

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

1. Provide Mr. Rhoades's curriculum vitae.

Response: Please see attached document.

WITNESS: David Rhoades

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First Request For Information

David Rhoades CV

214 North First Street
Central City, Ky 42330
270-754-5097 | <https://CCWaterandSewer.com>
Administrator@CentralCityKy.com

DAVID G. RHOADES

EDUCATION

BREMEN HIGH SCHOOL

Graduating Class 1986

WESTERN KENTUCKY UNIVERSITY

Graduating Class of 1990

Bachelors of Science – Agriculture Education

WORK HISTORY

CITY OF CENTRAL CITY – ADMINISTRATOR. CITY CLERK.

February 23, 1999 - Present

MUNICIPAL WATER AND SEWER SYSTEM OF CENTRAL CITY

2009 - Present

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2. List each case in which Mr. Rhoades has presented testimony to the Commission in either written or oral format.

Response: Case No. 2017-00199

WITNESS: David Rhoades

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3. Provide Mr. McGhee's curriculum vitae.

Response: Please see Central City's Response to Item 23 of the Commission's Initial Request for Information.

WITNESS: Michael McGhee

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4. List each case in which Mr. McGhee has presented testimony to the Commission in either written or oral format.

Response: Case No. 2017-00199

WITNESS: Michael McGhee

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5. List each Commission proceeding in which Mr. McGhee has sponsored a cost-of-service study. For each listed proceeding, provide a copy of the sponsored study.

Response: Please see Central City's Response to Item 23 of the Commission's Initial Request for Information.

WITNESS: Michael McGhee

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6. Provide a copy of each cost-of-service study that Central City has performed or commissioned since 2014 to determine the cost of providing wholesale water service to Muhlenberg District or Muhlenberg District #3. For each study, identify the preparer and provide his or her curriculum vitae.

Response: Central City has not had a cost-of-service study since 2014 to determine the cost of providing wholesale water service to the water districts with the exception of the rate analyses that were filed in Case No. 2017-00199 and 2019-00260.

WITNESS: Michael McGhee; David Rhoades

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7. Provide a copy of all of Central City's accounting instructions, assumptions, directives, manuals, policies, and procedures.

Response: Central City does not have written accounting instructions, assumptions, directives, manuals, policies, and procedures.

WITNESS: David Rhoades

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8. Provide Central City's cost allocation manual and all other documents, including policy statements, memoranda, correspondence, and official guidance, that address how Central City allocates shared or joint costs between city departments and operations.

Response: The City of Central City does not have a cost allocation manual or other documents addressing how Central City allocates shared or joint costs between city departments or operations. The City of Central City uses a 60/40 allocation factor of shared or joint costs of its water and sewer operations. In other words, if a cost that is attributable to both water and sewer operations is incurred, 60 percent of the total cost is allocated to the water operations and 40 percent of the cost is allocated to the sewer operations. This allocation method has been used for years, and the City has not located any documentation that originally established this methodology. The 60/40 methodology appears to be appropriate because, for a variety of reasons, and maybe under allocating expenses to the water operations based on certain factors. The water-to-sewer revenue ratio is approximately 3.5 to 1, and the water-to-sewer expense ratio is approximately 3.8 to 1. The water treatment plant has significantly more capacity (7.0 MGD) as compared to the wastewater treatment plant's capacity (1.2 MGD). We have estimated that City employees who jointly work on water and sewer operations spend approximately 60 percent of their time on water operations. And there are more retail water customers than sewer customers. Accordingly, we believe that the 60/40 allocation factor is appropriate.

WITNESS: David Rhoades

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9. Provide the system of accounts that Central City uses for its water and sewer operations.

Response: Please see attached document

WITNESS: David Rhoades

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Chart of Accounts

MUNICIPAL WATER & SEWER SYSTEM**Chart of Accounts****As of Sep 30, 2019**

Filter Criteria includes: Report order is by ID. Report is printed with Accounts having Zero Amounts and in Detail Format.

Account ID	Account Description	Active?	Account Type
1000	Beginning Balance Equity	Yes	Equity-doesn't close
1001	RETAINED EARNINGS	Yes	Equity-Retained Earnings
1075	Regions Bank Const. Trust	Yes	Other Current Assets
1100	Cash on Hand	Yes	Other Current Assets
1102	Cash in Bank	Yes	Other Current Assets
1105	Cert. of Dep. (UPB)	Yes	Other Current Assets
1107	Cert. of Dep. (ONB)	Yes	Other Current Assets
1108	Cert. of Dep. (UPB)	Yes	Other Current Assets
1115	Acct. Rec.-Water	Yes	Other Current Assets
1116	A/R-Water Unbilled	Yes	Other Current Assets
1117	Acct. Rec.-Sewer	Yes	Other Current Assets
1118	A/R-Sewer Unbilled	Yes	Other Current Assets
1119	Acct. Rec.-Other	Yes	Other Current Assets
1120	Interest Receivable	Yes	Other Current Assets
1200	Cash in Bank-ONB-Mtce/O	Yes	Cash
1201	Cash in Bank-Payroll (ONB)	Yes	Cash
1202	City-G/DF Transfer Account	Yes	Other Current Liabilities
1203	ACH Payments	Yes	Other Current Liabilities
1204	Trash Bin Rental	Yes	Other Current Liabilities
1205	Cash in Bank -(FSB) Payrol	Yes	Cash
1206	Cash in Bank - M&O (FSB)	Yes	Cash
1207	Trash Bin Purchase	Yes	Other Current Liabilities
1230	Unexpired Insurance	Yes	Other Current Assets
1240	Inventory-Chemicals-W/Pla	Yes	Other Current Assets
1241	Inventory-Supplies-S/Plant	Yes	Other Current Assets
1242	Inventory-Water Supplies	Yes	Other Current Assets
1243	Inventory-Sewer Supplies	Yes	Other Current Assets
1244	Inventory-Office Supplies	Yes	Other Current Assets
1260	Bond Discount & Expense	Yes	Other Current Liabilities
1760	Deferred Outflow - Bond In	Yes	Other Current Liabilities
1770	Deferred Outflow - Bond Di	Yes	Other Current Liabilities
1800	Deferred Outflow of Res. C	Yes	Other Current Liabilities
1850	Deferred Outflow of Res. P	Yes	Other Current Liabilities
2110	Sales Tax Collected	Yes	Other Current Liabilities
2112	Meter Deposits-Customers	Yes	Other Current Assets
2190	A/P-GRINDER PUMPS	Yes	Other Assets
2192	Commissioner Salary Paya	Yes	Cash
2200	Accounts Payable	Yes	Other Current Liabilities
2201	FICA W/H Tax Payable	Yes	Other Current Liabilities
2201-1	Medicare Taxes/Payable	Yes	Other Current Liabilities
2202	Federal W/H Tx Payable	Yes	Other Current Liabilities
2203	Kentucky W/H Tx Payable	Yes	Other Current Liabilities
2204	Employee Ins. W/H Payabl	Yes	Other Current Liabilities
2205	Accrued Payroll Tax Payabl	Yes	Other Current Liabilities
2206	Retirement Fd.-Employee	Yes	Other Current Liabilities
2207	Central City Conv. Ctr. Fee	Yes	Other Current Liabilities
2208	Deferred Compensation	Yes	Other Current Liabilities
2209	Due to Depreciation Fund	Yes	Other Current Liabilities
2210	Due from Dep. Fund to Rev	Yes	Other Current Assets
2211	DUE TO IMPROVEMENT F	Yes	Other Current Liabilities
2212	Empl. Pd. - Vision Care	Yes	Other Current Liabilities
2213	AFLAC	Yes	Other Current Liabilities
2214	Personal Debt	Yes	Accounts Payable
2215	Boston Mutual	Yes	Other Current Liabilities
2216	Ky Deferred Comp	Yes	Other Current Liabilities
2217	Credit Union	Yes	Other Current Liabilities
2218	Due from Improvement Fun	Yes	Long Term Liabilities
2219	Due from Construction Fun	Yes	Other Current Liabilities
2220	Transfer from Imp. Fd. to R	Yes	Income
2221	Transfer from Dep. Fd. to R	Yes	Other Current Assets
2222	Deferred Comp	Yes	Other Current Liabilities
2230	Def. Rev. Bond Cost	Yes	Other Current Liabilities

MUNICIPAL WATER & SEWER SYSTEM

Chart of Accounts

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Account ID	Account Description	Active?	Account Type
2236	Amortization Expense	Yes	Other Current Liabilities
2237	Line of Credit	Yes	Other Current Liabilities
2238	Accrued Payroll	Yes	Other Current Liabilities
2242	Sinking Fund	Yes	Other Current Liabilities
2451	CERS Accrued Employer M	Yes	Other Current Liabilities
2510	Accrued Vacation	Yes	Accounts Payable
2800	Equity Flex Line	Yes	Other Current Liabilities
2810	Bond Premium	Yes	Other Current Liabilities
2900	Net Pension Liability	Yes	Other Current Liabilities
2950	Deferred Inflows of Resour	Yes	Other Current Liabilities
3100	General Fund Balance	Yes	Equity-doesn't close
4200	Water Sales-City	Yes	Income
4201	Water Sales-County Distric	Yes	Income
4202	Water Sales-County Dist. #	Yes	Income
4203	Water Sales - Penalties	Yes	Income
4204	Water Sales - Allowances	Yes	Expenses
4205	Water Plant Expansion Proj	Yes	Income
4206	Rural Water Flex Loan	Yes	Income
4207	Bremen School Project Rei	Yes	Income
4208	National Guard Water Proj	Yes	Income
4210	Sewer Sales	Yes	Income
4211	Sewer Sales-Penalties	Yes	Income
4212	Sewer Sales-Allowances	Yes	Expenses
4215	Grinder Pump-Sewer	Yes	Income
4216	Grinder Pump-Loan Princip	Yes	Income
4217	Grinder Pump Loan Interes	Yes	Income
4220	Service Charges & Sales-S	Yes	Income
4221	Sewer Inspection Fees	Yes	Income
4222	Miscellaneous Income-Sew	Yes	Income
4224	Non-Taxable Income	No	Income
4230	Service Charges & Sales-	Yes	Income
4232	Miscellaneous Income-Wat	Yes	Income
4233	FEMA reimbursement	Yes	Income
5070	Admin. - Building Maint.	Yes	Expenses
5080	Contingency - Depreciation	Yes	Expenses
5090	Admin. - Audit Expense	Yes	Expenses
5100	Admin. - Municipal Insuran	Yes	Expenses
5101	Admin. - Workman's Comp.	Yes	Expenses
5110	Admin. - Engr. Exp WW	Yes	Expenses
5111	Admin. - Uniforms	Yes	Expenses
5130	Admin. - CERS	Yes	Expenses
5140	Admin. - Bad Debts	Yes	Income
5150	Admin. - Grinder Pump Exp	Yes	Expenses
5155	Admin. - Rent	Yes	Expenses
5160	Admin - Electric	Yes	Expenses
5170	Admin. - Telephones	Yes	Expenses
5180	Bonus	Yes	Expenses
5190	Bank Fees	Yes	Expenses
5200	Water Plant-Labor	No	Expenses
5201	Water Plant-Utilities	No	Expenses
5202	Water Plant-Supplies & Ex	No	Expenses
5203	Water Plant-Repairs & Mtc	No	Expenses
5204	Water Plant-Chemicals	No	Expenses
5210	Sewer Plant-Labor	No	Expenses
5211	Sewer Plant-Utilities	No	Expenses
5212	Sewer Plant-Supplies & Ex	No	Expenses
5213	Sewer Plant-Repairs & Mtc	No	Expenses
5214	Sewer Plant-Fuel	No	Expenses
5220	Water Lines-Labor	No	Expenses
5222	Water Lines-Repairs & Mtc	No	Expenses
5224	Water Lines-Parts & Suppli	No	Expenses
5226	Water-Supt. Salary	No	Expenses
5228	Water Lines-Fuel	No	Expenses

MUNICIPAL WATER & SEWER SYSTEM
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Account ID	Account Description	Active?	Account Type
5230	W/Lines-Rep. & Mtce.-Equi	No	Expenses
5232	W/Lines-Rent-Right-of Way	No	Expenses
5240	General Exp-Operating-Wa	No	Expenses
5250	Admin. - Natural Gas	Yes	Expenses
5252	Sewer Collection - Repairs/	Yes	Expenses
5254	Sewer Collect-Parts & Sup	Yes	Expenses
5255	Grinder Pumps	Yes	Expenses
5256	Sewer Lines-Supt. Salary	No	Expenses
5258	Sewer Collection - Gas & O	Yes	Expenses
5260	S. Coll-Repairs & Mtce.-Eq	Yes	Expenses
5262	Sewer Lines-Utilities	No	Expenses
5264	S/Lines-Rent-Right of Way	No	Expenses
5270	General Expense-Oper.-Se	Yes	Expenses
5280	Sewer Rehab	Yes	Expenses
5290	Admin. - Misc.	Yes	Expenses
6020	Water Plant - Supplies	Yes	Expenses
6030	Water Plant - Repairs/Main	Yes	Expenses
6040	Water Plant - Chemicals	Yes	Expenses
6050	Water Plant - Gas & Oil	Yes	Expenses
6200	Admin. - Health Insurance	Yes	Expenses
6201	Office Supplies-Water	Yes	Expenses
6202	Admin. - Dental Insurance	Yes	Expenses
6203	Empl. Pd. Health/Dental	Yes	Expenses
6204	Commissioners Salaries-W	Yes	Expenses
6205	Bad Debts-Water	Yes	Expenses
6206	Bad Debts - Sewer	Yes	Expenses
6207	Legal & Accounting-Water	Yes	Expenses
6208	Dues & Permits-Water	No	Expenses
6209	Meter Reading-Labor-Wate	No	Expenses
6210	Cleaning Supp/Exp.-Water	No	Expenses
6212	Insurance-Other-Water	No	Expenses
6213	Engineering Expense-Wate	No	Expenses
6214	Acquisition of Mach. & Equi	Yes	Expenses
6215	Mortgage Payment	Yes	Expenses
6216	Paving	Yes	Expenses
6220	General Expense(Adm.)-W	No	Expenses
6221	Pension Expense-Water	No	Expenses
6230	Office Salaries-Sewer	No	Expenses
6231	Office Supplies-Sewer	No	Expenses
6232	Insurance-Property-Sewer	No	Expenses
6233	Payroll Taxes-Sewer	No	Expenses
6234	Commissioners Salaries-S	No	Expenses
6235	Bad Debts-Sewer	No	Expenses
6236	Rep/Mtce.-Office Equip-Se	No	Expenses
6237	Legal & Accounting-Sewer	No	Expenses
6238	Dues & Permits-Sewer	No	Expenses
6239	Meter Reading-Labor-Sewe	No	Expenses
6240	Cleaning Suppl/Exp.-Sewer	No	Expenses
6242	Insurance-Other-Sewer	No	Expenses
6243	Engineering Expense-Sewe	No	Expenses
6244	Acquisition of Mach. & Equi	No	Expenses
6245	Office Utilities-Sewer	No	Expenses
6246	R/Mtce.-Office Building-Se	No	Expenses
6250	General Expense(Adm.)-Se	No	Expenses
6261	Pension Expense-Sewer	No	Expenses
6262	Grinder Pump Expense	No	Expenses
6300	VACATION LEAVE EXPEN	Yes	Expenses
6301	Sick Leave Expense	Yes	Expenses
6302	Accrued sick leave	Yes	Accounts Payable
6325	WATER PLANT - ACQ OF	Yes	Expenses
7020	Sewer Plant - Supplies	Yes	Expenses
7030	Sewer Plant - Repairs/Main	Yes	Expenses
7040	Sewer Plant - Acq. of Mach	Yes	Expenses

