

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BULLOCK PEN)	CASE NO.
WATER DISTRICT FOR AN ALTERNATIVE RATE)	2022-00378
ADJUSTMENT)	

ORDER

On December 13, 2022,¹ Bullock Pen Water District (Bullock Pen District) filed its application with the Commission requesting an adjustment to its water rates pursuant to 807 KAR 5:076.

In its application, Bullock Pen District requested rates that would increase its annual water sale revenues by \$550,068, or a 12.79 percent increase to pro forma present rate water sale revenues.

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated January 10, 2023, which, among other things, required the Commission Staff to file a report containing its recommendations regarding Bullock Pen District's application. Bullock Pen District responded to two requests for information from Commission Staff.² On April 6, 2023, The Commission, on its own

¹ Bullock Pen District tendered its application on December 9, 2022. By letter dated December 12, 2022, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on December 13, 2022.

² Bullock Pen District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Feb. 2, 2023); Bullock Pen District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Mar. 2, 2023).

motion, revised the procedural schedule changing the due date for Commission Staff's Report to April 27, 2023.³

Commission Staff's Report was filed on April 25, 2023, summarizing its findings and recommendations regarding Bullock Pen District's requested rate adjustment. In the Commission Staff's Report, Commission Staff found that Bullock Pen District's adjusted test-year operations support an overall revenue requirement of \$4,977,157, and that an annual revenue increase of \$355,637, or 8.27 percent, is necessary to generate the overall revenue requirement. In the absence of a cost-of-service study (COSS), Commission Staff allocated its recommended revenue increase evenly across the board to calculate its recommended water rates.

On May 8, 2023, Bullock Pen District filed its response to Commission Staff's Report.⁴ In its written comments, Bullock Pen District disagreed with Commission Staff's proposal to remove the adjustments proposed for Purchase Power,⁵ Chemicals,⁶ and Transportation Expenses.⁷ With its response, Bullock Pen District did not request an informal conference or hearing be held. The case now stands submitted for a decision by the Commission.

LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small

³ Procedural Schedule Amendment Order (Ky. PSC Apr. 6, 2023).

⁴ Bullock Pen District's Response to Commission Staff's Report (filed May 8, 2023).

⁵ Bullock Pen District's Response to Commission Staff's Report, Item D.

⁶ Bullock Pen District's Response to Commission Staff's Report, Item E.

⁷ Bullock Pen District's Response to Commission Staff's Report, Item G.

utilities to use to request rate adjustments, with the process designed to be less costly to the utility and the utility ratepayers. The Commission's standard review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, Bullock Pen District is allowed to charge its customers "only fair, just and reasonable rates."⁸ Further, Bullock Pen District bears the burden of proof to show that the proposed rate increase is just and reasonable under KRS 278.190(3).

BACKGROUND

Bullock Pen District is a water district organized pursuant to KRS Chapter 74. It owns and operates a water distribution system through which it provides water service to approximately 7,009 residential customers, 469 commercial customers, five industrial customers, and three multiple family dwellings that reside in Boone, Gallatin, Grant, Kenton, and Pendleton counties, Kentucky.⁹ Bullock Pen District both produces its own water; and purchases water from Boone County Water District, city of Williamstown, city of Walton, and the Northern Kentucky Water District.¹⁰ A review of the Commission's records indicates this is Bullock Pen District's first alternative rate adjustment since 2008.¹¹

⁸ *City of Covington v. Public Service Commission*, 313 S.W.2d 391 (Ky. 1958); and *Public Service Comm'n v. Dewitt Water District*, 720 S.W.2d 725 (Ky. 1986).

⁹ *Annual Report of Bullock Pen Water District to the Public Service Commission for the Calendar Year Ended December 31, 2021* (2021 Annual Report) at 12 and 52.

¹⁰ 2021 Annual Report at 57.

