## **COMMONWEALTH OF KENTUCKY**

## BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

<b>ELECTRONIC</b>	PURCHASED	WATER	)
ADJUSTMENT	FILING	OF	) CASE NO. 2022-00241
<b>MUHLENBERG</b>	<b>COUNTY</b>	WATER	
DISTRICT			

#### MOTION FOR NO MODIFICATION TO

#### MUHLENBERG COUNTY WATER DISTRICT'S RATES

Muhlenberg County Water District (the "District"), by counsel, moves the Kentucky Public Service Commission (the "Commission") for an order declaring that no modifications of the District's rates are necessary at this time. In support of this Motion, the District states as follows:

## Background

1. On August 30, 2022, the Commission issued an Order in this matter granting the District's application for a Purchased Water Adjustment ("PWA"), and ordering the District to file an application for a general rate adjustment, or an application for an alternative rate filing ("ARF") adjustment, or in the alternative, a formal motion with a detailed analysis of the District's rates and revenues, explaining the reasons why no modifications are necessary. The Commission imposed an initial deadline of August 31, 2023 for the District to make its filing.

- 2. In response to the Commission's Order of August 30, 2022, the District immediately began preparations in anticipation of filing an ARF application by contacting the Kentucky Rural Water Association, Inc. ("KRWA") to request a proposal to perform a formal rate study (the "Rate Study"). The District approved the KRWA's proposal to perform a Rate Study on November 28, 2022.
- 3. Once the District realized that it would be unable to meet the August 31, 2023 filing deadline due to a backlog of cases at the KRWA, the District moved the Commission for a two-month extension of time, until October 31, 2023.
- 4. In an Order issued by the Commission on September 5, 2023, the Commission granted the District's motion for an extension of time to file its ARF application until October 31, 2023.
- 5. On September 25, 2023, the KRWA produced the District's Rate Study, entitled "Analysis and Recommendations for Water and Sewer Rates." The Rate Study is attached to this Motion as **Attachment A**. An Excel file provided by the KRWA as a part of the Rate Study is filed separately as **Exhibit A**.
- 6. To the surprise of the District, the KRWA recommended that the District **not** increase rates at this time based on an analysis of the District's revenues and expenses, which found that the overall water rate increase needed was merely 1.33 percent.

7. Based on the KRWA's recommendation, the District no longer believes that an ARF application is necessary at this time. Consequently, the District is providing a detailed analysis of its rates and revenues to explain to the Commission why no modifications are presently necessary.

## **Analysis**

- 8. Attached to this Motion as **Attachment B** is a table showing the District's Comparative Income and Expense Summaries for the past three calendar years. In addition, **Attachment B** includes the Pro Forma results from KRWA's Rate Study (**Attachment A**), which shows a positive cash flow in excess of \$668,000.
- 9. While the District was profitable in four of the five years between 2017 and 2021, it did not fully fund depreciation reserves in any year. This trend continued in 2022. The District's cash balance increased from \$2.3 million at the end of 2021 to \$2.4 million at the end of 2022.
- 10. Granting this motion does not mean that the District's Board members will forget about the need to closely monitor its financial condition. Indeed, just the opposite is true the District has already retained KRWA to prepare another Rate Study just as soon as the 2023 PSC Annual Report has been prepared. In these inflationary times when the cost of chemicals, fuel, materials, and labor are

skyrocketing, the District's Board realizes that it needs to review its financial condition at least annually for the foreseeable future.

11. Based upon the analysis above, an immediate adjustment of rates is not required. The District's present rates will produce sufficient revenues to meet all operating expenses and provide for a substantial portion of depreciation expense. Maintaining rates at their present levels for an additional year will not adversely affect the District's financial condition or the quality or reliability of the District's service.

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WHEREFORE, the Muhlenberg County Water District requests that the Commission issue an order approving the District's decision not to modify its rates at this time.

Dated: October 24, 2023 Respectfully submitted,

Damon R. Talley

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Counsel for Muhlenberg County Water District

## **CERTIFICATE OF SERVICE**

In accordance with 807 KAR 5:001, Section 8, I certify that this document was submitted electronically to the Public Service Commission on October 24, 2023, and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding.

Damon R. Talley

# **ATTACHMENT A**

# ANALYSIS AND RECOMMENDATIONS FOR WATER AND SEWER RATES

# **MUHLENBERG COUNTY WATER DISTRICT**

September 25, 2023

Prepared by Ariel Miller



1151 Old Porter Pike • Bowling Green, KY 42101 • 270.843.2291 • www.krwa.org

### **EXECUTIVE SUMMARY**

Muhlenberg County Water District requested that Kentucky Rural Water Association perform a water rate study and assist with an application to the Public Service Commission using Alternative Rate Filing procedures. The study is complete and the results are presented in this report.

In accordance with PSC regulations, the study is based on the most recent Annual Report on file with the Commission; in this case, the test period is calendar year 2022. The Schedule of Adjusted Operations (SAO) lists the revenues and expenses for 2022 and applies required adjustments. The adjustments are to recognize any changes in operations after the test year and include certain other items that are commonly required by the PSC. The specific adjustments for Muhlenberg County Water District are shown in the respective SAO with notes for each provided on the Reference pages. Total pro forma water operating revenues for 2022 are \$4,327,650 and total pro forma water operating expenses are \$4,178,353.

