

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PROPOSED ADJUSTMENT OF THE )  
WHOLESALE WATER SERVICE RATES OF LEBANON ) CASE NO. 2017-00417  
WATER WORKS )

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on June 20, 2018 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on June 20, 2018 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on June 20, 2018.

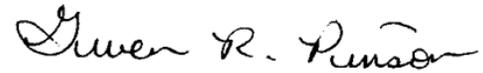
A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice.

Parties desiring to view the digital video recording of the hearing may do so at

[https://psc.ky.gov/av\\_broadcast/2017-00417/2017-00417\\_20Jun18\\_Inter.aspx](https://psc.ky.gov/av_broadcast/2017-00417/2017-00417_20Jun18_Inter.aspx).

Parties wishing an annotated digital video recording may submit a written request by electronic mail to [pscfilings@ky.gov](mailto:pscfilings@ky.gov). A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 25<sup>th</sup> day of June 2018.



---

Gwen R. Pinson  
Executive Director  
Public Service Commission of Kentucky

L Allyson Honaker  
Goss Samford, PLLC  
2365 Harrodsburg Road, Suite B325  
Lexington, KENTUCKY 40504

Honorable Damon R Talley  
Attorney at Law  
Stoll Keenon Ogden PLLC  
P.O. Box 150  
Hodgenville, KENTUCKY 42748

Lebanon Water Works  
120 S Proctor Knott Avenue  
Lebanon, KY 40033

David S Samford  
Goss Samford, PLLC  
2365 Harrodsburg Road, Suite B325  
Lexington, KENTUCKY 40504

Gerald E Wuetcher  
Attorney at Law  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KENTUCKY 40507-1801

Kaelin G Reed  
Mattingly & Nally-Martin, PLLC  
104 W. Main Street  
P.O. Box 678  
Lebanon, KENTUCKY 40033

Mary Ellen Wimberly  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KENTUCKY 40507-1801

Marion County Water District  
1835 Campbellsville Road  
P. O. Box 528  
Lebanon, KY 40033



<b>Date:</b>	<b>Type:</b>	<b>Location:</b>	<b>Department:</b>
6/20/2018	Public Hearing\Public Comments	Hearing Room 1	Hearing Room 1 (HR 1)

Judge: Bob Cicero; Michael Schmitt  
 Witness: Tyler Fallin; Lisa Mattingly; Jimmy Mudd; Holly Nicholas; Daren Thompson; Charles White  
 Clerk: Angela Fields

<b>Event Time</b>	<b>Log Event</b>
8:31:13 AM	Session Started
8:31:16 AM	Session Paused
8:59:01 AM	Session Resumed
8:59:09 AM	Chairman Schmitt Note: Fields, Angela
	Preliminary remarks.
9:00:08 AM	Chairman Schmitt Note: Fields, Angela
	Introduction of counsel.
9:01:00 AM	Chairman Schmitt Note: Fields, Angela
	Any outstanding motions?
9:01:33 AM	Atty Talley Note: Fields, Angela
	Comments regarding the unique situation in this case.
9:02:48 AM	Atty Samford Note: Fields, Angela
	States Marion's position in the case.
9:03:34 AM	Chairman Schmitt Note: Fields, Angela
	Opinion regarding the positions in the case
9:06:27 AM	Atty Samford Note: Fields, Angela
	I do not anticipate any additional PHDR.
9:07:12 AM	Witness - Daren Thompson Note: Fields, Angela
	Called witness to the stand.
9:07:41 AM	Atty Talley Direct of Thompson Note: Fields, Angela
	Hands out notebook to witness. Prefiled testimony.
9:08:26 AM	Atty Talley Direct of Thompson Note: Fields, Angela
	What does your title mean? What do you do?
9:08:49 AM	Atty Talley Direct of Thompson Note: Fields, Angela
	Do you have any additions or corrections to rebuttal testimony?
9:09:19 AM	Atty Talley Direct of Thompson Note: Fields, Angela
	Moved to enter witnesses 's previous testimony into the record. Chariman Schmitt advises that the testimony is already in the record. Copies were not handed out.
9:09:48 AM	Atty Talley Direct of Thompson Note: Fields, Angela
	Is the information you provided true and corrct and still true and correct?
9:10:21 AM	Atty Talley Direct of Thompson Note: Fields, Angela
	System Map - LWW Exhibit #1.
9:11:28 AM	Atty Talley Direct of Thompson Note: Fields, Angela
	Tell us what we are looking at on the map and where the raw water sources are.
9:11:28 AM	Camera Lock PTZ Activated
9:13:33 AM	Atty Talley Direct of Thompson Note: Fields, Angela
	How many water storage tanks do you have?

9:13:50 AM	Atty Talley Direct of Thompson Note: Fields, Angela	The Warehouse Road booster pump station. Does that allow Marion Co. get water?
9:14:24 AM	Atty Talley Direct of Thompson Note: Fields, Angela	New water line to Taylor Co. the Marion/Taylor intersection. Where is the Campbellsville line?
9:15:15 AM	Atty Talley Direct of Thompson Note: Fields, Angela	Does this system map accurately represent the Lebanon water system? Moves to enter LWW Exhibit #1 into the record.
9:15:50 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Anything that makes the system unique or different than other systems?
9:15:51 AM	Camera Lock Deactivated	
9:16:31 AM	Atty Samford - Cross Thompson Note: Fields, Angela	You use all the same type of equipment that other systems have?
9:16:57 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Handing out document. (3-1)
9:17:49 AM	Atty Samford - Cross Thompson Note: Fields, Angela	The test year ended on June 30, 2016?
9:18:12 AM	Atty Samford - Cross Thompson Note: Fields, Angela	That is the basis for your desire to the rate increase of the spring and summer of 2017 and you first approached Marion Co. about the increase?
9:18:40 AM	Atty Samford - Cross Thompson Note: Fields, Angela	So you were using forecasted data over and above the test year results ?
9:19:25 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Moved to enter MCWD Exhibit #1. Handing out document. MCWD Exhibit 2.
9:20:16 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Original Revenue/Expenses. Pg 2. Is that the amount of original rate increase that the water company was seeking?
9:20:44 AM	Atty Samford - Cross Thompson Note: Fields, Angela	That increase is both the retail customer's as well as for the water district?
9:21:05 AM	Atty Samford - Cross Thompson Note: Fields, Angela	MCWD Exhibit 3 -Jimmy Mudd letter 9-12-17.
9:21:50 AM	Atty Samford - Cross Thompson Note: Fields, Angela	You are seeking a 8.9% increase correct?
9:22:15 AM	Atty Samford - Cross Thompson Note: Fields, Angela	That would be an annual increase of \$508,596?
9:22:49 AM	Atty Samford - Cross Thompson Note: Fields, Angela	A revised revenue and expense column. Shows an increase of 1.1 million on pg. 2, correct?
9:24:02 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Revenue Requirement figure. MCWD Exhibit #4. Do you recall preparing the answers?
9:25:12 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Was there any formula that dictates how the water company sets the rates?
9:25:50 AM	Atty Samford - Cross Thompson Note: Fields, Angela	The contract explains that as more of a process and not a mathematical formula to determine that rate correct?
9:26:28 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Pg 8 of the testimony. 1st paragraph last sentence. Please read.

9:27:08 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Do you have any personal experience on with knowing how the PSC set rates? You have never prepared a rate study?
9:27:49 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Income portion of the test year. Look at Exhibit #2. The operating revenue for the 2016 fiscal year,
9:28:12 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Look at Exhibit #1 - Under operating revenues to you see an amount for penalties and rental income?
9:28:45 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Expense side of the ledger sheet. The Campbellsville contract and the prices for that.
9:29:34 AM	Atty Samford - Cross Thompson Note: Fields, Angela	When you prepared the rate increase rquest, you used the ???
9:30:13 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Look at Exhibit 1. Second column, Revenue Requirements. Purchased Campbellsville water and sewer.
9:31:05 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Last column projected fiscal year 2019
9:31:31 AM	Objection to question - Talley Note: Fields, Angela	Explains the chart.
9:32:20 AM	Chairman Schmitt Note: Fields, Angela	Overruled, and you may answer.
9:32:46 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Look at Exhibit 2, the original revenue expense under operating expenses.
9:33:27 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Same number that shows up in exhibit 1. Is there a \$2,100 difference between the amount of purchased water and sewer and the projected amount for 2019?
9:34:31 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Is it cheaper to buy or produce water or to purchase water?
9:35:11 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Can you give me a ball park estimate for the costs per use for 100,000 gallon of water?
9:36:00 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Look at Exhibit #4. Spreadsheet #1. Do you know when it was prepared?
9:37:18 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Second pg of the document. Line for chemicals. Each of the columns represent various costs and savings for based on different levels of purchases of water from Campbellsville correct?
9:38:40 AM	Atty Samford - Cross Thompson Note: Fields, Angela	The utilities expense. You are taking variable costs items and then crediting them back?
9:39:23 AM	Atty Samford - Cross Thompson Note: Fields, Angela	With regard to the utility purchases, electricity is appoximately 10% of your variable costs?
9:39:49 AM	Atty Samford - Cross Thompson Note: Fields, Angela	If there is a reduction in amount of water that you are producing that would not have a significant effect on electric costs?
9:41:08 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Part of the charge for electricity have been shifted to those that have a less impact?

9:41:39 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Shifting helps stabilize the costs by taking the volatility out of it?
9:43:31 AM	Atty Samford - Cross Thompson Note: Fields, Angela	It would be impossible to carry out repairs if they purchase 300,000 gallons per day?
9:44:10 AM	Atty Samford - Cross Thompson Note: Fields, Angela	How long will the repairs take?
9:44:42 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Prepared any estimated how long the system will be off line for repairs?
9:45:23 AM	Atty Samford - Cross Thompson Note: Fields, Angela	An outage that would only last less than 24 hours?
9:46:32 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Monthly purchase obligation or yearly obligation to purchase the equivalent of 400,000 gallons?
9:48:04 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Would the water co. object if Marion would purchase water from Campbellsville?
9:48:45 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Did Campbellsville suggest any way what they wanted the water company to purchase?
9:49:19 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Have rebuttal testimony. Pg. 19, line 7-8.
9:50:08 AM	Atty Samford - Cross Thompson Note: Fields, Angela	I have never seen that raised in a rate case before, can you explain how the business judgement rule guarantees that the water company's decision was approved?
9:51:03 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Look at exhibit #1, salaries. Total salaries for \$528 thousand. Why are salaries over stated?
9:52:47 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Have you filled those two positions?
9:53:00 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Were they hired at starting salary level, midpoint or entry level?
9:53:52 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Increase because of additional employees you hired?
9:54:20 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Depreciation expense. Original calculated revenue requirement was \$600 thousand?
9:55:01 AM	Atty Samford - Cross Thompson Note: Fields, Angela	The company has never prepared a depreciation study?
9:55:31 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Handing out MCWD Exhibit #5.
9:55:59 AM	Atty Samford - Cross Thompson Note: Fields, Angela	When did you first see this?
9:56:21 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Are you familiar with any other depreciation studies other utilities?
9:56:54 AM	Atty Samford - Cross Thompson Note: Fields, Angela	In line with other utilities regulated by the PSC
9:57:24 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Handing out MCWD Exhibit 6.
9:57:53 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Agree that when you are calculating depreciation expense this is one area they have departed from historical PSC practice?

9:58:31 AM	Atty Samford - Cross Thompson Note: Fields, Angela	You included all the other assests that have been put into use since last month?
9:59:01 AM	Atty Samford - Cross Thompson Note: Fields, Angela	You haven't prepared a depeciated schedule that would only have the assests since June 30, 2016?
9:59:51 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Health care benefits. Requiring employees to pay a portion of health care premiums. When did that change take place?
10:00:19 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Is it the same true for single coverage?
10:00:34 AM	Atty Samford - Cross Thompson Note: Fields, Angela	What would the savings be by imposing the family premiums?
10:03:05 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Those savings are not reflected in the revenue revenue requirements for the test year?
10:03:33 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Handing out MCWD Exhibit #7.
10:05:32 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Is your auditor comfortable with those types of transactions not being reflected in the financial records?
10:07:20 AM	Atty Samford - Cross Thompson Note: Fields, Angela	The estimated cost of the sludge was \$64 thousand?
10:08:01 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Any reason the company could not track the actual cost?
10:08:22 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Other justifications you had for the increase. Being able to justify 1.1 million rate increase. Look at Exhibit #1. For the total operating revenues, 2018 projection is \$356,881 higher than what was stated for the test year income?
10:10:21 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Salaries. You go from test year of \$ 528,862 to the 2018 fiscal year of \$650,000 which is anIncrease of \$122,159.
10:12:15 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Service agreements. Exh. 2 page 2.
10:12:40 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Invoices and contracts to support those additional expenditures. Are there contract that go along with these expenditures?
10:13:38 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Can the actual agreements be provided?
10:17:01 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Will the repairs make plant more efficient?
10:19:58 AM	Atty Samford - Cross Thompson Note: Fields, Angela	How did the system get in the shape it is in?
10:20:19 AM	VC Cicero Note: Fields, Angela	Looking at MCWD Exhibit 5. Depreciation falls under control center. Where would it be classified? Strected beyond 7 years. Do you think the numbers are reality or picked out of the air?
10:22:40 AM	VC Cicero Note: Fields, Angela	You were brought in to improve the system and a lot of these changes are a result of what you are doing?
10:23:55 AM	VC Cicero Note: Fields, Angela	These are your initiative projects?
10:24:14 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Revenue Requirements. Handing out MCWD Exhibit 8.

10:25:28 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Does this include all the project that have been brought online?
10:26:22 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Some of the assests may have already been in place?
10:27:08 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Debt service coverage requirements.
10:27:26 AM	Chairman Schmitt Note: Fields, Angela	Break.
10:27:33 AM	Session Paused	
10:43:46 AM	Session Resumed	
10:43:52 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Handing out MCWD Exhibit #9. Affidavit of Mr. Thompson.
10:44:21 AM	Atty Samford - Cross Thompson Note: Fields, Angela	The city can justify increasing its revenue by \$77 thousand to account for a higher than orginally stated debt requirement?
10:44:34 AM	Atty Samford - Cross Thompson Note: Fields, Angela	That additional requirement comes from having a 1.25 debt service ratio requirement?
10:44:57 AM	Atty Samford - Cross Thompson Note: Fields, Angela	The commercial loan, they do not have this debt requirement either?
10:45:35 AM	Atty Samford - Cross Thompson Note: Fields, Angela	They were relying upon a debt service coverage requirment in set for in a 1991 bond issuance ?
10:46:08 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Pg 2. Did Lebanon refinance those bonds or did the bank purchase them?
10:46:41 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Neither of the bond ordinances actually had the 1.25 debt service coverage requirement?
10:47:57 AM	Atty Samford - Cross Thompson Note: Fields, Angela	In Paragraph 6 of the Affidavit. Referring to the exhibits A & B.
10:48:35 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Look at A & B only make reference to the 1997 bonds? No reference to the 1991 bond issuance.
10:49:34 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Were there additonal bond ordinances?
10:50:37 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Does Citizens National Bank have a financial incentive in the water compay pay as high a debt service coverage as they can?
10:51:40 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Why was that affiliation omitted from the affidavit?
10:52:12 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Rate design. Customer notice, MCWD Exhibits # 3. Pg. 2. Did you consider increasing the meter charge by more than 8.9%?
10:52:31 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Why did you choose not to do that?
10:52:55 AM	Atty Samford - Cross Thompson Note: Fields, Angela	If you were to raise the meter charge would that have allowed you to reduce the volumetric charge and arrived at the same amount?
10:53:39 AM	Atty Samford - Cross Thompson Note: Fields, Angela	The MCWD represents 57% of water sales?
10:54:02 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Handing out MCWD Exhibit 10.

10:54:38 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Pg 8. Item #7. Read for first sentence of that response?
10:55:10 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Does that me that rate increase will impact all customers equally?
10:55:33 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Pg 6 of your testimony (Jan.). Line 15.
10:57:03 AM	Atty Samford - Cross Thompson Note: Fields, Angela	The service to the water company retain customers is different to customers from the Marion District.
10:58:30 AM	Atty Samford - Cross Thompson Note: Fields, Angela	At the end of the day it is a wholesale transaction correct?
10:59:29 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Look at MCWD Exhibit #4. Question #1.
11:00:37 AM	Atty Samford - Cross Thompson Note: Fields, Angela	A 400,000 gallon a day purchase will create a 27% increase in the rates of an average customer?
11:01:37 AM	Atty Samford - Cross Thompson Note: Fields, Angela	The net impact is 26% for an in-city customer, and a 34% increase for Marion?
11:02:10 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Prior to today hearing were you aware of the impact of increases to the city customers and Marion District?
11:03:14 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Are any other customers, besides Marion Co. that would pay 34%?
11:04:15 AM	Atty Samford - Cross Thompson Note: Fields, Angela	That is sppoximately \$500 thousand over an annual basis . Is that equal to 57% of the revenue requirement that you are seeking?
11:05:08 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Would it suprise you that Marion would pay over 50% under the proposed rate increase?
11:06:05 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Look at MCDW Exhibit 10, question #2.
11:06:50 AM	Atty Samford - Cross Thompson Note: Fields, Angela	From the terms of how much they are going to pay then that statement is inaccurate?
11:07:14 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Handing out MCWD Exhibit #11.
11:08:44 AM	Atty Samford - Cross Thompson Note: Fields, Angela	This document was provided to the Lebanon City Council and others to justify the proposed rate increase?
11:09:49 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Obviouly Marion Co.'s average water usage is not 534 cubic feet.
11:10:24 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Do you think it is misleading to charactize Marion and the city's customers as having the same usage?
11:11:27 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Handing out MCWD Exhibit #12.
11:12:17 AM	Atty Samford - Cross Thompson Note: Fields, Angela	The amount of the increase per month. What is absent is the % of the impact.
11:13:01 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Did you disclosed that disparity with anyone associated with the city of Lebanon?
11:15:22 AM	Atty Samford - Cross Thompson Note: Fields, Angela	You calucated on the basis on the average customer usage?

11:15:59 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Have you ever performed such a calculation? Do so as a PHDR?
11:17:17 AM	Chairman Schmitt Note: Fields, Angela	It can be submitted in a PHDR in writing and you can interpret it as you need to.
11:18:42 AM	Atty Samford - Cross Thompson Note: Fields, Angela	Given the significant percentage in the rate case, would the water company be will to extend the period of recovery beyond 3 months?
11:19:20 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	There are 12 master meters between the water district and water works?
11:20:00 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	The map shows 10 locations for Master meters?
11:20:33 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	Uniform price for meters regardless of size?
11:21:07 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	Lebanon ever thought about different charges based on meter size?
11:21:51 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	Rate case surcharge. Would that be for all customers or just on Marion water district?
11:22:35 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	Would the customers have a means to object rate increase?
11:23:54 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	Would an individual customer have a right to an appeal of the rate or just Marion Co. have a right to appeal before the PSC?
11:25:39 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	Clarify for the record who Jimmy Mudd is?
11:25:58 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	In this period of time what lawfirm or counsel have you typically used?
11:26:42 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	When Marion handed out Exhibit #12, how did you include the residential names, how did you decide to include?
11:27:39 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	If PSC does not approve the rate increase, what would Lebanon charge their other customers?
11:28:24 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	What would be the impact on Lebanon if the rate increase does not go into effect for Marion Co.?
11:29:30 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	You list the three main drives for the rate increase. What is the difference between maintaince repair and infrastructure?
11:30:59 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	Salary expenses. You anticipate some retirements?
11:32:57 AM	Atty Pinney - Cross Thompson Note: Fields, Angela	Salaries. How are those salaries accounted for in the revenue requirement?
11:35:10 AM	VC Cicero Note: Fields, Angela	You are expanding your staff by two people?
11:35:39 AM	VC Cicero Note: Fields, Angela	Did you footnote that the salary increase was from a staff expansion or how were they identified?

11:36:12 AM	VC Cicero Note: Fields, Angela	Referring to MCWD Exh. #7. Amount of water given to Marion free of charge. Is that a typical level or the amount during that test year?
11:37:31 AM	VC Cicero Note: Fields, Angela	What if it was increased to 5.7 million?
11:38:44 AM	VC Cicero Note: Fields, Angela	There is no financial penalty?
11:39:05 AM	VC Cicero Note: Fields, Angela	Why was it never memorialized, the terms of the agreement?
11:40:28 AM	VC Cicero Note: Fields, Angela	The Campbellsville line. Who's idea was it to construct the line?
11:42:41 AM	VC Cicero Note: Fields, Angela	When was that line complete?
11:43:46 AM	VC Cicero Note: Fields, Angela	Who paid for that line?
11:46:06 AM	VC Cicero Note: Fields, Angela	Wasn't there a more standard agreement before the financing was secured that said this is the volume?
11:47:07 AM	VC Cicero Note: Fields, Angela	Water mentioned water loss in the initial line. Does Lebanon does an accounted for water loss calculation?
11:48:44 AM	VC Cicero Note: Fields, Angela	Referring to MCWD Exh. 12 showed rate impact. Should be a wholesale rate for Marion Co.
11:50:46 AM	VC Cicero Note: Fields, Angela	Certain amount of fixed costs. With Marion Co.'s volume being greater It is probably not an equal sharing of fixed costs?
11:52:16 AM	VC Cicero Note: Fields, Angela	Safe drinking water is the No. 1 goal wouldn't you say?
11:54:17 AM	VC Cicero Note: Fields, Angela	You will examine everything, and your customers are not locked in, everything is wide open?
11:55:45 AM	VC Cicero Note: Fields, Angela	You are requesting \$798 thousand in a revenue increase?
11:56:48 AM	VC Cicero Note: Fields, Angela	Is the the \$120 thousand divided by 3 and 40 thousand included in the \$798 thousand? How have you included it in the ratemaking?
11:58:00 AM	VC Cicero Note: Fields, Angela	What do you anticipate the final rate case expense to be?
12:00:32 PM	Chairman Schmitt Note: Fields, Angela	Lebanon Water Works is a corporation?
12:01:13 PM	Chairman Schmitt Note: Fields, Angela	Are the board members appointed by the mayor?
12:01:29 PM	Chairman Schmitt Note: Fields, Angela	Are their terms staggered?
12:02:25 PM	Chairman Schmitt Note: Fields, Angela	Since you have been employed has there been any discussion about merging the water districts?
12:03:52 PM	Chairman Schmitt Note: Fields, Angela	They have more customers, but you have the source of the water and the plant.
12:04:19 PM	Chairman Schmitt Note: Fields, Angela	But someone is against the merger correct?