¹¹ Case No. 2008-00170, *The Application of Bullock Pen Water District for a Certificate of Public Convenience and Necessity to Construct Proposed Waterworks Improvement Project and for Approval of Proposed Plan of Financing, Increase in Rates, Nonrecurring Charges, and Tariff Revisions* (Ky. PSC Feb. 2, 2010).

TEST PERIOD

The calendar year ended December 31, 2021, was used as the test year to determine the reasonableness of Bullock Pen District's existing and proposed water rates as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

The Commission Staff's Report summarizes Bullock Pen District's pro forma income statement as follows:

	<u>Test-Year Operations</u>	<u>Pro Forma Adjustments</u>	<u>Commission Staff Report Pro Forma</u>
Operating Revenues	\$ 4,617,759	\$ (10,060)	\$ 4,607,699
Operating Expenses	<u>4,447,749</u>	<u>96,114</u>	<u>4,543,863</u>
Net Utility Operating Income	170,010	(106,174)	63,836
Gains from Disposition of Utility Property	425	(425)	-
Interest and Dividend Income	<u>13,821</u>	<u>-</u>	<u>13,821</u>
Total Utility Operating Income	<u><u>\$184,256</u></u>	<u><u>\$ (106,599)</u></u>	<u><u>\$ 77,657</u></u>

REVIEW AND MODIFICATIONS TO COMMISSION STAFF'S RECOMMENDATIONS

Bullock Pen District proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In the Commission Staff's Report, Commission Staff proposed additional adjustments. The Commission accepts the findings and recommendations contained in the Commission Staff's Report with four modifications, one to each of Purchased Power, Chemicals, Sample Analysis Fees, and Transportation Expense.

	Test Year	Commission Staff's Proposed Adjustment	Commission Pro Forma Adjustment	Final Pro Forma
<u>Operating Revenues</u>				
Sales of Water				
Unmetered Water Sales	\$ 572			\$ 572
Metered Water Sales	4,286,633	-		4,286,633
Bulk Loading Stations	14,808			14,808
Total Sales of Water	4,302,013	-		4,302,013
Other Water Revenues				
Forfeited Discounts	84,086			\$ 84,086
Miscellaneous Service Revenues	231,660	(10,060)		221,600
Total Other Water Revenues	315,746	(10,060)		305,686
Total Operating Revenues	4,617,759	(10,060)		4,607,699
<u>Operating Expenses</u>				
Operating and Maintenance Expenses				
Salaries and Wages- Employees	798,177	34,453		832,630
Salaries and Wages- Officers	13,200	200		13,400
Employee Pensions and Benefits	490,105	(22,509)		467,596
		22,443		490,038
Purchased Water	1,856,398	88,107		1,944,505
Purchased Power	90,546	-	16,724	107,270
Chemicals	51,886	-	35,441	87,327
Materials and Supplies	171,076			171,076
Contractual Services	178,125			178,125
Water Testing	9,599	-	4,614	14,213
Rents	1,780			1,780
Transportation Expenses	23,843	-	12,840	36,683
Insurance	40,574			40,574
Bad Debt Expense	31,755			31,755
Miscellaneous Expenses	6,462			6,462
Total Operation and Maintenance Expenses	3,763,526	122,693	69,619	3,955,838
Depreciation Expenses	613,202	(32,127)		581,075
Amortization Expense	1,633			1,633
Taxes other than Income	69,388	5,548		74,936
Total Operating Expenses	4,447,749	96,114	69,619	4,613,482
Utility Operating Income	170,010	(106,174)	(69,619)	(5,783)
<u>Other Revenues and Deductions</u>				
Gains (Losses) from Disposition of Utility Property	425	(425)		-
Interest and Dividend Income	13,821			13,821
Total Other Revenues and Deductions	14,246	(425)	-	13,821
Income available for Debt Service	\$ 184,256	\$ (106,599)	\$ (69,619)	\$ 8,038

REVENUE REQUIREMENTS

Billing Analysis. Bullock Pen District provided usage data by meter size, listing the water usage and water sales revenue for the 12-month test year ended December 31, 2021. In the Commission Staff's Report, Commission Staff recommended no adjustment to Bullock Pen District's test-year Water Sales Revenue of \$4,286,633.¹² The Commission finds that this is reasonable because an examination of Bullock Pen District's billing analysis was completed by Commission Staff and a normalized revenue was based on the information provided by the utility in the case record.

