

Southern Water and Sewer District  
P.O. Box 610  
KY Rt 680  
McDowell, Kentucky 41647

RECEIVED

AUG 08 2012

PUBLIC SERVICE  
COMMISSION

Case No. 2012-00309

Jeff Derouen, Executive Director  
Public Service Commission  
211 Sower Boulevard  
Post Office Box 615  
Frankfort, Kentucky 40602

Dear Mr. Derouen:

Please accept for filing the enclosed application for a general rate adjustment to the district's water service rates and sewer service rates. Enclosed you will find the original application and 5 copies. A copy of the application was mailed to the Office of the Attorney General. Also enclosed you will find the original related party disclosure statements that were completed and signed by me and each of the district's officers.

Please note that the application does not meet the test year requirement of 807 KAR 5:076 Section 8 which states that "the reasonableness of the proposed rates shall be determined using a twelve (12) month historical test period, adjusted for known and measureable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year." Our immediate annual report on file with the Commission is for the calendar year ended December 31, 2011. The test year used in its application is the year ended December 31, 2010.

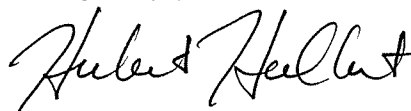
As allowed by 807 KAR 5:076, Section 15, we request to deviate from the requirements of 807 KAR 5:076, Section 8. In support of our request, please understand that work began on the preparation of the application with assistance from

Commission Staff using its 2010 annual report well before the 2011 annual report was complete. The application took an extended period of time to prepare. We requested assistance from Staff by letter dated June 30, 2011. The completed application was delivered to the Commission for consideration on August 7, 2012. During this time, the 2011 annual report was completed and filed with the Commission as required.

At the time the 2011 annual report was filed, work on the application using the 2010 report had been completed for all practical purposes. It is vital to our financial condition that the application be processed as expeditiously as possible. It would have unnecessarily prolonged the preparation of the application to have switched the test year from 2010 to 2011 immediately following the filing of the 2011 annual report. This delay would have extended the effective date of the requested rates and may have caused us financial harm.

If the Commission cannot grant the deviation requested herein, we respectfully request that the Commission consider our application filed pursuant 807 KAR 5:001, Section 10. This regulation allows a test year to be any 12 consecutive month period. Any relief afforded by the Commission in this matter is greatly appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "Hubert Halbert". The signature is written in a cursive style with a large initial "H".

Hubert Halbert  
General Manager

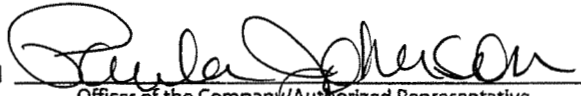


- |   | YES                                 | NO                                  |
|---|-------------------------------------|-------------------------------------|
| 4. a. Applicant is a corporation. A certified copy of its articles of incorporation and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| b. Applicant is a limited liability company. A certified copy of its articles of organization and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| c. Applicant is a limited partnership. A certified copy of its limited partnership agreement and all amendments thereto are attached to this application or were filed with the Public Service Commission in Case No. _____.  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| d. Applicant is a sole proprietorship or partnership.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| e. Applicant is a water district organized pursuant to KRS Chapter 74.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| f. Applicant is a water association organized pursuant to KRS Chapter 273.  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov.  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 6. a. Applicant has 20 or fewer customers or is a sewer utility and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. <b>(Attach a copy of customer notice.)</b>  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| b. Applicant has more than 20 customers, is not a sewer utility, and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. <b>(Attach a copy of customer notice.)</b>   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| c. Applicant has more than 20 customers, is not a sewer utility, and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. <b>(Attach a copy of customer notice.)</b> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." <b>(Attach completed "Reasons for Application" Attachment.)</b>   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |

- |  | YES                                 | NO                       |
|--|-------------------------------------|--------------------------|
| 8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." <b>(Attach completed "Current and Proposed Rates" Attachment.)</b>   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, <u>2010</u> .   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." <b>(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)</b> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ <u>See Attachment D</u> and total revenues from service rates of \$ <u>See Attach D</u> . The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. <b>(Attach a completed "Revenue Requirement Calculation" Attachment.)</b>  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 12. As of the <b>date of the filing of this application</b> , Applicant had <u>See Attach B</u> customers.   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 13. A billing analysis of Applicant's current and proposed rates is attached to this application. <b>(Attach a completed "Billing Analysis" Attachment.)</b>   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 14. Applicant's depreciation schedule of utility plant in service is attached. <b>(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)</b>  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 15.a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

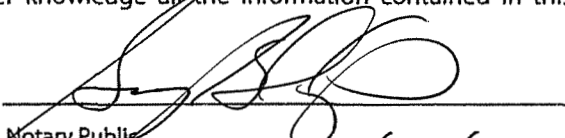
- |   | YES                                 | NO                                  |
|---|-------------------------------------|-------------------------------------|
| 16. a. Applicant is not required to file state and federal tax returns.   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| b. Applicant is required to file state and federal tax returns.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| c. Applicant's most recent state and federal tax returns are attached to this Application. <b>(Attach a copy of returns.)</b>   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 17. Approximately <u>0</u> <b>(Insert dollar amount or percentage of total utility plant)</b> of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |

I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed   
Officer of the Company/Authorized Representative  
 Title Chairperson  
 Date 8/7/12

COMMONWEALTH OF KENTUCKY  
 COUNTY OF Floyd

Before me appeared Paula Johnson, who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.

  
 Notary Public  
 My commission expires: 1/22/14

**LIST OF ATTACHMENTS**  
**(Indicate all documents submitted by checking box)**

- Applicant's Articles of Incorporation, Articles of Organization, or Limited Partnership Agreement.
- All amendments to Applicant's Articles of Incorporation, Articles of Organization, or Limited Partnership Agreement.
- Customer Notice of Proposed Rate Adjustment *A*
- "Reasons for Application" Attachment *B*
- "Current and Proposed Rates" Attachment *A*
- "Statement of Adjusted Operations" Attachment *C*
- "Revenue Requirements Calculation" Attachment *D*
- "Billing Analysis" Attachment *E*
- Depreciation Schedule *F*
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.) *G*
- State Tax Return
- Federal Tax Return

**NOTICE**

Southern Water & Sewer District has filed an application with the Public Service Commission to increase its rates for water service. The proposed rates will become effective upon approval of the Public Service Commission.

Monthly Rate:

| <u>Current</u> |               |         | <u>Proposed</u> |       | <u>Rate</u>            |
|----------------|---------------|---------|-----------------|-------|------------------------|
| First          | 2,000 Gallons | \$20.00 | First           | 2,000 | \$24.11 Minimum Bill   |
| Over           | 2,000 Gallons | 7.00    | Over            | 2,000 | 8.34 per 1,000 gallons |

|                          | MONTHLY<br>BILL AT<br>CURRENT | MONTHLY<br>BILL AT<br>PROPOSED | PERCENT<br>INCREASE<br>OVER<br>CURRENT |
|--------------------------|-------------------------------|--------------------------------|--|
| <u>MONTHLY<br/>USAGE</u> | <u>RATE</u>                   | <u>RATE</u>                    |  |
| 2,000                    | 20.00                         | 24.11                          | 20.55%                                 |
| <b>5,000</b>             | <b>\$41.00</b>                | <b>\$49.13</b>                 | <b>19.83%</b>                          |
| 10,000                   | 76.00                         | 90.83                          | 19.51%                                 |
| 20,000                   | 146.00                        | 174.23                         | 19.34%                                 |
| 30,000                   | 216.00                        | 257.63                         | 19.27%                                 |
| 50,000                   | 356.00                        | 424.43                         | 19.22%                                 |
| 75,000                   | 531.00                        | 632.93                         | 19.20%                                 |
| 100,000                  | 706.00                        | 841.43                         | 19.18%                                 |
| 150,000                  | 1056.00                       | 1258.43                        | 19.17%                                 |
| 200,000                  | 1406.00                       | 1675.43                        | 19.16%                                 |
| 300,000                  | 2106.00                       | 2509.43                        | 19.16%                                 |

The rates contained in this notice are the rates proposed by the Southern Water & Sewer District. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the District office at 245 KY Rt 680 in McDowell, KY 41647. Upon request from an intervenor, the District shall furnish to the intervenor a copy of the application and supporting documents.

Southern Water & Sewer District



**NOTICE**

Southern Water & Sewer District has filed an application with the Public Service Commission to increase its rates for sewer service. The proposed rates will become effective upon approval by the Public Service Commission.

Monthly Rate:

|                     |         |  |                 |                        |
|---------------------|---------|--|-----------------|------------------------|
| <u>Current</u>      |         |  | <u>Proposed</u> | <u>Rate</u>            |
| First 2,000 Gallons | \$23.65 |  | First 2,000     | \$28.38 Minimum Bill   |
| Over 2,000 Gallons  | 7.93    |  | Over 2,000      | 9.52 per 1,000 gallons |

|              | MONTHLY        | MONTHLY        | PERCENT        |
|--------------|----------------|----------------|----------------|
|              | BILL AT        | BILL AT        | INCREASE       |
| MONTHLY      | CURRENT        | PROPOSED       | OVER           |
| <u>USAGE</u> | <u>RATE</u>    | <u>RATE</u>    | <u>CURRENT</u> |
| 2,000        | 23.65          | 28.38          | 20%            |
| <b>5,000</b> | <b>\$47.44</b> | <b>\$56.94</b> | <b>20%</b>     |
| 10,000       | 87.09          | 104.54         | 20%            |
| 20,000       | 166.39         | 199.74         | 20%            |
| 30,000       | 245.69         | 294.94         | 20%            |
| 50,000       | 404.29         | 485.34         | 20%            |
| 75,000       | 602.54         | 723.34         | 20%            |
| 100,000      | 800.79         | 961.34         | 20%            |
| 150,000      | 1197.29        | 1437.34        | 20%            |
| 200,000      | 1593.79        | 1913.34        | 20%            |
| 300,000      | 2386.79        | 2865.34        | 20%            |

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Southern Water & Sewer District

"Reasons for Application"

Southern Water and Sewer District ("Southern District") was created by merger of Mud Creek Water District and Beaver Elkhorn Water District in 2000. Southern District currently provides water service to approximately 7,000 retail customers and one wholesale customer, the city of Hindman, and wastewater service to approximately 200 customers.

The Kentucky Public Service Commission ("KPSC") approved the merger by Order dated December 16, 1999, in Case No. 1999-00375.<sup>1</sup> Immediately following the merger, Southern District adopted the water rates of the two former districts and continued charging those rates in each of the former district's territories until June 7, 2002, when the rates were unified by Commission Order dated June 7, 2002, in Case No. 2002-00166.<sup>2</sup> Southern District's current water rates were approved by the Commission in Case No. 2009-00398.<sup>3</sup>

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<sup>1</sup> In the Matter of the Application of Mud Creek Water District and Beaver Elkhorn Water District for Approval of Merger Agreement.

<sup>2</sup> In the Matter of the Application of Southern Water and Sewer District of Floyd and Knott Counties, Kentucky, for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023.

<sup>3</sup> In the Matter of Application of Southern Water and Sewer District of Floyd and Knott Counties, Kentucky, for a Certificate of Public Convenience and Necessity to Construct, Finance, and Increase Rates Pursuant to KRS 278.023.

At the time of merger, Southern District did not provide wastewater service; however, by Commission Order dated November 8, 2004, in Case No. 2004-00407,<sup>4</sup> Southern District was authorized to construct and finance a wastewater collection and treatment system to serve the area in, and around, the city of Wayland. In that case, Southern District established rates for sewer service.

As discussed in the Commission's Order, the cost of the Wayland Project was approximately \$3,750,000 and included the construction of gravity collection mains and force collection mains, a 100,000 gallon per day treatment plant, and pumping stations. A loan from the Kentucky Infrastructure Authority ("KIA") in the amount of \$230,000 was authorized to finance a portion of the project. The remaining construction costs were funded with grants from the United States Department of Agriculture, Rural Development ("RD"), the Environmental Protection Agency ("EPA"), and the United States Department of Housing and Urban Development ("HUD"). This system was designed to provide sanitary sewer service to 224 customers.

In 2008, Southern District expanded its sewer operations by constructing the Eastern Sewer Project. This project consisted of a 25,000 gallon per day wastewater treatment plant, force mains, and pumping equipment. At the time of construction, it was anticipated that 42 customers would be served by this system and pay the same rates for service as paid by the customers served by the Wayland Project. The

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<sup>4</sup> In the Matter of the Application of Southern Water and Sewer District, Floyd County, Kentucky, (1) for a Certificate of Public Convenience and Necessity Authorizing Construction of Major Additions and Improvements to its Sanitary Sewer System; (2) Seeking Approval of Proposed Sewer rates and Charges; and (3) Seeking Approval of the Issuance of Certain Securities, Pursuant to the Provisions of KRS 278.023 and 807 KAR 5.069.

construction costs for this project were less than \$500,000 and were funded by grants from RD and the Floyd County Fiscal Court. Commission approval of this construction and financing was not required.

Southern District anticipates adding another 140 wastewater customers on, or around, June 30, 2013, immediately after construction of a third wastewater treatment plant (the "Harold Project") is complete. These customers are all residential except for the Betsy Lane High School and the Betsy Lane Elementary School. This project includes a new 100,000 gallon per day wastewater treatment plant, collection mains, and pumping equipment and could serve up to 1,500 customers. The anticipated cost of the project is \$3,750,087 which will be funded by a combination of grant funds and a loan from the Kentucky Infrastructure Authority ("KIA") in the amount of \$765,900. The construction and financing for this project was approved by Commission Order dated May 18, 2012, in Case No. 2012-00165.<sup>5</sup>

In this Application, Southern District requests approval to adjust rates for water service and sewer service. Southern District requests that these rates be made effective upon the Commission's final order in this matter. As shown in the financial exhibits of the Application at Attachment C, Attachment D, and Attachment E, the water rates are necessary to recover the total current cost to provide water service. The sewer rates are necessary to recover the cash revenue requirements of the Sewer Division and 24.87 percent of depreciation reported prior to construction of the Harold Project and 23.3 percent of depreciation that will be reported after construction of the

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<sup>5</sup> In the Matter of Application of Southern Water and Sewer District for a Certificated of Public Convenience and Necessity to Construct and Finance Pursuant to KRS 278.023.

project is complete and operational. These calculations are shown in Table D2 of Attachment D.

In Attachment C and Attachment D, Southern District's cost of service has been split between water operations and sewer operations by the direct assignment of costs to each division when possible and using allocation factors when direct assignment is not possible. As shown in Attachment D at Table D1, using these methods, Southern District calculated the required revenue increase for the Water Division to be \$651,732, a 21.09 percent increase over normalized test-year water service revenues. It calculated the required revenue increase for the Sewer Division to be \$95,485, a 100.28 percent increase over normalized test-year sewer revenues; however, instead of the required amount, Southern District requests additional sewer revenues of only \$19,043, a 20 percent increase. As shown and discussed in detail in Attachment C and Attachment D, South District is of the opinion that the requested sewer revenue increase is sufficient to meet all of the Sewer Division's cash requirements both before and after construction of the Harold Project.

The rates requested to produce the additional water revenue and sewer revenue were determined by increasing the current water rates and current sewer rates evenly across the board by the percentage of the revenue increases. These rates, along with the billing analyses summaries showing that they generate the appropriate level of revenues for the Water Division and the Sewer Division, are shown in Attachment E at Page 3 and Page 5, respectively.

## Adjusted Operations

As shown in Table C1 and Table C2, Southern District made adjustments to test-year water and sewer operations to account for known and measurable changes. All adjustments are explained following the tables.

Table C1  
Water Division  
Pro forma Operating Statement

|  | Test Year           | Adjustments       | Ref. | Pro forma          |
|--|---------------------|-------------------|------|--------------------|
| Operating Revenue                        |                     |                   |      |                    |
| Water Sales                              | \$ 3,202,771        | \$ (112,411)      | (A)  | \$ 3,090,360       |
| Other Operating Revenue                  | 139,376             | (20,972)          | (B)  | 118,404            |
| Total Operating Revenue                  | <u>3,342,147</u>    | <u>(133,383)</u>  |      | <u>3,208,764</u>   |
| Operating Expenses                       |                     |                   |      |                    |
| Operation and Maintenance                |                     |                   |      |                    |
| Salaries and Wages - Employees           | 846,436             | (75,744)          | (C)  | 770,692            |
| Salaries and Wages - Commissioners       | 17,200              | 11,900            | (D)  | 29,100             |
| Employee Pensions and Benefits           | 227,095             | 71,014            | (E)  | 298,109            |
| Purchased Water                          | 589,275             | (201,346)         | (F)  | 387,929            |
| Purchased Power:                         |                     |                   |      |                    |
| Pumping                                  | 271,409             | (103,543)         | (F)  | 167,866            |
| Gas, Water Treatment Plant               | 4,240               |                   |      | 4,240              |
| Utilities, Office                        | 39,626              | (1,189)           | (G)  | 38,437             |
| Fuel for Vehicles                        | 122,129             | (3,664)           | (H)  | 118,465            |
| Chemicals                                | 164,739             | (57,452)          | (F)  | 107,287            |
| Materials and Supplies                   | 351,682             | (14,051)          | (I)  | 337,631            |
| Contractual Services - Accounting        | 32,652              | (980)             | (J)  | 31,672             |
| Contractual Services - Other             | 17,886              | (10,365)          | (K)  | 7,521              |
| Rental Equipment                         | 5,793               |                   |      | 5,793              |
| Transportation                           | 40,817              | (1,225)           | (H)  | 39,592             |
| Insurance - General Liability            | 50,943              | (4,573)           | (L)  | 46,370             |
| Insurance - Workers' Compensation        | 28,936              | (1,157)           | (M)  | 27,779             |
| Advertising                              | 1,862               |                   |      | 1,862              |
| Bad Debt Expense                         |                     | 23,178            | (N)  | 23,178             |
| Miscellaneous                            | 32,679              | (1,170)           | (O)  | 31,509             |
| Total Operation and Maintenance Expense  | <u>2,845,399</u>    | <u>(370,368)</u>  |      | <u>2,475,031</u>   |
| Deprecation                              | 1,281,260           | (495,770)         | (P)  | 785,490            |
| Amortization                             | 2,460               |                   |      | 2,460              |
| Taxes Other Than Income                  | 88,570              | (27,386)          | (Q)  | 61,184             |
| Total Operating Expenses                 | <u>4,217,689</u>    | <u>(893,524)</u>  |      | <u>3,324,165</u>   |
| Net Operating Income                     | (875,542)           | 760,141           |      | (115,401)          |
| Gain on the Sale of Water Service Trucks | 11,211              | (8,969)           | (R)  | 2,242              |
| Interest Income                          | 6,936               |                   | (S)  | 6,936              |
| Nonutility Income                        | 38,715              | (1,161)           | (T)  | 37,554             |
| Income Available to Service Debt         | <u>\$ (818,680)</u> | <u>\$ 750,011</u> |      | <u>\$ (68,669)</u> |

Table C2  
Sewer Division  
Pro Forma Operating Statement

|  | Test Year          | Adjustments       | Ref. | Pro forma          | To include Harold Project |      |                     |
|--|--------------------|-------------------|------|--------------------|---------------------------|------|---------------------|
|  |                    |                   |      |                    | Adjustments               | Ref. | Pro forma           |
| Operating Revenue                              |                    |                   |      |                    |                           |      |                     |
| Sewage Revenue                                 | \$ 92,317          | \$ 2,898          | (A)  | \$ 95,215          | \$ 115,158                | (U)  | \$ 210,373          |
| Other Operating Revenue                        |                    | 3,662             | (B)  | 3,662              |                           |      | 3,662               |
| <b>Total Operating Revenue</b>                 | <b>92,317</b>      | <b>6,560</b>      |      | <b>98,877</b>      | <b>115,158</b>            |      | <b>214,035</b>      |
| Operating Expenses                             |                    |                   |      |                    |                           |      |                     |
| Operation and Maintenance                      |                    |                   |      |                    |                           |      |                     |
| Collection System                              | 26,220             | 10,018            | (C)  | 36,238             |                           |      | 36,238              |
| Salaries and Wages - Commissioners             |                    | 900               | (D)  | 900                |                           |      | 900                 |
| Employee Pensions and Benefits                 |                    | 1,656             | (E)  | 1,656              |                           |      | 1,656               |
| Power Purchased for Pumping                    |                    | 16,417            | (F)  | 16,417             | 11,760                    | (V)  | 28,177              |
| Chemicals                                      |                    | 1,767             | (F)  | 1,767              | 1,260                     | (V)  | 3,027               |
| Pumping System                                 | 6,424              | 2,760             | (I)  | 9,184              | 4,620                     | (V)  | 13,804              |
| Maintenance                                    | 1,750              |                   | (I)  | 1,750              | 1,260                     | (V)  | 3,010               |
| Utilities Office                               |                    | 1,189             | (G)  | 1,189              |                           |      | 1,189               |
| Maintenance of General Plant - Reported as     |                    |                   |      |                    |                           |      | -                   |
| Office Supplies in Annual Report               | 4,291              |                   | (I)  | 4,291              | 3,080                     | (V)  | 7,371               |
| Contractual Services - Accounting              |                    | 980               | (J)  | 980                |                           |      | 980                 |
| Fuel for Vehicles                              |                    | 3,664             | (H)  | 3,664              |                           |      | 3,664               |
| Transportation Expenses                        |                    | 1,225             | (H)  | 1,225              |                           |      | 1,225               |
| Insurance - General Liability                  |                    | 4,573             | (L)  | 4,573              | 8,500                     | (L)  | 13,073              |
| Insurance - Workers' Compensation              |                    | 1,157             | (M)  | 1,157              |                           |      | 1,157               |
| Bad Debt Expense                               |                    | 714               | (N)  | 714                |                           |      | 714                 |
| Miscellaneous Expenses                         |                    | 974               | (O)  | 974                |                           |      | 974                 |
| <b>Total Operation and Maintenance Expense</b> | <b>38,685</b>      | <b>47,994</b>     |      | <b>86,679</b>      | <b>30,480</b>             |      | <b>117,159</b>      |
| Deprecation                                    | 137,398            | (36,149)          | (P)  | 101,249            | 99,769                    | (P)  | 201,018             |
| Taxes Other Than Income                        |                    | 2,841             | (Q)  | 2,841              |                           |      | 2,841               |
| <b>Total Operating Expenses</b>                | <b>176,083</b>     | <b>14,686</b>     |      | <b>190,769</b>     | <b>130,249</b>            |      | <b>321,018</b>      |
| Net Operating Income                           | (83,766)           | (8,126)           |      | (91,892)           | (15,091)                  |      | (106,983)           |
| Interest Income                                |                    |                   | (S)  |                    |                           |      |                     |
| Nonutility Income                              |                    | 1,161             | (T)  | 1,161              |                           |      | 1,161               |
| <b>Income Available to Service Debt</b>        | <b>\$ (83,766)</b> | <b>\$ (6,965)</b> |      | <b>\$ (90,731)</b> | <b>\$ (15,091)</b>        |      | <b>\$ (105,822)</b> |

Many of the adjustments shown in the tables were necessary to either directly assign or allocate costs shared by the Water Division and Sewer Division that were reported by the Water Division. Most of the shared costs are related to administrative operations. An allocation factor based on the number of customers served by each division was used to separate these costs. The calculation of these factors is shown below. Generally, the cost of field operations is directly assigned to the proper division when the costs are incurred. In these instances, reassignment was not required.

|                | Number of<br>Customers | Percentage         |
|----------------|------------------------|--------------------|
| Water Division | 6,958                  | 97%                |
| Sewer Division | <u>195</u>             | <u>3%</u>          |
| Total          | <u><u>7,153</u></u>    | <u><u>100%</u></u> |

(A) Water Sales and Sewer Sales. Southern District reported test-year water sales in the amount of \$3,202,771 and test-year sewer sales in the amount of \$92,317. Southern District proposes to decrease the water amount by \$112,411 and increase the sewer amount by \$2,898.

The water decrease is comprised of two separate adjustments. First, the test year amount was increased by \$75,033 to match reported revenues to the amount of revenues calculated using a billing analysis. The billing analysis was performed to verify the amount of water sales reported for the test year. To complete the billing analysis, all customer monthly bills for the test year were recalculated. The sum of these recalculations was compared to reported water sales.

The water billing analysis summary is shown in Attachment E, Page 1 and demonstrates that test-year water sales should have been reported at \$3,277,804.



Accordingly, the test-year amount was increased by \$75,033. The majority of the difference in the billing analysis and reported revenues is due to journal entries reducing the revenue account to adjust the customer accounts receivable account. Restating revenues to the amount of the billing analysis properly removes the effects of these adjusting journal entries.

The second adjustment to water sales is necessary to eliminate test-year sales to customers that no longer purchase water from Southern District. In 2011, Knott County Water District ("Knott District") completed the construction of its own water treatment facilities and discontinued all wholesale purchases from Southern District. Also, Knott District began serving 343 residential customers residing in its service territory that were served by Southern District. Prior to the construction of Knott District's facilities, Southern District agreed to provide water service to these customers until Knott District could provide service.

Test-year sales to Knott District and to the lost retail customers totaled \$187,444. This revenue has been removed to calculate pro forma revenues at present rates. The billing analysis summary supporting this adjustment is shown at Attachment E, Page 2. Corresponding adjustments have been made to eliminate test-year expenses incurred to purchase, pump, and treat the water sold to these customers. These adjustments are shown and discussed in Reference Item (F).

Southern District's sewer service is billed based on water consumption. A billing analysis was also performed for the Sewer Division to verify test-year revenue. The summary for this analysis is shown in Attachment E, Page 4. It demonstrates that test-

year sewer service revenue should be increased by \$2,898. Southern District requests that an adjustment be made to account for the results of the sewer billing analysis.

(B) Other Operating Revenues. Southern District reported Other Operating Revenues for the Water Division in the amount \$139,376. The Sewer Division reported none. Included in this amount are water tap-on fees totaling \$17,310. The Uniform System of Accounts ("USoA") requires that these fees be reported as Donated Capital. Following USoA accounting, the test-year tap-on fees were removed from revenues and reported as Donated Capital.

After removing tap-on fees, the restated balance for the account is \$122,066. This revenue was earned through the assessment of the non-recurring charges included in the tariffs of the Water Division and Sewer Division such as late payment penalties, reconnection fees, returned check fees, etc. Except for tap-on fees, each division assesses the same non-recurring charges and the same amounts for each charge.

The non-recurring charges collected from sewer customers should be reported as revenue of the Sewer Division. During the test year, Southern District did not maintain the accounting records required to determine actual collections. Absent this information, test-year revenues were allocated to each division based upon the number of customers served. Accordingly, \$3,662 ( $\$122,066 \times 3$  percent) was allocated to the Sewer Division.

The net decrease to Other Operating Revenues of the Water Division is \$20,972 ( $\$17,310 + \$3,662$ ) while the sewer increase is \$3,662.

Southern District considered making an adjustment to test-year Other Operating Revenues to account for lost revenue from fire departments but decided that no adjustment was warranted. The Water Division's tariff has a provision for a \$50 assessment to fire departments each time they do not report their estimated monthly usages for training and firefighting. During the test year, none of the 17 fire departments operating within Southern District's service territory reported estimated usages but Southern never assessed the penalty. The lost revenue in the test year totaled \$10,200 ( $\$50 \times 17 \times 12$  months). Southern District intends to begin collecting the monthly estimated usages which would eliminate this revenue. Therefore, it is not proper to make an adjustment to Other Operating Revenues to include this revenue.

(C) Salaries and Wages – Employees. For the test year, Southern District's Water Division reported Salaries and Wages – Employees in the amount of \$846,436. The Sewer Division reported \$26,220. At the end of the test year, Southern District had a full staff of 30 active, fulltime employees. At the time this application was filed, Southern District had only 24. Southern District must replenish its Staff to continue providing safe and reliable service and to continue improving operational efficiencies such as reducing water loss.

While Southern District anticipates replenishing all staff, wages for only 27 of the 30 positions met the known and measurable requirement of 807 KAR 5:001 Section 10 (7) at the time this application was filed. These positions have been accounted for in the calculation of pro forma operations. As shown below, the test-year water amount was decreased to \$770,692. The sewer amount was increased to \$36,238. The pro forma amounts are necessary to account for:

- 1) the wages of 24 active employees;
- 2) a provision for wages of two non-active employees who are on workers' compensation leave;
- 3) a provision for wages of one vacant position; and
- 4) the allocation of wages between the Water Division and Sewer Division.

|                         | Hours Worked |          | Hourly<br>Wage | Gross Pay | Water             | Sewer            |
|-------------------------|--------------|----------|----------------|-----------|-------------------|------------------|
|                         | Regular      | Overtime |                |           |                   |                  |
| Administrative          |              |          |                |           |                   |                  |
| 1                       | 2,080        | 8        | \$ 19 95       | \$ 41,735 | \$ 40,483         | \$ 1,252         |
| 2                       | 2,080        | 34       | 10 94          | 23,313    | 22,614            | 699              |
| 3                       | 2,080        | 14       | 10 25          | 21,535    | 20,889            | 646              |
| 4                       | 2,080        | 2        | 8 00           | 16,664    | 16,164            | 500              |
| 5                       | 2,080        |          | 33 00          | 68,640    | 66,581            | 2,059            |
| Field, Water Division   |              |          |                |           |                   |                  |
| 6                       | 2,080        | 393      | 8 50           | 22,691    | 22,691            |                  |
| 7                       | 2,080        | 562      | 10 00          | 29,230    | 29,230            |                  |
| 8                       | 2,080        | 719      | 10 50          | 33,164    | 33,164            |                  |
| 9                       | 2,080        | 200      | 9 00           | 21,420    | 21,420            |                  |
| 10                      | 2,080        |          | 19 74          | 41,059    | 41,059            |                  |
| 11                      | 2,080        |          | 25 51          | 53,050    | 53,050            |                  |
| 12                      | 2,080        | 609.5    | 13.71          | 41,051    | 41,051            |                  |
| 13                      | 2,080        | 620      | 14.00          | 42,140    | 42,140            |                  |
| 14                      | 2,080        | 372.5    | 8.75           | 23,089    | 23,089            |                  |
| 15, Meter Reader        | 2,080        | 212      | 8.00           | 19,184    | 18,608            | 576              |
| 16, Meter Reader        | 2,080        | 553      | 8.50           | 24,731    | 23,989            | 742              |
| 17                      | 2,080        | 766.0    | 15.50          | 50,050    | 50,050            |                  |
| 18                      | 2,080        | 335      | 12.49          | 32,236    | 32,236            |                  |
| 19, Meter Reader        | 2,080        | 169      | 8 00           | 18,662    | 18,102            | 560              |
| 20                      | 2,080        | 658      | 9 00           | 27,603    | 27,603            |                  |
| 21                      | 2,080        |          | 9 00           | 18,720    | 18,720            |                  |
| 22                      | 2,080        | 285      | 9 00           | 22,568    | 22,568            |                  |
| 23                      | 2,080        |          | 9 00           | 18,720    | 18,720            |                  |
| Vacant                  | 2,080        |          | 9 00           | 18,720    | 18,720            |                  |
| Field, Sewer Division   |              |          |                |           |                   |                  |
| 24                      | 2,080        | 4        | 14 00          | 29,204    |                   | 29,204           |
| Workers' Comp Recipient |              |          |                |           |                   |                  |
| 1                       | 2,080        | 749      | 9.00           | 28,825    | 28,825            |                  |
| 2                       | 2,080        | 191      | 8.00           | 18,926    | 18,926            |                  |
| Pro forma               |              |          |                |           | <u>\$ 770,692</u> | <u>\$ 36,238</u> |

Active Employees. Pro forma wages include a provision for wages to be paid to the 24 active employees. These wages were calculated by applying current pay rates to the test-year regular hours and overtime hours worked by each employee. Overtime is paid at 1.5 times regular pay rates. No overtime was assigned to those that were not employed during the test year.

Non-active Employees. Each employee on workers' compensation is expected to return to work within the next three months or be placed on permanent disability. These positions are vital to Southern District's operations. Southern District must immediately fill any position that is left vacant by disability. If funding for these positions is not included in pro forma operations, Southern District will not have funds available to fill the positions. The pro forma amounts for each employee were determined using their pay rate in effect at the time they went on workers' compensation leave and their test-year overtime hours.

Vacant Position. Pay increases have not been awarded to any employees since 2009 due to the lack of available funding. As a result, many employees have resigned since the end of the test year. Since that time, Southern district has filled four vacant positions. While Southern District intends to eventually refill all remaining vacancies, at this time it is actively seeking qualified applicants for only one position. This position has been advertised and is expected to be filled no later than September 30, 2012. A provision for wages and wage overheads has been included in the calculation of pro forma operations.

Allocation of Wages. During the test year, the Sewer Division reported wages for the field employee dedicated solely to sewer field operations. Wages for all other

employees were reported by the Water Division. In the pro forma calculations, wages for administrative employees and meter readers were allocated to the Sewer Division using the number of customer allocation factor.

Administrative staff oversees the daily operations of both divisions. It is appropriate to allocate their wages and wage overhead costs to each division based on the number of customers served by each division. Since sewer billings are calculated using the water meter readings, it is appropriate to allocate a portion of the meter reader's wages to the Sewer Division. Other meter reading costs were allocated to the Sewer Division with adjustments to employee benefits, transportation costs, and depreciation of meters.

Other than the meter readers, allocation of field employees was not necessary. All field employees perform duties only for the Water Division except for the sewer treatment plant operator who works only for the Sewer Division. Direct assignment of pro forma wages was made for these employees. The sewer plant operator oversees both existing treatment plants and will be responsible for operating the new treatment facility.

Southern District also made adjustments to employee benefits and payroll taxes to account for the changes to wages. These adjustments are shown and explained in the sections of this attachment dedicated to those accounts.

(D) Salaries and Wages – Commissioners. Southern District has five Commissioners. Each Commissioner receives an annual salary of \$6,000. Each Commissioner has obtained the training required by KRS 74.020 (6) to receive this salary level. The Commissioners oversee the operations of both the Water Division and

the Sewer Division. It is appropriate to allocate a portion of their compensation to each division based on the number of customers served. The allocation is shown below.

| <u>Commissioner</u> | <u>Pro forma</u> | <u>Water</u>     | <u>Sewer</u>  |
|---------------------|------------------|------------------|---------------|
| 1                   | 6,000            | \$ 5,820         | \$ 180        |
| 2                   | 6,000            | 5,820            | 180           |
| 3                   | 6,000            | 5,820            | 180           |
| 4                   | 6,000            | 5,820            | 180           |
| 5                   | 6,000            | 5,820            | 180           |
|                     | <u>\$ 30,000</u> | <u>\$ 29,100</u> | <u>\$ 900</u> |

(E) Employee Pensions and Benefits. During the test year, Southern District reported test-year benefits expense of \$227,095. This amount was reported entirely by the Water Division and represents the premiums paid for employee health, dental, and life insurance benefits. At the time this application was prepared, employees 3, 4, and 24 were receiving no insurance benefits; employee 5 only received life insurance; and all other employees, including those on workers' compensation, were receiving full insurance benefits. Southern District proposes to adjust the test-year amount to account for:

- 1) the current cost of these benefits,
- 2) the cost of a single plan for the vacant position included in pro forma salaries expense; and
- 3) allocation to the Sewer Division.