12:04:45 PM	Chairman Schmitt Note: Fields, Angela	Break for lunch.
12:04:52 PM	Session Paused	
12:59:59 PM	Session Resumed	
1:00:08 PM	Atty Talley redirect Thompson Note: Fields, Angela	Campbellsville water line. When was it finally placed in service?
1:00:32 PM	Atty Talley redirect Thompson Note: Fields, Angela	Contractual arrangement. What is the new rate if you buy 300,000 gallons per day from Campbellsville?
1:02:08 PM	Atty Talley redirect Thompson Note: Fields, Angela	Then you have to pay the minimum amount regardless of what you use?
1:03:02 PM	Atty Talley redirect Thompson Note: Fields, Angela	You rented out the property for some income in 2016?
1:03:44 PM	Atty Talley redirect Thompson Note: Fields, Angela	You did no have income from the property from the past fiscal year?
1:05:20 PM	Atty Talley redirect Thompson Note: Fields, Angela	The estimated saving a year ago, are you still comfortable with the revenue savings?
1:05:47 PM	Atty Talley redirect Thompson Note: Fields, Angela	KU had a rate increase that went into effect in 2017 correct?
1:06:41 PM	Atty Talley redirect Thompson Note: Fields, Angela	Have looked at your electric bills and monitored those three large meters over the last few months?
1:07:02 PM	Atty Talley redirect Thompson Note: Fields, Angela	Salaries. Estimated salary level of \$615,200?
1:07:23 PM	Atty Talley redirect Thompson Note: Fields, Angela	Have you included in your in revenue requirements for future staff?
1:08:04 PM	Atty Talley redirect Thompson Note: Fields, Angela	Water sales. Why you did not increase the water revenues. Can you tell us about your water usage and and water sales in cubic feet?
1:09:29 PM	Atty Samford Note: Fields, Angela	Moved to introduce all exhibits. Chairman entered LWW exhibits as well.
1:10:59 PM	Atty Talley - direct Nicholas Note: Fields, Angela	Called Holly Nicholas.
1:11:31 PM	Atty Talley - direct Nicholas Note: Fields, Angela	You work with primarily smaller utilities?
1:11:53 PM	Atty Talley - direct Nicholas Note: Fields, Angela	Any additions or corrections to your testimony?
1:12:15 PM	Atty Talley - direct Nicholas Note: Fields, Angela	Introduced her testimony in the record of Ms. Nicholas?
1:13:07 PM	Atty Samford - cross Nicholas Note: Fields, Angela	When were you retained by the water company to do the rate study?
1:14:01 PM	Atty Samford - cross Nicholas Note: Fields, Angela	Did anyone give you guidance as to how to allocate the proposed rate increase?
1:14:58 PM	Atty Samford - cross Nicholas Note: Fields, Angela	Agree with me that people in Marion are also on fixed income?
1:15:39 PM	Atty Samford - cross Nicholas Note: Fields, Angela	Is it safe to assume that those involve different meter charges and volumetric rates? Provided as a PHDR

1:16:23 PM	Atty Samford - cross Nicholas Note: Fields, Angela	Did you provide them to the water company?
1:17:03 PM	Atty Samford - cross Nicholas Note: Fields, Angela	Did you know that the amount of revenue would be in excess of what they currently are?
1:17:45 PM	Atty Samford - cross Nicholas Note: Fields, Angela	Operating expenses. You prepared this document correct?
1:18:46 PM	Atty Samford - cross Nicholas Note: Fields, Angela	Marion Co. actual rate increase is 10% higher than what is listed.
1:19:13 PM	Atty Samford - cross Nicholas Note: Fields, Angela	Refer to MCWD Exh. #3. Letter to Mudd. Pg 2. is the actual customer notice.
1:20:26 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Look at your direct testimony and response to PSC 3B.
1:21:42 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Pg 3 of testimony line 16.
1:22:02 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Item 3B you said it is not based on the fiscal year 2016?
1:22:28 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	The original revenue requirement was based on the fiscal year ended June 30, 2016?
1:22:53 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Did the original revenue requirement have any forecasted expenses?
1:23:41 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Handing out PSC Exhibit 1.
1:24:33 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Do you agree that this schedule is the comparison of the fiscal year 2016 income statement compared to the revenue expenses used by Lebanon to calculate its original revenue requirement
1:25:34 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Pg 4 of direct testimony. Lebanon used the actual wages and benefits of its going forward work force to avoid including the wages of duplicative employees?
1:26:22 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Mr. Thompson said those new employee salaries were not included in the original revenue requirement?
1:27:20 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Did you provide any workpapers to show how that was calculated?
1:28:06 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Given the rate study for Lebanon began in Nov. 2016 and ended in June. Did you rely on a budgeted projected expenses?
1:28:39 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Forecasted vs. budged are they the same terms?
1:30:07 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Cost of service study. Was one performed?
1:30:56 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Pg 2 of your direct testimony. Two cases you used in preparation. Were costs of service study prepared for either of those?
1:31:49 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	How did Lebanon calculate the proposed meter charge?
1:32:34 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Did you receive any guidance from Lebanon re: calculating the meter charges?
1:33:00 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	How did you arrive at both numbers?

1:34:11 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	In all the scenerios you presented to the board still resulted in same revenue requirement?
1:35:48 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Does it benefit Marion Co.?
1:36:36 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	You would not know if \$900 is sufficient to cover the costs of that?
1:37:02 PM	Atty Pinney - cross Nicholas Note: Fields, Angela	Do you know what expenses are incurred to provide that service?
1:37:22 PM	PHDR Note: Fields, Angela	Salaries and Fringe benefits. Want a breakdown.
1:37:50 PM	PSC Exh. 1 admitted Note: Fields, Angela	Moved to admit PSC Exhibit 1.
1:38:11 PM	Atty Talley - redirect Nicholas Note: Fields, Angela	Have all of the expenses been incurred are they now known in measureable changes?
1:39:03 PM	Atty Talley - redirect Nicholas Note: Fields, Angela	Perhaps even more so?
1:39:27 PM	Atty Talley - redirect Nicholas Note: Fields, Angela	Did you take that amount of money and reduce that in the revenue requirements to determine what the rates should be?
1:39:48 PM	Atty Talley - redirect Nicholas Note: Fields, Angela	Do know if Marion paid any of those tap fees?
1:41:10 PM	Atty Samford - direct White Note: Fields, Angela	State your name, your title and what you do for the company.
1:41:57 PM	Atty Samford - direct White Note: Fields, Angela	Do you have any additions or corrections to your testimony?
1:42:12 PM	Atty Talley - Cross White Note: Fields, Angela	Do you have your direct testimony in front of you?
1:42:46 PM	Atty Talley - Cross White Note: Fields, Angela	Handing out LWW Exhibit #2.
1:43:26 PM	Atty Talley - Cross White Note: Fields, Angela	This is LWW Exhibt 2 which is Exhibit 6 to your prefiled testimony correct?
1:43:58 PM	Atty Talley - Cross White Note: Fields, Angela	Line 2. Depreciation expense revised. How did you arrive at that \$59 thousand number?
1:45:47 PM	Atty Talley - Cross White Note: Fields, Angela	Do you recall before the Marion 2016 rate case what depreciation rate was being used?
1:46:55 PM	Atty Talley - Cross White Note: Fields, Angela	If the deprciation expense is decreased than that turns into an increase in bottom line income?
1:48:03 PM	Atty Talley - Cross White Note: Fields, Angela	Penalties. You have added that back in as income that Lebanon received as income. Did Marion pay any of those penalties?
1:51:07 PM	Atty Talley - Cross White Note: Fields, Angela	Your office is in town. You pay the in-city rate in your office.
1:51:33 PM	Atty Talley - Cross White Note: Fields, Angela	You have been paying those rates since last September?
1:52:32 PM	Atty Talley - Cross White Note: Fields, Angela	The way Ms. Nicholas calculated the revenue requirement, she gave all the customers the benefits of tap fees, etc?

1:53:08 PM	Atty Talley - Cross White Note: Fields, Angela	Bottom line, what does that number represent?
1:57:50 PM	Atty Talley - Cross White Note: Fields, Angela	line 2. When you calculated the depreciation expense did you use the full years of deprecitaion expense for those assests placed in service before the end of the fiscal year?
2:01:14 PM	Atty Talley - Cross White Note: Fields, Angela	You do not do audit work for any other utilities?
2:02:00 PM	Atty Talley - Cross White Note: Fields, Angela	You did not add back any depreciation for the Campbellsville's line?
2:02:55 PM	VC Cicero Note: Fields, Angela	Refer to LWW Exhibit #2.
2:03:27 PM	VC Cicero Note: Fields, Angela	I do not see any adjustments for bad debts, etc.
2:04:07 PM	VC Cicero Note: Fields, Angela	We agree that is should show the whole picture correct.
2:05:04 PM	Atty Samford - direct Mudd Note: Fields, Angela	State your name and what you do.
2:05:44 PM	Atty Talley - cross Mudd Note: Fields, Angela	Asked LWW Exhibit #2 be introduced into evidence.
2:06:25 PM	Atty Talley - cross Mudd Note: Fields, Angela	A few years ago the Marion Co. saw an opporunity to refinance a couple of loans, you took advantage of that didn't you?
2:06:47 PM	Atty Talley - cross Mudd Note: Fields, Angela	You refinanced those three loans?
2:07:03 PM	Atty Talley - cross Mudd Note: Fields, Angela	In PSC case 2016-163 ARF care, are you aware of how the staff treated those three loans?
2:07:38 PM	Atty Talley - cross Mudd Note: Fields, Angela	2013-00093 the PSC approved those loans?
2:08:44 PM	Atty Pinney - cross Mudd Note: Fields, Angela	Do you have any explanation why anyone from Marion did not attend the meeting to protest?
2:10:43 PM	Atty Pinney - cross Mudd Note: Fields, Angela	That was for the first reading? And the second meeting?
2:11:42 PM	Chairman Schmitt Note: Fields, Angela	How many commissions are on the Marion board?
2:12:11 PM	Chairman Schmitt Note: Fields, Angela	Who are the shorter one?
2:12:22 PM	Chairman Schmitt Note: Fields, Angela	Do they serve 8-30 years on the board?
2:12:40 PM	Chairman Schmitt Note: Fields, Angela	Have they been paid by fiscal court?
2:12:53 PM	Chairman Schmitt Note: Fields, Angela	The Water Dist. pays the board members?
2:13:19 PM	Chairman Schmitt Note: Fields, Angela	Do you keep a record of commissioner training?
2:13:37 PM	Chairman Schmitt Note: Fields, Angela	Are you aware of any discussions about a merger?
2:14:31 PM	Chairman Schmitt Note: Fields, Angela	Any ongoing merger discussions?
2:16:13 PM	Chairman Schmitt Note: Fields, Angela	Did the county judge or fiscal court members have any position on how the surviving utility would be governed?

2:17:05 PM	Chairman Schmitt Note: Fields, Angela	Was as cost study ever discussed?
2:21:04 PM	Chairman Schmitt Note: Fields, Angela	Your position is you are against this rate increase because your customers will be paying more of the costs.
2:21:51 PM	Chairman Schmitt Note: Fields, Angela	Discussion about PHDR. Samford has about 5 PHDRs. Filed by midnight tomorrow night. Responses by June 27th. Talley wants to file a brief. LWW brief due by June 29th. Samford reply due July 3rd, Talley is due on July 6th.
2:25:02 PM	Chairman Schmitt Note: Fields, Angela	Hearing adjourned.
2:25:08 PM	Session Paused	
2:28:18 PM	Session Ended	

2017-00417

ELECTRONIC PROPOSED ADJUSTMENT OF THE WHOLESAL WATER SERVICE RATES OF LEBANON WATER WORKS

Exhibit List from June 20, 2018 Hearing

Lebanon Water Works Exhibit 1 – System Map

Lebanon Water Works Exhibit 2 – Testimony of Charles White – Exhibit 6

Marion Co. Water District Exhibit 1 – Exhibit 3-1 Operating Revenues chart

Marion Co. Water District Exhibit 2 – Operating Expenses & Revenue Requirements 6-8-18

Marion Co. Water District Exhibit 3 – Letter to Jimmy Mudd dated 9-12-17

Marion Co. Water District Exhibit 4 – Response to Commission Staff’s Request for Information – Question 1

Marion Co. Water District Exhibit 5 – Capitalization Policy

Marion Co. Water District Exhibit 6 – Figure 1 Typical Average Service Lives, Salvage Rates, and Depreciation Rates

Marion Co. Water District Exhibit 7 – Response to Marion District’s Supplemental Request for Information – Question 8

Marion Co. Water District Exhibit 8 – NARUC Depreciation Schedule Worksheet

Marion Co. Water District Exhibit 9 – Affidavit of William P. Thompson

Marion Co. Water District Exhibit 10 – Response to Commission Staff’s Request for Information – Question 2.

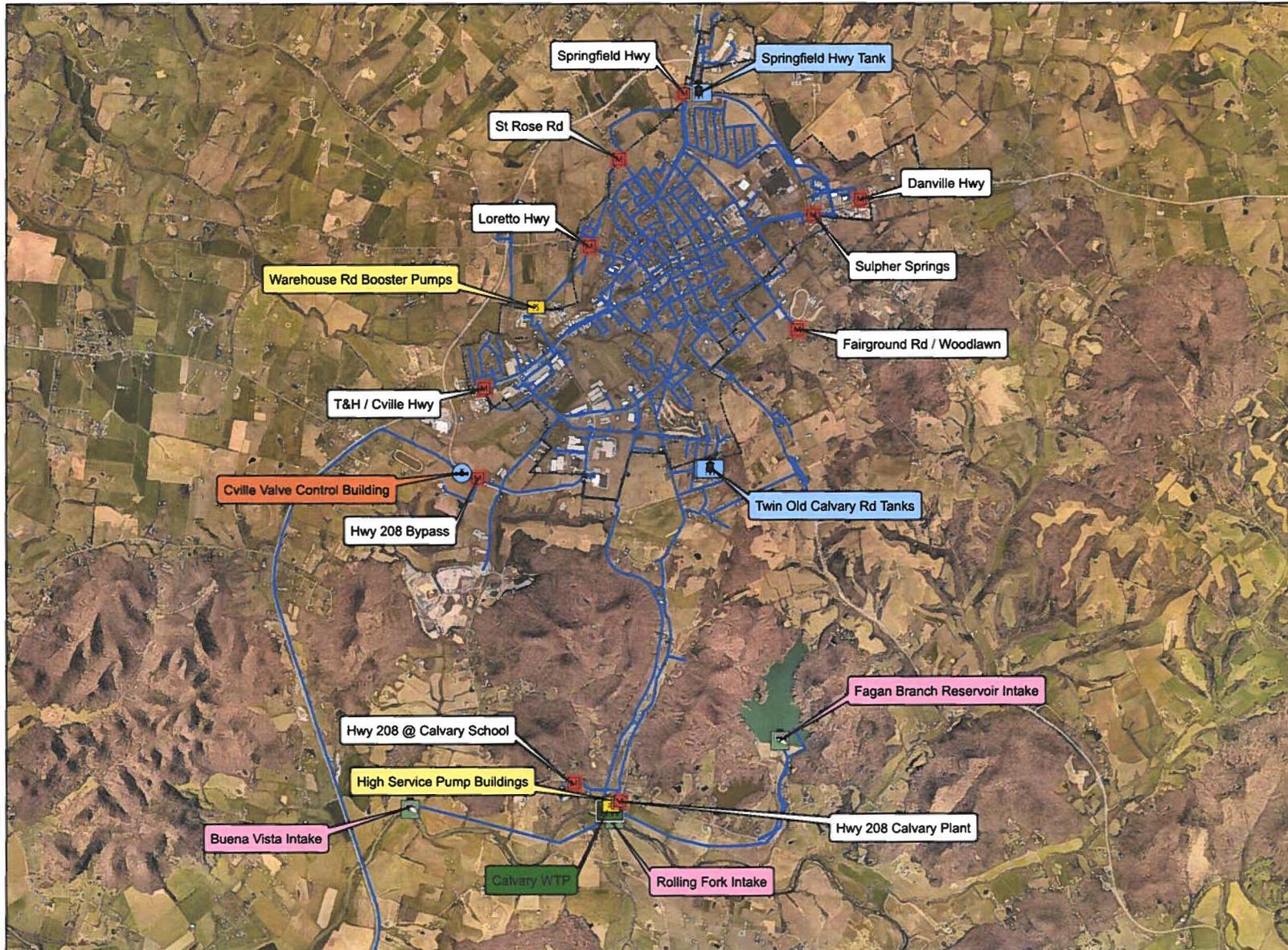
Marion Co. Water District Exhibit 11 – Response to Marion District’s Request for Information – Question 20.

Marion Co. Water District Exhibit 12 – Rate Impacts for LWWC Customers

PSC Exhibit – Operating Revenue Comparison Chart

# LEBANON WATER WORKS EXHIBIT 1

## Lebanon Water Works Company Water System Overview Map



NOT TO SCALE

### Legend

-  Valve Control Building
-  MCWD Master Meters
-  Water Pumps
-  Water Treatment Plants
-  Water Intakes
-  Storage Tanks
-  Lebanon City Limits
-  Water Mains



Copyright (c) 2018, Lebanon Water Works Co., Inc. (LWWC)  
All Rights Reserved.

No part of this map may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying and recording, or by any information storage or retrieval system, except as expressly permitted in writing by LWWC.

**LEBANON WATER WORKS  
EXHIBIT 2**

Testimony of Charles M. White  
Exhibit CMW-6  
Page 1 of 1

**REVISED**  
**Summary of Findings**

Utility Operating Loss Per Pro Forma at Exhibit 1-1		(217,970)
Decrease in Depreciation Expense of LWWC - Revised		59,927
<b><u>Cost of "free" water to the City of Lebanon - Revised</u></b>		<b>123,950</b>
Omission of average revenue from penalties and late fees		35,445
<b>Cost of additional 100,000 gallons of water per day above the minimum - Revised</b>		<b>57,670</b>
Expected decrease in variable costs related to power, pump station and filter plant, and chemical costs - Revised	85,051	
Less: Amount of savings listed at Exhibit 1-1	<u>(29,950)</u>	55,101
 Costs above the 3 year average (computed from the audited financial statements) as compared to the Pro Forma at Exhibit 1-1		
a) Maintenance & Repair Costs	72,567	
b) Salaries	52,413	
c) Outside Services	22,346	
d) Miscellaneous Expenses	<u>24,732</u>	
		172,058
 <b>Adjusted Operating Income - Revised</b>		 <b><u>286,181</u></b>

**MARION CO. WATER DISTRICT  
EXHIBIT 1**

**Exhibit 3-1**

	FY 2016 Income Statement	Exhibit 1-1: Revenue Requirements*	11 month actual year to date through 5/31/18	Projected FY 2018	Projected FY 2019
<b>Operating Revenues</b>					
Charges for services	2,638,560	2,640,000	2,707,892	2,991,192	3,506,000
Penalties	34,344		37,093	39,893	24,800
Rental Income	2,000				
<b>Total Operating Revenues</b>	<b>2,674,904</b>	<b>2,640,000</b>	<b>2,744,985</b>	<b>3,031,085</b>	<b>3,530,800</b>
<b>Operating Expenses</b>					
Purchased Water-Cville Water & Sewer	0	436,540	74,059	110,528	434,400
Savings at WTP		(39,733)			
Salaries	528,862	615,200	586,507	650,721	671,900
Fringe Benefits	411,140				
Employee Ins.		188,400	165,104	178,635	196,220
KRS/CERS - Employer share		132,145	101,689	111,070	144,360
Uniforms/Safety Equipment		10,100	23,704	27,499	7,200
Continuing Education Expense		6,800	14,838	14,927	9,600
Membership Dues/Fees		5,000	9,418	9,818	7,076
Payroll taxes	38,371	47,100	43,502	48,414	51,490
Office Supplies and Expense	31,416				
Office - Utilities		12,000	11,720	12,817	14,688
Office - Supplies		6,100	12,833	13,294	9,600
Office - Miscellaneous		15,900			
Professional Fees / Outside Services	44,702	65,400	137,066	157,793	42,600
Director fees	12,600	12,600	6,300	12,600	12,600
Insurance	49,117	49,100	104,131	109,577	65,400
Bad Debts	5,300	0	(569)	231	0
Miscellaneous	16,384	24,667	9,015	9,015	26,505
Interest on Customer Deposits		1,200	1,078	1,238	1,200
Postage		10,700			
Postage and Freight			10,809	11,657	12,000
Advertisements		900	333	333	600
Donations		400	150	150	0
Rental House - Calvary		800	414	414	0
Vehicle - Fuel		13,800	8,816	9,657	10,020
Valve Building Expense - Lebanon Bypass			10,604	10,677	2,400
Maintenance and Repairs	120,903	108,440			
Equipment - Repairs/Maintenance		2,000	5,192	5,312	2,000
Meters - Repairs		60,900	74,129	74,705	75,000
Mains - Repairs		20,000	40,473	47,352	40,760
Office - Repairs/Maintenance		33,200	46,500	48,793	42,420
Hydrants - Repairs		16,400	7,065	7,065	8,200
Tanks - Repairs		10,000	18,671	19,271	16,730
Vehicle - Repairs/Maintenance		16,700	10,484	10,659	6,000
Warehouse Rd- BPS - Repairs/Maintenance		0	20,946	21,019	26,100
Lake - Repairs/Maintenance		1,800	9,606	10,606	10,380
Buena Vista - Repairs/Maintenance		2,500			
WTP - Sludge Hauling Repairs/Maintenance		0	12,733	14,983	30,000
WTP - Repairs/Maintenance			160,662	163,928	99,580
Power	221,646	230,000	197,717	212,717	216,000
Pump Station and Filter Plant	68,029				
Utilities		10,500	8,849	9,590	12,840
Tanks - Utilities		4,000			
Buena Vista - Utilities		1,000			
Shop - Supplies/Expense		13,100	6,278	9,834	2,400
Lab Equipment/Supplies		2,200	12,151	12,151	11,040
Lab Equipment		11,000			
Pump Equipment Expense		0	14,929	14,929	6,000
Lab Testing		18,600	22,491	24,170	22,200
Supplies		8,900	5,259	6,393	9,800

Buena Vista - Supplies/Expense		0	909	1,215	6,640
Chemicals	167,709	170,000	147,023	154,409	197,500
<b>Total Operation and Maintenance Expenses</b>	<b>1,716,179</b>	<b>2,356,359</b>	<b>2,153,588</b>	<b>2,370,166</b>	<b>2,561,449</b>
Depreciation Expense	575,320	806,086	550,000	600,000	741,388
<b>Total Operating Expenses</b>	<b>2,291,499</b>	<b>3,162,445</b>	<b>2,703,588</b>	<b>2,970,166</b>	<b>3,302,837</b>
<b>Utility Operating Income</b>	<b>383,405</b>	<b>(522,445)</b>	<b>41,397</b>	<b>60,919</b>	<b>227,963</b>
<b>Non-Operating Revenue (Expenses)</b>					
Interest Revenue	9,777	9,400	10,899	10,974	9,360
Interest Expense	(140,746)				
Annual Debt Principal and Interest Payment		(563,617)			
Revenue Bonds Payable - CNB Loans (Principal)			(233,501)	(253,220)	(261,073)
KIA Loan (B08-09)			(28,173)	(28,173)	(28,475)
KIA Loan (F15-057)			(33,623)	(33,623)	(33,876)
KIA Loan (F14-036)					(121,952)
Interest Expense - Revenue Bonds			(133,174)	(142,544)	(125,015)
<b>Income Before Capital Contributions</b>	<b>252,436</b>	<b>(1,076,662)</b>	<b>(376,175)</b>	<b>(385,667)</b>	<b>(333,068)</b>

\*These are the updated Revenue Requirements from Nicholas Rebuttal Testimony Exhibit 1.

