

SCHEDULE OF ADJUSTED OPERATIONS
Elkhorn Water District

	Test Year	Adjustments	Ref.	Pro Forma
<u>Operating Revenues</u>				
Total Retail Metered Sales	\$ 414,304	\$ (4,280)	A	
		(1,241)	B	\$ 408,783
Other Water Revenues:				
Forfeited Discounts		3,489	A	3,489
Misc. Service Revenues				0
Other Water Revenues		791	A	791
Total Operating Revenues	414,304	(1,241)		413,063
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	8,643			8,643
Salaries and Wages - Officers				0
Employee Pensions and Benefits				0
Purchased Water	201,412	(26,605)	C	174,807
Purchased Power	8,940	(1,181)	C	7,759
Materials and Supplies	2,260			2,260
Contractual Services - Acct.	8,520			8,520
Contractual Services - -Other	78,575	(16,570)	D	62,005
Insurance - Gen. Liability	5,885			5,885
Advertising	135			135
Miscellaneous Expenses	35,880	1,159	E	37,039
Total Operation and Mnt. Expenses	350,250	(43,197)		307,053
Depreciation Expense	34,082	25,689	F	59,771
Taxes Other Than Income	856			856
Total Operating Expenses	385,188	(17,508)		367,680
Net Utility Operating Income	\$ 29,116	\$ 16,267		\$ 45,383
REVENUE REQUIREMENTS				
Pro Forma Operating Expenses				\$ 367,680
Plus: Avg. Annual Principal and Interest Payments			G	58,305
Additional Working Capital - 0.2x DSC			H	11,661
Total Revenue Requirement				437,646
Less: Other Operating Revenue				(4,280)
Interest Income				(1,753)
Revenue Required From Water Sales				431,613
Revenue from Sales at Present Rates				(408,783)
Required Increase in Revenue With Required Adjustments				\$ 22,830
Percentage Increase				5.58%

REFERENCES

A. Elkhorn District recorded its forfeited discounts and Revenues from Nonrecurring charges in the account Revenue from Metered Water Sales. To correct the misclassification error Revenue from Metered Water Sales is being decreased by \$4,280; Forfeited Discounts increased by \$3,489 and Miscellaneous Service Revenues by \$791.

B. The Current Billing Analysis results in pro forma metered sales revenue of \$408,783. This reflects a full year at the retail rates that were effective during the calendar year 2023 and indicates a decrease to Revenue from Metered Water Sales of \$1,241 is required.

C. In its 2023 Annual Report Elkhorn District reported a water loss of 14.655 percent. However, in preparing the ARF application it was noted that in July 2023, Elkhorn District reported water sales of 14,139,000 Gallons but only purchased 5,277,000 Gallons. In July 2023 Elkhorn District refunded \$60,464 to a customer for a misread meter but did not reduce the gallons sold in its 2023 Annual Report. Reducing the July 2023 water sales to eliminate the billing error results in a revised test-year water loss of 28.209 percent. The PSC's maximum allowable loss for rate-making purposes is 15.0 percent. Therefore, the expenses for Purchased Water and Power related to water purchased and pumped above the 15 percent limit are not allowed in the base water rate and must be deducted. Elkhorn is proposing to decrease Purchased Water expense and Purchased Power expense by \$26,605 and \$1,181, respectively.

D. In 2023, Elkhorn District installed 11 5/8-Inch by 3/4-Inch meters and a single 1-Inch meter. Elkhorn District collected total tap-on fees of \$16,569. During the test year Elkhorn District paid a contractor for the meter installations, which included the cost of materials for the new meter services. The total payments to the contractor were charged to the operating expense account Contractual Services - Other. Accordingly, Contractual Services - Other is being reduced by \$16,569 to eliminate the cost of the new meter installations.

E. Per the March 14, 2017 Agreement Peaks Mill Water District provides to Elkhorn District business and customer services (administrative staff labor and overhead; office electric, office pest control; office rent; office telephone; internet

and security). In 2023 Elkhorn District was charged a monthly rate of \$3.73 per customer which was increased to \$3.90 per customer in 2024 to reflect increases in the business and customer service costs. To reflect the impact of the increase in the monthly rate, Miscellaneous Expense is being increased by \$1,159.

F. 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 using the depreciation lives that were approved by the Commission in Case No. 2022-00124 to bring asset lives to the midpoint of the NARUC recommended ranges. In Case No. 2020-00133 the Commission granted Elkhorn District a Certificate of Public Convenience and Necessity to replace 6,600 linear feet of pipeline, replace a booster pump station, install a new master meter, and install approximately 500 new Automated Meter Reading (AMR) customer meters (KIA Project). The KIA Project assets will be placed in service in calendar year 2024, and therefore, Depreciation on the KIA Project assets are included in the proposed pro forma adjustment. See Table A.

