COMMONWEALTH OF KENTUCKY BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF)
MUHLENBERG COUNTY WATER)
DISTRICT #3 OF A WATER) CASE NO. 2023-00366
PURCHASE AGREEMENT WITH)
THE CITY OF SACRAMENTO)

RESPONSE OF

MUHLENBERG COUNTY WATER DISTRICT #3

TO

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

DATED DECEMBER 4, 2023

FILED: DECEMBER 21, 2023

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Comes Muhlenberg County Water District #3 (the "District") for its Response to Commission Staff's First Request for Information, and states as shown on the following pages.

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Counsel for Muhlenberg County Water District #3

COMMONWEALTH OF KENTUCKY

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CERTIFICATION OF RESPONSE OF MUHLENBERG COUNTY WATER DISTRICT #3 TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

This is to certify that I have supervised the preparation of Muhlenberg County Water District #3's Response to Commission Staff's First Request for Information. The response submitted on behalf of Muhlenberg County Water District #3 is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Date: December 21, 2023

Ben Tooley, General Manager

Muhlenberg County Water District #3

CERTIFICATE OF SERVICE

In accordance with the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on December 21, 2023; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

Damon R. Talley

MUHLENBERG COUNTY WATER DISTRICT #3

CASE NO. 2023-00366

Response to Commission Staff's First Request for Information

Question No. 1

Responding Witness: Ben Tooley, General Manager

- Q-1. Refer to the Water Purchase Agreement, paragraph 8, Initial Rate entered into the case record on November 13, 2023.
 - a. Explain how the initial rate of \$4.48 per 1,000 gallons was developed.
 - b. Provide in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible any calculations used to develop the \$4.48 per 1,000 gallons.
 - c. Explain the underlying decision to enter into the agreement with the city of Sacramento (Sacramento) recognizing Sacramento's prior decision to discontinue purchases from Muhlenberg District #3.
 - d. State the rationale for a one year agreement versus a long-term agreement.
- A-1.
- a. The development of the initial wholesale rate of \$4.48 per 1,000 gallons was two-fold.

First, Alan Vilines, working as a rate consultant for the Kentucky Rural Water Association ("KRWA"), prepared a comprehensive rate study

and a Cost-of-Service Study ("COSS") for the District to support its Alternative Rate Adjustment ("ARF") application in Case No. 2018-00346 and determined that the District's wholesale rate should be \$3.86.1 The COSS was included in the ARF Application as Attachment 6. To facilitate the Commission's review of the COSS, it has been included in this Response as **Exhibit 1-1a**. It should be noted, however, that the Commission never took any action concerning the wholesale rate proposed by the District in its ARF proceeding. Sacramento was no longer purchasing water from the District and the Commission Staff declined to make a finding in their Staff Report as to the reasonableness of the proposed wholesale rate.² In its April 8, 2019 Order, the Commission accepted the findings contained in the Staff Report.³

Second, after the wholesale rate was calculated, Central City increased its wholesale rate to the District in 2022, and the District applied to the Public Service Commission ("Commission") for a Purchased Water Adjustment to offset this increased cost in Case No. 2022-00231.⁴ In

¹ Application of Muhlenberg County Water District #3 for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076, Case No. 2018-00346, Application at Attachment 6 (filed Oct. 9, 2018).

² Case No. 2018-00346, Staff Report at 3 (Ky. PSC Jan. 22, 2019).

³ Case No. 2018-00346, Order at 5-6 (Ky. PSC Apr. 8, 2019).

⁴ Electronic Purchased Water Adjustment Filing of Muhlenberg County Water District No. 3, Case No. 2022-00231, Amended Application (filed Aug. 7, 2022).

its September 2, 2022 Order in Case No. 2022-00231, the Commission approved a Purchased Water Adjustment Factor of **\$0.62** per 1,000 gallons.⁵ The District took this number (\$0.62) and added it to the wholesale rate determined by KRWA to get the initial wholesale rate to charge Sacramento.

To summarize this calculation:

KRWA Calculated Wholesale Rate: \$3.86

Purchased Water Adjustment Factor: \$0.62

Total: \$4.48 per 1,000 gallons

b. See the response to Question 1(a). No Excel spreadsheet was created to develop the wholesale rate used in the Water Purchase Agreement with Sacramento.

c. The District wanted to be a "good neighbor" and assist Sacramento.

