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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF FLOYDS KNOBS WATER ) CAUSE NO. 45112 U  
COMPANY, INC FOR A NEW SCHEDULE OF )  
RATES AND CHARGES FOR WATER SERVICE ) APPROVED: MAR 20 2019

ORDER OF THE COMMISSION

**Presiding Officers:**

**Stefanie N. Krevda, Commissioner**

**Brad J. Pope, Administrative Law Judge**

On June 20, 2018, Floyds Knobs Water Company, Inc. (“Floyds Knobs”) filed a Small Utility Rate Application (“Application”) under Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. On June 27, 2018, Floyds Knobs filed a copy of its notice to customers as required by 170 IAC 14-1-2(b). On June 28, 2018, the Commission’s Water and Wastewater Division issued a Memorandum stating that the application was deemed complete.

On September 17, 2018, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its Request for Modification of Filing Date of Report (“Request”) seeking to modify the filing date of its report as required by 170 IAC 14-1-4(a) from September 18, 2018, to October 9, 2018. The Request was granted by docket entry on September 19, 2018, and the OUCC filed its report consisting of the testimony of Richard J. Corey and Carl N. Seals on October 9, 2018.

On October 15, 2018, Floyds Knobs filed its Notice of Intention to File Written Response to OUCC Report pursuant to 170 IAC 14-1-4(b). On November 7, 2018, Floyds Knobs filed its Response to OUCC Input Concerning Pending Rate Application and Submission of Revised Schedule 1 (“Response”). On January 15, 2019, Floyds Knobs, on behalf of itself and the OUCC, filed the parties’ Agreement Concerning Pending Small Utility Rate Application (“Agreement”). On March 7, 2019, Floyds Knobs filed an amended version of the Agreement, which included a change to the overall revenue requirement and the resulting rate increase.

Under Ind. Code § 8-1-2-61.5, a formal public hearing is not required in rate cases involving small utilities with fewer than 5,000 customers, unless a hearing is requested by at least ten customers, a public or municipal corporation, or by the OUCC. Since Floyds Knobs filed its Application, the Commission received several communications from many of Floyds Knobs’ customers, more than ten of whom requested a hearing. Based on these requests, the Commission held a Public Field Hearing on August 28, 2018, at 6:00 p.m. at New Albany Floyd County Consolidated School Corporation’s Education Support Center Boardroom, 2801 Grant Line Road, New Albany, Indiana. The comments submitted by the customers, both orally and in writing, were presented by the OUCC and are incorporated into the record of this Cause.

Based upon the applicable law and the evidence presented, the Commission now finds:

1. **Commission Jurisdiction and Notice.** Floyds Knobs is a public utility as defined in Ind. Code § 8-1-2-1(a) and qualifies for treatment as a small utility under Ind. Code § 8-1-2-61.5. Floyds Knobs published legal notice of the filing of this small utility rate case as required by 170 IAC 14-1-2(b). Therefore, we find that notice of this Cause was given and published as required by law. Further, the Commission finds the application satisfies all of the requirements of Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. Therefore, the Commission has jurisdiction over Floyds Knobs and the subject matter of this proceeding, and may issue an Order in this Cause based upon the information filed as provided by 170 IAC 14-1-6.

2. **Floyds Knobs' Characteristics.** Floyds Knobs is a not-for-profit public utility that provides water utility service to approximately 2,300 customers in a portion of Floyd County, Indiana. Its office is at 4781 Paoli Pike, Suite 1, Floyds Knobs, Indiana.

3. **Test Period.** The test period selected for determining revenues and expenses reasonably incurred in providing water utility services to customers is the 12 months ending December 31, 2017. With adjustments for changes that are fixed, known, and measurable, the Commission finds that this test period is sufficiently representative of normal operations to provide reliable data for ratemaking purposes.

4. **Background and Relief Requested.** The Commission approved Floyds Knobs' current base rates and charges in its November 25, 2014 Order in Cause No. 44416 U. Subsequently, Floyds Knobs has had two approved purchase water trackers, with the most recent approved on August 2, 2017, in 30-Day Filing No. 50064.

In its Application, Floyds Knobs stated that it has determined that the level of revenues presently being generated are insufficient to adequately cover the utility's total expenses on an ongoing basis. Floyds Knobs attributed this primarily to the fact that its present rates were based on averaging anticipated expenses over a five-year period beginning with 2014. During the first three years of that period, Floyds Knobs paid interest only payments on a capital improvement project loan, with principal and interest payments during the last two years. This resulted in average debt service payments over the five-year period that were much less than the average debt service payments that will be required going forward. As such, Floyds Knobs requested a 24.36% across-the-board rate increase to enable it to make the required loan payments and otherwise maintain a stable financial condition. The proposed increase would allow Floyds Knobs the opportunity to earn an additional \$352,705 in annual revenues.

