

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MOUNTAIN)	CASE NO.
WATER DISTRICT FOR A GENERAL)	2022-00366
ADJUSTMENT OF WATER RATES)	

ORDER

On February 23, 2023, Mountain Water District (Mountain 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).¹ The application was filed in compliance with the Commission’s Order of December 13, 2021, in Case No. 2021-00412.²

BACKGROUND

Mountain District is a jurisdictional utility that provides retail water service to approximately 16,574 customers in Pike County, Kentucky and wholesale water service to the cities of Elkhorn City and Jenkins, Kentucky; Martin County Water District; and Mingo County Public Service District.³

¹ Mountain District tendered the application on February 18, 2023. By Order dated February 22, 2023, the Commission rejected the application for filing due to filing deficiencies. Mountain District subsequently cured the filing deficiencies, and the application was deemed filed on February 23, 2023.

² Case No. 2021-00412, *Electronic Application of Mountain Water District to Issue Securities in the Approximate Principal Amount of \$5,930,000 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 Dec. 13, 2021). The Commission originally ordered that an application for rate adjustment be filed by December 28, 2022. By its Order of December 20, 2022, the Commission extended the time period in which to file such application to January 27, 2023. Mountain District subsequently requested a second extension until February 27, 2023, which was granted by Order issued February 24, 2023.

³ *Annual Report of Mountain County Water District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2021* (2021 Annual Water Report) at 27.

In its application, Mountain District requested an increase in operating revenues from base water rates of \$2,097,519 per year, or 25.35 percent, compared to the operating revenues for the historical test period under existing water rates.⁴ There are no intervenors in this matter.

By Order entered March 9, 2023, the Commission suspended the proposed rates up to and including August 24, 2023. Mountain District filed testimony and responded to three rounds of discovery. An evidentiary hearing was held on August 16, 2023. Mountain District responded to post-hearing requests for information and filed a post-hearing brief on September 7, 2023. This matter now stands submitted for a decision.

LEGAL STANDARD

Mountain 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."⁵ Mountain District bears the burden of proof to show that the proposed rate is just and reasonable under the requirements of KRS 278.190(3).

Commission regulation 807 KAR 5:066(6)(3) provides 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.

⁴ Application at 4.

⁵ 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 in the application, Mountain District reported a test year water loss of 27.43 percent.⁶ In its application, Mountain District acknowledged the Commission's requirement for a utility's water loss not to exceed 15 percent pursuant to 807 KAR 5:066(6)(3). Mountain District's reported 2022 water loss is 27.81 percent;⁷ and Mountain District's current water loss from January to July 2023 is 22 percent,⁸ and Mountain District argued that an alternative level of 22 percent for reasonable unaccounted for water loss should be granted here, given the district's large service area and unique topographical challenges it faces in providing service.⁹ However, Mountain District requested the use of an alternative level of reasonable unaccounted for water loss of 22 percent.¹⁰ Mountain District testified that since 2016 the Board made a commitment to reduce water loss and get back into compliance.¹¹ Mountain District has made implemented several steps to address water loss: first, it began monthly meetings to address water loss,¹² second, it has establish a leak detection crew¹³ with the correct audio equipment to detect leaks, third, it has purchased 41-42 zone meters with plans to

⁶ Application, Exhibit 7, Roy Sawyers Testimony, at 3.

⁷ *Annual Report of Mountain District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 57.

⁸ Hearing Video Transcription (HVT) of the Aug. 16, 2023 Hearing, Tammy Wilson Testimony, 09:41:30.

⁹ Application, Exhibit 7, Roy Sawyers Testimony at 6.

¹⁰ Application, Exhibit 8, Connie Allen Testimony, at 7.

¹¹ HVT of the Aug. 16, 2023 Hearing, Tammy Wilson Testimony, 09:31:15.

¹² HVT of the Aug. 16, 2023 Hearing Tammy Wilson Testimony, 09:31:35.

¹³ HVT of the Aug. 16, 2023 Hearing, Tammy Wilson Testimony, 09:31:52.

install more as funding becomes available.¹⁴ Mountain District has also replaced all residential meters in the last few years.¹⁵

While the Commission acknowledges that Mountain District serves a large service area with challenging topographical features, the Commission does not find Mountain District has presented any compelling argument to use an alternative to Commission regulation¹⁶ that all water districts are held to in the determination of a reasonable level of unaccounted for water loss. The Commission therefore denies Mountain District's proposed alternative level of unaccounted for water loss of 22 percent. However, as discussed below, the Commission will grant a Water Loss Surcharge, which is designed to allow Mountain District to recover the 12.43 percent excess water loss, to be used to address its excessive water loss, and to facilitate its efforts to comply with the 15 percent allowable water loss stated in 807 KAR 5:066(6)(3).

The table below shows that the total annual cost of water loss to Mountain District is \$753,391, while the annual cost of water loss in excess of 15 percent is \$341,402.

	Purchased Water	Purchased Power	Chemicals and Lab Testing	Total
Pro Forma Expenses	\$ 1,255,843	\$ 1,286,870	\$ 203,882	\$ 2,746,596
Multiply by: Water Loss Percent	27.43%	27.43%	27.43%	27.43%
Total Cost of Water Loss	<u>\$ 344,478</u>	<u>\$ 352,988</u>	<u>\$ 55,925</u>	<u>\$ 753,391</u>
	Purchased Water	Purchased Power	Chemicals & Lab Testing	Total
Pro Forma Expenses	\$ 1,255,843	\$ 1,286,870	\$ 203,882	\$ 2,746,596
Multiply by: Water Loss in Excess of 15 Percent	12.43%	12.43%	12.43%	12.43%
Costs of Water Loss in Excess of 15 Percent	<u>\$ 156,101</u>	<u>\$ 159,958</u>	<u>\$ 25,343</u>	<u>\$ 341,402</u>

¹⁴ HVT of the Aug. 16, 2023 Hearing, Tammy Wilson Testimony, 09:32:22.

¹⁵ HVT of the Aug. 16, 2023 Hearing Tammy Wilson Testimony, 09:32:40.

¹⁶ 807 KAR 5:066, Section 6(3), states that for ratemaking purposes, a utility's unaccounted-for water loss shall not exceed fifteen (15) percent of total water produced and purchased, excluding water used by a utility in its own operations.

ANALYSIS AND DETERMINATION

Test Period

Mountain District proposed, and the Commission accepts, a historical 12-month period ended June 30, 2022, as the test period to determine the reasonableness of its proposed rates. Mountain District proposed pro forma adjustments, which are discussed below.

Operating Income Adjustments

Retail Water Sales. Mountain District proposed to increase test-year retail water sales by \$100,902¹⁷ to normalize sales based on the billing analysis filed with its application. Based upon the evidence of record, the Commission finds this adjustment for known and measurable changes is reasonable and accepts the adjustment.

Other Water Revenues. As discussed below, the Commission finds adjustments should be made to several non-recurring charges listed in response to Staff's Second Requests.¹⁸ In this response the test year revenue for Miscellaneous Service Revenues should have been an additional \$38,551 for a corrected test year amount of \$213,698.¹⁹ With the updated costs in the cost justifications, the adjustment to Miscellaneous Service Revenues is a decrease of \$151,239 to the revised test year revenues of \$213,698 for a proforma amount of \$98,460.²⁰ Using Mountain District's application test year amount of

¹⁷ Application, Exhibit 6, Schedule of Adjusted Operations.

¹⁸ Mountain District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed June 5, 2023), Item 11(b).

¹⁹ Test Year Miscellaneous Service Revenues of \$175,147 + increase from response to Staff's Second Request Item 11(b) of \$38,551 = a revised test year amount of \$213,698,

²⁰ Test Year of \$213,698 - decrease cost adjustments of \$115,239 = a proforma amount of \$98,460. In the Proforma Statement the adjustment to Test Year revenues = (\$175,147 - the net effect from above \$76,688 to obtain the proforma of \$98,459.,

\$175,147, the adjustment to increase the test year revenue is an increase of \$38,551 and a decrease of \$115,239, this results in an overall adjustment to the test year amount of \$175,147 of \$76,688 for a proforma of \$98,460.

Salaries and Wages – Employees: Current Rates. In its application, Mountain District reported a test year Salaries and Wages Expense of \$1,881,072.²¹ Mountain District provided a complete list of test year²² and current²³ employees, hours worked, and wage rates. The Commission calculated the Normalized Salaries and Wages – Expense for Mountain District, by utilizing current wage rates and the test year hours worked for each employee separately, resulting in a Salaries and Wages – Employees expense of \$1,875,052 as shown below. Therefore, when compared to the test year Salaries and Wages – Employees expense of \$1,881,072, the Commission finds that an adjustment to decrease Salaries and Wages – Employees by \$6,020 is appropriate.

²¹ Application, Exhibit 6, Schedule of Adjusted Operations.

²² Mountain District's Response to Staff's First Request, Item 1h.

²³ Mountain District's Response to Staff's First Request, Item 1h.

