

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)	
CANNONSBURG WATER DISTRICT FOR A)	CASE NO.
RATE ADJUSTMENT PURSUANT TO 807 KAR)	2024-00155
5:076)	

ORDER

On May 22, 2024,¹ Cannonsburg Water District (Cannonsburg District) filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076.

In its application, Cannonsburg District requested rates that would increase its base rate revenue by \$418,539, or 16.72 percent to pro forma present rate water sale revenues.² In response to Commission Staff's Second Request for Information (Staff's Second Request), Cannonsburg District confirmed it did not include \$21,075 in Nonutility Income in its calculations for its revenue requirement.³ Following the Nonutility Income adjustment, Cannonsburg District's requested Required Revenue Increase decreased to \$397,464 or 15.88 percent. Cannonsburg District utilized calendar year ended December

¹ Cannonsburg District tendered its application on May 15, 2024. By letter dated May 20, 2024, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application was deemed filed on May 22, 2024.

² Application, Attachment 4, Statement of Adjusted Operations.

³ Commission Staff's Second Request for Information (Staff's Second Request) (filed Aug. 15, 2024), Item 12.

31, 2022, as the test year to determine the reasonableness of Cannonsburg District's existing and proposed water rates as required by 807 KAR 5:076, Section 9.⁴

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated June 12, 2024. The procedural schedule was amended by Order issued September 26, 2024. Cannonsburg District timely responded to four requests for information.⁵

Commission Staff issued its report (Commission Staff's Report) on October 17, 2024,⁶ summarizing its finds and recommendations regarding Cannonsburg District's requested rate adjustment. Commission Staff's Report found that Cannonsburg District's adjusted test-year operations support an overall revenue requirement of \$3,081,846 and that a \$484,805 revenue increase, or 19.37 percent, to pro forma present rate revenues is necessary to generate the overall revenue requirement.⁷ In the absence of a cost-of-service study (COSS), Commission Staff allocated its recommend revenue increase evenly across all customer classes to calculate its recommended water rates.

On October 30, 2024, Cannonsburg District filed its response to Commission Staff's Report.⁸ In its written comments, Cannonsburg District did not agree with the

⁴ The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes that coincides with the reporting period of the applicant's annual report for the immediate past year.

⁵ Cannonsburg District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed July 18, 2024), Cannonsburg District's Response to Staff's Second Request (Staff's Second Request) (filed Aug. 15, 2024), Cannonsburg District's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Sept. 6, 2024), and Cannonsburg District's Response to Commission Staff's Fourth Request for Information (Staff's Fourth Request) (filed Sept. 6, 2024).

⁶ Commission Staff's Report (issued Oct. 17, 2024).

⁷ Commission Staff's Report at 28, Revenue Requirement table.

⁸ Cannonsburg District's Response to Commission Staff's Report (filed Oct. 30, 2024).

removal of labor expenses from nonrecurring charges but did not want to contest the adjustment in this case. In response to issues raised in the Commission Staff's Report, Cannonsburg District provided a written credit card policy. It also stated that vehicle leases it used were open-ended and not term contracts.⁹ Finally, Cannonsburg District confirmed the remainder of findings presented in Commission Staff's Report and requested the Commission authorize the assessment of the water rates contained in Appendix A of Commission Staff's Report.

Due to Commission Staff's recommended revenue increase exceeding 110 percent of Cannonsburg District's requested amount,¹⁰ Cannonsburg District was ordered to provide an updated notice to its customers and proof of publication.¹¹ Before notice was published, Commission Staff discovered a clerical error, and an amendment to the Commission Staff's Report and *nunc pro tunc* order was issued on December 17, 2024, which revised the appendices provided in each.¹² Cannonsburg District provided proof of publication of its customer notice on January 16, 2025.¹³ The case now stands submitted for a decision by the Commission.

LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small

⁹ Cannonsburg District's Response to Commission Staff's Report.

¹⁰ $484,805 / 418,539 = 115.83 \%$

¹¹ Order (Ky. PSC Dec. 4, 2024) at 3.

¹² Amended Commission Staff's Report (Amended Staff Report) (issued Dec. 17, 2024); Order (Ky. PSC Dec. 17, 2024).

¹³ Proof of Published Customer Notice (filed Jan. 16, 2025).

utilities to use to request rate adjustments, with the process designed to be less costly to the utility and the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, the utility is allowed to charge its customers "only fair, just and reasonable rates."¹⁴ Further, the utility bears the burden of proof to show that the proposed rate increase is just and reasonable under KRS 278.190(3).

BACKGROUND

Cannonsburg District is a water utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system through which it provides retail water service to approximately 3,454 residential customers, 277 commercial customers, and 2 industrial customers that reside in Boyd and Greenup counties, Kentucky.¹⁵ Cannonsburg District's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2018-00376.¹⁶

UNACCOUNTED-FOR WATER LOSS

The Commission notes that in its 2022 Annual Report, Cannonsburg District reported a water loss of 17.5224 percent.¹⁷ Commission regulation 807 KAR 5:066, Section 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

¹⁴ *City of Covington v. Public Service Commission*, 313 S.W.2d 391 (Ky. 1958); and *Public Service Comm'n v. Dewitt Water District*, 720 S.W.2d 725 (Ky. 1986).

¹⁵ *Annual Report of Cannonsburg District to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report) at 11, 12, and 49.

¹⁶ Case No 2018-00376, *Application of Cannonsburg Water District for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (Ky. PSC May 13, 2019).

¹⁷ *Annual Report of Cannonsburg District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 58.

in its own operations. The table below shows that the 2022 total annual cost of water loss to Cannonsburg District is \$177,979, while the annual cost of water loss in excess of 15 percent is \$25,621. Cannonsburg District's water loss in 2021 was 21.1649 percent¹⁸ and 35.8186 percent in 2020.¹⁹

Total Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 940,853	\$ 74,871	\$ 1,015,724
Water Loss Percent	17.5224%	17.5224%	17.5224%
Total Water Loss	<u>\$ 164,860</u>	<u>\$ 13,119</u>	<u>\$ 177,979</u>

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 940,853	\$ 74,871	\$ 1,015,724
Water Loss in Excess of 15%	2.5224%	2.5224%	2.5224%
Disallowed Water Loss	<u>\$ 23,732</u>	<u>\$ 1,889</u>	<u>\$ 25,621</u>

TEST PERIOD

The calendar year ended December 31, 2022, was used as the test year to determine the reasonableness of Cannonsburg District's existing and proposed wastewater rates as required by 807 KAR 5:076, Section 9.²⁰

SUMMARY OF REVENUE AND EXPENSES

Commission Staff's Report summarizes Cannonsburg District's pro forma income statement as follows:

¹⁸ *Annual Report of Cannonsburg District to the Public Service Commission for the Calendar Year Ended December 31, 2021* (2021 Annual Report) at 57.

¹⁹ *Annual Report of Cannonsburg District to the Public Service Commission for the Calendar Year Ended December 31, 2020* (2020 Annual Report) at 57.

²⁰ The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes that coincides with the reporting period of the applicant's annual report for the immediate past year.