The allocation of this expense follows the allocation of pro forma Salaries and Wages – Employees expense. The calculation is shown below.

|                           | Premium for<br>June, 2012 | Water             | Sewer           |
|---------------------------|---------------------------|-------------------|-----------------|
| Administrative            |                           |                   |                 |
| 1                         | \$ 1,645                  | \$ 1,596          | \$ 49           |
| 2                         | 723                       | 701               | 22              |
| 3                         | No coverage               |                   |                 |
| 4                         | No coverage               |                   |                 |
| 5                         | 7                         | 6                 | 1               |
| Field, Water Division     |                           |                   |                 |
| 6                         | 1,645                     | 1,645             |                 |
| 7                         | 723                       | 723               |                 |
| 8                         | 1,645                     | 1,645             |                 |
| 9                         | 723                       | 723               |                 |
| 10                        | 723                       | 723               |                 |
| 11                        | 1,329                     | 1,329             |                 |
| 12                        | 1,645                     | 1,645             |                 |
| 13                        | 723                       | 723               |                 |
| 14                        | 723                       | 723               |                 |
| 15, Meter Reader          | 723                       | 701               | 22              |
| 16, Meter Reader          | 723                       | 701               | 22              |
| 17                        | 2,288                     | 2,288             |                 |
| 18                        | 1,645                     | 1,645             |                 |
| 19, Meter Reader          | 723                       | 701               | 22              |
| 20                        | 723                       | 723               |                 |
| 21                        | 723                       | 723               |                 |
| 22                        | 723                       | 723               |                 |
| 23                        | 723                       | 723               |                 |
| Vacant                    | 723                       | 723               |                 |
| Field, Sewer Division     |                           |                   |                 |
| 24                        | No coverage               |                   |                 |
| Workers' Comp Recipient   |                           |                   |                 |
| 1                         | 2,288                     | 2,288             |                 |
| 2                         | 723                       | 723               |                 |
| Pro forma Monthly Expense |                           | <u>\$ 24,842</u>  | <u>\$ 138</u>   |
| Annualized Amounts        |                           | <u>\$ 298,109</u> | <u>\$ 1,656</u> |



(F) Purchased Water, Purchased Power, and Chemicals. Southern District proposes adjustments to the amounts reported for Purchased Water, Purchased Power, and Chemicals. The calculations of the adjustments are shown below.

|   | Purchased<br>Water | Power for<br>Pumping | Chemicals         |
|---|--------------------|----------------------|-------------------|
| Test Year                                 | \$ 589,275         | \$ 271,409           | \$ 164,739        |
| Less: Reclassified to Sewer               |                    | (16,417)             | (1,767)           |
| Adjusted Balance                          | 589,275            | 254,992              | 162,972           |
| Less: 6.82 percent for Lost Sales         | (40,189)           | (17,390)             | (11,115)          |
| Adjusted Balance                          | 549,086            | 237,602              | 151,857           |
| Less: 29.35 percent for Excess Water Loss | (161,157)          | (69,736)             | (44,570)          |
| Pro Forma                                 | <u>\$ 387,929</u>  | <u>\$ 167,866</u>    | <u>\$ 107,287</u> |

The first adjustment is necessary to reassign the cost of power for pumping and chemicals from the Water Division to the Sewer Division. During the test-year, the Sewer Division's cost of purchased power for pumping was \$16,417 while its chemical expense was \$1,767. Each of these amounts was reported by the Water Division. They have been reclassified to the Sewer Division.

The second adjustment is necessary to account for the reduction in test-year expenses that resulted from the loss of water customers in Knott County as discussed in the adjustment to Water Sales Revenues at Reference Item (A). When making the expense adjustments, Southern District assumed that all components of purchasing, pumping, and treating water would be affected equally by the loss of customers. Each expense account was decreased by 6.82 percent, the percentage of the lost sales to total test-year sales. The calculation of this percentage is shown below.

|  |                      |
|--|----------------------|
| Total Test-Year Gallons Sold to Residential Customers            | 374,653,000          |
| Pro Forma Residential Sales, Excludes 343 Knott County Customers | <u>(357,644,000)</u> |
| Lost Residential Sales   | 17,009,000           |
| Test-Year Sales to Knott County Water District                   | <u>10,452,000</u>    |
| Total Lost Sales   | 27,461,000           |
| Divide by: Total Test-Year Gallons Sold                          | <u>402,370,000</u>   |
| Percentage of Lost Sales   | <u><u>6.82%</u></u>  |

The third adjustment is to account for the removal of the cost of purchasing, pumping, and treating water lost in excess of the amount allowed by Kentucky Administrative Regulation ("KAR"). 807 KAR 5:066, Section 6 (3) limits water loss to 15 percent unless the Commission finds an alternative level reasonable. For the purposes of this Application, Southern District calculated test-year water loss to be 44.35 percent, exceeding the allowable limit by 29.35 percent. These calculations are shown below.

|  |                      |
|--|----------------------|
| Water Produced and Purchased, 2010 Annual Report             | 825,354,000          |
| Volume Sold during Test Year, Billing Analysis, Attachment E | (402,370,000)        |
| Water Used at Water Treatment Plant                          | (17,917,900)         |
| Water Used for Line Flushing                                 | <u>(39,000,000)</u>  |
| Water Lost   | <u>366,066,100</u>   |
| Percent Lost   | 44.35%               |
| Allowable Loss   | <u>-15.00%</u>       |
| Excess Water Loss Percentage                                 | <u><u>29.35%</u></u> |

Southern District will not request that the Commission approve an alternative level of water loss. Instead, it proposes to remove 29.35 percent of the direct variable costs to purchase, treat, and deliver the excess water loss. Accordingly, Purchased

Water, Purchased Power, and Chemicals were decreased by the amounts shown above.

(G) Office – Utilities. Southern District's Water Division reported office building utility expenses in the amount of \$39,626. This amount includes the cost of electric, telephone, and gas services provided to its central office facility from which both divisions are operated. A portion of the test-year expense was allocated to the Sewer Division using the number of customer allocation factor. The allocations are shown below.

|                    | <u>Test Year</u> | <u>Water</u>     | <u>Sewer</u>    |
|--------------------|------------------|------------------|-----------------|
| Utilities - Office | <u>\$ 39,626</u> | <u>\$ 38,437</u> | <u>\$ 1,189</u> |

(H) Fuel and Transportation Expense. All transportation costs are reported by the Water Division. These costs must be allocated between the divisions. The ideal method of allocation would be to use a factor based on the amount of miles driven to operate each division; however, Southern District does not maintain this information. Absent this information, Southern District chose to allocate transportation costs using the number of customer allocation factor. Southern believes that using this factor fairly represents the cost of service in all material respects. The allocated amounts are shown below.

|                   | <u>Test Year</u>  | <u>Water</u>      | <u>Sewer</u>    |
|-------------------|-------------------|-------------------|-----------------|
| Fuel for Vehicles | <u>\$ 122,129</u> | <u>\$ 118,465</u> | <u>\$ 3,664</u> |
| Transportation    | <u>\$ 40,817</u>  | <u>\$ 39,592</u>  | <u>\$ 1,225</u> |

(l) Materials and Supplies. Test-year field materials and supplies expenses incurred to operate the sewer system were properly assigned to the Sewer Division. These expenses were reported in the expense accounts labeled Pumping System, Maintenance, and Maintenance of Structures.

The Materials and Supplies account for the Water Division include field expenses that were properly assigned to the division but also include office and administrative supplies expenses that should be shared with the Sewer Division. The number of customer allocation factor was used to make the allocation.

Also included in the water account was \$11,291 for Southern District's share of contributions to employee retirement plans. Southern District no longer makes these contributions. The test-year amount is non-recurring and has been removed. The adjustments to account for the allocation of shared materials and to eliminate the retirement contributions are detailed below.

|  | <u>Test Year</u> | <u>Water</u>       | <u>Sewer</u>      |
|--|------------------|--------------------|-------------------|
| Billing Postage  | \$ 77,141        | \$ 74,827          | \$2,314           |
| Office Postage   | 868              | 842                | 26                |
| Office Supplies  | 10,607           | 10,289             | 318               |
| Bank Charges   | 2,289            | 2,220              | 69                |
| Office Repairs   | 1,102            | 1,069              | 33                |
|  | <u>\$ 92,007</u> | 89,247             | 2,760             |
| Less: Test Year  |                  | (92,007)           | -                 |
| Less: Phase 1 Allocation   |                  | <u>          </u>  | <u>          </u> |
| Adjustment to Allocate Shared Expenses<br>To Remove Retirement Contributions |                  | (2,760)            | <u>\$2,760</u>    |
|  |                  | <u>(11,291)</u>    |                   |
| Total Adjustment for Water Division  |                  | <u>\$ (14,051)</u> |                   |

(J) Contractual Services - Accounting. Southern District has contracts for accounting services that include an annual audit and the monthly maintenance of books and records. Although these services apply to both divisions, the contract fees were reported by the Water Division. To calculate pro forma expenses, the test-year fees were split between the divisions using the number of customer allocation factor as shown below.

|                                   | <u>Test Year</u> | <u>Water</u>     | <u>Sewer</u>  |
|-----------------------------------|------------------|------------------|---------------|
| Contractual Services - Accounting | <u>\$ 32,652</u> | <u>\$ 31,672</u> | <u>\$ 980</u> |

(K) Contractual Services – Other. During the test year, Southern District reported Contractual Services – Other expenses in the amount of \$17,886. Of this amount, \$10,365 was incurred for temporary office staff made necessary by an office employee’s extended leave of absence. Recovery of the temporary services is unnecessary. The pro forma Salaries and Wages – Expense provides for recovery of the cost of a full office staff. The cost of temporary services has been removed from test-year operations.

(L) General Liability Insurance. Southern District’s general liability insurance is provided by the Kentucky Association of Counties (“KACo”). The total amount expensed during the test year was reported by the Water Division. For the purposes of this application, this amount was separate and assigned to each division based on a statement from KACo showing the amount attributable to each division. KACo also provided an estimate for the cost of coverage on the Harold Project. The pro forma amounts shown for each division are the amounts provided by KACo.

(M) Workers' Compensation. Southern District reported test-year workers' compensation insurance expense in the amount of \$28,936. This amount was reported by the Water Division. To calculate the pro forma expense, the amount was allocated to each division based on the percentage of allocated wages. The calculations are shown below.

|                                | <u>Water</u> | <u>Sewer</u> |
|--------------------------------|--------------|--------------|
| Salaries and Wages - Employees | \$ 770,692   | \$36,238     |
| Percent of Total               | 96%          | 4%           |
| Workers' Compensation          | \$ 28,936    | \$ 1,157     |

(N) Bad Debt Expense. During the test year bad debts were accounted for as debit entries to the water sales revenue account. The billing analysis adjustment to the water sales account, as previously discussed, removed the effect of this accounting treatment.

Southern District requests to adjust expenses to include a provision for bad debt expense that is equal to 75 percent of pro forma present rate revenues. The amount of this provision is less than the actual expense. The amount requested is representative of an average utility with effective customer collection and deposit policies. Southern District is working diligently to improve its collection practices and requests recovery of its target rate of .75 percent.

(O) Miscellaneous Expense. Test-year Miscellaneous Expense was reported by the Water Division in the amount of \$32,679. Each item charged to this account was administrative in nature and should be allocated between the divisions. Before the allocations were made, expenses in the amount of \$196 that were outside the statutory

purpose of the district were removed for rate-making purposes. These expenses were for the purchase of flowers.

|                            | <u>Test Year</u> | <u>Water</u>     | <u>Sewer</u>  |
|----------------------------|------------------|------------------|---------------|
| Miscellaneous Expense      | \$ 32,679        |                  |               |
| Less: Purchases of Flowers | <u>(196)</u>     |                  |               |
| Pro forma                  | <u>\$ 32,483</u> | <u>\$ 31,509</u> | <u>\$ 974</u> |

(P) Depreciation Expense. Southern District reported test-year depreciation expense for the Water Division and the Sewer Division in the amounts of \$1,281,260 and \$137,398, respectively. The plant and depreciation schedule detailing the calculation of the test-year amounts is shown in Attachment F-1. As shown in Attachment F-2, Southern District proposes to decrease the amount reported for the Water Division by \$495,770 and decrease the amount reported by the Sewer Division by \$36,149 for assets currently in service. The Sewer Division's adjusted expense was increased by \$99,769 to account for the Harold Project. The adjustments are necessary to account for:

1. a change in depreciable lives assigned to certain asset groups;
2. annualized depreciation taken on assets placed into service during the test year;
3. the allocation of depreciation on shared assets, and
4. depreciation on the Harold Project.

Change to Depreciable Lives. Generally, the Commission requires a "large" utility to perform a depreciation study to determine the appropriate depreciable lives to be assigned to each plant account group. Detailed property records specific to historic

plant additions, plant retirements, and salvage practices are required to complete a depreciation study. Generally, "small" water utilities, such as Southern District, do not maintain property records with enough detail to properly complete a formal study. Furthermore, even if adequate records were maintained, "small" utilities do not have the financial resources to fund a formal study. Therefore, to evaluate the reasonableness of the depreciation practices of small utilities, the Commission has historically relied upon the report published in 1979 by the National Association of Regulatory Utility Commissioners ("NARUC") entitled *Depreciation Practices for Small Water Utilities* ("NARUC Study").

Southern District referenced the NARUC Study to determine the appropriate depreciable lives to be assigned to each water asset group. To determine the appropriate lives for the sewer asset groups, Southern District referred to the O&M Guide for the Support of Rural Water-Wastewater Systems published by the Commission on Rural Water in 1974. Each of these publications provides ranges for depreciable lives to be used by "small" utilities.

For each water and sewer account group except for water mains, Southern District selected lives for each group that are at, or near, the mid-point of the recommended ranges. The middle of the ranges is representative of the depreciation practices of an "average" small utility and are appropriate for Southern District. For water mains, Southern District requests a life of 50 years, the short end of the NARUC range which is 50 years to 75 years.

In support of its use of 50 years, Southern District argues that the majority, approximately 65 percent, of its main is made of asbestos cement and was installed in



the 1960's and 1970's. When undisturbed, mains made of this material are quite durable; however, Southern District's mains have deteriorated at a more rapid rate than anticipated when they were first placed into service. This deterioration is most evident by Southern District's high water loss

A significant factor of deterioration is the close proximity of mains to major construction projects that have been performed in prior years. Often mains are damaged by contractors either digging directly into the main or by digging in the area immediately surrounding the main. This digging causes ground movement which often shifts the position of the main.

Also, many of these mains are located very close and sometimes beneath the roadways. The vibration from heavy equipment traveling on these roadways can by itself also cause mains to be weakened from shifting. Where weakening has already occurred due to construction, this vibration has a greater effect.

Once a main is disturb or shifts, it loses a significant amount of strength and is more likely to fail. The likelihood of failure is heightened by the high pressures necessary to move water over the severe elevation changes throughout Southern District's service area. These factors have shortened the useful life of Southern Districts mains when compared to an "average" small water utility.

It is Southern District's opinion that these circumstances warrant a shorter depreciable life than the midpoint of the NARUC range. For this reason, Southern District chose a life for the main account group that falls at the short end of the NARUC range.

Southern District will discuss the changes made to the depreciable lives assigned to all assets with its accountant and auditor to ensure that the new lives are properly accounted for in future reporting periods. This accounting will only affect future periods. Southern District will not make retroactive adjustments to accumulated depreciation or retained earnings to account for the cumulative effect of this change in accounting estimate.

Annualized Depreciation. As shown in Attachment F-1, many additions were made to plant during the test year. Only partial year depreciation is accounted for in the test-year depreciation expense. These items are included on Attachment F-2 so that a full year of depreciation is accounted for in pro forma depreciation expense.

Allocation of Depreciation. Pro forma depreciation taken on the meter account group totals \$16,547. As previously discussed in the adjustment to Salaries and Wages – Employees, it is necessary and appropriate to allocate a portion of all the cost of obtaining water meter readings to the Sewer Division. These costs include depreciation on water meters. Accordingly, a portion of the test year depreciation expense has been allocated to the sewer division using the number of customer allocation factors. Also using this factor, depreciation on the main office building was allocated to each division.

Depreciation of Harold Project. As shown in Attachment F-2, Southern District determined that annual depreciation expense on the Harold Project will total \$99,769.

(Q) Taxes Other Than Income. Southern District proposes to adjust payroll taxes to account for the adjustments made to test-year salaries and wages. The calculations of pro forma taxes are shown below along with the allocation between the divisions

|                                    | <u>Water</u>     | <u>Sewer</u>    |
|------------------------------------|------------------|-----------------|
| Salaries and Wages - Employees     | \$ 770,692       | \$ 36,238       |
| Salaries and Wages - Commissioners | <u>29,100</u>    | <u>900</u>      |
| Total Salaries and Wages           | 799,792          | 37,138          |
| Times: FICA Tax Rate               | <u>7.65%</u>     | <u>7.65%</u>    |
| Pro forma                          | <u>\$ 61,184</u> | <u>\$ 2,841</u> |

(R) Gain on the Sales of Water Service Vehicles. During the test year, Southern District purchased three new water service trucks and removed three old service trucks from operation. The new trucks are included in Southern District's depreciation schedule with a five-year life.

Upon disposition of the retired vehicles, Southern District recognized a gain in the amount of \$11,211. The benefit of this gain should pass through to Southern District rate-payers; however, since the gain will not recur annually, it should be amortized and recognized systematically over a number of years. A five-year period was chosen.

The 5-year amortization period coincides with the depreciable lives assigned to the new trucks and effectively offsets a portion of their cost. It is therefore appropriate for rate-making purposes and regulatory accounting purposes. Recognizing the gain over a five-year period requires a reduction to the test-year amount of \$8,969 allowing the annual recovery of \$2,242 (\$11,211 / 5 years).

(S) Interest Income. Southern District reported test-year interest income in the amount of \$6,936. The entire amount was recognized by the Water Division. The majority of this interest was earned on debt service reserve accounts. For this reason,

Southern District considered allocating one percent of the test-year amount to the Sewer Division based on the Sewer Division's percentage of the debt service requirement for Phase 1 as shown in Table D3;<sup>13</sup> however, the adjustment of \$69 was deemed immaterial and was not made.

(T) Nonutility Income. During the test year, Southern District recognized gross margins in the amount of \$38,715 from providing billing and collection services to Floyd County Solid Waste Management ("FCSWM"). The entire amount was reported by the Water Division

To provide this service, FCSWM's garbage collection charges are assessed on Southern District's monthly water and sewer billing cards. Southern District collects the payments on the garbage accounts and remits 97 percent of the collections to FCSWM. It retains three percent of the collections in return for providing the service. The three percent gross margin should benefit the customers of both divisions. The test-year amount was allocated to each division using the number of customer allocation factor.

|                   | <u>Test Year</u> | <u>Water</u>     | <u>Sewer</u>    |
|-------------------|------------------|------------------|-----------------|
| Nonutility Income | <u>\$ 38,715</u> | <u>\$ 37,554</u> | <u>\$ 1,161</u> |

(U) Sewer Revenues. As shown on Page 5 of Attachment E, the proposed rates are expected to produce annual revenues totaling \$114,258 when applied to test-year customer usages. Immediately after the Harold Project is operational, Southern District anticipates adding 138 residential customers and two public schools to its sewer operations. As shown on Page 6 of Attachment E, annual revenues from the proposed

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<sup>13</sup> \$4,754, Sewer Division's Debt Service / 487,817, Total Debt Service = .98 percent.

rates including the Harold Project are expected to be \$210,373. The revenue from the residential customers added through the Harold Project was determined using test-year average residential usage, 4,000 gallons per month. The revenue to be generated from the schools was determined using actual test-year water consumption of the schools.

(V) Field Expenses for the Harold Project. To estimate the initial field operating expenses for the Harold Project, Southern District assumed that the Sewer Division's test-year field expenses, except wages, incurred to operate existing facilities would increase on a pro-rata basis by the number of customers to be immediately served by the Harold Project. The calculation of these amounts is shown below. As previously discussed, Southern District's current wastewater operator will also operate the Harold Project. No increases to wages or wage overheads are expected. Also, no material increases to administrative costs are expected.

| Account                      | <u>Expense at<br/>195 Customers</u> | <u>Expense<br/>per Customer</u> | <u>Additional<br/>Expense for<br/>140 Customers</u> |
|------------------------------|-------------------------------------|---------------------------------|---|
| Power Purchased for Pumping  | \$ 16,417                           | \$ 84                           | \$ 11,760   |
| Chemicals                    | 1,767                               | 9                               | 1,260   |
| Pumping System               | 6,424                               | 33                              | 4,620   |
| Maintenance                  | 1,750                               | 9                               | 1,260   |
| Maintenance of General Plant | 4,291                               | 22                              | 3,080   |

Calculation of Revenue Requirement  
and Required Revenue Increase

As shown in Table D1, Southern District calculated the Water Division's and Sewer Division's current overall revenue requirements to be \$3,907,228 and \$190,700, respectively. The overall revenue requirement was determined by adding pro forma operating expenses to the debt service requirement. Also, the Water Division included an annual payment in the amount of \$100,000 to the Floyd County Fiscal Court. This payment is discussed in detail in Attachment H of the Application.

As shown in Table D1, to meet the overall revenue requirements, the water division and sewer division must increase their rates in order to produce additional annual revenues of \$651,732 and \$95,485, respectively, over test-year normalized revenues; however, the Sewer Division only seeks to increase rates to generate \$19,043 in additional annual revenues. Also shown in Table D1 is the calculation of the impact of the Harold Project on the Sewer Division's overall revenue requirement once it is operational

Table D1  
Calculation of Overall Revenue Requirement  
and Required Revenue Increase

|   |                    |                                 |
|---|--------------------|---------------------------------|
| Water Division  | <u>Current</u>     |                                 |
| Operating Expenses, Table C1                              | \$ 3,324,165       |                                 |
| Annual Payment to Floyd County Fiscal Court, Attachment H | 100,000            |                                 |
| Debt Service Requirement, Table D3                        | <u>483,063</u>     |                                 |
| Total Revenue Requirement                                 | 3,907,228          |                                 |
| Less: Other Operating Revenue, Table C1                   | (118,404)          |                                 |
| Gain on the Sale of Service Vehicles, Table C1            | (2,242)            |                                 |
| Interest Income, Table C1                                 | (6,936)            |                                 |
| Nonutility Income   | <u>(37,554)</u>    |                                 |
| Total Revenue Requirement from Rates                      | 3,742,092          |                                 |
| Less: Pro Forma Present Rate Revenues, Table C1           | <u>(3,090,360)</u> |                                 |
| Required Revenue Increase                                 | <u>\$ 651,732</u>  |                                 |
| Percentage Increase                                       | <u>21.09%</u>      |                                 |
| Sewer Division  | <u>Current</u>     | <u>After<br/>Harold Project</u> |
| Operating Expenses, Table C2                              | \$ 190,769         | \$ 321,018                      |
| Debt Service Requirement, Table D3                        | <u>4,754</u>       | <u>52,973</u>                   |
| Total Revenue Requirement                                 | 195,523            | 373,991                         |
| Less: Other Operating Revenue, Table C2                   | (3,662)            | (3,662)                         |
| Interest Income, Table C2                                 | -                  | -                               |
| Nonutility Income, Table C2                               | <u>(1,161)</u>     | <u>(1,161)</u>                  |
| Total Revenue Requirement from Rates                      | 190,700            | <u>\$ 369,168</u>               |
| Less: Pro Forma Present Rate Revenues, Table C2           | <u>(95,215)</u>    |                                 |
| Required Revenue Increase                                 | <u>\$ 95,485</u>   |                                 |
| Percentage Increase                                       | <u>100.28%</u>     |                                 |
| Requested Revenue Increase                                | <u>\$ 19,043</u>   |                                 |
| Percentage Increase                                       | <u>20%</u>         |                                 |

The rates shown in Attachment E, Page 3 are the water rates designed to meet the water revenue requirement. The sewer rates are shown in Attachment E, Page 5. While the sewer rates will not produce the sewer revenue requirement, as demonstrated in Table D2, they will produce revenue sufficient to meet the cash components of the revenue requirement and fund a portion of depreciation expense both prior and subsequent to completion of the Harold Project.

Table D2

|  | Current    | After<br>Harold Project |
|--|------------|-------------------------|
| Total Revenue Requirement from Rates                 | \$ 190,700 | \$ 369,168              |
| Remove Depreciation                                  | (101,249)  | (201,018)               |
| Remove Debt Service Coverage                         | (373)      | (4,617)                 |
| Cash Component of the Calculated Revenue Requirement | 89,078     | 163,533                 |
| Revenues Generated from Proposed Rates               | 114,258    | 210,373                 |
| Revenues in Excess of Cash Component                 | \$ 25,179  | \$ 46,840               |
| Percentage of Depreciation                           | 24.87%     | 23.30%                  |

All of the components included in the calculations shown in Table D1 are explained in Attachment C except for the annual payment to the Floyd County Fiscal Court ("FCFC") and the debt service requirements. The payment to FCFC is explained in Attachment H of the Application. The calculation of the debt requirements are shown in Table D3 and are explained following the table.

Table D3 lists all outstanding long-term debts of Southern District at the time the Application was filed as well as the new KIA debt that will be executed to finance a portion of the Harold Project. An amortization schedule for each loan is shown in Attachment G of the Application. The calculation of the debt service requirement and each loan is discussed in detail following the table.



Table D3  
Debt Service Requirement

| Lender  | Year | Original Amount | Interest Rate | Term    | Amo Sch | Five-Year Average Payment | Coverage | Adm Fee | Total      | Current        |                | Harold Project |
|---------|------|-----------------|---------------|---------|---------|---------------------------|----------|---------|------------|----------------|----------------|----------------|
|         |      |                 |               |         |         |                           |          |         |            | Water Division | Sewer Division | Sewer Division |
| FGB     | 2011 | \$ 187,523      | 6.25%         | 21 Mths | G-1     | \$ 12,356                 |          |         | \$ 12,356  | \$ 12,356      |                |                |
| FGB     | 2009 | 96,596          | 5.91%         | 4 Yrs   | G-2     | 5,435                     |          |         | 5,435      | 5,435          |                |                |
| FGB     | 2007 | 167,940         | 5.50%         | 10 Yrs  | G-3     | 21,507                    |          |         | 21,507     | 20,921         | \$ 586         |                |
| KIA     | 2005 | 67,376          | 1.00%         | 20 Yrs  | G-4     | 3,725                     | 373      | 70      | 4,168      |                | 4,168          |                |
| KIA     | 1998 | 2,831,354       | 3.00%         | 30 Yrs  | G-5     | 143,796                   | 2,880    | 288     | 146,964    | 146,964        |                |                |
| KIA     | 1995 | 1,362,870       | 3.00%         | 30 Yrs  | G-6     | 69,216                    | 1,523    | 138     | 70,877     | 70,877         |                |                |
| RD      | 2007 | 589,573         | 4.75%         | 35 Yrs  | G-7     | 36,331                    | 7,266    |         | 43,597     | 43,597         |                |                |
| RD      | 2005 | 225,000         | 4.25%         | 40 Yrs  | G-8     | 12,151                    | 2,430    |         | 14,581     | 14,581         |                |                |
| RD      | 2002 | 2,515,000       | 4.50%         | 40 Yrs  | G-9     | 140,277                   | 28,055   |         | 168,332    | 168,332        |                |                |
| New KIA | 2013 | 765,900         | 1.00%         | 20 Yrs  | G-10    | 42,443                    | 4,244    | 1,532   | 48,219     |                |                | 48,219         |
| Total   |      |                 |               |         |         |                           |          |         | \$ 536,035 | \$ 483,063     | \$ 4,754       | \$ 48,219      |

The debt service requirements for existing debts were calculated using the five-year average principal and interest payments for each debt coming due immediately following the Application's file date. The debt requirement for the new KIA loan was calculated using the average annual payments of its first five years. The debt requirement includes coverage requirements equal to 10 percent of the average KIA payments and 20 percent of the RD debts. These coverages are required by the lending agencies. Also, the KIA payments include a loan servicing fee equal to .2 percent of the balance outstanding at the time of payment. Each debt requirement was directly assigned to either the Water Division or the Sewer Division, based on the use of the debt proceeds, except for the 2010 loan from the First Guaranty Bank ("FGB") which was used to finance the purchase of Southern District's office building. A portion of this debt payment was allocated to each division.

The 2011 FGB loan was in the original amount of \$187,523. This loan carries a 6.25 percent annual rate of interest and has a 21-month term. The monthly principal

and interest payments are \$9,710 except for the last payment scheduled for February 10, 2013, which is \$3,523. This loan represents the second renewal of an original loan from FGB in the amount of \$600,000. The original loan was secured to buy out an operations contract with Veolia Water, LLC ("Veolia"). None of the loan renewals used to buy out the contract exceeded the two-year term limit established by KRS 278.300 (8). The Commission's approval for these loans was not required because their aggregate term does not exceed 6 years. Southern District only operated a water system at the time it was under contract with Veolia. The cost of repaying the loan was directly assigned to the Water Division.

The 2009 FGB loan, in the original amount of \$96,596, has a 5.91 percent annual rate of interest and a four-year term. The last payment is scheduled for June 21, 2013. This loan was used to purchase three service trucks which are used only by the Water Division. It has been fully assigned to the Water Division. The Commission's approval of this loan was never sought or obtained. Southern District was not aware that the Commission's approval of financing for service vehicles was required prior to preparing this application. Southern District now fully understands the requirements of KRS 278.300 and will be careful that future violations do not occur.

The 2007 FGB loan, in the original amount of \$167,940, has a 5.5 percent annual rate of interest and a 10-year term. This loan was used to purchase Southern District's main office building. This purchase and loan was approved by Commission Order date May 9, 2007, in Case No. 2007-00099.<sup>6</sup> The office building is used to direct the daily

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<sup>6</sup> In the Matter of Application of Southern Water and Sewer District for Authority to Borrow Funds for Property Acquisition.

operations of both divisions. The cost of repaying the loan has been allocated to each division following the same method used to allocate all other administrative costs, the number of customers served by each division. This allocation factor is calculated and discussed on Page 3 of Attachment C.

The 2005 KIA loan was in the original amount of \$67,376. It has a 1 percent rate of interest, a 20-year term, and was used to finance a portion of the construction for costs of the Wayland Sewer Facilities. This loan was directly assigned to the Sewer Division. It was approved by Commission Order dated November 8, 2004.<sup>7</sup> In that Order, the original amount of the loan was stated at \$230,000. Southern District did not borrow the full amount of the approved loan.

The 1995 KIA loan and the 1998 KIA loan were in the original amounts of \$1,362,870 and \$2,831,354, respectively. They were first secured by Beaver Elkhorn to perform water system improvements. These loans were recognized by the Commission in its Order approving the creation of Southern District through the merger of Beaver Elkhorn District and Mud Creek District.<sup>8</sup> Both loans accrue interest annually at a rate

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<sup>7</sup> In the Matter of Application of Southern Water and Sewer District, Floyd County, Kentucky for (1) a Certificate of Public Convenience and Necessity Authorizing construction of Major Additions and Improvements to its Sanitary Sewer System; (2) Approval of Proposed Sewer rates and Charges; and (3) Approval of the Issuance of Certain Securities, Pursuant to Provision of KRS 278.023 and 807 KAR 5:069.

<sup>8</sup> At finding 6 of its Order in Case No. 1999-00375 dated December 16, 1999, In the Matter of the Application of Mud Creek Water District and Beaver Elkhorn Water District for Approval of Merger Agreement, the Commission recognized that Mud Creek Water District had outstanding long-term liabilities totaling \$3,922,237. Of this amount \$1,211,267 was outstanding on the 1995 KIA Loan and \$2,710,969 was outstanding on the 1998 KIA Loan. These balances are underlined on the loan amortization schedules included in Attachment G.

of 3 percent. These loans will be fully retired in 2024 and 2027, respectively. Both loans were directly assigned to the Water Division.

The RD Bonds listed for 2007 were assumed when Southern District accepted the transfer of water assets and related liabilities from the Sandy Valley Water District. The transfer was approved by Commission Order dated January 22, 2007, in Case No. 2006-00327.<sup>9</sup> These bonds have a 4.75 percent annual rate of interest and will be fully retired in 2040. They were directly assigned to the Water Division.

The RD Bonds listed for 2005 were necessary to make improvements to Southern District's water system. The financing and improvements were approved by Commission Order dated October 14, 2005, in Case No. 2005-00374.<sup>10</sup> The bonds have a 4.25 percent annual rate of interest and will be fully retired in 2044. These bonds were assigned to the Water Division.

The RD bonds listed for 2002 were necessary to provide a portion of the funding for a \$6,172,900 water system improvement project. This project and funding was approved by Commission Order dated June 7, 2002, in Case No. 2002-00166.<sup>11</sup> These bonds have a 4.5 percent annual interest rate; will be fully retired in 2042, and were assigned to the Water Division.

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<sup>9</sup> In the Matter of the Joint Application of Sandy Valley Water District, Southern Water and Sewer District and the City of Pikeville for Approval of the Transfer of Facilities and for the Assumption of Debt by Southern Water and Sewer District.

<sup>10</sup> In the Matter of the Application of Southern Water and Sewer District of Floyd and Knott Counties, Kentucky, for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023.

<sup>11</sup> In the Matter of the Application of Southern Water and Sewer District of Floyd and Knott Counties, Kentucky, for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023.

