

**LIST OF ATTACHMENTS**  
**NORTH MERCER 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 Mercer Water District expects to file an application with the Public Service Commission on or about June 8, 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.

### **CURRENT AND PROPOSED RATES**

#### **North Mercer Water District**

<u>5/8 Inch Meter</u>			<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
First	1,000	Gallons	\$20.00 per month	\$23.25 per month	\$3.25	16.25%
Over	1,000	Gallons	\$0.00940 per gallon	\$0.01093 per gallon	\$0.00153	16.28%
<u>1 Inch Meter</u>			<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
First	2,500	Gallons	\$35.50 per month	\$41.27 per month	\$5.77	16.25%
Over	2,500	Gallons	\$0.00940 per gallon	\$0.01093 per gallon	\$0.00153	16.28%
<u>2 Inch Meter</u>			<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
First	10,000	Gallons	\$105.00 per month	\$122.07 per month	\$17.07	16.26%
Over	10,000	Gallons	\$0.00940 per gallon	\$0.01093 per gallon	\$0.00153	16.28%
<u>Bulk Rate</u>			<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
			\$0.00625 per gallon	\$0.00727 per Gallon	\$0.00102	16.32%

The monthly water bill for an average customer with a 5/8" meter, using 4,000 gallons per month will increase \$7.84 from \$48.20 to \$56.04 or 16.27%.

The Application may be examined at the utility's office located at 4795 Louisville Road Salvisa, Ky 40372; telephone (859) 865-2292.

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 Mercer Water District is requesting a 16.26 percent rates increase for all of its water customers. The rate increase will generate approximately \$455,539 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.
3. To comply with a Kentucky Public Service Commission Order issued in case No. 2021-00317.

# **Attachment #3**

## CURRENT AND PROPOSED RATES

### North Mercer Water District

#### 5/8 Inch Meter

		<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
First	1,000 Gallons	\$20.00 per month	\$23.25 per month	\$3.25 16.25%
Over	1,000 Gallons	\$0.00940 per gallon	\$0.01093 per gallon	\$0.00153 16.28%

#### 1 Inch Meter

		<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
First	2,500 Gallons	\$35.50 per month	\$41.27 per month	\$5.77 16.25%
Over	2,500 Gallons	\$0.00940 per gallon	\$0.01093 per gallon	\$0.00153 16.28%

#### 2 Inch Meter

		<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
First	10,000 Gallons	\$105.00 per month	\$122.07 per month	\$17.07 16.26%
Over	10,000 Gallons	\$0.00940 per gallon	\$0.01093 per gallon	\$0.00153 16.28%

#### Bulk Rate

		<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
		\$0.00625 per gallon	\$0.00727 per Gallon	\$0.00102 16.32%

# **Attachment #4**



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

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Proforma</u>
<u>Operating Revenues</u>				
Total Metered Retail Sales	\$ 2,505,191	\$ 296,178	A	\$ 2,801,369
Private Fire Protection				-
Sales for Resale				
Other Water Revenues:				
Forfeited Discounts	27,933			27,933
Miscellaneous Service Revenues	26,500	-		26,500
Other Water Revenues	<u>29,044</u>	<u>-</u>		<u>29,044</u>
<b>Total Operating Revenues</b>	<b>2,588,668</b>	<b>296,178</b>		<b>2,884,846</b>
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	527,434			
		145,448	B	672,882
Salaries and Wages - Officers	24,301	3,299	C	27,600
Employee Pensions and Benefits	407,256			
		(45,886)	D	
		20,825	E	382,195
Purchased Water	931,570	(82,538)	F	849,032
Purchased Power	31,946	(2,830)	F	29,116
Materials and Supplies	46,104			46,104
Contractual Services				
Accounting	8,825			8,825
Legal	5,000			5,000
Water Testing	4,390			4,390
Other	33,975			33,975
Transportation Expenses	31,389			31,389
Insurance - Other				
Insurance - Gen. Liab. & Workers Comp.	28,094			28,094
Insurance - Worker's Compensation	7,815			7,815
Bad Debt	8,012			8,012
Miscellaneous Expenses	<u>50,568</u>			<u>50,568</u>
Total Operation and Mnt. Expenses	<u>2,146,679</u>	<u>38,318</u>		<u>2,184,997</u>
Depreciation Expense	461,658	(60,222)	G	401,436
Taxes Other Than Income	<u>48,820</u>	<u>9,548</u>	H	<u>58,368</u>
<b>Total Operating Expenses</b>	<b><u>2,657,157</u></b>	<b><u>(12,357)</u></b>		<b><u>2,644,800</u></b>
Gains(Losses) from disposition of property				
<b>Total Utility Operating Income</b>	<b>\$ (68,489)</b>	<b>\$ 308,534</b>		<b>\$ 240,045</b>