The SAO also shows the computations for Revenue Requirements. Utilizing the Debt Service Coverage method accepted by the PSC, the total Revenue Required from Water Sales comes to \$4,195,789. This is an increase above existing pro forma sales of \$55,188 and indicates an overall water rate increase of 1.33 percent is needed.

Computations from this study are included in the Schedule of Adjusted Operations with details provided in the Reference pages and Table A. Based on the study, the recommendation is that Muhlenberg County Water District request that the Commission not increase rates at this time. Therefore, there is no calculation of the comparison of current and proposed rates.

## **SCHEDULE OF ADJUSTED OPERATIONS**

## **Muhlenberg County Water District**

Total Metered Retail Sales   3,945,492   70,207 (A)   4,015,699   Sales for Resale   79,362   45,539 (A)   124,901	Total Metered Retail Sales Sales for Resale 79,362 A5,53 Other Water Revenues: Forfeited Discounts Other Water Revenues  Other Water Revenues  Other Water Revenues  Other Water Revenues  Other Water Revenues  Other Water Revenues  Operating Expenses Operation and Maintenance Salaries and Wages - Employees Salaries and Wages - Officers I 8,000 Employee Pensions and Benefits Operating Expenses Operation Advages Other Salaries Other S	nts <u>I</u>	<u>Adjustments</u>	Ref. P	roforma
Sales for Resale   79,362   45,539   (A)   124,901	Sales for Resale  Other Water Revenues: Forfeited Discounts Misc. Service Revenues Other Water Revenues  Other Salaries  Other Water Revenues  Other Salaries  Other Water Revenues  Other Salaries  Other Other Other Other Salaries  Other				
Other Water Revenues:         75,601         75,602         75,602         75,602         75,602         75,602         75,602         75,602         75,602         75,602	Other Water Revenues: Forfeited Discounts Misc. Service Revenues Other Water Revenues  Other				
Forfeited Discounts   75,601   75,601   Miss. Service Revenues   65,931	Forfeited Discounts Misc. Service Revenues Other Water Revenues Other Water Revenues  Operating Expenses Operation and Maintenance Salaries and Wages - Employees Salaries and Wages - Officers Employee Pensions and Benefits Purchased Water Purchased Power Chemicals Contractual Services Rental of Building/Real Property Insurance - Other Advertising Expense  Advertising Expense  Bad Debt Miscellaneous Expenses Amortization Expense  Total Operating Expenses  Taxes Other Than Income  Total Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement Less: Revenue From Sales of Water Revenue Required From Sales with Present Rates	,539	45,539	(A)	124,901
Misc. Service Revenues         65,931 (45,517)         65,931 (45,517)           Total Operating Revenues         42,11,903         43,27,630           Operating Revenues         4,211,903         43,27,630           Operation and Maintenance           Salaries and Wages - Employees         792,699         (23,453)         (B)         769,246           Salaries and Wages - Officers         18,000         18,000         18,000           Employee Pensions and Benefits         623,214         (133,486)         (C)         489,728           Purchased Water         1,488,669         (40,883)         (D)         119,906           Purchased Power         123,292         (3,386)         (D)         119,906           Chemicals         5,490         (151)         (D)         5,339           Materials and Supplies         168,649         (F)         92,695           Rental of Building/Real Property         121         121         121           Transportation Expenses         64,284         (F)         92,695           Rental of Building/Real Property         15,921         15,921         15,921           Insurance - Other         58,022         58,022         58,022           Advertising Expe	Misc. Service Revenues Other Water Revenues At,517  Total Operating Revenues  Operating Expenses Operation and Maintenance Salaries and Wages - Employees Salaries and Wages - Officers Employee Pensions and Benefits Operating Expenses  Operating Expenses Operation and Maintenance Salaries and Wages - Officers Employee Pensions and Benefits Operation and Maintenance Employee Pensions and Benefits Operation Expensed Mater Operations Salaries and Wages - Officers Employee Pensions and Benefits Operations Salaries and Wages - Officers Operations Salaries Salaries Operation Expense Operations Salaries Operations Salas of Water Operations Operating Expenses Operations Operating Expenses Operations Salas of Water Operations Computer Salas of Water Operations Salas with Present Rates				
Other Water Revenues	Other Water Revenues 4,517  Total Operating Expenses  Operation and Maintenance  Salaries and Wages - Employees 792,699 (23,4)  Salaries and Wages - Officers 18,000  Employee Pensions and Benefits 623,214 (133,4)  Purchased Water 1,488,669 (40,8)  Purchased Power 123,292 (3,3)  Chemicals 5,490 (15)  Materials and Supplies 168,649  Contractual Services 77,415 15,28  Rental of Building/Real Property 121  Transportation Expenses 64,284  Insurance - Other 58,022  Advertising Expense 1,613  Bad Debt 36,784  Miscellaneous Expenses 180,631  Total Operation and Mnt. Expenses 180,631  Total Operation Expense 481,618  Amortization Expense 481,618  Amortization Expense 481,618  Total Operating Expense 72,684  Total Operating Expense 72,684  Total Operating Expense 72,684  Total Operating Expense 72,684  Total Operating Expense 72,797  REVENUE REQUIREMENTS  Pro Forma Operating Expenses  Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement  Less: Other Operating Revenue Interest Income  Revenue Requirement  Less: Revenue From Sales of Water  Revenue Required From Sales of Water  Less: Revenue From Sales of Water				75,601
