

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF HYDEN-LESLIE COUNTY WATER DISTRICT FOR AN ALTERNATIVE RATE ADJUSTMENT	)	CASE NO.
	)	2020-00141
	)	

NOTICE OF FILING OF STAFF REPORT

Notice is hereby given that, in accordance with the Commission's Order of June 18, 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 June 18, 2020 Order, Hyden-Leslie County Water District is required to file comments regarding the findings of Commission Staff no later than 14 days from the date of entry of this Staff Report. Pursuant to the Commission's Orders in Case No. 2020-00085,<sup>1</sup> issued March 16, 2020, and March 24, 2020, Hyden-Leslie County Water District SHALL NOT FILE the original paper copy at this time, but rather shall file original paper copy within 30 days of the lifting of the current state of emergency. Due to COVID-19, Commission Staff is unable to physically sign this report. When Commission Staff is able to 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.



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Kent A. Chandler  
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Public Service Commission  
P.O. Box 615  
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DATED SEP 18 2020

cc: Parties of Record

Case No. 2020-00141

STAFF REPORT  
ON  
HYDEN-LESLIE WATER DISTRICT  
CASE NO. 2020-00141

Hyden-Leslie County Water District (Hyden-Leslie District), a water district organized pursuant to KRS Chapter 74, provides water service to approximately 3,594 residential and commercial customers located in Clay, Leslie, and Perry counties, Kentucky.<sup>1</sup> On May 7, 2020, Hyden-Leslie District tendered an application (Application) to the Commission requesting to adjust its monthly water service rates pursuant to the procedures set forth in 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 June 18, 2020. On September 4, 2020, the Commission found that additional time would be needed to review Hyden-Leslie District's case amending its June 18, 2020 Order to allow for additional time for Commission Staff (Staff) to complete this report.

In Case No. 2019-00412,<sup>2</sup> Hyden-Leslie District requested that the Commission authorize it to execute a 30-year Assistance Agreement with the Kentucky Infrastructure Authority (KIA) to provide permanent financing for a completed water system improvement project. The Commission denied Hyden-Leslie District's financing proposal and required the District to file an application for an alternative rate adjustment. The

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

<sup>2</sup> See Case No. 2019-00412, *Electronic Application of Hyden-Leslie County Water District for Authorization to Enter a Short-Term Assistance Agreement with Kentucky Rural Water Finance Corporation to Refund an Existing Loan and to Subsequently Enter a Long-Term Assistance Agreement with the Kentucky Infrastructure Authority* (Ky. PSC Feb. 20, 2020).

financing case was continued and remains open pending the conclusion of this current case. The proposed annual debt service for the KIA loan is \$98,289, and it is included in Hyden-Leslie District's and Staff's revenue requirement calculations.

To comply with the requirements of 807 KAR 5:076, Section 9,<sup>3</sup> Hyden-Leslie 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, 2018.<sup>4</sup>

Using the Debt Service Coverage (DSC) method and its pro forma test-year operations, Hyden-Leslie District determined that it could justify a revenue increase of \$1,038,077, or 70.2 percent, as shown in the table below.<sup>5</sup>

Pro Forma Operating Expenses	\$ 2,222,124
Plus: Average Annual Principal and Interest Payments	294,003
Additional Working Capital	<u>58,801</u>
Overall Revenue Requirement	2,574,927
Less: Other Operating Revenue	(54,811)
Interest Income	(2,972)
Nonutility Income	<u>-</u>
Revenue Required from Rates	2,517,144
Less: Revenue from Retail Sales at Present Rates	<u>(1,479,067)</u>
Required Revenue Increase/(Decrease)	<u>\$ 1,038,077</u>
Percentage Increase	<u>70.2%</u>

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<sup>3</sup> The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year.

<sup>4</sup> Order (Ky. PSC May 13 2020).

<sup>5</sup> Application, Exhibit D, Attachment RR-DC- Revenue Calculation Form.

Hyden-Leslie District is requesting that the Commission authorize a two-year phase-in of its requested rates. As shown in the table below for a typical residential customer using 4,000 gallons of water per month, the requested phase-one rates would increase the monthly bill by \$13.27, from \$31.48 to \$44.75, or approximately 42.15 percent. The requested phase-two rates would increase the monthly bill of a typical residential customer by \$8.84, from \$44.75 to \$53.59, or approximately 19.75 percent.

Usage Increments	Average Bill	Existing Rates		Phase 1		Phase 2	
		Rates	Bill	Rates	Bill	Rates	Bill
First (Min. Bill)	2,000	\$ 20.24	\$ 20.24	\$ 28.77	\$ 28.77	\$ 34.45	\$ 34.45
Next	3,000	5.62	11.24	7.99	15.98	9.57	19.14
Average Bills	<u>4,000</u>		<u>\$ 31.48</u>		<u>\$ 44.75</u>		<u>\$ 53.59</u>
Increase Average Bill					<u>\$ 13.27</u>		<u>\$ 8.84</u>
Percentage Increase Average Bill					<u>42.15%</u>		<u>19.75%</u>

The table below shows that for a typical commercial customer using 10,000 gallons of water per month, the requested phase-one rates would increase the monthly bill by \$37.49, from \$89.05 to \$126.54, or approximately 42.10 percent. The requested phase-two rates would increase the monthly bill of a typical commercial customer by \$25.03, from \$126.54 to \$151.57, or approximately 19.78 percent.<sup>6</sup>

Usage Increments	Average Bill	Existing Rates		Phase 1		Phase 2	
		Rates	Bill	Rates	Bill	Rates	Bill
First (Min. Bill)	2,000	\$ 30.36	\$ 30.36	\$ 43.15	\$ 43.15	\$ 51.67	\$ 51.67
Next	3,000	8.43	25.29	11.98	35.94	14.35	43.05
Next	5,000	6.68	33.40	9.49	47.45	11.37	56.85
Average Bills	<u>10,000</u>		<u>\$ 89.05</u>		<u>\$ 126.54</u>		<u>\$ 151.57</u>
Increase Average Bill					<u>\$ 37.49</u>		<u>\$ 25.03</u>
Percentage Increase Average Bill					<u>42.10%</u>		<u>19.78%</u>

<sup>6</sup> Application, Exhibit K.

To determine the reasonableness of the rates requested by Hyden-Leslie District, Staff performed a limited financial review of Hyden-Leslie 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. Mark Frost reviewed the calculation of Hyden-Leslie District's Overall Revenue Requirement. Sam Reid reviewed Hyden-Leslie District's reported revenues, Cost of Service Study (COSS), and rate design.

#### SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the DSC Method, as generally accepted by the Commission, Staff found Hyden-Leslie District's Overall Revenue Requirement to be \$2,514,537. A revenue increase of \$977,686, or 66.10 percent, is necessary to generate the Overall Revenue Requirement.

