

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WOOD CREEK)	CASE NO.
WATER DISTRICT FOR A GENERAL)	2022-00145
ADJUSTMENT OF RATES)	

ORDER

On June 20, 2022, Wood Creek Water District (Wood Creek District) filed an application requesting to increase its rates pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001, Section 16(1)(b)(1). The application was filed in compliance with the Commission's Orders in Case No. 2020-00352¹ and Case No. 2021-00427.²

BACKGROUND

Wood Creek District is a jurisdictional utility that distributes and sells water to approximately 5,493 retail customers in Laurel County, Kentucky.³ In addition to water operations, Wood Creek District is under contract with East Laurel Water District and West Laurel Water District to operate and maintain each respective district's water operations⁴ as well as their own wastewater operations.⁵

¹ Case No. 2020-00352, *Electronic Application of Wood Creek Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Dec. 2, 2020), Order.

² Case No. 2021-00427, *Electronic Application of Wood Creek Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 20, 2021), Order.

³ Application at 2, paragraph 5.

⁴ Application at 9, paragraph 28.

⁵ Application at 9, paragraph 28.

In its application, Wood Creek District requested an increase in operating revenues from base water rates of \$425,189 per year, or 7.19 percent, compared to the operating revenues for the historical test period under existing water rates.⁶ There are no intervenors in this matter.

By Order entered July 8, 2022, the Commission suspended the proposed rates up to and including December 20, 2022. Wood Creek District filed testimony and responded to three rounds of discovery. On October 25, 2022, Wood Creek District filed a motion to submit the matter for decision on the written record as well as close the record as of November 15, 2022. On November 15, 2022, the Commission entered an Order granting Wood Creek District's request to submit the matter for a decision on the written record and denying the request to close the record as of November 15, 2022. This matter now stands submitted for a decision on the written record.

LEGAL STANDARD

Wood Creek District filed its application for an adjustment of rates pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001. The Commission's standard of review for a utility's request for a rate increase is whether the proposed rates are "fair, just and reasonable."⁷ Wood Creek District bears the burden of proof to show that the proposed rate is just and reasonable under the requirements of KRS 278.190(3).

⁶ Application at 6, paragraph 16.

⁷ KRS 278.030; *Pub. Serv. Comm'n v. Com. ex rel. Conway*, 324 S.W.3d 373, 377 (Ky. 2010).

WATER LOSS

The Commission notes that Wood Creek District's 2020 Annual Report reported a water loss of 8.67 percent.⁸ Commission regulation 807 KAR 5:066(6)(3) states that for ratemaking purposes, a utility's water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. At 8.67 percent water loss, the annual cost of total water loss to Wood Creek District is \$83,767.⁹

ANALYSIS AND DETERMINATION

Test Year

Wood Creek District proposed to use as its historical test year the 12-month period ending December 31, 2020, as adjusted for known and measurable changes.¹⁰ The Commission finds that the use of this period reasonable.

Operating Income Adjustments

Billing Adjustments. Wood Creek District provided a billing analysis showing the gallons of water billed to retail and wholesale customers during the test year, and proposed an adjustment in test period revenues increasing test-year retail metered sales

⁸ *Annual Report of Wood Creek District to the Public Service Commission for the Year Ending December 31, 2020* at 57.

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	<u>Purchased Power</u>	<u>Purchased Chemical</u>	<u>Total</u>
2020 Pro Forma Expenses	\$ 299,166	\$ 666,999	\$ 966,165
Multiplied by: Total Water Loss	8.67%	8.67%	8.67%
Excess Cost	<u>\$ 25,938</u>	<u>\$ 57,829</u>	<u>\$ 83,767</u>

¹⁰ See, 807 KAR 5:001, Section 16(1)(a).

by \$897 and decreasing sales for resale by \$2 to reflect the revenue amounts shown in the billing analysis.¹¹ Applying the water service rates that were in effect during the test year to the water sales shown in the billing analysis, the Commission finds that Wood Creek District's adjustments are appropriate, and test year revenues from retail customers was increased by \$897, and decreased by \$2 from sales for resale, for a total adjustment of \$895. Additionally, Wood Creek District provided billing adjustments that further reduced test year revenues from water sales by \$41,271, for a total normalized revenue from water sales of \$5,873,566.¹²

Revenue Reclassifications. In the application, Wood Creek District proposed to make an adjustment to other water revenues due to the misclassification of forfeited discounts and miscellaneous service revenues. Wood Creek District reduced other water revenues by \$39,384 and reclassified \$11,314 as forfeited discounts, and \$28,070 as miscellaneous service revenues. The Commission finds that Wood Creek District's proposed adjustment is reasonable and should be accepted.