Test Year Hours and Current Wages									
Name	Employee Number	Water Allocation Percent	Test Year Normal Hours	Current Wages Rate	Pro Forma Normal Wages	Test Year Overtime Hours	Current Overtime Wage Rate	Pro Forma Overtime Wages	Total Pro Forma Wages
Burnette, William R	21	100%	2,076.00	\$ 16.74	\$ 34,752		\$ 25.11	\$ -	\$ 34,752
Fields, Tammie R	63	100%	2,127.00	16.74	35,606	108.25	25.11	2,718	38,324
Hatfield, Carrie L	10	81%		Salary	68,634				68,634
Lowe, Arthur K	34	100%		Salary	64,369				64,369
Newsome, Flora	38	100%	2,059.25	15.01	30,909		22.52	-	30,909
Olson, Tammy S	40	100%		Salary	63,493				63,493
Sawyers, Roy B	9	81%		Salary	89,200				89,200
Stacy, Jamie	66	81%	2,136.00	16.04	27,752	150.00	24.06	2,923	30,675
Duty, Jonathan		100%	2,080.00	15.00	31,200		22.50	-	31,200
Brooks, Katrina L	68	100%	2,101.50	13.00	27,320	19.75	19.50	385	27,705
Hatfield, Tracie R	126	100%	1,262.25	13.00	16,409	1.50	19.50	29	16,439
Huffman, Michelle R	28	100%	2,101.75	12.00	25,221	9.00	18.00	162	25,383
McCown, Silena N	37	100%	2,112.75	16.71	35,304	19.50	25.07	489	35,793
Watson, Melissa K	57	100%	2,090.75	15.50	32,407	5.75	23.25	134	32,540
Wright, Melissa	60	100%		Salary	39,321				39,321
Belcher, Ronnie K	78	81%	2,145.50	13.75	23,896	37.50	20.63	626	24,522
Lockard, Jacob N	108	81%	2,180.50	14.00	24,727	137.50	21.00	2,339	27,066
Newsome, Trevor K	116	81%	1,803.50	13.50	19,721	216.00	20.25	3,543	23,264
Taylor, Brad E	76	81%		Salary	51,500				51,500
Bentley, Brian K	15	100%		Salary	50,163				50,163
Grubb, David K	80	100%	2,185.50	15.00	32,783	75.00	22.50		32,783
Justice, Andrew C	121	100%	2,002.31	16.50	33,038	131.50	24.75		33,038
Ratliff, Darrell	N/A	100%	2,080.00	12.00	24,960		18.00		24,960
Beckett, Clarence B	14	100%	2,173.00	16.75	36,398	239.50	25.13	6,017	42,415
Blackburn, Joshua R	69	100%	2,158.50	14.50	31,298	130.50	21.75	2,838	34,137
Cole, Dominic D	101	100%	2,350.00	15.50	36,425	328.50	23.25	7,638	44,063
Elswick, Tyler W	84	100%	1,676.00	Salary	42,000	61.00			42,000
Joyce, Jonathan D	30	100%		Salary	48,404				48,404
Justice, Whetsel C	31	100%	2,097.00	16.50	34,601	20.50	24.75	507	35,108
Newsome, Brian D	125	100%	1,484.00	14.50	21,518	155.75	21.75	3,388	24,906
Scalf, William D	44	100%		Salary	55,986				55,986
Sesco, Jason F	48	100%		Salary	48,760	129.50			48,760
Taylor, David M	53	100%		Salary	88,425				88,425
Thacker, James A	118	100%	2,142.50	13.00	27,853	201.00	19.50	3,920	31,772
Wolford, Aaron D	62	81%		Salary	54,621				54,621
Wright, Terry W	127	100%	1,292.50	16.50	21,326	154.00	24.75	3,812	25,138
Dills, Kristopher R	X1	100%		Salary	50,654				50,654
Lucas, Timothy A	35	100%		Salary	56,202				56,202
Caudill, Daniel W	105	100%	2,348.78	13.00	30,534	26.00	19.50	507	31,041
Sesco, Andrew T	47	100%	2,614.50	13.93	36,420	214.00	20.90	4,472	40,892
Belcher, Brandon S	129	100%	682.00	14.00	9,548	82.00	21.00	1,722	11,270
Overstreet, Austin B	86	100%	2,212.00	20.50	45,346	49.00	30.75	1,507	46,853
Smith, Dakota R	71	100%	2,193.00	17.50	38,378	10.00	26.25	263	38,640
Taylor Jr., David M	54	100%	2,297.00	20.50	47,089	157.00	30.75	4,828	51,916
Blackburn, Gary J	19	100%	2,339.00	17.01	39,786	180.50	25.52	4,605	44,392
Mullins, Donald G	91	100%	2,157.00	14.00	30,198	58.50	21.00	1,229	31,427
			<u>74,673</u>		<u>\$ 1,814,453</u>	<u>3,763</u>		<u>\$ 60,599</u>	
Pro Forma Salaries and Wages- Employees									1,875,052
Less: Test Year Salaries and Wages									<u>(1,881,072)</u>
Pro Forma Salaries and Wages Adjustment									<u>\$ (6,020)</u>

Salaries and Wages – Employees: Imminent Rates. In its application, Mountain District proposed an adjustment to increase Salaries and Wages – Employees by \$94,211²⁴ to reflect current salaries and wages and an increase approved by the Board

²⁴ Application, Exhibit 6, Schedule of Adjusted Operations.

of Commissioners, effective upon final action by the Commission. Witness Testimony stated the Mountain Water is losing two to three employees a month because of wages.²⁵ Wages across the country have gone up and Mountain is not competitive.²⁶

Witness testimony stated the imminent wages have not been put into effect.²⁷ Since the proposed wage rates have not been put into effect, and are only projections at the time of this Order, they are not known and measurable. Additionally, Mountain District reported that, depending on the result of the rate case, it may not implement the full amount of imminent wages voted on by its Board of Commissioners.²⁸ The Commission rejects the proposed adjustment since it is not a known and measurable adjustment. The Commission would note that Mountain District does not require a Commission decision to implement a wage increase, and that the Commission will not order adjustments based on contingent actions.

Salaries and Wages – Officers. In its application, Mountain District reported Salaries and Wages – Officers expense of \$22,601.²⁹ Mountain District supplied the names and compensation for the officers for the test year as well as subsequent years.³⁰ Mountain District also provided the fiscal court minutes that authorized the water commissioner’s salaries³¹ as well as evidence that all commissioners have completed

²⁵ HVT of the Aug. 16, 2023 Hearing, Mike Spears Testimony, 11:48:40.

²⁶ HVT of the Aug. 16, 2023 Hearing, Mike Spears Testimony, 11:49:00.

²⁷ HVT of the Aug. 16, 2023 Hearing, Tammy Olson Testimony, 10:16:08.

²⁸ HVT of the Aug. 16, 2023 Hearing, Mike Spears Testimony, 11:51:40.

²⁹ Application, Exhibit 6, Schedule of Adjusted Operations.

³⁰ Mountain District’s Response to Staff’s Second Request, Item 1e.

³¹ Mountain District’s Response to Staff’s Second Request, Item 1f.

their required training to receive their salaries.³² The Commission calculated Normalized Salaries and Wages – Officers of \$30,000 based on the provided evidence. The Commission then allocated the Normalized Salaries between water and sewer operations based on Test Year Operating Revenues as shown below.

<u>Revenues</u>	<u>Test Year Operating Revenues</u>	<u>Percentage</u>
Mountain Water	\$ 8,535,165	80%
Mountain Sewer	2,135,227	20%
Total	<u>\$ 10,670,392</u>	<u>100%</u>

This results in proforma Salaries and Wages – Officers Water Division of \$24,000. Therefore, the Commission adjusted Salaries and Wages – Officers by \$1,399, as shown below.

<u>Commissioners</u>	<u>Pro Forma Salaries</u>
Randy Tackett	\$ 6,000
Johnny Dennison	6,000
Myrtle Runyon	6,000
Paul Chaney	6,000
Gerald Justice	<u>6,000</u>
Total	30,000
Multiplied by: Allocation Percentage	<u>80%</u>
Allocated Salaries and Wages - Officers	24,000
Less: Test year Salaries and Wages - Officers	<u>(22,601)</u>
Total Revenue Requirement Adjustment	<u>\$ 1,399</u>

³² Mountain District's Response to Staff's Second Request, Item 1g.

Employee Pensions and Benefits – Insurance Premiums. In its application, Mountain District proposed an adjustment to decrease Employee Benefits by \$58,000, to account for changes in post-test year employee insurance premiums, and reductions to reflect the Commission’s limits on employer’s contribution to employee insurance costs.³³ Mountain District provided a copy of the most recent invoice for medical, dental, and vision insurance; also noting the allocation for the water and sewer divisions.³⁴ 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 ensure the development of a fair, just and reasonable rate. The Commission has found that, in most cases, 100 percent of employer-funded health care does not meet those criteria.³⁵

Consistent with precedent,³⁶ the Commission agrees with Mountain District’s methodology, however it disagrees with the proposed adjustment. The Commission reduced Mountain District’s single health insurance premiums by 21 percent,³⁷ and family

³³ Application, Exhibit 6, References, Item C.

³⁴ Mountain District’s Response to Commission Staff’s Post Hearing Request for Information (Staff’s Post Hearing Request) (filed Aug. 25, 2023), Item 1.

³⁵ Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020); Case No. 2020-00296, *Electronic Application of Allen County Water District for an Alternative Rate Adjustment* (Ky. PSC Feb. 3, 2021).

³⁶ Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates*, (Ky. PSC June 20, 2019) at 8–12.

³⁷ Bureau of Labor Statistics, Healthcare Benefits, March 2020, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

insurance premiums by 33 percent,³⁸ and Dental insurance by 60 percent³⁹ as shown in the calculation below. The Commission calculated a total pro forma premium expense of \$308,664 which would require an adjustment to decrease the test year amount by \$39,365, as shown below.

Type of Premium	Number of Employees	Employer Contributions	Average Employee Contribution Rate	Monthly Premium Adjustment	Pro Forma Monthly Premium
Single Health Insurance	30	\$ 16,871	21%	\$ (3,543)	\$ 13,328
Family Health Insurance	13	17,244	33%	(5,690)	11,553
Dental Insurance	45	1,530	60%	(918)	612
Vision Insurance	43	393	0%	-	393
Total Pro Forma Monthly Premium		36,038		(10,151)	25,887
Times: 12 Months		12		12	12
Total Annual Pro Forma Premium		\$ 432,459		\$ (121,817)	310,644
Less: Test Year					(350,009)
Employee Pension and Benefits Adjustment					\$ (39,365)

Employee Pensions and Benefits – Employee Pensions. In its application, Mountain District proposed an adjustment to increase Employee Pensions by \$5,991 to reflect both a decrease to the County Employee Retirement System (CERS) Contribution percentage from 26.79 to 23.34, effective July, 2023 and an increase to reflect an increase to the proposed Salaries and Wages.⁴⁰ Since the Commission calculated a different amount for the current Salaries and Wages and rejected the proposed increase for the imminent Wages, the Commission rejects the proposed adjustment. The

³⁸ Bureau of Labor Statistics, Healthcare Benefits, March 2021, Table 4, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

³⁹ Case No. 2019-00268, *Application of Knott County Water and Sewer District for an Alternative Rate Adjustment* (Ky. PSC Mar. 24, 2020). Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Mar. 5, 2021). Case No. 2020-00296, *Electronic Application of Allen County Water District for an Alternative Rate Adjustment* (Ky. PSC Feb. 3, 2021).

