



Mayor
Edwinna Baker

City Clerk/ Administrator
Robbie Hume

Office
502-839-5372

Fax
502-839-5106

M Todd Osterloh
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

RECEIVED

JUN 15 2009

PUBLIC SERVICE
COMMISSION

Mr. Osterloh,

In Case No. 2009-00056 between the City of Lawrenceburg and the South Anderson Water District an agreement has been reached between the parties. Please find enclosed a copy of the rate study and signed contract amendment reflecting the rate study. This agreement is the product of cooperation and effort from both entities. I respectfully submit this information for closure on this case.

Sincerely,

Edwinna Baker, Mayor

Second Amendment to Water Purchase Contract

THIS AMENDMENT to that certain Water Purchase Contract dated June 14th, 2004, by and between the **City of Lawrenceburg**, 100 North Main Street, Lawrenceburg, Kentucky 40342, hereinafter referred to as "Seller," and the South Anderson Water District, Post Office Box 16, Lawrenceburg, Kentucky 40342, hereinafter referred to as "Purchaser," is entered into on this the 9th day of June, 2009.

WITNESSETH:

WHEREAS, on March 22, 1974, the parties hereto entered into a water purchase contract providing for the purchase and provision of water and setting forth certain terms and conditions of said purchase; and,

WHEREAS, the contract dated March 22, 1974 was amended by the agreement of the parties on September 4th, 1979, September 8th, 1986, May 31st, 1991, November 9th, 1992 and on March 13th, 2000; and,

WHEREAS, the parties hereto entered into a further "Water Purchase Contract" dated June 14th, 2004, in furtherance of a Resolution passed by the Board of Council of the City of Lawrenceburg of even date which set forth the terms and conditions governing the parties relative to the sale and purchase of treated water; and,

WHEREAS, the contract dated June 14th, 2004 was amended by agreement of the parties dated January 19th, 2006; and,

WHEREAS, the parties hereto wish to confirm and ratify each and every word, term, phrase and figure set forth in the contract dated June 14th, 2004, as Amended and altered by the PSC, save and except the presently current rate paid for water per gallon; and,

WHEREAS, that by Resolution of the Board of Council for the City of Lawrenceburg, dated June 9th, 2009, authorizing Mayor Edwinna Baker to execute this Second Amendment and further by Resolution of the Board of Commissioners of the South Anderson Water District, dated June 9th, 2009, authorizing the Chairman of said Board to execute this Second Amendment, the parties hereto do covenant, contract, agree and bind themselves to those terms and conditions set forth and specifically referred to herein.

NOW FOR AND IN CONSIDERATION OF FOREGOING AND THE MUTUAL PROMISES SET FORTH HEREIN, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged by all parties, the parties do covenant and agree as follows:

Exhibit "A" to Resolution of City Council, 2009-06

I. The Seller and Purchaser agree that each and every word, term, phrase and figure set forth in the contract dated June 14th, 2004 and as Amended and subject only to the ruling of the Public Service Commission in Case No. 2006-00067, is hereby ratified and confirmed, save and except as hereinafter specifically set forth.

II.

B. THE PURCHASER AGREES:

1. (Rates and Payment Date)

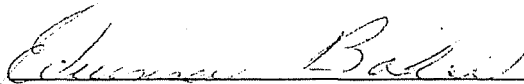
To pay the Seller, not later than the 28th day of each month following the billing date of each month, for water delivered in accordance with the following schedule of rates:

a. 2.49 per 1,000 gallons for the first eight (8) million gallons, which amount shall be also the minimum rate per month.

b. \$2.34 per 1,000 gallons for water in excess of eight (8) million gallons.

IN WITNESS HEREOF, the parties herein, acting under the authority and direction of their respective governing bodies, have caused this Second Amendment to Water Purchase Contract to be duly executed in duplicate counterparts, each of which shall serve as and constitute an original.

The City of Lawrenceburg




BY: Edwinna Baker, Mayor
(Seller)

Attest:



Robbie Hume, City Clerk

South Anderson Water District



BY: Eddie Stevens, Chairman
(Purchaser)

Attest:



Markup
K. Taylor
5/20/09

CITY OF LAWRENCEBURG

**RATE ANALYSIS
FOR WATER SOLD TO THE
SOUTH ANDERSON WATER DISTRICT**

JANUARY 2009

**LEE UTILITY CONSULTING
DANVILLE, KY
859-238-0283**

RATE ANALYSIS

1. GENERAL

Water rates to wholesale utilities should be cost based and developed in accordance with current accepted methodologies. Users who receive benefits from the system should pay their share of transmission and distribution expenses needed to maintain the utility.

