

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTH 641)	CASE NO.
WATER DISTRICT FOR A RATE ADJUSTMENT)	2023-00050
PURSUANT TO 807 KAR 5:076)	

ORDER

On February 14, 2023, South 641 Water District (South 641 District) filed its application with the Commission requesting an adjustment to its water rates pursuant to 807 KAR 5:076.

In its application, South 641 District requested rates that would increase its annual water sale revenues by \$68,204, or 45.30 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 March 9, 2023, as amended by Order entered July 11, 2023, which, among other things, required the Commission Staff to file a report containing its recommendations regarding South 641 District's application. South 641 District responded to two requests for information from Commission Staff. On July 11, 2023, the Commission, on its own motion, amended the procedural schedule revising the due date for Commission Staff's Report to July 27, 2023.

Commission Staff's Report was filed on July 21, 2023, summarizing its findings and recommendations regarding South 641 District's requested rate adjustment. In the Commission Staff's Report, Commission Staff found that South 641 District's adjusted

test-year operations support an overall revenue requirement of \$222,120, and that an annual revenue increase of \$67,743, or 45.00 percent, is necessary to generate the overall revenue requirement. The Commission has previously found that the allocation of a revenue increase evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS.¹ Finding no such evidence in this case, Commission Staff followed the method previously accepted by the Commission and allocated the \$67,743 revenue increase evenly across the board to South 641 District's monthly retail and bulk water service rates.

On July 27, 2023, South 641 District filed its response to Commission Staff's Report. In its written comments, South 641 District disagreed with Staff's removal of certain labor expenses from nonrecurring charges but did not contest the adjustment in this case. South 641 District concurred with the remainder of the findings in Commission Staff's Report and waived its right to request an informal conference or hearing in this case.² 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 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 of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case

¹ Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022), Order at 7.

² South 641 District's Response to Commission Staff's Report (filed Jul. 27, 2023).

law, South 641 District is allowed to charge its customers “only fair, just and reasonable rates.”³ Further, South 641 District bears the burden of proof to show that the proposed rate increase is just and reasonable under KRS 278.190(3).

BACKGROUND

South 641 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 298 residential customers, 44 commercial customers, and 7 public authorities in Calloway County, Kentucky.⁴ South 641 District does not produce any of its own water; rather, it purchases its water from Murray Municipal Utilities (Murray). A review of the Commission’s records indicates this is South 641 District’s first alternative rate adjustment for water rates since 2015.⁵

WATER LOSS

Pursuant to 807 KAR 5:066, Section (6)3, water loss is limited to 15 percent for ratemaking purposes. The Commission notes that in its 2021 Annual Report, South 641 District reported a water loss of 12.1786 percent.⁶ Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes, a utility's water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by

³ *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).

⁴ *Annual Report of South 641 District to the Public Service Commission for the Calendar Year Ended December 31, 2021* (2021 Annual Report) at 39.

⁵ Case No. 2015-00278, *Application of South 641 District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Nov. 24, 2015).

⁶ 2021 Annual Report at 47.

a utility in its own operations. The table below shows that the 2021 total annual cost of water loss to South 641 District is \$7,802.

	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 60,047	\$ 1,300	\$ 61,347
Water Loss Percent	12.7186%	12.7186%	
Total Water Loss	\$ 7,637	\$ 165	\$ 7,802

TEST PERIOD

The calendar year ended December 31, 2021, was used as the test year to determine the reasonableness of South 641 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 summarized South 641 District's pro forma income statement as follows:

	Test-Year Operations	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues	\$ 154,471	\$ 0	\$ 154,471
Operating Expenses	177,531	21,499	199,030
Total Utility Operating Income	\$ (23,060)	\$ (21,499)	\$ (44,558)

REVIEW OF COMMISSION STAFF'S RECOMMENDATIONS

South 641 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 without further modification.

REVENUE REQUIREMENTS

Billing Analysis. South 641 District did not propose an adjustment to its test-year revenues of \$150,555. South 641 District stated that the rate analysis data produced from the billing system software was “unusable” due to large inexplicable differences.”⁷

Commission Staff reviewed South 641 District’s analysis and agreed with South 641 District that because this billing system software did not provide reliable data in its rate analysis, the billing analysis was not reliable.⁸ Commission Staff recommended that the Commission consider ordering South 641 District to report on its efforts to consult with the current software provider on a possible solution to the problems South 641 District is having with their current billing software.

