

LIST OF ATTACHMENTS
BLACK MOUNTAIN UTILITY 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 – 2024 (excel file)**
- 8. Board Resolution**
- 9. Statements of Disclosure of Related Party Transaction**
- 10. RD Promissory note and amortization schedule (excel file)**
- 11. Bond Resolutions**
- 12. Rate Study (excel file)**

Attachment #1

NOTICE

Notice is hereby given that Black Mountain Utility District expects to file an application with the Public Service Commission on or about February 26, 2026, 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							
BLACK MOUNTAIN UTILITY DISTRICT							
Retail Rates							
Monthly Water Rates:		Current Rates Effective 2/8/26		Proposed		Difference	
<u>Division 1</u>							
First	2,000 Gallons	\$ 28.61	Minimum Bill	\$ 30.51	Minimum Bill	\$ 1.90	6.6%
All Over	2,000 Gallons	\$0.01001	Per Gallon	\$ 0.01067	Per Gallon	\$ 0.00066	6.6%
	Monthly Debt Surcharge	\$ 4.26	Per Connection	\$ 4.26	Per Connection	\$ -	0.0%
<u>Division 2</u>							
First	2,000 Gallons	\$ 28.61	Minimum Bill	\$ 30.51	Minimum Bill	\$ 1.90	6.6%
All Over	2,000 Gallons	\$0.01001	Per Gallon	\$ 0.01067	Per Gallon	\$ 0.00066	6.6%
<u>Wholesale Rate and Leak Adjustment Rate</u>							
	All Gallons	\$0.00601	Per Gallon	\$ 0.00641	Per Gallon	\$ 0.00040	6.7%
Water Loss Reduction Surcharge*							
	Division 1	\$ 7.91	Per Bill	\$ 7.91	Per Bill	\$ -	0.00%
	Division 2	\$ 7.91	Per Bill	\$ 7.91	Per Bill	\$ -	0.00%

If the Public Service Commission approves the proposed water rates, then the effect on the average monthly bill for each customer class is set out in the table below.

		<u>Existing</u>	<u>Proposed</u>		
		<u>Bill</u>	<u>Bill***</u>	<u>Change</u>	<u>Percentage</u>
Average Customer	Division 1 *	\$ 60.80	\$ 64.02	3.22	5.30%
Using 4,000 gallons	Division 2 **	\$ 56.54	\$ 59.76	3.22	5.70%

* Division 1 bills include monthly Debt service surcharge of \$4.26 and WLRS of \$7.91

**Division 2 bills include monthly WLRS of \$7.91.

The Application may be examined at the utility's office located at 609 Four Mile Road, Baxter, Ky 40806; telephone (502) 573-1277.

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

Black Mountain Utility District is requesting a 6.6 percent rate increase for all of its water customers. The rate increase will generate approximately \$168,890 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 the Public Service Commission's Final Order in Case No.2022-00068.

Attachment #3

CURRENT AND PROPOSED RATES
BLACK MOUNTAIN UTILITY DISTRICT

Retail Rates

Monthly Water Rates:		Current Rates Effective 2/8/26		Proposed		Difference	
<u>Division 1</u>							
First	2,000 Gallons	\$ 28.61	Minimum Bill	\$ 30.51	Minimum Bill	\$ 1.90	6.6%
All Over	2,000 Gallons	\$0.01001	Per Gallon	\$ 0.01067	Per Gallon	\$ 0.00066	6.6%
	Monthly Debt Surcharge	\$ 4.26	Per Connection	\$ 4.26	Per Connection	\$ -	0.0%
<u>Division 2</u>							
First	2,000 Gallons	\$ 28.61	Minimum Bill	\$ 30.51	Minimum Bill	\$ 1.90	6.6%
All Over	2,000 Gallons	\$0.01001	Per Gallon	\$ 0.01067	Per Gallon	\$ 0.00066	6.6%
<u>Wholesale Rate and Leak Adjustment Rate</u>							
	All Gallons	\$0.00601	Per Gallon	\$ 0.00641	Per Gallon	\$ 0.00040	6.7%
<i>Water Loss Reduction Surcharge*</i>							
	Division 1	\$ 7.91	Per Bill	\$ 7.91	Per Bill	\$ -	0.00%
	Division 2	\$ 7.91	Per Bill	\$ 7.91	Per Bill	\$ -	0.00%