Description	Commission Staff's Report		
	Test-Year Operations	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues	\$ 3,087,027	\$ (512,436)	\$ 2,574,591
Operating Expenses	2,818,428	(140,556)	2,677,872
Total Utility Operating Income	<u>\$ 268,599</u>	<u>\$ (371,880)</u>	<u>\$ (103,281)</u>

REVIEW AND MODIFICATION OF COMMISSION STAFF'S RECOMMENDATIONS

Cannonsburg District proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In the Commission Staff's Report, Commission Staff proposed additional adjustments. After the issuance of Commission Staff's Report, Cannonsburg District filed a Purchased Water Adjustment (PWA), Case No. 2024-00395²¹. The rate adjustment in the PWA case required changes to the metered revenues and purchased water expense in this case, which will be discussed in their respective sections below. The following is the Commission's complete pro forma.

²¹ See Case No. 2024-00395, *Electronic Purchased Water Adjustment Filing of Cannonsburg Water District* (Ky. PSC Feb. 5, 2025).

PRO FORMA OPERATING STATEMENT

Description	Test Year	Total Adjustments	Commission Staff Report Pro Forma	Commission Adjustments	Pro Forma
Operating Revenues					
Total Retail Metered Sales	\$ 3,015,525	\$ (500,765) (11,441)	\$ 2,503,319	244,406	\$ 2,747,725
Other Water Revenues:					
Forfeited Discounts	45,386	0	45,386		45,386
Misc. Service Revenues	15,795	(230)	15,565		15,565
Other Water Revenues (fire / sprinkler)	10,321	0	10,321		10,321
Total Operating Revenues	<u>3,087,027</u>	<u>(512,436)</u>	<u>2,574,591</u>	<u>244,406</u>	<u>2,818,997</u>
Operating Expenses					
Operation and Maintenance					
Salaries and Wages - Employees	493,021	0 48,567 (6,653)	534,935		534,935
Salaries and Wages - Officers	30,000	0	30,000		30,000
Employee Pensions and Benefits - Medical	440,452	0 150,260 (128,364) (186,965)	275,383		275,383
Employee Benefits (CERS)	0	186,965 0 (55,402) (34,906) 10,090	106,747		106,747
Purchased Water	950,237	(23,732) (9,384)	917,121	(5,651) 224,013	1,135,483
Purchased Power	74,871	(1,889)	72,982		72,982
Materials and Supplies	147,263	(15,522)	131,741		131,741
Contractual Services - Acct.	8,450	0	8,450		8,450
Contractual Services - Legal	383	0	383		383
Contractual Services - Other	137,730	0	137,730		137,730
Transportation Expense	34,534	0	34,534		34,534
Insurance - Gen. Liability	29,764	0	29,764		29,764
Insurance - Worker's Comp	12,002	0	12,002		12,002
Miscellaneous Expense	128,227	(2,185)	126,042		126,042
Total Operation and Mnt. Expenses	<u>2,486,934</u>	<u>(69,120)</u>	<u>2,417,814</u>	<u>218,362</u>	<u>2,636,176</u>
Depreciation	271,042	(52,415)	218,627		218,627
Taxes Other Than Income	60,452	(19,021)	41,431		41,431
Total Operating Expenses	<u>2,818,428</u>	<u>(140,556)</u>	<u>2,677,872</u>	<u>218,362</u>	<u>2,896,234</u>
Net Operating Income	268,599	(371,880)	(103,281)	26,044	(77,237)
Interest Income		0	-	0	-
Income Available to Service Debt	<u>\$ 268,599</u>	<u>\$ (371,880)</u>	<u>\$ (103,281)</u>	<u>\$ 26,044</u>	<u>\$ (77,237)</u>

Total Retail Metered Sales. In its application, Cannonsburg District reported a test-year amount of \$3,015,525 and proposed two adjustments to the account.²² The first adjustment was to subtract \$500,765 from water sales revenue by removing what it stated was incorrectly recorded payments in transit from its lending agencies.²³ The second adjustment was to adjust test year revenue to the current billing analysis,²⁴ which was a decrease in the amount of \$11,441. Commission Staff recommended accepting the proposed adjustments to Retail Metered Sales to normalize its revenues to the amounts indicated in its billing analysis.

Commission Staff also noted that embedded in the \$500,765 adjustment, there was an adjustment for Nonrecurring Charges revenue, which should have been added to Miscellaneous Service Revenues but was not identified. Commission Staff expressed concern that Cannonsburg District's proposed \$500,765 adjustment, which equated to a 16.6 percent error in its audited revenues, was neither identified through the audit process nor did Cannonsburg District restate its audited financial statements due to the significant materiality of the error to both revenues and operating income.

As discussed in the modification section above, the Commission increased Metered Retail Sales to account for the PWA increase approved in Case No. 2024-00395.²⁵ To calculate this adjustment, the Commission applied the approved \$0.90 per thousand gallons increase from the final Order in the PWA Case to the existing billing

²² Application, Attachment #4, Schedule of Adjusted Operations (SAO).

²³ Application, Attachment #4, SAO, Reference A.

²⁴ Application, Attachment #4, SAO, Reference B.

²⁵ See Case No. 2024-00395, *Electronic Purchased Water Adjustment Filing of Cannonsburg Water District*.

analysis provided in this case.²⁶ This caused in an increase of \$244,406, resulting in Pro Forma Metered Retail Sales of \$2,747,725.

The Commission finds the recommended adjustments and the PWA normalized revenue adjustment are reasonable and approves the adjustments. The Commission also finds that Cannonsburg District should review its accounting controls to ensure that material errors are identified and corrected.

Other Water Revenues. In its application, Cannonsburg District reported three separate amounts in Other Water Revenue: Forfeited Discounts of \$45,386; Miscellaneous Service Revenues of \$15,795; and Other Water Revenues of \$10,321.²⁷ Cannonsburg District provided the number of instances that each nonrecurring charge was performed during the test period²⁸ as well as the cost justification sheets.²⁹ Commission Staff reviewed the responses, the cost justification sheets, and the general ledger. Commission Staff followed the Commission's precedent in removing field labor and office/clerical labor costs occurring during regular working hours from nonrecurring charges as the labor costs are already incorporated in the costs of operations.³⁰ Using

²⁶ Cannonsburg District's Response to Staff's First Request, Item 13a_BA_Existing_and_Proposed_Rates.

²⁷ Application, Attachment #4, SAO.

²⁸ Cannonsburg District's Response to Staff's Second Request, Item 15_No_of_Occurrences,_Charges_and_Totals_Collected.pdf.

²⁹ Cannonsburg District's Response to Staff's First Request, Item 17_NonRecurring_Charges_Cost_Justification.pdf.

³⁰ Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020); Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020); Case No. 2020-00196, *Electronic Application of West Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020); and Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020).

the information in the case record, as well as the current nonrecurring charge amount listed in its current tariff, Commission Staff calculated Pro Forma revenue from Nonrecurring Charges of \$15,565 as shown in the table below.