**MARION CO. WATER DISTRICT  
EXHIBIT 2**

**Operating Expenses & Revenue Requirements  
06/08/18**

	Original Revenue/Expenses	Adjustments	Reference	Revised Revenue/Expenses
<b>Operating Revenues</b>				
<b>Sales of Water</b>				
Unmetered water sales	-			-
Metered water sales	2,640,000			2,640,000
Bulk loading stations	-			-
Fire protection revenue	-			-
Sales for resale	-			-
<b>Total sales of water</b>	<b>2,640,000</b>			<b>2,640,000</b>
<b>Other water revenues</b>				
Forfeited discounts	-			-
Miscellaneous service revenues	-			-
Rents from water property	-			-
Other water revenues	-			-
<b>Total other water revenues</b>	<b>-</b>			<b>-</b>
<b>Total Operating Revenues</b>	<b>2,640,000</b>			<b>2,640,000</b>
<b>Operating Expenses</b>				
Purchased Water-Cville Water & Sewer	490,560	(54,020)	(A)	436,540
Savings at WTP	(39,733)			(39,733)
Salaries	615,200			615,200
Fringe Benefits - Employee ins	188,400			188,400
KRS/CERS - Employer share	118,000	14,145	(B)	132,145
Payroll taxes	47,100			47,100
Office - Utilities	12,000			12,000
Office - Repairs/Maintenance	33,200			33,200
Office - Supplies	6,100			6,100
Office - Miscellaneous	15,900			15,900
Professional Fees - Legal/Accting/Surveying	65,400			65,400
Postage	10,700			10,700
Director fees	12,600			12,600
Advertisements	900			900
Uniforms/Safety Equipment	10,100			10,100
Continuing Education Expense	6,800			6,800
Membership Dues/Fees	5,000			5,000
Insurance	49,100			49,100
Bad Debts	-			-
Interest on Customer Deposits	1,200			1,200
Donations	400			400
Rental House - Calvary	800			800
Miscellaneous	4,000	20,667	(C)	24,667
Equipment - Repairs/Maintenance	2,000			2,000
Shop - Supplies/Expense	13,100			13,100
Meters - Repairs	60,900			60,900

Mains - Repairs	20,000			20,000
Hydrants - Repairs	16,400			16,400
Tanks - Repairs	10,000			10,000
Tanks - Utilities	4,000			4,000
Lab Equipment/Supplies	2,200			2,200
Lab Testing	18,600			18,600
Vehicle - Fuel	13,800			13,800
Vehicle - Repairs/Maintenance	16,700			16,700
Warehouse Rd- BPS - Repairs/Maintenance	-			-
Power	230,000			230,000
Chemicals	170,000			170,000
Utilities	10,500			10,500
Repairs/Maintenance	38,000	70,440	(D)	108,440
Supplies	8,900			8,900
Lab Equipment	11,000			11,000
Pump Equipment	-			-
Lake - Repairs/Maintenance	1,800			1,800
Buena Vista - Utilities	1,000			1,000
Buena Vista - Supplies	-			-
Buena Vista - Repairs/Maintenance	2,500			2,500
<b>Total Operation and Maintenance Expenses</b>	<b>2,305,127</b>			<b>2,356,359</b>
Depreciation Expense	600,000	206,086	(E)	806,086
<b>Total Operating Expenses</b>	<b>2,905,127</b>			<b>3,162,445</b>
<b>Utility Operating Income</b>	<b>(265,127)</b>			<b>(522,445)</b>

### Revenue Requirement Calculation - Debt Coverage Method

Pro Forma Operating Expenses	2,905,127			3,162,445
Plus: Average Annual Debt P&I Payments	532,037	31,580	(F)	563,617
Debt Coverage Requirement	63,844	77,060	(G)	140,904
<b>Total Revenue Requirement</b>	<b>3,501,008</b>			<b>3,866,966</b>
Less: Other Operating Revenue	(53,400)			(53,400)
Non-operating Revenue				
Interest Income	(9,400)			(9,400)
<b>Revenue Required from Rates</b>	<b>3,438,208</b>			<b>3,804,166</b>
Less: Revenue from Sales at Present Rates	2,640,000			2,640,000
<b>Required Revenue Increase</b>	<b>798,208</b>			<b>1,164,166</b>
<b>Required Revenue Increase stated as a percentage of revenue at Present Rates</b>	<b>30.24%</b>			<b>44.10%</b>

## Reference

- (A) Water purchase rate from Campbellsville was recalculated and subsequently reduced from \$3.36 per 1000 gallons to \$2.99 per 1000 gallons for 400,000 GPD.
- (B) Pension Expense (CERS) amount was increased by \$14,145 to a total for FY 2019 of \$132,145.
- (C) GIS Base Mapping Project and the annual licensing fee were added.
- (D) \$70,440 was added to cover on-going service contracts at the WTP.
- (E) Depreciation for Campbellsville transmission main, WTP filters, and clearwell have been added to total depreciation amount; adjustments were made to reflect additions from the Depreciation Worksheet.
- (F) Final loan amount for Campbellsville project has been adjusted to reflect total loan of \$2,261,000.
- (G) Debt coverage was incorrectly calculated originally plus it needed to include the final amount of the Campbellsville loan.



120 S. Proctor Knott Avenue  
Lebanon, Kentucky 40033-1299  
(270) 692-2491  
Fax (270) 692-6413  
TTY (800) 648-6056

September 12, 2017

Mr. Jimmy Mudd, Manager  
Marion County Water District  
PO Box 528  
1835 Campbellsville Road  
Lebanon, KY 40033

Hand Delivered

RE: Proposed Water Rate Increase

Dear Jimmy:

Last night, the Lebanon City Council had the Second Reading and passage of Ordinance No. 2017-06, which amends both the Meter Charge and the O & M Charge (volumetric rate) for water service provided by Lebanon Water Works Company (Lebanon Water).

Attached are the following documents, which contain the new rates, the proposed Effective Date, and other information, required by the PSC:

1. Customer Notice; and
2. Tariff Sheet.

Lebanon Water plans to file these documents with the PSC on or before September 14, 2017. If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Daren S. Thompson". The signature is written in a cursive, flowing style.

Daren S. Thompson  
Operations & Management Superintendent  
Enclosures

## CUSTOMER NOTICE

Lebanon Water Works Company ("Lebanon Water") is providing notice that it plans to file with the Public Service Commission, on or before September 14, 2017, to increase its water rates to the Marion County Water District effective for water service on and after November 15, 2017. The proposed rates are as follows:

	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>Meter Charge</b> (monthly, per meter)	\$6.75	\$7.35	\$0.60 increase	8.9% increase
<b>Volume Charge</b> (per 100 cubic feet)	\$2.50	\$3.35	\$0.85 increase	34% increase

Marion County Water District purchased 598,251 hundred cubic feet of water from Lebanon Water during the Test Year (FY ending 6-30-16). Its average monthly purchases were 49,854 hundred cubic feet. It purchases water through 12 master meters. Under the current rates, Marion County Water District's average monthly bill for both water consumption and meter charges is \$124,716. Under the proposed rates, Marion County Water District's average monthly bill for both water consumption and meter charges will be \$167,099. This is an increase of \$42,383 per month or 34%.

**Rate Case Expenses.** Lebanon Water further proposes a surcharge to recover all expenses it may incur to participate in and defend its proposed rates in any Public Service Commission proceeding that is initiated to investigate the reasonableness of those rates. These expenses include fees and expenses for any rate consultant, cost-of-service experts, accountants, legal services, and any other consultants. The surcharge will be assessed over a period of 36 months and the amount of the monthly surcharge will equal one-thirty-sixth ( $\frac{1}{36}$ ) of the total amount of expenses that Lebanon Water incurs to defend its proposed rates. (For example, if Lebanon Water incurs total expenses of \$72,000 to defend its proposed rates, the amount of the monthly surcharge would be \$2,000.)

Water flowing through the meters before the effective date will be charged at the current rates while water flowing through the meters on and after the effective date will be charged at the new rates.

This filing may be examined at the offices of Lebanon Water located at 120 S. Proctor Knott Avenue, Lebanon, Kentucky 40033. Please contact Daren Thompson, Operations & Management Superintendent, at (270) 692-2491 regarding any questions related to the proposed rates.

The filing may also be examined at the offices of the Public Service Commission located at 211 Sower Boulevard in Frankfort, Kentucky, Monday – Friday from 8:00 am – 4:30 pm or on the Commission website at <http://psc.ky.gov>.

Comments regarding this filing may be submitted by mail to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602; or through its website at <http://psc.ky.gov>.

The new rates are the rates proposed by Lebanon Water in its filing, but the Public Service Commission may order rates that differ from the proposed rates contained in this Customer Notice.

Intervention by Marion County Water District or another person with a substantial interest may be requested by submitting a timely written request for intervention by mail to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602. The request for intervention must establish the grounds for the request including the status and interest of the party.

If the Public Service Commission does not receive a written request prior to the effective date of the proposed rates, the Public Service Commission may take final action on the proposed rates.

FOR Marion County Water District  
Community, Town or City

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

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

Lebanon Water Works Company  
(Name of Utility)

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

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

---

CLASSIFICATION OF SERVICE

---

**Marion County Water District Water Rates**

Meter Charge, per meter per month	\$ 7.35	
Volume Charge per 100 Cubic Feet	\$3.35	
Rate Case Expense Surcharge*	\$ 2,000.00	Per Month

\*Lebanon Water proposes a surcharge to recover all expenses it may incur to participate in and defend its proposed rates in any Public Service Commission proceeding that is initiated to investigate the reasonableness of those rates. These expenses include fees and expenses for any rate consultant, cost-of-service experts, accountants, legal services, and any other consultants. The surcharge will be assessed over a period of 36 months and the amount of the monthly surcharge will equal one-thirty-sixth ( $\frac{1}{36}$ ) of the total amount of expenses that Lebanon Water incurs to defend its proposed rates. (For example, if Lebanon Water incurs total expenses of \$72,000 to defend its proposed rates, the amount of the monthly surcharge would be \$2,000.)

---

DATE OF ISSUE September 11, 2017  
Month / Date / Year

DATE EFFECTIVE November 15, 2017  
Month / Date / Year

ISSUED BY JR Moraja Sr  
(Signature of Officer)

TITLE President

By Authority Of Order Of The Public Service Commission  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

**LEBANON WATER WORKS COMPANY**

**CASE NO. 2017-00417**

**Response to Commission Staff's Request for Information**

**Question No. 1**

**Responding Witness: Daren Thompson**

Q-1. Refer to Lebanon Water's "Memorandum in Support of Motion for an Order Establishing a Procedural Schedule and Assigning Burden of Proof," (filed Jan. 31, 2018). In Exhibits 1-14, Lebanon Water has referenced a formula from the Master Agreement.

- A. Provide that formula.
- B. Provide the calculations used to determine the proposed rates, including all documents supporting the inputs applied to the referenced formula.

A-1.

- A. The references in "Memorandum in Support of Motion for An Order Establishing a Procedural Schedule and Assigning Burden of Proof" to a formula do not refer to a mathematical formula, but to a procedural process to which the parties to the Master Agreement had agreed. Courts have previously recognized that a process set forth in a rate schedule or special contract constitute a formula for ratemaking, which, when applied, does not result in a rate adjustment. *See, e.g., State ex. rel Utilities Commission v. Edmisten*, 230 S.E.2d 651, 659 (N.C. 1976) ("the word 'rate' used in the Public Utility Act refers not only to the monetary amount which each customer must ultimately

pay but also to the published method or schedule by which that amount is figured”). The Master Agreement sets forth a process or procedure in which Lebanon Water Works Company (“the Company”) proposes revisions to its single uniform rate and submits this rate to the Lebanon City Council for the City Council’s examination and review. This process requires the Company to provide notice to Marion County Water District (“Marion District”) of the proposed revision and to address all requests for information. It establishes and expressly recognizes Marion District’s right to present evidence and argument to the City Council regarding the proposed revisions. Finally, it requires the City Council to evaluate and consider all evidence regarding a proposed revision and to enter a decision on the proposed revision based upon its evaluation of the evidence. In this regard, the procedures are similar to those the Commission Staff recognized as a formula in its formal opinion regarding the City of Leitchfield-Grayson County Water District Water Purchase Agreement. In that opinion, the Commission Staff opined that the application of those procedures did not constitute a rate revision. *See* Letter from Beth O’Donnell, Executive Director, Kentucky Public Service Commission, to David Vickery, Legal

Counsel, City of Leitchfield (Nov. 21, 2007). This Letter is attached to this question response as pages 4-7 of 9. Therefore, there is no mathematical formula to file with the Commission.



**Ernie Fletcher**  
Governor

**Teresa J. Hill, Secretary**  
Environmental and Public  
Protection Cabinet

**Timothy J. LeDonne**  
Commissioner  
Department of Public Protection

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

**Mark David Goss**  
Chairman

**John W. Clay**  
Vice Chairman

**Caroline Pitt Clark**  
Commissioner

November 21, 2007

David B. Vickery, Esq.  
101 North Main Street  
Leitchfield, Kentucky 42754

Re: Leitchfield-Grayson County Water District

Dear Mr. Vickery:

Commission Staff acknowledges receipt of your letter of February 21, 2007 in which the City of Leitchfield ("Leitchfield") requests reconsideration of Commission Staff's letter of February 16, 2007. I apologize for the delay in responding.

On February 16, 2007, Commission Staff advised Grayson County Water District ("Grayson District") by letter regarding the procedures that Leitchfield should follow to adjust its wholesale water service rate to Grayson District. More specifically, it opined that Leitchfield must at a minimum file a revised rate schedule with the Commission at least 30 days prior to the effective date of any proposed rate adjustment. At the time of this advisement, Leitchfield had revised its wholesale rate and was assessing the revised rate, but had not filed such schedule with the Commission. As a result of its failure to file a revised rate schedule, Commission Staff opined, Leitchfield could not properly charge the revised rate.

In your letter and in your telephone conversations with Commission Staff, you request that Commission Staff reconsider its position. You assert that the wholesale water purchase agreements between Leitchfield and Grayson District set forth an exact formula for establishing the wholesale rate, that this formula is the "wholesale rate," and that, while the product of formula has changed, the formula has not changed. As the formula has not changed, you further assert, KRS 278.180 does not require the filing of a new rate schedule or advance notice to the Commission of the recalculation of the formula.

Commission Staff understands the facts as follows:

Leitchfield is a city of the fourth class. It provides wholesale water service to Grayson County Water District, a water district created pursuant to KRS Chapter 74. Grayson

District provides water service to the unincorporated areas of Grayson County.

On August 21, 1972, Leitchfield and Grayson District entered into a contract for the sale and purchase of water. This contract specified a wholesale water rate of \$0.35 per 1,000 gallons. It further provided that this rate was subject to modification at the end of every three-year period and that change in the rate must be based on a demonstrable change in the costs of performance. Costs related to the increased capitalization of Leitchfield's system were not to be considered in establishing the wholesale rate.

On April 11, 1978, Leitchfield and Grayson District amended their earlier contract to clarify the methodology used to establish the wholesale service rate. The new agreement provided that the wholesale rate was based upon the proportionate percentage of water sold to Grayson District as compared to the total pumped at Leitchfield's plant and the cost of water withdrawn from the raw source, processed, pumped, stored and delivered to Grayson District (including Operation and Maintenance, Administrative Costs, and Debt Service). The new agreement stated a wholesale rate of \$0.53 per 1,000 gallons.

To resolve a contract dispute that resulted in a legal action before Grayson Circuit Court, Leitchfield and Grayson District agreed in 1983 to amendments to their earlier agreements. While agreeing to a revised rate of \$0.95 per 1,000 gallons, they further agreed that engineers representing both parties would use the results of the audit of Leitchfield's water operations for the 1983-84 fiscal year and prepare a joint report on a new wholesale water rate. Once a new rate was established, it would remain in effect for a two-year period until a new rate was established using the audit report from the previous fiscal year.

On August 4, 1988, Leitchfield and Grayson District executed a Supplemental Agreement that, *inter alia*, specified that future wholesale rates would be calculated in accordance with the 1983 Agreement and "the methods, assumptions, formulae, and procedures" in the Joint Report that the utilities prepared in March 1988. The Supplemental Agreement further established a formula for the allocation of cost of certain capacity improvements.

On June 9, 1994, Leitchfield and Grayson District entered a Second Supplemental Agreement. This agreement affirmed the procedures in the 1983 Agreement, 1988 Joint Report and Supplemental Agreement, but specified cost allocation procedures for various cost components. The Second Supplemental Agreement also provided that a rate study would be completed within 30 days of the delivery of "all required information" to Leitchfield and that the recalculation would become effective 45 days after completion of the rate study.

Leitchfield has filed all of the agreements mentioned above with the Public Service Commission.

Commission records indicate that Leitchfield has recalculated its wholesale rate in accordance with procedures and methodologies set forth in these agreements on at least three occasions since 1994. Commission records further reflect that Leitchfield has not filed with the Commission a rate schedule reflecting the recalculation of its rate in accordance with the contract formulae since 1997.

On January 12, 2007, consultants for Grayson District and Leitchfield recalculated the wholesale water service rate based upon the procedures set forth in the agreements mentioned above. On January 22, 2007, Grayson District's Board of Commissioners accepted these calculations. Three days later Grayson District notified Leitchfield of its Board of Commissioners' action and requested that it be notified upon Leitchfield's filing of notice of the proposed rate adjustment with the Public Service Commission. On January 31, 2007, Leitchfield's legal counsel advised Grayson District that the Public Service Commission would be notified of the recalculated rate by letter for "courtesy purposes." Leitchfield's City Clerk subsequently advised Grayson District that Leitchfield would bill at the recalculated rate for service provided on and after January 12, 2007.

In its letter of February 16, 2007, Commission Staff opined that the recalculated rate could not become effective until Leitchfield complied with KRS 278.180(1) by providing the Commission with 30 days' notice of the recalculated rate. Commission Staff noted that Leitchfield had yet to file any tariff sheet with the Commission that indicated a revised rate for wholesale water service.

Based upon its review of the agreements between Leitchfield and Grayson District, which were not mentioned in the first letter requesting guidance and, therefore, not considered in the development of the earlier opinion, Commission Staff finds that its

David B. Vickery, Esq.  
November 21, 2007  
Page 4

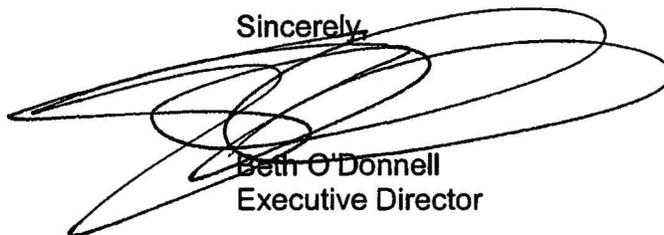
earlier opinion requires revision. The formula set forth in the agreements is the rate for wholesale water service. In this respect, the wholesale service rate is similar to an electric utility's fuel adjustment rate. See, e.g., State ex. rel Utils. Comm'n v. Edmisten, 230 S.E.2d 651, 659 (N.C. 1976) ("[T]he word 'rate' used in the Public Utility Act refers not only to the monetary amount which each customer must ultimately pay but also to the published method or schedule by which that amount is figured."). As this formula has remained unchanged since the execution of the Second Supplemental Agreement, KRS 278.180(1) did not require 30 days' notice to the Commission of the recalculated cost components.

Commission Staff is further of the opinion that, based upon the terms of the parties' agreements, Leitchfield could not assess the recalculated rate until February 27, 2007 and should refund any amounts collected in excess of the then-existing rate of the rate of \$1.439 per 1,000 gallons prior to that date. The Second Supplement Agreement provided that the recalculated rate became effective 45 days after completion of the rate study. Under the terms of the 1983 Agreement, the recalculated rate must be determined and agreed upon by the parties' engineers. Accordingly, the rate study was not completed until January 12, 2007 when Grayson District's engineers concurred in the study's results.

Finally, while KRS 278.180(1) did not require notice to the Commission of rate recalculations based upon the agreements' formula, Commission Staff respectfully recommends that the better practice is for Leitchfield to file revised tariff sheets with the Commission prior to placing the results of the recalculation into effect.

This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this opinion should be directed to Gerald Wuetcher, Assistant General Counsel, at (502) 564-3940, Extension 259.

Sincerely,

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and flourishes.