Attachment #4

SCHEDULE OF ADJUSTED OPERATIONS

Black Mountain Utility District

2024

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Proforma</u>
<u>Operating Revenues</u>				
Sales to Residential Customers	1,661,609			
Sales to Commercial Customers	120,581			
		763,602	A	2,425,211
Private Fire Protection	-			-
Sales for Resale	-			-
Other Water Revenues:				
Forfeited Discounts	-			-
Misc. Service Revenues	-			-
Other Water Revenues	-	-		-
Total Operating Revenues	1,782,190			2,425,211
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	329,826	52,326	B	
		(3,000)	C	
				379,152
Salaries and Wages - Officers	-			-
Employee Pensions and Benefits	61,088			
		(16,747)	D	44,341
Purchased Water	980,762	(184,746)	E	
		92,263	F	888,279
Purchased Power	129,782	(24,447)	E	105,335
Chemicals	-			-
Materials and Supplies	168,887	(7,000)	C	161,887
Contractual Services - Accounting	50,000			50,000
Contractual Services - legal	39,788			39,788
Contractual Services - Water Testiing	23,950			23,950
Rental of Building/Real Property	12,013			12,013
Transportation Expenses	46,343			46,343
Insurance - Workers Comp	46,396			46,396
Insurance - Other	-			-
Advertising	1,583			1,583
Miscellaneous Expenses	99,892			99,892
Total Operation and Mnt. Expenses	1,990,311	(91,351)		1,898,960
Depreciation Expense	503,217	(12,909)	G	
		(53,709)	H	436,599
Amortization Expense		3,112	I	3,112
Taxes Other Than Income	27,780	4,176	J	
				31,956
Total Operating Expenses	2,521,309			2,370,627
Total Utility Operating Income	(739,119)			54,584

REVENUE REQUIREMENTS USING OPERATING RATIO METHOD

Pro Forma Operating Expenses	2,370,627
Divided by: Operating Ratio	0.88
Subtotal	2,693,894
Plus: Interest Expense	20,874
Total Revenue Requirement	2,714,768
Less: Forfeited Discounts	-
Miscellaneous Service Revenues	-
Interest Income	86
Revenue Required From Sales of Water	2,714,682
Less: Revenue from Sales with Present Rates	2,545,792
Required Revenue Increase	168,890
Percent Increase	6.63%

REFERENCES

A.	Increase to metered sales revenues due to PWA rate increase effective Feb. 8, 2026, in Case No 2026-00025.
B.	Since 2024, there have been increases to individual wage rates and employee turnover, resulting in an increase to wages of \$52,326.
C.	The utility collected \$10,000 in tapping fees in 2024. These taps were installed by the utility and were recorded as labor and material expenses. Labor expense has been reduced by \$3,000 or 30% of the tapping fees while materials and supplies expense has been reduced by \$7,000 or 70% of the tapping fees.
D.	Decrease Health Dental and Vision insurance by \$16,747 to 2025 premiums for employees.
E.	The utility's test year water loss was 33.84 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 Water expense was decreased by \$184,746 and purchased power expense was decreased by \$24,447.
F.	The City of Harlan increased its wholesale rate to BMUD by 15%. Resulting in an increase in Purchased water expense of \$92,263
G.	The 2024 Depreciation schedule included misclassified miscellaneous equipment reducing depreciation expense by \$12,909.
H.	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". Adjustments are included to bring asset lives to the midpoint of the recommended ranges. BMUD total depreciation expense was decreased by \$53,709 . See Table A.
I.	Recovery of Rate Case Expense of \$9,335 amortized over a three year period ($9,335/3\text{yrs}=\$3,112$).
J.	Increased in payroll taxes by \$4,176 due to increase in wages.
K.	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
Black Mountain Utility District