Description	Occurrences	Current Charge	Revised Charge	Pro Forma
Connection/Turn on	421	\$40.00	\$4.00	\$ 1,684
Connection/ Turn on After Hours	5	\$75.00	\$143.00	715
Meter Reread Charge	0	\$40.00	\$4.00	0
Re-Connection Charge	959	\$40.00	\$4.00	3,836
Re-Connection Charge After Hours	25	\$75.00	\$143.00	3,575
Service Call/ Investigation Charge	1	\$40.00	\$4.00	4
Service Call/ Investigation Charge After Hours	4	\$75.00	\$143.00	572
Damage to Lid or Meter Equipment	43	Actual Cost	Actual Cost	2,365
Return Check Charge	109	\$25.00	\$12.00	1,308
Meter Relocation Charge	2	Actual Charge	Actual Charge	1,502
Meter Test Charge	1	\$70.00	\$4.00	4
Field Collection Charge	0	\$25.00	\$0.00	0
Pro Forma Test Year NRC Revenue				\$ 15,565
Less: Test Year NRC Revenue ()				(15,795)
Adjustment				<u>\$ (230)</u>

Commission Staff proposed an adjustment of \$230 to bring the Miscellaneous Service Revenues reported in the test year to the Pro Forma amount indicated above.

Commission Staff reviewed the general ledger account for Other Water Revenue of \$10,321.³¹ Commission Staff determined this amount was a fixed monthly payment³² and adjusted the description in the Pro Forma Income Statement accordingly. Overall, Cannonsburg District's Total Other Water Revenues was \$71,272. Commission Staff recommended the Commission accept Commission Staff's adjustment to Other Water Revenue because the amounts are known and measurable.

³¹ Cannonsburg District's Response to Staff's First Request, Item 1A, 2022 General Ledger, Account Number 461-600.

³² There were two general ledger listings that were not fixed. One posting was for \$881 on July 31, 2023, and another posting was for \$840 on August 21, 2023. All other months reported the same amount of \$860.

The Commission finds that Commission Staff's recommendations are reasonable and consistent with recent Commission decisions addressing labor expenses resulting from work occurring during normal business hours should not be recovered through nonrecurring charges.³³ Non-recurring charges must be directly related to the actual cost incurred to provide the service. It is unreasonable to allocate an expense already incurred and recovered in customer rates 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. Thus, the Commission finds that the revised nonrecurring charges set forth in Appendix B to this Order and the decrease of \$230 to Other Water Revenue are reasonable and accepts both items.

Salaries and Wages - Employees. In its application, Cannonsburg District reported a test year amount of \$493,021 and proposed two adjustments to the account.³⁴ The first adjustment was to account for staffing changes, including several resignations and hiring for vacant positions, as a decrease of \$64,126.³⁵ Cannonsburg District also proposed a reduction of \$6,653 to remove the labor portion, 30 percent, of the tap-fees collected and installed by Cannonsburg District during the test year.³⁶ The Uniform System of Accounts for Class A/B Water Systems (USoA) requires that these costs be capitalized as Utility

³³ Case No. 2023-00090, *Electronic Application of Henry County Water District #2 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2023); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 4, 2024); Case No. 2023-00090, *Electronic Application of Kirksville Water Association Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00252, *Electronic Application of Oldham County Water District for an Alternative Rate Adjustment* (Ky. PSC June 18, 2024).

³⁴ Application, Attachment #4, SAO.

³⁵ Application, Attachment #4, SAO, Reference C.

³⁶ Application, Attachment #4, SAO, Reference D.

Plant in Service and depreciated over their estimated useful lives.³⁷ Commission Staff capitalized the costs and made a corresponding adjustment to test-year depreciation. Commission Staff reviewed the submissions by Cannonsburg District and found that Cannonsburg District's Employee Wage chart did not include two employees' pay amounts in its submitted rate study.³⁸ Cannonsburg District confirmed it should have 12 employees when fully staffed.³⁹

Commission Staff calculated the pro forma salaries to include the two employees not initially included in Cannonsburg District proposed adjustment and calculated an increase of \$48,567. Commission Staff agreed with Cannonsburg District's adjustment for the removal of labor expenses of \$6,653 for labor expenses related to taps. Commission Staff recommended the Commission accept Commission Staff's adjustment to increase salary and wages by \$41,914 for a total salaries and wages amount of \$534,935 because the amount more accurately reflects Cannonsburg District's current staffing and wage rates.

The Commission finds that the Commission Staff's adjustments are based upon the current wage rates Cannonsburg District. The amount reflects the known and expected number of employees documented in the case record; the adjustment is reasonable and is accepted.

³⁷ USoA, Accounting Instruction 19 and 33.

³⁸ Cannonsburg District's Response to Staff's First Request, Item 3, Cannonsburg Rate Model, Emp Sal & Wages tab.

³⁹ Cannonsburg District's Response to Staff's Second Request, Item 1.

Salaries and Wages - Officers. Cannonsburg District reported \$30,000 in the test year for salaries and wages for its commissioners and did not propose any adjustments.⁴⁰ Cannonsburg District's Board consists of five members who are each paid \$6,000 per year.⁴¹ Cannonsburg District provided training records for each of its commissioners⁴² and Fiscal Court Minutes approving their appointments.⁴³ Commission Staff recommended the Commission include Cannonsburg District's commissioners' salaries in the revenue requirement because the amounts are known and measurable.

The Commission finds that Cannonsburg District proposed amount is reasonable based on the evidence in the case record for its commissioners' salaries and is accepted.

Employee Benefits - Medical. Commission Staff identified costs by expense type by reviewing payroll and general ledger information that was provided by Cannonsburg District.⁴⁴ Commission Staff determined that separation of the medical and related benefits costs from retirement benefits would better facilitate discussion of the respective adjustments and reclassified \$186,965 to Employee Benefits (CERS) in the Schedule of Adjusted Operations (SAO) and in the table below. Cannonsburg District proposed an adjustment to increase Employee Medical Benefits by \$70,392.⁴⁵ Commission Staff recommended an alternative adjustment comprised of two components. The first was to account for the increase in benefits cost, and the second component was an adjustment

⁴⁰ Application, Attachment #4, SAO.

⁴¹ Cannonsburg District's Response to Staff's First Request, Item 4, 2022 Employee Payroll Info.

⁴² Cannonsburg District's Response to Staff's First Request, Item 9b, Board Member Training.

⁴³ Cannonsburg District's Response to Staff's Second Request, Item 3a, Fiscal Court Minutes.

⁴⁴ Cannonsburg District's Response to Staff's First Request, Item 1a, 2022 General Ledger.

