

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF	)	CASE NO.
KNOX COUNTY UTILITY COMMISSION	)	2020-00020

NOTICE OF FILING OF STAFF REPORT

Notice is hereby given that, in accordance with the Commission's Order of April 21, 2020, 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 April 21, 2020 Order, Knox County Utility Commission is required to file comments regarding the findings of Staff no later than 14 days from the filing of this Report. Pursuant to the Commission's Orders in Case No. 2020-00085,<sup>1</sup> issued March 16, 2020, and March 24, 2020, Knox County Commission SHALL NOT FILE the original paper copy of its comments at this time, but rather shall file original paper copies within 30 days of the lifting of the current state of emergency.<sup>2</sup> Due to COVID-19, Commission Staff is unable to physically sign this report. When Commission staff is able to safely sign this report, a notice of filing with the executed signature page will be made in this case docket.

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<sup>1</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

<sup>2</sup> Any electronic email filed in this matter should be sent to PSCED@ky.gov, and each message should include the case number in the subject line of the message and a read receipt to ensure the Commission received the message and documents.



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Kent A. Chandler  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED JUL 01 2020

cc: Parties of Record

STAFF REPORT  
ON  
KNOX COUNTY UTILITY COMMISSION  
CASE NO. 2020-00020

Knox County Utility Commission (Knox County Commission), a water district organized pursuant to KRS Chapter 74, provides water service to approximately 2,845 residential, commercial, and public authority customers residing in Bell, Knox, and Whitley counties, Kentucky, and sewer service to approximately 16 residential, commercial, and public authority customers residing in Knox County, Kentucky.<sup>1</sup> On January 22, 2020, Knox County Commission tendered an application (Application) to the Commission requesting to adjust its water rates pursuant to 807 KAR 5:076, and it was accepted as filed. To ensure the orderly review of the Application, the Commission established a procedural schedule by Order dated March 5, 2020. On April 21, 2020, the Commission, citing the impact of COVID-19, found that additional time would be needed to review Knox County Commission's case, amending its March 5, 2020 Order to allow for additional time for Staff to complete this report. Staff issued a data request on April 21, 2020, to collect additional information regarding Knox County Commission's financial records. Knox County Commission filed its responses to two requests for information from Staff.

To comply with the requirements of 807 KAR 5:076, Section 9,<sup>2</sup> Knox County Commission used the calendar year ended December 31, 2018, as the basis for its

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<sup>1</sup> *Annual Report of Knox County Utility Commission to the Public Service Commission for the Calendar Year Ended December 31, 2018* (2018 Annual Report) at 12 and 49.

<sup>2</sup> The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measureable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year.

Application. Using its pro forma test-year operations, Knox County Utility Commission determined that a revenue increase of \$240,568, or 17.59 percent, over test-year normalized revenues of \$1,366,575 is warranted as shown in the table below.<sup>3</sup> The rates requested by Knox County Commission would increase the monthly bill of a typical residential customer using 4,000 gallons per month by \$7.19, from \$40.82 to \$48.01, or approximately 17.59 percent.

	Knox County Utility Commission
Pro Forma Operating Expenses	\$ 1,490,602
Debt Coverage Requirement	155,364
Additional Working Capital	<u>31,073</u>
Overall Revenue Requirement	1,677,039
Less: Other Operating Revenue	(62,320)
Gains (Losses) on Disposition of Property	(1,325)
Interest Income	<u>(6,251)</u>
Revenue Required from Rates	1,607,143
Less: Normalized Revenues from Water Sales	<u>(1,366,681)</u>
Required Revenue Increase	<u>\$ 240,462</u>
Percentage Increase	<u>17.59%</u>

To determine the reasonableness of the rates requested by Knox County Commission, Staff performed a limited financial review of Knox County Commission'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

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<sup>3</sup> Application, Attachment 4.

effects were deemed material. Insignificant and immaterial discrepancies were not pursued or addressed.

Staff's findings are summarized in this report. Travis Leach reviewed the calculation of Knox County Commission's Overall Revenue Requirement. Elizabeth Stefanski and Jason Green reviewed Knox County Commission's reported revenues and rate design.

### SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Debt Service Coverage, as generally accepted by the Commission, Staff found that Knox County Commission's Overall Revenue Requirement to be \$1,611,142. A revenue increase of \$174,564, or 12.77 percent, is necessary to generate the Overall Revenue Requirement.

