

**SCHEDULE OF ADJUSTED OPERATIONS**  
**Morgan County Water District**

	Test Year	Adjustments	Ref.	Pro Forma
<b>Operating Revenues</b>				
Total Retail Metered Sales	\$ 1,922,574	\$ (32,431)	A	
		(8,802)	B	1,881,341
Other Water Revenues:				
Forfeited Discounts		32,431	A	32,431
Misc. Service Revenues				
Other Water Revenues	229,652	(198,825)	C	30,827
<b>Total Operating Revenues</b>	2,152,226	(207,627)		1,944,599
<b>Operating Expenses</b>				
Operation and Maintenance				
Salaries and Wages - Employees	444,858	209,648	D	
		(32,805)	E	621,701
Salaries and Wages - Officers				0
Employee Pensions and Benefits	293,806	33,265	F	
		(53,127)	G	273,944
Purchased Water	717,565	(127,294)	H	590,271
Purchased Power	59,385	(10,535)	H	48,850
Materials and Supplies	231,172	(76,545)	E	154,627
Contractual Services - Water Testing	123,570			123,570
Transportation Expenses	58,562			58,562
Insurance - General Liab.	22,319			22,319
Insurance - Workers Comp.	6,175			6,175
Advertising	1,519			1,519
Miscellaneous Expenses	29,948			29,948
<b>Total Operation and Mnt. Expenses</b>	1,988,879	(57,393)		1,931,486
Depreciation Expense	519,891	(88,493)	I	431,398
Taxes Other Than Income	33,243	16,827	J	50,070
<b>Total Operating Expenses</b>	2,542,013	(129,059)		2,412,954
<b>Net Utility Operating Income</b>	\$ (389,787)	\$ (78,568)		\$ (468,355)
<b>REVENUE REQUIREMENTS</b>				
<b>Pro Forma Operating Expenses</b>				\$ 2,412,954
Plus: Avg. Annual Principal and Interest Payments			K	249,358
Additional Working Capital				49,872
<b>Total Revenue Requirement</b>				\$ 2,712,184
Less: Other Operating Revenue				(30,827)
Interest Income				(72)
Forfeited Discounts				(32,431)
Nonutility Income	353,443	(353,443)	L	-
<b>Revenue Required From Water Sales</b>				\$ 2,648,854
Revenue from Sales at Present Rates				(1,881,341)
<b>Surplus Revenue With Required Adjustments</b>				\$ 767,513
				41%

## REFERENCES

A. Morgan District recorded its forfeited discounts as Revenues from Metered Water Sales. To correct the misclassification error Revenues from Meter Water Sales are being decreased by \$32,431 and Forfeited Discounts increased by that amount.

B. The Current Billing Analysis results in pro forma metered sales revenue of \$1,881,341. This reflects a full year at the retail rates that were effective during the calendar year 2022 and indicates a decrease to reported Metered Water Sale revenues of \$8,802 is required.

C. In Case No. 2020-00836 the Commission authorized Morgan to assess a monthly surcharge of \$5.87 per meter for 48 months to fund its water loss control efforts. The Commission required Morgan District to consider its water loss surcharge collections as Contributions In Aid of Construction and to record the collections in the manner that the Uniform System of Accounts for Class A and B Water Districts and Associations prescribes. Morgan District recorded its water loss surcharge collections as Other Water Revenues. To correct the misclassification error Revenues from Other Water Revenues are being decreased by \$198,525.

D. In the test-year Morgan District's staff consisted of 14 employees. In 2023 several of Morgan District's employees resigned and Morgan District filled its vacant positions. Morgan District also hired an additional two employees at the end of 2023. Using Morgan's current staff level of 16 employees, the 2023 employee wage rates, 2,080 of regular work hours for each employee, and actual overtime hours for each employee that worked in 2022, results in an increase of \$209,648 to Employee Salaries and Wages expense.

E. In 2022, Morgan installed 73 3/4-Inch by 5/8-Inch meters and a single 1-Inch meter. Morgan collected total tap-on fees of \$109,350 for installing the 74 new meters. The test-year taps were installed by Morgan District employees and were recorded as labor and materials expenses. To correct the reporting errors, Morgan District is reducing Employee Salaries and Wages expense by \$32,805 or 30 percent of the tapping fees while Materials and Supplies expense by \$76,545 or 70 percent of the tapping fees.