⁴⁵ Application, Attachment #4, SAO, Adjustment F.

for employer contribution rates. The first component is an increase of \$150,260 due to increases in Cannonsburg District's benefits cost provided in its submitted invoices as shown in the table below.⁴⁶

Employee Name	Health Insurance Premiums			
	Medical Plan	Medical	Dental	Disability
		Premiums Total	Premiums Total	Premiums Total
Employee 1	EMP	\$ 1,603.70	\$ 72.04	\$ 4.20
Employee 2	FAM	2,933.82	72.04	13.20
Employee 3	EMP	1,632.85	72.04	5.70
Employee 4	FAM	2,933.82	72.04	46.10
Employee 5	FAM	2,933.82	46.04	15.70
Employee 6	ESP	3,252.42	23.92	4.20
Employee 7	FAM	3,816.12	72.04	5.30
Employee 8	FAM	2,687.58	72.04	5.70
Employee 9	FAM	2,883.21	72.04	20.90
Employee 10	FAM	2,933.82	23.92	5.70
Employee 11	ECH	1,355.48	72.04	4.20
Employee 12	FAM	3,816.12	46.04	15.70
Pro Forma Emp. Salaries & Wages Expense		<u>\$32,782.76</u>	<u>\$ 716.24</u>	<u>\$ 146.60</u>
Pro Forma Monthly Amount				<u>\$ 33,646</u>
Pro Forma Yearly				\$ 403,747
Test Year (Excluding Retirement)				(253,487)
Adjustment				<u>\$ 150,260</u>

The second component relates to the employee contribution rate, which Cannonsburg District stated that it currently requires its employees to contribute 13.6 percent toward their health insurance premiums but continued its policy of not requiring an employee contribution for dental insurance.⁴⁷ In its last rate case, Cannonsburg District was advised that the Commission may make an adjustment to

⁴⁶ Cannonsburg District's Response to Staff's First Request, Item 5a, Benefits Invoice and Cannonsburg District's Response to Staff's Second Request, Item 2, Insurance Invoices.

⁴⁷ Application, Attachment #4, SAO, Adjustment F.

health insurance expenses if the actual percentage of employee cost contribution is significantly below the average Bureau of Labor Statistics employee healthcare contribution rate.⁴⁸ Cannonsburg District made modest changes to its employee contributions rates, from 12 percent to 13.6 percent since its last rate case.⁴⁹ Cannonsburg District's employee contributions to health insurance premiums of 13.6 percent for both single and family coverage are lower than the average employee contributions for private industry workers of 21 percent for single coverage and 33 percent for family coverage.⁵⁰ Cannonsburg District did not provide any evidence of a wage study or comparative information in the record.

Commission Staff recommended decreasing Cannonsburg District's contributions to health insurance to align employee contribution rates with the national average for private industry workers reported by the Bureau of Labor Statistics as a decrease of \$128,364 to its Employee Benefits – Medical as shown in the table below. Commission Staff recommended denying Cannonsburg District's medical benefits adjustment and accepting Commission Staff's reclassification of Pension Benefits as well as Commission Staff's medical benefit adjustment, as the amounts are known and measurable.

⁴⁸ See Case No. 2018-00376, *Application of Cannonsburg Water District for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (Ky. PSC May 13, 2019), Order at 10.

⁴⁹ Application, Attachment #4, SAO, Adjustment F.

⁵⁰ U.S. Bureau of Labor Statistics, Share of Premiums Paid by Employer and Employee for Single Coverage, March 2023 <https://www.bls.gov/news.release/ebs2.t03.htm>, U.S. Bureau of Labor Statistics, Share of Premiums Paid by Employer and Employee for Family Coverage, March 2023 <https://www.bls.gov/news.release/ebs2.t04.htm>.

Description	Medical	Dental	Disability	Total
Total Cost	\$ 393,393	\$ 8,595	\$ 1,759	\$403,747
BLS Adjustment	(123,207)	(5,157)	-	(128,364)
Pro Forma	<u>\$ 270,186</u>	<u>\$ 3,438</u>	<u>\$ 1,759</u>	<u>\$275,383</u>

The Commission finds the recommended adjustments are reasonable and should be accepted as they are consistent with the health benefit contributions in Cannonsburg District's market, Commission precedent on health insurance premium expenses and reflect the difference in test-year medical expenses and what Cannonsburg District filed in the case record.

Employee Benefits – (CERS). Commission Staff reclassified \$186,965 from Medical Benefits to Retirement. Cannonsburg District participates in the County Employee Retirement System (CERS), which is managed by the Kentucky Public Pension Authority (KPPA).⁵¹ Cannonsburg District proposed one decrease to the account to adjust for the new salaries and new employer contribution percentage that took effect on July 1, 2024, of 19.71 percent, in the amount of \$102,430.⁵² Commission Staff recommended three adjustments based on the calculation of the Pro Forma Salaries and Wages. First, Commission Staff recommended a decrease of \$55,402 for Pension and Other Post Employment Benefits (OPEB) related to Governmental Accounting Standards Board (GASB) 68 and GASB 75 from Cannonsburg District's test year amount. In Case No. 2016-00163,⁵³ Commission Staff discussed in detail how reporting requirements for

⁵¹ Application, Attachment #4, SAO, Reference E.

⁵² Application, Attachment #4, SAO, Reference E.

⁵³ Case No. 2016-00163, *Alternative Rate Adjustment Filing of Marion County Water District* (Ky. PSC Nov. 10, 2016), Order at 11–15.

GASB 68 would affect a utility's income statement and balance sheet. In that proceeding, the Commission found that the annual pension expense should be equal to the amount of a district's contributions to CERS. Consistent with Commission precedent,⁵⁴ Commission Staff removed \$55,402 as an adjustment related to GASB 68 as well as GASB 75, which did not become effective until after GASB 68. Cannonsburg District implemented both during 2018.⁵⁵ Commission Staff made an adjustment of \$34,906 to account for the reduction in the CERS contribution rate from the test year.⁵⁶ The increase in wages resulted in an increase of \$10,090 for Cannonsburg District's CERS expense. The above adjustments result in a pro forma amount of \$106,747 as shown in the table below. Commission Staff recommended the Commission accept Commission Staff's adjustments as the amounts are known and measurable.

Description	Test Year	Pro Forma
Wages	\$ 493,021	\$ 541,588
Contribution Rate	26.79%	19.71%
Contributions	132,080	106,747
Excess (Cost) / Income Over Contributions	55,402	0
Immaterial Unidentified Amounts	(517)	0
Total	<u>\$ 186,965</u>	<u>\$ 106,747</u>
Increase / (Decrease)		<u>\$ (80,218)</u>

The Commission finds Commission Staff's recommended adjustments are reasonable and should be accepted. Cannonsburg District's Employee Pensions and

⁵⁴ Case No. 2022-00044, *Electronic Application of Big Sandy Water District for an Adjustment of Its Water Rates Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 13, 2022), Order at 11–12.

⁵⁵ Cannonsburg Water District Audited Financial Statements for the Year Ended December 31, 2018 (filed May 20, 2019), Note 10 at 16.

⁵⁶ CERS Board of Trustees December 4, 2023 Meeting, Minutes, page 2. The CERS Contribution Rate in the test year was 26.79% and 19.71% in the current year.

Benefits should be decreased by \$80,218 because the modified contribution expense accounts for the normalization of Salaries and Wages and the corresponding update to the required contribution percent by CERS and to conform to general accounting principles.

Purchased Water. Cannonsburg District purchases its water from the city of Ashland.⁵⁷ In its application, Cannonsburg District reported a test-year amount of \$950,237 and proposed one adjustment.⁵⁸ This adjustment was a decrease of \$23,969 for water loss above the allowed 15 percent.⁵⁹ Commission Staff calculated purchased water cost using the information⁶⁰ submitted by Cannonsburg District resulting in a decrease of \$9,384 in purchased water cost.

