

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF HYDEN-LESLIE)	CASE NO.
COUNTY WATER DISTRICT FOR AN)	2020-00141
ALTERNATIVE RATE ADJUSTMENT)	

ORDER

On May 7, 2020, Hyden-Leslie County Water District (Hyden-Leslie District), filed an application to the Commission requesting to adjust its water rates pursuant to 807 KAR 5:076. To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated June 18, 2020. On September 4, 2020, the Commission found that additional time would be needed to review Hyden-Leslie District's case amending its June 18, 2020 Order to allow for additional time for Commission Staff (Staff) to complete its report. Hyden-Leslie District responded to two requests for information from Staff.

Hyden-Leslie District, using the Debt Service Coverage (DSC) method and its pro forma test-year operations, determined that it could justify a revenue increase of \$1,038,077, or 70.18 percent.¹ Hyden-Leslie District is requesting that the Commission authorize a two-year phase-in of the requested rates. A typical residential customer using 4,000 gallons of water per month and the requested phase-one rates would increase the monthly bill by \$13.27, from \$31.48 to \$44.75, or approximately 42.15 percent. The requested phase-two rates would increase the monthly bill of a typical residential

¹ Application, Exhibit C.

customer by \$8.84, from \$44.75 to \$53.59, or approximately 19.75 percent. A typical commercial customer using 10,000 gallons of water per month and the requested phase-one rates would increase the monthly bill by \$37.49, from \$89.05 to \$126.54, or approximately 42.10 percent. The requested phase-two rates would increase the monthly bill of a typical commercial customer by \$25.03, from \$126.54 to \$151.57, or approximately 19.78 percent.²

On September 18, 2020, Staff issued a report (Staff Report) summarizing its findings regarding Hyden-Leslie District's requested rate adjustment. In the Staff Report, Staff determined that Hyden-Leslie District's adjusted test-year operations support an overall revenue requirement of \$2,514,537 and that an annual revenue increase of \$977,686, or 66.10 percent, would be necessary to generate the overall revenue requirement.³

On September 30, 2020, Hyden-Leslie District filed its responses (Response) to the Staff Report wherein Hyden-Leslie District provided additional evidence regarding Staff's proposed pro forma adjustments to test period employee salary and wage expense. Hyden-Leslie District accepted the base rate increase recommended by Staff, but requested that the Commission also consider the additional evidence attached to its Response.⁴ On October 2, 2020, Hyden-Leslie District advised the Commission that it accepts Staff's recommendations regarding the assessment of a monthly water loss

² Application, Exhibit K.

³ Staff Report at 4.

⁴ Response (filed Sept. 30, 2020). Hearing Video Transcript (HVT) of the October 14, 2020 Hearing at 16:54; L.J. Turner testified on behalf of Hyden-Leslie District that it accepts the Staff's recommendations and proposes the reasonableness of including the wage of the employee actually hired in 2020 and the lump sum vacation pay in the revenue requirement.

surcharge of \$1.53 upon each active meter.⁵ Hyden-Leslie District agrees that it will limit the use of the proceeds of such surcharge solely for water loss reduction efforts and only upon specific authorization of the Commission.⁶

The evidentiary hearing was held on October 14, 2020, and testimony was presented on behalf of Hyden-Leslie District by L.J. Turner and Alan Vilines. Timothy Helton, William Todd Horton, Dwight Lewis presented evidence as current members of the Hyden-Leslie District Board of Commissioners. Augustus Roberts, former commissioner, and Mike Maggard of Sisler Maggard Engineering, consultant to Hyden-Leslie District, also presented testimony.

BACKGROUND

Hyden-Leslie District, a water district organized pursuant to KRS Chapter 74, provides water service to approximately 3,594 residential and commercial customers located in Clay, Leslie, and Perry counties, Kentucky.⁷ Hyden-Leslie District's last application for a base rate increase was submitted in 1978.⁸

Hyden-Leslie District was a party to Case No. 2019-00041 due to its sustained excessive water loss and Hyden-Leslie District was first ordered to evaluate its needs for

⁵ Hyden-Leslie District's Position Statement on Proposed Surcharge (filed Oct. 2, 2020).

⁶ *Id.*

⁷ *Annual Report of Hyden-Leslie County Water District to the Public Service Commission for the Calendar Year Ended December 31, 2018* (2018 Annual Report) at 12 and 49.

⁸ Case No. 2019-00412, *Electronic Application of Hyden-Leslie County Water District for Authorization to Enter a Short-Term Assistance Agreement with Kentucky Rural Water Finance Corporation to Refund an Existing Loan and to Subsequently Enter a Long-Term Assistance Agreement with the Kentucky Infrastructure Authority* (Ky. PSC Feb. 20, 2020), Interim Order; Testimony of Kristin Millard, Kentucky Rural Financing Corporation, HVT at 5:50:10–8:11:17. Counsel for Hyden-Leslie District stated for the record that there was a rate change in 1978 (February 5, 2020 Hearing).

more frequent base rate increases to comply with the Commission's November 22, 2019 Order in that case.⁹ However, in Case No. 2019-00412,¹⁰ Hyden-Leslie District requested that the Commission authorize Hyden-Leslie District to execute a 30-year Assistance Agreement with the Kentucky Infrastructure Authority (KIA) to provide permanent financing for a completed water system improvement project. The Commission approved a short-term financing proposal, but denied Hyden-Leslie District's financing proposal for the 30-year Assistance Agreement with KIA and required the Hyden-Leslie District to file an application for an alternative rate adjustment. The proposed annual debt service for the KIA loan is \$98,289, and it is included in both Hyden-Leslie District's and Staff's revenue requirement calculations.

Pursuant to KRS 278.300(3), the Commission must determine whether Hyden-Leslie District's application to approve financing is for a lawful object within the corporate purposes of the utility. Additionally, the Commission must decide whether it is necessary, or appropriate, for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service. Finally, the Commission must find whether the financing application is reasonably necessary and appropriate for such purpose.

The Commission finds that: Hyden-Leslie District's proposed financing with KIA is for a lawful object within the corporate purposes of the utility; is necessary for the proper

⁹ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019).