F. Morgan District pays 100 percent of the following employee insurance premiums: health, dental and vision. The PSC requires that expenses associated with this level of employer-funded employee benefit premiums be adjusted to be consistent with the Bureau of Labor Statistics' national average for an employer's share of health insurance premiums. Average employer shares from BLS are currently 79 percent for single coverage. Applying this percentage to the employee benefit premiums for the current staff of 16 employees results in an increase in Employee Pension and Benefit expense of \$14,185.

G. The County Employee Retirement System's (CERS) employer contribution rate that became effective on July 1, 2023 is 23.34 percent. Applying the pro forma salaries for the qualifying employees of \$654,506 to the current employer CERS rate of 23.34 percent results in a decrease to Employee Pensions and Benefit expense of \$53,127.

H. Morgan District's reported test year water loss was 32.74 percent, which is 17.74 percent above the PSC's maximum allowable loss for rate-making purposes of 15 percent. Therefore, the expenses for Purchased Water and Power costs related to water purchased and pumped above the 15 percent limit are not allowed in the rate base and must be deducted.

I. 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. An adjustment is also included for the new meters installed in 2022. See Table A.

J. Applying the Federal Insurance Contributions Act (FICA) tax rate of 7.65 percent to pro forma Salaries and Wages expense subject to the withholdings of \$654,506 results in an increase of \$16,827 to test-year payroll tax.

K. The annual debt service payments for Morgan District's Rural Development bonds and Kentucky Rural Finance Corporation are shown in Table B. The five-year average of these debt service payments is used in the calculation of Morgan District's revenue requirement calculation.

L. Morgan District incorrectly recorded the following amounts as nonutility income in the test year. USDA gave Morgan District \$292,591 to fund the Old Hwy 172 Project – a water loss project that replaced sections of line that had multiple water leaks over the last few years. In calendar year 2022 Morgan District received a payment of \$53,543 from the Federal Emergency Management Agency (FEMA) for damage caused by the 2021 ice storm (rentals of portable power generators). Another payment from FEMA of \$709 was received in 2022 to pay for damage caused by the 2021 flood (replacement of main lines that were washed away in flooded creeks). An insurance reimbursement of \$6,600 was received to replace meters and meter setters that were stolen from Morgan District’s storage warehouse. To correct the misclassification errors Nonutility Income is being eliminated from Morgan District’s Revenue Requirement calculation.

