

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MCCREARY)	CASE NO.
COUNTY WATER DISTRICT FOR AN)	2021-00300
ALTERNATIVE RATE ADJUSTMENT)	

ORDER

On September 27, 2021, McCreary County Water District (McCreary District) filed an application with the Commission requesting to adjust its sewer rates pursuant to 807 KAR 5:076.¹ In its application, McCreary District determined that its sewer division could justify a revenue increase of \$634,851, or 49.13 percent.² However, McCreary District requested a smaller increase of \$211,617, or 16.38 percent,³ in three phases, for the reasons discussed below.⁴ Additionally, McCreary District represented in its application that it would seek another rate adjustment of its water and sewer rates within 30 months of the issuance of a Commission Order approving its proposed water and sewer rates or rates producing a comparable level of revenue to the proposed rates.⁵ McCreary District

¹ McCreary District tendered its application on September 24, 2021. By letter dated September 24, 2021, the Commission rejected the application for filing deficiencies. McCreary District subsequently cured the filing deficiencies and its application is deemed filed on September 27, 2021.

² Application at 3, paragraph 13, and Exhibit E.

³ $\$211,617$ (Requested Revenue Increase) \div $\$1,291,627$ (Normalized Revenue from Sewer Service) = 16.38%

⁴ Application, at 3, paragraph 14.

⁵ Application, Exhibit K at 2.

further represented that such an application for an adjustment in its rates would be supported by a comprehensive cost-of-service study (COSS).⁶

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated October 8, 2021. On November 11, 2021, McCreary District requested additional time to respond to Commission Staff's First Request for Information. On, November 23, 2021, the Commission granted McCreary District's motion, and amended the procedural schedule to extend the remaining deadlines.

On January 3, 2022, McCreary District submitted a motion requesting additional time to respond to Commission Staff's Second Request for Information. In the motion, McCreary District waived its right to place the rates into effect subject to refund if the Commission did not issue a final Order prior to March 26, 2022.⁷ On January 6, 2022, the Commission issued an Order granting McCreary District's second motion for an extension of time and again amended the procedural schedule to, among other things, extend the issuance date of the Commission Staff's Report from January 31, 2022, to March 11, 2022.

On March 11, 2022, Commission Staff issued the Commission Staff's Report. On March 14, 2022, McCreary District filed a motion for additional time in which to respond to the Commission Staff's Report. In support of its motion McCreary District stated that the Commission Staff's Report recommended significantly higher rates than McCreary

⁶ Application, Exhibit K at 2.

⁷ Commission regulation 807 KAR 5:076, Section 7 states that an applicant shall not place proposed rates into effect until the Commission has issued an Order approving those rates or six months from the date of filing its application, whichever comes first. McCreary District filed its application on September 27, 2021. Therefore, the first day it could place its proposed rates into effect subject to refund was March 27, 2022. In accordance with KRS 278.190(3), the Commission must enter an Order no later than ten months after the date of filing the application.

District requested in its application and that McCreary District requested an additional ten days in which to file its written comments. On March 23, 2022, the Commission issued an Order granting McCreary District's motion and required McCreary District to file its comments on the Commission Staff's Report on or before April 4, 2022. On April 4, 2022, McCreary District filed its comments in response to the March 11, 2022 Commission Staff's Report (Response to Commission Staff's Report). Commission Staff issued its Third Request for Information (Staff's Third Request) on April 21, 2022, to clarify certain comments contained in McCreary District's Response to Commission Staff's Report. McCreary District filed its responses to Staff's Third Request on May 2, 2022, and on May 12, 2022, McCreary District filed a supplemental response to Commission Staff's Third Request.

On July 27, 2022, the Commission issued an Order finding that McCreary District had amended its application when it requested in its Response to Commission Staff's Report that its proposed 16.38 percent increase in sewer rates be implemented in its entirety rather than in three phases, and that McCreary District was therefore required to provide notice to its customers.⁸ On August 23, 2022, McCreary District filed proof of publication indicating that the customer notice of its revised sewer rate increase was published in the *McCreary County Voice* on August 11, 2022. On September 13, 2022, McCreary District filed a motion to close the record of this proceeding and submit the case for decision.

The case now stands submitted for a decision by the Commission.

⁸ See 807 KAR 5:076, Section 11(3)(f) requires a utility to provide notice to its customers if the Commission Staff's Report recommends rates that produce a total increase in revenues that exceeds 110% of the rates proposed by the utility in its application.

LEGAL STANDARD

Alternative rate adjustment proceedings are governed by 807 KAR 5:076, which establishes a simplified process for small utilities to use to request rate adjustments. The process is designed to be less costly to the utility and to the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030, and case law, McCreary District is allowed to charge its customers "only 'fair, just and reasonable rates.'"⁹ Further, McCreary District bears the burden of proof to show that the proposed rate increase is just and reasonable, under KRS 278.190(3).

BACKGROUND

McCreary District, a water district organized pursuant to KRS Chapter 74, provides water service to approximately 6,259 residential, commercial, industrial, and public authority customers in McCreary County, Kentucky.¹⁰ McCreary District's sewer division owns and operates sewage collection and treatment facilities in McCreary County, Kentucky that provides sewer service to approximately 1,144 residential, commercial,

⁹ *City of Covington v. Public Service Commission*, 313 S.W.2d 391 (Ky. 1958); and *Pub. Serv. Comm'n v. Com. of Kentucky v. Dewitt Water District*, 720 S.W.2d 725 (Ky. 1986).

¹⁰ *Annual Report of McCreary District Water Division to the Public Service Commission for the Calendar Year Ended December 31, 2020* (2020 Annual Report Water Division) at 12 and 49.

industrial, and public authority customers.¹¹ In the final Order for Case No. 2020-00399,¹² McCreary District was ordered to file an application by June 25, 2021, for a general rate adjustment, including financial data for both its sewer and water divisions pursuant to KRS 278.190 and 807 KAR 5:001, Section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076 to ensure that there is no cross subsidization of rates between the sewer and water operating divisions. After granting two motions for extensions of time filed by McCreary District,¹³ the Commission ordered McCreary District to file its applications for rate adjustments for both its water and sewer divisions by September 24, 2021.¹⁴

In its application, McCreary District determined that its sewer division could justify a revenue increase of \$634,851, or 49.13 percent.¹⁵ However, McCreary District only

¹¹ *Annual Report of McCreary District Sewer Division to the Public Service Commission for the Calendar Year Ended December 31, 2020* (2020 Annual Report Sewer Division) at 9 and 25.