The new 2013 KIA loan is necessary to finance a portion of the Harold Sewer Project. This project and financing was approved by Commission Order dated May 18, 2012, in Case No. 2012-00165.<sup>12</sup> The anticipated completion date of the project is June 30, 2013, at which time the loan will be executed. Southern District assigned this financing to the Sewer Division

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<sup>12</sup> In the Matter of Application of Southern Water and Sewer District for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to KRS 278.023.

| <b>Billing Analysis for: Southern Water &amp; Sewer District - Water Division</b> |                                  |                            |                    |
|---|----------------------------------|----------------------------|--------------------|
| <b>Test Period From: December 2010</b>  |                                  |                            |                    |
|   |                                  |                            |                    |
|   |                                  |                            |                    |
|   |                                  |                            |                    |
|   | Meter Size                       | Gallons Sold               | Revenue            |
|   | 5/8 inch                         | 239,504,000                | 2,155,776          |
|   |                                  | 135,149,000                | 1,242,674          |
|   | <b>Retail Total</b>              | <b>374,653,000</b>         | <b>3,398,450</b>   |
|   |                                  |                            |                    |
|   | City of Hindman                  | 17,265,000                 | 47,306             |
|   | Knott County                     | 10,452,000                 | 29,266             |
|   | <b>Wholesale Total</b>           | <b>27,717,000</b>          | <b>76,572</b>      |
|   |                                  |                            |                    |
|   | <b>Totals</b>                    | <b>402,370,000</b>         | <b>3,475,022</b>   |
|   | <b>Less: Billing Adjustments</b> |                            | <b>-197,217</b>    |
|   |                                  |                            |                    |
|   | <b>Total Revenue</b>             |                            | <b>\$3,277,805</b> |
|   |                                  |                            |                    |
|   | <b>Current Rates</b>             | <b>First 2,000 Gallons</b> | <b>\$20.00</b>     |
|   |                                  | <b>Over 2,000 Gallons</b>  | <b>\$7.00</b>      |

| <b>Billing Analysis for: Southern Water &amp; Sewer District - Water Division</b> |                                  |                            |                    |
|---|----------------------------------|----------------------------|--------------------|
| <b>Test Period From: December 2010</b> <i>without knot</i>                        |                                  |                            |                    |
|   |                                  |                            |                    |
|   | Meter Size                       | Gallons Sold               | Revenue            |
|   | 5/8 inch                         | 239,504,000                | 2,155,776          |
|   |                                  | 118,140,000                | 1,084,495          |
|   | <b>Retail Total</b>              | <b>357,644,000</b>         | <b>3,240,271</b>   |
|   | City of Hindman                  | 17,265,000                 | 47,306             |
|   | <b>Wholesale Total</b>           | <b>17,265,000</b>          | <b>47,306</b>      |
|   | <b>Totals</b>                    | <b>374,909,000</b>         | <b>3,287,577</b>   |
|   | <b>Less: Billing Adjustments</b> |                            | <b>-197,217</b>    |
|   | <b>Total Normalized Revenue</b>  |                            | <b>\$3,090,360</b> |
|   | <b>Current Water Rates</b>       | <b>First 2,000 Gallons</b> | <b>\$20.00</b>     |
|   |                                  | <b>Over 2,000 Gallons</b>  | <b>\$7.00</b>      |











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## Southern Water and Sewer (BEWD) Depreciation Schedule by G/L Account Number For the 12 Months Ended 12/31/10

F-1 1/14  
06/30/11  
01:52PM

| Asset No.                | Asset Description          | Date Acquired | Method  | Life  | Sold? | Cost                       | Accum Depr 01/01/10 | Current Depreciation | Accum Depr 12/31/10 |
|--------------------------|----------------------------|---------------|---------|-------|-------|----------------------------|---------------------|----------------------|---------------------|
| 01-1 ORG (301-1)         |                            |               |         |       |       |                            |                     |                      |                     |
| 1                        | ORGANIZATION               | 01/01/01      | LAND    | 05/00 | N     | 2,450 00                   | 0 00                | 0 00                 | 0 00                |
| Total for (ORG (301-1))  |                            |               |         |       |       | 2,450 00                   | 0 00                | 0 00                 | 0 00                |
| 302-1 FRAN (302-1)       |                            |               |         |       |       |                            |                     |                      |                     |
| 2                        | FRANCHISE                  | 01/01/01      | LAND    | 05/00 | N     | 1,250 00                   | 0 00                | 0 00                 | 0 00                |
| Total for (FRAN (302-1)) |                            |               |         |       |       | 1,250 00                   | 0 00                | 0 00                 | 0 00                |
| 303-2 LAND (303-2)       |                            |               |         |       |       |                            |                     |                      |                     |
| 3                        | INT PLANT                  | 01/01/01      | LAND    | 05/00 | N     | 750 00                     | 0 00                | 0 00                 | 0 00                |
| 4                        | LAND                       | 01/01/01      | LAND    | 05/00 | N     | 5,800 00                   | 0 00                | 0 00                 | 0 00                |
| 7                        | LAND                       | 01/01/01      | LAND    | 05/00 | N     | 2,500 00                   | 0 00                | 0 00                 | 0 00                |
| 123                      | RIGHT OF WAY               | 08/10/93      | LAND    | 05/00 | N     | 10,500 00                  | 0 00                | 0 00                 | 0 00                |
| 127                      | EASEMENT CIP               | 10/01/94      | LAND    | 05/00 | N     | 4,088 75                   | 0 00                | 0 00                 | 0 00                |
| 182                      | RIGHT OF WAY               | 06/30/00      | LAND    | 00/00 | N     | 17,600 00                  | 0 00                | 0 00                 | 0 00                |
| 187                      | 2001 CIP RIGHT OF WAY      | 06/30/01      | ST LINE | 20/00 | N     | 3,618 34                   | 1,539 06            | 180 92               | 1,719 98            |
| 222                      | LAND                       | 01/01/05      | LAND    | 00/00 | N     | 5,000 00                   | 0 00                | 0 00                 | 0 00                |
| 246                      | 2007 CIP LAND              | 06/30/07      | LAND    | 00/00 | N     | 20,500 00                  | 0 00                | 0 00                 | 0 00                |
| 263                      | EASEMENTS                  | 05/24/09      | LAND    | 00/00 | N     | 2,500 00                   | 0 00                | 0 00                 | 0 00                |
| 267                      | EASEMENT                   | 06/24/09      | LAND    | 00/00 | N     | 2,500 00                   | 0 00                | 0 00                 | 0 00                |
| 281                      | LAND - PRICE TANK          | 11/04/10      | LAND    | 00/00 | N     | 6,310 60                   | 0 00                | 0 00                 | 0 00                |
| Total for (LAND (303-2)) |                            |               |         |       |       | 81,667 69                  | 1,539 06            | 180 92               | 1,719 98            |
| 303-3 LAND (303-3)       |                            |               |         |       |       |                            |                     |                      |                     |
| 9                        | LAND                       | 01/01/01      | LAND    | 05/00 | N     | 25,600 00                  | 0 00                | 0 00                 | 0 00                |
| Total for (LAND (303-3)) |                            |               |         |       |       | 25,600 00                  | 0 00                | 0 00                 | 0 00                |
| 303-4 LAND (303-4)       |                            |               |         |       |       |                            |                     |                      |                     |
| 16                       | LAND                       | 01/01/01      | LAND    | 05/00 | N     | 28,675 00                  | 0 00                | 0 00                 | 0 00                |
| 170                      | 1999 CIP PHASE III LAND    | 01/01/99      | LAND    | 00/00 | N     | 15,000 00                  | 0 00                | 0 00                 | 0 00                |
| 176                      | LAND CIP 2000              | 06/30/00      | LAND    | 00/00 | N     | 5,000 00                   | 0 00                | 0 00                 | 0 00                |
| 211                      | 2004 CIP LAND RD           | 06/30/04      | LAND    | 00/00 | N     | 33,533 00                  | 0 00                | 0 00                 | 0 00                |
| Total for (LAND (303-4)) |                            |               |         |       |       | 82,208 00                  | 0 00                | 0 00                 | 0 00                |
| 303-5 LAND (303-5)       |                            |               |         |       |       |                            |                     |                      |                     |
| 40                       | LAND                       | 01/01/01      | LAND    | 05/00 | N     | 500 00                     | 0 00                | 0 00                 | 0 00                |
| Total for (LAND (303-5)) |                            |               |         |       |       | 500 00                     | 0 00                | 0 00                 | 0 00                |
| 304-2 STRUC (304-2)      |                            |               |         |       |       |                            |                     |                      |                     |
| 10                       | STRUCTURES                 | 06/01/74      | ST LINE | 50/00 | N     | 364,109 00                 | 258,780 06          | 7,282 18             | 266,062 24          |
| 128                      | 1994 PLANT EXPANSION       | 10/01/94      | ST LINE | 50/00 | N     | 2,893,360 54               | 882,593 86          | 57,867 21            | 940,461 07          |
| 155                      | TANK REPAIRS               | 06/30/98      | ST LINE | 20/00 | N     | 995 00                     | 572 47              | 49 75                | 622 22              |
| 156                      | TELEMETRY SYSTEMS          | 06/30/98      | ST LINE | 20/00 | N     | 4,380 00                   | 2,520 00            | 219 00               | 2,739 00            |
| 157                      | TANK REPAIRS               | 06/30/98      | ST LINE | 20/00 | N     | 36,500 00                  | 21,000 00           | 1,825 00             | 22,825 00           |
| 171                      | 1999 CIP TANKS             | 01/01/99      | ST LINE | 20/00 | N     | 778,722 14 <sup>45</sup>   | 428,297 21          | 38,936 11            | 467,233 32          |
| 181                      | TELEMETRY 2000 CIP         | 06/30/00      | ST LINE | 20/00 | N     | 26,403 00                  | 12,548 64           | 1,320 15             | 13,868 79           |
| 189                      | 2001 CIP - TANKS & INSTALL | 06/30/01      | ST LINE | 20/00 | N     | 1,185,270 04 <sup>45</sup> | 504,145 67          | 59,263 50            | 563,409 17          |
| 192                      | 2001 CIP - TELEMETRY       | 06/30/01      | ST LINE | 20/00 | N     | 37,350 64                  | 15,886 80           | 1,867 53             | 17,754 33           |
| 199                      | ROCK FORK TANK             | 06/30/03      | ST LINE | 20/00 | N     | 175,700 00 <sup>45</sup>   | 57,162 67           | 8,785 00             | 65,947 67           |
| 201                      | SPURLOCK TANK              | 06/30/03      | ST LINE | 20/00 | N     | 166,000 00 <sup>45</sup>   | 54,006 85           | 8,300 00             | 62,306 85           |
| 216                      | 2004 CIP TANKS (RD)        | 06/30/04      | ST LINE | 20/00 | N     | 1,292,039 50 <sup>45</sup> | 355,663 90          | 64,601 98            | 420,265 88          |

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**Southern Water and Sewer (BEWD)**  
**Depreciation Schedule by G/L Account Number**  
**For the 12 Months Ended 12/31/10**

| Asset No.                     | Asset Description        | Date Acquired | Method  | Life  | Sold?           | Cost                    | Accum Depr 01/01/10 | Current Depreciation | Accum Depr 12/31/10 |
|-------------------------------|--------------------------|---------------|---------|-------|-----------------|-------------------------|---------------------|----------------------|---------------------|
| <b>304-2 STRUC (304-2)</b>    |                          |               |         |       |                 |                         |                     |                      |                     |
| 235                           | OFFICE BUILDING          | 05/31/07      | ST LINE | 39/00 | N               | 167,940 00              | 11,148 80           | 4,306 15             | 15,454 95           |
| 244                           | 2007 CIP TELEMETRY       | 06/30/07      | ST LINE | 20/00 | N               | 10,450 43               | 1,309 88            | 522 52               | 1,832 40            |
| 248                           | 2007 CIP TANK            | 06/30/07      | ST LINE | 20/00 | N               | 99,659 37 <sup>45</sup> | 12,491 55           | 4,982 97             | 17,474 52           |
| 273                           | SECURITY SYSTEM          | 09/30/10      | ST LINE | 10/00 | N               | 5,012 00                | 0 00                | 127 70               | 127 70              |
| 274                           | ROOF                     | 10/26/10      | ST LINE | 39/00 | N               | 13,500 00               | 0.00                | 63.54                | 63 54               |
| 275                           | PRICE TANK               | 11/04/10      | ST LINE | 20/00 | N <sup>45</sup> | 413,529 75              | 0.00                | 3,285 58             | 3,285 58            |
| Total for (STRUC (304-2))     |                          |               |         |       |                 | 7,670,921 41            | 2,618,128 36        | 263,605 87           | 2,881,734 23        |
| <b>304-5 FURN (304-5)</b>     |                          |               |         |       |                 |                         |                     |                      |                     |
| 41                            | OFFICE FURNITURE         | 01/01/01      | ST LINE | 05/00 | N               | 246 00                  | 246 00              | 0 00                 | 246 00              |
| 46                            | OFFICE FURNITURE         | 01/01/80      | ST LINE | 10/00 | N               | 283 00                  | 283 00              | 0 00                 | 283 00              |
| 47                            | COPIER                   | 01/01/80      | ST LINE | 05/00 | N               | 2,695 00                | 2,695 00            | 0 00                 | 2,695 00            |
| 50                            | SAFE                     | 01/01/84      | ST LINE | 10/00 | N               | 750 00                  | 750 00              | 0 00                 | 750 00              |
| 88                            | FILING CABINET           | 02/03/89      | ST LINE | 07/00 | N               | 585 00                  | 585 00              | 0 00                 | 585 00              |
| 111                           | COMPUTER                 | 12/18/91      | ST LINE | 05/00 | N               | 7,000 00                | 7,000 00            | 0 00                 | 7,000 00            |
| 139                           | COMPUTER SYSTEM AND SETU | 08/01/96      | ST LINE | 07/00 | N               | 10,000 00               | 10,000 00           | 0 00                 | 10,000 00           |
| 237                           | AIR CONDITIONER          | 06/30/07      | ST LINE | 07/00 | N               | 3,690 00                | 1,321 46            | 527 14               | 1,848 60            |
| Total for (FURN (304-5))      |                          |               |         |       |                 | 25,249 00               | 22,880 46           | 527 14               | 23,407 60           |
| <b>305-2 RESERVES (305-2)</b> |                          |               |         |       |                 |                         |                     |                      |                     |
| 5                             | RESERVES                 | 06/01/74      | ST LINE | 50/00 | N               | 11,996 00               | 8,517 64            | 239 92               | 8,757 56            |
| Total for (RESERVES (305-2))  |                          |               |         |       |                 | 11,996 00               | 8,517 64            | 239 92               | 8,757 56            |
| <b>306-2 LAKE (306-2)</b>     |                          |               |         |       |                 |                         |                     |                      |                     |
| 6                             | LAKE, RIVER              | 09/01/74      | ST LINE | 50/00 | N               | 147,466 00              | 104,306 44          | 2,949 32             | 107,255 76          |
| Total for (LAKE (306-2))      |                          |               |         |       |                 | 147,466 00              | 104,306 44          | 2,949 32             | 107,255 76          |
| <b>310-2 LINE REP (310-2)</b> |                          |               |         |       |                 |                         |                     |                      |                     |
| 61                            | ELECTRICAL LINE REPAIR   | 10/31/86      | ST LINE | 50/00 | N               | 4,373 00                | 2,023 82            | 87 46                | 2,111 28            |
| Total for (LINE REP (310-2))  |                          |               |         |       |                 | 4,373 00                | 2,023 82            | 87 46                | 2,111 28            |
| <b>311-2 PUMP EQ (311-2)</b>  |                          |               |         |       |                 |                         |                     |                      |                     |
| 8                             | ELECT PUMP EQUIP         | 01/01/77      | ST LINE | 20/00 | N               | 43,777 00               | 43,777 00           | 0 00                 | 43,777 00           |
| 12                            | PUMP REPAIRS             | 01/01/84      | ST LINE | 20/00 | N               | 7,817 00                | 7,817 00            | 0 00                 | 7,817 00            |
| 13                            | PUMP REPAIRS             | 01/01/84      | ST LINE | 20/00 | N               | 22,272 00               | 22,272 00           | 0 00                 | 22,272 00           |
| 14                            | PUMP REPAIRS             | 03/01/85      | ST LINE | 20/00 | N               | 7,200 00                | 6,988 19            | 0 00                 | 6,988 19            |
| 57                            | PUMP & REPAIRS           | 08/15/86      | ST LINE | 20/00 | N               | 1,542 00                | 1,542 00            | 0 00                 | 1,542 00            |
| 63                            | PUMP REPAIRS             | 03/01/87      | ST LINE | 07/00 | N               | 23,718 00               | 23,718 00           | 0 00                 | 23,718 00           |
| 73                            | PROPELLER PUMP           | 03/21/88      | ST LINE | 05/00 | N               | 2,868 00                | 2,868 00            | 0 00                 | 2,868 00            |
| 71                            | PUMP REPAIRS             | 09/06/88      | ST LINE | 07/00 | N               | 5,140 00                | 5,140 00            | 0 00                 | 5,140 00            |
| 105                           | WATER PUMP               | 09/28/90      | ST LINE | 20/00 | N               | 1,847 00                | 1,776 95            | 68 31                | 1,845 26            |
| 101                           | WATER PUMP               | 10/05/90      | ST LINE | 20/00 | N               | 14,293 00               | 13,758 05           | 534 95               | 14,293 00           |
| 129                           | PUMP STATION - CIP       | 10/01/94      | ST LINE | 20/00 | N               | 169,946 96              | 129,602 05          | 8,497 35             | 138,099 40          |
| 137                           | 40 HP 30 PHASE MOTOR     | 02/19/96      | ST LINE | 20/00 | N               | 2,216 00                | 1,536 37            | 110 80               | 1,647 17            |
| 138                           | COIL INSTALL             | 02/19/96      | ST LINE | 20/00 | N               | 605 00                  | 419 45              | 30 25                | 449 70              |
| 142                           | PUMP                     | 06/01/96      | ST LINE | 20/00 | N               | 1,425 00                | 967 91              | 71 25                | 1,039 16            |
| 150                           | PUMP                     | 10/27/97      | ST LINE | 20/00 | N               | 1,448 88                | 882 38              | 72 44                | 954 82              |
| 147                           | PUMP REPAIRS             | 12/18/97      | ST LINE | 20/00 | N               | 9,908 00                | 5,963 80            | 495 40               | 6,459 20            |
| 169                           | 1999 CIP PUMPS           | 01/01/99      | ST LINE | 20/00 | N               | 297,391 82              | 163,565 49          | 14,869 59            | 178,435 08          |

**Southern Water and Sewer (BEWD)**  
**Depreciation Schedule by G/L Account Number**  
**For the 12 Months Ended 12/31/10**

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| Asset No.                            | Asset Description              | Date Acquired | Method  | Life  | Sold? | Cost         | Accum Depr 01/01/10 | Current Depreciation | Accum Depr 12/31/10 |
|--------------------------------------|--------------------------------|---------------|---------|-------|-------|--------------|---------------------|----------------------|---------------------|
| <b>311-2 PUMP EQ (311-2)</b>         |                                |               |         |       |       |              |                     |                      |                     |
| 173                                  | PUMP STATION CIP 2000          | 06/30/00      | ST LINE | 20/00 | N     | 160,237 55   | 76,156 64           | 8,011.88             | 84,168 52           |
| 188                                  | 2001 CIP - PIPE & PUMP STATION | 06/30/01      | ST LINE | 20/00 | N     | 935,974 36   | 398,109 66          | 46,798 72            | 444,908 38          |
| 195                                  | 2002 CIP PUMP STATION (JOHN)   | 09/02/02      | ST LINE | 20/00 | N     | 45,000 00    | 16,495 89           | 2,250.00             | 18,745 89           |
| 205                                  | SPURLOCK PUMP STATION          | 06/30/03      | ST LINE | 20/00 | N     | 75,000 00    | 24,400 69           | 3,750 00             | 28,150 69           |
| 228                                  | 2006 CIP PUMP STATION          | 06/30/06      | ST LINE | 20/00 | N     | 191,869 85   | 33,642 93           | 9,593 49             | 43,236 42           |
| 247                                  | 2007 CIP PUMP STATION          | 06/30/07      | ST LINE | 20/00 | N     | 59,375 00    | 7,442 21            | 2,968 75             | 10,410 96           |
| 278                                  | PUMP STATION (FISHER HOLLOW)   | 11/04/10      | ST LINE | 20/00 | N     | 176,679 09   | 0 00                | 1,403 75             | 1,403 75            |
| 279                                  | PUMP STATION (SPEWING CAMI)    | 11/04/10      | ST LINE | 20/00 | N     | 32,250 95    | 0 00                | 256 24               | 256 24              |
| Total for (PUMP EQ (311-2))          |                                |               |         |       |       | 2,289,802 46 | 988,842 66          | 99,783 17            | 1,088,625 83        |
| <b>320-3 WATER EQ (320-3)</b>        |                                |               |         |       |       |              |                     |                      |                     |
| 11                                   | WATER TREAT EQUIP              | 06/01/74      | ST LINE | 20/00 | N     | 114,509 00   | 114,509 00          | 0 00                 | 114,509 00          |
| 15                                   | PLANT EQUIP                    | 01/01/84      | ST LINE | 20/00 | N     | 1,060 00     | 1,060 00            | 0 00                 | 1,060 00            |
| 172                                  | 1999 CIP WATER TREATMENT       | 01/01/99      | ST LINE | 20/00 | N     | 97,409 92    | 53,575 50           | 4,870 50             | 58,446 00           |
| 191                                  | 2001 CIP - EQUIPMENT           | 06/30/01      | ST LINE | 20/00 | N     | 230,114 96   | 97,877 68           | 11,505 75            | 109,383 43          |
| 224                                  | WATER TREATMENT PLANT          | 06/30/06      | ST LINE | 20/00 | N     | 132,825 69   | 23,289 97           | 6,641 28             | 29,931 25           |
| 243                                  | 2007 CIP TREATMENT PLANT       | 06/30/07      | ST LINE | 40/00 | N     | 25,500 00    | 1,598 12            | 637.50               | 2,235 62            |
| Total for (WATER EQ (320-3))         |                                |               |         |       |       | 601,419 57   | 291,910.27          | 23,655 03            | 315,565 30          |
| <b>330-4 RES. (330-4)</b>            |                                |               |         |       |       |              |                     |                      |                     |
| 17                                   | DIST RESERVOIRS                | 06/01/74      | ST LINE | 50/00 | N     | 178,942 00   | 127,050.28          | 3,578 84             | 130,629.12          |
| Total for (RES (330-4))              |                                |               |         |       |       | 178,942 00   | 127,050 28          | 3,578 84             | 130,629 12          |
| <b>331-4 T &amp; D MAINS (331-4)</b> |                                |               |         |       |       |              |                     |                      |                     |
| 23                                   | T & D MAINS                    | 01/01/73      | ST LINE | 50/00 | N     | 10,712 00    | 8,158 08            | 214 24               | 8,372 32            |
| 18                                   | T & D MAINS                    | 01/01/75      | ST LINE | 50/00 | N     | 2,019,727 00 | 1,407,192 18        | 40,394 54            | 1,447,586 72        |
| 21                                   | T & D MAINS                    | 01/01/82      | ST LINE | 50/00 | N     | 22,650 00    | 12,458 00           | 453 00               | 12,911 00           |
| 53                                   | CONTROL UNIT                   | 01/01/82      | ST LINE | 30/00 | N X   | 1,512 00     | 1,383 80            | 50 40                | 1,434 20            |
| 29                                   | SIZEMORE                       | 01/01/83      | ST LINE | 30/00 | N X   | 5,004 00     | 4,504 60            | 166 80               | 4,671 40            |
| 26                                   | HITE, SIZEMORE                 | 06/01/83      | ST LINE | 30/00 | N X   | 27,831 00    | 25,692 90           | 927 70               | 26,620 60           |
| 35                                   | LINE REPAIRS                   | 01/01/84      | ST LINE | 50/00 | N     | 1,800 00     | 936 00              | 36 00                | 972 00              |
| 59                                   | MAINS                          | 08/01/86      | ST LINE | 50/00 | N     | 16,271 00    | 7,672 14            | 325 42               | 7,997 56            |
| 64                                   | LINE REPAIRS                   | 07/01/87      | ST LINE | 30/00 | N     | 4,926 00     | 3,693 40            | 164 20               | 3,857 60            |
| 69                                   | MAINS                          | 03/01/88      | ST LINE | 50/00 | N     | 14,828 00    | 6,476 52            | 296 56               | 6,773 08            |
| 75                                   | REMOTE CABLE                   | 12/14/88      | ST LINE | 30/00 | N     | 2,111 00     | 1,482 29            | 70 37                | 1,552 66            |
| 81                                   | MAINS                          | 01/23/89      | ST LINE | 30/00 | N     | 731 00       | 508 29              | 24 37                | 532 66              |
| 92                                   | MAINS ADDITIONS 89             | 07/01/89      | ST LINE | 30/00 | N     | 19,950 00    | 13,633 00           | 665 00               | 14,298 00           |
| 100                                  | 1990 MAINS ADDITION            | 07/01/90      | ST LINE | 30/00 | N     | 8,182 00     | 5,318 41            | 272 73               | 5,591 14            |
| 97                                   | WATER PUMP                     | 07/13/90      | ST LINE | 20/00 | N     | 18,250 00    | 17,794 50           | 455 50               | 18,250 00           |
| 98                                   | WATER PUMP                     | 07/30/90      | ST LINE | 20/00 | N     | 475 00       | 461 75              | 13 25                | 475 00              |
| 99                                   | WATER PUMP                     | 08/06/90      | ST LINE | 20/00 | N     | 18,250 00    | 17,718 50           | 531 50               | 18,250 00           |
| 113                                  | MAINS                          | 06/30/91      | ST LINE | 30/00 | N     | 7,819 00     | 4,821 71            | 260 63               | 5,082 34            |
| 108                                  | MAINS 1991                     | 07/01/91      | ST LINE | 30/00 | N     | 108,504 00   | 66,910 60           | 3,616 80             | 70,527 40           |
| 112                                  | WATER PUMP                     | 10/22/91      | ST LINE | 20/00 | N     | 2,421 00     | 2,198 85            | 121 05               | 2,319 90            |
| 114                                  | 1992 MAINS X                   | 06/30/92      | ST LINE | 20/00 | N X   | 12,250 00    | 10,718 50           | 612 50               | 11,331 00           |
| 120                                  | 1993 MAINS X                   | 06/30/93      | ST LINE | 20/00 | N X   | 21,580 44    | 17,803 83           | 1,079 02             | 18,882 85           |
| 124                                  | MCDOWELL GARRETT - CIP         | 06/30/93      | ST LINE | 20/00 | N     | 100,368 00   | 80,294 40           | 5,018 40             | 85,312 80           |

**Southern Water and Sewer (BEWD)**  
**Depreciation Schedule by G/L Account Number**  
**For the 12 Months Ended 12/31/10**

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| Asset No.                 | Asset Description             | Date Acquired | Method  | Life  | Sold? | Cost         | Accum Depr 01/01/10 | Current Depreciation | Accum Depr 12/31/10 |
|---------------------------|-------------------------------|---------------|---------|-------|-------|--------------|---------------------|----------------------|---------------------|
| 331-4 T & D MAINS (331-4) |                               |               |         |       |       |              |                     |                      |                     |
| 130                       | 1994 MAINS - CIP              | 10/01/94      | ST LINE | 20/00 | N     | 252,527 14   | 192,577 93          | 12,626 36            | 205,204 29          |
| 131                       | 1995 MAINS                    | 06/01/95      | ST LINE | 20/00 | N     | 12,297 79    | 8,968 97            | 614 89               | 9,583 86            |
| 140                       | 1996 MAINS                    | 06/01/96      | ST LINE | 20/00 | N     | 4,084 60     | 2,774 40            | 204 23               | 2,978 63            |
| 148                       | 1997 MAINS                    | 03/05/97      | ST LINE | 20/00 | N     | 6,509 91     | 4,175 31            | 325 50               | 4,500 81            |
| 145                       | 1997 MAINS                    | 10/27/97      | ST LINE | 20/00 | N     | 3,222 85     | 1,962 82            | 161 14               | 2,123 96            |
| 152                       | 1998 MAINS                    | 06/30/98      | ST LINE | 20/00 | N     | 11,445 66    | 6,585 14            | 572.28               | 7,157 42            |
| 168                       | 1999 CIP PHASE III            | 01/01/99      | ST LINE | 20/00 | N     | 3,617,773 92 | 1,989,775 70        | 180,888 70           | 2,170,664 40        |
| 165                       | 1999 MAINS                    | 06/30/99      | ST LINE | 20/00 | N     | 5,259 65     | 2,763 09            | 262 98               | 3,026 07            |
| 161                       | 1999 MAINS                    | 10/15/99      | ST LINE | 20/00 | N     | 4,619 43     | 2,359 06            | 230 97               | 2,590 03            |
| 162                       | 1999 MAINS                    | 11/12/99      | ST LINE | 20/00 | N     | 6,347 58     | 3,217 28            | 317 38               | 3,534 66            |
| 174                       | 2000 CIP MAINS                | 06/30/00      | ST LINE | 20/00 | N     | 1,000 00     | 475 27              | 50 00                | 525 27              |
| 177                       | 2000 CIP MAINS                | 06/30/00      | ST LINE | 20/00 | N     | 4,442 86     | 2,111 55            | 222 14               | 2,333 69            |
| 180                       | MAINS 2000 CIP                | 06/30/00      | ST LINE | 20/00 | N     | 112,861 95   | 53,640 28           | 5,643 10             | 59,283 38           |
| 185                       | MAINS CIP 2000 (ADMIN FEE)    | 06/30/00      | ST LINE | 20/00 | N     | 25,000 00    | 11,881 83           | 1,250 00             | 13,131 83           |
| 186                       | MAINS CIP 2000 ADDITONAL AD   | 06/30/00      | ST LINE | 20/00 | N     | 10,685 47    | 0 00                | 0 00                 | 0 00                |
| 184                       | MAINS                         | 07/06/00      | ST LINE | 20/00 | N     | 6,637 35     | 3,149.14            | 331 87               | 3,481 01            |
| 190                       | 2001 CIP - PIPE & MATERIALS   | 06/30/01      | ST LINE | 20/00 | N     | 799,482 38   | 340,053 82          | 39,974 12            | 380,027 94          |
| 197                       | 2002 LINE RELOCATION (MIDAS)  | 06/06/02      | ST LINE | 20/00 | N     | 67,231 74    | 25,455 98           | 3,361 59             | 28,817 57           |
| 196                       | 2002 MAINS CIP (JOHN'S BR)    | 09/02/02      | ST LINE | 20/00 | N     | 129,877 33   | 47,609 85           | 6,493 87             | 54,103 72           |
| 198                       | ROCKFORK LINES                | 06/30/03      | ST LINE | 20/00 | N     | 728,285 65   | 236,942.24          | 36,414 28            | 273,356 52          |
| 202                       | SPURLOCK LINES                | 06/30/03      | ST LINE | 20/00 | N     | 561,285 34   | 182,609 98          | 28,064 27            | 210,674 25          |
| 203                       | SPURLOCK LINES                | 06/30/03      | ST LINE | 20/00 | N     | 21,900 00    | 7,125 00            | 1,095 00             | 8,220 00            |
| 204                       | SPURLOCK LINES                | 06/30/03      | ST LINE | 20/00 | N     | 2,150 00     | 699.49              | 107 50               | 806 99              |
| 206                       | SPURLOCK LINES                | 06/30/03      | ST LINE | 20/00 | N     | 95,747 52    | 31,150 76           | 4,787 38             | 35,938 14           |
| 200                       | LINES - FEMA                  | 09/03/03      | ST LINE | 20/00 | N     | 58,782 26    | 18,600.94           | 2,939 11             | 21,540 05           |
| 207                       | 2004 CIP LINES RD PROJECT     | 06/30/04      | ST LINE | 20/00 | N     | 2,611,261 49 | 718,810 34          | 130,563 07           | 849,373 41          |
| 208                       | 2004 CIP - LINES RD           | 06/30/04      | ST LINE | 20/00 | N     | 449,373 30   | 123,700 46          | 22,468 67            | 146,169 13          |
| 209                       | 2004 CIP LINES RD             | 06/30/04      | ST LINE | 20/00 | N     | 32,878 41    | 9,050 54            | 1,643 92             | 10,694 46           |
| 210                       | 2004 CIP LINES RD             | 06/30/04      | ST LINE | 20/00 | N     | 113,175 00   | 31,154.05           | 5,658 75             | 36,812 80           |
| 212                       | 2004 CIP LINES (FRASURE CREE  | 06/30/04      | ST LINE | 20/00 | N     | 168,497 10   | 46,382 76           | 8,424 86             | 54,807 62           |
| 213                       | 2004 CIP LINES (HAROLD MINNIE | 06/30/04      | ST LINE | 20/00 | N     | 371,697 81   | 102,318 45          | 18,584 89            | 120,903 34          |
| 214                       | 2004 CIP LINES (BAPTIST BOTTC | 06/30/04      | ST LINE | 20/00 | N     | 24,020 50    | 6,612 23            | 1,201 03             | 7,813 26            |
| 215                       | 2004 CIP LINES (MISC )        | 06/30/04      | ST LINE | 20/00 | N     | 6,326 50     | 1,741 54            | 316 33               | 2,057 87            |
| 221                       | 2005 CIP LINES                | 01/01/05      | ST LINE | 30/00 | N     | 58,962 30    | 9,827 05            | 1,965 41             | 11,792 46           |
| 218                       | 2005 CIP LINES (RT. 7)        | 06/30/05      | ST LINE | 30/00 | N     | 3,399,795 87 | 510,745 56          | 113,326 52           | 624,072 08          |
| 220                       | 2005 CIP (DRY CREEK)          | 06/30/05      | ST LINE | 30/00 | N     | 3,957 18     | 594 50              | 131 91               | 726 41              |
| 219                       | 2005 CIP LINES (HAROLD/MINNIE | 11/30/05      | ST LINE | 30/00 | N     | 22,140 00    | 3,016 70            | 738 00               | 3,754 70            |
| 226                       | 2006 CIP LINES (MISC )        | 01/01/06      | ST LINE | 20/00 | N     | 22,829 00    | 4,565 80            | 1,141 46             | 5,707 25            |
| 225                       | 2006 CIP LINES (DRY CREEK)    | 06/30/06      | ST LINE | 20/00 | N     | 95,382 58    | 16,724 62           | 4,769 13             | 21,493 75           |
| 227                       | 2006 CIP LINES (RD SYSTEM IMF | 06/30/06      | ST LINE | 20/00 | N     | 33,130 15    | 5,809 13            | 1,656 51             | 7,465 64            |
| 236                       | 2007 MAINS (SANDY VALLEY)     | 06/30/07      | ST LINE | 40/00 | N     | 542,732 45   | 34,013 71           | 13,568 31            | 47,582 02           |
| 238                       | 2007 MAINS ADDITIONS          | 06/30/07      | ST LINE | 40/00 | N     | 142,088 08   | 8,904 83            | 3,552 20             | 12,457 03           |
| 240                       | 2007 CIP LINES (FEMA)         | 06/30/07      | ST LINE | 40/00 | N     | 57,817 60    | 3,623 50            | 1,445 44             | 5,068 94            |
| 241                       | 2007 CIP LINES (BOSCOE)       | 06/30/07      | ST LINE | 40/00 | N     | 17,053 20    | 1,068 75            | 426 33               | 1,495 08            |

**Southern Water and Sewer (BEWD)**  
**Depreciation Schedule by G/L Account Number**  
**For the 12 Months Ended 12/31/10**