Description	Total
Gallons Purchased	320,018
Cost	\$ 2.94
Pro Forma Cost	\$ 940,853
Test Year	(950,237)
Adjustment	\$ (9,384)

In Commission Staff's Report, Water Loss above 15 percent was reduced to \$23,732, as shown in the table below, resulting in a further decrease of \$237 to the proposed disallowed water loss amount by Cannonsburg District for a pro forma

⁵⁷ 2023 Annual Report at 54.

⁵⁸ Application, Attachment #4, SAO.

⁵⁹ Application, Attachment #4, SAO, Reference G.

⁶⁰ Cannonsburg District's Response to Staff's First Request, Item 7, 2022 Gallons Purchased.

purchased water cost of \$917,121.⁶¹ Commission Staff recommended the Commission accept Commission Staff's calculated adjustments as the amounts are known and measurable.

Total Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 940,853	\$ 74,871	\$ 1,015,724
Water Loss Percent	17.5224%	17.5224%	17.5224%
Total Water Loss	<u>\$ 164,860</u>	<u>\$ 13,119</u>	<u>\$ 177,979</u>

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 940,853	\$ 74,871	\$ 1,015,724
Water Loss in Excess of 15%	2.5224%	2.5224%	2.5224%
Disallowed Water Loss	<u>\$ 23,732</u>	<u>\$ 1,889</u>	<u>\$ 25,621</u>

As discussed in the modification section above, the Commission is proposing to increase Cannonsburg District's purchased water expense in accordance with its PWA case. The city of Ashland increased Cannonsburg District's purchase price to \$3.64 on February 5, 2025.⁶² The increased price results in an increase of \$224,013 from Commission Staff's recommended amount as shown in the table below.

Description	Total
Gallons Purchased	320,018
Cost	\$ 3.64
Pro Forma Cost	<u>\$ 1,164,866</u>
Commission Staff Report	(940,853)
Adjustment	<u>\$ 224,013</u>

⁶¹ \$940,853 * 2.5224% = \$23,732. \$940,853 - \$23,732 = \$917,121

⁶² Case 2024-00395, Jan. 10, 2025 Application at 1.

The Commission recalculated the disallowed water loss based upon the additional purchased water expense from the PWA as shown in the table below, resulting in a pro forma disallowed water loss of \$29,383.

Total Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 1,164,866	\$ 74,871	\$ 1,239,737
Water Loss Percent	17.5224%	17.5224%	17.5224%
Total Water Loss	\$ 204,112	\$ 13,119	\$ 217,231

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 1,164,866	\$ 74,871	\$ 1,239,737
Water Loss in Excess of 15%	2.5224%	2.5224%	2.5224%
Disallowed Water Loss	\$ 29,383	\$ 1,889	\$ 31,272

The Commission finds the adjustments are reasonable and should be accepted because it reflects the current purchase water rates for Cannonsburg District as well as its actual test-year water loss.

Purchased Power. In its application, Cannonsburg District reported a test year amount of \$74,871 and proposed one adjustment.⁶³ This adjustment was a decrease of \$1,889 for water loss above the allowed 15 percent.⁶⁴ Commission Staff reviewed Cannonsburg District's purchased power expense and agreed with its proposed adjustment as the amount is known and measurable. Commission Staff recommended the Commission accept Cannonsburg District's proposed adjustment.

⁶³ Application, Attachment #4, SAO.

⁶⁴ Application, Attachment #4, SAO, Reference G.

The Commission finds Cannonsburg District's purchased power expense is reasonable and should be accepted because the amounts are known and measurable.

Materials and Supplies. In its application, Cannonsburg District reported a test-year amount of \$147,263 and proposed one adjustment.⁶⁵ This adjustment was to remove the remaining 70 percent of tap fees, the other 30 percent being in salaries and wages, in the amount of \$15,522.⁶⁶ The USoA for Class A/B Water Systems requires that these costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.⁶⁷ Commission Staff capitalized the costs and made a corresponding adjustment to test-year depreciation as shown in the Capitalization of Water Tap Expenses section.

Commission Staff identified other possible capital expenditures in Cannonsburg District's general ledger. In response to Commission Staff's request for classifications, Cannonsburg District stated it believed the expenses were not capital.⁶⁸ In response to Staff's Fourth Request, which requested a more detailed explanation, Cannonsburg District included an IRS definition of capital and stated it could not provide the other information that Commission Staff requested.⁶⁹ Commission Staff reviewed the invoices⁷⁰ and found Cannonsburg District's statement that the expenditures were not capital acceptable but noted that Cannonsburg District should document better

⁶⁵ Application, Attachment #4, SAO.

⁶⁶ Application, Attachment #4, SAO, Reference D.

⁶⁷ USoA, Accounting Instruction 19 and 33.

⁶⁸ Cannonsburg District's Response to Staff's Second Request, Item 4 at 5.

⁶⁹ Cannonsburg District's Response to Staff's Fourth Request, Item 1 at 2.

⁷⁰ Cannonsburg District's Response to Staff's Second Request, Item 4a.

explanations going forward for why each specific item is not a capital expense as well as keep better records to properly track its assets in service. Commission Staff recommended the Commission accept Cannonsburg District's proposed adjustment as the amounts are known and reasonable.

The Commission finds Cannonsburg District's adjustment reasonable to properly capitalize known and measurable expenses and therefore, accepts the adjustment. Further, the Commission agrees with Commission Staff's concern that documentation for expenditures should be improved going forward.

Miscellaneous Expense. Cannonsburg District reported a test year amount of \$128,227 and proposed no adjustments to the account.⁷¹ Commission Staff identified credit card fees in the account and requested an invoice to check the types of charges on the card.⁷² Cannonsburg District provided an invoice that included purchases at multiple restaurants.⁷³ Commission Staff requested Cannonsburg District provide all its credit card invoices for 2022 and 2023 and to provide an explanation for the business purpose for the expense.⁷⁴ Cannonsburg District provided the requested invoices,⁷⁵ and Commission Staff identified \$2,185.14 in restaurant charges in 2022 as shown in the chart below. Commission Staff also reviewed 2023 invoices and identified \$2,482 in restaurant charges; however, Commission Staff did not request additional documentation since it does not affect the test year.

⁷¹ Application, Attachment #4, SAO.

⁷² Staff's Second Request, Item 9.

⁷³ Cannonsburg District's Response to Staff's Second Request, Item 9b, Elan Credit Card Invoice.

⁷⁴ Commission Staff's Fourth Request, Item 2.

⁷⁵ Cannonsburg District's Response to Staff's Fourth Request, Item 2a, Credit Card Statements.