Beth O'Donnell  
Executive Director

gew/

cc: Kevin Shaw

- B. As noted above, the formula referred to in the “Memorandum in Support of Motion for an Order Establishing a Procedural Schedule and Assigning Burden of Proof” is not a mathematical formula. Thus, the process for determining the proposed rates is more complicated than simply inserting inputs into a mathematical formula. The Company determined the proposed rates by using the same ratemaking methodology that the Public Service Commission has historically used.

Attached are two (2) separate spreadsheets that were used to calculate the Company’s Revenue Requirements and proposed rates. Both spreadsheets contain several different alternatives or “Runs” used in the computations. The Runs refer to the daily gallons of water to be purchased by the Company from the City of Campbellsville. Run #2 assumes that the Company will purchase 400,000 gallons of water per day (“GPD”) from the City of Campbellsville. This is the assumption that was ultimately decided upon and used in determining the proposed rates.

Spreadsheet No. 1 contains several columns that correspond to Run #1 through Run #8. The first column in Spreadsheet No. 1 is for Run #1 (300,000 GPD). The second column in Spreadsheet No. 1 is

for Run #2 (400,000 GPD). The second column is the applicable column to use because the Company has decided to purchase 400,000 GPD from the City of Campbellsville.

Spreadsheet No. 2 contains several different alternatives or “Runs” used in the computations. The Runs refer to the daily gallons of water to be purchased by the Company from the City of Campbellsville. Run #2 assumes that the Company will purchase 400,000 GPD from the City of Campbellsville. Spreadsheet No. 2 demonstrates that the proposed rates will generate the required revenue.

Both of these Spreadsheets were provided to Marion District prior to the Lebanon City Council’s Second Reading and final passage of the Rate Ordinance. The Company plans to provide written testimony to more fully explain the information contained in these Spreadsheets.

# Spreadsheet No. 1

## Schedule of adjusted operations

Column #2

	Pro Forma							
<b>Operating Revenues</b>								
<b>Sales of Water</b>								
Unmetered water sales	0							
Metered water sales	2640000	2640000	2640000	2640000	2640000	2640000	2640000	2640000
Bulk loading stations	0							
Fire protection revenue	0							
Sales for resale	0							
<b>Total sales of water</b>	<b>2640000</b>							
<b>Total Operating Revenues</b>	<b>2640000</b>							
<b>Operating Expenses</b>								
Purchased Water-Cville Water & Sewer	433,620	490,560	545,675	602,250	656,635	712,480	768,690	824,900
Savings at WTP	-29,950	-39,733	-49,517	-59,300	-69,183	-78,967	-88,750	-98,533
Salaries	615,200	615,200	615,200	615,200	615,200	615,200	615,200	615,200
Fringe Benefits - Employee ins	188,400	188,400	188,400	188,400	188,400	188,400	188,400	188,400
KRS/CERS - Employer share	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000
Payroll taxes	47,100	47,100	47,100	47,100	47,100	47,100	47,100	47,100
Office - Utilities	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Office - Repairs/Maintenance	33,200	33,200	33,200	33,200	33,200	33,200	33,200	33,200
Office - Supplies	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100
Office - Miscellaneous	15,900	15,900	15,900	15,900	15,900	15,900	15,900	15,900
Professional Fees - Legal/Accting/Surveying	65,400	65,400	65,400	65,400	65,400	65,400	65,400	65,400
Postage	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700
Director fees	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600
Advertisements	900	900	900	900	900	900	900	900
Uniforms/Safety Equipment	10,100	10,100	10,100	10,100	10,100	10,100	10,100	10,100
Continuing Education Expense	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800
Membership Dues/Fees	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Insurance	49,100	49,100	49,100	49,100	49,100	49,100	49,100	49,100
Bad Debts	0	0	0	0	0	0	0	0

Pro Forma

Interest on Customer Deposits	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Donations	400	400	400	400	400	400	400	400
Rental House - Calvary	800	800	800	800	800	800	800	800
Miscellaneous	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Equipment - Repairs/Maintenance	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Shop - Supplies/Expense	13,100	13,100	13,100	13,100	13,100	13,100	13,100	13,100
Meters - Repairs	60,900	60,900	60,900	60,900	60,900	60,900	60,900	60,900
Mains - Repairs	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Hydrants - Repairs	16,400	16,400	16,400	16,400	16,400	16,400	16,400	16,400
Tanks - Repairs	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Tanks - Utilities	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Lab Equipment/Supplies	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Lab Testing	18,600	18,600	18,600	18,600	18,600	18,600	18,600	18,600
Vehicle - Fuel	13,800	13,800	13,800	13,800	13,800	13,800	13,800	13,800
Vehicle - Repairs/Maintenance	16,700	16,700	16,700	16,700	16,700	16,700	16,700	16,700
Warehouse Rd- BPS - Repairs/Maintenance	0	0	0	0	0	0	0	0
Power	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000
Chemicals	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000
Utilities	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500
Repairs/Maintenance	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000
Supplies	8,900	8,900	8,900	8,900	8,900	8,900	8,900	8,900
Lab Equipment	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Pump Equipment	0	0	0	0	0	0	0	0
Lake - Repairs/Maintenance	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Buena Vista - Utilities	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Buena Vista - Supplies	0	0	0	0	0	0	0	0
Buena Vista - Repairs/Maintenance	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
<b>Total Operation and Maintenance Expenses</b>	<b>2,257,970</b>	<b>2,305,127</b>	<b>2,350,458</b>	<b>2,397,250</b>	<b>2,441,752</b>	<b>2,487,813</b>	<b>2,534,240</b>	<b>2,580,667</b>
Depreciation Expense	600000	600000	600000	600000	600000	600000	600000	600000
<b>Total Operating Expenses</b>	<b>2857970</b>	<b>2905127</b>	<b>2950458</b>	<b>2997250</b>	<b>3041752</b>	<b>3087813</b>	<b>3134240</b>	<b>3180667</b>
<b>Utility Operating Income</b>	<b>-217970</b>	<b>-265127</b>	<b>-310458</b>	<b>-357250</b>	<b>-401752</b>	<b>-447813</b>	<b>-494240</b>	<b>-540667</b>

Pro Forma

	KIA B08-09	KIA F15-057	KIA F14-036	CNB 97A	CNB 97B, 02	
2017	33222.91	40190.97	95893	60099.52	304735.1	
2018	33166.11	40123.35	95695	60099.52	304735.1	
2019	33108.71	40055.21	95496	54757.08	304735.1	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
	99497.73	120369.5	287084	174956.1	914205.2	1596113 532037.5

**New Debt**

2000000 @ 2.0%/40 years

532037.5

<b>Minimum Usage</b>	<b>300000</b>	<b>400000</b>	<b>500000</b>	<b>600000</b>	<b>700000</b>	<b>800000</b>	<b>900000</b>	<b>1000000</b>
<b>Purchase Cost</b>	<b>433620</b>	<b>490560</b>	<b>545675</b>	<b>602250</b>	<b>656635</b>	<b>712480</b>	<b>768690</b>	<b>824900</b>
<b>Total Savings at WTP</b>	<b>29950</b>	<b>39733</b>	<b>49517</b>	<b>59300</b>	<b>69183</b>	<b>78967</b>	<b>88750</b>	<b>98533</b>

Revenue Requirement Calculation - Debt Coverage Method

Pro Forma Operating Expenses	2857970	2905127	2950458	2997250	3041752	3087813	3134240	3180667
Plus: Average Annual Debt P&I Payments	532037.5	532037.5	532037.5	532037.5	532037.5	532037.5	532037.5	532037.5
Debt Coverage Requirement	63844.5	63844.5	63844.5	63844.5	63844.5	63844.5	63844.5	63844.5
Total Revenue Requirement	3453852	3501009	3546340	3593132	3637634	3683695	3730122	3776549
Less: Other Operating Revenue	-53400	-53400	-53400	-53400	-53400	-53400	-53400	-53400
Non-operating Revenue								
Interest Income	-9400	-9400	-9400	-9400	-9400	-9400	-9400	-9400
Revenue Required from Rates	3391052	3438209	3483540	3530332	3574834	3620895	3667322	3713749
Less: Revenue from Sales at Present Rates	2640000	2640000	2640000	2640000	2640000	2640000	2640000	2640000
Required Revenue Increase	751052	798209	843540	890332	934834	980895	1027322	1073749
Required Revenue Increase stated as a percentage of revenue at Present Rates	28.45%	30.24%	31.95%	33.72%	35.41%	37.16%	38.91%	40.67%

**Basis for Calculations:**

Proposed June 30, 2018 Budget plus:  
 Water Purchases from C-ville at varying levels  
 Savings at WTP at varying levels  
 Debt -  
 KIA Fund B  
 KIA Fund F14-036  
 KIA Fund F15-057  
 2 CNB Loans  
 Depreciation at 100% of 6/30/18 budget number

*Proposed rates at:*

*Effect on Average Usage: 534 Cubic Feet*

	<u>Meter Chg</u>	<u>Volume Chg</u>	<u>Existing</u>	<u>Proposed</u>	<u>Percent Change</u>
<b>300,000 gallon purchase</b>					
In Town/MCWD	\$ 7.30	\$ 3.30	\$ 20.10	\$ 24.92	24%
Out of Town	\$ 8.03	\$ 3.630	\$ 22.11	\$ 27.41	24%
<b>400,000 gallon purchase</b>					
In Town/MCWD	\$ 7.35	\$ 3.35	\$ 20.10	\$ 25.24	26%
Out of Town	\$ 8.085	\$ 3.69	\$ 22.11	\$ 27.76	26%
<b>500,000 gallon purchase</b>					
In Town/MCWD	\$ 7.40	\$ 3.40	\$ 20.10	\$ 25.56	27%
Out of Town	\$ 8.14	\$ 3.740	\$ 22.11	\$ 28.11	27%
<b>600,000 gallon purchase</b>					
In Town/MCWD	\$ 7.45	\$ 3.45	\$ 20.10	\$ 25.87	29%
Out of Town	\$ 8.195	\$ 3.80	\$ 22.11	\$ 28.46	29%
<b>700,000 gallon purchase</b>					
In Town/MCWD	\$ 7.45	\$ 3.50	\$ 20.10	\$ 26.14	30%
Out of Town	\$ 8.20	\$ 3.850	\$ 22.11	\$ 28.75	30%
<b>800,000 gallon purchase</b>					
In Town/MCWD	\$ 7.45	\$ 3.55	\$ 20.10	\$ 26.41	31%
Out of Town	\$ 8.20	\$ 3.91	\$ 22.11	\$ 29.05	31%

<b>900,000 gallon purchase</b>				<u>Existing</u>	<u>Proposed</u>	<u>Percent Change</u>	
In Town/MCWD	\$	7.55	\$	3.55	\$ 20.10	\$ 26.51	32%
Out of Town	\$	8.31	\$	3.905	\$ 22.11	\$ 29.16	32%

<b>1,000,000 gallon purchase</b>				<u>Existing</u>	<u>Proposed</u>	<u>Percent Change</u>	
In Town/MCWD	\$	7.60	\$	3.60	\$ 20.10	\$ 26.82	33%
Out of Town	\$	8.360	\$	3.960	\$ 22.11	\$ 29.51	33%

## Spreadsheet No. 2

Lebanon Water Works  
Run #1 300,000 gallons purchased/Campbellsville

Customer Category	No. Customers	2016 Usage	Rates				2016	Revenue		Existing	Proposed	Percent +	
			Meter Chg	Volume Chg	Pro			Pro Forma	Pro Forma				Pro Forma
					Meter	Volume							
Residential in town	2231	13,305,957	6.75	2.5	7.3	3.3	513,359.93	634,532.18	\$ 20.10	\$ 24.92	24%		
Industrial in town	36	14,029,258	6.75	2.5	7.3	3.3	353,647.45	466,119.11					
Commercial in town	34	6,094,556	6.75	2.5	7.3	3.3	155,117.90	204,098.75					
Irrigation in town	8	436,600	6.75	2.5	7.3	3.3	11,563.00	15,108.60					
residential county	268	1,851,016	7.425	2.75	8.03	3.63	74,781.74	93,016.36	\$ 22.11	\$ 27.41	24%		
Industrial county	5	824,080	7.425	2.75	8.03	3.63	23,107.70	30,395.90					
Commercial county	1	42,520	7.425	2.75	8.03	3.63	1,258.40	1,639.84					
Irrigation county	1	14	7.425	2.75	8.03	3.63	89.49	96.87					
<b>MCWD</b>	<b>11</b>	<b>59,825,110</b>	<b>6.75</b>	<b>2.5</b>	<b>7.3</b>	<b>3.3</b>	<b>1,496,518.75</b>	<b>1,975,192.23</b>					
	<b>2595</b>	<b>96,409,111</b>					<b>2,629,444.35</b>	<b>3,420,199.84</b>					
							<b>2016 Revenue - Audit</b>	<b>2,672,904</b>	<b>3,391,052</b>	<b>Revenue Required</b>			
							<b>Percent Difference</b>	<b>1.63%</b>			<b>29,147.80</b>		

Revenue Requirement  
Pro Forma 3,391,052

Lebanon Water Works  
Run #2 400,000 gallons purchased/Campbellsville

Customer Category	No. Customers	2016 Usage	Rates				2016	Revenue		Existing	Proposed	Percent +	
			Meter Chg	Volume Chg	Pro			Pro Forma	Pro Forma				Pro Forma
					Meter	Volume							
Residential in town	2231	13,305,957	6.75	2.5	7.35	3.35	513,359.93	642,523.76	\$ 20.10	\$ 25.24	26%		
Industrial in town	36	14,029,258	6.75	2.5	7.35	3.35	353,647.45	473,155.34					
Commercial in town	34	6,094,556	6.75	2.5	7.35	3.35	155,117.90	207,166.43					
Irrigation in town	8	436,600	6.75	2.5	7.35	3.35	11,563.00	15,331.70					
residential county	268	1,851,016	7.425	2.75	8.085	3.685	74,781.74	94,211.30	\$ 22.11	\$ 27.76	26%		
Industrial county	5	824,080	7.425	2.75	8.085	3.685	23,107.70	30,852.45					
Commercial county	1	42,520	7.425	2.75	8.085	3.685	1,258.40	1,663.88					
Irrigation county	1	14	7.425	2.75	8.085	3.685	89.49	97.54					
<b>MCWD</b>	<b>11</b>	<b>59,825,110</b>	<b>6.75</b>	<b>2.5</b>	<b>7.35</b>	<b>3.35</b>	<b>1,496,518.75</b>	<b>2,005,111.39</b>					
	<b>2595</b>	<b>96,409,111</b>					<b>2,629,444.35</b>	<b>3,470,113.78</b>					
								<b>3,438,209</b>	<b>Revenue Required</b>				
								<b>31,904.73</b>					

Revenue Requirement  
Pro Forma 3,438,209

Lebanon Water Works  
Run #3 500,000 gallons purchased/Campbellsville

Customer Category	No. Customers	2016 Usage	Rates				2016	Revenue			
			Meter Chg	Volume Chg	Pro	Pro		Existing	Proposed	Percent +	
					Forma Meter Chg	Forma Volume Chg					
Residential in town	2231	13,305,957	6.75	2.5	7.4	3.4	513,359.93	650,515.34	\$ 20.10	\$ 25.56	27%
Industrial in town	36	14,029,258	6.75	2.5	7.4	3.4	353,647.45	480,191.57			
Commercial in town	34	6,094,556	6.75	2.5	7.4	3.4	155,117.90	210,234.10			
Irrigation in town	8	436,600	6.75	2.5	7.4	3.4	11,563.00	15,554.80			
residential county	268	1,851,016	7.425	2.75	8.14	3.74	74,781.74	95,406.24	\$ 22.11	\$ 28.11	27%
Industrial county	5	824,080	7.425	2.75	8.14	3.74	23,107.70	31,308.99			
Commercial county	1	42,520	7.425	2.75	8.14	3.74	1,258.40	1,687.93			
Irrigation county	1	14	7.425	2.75	8.14	3.74	89.49	98.20			
<b>MCWD</b>	<b>11</b>	<b>59,825,110</b>	<b>6.75</b>	<b>2.5</b>	<b>7.4</b>	<b>3.4</b>	<b>1,496,518.75</b>	<b>2,035,030.54</b>			
	2595	96,409,111					2,629,444.35	3,520,027.72			
								3,483,540	Revenue Required		
								36,487.67			

Revenue Requirement  
Pro Forma 3,483,540

Lebanon Water Works  
Run #4 600,000 gallons purchased/Campbellsville

Customer Category	No. Customers	2016 Usage	Rates				2016	Revenue			
			Meter Chg	Volume Chg	Pro	Pro		Existing	Proposed	Percent +	
					Forma Meter Chg	Forma Volume Chg					
Residential in town	2231	13,305,957	6.75	2.5	7.45	3.45	513,359.93	658,506.92	\$ 20.10	\$ 25.87	29%
Industrial in town	36	14,029,258	6.75	2.5	7.45	3.45	353,647.45	487,227.80			
Commercial in town	34	6,094,556	6.75	2.5	7.45	3.45	155,117.90	213,301.78			
Irrigation in town	8	436,600	6.75	2.5	7.45	3.45	11,563.00	15,777.90			
residential county	268	1,851,016	7.425	2.75	8.195	3.795	74,781.74	96,601.18	\$ 22.11	\$ 28.46	29%
Industrial county	5	824,080	7.425	2.75	8.195	3.795	23,107.70	31,765.54			
Commercial county	1	42,520	7.425	2.75	8.195	3.795	1,258.40	1,711.97			
Irrigation county	1	14	7.425	2.75	8.195	3.795	89.49	98.87			
<b>MCWD</b>	<b>11</b>	<b>59,825,110</b>	<b>6.75</b>	<b>2.5</b>	<b>7.45</b>	<b>3.45</b>	<b>1,496,518.75</b>	<b>2,064,949.70</b>			
	2595	96,409,111					2,629,444.35	3,569,941.65			
								3,530,332	Revenue Required		
								39,609.61			

Revenue Requirement  
Pro Forma 3,530,332

Lebanon Water Works  
Run #5 700,000 gallons purchased/Campbellsville

Customer Category	No. Customers	2016 Usage	Rates				2016	Revenue		Existing	Proposed	Percent +
			Meter Chg	Volume Chg	Pro	Pro Forma		Pro Forma	Pro Forma			
					Meter	Volume						
Residential in town	2231	13,305,957	6.75	2.5	7.45	3.5	513,359.93	665,159.90	\$ 20.10	\$ 26.14	30%	
Industrial in town	36	14,029,258	6.75	2.5	7.45	3.5	353,647.45	494,242.43				
Commercial in town	34	6,094,556	6.75	2.5	7.45	3.5	155,117.90	216,349.06				
Irrigation in town	8	436,600	6.75	2.5	7.45	3.5	11,563.00	15,996.20				
residential county	268	1,851,016	7.425	2.75	8.195	3.85	74,781.74	97,619.24	\$ 22.11	\$ 28.75	30%	
Industrial county	5	824,080	7.425	2.75	8.195	3.85	23,107.70	32,218.78				
Commercial county	1	42,520	7.425	2.75	8.195	3.85	1,258.40	1,735.36				
Irrigation county	1	14	7.425	2.75	8.195	3.85	89.49	98.88				
<b>MCWD</b>	<b>11</b>	<b>59,825,110</b>	<b>6.75</b>	<b>2.5</b>	<b>7.45</b>	<b>3.5</b>	<b>1,496,518.75</b>	<b>2,094,862.25</b>				
	<b>2595</b>	<b>96,409,111</b>					<b>2,629,444.35</b>	<b>3,618,282.09</b>				
								3,574,834	Revenue Required			
								43,448.05				

Revenue Requirement  
Pro Forma 3,574,834

Lebanon Water Works  
Run #6 800,000 gallons purchased/Campbellsville

Customer Category	No. Customers	2016 Usage	Rates				2016	Revenue		Existing	Proposed	Percent +
			Meter Chg	Volume Chg	Pro	Pro Forma		Pro Forma	Pro Forma			
					Meter	Volume						
Residential in town	2231	13,305,957	6.75	2.5	7.45	3.55	513,359.93	671,812.87	\$ 20.10	\$ 26.41	31%	
Industrial in town	36	14,029,258	6.75	2.5	7.45	3.55	353,647.45	501,257.06				
Commercial in town	34	6,094,556	6.75	2.5	7.45	3.55	155,117.90	219,396.34				
Irrigation in town	8	436,600	6.75	2.5	7.45	3.55	11,563.00	16,214.50				
residential county	268	1,851,016	7.425	2.75	8.195	3.905	74,781.74	98,637.29	\$ 22.11	\$ 29.05	31%	
Industrial county	5	824,080	7.425	2.75	8.195	3.905	23,107.70	32,672.02				
Commercial county	1	42,520	7.425	2.75	8.195	3.905	1,258.40	1,758.75				
Irrigation county	1	14	7.425	2.75	8.195	3.905	89.49	98.89				
<b>MCWD</b>	<b>11</b>	<b>59,825,110</b>	<b>6.75</b>	<b>2.5</b>	<b>7.45</b>	<b>3.55</b>	<b>1,496,518.75</b>	<b>2,124,774.81</b>				
	<b>2595</b>	<b>96,409,111</b>					<b>2,629,444.35</b>	<b>3,666,622.53</b>				
								3,620,895	Revenue Required			
								45,727.48				

Revenue Requirement

Pro Forma 3,620,895

**Lebanon Water Works**

Run #7 900,000 gallons purchased/Campbellsville

Customer Category	No. Customers	2016 Usage	Rates				2016	Revenue				
			Meter Chg	Volume Chg	Pro	Pro		Existing	Proposed	Percent +		
					Forma	Forma						
					Meter	Volume						
					Chg	Chg		Pro Forma				
Residential in town	2231	13,305,957	6.75	2.5	7.55	3.55	513,359.93	674,490.07	\$ 20.10	\$ 26.51	32%	
Industrial in town	36	14,029,258	6.75	2.5	7.55	3.55	353,647.45	501,300.26				
Commercial in town	34	6,094,556	6.75	2.5	7.55	3.55	155,117.90	219,437.14				
Irrigation in town	8	436,600	6.75	2.5	7.55	3.55	11,563.00	16,224.10				
residential county	268	1,851,016	7.425	2.75	8.305	3.905	74,781.74	98,991.05	\$ 22.11	\$ 29.16	32%	
Industrial county	5	824,080	7.425	2.75	8.305	3.905	23,107.70	32,678.62				
Commercial county	1	42,520	7.425	2.75	8.305	3.905	1,258.40	1,760.07				
Irrigation county	1	14	7.425	2.75	8.305	3.905	89.49	100.21				
<b>MCWD</b>	<b>11</b>	<b>59,825,110</b>	<b>6.75</b>	<b>2.5</b>	<b>7.55</b>	<b>3.55</b>	<b>1,496,518.75</b>	<b>2,124,788.01</b>				
	2595	96,409,111					2,629,444.35	3,669,769.53				

3,667,322 Revenue Required

2,447.48

**Revenue Requirement**

Pro Forma 3,667,322

**Lebanon Water Works**

Run #8 1,000,000 gallons purchased/Campbellsville

Customer Category	No. Customers	2016 Usage	Rates				2016	Revenue			
			Meter Chg	Volume Chg	Pro	Pro		Existing	Proposed	Percent +	
					Forma	Forma					
					Meter	Volume		Pro Forma			
					Chg	Chg					
Residential in town	2231	13,305,957	6.75	2.5	7.6	3.6	513,359.93	682,481.65	\$ 20.10	\$ 26.82	33%
Industrial in town	36	14,029,258	6.75	2.5	7.6	3.6	353,647.45	508,336.49			
Commercial in town	34	6,094,556	6.75	2.5	7.6	3.6	155,117.90	222,504.82			
Irrigation in town	8	436,600	6.75	2.5	7.6	3.6	11,563.00	16,447.20			
residential county	268	1,851,016	7.425	2.75	8.36	3.96	74,781.74	100,185.99	\$ 22.11	\$ 29.51	33%
Industrial county	5	824,080	7.425	2.75	8.36	3.96	23,107.70	33,135.17			
Commercial county	1	42,520	7.425	2.75	8.36	3.96	1,258.40	1,784.11			
Irrigation county	1	14	7.425	2.75	8.36	3.96	89.49	100.87			
<b>MCWD</b>	<b>11</b>	<b>59,825,110</b>	<b>6.75</b>	<b>2.5</b>	<b>7.6</b>	<b>3.6</b>	<b>1,496,518.75</b>	<b>2,154,707.16</b>			
	2595	96,409,111					2,629,444.35	3,719,683.46			

3,713,749 Revenue Required

5,934.42

**Revenue Requirement**

Pro Forma 3,713,749

## Capitalization Policy

The policy of the Lebanon Water Works Company, Inc. is to capitalize assets when the useful life is greater than one year and the acquisition cost is at least \$2,000.