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| Asset No.                            | Asset Description            | Date Acquired | Method  | Life  | Sold? | Cost          | Accum Depr 01/01/10 | Current Depreciation | Accum Depr 12/31/10 |
|--------------------------------------|------------------------------|---------------|---------|-------|-------|---------------|---------------------|----------------------|---------------------|
| <b>331-4 T &amp; D MAINS (331-4)</b> |                              |               |         |       |       |               |                     |                      |                     |
| 242                                  | 20070 CIP LINES (MISC )      | 06/30/07      | ST LINE | 40/00 | N     | 16,574 89     | 1,038 76            | 414 37               | 1,453 13            |
| 245                                  | 2007 CIP LINES               | 06/30/07      | ST LINE | 40/00 | N     | 1,264,909 63  | 79,273 44           | 31,622 74            | 110,896 18          |
| 249                                  | LINES (LOC)                  | 01/29/08      | ST LINE | 40/00 | N     | 77,000 00     | 3,702 73            | 1,925 00             | 5,627 73            |
| 255                                  | LINES 2008 (BOSCOE BRIDGE)   | 01/31/08      | ST LINE | 40/00 | N     | 12,199 22     | 584 96              | 304 98               | 889 94              |
| 256                                  | 2008 LINES (SYSTEM IMPROVEN  | 01/31/08      | ST LINE | 40/00 | N     | 48,500 00     | 2,325 61            | 1,212 50             | 3,538 11            |
| 257                                  | 2008 MISC LINES              | 01/31/08      | ST LINE | 40/00 | N     | 9,880 64      | 473 79              | 247 02               | 720 81              |
| 253                                  | 2008 MAINS (RECLASSIFICATION | 06/30/08      | ST LINE | 40/00 | N     | 250,821 76    | 9,440 08            | 6,270 54             | 15,710 62           |
| 254                                  | 2008 LINE MOVED              | 06/30/08      | ST LINE | 40/00 | N     | 37,004 00     | 1,392 71            | 925 10               | 2,317 81            |
| 271                                  | 2008 MAINS                   | 01/01/09      | ST LINE | 40/00 | N     | 75,300 00     | 1,882 50            | 1,882 50             | 3,765 00            |
| 270                                  | 2009 MAINS RECLASS           | 06/30/09      | ST LINE | 40/00 | N     | 272,589 67    | 27,009 67           | 6,814 74             | 33,824 41           |
| 282                                  | MEADE HILL LINES             | 04/19/10      | ST LINE | 20/00 | N     | 12,174 10     | 0 00                | 428 60               | 428 60              |
| 276                                  | PRICE MAINS                  | 11/04/10      | ST LINE | 20/00 | N     | 58,307 72     | 0 00                | 463 27               | 463 27              |
| Total for (T & D MAINS (331-4))      |                              |               |         |       |       | 19,303,990 97 | 6,660,286 85        | 766,802 73           | 7,427,089 58        |
| <b>333-4 SERV (333-4)</b>            |                              |               |         |       |       |               |                     |                      |                     |
| 19                                   | SERVICES                     | 06/01/74      | ST LINE | 50/00 | N     | 64,765 00     | 45,982 10           | 1,295 30             | 47,277 40           |
| 24                                   | SERVICES                     | 01/01/77      | ST LINE | 50/00 | N     | 21,136 00     | 12,612 24           | 422 72               | 13,034 96           |
| 25                                   | SERVICES                     | 06/01/81      | ST LINE | 50/00 | N     | 38,887 00     | 23,851 58           | 777 74               | 24,629 32           |
| 27                                   | SERVICES                     | 01/01/82      | ST LINE | 30/00 | N     | 10,022 00     | 9,353 19            | 334 07               | 9,687 26            |
| 193                                  | 2001 CIP - SERVICE LABOR     | 06/30/01      | ST LINE | 20/00 | N     | 339,464 79    | 144,388 80          | 16,973 24            | 161,362 04          |
| Total for (SERV (333-4))             |                              |               |         |       |       | 474,274 79    | 236,187 91          | 19,803 07            | 255,990 98          |
| <b>334-4 METERS (334-4)</b>          |                              |               |         |       |       |               |                     |                      |                     |
| 20                                   | METERS                       | 09/01/74      | ST LINE | 50/00 | N     | 90,685 00     | 63,782 90           | 1,813 70             | 65,596 60           |
| 22                                   | METER INSTALL                | 01/01/75      | ST LINE | 50/00 | N     | 35,212 00     | 24,614 08           | 704 24               | 25,318 32           |
| 28                                   | FLOW METER                   | 06/01/82      | ST LINE | 30/00 | N     | 15,530 00     | 14,237 39           | 517 67               | 14,755 06           |
| 32                                   | METERS & SERVICES            | 01/01/83      | ST LINE | 30/00 | N     | 11,755 00     | 10,581 11           | 391 83               | 10,972 94           |
| 33                                   | METERS                       | 01/01/84      | ST LINE | 30/00 | N     | 1,012 00      | 877 41              | 33 73                | 911 14              |
| 34                                   | METERS                       | 01/01/84      | ST LINE | 30/00 | N     | 3,926 00      | 3,403 79            | 130 87               | 3,534 66            |
| 36                                   | METERS                       | 01/01/84      | ST LINE | 30/00 | N     | 992 00        | 859 19              | 33 07                | 892 26              |
| 37                                   | METER INSTALL                | 01/01/84      | ST LINE | 30/00 | N     | 9,120 00      | 7,752 00            | 304 00               | 8,056 00            |
| 30                                   | METERS                       | 01/01/85      | ST LINE | 50/00 | N     | 11,787 00     | 5,894 58            | 235 74               | 6,130 32            |
| 38                                   | METER INSTALL                | 01/01/85      | ST LINE | 30/00 | N     | 1,560 00      | 1,300 00            | 52 00                | 1,352 00            |
| 39                                   | METER INSTALL                | 01/01/85      | ST LINE | 30/00 | N     | 5,400 00      | 4,500 00            | 180 00               | 4,680 00            |
| 62                                   | METER TAP ON FEES            | 01/01/86      | ST LINE | 50/00 | N     | 6,960 00      | 3,339 40            | 139 20               | 3,478 60            |
| 55                                   | METERS                       | 06/01/86      | ST LINE | 50/00 | N     | 6,317 00      | 2,977 78            | 126 34               | 3,104 12            |
| 60                                   | METER INSTALL                | 06/01/86      | ST LINE | 50/00 | N     | 1,054 00      | 496 36              | 21 08                | 517 44              |
| 66                                   | METER TAP ON FEES            | 01/01/87      | ST LINE | 30/00 | N     | 4,080 00      | 3,128 00            | 136 00               | 3,264 00            |
| 65                                   | METERS                       | 07/01/87      | ST LINE | 30/00 | N     | 7,276 00      | 5,459 01            | 242 53               | 5,701 54            |
| 68                                   | METERS                       | 03/01/88      | ST LINE | 30/00 | N     | 5,948 00      | 4,327 59            | 198 27               | 4,525 86            |
| 74                                   | GATE VALVE                   | 03/31/88      | ST LINE | 30/00 | N     | 2,159 00      | 1,565 49            | 71 97                | 1,637 46            |
| 77                                   | METER TAP ON FEES            | 07/01/88      | ST LINE | 30/00 | N     | 6,080 00      | 4,358 39            | 202 67               | 4,561 06            |
| 82                                   | METER                        | 01/23/89      | ST LINE | 30/00 | N     | 402 00        | 278 80              | 13 40                | 292 20              |
| 80                                   | METER                        | 02/16/89      | ST LINE | 30/00 | N     | 507 00        | 352 30              | 16 90                | 369 20              |
| 83                                   | METER                        | 03/14/89      | ST LINE | 30/00 | N     | 402 00        | 277 80              | 13 40                | 291 20              |
| 85                                   | METER                        | 03/14/89      | ST LINE | 30/00 | N     | 216 00        | 149 40              | 7 20                 | 156 60              |



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**Southern Water and Sewer (BEWD)**  
**Depreciation Schedule by G/L Account Number**  
**For the 12 Months Ended 12/31/10**

| Asset No.                   | Asset Description             | Date Acquired | Method  | Life  | Sold? | Cost        | Accum Depr 01/01/10 | Current Depreciation | Accum Depr 12/31/10 |
|-----------------------------|-------------------------------|---------------|---------|-------|-------|-------------|---------------------|----------------------|---------------------|
| <b>334-4 METERS (334-4)</b> |                               |               |         |       |       |             |                     |                      |                     |
| 86                          | GATE VALVE                    | 03/31/89      | ST LINE | 30/00 | N     | 625 00      | 433 11              | 20 83                | 453 94              |
| 95                          | GATE VALVE                    | 03/31/89      | ST LINE | 30/00 | N     | 625 00      | 433 11              | 20 83                | 453 94              |
| 89                          | TAP ON FEES                   | 07/01/89      | ST LINE | 30/00 | N     | 5,400 00    | 3,690 00            | 180 00               | 3,870 00            |
| 93                          | METER ADDITION 1989           | 07/01/89      | ST LINE | 30/00 | N     | 2,858 00    | 1,952 59            | 95 27                | 2,047 86            |
| 104                         | 1990 METER ADD                | 06/30/90      | ST LINE | 30/00 | N     | 7,400 00    | 4,810 39            | 246.67               | 5,057 06            |
| 102                         | TAP ON FEES                   | 07/01/90      | ST LINE | 30/00 | N     | 3,960 00    | 2,574 00            | 132 00               | 2,706 00            |
| 106                         | TAP ON FEES                   | 06/01/91      | ST LINE | 30/00 | N     | 5,640 00    | 3,494 00            | 188 00               | 3,582 00            |
| 109                         | METERS 1991                   | 07/01/91      | ST LINE | 30/00 | N     | 10,248 00   | 6,320 20            | 341 60               | 6,661 80            |
| 115                         | METERS 1992                   | 06/30/92      | ST LINE | 30/00 | N     | 4,491 00    | 2,619 90            | 149 70               | 2,769 60            |
| 116                         | TAP ON FEES                   | 06/30/92      | ST LINE | 30/00 | N     | 480 00      | 280 00              | 16 00                | 296 00              |
| 132                         | 1995 METERS                   | 06/01/95      | ST LINE | 30/00 | N     | 9,176 94    | 4,451.95            | 305 90               | 4,767 85            |
| 133                         | GATE VALVES                   | 06/01/95      | ST LINE | 30/00 | N     | 1,304 65    | 634 36              | 43.49                | 677.85              |
| 141                         | 1996 METERS                   | 06/01/96      | ST LINE | 30/00 | N     | 6,353 24    | 2,876 83            | 211 77               | 3,088 60            |
| 143                         | 1997 METERS                   | 01/10/97      | ST LINE | 30/00 | N     | 1,791 23    | 774 76              | 59 71                | 834 47              |
| 144                         | 1997 METERS                   | 06/26/97      | ST LINE | 30/00 | N     | 824 53      | 343 99              | 27.48                | 371 47              |
| 149                         | 1997 METERS                   | 06/30/97      | ST LINE | 30/00 | N     | 13,535 63   | 5,642 96            | 451.19               | 6,094 15            |
| 153                         | 1998 METERS                   | 06/30/98      | ST LINE | 30/00 | N     | 11,721 15   | 4,495 73            | 390 70               | 4,886 43            |
| 154                         | GATE VALVE                    | 06/30/98      | ST LINE | 30/00 | N     | 5,038 31    | 1,932 46            | 167.94               | 2,100 40            |
| 160                         | 1999 METERS                   | 02/19/99      | ST LINE | 07/00 | N     | 2,095 72    | 2,095.72            | 0 00                 | 2,095 72            |
| 154                         | 1999 METERS                   | 06/30/99      | ST LINE | 30/00 | N     | 3,854 41    | 1,349 92            | 128.48               | 1,478 40            |
| 175                         | 2000 GATE VALVES CIP          | 06/30/00      | ST LINE | 30/00 | N     | 4,366 51    | 1,383 52            | 145 55               | 1,529 07            |
| 178                         | METERS 2000 CIP               | 06/30/00      | ST LINE | 30/00 | N     | 19,900 72   | 6,305 54            | 663 36               | 6,968 90            |
| 183                         | METERS                        | 11/27/00      | ST LINE | 30/00 | N     | 9,450 00    | 2,865 12            | 315 00               | 3,180 12            |
| 194                         | 2001 CIP - METER INSTALLATION | 06/30/01      | ST LINE | 20/00 | N     | 81,704 53   | 34,752 43           | 4,085 23             | 38,837 66           |
| 280                         | 3 MASTER METERS               | 11/04/10      | ST LINE | 20/00 | N     | 68,275 63   | 0 00                | 542 46               | 542 46              |
| Total for (METERS (334-4))  |                               |               |         |       |       | 509,500 20  | 261,035 36          | 14,514 97            | 275,550 33          |
| <b>335-4 HYDR (335-4)</b>   |                               |               |         |       |       |             |                     |                      |                     |
| 31                          | HYDRANTS                      | 01/01/85      | ST LINE | 50/00 | N     | 736 00      | 369 24              | 14 72                | 383 96              |
| 54                          | HYDRANTS                      | 07/01/86      | ST LINE | 50/00 | N     | 1,563 00    | 733 42              | 31 26                | 764 68              |
| 67                          | HYDRANTS                      | 10/01/87      | ST LINE | 50/00 | N     | 224,871 00  | 100,065 14          | 4,497 42             | 104,562 56          |
| 76                          | HYDRANTS                      | 07/01/88      | ST LINE | 50/00 | N     | 17,824 00   | 7,662 16            | 356 48               | 8,018 64            |
| 179                         | HYDRANTS 2000 CIP             | 06/30/00      | ST LINE | 50/00 | N     | 7,800 00    | 1,482 85            | 156 00               | 1,638 85            |
| 277                         | HYDRANT                       | 11/04/10      | ST LINE | 20/00 | N     | 3,646 26 50 | 0 00                | 28 97                | 28 97               |
| Total for (HYDR (335-4))    |                               |               |         |       |       | 256,440 26  | 110,312 81          | 5,084 85             | 115,397 66          |
| <b>340-5 EQUIP (340-5)</b>  |                               |               |         |       |       |             |                     |                      |                     |
| 52                          | COPIER                        | 01/01/85      | ST LINE | 05/00 | N     | 1,795 00    | 1,616 00            | 0 00                 | 1,616 00            |
| 79                          | AIR CONDITIONER               | 06/22/88      | ST LINE | 05/00 | N     | 550 00      | 550 00              | 0 00                 | 550 00              |
| 78                          | TYPEWRITER                    | 10/21/88      | ST LINE | 05/00 | N     | 760 00      | 760 00              | 0 00                 | 760 00              |
| 117                         | COMPUTER SOFTWARE             | 03/10/92      | ST LINE | 05/00 | N     | 1,500 00    | 1,500 00            | 0 00                 | 1,500 00            |
| 118                         | OSM MANUAL                    | 03/10/92      | ST LINE | 05/00 | N     | 3,000 00    | 3,000 00            | 0 00                 | 3,000 00            |
| 122                         | FAX MACHINE                   | 06/14/93      | ST LINE | 05/00 | N     | 849 96      | 849 96              | 0 00                 | 849 96              |
| 135                         | IBM PRINTER                   | 02/02/95      | ST LINE | 05/00 | N     | 453 00      | 453 00              | 0 00                 | 453 00              |
| 136                         | COPIER                        | 04/01/95      | ST LINE | 07/00 | N     | 3,080 29    | 3,080 29            | 0 00                 | 3,080 29            |
| Total for (EQUIP (340-5))   |                               |               |         |       |       | 11,988 25   | 11,809 25           | 0 00                 | 11,809 25           |

**Southern Water and Sewer (BEWD)**  
**Depreciation Schedule by G/L Account Number**  
**For the 12 Months Ended 12/31/10**

| Asset No.                            | Asset Description           | Date Acquired | Method  | Life  | Sold? | Cost              | Accum Depr 01/01/10 | Current Depreciation | Accum Depr 12/31/10 |
|--------------------------------------|-----------------------------|---------------|---------|-------|-------|-------------------|---------------------|----------------------|---------------------|
| <b>341-5 VEH (341-5)</b>             |                             |               |         |       |       |                   |                     |                      |                     |
| 42                                   | TRANS EQUIP                 | 01/01/01      | ST LINE | 10/00 | N     | 6,320 00          | 6,320 00            | 0 00                 | 6,320 00            |
| 51                                   | VAN                         | 01/01/84      | ST LINE | 05/00 | N     | 2,500 00          | 2,500 00            | 0 00                 | 2,500 00            |
| 146                                  | 2 1997 FORD RANGERS         | 12/04/97      | ST LINE | 07/00 | N     | 20,000 00         | 20,000 00           | 0 00                 | 20,000 00           |
| 166                                  | 1999 MAIS - LINE EXTENSIONS | 06/30/99      | ST LINE | 20/00 | N     | 29,553 79         | 15,525 87           | 1,477 69             | 17,003 56           |
| 229                                  | 2006 F150                   | 03/01/06      | ST LINE | 05/00 | Y     | 19,100 00         | 14,662 52           | 2,899 01             | 17,561 53           |
| 230                                  | 2006 F150                   | 03/01/06      | ST LINE | 05/00 | N     | 19,100 00         | 14,662 52           | 3,820 00             | 18,482 52           |
| 231                                  | 2006 F250                   | 03/01/06      | ST LINE | 05/00 | Y     | 24,641 00         | 18,916 19           | 3,740 03             | 22,656 22           |
| 232                                  | 2006 F250                   | 03/01/06      | ST LINE | 05/00 | N     | 24,641 00         | 18,916 19           | 4,928 20             | 23,844 39           |
| 233                                  | 2006 FORD RANGER            | 03/01/06      | ST LINE | 05/00 | Y     | 16,935 00         | 13,000 51           | 2,913 75             | 15,914 26           |
| 223                                  | 2 VEOLIA TRUCKS             | 06/30/06      | ST LINE | 05/00 | N     | 11,448 79         | 8,029 84            | 2,289 76             | 10,319 60           |
| 239                                  | TRUCK                       | 06/30/07      | ST LINE | 05/00 | N     | 4,800 00          | 2,406 58            | 960 00               | 3,366 58            |
| 251                                  | SERVICE TRUCK               | 10/02/08      | ST LINE | 07/00 | N     | 5,500 00          | 981 07              | 785 71               | 1,766 78            |
| 259                                  | BOBCAT SKID STEER           | 03/09/09      | ST LINE | 05/00 | N     | 11,492 50         | 1,876 58            | 2,298 50             | 4,175 08            |
| 261                                  | TRAILER                     | 04/30/09      | ST LINE | 07/00 | N     | 6,718 96          | 646 91              | 959 85               | 1,606 76            |
| 264                                  | DODGE TRUCK                 | 06/30/09      | ST LINE | 05/00 | N     | 32,198 66         | 3,263 97            | 6,439 73             | 9,703 70            |
| 265                                  | DODGE TRUCK                 | 06/30/09      | ST LINE | 05/00 | N     | 32,198 67         | 3,263 97            | 6,439 73             | 9,703 70            |
| 266                                  | CHEVY TRUCK                 | 06/30/09      | ST LINE | 05/00 | N     | 32,198 67         | 3,263 97            | 6,439 73             | 9,703 70            |
| 272                                  | 2004 COLORADO TRUCK         | 08/28/10      | ST LINE | 05/00 | N     | 5,500 00          | 0 00                | 379 73               | 379 73              |
| <b>Total for (VEH (341-5))</b>       |                             |               |         |       |       | <b>304,847 04</b> | <b>148,236 69</b>   | <b>46,771 42</b>     | <b>195,008 11</b>   |
| <b>COPP SET (343-5)</b>              |                             |               |         |       |       |                   |                     |                      |                     |
| 56                                   | TOOLS                       | 03/04/86      | ST LINE | 05/00 | N     | 220 00            | 220 00              | 0 00                 | 220 00              |
| 72                                   | COPPERSETTER (4)            | 03/21/88      | ST LINE | 05/00 | N     | 1,388 00          | 1,388 00            | 0 00                 | 1,388 00            |
| 70                                   | TOOLS                       | 03/25/88      | ST LINE | 05/00 | N     | 1,662 00          | 1,662 00            | 0 00                 | 1,662 00            |
| 84                                   | COPPERSETTER                | 03/14/89      | ST LINE | 05/00 | N     | 300 00            | 300 00              | 0 00                 | 300 00              |
| 94                                   | COPPERSETTER                | 06/14/89      | ST LINE | 05/00 | N     | 249 00            | 249 00              | 0 00                 | 249 00              |
| 103                                  | COPPERSETTER                | 04/17/90      | ST LINE | 05/00 | N     | 972 00            | 972 00              | 0 00                 | 972 00              |
| 110                                  | COPPERSETTERS               | 07/01/91      | ST LINE | 05/00 | N     | 4,507 00          | 4,507 00            | 0 00                 | 4,507 00            |
| 119                                  | COPPERSETTER                | 03/10/92      | ST LINE | 05/00 | N     | 1,078 00          | 1,078 00            | 0 00                 | 1,078 00            |
| 134                                  | COPPERSETTERS               | 06/01/95      | ST LINE | 05/00 | N     | 678 38            | 678 38              | 0 00                 | 678 38              |
| <b>Total for (COPP SET (343-5))</b>  |                             |               |         |       |       | <b>11,054 38</b>  | <b>11,054 38</b>    | <b>0 00</b>          | <b>11,054 38</b>    |
| <b>344-5 EQUIP (344-5)</b>           |                             |               |         |       |       |                   |                     |                      |                     |
| 43                                   | LAB EQUIPMENT               | 01/01/80      | ST LINE | 10/00 | N     | 15,997 00         | 15,997 00           | 0 00                 | 15,997 00           |
| <b>Total for (EQUIP (344-5))</b>     |                             |               |         |       |       | <b>15,997 00</b>  | <b>15,997 00</b>    | <b>0 00</b>          | <b>15,997 00</b>    |
| <b>345-5 POW EQUIP (345-5)</b>       |                             |               |         |       |       |                   |                     |                      |                     |
| 44                                   | POWER EQUIPMENT             | 01/01/01      | ST LINE | 05/00 | N     | 7,909 00          | 7,909 00            | 0 00                 | 7,909 00            |
| 163                                  | BORING MACHINE              | 06/30/99      | ST LINE | 07/00 | N     | 4,579 20          | 4,579 20            | 0 00                 | 4,579 20            |
| 234                                  | EXCAVATOR                   | 03/31/07      | ST LINE | 07/00 | N     | 27,500 00         | 10,827 79           | 3,928 57             | 14,756 36           |
| 250                                  | EXCAVATOR                   | 08/18/08      | ST LINE | 07/00 | N     | 13,500 00         | 2,645 20            | 1,928 57             | 4,573 77            |
| 260                                  | GENREATOR                   | 04/30/09      | ST LINE | 05/00 | N     | 1,737 05          | 234 14              | 347 41               | 581 55              |
| 262                                  | LAWN MOWER                  | 04/30/09      | ST LINE | 05/00 | N     | 500 00            | 67 40               | 100 00               | 167 40              |
| <b>Total for (POW EQUIP (345-5))</b> |                             |               |         |       |       | <b>55,725 25</b>  | <b>26,262 73</b>    | <b>6,304 55</b>      | <b>32,567 28</b>    |
| <b>346-5 RADIOS (346-5)</b>          |                             |               |         |       |       |                   |                     |                      |                     |
| 48                                   | RADIOS TWO WAY              | 01/01/82      | ST LINE | 05/00 | N     | 2,194 00          | 2,194 00            | 0 00                 | 2,194 00            |
| 49                                   | RADIOS TWO WAY              | 01/01/84      | ST LINE | 05/00 | N     | 1,125 00          | 1,125 00            | 0 00                 | 1,125 00            |

Book Basis

F-1 7/14

06/30/11  
01:52PM

**Southern Water and Sewer (BEWD)**  
**Depreciation Schedule by G/L Account Number**  
**For the 12 Months Ended 12/31/10**

| Asset No.                    | Asset Description  | Date Acquired | Method  | Life  | Sold? | Cost          | Accum Depr 01/01/10 | Current Depreciation | Accum Depr 12/31/10 |
|------------------------------|--------------------|---------------|---------|-------|-------|---------------|---------------------|----------------------|---------------------|
| <b>346-5 RADIOS (346-5)</b>  |                    |               |         |       |       |               |                     |                      |                     |
| 87                           | RADIO MIKE         | 03/22/89      | ST LINE | 05/00 | N     | 722 00        | 722 00              | 0 00                 | 722 00              |
| 269                          | RADIOS             | 11/17/09      | ST LINE | 05/00 | N     | 646 56        | 15 94               | 129 31               | 145 25              |
| Total for (RADIOS (346-5))   |                    |               |         |       |       | 4,887 56      | 4,056 94            | 129 31               | 4,186 25            |
| <b>347-5 EQUIP (347-5)</b>   |                    |               |         |       |       |               |                     |                      |                     |
| 45                           | MISC EQUIP         | 01/01/01      | ST LINE | 10/00 | N     | 483 00        | 483 00              | 0 00                 | 483 00              |
| 58                           | BENCH TESTER       | 04/30/86      | ST LINE | 10/00 | N     | 4,396 00      | 4,396.00            | 0 00                 | 4,396 00            |
| 125                          | COMPUTER FOR PLANT | 07/31/94      | ST LINE | 05/00 | N     | 1,012 94      | 1,012 94            | 0 00                 | 1,012 94            |
| Total for (EQUIP (347-5))    |                    |               |         |       |       | 5,891 94      | 5,891 94            | 0 00                 | 5,891 94            |
| Client Subtotal Before Sales |                    |               |         |       |       | 32,078,242 77 | 11,656,330 85       | 1,254,018 57         | 12,910,349 42       |
| Less Assets Sold             |                    |               |         |       |       | 60,676 00     |                     |                      | 56,132 01           |
| Total                        |                    |               |         |       |       | 32,017,566.77 | 11,656,330.85       | 1,254,018.57         | 12,854,217.41       |

Book Basis

**Southern Water and Sewer (BEWD)  
Asset Disposition by Sale Description  
For the 12 Months Ended 12/31/10**

F-1 9/14

06/30/11  
01:53PM

| Asset No.                | Asset Description | Date Acquired | Date of Sale/Disp | Gross Sales Price | Cost or Basis | Expenses of Sale | Accumulated Depreciation | Gain/(loss) on Sale |
|--------------------------|-------------------|---------------|-------------------|-------------------|---------------|------------------|--------------------------|---------------------|
| No Sale Description      |                   |               |                   |                   |               |                  |                          |                     |
| 229                      | 2006 F150         | 03/01/06      | 10/04/10          | 4,005 00          | 19,100 00     | 0 00             | 17,561 53                | 2,466 53            |
| 231                      | 2006 F250         | 03/01/06      | 10/04/10          | 2,600 00          | 24,641 00     | 0 00             | 22,656 22                | 615 22              |
| 233                      | 2006 FORD RANGER  | 03/01/06      | 11/10/10          | 9,150 00          | 16,935 00     | 0 00             | 15,914 26                | 8,129 26            |
| Total for (No Sale Desc) |                   |               |                   | 15,755 00         | 60,676 00     | 0 00             | 56,132 01                | 11,211 01           |
| Total                    |                   |               |                   | 15,755.00         | 60,676.00     | 0.00             | 56,132.01                | 11,211.01           |

**Southern Water and Sewer District (MUD)**  
**Depreciation Schedule by G/L Account Number**  
**For the 12 Months Ended 12/31/10**

F-1 10/14 06/30/11  
 11:25AM

| Asset No.                        | Asset Description    | Date Acquired | Method    | Life  | Sold? | Cost       | Accum Depr 01/01/10 | Current Depreciation | Accum Depr 12/31/10 |
|----------------------------------|----------------------|---------------|-----------|-------|-------|------------|---------------------|----------------------|---------------------|
| <b>303 LAND (303)</b>            |                      |               |           |       |       |            |                     |                      |                     |
| 70                               | LAND                 | 01/01/41      | LAND      | 05/00 | N     | 5,173 00   | 0 00                | 0 00                 | 0 00                |
| Total for (LAND (303))           |                      |               |           |       |       | 5,173 00   | 0 00                | 0 00                 | 0 00                |
| <b>307 WELLS (307)</b>           |                      |               |           |       |       |            |                     |                      |                     |
| 26                               | WELLS & SPRINGS      | 12/31/79      | ST LINE   | 25/00 | N     | 1,486 00   | 1,486 00            | 0 00                 | 1,486 00            |
| 27                               | WELLS & SPRINGS      | 12/31/80      | ST LINE   | 25/00 | N     | 1,398 00   | 1,398 00            | 0 00                 | 1,398 00            |
| 28                               | WELLS & SPRINGS      | 12/31/81      | ST LINE   | 25/00 | N     | 420 00     | 420 00              | 0 00                 | 420 00              |
| Total for (WELLS (307))          |                      |               |           |       |       | 3,304 00   | 3,304 00            | 0 00                 | 3,304 00            |
| <b>311 PUMP EQU (311)</b>        |                      |               |           |       |       |            |                     |                      |                     |
| 29                               | PUMPING EQUIPMENT    | 12/31/70      | ST LINE   | 40/00 | N     | 31,403 00  | 31,271 36           | 131 64               | 31,403 00           |
| 30                               | PUMPING EQUIPMENT    | 12/31/86      | ST LINE   | 40/00 | N     | 61,893 00  | 35,366 61           | 1,547 33             | 36,913 94           |
| 31                               | PUMPING EQUIPMENT    | 12/31/86      | ST LINE   | 40/00 | N     | 3,261 00   | 1,876 01            | 81 53                | 1,957 54            |
| 32                               | PUMPING EQUIPMENT    | 12/31/87      | ST LINE   | 40/00 | N     | 1,079 00   | 593 66              | 26 98                | 620 64              |
| 34                               | PUMPING EQUIPMENT    | 07/19/88      | ST LINE   | 40/00 | N     | 1,960 00   | 1,051 00            | 49 00                | 1,100 00            |
| 33                               | PUMPING EQUIPMENT    | 12/31/88      | ST LINE   | 40/00 | N     | 543 00     | 285 86              | 13 58                | 299 44              |
| 35                               | PUMPING EQUIPMENT    | 03/15/89      | ST LINE   | 40/00 | N     | 572 00     | 297 10              | 14 30                | 311 40              |
| 36                               | PUMPING EQUIPMENT    | 06/14/89      | ST LINE   | 40/00 | N     | 620 00     | 319 50              | 15 50                | 335 00              |
| 55                               | PUMPS                | 02/02/90      | ST LINE   | 40/00 | N     | 5,255 00   | 2,615 46            | 131 38               | 2,746 84            |
| 56                               | PUMPS                | 02/02/90      | ST LINE   | 40/00 | N     | 1,305 00   | 650 71              | 32 63                | 683 34              |
| 86                               | PUMP                 | 06/29/92      | ST LINE   | 40/00 | N     | 2,986 00   | 1,306 05            | 74 65                | 1,380 70            |
| 88                               | SUMMERSIBLE PUMP     | 08/31/92      | ST LINE   | 07/00 | N     | 1,909 00   | 1,908 35            | 0 00                 | 1,908 35            |
| 100                              | PUMP STATION REPAIRS | 12/30/93      | FED BASIS | 20/00 | N     | 1,243 00   | 1,025 47            | 62 15                | 1,087 62            |
| 108                              | PUMP                 | 06/30/95      | ST LINE   | 30/00 | N     | 4,543 39   | 2,197 06            | 151 45               | 2,348 51            |
| 117                              | PUMP MOTOR           | 02/28/96      | ST LINE   | 30/00 | N     | 1,780 00   | 821 22              | 59 33                | 880 55              |
| 116                              | PUMP MINK BRANCH     | 04/15/96      | ST LINE   | 30/00 | N     | 1,818 46   | 831 29              | 60 62                | 891 91              |
| 119                              | PUMP REPAIR          | 04/15/96      | ST LINE   | 30/00 | N     | 688 47     | 314 72              | 22 95                | 337 67              |
| 114                              | PUMPS                | 06/30/96      | ST LINE   | 30/00 | N     | 4,520 00   | 2,034 87            | 150 67               | 2,185 54            |
| 115                              | RADIO BASE STATION   | 08/14/96      | ST LINE   | 07/00 | N     | 518 04     | 518 04              | 0 00                 | 518 04              |
| 122                              | PUMP                 | 06/26/97      | ST LINE   | 30/00 | N     | 1,065 00   | 444 38              | 35 50                | 479 88              |
| 136                              | PUMPS & MOTORS       | 03/12/99      | ST LINE   | 30/00 | N     | 2,502 00   | 901 41              | 83 40                | 984 81              |
| 137                              | PUMPS & MOTORS       | 03/30/99      | ST LINE   | 30/00 | N     | 2,325 00   | 833 82              | 77 50                | 911 32              |
| Total for (PUMP EQU (311))       |                      |               |           |       |       | 133,789 36 | 87,463 95           | 2,822 09             | 90,286 04           |
| <b>330 DIST RES (330)</b>        |                      |               |           |       |       |            |                     |                      |                     |
| 37                               | DIST RESERVOIRS      | 12/15/89      | ST LINE   | 45/00 | N     | 48,000 00  | 21,520 39           | 1,066 67             | 22,587 06           |
| 58                               | DISTRIBUTION         | 03/27/90      | ST LINE   | 45/00 | N     | 920 00     | 402 48              | 20 44                | 422 92              |
| 60                               | DISTRIBUTIONS        | 06/14/90      | ST LINE   | 45/00 | N     | 563 00     | 245 67              | 12 51                | 258 18              |
| 62                               | DIST RESERVOIRS      | 07/13/90      | ST LINE   | 45/00 | N     | 563 00     | 245 67              | 12 51                | 258 18              |
| 95                               | BARRIERS             | 03/31/93      | FED BASIS | 20/00 | N     | 900 00     | 742 50              | 45 00                | 787 50              |
| Total for (DIST RES (330))       |                      |               |           |       |       | 50,946 00  | 23,156 71           | 1,157 13             | 24,313 84           |
| <b>331 T &amp; D MAINS (331)</b> |                      |               |           |       |       |            |                     |                      |                     |
| 38                               | T & D MAINS          | 01/01/71      | ST LINE   | 40/00 | N     | 967,123 00 | 955,972 36          | 11,150 64            | 967,123 00          |
| 39                               | T & D MAINS          | 12/31/84      | ST LINE   | 40/00 | N     | 2,090 00   | 1,357 25            | 52 25                | 1,409 50            |
| 40                               | T & D MAINS          | 12/31/85      | ST LINE   | 40/00 | N     | 697 00     | 418 31              | 17 43                | 435 74              |
| 41                               | T & D MAINS          | 12/31/86      | ST LINE   | 40/00 | N     | 387 00     | 217 56              | 9 68                 | 227 24              |
| 42                               | T & D MAINS          | 12/31/87      | ST LINE   | 40/00 | N     | 119,771 00 | 65,873 76           | 2,994 28             | 68,868 04           |

**Southern Water and Sewer District (MUD)**  
**Depreciation Schedule by G/L Account Number**  
**For the 12 Months Ended 12/31/10**

