

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

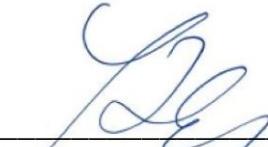
In the Matter of:

ELECTRONIC APPLICATION OF)	
SOUTHEAST DAVIESS COUNTY WATER)	CASE NO.
DISTRICT FOR AN ALTERNATIVE RATE)	2020-00195
ADJUSTMENT)	

NOTICE OF FILING OF COMMISSION STAFF REPORT

Notice is hereby given that, in accordance with the Commission’s Order of October 1, 2020, the attached report containing the findings of Commission Staff (Staff) regarding the Applicant’s proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission’s October 1, 2020 Order, Southeast Daviess County Water District (Southeast Daviess District) 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. 2020-00085,¹ issued March 16, 2020, and March 24, 2020, Southeast Daviess District 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. Due to COVID-19, Staff is unable to physically sign this report. When Staff is able to safely sign this report, a notice of filing with the executed signature page will be made in this case docket.

¹ 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.



Lindsey L. Flora
Deputy Executive Director
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P.O. Box 615
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DATED NOV 20 2020

cc: Parties of Record

Case No. 2020-00195

STAFF REPORT
ON
SOUTHEAST DAVIESS COUNTY WATER DISTRICT
CASE NO. 2020-00195

Southeast Daviess District, a water district organized pursuant to KRS Chapter 74, provides water service to approximately 7,603 residential, commercial, irrigation, and resale customers residing in Daviess County, Kentucky.² On June 23, 2020, Southeast Daviess District tendered an 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 July 24, 2020. On October 1, 2020, the Commission, citing the impact of COVID-19, found that additional time would be needed to review Southeast Daviess District's case, amending its July 24, 2020 Order to allow for additional time for Staff to complete this report. Staff issued three rounds of discovery to collect additional information regarding Southeast Daviess District's financial records. Southeast Daviess District filed its responses to the three requests for information from Staff.

To comply with the requirements of 807 KAR 5:076, Section 9,³ Southeast Daviess District used the calendar year ended December 31, 2019, as the basis for its application.

Using its pro forma test-year operations, Southeast Daviess District determined that a revenue increase of \$420,413, or 15.61 percent, over test-year normalized revenues of

² *Annual Report of Southeast Daviess County Water District to the Public Service Commission for the Calendar Year Ended December 31, 2018* at 12 and 49.

³ 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.

\$2,695,673 is warranted as shown in the table below.⁴ The rates requested by Southeast Daviess District would increase the monthly bill of a typical residential customer using 4,000 gallons per month by \$3.11, from \$20.09 to \$23.20, or approximately 15.48 percent.⁵

	Southeast Daviess Water District
Operating Expenses	\$ 2,953,684
Divided by: Operating Ratio	<u>88%</u>
Overall Revenue Requirement	3,356,459
Add: Interest Expense	4,563
Less: Other Operating Revenue	(153,975)
Private Fire Protection	(23,328)
Interest Income	<u>(67,334)</u>
Revenue Requirement - Water Rates	3,116,386
Less: Normalized Revenue from Water Service	<u>(2,695,673)</u>
Required Revenue Increase	<u>\$ 420,713</u>
Percentage Increase	<u>15.61%</u>

To determine the reasonableness of the rates requested by Southeast Daviess District, Staff performed a limited financial review of Southeast Daviess 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 pursued or addressed.

⁴ Application, Attachment 3.

⁵ *Id.*, Attachment 1.

Staff's findings are summarized in this report. Travis Leach reviewed the calculation of Southeast Daviess District's Overall Revenue Requirement. Eddie Beavers reviewed Southeast Daviess District's reported revenues and rate design.

SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Operating Ratio Method, as generally accepted by the Commission, Staff found that Southeast Daviess District's Overall Revenue Requirement to be \$3,236,873. A revenue increase of \$301,126, or 11.17 percent, is necessary to generate the Overall Revenue Requirement.