2. Monthly Water Service Rates. Knox County Commission proposed to increase all of its monthly retail water service rates evenly across the board by approximately 17.59 percent. Knox County Commission 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 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. Finding no such evidence in this case, Staff followed the method proposed by Knox County Commission and allocated the \$174,564 revenue increase across the board to Knox County Commission's monthly retail water service rates.

The rates set forth in the Appendix to this report are based upon the revenue requirement, as calculated by Staff, and will produce sufficient revenues from water sales to recover the \$1,541,245 Revenue Required from Rates, an approximate 12.77 percent

increase. These rates will increase a typical residential customer's monthly water bill from \$40.82 to \$46.03, an increase of \$5.21, or approximately 12.76 percent.<sup>4</sup>

### PRO FORMA OPERATING STATEMENT

Knox County Commission's Pro Forma Operating Statement for the test year ended December 31, 2018, as determined by Staff, appears below.

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<sup>4</sup> The typical residential customer uses approximately 4,000 gallons per month.

	2018 Annual Report	Pro Forma Adjustments	(Ref.)	Pro Forma Operations
Operating Revenues:				
Revenues from Water Sales:				
Metered Water Sales:	\$ 1,349,838	16,843	(A)	\$ 1,366,681
Unmetered Revenue	106			106
Other Water Revenues:				
Forfeited Discounts		39,180	(B)	39,180
Misc. Service Revenue		15,925	(B)	15,925
Rental Income		1,200	(B)	1,200
Other Water Revenues	<u>62,320</u>	<u>(56,305)</u>	(B)	<u>6,015</u>
Total Other Water Revenues	<u>62,320</u>	<u>0</u>		<u>62,320</u>
Total Operating Revenues	<u>1,412,264</u>	<u>16,843</u>		<u>1,429,107</u>
Operating Expenses:				
Operation & Maintenance:				
Salaries & Wages - Employees	347,281	(4,680)	(C)	346,294
		5,643	(D)	
		(1,950)	(E)	
Salaries & Wages - Officers	14,400	(81)	(E)	14,319
Employee Pension and Benefits	319,181	(29,583)	(F)	199,945
		(88,527)	(G)	
		(1,126)	(E)	
Purchased Water	224,486	(2,747)	(H)	221,739
Purchased Power - Pumping	64,466	(4,497)	(I)	59,969
Purchased Power - Office	644	(4)	(E)	640
Chemicals	89,330			89,330
Contractual Services	27,315	(540)	(J)	26,625
		(150)	(E)	
Tranportation Expense	31,918			31,918
Insurance - General Liability and Other	17,849	(341)	(E)	17,508
Insurance - Vehicle	8,043			8,043
Insurance - Workers Comp	16,421	(92)	(E)	16,329
Bad Debt Expense	19,381			19,381
Miscellaneous Expense	137,189	4,497	(I)	130,515
		(10,920)	(C)	
		(251)	(E)	
Total Operation & Maintenance	<u>1,317,904</u>	<u>(135,349)</u>		<u>1,182,555</u>
Depreciation	216,760	367	(C)	214,561
		(2,566)	(K)	
Taxes Other Than Income	<u>29,752</u>	<u>(2,165)</u>	(L)	<u>27,587</u>
Utility Operating Expenses	<u>\$ 1,564,416</u>	<u>(139,713)</u>		<u>1,424,703</u>
Net Utility Operating Income	<u>\$ (152,152)</u>	<u>\$ 156,556</u>		<u>\$ 4,404</u>
Gains (Losses) on Disposition of Property	1,325			1,325
Total Utility Operating Income	<u>(150,827)</u>	<u>156,556</u>		<u>5,729</u>

(A) Billing Analysis Adjustment. Knox County Commission proposed to increase its test-year revenues from water sales of \$1,349,838 by \$16,843 to reflect the current billing analysis provided by the district. Staff finds that Knox Utility Commission’s adjustment meets the ratemaking criteria of being known and measurable and accepts it in pro forma operations.