G. The annual debt service payments for Elkhorn District's Rural Development (RD) bonds and the Kentucky Infrastructure Authority (KIA) loan are shown in Table B. The five-year average of these payments is added in the revenue requirement calculation.

H. The amount shown in Table B for coverage on long term debt is required by Elkhorn District's loan documents. This is included in the revenue requirement as Additional Working Capital.

Table A
DEPRECIATION EXPENSE ADJUSTMENTS
Elkhorn Water District

Account Title	UPIS Balance	Accum. Dep 01/01/23	2022 Dep. Exp.	Accum. Dep 12/31/23	Dep Lives	NARUC Dep. Lexp	NARUC Dep. Adj.
<u>PUMPS, LINES, METERS</u>							
PUMPS, LINES, METERS	5,864.19	4,911.18	146.60	5,057.78	40.0	146.60	0.00
SERVICE LINE TO NEW STORAGE TANK	128,891.13	91,644.37	2,864.25	94,508.62	45.0	2,864.25	0.00
PUMPS, LINES, METERS	8,502.69	5,331.96	212.57	5,544.53	40.0	212.57	0.00
2007 NEW CUSTIMER SERV	10,069.25	3,121.54	201.39	3,322.93	50.0	201.39	0.00
2008 NEW CUSTIMER SERV	6,073.65	1,761.32	121.47	1,882.79	50.0	121.47	0.00
2009 NEW CUSTIMER SERV	32,055.38	8,654.98	641.11	9,296.09	50.0	641.11	0.00
2010 NEW CUSTIMER SERV	14,410.32	3,602.62	288.21	3,890.83	50.0	288.21	0.00
2011 NEW CUSTIMER SERV	2,706.94	622.61	54.14	676.75	50.0	54.14	0.00
2012NEW CUSTIMER SERV	2,100.11	399.00	42.00	441.00	50.0	42.00	0.00
2013 NEW CUSTIMER SERV	3,117.43	561.14	62.35	623.49	50.0	62.35	0.00
2014 NEW CUSTIMER SERV	2,669.06	453.73	53.38	507.11	50.0	53.38	0.00
2015 NEW CUSTIMER SERV	1,653.41	248.03	33.07	281.10	50.0	33.07	0.00
PUMPS, LINES, METERS	5,284.16	297.23	132.10	429.33	40.0	132.10	0.00
PUMPS, LINES, METERS	4,170.15	234.56	104.25	338.81	40.0	104.25	0.00
PUMPS, LINES, METERS	2,543.88	132.50	63.60	196.10	40.0	63.60	0.00
PUMPS, LINES, METERS	107,750.28	3,591.68	2,693.76	6,285.44	40.0	2,693.76	0.00
PUMPS, LINES, METERS	45,430.58	1,514.35	1,135.76	2,650.11	40.0	1,135.76	0.00
PUMPS, LINES, METERS	16,010.86	533.69	400.27	933.96	40.0	400.27	0.00
PUMPS, LINES, METERS	25,000.00	833.33	625.00	1,458.33	40.0	625.00	0.00
PUMPS, LINES, METERS	137,500.00	4,583.33	3,437.50	8,020.83	40.0	3,437.50	0.00
ENGINEERING	84,260.00	7,489.77	5,617.33	13,107.10	15.0	5,617.33	0.00
PUMPS, LINES, METERS	6,044.00	201.47	151.10	352.57	40.0	151.10	0.00
PUMPS, LINES, METERS	13,555.37	367.12	338.88	706.00	40.0	338.88	0.00
PUMPS, LINES, METERS	21,924.38	411.08	548.11	959.19	40.0	548.11	0.00
PUMPS, LINES, METERS	1,376.44	25.81	34.41	60.22	40.0	34.41	0.00
PUMPS, LINES, METERS	1,304.81	21.75	32.62	54.37	40.0	32.62	0.00
PUMPS, LINES, METERS	1,078.06	17.97	26.95	44.92	40.0	26.95	0.00
PUMPS, LINES, METERS	42,920.36	625.92	1,073.01	1,698.93	40.0	1,073.01	0.00
INTEREST	6,920.38	86.50	173.01	259.51	40.0	173.01	0.00
PUMPS, LINES, METERS	14,175.00	177.19	354.38	531.57	40.0	354.38	0.00
PUMPS, LINES, METERS	1,374.25	17.18	34.36	51.54	40.0	34.36	0.00
PUMPS, LINES, METERS	5,628.89	70.36	140.72	211.08	40.0	140.72	0.00
PUMPS, LINES, METERS	1,614.40	16.82	40.36	57.18	40.0	40.36	0.00
PUMPS, LINES, METERS	2,209.40	23.01	55.24	78.25	40.0	55.24	0.00
PUMPS, LINES, METERS	7,560.00	63.00	189.00	252.00	40.0	189.00	0.00
PUMPS, LINES, METERS	10,674.20	44.48	266.86	311.34	40.0	266.86	0.00
PUMPS, LINES, METERS	1,731.60	3.61	43.29	46.90	40.0	43.29	0.00
INTEREST	6,875.99	14.32	171.90	186.22	40.0	171.90	0.00
PUMPS, LINES, METERS	550.00	1.15	13.75	14.90	40.0	13.75	0.00
PUMPS, LINES, METERS	2,015.03	4.20	50.38	54.58	40.0	50.38	0.00
PUMPS, LINES, METERS	1,202.00	2.50	30.05	32.55	40.0	30.05	0.00
PUMPS, LINES, METERS	6,330.00	0.00	158.25	158.25	40.0	158.25	0.00
PUMPS, LINES, METERS	285.00	0.00	6.53	6.53	40.0	7.13	0.60
PUMPS, LINES, METERS	2,937.00	0.00	67.31	67.31	40.0	73.43	6.12
PUMPS, LINES, METERS	5,113.94	0.00	117.19	117.19	40.0	127.85	10.66
PUMPS, LINES, METERS	6,237.45	0.00	129.95	129.95	40.0	155.94	25.99
PUMPS, LINES, METERS	50,000.00	0.00	1,041.67	1,041.67	40.0	1,250.00	208.33
PUMPS, LINES, METERS	76,626.27	0.00	1,277.10	1,277.10	40.0	1,915.66	638.56
PUMPS, LINES, METERS	20,510.56	0.00	341.84	341.84	40.0	512.76	170.92
PUMPS, LINES, METERS	3,059.63	0.00	50.99	50.99	40.0	76.49	25.50
INTEREST	6,840.96	0.00	99.76	99.76	40.0	171.02	71.26
PUMPS, LINES, METERS	2,000.00	0.00	8.33	8.33	40.0	50.00	41.67
PUMPS, LINES, METERS	1,767.11	0.00	7.36	7.36	40.0	44.18	36.82
INTEREST	9,389.65	0.00	19.56	19.56	40.0	234.74	215.18
PUMPS, LINES, METERS	750.00	0.00	1.56	1.56	40.0	18.75	17.19
TOTAL PUMPS, LINES, METERS	<u>988,645.60</u>	<u>142,718.36</u>	<u>26,025.89</u>	<u>168,744.25</u>		<u>27,494.69</u>	<u>1,468.80</u>