Asset	Date in Service	Original Cost *	Life	Reported		Proforma		Depreciation Expense
				Depr. Exp.	Life	Depr. Exp.	Adjustment	
General Plant								
Organizational Cost	various	\$ 2,437	40	61	40.0	61		-
Structures & Improvements	various	\$ 141,159	37.5	4,222	37.5	3,764		(458)
Pumping Plant								
Structures & Improvements	various	\$ 89,220	37.5	2,380	37.5	2,380		-
Telemetry	various	\$ 5,678	10.0	568	10.0	568		-
Pumping Equipment	various	\$ 1,306,209	20.0	65,293	20.0	65,310		17
Transmission & Distribution Plant								
Transmission & Distribution Mains	various	\$ 15,825,968	50	332,322	62.5	253,215		(79,107)
Meter Installations	various	\$ 9,498	10	317	45.0	211		(106)
Meter Change-outs		\$ 645,802	40	16,145	15.0	43,053		26,908
Reservoirs & Tanks	various	\$ 2,221,632	45	49,369	45.0	49,370		1
Transportation Equipment								
Entire Group	various	\$ 96,094	varies	15,355	7.0	13,728		(1,627)
Water Treatment Plant								
Water Treatment Equipment	various	\$ 135,806	25.0	4,276	27.5	4,938		662
TOTALS		\$ 20,479,503		\$ 490,308		\$ 436,599	\$	(53,709)

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

Table B
DEBT SERVICE SCHEDULE
Black Mountain Utility District
CY 2027 - 2031

	CY 2027		CY 2028		CY 2029		CY 2030		CY 2031		TOTALS
	Principal	Interest & Fees									
RD 91-01	7,000	1,925	7,500	1,575	7,500	1,200	8,000	825	8,500	425	44,450
RD 91-05	15,000	5,535	15,500	4,860	16,500	4,163	17,500	3,420	18,500	2,633	103,611
RD-91-08	4,000	1,444	4,200	1,265	4,300	1,076	4,600	882	4,800	675	27,242
RD 91-02	9,000	3,803	9,500	3,398	9,500	2,970	10,000	2,543	10,500	2,093	63,307
RD 91-10	8,000	3,398	8,500	3,038	9,000	2,655	9,000	2,228	9,500	1,823	57,142
RD 91-12	16,000	10,080	17,000	9,360	17,000	8,595	19,000	7,830	19,000	6,975	130,840
KIA F209-10	11,633	630	11,749	484	11,867	336	11,986	188	6038	38	54,949
TOTALS	70,633	26,815	73,949	23,980	75,667	20,995	80,086	17,916	76,838	14,662	\$ 481,541
										Average Annual Principal & Interest	\$ 96,308
										Average Annual Coverage	\$ 19,262
										5-Year Average Interest & fees Only	\$ 20,874

Attachment #5

BLACK MOUNTAIN UTILITY DISTRICT						
BILLING ANALYSIS WITH 2024 USAGE AND CURRENT RATES						
Summary						
Customer Class			# of Bills	Gallons Sold	Revenue	
Total Metered Retail Sales			40,332	210,830,689	\$ 3,036,006	
Less Adjustments					\$ (490,214)	
Net Retail					\$ 2,545,792	
Less 2024 PSC Annual Report					\$ (1,782,190)	
					\$ -	
					\$ -	
Difference					\$ 763,602	
CONSUMPTION BY RATE INCREMENT						
				First	Second	Total
	Usage	Bills	Gallons	Block	Block	
First	2,000	40,328	22,799,947	22,799,947	-	22,799,947
Over	2,000	4	188,030,742	8,000	188,022,742	188,030,742
		40,332	210,830,689	22,807,947	188,022,742	210,830,689
REVENUE BY RATE INCREMENT						
				Eff. 2/8/26		
	Usage	Bills	Gallons	Rate	Revenue	
First	2,000	40,332	22,807,947	\$ 28.61	\$ 1,153,899	
Over	2,000		188,022,742	\$ 0.01001	\$ 1,882,108	
		40,332	210,830,689		\$ 3,036,006	

Attachment #6

Attachment #7

(see file Attachment_7_BMUD_Depreciation_Schedule_2024.xlsx)

Attachment #8

(see file Attachment_8_BMUD_Board_Resolution.pdf)

Attachment #9

(see the attached file titled, Attachment_9_ARF_Form_3.pdf)

Attachment #10

(see the attached file titled,

Attachment_10_BMUD_Amortization_Schedule.xlsx)

Attachment #11

(see the attached file, [Attachment_11_Outstanding_Debt_Instruments.pdf](#))

Attachment #12

(see the attached file, Attachment_12_BMUD_Rate Study.xlsx)