⁴⁰ Application, Exhibit 6, References, Item D.

Commission calculated a pro forma CERS Employer contribution of \$437,637, which results in a decrease of \$26,075 to the test year amount of \$463,712 as shown below:

<u>Employee Pensions and Benefits</u>	
Pro Forma Salaries and Wages - Employees	\$ 1,875,052
Employer Contribution Rate	<u>23.34%</u>
Pro Forma CERS - Employer Contribution	437,637
Test Year Pension and OPEB Expense ()	<u>(463,712)</u>
Employee Pensions and Benefits Adjustment	<u><u>\$ (26,075)</u></u>

Purchased Water. In its application, Mountain District proposed two adjustments to provide a net decrease Purchased Water expense by \$7,610,⁴¹ the first adjustment is an increase of \$59,709 to reflect the increase in the City of Pikeville’s wholesale rate,⁴² the second adjustment is a decrease of \$67,319 to reflect the cost of unaccounted-for water loss in excess of 22 percent of total water purchased and produced.⁴³ Mountain District provided the number of gallons of water purchased during the test year⁴⁴ and the current price per gallon for each vendor it currently purchases water from.⁴⁵ The Commission calculated the normalized Purchased Water expense of \$1,255,843, which results in an increase to purchased water expense of \$75,204, as shown below.

⁴¹ Application, Exhibit 6, References, Item C.

⁴² Application, Exhibit 8, Connie Allen Testimony at 7.

⁴³ Application, Exhibit 8, Connie Allen Testimony at 7.

⁴⁴ Mountain District’s Response to Staff’s Second Request, Item 4.

⁴⁵ Mountain District’s Response to Staff’s Second Request, Item 5.

Period	City of Pikeville			City of Williamson, WV			Total
	Gallons Purchased	Cost of first 20,000,000 Gallons	Dollars per Gallon over 20,000,000	Gallons Purchased	Cost of first 20,000,000 Gallons	Dollars per Gallon over 20,000,000	
Jul 2021	28,702,000	\$ 45,000	\$ 0.00226	19,858,400	\$ 36,600	\$ 0.00183	\$ 101,267
Aug	28,546,000	45,000	0.00226	24,221,100	36,600	0.00183	108,639
Sep	28,529,000	45,000	0.00226	22,273,800	36,600	0.00183	105,037
Oct	24,804,000	45,000	0.00226	17,628,200	36,600	0.00183	92,457
Nov	22,120,000	45,000	0.00226	21,422,800	36,600	0.00183	88,995
Dec	17,856,000	45,000	0.00226	25,132,000	36,600	0.00183	90,992
Jan	39,008,872	45,000	0.00226	17,159,700	36,600	0.00183	124,560
Feb	39,702,000	45,000	0.00226	21,593,900	36,600	0.00183	129,043
Mar	29,138,000	45,000	0.00226	21,597,900	36,600	0.00183	105,176
Apr	25,009,000	45,000	0.00226	19,231,400	36,600	0.00183	92,920
May	30,101,000	45,000	0.00226	22,386,100	36,600	0.00183	108,795
Jun 2022	29,958,000	45,000	0.00226	22,108,500	36,600	0.00183	107,964
Totals	<u>343,473,872</u>	<u>\$ 540,000</u>		<u>254,613,800</u>	<u>\$ 439,200</u>		1,255,843
				Test Year Purchased Water ()			<u>(1,180,640)</u>
				Pro Forma Purchased Water Adjustment			<u>\$ 75,204</u>

In addition to the increase in Purchased Water cost, the Commission, as discussed above, reduced the Purchased Water Expense by water loss in excess of 15 percent instead of the requested 22 percent, as shown below:

	Purchased Water	Purchased Power	Chemicals and Lab Testing	Total
Pro Forma Expenses	\$ 1,255,843	\$ 1,286,870	\$ 203,882	\$ 2,746,596
Multiply by: Water loss in Excess of 15 Percent	12.4300%	12.4300%	12.4300%	12.4300%
Expenses in Excess of 15 Percent Water Loss	<u>\$ 156,101</u>	<u>\$ 159,958</u>	<u>\$ 25,343</u>	<u>\$ 341,402</u>

Therefore, the Commission disagrees with the adjustment proposed by Mountain District but agrees with the overall methodology, and instead calculated a net decrease to Purchased Water Expense of \$80,897.⁴⁶

Purchased Power. In its application, Mountain District proposed an adjustment to decrease Purchased Power expense by \$69,167 to account for the water loss in excess

⁴⁶ Increase due to increased purchased water rates of \$75,204 + decrease due to unaccounted for water loss in excess of 15% \$156,101 = net change in purchased water expense \$(80,897).

of 22 percent.⁴⁷ As discussed above, the Commission reduced Purchased Water Expense by water loss in excess of 15 percent instead of the requested 22 percent, as shown in the prior chart. Therefore, the Commission disagrees with the adjustment proposed by Mountain District but agrees with the overall methodology, and instead calculated a net decrease to Purchased Power Expense of \$159,958.⁴⁸

Chemicals. In its application, Mountain District proposed an adjustment to increase Chemicals expense by \$8,642, to reflect both an increase in the price Mountain District is charged for Delpac and Sodium hypochlorite (NaClO) as well as the water loss in excess of 22 percent.⁴⁹ Mountain District provided the amount of gallons and pounds of chemicals purchased during the test year,⁵⁰ and the current price per purchased unit.⁵¹ During its review, the Commission discovered that Mountain District used the “per unit” cost of Delpac when calculating the change for NaClO. Therefore, the Commission finds that this methodology is reasonable because Mountain District provided evidence that its chemical provider rates increased during and subsequent to the test year; but the Commission, using the correct “per unit” cost for the NaClO, calculated a different amount for the increase. The Commission calculated an increase in Chemical expense of \$30,650, as shown below.

⁴⁷ Application, Exhibit 6, References, Item F.

⁴⁸ $\$75,204 + \$(156,101) = \$(80,897)$.

⁴⁹ Application, Exhibit 6, References, Item E.

⁵⁰ Mountain District's Response to Staff's Second Request, Item 1h.

⁵¹ Mountain District's Response to Staff's Second Request, Item 1h.

<u>Adjustment for Increase in Cost of Delpac</u>	
Price Change	\$ 10,946
Delivery	<u>3,529</u>
Adjustment for Delpac	<u>\$ 14,476</u>
<u>Adjustment for Increase in Cost of NaClO</u>	
Price Change	\$ 13,176
Delivery	<u>2,998</u>
Adjustment for NaClO	<u>\$ 16,174</u>
Total Chemical Adjustment	<u><u>\$ 30,650</u></u>

In addition to the increase of the per unit cost discussed above, the Commission reduced Chemical Expense by the amount of water loss in excess of 15 percent instead of the requested 22 percent, which as previously noted, is 12.43 percent. The adjustment results in a reduction of \$25,343 as shown below. The Commission finds that this adjustment to Chemical Expense is reasonable, because 807 KAR 5:066 limits water loss recovery to 15 percent.

Contractual Services – Manpower. In its application, Mountain District proposed an adjustment to increase Contractual Services – Manpower by \$285,078 to account for the hiring of temporary employees.⁵² In response to a Staff data request, Mountain District provided a complete list of all temporary employees.⁵³ The Commission reviewed the list of temporary employees and determined that an employee of Belfry WW Utility Tech was utilized by the wastewater division rather than the Water division. As such, the

⁵² Application, Exhibit 6, References, Item H.

⁵³ Mountain District's Response to Staff's Second Request, Item 1h, at 22.

Commission reviewed test year depreciation expenses for both the water⁵⁸ and sewer⁵⁹ divisions and agrees with the proposed allocation percentages, as shown below.

<u>Operating Unit</u>	<u>Depreciation</u>	<u>Percentage</u>
Water	\$ 2,722,308	70%
Sewer	<u>1,152,746</u>	<u>30%</u>
Total	<u>\$ 3,875,054</u>	<u>100%</u>

Therefore, the Commission rejects the proposed \$11,007 adjustment and calculated an adjustment to increase General Liability insurance by \$4,470, as shown below.

	<u>Test Year</u>	<u>Commission Approved</u>	<u>Difference</u>
General Liability Insurance Premium	110,120	\$ 116,505	\$ 6,385
Multiplied by: Water Allocation Percentage	<u>70%</u>	<u>70%</u>	<u>0%</u>
Allocated General Liability Insurance Premium	<u>\$77,084</u>	<u>\$ 81,554</u>	<u>\$ 4,470</u>

Insurance – Workers Compensation: In its application, Mountain District proposed an adjustment to increase Insurance – Workers Compensation by \$7,553, to account for an increase in premiums for the period from August 31, 2022, to August 31, 2023.⁶⁰

Mountain District allocated Worker’s compensation expense based an allocation based upon the number of employees who work 100 percent of the time for the water and

⁵⁸ Application, Exhibit 6, Schedule of Adjusted Operations.

⁵⁹ Case No. 2022-00367, *Electronic Application of Mountain Water District for a General Adjustment of Sewer Rates* (filed Feb. 17, 2023), Application, Exhibit 6, Schedule of Adjusted Operations.

