

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------------------|---|------------|
| ELECTRONIC APPLICATION OF SOUTH 641 |) | CASE NO. |
| WATER DISTRICT FOR A SEWER RATE |) | 2023-00051 |
| ADJUSTMENT PURSUANT TO 807 KAR 5:076 |) | |

ORDER

On February 15, 2023, South 641 Water District (South 641 District) filed its application with the Commission requesting an adjustment to its wastewater rates pursuant to 807 KAR 5:076.

In its application, South 641 District requested rates that would increase its annual sewer sale revenues by \$75,808, or a 77.49 percent increase to pro forma present rate sewer 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 \$170,984, and that an annual revenue increase of \$70,064, or 71.61 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 sewer 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.¹ 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 review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, South 641 District is allowed to charge its customers "only fair, just and reasonable rates."² 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).

¹ South 641 District's Response to Commission Staff's Report (filed Jul. 27, 2023).

² *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).

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 retail wastewater service to approximately 175 residential customers, 22 commercial customers, and 6 tax-exempt/non-profit organizations in Calloway County, Kentucky.³ A review of the Commission’s records indicates this is South 641 District’s first alternative rate adjustment since November 24, 2015.

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 sewer rates as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

The Commission Staff’s Report summarize South 641 District’s pro forma income statement as follows:

| | <u>Commission Staff's Report</u> | | |
|--------------------------------|----------------------------------|----------------------------------|---------------------------------|
| | <u>Test-Year Operations</u> | <u>Pro Forma Adjustments</u> | <u>Pro Forma Operations</u> |
| Operating Revenues | \$ 100,998 | \$ 0 | \$ 100,998 |
| Operating Expenses | 137,540 | 18,417 | 155,957 |
| Total Utility Operating Income | <u>\$ (36,541)</u> | <u>\$ (18,417)</u> | <u>\$ (54,959)</u> |

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,

³ Annual Report of South 641 Water District to the Public Service Commission for the Calendar Year Ended December 31, 2021 (2021 Annual Report) at 9 and 39.

Commission Staff proposed additional adjustments. The Commission accepts the findings and recommendations contained in the Commission Staff's Report without further modification.

REVENUE REQUIREMENTS

Miscellaneous Service Revenues and Other Revenues. In its application, South 641 District did not propose any adjustment to Miscellaneous Service Revenues and Other Revenues, which totaled \$3,163. In response to Staff's First Request, South 641 District stated the Forfeited Discounts were erroneously reported as Other Operating Revenue and should have been reported in Forfeited Discounts in the amount of \$2,620. Commission Staff reclassified the amount from Other Operating Revenues to Forfeited Discounts.

Following the Commission's recent decisions, Commission Staff recommended that because South 641 District personnel are currently paid during normal business hours and the labor costs are recovered in rates, estimated labor costs previously included in determining the amount of Nonrecurring Charges should be eliminated to avoid double recovery of the same expense. Commission Staff reviewed the cost justification information provided by South 641 District and adjusted these charges by removing Field Labor costs and Office/Clerical Labor costs from those charges which occur during normal business hours. The revisions that were provided included updating the wages for employees. The average hourly rate for Field Labor costs was approximately \$20.50 and the average hourly rate for the Office/Clerical Labor costs was approximately \$20. The After Hour charges include the Field Labor costs but the Office/Clerical Labor costs have been removed. The After Hours charges may be higher

than the current charges as these are based upon the revised cost justification sheets filed in response to Staff's First Request. The removal of these Labor costs is a reduction to nonrecurring charges of \$167.⁴ Additionally, the misreported \$28 from non-operating revenues and misstated revenues were also removed. The total proposed adjustments made by Commission Staff result in a pro forma amount of \$348.

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.⁵ 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 A to this Order and the decrease of \$348 to Miscellaneous Service Revenues is reasonable.

Salary and Wages. In its application South 641 District proposed an increase of \$11,291 to Collection - Labor, Materials and Expenses and an increase of \$46 to Taxes Other Than Income to reflect an increase in salary and wages as approved in South 641 District's Board of Commissioner meeting minutes⁶ provided in its response to Staff's First Request. South 641 District provided two separate total pro forma salary and wage

⁴ South 641 District's Response to Staff's First Request, Item 13.

