

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF RATTLESNAKE)	CASE NO.
RIDGE WATER DISTRICT FOR A RATE)	2023-00338
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

NOTICE OF FILING OF COMMISSION STAFF'S REPORT

Notice is hereby given that, in accordance with the Commission's Order of December 21, 2023, as amended by Order dated April 22, 2024, the attached report containing the recommendations of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's April 22, 2024 Order, Rattlesnake Ridge Water District (Rattlesnake Ridge District) is required to file written comments regarding the recommendations of Commission Staff no later than 14 days from the date of service of this report. The Commission directs Rattlesnake Ridge District to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission.



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED MAY 10 2024

cc: Parties of Record

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF RATTLESNAKE)	CASE NO.
RIDGE WATER DISTRICT FOR A RATE)	2023-00338
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

COMMISSION STAFF'S REPORT
ON RATTLESNAKE RIDGE WATER DISTRICT

Rattlesnake Ridge Water District (Rattlesnake Ridge 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 4,213 residential customers and 15 commercial customers that reside in Carter, Elliott, Lawrence, Lewis, and Morgan counties, Kentucky.¹

On December 1, 2023,² Rattlesnake Ridge District filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,³ Rattlesnake Ridge District used the calendar year ended December 31, 2022, as the basis for its application. The application was filed pursuant to the Commission's Order in Case No. 2021-00340,⁴

¹ *Annual Report of Rattlesnake Ridge District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 49.

² Rattlesnake Ridge District tendered its application on November 20, 2023. By letter dated November 21, 2023, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on December 1, 2023.

³ 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.

⁴ Case No. 2021-00340, *Electronic Investigation into the Financial and Operating Capacity of Rattlesnake Ridge Water District Including Rattlesnake Ridge Water District and Its Individual*

which required Rattlesnake Ridge District to file an application for an adjustment of its base rates by July 31, 2023.⁵ Rattlesnake Ridge District's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2013-00338.⁶ Since that matter, Rattlesnake Ridge District has only adjusted its rates pursuant to financing approval or in conjunction with an application for a Certificate of Public Convenience and Necessity pursuant to KRS 278.023. To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated December 21, 2023. The procedural schedule was amended by Order entered February 8, 2024, and April 22, 2024.

Rattlesnake Ridge District responded to two discovery requests from Commission Staff,⁷ and Commission Staff conducted one field review.⁸ On March 27, 2024, Rattlesnake Ridge District was ordered to respond to all outstanding responses to requests for information. Rattlesnake Ridge District provided supplemental responses on March 21, 2024, March 28, 2024, and April 1, 2024.⁹

Commissioners, and Manager David Gifford for Alleged Failure to Comply With KRS 278.300 as Well as Possible Vacancies on the Board of Commissioners of Rattlesnake Ridge Water District (Ky. PSC Oct. 18, 2021), opening Order.

⁵ Case No. 2021-00340, *Electronic Investigation into the Financial and Operating Capacity of Rattlesnake Ridge Water District Including Rattlesnake Ridge Water District and its Individual Commissioners, and Manager David Gifford for Alleged Failure to Comply with KRS 278.300 as Well as Possible Vacancies on the Board of Commissioners of Rattlesnake Ridge Water District* (Ky. PSC Aug. 4, 2023) at 2, ordering paragraph 2.

⁶ Case No. 2013-00338, *Alternative Rate Adjustment Filing of Rattlesnake Ridge Water District*, (Ky. PSC Feb 7, 2014).

⁷ Rattlesnake Ridge District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Jan. 22, 2024) and supplemented on Jan. 25, 2024. Rattlesnake Ridge District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Mar. 28, 2024) and supplemented on Mar. 1, 2024, Mar, 28, 2024 and Apr. 1, 2024.

⁸ Commission Staff conducted a field review on February 15, 2024.

⁹ Order (Ky. PSC Mar. 27, 2024).

UNACCOUNTED-FOR WATER LOSS

The Commission notes that in its 2022 Annual Report, Rattlesnake Ridge District reported a water loss of 64.5211 percent.¹⁰ During the last five years, Rattlesnake Ridge District has consistently had water loss in excess of 50 percent¹¹ as shown in the following table. Rattlesnake Ridge District was a party to Commission's investigation into excessive water loss.¹²

	<u>Total Water Loss</u>	<u>Water Loss Percentage</u>
2018	359,779	59.5251%
2019	397,286	63.1033%
2020	386,233	63.3080%
2021	410,770	64.2511%
2022	<u>410,770</u>	<u>64.2511%</u>

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 following table shows that the 2022 total annual cost of water loss to Rattlesnake Ridge District is \$366,142, while the annual cost of water loss in excess of 15 percent is \$280,662.

¹⁰ 2022 Annual Report at 57.

¹¹ *Annual Report of Rattlesnake Ridge District to the Public Service Commission for the Calendar Year Ended December 31, 2018* (2018 Annual Report) at 57; *Annual Report of Rattlesnake Ridge District to the Public Service Commission for the Calendar Year Ended December 31, 2019* (2019 Annual Report) at 57; *Annual Report of Rattlesnake Ridge District to the Public Service Commission for the Calendar Year Ended December 31, 2020* (2020 Annual Report) at 57; *Annual Report of Rattlesnake Ridge District to the Public Service Commission for the Calendar Year Ended December 31, 2021* (2021 Annual Report) at 57; and 2022 Annual Report at 57.

¹² Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities*, (Ky. PSC Nov. 22, 2021).

	Purchased Power Expense	Chemicals & Lab Testing	Total
Pro Forma Expenses	\$ 340,180	\$ 229,681	\$ 569,861
Multiply by: Total Water loss	64.2511%	64.2511%	64.2511%
Total Water Loss	\$ 218,569	\$ 147,573	\$ 366,142

	Purchased Power Expense	Chemicals & Lab Testing	Total
Pro Forma Expenses	\$ 340,180	\$ 229,681	\$ 569,861
Multiply by: Water loss in Excess of 15 Percent	49.2511%	49.2511%	49.2511%
Excess Cost	\$ 167,542	\$ 113,120	\$ 280,662

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold.¹³ In recognition of this, Rattlesnake Ridge District requested to implement a water loss reduction surcharge in its application. Commission Staff strongly encourages Rattlesnake Ridge District to study its system to identify the sources of unaccounted-for water loss. This is the logical first step toward developing the comprehensive plan to improve Rattlesnake Ridge District's infrastructure and eliminate the identified sources of excessive water loss.

DISCUSSION

Using its pro forma test-year operations, Rattlesnake Ridge District determined that a base rate revenue increase of \$535,183, or 18.84 percent, was necessary to achieve the revenue requirement.¹⁴ Rattlesnake Ridge District also proposed a monthly water loss reduction surcharge of \$5.84 per customer.¹⁵ The rates requested by

¹³ See generally Commission Final Orders for Rate Applications from 2017-present for language explaining the greater emphasis on encouraging efforts to reduce water loss and including the approximate amount of money the lost water represented to the utility. Case No. 2017-00176, *Electronic Application of Estill County Water District No. 1 for Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 20, 2017), Order at 4.

¹⁴ Application, Exhibit 4, Revenue Requirement table.

¹⁵ Application, Attachment 1, Customer Notice.

Rattlesnake Ridge District would increase the residential monthly bill of a typical residential customer using 4,000 gallons per month by \$12.48 from \$66.26 to \$78.74, or approximately 18.84 percent.¹⁶ The increase to the residential monthly bill when the proposed surcharge is added, a typical residential customer using 4,000 gallons per month by \$18.32 from \$66.26 to \$84.58, or approximately 27.65 percent.¹⁷

Commission Staff identified a formula error that excluded a proposed decrease of \$344,115 to Rattlesnake Ridge District's Pro Forma Miscellaneous Expense, which causes the Operating Expenses in its Schedule of Adjusted Operations to be overstated by \$344,115.¹⁸ Commission Staff corrected the error in its revenue requirement recommendation. Rattlesnake Ridge District's proposed revenue requirement, inclusive of the error, is shown below, as well as Commission Staff's calculation of the Revenue Requirement after correcting the error.