¹² See Case No. 2020-00399, *Electronic Application of McCreary County Water District for Authorization to Execute an Assistance Agreement with the Kentucky Infrastructure Authority and for a Certificate of Public Convenience and Necessity to Construct the Sanitary Sewer Collection System Expansion Phase 1 Project* (Ky. PSC Mar. 11, 2021). See also Case No. 2020-00151, *Electronic Application of the McCreary County Water District to Issue Securities in the Approximate Principal Amount of \$1,702,000 for the Purpose of Refunding Certain Outstanding Obligations of the District and Refinancing of a Short Term Obligation Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC June 26, 2020) and Case No. 2022-00021, *Electronic Application of McCreary County Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Feb. 22, 2021). The Commission initially ordered McCreary District to file a rate case by June 25, 2021 in Case No. 2020-00151, and that was reiterated in the Commission's final Order in Case No. 2021-00021. The final Order in Case No. 2020-00399 clarified that McCreary District was to file an application for a rate adjustment in both its water and sewer divisions.

¹³ Case No.2020-00151, (filed June 18, 2021) Motion for Extension of Time to File Applications for Rate Adjustment and Case No. 2021-00021, (filed Aug. 17, 2021) Second Motion for Extension of Time to File Application for Rate Adjustment.

¹⁴ Case Nos.2020-00151 and 2021-00021 Order (Ky. PSC Sept. 22, 2021).

¹⁵ Application at 3, paragraph 13, and Exhibit E.

requested a revenue increase of \$211,617, or 16.38 percent¹⁶ because it wished to avoid placing a hardship on its customers, a significant number of whom have incomes at or below the federal poverty levels.¹⁷ Additionally, to support this smaller revenue increase, McCreary District discussed in its Response to Commission Staff's Report the projected additional revenues related to an industrial customer's (Fibrotex USA) plant expansion and the completion of the first phase of the sanitary sewer collection system expansion.¹⁸

As shown in the table below for a typical residential customer using 4,000 gallons of water per month, the requested phase-one sewer rates would increase the monthly bill by \$2.24, from \$41.07 to \$43.31, or approximately 5.45 percent. The requested phase-two rates would increase the monthly bill of a typical residential customer by \$2.24, from \$43.31 to \$45.55, or approximately 5.17 percent. The requested phase-three rates would increase the monthly bill of a typical residential customer by \$2.24, from \$45.55 to \$47.79, or approximately 4.92 percent. The overall three-year phase in would result in the average monthly residential bill increasing from \$41.07 to \$47.79, an increase of \$6.72 or 16.36 percent.

	Average Bill	Existing Rates		Phase 1 Rates		Phase 2 Rates		Phase 3 Rates		
		Rates	Bill	Rates	Bill	Rates	Bill	Rates	Bill	
First (Min. Bill)	2,000	2,000	\$ 24.19	\$ 24.19	\$ 25.51	\$ 25.51	\$ 26.83	\$ 26.83	\$ 28.15	\$ 28.15
Next	18,000	2,000	\$ 0.00844	16.88	\$ 0.00890	17.80	\$ 0.00936	18.72	\$ 0.00982	19.64
		<u>4,000</u>		<u>\$ 41.07</u>		<u>\$ 43.31</u>		<u>\$ 45.55</u>		<u>\$ 47.79</u>
Increase in Average Bill					<u>\$ 2.24</u>		<u>\$ 2.24</u>		<u>\$ 2.24</u>	
Percentage Increase in Average Bill					<u>5.45%</u>		<u>5.17%</u>		<u>4.92%</u>	

¹⁶ \$211,617 (Requested Revenue Increase) ÷ \$1,291,627 (Normalized Revenue from Sewer Service) = 16.38%

¹⁷ Application at 3, paragraph 14.

¹⁸ McCreary District's Response to Commission Staff's Report at 2-3.

The Commission Staff's Report summarized Commission Staff's recommendations. Commission Staff determined that McCreary District's sewer division required an Overall Revenue Requirement of \$1,899,186.¹⁹ To achieve Commission Staff's Overall Revenue Requirement would require McCreary District to increase its annual revenue from sewer service by \$552,322, or 42.76 percent.²⁰ Commission Staff recommended that sewer service rates be increased in two phases.

In its Response to the Commission Staff's Report, McCreary District accepted the recommendations set forth in the Commission Staff's Report subject to certain exceptions regarding the level of the increase, employee benefits, depreciation, payroll taxes, and nonrecurring charges. McCreary District argued that the proposed rate increase and time period to implement the rate increase recommended by Commission Staff would create a financial hardship for McCreary District's customers, one-third of whom have annual incomes below the federal poverty level.²¹ McCreary District identified an error in Commission Staff's calculation of the employer contribution for employee dental insurance, disagreed with excluding the salaries paid to the members of its Board of Commissioners from Commission Staff's calculation of Federal Insurance Contributions Act (FICA) taxes, and explained that a separate return check fee for its sewer division is unnecessary.²²

¹⁹ Commission Staff's Report at 4.

²⁰ Commission Staff's Report at 4.

²¹ McCreary District's Response to Commission Staff's Report at 2.

²² McCreary District's Response to Commission Staff's Report at 5-7.

McCreary District further requested the Commission specifically find its proposed shared cost allocation rules adequate and reasonable and allow for McCreary District to adopt these rules for financial reporting and ratemaking purposes. McCreary District also stated the Commission should adopt Commission Staff's proposed depreciation lives in calculating depreciation expense for financial report purposes.²³

McCreary District waived its right to request an informal conference or a formal hearing, but requested the Commission consider the arguments and evidence presented by McCreary District in its Response to Commission Staff's Report.²⁴

TEST PERIOD

The calendar year ended December 31, 2020, was used as the test year to determine the reasonableness of McCreary District's existing and proposed sewer rates as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

The Commission Staff's Report, as revised, summarized McCreary District's pro forma income statement for the sewer division as follows:²⁵

	Test Year	<u>Staff Report</u>	
	<u>Actual</u>	<u>Pro Forma</u> <u>Adjustments</u>	<u>Pro Forma</u> <u>Operations</u>
Operating Revenues	\$ 1,402,738	\$ (56,704)	\$ 1,346,034
Operating Expenses	1,728,337	(81,132)	1,647,205
Income Available to Service Debt	<u>\$ (325,599)</u>	<u>\$ 24,428</u>	<u>\$ (301,171)</u>

²³ McCreary District's Response to Commission Staff's Report at 5-6 and 8.

²⁴ McCreary District's Response to Commission Staff's Report at 1.

²⁵ See, Appendix B for a detailed Pro Forma Income Statement for McCreary District's sewer division.