(B) Other Water Revenues. Knox County Commission proposed to reclassify forfeited discounts, miscellaneous service revenue, and rental income that were incorrectly reported in Other Water Revenues. Knox County Commission separated these amounts into their respective categories in order to provide more detail of the amounts included in Other Water Revenues. Staff finds that Knox Utility Commission’s adjustment meets the ratemaking criteria of being known and measurable and accepts it in pro forma operations.

(C) Tap-Ons. Knox County Commission proposed adjustments to both test-year labor of \$4,680 and materials and supplies of \$10,920 to reflect expenses associated with new tap-ons. Staff finds that Knox Utility Commission’s adjustment meets the ratemaking criteria of being known and measurable and accepts it in pro forma operations. In addition, Staff has capitalized the costs and made a corresponding adjustment to test-year depreciation as shown below.

Labor Expense Associated with Tap Ons	\$ 4,680
Materials and Supplies Expense Associated with Tap Ons	<u>10,920</u>
Test Year Tap On Expenses	15,600
Divide by: Useful Life of 42.5 Years	<u>42.5</u>
Pro Forma Depreciation Adjustment	<u><u>\$ 367</u></u>

(D) Salaries and Wages. Knox County Commission proposed to increase its test-year salaries and wages expense by \$23,033 to reflect a dollar per hour raise received across the board by all of their employees.<sup>5</sup> However, in its review, Staff was informed that one employee had given their two-week notice and, therefore, should be removed from pro forma operations as Knox County Commission could not confirm a re-hire date. Staff then normalized Salaries and Wages Expense using test-year hours worked and current pay rates shown below.

<u>Job Title</u>	<u>Test Year Normal Hours</u>	<u>Pro Forma Wage Rate</u>	<u>Pro Forma Normal Wages</u>	<u>Test Year Overtime Hours</u>	<u>Pro Forma Overtime Wage Rate</u>	<u>Pro Forma Overtime Wages</u>	<u>Total Pro Forma Wages</u>
Superintendent	2,080	\$1,082/week	\$ 56,264	565	n/a		\$ 56,264
Office Manger/Plant Operator	2,080	19.46	40,477	63	\$ 29.19	\$ 1,839	42,316
Office Clerk	2,051	10.25	21,018	-	15.38	-	21,018
Plant Operator	2,080	18.55	38,584	132	27.83	3,673	42,257
Plant Operator	2,080	14.55	30,264	194	21.83	4,234	34,498
Plant Operator	1,196	16.86	20,165	-	25.29	-	20,165
Backhoe Operator	2,080	18.05	37,544	318	27.08	8,596	46,140
Distribution Labor	2,080	16.55	34,424	69	24.83	1,713	36,137
Distribution Labor	2,080	11.80	24,544	157	17.70	2,779	27,323
Distribution Labor	2,080	9.50	19,760	166	14.25	2,366	22,126
Total Pro Forma Wages							\$ 348,243
Less: Test Year Wages							<u>(342,601)</u>
Pro Forma Adjustment							<u>\$ 5,643</u>

Accordingly, Staff has increased pro forma Salaries and Wages expense by \$5,643.

(E) Allocated Costs. Knox County Commission does not directly allocate indirect costs to its Sewer Division. In absence of this, Staff has allocated these costs based on percentage of customers for all categories except for the allocation of General Liability Insurance expense,<sup>6</sup> which used revenue percentage as shown in Appendix A.

<sup>5</sup> Schedule of Adjusted Operations, References, Item D.

<sup>6</sup> Case No. 2008-00032, *Application of Burkesville Gas Company for and Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Oct. 31. 2008), Order at 8; and Case No. 2009-00227, *Alternative Rate Filing Application of Middletown Waste Disposal, Inc.* (Ky. PSC Apr. 30, 2010) at 5, n.13.

## Employee Pensions and Benefits

Knox County Commission reported a test-year employee pension and benefits expense of \$319,181. Staff determined Knox County Commission's test-year employee pensions and benefits expense should be decreased by \$118,110<sup>7</sup> as explained below.

(F) Employee Health Insurance. Knox County Commission currently pays 100 percent of the monthly premiums for single coverage health insurance for its eligible full-time employees. Staff notes that, the Commission has consistently 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 continues to place 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 of employer-funded health care does not meet those criteria.