The Commission finds that Staff’s recommendation is reasonable and that an investigation into the matter by South 641 District is warranted given that the billing software data was unreliable, as documented by evidence in the record. Therefore, the Commission finds that South 641 District should contact its current provider to resolve the issues with the software and should report the status of its software discussions or solutions within 180 days from the date of service of this Order. Additionally, the Commission finds that South 641 District should file its report of the status of its software solutions in the post-case correspondence file of this proceeding.

Miscellaneous Service Revenues and Other Water Revenues. In its application, South 641 District did not propose any adjustment to Miscellaneous Service Revenues and Other Water Revenues, which totaled \$3,916. In response to Staff’s First Request,

⁷ Application, Attachment #4, Schedule of Adjusted Operations (SAO), Item A.

⁸ South 641 District’s Response to Staff’s First Request, Item 14a.

South 641 District stated that there were errors in the reporting of these revenues. Specifically, the Forfeited Discounts were reported in this category and should have been reported in its own category in the amount of \$3,010; the Service Fee revenues should have been stated as \$819; the Returned Check Fee should have been reported as an allocation between the water and sewer revenues with \$15 and \$10 reported in the sewer division Returned Check fee revenues; and finally, \$62 of Service Revenues were incorrectly reported in the 2021 Revenues and should be removed and reported in 2022 Revenues. The sewer division's Returned Check Fee of \$10 and the incorrectly reported revenue of \$62 have been removed as they are not water division revenues.⁹ Additionally, South 641 District provided updated cost justification sheets for the pro forma revenues.

Commission Staff reviewed the responses to the information requests, the cost justification sheets, and the 2021 general ledger. In addition to the adjustments proposed by the utility, pursuant to Commission precedent,¹⁰ Commission Staff decreased Miscellaneous Service Revenues by \$270 by removing the field and office labor expenses that were included in nonrecurring charges for work completed during normal business hours. These costs are already recovered in rates and thus including such costs in nonrecurring charges would result in double recovery of the same expense.¹¹ The

⁹ South 641 District's Response to Staff's First Request, Item 15.

¹⁰ See Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020), Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020), Case No. 2020-00196, *Electronic Application of West Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), and Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment*, (Ky. PSC Dec. 30, 2020).

proposed adjustments made by Commission Staff result in a pro forma amount of \$565 are shown in the tables in Appendix A, attached to this Order.

The Commission finds that Commission Staff's recommendations are consistent with recent Commission decisions that labor expenses resulting from work occurring during normal business hours should not be recovered through nonrecurring charges.¹² 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. Thus, the Commission finds that the revised nonrecurring charges set forth in Appendix B to this Order and the decrease of \$270 to Miscellaneous Service Revenues and Other Water Revenues is reasonable.

Salaries and Wages - Employees. South 641 District proposed an increase of \$18,385 in wages due to increases in wage rates and changes in personnel¹³ as approved in South 641 District's Board of Commissioner meeting minutes provided in response to Commission Staff's First Request for information.¹⁴ South 641 District provided two separate total pro forma salary and wage amounts for its water and sewer operations.

¹² See 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.

¹³ Application, Attachment #4, Item B.

¹⁴ South 641 District's Response to Staff's First Request, Item 4, 4_Minutes.pdf.

The first amount of \$101,459 was in South 641 District's Rate Study document¹⁵ and the second amount of \$90,118 was in South 641 District's Job Titles and FICA document.¹⁶

In the Commission Staff's Report, Commission Staff noted that the pro forma salary and wage amount of \$101,459 erroneously did not include all seven employees. Commission Staff also noted that the \$90,118 pro forma salary and wage amount included all employees but was based upon lower wage rates than the pro forma salary and wage amount of \$101,459 that was provided in the rate study document.¹⁷ Commission Staff used the \$90,118 total salary and wages expense that included all employees in the calculation of its adjustment. In its response to Staff's First Request, South 641 District provided an expense allocation of 61.95 percent to water and a test year salary and wages expense for water of \$44,472.¹⁸ Commission Staff identified two amounts in accounts 00625-0101 and 00625-0102 for \$2,554.77 and \$597.48, respectively, that South 641 District should not have included as test year wages because they represented employer's FICA and medical contributions. Commission Staff recalculated the pro forma adjustment with the correct pro forma salary expense and test year to determine that the increase should be \$14,511. Commission Staff decreased South 641 District's proposed adjustment by \$3,874 as shown below.

¹⁵ South 641 District's Response to Staff's First Request, Item 5, 5_Rate_Study.xlsx.