Purchased or constructed capital assets and infrastructure are reported at acquisition or construction cost when placed in service.

Contributed assets, such as Developer Contributions or other system components contributed by a developer, are to be recorded at the fair market value at the date when placed in service.

Capital assets are capitalized and depreciated on the straight-line basis over their estimated useful lives as indicated below.

Asset	Useful Life (expressed in years)
Land	No depr
Land - Improvements (fencing, blacktop, sidewalks)	20
Buildings	40
Buildings - Improvements	20
Distribution - mains	40
Distribution - hydrants, tanks	40
Distribution - meters	15
WTP Equipment (lab, other)	7
Grounds Equipment (mowers, tractors, attachments)	7
Vehicles	5
Heavy Construction Equipment	7
Furniture, Office Equipment	10
Computer Hardware/Software	5
Communications Equipment (radio/telephone)	7

FIGURE 1  
Typical Average Service Lives,  
Salvage Rates, and Depreciation Rates  
Small Water Utilities

NARUC Account Number	Class of Plant	Average Service Life <sup>a/</sup> Years	Net Salvage Percent	Depreciation Rate Percent
<u>Source of Supply Plant</u>				
311	Structures and Improvements	35-40		2.9-2.5
312	Collecting & Impounding Reservoirs	50-75		2.0-1.3
313	Lake, River and Other Intakes	35-45		2.9-2.2
314	Wells and Springs	25-35		4.0-2.9
315	Galleries and Tunnels	25-50		4.0-2.0
316	Supply Mains	50-75		2.0-1.3
317	Other Source of Water Supply Plant	30-40		3.3-2.5
<u>Pumping Plant</u>				
321	Structures and Improvements	35-40		2.9-2.5
324-7	Pumping Equipment	20		5.0
328	Other Pumping Plant	25		4.0
<u>Water Treatment Plant</u>				
331	Structures and Improvements	35-40		2.9-2.5
332	Water Treatment Equipment	20-35		5.0-2.9
<u>Transmission and Distribution Plant</u>				
341	Structures and Improvements	35-40		2.9-2.5
342	Reservoirs and Tanks	30-60		3.3-1.7
343	Transmission and Distribution Mains	50-75		2.0-1.3
344	Fire Mains	50-75		2.0-1.3
345	Services	30-50		3.3-2.0
346	Meters	35-45	10	2.6-2.0
347	Meter Installations	40-50		2.5-2.0
348	Hydrants	40-60	5	2.4-1.6
<u>General Plant</u>				
390	Structures & Improvements	35-40		2.9-2.5
391	Office Furniture and Equipment	20-25	5	4.8-3.8
392	Transportation Equipment	7	10	12.9
393	Stores Equipment	20		5.0
394	Tools, Shop & Garage Equipment	15-20	5	6.3-4
395	Laboratory Equipment	15-20		6.7-5.5
396	Power Operated Equipment	10-15	10	9.0-6.0
397	Communication Equipment	10	10	9.0

a/ These lives are intended as a guide; longer or shorter lives should be used where conditions warrant.

**LEBANON WATER WORKS COMPANY**

**CASE NO. 2017-00417**

**Response to Marion District's Supplemental Request for Information**

**Question No. 8**

**Responding Witness: Daren Thompson**

Q-8. Please state whether the Company provides any water free of charge to the City.

A-8. The Company provided approximately 3,700,000 cubic feet of free water to the City of Lebanon during the test year. In exchange, the City of Lebanon treated the sludge from the Water Treatment Plant free of charge. Further, the City of Lebanon allows the Company to borrow City equipment whenever needed, which the Company frequently does.

In addition, the City of Lebanon has issued tax exempt bonds, which were purchased by Rural Development (or its predecessors), for the benefit of the Company. It has refinanced these bonds at lower interest rates to benefit the Company and its customers. The City of Lebanon has also obtained three (3) low-interest loans from the Kentucky Infrastructure Authority ("KIA") for the benefit of the Company. All of these bond proceeds and loan funds were used by the Company to construct infrastructure improvement projects which benefited all the Company's customers, including Marion District.

Recently, the City of Lebanon obtained a Conditional Commitment Letter from KIA for a \$2,641,000 low-interest loan (of which \$1,000,000 will be forgiven). These proceeds will be used by the Company to replace aging infrastructure.

The Company is ineligible to issue tax exempt bonds or to obtain low-interest loans from KIA on its own behalf. It is vital that the Company maintain a close working relationship with the City to ensure that the City will continue to serve as a financing conduit for the Company. The benefits the Company has received and will continue to receive from the City far outweigh the Company's cost of providing free water to the City.

Date	Description	Lebanon Life	Cost/Price	2017 Depreciation	2017 Accum Dep.	Pro-Forma 2018 Depreciation	Pro-Forma 2018 Accum Dep.	NARUC Life	NARUC Annual Dep.	Notes:
06/30/06	Transmission New Meters	33 0	595 30	-	-	-	-	N/A	N/A	
			(595 30)	-	-	-	-	N/A	N/A	
06/30/97	new meters	33 0	8,644 34	-	523 90	-	523 90	N/A	N/A	
			(8,644 34)	-	-	-	-	N/A	N/A	
05/31/92	new mower	10 0	1,414 92	-	1,414 92	-	1,414 92	N/A	N/A	
	Mower immediately above sold in FY 2006 for \$151		(1,414 92)	-	(1,414 92)	-	(1,414 92)	N/A	N/A	
06/30/89	meters	33 5	7,855 84	-	234 50	-	234 50	N/A	N/A	
			(7,855 84)	-	-	-	-	N/A	N/A	
06/30/90	meters	33 5	3,810 39	-	113 74	-	113 74	N/A	N/A	
			(3,810 39)	-	-	-	-	N/A	N/A	
06/30/91	furnace	5 0	3,138 00	-	3,138 00	-	3,138 00	N/A	N/A	
			(3,138 00)	-	(3,138 00)	-	(3,138 00)	N/A	N/A	
06/30/91	meters	33 5	6,345 53	-	189 42	-	189 42	N/A	N/A	
			(6,345 53)	-	-	-	-	N/A	N/A	
06/30/92	meters	33 5	7,378 30	-	220 26	-	220 26	N/A	N/A	
			(7,378 30)	-	-	-	-	N/A	N/A	
1/23/93	meters	33 5	6,089 12	-	363 53	-	363 53	N/A	N/A	
			(6,089 12)	-	-	-	-	N/A	N/A	
06/30/94	meters	33 5	1,232 24	-	36 78	-	36 78	N/A	N/A	
			(1,232 24)	-	-	-	-	N/A	N/A	
06/30/85	meters	33 5	2,326 55	-	-	-	-	N/A	N/A	
			(2,326 55)	-	-	-	-	N/A	N/A	
06/30/86	new meters	33 5	4,946 88	-	-	-	-	N/A	N/A	
			(4,946 88)	-	-	-	-	N/A	N/A	
06/30/87	new meters	33 5	5,418 26	-	-	-	-	N/A	N/A	
			(5,418 26)	-	-	-	-	N/A	N/A	
06/30/88	meters	33 5	8,395 44	-	250 61	-	250 61	N/A	N/A	
			(8,395 44)	-	-	-	-	N/A	N/A	
11-94	1995 Dodge dump truck	20 0	23,997 00	-	23,997 00	-	23,997 00	N/A	N/A	
	Traded in during 2007		(23,997 00)	-	(23,997 00)	-	(23,997 00)	N/A	N/A	
1998	Mower	10 0	3,000 00	-	8,000 00	-	8,000 00	N/A	N/A	
	Traded during 2008		(8,000 00)	-	(8,000 00)	-	(8,000 00)	N/A	N/A	
1998	New Meters net additions	33 5	11,854 34	-	353 36	-	353 36	N/A	N/A	
			(11,854 34)	-	-	-	-	N/A	N/A	
1999	New Meters net addition	33 5	13,463 98	-	401 91	-	401 91	N/A	N/A	
			(13,463 98)	-	-	-	-	N/A	N/A	
1999	1999 Dodge Pick-up (Purchased 9-4-99)	5 0	18,143 00	-	18,143 00	-	18,143 00	N/A	N/A	
	Traded in truck		(18,143 00)	-	(18,143 00)	-	(18,143 00)	N/A	N/A	
2000	New Meters net addition	33 50	13,328 35	-	-	-	-	N/A	N/A	
			(13,328 35)	-	-	-	-	N/A	N/A	
2001	New Meters net addition	33 50	3,538 00	-	254 87	-	254 87	N/A	N/A	
			(3,538 00)	-	-	-	-	N/A	N/A	
2002	New Meter Additions	33 50	13,981 71	-	-	-	-	N/A	N/A	
			(13,981 71)	-	-	-	-	N/A	N/A	
2002	Office Equip - Handheld	7 00	2,048 04	-	2,048 04	-	2,048 04	N/A	N/A	
	Sold meter handheld units		(2,048 04)	-	(585 15)	-	(585 15)	N/A	N/A	
2003	New Meter Additions	33 50	13,978 11	-	-	-	-	N/A	N/A	
			(13,978 11)	-	-	-	-	N/A	N/A	
2005	Office equipment	5 00	6,304 00	-	5,673 60	-	5,673 60	N/A	N/A	
	2009 Disposal		(6,304 00)	-	(5,673 60)	-	(5,673 60)	N/A	N/A	
1935		33 5	135,929 22	-	135,929 22	-	135,929 22	N/A	N/A	
1938	other	33 5	375,476 75	-	375,476 75	-	375,476 75	N/A	N/A	
1963		33 5	6,098 25	-	6,098 25	-	6,098 25	N/A	N/A	
1984		33 5	86,785 26	-	86,785 26	-	86,785 26	N/A	N/A	
1965	hoist	10 0	312 69	-	312 69	-	312 69	N/A	N/A	
1965		33 5	109,532 29	-	109,532 29	-	109,532 29	N/A	N/A	
1965	contract III	33 5	52,701 67	-	52,701 67	-	52,701 67	N/A	N/A	
1965	contract IV	33 5	726,917 73	-	726,917 73	-	726,917 73	N/A	N/A	
1965	contract VII	33 5	158,300 43	-	158,300 43	-	158,300 43	N/A	N/A	
1966	pipe cutter	10 0	616 53	-	616 53	-	616 53	N/A	N/A	
1966		33 5	33,985 88	-	33,985 88	-	33,985 88	N/A	N/A	
1967		33 5	24,066 88	-	24,066 88	-	24,066 88	N/A	N/A	
1968	hydrants	33 5	1,730 16	-	1,730 16	-	1,730 16	N/A	N/A	
FY 2015	Hydrant (Disposed through accident during FY 2015)	33 5	(1,730 00)	-	(1,730 00)	-	(1,730 00)	N/A	N/A	
1968	mains & accessories	33 5	18,853 00	-	18,853 00	-	18,853 00	N/A	N/A	
1968	building	33 5	30,000 00	-	30,000 00	-	30,000 00	N/A	N/A	
1969	mains & accessories	33 5	(124 75)	-	(124 75)	-	(124 75)	N/A	N/A	
1969	hydrants	33 5	167 00	-	167 00	-	167 00	N/A	N/A	
1970	hydrants	33 5	1,594 94	-	1,594 94	-	1,594 94	N/A	N/A	
1970	mains & accessories	33 5	750 43	-	750 43	-	750 43	N/A	N/A	
1970	building imp	33 5	43,342 53	-	43,342 53	-	43,342 53	N/A	N/A	
1971	mains & accessories	33 5	32,811 41	-	32,811 41	-	32,811 41	N/A	N/A	
1971	hydrants	33 5	1,662 88	-	1,662 88	-	1,662 88	N/A	N/A	
1972	hydrants	33 5	1,117 38	-	1,117 38	-	1,117 38	N/A	N/A	
1972	mains & accessories	33 5	7,615 74	-	7,615 74	-	7,615 74	N/A	N/A	
1972	building-sower supply	10 0	2,511 25	-	2,511 25	-	2,511 25	N/A	N/A	

LEBANON WATER WORKS  
NARUC Depreciation Schedule Worksheet

Date	Description	Lebanon Life	Cost/Price	2017 Depreciation	2017 Accum. Dep.	Pro-Forma 2018 Depreciation	Pro-Forma 2018 Accum. Dep.	NARUC Life	NARUC Annual Dep.	Notes:
1973	mains & accessories	33.5	33,369.21	-	33,369.21	-	33,369.21	N/A	N/A	
1973	hydrants	33.5	1,899.08	-	1,899.08	-	1,899.08	N/A	N/A	
1994	radio system	7.0	4,113.50	-	4,113.50	-	4,113.50	N/A	N/A	
02/28/99	Tapping Machine, generator & valve w/per	10.0	1,561.40	-	1,561.40	-	1,561.40	N/A	N/A	
FY 2015	Tapping machine disposal		(1,561.00)	-	(1,561.00)	-	(1,561.00)	N/A	N/A	
09/30/89	blacktop-carav	10.0	3,436.14	-	3,436.14	-	3,436.14	N/A	N/A	
12/31/89	building imp	33.5	2,484.93	-	2,484.93	-	2,484.93	N/A	N/A	
08/30/71	desk chair and couch	7.0	1,162.72	-	1,162.72	-	1,162.72	N/A	N/A	
08/30/71	desk difference	7.0	78.75	-	78.75	-	78.75	N/A	N/A	
08/30/73	office & storage structure	33.5	4,700.00	-	4,700.00	-	4,700.00	N/A	N/A	
08/30/73	filtration plant-structured equip	33.5	9,048.00	-	9,048.00	-	9,048.00	N/A	N/A	
08/30/74	mains & accessories	33.5	8,714.33	-	8,714.33	-	8,714.33	N/A	N/A	
08/30/74	hydrants	33.5	1,191.19	-	1,191.19	-	1,191.19	N/A	N/A	
08/30/74	pumps-buena vista	33.5	9,311.00	-	9,311.00	-	9,311.00	N/A	N/A	
08/30/75	mains & accessories	33.5	8,134.53	-	8,134.53	-	8,134.53	N/A	N/A	
08/30/75	hydrants	33.5	3,888.97	-	3,888.97	-	3,888.97	N/A	N/A	
08/30/75	pallet trucks & hoist assembly	10.0	620.00	-	620.00	-	620.00	N/A	N/A	
08/30/75	bel on pumps-buena vista	33.5	1,732.00	-	1,732.00	-	1,732.00	N/A	N/A	
08/30/75	new wing	33.5	845.22	-	845.22	-	845.22	N/A	N/A	
08/30/76	mains & accessories	33.5	33,804.38	-	33,804.38	-	33,804.38	N/A	N/A	
08/30/76	hydrants	33.5	4,312.55	-	4,312.55	-	4,312.55	N/A	N/A	
08/30/77	mains & accessories	33.5	8,438.92	-	8,438.92	-	8,438.92	N/A	N/A	
08/30/77	hydrants	33.5	2,803.50	-	2,803.50	-	2,803.50	N/A	N/A	
03/31/78	concrete mill	7.0	125.00	-	125.00	-	125.00	N/A	N/A	
FY 2012	Junked		(125.00)	-	(125.00)	-	(125.00)	N/A	N/A	
04/30/78	standpipe transmitter	7.0	1,991.13	-	1,991.13	-	1,991.13	N/A	N/A	
FY 2012	Junked		(1,991.13)	-	(1,991.13)	-	(1,991.13)	N/A	N/A	

LEBANON WATER WORKS  
NARUC Depreciation Schedule Worksheet

Date	Description	Lebanon Life	Cost/Price	2017 Depreciation	2017 Accum Dep.	Pro-Forms 2016 Depreciation	Pro-Forms 2016 Accum Dep.	NARUC Life	NARUC Annual Dep.	Notes:
04/30/78	pipe thwer	7.0	339.40	-	339.40	-	339.40	N/A	N/A	
04/30/78	generator	7.0	1,125.00	-	1,125.00	-	1,125.00	N/A	N/A	
FY 2015	Generator disposed		(1,125.00)	-	(1,125.00)	-	(1,125.00)	N/A	N/A	
04/30/78	water testing equip	7.0	745.42	-	745.42	-	745.42	N/A	N/A	
08/30/78	mains & accessones	33.5	46,507.07	-	46,507.07	-	46,507.07	N/A	N/A	
08/30/78	hydrants	33.5	4,551.97	-	4,551.97	-	4,551.97	N/A	N/A	
08/30/78	comp care office addnon	33.5	7,833.55	-	7,833.55	-	7,833.55	N/A	N/A	
08/30/78	mains & accessones	33.5	3,571.07	-	3,571.07	-	3,571.07	N/A	N/A	
08/30/79	hydrants	33.5	2,585.50	-	2,585.50	-	2,585.50	N/A	N/A	
08/30/79	raw water storage studes	33.5	9,892.41	-	9,892.41	-	9,892.41	N/A	N/A	
08/30/80	raw water storage studes	33.5	5,409.08	-	5,409.08	-	5,409.08	N/A	N/A	
08/30/80	raw water pumps & enain fees	33.5	67,133.28	-	67,133.28	-	67,133.28	N/A	N/A	
08/30/80	air condoner system-pumpst	5.0	3,134.48	-	3,134.48	-	3,134.48	N/A	N/A	
08/30/80	tv system pump stat	10.0	589.90	-	589.90	-	589.90	N/A	N/A	
FY 2015	TV disposal		(590.00)	-	(590.00)	-	(590.00)	N/A	N/A	
08/30/80	mains & accessones	33.5	3,279.21	-	3,279.21	-	3,279.21	N/A	N/A	
08/30/80	hydrants	33.5	178.65	-	178.65	-	178.65	N/A	N/A	
08/30/81	raw water storage studes	33.5	4,200.00	-	4,200.00	-	4,200.00	N/A	N/A	
08/30/81	mains & accessones	33.5	3,137.31	-	3,200.47	-	3,200.47	N/A	N/A	
08/30/82	bulldozing-sowrer & supplv	10.0	9,738.49	-	9,738.49	-	9,738.49	N/A	N/A	
08/30/82	calvary pump station imp	33.5	188,170.39	-	190,371.93	-	190,371.93	N/A	N/A	
08/30/83	mains	33.5	26,558.36	-	26,946.15	-	26,946.15	N/A	N/A	
08/30/83	Bulldozing-sowrer & supplv	10.0	2,298.20	-	2,298.20	-	2,298.20	N/A	N/A	
08/30/83	balvryump station imp	33.5	328,446.50	-	331,669.72	-	331,669.72	N/A	N/A	
08/30/83	mains	33.5	(7,133.43)	-	(7,346.37)	-	(7,346.37)	N/A	N/A	
08/30/83	hydrants	33.5	618.00	-	618.00	-	618.00	N/A	N/A	
08/30/84	bulldozing-sowrer & supplv	33.5	560.75	-	560.75	-	560.75	N/A	N/A	
08/30/84	calvary pump station imp	33.5	11,568.38	-	11,568.38	-	11,568.38	N/A	N/A	
08/30/84	mains & accessones	33.5	22,935.88	-	22,935.88	-	22,935.88	N/A	N/A	
08/30/84	new tank-old calvarv rd	33.5	209,345.04	-	209,345.04	-	209,345.04	N/A	N/A	
08/30/84	hydrants	33.5	889.20	-	889.20	-	889.20	N/A	N/A	
08/30/85	new mains & accessones	33.5	9,807.70	292.77	9,802.94	4.76	9,807.70	62.5	156.92	
08/30/85	new tank-old calvary	33.5	12,907.88	365.31	12,901.87	6.21	12,907.88	45	286.84	
08/30/85	hydrants	33.5	641.97	19.16	641.87	0.50	641.97	50	12.84	
08/30/88	enain studv sportsman take	33.5	2,378.35	71.00	2,293.93	71.00	2,384.93	40	59.46	
08/30/88	new mains & accessones	33.5	40,740.76	1,216.14	39,295.10	1,216.14	40,511.24	62.5	651.35	
08/30/88	hydrants	33.5	(137.50)	-	(137.50)	-	(137.50)	N/A	N/A	
08/30/87	enain study caney creek	33.5	51,951.54	1,550.79	48,289.89	1,550.79	49,840.49	40	1,298.79	
08/30/87	new mains & accessones	33.5	25,742.27	788.43	23,927.93	768.43	24,696.36	62.5	411.88	
08/30/87	new hydrants	33.5	255.50	7.83	237.47	7.83	245.09	50	6.11	
08/30/88	enain studv faqan branch	33.5	40,980.27	1,223.29	36,657.47	1,223.29	37,380.76	40	1,024.51	
08/30/88	new mains & accessones	33.5	35,192.62	1,050.53	31,480.28	1,050.53	32,530.81	62.5	563.08	
08/30/88	hydrants	33.5	12,250.00	-	13,712.89	-	13,712.89	N/A	N/A	
08/30/88	hydrants	33.5	(12,250.00)	-	(12,249.00)	-	(12,249.00)	N/A	N/A	
08/30/88	hydrants	33.5	(1,688.50)	-	(1,837.53)	-	(1,837.53)	N/A	N/A	
08/30/89	hydrants	33.5	4,090.78	122.11	3,516.11	122.11	3,838.22	50	81.32	
08/30/89	bames submersible pump	10.0	1,258.00	-	1,258.00	-	1,258.00	N/A	N/A	
08/30/89	enain study faqan brnch	33.5	117,258.16	3,500.18	100,783.48	3,500.18	104,283.64	40	2,931.40	
08/30/89	new mains & accessones	33.5	11,503.35	343.38	9,887.32	343.38	10,230.71	62.5	184.05	
07/31/89	storage cabinets	5.0	1,277.13	-	1,277.13	-	1,277.13	N/A	N/A	
04/30/90	concreter saw	10.0	705.94	-	705.94	-	705.94	N/A	N/A	
FY 2015	Concrete saw disposed		(706.00)	-	(706.00)	-	(706.00)	N/A	N/A	
08/30/90	enain studv-faqan Branch	33.5	243,993.51	7,283.39	201,176.28	7,283.39	208,459.67	40	6,009.84	
08/30/90	digital nephelometer	5.0	979.70	-	979.70	-	979.70	N/A	N/A	
FY 2015	Digital nephelometer disposed		(980.00)	-	(980.00)	-	(980.00)	N/A	N/A	
08/30/90	new mains & accessones	33.5	981.08	-	981.08	-	981.08	N/A	N/A	
08/30/90	survey-old tank prop	33.5	453.00	-	453.00	-	453.00	N/A	N/A	
08/30/90	hydrants-pnor vr ream	30.0	(888.29)	-	(917.90)	-	(917.90)	N/A	N/A	
08/30/91	IBM typewriter	12.5	645.00	-	645.00	-	645.00	N/A	N/A	
08/30/91	enain exp. ana. pump, const	33.5	3,938,731.08	117,574.06	3,109,513.74	117,574.06	3,227,087.80	40	98,468.28	