REVIEW MODIFICATIONS TO COMMISSION STAFF'S FINDINGS

McCreary District's proposed adjustments to revenues and expenses to reflect current and expected operating conditions. In the Commission Staff's Report, Commission Staff proposed additional adjustments. As follows, the Commission modifies the recommendations contained in the Commission Staff's Report.

REVENUE REQUIREMENTS

Billing Analysis. In the Commission Staff's Report, Commission Staff recommended the Commission accept McCreary District's proposed decrease to its test-year revenues from sewer services of \$1,307,771 by \$16,144 based on the current billing analysis provided by the district.²⁶ The Commission finds that this adjustment is reasonable because an examination of McCreary District's billing analysis for its sewer division was completed by Commission Staff and a normalized revenue was based on the information provided.

Misclassified Revenues. In the Commission Staff's Report, Commission Staff recommended McCreary District's proposed reclassification of its reported Miscellaneous Sewage revenues of \$94,967²⁷ to its Other Sewer revenues be accepted.²⁸ The Commission finds that the revenue reclassification adjustment should be accepted

²⁶ Commission Staff's Report at 9, Adjustment A.

²⁷ In the Commission Staff's Report the narrative for Adjustment B Misclassified Revenues at 9, incorrectly states that the pro forma adjustment is \$94,309, which represents McCreary District's proposed adjustment. Commission Staff determined that the entire amount reported as Miscellaneous Service Revenues of \$94,967 should be reclassified. The correct \$94,967 adjustment is contained in the Pro Forma Income Statement at 9, Adjustment B of the Commission Staff's Report.

²⁸ Commission Staff's Report at 9, Adjustment B.

because it meets the ratemaking criteria of being known and measurable²⁹ and is reasonable.

Tap-on Fees. In the Commission Staff's Report, Commission Staff recommended McCreary District's proposed adjustment to remove misclassified Tap-On fees of \$75,000 from Other Sewer revenues.³⁰ As noted in the Commission Staff's Report, the Uniform System of Accounts for sewer utilities (Sewer USoA) requires tap-on fees collected by a sewer utility to be recorded in Account 271, Contributions in Aid of Construction.³¹ The Commission finds that the adjustment to remove Tap-On fees from McCreary District's reported sewer revenues follows the reporting requirements of the Sewer USoA, meets the ratemaking criteria of being known and measurable, and is reasonable.

Fibrotex USA³². In the Commission Staff's Report, Commission Staff recommended accepting McCreary District's proposed adjustment to increase Other Sewer revenues by \$34,453 to reflect the reclassification from the water division the payments received from Fibrotex for costs related to the Utility's Industrial User Permit.³³

²⁹ 807 KAR 5:001, Section 16(1)(a); Case No. 2001-00211, *The Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness Therefore; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff* (Ky. PSC Mar. 1, 2002); Case No. 2002-00105, *Application of Northern Kentucky Water District for (A) an Adjustment of Rates; (B) a Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds* (Ky. PSC June 25, 2003); Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018); and Case No. 2019-00080, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of the City of Pikeville to Mountain Water District* (Ky. PSC Dec. 19, 2019).

³⁰ Commission Staff's Report at 9-10, Adjustment C.

³¹ Commission Staff's Report at 9-10.

³² The Commission notes that in the Commission Staff's Report this business name is spelled "Fibrotec" which is how McCreary District spelled it in Application, Exhibit C, Schedule of Adjusted Operations – Sewer Utility References, References, Ref. C, but throughout the body of the application and in McCreary District's Response to Commission Staff's Report the business is referred to as "Fibrotex USA."

³³ Commission Staff's Report at 10, Adjustment D.

McCreary District admitted that it had incorrectly recorded the Fibrotex payments as water division revenues.³⁴ The Commission finds that the revenue reclassification adjustment from the water to the sewer division should be accepted because it meets the ratemaking criteria of being known and measurable and is reasonable.

Other Sewer Revenues/Miscellaneous Service Revenue. In the Commission Staff's Report, Commission Staff discussed McCreary District's Nonrecurring Charges. Commission Staff recommended a Nonrecurring Charge be established for a Sewer Return Check Charge. In its Response to the Commission Staff's Report, McCreary District disagreed with the recommendation to establish a Sewer Returned Check Charge, arguing that customers of the sewer operations are also customers of the water operations and receive a single bill for both services. McCreary District argued that only one fee be established through the water tariff and then returned check fees should be equally allocated between water and sewer operations.³⁵

The Commission finds it is not necessary to establish a separate returned check fee for the sewer customers, but a returned check charge should continue to be listed in the tariff for McCreary District's water operations. A notation should be included in the water and sewer operations tariffs that, because all sewer customers are water customers, the returned check fee incurred by sewer customers will be allocated 50/50 for ratemaking purposes between water and sewer operations.

³¹ Application, Exhibit C, Schedule of Adjusted Operations – Sewer Utility References, References, Ref. C,.

³⁵ McCreary District's Response to Commission Staff's Report at 7.

In the Commission Staff's Report, a pro forma adjustment of \$(12.50) was made to account for the sewer's division allocation of the retuned check charge.³⁶ The Commission finds this allocation to be known and measurable and is reasonable.

Employee Salaries and Wages. In the Commission Staff's Report, Commission Staff calculated McCreary District's total pro forma salaries to be \$1,111,361 using McCreary District's current staff level of 23 full-time employees, five part-time employees, the 2021 employee wage rates, 2,080 regular work hours for the full-time employees (Regular, Sick, Vacation, and Bereavement),³⁷ and the actual hours worked by the part-time employees.³⁸ Commission Staff excluded the lump-sum payments for unused vacation time from its calculation of pro forma Employee Salaries and Wages expense due to McCreary District's failure to provide adequate documentation to support its policy as being reasonable or warranted.³⁹

By applying McCreary District's allocation factors to the pro forma salary of each employee, Commission Staff arrived at its allocated pro forma Salaries and Wages expense for the sewer division of \$313,176, which resulted in an increase of \$61,428.⁴⁰

The Commission finds that the Commission Staff's recommended adjustment to Employee Salaries and Wages expense meets the ratemaking criteria of being known and measurable, is reasonable, and should be accepted.

³⁶ Commission Staff's Report at 10, Adjustment E. The adjustment of \$12.50 was rounded to \$13.00 in the pro forma statement.

³⁷ Employee regular hours worked in the test-year was limited to 2,080 hours. Commission Staff used each employee's actual test-year overtime/compensatory hours.

³⁸ Commission Staff's Report at 10-12, Adjustment F.