¹⁰ See Case No. 2019-00412, *Electronic Application of Hyden-Leslie County Water District for Authorization to Enter a Short-Term Assistance Agreement with Kentucky Rural Water Finance Corporation to Refund an Existing Loan and to Subsequently Enter a Long-Term Assistance Agreement with the Kentucky Infrastructure Authority* (Ky. PSC Feb. 20, 2020).

performance by Hyden-Leslie District of its service to the public; will not impair its ability to perform that service; and the financing application is reasonably necessary and appropriate for such purpose. Additionally, based upon the record, the Commission finds that Hyden-Leslie District has complied with the requirements of the February 20, 2020 Order¹¹ and Hyden-Leslie District's proposal to execute a 30-year Assistance Agreement with KIA should be granted.

TEST PERIOD

The calendar year ended December 31, 2018, was used as the test year to determine the reasonableness of Hyden-Leslie District's existing and proposed water rates as required by 807 KAR 5:076, Section 9.

SUMMARY OF THE STAFF REPORT
REVENUE AND EXPENSES

Based on the Staff Report, Hyden-Leslie District's pro forma operational revenue is as follows:¹²

	<u>Test-Year Operations</u>	<u>Staff Report Pro Forma Adjustments</u>	<u>Staff Report Pro Forma Operations</u>
Total Operating Revenues	\$ 1,527,417	\$ 6,461	\$ 1,533,878
Total Operating Expenses	<u>2,400,372</u>	<u>(238,639)</u>	<u>2,161,733</u>
Net Utility Operating Income	(872,955)	245,100	(627,855)
Non-Operating Income	<u>2,972</u>	<u>0</u>	<u>2,972</u>
Net Income Available for Debt Service	<u>\$ (869,983)</u>	<u>\$ 245,100</u>	<u>\$ (624,883)</u>

REVENUE REQUIREMENT ADJUSTMENTS

¹¹ *Id.*

¹² See Appendix B for a detailed Pro Forma Income Statement.

Billing Analysis Adjustment. In the Staff Report, Staff recommended the Commission accept Hyden-Leslie District's proposed increase of \$6,461 to test-year revenues based on its current billing analysis.¹³ The Commission finds that this adjustment is reasonable as an examination of Hyden-Leslie District's billing register was completed by Staff and a billing analysis created based on all of the information provided. Staff's billing analysis supported Hyden-Leslie District's proposed sales revenue.

Other Water Revenue. In the Staff Report, Staff recommended Hyden-Leslie District's proposed reclassification of Forfeited Discount revenue, and Miscellaneous Service revenue that were incorrectly reported in Other Water revenues.¹⁴ As discussed further in the Order, the Commission is eliminating Hyden-Leslie District's late payment fee. It is likewise removing Forfeited Discount revenue of \$50,458¹⁵ from pro forma operating revenue. Also, as discussed further in the Order modifications made to the proposed reconnection charge results in a decrease to Miscellaneous Service revenue of \$337¹⁶ for a revised pro forma Miscellaneous Service revenues of \$3,738.

Misclassified Operating Expenses. Staff determined that Hyden-Leslie District had misclassified its employer 401(k) contributions and the employee uniform expense. In the Staff Report, Staff corrected Hyden-Leslie District's expense classification errors.¹⁷

¹³ Staff Report at 8, Adjustment B.

¹⁴ *Id.*, Adjustment B.

¹⁵ In its response to Item 2 of the Commission's Post-Hearing Data Request Hyden-Leslie District explained that during the test period, it assessed late payment fees of \$50,548, but only collected fees of \$45,415. Hyden-Leslie District's response to Commission Order of June 18, 2020 (filed July 6, 2020), Item 7, the 2018 Trial Balance. The 2018 Trial Balance shows that actual amount of late payment fees billed and recorded in Account No. 4040 -Late Payment Penalties was \$50,458.

¹⁶ \$10.44 (Revised Reconnection Charge) x 74 (Test-Year Number of Reconnections) = \$773 - \$1,110 (Test-Year Revenue from Reconnections) = \$337.

¹⁷ Staff Report at 9-10, Adjustment C.

The Commission finds that the operating expense reclassification adjustments should be accepted as they meet the ratemaking criteria of being known and measurable¹⁸ and are reasonable.

Employee Salaries and Wages. At the beginning of the test year, Hyden-Leslie District reported having 12 full-time employees.¹⁹ During the test-year a Distribution Operator left the employment of Hyden-Leslie District with no explanation given for the departure and Hyden-Leslie District provided no evidence to show that a replacement had been hired.²⁰ Staff decreased Hyden-Leslie District's test-year Employee Salaries and Wages expense of \$523,882 by \$23,495 to eliminate the salary of the former distribution operator.²¹

In its Response, Hyden Leslie District advised that the distribution operator position had been filled in March 2020. The Commission finds that an adjustment to include the salary for the new distribution operator meets the ratemaking criteria of being known and measurable. Using the wage information provided by Hyden-Leslie District for its new

¹⁸ 807 KAR 5:001, Section 16(1)(a).; Case No. 2001-00211, *The Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness therefor; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff* (Ky. PSC Mar. 1, 2002); Case No. 2002-00105, *Application of Northern Kentucky Water District for (A) an Adjustment of Rates; (B) a Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds* (Ky. PSC June 25, 2003); Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018); and Case No. 2019-00080, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of the City of Pikeville to Mountain Water District* (Ky. PSC Dec. 19, 2019).

¹⁹ Staff Report at 10–11, Adjustment G.

²⁰ *Id.*

²¹ *Id.*

distribution operator, the Commission is increasing Staff's pro forma Employee Salaries and Wages expense by \$33,592.²²

Lump-Sum Vacation Pay. Hyden-Leslie District failed to provide adequate documentation to show that its policy regarding the lump-sum payments to its employees for unused vacation time is reasonable or warranted. For this reason, Staff reduced Employee Salaries and Wages expense by \$9,949 to eliminate base rate recovery of the lump-sum vacation payments in the Staff Report.²³

Hyden-Leslie District, in its Response, explained that its vacation policy has impacted its operational costs by reducing the total amount of employee overtime.²⁴ L.J. Turner testified to the operational efficiency added to the utility and the benefit to Hyden-Leslie District's small staff of offering an employee the option to forego vacation leave with the option to be paid for the time, rather than requiring an employee to take the vacation time. The option offers a small financial benefit to the employee as well.²⁵ An added benefit is saving Hyden-Leslie District from paying employees additional overtime to perform the vacationing employee's duties in order to maintain adequate utility operations.²⁶

The Commission finds that Hyden-Leslie District has provided adequate justification to demonstrate that its lump-sum vacation payment policy is reasonable and

²² \$16.15 (Hourly Wage Rate) x 2,080 (Regular Hours) = \$33,592.

