

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WESTERN)	
LEWIS-RECTORVILLE WATER AND GAS)	
DISTRICT FOR RATE ADJUSTMENT FOR)	CASE NO.
SMALL UTILITIES PURSUANT TO 807 KAR)	2018-00321
5:076)	

ORDER

On September 24, 2018, Western Lewis-Rectorville Water and Gas District (Western Lewis-Rectorville District) filed an application (Application) requesting to adjust its monthly water service rates pursuant to the procedures set forth in 807 KAR 5:076. The procedural schedule established on October 3, 2018, required Commission Staff (Staff) to file a report containing its findings regarding Western Lewis-Rectorville District's Application and required Western Lewis-Rectorville District to file a written response to the Staff Report.

Using its pro forma test-year operations, Western Lewis-Rectorville District determined that it could justify a revenue increase of \$433,769, or 53 percent. However, Western Lewis-Rectorville District limited its request to \$303,379, or 35.08 percent, in additional revenues, explaining that its customers could not afford a 53 percent rate increase. On January 7, 2019, Staff issued a report (Staff Report) summarizing its findings. Staff found that Western Lewis-Rectorville District's adjusted test-year operations support an Overall Revenue Requirement of \$1,165,063 and that an annual increase in revenue of \$211,230, or 24.43 percent, would be necessary to generate the

Overall Revenue Requirement. Staff further found that an across-the-board increase to all rate classes is the appropriate means to achieve the increased revenue requirement.

On January 18, 2019, Western Lewis-Rectorville District filed its written response to the Staff Report objecting to the Staff's recommended adjustments and revenue requirement. Western Lewis-Rectorville District asked that the Commission approve the annual revenue increase of \$303,379, or 35.08 percent, originally proposed by Western Lewis-Rectorville District.

Pursuant to 807 KAR 5:076, Section 11(3)(c), if a party's written response fails to contain an objection to a finding or recommendation contained in the Staff Report, the party is deemed to have waived all objections to that finding or recommendation. Additionally, a party's failure to request a hearing or informal conference in the party's written response is deemed a waiver of all rights to a hearing and a request that the case stand submitted for a decision. Western Lewis-Rectorville District did not request a hearing or an informal conference. Therefore, this matter stands submitted for a decision based on the written record.

WATER LOSS

Pursuant to 807 KAR 5:066, Section 6(3), water loss is limited to 15 percent for ratemaking purposes. As noted in the Staff Report, Western Lewis-Rectorville District test-year water loss was 26.38 percent or 11.38 percent above the allowable limit. Accordingly, Staff reduced test-year expenses by \$15,600.¹

The Commission places greater emphasis on monitoring utilities that consistently exceed the fifteen 15 percent unaccounted-for water loss threshold and strongly

¹ Staff Report, page 13.

encourages Western Lewis-Rectorville District to pursue reasonable actions to reduce its unaccounted-for water loss.² Failure by Western Lewis-Rectorville District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

TEST PERIOD

The calendar year ending December 31, 2017, should be used as the test year to determine the reasonableness of Western Lewis-Rectorville District's existing and proposed water rates, as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

Western Lewis-Rectorville District's pro forma income statement is as follows:

	Test Year Operations	Reallocation Adjustments	Reallocated Operations	Pro Forma Adjustments	Adj. Ref.	Pro Forma Operations
Operating Revenues:						
Revenues from Water Sales:	\$ 813,191	\$ (13,580)	\$ 799,611	\$ 65,095	(A)	\$ 864,706
Other Operating Revenues	48,366	1,366	49,732			49,732
Total Gas Operating Revenues	861,557	(12,214)	849,343	65,095		914,438
Operating Expenses:						
Operation and Maintenance Expenses:						
Salaries & Wages - Employees	231,474		231,474	(22,964)	(B)	208,510
Salaries & Wages - Commissioners	23,307		23,307			23,307
Emp. Pensions & Benefits	69,696		69,696	18,462	(C)	88,158
Purchased Water	71,163		71,163	(8,022)	(D)	63,141
Purchased Power	42,212	9,405	51,617	(5,875)	(D)	45,742
Chemicals and Water Testing	12,233	2,725	14,958	(1,703)	(D)	13,255
Materials and Supplies	110,557		110,557	(11,250)	(E)	99,307
Contractual Services	52,970		52,970			52,970
Rental Equipment	207		207			207
Insurance	92,578		92,578	(49,318)	(F)	43,260
Miscellaneous	19,449		19,449			19,449
Total Operation & Maint Exp.	725,846	12,130	737,976	(80,670)		657,306
Depreciation and Amortization	339,305		339,305	(92,235)	(G)	247,070
Taxes Other Than Income Tax	20,335		20,335	(4,384)	(H)	15,951
Total Gas Operating Expenses	1,085,486	12,130	1,097,616	(177,289)		920,327
Net Operating Income	(223,929)	(24,344)	(248,273)	242,384		(5,889)
Other Income & Deductions:						
Nonutility Income	39,395		39,395			39,395
Net Income Available for Debt Service	\$ (184,534)	\$ (24,344)	\$ (208,878)	\$ 242,384		\$ 33,506

² See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Mar. 12, 2019) (investigating jurisdictional water utilities that report over 35 percent water loss in their annual reports on file with the Commission).

REVENUE REQUIREMENTS

In its Staff Report, Staff determined that Western Lewis-Rectorville District's pro forma operations support an increase in revenues from water sales of \$211,230 or 24.43 percent above normalized operating revenues from water sales as shown below.

PROPOSED ADJUSTMENTS

Revenue from Water Sales

In the Staff Report, Staff determined that the adjustment to normalize the revenue from water sales of \$864,706 was a pro forma increase of \$65,095.³

In response to the Staff Report, Western Lewis-Rectorville District replied that the adjustment to revenue from water sales was incorrect in that it cannot expect to collect all revenues from its customers based on the billing analysis. Western Lewis-Rectorville District stated that because of accounting rules, the amount posted to its general ledger of \$834,281 should be adjusted, pursuant to General Accounting Accepted Principals (GAAP), to \$799,611. Furthermore, Western Lewis-Rectorville District states that it used the amount of \$813,191 in its Application to match the PSC Annual Report and its audit report. Western Lewis-Rectorville District asserts that the actual difference between what was collected and the normalized revenue is approximately \$30,425. Western Lewis-Rectorville District requested that the Commission reduce the normalized revenue by \$15,000 to reflect a revised normalized revenue of \$849,706. Western Lewis-Rectorville provided no support for the \$15,000, therefore, the requested adjustment is denied.

³ Staff Report, pages 7-8.

Salaries & Wages – Employees

In its report, Staff proposed to reduce Western Lewis-Rectorville District test-year employee salaries and wages expense of \$231,474 by \$22,964 to a pro forma level of \$208,510.⁴ Staff's pro forma adjustment is comprised of: a reduction of \$3,458 to remove the vacant employee position that will not be filled; a reduction of \$8,256 to eliminate the lump-sum vacation payout; and a reduction of \$11,250 to remove the capitalized labor incurred for the installation of the 22 meters in the test year. The capitalized-labor adjustment represents half of the tap-on fees collected in the test year, and the remaining \$11,250 was removed from materials and supplies.

Western Lewis-Rectorville District accepts Staff's proposed adjustments to remove the vacant employee position and lump-sum vacation payout but disagrees with the capitalized wage adjustment. According to Western Lewis-Rectorville District, the 22 new water taps were part of a construction project, and therefore, the materials and labor were provided by the construction company. Because those costs have already been capitalized by Western Lewis-Rectorville District as part of the completed construction project, Western Lewis-Rectorville District proposes to increase both the materials and supplies expense, as well as the employee salaries and wages by the \$11,250. Western Lewis-Rectorville District also proposes to increase depreciation expense by \$549, Staff's adjustment for the depreciation of the meter installations.