Consistent with past precedent in which the Commission has reduced benefit expenses for utilities that pay 100 percent of an employee's health insurance coverage, Staff reduced Knox County Commission's single health insurance premiums by 21 percent, the national average employee contribution rate.<sup>8</sup>

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<sup>7</sup> \$88,527 (County Employment Retirement System (CERS)) + \$29,583 (Employee Health Insurance) = \$118,110.

<sup>8</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 Premiums Allocated to Water	140,871
Multiply by: 21%	<u>21%</u>
Pro Forma Adjustment	<u>\$ 29,583</u>

(G) County Employee Retirement System (CERS). Knox County Commission provides pension benefits and post-retirement health care benefits to its employees by participating in the CERS. Knox County Commission reported a test-year Retirement Expense of \$171,845, composed of CERS contributions totaling \$68,192 and the GASB 68 adjustment entry of \$103,653.<sup>9</sup> Knox County Commission proposed to reduce this contribution expense by \$103,653 to reflect the GASB 68 requirement. Knox County Commission also proposed an adjustment to account for the increase pro forma contribution rates as of July 1, 2019, to 24.06 percent,<sup>10</sup> and for the increase in wages for a total increase in pro forma contributions of \$18,090 and net adjustment of \$85,563. However, including the updated pro forma Salaries and Wages expenses discussed above in Item D, Staff has reduced the Pro Forma CERS Contribution adjustment to \$15,128 for an overall adjustment reducing Employee Pension and Benefits expense by \$88,527.

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<sup>9</sup> Knox County Utility Commission Response to Commission Staff First Request for Information, page 14.

<sup>10</sup> <https://kyret.ky.gov/Employers/Pages/Contribution-Rates.aspx>

Total Wages Pro Forma Wages	\$ 346,294
Times: 2019 CERS Contribution Rate	<u>24.06%</u>
Pro Forma CERS Contribution	83,318
Less: Test Year CERS	<u>(68,192)</u>
CERS Contribution Adjustment	\$ 15,126
Less: Liability Reporting Adjustment	<u>(103,653)</u>
Net Retirement Expense Adjustment	<u><u>\$ (88,527)</u></u>

(H) Purchased Water. Knox County Commission reported a test-year purchased water expense of \$224,486. Staff determined Knox County Commission's test-year purchased water expense should be decreased by \$2,747 as shown below.

Total Gallons - Barbourville	2,993
Multiply By: Pro Forma Purchased Water Price	<u>\$ 2.54</u>
Pro Forma Purchased Water Expense - Barbourville	<u>7,602</u>
Total Gallons - Pineville	10,738
Multiply By: Pro Forma Purchased Water Price	<u>\$ 2.77</u>
Pro Forma Purchased Water Expense - Pineville	<u>29,744</u>
Total Gallons - Corbin	83,815
Multiply By: Pro Forma Purchased Water Price	<u>\$ 2.20</u>
Pro Forma Purchased Water Expense - Corbin	<u>184,393</u>
Total Pro Forma Purchased Water Expense	221,739
Less: Test Year Purchased Water Expense	<u>(224,486)</u>
Pro Forma Adjustment	<u><u>(2,747)</u></u>

(I) Purchased Power – Telephone Expense. Knox County Commission reported a test-year Purchased Power – Pumping expense of \$64,466. In its review, Staff determined that \$4,497 of expenses related to telephone service was included in Purchased Power – Pumping. Accordingly, Staff has made adjustments to reduce Purchased power – Pumping by \$4,497 and increase administrative expenses classified in Miscellaneous Expense by the same amount.

(J) Contractual Services. Knox County Commission reported a test-year Contractual Services expense of \$27,315. During Staff's review, it was determined that the amount was overstated in the amount of \$540. Accordingly, Staff has reduced pro forma Contractual Services expense by \$540.

(K) Depreciation. The Commission has historically relied upon the report published in 1979 by the National Association of Regulatory Utility Commissioners (NARUC) titled Depreciation Practices for Small Water Utilities (NARUC Study). When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the mid-point of the NARUC ranges to depreciate the utility plant. Knox County Commission proposed an adjustment reducing test-year depreciation by \$2,554 to reflect the NARUC midpoint depreciable lives. However, upon examination, Staff found that the appropriate adjustment would reduce test-year depreciation by \$2,566 as shown below.