¹⁶ Rattlesnake Ridge District's Response to Deficiency Letter, Revised Customer Notice.

¹⁷ Rattlesnake Ridge District's Response to Deficiency Letter, Revised Customer Notice.

¹⁸ Rattlesnake Ridge District's Response to filing deficiencies, Attachment 11, Revised_11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, SAO Tab, Cell G45

	Requested Rattlesnake Ridge Water District	Corrected Rattlesnake Tidge Water District
Pro Forma Operating Expenses	\$ 2,754,919	\$ 2,410,805
Plus: Avg. Annual Principal and Interest Payments	561,662	561,662
Additional Working Capital	112,332	112,332
Total Revenues Requirement	3,428,913	3,084,799
Less: Other Operating Revenue	(47,858)	(47,858)
Interest and Dividend Income	(2,673)	(2,673)
Non-operating Revenue	(1,980)	(1,980)
Revenue Required From Water Sales	3,376,402	3,032,288
Revenue from Sales at Present Rates ()	(2,841,219)	(2,841,219)
Required Revenue Increase	<u>\$ 535,183</u>	<u>\$ 191,069</u>
Percentage Increase	<u>18.84%</u>	<u>6.72%</u>

To determine the reasonableness of the rates requested by Rattlesnake Ridge District, Commission Staff performed a limited review of Rattlesnake Ridge District’s test-year operations. The scope of Commission Staff’s review was limited to determining whether operations reported for the test year were representative of normal operations. Known and measurable¹⁹ changes to test-year operations were identified, and adjustments were made when their effects were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

Commission Staff’s recommendations are summarized in this report. William Foley reviewed the calculation of Rattlesnake Ridge District’s Overall Revenue

¹⁹ Commission regulation 807 KAR 5:076, Section 9, sets the standard for the determination of the reasonableness of proposed rates and states, in pertinent part, that the test period shall be “adjusted for known and measurable changes.” See also Case No. 2001-00211, *Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness Therefore; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff* (Ky. PSC Mar. 1, 2002); Case No. 2002-00105, *Application of Northern Kentucky Water District for (A) an Adjustment of Rates; (B) a Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds* (Ky. PSC June 25, 2003); and Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018).

Requirement, and Eddie Beavers reviewed Rattlesnake Ridge District's reported revenues and rate design.

SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Debt Service Coverage (DSC) method, as generally accepted by the Commission, Commission Staff determined that Rattlesnake Ridge District's required revenue from water sales is \$3,012,242 to meet the Overall Revenue Requirement of \$3,050,794 and that a \$172,023 revenue increase, or 6.05 percent increase, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

2. Water Loss Surcharge. In its application, Rattlesnake Ridge District requested to implement a water loss reduction surcharge of \$5.84²⁰ per customer per month.²¹ Commission Staff recalculated the amount based on an adjusted water loss cost that is discussed in Adjustment (M) of the pro forma adjustments later in this report and the inclusion of purchased power for pumping which results in a monthly amount of \$5.53 per customer as shown in the following table.

²⁰ Rattlesnake Ridge District's Response to filing deficiencies, Attachment 11, Revised_11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, Water Loss Tab, Cell E27.

²¹ Application, Attachment 1, Customer Notice.

	<u>Commission Staff Proposed</u>
Disallowed Water Loss	\$ 280,662
Number of Annual Bills	50,736
Monthly Surcharge	<u>\$ 5.53</u>
Annual Surcharge (Monthly x Customers x 12)	<u>\$ 280,570</u>
Total Surcharge (Monthly x Customers x 48)	<u>\$ 1,122,280</u>

The use of a surcharge is consistent with prior Commission action in cases involving water utilities with excessive unaccounted-for water loss.²² The Commission generally has approved the request of water utilities with reported water loss above the 15 percent threshold to assess water loss reduction surcharges.²³ Further, the Commission has ordered surcharges even when a utility has not specifically requested a surcharge.²⁴ Recognizing prior Commission precedent to allow the use of surcharges to assist utilities in obtaining the proper funding needed to combat water loss, Commission Staff recommends that the Commission approve Rattlesnake Ridge District's request for a surcharge and authorize Commission Staff's recalculated surcharge amount of \$5.53

²² See Case No. 96-126, *An Investigation into the Operations and Management of Mountain Water District* (Ky. PSC Aug. 11, 1997); Case No. 2011-00217, *Application of Cannonsburg Water District for (1) Approval of Emergency Rate Relief and (2) Approval of the Increase in Nonrecurring Charges*, (Ky. PSC June 4, 2012); Case No. 2018-00017, *Application of Martin County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 5, 2018); Case No. 2018-00429, *Application of Graves County Water District for an Alternative Rate Adjustment* (Ky. PSC Sept. 30, 2019); and Case No. 2019-00119, *Electronic Application of Estill County Water District No. 1 for a Surcharge to Finance Water Loss Control Efforts* (Ky. PSC Mar. 24, 2010); Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020), Order at 11–13.

²³ Case No. 2021-00094, *Electronic Application of Garrison-Quincy-Ky-O-Heights Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Nov. 24, 2021).

²⁴ Case No. 2020-00311, *Electronic Application of Cawood Water District for an Alternative Rate Adjustment* (Ky. PSC Apr. 8, 2021), Order at 3.

per bill per month for a temporary period of 48 months, with a review of the necessity to continue the surcharge before the temporary period expires. Commission Staff also recommends that the Commission establish a separate proceeding to monitor the surcharge and place strict controls over the use of the funds that will be collected from the surcharge. In addition, Commission Staff recommends that Rattlesnake Ridge District be required to develop a long-term plan to address its aging infrastructure and combat water loss within 120 days of the final Order in this proceeding.

3. Monthly Water Service Rates. Rattlesnake Ridge District proposed to increase its monthly retail and wholesale water service rates by approximately 18.84 percent across the board.²⁵ Rattlesnake Ridge District stated that it did not complete a cost of service study (COSS) at this time considering there have been no material changes in the water system.²⁶

The Commission has previously found that the allocation of a revenue increase 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.²⁷ Finding no such evidence in this case, Commission Staff followed the method previously accepted by the Commission and allocated the recommended \$171,575 revenue increase evenly across the board to Rattlesnake Ridge District's monthly retail and wholesale water service rates.

²⁵ Rattlesnake Ridge District's Response to filing deficiencies, Revised Notice, Revised_RRWD_PUBLIC_NOTICE.pdf.

²⁶ Rattlesnake Ridge District's Response to Staff's First Request, Item 10.

²⁷ Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

The rates, which are set forth in the 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 \$3,012,794 revenue required from rates.

The rates will increase a typical residential customer's monthly water bill using 4,000 gallons, from \$66.26 to \$70.26, an increase of \$4.00, or approximately 6.04 percent.²⁸ The rates will increase a typical residential customer's monthly water bill using 4,000 gallons²⁹ and with the inclusion of the Water Loss Surcharge, from \$66.26 to \$75.79, an increase of \$9.53, or approximately 14.39 percent.

4. Nonrecurring Charges. Following the Commission's recent decisions,³⁰ Commission Staff has reviewed Rattlesnake Ridge District's nonrecurring charges. The Commission has previously found that because district personnel are currently paid during normal business hours and the labor costs are recovered in rates, estimated labor costs previously included in determining the amount of Nonrecurring Charges should be eliminated. Rattlesnake Ridge District provided the cost justification for the nonrecurring charges.³¹ Commission Staff reviewed the cost justification information provided and adjusted these charges by removing Field Labor Costs of approximately \$31.88 per hour

²⁸ 3,000 gallons for an average user's bill = $(24.80 + (2,000 \text{ gallons} \times .01526)) = \51.00 . 4,000 gallons for an average user's bill $(24.80 + (3,000 \text{ gallons} \times .01526)) = \66 .

