

**LIST OF ATTACHMENTS**  
**NORTH MARSHALL WATER DISTRICT**

- 1. Customer Notice of proposed rate adjustments**
- 2. Reasons for application**
- 3. Current and proposed rates**
- 4. Statement of Adjusted Operations and Revenue Requirement with the following attachments:**
  - i. Refences**
  - ii. Table A – Depreciation Expense Adjustments**
  - iii. Table B – Debt Service Schedule**
- 5. Current Rates Billing Analysis**
- 6. Proposed Rates Billing Analysis**
- 7. Depreciation Schedule – 2021 (excel file)**
- 8. Depreciation Schedule – 2022 adjusted (excel file)**
- 9. Board Resolution**
- 10. Statements of Disclosure of Related Party Transaction**
- 11. RD Promissory note and amortization schedule**

# **Attachment #1**

## NOTICE

Notice is hereby given that North Marshall Water District expects to file an application with the Public Service Commission on or about May 1, 2023, seeking approval of a proposed adjustment to its rates for water service. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates or six (6) months from the date of the filing of the application, whichever occurs first.

<b><u>CURRENT AND PROPOSED RATES</u></b>					
<b>NORTH MARSHALL WATER DISTRICT</b>					
<b><u>RATES</u></b>					
<u>Bimonthly Customer Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>		
5/8" x 3/4" Meter	\$ 23.49	\$ 28.99	\$ 5.50	23.41%	
1" Meter	\$ 32.79	\$ 40.47	\$ 7.68	23.42%	
1 1/2" Meter	\$ 48.30	\$ 59.61	\$ 11.31	23.42%	
2" Meter	\$ 66.95	\$ 82.62	\$ 15.67	23.41%	
3" Meter	\$ 110.40	\$ 136.24	\$ 25.84	23.41%	
4" Meter	\$ 172.51	\$ 212.89	\$ 40.38	23.41%	
6" Meter	\$ 327.73	\$ 404.44	\$ 76.71	23.41%	
<hr/>					
<u>Rate Per Gallon</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>		
All Water Usage	\$ 0.00327	\$ 0.00404	\$ 0.00077	23.55%	

The bi-monthly bill for an average customer with a 5/8" meter, using 8,000 gallons for the billing cycle will increase \$11.66 from \$49.65 to \$61.31 or 23.48%.

The Application may be examined at the utility's office located at 96 Carroll Road Benton, Ky 42025; telephone (270) 527-3208.

The rates contained in this notice are the rates proposed by the utility. However, the PSC may order rates to be charged that differ from the proposed rates contained in this notice.

A person may examine this application at the Public Service Commission offices located at 211 Sower Boulevard, Frankfort, Kentucky, 40601, Monday through Friday, 8:00 am to 4:30 pm or through the PSC website at <http://psc.ky.gov>. Comments regarding the

application may be submitted to the PSC through its website or by mail to the Public Service Commission, Post Office Box 615, Frankfort, KY 40602. You may contact the Public Service Commission at (502) 564-3940.

A person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, KY 40602, establishing the grounds for the request including the status and interest of the party. If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the initial publication of this notice, the Public Service Commission may take final action on the application.

# **Attachment #2**

## **Reasons for Application**

North Marshall Water District is requesting a 23.5 percent rates increase for all of its water customers. The rate increase will generate approximately \$473,800 in additional revenue.

The District needs the rate increase for the following reasons.

1. To restore the District to a sound financial condition;
2. To enable the District to enhance its financial capacity to operate its system in compliance with the federal Safe Drinking Water Act, as amended in 1996, and KRS Chapter 151.

# **Attachment #3**

**CURRENT AND PROPOSED RATES**  
**NORTH MARSHALL WATER DISTRICT**

**RATES**

<u>Bimonthly Customer Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
5/8" x 3/4" Meter	\$ 23.49	\$ 28.99	\$ 5.50	23.41%
1" Meter	\$ 32.79	\$ 40.47	\$ 7.68	23.42%
1 1/2" Meter	\$ 48.30	\$ 59.61	\$ 11.31	23.42%
2" Meter	\$ 66.95	\$ 82.62	\$ 15.67	23.41%
3" Meter	\$ 110.40	\$ 136.24	\$ 25.84	23.41%
4" Meter	\$ 172.51	\$ 212.89	\$ 40.38	23.41%
6" Meter	\$ 327.73	\$ 404.44	\$ 76.71	23.41%
<u>Rate Per Gallon</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
All Water Usage	\$ 0.00327	\$ 0.00404	\$ 0.00077	23.55%