5. **Public Field Hearing.** At the Public Field Hearing, three customers of Floyds Knobs appeared and testified about the provision of water utility service. Customers testified that Floyds Knobs' proposed rate increase in this Cause was too high, especially in light of the several rate increases approved by the Commission in the past few years. Customers also criticized Floyds Knobs for not adequately justifying its proposed rate increase and for not explaining how the increased revenue would be used in its letter to customers. One customer recommended customer service training for employees and demanded more professionalism from Floyds Knobs, noting that the letter to customers was not signed or dated. Another customer compared water utility rates in Lafayette, Fort Wayne, Jeffersonville, Sellersburg, Vincennes, and Salem against Floyds Knobs, using a 5,000 gallon per month baseline. The customer testified that Floyds Knobs' rates would be

higher than all of those cities if the proposed rate increase was approved. The customer further noted that water pressure has decreased since Floyds Knobs constructed the water tower approved in a recent rate case. The last customer testified that Floyds Knobs did not notify its customers of the Public Field Hearing, stated that Floyds Knobs' rates are two times the rates of other towns, criticized Floyds Knobs' accounting management, and recommended a third-party audit.

6. **OUCC Report.** The OUCC's Report was prepared by Richard J. Corey and Carl N. Seals. Mr. Corey stated that the principal drivers of Floyds Knobs' requested rate increase are increased operating expenses and increased debt service and debt service reserve requirements. Mr. Corey stated that the OUCC recommends an overall across-the-board rate increase of 19.58% to produce an increase in water revenues of \$284,840 per year. The OUCC made revenue adjustments for additional customers and made numerous expense adjustments with the primary change rejecting any expense adjustment for the additional employee that Floyd Knobs is planning to hire. The OUCC determined the cost of extensions and replacements to be \$189,203. However, the OUCC did not include this cost in its revenue requirement since Floyds Knobs' revenue requirement included only \$155,277.

7. **Floyds Knobs' Response.** In its Response, Floyds Knobs agreed with the OUCC's calculation of a \$12,660 net increase to its test year operating revenues instead of the \$5,312 figure on Schedule 5 of its Application. Floyds Knobs also did not object to removing \$20,636 from its proposed operating expenses and taxes-other-than-income nor the removal of the \$189 for the IURC Fee. However, Floyds Knobs did not agree with cutting the items attributable to Floyds Knobs' decision to hire a new full-time employee, contingent upon approval of a rate increase that would generate sufficient revenue to pay for the new employee (\$31,200 Salaries and Wages; \$5,046 Employee Benefits; \$936 PERF Expense; \$2,387 Taxes Other than Income). Floyds Knobs stated that it needs the new employee, the expenses are reasonably fixed, known, and measurable, and the new employee cannot be afforded without additional revenue. Finally, Floyds Knobs agreed with the OUCC's calculation of the three-year average of extensions and replacements of \$189,203.

8. **Floyds Knobs and OUCC's Agreement.** In the Agreement, the parties state that they have resolved all pending issues.

A. **Pro Forma Annual Revenue Adjustment.** The parties first address the adjustment to normalize pro forma annual revenues. In the Agreement, Floyds Knobs agrees that the OUCC figure of \$12,660 should be used in the rate calculation. The parties also made changes to reflect the correct Water Tracker Rate. These adjustments result in the Schedule 1, Line 8 number in the Application being \$1,473,033, instead of \$1,447,766.

B. **Operating Expense and Taxes-other-than-Income.** The Agreement then described the parties understanding concerning adjustments to Floyds Knobs' operating expense and taxes-other than-income. The Agreement explained that the OUCC recommended cutting the operating expenses and taxes-other-than-income set forth in the Application by \$60,394 and that Floyds Knobs had no objection to \$20,636 of those cuts for Capital and Non-recurring items, nor for the \$189 for the IURC Fee. However, the remainder of the OUCC recommended operating expense reduction, namely \$39,569, corresponds to expenses that would be incurred if Floyds

Knobs hired a new full-time employee. The Agreement provided that the OUCC agreed with including \$39,569 for the new employee in the Total Operating Expenses figure, contingent upon Floyds Knobs actually hiring the new full-time employee within four months of the new rate being approved and providing clear documentation that it has done so. In the event the position is not filled as indicated, Floyds Knobs agreed to file an appropriate revised schedule of rates and charges. The parties' agreement concerning the operating expense and taxes-other-than-income adjustments (adjusting by \$20,852 of the \$60,934 recommended by the OUCC) results in the Schedule 1, Line 1 number of the Application being \$1,280,444, instead of \$1,301,240.