2. Monthly Water Service Rates. Hyden-Leslie District proposed to increase its monthly water service rates by 70.18 percent evenly across the board. Hyden-Leslie District's current rate design consists of two separate classifications of service, residential and commercial, and each of the classifications has an eight-step declining block rate structure. The rates for the commercial class are approximately 50.00 percent higher than the residential class. Review of Commission records indicates that Hyden-Leslie District's current rate design has been in effect since February 23, 1979.<sup>7</sup> Differences in

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<sup>7</sup> Hyden-Leslie District tariff Original Sheet No. 1 dated effective February 23, 1979, Canceled March 1980.

class water rates should be based on the expenses required to provide service to the various rate classes. Hyden-Leslie District did not provide specific support for the variance in rates to provide water service.

Hyden-Leslie District retained Alan Vilines of Kentucky Rural Water Association to perform a COSS. Mr. Vilines presented Hyden-Leslie District with a COSS and four alternative rate designs.<sup>8</sup> Hyden-Leslie District stated that the Board of Commissioners favored an across-the-board percentage increase to lessen the public perception that any customer class is being unfairly favored or disfavored.<sup>9</sup> Review of the COSS indicates that the current rate design is not an equitable manner to recover the costs required to serve Hyden-Leslie District's customers. In addition, when compared to the current rates, the alternative rate designs indicate that some customers should receive a rate decrease while others receive a significant increase. The COSS also indicates that if the current rate design were increased by an across-the-board increase, the inequitable recovery of revenues from Hyden-Leslie District's customers would be further enlarged.

Staff prepared a COSS and calculated rates for Hyden-Leslie District based upon Staff's findings in its study. Staff performed the study following the guidelines and procedures recommended by the American Water Works Association (AWWA) in its Water Rates Manual M-1. The Commission has long recognized the AWWA guidelines as a reasonable method for ratemaking.<sup>10</sup> The rates set forth in Appendix B to this report

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<sup>8</sup> Hyden-Leslie District's response to Commission Order of June 18, 2020 (filed July 6, 2020), Item 3.b.

<sup>9</sup> *Id.*, Item 3.a.

<sup>10</sup> Case No. 2006-00068, *Contract Filing of Christian County Water District to Purchase Water from Barkley Lake Water District* (Ky. PSC Sept. 7, 2006)

are based upon Staff's COSS and will produce revenues sufficient to recover the revenue from water sales of \$2,456,754 as determined by Staff.

Staff's COSS, attached to this report as Appendix A, analyzed Hyden-Leslie District's expenses and allocated those expenses according to three classifications: Commodity, Demand, and Customer. The Commodity costs are those directly associated with the cost of water. Demand Costs are those associated with providing the facilities to meet the peak demands placed on the system. Customer costs are those incurred to serve customers regardless of the volume of water used.

The Allocation of Expenses sheet of Staff's COSS shows the allocation of Operation and Maintenance expenses to the functional cost components. Staff utilized information obtained through Hyden-Leslie District's application and 2018 Annual Report to allocate the costs. Because Staff cannot differentiate the expenses so to determine the difference between a commercial and residential rate class, the Staff-calculated rates are for one uniform class. The Staff's proposed rate design is a five-step declining block rate structure for all customers. The proposed rate design will have differing impacts on Hyden-Leslie District's customers depending on the volume of usage and the previous customer classification. A comparison of current and proposed rates at differing usage levels is included in Appendix A. The rates calculated by Staff increase the monthly bill of a typical residential customer using 4,000 gallons per month by \$20.61, from \$31.48 to \$52.09, or approximately 65.47 percent.

Hyden-Leslie District proposed a phased-in approach to increase rates. Staff calculated rates following Hyden-Leslie District's proposed phased-in approach. The monthly service rates developed by Staff are set forth in Appendix B.

3. Non-Recurring Charges. Hyden-Leslie District proposed to increase certain non-recurring charges: Meter Tap-on Fee-5/8-Inch x 3/4-Inch Meter, Deposit, Reconnection Charge, and After Hours Reconnection Charge. Hyden-Leslie District further proposed to establish new non-recurring charges for Connection/Turn-on Charge, Meter Test Request Charge, Service Call Investigation Charge, After Hours Service Call Investigation Charge, Damage to Meter Setting or Lid, and Meter Relocate Charge. In the Application, Hyden-Leslie District provided Cost Justification Sheets for each of the proposed charges in accordance with the requirements of 807 KAR 5:006, Section 9.

PRO FORMA OPERATING STATEMENT

Hyden-Leslie District's Pro Forma Operating Statement for the test year ended December 31, 2018, as determined by Staff, appears below.

	Pro Forma Operations	Pro Forma Adjustments	Adj. Ref.	Pro Forma Operations
Operating Revenues:				
Total Metered Sales	\$ 1,472,606	\$ 6,461	(A)	1,479,067
Other Water Revenues:				
Forfeited Discounts	0	50,458	(B)	50,458
Misc. Service Revenues	0	4,075	(B)	4,075
Other Water Revenues	54,811	(54,533)	(B)	278
Total Other Operating Revenue	54,811	0		54,811
Total Operating Revenues	1,527,417	6,461		1,533,878
Operating Expenses:				
Operation and Maintenance:				
Salaries and Wages - Employees	546,881	(22,999)	(C)	
		(23,495)	(D)	
		(9,949)	(E)	490,438
Salaries and Wages - Officers	27,600			27,600
Employee Pensions and Benefits	232,337	22,999	(C)	
		(6,286)	(C)	
		1,523	(F)	
		(91,933)	(G)	158,640
Purchased Power	271,646	(48,531)	(H)	223,115
Chemicals	96,555	(17,250)	(H)	79,305
Materials and Supplies	130,293	(15,068)	(I)	115,225
Contractual Services	24,938			24,938
Transportation Expenses	44,455			44,455
Insurance	51,209			51,209
Bad Debt Expense	18,672			18,672
Miscellaneous Expenses	60,417	6,286	(C)	66,703
Total Operation and Mnt. Expenses	1,505,003	(204,703)		1,300,300
Depreciation Expense	855,250	(32,725)	(J)	
		1,389	(I)	823,914
Taxes Other Than Income	40,119	(2,600)	(K)	37,519
Total Operating Expenses	2,400,372	(238,639)		2,161,733
Net Utility Operating Income	(872,955)	245,100		(627,855)
Non-Operating Income				
Interest Income	2,972			2,972
Net Income Available for Debt Service	\$ (869,983)	\$ 245,100		\$ (624,883)

(A) Billing Analysis Adjustment. Hyden-Leslie District included a Billing Analysis in the Application with an adjustment of \$6,461 for misread meters and billing errors. Staff accepts Hyden-Leslie District's adjustment.