MUNICIPAL WATER & SEWER SYSTEM**Chart of Accounts****As of Sep 30, 2019**

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Account ID	Account Description	Active?	Account Type
7050	Sewer Plant - Gas/Oil	Yes	Expenses
7100	Interest Income	Yes	Income
7760	Tr. from Construction Fund	Yes	Expenses
8010	Water Dist. - Gas & Oil	Yes	Expenses
8020	Meters	Yes	Expenses
8030	Water Distr. - Repairs/Main	Yes	Expenses
8050	Water Dist. - Parts/Supplie	Yes	Expenses
8060	Water Dist. - Maint. Equip.	Yes	Expenses
8070	Water Distr. - Rent-Right-of	Yes	Expenses
8080	Water Dist. - Acq. Machine/	Yes	Expenses
8090	Water Dist. - Misc.	Yes	Expenses
8100	Fixed Asset Fund	Yes	Expenses
8101	Payroll Account Fund	Yes	Expenses
8102	Maintenance & Operating F	Yes	Expenses
8103	Bond & Interest Redemptio	Yes	Expenses
8104	Depreciation Fund	Yes	Expenses
8105	EDA Project Transfer	Yes	Expenses
8106	Transf. fr. Rev. to Imp. Cas	Yes	Expenses
8107	Transfer to City General Fu	Yes	Expenses
8109	Improvement Fund	Yes	Expenses
8111	Interest Payable-Meter Dep	Yes	Expenses
9200	Transfers from Revenue Fu	Yes	Expenses
9210	Transfer from Improvement	Yes	Expenses
9220	Transfer from Depreciation	Yes	Expenses
9230	Transfer to Fixed Assets	Yes	Expenses
PR-6561	Admin. Salaries	Yes	Expenses
PR-6562	ACH PAYROLL FEES	Yes	Expenses
PR-6563	Water Plant - Salaries	Yes	Expenses
PR-6564	Sewer Plant - Salaries	Yes	Expenses
PR-6565	Water Dist. - Salaries	Yes	Expenses
PR-6566	BONUS	Yes	Expenses
PR-6585	FICA/Medicare	Yes	Expenses
pt-		Yes	Cash

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10. List each charge to the water fund during Fiscal Year (“FY”) 2018 for the costs other than Central City’s water operations. The response shall include a detailed explanation of why the water fund was charged for each non-water operation cost.

Response: Central City is not aware of any charges to the water fund during Fiscal Year (“FY”) 2018 for the costs other than Central City’s water operations.

WITNESS: David Rhoades

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11. Provide the total gallons of water produced at Central City's water treatment plant for FY 2016, FY 2017, FY 2018, and FY 2019.

Response: Please see attached chart.

WITNESS: Michael McGhee

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Water Production Data

Central City Water Production and Usage Summary
(From WTP Operator Records)

9/17/2019

	Central City		MCWD		MCWD#3		Non-Revenue		Production	
	Gallons	% Prod	Gallons	% Prod	Gallons	% Total	Gallons	% Total	Gallons	
2014	Jan	13,794,000	14%	46,485,600	47%	25,406,400	26%	12,301,000	13%	97,987,000
	Feb	11,871,500	14%	39,185,800	45%	22,655,300	26%	14,164,400	16%	87,877,000
	Mar	10,373,300	11%	40,824,200	44%	24,160,300	26%	17,028,200	18%	92,386,000
	Apr	11,337,000	13%	37,098,900	43%	23,172,300	27%	14,564,800	17%	86,173,000
	May	11,215,300	12%	40,998,100	43%	24,945,200	26%	18,727,400	20%	95,886,000
	Jun	14,779,700	16%	43,508,600	47%	25,893,100	28%	9,314,600	10%	93,496,000
	Jul	14,086,700	15%	42,489,300	44%	25,948,200	27%	13,004,800	14%	95,529,000
	Aug	21,038,200	23%	39,108,800	43%	22,518,800	25%	8,782,200	10%	91,448,000
	Sep	13,921,400	16%	40,768,600	48%	23,343,600	28%	6,615,400	8%	84,649,000
	Oct	12,847,400	16%	36,806,000	44%	21,462,700	26%	11,690,900	14%	82,807,000
	Nov	11,702,200	14%	36,251,300	43%	19,272,800	23%	16,221,700	19%	83,448,000
	Dec	12,097,500	14%	42,149,000	48%	21,783,400	25%	11,658,100	13%	87,688,000
	TOTAL	159,064,200	15%	485,674,200	45%	280,562,100	26%	154,073,500	14%	1,079,374,000
2015	Jan	11,363,900	12%	40,159,800	43%	21,285,200	23%	20,259,100	22%	93,068,000
	Feb	13,941,800	16%	39,507,100	44%	21,282,100	24%	14,659,000	16%	89,390,000
	Mar	11,658,200	12%	43,983,000	46%	23,733,300	25%	16,946,500	18%	96,321,000
	Apr	11,653,500	14%	36,475,900	43%	21,187,700	25%	14,995,900	18%	84,313,000
	May	12,070,000	13%	39,736,500	42%	21,795,000	23%	19,944,500	21%	93,546,000
	Jun	14,953,600	16%	42,990,400	47%	26,016,400	29%	7,064,600	8%	91,025,000
	Jul	13,160,500	14%	41,816,300	45%	24,202,700	26%	13,587,500	15%	92,767,000
	Aug	14,282,300	16%	41,340,700	45%	23,484,000	26%	12,642,000	14%	91,749,000
	Sep	12,196,500	14%	41,432,500	46%	22,943,500	25%	13,461,500	15%	90,034,000
	Oct	12,224,400	14%	36,149,000	43%	20,824,700	25%	15,352,900	18%	84,551,000
	Nov	14,229,200	17%	37,171,700	46%	20,122,700	25%	10,061,400	12%	81,585,000
	Dec	11,031,000	13%	37,614,700	44%	20,821,500	24%	16,630,800	19%	86,098,000
	TOTAL	152,764,900	14%	478,377,600	45%	267,698,800	25%	175,605,700	16%	1,074,447,000
2016	Jan	13,509,200	15%	37,002,300	42%	19,978,200	22%	18,335,300	21%	88,825,000
	Feb	11,742,600	15%	37,989,700	47%	21,292,500	27%	8,958,200	11%	79,983,000
	Mar	11,125,900	13%	37,186,500	44%	20,812,800	25%	14,671,800	18%	83,797,000
	Apr	10,773,800	13%	34,887,400	42%	20,696,600	25%	16,953,300	20%	83,311,100
	May	11,728,300	12%	38,557,900	41%	22,817,000	24%	21,499,800	23%	94,603,000
	Jun	13,619,100	14%	43,001,000	43%	23,787,500	24%	18,979,000	19%	99,386,600
	Jul	15,276,700	17%	37,969,900	42%	21,755,300	24%	16,035,100	18%	91,037,000
	Aug	13,620,900	15%	42,399,300	47%	25,301,000	28%	9,134,800	10%	90,456,000
	Sep	13,283,300	15%	40,140,800	46%	22,941,000	26%	10,441,300	12%	86,806,400
	Oct	14,436,400	17%	39,284,800	45%	22,643,600	26%	10,886,200	12%	87,251,000
	Nov	12,435,300	15%	35,627,800	44%	22,253,200	28%	10,419,700	13%	80,736,000
	Dec	12,756,000	15%	35,554,800	42%	22,325,700	26%	14,598,500	17%	85,235,000
	TOTAL	154,307,500	15%	459,602,200	44%	266,604,400	25%	170,913,000	16%	1,051,427,100
2017	Jan	13,718,800	15%	39,521,800	45%	23,677,100	27%	11,762,300	13%	88,680,000
	Feb	13,578,500	18%	33,436,500	43%	20,356,000	26%	10,143,000	13%	77,514,000
	Mar	11,206,100	13%	37,575,600	44%	22,003,000	26%	14,953,300	17%	85,738,000
	Apr	11,171,600	13%	35,414,500	42%	19,649,600	23%	17,582,300	21%	83,818,000
	May	14,652,700	16%	44,998,700	48%	24,698,300	26%	8,949,300	10%	93,299,000
	Jun	12,376,500	14%	41,851,100	47%	22,676,500	25%	12,960,900	14%	89,865,000
	Jul	13,646,900	14%	44,002,900	45%	24,582,500	25%	16,166,700	16%	98,399,000
	Aug	16,057,000	17%	41,923,200	44%	22,615,000	24%	14,025,800	15%	94,621,000
	Sept	14,767,900	17%	39,856,300	45%	22,402,100	25%	12,413,700	14%	89,440,000
	Oct.	13,873,000	15%	42,970,100	48%	21,737,200	24%	11,672,700	13%	90,253,000
	Nov.	12,633,400	14%	41,860,900	47%	21,503,100	24%	13,734,600	15%	89,732,000
	Dec	12,234,800	14%	42,871,100	48%	23,878,500	27%	11,121,600	12%	90,106,000
	TOTAL	159,917,200	15%	486,282,700	45%	269,778,900	25%	155,486,200	15%	1,071,465,000
2018	Jan	14,806,900	13%	45,117,100	40%	23,581,600	21%	29,902,400	26%	113,408,000
	Feb	13,776,500	14%	38,154,800	39%	19,244,200	20%	27,165,500	28%	98,341,000
	Mar	11,082,300	12%	36,806,500	40%	20,249,600	22%	24,426,600	26%	92,565,000
	Apr	12,272,000	15%	37,705,700	45%	20,373,100	24%	14,280,200	17%	84,631,000
	May	9,946,900	10%	43,286,000	44%	24,472,100	25%	20,612,000	21%	98,317,000
	Jun	15,131,900	17%	39,600,800	44%	18,924,100	21%	16,118,200	18%	89,775,000
	Jul	16,548,100	17%	49,481,300	51%	19,428,300	20%	11,635,300	12%	97,093,000
	Aug	12,716,900	14%	40,793,800	45%	20,013,600	22%	16,350,700	18%	89,875,000
	Sept	14,201,800	17%	36,705,700	43%	16,069,900	19%	18,086,600	21%	85,064,000
	Oct.	11,269,500	13%	40,344,200	48%	18,490,100	22%	14,695,200	17%	84,799,000
	Nov.	16,825,700	20%	38,677,800	46%	17,852,400	21%	10,996,100	13%	84,352,000
	Dec	10,726,200	12%	38,895,800	45%	18,327,800	21%	19,062,200	22%	87,012,000
	TOTAL	159,304,700	14%	485,569,500	44%	237,026,800	21%	223,331,000	20%	1,105,232,000
2019	Jan	12,810,200	14%	41,639,000	47%	21,121,100	24%	12,981,700	15%	88,552,000
	Feb	12,337,700	15%	33,297,800	41%	18,026,500	22%	17,525,000	22%	81,187,000
	Mar	11,352,400	14%	34,409,700	41%	17,311,600	21%	20,783,300	25%	83,857,000
	Apr	10,542,700	13%	38,785,600	49%	17,938,400	22%	12,462,300	16%	79,729,000
	May	21,408,800	24%	33,260,800	37%	15,170,700	17%	18,940,700	21%	88,781,000
	Jun	9,258,100	11%	38,785,600	47%	17,938,400	22%	16,691,900	20%	82,674,000
	Jul	6,922,900	8%	39,573,500	47%	19,485,700	23%	18,392,900	22%	84,375,000
	Aug									
	Sept									
	Oct.									
	Nov.									
	Dec									
	TOTAL	84,632,800	14%	259,752,000	44%	126,992,400	22%	117,777,800	20%	589,155,000

Note: Water produced in a given month is generally billed in a subsequent month

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

12. Describe the operation of Central City's water system. This description should include a detailed description of the treatment process that Central City uses.

Response: Central City obtains raw water from the Green River. A raw water intake with screening, variable speed vertical turbine pumps, metering and chemical pretreatment facilities draws the water from the river. It is pumped through approximately 3,500 feet of 24-inch ductile iron pipe to the water treatment plant site on River Road south of the intake. The water treatment plant employs a traditional rapid mix → flocculation → sedimentation → sand filtration → disinfection process. At the plant, water is introduced into a dual train rapid mix area where chemical coagulants are introduced and mixed into the water. The water then moves into a dual train flocculation basin, then into sedimentation basins. The effluent from the sedimentation basins enters sand and anthracite gravity filter cells. Filtered effluent discharges to three clearwells for disinfection. The finished water moves to a high service pumping station where it is pumped into the distribution system. The facility also has facilities for chemical storage and feeding, sludge handling and disposal, plant maintenance, laboratory testing, and operator's offices. The plant has a rated capacity of 7.0 million gallons per day (MGD), and the site is configured to allow space for expansion to 10.5 MGD. Water entering the distribution system flows either to one of four water storage tanks, or to one of several metering points to wholesale customers, or to direct city customers.

The Central City Water Treatment Plant was selected as the water plant of the year by the Kentucky Water and Wastewater Operators Association in 2018.

WITNESS: Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
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13. Does Central City meter finished water as it leaves its water treatment plant and enters Central City's distribution system? If yes, provide the daily meter readings for FY 2016, FY 2017, FY 2018, and FY 2019 and what size meter(s) Central City uses to measure finished water as it leaves the water treatment plant.

Response: Please see the attached Excel file.

WITNESS: Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

14. How often does Central City flush its lines? State the volume of water used each time Central City flushes its lines.

Response: Hydrants are flushed twice a year for approximately 4 or 5 minutes at a rate of approximately 300-500 gal/minute

WITNESS: David Rhoades

Case No. 2019-00260
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First Request For Information

15. Provide the number of gallons of non-revenue water that Central City experienced for each month of FY 2018 and FY 2019. For purposes of this request, “non-revenue” water is the total volume of water produced and distributed less the volume of water billed.

Response: See response to Item 11 above.

WITNESS: Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

16. Does Central City calculate its cost to produce water? Please include the Kentucky Division of Water's most recent sanitary survey of Central City's water system confirming your answer.

Response: Central City does not calculate its cost to produce water.

WITNESS: Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

17. Provide the ordinance that established Central City's current retail rates.

Response: Please see Central City's Response to Item 25 of the Commission's Initial Request for Information. Also, please see the ordinance that has had a first reading and is attached to Item 43 below.

WITNESS: David Rhoades

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

18. Provide a copy of the budget for Central City's water operations for FY 2020.

Response: Please see the Excel file that is being filed simultaneous with this response.

