERM DEBT - Other	<u>7,111.76</u>
Total 427.3 · INTEREST ON LONG TERM DEBT	248,579.44
427.4 · INTEREST ON CUSTOMER DEPOSITS	<u>33.83</u>
Total Other Expense	289,104.24
Net Other Income	<u>537,016.95</u>
Net Income	<u><u>-194,179.47</u></u>

EXHIBIT 6

McCreary County Water District
Unadjusted Balance Sheet
As of December 31, 2017

	Dec 31, 17
ASSETS	
Current Assets	
Checking/Savings	
126 · SINKING FUNDS	
FMHA SINKING FUND	69,870.70
KIA SINKING FUND	37,564.46
KRW-SINKING FUND	26,598.89
KRW SINKING #2	76,195.23
Regions 2012D	223,616.90
Regions 2013B	115,116.07
Total 126 · SINKING FUNDS	548,962.25
132 · SPECIAL DEPOSITS	
Deposit Account	44,057.35
Forcht Bank CD 1051418	106,266.73
FORCHT BK-UTILITY PMT MNE	1,949.27
Health Insurance-FSA Account	5,966.85
KIA Depreciation	42,781.00
O & M DEPRECIATION	37,962.57
O & M Depreciation CD 58047	100,000.00
Payment Service Network	15,523.60
R D DEPRECIATION	14,134.70
RD Depreciation CD	200,000.00
UTILITY PAYMENT ACCOUNT	2,752.20
Water Plant Phase II 7024776	13,212.67
Total 132 · SPECIAL DEPOSITS	584,606.94
134 · WORKING FUND	
Bank of McCreary County O & M	75,499.68
Bank of McCreary County Revenue	38,425.23
Total 134 · WORKING FUND	113,924.91
Total Checking/Savings	1,247,494.10
Other Current Assets	
ACCOUNTS AND NOTES RECEIVABLE	
CUSTOMER ACCOUNT RECEIVABLE	
Allowance For Doubtfull Account	-152,440.00
CUSTOMER ACCOUNT RECEIVABLE - Othe	443,821.54
Total CUSTOMER ACCOUNT RECEIVABLE	291,381.54
NR TAPS & EXTENSIONS	
Project Receivable	15,510.01
Ky 92	52,180.26
Total Project Receivable	52,180.26
Rent Receivable	
RETURNED CHECKS	3,477.60
UNBILLED REVENUE	1,443.22
Total ACCOUNTS AND NOTES RECEIVABLE	173,625.69
Total ACCOUNTS AND NOTES RECEIVABLE	537,618.32
Interest Receivable	
CD 65005	327.95
CD 65006	163.97
Forcht Bank CD 909001051418	31.24
Total Interest Receivable	523.16
131 · CASH	
PETTY CASH FUND	200.00
Total 131 · CASH	200.00

	Dec 31, 17
145 · NOTES RECEIVABLE SEWER	
941	5,428.21
Adm Accrued Vac/Sick	1,455.85
Administrative Payroll	434,507.11
EMPLOYEE INSURANCE	48,122.71
INSURANCE	2,759.86
Revelo to Stearns	181,405.20
SALARIES & WAGES	
RETIREMENT	248,111.27
SALARIES & WAGES - Other	635.87
Total SALARIES & WAGES	248,747.14
Williamsburg Street 25% Match	216,312.24
145 · NOTES RECEIVABLE SEWER - Other	9,675.12
Total 145 · NOTES RECEIVABLE SEWER	1,148,413.44
151 · MATERIALS AND SUPPLIES	174,714.84
162 · PREPAYMENTS	
INSURANCE	26,689.24
Total 162 · PREPAYMENTS	26,689.24
Total Other Current Assets	1,888,159.00
Total Current Assets	3,135,653.10
Fixed Assets	
101 · UTILITY PLANT	
Telemetry Equip	84,888.00
303 · LAND AND LAND RIGHTS	260,269.46
304 · STRUCTURE AND IMPROVEMENTS	9,820,872.07
305 · COLLECTING RESERVOIRS	678,634.00
306 · LAKE & OTHER INTAKES	11,360.00
309 · SUPPLY MAINS	86,114.00
310 · Power Generator Equipment	225,000.00
311 · PUMPING EQUIPMENT	1,651,453.74
313 · LAKE , RIVER AND OTHER INPUT	3,070,460.59
320 · WATER TREATMENT EQUIP	3,246,627.97
330 · DISTRIBUTION STANDPIPES	3,385,134.14
331 · TRANS AND DIST MAINS	13,829,360.29
333 · SERVICES	1,287,558.15
334 · METERS/METER INST	999,888.04
335 · HYDRANTS	220,933.67
339 · OTHER PLANT AND MISC EQUIP	979,539.15
340 · OFFICE FURNITURE AND FIXTURES	121,193.35
341 · TRANSPORTATION EQUIPMENT	275,549.28
343 · TOOLS, SHOP AND GARAGE EQUIP	49,552.18
344 · LABORATORY EQUIPMENT	78,000.00
345 · POWER OPERATED EQUIPMENT	540,230.12
346 · COMMUNICATION EQUIPMENT	7,553.68
Total 101 · UTILITY PLANT	40,910,171.88
105 · Work In Process	
Ky 92 Relocation	617,066.36
Water Plant Upgrade	1,887,007.14
Total 105 · Work In Process	2,504,073.50
108 · A/D UTILITY PLANT	-16,710,567.62
Total Fixed Assets	26,703,677.76