(B) Other Water Revenue. Hyden-Leslie District reported in its 2018 Annual Report other water revenue of \$54,811. In preparing its Application, Hyden-Leslie District discovered that it had incorrectly recorded miscellaneous service revenues of \$4,075 and forfeited discount revenues of \$50,458 in the other water revenue account.<sup>11</sup> To provide additional detail, Hyden-Leslie District proposes to correct its error by moving each misclassified revenue to the correct account as shown in the table below.<sup>12</sup> In reviewing the 2018 General Ledger<sup>13</sup> and the 2018 Trial Balance,<sup>14</sup> Staff determined that Hyden-Leslie District did incorrectly record forfeited discounts and miscellaneous service revenues in the wrong account. Accordingly, Staff accepts Hyden-Leslie District's proposed adjustments.

Other Water Revenues	\$	(54,533)
Forfeited Discounts	\$	50,458
Misc. Service Revenues	\$	4,075

(C) Misclassified Operating Expenses. In tracing the account balances, reported in the 2018 Trial Balance<sup>15</sup> to the operating expense accounts contained in the 2018 Annual Report, Staff notes that Hyden-Leslie District has misclassified its employer 401(k) contributions and the employee uniform expense. To correct Hyden-Leslie District's misclassification errors, Staff is making the following adjustments as shown in the table below.

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<sup>11</sup> Application, Exhibit C, SAO-W, Ref. b.

<sup>12</sup> *Id.*

<sup>13</sup> Hyden-Leslie District's responses to the Commission Order of June 18, 2020 (filed July 6, 2020), Attachment Item\_6\_2018 General Ledger.xlsx.

<sup>14</sup> *Id.*, Attachment Item\_7\_2018 Trial Balance.xlsx.

<sup>15</sup> *Id.*

Operating Expense Account	Description	Amount
Salaries and Wages - Employees	401(k) Employer Contribution	\$ (22,999)
Employee Pensions and Benefits	401(k) Employer Contribution	\$ 22,999
Employee Pensions and Benefits	Employee Uniforms	\$ (6,286)
Miscellaneous	Employee Uniforms	\$ 6,286

(D) Employee Salaries and Wages. Hyden-Leslie District proposes to increase its reported test-year employee salaries and wages expense of \$546,881 by \$15,313.<sup>16</sup> In calendar year 2019, Hyden-Leslie District gave all of its employees a 2.80 percent cost of living adjustment.<sup>17</sup> Hyden-Leslie District calculated its proposed \$15,313 adjustment by applying the 2.80 percent wage increase to its total reported employee salaries and wages expense.<sup>18</sup>

At the beginning of the test year, Hyden-Leslie District reported having a staff of 12 full-time employees.<sup>19</sup> However, on May 28, 2018, a Distribution Operator left the employment of Hyden-Leslie District with no explanation given for the departure.<sup>20</sup> The evidence provided by Hyden-Leslie District shows that for the remainder of 2018 and the calendar year 2019, the position of Distribution Operator remained vacant.<sup>21</sup> Hyden-Leslie District has not indicated whether it has or will fill the vacant Distribution Operator position.

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<sup>16</sup> Application, Exhibit D, Attachment RR-DC-Revenue Calculation, Ref. c.

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

<sup>19</sup> Hyden-Leslie District's responses to the Commission Order of June 18, 2020 (filed July 6, 2020), Attachment Item\_14\_EmployeeInfo.xlsx.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

Using Hyden-Leslie District's current staff level of 11 full-time employees, the hours that each employee worked in the test year, and the 2019 employee wage rates, Staff calculates a pro forma employee Salaries and Wages expense of \$500,387, which is \$23,495, below the corrected expense level of \$523,882. Staff's calculation is in the table below. If Hyden-Leslie District has hired a replacement Distribution Operator or is in the process of filling the position it can inform the Commission in its responses to this Staff Report. Hyden-Leslie District should attach to its response documentation to support the salary for the new Distribution Operator and the benefit costs for the new employee.

		2019						
		Hours Worked		Hourly Wage Rates		Pro Forma Salaries & Wages		
		Regular	Overtime	Reg	Ovt	Regular	Overtime	Total
1	WTP Trainee	2,203	270	\$ 16.01	\$ 24.02	\$ 35,266	\$ 6,479	\$ 41,745
14	Manager	2,079	354	\$ 63,736.00	N/A	63,736	0	63,736
3	WTP Operator	2,165	174	\$ 19.50	\$ 29.25	42,219	5,103	47,322
5	Clerk/Bookkeeper	2,115	134	\$ 18.16	\$ 27.24	38,417	3,638	42,055
7	Clerk	2,130	97	\$ 13.88	\$ 20.82	29,569	2,028	31,597
8	Dist. Operator	2,321	203	\$ 17.84	\$ 26.76	41,413	5,441	46,854
15	Dist. Trainee	2,150	326	\$ 14.91	\$ 22.37	32,051	7,297	39,348
16	WTP Trainee	2,234	496	\$ 13.36	\$ 20.04	29,840	9,938	39,778
17	WTP Operator	2,278	583	\$ 14.16	\$ 21.24	32,249	12,379	44,628
10	Dist. & Equipment Operator	2,164	309	\$ 19.91	\$ 29.87	43,076	9,242	52,318
11	Dist. & Equipment Operator	2,178	329	\$ 19.10	\$ 28.65	41,590	9,416	51,006
						<u>\$ 429,426</u>	<u>\$ 70,961</u>	<u>\$ 500,387</u>
Pro Forma Employee Salaries and Wages								\$ 500,387
Less: Test-Year Employee Salaries and Wages								<u>(523,882)</u>
Pro Forma Adjustment								<u>\$ (23,495)</u>

(E) Lump Sum Vacation Pay. Staff requested Hyden-Leslie District to provide its written policy regarding vacation pay and to explain whether it requires its employees to use all of their vacation hours in the calendar year earned, whether they are allowed to accrue any unused hours into the next calendar year, or whether they receive a lump sum payment for any unused vacation hours at the end of the year.<sup>22</sup> The only reference to

<sup>22</sup> Hyden-Leslie District's responses to Commission Staff's Second Request for Information (Staff's Second Request) (filed Aug. 20, 2020) Item 7.

vacation hours in the written policy provided by Hyden-Leslie District in its responses to Staff's interrogatories was in the discussion on bereavement time.<sup>23</sup>

Staff finds that Hyden-Leslie District has failed to provide adequate documentation to show that its policy regarding the lump-sum payments to its employees for unused vacation time is reasonable or warranted. Accordingly, Staff is reducing employee salaries and wages expense by \$9,949 as calculated in the table below:

		2018			2019 Wage Rates	Pro Forma Lump Sum Vacation
		Lump Sum Vacation	Wage Rates	Calculated Vacation Hrs.		
1	WTP Trainee	\$ 967	\$ 15.57	62.1	\$ 16.01	\$ (994)
3	WTP Operator	646	\$ 18.97	34.1	\$ 19.50	(665)
5	Clerk/Bookkeeper	787	\$ 17.67	44.5	\$ 18.16	(808)
7	Clerk	1,073	\$ 13.50	79.5	\$ 13.88	(1,103)
8	Dist. Operator	2,267	\$ 17.35	130.7	\$ 17.84	(2,332)
15	Dist. Trainee	816	\$ 14.50	56.3	\$ 14.91	(839)
16	WTP Trainee	1,040	\$ 13.00	80.0	\$ 13.36	(1,069)
17	WTP Operator	1,040	\$ 13.00	80.0	\$ 14.16	(1,133)
10	Dist. & Equipment Operator	775	\$ 19.37	40.0	\$ 19.91	(796)
11	Dist. & Equipment Operator	205	\$ 18.58	11.0	\$ 19.10	(210)
	Totals	<u>\$ 9,616</u>				<u>\$ (9,949)</u>

(F) Retirement. Hyden-Leslie District reported a test-year employee retirement expense (401(k) plan) of \$22,999. According to Hyden-Leslie District, its contributions to the employees' 401(k) retirement plans are directly related to gross wages.<sup>24</sup> By applying the 5 percent employer contribution rate to its proposed cost of living adjustment of \$15,313, Hyden-Leslie District arrived at its increase in the retirement benefits expense of \$766.<sup>25</sup>

Using the pro forma employee salaries and wages expense for full-time employees of \$490,438 and a 5 percent employer 401(k) contribution rate, Staff calculates a pro

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<sup>23</sup> *Id.*

<sup>24</sup> Application, Exhibit C, Attachment SAO-W–Statement of Adjusted, Ref. d.

<sup>25</sup> *Id.*

forma employee retirement expense of \$24,522.<sup>26</sup> Accordingly, the employee pension and benefit expense is being increased by \$1,523.<sup>27</sup>

(G) Employee Insurance Benefits. Hyden-Leslie District reported paying test-year employee insurance premiums of \$226,051.<sup>28</sup> Currently, Hyden-Leslie District pays 100 percent of the single and family health insurance premiums for its employees.<sup>29</sup> The Commission is placing greater emphasis on evaluating employees' total compensation packages, including both salary and benefit programs, for market and geographic competitiveness to ensure the development of a fair, just, and reasonable rate. In most cases, the Commission has found that health care that is 100 percent funded by the employer does not meet those criteria.<sup>30</sup>

By applying the Bureau of Labor Statistics' national average for an employee's share of health insurance premiums to its 2018 employee health insurance premiums, Hyden-Leslie District calculated a decrease to its employee benefit expense of \$79,039.<sup>31</sup> As shown in the table below Hyden-Leslie District applied a 21 percent employee contribution rate for single health insurance coverage, and a 38 percent employee

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<sup>26</sup> \$490,438 (Staff's Pro Forma Employee Salaries and Wages Expense) x 5% (Employer 401(k) Contribution Rate) = \$24,522.

<sup>27</sup> \$24,522 (Pro Forma 401(k) Employer Contribution) - \$22,999 (Test-Year 401(k) Employer Contribution) = \$1,523.

<sup>28</sup> \$232,337 (Reported Employee Pensions and Benefits) - \$6,286 (Misclassified Uniform Expense) = \$226,051 (Employee Health Insurance Premiums).

<sup>29</sup> Application, Exhibit C, Attachment SAO-W–Statement of Adjusted, Ref. e.

<sup>30</sup> See Case No. 2018-00414, *Application of Crittenden-Livingston County Water District for an Alternative Rate Adjustment* (Ky. PSC May 23, 2019); See also Case No. 2019-00268, *Application of Knott County Water and Sewer District for an Alternative Rate Adjustment* (Ky. PSC Jan. 31, 2020).

<sup>31</sup> Application, Exhibit C, Attachment SAO-W Statement of Adjusted Operations, Ref. e.

contribution rate for all other coverage plans. Hyden-Leslie District did not provide a cite or other justification to support its proposed 38 percent employee contribution rate.

Plan Type	Premiums		Adjustment	
EMP	\$ 14,615	\$ 14,615	21%	\$ 3,069
ESP	45,207			
FAM	147,512	199,922	38%	75,970
ECH	7,204			
total	<u>\$ 214,537</u>	<u>\$ 214,537</u>		<u>\$ 79,039</u>

Staff is reducing Hyden-Leslie District’s pro forma Employee Pension and Benefit expense by \$91,933 as calculated in the table below. Staff’s adjustment reflects the employee health insurance premiums for the reduced staff, a 21 percent employee contribution rate for single health insurance coverage, and a 34 percent employee contribution rate for all other coverage plans.<sup>32</sup>

	Current Annual Premium	Times: Emp. Contribution Rate	Premium Adjustment	Pro Forma Annual Premium
EMP	\$ 17,293	-20.00%	\$ (3,459)	\$ 13,834
ESP	31,722	-34.00%	(10,785)	20,937
FAM	150,526	-34.00%	(51,179)	99,347
Pro Forma Employee Health Ins. Benefit	<u>\$ 199,541</u>		<u>\$ (65,423)</u>	<u>\$ 134,118</u>
Pro Forma Employee Health Ins. Benefit				\$ 134,118
Reported Employee Pension And Benefit				<u>(226,051)</u>
Adjusted Employee Pension And Benefit				<u>\$ (91,933)</u>

<sup>32</sup> <https://www.bls.gov/ncs/ebs/benefits/2019/ownership/private/table10a.pdf>

(H) Excess Water Loss. Commission regulation 807 KAR 5:066, Section 6(3),<sup>33</sup> limits water loss to 15 percent, for ratemaking purposes unless the Commission finds an alternative level reasonable. Hyden-Leslie District reported a test-year water loss of 32.86 percent, or 17.86 percentage points above the 15 percent allowable limit.<sup>34</sup> To eliminate the cost to produce and pump water over the 15 percent allowable limit, Hyden-Leslie District proposes to decrease purchased power expense and chemical expense by \$48,531 and \$17,250 respectively.<sup>35</sup> Hyden-Leslie District is currently under the requirements of the Commission's Order of November 22, 2019, in Case No. 2019-00041 to implement changes to reduce excessive water loss.<sup>36</sup> Hyden-Leslie District's proposal to eliminate the costs associated with excessive water loss would not provide the utility with the means to comply with the requirements of the November 22, 2019 Order. Staff finds that the adjustments to purchases power expense and chemical expense amounting to \$65,718 should be collected and set aside as a surcharge fund. The use of a surcharge is consistent with prior Commission action in cases involving water districts with excessive

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<sup>33</sup> "Unaccounted-for water loss. Except for purchased water rate adjustments for water districts and water associations, and rate adjustments pursuant to KRS 278.023(4), for ratemaking purposes a utility's unaccounted-for water loss shall not exceed fifteen (15) percent of total water produced and purchased, excluding water used by a utility in its own operations. Upon application by a utility in a rate case filing or by separate filing, or upon motion by the commission, an alternative level of reasonable unaccounted-for water loss may be established by the commission. A utility proposing an alternative level shall have the burden of demonstrating that the alternative level is more reasonable than the level prescribed in this section."

