

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

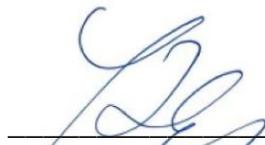
In the Matter of:

ELECTRONIC APPLICATION OF WEST)	CASE NO.
DAVIESS COUNTY WATER DISTRICT FOR)	2020-00196
AN ALTERNATIVE RATE 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, West Daviess County Water District (West 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, West 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
Public Service Commission
P.O. Box 615
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DATED NOV 20 2020

cc: Parties of Record

Case No. 2020-00196

STAFF REPORT
ON
WEST DAVIESS COUNTY WATER DISTRICT
CASE NO. 2020-00196

West Daviess District, a water district organized pursuant to KRS Chapter 74, provides water service to approximately 5,342 residential, commercial, irrigation, and resale customers residing in Daviess County, Kentucky.² On June 23, 2020, West 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 West 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 West Daviess District's financial records. West 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 West Daviess District used the calendar year ended December 31, 2019, as the basis for its application.

Using its pro forma test-year operations, West Daviess District determined that a revenue increase of \$243,572, or 11.66 percent, over test-year normalized revenues of

² *Annual Report of West Daviess County Water District to the Public Service Commission for the Calendar Year Ended December 31, 2019* 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.

\$2,088,857 is warranted as shown in the table below.⁴ The rates requested by West Daviess District would increase the monthly bill of a typical residential customer using 4,000 gallons per month by \$2.94, from \$25.29 to \$28.23, or approximately 11.63 percent.⁵

	West Daviess Water District
Operating Expenses	\$ 2,196,147
Divided by: Operating Ratio	<u>88%</u>
Overall Revenue Requirement	2,495,621
Add: Interest Expense	3,054
Less: Other Operating Revenue	(105,933)
Private Fire Protection	(8,714)
Interest Income	<u>(51,600)</u>
Revenue Requirement - Water Rates	2,332,428
Less: Normalized Revenue from Water Service	<u>(2,088,857)</u>
Required Revenue Increase	<u>\$ 243,572</u>
Percentage Increase	<u>11.66%</u>

To determine the reasonableness of the rates requested by West Daviess District, Staff performed a limited financial review of West 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.

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

⁴ Application, Attachment 3.

⁵ *Id.*, Attachment 1.

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 West Daviess District's Overall Revenue Requirement to be \$2,426,400. A revenue increase of \$189,480, or 9.07 percent, is necessary to generate the Overall Revenue Requirement.

2. Monthly Water Service Rates. West Daviess District proposed to increase all of its monthly retail water service rates evenly across the board by approximately 11.63 percent. West Daviess District has not performed a cost of service study (COSS). In response to Staff's First Request for Information West Daviess District stated that it did not complete a COSS at this time as there has been 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 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 operation, the utilities plan to file another rate case with a full COSS supporting the 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 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 West Daviess District and allocated the \$189,480 revenue increase across the board to West Daviess District's monthly retail water service rates.

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.)

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 \$2,278,336 Revenue Required from Rates, an approximate 9.07 percent increase. These rates will increase a typical residential customer's monthly water bill from \$25.29 to \$27.54, an increase of \$2.25, or approximately 8.9 percent.⁸

PRO FORMA OPERATING STATEMENT

West 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 Annual Report	Pro Forma Adjustments	Adjustment Reference	Pro Forma Operations
Operating Revenues:				
Revenues from Water Sales:				
Metered Water Sales:	\$ 1,823,651	(11,398)	(A)	
		242,708	(B)	\$ 2,054,961
Private Fire Protection	8,714			8,714
Sales for Resale	27,790	6,105	(B)	33,895
Other Water Revenues:				
Forfeited Discounts	23,889			23,889
Misc. Service Revenues	15,365	(15,129)	(C)	
		11,398	(A)	11,634
Other Water Revenues	40,161	15,120	(D)	55,281
Total Other Water Revenues	79,415	11,389		90,804
Total Operating Revenues	1,939,570	(9)		2,188,374
Operating Expenses:				
Operation & Maintenance:				
Salaries & Wages - Employees	307,899	(41,617)	(E)	266,282
Salaries & Wages - Officers	9,000			9,000
Employee Pension and Benefits	166,956	(19,879)	(E)	
		(63,129)	(F)	83,949
Purchased Water	1,007,650	250,847	(G)	
		(31,964)	(H)	1,226,533
Purchased Power	50,565	(94)	(I)	
		(1,282)	(H)	49,189
Materials and Supplies	92,702	14,668	(I)	
		317	(J)	107,687
Contactual Services	20,622	(192)	(I)	20,430
Rental of Building/Real Property	5,027	(200)	(I)	4,827
Transportation Expenses	23,698	(406)	(I)	23,292
Insurance - Gen. Liab. & Workers Comp	24,093	(1,570)	(I)	22,523
Insurance - Other	336	(28)	(I)	308
Bad Debt	5,850			5,850
Miscellaneous Expenses	13,693	(918)	(I)	12,775
Total Operation & Maintenance	1,728,091	104,554		1,832,645
Depreciation	310,666	(23,688)	(K)	286,978
Taxes Other Than Income	28,427	(12,817)	(E)	15,610
Utility Operating Expenses	\$ 2,067,184	68,048		2,135,232
Net Utility Operating Income	\$ (127,614)	\$ (68,057)		\$ 53,142

(A) Reclassification of Customer Connects/Disconnects. In its application, West 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 West 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 \$11,398 and increasing miscellaneous service revenue by the same amount has been made to pro forma operations.

