

CASE NO. 2018-00208
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO COMMISSION STAFF'S POST-HEARING DATA REQUESTS

1. Refer to Water Service Kentucky's testimony regarding Ambleside, LLC, (Ambleside) monthly fire hydrant charges.
 - a. State the efforts made to collect payment from Ambleside or any other entity from the time that payments stopped.
 - b. Provide Water Service Kentucky's policy for nonpayment of services.
 - c. Provide all documentation or internal correspondence regarding the policy to categorize the fire hydrant charges as bad debt rather than pursue collection proceedings.
 - d. Provide all external correspondence between Water Service Kentucky and entities regarding nonpayment of services, including but not limited to Ambleside, any homeowners association, and residents served by the private fire hydrants.
 - e. Calculate and list by year, the unpaid billing for Ambleside from the time that payments stopped.
 - f. State why Water Service Kentucky did not address the Ambleside area fire hydrants in its prior rate case, Case No. 2015-00382.

Response:

- a. Attached please find documents the WSCK has been able to locate. If the other letters referenced in those documents are located, they will be provided.

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- b. WSCK policy of nonpayment is consistent with its tariffed Rule No. 18. Terms of Payment.

<p>18. TERMS OF PAYMENT:</p> <ul style="list-style-type: none">(a) Special charges shall be payable upon demand.(b) Bills for metered service shall be rendered monthly and are due and payable when rendered.(c) Bills for private fire service shall be rendered monthly in advance and are due and payable when rendered.(d) If a bill is not paid within ten days after its due date, the Company may discontinue the water service. The Company will give at least five (5) days notice before termination for nonpayment and that service will not be terminated before 20 days after the mailing date of the original bill.(e) If a customer has two returned checks for non-sufficient funds, all subsequent bills must be paid in cash for a period of six months or until the credit score is returned to an acceptable level, whichever comes first.

- c. WSCK categorizes all customers (i.e., hydrants, residential, commercial, water only and/or wastewater only) via the same process described in Rule No. 18. Terms of Payment. However, WSCK has not shutoff the Ambleside hydrants due to the public safety concerns. Typically, WSCK would shut of a customer for nonpayment which usually results in payment. If shutting off the customer does not result in payment, WSCK's parent company, UI, will in some situations place a lien on the property, which will result in some payment when the property is sold. Additionally, when there is a wastewater only customer, UI has in the past attempted to install an elder valve which prevents wastewater from leaving the residents. WSCK didn't apply these options

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because it didn't feel that shutting off the hydrants was in the public interest and would potentially result in harm to its customers.

- d. See documents response to 1a.
- e. See following table.

WSCK Post Hearing Data Request		
PSC Post Hearing DR 1.1 (part e)		
Unpaid Billing for Ambleside		
Year		Amount
2018	\$	6,123.60
2017		6,123.60
2016		6,154.89
2015		4,788.63
2014		5,103.63
2013		5,022.36
2012		5,022.36
2011		4,861.48
2010		4,876.20
2009		3,889.20
2008		630.00
Total	\$	52,595.95

- f. In WSCK's last rate, Case No. 2015-00382, WSCK prepared a cost of service study (COSS) internally and in WSCK's current case, Case No. 2018-00208, WSCK had an external consultant prepare the COSS, which brought the Ambleside hydrant issue to the forefront.

Witness: Steven Lubertozi

Exhibit 1

Ambleside, LTD
PO Box 1425
Middlesboro, KY 40965

May 1, 2011

James Leonard, Manager
Water Service Corporation
Of Kentucky
1221 W Cumberland Avenue
Middlesboro, KY 40965

Dear Mr. Leonard:

Your company insists that Ambleside is responsible for paying a monthly rental on fire hydrants for which you provide hydrant flushing three times per year along with flow testing and painting every five years. For that service you charge us in excess of \$4800.00 annually.

We do not feel that we obligated ourselves to this **perpetual** expense when we started the Ambleside development thirty (30) years ago. Over the years Ambleside has paid all capital costs while providing the water company over 200 customers.

This letter directs you to **immediately** cease providing the hydrant service described in the first paragraph. Since your hydrants are on county right of way, you may want them to pay for the service. OR, since you do not charge for the hydrant service to others who have hydrants outside the City of Middlesboro, you should eliminate the charge.

Sincerely,



Robert W. Vaughn
President

Cc: Judge Albey Brock
Attorney J.P. Cline III

CLINE LAW OFFICE
P.O. BOX 2220
205 NORTH 20TH STREET
MIDDLESBORO, KENTUCKY 40965
website: jpclinelawfirm.com

RECEIVED
MAY 16 2012

J. P. CLINE III
(email: pete@jpclinelaw.com)

1-606-248-8001 (Office)
1-606-248-8049 (Fax)

May 10, 2012

Mr. John Stover
Vice President and General Counsel
Utilities, Inc.
2335 Sanders Road
Northbrook, Illinois 60062

Re: Ambleside Water Hydrants

Dear Mr. Stover:

I acknowledge receipt of your May 7, 2012 correspondence which references your letters of December 11, 2008 and January 17, 2011 as being responsive to my client's position that Utilities, Inc. should be billing Bell County, Kentucky for any fire hydrant charges. As you requested, I again reviewed 2008 and 2011 letters seeking an answer to this issue.

Your January 17, 2011 correspondence does not substantively address the issue in any way. Your December 11, 2008 letter simply establishes the right of Utilities, Inc. to bill for hydrant services. It does not substantively address whether Utilities, Inc. should be billing Ambleside, Ltd. or Bell County, Kentucky. Ambleside does not question the right of Utilities, Inc. to maintain the hydrants on Bell County right-of-way nor the fact that the hydrants may be subject to the applicable tariff. Ambleside, in good faith, merely questions the appropriateness of continued billings to Ambleside, Ltd. when the subject fire hydrants are not located on Subdivision property.

Accordingly, Ambleside continues to maintain that Utilities, Inc. should be billing Bell County, Kentucky for any applicable and appropriate fire hydrant fees rather than Ambleside, Ltd.

Mr. John Stover

May 10, 2010

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Finally, I enclose copy of May 1, 2011 correspondence from Ambleside, Ltd. directing Water Service Corporation of Kentucky to immediately cease providing hydrant flushing services in order to terminate the continuation of billing for those services. To my client's knowledge, that notice continues to be disregarded. As this notice letter indicates, Utilities, Inc. may elect to bill Bell County, Kentucky for these flushing services in its discretion.

I trust this clarifies our position with regard to this continuing dispute, and I remain,

Sincerely yours,



J. P. CLINE III

Enclosure

cc: Robert W. Vaughn
Michael Bowling

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Ambleside, LTD
PO Box 1425
Middlesboro, KY 40965

May 1, 2011

James Leonard, Manager
Water Service Corporation
Of Kentucky
1221 W Cumberland Avenue
Middlesboro, KY 40965

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Sincerely,



Robert W. Vaughn
President

Cc: Judge Albey Brock
Attorney J.P. Cline III



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

July 19, 2010

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

Mr. Martin Lashua
Utilities, Inc.
P.O. Box 240908
Charlotte, NC 28217

Dear Mr. Lashua:

PSC STAFF OPINION NO. 2010-00016

Commission Staff is in receipt of your letter of May 3, 2010 regarding fire hydrants that Water Service Corporation of Kentucky ("Water Service Corporation") owns and operates in the Ambleside Subdivision of Bell County, Kentucky.

Commission Staff understands the facts are as follows:

Water Service Corporation, a subsidiary of Utilities, Inc., owns and operates facilities that distribute water to and for the public in and around Middlesboro, Kentucky, including the Ambleside Subdivision. Ambleside Subdivision is an unincorporated area of Bell County.

Ambleside Subdivision was initially developed in 1982. Twenty-one hydrants are located in the subdivision on county-owned and maintained roads. Water Service owns and maintains these hydrants. Three times a year it flushes and inspects the hydrants. It tests the flow and paints the hydrants every five years. Water Service Corporation is responsible for replacing damaged and inoperable hydrants.

Under the terms of its filed rate schedules, Water Service may assess a monthly fee of \$4.30 for public fire hydrants within the city of Middlesboro. It assesses this fee to the city of Middlesboro. Water Service Corporation's fire protection rate schedule provides for a monthly fee of \$19.35 for private hydrants and sprinkler systems.

Ambleside, Ltd. ("Ambleside"), a for-profit Kentucky corporation that was organized in January 1981, has assumed responsibility for the fire protection charges

associated with fire hydrants in the Ambleside Subdivision since the subdivision's inception. Ambleside was a customer in good standing through November 11, 2008. In November 2008, Ambleside, through its legal counsel, contacted Water Service Corporation and advised that Water Service Corporation's assessment of the hydrant charges was inappropriate because the hydrants were located on county maintained, public roads and should be the responsibility of Bell County. Ambleside last paid its bill from Water Service Corporation on November 11, 2008, and has an outstanding balance of \$5,873.70.

In your letter, you request "a staff opinion on the validity of our [Water Service's] charges and the customer's responsibility to pay these charges." You also requested a "recommendation on remedy for this situation as it is not practical for us to consider turning off the water to these hydrants as a matter of public protection to the residents and homeowners."

KRS 278.030(1) provides that "[e]very utility may demand, collect and receive fair, just and reasonable rates for services rendered or to be rendered by it to any person." KRS 278.160(1) requires such rates be set forth in a schedule filed with the Commission. KRS 278.160(2) provides:

No utility shall charge, demand, collect, or receive from any person a greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules, and no person shall receive any service from any utility for a compensation greater or less than that prescribed in such schedules.

Water Service Corporation's filed rate schedule currently provides for a monthly rate of \$19.35 per private hydrant. The Commission approved this rate in Case No. 2008-00563.¹ KRS 278.160(2) requires that Water Service Corporation charge that rate when applicable.

Commission Staff is of the opinion that Ambleside continues to be responsible for the fire hydrant charges associated with the hydrants within the Ambleside Subdivision. Ambleside initiated its utility-customer relationship in 1982 when Water Service's predecessor (Kentucky Water Service, Inc.) installed the hydrants. For 26 years, it paid the prescribed rates for the hydrants without challenge. Although the hydrants are located on county-owned and maintained roads, no evidence has been presented to suggest that Bell County Fiscal Court has assumed responsibility for the monthly hydrant fee.

Utilities seeking remedies for non-payment generally have few options. The Commission does not have the authority to award damages; therefore, any collections

¹ Case No. 2008-00563, *Water Service Corporation of Kentucky* (Ky. PSC Nov. 9, 2009).

Mr. Martin Lashua

July 19, 2010

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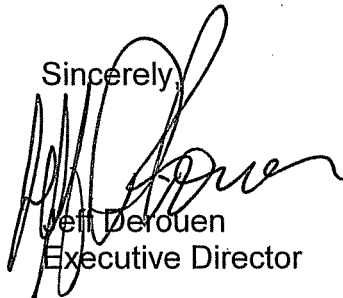
action against a non-paying customer must be resolved in the court system. Commission regulations, however, enable a utility to disconnect service for non-payment of bills. 807 KAR 5:006, Section 14(1)(f). Commission Staff recognizes that disconnection of hydrants is unique, in that several property owners benefit from the fire protection that the hydrants afford. Disconnection of the hydrants will likely result in higher insurance premiums for homeowners with the subdivision and increase the risk of catastrophic fire loss.

Nevertheless, a utility increases its expenses when it installs hydrants and provides sufficient water flow for fire protection. Water Service Corporation's rates are designed to recover those additional expenses. Failure to collect the required rates will force other utility customers who receive no benefit from the hydrants in question to absorb these costs through their rates.

For your reference, enclosed is a copy of the Commission's Order in Case No. 2007-00450² in which the Commission addressed a similar factual situation. The course of action that the affected water utility proposed to undertake may be instructive.

This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this opinion should be directed to Todd Osterloh, Staff Attorney, at (502) 564-3940, Extension 439.

Sincerely,



Jeff Derouen
Executive Director

Enclosure

² Case No. 2007-00450, *Kentucky-American Water Co.* (Ky. PSC Feb. 28, 2008).

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR PERMISSION AND)
AUTHORIZATION TO DISCONNECT) CASE NO. 2007-00450
CUSTOMERS FOR NON-PAYMENT OF FIRE)
SERVICE CHARGES)

ORDER

Kentucky-American Water Company ("Kentucky-American") has petitioned for Commission authorization to disconnect certain customers who receive fire protection service for non-payment of the charges for that service. Finding that Administrative Regulation 807 KAR 5:006, Section 14, authorizes a utility to discontinue service for non-payment without specific Commission authorization, we deny the petition as moot.

Kentucky-American, a corporation organized under the laws of the Commonwealth of Kentucky,¹ owns and operates facilities that treat and distribute water to the public for compensation in Kentucky. It provides water service to approximately 115,575 customers in Bourbon, Clark, Fayette, Gallatin, Grant, Harrison, Jessamine, Owen, Scott, and Woodford counties, Kentucky.² It is a utility subject to Commission jurisdiction.³

¹ See Online Business Database, Kentucky Secretary of State Trey Grayson <http://apps.sos.ky.gov/business/obdb/default.aspx> (last visited Feb. 17, 2008).

² Report of Kentucky-American Water Company to the Kentucky Public Service Commission for the Year Ended December 31, 2006 at 5 and 30.

³ KRS 278.010(3)(d); KRS 278.040(1).

Kentucky-American requests authority to discontinue fire protection to six customers who are receiving private fire hydrant service or fire protection service and are not current in the payment of their bills. It states that the delinquency period for each of these customers "has run well beyond the minimum period for termination of service."⁴ Kentucky-American further states that it has notified each of the customers in question of its intent to terminate service. It has also notified the local fire departments that serve these customers and Insurance Services Office.⁵

As a general rule, water utilities may terminate service to customers for nonpayment.⁶ The Commission has codified this rule in 807 KAR 5:006, Section 14(f), which provides:

A utility may terminate service at a point of delivery for nonpayment of charges incurred for utility service at that point of delivery; however, no utility shall terminate service to any customer for nonpayment of bills for any tariffed charge without first having mailed or otherwise delivered an advance termination notice which complies with the requirements of Section 13(5) of this administrative regulation.

1. Termination notice requirements for electric or gas service. Each electric or gas utility proposing to terminate customer service for nonpayment shall mail or otherwise deliver to that customer ten (10) days' written notice of intent to terminate. Under no circumstances shall service be

⁴ Application at 3. The amount of the arrears ranges from \$1,817 to \$7,384.

⁵ Insurance Services Office (ISO) provides statistical, actuarial, and underwriting information for the property/casualty insurance and risk management industries. The company gathers premium, claim, and loss data that is filed with state regulators; the data is used to evaluate the price of insurance in each state. See http://www.hoovers.com/iso/--ID__59977--/free-co-profile.xhtml (last visited Feb. 17, 2008)

⁶ See 78 Am. Jur. 2d *Waterworks and Water Companies* § 65 (2007); 64 Am. Jur. 2d *Public Utilities* § 48 (2007); See also *Warfield Natural Gas Co. v. Clark Adm'x*, 257 Ky. 724, 79 S.W.2d 21 (1934) *Kentucky Utilities Co. v. Warren Ellison Café*, 231 Ky. 558, 21 S.W.2d 976 (1929).

terminated before twenty-seven (27) days after the mailing date of the original unpaid bill. The termination notice to residential customers shall include written notification to the customer of the existence of local, state and federal programs providing for the payment of utility bills under certain conditions, and of the address and telephone number of the Department for Social Insurance of the Cabinet for Health and Family Services to contact for possible assistance.

2. Termination notice requirements for water, sewer, or telephone service. Each water, sewer, or telephone utility proposing to terminate customer service for nonpayment shall mail or otherwise deliver to that customer five (5) days' written notice of intent to terminate. Under no circumstances shall service be terminated before twenty (20) days after the mailing date of the original unpaid bill.

3. The termination notice requirements of this subsection shall not apply if termination notice requirements to a particular customer or customers are otherwise dictated by the terms of a special contract between the utility and customer which has been approved by the commission.

Having considered the petition and being otherwise sufficiently advised, the Commission finds a formal proceeding authorizing service disconnections in this case is not required. Kentucky-American may disconnect the service of the customers in question by complying with 807 KAR 5:006, Section 14.⁷ We further find that Kentucky-American's efforts to notify these customers' insurers and local fire departments of its proposed action are prudent and reasonable and should be considered as the better practice for all water utilities that intend to discontinue a customer's fire protection service for nonpayment.

⁷ See Case No. 1993-00296, The Application of John Allen, Trustee, with Burl Wells Spurlock, Betty H. Minix and Patsy Wright, to Discontinue Service to Certain Customers (Ky. PSC Sept. 30, 1993).

IT IS THEREFORE ORDERED that:

1. Kentucky-American's petition is denied as moot.
2. This matter is closed and removed from the Commission's docket.

Done at Frankfort, Kentucky, this 28th day of February, 2008.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end.

Executive Director

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2. For financial reporting purposes, General Accounting Standards Board Pronouncement No. 68 (GASB 68) requires that an employer participating in a Cost-Sharing Pension Plan recognize on its Balance Sheet its proportionate share of the plan's Net Pension Liability (NPL) and any deferred outflows of resources and deferred inflows of resources related to pensions. Therefore, the Districts and Associations included in your analysis would not only report the actual payments into the County Employment Retirement System (CERS) but also their proportionate share of the CERS unfunded liability. Explain how this reporting requirement would impact the comparison of Water Service Kentucky's retirement contribution to the CERS contributions of the sample group.

Response: The primary objective of the Pronouncement No. 68 (GASB 68) is to improve the accuracy of the accounting and financial reporting pertaining to pensions provided by state and local governmental employers. This requirement provides accountability for the proportionate share of the CERS unfunded liability which is assumed to be payable in the future at which point it will become an actual expense. Instead of waiting for the liability to become payable, GASB 68 requires the expense to be recognized at a discounted present value of the anticipated future payout. Furthermore, it aims to improve the accuracy of deferred outflows and inflows related to the variance between projected and actual earnings on plan investments. The variances are netted and amortized over time.

In comparison, Water Service Corporation of Kentucky's employs a 401(k) system. Our retirement benefit analysis assumes employees will take full advantage of the system, which

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includes WSCK's (Water Service Corp of Kentucky) contributing up to 4% of their annual earnings. Therefore, in addition to the (non-elective) company contribution of 3%, the company also reports its proportional share (13.55% - Percentage Allocated to WSCK) of the *potential* 4% expense of employees' eligible earnings.¹ This contribution amounts to \$29,309 or 12.18% of total Pension & Benefits for Water Service Corporation of Kentucky. (refer to Exhibit AD-3 for details)

Prior to 2015 pursuant to Governmental Accounting Standards Board Statement No. 27 (GASB 27) Districts and Associations were not required to report their proportionate share of the CERS unfunded liability. The timeline used for the analysis includes the data reported between 2012 – 2016 in which reported data for 2015 and 2016 should have been impacted in accordance with new reporting standards. Given the objective of the new reporting requirement designed to improve the accuracy of the financial reports provided by companies, it is my opinion that the new and improved accounting standards should be used in comparative analysis. Furthermore, while forecasting for years 2017 and 2018, the average annual change in companies' benefits during the period between 2012 and 2016 was used. Since GASB 68 requirement did not impact reporting of pension and benefits until 2015, the dollar amounts pertaining to pension and benefits for the sampled companies during the period between 2012-2014 were understated.

¹ On page line of his testimony, Robert Guttormsen erroneously transposed these percentages. He amends his testimony to reflect the correct percentages of a non-elective company contribution of 3% and a potential matching contribution of 4%, which is reflected on page 2 of the Employee Benefits Guide provided in response to Item 16 of the Commission's First Request for Information.

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To improve the comparison of Water Service Kentucky's retirement contribution to the CERS contributions of the sample group, the sampled companies would have to provide expense restatements pursuant to requirements by GASB 68 for 2012 – 2014 Annual Reports.

Unfortunately, the lack of such restatements makes the data in the existing Annual Reports the most reliable and readily available for comparison.

Witness: Andrian Dmitrenko

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3. Refer to Water Service Kentucky's testimony regarding the projects labeled "UCMR4 - One Year to Complete UCMR4 sampling requirements, "Bean's Fork Tank," "Clinton - Grubbs Subdivision" and "ClintonWTP Clearwell" and contained in the file labeled "Staff DR 1.3- Filing Template", Maintenance and Repair adjustment, tab-Ky DEF Assets, Description column.

- a. Describe the nature of these projects. Provide the estimates relied upon to consider the projects known and measurable.
- b. Provide the expenses to inspect these premises and the inspection schedules, including the frequency of inspection and whether the expenses are normalized.
- c. Provide documentation identifying the expected start date for each of these projects.

Response:

a. UCMR4 testing is a requirement from the EPA, it stands for "the fourth Unregulated Contaminant Monitoring Rule." Every five years, a new set of "UCMR" testing is required. UCMR4 was published in the Federal Register on December 20, 2016. UCMR4 requires monitoring for 30 chemical contaminants between 2018 and 2020 using analytical methods developed by EPA and consensus organizations. This monitoring provides a basis for future regulatory actions to protect public health.

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The remaining pro forma deferred projects (Bean's Fork Tank, Clinton – Grubbs Subdivision, and Clinton WTP Clearwell) are all for tank inspections. The UCMR4 estimate was actualized (assets placed in service) throughout 2018 and the actual cost was \$11,625. Please see the attached file “Response to PSC PHDR 1.3 (UCMR4 Actual Costs)” for documentation of the UCMR4 actual costs. Estimates for the remaining forecasted deferred assets were based on operational experience completing similar inspections of similar assets.

b. Please see the attachment provided in part a. for the actual costs related to UCMR4.

Tank inspections are scheduled to occur every 5 years.

- UCMR4 is known and measurable and actual annual amortization of \$3,875 should be included in operating expenses.
- The Bean's Fork Tank has never been inspected and the cost to do so is included in the Company's request at the Company's best estimate. WSCK expects that inspection to take place every 5 years going forward and respectfully requests the Commission allow the Company to recover an annual level of amortization of inspection costs in operating expenses related to the Bean's fork tank in the amount of \$840.00.
- Upon further review, the Company noted that an annual level of inspection costs was included in the actual test year expenses for the Clinton - Grubbs Subdivision and ClintonWTP Clearwell tanks. A downward adjustment to operating expense in the amount of \$1,240.00 is necessary to correct the revenue requirement.

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c.

- The actual start dates for UCMR4 are included in column I of the attachment provided in part a. above.
- The anticipated start date of the Bean's Fork Tank is 3/1/19 per the Company's most recent forecast.
- WSCK is withdrawing its request to recover a pro forma annual level of inspection costs related to the Clinton - Grubbs Subdivision and ClintonWTP Clearwell tanks because an annual level of amortization is included in the test year.

Witness: Robert Guttormsen

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4. Refer to Water Service Kentucky's testimony by Constance Heppenstall regarding the cost-of-service study (COSS).
- a. Provide all the fixed costs used to calculate the monthly service charge proposed by Water Service Kentucky.
 - b. Explain in detail how a "readiness to serve" charge is calculated.
 - c. Provide any and all industry best practices standards used for calculating the COSS referenced during testimony, including but not limited to any reference to a "readiness to serve" calculation.
 - d. Provide a revised COSS illustrating the fixed versus variable costs associated with providing services to the customers of Water Service Kentucky.

Response:

- a. The fixed costs used to calculate the monthly service charge are attached in the form of the functional allocation of revenue requirements. See Exhibit 4(a). The costs used are in columns 7, 8 and 9 and are those related to billing, meters and services. In the calculation of the monthly charge, the costs for unrecovered public fire are separated from the costs related to meters found in column 7.
- b. The Readiness to Service or minimum system requirement calculation is attached. See Exhibit 4(b). The calculation is designed to determine the minimum distribution costs (if all mains were 4-inch or less) needed to serve the Company's customers. This analysis assumes that

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the minimum distribution main need to serve customers is a 4-inch main. These costs are separate from the costs includes in part (a) above.

Line 1 shows the Company's actual footage of mains 4-inch and under. Line 2 shows the amount of rate base related to these mains of \$358,876. This rate based is divided by line 1, footage of mains 4-inch and less and presented on line 3. Line 3 shows the resulting rate base per foot for a 4-inch main. Line 4 is total length of mains for the entire water system. This footage of mains is then multiplied by the rate base per foot for a small main (minimum system) in line 3 for a total hypothetical rate base for a minimum system requirement or readiness to serve of \$1,950,022. This minimum system requirement rate base in line 5 is divided by total pro forma rate base of \$6,104,405 on line 6 for a percentage of total rate base of 31.94%. This percentage of rate base is multiplied by the pro forma rate of return and taxes on line 8 to determine the costs related to Readiness to Service or Minimum System Requirements for rate of return and taxes of \$212,217. We then performed a similar calculation for depreciation expense which results in an minimum system requirement expense of \$61,674. Adding the depreciation expense to the expense for rate of return and taxes gives a total Readiness to Service cost of \$273,891 on line 13. This amount is divided by the number of customers on line 14 divided by 12 or \$3.76 per customer per month. If this amount is added to the monthly service charge based on just customer costs of \$9.53, it equals \$13.29 which is higher that the Company's requested customer charge of \$12.50 per month.

c. See Exhibit 4(c), which are the attached pages from the AWWA M1 Manual, Principles of Water Rates, Fees and Charges, Seventh Edition.

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d. A Base-Extra Capacity cost of service study is not designed to separate costs between fixed and variable. Accordingly, Ms. Heppenstall's study cannot be revised in such a way. However, the only truly variable costs for the Company are as follows:

Purchased Water	\$123,204
Chemicals	108,012
Purchased Power	<u>101,367</u>
Total	\$332,583

These costs are highlighted in the attachment to part a. on lines 4, 14 and 15. A total of \$332,583 are variable costs based on the sale of water out of a total revenue requirement of \$3,269,323 or 10.2%.

Witness: Constance Heppenstall

Exhibit 4(a)

WATER SERVICE CORPORATION OF KENTUCKY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017, ALLOCATED TO FUNCTIONAL CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Base	Max Day	Max Hour	Meters	Services	Billing & Collecting	Private Fire Service	Public fire Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
52		637,101	177,687	135,664	146,823	3,454	1,784	80,738	21,753	69,197
53										
54										
55										
56		2,211,628	948,582	434,036	368,688	3,454	1,784	225,709	55,339	174,035
57										
58										
59										
60	15	3,082	1,013	770	422	269	147	59	63	339
61	2	5,262	2,755	2,493	-	-	-	-	3	12
62	2	14,209	7,439	6,731	-	-	-	-	7	33
63	6	42	11	1	19	-	-	-	3	9
64	12	5,184	976	955	1,438	-	-	939	214	661
65	12	6,008	1,131	1,107	1,667	-	-	1,089	248	767
66	2	7,958	4,166	3,770	-	-	-	-	4	18
67	2	184	97	87	-	-	-	-	0	0
68	3	26,641	13,328	11,999	-	-	-	-	306	1,007
69	2	35,556	18,614	16,843	-	-	-	-	18	82
70	5	9,156	2,912	-	5,849	-	-	-	90	306
71										
72	4	34,161	8,127	-	16,343	-	-	-	2,265	7,427
73	3	32,313	16,166	14,554	-	-	-	-	372	1,221
74	9	34,235	-	-	-	-	33,622	-	613	-
75	8	68,477	-	-	-	68,477	-	-	-	-
76	7	16,457	-	-	-	-	-	-	-	16,457
77	12	4,708	886	867	1,306	-	-	853	194	601
78	12	55,799	10,507	10,278	15,479	-	-	10,111	2,305	7,120
79	12	56,572	10,653	10,421	15,693	-	-	10,251	2,336	7,219
80	12	19,804	3,729	3,648	5,494	-	-	3,588	818	2,527
81	2	4,534	2,374	2,148	-	-	-	-	2	10
82	12	774	146	143	215	-	-	140	32	99
83	12	6,744	1,270	1,242	1,871	-	-	1,222	279	860
84	12	0	-	-	-	-	-	-	-	-
85										
86		447,861	106,298	88,055	65,794	68,746	33,769	28,252	10,171	46,775
87										
88										
89	17	(177,741)	(67,790)	(37,183)	(28,172)	(7,021)	(3,626)	(13,882)	(4,230)	(15,837)
90										
91										
92	14	77,401	27,826	19,489	15,140	-	-	5,689	2,214	7,043
93	16	101,099	33,989	25,184	14,103	8,462	4,620	1,577	2,103	11,060
94	16	100	34	25	14	8	5	2	2	11
95	17	6,717	2,562	1,405	1,065	265	137	525	160	598
96	16	0	-	-	-	-	-	-	-	-
97										
98										
99		185,317	64,410	46,103	30,321	8,736	4,762	7,792	4,478	18,713
100										
101	16	126,763	42,618	31,577	17,683	10,610	5,793	1,977	2,637	13,868
102										
103										
104	15	538,299	176,993	134,467	73,747	46,940	25,623	10,228	11,035	59,267
105										
106		3,332,126	1,271,111	697,055	528,062	131,465	68,105	260,076	79,430	296,822

WATER SERVICE CORPORATION OF KENTUCKY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017, ALLOCATED TO FUNCTIONAL CLASSIFICATIONS

	Account (1)	Factor Ref. (2)	Cost of Service (3)	Base (4)	Max Day (5)	Max Hour (6)	Meters (7)	Services (8)	Billing & Collecting (9)	Private Fire Service (10)	Public fire Service (11)
107											
108	Unrecovered Public Fire						259,801				(259,801)
109											
110	Total Cost of Service with Unrecovered Public Fire		3,332,126	1,271,111	697,055	528,062	391,266	68,105	260,076	79,430	37,021
111											
112	Less: Misc. Service	17	(62,803)	(23,953)	(13,138)	(9,954)	(2,481)	(1,281)	(4,905)	(1,495)	(5,596)
113											
114	Total Cost of Service Related to										
115	Sales of Water		<u>3,269,323</u>	<u>1,247,158</u>	<u>683,917</u>	<u>518,108</u>	<u>388,785</u>	<u>66,824</u>	<u>255,171</u>	<u>77,936</u>	<u>31,425</u>

Exhibit 4(b)

WATER SERVICE CORPORATION OF KENTUCKY

READINESS TO SERVE CALCULATON FOR CUSTOMER CHARGE

<u>Line No.</u>			
1	Footage of Mains - 4-inch or less		94,586
2	Rate Base - 4-inch or less*	\$	358,876
3	Rate Base per foot of Small Mains - Line 2 divided by Line 1	\$	3.79
4	Total length of All Mains		513,951
5	Total Readiness to Serve Rate Base - Line 4 X Line 3	\$	1,947,874
6	Total Rate Base	\$	6,104,405
7	Percentage of Rate Base - Line 5 divided by Line 6		31.91%
8	Pro Forma Rate of Return and Taxes	\$	665,061
9	Readiness to Serve - Return and Taxes - Line 8 X Line 7	\$	212,217
10	Depreciation Expense - 4-Inch or Less*	\$	10,902
11	Depreciation per Foot - Line 10 divided by Line 1	\$	0.12
12	Total Readiness to Serve Depreciation - Line 12 X Line 4	\$	61,674
13	Total Readiness to Serve Costs - Line 12 + Line 9	\$	273,891
14	Number of Customers		6,069
15	Readiness to Serve Costs per Monthly Customers - Line 13 divided by Line 14 / 12	\$	3.76

* Based on Inch-Foot calculation of 16.4% of Total Mains.

Exhibit 4(c)

Utilities also incur costs associated with providing for a given amount of demand. As described in chapter III.1, these costs may be categorized as base-extra capacity costs, or commodity and demand costs, depending on the cost allocation method used. Regardless of the allocation method selected, a utility incurs these costs because of the amount and pattern of its customers' water demands. For various reasons, it has become common practice in the water industry to recover such costs, even those defined as fixed in traditional cost-accounting terms, through a consumption charge that varies with the customer's consumption.

Fixed and variable charges, as defined for rate design in a cost-of-service water-rate analysis, depart from standard or traditional accounting definitions of fixed and variable costs. A traditional cost-accounting definition considers fixed costs as charges that do not change in total as the volume of activity changes. In contrast, variable costs are those that do change in total as the volume of activity changes as measured in a specific time period. Notably, over the long run, a utility may be able to control fixed costs by avoiding constructing additional units of capacity resulting from water conservation/declining demands. Consequently, over the long run, fixed costs can be viewed as at least partially variable. Water utilities can use these concepts in somewhat different ways, as described in the following sections.