**REVENUE REQUIREMENTS USING DEBT SERVICE COVERAGE METHOD**

Pro Forma Operating Expenses	\$ 2,644,800
Plus: Average Annual Principal and Interest Payments	591,701
Additional Working Capital	118,340
Total Revenue Requirement	3,354,842
Less: Other Operating Revenue	83,477
Income from Leased utility plant	6,000
Interest and Dividend Income	8,457
Revenue Required From Sales of Water	3,256,908
Less: Revenue from Sales with Present Rates	2,801,369
Sales for Resale	-
Required Revenue Increase	\$ 455,539
Percent Increase	16.26%

References	
A	Adjustment to revenues to match billing analysis with current rates.
B	Since 2021, there have been increase in wage rates, employee turnover and an additional employee, resulting in an annual wage increase of \$145,448.
C	Officers salaries adjusted by \$3,299 to reflect five current Commissioners.
D	Decrease allowable Health and Dental insurance reflecting PSC policy.
E	Increase in pension benefits to reflect increase in salaries and current contribution rates.
F	The utility's test year water loss was 23.86 percent. The PSC's maximum allowable loss for rate-making purposes in 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 water expense was decreased by \$82,538 and Purchased power expense was decreased by \$2,830.
G	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 reduced by \$60,222. See Table A.
H	Increased wages results in an increase to payroll taxes of \$9,548.
I	Revenue requirements were computed using the Debt Service Coverage Method. Annual debt service payments for the utility's debt are shown in Table B. the five-year average of these payments \$591,701 is added in the revenue requirement calculation.
J	The amount of \$118,340 is included in the revenue requirement as additional working capital. The amount shown in Table B for coverage on long term debt is required by the utility's loan documents.

**Table A**  
**DEPRECIATION EXPENSE ADJUSTMENTS**

**North Mercer Water District**

1/1/2022 - 12/31/22

<u>Asset</u>	<u>Date in Service</u>	<u>Original</u>	<u>Reported</u>	<u>Proforma</u>		<u>Depreciation</u>	
		<u>Cost *</u>	<u>Life</u>	<u>Depr. Exp.</u>	<u>Life</u>	<u>Depr. Exp.</u>	<u>Expense Adjustment</u>
<b><u>General Plant</u></b>							
Structures & Improvements	various	265,270	varies	7,853	37.5	7,074	(779)
Communication & Computer Eqmt.	various	579,303	varies	30,833	10.0	57,930	27,097
Office Furniture & Equipment	various	5,437	varies	487	22.5	242	(246)
Power Operated Equipment	various	50,196	varies	2,771	12.5	4,016	1,245
Tools, Shop, & Garage Equipment	various	5,300	varies	1,060	17.5	303	(757)
Tank Repairs & Painting	various	16,720	varies	1,115	15.0	1,115	(0)
<b><u>Pumping Plant</u></b>							
Structures & Improvements	various	504,124	varies	12,603	37.5	13,443	840
Telemetry	various	129,711	40	3,243	10.0	12,971	9,728
Pumping Equipment	various		varies		20.0	-	-
<b><u>Transmission &amp; Distribution Plant</u></b>							
Hydrants	various	21,588	40	540	50.0	540	-
Transmission & Distribution Mains	various	12,187,626	40	304,691	62.5	195,002	(109,689)
Meter Installations	various	1,496,260	varies	37,426	45.0	33,250	(4,176)
Meter Change-outs	various	425,779	varies	12,036	15.0	28,385	16,349
Pump Equipment					20.0	-	-
Tank Fence					37.5	-	-
Services	various	1,000	40	25	40.0	25	-
Reservoirs & Tanks	various	1,619,558	40	40,489	45.0	35,990	(4,499)
Tank Painting & Repairs	various	62,214	40	1,555	15.0	4,148	2,592
<b><u>Transportation Equipment</u></b>							
Entire Group	Various	49,015	5	9,803	7.0	7,002	(2,801)
<b><u>Water Treatment Plant</u></b>							
Transmission & Distribution Mains					62.5	-	-
<b>TOTALS for Depreciation Expense 2022</b>		<b>17,419,101</b>		<b>\$ 466,529</b>		<b>\$ 401,436</b>	<b>\$ (65,094)</b>
Depreciation Expense 2021 PSC annual report				<b>\$ 461,658</b>		<b>\$ 401,436</b>	<b>\$ (60,222)</b>