Other Water Revenues – Miscellaneous Service Revenues. In the Commission Staff's Report, Commission Staff recommended a decrease to Miscellaneous Service Revenues of \$10,060 to reflect the removal of estimated labor expenses to reflect the changes in the nonrecurring charges.¹³

The Commission agrees with the Commission Staff's Report, which is consistent with recent Commission decisions, that labor expenses resulting from work during normal business hours should not be recovered through nonrecurring charges.¹⁴ The Commission requires that charges be directly related to the actual cost incurred to provide the service. It is unreasonable to allocate an expense already incurred and recovered in customer rates as a day-to-day 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. Only the marginal costs related to the service

¹² Commission Staff's Report at 8, Adjustment A.

¹³ Commission Staff's Report at 8–10, Adjustment B.

¹⁴ Case No.2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment*, (Ky. PSC Nov. 6, 2020), Order at 19–20.

should be recovered through a special nonrecurring charge for service provided during normal working hours. For the reasons discussed above, the estimated labor expenses previously included in determining the amount of nonrecurring charges should be eliminated from the charges as proposed by Commission Staff and a corresponding reduction to Other Operating Revenues should be made to reflect the changes in the nonrecurring charges. Thus, the Commission finds the revised nonrecurring charges set out in the Appendix and the decrease of \$10,060 to Other Water Revenues to be reasonable.¹⁵

Purchased Water Expense. In Commission Staff's Report, Commission Staff recommended an increase to Bullock Pen District's Purchased Water Expense of \$88,107¹⁶ to reflect the normalization of Purchased Water Expense utilizing test year gallons purchased at current rates. The Commission finds that this adjustment is a known and measurable change to Purchased Water, is reasonable, and should be accepted.

Purchased Power Expense. In its application, Bullock Pen District proposed an adjustment to increase Purchased Power Expense by \$19,300. Bullock Pen District provided a schedule in the application breaking out the expense amount by month and year, with relevant categories. Bullock Pen District also provided copies of all 2022

¹⁵ See 807 KAR 5:001E, 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 Therefore; (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).

¹⁶ Commission Staff's Report at 10–11, Adjustment C.

invoices for Purchased Power Expense. In Commission Staff's Report, Commission Staff recommended no adjustment to Bullock Pen District's Purchased Power Expense.¹⁷ Commission Staff did not recommend an adjustment contending that Bullock Pen District's failure to provide evidence of or incorporate volumetric changes into the Purchased Power Expense adjustment failed to satisfy the requirement that pro forma adjustments in a historical test year must be known and measurable changes from the test year.

In its response to Commission Staff's Report, Bullock Pen District asserted that it supplied actual invoices that demonstrate an increase in Purchased Power Expense as evidence of the proposed adjustment.

Based upon a review of the case record and being otherwise sufficiently advised, the Commission totaled the 2022 invoices for Purchased Power Expenses provided and finds that Bullock Pen District provided sufficient evidence of a \$16,724 increase in Purchased Power Expense that is known and measurable. As the Commission stated in Case No. 2008-00563, when an applicant bases a rate adjustment application upon a historical test period, the support for any known and measurable adjustments must include "some documentary evidence to demonstrate the certainty" of the expected change.¹⁸ Here, Bullock Pen District provided a schedule of its expenses and its actual 2022 invoices for the purchased power expense that are known and measurable evidence of the expense amount. In addition, the invoices provide a more accurate representation

¹⁷ Commission Staff's Report at 11–12, Adjustment D.

¹⁸ Case No. 2008-00563, *Application of Water Service Corporation of Kentucky for an Adjustment of Rates* (Ky. PSC Nov. 9, 2009), Order at 12. See also Case No. 2001-0021, *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), Order at 8.

of cost increases year-over-year. As such, the Commission finds that this adjustment, is a known and measurable change to Purchased Power Expense, and is reasonable, based on previous Commission decision and should be accepted.