FIXED CHARGES

Water utilities use many different types of fixed charges in their rate designs. Three commonly used fixed charges are billing (or customer) charges, service (or meter) charges, and minimum charges.

Billing or Customer Charges

The terms *billing charge* and *customer charge* are often used interchangeably. This charge typically recovers costs such as meter reading, billing costs, and other costs that the utility incurs equally per customer or per account. This type of fixed charge can be the same for all customers or it can vary by customer class if certain customer classes have more complicated billing or customer service requirements. These costs are not a function of the amount of consumption a customer uses. An example of a billing or customer charge is \$6.00 per bill.

A billing charge is relatively easy to calculate, implement, and understand. A billing charge is frequently lower than other types of fixed charges (or represents a relatively small component of a larger overall fixed charge).

Service or Meter Charges

A *service charge* (or *meter charge*) is a fixed fee that increases with meter size. It often recovers the same costs as a billing charge plus other customer-related costs that change as a function of meter size. These other costs typically include meter-related costs such as meter testing, repairs, and replacements.

Table IV.7-1, based on inside-city unit costs of service from Table III.2-5, shows an example determination of a schedule of monthly service charges. Because service charges vary by meter size, they may be more complicated to explain and require additional data to allocate costs to each meter size in a fair and equitable manner.

In some cases, utilities include other costs to provide service to a customer as a part of a service or meter charge. The argument is made that utilities make investments to provide the ability to serve, and that these costs must be recovered regardless of the amount of water used during a given period. This is sometimes referred to as a readiness-to-serve

Table IV.7-1 Fixed charges by meter size

Meter Size, in.	Billing and Collection,* \$	Meters and Services,† \$	Total Meter Charge, \$
5/8	5.80	6.46	12.26
3/4	5.80	9.70	15.50
1	5.80	16.16	21.96
1½	5.80	32.32	38.12
2	5.80	51.72	57.52
3	5.80	103.44	109.24
4	5.80	161.62	167.42
6	5.80	323.25	329.05

*From Table III.2-5, rounded to nearest cent.

†Based on inside-city unit costs of service in Table III.2-5 as follows: \$77.5793 per equivalent meter per year divided by 12 bills = \$6.465 per equivalent meter per month. Meter equivalents based on appendix B.

charge. An approach that may be useful in establishing a cost basis for readiness-to-serve costs is referred to as the minimum system analysis. This analysis considers that there is a minimum system in place to meet minimum service requirements regardless of use. The minimum needs are defined by determining the minimum size a system would be designed to meet minimum or average service needs (e.g., 4-in. service) not considering sizing for peak-day capacity needs or fire protection. The percentage of the distribution system related to meeting the minimum system needs would be applied to distribution-related costs and would be collected in the fixed charges. Incremental system sizing related to sizing the system to meet peak-day needs and fire flow requirements may also be considered for inclusion in the fixed charges. Fire protection charges are discussed in more detail in chapter IV.8. The requirement to recover costs without regard to the volume of sales is real, but it does not necessarily suggest that fixed charges should represent a large portion of total revenue requirements, nor that the rate structure should match the cost structure of a utility. The use of a water system is reflected in both potential and average usage patterns, so a continued reliance on volumetric charges to recover fixed costs has value from an equity perspective.

The extent to which a strategy of large service charges is employed is frequently limited as a result of concerns over impacts on affordability for smaller-volume customers.

Minimum Charges and Water Allowance

A minimum charge is equal to the sum of the fixed-fee components of a water bill that must be paid regardless of metered usage. A minimum charge could consist of a billing charge, or a billing charge plus a meter charge. In some cases, a fixed fee based on an allowance for a certain amount of water consumption is included in the minimum charge. The allowance is the minimum volume of consumption for which a customer is billed regardless of whether or not the water is used. The allowance is generally set at a relatively low level to equal an amount that is typically used by most customers in a month. Some utilities use an increasingly larger water allowance for larger size meters.

The minimum charge may be viewed as a means to recover a portion of fixed costs associated with investments to which all customers should contribute, because the utility continues to incur the fixed costs regardless of whether customers consumed water during that billing period.

This charge typically recovers the same costs as the billing and service charges, plus the cost of the allotted consumption allowance, multiplied by the consumption rate.

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5. Refer to the testimony of Perry Brown and Steven Lubertozzi regarding general wage increases and merit wage increases. Provide the external benchmarking study used by Water Service Kentucky to substantiate its market rate general and merit wage increases.

Response:

WSCK, through its parent company UI, relied upon the 2016 AWWA Water Utility Compensation Survey (attached in conjunction with a Petition for Confidentiality) as the external benchmark when comparing WSCK operator’s salaries to competitors and other similarly situated utilities. When compared to external benchmarks our salaries were below P50², see below. (The complete chart is being produced in conjunction with a Petition for Confidentiality.)

AWWA Data vs. UI Actuals

UI Title	UI		AWWA (Market P50)	UI		Source
	Median Salary	Headcount		Difference	(Below P50)	
REGIONAL MANAGER		13				2016 AWWA Large Comp Survey-Water Operations Manager p.119
AREA MANAGER		36				2016 AWWA Large Comp Survey-Water Treatment Plant Manager p.239
LEAD WATERWASTEWATER OPERATOR		59				2016 AWWA Large Comp Survey-Water Treatment Plant Operator - Senior p.275
WATERWASTEWATER OPERATOR II		61				2016 AWWA Large Comp Survey-Water Treatment Plant Operator - Intermediate p.271
WATERWASTEWATER OPERATOR I		70				2016 AWWA Large Comp Survey-Water Treatment Plant Operator - Associate p.267

In addition to the external benchmarks WSCK relies on an annual merit increase process. This annual review process includes a 3% budgeted amount, which is based off previous years’ budgeted salary increases and approved by UI’s Board. WSCK participates in an elaborate and detailed process to establish annual increases. Each April, UI processes merit increases Companywide for all Operating Companies, including WSCK. Decisions regarding an individual’s compensation are made at the Business Unit (“BU”) level, including WSCK’s Area

² P50 is defined as 50% of estimates exceed P50 and by definition 50% of estimates are less than P50.

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Manager and Regional Manager. Prior to merit increase process WSKC’s finance and operations team, reviews current salary expense and uses that number to forecast a 3% increase across the board, creating a 3% “bucket” or total budget number from which the merit increases within that BU will be made. This amount does not guarantee that each employee will receive a 3% increase; it merely provides a finite pool amount of dollars available for increases. Once a BU has identified their bucket number for increases, they begin the process of determining salary increase recommendations for each member of their team. There are several relevant variables that may go into an individual employee’s merit increase such as performance, where they are within their pay grade, certifications they have obtained, etc. One tool which assists the BU in appropriately balancing those variables is our Annual Salary Increase Rubric (shown below).

		% OF MIDPOINT		
		Low	Mid	High
PERFORMANCE	Low	0-2%	0-1%	0%
	Mid	4-5%	2-4%	1-2%
	High	6-8%	4-5%	1-3%

The left-hand side of the rubric represents the level of performance and the top of the rubric represents where the employee falls in the pay range. On average, (excluding promotions or

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market adjustments) employees in UI umbrella of companies average 3% salary increases per year.

Witness: Steven Lubertozi

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6. Explain why Water Service Kentucky hired John Guastella to perform a depreciation study rather than use the National Association of Regulatory Utility Commissioners Study of Depreciation Practices for Small Water Utilities, as stipulated in Case No. 2015-00382.

Response:

The Commission Order in Case No. 2015-00382 (Ky. PSC May 31, 2015) at 4 states:

“WSCK anticipates requesting Commission approval in its next rate case seeking a general adjustment of rates to use depreciation rates that are *consistent* with the National Association of Regulatory Utility Commissioners Study of Depreciation Practices for Small Water Utilities. The AG and Clinton shall not object to WSKY’s request to use depreciation rates that are *consistent* with that study.” (emphasis added)

WSCK hired Mr. Guastella to perform a depreciation study because he is a nationally known expert with many years of experience as a consultant and former regulator who has been involved in all aspects of utility rates and regulation, including the issue of depreciation for which his opinions and recommendations have been widely accepted. As WSCK stipulated in the 2015 rate case settlement that it would determine depreciation rates that are consistent with the 1979 NARUC Study of Depreciation Practices, Mr. Guastella’s depreciation study is entirely consistent with the 1979 NARUC Study in every respect. As precisely recognized in the 1979 NARUC Study, Mr. Guastella’s study is based on comparable average service lives used by utilities throughout the country, and that the specific calculation of depreciation rates takes into account both average service lives and net salvage values which include cost of removal, as well as engineering judgment. While Mr. Guastella included for consideration in his data base the 1979 NARUC Study’s list of a range of average service lives and depreciation rates, as reflected

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in Figure 1, page 11 of the 1979 NARUC Study, the specific depreciation rates in that list do not include the negative net salvage values attributable to cost of removal, and other more current considerations with respect to computers and related items that were not included in the 1979 NARUC survey. While the absence of the negative net salvage values in the 1979 NARUC Study's list of depreciation rates would lower depreciation expense if applied to WSCK's plant accounts, the use of the current widely accepted average service life of 5 years and depreciation rate of 20% for computers and related items would offset any such reduction. As shown in Attachment to Post-Hearing Request 7b(3), the application of the 1979 NARUC rates, as adjusted, applied to WSCK's plant accounts produces a total depreciation expense of \$564,611 compared to Mr. Guastella's recommended \$531,746.³

Witness: John Guastella

³ The calculation of depreciation expense in response to Item 7(b) of Staff's Post Hearing Data Request effectively amends WSCK's response to Item 24(d) of Staff's Second Request for Information. As described above, the amendment incorporates the Commission's acknowledgement that computers and related items may be included within Account 340 – Office Furniture and Equipment, but should carry a 20% depreciation rate instead of the range provided in Figure 1, page 11 of the 1979 NARUC Study. Copies of relevant documents from Case No. 2013-00338 are attached as Exhibit 6 to verify Commission support for this position.

Exhibit 6

Case No. 2013-00338

Application

Staff Report

PSC Order

SUBMIT ORIGINAL AND FIVE ADDITIONAL COPIES, UNLESS FILING ELECTRONICALLY

RECEIVED

**APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION**

SEP 9 2013

For Small Utilities Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

PUBLIC SERVICE
COMMISSION

Rattlesnake Ride Water District
(Name of Utility)

3563 State Hwy 1661 Grayson, KY 41143
(Business Mailing Address - Number and Street, or P.O. Box)

Grayson, KY 41143
(Business Mailing Address - City, State, and Zip)

606-474-7570
(Telephone Number)

BASIC INFORMATION

NAME, TITLE, ADDRESS, TELEPHONE NUMBER and E-MAIL ADDRESS of the person to whom correspondence or communications concerning this application should be directed:

Bill Gilbert
(Name)

3563 State Hwy 1661
(Address - Number and Street or P.O. Box)

Grayson, KY 41143
(Address - City, State, Zip)

606-474-7570
(Telephone Number)

N/A
(E-mail Address)

(For each statement below, the Applicant should check either "YES" or "NO".)

- | | YES | NO |
|---|-------------------------------------|-------------------------------------|
| 1. a. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2. a. Applicant has filed an annual report with the Public Service Commission for the past year. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant has filed an annual report with the Public Service Commission for the two previous years. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 3. Applicant's records are kept separate from other commonly-owned enterprises. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- | | YES | NO |
|---|-------------------------------------|-------------------------------------|
| 4. a. Applicant is a corporation. A certified copy of its articles of incorporation and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b. Applicant is a limited liability company. A certified copy of its articles of organization and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c. Applicant is a limited partnership. A certified copy of its limited partnership agreement and all amendments thereto are attached to this application or were filed with the Public Service Commission in Case No. _____. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| d. Applicant is a sole proprietorship or partnership. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| e. Applicant is a water district organized pursuant to KRS Chapter 74. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| f. Applicant is a water association organized pursuant to KRS Chapter 273. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 6. a. Applicant has 20 or fewer customers or is a sewer utility and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b. Applicant has more than 20 customers, is not a sewer utility, and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input type="checkbox"/> | <input type="checkbox"/> N/A |
| c. Applicant has more than 20 customers, is not a sewer utility, and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." (Attach completed "Reasons for Application" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- | | YES | NO |
|--|-------------------------------------|--------------------------|
| 8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." (Attach completed "Current and Proposed Rates" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, <u>2012</u> . | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." (Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ <u> </u> and total revenues from service rates of \$ <u>587,004</u> . The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. (Attach a completed "Revenue Requirement Calculation" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 12. As of the date of the filing of this application , Applicant had <u>4049</u> customers. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 13. A billing analysis of Applicant's current and proposed rates is attached to this application. (Attach a completed "Billing Analysis" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 14. Applicant's depreciation schedule of utility plant in service is attached. (Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 15. a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution). | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- | | YES | NO |
|--|-------------------------------------|-------------------------------------|
| 16. a. Applicant is not required to file state and federal tax returns. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant is required to file state and federal tax returns. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c. Applicant's most recent state and federal tax returns are attached to this Application. (Attach a copy of returns.) | <input type="checkbox"/> | <input type="checkbox"/> NIA |
| 17. Approximately _____ (Insert dollar amount or percentage of total utility plant) of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions. | <input type="checkbox"/> | <input type="checkbox"/> NIA |
| 18. Applicant has attached a completed Statement of Disclosure of Related Party Transactions for each person who 807 KAR 5:076, §4(h) requires complete such form. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed Bernie McDaniel
 Officer of the Company/Authorized Representative
 Title Commissioner
 Date Sept. 6, 2013

COMMONWEALTH OF KENTUCKY

COUNTY OF Bowling

Before me appeared Bernie McDaniel, who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.

Kerry McJannet #484033
 Notary Public
 My commission expires: 02/25/17

REASONS FOR APPLICATION

(In the space below list all reasons why the Applicant requires a rate adjustment. Describe any event or occurrence of significance that may affect the Applicant's present or future financial condition, including but not limited to excessive water line losses, regulatory changes, major repairs, planned construction, and increases in wholesale water costs.)

The District is currently running a loss, they need a rate increase.

SCHEDULE OF ADJUSTED OPERATIONS - WATER UTILITYTYE 12/31/20 12

	Test Year	Adjustment	Ref.	Pro Forma
<u>Operating Revenues</u>				
Sales of Water				
Unmetered Water Sales				0.00
Metered Water Sales	2,022,798			0.00
Bulk Loading Stations				0.00
Fire Protection Revenue				0.00
Sales for Resale				0.00
Total Sales of Water	<u>2,022,798 0.00</u>	<u>0.00</u>		<u>0.00</u>
Other Water Revenues				
Forfeited Discounts				0.00
Miscellaneous Service Revenues	19,414			0.00
Rents from Water Property				0.00
Other Water Revenues	18,459			0.00
Total Other Water Revenues	<u>37,873 0.00</u>	<u>0.00</u>		<u>0.00</u>
Total Operating Revenues	<u>2,060,671 0.00</u>	<u>0.00</u>		<u>0.00</u>
<u>Operating Expenses</u>				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	580,614			0.00
Salaries and Wages - Officers				0.00
Employee Pensions and Benefits	298,324			0.00
Purchased Water	4169			0.00
Purchased Power	249,211			0.00
Fuel for Power Production				0.00
Chemicals				0.00
Materials and Supplies	272,930			0.00
Contractual Services	10,354			0.00
Water Testing	23,506			0.00
Rents				0.00
Transportation Expenses	60,554			0.00
Insurance	53,426			0.00
Regulatory Commission Expenses				0.00
Bad Debt Expense				0.00

Miscellaneous Expenses	<u>11,489</u>		0.00
Total Operation and Maintenance Expenses	<u>1,564,577</u>	<u>0.00</u>	<u>1,564,577</u>
Depreciation Expense	809,075	(214,014)	595,061
Amortization Expense			0.00
Taxes Other Than Income	48,754		48,754
Income Tax Expense			0.00
Total Operating Expenses	<u>2,422,406</u>	<u>0.00</u>	<u>2,110,886</u>
Utility Operating Income	<u>(361,735)</u>	<u>(214,014)</u>	<u>(88,086)</u>

References

- updated deprec schedule to ⁷⁵ years for transmission/Distributions.

REVENUE REQUIREMENT CALCULATION - DEBT COVERAGE METHOD

(This method is used commonly by non-profits that have long-term debts outstanding.)

Pro forma Operating Expenses	2,110,884
Plus: Average Annual Debt Principal and Interest Payments*	498,984
Debt Coverage Requirement**	0
Total Revenue Requirement	<u>2,609,868</u> 0.00
Less: Other Operating Revenue	0
Non-operating Revenue	0
Interest Income	<u>66</u>
Revenue Required from Rates	<u>2,609,802</u> 0.00
Less: Revenue from Sales at Present Rates	<u>2,022,798</u>
Required Revenue Increase	<u>587,004</u> \$0.00

Required Revenue Increase stated as a Percentage of Revenue at Present Rates

29%

* This should be a 3 year average calculated using the debt principal and interest payments for the three years following the test year.

** This amount is calculated by multiplying the average annual debt principal and interest payments by the debt service requirement of the utility's lending agency.

PUBLIC NOTICE OF PROPOSED ADJUSTMENT OF WATER RATES AND CHARGES

RATTLESNAKE RIDGE WATER DISTRICT

NOTICE

Notice is hereby given that the Rattlesnake Ridge Water District (the District) has filed an application with the Public Service Commission of Kentucky (the PSC) seeking approval of revised water rates. The District plans to implement the proposed rates upon approval of the PSC.

Monthly Rate:

Residential 5/8"	<u>Current</u>	<u>Proposed</u>
1,000 Gallons	14.98	19.32
Next 4,000 Gallons	9.18	11.84
Next 5,000 Gallons	7.90	10.19
Next 10,000 Gallons	6.78	8.75
Next 20,000 Gallons	4.75	6.13
Over 40,000 Gallons	3.74	4.82
3/4"		
5,000 Gallons	51.70	66.69
Next 5,000 Gallons	7.90	10.19
Next 10,000 Gallons	6.78	8.75
Next 20,000 Gallons	4.75	6.13
Over 40,000 Gallons	3.74	4.82
2'		
First 50,000 Gallons	291.40	375.91
Over 50,000 Gallons	3.74	4.82
3'		
First 100,000 Gallons	478.40	617.14
All over 100,000 Gallons	3.74	4.82
6'		
First 500,000 Gallons	1,974.40	2,546.98
Over 500,000 Gallons	3.74	4.82
1'		
First 10,000 Gallons	91.20	117.65
Next 10,000 Gallons	6.78	8.75
Next 20,000 Gallons	4.75	6.13
Over 40,000 Gallons	3.74	4.82
1.5'		
First 30,000 Gallons	206.50	266.39
Next 10,000 Gallons	4.75	6.13
Over 40,000 Gallons	3.74	4.82

Typical Residential Monthly Usage	Current Monthly Bill	Proposed Monthly Bill	Percent Increase
1,000 Gallons	\$ 14.98	\$ 19.32	29%
5,000 Gallon	\$ 51.70	\$ 66.69	29%
10,000 Gallons	\$ 91.20	\$ 117.65	29%
20,000 Gallons	\$ 159.00	\$ 205.11	29%
40,000 Gallons	\$ 254.00	\$ 327.66	29%
80,000 Gallons	\$ 403.60	\$ 520.64	29%

The rates contained in this notice are the rates proposed by the District. However, the PSC may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates included in this notice.

Customers of the District are advised that any corporation, District, public body, or person with a substantial interest in the matter may, and showing grounds for the request, intervene in this filing. Any motion to intervene shall be submitted to the Kentucky Public Service Commission, 211 Sower Boulevard, PO. Box 615, Frankfort, KY 40602; Attn: Executive Director. (Telephone 502-564-3940) and shall set forth the grounds of the request, including the status and interest of the party intervening and may obtain copies of the rate application and any other filings made by the District by contacting the District at its main office or by telephone (859-654-2100). Any person may examine the rate application and any other filings made by the District at the District's main office located in Grayson, Kentucky or at the Public Service Commission's office located at 211 Sower Boulevard, Frankfort, KY 40602, telephone 502-564-3940.

NEW

Rattlesnake Ridge Water District
Fixed Asset Listing
For the Year Ended December 31, 2012

Code	Description	Date	Meth	Life	Cost	Accum Depr	Depreciation	Accum Depr	Depreciation	Accum Depr		
						2010	2011	2011	2012	2012	2012 new	deprec
304	Tanks	1986	S/L	0	302,600	279,905	7,565	287,470	7,565	295,035		
304	Tanks	1989	S/L	40	82,571	59,752	2,064	61,816	2,064	63,880		
304	Tanks	1994	S/L	20	63,822	54,248	3,191	57,439	3,191	60,630		
304	Tanks-IV	1995	S/L	20	121,851	93,422	6,093	99,515	6,093	105,608		
304	Tanks-V	1997	S/L	20	10,609	7,423	530	7,953	530	8,483		
304	Tanks-VB	1997	S/L	20	129,677	90,775	6,484	97,259	6,484	103,743		
304	Tanks-IV	1996	S/L	10	2,123	2,123	-	2,123	-	2,123		
304	Tanks	2002	S/L	40	240,620	51,135	6,016	57,151	6,016	63,167		
304	Tanks	2002	S/L	40	232,000	50,750	5,800	56,550	5,800	62,350		
304	Tanks	2005	S/L	40	654,037	96,743	16,351	113,094	16,351	129,445		
304	Tank Improvement	2009	S/L	20	3,998	400	200	600	200	800		
304	Radio and Tank Impro	2010	S/L	20	1,104	55	55	110	55	165		
304	Tank Improvement	2010	S/L	20	7,491	375	375	750	375	1,125		
304	Pressure Transmitter	2010	S/L	20	680	34	34	68	34	102		
304	Tank Improvement	2011	S/L	20	9,862	-	493	492	493	985		
304	Meters	2012	S/L	20	23,762	-	-	-	1,188	1,188		
					1,886,807	787,140	55,251	842,390	56,439	898,829		
311	Greg PS	12/1/1997	S/L	10	34,075	34,075	-	34,075	-	34,075		
311	Pumps	1986	S/L	10	228,080	228,080	-	228,080	-	228,080		
311	Pumps	1989	S/L	10	27,524	27,524	-	27,524	-	27,524		
311	Pumps	1993	S/L	10	9,681	9,681	-	9,681	-	9,681		
311	Pumps	1994	S/L	10	135,222	135,222	-	135,222	-	135,222		
311	Pumps	1995	S/L	10	121,851	121,851	-	121,851	-	121,851		
311	Pumps Replace	1995	S/L	10	2,238	2,238	-	2,238	-	2,238		
311	Pumps V	1997	S/L	10	1,277	1,277	-	1,277	-	1,277		
311	Pumps V	1997	S/L	10	72,039	72,039	-	72,039	-	72,039		
311	PS	4/1/1999	S/L	10	5,458	5,458	-	5,458	-	5,458		
311	Pump Station	6/24/2002	S/L	10	20,874	17,741	2,087	19,828	1,046	20,874		
311	Pump Station	9/30/2004	S/L	10	19,950	10,973	1,995	12,968	1,995	14,963		
311	Pumps	1/27/2005	S/L	10	213,026	126,042	21,303	147,345	21,303	168,648		
311	Pumps	2006	S/L	10	37,515	16,884	3,752	20,636	3,752	24,388		
311	Pumps	2010	S/L	10	5,968	597	597	1,194	597	1,791		
311	Pumps	2011	S/L	10	16,950	-	1,695	1,695	1,695	3,390		
311	Rebuilt motor	2012	S/L	10	1,650	-	-	-	165	165		
311	Controller @ pump station	2012	S/L	10	2,008	-	-	-	201	201		
311	Chemical pump	2012	S/L	10	685	-	-	-	69	69		
					956,069	809,682	31,429	841,111	30,821	871,932		
					18,344,070	4,864,747	458,335	5,323,082	458,602	5,781,684		
331	Ext Lines	1989	S/L	40	446,935	234,183	11,173	245,356	11,173	256,529	75	5,959
331	Lines	1994	S/L	40	980,818	416,845	24,520	441,365	24,520	465,885	75	13,078
331	Lines III	1995	S/L	40	29,048	11,618	726	12,344	726	13,070	75	387
331	Lines IV	1995	S/L	40	1,549,962	594,152	38,749	632,901	38,749	671,650	75	20,666
331	Lines IV	1996	S/L	40	105,331	39,498	2,633	42,131	2,633	44,764	75	1,404
331	Lines V	1997	S/L	40	56,832	19,892	1,421	21,313	1,421	22,734	75	758
331	Lines VA	1997	S/L	40	1,062,677	371,937	26,567	398,504	26,567	425,071	75	14,169
331	Water Lines	1986	S/L	40	2,405,320	1,503,325	60,133	1,563,458	60,133	1,623,591	75	32,071
331	Water Lines	2002	S/L	40	3,137,872	666,799	78,447	745,246	78,447	823,693	75	41,838
331	Lines	2002	S/L	40	35,443	7,384	886	8,270	886	9,156	75	473
331	Lines	2002	S/L	40	465,086	101,736	11,627	113,363	11,627	124,990	75	6,201
331	Lines	2005	S/L	40	4,381,065	648,034	109,527	757,561	109,527	867,088	75	58,414
331	Lines	2008	S/L	40	2,623,301	197,395	65,582	262,977	65,583	328,560	75	34,977
331	Lines	2009	S/L	40	1,024,191	51,210	25,605	76,815	25,605	102,420	75	13,656
331	Lines	2010	S/L	40	29,552	739	739	1,478	739	2,217	75	394
331	Lines	2012	S/L	40	10,637	-	-	-	266	266	75	142
					18,344,070	4,864,747	458,335	5,323,082	458,602	5,781,684	75	244,588
											75	214,014
334	Hert Elem	10/1/1999	S/L	40	1,568	443	39	482	39	521		
334	Install	1991	S/L	40	16,233	7,915	406	8,321	406	8,727		
334	Install	1992	S/L	40	17,150	7,933	429	8,362	429	8,791		
334	Install	1993	S/L	40	22,097	9,665	552	10,217	552	10,769		
334	Install	1994	S/L	40	32,012	13,203	800	14,003	800	14,803		
334	Install	1995	S/L	40	48,132	18,649	1,203	19,852	1,203	21,055		
334	Install	1996	S/L	40	44,860	16,265	1,122	17,387	1,122	18,509		
334	Install	1997	S/L	40	39,822	13,443	996	14,439	996	15,435		
334	Install	6/30/1998	S/L	40	31,885	9,963	797	10,760	797	11,557		
334	Install	6/30/1999	S/L	40	34,425	9,903	861	10,764	861	11,625		
334	Install	6/30/2000	S/L	40	41,630	10,929	1,041	11,970	1,041	13,011		
334	Install	6/30/2001	S/L	40	51,170	12,151	1,279	13,430	1,279	14,709		
334	Install	12/1/2000	S/L	40	10,232	2,581	256	2,837	256	3,093		
334	Install	4/26/2001	S/L	40	52,914	11,245	1,323	12,568	1,323	13,891		
334	Install	1/27/2005	S/L	40	785,200	116,144	19,630	135,774	19,630	155,404		
334	Install	2006	S/L	40	36,600	4,122	916	5,038	915	5,953		
334	Install	2007	S/L	40	48,600	4,253	1,215	5,468	1,215	6,683		
334	Install	2008	S/L	40	46,800	2,925	1,170	4,095	1,170	5,265		
334	Install	2009	S/L	40	28,600	1,430	715	2,145	715	2,860		
334	Install	2010	S/L	40	37,050	926	926	1,852	926	2,778		
334	Install	2011	S/L	40	28,140	-	704	704	704	1,408		
334	Install	2012	S/L	40	9,210	-	-	-	230	230		
					1,464,330	274,088	36,380	310,468	36,608	347,076		
					22,651,275	6,735,657	581,395	7,317,051	582,470	7,899,521		
								1b14600				

Rattlesnake Ridge Water District
 Fixed Asset Listing
 For the Year Ended December 31, 2012

Code	Description	Date	Meth	Life	Cost	Accum Depr 2010	Depreciation 2011	Accum Depr 2011	Depreciation 2012	Accum Depr 2012
304	Storage Building	9/1/1988	S/L	5	699	699	-	699	-	699
304	Trailer	3/8/1985	S/L	5	3,150	3,150	-	3,150	-	3,150
	Disposed of Trailer				(3,150)	(3,150)	-	(3,150)	-	(3,150)
					699	699	-	699	-	699
310	Generator	10/19/1995	S/L	7	530	530	-	530	-	530
340	Cash Register	2/14/1996	S/L	5	1,744	1,744	-	1,744	-	1,744
	Disposed of cash register				(1,744)	(1,744)	-	(1,744)	-	(1,744)
340	Computer Equipment	9/24/1998	S/L	5	9,980	9,980	-	9,980	-	9,980
340	Computer Equipment	10/16/1998	S/L	5	9,905	9,905	-	9,905	-	9,905
340	Computer Equipment	5/17/1999	S/L	5	9,170	9,170	-	9,170	-	9,170
340	Computer Equipment	9/20/1999	S/L	5	1,590	1,590	-	1,590	-	1,590
340	Copier	1/11/1990	S/L	5	900	900	-	900	-	900
	Disp computer Equip&Copier				(31,545)	(31,545)	-	(31,545)	-	(31,545)
340	Furn Fixture	2/2/1992	DDE	5	1,669	1,669	-	1,669	-	1,669
340	Safe	12/31/1994	S/L	7	1,609	1,609	-	1,609	-	1,609
340	Safe	7/12/2001	S/L	7	1,675	1,675	-	1,675	-	1,675
340	U Building Heat	2/14/1995	S/L	7	440	440	-	440	-	440
340	Computer Equipment	4/3/2006	S/L	5	1,941	1,746	388	2,134	-	2,134
340	Computer Equipment	3/12/2007	S/L	5	3,644	2,916	729	3,645	-	3,645
340	Dell Laptop reading	2/3/2008	S/L	5	1,760	1,056	352	1,408	352	1,760
340	Laser Printer	11/7/2008	S/L	5	950	570	190	760	-	950
340	computer	12/3/2010	S/L	5	5,675	1,135	1,135	2,270	1,135	3,405
340	computers	6/1/2010	S/L	5	35,978	7,196	7,196	14,392	7,196	21,588
340	furniture and supplies	7/22/2010	S/L	7	1,965	642	642	1,284	281	1,565
340	a/c unit	7/22/2010	S/L	7	2,529	361	361	722	361	1,083
340	telephones	7/22/2010	S/L	5	4,691	938	938	1,876	938	2,814
340	sensors	6/20/2010	S/L	5	780	156	156	312	156	468
340	website	3/15/2010	S/L	5	750	150	150	300	150	450
340	Amperometric Analyzer	11/4/2008	S/L	5	2,771	1,780	554	2,334	437	2,771
340	Lexmark Printer	2012	S/L	5	1,170	-	-	-	234	234
340	Data Radio	2012	S/L	5	1,185	-	-	-	237	237
340	Lawn Mower	2012	S/L	7	1,900	-	-	-	271	271
340	computer	2012	S/L	5	595	-	-	-	119	119
					73,677	24,039	12,791	36,830	12,058	48,888
341	200 S-10	10/25/2000	S/L	5	15,037	15,037	-	15,037	-	15,037
341	2001 Chevy	2/1/2001	S/L	5	25,069	25,069	-	25,069	-	25,069
341					(25,069)	(25,069)	-	(25,069)	-	(25,069)
341	1995 Pickup	3/31/1995	S/L	5	19,552	19,552	-	19,552	-	19,552
341	1996 Chevy PU	8/8/1996	S/L	5	15,298	15,298	-	15,298	-	15,298
341					(34,850)	(34,850)	-	(34,850)	-	(34,850)
341	1996 Ford PU	8/8/1996	S/L	5	20,092	20,092	-	20,092	-	20,092
341	1996 Ford PU	sold			(20,092)	(20,092)	-	(20,092)	-	(20,092)
341	1997 Blazer	2/10/1998	S/L	5	18,500	18,500	-	18,500	-	18,500
341	1997 Chevy PU	6/25/1997	S/L	5	20,125	20,125	-	20,125	-	20,125
341	TRK Tool Box	1/11/1993	S/L	5	700	700	-	700	-	700
341	1997 Chevy PU	8/14/2003	S/L	5	20,015	13,343	-	13,343	-	13,343
341	sold truck				(20,015)	(13,343)	-	(13,343)	-	(13,343)
341	2004 Ford PU	4/9/2004	S/L	5	21,158	21,158	-	21,158	-	21,158
341	Dump truck	11/30/2005	S/L	5	22,000	22,000	4,033	26,033	-	26,033
341	2007 chevy PU	1/31/2007	S/L	5	25,675	20,540	5,135	25,675	-	25,675
341	2004 chevy PU	4/29/2008	S/L	5	7,603	4,562	1,521	6,083	1,521	7,604
341	09 Chevy pu	9/1/2009	S/L	5	23,744	3,166	1,583	4,749	4,749	9,498
341	Truck 208, Radio/Lights	9/1/2009	S/L	5	613	82	41	123	123	246
341	2012 Ford F250 truck	2012	S/L	5	26,142	-	-	-	5,228	5,228
					142,672	87,245	12,313	99,558	6,392	105,950
345	Boring Machine	8/1/1988	S/L	5	2,751	2,751	-	2,751	-	2,751
345	Leak Detector	2/20/1998	S/L	7	1,776	1,776	-	1,776	-	1,776
345	Pressure Wash	3/25/1997	S/L	5	689	689	-	689	-	689
345	Trash Pump	3/20/1998	S/L	7	850	850	-	850	-	850
345	fuel pump	10/30/2010	S/L	7	525	75	75	150	75	225
345	Boring Machine	4/1/2007	S/L	5	1,200	960	240	1,200	-	1,200
345	Impact drill	7/31/2011	S/L	5	654	-	131	131	131	262
345	Pressure Wash	8/28/2011	S/L	5	700	-	140	140	140	280
345	Reciprocating saw	2012	S/L	7	550	-	-	-	79	79
					9,695	7,101	586	7,687	424	8,111
348	Radio	4/1/1955	S/L	5	1,225	1,225	-	1,225	-	1,225
348	Radio	10/18/1999	S/L	5	1,655	1,655	-	1,655	-	1,655
348	Trk # 205 Radio	6/25/1997	S/L	5	1,532	1,532	-	1,532	-	1,532
348	Truck Radios	3/10/1994	S/L	7	1,160	1,160	-	1,160	-	1,160
					5,572	5,572	-	5,572	-	5,572
	Total Other Assets				232,845	125,186	25,690	150,876	18,874	169,750