LEBANON WATER WORKS  
NARUC Depreciation Schedule Worksheet

Date	Description	Lebanon Life	Cost/Price	2017 Depreciation	2017 Accum Dep.	Pro-Forma 2018 Depreciation	Pro-Forma 2018 Accum Dep.	NARUC Life	NARUC Annual Dep.	Notes:
06/30/91	new man & accessones	33.5	5,107.73	152.47	4,032.63	152.47	4,185.10	62.5	31.72	
06/30/91	survey week (work) water tank	33.5	305.00	24.03	635.59	24.03	659.62	45	17.99	
06/30/91	hydrants	33.5	3,789.48	113.12	2,991.85	113.12	3,104.96	50	75.79	
1/23/191	office cabinets	5.0	1,009.76	-	1,009.76	-	1,009.76	N/A	N/A	
06/30/92	construction cost-Faan	33.5	645,139.87	19,257.88	486,768.90	19,257.38	506,024.78	40	16,129.47	
06/30/92	new mans & accessones	33.5	17,514.14	522.91	15,214.66	522.91	13,737.47	62.5	280.33	
06/30/92	hydrants	33.5	4,094.59	122.23	3,089.43	122.23	3,211.66	50	81.39	
01/12/93	turbidimeters-Calvary	5.0	11,882.50	-	11,882.50	-	11,882.50	N/A	N/A	
FY 2015	turbidimeters-Calvary disposed		(11,883.00)	-	(11,883.00)	-	(11,883.00)	N/A	N/A	
01/31/83	trailblaze mower	10.0	1,324.60	-	1,324.60	-	1,324.60	N/A	N/A	
FY 2015	trailblaze mower-disposed		(1,325.00)	-	(1,325.00)	-	(1,325.00)	N/A	N/A	
1/23/193	reservoir imp	33.5	1,798.60	53.63	1,292.68	53.63	1,346.31	40	44.92	
1/23/193	suspended solids facility	33.5	476,228.10	14,215.76	342,853.21	14,215.76	358,868.98	37.5	12,699.42	
06/30/94	suspended solids facility compl	33.5	563.00	18.81	385.39	16.31	402.20	37.5	15.01	
06/30/94	reservoir	33.5	4,883.88	145.79	3,343.09	145.79	3,488.87	45	108.53	
06/30/94	Calvary treatment plant study	33.5	29,316.00	875.10	20,067.24	875.10	20,942.34	37.5	791.76	
06/30/94	new mans & accessones	33.5	61,545.05	1,837.17	42,128.51	1,837.17	43,965.68	62.5	994.72	
06/30/94	hydrants	33.5	20,259.88	604.77	13,970.41	604.77	14,575.18	50	405.19	
10-94	radio system	12.5	4,113.50	-	4,113.50	-	4,113.50	N/A	N/A	
FY 2013	junked		(4,113.50)	-	(4,113.50)	-	(4,113.50)	N/A	N/A	
06/30/96	Transmission New Man	33.0	1,537.78	46.60	1,012.74	46.60	1,059.34	62.5	24.60	
06/30/96	Gen. Pro. Shop Equip	10.0	39,871.00	-	39,871.00	-	39,871.00	N/A	N/A	
06/30/96	Filter Plant, pump, bldg, equip	33.0	142,824.45	4,328.01	94,058.58	4,328.01	98,386.58	37.5	3,808.95	
06/30/96	General Proo	7.0	20,582.45	-	20,582.45	-	20,582.45	N/A	N/A	
06/30/97	Collecting impounders-blacktop	21.0	12,906.93	614.62	12,518.19	388.74	12,906.93	20	645.25	No applicable NARUC Classification
06/30/97	filter plant 3 duno stat	33.0	31,329.90	949.39	19,261.96	949.39	20,211.35	27.5	1,139.27	
06/30/97	Transmission new mans	33.0	27,789.28	842.10	16,841.99	842.10	17,684.09	62.5	444.63	
06/30/97	new hydrants	33.0	1,893.98	57.39	1,147.67	57.39	1,205.26	50	37.98	
06/30/97	office equip	7.0	1,019.95	-	1,019.95	-	1,019.95	N/A	N/A	
06/30/97	truck	25.0	22,235.00	889.40	20,567.38	889.40	21,456.78	12.5	1,778.80	Power Operated Equipment
	fully depreciated	7.0	1,282.09	-	1,282.09	-	1,282.09	N/A	N/A	
	2 water salesman	10.0	1,081.92	-	1,081.92	-	1,081.92	N/A	N/A	
	reductions	10.0	(5,132.35)	-	(12,165.28)	-	(12,165.28)	N/A	N/A	
	junked	10.0	(2,713.71)	-	(2,713.71)	-	(2,713.71)	N/A	N/A	
	misc	10.0	17,656.66	-	17,656.66	-	17,656.66	N/A	N/A	
	Construction in Progress		3,072,748.12	-	-	-	-	N/A	N/A	
			(200,174.00)	-	(6,201.95)	-	(6,201.95)	N/A	N/A	
	Balance		8,372,574.12	-	-	-	-	N/A	N/A	
1998	deletions	10.0	(3,251.50)	-	(3,576.65)	-	(3,576.65)	N/A	N/A	
1998	New Man net additions	33.5	24,978.71	745.63	14,912.66	745.63	15,658.30	62.5	399.86	
1998	New hydrants net additions	33.5	6,456.32	192.73	3,854.52	192.73	4,047.25	50	129.13	
1998	Office copier	8.0	3,839.00	-	3,839.00	-	3,839.00	N/A	N/A	
FY 2012	junked		(3,839.00)	-	(3,839.00)	-	(3,839.00)	N/A	N/A	

LEBANON WATER WORKS  
NARUC Depreciation Schedule Worksheet

Date	Description	Lebanon Life	Cost/Price	2017 Depreciation	2017 Accum Dep.	Pro-Forma 2018 Depreciation	Pro-Forma 2018 Accum Dep.	NARUC Life	NARUC Annual Dep.	Notes:
03/17/99	Calvary treatment plant upgrade	30 0	3,358,770.25	111,959.01	2,127,221.16	111,959.01	2,239,180.17	37 5	89,567.21	
FY 2011	Junkeo SCADA System		(73,000.00)	-	(29,200.00)	-	(29,200.00)	N/A	N/A	
1999	Pumpstation/Treatment Plant improvements	30 0	27,917.41	930.58	17,681.03	930.58	18,611.61	37 5	744.46	
1999	New man net additions	33 5	14,043.75	419.19	7,947.54	419.19	8,363.73	62 5	234.68	
1999	Fence	7 0	4,642.97	-	4,642.97	-	4,642.97	N/A	N/A	
1999	Heating and Cooling Unit	10 0	2,867.00	-	2,867.00	-	2,867.00	N/A	N/A	
1999	New Hydrants net additions	33 5	38.35	2.95	50.39	2.85	53.04	50	1.78	
2000	sold 1990 Ford Truck		(9,228.50)	-	(9,228.50)	-	(9,228.50)	N/A	N/A	
2000	sold air compressor		(4,990.00)	-	(4,990.00)	-	(4,990.00)	N/A	N/A	
2000	heat unit @ WTP	10 00	1,850.24	-	1,850.24	-	1,850.24	N/A	N/A	
2000	New man net additions	33 50	6,549.92	195.52	3,448.18	195.52	3,843.30	62 5	104.80	
2000	New Hydrants net additions	33 50	3,291.80	98.26	1,768.73	98.26	1,866.99	50	65.34	
2000	Roof repair	20 00	9,700.00	485.00	8,730.00	485.00	9,215.00	37 5	258.67	
2000	Office chairs	7 00	475.00	-	475.00	-	475.00	N/A	N/A	
2000	Pump shop equipment	10 00	1,850.24	-	1,850.24	-	1,850.24	N/A	N/A	
2000	Air compressor	10 00	9,850.00	-	9,850.00	-	9,850.00	N/A	N/A	
2000	Fagan Branch Road	33 50	9,289.85	276.71	4,980.81	276.71	5,257.53	20	463.19	No applicable NARUC Classification
2001	Software-turbidity/chlorine upgrades	7 00	17,000.00	-	17,000.00	-	17,000.00	N/A	N/A	
2001	New man net additions	33 50	20,915.30	624.34	10,613.73	624.34	11,238.07	62 5	334.64	
2001	3 computers/2 printers	7 00	9,659.00	-	9,659.00	-	9,659.00	N/A	N/A	
	reductions (fire hydrants)		(2,165.00)	-	-	-	-	N/A	N/A	
2002	Land		10,000.00	-	-	-	-	N/A	N/A	
2002	Computer for WTP	7 00	1,483.00	-	1,483.00	-	1,483.00	N/A	N/A	
2002	Chemical pump	10 00	773.21	-	773.21	-	773.21	N/A	N/A	
FY 2015	Chemical Pump Disposed		(773.00)	-	(773.00)	-	(773.00)	N/A	N/A	
2002	Jar Tester	7 00	2,600.00	-	2,600.00	-	2,600.00	N/A	N/A	
2002	Heater at WTP	10 00	789.94	-	789.94	-	789.94	N/A	N/A	
2002	Dixie Chopper riding lawn mower	10 00	9,539.00	-	9,539.00	-	9,539.00	N/A	N/A	
2002	Sale of Dixie Chopper Mower	10 00	(8,000.00)	-	(3,200.00)	-	(3,200.00)	N/A	N/A	
2002	Land (behind cavity store)		22,000.00	-	-	-	-	N/A	N/A	
2002	New man net additions	33 50	634.50	18.94	303.04	18.94	321.99	62 5	10.15	
2002	New Hydrant Additions	33 50	3,228.46	96.31	1,541.00	96.31	1,637.31	50	54.53	
2002	Office Renovation	20 00	60,528.74	3,026.44	48,422.99	3,026.44	51,449.43	20	3,026.44	No applicable NARUC Classification (Office Renovation)
2002	Lab-turbidimeter	7 00	1,872.00	-	1,872.00	-	1,872.00	N/A	N/A	
2003	3 drives in motor control center	7 00	4,260.00	-	4,260.00	-	4,260.00	N/A	N/A	
2003	chemical pump used side bar mower	7 00	910.26	-	910.26	-	910.26	N/A	N/A	
2003	used side bar mower	7 00	1,500.00	-	1,500.00	-	1,500.00	N/A	N/A	
2003	phone lines meter circuits	5 00	1,710.28	-	1,710.28	-	1,710.28	N/A	N/A	
2003	chlorine emergency kit at WTP	7 00	2,175.00	-	2,175.00	-	2,175.00	N/A	N/A	
2003	water trmt plant drive	10 00	9,107.00	-	10,017.70	-	10,017.70	N/A	N/A	
2003	equipment	7 00	959.00	-	959.00	-	959.00	N/A	N/A	
2003	2 chemical pumps	7 00	1,447.00	-	1,447.00	-	1,447.00	N/A	N/A	
FY 2015	Chemical Pump Disposed		(1,447.00)	-	(1,447.00)	-	(1,447.00)	N/A	N/A	
2003	New man net additions	33 50	3,326.11	99.29	1,489.30	99.29	1,588.59	62 5	53.22	
2003	New Hydrant Additions	33 50	1,490.50	44.49	687.39	44.49	711.88	20	74.53	No applicable NARUC Classification (Office Renovation)
2003	Office Renovation	20 00	10,067.23	503.36	7,550.42	503.36	8,053.78	22 5	447.43	
2003	Printer	5 00	419.00	-	419.00	-	419.00	N/A	N/A	
2003	Lexmark laser printer	5 00	2,380.00	-	2,380.00	-	2,380.00	N/A	N/A	
FY 2012	Junkeo		(2,380.00)	-	(2,380.00)	-	(2,380.00)	N/A	N/A	
2003	Billing software upgrade	5 00	2,775.00	-	2,775.00	-	2,775.00	N/A	N/A	
2003	2003 Dodge Ram 1500 truck	5 00	17,250.00	-	17,250.00	-	17,250.00	N/A	N/A	
2003	Cleanwell/High Service Pump Bldg	40 00	1,522,402.00	38,060.05	501,123.99	38,060.05	539,184.04	37 5	40,597.39	
2003	Filters (4)	30 00	166,048.50	5,534.88	72,875.98	5,534.88	78,410.85	27 5	8,038.05	
2003	WPT - Misc Improvements	40 00	150,568.79	3,764.22	49,592.23	3,764.22	53,356.45	37 5	4,015.17	
2003	Instruments/sonar net	20 00	13,126.06	8,563.03	864.13.22	8,563.03	92,979.24	10	13,126.06	Communication equipment
2003	Chlorine Bldg/Shop	40 00	402,860.99	10,071.52	132,608.41	10,071.52	142,679.93	37 5	10,742.96	
2003	Booster Pump Station No. 1	30 00	253,123.82	8,437.46	111,093.23	8,437.46	119,530.69	20	12,656.19	
2003	6" 12" mains (HWY 208, Metts Dr.)	50 00	271,238.35	5,424.77	71,428.10	5,424.77	76,850.87	62 5	4,339.81	
2003	Fire Hydrants	30 00	6,950.12	231.67	3,050.33	231.67	3,282.00	50	139.00	
2003	Radio Meter Readings Upgrade	10 00	342,204.86	-	370,721.93	-	370,721.93	N/A	N/A	
	Sold one handheld to Trailer Park in FY 2014		(1,885.00)	-	(1,885.00)	-	(1,885.00)	N/A	N/A	
2003	Meter interface software	5 00	4,995.00	-	4,995.00	-	4,995.00	N/A	N/A	
2004	Potable Pump	10 00	959.00	-	959.00	-	959.00	N/A	N/A	
2004	Pupez Pump	20 00	14,339.00	716.95	10,037.30	716.95	10,754.25	20	716.95	
2004	2 pumps	7 00	943.00	-	943.00	-	943.00	N/A	N/A	
2004	Scales	10 00	899.00	-	899.00	-	899.00	N/A	N/A	
2004	Drill	5 00	449.00	-	449.00	-	449.00	N/A	N/A	
2004	New mans net additions	20 00	262,628.66	13,131.44	183,340.20	13,131.44	196,371.65	62 5	4,202.06	
2004	New Meter Additions (coded to upgrade)	20 00	23,335.34	1,166.79	16,335.09	1,166.79	17,501.38	20	1,166.79	
2004	Radio Meters net	20 00	44,381.90	2,219.09	31,067.28	2,219.09	33,286.35	20	2,219.09	
2004	New fire hydrants net	20 00	11,360.25	568.01	7,952.18	568.01	8,520.19	50	227.21	
2004	New software package	5 00	5,815.00	-	5,815.00	-	5,815.00	N/A	N/A	
2004	Vulnerability Assessment	10 00	30,794.00	-	30,794.00	-	30,794.00	N/A	N/A	
2004	Easements	LAND*	21,856.00	-	-	-	-	N/A	N/A	
2004	land asset		(1,500.00)	-	(300.00)	-	(300.00)	N/A	N/A	
2005	Transmission & Distributions - night of way	LAND*	10,000.00	-	-	-	-	N/A	N/A	
2005	Transmission & Distributions - new mans	20 00	9,274.83	413.74	5,171.77	413.74	5,585.51	62 5	132.40	