²⁹ The calculation for the typical residential customer uses approximately 3,000 gallons per month, Application, Attachment 1, see footnote 26.

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).

³¹ Rattlesnake Ridge District's Response to Staff's Second Request, Item 13.

and Office/Clerical Labor Costs of approximately \$3.75 per hour from those charges which occur during normal business hours.³² The breakdown of cost for each nonrecurring charge and any Commission Staff adjustment can be found in Appendix A.

The adjustments to the Nonrecurring Charges result in a decrease in Miscellaneous Service Revenues of \$24,652 as shown below.

Miscellaneous Service Revenues:	Occurrences	Current Charge	Revised Charge	Pro-Forma Total
Termination Charge / Field Service	584	\$45.00	\$ 37.00	\$ 21,608
Reconnect Charge	39	45.00	27.00	1,053
After Hours Reconnection	1	55.00	72.00	72
Meter Test	-	50.00	77.00	-
Service Investigation	15	45.00	27.00	405
After Hours Service Investigation	1	55.00	72.00	72
Meter Reading Recheck Charge	-	45.00	27.00	-
Pro-Forma Test Year				23,210
Revised Test Year Miscellaneous Service Revenues ()				(47,858)
Miscellaneous Service Charge Adjustment				<u>\$ (24,648)</u>

5. Other Commission Staff Concerns. Commission Staff has concerns with the possibility that Rattlesnake Ridge District has been charging fees that are not included as part of its tariff. Rattlesnake Ridge District had occurrences of the following charges: return check fee, fee for reject/return invoice cloud, and reject/return payment from Invoice cloud. Commission Staff did not identify any reference to these charges in Rattlesnake Ridge District's current tariff nor did canceled tariff pages on file with the Commission list these charges. The charges are listed as recurring.³³ Commission Staff recommends that Rattlesnake Ridge District's apparent failure to comply with its tariff be

³² Rattlesnake Ridge District's Response to Staff's First Request, Item 5.

³³ Rattlesnake Ridge District's Response to Staff's Second Request, Item 27, 27_Misc_service_revenues.xlsx, Column K.

included in the open investigation in Case No. 2021-00340.³⁴ Commission Staff further recommends that Rattlesnake Ridge District file with the Commission a tariff sheet that complies with all requirements pursuant to 807 KAR 5:011, including all proper notice requirements, prior to charging customers any fees not currently included in the tariffs.

<u>Miscellaneous service revenues</u>	<u>Amount Collected</u>
Return Check Charge	\$ 959
Fee for reject/ return Invoice cloud	1,559
Reject/ Return pymt from Invoice cloud	<u>7,101</u>
Total	<u>\$ 9,619</u>

In addition, Commission Staff reviewed Rattlesnake Ridge District’s Tariff. The price charged for 5/8- X 3/4-Inch Meter Connection Fees is listed as \$1,200.³⁵ However, the Water User Contract on file states that Rattlesnake Ridge collects \$700 for the installation fee.³⁶ Commission Staff recommends that Rattlesnake Ridge submit an updated Water User Contract that reflects the current connection Charge.

PRO FORMA OPERATING STATEMENT

Rattlesnake Ridge District’s Pro Forma Operating Statement for the test year ended December 31, 2022, as determined by Commission Staff appears in the table below.

³⁴ Case No. 2021-00340, *Electronic Investigation into the Financial and Operating Capacity of Rattlesnake Ridge Water District Including Rattlesnake Ridge Water District and Its Individual Commissioners, and Manager David Gifford for Alleged Failure to Comply with KRS 278.300 as well as Possible Vacancies on the Board of Commissioners of Rattlesnake Ridge Water District.*

³⁵ Rattlesnake Ridge District’s Current Tariff, Non-Recurring Charges, Sheet 3, at 5.

³⁶ Rattlesnake Ridge District’s Current Tariff, at 19.

	2022 Unadjusted Test Year	Rattlesnake Ridge Proposed Adjustment	Commission Staff Proposed Adjustment	Total Proposed Adjustments	(Ref.)	Pro Forma
Operating Revenues						
Metered Water Sales	\$ 3,077,405	\$ (47,858)	\$ -	\$ (47,858)	(A)	
			(62,400)	(62,400)	(B)	
		(188,328)	62,400	(125,928)	(C)	\$ 2,841,219
Total Metered Water Sales	3,077,405	(236,186)	-	(236,186)		2,841,219
Misc Service Revenue		-				
Other Water Revenues						
Forfeited Discounts	-	-	11,669	11,669	(D)	11,669
Misc. Service Revenues	-	47,858	(24,648)	23,210	(C)	23,210
Other Water Revenues	-			-		-
Total Other Water Revenues	-	47,858	(12,979)	34,879		34,879
Total Operating Revenues	3,077,405	(188,328)	(12,979)	(201,307)		2,876,098
Operating Expenses						
Operation and Maintenance Expenses						
Salaries and Wages - Employees	667,593	48,052	(23,338)	24,714	(E)	
		(11,520)	(7,200)	(18,720)	(F)	673,587
Salaries and Wages - Officers	32,500	(2,500)	-	(2,500)	(G)	30,000
Employee Pensions	176,828	(18,273)	(2,243)	(20,516)	(H)	156,312
Employee Benefits	61,803		(53,557)	(53,557)	(I)	
		(65,702)	36,422	(29,280)	(J)	(21,034)
Purchased Power	-	344,115	(3,935)	340,180	(K)	
		(169,480)	1,938	(167,542)	(M)	172,638
Chemicals	-	255,589	(25,908)	229,681	(L)	
		(125,880)	12,760	(113,120)	(M)	116,561
Materials and Supplies	-	76,482	-	76,482	(N)	
		(26,880)	(16,800)	(43,680)	(F)	32,802
Contractual Services	23,624	-	-	-		23,624
Contractual Services - Water Testing	-	13,972	-	13,972	(O)	13,972
Transportation Expenses	53,442			-		53,442
Advertising Expense	1,092			-		1,092
Insurance- Gen. Liab. & Workers Comp.	234,054		(178,441)	(178,441)	(J)	55,613
Miscellaneous Expense	853,327	(344,115)	-	(344,115)	(K)	
		(255,589)	25,908	(229,681)	(L)	
		(76,482)	-	(76,482)	(N)	
		(13,972)	-	(13,972)	(O)	
			27,648	27,648	(P)	216,725
Total Operation and Maintenance Expenses	2,104,263	(372,183)	(206,746)	(578,929)		1,525,334
Amortization		2,750	-	2,750	(Q)	2,750
Depreciation	840,000	(221,067)	173,019	(48,048)	(R)	
		-	1,508	1,508	(S)	793,460
Taxes Other Than Income	53,557	3,485	(1,786)	1,699	(T)	55,256
Utility Operating Expenses	2,997,820	(587,015)	(34,005)	(621,020)		2,376,800
Net Operating Income	79,585	398,687	21,026	419,713		499,298
Interest and Dividend Income	2,673	-	-	-		2,673
Nonutility Income	1,980	-	(1,980)	(1,980)	(A)	-
Income Available to Service Debt	\$ 84,238	\$ 398,687	\$ 19,046	\$ 417,733		\$ 501,971

(A) Miscellaneous Service Revenues. During the test year, Rattlesnake Ridge District included Miscellaneous Service Revenues as part of Metered Water Sales. In its application, Rattlesnake Ridge District proposed an adjustment to decrease Metered

Water Sales by \$47,858 and increase Miscellaneous Service Revenues by \$47,858.³⁷ The adjustment is to reflect that these revenues should be reclassified as Miscellaneous Service Revenues.³⁸ The calculations of these revised nonrecurring charges can be located in Appendix A and the revised charges can be located in Appendix B.