Late Fee Normalization. During the test year, Wood Creek District recorded \$11,314 in late payment charges, or forfeited discounts. Given that the test year occurred during the moratorium regarding the collection of late payment fees due to the COVID-19 pandemic, the Commission finds that revenue from Forfeited Discounts should be normalized using a three-year average of the reported income from late fees in the years

¹¹ Application, Exhibit 8, Reference A.

¹² Wood Creek District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Sept. 12, 2022), Item 4.

2017, 2018, and 2019.¹³ Based upon a three-year average of \$78,601, the Commission finds that Miscellaneous Service Revenues should be increased by \$67,287.

<u>YEAR</u>	<u>Amount</u>
2019	74,523
2018	80,914
2017	<u>80,366</u>
Three-year Average	\$78,601
Less: Test Year Late Fees	<u>(11,314)</u>
Pro Forma Adjustment	<u>\$67,287</u>

Nonrecurring Charges. Following the Commission’s recent decisions, the Commission has reviewed Wood Creek District’s Nonrecurring Charges. Because district personnel are currently paid during normal business hours and employee salaries are an expense recovered in rates, the Commission has held that estimated labor costs previously included in determining the amount of Nonrecurring Charges should be eliminated from the charges to avoid double recovery for the same labor cost. The Commission has reviewed the cost justification forms provided by Wood Creek District and has adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs. Such adjustments result in the following Nonrecurring Charges:

<u>Nonrecurring Charge</u>	<u>Current Charge</u>	<u>Revised Charge</u>
Reconnection Fee	\$40.00	\$18.00
Reconnection Fee - After Hours	\$80.00	\$72.50
Returned Check Fee	\$25.00	\$4.00
Meter Test Fee	\$25.00	\$18.00
Additional Trip Charge	\$40.00	\$18.00
Service Line Inspection	\$20.00	\$18.00

¹³ Wood Creek District’s Response to Staff’s Second Request for Information, Item 1.

The adjustments to the Nonrecurring Charges results in a decrease to the charges and a decrease in miscellaneous service revenues of \$16,120 as shown below. The Commission finds that the adjustment is reasonable and should be accepted.

	Occurrences	Current Charge	Revised Charge	Adjustment	Pro Forma
Reconnection Fee	643	\$40.00	\$18.00	\$14,146	\$11,574
Reconnection Fee (After Hours)	0	\$80.00	\$72.50	\$0	\$0
Returned Check Charge	94	\$25.00	\$4.00	\$1,974	\$376
Meter Test Fee	0	\$25.00	\$18.00	\$0	\$0
Additional Trip	0	\$40.00	\$18.00	\$0	\$0
Service Line Inspection	0	\$20.00	\$18.00	\$0	\$0
Total				\$16,120	
Pro Forma Test Year NRC Revenue					\$11,950
Less: Test Year NRC Revenue					<u>\$28,070</u>
Adjustment					<u><u>-\$16,120</u></u>

Salaries and Wages – Employees. In the application, Wood Creek District proposed two adjustments to test-year employee salaries and wages expense. First, an adjustment was made to reduce the expense by \$978,374, citing amounts incorrectly recorded as salaries and wages attributed to employee pensions and benefits, payroll taxes, and unemployment insurance.¹⁴ Second, Wood Creek District stated that in the preparation of the application an allocation adjustment was not made to remove employee salaries and wages allocated to Wood Creek District’s Sewer Division and therefore proposed an adjustment reducing test-year expenses by \$12,252.¹⁵ The impact of both adjustments results in a pro forma employee salaries and wages expense of \$1,215,041.

¹⁴ Application, Exhibit 8, Reference D.

¹⁵ Application, Exhibit 8, Reference E.

The Commission agrees that pro forma employee salaries and wages expense should include only appropriate expenses. Therefore both the wages associated with the operation of Wood Creek District’s sewer division as well as East and West Laurel Water Associations should be removed as they do not accurately represent the cost of providing service to Wood Creek District’s water customers. In addition, the Commission agrees with Wood Creek District’s treatment of labor expenses related to the installation of new meters in that it has been removed from pro forma expenses and capitalized. After examination of employee salaries and wages information¹⁶, the Commission finds that a pro forma level of employee salaries and wages is \$1,203,455 as shown below.