Rattlesnake Ridge Water District
 Fixed Asset Listing
 For the Year Ended December 31, 2012

Code	Description	Date	Meth	Life	Cost	Accum Depr 2010	Depreciation 2011	Accum Depr 2011	Depreciation 2012	Accum Depr 2012
341	1 985 C70 Truck Disposed of truck	12/27/1995	S/L	5	14,767 (14,767)	14,767 (14,767)	- -	14,767 (14,767)	- -	14,767 (14,767)
345	Backhoe	8/2/2004	S/L	5	48,401	48,101	-	48,401	-	48,401
345	Trailer	12/1/2008	S/L	5	5,603	3,362	1,121	4,483	1,121	5,604
345	Trailer sold	8/2/2004	S/L	5	8,400 (8,400)	8,400 (8,400)	- -	8,400 (8,400)	- -	8,400 (8,400)
345	Excavator	6/10/2010	S/L	5	42,588	8,518	8,518	17,036	8,518	25,554
345	Trailer	3/28/2011	S/L	5	3,430	-	686	686	686	1,372
345	Trailer Improv	5/23/2011	S/L	5	2,808	-	562	562	562	1,124
					102,830	59,981	10,887	71,168	10,886	82,054
	Total Heavy Equipment				102,830	59,981	10,887	71,168	10,886	82,054
								tb15220		
303	Land	10/1/2008			2,000					
303	Land	1/2/1992			4,500					
					6,500					
304	Bal Utility Bldg	2/14/1995	S/L	31.5	1,088	550	35	585	35	620
304	Handicap Access	7/7/1998	S/L	31.5	1,770	701	56	757	56	813
304	Office Bldg	1/24/1992	S/L	31.5	45,077	27,129	1,431	28,560	1,431	29,991
304	Pave Lot	8/24/1994	S/L	15	4,000	4,000	-	4,000	-	4,000
304	Pave Lot	8/7/1996	S/L	15	2,525	2,439	168	2,607	-	2,607
304	Utility Bldg	11/1/1994	S/L	31.5	15,385	7,893	488	8,381	488	8,869
304	Wiring Cable	9/15/1995	S/L	31.5	2,841	1,374	90	1,464	90	1,554
304	Shed	6/15/2006	S/L	31.5	9,000	1,287	286	1,573	286	1,859
					81,686	45,373	2,554	47,927	2,386	50,313
340	A/C Furn Util	9/15/1995	S/L	7	3,687	3,687	-	3,687	-	3,687
340	Security System	12/8/1994	S/L	7	1,621	1,621	-	1,621	-	1,621
					5,308	5,308	-	5,308	-	5,308
	Total Building and Land				93,494	50,681	2,554	53,235	2,386	55,621
								tb15100		
304	Structures	4/1/2002	S/L	40	1,346,167	294,473	33,654	328,127	33,654	361,781
304	Structures	4/1/2002	S/L	40	805,788	176,268	20,145	196,413	20,145	216,558
304	Structures	1/1/2003	S/L	40	1,072	216	27	243	27	270
304	Structures	2/28/2003	S/L	40	4,425	869	111	980	111	1,091
					2,157,452	471,826	53,937	525,763	53,936	579,699
320	WTP Equipment	4/1/2002	S/L	20	2,288,544	1,001,237	114,427	1,115,664	114,427	1,230,091
320	WTP Equipment	5/4/2002	S/L	20	256,233	108,901	12,812	121,713	12,812	134,525
320	WTP Equipment	2009	S/L	20	46,055	2,302	1,151	3,453	2,303	5,756
320	WTP Equipment	6/30/2010	S/L	20	3,806	190	190	380	190	570
320	WTP Equipment	6/30/2010	S/L	20	3,295	165	165	330	165	495
320	WTP Equipment	2011	S/L	20	10,613	-	531	531	531	1,062
320	WTP Equipment	2012	S/L	20	620	-	-	-	31	31
					2,609,166	1,112,795	129,276	1,242,071	130,458	1,372,529
	Total Water Treatment Plant				4,766,618	1,584,621	183,213	1,767,834	184,395	1,952,229
								tb14700		
	Total				27,847,061	8,556,124	803,737	9,360,162	799,008	10,159,172

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Rattlesnake Ridge Water Dist ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.

Billy A Gilbert
(Print Name)

Billy A Gilbert
(Signed)

CHAIRMAN
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Carter

Subscribed and sworn to before me by Billy A. Gilbert
(Name)

this 5th day of Sept, 20 13.

Karen E. Dickerson
NOTARY PUBLIC
State-at-Large

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between _____ ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

Benjamin W. Harmon
(Print Name)

Benjamin W. Harmon
(Signed)

Board Member
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Carter

Subscribed and sworn to before me by Benjamin W Harmon
(Name)

this 5th day of Sept, 20 13.

Mary E Dieffen
NOTARY PUBLIC
State-at-Large

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm that to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Rattlesnake Ridge Water District and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include all transactions and payments in excess of \$25.00 made directly to or on behalf of: 1) current or former employees other than their regular wages and benefits; 2) current or former officers, directors, and shareholders of Rattlesnake Ridge Water District; 3) family members* of any current or former employee, officer, or director of Rattlesnake Ridge Water District; or 4) a business enterprise in which a current or former employee, officer, or director or a family member of a current or former employee, officer, or director has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

Check this box if Utility had no related party transaction.

Check box if additional transactions are listed on the supplemental page.

LARRY CARROLL
(Print Name)

Larry Carroll
(Signature)

COMM. MEMBER
Position/Office

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of a water district employee or officer or of a member of the water district's board of directors; or is a dependent for tax purposes of a water district officer, board director, employee, or an officer's or board director's or employee's spouse; or is a member of the officer's or board director's or employee's household.

COMMONWEALTH OF KENTUCKY
COUNTY OF Walter

Subscribed and sworn to before me by Larry Carroll
(Name)

this 5th day of Sept, 2013

[Signature]
NOTARY PUBLIC
State-at-Large

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between _____ ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

Jennifer R. Carter
(Print Name)

Jennifer R. Carter
(Signed)

Board member - Rattlesnake Ridge
(Position/Office) Water District

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Carter

Subscribed and sworn to before me by Jennifer B. Carter
(Name)

this 5 day of September, 20 13.

Judy Dickerson
NOTARY PUBLIC
State-at-Large

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Rattle Snake Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

Bernie McDavie I
(Print Name)

Bernie McDavie
(Signed)

Commissioner
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Clinton

Subscribed and sworn to before me by *Bonnie McDaniel*
(Name)

this 3rd day of August, 2013.

Greg E. Hatfield
NOTARY PUBLIC
State-at-Large

C-1
 SS
 4/23/13

Rattlesnake Ridge Water District
 12/31/2012
 Debt Maturities

	91-05			91-07			91-10			91-13		
	Principal	Prin Bal.	Interest	Principal	Prin Bal.	Interest	Principal	Prin Bal.	Interest	Principal	Prin Bal.	Interest
		125,000			260,500			336,000			150,000	
2013	5,000	120,000	6,125	8,500	252,000	12,813	9,000	327,000	14,917	4,000	146,000	6,660
2014	6,000	114,000	5,850	9,000	243,000	12,375	9,000	318,000	14,512	4,500	141,500	6,469
2015	6,000	108,000	5,550	9,500	233,500	11,912	10,000	308,000	14,085	4,500	137,000	6,266
2016	6,000	102,000	5,250	10,000	223,500	11,425	10,000	298,000	13,635	5,000	132,000	6,052
2017	6,000	96,000	4,950	10,500	213,000	10,913	11,000	287,000	13,162	5,000	127,000	5,827
2018	7,000	89,000	4,625	11,000	202,000	10,375	11,000	276,000	12,668	5,000	122,000	5,603
2019	7,000	82,000	4,275	11,500	190,500	9,812	12,000	264,000	12,150	5,500	116,500	5,366
2020	7,000	75,000	3,925	12,000	178,500	9,225	12,000	252,000	11,610	5,500	111,000	5,119
2021	8,000	67,000	3,550	13,000	165,500	8,600	13,000	239,000	11,047	6,000	105,000	4,860
2022	8,000	59,000	3,150	13,000	152,500	7,950	14,000	225,000	10,440	6,000	99,000	4,590
2023	9,000	50,000	2,725	14,000	138,500	7,275	14,000	211,000	9,810	6,500	92,500	4,309
2024	9,000	41,000	2,275	14,500	124,000	6,563	15,000	196,000	9,157	6,500	86,000	4,016
2025	9,000	32,000	1,825	15,500	108,500	5,813	16,000	180,000	8,460	7,000	79,000	3,713
2026	10,000	22,000	1,350	16,000	92,500	5,025	17,000	163,000	7,717	7,500	71,500	3,386
2027	11,000	11,000	825	17,000	75,500	4,200	17,000	146,000	6,952	7,500	64,000	3,049
		11,000										
2028	11,000	-	275	17,500	58,000	3,338	18,000	128,000	6,165	8,000	56,000	2,700
2029				18,500	39,500	2,437	19,000	109,000	5,333	8,500	47,500	2,329
2030				19,500	20,000	1,487	20,000	89,000	4,455	8,500	39,000	1,946
2031				20,000	-	500	21,000	68,000	3,533	9,500	29,500	1,541
2032							22,000	46,000	2,565	9,500	20,000	1,114
2033							23,000	23,000	1,553	10,000	10,000	675
2034							23,000	-	518	10,000	-	225
2035												
2036												
2037												
2038												
2039												
2040												
2041												
2042												
2043												
2044												
2045												
2046												
2047												
2048												
2049												
2050												
2051												
	125,000		56,525	260,500		142,038	336,000		194,444	150,000		85,815
Original	195,000			365,000			434,000			197,000		
	5.00%			5.00%			4.50%			4.50%		

91-15			91-17			91-19			91-22			91-24		
Principal	Prin Bal.	Interest	Principal	Prin Bal.	Interest	Principal	Prin Bal.	Interest	Principal	Prin Bal.	Interest	Principle	Prin Bal.	Interest
	347,000			78,600			794,000			773,000			374,000	
9,000	338,000	15,412	2,000	76,600	3,492	15,000	779,000	35,392	16,500	756,500	24,854	7,000	367,000	16,673
9,000	329,000	15,007	2,100	74,500	3,400	15,000	764,000	34,717	17,000	739,500	24,310	7,000	360,000	16,358
10,000	319,000	14,580	2,200	72,300	3,303	16,000	748,000	34,020	17,500	722,000	23,749	8,000	352,000	16,020
10,000	309,000	14,130	2,300	70,000	3,202	17,000	731,000	33,277	18,000	704,000	23,172	8,000	344,000	15,660
11,000	298,000	13,657	2,400	67,600	3,096	17,000	714,000	32,513	19,000	685,000	22,571	8,000	336,000	15,300
11,000	287,000	13,162	2,500	65,100	2,986	19,000	695,000	31,702	19,000	666,000	21,954	9,000	327,000	14,918
12,000	275,000	12,645	2,600	62,500	2,871	19,000	676,000	30,847	20,000	646,000	21,230	9,000	318,000	14,512
12,000	263,000	12,105	2,700	59,800	2,752	20,000	656,000	29,970	20,500	625,500	20,662	10,000	308,000	14,085
13,000	250,000	11,542	2,900	56,900	2,626	21,000	635,000	29,048	21,500	604,000	19,979	10,000	298,000	13,635
13,000	237,000	10,958	3,000	53,900	2,493	22,000	613,000	28,080	22,000	582,000	19,273	10,000	288,000	13,185
14,000	223,000	10,350	3,100	50,800	2,356	23,000	590,000	27,068	22,500	559,500	18,549	11,000	277,000	12,713
15,000	208,000	9,698	3,300	47,500	2,212	24,000	566,000	26,010	23,500	536,000	17,802	11,000	266,000	12,218
15,000	193,000	9,023	3,400	44,100	2,061	25,000	541,000	24,908	24,000	512,000	17,030	12,000	254,000	11,700
16,000	177,000	8,325	3,600	40,500	1,903	26,000	515,000	23,760	25,000	487,000	16,234	12,000	242,000	11,160
17,000	160,000	7,583	3,700	36,800	1,739	27,000	488,000	22,568	25,500	461,500	15,413	13,000	229,000	10,598
17,000	143,000	6,818	3,900	32,900	1,568	29,000	459,000	21,308	26,500	435,000	14,568	13,000	216,000	10,012
18,000	125,000	6,030	4,100	28,800	1,388	29,000	430,000	20,003	27,500	407,500	13,691	14,000	202,000	9,405
19,000	106,000	5,198	4,200	24,600	1,202	31,000	399,000	18,652	28,500	379,000	12,781	15,000	187,000	8,753
20,000	86,000	4,320	4,500	20,100	1,006	32,000	367,000	17,235	29,000	350,000	11,846	15,000	172,000	8,078
21,000	65,000	3,398	4,600	15,500	801	34,000	333,000	15,750	30,500	319,500	10,879	16,000	156,000	7,380
21,000	44,000	2,452	4,900	10,600	587	35,000	298,000	14,198	31,000	288,500	9,880	17,000	139,000	6,637
22,000	22,000	1,485	5,000	5,600	364	37,000	261,000	12,578	32,500	256,000	8,848	17,000	122,000	5,872
22,000	-	495	5,600	-	126	39,000	222,000	10,867	33,000	223,000	7,784	19,000	103,000	5,062
						40,000	182,000	9,090	34,500	188,500	6,687	19,000	84,000	4,207
						42,000	140,000	7,245	35,500	153,000	5,549	20,000	64,000	3,330
						45,000	95,000	5,288	36,500	116,500	4,379	21,000	43,000	2,407
						47,000	48,000	3,217	38,000	78,500	3,169	22,000	21,000	1,440
						48,000	-	1,080	39,000	39,500	1,918	21,000	-	472
									39,500	-	642			
347,000		208,373	78,600		47,534	794,000		600,391	773,000		419,403	374,000		281,790
445,000			100,000			900,000			900,000			425,000		
4.50%			4.50%			4.50%			4.50%			4.50%		

91-26			91-31			91-33			91-36			91-39		
Principle	Prin Bal.	Interest	Principal	Prin Bal.	Interest	Principal	Prin Bal.	Interest	Principal	Prin Bal.	Interest	Principal	Prin Bal.	Interest
	53,100			1,246,500			511,000			1,336,000			1,146,000	
900	52,200	2,369	18,000	1,228,500	55,687	7,500	503,500	22,192	-	1,336,000	-	-	1,146,000	-
1,000	51,200	2,326	19,000	1,209,500	54,855	8,000	495,500	21,853	21,000	1,315,000	26,510	19,500	1,126,500	22,725
1,000	50,200	2,281	20,000	1,189,500	53,978	8,000	487,500	21,503	21,500	1,293,500	26,085	20,000	1,106,500	12,330
1,100	49,100	2,234	20,500	1,169,000	53,066	8,500	479,000	21,142	22,000	1,271,500	25,650	20,500	1,086,000	21,925
1,100	48,000	2,185	21,500	1,147,500	52,121	9,000	470,000	20,759	22,500	1,249,000	25,205	21,000	1,065,000	21,510
				1,147,500										
1,200	46,800	2,133	22,500	1,125,000	51,131	9,500	460,500	20,355	23,000	1,226,000	24,750	21,000	1,044,000	21,090
1,200	45,600	2,079	23,500	1,101,500	50,096	9,500	451,000	19,939	24,000	1,202,000	24,280	21,500	1,022,500	20,665
1,300	44,300	2,023	24,500	1,077,000	49,016	10,000	441,000	19,513	24,500	1,177,500	23,795	22,000	1,000,500	20,230
1,300	43,000	1,964	26,000	1,051,000	47,880	10,500	430,500	19,064	25,000	1,152,500	23,300	22,500	978,000	19,785
1,400	41,600	1,903	27,000	1,024,000	46,688	11,000	419,500	18,594	25,500	1,127,000	22,795	23,000	955,000	19,330
1,400	40,200	1,841	28,000	996,000	45,450	11,500	408,000	18,102	26,500	1,100,500	22,275	23,500	931,500	18,865
1,500	38,700	1,775	29,500	966,500	44,156	12,000	396,000	17,588	27,000	1,073,500	21,740	24,000	907,500	18,390
1,600	37,100	1,706	31,000	935,500	42,795	12,500	383,500	17,052	28,000	1,045,500	21,190	25,000	882,500	17,900
1,600	35,500	1,634	32,000	903,500	41,377	13,000	370,500	16,494	28,500	1,017,000	20,625	25,500	857,000	17,395
1,800	33,700	1,557	33,500	870,000	39,904	13,500	357,000	15,914	29,500	987,500	20,045	26,000	831,000	16,880
1,800	31,900	1,476	35,000	835,000	38,363	14,500	342,500	15,301	30,000	957,500	19,450	26,500	804,500	16,355
1,900	30,000	1,393	36,500	798,500	36,754	15,000	327,500	14,656	31,000	926,500	18,840	27,000	777,500	15,820
2,000	28,000	1,305	38,500	760,000	35,066	15,500	312,000	13,989	31,500	895,000	18,215	27,500	750,000	15,275
2,100	25,900	1,213	40,000	720,000	33,300	16,500	295,500	13,289	32,500	862,500	17,575	28,500	721,500	14,715
2,100	23,800	1,118	42,000	678,000	31,455	17,000	278,500	12,556	33,500	829,000	16,915	29,000	692,500	14,140
2,300	21,500	1,019	43,500	634,500	29,531	18,000	260,500	11,791	34,000	795,000	16,240	29,500	663,000	13,555
2,300	19,200	916	45,500	589,000	27,529	18,500	242,000	10,992	35,000	760,000	15,550	30,500	632,500	12,955
2,400	16,800	810	47,500	541,500	25,436	19,500	222,500	10,161	36,000	724,000	14,840	31,000	601,500	12,340
2,500	14,300	700	50,000	491,500	23,242	20,500	202,000	9,286	37,000	687,000	14,110	31,500	570,000	11,715
2,600	11,700	585	52,000	439,500	20,948	21,500	180,500	8,367	38,000	649,000	13,360	32,500	537,500	11,075
2,700	9,000	466	54,500	385,000	18,551	22,500	158,000	7,405	39,000	610,000	12,590	33,000	504,500	10,420
2,800	6,200	342	57,000	328,000	16,043	23,500	134,500	6,398	40,000	570,000	11,800	34,000	470,500	9,750
3,000	3,200	211	59,500	268,500	13,421	24,500	110,000	5,348	41,000	529,000	10,990	34,500	436,000	9,065
3,200	-	72	62,000	206,500	10,688	25,500	84,500	4,255	42,000	487,000	10,160	35,500	400,500	8,365
			65,000	141,500	7,830	26,500	58,000	3,117	43,000	444,000	9,310	36,000	364,500	7,650
			68,000	73,500	4,838	28,000	30,000	1,925	44,500	399,500	8,435	37,000	327,500	6,920
			73,500	-	1,654	30,000	-	656	45,500	354,000	7,535	38,000	289,500	6,170
									46,500	307,500	6,615	38,500	251,000	5,405
									48,000	259,500	5,670	39,500	211,500	4,625
									49,000	210,500	4,700	40,500	171,000	3,825
									50,500	160,000	3,705	41,500	129,500	3,005
									52,000	108,000	2,680	42,500	87,000	2,165
									53,000	55,000	1,630	43,000	44,000	1,310
									55,000	-	550	44,000	-	440
53,100		41,636	1,246,500		1,102,849	511,000		439,556	1,336,000		589,710	1,146,000		486,080
600,000			1,340,000			549,000			1,336,000			1,146,000		
4.50%			4.375%			4.375%			2.00%			2.00%		

SUB-TOTALS		1996 REFINANCING BONDS			TOTALS	
Principle	Interest	Principal	Prin Bal.	Interest	Principle	Interest
	7,530,700		545,000			
102,400	216,586	35,000	510,000	22,150	137,400	238,736
147,100	261,267	30,000	480,000	21,100	177,100	282,367
154,200	245,662	35,000	445,000	19,919	189,200	265,581
158,900	249,820	35,000	410,000	18,606	193,900	268,426
165,000	243,769	40,000	370,000	17,175	205,000	260,944
-	-	-	-	-	-	-
171,700	237,452	40,000	330,000	15,600	211,700	253,052
178,300	230,767	45,000	285,000	13,975	223,300	244,742
184,000	224,030	40,000	245,000	12,300	224,000	236,330
193,700	216,880	45,000	200,000	10,438	238,700	227,318
198,900	209,429	45,000	155,000	8,412	243,900	217,841
-	-	-	-	-	-	-
208,000	201,688	45,000	110,000	6,244	253,000	207,932
215,800	193,600	50,000	60,000	3,931	265,800	197,531
225,000	185,176	60,000	-	1,387	285,000	186,563
233,700	176,385	-	-	-	233,700	176,385
243,000	167,227	-	-	-	243,000	167,227
-	-	-	-	-	-	-
251,700	157,697	-	-	-	251,700	157,697
250,000	148,079	-	-	-	250,000	148,079
260,700	138,324	-	-	-	260,700	138,324
270,600	128,151	-	-	-	270,600	128,151
261,200	118,071	-	-	-	261,200	118,071
-	-	-	-	-	-	-
269,200	108,118	-	-	-	269,200	108,118
278,300	97,832	-	-	-	278,300	97,832
255,000	87,921	-	-	-	255,000	87,921
235,000	79,037	-	-	-	235,000	79,037
244,100	70,459	-	-	-	244,100	70,459
-	-	-	-	-	-	-
254,200	61,506	-	-	-	254,200	61,506
264,300	52,159	-	-	-	264,300	52,159
270,500	42,505	-	-	-	270,500	42,505
207,700	34,182	-	-	-	207,700	34,182
170,500	27,907	-	-	-	170,500	27,907
-	-	-	-	-	-	-
177,500	22,118	-	-	-	177,500	22,118
187,000	16,015	-	-	-	187,000	16,015
85,000	12,020	-	-	-	85,000	12,020
87,500	10,295	-	-	-	87,500	10,295
89,500	8,525	-	-	-	89,500	8,525
-	-	-	-	-	-	-
92,000	6,710	-	-	-	92,000	6,710
94,500	4,845	-	-	-	94,500	4,845
96,000	2,940	-	-	-	96,000	2,940
99,000	990	-	-	-	99,000	990
<u>7,530,700</u>	<u>4,696,144</u>	<u>545,000</u>		<u>171,237</u>	<u>8,075,700</u>	<u>4,867,381</u>

TB
SS
4/23/13
Acct #
24000

TB
SS
4/23/13
Acct #
23970

2018-2022	1,141,600	1,179,283
2023-2027	1,280,500	935,638
2028-2032	1,294,200	690,322
2033-2037	1,281,600	443,367
2038-2042	1,167,200	218,259
2043-2047	626,500	68,973
2048-2051	381,500	15,485

C-U
SS
12/26/13

Rattlesnake Ridge Water District
Notes Payable- Principle
12/31/2012

	<u>Computers</u>	<u>2007 Chevy</u>	<u>2009 Chevy</u>	<u>Excavator</u>	<u>2012 Ford F150</u>	<u>KADD Lease</u>	<u>Corps of Engineers</u>	<u>Total</u>
2013	11,169	-	5,419	13,600	11,811	5,000	3,384	50,383
2014	10,966			10,154	12,384	5,000	3,508	42,012
2015						5,000	3,641	8,641
2016						5,000	3,782	8,782
2017						5,000	4,275	9,275
2018-2022						45,000	22,424	67,424
2023-2027						30,000	26,714	56,714
2028-2029						-	10,837	10,837
	<u>22,135</u>	<u>-</u>	<u>5,419</u>	<u>23,753</u>	<u>24,195</u>	<u>100,000</u>	<u>78,565</u>	<u>254,068</u>

New
\$75,000

Rattlesnake Ridge Water District
Notes Payable- interest
12/31/2012

	<u>Computers</u>	<u>2007 Chevy</u>	<u>2009 Chevy</u>	<u>Excavator</u>	<u>2012 Ford F150</u>	<u>KADD Lease</u>	<u>Corps of Engineers</u>	<u>Total</u>
2013	790	-	122	744	894	5,099	3,707	11,356
2014	224			131	321	4,861	3,533	9,070
2015						4,624	3,450	8,074
2016						4,373	3,309	7,682
2017						3,494	2,816	6,310
2018-2022						14,822	13,021	27,843
2023-2027						3,391	7,706	11,097
2028-2029						-	1,335	1,335
	<u>1,015</u>	<u>-</u>	<u>122</u>	<u>875</u>	<u>1,215</u>	<u>40,664</u>	<u>38,877</u>	<u>82,767</u>

**RURAL DEVELOPMENT
ANNUAL STATEMENT OF LOAN ACCOUNT**

CC-8
99-4-26

SAVE THIS INFORMATION
FOR INCOME TAX PURPOSES

PAGE 014
DATE 123112

CASE NUMBER 20-022-*****7311		FINAL YEAR OF LOAN 2052		AMOUNT OF LOAN 1,146,000.00			
FUND CODE 91		LOAN NUMBER 39		DATE OF LOAN 06/12/12			
INTEREST RATE 02.0000		AMOUNT OF LOAN 1,146,000.00					
DESCRIPTION	ADVANCES	INTEREST	PRINCIPAL	TOTAL	T	INTEREST RATE	EFFECTIVE DATE
BEGIN LOAN BALNCE		0.00	0.00	0.00			010112
CASH ADVANCE	1146,000.00					02.0000	061212
PAYMENT		1,193.09	0.00	1,193.09	R	02.0000	061212
PAYMENT		62.71	0.00	62.71	R	02.0000	061212
TOTAL LOAN PMTS		1,255.80	0.00	1,255.80			
TOTAL PAID ON ALL LOANS THIS YEAR		222,131.05	99,300.00	321,431.05			
LOAN ACTIVITY	1146,000.00	1,255.80	0.00	1,255.80			
LOAN BALANCE	UNPD INTEREST	11,428.70 **	UNPD PRIN	1,146,000.00 **			
NXT AMT DUE	11,460.00						DATE DUE 010113
PAYMENT STATUS	ON SCHEDULE	INT PAID	1,255.80				
TAXES PAID							
ALL LOAN ACTIVITY	2,482,000.00	222,131.05	99,300.00	321,431.05			
BORR BAL	UNPD INTEREST	133,414.44	UNPD PRIN	7,530,700.00			
<small>**These unpaid balances may not reflect the total amount due to the Agency at payoff.</small>							
RECIPIENT'S/LENDER'S name, address, and telephone number		CAUTION: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.		OMB NO. 1545-0901 2012 Form 1098		<input type="checkbox"/> CORRECTED (if checked) Mortgage Interest Statement	
USDA RURAL DEVELOPMENT PHONE#(314)457-4310 4300 GOODFELLOW BLVD FC-351 ST. LOUIS, MO 63120-1703							
RECIPIENT'S federal identification no.	PAYER'S social security number	1 Mortgage interest received from payer(s)/borrower(s)		\$ 0.00		COPY B FOR PAYER/BORROWER The information in boxes 1, 2 and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.	
431757115	*****7311	2 Points paid on purchase of principal residence		\$			
PAYER'S/BORROWER'S name, street address, city, state, and ZIP code		3 Refund of overpaid interest		\$			
RATTLESNAKE RIDGE WATER DISTRICT PO BOX 475 GRAYSON, KY 41143		4					
Account number (see instructions) 20022*****731191 39		IRS FORM 1098 DOES NOT APPLY TO YOUR LOAN TYPE. PLEASE SEE IRS INSTRUCTIONS.					

**RURAL DEVELOPMENT
ANNUAL STATEMENT OF LOAN ACCOUNT**

SAVE THIS INFORMATION
FOR INCOME TAX PURPOSES

PAGE 001
DATE 123112

CASE NUMBER 20-022-*****7311 FINAL YEAR OF LOAN 2028
FUND CODE 91 LOAN NUMBER 05 DATE OF LOAN 06/06/89 INTEREST RATE 05.0000 AMOUNT OF LOAN 195,000.00

DESCRIPTION	ADVANCES	INTEREST	PRINCIPAL	TOTAL	T	INTEREST RATE	EFFECTIVE DATE
BEGIN LOAN BALNCE		3,272.26	130,000.00	133,272.26			010112
PAYMENT		3,250.00	5,000.00	8,250.00	R	05.0000	010912
PAYMENT		3,125.00	0.00	3,125.00	R	05.0000	070112
TOTAL LOAN PMTS		6,375.00	5,000.00	11,375.00			

LOAN ACTIVITY 0.00 6,375.00 5,000.00 11,375.00
 LOAN BALANCE UNPD INTEREST 3,147.95 ** UNPD PRIN 125,000.00 **
 NXT AMT DUE 8,125.00 DATE DUE 010113
 PAYMENT STATUS ON SCHEDULE **IN PAID 8,125.00**

TAXES PAID

**These unpaid balances may not reflect the total amount due to the Agency at payoff.

RECIPIENT'S/LENDER'S name, address, and telephone number USDA RURAL DEVELOPMENT PHONE#(314)457-4310 4300 GOODFELLOW BLVD FC-351 ST. LOUIS, MO 63120-1703		CAUTION: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.	OMB NO.1545-0901 <h1 align="center">2012</h1> Form 1098	<input type="checkbox"/> CORRECTED (if checked) <h2 align="center">Mortgage Interest Statement</h2>
RECIPIENT'S federal identification no. 431757115	PAYER'S social security number *****7311	1 Mortgage interest received from payer(s)/borrower(s) \$ 0.00		COPY B FOR PAYER/BORROWER The information in boxes 1, 2 and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.
PAYER'S/BORROWER'S name, street address, city, state, and ZIP code RATTLESNAKE RIDGE WATER DISTRICT PO BOX 475 GRAYSON, KY 20-704 41143		2 Points paid on purchase of principal residence \$	3 Refund of overpaid interest \$	
Account number (see instructions) 20022*****731191 05		4 IRS FORM 1098 DOES NOT APPLY TO YOUR LOAN TYPE. PLEASE SEE IRS INSTRUCTIONS.		