This study outlines the procedure for calculating the cost of service caused by the South Anderson Water District who purchases water from the City of Lawrenceburg. The results are shown below:

	Current Rate Per 1,000 Gallons	Revised Rate Per 1,000 Gallons	Increase
First 8,000,000	\$2.25	\$2.49	.24
Over 8,000,000	2.10	2.34 2.41	.24 .31

The minimum bill will increase from \$18,000 to ~~\$19,280~~ 19,920

*These rates will generate approximately
\$ 36,700⁺ in additional
revenue per year.*

2. WATER RATE FORMULA

The rate formula for water purchased by South Anderson is:

$$\frac{\text{Annual Cost of Water Service Caused by the Utility in Dollars}}{\text{Annual Amount of Water Purchased by the Utility in 1,000 Gallons}}$$

The rate established by the formula will recover all costs caused by the Utility, including operation expenses, debt, and capital improvements on that part of the system that is used jointly by the Utility and other customers.

3. INFORMATION REQUIRED

Calculation of the cost of water service requires basic financial data along with data on water production, total consumption, plant use and line loss.

4. COST OF SERVICE CALCULATION

4.1 Cost Allocation Factors

In order to determine the cost of service to South Anderson Water District the proportionate use of the City's water facilities must be established and defined. This requires establishing the following proportional use factors:

a. Water Production Factor

The water production factor is used to allocate costs related to water production. This factor is based on two parameters, system line loss and water plant use.

System line loss is allocated to the purchasing utility in proportion to jointly used lines. The assumption is that leak potential is at pipe joints or that leaks occur around the circumference of the joints. Circumference is directly proportional to pipe diameter. The leak potential is also related to the number of pipe joints, which is directly proportional to both length and diameter.

The allocation method used is the inch (diameter) – mile (length) concept, which yields a weighted factor that, is directly proportional to diameter and total length of jointly used system pipelines. It is understood that much line loss occurs through breaks or pipe splitting but there is no practical method for determination of this type of loss potential.

Treatment plant use is allocated in full because this percentage of treated water must be produced in excess of every gallons sold.

The derivation of the Water Plant Production Factor is as follows:

$$WL = \frac{WP - WS}{WP} \text{ where } WL = \text{Line Loss and Plant Use}$$

$$WP = \text{Water Produced and sold}$$

$$WS = \text{Water Sold}$$

If WS = 1 gallon then through algebraic transformation

$$WP = \frac{WS}{1-WL}$$

WP is the water production multiplier yielding the amount of water that needs to be produced for each gallon sold. In the case of Lawrenceburg, it must produce 1.3902 gallons to sell one gallon of water.

The general water production factor for a utility purchasing water from a utility that produces its water is as follows:

$$\begin{aligned} \text{System Line Loss Allocation} &= \text{IM} \times \text{SL} \\ \text{Plant Use Allocation} &= \text{PU} \end{aligned}$$

$$\text{WL} = \text{IM} \times \text{SL} + \text{PU}$$

$$\text{WP} = \frac{1}{1 - (\text{IM} \times \text{SL} + \text{PU})}$$

The Water Production Cost Allocation Factor (WPF) is determined as follows:

$$\text{WPF} = \frac{\text{Water Sold to Purch. Utility} \times \text{WP for Purch. Utility}}{\text{Total Water Sold} \times \text{WP for Selling Utility}}$$

b. **Transmission Factor**

The transmission factor allocates distribution system operating expenses in proportion to the amount of transmission system used by the purchasing utility. The factor has two components. The ratio of the length of transmission pipeline jointly used to the total length of pipeline in the system.

The second component is the ratio of the water purchased by South Anderson to total water purchased in the system. These two components are multiplied together to compute the transmission factor. In a distribution system of relatively homogeneous pipe sizes, a ratio of pipeline lengths is sufficient. In a system of a wide disparity of line, a more appropriate method is required namely, a ratio of inch-miles. The inch mile concept was used in this study.

The transmission factor is used to allocate broad categories of debt service and operating expenses not included in a more refined breakdown. The inch-mile concept takes into consideration that virtually all costs vary in direct proportion to size and length.

The allocation factors are developed and summarized in the various schedules included in this report.

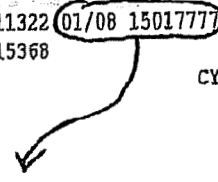
SMOUB08/CS/V05/L007
DATE OF REPORT: 5/12/09
RANGES -- CYCLE: 00 TO 99

CITY OF LAWRENCEBURG
WATER CONSUMPTION REPORT- ALL PERIODS
MM/YY: 08/07 TO 08/08

TIME: 08:05:44
PAGE: 1

MTH-YR USAGE MTH-YR USAGE MTH-YR USAGE MTH-YR USAGE MTH-YR USAGE MTH-YR USAGE MTH-YR USAGE MTH-YR USAGE

CYCLE 51 GALLONS.															
08/07	5338875	09/07	5391758	10/07	5400390	11/07	4872081	12/07	4811322	01/08	1501777	02/08	5608454	03/08	4531911
04/08	5107912	05/08	5741528	06/08	7055478	07/08	5190583	08/08	5815368			CYCLE 51 GALLONS	TOTAL	79883437	



In January we had a system error that caused a customer to be billed for 99,999,999 so I omitted it in the twelve month calculation. The twelve month total is 648,656,600
 SA wD usage - 152,861,437
 Retail - 495,795,163