In its response to the Staff Report, Western Lewis-Rectorville District stated that the 22 meters were installed in conjunction with a "construction project," but it failed to identify the project to which it is referencing. The Commission has determined that the

⁴ Staff Report pages 8–9.

project is Case No. 2016-00111,⁵ in which Western Lewis-Rectorville was granted a Certificate of Public Convenience and Necessity (CPCN) to construct a \$1,181,000 project. The project consisted of the three contracts listed below.

Contract 1 originally consisted of approximately 2,350 feet of 6-inch polyvinyl chloride (PVC) water main, 22,000 feet of 4-inch PVC water main, and 2,700 feet of 2-inch PVC water main. Contract 1 was expanded to include: six meter replacements on Stonelick Road; 2,750 feet of 6-inch PVC water line on Cabin Creek West; 3,500 feet of 4-inch PVC water line on Poplar Flat; 300 feet of 2-inch PVC water line on Jefferson Run Road; 8,200 feet of 6-inch PVC water line on Lundergan Farm; and pressure regulating valve replacements at Big Cabin Creek and Little Cabin Creek.

Contract 2 originally consisted of the installation of 1,264 new radio-read meters and 1,003 retro-fits of registers on existing meters. Contract 2 was expanded to include new meter boxes and settings for some of the new radio-read meters.

Contract 3 consisted of interior and exterior repainting of the 200,000-gallon Flat Gap Water Storage Tank.

There is no reference in the Commission's Final Order in Case No. 2016-00111 to the installation of 22 new meters or for the collection of the associated tap-on fees. Given Western Lewis-Rectorville District's failure to provide adequate documentation to support its proposed adjustment and the lack of corroborating evidence in Case No. 2016-00111, the Commission finds that Western Lewis-Rectorville District's proposed adjustments should be denied.

⁵ Case No. 2016-00111, *Application of Western Lewis-Rectorville Water District for a Certificate of Public Convenience and Necessity to Construct and Finance Water System Improvements* (Ky. PSC Mar. 31, 2016).

Purchased Water and Production Costs

Western Lewis-Rectorville District reported a test-year purchased water expense of \$71,163, a purchased power expense of \$51,617, and a chemical expense of \$14,948. Staff determined Western Lewis-Rectorville District's test-year purchased water expense should be decreased by \$8,022, the purchased power expense should be decreased by \$5,875, and the chemical expense should be decreased by \$1,703.⁶

Using the greater Fleming County Regional Water Commission wholesale rate of \$2.00 per 1,000 Gallons, Staff determined that test-year purchased water expense should be increased by \$3,223 to a pro forma level of \$70,479. The pro forma purchased water expense of \$70,479 was used in Staff's computation of the excess line loss.

In calculating test-year line loss of 26.38 percent, Staff eliminated the treated water used at the plant to backwash the filters because Western Lewis-Rectorville District explained the treatment plant filters would no longer be used. Staff further eliminated the estimated system flushing. Western Lewis-Rectorville District was unable to explain the methodology it used to estimate its claimed system flushing. Staff found that using an estimate without a basis is arbitrary and does not meet the ratemaking criteria of known and measurable.

Section 6(3) of 807 KAR 5:066⁷ limits water loss to 15 percent for ratemaking purposes unless an alternative level is found reasonable by the Commission. Western

⁶ Staff Report pages 12–14.

⁷ Unaccounted-for water loss. Except for purchased water rate adjustments for water districts and water associations, and rate adjustments pursuant to KRS 278.023(4), for ratemaking purposes a utility's unaccounted-for water loss shall not exceed fifteen (15) percent of total water produced and purchased, excluding water used by a utility in its own operations. Upon application by a utility in a rate case filing or by separate filing, or upon motion by the commission, an alternative level of reasonable unaccounted-for water loss may be established by the commission. A utility proposing an alternative level shall have the

Lewis-Rectorville District's test-year water loss of 26.38 percent is 11.38 percent above the allowable limit. Contained in the table below are Staff's adjustments to remove from Western Lewis-Rectorville District's test-year operations the cost of purchasing, pumping, and treating the excess water loss.