Additionally, during the test year, Rattlesnake Ridge District double recorded the Reconnection Fee Revenues. Rattlesnake Ridge District reported \$1,755 for Reconnections as part of Metered Water Sales.³⁹ The \$1,755 is part of the \$47,858 adjustment proposed by Rattlesnake Ridge District.⁴⁰ Additionally, in its Application, Rattlesnake Ridge District reported \$1,980 for Non-Operating Revenue.⁴¹ During its review of Rattlesnake Ridge District's Adjusted Trial Balance, Commission Staff noticed \$1,980 was reported for Reconnection Fee's unadjusted Balance.⁴² Reconnection Fees should be reported as part of Miscellaneous Service Revenue and not part of Nonutility income. Therefore, Commission Staff reduced Nonutility Income by \$1,980 in order to remove the double counting of reconnection fees leaving it only as part of Miscellaneous Service Revenues.

³⁷ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment A.

³⁸ Application, Exhibit 4, References, Adjustment A.

³⁹ Rattlesnake Ridge District's Response to filing deficiencies, Attachment 11, Revised_11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, Misc. service revenues Tab, Cell F26.

⁴⁰ Application, 11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, Misc. service revenues tab, Column F.

⁴¹ Rattlesnake Ridge District's Response to filing deficiencies, Attachment 11, Revised_11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, SOA Tab, Cell G65.

⁴² Rattlesnake Ridge District's Response to Staff's First Request, Item 4.

In response to Staff's First Request, Rattlesnake Ridge District provided cost justification sheets for the Nonrecurring Charges.⁴³ Commission Staff reviewed the responses to the information requests, the cost justification sheets, and the general ledger. Commission Staff decreased Miscellaneous Service Revenues by \$24,648 by removing field labor and clerical/office labor to nonrecurring charges that are accomplished during normal office hours, as well as other charges misplaced into this category. As noted above, the proposed adjustments made by Commission Staff result in a pro forma amount of \$23,210. Commission Staff recommends that the Commission approve these adjustments.

(B) Removal of Tap Fees. In its Application, Rattlesnake Ridge District reported \$3,077,405 in Metered Water Sales.⁴⁴ Commission Staff determined, by reviewing the Trial Balance, that the total is composed of \$39,900 tap fees, \$28,035 termination fees, and \$3,009,470 of metered Water Sales.⁴⁵ According to the Uniformed System of Accounting, revenue generated from the installation of meters is not treated as revenue, but is to be treated as Contributions in Aid of Construction⁴⁶ and credited to Account 271 – Contributions in Aid of Construction; and not included in Miscellaneous Service Revenues. In the application, Rattlesnake Ridge District reported 52 new service installation connections, 48 were installed at the previous rate of \$700, while 4 were

⁴³ Rattlesnake Ridge District's Response to Staff's Second Request, Item 13.

⁴⁴ Application, Rattlesnake Ridge District's Response to filing deficiencies (filed Nov. 30, 2023), Revised_11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx.

⁴⁵ Rattlesnake Ridge District's Response to Staff's First Request, Item 1b, 1_b_2022_RRWD_Trial_Balance.xlsx.

⁴⁶ Uniform System of Accounts for Class A/B Water Companies at 98, Section 334 Meters and Meter Installation, Note C.

installed at the current rate of \$1,200.⁴⁷ Commission Staff proposes that going forward, all water connections will be installed at the current \$1,200 rate, resulting in a Normalized Tap Fees collected amount of \$62,400.⁴⁸ Therefore, Commission Staff decreased Metered Water Sales by \$62,400, in order to remove the normalized tap fee revenue from Metered Water Sales.

(C) Billing Analysis. In its Application, Rattlesnake Ridge District proposed an adjustment to decrease its test year general water sales revenues of \$3,077,405 by \$188,328.⁴⁹ This reduction is to reflect that the test year revenue stated in the 2022 PSC Annual Report is overstated even when considering the increase the purchase water adjustment to the rates in Case No. 2023-00354.⁵⁰ Commission Staff reviewed the billing analysis, as above with the overstated test year revenue and the rate increase approved in Case No. 2022-00426,⁵¹ a decrease to test year general water sales revenues of \$125,928 should be made. Commission Staff adjusted the water sales revenue to account for the removal of certain charges and revenues previously discussed from the general water sales. With these adjustments Commission Staff calculated a normalized test year general water sales revenues of \$2,841,219. Commission Staff recommends that the Commission approve these adjustments.

⁴⁷ Rattlesnake Ridge District's Response to Staff's First Request, Item 4.

⁴⁸ 55 new water connections * \$1,200 per connections = \$62,400 New Connections collected.

⁴⁹ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment B.

⁵⁰ Application, Exhibit 4, References, Adjustment B.

⁵¹ Case No. 2022-00354, *Electronic Purchased Water Adjustment Filing of Rattlesnake Ridge County Water District* (Ky. PSC Sept. 15, 2023).

(D) Forfeited Discounts. During the test year, Rattlesnake Ridge District reported collecting \$11,669 in late fees.⁵² However, in the application, Rattlesnake Ridge District did not include the late fees.⁵³ Commission Staff recommends increasing Forfeited Discounts by \$11,669 in order to properly record the collection of the late fees.

(E) Salaries and Wages - Employees. In its application, Rattlesnake Ridge District proposed an adjustment to increase Salaries and Wages – Employees by \$48,052,⁵⁴ to reflect an increase to individual wage rates and an addition of a full-time employee.⁵⁵ Rattlesnake Ridge District provided the test year employee list,⁵⁶ test-year hours worked,⁵⁷ current wage rates,⁵⁸ and a current employee list.⁵⁹ Comparing the test-year payroll register to the current Payroll Register revealed that, subsequent to the test year, Rattlesnake Ridge District hired three new employees and lost six employees. Commission Staff normalized the new employees' normal hours to 2,080 hours. Therefore, the change of employees resulted in a net increase of 987 hours, as shown in

⁵² Rattlesnake Ridge District's Response to filing deficiencies, Attachment 11, Revised_11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, Misc. service revenues Tab, Cell G15.

⁵³ Rattlesnake Ridge District's Response to filing deficiencies, Attachment 11, Revised_11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, SAO Tab, Row 11.

⁵⁴ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment D.

⁵⁵ Application, Exhibit 4, References, Adjustment D.

⁵⁶ Rattlesnake Ridge District's Response to Staff's Second Request, Item 21, 26_Payroll_Register_Report_2022.pdf (filed Mar. 21, 2024).

⁵⁷ Rattlesnake Ridge District's Response to Staff's Second Request, Item 21, 26_Payroll_Register_Report_2022.pdf (filed Mar. 21, 2024).

⁵⁸ Rattlesnake Ridge District's Response to Staff's First Request, Item 2, 2_payroll_register.pdf.

⁵⁹ Rattlesnake Ridge District's Response to Staff's First Request, Item 2, 2_payroll_register.pdf.

the following table. In addition, subsequent to the test year, employees received an increase in wages.⁶⁰

Employee Number	Total Hours Worked
112	(212)
133	(2,197)
137	(447)
128	(747)
136	(463)
138	(1,188)
139	2,080
140	2,080
141	2,080
Net Change of Hours Worked	<u>987</u>

In its application, Rattlesnake Ridge District included bonuses in the calculation for pro forma Salaries and Wages – Employees.⁶¹ Rattlesnake Ridge District explained the bonuses were the Rattlesnake Ridge District’s board of commissioners (Board) way to show appreciation for the efforts of employees in reducing water loss and chemical production costs and was a one-time annual performance incentive.⁶² Therefore, it is a not recurring transaction and will not be occurring subsequent to the test year; therefore, Commission Staff did not include the bonuses in its pro forma calculation.