C. **Extensions and Replacements.** The Agreement then addressed the revenue requirement for extensions and replacement in Schedule 7 of the Application. The parties stated that in consideration of several factors, they agreed to a revenue requirement for extensions and replacements of \$179,984 as shown on Schedule 1, Line 4. Floyds Knobs also agreed that revenues corresponding to the approved extensions and replacements figure are to be kept in a restricted account, for the limited purpose of funding extensions and replacements.

9. **Commission Discussion and Findings.**

A. **Rates and Revenue Requirements.** Under Ind. Code § 8-1-2-125, rates for a not-for-profit utility are calculated by first determining the amount of the adjusted net operating expenses based on the utility's current rates. The adjusted amounts are based on known recurring expenses, updated to include changes that are fixed, known, and measurable, and expected to occur within 12 months of the end of the test year. Floyds Knobs and the OUCC proposed the following revenue requirements:

	Applicant Direct	OUCC	Applicant Rebuttal	Agreement
Operating Expenses (including taxes)	\$1,301,240	\$1,240,853	\$1,280,422	\$1,280,444
Debt Service	293,127	293,127	293,127	293,127
Debt Service Reserve	57,158	57,158	57,158	57,158
Extensions & Replacements	155,277	155,277	189,203	179,984
Total Revenue Requirements	1,806,802	1,746,415	1,819,910	1,810,713
Less: Interest Income	1,752	1,752	1,752	1,752
Net Revenue Requirements	1,805,050	1,744,663	1,818,158	1,808,961
Less: Other Revenue Not Subject to Increase	5,051	5,051	5,051	5,051
Less: Pro Forma Present Rate Operating Revenues	1,447,766	1,455,114	1,455,114	1,473,033
Revenue Increase Required Excluding Taxes	352,233	284,498	357,993	330,877
Multiply By: Gross Revenue Conversion Factor	1.0013	1.0012	1.0013	1.0012
<b>Net Revenue Increase</b>	<b>\$352,705</b>	<b>\$284,840</b>	<b>\$358,458</b>	<b>\$331,275</b>
<b>Percentage Increase</b>	<b>24.36%</b>	<b>19.58%</b>	<b>24.63%</b>	<b>22.49%</b>

Based on the evidence presented, including the parties' Agreement and supporting schedules, we find that the agreed across-the-board rate increase of 22.49% to produce an increase in water revenues of \$331,275 is reasonable and in the public interest. Accordingly, we approve the revenue requirement and rate increase as proposed in the parties' Agreement.

**B. Effect on Rates.** Based on the Agreement, a residential customer using 5,000 gallons per month would experience an increase of \$9.27 per month from \$41.30 to \$50.57. The Commission notes a minor math error. The rate for 5,000 gallons after the increase should be \$50.59.

**C. Public Field Hearing Comments.** The Commission, having reviewed the customer comments submitted in this proceeding, encourages Floyds Knobs to increase its communication with its customers, especially regarding any requested rate relief or service issues. Floyds Knobs should proactively explain any significant disruptions to water service and promptly address customer feedback. The revenue requirement approved in this Order provides for the hiring of a new full-time employee, and we expect Floyds Knobs will ensure that the new employee and all employees professionally and courteously resolve customer questions, comments, and complaints.

**D. Alternative Regulatory Program (“ARP”).** If Floyds Knobs elects to participate in the Small Utility ARP in accordance with the procedures the Commission approved in Cause No. 44203, the eligible operating expenses to which the Annual Cost Index will be applied are \$455,801. This amount excludes \$825,401 approved for purchased water. Taxes Other Than Income of \$12,928 and Extensions and replacements of \$179,984 are also eligible expenses to which the Annual Cost Index will be applied. All other components of Floyds Knobs’ revenue requirement will remain unchanged.

**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:**

1. Floyds Knobs Water Company, Inc. is authorized to increase its monthly recurring rates and charges by 22.49% for an annual net revenue increase of \$331,275 so as to produce net annual revenues of \$1,808,961.
2. Prior to implementing the rates and charges authorized in this Order, Floyds Knobs shall file new rate schedules under this Cause for approval by the Commission’s Water and Wastewater Division. Such rates shall be effective on or after the Order date subject to Division review and agreement with the amounts reflected.
3. This Order shall be effective on and after the date of its approval.