CITY OF LAWRENCEBURG		
WATER PRODUCED AND SOLD		
Lawrenceburg (1)	495,795,163	0.6220
South Anderson (2)	152,861,437	0.1918
Total Sold	648,656,600	0.8138
Plant Use (3)	63,768,950	0.0800
Line Loss (4)	84,686,330	0.1062
Total Produced (5)	797,111,880	181%
(1) Lawrenceburg Usage from Monthly Usage Registers		
(2) South Anderson Usage from Master Meter Readings		
(3) Plant Use Based on 8% as Compared to Other Utilities		
(4) Line Loss Based on Total Other Usage and Total Produced - 15% Used in Allocating to South Anderson		
(5) Total Produced from KYDOW Reports		

CITY OF LAWRENCEBURG				
JOINTLY USED MILES OF LINE				
Size	Miles	Inch Miles	Jointly Used Miles of Line	Inch Miles
2	9.10	18.20	0.00	0
4	37.40	149.60	0.00	0
6	83.90	503.40	0.00	0
8	9.10	72.80	1.95	15.60
12	10.10	121.20	5.90	70.80
16	1.10	17.60	1.09	17.44
20	1.38	27.60	1.38	27.60
Total	152.08	910.40	10.32	131.44
South Anderson Ratio			0.1444	

CITY OF LAWRENCEBURG				
WHOLESALE ALLOCATION FACTORS				
Line Loss Percentage			0.1062	
Plant Use			0.0800	
Total Plant Use and Line Loss			0.1862	
Lawrenceburg Production Multiplier	$1 / 1 - .1862$		1.2288	
Wholesale Inch Mile Ratio	$131.44 / 910.4$		0.1443	
Wholesale Share of Line Loss	$.1062 * .1443$		0.0153	
Joint Share of Plant Use and Line Loss	$.0153 + .0800$		0.0953	
Production Multiplier	$1 / 1 - 0.0953$		1.1053	
Production Allocation Factor	<u>152,861,437</u>		<u>1.1053</u>	
	648,656,600	*	1.2288	0.2120
Transmission Factor	<u>152,861,437</u>			
	648,656,600	*	0.1443	0.0340
Commodity	<u>152,861,437</u>			
	648,656,600			0.2357

CITY OF LAWRENCEBURG				
TOTAL EXPENSES		Allocation Factors	Allocated to South Anderson	Lawrenceburg Expenses
Salaries and Benefits Transmission and Distribution	\$ 215,075	0.034	\$ 7,313	\$ 207,762
Salaries and Benefits - Customer	34,412	0.034	1,170	33,242
Salaries and Benefits - Administrative and General	51,618	0.034	1,755	49,863
Salaries and Benefits - Production	559,195	0.212	118,549	440,646
Rent	10,000	0.034	340	9,660
Repairs and Maintenance	64,000	0.034	2,176	61,824
Uniforms	7,000	0.0340	238	6,762
Gas and Oil	20,000	0.034	680	19,320
Office Expense	37,000	0.2357	8,721	28,279
Telephone	14,000	0.2357	3,300	10,700
Utilities	141,000	0.2120	29,892	111,108
Insurance	73,000	0.212	15,476	57,524
Travel and Training	7,000	0.2357	1,650	5,350
Professional -Lab Fees etc.	23,000	0.2120	4,876	18,124
Misc. Expense	5,000	0.0340	170	4,830
Building Maintenance	6,000	0.2357	1,414	4,586
Vehicle Repair	13,000	0.034	442	12,558
Materials and Parts	80,000	0.034	2,720	77,280
Chemicals	178,000	0.2120	37,736	140,264
Debt P & I - New Plant	466,750	0.2120	98,951	367,799
1.2 coverage	93,350	0.2120	19,790	73,560
Series F - P&I	345,442	0.034	11,745	333,697
1.2 Coverage	69,088	0.034	2,349	66,739
Capital Outlay	64,000		-	64,000
TOTAL	\$ 2,576,930		\$ 371,453	\$ 2,205,477

CITY OF LAWRENCEBURG

RATE TO SOUTH ANDERSON WATER DISTRICT

8,000,000	96,000,000	\$ 2.49	\$ 19,920	\$ 239,040
8,000,000	56,885,000	2.34		133,111
Total	152,885,000			\$ 372,151
South Anderson Usage				
Meter 1	Meter 2	Total		
12,891,000	3,555,000	16,446,000	8,446,000	
10,097,000	3,045,000	13,142,000	5,142,000	
11,824,000	2,576,000	14,400,000	6,400,000	
9,449,000	2,741,000	12,190,000	4,190,000	
7,552,000	3,315,000	10,867,000	2,867,000	
7,978,000	2,318,000	10,296,000	2,296,000	
11,353,000	2,327,000	13,680,000	5,680,000	
9,280,000	2,363,000	11,643,000	3,643,000	
9,348,000	2,810,000	12,158,000	4,158,000	
8,801,000	3,224,000	12,025,000	4,025,000	
8,704,000	3,259,000	11,963,000	3,963,000	
10,669,000	3,406,000	14,075,000	6,075,000	
117,946,000	34,939,000	152,885,000	56,885,000	
				152,885,000
		96,000,000		
		56,885,000		