Commission Staff calculated a Normalized Salaries and Wages – Employees amount of \$692,307. Commission Staff calculated an increase of \$24,714, which is

⁶⁰ Rattlesnake Ridge District’s Response to Staff’s First Request, Item 2, 2_payroll_register.pdf.

⁶¹ Rattlesnake Ridge District’s Response to filing deficiencies, Attachment 11, Exhibit 11, 11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, Wages Tab, Salaries and Wages and Associated Adjustments table, Column I, Bonuses.

⁶² Rattlesnake Ridge District’s Response to Staff’s First Request, Item 6,

\$23,338 less than Rattlesnake Ridge District's proposed \$48,052 increase, as shown in the following table.

Employee Title	Employee Number	Total Hours	Test Year Normal Hours	Current Wages Rates	Pro-Forma Normal Wages	Test Year Overtime Hours	Current Overtime Wage Rates	Pro-Forma Overtime Wages	Pro-Forma Total Wages
Utility Service Representatives	100	2,080	2,074	\$ 19.81	\$ 41,086	5.50	\$ 29.72	\$ 163	\$ 41,249
Part Time Plant operator	101	472	472	20.50	9,676		30.75	-	9,676
Class 3A Operator @ Plant	102	2,195	2,108	22.12	46,629	87.00	33.18	2,887	49,516
Plant Supervisor	103	2,248	2,080	25.57	53,186	168.00	38.36	6,444	59,629
Utility Service Representatives	140	2,080	2,080	12.00	24,960		18.00	-	24,960
Class 3A Operator @ Plant	109	2,137	2,108	19.79	41,717	29.00	29.69	861	42,578
Manager	110	2,254	2,080	34.18	71,094	173.50	51.27	8,895	79,990
Class II D-Distribution	127	2,330	2,080	19.15	39,832	249.50	28.73	7,167	46,999
Class 2A Operator	131	2,174	2,080	19.80	41,184	93.50	29.70	2,777	43,961
Utility Service Representatives	126	736	732	17.50	12,810	4.00	26.25	105	12,915
Laborer/Equipment Operator	135	2,329	2,080	20.50	42,640	248.50	30.75	7,641	50,281
Field Foreman/ Equipment Operator	134	2,412	2,080	22.50	46,800	332.00	33.75	11,205	58,005
Assistant Manager	115	2,143	2,106	24.81	52,237	37.00	37.22	1,377	53,614
Class 3A Operator @ Plant	120	2,159	2,080	21.93	45,614	79.00	32.90	2,599	48,213
Field Laborer/ Meter Reader	139	2,080	2,080	17.00	35,360	-	25.50	-	35,360
Field Laborer/ Meter Reader	141	2,080	2,080	17.00	35,360	-	25.50	-	35,360
Normalized Salaries & Wages - Employees		33,094			<u>\$ 656,716</u>			<u>\$ 52,121</u>	692,307
Less: Test Year Salaries and Wages - Employees									<u>(667,593)</u>
Total Salaries & Wages Adjustment									24,714
Less: Rattlesnake Ridge District's Proposed Adjustment									<u>(48,052)</u>
Commission Staff's Proposed Salaries & Wages Adjustment									<u>\$ (23,338)</u>

(F) Expenses Related to Meter Installations. In its application, Rattlesnake Ridge District proposed an adjustment to decrease test year Materials and Supplies by \$26,880 and Salaries and Wages – Employees by \$11,520⁶³ to account for tapping fees that were included as part of these expenses. During the test year, Rattlesnake Ridge District installed 52 new water connections.⁶⁴ The Uniform System of Accounts for Class A/B Water Systems (USoA) requires that these costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.⁶⁵ Commission Staff agrees with Rattlesnake Ridge District's proposed methodology. However, as discussed in

⁶³ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment C.

⁶⁴ Rattlesnake Ridge District's Response to Staff's First Request, Item 4.

⁶⁵ USoA, Accounting Instruction 19 and 33.

Adjustment (A) in the application, Rattlesnake Ridge District reported of the 52 connections, 44 were installed at the old rate of \$700, while 4 were installed at the current rate of \$1,200.⁶⁶ Therefore, Commission Staff calculated that going forward, all water connections will be installed at the current \$1,200 rate, resulting in a Normalized Tapping Fees collected amount of \$62,400.⁶⁷ Commission Staff calculated a net decrease to the expense using the \$62,400, and decreased Materials and Supplies expense of \$43,680, which is \$16,800 more than Rattlesnake Ridge District proposed; and a decrease to Salaries and Wages – Employees of \$18,720, which is \$7,200 more than Rattlesnake Ridge District’s proposal as shown below. Additionally, Commission Staff capitalized the costs and made a corresponding adjustment to test-year depreciation as shown in adjustment (S).

	Salaries and Wages Employees	Materials and Supplies
Tap Fees	\$ 62,400	\$ 62,400
Times: Allocation Percent	30%	70%
Total Proposed Adjustment	(18,720)	(43,680)
Less: Rattlesnake Ridge District Proposed Adjustment	11,520	26,880
Commission Staff Proposed Adjustment	<u>\$ (7,200)</u>	<u>\$ (16,800)</u>

(G) Salaries and Wages – Officers. In its application, Rattlesnake Ridge District proposed an adjustment to decrease Salaries and Wages – Officers,⁶⁸ the adjustment is to reflect a decrease to Commissioner Salaries due to a vacancy for part of 2022.⁶⁹

⁶⁶ Rattlesnake Ridge District’s Response to Staff’s First Request, Item 4.

⁶⁷ 55 new water connections * \$1,200 per connections = \$62,400 New Connections collected.

⁶⁸ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment E.

⁶⁹ Application, Exhibit 4, References, Adjustment E.

Rattlesnake Ridge District’s Board consists of five members who are each paid \$500 per month.⁷⁰ Rattlesnake Ridge District provided the current commissioners and commissioners’ salaries.⁷¹ Commission Staff calculated the annualized total for Commissioners’ salaries and determined a pro forma amount of \$30,000, and agrees with Rattlesnake Ridge District’s proposal adjustment.

Commissioners	Pro Forma Salaries
Jason Carroll	6,000
Mike Copley	6,000
Bill Gilbert	6,000
Steve Ison	6,000
Randall Steagall	6,000
Total Salaries and Wages - Officers	30,000
Less: Test Year Salaries and Wages - Officers	(32,500)
Salaries and Wages - Officers Adjustment	<u>\$ (2,500)</u>

(H) Employee Pensions – County Employee Retirement System (CERS). In its application, Rattlesnake Ridge District proposed to decrease Employee Pensions and Benefits by \$18,273,⁷² to reflect a decrease in pension benefits due to the decrease in contribution rate effective July 1, 2023.⁷³ Rattlesnake Ridge District participates in the CERS, which is administered by the Kentucky Public Pension Authority (KPPA). Commission Staff agrees with Rattlesnake Ridge District’s methodology; however, as

⁷⁰ Rattlesnake Ridge District’s Response to Staff’s First Request, Item 1h, 1_h_commissioners_.pdf.

⁷¹ Rattlesnake Ridge District’s Response to Staff’s First Request, Item 1h, 1_h_commissioners_.pdf. The names of the Commissioners reflect persons holding the office at the time of the response.

⁷² Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment F.

⁷³ Application, Exhibit 4, References, Adjustment F.

discussed in Adjustment (E), Commission Staff calculated a Salaries and Wages – Employees’ expense of \$692,307, of which \$669,716 of the expense are full-time employees who qualify for retirement benefits. In addition, the KPPA fiscal year 2024 contribution rate is 23.34 percent.⁷⁴ Using the full-time employees Salaries and Wages – Employees, of \$669,716 and the current contribution rate, Commission Staff calculated a CERS contribution of \$156,312, which is a decrease of \$20,516 from Rattlesnake Ridge District’s test year pension contribution amount of \$176,828. The adjustment is \$2,243 more than Rattlesnake Ridge District’s proposed decrease of \$18,273, as shown in the following table.