Operating Expenses         4,211,903         4,327,650           Operation and Maintenance         Salaries and Wages - Employees         792,699         (23,453)         (B)         769,246           Salaries and Wages - Officers         18,000         18,000         18,000           Employee Pensions and Benefits         623,214         (133,486)         (C)         489,728           Purchased Water         1,488,669         (40,883)         (D)         149,913         (E)         1,597,699           Purchased Power         123,292         (3,386)         (D)         119,906           Chemicals         5,490         (151)         (D)         5,339           Materials and Supplies         168,649         (E)         168,649           Contractual Services         77,415         15,280         (F)         92,695           Rental of Building/Real Property         121         121         121           Transportation Expenses         64,284         64,284         18,291           Insurance - Gen. Liab. & Workers Comp.         15,921         15,921         15,921           Insurance - Other         58,022         58,022         58,022           Advertising Expenses         1,613         1,613         1,613 <td>  Operating Expenses</td> <td></td> <td></td> <td></td> <td>65,931</td>	Operating Expenses				65,931
Operation and Maintenance           Salaries and Wages - Employees         792,699         (23,453)         (B)         769,246           Salaries and Wages - Officers         18,000         18,000         18,000           Employee Pensions and Benefits         623,214         (133,486)         (C)         489,728           Purchased Water         1,488,669         (40,883)         (D)         1597,699           Purchased Power         123,292         (3,386)         (D)         119,906           Chemicals         5,490         (151)         (D)         5,339           Materials and Supplies         168,649         168,649         168,649           Contractual Services         77,415         15,280         (F)         92,695           Rental of Building/Real Property         121         122         122         128         128         128         128         <	Operating Expenses Operation and Maintenance Salaries and Wages - Employees 18,000 Employee Pensions and Benefits 623,214 (133,48) Purchased Water 1,488,669 (40,88) Purchased Power 123,292 (3,38) Chemicals 5,490 (15) Materials and Supplies 168,649 Contractual Services 777,415 15,28 Rental of Building/Real Property 121 Transportation Expenses 64,284 Insurance - Gen. Liab. & Workers Comp. 15,921 Insurance - Other 58,022 Advertising Expense 1,613 Bad Debt 36,784 Miscellaneous Expenses 180,631 Total Operation and Mnt. Expenses 3,654,804 Depreciation Expense 481,618 Amortization Expense 481,618 Amortization Expense 4,209,106  Total Operating Expenses 7,2684 Total Operating Expenses 4,209,106  Total Utility Operating Income 2,797  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital Total Revenue Requirement Less: Other Operating Revenue Interest Income Revenue Required From Sales of Water Less: Revenue from Sales of Water Less: Revenue from Sales of Water Less: Revenue from Sales with Present Rates				45,517
Salaries and Wages - Employees   792,699   (23,453   68   769,246   63   63   63   63   63   63   63	Operation and Maintenance Salaries and Wages - Employees 792,699 (23,45) Salaries and Wages - Officers 18,000 Employee Pensions and Benefits 623,214 (133,45) Purchased Water 1,488,669 (40,88) Purchased Power 123,292 (3,38) Chemicals 5,490 (15) Materials and Supplies 168,649 Contractual Services 77,415 15,25 Rental of Building/Real Property 121 Transportation Expenses 64,284 Insurance - Gen. Liab. & Workers Comp. 15,921 Insurance - Other 58,022 Advertising Expense 1,613 Bad Debt 36,784 Miscellaneous Expenses 180,631 Total Operation and Mnt. Expenses 3,654,804 Depreciation Expense 481,618 Amortization Expense 481,618 Amortization Expense 481,618 Total Operating Expenses 72,684 Total Operating Expenses 4,209,106 Total Utility Operating Income 2,797  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital Total Revenue Requirement Less: Other Operating Revenue Interest Income Revenue Required From Sales of Water Less: Revenue from Sales of Water Less: Revenue from Sales with Present Rates				4,327,650
Salaries and Wages - Employees         792,699         (23,453)         (B)         769,246           Salaries and Wages - Officers         18,000         18,000           Employee Pensions and Benefits         623,214         (133,486)         (C)         489,728           Purchased Water         1,488,669         (40,883)         (D)         119,906           Purchased Power         123,292         (3,386)         (D)         119,906           Chemicals         5,490         (151)         (D)         5,339           Materials and Supplies         168,649         (F)         92,695           Rental of Building/Real Property         121         121         121           Transportation Expenses         64,284         (F)         92,695           Rental of Building/Real Property         121         121         121           Transportation Expenses         64,284         64,284         64,284           Insurance - Gen. Liab. & Workers Comp.         15,921         15,921         15,921           Insurance - Other         58,022         58,022         58,022           Advertising Expenses         1,613         1,613         1,613           Bad Debt         36,784         4,8063         1,8063     <	Salaries and Wages - Employees 18,000 Employee Pensions and Benefits 623,214 (133,48 Purchased Water 1,488,669 (40,88 1449,52) Purchased Power 123,292 (3,38 Chemicals 5,490 (15 Materials and Supplies 168,649 Contractual Services 77,415 15,28 Rental of Building/Real Property 121 Transportation Expenses 64,284 Insurance - Gen. Liab. & Workers Comp. 15,921 Insurance - Other 58,022 Advertising Expense 1,613 Bad Debt 36,784 Miscellaneous Expenses 180,631 Total Operation and Mnt. Expenses 3,654,804 Depreciation Expense 481,618 Amortization Expense 481,618 Amortization Expense 72,684 Total Operating Expense 72,684 Total Operating Expense 72,797  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital Total Revenue Requirement Less: Other Operating Revenue Interest Income Revenue Required From Sales of Water Less: Revenue from Sales with Present Rates				