F-1 11/14

| Asset<br>Nb.                             | Asset Description | Date<br>Acquired | Method  | Life  | Sold? | Cost                | Accum Depr<br>01/01/10 | Current<br>Depreciation | Accum Depr<br>12/31/10 |
|--|-------------------|------------------|---------|-------|-------|---------------------|------------------------|-------------------------|------------------------|
| <b>331 T &amp; D MAINS (331)</b>         |                   |                  |         |       |       |                     |                        |                         |                        |
| 44                                       | T & D MAINS       | 07/19/88         | ST LINE | 40/00 | N     | 4,201.00            | 2,253.51               | 105 03                  | 2,358 54               |
| 43                                       | T & D MAINS       | 12/31/88         | ST LINE | 40/00 | N     | 57,144 00           | 30,001 20              | 1,428 60                | 31,429 80              |
| 46                                       | T & D MAINS       | 01/01/89         | ST LINE | 40/00 | N     | 642 00              | 323 85                 | 16 05                   | 339 90                 |
| 45                                       | T & D MAINS       | 03/16/89         | ST LINE | 40/00 | N     | 648 00              | 304.40                 | 16 20                   | 320 60                 |
| 47                                       | T & D MAINS       | 10/10/89         | ST LINE | 40/00 | N     | 1,387 00            | 701.56                 | 34 68                   | 736 24                 |
| 48                                       | T & D MAINS       | 12/11/89         | ST LINE | 40/00 | N     | 713 00              | 358 11                 | 17 83                   | 375 94                 |
| 63                                       | T & D MAINS       | 03/13/90         | ST LINE | 40/00 | N     | 514 00              | 249 45                 | 12 85                   | 262 30                 |
| 61                                       | T & D MAINS       | 07/02/90         | ST LINE | 40/00 | N     | 1,642 00            | 800 85                 | 41 05                   | 841 90                 |
| 65                                       | T & D MAINS       | 09/26/90         | ST LINE | 40/00 | N     | 1,158 00            | 557 15                 | 28 95                   | 586 10                 |
| 72                                       | MAINS             | 02/28/92         | ST LINE | 40/00 | N     | 1,984 00            | 884 20                 | 49 60                   | 933 80                 |
| 75                                       | MAINS             | 04/30/92         | ST LINE | 40/00 | N     | 1,881 00            | 830 51                 | 47 03                   | 877 54                 |
| 80                                       | MAINS             | 10/31/92         | ST LINE | 40/00 | N     | 261 00              | 112.01                 | 6 53                    | 118.54                 |
| 103                                      | 1994 MAINS        | 06/30/94         | ST LINE | 40/00 | N     | 2,101 04            | 814 57                 | 52 53                   | 867 10                 |
| 104                                      | 1995 MAINS        | 06/30/95         | ST LINE | 40/00 | N     | 5,244 51            | 1,901 99               | 131.11                  | 2,033.10               |
| 113                                      | 1996 MAINS        | 06/30/96         | ST LINE | 40/00 | N     | 914 00              | 308 60                 | 22 85                   | 331 45                 |
| 123                                      | 97 MAINS          | 06/30/97         | ST LINE | 40/00 | N     | 8,971 20            | 2,805 04               | 224 28                  | 3,029 32               |
| 127                                      | 98 MAINS          | 06/30/98         | ST LINE | 40/00 | N     | 7,200 73            | 2,071 46               | 180 02                  | 2,251 48               |
| 133                                      | 1998 MAINS        | 06/30/98         | ST LINE | 40/00 | N     | 4,530 00            | 1,303.15               | 113 25                  | 1,416 40               |
| 139                                      | 1999 MAINS        | 08/13/99         | ST LINE | 40/00 | N     | 1,644.04            | 426 88                 | 41 10                   | 467 98                 |
| 140                                      | 1999 MAINS        | 08/27/99         | ST LINE | 40/00 | N     | 2,230 02            | 576 90                 | 55 75                   | 632 65                 |
| 134                                      | 1999 MAINS        | 09/14/99         | ST LINE | 40/00 | N     | 1,698 84            | 437 38                 | 42 47                   | 479 85                 |
| 141                                      | MAINS 1999        | 10/14/99         | ST LINE | 40/00 | N     | 2,155 67            | 550 56                 | 53 89                   | 604 45                 |
| <b>Total for (T &amp; D MAINS (331))</b> |                   |                  |         |       |       | <b>1,198,933 05</b> | <b>1,072,412 57</b>    | <b>16,945 93</b>        | <b>1,089,358 50</b>    |
| <b>333 SERV (333)</b>                    |                   |                  |         |       |       |                     |                        |                         |                        |
| 49                                       | SERVICES          | 12/31/85         | ST LINE | 50/00 | N     | 681 00              | 505 54                 | 13 62                   | 519 16                 |
| 50                                       | SERVICES          | 12/31/86         | ST LINE | 50/00 | N     | 37,594 00           | 23,057 96              | 751 88                  | 23,809 84              |
| 51                                       | SERVICES          | 12/31/86         | ST LINE | 50/00 | N     | 2,196 00            | 1,346 64               | 43 92                   | 1,390.56               |
| 52                                       | SERVICES          | 12/31/87         | ST LINE | 50/00 | N     | 75,399 00           | 38,961 66              | 1,507 98                | 40,469 64              |
| 53                                       | SERVICES          | 12/31/88         | ST LINE | 50/00 | N     | 759 00              | 318 06                 | 15 18                   | 333 24                 |
| 54                                       | SERVICES          | 12/31/88         | ST LINE | 50/00 | N     | 3,921 00            | 1,646.14               | 78 42                   | 1,724 56               |
| <b>Total for (SERV (333))</b>            |                   |                  |         |       |       | <b>120,550 00</b>   | <b>65,836 00</b>       | <b>2,411 00</b>         | <b>68,247 00</b>       |
| <b>334 METERS (334)</b>                  |                   |                  |         |       |       |                     |                        |                         |                        |
| 1  | METER             | 12/31/80         | ST LINE | 30/00 | N     | 3,500 00            | 3,500.00               | 0 00                    | 3,500 00               |
| 2  | METER             | 12/31/81         | ST LINE | 30/00 | N     | 1,400 00            | 1,400 00               | 0 00                    | 1,400 00               |
| 3  | METER             | 06/30/82         | ST LINE | 30/00 | N     | 250 00              | 250 00                 | 0 00                    | 250 00                 |
| 4  | METER             | 12/31/83         | ST LINE | 30/00 | N     | 2,750 00            | 2,750 00               | 0 00                    | 2,750 00               |
| 5  | METER             | 12/31/84         | ST LINE | 30/00 | N     | 2,375 00            | 2,375 00               | 0 00                    | 2,375 00               |
| 6  | METER             | 12/31/85         | ST LINE | 30/00 | N     | 1,041 00            | 1,041 00               | 0.00                    | 1,041 00               |
| 11                                       | METER             | 12/31/85         | ST LINE | 50/00 | N     | 632 00              | 401 88                 | 12 64                   | 414 52                 |
| 7  | METER             | 12/31/86         | ST LINE | 30/00 | N     | 41,686 00           | 41,686 00              | 0 00                    | 41,686 00              |
| 8  | METER             | 12/31/86         | ST LINE | 30/00 | N     | 1,910 00            | 1,910 00               | 0 00                    | 1,910 00               |
| 12                                       | METER             | 12/31/86         | ST LINE | 50/00 | N     | 41,686 00           | 22,904 24              | 833.72                  | 23,737 96              |
| 13                                       | METER             | 12/31/86         | ST LINE | 50/00 | N     | 13,838 00           | 7,603 92               | 276 76                  | 7,880 68               |
| 9  | METER             | 12/31/87         | ST LINE | 30/00 | N     | 17,455 00           | 15,372 11              | 581 83                  | 15,953 94              |

**Southern Water and Sewer District (MUD)**  
**Depreciation Schedule by G/L Account Number**  
**For the 12 Months Ended 12/31/10**

F-1 12/14 06/30/11  
 11:25AM

| Asset No.                | Asset Description  | Date Acquired | Method    | Life  | Sold? | Cost       | Accum Depr 01/01/10 | Current Depreciation | Accum Depr 12/31/10 |
|--------------------------|--------------------|---------------|-----------|-------|-------|------------|---------------------|----------------------|---------------------|
| <b>334 METERS (334)</b>  |                    |               |           |       |       |            |                     |                      |                     |
| 14                       | METER              | 12/31/87      | ST LINE   | 50/00 | N     | 16,720 00  | 8,104 80            | 334 40               | 8,439 20            |
| 16                       | METER              | 07/19/88      | ST LINE   | 40/00 | N     | 3,921 00   | 2,058 51            | 98 03                | 2,156 54            |
| 10                       | METER              | 12/31/88      | ST LINE   | 30/00 | N     | 1,674 00   | 1,172 60            | 55 80                | 1,228 40            |
| 15                       | METER              | 12/31/88      | ST LINE   | 50/00 | N     | 7,470 00   | 3,136 80            | 149 40               | 3,286 20            |
| 18                       | METER              | 01/06/89      | ST LINE   | 30/00 | N     | 900 00     | 630 00              | 30 00                | 660 00              |
| 19                       | METER              | 01/06/89      | ST LINE   | 30/00 | N     | 345 00     | 242 50              | 11 50                | 254 00              |
| 20                       | METER              | 02/09/89      | ST LINE   | 30/00 | N     | 743 00     | 518 09              | 24 77                | 542 86              |
| 21                       | METER              | 02/16/89      | ST LINE   | 30/00 | N     | 960 00     | 668 00              | 32 00                | 700 00              |
| 17                       | METER              | 04/18/89      | ST LINE   | 30/00 | N     | 774 00     | 534 60              | 25 80                | 560 40              |
| 57                       | METERS             | 03/14/90      | ST LINE   | 50/00 | N     | 900 00     | 357 00              | 18 00                | 375 00              |
| 59                       | METERS             | 05/14/90      | ST LINE   | 50/00 | N     | 658 00     | 258 72              | 13 16                | 271 88              |
| 64                       | METERS             | 08/29/90      | ST LINE   | 50/00 | N     | 1,349 00   | 521 66              | 26 98                | 548 64              |
| 66                       | METERS             | 10/12/90      | ST LINE   | 50/00 | N     | 1,799 00   | 692 66              | 35 98                | 728 64              |
| 67                       | METERS             | 12/13/90      | ST LINE   | 50/00 | N     | 540 00     | 206 60              | 10 80                | 217 40              |
| 73                       | METERS             | 02/28/92      | ST LINE   | 30/00 | N     | 380 00     | 226 39              | 12.67                | 239.06              |
| 74                       | METERS             | 03/31/92      | ST LINE   | 30/00 | N     | 806 00     | 476.79              | 26 87                | 503 66              |
| 76                       | METERS             | 06/30/92      | ST LINE   | 30/00 | N     | 891 00     | 519.90              | 29 70                | 549 60              |
| 77                       | METERS             | 07/31/92      | ST LINE   | 30/00 | N     | 807 00     | 468.30              | 26 90                | 495 20              |
| 78                       | METERS             | 09/30/92      | ST LINE   | 30/00 | N     | 539 00     | 309 49              | 17.97                | 327 46              |
| 79                       | METERS             | 10/31/92      | ST LINE   | 30/00 | N     | 648 00     | 371 20              | 21 60                | 392 80              |
| 81                       | METERS             | 11/30/92      | ST LINE   | 30/00 | N     | 2,605 00   | 1,483 11            | 86 83                | 1,569 94            |
| 91                       | METERS             | 11/30/92      | ST LINE   | 30/00 | N     | 970 00     | 552 61              | 32 33                | 584 94              |
| 82                       | METERS             | 12/31/92      | ST LINE   | 30/00 | N     | 250 00     | 141 61              | 8 33                 | 149 94              |
| 97                       | COPPERSETTERS      | 05/14/93      | FED BASIS | 30/00 | N     | 581 00     | 319 57              | 19 37                | 338 94              |
| 96                       | METERS             | 06/30/93      | FED BASIS | 30/00 | N     | 3,242 00   | 1,783 12            | 108 07               | 1,891 19            |
| 102                      | 1994 METERS        | 06/30/94      | ST LINE   | 30/00 | N     | 2,498 53   | 1,291 41            | 83 28                | 1,374 69            |
| 105                      | 1995 METERS        | 06/30/95      | ST LINE   | 30/00 | N     | 2,764 53   | 1,336 81            | 92 15                | 1,428 96            |
| 106                      | 1995 VALVES        | 06/30/95      | ST LINE   | 30/00 | N     | 1,390 07   | 672 25              | 46 34                | 718 59              |
| 107                      | 1995 COPPERSETTERS | 06/30/95      | ST LINE   | 30/00 | N     | 1,099 67   | 531 82              | 36 66                | 568 48              |
| 112                      | 1996 METERS        | 06/30/96      | ST LINE   | 30/00 | N     | 7,298 54   | 3,286 61            | 243 28               | 3,528 89            |
| 124                      | 97 METERS          | 06/30/97      | ST LINE   | 30/00 | N     | 427 34     | 178 10              | 14 24                | 192 34              |
| 128                      | 98 METERS          | 06/30/98      | ST LINE   | 30/00 | N     | 5,648 82   | 2,166 63            | 188 29               | 2,354 92            |
| 130                      | GATE VALVES        | 06/30/98      | ST LINE   | 30/00 | N     | 2,963 64   | 1,136 76            | 98 79                | 1,235 55            |
| 135                      | 1999 METERS        | 02/25/99      | ST LINE   | 30/00 | N     | 4,181 04   | 1,512 07            | 139 37               | 1,651 44            |
| Total for (METERS (334)) |                    |               |           |       |       | 207,267 18 | 139,060 24          | 3,904 61             | 142,964 85          |
| <b>340 EQUIP (340)</b>   |                    |               |           |       |       |            |                     |                      |                     |
| 69                       | COMPUTER           | 04/30/91      | 200% DB   | 05/00 | N     | 2,048 00   | 2,048 00            | 0 00                 | 2,048 00            |
| 84                       | CANON COPIER       | 03/31/92      | ST LINE   | 07/00 | N     | 1,220 00   | 1,219 57            | 0 00                 | 1,219 57            |
| 87                       | PRESSURE RECORDER  | 06/29/92      | ST LINE   | 07/00 | N     | 653 00     | 652 59              | 0 00                 | 652 59              |
| 98                       | AIR CONDITIONER    | 06/29/93      | FED BASIS | 05/00 | N     | 449 00     | 449 00              | 0 00                 | 449 00              |
| 110                      | XEROX COPIER       | 06/30/95      | ST LINE   | 05/00 | N     | 2,519 00   | 2,519 00            | 0 00                 | 2,519 00            |
| 111                      | SOCOS COMPUTER     | 12/28/95      | ST LINE   | 05/00 | N     | 1,185 00   | 1,185 00            | 0 00                 | 1,185 00            |
| 118                      | SOFTWARE           | 04/30/96      | ST LINE   | 07/00 | N     | 290 00     | 290 00              | 0 00                 | 290 00              |
| 138                      | COMPUTER UPGRADE   | 04/27/99      | ST LINE   | 05/00 | N     | 940 00     | 940 00              | 0 00                 | 940 00              |

**Southern Water and Sewer District (MUD)**  
**Depreciation Schedule by G/L Account Number**  
**For the 12 Months Ended 12/31/10**

E-1 13/14 06/30/11  
 11:25AM

| Asset No.                    | Asset Description     | Date Acquired | Method    | Life  | Sold? | Cost         | Accum Depr 01/01/10 | Current Depreciation | Accum Depr 12/31/10 |
|------------------------------|-----------------------|---------------|-----------|-------|-------|--------------|---------------------|----------------------|---------------------|
| <b>340 EQUIP (340)</b>       |                       |               |           |       |       |              |                     |                      |                     |
| Total for (EQUIP (340))      |                       |               |           |       |       | 9,304.00     | 9,303.16            | 0.00                 | 9,303.16            |
| <b>341 EQUIP (341)</b>       |                       |               |           |       |       |              |                     |                      |                     |
| 68                           | TRUCK                 | 11/30/91      | 200% DB   | 07/00 | N     | 10,789.00    | 10,789.00           | 0.00                 | 10,789.00           |
| 83                           | TWO-WAY BASE STATION  | 01/15/92      | 200% DB   | 07/00 | N     | 580.00       | 554.07              | 0.00                 | 554.07              |
| 85                           | TWO-WAY RADIO         | 05/28/92      | ST LINE   | 07/00 | N     | 788.00       | 786.95              | 0.00                 | 786.95              |
| 93                           | DUMP TRUCK REPAIRS    | 01/29/93      | FED BASIS | 07/00 | N     | 1,112.00     | 1,112.00            | 0.00                 | 1,112.00            |
| 94                           | BACKHOE REPAIRS       | 01/29/93      | FED BASIS | 07/00 | N     | 1,515.00     | 1,515.00            | 0.00                 | 1,515.00            |
| 101                          | BACKHOE               | 04/23/93      | FED BASIS | 07/00 | N     | 35,832.00    | 35,832.00           | 0.00                 | 35,832.00           |
| 99                           | DITCH WITCH           | 08/31/93      | FED BASIS | 07/00 | N     | 5,718.00     | 5,718.00            | 0.00                 | 5,718.00            |
| 121                          | BACKHOE REPAIRS       | 02/27/97      | ST LINE   | 07/00 | N     | 1,773.18     | 1,773.18            | 0.00                 | 1,773.18            |
| 126                          | KENWOOD RADIO         | 06/30/97      | ST LINE   | 07/00 | N     | 637.00       | 637.00              | 0.00                 | 637.00              |
| 131                          | RADIOS                | 06/30/98      | ST LINE   | 05/00 | N     | 580.96       | 580.96              | 0.00                 | 580.96              |
| 132                          | TRUCK REPAIRS         | 06/30/98      | ST LINE   | 07/00 | N     | 1,838.77     | 1,838.77            | 0.00                 | 1,838.77            |
| 142                          | TRUCK                 | 12/31/09      | ST LINE   | 05/00 | N     | 17,600.00    | 17,600.00           | 0.00                 | 17,600.00           |
| Total for (EQUIP (341))      |                       |               |           |       |       | 78,763.91    | 78,736.93           | 0.00                 | 78,736.93           |
| <b>343 TOOLS (343)</b>       |                       |               |           |       |       |              |                     |                      |                     |
| 22                           | TOOLS SHOP & GARAGE   | 12/31/83      | ST LINE   | 15/00 | N     | 200.00       | 132.98              | 0.00                 | 132.98              |
| 23                           | TOOLS, SHOP, & GARAGE | 12/31/86      | ST LINE   | 15/00 | N     | 1,622.00     | 1,622.00            | 0.00                 | 1,622.00            |
| 25                           | OTHER TANG PROPERTY   | 12/31/86      | ST LINE   | 05/00 | N     | 1,111.00     | 1,111.00            | 0.00                 | 1,111.00            |
| 4                            | TOOLS, SHOP, & GARAGE | 12/31/88      | ST LINE   | 15/00 | N     | 674.00       | 674.00              | 0.00                 | 674.00              |
| 125                          | METAL DETECTOR        | 06/30/97      | ST LINE   | 07/00 | N     | 795.00       | 795.00              | 0.00                 | 795.00              |
| 129                          | TOOLS                 | 06/30/98      | ST LINE   | 07/00 | N     | 528.99       | 528.99              | 0.00                 | 528.99              |
| Total for (TOOLS (343))      |                       |               |           |       |       | 4,930.99     | 4,863.97            | 0.00                 | 4,863.97            |
| Client Subtotal Before Sales |                       |               |           |       |       | 1,812,961.49 | 1,484,137.53        | 27,240.76            | 1,511,378.29        |
| Less Assets Sold             |                       |               |           |       |       | 0.00         |                     |                      | 0.00                |
| Total                        |                       |               |           |       |       | 1,812,961.49 | 1,484,137.53        | 27,240.76            | 1,511,378.29        |



**Southern Water and Sewer District (SEWER DIV.)  
 Depreciation Schedule by G/L Account Number  
 For the 12 Months Ended 12/31/10**

F-1 14/14

06/30/11  
 11:30AM

| Asset No.                       | Asset Description              | Date Acquired | Method  | Life  | Sold? | Cost         | Accum Depr 01/01/10 | Current Depreciation | Accum Depr 12/31/10 |
|---------------------------------|--------------------------------|---------------|---------|-------|-------|--------------|---------------------|----------------------|---------------------|
| <b>304-1 STRUCTURES</b>         |                                |               |         |       |       |              |                     |                      |                     |
| 7                               | BUILDINGS                      | 12/31/05      | ST LINE | 20/00 | N     | 90,000 00    | 18,012 33           | 4,500.00             | 22,512 33           |
|                                 | Total for (STRUCTURES)         |               |         |       |       | 90,000 00    | 18,012 33           | 4,500 00             | 22,512 33           |
| <b>304-2 EASEMENTS AND LAND</b> |                                |               |         |       |       |              |                     |                      |                     |
| 12                              | EASEMENTS                      | 09/23/08      | LAND    | 00/00 | N     | 17,500 00    | 0 00                | 0 00                 | 0 00                |
|                                 | Total for (EASEMENTS AND LAND) |               |         |       |       | 17,500 00    | 0 00                | 0 00                 | 0 00                |
| <b>311-2 PUMP STATIONS</b>      |                                |               |         |       |       |              |                     |                      |                     |
| 4                               | 2005 PUMP STATIONS             | 12/31/05      | ST LINE | 30/00 | N     | 658,200 00   | 87,820 11           | 21,940 00            | 109,760 11          |
| 10                              | GRINDER PUMP STATIONS          | 09/23/08      | ST LINE | 30/00 | N     | 158,824 44   | 6,740 64            | 5,294 15             | 12,034 79           |
|                                 | Total for (PUMP STATIONS)      |               |         |       |       | 817,024 44   | 94,560 75           | 27,234 15            | 121,794 90          |
| <b>320-3 TREATMENT PLANT</b>    |                                |               |         |       |       |              |                     |                      |                     |
| 6                               | 2005 WASTEWATER TREATMEN       | 12/31/05      | ST LINE | 30/00 | N     | 493,417 00   | 65,833 98           | 16,447 23            | 82,281 21           |
| 11                              | TREATMENT PLANT                | 09/23/08      | ST LINE | 30/00 | N     | 258,237 23   | 10,959 80           | 8,607 91             | 19,567 71           |
|                                 | Total for (TREATMENT PLANT)    |               |         |       |       | 751,654 23   | 76,793 78           | 25,055 14            | 101,848 92          |
| <b>331-3 LINES</b>              |                                |               |         |       |       |              |                     |                      |                     |
| 1                               | 2005 LINES (ENGINEERING)       | 12/31/05      | ST LINE | 30/00 | N     | 377,967 58   | 50,430 20           | 12,598 92            | 63,029 12           |
| 2                               | 2005 LINES (LEGAL)             | 12/31/05      | ST LINE | 30/00 | N     | 16,420 43    | 2,190 90            | 547 35               | 2,738 25            |
| 3                               | 2005 LINES (ADMIN FEES)        | 12/31/05      | ST LINE | 30/00 | N     | 50,000 00    | 6,671 25            | 1,666 67             | 8,337 92            |
| 5                               | 2005 LATERALS, MAINS, LINES    | 12/31/05      | ST LINE | 30/00 | N     | 1,164,545 00 | 118,589 80          | 38,818.16            | 157,407 96          |
| 8                               | 2005 LINES (AST)               | 12/31/05      | ST LINE | 30/00 | N     | 666,213.37   | 88,889 28           | 22,207 11            | 111,096 39          |
|                                 | LATTERALS AND MAINS (EASTE     | 09/23/08      | ST LINE | 30/00 | N     | 143,101 81   | 6,073 36            | 4,770 06             | 10,843 42           |
|                                 | Total for (LINES)              |               |         |       |       | 2,418,248 19 | 272,844.79          | 80,608 27            | 353,453 06          |
|                                 | Client Subtotal Before Sales   |               |         |       |       | 4,094,426 86 | 462,211 65          | 137,397 56           | 599,609 21          |
|                                 | Less Assets Sold               |               |         |       |       | 0 00         |                     |                      | 0 00                |
|                                 | Total                          |               |         |       |       | 4,094,426.86 | 462,211.65          | 137,397.56           | 599,609.21          |

*Winkler Metal Tanks*  
*Eastern Portland Concrete*

| Water Accounts:  | Depreciable<br>Balance | New<br>Life | Pro forma<br>Depreciation | Less:<br>Test Year | Adjustment          |
|--|------------------------|-------------|---------------------------|--------------------|---------------------|
| 304 - Structures   |                        |             |                           |                    |                     |
| 1999 CIP Tanks   | \$ 778,722             | 45          | \$ 17,305                 | \$ (38,936)        | \$ (21,631)         |
| 2001 CIP - Tanks & Install   | 1,185,270              | 45          | 26,339                    | (59,264)           | (32,924)            |
| Rock Fork Tank   | 175,700                | 45          | 3,904                     | (8,785)            | (4,881)             |
| Spurlock Tank  | 166,000                | 45          | 3,689                     | (8,300)            | (4,611)             |
| 2004 CIP Tanks   | 1,292,040              | 45          | 28,712                    | (64,602)           | (35,890)            |
| 2007 CIP Tanks   | 99,659                 | 45          | 2,215                     | (4,983)            | (2,768)             |
| Security System  | 5,012                  | 10          | 501                       | (128)              | 374                 |
| Roof   | 13,500                 | 39          | 346                       | (64)               | 283                 |
| Price Tank   | 413,530                | 45          | 9,190                     | (3,286)            | 5,904               |
| 311 - Pumping Equipment  |                        |             |                           |                    |                     |
| Pump Station   | 176,679                | 20          | 8,834                     | (1,404)            | 7,430               |
| Pump Station   | 32,251                 | 20          | 1,613                     | (256)              | 1,356               |
| 320 - Water Equipment  |                        |             |                           |                    |                     |
| 1999 CIP Water Treatment   | 97,410                 | 35          | 2,783                     | (4,870)            | (2,087)             |
| Water Treatment Plant  | 132,826                | 35          | 3,795                     | (6,641)            | (2,846)             |
| 331 - T & D Mains, F-1, p. 3-5   | 19,303,991             | 50          | 386,080                   | (766,803)          | (380,723)           |
| 331 - T & D Mains, F-1, p. 10-11   | 231,810                | 50          | 4,636                     | (16,946)           | (12,310)            |
| 333 - Services, F-1, p. 5  | 474,275                | 40          | 11,857                    | (19,803)           | (7,946)             |
| 333 - Services, F-1, p. 11   | 120,550                | 40          | 3,014                     | (2,411)            |                     |
| 334 - Meters, F-1, p. 5-6  | 509,500                | 40          | 12,738                    | (14,515)           | (1,778)             |
| 334 - Meters, F-1, p. 11-12  | 152,355                | 40          | 3,809                     | (3,905)            | (96)                |
| Adjustment to Water Depreciation to Change Lives and Annualize Test-Year Additions   |                        |             |                           |                    | (495,145)           |
| To Allocate Meter Depreciation to the Sewer Division (\$16,547 x 3 percent)          |                        |             |                           |                    | (496)               |
| To Allocate Office Building Depreciation to the Sewer Division (\$4,306 x 3 percent) |                        |             |                           |                    | (129)               |
| Decrease   |                        |             |                           |                    | <u>\$ (495,770)</u> |

| Existing Sewer Accounts:                               | Depreciable Balance | New Life | Pro forma Depreciation | Less: Test Year | Adjustment         |
|--|---------------------|----------|------------------------|-----------------|--------------------|
| Buildings  | \$ 90,000           | 50       | \$ 1,800               | \$ (4,500)      | \$ (2,700)         |
| 311 - Pump Stations                                    | 817,024             | 35       | 23,344                 | (27,234)        | \$ (3,890)         |
| 320 - Treatment Plants                                 |                     |          |                        |                 |                    |
| Wayland Plant, Metal Tanks                             | 493,417             | 25       | 19,737                 | (16,447)        | 3,290              |
| Eastern Plant, Concrete Tanks                          | 258,237             | 35       | 7,378                  | (8,608)         | (1,230)            |
| 331 - Collection Mains                                 | 2,418,248           | 50       | 48,365                 | (80,608)        | (32,243)           |
| Allocation of Depreciation on Water Meters, Phase 1    |                     |          |                        |                 | 496                |
| Allocation of Depreciation on Office Building, Phase 1 |                     |          |                        |                 | 129                |
| Decrease   |                     |          |                        |                 | <u>\$ (36,149)</u> |
| Harold Project   |                     |          |                        |                 |                    |
| 311 - Pump Stations                                    | 725,504             | 35       | 20,729                 | -               | \$ 20,729          |
| 320 - Plant, Concrete Tanks                            | 2,164,061           | 35       | 61,830                 | -               | 61,830             |
| 331 - Collection Mains                                 | 860,522             | 50       | 17,210                 | -               | <u>17,210</u>      |
|  |                     |          |                        |                 | <u>\$ 99,769</u>   |

Depreciation on Harold Project

Allocation of Construction Overheads of Harold Project

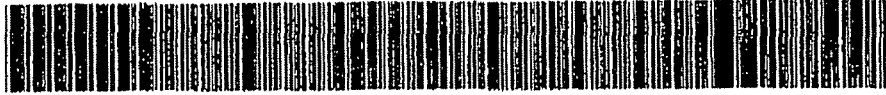
|                            | Construction Costs  |      | Overheads         | Total               |
|----------------------------|---------------------|------|-------------------|---------------------|
| 100,000 gpd concrete plant | \$ 1,790,000        | 58%  | \$ 374,061        | \$ 2,164,061        |
| Collection System          | 712,188             | 23%  | 148,334           | 860,522             |
| Pumping                    | 602,967             | 19%  | 122,537           | 725,504             |
|                            | <u>\$ 3,105,155</u> | 100% | <u>\$ 644,932</u> | <u>\$ 3,750,087</u> |

Jun 23 2011 4:09PM

Originated in '06  
600K buyout of Veolia  
rolled over 3x

No. 4500 P. 1

G-1



\*00000000100035181006005242011081-1385253\*

#23205

### AMORTIZATION SCHEDULE

| Principal    | Loan Date  | Maturity   | Loan No   | Cal / Coll | Account    | Office | Initials |
|--------------|------------|------------|-----------|------------|------------|--------|----------|
| \$187,523.35 | 05-24-2011 | 02-10-2013 | 100035181 | 150        | 0000000000 | GDJ    |          |

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** SOUTHERN WATER & SEWER DISTRICT (TIN:  
61-1386263)  
P.O. Box 610  
McDowell, KY 41647

**Lender:** FIRST GUARANTY BANK  
Martin Branch  
39 Triangle Street  
P.O. Box 888  
Martin, KY 41649

Disbursement Date: May 24, 2011  
Interest Rate: 6.250

Repayment Schedule: Balloon  
Calculation Method: 365/365 U.S. Rule

| Payment Number      | Payment Date | Payment Amount    | Interest Paid    | Principal Paid    | Remaining Balance |
|---------------------|--------------|-------------------|------------------|-------------------|-------------------|
| 1                   | 06-10-2011   | 9,709.54          | 545.87           | 9,163.67          | 178,359.68 ✓      |
| 2                   | 07-10-2011   | 9,709.54          | 916.23           | 8,793.31          | 169,566.37 ✓      |
| 3                   | 08-10-2011   | 9,709.54          | 800.10           | 8,909.44          | 160,756.93 ✓      |
| 4                   | 09-10-2011   | 9,709.54          | 853.33           | 8,856.21          | 151,900.72 ✓      |
| 5                   | 10-10-2011   | 9,709.54          | 780.31           | 8,929.23          | 142,971.49 ✓      |
| 6                   | 11-10-2011   | 9,709.54          | 758.92           | 8,950.62          | 134,020.87 ✓      |
| 7                   | 12-10-2011   | 9,709.54          | 688.48           | 9,021.08          | 124,999.79 ✓      |
| <b>2011 TOTALS:</b> |              | <b>67,966.78</b>  | <b>5,443.22</b>  | <b>62,523.56</b>  |                   |
| 8                   | 01-10-2012   | 9,709.54          | 663.53           | 9,046.01          | 115,953.78 ✓      |
| 9                   | 02-10-2012   | 9,709.54          | 615.51           | 9,094.03          | 106,859.75 ✓      |
| 10                  | 03-10-2012   | 9,709.54          | 530.84           | 9,178.90          | 97,680.85 ✓       |
| 11                  | 04-10-2012   | 9,709.54          | 618.51           | 9,181.03          | 88,489.82 ✓       |
| 12                  | 05-10-2012   | 9,709.54          | 454.57           | 9,254.97          | 79,234.85 ✓       |
| 13                  | 06-10-2012   | 9,709.54          | 420.80           | 9,288.84          | 69,945.91 ✓       |
| 14                  | 07-10-2012   | 9,709.54          | 359.31           | 9,350.23          | 60,595.68 ✓       |
| 15                  | 08-10-2012   | 9,709.54          | 321.88           | 9,387.88          | 51,207.60 ✓       |
| 16                  | 09-10-2012   | 9,709.54          | 271.82           | 9,437.72          | 41,770.08 ✓       |
| 17                  | 10-10-2012   | 9,709.54          | 214.57           | 9,494.97          | 32,275.11 ✓       |
| 18                  | 11-10-2012   | 9,709.54          | 171.32           | 9,538.22          | 22,736.89 ✓       |
| 19                  | 12-10-2012   | 9,709.54          | 116.80           | 9,592.74          | 13,144.15 ✓       |
| <b>2012 TOTALS:</b> |              | <b>116,514.48</b> | <b>4,658.84</b>  | <b>111,855.64</b> |                   |
| 20                  | 01-10-2013   | 9,709.54          | 69.77            | 9,639.77          | 3,504.38          |
| 21                  | 02-10-2013   | 3,522.88          | 18.60            | 3,504.38          | 0.00              |
| <b>2013 TOTALS:</b> |              | <b>13,232.52</b>  | <b>88.37</b>     | <b>13,144.15</b>  |                   |
| <b>TOTALS:</b>      |              | <b>197,713.78</b> | <b>10,190.43</b> | <b>187,523.35</b> |                   |

NOTICE: This is an estimated loan amortization schedule. Actual amounts may vary if payments are made on different dates or in different amounts.