Description	Commission Staff's Adjustment
Salaries and Wages applicable to CERS Payments	\$ 669,716
Multiplied by: Current CERS Contribution Rate	<u>23.34%</u>
CERS Retirement- Employer Contribution	156,312
Less: Test Year Pension & OPEB Expense ()	(176,828)
Employee Pensions and Benefits Adjustment	<u>(20,516)</u>
Less: Rattlesnake Ridge District Proposed Adjustment	18,273
Commission Staff Proposed Adjustment	<u><u>\$ (2,243)</u></u>

(I) Employee Pensions and Benefits – Remove Double counting of FICA Expense. In its application, Rattlesnake Ridge District reported \$238,630 for employee pensions and benefits; \$176,828 was reported for retirement expense and the remaining

⁷⁴ KPPA, GASB Contribution Rates (<https://www.kyret.ky.gov/Employers/GASB/Pages/Contribution-Rates.aspx>).

\$61,802 for other benefits, including \$53,557 for Federal Insurance Contributions Act (FICA) and Medicare Expense (MC).⁷⁵

<u>2022 Employee Pension and Benefits Email from Lori Dearfield</u>	
FICA and Medicare expense	\$ 53,557
Other Payroll Expense	5,365
Training Expense	1,098
Employee Benefits	1,782
Retirement Expense	176,828
Employee Pensions and Benefits 2022	<u>\$ 238,631</u>

Upon review, Commission Staff determined that, in addition to being recorded in Employee Pensions and Benefits, the same \$53,557 was also recorded in Taxes other than Income.⁷⁶ Therefore, in order to remove the double accounting of FICA and MC Expense, Commission Staff reduced Employee Benefits by \$53,557.

(J) Employee Benefits – Insurance. Commission Staff reclassified \$178,441 for employee medical insurance coverage from General Liability and Workers Compensation.⁷⁷ In its application, Rattlesnake Ridge District proposed an adjustment to reduce Employee Benefits Expenses by \$65,702⁷⁸ to decrease health insurance to the allowable employer share.⁷⁹ Rattlesnake Ridge District currently provides 100 percent of

⁷⁵ Rattlesnake Ridge District’s Response to filing deficiencies, Attachment 11, Exhibit 11, 11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, Wages Tab, 2022 Emp. P&B Email from Lori Dearfield table.

⁷⁶ Rattlesnake Ridge District’s Response to filing deficiencies, Attachment 11, Exhibit 11, 11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, SAO Tab, Cell D51.

⁷⁷ Rattlesnake Ridge District’s Response to Staff’s First Request, Item 7, 7_July_17_23_LDearfield.pdf.

⁷⁸ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment G.

⁷⁹ Application, Exhibit 4, References, Adjustment G.

each full-time employee's health insurance premiums.⁸⁰ While Commission Staff agrees Rattlesnake Ridge District needs to reduce the medical insurance expense, it disagrees with the proposed adjustment.

Rattlesnake Ridge District health provided insurance for 12 of its current employees, with two employees being part-time, and therefore not qualifying, and two opting out of receiving coverage.⁸¹ The Commission continues to review employees' total compensation packages, including both salary and benefits programs, for market and geographic competitiveness to ensure the development of a fair, just and reasonable rate. The Commission has found that, in most cases, 100 percent of employer-funded health care does not meet those criteria.⁸² Consistent with precedent,⁸³ Commission Staff reduced Rattlesnake Ridge District's contribution amount to single health insurance premiums by 21 percent,⁸⁴ and to family insurance premiums by 33 percent⁸⁵ as shown in the calculation below. Rattlesnake Ridge District provided the most recent copy of its health invoices.⁸⁶ Accordingly, utilizing the most recent invoice amounts, Commission

⁸⁰ Rattlesnake Ridge District's Response to Staff's First Request, Item 1g

⁸¹ Rattlesnake Ridge District's Supplemental information (filed Apr. 1, 2024), Health_Insurance_information_2024.pdf.

⁸² Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020); Case No. 2020-00296, *Electronic Application of Allen County Water District for an Alternative Rate Adjustment* (Ky. PSC Feb. 3, 2021).

⁸³ Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates* (Ky. PSC June 20, 2019), Order at 8–12.

⁸⁴ Bureau of Labor Statistics, Healthcare Benefits, March 2023, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

⁸⁵ Bureau of Labor Statistics, Healthcare Benefits, March 2023, Table 4, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

⁸⁶ Rattlesnake Ridge District's Supplemental information, (filed Apr. 1, 2024), Health_Insurance_information_2024.pdf.

Staff recalculated the proposed adjustment and decreased Employee Pension and Benefits by \$29,280, which is \$36,422 less than proposed by Rattlesnake Ridge District, as shown below.

Description	Number of Employees	Monthly Employer Contributions	Average Employee Contribution Rate	Monthly Premium Adjustment	Pro Forma Monthly Premium
Single Health Insurance	5	\$ 4,745	21%	\$ (996)	\$ 3,749
Family Health Insurance	7	12,957	33%	(4,276)	8,681
Total Pro Forma Monthly Premium		17,702		(5,272)	12,430
Times: 12 Months		12		12	12
Total Annual Pro Forma Premium		<u>\$ 212,429</u>		<u>\$ (63,268)</u>	149,161
Less: Reclassified Health Insurance Expense ()					(178,441)
Employee Insurance Adjustment					(29,280)
Less: Rattlesnake Ridge District's Recommended Adjustment ()					65,702
Final Employee Pensions and Benefits Adjustment					<u>\$ 36,422</u>

(K) Purchased Power – Reclassify from Miscellaneous Expense. In its application, Rattlesnake Ridge District proposed an adjustment to increase Purchased Power Expense by \$344,115 and decrease Miscellaneous Expense by the same \$344,115.⁸⁷ The adjustment reclassifies purchased power expense from Miscellaneous Expense.⁸⁸ Commission Staff agrees with Rattlesnake Ridge District's proposed methodology to report the expenses into the proper classification. However, Commission Staff determined a different adjustment amount. Commission Staff reviewed the test-year adjusted trial balance⁸⁹ and determined the year end adjusting entry for Account #8943 Utilities Expense,⁹⁰ which is the account purchased power was recorded into, was not

⁸⁷ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment H.

⁸⁸ Application, Exhibit 4, References, Adjustment H.

⁸⁹ Rattlesnake Ridge District's Response to Staff's First Request, Item 1b, 1_b_2022_RRWD_Adjusted_TB.xlsx.

⁹⁰ Rattlesnake Ridge District's Response to Staff's First Request, Item 1b, 1_b_2022_RRWD_Adjusted_TB.xlsx, Row 164.

included in the account balance in Rattlesnake Ridge District's application. The \$344,115 reported for Utilities Expense is the unadjusted balance amount, the adjusted amount for Utilities expense is \$340,180.⁹¹ Commission Staff proposes to increase Purchased Power Expense by the adjusted balance. Therefore, Commission Staff reduced Miscellaneous Expense by \$344,115 and increased Purchased Power Expense by \$340,180, which is \$3,935 less than Rattlesnake Ridge District's proposed \$344,115.