# **Attachment #4**

**SCHEDULE OF ADJUSTED OPERATIONS**  
**North Marshall Water District**

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Proforma</u>
<u>Operating Revenues</u>				
Total Metered Retail Sales	1,702,863	321,307	A	2,024,170
Private Fire Protection				-
Sales for Resale				-
Other Water Revenues:				
Forfeited Discounts				-
Misc. Service Revenues	16,249			16,249
Other Water Revenues	68,177			68,177
<b>Total Operating Revenues</b>	<b>1,787,289</b>			<b>2,108,596</b>
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	577,658	122,683	B	
		(17,220)	C	683,121
Salaries and Wages - Officers	30,200			30,200
Employee Pensions and Benefits	385,836	397	D	
		29,915	E	
		1,051	F	
		2,065	G	419,264
Purchased Water				-
Purchased Power	167,123	(18,159)	H	148,964
Chemicals	26,167	(2,843)	H	
		7,355	I	30,678
Materials and Supplies	174,017	(40,180)	J	133,837
Contractual Services- Eng	1,868			1,868
Contractual Services-Acct.	12,400			12,400
Contractual Services-Legal	1,481			1,481
Contractual Services-Water testing	14,092			14,092
Contractual Services-Other	79,028			79,028
Rental of Building/Real Property	2,400			2,400
Rental of Equipment	1,153			1,153
Transportation Expenses	34,755			34,755
Insurance - Gen. Liab. & Workers Comp.	53,900			53,900
Insurance - Other	1,100			1,100
Advertising Expense	1,948			1,948
Miscellaneous Expenses	82,365	9,505	K	91,870
Total Operation and Mnt. Expenses	1,647,491			1,742,059
Depreciation Expense	418,590	8,205	L	426,795
Amortization Expense		2,500	M	2,500
Taxes Other Than Income				-
<b>Total Operating Expenses</b>	<b>2,066,081</b>			<b>2,171,354</b>
<b>Total Utility Operating Income</b>	<b>(278,792)</b>			<b>(62,759)</b>

**REVENUE REQUIREMENTS USING OPERATING RATIO METHOD**

<b>Pro Forma Operating Expenses</b>	2,171,354
Divided by: Operating Ratio	88%
Subtotal	2,467,448
Plus: Interest Expense	114,947
	N
<b>Total Revenue Requirement</b>	2,582,395
Less: Other Operating Revenue	84,426
Interest Income	
<b>Revenue Required From Sales of Water</b>	2,497,969
Less: Revenue from Sales with Present Rates	2,024,170
<b>Required Revenue Increase</b>	<b>473,800</b>
<b>Percent Increase</b>	<b>23.41%</b>

## REFERENCES

- A. Adjustment to metered sales revenues due to rate increase approved in Case No 2021-00333.
- B. Since 2021, there have been increases to individual wage rates and an addition of a full time employee, resulting in an increase to wages of \$122,683.
- C. The utility collected \$57,400 in tapping fees in 2021. These taps were installed by the utility and were recorded as labor and material expenses. Labor expense has been reduced by \$17,220 or 30% of the tapping fees while materials and supplies expense has been reduced by \$40,180 or 70% of the tapping fees.
- D. Increase Health and Dental insurance by \$397 to allowable employer share
- E. Increase in pension benefits to reflect increase in salaries.
- F. Increase in disability Insurance costs
- G. Increase in education and training expenses that occurred in 2022
- H. The utility's test year water loss was 25.87 percent. The PSC's maximum allowable loss for rate-making purposes is 15.0 percent. Therefore, the expenses for purchased water and purchased power above the 15 percent limit is not allowed in the rate base and must be deducted. Purchased power expense was decreased by \$18,159 and chemical expense was reduced by \$ 2,843.
- I. Increase chemical costs in 2022 due to vendor price increases.
- J. The utility collected \$57,400 in tapping fees in 2021. These taps were installed by the utility and were recorded as labor and material expenses. Materials and supplies expense has been reduced by \$40,180 or 70% of the tapping fees. Labor expense was reduced by \$17,220 or 30% of the tapping fees.
- K. Increased payroll taxes due to increased salaries.
- L. Increase due to additional assets added in 2022. The PSC requires adjustments to a water utility's depreciation expense when asset lives fall outside the ranges recommended by NARUC in its publication titled "Depreciation Practices for small utilities". Therefore, adjustments are included to bring asset lives to the midpoint of the recommended ranges, depreciation expense was increased by \$8,205. See Table A.
- M. Recovery of Rate Case Expense in the amount of \$7,500 amortized over a three year period.
- N. Revenue requirement is computed using the Operating Ratio Method. This method is used when systems have little or no debt.