Current:			Pro Forma:		
Original Cost	Depreciation Expense	Life	Depreciation Expense	Difference	
\$ 520,949	\$ 5,374	37.5	\$ 5,374	\$ -	
32,883	3,345	10.0	3,288	57	
1,307	168	22.5	58	110	
31,610	1,772	27.5	1,149	623	
34,282	1,909	17.5	1,959	(50)	
206,011	7,342	Various	7,342	-	
45,900	396	40.0	1,148	(752)	
388,617	3,702	40-45	3,702	-	
9,886,781	151,656	62.5	151,656	-	
12,999	-	45.0	289	(289)	
405,705	10,143	45.0	9,016	1,127	
53,816	902	50.0	902	-	
1,148,102	21,569	45.0	21,569	-	
24,458	102	7.0	3,494	(3,392)	
\$ 59,002	\$ 8,378	7.0	\$ 8,378	\$ -	
Pro Forma Adjustment				\$ (2,566)	

(L) Taxes Other Than Income – Payroll Taxes. Knox County Commission proposed to increase its test-year Taxes Other Than Income expense by \$1,762 to reflect an increase in payroll taxes associated with the increase in salaries and wages expense discussed above. However, upon application of a FICA tax rate of 7.65 percent coupled with the departing employee discussed above Staff calculated a decrease in pro forma payroll tax expense of \$2,165 as shown below.

Pro Forma Salaries and Wages Expense	\$360,621
Times: 7.65 Percent FICA Rate	<u>7.65%</u>
Total Pro Forma Payroll Taxes	27,587
Less: Test Year Payroll Taxes	<u>(29,752)</u>
Payroll Tax Adjustment	<u>\$ (2,165)</u>

## OVERALL REVENUE REQUIREMENT AND REQUIRED REVENUE INCREASE

The Commission has historically applied the Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations. This method allows for recovery of (1) Cash-related pro forma operating expenses; (2) the depreciation expense, a noncash item, to provide working capital;<sup>11</sup> (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to the depreciation expense.

A comparison of Knox County Commission's and Staff's calculations of the Overall Revenue Requirement and Required Revenue Increase using the DSC method is shown below.

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<sup>11</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).

	Knox County Utility Commission	Staff
Pro Forma Operating Expenses	\$ 1,490,602	\$ 1,424,703
Debt Coverage Requirement	155,364	155,364
Additional Working Capital	31,073	31,073
	<hr/>	<hr/>
Overall Revenue Requirement	1,677,039	1,611,140
Less: Other Operating Revenue	(62,320)	(62,320)
Gains (Losses) on Disposition of Property	(1,325)	(1,325)
Interest Income	(6,251)	(6,251)
	<hr/>	<hr/>
Revenue Required from Rates	1,607,143	1,541,244
Less: Normalized Revenues from Water Sales	(1,366,681)	(1,366,681)
	<hr/>	<hr/>
Required Revenue Increase	\$ 240,462	\$ 174,563
Percentage Increase	17.59%	12.77%
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Average Annual Principal and Interest Payments. In its Application, Knox County Commission requested recovery of the five-year average principal and interest payments due in calendar years 2020 through 2025. Staff agrees that the \$155,364 requested by Knox County Commission represents, in all material respects, the average annual debt payments that will be made in each year that the rates approved by the Commission in this proceeding will be in effect.

Year	Principal	Interest	Annual Debt Payment
2020	\$ 85,000	\$ 69,244	\$ 154,244
2021	90,000	67,275	\$ 157,275
2022	90,000	64,800	\$ 154,800
2023	95,000	61,794	\$ 156,794
2024	95,000	58,706	\$ 153,706
Total			\$ 776,819
Divide by: 6 years			<hr/> 5
Average Annual principal and Interest Payment			<hr/> <hr/> \$ 155,364

Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for the 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. Knox County Commission calculated its additional working capital to be \$31,073. Staff agrees with Knox County Commission's calculation; therefore, Staff has included Knox County Commission's calculation in its revenue requirement.

<u>Additional Working Capital</u>	
Annual Debt Service Payments	\$ 155,364
Multiplied by:	<u>120%</u>
Required Net Revenues	186,437
Less: Annual Debt Service	<u>(155,364)</u>
Allowance for Additional working Capital	<u><u>\$ 31,073</u></u>

## Signatures

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Prepared by: Travis Leach  
Revenue Requirements Branch  
Division of Financial Analysis

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Prepared by: Elizabeth Stefanski  
Rate Design Branch  
Division of Financial Analysis

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Prepared by: Jason Green  
Rate Design Branch  
Division of Financial Analysis

APPENDIX A

APPENDIX TO A STAFF REPORT OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2020-00020 DATED JUL 01 2020

REFERENCE (E) ALLOCATION ADJUSTMENTS

Allocation Factor.