Several years ago, Sacramento helped create the McLean County

Regional Water Commission (the "Regional Commission") and agreed

to purchase water from the Regional Commission when it became

available for Sacramento. It then ceased purchasing water from the

⁵ Case No. 2022-00231, Order at 5 (Ky. PSC Sept. 2, 2022).

District a few years ago and starting purchasing all its water from the Regional Commission. Several months ago, the Superintendent of the Sacramento Public Works approached the District and requested assistance from the District because it was in a dilemma. Sacramento needed to rehabilitate its water storage tank, but would need to take the water storage tank "off-line" for a few months during the rehabilitation. Sacramento could not do so as long as it was purchasing water from the Regional Commission. Because the Regional Commission has to use a booster pumping station to pump water to Sacramento, it cannot supply water to Sacramento unless Sacramento's water storage tank is in service.

On the other hand, the District operates on a higher pressure plane than Sacramento. Thus, it can gravity flow water from its system into Sacramento's water distribution system without having to pump the water. Hence, if the District would agree to sell water to Sacramento, Sacramento's problem would be solved. Sacramento could temporarily cease purchasing water from the Regional Commission; it could then take its water storage tank "off-line" and out of service; and its contractor could perform the tank rehabilitation work. Problem solved!

d. Because the District's proposed wholesale rate (\$4.48) was higher than the Regional Commission's wholesale rate (\$3.77), Sacramento was not initially interested in a long-term contract. On the other hand, the District was concerned about water quality issues and did not want to commit to selling water to Sacramento "on the spur of the moment." The District needed a binding commitment from Sacramento that it would purchase a minimum amount of water each month during the term of the Agreement. Also, it was unknown when Sacramento's contractor could commence the tank rehabilitation work and whether the contractor would "drag-out" the work over several months or finish it in a timely manner over a couple of months. The parties compromised and agreed to a one-year term.

Both parties are now interested in a continuing contractual relationship. This would enable Sacramento to have the luxury of not only a supplemental supply from the District, but also the ability to purchase all its water needs from the District in the event the Regional Commission has a major water transmission line break, pump failure, or other emergency which interrupts its supply to Sacramento. It is anticipated that the parties will negotiate in good faith to reach a new agreement which will automatically renew each year unless either party

decides to "opt out" by giving sufficient notice prior to the anniversary date of the new agreement.

Current ARF Case. The District has recently filed a new ARF case seeking to increase its retail rates and to increase its wholesale rate for Sacramento.⁶ The proposed wholesale rate for Sacramento is \$5.35.

⁶ Electronic Application of Muhlenberg County Water District #3 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076, Case No. 2023-00400, Application (filed Dec. 12, 2023).