Test Year Actual Total Salaries & Wages	\$ 2,339,460
Less: Test-Year Allocated Customer Account Labor Expense	(328,189) ¹⁷
Less: Capitalized Labor	(19,364)
Less: Directly Billed Labor for Sewer Division	(100,613)
Less: Directly Billed Labor for West Laurel Water	(339,678)
Less: Directly Billed Labor for East Laurel Water	<u>(348,161)</u>
Adjusted Salaries & Wages Expenses	<u>\$ 1,203,455</u>

Therefore, the Commission has reduced Pro Forma employee salaries and wages expense by \$1,002,212 as shown below.

Total Adjusted Test-Year Salaries & Wages Expense	\$ 1,203,455
Less: Test-Year Salaries & Wages Expense	<u>(2,205,667)</u>
Salaries & Wages Expense Pro Forma Adjustment	<u><u>\$ (1,002,212)</u></u>

¹⁶ Wood Creek District’s Response to Staff’s First Request for Information (filed Aug. 15, 2022), Item 41.

¹⁷

Test-Year Customer Account Labor Expense	\$ 473,783
Multiply By: Non-Wood Creek Water Division Allocated Customer	<u>0.69</u>
Test-Year Allocated Customer Account Labor Expense	<u>\$ 328,189</u>

Wage Rate Increase. In the application, Wood Creek District proposed an adjustment to increase pro forma employee salaries and wages by \$36,451 to reflect a 3 percent across the board raise for its employees effective February of 2021.¹⁸

The Commission agrees that such an adjustment is known and measurable, but given the adjustment to test-year employee salaries and wages discussed above, the Commission finds that an adjustment increasing pro forma employee salaries and wages by \$36,104 to be more appropriate, as shown below.

Adjusted Test-Year Salaries & Wages Expense	\$ 1,203,455
Multiply by: 3% Across the Board Raise effective Feb. 2021	<u>0.03</u>
Pro Forma Adjustment	<u>\$ 36,104</u>

Reclassify Commissioner Salaries. In the application, Wood Creek District proposed adjustments to increase officer salaries and wages expense by \$18,000 while reducing miscellaneous expense by the same amount, citing the fact that the district mistakenly recorded its commissioner's salaries as miscellaneous expenses.¹⁹ The Commission finds that the reclassification adjustment is appropriate, known and measurable, and has incorporated it into pro forma operations.

Employee Pension and Benefits. In the application, Wood Creek District proposed several adjustments to test-year employee pension and benefits expense. First, Wood Creek District proposed an adjustment to increase employee pension and benefits

¹⁸ Application, Exhibit 8, Reference F.

¹⁹ Application, Exhibit 8, Reference G.

expense by \$881,288 to reflect the amount of expenses incorrectly recorded in employee salaries and wages, discussed above.²⁰

Second, due to the fact that, in the preparation of the application, allocation adjustments were not made to certain expenses allocated to Wood Creek District's Sewer Division, Wood Creek District proposed an adjustment reducing test-year employee pensions and benefits by \$8,797, the amount allocated to its sewer division.²¹

Third, as Wood Creek District pays 100 percent of its employees health insurance premiums for single, family, and dependent plans, Wood Creek District proposed an adjustment to reduce pro forma expenses consistent with the Commission's practice of adjusting district's employee health insurance premiums to the Bureau of Labor Statistics national average for single and family plans resulting in a decrease of \$163,715.²²

Finally, Wood Creek District proposed an adjustment to reflect an increase in County Employee Retirement System (CERS) contributions due to an increased contribution rate effective July 2021 as well as the 3 percent increase in employee salaries and wages expense discussed above. The resulting adjustment is an increase of \$33,842.²³ The result of all proposed adjustments to Wood Creek District's pension and benefits expense results in a pro forma amount of \$742,557.

The Commission generally agrees that the adjustments proposed by Wood Creek District represent appropriate treatment of pro forma expenses. However, upon

²⁰ Application, Exhibit 8, Reference D.

²¹ Application, Exhibit 8, Reference E.

²² Application, Exhibit 8, Reference H.