¹⁶ South 641 District's Response to Staff's First Request, Item 2, 2_Job_Titles_and_FICA.xlsx.

¹⁷ South 641 District's Response to Staff's First Request, Item 5, 5_Rate_Study.xlsx.

¹⁸ South 641 District's Response to Staff's First Request, Item 2, 2_Job_Titles_and_FICA.xlsx.

	South 641 District	Commission Staff	Difference
Water & Sewer Pro Forma Salaries & Wages	\$ 101,459	\$ 90,118	\$ (11,341)
Water Expense Allocation Percentage	61.95%	61.95%	0
Pro Forma Salaries & Wages Expense Water	62,856	55,831	(7,026)
Less: Test Year Salaries & Wages Expense Water	(44,472)	(41,320)	3,152
Total Adjustment	\$ 18,385	\$ 14,511	\$ (3,874)

The Commission finds that this adjustment is based upon the current wage rates South 641 District provided in its response to Commission Staff's First Request for Information, and because it reflects the correct current wage amounts documented in the case record, it is reasonable.

Purchased Power (includes natural gas). South 641 District proposed an increase of \$397 in purchased power due to an increase in natural gas costs as documented by the 2021 general ledger amounts provided by South 641 District that show an increase in payments to Paris Henry County Public Utilities since the test year.¹⁹

Commission Staff reviewed South 641 District's calculations and general ledger evidence²⁰ provided and confirmed that the proposed adjustment calculation is correct and meets the ratemaking criteria of being known and measurable using the table below.

	Cost	Usage Mcf	Per Unit
2021	\$ 201.31	28400	0.0070884
2022	\$ 214.61	23200	0.0092504
		Difference	0.0021621
		Percentage	30.50%
Power in Test Year			\$ 1,299.97
Percentage			30.50%
Adjustment			\$ 396.51

¹⁹ South 641 District's Response to Staff's First Request, Item 5, 5_Rate_Study.xlsx.

²⁰ South 641 District's Response to Staff's First Request, Item 1a and Item 5, 1a_2021_General_Ledger.pdf and 5_Rate_Study.xlsx.

The Commission finds that this adjustment to Purchased Power is reasonable and should be accepted because it reflects price increases in the natural gas market as documented in the case record.

Water Testing. South 641 District proposed an increase of \$15 in water testing due to an increase in costs as documented by the 2021 general ledger amounts provided by South 641 District that show an increase in payments to Microbac Utilities since the test year.²¹

Commission Staff reviewed South 641 District’s calculations and general ledger evidence²² provided and confirmed that the proposed adjustment calculation is correct and meets the ratemaking criteria of being known and measurable using the table below.

Invoices from Microbac for testing from 2021 and 2022

	<u>Cost</u>
2021	\$ 387.75
2022	<u>\$ 394.00</u>
Difference	\$ 6.25
Percentage	1.61%
Testing in Test Year	\$ 909.25
Percentage	<u>1.61%</u>
Adjustment	<u>\$ 14.66</u>

The Commission finds that the \$15 increase to water testing expense due to documented increased costs is reasonable and should be accepted to reflect South 641 District’s current water testing expense, which was supported by evidence in the record.

Miscellaneous Expense. South 641 District classified employee benefits costs in Miscellaneous Expenses. South 641 District pays 100 percent of its employee’s single

²¹ South 641 District’s Response to Staff’s First Request, Item 5, 5_Rate_Study.xlsx.

²² South 641 District’s Response to Staff’s First Request, Item 1a and Item 5, 1a_2021_General_Ledger.pdf and 5_Rate_Study.xlsx.

health and dental insurance premiums.²³ Consistent with Commission precedent, South 641 District reduced the amount of employer-funded premiums by \$169 to be consistent with the Bureau of Labor Statistics national average for an employer's share of health insurance premiums and South 641 District reduced the premium cost to reflect a 79 percent employer contribution for single coverage as well as reducing the employer contribution for dental coverage to 60 percent.

In the Commission Staff's Report, Commission Staff reviewed South 641 District's supporting calculations and evidence,²⁴ and erroneously agreed with the utility's proposed adjustment with respect to reducing the employer contribution for dental coverage to 60 percent. In accordance with Commission precedent, the employer contribution for dental coverage should be 40 percent.²⁵ The difference between the 60 percent contribution rate and 40 percent contribution rate would result in a \$62 decrease to Miscellaneous expense or a 0.05 percent decrease in revenue requirement.