**HUSTON, KREVDA, AND OBER CONCUR; FREEMAN AND ZIEGNER ABSENT:**

**APPROVED:** MAR 20 2019

**I hereby certify that the above is a true and correct copy of the Order as approved.**

  
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Mary M. Becerra  
Secretary of the Commission

**BEFORE THE INDIANA UTILITY REGULATORY COMMISSION**

IN THE MATTER OF THE PETITION OF  
FLOYD KNOBS WATER COMPANY, INC.  
FOR A NEW SCHEDULE OF RATES  
AND CHARGES

CASE NO. 45112-U

**(AMENDED)**  
**OUCC / PETITIONER AGREEMENT**  
**CONCERNING PENDING SMALL UTILITY RATE APPLICATION**

The purpose of this document is to set forth an amended agreement reached between Floyds Knobs Water Company, Inc. (the Petitioner) and the Indiana Office of the Utility Consumer Counselor (OUCC) concerning the Small Utility Rate Application pending in the above-referenced case.

**Background:**

The Petitioner filed its Small Utility Rate Application (the Application) on June 20, 2018.

The OUCC filed its response to the Application, by way of Public's Exhibit No. 1 (Testimony of Richard J. Corey) and Public's Exhibit No. 2 (Testimony of Carl N. Seals), on October 9, 2018.

The Petitioner filed its Response to OUCC's Public's Exhibits Nos. 1 and 2, and a Revised Schedule 1, on November 7, 2018.

Following discussions concerning the present status of the Application, the parties have reached an agreement concerning all pending issues.

On 1/15/2019 the parties submitted an Agreement to the Commission. Thereafter, it was brought to the parties' attention, by the Commission, that the Agreement and Settlement Schedules submitted with the Agreement filed 1/15/2019 reflect an incorrect Water Tracker Rate. This Amended Agreement, and the Settlement Schedules submitted with this Amended Agreement, reflect the correct Water Tracker Rate.

**Agreement:**

**Concerning the adjustment to normalize pro forma annual revenues:**

Petitioner's Schedule 5 sets forth a revenue adjustment of \$5,312. OUCC says the proper revenue adjustment should be a total of \$30,579. Petitioner agrees that the OUCC total revenue adjustment figure of \$30,579 should be used in the rate calculation. This adjustment results in the

Schedule 1, Revenues at current rates subject to increase number being \$1,473,033, instead of \$1,477,766.

Concerning operating expense and taxes-other-than-income adjustments:

In its original October 9, 2019 filing the OUCC recommended cutting the operating expenses and taxes-other-than-income set forth in FKWC's application by \$60,386. (Reference the "O&M Expense" section of Schedule 1, page 2 of 2, of Public's Exhibit No. 1) FKWC has no objection to the \$20,636 of those cuts for Capital and Non-recurring items, the \$7 increase in purchased water, or for the \$189 reduction for the IURC Fee. The remainder of OUCC recommended operating expense reduction, namely \$39,569, corresponds to expenses that will be incurred if, as the Petitioner has indicated it needs to do, a new full-time employee is hired.

OUCC is in agreement with including the (new employee related) \$39,569 in the Total Operating Expenses figure, contingent upon the Petitioner actually hiring the new fulltime employee, within four months of the new rate being approved, and providing clear documentation that it has done so. In the event the position is not filled as indicated, the Petitioner will file an appropriate revised schedule of rates and charges.

This agreement concerning the capital and non-recurring items, purchase water increase and the IURC fee (as adjusted for the normalization of seven months of Petitioner's tracker) adjustments (adjusting by \$20,796 of the \$60,386 recommended by OUCC, but contingent upon the Petitioner actually hiring a new employee) results in the Schedule 1, operating expenses number being \$1,267,516.

Concerning the Revenue Requirement for Extensions and Replacement (Schedule 7):

In consideration of several pertinent factors, the parties agree to a revenue requirement for Extensions and Replacements (Schedule 1, Line 4) of \$179,984.

Petitioner agrees that revenues corresponding to the approved Extensions and Replacements figure are to be kept in a restricted account, for the limited purpose of funding extensions and replacements.

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Being submitted together with this Amended Agreement are Amended Settlement Schedules which reflect the adjustments (to the rate application schedules submitted by the Petitioner) referenced above in this document. The Petitioner and OUCC are in agreement that a rate increase as identified in the submitted Settlement Schedules is appropriate, and they request that an Order approving the "Settlement" rate be entered.

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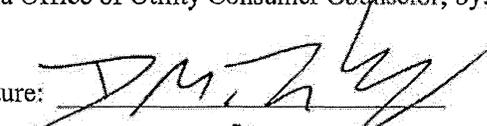
In confirmation of what is set forth above, the parties sign their names:

Floyds Knobs Water Company, Inc., by:

  
George W. Gesenhues, Attorney for  
Floyds Knobs Water Company, Inc.