Therefore, as shown below, the Commission finds that it is necessary to increase the Revenue Requirements by an additional \$16,724

Period	Owen Electric	Duke Energy	Total
Jan-22	\$ 5,061	\$ 6,855	\$ 11,916
Feb-22	5,980	6,248	12,228
Mar-22	4,740	3,872	8,612
Apr-22	3,916	4,648	8,564
May-22	3,613	3,708	7,321
Jun-22	3,289	5,109	8,398
Jul-22	3,283	4,342	7,625
Aug-22	3,344	4,427	7,771
Sep-22	3,323	3,955	7,278
Oct-22	3,225	5,284	8,509
Nov-22	3,907	5,515	9,422
Dec-22	4,093	7,228	11,321
Total 2022 Purchased Power Expense			108,965
Less: Test Year Purchased Power			<u>(90,546)</u>
Revenue Requirement Adjustment			<u>\$ 16,724</u>

Chemical Expense. In its application, Bullock Pen District proposed an adjustment to increase Chemical Expense by \$29,210. Bullock Pen District provided a schedule in the application breaking out the expense amount by month and year, with relevant categories. Bullock Pen District also provided copies of all 2022 invoices for Chemical Expense. In Commission Staff's Report, Commission Staff recommended no adjustment to Bullock Pen District's Chemical Expense.¹⁹ Similar to the above discussion regarding

¹⁹ Commission Staff's Report at 12, Adjustment E.

Purchase Power Expense, Commission Staff did not recommend an adjustment, contending that pro forma adjustments in a historical test year must be known and measurable changes from the test year amount and Bullock Pen District did not incorporate volumetric differences into the adjustment.

Similar to the above discussion regarding Purchase Power Expense, in its response to Commission Staff's Report, Bullock Pen District asserted that it provided sufficient evidence to support the proposed adjustment because it provided a schedule of expense amount and 2022 invoices that demonstrated a \$35,441 increase in Chemical Expense.

For the same reasons discussed above in Purchased Power Expense; the Commission totaled the 2022 invoices for Chemical Expenses provided and finds that Bullock Pen District provided sufficient evidence of a \$35,441 increase to Chemical Expense that is known and measurable. The Commission also finds that this adjustment is a known and measurable change to Chemical Expense, is reasonable based on previous Commission decisions, and should be accepted.

Therefore, as shown below, the Commission finds that it is necessary to increase the Revenue Requirements by an additional \$35,441.

Period	Aluminum Chloride Hydroxide Sulfate	Hypochlorite Watercarb 800 Ferric Chloride	Chlorine	Cylinder Deposit	Cylinder Refund	Activated Carbon	Hydrogen Peroxide	Drum Deposit	Hydrofluorosilicic Acid	Praestol Polymer	Fuel Surcharge	Total
Jan-22	\$ 4,659.09	\$ -	\$ 504	\$ 300	\$ (300)	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ 5,163
Feb-22	5,173	-	1,025	500	(500)	-	-	-	-	-	-	6,198
Mar-22	5,445	-	-	-	-	-	-	-	-	-	-	5,445
Apr-22	5,352	-	1,435	700	(700)	-	-	-	970.55	-	-	7,757
May-22	7,858	2,596	1,435	700	(600)	-	-	(300)	-	742	180	12,611
Jun-22	3,895	865	820	400	(400)	168	-	-	-	-	-	5,749
Jul-22	-	-	1,320	600	(700)	-	-	-	-	2,225	90	3,535
Aug-22	7,543	1,298	-	-	-	-	230.55	75	1,125.58	-	90	10,362
Sep-22	5,819	433	1,100	500	(600)	-	-	-	-	-	90	7,341
Oct-22	3,647	865	1,150	500	(300)	-	76.85	25	-	742	90	6,795
Nov-22	7,595	1,298	460	200	(500)	-	-	-	-	-	90	9,143
Dec-22	4,054	1,731	1,150	500	(500)	-	153.7	50	-	-	90	7,228
Total	\$ 61,040	\$ 9,085	\$ 10,399	\$ 4,900	\$ (5,100)	\$ 168	\$ 461	\$ (150)	\$ 2,096	\$ 3,708	\$ 720	
Total Chemical Expense												87,327
Less: Test year Chemical Expense												(51,886)
Revenue Requirement Adjustment												\$ 35,441