³⁹ Commission Staff's Report at 10-12.

⁴⁰ Commission Staff's Report at 10-12.

Tap-on Fees. In the Commission Staff's Report, Commission Staff recommended the Commission accept McCreary District's adjustment to decrease Employee Salary and Wages expense for the amount that is related to labor and material expenses for sewer connections and extensions (capital expenditures) that were performed during the test period, a total of \$75,000.⁴¹ The Commission finds that the Commission Staff's adjustment meets the ratemaking criteria of being known and measurable, are reasonable, and is accepted.

Salaries and Wages - Commissioners. In the Commission Staff's Report, Commission Staff recommended that McCreary District's proposed adjustment to allocate \$4,264 of the Board of Commissioners (Board) salaries to the sewer division.⁴² McCreary District's proposed adjustment is based on allocating the salaries paid to its Board between the water and sewer divisions based upon the number of customers served by each division.⁴³ The Commission finds that the methodology to allocate the Board salaries between the two divisions conforms to past Commission precedent⁴⁴ and results in a reasonable allocation of shared costs between the two divisions, and, therefore, should be accepted.

⁴¹ Commission Staff's Report at 12-13, Adjustment G.

⁴² Commission Staff's Report at 13, Adjustment H.

⁴³ Commission Staff's Report at 13.

⁴⁴ Case No. 2019-00080, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of the City of Pikeville to Mountain Water District* (Ky. PSC Jan. 21, 2020); Case No. 2017-00371, *Application of Symsonia Water and Sewer District for Rate Adjustment Pursuant To 807 KAR 5:076* (Staff Report Jan 3, 2018 at 6-7; Ky. PSC Mar. 30, 2018); Case No. 2017-00074, *Application of Western Lewis-Rectorville Water and Gas District for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (Staff Report July 17, 2017 at 4-6; Ky. PSC Oct. 18, 2017); and Case No. 2021-00094, *Electronic Application of Garrison-Quincy-Ky-O-Heights Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Nov. 24, 2021) at 12-13.

Utility Service Water. In the Commission Staff's Report, Commission Staff recommended that McCreary District's proposed adjustments to increase Utility Service – Water expense by \$11,148 and to decrease Account 921, Office Supplies and Other Expenses by \$8,837 be accepted.⁴⁵ McCreary District's adjustment reflected the reclassification of the cost of water used at its wastewater plant from Account 921, Office Supplies to Other Expenses.⁴⁶ The adjustment also reflects the increased the cost of water that resulted from the water division's rate adjustment in Case No. 2021-00021.⁴⁷ The Commission finds that the adjustments should be accepted because they meet the ratemaking criteria of being known and measurable and are reasonable.

Electricity – Office. In the Commission Staff's Report, Commission Staff adjusted Purchased Power expense by \$1,836 to allocate the cost of McCreary District's office electricity between the water and sewer divisions based upon the number of customers each division served.⁴⁸ The Commission finds that the allocation of the cost of the electricity used at McCreary District's office between the two divisions conforms to past Commission precedent and results in a reasonable allocation of shared costs between the two divisions, and, therefore, should be accepted.

Maintenance. In the Commission Staff's Report, Commission Staff reduced Maintenance – Pumping System and Other Plant expense by \$130,313 and increased

⁴⁵ Commission Staff's Report at 13-14, Adjustment I.

⁴⁶ Commission Staff's Report at 13-14.

⁴⁷ Commission Staff's Report at 13-14. *Case No. 2021-00021, Electronic Application of McCreary County Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and An Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Feb. 22, 2021).

⁴⁸ Commission Staff's Report at 14, Adjustment J.

depreciation expense by \$16,465.⁴⁹ Commission Staff's adjustments removed capital expenditures from test-year operating expenses and depreciated them over their estimated useful lives.⁵⁰ In keeping with Commission precedent, Commission Staff depreciated the capital expenditures over the midpoint of the depreciation live ranges contained in the O&M Guide for the Support of Rural Water Wastewater Systems by the Commission for Rural Water, Chicago, Illinois, 1974 (O&M Guide).⁵¹ The Commission finds Commission Staff's adjustments to Maintenance – Pumping System and Other Plant expense and Depreciation expense are reasonable and are accepted.

Operating Expense - Allocations. In the Commission Staff's Report, Commission Staff recommended that the Commission accept McCreary District's adjustments to allocate common costs to its sewer division based upon number of customers served by each division and to reassign costs reported by the water division that were incurred solely for sewer service.⁵² The shared cost allocation and reclassification adjustments are listed in the table below.⁵³ The Commission finds that the shared cost allocation methodology employed by Commission Staff conforms to past Commission precedent and results in a reasonable allocation of shared costs between the two divisions and, therefore, the adjustments restated in the table below are accepted for ratemaking purposes.

⁴⁹ Commission Staff's Report at 14-16, Adjustment K.

⁵⁰ Commission Staff's Report at 14-16.

⁵¹ Commission Staff's Report at 14-16.

⁵² Commission Staff's Report at 16, Adjustment L.

⁵³ Commission Staff's Report at 16.

Agency Collection Fee	\$	193
Internal Labor, Materials and Expenses		5,759
Outside Services Employed		44,024
Miscellaneous General Exp.		(5,581)

Insurance. In the Commission Staff's Report, Commission Staff applied the allocation methods proposed by McCreary District to calculate its recommended decrease of \$54,669⁵⁴ to the sewer division's test-year Insurance expense.⁵⁵ McCreary District proposed to allocate its workers compensation insurance premium between the two divisions based upon the adjusted payroll of each division and to allocate the general liability premium based upon the normalized operating revenues of each division.⁵⁶ The Commission finds that this proposed insurance allocation adjustment is reasonable given that historically the general liability insurance premium is dependent on the level of an entity's annual revenues and that the Workers' Compensation insurance premium is directly related to the level of employee salaries reported by a utility.

Employee Pensions and Benefits. In the Commission Staff's Report, Commission Staff allocated the pro forma County Employee Retirement System (CERS) contributions and employee insurance premiums of \$485,042 between the two divisions using McCreary District's salary allocation factors. This resulted in an increase to the sewer division's Employee Pensions and Benefits expense of \$35,701.⁵⁷

⁵⁴ In the Commission Staff's Report, the narrative for Adjustment M Insurance expense at 16-17, incorrectly states that the pro forma adjustment is \$54,697. However, the actual pro forma Insurance expense ad adjustment is \$54,669 as calculated on the same page. The correct adjustment is contained in the Pro Forma Income Statement at 9, Adjustment M of the Commission Staff's Report.