⁶⁰ Application, Exhibit 6, References, Item J.

sewer division.⁶¹ The Commission agrees with the allocation method, since allocating an employment related expense based upon the number of employees is appropriate. Therefore, the Commission allocated 80 percent of the Worker’s Compensation expense to the water division, as shown below.

<u>Operating Unit</u>	<u>100 Percent Employee Count</u>	<u>Percentage</u>
Water	41	80%
Sewer	10	20%
Total	<u>51</u>	<u>100%</u>

Mountain District provided both the Annual invoices for the test year,⁶² and the most recent invoice for the current year.⁶³ The Commission determined the calculated amount of increase to Insurance based upon the increase of premiums, and calculated an increase of \$7,553. Therefore, the Commission agrees with Mountain District’s proposed adjustment to increase Insurance – Workers Compensation by \$7,553 as shown below:

	<u>Test Year</u>	<u>Commission Approved</u>	<u>Difference</u>
Workers' Compensation Premium	\$ 59,655	\$ 69,096	\$ 9,441
Mutiplied by Water Allocation Percentage	80%	80%	0%
Total	<u>\$ 47,724</u>	<u>\$ 55,277</u>	<u>\$ 7,553</u>

⁶¹ Mountain District's Response to Staff's Second Request, Item 1h.

⁶² Application, at 157, Exhibit CLA-12, Workers Compensation Policy Effective 10/30/21–10/30/22.

⁶³ Application, at 156, Exhibit CLA-12, Workers Compensation Policy Effective 10/30/22–10/30/23.

Regulatory Commission Expense – Rate Case Expense. In its application, Mountain District proposed an adjustment to increase Rate Case Expense by \$24,310⁶⁴ to reflect a three-year amortization of an estimated \$30,000 in water rate case legal expenses and 81 percent of the \$53,000 total cost of the combined water and sewer rate study amortized over three years.⁶⁵ While the Commission agrees with the proposed methodology, the Commission is of the opinion that all expenses related to the preparation of the rate case need to be accounted for including legal, accounting, consulting, and other expenses. Therefore, the Commission requested that Mountain District provide the total cost incurred for the rate case expense. On September 8, 2023, Mountain District filed its final rate case expense report with the Commission which reflects total rate case expenditures of \$164,917 with \$114,318 allocated to the Water Division.⁶⁶

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.⁶⁷ Setting the amortization along the lines with the expected time between rate cases ensures regulatory assets are not over- or under- amortized. The Commission recommends utilities be subject to a rate and operations review every three years to ensure that revenue is adequate to properly operate the system over the long term.⁶⁸ Therefore, the Commission finds that an

⁶⁴ Application, Exhibit 6, References, Item K.

⁶⁵ Mountain District's Response to Staff's Post Hearing Request, Item 4.

⁶⁶ Mountain District's Fifth Supplemental Response to Staff's First Request (filed Sep. 8, 2023).

⁶⁷ Case 2021-00475, *Electronic Application of Carroll County Water District #1 for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC June 28, 2022), Order at 9–10.

⁶⁸ Case 2019-00041, *Investigation Into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), Appendix L, at 25.

increase in pro forma contractual services expense of \$38,106 is necessary to allow for the recovery of the cost of rate case assistance, as shown below.

	Total Amount	Allocated to Water Division	Allocated to Sewer Division
Accounting	\$ 18,975	\$ 16,758	\$ 2,217
Legal	82,793	45,598	37,195
Consultants	53,000	42,930	10,070
Other Expenses	10,149	9,033	1,116
Total	164,917	114,318	50,599
Amortize over Three Years	3	3	3
Annual Amortization Expense	\$ 54,972	\$ 38,106	\$ 16,866

PSC Assessment Expense. During the test year Mountain District incurred an assessment from the Department of Revenue per KRS 278.130(1), which provides:

For the purpose of maintaining the commission, including the payment of salaries and all other expenses, and the cost of regulation of the utilities subject to its jurisdiction, the Department of Revenue shall each year assess the utilities in proportion to their earnings or receipts derived from intrastate business in Kentucky for the preceding calendar year as modified by KRS 278.150, and shall notify each utility on or before July 1 of the amount assessed against it. The total amount so assessed shall not in any year exceed two (2) mills on intrastate receipts as so modified, which shall be deposited into the State Treasury to the credit of the general fund. The sum by each utility shall not be less than fifty dollars (\$50) in any one (1) year.

Mountain District calculated the annual assessment by multiplying the gross revenues for water operations of \$8,506,727 by \$1.493 mills per \$1.00 and determined an assessment of \$12,701.⁶⁹ Mountain District confirmed that the expense was not included in test period operations expenses, and paid the 2022 assessment on July 5,

⁶⁹ Case No. 2022-00367, Mountain District’s Response to Staff Post-Hearing Request (filed Aug. 24, 2023), Item 1a.

2022. Therefore, the annual assessment was not included in the test year operations and an adjustment to include it is required.⁷⁰ The Commission made an adjustment to increase Regulatory Commission Expense by \$12,701 to ensure the assessment was recorded and charged to the appropriate year.

Depreciation Expense. In its application, Mountain District proposed to decrease Depreciation expense by \$30,722, to normalize depreciation expense for assets that became fully depreciated during the test year.⁷¹ Mountain District submitted a Depreciation schedule in its application.⁷² To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the National Association of Regulatory Utility Commissioners (NARUC) titled *Depreciation Practices for Small Water Utilities* (NARUC Study) published in 1979.⁷³ Mountain District also proposed to depreciate the transmission and distribution lines over a 55 year service life instead of the midpoint of 62.5 years, based on the recommendation of American Water Works (AWWA).⁷⁴ Mountain District also testified that the service life for transmission pipes is less than 55 years.⁷⁵ Mountain District had no account information and was unable to report what the actual useful life for transmission mains should be.⁷⁶ When no evidence exists to support a specific life that is outside the NARUC

⁷⁰ Case No. 2022-00367, Mountain District's Response to Staff Post-Hearing Request (filed Aug. 24, 2023), Item 1b.

⁷¹ Application, Exhibit 6, References, Item L.

⁷² Application, Exhibit 13, Application_Exhibit13_DepreciationSchedule.xlsx.

⁷³ Application, Attachment 4, Adjustment L.

⁷⁴ Mountain District's Post Hearing Brief (filed Sept. 7, 2023).

⁷⁵ HVT of the Aug. 16, 2023 Hearing, Connie Allen Testimony, 14:25:15.

⁷⁶ HVT of the Aug. 16, 2023 Hearing, Connie Allen Testimony, 14:26:45.

ranges, the Commission has recently used the midpoint of the NARUC ranges to depreciate the utility plant. Upon examination of the evidence of record, the Commission calculated a depreciation expense of \$2,506,787. Therefore, the Commission rejects Mountain District’s proposed adjustment and made an adjustment to reduce depreciation expense by \$215,521, as shown below.

<u>Categories</u>	<u>Service Life Range</u>	<u>Test Year Depreciation</u>	<u>Depreciation Adjustment</u>	<u>Pro Forma Depreciation</u>
Bond Refinance		\$ 3,551		\$ 3,551
Structures and Improvements	34 - 40	303,259	19,069	322,327
Water Treatment Equipment	20 - 35	38,020	(2,184)	35,836
Reservoirs and Tanks	30 - 60	249,183	(11,086)	238,097
Transmission and Distribution Mains	50 - 75	1,324,433	(160,411)	1,164,022
Installation Services	30 - 50	101,810	906	102,715
Meters	15	323,674	233	323,907
Meter Installations	40 - 50	51,172	(5,932)	45,241
Hydrants	40 - 60	26,388	(369)	26,019
Office Furniture and Equipment	20 - 25	7,521	(623)	6,898
Transportation Equipment	7	181,248	(50,836)	130,412
Tools, Shop & Garage Equipment	15 - 20	15,837	-	15,837
Power Operated Equipment	10 - 15	47,801	(9,560)	38,241
Communication Equipment	10	48,411	5,272	53,683
Total		<u>\$ 2,722,308</u>	<u>\$ (215,521)</u>	<u>\$ 2,506,787</u>

Taxes other Than Income – FICA. In its application, Mountain District reported Taxes other than Income of \$132,944.⁷⁷ However, as explained in the Adjustments above, the Commission calculated pro forma Salaries and Wages – Employees of \$1,875,052 and Officers’ salaries of \$24,000. Therefore, the Commission calculated a pro forma Taxes other Than Income of \$145,277 and an increase to Taxes other than Income of \$12,333, as shown below.

⁷⁷ Application, Exhibit 6, Schedule of Adjusted Operations.

Description	Commission Pro Forma
Allocated Salaries and Wages - Employees	\$ 1,875,052
Allocated Salaries and Wages - Officers	24,000
Total Allocated Salaries and Wages	1,899,052
Times: 7.65 Percent FICA Rate	7.65%
Total Pro Forma Payroll Taxes	145,277
Less: Test Year Payroll Taxes	(132,944)
Payroll Tax Adjustment	<u>\$ 12,333</u>

Gains (Losses) on the Disposition of Assets. In its application, Mountain District included \$11,503 in Non-Operating Revenues.⁷⁸ Mountain District recorded the loss was the result of the sale of a Ditch Witch and a generator.⁷⁹ The disposal of equipment is an isolated occurrence, since they periodically occur but there is no basis for forecasting the frequency of occurrences. The Commission finds that a reduction of \$11,503 is required since non-routine transactions should be removed from the Revenue Requirement calculation.

Nonrecurring Charges. The Commission has been requesting that water utilities provide revised cost justifications of these charges. The Commission has been re-evaluating the expenses related to these nonrecurring charges, more specifically, the labor expense and other related expenses such as transportation and miscellaneous expenses.

⁷⁸ Application, Exhibit 11, Revenue Requirement Calculation Table.

⁷⁹ Mountain District's Response to Staff's Second Request, Item 1a, 001a_General_Ledger_-_MWD_Balance_Sheet.xls.