<sup>34</sup> 2018 Annual Report at 57.

<sup>35</sup> Application, Exhibit D, Attachment RR-DC-Revenue Calculation, Ref. f.

<sup>36</sup> See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), Appendix E.

unaccounted-for water loss.<sup>37</sup> In establishing water-loss surcharges, the Commission recognized that the adjustments required to be made to comply with the 15 percent line-loss limitation in 807 KAR 5:066, Section 6(3), could severely restrict cash flow and could impair a water district's ability to take the necessary action to focus on its leak detection and repair. Using a surcharge to fund a water district's water loss reduction project allows the Commission to place strict controls governing the surcharge proceeds to ensure their effective use, public acceptance of the surcharge, and public confidence in the water district's use of those funds. In its report entitled, "*Confronting the Problems Plaguing Kentucky's Water Utilities: An Investigative Report by the Kentucky Public Service Commission November 2019*" that was fully incorporated in the final Order in Case No. 2019-00041, Appendix L, the Commission recommended more frequent rate cases and pursuing qualified infrastructure improvement surcharges, the proceeds of which will be devoted exclusively to infrastructure improvement and replacement.<sup>38</sup>

On May 22, 2020, Hyden-Leslie District filed its status update in Case No. 2019-00041, stating that it will make permanent repairs to its water storage tanks when funds

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<sup>37</sup> See, e.g., Case No. 96-126, *An Investigation into the Operations and Management of Mountain Water District* (Ky. PSC Aug. 11, 1997); Case No. 2011-00217, *Application of Cannonsburg Water District for (1) Approval of Emergency Rate Relief and (2) Approval of the Increase in Nonrecurring Charges*, (Ky. PSC June 4, 2012); Case No. 2018-00017, *Application of Martin County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 5, 2018); Case No. 2018-00429, *Application of Graves County Water District for an Alternative Rate Adjustment* (Ky. PSC Sept. 30, 2019); and Case No. 2019-00119, *Electronic Application of Estill County Water District No. 1 for a Surcharge to Finance Water Loss Control Efforts* (Ky. PSC Mar. 24, 2010).

<sup>38</sup> See footnote 32, p. 15. See also Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), Appendix L, *Confronting the Problems Plaguing Kentucky's Water Utilities: An Investigative Report by the Kentucky Public Service Commission November 2019*, at 24–25.

become available and that it has not completed a written water leak detection policy.<sup>39</sup> Hyden-Leslie District should develop and submit a qualified infrastructure improvement plan in furtherance of the recommendations from Case No. 2019-00041 to be approved by the Commission and use the surcharge funds to further reduce its water loss as part of that plan. A monthly surcharge is a reasonable means for Hyden-Leslie District to recover the cost of an infrastructure improvement and water leak detection program in order to reduce the increased expense and lost revenue from unaccounted-for water loss. Hyden-Leslie District should assess a monthly water loss reduction surcharge of \$1.53<sup>40</sup> per active meter over 48 months. Hyden-Leslie District should be permitted to assess a surcharge to fund its unaccounted-for water loss reduction efforts to comply with the Commission's final Order in Case No. 2019-00041. Hyden-Leslie District should be restricted to expending any funds collected under the surcharge subject to authorization by the Commission. Hyden-Leslie District should file a qualified infrastructure improvement plan, including a comprehensive unaccounted-for water loss reduction plan that establishes priorities, a time schedule for eliminating each source of unaccounted-for water loss, and provides a detailed spending plan for the proceeds of the requested surcharge.

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<sup>39</sup> See footnote 32, p. 15. See also Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), Hyden-Leslie County Water District Status Report on Compliance with Order of November 22, 2019, Post Case Files (filed May 22, 2020).

<sup>40</sup>  $\$48,531$  (Purchased Power) +  $\$17,250$  (Chemicals) =  $\$65,781$  (Annual Surcharge Collections)  $\div$  3,594 (Number of Active Meters as of December 31, 2018) =  $\$18.30$  (Annual Surcharge Collections per Active Meter)  $\div$  12 (Months) =  $\$1.53$ .

(l) Materials and Supplies. Hyden-Leslie District reported a test-year materials and supplies expense of \$130,293.<sup>41</sup> In its review of the 2018 general ledger<sup>42</sup> and copies of the test-year invoices,<sup>43</sup> Staff discovered that Hyden-Leslie District had expensed the cost of telemetry equipment of \$12,696 and electric pumps of \$2,372. The identified equipment purchases are capital expenditures that should not be recorded as an expense in the year purchased, but rather depreciated over their estimated useful lives. Staff is reducing test-year materials and supplies expense by \$15,068 to remove the capital expenditures.

According to the report published in 1979 by the National Association of Regulatory Utility Commissioners (NARUC) titled Depreciation Practices for Small Water Utilities (NARUC Study), the depreciation lives for the telemetry equipment and the electric motors are 10 years and 20 years, respectively. Staff is increasing depreciation expense by \$1,389 as calculated in the table below.

	NARUC Depreciation Lives	Cost	Depreciation Expense
Telemetry	10	\$ 12,696	\$ 1,270
Electric Motors	20	\$ 2,372	119
Staff Pro Forma Adjustment			<u>\$ 1,389</u>

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<sup>41</sup> Application, Exhibit D, Attachment RR-DC-Revenue Calculation, Schedule of Adjusted Operations, Operating Expenses.

<sup>42</sup> Hyden-Leslie District's responses to the Commission's June 18, 2020 Order (filed July 6, 2020), Appendix, Item 6.

<sup>43</sup> Hyden-Leslie District's responses to the Staff's Second Request for Information (filed Aug. 20, 2020) Item 16, Attachments 16-A through 16-AK.

(J) Depreciation. In its Application, Hyden-Leslie District proposes to decrease its test-year depreciation expense of \$855,250 by \$50,677.<sup>44</sup> Hyden-Leslie District explains that the Commission typically requires a water utility to adjust its depreciation expense when its depreciation lives fall outside of the ranges recommended in the NARUC Study.<sup>45</sup> According to Hyden-Leslie District, its adjustment brings the depreciable lives of its assets to or near the midpoint of NARUC's recommended ranges.<sup>46</sup>

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 inside or outside the NARUC Study ranges, the Commission has historically used the midpoint of the NARUC Study ranges to depreciate a utility plant.

Upon its review of Hyden-Leslie District's depreciation schedule, Staff determined that Hyden-Leslie District's adjusted depreciation lives are at the midpoint of the NARUC Study range for each asset category. Adjusting Hyden-Leslie District's depreciation expense to reflect a full-year of depreciation for the assets placed in service in 2018 and removing the depreciation for the assets fully depreciated in 2018, Staff is decreasing depreciation expense by \$32,725 as shown in the table below.