**Table A**  
**DEPRECIATION EXPENSE ADJUSTMENTS**  
**North Marshall Water District**

<u>Asset</u>	<u>Date in Service</u>	<u>Original Cost *</u>	<u>Reported Life</u>	<u>Depr. Exp.</u>	<u>Proforma Life</u>	<u>Depr. Exp.</u>	<u>Depreciation Expense Adjustment</u>
<b><u>General Plant</u></b>							
Structures & Improvements	Various	\$ 502,350	Varies	15,535	37.5	13,396	(2,139)
Communication & Computer Eqmt.	Various	\$ 136,948	Varies	22,889	10.0	13,695	(9,194)
Office Furniture & Equipment	Various	\$ 5,788	Varies	944	22.5	257	(686)
Power Operated Equipment	Various	\$ 34,041	Varies	4,904	12.5	2,723	(2,180)
Tools, Shop, & Garage Equipment	Various	\$ 70,808	Varies	12,666	17.5	4,046	(8,620)
<b><u>Source of Supply Plant</u></b>							
Supply Mains	Various	\$ 509	Varies	7	62.5	8	2
<b><u>Pumping Plant</u></b>							
Structures & Improvements	Various	\$ 2,176,681	Varies	43,534	37.5	58,045	14,511
Pumping Equipment	Various	\$ 256,001	Varies	8,141	20.0	12,800	4,659
<b><u>Transmission &amp; Distribution Plant</u></b>							
Hydrants	Various	\$ 5,233	Varies	209	50.0	105	(105)
Transmission & Distribution Mains	Various	\$ 7,408,508	Varies	148,170	62.5	118,536	(29,634)
Meter Installations	Various	\$ 613,131	Varies	30,528	45.0	13,625	(16,902)
Meter Change-outs	Various	\$ 1,870,298	Varies	82,998	15.0	124,687	41,689
Tank Fence	Various	\$ 13,700	Varies	685	37.5	365	(320)
Services	Various	\$ 1,468	Varies	29	40.0	37	7
Reservoirs & Tanks	Various	\$ 940,273	Varies	18,805	45.0	20,895	2,089
<b><u>Transportation Equipment</u></b>							
Entire Group	Various	\$ 230,327	Varies	46,065	7.0	32,904	(13,162)
<b><u>Water Treatment Plant</u></b>							
Structures and Improvements	Various	\$ 466,134	Varies	7,860	62.5	7,458	(402)
Water Treatment Equipment	Various	\$ 88,354	Varies	1,560	27.5	3,213	1,653
<b>TOTALS for Depreciation Expense 2022</b>		<b>\$ 14,820,552</b>		<b>\$ 445,529</b>		<b>\$ 426,795</b>	<b>\$ (18,734)</b>
Depreciation Expense 2021 PSC annual report				<b>\$ 418,590</b>		<b>\$ 426,795</b>	<b>\$ 8,205</b>

\* Includes only costs associated with assets that contributed to depreciation expense in the test year.

**Table B**  
**DEBT SERVICE SCHEDULE**  
**North Marshall Water District**  
 CY 2023 - 2027

	<u>CY 2023</u>		<u>CY 2024</u>		<u>CY 2025</u>		<u>CY 2026</u>		<u>CY 2027</u>		<u>TOTALS</u>
	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	
2014 Bond(\$3,850,000)	67,500	78,902	69,000	77,367	71,000	75,792	73,000	74,172	75,000	72,506	587,837
2022 Bond(\$2,715,000)	50,000	40,725	51,000	39,975	51,500	39,210	52,500	38,438	53,000	37,650	453,998
<b>TOTALS</b>	<b>117,500</b>	<b>119,627</b>	<b>120,000</b>	<b>117,342</b>	<b>122,500</b>	<b>115,002</b>	<b>125,500</b>	<b>112,610</b>	<b>128,000</b>	<b>110,156</b>	<b>1,041,835</b>

Average Annual Principal & Interest      \$    208,367

Average Annual Coverage                              \$     41,673

Average interest & Fees                                      \$    114,947

# **Attachment #5**

**CURRENT BILLING ANALYSIS WITH 2021 USAGE & EXISTING RATES**  
**North Marshall Water District**

**SUMMARY**

<b>COMPONENT</b>	<b>BILLS</b>	<b>GALLONS</b>	<b>REVENUE</b>
CUSTOMER CHARGE	34,086	372,771,250	\$ 830,875
USAGE			\$1,218,962
LESS ADJUSTMENTS			\$ (25,668)
<b>NET METERED WATER SALES</b>			<b>\$2,024,170</b>