Mountain District provided the number of occurrences and revenues of nonrecurring charges during the test year for each of the Miscellaneous Service Revenues in response to Commission Staff's requests for information. Mountain District also provided updated cost justification pages in response to Commission Staff's requests for information.⁸⁰ Mountain District responded to Staff's Second Request that it failed to provide a listing of all Miscellaneous Service Revenues. It provided this information in response to Staff's Second Requests.⁸¹ In this response, the test year revenue for Miscellaneous Service Revenues should have been an additional \$38,551 for a corrected test year amount of \$213,698.⁸² With the updated costs in the cost justifications, the adjustment to Miscellaneous Service Revenues is a decrease of \$151,239 to the revised test year revenues of \$213,698 for a proforma amount of \$98,460.⁸³ Using Mountain District's application test year amount of \$175,147, the adjustment to increase the test year revenue is an increase of \$38,551 and a decrease of \$115,239, this results in an overall adjustment to the test year amount of \$175,147 of \$76,688 for a proforma of \$98,459.⁸⁴

⁸⁰ Mountain District's Response to Staff's First Request, Item 36, Attachment 36.

⁸¹ Mountain District's Response to Staff's Second Request, Item 11(b).

⁸² Test Year Miscellaneous Service Revenues of \$175,147 + increase from response to Staff's Second Request Item 11(b) of \$38,551 = a revised test year amount of \$213,698,

⁸³ Test Year of \$213,698 - decrease cost adjustments of \$115,239 = a proforma amount of \$98,460. In the Proforma Statement the adjustment to Test Year revenues = (\$175,147 - the net effect from above \$76,688 to obtain the proforma of \$98,459.,

⁸⁴ The adjustment to Test Year revenues = \$175,147 - the net amount of \$76,688 to obtain the proforma of \$98,459.,

Summary of Adjustments to Operating Expense and Revenue

The following table is a summary of Mountain District's test-year operating revenues and expenses, including appropriate adjustments found reasonable herein. The chart in Appendix C, attached to this Order, is a detailed pro forma Income Statement that shows the proposed and accepted adjustments of Mountain District:

	<u>Mountain Water Application</u>	<u>Commission Adjustments</u>	<u>Final Pro Forma</u>
Total Operating Revenues	\$ 8,535,165	\$ 24,214	\$8,559,379
Utility Operating Expenses	<u>10,193,624</u>	<u>(206,181)</u>	<u>9,987,443</u>
Utility Operating Income	(1,658,459)	230,395	(1,428,064)
Interest and Dividend Income	3,855	-	3,855
Gains (Losses) on the Disposition of Assets	<u>11,503</u>	<u>(11,503)</u>	<u>-</u>
Income Available for Debt Service	<u>\$ (1,643,101)</u>	<u>\$ 218,892</u>	<u>\$(1,424,209)</u>

AUTHORIZED INCREASE

Based upon the Commission's findings and determinations in this Order, Mountain District requires an increase in revenues of \$2,238,882, or 27.06 percent above pro forma present rate revenues, as shown below.

Revenue Requirement Determination- Debt Service Coverage

	Interest Only Mountain Water District	Commission Principal and Interest	
Pro Forma Operating and Maintenance Expense	\$10,464,917	\$ 9,989,471	
Plus: Avg. Annual Interest Payments	283,082	677,204	(1)
Additional Working Capital	-	135,441	(2)
 Total Revenue Requirement	 10,747,999	 10,802,116	
Less: Other Operating Revenue	(361,180)	(284,492)	
Non-Operating Revenue	(11,503)	-	
Interest Income	(2,910)	(3,855)	
 Revenue Required From Water Sales	 10,372,406	 10,513,769	
Revenue from Sales at Present Rates	(8,274,887)	(8,274,887)	
 Required Revenue Increase	 \$ 2,097,519	 \$ 2,238,882	
Percentage Increase	25.35%	27.06%	

Debt Service Coverage

Mountain District proposed the Debt Coverage Method to calculate its revenue requirement; where it elected to seek recovery only of its interest expense as incurred in the period from July 1, 2022 to June 30, 2023, the year following the test period.⁸⁵ Included in the calculation was interest incurred for payments on leased equipment, AEP Lighting Project, and PS Rehab project.⁸⁶ Mountain District stated that since it was funding depreciation at 100 percent, it did not want to also recover the principal payments; relying instead on Depreciation to take care of capital costs.⁸⁷ In addition, Mountain

⁸⁵ Application at 4, paragraph 19.

⁸⁶ Application, Exhibit 11, at 255, Revenue Requirement Calculation, Debt Coverage Method, Only FY 2023 (July 1, 2022-June 30, 2023) Interest Requested.

⁸⁷ HVT of the Aug. 16, 2023 Hearing, Connie Allen Testimony, 13:19:12.

District stated the rates were already high, and it was expecting a fully funded depreciation to absorb capital costs.⁸⁸

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;⁸⁹ (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 three year Principal and Interest method of Debt Service Coverage method is appropriate given the debt currently held by Mountain District. This will allow for the proper funding of the debt service obligations. The Commission reviewed Mountain District's debt service requirements and calculated an Average Annual Debt Service Payment of \$677,204, as shown below.

1. Average Annual Principal and Interest Payments. Mountain District reported two outstanding United States Department of Agriculture Rural Development

⁸⁸ Hearing, Aug. 16, 2023, Connie Allen Testimony, 13:19:55.

⁸⁹ 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).

(RD) Bonds,⁹⁰ three outstanding KIA Loans,⁹¹ and 85 percent of one Kentucky Rural Water Finance Corporation (KRWFC) bond.⁹² The Commission calculated the average annual principal and interest on a three-year average for the years 2023 through 2025. The Commission calculated average debt service of \$677,204 as shown below.

⁹⁰ Case No. 2019-00346, *Application of Mountain Water District for a Certificate of Public Convenience and Necessity to Construct a Water Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to KRS. 278.023*, (Ky. PSC Oct. 2019). Case No. 2001-00339, *The Application of Mountain Water District for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to the Provisions of KRS 278.023* (Ky. PSC Nov. 5, 2001).

⁹¹ Case No. 1992-00227, *The Application of Mountain Water District of Pike County, Kentucky for Order Approving Construction Financing, Certificate of Public Convenience and Necessity, and Water Rates* (Ky. PSC Jun. 19, 1992). Case No. 1993-00060, *The Application of Mountain Water District of Pike County, Kentucky, for a Certificate of Public Convenience and Necessity to Construct, Finance And Increase Rates Pursuant To KRS 278.023* (Ky. PSC Mar. 11, 1993). Case No. 2001-00339, *The Application of Mountain Water District for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to the Provisions of KRS 278.023* (Ky. PSC Nov. 5, 2001).

⁹² Case No. 2021-00412, *Electronic Application of Mountain Water District to Issue Securities in the Approximate Principal Amount of \$5,930,000 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 Dec. 13, 2021).

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
KIA-B291-01				
Principal	\$ 16,776	\$ -	\$ -	\$ 16,776
Interest	378	-	-	378
KIA B291-07				
Principal	253,433	-	-	253,433
Interest	5,525	-	-	5,525
KIA F01-07				
Principal	69,954	35,450	-	105,405
Interest	1,584	319	-	1,903
RD 91-24				
Principal	19,000	20,000	21,000	60,000
Interest	17,144	16,510	15,844	49,498
RD 92-45				
Principal	59,800	60,700	61,600	182,100
Interest	45,495	44,598	43,687	133,780
KRWFC 85%				
Principal	225,250	246,500	259,250	731,000
Interest	176,498	164,233	151,083	491,814
	<u>\$ 890,838</u>	<u>\$ 588,310</u>	<u>\$ 552,464</u>	
Total				2,031,612
Divided by 3 years				<u>3</u>
3 yr. Average Annual Debt Principal Payment				449,571
3 yr. Average Interest Payment				<u>227,633</u>
Total Average Annual Debt Service Payment				<u>\$ 677,204</u>

2. Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. In its application, Mountain District requested recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments for its Waterworks Revenue Bonds and KIA Loan at the time of its application.

Following its historic practice, the Commission agrees with Mountain District. Therefore, as calculated below and shown in the table above, \$135,441 is included in the revenue requirement.

Average Annual Principal and Interest	\$ 677,204
Times: DSC Coverage Ratio	<u>120%</u>
Total Net Revenues Required	812,645
Less: Average Annual Principal and Interest Payments	<u>(677,204)</u>
Additional Working Capital	<u>\$ 135,441</u>

WATER INFRASTRUCTURE IMPROVEMENT SURCHARGE

In its application, Mountain District proposed to assess each customer a monthly Water Infrastructure Surcharge of \$5.61 for a period of 36 months in order to obtain the necessary funding for infrastructure improvements designed to reduce its high rate of unaccounted-for water loss.⁹³ The projects proposed for use of surcharge funds included installing zone meters, establishing district meter areas, installing advanced metering infrastructure, replacing residential and commercial meters, developing institutional controls, booster pump station replacement and rehabilitation, water storage tank improvements, water treatment plant improvements, telemetry installation, and replacing problematic mains and service lines.⁹⁴ Mountain District estimated the surcharge will produce revenues of \$3,334,178.⁹⁵

⁹³ Application at 7, paragraph 35.

⁹⁴ Application, Exhibit 7 at 9.

⁹⁵ Application at 8, paragraph 35.