Exhibit 1-1a

Calculation of Sacramento Wholesale Rate by KRWA in 2018

WHOLESALE RATE COMPUTATION

Muhlenberg County Water District #3

Salaries & Wages Customer Accts. 104,079 0 0,0559 2,174 Trans/Distribution 106,681 0.0559 5,961 Admin & General 39,029 0.0559 2,181 Employee Benefits + FICA + Amort. Customer Accts. 31,634 0 0 Supply & Exp. 3,163 0.2089 661 Trans-Distribution 32,426 0.0559 1,812 Admin & General 11,863 0.0559 663 Salaries - Officers 18,000 0.2089 146,009 Purchased Water 698,908 0.2089 146,009 Purchased Power Customer Accts. 0 0 0 Supply & Exp. 21,613 0.2089 146,009 Purchased Power Customer Accts. 19,062 0.0559 63 Admin & General 6,539 0.0559 63 Admin & General 6,539 0.0559 63 Admin & General 6,539 0.0559 63 Admin & General 11,510 0.0559 63 Admin & General 8,462 0.2405 0.0559 63 Trans-Distribution 11,510 0.0559 643 Admin & General 8,462 0.2405 0.0559 1.00559 643 Admin & General 8,462 0.2405 0.0559 1.00559 643 Admin & General 8,462 0.2405 0.0559 1.00559		Total	Allocation Factor	Wholesale Allocation
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Admin & General 6,539 0.0559 365 Materials & Supplies Customer Accts. 19,062 0 Supply & Exp. 3,011 0.2089 629 Trans./Distribution 11,510 0.0559 643 Admin & General 8,462 0.2405 2,035 Contr. Services - Acctg & Legal 18,293 0.2089 3,822 Contr. Services - Water Testing 26,627 0.2089 5,563 Transportation Expense Customer Accts. 3,964 0 Supply & Exp. 1,378 0.2089 288 Trans./Distribution 2,822 0.0559 158 Admin & General 3,573 0.0559 200 Insurance - Gen Llability 18,181 0.2089 3,798 Insurance - Workers Comp Customer Accts. 0 Supply & Exp. 936 0.2089 196 Trans. / Distribution 2,072 0.0559 116 Admin & General 0.0559 116 Admin & General 0.0559 196 Trans. / Distribution 2,072 0.0559 116 Admin & General 0.0559 196 Trans. / Distribution 7,072 0.0559 116 Admin & General 0.0559 196 Trans. / Distribution 7,0559 0.0059 116 Admin & General 0.0559 196 Trans. / Distribution 7,0559 0.0559 116 Admin & General 0.0559 196 Trans. / Distribution 7,0559 0.0559 154 Customer Accts. 7,01 0.0559 39 Admin & General 3,7,313 0.2405 8,975 Regulatory Commission Expense 2,692 0 Bad Debt Expense 1,250,760 194,778 Depreciation Supply & Exp. 3,160 0.2089 660 Trans. / Distribution 7,5,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 Taxes Other than Income Customer Accts. 7,962 0 Customer Accts. 7,962 0 Taxes Other than Income Customer Accts. 7,962 0 Customer Accts. 7,962 0 Taxes Other than Income Customer Accts. 7,962 0 Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Supply & Exp.	21,613	0.2089	4,515
Materials & Supplies 19,062 0 Supply & Exp. 3,011 0.2089 629 Trans./Distribution 11,510 0.0559 643 Admin & General 8,462 0.2405 2,035 Contr. Services - Acctg & Legal 18,293 0.2089 3,822 Contr. Services - Water Testing 26,627 0.2089 5,563 Transportation Expense 0.2089 288 Customer Accts. 3,964 0 Supply & Exp. 1,378 0.2089 288 Trans./Distribution 2,822 0.0559 158 Admin & General 3,573 0.0559 200 Insurance - Gen Liability 18,181 0.2089 3,798 Insurance - Workers Comp 0 0.0559 116 Customer Accts. 0 0 0.0559 116 Adwritising 453 0 0 Misc. Expense 7 0.0559 154 Customer Accts. 701 0.0559 39	Trans./Distribution	1,133	0.0559	63
Customer Accts. 19,062 0 Supply & Exp. 3,011 0.2089 629 Trans./Distribution 11,510 0.0559 643 Admin & General 8,462 0.2405 2,035 Contr. Services - Acctg & Legal 18,293 0.2089 3,822 Contr. Services - Water Testing 26,627 0.2089 5,563 Transportation Expense Customer Accts. 3,964 0 Customer Accts. 3,964 0 0 Supply & Exp. 1,378 0.2089 288 Trans./Distribution 2,822 0.0559 158 Admin & General 3,573 0.0559 200 Insurance - Gen Liability 18,181 0.2089 3,798 Insurance - Workers Comp 0 0 0 Customer Accts. 0 0 2089 196 Trans./ Distribution 2,072 0.0559 116 Advertising 453 0 0 Misc. Expense 701 0.0559 </td <td>Admin & General</td> <td>6,539</td> <td>0.0559</td> <td>365</td>	Admin & General	6,539	0.0559	365
Supply & Exp. 3,011 0.2089 629 Trans./Distribution 11,510 0.0559 643 Admin & General 8,462 0.2405 2,035 Contr. Services - Actor & Legal 18,293 0.2089 3,822 Contr. Services - Water Testing 26,627 0.2089 5,563 Transportation Expense 0 0 0 0 Customer Accts. 3,964 0 0 0 Supply & Exp. 1,378 0.2089 288 1 0 0 288 1 0 0 0 0 288 1 0 0 0 288 1 0 0 0 288 1 0 0 0 0 288 1 0 0 0 288 1 0	Materials & Supplies			
