

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GREEN-TAYLOR WATER	)	CASE NO.
DISTRICT FOR AN ALTERNATIVE RATE	)	2018-00030
ADJUSTMENT	)	

NOTICE OF FILING OF COMMISSION STAFF REPORT

Notice is hereby given that, in accordance with the Commission's Order of February 27, 2018, the attached report containing the findings of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's February 27, 2018 Order, Green-Taylor Water District is required to file written comments regarding the findings of Commission Staff no later than 14 days from the date of this report.



Gwen R. Pinson  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATE     **MAY 23 2018**    

cc: Parties of Record

STAFF REPORT  
ON  
GREEN-TAYLOR WATER DISTRICT  
CASE NO. 2018-00030

Green-Taylor Water District (“Green-Taylor District”) is a water district organized pursuant to KRS Chapter 74 that owns and operates a water distribution system through which it provides retail water service to approximately 4,952 customers in Adair, Green, Metcalfe, and Taylor counties, Kentucky.<sup>1</sup> On January 19, 2018, Green-Taylor District tendered an application (“Application”) to the Commission requesting to increase its water service rates pursuant to 807 KAR 5:076. By letter dated January 31, 2018, the Commission notified Green-Taylor District that the Application was rejected as deficient. On February 9, 2018, Green-Taylor District was notified that the deficiencies were cured and its Application was deemed filed on February 9, 2018. To ensure the orderly review of the Application, the Commission established a procedural schedule by Order dated February 27, 2018.

As required by 807 KAR 5:076, Green-Taylor District based its requested rates on a historic test period that coincides with the reporting period shown in its most recent Annual Report on file with the Commission, the calendar year ended December 31, 2016.

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<sup>1</sup> *Annual Report of Green-Taylor Water District to the Public Service Commission for the Calendar Year Ended December 31, 2016 (“Annual Report”)* at 12 and 48.

Green-Taylor District presented financial exhibits in its Application demonstrating a rate increase that increases annual water sales revenues by \$268,203, an 11.84 percent increase to test-year water sales revenues of \$2,239,901. The exhibits are summarized below in condensed form

Pro Forma Operating Expenses	\$ 2,230,938
Plus: Average Annual Debt Payments	445,428
Additional Working Capital	<u>                    </u>
Overall Revenue Requirement	2,676,366
Less: Other Operating Revenue	<u>(143,542)</u>
Revenue Required From Rates	2,532,824
Less: Pro Forma Present Rate Revenues	<u>(2,264,622)</u>
Required Revenue Increase	<u>\$ 268,203</u>
Percent Increase	<u>11.84%</u>

To determine the reasonableness of the rates requested by Green-Taylor District, Staff performed a limited financial review of Green-Taylor District’s test-year operations. The scope of Staff’s review was limited to determining whether operations reported for the test year were representative of normal operations. Known and measurable changes to test-year operations were identified and adjustments were made when their effects were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

Staff’s findings are summarized in this report. David Foster reviewed the calculation of Green-Taylor District’s Overall Revenue Requirements. Eddie Beavers reviewed Green-Taylor District’s reported revenues and rate design.

## Summary of Findings

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Debt Service Coverage (“DSC”) method, as generally accepted by the Commission, Staff found that Green-Taylor District’s Overall Revenue Requirement is \$2,709,092 and that a \$211,253 revenue increase, or 8.86 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

2. Water Service Rates. In the Application, Green-Taylor District proposed to increase all of its monthly water service rates evenly across the board by approximately 15 percent. Green-Taylor District has not performed a cost-of-service study (“COSS”). The Commission has previously found that the allocation of a revenue increase evenly across the board to a utility’s current rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in absence of a COSS. Finding no such evidence in this case, Staff followed the method proposed by Green-Taylor District and allocated the \$211,253 revenue increase Staff found warranted evenly across the board to Green-Taylor District’s current retail monthly water service rates. Green-Taylor District did not request to increase the current wholesale rates at this time and had not provided proper notice to their wholesale customers before filing their application for a retail rate increase.

A review of Green-Taylor District’s Tariff on file with the Commission, Staff determined that the rates as described in the billing analysis filed with their Application for the Small Trailer Park and the Trailer Park rate classes were absent from the Tariff. During the field review and discussions with Green-Taylor District’s office staff it was discovered that the “Small Trailer Park” should have been charged the rates as set out in

the tariff for a 1” meter customer and that the “Trailer Park” should have been charged the rates as set out in the tariff for a 2” meter customer.