Mountain District stated it currently lacks the staffing to both run its daily operations and replace the infrastructure. Mountain District proposed part of the surcharge to provide for four laborers that would be hired and equipped to maintain and replace infrastructure;⁹⁶ however, there was testimony that these employees may or may not be retained after the 36 month project timeline.⁹⁷ Testimony was presented acknowledging after the 36 months proposed surcharge period has expired, Mountain District will still need continue work maintaining any newly installed infrastructure. It was further stated that, if Mountain District believes the proposed infrastructure plan was successful and it no longer needs to be continued, the equipment purchased for the infrastructure improvements will be absorbed into the district's fleet and equipment inventory and used for daily maintenance and construction.⁹⁸ Mountain District argued the proposed surcharge is to be used as a "jump start" to a larger capital improvements plan and to evaluate the effectiveness of the proposed projects.⁹⁹ Additionally, Mountain District stated that it reserved the right to request an extension to the surcharge past the 36 months if necessary.¹⁰⁰

During the hearing, Mountain District stated no federal funding had been provided to help fund its water loss reduction program.¹⁰¹ However, Mountain District stated in a correction to witness testimony that it is currently receiving federal funds for infrastructure

⁹⁶ HVT of the Aug. 16, 2023 Hearing, Tammy Olson Testimony, 10:01:50

⁹⁷ HVT of the Aug. 16, 2023 Hearing, Tammy Olson Testimony, 09:58:50

⁹⁸ HVT of the Aug. 16, 2023 Hearing, Tammy Olson Testimony, 10:08:20.

⁹⁹ HVT of the Aug. 16, 2023 Hearing, Tammy Olson Testimony, 10:03:40.

¹⁰⁰ HVT of the Aug. 16, 2023 Hearing, Tammy Olson Testimony, 10:04:00.

¹⁰¹ HVT of the Aug. 16, 2023 Hearing, Tammy Olson Testimony, 10:43:35.

improvements to reduce water loss,¹⁰² including a Cleaner Water Grant (No. 22CWW069) in the amount of \$1,926,262 from the Kentucky Infrastructure Authority (KIA) for its capital Infrastructure Water Main Replacement Project, (with the purpose of replacing water mains susceptible to repetitive leaks).¹⁰³ In addition to these funds, the Pike County Fiscal Court in 2022 allocated approximately 1.5 million of American Rescue Plan Act funds to Mountain District. Mountain District used these monies to fund the water loss Prevention Program Phase 1. That project is currently in progress.¹⁰⁴

Mountain District stated it would like to place take the surcharge monies into an account and accumulate funds in order to fund the projects directly,¹⁰⁵ but agreed that it would be difficult to fund the proposed projects with only the surcharge monies collected.¹⁰⁶ Mountain District stated it is currently not interested in incurring additional debt to fund the proposed projects under its infrastructure plan.¹⁰⁷

The Commission would note that Mountain District is already receiving approximately 3.5 million dollars in Federal funds to be used to improve its water infrastructure. While the Commission acknowledges the proposed infrastructure is a good step towards planning for infrastructure improvements and decreasing unaccounted for water loss, the proposed plan as presented in this case lacks both support that all items are solely related to those ends, and that some of the proposed items are Operating

¹⁰² Mountain District's Correction to Hearing Testimony (filed Sept. 7, 2023) at 1.

¹⁰³ Mountain District's Correction to Hearing Testimony at 1.

¹⁰⁴ Mountain District's Correction to Hearing Testimony at 2.

¹⁰⁵ HVT of the Aug. 16, 2023 Hearing, Tammy Olson Testimony, 10:53:55.

¹⁰⁶ HVT of the Aug. 16, 2023 Hearing, Tammy Olson Testimony, 10:57:10.

¹⁰⁷ HVT of the Aug. 16, 2023 Hearing, Tammy Olson Testimony, 10:57:33.

and Maintenance expenditures, such as salaries, that should be included in base rates instead. The Commission accordingly rejects Mountain District's proposed water infrastructure surcharge proposal as a part of this rate case, and recommends that Mountain District file for any necessary Certificates of Public Convenience and Necessity (CPCN) with financing cases for items that should be treated as normal capital expenditures which are included in its proposed infrastructure plan.

WATER LOSS SURCHARGE

The Commission proposes to allow Mountain District to implement a Water Loss Reduction Surcharge at the recalculated amount of \$1.72 per customer¹⁰⁸ per month for 48 months to help lower system water loss to more acceptable levels. The surcharge would produce approximately \$342,129 annually, and \$1,368,516¹⁰⁹ in total collections over the four-year period.¹¹⁰

The annual surcharge collection reflects the amount disallowed for excessive water loss pursuant to 807 KAR 5:066, Section 6(3). The use of a surcharge is consistent with prior Commission action in cases involving water utilities with excessive unaccounted-for water loss.¹¹¹ In establishing water-loss surcharges, the Commission

¹⁰⁸ 2021 Annual Water Report at 49.

¹⁰⁹ \$1.72 x 16,576 customer x 12 months = \$341,129 x 4 years = \$1,368,516.

¹¹⁰ \$342,129 multiplied by 4 years = \$1,368,516.

¹¹¹ See Case No. 96-126, *An Investigation into the Operations and Management of Mountain Water District* (Ky. PSC Aug. 11, 1997); Case No. 2011-00217, *Application of Cannonsburg Water District for (1) Approval of Emergency Rate Relief and (2) Approval of the Increase in Nonrecurring Charges* (Ky. PSC June 4, 2012); Case No. 2018-00017, *Application of Martin County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 5, 2018); Case No. 2018-00429, *Application of Graves County Water District for an Alternative Rate Adjustment* (Ky. PSC Sept. 30, 2019); and Case No. 2019-00119, *Electronic Application of Estill County Water District No. 1 for a Surcharge to Finance Water Loss Control Efforts* (Ky. PSC Mar. 24, 2020).

recognized that the adjustments required to comply with the 15 percent line-loss limitation in 807 KAR 5:066, Section 6(3), could severely restrict cash flow and could impair a water district's ability to take the necessary action to focus on its leak detection and repair. Using a surcharge to fund a water utility's water loss reduction efforts allows the Commission to place strict controls governing the surcharge proceeds to ensure their effective use, public acceptance of the surcharge and public confidence in the water utility's use of those funds. In its report titled *Confronting the Problems Plaguing Kentucky's Water Utilities: An Investigative Report by the Kentucky Public Service Commission November 2019* that was fully incorporated in the final Order in Case No. 2019-00041, Appendix L, the Commission recommended more frequent rate cases and pursuing qualified infrastructure improvement surcharges, the proceeds of which will be devoted exclusively to infrastructure improvement and replacement.¹¹²

Therefore, the Commission finds that a monthly surcharge is a reasonable means for Mountain District to recover the cost for its water leak detection efforts and repairs in order to reduce the increased expense and lost revenue from unaccounted-for water loss. The Commission will open a separate surcharge monitoring case. The Commission finds that a monthly water loss reduction surcharge of \$1.72 per customer over 48 months, or until \$341,402 has been assessed, whichever occurs first, should be approved subject to the below conditions:

1. Within 120 days of the date of this Order, Mountain District should file with the Commission a qualified infrastructure improvement plan (QIIP), including a

¹¹² Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), Appendix L, *Confronting the Problems Plaguing Kentucky's Water Utilities: An Investigative Report by the Kentucky Public Service Commission November 2019* at 24–25.

comprehensive unaccounted-for water loss reduction plan that establishes priorities and a time schedule for eliminating each source of unaccounted-for water loss, and provide a detailed spending plan for the proceeds of a surcharge. Mountain District's QIIP should also detail what infrastructure projects it proposes for use of the KIA Clean Water Grant (No. 22CWW069) and American Rescue Plan Act funds.

2. Mountain District should deposit surcharge collection in a separate interest bearing account.

3. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, Mountain District should file with the Commission a monthly activity report that includes a statement of monthly surcharge billings and collections using the format in the Surcharge Reporting form,¹¹³ a monthly surcharge bank statement, a list of each payment from the account, its payee, and a description of the purpose, and invoice supporting each payment.

4. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, Mountain District should file a monthly water-loss reports with the Commission.¹¹⁴

5. Mountain District should not use any surcharge proceeds for reimbursement of unaccounted-for water loss reduction expense without prior Commission authorization.

¹¹³ The Surcharge Reporting form can be found at <https://psc.ky.gov/Home/UtilForms> under the Water tab, "Surcharge Report (Excel format).

¹¹⁴ The report format is found at <https://psc.ky.gov/Home/UtilForms> under "Water Use & Loss Calculations (Excel format)".

6. Mountain District should file requests to use surcharge proceeds into the record of this proceeding. The request should include a complete description of the equipment, project, or service for which approval is sought; bids, invoices, or price quotes as applicable; and a statement describing how the proposed purchase, project, or service is related to the qualified infrastructure improvement plan and the goal of reducing unaccounted-for water loss.

7. Mountain District should consider all surcharge collections as contributions and shall account for them in the manner that a Uniform System of Accounts for Class A and B Water Districts and Associations prescribes.

8. Mountain District should debit monthly billings for the surcharge to customers' accounts receivable and credit the contribution account.

9. When Mountain District collects the surcharge from the customers, it should debit special funds and credit the customer account.

10. For the purpose of evaluating whether adjustments in the surcharge are required, Mountain District should file an annual report of surcharge activity and water loss improvement progress no later than April 30 of each year. The report should be based on the preceding year ended December 31 with reported surcharge billings and expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and Mountain District's audited financial statements.

11. Mountain District's failure to comply with any conditions attached to its assessment of the surcharge will result in termination of the surcharge and the refund of all surcharge proceeds previously collected.

RATE DESIGN

Cost-of-Service Study. Mountain District proposed to increase its monthly retail water service rates and its monthly wholesale service rates by the cost-of-service study (COSS) performed by Connie L. Allen, of the Salt River Engineer, PLLC. Ms. Allen stated that her COSS was developed using the guidelines and procedures recommended in the American Water Works Association's (AWWA) Water Rates Manual M-1(M-1 Manual). The Commission has previously accepted a COSS that used the AWWA M-1 Manual and its guidelines as a reasonable method to ratemaking and a reasonable method of designing rates for water utilities.