Date: 3/7/2019

Indiana Office of Utility Consumer Counselor, by:

Signature: 

Date: 3/7/19

Printed name and title: Deputy Consumer Counselor

AMENDED

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Schedule I  
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**FLOYDS KNOBS WATER COMPANY, INC.**  
**CAUSE NUMBER 45112-U**

**Comparison of Petitioner's and OUCC's  
Revenue Requirements**

	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Sch Ref</u>	<u>Settlement More (Less)</u>
Operating Expenses	\$ 1,288,312	\$ 1,267,516	4	\$ (20,796)
Taxes other than Income	12,928	12,928	4	-
Extensions and Replacements	155,277	179,984	PET	24,707
Debt Service	293,127	293,127	PET	-
Debt Service Reserve	57,158	57,158	PET	-
Total Revenue Requirements	1,806,802	1,810,713		3,911
Less: Interest Income	(1,752)	(1,752)	PET	-
Net Revenue Requirements	1,805,050	1,808,961		3,911
Less: Revenues at current rates subject to increase	(1,447,766)	(1,473,033)	4	(25,267)
Other revenues at current rates	(5,051)	(5,051)	4	-
Net Revenue Increase Required	352,233	330,877		(21,356)
Add: Additional IURC Fee	472	398		(74)
				-
Recommended Increase	<u>\$ 352,705</u>	<u>\$ 331,275</u>		<u>\$ (21,430)</u>
Recommended Percentage Increase	<u>24.36%</u>	<u>22.49%</u>		<u>-1.87%</u>

<u>Current Rate for 5,000 Gallons</u>	<u>Proposed</u>		<u>Settlement More (Less)</u>
	<u>Petitioner</u>	<u>Settlement</u>	
Current Rate = \$41.30	\$ 51.37	\$ 50.57	\$ (0.80)

**FLOYDS KNOBS WATER COMPANY, INC.**  
**CAUSE NUMBER 45112-U**

**Reconciliation of Net Operating Income Statement Adjustments**  
*Pro-forma Present Rates*

	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Settlement More (Less)</u>
Operating Revenues			
Residential Metered Sales	\$ 5,312	\$ 5,335 (1,500) 10,927 (2,102) 17,919	\$ 23 (1,500) 10,927 (2,102) 12,607
Total Operating Revenues	<u>5,312</u>	<u>30,579</u>	<u>19,955</u>
O&M Expense			
Salaries and Wages	35,104	35,104	(0)
Employee Benefits	5,602	5,602	-
PERF Expense	2,664	2,664	0
Periodic Maintenance	38,933	38,933	-
Rate Case Expense	1,167	1,167	-
Miscellaneous Expense	51	51	-
IURC Fee	340	173	(168)
Purchased Water	48	48	-
Purchased Water	3,417	3,424	7
Purchased Power	63	63	0
Capital and Non-recurring Items		(20,636)	(20,636)
Taxes Other than Income	2,685	2,685	(0)
Total Operating Expenses	<u>90,074</u>	<u>69,278</u>	<u>(20,796)</u>
Net Operating Income	<u>\$ (84,762)</u>	<u>\$ (38,699)</u>	<u>\$ 40,751</u>

AMENDED

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**FLOYDS KNOBS WATER COMPANY, INC.**  
**CAUSE NUMBER 45112-U**

**COMPARATIVE BALANCE SHEET**  
**As of December 31,**

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Utility Plant:			
Utility Plant in Service	\$ 11,375,426	\$ 10,408,077	\$ 9,419,027
Less: Accumulated Depreciation	<u>(2,479,130)</u>	<u>(2,270,533)</u>	<u>(2,101,828)</u>
Net Utility Plant in Service	<u>8,896,296</u>	<u>8,137,544</u>	<u>7,317,199</u>
Restricted Assets:			
Special Funds	<u>273,082</u>	<u>215,503</u>	<u>48,915</u>
Total Restricted Assets	<u>273,082</u>	<u>215,503</u>	<u>48,915</u>
Current Assets:			
Cash and Cash Equivalents	200	200	200
Other Special Deposits	167,613	107,915	49,000
Working Funds	221,023	337,716	333,296
Accounts Receivable	113,396	112,095	105,130
Materials and Supplies	49,557	62,978	44,034
Prepays	<u>8,867</u>	<u>8,770</u>	<u>7,130</u>
Total Current Assets	<u>560,656</u>	<u>629,674</u>	<u>538,790</u>
Total Assets	<u>\$ 9,730,034</u>	<u>\$ 8,982,721</u>	<u>\$ 7,904,904</u>