(L) Chemicals – Reclassify from Miscellaneous Expense. In its application, Rattlesnake Ridge District proposed an adjustment to increase Chemical Expense by \$255,589 and decrease Miscellaneous Expense by the same \$255,589.⁹² The adjustment is to reclassify chemical expense from Miscellaneous Expense.⁹³ Commission Staff agrees with Rattlesnake Ridge District's proposed adjustment to report the expenses into the proper classification. However, the chemical expense transactions are recorded as part of the Miscellaneous Expense sub-account #8933 Supplies expense, instead of being recorded as a separate expense. Therefore, Commission Staff reviewed Rattlesnake Ridge District's test-year General Ledger to ensure the proper chemical expense transactions were reclassified.⁹⁴ In addition, Rattlesnake Ridge District provided the complete list of invoices for chemicals purchased during the test year.⁹⁵

⁹¹ Rattlesnake Ridge District's Response to Staff's First Request, Item 1b, 1_b_2022_RRWD_Adjusted_TB.xlsx, Cell K164.

⁹² Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment J.

⁹³ Application, Exhibit 4, References, Adjustment J.

⁹⁴ Rattlesnake Ridge District's Response to Staff's First Request, Item 1a, 1_a_2022_RRWD_Ledger_Analysis.xlsx, Rows 7,489 thru 7,708.

⁹⁵ Rattlesnake Ridge District's Supplemental Response filing to Staff's Second Request, Item 10.

Commission Staff recalculated the total expense incurred for chemicals purchased and determined a pro forma chemical expense of \$229,681. Therefore, Commission Staff reduced Miscellaneous Expense by \$229,681 and increased Chemical Expense by \$229,681, which is \$25,908 less than Rattlesnake Ridge District proposed, as shown in the following table.

8933 Supplies Expense							
Date	Ref #	Description	Amount	Date	Ref #	Description	Amount
01/25/2022	S100174063.001	CITCO WATER	1,939	07/14/2022	S100189333.001	CITCO WATER	12,680
01/28/2022	S100174063.002	CITCO WATER	6,238	07/28/2022	S100186381.001	CITCO WATER	7,325
02/17/2022	S100175893	CITCO WATER	1,825	07/28/2022	S100190404.002	CITCO WATER	12,250
02/24/2022	S100176495.001	CITCO WATER	4,357	08/04/2022	S100191109.001	CITCO WATER	200
03/07/2022	S100174668.001	CITCO WATER	4,586	08/11/2022	S100192351.001	CITCO WATER	5,307
03/11/2022	S100175212.001	CITCO WATER	2,124	08/18/2022	S100193037.001	CITCO WATER	7,703
03/11/2022	S100177198.001	CITCO WATER	8,921	10/07/2022	S100193892.001	CITCO WATER	6,716
03/11/2022	S100177198.002	CITCO WATER	1,047	10/07/2022	S100194537.001	CITCO WATER	5,453
03/31/2022	S100179657.001	CITCO WATER	4,736	10/07/2022	S100194537.002	CITCO WATER	2,216
05/06/2022	S100177198.002	CITCO WATER	890	10/07/2022	S100195310.001	CITCO WATER	6,246
05/06/2022	S100178213.001	CITCO WATER	6,815	10/17/2022	S100196193.001	CITCO WATER	5,530
05/06/2022	S10018118.001	CITCO WATER	8,671	11/11/2022	S100197722.003	CITCO WATER	7,706
05/06/2022	S100181467.001	CITCO WATER	1,084	11/11/2022	S100197722.004	CITCO WATER	2,072
05/06/2022	S100181836.001	CITCO WATER	3,037	11/11/2022	S100199662.001	CITCO WATER	15,821
05/06/2022	S100182176.001	CITCO WATER	4,002	11/23/2022	S100200906.001	CITCO WATER	9,287
05/27/2022	S100183722.001	CITCO WATER	11,178	12/16/2022	S100199397.001	CITCO WATER	6,057
05/27/2022	S100183722.002	CITCO WATER	364	12/16/2022	S100199662.003	CITCO WATER	6,776
05/27/2022	S100184996.001	CITCO WATER	2,504	12/16/2022	S100202376.001	CITCO WATER	1,771
06/02/2022	S1001894996.002	CITCO WATER	7,896	12/22/2022	S100204475.001	CITCO WATER	5,010
06/15/2022	S100185843.001	CITCO WATER	3,000	12/22/2022	S100204475.002	CITCO WATER	564
06/24/2022	S100187646.001	CITCO WATER	8,551	12/30/2022	S100204816.001	CITCO WATER	1,125
				12/30/2022	S100204816.002	CITCO WATER	8,102
Total							229,681
Less: Rattlesnake Ridge's Proposed Adjustment							(255,589)
Commission Staff's Additional Adjustment							\$ (25,908)

(M) Water Loss in Excess of 15 percent. In its application, Rattlesnake Ridge District proposed a decrease to Purchased Power Expense of \$169,480 and Chemicals of \$125,880.⁹⁶ This adjustment is to account for purchased power and chemicals above the 15 percent allowable water loss limit.⁹⁷ During the test year Rattlesnake Ridge District

⁹⁶ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment I.

⁹⁷ Application, Exhibit 4, References, Adjustment I.

reported water loss of 64.2511 percent.⁹⁸ As mentioned earlier in the report, Commission regulations states that for ratemaking purposes, expenses for water loss in excess of 15 percent shall not be included. This results in a net decrease to Purchased Power Expense of \$167,542, which is \$1,938 less than proposed by Rattlesnake Ridge District, and Chemicals Expense of \$113,120, which is \$12,760 less than proposed by Rattlesnake Ridge District, as shown in following table.

	Purchased Power Expense	Chemicals & Lab Testing	Total
Pro Forma Expenses	\$ 340,180	\$ 229,681	\$ 569,861
Multiply by: Water loss in Excess of 15 Percent	-49.2511%	-49.2511%	-49.2511%
Excess Cost	(167,542)	(113,120)	(280,662)
Less Rattlesnake Ridge Proposed Adjustment	169,480	125,880	295,360
Commission Staff Proposed Adjustment	\$ 1,938	\$ 12,760	\$ 14,698

(N) Materials and Supplies - Reclassify from Miscellaneous Expense. In its application, Rattlesnake Ridge District proposed an adjustment to increase Materials and Supplies Expense by \$76,482 and decrease Miscellaneous Expense by the same \$76,482.⁹⁹ The adjustment is to reclassify Purchased Power Expense from Miscellaneous Expense.¹⁰⁰ Commission Staff agrees with Rattlesnake Ridge District's proposed adjustment to report the expenses into the proper classification. Therefore, Commission Staff reduced Miscellaneous Expense by \$76,482 and increased Materials and Supplies by \$76,482.

⁹⁸ 2022 Annual Report at 57.

⁹⁹ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment H.

¹⁰⁰ Application, Exhibit 4, References, Adjustment H.

(O) Water Testing Expense – Reclassify from Miscellaneous Expense. In its application, Rattlesnake Ridge District proposed an adjustment to increase Contractual Services – Water Testing Expense by \$13,972 and decrease Miscellaneous Expense by the same \$13,972.¹⁰¹ The adjustment reclassified water testing expense from Miscellaneous Expense.¹⁰² Commission Staff agrees with Rattlesnake Ridge District’s proposed adjustment to report the expenses into the proper classification. Therefore, Commission Staff reduced Miscellaneous Expense by \$13,972 and increased Contractual Services – Water Testing Expense by \$13,972.

(P) Miscellaneous Expense.¹⁰³ In its application, Rattlesnake Ridge District reported Miscellaneous Expense of \$853,327, four adjustments that totaled a reduction of \$690,158 and Pro Forma Miscellaneous Expense of \$507,284. Rattlesnake Ridge District’s SAO reflected a formula error that resulted in not capturing an adjustment to reduce Miscellaneous Expenses by \$344,115. Commission Staff’s proposed SAO reflects the corrected pro forma amount. As previously discussed, Rattlesnake Ridge District proposed adjustments to reclassify several expenses that were mistakenly recorded in Miscellaneous Expense, including purchased power, chemicals, materials & supplies, and water testing expenses, resulting in a pro forma adjustment of Miscellaneous Expense of \$189,077.¹⁰⁴ Commission Staff reviewed the adjusted trial

¹⁰¹ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment L.