At the hearing, Ms. Allen stated that the COSS is based upon the guidelines and procedures in the AWWA M-1 Manual. She also discussed cost based rates and how this COSS dictated her rate design change in that the customer class cost-causer pays their proper portion of providing water to these customers.¹¹⁵ Ms. Allen additionally stated that it is important to develop the rates for each type of customers, specifically. Ms. Allen stated the need to develop an industrial rate is necessary in her opinion.¹¹⁶

While the Commission understands the desire of Mountain District to develop rates that recover the costs based upon the cost-causer, the Commission does not believe that the proposed rate design is best or recovers the costs associated with the cost-causer. In Ms. Allen's example, having an industrial rate may be appropriate for an industrial customer that manufactures and creates a large demand on the system, but for a customer in her example, and industrial rate this would not be an appropriate rate simply

¹¹⁵ HVT of the Aug. 16, 2023 Hearing, Connie Allen Testimony, 13:35:20.

¹¹⁶ HVT of the Aug. 16, 2023 Hearing, Connie Allen Testimony, 13:32:31.

because a customer is located in an industrial park. The Commission rejects Ms. Allen's method of redefining the rate schedule of rates based upon the customer classes, then by meter sizes and the differing rates for the same sized meters but differing customer classifications.

At the hearing Ms. Allen stated that she has developed this type of a COSS for municipals before the present case. The city of Danville, Richmond Utilities, city of New Haven, city of Nicholasville, and city of Princeton were clients that accepted the COSS and rate design offered by Ms. Allen. Ms. Allen stated the Commission has accepted these COSS's, when the municipals filed for the approval of wholesale water service rates being charged to a jurisdictional water system under the regulatory review of the Commission.¹¹⁷ However, the Commission would emphasize that it does not have jurisdiction over the municipal's retail water service rates and the Commission has not evaluated Ms. Allen's COSS over the wholesale water service rates in any matter brought before the Commission.¹¹⁸ Therefore, the Commission rejects the presumption that Ms. Allen's COSS has been thoroughly reviewed or approved.

The Commission denies the proposed rates developed using Ms. Allen's COSS for the reasons set forth above.¹¹⁹ The Commission instead finds that a rate design should be utilized that sets a customer charge and volumetric rate for each meter size and to maintain Mountain District's proposal to phase-in the rates over three-year.¹²⁰

¹¹⁷ HVT of the Aug. 16, 2023 Hearing, Connie Allen Testimony, 13:42:32.

¹¹⁸ HVT of the Aug. 16, 2023 Hearing, Connie Allen Testimony, 13:37:55.

¹¹⁹ Application, Exhibit 1, page 2 of 3.

¹²⁰ Application, Exhibit 1, page 2 of 3.

The Commission finds that, with the adjustments to the total Revenue Requirement (see the discussion on the revenue requirement and the table Revenue Requirement Determination- Debt Service Coverage), the rates in Appendix B are fair, just and reasonable.

The monthly bill of a typical residential customer using 3,100 gallons¹²¹ of water for Phase 1 Rates including the Water Loss Surcharge will increase from \$33.50 to \$38.83, an increase of \$5.33, or 15.90 percent, of which 5.13 percent is the inclusion of the Water Loss Surcharge. The monthly bill of a typical residential customer for Phase 2 Rates will increase from \$38.83 to \$42.11, an increase of \$3.29, or 8.46 percent of which 4.43 percent is the inclusion of the Water Loss Surcharge. The monthly bill of a typical residential customer for Phase 3 Rates will increase from \$42.11 to \$45.24, an increase of \$3.13, or 7.19 percent of which 4.08 percent is the inclusion of the Water Loss Surcharge.

Nonrecurring Charges:

The Commission continues to follow its previous decisions regarding nonrecurring charges: personnel are paid during normal business hours and their salaries are recovered through base rates. The Commission requires that charges be directly related to the actual cost incurred to provide the service. It is unreasonable to allocate an expense already incurred as a day-to-day cost of maintaining a system, such as the salary of a distribution operator, to a nonrecurring service such as the connection and reconnection of a meter during normal working hours. Only the marginal costs related to

¹²¹ Application, Exhibit 4.

the service should be recovered through a special nonrecurring charge for service provided during normal working hours.

The tables in Appendix A show the calculation of the adjustment of the increase to the test year nonrecurring charges and how each nonrecurring charge was adjusted. Therefore, the Commission finds that nonrecurring charges should each be reduced by the estimated labor costs stated in the cost justification sheets. The Commission accordingly finds the revised nonrecurring charges set out in Appendix B are reasonable and should be accepted.

Meter Connections/Tap-On Fee. Mountain District provided updated cost justification sheets for their 5/8-inch Meter connection with an increase of \$780 from \$445 to \$1,225.¹²² The Commission finds this increase to Mountain District's Service Connection Fees to be reasonable and that they should be approved.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the adjustments, as discussed 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 Mountain District's pro forma operations results in an Overall Revenue Requirement of \$10,802,116 and, based upon pro forma present rate service revenues of \$8,274,887, a revenue increase of \$2,238,882 from water service rates is necessary to generate the overall revenue requirement.

¹²² Mountain District's Response to Staff's Second Request, Item 36, Exhibit 36.

IT IS THEREFORE ORDERED that:

1. Mountain District's application for an adjustment of its rates is denied as proposed.

2. The general water service rates set forth in Appendix B of this Order are approved for the water service that Mountain District renders on and after the date of this Order.

3. The nonrecurring charge rates set forth in Appendix B of this Order are approved for the water service that Mountain District renders on and after the date of this Order.

4. Within 20 days of the date of entry of this Order, Mountain 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.

5. Within 20 days of the date of entry of this Order, Mountain District shall file through the Commission's Electronic Tariff Filing system new nonrecurring charges reflecting the marginal cost of each nonrecurring service. The Commission shall open a separate proceeding, Case No. 2023-00351 to monitor the surcharge proceeds collection and expenses, subject to the following conditions:

a. Within 120 days of the date of service of this Order, Mountain District shall file with the Commission a QIIP, including a comprehensive unaccounted-for water loss reduction plan that establishes priorities and a time schedule for eliminating each source of unaccounted-for water loss and provides a detailed spending plan for the proceeds of a surcharge. Mountain District's QIIP should also detail what infrastructure

projects it proposes for use of the KIA Clean Water Grant (No. 22CWW069) and American Rescue Plan Act funds.

b. Mountain District shall deposit surcharge collections in a separate interest-bearing account.

c. On the 15th day of each month for 48 months from the date of this Order or until all surcharge proceeds are expended, Mountain District shall file with the Commission a monthly activity report that includes a statement of monthly surcharge billings and collections using the format in the Surcharge Reporting form located on the Commission's website, a monthly surcharge bank statement, a list of each payment from the account, its payee, a description of the purpose, and invoices supporting each payment.

d. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, Mountain District shall file a monthly water loss report with the Commission.

e. Mountain District shall not use any surcharge proceeds for reimbursement of unaccounted-for water loss reduction expenses without prior Commission authorization.

f. Mountain District shall file all requests to use surcharge proceeds in the record of this proceeding. A request shall include a complete description of the equipment, project, or service for which approval is sought; bids, invoices, or price quotes as applicable; and a statement describing how the proposed purchase, project, or service is related to the qualified infrastructure improvement plan and the goal of reducing unaccounted-for water loss.

g. Mountain District shall consider all surcharge collections as contributions and shall account for them in the manner that the Uniform System of Accounts for Class A and B Water Districts and Associations prescribes.

h. Mountain District shall debit monthly billings for the surcharge to customers' accounts received and credit the contribution account.

i. When Mountain District collects the surcharge from the customers, it shall debit special funds and credit the customer account

j. No later than April 30 of each year, Mountain District shall file in Case No. 2023-00202, a report of surcharge activity and water loss improvement progress based on the preceding year ended December 31 with reported annual surcharge billings and expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and Mountain District's audited financial statements. Cumulative surcharge billings and expenditures shall also be reported. A schedule of the estimated and actual progress of the water loss detection and repair program, actual expenditures made with surcharge proceeds, and encumbered amounts of future surcharge proceeds for the purpose of evaluating whether adjustments to the program or to the surcharge amount shall be provided.

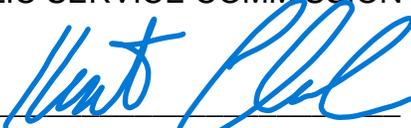
k. Mountain District shall respond to any requests for information propounded by Commission Staff as a result of the required filings regarding the surcharge as provided in those requests.

l. Mountain District's failure to comply with any conditions attached to its assessment of the surcharge shall result in termination of the surcharge and the refund of all surcharge proceeds previously collected.