²³ Application, Exhibit 8, Reference I.

examination, the Commission finds that reducing the health insurance premiums for each type of coverage offered results in an increase to test year health insurance premium expenses of \$245,405.²⁴ Additionally, when considering the adjustments made to pro forma salaries and wages discussed above, the Commission finds that a more appropriate increase to CERS contribution expense is \$319,329.²⁵

Given these adjusted components of pro forma employee pension and benefits expense, the Commission finds that an increase to test-year expenses of \$568,632 as shown below, is more appropriate than the total increase of \$742,557.

Pro Forma Health Insurance Benefits	\$ 245,405
Test-Year Allowable Life Insurance Premiums	3,899
Pro Forma Pension Contributions	<u>319,329</u>
Pro Forma Health, Dental, and Pension Benefits	<u>568,632</u>

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	District Contribution	BLS Contribution Rate	Reduction Adjustment	Pro Forma Contributions
Health (Employee)	\$ 9,415	21%	\$ (1,977)	\$ 7,437
Health (Family)	62,647	34%	(21,300)	41,347
Health (Employee + Spouse)	23,548	34%	(8,006)	15,541
Health (Employee + Children)	3,368	34%	(1,145)	2,223
Pro Forma Allowable Monthly Premiums				\$ 66,549
Multiply by: 12 Months				<u>12</u>
Pro Forma Allowable Premiums				\$ 798,583
Less: Test-Year Premium Expense				<u>-</u>
Pro Forma Premium Adjustment				798,583
Multiply By: Allocation Percentage				<u>30.73%</u>
Pro Forma Health Insurance Premium Adjustment				<u>245,405</u>

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Pro Forma Applicable Salaries and Wages	\$ 1,239,558
District Participation Percentage	95.59%
Test-Year CERS Applicable Wages	1,184,894
Multiply By: Pro Forma CERS Contribution Rate	<u>26.95%</u>
Pro Forma CERS Contributions	<u>\$ 319,329</u>

Less: Test Year Pensions and Benefits
Adjustment

-

568,632
=====

Increase in Chemicals Cost. In the application, Wood Creek District proposed an adjustment to increase test-year chemicals expense by \$110,816, citing substantial increases in chemical costs since the end of 2020. The adjustment proposed to increase chemicals expense to the expense in calendar year 2021.²⁶

The Commission agrees that such an adjustment represents known and measurable changes to expenses that have taken place since the end of the test year and finds that it included the adjustment in pro forma expenses.

Sewer Division Expense Allocation. In the application, Wood Creek District proposed several adjustments to test-year expenses to reflect, as discussed above, allocation adjustments that were not made to certain expenses allocated to Wood Creek District's Sewer Division. The adjustments consist of decrease to materials and supplies expense of \$10,223, a decrease to transportation expense of \$7,223, and a decrease to insurance expense of \$3,043.²⁷

After review of the information provided in support of the adjustments,²⁸ the Commission finds that Wood Creek District properly applied the allocation percentage associated with Wood Creek District's sewer division resulting in pro forma levels of expenses that accurately reflect Wood Creek District's water operations. Therefore, the

²⁶ Application, Exhibit 8, Reference J.

²⁷ Application, Exhibit 8, Reference D.

²⁸ Wood Creek District's Response to Staff's First Request for Information, Item 41.

Commission finds that the adjustments are appropriate and have included them in pro forma operations.

Rate Case Expense. On November 16, 2022, Wood Creek District filed with the Commission its final rate case expense report showing the total cost of rate case assistance to be \$72,416.²⁹

It is Commission precedent to amortize the cost of rate case assistance over three years in the absence of a different period requested by a utility. Therefore, the Commission finds that an increase in pro forma contractual expense of \$24,139 is necessary to allow for the recovery of the cost of rate case assistance, as shown below.

Final Rate Case Expense	\$ 72,416
Divide by: 3 Years	<u>3</u>
Pro Forma Rate Case Expense	<u>\$ 24,139</u>

Increase in Fuel Cost. In the application, Wood Creek District proposed an adjustment to increase test-year transportation expense by \$9,198, citing substantial increases in fuel costs since the end of 2020.³⁰ The adjustment proposed to increase fuel expense to the expense in calendar year 2021.

The Commission agrees that such an adjustment represents known and measurable changes to expenses that have taken place since the end of the test year and finds that the adjustment to fuel costs should be included in pro forma expenses.