Description	Occurrences	Amount
Giovannis Pizza	5	\$ 778.30
Texas Roadhouse	4	470.02
Bob Evans	1	294.18
Fazolis	1	128.23
Tres Hermanos	2	101.46
SQ Double Drizzle	2	100.95
Longhorn Steak	1	76.07
Crisp Dairy Treats	1	69.64
Taco Bell	3	51.14
Smoking Js Rib and Brew	1	43.16
Long John Silvers	1	32.48
Wendys	1	14.35
Chick-fil-A	1	12.13
Dairy Queen	1	7.42
McDonalds	1	5.61
Total	26	\$ 2,185.14

In its response to Commission Staff's request to explain the business purpose of each expenditure, Cannonsburg District stated, "[c]redit card usage for restaurants are for meetings (safety, board, training), out of town travel for continuing education or training and for guys in the field when they are on an emergency repair and cannot leave the site until the customer's water is restored."⁷⁶ Commission Staff also requested Cannonsburg District to provide its written policy for credit card usage,⁷⁷ to which Cannonsburg District responded that it did not have a written policy for the usage but gave its employees instructions on how to use it when they were given the card.⁷⁸ Commission Staff recommended removing the entire \$2,185 from Cannonsburg District's Revenue Requirement as Cannonsburg District did not provide a specific business purpose for

⁷⁶ Cannonsburg District's Response to Staff's Fourth Request, Item 2b.

⁷⁷ Commission Staff's Fourth Request, Item 2d.

⁷⁸ Cannonsburg District's Response to Staff's Fourth Request, Item 2d.

each expenditure as requested, and Commission Staff could not determine whether each item should be included when determining the Revenue Requirement. This resulted in a pro forma miscellaneous expense of \$126,042. Commission Staff recommended the Commission accept Commission Staff's proposed adjustment as the amounts are known and measurable.

The Commission finds that Commission Staff's recommended adjustment is reasonable and should be accepted. The Commission recognizes Cannonsburg District addressing the issue of credit card usage and providing a written policy with its comments to the Commission Staff's Report. A written policy will assist in ensuring employees know what the expectations are regarding credit card usage.

Capitalization of Water Tap Expenses. As explained in the Salaries and Wages-Employees and Materials and Supplies sections, the expenses related to the installation of new water connections are capital expenditures that should be capitalized as Utility Plant in Service and depreciated over their estimated useful lives. Commission Staff calculated the annual depreciation amount for the test year and increased Depreciation Expense by \$493 as shown below.

Asset	Original Cost	NARUC Life	Adjusted Depreciation
Tap Fees	\$ 22,175.00	45.00	\$ 493

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted.

Depreciation Expense. Cannonsburg District reported a test-year amount of \$271,042 and proposed one adjustment to the account.⁷⁹ This adjustment was a decrease in the amount of \$52,908 to bring asset lives to the midpoint set forth in the National Association of Regulatory Utility Commissioners (NARUC) publication titled Depreciation Practices for Small Utilities.⁸⁰ To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the NARUC study. 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. Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Therefore, Commission Staff recommended that the Commission accept Cannonsburg District's adjustment of \$52,908. Commission Staff included the amount in the Capitalization of Water Tap Expenses to capitalize tap fees in the amount of \$493. The adjustments together result in a pro forma value of \$218,627. Commission Staff recommended the Commission accept the adjustments as the amounts are known and reasonable.

The Commission finds Commission Staff's recommended adjustments are reasonable and should be accepted because the amounts are known and measurable.

Taxes Other Than Income. Cannonsburg District reported a test year of \$60,452 and proposed one adjustment to the account.⁸¹ This adjustment was to apply the Federal Insurance Contributions Act (FICA) tax rate of 7.65 percent to pro forma salaries and

⁷⁹ Application, Attachment #4, SAO.

⁸⁰ Application, Attachment #4, SAO, Reference H.

⁸¹ Application, Attachment #4, SAO.

wages.⁸² Commission Staff recalculated the amount based on its pro forma salaries and wages discussed in the Salaries and Wages- Employees section above and proposed an additional \$44 reduction in taxes other than income, resulting in a pro forma amount of \$41,431.⁸³ Commission Staff recommended the Commission accept the Commission Staff's proposed adjustment as the amounts are known and measurable.

The Commission finds Commission Staff's recommended adjustments are reasonable because the amounts are known and measurable.

OVERALL REVENUE REQUIREMENT

The Operating Ratio methodology⁸⁴ is used when there is no basis for a rate of return determination, the cost of the utility has largely been funded through contributions, or there is little or no outstanding long-term debt. The Operating Ratio is a method to provide the utility with necessary working capital to operate effectively. Cannonsburg District proposed to use an Operating Ratio of 88 percent in its application.⁸⁵ Commission Staff is of the opinion that an operating ratio of 88 percent will allow Cannonsburg District necessary working capital and revenues to cover its reasonable operating expenses to operate and provide for reasonable equity growth. If the Commission used the Debt Service Recovery method, Cannonsburg District would only require an additional 4.22

⁸² Application, Attachment #4, SAO, Reference I.

⁸³ \$541,588 * 7.65% = \$41,431.

⁸⁴ Operating Ratio is defined as the ratio of expenses, including depreciation and taxes, to gross revenues. It is illustrated by the following equation:

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

⁸⁵ Application, Attachment #4, Revenue Requirements Chart.

percent⁸⁶ of revenues for its annual principal and interest payments and an additional 0.84 percent⁸⁷ of revenues for additional working capital, compared to its operating expenses. Commission Staff noted that the rate increase from these amounts would not produce revenues to keep Cannonsburg District financially stable and viable, with sufficient working capital to provide adequate, efficient and reasonable service. As a result, Commission Staff recommended using the Operating Ratio method to calculate the revenue requirement for Cannonsburg District.

By applying the Operating Ratio method, Commission Staff found Cannonsburg District's Revenue Requirement from Rates to be \$2,988,124. A revenue increase of \$484,805, or 19.37 percent, is necessary to generate the Overall Revenue Requirement of \$3,081,846.

Description	Commission Staff Report	Commission Approved
Pro Forma Operating Expenses	\$ 2,677,872	\$ 2,896,234
Operating Ratio	88%	88%
Subtotal	3,043,036	3,291,175
Add: Average Annual Interest Expense	38,810	38,810
Total Revenue Requirement	3,081,846	3,329,985
Less: Other Operating Revenue	(71,272)	(71,272)
Less: Interest Income	(1,375)	(1,375)
Less: Nonutility Income	(21,075)	(21,075)
Revenue Required from Rates	2,988,124	3,236,263
Less Normalized Revenues from Water Sales	(2,503,319)	(2,747,725)
Required Revenue Increase	\$ 484,805	\$ 488,538
Percentage Increase	19.37%	17.78%

⁸⁶ Average Annual Principal and Interest Payments (\$112,951) / Operating Expenses (\$2,677,872) = 4.22%.

⁸⁷ Additional Working Capital of 20% (\$22,590) / Operating Expenses (\$2,677,872) = 0.84%.

Average Annual Interest Expense. In its application, Cannonsburg District requested recovery of \$38,861 in average annual interest on its indebtedness.⁸⁸ At the time of Commission Staff's review, Cannonsburg District had two outstanding KIA loans, one Rural Development loan and one Kentucky Rural Water loan. Commission Staff reviewed Cannonsburg District's submission and found that the interest payments for the Rural Development and Kentucky Rural Water loans included payments for 2023. Commission Staff disagreed with the inclusion of these payments in Cannonsburg District's Average Annual Interest and Fees Payments, as those payments are not representative of what Cannonsburg District would be paying when the new rates go into effect. Commission Staff then calculated the five-year Average Annual Interest and Fees Payment of \$38,810 for the years 2024-2028 as shown in the table below.