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

**Table B**  
**DEBT SERVICE SCHEDULE**  
**North Mercer Water District**  
**CY 2022 - 2026**

	CY 2023		CY 2024		CY 2025		CY 2026		CY 2027		TOTALS
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
		& Fees		& Fees		& Fees		& Fees		& Fees	
2010C	130,000	25,586	40,000	20,451	45,000	18,871	50,000	17,038	50,000	14,938	\$ 411,884
Series D (91-10)	29,000	124,106	30,500	122,991	31,500	121,828	33,000	120,619	34,500	119,353	767,397
Series A (91-11)	27,000	80,175	28,000	79,350	29,000	78,495	30,000	77,610	31,000	76,695	537,325
2016 D	65,000	61,968	70,000	58,875	70,000	56,005	75,000	52,658	75,000	49,208	633,714
2022	58,000	63,750	59,000	62,662	60,000	61,556	61,000	60,431	62,500	59,287	608,186
<b>TOTALS</b>	<b>309,000</b>	<b>355,585</b>	<b>227,500</b>	<b>344,329</b>	<b>235,500</b>	<b>336,755</b>	<b>249,000</b>	<b>328,356</b>	<b>253,000</b>	<b>319,481</b>	<b>2,958,506</b>
<b>Average Annual Principal &amp; Interest</b>											<b>\$ 591,701</b>
<b>Average Annual Coverage</b>											<b>\$ 118,340</b>

# **Attachment #5**



# **Attachment #6**

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

**SUMMARY**

COMPONENT	BILLS	GALLONS	REVENUE
Total Retail Sales	55,671	233,014,240	\$ 3,304,141
Less Adjustments			\$ (40,509)
Total			\$ 3,263,632
Pro forma Revenue Requirement from water rates			\$ 3,256,908
Difference			\$ 6,724

CONSUMPTION BY RATE INCREMENT		5/8 INCH METER				
	USAGE	BILLS	GALLONS	First 1,000	Over 1,000	Total
First	1,000	9,174	2,990,140	2,990,140		2,990,140
Over	1,000	46,052	223,413,161	46,052,000	177,361,161	223,413,161
		55,226	226,403,301	49,042,140	177,361,161	226,403,301

  

REVENUE BY RATE INCREMENT		5/8 INCH METER				
	USAGE	BILLS	GALLONS	RATE	REVENUE	
First	1,000	55,226	49,042,140	\$23.25 per month	\$ 1,284,005.00	
Over	1,000		177,361,161	\$0.01093 per gallon	\$ 1,938,557.00	
			226,403,301		\$ 3,222,562.00	

CONSUMPTION BY RATE INCREMENT		1 INCH METER				
	USAGE	BILLS	GALLONS	First 2,500	Over 2,500	Total
First	2,500	385	803,810	803,810		1,607,620
Over	2,500		3,192,349	-	3,192,349	3,192,349
		385	3,996,159	803,810	3,192,349	3,996,159

  

REVENUE BY RATE INCREMENT		1 INCH METER				
	USAGE	BILLS	GALLONS	RATE	REVENUE	
First	2,500	385	803,810	\$41.27 per month	\$ 15,889.00	
Over	2,500		3,192,349	\$0.01093 per gallon	\$ 34,892.00	
			3,996,159		\$ 50,781.00	

CONSUMPTION BY RATE INCREMENT		2 INCH METER				
	USAGE	BILLS	GALLONS	First 10,000	Over 10,000	Total
First	10,000	60	391,790	391,790		783,580
Over	10,000		1,997,990	-	1,997,990	1,997,990
		60	2,389,780	391,790	1,997,990	2,389,780

  

REVENUE BY RATE INCREMENT		2 INCH METER				
	USAGE	BILLS	GALLONS	RATE	REVENUE	
First	10,000	60	391,790	\$122.07 per month	\$ 7,324.00	
Over	10,000		1,997,990	\$0.01093 per gallon	\$ 21,838.00	
			2,389,780		\$ 29,162.00	

CONSUMPTION BY RATE INCREMENT		Bulk loading station				
REVENUE BY RATE INCREMENT		Bulk				
		GALLONS	RATE	REVENUE		
		225,000	\$0.00727 per gallon	\$ 1,636		



# **Attachment #7**

**(see file attached titled, 7\_NMWD 2021 Depreciation Schedule.xls)**

# Attachment #8

(see file attached titled, 8\_NMWD 2022 Depreciation Schedule.xls)

# **Attachment #9**

**(see file attached titled, 9\_10\_NMWD Board resolution and ARF Form 3.pdf)**

# **Attachment #10**

(see file Attached titled, 9\_10\_NMWD Board resolution and ARF Form  
3.pdf)

# Attachment #11

see files attached titled:

11\_NMWD AMORT Schedule.xlsx,

11\_Bond\_Resolution\_Series 2022.pdf

11\_Assistance Agreement NMWD series2010C Bond.pdf

11\_Board Resolution 2016 for 2016D Bond.pdf

11\_Bond\_Resolution\_Series 2011.pdf

11\_Bond\_Resolution\_series 2011A.pdf

11\_Bond\_Resolution\_series 2022 article II.pdf

11\_NMWD 2016 Assistance Agreement.pdf