Salaries and Wages - Officers         18,000         18,000           Employee Pensions and Benefits         623,214         (133,486)         (C)         489,728           Purchased Water         1,488,669         (40,883)         (D)           Purchased Power         123,292         (3,386)         (D)         119,906           Chemicals         5,490         (151)         (D)         5,339           Materials and Supplies         168,649         (T)         92,695           Rental of Building/Real Property         121         15,280         (F)         92,695           Rental of Building/Real Property         121         122         121         121         121         122         121         122         121         122         122         122         122         122         122         122         122         122         122         122         122         122         122	Salaries and Wages - Officers Employee Pensions and Benefits Employee Employee Employee Pensions and Benefits Employee Employee Pensions and Benefits Employee Employee Employee Pensions and Benefits Employee Employee Employee Pensions and Benefits Employee E				
Employee Pensions and Benefits   623,214   (133,486)   (C)   489,728   Purchased Water   1,488,669   (40,883)   (D)   149,913   (E)   1,597,699   (149,913   (E)   1,597,699   (151)   (D)   5,339   (151)   (D)   5,339   (158,649   (151)   (D)   5,339   (158,649   (151)   (D)   5,339   (158,649   (151)   (D)   5,339   (158,649   (E)   (E)	Employee Pensions and Benefits Purchased Water Purchased Water 1,488,669 (40,88 149,95 Purchased Power 123,292 (3,38 Chemicals Materials and Supplies Contractual Services Rental of Building/Real Property 121 Transportation Expenses G4,284 Insurance - Gen. Liab. & Workers Comp. Insurance - Other S8,022 Advertising Expense Advertising Expenses 1,613 Bad Debt Miscellaneous Expenses 180,631 Total Operation and Mnt. Expenses Taxes Other Than Income T2,684 Total Operating Expense Taxes Other Than Income T2,797  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement Less: Other Operating Revenue Interest Income Revenue Required From Sales of Water Less: Revenue from Sales of Water Less: Revenue from Sales with Present Rates	,453)	(23,453)	(B)	769,246
Purchased Water	Purchased Water 1,488,669 (40,88 149,99) Purchased Power 123,292 (3,38 Chemicals 5,490 (15 Materials and Supplies 168,649 Contractual Services 77,415 15,28 Rental of Building/Real Property 121 Transportation Expenses 64,284 Insurance - Gen. Liab. & Workers Comp. 15,921 Insurance - Other 58,022 Advertising Expense 1,613 Bad Debt 36,784 Miscellaneous Expenses 180,631 Total Operation and Mnt. Expenses 3,654,804 Depreciation Expense 481,618 Amortization Expense 481,618 Amortization Expense 482,09,106 Total Operating Expenses 2,797  **REVENUE REQUIREMENTS**  **Pro Forma Operating Expenses** Plus: Average Annual Principal and Interest Payments Additional Working Capital Total Revenue Requirement Less: Other Operating Revenue Interest Income  **Revenue Required From Sales of Water** Less: Revenue from Sales with Present Rates				18,000
Purchased Power   123,292   (3,386)   (D)   119,906	Purchased Power 123,292 (3,38 Chemicals 5,490 (15 Materials and Supplies 168,649 Contractual Services 77,415 15,28 Rental of Building/Real Property 121 Transportation Expenses 64,284 Insurance - Gen. Liab. & Workers Comp. 15,921 Insurance - Other 58,022 Advertising Expense 1,613 Bad Debt 36,784 Miscellaneous Expenses 180,631 Total Operation and Mnt. Expenses 3,654,804 Depreciation Expense 481,618 Amortization Expense 481,618 Amortization Expense 72,684 (3,48 Total Operating Expenses 4,209,106 Total Utility Operating Income 2,797  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital Total Revenue Requirement Less: Other Operating Revenue Interest Income Revenue Required From Sales of Water Less: Revenue from Sales with Present Rates	,486)	(133,486)	(C)	489,728
Purchased Power         123,292         (3,386)         (D)         119,906           Chemicals         5,490         (151)         (D)         5,339           Materials and Supplies         168,649         168,649         168,649           Contractual Services         77,415         15,280         (F)         92,695           Rental of Building/Real Property         121         121         121           Transportation Expenses         64,284         64,284         64,284           Insurance - Gen. Liab. & Workers Comp.         15,921         58,022         58,022           Advertising Expenses         1,613         1,613         1,613           Bad Debt         36,784         36,784         36,784           Miscellaneous Expenses         180,631         180,631         180,631           Total Operation and Mnt. Expenses         481,618         481,618         481,618           Amortization Expense         481,618         481,618         481,618           Amortization Expenses         4,209,106         72,684         (3,484)         (B)         69,200           Total Operating Expenses         4,209,106         4,178,353           Total Utility Operating Income         2,797	Purchased Power Chemicals Chemicals Chemicals S,490 C19 Materials and Supplies Contractual Services Rental of Building/Real Property Transportation Expenses G4,284 Insurance - Gen. Liab. & Workers Comp. Insurance - Other S8,022 Advertising Expense Advertising Expenses Total Operation and Mnt. Expenses Taxes Other Than Income Total Utility Operating Income  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement Less: Other Operating Revenue Interest Income Revenue Required From Sales with Present Rates	,883)	(40,883)	(D)	