**Table A**  
**DEPRECIATION EXPENSE ADJUSTMENTS**  
**Morgan County Water District**

Property Description	Book Cost	Test-Year Depreciation	Depreciation Lives		NARUC Lives Mid-Range	Pro Forma Adjustment
			District	NARUC		
<b>Building Improvement:</b>						
Remodel Building - Test Bench	16,296.00	814.80	20.00	37.50	434.56	(380.24)
	16,296.00	814.80			434.56	(380.24)
<b>Equipment:</b>						
Telemetry System	15,600.00	0.00	5.00	10.00	0.00	0.00
Telemetry System	3,900.00	0.00	5.00	10.00	0.00	0.00
Phase 12 Telemetry	270,375.00	0.00	10.00	10.00	0.00	0.00
Kubota Excavator w/trailer	26,500.00	5,300.00	5.00	12.50	2,120.00	(3,180.00)
Boring Equipment 21	6,967.35	696.74	10.00	12.50	557.39	(139.35)
Trench Box	5,855.00	585.50	10.00	12.50	468.40	(117.10)
Leak Detection Equipment	26,995.00	1,349.75	20.00	12.50	2,159.60	809.85
2022 Gator-Made Leak Trailer	9,277.00	128.85	12.00	12.50	742.16	613.31
2022 Gator-Made Trailer	12,430.00	776.88	12.00	12.50	994.40	217.52
Ford Meter Test Bench	62,000.00	4,650.00	10.00	17.50	3,542.86	(1,107.14)
Portable Flow Meter	17,000.00	1,275.00	10.00	17.50	971.43	(303.57)
<b>Total Equipment</b>	<b>456,899.35</b>	<b>14,762.72</b>			<b>11,556.24</b>	<b>(3,206.48)</b>
<b>Furniture/Office Equipment:</b>						
Laser Printer	1,099.00	0.00	5.00	10.00	0.00	0.00
Computers	23,330.74	3,332.96	7.00	10.00	2,333.07	(999.89)
<b>Total Furniture/Office Equipment:</b>	<b>24,429.74</b>	<b>3,332.96</b>			<b>2,333.07</b>	<b>(999.89)</b>
<b>Hydrants:</b>						
Hydrants	20,800.00	312.00	50.00	50.00	416.00	104.00
	20,800.00	312.00			416.00	104.00
<b>PRV Pits</b>						
PRV Pit	39,069.00	651.15	45.00	45.00	868.20	217.05
	39,069.00	651.15			868.20	217.05
<b>Vehicles:</b>						
2008 F150 Pickup	16,326.00	0.00	5.00	7.00	27.00	27.00
2008 F150 Pickup 2	16,326.00	0.00	5.00	7.00	18.00	18.00
2008 Chevy Colorado	15,498.00	0.00	5.00	7.00	38.00	38.00
Leased 2018 Ford F-150 Vin #036	21,894.52	4,378.92	5.00	7.00	3,127.79	(1,251.13)
Leased 2018 Ford F-150 Vin #06461	28,531.88	5,706.36	5.00	7.00	4,075.98	(1,630.38)
Leased 2018 Ford F-350 Vin #1178	32,952.35	6,590.47	5.00	7.00	4,707.48	(1,882.99)
Leased 2018 Ford F- 250 Vin #1176	20,897.62	4,179.54	5.00	7.00	2,985.37	(1,194.17)
Leased - 2020 Ford Escape	20,337.03	4,067.41	5.00	7.00	2,905.29	(1,162.12)
2016 Ford F-150	30,500.00	4,575.00	5.00	7.00	4,357.14	(217.86)
2013 Ford F-150	17,000.00	2,266.67	5.00	7.00	2,428.57	161.90
2022 Dodge Ram Vin #3284	37,987.80	2,532.52	5.00	7.00	5,426.83	2,894.31
2023 Dodge Ram Vin #3285	37,987.80	2,532.52	5.00	7.00	5,426.83	2,894.31
<b>Total Vehicles</b>	<b>296,239.00</b>	<b>36,829.41</b>			<b>35,524.28</b>	<b>(1,305.13)</b>
<b>Water Lines:</b>						
Water Lines	1,060,000.00	21,200.00	50.00	62.50	16,960.00	(4,240.00)
Water Lines	2,047,065.00	40,941.30	50.00	62.50	32,753.04	(8,188.26)
Water Lines 203 Project	285,223.00	5,704.46	50.00	62.50	4,563.57	(1,140.89)
Water Lines 303 Extension	83,203.00	1,664.06	50.00	62.50	1,331.25	(332.81)
Water Haul Station	18,000.00	0.00	20.00	62.50	0.00	0.00
Water Lines - HWY 172 Project	1,709,559.00	34,191.18	50.00	62.50	27,352.94	(6,838.24)
Water Lines Ezel Expansion Proj	993,078.00	19,861.56	50.00	62.50	15,889.25	(3,972.31)
Water Lines White Oak Expansion	1,722,021.00	34,440.42	50.00	62.50	27,552.34	(6,888.08)
Water Lines - Liberty St/Havens Branch	3,000.00	0.00	5.00	62.50	0.00	0.00
Phase 10 Water Lines	4,228,030.00	84,560.60	50.00	62.50	67,648.48	(16,912.12)
Water Lines- Phase 11	4,073,608.00	81,472.16	50.00	62.50	65,177.73	(16,294.43)
Phase 12 Water Lines	2,632,374.00	52,647.48	50.00	62.50	42,117.98	(10,529.50)
Phase 12A Water Lines	1,317,000.00	26,340.00	50.00	62.50	21,072.00	(5,268.00)
Water Lines Phase 14	1,623,704.00	32,474.08	50.00	62.50	25,979.26	(6,494.82)
Water Lines - MCWD System Inprov	729,990.84	14,599.82	50.00	62.50	11,679.85	(2,919.97)
Red Bird Replacement Line	81,160.00	973.92	62.50	62.50	1,298.56	324.64
Old 172 Water Line Project	953,292.12	11,439.51	62.50	62.50	15,252.67	3,813.16
<b>Total Water Lines</b>	<b>23,560,307.96</b>	<b>462,510.55</b>			<b>376,628.92</b>	<b>(85,881.63)</b>
<b>Zone Pit Meters:</b>						
Zone Pit Meters	30,480.00	508.00	45.00	45.00	677.33	169.33
Zone Meter Pits (2)	10,160.00	169.33	45.00	45.00	225.78	56.45
<b>Total Zone Pit Meters</b>	<b>40,640.00</b>	<b>677.33</b>			<b>903.11</b>	<b>225.78</b>
<b>Meter Installations in 2022:</b>						
New Meters	109,350.00	0.00	0.00	40.00	2,733.75	2,733.75
<b>Total Test-Year Depreciation Expense</b>	<b>24,564,031.05</b>	<b>519,890.92</b>			<b>431,398.13</b>	<b>(88,492.79)</b>