⁵ 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.

⁶ South 641 District's Response to Staff's First Request, Item 4, 4_Minutes.pdf.

amounts for its water and sewer operations. The first amount of \$101,459 was in South 641 District's Rate Study document⁷ and the second amount of \$90,118 was in South 641 District's Job Titles and FICA document.⁸

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 has lower wage rates. 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 38.05 percent to sewer and a test year salary and wages expense for sewer of \$27,312.⁹ In its response to Staff's Second Request, South 641 District provided an allocation of sewer salary expense between Collection - Labor, Materials and Expenses of 62 percent and Pumping - Labor, Materials and Expenses of 38 percent.¹⁰

Using this information from above and the tables below Commission Staff calculated a \$4,325 increase in Collection - Labor, Materials and Expenses, a \$2,651 increase in Pumping - Labor, Materials and Expenses, and a \$1,129 decrease in Taxes Other Than Income. Commission Staff recommends that the Commission approve these adjustments.

⁷ South 641 District's Response to Staff's First Request, Item 5, 5_Rate_Study.xlsx.

⁸ South 641 District's Response to Staff's First Request, Item 2, 2_Job_Titles_and_FICA.xlsx.

⁹ South 641 District's Response to Staff's First Request, Item 2, 2_Job_Titles_and_FICA.xlsx.

¹⁰ South 641 District's Response to Staff's Second Request, Item 9, 9_Sewer_Pumping_System_Labor_Materials_and_Expenses.pdf, and Item 4, 4_Sewer_Collection_System_Labor_Materials_and_Expenses.pdf.

| Description | % | South 641 | Commission Staff |
|--|-----|------------|------------------|
| Water & Sewer Pro Forma Salaries & Wages | | \$ 101,459 | \$ 90,118 |
| Sewer Expense Allocation Percentage | | 38.05% | 38.05% |
| Pro Forma Salaries & Wages Expense Sewer | | 38,603 | 34,288 |
| Less: Test Year Salaries & Wages Expense Sewer | | (27,312) | (27,312) |
| Total Adjustment | | \$ 11,291 | \$ 6,976 |
| Collection Adjustment | 62% | \$ 11,291 | \$ 4,325 |
| Pumping Adjustment | 38% | \$ - | \$ 2,651 |
| Pro Forma Salaries & Wages Expense Sewer | | \$ 34,288 | |
| Times: 7.65 Percent FICA Rate | | 7.65% | |
| Pro Forma Taxes Other Than Income | | 2,623 | |
| Less: Test Year Taxes Other Than Income Sewer | | (3,752) | |
| Taxes Other Than Income - Sewer Adjustment | | \$ (1,129) | |

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 corrected, current wage amounts documented in the case record, it is reasonable.

Treatment – Labor, Materials and Expenses. In its application, South 641 District proposed an increase of \$3,272 to Treatment - Labor, Materials and Expenses due to an increase in the cost of sewer testing 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.¹¹

¹¹ South 641 District's Response to Staff's First Request, Item 5, 5_Rate_Study.xlsx.

Commission Staff reviewed South 641 District’s calculations and general ledger evidence¹² provided and confirmed that the proposed adjustment calculation is correct and meets the ratemaking criteria of being known and measurable using the table below.

Wastewater Quality Testing

Invoices from Microbac for testing from 2021 and 2022

| | Cost |
|------------|-----------|
| 2021 | \$ 362.75 |
| 2022 | \$ 430.75 |
| Difference | \$ 68.00 |
| Percentage | 18.75% |

| | |
|----------------------|--------------|
| Testing in Test Year | \$ 17,457.00 |
| Percentage | 18.75% |
| Adjustment | \$ 3,272.44 |

The Commission finds that the \$3,272 adjustment to Treatment - Labor, Materials and Expenses due to increased costs is reasonable and should be accepted to reflect South 641 District’s current wastewater testing expense, which was supported by evidence in the record.

Fuel and Power Purchased. In its application South 641 District proposed an increase of \$1,304 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.¹³

¹² 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.