2. Monthly Water Service Rates. Southeast Daviess District proposed to increase all of its monthly retail water service rates evenly across the board by approximately 15.49 percent. Southeast Daviess District has not performed a cost of service study (COSS). In response to Staff's First Request for Information (Staff's First Request), Southeast Daviess District stated that they did not complete a COSS at this time as there has not been any material change in the water system to warrant a COSS.⁶ In Case No. 2020-00287,⁷ Southeast Daviess District and West Daviess County Water District (West Daviess District) are requesting to merge their operations and systems to form the Daviess County Water District. In Case No. 2020-00287, Southeast Daviess District and West Daviess District state that after a year of combined operations, the utilities plan to file another rate case with a full COSS supporting unification of rates for the two systems. The Commission has previously found that the allocation of a revenue increase evenly across the board to a utility's rate

⁶ Staff's First Request for Information (filed Aug. 14, 2020), Item 3.

⁷ Case No. 2020-00287, *Electronic Joint Application of Southeast Daviess County Water District and West Daviess County Water District for an Order Approving Their Merger Agreement.* (filed Sept. 4, 2020.)

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 Southeast Daviess District and allocated the \$327,346 revenue increase across the board to Southeast Daviess District'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 \$3,023,019 Revenue Required from Rates, an approximate 12.14 percent increase. These rates will increase a typical residential customer's monthly water bill from \$20.09 to \$22.52, an increase of \$2.43, or approximately 12.1 percent.⁸

PRO FORMA OPERATING STATEMENT

Southeast Daviess District's Pro Forma Operating Statement for the test year ended December 31, 2019, as determined by Staff, appears below.

⁸ The typical residential customer uses approximately 4,000 gallons per month.

	2019 <u>Annual Report</u>	Pro Forma <u>Adjustments</u>	Adjustment <u>Reference</u>	Pro Forma <u>Operations</u>
Operating Revenues:				
Revenues from Water Sales:				
Metered Water Sales:	\$ 2,149,968	(18,145)	(A)	
		275,391	(B)	\$ 2,407,214
Private Fire Protection	23,328			23,328
Sales for Resale	233,244	55,215	(B)	288,459
Other Water Revenues:				
Forfeited Discounts	29,596			29,596
Misc. Service Revenues	27,615	(26,220)	(C)	
		18,145	(A)	19,540
Other Water Revenues	<u>78,619</u>			<u>78,619</u>
Total Other Water Revenues	<u>135,830</u>	<u>(8,075)</u>		<u>127,755</u>
Total Operating Revenues	<u>2,542,370</u>	<u>304,386</u>		<u>2,846,756</u>
Operating Expenses:				
Operation & Maintenance:				
Salaries & Wages - Employees	408,906	(30,281)	(D)	378,625
Salaries & Wages - Officers	9,000			9,000
Employee Pension and Benefits	221,196	(4,150)	(D)	
		(77,493)	(E)	139,553
Purchased Water	1,281,495	324,141	(F)	1,605,636
Purchased Power	67,032	94	(G)	67,126
Materials and Supplies	166,854	(14,668)	(G)	
		456	(H)	152,642
Contactural Services	27,035	192	(G)	27,227
Rental of Building/Real Property	6,665	200	(G)	6,865
Transportation Expensees	32,711	406	(G)	33,117
Insurance - Gen. Liab. & Workers Comp	30,453	1,570	(G)	32,023
Insurance - Other	411	28	(G)	439
Bad Debt	9,220			9,220
Miscellaneous Expenses	<u>18,920</u>	<u>918</u>	(G)	<u>19,838</u>
Total Operation & Maintenance	2,279,898	201,413		2,481,311
Depreciation	353,651	(19,925)	(I)	333,726
Taxes Other Than Income	<u>37,635</u>	<u>(4,223)</u>	(D)	<u>33,412</u>
Utility Operating Expenses	<u>\$ 2,671,184</u>	<u>177,265</u>		<u>2,848,449</u>
Net Utility Operating Income	<u>\$ (128,814)</u>	<u>\$ 127,121</u>		<u>\$ (1,693)</u>

(A) Reclassification of Customer Connects/Disconnects. In its application, Southeast Daviess District proposed an adjustment to reclassify revenues associated with

service work performed for customer connections and disconnections that was mistakenly recorded as metered sales revenue. Staff finds that Southeast Daviess District's adjustment meets the ratemaking criteria of being known and measurable and accepts it in pro forma operations. An adjustment reducing metered water sales by \$18,145 and increasing miscellaneous service revenue by the same amount has been made to pro forma operations.