²³ Staff Report at 11–12, Adjustment E.

²⁴ Response at 2.

²⁵ HVT at 7:34–16:01.

²⁶ Response at 2.

warranted. Accordingly, Employee Salaries and Wages expense is being increased by \$9,949 to reinstate the base rate recovery of this cost.

Retirement. Staff increased test-year Employee Retirement expense of \$22,999 by \$1,523.²⁷ Staff calculated its adjustment by applying the 5 percent employer 401(k) contribution rate to the pro forma employee salaries and wages expense for full-time employees of \$490,438.²⁸ The Commission finds that this adjustment is reasonable and should be accepted. In addition, based upon the adjustments made herein for the new distribution operator and the lump-sum vacation payments, the Commission finds that Staff's pro forma Employee Retirement expense of \$24,522 should be increased by \$2,177.²⁹

Employee Health Insurance. In the Staff Report, Staff reduced Hyden-Leslie District's test-year Employee Pension and Benefit expense of \$226,051 by \$91,933 to reflect Commission policy of reducing benefit expenses for utilities that pay 100 percent of its employees' health insurance coverage. Staff's adjustment reflects the national average employee contribution rate of 21 percent for single health insurance coverage, and 34 percent for all other coverage plans.³⁰ This adjustment is consistent with Commission precedent³¹ in which the Commission has reduced benefits expenses for

²⁷ Staff Report at 12–13, Adjustment F.

²⁸ $\$490,438$ (Staff's Pro Forma Employee Salaries and Wages Expense) \times 5% (Employer 401(k) Contribution Rate) = $\$24,522$ (Pro Forma 401(k) Employer Contribution) - $\$22,999$ (Test-Year 401(k) Employer Contribution) = $\$1,523$.

²⁹ $\$33,592$ (Salary New Distribution Operator) + $\$9,949$ (Lump-Sum Vacation Pay) = $\$43,541 \times 5\%$ (Employer 401(k) Contribution Rate) = $\$2,177$.

³⁰ Staff Report at 8, Adjustment F.

³¹ Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates*, (Ky. PSC June 20, 2019) at 8-12.

utilities that pay 100 percent of an employee's health insurance coverage, and the Commission finds that this adjustment is reasonable and should be accepted. The Commission is increasing Staff's pro forma Employee Pension and Benefit expense of \$158,640 by \$13,409³² to reflect the health insurance coverage for the new distribution operator adjusted by the 34 percent employee contribution rate.

Excess Water Loss. Hyden-Leslie District's test-year water loss was 32.86 percent, which exceeds the 15.00 percent water loss limitation that is established in Commission regulation 807 KAR 5:066, Section 6(3),³³ by 17.86 percentage points.³⁴ To eliminate the cost to produce and pump water over the 15.00 percent allowable limit, Staff decreased Purchased Power expense and Chemical expense by \$48,531 and \$17,250 respectively.³⁵ The Commission finds these adjustments to be reasonable and should be accepted as being consistent with the requirements of 807 KAR 5:066, Section 6(3). The Commission recognizes Hyden-Leslie District's effort to address its water loss and comply with the Commission's November 22, 2019 final Order in Case No. 2019-00041.³⁶

³² \$20,316 (Annual Health Insurance Premium) x 66% (Employee Contribution Rate Reciprocal) = \$13,409.

³³ "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 burden of demonstrating that the alternative level is more reasonable than the level prescribed in this section."

³⁴ Staff Report at 15, Adjustment H.

³⁵ *Id.* at 18, Adjustment I.

³⁶ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019).

Water Loss Surcharge. In the Staff Report, Staff proposed a \$1.53 per customer per month surcharge to be used for water loss reduction efforts. The surcharge would produce \$65,781 per year for total collections over the four years of \$263,124. This annual collection reflects the amount disallowed for excessive water loss pursuant to 807 KAR 5:066, Section 6(3). The use of a surcharge is consistent with prior Commission action in cases involving water utilities with excessive unaccounted-for water loss.³⁷ In establishing water-loss surcharges, the Commission recognized that the adjustments required to be made to comply with the 15.00 percent line-loss limitation in 807 KAR 5:066, Section 6(3), could severely restrict cash flow and could impair a water district's ability to take the necessary action to focus on its leak detection and repair. Using a surcharge to fund a water utility's water loss reduction efforts allows the Commission to place strict controls governing the surcharge proceeds to ensure their effective use, public acceptance of the surcharge, and public confidence in the water district's use of those funds. In its report entitled, "*Confronting the Problems Plaguing Kentucky's Water Utilities: An Investigative Report by the Kentucky Public Service Commission November 2019*" that was fully incorporated in the final Order in Case No. 2019-00041, the Commission recommended more frequent rate cases and pursuing qualified

³⁷ See Case No. 96-126, *An Investigation into the Operations and Management of Mountain Water District* (Ky. PSC Aug. 11, 1997); Case No. 2011-00217, *Application of Cannonsburg Water District for (1) Approval of Emergency Rate Relief and (2) Approval of the Increase in Nonrecurring Charges*, (Ky. PSC June 4, 2012); Case No. 2018-00017, *Application of Martin County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 5, 2018); Case No. 2018-00429, *Application of Graves County Water District for an Alternative Rate Adjustment* (Ky. PSC Sept. 30, 2019); and Case No. 2019-00119, *Electronic Application of Estill County Water District No. 1 for a Surcharge to Finance Water Loss Control Efforts* (Ky. PSC Mar. 24, 2010).

infrastructure improvement surcharges, the proceeds of which will be devoted exclusively to infrastructure improvement and replacement.³⁸

Therefore, the Commission finds that a monthly surcharge is a reasonable means for Hyden-Leslie District to recover the cost of its efforts in water leak detection and repair in order to reduce the increased expense and lost revenue from unaccounted-for water loss. The Commission finds that a monthly water loss reduction surcharge of \$1.53 per active meter over 48 months should be approved. Hyden-Leslie District should be restricted to expending any funds collected under the surcharge subject to authorization by the Commission. Hyden-Leslie District should file a qualified infrastructure improvement plan, including a comprehensive unaccounted-for water loss reduction plan that establishes priorities, a time schedule for eliminating each source of unaccounted-for water loss, and provides a detailed spending plan for the proceeds of the requested surcharge.

