

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SANDY HOOK)	CASE NO.
WATER DISTRICT FOR A RATE ADJUSTMENT)	2024-00196
PURSUANT TO 807 KAR 5:076)	

ORDER

On August 30, 2024, Sandy Hook Water District (Sandy Hook District) filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. Sandy Hook District’s last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2016-00265.¹ However, in Case No. 2022-00206,² Sandy Hook District was granted an approximate 30 percent increase to meet the requirements of a United States Department of Agriculture Rural Development bond agreement.³

In its application for this case, Sandy Hook District determined that a base rate revenue increase of \$90,485, or 9.53 percent, was necessary to achieve the revenue requirement as shown in the table below.⁴ To comply with the requirements of 807 KAR

¹ Case No. 2016-00265, *Application of Sandy Hook Water District for Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 21, 2017).

² Case No. 2022-00206, *Electronic Application of Sandy Hook Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving an Increase in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Feb. 22, 2023).

³ Case No. 2022-00206, August 10, 2022 Order at 3. The rate increase was a condition of the loan approved pursuant to KRS 278.023.

⁴ Application, Attachment 1, Customer Notice.

5:076, Section 9,⁵ Sandy Hook District used the calendar year ended December 31, 2023, as the basis for its application.

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated September 23, 2024, and amended by Orders entered December 16, 2024, and March 21, 2025, to afford Commission Staff the necessary time to request information, prepare, and file the Commission Staff's Report.⁶ Sandy Hook District responded to five requests for information,⁷ in part due to delays in Sandy Hook District's ability to reconcile the General Ledger accounts with the 2023 annual report.⁸

Commission Staff issued the Commission Staff's Report on March 24, 2025,⁹ summarizing its findings and recommendations regarding Sandy Hook District's requested rate adjustment. In Commission Staff's Report, Commission Staff found that Sandy Hook District's adjusted test-year operations supported an overall revenue requirement of \$1,073,098 and that a \$121,618 revenue increase, or 13.43 percent, to pro forma present rate revenues necessary to generate the Overall Revenue

⁵ 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.

⁶ Order (Ky. PSC Dec. 16, 2024) at 1–2.

⁷ Sandy Hook District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Nov. 1, 2024); Sandy Hook District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Nov. 27, 2024); Sandy Hook District's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Jan. 9, 2025); Sandy Hook District's Response to Commission Staff's Fourth Request for Information (Staff's Fourth Request) (filed Feb. 6, 2025); Sandy Hook District's Response to Commission Staff's Fifth Request for Information (Staff's Fifth Request) (filed Feb. 21, 2025).

⁸ Sandy Hook District's Response to Staff's Third Request, Item 1c.

⁹ Commission Staff's Report (issued Mar. 24, 2025).

Requirement.¹⁰ The recommended revenue requirement in the Commission Staff's Report was an 140.92 percent of Sandy Hook District's initial proposed application amount and required a re-notice, as discussed below.¹¹ In the absence of a cost-of-service study (COSS), Commission Staff allocated its recommended revenue increase evenly across all customer classes to calculate its recommended water rates.

On April 7, 2025, Sandy Hook District filed its response to Commission Staff's Report.¹² In its written comments, Sandy Hook District stated it did not agree with Commission Staff's removal of labor expenses from certain nonrecurring charges but did not wish to contest the adjustment in this case.¹³ Sandy Hook District concurred with the remainder of the findings in Commission Staff's Report and waived its right to request an informal conference or hearing in this case.¹⁴ Consistent with 807 KAR 5:076, Section 11(3)(f), because Sandy Hook District amended its application on March 26, 2025, when it accepted the water revenue increase recommended by Commission Staff in excess of the 110 percent threshold,¹⁵ Sandy Hook District was required to publish a re-notice to its customers.¹⁶ Sandy Hook District filed a publisher's certificate of publication for the re-

¹⁰ Commission Staff's Report at 5.

¹¹ $13.43\% / 9.53\% = 140.92\%$.

¹² Sandy Hook District's Response to Commission Staff's Report (filed April 7, 2025).

¹³ Sandy Hook District's Response to Commission Staff's Report, Item 1.

¹⁴ Sandy Hook District's Response to Commission Staff's Report, Items 2 and 3.

¹⁵ The recommended increase is 140.2% of Sandy Hook District's requested increase; 807 KAR 5:076.

¹⁶ By Order issued May 6, 2025, Sandy Hook District had 14 days to re-notice its customers.

notice on July 16, 2025,¹⁷ although the publishing was not done for three consecutive weeks due to a holiday. The publications were done on June 20, 2025, June 27, 2025, and July 11, 2025. 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 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."¹⁸ 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

Sandy Hook 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 1,114 residential customers, 52 commercial customers, and 43 public authorities that reside in Morgan and Elliot counties, Kentucky.¹⁹

¹⁷ Sandy Hook District's Affidavit of Public Notice Publication (filed July 16, 2025) as a supplemental filing to July 15, 2025, that contained clippings of the publications. Publications occurred on June 20, 2025, June 27, 2025, and July 11, 2025.

¹⁸ *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).

¹⁹ *Annual Report of Sandy Hook District to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report) at 12, 49.

UNACCOUNTED-FOR WATER LOSS

Sandy Hook District produces approximately 98 percent of its own water from wells,²⁰ buying the remainder from Rattlesnake Ridge Water District and Rowan County Water District.²¹ The Commission notes that, in its Annual Reports, Sandy Hook District reported a water loss of 9.9239 percent in 2023,²² 11.2073 percent in 2022²³ and 19.4825 percent in 2021²⁴. 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 in its own operations. The table below shows that the 2023 total annual cost of water loss to Sandy Hook District is \$8,347.

Total Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 3,911	\$ 80,205	\$ 84,116
Water Loss Percent	9.9239%	9.9239%	9.9239%
Total Water Loss	<u>\$ 388</u>	<u>\$ 7,959</u>	<u>\$ 8,347</u>

TEST PERIOD

The calendar year ended December 31, 2023, was used as the test year to determine the reasonableness of Sandy Hook Water's existing and proposed wastewater rates as required by 807 KAR 5:076, Section 9.

²⁰ 2023 Annual Report at 52.

²¹ 2023 Annual Report at 54.

²² 2023 Annual Report at 57.

²³ *Annual Report of Sandy Hook District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 58.

²⁴ *Annual Report of Sandy Hook District to the Public Service Commission for the Calendar Year Ended December 31, 2021* (2021 Annual Report) at 57.