Sample Analysis Fees Expense. In its application, Bullock Pen District proposed an adjustment to increase Sample Analysis Fees by \$3,747. Bullock Pen District provided a schedule in the application breaking out the expense amount by month and year, with relevant categories. Bullock Pen District also provided copies of all 2022 invoices for Chemical Expense. In Commission Staff's Report, Commission Staff recommended no adjustment to Bullock Pen District's Sample Analysis Fees Expense.²⁰ Commission Staff did not recommend an adjustment, contending that pro forma adjustments in a historical test year must be known and measurable changes from the test year amount and Bullock Pen District did not incorporate volumetric differences into the adjustment.

In its response to Commission Staff's Report, Bullock Pen District did not address Commission Staff's recommendation to deny this adjustment.

For the same reasons discussed above in Purchased Power Expense and Chemical Expense; the Commission totaled the 2022 invoices for Sample Analysis Fees Expenses provided and finds that Bullock Pen District provided sufficient evidence of a \$4,614 increase to Sample Fee Analysis Expense that is known and measurable. The Commission also finds that this adjustment is a known and measurable change to Sample Fee Analysis Expense, is reasonable based on previous Commission decisions, and should be accepted.

Therefore, as shown below, the Commission finds that it is necessary to increase the Revenue Requirements by an additional \$4,614.

²⁰ Commission Staff's Report at 12–13, Adjustment F.

Period	Sample Analysis	Bacteriological Samples	TTHM	HAA5	Testing Reagents	Totals
Jan-22	\$ 347	\$ 810	\$ 168	\$ 480	\$ -	\$ 1,805
Feb-22	158					158
Mar-22	781					781
Apr-22	356	1,170	168	480		2,174
May-22	234					234
Jun-22	254	1,170	168	480	1,353	3,425
Jul-22	-					-
Aug-22	254					254
Sep-22	132	1,275	168	480		2,055
Oct-22	377					377
Nov-22	659					659
Dec-22	458	1,185	168	480		2,291
Total	\$ 4,010	\$ 5,610	\$ 840	\$ 2,400	\$ 1,353	
Total Sample Fee Analysis Expense						14,213
Less: Test Year Sample Fee Analysis Expense						(9,599)
Revenue Requirement Adjustment						\$ 4,614

Transportation Expense. In its application, Bullock Pen District proposed an adjustment to increase Transportation Expense by \$12,839. Bullock Pen provided a schedule in the application breaking out the expense amount by month and year, with relevant categories. Bullock Pen District also provided copies of all 2022 invoices for Transportation Expense. In Commission Staff's Report, Commission Staff recommended no adjustment to Bullock Pen District's Transportation Expense.²¹ For the same reasons as discussed in Purchase Power Expense and Chemical Expense, Commission Staff did not recommend an adjustment since pro forma adjustments in a historical test year must be known and measurable changes from the test year amount, contending that Bullock Pen District's methodology was flawed and thus were not known and measurable changes.

In its response to Commission Staff's Report, Bullock Pen District asserted that it provided sufficient evidence to support the proposed adjustment because it provided a

²¹ Commission Staff's Report at 13, Adjustment G.

schedule of expense amount and 2022 invoices that demonstrated a \$12,839 increase in Transportation Expense.