Hyden-Leslie District filed its Final Report on Compliance with Order of November 22, 2019, in Case No. 2019-00041, on September 22, 2020.³⁹ Additionally, L.J. Turner testified to the progress that Hyden-Leslie District has made since the start of Case No. 2019-00041 and the fact that while its financial condition has not changed,⁴⁰ the utility has addressed the general and specific concerns the Commission expressed in the

³⁸ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), Appendix L, *Confronting the Problems Plaguing Kentucky's Water Utilities: An Investigative Report by the Kentucky Public Service Commission November 2019*, 24–25.

³⁹ *Id.* Hyden-Leslie District's Final Report on Compliance with Order of November 22, 2019 (filed Sept. 22, 2020).

⁴⁰ HVT at 20:15–21:15.

November 22, 2019 Order of Case No. 2019-00041⁴¹ and the Commission's Order of January 17, 2020, of Case No. 2020-00412.⁴² Mr. Turner testified that Hyden-Leslie District has implemented written policies required by the Commission's November 22, 2019 Order and reduced its water loss without receiving additional funding.⁴³ The Commission finds that Hyden-Leslie District should document its terms for its board of commissioners to clear up any confusion in the record, commit its water audit process to a written policy that includes repeating the assessment yearly, and file an alternative rate adjustment within three years of the date this order is entered. The Commission commends Hyden-Leslie District, its board of commissioners, and its manager on the progress made in improving its operations and setting policies into place to improve its financial stability. Based upon the record, the Commission finds that Hyden-Leslie District has complied with the November 22, 2019 Order and it should be dismissed from Case No. 2019-00041.⁴⁴

Materials and Supplies. Staff explained that purchases of telemetry equipment of \$12,696 and of electric pumps of \$2,372 are capital expenditures that should not be recorded as an expense in the year purchased, but rather depreciated over their estimated useful lives.⁴⁵ Accordingly, Staff reduced test-year Materials and Supplies

⁴¹ See Case No. 2019-00041, November 22, 2019 Order at 6–8, recommendations and orders for all parties; and Appendix E, specific orders.

⁴² See Case No. 2019-00412, January 17, 2020 Order at 13, discussing Hyden-Leslie District's historical practice of executing financing agreements payable at periods of not more than two years and using financing that requires approval through KRS 278.023, effectively avoided the Commission's review and examination of its rate structure and funding of basic operations.

⁴³ HVT, at 21:21–22:29.

⁴⁴ Vice Chairman Kent A. Chandler did not participate in the deliberations or decision concerning Case No. 2019-00041.

⁴⁵ Staff Report at 18, Adjustment I.

expense by \$15,068 to remove the capital expenditures.⁴⁶ Staff also increased Depreciation expense by \$1,389 to reflect depreciating telemetry equipment over 10 years and the electric motors over 20 years.⁴⁷ The Commission finds that the equipment purchases are capital expenditures and accepts Staff's proposed adjustments.

Depreciation. In the Staff Report, Staff recommended an adjustment reducing test-year Depreciation expense of \$855,250 by \$32,725 in keeping with Commission precedent⁴⁸ of using NARUC Study depreciable life midpoint when no evidence exists to support a specific life that is outside the NARUC ranges.⁴⁹ The Commission finds that this adjustment is reasonable and should be accepted as it is consistent with Commission precedent.

Rate Case Expense Amortization. Hyden-Leslie District did not request recovery of the legal fees it incurred to file its rate application.⁵⁰ In the Staff Report, Staff explained that since Hyden-Leslie District did not request rate recovery or provide documentation of the rate case costs it incurred, Staff was unable to include recovery of those costs in this instant case.⁵¹

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ See Case No. 2016-00163 *Alternative Rate Adjustment Filing of Marion County Water District* (Ky. PSC Nov. 10, 2016).

⁴⁹ Staff Report at 19–20, Adjustment J.

⁵⁰ *Id.* at 21–22.

⁵¹ *Id.*

On October 22, 2020, Hyden-Leslie District provided an itemized list of its rate case expenses and copies of the supporting invoices.⁵² Hyden-Leslie District proposes to recover its rate case expenses of \$22,815 over a three-year amortization period resulting in a \$7,605 revenue requirement increase.⁵³ Upon its review of the supporting invoices the Commission finds that Hyden-Leslie District's rate case cost is reasonable and that its request for a three-year amortization is appropriate and aligns with the Commission's requirement that Hyden-Leslie District file an alternative rate adjustment within three years of the date this order is entered. Accordingly, pro forma operating expenses are being increased by \$7,605.

Taxes Other Than Income–Payroll Taxes. In the Staff Report, Staff recommended that Hyden-Leslie District's test-year Payroll Tax expense of \$40,119 be decreased by \$2,600 to reflect Staff's adjustments to Salaries and Wages Expense.⁵⁴ Based upon the adjustments made herein for the new distribution operator and the lump-sum vacation payments, the Commission finds that Staff's pro forma Payroll Tax expense of \$37,519 should be increased by \$3,331.⁵⁵

SUMMARY OF REVENUE AND EXPENSES

Based on the pro forma adjustments approved herein, Hyden-Leslie District's pro forma operational revenue is as follows:⁵⁶

⁵² Submission of Rate Case Expenses and Request for Recovery (filed Oct 22, 2020).

⁵³ \$22,815 (Rate Case Expense) ÷ 3 (Years) = \$7,605.

⁵⁴ *Id.* at 20, Adjustment K.

⁵⁵ \$33,592 (Salary New Distribution Operator) + \$9,949 (Lump-Sum Vacation Pay) = \$43,541 x 7.65% (FICA Rate) = \$3,331.