(B) Billing Analysis Adjustment. West Daviess District proposed to increase its test-year revenues from water sales of \$1,823,651 by \$242,708 to reflect the current billing analysis provided by the district. West Daviess District also made a similar adjustment for the wholesale water sales of \$6,105. Staff finds that West Daviess District's adjustment meets the ratemaking criteria of being known and measurable and accepts it 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 West 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 West 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. 2002-00129, *Application of West 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:

<u>Other Water Revenues</u>	<u>Application Pro Forma</u>	<u>Staff Adjustment</u>	<u>Staff Pro Forma</u>
Forfeited Discounts	\$ 23,889	\$ -	\$ 23,889
Misc. Service Revenues	26,763	(15,129)	11,634
Other Water Revenues	55,281	-	55,281
Total Other Operating Revenues	<u>\$ 105,933</u>	<u>\$ (15,129)</u>	<u>\$ 90,804</u>

(D) AT&T Rental Income. West Daviess District proposed an adjustment to increase test-year Other Water Revenues on the basis of an agreement reached with AT&T to allow equipment owned by AT&T to be placed on a tank owned by West Daviess District. The total increase in revenue results in an increase of \$15,120 per year starting in 2020. Staff finds that West Daviess District's adjustment meets the ratemaking criteria of being known and measurable and accepts it in pro forma operations.

(E) Salaries and Wages. West Daviess District proposed to increase its test-year salaries and wages expense by \$2,908, as well as adjustments to pension expense and payroll taxes of \$222 and \$407 to reflect a 2.0 percent raise received across the board by all

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

of its employees.¹² In addition, West Daviess District proposed a reduction 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 I below. However 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 reducing salaries and wages expense by \$41,617 is necessary. Additionally, an adjustment was made to reduce pension expense by \$19,879 and payroll taxes by \$12,817, as 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>Pro Forma Overtime Hours</u>	<u>Pro Forma Overtime Rate</u>	<u>Pro Forma Overtime Wages</u>	<u>Total Pro Forma Wages</u>
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

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

Pro Forma Total Salaries & Wages Expense	\$	644,907
Pro Forma West Allocation Percentage		41.29%
Pro Forma West Salaries & Wages Expense		266,282
Less: Test Year Salaries & Wages Expense		(307,899)
Pro Forma Adjustment	\$	<u>(41,617)</u>
Pro Forma Salaries and Wages Expense	\$	266,282
Times: 7.65 Percent FICA Rate		7.65%
Total Pro Forma Payroll Taxes		20,371
Less: Test Year Payroll Taxes		(33,188)
Payroll Tax Adjustment	\$	<u>(12,817)</u>
Pro Forma Salaries and Wages Expense	\$	266,282
Times: 14 Percent Pension Contribution		14.00%
Total Pro Forma Payroll Taxes		37,279
Less: Test Year Payroll Taxes		(57,158)
Pension & Benefits Adjustment	\$	<u>(19,879)</u>

(F) Employee Health Insurance. West Daviess District currently pays approximately 98 percent of the monthly premiums for single coverage, spouse, and family 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

Month	Gallons OMU
Jan-19	32,806,400
Feb-19	34,196,500
Mar-19	31,773,300
Apr-19	37,899,100
May-19	43,779,600
Jun-19	37,114,800
Jul-19	47,641,800
Aug-19	42,576,200
Sep-19	44,230,200
Oct-19	37,017,100
Nov-19	27,556,800
Dec-19	32,871,400
	449,463,200
Multiply by: Pro Forma Purchased Water Rate/1000 gallons	2.80
Pro Forma Purchased Water Exepense	<u>\$ 1,258,497</u>
OMU Purchased Water Expense	\$ 1,258,497
Less: Test Year Purchased Water Expense	<u>(1,007,650)</u>
Pro Forma Adjustment	<u>\$ 250,847</u>

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

(H) Unaccounted For Water Loss. West Daviess District proposed to decrease its test-year purchased water expense by \$31,964 as well as decrease purchased power expense by \$1,281 to reflect the cost of excess water loss.

Commission regulation 807 KAR 5:066, Section 6(3), limits water loss to 15 percent, for ratemaking purposes unless the Commission finds an alternative level reasonable. As shown below, Staff finds that West Daviess District’s adjustment to Purchased Water meets the ratemaking criteria of being known and measurable and accepts them in pro forma

operations. However, given the allocation adjustments discussed in Item I below, Staff finds an adjustment reducing purchased power expense by \$1,282 to be appropriate.