	<u>Chemicals</u>	<u>Purchased Power</u>	<u>Purchased Water</u>
Pro Forma Subject to Water Loss Adjustment	(14,958)	\$ (51,617)	\$ (70,479)
Times: Water Loss in Excess of 15 Percent	<u>11.38%</u>	<u>11.38%</u>	<u>11.38%</u>
Pro Forma Water Loss Adjustments	<u>\$ (1,703)</u>	<u>\$ (5,875)</u>	<u>\$ (8,022)</u>

Western Lewis-Rectorville District does not agree that the purchased water, power, or chemicals should be reduced to the extent noted in the Staff Report. District Manager, Chad Clark, agreed with Staff's removal of the water used to flush the treatment plant filters. However, Western Lewis-Rectorville District argues that its distribution system will still have to be flushed, but the process will only use about half as much water as in prior years.

Any adjustment made to eliminate flushing the treatment plant filters or the distribution system should also be made to the water produced. Western Lewis-Rectorville District's revised calculations show that its excess water loss percentage is reduced from 11.38 percent to 2.59 percent. Using the 2.59 percent revised excess water loss, Western Lewis-Rectorville calculated the following revised pro forma expenses:

	<u>Chemicals</u>	<u>Purchased Power</u>	<u>Purchased Water</u>
Pro Forma Subject to Water Loss Adjustment	\$ (14,958)	\$ (51,617)	\$ (70,479)
Times: Water Loss in Excess of 15 Percent	<u>2.59%</u>	<u>2.59%</u>	<u>2.59%</u>
Pro Forma Water Loss Adjustments	<u>\$ (387)</u>	<u>\$ (1,337)</u>	<u>\$ (1,825)</u>

burden of demonstrating that the alternative level is more reasonable than the level prescribed in this section.

Western Lewis-Rectorville District does not agree with the elimination of its estimated system flushing; however, it failed to provide adequate evidence as to how its reported test-year system-flushing amount and its revised system-flushing amount were calculated. In addition, Western Lewis-Rectorville District has not provided copies of journals or schedules to show how it tracks the flushing of its distribution system. The Commission agrees with Western Lewis-Rectorville District that some level of system flushing is necessary, but the record lacks evidence to support any level and thus any adjustment. The Commission agrees with Staff in that using an estimate without a basis is arbitrary and does not meet the ratemaking criteria of known and measurable. Accordingly, Western Lewis-Rectorville District's adjustments to the cost of purchasing, pumping, and treating the excess water loss.

Insurance

Western Lewis-Rectorville District reported a test-year insurance expense of \$92,578. Using the current insurance premiums for general liability, worker's compensation, and property, Staff calculates an insurance expense of \$43,260 for the water division, a decrease of \$49,318.⁸

Western Lewis-Rectorville District agrees to reduce the insurance expense, but not to the extent Staff calculated. According to Western Lewis-Rectorville District, its liability insurance, both general and property, are covered under the KLC Premium Finance Company, Inc. Western Lewis-Rectorville District states that during 2017, \$54,846 was paid to the KLC Premium Finance Company for liability insurance, \$585 for a worker's compensation audit premium, and \$3,385 for the annual surety bond coverage

⁸ Staff Report, pages 14–15.

for employees. Using the labor allocation factor of 90.53 percent for workers compensation and surety bond, and the customer allocation factor of 81.78 percent for the liability premiums, Western Lewis-Rectorville District calculates an insurance expense reduction of \$44,131.

The Commission finds reasonable Staff's insurance adjustment to reflect the current billed premiums for liability and workers' compensation coverages, the ongoing cost of general liability and workers compensation insurance. An adjustment to reflect the decrease in the premiums meets the ratemaking criteria of being known and measurable and it should be made. The cost of the workers' compensation audit is for premiums from a prior period and, therefore, should not be included in pro forma insurance expense. The Commission finds that Western Lewis-Rectorville District's revision to Staff's adjustment should be denied.