	Dec 31, 17
Other Assets	
DEFERRED OUTFLOWS OF RESOURCES	426,592.22
Total Other Assets	426,592.22
TOTAL ASSETS	30,265,923.08
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
CURRENT PORTION OF LONG TERM DE	
232 · CURRENT PORTION BONDS	
2013B 1,415,000	95,000.00
Kia F04-03	74,113.70
RD 2012D (3,205,000)	95,000.00
RD 91-29	5,100.00
RD 91-31	2,300.00
RD 91-33 1,300,000	22,500.00
RD 91-355 \$635,000	11,500.00
RD Bond \$750000 (91-27)	12,500.00
Total 232 · CURRENT PORTION BONDS	318,013.70
Total CURRENT PORTION OF LONG TERM DE	318,013.70
Deferred Revenue	
Prepaid Tap Fee	1,500.00
Rent	12,618.67
Total Deferred Revenue	14,118.67
Due to Sewer (2012D Bond Issue-	96,174.41
MISC CURRENT & ACCRUED LIABILITY	
ACCR VAC, SICK & RELATED LIAE	66,599.34
ACCRUED PR & RELATED LIABILITY	4,425.94
Total MISC CURRENT & ACCRUED LIABILITY	71,025.28
2100 · Payroll Liabilities	
McCreary County Tax W/H	3,616.10
RETIREMENT PAYABLE	
Retirement Employer	16,787.74
RETIREMENT PAYABLE - Other	4,689.29
Total RETIREMENT PAYABLE	21,477.03
STATE INCOME TAX WITHHELD	3,594.98
UNEMPLOYMENT PAYABLE	99.42
Total 2100 · Payroll Liabilities	28,787.53
231 · ACCOUNTS PAYABLE	
ACCOUNTS PAYABLE	103,543.25
Construction Accts Payable	
KY 92	14,945.67
Total Construction Accts Payable	14,945.67
Total 231 · ACCOUNTS PAYABLE	118,488.92
235 · CUSTOMER DEPOSITS	5,022.05

Dec 31, 17

237 · ACCRUED INTEREST	
BONDS	
2012D	52,155.63
2013B	14,709.38
91-27	6,552.97
91-33 \$1,300,000	5,727.76
91-35 \$635,000	2,790.87
93-37 1,158,000	7,157.97
Cumberland Falls 91-31	1,368.90
KIA F04-06	539.15
New Liberty 91-29	2,967.30
Total BONDS	93,969.93
Total 237 · ACCRUED INTEREST	93,969.93
241 · TAX COLLECTIONS PAYABLE	
SALES TAX PAYABLE	1,204.32
SCHOOL UTILITY TAX	8,680.07
Total 241 · TAX COLLECTIONS PAYABLE	9,884.39
Total Other Current Liabilities	755,484.88
Total Current Liabilities	755,484.88
Long Term Liabilities	
DEFERRED INFLOWS OF REVENUES	27,443.03
Net Pension Liability	1,882,481.67
221 · BONDS	
RD Bond 4.5% \$750000 91-27	
Less Current Portion	-12,500.00
RD Bond 4.5% \$750000 91-27 - Other	642,500.00
Total RD Bond 4.5% \$750000 91-27	630,000.00
RD Loan Water Plant Upgrade Ser	
Less Current Portion	-22,500.00
RD Loan Water Plant Upgrade Ser - Other	1,235,500.00
Total RD Loan Water Plant Upgrade Ser	1,213,000.00
RD Loan Water Plant UpgradeSeri	
Less Current Portion	-11,500.00
RD Loan Water Plant UpgradeSeri - Other	602,000.00
Total RD Loan Water Plant UpgradeSeri	590,500.00
RD Series 2012 D Bond	
Less Current Portion 2012D	-95,000.00
RD Series 2012 D Bond - Other	2,795,000.00
Total RD Series 2012 D Bond	2,700,000.00
Rural Dev 91-29 4.125% \$325000	
Less Current Portion	-5,100.00
Rural Dev 91-29 4.125% \$325000 - Other	290,900.00
Total Rural Dev 91-29 4.125% \$325000	285,800.00
Rural Dev 91-31 4.125% \$150000	
Less Current Portion	-2,300.00
Rural Dev 91-31 4.125% \$150000 - Other	134,200.00
Total Rural Dev 91-31 4.125% \$150000	131,900.00
Water Plant Upgrade 2015	1,158,000.00