Green-Taylor District filed with the Commission a revised billing analysis to reflect these customers being charged the appropriate rates for each of their customer classification.<sup>2</sup>

Shown in the Attachment to this report are the monthly retail water service rates calculated by Staff. These rates will increase a typical residential customer’s monthly bill for a customer using 4,000 gallons from \$37.40 to \$40.73, an increase of \$3.33, or 8.9 percent.

3. Unauthorized Debt. As discussed in more detail herein, Green-Taylor District had a loan outstanding in the amount of \$66,456 for a term of five years that was payable to Taylor County Bank for which Green-Taylor District did not obtain Commission approval as required by KRS 278.300. Green-Taylor District, however, paid in full the remaining balance subsequent to the filing of the Application. Green-Taylor District has the responsibility to ensure that it follows the Commission’s statutes and regulations and that all statutory and regulatory approvals are obtained. Green-Taylor District should be aware that in the future, the Commission could initiate a separate proceeding to more thoroughly investigate the possible violations of Commission statutes and regulations. If a determination is made that there has been a willful violation of any provision of KRS

Chapter 278 and 807 KAR Chapter 5, Green-Taylor District, including the members of the Board of Commissioners, may be held accountable.<sup>2</sup>

4. Pro Forma Operating Statement

Green-Taylor District's Pro Forma Operating Statement for the test year ended December 31, 2016, as determined by Staff, appears below.

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<sup>2</sup> KRS 278.990(1). Any officer, agent, or employee of a utility, as defined in KRS 278.010, and any other person who willfully violates any of the provisions of this chapter or any regulation promulgated pursuant to this chapter, or fails to obey any order of the commission from which all rights of appeal have been exhausted, or who procures, aids, or abets a violation by any utility, shall be subject to either a civil penalty to be assessed by the commission not to exceed two thousand five hundred dollars (\$2,500) for each offense or a criminal penalty of imprisonment for not more than six (6) months, or both.

	<u>Test Year</u>	<u>Adjustment</u>	<u>(Ref)</u>	<u>Pro Forma</u>
Operating Revenues				
Sales of Water	\$2,239,901	\$ 119,160	(A)	
Sales for Resale	24,720			\$2,383,782
Other Operating Revenues	143,542	(1,800)	(B)	
		<u>(27,685)</u>	(C)	<u>114,057</u>
Total Operating Revenue	<u>2,408,163</u>	<u>89,675</u>		<u>2,497,838</u>
Operating Expenses				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	431,017	36,430	(D)	
		(11,000)	(I)	456,447
Salaries and Wages - Officers	18,200	(18,200)	(E)	0
Employee Pensions and Benefits	298,346	(23,067)	(F)	
		14,559	(G)	289,837
Purchased Water	731,981	(1,371)	(H)	730,610
Purchased Power	71,124	(133)	(H)	70,991
Materials and Supplies	102,829	(11,000)	(I)	91,829
Contractual Services	54,776			54,776
Water Testing	8,940			8,940
Transportation Expenses	35,277			35,277
Insurance	31,269			31,269
Regulatory Commission Expenses	4,536			4,536
Bad Debt Expense	8,455			8,455
Miscellaneous Expenses	86,163			86,163
Total Operation and Maintenance Expenses	1,882,915	(13,782)		1,869,133
Depreciation Expense	313,652			313,652
Taxes Other Than Income	34,370	2,787	(J)	37,157
Total Operating Expenses	<u>2,230,938</u>	<u>(10,995)</u>		<u>2,219,943</u>
Net Operating Income	177,225	100,670		277,895
Interest Income	5,117			5,117
Income Available to Service Debt	<u>\$ 182,342</u>	<u>\$ 100,670</u>		<u>\$ 283,012</u>

(A) Billing Analysis Adjustment. In the Application, Green-Taylor District provided a billing analysis detailing water usage and water sales revenue for the 12-month test year. Green-Taylor District made no adjustment to water sales revenue. Staff

has reviewed Green-Taylor District's billing analysis provided on March 2, 2018 in response to the Commission's deficiency letter and finds that \$2,383,782, the sum of the class water sales revenue of for all customers, is a more accurate representation of normalized test year water sale revenue. Green-Taylor District made no adjustments to reflect revenue based upon the billing analysis filed with the application nor the revised billing analysis, in which they noted the change in the rates charged to the Small Trailer Park and the Trailer Park rate classes. The Annual Report water sales revenue is reported to be \$2,264,622, resulting in an increase in water sales revenue of \$119,160, based on the revised billing analysis water sales revenue.