²⁹ Final Rate Case Expense Report (filed Nov. 16, 2022).

³⁰ Application, Exhibit 8, Reference J.

Depreciation Expense. In the application, Wood Creek District included \$1,007,837 in Depreciation Expense and proposed to decrease test-year Depreciation Expense by \$22,085³¹ citing Commission precedent of evaluating the reasonableness of the depreciation practices of small water utilities using the National Association of Regulatory Utility Commissioners' (NARUC) report titled *Depreciation Practices for Small Utilities* (NARUC Study) published in 1979. 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.

Upon examination, the Commission finds that the adjustment proposed by Wood Creek District are known and measurable and accurately reflects adjusting Wood Creek District's assets' useful life to the midpoint of the life's found in the NARUC Study and has included it in pro forma operations.

Taxes Other Than Income – FICA. In the application, Wood Creek District proposed several adjustments to test-year taxes other than income expense. First, Wood Creek District proposed an adjustment to increase taxes other than income expense by \$94,103 to reflect the amount of expenses incorrectly recorded in employee salaries and wages, as discussed above.³²

Second, as stated above, because allocation adjustments were not made to certain expenses allocated to Wood Creek District's Sewer Division in the preparation of

³¹ Application, Attachment #4, Reference K.

³² Application, Exhibit 8, Reference D.

the application, Wood Creek District proposed an adjustment reducing test-year taxes other than income by \$970, the amount allocated to its sewer division.³³

Finally, Wood Creek District proposed an adjustment to reflect an increase in FICA taxes due to the 3 percent increase in employee salaries and wages expense discussed above. The resulting adjustment is an increase in \$2,575. The result of all proposed adjustments to Wood Creek District’s pension and benefits expense results in a pro forma amount of \$109,038.

The Commission generally agrees that the adjustments proposed by Wood Creek District represent appropriate treatment of pro forma expenses. However, upon taking into account the Commission adjustments to employee salaries and wages above, the Commission finds that an appropriate adjustment to reflect pro forma FICA taxes to be \$96,203 as shown below.

Pro Forma Salaries and Wages - Employees	\$ 1,239,558
Pro Forma Salaries and Wages - Officers	<u>18,000</u>
Pro Forma Applicable FICA Wages	1,257,558
Multiply By: 7.65 Percent FICA Rate	<u>7.65%</u>
Pro Forma FICA Taxes	<u><u>\$ 96,203</u></u>

Summary of Adjustments to Operating Expense and Revenue

The following schedule is a summary of Wood Creek District’s test-year operating revenues and expenses, including appropriate adjustments found reasonable herein. The chart in Appendix B, attached to this Order, is a detailed pro forma Income Statement

³³ Application, Exhibit 8, Reference F.

that shows the effect of the Commission’s adjustments along with the proposed and accepted adjustments of Wood Creek District:

	2020 Test Year	Pro Forma Adjustments	Commission Pro Forma
Operating Revenues	5,953,326	10,881	5,964,207
Operating Expenses	5,295,828	(193,619)	5,102,209
Net Operating Income	657,498	204,500	861,998
Interest Income	2,839	-	2,839
Income Available for Debt Service	660,337	204,500	864,837

Debt Service Coverage

Wood Creek District proposed the use of the Debt Service Coverage (DSC) method to calculate its revenue requirement. The Commission has historically applied a DSC method to calculate the Overall Revenue Requirement of water districts and water associations. This method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a noncash item, to provide working capital;³⁴ (3) the average annual principal and interest payments on all long-term debts, and (4) working capital that is in addition to depreciation expense. The Commission finds that the Debt Service Coverage method to be appropriate given the debt currently held by Wood Creek District.

³⁴ The Kentucky Supreme Court has held that the Commission must permit a water district to recover its depreciation expense through its rates for service to provide internal funds for renewing and replacing assets. See *Public Serv. Comm’n of Kentucky v. Dewitt Water Dist.*, 720 S.W.2d 725, 728 (Ky. 1986). Although a water district’s lenders require that a small portion of the depreciation funds be deposited annually into a debt reserve/depreciation fund until the account’s balance accumulates to a required threshold, neither the Commission nor the Court requires that revenues collected for depreciation be accounted for separately from the district’s general funds or that depreciation funds be used only for asset renewal and replacement. The Commission has recognized that the working capital provided through recovery of depreciation expense may be used for purposes other than renewal and replacement of assets. See Case No. 2012-00309, *Application of Southern Water and Sewer District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 21, 2012).