⁵⁵ Commission Staff's Report at 16-17, Adjustment M.

⁵⁶ Commission Staff's Report at 16-17.

⁵⁷ Commission Staff's Report at 17-18, Adjustment N and Appendix C.

In its response to Commission Staff's Report, McCreary District pointed out that employer contributions for employee dental insurance were reduced to 60 percent of the total employer contribution in the calculations contained in Appendix C to the Commission Staff's Report, and not the 40 percent stated in the Commission Staff's Report.⁵⁸

In reviewing Appendix C of the Commission Staff's Report, the Commission agrees that an error was made in the calculation of the allowable dental insurance premium. Using the correct employer contribution rate of 40 percent and employee contribution of 60 percent results in a revised allocation of McCreary District's CERS contributions and employee insurance premiums to the sewer division of \$144,813 as calculated in Appendix C attached to this Order. The Commission finds that the adjustment proposed by Commission Staff meets the criteria formerly set by the Commission, is known and measurable, and is reasonable. However, the Commission finds that Commission Staff's Employee Pension and Benefit expense allocated to the sewer division of \$145,435 should be decreased by an additional \$622 to achieve the pro forma expense of \$144,813 as discussed above and calculated in Appendix C to this Order.

Public Service Commission (PSC) Assessment. In the Commission Staff's Report, Commission Staff recommended McCreary District's proposed adjustment to the PSC Assessment expense of \$2,693 be accepted.⁵⁹ McCreary District calculated its adjustment by applying the PSC Assessment rate to the proposed normalized operating

⁵⁸ McCreary District's Response to Commission Staff's Report at 5.

⁵⁹ Commission Staff's Report at 19, Adjustment O.

revenues.⁶⁰ The Commission finds Commission Staff's adjustment to PSC Assessment expense is reasonable and is accepted.

Depreciation. In the Commission Staff's Report, Commission Staff recommended an adjustment increasing test-year depreciation expense of \$533,310 by \$3,320 in keeping with Commission precedent of using the O&M Guide to evaluate the depreciation lives used by the sewer utilities under its jurisdiction.⁶¹ When no evidence exists to support a specific life that is inside or outside of the O&M Guide ranges, the Commission has historically used the mid-point of the O&M Guide depreciation ranges to depreciate sewer assets.⁶² The Commission finds that Commission Staff's proposed adjustment is reasonable and should be accepted as it is consistent with Commission precedent.

Per McCreary District's request,⁶³ the Commission finds that McCreary District shall use the mid-point of the depreciable lives of the O&M Guide ranges, as recommended by Commission Staff, to depreciate sewer plant assets for accounting purposes in all future reporting periods. The Commission further finds that McCreary District should not make an adjustment to accumulated depreciation or retained earnings to account for this change in the accounting estimate.

Taxes Other Than Income–Payroll Taxes. In the Commission Staff's Report, Commission Staff recommended that McCreary District's Payroll Tax expense of \$17,521

⁶⁰ Commission Staff's Report at 19.

⁶¹ Commission Staff's Report at 19-20, Adjustment P.

⁶² See Case No. 2020-00290 *Electronic Application of Bluegrass Water Utility Operating Company, LLC for an Adjustment of Rates and Approval of Construction* (Ky. PSC Sept. 2, 2021).

⁶³ Response to Commission Staff's Report at 5-6

be increased by \$6,437⁶⁴ by applying the Federal Insurance Contributions Act (FICA) rate of 7.65 percent to the Employee Salaries and Wages expense for the sewer division.⁶⁵ Commission Staff excluded the salaries paid to McCreary District's Board members from its FICA calculation, because Commission Staff concluded that McCreary's District's Board members are not employees of the district, but rather would be classified as independent contractors.⁶⁶

McCreary District argued that Commission Staff's position is in conflict with federal tax law.⁶⁷ According to McCreary District, Internal Revenue Service (IRS) Information Letter 2000-0038 and the Internal Revenue Code (IRC) Section 3401(c), defines an officer, employee or elected official of a state or local government as an employee for income tax purposes.⁶⁸ McCreary District contended that by federal statute, public officers are specifically included within the term "employee" for income tax withholding purposes (and conversely are not "independent contractors" for income tax withholding purposes).⁶⁹

McCreary District noted that 26 C.F.R. § 31.3401(c)-1(a) (Treas. Reg. 31.3401(c)-1) clarifies that officers or employees can either be elected or appointed and that for FICA purposes, elected officials are subject to a degree of control that typically make them

⁶⁴ Commission Staff's Report at 20-21, Adjustment Q.

⁶⁵ Commission Staff's Report at 20-21.

⁶⁶ Commission Staff's Report at 20-21.

⁶⁷McCreary District's Response to Commission Staff's Report at 6-7.

⁶⁸McCreary District's Response to Commission Staff's Report at 6-7.

⁶⁹ McCreary District's Response to Commission Staff's Report at 6-7.

employees under the common law, and therefore subject to payroll taxes.⁷⁰ To further support its position McCreary District explained that 26 C.F.R. §1.1402(c)-2 (Treas. Reg. 1.402(c)-2) provides that holders of “public office” are not in a trade or business and are therefore not subject to self-employment tax unless they receive fees for the performance of the functions of a public office and are paid solely on a fee basis.⁷¹

The Commission finds that McCreary District presented sufficient evidence to support its position that the members of its Board should be treated as employees of McCreary District, whose salaries are subject to FICA tax. Based upon including the FICA taxes on the salaries paid to members of the Board, the Commission finds that Commission Staff’s FICA expense allocated to the sewer division of \$23,958 should be increased by an additional \$326 for a pro forma level of \$24,284.⁷²

Based on the Commission’s findings discussed above, the following table summarizes McCreary District’s adjusted Pro Forma operations for its sewer division:⁷³

	Staff Report	Order	
	Pro Forma Operations	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues	\$ 1,346,034	\$ -	\$ 1,346,034
Operating Expenses	1,647,205	(296)	1,646,909
Income Available to Service Debt	\$ (301,171)	\$ 296	\$ (300,875)

⁷⁰ McCreary District’s Response to Commission Staff’s Report at 6-7.

⁷¹McCreary District’s Response to Commission Staff’s Report at 6-7.

⁷² \$313,176 (Allocated Salaries and Wages – Emp.) + \$4,264 (Pro Forma Salaries and Wages - Commissioners) = \$317,440 (Salaries Subject to FICA) x 7.65% (FICA Emp. Contribution Rate) = \$24,284 (Revised FICA Tax) - \$23,958 (Commission Staff Recommended FICA Tax) = \$326.