⁵⁶ See Appendix B for a detailed Pro Forma Income Statement.

	Test Year Operations	Staff Report Pro Forma Adjustments	Order Pro Forma Adjustments	Order Pro Forma Adjustments
Total Operating Revenues	\$ 1,527,417	\$ 6,461	\$ (50,795)	\$ 1,483,083
Total Operating Expenses	2,400,372	(238,639)	70,063	2,231,796
Net Utility Operating Income	(872,955)	245,100	(120,858)	(748,713)
Non-Operating Income	2,972	0	0	2,972
Net Income Available for Debt Service	<u>\$ (869,983)</u>	<u>\$ 245,100</u>	<u>\$ (120,858)</u>	<u>\$ (745,741)</u>

REVENUE REQUIREMENT

Based upon the Commission's findings and determinations herein, Hyden-Leslie District requires an increase in revenues of \$1,098,544, or 74.27 percent above pro forma present rate revenues as shown below. This increase is required for Hyden-Leslie District to remain operational and financially sound and have an opportunity to provide adequate, efficient, and reasonable service to its customers.⁵⁷

Pro Forma Operating Expenses	\$ 2,231,796
Plus: Average Annual Debt Service Payments	294,003
Debt Coverage Requirement	<u>58,801</u>
Total Revenue Requirement	2,584,600
Less: Other Operating Revenue	(4,016)
Non-operating Income	
Interest Income	<u>(2,972)</u>
Revenue Required from Rates	2,577,612
Less: Normalized Revenues from Water Sales	<u>(1,479,067)</u>
Required Revenue Increase/(Decrease)	<u>\$ 1,098,545</u>
Percentage Increase	<u>74.27%</u>

⁵⁷ KRS 278.030(2).

RATE DESIGN

Hyden-Leslie District proposed to increase its current monthly water service rates evenly across-the-board by the percentage increase in Revenue Requirement.⁵⁸ In the Staff Report, Staff proposed to revise Hyden-Leslie District's rate design to a five-step declining block rate structure applicable to all customers. Staff performed a Cost of Service Study (COSS) following the guidelines and procedures recommended by the American Water Works Association (AWWA) in its Water Rates Manual M-1. The AWWA guidelines are general applicable industry guidelines for performing a COSS and, therefore, are a reasonable method for calculating rates. The Commission accepts Staff's analysis that this rate design change will provide Hyden-Leslie District's customers a more equitable manner of treatment and, therefore, finds that it should be approved.

Phase-in Approach. Hyden-Leslie District requested that the Commission authorize a two-year phase-in approach for its proposed 70.18 percent increase in rates. In the Staff Report, Staff determined rates for Hyden-Leslie District through a two-year phase-in approach. The rates in phase-one are sufficient to recover approximately 50.00 percent of the increase in revenue requirement and will allow the utility to cover cash operating expenses and to meet the minimum debt service requirements of its lenders.⁵⁹ The table below taken from Hyden-Leslie District's Annual Reports for the calendar years

⁵⁸ Application, Exhibit B.

⁵⁹ HVT at 2:00:12-2:00:51, Vilines testifying he agrees phased-in approach is appropriate because Hyden-Leslie District will be able to meet its operating expenses, but not fully contribute to its depreciation expense in the first year; HVT at 20:57-21:17, Turner testifying that Hyden-Leslie District is still operating "in the red" and its financial condition is relatively "unchanged" from the state that was so concerning to the Commission is Case No. 2019-00041 and Case No. 2019-00412, when questioned as to how a utility is able to operate on a negative cash flow, Mr. Turner explained the utility was using cash from its reserve accounts to operate.

2013–2019 shows that Hyden-Leslie District used the working capital from depreciation expense to fund its deficit spending rather than building its cash reserves.

Year	Cash	Deposits		Depreciation Expense
		Special	Other Special	
2013	145,815	1,251,727	1,353,422	636,162
2014	83,989	1,232,327	1,358,334	688,569
2015	196,465	1,015,508	1,257,373	770,693
2016	185,122	972,208	1,276,390	846,888
2017	107,258	871,914	1,078,611	866,466
2018	132,619	451,724	1,080,992	855,250
2019	129,659	404,171	911,450	785,429

While Hyden-Leslie District could not sustain itself on the rates in phase-one because it does not account for fully funding its depreciation expense, it can operate for a year on those rates to “lessen the blow” or shock of such a high rate increase.⁶⁰ The phase-two rates will recover the full amount of the revenue requirement increase for Hyden-Leslie District. L.J. Turner testified that public complaint and concern regarding the amount of the proposed rate increase is Hyden-Leslie District’s basis for requesting the phase-in approach.⁶¹ Mr. Turner also agreed that the utility should make an effort to educate the public as to why the rate increase is required to be such a large amount.⁶² The Commission finds that a phase-in approach should be utilized in order to lessen rate shock for customers in the circumstance of large increases, like the rate increase required here. The Commission notes that the large increase is required due to the fact that Hyden-Leslie District did not seek rate increases incrementally, and in fact did not seek a

⁶⁰ HVT at 16:25-17:11, Turner testifying to proposing the phase-in approach to “lessen the blow” of such a high rate increase.

⁶¹ *Id.* at 16:34–17:11; 27:01–27:32.

⁶² *Id.* at 29:13–29:46.

base rate increase since 1978.⁶³ Due to the exceptionally large rate increase required to allow Hyden-Leslie District to remain operational and financially sound to provide continued service to its customers, the Commission finds that the requested phase-in approach is reasonable in this instance and should be approved.

The Commission finds that the rates set forth in Appendix A are reasonable, and will produce sufficient revenue from water sales to recover the Revenue Required from Rates and should be approved. The phase-one rates will increase the monthly bill of a typical residential customer using 4,000 gallons of water by \$11.60, from \$31.48 to \$43.08, or approximately 36.80 percent. The phase-two rates will increase the monthly bill of a typical residential customer by \$11.66, from \$43.08 to \$54.74, or approximately 27.10 percent.