(B) Billing Analysis Adjustment. Southeast Daviess District proposed to increase its test-year revenues from water sales of \$2,149,968 by \$275,391 to reflect the current billing analysis provided by the district. Southeast Daviess District also made a similar adjustment for the wholesale water sales of \$55.215. Staff finds that Southeast Daviess District's adjustment meets the ratemaking criteria of being known and measurable and accepts both in pro forma operations.

(C) Nonrecurring Charges Adjustment. Following the Commission's recent decision set out in the final Order issued in Hyden-Leslie Water District's (Hyden-Leslie District) recent Alternative Rate Filing (ARF),⁹ Staff has reviewed Southeast Davies District's nonrecurring charges. The Commission found that as personnel are currently paid during normal business hours, estimated labor costs previously included in determining the amount of nonrecurring charges should be eliminated from the charges. Staff has reviewed the most recent cost justification information provided in Southeast Daviess District's last rate case, Case No. 2002-00126, and has adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs.¹⁰ For nonrecurring charges that occur after normal business

⁹ Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020).

¹⁰ Case No. 2002-00126, *Application of Southeast Daviess County Water District for Tariff Revisions and to Increase Certain Nonrecurring Charges*, (Ky. PSC filed Feb. 26, 2003).

hours, following Case No. 2020-00141, Staff removed the Office/Clerical Labor Costs. Staff also adjusted the mileage rate to the current allowable by the Internal Revenue Service (IRS) of \$0.575 per mile.¹¹ Such adjustments result in the following revised nonrecurring charges:

<u>Nonrecurring Charge</u>	<u>Normal Hours</u>	<u>After Hours</u>
Service Call	\$11.50	\$77.00
Disconnect Fee	\$11.50	\$77.00
Reconnect Fee	\$11.50	\$77.00

The adjustments result in a net decrease to nonrecurring charges and a corresponding increase to the revenue Requirement of \$98,159 as shown below:

	Application Proforma	Staff Adjustment		Staff Proforma
Other Water Revenues:				
Forfeited Discounts	\$ 29,596		a.	29,596.0
Misc. Service Revenues	45,760	(26,220)	b.	19,540
Other Water Revenues	78,619		c.	78,619
Total Other Operating Revenue				\$127,755

(D) Salaries and Wages. Southeast Daviess District proposed to increase its test-year salaries and wages expense by \$4,189, as well as adjustments to pension expense and payroll taxes of \$586 and \$320 to reflect a 2.00 percent raise for all employees.¹² In addition, Southeast Daviess District proposed an increase to salaries and wages expense of \$14,150 to account for a change in allocation percentage between Southeast Daviess District and West Daviess District, as discussed in Item G, below. Upon normalization of salaries and wages based on test-year hours worked and pro forma wage levels, Staff determined that test-year salaries and wages expense were overstated, and therefore an adjustment

¹¹ <https://www.irs.gov/tax-professionals/standard-mileage-rates>

¹² Application, Attachment 5-Schedule of Adjusted Operations, References, Item D.

reducing salaries and wages expense by \$30,280 is necessary. Additionally, a corresponding adjustment was made to reduce pension expense by \$4,150 and payroll taxes by \$4,223, as shown below:

Job Title	Test Year Normal Hours	Pro Forma Wage Rate	Pro Forma Normal Wages	Pro Forma Overtime Hours	Pro Forma Overtime Rate	Pro Forma Overtime Wages	Total Pro Forma Wages
General Manager	Salary	\$ 2,630	\$ 63,120	N/A	N/A	N/A	\$ 63,120
Office Manager	Salary	2,067	49,608	N/A	N/A	N/A	49,608
Meter Reading Foreman	2,080	28.27	58,802	8.00	\$ 42.41	\$ 339	59,141
Meter Reader / Maintenance	2,080	17.89	37,211	145.00	26.84	3,891	41,102
Maintenance	2,080	29.09	60,507	179.00	43.64	7,811	68,318
Maintenance	2,080	20.09	41,787	60.00	30.14	1,808	43,595
Maintenance	2,080	23.79	49,483	18.00	35.69	642	50,126
Maintenance	2,080	23.44	48,755	48.50	35.16	1,705	50,460
GIS Supervisor / Maintenance	2,080	17.92	37,274	62.00	26.88	1,667	38,940
Maintenance	2,080	17.50	36,400	47.00	26.25	1,234	37,634
Office Clerk	2,080	17.34	36,067	6.50	26.01	169	36,236
Office Clerk	2,080	16.90	35,152	8.00	25.35	203	35,355
Office Clerk	2,080	16.58	34,486	1.50	24.87	37	34,524
Meter Tester / Office Clerk	2,080	17.21	35,797	36.86	25.82	952	36,748