SUMMARY OF REVENUE AND EXPENSES

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

Description	Commission Staff's Report		
	Test Year Operations	Pro Forma Adjustment	Pro Forma Operations
Operating Revenues	\$ 978,246	\$ (29,160)	\$ 949,086
Operating Expenses	(894,617)	50,913	(843,704)
Total Operating Income	<u>\$ 83,629</u>	<u>\$ 21,753</u>	<u>\$ 105,382</u>

REVIEW OF COMMISSION STAFF'S RECOMMENDATIONS

Sandy Hook District proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. Commission Staff calculated a different revenue requirement based on additional pro forma adjustments. The Commission approves the recommendations contained in Commission Staff's Report. The Commission has no further modifications or adjustments. The following is the Commission's complete pro forma.²⁵

²⁵ Commission Staff's Report at 10.

PRO FORMA OPERATING STATEMENT

Description	Test Year	Sandy Hook Water District Proposed Adjustments	Commission Staff Adjustments	Total Adjustments	Pro Forma
Operating Revenues					
Sales of Water	\$ 949,314		\$ (43,935)	\$ (43,935)	\$ 905,379
Other Revenues					
Forfeited Discounts	0		23,162	23,162	23,162
Other	28,932		(8,387)	(8,387)	20,545
Total Operating Revenues	978,246	0	(29,160)	(29,160)	949,086
Operation and Maintenance					
Salaries and Wages - Employees	280,666		(26,541)	(26,541)	
			(3,600)	(3,600)	250,525
Salaries and Wages - Officers	18,000		(18,000)	(18,000)	0
Employee Benefits - Medical	0		61,613	61,613	
			(149)	(149)	
			(14,376)	(14,376)	47,088
Employee Benefits - Retirement (CERS)	(1,102)		66,077	66,077	
			(13,247)	(13,247)	
			(4,410)	(4,410)	47,318
Purchased Water	9,810		(5,899)	(5,899)	3,911
Purchased Power	80,205		(6,192)	(6,192)	74,013
Materials and Supplies	133,709		(8,400)	(8,400)	125,309
Contractual Services	16,959			0	16,959
Water Testing	4,422			0	4,422
Insurance	85,085		(61,613)	(61,613)	23,472
Bad Debt Expense	3,017			0	3,017
Miscellaneous Expenses	44,230		6,192	6,192	50,422
Total	675,001	0	(28,545)	(28,545)	646,456
Depreciation Expense	211,673	(34,133)	267	(33,866)	177,807
Taxes Other Than Income	7,943		11,498	11,498	19,441
Total Operating Expenses	894,617	(34,133)	(16,780)	(50,913)	843,704
Net Operating Income	83,629	34,133	(12,380)	21,753	105,382
Interest Income	2,394			0	2,394
Income Available to Service Debt	\$ 86,023	\$ 34,133	\$ (12,380)	\$ 21,753	\$ 107,776

Metered Water Sales. Sandy Hook District reported \$949,314 in revenues from metered water sales and did not propose any adjustments.²⁶ Commission Staff determined a decrease of \$43,935 was required to reach the amount of \$905,379

²⁶ Application, Attachment #4, Schedule of Adjusted Operations (SAO).

reported in the current billing analysis²⁷ and recommended making an adjustment. Late payment fee revenue that should have been recorded in Other Revenues in the amount \$23,162 was embedded in Metered Water Sales and Commission Staff's resulting adjustment.²⁸ Commission Staff recommended the Commission accept Commission Staff's adjustment because the pro forma metered water sales has been reconciled with evidence provided in the case record.²⁹

The Commission finds Commission Staff's adjustment is reasonable and should be accepted because the adjustment reflects verifiable usage and revenue data that were evaluated and normalized using the information provided in the record.

Other Water Revenue. Sandy Hook District reported \$28,932 of revenue from other water revenues and did not propose an adjustment to the account.³⁰ As discussed in Metered Water Sales above, embedded in the billing analysis, was \$23,162 in late payment penalty revenue that should be recorded in Other Water Revenues. Other items included in the test-year Other Water Revenue were \$8,317 in credit card service fees,³¹ \$11,015 in nonrecurring charge revenue,³² and \$9,600 in compensation for collection and billing of wastewater customers by the city of Sandy Hook, as shown in the chart below.³³ Commission Staff recommended a reduction of \$8,387 to the test year Nonrecurring

²⁷ Sandy Hook District's Response to Staff's First Request, Item 13a, Billing Analysis Excel File.

²⁸ Sandy Hook District's Response to Staff's Third Request, Item 1, Reconciliation Workbook Excel Document.

²⁹ Commission Staff's Report at 11.

³⁰ Application, Attachment #4, SAO.

³¹ Sandy Hook District's Response to Staff's Fourth Request, Item 5.

³² Sandy Hook District's Response to Staff's Fourth Request, Item 6.

³³ Sandy Hook District's Response to Staff's Fourth Request, Item 7.

Charge revenue of \$11,015 in order to reach the pro forma nonrecurring charge revenue of \$2,628 as discussed in the Rates Design section below.³⁴ Using the information described above, Commission Staff calculated pro forma Other Water Revenues of \$20,545. Commission Staff recommended the Commission accept Commission Staff's recommended adjustments to Other Water Revenue because the amounts met the ratemaking criteria of being known and measurable.³⁵

The Commission finds that Commission Staff's adjustments are not only consistent with recent Commission decisions excluding labor expenses resulting from work occurring during normal business hours from also being recovered through nonrecurring charges but also supported by the record. Expenses attributed to nonrecurring charges must be directly related to the actual additional cost incurred to provide the service. Labor expenses incurred during normal business hours are generally already recovered in customer rates as a day-to-day cost of maintaining a system. Here, Sandy Hook District did not provide sufficient evidence to allocate those already incurred and recovered labor expenses, such as the connection and reconnection of a meter during normal working hours, to a nonrecurring service. Thus, the Commission finds that the revised nonrecurring charges set forth in Appendix A to this Order are reasonable and should be accepted.

³⁴ Commission Staff's Report at 12.

³⁵ Commission Staff's Report at 12.