WITNESS: David Rhoades

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

19. What are the service lives for Central City's water distribution and transmission mains? Provide all studies, reports, and analyses upon which Central City relied for its determination.

Response: Central City has not conducted a depreciation study. For additional information, see response to Item 21 below.

WITNESS: David Rhoades; Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

20. Provide a copy of the most recent depreciation study for Central City's water system.

Response: Central City has not conducted a depreciation study. For additional information, see response to Item 21 below.

WITNESS: David Rhoades; Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

21. If Central City has not performed or commissioned a depreciation study, explain how Central City determined the depreciation rate for its assets and identify the person(s) who made the determination.

Response: Central City has not performed a depreciation study beyond the analysis conducted by Michael W. McGhee in his testimony in Case No. 2017-00199 filed on July 7, 2017, and the assignment of reasonable service lives of assets for accounting purposes, as reflected in the document produced in response to Item 9 of the Commission's First Request for Information to Central City in this Case No. 2019-00260. With respect to the service lives (or "tax period") of assets reflected in the document produced in response to Item 9 of the Commission's First Request for Information to Central City, these were based on the City's historical treatment of similar assets and observations of City employees. The depreciation rates contained in that document would have been determined by a variety of individuals over the years, and most recently would have been a collaboration between David Rhoades and the City's accountant Daniel Pate.

WITNESS: David Rhoades; Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

22. Provide all studies, reports, and analyses upon which Central City relied in determining depreciation rates.

Response: Central City has not conducted a depreciation study. For additional information, see Response to Item 21 above.

WITNESS: David Rhoades, Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

23. Are portions of the depreciation expense for all of Central City's depreciable water assets allocated to Muhlenberg District and Muhlenberg District #3? If no, identify the depreciable water assets of Central City that are not allocable to Muhlenberg District and Muhlenberg District #3.

Response: Central City's depreciation expense for its water system is based on asset classification. Muhlenberg District and Muhlenberg District #3 are allocated a portion of that depreciation expense.

WITNESS: Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

24. Provide a copy of the current asset management plan for Central City's water operations.

Response: Central City does not have an asset management plan.

WITNESS: David Rhoades

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

25. Provide a copy of the current capital improvement plan for Central City's water operations.

Response: Central City does not have a capital improvement plan.

WITNESS: David Rhoades

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

26. Describe the benefits (e.g., health insurance, life insurance, pension costs, etc.) that Central City provides to its employees and state the cost of each benefit provided.

Response: For retirement benefits, Central City pays the required CERS contribution for its employees. The City pays a portion of health and dental insurance premiums, if an employee elects coverage. For a listing of costs, see Central City's Response to Item 7 of the Commission's Initial Request for Information.

WITNESS: David Rhoades

Case No. 2019-00260
City of Central City Rate Case
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First Request For Information

27. For each outstanding revenue bond issuance listed in Item 5 of Central City's responses to Commission's July 30, 2019 Order, indicate whether depreciation expense is considered in determining the required debt service coverage.

Response: Depreciation expense is not considered in determining the required debt service coverage.

WITNESS: Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
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28. Confirm that the purpose of the 2013 Kentucky Rural Water Corporation Finance loan in the principal amount of \$895,000 was to refinance Central City's Water and Sewer System Revenue Bonds, Series 1989 ("1989 Bonds"). What was the purpose and use of the proceeds of the 1989 Bonds?

Response: The 1989 Bonds were used to refinance prior debt. This is a flex loan the City was using to pay for sewer-related projects.

WITNESS: David Rhoades; Michel McGhee

Case No. 2019-00260
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Responses to Muhlenberg County Water District and
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29. State the purpose and use of the proceeds from the recent 2019 issuance of \$14,420,000 aggregate principal amount of Central City's Water and Sewer Revenue Bonds, 2019 Series A and B ("2019 Bonds").

Response: The 2019 Bonds were used to refinance prior debt. This is a flex loan the City was using to pay primarily for sewer-related projects. In the course of certain sewer projects, funding was used to replace water infrastructure in the same vicinity as the concurrent sewer project. For example, a water main along Broad Street was replaced while crews were working on the sewer project in that same area.

WITNESS: Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
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30. Was any of the debt service for the 2019 Bonds used in determining the proposed rates?

Response: No.

WITNESS: Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

31. Provide a complete copy of Ordinance #2019-03, which authorized the issuance of the 2019 Bonds.

Response: Please see attached.

WITNESS: David Rhoades

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

Ordinance #2019-03

NOTICE OF ENACTMENT AND SUMMARY OF BOND ORDINANCE

ORDINANCE OF THE CITY OF CENTRAL CITY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$14,420,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF CENTRAL CITY WATER AND SEWER REVENUE BONDS, SERIES 2019, CONSISTING OF \$10,400,000 OF SERIES A BONDS AND \$4,020,000 OF SERIES B BONDS, FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM OF SAID CITY; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATER SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

As required by KRS 83A.060(9), I hereby certify that an Ordinance bearing the above title was given first reading (by Title and Summary) by the City Council of the City of Central City Kentucky, at a duly convened meeting of said City Council held on February 27, 2019, and was given second reading (by Title and Summary) and enacted by said City Council at a duly convened meeting held on March 13, 2019, and that the following is a Summary of such Ordinance prepared by W. Randall Jones, an attorney licensed to practice law in the Commonwealth of Kentucky, of the firm of Rubin & Hays, Attorneys at Law, Louisville, Kentucky. (/s/ W. Randall Jones)

SUMMARY OF ORDINANCE

Said Ordinance authorizes the issuance of \$14,420,000 of City of Central City Water and Sewer Revenue Bonds, Series 2019 (the "Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of the Project referred to in said title; authorizes interim financing to pay the costs of said Project pending the issuance of the Bonds; designates Engineers for the Project and the depository bank of the proceeds of the Bonds and of certain funds to be maintained in connection with the Bonds; provides for a Sinking Fund for the payment of principal and interest on the Bonds, an Operation and Maintenance Fund, and a Debt Reserve Fund; provides that said Bonds are secured by a pledge of the gross revenues of the System; establishes the method of payment of the principal of and interest on the Bonds, and the conditions and restrictions for the issuance of bonds ranking on a parity with the Bonds; provides certain covenants of the City for the further protection of the holders of the Bonds, including covenants as to compliance with the Internal Revenue Code; and prescribes terms and conditions upon which bids will be received for the purchase of the Bonds.

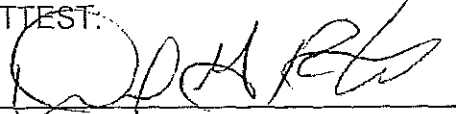
A copy of the full text of said Ordinance is available for public inspection during regular business hours, Monday through Friday. (Signed) David G. Rhoades, City Clerk, City of Central City, Kentucky 42330.


NOTICE OF BOND SALE

Sealed bids will be received by the City of Central City at the city hall in Central City, Kentucky, until 5:00 P.M., C.T., on March 13, 2019, for the purchase of \$14,420,000 of City of Central City Water System Revenue Bonds, Series 2019, to be dated as of the date of delivery and bearing interest from that date, payable semiannually, maturing on January 1, 2020 through 2059. Minimum bid, par value. USDA, Rural Development will submit a bid for the purchase of the Bonds. In the event that a bid(s) from non-governmental bidder(s) shall be received, the rate and terms of which are determined by RD to be reasonable, then such RD bid will be withdrawn. Good faith check 2%. Approving legal opinion by Rubin & Hays, Louisville, Kentucky. The Bonds will be issued on a tax-exempt basis, subject to certain qualifications set out in detail in the Official Notice of Sale of Bonds. Bid Forms, Official Notice and other information may be obtained from the undersigned. (Signed) David G. Rhoades, City Administrator, Central City, Kentucky.

DATED: This the 13th day of March, 2019.

ATTEST:


David G. Rhoades, City Clerk


Tony Armour, Mayor

FIRST READING: February 27th, 2019

ROLL CALL

	<u>YES</u>	<u>NO</u>
CHRISTMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COOMBS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CUNNINGHAM	<u>absent</u>	<input type="checkbox"/>
HEARLD	<u>absent</u>	<input type="checkbox"/>
HIGGS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
JENKINS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LANCASTER	<u>absent</u>	<input type="checkbox"/>
MILLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TOTAL:	<u>5</u>	<u>0</u>

**CENTRAL CITY, KENTUCKY
MARCH 13, 2019
5:00 P.M.**

The Board of Council for the City of Central City, Kentucky met in session with Mayor Tony L. Armour. City Attorney Dennis Winters was present.

PRAYER: Shannon Coombs

COUNCIL MEMBERS PRESENT: Mae Christmas, Shannon Coombs, David Higgs, Mike Jenkins, and Richard Miller

COUNCIL MEMBERS ABSENT: Otis Cunningham, Janet Hearld, and Ellanee Lancaster

MINUTES:

February 27, 2019 Regular Meeting Minutes

A motion to accept the regular meeting minutes was made by Shannon Coombs and seconded by Mae Christmas. Unanimous “aye”, motion carried.

CORRESPONDENCE:

City Administrator David Rhoades presented the Council with a draft of the 2019 Muhlenberg County Comprehensive Plan.

FINANCIAL REPORT:

A motion to accept the February 2019 Financial Report was made by David Higgs and seconded by Richard Miller. Unanimous “aye”, motion carried.

MARCH 2019 BILLS TO BE PAID:

A motion to accept the March 2019 Bills was made by Richard Miller and seconded by Mae Christmas. Unanimous “aye”, motion carried.

ADDITIONS / DELETIONS: None

AGENDA:

A motion to adopt the agenda was made by David Higgs and seconded by Mike Jenkins. Unanimous “aye”, motion carried.

COMMITTEE REPORT:

1) **Building Inspector** – 1 permit issued with \$50.00 rebate to the City.

OLD BUSINESS:

1) **Second Reading Of Ordinance Bill #2019-01, An Ordinance Annexing Territory Into The City Of Central City, Kentucky, To Be Known As “The 2019 Scott Bunch And Jenny Bunch Annexation”**

City Attorney Dennis Winters read the second reading of Ordinance Bill #2019-01. David Higgs made a motion to accept Ordinance Bill #2019-01 and seconded by Richard Miller with a roll call vote. **Roll Call:** Mae Christmas – yes, Shannon Coombs – yes, Otis Cunningham – absent, Janet Hearld – absent, David Higgs – yes, Mike Jenkins – yes, Ellanee Lancaster – absent, and Richard Miller – yes. Motion carried.

2) **Second Reading Of Ordinance Bill #2019-02, An Ordinance Amending The Annual Budget And Appropriations For The City Of Central City, Kentucky, For The Fiscal Year July 1, 2017 Through June 30, 2018**

City Attorney Dennis Winters read the second reading of Ordinance Bill #2019-02. Richard Miller made a motion to accept Ordinance Bill #2019-02 and seconded by Mike Jenkins with a roll call vote. **Roll Call:** Mae Christmas – yes, Shannon Coombs – yes, Otis Cunningham – absent, Janet Hearld – absent,

David Higgs – yes, Mike Jenkins – yes, Ellanee Lancaster – absent, and Richard Miller – yes. Motion carried.

3) Second Reading Of Ordinance Bill #2019-03, Bond Ordinance

City Attorney Dennis Winters read the second reading of Ordinance Bill #2019-03. David Higgs made a motion to accept Ordinance Bill #2019-03 and seconded by Richard Miller with a roll call vote. **Roll Call: Mae Christmas – yes, Shannon Coombs – yes, Otis Cunningham – absent, Janet Hearld – absent, David Higgs – yes, Mike Jenkins – yes, Ellanee Lancaster – absent, and Richard Miller – yes.** Motion carried.

NEW BUSINESS:

1) Resolution #2019-04, Land And Water Conservation Fund 2019 Grant Application

City Attorney Dennis Winters read Resolution #2019-04. Shannon Coombs made a motion to accept Resolution #2019-04 and seconded by Mike Jenkins. Majority ruled, motion carried.

2) Resolution #2019-05, Recreational Trails Program 2019 Grant Application

City Attorney Dennis Winters read Resolution #2019-05. Richard Miller made a motion to accept Resolution #2019-05 and seconded by Mike Jenkins. Majority ruled, motion carried.

3) First Reading Of Ordinance Bill #2019-04, An Ordinance Amending Ordinance KOC #920.14 Article VII Entitled: “Signs And Outdoor Advertising Displays”

City Attorney Dennis Winters read the first reading of Ordinance Bill #2019-04. There was no action taken.

Mike Jenkins made a motion to adjourn. Richard Miller seconded the motion. Unanimous “aye”, motion carried.

Tony L. Armour, **Mayor**

David G. Rhoades, **City Clerk**

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
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First Request For Information

32. Provide the amortization schedules for the 2019 Bonds.

Response: The Bonds were part of a USDA financing package and USDA does not prepare amortization schedules.

WITNESS: David Rhoades

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City of Central City Rate Case
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Muhlenberg County Water District No. 3's
First Request For Information

33. Please confirm that Mr. Rhoades is both City Administrator and City Clerk of Central City. What are Mr. Rhoades's duties for each of these positions?

Response: Mr. Rhoades is the City Administrator. Please see attached description.

WITNESS: David Rhoades

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First Request For Information

JOB DESCRIPTION AND RESPONSIBILITIES

CITY ADMINISTRATOR

Job Description

As City Administrator, I, David Rhoades, am responsible for directing a variety of administrative processes that allow Central City to operate. It is my job to implement and oversee policies crafted by the city council. I am also responsible for documenting and presenting the city budget, as well as interfacing with the community to develop new programs.

Job Duties

I am also responsible for budget management, department oversight, internal affairs, and external relations.

I monitor, report on, and make recommendations regarding the city budget. I work with the mayor and heads of each department to make sure that city finances remain balanced. I prepare budget reports and deliver information to city leaders and the public regarding the fiscal state of the municipality.

The leader of each city department reports to me. The oversight of these department heads allows for continuity of standards and policies across all city departments. Departments include parks and recreation, fire, police, and water.

I direct internal city operations and external relations. Externally, I am also responsible for hearing the concerns and requests of our community and bring them to the government. I must anticipate municipality needs and create programs to address them. Internally, I am responsible for implementing and overseeing policies to ensure all procedural requirements are followed. Based on research and community insight, I advise the city council and the mayor.

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Responses to Muhlenberg County Water District and
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34. Is all of Mr. Rhoades's salary allocated between water and sewer or is part of it allocated to the general administration of the city?

Response: Mr. Rhoades's salary is allocated 60% to water and 40% to sewer.

WITNESS: David Rhoades

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

35. Provide a copy of the Preliminary Engineering Report (“PER”) that was submitted to Rural Development (“RD”) on behalf of Central City prior to RD issuing its Letter of Conditions dated March 23, 2018.

Response: Please see attached.

WITNESS: Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

Preliminary Engineering Report

PRELIMINARY ENGINEERING REPORT

CENTRAL CITY WATER & SEWER WATER SYSTEM IMPROVEMENTS PROJECT

October 2, 2017



MCGHEE ENGINEERING, INC.