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<sup>44</sup> Application, Exhibit C, Attachment SAO-W–Statement of Adjusted, Table A, Depreciation Expense Adjustments.

<sup>45</sup> Application, Exhibit C, Attachment SAO-W–Statement of Adjusted, Ref. g.

<sup>46</sup> *Id.*

Property Description	NARUC Depreciation Lives			Depreciation Expense		
	Floor	Ceiling	Point	Staff Pro Forma	Test Year Reported	Staff Adjustment
Structures & Improvements	35.0	40.0	37.5	\$ 150,197	\$ 109,020	\$ 41,177
Dam Structure	50.0	75.0	62.5	909	1,575	(666)
Raw Water Intake	35.0	45.0	40.0	11,864	7,909	3,955
Raw Water Main to Plant	50.0	75.0	62.5	7,823	10,866	(3,043)
Pumping Equipment:						
Pumps & Motors	20.0	20.0	20.0	38,266	36,919	1,347
Telemetry & Controls	10.0	10.0	10.0	61,082	17,372	43,710
Water Treatment Equipment:						
Structures & Improvements	35.0	40.0	37.5	21,969	19,528	2,441
Water Treatment Equipment	20.0	35.0	27.5	102,383	67,802	34,581
Distribution Reservoirs & Tanks	30.0	60.0	45.0	65,568	65,954	(386)
Distribution Mains	50.0	75.0	62.5	264,815	420,517	(155,702)
Meters and Meter Installations	35.0	50.0	42.5	37,219	49,716	(12,497)
Hydrants	40.0	60.0	50.0	3,464	4,927	(1,463)
Office Furniture and Equipment						
Office Furniture and Equipment	20.0	25.0	22.5	346	7,776	(7,430)
Computers, software, electronics	10.0	10.0	10.0	2,222	2,375	(153)
Structures and Improvements (HVAC)	35.0	40.0	37.5	3,846	0	3,846
Transportation Equipment	7.0	7.0	7.0	12,404	8,941	3,463
Tools & Shop Equipment	15.0	20.0	17.5	481	1,005	(524)
Power Operated Equipment	10.0	15.0	12.5	36,386	22,408	13,978
Other Tangible Equipment	10.0	10.0	10.0	1,281	641	640
				<u>\$ 822,525</u>	<u>\$ 855,250</u>	<u>\$ (32,725)</u>

(K) Payroll Tax. Hyden-Leslie District reported a test-year payroll tax expense of \$40,119. Using the pro forma employee salaries and wages expense and the current FICA rate of 7.65 percent, Staff calculated a pro forma FICA expense of \$37,519.<sup>47</sup> Accordingly, Staff is decreasing Hyden-Leslie District's payroll tax expense by \$2,600.<sup>48</sup>

### REVENUE REQUIREMENT

The Commission has historically applied a DSC method to calculate the revenue requirement of water districts and water associations.<sup>49</sup> This method allows for recovery of: (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a non-cash item, to provide working capital; (3) the average annual principal and interest

<sup>47</sup> \$490,438 (Pro Forma Employee Salaries and Wages Exp.) x 7.65% (FICA Rate) = \$37,519.

<sup>48</sup> \$37,519 (Pro Forma Payroll Tax) - \$40,119 (Reported Test-Year Payroll Tax) = \$2,600.

<sup>49</sup> See Case No. 2019-00424, *Electronic Application of Grant County Sanitary Sewer District for An Alternate Rate Adjustment* (Ky. PSC May 6, 2020); See also Case No. 2019-00268, *Application of Knott County Water and Sewer District for an Alternative Rate Adjustment*, (Ky. PSC Jan. 31, 2020).

payments on all long-term debts, and (4) working capital that is in addition to depreciation expense.

A comparison of Hyden-Leslie District's and Staff's calculation of the revenue requirement and required revenue increase using the DSC method is shown below:

	Hyden-Leslie District	Staff
Pro Forma Operating Expenses	\$ 2,222,125	\$ 2,161,733
Plus: Average Annual Debt Principal and Interest	294,003	294,003
Debt Coverage Requirement	<u>58,801</u>	<u>58,801</u>
Total Revenue Requirement	2,574,929	2,514,537
Less: Other Operating Revenue	(54,811)	(54,811)
Non-operating Income		
Interest Income	<u>(2,972)</u>	<u>(2,972)</u>
Revenue Required from Rates	2,517,146	2,456,754
Less: Normalized Revenues from Water Sales	<u>(1,479,067)</u>	<u>(1,479,067)</u>
Required Revenue Increase/(Decrease)	<u>\$ 1,038,079</u>	<u>\$ 977,686</u>
Percentage Increase	<u>70.18%</u>	<u>66.10%</u>

1. Average Annual Principal and Interest Payments. In calculating its revenue requirement, Hyden-Leslie District used an average annual debt service of \$294,003 and a 0.2X DSC of \$58,801. Upon its review of Hyden-Leslie District's bond and loan amortization schedules, Staff determined that the average annual debt service and DSC coverage calculated by Hyden-Leslie District are correct and, therefore, Staff is using those in its calculation of the revenue requirement.

2. Rate Case Amortization. Hyden-Leslie District did not request recovery of the costs it incurred to file its rate application in its revenue requirement calculation. The Commission generally allows a jurisdictional utility to recover prudent and reasonable cost incurred to submit a rate case application over a three-year amortization period. Since

Hyden-Leslie District has not requested rate recovery or provided documentation of the rate case costs it incurred, Staff is unable to include recovery of those costs in this instant case.

Signatures:

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Prepared by: Mark Frost  
Revenue Requirements Branch  
Division of Financial Analysis

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Prepared by: Sam Reid  
Rate Design Branch  
Division of Financial Analysis

APPENDIX A

APPENDIX TO A STAFF REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2020-00141 DATED SEP 18 2020

Cost of Service Study

Allocation of Plant Value				
Hyden-Leslie Water District				
	Total	Commodity	Demand	Customer
Land & Land Rights	\$32,169		\$32,169	
Structures and Improvements	5,630,362		5,630,362	
Collecting and Impounding Reservoirs	78,723		78,723	
Lakes, Rivers and Other Intakes	474,545		474,545	
Supply Mains	488,949		488,949	
Pumping Equipment	1,329,070		1,329,070	
Water Treatment Equipment	3,647,342		3,647,342	
Distribution Reservoirs & Standpipes	2,641,815		2,641,815	
Transmission & Distribution Mains	16,181,135		16,181,135	
Services	133,995			133,995
Meters & Meter Installations	1,970,848			1,970,848
Subtotal	\$32,608,953		\$30,504,110	\$2,104,843
General Plant (1)				
Hydrants	\$179,359		\$167,701	\$11,658
Office Furniture & Equipment	184,080		172,115	11,965
Transportation Equipment	209,434		195,821	13,613
Tools, Shop & Garage Equipment	28,909		27,030	1,879
Power Operated Equipment	536,057		501,213	34,844
Other Tangible Plant	19,704		18,423	1,281
Subtotal	\$1,157,543		\$1,082,303	\$75,240
<b>Total</b>	<b>\$33,766,496</b>		<b>\$31,586,413</b>	<b>\$2,180,083</b>
<b>Allocation Percentages</b>	<b>100%</b>		<b>93.5%</b>	<b>6.5%</b>
(1) General Plant allocated based on overall weighted allocation of all other plant.				
Source: PSC Annual Report 2018				