**Table B**  
**DEBT SERVICE SCHEDULE**  
**Morgan County Water District**  
CY 2024 - 2028

C.Y.	CY 2024		CY 2025		CY 2026		CY 2027		CY 2028		5-Year
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
Series 2002	\$ 9,000	\$ 6,435	\$ 9,000	\$ 6,143	\$ 9,500	\$ 5,850	\$ 10,000	\$ 5,541	\$ 10,000	\$ 5,216	\$ 76,685
Series 2006	22,000	30,979	22,000	30,071	23,000	29,164	24,000	28,215	25,000	27,225	261,654
Series 2008	27,680	48,333	28,820	47,191	28,820	46,002	31,250	44,764	32,540	43,475	380,065
Series 2021	6,500	3,361	6,500	3,288	6,500	3,215	6,500	3,142	6,500	3,068	48,574
KRWFC Series 2016	55,000	40,062	60,000	37,762	60,000	35,062	65,000	32,262	65,000	29,662	479,810
5-Year Totals	<u>\$ 120,180</u>	<u>\$ 129,170</u>	<u>\$ 126,320</u>	<u>\$ 124,455</u>	<u>\$ 127,820</u>	<u>\$ 119,293</u>	<u>\$ 136,750</u>	<u>\$ 113,924</u>	<u>\$ 139,040</u>	<u>\$ 108,646</u>	<u>\$1,246,788</u>
5 Year Avg	<u>\$ 24,036</u>	<u>\$ 25,834</u>	<u>\$ 25,264</u>	<u>\$ 24,891</u>	<u>\$ 25,564</u>	<u>\$ 23,859</u>	<u>\$ 27,350</u>	<u>\$ 22,785</u>	<u>\$ 27,808</u>	<u>\$ 21,729</u>	<u>\$ 249,358</u>

**Table D**  
**Existing and Proposed Bills**  
**Morgan County Water District**

	Existing Bill	Proposed Bill	Change	Percentage
<u>3/4-Inch x 5/8-Inch Meter</u>				
2,000	\$ 31.89	\$ 44.99	\$ 13.10	41%
4,000	\$ 55.61	\$ 78.35	\$ 22.74	41%
6,000	\$ 78.47	\$ 110.50	\$ 32.03	41%
8,000	\$ 100.47	\$ 141.44	\$ 40.97	41%
10,000	\$ 122.47	\$ 172.38	\$ 49.91	41%
12,000	\$ 142.77	\$ 200.92	\$ 58.15	41%
14,000	\$ 163.07	\$ 229.46	\$ 66.39	41%
16,000	\$ 183.37	\$ 258.00	\$ 74.63	41%
18,000	\$ 201.09	\$ 282.91	\$ 81.82	41%
20,000	\$ 219.67	\$ 309.03	\$ 89.36	41%
<u>1-Inch Meter</u>				
2,000	67.62	95.37	\$ 27.75	41%
4,000	67.62	95.37	\$ 27.75	41%
6,000	78.62	112.05	\$ 33.43	43%
8,000	100.62	145.41	\$ 44.79	45%
10,000	122.62	178.77	\$ 56.15	46%
12,000	142.92	209.71	\$ 66.79	47%
14,000	163.22	240.65	\$ 77.43	47%
16,000	173.37	256.12	\$ 82.75	48%
18,000	201.24	298.93	\$ 97.69	49%
20,000	219.82	327.47	\$ 107.65	49%
<u>2-Inch Meter</u>				
5,000	171.93	240.58	\$ 68.65	40%
10,000	171.93	240.58	\$ 68.65	40%
15,000	171.93	240.58	\$ 68.65	40%
20,000	218.38	305.83	\$ 87.45	40%
25,000	264.83	371.08	\$ 106.25	40%
30,000	311.28	436.33	\$ 125.05	40%
<u>6-Inch Meter</u>				
60,000	963.03	1,347.33	\$ 384.30	40%
80,000	963.03	1,347.33	\$ 384.30	40%
100,000	963.03	1,347.33	\$ 384.30	40%
120,000	1,148.83	1,608.33	\$ 459.50	40%
140,000	1,334.63	1,869.33	\$ 534.70	40%
<u>4-Inch Meter Wholesale</u>				
523,333	2,365.47	3,333.63	\$ 968.16	41%