Pro Forma Total Salaries & Wages Expense	\$ 644,907
Pro Forma Southeast Allocation Percentage	58.71%
Pro Forma Southeast Salaries & Wages Expense	<u>378,625</u>
Less: Test Year Salaries & Wages Expense	(408,906)

Pro Forma Adjustment \$ (30,281)

Pro Forma Salaries and Wages Expense	\$ 378,625
Times: 7.65 Percent FICA Rate	<u>7.65%</u>

Total Pro Forma Payroll Taxes	28,965
Less: Test Year Payroll Taxes	<u>(33,188)</u>

Payroll Tax Adjustment \$ (4,223)

Pro Forma Salaries and Wages Expense	\$ 378,625
Times: 14 Percent Pension Contribution	<u>14.00%</u>

Total Pro Forma Payroll Taxes	53,008
Less: Test Year Payroll Taxes	<u>(57,158)</u>

Pension & Benefits Adjustment \$ (4,150)

(F) Purchased Water. Southeast Daviess District proposed an adjustment increasing purchased water expense by \$324,141 to account for the two suppliers from which Southeast Daviess District purchases water increasing their wholesale rate, shown below.

Month	Gallons	
	OMU	EAST DC
Jan-19	50,272,100	298,908
Feb-19	50,685,100	251,370
Mar-19	46,477,600	282,492
Apr-19	50,906,500	266,304
May-19	61,358,500	359,442
Jun-19	53,960,300	459,876
Jul-19	68,667,600	479,256
Aug-19	66,099,600	771,210
Sep-19	71,816,100	788,766
Oct-19	60,113,900	851,580
Nov-19	43,043,400	394,212
Dec-19	53,815,500	270,864
Total Gallons	677,216,200	5,474,280
Multiply by: Pro Forma Purchased Water Rate/1000 gallons	2.35	2.59
Pro Forma Purchased Water Exepense	<u>\$ 1,591,458</u>	<u>\$ 14,178</u>
Pro Forma OMU Purchased Water Expense		\$ 1,591,458
Add: Pro Forma East DC Water Association Purchased Water Expense		<u>14,178</u>
Total Pro Forma Purchased Water Expense		1,605,636
Less: Test Year Purchased Water Expense		<u>(1,281,495)</u>
Pro Forma Adjustment		<u>\$ 324,141</u>

Staff finds that Southeast Daviess District's adjustment meets the ratemaking criteria of being known and measurable and accepts it in pro forma operations.

(G) Allocation Percentage Change. Southeast Daviess District and West Daviess District share employees as well as several different administrative costs identified in Southeast Daviess District's application. In years past, the districts had allocated these

expenses with 55 percent allocated to Southeast Daviess District and 45 percent to West Daviess District. However, in 2019, the boards of both districts approved a change in the allocation model based on a 5-year average of the number of active meters for each district resulting in an allocation of the identified expenses of 58.71 percent allocated to Southeast Daviess District and 41.29 percent to West Daviess District, as shown below:

	Active Meters			Allocation Factor	
	Southeast	West	Total	Southeast Percentage	West Percentage
2019	7,643	5,359	13,002	58.78%	41.22%
2018	7,466	5,258	12,724	58.68%	41.32%
2017	7,349	5,170	12,519	58.70%	41.30%
2016	7,246	5,092	12,338	58.73%	41.27%
2015	7,078	4,985	12,063	58.68%	41.32%
Total	36,782	25,864	62,646	58.71%	41.29%

Staff utilized this allocation method for several adjustments to the expenses identified by Southeast Daviess District in their application, as shown in Appendix A.

(H) AMI Annual Fee Increase. Southeast Daviess District proposed to increase its test-year materials and supplies expense on the grounds that the district’s AMI vendor has scheduled an increase of at least 3.00 percent over its 2019 rate. Therefore, an adjustment was proposed to increase materials and supplies expense by \$456, as shown below.

Test Year AMI Fee	\$ 15,208
Multiply By: 3% Annual Fee Adjustment	<u>3%</u>
Pro Forma Adjustment	<u>\$ 456</u>

Staff finds that Southeast Daviess District’s adjustment meets the ratemaking criteria of being known and measurable and accepts it in pro forma operations.