LEBANON WATER WORKS  
NARUC Depreciation Schedule Worksheet

Date Description	Lebanon Life	Cost/Price	2017 Depreciation	2017 Accum Dep.	Pro-Forms 2018 Depreciation	Pro-Forms 2018 Accum Dep.	NARUC Life	NARUC Annual Dep.	Notes:
2005 Radio Modem Telemetry - 04-05	20 00	19,350 00	967 50	12,093 75	967 50	13,081 25	10	1,335 00	
2005 Transmission & Distributions - new meters	20 00	12,817 01	640 85	8,010 63	640 85	8,551 48	20	640 85	
2005 Radio Meter Reading Upgrade	20 00	30,034 27	4,001 71	50,021 42	4,001 71	54,023 13	10	3,003 43	
2005 Backhoe	10 00	31,500 00	-	31,500 00	-	31,500 00	12 5	2,520 00	
2005 GIS mapping system	20 00	41,085 00	2,054 25	25,878 13	2,054 25	27,732 38	10	4,108 50	Communication equipment
2005 reclass		(10,000 00)	-	-	-	-	N/A	N/A	
2003 accum depr from deleted assets FY03			-	-	-	-	N/A	N/A	
2006 New mains	20 00	5,151 77	257 59	3,091 06	257 59	3,348 95	62 5	32 43	
2006 New meters - Customers	20 00	4,787 42	239 37	2,372 45	239 37	3,111 82	20	239 37	
2006 Radio Meter Reading Upgrade	20 00	47,089 51	2,353 48	28,241 71	2,353 48	30,595 18	10	4,706 95	
2006 Flosearch systems	10 00	7,329 05	-	7,329 05	-	7,329 05	N/A	N/A	
2006 Boning machine	10 00	5,100 00	-	5,100 00	-	5,100 00	N/A	N/A	
2006 Water System Hydraulic Study	10 00	18,500 00	-	18,500 00	-	18,500 00	N/A	N/A	
2006 Field Calibration	10 00	15,840 00	-	15,840 00	-	15,840 00	N/A	N/A	
2007 Water Pump Purchased	7 00	21,050 00	-	21,050 00	-	21,050 00	N/A	N/A	
2007 C 1 Thomburg - new meters	15 00	3,399 00	625 93	8,885 27	625 93	7,511 20	20	469 45	
2007 Water Line Relocation	40 00	241,908 00	6,047 70	60,477 00	6,047 70	66,524 70	62 5	3,870 53	
2007 Truck Bed	5 00	10,554 00	-	10,554 00	-	10,554 00	N/A	N/A	
2007 Dodge Ton Truck	5 00	16,350 00	-	16,350 00	-	16,350 00	N/A	N/A	
2007 Lanham Refrigeration (new furnace)	5 00	4,150 00	-	4,150 00	-	4,150 00	N/A	N/A	
2007 C 1 Thomburg - new mains	40 00	2,058 00	51 45	565 95	51 45	617 40	62 5	32 93	
2007 New meters - Customers	15 00	9,189 00	612 80	8,738 80	612 80	7,351 20	20	459 45	
2007 New radio read meters	15 00	42,595 00	2,839 67	31,238 33	2,839 67	34,078 00	10	4,259 50	
2007 Engineering Fees Assessed	10 00	1,760 00	-	1,760 00	-	1,760 00	N/A	N/A	
2007 LAND		30,000 00	-	-	-	-	N/A	N/A	
2008 C 1 Thomburg - new mains	40 00	13,858 00	346 45	3,484 50	346 45	3,810 95	62 5	221 73	
2008 Neptune Equipment	7 00	7,045 00	-	8,164 38	-	8,164 38	N/A	N/A	
11/15/2011 Traded laptop (Neptune Equipment)		(7,045 00)	-	(8,164 38)	-	(8,164 38)	N/A	N/A	
2008 New meters - Customers	15 00	7,044 00	469 60	4,896 00	469 60	5,165 60	20	352 20	
2008 99 Dodge Ram 1500 Pickup	5 00	18,445 00	-	22,134 00	-	22,134 00	N/A	N/A	
FY 2018 99 Dodge Ram 1500 Pickup - Traded in		(18,445 00)	-	(18,445 00)	-	(18,445 00)	N/A	N/A	
2008 Elevated Tank	40 00	788,404 25	19,710 11	177,390 98	19,710 11	197,101 08	45	17,520 09	
2008 Mower	7 00	(7,399 00)	-	-	-	-	N/A	N/A	
2008 Property entrance sign	20 00	10,580 00	529 00	5,290 00	529 00	5,819 00	20	529 00	No applicable NARUC Classification
2009 New Mains	40 00	51,128 74	1,278 22	11,503 97	1,278 22	12,782 19	62 5	318 06	
2009 Pressure Regulating Valves 2008	40 00	37,056 25	926 41	8,337 68	926 41	9,264 08	20	1,352 81	
2009 New motor B Vista	20 00	4,724 61	236 23	2,126 07	236 23	2,362 31	12 5	377 97	
2009 New Meters - Customers	15 00	3,548 24	238 42	2,127 74	238 42	2,364 16	20	177 31	
2009 Office Equipment	5 00	5,905 00	-	7,088 00	-	7,088 00	N/A	N/A	
2009 Elevated Tank Springfield Hwy 2008-08	40 00	71,125 00	1,778 13	18,003 13	1,778 13	17,781 25	45	1,580 58	
2009 Industrial Dr Relocation/Extension-CIP	40 00	641,452 44	18,036 31	128,290 49	18,036 31	144,326 80	62 5	10,263 24	
			-	2,577 98	-	2,577 98	N/A	N/A	
			-	(1 00)	-	(1 00)	N/A	N/A	
7/1/2009 Industrial Dr Relocation/Extension-CIP	40 00	192,085 00	4,302 13	38,417 00	4,302 13	43,219 13	62 5	3,073 38	
12/15/2009 Chonnotator	7 00	2,860 00	204 29	2,860 00	-	2,860 00	10	286 00	Communication Equipment
12/30/2009 New Meters	15 00	9,537 00	635 30	4,768 50	635 30	5,404 30	20	478 85	
8/30/2010 New Mains	40 00	2,164 00	54 10	378 70	54 10	432 80	62 5	34 62	
5/20/2010 Lawn Mower (old mower damaged in flood)	7 00	11,370 00	1,488 93	11,370 00	-	11,370 00	N/A	N/A	
5/12/2010 Tractor (Kubota L3400 DT 4x4)	7 00	11,269 00	1,475 70	11,269 00	-	11,269 00	N/A	N/A	
8/17/2010 Calvary LAND		33,559 00	-	-	-	-	N/A	N/A	
7/1/2010 Calvary Rd Tanks Mizina/Pantina 09-10	40 00	315,185 00	7,879 63	55,157 38	7,879 63	63,037 00	15	21,012 33	No applicable NARUC Classification
10/8/2010 Copystar 320 Copier	10 00	3,598 00	359 80	2,518 60	359 80	2,878 40	N/A	N/A	
FY 2011 Copystar 220 Copier (Disposed during FY 17 per lisa)		(3,598 00)	-	(2,518 60)	-	(2,518 60)	N/A	N/A	
10/29/2010 Fence for Maltingly property at Calvary	20 00	10,555 00	527 75	3,694 25	527 75	4,222 00	20	527 75	No applicable NARUC Classification
12/17/2010 2011 Dodge Ram 1500	5 00	23,685 00	-	23,685 00	-	23,685 00	N/A	N/A	
5/20/2011 2011 Dodge Ram 1500	5 00	19,999 00	-	19,999 00	-	19,999 00	N/A	N/A	
8/1/2010 SCADA System	20 00	54,389 00	2,719 45	18,809 53	2,719 45	21,528 98	10	5,438 90	Communication Equipment
7/12/2011 Clantickener Improvements	20 00	46,380 75	2,314 04	13,884 23	2,314 04	16,198 28	27 5	1,882 94	
1/17/2012 Chlorinator-treatment equipment	7 00	5,194 40	742 06	4,081 31	742 06	4,823 37	10	519 44	Communication Equipment
4/20/2012 New roof at Calvary pumping station	20 00	13,800 00	690 00	3,685 00	690 00	4,255 00	37 5	368 00	
11/15/2011 Meter reading hardware & software (Neptune Equipment)	5 00	9,275 00	695 63	9,275 01	-	9,275 01	N/A	N/A	Communication Equipment
12/30/2011 New Meters	15 00	2,373 30	158 22	870 21	158 22	1,028 43	20	118 87	
12/30/2011 New Mains	40 00	11,308 38	292 71	1,554 90	292 71	1,837 61	62 5	180 93	
12/8/2011 Spalding, Lake Street & North Street	40 00	592,213 00	14,805 33	31,429 29	14,805 33	36,234 61	62 5	9,475 41	
Line extension at Crossroad Industrial Park & Hwy 208 Industrial									
11/30/2011 Park	40 00	59,412 00	1,465 30	8,292 93	1,485 30	9,778 23	62 5	950 59	
12/30/2011 Fire Hydrants	30 00	19,152 58	638 42	3,511 31	638 42	4,149 73	50	383 05	
3/4/2012 New Meters	15 00	3,938 05	262 44	1,248 61	262 44	1,508 05	20	196 33	
11/15/2012 New water pump	15 00	10,550 00	703 33	3,165 00	703 33	3,868 33	20	527 50	
12/18/2012 New Meters	15 00	2,232 52	148 83	669 76	148 83	818 59	20	111 63	
3/12/2013 New Computer Equipment	7 00	13,039 50	1,362 79	8,009 98	1,362 79	9,872 76	5	2,807 90	No applicable NARUC Classification
3/12/2013 Additional Screen Protection at Intake at River	10 00	73,814 03	7,381 40	31,740 03	7,381 40	39,121 44	12 5	5,905 12	Power operated equipment

LEBANON WATER WORKS  
NARUC Depreciation Schedule Worksheet

Date	Description	Lebanon Life	Cost/Price	2017 Depreciation	2017 Accum Dep.	Pro-Forma 2018 Depreciation	Pro-Forma 2018 Accum Dep.	NARUC Life	NARUC Annual Dep.	Notes:
1/15/2013	Water Main Replacement - E Main St	40 00	309,297.00	7,732.43	34,795.91	7,732.43	42,528.34	62 5	4,948.75	
3/28/2013	WTP DBP Project	40 00	74,594.00	1,884.85	8,018.38	1,884.85	9,883.71	20	3,729.70	Pumping Equipment
8/30/2013	Fire Hydrants	40 00	5,008.11	127.46	548.06	127.46	825.61	50	101.98	
8/30/2013	New Meters	15 00	2,065.99	137.73	592.25	137.73	729.98	20	103.30	
9/16/2013	Land - Old Calvary Road Next to Water Tanks		22,141.00	-	-	-	-	N/A	N/A	
9/3/2013	Computer System	5 00	4,897.00	979.40	3,754.37	979.40	4,733.77	5	979.40	No applicable NARUC Classification
9/17/2013	WTP Emergency Power Generator	30 00	443,813.00	14,793.77	50,709.44	14,793.77	71,303.21	27 5	18,138.65	
9/17/2013	WTP Chlorine System Modifications	10 00	20,447.00	2,046.70	7,845.88	2,046.70	9,892.38	27 5	744.25	
11/12/2013	Gas Lines to Remote Buildings	30 00	5,395.00	179.87	659.51	179.87	339.38	20	269.90	No applicable NARUC Classification
11/12/2013	New Water Mains	40 00	3,717.00	92.93	332.98	92.93	425.91	62 5	58.47	
12/31/2013	New Meters	12 00	15,115.00	1,259.58	4,408.54	1,259.58	5,868.13	20	755.75	
3/7/2014	IH Sludge Truck-Sold	15 00	20,500.00	1,388.67	4,441.67	1,388.67	5,808.33	N/A	N/A	Sold
3/25/2014	Sludge Tank	20 00	2,450.00	122.50	398.13	122.50	520.63	7	350.00	
8/30/2014	Intake Upgrades	20 00	8,237.00	411.85	1,289.87	411.85	1,881.72	40	205.93	
8/30/2014	New Hydrants	40 00	5,804.00	145.10	447.39	145.10	592.49	50	116.08	
8/30/2014	HWY 49 Relocation Project	40 00	157,342.00	3,933.55	12,128.45	3,933.55	16,082.00	62 5	2,517.47	
8/1/2014	HWY 49 Relocation Project	40 00	1,037.00	25.93	75.61	25.93	101.54	62 5	18.59	
8/19/2014	Pax Mixer for Calvary Rd Tank no. 2	7 00	2,947.00	421.90	1,227.92	421.90	1,848.92	15	196.47	No applicable NARUC Classification
9/18/2014	Manon County Water District Master Meter	15 00	12,835.00	842.33	2,388.61	842.33	3,228.94	20	631.75	
11/18/2014	Hydra valve	15 00	4,570.00	304.67	812.44	304.67	1,117.11	62 5	73.12	
11/18/2014	Hydra valve	15 00	4,570.00	304.67	812.44	304.67	1,117.11	62 5	73.12	
11/18/2014	Heat pump	7 00	6,890.00	984.29	2,624.78	984.29	3,609.05	20	344.50	No applicable NARUC Classification
3/8/2015	Waterline leak detector	7 00	3,084.00	437.71	1,388.10	437.71	1,823.81	10	308.40	Communication Equipment
4/14/2015	Hydra valve	15 00	4,882.00	325.47	732.30	325.47	1,057.77	62 5	78.11	
5/12/2015	Hydra valve	15 00	5,382.00	358.80	777.40	358.80	1,138.20	62 5	86.11	
6/30/2015	Air Conditioner - WTP	7 00	6,800.00	971.43	2,023.81	971.43	2,995.24	20	340.00	No applicable NARUC Classification
9/29/2015	Sludge Dump Truck	5	7,283.00	1,458.60	2,870.43	1,458.60	4,127.03	7	1,040.43	
11/17/2015	Fire Hydrants	40	20,855	521.38	888.96	521.38	1,390.33	50	417.10	
1/11/2016	Water Reading Handheld	5	4,929	985.80	1,843.00	985.80	2,828.80	10	492.90	Communication Equipment
1/11/2016	2016 Dodge Ram	5	27,010	5,402.00	9,003.33	5,402.00	14,405.33	7	3,858.57	
1/12/2016	Water Mains	40	4,014.00	100.35	150.53	100.35	250.88	62 5	48.22	
4/12/2016	Chemtrac Chlorine Reading Unit	7	3,753.00	538.14	870.18	538.14	1,208.32	10	375.30	Communication Equipment
6/30/2016	Water Mains	40	10,884	271.80	794.23	271.80	585.83	62 5	173.82	
9/30/2016	Water Meters	15	1,197	79.80	86.45	79.80	186.25	20	59.85	
9/30/2016	Fire Hydrants	40	1,800	45.00	148.75	45.00	93.75	50	36.00	
9/13/2016	SL 1000	5	3,173	528.83	528.83	528.83	1,163.43	10	317.30	Communication Equipment
10/18/2016	HVAC Unit	10	4,725	354.38	354.38	472.50	828.88	20	236.25	No applicable NARUC Classification
10/18/2016	GPS System	5	12,274	1841.10	1841.10	2,454.30	4,295.90	10	1,227.40	Communication Equipment
11/15/2016	Used Sawin Multi-purpose copier	10	15,900	1080.00	1080.00	1,590.00	2,850.00	10	1,590.00	Communication Equipment
11/15/2016	Chemical Scales - WTP	7	18,410	1753.33	1753.33	2,830.00	4,383.33	12 5	1,472.80	
11/30/2016	Variable Frequency Drive Pump	7	98,020	3267.33	3267.33	14,002.86	17,270.19	10	3,802.00	No applicable NARUC Classification
3/14/2017	Panasonic ToughBook 14'	5	2,200	146.87	146.87	440.00	588.67	5	440.00	No applicable NARUC Classification
3/23/2017	1/2 acre of land beside reservoir	N/A	5,026	-	-	-	-	N/A	N/A	
4/18/2017	KYCOERA M8530 Copier/bnntifax	10	2,095	52.38	52.38	209.50	281.88	10	209.50	Communication Equipment
4/18/2017	Lab Corrosion Monitor	5	3,395	149.75	149.75	599.00	748.75	10	399.50	Communication Equipment
5/9/2017	Computers, monitors and software	5	6,082	202.73	202.73	1,216.40	1,419.13	5	1,216.40	No applicable NARUC Classification
5/9/2017	Alarm security system - office	10	4,030	87.17	87.17	403.00	470.17	10	403.00	Communication Equipment
5/9/2017	Server	5	14,442	481.40	481.40	2,888.40	3,369.80	5	2,888.40	No applicable NARUC Classification
5/18/2017	Men for SNS Rentals - Simon Loop & Copper Street	40	7,098	29.58	29.58	177.45	207.03	62 5	113.57	
8/15/2017	2017 Ford F-150 4wd Crew	5	40,991	883.18	883.18	8,198.20	3,881.38	7	5,855.88	
8/15/2017	2017 Ford F-150 4wd Supercab	5	32,999	549.98	549.98	6,599.80	7,149.78	7	4,714.14	
9/30/2017	WTP Raw Water Pump Renovation	7	641,423	1336.00	1336.00	91,831.88	92,967.88	20	32,071.15	
9/30/2017	Woodawn/Loretto Road Watermen	40	710,265	1480.00	1480.00	17,758.63	19,238.63	62 5	11,384.24	
<i>Capital Projects Placed in Service in FY 2018</i>										
8/8/2017	WTP Filter Rehab Project	7	62,839	-	-	3,977.00	8,977.00	7	8,977.00	No applicable NARUC Classification
3/5/2018	Manon-Taylor Interconnect (Campbellsville Transmission Main)	40	2,534,597	-	-	83,384.93	63,384.93	62 5	40,553.55	
8/-/2018	WTP Clearwell Access Project	7 / 20	192,250	-	-	25,390.00	25,390.00	27 5	6,990.91	

KEY

TOTALS

676,209      13,063,007      808,086      13,869,093      637,438

AFFIDAVIT  
OF  
WILLIAM P. THOMPSON

\*\*\* \*\*

The Affiant, William P. Thompson, after first being sworn, states as follows:

1. My name is William P. Thompson. I am the President and CEO of Citizens National Bank ("CNB") in Lebanon, Kentucky.

2. Lebanon Water Works Company ("Lebanon Water") is the Borrower on two (2) loans owed to CNB: Loan Numbers 76735 and 77049 ("Loans").

3. Both of the Loans are secured by a pledge of the revenues of Lebanon Water and the covenants made by the City of Lebanon ("City") in various Ordinances enacted by the City, including, but not limited to the following:

(a) Ordinance No. 91-9, which created the framework and established certain rules, regulations, and conditions governing the issuance of all future Bonds;

(b) Ordinance No. 91-11, which authorized the issuance of \$1,400,000 in Bonds ("1992 Bonds"). The 1992 Bonds were originally purchased and held by the Farmer's Home Administration (predecessor to USDA, Rural Development);

(c) Ordinance No. 96-15, which authorized the issuance of \$1,867,000 in Bonds ("1997B Bonds"). The 1997B Bonds were originally

purchased and held by Rural Utilities Service (predecessor to USDA, Rural Development); and

(d) 2002 Bond Ordinance, which authorized the issuance of \$2,787,000 in Bonds (“2002 Bonds”). The 2002 Bonds were originally purchased and held by USDA, Rural Development.

4. On August 13, 2012, Lebanon Water refinanced the 1997B Bonds and the 2002 Bonds through CNB. At that time, CNB “stepped into the shoes” of USDA, Rural Development when it purchased these Bonds.

5. Loan Number 76735 represents the remaining principal balance owed on the 1997B Bonds and the 2002 Bonds.

6. Attached as **Exhibits A** and **B** are documents which evidence that CNB assumed the role of “Government” and “Purchaser” of the 1997B Bonds and the 2002 Bonds.

7. In January 2013, Lebanon Water refinanced the 1992 Bonds through CNB. Once again, CNB “stepped into the shoes” of the “Government” and “Purchaser” when it purchased these Bonds.

8. Loan Number 77049 represents the remaining principal balance owed on the 1992 Bonds.

9. After a limited search of its records, CNB has been unable to locate a document similar to **Exhibit A** or **Exhibit B** with respect to the refinancing of the

1992 Bonds. Nevertheless, it believes such a document exists because the 2013 refinancing of the 1992 Bonds followed the same procedures as the 2012 refinancing of the 1997B Bonds and the 2002 Bonds.

10. Because CNB “stepped into the shoes” of the original Bondholders of the 1992 Bonds, the 1997B Bonds, and the 2002 Bonds, it is entitled to enforce, and obtain the benefits of, the covenants contained in the Ordinances which authorized these Bonds. In addition, CNB is entitled to enforce, and obtain the benefits of, the covenants contained in Ordinance No. 91-9, which governs the issuance of all Bonds by the City.

11. Ordinance No. 91-9 contains very detailed and specific requirements concerning Debt Service Coverage. The Debt Service Coverage ratio is 1.25 times the maximum Annual Debt Service on all Bonds outstanding payable from pledged revenues (See Section 711 at pages 42 and 43 and Section 726 at pages 48 and 49 of Ordinance No. 91-9).

12. It is my understanding that a copy of Ordinance No. 91-9, as well as all the other Ordinances referenced herein, has been previously filed with the Public Service Commission by Lebanon Water.

13. CNB relied upon the covenants and other protections afforded the Bondholders, including the 1.25 Debt Service Coverage requirements, when it made the business decision to refinance the 1992 Bonds, the 1997B Bonds, and the

2002 Bonds. CNB would not have offered to refinance the 2002 Bonds, the 1997B Bonds, and the 2002 Bonds on as favorable terms and conditions as it did had it not been for the benefits and protections it received under Ordinance 91-9.

14. CNB is aware that Lebanon Water currently has three (3) outstanding loans in favor of the Kentucky Infrastructure Authority (“KIA”) and is in the process of obtaining additional loans from KIA. The proceeds from the KIA loans were used to finance water infrastructure improvements for Lebanon Water. The KIA loans are also secured by a pledge of revenues by Lebanon Water.

15. It is CNB’s position that any debt incurred by Lebanon Water which is secured by a pledge of revenues must also meet the 1.25 Debt Service Coverage ratio discussed previously in this Affidavit. To allow Lebanon Water to incur debt and pledge its revenues as security for that debt without requiring Lebanon Water to meet the Debt Service Coverage ratio weakens CNB’s security position. It also violates the bond covenants and the provisions of Ordinance No. 91-9, in CNB’s opinion.

16. CNB is very proud that it was able to refinance these debts for Lebanon Water. These refinancings provided substantial cost savings to the utility and its customers. It was also good for CNB and the local economy.



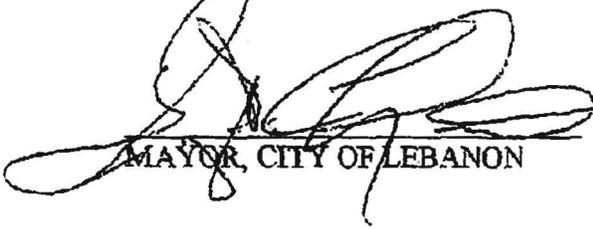
# **EXHIBIT A**

WHEREAS, IT IS RECOGNIZED THERE IS A VALID ORDINANCE NO. 96-15 (ATTACHED HERETO) AND WILL REMAIN VALID AND ALL PROVISIONS CONTAINED WITHIN CARRY FORWARD WITH ONLY CHANGES BEING MADE AS FOLLOWS.

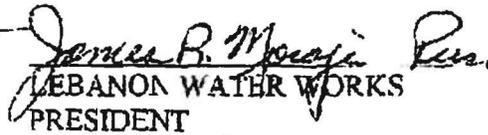
CITIZENS NATIONAL BANK, LEBANON, KY WILL NOW ASSUME THE ROLE OF "GOVERNMENT" AS DEFINED IN ARTICLE I, SECTION 102 (6) AND "PURCHASER" AS DEFINED IN ARTICLE I, SECTION 102 (8). ALL PROVISIONS OF AUTHORIZED ORDINANCE SHALL CARRY FORWARD WITHOUT AMENDMENTS AND/OR DELETIONS. THE CITY OF LEBANON AND LEBANON WATERWORKS COMPANY, INC DO HEREBY EXPLICITLY AGREE AND AFFIRM THAT CITIZENS NATIONAL BANK, LEBANON, KY WILL HAVE ALL SAFEGUARDS THAT WERE PRESENT AND GUARANTEED AT THE ORIGINAL ORDINANCE AS PROVIDED TO THE "GOVERNMENT" AND/OR "PURCHASERS" OF ORDINANCE NO. 96-15.

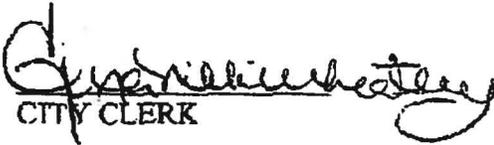
THIS CHANGE IS BEING PROMULGATED BY THE CITY OF LEBANON AND SPECIFICALLY THE LEBANON WATERWORKS COMPANY, INC (THE "COMPANY") DESIRE TO REFINANCE ORIGINAL BOND ISSUANCE REFERENCED AS SERIES 1997B.

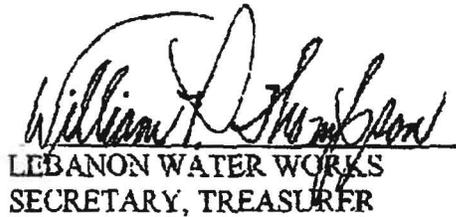
AGREED TO:

  
MAYOR, CITY OF LEBANON

AGREED TO:

  
LEBANON WATER WORKS  
PRESIDENT

  
CITY CLERK

  
LEBANON WATER WORKS  
SECRETARY, TREASURER

DATED:

8/13/12

# **EXHIBIT B**

WHEREAS, IT IS RECOGNIZED THERE IS A VALID ORDINANCE NO. \_\_\_\_\_ (ATTACHED HERETO) AND WILL REMAIN VALID AND ALL PROVISIONS CONTAINED WITHIN CARRY FORWARD WITH ONLY CHANGES BEING MADE AS FOLLOWS:

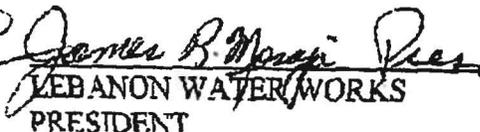
CITIZENS NATIONAL BANK, LEBANON, KY WILL NOW ASSUME THE ROLE OF "GOVERNMENT" AS DEFINED IN ARTICLE 1, SECTION 101 AND "PURCHASER" AS DEFINED IN SAME SECTION. ALL PROVISIONS OF AUTHORIZED ORDINANCE SHALL CARRY FORWARD WITHOUT AMENDMENTS AND/OR DELETIONS. THE CITY OF LEBANON AND LEBANON WATERWORKS COMPANY, INC DO HEREBY EXPLICITLY AGREE AND AFFIRM THAT CITIZENS NATIONAL BANK, LEBANON, KY WILL HAVE ALL SAFEGUARDS THAT WERE PRESENT AND GUARANTEED AT THE ORIGINAL ORDINANCE AS PROVIDED TO THE "GOVERNMENT" AND/OR "PURCHASERS" OF ORDINANCE NO. \_\_\_\_\_.