¹³ South 641 District’s Response to Staff’s First Request, Item 5, 5_Rate_Study.xlsx.

Commission Staff reviewed South 641 District’s calculations and general ledger evidence¹⁴ 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 | 0.00708838 |
| 2022 | \$ 214.61 | 23200 | 0.009250431 |
| Difference | | | 0.002162051 |
| Percentage | | | 30.50% |
| Power in Test Year | | | \$ 4,273.57 |
| Percentage | | | 30.50% |
| Adjustment | | | \$ 1,303.50 |

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

Chemicals. In its application South 641 District proposed an increase of \$6,347 to Chemicals expense due to an increase in chemical costs as documented by the 2021 general ledger amounts provided by South 641 District that show an increase in payments to Brenntag since the test year.¹⁵

Commission Staff reviewed South 641 District’s calculations and general ledger evidence¹⁶ provided and confirmed that the proposed adjustment calculation is correct and meets the ratemaking criteria of being known and measurable using the table below.

¹⁴ 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.

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 1a and Item 5, 1a_2021_General_Ledger.pdf and 5_Rate_Study.xlsx.

Wastewater Chemicals

| | |
|------------------------|-------------|
| Invoices from Brenntag | |
| | Cost |
| 2021 | \$ 1,451.30 |
| 2022 | \$ 2,189.72 |
| Difference | \$ 738.42 |
| Percentage | 50.88% |

| | |
|------------------------|--------------|
| Chemicals in Test Year | \$ 12,475.03 |
| Percentage | 50.88% |
| Adjustment | \$ 6,347.28 |

The Commission finds that this adjustment to Chemical expense is reasonable and should be accepted because it reflects price increases in the chemicals from Brenntag as documented in the case record.

Employee Pensions and Benefits. South 641 District pays 100 percent of its employee’s single health and dental insurance premiums.¹⁷ Consistent with Commission precedent, South 641 District reduced the amount of employer-funded premiums by \$104 to be consistent with the Bureau of Labor Statistics national average for an employer’s share of health insurance premiums, 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,¹⁸ 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

¹⁷ Application, Attachment #4, Item F.

¹⁸ South 641 District’s Response to Staff’s First Request, Item 5, 5_Rate_Study.xlsx.

contribution for dental coverage should be 40 percent.¹⁹ The difference between the 60 percent contribution rate and 40 percent contribution rate would result in a \$39 decrease to Miscellaneous expense or a 0.04 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 Employee Pensions and Benefits expense is reasonable and should be accepted because Commission precedent has been to set employer contributions to health and dental insurance premiums to the national average.

Depreciation. South 641 District reported test year Depreciation Expenses of \$44,289 in its application.²⁰ In its application, South 641 District proposed a decrease of \$3,739 to Depreciation expense to reflect adjustments of asset service lives to the midpoint of service life ranges set forth in the National Association of Regulatory Utility Commissioners (NARUC) publication titled, “Average Service Lifetimes, Major Systems Components – Wastewater Systems” (NARUC Study).²¹

To evaluate the reasonableness of the depreciation practices of sewer 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.

¹⁹ 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).

²⁰ Application, Attachment #4 at 15.

²¹ Application, Attachment 4, Statement of Adjusted Operations, References, Adjustment G.

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 decreased pro forma Depreciation Expense by \$3,739.

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 wastewater utilities.

Based upon the Commission's findings discussed above, the following table summarizes South 641 District's adjusted pro forma:²²

| | <u>Commission Staff's Report</u> | | |
|--------------------------------|----------------------------------|------------------------|--------------------------|
| | Test-Year | Commission Adjustments | Pro Forma |
| Total Operating Revenues | \$100,998 | \$(195) | \$100,803 |
| Utility Operating Expenses | <u>137,539</u> | <u>12,927</u> | <u>150,466</u> |
| Net Utility Operating Income | (36,541) | (13,122) | (49,663) |
| Interest and Dividend Income | <u>418</u> | <u>(301)</u> | <u>117</u> |
| Total Utility Operating Income | <u><u>\$ (36,123)</u></u> | <u><u>(13,423)</u></u> | <u><u>\$(49,546)</u></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.