(I) Depreciation. The Commission has historically relied upon the report published in 1979 by the National Association of Regulatory Utility Commissions (NARUC) titled Depreciation Practices for Small Water Utilities. When no evidence exists to support a

specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant. Southeast Daviess District proposed an adjustment reducing test-year depreciation by \$21,068 to reflect the NARUC midpoint depreciable lives. However, upon examination, Staff found that the appropriate adjustment would reduce test-year depreciation by \$19,925 as shown below.

Asset	Current:		Life	Pro Forma:		Difference
	Original Cost	Depreciation Expense		Depreciation Expense		
Pumping Stations	\$ 765,795	\$ 15,317	37.5	\$ 20,421	\$ 5,104	
Pump Equipment	124,419	12,291	20.0	6,221	(6,070)	
SCADA Equipment	32,048	2,063	10.0	3,205	1,142	
Tanks & Improvements	1,769,328	42,319	45.0	39,318	(3,001)	
Masonville Ext. Painting	68,350	2,278	15.0	4,557	2,279	
Masonville Int. Painting	84,976	-	15.0	5,665	5,665	
Various Line Additions	5,867,440	122,291	62.5	93,879	(28,412)	
Meters	2,710,989	85,615	40.0	67,775	(17,840)	
Hydrants	659,153	15,712	50.0	13,183	(2,529)	
Structures & Improvements	50,336	2,392	37.5	1,342	(1,050)	
Office Equipment	28,177	2,245	22.5	1,252	(993)	
Office Furniture	150	21	22.5	7	(14)	
Computers, Software, Etc.	39,291	5,704	10.0	3,929	(1,775)	
Pickup Trucks	60,684	10,113	7.0	8,669	(1,444)	
Meter Test Bench	6,323	316	17.5	361	45	
Misc. Equipment	7720	1103	10.0	772	(331)	
Power Operated Equipment	50408	3880	12.5	4,033	153	
AMI System	\$ 1,182,707	\$ 29,990	20.0	\$ 59,135	\$ 29,145	
				Pro Forma Adjustment	\$ (19,925)	

OVERALL REVENUE REQUIREMENT AND REQUIRED REVENUE INCREASE

By applying the Operating Ratio Method, as generally accepted by the Commission, Staff found Southeast Daviess District's Overall Revenue Requirement to be \$3,236,873. A revenue increase of \$301,126, or 11.17 percent, is necessary to generate the Overall Revenue Requirement.

The operating ratio methodology¹⁴ is used when there is no basis for a rate of return determination, the cost of the utility has fully or largely been funded through contributions, or there is little or no outstanding long-term debt. Staff is of the opinion that an operating ratio of 88 percent will allow Southeast Daviess District sufficient revenues to cover its reasonable operating expenses and provide for reasonable equity growth. Therefore, Staff finds the Operating Ratio Method is more appropriate as Southeast Daviess District has no outstanding debt.

	Southeast Daviess Water District	Staff
Operating Expenses	\$ 2,953,684	\$ 2,848,449
Divided by: Operating Ratio	88%	88%
Overall Revenue Requirement	3,356,459	3,236,873
Add: Interest Expense	4,563	4,563
Less: Other Operating Revenue	(153,975)	(127,755)
Private Fire Protection	(23,328)	(23,328)
Interest Income	(67,334)	(67,334)
Revenue Requirement - Water Rates	3,116,386	3,023,019
Less: Normalized Revenue from Water Service	(2,695,673)	(2,695,673)
Required Revenue Increase	<u>\$ 420,713</u>	<u>\$ 327,346</u>
Percentage Increase	<u>15.61%</u>	<u>12.14%</u>

¹⁴ Operating Ratio is defined as the ratio of expenses, including depreciation and taxes, to gross revenues. It is illustrated by the following equation:

$$\text{Operating Ratio} = \frac{\text{Operating Expenses} + \text{Depreciation} + \text{Taxes}}{\text{Gross Revenues}}$$

Signatures

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

Prepared by: Eddie Beavers
Rate Design Branch
Division of Financial Analysis

APPENDIX A

APPENDIX TO A STAFF REPORT OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00195 DATED NOV 20 2020