(B) Miscellaneous Service Revenues. Pursuant to an agreement with DX Wireless Internet Service ("DX Wireless"), Green-Taylor District leases space atop its water towers where DX Wireless has mounted wireless communication equipment. During the test-year, Green-Taylor District reported \$1,800 in revenue for payments that were due in the year prior to the test-year. This a violation of the matching principle, which requires that all revenues and expenses reflect the same time period. As a result, Staff removed \$1,800 from Other Operating Revenues.

(C) Other Operating Revenues. During the test year, Green-Taylor District collected payments for Tap-On fees and Sales Tax Revenue. Green-Taylor District also realized interest revenue from interest accruing financial items. Staff removed these amounts from Green-Taylor District's Other Operating Revenue as explained below.

Tap-On Fees: During the test year, Green-Taylor District collected water tap-on fees in the amount of \$22,000. Green-Taylor District included this amount in Other Operating Revenues. The Uniform System of Accounts ("USoA") requires that receipts



for tap-on fees be reported as Proceeds from Capital Contributions, a revenue account that is closed directly to Donated Capital, a Retained Earnings subsidiary account, without being reported in a district’s income that is available to service debt.<sup>3</sup> To comply with the requirements of the USoA, Staff removed the test-year tap-on fees from Other Operating Revenues.

Sales Tax Revenue: Green-Taylor District reported \$570 for sales tax for items of inventory that were sold to the general public during the test year. The collection of these taxes is not revenue, nor is the remittance thereof an expense. Accordingly, Staff removed this amount from test-year operations.

Interest Income: Green-Taylor District realized \$5,117 interest income during the test year from interest-bearing financial assets. In its Application, Green-Taylor District included this amount in Other Operating Revenues. Interest and Dividend income is non-operating revenue that is considered to be below-the-line items that are not included in a utility’s calculation of its revenue requirement. Staff removed this amount from Other Operating Revenue and included it in Non-Operating Revenues.

The table below demonstrates the results of Staff’s adjustments to the test-year Other Operating Revenues.

Tap-On Fees	\$22,000
Sales Tax Revenue	569
Interest Income	<u>5,116</u>
Total	<u><u>\$27,685</u></u>

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<sup>3</sup> USoA, Accounting instruction at 86-87.

(D) Salaries and Wages – Employees. Green-Taylor District reported \$431,017 in wages paid to its employees. During and subsequent to the test year, Green-Taylor District experienced multiple staffing level changes. During the test year, Green-Taylor District dismissed the General Manager. The General Manger position was filled the following year, along with two new additional employees; one employee retired. To reflect the current changes to staffing levels, Staff recalculated pro forma wages based on hours worked for the test year at the current wage rates paid to Green-Taylor District’s employees. The result is an increase to Salaries and Wages of \$36,430, as shown below.

	<u>Current Pay Rate</u>	<u>Regular Hours</u>	<u>Overtime Hours</u>	<u>Pro Forma</u>
Employee 1	\$ 24.04	2,080		\$ 50,003
Employee 2	19.20	2,080	314	48,979
Employee 3	20.72	2,080	313	52,810
Employee 4	19.20	2,080	379	50,851
Employee 5	16.49	2,080	55	35,660
Employee 6	15.50	2,080	2	32,275
Employee 7	12.75	2,080		26,520
Employee 8	12.75	2,080		26,520
Employee 9	18.73	2,080	51	40,377
Employee 10	18.73	2,080	49	40,321
Employee 11	15.09	2,080	8	31,568
Employee 12	<u>15.09</u>	<u>2,080</u>	<u>8</u>	<u>31,563</u>
Pro Forma Wages				467,447
Less: Test Year				<u>(431,017)</u>
Increase				<u>\$ 36,430</u>

(E) Salaries and Wages – Commissioners. During the test year, Green-Taylor District reported \$18,200 in payments to its Board of Commissioners. Staff requested

Green-Taylor District to provide a copy of the fiscal court minutes authorizing the payment of the commissioner fees. According to KRS 74.020(6) the commissioner fees:

... shall be fixed by the county judges/executive with the approval of the fiscal court; in multicounty districts, it shall be fixed by the agreement between the county judges/executive with the approval of their fiscal courts.