202 South Ewing Street
Guthrie, Kentucky 42234

(270) 483-9985

www.mcgheeengineering.com



PRELIMINARY ENGINEERING REPORT
Water System Improvements Project

prepared for the



Central City Water & Sewer

prepared by

McGhee Engineering, Inc.

EIN# 61-1338167

202 Ewing Street, P. O. Box 267

Guthrie, Kentucky 42234

(270) 483-9985

Preliminary Engineering Report
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- A Clearinghouse Review Letter (*Provided at a later date*)

1.0 INTRODUCTION

Central City is a fourth class city with a population in the 2010 census of 5,978. It is the largest city in Muhlenberg County with about 19% of the county's 31,499 residents; however it is not the county seat. The site of present-day Central City was originally known as Morehead's Horse Mill after local resident Charles S. Morehead's steam-powered gristmill. A larger community began to develop after the 1870 advent of the Elizabethtown and Paducah Railroad. By 1873, the settlement was large enough to be incorporated by the state legislature as Stroud City, after local landowner John Stroud. The same year, however, the du Pont's Central Coal and Iron Company began operation in the area and became so vital to the local economy that the city was reincorporated in 1882 as Central City. Similar to the other five incorporated towns in Muhlenberg County, the community has historically relied heavily upon coal mining and related activities.

The City is governed by a Mayor and an eight member city council, and the City also has a full-time city administrator for day to day operations. The City's utility system is managed by the Central City Municipal Water and Sewer Board, which is charged with supervising and operating the Central City municipal water and wastewater system. The board is appointed by the Mayor and Council and consists of five members. The water and sewer department is well staffed and managed, and the department operates with an annual budget of approximately \$3,400,000, according to total operating revenues in the fiscal year ending June 30, 2016.

During the 2016 fiscal year, the Central City water system served nearly 2,120 customers directly. In addition, the water system provides water to the Muhlenberg County Water District, Muhlenberg County Water District No. 3, the Cities of Drakesboro and Sacramento, and to the TVA Paradise Steam Plant. In all, Central City is responsible for providing drinking water to over 11,500 households, businesses and industries, representing nearly 30,000 persons.

Central City currently operates a 7 MGD water treatment plant, which recently underwent an expansion that was completed in 2014. The overall plant expansion contract included expansion of the intake pumping capacity, construction of new flocculation and sedimentation basins, enlargement and rehabilitation of existing chemical storage and feed systems, upgrade of the existing filters, construction of a new clearwell and high service pump station, rehabilitation and replacement of plant electrical and control equipment, renovation and repair some of plant piping, valves and mechanical systems and addition of generators at the intake and treatment plant. In addition to the work at the water treatment plant, distribution improvements were made including construction of a new 1 million gallon water storage tank, replacement of undersized lines, and implementation of a new SCADA system. The overall water project cost approximately \$2,750,000, and it was totally completed in 2016.

Since completion of the last water improvement project, the City has identified other critical water system needs to correct deficiencies. These needs include major items such as refurbishing and painting of their Reservoir Hill Tank No. 2, installing mixing systems in their older water tanks, replacing the sluice gates at the raw water intake, renovating the water plant's laboratory, demolishing the Stringtown tank, plus other smaller improvements. The project is estimated to cost \$1,000,000.

2.0 PROJECT PLANNING AREA

2.1 Location

The work will take place at the existing Central City water treatment plant, the existing raw water intake on the Green River, and at the City's oldest water tank sites (Reservoir Hill, Rose Hill and Stringtown).

The work sites for the proposed project are illustrated on a topographic map and labeled as Exhibit E-1.

2.2 Land Use and Environmental Resources Present

All work proposed will take place within the city limits of Central City. The water plant and intake work will take place at their existing respective sites on land owned by Central City. The tank work and valve replacements will take place at the respective tank sites on land also owned by Central City. The project will affect three main resources during construction: residential, commercial and transportation. The general construction effect to the resources is the disturbances associated with improving the facilities. No long-term impact is expected to any environmental resource.

The predominant natural resource in the area is coal. The area around Central City has been extensively mined over the past 100 years, and this mining activity continues today. In addition to mining, there is some oil and gas production and agricultural land use. The proposed project should not impact any of these uses negatively.

The project will be submitted to the Kentucky State Clearinghouse. The Clearinghouse review isn't expected to identify any conflicts with state or local planning, and an approval recommendation is anticipated for the project. At this time, an archeological investigation is not required or anticipated to determine if the proposed work affects historical and archeological resources that may be eligible for listing in the National Register for Historical Places. Since all of the proposed work sites are on Central City property that has been previously disturbed by earlier construction, it is anticipated that any archeological requirement will be waived.

The following exhibits indicate the environmental resources present within the project planning area:

- A topographic map of the proposed water project indicating the areas to be affected is attached as Exhibit E-1. The base map is USGS 7.5' quadrangle images.
- Exhibit E-2 thru E-4 show floodplain data available for the project areas.

2.3 Growth Areas and Population Trends

The population history of Muhlenberg County is an important element in determining the growth patterns over recent years. Analysis of the population history will assist in forming a reliable estimate of the future water needs of the project area.

According to historical records, Muhlenberg County's population has hovered under 32,000 persons for the past 30 years. Table 1 provides the population history and projections of the county based on data obtained from the U.S. Bureau of the Census.

Table 1
Population History and Projections

		Historical								Projections			
YEAR		1	1	1	1	1	1	2	2	2	2	2	2
		9	9	9	9	9	9	0	0	0	0	0	0
		4	5	6	7	8	9	0	1	1	2	2	3
		0	0	0	0	0	0	0	0	5	0	5	0
MUHLENBERG	Breman	239	410	328	299	179	267	365	197	194	190	186	181
	Central City	4,199	4,110	3,694	5,450	5,214	4,979	5,893	5,978	5,885	5,778	5,650	5,500
	Drakesboro	1,255	1,102	832	907	798	565	627	515	508	499	488	475
	Greenville	2,347	2,661	3,198	3,875	4,631	4,689	4,398	4,312	4,389	4,310	4,214	4,102
	Powderly	*	*	*	631	848	748	846	745	731	718	702	683
	So. Carrollton	296	289	234	218	262	202	184	184	182	179	175	170
	Rural Areas	29,218	23,929	19,505	16,157	20,306	19,868	19,526	19,568	19,257	18,908	18,488	17,999
	Muhl. County	37,554	32,501	27,791	27,537	32,238	31,318	31,839	31,499	31,146	30,582	29,903	29,110
% Change			-13.5%	-14.5%	-0.9%	17.1%	-2.9%	1.7%	-1.1%	-1.1%	-1.8%	-2.2%	-2.7%
Notes to Table 1:		1. Shaded areas have been calculated based on census and projection data.											
Sources to Table 1:		1. Historical & Projections provided by the KY State Data Center and Census Bureau University of Louisville, State Data Center (http://cbpa.louisville.edu/ksdc/)											

Analyzing Table 1 shows that Muhlenberg County grew steadily for the first part of the 20th century, lost population during the middle decades, then has held fairly steady through the last 30 years. As with most rural areas in western Kentucky, the Kentucky Data Center at the University of Louisville projects a steady decline in the population of Muhlenberg County for the next 20 years.

Several factors influence the growth of a community, some of which include accessibility, technology, education, water infrastructure, sewer facilities, and jobs. Muhlenberg County enjoys good access to Interstates 24 and 65 via the Western Kentucky Parkway. High speed internet and wireless technology have gradually entered the communities, creating greater and easier contact to the rest of the world. The local school system is strong and provides a quality education and quality medical care is readily available. Perhaps the biggest economic variable in recent years, however, is coal mining. While mine employment has not reached the levels experienced in the 1960's and 1970's, mining employment has been somewhat volatile in recent years. While energy prices were high in the early 2010's, coal saw a resurgence and was expected to be an important industry in the United States for the foreseeable future. However, political changes and increases in natural gas supplies have created an unstable job outlook for Muhlenberg County.

It should also be noted that population would eventually be impacted by the availability or unavailability of water supply. An ample supply of water will promote growth while the lack thereof will limit growth. It's unlikely that the lack of water capacity has impacted growth much to date, but failure to act to augment the water supply could have a detrimental effect on growth in the future. Considering all of these factors, it is prudent to plan for modest population growth in Muhlenberg County.

3.0 EXISTING FACILITIES

3.1 History and Assets

Central City has operated a public water system for many years. The original system was designed to serve development within the city and the immediate surrounding areas. In the 1960's, Central City built the first phase of the present water treatment plant to improve service to the city, and to provide service to the rural areas of Muhlenberg County via the rural water districts that were being formed. In the 1980's the plant was expanded to a capacity of 4 million gallons per day (MGD), and the plant was expanded to its current 7 MGD in 2014. In the intervening time, the water districts have undergone steady growth as their service areas have expanded, and Central City has experienced more modest, but sustained growth in its customer base. Per capita consumption of water has also increased over time, further increasing demands on the water system.

The Central City water system currently operates with three ground level water storage tanks and one elevated water storage tank, all resulting in a total capacity of 3,750,000 gallons. System pressure is maintained by the level in these storage tank. The distribution system consists of approximately 44 miles of pipe, ranging in diameter from 16" down to 2" and smaller mains. The larger diameter mains (6" to 16") make up the core of the water system (approximately 35 miles) while the 2" and smaller mains radiate out to serve customers along the system's boundary.

In 2015, in-town water rates in Central City were the seventh lowest of 26 systems in the Pennyriple Region (PADD) at \$23.24 for 4,000 gallons monthly usage. The range of water rates for 4,000 gallons in the Pennyriple region in 2015 was \$17.72 to \$48.00, with an average rate of approximately \$29.86. The City's rates reflected in the referenced study were implemented on April 1, 2013. It is almost certain that any significant improvements will require some debt financing. It is likewise probable that any new debt will necessitate further increases in user rates.

3.2 Regulatory Compliance

According to city operator reports, the Division of Water has found no significant deficiencies in the water system during recent inspections as no remarks were given to suggest that the water system was in or near a noncompliance status. Also, future remarks in the Clearinghouse comments are anticipated to reflect that the Central City water system is in compliance with appropriate regulatory agencies. .

3.3 Existing Financial Charges and Status

3.3.1 *Current Water Rate Schedule (All sizes & types)*

Inside City (effective April 1, 2013)				
First	0	Gallons	\$11.00	Minimum
Over	0	Gallons	\$3.06	per 1,000 Gallons

Outside City (effective September 20, 2008)				
First	2,000	Gallons	\$18.76	Minimum
Over	2,000	Gallons	\$6.08	per 1,000 Gallons

County Water Districts (effective March 17, 2013)		
All Usage		\$2.63 per 1,000 Gallons

3.3.2 *O&M Costs: Water Accounting Only (FYE 06/30/16)*

OPERATING REVENUE		
Retail Sales		\$762,354
MCWD		\$1,180,411
MCWD#3		\$728,794
Misc.		\$22,937
TOTAL REVENUE		\$2,694,496
OPERATING EXPENSE		
Water Plant Operations		\$787,302
Water Distribution		\$390,059
Administrative		\$669,278
TOTAL OPERATING EXPENSE		\$1,846,639
NON-OPERATING REVENUE		
Interest Income		\$8,894
Interest Expense		\$(405,188)
Principal Repayment		\$(199,500)
Reserves & Coverage		\$(168,371)
TOTAL NON-OPERATING INCOME		\$(764,165)
NET INCOME		
Before Depreciation		\$83,692
Depreciation		\$(678,293)
NET INCOME		\$(594,601)

3.3.3 *Long Term Debts (FYE 06/30/16)*

Date of Issue	Bond/Note Holder	Principal Balance	Maturity Date	Bond Type	Interest Rate	Utility Use
2013	KRWFC	\$ 800,000	Jul-05	Sewer-Loan	Varies	Sewer
2013	USDA-RD	\$14,257,500	2052	Water-Rev	2.50%	Water
2014	USDA-RD	\$ 1,950,000	2054	Water-Rev	2.50%	Water
2016	KRWFC	\$ 5,595,000	2018	Sewer-Note	1.25%	Sewer
Total		\$ 22,602,500				

4.0 NEED FOR PROJECT

4.1 Health and Safety

As stated earlier, the Central City water system completed a nearly \$23M improvement project in 2016 that included the expansion of the water treatment plant from 4 MGD to 7 MGD, addition of a new 1 MG water storage tank, multiple waterline extensions/upgrades, and installation of a new SCADA system for thorough control and monitoring of flows and pressures at critical locations in the system. The entire project was an enhancement aimed at insuring the delivery of a reliable source of drinking water to the citizens of Central City plus an expanded customer base in the majority of Muhlenberg County and the community of Sacramento in neighboring McLean County.

Now that many of the critical components of the water system have been upgraded, the City's newest initiative is improving the efficiency of their operations and making improvements and upgrades that were cost prohibitive and unfeasible for inclusion in the last project. Treatment and Distribution operators have prioritized a list of deficiencies that they have observed and deemed necessary for their continued efforts to deliver a safe and healthy product that is compliant with all drinking water standards.

The proposed project will include the cleaning and replenishing of filter media at the water treatment plant. The filter media is an important component of the treatment process as it removes impurities and potentially harmful particles in the raw water. Also, in an effort to maintain proper water quality standards, including chlorine residuals, the project will include the installation of tank mixing systems in the two tanks at Reservoir Hill and the one tank atop Rose Hill; all matching the mixing system installed in the City's newest tank (2014) near the Community College.

4.2 System O&M

System operations and maintenance will be enhanced in several ways. The recently added SCADA system will be enhanced with the addition of enclosures around the SCADA equipment at both the Reservoir Hill and Rose Hill tank sites. These enclosures will offer protection for the equipment from the elements and potential vandalism.

The current distribution system has several non-functional valves and several locations where valves are needed but not present. This results in disruption in service to a wide area of the city when repairs or maintenance are needed, and exposes more of the system than necessary to the risk of contamination. The project will offer a small amount of alleviation to this issue with the replacement and repair of existing valves at the Reservoir Hill tank site.

The addition of tank mixing systems in the remaining water tanks should improve water quality throughout the system. This is an important addition considering recent changes in regulatory rules for disinfection byproducts. Mixing systems should allow for possible reductions in chemical and testing costs.

4.3 Growth

As mentioned earlier, the population of Muhlenberg County is not expected to show any dynamic growth over the next 30 years based upon reliable census records and expected growth. Likewise, the community of Central City is expected to hold steady to slightly decreasing during this same period. The proposed project is vital to insure the City's continued ability to provide reliable water service to all its nearly 2,120 customers as well as nearly 8,200 combined customers in the Muhlenberg County Water District and the Muhlenberg County Water District No. 3 water systems. The new infrastructure is a continued effort for allowing Central City to more efficiently operate their water system.

5.0 ALTERNATIVES CONSIDERED

A resolution to the problems faced by the Central City Water & Sewer Board is a relatively simple project with two alternatives.