REFERENCE (G) ALLOCATION ADJUSTMENTS

	Southeast Percentage	West Percentage
Office Utilities	58.71%	41.29%
615-8 Transmission & Distribution/Maintenance	\$ 3,855	\$ 2,712
Office Utilities Total	3,855	2,712
Less: Test Year Office Utilities	(3,761)	(2,806)
Pro Forma Adjustment	<u>94</u>	<u>(94)</u>
	Southeast Percentage	West Percentage
Materials & Supplies	58.71%	41.29%
620-5 Administrative & General	\$ 102,128	\$ 71,825
620-7 Customer Account	39,773	27,971
Materials & Supplies Total	141,900	99,797
Less: Test Year Materials & Supplies	(156,568)	(85,129)
Pro Forma Adjustment	<u>(14,668)</u>	<u>14,668</u>
	Southeast Percentage	West Percentage
Computer and Telephone Expense	58.71%	41.29%
621-7 Customer Account	\$ 10,482	\$ 7,372
616-8 Transmission & Distribution/Maintenance	6,500	4,572
Computer and Telephone Expense Total	16,982	11,944
Less: Test Year Computer and Telephone Expense	(16,790)	(12,136)
Pro Forma Adjustment	<u>192</u>	<u>(192)</u>

	Southeast Percentage	West Percentage
Rental Expense	58.71%	41.29%
641-5 Administrative & General	\$ 4,368	\$ 3,072
641-8 Transmission & Distribution/Maintenance	<u>2,496</u>	<u>1,755</u>
Rental Expense Total	6,864	4,827
Less: Test Year Rental Expense	<u>(6,664)</u>	<u>(5,027)</u>
Pro Forma Adjustment	<u>200</u>	<u>(200)</u>

	Southeast Percentage	West Percentage
Transportation Expense	58.71%	41.29%
650-5 Administrative & General	\$ 33,117	\$ 23,291
Transportation Expense Total	33,117	23,291
Less: Test Year Transportation Expense	<u>(32,711)</u>	<u>(23,697)</u>
Pro Forma Adjustment	<u>406</u>	<u>(406)</u>

	Southeast Percentage	West Percentage
Insurance - General & Worker's Comp	58.71%	41.29%
657 Insurance - Property	\$ 25,738	\$ 18,102
658-5 Administrative & General	<u>6,285</u>	<u>4,420</u>
Insurance - General & Worker's Comp Total	32,023	22,522
Less: Test Year Insurance - General & Worker's Comp	<u>(30,453)</u>	<u>(24,092)</u>
Pro Forma Adjustment	<u>1,570</u>	<u>(1,570)</u>

	Southeast Percentage	West Percentage
Insurance - Other	58.71%	41.29%
659-5 Administrative & General	\$ 439	\$ 308
Insurance - Other Total	439	308
Less: Test Year Insurance - Other	<u>(411)</u>	<u>(336)</u>
Pro Forma Adjustment	<u>28</u>	<u>(28)</u>

	Southeast Percentage	West Percentage
Miscellaneous Expense	58.71%	41.29%
675-5 Administrative & General	\$ 7,087	\$ 4,984
677-5 Administrative & General	484	340
	<hr/>	<hr/>
Miscellaneous Expense Total	7,571	5,324
Less: Test Year Miscellaneous Expense	<u>(6,653)</u>	<u>(6,242)</u>
	<hr/>	<hr/>
Pro Forma Adjustment	<u>918</u>	<u>(918)</u>

APPENDIX B

APPENDIX TO A STAFF REPORT OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00195 DATED NOV 20 2020

RATES CALCULATED BY COMMISSION STAFF

Monthly Water Rates

<u>5/8- x 3/4-Inch Meter</u>	\$2.84	Minimum Bill
<u>1-Inch Meter</u>	3.97	Minimum Bill
<u>1 1/2-Inch Meter</u>	\$5.10	Minimum Bill
<u>2-Inch Meter</u>	\$8.23	Minimum Bill
<u>3-Inch Meter</u>	\$31.21	Minimum Bill
<u>4-Inch Meter</u>	\$39.72	Minimum Bill
<u>6-Inch Meter</u>	\$59.58	Minimum Bill
<u>Volumetric Rates</u>		
First 20,000 Gallons	\$.00492	Per Gallon
Over 20,000 Gallons	\$.00397	Per Gallon

Nonrecurring Charges

Service Calls	\$11.50
Service Calls After Hours	77.00
Disconnect Fee	11.50
Disconnect After Hours	77.00
Reconnect Fee	11.50
Reconnect Fee After Hours	77.00

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