Green-Taylor District was unable to provide the required approval from the judge/executive and the fiscal court in Green County, Kentucky. For this reason, Staff reduced operating expenses by \$18,200 to eliminate the commissioner fees.

(F) Employee Contribution for Health and Dental Insurance. Green-Taylor District reported \$298,346 for test-year Employee Pensions and Benefits expense. This amount included \$227,183 for the cost of providing health and dental benefits to all qualifying full-time employees.

Green-Taylor District currently pays 100 percent of the monthly premiums for its employees' and 80 percent of their spouses' and dependents' health and dental benefits. Staff notes that in recent Orders, the Commission has made ratemaking adjustments to reduce the cost of employee benefit packages paid by some utilities when certain aspects of those benefit packages were found to be unreasonable based on a review of total salaries and fringe benefits. The Commission is placing greater emphasis on evaluating employees' total compensation packages, including both salary and benefits programs, for market and geographic competitiveness to ensure the development of a fair, just, and reasonable rate. It has found that in most cases, 100 percent employer-funded health care does not meet those criteria. Factoring in for the preceding, and accounting for othe

pro-forma adjustments, Staff determined the net adjustment to Green-Taylor District's test-year health insurance expense should be an decrease of \$23,067,<sup>4</sup> as shown below.

Green-Taylor District currently has eleven employees who have family-coverage health and dental insurance policies which include coverage for spouses and dependents and one employee whose has single-coverage policies. As shown below, Staff annualized the most recent monthly premiums paid on behalf of all full-time employees who were receiving health and dental benefits at the time of Staff's review.

Current Monthly Health and Dental Premium	\$ 25,614
Times: 12 Months	<u>12</u>
Annualized	307,373
Less: Test Year	<u>(227,183)</u>
Increase	<u>\$ 80,190</u>

Additionally, consistent with recent orders in which the Commission has reduced benefit expenses for utilities that pay 100 percent of an employee's health and dental insurance coverage, Staff reduced Green-Taylor District's family health insurance premiums by 33 percent and the single premiums by 21 percent and its dental premiums by 60 percent, the national average employee contribution rate,<sup>5</sup> as shown below.

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Annualized Premium Increase	\$ 80,190
Benefit Reduction	<u>\$ (103,257)</u>
Total Decrease	<u>\$ (23,067)</u>

<sup>5</sup> Bureau of Labor Statistics, Healthcare Benefits, March 2017, Table 10, private industry workers. (<https://www.bls.gov/ncs/ebs/benefits/2017/ownership/private/table10a.pdf>)

	Health Insurance		Dental Insurance		Total Decrease
	Family	Single	Family	Single	
Annual Premium					
Subject to Adjustment	\$ 287,630	\$ 8,991	\$ 10,465	\$ 287	
Times: Percentage Reduction	33%	21%	60%	60%	
	<u>\$ 94,918</u>	<u>\$ 1,888</u>	<u>\$ 6,279</u>	<u>\$ 172</u>	<u>\$103,257</u>

(G) Retirement Expense Pursuant to GASB 68. Green-Taylor District reported test-year employee pension expense of \$60,362. Green-Taylor District provides pension benefits and post-retirement health care benefits to its employees by participating in the County Employee Retirement System (“CERS”). As a participating member, Green-Taylor District is required to contribute a percentage of its employee wages to CERS. In the fiscal year beginning July 1, 2016, the CERS contribution rate was 17.06 percent. The CERS pension expense Green-Taylor District reported in the test year conformed to the requirements of the General Accounting Standards Board Pronouncement No. 68 (“GASB 68”).

In Case No. 2016-00163,<sup>6</sup> Commission Staff discussed in great detail the reporting requirements of GASB 68 and how those requirements would affect a utility’s income statement and balance sheet. In that proceeding, Commission Staff found that the annual pension expense should be equal to the amount of a district’s contributions to CERS, which “historically have been fairly constant.” Staff determined that Green-Taylor District’s test-year CERS contributions totaled \$74,921. Accordingly, Staff is increasing employee pension and benefits expense by \$14,559.

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<sup>6</sup> Case No. 2016-00163, *Alternative Rate Adjustment Filing of Marion County Water District* (PSC Ky. Aug. 11, 2016) Staff Report on Marion County Water District at 10-27.