Gallons Produced & Purchased	449,463
Less: Gallons Sold	(358,295)
Less: Gallons Used	<u>(12,333)</u>
Line Leaks	78,835
Divide by: Gallons Produced & Purchased	<u>449,463</u>
Water Loss	17.54%
Less: Allowable Water Loss	<u>-15.00%</u>
Unallowed Water Loss	<u><u>2.54%</u></u>
Pro Forma Purchased Water Expense	1,258,497
Multiply By: Unallowed Water Loss	<u>2.54%</u>
Pro Forma Adjustment	<u><u>(31,964)</u></u>
Pro Forma Purchased Power Expense	50,471
Multiply By: Unallowed Water Loss	<u>2.54%</u>
Pro Forma Adjustment	<u><u>(1,282)</u></u>

(I) Allocation Percentage Change. West Daviess District and Southeast Daviess District share employees as well as several different administrative costs that were identified in West 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 West Daviess District in their application, as shown in Appendix A.

(J) AMI Annual Fee Increase. West 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 percent over its 2019 rate. Therefore, an adjustment was proposed to increase materials and supplies expense by \$317, as shown below.

Test Year AMI Fee	\$ 10,568
Multiply By: 3% Annual Fee Adjustment	<u>3%</u>
Pro Forma Adjustment	<u>\$ 317</u>

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

(K) 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. West Daviess District proposed an adjustment reducing test-year depreciation by \$23,688 to reflect the NARUC midpoint depreciable lives, as shown below. Staff finds that West Daviess District's adjustment meets

the ratemaking criteria of being known and measurable and accepts it in pro forma operations.

Asset Account	Current:		Life	Pro Forma:		Difference
	Original Cost	Depreciation Expense		Depreciation Expense		
Pumping Stations	\$ 472,385	\$ 9,019	37.5	\$ 12,597	\$ 3,578	
Pump Equipment	70,879	7,013	20.0	3,544	(3,469)	
SCADA Equipment	7,374	737	10.0	737	0	
Tanks & Improvements	2,152,463	53,304	45.0	47,833	(5,471)	
Various Line Additions	5,444,154	111,737	62.5	87,106	(24,631)	
Meters	2,492,054	71,973	40.0	62,301	(9,672)	
Hydrants	297,546	7,296	50.0	5,951	(1,345)	
Structures & Improvements	42,354	2,423	37.5	1,129	(1,294)	
Office Equipment	9,731	655	22.5	432	(223)	
Office Furniture	4,859	787	22.5	216	(571)	
Computers, Software, Etc.	25,033	3,789	10.0	2,503	(1,286)	
Pickup Trucks	62,168	12,434	7.0	8,881	(3,553)	
Meter Test Bench	6,323	316	17.5	361	45	
Misc. Equipment	7,251	1,036	10.0	725	(311)	
Power Operated Equipment	49,003	3,594	12.5	3,920	326	
AMI System	\$ 974,774	\$ 24,552	20.0	\$ 48,739	\$ 24,187	
				Pro Forma Adjustment	<u>\$ (23,688)</u>	

OVERALL REVENUE REQUIREMENT AND REQUIRED REVENUE INCREASE

By applying the Operating Ratio Method, as generally accepted by the Commission, Staff found West Daviess District's Overall Revenue Requirement to be \$2,426,400. A revenue increase of \$189,480, or 9.07 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 West Daviess District sufficient revenues to cover its reasonable

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

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

operating expenses and provide for reasonable equity growth. Therefore, Staff finds the Operating Ratio Method is more appropriate as West Daviess District has no outstanding debt.

	West Daviess Water District	Staff
Operating Expenses	\$ 2,196,147	\$ 2,135,232
Divided by: Operating Ratio	<u>88%</u>	<u>88%</u>
Overall Revenue Requirement	2,495,621	2,426,400
Add: Interest Expense	3,054	3,054
Less: Other Operating Revenue	(105,933)	(90,804)
Private Fire Protection	(8,714)	(8,714)
Interest Income	<u>(51,600)</u>	<u>(51,600)</u>
Revenue Requirement - Water Rates	2,332,428	2,278,336
Less: Normalized Revenue from Water Service	<u>(2,088,857)</u>	<u>(2,088,856)</u>
Required Revenue Increase	<u>\$ 243,572</u>	<u>\$ 189,480</u>
Percentage Increase	<u>11.66%</u>	<u>9.07%</u>

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. 2020-00196 DATED NOV 20 2020

REFERENCE (I) 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. 2020-00196 DATED NOV 20 2020

RATES CALCULATED BY COMMISSION STAFF

Monthly Water Rates

Customer Charges

5/8- x 3/4-Inch Meter	\$ 3.54	per Month
1-Inch Meter	\$ 4.96	per Month
1 1/2-Inch Meter All Over	\$ 6.38	per Month
2-Inch Meter	\$ 10.29	per Month
3-Inch Meter	\$ 38.99	per Month
4-Inch Meter	\$ 49.63	per Month
6-Inch Meter	\$ 74.44	per Month
8-Inch Meter	\$ 102.80	per Month

Volumetric Charges

First 20,000 Gallons	\$ 0.00600 per Gallon
All Over 20,000 Gallons	\$ 0.00484 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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