**RURAL DEVELOPMENT
ANNUAL STATEMENT OF LOAN ACCOUNT**

SAVE THIS INFORMATION
FOR INCOME TAX PURPOSES

PAGE 002
DATE 123112

CASE NUMBER 20-022-*****7311		FINAL YEAR OF LOAN 2031		AMOUNT OF LOAN 365,000.00			
FUND CODE 91		LOAN NUMBER 07	DATE OF LOAN 09/02/92	INTEREST RATE 05.0000			
DESCRIPTION	ADVANCES	INTEREST	PRINCIPAL	TOTAL	T	INTEREST RATE	EFFECTIVE DATE
BEGIN LOAN BALNCE		6,675.72	268,500.00	275,175.72			010112
PAYMENT		6,712.50	8,000.00	14,712.50	R	05.0000	010912
PAYMENT		6,512.50	0.00	6,512.50	R	05.0000	070112
TOTAL LOAN PMTS		13,225.00	8,000.00	21,225.00			
LOAN ACTIVITY		0.00	13,225.00	8,000.00	21,225.00		
LOAN BALANCE		UNPD INTEREST	6,476.81 **	UNPD PRIN	260,500.00 **		
NXT AMT DUE		15,012.50	DATE DUE 010113				
PAYMENT STATUS		ON SCHEDULE		INT PAID	13,225.00		
TAXES PAID							
**These unpaid balances may not reflect the total amount due to the Agency at payoff.							
RECIPIENT'S/LENDER'S name, address, and telephone number			<small>CAUTION: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.</small>		OMB NO. 1545-0901		<input type="checkbox"/> CORRECTED (if checked)
USDA RURAL DEVELOPMENT PHONE#(314)457-4310 4300 GOODFELLOW BLVD FC-351 ST. LOUIS, MO 63120-1703					<h1 style="margin:0;">2012</h1> Form 1098		Mortgage Interest Statement
RECIPIENT'S federal identification no.		PAYER'S social security number		1 Mortgage interest received from payer(s)/borrower(s)**		COPY B FOR PAYER/BORROWER <small>The information in boxes 1, 2 and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.</small>	
431757115		*****7311		\$ 0.00			
PAYER'S/BORROWER'S name, street address, city, state, and ZIP code				2 Points paid on purchase of principal residence			
RATTLESNAKE RIDGE		20-704		\$			
WATER DISTRICT				3 Refund of overpaid interest			
PO BOX 475				\$			
GRAYSON, KY		41143		4			
Account number (see instructions) 20022*****731191 07				IRS FORM 1098 DOES NOT APPLY TO YOUR LOAN TYPE. PLEASE SEE IRS INSTRUCTIONS.			

**RURAL DEVELOPMENT
ANNUAL STATEMENT OF LOAN ACCOUNT**

SAVE THIS INFORMATION
FOR INCOME TAX PURPOSES

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CASE NUMBER 20-022-*****7311		FINAL YEAR OF LOAN 2035					
FUND CODE 91	LOAN NUMBER 10	DATE OF LOAN 05/08/95	INTEREST RATE 04.5000 AMOUNT OF LOAN 434,000.00				
DESCRIPTION	ADVANCES	INTEREST	PRINCIPAL	TOTAL	T	INTEREST RATE	EFFECTIVE DATE
BEGIN LOAN BALNCE		7,800.22	345,000.00	352,800.22			010112
PAYMENT		7,762.50	9,000.00	16,762.50	R	04.5000	010912
PAYMENT		7,560.00	0.00	7,560.00	R	04.5000	070112
TOTAL LOAN PMTS		15,322.50	9,000.00	24,322.50			
LOAN ACTIVITY		0.00	15,322.50	9,000.00		24,322.50	
LOAN BALANCE		UNPD INTEREST	7,598.83 **	UNPD PRIN		336,000.00 **	
NXT AMT DUE		16,560.00	DATE DUE 010113				
PAYMENT STATUS		ON SCHEDULE		INT PAID		15,322.50	
TAXES PAID							
<small>*These unpaid balances may not reflect the total amount due to the Agency at payoff.</small>							
RECIPIENT'S/LENDER'S name, address, and telephone number USDA RURAL DEVELOPMENT PHONE#(314)457-4310 4300 GOODFELLOW BLVD FC-351 ST. LOUIS, MO 63120-1703			<small>CAUTION: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.</small>		OMB NO.1545-0901 <h1 style="margin:0;">2012</h1> Form 1098		<input type="checkbox"/> CORRECTED (if checked) <h2 style="margin:0;">Mortgage Interest Statement</h2>
RECIPIENT'S federal identification no. 431757115		PAYER'S social security number *****7311		1 Mortgage interest received from payer(s)/borrower(s) \$ 0.00		COPY B FOR PAYER/BORROWER <small>The information in boxes 1, 2 and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.</small>	
PAYER'S/BORROWER'S name, street address, city, state, and ZIP code RATTLESNAKE RIDGE WATER DISTRICT PO BOX 475 GRAYSON, KY 41143		2 Points paid on purchase of principal residence \$		3 Refund of overpaid interest \$			
Account number (see instructions) 20022*****731191 10				4			
				IRS FORM 1098 DOES NOT APPLY TO YOUR LOAN TYPE. PLEASE SEE IRS INSTRUCTIONS.			

**RURAL DEVELOPMENT
ANNUAL STATEMENT OF LOAN ACCOUNT**

SAVE THIS INFORMATION
FOR INCOME TAX PURPOSES

PAGE 005
DATE 123112

CASE NUMBER 20-022-*****7311 FINAL YEAR OF LOAN 2036
FUND CODE 91 LOAN NUMBER 15 DATE OF LOAN 09/06/96 INTEREST RATE 04.5000 AMOUNT OF LOAN 445,000.00

DESCRIPTION	ADVANCES	INTEREST	PRINCIPAL	TOTAL	T	INTEREST RATE	EFFECTIVE DATE
BEGIN LOAN BALNCE		7,966.11	356,000.00	363,966.11			010112
PAYMENT		8,010.00	9,000.00	17,010.00	R	04.5000	010912
PAYMENT		7,807.50	0.00	7,807.50	R	04.5000	070112
TOTAL LOAN PMTS		15,817.50	9,000.00	24,817.50			

LOAN ACTIVITY 0.00 15,817.50 9,000.00 24,817.50
 LOAN BALANCE UNPD INTEREST 7,764.72 ** UNPD PRIN 347,000.00 **
 NXT AMT DUE 16,807.00 DATE DUE 010113
 PAYMENT STATUS ON SCHEDULE INT PAID 15,817.50
 TAXES PAID

**These unpaid balances may not reflect the total amount due to the Agency at payoff.

RECIPIENT'S/LENDER'S name, address, and telephone number USDA RURAL DEVELOPMENT PHONE#(314)457-4310 4300 GOODFELLOW BLVD FC-351 ST. LOUIS, MO 63120-1703		CAUTION: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.	OMB NO. 1545-0901 2012 Form 1098	<input type="checkbox"/> CORRECTED (if checked) Mortgage Interest Statement
RECIPIENT'S federal identification no. 431757115	PAYER'S social security number *****7311	1 Mortgage interest received from payer(s)/borrower(s) \$ 0.00		COPY B FOR PAYER/BORROWER The information in boxes 1, 2 and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.
PAYER'S/BORROWER'S name, street address, city, state, and ZIP code RATTLESNAKE RIDGE 20-704 WATER DISTRICT PO BOX 475 GRAYSON, KY 41143		2 Points paid on purchase of principal residence \$	3 Refund of overpaid interest \$	
Account number (see instructions) 20022*****731191 15		4		
IRS FORM 1098 DOES NOT APPLY TO YOUR LOAN TYPE. PLEASE SEE IRS INSTRUCTIONS.				

**DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
ANNUAL STATEMENT OF LOAN ACCOUNT**

SAVE THIS INFORMATION
FOR INCOME TAX PURPOSES

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DATE 123112

CASE NUMBER 20-022-*****7311		FINAL YEAR OF LOAN 2036						
FUND CODE 91		LOAN NUMBER 17	DATE OF LOAN 09/06/96					
		INTEREST RATE 04.5000	AMOUNT OF LOAN 100,000.00					
DESCRIPTION	ADVANCES	INTEREST	PRINCIPAL	TOTAL	T	INTEREST RATE	EFFECTIVE DATE	
BEGIN LOAN BALNCE		1,801.33	80,500.00	82,301.33			010112	
PAYMENT		1,811.25	1,900.00	3,711.25	R	04.5000	010912	
PAYMENT		1,768.50	0.00	1,768.50	R	04.5000	070112	
TOTAL LOAN PMTS		3,579.75	1,900.00	5,479.75				
LOAN ACTIVITY		0.00	3,579.75	1,900.00		5,479.75		
LOAN BALANCE		UNPD INTEREST	1,758.81 **	UNPD PRIN		78,600.00 **		
NXT AMT DUE		3,768.00	DATE DUE 010113					
PAYMENT STATUS		ON SCHEDULE		INT PAID		3,579.75		
TAXES PAID								
<small>**These unpaid balances may not reflect the total amount due to the Agency at payoff.</small>								
RECIPIENT'S/LENDER'S name, address, and telephone number USDA RURAL DEVELOPMENT PHONE#(314)457-4310 4300 GOODFELLOW BLVD FC-351 ST. LOUIS, MO 63120-1703				<small>CAUTION: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.</small>		OMB NO.1545-0901 <h1 style="font-size: 2em;">2012</h1> Form 1098	<input type="checkbox"/> CORRECTED (if checked) <h2 style="text-align:center;">Mortgage Interest Statement</h2>	
RECIPIENT'S federal identification no. 431757115		PAYER'S social security number *****7311		1 Mortgage interest received from payer(s)/borrower(s) \$ 0.00				COPY B FOR PAYER/BORROWER <small>The information in boxes 1, 2 and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.</small>
PAYER'S/BORROWER'S name, street address, city, state, and ZIP code RATTLESNAKE RIDGE 20-704 WATER DISTRICT PO BOX 475 GRAYSON, KY 41143				2 Points paid on purchase of principal residence \$				
				3 Refund of overpaid interest \$				
				4				
<small>Account number (see instructions)</small> 20022*****731191 17								
IRS FORM 1098 DOES NOT APPLY TO YOUR LOAN TYPE. PLEASE SEE IRS INSTRUCTIONS.								

**RURAL DEVELOPMENT
ANNUAL STATEMENT OF LOAN ACCOUNT**

SAVE THIS INFORMATION
FOR INCOME TAX PURPOSES

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CASE NUMBER 20-022-*****7311		FINAL YEAR OF LOAN 2041		AMOUNT OF LOAN 900,000.00			
FUND CODE 91	LOAN NUMBER 19	DATE OF LOAN 10/02/01	INTEREST RATE 04.5000				
DESCRIPTION	ADVANCES	INTEREST	PRINCIPAL	TOTAL	T	INTEREST RATE	EFFECTIVE DATE
BEGIN LOAN BALNCE		18,080.38	808,000.00	826,080.38			010112
PAYMENT		18,180.00	14,000.00	32,180.00	R	04.5000	010912
PAYMENT		17,865.00	0.00	17,865.00	R	04.5000	070112
TOTAL LOAN PMTS		36,045.00	14,000.00	50,045.00			
LOAN ACTIVITY		0.00	36,045.00	14,000.00	50,045.00		
LOAN BALANCE UNPD INTEREST			17,767.11 **	UNPD PRIN	794,000.00 **		
NXT AMT DUE		32,865.00	DATE DUE 010113				
PAYMENT STATUS		ON SCHEDULE		IN PAID	36,045.00		
TAXES PAID							
**These unpaid balances may not reflect the total amount due to the Agency at payoff.							
RECIPIENT'S/LENDER'S name, address, and telephone number USDA RURAL DEVELOPMENT PHDNE#(314)457-4310 4300 GOODFELLOW BLVD FC-351 ST. LOUIS, MO 63120-1703			CAUTION: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.		OMB NO. 1545-0901 2012 Form 1098		<input type="checkbox"/> CORRECTED (if checked) Mortgage Interest Statement
RECIPIENT'S federal identification no. 431757115		PAYER'S social security number *****7311		1 Mortgage interest received from payer(s)/borrower(s)* \$ 0.00		COPY B FOR PAYER/BORROWER The information in boxes 1, 2 and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.	
PAYER'S/BORROWER'S name, street address, city, state, and ZIP code RATTLESNAKE RIDGE WATER DISTRICT PO BOX 475 GRAYSON, KY 20-704 41143		2 Points paid on purchase of principal residence \$		3 Refund of overpaid interest \$			
Account number (see instructions) 20022*****731191 19		IRS FORM 1098 DOES NOT APPLY TO YOUR LOAN TYPE. PLEASE SEE IRS INSTRUCTIONS.					

**RURAL DEVELOPMENT
ANNUAL STATEMENT OF LOAN ACCOUNT**

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CASE NUMBER 20-022-*****7311 FINAL YEAR OF LOAN 2041
FUND CODE 91 LOAN NUMBER 22 DATE OF LOAN 06/21/01 INTEREST RATE 03.2500 AMOUNT OF LOAN 900,000.00

DESCRIPTION	ADVANCES	INTEREST	PRINCIPAL	TOTAL	T	INTEREST RATE	EFFECTIVE DATE
BEGIN LOAN BALNCE		12,871.24	789,000.00	801,871.24			010112
PAYMENT		12,821.25	16,000.00	28,821.25	R	03.2500	010912
PAYMENT		12,561.25	0.00	12,561.25	R	03.2500	070112
TOTAL LOAN PMTS		25,382.50	16,000.00	41,382.50			

LOAN ACTIVITY	0.00	25,382.50	16,000.00	41,382.50			
LOAN BALANCE	UNPD INTEREST	12,612.66 **	UNPD PRIN	773,000.00 **			
NXT AMT DUE	29,061.25		DATE DUE	010113			
PAYMENT STATUS	ON SCHEDULE INT PAID 25,382.50						
TAXES PAID							

##These unpaid balances may not reflect the total amount due to the Agency at payoff.

RECIPIENT'S/LENDER'S name, address, and telephone number USDA RURAL DEVELOPMENT PHONE#(314)457-4310 4300 GOODFELLOW BLVD FC-351 ST. LOUIS, MO 63120-1703		CAUTION: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.	OMB NO.1545-0901 <h1 style="text-align: center;">2012</h1> Form 1098	<input type="checkbox"/> CORRECTED (if checked) <h2 style="text-align: center;">Mortgage Interest Statement</h2>
RECIPIENT'S federal identification no. 431757115	PAYER'S social security number *****7311	1 Mortgage interest received from payer(s)/borrower(s)** \$ 0.00		COPY B FOR PAYER/BORROWER The information in boxes 1, 2, and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.
PAYER'S/BORROWER'S name, street address, city, state, and ZIP code RATTLESNAKE RIDGE WATER DISTRICT PO BOX 475 GRAYSON, KY 41143		2 Points paid on purchase of principal residence \$		
		3 Refund of overpaid interest \$		
		4		
Account number (see instructions) 20022*****731191 22		IRS FORM 1098 DOES NOT APPLY TO YOUR LOAN TYPE. PLEASE SEE IRS INSTRUCTIONS.		

**RURAL DEVELOPMENT
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CASE NUMBER 20-022-*****7311		FINAL YEAR OF LOAN 2041		AMOUNT OF LOAN 425,000.00	
FUND CODE 91		LOAN NUMBER 24	DATE OF LOAN 10/02/01	INTEREST RATE 04.5000	
DESCRIPTION	ADVANCES	INTEREST	PRINCIPAL	TOTAL	EFFECTIVE DATE
BEGIN LOAN BALNCE		8,525.53	381,000.00	389,525.53	010112
PAYMENT		8,572.50	7,000.00	15,572.50	R 04.5000 010912
PAYMENT		8,415.00	0.00	8,415.00	R 04.5000 070112
TOTAL LOAN PMTS		16,987.50	7,000.00	23,987.50	
LOAN ACTIVITY		0.00	16,987.50	7,000.00	23,987.50
LOAN BALANCE UNPD INTEREST		8,368.89 **	UNPD PRIN	374,000.00 **	
NXT AMT DUE		15,415.00	DATE DUE 010113		
PAYMENT STATUS		ON SCHEDULE INT PAID 16,987.50			
TAXES PAID					
<small>**These unpaid balances may not reflect the total amount due to the Agency at payoff.</small>					
RECIPIENT'S/LENDER'S name, address, and telephone number USDA RURAL DEVELOPMENT PHONE#(314)457-4310 4300 GOODFELLOW BLVD FC-351 ST. LOUIS, MO 63120-1703		<small>CAUTION: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.</small>		OMB NO. 1545-0901 <h1 style="font-size: 2em;">2012</h1> Form 1098	
RECIPIENT'S Federal Identification no. 431757115		PAYER'S social security number *****7311		1 Mortgage interest received from payer(s)/borrower(s) \$ 0.00	
PAYER'S/BORROWER'S name, street address, city, state, and ZIP code RATTLESNAKE RIDGE WATER DISTRICT PO BOX 475 GRAYSON, KY 41143		2 Points paid on purchase of principal residence \$		3 Refund of overpaid interest \$	
		4			
Account number (see instructions) 20022*****731191 24		IRS FORM 1098 DOES NOT APPLY TO YOUR LOAN TYPE. PLEASE SEE IRS INSTRUCTIONS.			

DEPARTMENT OF AGRICULTURE
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CASE NUMBER 20-022-*****7311		FINAL YEAR OF LOAN 2041		AMOUNT OF LOAN 60,000.00	
FUND CODE 91		LOAN NUMBER 26		DATE OF LOAN 06/21/01	
INTEREST RATE 04.5000		AMOUNT OF LOAN 60,000.00			
DESCRIPTION	ADVANCES	INTEREST	PRINCIPAL	TOTAL	T
BEGIN LOAN BALNCE		1,219.44	54,000.00	55,219.44	
PAYMENT		1,215.00	900.00	2,115.00	R 04.5000
PAYMENT		1,194.75	0.00	1,194.75	R 04.5000
TOTAL LOAN PMTS		2,409.75	900.00	3,309.75	
LOAN ACTIVITY	0.00	2,409.75	900.00	3,309.75	
LOAN BALANCE	UNPD INTEREST	1,199.30 **	UNPD PRIN	53,100.00 **	
NXT AMT DUE	2,094.75	DATE DUE 010113			
PAYMENT STATUS		ON SCHEDULE		TAXES PAID	
*These unpaid balances may not reflect the total amount due to the Agency at payoff.					
RECIPIENT'S/LENDER'S name, address, and telephone number USDA RURAL DEVELOPMENT PHONE#(314)457-4310 4300 GOODFELLOW BLVD FC-351 ST. LOUIS, MO 63120-1703			CAUTION: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.		OMB NO.1545-0901 2012 Form 1098
RECIPIENT'S Federal Identif/Location no. 431757115			PAYER'S social security number *****7311		1 Mortgage interest received from payor(s)/borrower(s) \$ 0.00
PAYER'S/BORROWER'S name, street address, city, state, and ZIP code RATTLESNAKE RIDGE 20-704 WATER DISTRICT PO BOX 475 GRAYSON, KY 41143			2 Points paid on purchase of principal residence \$ 3 Refund of overpaid interest \$ 4		COPY B FOR PAYER/BORROWER The information in boxes 1, 2 and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.
Account number (see instructions) 20022*****731191 26			IRS FORM 1098 DOES NOT APPLY TO YOUR LOAN TYPE. PLEASE SEE IRS INSTRUCTIONS.		

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CASE NUMBER 20-022-*****7311		FINAL YEAR OF LOAN 2044					
FUND CODE 91	LOAN NUMBER 31	DATE OF LOAN 06/04/04	INTEREST RATE 04.3750				
		AMOUNT OF LOAN	1,340,000.00				
DESCRIPTION	ADVANCES	INTEREST	PRINCIPAL	TOTAL	T	INTEREST RATE	EFFECTIVE DATE
BEGIN LOAN BALNCE		27,739.47	1,264,000.00	1,291,739.47			010112
PAYMENT		27,650.00	17,500.00	45,150.00	R	04.3750	010912
PAYMENT		27,267.18	0.00	27,267.18	R	04.3750	070112
TOTAL LOAN PMTS		54,917.18	17,500.00	72,417.18			
LOAN ACTIVITY		0.00	54,917.18	17,500.00		72,417.18	
LOAN BALANCE		UNPD INTEREST	27,358.76 **	UNPD PRIN		1,246,500.00 **	
NXT AMT DUE		45,267.18		DATE DUE		010113	
PAYMENT STATUS		ON SCHEDULE		INT PAID		54,917.18	
TAXES PAID							
**These unpaid balances may not reflect the total amount due to the Agency at payoff.							
RECIPIENT'S/LENDER'S name, address, and telephone number USDA RURAL DEVELOPMENT PHONE#(314)457-4310 4300 GOODFELLOW BLVD FC-351 ST. LOUIS, MO 63120-1703				CAUTION: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.		OMB NO.1545-0901 <h1 style="font-size: 2em;">2012</h1> Form 1098	<input type="checkbox"/> CORRECTED (if checked) <h2 style="text-align: center;">Mortgage Interest Statement</h2>
RECIPIENT'S federal identification no. 431757115		PAYER'S social security number *****7311		1 Mortgage interest received from payer(s)/borrower(s) \$ 0.00		COPY B FOR PAYER/BORROWER The information in boxes 1, 2 and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.	
PAYER'S/BORROWER'S name, street address, city, state, and ZIP code RATTLESNAKE RIDGE 20-704 WATER DISTRICT PO BOX 475 GRAYSON, KY 41143				2 Points paid on purchase of principal residence \$			
				3 Refund of overpaid interest \$			
				4			
Account number (see instructions) 20022*****731191 31				IRS FORM 1098 DOES NOT APPLY TO YOUR LOAN TYPE. PLEASE SEE IRS INSTRUCTIONS.			

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
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DESCRIPTION	ADVANCES	INTEREST	PRINCIPAL	TOTAL	T	INTEREST RATE	EFFECTIVE DATE
CASE NUMBER 20-022-*****7311	FINAL YEAR OF LOAN 2044		AMOUNT OF LOAN 549,000.00				
FUND CODE 91	LOAN NUMBER 33	DATE OF LOAN 06/04/04	INTEREST RATE 04.3750				
BEGIN LOAN BALNCE		11,367.92	518,000.00	529,367.92			010112
PAYMENT		11,331.25	7,000.00	18,331.25	R	04.3750	010912
PAYMENT		11,178.12	0.00	11,178.12	R	04.3750	070112
TOTAL LOAN PMTS		22,509.37	7,000.00	29,509.37			
LOAN ACTIVITY	0.00	22,509.37	7,000.00	29,509.37			
LOAN BALANCE	UNPD INTEREST	11,215.64 **	UNPD PRIN	511,000.00 **			
NXT AMT DUE	18,678.12	DATE DUE 010113					
PAYMENT STATUS	ON SCHEDULE IN PAID						
TAXES PAID							

**These unpaid balances may not reflect the total amount due to the Agency at payoff.

RECIPIENT'S/LENDER'S name, address, and telephone number USDA RURAL DEVELOPMENT PHONE#(314)457-4310 4300 GOODFELLOW BLVD FC-351 ST. LOUIS, MO 63120-1703		CAUTION: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.	OMB NO. 1545-0901 <h1>2012</h1> Form 1098	<input type="checkbox"/> CORRECTED (if checked) Mortgage Interest Statement
RECIPIENT'S federal identification no. 431757115	PAYER'S social security number *****7311	1 Mortgage interest received from payer(s)/borrower(s)* \$ 0.00		COPY B FOR PAYER/BORROWER The information in boxes 1, 2 and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.
PAYER'S/BORROWER'S name, street address, city, state, and ZIP code RATTLESNAKE RIDGE WATER DISTRICT PO BOX 475 GRAYSON, KY 20-704 41143		2 Points paid on purchase of principal residence \$		
		3 Refund of overpaid interest \$		
		4		
Account number (see instructions) 20022*****731191 33		IRS FORM 1098 DOES NOT APPLY TO YOUR LOAN TYPE. PLEASE SEE IRS INSTRUCTIONS.		

**RURAL DEVELOPMENT
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CASE NUMBER 20-022-*****7311		FINAL YEAR OF LOAN 2052		AMOUNT OF LOAN 1,336,000.00	
FUND CODE 91		LOAN NUMBER 36	DATE OF LOAN 06/12/12	INTEREST RATE 02.0000	
DESCRIPTION	ADVANCES	INTEREST	PRINCIPAL	TOTAL	T
BEGIN LOAN BALNCE		0.00	0.00	0.00	
CASH ADVANCE	1336,000.00				
PAYMENT		1,390.90	0.00	1,390.90	R
PAYMENT		73.30	0.00	73.30	R
					INTEREST RATE
					EFFECTIVE DATE
					02.0000
					02.0000
					02.0000
					061212
					061212
					061212
TOTAL LOAN PMTS		1,464.20	0.00	1,464.20	
LOAN ACTIVITY		1336,000.00	1,464.20	0.00	1,464.20
LOAN BALANCE		UNPD INTEREST	13,323.32 **	UNPD PRIN	1,336,000.00 **
NXT AMT DUE		13,360.00	DATE DUE	010113	
PAYMENT STATUS		ON SCHEDULE	INT PAID	1,464.20	
TAXES PAID					
<small>**These unpaid balances may not reflect the total amount due to the Agency at payoff.</small>					
RECIPIENT'S/LENDER'S name, address, and telephone number USDA RURAL DEVELOPMENT PHONE#(314)457-4310 4300 GOODFELLOW BLVD FC-351 ST. LOUIS, MO 63120-1703		<small>CAUTION: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.</small>		OMB NO.1545-0901 <h1 style="font-size: 2em;">2012</h1> Form 1098	<input type="checkbox"/> CORRECTED (if checked) <h2 style="font-size: 1.2em;">Mortgage Interest Statement</h2>
RECIPIENT'S federal identification no. 431757115	PAYER'S social security number *****7311	1 Mortgage interest received from payor(s)/borrower(s) \$ 0.00		COPY B FOR PAYER/BORROWER <small>The information in boxes 1, 2 and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.</small>	
PAYER'S/BORROWER'S name, street address, city, state, and ZIP code RATTLESNAKE RIDGE 20-704 WATER DISTRICT PD BOX 475 GRAYSON, KY 41143		2 Points paid on purchase of principal residence \$			
		3 Refund of overpaid interest \$			
		4			
Account number (see instructions) 20022*****731191 36		IRS FORM 1098 DOES NOT APPLY TO YOUR LOAN TYPE. PLEASE SEE IRS INSTRUCTIONS.			

Rattlesnake Ridge Water District
 Other Assets
 For the year ended 12/31/12

Bond Issuance Costs

Balance @ 12/31/11	23,586.66
2012 Amortization Expense	<u>1,747.16</u>
Balance @ 12/31/12	21,839.50

Accumulated Amortization (A/C# 14710)	
12/31/2008	1,747.16
12/31/2009	3,494.32
12/31/2010	5,241.48
12/31/2011	6,988.64
12/31/2012	8,735.80

Note: The bond issuance costs are a result of the refinancing of the 1996 issue on May 29, 2008. The bond costs will be amortized over the life of the loan which is 17.5 years.
 Total cost: \$30,575.30 A/C# 15700

Bond Issuance Costs

Balance @ 12/31/11	-
2012 Amortization Expense	<u>1,119.10</u>
Balance @ 12/31/11	1,119.10

Accumulated Amortization (A/C# 14710)	
12/31/2011	-
12/31/2012	1,119.10

Note: The bond issuance costs are a result of the RRWD Waterworks Revenue bonds Series 2011, in the principal amount of \$2,482,000, consisting of \$1,336,000 of Series A Bonds and \$1,146,000 of Series B Bonds. The bond costs will be amortized over the life of the loan which is 17.5 years
 Total cost: \$19,584.26 A/C# 15700

Total balance of 14710
 at 12/31/12 9,854.90

old

Rattlesnake Ridge Water District
 Fixed Asset Listing
 For the Year Ended December 31, 2012

Code	Description	Date	Meth	Life	Cost	Accum Depr	Depreciation	Accum Depr	Depreciation	Accum Depr
						2010	2011	2011	2012	2012
304	Tanks	1986	S/L	40	302,600	279,905	7,565	287,470	7,565	285,035
304	Tanks	1989	S/L	40	82,571	59,752	2,064	61,816	2,064	63,880
304	Tanks	1994	S/L	20	63,822	54,248	3,191	57,439	3,191	60,630
304	Tanks-IV	1995	S/L	20	121,851	93,422	6,093	99,515	6,093	105,608
304	Tanks-V	1997	S/L	20	10,609	7,423	530	7,953	530	8,483
304	Tanks-VB	1997	S/L	20	129,677	90,775	6,484	97,259	6,484	103,743
304	Tanks-IV	1996	S/L	10	2,123	2,123	-	2,123	-	2,123
304	Tanks	2002	S/L	40	240,620	51,135	6,016	57,151	6,016	63,167
304	Tanks	2002	S/L	40	232,000	50,750	5,800	56,550	5,800	62,350
304	Tanks	2005	S/L	40	654,037	96,743	16,351	113,094	16,351	129,445
304	Tank Improvement	2009	S/L	20	3,998	400	200	600	200	800
304	Radio and Tank Impro	2010	S/L	20	1,104	55	55	110	55	165
304	Tank Improvement	2010	S/L	20	7,491	375	375	750	375	1,125
304	Pressure Transmitter	2010	S/L	20	680	34	34	68	34	102
304	Tank Improvement	2011	S/L	20	9,862	-	493	492	493	985
304	Meters	2012	S/L	20	23,762	-	-	-	1,188	1,188
					1,886,807	787,140	55,251	842,390	56,439	898,829
311	Greg PS	12/1/1997	S/L	10	34,075	34,075	-	34,075	-	34,075
311	Pumps	1986	S/L	10	228,080	228,080	-	228,080	-	228,080
311	Pumps	1989	S/L	10	27,524	27,524	-	27,524	-	27,524
311	Pumps	1993	S/L	10	9,681	9,681	-	9,681	-	9,681
311	Pumps	1994	S/L	10	135,222	135,222	-	135,222	-	135,222
311	Pumps	1995	S/L	10	121,851	121,851	-	121,851	-	121,851
311	Pumps Replace	1995	S/L	10	2,238	2,238	-	2,238	-	2,238
311	Pumps V	1997	S/L	10	1,277	1,277	-	1,277	-	1,277
311	Pumps V	1997	S/L	10	72,039	72,039	-	72,039	-	72,039
311	PS	4/1/1999	S/L	10	5,458	5,458	-	5,458	-	5,458
311	Pump Station	6/24/2002	S/L	10	20,874	17,741	2,087	19,828	1,046	20,874
311	Pump Station	9/30/2004	S/L	10	19,950	10,973	1,995	12,968	1,995	14,963
311	Pumps	1/27/2005	S/L	10	213,026	126,042	21,303	147,345	21,303	168,648
311	Pumps	2006	S/L	10	37,515	16,884	3,752	20,636	3,752	24,388
311	Pumps	2010	S/L	10	5,968	597	597	1,194	597	1,791
311	Pumps	2011	S/L	10	16,950	-	1,695	1,695	1,695	3,390
311	Rebuilt motor	2012	S/L	10	1,650	-	-	-	-	165
311	Controller @ pump station	2012	S/L	10	2,006	-	-	-	-	201
311	Chemical pump	2012	S/L	10	685	-	-	-	-	69
					956,069	809,682	31,429	841,111	30,821	871,932
331	Ext Lines	1989	S/L	40	446,935	234,183	11,173	245,356	11,173	256,529
331	Lines	1994	S/L	40	980,818	416,845	24,520	441,365	24,520	465,885
331	Lines III	1995	S/L	40	29,048	11,618	726	12,344	726	13,070
331	Lines IV	1995	S/L	40	1,549,962	594,152	38,749	632,901	38,749	671,650
331	Lines IV	1996	S/L	40	105,331	39,498	2,633	42,131	2,633	44,764
331	Lines V	1997	S/L	40	56,832	19,892	1,421	21,313	1,421	22,734
331	Lines VA	1997	S/L	40	1,062,677	371,937	26,567	398,504	26,567	425,071
331	Water Lines	1986	S/L	40	2,405,320	1,503,325	60,133	1,563,458	60,133	1,623,591
331	Water Lines	2002	S/L	40	3,137,872	666,799	78,447	745,246	78,447	823,693
331	Lines	2002	S/L	40	35,443	7,384	886	8,270	886	9,156
331	Lines	2002	S/L	40	465,086	101,736	11,627	113,363	11,627	124,990
331	Lines	2005	S/L	40	4,381,065	648,034	109,527	757,561	109,527	867,088
331	Lines	2008	S/L	40	2,623,301	197,395	65,582	262,977	65,582	328,560
331	Lines	2009	S/L	40	1,024,191	51,210	25,605	76,815	25,605	102,420
331	Lines	2010	S/L	40	29,552	739	739	1,478	739	2,217
331	Lines	2012	S/L	40	10,637	-	-	-	-	266
					18,344,070	4,864,747	458,335	5,323,082	458,602	5,781,684
334	Hert Elem	10/1/1999	S/L	40	1,568	443	39	482	39	521
334	Install	1991	S/L	40	16,233	7,915	406	8,321	406	8,727
334	Install	1992	S/L	40	17,150	7,933	429	8,362	429	8,791
334	Install	1993	S/L	40	22,097	9,665	552	10,217	552	10,769
334	Install	1994	S/L	40	32,012	13,203	800	14,003	800	14,803
334	Install	1995	S/L	40	48,132	18,649	1,203	19,852	1,203	21,055
334	Install	1996	S/L	40	44,860	16,265	1,122	17,387	1,122	18,509
334	Install	1997	S/L	40	39,822	13,443	996	14,439	996	15,435
334	Install	6/30/1998	S/L	40	31,885	9,963	797	10,760	797	11,557
334	Install	6/30/1999	S/L	40	34,425	9,903	861	10,764	861	11,625
334	Install	6/30/2000	S/L	40	41,630	10,929	1,041	11,970	1,041	13,011
334	Install	6/30/2001	S/L	40	51,170	12,151	1,279	13,430	1,279	14,709
334	Install	12/1/2000	S/L	40	10,232	2,581	256	2,837	256	3,093
334	Install	4/26/2001	S/L	40	52,914	11,245	1,323	12,568	1,323	13,891
334	Install	1/27/2005	S/L	40	785,200	116,144	19,630	135,774	19,630	155,404
334	Install	2006	S/L	40	36,600	4,122	916	5,038	916	5,953
334	Install	2007	S/L	40	48,600	4,253	1,215	5,468	1,215	6,683
334	Install	2008	S/L	40	46,800	2,925	1,170	4,095	1,170	5,265
334	Install	2009	S/L	40	28,600	1,430	715	2,145	715	2,860
334	Install	2010	S/L	40	37,050	926	926	1,852	926	2,778
334	Install	2011	S/L	40	28,140	-	704	704	704	1,408
334	Install	2012	S/L	40	9,210	-	-	-	-	230
					1,464,330	274,088	36,380	310,468	36,608	347,076
Total Water System					22,651,275	6,735,657	581,395	7,317,051	582,470	7,899,521

tb14600

old

Rattlesnake Ridge Water District
 Fixed Asset Listing
 For the Year Ended December 31, 2012