Water Customers	2,854
Divided by: Total Customers	<u>2,870</u>

Water Allocation Factor	<u>99.44%</u>
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Sewer Customers	16
Divided by: Total Customers	<u>2,870</u>

Sewer Allocation Factor	<u>0.56%</u>
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Salaries and Wages.

Pro Forma Salaries and Wages	\$ 348,244
Multiply by: Water Allocation Factor	<u>99.44%</u>

Allocated Pro Forma Salaries and Wages	<u>346,294</u>
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Allocation Adjustment	<u>\$ 1,950</u>
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Officer Salary Expense.

Pro Forma Officer Salary Expense	\$ 14,400
Multiply by: Water Allocation Factor	<u>99.44%</u>

Allocated Water Officer Salary Expense	<u>14,319</u>
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Allocation Adjustment	<u>\$ 81</u>
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Pension and Benefits.

Pro Forma Pensions and Benefits	201,072
Multiply by: Water Allocation Factor	<u>99.44%</u>
Allocated Pro Forma Pensions and Benefits	199,946
Allocation Adjustment	<u>\$ 1,126</u>

Purchased Power – Office Expense.

Pro Forma Purchased Power Expense - Office	\$ 644
Multiply by: Water Allocation Factor	<u>99.44%</u>
Allocated Pro Forma Purchased Power Expense	<u>640</u>
Allocation Adjustment	<u>\$ 4</u>

Contractual Services Expense.

Pro Forma Contractual Services	\$ 26,775
Multiply by: Water Allocation Factor	<u>99.44%</u>
Allocated Pro Forma Contractual Services	<u>26,625</u>
Allocation Adjustment	<u>\$ 150</u>

Workers Comp Insurance Expense.

Test Year Workers Comp Insurance Expense	\$ 16,421
Multiply by: Water Allocation Factor	<u>99.44%</u>
Allocated Test Year Workers Comp Insurance Expense	<u>16,329</u>
Allocation Adjustment	<u>\$ 92</u>

Administrative Miscellaneous Expense.

Administrative Miscellaneous Expense	\$	44,688
Multiply by: Water Allocation Factor		<u>99.44%</u>
Allocated Administrative Expense		<u>44,438</u>
Allocation Adjustment	\$	<u>251</u>

General Liability Insurance Expense

Pro Forma Present Rate Revenues	\$	1,393,303	\$	1,366,681	\$	26,622
Percent of Total		<u>100%</u>		<u>98.09%</u>		<u>1.91%</u>
Allocated General Liability		17,849		17,508		341
Less: Test Year		<u>          </u>		<u>17,849</u>		<u>          </u>
Adjustment				<u>(341)</u>		<u>341</u>

APPENDIX B

APPENDIX TO A STAFF REPORT OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2020-00020 DATED JUL 01 2020

RATES CALCULATED BY STAFF

Monthly Water Rates

5/8- x 3/4-Inch Meter

First	1,000	Gallons	\$ 21.07	Minimum bill
All Over	1,000	Gallons	8.32	per 1,000 Gallons

1-Inch Meter

First	5,000	Gallons	\$ 54.36	Minimum bill
All Over	5,000	Gallons	8.32	per 1,000 Gallons

2-Inch Meter

First	20,000	Gallons	\$ 179.19	Minimum bill
All Over	20,000	Gallons	8.32	per 1,000 Gallons

3-Inch Meter

First	30,000	Gallons	\$ 262.42	Minimum bill
All Over	30,000	Gallons	8.32	per 1,000 Gallons

4-Inch Meter

First	50,000	Gallons	\$ 428.86	Minimum bill
All Over	50,000	Gallons	8.32	per 1,000 Gallons

\*Knox County Utility Commission  
1905 Highway 930  
Barbourville, KY 40906

\*Michelle Stewart  
Knox County Utility Commission  
P. O. Box 1630  
Barbourville, KY 40906