Allocation of Depreciation				
Hyden-Leslie Water District				
	<b>Total</b>	<b>Commodity</b>	<b>Demand</b>	<b>Customer</b>
Structures and Improvements	\$ 892,184		\$ 892,184	
Collecting and Impounding Reservoirs	77,814		77,814	
Lakes, Rivers and Other Intakes	48,107		48,107	
Supply Mains	66,065		66,065	
Pumping Equipment	471,344		471,344	
Water Treatment Equipment	533,227		533,227	
Distributions Reservoirs & Standpipes	797,123		797,123	
Transmission & Distribution Mains	5,310,610		5,310,610	
Services	133,995			133,995
Meters & Meter Installations	892,922			892,922
<b>Subtotal</b>	<b>\$ 9,223,391</b>		<b>\$ 8,196,474</b>	<b>\$ 1,026,917</b>
Allocation Percentages	100%		88.9%	11.1%
General Plant (1)				
Hydrants	\$ 100,627		\$ 89,457	\$ 11,170
Office Furniture & Equipment	73,817		65,623	8,194
Transportation Equipment	184,754		164,246	20,508
Tools, Shop and Garage Equip.	24,655		21,918	2,737
Power Operated Equipment	195,873		174,131	21,742
Other Tangible Plant	10,656		9,473	1,183
Subtotal	\$590,382		\$229,869	\$28,702
<b>Total</b>	<b>\$ 9,813,773</b>		<b>\$ 8,426,343</b>	<b>\$ 1,055,619</b>
Allocation Percentages	100%		88.9%	11.1%
(1) General Plant allocated based on overall weighted allocation of all other plant.				
Source: PSC Annual Report 2018				

Allocation of Operation & Maintenance Expense				
Hyden-Leslie Water District				
	<b>Total</b>	<b>Commodity</b>	<b>Demand</b>	<b>Customer</b>
Salaries - Employees	\$ 490,438		\$ 418,697	\$ 71,741
Salaries - Officers	27,600			\$ 27,600
Employee Pension and Benefits	158,640		\$158,640	
Purchased Power	223,115	223,115		
Chemicals	79,305	79,305		
Materials & Supplies	115,225		\$98,853	16,372
Taxes OT Income - Office Manager	37,519		32,031	5,488
Insurance	51,209	5,120	30,725	15,364
Bad Debt	18,672			18,672
Subtotal	\$1,201,723	\$307,540	\$738,946	\$155,237
Less Commodity	\$307,540			
Total	\$894,183		\$738,946	\$155,237
Allocation Percentages	100%		83%	17%
Contract Services -	24,938		20,699	4,239
Transportation	44,455		36,898	7,557
Miscellaneous	66,703		55,363	11,340
Subtotal	\$136,096		\$112,960	\$23,136
<b>Total Operating Expenses</b>	<b>\$1,337,819</b>	<b>\$307,540</b>	<b>\$851,906</b>	<b>\$178,373</b>

Allocation of Cost of Service				
Hyden-Leslie Water District				
	<b>Total</b>	<b>Commodity</b>	<b>Demand</b>	<b>Customer</b>
Operation & Maintenance	\$1,337,819	\$307,540	\$851,906	\$178,373
Debt Service & Coverage <sup>1</sup>	352,804		329,872	22,932
Depreciation <sup>2</sup>	823,914		732,460	91,454
General Water Service Cost	\$2,514,537	\$307,540	\$1,914,238	\$292,759
Less:				
Interest Income	(\$2,972)			(\$2,972)
Other Operating Revenue	(\$54,811)			(\$54,811)
Nonutility Income				\$0
<b>Revenue Required from Rates</b>	<b>\$2,456,754</b>	<b>\$307,540</b>	<b>\$1,914,238</b>	<b>\$234,976</b>
NOTES:				
<sup>1</sup> Debt Service has been allocated on a percentage of Plant Value from the Allocation of Plant Value Sheet.				
<sup>2</sup> Depreciation has been allocated on a percentage of Depreciation from the Allocation of Depreciation Sheet.				

Calculation of Water Rates						
Hyden-Leslie Water District						
	Total	First 2,000 gallons	Next 3,000 gallons	Next 20,000 gallons	Next 75,000 gallons	Over 100,000 gallons
Actual Water Sales:						
Thousand Gallons	185,303,300	72,694,500	53,044,100	38,322,800	11,391,500	9,850,400
Percent	100%	39.23%	28.63%	20.68%	6.15%	5.32%
Weighted Sales for Demand:		2	1.75	1.5	1.25	1
Thousand Gallons	319,790,150	145,389,000	92,827,175	57,484,200	14,239,375	9,850,400
Percent	100%	45.46%	29.03%	17.98%	4.45%	3.08%
Allocation of Volumetric Costs:						
Commodity	\$307,540	\$120,648	\$88,049	\$63,599	\$18,914	\$16,361
Demand	1,914,238	870,213	555,703	344,180	85,184	58,959
Customer	234,976	234,976				
Total	\$2,456,754	\$1,225,837	\$643,752	\$407,779	\$104,098	\$75,320
Number of Bills	44,083					
<b>Proposed Rates</b>		<b>\$27.81</b>	<b>\$12.14</b>	<b>\$10.64</b>	<b>\$9.14</b>	<b>\$7.65</b>

Verification of Rates				
Hyden-Leslie Water District				
			<b>Phase 2</b>	
	<b><u>Bills</u></b>	<b><u>Gallons</u></b>	<b><u>Rate</u></b>	<b><u>Revenue</u></b>
<b><u>ALL CUSTOMERS</u></b>				
First 2,000 gallons	44,083	72,694,500	\$27.81	\$1,225,948
Next 3,000 gallons		53,044,100	\$12.14	643,955
Next 20,000 gallons		38,322,800	\$10.64	407,755
Next 75,000 gallons		11,391,500	\$9.14	104,118
Over 100,000 gallons		<u>9,850,400</u>	\$7.65	<u>75,356</u>
Totals		185,303,300		\$2,457,132
<b><u>Phase 1</u></b>				
	<b><u>Bills</u></b>	<b><u>Gallons</u></b>	<b><u>Rate</u></b>	<b><u>Revenue</u></b>
<b><u>ALL CUSTOMERS</u></b>				
First 2,000 gallons	44,083	72,694,500	\$ 22.28	\$982,169
Next 3,000 gallons		53,044,100	\$ 9.72	515,589
Next 20,000 gallons		38,322,800	\$ 8.52	326,510
Next 75,000 gallons		11,391,500	\$ 7.32	83,386
Over 100,000 gallons		<u>9,850,400</u>	\$ 6.13	<u>60,383</u>
Totals		185,303,300		\$1,968,037