For the reasons discussed in Purchase Power Expense, Chemical Expense, and Sample Fee Analysis Expense, the Commission totaled the 2022 invoices for Transportation Expenses provided and finds that Bullock Pen District provided sufficient evidence of a \$12,839 increase to Transportation Expense that is known and measurable. The Commission also finds that this adjustment is a known and measurable change to Transportation Expense, is reasonable, based on previous Commission decisions, and should be accepted.

Therefore, as shown below, the Commission finds that it is necessary to increase the Revenue Requirements by an additional \$12,839.

Period	Diesel	Gas	Milage	Tires	Repair & Maintenance	Vehicle Use Set Up	Total
Jan-22	\$ 200	\$ 1,480	\$ 200	\$1,349	\$ 10	\$ (960)	\$ 2,279
Feb-22	484	1,760	132		1,724	(1,200)	2,900
Mar-22	1,412	2,569	90		141	(1,140)	3,072
Apr-22	1,113	2,444	90		710	(1,080)	3,277
May-22	(138)	2,614	90		1,986	(780)	3,772
Jun-22	1,731	3,201	236	846	118	(1,020)	5,112
Jul-22	661	2,250	90		399	(960)	2,440
Aug-22	1,131	2,919	65	747	1,039	(1,440)	4,461
Sep-22	1,316	2,061	90		(39)	(1,080)	2,348
Oct-22	(184)	2,590	90		39	(1,020)	1,515
Nov-22	2,204	1,683	116		297	(240)	4,060
Dec-22	764	1,732	90		-	(1,140)	1,446
	<u>\$ 10,694</u>	<u>\$ 27,303</u>	<u>\$ 1,379</u>	<u>\$ 2,942</u>	<u>\$ 6,424</u>	<u>\$ (12,060)</u>	
							Pro Forma Transportation Expense 36,682
							Test Year Transportation Expense <u>(23,843)</u>
							Revenue Requirement Adjustment <u>\$ 12,839</u>

Salaries and Wages – Employees. In the Commission Staff’s Report, Commission Staff recommended an increase to Bullock Pen District’s Salaries and Wages –

Employees of \$34,453²² to reflect the normalization of Employee Salaries accounting for an increase in employee wages, the retirement of two employees, and the hiring of three new employees after the test year. The Commission finds that this adjustment is a known and measurable change to Salaries and Wages – Employees, is reasonable, and should be accepted.

Salaries and Wages – Commissioners. In the Commission Staff's Report, Commission Staff recommended an increase to Bullock Pen District's Salaries and Wages – Officers of \$200²³ to reflect the normalization of the test-year commissioner's salaries; with each commissioner receiving \$200 monthly with the chairman receiving \$300. The Commission finds that this adjustment is a known and measurable change to Salaries and Wages – Officers, is reasonable, and should be accepted

Employee Pensions and Benefits – Insurance. In Commission Staff's Report, Commission Staff recommended a decrease to Bullock Pen District's Employee Pensions and Benefits of \$22,509.²⁴ The adjustment is made to reflect the allocated portion of single and family insurance premiums, from 100 percent to 78 percent and 67 percent; and Dental insurance premiums from 100 percent to 40 percent to be consistent Commission precedent regarding premiums paid for insurance benefits. The Commission finds that this adjustment is a known and measurable change to Employee Pensions and Benefits, is reasonable based on previous Commission decisions, and should be accepted.

²² Commission Staff's Report at 13–14, Adjustment H.

²³ Commission Staff's Report at 15, Adjustment I.

²⁴ Commission Staff's Report at 15–18, Adjustment J.

Employee Pension and Benefits – Insurance. In Commission Staff’s Report, Commission Staff recommended a decrease to Bullock Pen District’s Employee Pension and Benefit’s Expense of \$22,509.²⁵ The adjustment is made to reflect the adjustment of single and family insurance premiums, that was not allocated to Grant District from Bullock Pen Water District, from 100 percent to 78 percent and 67 percent; and Dental insurance premiums from 100 percent to 40 percent to be consistent Commission precedent regarding premiums paid for insurance benefits. The Commission finds that this adjustment to Employee Pension and Benefit’s Expense is reasonable based on previous Commission decisions, and should be accepted.