**Customer Charge by Meter Size**

<u>Meter Size</u>	<u>Annual</u> <u>BILLS</u>	<u>Bimonthly</u> <u>Rate</u>	<u>Total</u>
5/8" x 3/4" Meter	32,754	\$ 23.49	769,391
1" Meter	900	\$ 32.79	29,511
1 1/2" Meter	162	\$ 48.30	7,825
2" Meter	186	\$ 66.95	12,453
3" Meter	60	\$ 110.40	6,624
4" Meter	18	\$ 172.51	3,105
6" Meter	<u>6</u>	<u>\$ 327.73</u>	1,966
<b>TOTAL</b>	<b>34,086</b>		<b>\$ 830,875.32</b>

**Usage Revenue**

<u>Meter Size</u>	<u>Gallons</u>	<u>RATE</u> <u>per 1,000</u>	<u>REVENUE</u>
5/8" x 3/4" Meter	261,288,050	0.00327	\$ 854,411.92
1" Meter	16,637,600	0.00327	54404.952
1 1/2" Meter	9,701,800	0.00327	31724.886
2" Meter	23,102,200	0.00327	75544.194
3" Meter	18,852,000	0.00327	61646.04
4" Meter	42,110,100	0.00327	137700.027
6" Meter	<u>1,079,500</u>	<u>0.00327</u>	<u>3529.965</u>
<b>TOTAL</b>	<b>372,771,250</b>		<b>\$ 1,218,961.99</b>

# **Attachment #6**



**CURRENT BILLING ANALYSIS WITH 2021 USAGE & PROPOSED RATES**  
**North Marshall Water District**

**SUMMARY**

<b>COMPONENT</b>	<b>BILLS</b>	<b>GALLONS</b>	<b>REVENUE</b>
CUSTOMER CHARGE	34,086	372,771,250	\$1,025,419
USAGE			\$1,505,996
LESS ADJUSTMENTS			<u>\$ (25,668)</u>
NET METERED WATER SALES			\$2,505,747

**Customer Charge Revenue by Meter Size at Proposed Rates**

<u>Meter Size</u>	<u>Annual</u>	<u>Bimonthly</u>	<u>Total</u>
	<u>BILLS</u>	<u>Rate</u>	
5/8" x 3/4" Meter	32,754	\$ 28.99	\$ 949,538.46
1" Meter	900	\$ 40.47	\$ 36,423.00
1 1/2" Meter	162	\$ 59.61	\$ 9,656.82
2" Meter	186	\$ 82.62	\$ 15,367.32
3" Meter	60	\$ 136.24	\$ 8,174.40
4" Meter	18	\$ 212.89	\$ 3,832.02
6" Meter	<u>6</u>	\$ 404.44	\$ 2,426.64
TOTAL	34,086		\$ 1,025,418.66

**Usage Revenue at Proposed Rates**

<u>Meter Size</u>	<u>Gallons</u>	<u>RATE</u>	<u>REVENUE</u>
		<u>per 1,000</u>	
5/8" x 3/4" Meter	261,288,050	0.00404	\$ 1,055,603.72
1" Meter	16,637,600	0.00404	\$ 67,215.90
1 1/2" Meter	9,701,800	0.00404	\$ 39,195.27
2" Meter	23,102,200	0.00404	\$ 93,332.89
3" Meter	18,852,000	0.00404	\$ 76,162.08
4" Meter	42,110,100	0.00404	\$ 170,124.80
6" Meter	<u>1,079,500</u>	0.00404	<u>\$ 4,361.18</u>
TOTAL	372,771,250		\$ 1,505,995.85

# **Attachment #7**

**(see file Attachment 7. 2021 Depreciation Schedule.xls)**

# Attachment #8

(see file Attachment 8. 2022 Adjusted Dep Sch.xls)

# **Attachment #9**

**(see file Attachment 9. NMWD Board resolution.pdf)**

# **Attachment #10**

**(see files Attachment 10. NMWD Related Party Transactions.pdf and 10.  
Draffen ARF Form 3.pdf )**

# **Attachment #11**

**(see file Attachment 11. RD Note AMORTIZATION 2014 & 2022.xlsx )**