Nonrecurring Charges. Hyden-Leslie District proposed to increase certain nonrecurring charges: Meter Tap-on Fee-5/8-Inch x 3/4-Inch Meter; Deposit; Reconnection Charge; and Reconnection Charge (After Hours). Hyden-Leslie District further proposed to establish new nonrecurring charges for Connection/Turn-on Charge, Meter Test Request Charge, Service Call Investigation Charge, Service Call Investigation Charge (After Hours), Damage to Meter Setting or Lid, and Meter Relocate Charge. The Staff Report accepted these increases based upon the filed cost justification sheets.⁶⁴ The Commission finds that the calculation of nonrecurring charges should be revised and only the marginal costs related to the service should be recovered through a special

⁶³ *Id.* at 3, Hyden-Leslie District did not seek a base rate increase before filing this case since 1978. See, Case No. 2019-00041, November 22, 2019 Order, Appendix L, at 16.

⁶⁴ Staff Report at 7.

nonrecurring charge for service provided during normal working hours. The Commission is concerned that charges be directly related to the actual cost incurred to provide the service, thus preventing fees and charges from accumulating unjustly, and which do not reflect the actual costs incurred. It is unreasonable to allocate an expense already incurred as a cost of maintaining a system, such as the salary of a distribution operator, to a nonrecurring service such as the connection and reconnection of a meter during normal working hours. Therefore, the proposed Connection/Turn-on Charge, Meter Test Request Charge, Reconnection Charge, and Service Call Investigation Charge should each be reduced by the estimated labor costs stated in the cost justification sheets.⁶⁵ The two proposed nonrecurring charges, Damage to Meter Setting or Lid and Meter Relocate charges at Actual Cost, have costs that will differ with each occurrence. Therefore, the charges related to these two nonrecurring charges should be determined individually and should only include the individual incremental costs for each occurrence. The Commission finds the revised nonrecurring charges set out in Appendix A are reasonable and should be approved.

Late Payment Fee. Hyden-Leslie District assesses customers who pay their bill after the date in which the bill is due a 10 percent late payment fee. This fee is intended to elicit customer behavior, is not cost based, and creates a hardship on customers that are already unable to timely pay for service. The evidence collected in Case No. 2020-00085, the portion of which related to Hyden-Leslie District was discussed at the hearing

⁶⁵ Application, Exhibit Q. HVT at 1:27:42-1:28:22, Turner testifying that field work done after hours is not processed in the office until the next day during normal working hours.

in this matter, has challenged the efficiency of late fees.⁶⁶ In response to the Commission's Request for Information in Case No. 2020-00085, the data provided by Hyden-Leslie District demonstrated that the required moratorium on late payment fees had no material effect on the percentage of customers paying on time.⁶⁷ For instance, the Commission specifically discussed a portion of Hyden-Leslie District's data in its September 21, 2020 Order stating:

For instance, as of June 20, 2020, Hyden-Leslie County Water District had 323 customers subject to disconnection but for the Commission's moratorium, while in 2019 the utility only disconnected 242 customers.⁶⁸ Nevertheless, the range of late payment notices issued by the utility each month, the utility action immediately preceding a disconnection, was between 325 and 457, all more than the total that would be subject to disconnection midyear 2020.⁶⁹ Although the average total bill⁷⁰ is increasing during the pandemic, these amounts are not materially different from past years. This data indicates a relatively minor impact to utility income statements.⁷¹

The Commission, in its September 21, 2020 Order in Case No. 2020-00085, also discussed the fact that late fees are not calculated based upon actual costs or the time value of money.⁷²

⁶⁶ See Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC March 16, 2020), Hyden-Leslie District's Response to Commission Staff's Initial Request for Information (filed July 23, 2020).

⁶⁷ *Id.*

⁶⁸ *Id.* Response to Question No. 8.

⁶⁹ *Id.* Response to Question No. 10.

⁷⁰ Total bill is defined in this context as the bill for current service plus arrearages and fees.

⁷¹ Case No. 2020-00085 *Emergency Docket Related to COVID-19* (Ky. PSC Sept. 21, 2020), Order at 5.

⁷² *Id.* at 3.

Commission regulation 807 KAR 5:006, Section 9(2) states: “A charge shall relate directly to the service performed or action taken and shall yield only enough revenue to pay the expenses incurred in rendering the service.” The evidence provided in Case No. 2020-00085, and the record here, shows that Hyden-Leslie District, like other similarly situated utilities, has relied on these fees as a significant portion of its income and the process disproportionately affects those customers who already struggle to pay for service. It is not reasonable to continue to collect late fees that do not have the intended impact on customer’s behavior. Commission regulation 807 KAR 5:006, Section 9(3)(h), states that “[a] late payment charge may be assessed if a customer fails to pay a bill for services by the due date shown on the customer’s bill,”⁷³ which allows the Commission discretion to determine whether the fee is fair, just, and reasonable. The collection of late fees is not recovering an actual cost that the utility incurs, it is purely a punitive exercise that disproportionately affects those customers already unable to pay for service rendered, and the evidence in this matter indicates it has little-to-no effect on a customer’s timeliness of payment. Therefore, the Commission has included the amount estimated to have been collected by Hyden-Leslie District in the test year by collection of late fees to the revenue requirement so that the utility can receive the income through its base rates. This allows Hyden-Leslie District to have a secure revenue stream related to service rendered as opposed to the more volatile or amounts vulnerable to disruption by conditions such as the COVID crisis which caused utilities to lose a stream of income upon which they otherwise depended.

⁷³ 807 KAR 5:006, Section 9(3)(h).

Also, discussed generally by the Commission in the September 21, 2020 Order of Case No. 2020-00085,

The Commission is sincerely concerned with smaller utilities' processes for writing off bad debt, where it is apparent from data request responses that many utilities merely give up on amounts owed and make little attempt to recover the monies. Additionally, the Commission is concerned by the degree at which jurisdictional utilities depend on late payment fees and nonrecurring charges to meet their income requirements. As noted before, late payment fees are merely used to incentivize on-time payment, and nonrecurring charges are supported as being merely cost-based.⁷⁴

The Commission is specifically concerned about Hyden-Leslie District's accrual of bad debt expense and their write-off practices. Based upon the evidence of record, the Commission finds that it is unreasonable for Hyden-Leslie District to collect the Late Payment Fee.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. The findings contained in the Staff Report are supported by the evidence of record and are reasonable with the adjustments proposed by Hyden-Leslie District in its Response and modified by the Commission's additional adjustments.
2. The water service rates proposed by Hyden-Leslie District in its application should be denied.
3. The water service rates set forth in Appendix A to this Order are fair, just, and reasonable and should be approved.