⁷³ See Appendix B for a complete pro forma income statement.

REVENUE REQUIREMENT

Based upon the Commission’s findings and determinations herein, McCreary District requires an increase in sewer revenues of \$552,026, or 42.74 percent above pro forma present rate revenues as shown below. This increase is necessary for McCreary District’s sewer division to remain operational and financially sound, and have an opportunity to provide adequate, efficient, and reasonable service to its customers.⁷⁴

	McCreary District	Commission Staff Report	Commission	
			Adjustments	Order
Pro Forma Operating Expenses	\$ 1,730,449	\$ 1,647,205	\$ (296)	\$ 1,646,909
Plus: Average Annual Debt Service	209,984	209,984		209,984
Debt Service Coverage	<u>41,997</u>	<u>41,997</u>		<u>41,997</u>
Overall Revenue Requirement	1,982,429	1,899,186	(296)	1,898,890
Less: Other Operating Revenues	(54,420)	(54,407)		(54,407)
Interest Income	<u>(830)</u>	<u>(830)</u>		<u>(830)</u>
Revenue Required from Water Sales	1,927,179	1,843,949	(296)	1,843,653
Less: Normalized Revenue - Sewer	<u>(1,292,285)</u>	<u>(1,291,627)</u>	<u>0</u>	<u>(1,291,627)</u>
Required Revenue Increase	<u>\$ 634,851</u>	<u>\$ 552,322</u>	<u>\$ (296)</u>	<u>\$ 552,026</u>
Percentage Increase	<u>49.13%</u>	<u>42.76%</u>		<u>42.74%</u>

RATE DESIGN

Originally, McCreary District determined that its pro forma operations supported a revenue increase for its sewer division of \$634,851, or 49.13 percent.⁷⁵ Citing the projected additional revenues related to an industrial customer’s plant expansion, the near completion of Phase 1 of the Sanitary Sewer Collection System Expansion (Phase I Expansion), and the financial hardship a 49.13 percent rate increase would place upon its customers, McCreary District limited its request to a revenue increase of \$211,617, or

⁷⁴ KRS 278.030(2).

⁷⁵ Application at 3, paragraph 14.

16.38 percent and this increase would be phased-in over three years.⁷⁶ Commission Staff calculated an increase of \$552,322 or 42.74 percent and proposed a two-year phase-in of 21.40 percent and 17.59 percent, respectively.

In its Response to the Commission Staff's Report, McCreary District requested that the Commission reject Commission Staff's recommendation and instead find that McCreary District's initial request of an increase of 16.38 percent increase be approved as a single increase. According to McCreary District, its proposed 16.38 percent rate increase will produce revenues sufficient to meet its operating expenses, debt service payments, debt service coverage requirements, and still provide a positive cash flow of \$253,557.⁷⁷ McCreary District further stated that while the 16.38 percent increase will not allow the depreciation reserve to be fully funded, it will allow for McCreary District to operate without any change in service quality.⁷⁸ McCreary District estimated the additional 100 customers from its Phase I Expansion and the increased Fibrotex usage will generate additional annual revenues of \$49,761 and that this additional revenue plus the revenue generated by a 16.38 percent increase will allow McCreary District to meet its Overall Revenue Requirement.⁷⁹

McCreary District argued that the Commission has historically found that a utility may decide to assess rates that do not produce a level of revenues that accepted ratemaking methodologies would regard as sufficient or adequate as long as the quality

⁷⁶ Application at 3, paragraph 14

⁷⁷ McCreary District's Response to the Commission Staff's Report at 4.

⁷⁸ McCreary District's Response to the Commission Staff's Report at 4-5.

⁷⁹ McCreary District's Response to the Commission Staff's Report at 3.

of the utility's service is not impacted.⁸⁰ McCreary District maintained that, nothing in the record shows that the quality of McCreary District's sewer service will suffer if the Commission authorizes an immediate 16.38 percent increase in rates.⁸¹ McCreary District pledged to file a base rate application within 30 months of a final decision in this proceeding.⁸² McCreary District also noted the Commission's finding in Case No. 2022-00009⁸³ that required McCreary District to file a base rate application no later than 36 months after the issuance of a final decision in this proceeding.⁸⁴ McCreary District argued that the Commission will have adequate opportunity to monitor McCreary District's financial condition and to take appropriate action should the requested increase of 16.38 percent be insufficient.⁸⁵

After consideration of the evidence in the record, the Commission finds that it should deny McCreary District's proposed 16.38 percent rate increase, modify Commission Staff's recommended 42.74 percent increase and further modify the recommended two-year phase-in by adopting a three-year phase-in. Factoring in for the preceding, the Commission modifies the increase in three phases in the following manner:

⁸⁰ McCreary District's Response to the Commission Staff's Report at 4.

⁸¹ McCreary District's Response to the Commission Staff's Report at 4.

⁸² Application Exhibit K at 2, and McCreary District's Response to the Commission Staff's Report at 5.

⁸³ Case No. 2022-00009, *Electronic Application of McCreary County Water District for Approval to Issue Securities in the Approximate Principal Amount of \$3,450,000 for the Purpose of Refinancing Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Mar. 16, 2022).

⁸⁴ McCreary District's Response to the Commission Staff's Report at 5.

⁸⁵ McCreary District's Response to the Commission Staff's Report at 5.

1. The Phase One increase shall include rates that will generate an additional \$211,617 or approximately 16.38 percent over normalized test year revenues and will be effective upon entry of this Order,

2. The Phase Two increase shall be a \$50,000 or approximately 3.33 percent increase over the phase one revenues and effective 12 months after the effective date of this Order.

3. The Phase Three increase shall be \$50,000 or approximately 3.22 percent increase over the phase two revenues and will become effective 24 months after the effective date of this Order.

McCreary District proposed to increase all of its monthly retail sewer service rates across the board. McCreary District has not performed a cost of service study (COSS). McCreary District stated that it did not complete a COSS at this time as the Commission Order requiring the filing of this rate case did not direct it to file a COSS.⁸⁶ McCreary District further stated that it expects to have significant growth and changes in the sewer system over the next 24 to 36 months and anticipates filing another rate case within 36 months and at that time the rate case will have a comprehensive COSS.⁸⁷

The Commission has previously found that the allocation of a revenue increase 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, the Commission finds that

⁸⁶ McCreary District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Nov. 19, 2021), Item 30.

⁸⁷ McCreary District's Response to Staff's First Request, Item 30.

allocating the \$311,617⁸⁸ increase in revenues across the board to be reasonable. Further, because McCreary District intends to file another rate application within the next 36 months, the Commission finds that a three-year phase-in of the rate increase is reasonable.