**FLOYDS KNOBS WATER COMPANY, INC.**  
**CAUSE NUMBER 45112-U**

**COMPARATIVE BALANCE SHEET**  
**As of December 31,**

<b><u>LIABILITIES</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Equity			
Retained Earnings	\$ 1,780,533	\$ 1,822,338	\$ 1,632,556
Paid in Capital	193,965	191,665	187,465
Total Equity	<u>1,974,498</u>	<u>2,014,003</u>	<u>1,820,021</u>
Contributions in Aid of Construction	3,006,533	2,788,103	2,729,572
Long-term Debt			
Bonds Payable - Series A	<u>4,439,109</u>	<u>3,768,398</u>	<u>2,486,246</u>
Total Long-term Debt	<u>4,439,109</u>	<u>3,768,398</u>	<u>2,486,246</u>
Current Liabilities			
Accounts Payable	256,964	366,618	849,166
Accrued Interest	46,787	39,223	13,907
Accrued Taxes	6,143	6,376	5,992
Other Current Liabilities	<u>309,894</u>	<u>412,217</u>	<u>869,065</u>
Total Liabilities	<u>\$ 9,730,034</u>	<u>\$ 8,982,721</u>	<u>\$ 7,904,904</u>

AMENDED

Settlement  
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FLOYDS KNOBS WATER COMPANY, INC.  
CAUSE NUMBER 45112-U

COMPARATIVE INCOME STATEMENT  
Twelve Months Ended December 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues			
Residential Metered Sales	\$ 1,277,346	\$ 1,248,969	\$ 1,199,244
Sales For Resale	165,108	136,479	126,527
Penalties			
Other	5,051	10,465	2,320
Total Operating Revenues	<u>1,447,505</u>	<u>1,395,913</u>	<u>1,328,091</u>
Operating Expenses			
Salaries and Wages - Employees	128,050	112,864	108,505
Salaries and Wages - Officers and Directors	13,600	15,650	16,000
Employee Benefits	3,124	3,543	5,540
Purchased Water	821,569	741,031	711,248
Purchased Power	15,224	14,625	15,500
Materials and Supplies	76,600	19,255	32,741
Contractual Services - Accounting	27,670	28,654	12,120
Contractual Services - Legal	9,775	13,846	5,468
Contractual Services - Repairs	55,632	38,353	22,490
Rental	10,706	10,554	10,355
Transportation Expense	11,246	9,157	11,465
Insurance - General Liability	13,203	11,274	8,326
Insurance - Other	3,759	458	2,818
Bad Debt Expense		3,219	572
Miscellaneous Expense	10,765	6,400	12,067
Total O&M Expense	<u>1,200,923</u>	<u>1,028,883</u>	<u>975,215</u>
Depreciation Expense	208,597	168,705	
Taxes Other than Income	10,243	8,993	
Total Operating Expenses	<u>1,419,763</u>	<u>1,206,581</u>	<u>975,215</u>
Net Operating Income	27,742	189,332	352,876
Other Income (Expense)			
Interest Income	1,752	529	
Gain (Loss) on Sale of Assets	500		
Interest Expense	(71,799)	(79)	
Total Other Income (Expense)	<u>(69,547)</u>	<u>450</u>	<u>-</u>
Net Income	<u>\$ (41,805)</u>	<u>\$ 189,782</u>	<u>\$ 352,876</u>

AMENDED

Settlement  
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FLOYDS KNOBS WATER COMPANY, INC.  
CAUSE NUMBER 45112-U

*Pro-forma* Net Operating Income Statement

	Year Ended 12/31/2017	Adjustments	Sch Ref	<i>Pro-forma</i> Present Rates	Adjustments	Sch Ref	<i>Pro-Forma</i> Proposed Rates
Operating Revenues							
Residential Metered Sales	\$ 1,277,346	\$ 5,335 (1,500) 10,927 (2,102) 17,919	5-1 5-2 5-3 5-4 5-5	\$ 1,307,925	\$ 294,143	1	\$ 1,602,068
Sales For Resale	165,108			165,108	37,132	1	202,240
Other	5,051			5,051			5,051
Total Operating Revenues	<u>1,447,505</u>	<u>30,579</u>		<u>1,478,084</u>	<u>331,275</u>		<u>1,809,359</u>
O&M Expense	1,200,923			1,267,516			1,267,516
Salaries and Wages		35,104	6-1				
Employee Benefits		5,602	6-2				
PERF Expense		2,664	6-3				
Periodic Maintenance		38,933	PET				
Rate Case Expense		1,167	6-5				
Miscellaneous Expense		51	PET				
IURC Fee		173	6-6				
Purchased Water		48	PET				
Purchased Water		3,424	6-7				
Purchased Power		63	PET				
Capital and Non-recurring Items		(20,636)	6-8				
Depreciation Expense	208,597			208,597			208,597
Taxes Other than Income	10,243	2,685	6-5	12,928	398	1	13,326
Total Operating Expenses	<u>1,419,763</u>	<u>69,278</u>		<u>1,489,041</u>	<u>398</u>		<u>1,489,439</u>
Net Operating Income	<u>\$ 27,742</u>	<u>\$ (38,699)</u>		<u>\$ (10,957)</u>	<u>\$ 330,877</u>		<u>\$ 319,920</u>