Depreciation and Amortization

In reviewing the reasonableness of the depreciation lives used by water utilities, the Commission has historically relied upon the report published in 1979 by the National Association of Regulatory Utility Commissioners (NARUC) titled Depreciation Practices for Small Water Utilities (NARUC Study). When no evidence exists to support a specific life that is inside or outside the NARUC ranges, the Commission has historically used the mid-point of the NARUC ranges to depreciate a utility plant.

Upon its review of the reasonableness of the depreciable lives of each asset category in Western Lewis-Rectorville District's depreciation schedule, Staff determined that all of Western Lewis-Rectorville District's asset categories are outside of the ranges in the NARUC Study. The depreciation lives used by Staff represents the midpoint of the

NARUC range for each asset category. As shown in the table below, using the NARUC depreciation lives result in a depreciation expense reduction of \$92,235.⁹

	Original Cost UPIS	Dep. Life	Accumulated Depreciation 2016	Depreciation Expense 2017	Accumulated Depreciation 2017	NARUC Depreciation Lives			Staff	
						Floor	Celling	Mid Point	Depreciation Expense	Pro Form Adjustment
Structures and Improvements	\$ 465,619	36.60	\$ 3,312	\$ 12,723	\$ 16,035	35.00	40.00	37.50	\$ 12,417	\$ (306)
Wells & Springs	94,304	25.00	29,801	3,632	33,433	25.00	35.00	30.00	3,143	(489)
Pumping Equipment	9,793	20.00	8,665	149	8,814	20.00	20.00	20.00	0	(149)
Distribution Reservoirs & Standpipes	1,045,463	30.00	450,506	34,849	485,355	30.00	60.00	45.00	23,233	(11,616)
Transmission & Distribution Mains	10,537,119	43.57	3,500,927	241,826	3,742,753	50.00	75.00	62.50	168,594	(73,232)
Meter	197,560	10.00	97,889	19,756	117,645	35.00	50.00	42.50	4,648	(15,108)
Office Equipment	62,727	10.00	3,437	6,273	9,710	20.00	25.00	22.50	2,788	(3,485)
Transportation Equipment	31,363	5.00	12,545	6,273	18,818	7.00	7.00	7.00	4,480	(1,793)
Other Tanible Plant	134,139	10.00	32,104	13,414	45,518	5.00	5.00	5.00	26,828	13,414
Power Operated Equipment	4,056	10.00	3,650	406	4,056	5.00	5.00	5.00	406	0
	<u>\$ 232,285</u>		<u>\$ 51,736</u>	<u>\$ 339,301</u>	<u>\$ 4,482,137</u>				<u>\$ 246,537</u>	<u>(92,764)</u>
Tap-on Fees										529
Pro Forma Adjustment										<u>\$ (92,235)</u>

According to Western Lewis-Rectorville District, Staff incorrectly concluded that all of Western Lewis-Rectorville District's asset categories are outside of the ranges in the NARUC Study. Western Lewis-Rectorville District states that most asset categories match, or exceed, the floor depreciable life as noted in the NARUC Study and that asset category transmission and distribution mains, which has the majority of the plant investment, have depreciation lives that are within 7 years of the 50-year floor range.

Although the Commission has historically used the mid-point of the NARUC range, Western Lewis-Rectorville District believes it to be more reasonable to use the floor of the NARUC ranges, as it is more in line with what is already in place. Western Lewis-Rectorville District states that if the Commission agrees with this proposal, the depreciable lives on any new assets added in the future will be changed, the annual depreciation for 2018 will be recalculated, and, where necessary, the depreciable lives

⁹ Staff Report, pages 15–16.

for any assets with useful lives not already at the floor will be revised. Western Lewis-Rectorville District's adjustment to depreciation is in the following schedule.