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2012 418548

2013 13232

$$61780 / 5 \text{ yrs} = 12,356 \text{ 5yr avg.}$$

# Loan Amortization Schedule

| Enter values                |              |
|-----------------------------|--------------|
| Loan amount                 | \$ 96,596.00 |
| Annual interest rate        | 5.91 %       |
| Loan period in years        | 4            |
| Number of payments per year | 12           |
| Start date of loan          | 6/21/2009    |
| Optional extra payments     | \$ -         |

3 Vehicles

| Loan summary                 |              |
|------------------------------|--------------|
| Scheduled payment            | \$ 2,264.56  |
| Scheduled number of payments | 48           |
| Actual number of payments    | 48           |
| Total early payments         | \$ -         |
| Total interest               | \$ 12,102.81 |

23209

Lender name: \_\_\_\_\_

| Pmt No. | Payment Date | Beginning Balance | Scheduled Payment | Extra Payment | Total Payment | Principal   | Interest  | Ending Balance | Cumulative Interest |
|---------|--------------|-------------------|-------------------|---------------|---------------|-------------|-----------|----------------|---------------------|
| 1       | 7/21/2009    | \$ 96,596.00      | \$ 2,264.56       | \$ -          | \$ 2,264.56   | \$ 1,788.86 | \$ 475.70 | \$ 94,807.14   | \$ 475.70           |
| 2       | 8/21/2009    | 94,807.14         | 2,264.56          | -             | 2,264.56      | 1,797.68    | 466.89    | 93,009.48      | 942.60              |
| 3       | 9/21/2009    | 93,009.48         | 2,264.56          | -             | 2,264.56      | 1,806.52    | 458.04    | 91,202.96      | 1,400.64            |
| 4       | 10/21/2009   | 91,202.96         | 2,264.56          | -             | 2,264.56      | 1,815.41    | 449.14    | 89,387.55      | 1,849.78            |
| 5       | 11/21/2009   | 89,387.55         | 2,264.56          | -             | 2,264.56      | 1,824.35    | 440.20    | 87,563.19      | 2,289.99            |
| 6       | 12/21/2009   | 87,563.19         | 2,264.56          | -             | 2,264.56      | 1,833.34    | 431.22    | 85,729.85      | 2,721.20            |
| 7       | 1/21/2010    | 85,729.85         | 2,264.56          | -             | 2,264.56      | 1,842.37    | 422.19    | 83,887.49      | 3,143.40            |
| 8       | 2/21/2010    | 83,887.49         | 2,264.56          | -             | 2,264.56      | 1,851.44    | 413.12    | 82,036.05      | 3,556.51            |
| 9       | 3/21/2010    | 82,036.05         | 2,264.56          | -             | 2,264.56      | 1,860.56    | 404.00    | 80,175.49      | 3,960.51            |
| 10      | 4/21/2010    | 80,175.49         | 2,264.56          | -             | 2,264.56      | 1,869.72    | 394.84    | 78,305.77      | 4,355.35            |
| 11      | 5/21/2010    | 78,305.77         | 2,264.56          | -             | 2,264.56      | 1,878.93    | 385.63    | 76,426.84      | 4,740.98            |
| 12      | 6/21/2010    | 76,426.84         | 2,264.56          | -             | 2,264.56      | 1,888.18    | 376.38    | 74,538.66      | 5,117.36            |
| 13      | 7/21/2010    | 74,538.66         | 2,264.56          | -             | 2,264.56      | 1,897.48    | 367.08    | 72,641.18      | 5,484.44            |
| 14      | 8/21/2010    | 72,641.18         | 2,264.56          | -             | 2,264.56      | 1,906.82    | 357.73    | 70,734.35      | 5,842.17            |
| 15      | 9/21/2010    | 70,734.35         | 2,264.56          | -             | 2,264.56      | 1,916.22    | 348.34    | 68,818.14      | 6,190.51            |
| 16      | 10/21/2010   | 68,818.14         | 2,264.56          | -             | 2,264.56      | 1,925.65    | 338.91    | 66,892.48      | 6,529.42            |
| 17      | 11/21/2010   | 66,892.48         | 2,264.56          | -             | 2,264.56      | 1,935.14    | 329.42    | 64,957.35      | 6,858.84            |
| 18      | 12/21/2010   | 64,957.35         | 2,264.56          | -             | 2,264.56      | 1,944.67    | 319.89    | 63,012.68      | 7,178.74            |
| 19      | 1/21/2011    | 63,012.68         | 2,264.56          | -             | 2,264.56      | 1,954.24    | 310.32    | 61,058.44      | 7,489.05            |
| 20      | 2/21/2011    | 61,058.44         | 2,264.56          | -             | 2,264.56      | 1,963.87    | 300.69    | 59,094.58      | 7,789.74            |
| 21      | 3/21/2011    | 59,094.58         | 2,264.56          | -             | 2,264.56      | 1,973.54    | 291.02    | 57,121.04      | 8,080.77            |
| 22      | 4/21/2011    | 57,121.04         | 2,264.56          | -             | 2,264.56      | 1,983.26    | 281.30    | 55,137.78      | 8,362.07            |
| 23      | 5/21/2011    | 55,137.78         | 2,264.56          | -             | 2,264.56      | 1,993.02    | 271.54    | 53,144.78      | 8,633.60            |
| 24      | 6/21/2011    | 53,144.78         | 2,264.56          | -             | 2,264.56      | 2,002.84    | 261.72    | 51,141.92      | 8,895.32            |
| 25      | 7/21/2011    | 51,141.92         | 2,264.56          | -             | 2,264.56      | 2,012.70    | 251.88    | 49,129.22      | 9,147.18            |
| 26      | 8/21/2011    | 49,129.22         | 2,264.56          | -             | 2,264.56      | 2,022.61    | 241.95    | 47,106.60      | 9,389.13            |
| 27      | 9/21/2011    | 47,106.60         | 2,264.56          | -             | 2,264.56      | 2,032.57    | 231.98    | 45,074.03      | 9,621.11            |
| 28      | 10/21/2011   | 45,074.03         | 2,264.56          | -             | 2,264.56      | 2,042.58    | 221.97    | 43,031.45      | 9,843.08            |
| 29      | 11/21/2011   | 43,031.45         | 2,264.56          | -             | 2,264.56      | 2,052.64    | 211.92    | 40,978.80      | 10,055.00           |
| 30      | 12/21/2011   | 40,978.80         | 2,264.56          | -             | 2,264.56      | 2,062.75    | 201.81    | 38,916.05      | 10,256.81           |
| 31      | 1/21/2012    | 38,916.05         | 2,264.56          | -             | 2,264.56      | 2,072.91    | 191.65    | 36,843.14      | 10,448.48           |
| 32      | 2/21/2012    | 36,843.14         | 2,264.56          | -             | 2,264.56      | 2,083.12    | 181.44    | 34,760.02      | 10,629.90           |
| 33      | 3/21/2012    | 34,760.02         | 2,264.56          | -             | 2,264.56      | 2,093.38    | 171.18    | 32,666.65      | 10,801.08           |
| 34      | 4/21/2012    | 32,666.65         | 2,264.56          | -             | 2,264.56      | 2,103.69    | 160.87    | 30,562.98      | 10,961.95           |
| 35      | 5/21/2012    | 30,562.98         | 2,264.56          | -             | 2,264.56      | 2,114.05    | 150.51    | 28,448.92      | 11,112.46           |
| 36      | 6/21/2012    | 28,448.92         | 2,264.56          | -             | 2,264.56      | 2,124.46    | 140.10    | 26,324.46      | 11,252.56           |
| 37      | 7/21/2012    | 26,324.46         | 2,264.56          | -             | 2,264.56      | 2,134.92    | 129.64    | 24,189.54      | 11,382.20           |
| 38      | 8/21/2012    | 24,189.54         | 2,264.56          | -             | 2,264.56      | 2,145.43    | 119.13    | 22,044.11      | 11,501.33           |
| 39      | 9/21/2012    | 22,044.11         | 2,264.56          | -             | 2,264.56      | 2,156.00    | 108.58    | 19,888.11      | 11,609.89           |
| 40      | 10/21/2012   | 19,888.11         | 2,264.56          | -             | 2,264.56      | 2,166.62    | 97.94     | 17,721.49      | 11,707.83           |
| 41      | 11/21/2012   | 17,721.49         | 2,264.56          | -             | 2,264.56      | 2,177.29    | 87.27     | 15,544.20      | 11,795.10           |
| 42      | 12/21/2012   | 15,544.20         | 2,264.56          | -             | 2,264.56      | 2,188.01    | 76.55     | 13,356.20      | 11,871.65           |
| 43      | 1/21/2013    | 13,356.20         | 2,264.56          | -             | 2,264.56      | 2,198.78    | 65.77     | 11,157.41      | 11,937.43           |
| 44      | 2/21/2013    | 11,157.41         | 2,264.56          | -             | 2,264.56      | 2,209.61    | 54.95     | 8,947.80       | 11,992.37           |
| 45      | 3/21/2013    | 8,947.80          | 2,264.56          | -             | 2,264.56      | 2,220.49    | 44.08     | 6,727.31       | 12,038.44           |
| 46      | 4/21/2013    | 6,727.31          | 2,264.56          | -             | 2,264.56      | 2,231.43    | 33.13     | 4,495.88       | 12,069.57           |
| 47      | 5/21/2013    | 4,495.88          | 2,264.56          | -             | 2,264.56      | 2,242.42    | 22.14     | 2,253.46       | 12,091.71           |
| 48      | 6/21/2013    | 2,253.46          | 2,264.56          | -             | 2,253.46      | 2,242.36    | 11.10     | 0.00           | 12,102.81           |

7/21/12 - 12/21/12 = 13587

1/21/13 - 6/21/13 = 13587

27175 / 5yrs = 5435 5yr avg

Office Building Amortization

G/L Account # **A3208**

| Enter values                |               |
|-----------------------------|---------------|
| Loan amount                 | \$ 167,940.00 |
| Annual interest rate        | 5.50 %        |
| Loan period in years        | 10            |
| Number of payments per year | 12            |
| Start date of loan          | 5/25/2007     |
| Optional extra payments     | \$ 7.01       |

| Loan summary                 |              |
|------------------------------|--------------|
| Scheduled payment            | \$ 1,822.59  |
| Scheduled number of payments | 120          |
| Actual number of payments    | 120          |
| Total early payments         | \$ 834.19    |
| Total interest               | \$ 50,493.89 |

Lender name: First Guaranty Bank

| Pmt No. | Payment Date | Beginning Balance | Scheduled Payment | Extra Payment | Total Payment | Principal G/L 23208 | Interest G/L 92701 | Ending Balance | Cumulative Interest |
|---------|--------------|-------------------|-------------------|---------------|---------------|---------------------|--------------------|----------------|---------------------|
| 1       | 8/25/2007    | \$ 167,940.00     | \$ 1,822.59       | \$ 7.01       | \$ 1,829.60   | \$ 1,059.88         | \$ 769.73          | \$ 166,880.12  | \$ 769.73           |
| 2       | 7/25/2007    | 166,880.12        | 1,822.59          | 7.01          | 1,829.60      | 1,064.73            | 784.87             | 165,815.39     | 1,534.59            |
| 3       | 8/25/2007    | 165,815.39        | 1,822.59          | 7.01          | 1,829.60      | 1,069.61            | 799.99             | 164,745.78     | 2,294.58            |
| 4       | 9/25/2007    | 164,745.78        | 1,822.59          | 7.01          | 1,829.60      | 1,074.52            | 755.08             | 163,671.26     | 3,049.66            |
| 5       | 10/25/2007   | 163,671.26        | 1,822.59          | 7.01          | 1,829.60      | 1,079.44            | 750.16             | 162,591.82     | 3,799.82            |
| 6       | 11/25/2007   | 162,591.82        | 1,822.59          | 7.01          | 1,829.60      | 1,084.39            | 745.21             | 161,507.43     | 4,545.04            |
| 7       | 12/25/2007   | 161,507.43        | 1,822.59          | 7.01          | 1,829.60      | 1,089.36            | 740.24             | 160,418.08     | 5,285.28            |
| 8       | 1/25/2008    | 160,418.08        | 1,822.59          | 7.01          | 1,829.60      | 1,094.35            | 735.25             | 159,323.73     | 6,020.53            |
| 9       | 2/25/2008    | 159,323.73        | 1,822.59          | 7.01          | 1,829.60      | 1,099.37            | 730.23             | 158,224.38     | 6,750.76            |
| 10      | 3/25/2008    | 158,224.38        | 1,822.59          | 7.01          | 1,829.60      | 1,104.41            | 725.19             | 157,119.95     | 7,475.98            |
| 11      | 4/25/2008    | 157,119.95        | 1,822.59          | 7.01          | 1,829.60      | 1,109.47            | 720.13             | 156,010.49     | 8,198.09            |
| 12      | 5/25/2008    | 156,010.49        | 1,822.59          | 7.01          | 1,829.60      | 1,114.55            | 715.05             | 154,895.93     | 8,911.14            |
| 13      | 6/25/2008    | 154,895.93        | 1,822.59          | 7.01          | 1,829.60      | 1,119.66            | 709.94             | 153,776.27     | 9,621.08            |
| 14      | 7/25/2008    | 153,776.27        | 1,822.59          | 7.01          | 1,829.60      | 1,124.79            | 704.81             | 152,651.48     | 10,325.89           |
| 15      | 8/25/2008    | 152,651.48        | 1,822.59          | 7.01          | 1,829.60      | 1,129.95            | 699.65             | 151,521.53     | 11,025.54           |
| 16      | 9/25/2008    | 151,521.53        | 1,822.59          | 7.01          | 1,829.60      | 1,135.13            | 694.47             | 150,386.41     | 11,720.01           |
| 17      | 10/25/2008   | 150,386.41        | 1,822.59          | 7.01          | 1,829.60      | 1,140.33            | 689.27             | 149,246.08     | 12,409.28           |
| 18      | 11/25/2008   | 149,246.08        | 1,822.59          | 7.01          | 1,829.60      | 1,145.56            | 684.04             | 148,100.52     | 13,093.33           |
| 19      | 12/25/2008   | 148,100.52        | 1,822.59          | 7.01          | 1,829.60      | 1,150.81            | 678.79             | 146,949.72     | 13,772.12           |
| 20      | 1/25/2009    | 146,949.72        | 1,822.59          | 7.01          | 1,829.60      | 1,156.08            | 673.52             | 145,793.64     | 14,445.64           |
| 21      | 2/25/2009    | 145,793.64        | 1,822.59          | 7.01          | 1,829.60      | 1,161.38            | 668.22             | 144,632.26     | 15,113.86           |
| 22      | 3/25/2009    | 144,632.26        | 1,822.59          | 7.01          | 1,829.60      | 1,166.70            | 662.90             | 143,465.55     | 15,776.76           |
| 23      | 4/25/2009    | 143,465.55        | 1,822.59          | 7.01          | 1,829.60      | 1,172.05            | 657.55             | 142,293.50     | 16,434.31           |
| 24      | 5/25/2009    | 142,293.50        | 1,822.59          | 7.01          | 1,829.60      | 1,177.42            | 652.18             | 141,116.08     | 17,088.49           |
| 25      | 6/25/2009    | 141,116.08        | 1,822.59          | 7.01          | 1,829.60      | 1,182.82            | 646.78             | 139,933.26     | 17,733.27           |
| 26      | 7/25/2009    | 139,933.26        | 1,822.59          | 7.01          | 1,829.60      | 1,188.24            | 641.36             | 138,745.02     | 18,374.63           |
| 27      | 8/25/2009    | 138,745.02        | 1,822.59          | 7.01          | 1,829.60      | 1,193.69            | 635.91             | 137,551.34     | 19,010.55           |
| 28      | 9/25/2009    | 137,551.34        | 1,822.59          | 7.01          | 1,829.60      | 1,199.16            | 630.44             | 136,352.18     | 19,640.99           |
| 29      | 10/25/2009   | 136,352.18        | 1,822.59          | 7.01          | 1,829.60      | 1,204.65            | 624.95             | 135,147.53     | 20,265.94           |
| 30      | 11/25/2009   | 135,147.53        | 1,822.59          | 7.01          | 1,829.60      | 1,210.17            | 619.43             | 133,937.35     | 20,886.36           |
| 31      | 12/25/2009   | 133,937.35        | 1,822.59          | 7.01          | 1,829.60      | 1,215.72            | 613.88             | 132,721.63     | 21,499.24           |
| 32      | 1/25/2010    | 132,721.63        | 1,822.59          | 7.01          | 1,829.60      | 1,221.29            | 608.31             | 131,500.34     | 22,107.55           |
| 33      | 2/25/2010    | 131,500.34        | 1,822.59          | 7.01          | 1,829.60      | 1,226.89            | 602.71             | 130,273.45     | 22,710.26           |
| 34      | 3/25/2010    | 130,273.45        | 1,822.59          | 7.01          | 1,829.60      | 1,232.51            | 597.09             | 129,040.94     | 23,307.35           |
| 35      | 4/25/2010    | 129,040.94        | 1,822.59          | 7.01          | 1,829.60      | 1,238.16            | 591.44             | 127,802.77     | 23,898.79           |
| 36      | 5/25/2010    | 127,802.77        | 1,822.59          | 7.01          | 1,829.60      | 1,243.84            | 585.78             | 126,558.94     | 24,484.55           |
| 37      | 6/25/2010    | 126,558.94        | 1,822.59          | 7.01          | 1,829.60      | 1,249.54            | 580.06             | 125,309.40     | 25,064.61           |
| 38      | 7/25/2010    | 125,309.40        | 1,822.59          | 7.01          | 1,829.60      | 1,255.27            | 574.33             | 124,054.13     | 25,638.94           |
| 39      | 8/25/2010    | 124,054.13        | 1,822.59          | 7.01          | 1,829.60      | 1,261.02            | 568.58             | 122,793.11     | 26,207.53           |
| 40      | 9/25/2010    | 122,793.11        | 1,822.59          | 7.01          | 1,829.60      | 1,266.80            | 562.80             | 121,526.32     | 26,770.33           |
| 41      | 10/25/2010   | 121,526.32        | 1,822.59          | 7.01          | 1,829.60      | 1,272.60            | 567.00             | 120,253.71     | 27,327.32           |
| 42      | 11/25/2010   | 120,253.71        | 1,822.59          | 7.01          | 1,829.60      | 1,278.44            | 561.18             | 118,975.27     | 27,878.49           |
| 43      | 12/25/2010   | 118,975.27        | 1,822.59          | 7.01          | 1,829.60      | 1,284.30            | 555.30             | 117,690.98     | 28,423.79           |
| 44      | 1/25/2011    | 117,690.98        | 1,822.59          | 7.01          | 1,829.60      | 1,290.18            | 539.42             | 116,400.79     | 28,983.21           |
| 45      | 2/25/2011    | 116,400.79        | 1,822.59          | 7.01          | 1,829.60      | 1,296.10            | 533.50             | 115,104.70     | 29,496.71           |
| 46      | 3/25/2011    | 115,104.70        | 1,822.59          | 7.01          | 1,829.60      | 1,302.04            | 527.58             | 113,802.66     | 30,024.27           |
| 47      | 4/25/2011    | 113,802.66        | 1,822.59          | 7.01          | 1,829.60      | 1,308.00            | 521.60             | 112,494.65     | 30,545.87           |
| 48      | 5/25/2011    | 112,494.65        | 1,822.59          | 7.01          | 1,829.60      | 1,314.00            | 515.60             | 111,180.65     | 31,061.47           |
| 49      | 6/25/2011    | 111,180.65        | 1,822.59          | 7.01          | 1,829.60      | 1,320.02            | 509.58             | 109,860.63     | 31,571.05           |
| 50      | 7/25/2011    | 109,860.63        | 1,822.59          | 7.01          | 1,829.60      | 1,326.07            | 503.53             | 108,534.56     | 32,074.58           |
| 51      | 8/25/2011    | 108,534.56        | 1,822.59          | 7.01          | 1,829.60      | 1,332.15            | 497.45             | 107,202.41     | 32,572.03           |
| 52      | 9/25/2011    | 107,202.41        | 1,822.59          | 7.01          | 1,829.60      | 1,338.26            | 491.34             | 105,864.15     | 33,063.37           |
| 53      | 10/25/2011   | 105,864.15        | 1,822.59          | 7.01          | 1,829.60      | 1,344.39            | 485.21             | 104,519.76     | 33,548.58           |
| 54      | 11/25/2011   | 104,519.76        | 1,822.59          | 7.01          | 1,829.60      | 1,350.55            | 479.05             | 103,169.21     | 34,027.63           |
| 55      | 12/25/2011   | 103,169.21        | 1,822.59          | 7.01          | 1,829.60      | 1,356.74            | 472.88             | 101,812.47     | 34,500.49           |
| 56      | 1/25/2012    | 101,812.47        | 1,822.59          | 7.01          | 1,829.60      | 1,362.96            | 466.64             | 100,449.51     | 34,967.13           |
| 57      | 2/25/2012    | 100,449.51        | 1,822.59          | 7.01          | 1,829.60      | 1,369.21            | 460.39             | 99,080.30      | 35,427.52           |
| 58      | 3/25/2012    | 99,080.30         | 1,822.59          | 7.01          | 1,829.60      | 1,375.48            | 454.12             | 97,704.82      | 35,881.64           |
| 59      | 4/25/2012    | 97,704.82         | 1,822.59          | 7.01          | 1,829.60      | 1,381.79            | 447.81             | 96,323.04      | 36,329.45           |
| 60      | 5/25/2012    | 96,323.04         | 1,822.59          | 7.01          | 1,829.60      | 1,388.12            | 441.48             | 94,934.92      | 36,770.93           |
| 61      | 6/25/2012    | 94,934.92         | 1,822.59          | 7.01          | 1,829.60      | 1,394.48            | 435.12             | 93,540.43      | 37,208.05           |

| Pmt No. | Payment Date | Beginning Balance | Scheduled Payment | Extra Payment | Total Payment | Principal G/L 23208 | Interest G/L 92701 | Ending Balance | Cumulative Interest |
|---------|--------------|-------------------|-------------------|---------------|---------------|---------------------|--------------------|----------------|---------------------|
| 62      | 7/25/2012    | 93,540.43         | 1,822.59          | 7.01          | 1,829.60      | 1,400.87            | 428.73             | 92,139.56      | 37,634.78           |
| 63      | 8/25/2012    | 92,139.58         | 1,822.59          | 7.01          | 1,829.60      | 1,407.29            | 422.31             | 90,732.27      | 38,057.09           |
| 64      | 9/25/2012    | 90,732.27         | 1,822.59          | 7.01          | 1,829.60      | 1,413.74            | 415.86             | 89,318.52      | 38,472.94           |
| 65      | 10/25/2012   | 89,318.52         | 1,822.59          | 7.01          | 1,829.60      | 1,420.22            | 409.38             | 87,898.30      | 38,882.32           |
| 66      | 11/25/2012   | 87,898.30         | 1,822.59          | 7.01          | 1,829.60      | 1,426.73            | 402.87             | 86,471.57      | 39,285.19           |
| 67      | 12/25/2012   | 86,471.57         | 1,822.59          | 7.01          | 1,829.60      | 1,433.27            | 396.33             | 85,038.29      | 39,681.51           |
| 68      | 1/25/2013    | 85,038.29         | 1,822.59          | 7.01          | 1,829.60      | 1,439.84            | 389.76             | 83,598.45      | 40,071.27           |
| 69      | 2/25/2013    | 83,598.45         | 1,822.59          | 7.01          | 1,829.60      | 1,446.44            | 383.16             | 82,152.01      | 40,454.43           |
| 70      | 3/25/2013    | 82,152.01         | 1,822.59          | 7.01          | 1,829.60      | 1,453.07            | 376.53             | 80,698.94      | 40,830.96           |
| 71      | 4/25/2013    | 80,698.94         | 1,822.59          | 7.01          | 1,829.60      | 1,459.73            | 369.87             | 79,239.21      | 41,200.83           |
| 72      | 5/25/2013    | 79,239.21         | 1,822.59          | 7.01          | 1,829.60      | 1,466.42            | 363.18             | 77,772.79      | 41,564.01           |
| 73      | 6/25/2013    | 77,772.79         | 1,822.59          | 7.01          | 1,829.60      | 1,473.14            | 356.46             | 76,299.65      | 41,920.47           |
| 74      | 7/25/2013    | 76,299.65         | 1,822.59          | 7.01          | 1,829.60      | 1,479.89            | 349.71             | 74,819.76      | 42,270.18           |
| 75      | 8/25/2013    | 74,819.76         | 1,822.59          | 7.01          | 1,829.60      | 1,486.68            | 342.92             | 73,333.08      | 42,613.10           |
| 76      | 9/25/2013    | 73,333.08         | 1,822.59          | 7.01          | 1,829.60      | 1,493.49            | 336.11             | 71,839.59      | 42,949.21           |
| 77      | 10/25/2013   | 71,839.59         | 1,822.59          | 7.01          | 1,829.60      | 1,500.34            | 329.28             | 70,339.25      | 43,278.48           |
| 78      | 11/25/2013   | 70,339.25         | 1,822.59          | 7.01          | 1,829.60      | 1,507.21            | 322.39             | 68,832.04      | 43,600.87           |
| 79      | 12/25/2013   | 68,832.04         | 1,822.59          | 7.01          | 1,829.60      | 1,514.12            | 315.48             | 67,317.92      | 43,916.35           |
| 80      | 1/25/2014    | 67,317.92         | 1,822.59          | 7.01          | 1,829.60      | 1,521.06            | 308.54             | 65,796.86      | 44,224.89           |
| 81      | 2/25/2014    | 65,796.86         | 1,822.59          | 7.01          | 1,829.60      | 1,528.03            | 301.57             | 64,268.83      | 44,526.45           |
| 82      | 3/25/2014    | 64,268.83         | 1,822.59          | 7.01          | 1,829.60      | 1,535.03            | 294.57             | 62,733.79      | 44,821.02           |
| 83      | 4/25/2014    | 62,733.79         | 1,822.59          | 7.01          | 1,829.60      | 1,542.07            | 287.53             | 61,191.72      | 45,108.55           |
| 84      | 5/25/2014    | 61,191.72         | 1,822.59          | 7.01          | 1,829.60      | 1,549.14            | 280.46             | 59,642.59      | 45,389.01           |
| 85      | 6/25/2014    | 59,642.59         | 1,822.59          | 7.01          | 1,829.60      | 1,556.24            | 273.36             | 58,086.35      | 45,662.37           |
| 86      | 7/25/2014    | 58,086.35         | 1,822.59          | 7.01          | 1,829.60      | 1,563.37            | 266.23             | 56,522.98      | 45,928.60           |
| 87      | 8/25/2014    | 56,522.98         | 1,822.59          | 7.01          | 1,829.60      | 1,570.54            | 259.08             | 54,952.44      | 46,187.67           |
| 88      | 9/25/2014    | 54,952.44         | 1,822.59          | 7.01          | 1,829.60      | 1,577.73            | 251.87             | 53,374.70      | 46,439.53           |
| 89      | 10/25/2014   | 53,374.70         | 1,822.59          | 7.01          | 1,829.60      | 1,584.97            | 244.63             | 51,789.74      | 46,684.17           |
| 90      | 11/25/2014   | 51,789.74         | 1,822.59          | 7.01          | 1,829.60      | 1,592.23            | 237.37             | 50,197.51      | 46,921.54           |
| 91      | 12/25/2014   | 50,197.51         | 1,822.59          | 7.01          | 1,829.60      | 1,599.53            | 230.07             | 48,597.98      | 47,151.61           |
| 92      | 1/25/2015    | 48,597.98         | 1,822.59          | 7.01          | 1,829.60      | 1,606.86            | 222.74             | 46,991.12      | 47,374.35           |
| 93      | 2/25/2015    | 46,991.12         | 1,822.59          | 7.01          | 1,829.60      | 1,614.22            | 215.38             | 45,376.90      | 47,589.72           |
| 94      | 3/25/2015    | 45,376.90         | 1,822.59          | 7.01          | 1,829.60      | 1,621.62            | 207.98             | 43,755.27      | 47,797.70           |
| 95      | 4/25/2015    | 43,755.27         | 1,822.59          | 7.01          | 1,829.60      | 1,629.06            | 200.54             | 42,126.22      | 47,998.25           |
| 96      | 5/25/2015    | 42,126.22         | 1,822.59          | 7.01          | 1,829.60      | 1,636.52            | 193.08             | 40,489.70      | 48,191.33           |
| 97      | 6/25/2015    | 40,489.70         | 1,822.59          | 7.01          | 1,829.60      | 1,644.02            | 185.58             | 38,845.67      | 48,376.90           |
| 98      | 7/25/2015    | 38,845.67         | 1,822.59          | 7.01          | 1,829.60      | 1,651.56            | 178.04             | 37,194.12      | 48,554.95           |
| 99      | 8/25/2015    | 37,194.12         | 1,822.59          | 7.01          | 1,829.60      | 1,659.13            | 170.47             | 35,534.99      | 48,725.42           |
| 100     | 9/25/2015    | 35,534.99         | 1,822.59          | 7.01          | 1,829.60      | 1,666.73            | 162.87             | 33,868.26      | 48,888.29           |
| 101     | 10/25/2015   | 33,868.26         | 1,822.59          | 7.01          | 1,829.60      | 1,674.37            | 155.23             | 32,193.89      | 49,043.52           |
| 102     | 11/25/2015   | 32,193.89         | 1,822.59          | 7.01          | 1,829.60      | 1,682.05            | 147.56             | 30,511.84      | 49,191.07           |
| 103     | 12/25/2015   | 30,511.84         | 1,822.59          | 7.01          | 1,829.60      | 1,689.75            | 139.85             | 28,822.09      | 49,330.92           |
| 104     | 1/25/2016    | 28,822.09         | 1,822.59          | 7.01          | 1,829.60      | 1,697.50            | 132.10             | 27,124.59      | 49,463.02           |
| 105     | 2/25/2016    | 27,124.59         | 1,822.59          | 7.01          | 1,829.60      | 1,705.28            | 124.32             | 25,419.31      | 49,587.34           |
| 106     | 3/25/2016    | 25,419.31         | 1,822.59          | 7.01          | 1,829.60      | 1,713.10            | 116.51             | 23,706.21      | 49,703.85           |
| 107     | 4/25/2016    | 23,706.21         | 1,822.59          | 7.01          | 1,829.60      | 1,720.95            | 108.65             | 21,985.27      | 49,812.50           |
| 108     | 5/25/2016    | 21,985.27         | 1,822.59          | 7.01          | 1,829.60      | 1,728.83            | 100.77             | 20,258.43      | 49,913.26           |
| 109     | 6/25/2016    | 20,258.43         | 1,822.59          | 7.01          | 1,829.60      | 1,736.76            | 92.84              | 18,519.67      | 50,006.11           |
| 110     | 7/25/2016    | 18,519.67         | 1,822.59          | 7.01          | 1,829.60      | 1,744.72            | 84.88              | 16,774.95      | 50,090.99           |
| 111     | 8/25/2016    | 16,774.95         | 1,822.59          | 7.01          | 1,829.60      | 1,752.72            | 76.89              | 15,022.24      | 50,167.87           |
| 112     | 9/25/2016    | 15,022.24         | 1,822.59          | 7.01          | 1,829.60      | 1,760.75            | 68.85              | 13,261.49      | 50,236.73           |
| 113     | 10/25/2016   | 13,261.49         | 1,822.59          | 7.01          | 1,829.60      | 1,768.82            | 60.78              | 11,492.67      | 50,297.51           |
| 114     | 11/25/2016   | 11,492.67         | 1,822.59          | 7.01          | 1,829.60      | 1,776.93            | 52.67              | 9,715.75       | 50,350.18           |
| 115     | 12/25/2016   | 9,715.75          | 1,822.59          | 7.01          | 1,829.60      | 1,785.07            | 44.53              | 7,930.68       | 50,394.71           |
| 116     | 1/25/2017    | 7,930.68          | 1,822.59          | 7.01          | 1,829.60      | 1,793.25            | 36.35              | 6,137.43       | 50,431.06           |
| 117     | 2/25/2017    | 6,137.43          | 1,822.59          | 7.01          | 1,829.60      | 1,801.47            | 28.13              | 4,335.96       | 50,459.19           |
| 118     | 3/25/2017    | 4,335.96          | 1,822.59          | 7.01          | 1,829.60      | 1,809.73            | 19.87              | 2,526.23       | 50,479.06           |
| 119     | 4/25/2017    | 2,526.23          | 1,822.59          | 7.01          | 1,829.60      | 1,818.02            | 11.58              | 708.21         | 50,490.64           |
| 120     | 5/25/2017    | 708.21            | 1,822.59          | -             | 708.21        | 704.96              | 3.25               | 0.00           | 50,493.89           |

7/25/12 - 5/25/17 = 107,532.81 / 5 yrs = 21,507.5 yr. avgs

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It's Legal Version 2.0C  
 NIP-KIA (A-04-06) GIL# 25204  
 Loan/Annuity Amortization Schedule

Annual Percentage Rate = 1.00% - Principal = \$67376.00

| Payment Number | Payment Date | Principal Payment | Interest Payment | Total Payment | Remaining Principal Balance | Total Loan Balance |
|----------------|--------------|-------------------|------------------|---------------|-----------------------------|--------------------|
| 1              | 12/01/2005   | 1525.77           | 336.87           | 1862.64       | 65950.23                    | 72642.96           |
| Subtotal 2005  |              | 1525.77           | 336.87           | 1862.64       |                             |                    |
| 2              | 06/01/2006   | 1533.40           | 329.24           | 1862.64       | 64316.83                    | 70780.32           |
| 3              | 12/01/2006   | 1541.06           | 321.58           | 1862.64       | 62775.77                    | 68917.68           |
| Subtotal 2006  |              | 3074.46           | 650.82           | 3725.28       |                             |                    |
| 4              | 06/01/2007   | 1548.77           | 313.87           | 1862.64       | 61227.00                    | 67055.04           |
| 5              | 12/01/2007   | 1556.51           | 306.13           | 1862.64       | 59670.49                    | 65192.40           |
| Subtotal 2007  |              | 3105.28           | 620.00           | 3725.28       |                             |                    |
| 6              | 06/01/2008   | 1564.29           | 298.35           | 1862.64       | 58106.20                    | 63329.76           |
| 7              | 12/01/2008   | 1572.12           | 290.52           | 1862.64       | 56534.08                    | 61467.12           |
| Subtotal 2008  |              | 3136.41           | 588.87           | 3725.28       |                             |                    |
| 8              | 06/01/2009   | 1579.98           | 282.66           | 1862.64       | 54954.10                    | 59604.48           |
|                | 12/01/2009   | 1587.88           | 274.76           | 1862.64       | 53366.22                    | 57741.84           |
| Subtotal 2009  |              | 3167.86           | 557.42           | 3725.28       |                             |                    |
| 10             | 06/01/2010   | 1595.81           | 266.83           | 1862.64       | 51770.41                    | 55879.20           |
| 11             | 12/01/2010   | 1603.79           | 258.85           | 1862.64       | 50166.62                    | 54016.56           |
| Subtotal 2010  |              | 3199.60           | 525.68           | 3725.28       |                             |                    |
| 12             | 06/01/2011   | 1611.81           | 250.83           | 1862.64       | 48554.81                    | 52153.92           |
| 13             | 12/01/2011   | 1619.87           | 242.77           | 1862.64       | 46934.94                    | 50291.28           |
| Subtotal 2011  |              | 3231.68           | 493.60           | 3725.28       |                             |                    |
| 14             | 06/01/2012   | 1627.97           | 234.67           | 1862.64       | 45306.97                    | 48428.64           |
| 15             | 12/01/2012   | 1636.11           | 226.53           | 1862.64       | 43670.86                    | 46566.00           |
| Subtotal 2012  |              | 3264.08           | 461.20           | 3725.28       |                             |                    |
| 16             | 06/01/2013   | 1644.29           | 218.35           | 1862.64       | 42026.57                    | 44703.36           |
| 17             | 12/01/2013   | 1652.51           | 210.13           | 1862.64       | 40374.06                    | 42840.72           |
| Subtotal 2013  |              | 3296.80           | 428.48           | 3725.28       |                             |                    |
| 18             | 06/01/2014   | 1660.77           | 201.87           | 1862.64       | 38713.29                    | 40978.08           |

*82.8 12/31/14*



Loan/Annuity Amortization Schedule

Annual Percentage Rate = 1.00% - Principal = \$67376.00

| Payment Number | Payment Date | Principal Payment | Interest Payment | Total Payment | Remaining Principal Balance | Total Loan Balance |
|----------------|--------------|-------------------|------------------|---------------|-----------------------------|--------------------|
| 19             | 12/01/2014   | 1669.08           | 193.56           | 1862.64       | 37044.21                    | 39115.44           |
| Subtotal 2014  |              | 3329.85           | 395.43           | 3725.28       |                             |                    |
| 20             | 06/01/2015   | 1677.42           | 185.22           | 1862.64       | 35366.79                    | 37252.80           |
| 21             | 12/01/2015   | 1685.81           | 176.83           | 1862.64       | 33680.98                    | 35390.16           |
| Subtotal 2015  |              | 3363.23           | 362.05           | 3725.28       |                             |                    |
| 22             | 06/01/2016   | 1694.24           | 168.40           | 1862.64       | 31986.74                    | 33527.52           |
| 23             | 12/01/2016   | 1702.71           | 159.93           | 1862.64       | 30284.03                    | 31664.88           |
| Subtotal 2016  |              | 3396.95           | 328.33           | 3725.28       |                             |                    |
| 24             | 06/01/2017   | 1711.22           | 151.42           | 1862.64       | 28572.81                    | 29802.24           |
| 25             | 12/01/2017   | 1719.78           | 142.86           | 1862.64       | 26853.03                    | 27939.60           |
| Subtotal 2017  |              | 3431.00           | 294.28           | 3725.28       |                             |                    |
| 26             | 06/01/2018   | 1728.38           | 134.26           | 1862.64       | 25124.65                    | 26076.96           |
|                | 12/01/2018   | 1737.02           | 125.62           | 1862.64       | 23387.63                    | 24214.32           |
| Subtotal 2018  |              | 3465.40           | 259.88           | 3725.28       |                             |                    |
| 28             | 06/01/2019   | 1745.70           | 116.94           | 1862.64       | 21641.93                    | 22351.68           |
| 29             | 12/01/2019   | 1754.43           | 108.21           | 1862.64       | 19887.50                    | 20489.04           |
| Subtotal 2019  |              | 3500.13           | 225.15           | 3725.28       |                             |                    |
| 30             | 06/01/2020   | 1763.20           | 99.44            | 1862.64       | 18124.30                    | 18626.40           |
| 31             | 12/01/2020   | 1772.02           | 90.62            | 1862.64       | 16352.28                    | 16763.76           |
| Subtotal 2020  |              | 3535.22           | 190.06           | 3725.28       |                             |                    |
| 32             | 06/01/2021   | 1780.88           | 81.76            | 1862.64       | 14571.40                    | 14901.12           |
| 33             | 12/01/2021   | 1789.78           | 72.86            | 1862.64       | 12781.62                    | 13038.48           |
| Subtotal 2021  |              | 3570.66           | 154.62           | 3725.28       |                             |                    |
| 34             | 06/01/2022   | 1798.73           | 63.91            | 1862.64       | 10982.89                    | 11175.84           |
| 35             | 12/01/2022   | 1807.73           | 54.91            | 1862.64       | 9175.16                     | 9313.20            |
| Subtotal 2022  |              | 3606.46           | 118.82           | 3725.28       |                             |                    |
| 36             | 06/01/2023   | 1816.77           | 45.87            | 1862.64       | 7358.39                     | 7450.56            |

It's Legal Version 2 0C

Loan/Annuity Amortization Schedule

Annual Percentage Rate = 1.00% - Principal = \$67376 00

| Payment Number    | Payment Date | Principal Payment | Interest Payment | Total Payment | Remaining Principal Balance | Total Loan Balance |
|-------------------|--------------|-------------------|------------------|---------------|-----------------------------|--------------------|
| 37                | 12/01/2023   | 1825 85           | 36 79            | 1862 64       | 5532 54                     | 5587 92            |
| Subtotal 2023     |              | 3642 62           | 82 66            | 3725 28       |                             |                    |
| 38                | 06/01/2024   | 1834 98           | 27 66            | 1862 64       | 3697 56                     | 3725 28            |
| 39                | 12/01/2024   | 1844 15           | 18 49            | 1862 64       | 1853 41                     | 1862 64            |
| Subtotal 2024     |              | 3679 13           | 46 15            | 3725 28       |                             |                    |
| 40                | 06/01/2025   | 1853 41           | 9 27             | 1862 68       | 0 00                        | 0 00               |
| Subtotal 2025     |              | 1853 41           | 9 27             | 1862 68       |                             |                    |
| Report Totals --> |              | 67376 00          | 7129 64          | 74505 64      |                             |                    |

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It's Legal Version 2 0C  
 NIP-KIA III  
 Loan/Annuity Amortization Schedule

G/L # 25202  
 From former Beaver Elkhorn District, Included in  
 Commission order approving merger  
 in case No. 99-375 dated 12/16/99.