	<u>Dec 31, 17</u>
2013 · 2013B	
Less Current Portion	-95,000.00
2013 · 2013B - Other	<u>1,050,000.00</u>
Total 2013 · 2013B	<u>955,000.00</u>
Total 221 · BONDS	7,664,200.00
224 · OTHER LONG TERM DEBT	
KIA Fund F	
Less Current Portion	-74,113.70
KIA Fund F - Other	<u>654,170.73</u>
Total KIA Fund F	<u>580,057.03</u>
Total 224 · OTHER LONG TERM DEBT	<u>580,057.03</u>
Total Long Term Liabilities	<u>10,154,181.73</u>
Total Liabilities	10,909,666.61
Equity	
Invested in capital assets, net	18,448,741.18
Restricted for debt service and	725,409.45
3900 · Retained Earnings	376,285.31
Net Income	<u>-194,179.47</u>
Total Equity	<u>19,356,256.47</u>
TOTAL LIABILITIES & EQUITY	<u><u>30,265,923.08</u></u>

EXHIBIT 7

ABSORPTION TEST

Level of Revenue Permitted by the Commission = Operating Expenses + Debt Service Payment + Working Capital Allowance

Working Capital Allowance = Annual Debt Service Payment x .2

McCreary Operating Expenses for FY 2017 (See Next Page)	\$4,003,576
McCreary Debt Service Payment For FY 2017 (See Tab 1)	\$ 566,593
Working Capital (.2 x \$566,593)	\$ 113,319
Total Revenue Permitted	\$4,683,488
Total Income (See Tab 1, Page 1)	\$3,273,156
Other Total Income (See Tab 1, Page 2)	\$ 826,121
Total Revenue FY 2017	\$4,099,277
Minus: Total Revenue Permitted	\$4,683,488
Excessive Revenue Before Increase in Water Connection Fee	\$ (584,211)
Add: Increased Revenue Resulting from Proposed Adjustment to Water Connection Fee (Application, Para. 17)	\$ 10,800
Excessive Revenue After Adjustment	\$ (573,411)

Summary: With the additional revenues produced from the proposed adjustment, McCreary District's total revenues will be approximately \$573,411 **less** than the Public Service Commission generally permits for water districts.

Operating Expenses

Operation and Maintenance Expenses	
Salaries and Wages - Employees	\$ 995,737
Salaries and Wages - Officers	20,000
Employee Pensions and Benefits	462,561
Purchased Power	290,458
Chemicals	126,518
Materials and Supplies	378,416
Contractual Services-Accounting	41,800
Contractual Services-Legal	24,258
Contractual Services-Management Fees	450
Contractual Services-Water Testing	5,695
Contractual Services-Other	175,719
Transportation Expenses	117,432
Insurance-General Liability	57,673
Insurance-Workers Comp	44,190
Insurance-Other	8,417
Advertising Expense	2,695
Regulatory Commission Expenses	8,385
Bad Debt Expense	8,224
Miscellaneous Expenses	140,605
Total Operation and Maintenance Expenses	2,909,233
Depreciation Expense	1,020,650
Amortization Expense	0
Taxes Other than Income	73,693
Income Tax Expense	0
Total Operating Expenses	\$4,003,576