Trans./Distribution 11,510 0.0559 643 Admin & General 8,462 0.2405 2,035 Contr. Services - Acctg & Legal 18,293 0.2089 3,822 Contr. Services - Water Testing 26,627 0.2089 5,563 Transportation Expense Customer Accts. 3,964 0.2089 288 Trans./Distribution 2,822 0.0559 158 Admin & General 3,573 0.0559 200 Insurance - Gen Liability 18,181 0.2089 3,798 Insurance - Gen Liability 18,181 0.2089 3,798 Insurance - Workers Comp Customer Accts. 0 0.5091 8 Exp. 936 0.2089 196 Trans. / Distribution 2,072 0.0559 116 Admin & General 0.00559 159 0.00559 116 Admin & General 0.00559 159 0.00559 159 0.00559 159 0.00559 159 0.00559 159 0.00559 159 0.00559 159 0.00559 159 0.00559 0.00	Customer Accts.	19,062		0
Admin & General 8,462 0.2405 2,035 Contr. Services - Acctg & Legal 18,293 0.2089 3,822 Contr. Services - Water Testing 26,627 0.2089 5,563 Transportation Expense Customer Accts. 3,964 0.2089 288 Trans./Distribution 2,822 0.0559 158 Admin & General 3,573 0.0559 200 Insurance - Gen Liability 18,181 0.2089 3,798 Insurance - Workers Comp Customer Accts. 0 Supply & Exp. 936 0.2089 196 Trans. / Distribution 2,072 0.0559 116 Admin & General 0.2072 0.0559 116 Customer Accts. 701 0.0559 39 Advertising 453 0.2089 154 Customer Accts. 701 0.0559 39 Admin & General 37,313 0.2405 8,975 Regulatory Commission Expense 2,692 0 Bad Debt Expense 3,497 0 Total Operating Expenses 1,250,760 194,778 Depreciation Supply & Exp. 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 Taxes Other than Income Customer Accts. 7,962 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 Taxes Other than Income Customer Accts. 7,962 0.0559 4,620 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Supply & Exp.	3,011	0.2089	629
Contr. Services - Acttg & Legal 18,293 0.2089 3,822 Contr. Services - Water Testing 26,627 0.2089 5,563 Transportation Expense Customer Accts. 3,964 0.2089 288 Trans./Distribution 2,822 0.0559 158 Admin & General 3,573 0.0559 200 Insurance - Gen Liability 18,181 0.2089 3,798 Insurance - Workers Comp Customer Accts. 0 Supply & Exp. 936 0.2089 196 Trans. / Distribution 2,072 0.0559 116 Admin & General 0.2072 0.0559 116 Customer Accts. 701 0.0559 39 Advertising 453 0.2089 154 Customer Accts. 701 0.0559 39 Admin & General 37,313 0.2405 8,975 Regulatory Commission Expense 2,692 0 Bad Debt Expense 1,250,760 194,778 Depreciation Supply & Exp. 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 Taxes Other than Income Customer 25,310 Taxes Other than Income Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Trans./Distribution	11,510	0.0559	643
Contr. Services - Water Testing 26,627 0.2089 5,563 Transportation Expense 3,964 0 0 Supply & Exp. 1,378 0.2089 288 Trans./Distribution 2,822 0.0559 158 Admin & General 3,573 0.0559 200 Insurance - Gen Liability 18,181 0.2089 3,798 Insurance - Workers Comp 0 0.2089 196 Customer Accts. 0 0 0.2089 196 Trans. / Distribution 2,072 0.0559 116 Admin & General 0 0 Advertising 453 0 0 0 0 0 194 0 0 0 154 0 <t< td=""><td>Admin & General</td><td>8,462</td><td>0.2405</td><td>2,035</td></t<>	Admin & General	8,462	0.2405	2,035
Transportation Expense Customer Accts.	Contr. Services - Acctg & Legal	18,293	0.2089	3,822
Customer Accts. 3,964 0 Supply & Exp. 1,378 0.2089 288 Trans./Distribution 2,822 0.0559 158 Admin & General 3,573 0.0559 200 Insurance - Gen Liability 18,181 0.2089 3,798 Insurance - Workers Comp 0 0 2089 196 Customer Accts. 0 0 2089 196 Trans. / Distribution 2,072 0.0559 116 Admin & General 0 0 2089 196 Misc. Expense 3 0 0 0 Trans. / Distribution 735 0.2089 154 Customer Accts. 701 0.0559 39 Admin & General 37,313 0.2405 8,975 Regulatory Commission Expense 2,692 0 Bad Debt Expenses 1,250,760 194,778 Depreciation 5upply & Exp. 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 <t< td=""><td>Contr. Services - Water Testing</td><td>26,627</td><td>0.2089</td><td>5,563</td></t<>	Contr. Services - Water Testing	26,627	0.2089	5,563
Supply & Exp. 1,378 0.2089 288 Trans./Distribution 2,822 0.0559 158 Admin & General 3,573 0.0559 200 Insurance - Gen Liability 18,181 0.2089 3,798 Insurance - Workers Comp Customer Accts. 0 Supply & Exp. 936 0.2089 196 Trans. / Distribution 2,072 0.0559 116 Admin & General 0 0 2089 196 Misc. Expense 1 0 0.0559 116 Adwertising 453 0 0 0 194 Misc. Expense 701 0.0559 39 154 0 0 2089 154 0 0 2089 154 0 0 2089 154 0 0 2089 154 0 2089 154 0 0 2089 154 0 2089 154 0 2089 169 164 0	Transportation Expense			