Due to the small size of the adjustment, the Commission finds it is not necessary to modify the adjustment from the staff report. The Commission finds that this adjustment to Miscellaneous Expense is reasonable and should be accepted because Commission precedent is to set employer contributions to health and dental insurance premiums to the national average.

²³ Application, Attachment #4, Item E.

²⁴ South 641 District's Response to Staff's First Request, Item 5, 5_Rate_Study.xlsx.

²⁵ See Case No. 2017-00263 *Electronic Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment* (Ky. PSC Dec. 2, 2017), at 9-10, and The Willis Benchmarking Survey, 2015, at 62-63. (https://www.willis.com/Documents/publications/Services/Employee_Benefits/20151230_2015WillisBenefitsBenchmarkingSurveyReport.pdf).

Depreciation. South 641 District reported test year Depreciation Expenses of \$34,113 in its application.²⁶ South 641 District increased its test year depreciation by \$2,796 to reflect adjustments of asset service lives to the mid-point of service life ranges set forth in the National Association of Regulatory Utility Commissioners' (NARUC) publication titled "Depreciation Practices for Small Water Utilities" (NARUC Study).²⁷

To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the NARUC Study. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant.

In this proceeding, Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Therefore, Commission Staff agreed with South 641 District's proposed adjustment and increased pro forma Depreciation Expense by \$2,796.

The Commission finds that this adjustment to Depreciation Expense is reasonable and should be accepted because the Commission has historically relied upon the NARUC Study to evaluate the reasonableness of the depreciation practices of small water utilities.

Taxes other than Income. South 641 District proposed an increase of \$75 to its Taxes Other Than Income to reflect the increases in wage rates and changes in personnel since 2021.²⁸

²⁶ Application, Attachment #4 at 15.

²⁷ Application, Attachment #4, Item F.

²⁸ Application, Attachment #4, Item F.

Commission Staff recalculated the taxes based on the salary adjustments discussed in the Salaries and Wages - Employees section above and determined that the total increase should be \$383, resulting in an additional Commission Staff increase of \$308 as shown in the table below.

	South 641 District	Commission Staff	Difference
Pro Forma Taxes Other Than Income	\$ 3,963	\$ 4,271	\$ 308
Test Year Taxes Other Than Income ()	(3,888)	(3,888)	0
Totals	<u>\$ 75</u>	<u>\$ 383</u>	<u>\$ 308</u>

The Commission finds that this adjustment, as corrected by Commission Staff, is reasonable and should be accepted because Commission Staff used the correct Salary and Wages expense amount to calculate the proforma Taxes Other Than Income.

Based upon the Commission's findings, the following table summarizes South 641 District's adjusted pro forma:

	Test-Year Operations	Commission Adjustments	Pro Forma Operations
Operating Revenues	\$ 154,471	\$ (341)	\$ 154,130
Operating Expenses	199,030	3,566	195,466
Net Utility Operating Income	(44,558)	3,225	(41,336)
Interest Income	3,494	(3,247)	247
Total Utility Operating Income	<u>\$ (41,064)</u>	<u>\$ (22)</u>	<u>\$ (41,089)</u>

OVERALL REVENUE REQUIREMENT

The Commission has historically used an Operating Ratio method to calculate the revenue requirement for water districts or associations with little to no outstanding long-term debt. The Commission finds the Operating Ratio method is appropriate for South 641 District. An Operating Ratio of 88 percent will allow South 641 District sufficient

revenues to cover its operating expenses and provide for reasonable equity growth. Based upon the Commission’s findings and determinations set forth in this Order, South 641 District requires an increase in revenues from water sales of \$67,743, or 45.00 percent above pro forma present water rate revenues as shown below. This increase is required for South 641 District to remain operationally and financially sound while providing adequate, efficient, and reasonable service to its customers.

	<u>South 641 District (Water)</u>	<u>Commission Staff</u>
Pro Forma Operating Expenses	\$ 199,030	\$ 195,466
Operating Ratio	88%	88%
Total Revenue Requirement	<u>226,170</u>	<u>222,120</u>
Less: Other Operating Revenue	(3,916)	(3,575)
Interest Income	(3,494)	(247) (1)
Revenue Required From Water Sales *	<u>218,759</u>	<u>218,298</u>
Less: Revenue from Sales with Present Rates	(150,555)	(150,555)
Required Revenue Increase	<u>\$ 68,204</u>	<u>\$ 67,743</u>
Percent Increase	<u>45.30%</u>	<u>45.00%</u>

* amounts were not rounded to zero in South 641 District Column

RATE DESIGN

South 641 District proposed to increase its monthly retail water service rates evenly across the board by approximately 45.28 percent. South 641 District has not performed a cost of service study (COSS). South 641 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 South 641 District’s customers.