(H) Expenses Attributable to Water Loss. Pursuant to 807 KAR 5:066 Section (6)3, Green-Taylor District’s water loss is limited to 15 percent for ratemaking purposes unless it can demonstrate that an alternative level is reasonable. Green-Taylor District reported test-year water loss at 15.1873 percent,<sup>7</sup> or 0.1873 percent above the amount allowed and did not attempt to demonstrate that the amount of the excess water loss is reasonable. To comply with the regulation, Staff removed the expenses incurred during the test year to purchase and pump the lost water that was in excess of the allowable amount. The calculations are shown below.

	<u>Purchased Water</u>	<u>Purchased Power</u>
Test Year Subject to Water Loss Adjustment	\$ 731,981	\$ 71,124
Times: Water Loss in Excess of 15 Percent	<u>-0.1873%</u>	<u>-0.1873%</u>
Decrease	<u>\$ (1,371)</u>	<u>\$ (133)</u>

(I) Capitalization of Test-Year Meter Installations. As noted in Item (C), during the test year Green-Taylor District collected \$22,000 to install new 5/8-inch x 3/4-inch meter connections. These installations incur costs that include wages, wage overheads, transportation costs, equipment costs, and materials and supplies. The USoA requires that these costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.<sup>8</sup> Green-Taylor District County incorrectly reported these costs as

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<sup>7</sup> Annual Report at 56.

<sup>8</sup> USoA, Accounting Instruction 19 and 33.

test-year expenses. To correct this accounting error in pro forma operations, Staff removed the amount collected for these connections from test-year expenses and included a provision for their recovery in pro forma depreciation expense. Ideally, Staff would have reduced each of the expense accounts that contain installation costs by a portion of the capitalized costs, but, for simplicity, Staff decreased wages expense and materials and supplies expense by \$11,000 each, or one half of the total estimated cost. In Case No. 2017-00211, the Commission accepted Staff's finding that expenses for new tap installations be decreased by half.<sup>9</sup> Using this abbreviated method does not have a material effect on the results of Staff's analysis of Green-Taylor District's operations.

(J) Taxes Other Than Income. As discussed in Item (D), Staff determined that Green-Taylor District's test-year employee wages will increase by \$36,430 due to changes in Green-Taylor District's test-year employee staffing. Green-Taylor District's test-year FICA taxes will increase as a result of these changes. As calculated below, Staff determined that the increase to test-year FICA taxes will be \$2,787. Accordingly, Staff increased test-year Taxes Other Than Income by \$2,787.

Increase to Employee Wage Expense	\$ 36,430
Times : 7.65% FICA Tax Rate	<u>7.65%</u>
FICA Tax Rate Increase	<u>\$ 2,787</u>

Overall Revenue Requirement and Required Revenue Increase

The Commission has historically applied a DSC method to calculate the Overall Revenue Requirement of water districts and water associations. This method allows for

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<sup>9</sup> Case No. 2017-00211, Commission Staff Report on Letcher County Water and Sewer District (filed July 6, 2017) at 9.

recovery of: 1) cash-related pro forma operating expenses; 2) recovery of depreciation expense, a non-cash item, to provide working capital;<sup>10</sup> 3) the average annual principal and interest payments on all long-term debts.

A comparison of Green-Taylor District's and Staff's calculations of Green-Taylor District's Overall Revenue Requirement and Required Revenue Increase using the DSC

method	is	shown		below.
		<u>Green-Taylor County</u>	<u>Staff</u>	<u>(Ref.)</u>
Pro Forma Operating Expenses		\$ 2,230,938	\$2,219,943	
Plus: Average Annual Debt Payments		445,428	407,624	(1)
Additional Working Capital			81,525	(2)
		<hr/>	<hr/>	
Overall Revenue Requirement		2,676,366	2,709,092	
Less: Other Operating Revenue		<u>(143,542)</u>	<u>(114,057)</u>	
		<hr/>	<hr/>	
Revenue Required From Rates		2,532,824	2,595,035	
Less: Pro Forma Present Rate Revenues		<u>(2,264,622)</u>	<u>(2,383,782)</u>	
		<hr/>	<hr/>	
Required Revenue Increase		<u>\$ 268,203</u>	<u>\$ 211,253</u>	
Percent Increase		<u>11.84%</u>	<u>8.86%</u>	

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<sup>10</sup> The Kentucky Supreme Court has held that the Commission must permit a water district to recover its depreciation expense through its rates for service to provide internal funds for renewing and replacing assets. See *Public Serv. Comm'n of Kentucky v. Dewitt Water Dist.*, 720 S.W.2d 725, 728 (Ky. 1986). Although a water district's lenders require that a small portion of the depreciation funds be deposited annually into a debt reserve/depreciation fund until the account's balance accumulates to a required threshold, neither the Commission nor the Court requires that revenues collected for depreciation be accounted for separately from the water district's general funds or that depreciation funds be used only for asset renewal and replacement. The Commission has recognized that the working capital provided through recovery of depreciation expense may be used for purposes other than renewal and replacement of assets. See, Case No. 2012-00309, *Application of Southern Water and Sewer District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 21, 2012).