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

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PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
OCT 31 2023
rCS
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00366 DATED OCT 31 2023

	Num.	Current Rate	Total	Revised Rate	Adj	Pro Forma
Miscellaneous Service Revenues:						
Connection Charge	1835	\$30.00	\$55,080	\$14.50	(\$28,473)	\$26,608
Connection Charge After Hours	83	\$50.00	\$4,150	\$53.00	\$249	\$4,399
Disconnection Charge	1802	\$30.00	\$54,693	\$14.50	(\$28,564)	\$26,129
Hydrant Installation Charge	0	\$3,300.00	\$0	\$6,700.00	\$0	\$0
Meter Reread Charge	27	\$30.00	\$810	\$14.50	(\$419)	\$392
Meter Test Charge	10	\$30.00	\$300	\$12.50	(\$175)	\$125
Reconnection Charge	1835	\$30.00	\$59,230	\$14.50	(\$32,623)	\$26,608
Returned Check Charge	264	\$25.00	\$6,600	\$1.50	(\$6,204)	\$396
Service Investigation Charge	6	\$30.00	\$180	\$14.50	(\$93)	\$87
Service Investigation Charge After Hours	0	\$75.00	\$0	\$92.00	\$0	\$0
Termination Charge	0	\$30.00	\$0	\$14.50	\$0	\$0
Turn On Charge	871	\$30.00	\$26,130	\$14.50	(\$13,501)	\$12,630
Unauthorized Investigation Charge	87	\$75.00	\$6,525	\$12.50	(\$5,438)	\$1,088
Total Miscellaneous Service Revenues			\$213,698		(\$115,239)	\$98,460

Nonrecurring Charges Adjustments

Connection Charge, Disconnection Charge, Meter Reread Charge, Reconnection Charge, Service Investigation Charge, Termination Charge, Turn on Charge

	District Revised Charge	Staff Revised Charge
Field Labor \$22.57 at 1.0 hour	\$22.57	\$0.00
Office Labor \$11.12 at 1.0 hour	11.12	0.00
Supplies	1.40	1.40
Transportation	\$13.10	\$13.10
Total Revised Charge	\$72.58	\$14.50
Current Rate	\$66.00	

Connection After Hours Charge

	District Revised Charge	Staff Revised Charge
Field Labor \$28.60 at 3.0 hour	\$38.60	\$38.60
Office Labor \$0.00 at 0.0 hour	\$ 0.00	\$ 0.00
Transportation	\$19.65	\$19.65
Total Revised Charge	\$94.65	\$53.00

Current Rate \$42.00

Meter Test Charge, Unauthorized Investigation Charge

	District Revised Charge	Staff Revised Charge
Field Labor \$25.73 at 3.0 hour	\$77.19	\$0.00
Office Labor \$17.43 at 0.1 hour	17.43	0.00
Supplies	1.40	1.40
Transportation	\$11.20	\$11.20
Total Revised Charge	\$109.00	\$12.50

Current Rate \$75.00

Returned Check Charge

	District Revised Charge	Staff Revised Charge
Field Labor \$0.00 at 0.0 hour	\$0.00	\$0.00
Office Labor \$22.23 at 1.0 hour	22.23	0.00
Supplies	1.40	1.40
Transportation	\$0.00	\$0.00
Total Revised Charge	\$24.00	\$1.50

Current Rate \$25.00

Investigation After Hours Charge

	District Revised Charge	Staff Revised Charge
Field Labor \$25.73 at 3.0 hour	\$77.19	\$77.19
Office Labor \$17.23 at 1.0 hour	17.43	0.00
Supplies	1.40	1.40
Transportation	\$13.10	\$13.10
Total Revised Charge	\$109.00	\$92.00

Current Rate \$75.00

Hydrant Installation Charge

	District Revised Charge	Staff Revised Charge
Materials	\$6,500.96	6,500.96
Field Labor \$73.62 at 6.0 hour	441.72	\$0.00

Office Labor \$7.06 at 1.0 hour	7.06	0.00
Supplies	1.40	1.40
Transportation	\$39.30	\$13.10
Equipment Rental	160.00	160.00
Total Revised Charge	\$7,150.44	\$6,702.00
Current Rate	\$3,300.00	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00366 DATED OCT 31 2023

The following rates and charges are prescribed for the customers in the area served by Mountain Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

Phase 1

3/4-Inch Meter

Customer Charge	\$8.99	Minimum Bill
Volumetric Rate	0.00907	Per Gallon

3/4-Inch Meter, Multiple Users

Customer Charge	\$8.99	Minimum Bill
Volumetric Rate	0.00907	Per Gallon

1-Inch Meter

Customer Charge	\$12.59	Minimum Bill
Volumetric Rate	0.00907	Per Gallon

2-Inch Meter

Customer Charge	\$26.07	Minimum Bill
Volumetric Rate	0.00907	Per Gallon

3-Inch Meter

Customer Charge	\$98.89	Minimum Bill
Volumetric Rate	0.00907	Per Gallon

4-Inch Meter

Customer Charge	\$125.86	Minimum Bill
Volumetric Rate	0.00907	Per Gallon

6-Inch Meter

Customer Charge	\$188.79	Minimum Bill
Volumetric Rate	0.00907	Per Gallon
Wholesale Rate	\$0.00874	Per Gallon

Water Loss Surcharge \$1.72 Per Meter
 The Water Loss Surcharge is to be collect per meter for 4 years or until a total amount of \$1,368,516 is collected.

Monthly Water Rates

Phase 2

3/4-Inch Meter

Customer Charge	\$8.99	Minimum Bill
Volumetric Rate	0.01013	Per Gallon

3/4-Inch Meter, Multiple Users

Customer Charge	\$8.99	Minimum Bill
Volumetric Rate	0.01013	Per Gallon

1-Inch Meter

Customer Charge	\$12.59	Minimum Bill
Volumetric Rate	0.01013	Per Gallon

2-Inch Meter

Customer Charge	\$26.07	Minimum Bill
Volumetric Rate	0.01013	Per Gallon

3-Inch Meter

Customer Charge	\$98.89	Minimum Bill
Volumetric Rate	0.01013	Per Gallon

4-Inch Meter

Customer Charge	\$125.86	Minimum Bill
Volumetric Rate	0.01013	Per Gallon

6-Inch Meter

Customer Charge	\$188.79	Minimum Bill
Volumetric Rate	0.00.01013	Per Gallon

Wholesale Rate

\$0.00874	Per Gallon
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Monthly Water Rates

Phase 3

3/4-Inch Meter

Customer Charge	\$8.99	Minimum Bill
Volumetric Rate	0.01114	Per Gallon

3/4-Inch Meter, Multiple Users

Customer Charge	\$8.99	Minimum Bill
Volumetric Rate	0.01114	Per Gallon
<u>1-Inch Meter</u>		
Customer Charge	\$12.59	Minimum Bill
Volumetric Rate	0.01114	Per Gallon
<u>2-Inch Meter</u>		
Customer Charge	\$26.07	Minimum Bill
Volumetric Rate	0.01114	Per Gallon
<u>3-Inch Meter</u>		
Customer Charge	\$98.89	Minimum Bill
Volumetric Rate	0.01114	Per Gallon
<u>4-Inch Meter</u>		
Customer Charge	\$125.86	Minimum Bill
Volumetric Rate	0.01114	Per Gallon
<u>6-Inch Meter</u>		
Customer Charge	\$188.79	Minimum Bill
Volumetric Rate	0.01114	Per Gallon
Wholesale Rate	\$0.00874	Per Gallon

NONRECURRING CHARGES

Connection Charge	\$14.50
Connection Charge After Hours	\$53.00
Disconnection Charge	\$14.50
Hydrant Installation Charge	\$6,700.00
Meter Reread Charge	\$14.50
Meter Test Charge	\$12.50
Reconnection Charge	\$14.50
Returned Check Charge	\$1.50
Service Investigation Charge	\$14.50
Service Investigation Charge After Hours	\$92.00
Termination Charge	\$14.50
Turn On Charge	\$14.50
Unauthorized Investigation Charge	\$12.50

Tap-On Fee

5/8-inch Meter

\$1,225

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2022-00366 DATED OCT 31 2023

	Test Year	Mountain Water District Proposed Adjustments	Commission Adjustments	Commission's Pro Forma
Operating Revenues				
Total Metered Water Sales	\$ 8,173,985	\$ 100,902	\$ 100,902	\$ 8,274,887
Other Water Revenues				
Forfeited Discounts	159,273			159,273
Misc. Service Revenues	175,147		(76,688)	98,459
Other Water Revenues	26,760			26,760
Total Operating Revenues	8,535,165	100,902	24,214	8,559,379
Operating Expenses				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	1,881,072	94,211	(6,020)	1,875,052
Salaries and Wages - Officers	22,601		1,399	24,000
Employee Pensions and Benefits				
Employee Benefits	349,505	(58,000)	(39,365)	310,140
Employee Pensions	463,712	5,991	(26,075)	437,637
Purchased Water	1,180,640	(7,610)	75,204	
			(156,101)	1,099,743
Purchased Power	1,286,870	(69,167)	(159,958)	1,126,912
Chemicals	173,233	8,642	30,650	
			(25,343)	178,540
Materials and Supplies				
Uniforms	25,494			25,494
Laboratory	13,675			13,675
R&M Leak Detection	1,951			1,951
Safety Equipment	16,588			16,588
Hand Tools- R&M Tools	21,414			21,414
PS/LS Repair	115,511			115,511
Major Equipment Repair	62,081			62,081
Employee Expense	7,611			7,611
General Maintenance R&M	516,865			516,865
Contractual Services- Accounting	66,304			66,304
Contractual Services- Engineering	3,998			3,998
Contractual Services- Legal	10,736			10,736
Contractual Services- Others				
Services- Manpower	234,090	285,078	241,814	475,904
Outside Services	10,260			10,260
Water Testing	54,084			54,084
Rents	6,746			6,746
Transportation/ Vehicle Expenses	256,127			256,127
Insurance- General Liability	110,120	11,007.00	4,470.00	114,590
Insurance- Worker's Compensation	46,189	7,553.00	7,553.00	53,742
Advertising Expenses	1,956			1,956
Regulatory Commission Expenses				
Rate Case Expenses	664	24,310.00	38,106.00	38,770
PSC Assessment Expense	-		12,701.00	12,701
Bad Debt Expense	78,794			78,794
Miscellaneous Expense				
Postage	197,235			197,235
Telephone	47,423			47,423
R&M Telemetry	24,586			24,586
Miscellaneous Supplies	3,255			3,255
Education Dues	36,494			36,494
Service Fees	10,488			10,488
Total Operation and Maintenance Expenses	7,338,372	302,015	(965)	7,337,407
Depreciation	2,722,308	(30,722)	(215,521)	2,506,787
Taxes Other Than Income				
FICA	132,944		12,333	145,277
Utility Operating Expenses	10,193,624	271,293	(204,153)	9,989,471
Net Operating Income	(1,658,459)	(170,391)	228,367	(1,430,092)
Interest and Dividend Income	3,855	-		3,855
Gains (Losses) on the Disposition of Assets	11,503		(11,503)	-
Income Available to Service Debt	(1,643,101)	(170,391)	216,864	(1,426,237)

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