Trans./Distribution 2,822 0.0559 158 Admin & General 3,573 0.0559 200 Insurance - Gen Liability 18,181 0.2089 3,798 Insurance - Workers Comp 0 Customer Accts. 0 0 Supply & Exp. 936 0.2089 196 Trans. / Distribution 2,072 0.0559 116 Admin & General 453 0 Advertising 453 0 Misc. Expense 701 0.0559 154 Customer Accts. 701 0.0559 39 154 Customer Accts. 701 0.0559 39 154 Customer Accts. 701 0.0559 39 154 Customer Supplication Expense 2,692 0 0 2405 8,975 Regulatory Commission Expenses 1,250,760 194,778 194,778 194,778 194,778 194,778 194,778 194,778 194,778 194,778 194,778 <td>Customer Accts.</td> <td>3,964</td> <td></td> <td>0</td>	Customer Accts.	3,964		0
Admin & General 3,573 0.0559 200 Insurance - Gen Liability 18,181 0.2089 3,798 Insurance - Workers Comp Customer Accts. 0 0.2089 196 Trans. / Distribution 2,072 0.0559 116 Admin & General 0 0.2089 154 Customer Accts. 701 0.0559 39 Admin & General 37,313 0.2405 8,975 Regulatory Commission Expense 2,692 0 0.2405 8,975 Regulatory Commission Expense 3,497 0 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer Accts. 7,962 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 Taxes Other than Income Customer Accts. 7,962 0 0.2089 166 Trans. / Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Supply & Exp.	1,378	0.2089	288
Insurance - Gen Liability 18,181 0.2089 3,798 Insurance - Workers Comp Customer Accts. 0 Supply & Exp. 936 0.2089 196 Trans. / Distribution 2,072 0.0559 116 Admin & General 0 Advertising 453 0 Misc. Expense Trans. / Distribution 735 0.2089 154 Customer Accts. 701 0.0559 39 Admin & General 37,313 0.2405 8,975 Regulatory Commission Expense 2,692 0 Bad Debt Expense 3,497 0 Total Operating Expenses 1,250,760 194,778 Depreciation Supply & Exp. 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 Taxes Other than Income Customer Accts. 7,962 0 Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000)	Trans./Distribution	2,822	0.0559	158
Customer Accts.	Admin & General	3,573	0.0559	200
Customer Accts. 0 Supply & Exp. 936 0.2089 196 Trans. / Distribution 2,072 0.0559 116 Admin & General 0 0 Advertising 453 0 Misc. Expense	Insurance - Gen Liability	18,181	0.2089	3,798
Supply & Exp. 936 0.2089 196 Trans. / Distribution 2,072 0.0559 116 Admin & General 0 Advertising 453 0 Misc. Expense 0 0 Trans. / Distribution 735 0.2089 154 Customer Accts. 701 0.0559 39 Admin & General 37,313 0.2405 8,975 Regulatory Commission Expense 2,692 0 Bad Debt Expense 3,497 0 Total Operating Expenses 1,250,760 194,778 Depreciation 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 2 Taxes Other than Income 0 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000)	Insurance - Workers Comp			
Trans. / Distribution 2,072 0.0559 116 Admin & General 0 Advertising 453 0 Misc. Expense Trans. / Distribution 735 0.2089 154 Customer Accts. 701 0.0559 39 Admin & General 37,313 0.2405 8,975 Regulatory Commission Expense 2,692 0 Bad Debt Expense 3,497 0 Total Operating Expenses 1,250,760 194,778 Depreciation Supply & Exp. 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 Taxes Other than Income Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans. / Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Customer Accts.			0
Admin & General 0 Advertising 453 0 Misc. Expense Trans. / Distribution 735 0.2089 1.54 Customer Accts. 701 0.0559 39 Admin & General 37,313 0.2405 8,975 Regulatory Commission Expense 2,692 0 Bad Debt Expense 3,497 0 Total Operating Expenses 1,250,760 194,778 Depreciation Supply & Exp. 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 Taxes Other than Income Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans. / Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Supply & Exp.	936	0.2089	196
Advertising 453 0 Misc. Expense Trans. / Distribution 735 0.2089 154 Customer Accts. 701 0.0559 39 Admin & General 37,313 0.2405 8,975 Regulatory Commission Expense 2,692 0 Bad Debt Expense 3,497 0 Total Operating Expenses 1,250,760 194,778 Depreciation Supply & Exp. 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 Taxes Other than Income Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans. / Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Trans. / Distribution	2,072	0.0559	116