Code	Description	Date	Meth	Life	Cost	Accum Depr 2010	Depreciation 2011	Accum Depr 2011	Depreciation 2012	Accum Depr 2012
304	Storage Building	9/1/1988	S/L	5	699	699	-	699	-	699
304	Trailer	3/8/1985	S/L	5	3,150	3,150	-	3,150	-	3,150
	Disposed of Trailer				(3,150)	(3,150)	-	(3,150)	-	(3,150)
					699	699	-	699	-	699
310	Generator	10/19/1995	S/L	7	530	530	-	530	-	530
340	Cash Register	2/14/1996	S/L	5	1,744	1,744	-	1,744	-	1,744
	Disposed of cash register				(1,744)	(1,744)	-	(1,744)	-	(1,744)
340	Computer Equipment	9/24/1998	S/L	5	9,980	9,980	-	9,980	-	9,980
340	Computer Equipment	10/16/1998	S/L	5	9,905	9,905	-	9,905	-	9,905
340	Computer Equipment	5/17/1999	S/L	5	9,170	9,170	-	9,170	-	9,170
340	Computer Equipment	9/20/1999	S/L	5	1,590	1,590	-	1,590	-	1,590
340	Copier	1/11/1990	S/L	5	900	900	-	900	-	900
	Disp computer Equip&Copier				(31,545)	(31,545)	-	(31,545)	-	(31,545)
340	Furn Fixture	2/2/1992	DDE	5	1,669	1,669	-	1,669	-	1,669
340	Safe	12/31/1994	S/L	7	1,609	1,609	-	1,609	-	1,609
340	Safe	7/12/2001	S/L	7	1,675	1,675	-	1,675	-	1,675
340	U Building Heat	2/14/1995	S/L	7	440	440	-	440	-	440
340	Computer Equipment	4/3/2006	S/L	5	1,941	1,746	388	2,134	-	2,134
340	Computer Equipment	3/12/2007	S/L	5	3,644	2,916	729	3,645	-	3,645
340	Dell Laptop reading	2/3/2008	S/L	5	1,760	1,056	352	1,408	352	1,760
340	Laser Printer	11/7/2008	S/L	5	950	570	190	760	190	950
340	computer	12/3/2010	S/L	5	5,675	1,135	1,135	2,270	1,135	3,405
340	computers	6/1/2010	S/L	5	35,978	7,196	7,196	14,392	7,196	21,588
340	furniture and supplies	7/22/2010	S/L	7	1,965	642	642	1,284	281	1,565
340	a/c unit	7/22/2010	S/L	7	2,529	361	361	722	361	1,083
340	telephones	7/22/2010	S/L	5	4,691	938	938	1,876	938	2,814
340	sensors	6/20/2010	S/L	5	780	156	156	312	156	468
340	website	3/15/2010	S/L	5	750	150	150	300	150	450
340	Amperometric Analyzer	11/4/2008	S/L	5	2,771	1,780	554	2,334	437	2,771
340	Lexmark Printer	2012	S/L	5	1,170	-	-	-	234	234
340	Data Radio	2012	S/L	5	1,185	-	-	-	237	237
340	Lawn Mower	2012	S/L	7	1,900	-	-	-	271	271
340	computer	2012	S/L	5	595	-	-	-	119	119
					73,677	24,039	12,791	36,830	12,058	48,888
341	200 S-10	10/25/2000	S/L	5	15,037	15,037	-	15,037	-	15,037
341	2001 Chevy	2/1/2001	S/L	5	25,069	25,069	-	25,069	-	25,069
341					(25,069)	(25,069)	-	(25,069)	-	(25,069)
341	1995 Pickup	3/31/1995	S/L	5	19,552	19,552	-	19,552	-	19,552
341	1996 Chevy PU	8/8/1996	S/L	5	15,298	15,298	-	15,298	-	15,298
341					(34,850)	(34,850)	-	(34,850)	-	(34,850)
341	1996 Ford PU	8/8/1996	S/L	5	20,092	20,092	-	20,092	-	20,092
341	1996 Ford PU	sold			(20,092)	(20,092)	-	(20,092)	-	(20,092)
341	1997 Blazer	2/10/1998	S/L	5	18,500	18,500	-	18,500	-	18,500
341	1997 Chevy PU	6/25/1997	S/L	5	20,125	20,125	-	20,125	-	20,125
341	sold				(38,625)	(38,625)	-	(38,625)	-	(38,625)
341	TRK Tool Box	1/11/1993	S/L	5	700	700	-	700	-	700
341	1997 Chevy PU	8/14/2003	S/L	5	20,015	13,343	-	13,343	-	13,343
341	sold truck				(20,015)	(13,343)	-	(13,343)	-	(13,343)
341	2004 Ford PU	4/9/2004	S/L	5	21,158	21,158	-	21,158	-	21,158
341	Dump truck	11/30/2005	S/L	5	22,000	22,000	4,033	26,033	-	26,033
341	2007 chevy PU	1/31/2007	S/L	5	25,675	20,540	5,135	25,675	-	25,675
341	2004 chevy PU	4/29/2008	S/L	5	7,603	4,562	1,521	6,083	1,521	7,604
341	09 Chevy pu	9/1/2009	S/L	5	23,744	3,166	1,583	4,749	4,749	9,498
341	Truck 208, Radio/Lights	9/11/2009	S/L	5	613	82	41	123	123	246
341	2012 Ford F250 truck	2012	S/L	5	26,142	-	-	-	5,228	5,228
					142,672	87,245	12,313	99,558	6,392	105,950
345	Boring Machine	8/1/1988	S/L	5	2,751	2,751	-	2,751	-	2,751
345	Leak Detector	2/20/1998	S/L	7	1,776	1,776	-	1,776	-	1,776
345	Pressure Wash	3/25/1997	S/L	5	689	689	-	689	-	689
345	Trash Pump	3/20/1998	S/L	7	850	850	-	850	-	850
345	fuel pump	10/30/2010	S/L	7	525	75	75	75	75	225
345	Boring Machine	4/1/2007	S/L	5	1,200	960	240	1,200	-	1,200
345	Impact drill	7/31/2011	S/L	5	654	-	131	131	131	262
345	Pressure Wash	8/28/2011	S/L	5	700	-	140	140	140	280
345	Reciprocating saw	2012	S/L	7	550	-	-	-	79	79
					9,695	7,101	586	7,687	424	8,111
348	Radio	4/1/1955	S/L	5	1,225	1,225	-	1,225	-	1,225
348	Radio	10/18/1999	S/L	5	1,655	1,655	-	1,655	-	1,655
348	Trk # 205 Radio	6/25/1997	S/L	5	1,532	1,532	-	1,532	-	1,532
348	Truck Radios	3/10/1994	S/L	7	1,160	1,160	-	1,160	-	1,160
					5,572	5,572	-	5,572	-	5,572
	Total Other Assets				232,845	125,186	25,690	150,876	18,874	169,750

OLD

Rattlesnake Ridge Water District
 Fixed Asset Listing
 For the Year Ended December 31, 2012

Code	Description	Date	Meth	Life	Cost	Accum Depr 2010	Depreciation 2011	Accum Depr 2011	Depreciation 2012	Accum Depr 2012
341	1 985 C70 Truck Disposed of truck	12/27/1995	S/L	5	14,767 (14,767)	14,767 (14,767)	- -	14,767 (14,767)	- -	14,767 (14,767)
345	Backhoe	8/2/2004	S/L	5	48,401	48,101	-	48,401	-	48,401
345	Trailer	12/1/2008	S/L	5	5,603	3,362	1,121	4,483	1,121	5,604
345	Trailer sold	8/2/2004	S/L	5	8,400 (8,400)	8,400 (8,400)	- -	8,400 (8,400)	- -	8,400 (8,400)
345	Excavator	6/10/2010	S/L	5	42,588	8,518	8,518	17,036	8,518	25,554
345	Trailer	3/28/2011	S/L	5	3,430	-	686	686	686	1,372
345	Trailer Improv	5/23/2011	S/L	5	2,808	-	562	562	562	1,124
					102,830	59,981	10,887	71,168	10,886	82,054
	Total Heavy Equipment				102,830	59,981	10,887	71,168	10,886	82,054
								tb15220		
303	Land	10/1/2008			2,000					
303	Land	1/2/1992			4,500					
					6,500					
304	Bal Utility Bldg	2/14/1995	S/L	31.5	1,088	550	35	585	35	620
304	Handicap Access	7/7/1998	S/L	31.5	1,770	701	56	757	56	813
304	Office Bldg	1/24/1992	S/L	31.5	45,077	27,129	1,431	28,560	1,431	29,991
304	Pave Lot	8/24/1994	S/L	15	4,000	4,000	-	4,000	-	4,000
304	Pave Lot	6/7/1996	S/L	15	2,525	2,439	168	2,607	-	2,607
304	Utility Bldg	11/1/1994	S/L	31.5	15,385	7,893	488	8,381	488	8,869
304	Wiring Cable	9/15/1995	S/L	31.5	2,841	1,374	90	1,464	90	1,554
304	Shed	6/15/2006	S/L	31.5	9,000	1,287	286	1,573	286	1,859
					81,686	45,373	2,554	47,927	2,386	50,313
340	A/C Furn Util	9/15/1995	S/L	7	3,687	3,687	-	3,687	-	3,687
340	Security System	12/8/1994	S/L	7	1,621	1,621	-	1,621	-	1,621
					5,308	5,308	-	5,308	-	5,308
	Total Building and Land				93,494	50,681	2,554	53,235	2,386	55,621
								tb15100		
304	Structures	4/1/2002	S/L	40	1,346,167	294,473	33,654	328,127	33,654	361,781
304	Structures	4/1/2002	S/L	40	805,788	176,268	20,145	196,413	20,145	216,558
304	Structures	1/1/2003	S/L	40	1,072	216	27	243	27	270
304	Structures	2/28/2003	S/L	40	4,425	869	111	980	111	1,091
					2,157,452	471,826	53,937	525,763	53,936	579,699
320	WTP Equipment	4/1/2002	S/L	20	2,288,544	1,001,237	114,427	1,115,664	114,427	1,230,091
320	WTP Equipment	5/4/2002	S/L	20	256,233	108,901	12,812	121,713	12,812	134,525
320	WTP Equipment	2009	S/L	20	46,055	2,302	1,151	3,453	2,303	5,756
320	WTP Equipment	6/30/2010	S/L	20	3,806	190	190	380	190	570
320	WTP Equipment	6/30/2010	S/L	20	3,295	165	165	330	165	495
320	WTP Equipment	2011	S/L	20	10,613	-	531	531	531	1,062
320	WTP Equipment	2012	S/L	20	620	-	-	-	31	31
					2,609,166	1,112,795	129,276	1,242,071	130,458	1,372,529
	Total Water Treatment Plant				4,766,618	1,584,621	183,213	1,767,834	184,395	1,952,229
								tb14700		
Total					27,847,061	8,556,124	803,737	9,360,162	799,008	10,159,172

**KRWFC Flexible Term Program Series 2008 C
Sinking Fund Payment Schedule**

Borrower: Rattlesnake Ridge Water District
Closing Date: 05/29/08

*Note General
Entered into
Amended*

*One Entry
to 116-6*

*Switched
1 mo before*

*Jan '11
July '11*

	Monthly Principal	Monthly Interest	Total Monthly Sinking Fund Payments
8/08-1/09	4,166.67	2,796.17	6,962.83
2/09-7/09	2,500.00	2,030.83	4,530.83
8/09-1/10	2,500.00	2,030.83	4,530.83
2/10-7/10	2,500.00	1,967.08	4,467.08
-8/10-1/11	2,500.00	1,967.08	4,467.08
-2/11-7/11	2,916.67	1,890.83	4,807.50
8/11-1/12	2,916.67	1,890.83	4,807.50
2/12-7/12	2,916.67	1,801.88	4,718.54
8/12-1/13	2,916.67	1,801.88	4,718.54
2/13-7/13	2,500.00	1,705.63	4,205.63
8/13-1/14	2,500.00	1,705.63	4,205.63
2/14-7/14	2,916.67	1,623.13	4,539.79
8/14-1/15	2,916.67	1,623.13	4,539.79
2/15-7/15	2,916.67	1,519.58	4,436.25
8/15-1/16	2,916.67	1,519.58	4,436.25
2/16-7/16	3,333.33	1,416.04	4,749.38
8/16-1/17	3,333.33	1,416.04	4,749.38
2/17-7/17	3,333.33	1,281.04	4,614.38
8/17-1/18	3,333.33	1,281.04	4,614.38
2/18-7/18	3,750.00	1,146.04	4,896.04
8/18-1/19	3,750.00	1,146.04	4,896.04
2/19-7/19	3,333.33	994.17	4,327.50
8/19-1-20	3,333.33	994.17	4,327.50
2/20-7/20	3,750.00	859.17	4,609.17
8/20-1/21	3,750.00	859.17	4,609.17
2/21-7/21	3,750.00	707.29	4,457.29
8/21-1/22	3,750.00	707.29	4,457.29
2/22-7/22	3,750.00	550.73	4,300.73
8/22-1/23	3,750.00	550.73	4,300.73
2/23-7/23	4,166.67	394.17	4,560.83
8/23-1/24	4,166.67	394.17	4,560.83
2/24-7/24	5,000.00	215.00	5,215.00
8/24-1/25	5,000.00	215.00	5,215.00
	<u>665,000.00</u>	<u>258,008.25</u>	<u>923,008.25</u>

HARPER, FERGUSON & DAVIS

ATTORNEYS AT LAW
310 WEST LIBERTY STREET
LOUISVILLE, KENTUCKY 40202

TELEPHONE
(502) 582-3871

April 23, 1985

Farmers Home Administration
United States of America
c/o State Director
333 Waller Avenue
Lexington, Kentucky 40504

Re: \$706,000 "Rattlesnake Ridge Water District Water
System Revenue Bonds, 1984 Series A" and
\$80,000 "Rattlesnake Ridge Water District Water
System Revenue Bonds, 1984 Series B"

Gentlemen:

We have examined certified copies of pertinent proceedings of the Rattlesnake Ridge Water District, Carter, Elliott and Lawrence Counties, Kentucky (the "District"), precedent to and in connection with the authorization and issuance by the District of its "Water System Revenue Bonds, 1984 Series A," in the principal amount of \$706,000 (the "Series A Bonds"), and "Water System Revenue Bonds, 1984 Series B," in the principal amount of \$80,000 (the "Series B Bonds"), collectively hereinafter referred to as the "Bonds," which Bonds are issued only in the form of a single fully registered Bond for each such Series, dated as of the date of delivery, bearing interest at the rate of 9-1/8% per annum in the case of the Series A Bonds and 10% per annum in the case of the Series B Bonds, payable on January 1 and July 1 of each year, beginning July 1, 1985, and maturing as to principal on January 1 of each year as shown in the following schedules:

Series A Bonds - \$706,000

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>YEAR</u>	<u>PRINCIPAL</u>	<u>YEAR</u>	<u>PRINCIPAL</u>
1988	\$ 2,000	2001	\$ 7,000	2014	\$ 23,000
1989	3,000	2002	8,000	2015	25,000
1990	3,000	2003	9,000	2016	28,000
1991	3,000	2004	10,000	2017	30,000
1992	3,000	2005	11,000	2018	33,000
1993	4,000	2006	12,000	2019	36,000
1994	4,000	2007	13,000	2020	39,000
1995	4,000	2008	14,000	2021	43,000
1996	5,000	2009	15,000	2022	47,000
1997	5,000	2010	16,000	2023	51,000
1998	6,000	2011	18,000	2024	56,000
1999	6,000	2012	20,000	2025	66,000
2000	7,000	2013	21,000		

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Re: \$706,000 "Rattlesnake Ridge Water District Water System Revenue Bonds, 1984 Series A" and
 \$ 80,000 "Rattlesnake Ridge Water District Water System Revenue Bonds, 1984 Series B"

Series B Bonds - \$80,000

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>YEAR</u>	<u>PRINCIPAL</u>	<u>YEAR</u>	<u>PRINCIPAL</u>
1988	\$ 200	2001	\$ 800	2014	\$ 2,600
1989	200	2002	800	2015	2,900
1990	300	2003	900	2016	3,200
1991	300	2004	1,000	2017	3,500
1992	300	2005	1,100	2018	3,800
1993	400	2006	1,200	2019	4,200
1994	400	2007	1,300	2020	4,600
1995	400	2008	1,500	2021	5,100
1996	500	2009	1,600	2022	5,600
1997	500	2010	1,800	2023	6,200
1998	600	2011	2,000	2024	6,800
1999	600	2012	2,200	2025	7,500
2000	700	2013	2,400		

provided, however, that principal installments of the Bonds maturing on and after January 1, 1997, are subject to prepayment at the option of the District on any interest payment date on or after January 1, 1996, at par and subject to notice and other conditions set forth in the Resolution of the District authorizing the Bonds. It is our opinion that the Bonds have been authorized and issued in conformity with the Constitution and applicable laws of the Commonwealth of Kentucky, particular reference being made to Chapters 74 and 106 of the Kentucky Revised Statutes, now in full force and effect. The Resolution of the District authorizing the Bonds stipulates that the Series A Bonds and the Series B Bonds rank on a parity, one with the other, as to security and source of payment.

Based upon our examination of the foregoing evidence, it is our opinion that the Bonds in the aggregate amount of \$786,000 are valid and legally binding upon the District according to the import thereof and that the Bonds, together with bonds ranking on a parity therewith which may hereafter be issued and outstanding from time to time under the restrictions and conditions set forth in said proceedings, are payable only from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the District's municipal water distribution system, which fixed portion, according to the terms of said Bond-authorizing Resolution, shall be sufficient to pay the maturing principal of and interest on the Bonds and any such outstanding parity bonds.

Page -3-

Re: \$706,000 "Rattlesnake Ridge Water District Water
System Revenue Bonds, 1984 Series A" and
\$ 80,000 "Rattlesnake Ridge Water District Water
System Revenue Bonds, 1984 Series B"

It is our further opinion that the Bonds in the amount of \$786,000 are exempt from all present Kentucky ad valorem taxes, and interest thereon is exempt from present Federal and Kentucky income taxes; provided, however, if the Bonds or any portion thereof are acquired by the Federal government, or any of its agencies, and sold on an insured basis from the Agricultural Credit Insurance Fund or the Rural Development Insurance Fund, as provided in the last sentence of Section 306(a)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(1)) and in Section 309A(h) of said Act (7 U.S.C. 1929a(h)), respectively, no opinion is expressed as to the exemption from Federal and Kentucky income taxation of interest derived in respect of the Bonds or such portion thereof.

Respectfully submitted,

HARPER, FERGUSON & DAVIS

By



William W. Davis



0000388061231000364010620120920

COMMERCIAL SECURITY AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$26,142.05	06-20-2012	06-20-2014	12310	M / 7	00038806	LSM	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*" has been omitted due to text length limitations.

Grantor: Rattlesnake Ridge Water District (TIN: 61-1037311)
P. O. Box 475
Grayson, KY 41143

Lender: The Commercial Bank of Grayson
208 E. Main St.
P. O. Box 7
Grayson, KY 41143

THIS COMMERCIAL SECURITY AGREEMENT dated June 20, 2012, is made and executed between Rattlesnake Ridge Water District ("Grantor") and The Commercial Bank of Grayson ("Lender").

GRANT OF SECURITY INTEREST. For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

COLLATERAL DESCRIPTION. The word "Collateral" as used in this Agreement means the following described property in which Grantor is giving to Lender a security interest for the payment of the indebtedness and performance of all other obligations under the Note and this Agreement:

2012 Ford F250 SL Super Duty Reg. Cab 4WD (VIN 1FTBF2B6CEC08959)

In addition, the word "Collateral" also includes all the following:

- (A) All accessions, attachments, accessories, replacements and additions to any of the collateral described herein, whether added now or later.
- (B) All products and produce of any of the property described in this Collateral section.
- (C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, consignment or other disposition of any of the property described in this Collateral section.
- (D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.
- (E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

CROSS-COLLATERALIZATION. In addition to the Note, this Agreement secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated, whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Grantor's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Grantor holds jointly with someone else and all accounts Grantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Grantor authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL. With respect to the Collateral, Grantor represents and promises to Lender that:

Perfection of Security Interest. Grantor agrees to take whatever actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper and instruments if not delivered to Lender for possession by Lender. This is a continuing Security Agreement and will continue in effect even though all or any part of the indebtedness is paid in full and even though for a period of time Grantor may not be indebted to Lender.

Notices to Lender. Grantor will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in the structure of the association Grantor; (4) change in the authorized signer(s); (5) change in Grantor's principal office address; (6) change in Grantor's state of organization; (7) conversion of Grantor to a new or different type of business entity; or (8) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name or state of organization will take effect until after Lender has received notice.

No Violation. The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party.

Enforceability of Collateral. To the extent the Collateral consists of accounts, chattel paper, or general intangibles, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

Location of the Collateral. Except for vehicles, and except otherwise in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral at Grantor's address shown above or at such other locations as are acceptable to Lender. If the Collateral is a vehicle, Grantor will keep the Collateral at those addresses except for routine travel. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located.

Removal of the Collateral. Except in the ordinary course of Grantor's business, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. To the extent that the Collateral consists of vehicles, or other titled property, Grantor shall not take or permit any action which would require application for certificates of title for the vehicles outside the Commonwealth of Kentucky, without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.

Transactions Involving Collateral. Except for inventory sold or accounts collected in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

Title. Grantor represents and warrants to Lender that Grantor holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

Repairs and Maintenance. Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair



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PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$22,719.69	10-15-2012	10-15-2014	84161	M / s	38806	MDS	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Borrower: Rattlesnake Ridge Water District (TIN:
81-1037311)
P. O. Box 475
Grayson, KY 41143

Lender: The Commercial Bank of Grayson
208 E. Main St.
P. O. Box 7
Grayson, KY 41143

Principal Amount: \$22,719.69 **Interest Rate:** 4.990% **Date of Note:** October 15, 2012

PROMISE TO PAY. Rattlesnake Ridge Water District ("Borrower") promises to pay to The Commercial Bank of Grayson ("Lender"), or order, in lawful money of the United States of America, the principal amount of Twenty-two Thousand Seven Hundred Nineteen & 69/100 Dollars (\$22,719.69), together with interest on the unpaid principal balance from October 15, 2012, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 4.990% per annum, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 23 regular payments of \$880.80 each and one irregular last payment estimated at \$8,634.01. Borrower's first payment is due November 15, 2012, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on October 15, 2014, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied to first, any unpaid credit insurance premiums, accrued to the date of receipt of payment; then to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Loan payments should be in U.S. dollars and may be made in person, by telephone or electronically at any of the Lender's offices, Monday through Friday, 8:30 a.m. to 2:00 p.m. Payments made outside this time period will be credited the next business weekday. Mail payments should be in the form of checks or money orders. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/365 simple interest basis; that is, by applying the ratio of the interest rate over the number of days in a year (366 during leap years), multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: The Commercial Bank of Grayson, 208 E. Main St., P. O. Box 7, Grayson, KY 41143.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or \$5.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the total sum due under this Note will continue to accrue interest at the interest rate under this Note.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going organization, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Kentucky without regard to its conflicts of law provisions. This Note has been accepted by Lender in the Commonwealth of Kentucky.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$15.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.



0000388062241000301010318131108

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$75,075.00	03-18-2013	03-18-2014	22410	C / 1	38806	JWS	

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Borrower: Rattlesnake Ridge Water District
P. O. Box 475
Grayson, KY 41143

Lender: The Commercial Bank of Grayson
208 E. Main St.
P. O. Box 7
Grayson, KY 41143

Principal Amount: \$75,075.00 **Interest Rate:** 4.750% **Date of Note:** March 18, 2013

PROMISE TO PAY. Rattlesnake Ridge Water District ("Borrower") promises to pay to The Commercial Bank of Grayson ("Lender"), or order, in lawful money of the United States of America, the principal amount of Seventy-five Thousand Seventy-five & 00/100 Dollars (\$75,075.00), together with interest on the unpaid principal balance from March 18, 2013, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 4.750% per annum, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 12 payments of \$6,419.25 each payment. Borrower's first payment is due April 18, 2013, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on March 18, 2014, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied to Unless otherwise agreed or required by applicable law, payments will be applied to first, any unpaid credit insurance premiums, accrued to the date of receipt of payment; then to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Loan payments should be in U. S. Dollars and may be made in person, by telephone or electronically at any of the Lender's offices, on Monday through Friday during business hours. Payments made on Saturdays, Sundays and National Holidays will be credited on the next business day that office is open. Mail payments should be in the form of checks or money orders. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/365 simple interest basis; that is, by applying the ratio of the interest rate over the number of days in a year (366 during leap years), multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: The Commercial Bank of Grayson, 208 E. Main St., P. O. Box 7, Grayson, KY 41143.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or \$5.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the total sum due under this Note will continue to accrue interest at the interest rate under this Note.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going organization, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Kentucky without regard to its conflicts of law provisions. This Note has been accepted by Lender in the Commonwealth of Kentucky.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$15.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the debt against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights



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PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$27,314.87	07-12-2012	07-12-2014	13400	P	00038806	LSM	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Borrower: Rattlesnake Ridge Water District (TIN: 61-1037311)
P. O. Box 475
Grayson, KY 41143

Lender: The Commercial Bank of Grayson
208 E. Main St.
P. O. Box 7
Grayson, KY 41143

Principal Amount: \$27,314.87 **Interest Rate:** 4.750% **Date of Note:** July 12, 2012

PROMISE TO PAY. Rattlesnake Ridge Water District ("Borrower") promises to pay to The Commercial Bank of Grayson ("Lender"), or order, in lawful money of the United States of America, the principal amount of Twenty-seven Thousand Three Hundred Fourteen & 67/100 Dollars (\$27,314.87), together with interest on the unpaid principal balance from July 12, 2012, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 4.750% per annum, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 23 regular payments of \$815.62 each and one irregular last payment estimated at \$10,354.84. Borrower's first payment is due August 12, 2012, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on July 12, 2014, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied to first, any unpaid credit insurance premiums, accrued to the date of receipt of payment; then to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Loan payments should be in U.S. dollars and may be made in person, by telephone or electronically at any of the Lender's offices, Monday through Friday, 8:30 a.m. to 2:00 p.m. Payments made outside this time period will be credited the next business weekday. Mail payments should be in the form of checks or money orders. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/365 simple interest basis; that is, by applying the ratio of the interest rate over the number of days in a year (366 during leap years), multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: The Commercial Bank of Grayson, 208 E. Main St., P. O. Box 7, Grayson, KY 41143.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or \$5.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the total sum due under this Note will continue to accrue interest at the interest rate under this Note.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The dissolution of Borrower (regardless of whether election to continue is made), any member withdraws from Borrower, or any other termination of Borrower's existence as a going business or the death of any member, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Kentucky without regard to its conflicts of law provisions. This Note has been accepted by Lender in the Commonwealth of Kentucky.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$15.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this

HARPER, FERGUSON & DAVIS

ATTORNEYS AT LAW

310 WEST LIBERTY STREET

LOUISVILLE, KENTUCKY 40202

28 WEST FIFTH STREET

COVINGTON, KENTUCKY 41011

LOUISVILLE OFFICE

(502) 582-3871

TELECOPIER (502) 582-3905

COVINGTON OFFICE

(606) 491-0712

TELECOPIER (606) 491-0187

June 6, 1989

United States of America
Farmers Home Administration
c/o State Director
333 Waller Avenue
Lexington, Kentucky 40504

Re: \$195,000 Rattlesnake Ridge Water District
Water System Revenue Bonds, Series of 1989

Ladies and Gentlemen:

We have examined certified copies of pertinent proceedings of the Rattlesnake Ridge Water District, Carter, Elliott and Lawrence Counties, Kentucky (the "District"), precedent to and in connection with the authorization and issuance by the District of its Water System Revenue Bonds, Series of 1989, in the principal amount of \$195,000, which bonds are issued only in the form of a single fully registered bond (the "Bond"), dated as of the date of delivery, bearing interest at five percent (5%) per annum, payable on January 1 and July 1 of each year, and maturing as to principal on January 1 of each year as shown in the following schedule:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>YEAR</u>	<u>PRINCIPAL</u>
1991	\$ 2,000	2010	\$ 5,000
1992	2,000	2011	5,000
1993	2,000	2012	5,000
1994	2,000	2013	5,000
1995	2,000	2014	6,000
1996	2,000	2015	6,000
1997	2,000	2016	6,000
1998	3,000	2017	6,000
1999	3,000	2018	7,000
2000	3,000	2019	7,000
2001	3,000	2020	7,000
2002	3,000	2021	8,000
2003	3,000	2022	8,000
2004	3,000	2023	9,000
2005	4,000	2024	9,000
2006	4,000	2025	9,000
2007	4,000	2026	10,000
2008	4,000	2027	11,000
2009	4,000	2028	11,000