5.1 Alternative 1

The first obvious alternative is to do nothing or a smaller variation of the project. However, the Central City water system would continue their current endurance of maintenance issues at the water plant, water tanks, and intake. Therefore, the 'do nothing' alternative is not a viable option as it would only prolong the inevitable.

5.2 Alternative 2

The second alternative is one that offers several advantages and resolves the critical deficiencies in the water system. The alternative addresses the painting and rehab needed for their Reservoir Hill ground storage tank No. 2, installing mixing systems in their older water tanks, replacing the sluice gates at the raw water intake, renovating the water plant's laboratory, demolishing the Stringtown tank, plus other smaller improvements. Central City Water & Sewer deemed this project and approach to be the most manageable for both the funding considerations and acceptance from the customer base.

5.2.1 *Description*

The project as currently envisioned will include the rehabilitation and painting of one of the City's oldest water storage tanks, which was not included in the City's prior tank rehab efforts due to lack of funding. Furthermore, the project involves the demolition of the Stringtown Road elevated water tank, which was taken out of service in 2015 after coating failures were discovered and deemed too costly to rehabilitate. Other improvements proposed include: installing tank mixing systems in the existing water tanks to improve water quality, replacing sluice gates at the intake for proper operator maintenance and control of the raw water flow, valve replacement/repair at the Reservoir Hill tanks which is crucial for temporarily taking tank No. 2 offline for painting, plus other small structural enhancements at the water plant. The alternative is illustrated in Exhibit 1.

5.2.2 *Environmental Impacts and Land Requirements*

The alternative has little to no impact upon the environment and land resources because the proposed construction will be done within existing easements and contained to present city properties (tanks, plant & intake). As mentioned earlier, the project will affect three main resources during construction: residential, commercial and transportation. The general construction effect to the resources is the disturbances associated with improving the facilities. No long-term impact is expected to any environmental resource.

5.2.3 *Construction Problems*

There are no severe construction problems foreseen for the project, especially considering minimal excavation is anticipated for the project. The Central City service area has varying soil conditions ranging from near ideal in some parts of the City to sporadic instances of rock outcrops in other parts. Also, there is little evidence of a high water table at the proposed work sites. Based on the current scope of the project, the construction should be contained to existing city properties or easements, all previously disturbed by prior construction of water system facilities (i.e. plant, tank, intake, etc). Although the size of these city tracts may limit the mobility and staging of the proposed construction, general mobilization of construction equipment should be minimal.

5.2.4 *Cost Estimates*

The Central City Water System Improvements Project is estimated to have a total cost of \$1,000,000. The project cost consists of construction, non-construction and contingency costs, which are \$765,000, \$158,500 and \$76,500 respectively. The project is anticipated to be funded in part by a \$300,000 grant and \$700,000 loan from Rural Development.

6.0 PROPOSED PROJECT

6.1 Project Design

6.1.1 *Water Supply*

Raw Water will continue to be provided to the system by the Green River. The Green River has an abundant supply of raw water and serves as the source for many Kentucky cities and water districts. The water is readily treatable to potable standards. The existing raw water intake, located as shown on Exhibit E-1, will be temporarily affected by the replacement of sluice gates, which are critical to the system operators' ability to control raw water flow from the intake.

The recently expanded water treatment plant will serve the proposed project and remain in continuous operation throughout. Based

upon 2016 figures from Central City, the water treatment plant is producing approximately 2,885,000 gallons per day, which is approximately 41% of the capacity (7 MGD). The existing water treatment plant location is also shown on Exhibit E-1, and most of the scheduled work at the plant are structural enhancements that will not affect the day to day treatment of water. However, the project will include the cleaning and replenishing of filter media. The filter media is a critical component of the treatment process so these enhancements will require coordination with the plant operators to minimize plant down time. This impact should be short, minimal and temporary.

6.1.2 *Storage*

As mentioned earlier, the Central City water system currently operates with three ground level water storage tanks and one elevated water storage tank, all resulting in an available total capacity of 3,750,000 gallons. A fifth tank stands along the Stringtown Road, but it was taken off-line in 2015 after coating failures were discovered inside its bowl, and it was deemed cost-prohibitive to rehabilitate and re-coat. All of the City's tanks operate with an equivalent overflow elevation which simplifies maintenance of system pressures.

The tank site work will include the demolition of the elevated water tank on Stringtown Road plus the rehab/painting of the existing 1,000,000 gallon ground level water storage tank (No. 2) atop Reservoir hill. The other three water tanks will adequately supply the system's needs while the Reservoir tank is temporarily off-line. Nevertheless, operators will monitor and coordinate pumping times and flow during this period to ensure adequate pressures and flows are maintained. Installation of the proposed tank mixing systems will be sequenced so that an adequate volume of available storage capacity is always available while any tank is temporarily taken off line.

6.1.3 *Distribution*

There is little to no direct improvements proposed for the distribution system other than valve replacement and repairs scheduled at the Reservoir Hill tank site. These valve improvements are critical for isolating flow from either tank at this site, plus for shutting down either tank for maintenance, as scheduled for Tank No. 2 within this project.

6.1.4 *Regulatory Compliance*

The proposed project is being prepared for submission to the Kentucky State Clearinghouse for their comments. The clearinghouse comments will be forwarded as they become available. However, the clearinghouse review is expected to reveal there are no identifiable conflicts with any state or local plan, goal, or objective. Furthermore, no notices from the Kentucky Division of Water have been received and

none are expected to suggest that the water system is in or near a noncompliance status.

6.1.5 *Hydraulic Calculations*

For the planning of earlier projects, the computer hydraulic simulator, KYPIPE 2000, was used to construct a system wide model to determine the hydraulic characteristics of the Central City potable water distribution system. The model has been updated to reflect the addition of new waterlines, tank additions/removal and expansion of water plant capacity to make it as current as possible.

For this project, the modeling has been utilized to simulate the effects from removing the Stringtown Road tank from service, and the model has illustrated the “future conditions” will have no negative impact to the water system. Detailed model results are available upon request.

6.2 Cost Estimate

An itemized cost estimate of the Central City Water System Improvements project is shown in Table 2.

Table 2
Project Cost Estimate & Funding Package

Item	Total
Construction	
Refurbish and Paint Reservoir Hill Tank No. 2	\$ 300,000
Install Tank Mixing Systems in Res 1 & 2, Rose Hill	\$ 100,000
Replace Intake Sluice Gates	\$ 135,000
Clean and Replenish Filter Media at Water Treatment Plant	\$ 30,000
Renovate Laboratory at Water Treatment Plant	\$ 40,000
Valve Replacement and Repair at Reservoir Hill Tanks	\$ 15,000
Demolish Stringtown Road Tank	\$ 70,000
Equipment Storage Building at Water Treatment Plant	\$ 50,000
Replace Bulk Doors at Building 75 at Water Treatment Plant	\$ 10,000
SCADA Enclosures at Reservoir Hill and Rose Hill Tanks	\$ 15,000
SUBTOTAL - Construction	\$ 765,000
Non-Construction Items	
Administrative	\$ 5,000
Legal Costs	\$ 10,500
Preliminary Engineering	\$ 25,000
Design Engineering	\$ 50,000
Construction Phase Engineering Services	\$ 21,000
Construction Inspection	\$ 47,000
SUBTOTAL - Non-Construction	\$ 158,500
Contingency	\$ 76,500
TOTAL ESTIMATED PROJECT COST	\$ 1,000,000
Funding Sources	
USDA Rural Development Loan	\$ 700,000
USDA Rural Development Grant	\$ 300,000
TOTAL ESTIMATED PROJECT COST	\$ 1,000,000

6.3 Annual Operating Budget

The proposed annual operating budget for the Central City water treatment plant expansion and system improvements project is shown in Table 3.

Table 3
Proposed Operating Budget

	FYE 6/30/2016	Project	After Project
	Audit (GAAP)	Only	(Est FYE2019)
Operating Income			
City	\$ 762,354 ¹	\$ 90,114 ⁶	\$ 852,468
MCWD	\$ 1,180,411 ¹	\$ 355,925 ⁷	\$ 1,536,336
MCWD#3	\$ 728,794 ¹	\$ 112,082 ⁷	\$ 840,876 ¹³
Other	\$ 22,937 ¹	\$ -	\$ 22,937
Total Operating Income	\$ 2,694,496	\$ 558,121	\$ 3,252,617
Operating Expenses			
Water Plant Operation	\$ 787,302 ¹	\$ 40,861 ⁸	\$ 828,163
Water Distribution & Transmission	\$ 390,059 ¹	\$ 20,244 ⁸	\$ 410,303
Administrative	\$ 261,897 ¹	\$ 13,592 ⁸	\$ 275,489
Insurance	\$ 125,491 ¹	\$ 6,513 ⁸	\$ 132,004
Rent & Utilities	\$ 246,317 ¹	\$ 12,784 ⁸	\$ 259,101
Professional Fees	\$ 7,740 ¹	\$ 402 ⁸	\$ 8,142
Office Supplies	\$ 16,897 ¹	\$ 877 ⁸	\$ 17,774
Miscellaneous	\$ 10,936 ¹	\$ 568 ⁸	\$ 11,504
Total Operating Expenses	\$ 1,846,639	\$ 95,841	\$ 1,942,480
Net Operating Income	\$ 847,857	\$ 462,280	\$ 1,310,137
Non-Operating Income			
Interest on Deposits	\$ 4,851 ¹	\$ -	\$ 4,851
Other	\$ -	\$ -	\$ -
Total Non-Operating Income	\$ 4,851	\$ -	\$ 4,851
Net Operating Income	\$ 852,708	\$ 462,280	\$ 1,314,988
Debt Repayment			
Interest Income	\$ 4,043 ¹	\$ -	\$ 4,043
Current RD Debt - Principal	\$ (199,500) ²	\$ -	\$ (243,500) ²
Current RD Debt - Interest	\$ (405,188) ²	\$ -	\$ (388,138) ²
New RD Debt - Principal	\$ -	\$ (10,100) ⁹	\$ (10,100)
New RD Debt - Interest	\$ -	\$ (18,400) ⁹	\$ (18,400)
Debt Service Reserve	\$ (76,440) ³	\$ (2,850) ¹⁰	\$ (79,290)
Short-Lived Asset Reserve	\$ (22,020) ³	\$ (28,000) ¹¹	\$ (50,020)
Total Debt Obligations	\$ (699,105)	\$ (59,350)	\$ (785,405)
Balance for Coverage & Depreciation	\$ 153,603	\$ 402,930	\$ 529,583
Debt Service Coverage (10%)	\$ 69,911 ⁴	\$ 5,935 ⁴	\$ 75,846
Net for Depreciation	\$ 83,693	\$ 396,995	\$ 453,738
Depreciation	\$ 678,293 ⁵	\$ 160,543 ¹²	\$ 838,836
Net Income	\$ (594,601)	\$ 236,452	\$ (385,098) ¹⁴

Notes

1. From FYE2016 audit.
2. From 2012A&B, 2014 series bond amortization schedules - Rubin & Hays.
3. From Rural Development Letters of Conditions dated 6-28-11 and 3-25-13.
4. 10% of total debt service obligation.
5. 60% of total depreciation for water and sewer system per FYE2016 audit.
6. Additional revenue generated by 26% increase in the direct city customer user rate (\$3.06 to \$3.86).
7. Additional revenue generated by 26% increase in the wholesale rate to MCWD & MCWD#3 (\$2.63 to \$3.31)
8. 1.7% inflation for 3 years (per US Department of Labor Inflation Rate - August 2017).
9. Calculated for \$700,000 loan, 2.625%, 40 years (3Q2017 RD Intermediate rate).
10. 10% of total annual principal and interest payment.
11. Estimated short-lived assets calculation per USDA guidance.
12. Estimated depreciation calculation.
13. Adjusts for anticipated 14% loss of Sacramento water usage (55,304,000 gallons total per 2016 PSC audit)
14. Approximately equal to Net Income from water plant project PER dated 9-9-2009

Based on the projections and assumptions outlined above, the commitment of a \$300,000 Rural Development Grant and a \$700,000 Rural Development Loan plus added revenues from the proposed water rate increase is all expected to produce a Net Income equivalent to finances prior to the construction of the expanded water treatment plant. Without securing the referenced Rural Development grant, it is estimated that an additional 0.5% increase to the proposed water rates would be required to offset the increase in debt service and maintain the equivalent Net for Depreciation.

Table 4 illustrates the City's current rate schedule with the requested RUS Grant, and Table 5 shows the necessary rate schedule if the project is undertaken without the requested RUS Grant and funded entirely with the RUS loan.

Table 4
Project Rate Schedule with RUS Grant
Residential & Commercial Meter Accounts (All meter sizes)

Inside City – All Accounts				
First	0	Gallons	\$11.00	Minimum
Over	0	Gallons	\$3.86	per 1,000 Gallons

Outside City – All Accounts				
First	2,000	Gallons	\$18.76	Minimum
Over	2,000	Gallons	\$6.08	per 1,000 Gallons

County Water Districts				
All Usage			\$3.31	per 1,000 Gallons

Table 5
Project Rate Schedule without RUS Grant
Residential & Commercial Meter Accounts (All meter sizes)

Inside City – All Accounts				
First	0	Gallons	\$11.00	Minimum
Over	0	Gallons	\$3.88	per 1,000 Gallons