Table A (Cont.)
DEPRECIATION EXPENSE ADJUSTMENTS
Elkhorn Water District

Account Title	UPIS Balance	Accum. Dep 01/01/23	2022 Dep. Exp.	Accum. Dep 12/31/23	Dep Lives	NARUC Dep. Lexp	NARUC Dep. Adj.
<u>TANKS</u>							
STORAGE TANK	251,294.80	210,654.01	5,584.33	216,238.34	45.0	5,584.33	0.00
Fire Hydrant	5,628.89	234.54	562.89	797.43	10.0	562.89	0.00
TANKS	<u>256,923.69</u>	<u>210,888.55</u>	<u>6,147.22</u>	<u>217,035.77</u>		<u>6,147.22</u>	<u>0.00</u>
<u>METERS & METER INSTALLATIONS</u>							
MASTER METER SOFTWARE	14,212.00	12,790.80	1,421.20	14,212.00	10.0	1,421.20	0.00
CUSTOMER METERS & INSTALLATIONS	1,720.00	974.69	114.67	1,089.36	15.0	114.67	0.00
CUSTOMER METERS & INSTALLATIONS	420.00	210.00	28.00	238.00	15.0	28.00	0.00
TOTAL METERS & METER INSTALLATIONS	<u>16,352.00</u>	<u>13,975.49</u>	<u>1,563.87</u>	<u>15,539.36</u>		<u>1,563.87</u>	<u>0.00</u>
<u>INTANGIBLE ASSETS RELATING TO KIA PROJECT</u>							
PSC APPLICATION	5,179.60	575.52	345.31	920.83	15.0	345.31	0.00
LAND & LAND RIGHTS	1,000.00	0.00	0.00	0.00	0.0	0.00	0.00
<u>KIA FUNDED PROJECT</u>							
WATER LINE	227,325.00	0.00	0.00	0.00	62.5	3,637.20	3,637.20
PUMPING STATION	277,918.00	0.00	0.00	0.00	37.5	7,411.15	7,411.15
AMR METERS	246,867.00	0.00	0.00	0.00	20.0	12,343.35	12,343.35
TOTAL KIA FUNDED PROJECT	<u>752,110.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>		<u>23,391.70</u>	<u>23,391.70</u>
<u>METER INSTALLATIONS - 2023</u>							
Meters	16,570.00	0.00	0.00	828.50	20.0	828.50	828.50
TOTAL	<u>2,036,780.89</u>	<u>368,157.92</u>	<u>34,082.29</u>	<u>403,068.71</u>		<u>59,771.29</u>	<u>25,689.00</u>