⁷⁴ Case No. 2020-00085 *Emergency Docket Related to COVID-19* (Ky. PSC Sept. 21, 2020), Order at 12.

4. Hyden-Leslie District's Late Payment Fee should be discontinued.
5. The use of a monthly surcharge assessed over 48 months is a reasonable means of funding Hyden-Leslie District's unaccounted-for water loss reduction efforts.
6. Hyden-Leslie District should be authorized to assess a monthly surcharge of \$1.53 per customer for 48 months, or until \$263,124 has been assessed, whichever occurs first, to fund its unaccounted-for water loss reduction efforts as set forth in the Staff Report, subject to the conditions set forth in finding paragraph 7.
7. The Commission should open a separate case to monitor the surcharge proceeds collection and expenses, with the following conditions.
 - a. Within 120 days of the date of this Order, Hyden-Leslie District should file with the Commission a qualified infrastructure improvement plan, including a comprehensive unaccounted-for water loss reduction plan that establishes priorities and a time schedule for eliminating each source of unaccounted-for water loss and provides a detailed spending plan for the proceeds of a surcharge.
 - b. Hyden-Leslie District should deposit surcharge collections in a separate interest-bearing account.
 - c. Hyden-Leslie District should file monthly activity reports with the Commission that include a statement of monthly surcharge billings and collections; a monthly surcharge bank statement; a list of each payment from the account, its payee, and a description of the purpose; and invoices supporting each payment.
 - d. Hyden-Leslie District should file monthly water loss reports with the Commission.

e. Surcharge proceeds should not be used to reimburse Hyden-Leslie District for unaccounted-for water loss reduction expenses incurred prior to the date of this Order.

f. Hyden-Leslie District's surcharge and water loss detection and repair program is subject to annual Commission reviews that will examine the progress of the water loss detection and repair program and expenditures made with surcharge proceeds and consider adjustments to the program and the surcharge amount.

g. Hyden-Leslie District's failure to comply with any conditions attached to its assessment of the surcharge will result in termination of the surcharge and the refund of collected surcharge proceeds disbursed on expenses or projects outside the scope of expenses and projects approved by the Commission.

8. The 30-year Assistance Agreement with KIA is for lawful objects within the corporate purposes of Hyden-Leslie District; is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public; will not impair its ability to perform that service; is reasonable, necessary, and appropriate for such purposes; and should be approved.

9. Hyden-Leslie District should execute its note as security for the proposed loan in the manner described in its application for a term of one year.

10. Within ten days of the execution of the 30-year Assistance Agreement with KIA loan documents, Hyden-Leslie District should file with the Commission one copy in paper medium and an electronic version of the loan documents.

11. The proceeds from the proposed loan should be used only for the lawful purposes set out in Hyden-Leslie District's Application in Case No. 2019-00412.

12. The terms and conditions of the 30-year Assistance Agreement with KIA should be consistent with the KIA assistance program as described in Hyden-Leslie District's Application in Case No. 2019-00412.

13. Hyden-Leslie District should document its terms for its board of commissioners and file the confirmed terms with the Commission.

14. Hyden-Leslie District should commit the water audit process filed in Case No. 2019-00041 to a written policy that includes repeating the assessment yearly.

15. Hyden-Leslie District should file an alternative rate adjustment within three years of the date this order is entered.

16. Hyden-Leslie District has complied with the November 22, 2019 Order in Case No. 2019-00041 and should be dismissed as a party to that case.⁷⁵

IT IS THEREFORE ORDERED that:

1. The findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.

2. The rates originally proposed by Hyden-Leslie District are denied.

3. The rates set forth in Appendix A to this Order are approved for services rendered by Hyden-Leslie District on and after the date of this Order.

4. Hyden-Leslie District shall discontinue charging a Late Payment Fee.

⁷⁵ Vice Chairman Kent A. Chandler did not participate in the deliberations or decision concerning Case No. 2019-00041.

5. The Commission shall open a separate proceeding, Case No. 2020-00340,⁷⁶ to monitor the surcharge proceeds collection and expenses, subject to the following conditions:

a. Within 120 days of the date of this Order, Hyden-Leslie District shall file with the Commission a qualified infrastructure improvement plan, including a comprehensive unaccounted-for water loss reduction plan that establishes priorities and a time schedule for eliminating each source of unaccounted-for water loss and provides a detailed spending plan for the proceeds of a surcharge.

b. Hyden-Leslie District shall deposit surcharge collections in a separate interest-bearing account. On the 15th day of each month for 48 months from the date of this Order or until all surcharge proceeds are expended, Hyden-Leslie District shall file with the Commission a monthly activity report that includes a statement of monthly surcharge billings and collections; a monthly surcharge bank statement; a list of each payment from the account, its payee, a description of the purpose; and invoices supporting each payment.

c. On the 15th day of each month for 48 months from the date of this Order or until all surcharge proceeds are expended, Hyden-Leslie District shall file a monthly water loss report with the Commission.⁷⁷

⁷⁶ Case No. 2020-00340, *Electronic Hyden-Leslie Water District's Unaccounted-for Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Nov. 6, 2020).

⁷⁷ The report format is found at <https://psc.ky.gov/Home/UtilForms> under "Water Use & Loss Calculations (Excel format)."

d. Hyden-Leslie District shall not use any surcharge proceeds for reimbursement of unaccounted-for water loss reduction expenses without prior Commission authorization.

e. Hyden-Leslie District shall consider all surcharge collections as contributions and shall account for them in the manner that the Uniform System of Accounts for Class A and B Water Districts and Associations prescribes.

f. Hyden-Leslie District shall debit monthly billings for the surcharge to customers' accounts receivable and credit the contribution account.

g. When Hyden-Leslie District collects the surcharge from the customers, it shall debit special funds and credit the customer account.

h. One year after the date of entry of this Order and annually thereafter, Hyden-Leslie District shall file in Case No. 2020-00340 a schedule of the estimated and actual progress of the water loss detection and repair program, and estimated and actual expenditures made with surcharge proceeds, for the purpose of evaluating whether adjustments to the program or to the surcharge amount are required.

i. Hyden-Leslie District's failure to comply with the conditions set forth in ordering paragraph 4 shall result in termination of the surcharge and the refund of collected surcharge proceeds disbursed on expenses or projects outside the scope of expenses and projects approved by the Commission.