²² See Appendix A to this Order for a complete pro forma.

Based upon the Commission’s findings and determinations herein, South 641 District requires an increase in revenues from sewer sales of \$70,064, or 71.61 percent above pro forma present sewer 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.

| | South 641 Water District (Sewer) | Commission Staff |
|---|--|---------------------|
| Pro Forma Operating Expenses | \$ 155,957 | \$ 150,466 |
| Operating Ratio | 88% | 88% |
| Total Revenue Requirement | 177,224 | 170,984 |
| Less: Other Operating Revenue | (3,163) | (2,968) |
| Interest Income | (418) | (117) (1) |
| Revenue Required From Sewer Sales | 173,643 | 167,899 |
| Less: Revenue from Sales with Present Rates | (97,835) | (97,835) |
| Required Revenue Increase | <u>\$ 75,808</u> | <u>\$ 70,064</u> |
| Percent Increase | <u>77.49%</u> | <u>71.61%</u> |

RATE DESIGN

South 641 District proposed to increase all of its monthly metered retail wastewater service rates by an across the board increase of approximately 77.49 percent. South 641 District did not propose to increase its flat rate customer rate. South 641 District has not performed a 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 usually finds that in the absence of a COSS, the proposed across-the-board method is an appropriate and equitable method to allocate the increased cost to South 641 District’s customers. South 641 District did not propose an increase to the flat rate retail customers. However, the Commission finds that the

increase should be to all South 641 District customers and agrees with Commission Staff's rates as proposed in the Staff Report.

In an effort to avoid significant hardship to South 641 District's customers, Commission Staff proposed to do a three-year phase-in approach. Although applying a three-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 Commission finds that such a large increase would not be appropriate in one increase and accepts Commission Staff's proposed three-year phase-in approach. The rates set forth in 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 wastewater sales to recover the \$167,889 Revenue Required from Rates, an approximate 71.61 percent increase. The rates in Phase 1, will increase a typical residential customer's monthly wastewater bill from \$48.73 to \$60.37, an increase of \$11.64, or approximately 23.89 percent. The rates in Phase 2 will increase a typical residential customer's monthly wastewater bill from Phase 1 rates of \$60.37 to \$72.00, an increase of \$11.63, or approximately 19.26 percent. The rates in Phase 3 will increase a typical residential customer's monthly wastewater bill from Phase 2 rates of \$72.00 to \$83.65, an increase of \$11.65, or approximately 16.18 percent.²³

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

²³ The typical residential customer uses approximately 4,000 gallons a month. The flat rate charge is based on 4,000 per month also.

the Operating Ratio method to South 641 District's pro forma operations results in an Overall Revenue Requirement of \$170,984, a required revenue from sewer sales of \$167,899, and an increase in revenue from sewer sales of \$70,064, or 71.61 percent.

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

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Commission Staff's Report are adopted and modified in this Order and incorporated by reference into this Order.

2. The wastewater service rates proposed by South 641 District are denied.

3. The general wastewater monthly and flat rates set forth in 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 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. 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.


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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]


PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner

ENTERED
DEC 13 2023
KENTUCKY PUBLIC SERVICE COMMISSION ^{rCS}

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00051 DATED DEC 13 2023

| | | | | | |
|---|-------------|--|-------------------------|--|----------------------|
| 2023-00051 South 641 District | | | | | |
| Nonrecurring Charge Staff Worksheet | | | | | |
| Service Connection/Reconnection Charge/Delinquent Charge | | | | | |
| | | | | | |
| Field Labor | Time & Wage | | District Revised Charge | | Staff Revised Charge |
| Rate | \$20.50 | | \$20.50 | | \$0.00 |
| Time | 1 hour | | | | |
| | | | | | |
| Clerical and Office Expense | | | | | |
| Supplies | | | \$3.00 | | \$3.00 |
| Labor | Time & Wage | | \$10.00 | | \$0.00 |
| Rate | \$21.00 | | | | |
| Time | 0.25 hour | | | | |
| | | | | | |
| MISC Expense | | | | | |
| Transportation | | | \$6.55 | | \$6.55 |
| | | | | | |
| Total Revised Charge | | | \$40.05 | | \$9.55 |
| Rounded to: | | | | | \$10.00 |
| Current Rate: | | | \$15.00 | | |
| | | | | | |
| 2023-00051 South 641 District | | | | | |
| Nonrecurring Charge Staff Worksheet | | | | | |
| Service Connection After Hours Charge | | | | | |
| | | | | | |
| Field Labor | Time & Wage | | District Revised Charge | | Staff Revised Charge |
| Rate | \$30.75 | | \$30.75 | | \$30.75 |
| Time | 1 hour | | | | |
| | | | | | |
| Clerical and Office Expense | | | | | |
| Supplies | | | \$3.00 | | \$3.00 |
| Labor | Time & Wage | | \$15.00 | | \$0.00 |
| Rate | \$30.00 | | | | |
| Time | 0.5 hour | | | | |
| | | | | | |
| MISC Expense | | | | | |

| | | | | | | |
|-------------------------------------|-------------|--|---------|-------------------------|--|----------------------|
| Transportation | | | \$6.55 | | | \$6.55 |
| | | | | | | |
| Total Revised Charge | | | \$55.30 | | | \$40.30 |
| Rounded to: | | | | | | \$40.00 |
| Current Rate: | | | \$35.00 | | | |
| | | | | | | |
| 2023-00051 South 641 District | | | | | | |
| Nonrecurring Charge Staff Worksheet | | | | | | |
| Returned Check Charge | | | | | | |
| | | | | | | |
| Field Labor | Time & Wage | | | District Revised Charge | | Staff Revised Charge |
| Rate | \$0.00 | | | | | |
| Time | 1 hour | | | | | |
| | | | | | | |
| Clerical and Office Expense | | | | | | |
| Supplies | | | | | | |
| Labor | Time & Wage | | | \$20.00 | | \$0.00 |
| Rate | \$20.00 | | | | | |
| Time | 1 hour | | | | | |
| | | | | | | |
| MISC Expense | | | | | | |
| Bank Charges | | | | | | |
| | | | \$30.00 | | | 30.00 |
| | | | | | | |
| Total Revised Charge | | | \$50.00 | | | \$30.00 |
| Rounded to: | | | | | | \$30.00 |
| Current Rate: | | | \$25.00 | | | |
| | | | | | | |

| Description | Current Rate | Total | Revised Rate | Adj | Pro Forma |
|--|--------------|--------------|--------------|----------------|--------------|
| Miscellaneous Service Revenues * | | | | | |
| Service Connection/Reconnection Charge/Delinquent Charge | \$15.00 | \$506 | \$10.00 | (\$169) | \$337 |
| Service Connection Charge After Hours | \$35.00 | 0 | \$40.00 | 0 | 0 |
| Delinquent Service | \$15.00 | 0 | \$10.00 | 0 | 0 |
| Returned Check Charge | \$25.00 | 9 | \$30.00 | 2 | 11 |
| Total Miscellaneous Service Revenues | | <u>\$515</u> | | <u>(\$167)</u> | <u>\$348</u> |