Description	Test Year	Sandy Hook Water District Proposed Adjustments	Commission Staff Adjustments	Total Adjustments	(Ref)	Pro Forma
Sewer Collection Fees	\$ 9,600			0		\$ 9,600
Service Fee Income	11,015		(8,387)	(8,387)	B2	2,628
Other Income	8,317			0		8,317
Total	<u>\$ 28,932</u>		<u>\$ (8,387)</u>	<u>\$ (8,387)</u>		<u>\$ 20,545</u>

Salaries and Wages – Employees. Sandy Hook District reported \$280,666 of expenses related to Salaries and Wages for employees and did not propose an adjustment to these expenses.³⁶ Commission Staff recommended two adjustments.³⁷ First, Commission Staff proposed an adjustment to the pro forma wages to account for a reduction in Sandy Hook District’s staffing from the test year. Sandy Hook District provided a document with its proposed wages at full staffing,³⁸ which Commission Staff used to calculate pro forma wages of \$254,125, resulting in a reduction of \$26,541.³⁹ Commission Staff also recommended a second reduction of \$3,400 to remove the labor portion, as shown in the chart below, of 30 percent of the tap fees installed by Sandy Hook District during the test year.⁴⁰ The Uniform System of Accounts (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.⁴¹ Commission Staff capitalized the costs and made a corresponding adjustment to test-year depreciation in the Depreciation

³⁶ Application, Attachment #4, SAO.

³⁷ Commission Staff’s Report at 12.

³⁸ Sandy Hook District’s Response to Staff’s Second Request, Item 8, SHWD_8_Salaries.

³⁹ Commission Staff’s Report at 12.

⁴⁰ Commission Staff’s Report at 12.

⁴¹ USoA, Accounting Instruction 19 and 33.

Expense below. Commission Staff recommended the Commission accept Commission Staff's adjustments because the amounts are known and measurable and because it is consistent with the evidence provided in the case record.⁴²

The Commission finds Commission Staff's adjustments are reasonable because the amount meets the ratemaking criteria of being known and measurable.

New Meter Connections		15												
Fees Recorded		\$12,000												
<table style="width: 100%; border-collapse: collapse; margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="border-bottom: 1px solid black; width: 40%;">Description</th> <th style="border-bottom: 1px solid black; width: 20%;">Percent</th> <th style="border-bottom: 1px solid black; width: 40%;">Dollars</th> </tr> </thead> <tbody> <tr> <td>Labor</td> <td style="text-align: center;">30%</td> <td style="text-align: right;">3,600</td> </tr> <tr> <td>Materials</td> <td style="text-align: center;">70%</td> <td style="text-align: right;">8,400</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$12,000</td> </tr> </tbody> </table>			Description	Percent	Dollars	Labor	30%	3,600	Materials	70%	8,400	Total		\$12,000
Description	Percent	Dollars												
Labor	30%	3,600												
Materials	70%	8,400												
Total		\$12,000												

Salaries and Wages – Officers. Sandy Hook District reported \$18,000 of expenses related to salary and wages for officers and did not propose an adjustment to these expenses.⁴³ Sandy Hook District has five commissioners appointed to its Board of Commissioners (Board) that are each paid \$300 a month.⁴⁴ Commission Staff requested documentation from the Fiscal Court that authorized each commissioner's appointment and compensation, as well as the training records for each commissioner. Sandy Hook District provided documentation of its commissioners' appointments and the respective Commissioner Training Certificates⁴⁵ but did not provide the Fiscal Court Minutes authorizing its commissioners' compensation. Sandy Hook District stated that the County

⁴² Commission Staff's Report at 13.

⁴³ Application, Attachment #4, SAO.

⁴⁴ Commission Staff's Report at 13.

⁴⁵ Sandy Hook District's Response to Staff's First Request, Item 9, SHWD_9_Commissioners_2024_appointment_and_certification.pdf

Clerk's office was busy with early voting and did not have time to find the minutes.⁴⁶ Sandy Hook District later responded that it would provide the minutes if the County Clerk's office was able to locate them.⁴⁷ As of the issuance of the Commission Staff's Report, Sandy Hook District did not provide the minutes authorizing its commissioners' compensation. KRS 74.020(6) states that "[e]ach commissioner shall receive an annual salary of not more than thirty-six hundred dollars (\$3,600)" and that "[i]n fixing and approving the salary of the commissioners, the county judge/executive and the fiscal court shall take into consideration the financial condition of the district and its ability to meet its obligations as they mature."⁴⁸ Commission Staff recommended the Commission accept its recommendation to exclude commissioners' salaries of \$18,000 from the revenue requirement because Sandy Hook District did not provide evidence to support the compensation amounts as required by KRS 74.020(6).⁴⁹

The Commission finds Commission Staff's recommendation that the Commission deny recovery of Sandy Hook District's commissioner compensation is reasonable and should be accepted, as it is consistent with KRS 74.020(6).

Employee Benefits - Medical. Sandy Hook District reported (\$1,102) in test year employee benefits and did not propose an adjustment to employee benefits for either medical or pension.⁵⁰ Commission Staff determined that separation of the medical-

⁴⁶ Sandy Hook District's Response to Staff's First Request, Item 9a.

⁴⁷ Sandy Hook District's Response to Staff's Fourth Request, Item 9.

⁴⁸ KRS 74.020(6), Appointment of commissioners – Number – Terms – Removal – Vacancies – Organization – Bond – Compensation – Mandatory Training – Notice of Vacancy.

⁴⁹ Commission Staff's Report at 14.

⁵⁰ Application, Attachment #4, SAO.

related benefits costs from retirement benefits would better facilitate discussion of the respective adjustments. Commission Staff reclassified the (\$1,102) reported in the test-year Employee Benefits to the Employee Benefits - Retirement section below because the reconciliation provided by Sandy Hook District classified the amount to that category,⁵¹ resulting in a test year amount of \$0 for Employee Benefits – Medical. Sandy Hook District has six employees who receive life insurance, and five employees who receive health, vision, and dental insurance.⁵² The health insurance expenses incurred during the test year were reported in the Insurance category. Commission Staff recommended an increase to Employee Benefits – Medical for the reclassification of Health Insurance in the amount of \$61,613 and a corresponding decrease of the same amount to insurance.⁵³ Commission Staff reviewed the most recent health insurance invoices⁵⁴ provided by Sandy Hook District and recommended a reduction of \$149 based on the amounts provided in the invoices to reach the Total Annual Net Health Insurance Cost of \$61,464 outlined in the table below.⁵⁵ Sandy Hook District’s employees currently contribute an average of 6.82 percent in health insurance premiums, which is lower than the average employee contributions for private industry workers of 21 percent for single coverage and 33 percent for family coverage provided by the Bureau of Labor Statistics

⁵¹ Sandy Hook District’s Response to Staff’s Third Request, Item 1, Reconciliation Workbook Excel Document.