AUTHORIZED INCREASE

Based upon the Commission's findings and determinations in this Order, Wood Creek District requires an increase in revenues of \$320,938, or 5.46 percent above pro forma present rate revenues, as shown below.

Operating Expenses	\$ 5,102,209
Add: Average Annual Debt Principal and Interest	988,145
Additional Working Capital	<u>197,629</u>
Overall Revenue Requirement	6,287,984
Less: Other Operating Revenue	(90,551)
Interest Income	<u>(2,839)</u>
Revenue Requirement - Water Rates	6,194,594
Less: Normalized Revenue from Service	<u>(5,873,656)</u>
Required Revenue Increase	<u>\$ 320,938</u>
Percentage Increase	<u>5.46%</u>

RATE DESIGN

Wood Creek District included with its application a cost of service study (COSS) in order to allocate the expenses to customer classes in proportion with the cost of providing service to each class. The rates in the COSS were developed following the commodity demand methodology that is recognized in the Manual M-1 that is published by the American Water Works Association. Through this method, Wood Creek District allocated the Overall Revenue Requirement to Wood Creek District's customer classes in proportion to the cost of providing service to those customer classes. This method recognizes that a utility must meet peak demand requirements as well as the customer's average water use. Wood Creek District also proposed to increase its current wholesale

water service rate by approximately 3.51 percent and has provided a COSS using the “inch-miles” method to allocate expenses to the wholesale customer. This method has been accepted by the Commission in past proceedings and is a reasonable method for allocating expenses to the wholesale customer in this case.³⁵

In its COSS, Wood Creek District proposed to decrease the number of declining block rate tiers from five to four. Wood Creek District has provided usage information that shows clear breakpoints at the 10,000 gallon and 75,000 gallons usage levels.³⁶ Therefore Wood Creek proposed higher usage thresholds above the minimum bill usage of 2,000 gallons. This change in rate design will reduce the burden on customers who are using 2,000 gallons or less.

The Commission accepted Wood Creek District’s proposed COSS but then made revisions based upon the adjustments made to the pro-forma expenses. The Commission’s calculations and resulting rates are shown in Appendix B. The rates set forth in Appendix A to this report are based upon the revenue requirement as calculated by the Commission and will produce sufficient revenues from water sales to recover the \$6,194,594 Revenue Requirement from water sales determined by the Commission, an approximate 5.47 percent increase.³⁷ These rates will increase the monthly bill of a retail customer using 4,000 gallons from \$39.21 to \$40.17, an increase of \$0.97 or 2.46

³⁵ See Case No. 2019-00268, *Application of Knott County Water and Sewer District for an Alternative Rate Adjustment* (Ky. PSC Nov. 20, 2019), Staff Report at 4.

³⁶ Wood Creek District’s Response to Staff’s First Request for Information, Item 41.

³⁷ Revenue Requirement less Other Operating Revenue, Interest Income, and Nonutility Income.

percent.³⁸ The monthly bill for a wholesale customer will increase from \$3,420 to \$3,540 for each 1,000,000 gallons purchased.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the adjustments, as discussed and modified above, are supported by the evidence of record and are fair, just and reasonable. The Commission has historically used a DSC method to calculate the revenue requirement for water districts or associations with outstanding long-term debt. Applying the DSC method to Wood Creek District's pro forma operations results in an Overall Revenue Requirement of \$6,287,984 and, based upon pro forma present rate service revenues of \$5,873,656, a revenue increase of \$320,938 from water service rates is necessary to generate the overall revenue requirement.

IT IS THEREFORE ORDERED that:

1. Wood Creek District's application for an adjustment of its rates is denied as proposed.
2. The rates and charges set forth in Appendix A of this Order are approved for the water service that Wood Creek District renders on and after the date of this Order.
3. Within 20 days of the date of entry of this Order, Wood Creek District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rate approved herein and reflecting that it was approved pursuant to this Order.

³⁸ The average retail customer uses approximately 4,000 gallons per month.

4. Within 20 day of the date of entry of this Order, Wood Creek District shall file through the Commission's Electronic Tariff Filing system new nonrecurring charges reflecting the marginal cost of each nonrecurring service.