Misc. Expense Trans. / Distribution 735 0.2089 154 Customer Accts. 701 0.0559 39 Admin & General 37,313 0.2405 8,975 Regulatory Commission Expense 2,692 0 Bad Debt Expense 3,497 0 Total Operating Expenses 1,250,760 194,778 Depreciation 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 1 Taxes Other than Income 25,310 0 Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Admin & General			0
Trans. / Distribution 735 0.2089 154 Customer Accts. 701 0.0559 39 Admin & General 37,313 0.2405 8,975 Regulatory Commission Expense 2,692 0 Bad Debt Expense 3,497 0 Total Operating Expenses 1,250,760 194,778 Depreciation 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 1 Taxes Other than Income 25,310 0 Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Advertising	453		0
Customer Accts. 701 0.0559 39 Admin & General 37,313 0.2405 8,975 Regulatory Commission Expense 2,692 0 Bad Debt Expense 3,497 0 Total Operating Expenses 1,250,760 194,778 Depreciation Supply & Exp. 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 25,310 25,310 Taxes Other than Income Customer Accts. 7,962 0 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	•			
Admin & General 37,313 0.2405 8,975 Regulatory Commission Expense 2,692 0 Bad Debt Expense 3,497 0 Total Operating Expenses 1,250,760 194,778 Depreciation Supply & Exp. 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 Taxes Other than Income Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Trans. / Distribution	735	0.2089	154
Regulatory Commission Expense 2,692 0 Bad Debt Expense 3,497 0 Total Operating Expenses 1,250,760 194,778 Depreciation Supply & Exp. 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 25,310 25,310 Taxes Other than Income 7,962 0 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Customer Accts.		0.0559	
Bad Debt Expense 3,497 0 Total Operating Expenses 1,250,760 194,778 Depreciation 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 25,310 Taxes Other than Income 7,962 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723			0.2405	8,975
Total Operating Expenses 1,250,760 194,778 Depreciation 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 25,310 25,310 Taxes Other than Income 7,962 0 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Regulatory Commission Expense	2,692		0
Depreciation 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 Taxes Other than Income Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Bad Debt Expense	3,497		0
Supply & Exp. 3,160 0.2089 660 Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 7 Taxes Other than Income 25,310 0 Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Total Operating Expenses	1,250,760		194,778
Trans. / Distribution 75,596 0.0559 4,224 Admin & General 13,537 0.2405 3,256 Customer 25,310 Taxes Other than Income Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Depreciation			
Admin & General 13,537 0.2405 3,256 Customer 25,310 Taxes Other than Income Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Supply & Exp.	3,160	0.2089	660
Customer 25,310 Taxes Other than Income 7,962 0 Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Trans. / Distribution	75,596	0.0559	4,224
Taxes Other than Income 7,962 0 Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Admin & General	13,537	0.2405	3,256
Customer Accts. 7,962 0 Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Customer	25,310		
Supply & Exp. 796 0.2089 166 Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Taxes Other than Income	•		
Trans./Distribution 8,161 0.0559 456 Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Customer Accts.	7,962		0
Admin & General 2,986 0.0559 167 Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Supply & Exp.	796	0.2089	166
Total Revenue Required 1,388,268 203,708 Wholesale Gallons Sold (x 1,000) 52,723	Trans./Distribution	8,161	0.0559	456
Wholesale Gallons Sold (x 1,000) 52,723	Admin & General	2,986	0.0559	167
	Total Revenue Required	1,388,268		203,708
Wholesale Rate per 1,000 Gallons \$3.86	Wholesale Gallons Sold (x 1,000)			52,723
	Wholesale Rate per 1,000 Gallons			\$3.86