Chemicals         5,490         (151)         (D)         5,339           Materials and Supplies         168,649         168,649         168,649           Contractual Services         77,415         15,280         (F)         92,695           Rental of Building/Real Property         121         121         121           Transportation Expenses         64,284         64,284         64,284           Insurance - Gen. Liab. & Workers Comp.         15,921         15,921         15,921           Insurance - Other         58,022         2         58,022           Advertising Expenses         1,613         3         1,613           Bad Debt         36,784         36,784         36,784           Miscellaneous Expenses         180,631         180,631         180,631           Total Operation and Mnt. Expenses         481,618         481,618         481,618           Amortization Expense         481,618         3,896         (F)         8,896           Taxes Other Than Income         72,684         (3,484)         (B)         69,200           Total Operating Expenses         4,209,106         4,178,353           Total Utility Operating Income         2,797         149,297	Chemicals Materials and Supplies Contractual Services Rental of Building/Real Property Transportation Expenses Insurance - Gen. Liab. & Workers Comp. Insurance - Other Advertising Expense Bad Debt Miscellaneous Expenses Total Operation and Mnt. Expenses Taxes Other Than Income Total Operating Expenses Total Utility Operating Income  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement Less: Other Operating Revenue Interest Income Revenue Required From Sales with Present Rates	,913	149,913	(E)	1,597,699
Materials and Supplies         168,649         168,649           Contractual Services         77,415         15,280 (F)         92,695           Rental of Building/Real Property         121         121           Transportation Expenses         64,284         64,284           Insurance - Gen. Liab. & Workers Comp.         15,921         15,921           Insurance - Other         58,022         58,022           Advertising Expense         1,613         1,613           Bad Debt         36,784         36,784           Miscellaneous Expenses         180,631         180,631           Total Operation and Mnt. Expenses         3,654,804         3,618,639           Depreciation Expense         481,618         481,618           Amortization Expense         4,896         (F)         8,896           Taxes Other Than Income         72,684         (3,484)         (B)         69,200           Total Operating Expenses         4,209,106         4,178,353           Total Utility Operating Income         2,797         149,297           Plus: Average Annual Principal and Interest Payments         4,178,353           Plus: Average Annual Principal and Interest Payments         4,178,353           T	Materials and Supplies Contractual Services Rental of Building/Real Property Transportation Expenses G4,284 Insurance - Gen. Liab. & Workers Comp. Insurance - Other S8,022 Advertising Expense Bad Debt Miscellaneous Expenses Total Operation and Mnt. Expenses Taxes Other Than Income Total Operating Expenses Total Utility Operating Income  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement Less: Other Operating Revenue Interest Income Revenue Required From Sales of Water Less: Revenue from Sales with Present Rates	,386)	(3,386)	(D)	119,906
Contractual Services         77,415         15,280 (F)         92,695           Rental of Building/Real Property         121         121           Transportation Expenses         64,284         64,284           Insurance - Gen. Liab. & Workers Comp.         15,921         15,921           Insurance - Other         58,022         58,022           Advertising Expense         1,613         1,613           Bad Debt         36,784         36,784           Miscellaneous Expenses         180,631         180,631           Total Operation and Mnt. Expenses         3,654,804         3,618,639           Depreciation Expense         481,618         481,618           Amortization Expense         8,896         (F)         8,896           Taxes Other Than Income         72,684         (3,484)         (B)         69,200           Total Operating Expenses         4,209,106         4,178,353           Total Utility Operating Income         2,797         149,297           Pro Forma Operating Expenses         4,178,353           Plus:         Average Annual Principal and Interest Payments         4,178,353           Plus:         Average Annual Principal and Interest Payments         4,385,443	Contractual Services 77,415 15,28 Rental of Building/Real Property 121 Transportation Expenses 64,284 Insurance - Gen. Liab. & Workers Comp. 15,921 Insurance - Other 58,022 Advertising Expense 1,613 Bad Debt 36,784 Miscellaneous Expenses 180,631 Total Operation and Mnt. Expenses 3,654,804 Depreciation Expense 481,618 Amortization Expense 481,618 Amortization Expense 72,684 Total Operating Expenses 4,209,106  Total Utility Operating Income 2,797  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement Less: Other Operating Revenue Interest Income  Revenue Required From Sales of Water Less: Revenue from Sales with Present Rates	(151)	(151)	(D)	5,339
Rental of Building/Real Property         121         121           Transportation Expenses         64,284         64,284           Insurance - Gen. Liab. & Workers Comp.         15,921         15,921           Insurance - Other         58,022         58,022           Advertising Expense         1,613         1,613           Bad Debt         36,784         36,784           Miscellaneous Expenses         180,631         180,631           Total Operation and Mnt. Expenses         3,654,804         3,618,639           Depreciation Expense         481,618         481,618           Amortization Expense         8,896         (F)         8,896           Taxes Other Than Income         72,684         (3,484)         (B)         69,200           Total Operating Expenses         4,209,106         4,178,353           Total Utility Operating Income         2,797         149,297           REVENUE REQUIREMENTS           Pro Forma Operating Expenses         4,178,353           Plus:         Average Annual Principal and Interest Payments         4,178,353           Additional Working Capital         34,515           Total Revenue Requirement         4,385,443	Rental of Building/Real Property Transportation Expenses 64,284 Insurance - Gen. Liab. & Workers Comp. 15,921 Insurance - Other 58,022 Advertising Expense 1,613 Bad Debt 36,784 Miscellaneous Expenses 180,631 Total Operation and Mnt. Expenses 3,654,804 Depreciation Expense 481,618 Amortization Expense Taxes Other Than Income 72,684 Total Operating Expenses Total Utility Operating Income 2,797  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement Less: Other Operating Revenue Interest Income Revenue Required From Sales of Water Less: Revenue from Sales with Present Rates				168,649