91-05

HARPER, FERGUSON & DAVIS

ATTORNEYS AT LAW

310 WEST LIBERTY STREET

LOUISVILLE, KENTUCKY 40202

28 WEST FIFTH STREET

COVINGTON, KENTUCKY 41011

LOUISVILLE OFFICE

(502) 582-3871

TELECOPIER (502) 582-3905

COVINGTON OFFICE

(606) 491-0712

TELECOPIER (606) 491-0187

September 2, 1992

United States of America
Farmers Home Administration
c/o State Director
771 Corporate Drive
Lexington, Kentucky 40503

Re: \$365,000 Rattlesnake Ridge Water District
Water System Revenue Bonds, Series of 1992

Ladies and Gentlemen:

We have examined certified copies of pertinent proceedings of the Rattlesnake Ridge Water District, Carter, Elliott and Lawrence Counties, Kentucky (the "District"), precedent to and in connection with the authorization and issuance by the District of its Water System Revenue Bonds, Series of 1992, in the principal amount of \$365,000, which bonds are issued only in the form of a single fully registered bond (the "Bond"), dated as of the date of delivery, bearing interest at five percent (5%) per annum, payable on January 1 and July 1 of each year, and maturing as to principal on January 1 of each year as shown in the following schedule:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>YEAR</u>	<u>PRINCIPAL</u>
1994	\$ 3,500	2013	\$ 8,500
1995	3,500	2014	9,000
1996	4,000	2015	9,500
1997	4,000	2016	10,000
1998	4,000	2017	10,500
1999	4,500	2018	11,000
2000	4,500	2019	11,500
2001	5,000	2020	12,000
2002	5,000	2021	13,000
2003	5,500	2022	13,000
2004	5,500	2023	14,000
2005	6,000	2024	14,500
2006	6,000	2025	15,500
2007	6,500	2026	16,000
2008	6,500	2027	17,000
2009	7,000	2028	17,500
2010	7,500	2029	18,500
2011	8,000	2030	19,500
2012	8,000	2031	20,000

91-06

HARPER, FERGUSON & DAVIS

ATTORNEYS AT LAW

1730 MEIDINGER TOWER

462 SOUTH FOURTH AVENUE

LOUISVILLE, KENTUCKY 40202-3413

28 WEST FIFTH STREET

COVINGTON, KENTUCKY 41011

LOUISVILLE OFFICE

(502) 582-3871

TELECOPIER (502) 582-3905

COVINGTON OFFICE

(606) 491-0712

TELECOPIER (606) 491-0187

May 8, 1995

United States of America
Department of Agriculture
c/o State Director
771 Corporate Drive, Suite 200
Lexington, Kentucky 40503-5477

Re: \$631,000 Rattlesnake Ridge Water District Water
System Revenue Bonds, 1994 Series A and B

Ladies and Gentlemen:

We have examined certified copies of pertinent proceedings of the Rattlesnake Ridge Water District, Carter, Elliott and Lawrence Counties, Kentucky (the "District"), precedent to and in connection with the authorization and issuance of its Water System Revenue Bonds, 1994 Series A and B, in the aggregate principal amount of \$631,000, which bonds are issued only in the form of a single fully registered bond for each series, in the principal amounts shown in the following schedules (the "Bonds"), dated as of the date of delivery, bearing interest at 4-1/2% per annum, such interest being payable on January 1 and July 1 of each year, and maturing as to principal on January 1 of each year as shown in the following schedules:

1994 Series A Maturity Schedule (\$434,000)

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
1997	\$4,000	2010	\$8,000	2023	\$14,000
1998	4,000	2011	8,000	2024	15,000
1999	5,000	2012	9,000	2025	16,000
2000	5,000	2013	9,000	2026	17,000
2021	5,000	2014	9,000	2027	17,000
2002	5,000	2015	10,000	2028	18,000
2003	6,000	2016	10,000	2029	19,000
2004	6,000	2017	11,000	2030	20,000
2005	6,000	2018	11,000	2031	21,000
2006	6,000	2019	12,000	2032	22,000
2007	7,000	2020	12,000	2033	23,000
2008	7,000	2021	13,000	2034	23,000
2009	7,000	2022	14,000		

Re: \$631,000 Rattlesnake Ridge Water District Water
System Revenue Bonds, 1994 Series A and B

1994 Series B Maturity Schedule (\$197,000)

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
1997	\$ 2,000	2010	\$ 3,500	2023	\$ 6,500
1998	2,000	2011	4,000	2024	6,500
1999	2,500	2012	4,000	2025	7,000
2000	2,500	2013	4,000	2026	7,500
2001	2,500	2014	4,500	2027	7,500
2002	2,500	2015	4,500	2028	8,000
2003	2,500	2016	5,000	2029	8,500
2004	3,000	2017	5,000	2030	8,500
2005	3,000	2018	5,000	2031	9,500
2006	3,000	2019	5,500	2032	9,500
2007	3,000	2020	5,500	2033	10,000
2008	3,500	2021	6,000	2034	10,000
2009	3,500	2022	6,000		

provided, however, that principal installments of the Bonds maturing on and after January 1, 2006, are subject to prepayment at the option of the District on any interest payment date on or after January 1, 2005, at par and subject to notice and other conditions set forth in the Resolution of the District authorizing the Bonds. It is our opinion that the Bonds have been authorized and issued in conformity with the Constitution and applicable laws of the Commonwealth of Kentucky, particular reference being made to Chapters 74 and 106 of the Kentucky Revised Statutes, now in full force and effect.

Based upon our examination of the foregoing evidence, it is our opinion that the Bonds in the aggregate amount of \$631,000 are valid and legally binding upon the District according to the import thereof, and that the Bonds, together with bonds ranking on a parity therewith which have heretofore been issued and are outstanding and which may hereafter be issued and outstanding from time to time under the restrictions and conditions set forth in said proceedings, are payable only from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the District's municipal water distribution system, which fixed portion, according to the terms of said Bond-authorizing Resolution, shall be sufficient to pay the maturing principal of and interest on the Bonds and such outstanding parity bonds.

It is our further opinion that the Bonds in the aggregate amount of \$631,000 are exempt from all present Kentucky ad valorem taxes, and under existing laws the interest thereon is excluded from gross income for Federal and Kentucky income tax purposes; provided, however, if the Bonds or any portion thereof are acquired by the Federal government, or any agency thereof, and sold on an insured basis from the Agricultural Credit Insurance Fund or the

TRANSCRIPT OF PROCEEDINGS

RATTLESNAKE RIDGE WATER DISTRICT
WATERWORKS REFUNDING REVENUE BONDS
SERIES 1996
DATED FEBRUARY 1, 1996
IN THE AMOUNT OF \$875,000

APPROVING LEGAL OPINION

By
RUBIN HAYS & FOLEY
First Trust Centre
200 South Fifth Street
Louisville, Kentucky 40202
(502) 569-7550

TRANSCRIPT OF PROCEEDINGS

**RATTLESNAKE RIDGE WATER DISTRICT
WATERWORKS REVENUE BONDS, SERIES 1995**

DATED SEPTEMBER 6, 1996

IN THE AMOUNT OF \$545,000

CONSISTING OF

\$445,000 OF SERIES A BONDS

AND

\$100,000 SERIES B BONDS

TRANSCRIPT OF PROCEEDINGS

**RATTLESNAKE RIDGE WATER DISTRICT
WATERWORKS REVENUE BONDS, SERIES 2001**

DATED JUNE 21, 2001

IN THE AMOUNT OF \$960,000

CONSISTING OF

\$900,000 OF SERIES A BONDS

AND

\$60,000 OF SERIES B BONDS

TRANSCRIPT OF PROCEEDINGS

**RATTLESNAKE RIDGE WATER DISTRICT
WATERWORKS REVENUE BONDS, SERIES 2000**

DATED OCTOBER 2, 2001

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$1,325,000

CONSISTING OF

\$900,000 OF SERIES A BONDS

AND

\$425,000 OF SERIES B BONDS

TRANSCRIPT OF PROCEEDINGS

**RATTLESNAKE RIDGE WATER DISTRICT WATERWORKS REVENUE BONDS,
SERIES 2004**

DATED JUNE 4, 2004

IN THE AMOUNT OF \$1,889,000

TRANSCRIPT OF PROCEEDINGS
RATTLESNAKE RIDGE WATER DISTRICT
LOAN IN THE AMOUNT OF \$665,000

FROM THE

KENTUCKY RURAL WATER FINANCE CORPORATION
PUBLIC PROJECTS REFUNDING AND IMPROVEMENT REVENUE BONDS
(FLEXIBLE TERM PROGRAM)
SERIES 2008C
DATED MAY 29, 2008
IN THE AMOUNT OF \$7,300,000

APPROVING LEGAL OPINION

By

RUBIN & HAYS
Municipal Bond Attorneys
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 569-7525

TRANSCRIPT OF PROCEEDINGS

RATTLESNAKE RIDGE WATER DISTRICT WATERWORKS REVENUE BONDS,

SERIES 2011

DATED JUNE 12, 2012

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$2,482,000

CONSISTING OF

\$1,336,000 OF SERIES A BONDS

AND

\$1,146,000 OF SERIES B BONDS

(f) Credits. The Government shall pay the Contractor a connection charge of \$75,000.00 plus a non-refundable amount for a connection fee. The Contractor will rebate the connection charge of \$75,000.00 less the estimated cost of additional facilities unique to providing service to the Government. Those additional facilities include the cost of (i) replacing about 200 feet of Government installed 2-inch water line, including a road crossing, with 4-inch water line, (ii) the cost of 2 pressure reducing valves required to connect to the lower class pipe previously installed by the Government and (iii) the cost of material only for casing pipe across the top of the Grayson Dam and 2 valves. The estimated cost of the water line, road crossing and pressure reducing valves is \$4,000.00 and the cost of the casing pipe is \$20,700.00 for a total of \$24,700.00. The total amount to be rebated by the Contractor is therefore \$50,300.00 (\$75,000.00 - \$24,700.00). That amount is to be rebated by the Contractor to the Government over the next 40 years as follows: (i) one (1%) percent of the amount to be rebated, (\$503.00) annually, for each of the first five (5) years after service is initiated; (ii) two (2%) percent of the amount to be rebated (\$1,006.00) annually for each of the 6th through 10th years after service is initiated; (iii) two and one-half (2.5%) percent of the amount to be rebated (\$1,257.50) annually for each of the 11th through 20th years after service is initiated; and (iv) three (3%) percent of the amount to be rebated (\$1,509.00) annually for each of the 21st through 40th years after service is initiated.

EXHIBIT C REPAYMENT SCHEDULE
(ANNUAL)

TOTAL COST	\$76,732
INTEREST RATE PERCENT	6.625%
NUMBER OF PAYMENTS	30
ANNUAL PAYMENT	\$5,582

YEAR	PAYMENT TO INTEREST (\$)	PAYMENT TO PRINCIPAL (\$)	TOTAL PAYMENT (\$)	BALANCE DUE (\$)
				76,732
1	0	5,582	5,582	71,150
2	4,714	868	5,582	70,282
3	4,656	926	5,582	69,356
4	4,595	987	5,582	68,369
5	4,529	1,053	5,582	67,316
6	4,460	1,122	5,582	66,194
7	4,385	1,197	5,582	64,997
8	4,306	1,276	5,582	63,721
9	4,222	1,360	5,582	62,361
10	4,131	1,451	5,582	60,910
11	4,035	1,547	5,582	59,363
12	3,933	1,649	5,582	57,714
13	3,824	1,758	5,582	55,956
14	3,707	1,875	5,582	54,081
15	3,583	1,999	5,582	52,082
16	3,450	2,132	5,582	49,950
17	3,309	2,273	5,582	47,677
18	3,159	2,423	5,582	45,254
19	2,998	2,584	5,582	42,670
20	2,827	2,755	5,582	39,915
21	2,644	2,938	5,582	36,977
22	2,450	3,132	5,582	33,845
23	2,242	3,340	5,582	30,505
24	2,021	3,561	5,582	26,944
25	1,785	3,797	5,582	23,147
26	1,534	4,048	5,582	19,099
27	1,265	4,317	5,582	14,782
28	979	4,603	5,582	10,179
29	674	4,908	5,582	5,272
30	349	5,272	5,621	0

PAID

CURRENT AND PROPOSED RATES
(List Applicant's Current and Proposed Rates)

(see next sheet for details)

Current and Proposed Rates ARF FORM 1-ATTACHMENT CPR-SEPTEMBER 2011

Monthly Rate

	Current	Proposed
Residential 5/8"		
1,000 Gallons	14.98	19.32
Next 4,000 Gallons	9.18	11.84
Next 5,000 Gallons	7.90	10.19
Next 10,000 Gallons	6.78	8.75
Next 20,000 Gallons	4.75	6.13
Over 40,000 Gallons	3.74	4.82
3/4"		
5,000 Gallons	51.70	66.69
Next 5,000 Gallons	7.90	10.19
Next 10,000 Gallons	6.78	8.75
Next 20,000 Gallons	4.75	6.13
Over 40,000 Gallons	3.74	4.82
2'		
First 50,000 Gallons	291.40	375.91
Over 50,000 Gallons	3.74	4.82
3'		
First 100,000 Gallons	478.40	617.14
All over 100,000 Gallons	3.74	4.82
6'		
First 500,000 Gallons	1,974.40	2,546.98
Over 500,000 Gallons	3.74	4.82
1'		
First 10,000 Gallons	91.20	117.65
Next 10,000 Gallons	6.78	8.75
Next 20,000 Gallons	4.75	6.13
Over 40,000 Gallons	3.74	4.82
1.5'		
First 30,000 Gallons	206.50	266.39
Next 10,000 Gallons	4.75	6.13
Over 40,000 Gallons	3.74	4.82

Revenue from Present/Proposed Rates
 Test Period from 01-01-12 to 12-31-12

USAGE TABLE
Usage by Rate Increment

Class: 112

(1)	(2) Bills	(3) Gallons/Mcf	(4)	(5)	(6)	(7)	(8)	(9) Total
0-30,000	2	9100	9100					9,100
30,000-40,000	10	231,400	100,000	131,400				231,400
OVER 40,000								
Totals	12	240,500	109,100	131,400				240,500

REVENUE TABLE
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 30,000	12	109,100	206.50	\$ 2,478.00
Next 10,000		131,400	4.75	622.00
OVER 40,000			3.74	
Totals	12	240,500		\$ 3,100.00

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

Sheet 4 of 4

Revenue from Present/Proposed Rates
 Test Period from 01-01-12 to 12-31-12

USAGETABLE
Usage by Rate Increment

Class: 1

(1)	(2) Bills	(3) Gallons/Mcf	(4) 10,000	(5) 10,000	(6) 20,000	(7)	(8)	(9) Total
0 - 10,000	75	224,210	224,210					224,210
10 - 20,000	19	293,980	190,000	103,980				293,980
20 - 40,000	1	51,360	10,000	10,000	31,360			51,360
OVER 40,000								
Totals	95	569,550	424,210	113,980	31,360			569,550

REVENUE TABLE
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 10,000	95	424,210	91.20	8,664.00
		113,980	6.78	772.78
		31,360	4.75	148.96
			3.74	
Totals	95	569,550		9,585.74

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

Revenue from Present/Proposed Rates
 Test Period from 01-01-12 to 12-31-12

USAGE TABLE
Usage by Rate Increment

Class: 6

(1)	(2) Bills	(3) Gallons/Mcf	(4)	(5)	(6)	(7)	(8)	(9) Total
First 500,000	20	76,528,000	76,528,000					
Totals	20	76,528,000	76,528,000					

REVENUE TABLE
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 500,000	20	76,528,000	1,974.40	39,488.00
Totals	20			39,488.00

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

Revenue from Present/Proposed Rates
 Test Period from 01-01-12 to 12-31-12

USAGE TABLE
 Usage by Rate Increment

Class: 3

(1)	(2) Bills	(3) Gallons/Mcf	(4)	(5)	(6)	(7)	(8)	(9) Total
0-100,000	36	3,487,970	3,487,970					3,487,970
OVER 100,000								
Totals		3,487,970	3,487,970					3,487,970

REVENUE TABLE
 Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 100,000	36	3,487,970	478.40	17,222.40
All over 100,000			3.74	
Totals	36	3,487,970		17,222.40

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

Revenue from Present/Proposed Rates
 Test Period from 01-01-12 to 12-31-12

USAGE TABLE
 Usage by Rate Increment

Class: 2'

(1)	(2) Bills	(3) Gallons/Mcf	(4)	(5)	(6)	(7)	(8)	(9) Total
0 - 50,000	36	7,601,110	7,601,110					7,601,110
OVER 50,000	10	538,420	500,000	38,420				538,420
Totals	46	8,139,530	8,101,110	38,420				8,139,530

REVENUE TABLE
 Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 50,000	46	8,101,110	291.40	13,404.40
OVER 50,000		38,420	3.74	1,436.16
Totals	46	8,139,530		14,840.56

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

Revenue from Present/Proposed Rates
 Test Period from 01-01-12 to 12-31-12

USAGE TABLE
 Usage by Rate Increment

Class: 3/4

(1)	(2) Bills	(3) Gallons/Mcf	(4) 5,000	(5) 5,000	(6) 10,000	(7) 20,000	(8) 40,000	OVER 40,000	Total
0-1000	22	0							0
1000-5000	1	40,090	5,000	35,090					40,090
5001-10,000	0	0							0
10,001-20,000	3	398,100	15,000	15,000	30,000	338,100			398,100
20,001-40,000	2	683,700	10,000	10,000	20,000	40,000	683,700		683,700
40,001-999,999	2	3257,510	10,000	10,000	20,000	40,000	80,000	3,097,510	3257,510
Totals	30	4,379,400	40,000	70,090	70,000	418,100	683,700	3,097,510	4,379,400

REVENUE TABLE
 Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
5,000	30	40,000	5.70	\$ 1,551.00
Next 5,000		70,090	7.90	553.72
10,000		70,000	6.78	474.60
20,000		418,100	4.75	1,985.98
40,000		683,700	3.74	2,557.04
OVER 40,000		3,097,510	3.74	11,584.69
Totals	30	4,379,400		18,707.03

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

Revenue from Present/Proposed Rates
Test Period from 01-01-12 to 12-31-12

USAGE TABLE
Usage by Rate Increment

Class: Res. 5/g

(1)	(2) Bills	(3) Gallons/Mcf	(4) First 1,000	(5) 5,000	(6) 10,000	(7) 20,000	(8) 40,000	Over	Total
1,000	48,127	130842070	130842070						130,842,070
1,000 - 5,000	1,317	20229580	1317000	18912580					202,295,80
5,000 - 10,000	29	1931220	29,000	145,000	1,757,220				19,312,20
10,000 - 20,000	10	1272670	10,000	50,000	100,000	1,121,670			12,726,70
20,000 - 40,000	2	449590	2,000	10,000	20,000	40,000	377,590		449,590
OVER	8	20919900	8,000	40,000	80,000	160,000	320,000	20,301,900	20,909,900
Totals	48,127	175,135,030	132,208,070	19,157,580	1,957,220	1,312,670	697,590	20,301,900	175,135,030

REVENUE TABLE
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
1,000	48,127	132,208,070	14.98	720,942.46
Next 4,000		19,157,580	9.18	175,866.58
5,000		19,572,220	7.90	154,620.04
10,000		13,126,70	6.78	88,999.90
20,000		697,590	4.75	3313.55
Over 40,000		20,301,900	3.74	75,929.11
Totals	48,127			1,000,413.64

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

Sheet 4 of 4

FOR Carter, Elliott, Lawrence and Morgan
Counties, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

RATTLESNAKE RIDGE WATER DISTRICT
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RATES AND CHARGES

5/8" X 3/4" Meter

First 1,000 gallons	\$ 14.98 Minimum Bill
Next 4,000 gallons	9.18 per 1,000 gallons
Next 5,000 gallons	7.90 per 1,000 gallons
Next 10,000 gallons	6.78 per 1,000 gallons
Next 20,000 gallons	4.75 per 1,000 gallons
Over 40,000 gallons	3.74 per 1,000 gallons

3/4" Meter

First 5,000 gallons	\$ 51.70 Minimum Bill
Next 5,000 gallons	7.90 per 1,000 gallons
Next 10,000 gallons	6.78 per 1,000 gallons
Next 20,000 gallons	4.75 per 1,000 gallons
Over 40,000 gallons	3.74 per 1,000 gallons

1" Meter

First 10,000 gallons	\$ 91.20 Minimum Bill
Next 10,000 gallons	6.78 per 1,000 gallons
Next 20,000 gallons	4.75 per 1,000 gallons
Over 40,000 gallons	3.74 per 1,000 gallons

1 1/2" Meter

First 30,000 gallons	\$ 206.50 Minimum Bill
Next 10,000 gallons	4.75 per 1,000 gallons
Over 40,000 gallons	3.74 per 1,000 gallons

DATE OF ISSUE December 22, 2010
Month / Date / Year

DATE EFFECTIVE December 22, 2010
Month / Date / Year

ISSUED BY Bill A. Hunt
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2010-00458 DATED December 22, 2010

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH <i>Brent Kirtley</i>
EFFECTIVE 12/22/2010 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

FOR Carroll, Elliott, Lawrence and Morgan
Counties, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

SHEET NO. _____

CANCELLING P.S.C. KY. NO. _____

SHEET NO. _____

RATTLESNAKE RIDGE WATER DISTRICT
(Name of Utility)

RATES AND CHARGES

5/8" X 3/4" Meter
 First 1,000 gallons \$ 14.98 Minimum Bill
 Next 4,000 gallons 9.18 per 1,000 gallons
 Next 5,000 gallons 7.90 per 1,000 gallons
 Next 10,000 gallons 6.78 per 1,000 gallons
 Next 20,000 gallons 4.75 per 1,000 gallons
 Over 40,000 gallons 3.74 per 1,000 gallons

3/4" Meter
 First 5,000 gallons \$ 51.70 Minimum Bill
 Next 5,000 gallons 7.90 per 1,000 gallons
 Next 10,000 gallons 6.78 per 1,000 gallons
 Next 20,000 gallons 4.75 per 1,000 gallons
 Over 40,000 gallons 3.74 per 1,000 gallons

1" Meter
 First 10,000 gallons \$ 91.20 Minimum Bill
 Next 10,000 gallons 6.78 per 1,000 gallons
 Next 20,000 gallons 4.75 per 1,000 gallons
 Over 40,000 gallons 3.74 per 1,000 gallons

1 1/2" Meter
 First 30,000 gallons \$ 266.50 Minimum Bill
 Next 10,000 gallons 4.75 per 1,000 gallons
 Over 40,000 gallons 3.74 per 1,000 gallons

DATE OF ISSUE December 22, 2010
 Month / Day / Year
 DATE EFFECTIVE December 22, 2010
 Month / Day / Year
 ISSUED BY Bill Hildner
 (Signature of Officer)
 TITLE Chairman
 BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
 IN CASE NO. 2010-0945 DATED December 22, 2010

KENTUCKY
 PUBLIC SERVICE COMMISSION
 JEFF R. DEROUEN
 EXECUTIVE DIRECTOR
 TARIFF BRANCH
Brod Hildner
 EFFECTIVE
 12/22/2010
 PURSUANT TO KRS 401.1 SECTION 6(4)

FOR Carter, Elliot, Lawrence and Morgan
Counties, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

SHEET NO. _____

CANCELLING P.S.C. KY. NO. _____

SHEET NO. _____

RATTLESNAKE RIDGE WATER DISTRICT
(Name of Utility)

RATES AND CHARGES

2" Meter:
First 50,000 gallons \$ 291.40 Minimum Bill
All over 50,000 gallons 3.74 per 1,000 gallons

3" Meter:
First 100,000 gallons \$ 478.40 Minimum Bill
All over 100,000 gallons 3.74 per 1,000 gallons

4" Meter:
First 200,000 gallons \$ 852.40 Minimum Bill
All over 200,000 gallons 3.74 per 1,000 gallons

6" Meter:
First 500,000 gallons \$ 1,974.40 Minimum Bill
All over 500,000 gallons 3.74 per 1,000 gallons

Wholesale Rate:
Kentucky Department of Parks
(Golf Course Only) \$ 3.59 per 1,000 gallons

DATE OF ISSUE: December 22, 2010 <small>Month / Date / Year</small>	KENTUCKY PUBLIC SERVICE COMMISSION
DATE EFFECTIVE: December 22, 2010	JEFF R. DEROUEN EXECUTIVE DIRECTOR
ISSUED BY: <i>Bill Ballantyne</i> <small>(Signature of Dept. Chief)</small>	TARIFF BRANCH
TITLE: Chairman	<i>David Haskin</i>
BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION	EFFECTIVE
IN CASE NO. 2010-00458 DATED December 22, 2010	12/22/2010
	FURNISHMENT TO BE KAR 6.811 SECTION 6 (1)

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RATTLESNAKE RIDGE WATER DISTRI

Page: 2

U/A WATER USAGE ANALYSIS

CONSUMPTION BY SIZE OF METER

	5/8	3/4	1	1 1/2	2	3	
0 - 1000	13084207	0	224210	910	7941	1360	
1001 - 5000	2022958	4009	293980	23140	1650	7959	
5001 - 10000	193122	0	51360	0	17074	43215	
10001 - 20000	127267	39810	0	0	102981	72433	
20001 - 40000	44959	68370	0	0	145887	172490	
40001 - 99999999	2090990	325751	0	0	538420	51320	
TOTALS:	17563503	437940	56955	24050	813953	348797	

	4	6	8	10	12	14	TOTAL
0 - 1000	0	0	0	0	0	0	13116889
1001 - 5000	0	0	0	0	0	0	2089114
5001 - 10000	0	0	0	0	0	0	258547
10001 - 20000	0	0	0	0	0	0	342491
20001 - 40000	0	0	0	0	0	0	431706
40001 - 99999999	0	7652800	0	0	0	0	10659281
TOTALS:	0	7652800	0	0	0	0	26897998

REPORTING DATES: 01/01/12 TO: 12/31/12

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of

THE APPLICATION OF RATTLESNAKE RIDGE WATER DISTRICT, CARTER, ELLIOTT AND LAWRENCE COUNTIES, KENTUCKY (1) FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING SAID DISTRICT TO CONSTRUCT A WATER DISTRIBUTION SYSTEM PURSUANT TO THE PROVISIONS OF CHAPTER 74 OF THE KENTUCKY REVISED STATUTES; (2) SEEKING APPROVAL OF A SCHEDULE OF RATES AND CHARGES TO BE CHARGED FOR WATER SERVICE; AND (3) SEEKING APPROVAL OF THE ISSUANCE OF CERTAIN SECURITIES.

CASE NO. 9071

The Applicant, Rattlesnake Ridge Water District, situated in Carter, Elliott and Lawrence Counties, Kentucky (the "District"), acting by and through its Commission, which is a public body corporate, as set forth in KRS 74.070, respectfully tenders its Application and requests that the Public Service Commission of Kentucky enter its Order issuing a Certificate of Public Convenience and Necessity, authorizing and permitting the District to construct a water distribution system for the purpose of furnishing an adequate supply of pure and potable water for domestic, agricultural, commercial and industrial use in the District, and further seeking approval of certain water rates and charges to be levied and collected by the District and the issuance of certain securities by the District. In support of this Application and in conformity with the rules of the Public Service Commission the District states as follows:

1. The formation of the District was preliminarily approved by the Public Service Commission by Order dated May 23, 1983, entered in Case No. 8764. The District was established by Order of the County Judge/Executive of Carter County, Kentucky, duly

entered under date of November 21, 1983, upon petition of the requisite number of resident freeholders of the area concerned, as required by law, and after notice and public hearing in the manner set forth in KRS 74.010. Upon the occasion of the entry of the Order creating the District, it was noted by the Court that after public notice as required by law, no objections had been filed to the petition seeking the creation and establishment of the District, and the Court found that the establishment of the District was reasonably necessary for the public health, convenience, fire protection and comfort of the District residents. A copy of said Carter County Judge/Executive's Order establishing the Rattlesnake Ridge Water District (which includes an attached description of the original territory of the District) and related materials are appended hereto as EXHIBIT A. Additional territories in Carter, Elliott and Lawrence Counties are currently being added to the District, and certified copies of the pertinent documentation will be filed with the Public Service Commission when completed.

2. The governing body of the District is its Commission, which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purposes as provided in KRS 74.070. The District will be situated within Carter, Elliott and Lawrence Counties, Kentucky, and in conformity with KRS 74.020(1) (a) the County Judge/Executive of Carter County has entered an Order appointing the present Commissioners who are residents of the District, the present Commissioners, and their respective offices, being as follows: Bill Gilbert, Chairman, Danny Stamper, Secretary-Treasurer, and Johnny Miller. Each of said three Commissioners has qualified for office.

PAGE 00/70

The mailing address of the District is Route 5, Box 676, Olive Hill, Kentucky 41164.

3. Adequate facilities do not exist in the District at this time for the provision of treated, pure and potable water for domestic, agricultural, commercial and industrial purposes, and for fire protection purposes. Most of the residents of the District obtain water by means of individual wells, cisterns or springs, or by transporting water in tank trucks.

It is the opinion of the Commission of the District that the public health, safety and general welfare of the citizens and inhabitants of the District will be promoted and served by the construction of a water distribution system pursuant to authority of KRS Chapter 74, and the financing thereof (to the extent not otherwise provided to be paid) through the issuance of Water System Revenue Bonds, Series of 1984, according to the provisions of the Kentucky Revised Statutes, including Chapters 74 and 106 thereof.

4. In furtherance of the purposes for which the District was created and established, the Commission of the District has employed Renco Associates, Inc., Consulting Engineers, Ashland, Kentucky (the "Engineers"), and has caused the Engineers to prepare a preliminary engineering report recommending and describing the proposed water distribution system facilities (the "Project"), including pumping stations, water storage tanks and water mains, together with meters, valves and other appurtenant facilities. The preliminary engineering report, dated August, 1983, Revised February 17, 1984 for the Appalachian Regional Commission, with additional information added for the Public Service Commission

May 18, 1984, is appended hereto as EXHIBIT B. A copy of the District's employment agreement with the Engineers is appended hereto as EXHIBIT C.

EXHIBIT B contains, among other things, a description of the Project, cost figures and other pertinent financial data and projections, data justifying the proposed rate schedule and proposed plans for the financing of the Project. A copy of the District's proposed Water Purchase Contract with the City of Grayson, Kentucky, which will supply water to the District on a wholesale basis, is appended hereto as EXHIBIT D.

The Engineers have previously filed with the Public Service Commission copies of the final plans and specifications on Contracts "A," "B," "C" and "D" with hydraulic calculations. Upon the occasion of the hearing before the Public Service Commission, a representative of the Engineers will be present to testify with regard to the Project and this Application.

5. It is a condition of the United States Department of Agriculture, Farmers Home Administration ("FmHA") loan commitment referred to in the following Sections 6 and 7 of this Application that the District must file its Application with the Public Service Commission prior to the advertising for construction bids on the Project. Upon the filing of this Application, the District will proceed forthwith to cause public advertising to be made according to law soliciting competitive bids for the acquisition, construction and installation of the Project. Promptly after the opening and consideration of construction bids, the District will file with the Public Service Commission the data prepared by the Engineers showing

the bids received and the recommendations of the Engineers with respect thereto. The District anticipates, based upon the advice of the Engineers, that the best construction bids can be reasonably expected to fall within the cost estimates of the Engineers and that the District will then be in a position to go forward with the acquisition, construction and installation of the Project subject to the approval of the Public Service Commission. However, in the event the best construction bids should be materially higher or materially lower than the estimates of the Engineers, then the District will file appropriate amendatory proceedings with the Public Service Commission.

6. The costs of and sources of funds for the Project, as set out in EXHIBIT B (page 22B), are estimated as follows:

ESTIMATED COSTS

Land & Rights-of-Way	\$ 30,000
Construction Cost	2,155,000
Engineering Service	265,000
Legal & Administrative	25,000
Interest	75,000
Project Contingency	236,700
Initial Operation and Maintenance	10,000
Initial Reserve	40,000
Total Estimated Project Cost	\$3,036,700

SOURCES OF FUNDS

EmBA Loan (Bond Issue)	\$ 706,000
EmBA Grant	1,587,600
Area Development Fund	5,000
Appalachian Regional Commission Grant	390,000
Kentucky Department of Parks	95,700
U.S. Corps of Engineers	75,000
Carter County Board of Education	5,000
Customer Tap Fees	172,400
Total	\$3,036,700

7. As shown in the foregoing schedule, the District proposes to finance the acquisition, construction and installation of the Project by the application of local contributions, funds and grants in the amounts indicated above, by connection fees of \$300 paid by 575 customers to be served by the Project, and by the issuance of its bonds, to be styled "Water System Revenue Bonds, Series of 1984," in the aggregate principal amount of \$706,000. A copy of the proposed Bond-authorizing Resolution of the District is appended hereto as EXHIBIT E.