Interest Payments	USDA	KRWFC	KIA B18-011	KIA C20-001	Total
2024	38,650	3,065	817	2,407	44,939
2025	37,975	953	772		39,700
2026	36,550		726		37,276
2027	35,800		679		36,479
2028	35,025		631		35,656
Total	184,000	4,018	3,625	2,407	194,050
Divide by 5 years					5
Yearly Average					<u>\$ 38,810</u>

The Commission finds that including \$38,810 in the revenue requirement calculation for average annual interest payments for debt obligations is reasonable as it is known and measurable and as such, the Commission accepts the recommendation.

⁸⁸ Application, Attachment #4, Revenue Requirement Calculation.

RATE DESIGN

In its application, Cannonsburg District proposed to increase all of its monthly retail water service rates by 16.72 percent.⁸⁹ Cannonsburg District stated that it has never performed a cost-of-service study (COSS) and it did not consider having a COSS performed in conjunction with this application filing.⁹⁰ The Commission has previously found that the allocation of a revenue adjustment evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS.⁹¹ Finding no such evidence in this case, Commission Staff followed the proposed allocation methodology by Cannonsburg District and allocated Commission Staff's revenue increase of \$488,538 across the board to Cannonsburg District's monthly retail water service rates. The Commission accepts Commission Staff's recommendation and finds that this allocation is reasonable. The rates set forth in Appendix B to this report are based upon the revenue requirement the Commission has found to be fair, just, and reasonable, and will produce sufficient revenues from water sales to recover the \$3,236,263 Revenue Required from Water Sales, an approximate 17.78 percent increase. These rates will increase a typical residential customer's monthly water bill,

⁸⁹ Application, Attachment 2, Reasons for Application.

⁹⁰ Cannonsburg District's Response to Staff's First Request, Item 12a at 13.

⁹¹ Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

using approximately 3,382 gallons per month, from \$41.56 to \$49.01, an increase of \$7.45, or approximately 17.93 percent.⁹²

Nonrecurring Charges. The Commission finds that the Commission Staff's Report is consistent with recent Commission decisions, that labor expenses resulting from work performed during normal business hours should not be recovered through nonrecurring charges.⁹³ The Commission requires that charges be directly related to the actual cost incurred to provide the service. Only the marginal cost related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours. For the reasons discussed above, the estimated labor expenses previously included in determining the amount of nonrecurring charges should be eliminated from the charges, as proposed by Commission Staff.

Thus, the Commission finds that Commission Staff's recommendation is reasonable; the revised nonrecurring charges as described in Appendix A to be reasonable; Commission Staff's calculated Pro Forma revenue from Nonrecurring Charges of \$15,565 as shown in the table in the Other Water Revenues Section above as well as Commission Staff's proposed adjustment of \$230 to Miscellaneous Service Revenues to match the test year to the Pro Forma amount of \$15,565 previously

⁹² Application, Attachment 1, Customer Notice at 2, the average retail customer has a 3/4-Inch x 5/8-Inch Meter using 3,382 gallons per month as used by Cannonsburg District.

⁹³ Case No. 2023-00090, *Electronic Application of Henry County Water District #2 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2023); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 4, 2024); Case No. 2023-00090, *Electronic Application of Kirksville Water Association Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00252, *Electronic Application of Oldham County Water District for an Alternative Rate Adjustment* (Ky. PSC June 18, 2024).

mentioned are reasonable, because only the incremental cost related to the service should be recovered for service provided during normal business hours.

Cannonsburg District provided the cost justification for the nonrecurring charges.⁹⁴ Commission Staff reviewed the cost justification information provided by Cannonsburg District and adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs. The breakdown of cost for each nonrecurring charge and any Commission Staff adjustment can be found in Appendix A.

Charge	Current Charge	Revised Charge
Connection/Turn on	\$ 40.00	\$ 4.00
Connection/ Turn on After Hours	\$ 75.00	\$ 143.00
Meter Reread Charge	\$ 40.00	\$ 4.00
Re-Connection Charge	\$ 40.00	\$ 4.00
Re-Connection Charge After Hours	\$ 75.00	\$ 143.00
Service Call/ Investigation Charge	\$ 40.00	\$ 4.00
Service Call/ Investigation Charge After Hours	\$ 75.00	\$ 143.00
Damage to Lid or Meter Equipment	Actual Cost	Actual Cost
Return Check Charge	\$ 25.00	\$ 12.00
Meter Relocation Charge	Actual Charge	Actual Charge
Meter Test Charge	\$ 70.00	\$ 4.00
Field Collection Charge	\$ 25.00	\$ -

Additionally, Cannonsburg District also provided updated cost justification information for its 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge⁹⁵ and its 1-Inch Meter Connection/Tap-On Charge.⁹⁶ Commission Staff reviewed Cannonsburg District's

⁹⁴ Cannonsburg District's Response to Staff's First Request, Item 17 at 18, Attachment 17_NonRecurring_Charges_Cost_Justification.

⁹⁵ Cannonsburg District's Response to Staff's First Request, Item 18_3_4_inch_Tap_Cost_Justification.pdf.

⁹⁶ Cannonsburg District's Response to Staff's First Request, Item 18_1_inch_Tap_Cost_Justification.pdf.

proposal of increasing both tap-on fees charges. Commission Staff recommended that the Commission accept Cannonsburg District's request to increase the tap-on fee from \$1,100 to \$1,646 for the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge and from \$1,275 to \$2,000 for the 1 Inch Meter Connection/Tap-On Charge.⁹⁷

The Commission agrees with Commission Staff's recommendation to increase the both Tap-on fees, to \$1,646 for the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge and to \$2,000 for the 1 Inch Meter Connection/Tap-On Charge, to reflect the current expenses incurred to install new taps, in order to prevent under recovery of tap fee charges.

Alleged Violation of KRS 278.300.

Commission Staff's Report noted that Cannonsburg District allegedly violated KRS 278.300 by entering into a debt agreement without prior Commission approval. KRS 278.300(1) states that no utility shall issue evidences of indebtedness until it has been authorized by the Commission. KRS 278.300(8) exempts a utility obtaining prior Commission approved for evidences of indebtedness with terms of two years or less, which may be renewed for a term not exceeding six years from the date of issue of the original note.

In Cannonsburg District's Response to Staff's Second Request,⁹⁸ Cannonsburg District provided an invoice that showed vehicles leased from Enterprise with a term of 60 or 72 months, which is over the two-year exemption provided in KRS 278.300(8). The Commission Staff did not find a case in which the Commission approved any of the

⁹⁷ Commission Staff's Report at 9.