Table B
DEBT SERVICE SCHEDULE
Elkhorn Water District

CY 2024 - 2028

Summary

C.Y.	Principal	Interest	Service Fee	Annual Payment
2024	\$ 33,540	\$ 22,530	\$ 2,136	\$ 58,206
2025	34,827	21,381	2,024	\$ 58,232
2026	36,233	20,183	1,909	\$ 58,325
2027	37,660	18,926	1,791	\$ 58,377
2028	39,107	17,611	1,669	58,387
TOTALS	\$ 181,367	\$ 100,631	\$ 9,529	\$ 291,527
5 Year Avg	<u>\$ 36,273</u>	<u>\$ 20,126</u>	<u>\$ 1,906</u>	<u>\$ 58,305</u>
DSC - 0.2x				<u>\$ 11,661</u>

Individual Debt Amortization Schedules

RD

C.Y.	Principal	Interest	Service Fee	Annual Payment
2024	\$ 8,800	\$ 4,760	\$ 848	\$ 14,408
2025	9,400	4,298	786	14,484
2026	10,100	3,806	722	14,628
2027	10,800	3,276	657	14,733
2028	11,500	2,708	589	14,797
TOTALS	\$ 50,600	\$ 18,848	\$ 3,602	\$ 73,050
5-Year Avg	<u>\$ 10,120</u>	<u>\$ 3,770</u>	<u>\$ 720</u>	<u>\$ 14,610</u>
DSC - 0.2x				<u>\$ 2,922</u>

KIA

C.Y.	Principal	Interest	Service Fee	Annual Payment
Year 1	\$ 24,740	\$ 17,770	\$ 1,288	43,798
Year 2	25,427	17,083	1,238	43,748
Year 3	26,133	16,377	1,187	43,697
Year 4	26,860	15,650	1,134	43,644
Year 5	27,607	14,903	1,080	43,590
TOTALS	\$ 130,767	\$ 81,783	\$ 5,927	\$ 218,477
5-Year Avg	<u>\$ 26,153</u>	<u>\$ 16,357</u>	<u>\$ 1,185</u>	<u>\$ 43,695</u>
DSC - 0.2x				<u>\$ 8,739</u>

Table C
Current and Proposed Rates
Elkhorn Water District

		Existing Rates		Proposed Rates		Differences		
						\$	%	
3/4-Inch x 5/8-Inch Meter								
First	2,000 Gallons	\$	20.76 Min. Bill	\$	21.90 Min. Bill	\$	1.14	5.49%
Next	3,000 Gallons		0.008230 per Gallon		0.008670 per Gallon		0.000440	5.35%
Next	5,000 Gallons		0.007470 per Gallon		0.007870 per Gallon		0.000400	5.35%
Over	10,000 Gallons		0.005870 per Gallon		0.006180 per Gallon		0.000310	5.28%
1-Inch Meter								
First	5,000 Gallons	\$	45.50 Min. Bill	\$	48.02 Min. Bill	\$	2.52	5.54%
Next	5,000 Gallons		0.007470 per Gallon		0.007870 per Gallon		0.000400	5.35%
Over	10,000 Gallons		0.005870 per Gallon		0.006180 per Gallon		0.000310	5.28%
1 1/2-Inch Meter								
First	10,000 Gallons	\$	82.91 Min. Bill	\$	87.52 Min. Bill	\$	4.61	5.56%
Over	10,000 Gallons		0.005870 per Gallon		0.006180 per Gallon		0.000310	5.28%
Elkhorn MHP#1 (formerly Southcreek MHP)								
First	15,000 Gallons	\$	155.72 Min. Bill	\$	164.39 Min. Bill	\$	8.67	5.57%
Over	15,000 Gallons		0.005870 per Gallon		0.006180 per Gallon		0.000310	5.28%
Elkhorn Mobile Home Park								
First	76,000 Gallons	\$	789.04 Min. Bill	\$	833.07 Min. Bill	\$	44.03	5.58%
Over	76,000 Gallons		0.005870 per Gallon		0.006180 per Gallon		0.000310	5.28%
Capital Mobile Home Park								
First	125,000 Gallons	\$	1,297.76 Min. Bill	\$	1,370.18 Min. Bill	\$	72.42	5.58%
Over	125,000 Gallons		0.005870 per Gallon		0.006180 per Gallon		0.000310	5.28%
Emergency Wholesale Rate								
		\$	0.005870 per Gallon	\$	0.006180 per Gallon	\$	0.000310	5.28%