Transportation Expenses       64,284       64,284         Insurance - Gen. Liab. & Workers Comp.       15,921       15,921         Insurance - Other       58,022       58,022         Advertising Expense       1,613       1,613         Bad Debt       36,784       36,784         Miscellaneous Expenses       180,631       180,631         Total Operation and Mnt. Expenses       3,654,804       3,618,639         Depreciation Expense       481,618       481,618         Amortization Expense       8,896       (F)       8,896         Taxes Other Than Income       72,684       (3,484)       (B)       69,200         Total Operating Expenses       4,209,106       4,178,353         Total Utility Operating Income       2,797       149,297         REVENUE REQUIREMENTS         Pro Forma Operating Expenses       4,178,353         Plus: Average Annual Principal and Interest Payments Additional Working Capital       34,515         Total Revenue Requirement       4,385,443	Transportation Expenses Insurance - Gen. Liab. & Workers Comp. Insurance - Other Sen. Diab. & Sen. Diab. & Sen. Diab. Insurance - Other Sen. Diab. & Sen. Diab. & Sen. Diab. Insurance - Other Sen. Diab. & Sen. Diab. & Sen. Diab. Insurance - Other Sen. Diab. & Sen. Diab. & Sen. Diab. Insurance - Other Sen. Diab. & Sen. Diab. & Sen. Diab. Insurance - Other Sen. Diab. & Sen. Diab. & Sen. Diab. & Sen. Diab. Insurance - Other Sen. Diab. & Sen. D	,280	15,280	(F)	92,695
Insurance - Gen. Liab. & Workers Comp.   15,921   15,921   15,921   15,921   15,921   15,921   15,921   15,921   15,921   15,921   15,921   15,921   15,921   15,922   16,022   16,022   16,031   16,033   16,033   16,033   180,631   180	Insurance - Gen. Liab. & Workers Comp. Insurance - Other S8,022 Advertising Expense 1,613 Bad Debt 36,784 Miscellaneous Expenses 180,631 Total Operation and Mnt. Expenses 3,654,804 Depreciation Expense 481,618 Amortization Expense 72,684 Taxes Other Than Income 72,684 Total Operating Expenses 4,209,106  Total Utility Operating Income 2,797  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement Less: Other Operating Revenue Interest Income  Revenue Required From Sales of Water Less: Revenue from Sales with Present Rates				121
Insurance - Other	Insurance - Other Advertising Expense Advertising Expense Bad Debt Bad				64,284
Advertising Expense       1,613       1,613         Bad Debt       36,784       36,784         Miscellaneous Expenses       180,631       180,631         Total Operation and Mnt. Expenses       3,654,804       3,618,639         Depreciation Expense       481,618       481,618         Amortization Expense       8,896 (F)       8,896         Taxes Other Than Income       72,684 (3,484) (B)       69,200         Total Operating Expenses       4,178,353         Total Utility Operating Income       2,797       149,297         REVENUE REQUIREMENTS         Pro Forma Operating Expenses       4,178,353         Plus: Average Annual Principal and Interest Payments Additional Working Capital       172,575         Additional Working Capital       34,385,443	Advertising Expense Bad Debt Bad Debt Adiscellaneous Expenses Total Operation and Mnt. Expenses Depreciation Expense Amortization Expense Amortization Expense Amortization Expense Amortization Expense Taxes Other Than Income Total Operating Expenses Total Utility Operating Income  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement Less: Other Operating Revenue Interest Income  Revenue Required From Sales of Water Less: Revenue from Sales with Present Rates				15,921
Bad Debt         36,784         36,784           Miscellaneous Expenses         180,631         180,631           Total Operation and Mnt. Expenses         3,654,804         3,618,639           Depreciation Expense         481,618         481,618           Amortization Expense         8,896         (F)         8,896           Taxes Other Than Income         72,684         (3,484)         (B)         69,200           Total Operating Expenses         4,209,106         4,178,353           Total Utility Operating Income         2,797         149,297           Plus: Average Annual Principal and Interest Payments         4,178,353           Plus: Average Annual Principal and Interest Payments         172,575           Additional Working Capital         34,385,443           Total Revenue Requirement	Bad Debt Miscellaneous Expenses 180,631 Total Operation and Mnt. Expenses 3,654,804 Depreciation Expense 481,618 Amortization Expense Taxes Other Than Income 72,684 Total Operating Expenses 4,209,106  Total Utility Operating Income 2,797  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement Less: Other Operating Revenue Interest Income  Revenue Required From Sales of Water Less: Revenue from Sales with Present Rates				58,022
Miscellaneous Expenses 180,631 Total Operation and Mnt. Expenses 3,654,804 3,618,639  Depreciation Expense 481,618 Amortization Expense 8,896 (F) 8,896 Taxes Other Than Income 72,684 (3,484) (B) 69,200  Total Operating Expenses 4,209,106 4,178,353  Total Utility Operating Income 2,797 149,297  REVENUE REQUIREMENTS  Pro Forma Operating Expenses 4,178,353  Plus: Average Annual Principal and Interest Payments Additional Working Capital 34,515  Total Revenue Requirement 4,385,443	Miscellaneous Expenses Total Operation and Mnt. Expenses 3,654,804  Depreciation Expense Amortization Expense Taxes Other Than Income Total Operating Expenses Total Utility Operating Income  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement Less: Other Operating Revenue Interest Income  Revenue Required From Sales of Water Less: Revenue from Sales with Present Rates				1,613