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FLOYDS KNOBS WATER COMPANY, INC.  
CAUSE NUMBER 45112-U

Revenue Adjustments

(1)

Test Year Residential Normalization

To adjust test year residential water sales to normalize the change in the number of customers that occurred during the test year

Months	Number of Residential Customers	Increase/Decrease in Number of Bills	Multiplier	Additional Monthly Bills
Jan	2,175		0	
Feb	2,177	2	1	2
Mar	2,176	(1)	2	(2)
Apr	2,185	9	3	27
May	2,168	(17)	4	(68)
Jun	2,194	26	5	130
Jul	2,196	2	6	12
Aug	2,198	2	7	14
Sep	2,197	(1)	8	(8)
Oct	2,203	6	9	54
Nov	2,206	3	10	30
Dec	2,200	(6)	11	(66)
	26,275	Number of Additional Bills		125
		Times: Average Bill		\$ 42.68
		Adjustment Increase/(Decrease)		\$ 5,335

Test Year Residential Sales	\$ 1,121,373
Divided by: 12 Month Total # of Customers	26,275
Average Bill per Residential Customer	\$ 42.68

FLOYDS KNOBS WATER COMPANY, INC.  
 CAUSE NUMBER 45112-U

Revenue Adjustments

(2)

Test Year Commercial Normalization

To adjust test year commercial water sales to normalize the change in the number of customers that occurred during the test year

Months	Number of Residential Customers	Increase/Decrease in Number of Bills	Multiplier	Additional Monthly Bills
Jan	109		0	
Feb	109	0	1	0
Mar	109	0	2	0
Apr	109	0	3	0
May	108	(1)	4	(4)
Jun	110	2	5	10
Jul	110	0	6	0
Aug	112	2	7	14
Sep	112	0	8	0
Oct	112	0	9	0
Nov	109	(3)	10	(30)
Dec	109	0	11	0
	1,318	Number of Additional Bills		(10)
		Times: Average Bill		\$ 150.02
		Adjustment Increase/(Decrease)		\$ (1,500)

Test Year Residential Sales	\$ 197,722
Divided by: 12 Month Total # of Customers	1,318
Average Bill per Residential Customer	<u>\$ 150.02</u>

FLOYDS KNOBS WATER COMPANY, INC.  
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Revenue Adjustments

(3)

Post Test year Residential Revenue Normalization

To adjust operating revenues to reflect the increase in customers during the post test year period.

Number of Residential Customer as of July, 2018	\$	2,222
Number of Residential Customers at End of Test Year		<u>2,200</u>
Additional Customers		22
Times 12 Bills to annualize		<u>12</u>
Additional Monthly Bills		264
Post Test Year Residential Sales	\$	643,805
Divided by 7 months total customers		<u>15,554</u>
Average Post Test year Bill		<u>41.39</u>
Adjustment Increase (Decrease)	\$	<u>10,927</u>

(4)

Post Test year Commercial Revenue Normalization

To adjust operating revenues to reflect the increase in customers during the post test year period.

Number of Commercial Customer al of July, 2018	\$	108
Number of Commercial Customers at End of Test Year		<u>109</u>
Additional Customers		(1)
Times 12 Bills to annualize		<u>12</u>
Additional Monthly Bills		(12)
Post Test Year Residential Sales	\$	132,425
Divided by 7 months total customers		<u>756</u>
Average Post Test year Bill		<u>175.17</u>
Adjustment Increase (Decrease)	\$	<u>(2,102)</u>

FLOYDS KNOBS WATER COMPANY, INC.  
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Revenue Adjustments

(5)

Water Tracker Normalization

To reflect normalized revenue due to implementation of August 2, 2017 tracker for the first seven months of the test year based on water sold to customer per page W-6 of Applicants 2017 annual report.

Water Sold to Customer (000's Omitted):

<u>Month</u>	<u>Gallons</u>
January	12,754
February	12,664
March	11,075
April	12,341
May	13,603
June	17,615
July	<u>19,498</u>
Total Gallons Sold	99,550
Times: August 2017 Tracker	<u>\$ 0.18</u>
Adjustment Increase (Decrease)	<u>\$ 17,919</u>

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FLOYDS KNOBS WATER COMPANY, INC.  
CAUSE NUMBER 45112-U

Expense Adjustments

(1)  
Salaries and Wage Expense

To adjust test year salaries and wages to reflect *pro-forma* changes.