The District has entered into a loan agreement with EmBA pursuant to which EmBA will make a loan of \$706,000 to the District, which loan is to be represented by the District's "Water System Revenue Bonds, Series of 1984" (the "Bonds"). The Bonds in the amount of \$706,000 are to bear interest at the single, uniform rate of 9-1/8% per annum. Appended hereto as EXHIBIT F is a copy of an EmBA letter to the District dated August 23, 1983, as amended by letter of May 18, 1984, setting forth terms, conditions and understandings relating to said loan, and an EmBA letter to the District dated May 18, 1984, setting forth terms and conditions relating to the Appalachian Regional Commission grant.

With reference to the proposed issuance of the Bonds, the proceedings relating thereto will provide for the public advertisement of competitive bids for the Bonds according to Kentucky law, and in the event a bid or bids are received for the

Bonds at an interest cost basis to the District more advantageous to the District than the loan commitment of EmHA, the Bonds will be sold to such other bidder; however, it is not expected any other bids will be received in view of the interest rates stipulated by EmHA. The Bonds will not be delivered to EmHA until such time as the Project is substantially completed. This procedure is in accord with EmHA rules requiring interim financing of EmHA projects to the amount of the EmHA loan. Accordingly, construction of the Project will be instituted and funded initially from the proceeds of interim financing loans obtained either from private financial institutions or lenders or from EmHA itself pending issuance of the Bonds.

8. The District represents that, based upon the projections of the Engineers and the financial studies of EmHA, the proposed water service rates and charges, which are set out at page 24 (monthly rates) and page 23A (tap fees) of EXHIBIT B, will be adequate and sufficient to amortize the proposed Bonds, to pay operation and maintenance costs and to provide for a depreciation reserve. The District respectfully requests instructions from the Public Service Commission regarding any required publication of the proposed rate schedule and notice of the hearing on this Application.

9. The District has entered into legal service agreements with its local counsel and bond counsel setting forth the terms and conditions of their employments, copies of which are appended hereto as EXHIBIT G and EXHIBIT H, respectively.

10. All exhibits referred to herein are incorporated by reference as a part of this Application.

11. The Commission of the District respectfully represents to the Public Service Commission that there is a genuine need and demand for the Project and that the Commission should enter herein its Order (a) issuing its Certificate of Public Convenience and Necessity pursuant to KRS 278.020 authorizing acquisition, construction and installation of the Project, (b) approving the schedule of water rates and charges as described herein, and (c) approving the issuance of \$706,000 aggregate principal amount of "Water System Revenue Bonds, Series of 1984," by the District as described herein.

WHEREFORE, the Applicant, Rattlesnake Ridge Water District, respectfully requests that such Order be issued.

Respectfully submitted,
RATTLESNAKE RIDGE WATER DISTRICT

By Bill Gilbert
Bill Gilbert
Chairman of the Commission

ATTEST:
Danny Stanger
Danny Stanger
Secretary-Treasurer

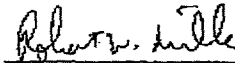
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William W. Davis
William W. Davis
Harper, Ferguson & Davis
310 West Liberty Street
Louisville, Kentucky 40202
Bond Counsel for the District
Telephone: (502) 582-3871

COMMONWEALTH OF KENTUCKY

COUNTY OF CARTER

I, the undersigned, a Notary Public in and for the Commonwealth and County aforesaid, do certify that Bill Gilbert and Danny Stamper, who are both personally known to me, did personally appear before me and each of them after being duly sworn, did certify, swear and declare that Bill Gilbert is the Chairman of the Rattlesnake Ridge Water District and that Danny Stamper is the Secretary-Treasurer of said Commission, and that they acknowledged and executed the foregoing Application as the respective Chairman and Secretary of said Commission, and that all statements contained therein are true and correct as of this 24th day of May, 1984.



NOTARY PUBLIC

My Commission Expires: August 20, 1985

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF) CASE NO.
RATTLESNAKE RIDGE WATER DISTRICT) 2013-00338

NOTICE OF FILING OF COMMISSION STAFF REPORT

Notice is hereby given that, in accordance with the Commission's Order of October 22, 2013, the attached report containing the findings and recommendations of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding.



Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED DEC 16 2013

cc: Parties of Record

STAFF REPORT
ON
RATTLESNAKE RIDGE WATER DISTRICT
CASE NO. 2013-00338

Rattlesnake Ridge Water District ("Rattlesnake Ridge") provides water service to approximately 4,015 customers residing in the Kentucky counties of Carter, Elliot, Lawrence, Lewis, and Morgan.¹ On October 14, 2013, it filed an application with the Commission requesting to adjust its rates for water service based upon adjusted test-year operations ending December 31, 2012. The adjusted rates will increase a monthly bill for 5,000 gallons of water provided through a 5/8- x 3/4-inch meter from \$51.70 to \$66.69, an increase of \$14.99, or 29.02 percent. Rattlesnake Ridge states that the requested rates will generate \$587,004 in additional annual revenue. The financial exhibits presented in its application that support the requested revenue increase are shown below in condensed form.

Pro Forma Operating Expenses	2,110,884
Plus: Average Annual Debt Principal and Interest Payments	<u>498,984</u>
Overall Revenue Requirement	2,609,868
Less: Interest Income	<u>(66)</u>
Revenue Required from Rates	2,609,802
Less: Revenue from Sales at Present Rates	<u>(2,022,798)</u>
Required Revenue Increase	<u>587,004</u>
Percentage	<u>29.02%</u>

¹ Annual Report of Rattlesnake Ridge Water District to the Public Service Commission Year Ended December 31, 2012 ("Annual Report") at 5 and 27.

To determine the reasonableness of the rates requested by Rattlesnake Ridge, Commission Staff ("Staff") performed a limited financial review of Rattlesnake Ridge's test-year operations. The scope of the review was limited to determining whether operations reported for the test year were representative of normal operations. Known and measurable changes to test-year operations were identified and adjustments were made when their effects were deemed to be material. Insignificant or immaterial discrepancies were not pursued and were not addressed.

Staff's findings and recommendations are summarized in this report. David Foster reviewed the calculation of revenue requirements. Jason Green reviewed the billing analysis, reported revenues, and the method used to calculate the proposed rates.

Summary of Findings

1) Overall Revenue Requirement and Required Revenue Increase. As demonstrated and discussed in this report, Staff determined that a revenue increase of \$589,043, or 29.78 percent, is warranted. The amount calculated by Staff is not materially different from the increase requested by Rattlesnake Ridge. Staff finds that the Commission should approve the rates requested by Rattlesnake Ridge as shown in Attachment A to this report.

2) Violation of Rural Development Bond Resolution. Article 4 of Rattlesnake Ridge's most recent Rural Development ("RD") bond resolution dated December 6, 2010, ("Current Bond Resolution") requires that Rattlesnake Ridge maintain a Revenue Fund, a Sinking Fund, a Debt Reserve Fund, and an Operation and Maintenance Fund. The Revenue Fund is to be deposited with all revenues of the system. These deposits

are to be transferred to the other funds, either on or before the 20th day of each month, to be used in accordance with the Current Bond Resolution and the resolutions of all prior bonds.

Monthly transfers to the Sinking Fund must be equal to one-sixth (1/6) of the next succeeding six-month interest payment on all bonds plus one-twelfth (1/12) of the next succeeding annual principal payment on all bonds. All bond payments are to be made from the Sinking Fund.

Monthly transfers to the Debt Reserve Fund in the amount of \$2,600 are required until the account balance reaches the cumulative total amount required by the resolutions of all bonds. The required balance as of December 31, 2012, was \$187,770. At that time, Rattlesnake Ridge deposits totaled \$16,832.² Funds deposited into this account may be used to pay the cost of extraordinary repair, renewal, or replacement of the existing system or to pay the cost of system improvements that either enhance revenues or improve service. They may also be used to pay bond principal and interest payments when deposits in the Sinking Fund are not adequate. Upon full retirement of the principal balance of any bond, its deposits to the Debt Reserve Fund may be removed from the fund to be used for any purpose at the discretion of Rattlesnake Ridge.

Monthly transfers to the operation and maintenance fund are to be made in amounts that are sufficient to pay expenses incurred to operate and maintain the water system.

² Rattlesnake Ridge 2012 Audit Report at 12. In the report, this fund is referred to as the Depreciation Fund as it is generally labeled by lenders in most bond resolutions, including Rattlesnake Ridge's earlier resolutions.

Rattlesnake Ridge did not make timely deposits to its Sinking Fund or its Debt Reserve Fund during the test year. In addition, its Debt Reserve Fund is under funded by a material amount. It is Staff's opinion that these violations were caused primarily due to lack of adequate cash flow. After the Commission issues its final order in this proceeding, Rattlesnake Ridge will have sufficient cash flow to make timely deposits to these funds. Rattlesnake Ridge should make the required deposits in all future accounting periods.

Rattlesnake Ridge does not maintain an Operation and Maintenance Fund. All expenses incurred to operate and maintain the water system are paid from the Revenue Fund. Rattlesnake Ridge should establish and maintain an Operation and Maintenance Fund as required by the RD bond resolution. This would strengthen internal controls for cash.

3) Property Taxes. During the test year, Rattlesnake Ridge paid \$369 to the Carter County Sheriff for property taxes that were assessed on an office building, a pump station, and a water tower. Rattlesnake Ridge is exempt from paying property taxes.³ The test-year payments, which were reported as Taxes Other Than Income, were removed by Staff to calculate Rattlesnake Ridge's pro forma operations. Rattlesnake Ridge should contact the Carter County Sheriff to avoid future property tax assessments.

4) Depreciation Practices. In this report, Staff revised the depreciable lives assigned to many of Rattlesnake Ridge's assets for ratemaking purposes. The revised lives should be used for accounting purposes in all future reporting periods, as they better match the life expectancy of Rattlesnake Ridge's assets and will better match

³ Ky. Constitution § 170. See also *City of Harlan v. Blair*, 251 S.W. 51, 64 S.W.2d 434 (1933).

expenses to the revenues generated by the water service rates approved in this proceeding. This action will minimize the erosion of equity. No adjustment should be made to accumulated depreciation or retained earnings to account for the retroactive effect of this change in accounting estimate.

Pro Forma Operating Statement

Staff prepared a Pro Forma Operating Statement detailing adjustments made to Rattlesnake Ridge's test-year operations. Staff's statement is shown below, followed by discussion of all adjustments requested by Rattlesnake Ridge and made by Staff.

	Test Year	Adjustments	Ref.	Pro Forma
Operating Revenues				
Sales of Water	\$ 2,022,800	\$ (56,160)	(A)	
		(2,302)	(B)	
		21,847	(C)	
		72,623	(D)	
		(53,598)	(E)	
		(45,349)	(F)	
		18,000	(G)	\$ 1,977,861
Other Operating Revenue	19,411	56,160	(A)	75,571
Total Operating Revenue	2,042,211	11,221		2,053,432
Operating Expenses				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	565,995	(99,490)	(H)	466,505
Salaries and Wages - Officers	14,619			14,619
Employee Pension and Benefits	298,324	(52,017)	(I)	246,307
Purchased Water	4,169	(914)	(J)	3,255
Utilities Expense	249,211	(53,008)	(J)	196,203
Testing	23,506			23,506
Materials and Supplies:				
Chemicals	106,091	(23,254)	(J)	82,837
Materials	173,906	(18,119)	(K)	155,787
Contractual Services	17,910	6,900	(L)	24,810
Transportation Expenses	56,678			56,678
Insurance - Other	53,426			53,426
Advertising Expense	742			742
Total Operation and Maintenance Expenses	1,564,577	(239,903)		1,324,674
Depreciation Expense	806,209	(113,317)	(M)	692,892
Taxes Other Than Income	48,754	(2,302)	(B)	
		(9,646)	(N)	36,806
Total Operating Expenses	2,419,540	(365,168)		2,054,372
Net Operating Income	(377,329)	376,389		(940)
Interest and Dividend Income	66			66
Nonutility Income	18,460	(18,460)	(O)	
Income Available to Service Debt	\$ (358,803)	\$ 357,929		\$ (874)

(A) Late-Payment Penalties. Rattlesnake Ridge collected test-year late-payment penalties of \$56,160 that were improperly reported using account 461, Water Sales Revenue. Proper accounting requires that it be reclassified to account 470, Forfeited Discounts.

(B) Sales Tax. Rattlesnake Ridge collects and remits school taxes on behalf of the Commonwealth of Kentucky. Rattlesnake Ridge acts as a collecting agent for the taxing authorities. The taxes collected are not revenue to the utility. Likewise, the tax remittances are not an expense. Rattlesnake Ridge improperly reported sales taxes as revenue and as an expense. Staff removed these amounts from test-year operations.

(C) Allowance for Uncollectible Accounts. During the test year, Rattlesnake Ridge wrote off \$78,822 of aged customer accounts receivable. To record the entry, Rattlesnake Ridge properly credited Accounts Receivable but improperly debited Water Sales instead of Allowance for Uncollectible Accounts. This resulted in a \$78,822 understatement of unaudited revenues. Rattlesnake Ridge's auditor reversed \$56,975 of the accounting error during the audit process, leaving test-year revenues understated by \$21,847. Staff increased test-year revenues by this amount to fully correct the original error.

(D) Correction of Recording Error. During the test year, Rattlesnake Ridge made an error in its Accounts Receivable Subsidiary Ledger when recording cash received from a large commercial customer. Rattlesnake Ridge properly made a \$72,623 entry to the subsidiary ledger to correct the error; however, the correcting entry was mistakenly recorded as a reduction to test-year Water Sales in the general ledger. Staff increased test-year revenues by \$72,623 to remove the effects of this error.

(E) Unbilled Revenue. The Uniform System of Accounts (“USoA”) allows for the accrual of unbilled revenues. When unbilled revenues are accrued, expenses incurred to produce these revenues must also be accrued.⁴ During the test year, Rattlesnake Ridge accrued \$53,598 for unbilled revenues, but did not accrue the related expenses. This accounting treatment results in a mismatch of revenues and expenses and is in violation of the USoA. Staff removed unbilled revenues from test-year operations to properly match pro forma present rate revenues to pro forma present rate expenses. This adjustment restates pro forma present rate revenues to a billed basis, the basis historically applied by the Commission for ratemaking purposes.

(F) Posting Errors. As a part of Rattlesnake Ridge’s accounting cycle, the monthly sales subsidiary journals are posted to the Water Sales account shown in the General Ledger. During the test year, three posting errors occurred that resulted in a \$45,349 overstatement of Water Sales. Staff decreased test-year revenues by \$45,349 to remove the effects of these errors.

(G) Billing Analysis. In its Application, Rattlesnake Ridge provided a billing analysis that showed \$1,103,357 in revenue from water sales. Staff was able to obtain actual customer usage data from Rattlesnake Ridge for the test period in order to produce a more accurate billing analysis. Upon obtaining this usage data, as well as billing adjustments for water leaks and misread meters, Staff was able to calculate a normalized test period revenue of \$1,977,861, requiring an increase of \$18,000.

(H) Salaries and Wages-Employees. During the test year, Rattlesnake Ridge accrued \$571,551 for employee wages. It reported \$565,995, or 99.0279 percent, as wage expense, with the remaining \$5,556 capitalized as Utility Plant in Service. As

⁴ USoA for Class A/B Water Districts and Associations at 53.

shown below, Staff determined that the test-year expense should be decreased by \$99,490.

	2013 Wages		2012 Hours		Pro Forma Salaries
	Regular	Overtime	Regular	Overtime	
Employee 1	\$ 1,000.00				\$ 52,000
Employee 2	15.00	22.50	2080	81	33,016
Employee 3	860.00				44,720
Employee 4	18.96	28.44	2080	152	43,745
Employee 5	18.96	28.44	2080	228	45,921
Employee 6	19.96	29.94	2080	176	46,786
Employee 7	18.96	28.44	2080	141	43,433
Employee 8	20.44	30.66	2080	316	52,188
Employee 9	17.18	25.77	2080	146	39,493
Employee 10, Part Time	10.00	15.00	1040		10,400
Employee 11, Part Time	10.00	15.00	1040		10,400
Employee 12, Part Time	14.65	21.98	1761	111	28,227
Employee 13, Part Time	14.00	21.00	1454	19	<u>20,755</u>
Total Pro Forma Wages					471,084
Times: Test-Year Percentage Expensed					<u>99.03%</u>
Pro Forma Wages Expensed					466,505
Less: Test Year					<u>(565,995)</u>
Decrease					<u>\$ (99,490)</u>

Staff calculated pro forma wages by applying current pay rates to the test-year hours worked by all employees that were employed at the time of Staff's field work. There were many personnel changes that affected Staff's adjustment. First, during the test year, Rattlesnake Ridge employed 12 full-time and five part-time employees. Subsequent to the test year, three part-time and three full-time test-year employees were terminated as a result of layoffs, retirements, and resignations. Rattlesnake Ridge has no immediate plans to replace these employees. Their wages were not included in pro forma operations.

A fourth full-time office employee was replaced by two new part-time office employees and by an outside Certified Public Accountant ("CPA"). Staff removed the full-time employee and included the new part-time employees in its calculation of pro forma wages and included the CPA's fees in pro forma Contractual Services.

On September 5, 2013, Rattlesnake Ridge's Board of Commissioners authorized the hiring of a new general manager starting September 9, 2013. Pursuant to the original agreement, the general manager would serve as contract labor until January 1, 2014, when he would become an employee of Rattlesnake Ridge; however, he became an employee on December 1, 2013. Staff included the general manager's salary in pro forma operations at the level approved by the Board of Commissioners.

(I) Employee Pensions and Benefits. Rattlesnake Ridge provides uniforms, insurance, and retirement benefits to full-time employees, for which it reported \$299,006 during the test year. As shown below, Staff decreased the test-year amount by \$52,017.

Pro Forma Retirement	\$ 75,806
Pro Forma Insurance	165,924
Test-Year Uniforms	<u>6,995</u>
Total Pro Forma Employee Pensions and Benefits	248,725
Times: Test-Year Wage Expense Rate	<u>99.0279%</u>
Pro Forma Expense	246,307
Less: Test Year	<u>(298,324)</u>
Decrease	<u>\$ (52,017)</u>

Rattlesnake Ridge participates in the County Employee Retirement System, to which it contributes a percentage of each employee's wage to a retirement fund. By

applying the current contribution rate to pro forma full-time wages, Staff determined pro forma retirement contributions to be \$75,806.⁵

Rattlesnake Ridge provides health insurance benefits to all full-time employees. Staff determined pro forma health insurance costs to be \$165,924 by annualizing the most recent monthly premium paid on behalf of its nine full-time employees.⁶

(J) Purchased Water and Purchased Power, Water Loss. In its 2012 Annual Report, Rattlesnake Ridge calculated its test-year water loss to be 24.97 percent.⁷ In its calculation, Rattlesnake Ridge reports 430,935,000 gallons for total water produced and 52,361,000 gallons used at the water treatment plant. Staff understands that the amount stated in the annual report for “water produced” represents the quantity of treated water that was discharged from the treatment system into the distribution system. It does not include water used inside the treatment plant. Therefore, it is not appropriate to remove water used inside the plant from the “water produced” when

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Pro Forma Full-Time Employee Wages	\$ 401,302
Times: Contribution Rate	<u>18.9%</u>
Pro Forma Retirement	<u>\$ 75,806</u>

6

Current Premium for Nine Full-Time Employee	13,827
Annualize	<u>12</u>
Pro Forma Insurance	<u>\$ 165,924</u>

⁷ Annual Report at 30.

calculating water loss. Correction of this error restates test-year water loss to 36.92 percent.⁸

Pursuant to 807 KAR 5:066, Section 6(3), the maximum allowable water loss for ratemaking purposes is 15 percent. To comply with the regulation, Staff removed the cost to purchase, pump, and treat water loss that is in excess of the allowable amount as shown in the table below.

	Test Year	Excess Water Loss Percentage	Decrease
Purchased Water	\$ 4,169	-21.92%	\$ (914)
Purchased Power for Pumping	241,833	-21.92%	(53,008)
Chemicals	106,091	-21.92%	(23,254)

(K) Materials and Supplies. Rattlesnake Ridge reported \$279,997 for test-year Materials and Supplies. Staff decreased this amount by \$18,119 as discussed below.

During the test year, Rattlesnake Ridge maintained a Materials and Supplies subsidiary account titled Service Charges and Penalties to which it reported \$18,066. All amounts charged to this account were either late-payment penalties paid by Rattlesnake Ridge for untimely payments to vendors or transaction fees incurred by Rattlesnake Ridge when accepting credit card payments from customers. Staff

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Plant Usage	52,361,000
Divide By: Water Produced and Purchased	<u>433,675,000</u>
Understatement of Test-Year Water Loss	12.07%
Plus: Reported Water Loss	<u>24.85%</u>
Restated Water Loss	<u><u>36.92%</u></u>

eliminated the entire amount of this account. The late penalties were a result of poor cash management by Rattlesnake Ridge and should not be borne by its ratepayers. The credit card fees are no longer incurred. Subsequent to the test year, Rattlesnake Ridge contracted with The Neil Group, LLC (“Neil Group”) to process credit card transactions. Pursuant to the contract, the Neil Group pays all transaction fees.

In addition, it came to Staff’s attention that Rattlesnake Ridge reported a \$53 expense for flowers. As this expense was unrelated to the delivery of potable water and was outside the water district’s statutory purpose, Staff removed the amount from test-year operations.

The Attorney General has stated that a water district may only make expenditures that are consistent with its statutory purpose to furnish a water supply. “As a creature of statute, a water district created pursuant to KRS Chapter 74 may expend funds only in keeping with its statutory purpose, or express statutory authorization.”⁹ “To expend any part of the funds arising from fees for water services for any purpose other than those for which the district was created is to contravene the provisions contained in sections 171 and 180, State Constitution, and to do so, is illegal. The officer making such illegal expenditure subjects himself to the obligation upon the demand of any citizen who pays fees for water services to either recover from the

⁹ OAG 92-43 (Mar. 19, 1992).

person to whom the illegal sum was donated or to reimburse the district for the amount of the illegal donation.”¹⁰

(L) Contractual Services – Accounting. As discussed in Staff’s adjustment to test-year Salaries and Wages – Employees expense, subsequent to the test-year Rattlesnake Ridge replaced a full-time office employee with two part-time employees and contracted services to be provided by an outside Certified Public Account. The contracted accounting fees are \$575 per month, or \$6,900 annually. Staff increased test-year expenses by \$6,900 to account for this change to Rattlesnake Ridge’s operations.

(M) Depreciation Expense. Rattlesnake Ridge reported \$806,209 for test-year depreciation expense. It proposed to reduce this amount by \$214,014 to account for a change to the depreciable life assigned to water mains from 40 years to 75 years. As explained below, Staff’s made two adjustments to test-year depreciation that results in a net decrease of \$113,317.

Change to Lives	\$	(284,701)
Water Treatment Plant Expansion		<u>171,384</u>
Decrease	\$	<u>(113,317)</u>

All lives assigned to asset groups by Rattlesnake Ridge were reviewed by the Commission’s Division of Engineering. A summary of their review is shown in Attachment B of this report. Using lives recommended in Attachment B, Staff determined that test-year depreciation expense should be decreased by \$284,701, as calculated below.

¹⁰ 1956 OAG 36,219.

Account Group	Depreciable Basis at December 31, 2012	Depreciable Life	Pro Forma Depreciation Expense	Less: Test Year	Adjustment
Pumps	\$ 1,253,819	20	\$ 62,691	\$(125,382)	\$ (62,691)
Transmission and Distribution Mains	18,344,070	75	244,588	(458,602)	(214,014)
Transportation Equipment	50,499	7	7,214	(10,100)	(2,886)
Excavator	42,588	12.5	3,407	(8,518)	(5,111)
Total			<u>\$ 317,900</u>	<u>\$(602,601)</u>	<u>\$(284,701)</u>

Staff increased test-year depreciation expense by \$171,384, as calculated below, to include depreciation on the water treatment expansion project that was approved by the Commission in Case No. 2010-00458.¹¹

	Estimated Cost	Depreciable Life	Pro Forma Depreciation Expense
Water Treatment Plant Upgrade	\$ 4,633,083	35	\$ 132,374
500,000 Elevated Storage Tank	1,141,381	40	28,535
Transmission Main	181,238	75	2,417
Computer Software	40,298	5	8,060
	<u>\$ 5,996,000</u>		<u>\$ 171,384</u>

With the project, Rattlesnake Ridge expanded its water treatment capacity from 1.608 million gallons per day ("MGD") to 2.408 MGD and added a 500,000-gallon

¹¹ Case No. 2010-00458, *Application of Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct, Finance, and Increase Rates Pursuant to KRS 278.023* (Ky. PSC Dec. 22, 2010).

storage tank. The project was 89 percent¹² complete at the end of the test year and was fully operational at the time of Staff's review. It is Staff's position that the cost of the plant should be included in pro forma operations. Depreciation Expense and Interest Expense are the only test-year income statement accounts that will be materially affected by the project. Staff accounted for the interest when calculating Rattlesnake Ridge's debt service requirement. Staff estimated the impact on test-year depreciation for each plant subsidiary account using the information provided in Rattlesnake Ridge's application filed in Case No. 2010-00458.¹³ Calculation of the new plant's actual depreciation will not be performed until Rattlesnake Ridge's 2013 audit is completed. During the audit process, the entire project's costs that have been charged to Construction Work in Progress will be reclassified to the proper plant subsidiary accounts and depreciation on the reclassified amounts will be accrued for 2013.

¹²

Construction Work in Progress at December 31, 2012,	
Annual Report Page 13	\$ 5,363,354
Divide by: Cost Approved by the Commission Order	<u>5,996,000</u>
Percent Complete	<u><u>89%</u></u>

¹³ Case No. 2010-00458, Application, Final Engineering Report, C-1.

(N) Taxes Other Than Income. Rattlesnake Ridge reported \$48,754 for test-year Taxes Other Than Income. As previously discussed, Staff reduced this amount by \$2,302 to remove test-year sales tax remittances. Staff further decreased the test-year amount by \$8,100 to remove \$369 paid to the Carter County Sheriff for property taxes and to account for changes to payroll taxes that will occur due to the decrease to test-year wages. Staff's adjustment is shown below.

Pro Forma Employee Wage Expense	\$ 466,505
Test-Year Commissioner Salary	<u>14,619</u>
Total Pro Forma Wage Expense	481,124
Times: 7.65 Percent	<u>7.65%</u>
Pro Forma Payroll Tax Expenses	36,806
Less: Test Year	<u>(46,452)</u>
Decrease	<u>\$ (9,646)</u>

(O) Nonutility Income. Rattlesnake Ridge reported Nonutility Revenues below-the-line in the amount of \$18,460.¹⁴ This revenue was recognized as a result of accounting errors that occurred when recording: 1) a gain on the disposal of property; 2) a reimbursement from a vendor for the double payment of an invoice; and 3) a contribution from the Commonwealth of Kentucky to pay the cost of relocating a water main. Staff removed the test-year amount to correct these errors. Listed below are the cash receipt amounts and correct accounts to which they should have been recorded.

Description	Amount	Correct Account
Plant Salvage	\$ 7,395	Accumulated Depreciation
Vendor Reimbursement	3,315	Accounts Payable
Reimbursement for Main Relocation	<u>7,750</u>	Contribution in Aid of Construction
Total	<u>\$ 18,460</u>	

Rates

To calculate the rates to produce the Staff-recommended revenue requirements, Staff increased current rates by the percentage increase in the Staff-recommended revenue requirement evenly across the board to Rattlesnake Ridge's current rates. This method, which Rattlesnake Ridge also used, allocates the revenue-requirement increase to all customers in an equal manner.

¹⁴ The Commission generally includes below-the-line revenues in a non-profit utility's pro forma operations to award the benefits of these revenues to ratepayers in the absence of stockholders.

Overall Revenue Requirement and Required Revenue Increase

Rattlesnake Ridge calculated its Overall Revenue Requirement to be \$2,609,868 by combining three components.¹⁵ First, Rattlesnake Ridge included an amount to make deposits to the operation and maintenance fund that is sufficient to pay all pro forma operation and maintenance expenses, pro forma tax expenses, and payments on loans that are subordinate to its highest-ranked debts. In addition, it included the three-year average principal and interest payments on its highest-ranked debts to make deposits into the sinking fund from which these debts will be repaid. Finally, it requested recovery of depreciation expense, a non-cash item in the amount of \$595,061, to provide working capital to be used for capital investment and other purposes.¹⁶

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Pro Forma Operation, Maintenance, Tax Expense	\$ 1,515,823
Average Debt Principal and Interest	498,984
Depreciation Expense	<u>595,061</u>
Overall Revenue Requirement	<u>\$ 2,609,868</u>

¹⁶ The Kentucky Supreme Court has held that the Commission must permit a water district to recover its depreciation expense through its rates for service to provide internal funds to be used for renewing and replacing assets. See *Public Serv. Comm'n of Kentucky v. Dewitt Water Dist.*, 720 S.W.2d 725, 728 (Ky.1986). Although a water district's lenders require that a small portion of the depreciation funds be deposited annually into a debt reserve/depreciation fund until the account's balance accumulates to a required threshold, neither the Commission nor the Court requires that revenues collected for depreciation be accounted for separately from the water district's general funds or that depreciation funds be used only for asset renewal and replacement. The Commission has recognized that the working capital provided through recovery of depreciation expense may be used for purposes other than renewal and replacement of assets. It may also be used to offset decreases to operating income that may occur between general rate adjustments. See, e.g., Case No. 2012-00309, *Application of Southern Water and Sewer District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 21, 2012).

Staff applied the DSC (“Debt Service Coverage”) Method to calculate Rattlesnake Ridge’s Overall Revenue Requirement to be \$2,642,541. This method is historically applied by the Commission to a water district or water association that has outstanding long-term indebtedness. The Commission’s method includes all the revenue requirement components requested by Rattlesnake Ridge, plus an allowance for working capital that is in addition to Depreciation Expense. The amount of the additional working capital is equal to the net revenues that are necessary to meet the minimum DSC ratio requirement less the average principal and interest payment. Staff calculated this amount to be \$94,578 for Rattlesnake Ridge.¹⁷

To generate the overall revenue requirement calculated by Staff, Rattlesnake Ridge must increase revenues by \$589,043. A comparison of the Overall Revenue Requirement and the Required Revenue Increase calculated by Staff and by Rattlesnake Ridge is shown below. While there are many differences in the components shown in each calculation, there is no material difference in the Required Revenue Increase.

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Five-Year Average Principal and Interest Payments on Highest Rank Debts	\$ 472,888
Times: Required DSC Ratio	<u>120%</u>
Net Revenues Required	567,466
Less: Average Principal and Interest Payments	<u>(472,888)</u>
Additional Working Capital	<u><u>\$ 94,578</u></u>

	Rattlesnake Ridge	Staff
Pro Forma Operating Expenses	\$2,110,884	\$2,054,372
Plus: Average Principal and Interest Payments	498,984	493,591
	<u> </u>	<u>94,578</u>
Overall Revenue Requirement	2,609,868	2,642,541
Less: Other Operating Income		(75,571)
Interest Income	<u>(66)</u>	<u>(66)</u>
Revenue Required from Rates	2,609,802	2,566,904
Less: Pro Forma Present Rate Revenues	<u>(2,022,798)</u>	<u>(1,977,861)</u>
Required Revenue Increase	<u>\$587,004</u>	<u>\$ 589,043</u>
Percent Increase	<u>29.02%</u>	<u>29.78%</u>

As shown below, Staff calculated Rattlesnake Ridge's average annual debt payment using the five-year period beginning January 1, 2014. This period better matches the anticipated life of the rates to be implemented as a result of this proceeding than the three-year average requested by Rattlesnake Ridge.¹⁸

¹⁸ The six-month suspension period for the tariff requested in the application will end on April 14, 2014, over 15 months from the end of the test period. Also, Rattlesnake Ridge's previous rate application was filed five years ago.