<b>COMPARISON OF CURRENT AND PROPOSED PHASE 1 RATES</b>					
Hyden-Leslie County Water District					
<b><u>CURRENT RATE SCHEDULE</u></b>					
<b><u>All Meter Sizes</u></b>			<b><u>Residential</u></b>	<b><u>Commercial</u></b>	
First	2,000	gallons	\$ 20.24	\$ 30.36	Minimum Bill
Next	3,000	gallons	5.62	8.43	per 1,000 gallons
Next	5,000	gallons	4.45	6.68	per 1,000 gallons
Next	15,000	gallons	3.63	5.45	per 1,000 gallons
Next	25,000	gallons	3.16	4.74	per 1,000 gallons
Next	50,000	gallons	2.69	4.04	per 1,000 gallons
Next	100,000	gallons	2.22	3.33	per 1,000 gallons
Over	200,000	gallons	1.76	2.64	per 1,000 gallons

<b>PROPOSED PHASE 1 RATE SCHEDULE</b>				
<b>All Customers</b>			<u>Rate</u>	
First	2,000	gallons	\$ 22.28	Minimum Bill
Next	3,000	gallons	\$ 9.72	per 1,000 gallons
Next	20,000	gallons	\$ 8.52	per 1,000 gallons
Next	75,000	gallons	\$ 7.32	per 1,000 gallons
Over	100,000	gallons	\$ 6.13	per 1,000 gallons
Comparison of Monthly Bills				
<b>Residential</b>		Bill at Current	Bill at Phase 1	
<u>Usage</u>		<u>Rate</u>	<u>Rate</u>	<u>% increase</u>
2,000		\$ 20.24	\$ 22.28	10.08%
5,000		37.10	\$ 51.44	38.65%
10,000		59.35	\$ 94.04	58.45%
50,000		192.80	\$ 404.84	109.98%
100,000		327.30	\$ 770.84	135.51%
200,000		549.30	\$ 1,383.84	151.93%
<b>Commercial</b>		Bill at Current	Bill at Phase 1	
<u>Usage</u>		<u>Rate</u>	<u>Rate</u>	<u>% increase</u>
2,000		\$ 30.36	\$ 22.28	-26.61%
5,000		55.65	\$ 51.44	-7.57%
10,000		89.05	\$ 94.04	5.60%
50,000		289.30	\$ 404.84	39.94%
100,000		491.30	\$ 770.84	56.90%
200,000		824.30	\$ 1,383.84	67.88%

<b>COMPARISON OF PHASE 2 RATES</b>					
<b>COMPARISON OF CURRENT AND PROPOSED PHASE 2 RATES</b>					
Hyden-Leslie County Water District					
<u>CURRENT RATE SCHEDULE</u>					
<b>All Meter Sizes</b>			<u>Residential</u>	<u>Commercial</u>	
First	2,000	gallons	\$ 20.24	\$ 30.36	Minimum Bill
Next	3,000	gallons	5.62	8.43	per 1,000 gallons
Next	5,000	gallons	4.45	6.68	per 1,000 gallons
Next	15,000	gallons	3.63	5.45	per 1,000 gallons
Next	25,000	gallons	3.16	4.74	per 1,000 gallons
Next	50,000	gallons	2.69	4.04	per 1,000 gallons
Next	100,000	gallons	2.22	3.33	per 1,000 gallons
Over	200,000	gallons	1.76	2.64	per 1,000 gallons

<b>PROPOSED PHASE 2 RATE SCHEDULE</b>				
<b>All Customers</b>				
First	2,000	gallons	\$27.81	Minimum Bill
Next	3,000	gallons	\$12.14	per 1,000 gallons
Next	20,000	gallons	\$10.64	per 1,000 gallons
Next	75,000	gallons	\$9.14	per 1,000 gallons
Over	100,000	gallons	\$7.65	per 1,000 gallons
Comparison of Monthly Bills				
<b>Residential</b>	Monthly Bill			
		Current	Proposed	
<u>Usage</u>		<u>Rate</u>	<u>Rate</u>	<u>% increase</u>
2,000		\$ 20.24	\$ 27.81	37.40%
5,000		37.10	\$ 64.23	73.13%
10,000		59.35	\$ 117.43	97.86%
50,000		192.80	\$ 505.53	162.20%
100,000		327.30	\$ 962.53	194.08%
200,000		549.30	\$ 1,727.53	214.50%
<b>Commercial</b>				
		Current	Proposed	
<u>Usage</u>		<u>Rate</u>	<u>Rate</u>	<u>% increase</u>
2,000		\$ 30.36	\$ 27.81	-8.40%
5,000		55.65	\$ 64.23	15.42%
10,000		89.05	\$ 117.43	31.87%
50,000		289.30	\$ 505.53	74.74%
100,000		491.30	\$ 962.53	95.91%
200,000		824.30	\$ 1,727.53	109.58%

APPENDIX B

APPENDIX TO A STAFF REPORT OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2020-00141 DATED SEP 18 2020

Staff Calculated Phase-one Monthly Water Rates

First	2,000 Gallons	\$22.28 Minimum Bill
Next	3,000 Gallons	9.72 Per 1,000 Gallons
Next	20,000 Gallons	8.52 Per 1,000 Gallons
Next	75,000 Gallons	7.32 Per 1,000 Gallons
Over	100,000 Gallons	6.13 Per 1,000 Gallons

Staff Calculated Phase-two Monthly Water Rates to become effective one year after the  
effective date of the Phase-one rates

First	2,000 Gallons	\$27.81 Minimum Bill
Next	3,000 Gallons	12.14 Per 1,000 Gallons
Next	20,000 Gallons	10.64 Per 1,000 Gallons
Next	75,000 Gallons	9.14 Per 1,000 Gallons
Over	100,000 Gallons	7.65 Per 1,000 Gallons

NON-RECURRING CHARGES

Meter Tap-on Fee	\$1,000.00
Connection Turn-On Charge	55.00
Deposit	74.00
Meter Test Request Charge	65.00
Reconnection Charge	55.00
Reconnection Charge (After Hours)	65.00
Service Call Investigation Charge	55.00
Service Call Investigation Charge (After Hours)	65.00
Damage to Meter Setting or Lid	Actual Cost
Meter Relocate	Actual Cost
<u>Monthly Water Loss Reduction Surcharge</u>	\$1.53 Per Customer

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