⁵² Sandy Hook District’s Response to Staff’s Fifth Request, Item 1, SHWD_Employee_Benefits.

⁵³ Commission Staff’s Report at 15.

⁵⁴ Sandy Hook District’s Response to Staff’s Fifth Request, Item 1, SHWD_employee_benefit_invoices.

⁵⁵ Commission Staff’s Report at 15.

Study (BLS Study),⁵⁶ and do not contribute any employee portion to dental insurance coverage, which is lower than the national average of 60 percent, provided by the Willis Benchmarking Survey.⁵⁷ Commission Staff recommended a total reduction of \$14,376 for employer contribution amounts, with two parts, as explained below.⁵⁸ First, Commission Staff recommended an adjustment of \$13,608 to decrease Sandy Hook District's employer contribution amount to health insurance to align with the average employee contribution rates in the BLS Study.⁵⁹ The second adjustment, consistent with Commission precedent,⁶⁰ is a reduction of \$768 to adjust the dental employer contribution to 60 percent based upon the national average for an employer's share of dental insurance contribution outlined in the Willis Benchmarking Survey. Sandy Hook District did not provide any evidence of a wage study or comparative information in the record to support any variance from the averages contained in a nationally recognized survey. The adjustments described above result in a pro forma yearly benefit cost of \$47,088 as shown in the table below. Commission Staff recommended the Commission accept Commission Staff's recommended adjustments as the amounts are known and

⁵⁶ 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>.

⁵⁷ The Willis Benchmarking Survey, 2015, at 62-63. (https://www.willis.com/Documents/publications/Services/Employee_Benefits/20151230_2015WillisBenefitsBenchmarkingSurveyReport.pdf)

⁵⁸ Commission Staff's Report at 16.

⁵⁹ Commission Staff's Report at 16.

⁶⁰ See Case No. 2017-00263, *Electronic Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment* (Ky. PSC Dec. 22, 2017), Order at 9-10.

measurable, are consistent with Commission precedent, and consistent with the information provided in the case record.⁶¹

The Commission finds Commission Staff's adjustments are reasonable and should be accepted because the amounts are known and measurable, consistent with Commission precedent, and consistent with the information provided in the case record.

Type of Premium	Number of Employees	Total Cost	Current Employee Contribution Amount	Current Employee Contribution Percentage	Recommended Contribution Percentage	Recommended Contribution Amount	Incremental Adjustment	Pro Forma Monthly Premium
Medical Insurance - Single	4	\$ 3,693	\$ (269)	7.28%	20%	\$ (739)	\$ (470)	\$ 2,955
Medical Insurance - Parent Plus	1	1,235	(68)	5.47%	32%	(395)	(328)	840
Total Medical Insurance		4,928	(336)	6.82%		(1,134)	(798)	3,794
Dental Insurance	5	107	-	-	60%	(64)	(64)	43
Life Insurance	6	6	-	-	-	-	-	6
Vision Insurance	2	33	-	-	-	-	-	33
Administration Fee	6	48	-	-	-	-	-	48
Total Monthly Pro Forma Premium		5,122	(336)			(1,198)	(862)	3,924
Multiplied by: 12 Months		12	12			12	12	12
Total Annual Net Health Insurance Cost		\$ 61,464	\$ (4,032)			\$ (14,376)	\$ (10,344)	47,088
Test Year Net Insurance Cost ()		(61,613)				-		(61,613)
Commission Staff's Adjustment		\$ (149)				\$ (14,376)		\$ (14,525)

Employee Benefits – Retirement (CERS). As discussed in the Employee Benefits – Medical, Commission Staff reduced Retirement expenses by \$1,102 based upon the reconciliation provided by Sandy Hook District.⁶² Sandy Hook District participates in the County Employees Retirement System (CERS),⁶³ which is managed by the Kentucky Public Pension Authority (KPPA). In Case No. 2016-00163,⁶⁴ Commission Staff discussed in detail how reporting requirements for Governmental Accounting Standards Board (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

⁶¹ Commission Staff's Report at 16.

⁶² Sandy Hook District's Response to Staff's Third Request, Item 1, Reconciliation Workbook Excel Document.

⁶³ Sandy Hook District's Response to Staff's Fifth Request, Item 1, SHWD_Employee_Benefits.

⁶⁴ Case No. 2016-00163, *Alternative Rate Adjustment Filing of Marion County Water District.*

the amount of a district's contributions to CERS.⁶⁵ Therefore, Commission Staff recommended three adjustments to Sandy Hook District's CERS contribution.⁶⁶ First, Commission Staff recommended an increase of \$66,077 to account for GASB 68 and 75 adjustments.⁶⁷ Second, Commission Staff recommended a decrease of \$13,247 based upon the change in contribution rate from the test year and contribution rate effective July 1, 2025.⁶⁸ Finally, Commission Staff recommended a decrease of \$4,410 to account for the reduction in wages from the test year to the pro forma amount.⁶⁹ Commission Staff's recommended adjustments result in a pro forma CERS contribution expense of \$47,318.⁷⁰ Commission Staff recommended the Commission accept the recommended adjustment because the amounts are known and measurable and are consistent with Commission precedent.⁷¹

The Commission finds Commission Staff's adjustments are reasonable and should be accepted because the amounts are known and measurable, consistent with Commission precedent, and are consistent with the information provided in the case record.

⁶⁵ Case No. 2016-00163, Nov. 10, 2016 Order at 15, Ordering Paragraph 10.

⁶⁶ Commission Staff's Report at 17.

⁶⁷ Commission Staff's Report at 17.

⁶⁸ CERS Board Meeting December 2, 2024.
<https://www.kyret.ky.gov/Employers/Pages/Contribution-Rates.aspx>

⁶⁹ Commission Staff's Report at 17.

⁷⁰ Commission Staff's Report at 17.

⁷¹ Commission Staff's Report at 17.

Purchased Water. Sandy Hook District mainly produces its water from wells⁷² and purchases the remaining water from Rowan County Water District and Rattlesnake Ridge Water District.⁷³ Sandy Hook District reported \$9,810 in purchased water expenses and provided no adjustment for this account.⁷⁴ Commission Staff requested the gallons and cost of water purchased during the test year, to which Sandy Hook District responded after a delay with invoices for the test-year purchased water expenses.⁷⁵ Commission Staff used the amounts provided in the invoices and calculated a total pro forma cost of \$3,911, and therefore, recommended a reduction of \$5,899 to reach that amount.⁷⁶ The general ledger Sandy Hook District provided did not include the purchased water account indicated in the reconciliation workpaper. Commission Staff recommended accepting Commission Staff's adjustment as it is reasonable based on the documentation of gallons purchased, and the costs in the case record.⁷⁷

The Commission finds Commission Staff's adjustments are reasonable and should be accepted because the amounts are consistent with the information provided in the case record.