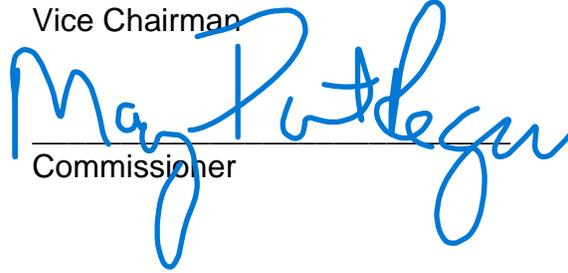
5. This case is closed and removed from the Commission's docket.

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. 2022-00145 DATED DEC 20 2022

Monthly Water Rates

5/8" X 3/4" Meter

First	2,000 Gallons	\$23.83 Minimum Bill
Next	8,000 Gallons	8.17 Per 1,000 Gallons
Next	65,000 Gallons	6.30 Per 1,000 Gallons
Over	75,500 Gallons	4.62 Per 1,000 Gallons

1" Meter

First	5,000 Gallons	\$49.72 Minimum Bill
Next	5,000 Gallons	8.17 Per 1,000 Gallons
Next	65,000 Gallons	6.30 Per 1,000 Gallons
Over	75,500 Gallons	4.62 Per 1,000 Gallons

1 1/2" Meter

First	10,000 Gallons	\$92.01 Minimum Bill
Next	65,000 Gallons	6.30 Per 1,000 Gallons
Over	75,500 Gallons	4.62 Per 1,000 Gallons

2" Meter

First	20,000 Gallons	\$158.95 Minimum Bill
Next	55,000 Gallons	6.30 Per 1,000 Gallons
Over	75,500 Gallons	4.62 Per 1,000 Gallons

3" Meter

First	30,000 Gallons	\$250.99 Minimum Bill
Next	45,000 Gallons	6.30 Per 1,000 Gallons
Over	75,500 Gallons	4.62 Per 1,000 Gallons

6" Meter

First	100,000 Gallons	\$685.83 Minimum Bill
Over	100,000 Gallons	4.62 Per 1,000 Gallons

Wholesale

All Wholesale Customers	\$3.45 Per 1,000 Gallons
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APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00145 DATED DEC 20 2022

	<u>Test Year</u>	<u>Adjustment</u>	<u>Pro Forma</u>
Operating Revenues			
Metered Sales			
Retail & Commercial Sales	\$ 2,955,931	\$ 895	
		(41,271)	\$ 2,915,555
Sales for Resale	<u>2,958,011</u>		<u>2,958,011</u>
Total Metered Sales	5,913,942	(40,376)	5,873,566
Other Water Revenues			
Forfeited Discounts	-	11,314	
		67,287	78,601
Misc Service Revenues	-	28,070	
		(16,120)	11,950
Other Water Revenues	<u>39,384</u>	<u>(39,384)</u>	<u>-</u>
Total Other Operating Revenues	39,384	51,167	90,551
Total Operating Revenues	<u>5,953,326</u>	<u>10,791</u>	<u>5,964,117</u>
Operating Expenses			
Operation and Maintenance Expenses			
Salaries and Wages - Employees	2,205,667	(1,002,212)	
		36,104	1,239,558
Salaries and Wages - Officers	-	18,000	18,000
Employee Pensions and Benefits	-	568,632	568,632
Purchased Power	302,762		302,762
Chemicals	556,183	110,816	666,999
Materials and Supplies	822,481	(10,223)	812,258
Contractual Services	19,667	24,139	43,806
Transportation Expenses	95,139	(7,233)	97,104
		9,198	
Insurance	203,696	3,043	206,739
Bad Debt	24,657		24,657
Miscellaenous Expenses	<u>44,410</u>	<u>(18,000)</u>	<u>26,410</u>
Total Operation and Mainenance Expenses	<u>4,274,662</u>	<u>(267,737)</u>	<u>4,006,925</u>
Depreciation Expense	1,007,837	(22,085)	985,752
Taxes Other Than Income	<u>13,329</u>	<u>96,203</u>	<u>109,532</u>
Total Operating Expenses	<u>5,295,828</u>	<u>(193,619)</u>	<u>5,102,209</u>
Utility Operating Income(Loss)	<u>\$ 657,498</u>	<u>\$ 204,410</u>	<u>\$ 861,908</u>

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