Employee Pensions and Benefits – County Employee Retirement System (CERS). In Commission Staff’s Report, Commission Staff recommended an increase to Bullock Pen District’s Employee Pensions and Benefits Expense of \$22,443²⁶ to account for the increased contribution amount of eligible pro forma wage adjustment multiplied by the CERS contribution percentage rate of 26.79 percent. The Commission finds that this adjustment, is a known and measurable change to Employee Pensions and Benefits, is reasonable, and should be accepted.

Depreciation. In the Commission Staff’s Report, Commission Staff recommended a decrease to Bullock Pen District’s Depreciation Expense of \$32,127²⁷ to reflect the adjustment of the useful life of capital assets to the midpoint of the National Association of Regulatory Utility Commissioners’ (NARUC) depreciation study titled *Depreciation*

²⁵ Commission Staff’s Report at 15–18, Adjustment J.

²⁶ Commission Staff’s Report at 18–19, adjustment K.

²⁷ Commission Staff’s Report at 19–20, Adjustment L.

Practices for Small Water Utilities (NARUC Study). The Commission finds that this adjustment to Depreciation Expense is reasonable based on previous Commission decisions, and should be accepted.

Taxes Other than Income – FICA. In Commission Staff's Report, Commission Staff recommended an increase to Bullock Pen District's Taxes Other than Income Expense by \$5,548²⁸ to account for the increased contribution amount from pro forma salaries and Wages – employees and salaries and Wages – Officers adjustments; multiplied by the FICA percentage rate of 7.65 percent. The Commission finds that this adjustment, is a known and measurable change to Taxes Other than Income, is reasonable, and should be accepted.

Gains (Losses) from Disposition of Utility Property. In Commission Staff's Report, Commission Staff recommended a decrease to Bullock Pen District's Gains (Losses) from Disposition of Utility Property by \$425²⁹ to account for the removal of a not routine transaction in the normal course of business. The Commission finds that this adjustment, is a known and measurable change to Gains (Losses) from Disposition of Utility Property, is reasonable, and should be accepted.

Based upon the Commission's findings discussed above, the following table summarizes Bullock Pen District's adjusted pro forma:

²⁸ Commission Staff's Report at 20– 21, Adjustment M.

²⁹ Commission Staff's Report at 21–22, Adjustment N.

	<u>Commission Staff Report Pro Forma</u>	<u>Commission Adjustments</u>	<u>Final Pro Forma</u>
Total Operating Revenues	\$ 4,607,699	\$ -	\$ 4,607,699
Utility Operating Expenses	<u>4,543,863</u>	<u>69,619</u>	<u>4,613,482</u>
Net Utility Operating Income	63,836	(69,619)	(5,783)
Gains (Losses) from the Disposition of Utility Property	-	-	-
Interest and Dividend Income	<u>13,821</u>	<u>-</u>	<u>13,821</u>
Income Available for Debt Service	<u>\$77,657</u>	<u>\$ (69,619)</u>	<u>\$8,038</u>

OVERALL REVENUE REQUIREMENT

The Commission has historically used a DSC method to calculate the revenue requirement for water districts or associations with outstanding long-term debt. Based upon the Commission's findings and determinations herein, Bullock Pen District requires an increase in revenues from water sales of \$425,257, or 9.89 percent above present water rate revenues as shown below. This increase is required for Bullock Pen District to remain operationally and financially sound while providing adequate, efficient, and reasonable service to its customers.

Pro Forma Operating Expenses	\$ 4,613,482
Plus: Average Annual Principal and Interest Payments	361,079
Additional Working Capital	<u>72,216</u>
Overall Revenue Requirement	5,046,777
Less: Other Operating Revenue	(305,686)
Interest & Dividend Income	<u>(13,821)</u>
Revenue Required from Water Sales	4,727,270
Less: Revenue from Sales at Present Rates	<u>(4,302,013)</u>
Required Revenue Increase/(Decrease)	<u>\$ 425,257</u>
Percentage Increase	<u>9.89%</u>

RATE DESIGN

Bullock Pen District proposed to increase all its monthly retail water service rates evenly across the board by approximately 12.79 percent. Bullock Pen District has not performed a cost-of-service study (COSS). Bullock Pen District stated that it did not complete a COSS because there have not been any material changes in customer usage patterns to warrant a COSS.