Purchased Power. Sandy Hook District reported \$80,205 in Purchased Power expenses in its application and proposed no adjustment to the account.⁷⁸ In its review of

⁷² 2023 Annual Report at 52.

⁷³ 2023 Annual Report at 54.

⁷⁴ Application, Attachment #4, SAO.

⁷⁵ Sandy Hook District's Response to Staff's Second Request, Item 1, SHWD_1_(7)_Water_purchased_2023.

⁷⁶ Commission Staff's Report at 18.

⁷⁷ Commission Staff's Report at 18.

⁷⁸ Application, Attachment #4, SAO.

Sandy Hook District's Purchased Power general ledger, Commission Staff identified \$6,192 in telephone expenses included in the account that Commission Staff recommended be reclassified to Miscellaneous Expenses, resulting in a reduction to Purchased Power and corresponding increase to Miscellaneous Expenses.⁷⁹ This results in a pro forma Purchased Power expense of \$74,013. Commission Staff recommended the Commission accept the adjustment to classify expenses in the proper account.⁸⁰

The Commission finds Commission Staff's adjustment is reasonable and should be accepted to ensure that expenses are recorded using proper regulatory accounting principles.

Materials and Supplies. Sandy Hook District reported a Materials and Supplies expense of \$133,709 and proposed no adjustment.⁸¹ Commission Staff recommended a reduction of \$8,400 to remove the materials portion, 70 percent of the tap-fees installed by Sandy Hook District during the test year, resulting in a pro forma amount of \$125,309.⁸² 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.⁸³ Commission Staff capitalized the costs and made a corresponding adjustment to depreciation expense. Commission Staff recommended the Commission accept Commission Staff's recommendation because the amount is known and measurable.⁸⁴

⁷⁹ Commission Staff's Report at 18.

⁸⁰ Commission Staff's Report at 19.

⁸¹ Application, Attachment #4, SAO.

⁸² Commission Staff's Report at 19.

⁸³ USoA, Accounting Instruction 19 and 33.

⁸⁴ Commission Staff's Report at 19.

The Commission finds Commission Staff's recommendation is reasonable and should be accepted because it reflects the proper regulatory accounting practices for water connection expenses according to the USoA.⁸⁵

Depreciation Expense. Sandy Hook District reported \$211,673 of expenses related to depreciation in the test year⁸⁶ and proposed a reduction of \$34,133 to the account; stating that its adjustment was made to reflect adjustments commonly made by the Kentucky Public Service Commission.⁸⁷ Commission Staff reviewed Sandy Hook District's depreciation adjustment and determined it was intended 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. To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically⁸⁸ relied upon the NARUC study. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically⁸⁹ 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. Commission Staff agreed with the calculation and adjustment made by Sandy Hook District to bring asset lives to the midpoint of the NARUC study. Commission

⁸⁵ USoA, Accounting Instruction 19 and 33.

⁸⁶ Application, Attachment #4, SAO.

⁸⁷ Application, Attachment #4, References, Reference A.

⁸⁸ Case No. 2022-00431, *Electronic Application of Letcher County Water and Sewer District for a Rate Adjustment Pursuant To 807 KAR 5:076* (Ky. PSC Nov. 17, 2023). Case No. 2023-00154, *Electronic Application of Harrison County Water Association, Inc. For An Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024). Case No. 2023-00182, *Electronic Application of Western Mason County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 4, 2024).

⁸⁹ Case No. 2022-00431, Nov. 17, 2023 Order; Case No. 2023-00154, Jan. 11, 2024 Order; Case No. 2023-00182, Jan. 4, 2024 Order.

Staff further calculated an increase of \$267 to account for the capitalization of \$12,000 in tap fees as discussed in the Salaries and Wages – Employees and Materials and Supplies sections above, and as shown in the chart below.⁹⁰ Commission Staff recommended the Commission accept Commission Staff’s calculated adjustment because the amounts are known and measurable.⁹¹

The Commission finds Commission Staff’s adjustment to Depreciation Expense is reasonable as the adjustment was based on a nationally recognized depreciation study and the amounts are known and measurable, and addresses capitalization of expenses. In addition, the adjustment was made in accordance with prior Commission findings.⁹²

Description	Cost	NARUC Life (years)	Depreciation
Labor Portion of Tap Fees	<u>\$ 12,000</u>	45.00	<u>\$ 267</u>

Taxes Other Than Income. Sandy Hook District reported \$7,943 of expenses related to taxes and other income and proposed no adjustment for the account.⁹³ Commission Staff calculated an increase of \$11,498 to bring the Taxes Other Than Income to the amount calculated in the table below, for Federal Insurance Contributions Act (FICA) taxes at the pro forma wages.⁹⁴ Commission Staff recommended the

⁹⁰ Commission Staff’s Report at 20.

⁹¹ Commission Staff’s Report at 20.

⁹² Case No. 2022-00431, Nov. 17, 2023 Order; Case No. 2023-00154, Jan. 11, 2024 Order; Case No. 2023-00182, Jan. 4, 2024 Order.

⁹³ Application, Attachment #4, SAO.

⁹⁴ Commission Staff’s Report at 20.

Commission accept Commission Staff's adjustment because the amounts are known and measurable.⁹⁵

The Commission finds Commission Staff's adjustment is reasonable and should be accepted because the amount is known and measurable. The amount reflects the adjustments made to Salaries and Wages.

<u>Description</u>	<u>Amount</u>
Pro Forma Wages	\$ 254,125
FICA Tax Percent	7.650%
Payroll Taxes	<u>\$ 19,441</u>

OVERALL REVENUE REQUIREMENT AND
REQUIRED REVENUE INCREASE

The Commission has historically applied a Debt Service Coverage (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 non-cash item, to provide working capital;⁹⁶ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

⁹⁵ Commission Staff's Report at 20.

⁹⁶ 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 water 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).