Table B

<u>ALLOCATION OF DEPRECIATION EXPENSE FOR WHOLESALE RATE</u>

Muhlenberg County Water District #3

	<u>Totals</u>	Supply & Exp.	Trans. & Distribution	General & Admin.	Customer
Structures & improvements	5,139		1,085	4,054	
Pumping Equipment	2,112		2,112		
Distribution Res. & Standpipes	14,842		14,842		
Trans. & Distribution Mains	31,105		31,105		
Meters & Installations	20,950				20,950
Hydrants	686		686		
Other Plant & Misc. Equipment	27		27		
Office Furniture & Equipment	2,265			2,265	
Transportation Equipment	12,909	1,516	3,104	3,930	4,360
Tools, Shop and Garage Equip	428		428		
Power Operated Equipment	10,378		10,378		-
Communication Equipment	16,446	1,645	11,512	3,289	
Misc. Equipment	316		316		
2017 Pro Forma Totals	117,603	3,160	75,596	13,537	25,310

Table C <u>SYSTEM INFORMATION</u> Muhlenberg County Water District #3

Schedule of All Mains and Jointly Used Mains

Total System			Joint U	Jse	
<u>Main</u>	<u>Length</u>	Miles of	<u>Inch -</u>	Miles of	<u>Inch -</u>
<u>Size</u>	(feet)	<u>Mains</u>	<u>Miles</u>	<u>Mains</u>	<u>Miles</u>
8	64,056	12.13	97.04	5.77	46.20
6	190,741	36.13	216.78	14.24	85.46
4	191,215	36.21	144.84		
3	116,635	22.09	66.27		
2	107,193	20.30	40.60		
1.50	4,426	0.84	1.26		
Totals	674,266	127.70	566.79	20.02	131.66

Water Purchased, Sold and Used

	<u>Gallons</u> <u>x 1,000</u>	<u>Percent</u>
Water Purchased	262,667.0	
Retail Sales	166,468.0	
Wholesale Sales	52,723.0	
Total Water Sold	219,191.0	
System Flushing	1,415.0	0.54%
Line Losses	41,848.0	15.93%
Fire Dept. & Other	213.0	

Table D WHOLESALE ALLOCATION FACTORS Muhlenberg County Water District #3

					FACTOR
Line Loss Percentage					0.1593
System Use Percentage					0.0054
Line Loss + System Use					0.1647
Joint Use Inch-miles					131.7
Total Inch-Miles					566.8
Water Sold - Wholesale					52,723.0
Water Sold - Total					219,191.0
Production Multiplier	 1	-	1 0.1647	=	1.1972
Joint Use Pipeline Ratio			131.66 566.79	=	0.2323
Wholesale Share of System Loss & Use	0.1647	X	0.2323	=	0.0383
Wholesale Production Multiplier	1	-	0.0383	=	1.0398
Production Allocation Factor	1.0398 1.1972	x	52,723.0 	=	0.2089
Pipeline Transmission Factor	52,723.0 219,191.0	x	0.2323	=	0.0559
Use Factor			52,723.0 219,191.0	=	0.2405