Total Operation and Mnt. Expenses 3,654,804 3,618,639  Depreciation Expense 481,618  Amortization Expense 8,896 (F) 8,896  Taxes Other Than Income 72,684 (3,484) (B) 69,200  Total Operating Expenses 4,209,106 4,178,353  Total Utility Operating Income 2,797 149,297  REVENUE REQUIREMENTS  Pro Forma Operating Expenses 4,178,353  Plus: Average Annual Principal and Interest Payments Additional Working Capital 34,515  Total Revenue Requirement 4,385,443	Total Operation and Mnt. Expenses 3,654,804  Depreciation Expense 481,618  Amortization Expense 72,684  Taxes Other Than Income 72,684  Total Operating Expenses 4,209,106  Total Utility Operating Income 2,797  REVENUE REQUIREMENTS  Pro Forma Operating Expenses  Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement  Less: Other Operating Revenue Interest Income  Revenue Required From Sales of Water  Less: Revenue from Sales with Present Rates				36,784
Depreciation Expense 481,618 8,896 (F) 8,896 Taxes Other Than Income 72,684 (3,484) (B) 69,200 Total Operating Expenses 4,209,106 4,178,353 Total Utility Operating Income 2,797 149,297  REVENUE REQUIREMENTS  Pro Forma Operating Expenses 4,178,353 Plus: Average Annual Principal and Interest Payments Additional Working Capital Total Revenue Requirement 4,385,443	Depreciation Expense Amortization Expense Taxes Other Than Income Total Operating Expenses Total Utility Operating Income  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement Less: Other Operating Revenue Interest Income  Revenue Required From Sales of Water  Less: Revenue from Sales with Present Rates				180,631
Amortization Expense 8,896 (F) 8,896 Taxes Other Than Income 72,684 (3,484) (B) 69,200  Total Operating Expenses 4,209,106 4,178,353  Total Utility Operating Income 2,797 149,297  REVENUE REQUIREMENTS  Pro Forma Operating Expenses 4,178,353  Plus: Average Annual Principal and Interest Payments Additional Working Capital 34,515  Total Revenue Requirement 4,385,443	Amortization Expense Taxes Other Than Income Total Operating Expenses Total Utility Operating Income  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement Less: Other Operating Revenue Interest Income  Revenue Required From Sales of Water Less: Revenue from Sales with Present Rates				3,618,639
Taxes Other Than Income 72,684 (3,484) (B) 69,200  Total Operating Expenses 4,209,106 4,178,353  Total Utility Operating Income 2,797 149,297  REVENUE REQUIREMENTS  Pro Forma Operating Expenses 4,178,353  Plus: Average Annual Principal and Interest Payments Additional Working Capital 34,515  Total Revenue Requirement 4,385,443	Taxes Other Than Income 72,684  Total Operating Expenses 4,209,106  Total Utility Operating Income 2,797  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments				481,618
Total Operating Expenses 4,209,106 4,178,353  Total Utility Operating Income 2,797 149,297  REVENUE REQUIREMENTS  Pro Forma Operating Expenses 4,178,353  Plus: Average Annual Principal and Interest Payments Additional Working Capital 34,515  Total Revenue Requirement 4,385,443	Total Operating Expenses 4,209,106  Total Utility Operating Income 2,797  REVENUE REQUIREMENTS  Pro Forma Operating Expenses Plus: Average Annual Principal and Interest Payments	,896	8,896	(F)	8,896
Total Utility Operating Income 2,797 149,297  REVENUE REQUIREMENTS  Pro Forma Operating Expenses 4,178,353 Plus: Average Annual Principal and Interest Payments 172,575 Additional Working Capital 34,515 Total Revenue Requirement 4,385,443	REVENUE REQUIREMENTS  Pro Forma Operating Expenses  Plus: Average Annual Principal and Interest Payments	,484)	(3,484)	(B)	69,200
REVENUE REQUIREMENTS  Pro Forma Operating Expenses 4,178,353  Plus: Average Annual Principal and Interest Payments 172,575     Additional Working Capital 34,515  Total Revenue Requirement 4,385,443	REVENUE REQUIREMENTS  Pro Forma Operating Expenses  Plus: Average Annual Principal and Interest Payments				4,178,353
Pro Forma Operating Expenses4,178,353Plus:Average Annual Principal and Interest Payments172,575Additional Working Capital34,515Total Revenue Requirement4,385,443	Pro Forma Operating Expenses  Plus: Average Annual Principal and Interest Payments				149,297
Pro Forma Operating Expenses4,178,353Plus:Average Annual Principal and Interest Payments172,575Additional Working Capital34,515Total Revenue Requirement4,385,443	Pro Forma Operating Expenses  Plus: Average Annual Principal and Interest Payments		ΓS		
Plus:Average Annual Principal and Interest Payments172,575Additional Working Capital34,515Total Revenue Requirement4,385,443	Plus: Average Annual Principal and Interest Payments Additional Working Capital  Total Revenue Requirement Less: Other Operating Revenue Interest Income  Revenue Required From Sales of Water Less: Revenue from Sales with Present Rates				4.178.353
Additional Working Capital 34,515 <b>Total Revenue Requirement</b> 4,385,443	Additional Working Capital  Total Revenue Requirement  Less: Other Operating Revenue     Interest Income  Revenue Required From Sales of Water  Less: Revenue from Sales with Present Rates				
Total Revenue Requirement 4,385,443	Total Revenue Requirement  Less: Other Operating Revenue Interest Income  Revenue Required From Sales of Water  Less: Revenue from Sales with Present Rates				
	Less: Other Operating Revenue Interest Income  Revenue Required From Sales of Water  Less: Revenue from Sales with Present Rates				
. 3	Interest Income  Revenue Required From Sales of Water  Less: Revenue from Sales with Present Rates				
Interest Income 2,605	Revenue Required From Sales of Water  Less: Revenue from Sales with Present Rates				
<del></del> _	Less: Revenue from Sales with Present Rates				
	- 4				
	Percent Increase				1.33%