Description	Sandy Hook Water District	Commission Staff
Pro Forma Operating Expenses	\$ 860,484	\$ 843,704
Average Annual Principal and Interest Payments	175,534	191,162
Additional Working Capital at 20%	35,107	38,232
Total Revenue Requirement	1,071,125	1,073,098
Other Revenue ()	(28,932)	(43,707)
Interest Income ()	(2,394)	(2,394)
Revenue Required From Water Sales	1,039,799	1,026,997
Revenue from Sales at Present Rates ()	(949,314)	(905,379)
Required Revenue Increase / (Decrease)	<u>\$ 90,485</u>	<u>\$ 121,618</u>
Percentage Increase / (Decrease)	<u>9.53%</u>	<u>13.43%</u>

Average Annual Principal and Interest Payments. Sandy Hook District requested to recover debt service of \$175,534 on seven loans from the United States Department of Agriculture Rural Development (Rural Development) based on a five-year average of the annual principal, interest and fee payments for years 2024–2028.⁹⁷ Commission Staff recalculated the amount based on the years 2025–2029 as 2024 has already past so 2025-2029 is more representative of actual payments Sandy Hook District will be making, which resulted in a revised average annual principal and interest payment of \$191,162 as shown in the table below.

The Commission finds that including \$191,162 in the revenue requirement calculation for average principal, as well as interest and fee payments for debt obligations is reasonable and should be accepted as it is known and measurable and as such, the Commission accepts the recommendation.

⁹⁷ Application, Attachment #5, Revenue Requirement Calculation.

Loan	2025	2026	2027	2028	2029	Total
91-03	\$ 17,438	\$ 17,531	\$ 17,563	\$ 17,531	\$ -	\$ 70,063
91-04	18,350.00	18,625.00	17,875.00	18,100.00	18,275.00	91,225.00
91-07	14,506.25	14,567.50	14,117.50	14,156.25	14,172.50	71,520.00
91-10	27,152.50	27,056.25	26,937.50	27,285.00	27,098.75	135,530.00
91-14	21,591.25	21,316.25	21,534.38	21,245.63	21,450.00	107,137.51
66018	37,655.75	37,398.55	37,618.36	37,352.91	37,534.86	187,560.43
91-17	58,567.50	58,568.75	58,562.50	58,548.75	58,527.50	292,775.00
Totals	<u>\$ 195,261</u>	<u>\$ 195,064</u>	<u>\$ 194,208</u>	<u>\$ 194,220</u>	<u>\$ 177,059</u>	<u>\$ 955,810</u>
5 Year Average						<u>\$ 191,162</u>

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 exhibits, Sandy Hook District requested recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments, or \$35,107.⁹⁸ Following the Commission's historic practice⁹⁹ of including additional working capital, Commission Staff agreed with inclusion of a working capital provision; however, it calculated the amount at \$38,232 based on the revision to the debt service discussed above.

The Commission finds that including additional working capital of \$38,232 in the revenue requirement calculation is appropriate.

⁹⁸ Application, Attachment #5, Revenue Requirement Calculation.

⁹⁹ Case No. 2022-00431, Nov. 17, 2023 Order; Case No. 2023-00154, Jan. 11, 2024 Order; Case No. 2023-00182, Jan. 4, 2024 Order.

Description	Amount
Average Annual Principal and Interest	\$ 191,162
Times: DSC Coverage Ratio	<u>120%</u>
Total Net Revenues Required	229,394
Less: Average Annual Principal and Interest	<u>(191,162)</u>
Additional Working Capital	<u><u>\$ 38,232</u></u>

RATE DESIGN

In its application, Sandy Hook District proposed to increase all of its monthly retail and wholesale water service rates.¹⁰⁰ Sandy Hook District stated that it did not consider filing a COSS at this time as there have been no material changes in the water system that would cause a new COSS to be prepared.¹⁰¹

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 in the absence of a COSS.¹⁰² Finding no such evidence in this case, Commission Staff allocated the \$121,618 revenue increase evenly across Sandy Hook District's monthly retail water service rates.

The rates set forth in Appendix B to this report are based upon the revenue requirement, as calculated by Commission Staff, and will produce sufficient revenues from water sales to recover the \$1,026,997 Revenue Required from Rates, an approximate 13.43 percent increase. The monthly water bill for a typical residential

¹⁰⁰ Application, Attachment 1, Customer Notice.

¹⁰¹ Sandy Hook District's Response to Staff's First Request, Item 12a.

¹⁰² Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

customer using approximately 2,936 gallons per month will increase from \$50.76 to \$57.58 for an increase of \$6.82, or approximately 13.44 percent.¹⁰³

The Commission finds that the evidence provided in the record supports the revenue requirement and the allocation methodology used by Commission Staff as fair, just and reasonable and should be accepted.

Nonrecurring Charges. Sandy Hook District provided the cost justification for the nonrecurring charges.¹⁰⁴ Following the Commission's previous decisions,¹⁰⁵ Commission Staff reviewed Sandy Hook District's nonrecurring charges cost justification information. Commission Staff adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs from nonrecurring charges completed during regular business hours. For the after-hour charges, Commission Staff removed office labor as the charge would not occur during normal business hours nor would office staff perform duties outside of the normal job responsibilities.

Sandy Hook District provided a list of the number of occurrences for each of its nonrecurring charges.¹⁰⁶ This list did not include Meter Re-read Charge and Damage to Meter, which were two charges listed in Sandy Hook District's current tariff. Sandy Hook

¹⁰³ Application, Attachment 1, Customer Notice, the average retail customer has a 5/8-Inch x 3/4-Inch Meter using 2,936 gallons per month as used by Sandy Hook District.

¹⁰⁴ Sandy Hook District's Response to Staff's First Request, Item 17, Attachment SHWD_1_(17)_PSC_Cost_Justification (filed Nov. 27, 2024).

¹⁰⁵ 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).

¹⁰⁶ Sandy Hook District's Response to Staff's First Request, Item 16.

District stated that it never charges to re-read a meter and generally only re-reads meters if something appears odd when doing the monthly radio meter reads.¹⁰⁷ Sandy Hook District also stated that the only time it charges for damage to meters is for meter lid replacements when the customer is at fault.¹⁰⁸ For 2023, Sandy Hook District billed for only one meter lid at a cost of \$75.00.¹⁰⁹ Based on Sandy Hook District's updated cost justification sheets, Commission Staff recommended that both charges remain in Sandy Hook District's tariff.

The Commission finds that Commission Staff's recommended inclusion of both charges in Sandy Hook District's current tariff is reasonable. Although there is only one instance of a charge, based on the responses, it is reasonable that Sandy Hook District may need to charge those fees.