⁹⁸ Cannonsburg District's Response to Staff's Second Request, Item 5a, Enterprise Invoice.

leases. In Cannonsburg District's response to Commission Staff's Report, it stated that the vehicle leases/purchases were open-ended and not term contracts.⁹⁹

Based upon the above discussion, the Commission finds that a separate proceeding, Case No. 2024-00396,¹⁰⁰ should be established to investigate Cannonsburg District's alleged violation of KRS 278.300 for entering into vehicles leases with Enterprise without obtaining prior Commission approval.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Commission Staff's Report, along with the above stated modifications, are supported by the evidence of record and are reasonable. By applying the Operating Ratio (OR) method, requested by Cannonsburg District, and as accepted by the Commission, Commission Staff found that Cannonsburg District's required revenue from water sales is \$3,236,263 to meet the Overall Revenue Requirement of \$3,329,985, and that a \$488,538 revenue increase, or 17.78 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Commission Staff's Report and Amended Staff Report, as modified above, are adopted and incorporated by reference into this Order as if fully set out herein.

⁹⁹ Cannonsburg District's Response to Commission Staff's Report.


¹⁰⁰ Case No. 2024-00396, *Electronic Investigation into Cannonsburg Water District and Its Individual Commissioners Tim Webb, Sam Hampton, Robert McGuire, Pam Vanhooose, Martin Bays, and Mark Kazee for Alleged Failure to Comply with KRS 278.300.*

2. The water service rates proposed by Cannonsburg District are denied.
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Cannonsburg District on or after the date of service of this Order.
4. Within 20 days of the date of service of this Order, Cannonsburg District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.
5. The Commission shall open a separate proceeding, Case No. 2024-00396, to investigate the alleged violation of KRS 278.300.
6. 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. 2024-00155 DATED APR 08 2025

* Denotes Rounding Up

Nonrecurring Charges Adjustments

Connection/Turn on		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hour)	\$33.47	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$8.47	\$0.00
Transportation	\$3.50	\$3.50
Misc.	\$0.00	\$0.00
Total Revised Charge*	\$45.44	\$4.00
Current Rate	\$40.00	

Connection/ Turn on After Hours		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (Overtime 2 hours min.)	\$138.93	\$138.93
Office Supplies	\$0.00	\$0.00
Office Labor	\$8.47	\$0.00
Transportation	\$3.50	\$3.50
Misc.	\$0.00	\$0.00
Total Revised Charge*	\$150.90	\$143.00
Current Rate	\$75.00	

Re-Connection Charge		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hour)	\$33.47	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$8.47	\$0.00
Transportation	\$3.50	\$3.50
Misc.	\$0.00	\$0.00
Total Revised Charge*	\$45.44	\$4.00
Current Rate	\$40.00	

Re-Connection Charge After Hours		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00

Field Labor	\$138.93	\$138.93
Office Supplies	\$0.00	\$0.00
Office Labor	\$8.47	\$0.00
Transportation	\$3.50	\$3.50
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$150.90</u>	<u>\$143.00</u>
Current Rate	\$75.00	

Service Call/ Investigation Charge

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hour)	\$33.47	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$8.47	\$0.00
Transportation	\$3.50	\$3.50
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$45.44</u>	<u>\$4.00</u>
Current Rate	\$40.00	

Service Call/ Investigation Charge After Hours

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor	\$138.93	\$138.93
Office Supplies	\$0.00	\$0.00
Office Labor	\$8.47	\$0.00
Transportation	\$3.50	\$3.50
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$150.90</u>	<u>\$143.00</u>
Current Rate	\$75.00	

Return Check Charge

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor	\$0.00	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$8.47	\$0.00
Transportation	\$0.00	\$0.00
Misc. (Bank Fee)	\$12.00	\$12.00
Total Revised Charge*	<u>\$20.47</u>	<u>\$12.00</u>
Current Rate	\$25.00	

Meter Test Charge

Utility Revised Charge	Staff Revised Charge
------------------------	----------------------

Field Materials	\$0.00	\$0.00
Field Labor (2 hours)	\$92.62	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$8.47	\$0.00
Transportation	\$3.50	\$3.50
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$104.59</u>	<u>\$4.00</u>
Current Rate	\$70.00	

Tap-On Fee 5/8-Inch x 3/4-Inch Meter

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$1,142.57	\$1,142.57
Field Labor (3 hrs. x 4 & 1 hr. x 1)	\$480.65	\$480.65
Office Supplies	\$0.00	\$0.00
Office Labor	\$8.47	\$8.47
Transportation	\$14.00	\$14.00
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$1,645.69</u>	<u>\$1,646.00</u>
Current Rate	\$1,100.00	

Tap-On Fee 1-Inch Meter

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$1,496.10	\$1,496.10
Field Labor (2 hours)	\$480.65	\$480.65
Office Supplies	\$0.00	\$0.00
Office Labor	\$8.47	\$8.47
Transportation	\$14.00	\$14.00
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$1,999.22</u>	<u>\$2,000.00</u>
Current Rate	\$1,275.00	

Meter Reread Charge

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor	\$33.47	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$8.47	\$0.00
Transportation	\$3.50	\$3.50
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$45.44</u>	<u>\$4.00</u>
Current Rate	\$40.00	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00155 DATED APR 08 2025

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

Monthly Water Rates

5/8 X 3/4-Inch Meter

First	2,000 Gallons	\$31.98	Minimum Bill
Next	3,000 Gallons	0.01232	Per Gallon
Next	15,000 Gallons	0.01141	Per Gallon
Next	30,000 Gallons	0.01061	Per Gallon
Next	50,000 Gallons	0.01018	Per Gallon
Over	100,000 Gallons	0.00906	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$68.96	Minimum Bill
Next	15,000 Gallons	0.01141	Per Gallon
Next	30,000 Gallons	0.01061	Per Gallon
Next	50,000 Gallons	0.01018	Per Gallon
Over	100,000 Gallons	0.00906	Per Gallon

2-Inch Meter & 3-Inch Meter

First	20,000 Gallons	\$239.99	Minimum Bill
Next	30,000 Gallons	0.01061	Per Gallon
Next	50,000 Gallons	0.01018	Per Gallon
Over	100,000 Gallons	0.00906	Per Gallon

6-Inch Meter

First	50,000 Gallons	\$558.14	Minimum Bill
Next	50,000 Gallons	0.01018	Per Gallon
Over	100,000 Gallons	0.00906	Per Gallon

12-Inch Meter

First	100,000 Gallons	\$1,066.94	Minimum Bill
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Over	100,000 Gallons	0.00906	Per Gallon
<u>Wholesale Rate</u>		0.00649	Per Gallon
<u>Leak Adjustment</u>		0.00644	Per Gallon

Nonrecurring Charges

Connection/Turn on	\$	4.00
Connection/ Turn on After Hours	\$	143.00
Meter Reread Charge	\$	4.00
Re-Connection Charge	\$	4.00
Re-Connection Charge After Hours	\$	143.00
Service Call/ Investigation Charge	\$	4.00
Service Call/ Investigation Charge After Hours	\$	143.00
Damage to Lid or Meter Equipment	Actual Cost	
Return Check Charge	\$	12.00
Meter Relocation Charge	Actual Cost	
Meter Test Charge	\$	4.00

Tap-On Fee

5/8-Inch x 3/4-Inch Meter	\$	1,646.00
1 Inch Meter	\$	2,000.00

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Straightline Kentucky LLC
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*Mark Frost
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