(1) Average Annual Principal and Interest Payments. At the time of filing, Green-Taylor District had seven outstanding bond series payable to the United States Department of Agriculture Rural Development (“RD”) and one loan payable to Taylor County Bank, with a loan origination date of December 21, 2016, that was not authorized by the Commission. KRS 278.300(1) states that no utility shall issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person until it has been authorized so to do by Order of the Commission. Staff determined that Green-Taylor District used the proceeds of the Taylor County Bank loan to purchase a truck and a trailer. Subsequent to the filing of the Application, Green-Taylor District paid in full the remaining balance of the loan with Taylor County Bank on April 24, 2018. Although Green-Taylor District did not seek authorization from the Commission to acquire the debt, in an apparent violation of KRS 278.300, Green-Taylor District, however, did pay off the debt in less than two years with funds from a Certificate of Deposit. Green-Taylor District, therefore, appears to be in constructive compliance with KRS 278.300(8) which provides in pertinent part, “[t]his section does not apply to notes issued by a utility, for proper purposes and not in violation of law, that are payable at periods of not more than two (2) years from the date thereof...”.

In its Application, Green-Taylor District requested recovery of its calculation of the average annual principal and interest payments on these loans of \$445,427. After removing the loan with Taylor County Bank, Staff finds, as shown below, that the average annual debt payment to be included in calculating Green-Taylor District’s Overall Revenue Requirement should be the five-year average of the annual principal and interest payments on these loans during the years 2018 through 2022, rather than the

amount requested by Green-Taylor District. This five-year average of \$407,624 will allow Green-Taylor District recovery of the debt payments that will be made during the anticipated life of the rates authorized by the Commission in this proceeding.<sup>11</sup>

Five-Year Average of Debt Payments	
Year	Annual Debt Payment
2018	\$ 434,559
2019	431,616
2020	390,932
2021	390,547
2022	390,466
Total	2,038,121
Divide by: 5 Years	5
Average Annual Principal and Interest Payment	\$ 407,624

(2) Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. Green-Taylor District's additional working capital is calculated below.

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<sup>11</sup> Generally, the anticipated life of a utility's service rates is based on the frequency of the utility's previous rate case filings, but is no longer than five years, since rates tend to become obsolete due to changes that will likely occur to the utility's cost of service in a five-year period.

Average Annual Principal and Interest Times: DSC Coverage Ratio	\$ 407,624 <u>120%</u>
Total Net Revenues Required	489,149
Less: Average Annual Principal and Interest Payments	<u>(407,624)</u>
Additional Working Capital	<u><u>\$ 81,525</u></u>

Signatures



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Division of Financial Analysis

ATTACHMENT

ATTACHMENT TO A STAFF REPORT OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2018-00030 DATED **MAY 23 2018**

Staff Calculated Monthly Water Rates

5/8-Inch x 3/4-Inch Meter

First 2,000 Gallons	\$22.21	Minimum Bill
Next 3,000 Gallons	9.26	per 1,000 Gallons
Next 5,000 Gallons	7.40	per 1,000 Gallons
Over 10,000 Gallons	4.71	per 1,000 Gallons

3/4-Inch Meter

First 3,000 Gallons	\$31.47	Minimum Bill
Next 2,000 Gallons	9.26	per 1,000 Gallons
Next 5,000 Gallons	7.40	per 1,000 Gallons
Over 10,000 Gallons	4.71	per 1,000 Gallons

1-Inch Meter

First 5,000 Gallons	\$49.99	Minimum Bill
Next 5,000 Gallons	7.40	per 1,000 Gallons
Over 10,000 Gallons	4.71	per 1,000 Gallons

1 1/2-Inch Meter

First 10,000 Gallons	\$86.99	Minimum Bill
Over 10,000 Gallons	4.71	per 1,000 Gallons

2-Inch Meter

First 20,000 Gallons	\$134.09	Minimum Bill
Over 20,000 Gallons	4.71	per 1,000 Gallons

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