	Original Cost UPIS	Dep. Life	Accumulated Depreciation 2016	Depreciation Expense 2017	Accumulated Depreciation 2017	NARUC Depreciation Lives			Western Lewis-Rectorville District	
						Floor	Celling	Mid Point	Depreciation Expense	Pro Form Adjustment
Structures and Improvements	\$ 465,619	36.60	\$ 3,312	\$ 12,723	\$ 16,035	35.00	40.00	37.50	\$ 12,723	\$ -
Wells & Springs	94,304	25.00	29,801	3,632	33,433	25.00	35.00	30.00	3,632	0
Pumping Equipment	9,793	20.00	8,665	149	8,814	20.00	20.00	20.00	149	0
Distribution Reservoirs & Standpipes	1,045,463	30.00	450,506	34,849	485,355	30.00	60.00	45.00	34,849	0
Transmission & Distribution Mains	10,537,119	43.57	0	241,826	241,826	50.00	75.00	62.50	210,742	(31,084)
Meter	197,560	10.00	0	19,756	19,756	35.00	50.00	42.50	5,645	(14,111)
Office Equipment	62,727	10.00	3,437	6,273	9,710	20.00	25.00	22.50	3,136	(3,137)
Transportation Equipment	31,363	5.00	12,545	6,273	18,818	7.00	7.00	7.00	4,480	(1,793)
Other Tanible Plant	134,139	10.00	32,104	13,414	45,518	5.00	5.00	5.00	26,828	13,414
Power Operated Equipment	4,056	10.00	3,650	406	4,056	5.00	5.00	5.00	406	0
	<u>\$ 232,285</u>		<u>\$ 51,736</u>	<u>\$ 339,301</u>	<u>\$ 883,321</u>				<u>\$ 302,590</u>	<u>\$ (36,711)</u>

The Commission notes that Western Lewis-Rectorville District has not provided any study or analysis to support either the depreciation lives used in the test year or the lives proposed in its responses to the Staff Report. The Commission finds that Western Lewis-Rectorville District did not present evidence sufficient to refute Staff's recommendation to use the midpoint of the NARUC range for each asset category. Accordingly, the Commission accepts Staff's depreciation adjustment and denies the adjustment proposed by Western Lewis-Rectorville District.

Taxes Other Than Income Tax

Western Lewis-Rectorville District reported a test-year Federal Insurance Contribution Act (FICA) expense of \$20,335. Using the pro forma employee salaries and wages expense for the water division of \$208,500 and the current FICA rate of 7.65

percent, Staff calculated a pro forma FICA expense of \$15,951. Accordingly, Staff reduced FICA expense by \$4,384.¹⁰

Western Lewis-Rectorville District claims that the Commissioners salaries should have been taken into account when calculating FICA and proposes a revised calculation for FICA of \$18,614 that includes Kentucky Unemployment, an additional payroll tax increase of \$949 that results in a total payroll tax expense of \$19,563, a \$772 decrease from the original amount reported.

According to the Internal Revenue Service (IRS), a fee-basis public official is considered self-employment under IRC 1402(c)(2)(E) and these individuals are not employees with respect to this work.¹¹ Therefore, fee-basis public officials are subject to self-employment tax.¹² The responsibility to pay the total FICA rate of 15.3 percent is the responsibility of the individual commissioner. Also, there is only one entry made to the general ledger for payroll taxes, and Western Lewis-Rectorville District did not provide any documentation to show that unemployment is included in this entry. Accordingly, the Commission denies Western Lewis-Rectorville District's adjustment to taxes other than income tax expense.

Nonutility Income

According to Western Lewis-Rectorville District, nonutility income of \$39,395 included \$25,554 of income that was related to the gain on sale/disposal of assets.

¹⁰ Staff Report, page 16.