The rates set forth in Appendix A are based upon the revenue requirement, as modified above, and will produce sufficient revenues from sewer service rate to recover the \$1,603,617 Revenue Required from Sewer Rates, as modified, an approximate 24.1 percent increase. These rates will increase a typical residential customer's monthly sewer bill for the McCreary District for Phase 1 from \$41.07 to \$47.79, an increase of \$6.72, or approximately 16.38 percent, the Phase 2 from \$47.79 to \$49.39, an increase of \$1.60, or approximately 3.35 percent and the Phase 3 from \$49.39 to \$50.99, an increase of \$1.60 or approximately 3.24 percent.⁸⁹

In its calculation of the expected impact the completion of the Phase I Project and Fibrotex increased usage will have on working capital, McCreary District failed to include the increase in expenses, including depreciation expense. Further, the expected increases in revenues are based on projections that would fail to meet the rate-making criteria of being known and measurable. When McCreary District files its next rate case in 36 months the actual impact of the Phase I Project and Fibrotex will have occurred and should be included in the revenue requirement in that case.

⁸⁸ \$311,617 is calculated as follows, Phase 1; \$211,617 (16.38 percent over normalized test year revenues) + Phase 2; \$50,000 + Phase 3; \$50,000.

⁸⁹ The typical residential customer uses approximately 4,000 gallons of water per month.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Commission Staff's Report and discussed and modified above are supported by the evidence of record and are reasonable. The Commission has historically used a Debt Service Coverage (DSC) method to calculate the revenue requirement for water districts or associations with outstanding long-term debt. Therefore, applying the DSC method to McCreary District's pro forma operations results in an Overall Revenue Requirement of \$1,898,890 and, based upon pro forma rate service revenues of \$1,843,653, a revenue increase of \$552,026 from sewer service rates is necessary to generate the overall revenue requirement. The Commission also finds that the pro forma rate service revenues should be modified to be \$1,603,617 a revenue increase of \$311,617 from sewer service rates is appropriate to meet the needs of McCreary District until it files its next rate case in approximately 36 months. The Commission further finds that allocating the calculated revenue increase across-the-board to McCreary District's monthly retail sewer service rates and to phase this increase over three years to be fair, just and reasonable.

IT IS THEREFORE ORDERED that:

1. The findings contained in the Commission Staff's Report are adopted and incorporated by reference into this Order.
2. The rates originally proposed by McCreary District are denied.
3. Phase One rates set forth in Appendix A to this Order are approved for sewer services rendered by McCreary District on and after the date of this Order. Phase Two rates set forth in Appendix A to this Order are approved for sewer services rendered

by McCreary District one year from the implementation of Phase One rates. Phase Three rates set forth in Appendix A to this Order are approved for sewer services rendered by McCreary District one year from the implementation of Phase Two rates.

4. One month prior to the effective date of the Phase Two rates, McCreary District shall notify its customers of the implementation of the Phase Two rates by publishing one-time notice of the increase in a newspaper of general circulation in its territory or placing an insert in bills rendered to its customers.

5. One month prior to the effective date of the Phase Three rates, McCreary District shall notify its customers of the implementation of the Phase Three rates by publishing one-time notice of the increase in a newspaper of general circulation in its territory or placing an insert in bills rendered to its customers

6. Within 45 days of publishing notice required in ordering paragraphs 4 and 5, McCreary District shall file proof of publication of the notice to the Commission as required pursuant to 807 KAR 5:076, Section 5(3).

7. Within 20 days of the date of service of this Order, McCreary District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date and stating that the rates and charges were authorized by this Order.

8. McCreary District shall establish a policy that allows for the Returned Check Charge to be assessed through its water service tariff but for rate making purposes be allocated on a percentage basis established by McCreary District in writing and submitted to the Commission.

9. McCreary District shall use the mid-point of the depreciable lives of the O&M Guide ranges to depreciate sewer plant assets for accounting purposes in all future reporting periods.

10. McCreary District shall not make an adjustment to accumulated depreciation or retained earnings to account for this change in the accounting estimate.

11. McCreary District shall apply its proposed shared cost allocation rules for financial reporting and ratemaking purposes.

12. McCreary District's motion to close the record of this proceeding is granted.

13. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman


Commissioner



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00300 DATED SEP 30 2022

Monthly Sewer Rates

Phase 1 Rates

Residential & Non-Residential Meters

First	2,000 Gallons	\$28.15	Minimum Bill
Next	18,000 Gallons	\$0.00982	Per Gallon
Over	20,000 Gallons	\$0.00873	Per Gallon

Federal Correctional Facility

First	1,300,000 Gallons	\$11,292.50	Minimum Bill
Over	1,300,000 Gallons	\$0.00982	Per Gallon

Phase 2 Rates

To be implemented one year following Phase 1

Residential & Non-Residential Meters

First	2,000 Gallons	\$29.09	Minimum Bill
Next	18,000 Gallons	\$0.01015	Per Gallon
Over	20,000 Gallons	\$0.00902	Per Gallon

Federal Correctional Facility

First	1,300,000 Gallons	\$11,668.54	Minimum Bill
Over	1,300,000 Gallons	\$0.01015	Per Gallon

Phase 3 Rates

To be implemented one year following Phase 2

Residential & Non-Residential Meters

First	2,000 Gallons	\$30.03	Minimum Bill
Next	18,000 Gallons	\$0.01048	Per Gallon
Over	20,000 Gallons	\$0.00931	Per Gallon

Federal Correctional Facility

First	1,300,000 Gallons	\$12,044.27	Minimum Bill
Over	1,300,000 Gallons	\$0.01048	Per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00300 DATED SEP 30 2022