6. Within 20 days of the date of entry of this Order, Hyden-Leslie District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date and stating that the rates and charges were authorized by this Order.

7. Hyden-Leslie District is authorized to enter into a Loan Agreement with KIA to borrow no more than the total amount to pay off the 2020 assistance agreement indebtedness proposed to be refinanced as identified in the application. The loan maturity date and interest rate shall be in accordance with the KIA assistance program as described in Hyden-Leslie District's application.

8. Hyden-Leslie District shall execute the KIA loan documents as authorized herein.

9. Hyden-Leslie District shall comply with all matters set out in finding paragraphs 8 through 12, as if they were individually so ordered.

10. Any documents filed in the future pursuant to finding paragraphs 8 through 12 shall reference Case No. 2019-00412.

11. Hyden-Leslie District shall document and file its terms for its board of commissioners within 120 days of the date this Order is entered.

12. Hyden-Leslie District shall file a revised copy of the written water audit process filed in Case No. 2019-00041 for the utility that includes the requirement that the assessment is repeated yearly within 120 days of the date this Order is entered.

13. Hyden-Leslie District should file an alternative rate adjustment within three years of the date this Order is entered.

14. Hyden-Leslie District is dismissed as a party to Case No. 2019-00041.

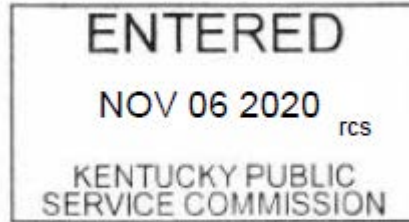
15. This case is closed and removed from the Commission's docket.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Vice Chairman Kent A. Chandler did not participate in the deliberations or decision concerning Case No. 2019-00041.

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By the Commission



ATTEST:



Deputy Executive Director

Case No. 2020-00141

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00141 DATED NOV 06 2020

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

Phase-one Monthly Water Rates

First	2,000 Gallons	\$23.44 Minimum Bill
Next	3,000 Gallons	.00982 Per Gallon
Next	20,000 Gallons	.00860 Per Gallon
Next	75,000 Gallons	.00738 Per Gallon
Over	100,000 Gallons	.00617 Per Gallon

Phase-two Monthly Water Rates to become effective
one year after the date of this Order

First	2,000 Gallons	\$29.78 Minimum Bill
Next	3,000 Gallons	.01248 Per Gallon
Next	20,000 Gallons	.01093 Per Gallon
Next	75,000 Gallons	.00938 Per Gallon
Over	100,000 Gallons	.00784 Per Gallon

NONRECURRING CHARGES

Meter Tap-on Fee	\$1,000.00
Connection Turn-On Charge	10.44
Deposit	74.00
Meter Test Request Charge	20.44
Reconnection Charge	10.44
Reconnection Charge (After Hours)	53.62
Service Call Investigation Charge	10.44
Service Call Investigation Charge (After Hours)	53.62
Damage to Meter Setting or Lid	Actual Cost
Meter Relocate	Actual Cost
<u>Monthly Water Loss Reduction Surcharge</u>	\$1.53 Per Customer

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2020-00141 DATED NOV 06 2020

Detailed Pro Forma Income Statements

	Pro Forma Operations	Staff Report Pro Forma Adjustments	Adj. Ref.	Staff Report Pro Forma Operations	Final Order Pro Forma Adjustments	Adj. Ref.	Final Order Pro Forma Operations
Operating Revenues:							
Total Metered Sales	\$ 1,472,606	\$ 6,461	(A)	\$ 1,479,067			\$ 1,479,067
Other Water Revenues:							
Forfeited Discounts	0	50,458	(B)	50,458	(50,458)	(1)	0
Misc. Service Revenues	0	4,075	(B)	4,075	(337)	(1)	3,738
Other Water Revenues	54,811	(54,533)	(B)	278			278
Total Other Operating Revenue	54,811	0		54,811	(50,795)		4,016
Total Operating Revenues	1,527,417	6,461		1,533,878	(50,795)		1,483,083
Operating Expenses:							
Operation and Maintenance:							
Salaries and Wages - Employees	546,881	(22,999)	(C)				
		(23,495)	(D)		33,592	(2)	
		(9,949)	(E)	490,438	9,949	(3)	533,979
Salaries and Wages - Officers	27,600			27,600			27,600
Employee Pensions and Benefits	232,337	22,999	(C)				
		(6,286)	(C)				
		1,523	(F)		2,177	(4)	
		(91,933)	(G)	158,640	13,409	(5)	174,226
Purchased Power	271,646	(48,531)	(H)	223,115			223,115
Chemicals	96,555	(17,250)	(H)	79,305			79,305
Materials and Supplies	130,293	(15,068)	(I)	115,225			115,225
Contractual Services	24,938			24,938			24,938
Transportation Expenses	44,455			44,455			44,455
Insurance	51,209			51,209			51,209
Bad Debt Expense	18,672			18,672			18,672
Miscellaneous Expenses	60,417	6,286	(C)	66,703			66,703
Total Operation and Maint. Expenses	1,505,003	(204,703)		1,300,300	59,127		1,359,427
Depreciation Expense	855,250	(32,725)	(J)				
		1,389	(I)	823,914			823,914
Rate Case Amortization					7,605	(6)	7,605
Taxes Other Than Income	40,119	(2,600)	(K)	37,519	3,331	(7)	40,850
Total Operating Expenses	2,400,372	(238,639)		2,161,733	70,063		2,231,796
Net Utility Operating Income	(872,955)	245,100		(627,855)	(120,858)		(748,713)
Non-Operating Income							0
Interest Income	2,972			2,972			2,972
Net Income Available for Debt Service	\$ (869,983)	\$ 245,100		\$ (624,883)	\$ (120,858)		\$ (745,741)

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