| | South 641 | | Commission | | | |
|--|-------------|-------------|-------------|-------------|--------|-------------|
| | District | Staff | Total | | | |
| | Proposed | Staff | Total | | | |
| | Adjustments | Adjustments | Adjustments | | (Ref.) | Pro Forma |
| | Test Year | | | | | |
| Operating Revenues | | | | | | |
| Sewage Service Revenues | | | | | | |
| Flat Rate Revenues | \$ 1,170 | | | \$ - | | \$ 1,170 |
| Metered Revenues | 96,665 | | | 0 | | 96,665 |
| Total Sewage Service Revenues | 97,835 | 0 | 0 | 0 | | 97,835 |
| Other Operating Revenues | 3,163 | | (3,163) | (3,163) | (A) | 0 |
| Forfeited Discounts | 0 | | 2,620 | 2,620 | (A) | 2,620 |
| Miscellaneous Service Revenues | 0 | | 543 | 543 | (A) | |
| | | | (167) | (167) | (A) | |
| | | | (28) | (28) | (A) | 348 |
| Total Operating Revenues | 100,998 | 0 | (195) | (195) | | 100,803 |
| Operating Expenses | | | | | | |
| Operation and Maintenance Expenses | | | | | | |
| Collection - Labor, Materials and Expenses | 15,915 | 11,291 | (6,966) | 4,325 | (B) | 20,240 |
| Pumping - Labor, Materials and Expenses | 10,679 | | 2,651 | 2,651 | (B) | 13,330 |
| Treatment - Labor, Materials and Expenses | 19,075 | 3,272 | | 3,272 | (C) | 22,347 |
| Fuel and Power Purchased | 4,274 | 1,304 | | 1,304 | (D) | 5,578 |
| Chemicals | 12,475 | 6,347 | | 6,347 | (E) | 18,822 |
| Customer Account Expenses | | | | | | |
| Meter Reading and Flat Rate Inspections | 3,072 | | | 0 | | 3,072 |
| Labor, Materials, and Expenses | 3,402 | | | 0 | | 3,402 |
| Uncollectable Accounts | 518 | | | 0 | | 518 |
| Administrative and General Expenses | | | | | | |
| Salaries | 3,048 | | | 0 | | 3,048 |
| Office Supplies and Other Expenses | 5,256 | | | 0 | | 5,256 |
| Outside Services Employed | 2,136 | | | 0 | | 2,136 |
| Insurance | 3,915 | | | 0 | | 3,915 |
| Employee Pensions and Benefits | 1,815 | (104) | | (104) | (F) | 1,711 |
| Regulatory Expense | 345 | | | 0 | | 345 |
| Transportation Expense | 2,654 | | | 0 | | 2,654 |
| Miscellaneous General Expenses | 454 | | | 0 | | 454 |
| Maintenance of General Plant | 465 | | | 0 | | 465 |
| Total Operation and Maintenance Expenses | 89,498 | 22,110 | (4,315) | 17,795 | | 107,293 |
| Depreciation | 44,289 | (3,739) | | (3,739) | (G) | 40,550 |
| Taxes Other Than Income | 3,752 | 46 | (1,175) | (1,129) | (B) | 2,623 |
| Total Operating Expenses | 137,539 | 18,417 | (5,490) | 12,927 | | 150,466 |
| Net Operating Income | (36,541) | (18,417) | 5,295 | (13,122) | | (49,663) |
| Interest Income | 418 | 0 | (301) | (301) | (1) | 117 |
| Income Available to Service Debt | \$ (36,123) | \$ (18,417) | \$ 4,994 | \$ (13,423) | | \$ (49,546) |

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00051 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 Sewer Rates

Phase 1

Metered Customers

Customer Charge \$ 30.93 Minimum Bill
All Volume .00736 Per Gallon

Unmetered Customers

Flat Rate Charge \$ 60.36 Minimum Bill

Phase 2

Effective one year after Phase 1 Rates

Metered Customers

Customer Charge \$ 36.90 Minimum Bill
All Volume .00877 Per Gallon

Unmetered Customers

Flat Rate Charge \$ 72.00 Minimum Bill

Phase 3

Effective one year after Phase 2 Rates

Metered Customers

Customer Charge \$ 42.86 Minimum Bill
All Volume .01019 Per Gallon

Unmetered Customers

Flat Rate Charge \$ 83.62 Minimum Bill

Sewer Nonrecurring Rates

Service Connection/Reconnection Charge \$10.00
Service Connection Charge After Hours \$40.00
Delinquent Service Charge \$10.00

| | |
|-----------------------------|-------------|
| Returned Check Charge** | \$30.00 |
| Customer Deposits – Phase 1 | \$120.00 |
| Customer Deposits – Phase 2 | \$144.00 |
| Customer Deposits – Phase 3 | \$167.00 |
| Tap Fee | Actual Cost |

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

*Robert K. Miller
Straightline Kentucky LLC
113 North Birchwood Ave.
Louisville, KENTUCKY 40206

*South 641 Water District
207 Main Street
P. O. Box 126
Hazel, KY 42049

*Ricky Walls
Chairman
South 641 Water District
P. O. Box 126
Hazel, KY 42047