¹¹ <https://www.irs.gov/government-entities/federal-state-local-governments/tax-withholding-for-government-workers>

¹² *Id.*

Western Lewis-Rectorville District claims income from the sale of assets is not a normal recurring income that should be included in its revenue requirement calculation. The Commission notes that Western Lewis-Rectorville District did not provide any documentation to support what assets were sold so a determination of whether it is recurring or nonrecurring income cannot be determined. Therefore, its proposed adjustment to nonutility income is denied.

Average Debt Service

Using Western Lewis-Rectorville District’s bond and loan amortization schedules, Staff calculated a three-year average debt service of \$203,947 as shown in the table below.¹³

	Debt Service FmHA/ RD	Debt Service KIA	Total Debt Service
2018	\$ 162,719	\$ 41,818	\$ 204,537
2019	162,167	41,818	203,985
2020	161,502	41,818	203,320
3-Year Average			\$ 203,947

Western Lewis-Rectorville District does not agree with the change to the average annual debt principal and interest payments. In their argument, Western Lewis-Rectorville District provides the three years of debt service payments from the 2017 audit report to be as follows:

	Debt Service FmHA/ RD	Debt Service KIA	Total Debt Service
2018	\$ 162,638	\$ 47,818	\$ 210,456
2019	162,719	47,818	210,537
2020	162,167	47,818	209,985
3-Year Average			<u>\$ 210,326</u>

¹³ Staff Report, page 17.

For the Staff Report, the average debt service payments were taken directly from the amortization schedules provided to Staff by Western Lewis-Rectorville District. They reflect only the required interest and principal payments without including any additional fees or charges that might be charged to Western Lewis-Rectorville District by the lending agencies. Accordingly, the Commission finds that Western Lewis-Rectorville District's proposed changes to Staff's average debt service should be denied.

FINDINGS

Based upon a review of the record in this proceeding and being otherwise sufficiently advised, the Commission finds that the ratemaking recommendations contained in the Staff Report are supported by the evidence of record, are reasonable, and should be adopted as the findings of the Commission in this proceeding. The Commission further finds that the rates proposed by Western Lewis-Rectorville District would produce revenues in excess of the amount found reasonable and should be denied. The rates set forth in the Appendix to this Order are fair, just, and reasonable, and should be approved.

In its Report, Staff addressed issues regarding the operation and management of Western Lewis-Rectorville District including allocation and assignment of costs between the water and gas divisions; the methodology and accuracy of automated meter reading (AMR) reporting and billing; discrepancy in revenue from water usage between the amount actually collected and recorded and a computer-generated usage report; and the methodology for calculating the amount of water attributed to system flushing. The

Commission initiated an investigation into these issues in Case No. 2019-00028.¹⁴ These issues will be addressed in that proceeding rather than in the instant matter.

IT IS THEREFORE ORDERED that:

1. The findings contained in the Staff Report are adopted and incorporated by reference into this Order.
2. The rates originally proposed by Western Lewis-Rectorville District are denied.
3. Within 20 days of the date of entry of this Order, Western Lewis-Rectorville District shall file with this Commission, using the Commission's electronic Tariff filing System, new tariff sheets setting forth the rates and charges approved and their effective date, and stating that the rates and charges were authorized by this Order.
4. This case is hereby closed and will be removed from the Commission's docket.

¹⁴ Case No. 2019-00028, *Electronic Investigation into the Operation and Management of Western Lewis-Rectorville Water and Gas District Pursuant to KRS 74 and KRS 278* (Ky. PSC Jan. 23, 2019).

By the Commission

ENTERED
MAR 20 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2018-00321

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00321 DATED **MAR 20 2019**

RATES INCLUDE ALLOWANCE FOR INCREASE IN PURCHASED WATER
EXPENSE PREVIOUSLY DISCUSSED IN ORDER

5/8 x 3/4-Inch Meter

First 1,000 Gallons
Next 4,000 Gallons
All Over 5,000 Gallons

Monthly Rates

\$ 20.72 Minimum Bill
7.22 per 1,000 Gallons
5.43 per 1,000 Gallons

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