In an effort to avoid a significant hardship on South 641 District's customers, the Commission finds Commission Staff's proposed 3-year phase-in approach is appropriate. Although applying a 3-year phase-in will not allow for depreciation reserves to be fully funded, it will allow for adequate revenues to cover expenses and debt service and a portion of the depreciation reserves. The rates set forth in the Appendix B 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 \$218,298 Revenue Required from Rates, an approximate 45 percent increase. The rates in Phase 1 will increase a typical residential customer's monthly water bill from \$38.38 to \$44.13, an increase of \$5.75, or approximately 14.98 percent. The rates in Phase 2 will increase a typical residential customer's monthly water bill from Phase 1 rates of \$44.13 to \$49.89, an increase of \$5.76, or approximately 13.05 percent. The rates in Phase 3 will increase a typical residential customer's monthly water bill from Phase 2 rates of \$49.89 to \$55.67, an increase of \$5.78, or approximately 11.59 percent.²⁹

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 are supported by the evidence of record and are reasonable. By applying the Operating Ratio method to South 641 District's pro forma operations result in an Overall Revenue Requirement of \$222,120, a required revenue from water sales of \$218,298, and an increase in revenue from water sales of \$67,743, or 45.00 percent.

²⁹ Application, Attachment 1. The typical residential customer uses approximately 4,000 gallons per month.

The Commission finds that allocating the calculated revenue increase across the board to South 641 District's monthly water service rates and to phase this increase over three years to be fair, just and reasonable.

The Commission also finds that within 180 days of the service of this Order South 641 District should file into the post-case correspondence folder in the record of this proceeding a report of its efforts to resolve the limitations and problems experienced with its billing software.

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 South 641 District are denied.
3. The general water service rates set forth in the Appendix B to this Order are approved for services rendered by South 641 District on and after the date of this Order.
4. The nonrecurring charges set forth in the Appendix B to this Order are approved for services rendered by South 641 District on and after the date of this Order.
5. Within 20 days of the date of service of this Order, South 641 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. Within 180 days of the date of the service of this Order South 641 District shall file into the post-case correspondence folder in the record of this proceeding a report of its efforts to resolve the limitations and problems experienced with its billing software.

7. South 641 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 Commission 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.

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

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PUBLIC SERVICE COMMISSION

Walt Climer
Chairman

AA
Vice Chairman

Mary Pat Reagen
Commissioner

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KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Linda C. Bridwell
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00050 DATED DEC 13 2023

Description	Current Rate	Total	Revised Rate	Adj	Pro Forma
<i>Miscellaneous Service Revenues *</i>					
Delinquent Service	\$15.00	\$ -	\$10.00	\$ -	\$ -
Deliquent Charge After hours	\$35.00	0	\$40.00	0	0
Meter Investigation / Service Line Inspection and Investigation	\$15.00	0	\$10.00	0	0
Meter Test Charge	\$15.00	0	\$20.00	0	0
Returned Check Charge	\$25.00	16	\$30.00	3	19
Service Connection Charge	\$15.00	819	\$10.00	(273)	546
Service Connection Charge After Hours	\$35.00	0	\$40.00	0	0
Total Miscellaneous Service Revenues		<u>\$ 835</u>		<u>\$ (270)</u>	<u>\$ 565</u>

* Number of occurrences are unavailable as South 641 District has stated this information is not tracked by their billing software.

Nonrecurring Charges Adjustments		
Service Connection/Meter Investigation/Service Line Inspection and Investigation/Delinquent Charge		
	District Revised Charge	Staff Revised Charge
Field Labor \$20.50 at 1 hour	\$20.50	\$0.00
Office Supplies	\$3.00	\$3.00
Office Labor \$21.00 at 0.25 hour	\$10.00	\$0.00
Transportation	\$6.55	\$6.55
Total Revised Charge	\$40.05	*\$10.00
Current Rate	\$15.00	

Service Connection/Delinquent After Hours Charge		
	District Revised Charge	Staff Revised Charge
Field Labor \$30.75 at 1 hour	\$30.75	\$30.75
Office Supplies	\$3.00	\$3.00
Office Labor \$30.00 at .05 hour	\$15.00	\$0.00
Transportation	\$6.55	\$6.55
Total Revised Charge	\$55.30	*\$40.00
Current Rate	\$35.00	