	Principal and Interest Payments					Five-Year Average
	2014	2015	2016	2017	2018	
Highest Rank Debts						
Rural Development Bonds						
1989 Series	\$11,850	\$11,550	\$11,250	\$10,950	\$11,625	\$ 11,445
1992 Series	21,375	21,412	21,425	21,413	21,375	21,400
1994 Series A	23,512	24,085	23,635	24,162	23,668	23,812
1994 Series B	10,969	10,766	11,052	10,827	10,603	10,843
1995 Series A	24,007	24,580	24,130	24,657	24,162	24,307
1995 Series B	5,500	5,503	5,502	5,496	5,486	5,497
2000 Series A	49,717	50,020	50,277	49,513	50,702	50,046
2000 Series B	23,358	24,020	23,660	23,300	23,918	23,651
2001 Series A	41,310	41,249	41,172	41,571	40,954	41,251
2001 Series B	3,326	3,281	3,334	3,285	3,333	3,312
2004 Series A	72,331	72,478	72,092	72,173	73,631	72,541
2004 Series B	29,853	29,503	29,642	29,759	29,855	29,722
2011 Series A	47,510	47,585	47,650	47,705	47,750	47,640
2011 Series B	42,225	42,330	42,425	42,510	42,090	42,316
Kentucky Rural Water Finance Corporation, Series 2008 C						
	54,477	53,235	56,993	55,373	58,752	55,766
Kentucky Area Development District Financing Trust Lease						
	9,861	9,624	9,373	9,044	8,783	9,337
Total, Highest Rank Debts						472,888
Subordinate Debts						
Commercial Bank of Grayson						
Loan No. 1, 2009 Truck						
Loan No. 2, Computers	4,390	4,390	4,390	4,390	3,658	4,243
Loan No. 3, Excavator	5,241	5,241	5,241	5,241	3,057	4,804
Loan No. 4, 2012 Truck	5,016	5,016	5,016	5,016	2,508	4,514
Loan No. 5, Working Capital						
U.S. Army Corps of Engineers	7,041	7,091	7,091	7,091	7,091	7,081
Total, Subordinate Debts						20,643
Total Average Debt Principal and Interest Payment						\$ 493,531

Highest-Ranked Debts. The highest-ranked debts, as identified by the Current Bond Resolution,¹⁹ are secured by the revenues of the system and take priority over all subordinate debts. From review of the Commission's records, Staff determined that Rattlesnake Ridge sought and received authorization from the Commission to assume

¹⁹ Bond Resolution for Waterworks Revenue Bonds, 2011 Series A and B, Exhibit B.

all the Rural Development (“RD”) Bonds and the Kentucky Rural Water Finance Corporation (“KRWFC”) loan.²⁰

Staff found no evidence that the Kentucky Area Development District (“KADD”) lease had been authorized by the Commission. Rattlesnake Ridge personnel could not provide Staff with evidence of such authorization. They stated that the lease agreement was executed at the direction of a former employee and they did not know whether the Commission had approved the lease. Ross, Sinclair & Associates, the administrator of the KADD Financing Trust Lease Acquisition Program, provided Staff with information demonstrating that the lease was executed in 2005 to construct water system improvements that extended water service to unserved customers. Staff included the lease payments in its calculations.

In its average debt-payment calculation, Staff included the principal and interest payment to be made on all the highest-ranked debts with corrections made to the amounts shown by Rattlesnake Ridge for the 2004 Series A Bonds, the RD 2011 Series B Bonds, and the KRWFC loan.

Subordinate Debts. To calculate its annual average principal and interest payments, Rattlesnake Ridge included five loans payable to the Commercial Bank of Grayson (“Bank”) and a loan payable to the U.S. Army Corp of Engineers (“Corp”). These notes are subordinate to Rattlesnake Ridge’s highest-ranked debts. As explained below, Staff included payments on three of the Bank notes and the Corp note.

²⁰ KRS 278.300(1) requires a public utility to obtain Commission authorization prior to issuing an evidence of indebtedness. KRS 278.300(8) expressly exempts notes that “are payable at periods of not more than two (2) years from the date” of issuance and “to renewals of such notes, from time to time, not exceeding in the aggregate six (6) years from the date of the issue of the original notes so renewed or refunded.”

The first four bank loans were used to finance the purchase of equipment. Staff excluded Loan No. 1 from its calculation. The original principal balance of this note was fully repaid in 2013. No payments will be made on this loan in 2014 or beyond. Staff included principal and interest payments for Loan Nos. 2, 3, and 4, but used different payment amounts than those requested by Rattlesnake Ridge. Each loan has a two-year term with a balloon payment due at maturity. Rattlesnake Ridge stated that the balloon payment of each loan will be refinanced with a similar balloon loan. It stated that a third loan will be assumed to refinance the second loan and that the third loan will be paid in full upon maturity. It stated that this approach results in full repayment of the original loan within the six-year period allowed by KRS 278.300(8) and that it had used this method of financing for equipment purchases in prior periods.

In its average annual debt payment calculation, Rattlesnake Ridge accounted for full repayment of these loans in 2013 and 2014. This method of rate recovery does not match the plan of financing and is, therefore, not proper. Staff calculated monthly principal and interest payments on these loans using a six-year amortization period that ends six-years from each loan's origination date. This method better matches Rattlesnake Ridge's revenue requirements to its plan of financing.

Staff excluded Loan No. 5 from its calculation. This loan, with an original principal balance of \$75,075, originated on March 18, 2013, has a one-year term, and accrues annual interest at 4.75 percent. Rattlesnake Ridge stated this loan was assumed to provide cash working capital that was needed to pay expenditures when cash flow from revenues was insufficient. Rattlesnake Ridge could not identify the specific expenditures that were paid with the loan proceeds.

The appropriateness of rate recovery for this loan is dependent on the use of its proceeds. Rate recovery may be appropriate for the proceeds that were used to finance capital improvements. Rate recovery is not appropriate for any portion that was used for pay operating expenses. The Commission has long held that rate recovery of loan funds used to pay operating expense constitutes retroactive ratemaking and is, therefore, inappropriate.²¹

Determining the use of the loan proceeds was beyond the scope of Staff's review.²² Without knowing its use, Staff did not include any portion of the loan payments in its calculation. Any portion of this loan that Rattlesnake Ridge can demonstrate was used for capital improvements may be includable in revenue requirements. This should only be allowed if Rattlesnake Ridge also identifies and quantifies the adjustments necessary to account for all changes to other accounts that were affected by each improvement. These accounts may include, but would not be limited to, operating revenues, purchased power, purchase water, chemicals, transportation expenses, and depreciation expense. Rattlesnake Ridge may file this information when responding to this report.

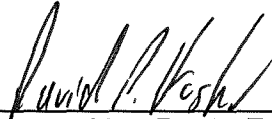
On July 10, 2000, Rattlesnake Ridge entered into a 30-year contract with the Corp to reserve water storage space in Grayson Lake. Rattlesnake Ridge included

²¹ Case No. 7688, *Application of Running Creek Disposal System, Inc., for an Order Pursuant to Chapter 278 of the Kentucky Revised Statutes Authorizing an Adjustment in Rates for the Existing Sewage Treatment Plant Serving Running Creek Estates Subdivision, Jefferson County, Kentucky* (Ky. PSC. Aug. 1, 1980) at 3.


²² Determining the use of the loan proceeds would require a significant analysis of all financial transactions reported by Rattlesnake Ridge during 2013. The scope of Staff's financial review in this proceeding was limited to determining whether operations reported for 2012 were fairly representative of normal operations. While this required a limited review of selected post-test-period transactions, it did not require the in-depth review necessary to determine the use of the loan proceeds.

payments on this contract in its debt service calculation. Staff included the payments requested by Rattlesnake Ridge.

Signatures



Prepared by: David Foster
Financial Analyst, Water and Sewer
Revenue Requirements Branch
Division of Financial Analysis



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

ATTACHMENT A
 STAFF REPORT, CASE NO. 2013-00338
 RATES CALCULATED BY STAFF

Monthly Rates

5/8- X 3/4-Inch Meter

First	1,000	Gallons	\$ 19.32	Minimum Bill
Next	4,000	Gallons	11.84	per 1,000 Gallons
Next	5,000	Gallons	10.19	per 1,000 Gallons
Next	10,000	Gallons	8.75	per 1,000 Gallons
Next	20,000	Gallons	6.13	per 1,000 Gallons
All Over	40,000	Gallons	4.82	per 1,000 Gallons

3/4-Inch Meter

First	5,000	Gallons	\$ 66.69	Minimum Bill
Next	5,000	Gallons	10.19	per 1,000 Gallons
Next	10,000	Gallons	8.75	per 1,000 Gallons
Next	20,000	Gallons	6.13	per 1,000 Gallons
All Over	40,000	Gallons	4.82	per 1,000 Gallons

1-Inch Meter

First	10,000	Gallons	\$ 117.65	Minimum Bill
Next	10,000	Gallons	8.75	per 1,000 Gallons
Next	20,000	Gallons	6.13	per 1,000 Gallons
All Over	40,000	Gallons	4.82	per 1,000 Gallons

1 1/2-Inch Meter

First	30,000	Gallons	\$ 266.39	Minimum Bill
Next	10,000	Gallons	6.13	per 1,000 Gallons
All Over	40,000	Gallons	4.82	per 1,000 Gallons

2-Inch Meter

First	50,000	Gallons	\$ 375.91	Minimum Bill
All Over	50,000	Gallons	4.82	per 1,000 Gallons

3-Inch Meter

First	100,000	Gallons	\$ 617.14	Minimum Bill
All Over	100,000	Gallons	4.82	per 1,000 Gallons

4-Inch Meter

First	200,000	Gallons	\$ 1,099.14	Minimum Bill
All Over	200,000	Gallons	4.82	per 1,000 Gallons

6-Inch Meter

First	500,000 Gallons	\$2,546.98	Minimum Bill
All Over	500,000 Gallons	4.82	per 1,000 Gallons

Wholesale Rates

Big Sandy Water District	\$3.82	per 1,000 Gallons
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City of Vanceburg	\$3.82	per 1,000 Gallons
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City of Olive Hill	\$4.30	per 1,000 Gallons
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Kentucky Department of Parks (Golf Course Only)	\$4.63	per 1,000 Gallons
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Sandy Hook Water District

First	50,000 Gallons	\$145.15	Minimum Bill
All Over	50,000 Gallons	\$2.90	per 1,000 Gallons

ATTACHMENT B
 STAFF REPORT, CASE NO. 2013-00338
 RATTLESNAKE RIDGE WATER DISTRICT
 ENGINEERING DIVISION'S
 ANALYSIS OF ASSET SERVICE LIVES

Historically, the Commission has relied upon the National Association of Regulatory Utility Commissioners Study of Depreciation Practices for Small Water Utilities ("NARUC Study"), dated August 15, 1979, to evaluate the reasonableness of a utility's depreciation practices. This study outlines expected service life ranges for various asset groups designed, installed, and maintained in accordance with good water works practices. Typically, an adjustment is made when the Commission finds that a utility is proposing to use a service life that falls outside of this range while service lives falling within these ranges are generally accepted.

In the following table, Engineering Staff has identified the account classifications for which the utility's current service lives are not consistent with the service lives contained in the NARUC Study. The table shows the utility's current and Engineering Staff's recommended reasonable and appropriate service lives based on a review of information contained in the record of this case.

Asset Classification	Current	Staff Recommended	NARUC Study
Group 311, Pumps	10	20	20
Group 331, Lines	40	75*	50-75
Group 341, Transportation Equipment	5	7	7
Group 345, Excavator	5	12.5	10-15

* The utility has requested to depreciate its water line asset group 331 using a 75-year life cycle. This is within the NARUC study range and is considered reasonable and appropriate. As to asset groups 311, 341, and 345, the utility appears to be utilizing

service lives outside the range recommended by NARUC. Absent any specific and verifiable evidence supporting alternative service lives, Engineering Staff finds that service lives based on the NARUC Study, as shown in the above table, are reasonable and appropriate.

Prepared October 11, 2013:



George W. Wakim, P.E.
Manager, Water and Sewer Branch

Mr. Bill Gilbert
Rattlesnake Ridge Water District
P. O. Box 475
Grayson, KY 41143

Mr. Bill Gilbert
Rattlesnake Ridge Water District
P. O. Box 475
Grayson, KY 41143

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE FILING FOR)	CASE NO.
RATTLESNAKE RIDGE WATER DISTRICT)	2013-00338

ORDER

On October 14, 2013, Rattlesnake Ridge Water District ("Rattlesnake Ridge") filed an application with the Commission requesting to adjust its rates for water service pursuant to 807 KAR 5:076. By this Order, the Commission approves rates that will increase the monthly bill of a retail customer who uses 5,000 gallons of water per month from \$51.70 to \$66.68, or 29 percent.

After reviewing the application and Rattlesnake Ridge's records, Commission Staff ("Staff") submitted a report on December 16, 2013, wherein it found that the Commission should approve the rates requested by Rattlesnake Ridge. On December 20, 2013, Rattlesnake Ridge agreed with Staff's findings and requested that the case be submitted for a Commission decision without a hearing.

Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Rattlesnake Ridge is a water district organized pursuant to KRS Chapter 74. It owns and operates facilities that distribute water to approximately 4,015 customers in Carter, Elliot, Lawrence, Lewis, and Morgan counties, Kentucky.¹

¹ Annual report of Rattlesnake Ridge District to the Public Service Commission for the Calendar Year Ending December 31, 2012 at 5 and 27.

2. The calendar year ending December 31, 2012, should be used as the test year to determine the reasonableness of Rattlesnake Ridge's existing and proposed rates.

3. Based upon pro forma test-year operations, Rattlesnake Ridge's total pro forma present rate revenue and total pro forma operating expenses, after adjusting for known and measurable charges, are \$2,053,498 and \$2,054,372, respectively.²

4. Rattlesnake Ridge currently has 14 outstanding bond issues payable to the United States Department of Agriculture Rural Development, one Kentucky Rural Water Finance Corporation loan, one Kentucky Area Development District lease, and four subordinate loans. The five-year average principal and interest payments for the years 2014 through 2018 on all instruments of debt is \$493,531.³

² Staff Report at 6.

Revenues and Income	
Pro Forma Present Rate Water Sales	\$ 1,977,861
Other Operating Income	75,571
Interest Income	<u>66</u>
Total	<u>\$ 2,053,498</u>
Operating Expenses	
Operation and Maintenance Expenses	\$ 1,324,674
Depreciation Expense	692,892
Taxes Other Than Income	<u>36,806</u>
Total	<u>\$ 2,054,372</u>

³ Staff Report at 22.

5. The Commission has historically used the Debt Service Coverage Methodology to calculate the revenue requirements of water districts with long-term debt.

6. Applying the Debt Service Coverage Methodology to Rattlesnake Ridge's pro forma operations and using a 120 percent ratio results in a total revenue requirement from all revenue sources of \$2,642,481, and water sales revenues of \$2,566,844.⁴

7. Rattlesnake Ridge calculated the water service rates requested in its Application by increasing all existing rates by approximately 29.02 percent.

8. An even distribution of the revenue increase to existing rates results in an equitable spread of the revenue increase to Rattlesnake Ridge's customers.

4

Pro Forma Operating Expenses	\$ 2,054,372
Plus: Average Principal and Interest Payments	493,531
Additional Working Capital	<u>94,578</u>
Overall Revenue Requirement	2,642,481
Less: Other Operating Income	(75,571)
Interest Income	<u>(66)</u>
Revenue Required from Rates	2,566,844
Less: Pro Forma Present Rate Revenues	<u>(1,977,861)</u>
Revenue Increase Warranted	<u>\$ 588,983</u>
Percent Increase	<u>29.78%</u>

9. The rates requested by Rattlesnake Ridge will produce \$2,551,836 in annual water sales revenues, or 99.42 percent of the water sales revenues warranted.⁵

10. The rates requested by Rattlesnake Ridge, with which Staff agreed, are shown in Appendix A. These rates are fair, just, and reasonable and should be approved for service rendered on and after the date of this Order.

11. Rattlesnake Ridge presently uses service lives for four groups of assets that are at variance⁶ with those found in a survey of the National Association of Regulatory Utility Commissioners (“NARUC”) that contained “a range of average service lives currently being used by water utilities throughout the country for water facilities designed and installed and maintained in accordance with good water works practice.”⁷

12. The commission has previously used the same survey when establishing the appropriate depreciable lives for water utilities such as Rattlesnake Ridge when historic property records are not maintained in the manner necessary to perform a formal depreciation study⁸ or the utility does not have the financial resources to fund a formal study.⁹ Application of the NARUC Study is appropriate in this instance.

5

Annual Water Sales Revenues from Proposed Rates	\$ 2,551,836
Divide by: Annual Water Sales Revenues Warranted	<u>2,566,844</u>
Percentage	<u>99.42%</u>

⁶ Staff Report. Attachment B.

⁷ National Association of Regulatory Utility Commissioners, *Depreciation Practices for Small Water Utilities* (Aug. 15, 1979) at 10.

⁸ Case No. 2006-00398, *Application of Northern Kentucky Water District for Approval of Depreciation Study* (Ky. PSC Nov. 21, 2007).

⁹ Case No. 2012-00278, *Application of Graves County Water District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Sept. 5, 2012).

13. Rattlesnake Ridge's assignment of service lives for these four groups of assets is not reasonable and should be revised for ratemaking and accounting purposes.¹⁰

14. Appendix B to this Order sets forth the group of assets whose service lives should be adjusted, the previously assigned service life of each account, the service life range that the NARUC survey suggests for each account, and the assigned service life that should be used for ratemaking and accounting purposes for all future reporting periods.

15. The Commission received an electronic message from a consumer indicating that Rattlesnake Ridge has already issued bills reflecting rates requested in Rattlesnake Ridge's current application. The electronic message is attached to this Order as Appendix C.

16. Within ten days of issuance of this Order, Rattlesnake Ridge should advise the Commission in writing whether Rattlesnake Ridge issued bills reflecting rates requested in its current application prior to issuance of this Order.

17. If Rattlesnake Ridge issued bills reflecting rates requested in its current application prior to issuance of this Order, within ten days of issuance of this Order, Rattlesnake Ridge should submit a written plan for issuance of refunds for rates collected in excess of the rates in effect prior to issuance of this Order.

18. The issue of whether Rattlesnake Ridge has implemented its proposed rates prior to issuance of this Order may be addressed in a future Commission proceeding.

¹⁰ These reassignments require a net decrease of \$113,317 in Rattlesnake Ridge's test-period depreciation expense. Staff Report at 14.

IT IS THEREFORE ORDERED that:

1. The rates requested by Rattlesnake Ridge, as shown in Appendix A, are approved for water service rendered on and after the date of this Order.

2. Within 20 days of the date of this Order, Rattlesnake Ridge shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, containing the rates set forth in Appendix A to this Order.

3. Rattlesnake Ridge shall, for accounting and ratemaking purposes, use the "PSC Approved Service Life" set forth in Appendix B to this Order for the listed classes of assets when calculating and reporting depreciation for all reporting periods after the date of this Order, but shall make no retroactive adjustment to its books to account for the cumulative effect of this change in accounting estimate.

4. Within ten days of issuance of this Order, Rattlesnake Ridge shall advise the Commission in writing whether Rattlesnake Ridge issued bills reflecting the rates requested in its current application prior to issuance of this Order.

5. If Rattlesnake Ridge issued bills reflecting rates requested in its current application prior to issuance of this Order, within ten days of issuance of this Order, Rattlesnake Ridge shall submit a written plan for issuance of refunds for rates collected in excess of the rates in effect prior to issuance of this Order.

6. Any documents filed in the future pursuant to ordering paragraphs 4 and 5 shall reference the case number and shall be retained in the utility's general correspondence file.

7. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon Rattlesnake Ridge's showing of good cause for such extension.

By the Commission

ENTERED
FEB 07 2014
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2013-00338

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2013-00338 DATED FEB 07 2014

The following rates and charges are prescribed for the customers in the area served by Rattlesnake Ridge Water District. 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

5/8- X 3/4-Inch Meter

First	1,000	Gallons	\$ 19.32	Minimum Bill
Next	4,000	Gallons	11.84	per 1,000 Gallons
Next	5,000	Gallons	10.19	per 1,000 Gallons
Next	10,000	Gallons	8.75	per 1,000 Gallons
Next	20,000	Gallons	6.13	per 1,000 Gallons
All Over	40,000	Gallons	4.82	per 1,000 Gallons

3/4-Inch Meter

First	5,000	Gallons	\$ 66.69	Minimum Bill
Next	5,000	Gallons	10.19	per 1,000 Gallons
Next	10,000	Gallons	8.75	per 1,000 Gallons
Next	20,000	Gallons	6.13	per 1,000 Gallons
All Over	40,000	Gallons	4.82	per 1,000 Gallons

1-Inch Meter

First	10,000	Gallons	\$ 117.65	Minimum Bill
Next	10,000	Gallons	8.75	per 1,000 Gallons
Next	20,000	Gallons	6.13	per 1,000 Gallons
All Over	40,000	Gallons	4.82	per 1,000 Gallons

1 1/2-Inch Meter

First	30,000	Gallons	\$ 266.39	Minimum Bill
Next	10,000	Gallons	6.13	per 1,000 Gallons
All Over	40,000	Gallons	4.82	per 1,000 Gallons

2-Inch Meter

First	50,000	Gallons	\$ 375.91	Minimum Bill
All Over	50,000	Gallons	4.82	per 1,000 Gallons

3-Inch Meter

First	100,000	Gallons	\$ 617.14	Minimum Bill
All Over	100,000	Gallons	4.82	per 1,000 Gallons

4-Inch Meter

First	200,000	Gallons	\$ 1,099.14	Minimum Bill
All Over	200,000	Gallons	4.82	per 1,000 Gallons

6-Inch Meter

First	500,000	Gallons	\$2,546.98	Minimum Bill
All Over	500,000	Gallons	4.82	per 1,000 Gallons

Wholesale Rates

Big Sandy Water District \$3.82 per 1,000 Gallons

City of Vanceburg \$3.82 per 1,000 Gallons

City of Olive Hill \$4.30 per 1,000 Gallons

Kentucky Department of Parks
(Golf Course Only) \$4.63 per 1,000 Gallons

Sandy Hook Water District

First	50,000	Gallons	\$145.15	Minimum Bill
All Over	50,000	Gallons	\$2.90	per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2013-00338 DATED FEB 07 2014

Asset Classification	Current	PSC APPROVED SERVICE LIFE	NARUC Study
Group 311, pumps	10	20	20
Group 331, Lines	40	75	50-75
Group 341, Transportation equipment	5	7	7
Group 345, Excavator	5	12.5	10-15

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2013-00338 DATED **FEB 07 2014**

-----Original Message-----

From: pscfilings@ky.gov [mailto:pscfilings@ky.gov]

Sent: Tuesday, February 04, 2014 4:52 PM

To: PSC - Consumer Web Inquiry

Subject: KY PSC Utility Inquiry

Below is the result of your feedback form. It was submitted by [REDACTED] on Tuesday, February 04, 2014 at 4:52 PM

Name: [REDACTED]

Address: [REDACTED]

City: Olive Hill

State: KY

Zip Code: 41164

Phone number where you can be reached: [REDACTED] Home phone: [REDACTED]

Utility Name: Rattlesnake Ridge Water District State the nature of your concern: [REDACTED]

[REDACTED]
Olive Hill, Ky. 41164

To Whom It May Concern:

As a customer of Rattlesnake Ridge Water District, I am writing this letter to inquire why the conference and hearing concerning the rate adjustment for Rattlesnake Ridge Water District were cancelled.

During the hearing, I hoped that consumer comments would be taken and that the citizens served by this utility company could be heard. I believe I speak on majority of consumers when I say that a 29% increase in water rates is not feasible until all other measures have been exhausted.

Rattlesnake Ridge Water District has found itself in a tight financial situation. I have reviewed the districts budgets and past documents that have been submitted to the local government agencies as well as the public service commission.

Over the past three years it appears that the operating revenues have increased. Unfortunately, the operating expenses have also increased, resulting in financial instability.

Rattlesnake Ridge Water District continues to increase its operating expenses, but has not made an attempt to cut its own cost of operation.

It is my understanding that changes have been made in the management team at Rattlesnake Ridge Water. I would ask that the new management find ways to keep costs down and to better manage the money taken in.

In my own household if my cost of living increases, I cannot simply pass the expense to others; I have to make it work. I would ask that the Public Service Commission review the Water Districts efforts in cutting costs. I do not believe that the water company should be able to impose a 29% increase on the consumer due to lack of financial management.

I ask that the Public Service Commission please take into consideration the customers that are being affected by this increase. For some on a fixed income, the increase is the difference between having water or other necessities.

I have taken the liberty of forming a petition against this increase. If it is favorable with the Public Service Commission, I will send this petition for your consideration. Also, I have heard feedback from several customers who had not received any information concerning the rate increase (I believe notice must be mailed to all consumers.) It is the lack of notice of the proposed increase that has caused the customers concerned to wait until now to notify the Public Service Commission of our concern.

The bill we just received in February reflects the increase in rate and has sparked concern amongst the consumers. I requested the proposed change from the Rattlesnake Ridge Water Company in which it indicated that I have 30 days from the mailing of the notice to file a claim. As of February 4th, 2014, I have not received a notice that the rate is to change. The only notice I received was my bill. I called the water company thinking I had a water leak and was informed that the rates had increased 29%.

If there is anything that the Public Service Commission can do to ensure fair rates to all of Rattlesnake Ridge Customers, please let me know.

Also, I have contacted some water company's close to my location; Rowan Water is a great example of fair rates for consumers. They charge \$550.00 for meter installation compared to Rattlesnake Ridge Water Company's proposed \$1,400.00.

Also for the average consumer who has a 5/8 inch or 3/4 inch meter 5,000 gallons of water would cost \$37.90 with Rowan Water. With Rattlesnake Ridge water rate increase 5,000 gallons of water would cost \$66.69. The difference in these rates is a substantial amount that makes a huge economic impact to those who are served by Rattlesnake Ridge Water.

I hope to hear from the Public Service Commission very soon about this matter.

The following are ways that I can be reached:

Phone [REDACTED]

Cell: [REDACTED]

Email

Mail: [REDACTED]

Olive Hill, Ky. 41164

I look forward to hearing from you.

Thank You,

[REDACTED]

A concerned citizen

Have you contacted the utility about the problem: Yes

Mr. Bill Gilbert
Rattlesnake Ridge Water District
P. O. Box 475
Grayson, KY 41143

CASE NO. 2018-00208
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO COMMISSION STAFF'S POST-HEARING DATA REQUESTS

7. Refer to the direct testimony of John Guastella, application p 271 .

a. Distinguish the "comparative analysis" performed by Mr. Guastella from the benchmarking analysis of depreciation practices and methods of 17 regional water utilities in Case No. 2006-00398

b. Respond to the concerns expressed by the Commission in Case No. 2006-00398 as applied to Mr. Guastella's study, specifically address the following:

(1) Whether the study identifies characteristics common to the proxy group and Water Service Kentucky;

(2) Whether the study identifies the method of determining depreciation rates used by each of the utilities in the proxy group; and

(3) Explain why the proxy group did not contain Kentucky water suppliers.

Response:

a. On the basis of an examination of the analysis prepared on behalf of NKWD by Black & Veatch in Case No. 2006-00398, it is similar to Mr. Guastella's study with respect to depreciation principles and methodology, following generally accepted practices and reflecting their experience, judgment and industry practice. Both studies agree as to the purpose, accounting and calculation of depreciation rates and expense. Both studies agree that depreciation rates are calculated using average service lives and net salvage values that take into account cost of removal. Both studies used comparative data to determine average service lives and depreciation rates to be applied to primary plant accounts when there is insufficient data for actuarial studies.

CASE NO. 2018-00208
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO COMMISSION STAFF'S POST-HEARING DATA REQUESTS

b. (1) and (2) The Black & Veatch study uses depreciation data on the basis of its survey of 17 utilities in Indiana, Kentucky, Ohio and Missouri, about half of which are municipal utilities. It is assumed that the issues raised by the Commission in its Order in Case No. 2006-0398 as well as here in 7b. (1) and (2) are in significant part attributable to the following statements in Black & Veatch's report:

In conducting our analyses, and developing the recommendations set forth in this report, we relied on certain information not within our control. During the course of our studies, we have not made an analysis, verified, or rendered an independent judgment as to the validity of the information provided by others, including NKWD.

NKWD, as have other publically owned systems we have worked with, did not preserve detail of somewhat limited value when changing accounting systems.

We do not make the foregoing observations as an indictment of publically owned utility accounting practices. We make these observations solely to demonstrate that any lack of detailed records that NKWD has is by no means unique. We find the lack of detail consistent with our experience with other publically owned utility systems.

In contrast, similar to the 1979 NARUC survey, Mr. Guastella uses comparable average service lives, by primary plant account, for utilities in many states. WSCK's accounting is consistent with the prescribed NARUC Uniform System of Accounts used by regulated utilities throughout the country, so that the primary plant accounts provide a common basis for the detail units of assets recorded within the accounts. In addition, unlike the Black & Veatch study and

CASE NO. 2018-00208
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO COMMISSION STAFF'S POST-HEARING DATA REQUESTS

the NARUC survey, the methodologies and much of the information used by Mr. Guastella to establish the comparable depreciation data were not only “verified” by Mr. Guastella, he was directly involved in the preparation of many of the depreciation studies, as reflected in the following partial response to the Commission Staff’s Request 25e:

The utilities in New York, including Utilities & Industries Corp., Long Island Water Corporation, Citizens Water Company, were based on retirement rate actuarial studies performed by or accepted by the NYPSC Water Division Staff when Mr. Guastella was Assistant Director or Director of the Water Division. Guastella Associates performed the Elizabethtown Water Company and Artesian Water Company studies on the basis of the retirement rate actuarial method. The Middlesex Water Company and American Water Company studies were based on the actuarial method performed by other Consultants. The Comparable data method was used for the Illinois utilities and Pennichuck Water Company, all performed by Guastella Associates.

Although the 1979 NARUC Study and the Black & Veatch study recognize the importance of considering cost of removal when calculating depreciation rates, they do not provide an analysis to support a range of cost of removal values. Mr. Guastella, however, provided evidence in the form of testimony and an exhibit in support of his recommended negative net salvage values that reflect a sound basis for cost of removal applicable to the average service lives of various primary plant accounts in the Kentucky region using the Hany-Whitman Construction Cost Indices.

CASE NO. 2018-00208
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO COMMISSION STAFF'S POST-HEARING DATA REQUESTS

On reflection, Mr. Guastella's study provides an update and improvement of the Black & Veatch study, effectively addressing the issues raised by the Commission in Case No. 2006-00398.

b. (3) As stated in response to a Commission Staff's Second Request for Information, Item 25d, Kentucky utilities were not in Mr. Guastella data base of depreciation studies. In order to more fully respond to the Post-Hearing request, however, "Attachment to Post-Hearing Request 7b. (3)" provides a comparison of depreciation expense using Mr. Guastella's recommended depreciation rates, and applying to WSCK's primary plant accounts the depreciation rates in the 1979 NARUC survey, and also those in the Commission's Decision in Case 2006-00398 for North Kentucky Water District ("NKWD") and the proposed depreciation rates of Kentucky American Water Company ("KAWC") in Case No. 2015-00418. While judgment was necessary in performing the comparisons in order to match a couple of primary plant accounts with accounts that the other studies segregated into different multiple subaccounts, any inaccuracy in the overall quantitative difference in the total depreciation expense, higher or lower, would not be significant and not affect the validity of the comparisons.

Cost of removal was taken into account in the depreciation rates approved by the Commission in Case No. 2006-00398 for NKWD and those proposed by KAWC in Case No. 2015-00418. Had the depreciation rates of NKWD or KAWC been applied to WSCK's primary plant accounts, they would produce depreciation expense of \$574,370 and \$540,903, respectively, both not only within close proximity but actually more than the \$531,746 resulting

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from Mr. Guastella's recommended depreciation rates. Clearly these comparisons confirm that Mr. Guastella's judgment and use of his data base produced a reasonable recommendation that is applicable to a water utility in Kentucky

Witness: John Guastella