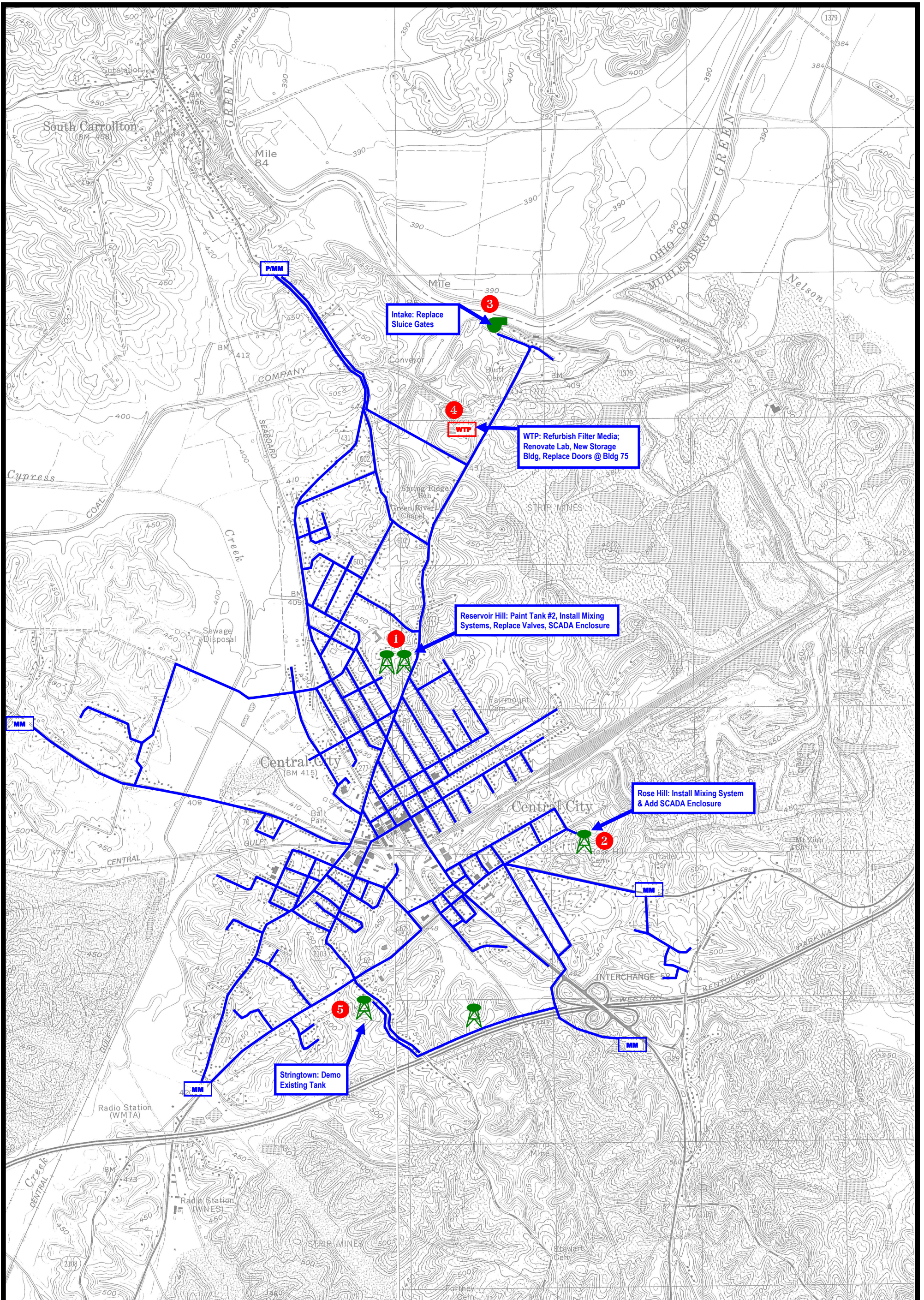
Outside City – All Accounts				
First	2,000	Gallons	\$18.76	Minimum
Over	2,000	Gallons	\$6.08	per 1,000 Gallons

County Water Districts				
All Usage			\$3.33	per 1,000 Gallons

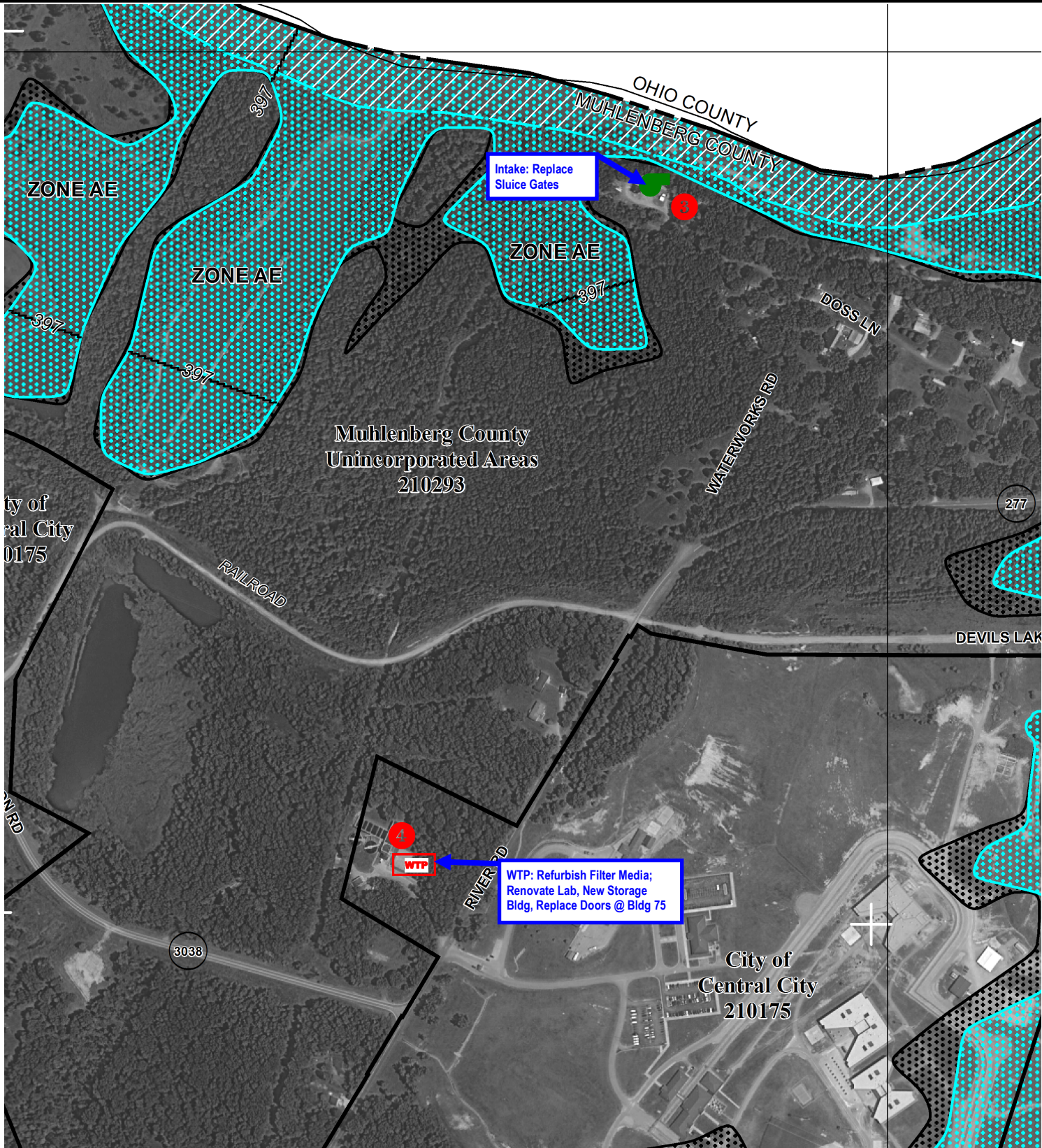
7.0 RECOMMENDED SOLUTION

In order to address the problems and needs of the water system, the Central City Water & Sewer Board should do the following:

- Continue the application process for \$300,000 in grant and \$700,000 in loan from Rural Development
- Initiate efforts to address potential environmental comments and concerns to limit any regulatory delays.
- Continue discussions among wholesale customers and the public concerning projected rate increases that may be necessary to fund the project.
- Contract with a qualified tank painting firm to preform necessary renovations, repairs and recoating of Reservoir Hill Tank No. 2 plus install tank mixing systems in both Reservoir Hill tanks and the Rose Hill Tank.
- Contract with a General Contractor to preform miscellaneous building improvements and water system improvements, including replacement of intake sluice gates, refurbish filter media at the water treatment plant (WTP), renovation of the WTP laboratory, valve replacement/repair at the Reservoir Hill tank site, plus construct and modify an equipment storage building a the WTP, bulk doors at Building 75 of the WTP, and SCADA enclosures at all tank site locations.
- Contract with a demolition contractor to remove the former elevated, water storage tank on Stringtown Road.
- Continue pursuing all available means of grant financing.



	LEGEND		CENTRAL CITY WATER & SEWER		
	Existing Water Line 	Existing Master Meter 	Existing Water Tank 	Proposed Work Site ID 	Water System Improvements Project PROJECT LAYOUT
Water Treatment Plant 	Proposed Water Line 	Existing Raw Water Intake 		MCGHEE ENGINEERING, INC. Guthrie, Kentucky	
Background: USGS "Central City (West & East)" 7.5 Minute Topographic Quadrangles		Scale: 1"=2,000'	Drawn By: C. Wilcutt	Date: 09-01-17	Page: E-1



LEGEND

- Water Treatment Plant WTP Proposed Work Site ID 1
- Existing Water Line Proposed Water Line
- Existing Master Meter MM Existing Raw Water Intake ▶
- Existing Water Tank ⊙

Background: FEMA Flood Insurance Rate Map (Map #21177C0153C)

CENTRAL CITY WATER & SEWER

**Water System Improvements Project
FLOOD MAP—WTP & Intake**

MCGHEE ENGINEERING, INC.
Guthrie, Kentucky

Scale	Drawn By	Date	Page
None	C. Wilcutt	09-01-17	E-2



LEGEND

- Water Treatment Plant Proposed Work Site ID
- Existing Water Line Proposed Water Line
- Existing Master Meter Existing Raw Water Intake
- Existing Water Tank

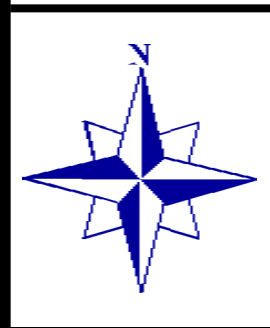
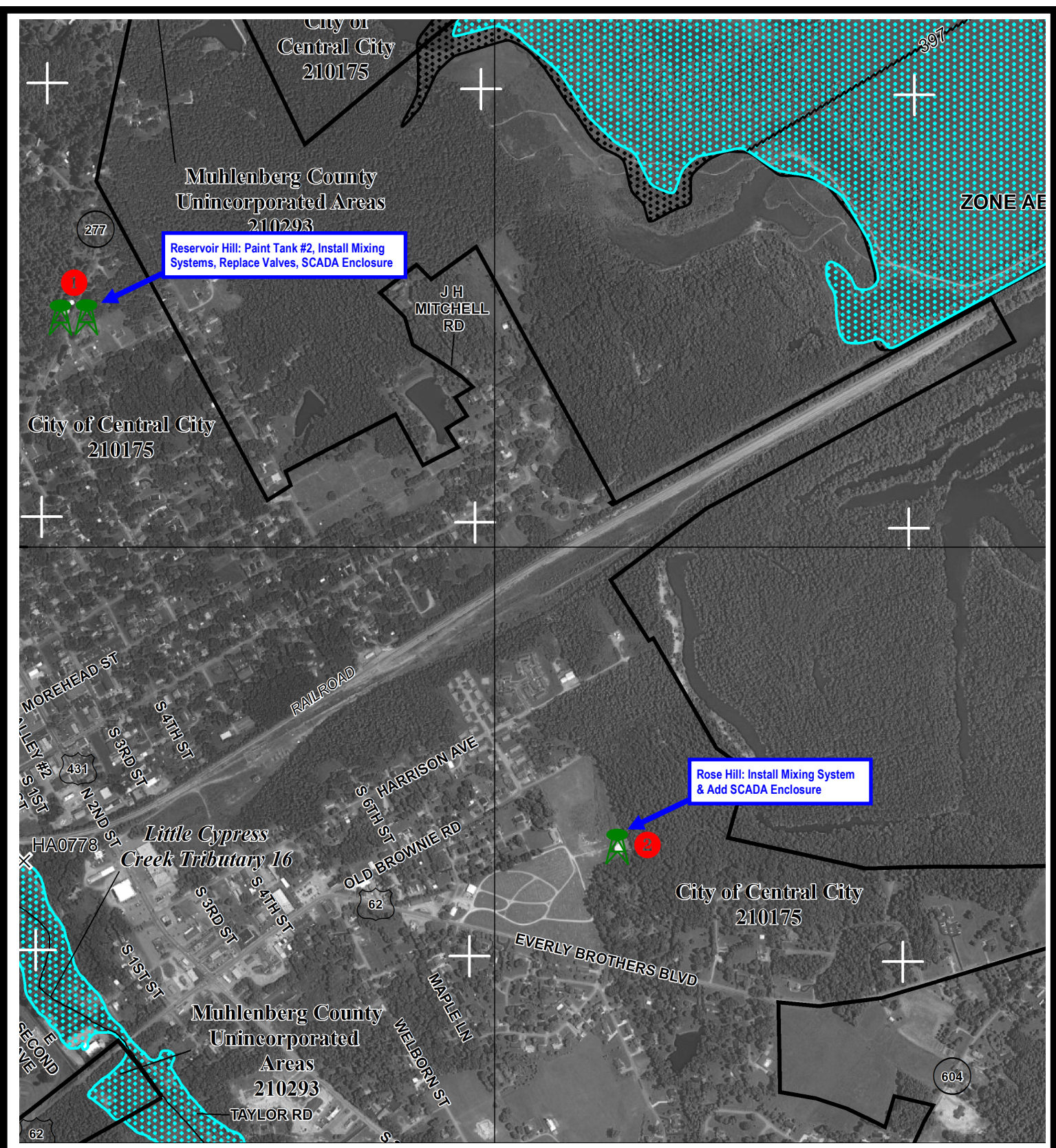
Background: FEMA Flood Insurance Rate Map (Map #21177C0142C)

CENTRAL CITY WATER & SEWER







**Water System Improvements Project
FLOOD MAP—Stringtown**

MCGHEE ENGINEERING, INC.
Guthrie, Kentucky

Scale	Drawn By	Date	Page
None	C. Wilcutt	09-01-17	E-3



LEGEND

- Water Treatment Plant  Proposed Work Site ID 
- Existing Water Line  Proposed Water Line 
- Existing Master Meter  Existing Raw Water Intake 
- Existing Water Tank 

Background: FEMA Flood Insurance Rate Map (Map #21177C0165C)

CENTRAL CITY WATER & SEWER

**Water System Improvements Project
FLOOD MAP—Tank Upgrades**

MCGHEE ENGINEERING, INC.
Guthrie, Kentucky

Scale	Drawn By	Date	Page
None	C. Wilcutt	09-01-17	E-4

Appendix A

*Kentucky State Clearinghouse Comments
(Provided at a later date)*



MATTHEW G. BEVIN
GOVERNOR

DEPARTMENT FOR LOCAL GOVERNMENT
OFFICE OF THE GOVERNOR

1024 CAPITAL CENTER DRIVE, SUITE 340
FRANKFORT, KENTUCKY 40601-8204
PHONE (502) 573-2382 FAX (502) 573-2939
TOLL FREE (800) 346-5606/ TDD:711
WWW.kydlgweb.ky.gov

SANDRA K. DUNAHOO
COMMISSIONER

November 3, 2017

Mr. David Rhoades
Central City Municipal Water & Sewer System
214 N. First Street
Central City, KY 42330

RE: Water System Improvements Project
WX21177039
SAI# KY201710111219
CFDA# 10.760

Dear Mr. Rhoades:

The Kentucky State e-Clearinghouse is the official designated Single Point of Contact (SPOC) for the Commonwealth pursuant to Presidential Executive Order 12372, and supported by Kentucky Statutes KRS 45.03. The primary function of the SPOC is to streamline the review aforementioned process for the applicant and the funding agency. This process helps in vocalizing the statutory and regulatory requirements. Information in the form of comments, if any, will be attached to this correspondence.