Detailed Pro Forma Income Statement

	Test Year Actual	Staff Report		Order	
		Pro Forma Adjustments	Pro Forma Operations	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues					
Measured Revenues	\$ 1,307,771	\$ (16,144)	\$ 1,291,627		\$ 1,291,627
Misc. Sewage Revenues	94,967	(94,967)	0		0
Total Sewage Service Revenues	1,402,738	(111,111)	1,291,627	0	1,291,627
Other Sewer Revenues		94,967			
		(75,000)			
		34,453			
		(13)	54,407		54,407
Total Operating Revenues	1,402,738	(56,704)	1,346,034	0	1,346,034
Operating Expenses					
Operation and Maintenance Expenses					
Salaries and Wages - Employees	251,748	61,428			
		(75,000)	238,176		238,176
Salaries and Wages - Commissioners		4,264	4,264		4,264
Utility Service-Water		11,148	11,148		11,148
Purchased Power	140,049	1,836	141,885		141,885
Chemicals	124,891		124,891		124,891
Maint. - Pumping System and Other Plant	251,627	(130,313)	121,314		121,314
Agency Collection Fee		193	193		193
Internal Labor, Materials and Expenses		5,759	5,759		5,759
Uncollectable Accounts	12,720		12,720		12,720
Office Supplies and Other Exp.	65,511	(8,837)	56,674		56,674
Outside Services Employed	113,232	44,024	157,256		157,256
Insurance Expenses	66,948	(54,669)	12,279		12,279
Employee Pensions and Benefits	109,734	35,701	145,435	(622)	144,813
Regulatory Commission Expense		2,693	2,693		2,693
Transportation Expenses	24,112		24,112		24,112
Miscellaneous General Exp.	16,934	(5,581)	11,353		11,353
Total Operation and Maintenance Expenses	1,177,506	(107,354)	1,070,152	(622)	1,069,530
Depreciation	533,310	16,465			533,095
Taxes Other Than Income	17,521	6,437	23,958	326	24,284
Total Operating Expenses	1,728,337	(81,132)	1,647,205	(296)	1,646,909
Income Available to Service Debt	\$ (325,599)	\$ 24,428	\$ (301,171)	\$ 296	\$ (300,875)

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00300 DATED SEP 30 2022

Employee Pensions and Benefits

Emp. No.	Allocations		Job Title	Health Plan	Pro Forma Salaries & Wages	Annual Emp. Health & Dental Prem.		Allowable Employee Benefit Premiums and Employer CERS Contributions				Employee Pension & Benefit Allocations			
	Water	Sewer				2021 Health Ins. Prem.	Dental Ins. Prem.	Health Ins. Prem.		Vision	Life	CERS 26.95%	Total	Water	Sewer
								Single	78%						
1	100.00%	0.00%	Dist Lineman	Couple	\$ 28,108	\$ 12,875	\$ 490	\$ 8,498	\$ 196	\$ 157	\$ 66	\$ 7,575	\$ 16,492	\$ 16,492	\$ -
2	100.00%	0.00%	Dist Lineman	Family	32,665	17,780	952	11,735	381	243	66	8,803	21,228	21,228	0
4	100.00%	0.00%	Dist Supervisor/Machine Op	Parent Plus	49,904	11,036	475	7,284	190	165	66	13,449	21,154	21,154	0
5	100.00%	0.00%	Dist Lineman	NONE	400	0	0	0	0	0	0	108	108	108	0
6	98.10%	1.90%	Dist Lineman	Single	37,838	6,131	233	4,782	93	83	66	10,197	15,221	14,932	289
7	98.20%	1.80%	Meter Reader/Dist Lineman	Single	26,619	6,131	233	4,782	93	83	66	7,174	12,198	11,978	220
8	84.55%	15.45%	Office Customer Service	NONE	20,160	0	0	0	0	0	0	5,433	5,433	4,594	839
9	84.55%	15.45%	Office Customer Service	NONE	3,168	0	0	0	0	0	0	854	854	722	132
10	100.00%	0.00%	Water Treatment Plant Op	Family	51,662	17,780	952	11,735	381	243	66	13,923	26,348	26,348	0
12	84.55%	15.45%	Office Customer Service	NONE	45,535	0	233	0	93	83	66	12,272	12,514	10,581	1,933
13	100.00%	0.00%	Water Treatment Plant Op	SINGLE	28,205	6,131	233	4,782	93	83	66	7,601	12,625	12,625	0
14	100.00%	0.00%	Water Treatment Plant Op	Family	60,876	17,780	952	11,735	381	243	66	16,406	28,831	28,831	0
15	100.00%	0.00%	Dist Lineman/Mechanic	Single	34,083	6,131	233	4,782	93	83	66	9,185	14,209	14,209	0
16	100.00%	0.00%	Water Treatment Plant Op	NONE	8,240	0	0	0	0	0	0	2,221	2,221	2,221	0
18	84.55%	15.45%	Office Customer Service	Family	28,748	17,780	952	11,735	381	243	66	7,748	20,173	17,056	3,117
19	84.55%	15.45%	Administrative Assistant	Couple	49,766	12,875	490	8,498	196	157	66	13,412	22,329	18,879	3,450
21	90.00%	10.00%	Dist Lineman	Couple	61,648	12,875	490	8,498	196	157	66	16,614	25,531	22,978	2,553
22	84.55%	15.45%	Office Manager	Single	64,451	6,131	233	4,782	93	83	66	17,370	22,394	18,934	3,460
23	71.15%	28.85%	Manager/Supt	Family	116,258	17,780	475	11,735	190	165	66	31,332	43,488	30,942	12,546
24	100.00%	0.00%	Dist Lineman	Single	35,155	6,131	233	4,782	93	83	66	9,474	14,498	14,498	0
26	100.00%	0.00%	Dist Lineman	NONE	10,398	0	0	0	0	0	0	2,802	2,802	2,802	0
27	100.00%	0.00%	Water Treatment Plant Op	Family	49,740	17,780	952	11,735	381	243	66	13,405	25,830	25,830	0
28	0.00%	100.00%	Water Treatment Plant Op	Single	32,271	6,131	233	4,782	93	83	66	8,697	13,721	0	13,721
29	0.00%	100.00%	Wastewater Treatment Op	Single	53,291	6,131	233	4,782	93	83	66	14,362	19,386	0	19,386
30	0.00%	100.00%	Wastewater Treatment/Col	Family	50,219	17,780	952	11,735	381	243	66	13,534	25,959	0	25,959
31	0.00%	100.00%	Wastewater Supervisor	Parent Plus	54,822	11,036	475	7,284	190	165	66	14,775	22,480	0	22,480
32	0.00%	100.00%	Wastewater Collection	Single	33,787	6,131	233	4,782	93	83	66	9,106	14,130	0	14,130
33	0.00%	100.00%	Wastewater Collection	Couple	43,344	12,875	490	8,498	196	157	66	11,681	20,598	0	20,598
					\$ 1,111,361	\$ 253,211	\$ 11,427	\$ 165,245	\$ 4,570	\$ 3,411	\$ 1,518	\$ 299,513	\$ 482,755	\$ 337,942	\$ 144,813

Pro Forma Employee Pension & Benefit Expense - Sewer
Less: Test-Year Employee Pension & Benefit Expense - Sewer

\$ 144,813
(145,435)

Pro Forma Adjustment

\$ (622)

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