#### REFERENCES

- A. The Current Billing Analysis results in pro forma retail water sales revenue of \$4,015,699 and pro forma wholesale water sales revenue of \$124,901. This reflects a full year at the water sales rates that were effective in 2022 and indicates an increase to retail water sales of \$70,207 and a increase to wholesale water sales of \$45,539 are required.
- B. Since 2022, there have been changes in wage rates. These changes result in an adjustment to Salaries and Wages of \$23,453. Pro Forma Payroll Taxes were adjusted \$3,484.
- C. Employee Pensions and Benefits were decreased \$133,486 to reflect current Commission precedent regarding employee medical and dental insurance benefits.
- D. Muhlenberg County Water District's total water loss for 2022 was 17.75 percent. A reduction of \$44,419 to Purchased Water, Purchased Power, and Chemicals is necessary to align with Commission precedent.
- E. Purchased Water was increased \$149,913 to reflect the effects of increased purchased water costs passed through and approved in Case No. 2022-00241.
- F. During 2023, United Systems contacted Muhlenberg County Water District and informed its staff that upgrades would be necessary to continue utilizing their billing software. The cost to install the upgrade was \$44,478, with additional annual maintenance fees of \$15,280. With a five year amortization of the installation costs, an increase to amortization expense of \$8,896 is necessary, and a pro forma adjustment of \$15,280 to contractual services was included.

Table A <u>DEBT SERVICE SCHDULE</u> Muhlenberg County Water District  CY 2023 - 2027											
	CY 2023 CY 20		2024 CY 2025		CY 2026		CY 2027				
		Interest		Interest		Interest		Interest		Interest	
	Principal	& Fees	Principal	& Fees	Principal	& Fees	Principal	& Fees	Principal	& Fees	 TOTALS
Revenue Bonds	250,000	32,133	120,000	23,660	125,000	18,200	135,000	12,512	140,000	6,370	862,875
TOTALS	250,000	32,133	120,000	23,660	125,000	18,200	135,000	12,512	140,000	6,370	\$ 862,875
Average Annual Principal & Interest									\$ 172,575		
Average Annual Coverage								\$ 34,515			

# **ATTACHMENT B**

# **COMPARATIVE INCOME**

## AND EXPENSE SUMMARIES

# MUHLENBERG COUNTY WATER DISTRICT

	Category	2020	2021	2022	Pro Forma
1.	Operating Revenue	\$ 3,988,647	\$ 4,110,986	\$ 4,211,903	\$ 4,327,650
2.	(Operating Expenses) Excluding Dep.	(3,573,304)	(3,456,161)	(3,728,313)	(3,696,735)
3.	Operating Income Before Depreciation	415,343	654,825	483,590	630,915
4.	(Depreciation Expense)	(501,421)	(476,000)	(481,618)	(481,618)
5.	Operating Income (Loss)	(86,078)	178,825	1,972	149,297
6.	(Interest Expense)	(38,784)	(37,796)	(27,360)	(18,575)
7.	Interest Income	13,138	1,236	2,605	2,605
8.	Miscellaneous - Other Income	14,441	77,020	53,261	53,261
9.	Net Income (Loss)	(97,283)	219,285	30,478	186,588
10.	Add Back Depreciation	501,421	476,000	481,618	481,618
11.	Add Back Extraordinary Expense	-0-	-0-	-0-	-0-
12.	Available Funds	\$ 404,138	\$ 695,285	\$ 512,096	\$ 668,206

Sources: PSC Annual Reports and KRWA Rate Study