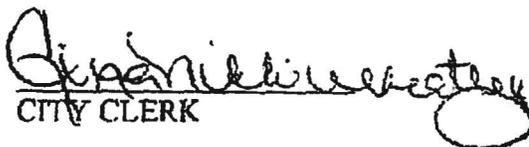
THIS CHANGE IS BEING PROMULGATED BY THE CITY OF LEBANON AND SPECIFICALLY THE LEBANON WATERWORKS COMPANY, INC (THE "COMPANY") DESIRE TO REFINANCE ORIGINAL BOND ISSUANCE REFERENCED AS SERIES 2002.

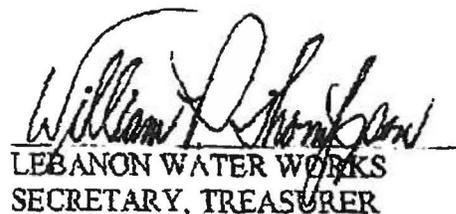
AGREED TO:

AGREED TO:

  
MAYOR, CITY OF LEBANON

  
LEBANON WATERWORKS  
PRESIDENT

  
CITY CLERK

  
LEBANON WATERWORKS  
SECRETARY, TREASURER

DATED:

8/13/12

**LEBANON WATER WORKS COMPANY**

**CASE NO. 2017-00417**

**Response to Commission Staff's Request for Information**

**Question No. 2**

**Responding Witness: Daren Thompson**

Q-2. Refer to Marion County Water District's Protest Letter (filed Sept. 25, 2017).

- A. Respond to the concerns contained on page two of that letter.
- B. Provide all documents that support Lebanon Water's responses.

A-2.

A. The Company lists and responds to the following concerns contained in Marion County Water District's Protest Letter:

- (1) Use of aggressive depreciation schedules for transmission lines and other capital improvements which are inconsistent with the allowable depreciation referenced in MCWD's recent rate case, 2016-00163
  - o **Response:** The Company depreciates its assets in accordance with its Capitalization Policy, which was adopted on January 15, 2007. The Capitalization Policy, which is attached in response to Question No. 2B, assigns a useful life of 40 years to transmission and distribution mains.
- (2) Decision to voluntarily purchase water from Campbellsville, over and above contracted quantities, with no demonstrable need
  - o **Response:** On December 29, 2015, the City of Campbellsville (the "Campbellsville") and the Company entered into a Water Purchase Contract (the "Campbellsville Contract") whereby the Company would

purchase a supplemental supply of potable water from Campbellsville. **(A copy of the Campbellsville Contract is attached as part of the Response to Question 2B).**

The Campbellsville Contract requires the Company to purchase a minimum of 300,000 gallons of water per day (“GPD”). The maximum purchase amount is 1,000,000 GPD. The rate per 1,000 gallons declines as the amount purchased increases (e.g. if 300,000 GPD is purchased, the rate is \$3.96 per 1,000 gallons; if 400,000 GPD is purchased, the rate is \$3.36 per 1,000 gallons). Pursuant to paragraphs 1 and 8 of the Campbellsville Contract, annually the Company must decide the amount of its minimum daily purchases and notify Campbellsville of this decision. Paragraph 8 of the Campbellsville Contract contains a schedule of rates based upon the minimum daily purchase amount. The wholesale rate is then “fixed” for the ensuing fiscal year based upon the stated minimum daily purchase amount. The wholesale rate is not reduced if the Company purchases more than the stated amount. In other words, if the Company agreed to purchase 300,000 GPD, the rate is \$3.96. If it actually purchases 400,000 GPD, the Company will still pay \$3.96 and not \$3.36 per 1,000 gallons for all water purchased. Thus, it behooves

the Company to accurately estimate the volume of water that it will need to purchase so it can obtain the benefit of the lower wholesale rate.

The Company considered various minimum purchase alternatives, but primarily focused on purchasing either 300,000 GPD (the minimum amount allowed under the Campbellsville Contract) or 400,000 GPD. The annual cost to the Company is **\$490,560** if 400,000 GPD is purchased ( $400,000 \times 365 \times \$3.36$ ) and **\$433,620** if 300,000 GPD is purchased ( $300,000 \times 365 \times \$3.96$ ). This is an annual difference of **\$56,940** less the associated savings from producing less water at the Company's water treatment plant.

The Company's Board of Directors ultimately made a business decision to purchase 400,000 GPD for the first year so the Company will have increased flexibility to shut down all or a portion of its water treatment plant to perform maintenance that is long overdue. Until now, it has not had this "luxury." The Company could not take its water treatment plant out-of-service for extended periods of time to make major repairs or to rehabilitate it because it lacked a supplemental source of supply. Now, it can schedule periodic maintenance projects at its water treatment plant without fear of water shortages.

The Company plans to revisit the minimum daily purchase amount annually, as required by the Campbellsville Contract, and will endeavor to optimize its minimum daily purchase amount depending upon the circumstances existing at that time.

- (3) Use of budgeted expense in its calculations, as opposed to audited figures from the current test year
- **Response:** The Company's Revenue Requirements used to determine the proposed rates do **not** include the higher salaries of long-time employees who have retired and have been replaced by workers who are paid a lower hourly wage.

Technically speaking, the Company used FYE 6-30-16 as the Test Year because the financial statement for FYE 6-30-16 was the most recent audited financial statement available when the Company and its Rate Consultant, Holly Nicholas, were determining the Company's Revenue Requirements. The Company and Ms. Nicholas realized that during the Test Year and a substantial portion of the FYE 6-30-17, the Company was in a transitional period. Several long-time employees were nearing retirement and their replacements were already on the payroll during a portion of this transition period.

To avoid including the wages and fringe benefits of duplicate employees and the higher wages of long-time employees who were in the

process of retiring, the Company “normalized” the wages and benefits of its workforce and then made adjustments to reflect the known and measurable personnel costs. To accomplish this, the Company used the actual wages and benefits of its “going-forward” workforce, annualized these amounts, and then included only these amounts in calculating its Revenue Requirements.

The Company also normalized other Test Year expenses and made adjustments for known and measurable changes. This work was performed during the same time frame that the Company was developing its FY 2018 budget. Naturally, the Company’s budgeted expenses closely correspond to the Revenue Requirements.

- (4) Use of significant projected increase in salaries, despite the recent retirement of long-time employees who were replaced by entry level personnel
- o **Response:** The Company’s Revenue Requirements used to determine the proposed rates do **not** include the higher salaries of long-time employees who have retired and have been replaced by workers who are paid a lower hourly wage.

Technically speaking, the Company used FYE 6-30-16 as the Test Year because the financial statement for FYE 6-30-16 was the most recent audited financial statement available when the Company and its Rate Consultant, Holly Nicholas, were determining the Company’s

Revenue Requirements. The Company and Ms. Nicholas realized that during the Test Year and a substantial portion of the FYE 6-30-17, the Company was in a transitional period. Several long-time employees were nearing retirement and their replacements were already on the payroll during a portion of this transition period. For example, the Company employed both Daren Thompson as its new General Manager (Operations & Management Superintendent) and its retiring General Manager, John L. Thomas, during this transition period.

To avoid including the wages and fringe benefits of duplicate employees and the higher wages of long-time employees who were in the process of retiring, the Company “normalized” the wages and benefits of its workforce and then made adjustments to reflect the known and measurable personnel costs. To accomplish this, the Company used the actual wages and benefits of its “going-forward” workforce, annualized these amounts, and then included only these amounts in calculating its Revenue Requirements. Thus, there is no “fat” in its Revenue Requirements – no “duplicate” employees were included and the higher wages of long-term workers that are now retired were not included in this calculation.

- (5) Use of a test period in which it employed two General Managers during a transition (non-recurring expense)

o **Response:** The Company's Revenue Requirements used to determine the proposed rates do **not** include the salaries and fringe benefits of two (2) General Managers. Only the current salary and fringe benefits of the Company's current General Manager (Operations & Management Superintendent), Daren Thompson, is included in the Company's Revenue Requirements.

As stated in the Company's Response to Question 2A(4), adjustments were made to the Test Year expenses to remove "duplicate" salaries from the Company's Revenue Requirements. Any other non-recurring expenses were also excluded from the Revenue Requirements. See the Response to Question 2A(4) for a more detailed explanation.

- (6) Inclusion of costs for extraordinary maintenance expenses, attorney's fees, lab-testing equipment (non-recurring expenses)

o **Response:** In calculating its proposed rates, the Company sought to remove all extraordinary or non-recurring expenses. To the best of its knowledge and understanding, the proposed rates do not include such expenses. The Company cannot respond further unless and until Marion

District identifies specific expenses that it considers extraordinary or non-recurring.

(7) Discrepancy between the percentage of water purchased by MCWD and the percentage of the proposed increase borne by MCWD

- **Response:** The Company affirmatively states that the proposed increase is an across-the-board percentage increase to **all customers, regardless of their classification or location**, based on the percentage increase in revenue required from rates. The meter charge for a customer will increase 8.9 percent from the customer's existing meter charge and a customer's volumetric or "O&M" charge will be increased 34 percent. Currently, both the Company's "In City" customers and Marion District pay the same uniform rate pursuant to the provisions of the Master Agreement. The amount of the proposed increase is the same for both "In City" customers and Marion District. Therefore, it is mathematically impossible for the proposed increase to have a greater impact upon Marion District than upon the Company's "In City" customers.

There are two (2) reasons that the Company did not prepare a cost-of-service study when developing the proposed rates. First, the Master Agreement requires a single, uniform rate to be charged to both the Company's "In City" customers and Marion District. Second, the Company wanted to avoid this unnecessary expense. The Public Service

Commission has previously found that an across-the board percentage increase is an appropriate and equitable method to increase rates in the absence of a cost-of-service study.<sup>1</sup>

(8) Inclusion of 100% of the costs of health benefits payable to Lebanon's employees

- o **Response:** In calculating the single, uniform rate, the Company has sought recovery of all costs associated with employee health insurance benefits. Public utilities are entitled to recover the costs of reasonable salaries and benefits necessary to provide water service. Moreover, any determination of the reasonableness of employee compensation should be based upon the total employee compensation package and not on any individual component of that package.<sup>2</sup> Marion District has not suggested that the Company's total employee compensation level is excessive or unreasonable.

The Company has initiated aggressive cost-containment measures to contain and reduce employee insurance expenses. It has restructured its insurance coverages and benefits to reduce its cost for employee health insurance. It has also initiated a required employee contribution for health insurance for employees participating in family coverage. As a

---

<sup>1</sup> See, e.g., *Application For Rate Adjustment of Nebo Water District*, Case No. 2016-00435 (Ky. PSC June 5, 2017); *Application of Mountain Water District for an Adjustment of Water and Sewer Rates*, Case No. 2014-00342 (Ky. PSC Oct. 9, 2015).

<sup>2</sup> *Electronic Application of Monroe County Water District For Rate Adjustment Pursuant to 807 KAR 5:076*, Case No. 2017-00070 (Ky. PSC), Staff Report at 15 (filed June 30, 2017).

result of the Company's actions, expenses for employee fringe benefits for the year ending June 30, 2017 were \$356,421, approximately \$54,719 or 13.3 percent less than those incurred in the prior year.

(9) Lebanon's public acknowledgement that the primary reason for the rate increase is to fund \$2,270,000 of prospective system improvements over the next five (5) years, despite Lebanon's recent 15% rate increase that was meant, presumably, to address some of these same issues (*See* TFS2013-00315)

o **Response:** In meetings with Marion District and in presentations made by Daren Thompson at various community forums, the Company stressed three (3) **primary** "drivers" for the proposed rate increase: (1) need to replace aging infrastructure components (both at the water treatment plant and in the transmission and distribution system); (2) need to increase the supply of water by completing the construction of the new Campbellsville Water Transmission Main and purchasing substantial quantities of water from Campbellsville; and (3) need to perform various repair and maintenance projects, which have been deferred in past years, throughout the Company's existing infrastructure.

In addition, the proposed rate increase will enable the Company to fully fund depreciation expense and meet its Debt Service Coverage requirements as required by its Bond Ordinances.

The Company's Revenue Requirements were calculated using generally accepted ratemaking principles. Accordingly, the Company's Revenue Requirements do **not** include any funds for prospective system improvements. Depreciation expenses and debt service payments for capital projects that have already been placed into service are the **only** capital projects that will be funded by the proposed rate increase. The proposed rates will enhance the Company's cash flow and will enable it to commence performing the overdue deferred maintenance projects. Indeed, the Company has already completed some of these deferred maintenance projects because of its increased cash flow from implementation of the rate increase to its retail customers.

- B. The documents supporting Lebanon Water's responses are attached.

**LEBANON WATER WORKS COMPANY**

**CASE NO. 2017-00417**

**Response to Marion District's Request for Information**

**Question No. 20**

**Responding Witness: Daren Thompson**

Q-20. Please provide a copy of any and all documents provided by the Company to the City Council to support the requested rate increase.

A-20. Before the first reading of the ordinance, the Company provided the City Council with a packet of information attached as **Exhibit 20-1**. This packet of information included a comparison of rates if depreciation was funded at 100% or 75%, the 5-year CIP attached as **Exhibit 14-1**, examples of the impact of the rate increase on customers, including Marion District, and charts showing a comparison of the Company's rates with rates in other local cities and communities. In addition, members of the City Council viewed Spreadsheets No. 1 and No. 2 referenced in response to Question No. 17. Much of the information in **Exhibit 20-1** was discussed in Daren Thompson's presentation to the City Council and other community groups. A copy of this presentation is attached as **Exhibit 20-2**. Mr. Thompson also showed City Council and community members physical pieces of pipe to show the state of the Company's system. Photographs of these pipes are attached as **Exhibit 20-3**.

# **EXHIBIT 20-1**

**Basis for Calculations:**

Proposed June 30, 2018 Budget plus:  
 Water Purchases from C-ville at varying levels  
 Savings at WTP at varying levels  
 Debt -  
 KIA Fund B  
 KIA Fund F14-036  
 KIA Fund F15-057  
 2 CNB Loans  
 Depreciation at 100% of 6/30/18 budget number

*Proposed rates at:*

*Effect on Average Usage: 534 Cubic Feet*

	<u>Meter Chg</u>	<u>Volume Chg</u>	<u>Existing</u>	<u>Proposed</u>	<u>Percent Change</u>
300,000 gallon purchase					
In Town/MCWD	\$ 7.30	\$ 3.30	\$ 20.10	\$ 24.92	24%
Out of Town	\$ 8.03	\$ 3.630	\$ 22.11	\$ 27.41	24%
400,000 gallon purchase					
In Town/MCWD	\$ 7.35	\$ 3.35	\$ 20.10	\$ 25.24	26%
Out of Town	\$ 8.085	\$ 3.69	\$ 22.11	\$ 27.76	26%
500,000 gallon purchase					
In Town/MCWD	\$ 7.40	\$ 3.40	\$ 20.10	\$ 25.56	27%
Out of Town	\$ 8.14	\$ 3.740	\$ 22.11	\$ 28.11	27%
600,000 gallon purchase					
In Town/MCWD	\$ 7.45	\$ 3.45	\$ 20.10	\$ 25.87	29%
Out of Town	\$ 8.195	\$ 3.80	\$ 22.11	\$ 28.46	29%
700,000 gallon purchase					
In Town/MCWD	\$ 7.45	\$ 3.50	\$ 20.10	\$ 26.14	30%
Out of Town	\$ 8.20	\$ 3.850	\$ 22.11	\$ 28.75	30%
800,000 gallon purchase					
In Town/MCWD	\$ 7.45	\$ 3.55	\$ 20.10	\$ 26.41	31%
Out of Town	\$ 8.20	\$ 3.91	\$ 22.11	\$ 29.05	31%

# Rate Impacts for LWWC Customers

**Example of Proposed Water Rate Increase on Select Customers**

		Per Cu. Ft.	Effective _____	Per Cu. Ft.
Effective 11-1-2013		0.025	Proposed City Rate	0.0335
Current City Rate		6.75	Proposed City Meter Charge	7.35
Current City Meter Charge		0.0275	Proposed County Rate	0.0369
Current County Rate		7.43	Proposed County Meter Charge	8.09
Current County Meter Charge				
Selected Customers	June 15, 2017 Usage (cubic feet)	Current Water Charge	Proposed Water Charge	\$ Increase Per Month
	<b>Commercial</b>			
MCWD (12 meters)	5,335,360	133,390.75	178,822.76	45,432.01
Lebanon Hsg Auth (8 meters)	96,780	2,473.50	3,300.93	827.43
Marion County Jail	93,800	2,351.75	3,149.65	797.90
Brookhaven Manor 2	34,650	873.00	1,168.13	295.13
Brookhaven Manor 1	16,450	418.00	558.43	140.43
N & S Invest (Blossom Ln Tr Park)	8,900	229.25	305.50	76.25
Cedars of Leb Nurs Home (2 meters)	15,600	403.50	537.30	133.80
<b>Industrial</b>				
TG-Kentucky Corp	386,810	9,677.00	12,965.49	3,288.49
Kentucky Cooperage Inc (3 meters)	214,790	5,390.00	7,217.52	1,827.52
Curtis-Maruyasu (5 meters)	505,958	12,682.70	16,986.34	4,303.64
Angell Manufacturing (W Main St)	50,275	1,263.63	1,691.56	427.94
Montebello Pkg (2 meters)	56,550	1,427.25	1,909.13	481.88
US Chita	10,250	263.00	350.73	87.73
Plastic Products Inc	10,350	265.50	354.08	88.58
Lebanon Oak Flooring	11,700	299.25	399.30	100.05
Joy Mining Co.	3,600	96.75	127.85	31.20
Central KY Tool & Eng	1,200	36.75	47.55	10.80
Lebanon Power & Apparatus	900	29.25	37.60	8.25
Portland Forge (County Rate)	25,500	708.88	949.04	240.36
<b>Small Business</b>				
The Lancaster Agency	70	8.50	9.70	1.20
Farmers National Bank (5 meters)	1,130	62.00	74.61	12.61
Bosley Funeral Home	835	27.63	35.32	7.70
Dr. Bob Smith Dentist Ofc	1,830	52.60	68.66	16.16
Citizens National Bank	795	26.63	33.98	7.36
<b>Residential</b>				
J. R. Moraja, Sr.	175	11.13	13.21	2.09
John S. Turner	800	26.75	34.15	7.40
Robert Smith	800	26.75	34.15	7.40
Mary Jane Shockency	205	11.88	14.22	2.34
Denise Thomas	340	15.25	18.74	3.49
Gary Crenshaw	530	20.00	25.11	5.11
Jim Richardson	745	25.38	32.31	6.93
Kate Palagi	975	31.13	40.01	8.89
Jerry Abell	380	16.25	20.08	3.83
John O. Thomas	480	18.75	23.43	4.68

**PSC  
EXHIBIT 1**

**Staff Exhibit \_\_\_\_\_**

	FY 2016	Differences		Original
	Income Statement	\$	%	Revenue Requirements
<i>Operating Revenues</i>				
Charges for services	2,638,560	1,440	0.055%	2,640,000
Penalties	34,344	(34,344)	-100.000%	
Rental Income	2,000	(2,000)	-100.000%	
<b>Total Operating Revenues</b>	<b>2,674,904</b>	<b>(34,904)</b>	<b>-1.305%</b>	<b>2,640,000</b>
<i>Operating Expenses</i>				
Purchased Water-Cville Water & Sewer	0	450,827	0.000%	450,827
Salaries	528,862	86,338	16.325%	615,200
Fringe Benefits	411,140	(82,840)	-20.149%	328,300
Payroll taxes	38,371	8,729	22.749%	47,100
Office Supplies and Expense	31,416	2,584	8.225%	34,000
Professional Fees / Outside Services	44,702	20,698	46.302%	65,400
Director fees	12,600	0	0.000%	12,600
Insurance	49,117	(17)	-0.035%	49,100
Bad Debts	5,300	(5,300)	-100.000%	0
Miscellaneous	16,384	15,416	94.092%	31,800
Maintenance and Repairs	120,903	80,597	66.663%	201,500
Power	221,646	8,354	3.769%	230,000
Pump Station and Filter Plant	68,029	1,271	1.868%	69,300
Chemicals	167,709	2,291	1.366%	170,000
<b>Total Operation and Maintenance Expenses</b>	<b>1,716,179</b>	<b>588,948</b>	<b>34.317%</b>	<b>2,305,127</b>
Depreciation Expense	575,320	24,680	4.290%	600,000
<b>Total Operating Expenses</b>	<b>2,291,499</b>	<b>613,628</b>	<b>26.778%</b>	<b>2,905,127</b>
<b>Utility Operating Income</b>	<b>383,405</b>	<b>(648,532)</b>	<b>-169.151%</b>	<b>(265,127)</b>

\*L Allyson Honaker  
Goss Samford, PLLC  
2365 Harrodsburg Road, Suite B325  
Lexington, KENTUCKY 40504

\*Marion County Water District  
1835 Campbellsville Road  
P. O. Box 528  
Lebanon, KY 40033

\*Honorable Damon R Talley  
Attorney at Law  
Stoll Keenon Ogden PLLC  
P.O. Box 150  
Hodgenville, KENTUCKY 42748

\*Lebanon Water Works  
120 S Proctor Knott Avenue  
Lebanon, KY 40033

\*David S Samford  
Goss Samford, PLLC  
2365 Harrodsburg Road, Suite B325  
Lexington, KENTUCKY 40504

\*Gerald E Wuetcher  
Attorney at Law  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KENTUCKY 40507-1801

\*Kaelin G Reed  
Mattingly & Nally-Martin, PLLC  
104 W. Main Street  
P.O. Box 678  
Lebanon, KENTUCKY 40033

\*Mary Ellen Wimberly  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KENTUCKY 40507-1801