The cost for a Meter Test Charge increased substantially from \$55 to \$193, as listed by Sandy Hook District in the cost justification sheets provided.¹¹⁰ In the cost justification sheets, Sandy Hook District noted that the main expense for this service is the cost of the replacement meter.¹¹¹ Commission Staff recommended that the Commission accept the increase to the Meter Test Charge as the amount meets the rate

¹⁰⁷ Sandy Hook District's Response to Staff's Second Request, Item 6, SHWD_6_non-recurring-charges.pdf.

¹⁰⁸ Sandy Hook District's Response to Staff's Second Request, Item 6, SHWD_6_non-recurring-charges.pdf.

¹⁰⁹ Sandy Hook District's Response to Staff's Second Request, Item 6, Attachment SHWD_6_non-recurring_charges.

¹¹⁰ Sandy Hook District's Response to Staff's First Request, Item 17, Attachment SHWD_1_(17)_PSC_Cost_Justification.

¹¹¹ Sandy Hook District's Response to Staff's First Request, Item 17, Attachment SHWD_1_(17)_PSC_Cost_Justification, at 10.

making criteria of being known and measurable.¹¹² In addition, prolonged under-recovery for a service could impact the utility’s financial wellness. The cost justification information shown in Appendix A was provided by Sandy Hook District and supports the requested increase. The adjustments discussed above result in the following revised nonrecurring charges:

Charge	Current Charge	Revised Charge
Returned Check Charge	\$28.00	\$3.00
Meter Turn-On Charge	\$45.00	\$13.00
Meter Relocation Charge	Actual Cost	Actual Cost
Meter Re-read Charge	\$45.00	\$13.00
Meter Test Charge	\$55.00	\$193.00
Service Call / Investigation Charge	\$45.00	\$13.00
Service Call / Investigation Charge - After Hours	\$70.00	\$40.00
Service Reconnection Charge	\$55.00	\$13.00
Service Reconnection Charge - After Hours	\$70.00	\$40.00
Damage to Meter	Actual Cost	Actual Cost

The Commission finds that Commission Staff’s recommendations are reasonable and should be accepted, and the revised nonrecurring charges as described above and in Appendix B are reasonable.

The adjustments to the nonrecurring charges result in a decrease of \$8,387 to Other Revenues as shown below.

¹¹² Commission Staff’s Report at 9.

Charge	Occurrences	Current Charge	Revised Charge	Pro Forma
Returned Check Charge	6	\$ 28.00	\$ 3.00	\$ 18
Meter Turn-On Charge	104	\$ 45.00	\$ 13.00	1,352
Meter Relocation Charge	0	Actual Cost	Actual Cost	-
Meter Re-read Charge	0	\$ 45.00	\$ 13.00	-
Meter Test Charge	0	\$ 55.00	\$ 193.00	-
Service Call / Investigation Charge	0	\$ 45.00	\$ 13.00	-
Service Call / Investigation Charge - After Hours	0	\$ 70.00	\$ 40.00	-
Service Reconnection Charge	91	\$ 55.00	\$ 13.00	1,183
Service Reconnection Charge - After Hours	0	\$ 70.00	\$ 40.00	-
Damage to Meter	1	Actual Cost	Actual Cost	75
Pro Forma Test Year NRC Revenue				\$ 2,628
Less: Test Year NRC Revenue				(11,015)
Adjustment				<u>\$ (8,387)</u>

Sandy Hook District provided an updated cost justification for its 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge.¹¹³ Commission Staff reviewed the cost justification information provided and determined that it supports an increase in the Meter Connection/Tap-On Charge.¹¹⁴ Commission Staff recommended that the Commission accept Sandy Hook District's supported increase for the tap-on fee from \$800 to \$1,731 for the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge to avoid under-recovering each tap fee by \$931.¹¹⁵ As mentioned above, the under-recovery may cause a material impact to a utility to occur cumulatively over time.

The Commission agrees with Commission Staff's recommendation to increase the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge to \$1,731 to reflect the current expenses incurred to install new taps, in order to prevent an under recovery for tap fees.

¹¹³ Sandy Hook District's Response to Staff's Fourth Request, Item 10b, Attachment SHWD_DR4_10b.

¹¹⁴ Commission Staff's Report at 10.

¹¹⁵ Commission Staff's Report at 10.

Increasing the tap fee rates in line with Sandy Hook District's actual cost will result in a fair, just or reasonable rate. In addition, over time, under recovery of a particular charge will result in degradation of the utility's financial condition.

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, are supported by the evidence of record and are reasonable. By applying the DSC method, the Commission finds that Sandy Hook District's pro forma operations result in a Revenue Requirement from Rates of \$1,026,997 and that a \$121,618 revenue increase, or 13.43 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement of \$1,073,098.

Furthermore, the Commission finds that Sandy Hook District's re-notice publication is sufficient even though it did not run for three consecutive weeks. The Commission, on its own motion, finds that a deviation of 807 KAR 5:076 Section 11(3)(f) should be granted for good cause pursuant to 807 KAR 5:076 Section 17, as the publication was in substantial compliance with the regulation. Although Sandy Hook District did not specifically request a deviation from 807 KAR 5:076, Section 11(3)(f), in its Read First Letter, it stated that due to the July 4th holiday, the publication would run for three weeks, but not consecutively. The Commission finds that Sandy Hook District made a good-faith effort to comply with the regulation and Order dated May 6, 2025, and the notice published substantially complies with the regulation.


IT IS THEREFORE ORDERED that:

1. Sandy Hook District is granted a deviation for its re-notice from regulation 807 KAR 5:076, Section 11(3)(f).
2. The recommendations contained in the Commission Staff's Report, are adopted and incorporated by reference into this Order as if fully set out herein.
3. The water service rates proposed by Sandy Hook District are denied.
4. The water service rates set forth in Appendix B to this Order are approved for service rendered by Sandy Hook District on or after the date of this Order.
5. Within 20 days of the date of service of this Order, Sandy Hook 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.
6. This case is closed and removed from the Commission's docket.


PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ATTEST:



Executive Director

ENTERED
SEP 19 2025
KENTUCKY PUBLIC^{AB}
SERVICE COMMISSION

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00196 DATED SEP 19 2025

* Denotes Rounding

Nonrecurring Charges Adjustments

	Returned Check Charge		Staff Revised Charge	
		Utility Revised Charge		
Field Materials	\$	-	\$	-
Field Labor	\$	-	\$	-
Office Supplies	\$	-	\$	-
Office Labor	\$	25.50	\$	-
Transportation	\$	-	\$	-
Misc. (Bank Fee)	\$	2.50	\$	2.50
Total Revised Charge*	\$	28.00	\$	3.00
Current Rate	\$	28.00		

	Meter Turn-On Charge		Staff Revised Charge	
		Utility Revised Charge		
Field Materials	\$	-	\$	-
Field Labor (1 hour max)	\$	18.00	\$	-
Office Supplies	\$	-	\$	-
Office Labor (30 min @ \$10/hour)	\$	5.00	\$	-
Transportation (30 miles round trip @ \$0.43/mile)	\$	12.90	\$	12.90
Misc.	\$	-	\$	-
Total Revised Charge*	\$	35.90	\$	13.00
Current Rate	\$	45.00		

	Meter Relocation Charge		Staff Revised Charge	
		Utility Revised Charge		
Total Revised Charge*	\$	-	\$	-
Current Rate		Actual Cost		Actual Cost

	Meter Re-read Charge		Staff Revised Charge	
		Utility Revised Charge		
Field Materials	\$	-	\$	-

Field Labor (1 hour max)	\$	18.00	\$	-
Office Supplies	\$	-	\$	-
Office Labor (5 min @ \$15/hour)	\$	1.25	\$	-
Transportation (30 miles round trip @ \$0.43/mile)	\$	12.90	\$	12.90
Misc.	\$	-	\$	-
Total Revised Charge*	\$	32.15	\$	13.00
Current Rate	\$	45.00		

Meter Test Charge

		Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$	-
Field Labor (1 hour)	\$	18.00	\$	-
Office Supplies	\$	-	\$	-
Office Labor (5 min @ \$15/hour)	\$	1.25	\$	-
Transportation (15 miles @ \$0.43/mile)	\$	6.45	\$	6.45
Misc. (New Meter installed as Old Meter is removed for testing)	\$	185.78	\$	185.78
Total Revised Charge*	\$	211.48	\$	193.00
Current Rate	\$	55.00		

Service Call / Investigation Charge

		Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$	-
Field Labor (1 hour)	\$	18.00	\$	-
Office Supplies	\$	-	\$	-
Office Labor	\$	-	\$	-
Transportation (30 miles round trip @ \$0.43/mile)	\$	12.90	\$	12.90
Misc.	\$	-	\$	-
Total Revised Charge*	\$	30.90	\$	13.00
Current Rate	\$	45.00		

Service Call / Investigation Charge - After Hours

		Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$	-
Field Labor (1 hour - Over Time)	\$	27.00	\$	27.00
Office Supplies	\$	-	\$	-
Office Labor	\$	-	\$	-

Transportation (30 miles round trip @ \$0.43/mile)	\$	12.90	\$	12.90
Misc.	\$	-	\$	-
Total Revised Charge*	\$	39.90	\$	40.00
Current Rate	\$	70.00		

	Service Reconnection Charge			
	Utility Revised Charge		Staff Revised Charge	
Field Materials	\$	-	\$	-
Field Labor (1 hour)	\$	18.00	\$	-
Office Supplies	\$	-	\$	-
Office Labor (10 min @ \$15/hour)	\$	2.50	\$	-
Transportation (30 miles round trip @ \$0.43/mile)	\$	12.90	\$	12.90
Misc.	\$	-	\$	-
Total Revised Charge*	\$	33.40	\$	13.00
Current Rate	\$	55.00		

	Service Reconnection Charge - After Hours			
	Utility Revised Charge		Staff Revised Charge	
Field Materials	\$	-	\$	-
Field Labor (1 hour - Over Time)	\$	27.00	\$	27.00
Office Supplies	\$	-	\$	-
Office Labor (10 min @ \$15/hour)	\$	2.50	\$	-
Transportation (30 miles round trip @ \$0.43/mile)	\$	12.90	\$	12.90
Misc.	\$	-	\$	-
Total Revised Charge*	\$	42.40	\$	40.00
Current Rate	\$	70.00		

	Damage to Meter			
	Utility Revised Charge		Staff Revised Charge	
Total Revised Charge*	\$	-	\$	-
Current Rate	Actual Cost		Actual Cost	

5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge

	Utility Revised Charge	Staff Revised Charge
Materials Expense	\$ 1,077.37	\$ 1,077.37
Service Pipe Expense	\$ 30.00	\$ 30.00
Installation Labor Expense	\$ 116.00	\$ 116.00
Installation Equipment Expense	\$ 346.00	\$ 346.00
Installation Miscellaneous Expense	\$ 116.00	\$ 116.00
Overhead Expense	\$ -	\$ -
Administrative Expense	\$ 45.00	\$ 45.00
Total Revised Charge*	<u>\$ 1,730.37</u>	<u>\$ 1,731.00</u>
Current Rate	\$ 800.00	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00196 DATED SEP 19 2025

The following rates and charges are prescribed for the customers in the area served by Sandy Hook 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	\$	42.14	Minimum Bill
Next	8,000 Gallons		0.01650	Per Gallon
Next	40,000 Gallons		0.01475	Per Gallon
Over	50,000 Gallons		0.01299	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$	91.63	Minimum Bill
Next	5,000 Gallons		0.01650	Per Gallon
Next	40,000 Gallons		0.01475	Per Gallon
Over	50,000 Gallons		0.01299	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$	174.14	Minimum Bill
Next	40,000 Gallons		0.01475	Per Gallon
Over	50,000 Gallons		0.01299	Per Gallon

2-Inch Meter

First	20,000 Gallons	\$	321.60	Minimum Bill
Next	30,000 Gallons		0.01475	Per Gallon
Over	50,000 Gallons		0.01299	Per Gallon

3-Inch Meter

First	30,000 Gallons	\$	469.06	Minimum Bill
Next	20,000 Gallons		0.01475	Per Gallon
Over	50,000 Gallons		0.01299	Per Gallon

Nonrecurring Charges

Returned Check Charge	\$3.00
Meter Turn-On Charge	\$13.00
Meter Relocation Charge	Actual Cost
Meter Re-read Charge	\$13.00
Meter Test Charge	\$193.00
Service Call / Investigation Charge	\$13.00
Service Call / Investigation Charge - After Hours	\$40.00
Service Reconnection Charge	\$13.00
Service Reconnection Charge - After Hours	\$40.00
Damage to Meter	Actual Cost
<u>Tap-On Fee</u>	
5/8-Inch x 3/4-Inch Meter	\$1,731.00

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