Employee Title	Proposed Salary	Regular Hrs Proposed for Subsequent Year	Overtime Hrs Proposed for Subsequent Year	Proposed Regular Hr. Wag	Proposed Overtime hr. Wage Rate	Total
Super	\$ 55,619					\$ 55,619
Office Mgr		1,040		\$ 20.94	\$ 31.41	21,778
Field Staff		2,080	60	19.52	29.28	42,358
Office Staff		1,040		11.73	17.60	12,199
<i>Pro-forma</i> Payroll						\$ 131,954
Less: Test Year Expense						<u>(128,050)</u>
<b>Adjustment Increase (Decrease)</b>						<b>\$ 35,104</b>

(2)

Employee Benefits

To adjust test year employee benefits to reflect *pro-forma* changes.

<i>Pro-forma</i> health Dental and Life Insurance Expense	\$ 5,046
Less: Test Year Expense	<u>(4,490)</u>
<b>Adjustment Increase (Decrease)</b>	<b>\$ 5,602</b>

(3)

PERF Expense

To adjust test year PERF Expense to reflect *pro-forma* changes.

<i>Pro-forma</i> Payroll Subject to PERF.	\$ 131,954
PERF Rate	<u>3.00%</u>
Sub-total	3,959
Less: Test Year Expense	<u>(2,231)</u>
<b>Adjustment Increase (Decrease)</b>	<b>\$ 2,664</b>

(4)

Rate Case Expense

To adjust test year operating expense to include costs associated with this rate case.

Legal Fees	\$ 3,500
Divided by Expected Life of Rates	<u>3</u>
<b>Adjustment Increase (Decrease)</b>	<b>\$ 1,167</b>

FLOYDS KNOBS WATER COMPANY, INC.  
CAUSE NUMBER 45112-U

Expense Adjustments

(5)

Payroll Taxes

To adjust test year payroll taxes to reflect *pro forma* adjustments to salary and wage expense

Pro forma Payroll	\$ 131,954
Times: FICA Rate	<u>7.65%</u>
Pro Forma FICA Expense	10,094
Less: Test Year Expense	<u>\$ (9,796)</u>

Adjustment Increase (Decrease) \$ 2,685

(6)

IURC Fee

To adjust test year IURC fee for *pro forma* presents rate operating revenues.

Total Operating Revenues	\$ 1,478,084
Times: Current IURC Fee	<u>0.0012020</u>
Sub-Total	1,777
Less: Test Year Expense	<u>\$ (1,604)</u>

Adjustment Increase (Decrease) \$ 173

(7)

Increase in Purchased Water Due to Normalization

To adjust water cost to reflect additional customers from normalization analysis.

Test year Purchased Water	\$ 821,569
Purchased Water Adjustment	<u>48</u>
Subtotal	821,617
Total number of Bills in Test Years	<u>27,593</u>
Cost Per Bill	29.78
Number of Additional Bills	<u>115</u>

Adjustment Increase (Decrease) \$ 3,424

(8)

Capital and Non-Recurring Items

To adjust for capital and non-recurring items

<u>Date</u>	<u>Account</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
5/10/2017	630.2	Dan Cristiani	Capital Item	\$ 3,417
5/26/2017	630.2	Eager Beaver	Capital Item	2,500
5/16/2017	650.0	Asbes Tech Inc.	Non-recurring	3,780
1/9/2017	660.0	Waller's Meter	Capital Item	1,272
6/7/2017	660.0	Ferguson WW	Capital Item	2,232
10/18/2017	660.0	Ferguson WW	Capital Item	3,675
4/24/2017	660.0	Waller's Meter	Capital Item	2,709
10/4/2017	660.0	Waller's Meter	Capital Item	<u>\$ 1,050</u>

Adjustment Increase (Decrease) \$ (20,636)

**AMENDED**

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**FLOYDS KNOBS WATER COMPANY, INC.  
CAUSE NUMBER 45112-U**

**Current and Proposed Rates and Charges**

<b>Metered Rates per Month</b>	<b>Current</b>	<b>Petitioner Proposed</b>	<b>Settlement</b>
First 2,000 Gallons	\$ 9.88	\$ 12.29	\$ 12.10
Next 18,000 Gallons	7.18	8.93	8.79
Over 20,000 Gallons	5.92	7.36	7.25
<b>Minimum Charge per Month</b>			
5/8" or 3/4" Meter	19.40	24.13	23.76
1" Meter	124.82	155.23	152.89
2" Meter	300.38	373.56	367.93
3" Meter	759.58	944.63	930.40
4" Meter	1,035.10	1,287.27	1,267.89
6" Meter	1,310.62	1,629.91	1,605.37
<b>Fire Lines Charge per Month</b>			
6" Connection	39.66	49.32	48.58
8" Connection	\$ 66.19	\$ 82.32	\$ 81.08