This proposal has been reviewed by the appropriate state agencies in the e-Clearinghouse for conflicts with state or local plans, goals and objectives. After receiving this letter, you should make it available to the funding agency and continue with the funding agencies application process. This e-clearinghouse SPOC letter signifies only that the project has followed the state reviewing requirements, and is neither a commitment of funds from this agency or any other state or federal agency. Please remember if any federal reviews are required the applicant must follow through with those federal agencies.

The results of this review are valid for one year from the date of this letter. If the project is not submitted to the funding agency or not approved within one year after the completion of this review, the applicant can request an extension by email to Lee.Nalley@ky.gov. If the project changes in any way after the review, the applicant must reapply through the eclearinghouse for a new review. There are no exceptions.

If you have any questions regarding this letter or the review process please contact the e-Clearinghouse office at 502-573-2382, ext. 274.

Sincerely,

A handwritten signature in blue ink that reads "Lee Nalley".

Lee Nalley, SPOC
Kentucky State Clearinghouse

Attachment

Department of Housing, Buildings and Construction

Kevin Carlin

The Department of Housing Buildings and Construction, Division of Building Code Enforcement, has no comments concerning the proposed project.

Division of Enforcement

Tim Harrod

The Division of Enforcement does not object to the project proposed by the applicant.

Tim Harrod, Enforcement Specialist

Division of Enforcement

Timothy.Harrod@ky.gov

Division of Water

Andrea Fredenburg

Best management practices should be utilized to reduce runoff from project activities into nearby waters.

Division of Water

Julia Harrod

A 'stream construction permit application' will need to be submitted to the Division of Water for further review of this project area involving the raw water intake.

Okay water withdrawal permitting.

Okay water management planning.

Division of Water

Abba Pourghasemi

No objections to the proposed project. Plans and specifications must be submitted to the Division of Water's Water Infrastructure Branch. Must receive a written approval from the Division of Water prior to the beginning of the construction.

DOW

Daniel Fraley

No comment

DOW

Wei Ji

The proposed work is endorsed by the Groundwater Section of the Watershed Management Branch. However, it is our recommendation that site be made aware of the requirements of 401 KAR 5:037 and the need to develop a

Groundwater Protection Plan (GPP) for the protection of groundwater resources within that area. Questions should be directed to Wei Ji (502-782-6934) or the Section Supervisor David Jackson (502-782-6986).

Fish and Wildlife

Dan Stoelb

Based on the information provided, the Kentucky Department of Fish & Wildlife Resources has no comments concerning the proposed project. Please contact Dan Stoelb @ 502-564-7109 ex. 4453 or Daniel.Stoelb@ky.gov if you have further questions or require additional information.

Kentucky Transportation Cabinet, District 2

Nick Hall

Since the tank appears to be located on a state maintained route (KY 277) then please read below:
The Kentucky Department of Highways is responsible for controlling both public and private usage of right-of-way of the State road system. Any firm, individual, or governmental agency desiring access to a State road or desiring to perform any type of work (including signage) on State right-of-way must obtain a permit from the Department.

To obtain the necessary permits and/or discuss the details of this project, please contact our District Office in Madisonville at the following address/number:

Mr. Kenny Potts, TEBM for Engineering Support
Kentucky Department of Highways
1840 North Main Street
Madisonville, Kentucky 42431
Telephone (270) 824-7080
Fax (270) 824-7091

This review was based upon the information that was provided by the applicant through the Clearinghouse for this project. An endorsement of this project does not satisfy, or imply, the acceptance or issuance of any permits, certifications or approvals that may be required from this agency. Such endorsement means this agency has found no major concerns from the review of the proposed project as presented, other than those stated as conditions or comments.

KIA

Jocelyn Gross

This project was reviewed in the WRIS Portal by KIA staff.

KY Department for Environmental Protection

Ronald Price

This review is based upon the information that was provided by the applicant through the Clearinghouse for this project. An endorsement of this project does not satisfy, or imply, the acceptance or issuance of any permits, certifications, or approvals that may be required from this agency under Kentucky Revised Statutes or Kentucky Administrative Regulations. Such endorsement means this agency has found no major concerns from the review of the proposed project as presented other than those stated as conditions or comments.

The proposed project is subject to Division of Water (DOW) jurisdiction because the following are or appear to be involved: water storage tank upgrades. Prior approval must be obtained from the DOW before construction can begin. The applicant must cite the State Application Identifier (SAI #KY201710111219) when submitting plans and specifications.

This project is consistent with the Muhlenberg County Water Management Plan. It is approved for water management planning. It is approved for water withdrawal by the Water Quantity Management Section of DOW. From the application data, DOW ascertains that a 'stream construction permit application' will need to be submitted for further review of this project area involving the raw water intake. Julia Harrod, Watershed Management Branch, (502) 782-6967, Julia.Harrod@ky.gov.

The project as currently envisioned will include the rehabilitation and painting of one of the City's oldest water storage tanks, which was not included in the City's prior tank rehab efforts due to lack of funding. Furthermore, the project involves the demolition of the Stringtown Road elevated water tank, which was taken out of service in 2015 after coating failures were discovered and deemed too costly to rehabilitate. Other improvements proposed include: installing tank mixing systems in the existing water tanks to improve water quality; replacing sluice gates at the intake for proper operator maintenance and control of the raw water flow; valve replacement/repair at the Reservoir Hill tanks which is crucial for temporarily taking tank No. 2 offline for painting; plus other small structural enhancements at the water plant. The project is estimated to cost \$1,000,000.

There are no objections to the proposed project. Plans and specifications must be submitted to the DOW's Water Infrastructure Branch. The applicant must receive a written approval from the DOW prior to the beginning of the construction. Abbas Pourghasemi, Water Infrastructure Branch, (502) 782-7041, Abbas.Pourghasemi@ky.gov.

During the last Sanitary Survey (March 2017) Central City Municipal was found to have 4 non-significant deficiencies and was lacking in financial and managerial capacity. The plant was running at 44% gallons per minute and 34.4% gallons per day of their rated design capacity. System should ensure that all deficiencies have been remedied and take measures to resolve capacity issues. Ryan Reed, Water Infrastructure Branch, (502) 782-7045, Ryan.Reed@ky.gov.

Best management practices should be utilized to reduce runoff from project activities into nearby waters. Andrea Fredenburg, Water Quality Branch, (502) 782-6950, Andrea.Fredenburg@ky.gov.

No comment. Sarah Gaddis, Compliance and Technical Assistance Branch, (502) 782-6953, Sarah.Gaddis@ky.gov.

The Division of Enforcement does not object to the project proposed by the applicant. Tim Harrod, Division of Enforcement, (502) 782-6858, Timothy.Harrod@ky.gov.

The proposed work is endorsed by the Groundwater Section of the Watershed Management Branch. However, it is our recommendation that site be made aware of the requirements of 401 KAR 5:037 and the need to develop a Groundwater Protection Plan (GPP) for the protection of groundwater resources within that area. Wei Ji, Watershed Management Branch, (502) 782-6934, Wei.Ji@ky.gov.

If the construction area disturbed is equal to or greater than 1 acre, the applicant will need to apply for a Kentucky Pollutant Discharge Elimination System (KPDES) storm water discharge permit.

Utility line projects that cross a stream will require a Section 404 permit from the US Army Corps of Engineers and a 401 Water Quality Certification from DOW.

The Kentucky Division of Water supports the goals of EPA's Sustainable Infrastructure Initiative. This Initiative seeks to promote sustainable practices that will help to reduce the potential gap between funding needs and spending at the local and national level. The Sustainable Infrastructure Initiative will guide our efforts in changing how Kentucky views, values, manages, and invests in its water infrastructure. This website, www.epa.gov/waterinfrastructure/, contains information that will help you ensure your facility and operations are consistent with and can benefit from the aims of the Sustainable Infrastructure Initiative.

KY Heritage Council

Yvonne Sherrick

To receive a review from the KY Heritage Council/State Historical Preservation Office (SHPO) you must follow the instructions located on their website at <http://www.heritage.ky.gov/siteprotect/> . There you will find the required documents for the Section 106 Review and Compliance for 36 CFR Part 800. This Section 106 submission process to SHPO will assist applicants and agencies in providing the appropriate level of information to receive comments from SHPO.

If you have any questions please contact Yvonne Sherrick, Administrative Specialist III, (502) 564-7005, Ext. 113, yvonne.sherrick@ky.gov

Pennyrile ADD

Melody Goodwin

Kyle Cunningham - Endorse with Comments

Endorsed

Water

Jason Lambert

During the last Sanitary Survey (3/2017) Central City Municipal was found to have 4 non-significant deficiencies and was lacking in financial and managerial capacity. The plant was running at 44% GPM and 34.4% GPD of their rated design capacity.

System should ensure that all deficiencies have been remedied and take measures to resolve capacity issues. For further information please contact Ryan Reed at 502-782-7045.

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

36. Provide a copy of the Final Engineering Report that was submitted to RD on behalf of Central City for the proposed RD funded project.

Response: A final engineering report has not been finalized for this project.

WITNESS: Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

37. Has Central City opened construction bids for the proposed RD funded project? If so, provide a copy of the certified Bid Tabulation.

Response: No, Central City has not yet opened construction bids for the proposed RD-funded project.

WITNESS: David Rhoades

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

38. Provide the total gross salaries that were allocated to Central City's Water Division for FY 2016, FY 2017, FY 2018, and FY 2019.

Response: Please see attached Excel spreadsheet.

WITNESS: David Rhoades

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

39. Provide the actual amount that Central City contributed to the County Employees' Retirement System ("CERS") on behalf of Central City's Water Division employees for FY 2016, FY 2017, FY 2018, and FY 2019.

Response: Please see attached General Ledger showing requested information.

WITNESS: David Rhoades

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

CERS Contributions

MUNICIPAL WATER & SEWER SYSTEM

General Ledger

For the Period From Jul 1, 2016 to Sep 30, 2019

Filter Criteria includes: 1) IDs: 5130. Report order is by ID. Report is printed with shortened descriptions and in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
5130	7/1/16			Beginning Balance			
Admin. - CERS	7/1/16	5856	CDJ	KENTUCKY RETIR	11,137.83		
				Current Period Cha	11,137.83		11,137.83
	8/1/16			Beginning Balance			11,137.83
	8/1/16	5951	CDJ	KENTUCKY RETIR	12,367.56		
				Current Period Cha	12,367.56		12,367.56
	9/1/16			Beginning Balance			23,505.39
	9/1/16	6060	CDJ	KENTUCKY RETIR	12,039.45		
				Current Period Cha	12,039.45		12,039.45
	10/1/16			Beginning Balance			35,544.84
	10/3/16	6157	CDJ	KENTUCKY RETIR	12,403.57		
				Current Period Cha	12,403.57		12,403.57
	11/1/16			Beginning Balance			47,948.41
	11/1/16	6240	CDJ	KENTUCKY RETIR	19,019.54		
				Current Period Cha	19,019.54		19,019.54
	12/1/16			Beginning Balance			66,967.95
	12/1/16	6325	CDJ	KENTUCKY RETIR	13,136.27		
				Current Period Cha	13,136.27		13,136.27
	1/1/17			Beginning Balance			80,104.22
	1/4/17	6415	CDJ	KENTUCKY RETIR	12,662.97		
				Current Period Cha	12,662.97		12,662.97
	2/1/17			Beginning Balance			92,767.19
	2/1/17	6505	CDJ	KENTUCKY RETIR	13,449.31		
				Current Period Cha	13,449.31		13,449.31
	3/1/17			Beginning Balance			106,216.50
	3/1/17	6578	CDJ	KENTUCKY RETIR	12,512.55		
				Current Period Cha	12,512.55		12,512.55
	4/1/17			Beginning Balance			118,729.05
	4/4/17	6646	CDJ	KENTUCKY RETIR	12,568.75		
				Current Period Cha	12,568.75		12,568.75
	5/1/17			Beginning Balance			131,297.80
	5/1/17	6719	CDJ	KENTUCKY RETIR	13,093.98		
				Current Period Cha	13,093.98		13,093.98
	6/1/17			Beginning Balance			144,391.78
	6/1/17	6799	CDJ	KENTUCKY RETIR	19,346.41		
	6/30/17	Adj. #6	GEN	To adj. accrual to a	1,824.25		
	6/30/17	Adj. #16	GEN	To reclass current		123,640.00	
	6/30/17	Adj. #17	GEN	To record CY pensi	4,266.00		
	6/30/17	Adj. #17	GEN	To record CY pensi	253,682.00		
				Current Period Cha	279,118.66	123,640.00	155,478.66
	6/30/17			Fiscal Year End Ba			299,870.44
	7/1/17			Beginning Balance			
	7/3/17	6876	CDJ	KENTUCKY RETIR	12,962.08		
				Current Period Cha	12,962.08		12,962.08
	8/1/17			Beginning Balance			12,962.08
	8/1/17	6958	CDJ	KENTUCKY RETIR	13,641.41		
				Current Period Cha	13,641.41		13,641.41
	9/1/17			Beginning Balance			26,603.49
	9/1/17	7021	CDJ	KENTUCKY RETIR	13,147.20		
				Current Period Cha	13,147.20		13,147.20
	10/1/17			Beginning Balance			39,750.69
	10/2/17		CDJ	KENTUCKY RETIR	13,777.15		
				Current Period Cha	13,777.15		13,777.15
	11/1/17			Beginning Balance			53,527.84
	11/1/17	7176	CDJ	KENTUCKY RETIR	20,197.43		
				Current Period Cha	20,197.43		20,197.43
	12/1/17			Beginning Balance			73,725.27
	12/1/17	7263	CDJ	KENTUCKY RETIR	13,081.92		
				Current Period Cha	13,081.92		13,081.92
	1/1/18			Beginning Balance			86,807.19

2016 - 2017

18,689.0

2017 - 2018

19,189.0

2018 - 2019

21,489.0

MUNICIPAL WATER & SEWER SYSTEM**General Ledger****For the Period From Jul 1, 2016 to Sep 30, 2019**