Returned Check Charge		
	District Revised Charge	Staff Revised Charge
Office Labor \$20.00 at 1 hour	\$20.00	\$0.00
Bank Charges	\$30.00	\$30.00
Total Revised Charge	\$50.00	*\$30.00
Current Rate	\$25.00	

Meter Test Charge		
	District Revised Charge	Staff Revised Charge
Field Labor \$20.50 at 1 hour	\$20.50	
Office Supplies	\$3.00	\$3.00
Office Labor \$20.00 at 1 hour	\$20.00	\$0.00
Transportation	\$6.55	\$6.55
Meter Test Fee	\$10.00	\$10.00
Total Revised Charge	\$60.05	*\$20.00
Current Rate	\$35.00	

	Test Year	District (Water) Proposed Adjustments	Commission Staff Adjustments	Total Adjustments	(Ref.)	Pro Forma
Operating Revenues						
Metered Sales to Retail Customers	\$ 150,555				(A)	\$ 150,555
Other Water Revenues	3,916		(3,916)	(3,916)	(B)	
Miscellaneous Service Revenues						
Forfeited Discounts			3,010	3,010	(B)	3,010
Non-Recurring Charges			565	565	(B)	565
Total Operating Revenues	154,471	0	(341)	(341)		154,130
Operating Expenses						
Operation and Maintenance Expenses						
Salaries and Wages - Employees	41,320	18,385	(3,874)	14,511	(C)	55,831
Purchased Water	60,047			0		60,047
Purchased Power	1,300	397		397	(D)	1,697
Materials and Supplies	9,867			0		9,867
Water Testing	630	15		15	(E)	645
Transportation Expense	4,928			0		4,928
Insurance	8,217			0		8,217
Miscellaneous Expense	13,223	(169)		(169)	(F)	13,054
Total Operation and Maintenance Expenses	139,532	18,628	(3,874)	14,754		154,286
Depreciation	34,113	2,796		2,796	(G)	36,909
Taxes Other Than Income - FICA	3,888	75	308	383	(H)	4,271
Total Operating Expenses	177,533	21,499	(3,566)	17,933		195,466
Net Operating Income	(23,062)	(21,499)	3,225	(18,274)		(41,336)
Interest Income	3,494		(3,247)	(3,247)	(1)	247
Income Available to Service Debt	\$ (19,568)	\$ (21,499)	\$ (22)	\$ (21,521)		\$ (41,089)

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00050 DATED DEC 13 2023

The following rates and charges are prescribed for the customers in the area served by South 641 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

Phase 1

All Meter Sizes

First	2,000 Gallons	\$24.63	Minimum Bill
Next	3,000 Gallons	0.00975	Per Gallon
Next	5,000 Gallons	0.00871	Per Gallon
Over	10,000 Gallons	0.00768	Per Gallon
Bulk Sales		\$0.00768	Per Gallon

Monthly Water Rates

Phase 2

Effective one year after Phase 1

All Meter Sizes

First	2,000 Gallons	\$27.85	Minimum Bill
Next	3,000 Gallons	0.01102	Per Gallon
Next	5,000 Gallons	0.00984	Per Gallon
Over	10,000 Gallons	0.00868	Per Gallon
Bulk Sales		\$0.00868	Per Gallon

Monthly Water Rates

Phase 3

Effective one year after Phase 2

All Meter Sizes

First	2,000 Gallons	\$31.07	Minimum Bill
Next	3,000 Gallons	0.01230	Per Gallon
Next	5,000 Gallons	0.01098	Per Gallon
Over	10,000 Gallons	0.00969	Per Gallon
Bulk Sales		\$0.00969	Per Gallon

Nonrecurring Charges

Delinquent Service Charge	\$10.00
Delinquent Service Charge After Hours	\$40.00
Meter Investigation/Service Line Inspection and Investigation	\$10.00
Meter Test Charge	\$20.00
Returned Check Charge**	\$30.00
Service Connection Charge	\$10.00
Service Connection Charge After Hours	\$40.00
5/8 x 3/4 Tap Fee	\$2,660.00
Customer Deposit Phase 1	\$88.00
Customer Deposit Phase 2	\$100.00
Customer Deposit Phase 3	\$110.00
Fire Department Use	\$50.00

NOTE:** US South 641 District allocates the Returned Check Charge for Customers of both the Water and the Wastewater Division.

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