Annual Percentage Rate = 3.00% - Principal = \$2831354.23



| Payment Number | Payment Date | Principal Payment | Interest Payment | Total Payment | Remaining Principal Balance | Total Loan Balance |
|----------------|--------------|-------------------|------------------|---------------|-----------------------------|--------------------|
| 1              | 06/01/1998   | 29427.47          | 42470.32         | 71897.79      | 2801926.76                  | 4241969.61         |
| 2              | 12/01/1998   | 29868.88          | 42028.91         | 71897.79      | 2772057.88                  | 4170071.82         |
| Subtotal 1998  |              | 59296.35          | 84499.23         | 143795.58     |                             |                    |
| 3              | 06/01/1999   | 30316.92          | 41580.87         | 71897.79      | 2741740.96                  | 4098174.03         |
| 4              | 12/01/1999   | 30771.67          | 41126.12         | 71897.79      | <u>2710969.29</u>           | 4026276.24         |
| Subtotal 1999  |              | 61088.59          | 82706.99         | 143795.58     |                             |                    |
| 5              | 06/01/2000   | 31233.25          | 40664.54         | 71897.79      | 2679736.04                  | 3954378.45         |
| 6              | 12/01/2000   | 31701.74          | 40196.05         | 71897.79      | 2648034.30                  | 3882480.66         |
| Subtotal 2000  |              | 62934.99          | 80860.59         | 143795.58     |                             |                    |
| 7              | 06/01/2001   | 32177.27          | 39720.52         | 71897.79      | 2615857.03                  | 3810582.87         |
| 8              | 12/01/2001   | 32659.93          | 39237.86         | 71897.79      | 2583197.10                  | 3738685.08         |
| Subtotal 2001  |              | 64837.20          | 78958.38         | 143795.58     |                             |                    |
| 9              | 06/01/2002   | 33149.83          | 38747.96         | 71897.79      | 2550047.27                  | 3666787.29         |
| 10             | 12/01/2002   | 33647.08          | 38250.71         | 71897.79      | 2516400.19                  | 3594889.50         |
| Subtotal 2002  |              | 66796.91          | 76998.67         | 143795.58     |                             |                    |
| 11             | 06/01/2003   | 34151.78          | 37746.01         | 71897.79      | 2482248.41                  | 3522991.71         |
| 12             | 12/01/2003   | 34664.06          | 37233.73         | 71897.79      | 2447584.35                  | 3451093.92         |
| Subtotal 2003  |              | 68815.84          | 74979.74         | 143795.58     |                             |                    |
| 13             | 06/01/2004   | 35184.02          | 36713.77         | 71897.79      | 2412400.33                  | 3379196.13         |
| 14             | 12/01/2004   | 35711.78          | 36186.01         | 71897.79      | 2376688.55                  | 3307298.34         |
| Subtotal 2004  |              | 70895.80          | 72899.78         | 143795.58     |                             |                    |
| 15             | 06/01/2005   | 36247.46          | 35650.33         | 71897.79      | 2340441.09                  | 3235400.55         |
| 16             | 12/01/2005   | 36791.17          | 35106.62         | 71897.79      | 2303649.92                  | 3163502.76         |
| Subtotal 2005  |              | 73038.63          | 70756.95         | 143795.58     |                             |                    |
| 17             | 06/01/2006   | 37343.04          | 34554.75         | 71897.79      | 2266306.88                  | 3091604.97         |
| 18             | 12/01/2006   | 37903.18          | 33994.61         | 71897.79      | 2228403.70                  | 3019707.18         |
| Subtotal 2006  |              | 75246.22          | 68549.36         | 143795.58     |                             |                    |
| 19             | 06/01/2007   | 38471.73          | 33426.06         | 71897.79      | 2189931.97                  | 2947809.39         |



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Loan/Annuity Amortization Schedule

Annual Percentage Rate = 3.00% - Principal = \$2831354.23

| Payment Number | Payment Date | Principal Payment | Interest Payment | Total Payment | Remaining Principal Balance | Total Loan Balance |
|----------------|--------------|-------------------|------------------|---------------|-----------------------------|--------------------|
| 20             | 12/01/2007   | 39048.81          | 32848.98         | 71897.79      | 2150883.16                  | 2875911.60         |
| Subtotal 2007  |              | 77520.54          | 66275.04         | 143795.58     |                             |                    |
| 21             | 06/01/2008   | 39634.54          | 32263.25         | 71897.79      | 2111248.62                  | 2804013.81         |
| 22             | 12/01/2008   | 40229.06          | 31668.73         | 71897.79      | 2071019.56                  | 2732116.02         |
| Subtotal 2008  |              | 79863.60          | 63931.98         | 143795.58     |                             |                    |
| 23             | 06/01/2009   | 40832.49          | 31065.30         | 71897.79      | 2030187.07                  | 2660218.23         |
| 24             | 12/01/2009   | 41444.98          | 30452.81         | 71897.79      | 1988742.09                  | 2588320.44         |
| Subtotal 2009  |              | 82277.47          | 61518.11         | 143795.58     |                             |                    |
| 25             | 06/01/2010   | 42066.66          | 29831.13         | 71897.79      | 1946675.43                  | 2516422.65         |
| 26             | 12/01/2010   | 42697.66          | 29200.13         | 71897.79      | 1903977.77                  | 2444524.86         |
| Subtotal 2010  |              | 84764.32          | 59031.26         | 143795.58     |                             |                    |
| 27             | 06/01/2011   | 43338.12          | 28559.67         | 71897.79      | 1860639.65                  | 2372627.07         |
|                | 12/01/2011   | 43988.19          | 27909.60         | 71897.79      | 1816651.46                  | 2300729.28         |
| Subtotal 2011  |              | 87326.31          | 56469.27         | 143795.58     |                             |                    |
| 29             | 06/01/2012   | 44648.01          | 27249.78         | 71897.79      | 1772003.45                  | 2228831.49         |
| 30             | 12/01/2012   | 45317.74          | 26580.05         | 71897.79      | 1726685.71                  | 2156933.70         |
| Subtotal 2012  |              | 89965.75          | 53829.83         | 143795.58     |                             |                    |
| 31             | 06/01/2013   | 45997.50          | 25900.29         | 71897.79      | 1680688.21                  | 2085035.91         |
| 32             | 12/01/2013   | 46687.46          | 25210.33         | 71897.79      | 1634000.75                  | 2013138.12         |
| Subtotal 2013  |              | 92684.96          | 51110.62         | 143795.58     |                             |                    |
| 33             | 06/01/2014   | 47387.78          | 24510.01         | 71897.79      | 1586612.97                  | 1941240.33         |
| 34             | 12/01/2014   | 48098.59          | 23799.20         | 71897.79      | 1538514.38                  | 1869342.54         |
| Subtotal 2014  |              | 95486.37          | 48309.21         | 143795.58     |                             |                    |
| 35             | 06/01/2015   | 48820.07          | 23077.72         | 71897.79      | 1489694.31                  | 1797444.75         |
| 36             | 12/01/2015   | 49552.37          | 22345.42         | 71897.79      | 1440141.94                  | 1725546.96         |
| Subtotal 2015  |              | 98372.44          | 45423.14         | 143795.58     |                             |                    |
| 37             | 06/01/2016   | 50295.66          | 21602.13         | 71897.79      | 1389846.28                  | 1653649.17         |

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It's Legal Version 2 0C

Loan/Annuity Amortization Schedule

Annual Percentage Rate = 3.00% - Principal = \$2831354.23



| Payment Number | Payment Date | Principal Payment | Interest Payment | Total Payment | Remaining Principal Balance | Total Loan Balance |
|----------------|--------------|-------------------|------------------|---------------|-----------------------------|--------------------|
| 38             | 12/01/2016   | 51050.09          | 20847.70         | 71897.79      | 1338796.19                  | 1581751.38         |
| Subtotal 2016  |              | 101345.75         | 42449.03         | 143795.58     |                             |                    |
| 39             | 06/01/2017   | 51815.84          | 20081.95         | 71897.79      | 1286980.35                  | 1509853.59         |
| 40             | 12/01/2017   | 52593.08          | 19304.71         | 71897.79      | 1234387.27                  | 1437955.80         |
| Subtotal 2017  |              | 104408.92         | 39386.66         | 143795.58     |                             |                    |
| 41             | 06/01/2018   | 53181.98          | 18515.81         | 71897.79      | 1181005.29                  | 1366058.01         |
| 42             | 12/01/2018   | 54182.71          | 17715.08         | 71897.79      | 1126822.58                  | 1294160.22         |
| Subtotal 2018  |              | 107564.69         | 36230.89         | 143795.58     |                             |                    |
| 43             | 06/01/2019   | 54995.45          | 16902.34         | 71897.79      | 1071827.13                  | 1222262.43         |
| 44             | 12/01/2019   | 55820.38          | 16077.41         | 71897.79      | 1016006.75                  | 1150364.64         |
| Subtotal 2019  |              | 110815.83         | 32979.75         | 143795.58     |                             |                    |
| 45             | 06/01/2020   | 56657.69          | 15240.10         | 71897.79      | 959349.06                   | 1078466.85         |
|                | 12/01/2020   | 57507.55          | 14390.24         | 71897.79      | 901841.51                   | 1006569.06         |
| Subtotal 2020  |              | 114165.24         | 29630.34         | 143795.58     |                             |                    |
| 47             | 06/01/2021   | 58370.17          | 13527.62         | 71897.79      | 843471.34                   | 934671.27          |
| 48             | 12/01/2021   | 59245.72          | 12652.07         | 71897.79      | 784225.62                   | 862773.48          |
| Subtotal 2021  |              | 117615.89         | 26179.69         | 143795.58     |                             |                    |
| 49             | 06/01/2022   | 60134.40          | 11763.39         | 71897.79      | 724051.22                   | 790875.69          |
| 50             | 12/01/2022   | 61036.42          | 10861.37         | 71897.79      | 663054.80                   | 718977.90          |
| Subtotal 2022  |              | 121170.82         | 22624.76         | 143795.58     |                             |                    |
| 51             | 06/01/2023   | 61951.97          | 9945.82          | 71897.79      | 601102.83                   | 647080.11          |
| 52             | 12/01/2023   | 62881.25          | 9016.54          | 71897.79      | 538221.58                   | 575182.32          |
| Subtotal 2023  |              | 124833.22         | 18962.36         | 143795.58     |                             |                    |
| 53             | 06/01/2024   | 63824.47          | 8073.32          | 71897.79      | 474397.11                   | 503284.53          |
| 54             | 12/01/2024   | 64781.83          | 7115.96          | 71897.79      | 409615.28                   | 431386.74          |
| Subtotal 2024  |              | 128606.30         | 15189.28         | 143795.58     |                             |                    |
| 55             | 06/01/2025   | 65753.56          | 6144.23          | 71897.79      | 343861.72                   | 359488.95          |



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It's Legal Version 2 DC

Loan/Annuity Amortization Schedule

Annual Percentage Rate = 3.00% - Principal = \$2831354.23

| Payment Number    | Payment Date | Principal Payment | Interest Payment | Total Payment | Remaining Principal Balance | Total Loan Balance |
|-------------------|--------------|-------------------|------------------|---------------|-----------------------------|--------------------|
| 56                | 12/01/2025   | 66739.86          | 5157.93          | 71897.79      | 277121.86                   | 287591.16          |
| Subtotal 2025     |              | 132493.42         | 11302.16         | 143795.58     |                             |                    |
| 57                | 06/01/2026   | 67740.96          | 4156.83          | 71897.79      | 209380.90                   | 215693.37          |
| 58                | 12/01/2026   | 68757.08          | 3140.71          | 71897.79      | 140623.82                   | 143795.58          |
| Subtotal 2026     |              | 136498.04         | 7297.54          | 143795.58     |                             |                    |
| 59                | 06/01/2027   | 69788.43          | 2109.36          | 71897.79      | 70835.39                    | 71897.79           |
| 60                | 12/01/2027   | 70835.39          | 1062.53          | 71897.92      | 0.00                        | 0.00               |
| Subtotal 2027     |              | 140623.82         | 3171.89          | 143795.71     |                             |                    |
| Report Totals --> |              | 2831354.23        | 1482513.30       | 4313867.53    |                             |                    |

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It's Legal Version 2.0C  
 MIP - KIA I - From former Beaver Elkhorn Dist. included  
 Loan/Annuity Amortization Schedule

G/L# 2520  
 in Commission order approving transfer in  
 Case No. 99-375 Dated December 16, 1999.

Annual Percentage Rate = 3.00% - Principal = \$1362870.05



| Payment Number | Payment Date | Principal Payment | Interest Payment | Total Payment | Remaining Principal Balance | Total Loan Balance |
|----------------|--------------|-------------------|------------------|---------------|-----------------------------|--------------------|
| 1              | 06/01/1995   | 14164.89          | 20443.05         | 34607.94      | 1348705.16                  | 2041868.46         |
| 2              | 12/01/1995   | 14377.36          | 20230.58         | 34607.94      | 1334327.80                  | 2007260.52         |
| Subtotal 1995  |              | 28542.25          | 40673.63         | 69215.88      |                             |                    |
| 3              | 06/01/1996   | 14593.02          | 20014.92         | 34607.94      | 1319734.78                  | 1972652.58         |
| 4              | 12/01/1996   | 14811.92          | 19796.02         | 34607.94      | 1304922.86                  | 1938044.64         |
| Subtotal 1996  |              | 29404.94          | 39810.94         | 69215.88      |                             |                    |
| 5              | 06/01/1997   | 15034.10          | 19573.84         | 34607.94      | 1289888.76                  | 1903436.70         |
| 6              | 12/01/1997   | 15259.61          | 19348.33         | 34607.94      | 1274629.15                  | 1868828.76         |
| Subtotal 1997  |              | 30293.71          | 38922.17         | 69215.88      |                             |                    |
| 7              | 06/01/1998   | 15488.50          | 19119.44         | 34607.94      | 1259140.65                  | 1834220.82         |
| 8              | 12/01/1998   | 15720.83          | 18887.11         | 34607.94      | 1243419.82                  | 1799612.88         |
| Subtotal 1998  |              | 31209.33          | 38006.55         | 69215.88      |                             |                    |
|                | 06/01/1999   | 15956.64          | 18651.30         | 34607.94      | 1227463.18                  | 1765004.94         |
|                | 12/01/1999   | 16195.99          | 18411.95         | 34607.94      | 1211267.19                  | 1730397.00         |
| Subtotal 1999  |              | 32152.63          | 37063.25         | 69215.88      |                             |                    |
| 11             | 06/01/2000   | 16438.93          | 18169.01         | 34607.94      | 1194828.26                  | 1695789.06         |
| 12             | 12/01/2000   | 16685.52          | 17922.42         | 34607.94      | 1178142.74                  | 1661181.12         |
| Subtotal 2000  |              | 33124.45          | 36091.43         | 69215.88      |                             |                    |
| 13             | 06/01/2001   | 16935.80          | 17672.14         | 34607.94      | 1161206.94                  | 1626573.18         |
| 14             | 12/01/2001   | 17289.84          | 17418.10         | 34607.94      | 1144017.10                  | 1591965.24         |
| Subtotal 2001  |              | 34125.64          | 35090.24         | 69215.88      |                             |                    |
| 15             | 06/01/2002   | 17447.68          | 17160.26         | 34607.94      | 1126569.42                  | 1557357.30         |
| 16             | 12/01/2002   | 17709.40          | 16898.54         | 34607.94      | 1108860.02                  | 1522749.36         |
| Subtotal 2002  |              | 35157.08          | 34058.80         | 69215.88      |                             |                    |
| 17             | 06/01/2003   | 17975.04          | 16632.90         | 34607.94      | 1090884.98                  | 1488141.42         |
| 18             | 12/01/2003   | 18244.67          | 16363.27         | 34607.94      | 1072640.31                  | 1453533.48         |
| Subtotal 2003  |              | 36219.71          | 32996.17         | 69215.88      |                             |                    |
|                | 06/01/2004   | 18518.34          | 16089.60         | 34607.94      | 1054121.97                  | 1418925.54         |



Loan/Annuity Amortization Schedule

Annual Percentage Rate = 3.00% - Principal = \$1362870.05



| Payment Number | Payment Date | Principal Payment | Interest Payment | Total Payment | Remaining Principal Balance | Total Loan Balance |
|----------------|--------------|-------------------|------------------|---------------|-----------------------------|--------------------|
| 20             | 12/01/2004   | 18796.11          | 15811.83         | 34607.94      | 1035325.06                  | 1384317.60         |
| Subtotal 2004  |              | 37314.45          | 31901.43         | 69215.88      |                             |                    |
| 21             | 06/01/2005   | 19078.05          | 15529.89         | 34607.94      | 1016247.81                  | 1349709.66         |
| 22             | 12/01/2005   | 19364.22          | 15243.72         | 34607.94      | 996883.59                   | 1315101.72         |
| Subtotal 2005  |              | 38442.27          | 30773.61         | 69215.88      |                             |                    |
| 23             | 06/01/2006   | 19654.69          | 14953.25         | 34607.94      | 977228.90                   | 1280493.78         |
| 24             | 12/01/2006   | 19949.51          | 14658.43         | 34607.94      | 957279.39                   | 1245885.84         |
| Subtotal 2006  |              | 39604.20          | 29611.68         | 69215.88      |                             |                    |
| 25             | 06/01/2007   | 20248.75          | 14359.19         | 34607.94      | 937030.64                   | 1211277.90         |
| 26             | 12/01/2007   | 20552.48          | 14055.46         | 34607.94      | 916478.16                   | 1176669.96         |
| Subtotal 2007  |              | 40801.23          | 28414.65         | 69215.88      |                             |                    |
| 27             | 06/01/2008   | 20860.77          | 13747.17         | 34607.94      | 895617.39                   | 1142062.02         |
|                | 12/01/2008   | 21173.68          | 13434.26         | 34607.94      | 874443.71                   | 1107454.08         |
| Subtotal 2008  |              | 42034.45          | 27181.43         | 69215.88      |                             |                    |
| 29             | 06/01/2009   | 21491.29          | 13116.65         | 34607.94      | 852952.42                   | 1072846.14         |
| 30             | 12/01/2009   | 21813.65          | 12794.29         | 34607.94      | 831138.77                   | 1038238.20         |
| Subtotal 2009  |              | 43304.94          | 25910.94         | 69215.88      |                             |                    |
| 31             | 06/01/2010   | 22140.86          | 12467.08         | 34607.94      | 808997.91                   | 1003630.26         |
| 32             | 12/01/2010   | 22472.97          | 12134.97         | 34607.94      | 786524.94                   | 969022.32          |
| Subtotal 2010  |              | 44613.83          | 24602.05         | 69215.88      |                             |                    |
| 33             | 06/01/2011   | 22810.07          | 11797.87         | 34607.94      | 763714.87                   | 934414.38          |
| 34             | 12/01/2011   | 23152.22          | 11455.72         | 34607.94      | 740562.65                   | 899806.44          |
| Subtotal 2011  |              | 45962.29          | 23253.59         | 69215.88      |                             |                    |
| 35             | 06/01/2012   | 23499.50          | 11108.44         | 34607.94      | 717063.15                   | 865198.50          |
| 36             | 12/01/2012   | 23851.99          | 10755.95         | 34607.94      | 693211.16                   | 830590.56          |
| Subtotal 2012  |              | 47351.49          | 21864.39         | 69215.88      |                             |                    |
| 37             | 06/01/2013   | 24209.77          | 10398.17         | 34607.94      | 669001.39                   | 795982.62          |





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It's Legal Version 2.0C

Loan/Annuity Amortization Schedule

Annual Percentage Rate = 3.00% - Principal = \$1362870.05



| Payment Number | Payment Date | Principal Payment | Interest Payment | Total Payment | Remaining Principal Balance | Total Loan Balance |
|----------------|--------------|-------------------|------------------|---------------|-----------------------------|--------------------|
| 38             | 12/01/2013   | 24572.92          | 10035.02         | 34607.94      | 644428.47                   | 761374.68          |
| Subtotal 2013  |              | 48782.69          | 20433.19         | 69215.88      |                             |                    |
| 39             | 06/01/2014   | 24941.51          | 9666.43          | 34607.94      | 619486.96                   | 726766.74          |
| 40             | 12/01/2014   | 25315.64          | 9292.30          | 34607.94      | 594171.32                   | 692158.80          |
| Subtotal 2014  |              | 50257.15          | 18958.73         | 69215.88      |                             |                    |
| 41             | 06/01/2015   | 25695.37          | 8912.57          | 34607.94      | 568475.95                   | 657550.86          |
| 42             | 12/01/2015   | 26080.80          | 8527.14          | 34607.94      | 542395.15                   | 622942.92          |
| Subtotal 2015  |              | 51776.17          | 17439.71         | 69215.88      |                             |                    |
| 43             | 06/01/2016   | 26472.01          | 8135.93          | 34607.94      | 515923.14                   | 588334.98          |
| 44             | 12/01/2016   | 26869.89          | 7738.85          | 34607.94      | 489054.05                   | 553727.04          |
| Subtotal 2016  |              | 53341.10          | 15874.78         | 69215.88      |                             |                    |
| 45             | 06/01/2017   | 27272.13          | 7335.81          | 34607.94      | 461781.92                   | 519119.10          |
| 46             | 12/01/2017   | 27681.21          | 6926.73          | 34607.94      | 434100.71                   | 484511.16          |
| Subtotal 2017  |              | 54953.34          | 14262.54         | 69215.88      |                             |                    |
| 47             | 06/01/2018   | 28096.43          | 6511.51          | 34607.94      | 406004.28                   | 449903.22          |
| 48             | 12/01/2018   | 28517.88          | 6090.06          | 34607.94      | 377486.40                   | 415295.28          |
| Subtotal 2018  |              | 56614.31          | 12601.57         | 69215.88      |                             |                    |
| 49             | 06/01/2019   | 28945.64          | 5662.30          | 34607.94      | 348540.76                   | 380687.34          |
| 50             | 12/01/2019   | 29379.83          | 5228.11          | 34607.94      | 319160.93                   | 346079.40          |
| Subtotal 2019  |              | 58325.47          | 10890.41         | 69215.88      |                             |                    |
| 51             | 06/01/2020   | 29820.53          | 4787.41          | 34607.94      | 289340.40                   | 311471.46          |
| 52             | 12/01/2020   | 30267.83          | 4340.11          | 34607.94      | 259072.57                   | 276863.52          |
| Subtotal 2020  |              | 60088.36          | 9127.52          | 69215.88      |                             |                    |
| 53             | 06/01/2021   | 30721.85          | 3886.09          | 34607.94      | 228350.72                   | 242255.58          |
| 54             | 12/01/2021   | 31182.68          | 3425.26          | 34607.94      | 197168.04                   | 207647.64          |
| Subtotal 2021  |              | 61904.53          | 7311.35          | 69215.88      |                             |                    |
| 55             | 06/01/2022   | 31650.42          | 2957.52          | 34607.94      | 165517.62                   | 173039.70          |



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It's Legal Version 2 DC

Loan/Annuity Amortization Schedule

Annual Percentage Rate = 3.00% - Principal = \$1362870.05

| Payment Number | Payment Date | Principal Payment | Interest Payment | Total Payment | Remaining Principal Balance | Total Loan Balance |
|----------------|--------------|-------------------|------------------|---------------|-----------------------------|--------------------|
| 56             | 12/01/2022   | 32125.18          | 2482.76          | 34607.94      | 133392.44                   | 138431.76          |
| Subtotal 2022  |              | 63775.60          | 5440.28          | 69215.88      |                             |                    |
| 57             | 06/01/2023   | 32607.05          | 2000.89          | 34607.94      | 100785.39                   | 103823.82          |
| 58             | 12/01/2023   | 33096.16          | 1511.78          | 34607.94      | 67689.23                    | 69215.88           |
| Subtotal 2023  |              | 65703.21          | 3512.67          | 69215.88      |                             |                    |
| 59             | 06/01/2024   | 33592.60          | 1015.34          | 34607.94      | 34096.63                    | 34607.94           |
| 60             | 12/01/2024   | 34096.63          | 511.45           | 34608.08      | 0.00                        | 0.00               |
| Subtotal 2024  |              | 67689.23          | 1526.79          | 69216.02      |                             |                    |
| Report         | Totals -->   | 1362870.05        | 713606.49        | 2076476.54    |                             |                    |

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SOUTHERN WATER AND SEWER DISTRICT  
 589,573 BOND ISSUE  
 DATED 05-30-2007

| DUE DATE | INTEREST DUE | PRINCIPAL DUE | TOTAL PAYMENT | PRINCIPAL BALANCE |
|----------|--------------|---------------|---------------|-------------------|
|          |              |               |               | 589,573.00        |
| 1/01/06  | -            | -             | -             | 589,573.00        |
| 7/01/06  | -            | -             | -             | 589,573.00        |
| 1/01/07  | -            | -             | -             | 589,573.00        |
| 7/01/07  | -            | -             | -             | 589,573.00        |
| 1/01/08  | 14,002.36    | 8,256.00      | 22,258.36     | 581,317.00        |
| 7/01/08  | 14,002.36    | -             | 14,002.36     | 581,317.00        |
| 1/01/09  | 13,806.28    | 8,256.00      | 22,062.28     | 573,061.00        |
| 7/01/09  | 13,806.28    | -             | 13,806.28     | 573,061.00        |
| 1/01/10  | 13,610.20    | 9,159.00      | 22,769.20     | 563,902.00        |
| 7/01/10  | 13,610.20    | -             | 13,610.20     | 563,902.00        |
| 1/01/11  | 13,392.67    | 9,159.00      | 22,551.67     | 554,743.00        |
| 7/01/11  | 13,392.67    | -             | 13,392.67     | 554,743.00        |
| 1/01/12  | 13,175.15    | 9,632.00      | 22,807.15     | 545,111.00        |
| 7/01/12  | 13,175.15    | -             | 13,175.15     | 545,111.00        |
| 1/01/13  | 12,946.39    | 10,105.00     | 23,051.39     | 535,006.00        |
| 7/01/13  | 12,946.39    | -             | 12,946.39     | 535,006.00        |
| 1/01/14  | 12,706.39    | 10,535.00     | 23,241.39     | 524,471.00        |
| 7/01/14  | 12,706.39    | -             | 12,706.39     | 524,471.00        |
| 1/01/15  | 12,456.19    | 11,481.00     | 23,937.19     | 512,990.00        |
| 7/01/15  | 12,456.19    | -             | 12,456.19     | 512,990.00        |
| 1/01/16  | 12,183.51    | 11,481.00     | 23,664.51     | 501,509.00        |
| 7/01/16  | 12,183.51    | -             | 12,183.51     | 501,509.00        |
| 1/01/17  | 11,910.84    | 12,384.00     | 24,294.84     | 489,125.00        |
| 7/01/17  | 11,910.84    | -             | 11,910.84     | 489,125.00        |
| 1/01/18  | 11,616.72    | 12,857.00     | 24,473.72     | 476,268.00        |
| 7/01/18  | 11,616.72    | -             | 11,616.72     | 476,268.00        |
| 1/01/19  | 11,311.37    | 13,330.00     | 24,641.37     | 462,938.00        |
| 7/01/19  | 11,311.37    | -             | 11,311.37     | 462,938.00        |
| 1/01/20  | 10,994.78    | 14,233.00     | 25,227.78     | 448,705.00        |
| 7/01/20  | 10,994.78    | -             | 10,994.78     | 448,705.00        |
| 1/01/21  | 10,656.74    | 14,706.00     | 25,362.74     | 433,999.00        |
| 7/01/21  | 10,656.74    | -             | 10,656.74     | 433,999.00        |
| 1/01/22  | 10,307.48    | 15,609.00     | 25,916.48     | 418,390.00        |
| 7/01/22  | 10,307.48    | -             | 10,307.48     | 418,390.00        |
| 1/01/23  | 9,936.76     | 16,125.00     | 26,061.76     | 402,265.00        |
| 7/01/23  | 9,936.76     | -             | 9,936.76      | 402,265.00        |
| 1/01/24  | 9,553.79     | 16,985.00     | 26,538.79     | 385,280.00        |
| 7/01/24  | 9,553.79     | -             | 9,553.79      | 385,280.00        |
| 1/01/25  | 9,150.40     | 17,931.00     | 27,081.40     | 367,349.00        |
| 7/01/25  | 9,150.40     | -             | 9,150.40      | 367,349.00        |
| 1/01/26  | 8,724.54     | 18,834.00     | 27,558.54     | 348,515.00        |
| 7/01/26  | 8,724.54     | -             | 8,724.54      | 348,515.00        |
| 1/01/27  | 8,277.23     | 19,350.00     | 27,627.23     | 329,165.00        |
| 7/01/27  | 8,277.23     | -             | 8,277.23      | 329,165.00        |
| 1/01/28  | 7,817.67     | 20,683.00     | 28,500.67     | 308,482.00        |

Pd 12/29

5 yrs avg  
 # 36,331

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|         |          |           |           |            |
|---------|----------|-----------|-----------|------------|
| 7/01/28 | 7,817.67 | -         | 7,817.67  | 308,482.00 |
| 1/01/29 | 7,326.45 | 21,629.00 | 28,955.45 | 286,853.00 |
| 7/01/29 | 7,326.45 | -         | 7,326.45  | 286,853.00 |
| 1/01/30 | 6,812.76 | 22,575.00 | 29,387.76 | 264,278.00 |
| 7/01/30 | 6,812.76 | -         | 6,812.76  | 264,278.00 |
| 1/01/31 | 6,276.60 | 23,478.00 | 29,754.60 | 240,800.00 |
| 7/01/31 | 6,276.60 | -         | 6,276.60  | 240,800.00 |
| 1/01/32 | 5,719.00 | 24,854.00 | 30,573.00 | 215,946.00 |
| 7/01/32 | 5,719.00 | -         | 5,719.00  | 215,946.00 |
| 1/01/33 | 5,128.72 | 25,843.00 | 30,971.72 | 190,103.00 |
| 7/01/33 | 5,128.72 | -         | 5,128.72  | 190,103.00 |
| 1/01/34 | 4,514.95 | 27,219.00 | 31,733.95 | 162,884.00 |
| 7/01/34 | 4,514.95 | -         | 4,514.95  | 162,884.00 |
| 1/01/35 | 3,868.50 | 28,595.00 | 32,463.50 | 134,289.00 |
| 7/01/35 | 3,868.50 | -         | 3,868.50  | 134,289.00 |
| 1/01/36 | 3,189.36 | 30,444.00 | 33,633.36 | 103,845.00 |
| 7/01/36 | 3,189.36 | -         | 3,189.36  | 103,845.00 |
| 1/01/37 | 2,466.32 | 31,820.00 | 34,286.32 | 72,025.00  |
| 7/01/37 | 2,466.32 | -         | 2,466.32  | 72,025.00  |
| 1/01/38 | 1,710.59 | 33,239.00 | 34,949.59 | 38,786.00  |
| 7/01/38 | 1,710.59 | -         | 1,710.59  | 38,786.00  |
| 1/01/39 | 921.17   | 34,615.00 | 35,536.17 | 4,171.00   |
| 7/01/39 | 921.17   | -         | 921.17    | 4,171.00   |
| 1/01/40 | 99.06    | 4,171.00  | 4,270.06  | -          |
| 7/01/40 | 99.06    | -         | 99.06     | -          |