The Commission finds that in the absence of a cost-of-service study, the proposed across-the-board method is an appropriate and equitable method to allocate the increased cost to Bullock Pen District's customers.

In the Commission Staff Report, Commission Staff followed the method previously accepted by Bullock Pen District and allocated Commission Staff's calculated revenue increase across the board to Bullock Pen District's monthly retail water service rates.

The rates set forth in the Appendix to this Order are based upon the revenue requirement the Commission has found to be fair, just and reasonable, and will produce sufficient revenues from water sales to recover the \$4,727,270 Revenue Required from Water Sales, an approximate 9.89 percent over normalized test-year water sales of \$4,302,013. The monthly bill of a typical residential customer using 4,175 gallons of water will increase from \$48.07 to \$52.78, an increase of \$4.71, or approximately 9.80 percent.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Commission Staff's Report as modified are supported by the evidence of record and are reasonable. The Commission has historically used a DSC method to calculate the revenue

requirement for water districts or associations with outstanding long-term debt. Therefore, applying the DSC method to Bullock Pen District's pro forma operations results in an Overall Revenue Requirement of \$5,046,777, a required revenue from water sales of \$4,727,270, and an increase in revenue from water sales of \$425,257, or 9.89 percent.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Commission Staff's Report are adopted as modified in this Order and incorporated by reference into this Order.
2. The water service rates proposed by Bullock Pen District are denied.
3. The Nonrecurring Charges set forth in the Appendix to this Order are approved for service rendered by Bullock Pen District on or after the date of this Order.
4. The rates set forth in the Appendix to this Order are approved for services rendered by Bullock Pen District on and after the date of this Order.
5. Within 20 days of the date of service of this Order, Bullock Pen 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.
6. Bullock Pen District shall use the midpoint of the depreciable lives of the National Association of Regulatory Utility Commissioners ranges, as proposed in the application and agreed upon by Staff, to depreciate water plant assets for accounting purposes in all future reporting periods. No adjustment to accumulated depreciation or retained earnings should be made to account for this change in the accounting estimate.
7. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner



ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00378 DATED JUL 05 2023

The following rates and charges are prescribed for the customers in the area served by Bullock Pen 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.

Monthly Water Rates

5/8 x 3/4-Inch Meter

First	2,000 Gallons	\$30.44	Minimum Bill
Next	3,000 Gallons	\$0.01027	Per Gallon
Next	5,000 Gallons	\$0.00935	Per Gallon
Next	10,000 Gallons	\$0.00842	Per Gallon
Over	20,000 Gallons	\$0.00750	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$61.29	Minimum Bill
Next	5,000 Gallons	\$0.00935	Per Gallon
Next	10,000 Gallons	\$0.00842	Per Gallon
Over	20,000 Gallons	\$0.00750	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$108.13	Minimum Bill
Next	10,000 Gallons	\$0.00842	Per Gallon
Over	20,000 Gallons	\$0.00750	Per Gallon

2-Inch Meter

First	20,000 Gallons	\$192.40	Minimum Bill
Over	20,000 Gallons	\$0.00750	Per Gallon

Bulk Loading Station

\$0.00829	Per Gallon
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Nonrecurring Charges

5/8 Inch x 3/4 Inch Meter Tap-On	\$1,358
1 Inch Meter Connection	\$1,858
All Larger Meters	Actual Cost
Late Payment Charge	10%
Meter Test Charge	\$25.00
Meter Relocation Charge	Actual
Re-Connection Charge	\$25.00
Returned Check Charge	\$20.00
Service Call/Investigation	\$25.00
Meter Re-Read Charge	\$25.00

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