Filter Criteria includes: 1) IDs: 5130. Report order is by ID. Report is printed with shortened descriptions and in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	1/2/18	7332	CDJ	KENTUCKY RETIR Current Period Cha	13,196.14 13,196.14		13,196.14
	2/1/18			Beginning Balance			100,003.33
	2/1/18	7401	CDJ	KENTUCKY RETIR Current Period Cha	14,824.87 14,824.87		14,824.87
	3/1/18			Beginning Balance			114,828.20
	3/1/18	7476	CDJ	KENTUCKY RETIR Current Period Cha	13,136.85 13,136.85		13,136.85
	4/1/18			Beginning Balance			127,965.05
	4/2/18	7548	CDJ	KENTUCKY RETIR Current Period Cha	13,181.24 13,181.24		13,181.24
	5/1/18			Beginning Balance			141,146.29
	5/1/18	7619	CDJ	KENTUCKY RETIR Current Period Cha	20,262.10 20,262.10		20,262.10
	6/1/18			Beginning Balance			161,408.39
	6/1/18	7684	CDJ	KENTUCKY RETIR Current Period Cha	12,877.40 12,877.40		12,877.40
	6/30/18			Fiscal Year End Ba			174,285.79
	7/1/18			Beginning Balance			
	7/2/18	7754	CDJ	KENTUCKY RETIR Current Period Cha	12,961.48 12,961.48		12,961.48
	8/1/18			Beginning Balance			12,961.48
	8/1/18	7827	CDJ	KENTUCKY RETIR Current Period Cha	14,873.34 14,873.34		14,873.34
	9/1/18			Beginning Balance			27,834.82
	9/4/18	7912	CDJ	KENTUCKY RETIR Current Period Cha	14,535.54 14,535.54		14,535.54
	10/1/18			Beginning Balance			42,370.36
	10/1/18	7983	CDJ	KENTUCKY RETIR Current Period Cha	14,456.23 14,456.23		14,456.23
	11/1/18			Beginning Balance			56,826.59
	11/1/18	8051	CDJ	KENTUCKY RETIR Current Period Cha	22,578.12 22,578.12		22,578.12
	12/1/18			Beginning Balance			79,404.71
	12/3/18	8117	CDJ	KENTUCKY RETIR Current Period Cha	14,969.95 14,969.95		14,969.95
	1/1/19			Beginning Balance			94,374.66
	1/2/19	8193	CDJ	KENTUCKY RETIR Current Period Cha	14,329.19 14,329.19		14,329.19
	2/1/19			Beginning Balance			108,703.85
	2/1/19	8253	CDJ	KENTUCKY RETIR Current Period Cha	14,571.39 14,571.39		14,571.39
	3/1/19			Beginning Balance			123,275.24
	3/1/19	8321	CDJ	KENTUCKY RETIR Current Period Cha	15,149.04 15,149.04		15,149.04
	4/1/19			Beginning Balance			138,424.28
	4/1/19	8391	CDJ	KENTUCKY RETIR Current Period Cha	14,898.71 14,898.71		14,898.71
	5/1/19			Beginning Balance			153,322.99
	5/1/19	8469	CDJ	KENTUCKY RETIR Current Period Cha	22,760.17 22,760.17		22,760.17
	6/1/19			Beginning Balance			176,083.16
	6/3/19	8561	CDJ	KENTUCKY RETIR Current Period Cha	15,921.40 15,921.40		15,921.40
	6/30/19			Fiscal Year End Ba			192,004.56
	7/1/19			Beginning Balance			
	7/1/19	8631	CDJ	KENTUCKY RETIR Current Period Cha	15,532.28 15,532.28		15,532.28
	8/1/19			Beginning Balance			15,532.28
	8/2/19	8706	CDJ	KENTUCKY RETIR	17,149.60		

**MUNICIPAL WATER & SEWER SYSTEM
General Ledger
For the Period From Jul 1, 2016 to Sep 30, 2019**

Filter Criteria includes: 1) IDs: 5130. Report order is by ID. Report is printed with shortened descriptions and in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	9/1/19			Current Period Cha	17,149.60		17,149.60
				Beginning Balance			32,681.88
	9/3/19	8777	CDJ	KENTUCKY RETIR	16,679.54		
				Current Period Cha	16,679.54		16,679.54
	9/30/19			Ending Balance			49,361.42

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

40. Refer to Central City's 2018 Audit Report which was filed in response to Item 2 of the Commission's July 30, 2019 Order. Note 12 on Page 17 states, "The System leases office space from the City of Central City, Kentucky for \$6,000 per month."

a. Is there a written lease agreement or other written document between the City of Central City and the Central City Municipal Water & Sewer System concerning the office space that is leased? If so, provide a copy of this document.

b. Describe the office space that is being leased by the Municipal Water & Sewer System (e.g. location, square footage, purpose, etc.).

c. Are the costs of the utilities for the leased office space included in the monthly lease payment? If not, provide an itemization of each of the utilities that the Municipal Water & Sewer System pays Central City.

Response:

a. There is no written lease agreement.

b. The office space is located at 214 North First Street in the City Hall. The water operations uses space in City Hall to conduct all water business transactions, such as collecting customer payments, registering new customers, customer service, water billings, invoicing payments, general office work, and water board meetings.

c. Yes, the costs of utilities are included.

WITNESS: David Rhoades

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

41. Has the Audit Report for FY 2019 been completed? If so, provide a copy of it. If not, when is it expected to be completed?

Response: The FY 2019 Audit has not been completed. It is typically completed in October or November.

WITNESS: David Rhoades

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

42. Refer to paragraph 32 of the RD Letter of Conditions dated March 23, 2018. What is the rationale for not increasing the minimum bill amount for Central City's retail customers (the minimum bill amounts for "Inside City" and "Outside City" retail customers were not increased)?

Response: Central City cannot speak for Rural Development as to why the agency will not require increasing the minimum bill amount for Central City's retail customers as a condition for obtaining financing. The City's engineer provided financial data to Rural Development that proposed an approximate 26% increase to volumetric rates.

WITNESS: David Rhoades; Michael McGhee

Case No. 2019-00260
City of Central City Rate Case
Responses to Muhlenberg County Water District and
Muhlenberg County Water District No. 3's
First Request For Information

43. Refer to Central City Ordinance 2019-10 which was filed in response to Item 25 of the Commission's July 30, 2019 Order.

a. See Section 9(A) of the Ordinance. Why did Central City increase the amount of water from zero gallons to 2,000 gallons that its "In-town users" would receive for \$11.00 per month?

b. See Section 9(A) of the Ordinance. Why did Central City keep the volumetric rate at \$3.06 per 1,000 gallons for all water purchased by "In-town users" up to 10,000 gallons per month?

c. Explain how the rates in Section 9(A) of the Ordinance do not conflict with the rates set forth in paragraph 32 of the RD Letter of Conditions dated March 23, 2019.

d. Explain how the rate of \$3.85 per 1,000 gallons does not violate the requirement in the RD Letter of Conditions dated March 23, 2019 that the rate be \$3.86 per 1,000 gallons.

e. See Section 9(D) of the Ordinance with respect to retail users "outside" the city. Why was the volume of water that could be purchased at the existing rate of \$18.76 reduced from 2,000 gallons to 1,000 gallons per month?

f. See Section 9(D) of the Ordinance and paragraph 32 of the RD Letter of Conditions dated March 23, 2018. Why did Central City increase the rate for "Outside City" retail customers from \$6.08 to \$7.66 per 1,000 gallons?

Response:

a. Central City has had a first reading of an ordinance, which will eliminate a first tier that includes 2,000 gallons. See attached Ordinance.

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- b. Central City has had a first reading of an ordinance, which will eliminate the rate above 10,000 gallons for in-town users. See attached Ordinance.
- c. The City Council of Central City can amend the rates at any time. The City will comply with the letter of conditions in order to ensure that it can obtain Rural Development funding.
- d. The City Council of Central City can amend the rates at any time. The City will comply with the letter of conditions in order to ensure that it can obtain Rural Development funding.
- e. The Ordinance may contain an error on the minimum bill of the outside-city rate. The rate for all other usage above the minimum bill starts at 2,000 gallons.
- f. Central City anticipates increasing its volumetric rates for each classification (in-town, outside-city, and wholesale) approximately the same percentage (26%). An increase of the outside-city volumetric rate from \$6.08 to \$7.66 per 1,000 gallons reflects that increase. Moreover, there is nothing in Rural Development's Letter of Conditions that requires Central City to set exact rates; rather, the Letter of Conditions requires Central City to establish minimum rates in order to obtain financing.

WITNESS: David Rhoades

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Ordinance

CITY OF CENTRAL CITY, KENTUCKY
ORDINANCE BILL #2019- 10

AN ORDINANCE AMENDING SECTION 9(A); SECTION 9(C); AND SECTION 9(D) OF ORDINANCE KOC #610.02, WHICH IS ENTITLED:

AN ORDINANCE OF THE CITY OF CENTRAL CITY RELATING TO THE COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM AND THE COMMISSION ESTABLISHED TO OPERATE AND MANAGE SAID SYSTEM: PROHIBITING UNAUTHORIZED DISPOSAL OF SEWAGE: DETERMINING THAT IT IS NECESSARY TO INCREASE THE RATES AND CHARGES FOR WATER SERVICE AND FOR SEWER SERVICE PROVIDED THROUGH THE FACILITIES OF SAID SYSTEM: PRESCRIBING RATES AND CHARGES FOR SUCH SERVICES, AND THE EFFECTIVE DATES THEREOF: PRESCRIBING TIMES FOR METER READING, RENDITION OF BILLS, PAYMENT OF BILLS, PENALTIES FOR LATE PAYMENT, AND DISCONTINUANCE OF SERVICE TO DELINQUENTS: AND ESTABLISHING OTHER CHARGES

BE IT ORDAINED BY THE CITY OF CENTRAL CITY AS FOLLOWS:

FIRST:

Section 9(A) of Ordinance KOC #610.02 is hereby amended as follows:

SECTION 9. SERVICE, RATES AND CHARGES. Rates and charges for the use of the services and facilities of the System are hereby established and prescribed, effective in the manner and upon the respectable dates hereinafter set forth as follows:

WATER RATES SHALL BE:

A. In-town users:

Monthly user charge	\$10.00
All usage	@ <u>\$3.85</u> per 1,000 gallons

SECOND:

Section 9(C) of Ordinance KOC #610.02 is amended as follows:

SECTION 9. SERVICE, RATES AND CHARGES. Rates and charges for the use of the services and facilities of the System are hereby established

and prescribed, effective in the manner and upon the respectable dates hereinafter set forth, as follows:

METERED WATER SERVICE

C. Resale:

Muhlenberg County Water District - \$3.31 per 1,000 gallons
and Muhlenberg County Water District #3 - \$3.31 per 1,000 gallons.

THIRD:

Section 9(D) of Ordinance KOC # 610.02 is hereby amended as follows:

D. Retail Users of water outside the city limits with or without sewer service:

First 1,000 gallons @ \$18.76 Minimum Bill

All over 2,000 gallons @ \$7.66 per 1,000 gallons

FOURTH:

All other provisions of City of Central City Ordinance KOC #0610.02, except as amended herein, shall remain in full force and effect, including, without limitation, the provisions of Section 10(II) of such ordinance, which is quoted below:

(II) EXISTING RATES: It is hereinabove provided that the prescribed rates and charges for water service and for sewer service are to become effective as applied to bills rendered on and after specified dates. It is the intention that the rates and charges herein prescribed shall supersede any rates and charges presently in force under existing Ordinances, Resolutions, Rules and Regulations but it is not intended that the rates and charges presently in force under existing Ordinances, Resolutions, Rules and Regulations; be rescinded unless and until effectively replaced or superseded; nor that there shall ever be a period of time when no lawful rate or charge for water service or sewer service prevails. Subject to the provisions of this Ordinance, it is ordained that presently prevailing rates, charges, rules and regulations continue in force until lawfully superseded.

FIFTH:

The provisions of this ordinance are severable, and any valid declaration of unenforceability by a court or other tribunal of competent jurisdiction of any provision hereof shall not invalidate the remaining provisions of this ordinance.

SIXTH:

This Ordinance shall take effect upon its passage, approval and publication according to law. "Approval" shall include, without limitation, any approval required by law by any agency, department, or cabinet of the Commonwealth of Kentucky, including, without limitation, the Kentucky Public Service Commission.

This the _____ day of _____, 2019.

Tony Armour, Mayor

ATTEST:

David G. Rhoades, City Clerk

Date of First Reading: July 17th, 2019

ROLL CALL

	<u>YES</u>	<u>NO</u>
CHRISTMAS	_____	_____
COOMBS	_____	_____
CUNNINGHAM	_____	_____
HEARLD	_____	_____
HIGGS	_____	_____
JENKINS	_____	_____
LANCASTER	_____	_____
MILLER	_____	_____
TOTAL:	_____	_____

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44. Refer to Central City's response to the Commission's July 30, 2019 Order, Item 22. In particular, refer to the Excel spreadsheet that was attached to this response.

a. See Line 40 of the Excel spreadsheet in the "Project Only" column. Is it Central City's position that the annual depreciation expense of the proposed \$1,000,000 RD project will be \$160,543? If so, provide a breakdown of the estimated useful lives and cost of each of the major components of the proposed RD project.

b. See Note 5 of the Excel spreadsheet. In calculating the proposed wholesale rate, did Central City assume the depreciation expense for the water assets to be 60% of the total annual depreciation expense for all the existing water and sewer capital assets? If so, what is the basis for this assumption?

Response:

a. The amount of \$160,543 is an adjustment to the depreciation expense of \$678,293 that was identified on the audit report. Mr. McGhee recognized that the depreciation expense for the water operations of \$678,293 that was identified on the audit report was understated based on the 60/40 allocation. Mr. McGhee completed his own analysis to determine an approximate depreciation expense for water operations of \$838,836, which is \$160,543 more than \$678,293. His calculation of that depreciation expense is attached below. Even Mr. McGhee's calculation was conservative, based on Central City's Response to Item 11 of the Commission's Initial Request for Information that indicated depreciation expense for the water system should be at least \$865,441.

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- b. The depreciation-expense amount of \$678,293 that was identified on the audit report was based on a 60/40 allocation of water to sewer. This 60/40 allocation does not reflect an appropriate segregation of water and sewer assets. As shown in Central City's Response to Item 11 of the Commission's Initial Request for Information, the depreciation expense for the water system should be at least \$865,441

WITNESS: Michael McGhee

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McGhee Depreciation

Calculation

Central City Water System Depreciation Calculation

August 30, 2017

Item	In-Service Date	Useful Life (YR)	Cost	Annual Depreciation	Notes
Water Treatment Plant (pre-renovation)	1963	40	\$ -	\$ -	Fully Depreciated
Water Treatment Plant Renovations - Electronics & Short-Lived Assets	2013	10	\$ 918,271	\$ 91,827.10	
Water Treatment Plant - Equipment	2013	20	\$ 4,958,633	\$ 247,932	
Water Treatment Plant - Basins and Structures	2013	40	\$ 12,488,425	\$ 312,211	
Reservoir Hill Tank No. 1	1938	40	\$ -	\$ -	Fully Depreciated
Reservior Hill Tank No. 2	1982	40	\$ 400,000	\$ 10,000	
Stringtown Road Tank	1967	40	\$ -	\$ -	Fully Depreciated
Rose Hill Tank	2001	40	\$ 759,000	\$ 18,975	
Community College Tank	2013	40	\$ 1,912,473	\$ 47,812	
Reservoir Hill Tank No. 1 - Renovation	2014	15	\$ 156,190	\$ 10,413	
Water Distribution System	1938	50	\$ -	\$ -	Fully Depreciated
New Transmission Lines	2014	50	\$ 872,107	\$ 17,442	
Distribution SCADA	2016	20	\$ 977,825	\$ 48,891	
2018 Water System Improvements	2019	30	\$ 1,000,000	\$ 33,333	
TOTAL ESTIMATED DEPRECIATION			\$ 24,442,924	\$ 838,836	
Less Water System Depreciation from FYE 2016 Audit				\$ 678,293	
Added Depreciation				\$ 160,543	