TOTALS                    573,141.84                    589,573.00                    1,162,714.84

G-8 1/2

SOUTHERN WATER AND SEWER DISTRICT  
225,000 BOND ISSUE  
DATED 11-03-2005

| DUE DATE | INTEREST DUE | PRINCIPAL DUE | TOTAL PAYMENT | PRINCIPAL BALANCE |
|----------|--------------|---------------|---------------|-------------------|
|          |              |               |               | 225,000.00        |
| 1/01/06  | 4,781.25     | -             | 4,781.25      | 225,000.00        |
| 7/01/06  | 4,781.25     | -             | 4,781.25      | 225,000.00        |
| 1/01/07  | 4,781.25     | 2,500.00      | 7,281.25      | 222,500.00        |
| 7/01/07  | 4,781.25     | -             | 4,781.25      | 222,500.00        |
| 1/01/08  | 4,728.13     | 2,500.00      | 7,228.13      | 220,000.00        |
| 7/01/08  | 4,728.12     | -             | 4,728.12      | 220,000.00        |
| 1/01/09  | 4,675.00     | 2,500.00      | 7,175.00      | 217,500.00        |
| 7/01/09  | 4,675.00     | -             | 4,675.00      | 217,500.00        |
| 1/01/10  | 4,621.88     | 3,000.00      | 7,621.88      | 214,500.00        |
| 7/01/10  | 4,621.87     | -             | 4,621.87      | 214,500.00        |
| 1/01/11  | 4,558.12     | 3,000.00      | 7,558.12      | 211,500.00        |
| 7/01/11  | 4,558.13     | -             | 4,558.13      | 211,500.00        |
| 1/01/12  | 4,494.38     | 3,000.00      | 7,494.38      | 208,500.00        |
| 7/01/12  | 4,494.37     | -             | 4,494.37      | 208,500.00        |
| 1/01/13  | 4,430.63     | 3,000.00      | 7,430.63      | 205,500.00        |
| 7/01/13  | 4,430.62     | -             | 4,430.62      | 205,500.00        |
| 1/01/14  | 4,366.88     | 3,500.00      | 7,866.88      | 202,000.00        |
| 7/01/14  | 4,366.87     | -             | 4,366.87      | 202,000.00        |
| 1/01/15  | 4,292.50     | 3,500.00      | 7,792.50      | 198,500.00        |
| 7/01/15  | 4,292.50     | -             | 4,292.50      | 198,500.00        |
| 1/01/16  | 4,218.13     | 3,500.00      | 7,718.13      | 195,000.00        |
| 7/01/16  | 4,218.12     | -             | 4,218.12      | 195,000.00        |
| 1/01/17  | 4,143.75     | 4,000.00      | 8,143.75      | 191,000.00        |
| 7/01/17  | 4,143.75     | -             | 4,143.75      | 191,000.00        |
| 1/01/18  | 4,058.75     | 4,000.00      | 8,058.75      | 187,000.00        |
| 7/01/18  | 4,058.75     | -             | 4,058.75      | 187,000.00        |
| 1/01/19  | 3,973.75     | 4,000.00      | 7,973.75      | 183,000.00        |
| 7/01/19  | 3,973.75     | -             | 3,973.75      | 183,000.00        |
| 1/01/20  | 3,888.75     | 4,500.00      | 8,388.75      | 178,500.00        |
| 7/01/20  | 3,888.75     | -             | 3,888.75      | 178,500.00        |
| 1/01/21  | 3,793.13     | 4,500.00      | 8,293.13      | 174,000.00        |
| 7/01/21  | 3,793.12     | -             | 3,793.12      | 174,000.00        |
| 1/01/22  | 3,697.50     | 4,500.00      | 8,197.50      | 169,500.00        |
| 7/01/22  | 3,697.50     | -             | 3,697.50      | 169,500.00        |
| 1/01/23  | 3,601.88     | 5,000.00      | 8,601.88      | 164,500.00        |
| 7/01/23  | 3,601.87     | -             | 3,601.87      | 164,500.00        |
| 1/01/24  | 3,495.63     | 5,000.00      | 8,495.63      | 159,500.00        |
| 7/01/24  | 3,495.62     | -             | 3,495.62      | 159,500.00        |
| 1/01/25  | 3,389.38     | 5,500.00      | 8,889.38      | 154,000.00        |
| 7/01/25  | 3,389.37     | -             | 3,389.37      | 154,000.00        |
| 1/01/26  | 3,272.50     | 5,500.00      | 8,772.50      | 148,500.00        |
| 7/01/26  | 3,272.50     | -             | 3,272.50      | 148,500.00        |
| 1/01/27  | 3,155.63     | 5,500.00      | 8,655.63      | 143,000.00        |
| 7/01/27  | 3,155.62     | -             | 3,155.62      | 143,000.00        |
| 1/01/28  | 3,038.75     | 6,000.00      | 9,038.75      | 137,000.00        |

Pd 12/29

5 years =  
12/15/1

|         |          |           |           |            |
|---------|----------|-----------|-----------|------------|
| 7/01/28 | 3,038.75 | -         | 3,038.75  | 137,000.00 |
| 1/01/29 | 2,911.25 | 6,000.00  | 8,911.25  | 131,000.00 |
| 7/01/29 | 2,911.25 | -         | 2,911.25  | 131,000.00 |
| 1/01/30 | 2,783.75 | 6,500.00  | 9,283.75  | 124,500.00 |
| 7/01/30 | 2,783.75 | -         | 2,783.75  | 124,500.00 |
| 1/01/31 | 2,645.63 | 6,500.00  | 9,145.63  | 118,000.00 |
| 7/01/31 | 2,645.62 | -         | 2,645.62  | 118,000.00 |
| 1/01/32 | 2,507.50 | 7,000.00  | 9,507.50  | 111,000.00 |
| 7/01/32 | 2,507.50 | -         | 2,507.50  | 111,000.00 |
| 1/01/33 | 2,358.75 | 7,500.00  | 9,858.75  | 103,500.00 |
| 7/01/33 | 2,358.75 | -         | 2,358.75  | 103,500.00 |
| 1/01/34 | 2,199.38 | 7,500.00  | 9,699.38  | 96,000.00  |
| 7/01/34 | 2,199.37 | -         | 2,199.37  | 96,000.00  |
| 1/01/35 | 2,040.00 | 8,000.00  | 10,040.00 | 88,000.00  |
| 7/01/35 | 2,040.00 | -         | 2,040.00  | 88,000.00  |
| 1/01/36 | 1,870.00 | 8,500.00  | 10,370.00 | 79,500.00  |
| 7/01/36 | 1,870.00 | -         | 1,870.00  | 79,500.00  |
| 1/01/37 | 1,689.38 | 8,500.00  | 10,189.38 | 71,000.00  |
| 7/01/37 | 1,689.37 | -         | 1,689.37  | 71,000.00  |
| 1/01/38 | 1,508.75 | 9,000.00  | 10,508.75 | 62,000.00  |
| 7/01/38 | 1,508.75 | -         | 1,508.75  | 62,000.00  |
| 1/01/39 | 1,317.50 | 9,500.00  | 10,817.50 | 52,500.00  |
| 7/01/39 | 1,317.50 | -         | 1,317.50  | 52,500.00  |
| 1/01/40 | 1,115.63 | 10,000.00 | 11,115.63 | 42,500.00  |
| 7/01/40 | 1,115.62 | -         | 1,115.62  | 42,500.00  |
| 1/01/41 | 903.13   | 10,000.00 | 10,903.13 | 32,500.00  |
| 7/01/41 | 903.12   | -         | 903.12    | 32,500.00  |
| 1/01/42 | 690.63   | 10,500.00 | 11,190.63 | 22,000.00  |
| 7/01/42 | 690.62   | -         | 690.62    | 22,000.00  |
| 1/01/43 | 467.50   | 11,000.00 | 11,467.50 | 11,000.00  |
| 7/01/43 | 467.50   | -         | 467.50    | 11,000.00  |
| 1/01/44 | 233.75   | 11,000.00 | 11,233.75 | -          |
| 7/01/44 | 233.75   | -         | 233.75    | -          |
|         | -        | -         | -         | -          |
|         | -        | -         | -         | -          |

TOTALS                    241,400.00                    225,000.00                    466,400.00

G-9 1/2

SOUTHERN WATER AND SEWER DISTRICT  
 2,515,000 BOND ISSUE  
 DATED 12-12-2002

| DUE DATE | INTEREST DUE | PRINCIPAL DUE | TOTAL PAYMENT | PRINCIPAL BALANCE |
|----------|--------------|---------------|---------------|-------------------|
|          |              |               |               | 2,515,000.00      |
| 1/01/03  | 56,587.50    | -             | 56,587.50     | 2,515,000.00      |
| 7/01/03  | 56,587.50    | -             | 56,587.50     | 2,515,000.00      |
| 1/01/04  | 56,587.50    | -             | 56,587.50     | 2,515,000.00      |
| 7/01/04  | 56,587.50    | -             | 56,587.50     | 2,515,000.00      |
| 1/01/05  | 56,587.50    | 26,000.00     | 82,587.50     | 2,489,000.00      |
| 7/01/05  | 56,587.50    | -             | 56,587.50     | 2,489,000.00      |
| 1/01/06  | 56,002.50    | 27,000.00     | 83,002.50     | 2,462,000.00      |
| 7/01/06  | 56,002.50    | -             | 56,002.50     | 2,462,000.00      |
| 1/01/07  | 55,395.00    | 29,000.00     | 84,395.00     | 2,433,000.00      |
| 7/01/07  | 55,395.00    | -             | 55,395.00     | 2,433,000.00      |
| 1/01/08  | 54,742.50    | 30,000.00     | 84,742.50     | 2,403,000.00      |
| 7/01/08  | 54,742.50    | -             | 54,742.50     | 2,403,000.00      |
| 1/01/09  | 54,067.50    | 31,000.00     | 85,067.50     | 2,372,000.00      |
| 7/01/09  | 54,067.50    | -             | 54,067.50     | 2,372,000.00      |
| 1/01/10  | 53,370.00    | 33,000.00     | 86,370.00     | 2,339,000.00      |
| 7/01/10  | 53,370.00    | -             | 53,370.00     | 2,339,000.00      |
| 1/01/11  | 52,627.50    | 34,000.00     | 86,627.50     | 2,305,000.00      |
| 7/01/11  | 52,627.50    | -             | 52,627.50     | 2,305,000.00      |
| 1/01/12  | 51,862.50    | 36,000.00     | 87,862.50     | 2,269,000.00      |
| 7/01/12  | 51,862.50    | -             | 51,862.50     | 2,269,000.00      |
| 1/01/13  | 51,052.50    | 37,000.00     | 88,052.50     | 2,232,000.00      |
| 7/01/13  | 51,052.50    | -             | 51,052.50     | 2,232,000.00      |
| 1/01/14  | 50,220.00    | 39,000.00     | 89,220.00     | 2,193,000.00      |
| 7/01/14  | 50,220.00    | -             | 50,220.00     | 2,193,000.00      |
| 1/01/15  | 49,342.50    | 41,000.00     | 90,342.50     | 2,152,000.00      |
| 7/01/15  | 49,342.50    | -             | 49,342.50     | 2,152,000.00      |
| 1/01/16  | 48,420.00    | 43,000.00     | 91,420.00     | 2,109,000.00      |
| 7/01/16  | 48,420.00    | -             | 48,420.00     | 2,109,000.00      |
| 1/01/17  | 47,452.50    | 44,000.00     | 91,452.50     | 2,065,000.00      |
| 7/01/17  | 47,452.50    | -             | 47,452.50     | 2,065,000.00      |
| 1/01/18  | 46,462.50    | 46,000.00     | 92,462.50     | 2,019,000.00      |
| 7/01/18  | 46,462.50    | -             | 46,462.50     | 2,019,000.00      |
| 1/01/19  | 45,427.50    | 49,000.00     | 94,427.50     | 1,970,000.00      |
| 7/01/19  | 45,427.50    | -             | 45,427.50     | 1,970,000.00      |
| 1/01/20  | 44,325.00    | 51,000.00     | 95,325.00     | 1,919,000.00      |
| 7/01/20  | 44,325.00    | -             | 44,325.00     | 1,919,000.00      |
| 1/01/21  | 43,177.50    | 53,000.00     | 96,177.50     | 1,866,000.00      |
| 7/01/21  | 43,177.50    | -             | 43,177.50     | 1,866,000.00      |
| 1/01/22  | 41,985.00    | 55,000.00     | 96,985.00     | 1,811,000.00      |
| 7/01/22  | 41,985.00    | -             | 41,985.00     | 1,811,000.00      |
| 1/01/23  | 40,747.50    | 58,000.00     | 98,747.50     | 1,753,000.00      |
| 7/01/23  | 40,747.50    | -             | 40,747.50     | 1,753,000.00      |
| 1/01/24  | 39,442.50    | 60,000.00     | 99,442.50     | 1,693,000.00      |
| 7/01/24  | 39,442.50    | -             | 39,442.50     | 1,693,000.00      |
| 1/01/25  | 38,092.50    | 63,000.00     | 101,092.50    | 1,630,000.00      |

Pd 12/29

5 yr avg = 140,277

|         |           |            |            |              |
|---------|-----------|------------|------------|--------------|
| 7/01/25 | 38,092.50 | -          | 38,092.50  | 1,630,000.00 |
| 1/01/26 | 36,675.00 | 66,000.00  | 102,675.00 | 1,564,000.00 |
| 7/01/26 | 36,675.00 | -          | 36,675.00  | 1,564,000.00 |
| 1/01/27 | 35,190.00 | 69,000.00  | 104,190.00 | 1,495,000.00 |
| 7/01/27 | 35,190.00 | -          | 35,190.00  | 1,495,000.00 |
| 1/01/28 | 33,637.50 | 72,000.00  | 105,637.50 | 1,423,000.00 |
| 7/01/28 | 33,637.50 | -          | 33,637.50  | 1,423,000.00 |
| 1/01/29 | 32,017.50 | 75,000.00  | 107,017.50 | 1,348,000.00 |
| 7/01/29 | 32,017.50 | -          | 32,017.50  | 1,348,000.00 |
| 1/01/30 | 30,330.00 | 79,000.00  | 109,330.00 | 1,269,000.00 |
| 7/01/30 | 30,330.00 | -          | 30,330.00  | 1,269,000.00 |
| 1/01/31 | 28,552.50 | 82,000.00  | 110,552.50 | 1,187,000.00 |
| 7/01/31 | 28,552.50 | -          | 28,552.50  | 1,187,000.00 |
| 1/01/32 | 26,707.50 | 86,000.00  | 112,707.50 | 1,101,000.00 |
| 7/01/32 | 26,707.50 | -          | 26,707.50  | 1,101,000.00 |
| 1/01/33 | 24,772.50 | 90,000.00  | 114,772.50 | 1,011,000.00 |
| 7/01/33 | 24,772.50 | -          | 24,772.50  | 1,011,000.00 |
| 1/01/34 | 22,747.50 | 94,000.00  | 116,747.50 | 917,000.00   |
| 7/01/34 | 22,747.50 | -          | 22,747.50  | 917,000.00   |
| 1/01/35 | 20,632.50 | 98,000.00  | 118,632.50 | 819,000.00   |
| 7/01/35 | 20,632.50 | -          | 20,632.50  | 819,000.00   |
| 1/01/36 | 18,427.50 | 103,000.00 | 121,427.50 | 716,000.00   |
| 7/01/36 | 18,427.50 | -          | 18,427.50  | 716,000.00   |
| 1/01/37 | 16,110.00 | 107,000.00 | 123,110.00 | 609,000.00   |
| 7/01/37 | 16,110.00 | -          | 16,110.00  | 609,000.00   |
| 1/01/38 | 13,702.50 | 112,000.00 | 125,702.50 | 497,000.00   |
| 7/01/38 | 13,702.50 | -          | 13,702.50  | 497,000.00   |
| 1/01/39 | 11,182.50 | 117,000.00 | 128,182.50 | 380,000.00   |
| 7/01/39 | 11,182.50 | -          | 11,182.50  | 380,000.00   |
| 1/01/40 | 8,550.00  | 122,000.00 | 130,550.00 | 258,000.00   |
| 7/01/40 | 8,550.00  | -          | 8,550.00   | 258,000.00   |
| 1/01/41 | 5,805.00  | 128,000.00 | 133,805.00 | 130,000.00   |
| 7/01/41 | 5,805.00  | -          | 5,805.00   | 130,000.00   |
| 1/01/42 | 2,925.00  | 130,000.00 | 132,925.00 | -            |
| 7/01/42 | 2,925.00  | -          | 2,925.00   | -            |

TOTALS            3,003,885.00        2,515,000.00        5,518,885.00



KIA will not provide an official amortization schedule for this loan until it has been executed. The annual payment was calculated as shown below.

|                        |                         |
|------------------------|-------------------------|
| Original Amount        | \$ 1,094,143            |
| Principal Forgiveness  | <u>(328,243)</u>        |
| Principal to be Repaid | 765,900                 |
| Interest Rate          | 1%                      |
| Term                   | <u>20</u>               |
| Annual Payment         | <u><u>\$ 42,443</u></u> |

Attachment  
H4

SOUTHERN WATER & SEWER DISTRICT  
MCDOWELL, KY 41647

MINUTES OF SPECIAL CALLED MEETING HELD Thurs., SEPTEMBER 2, 2004 @  
4:00PM

IN ATTENDANCE:

- HUBERT HALBERT, CHAIRMAN
- PAULA JOHNSON, SECRETARY
- BERT LAYNE, TREASURER
- EULA HALL, COMMISSIONER
- PALMER FRASURE, COMMISSIONER
- BOB MEYER, VEOLIA WATER
- TINA MOSLEY, VEOLIA WATER

A. Meeting was called to order @ 4:00 pm by Hubert Halbert.

B. PROPOSED WATER RATE INCREASE

Bob Meyer presented the board with a packet of data containing current & proposed rates and various supporting documentation. Supporting documentation included historical usage and billing data, a current and projected District budget, and the proposed new rate structure. Included with the budget was current debt service (KIA and RD loans) and \$100,000.00 additional debt service per year to assist Floyd County Fiscal Court with retirement of a bond issue by the fiscal court to assist with the District's expansion program.

Budget data reflected a significant increase in electric costs due to the number of new pump stations that have been installed over the last 4 years. It also reflected a proposed increase in the Veolia management fee and a justification for the increase in the fee. As well, it included amortization of past due management fees due to Veolia - this past due amount will be amortized over a five year period.

The proposed new Rate Structure is as follows:

|                                 |         |                  |
|---------------------------------|---------|------------------|
| Minimum Bill (2,000 gal):       | \$16.30 | (10% Increase)   |
| Rate per 1,000 gal above 2,000  | \$5.20  | (20.9% Increase) |
| Wholesale Rate (per thousand)   | \$2.40  | (20% Increase)   |
| Average overall increase: 15.1% |         |                  |

A family with an average of 4,000 gallons would be billed for \$26.70. These rates will have to be submitted to and approved by the PSC before they are implemented.

Eula Hall expressed her concerns about raising rates and whether many of our elderly and low income customers could afford the higher rates. There was a lengthy discussion on the necessity of increasing the rates in order to keep the District in stable financial condition. Subsequent to this discussion, Hubert Halbert stated that he supported the rate

increase and the increase in the Veolia Management fee, but indicated that he felt the Veolia fee increase should not happen until the District's water rate increase has been approved.

- o MOTION TO APPROVE THE PROPOSED RATE INCREASE AND SUBMIT SAME TO THE KENTUCKY PUBLIC SERVICE COMMISSION; AND TO APPROVE THE INCREASE IN THE VEOLIA MANAGEMENT FEE AFTER THE DISTRICT'S WATER RATE INCREASE HAS BEEN FORMALLY APPROVED.

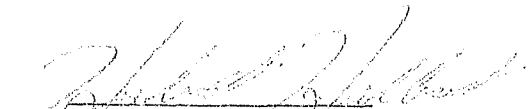
MOTION MADE BY: PALMER FRASURE

SECOND BY: BERT LAYNE

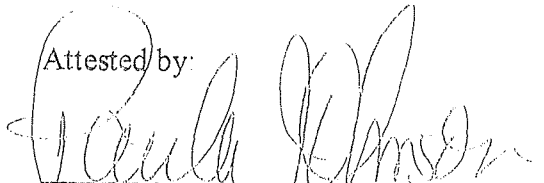
- o Motion approved by all commissioners with the exception of Eula Hall. She indicated that she had not had sufficient time to study the analysis and documentation supporting for the rate increase and felt that it would be a burden for many of our current customers.

With no further business the meeting was adjourned at 5:05 pm. Passed by the commissioners of the Southern Water & Sewer District on this 30<sup>th</sup> day of Sept., 2004.

Approved by:

  
 Hubert Halbert, Chairman

Attested by:

  
 Paula Johnson, Secretary

Attachment H

In Case No. 2002-00166, the Commission approved Southern District's request to construct and finance a \$6,172,900 waterworks improvement project. A copy of the Commission's Order approving this request is included herewith as Attachment H-1. As stated in the Order, the financing included a contribution from the Floyd County Fiscal Court in the estimated amount of \$2,474,000.

To provide the contribution, the fiscal court issued 30 year bonds totaling \$2,600,000 that carry an average rate of interest of 4.55 percent. The bonds are held by The Bank of New York Company, N.A. Evidence of the bonds is included at Attachment H-2. As shown on Attachment H-2, the most recent annual principal and interest payments total \$162,555.

As memorialized in the letter dated December 8, 2004, as included herewith at Attachment H-3, the fiscal court provided the contribution to assist Southern District in the development and expansion of water facilities to those without potable water service in Floyd County. As stated in the letter, Southern District was able to provide service to an over 2,400 residents in southern Floyd County with this project. When the fiscal court committed to provide the contribution, Southern District had exhausted all other opportunities to complete the financing package for the project. Absent the fiscal court's contribution, it is likely these customers would remain without service today.

At the time it committed to the contribution, the fiscal court had no intention of seeking payment of the bonds from Southern District; however, in early 2004, the fiscal court began suffering great financial hardship and sought relief from Southern District for a portion of the bond payments. At a meeting held on August 23, 2004, Southern District's Board of Commissioners agreed to pay \$100,000 per year for the purpose of

retiring a portion of the fiscal court bonds. A copy of the minutes from this meeting is included herewith at Attachment H-4.

Southern District's current Board of Commissioners is of the opinion that the annual payment is reasonable and should be included in the calculation of Southern District's revenue requirement. In support of its position, Southern District notes that the amount of the payment represents only a portion of the total amount of the annual bond principal and interest payment and absent the bonds, over 2,400 residents of Floyd County would remain without potable water service.

H-1 1/7

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|  |   |            |
|--|---|------------|
| THE APPLICATION OF SOUTHERN WATER AND    | ) |            |
| SEWER DISTRICT OF FLOYD AND KNOTT        | ) |            |
| COUNTIES, KENTUCKY, FOR A CERTIFICATE OF | ) | CASE NO.   |
| PUBLIC CONVENIENCE AND NECESSITY TO      | ) | 2002-00166 |
| CONSTRUCT, FINANCE AND INCREASE RATES    | ) |            |
| PURSUANT TO KRS 278.023                  | ) |            |

O R D E R

On May 8, 2002, Southern Water and Sewer District ("Southern District") submitted an application for a Certificate of Public Convenience and Necessity to construct, finance; and increase rates for a \$6,172,900 waterworks improvement project. This project consists of the installation of approximately 16.4 miles of water transmission mains, 6 water storage tanks, 5 booster pump stations, telemetry, and related appurtenances to provide service to approximately 576 new customers. Project funding consists of a \$2,515,000 loan from the U.S. Department of Agriculture's Rural Development ("RD"), a \$450,000 grant from the RD, a \$433,900 grant from the Appalachian Regional Commission, a State of Kentucky grant in the amount of \$300,000, and a \$2,474,000 contribution from the Floyd County Fiscal Court.

Southern District's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the U.S. Department of Agriculture or the U.S. Department of Housing and Urban Development and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory

completion of the minimum filing requirements. Given that minimum filing requirements were met in the case on May 8, 2002, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that.

1. Southern District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.

2. Southern District's proposed plan of financing with RD is accepted.

3. Southern District is authorized to issue bonds not to exceed \$2,515,000.

4. Southern District shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

5. The rates set out in Appendix A, which is attached hereto and incorporated herein, are the rates approved for service rendered on and after the date of this Order.

6. Southern District shall file its revised tariff setting out the rates in Appendix A within 30 days of the date of this Order.

7. Southern District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

8. Southern District shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

9. Three years from the effective date of this Order, Southern District shall file an income statement, along with any pro forma adjustments, in sufficient detail to

demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 7<sup>th</sup> day of June, 2002.

By the Commission

ATTEST:

Deputy W. H. Fowler  
Executive Director



H-1 4/7

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2002-00166 DATED June 7, 2002

The following rates and charges are prescribed for the customers in the area served by Southern Water & Sewer District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

|          |  |
|----------|--|
| First    | 2,000 gallons @ \$14.80 – Minimum Bill.      |
| All Over | 2,000 gallons @ \$ 4.30 – per 1,000 gallons. |

FOR Southern Floyd County, KY  
Community, Town or City

14-1 5/7

P.S.C. KY. NO. 1

Original SHEET NO. 4

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

Southern Water & Sewer District  
(Name of Utility)

RATES AND CHARGES

A. MONTHLY RATES

ALL METERS

First 2,000 Gallons  
Over 2,000 Gallons

\$14.80 Minimum Bill  
4.30 Per 1,000 Gallons

B. DEPOSITS:

ALL METERS

\$ 45.00

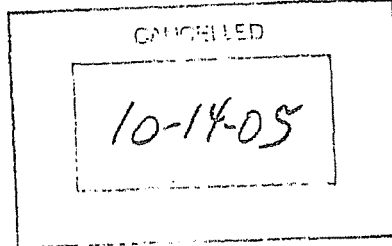
C: METER CONNECTION/TAP-ON CHARGES:

5/8" x 3/4" and 1" Meters

\$450.00

All Meters Larger than 1"

Actual Cost



DATE OF ISSUE \_\_\_\_\_  
Month/Date/Year

DATE EFFECTIVE 9-13-02  
Month/Date/Year

ISSUED BY [Signature]  
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2002-00287 DATED 9-13-02

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

SEP 13 2002

PURSUANT TO 807 KAR 5.011  
SECTION 9.011

BY [Signature]  
EXECUTIVE DIRECTOR

Form for filing Rate Schedules

H-1 6/7

For Mud Creek Area, Floyd County  
Community, Town or City

P.S.C. NO. 3

2nd Revised SHEET NO. 1

CANCELLING P.S.C. NO. 2

1st Revised SHEET NO. 1

Mud Creek Water District  
Name of Issuing Corporation

CLASSIFICATION OF SERVICE

|   | RATE<br>PER UNIT |
|---|------------------|
| The following rates are changed:                      |                  |
| First 2,000 gallons (minimum bill)                    | \$11.54          |
| All over 2,000 gallons (per additional 1,000 gallons) | \$ 4.27          |

PUBLIC SERVICE COMMISSION  
OF KENTUCKY.  
EFFECTIVE

JUL 1 1991

PURSUANT TO 807 KAR 5011.

SECTION 9 (1)  
CANCELED  
BY: [Signature]  
PUBLIC SERVICE COMMISSION MANAGER  
SEP 2002

DATE OF ISSUE June 4, 1991

DATE EFFECTIVE July 1, 1991

ISSUED BY [Signature]  
Name of Officer

TITLE Chairman

Issued by authority of an Order of the Public Service Commission of Kentucky  
in Case No. 91-178 dated June 21, 1991

H-1 7/7

Form for filing Rate Schedules

For Entire Area Served  
Community, Town or City

P.S.C. NO. 4

SHEET NO. 1

Beaver-Elkhorn Water District  
Name of Issuing Corporation

CANCELLING P.S.C. NO. 3

SHEET NO. 1

CLASSIFICATION OF SERVICE

|  | RATE PER UNIT |
|--|---------------|
| <u>RATE SCHEDULE:</u> Applicable in all territory served by Company.         |               |
| <u>AVAILABILITY OF SERVICE:</u> For all residential and commercial purposes. |               |
| <u>MONTHLY RATES</u>   |               |
| First 1,000 gallons  | \$14.10 (1)   |
| Next 19,000 gallons per 1,000 gallons  | 2.94 (1)      |
| Next 80,000 gallons per 1,000 gallons  | 2.57 (1)      |
| Over 100,000 gallons per 1,000 gallons                                       | 2.00 (1)      |
| <u>MINIMUM BILL</u>  | \$14.10 (1)   |
| <u>WHOLESALE RATE</u>  |               |
| \$2.00 per 1,000 gallons   |               |

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

JAN 19 1996

PURSUANT TO 807 KAR 5.011, SECTION 9(1)

BY: Jonathan C. Neal FOR THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

JAN 19 1996

PURSUANT TO 807 KAR 5.011, SECTION 9(1)

BY: Jonathan C. Neal FOR THE PUBLIC SERVICE COMMISSION

DATE OF ISSUE January 19, 1996

ISSUED BY Hubert Helbert  
Name of Officer

DATE EFFECTIVE January 1, 1996

TITLE Chairman

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 95-200 dated January 19, 1996



Telephone (606) 886-9193  
TDD 810-648-6056

**Robert D. Marshall**  
JUDGE/EXECUTIVE of FLOYD COUNTY  
COMMONWEALTH of KENTUCKY  
Floyd County Fiscal Court  
149 South Central Avenue - Suite 9  
Prestonsburg, Kentucky 41653



Fax (606) 886-1083

## SOUTHERN WATER & SEWER DISTRICT

co *Floyd County Fiscal Court*

The Bank of New York Company, N.A.  
625 Vine St, Suite 900 Cincinnati, OH 45202

LOAN Number # KADD2005\_147K  
Closing Date: 06/28/2005

30 yrs @ an Avg. Interest rate of 4.55%

Total Principal \$ 2,600,000.00  
Total Interest \$ 2,227,794.63  
\$ 4,824,794.63 Total Issue

Outstanding  
Principal \$ 2,230,000.00  
Outstanding  
Interest \$ 1,390,821.96  
\$ 3,620,821.96 Total Outstanding

Money Due (2012-13 Budget)

Next Payment - due Dec. 1, 2012 \$51,277.50 (Interest Only)

Following  
Payment - due June 1, 2013 \$111,277.50 (Principal & Interest)

\$ 162,555



Floyd County Fiscal Court is committed to providing safe, decent and affordable housing for low-income clients with special needs





December 8, 2004

Paul Hunt Thompson  
Floyd County Judge-Executive  
Floyd County Courthouse  
149 South Central Avenue  
Prestonsburg, KY 41653

RE: Floyd County Bond Issue

Judge Thompson:

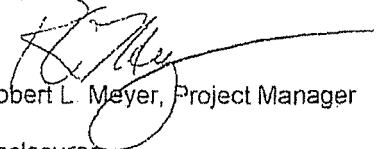
Subsequent to the merger of Beaver Elkhorn Water District and Mud Creek Water District in March of 2000, the merged entity, Southern Water & Sewer District, began a major expansion of its water distribution system. The District was successful in securing a significant amount of grant funds for this expansion effort, but at the same time had to borrow additional loan funds.

In order to minimize the impact on customer rates, the Floyd County Fiscal Court elected to borrow approximately \$2,000,000.00 in bond funds to assist Southern Water & Sewer District with this expansion. With the Fiscal Court assuming responsibility for this debt, the water district's debt load would be decreased and customers would have to pay less for their monthly water bills. It was also understood that all assets purchased with these bond funds (ie: new water lines, tanks, pump stations, etc.) would be owned by Southern Water & Sewer District and not by the Fiscal Court.

As a result of the Fiscal Court's efforts and financial support, Southern Water has completed several major expansions and increased its customer base significantly (see attached). At your request, the District recently agreed to assist the Floyd County Fiscal Court in repaying the debt on the bond issue, in the amount of \$100,000.00 per year (see attached letter).

Without your and the Fiscal Courts' financial assistance, the District would not have been able to provide public water service to over 2,400 additional customers in southern Floyd County. Please let me know if you need any additional information or clarification related to this debt or its impact on Southern Water & Sewer District.

Sincerely,

  
Robert L. Meyer, Project Manager  
Enclosures

Cc: Hubert Halbert, Chairman, Southern Water & Sewer District

SOUTHERN WATER & SEWER DISTRICT CITY OF HINDSBURG  
1000 RICHMOND AVENUE  
HINDSBURG, KY 40343  
703-525-1000 FAX 703-525-1001  
WWW.SWSDISTRICT.COM



**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Southern Water & Sewer ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility, 4) family members\* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest

| Name of Related Party (Individual or Business) | Type of Service Provided By Related Party | Amount of Compensation |
|--|---|------------------------|
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Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

Hubert Halbert  
(Print Name)

Hubert Halbert  
(Signature)

Manager  
Position/Office


\* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Floyd

Subscribed and sworn to before me by Hubert Halbert  
(Name)

this 7 day of August, 2012

  
\_\_\_\_\_  
NOTARY PUBLIC  
State-at-Large



**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

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| Name of Related Party (Individual or Business) | Type of Service Provided By Related Party | Amount of Compensation |
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Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

Scarlet Stumbo  
(Print Name)

*Scarlet K. Stumbo*  
(Signature)

Commissioner/Secretary  
Position/Office

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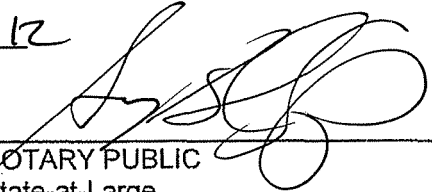
\* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Floyd

Subscribed and sworn to before me by Scarlet Shumbo  
(Name)

this 7 day of August, 2012

  
\_\_\_\_\_  
NOTARY PUBLIC  
State-at-Large

**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

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| Name of Related Party (Individual or Business) | Type of Service Provided By Related Party | Amount of Compensation |
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Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

Hayes Hamilton  
(Print Name)

*Hayes E. Hamilton*  
(Signature)

Commissioner  
Position/Office

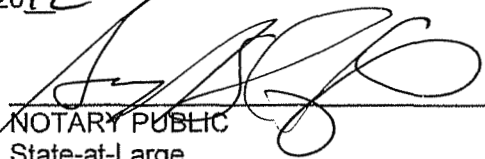
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COMMONWEALTH OF KENTUCKY

COUNTY OF Floyd

Subscribed and sworn to before me by Hayes Hamilton  
(Name)

this 7 day of August, 2012

  
NOTARY PUBLIC  
State-at-Large

**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Southern Water & Sewer ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility, 4) family members\* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest

| Name of Related Party (Individual or Business) | Type of Service Provided By Related Party | Amount of Compensation |
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Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

Cleveland Tackett  
(Print Name)

Cleveland Tackett Chesley Hall  
(Signature) (POA)

Commissioner  
Position/Office

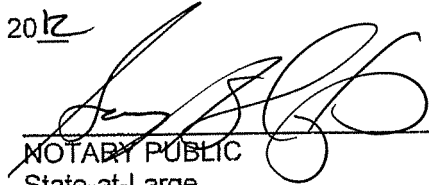
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COMMONWEALTH OF KENTUCKY

COUNTY OF Floyd

Subscribed and sworn to before me by Cleveland Tackett Raj: Alesha Hall  
(Name) (POA)

this 7 day of August, 2012

  
\_\_\_\_\_  
NOTARY PUBLIC  
State-at-Large

**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

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| Name of Related Party (Individual or Business) | Type of Service Provided By Related Party | Amount of Compensation |
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Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

Bert Layne  
(Print Name)

*Bert Layne*  
(Signature)

Treasurer  
Position/Office

\* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Floyd

Subscribed and sworn to before me by Bert Layne  
(Name)

this 7 day of August, 2012

  
NOTARY PUBLIC  
State-at-Large



**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Southern Water & Sewer ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility, 4) family members\* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

| Name of Related Party (Individual or Business) | Type of Service Provided By Related Party | Amount of Compensation |
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Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

Paula JOHNSON  
 (Print Name)  
Chairperson  
 Position/Office

Paula Johnson  
 (Signature)

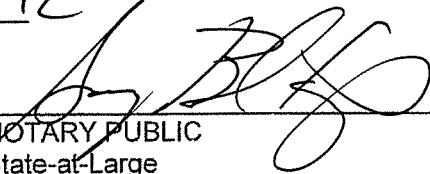
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COMMONWEALTH OF KENTUCKY

COUNTY OF Floyd

Subscribed and sworn to before me by Paula Johnson  
(Name)

this 7 day of August, 2012

  
NOTARY PUBLIC  
State-at-Large