¹⁰² Application, Exhibit 4, References, Adjustment L.

¹⁰³ Application, Exhibit 4, Schedule of Adjusted Operations, Miscellaneous Expense.

¹⁰⁴ $\$849,392 - (344,115 + 229,681 + 76,482 + 13,972) = \$189,077.$

balance¹⁰⁵ and the remaining Miscellaneous Expense subaccounts and determined a total pro forma Miscellaneous Expense of \$216,725. Therefore, Commission Staff proposed an increase to Miscellaneous Expense of \$27,648, as shown in the following table.

Account Number	Account Name	Amount
7704	Labor	\$ 371
8860	Bank Fees	14,291
8870	De Minimis Equipment Expense	159
8880	Dues & Subscriptions	510
8881	Donations	125
8885	Extra Help	2,700
8892	Meals & Entertainment	1,202
8894	Travel Expense	332
8910	Taxes & License	4,523
8911	Utility & Sales Tax Expense	82,759
8912	Property Taxes	3,493
8916	Miscellaneous Expense	4,437
8917	Office Supplies Expense	5,039
8918	Computer Expense	7,724
8919	Postage Expense	31,578
8928	Rent Expense	80
8930	Repairs & Maintenance Expense	32,121
8933	Adjusted Supplies Expense	8,994
8935	Uniform Expense	1,299
8941	Telephone Expense	13,245
8944	Sanitation Expense	1,743
Total Pro Forma Miscellaneous Expenses		216,725
Less: Adjusted Test Year Miscellaneous Expenses ()		(189,077)
Pro Forma Miscellaneous Expense Adjustment		<u>\$ 27,648</u>

-

¹⁰⁵ Rattlesnake Ridge District's Response to Staff's First Request, Item 1b, 1_b_2022_RRWD_Adjusted_TB.xlsx.

(Q) Amortization of Rate Case Expense. In its application, Rattlesnake Ridge District proposed an adjustment to increase Amortization Expense by \$2,750¹⁰⁶ to reflect a three-year amortization of an estimated \$8,250 in water rate case expenses.¹⁰⁷ Rattlesnake Ridge District supplied the proposed rate study with the proposed cost.¹⁰⁸ Rattlesnake Ridge District confirmed the \$8,250 is the only rate case expense recovery it was seeking.¹⁰⁹ Commission Staff agrees that the rate case expense should be amortized over a three year period. Therefore, the proposed increase in Amortization Expense of \$2,750 is appropriate to allow for the recovery of the proposed rate case expense, as shown in the following table.

Description	Amount
Estimated cost for preparation of Rate Study	\$ 8,250
Divided by: Three Year Amortization	3
Annual Amortization amount	<u>\$ 2,750</u>

(R) Depreciation Expense. In the Application, Rattlesnake Ridge District proposed a decrease in Depreciation Expense by \$221,067¹¹⁰ to adjust the service lives of assets using the National Association of Regulatory Utility Commissioners (NARUC) titled *Depreciation Practices for Small Water Utilities* (NARUC Study).¹¹¹ To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has

¹⁰⁶ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment M.

¹⁰⁷ Application, Exhibit 4, References, Adjustment M

¹⁰⁸ Application, Exhibit 11, 11_4_RRWD_ARF_Assistance_Acceptance.pdf.

¹⁰⁹ Rattlesnake Ridge District's Response to Staff's First Request, Item 8a.

¹¹⁰ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment N.

¹¹¹ Application, Exhibit 4, References, Adjustment N.

historically relied upon the same NARUC Study published in 1979.¹¹² 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.¹¹³ Upon examination, Commission Staff agrees with Rattlesnake Ridge District’s methodology to adjust depreciation expense. However, Commission Staff calculated a depreciation expense of \$791,952. Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Therefore, Commission Staff decreased Rattlesnake Ridge District’s Depreciation Expense by \$48,048, which is \$173,019 less than proposed by Rattlesnake Ridge District, as shown in the following table:

¹¹² Case 2023-00134, *Electronic Application of North Marshall Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 22, 2023), Order at 30. Case 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), Order at 36.

¹¹³ See Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), Order. Case 2023-00134, *Electronic Application of North Marshall Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 22, 2023), Order at 30. Case 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), Order at 36.

Capital Asset Class	Service Life Range	Test Year Depreciation	Depreciation Adjustment	Pro Forma Depreciation
Structures and Improvements	35 - 40	\$ 2,662	\$ (426)	\$ 2,236
Communication Equipment	10	1,604	(481)	1,123
Power Operated Equipment	10 - 15	10,591	(5,762)	4,829
Tools, Shop, & Garage Equipment	15 - 20	332	47	380
Tank Repairs & Painting	15 - 20	1,259	(485)	774
Transportation Equipment	20 - 25	20,933	(5,981)	14,952
Communication Equipment	10	89	89	178
Pumping Equipment	20	4,299	(2,134)	2,164
Transmission & Distribution Mains	50 - 75	638,916	(230,010)	408,906
Meters	35 - 45	1,188	(594)	594
Reservoirs & Tanks	30 - 60	44,920	(4,979)	39,941
Structures and Improvements	35 - 40	53,936	3,596	57,532
Water Treatment Equipment	20 - 35	190,162	68,182	258,343
Total		\$ 970,891	\$ (178,938)	791,952
Less: Reported Test Year Depreciation Expense				(840,000)
Total Proposed Depreciation Adjustment				(48,048)
Less: Rattlesnake Ridge District's Proposed Adjustment				221,067
Commission Staff's Proposed Adjustment				\$ 173,019

(S) Capitalization of Water Tap expenses. As explained in Adjustment (F) above, 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. A review of the depreciation schedule for the test year did not record any new meters added to the assets for the test year.¹¹⁴ Therefore, Commission Staff calculated the annual depreciation amount for the test year and increased Depreciation Expense by \$1,508 as shown below.

	Salaries and Wages Employees	Materials and Supplies	Total
Test Year Water Connections Expenses	\$ 18,720	\$ 43,680	\$ 62,400
Divided by: NARUC Proposed Service Lives	45	40	
Depreciation Adjustment	\$ 416	\$ 1,092	\$ 1,508

¹¹⁴ Application, Attachment 7, 7_Depreciation_Schedule_12.31.22.pdf.

(T) Taxes Other Than Income – Federal Insurance Contributions Act (FICA).

In its application, Rattlesnake Ridge District proposed an adjustment to increase Taxes Other Than Income by \$3,485¹¹⁵ to account for an increase in payroll taxes due to the proposed increase in Salaries and Wages Expense.¹¹⁶ However, as explained in Adjustments (E) and (G) above, Commission Staff calculated pro forma Salaries and Wages – Employees of \$692,307 and Salaries and Wages – Officers of \$30,000. Therefore, Commission Staff calculated a decrease to Taxes Other Than Income of \$1,699, which is \$1,786 less than proposed by Rattlesnake Ridge District, as shown in the following table.

Description	Commission Staff's
Salaries and Wages - Employees	\$ 692,307
Salaries and Wages - Officers	30,000
Total Pro Forma Salaries	<u>722,307</u>
Times: 7.65 Percent FICA Rate	7.65%
Total Pro Forma Payroll Taxes	<u>55,256</u>
Less: Test Year Payroll Taxes	(53,557)
Payroll Tax Adjustment	<u>1,699</u>
Less: Proposed Adjustment	(3,485)
Commission Staff's Proposed Adjustment	<u><u>\$ (1,786)</u></u>

OVERALL REVENUE REQUIREMENT

The Commission has historically applied a Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water

¹¹⁵ Application, Attachment \$, Schedule of Adjusted Operations, Adjustment O.

¹¹⁶ Application, Exhibit 4, References, Adjustment O.

associations.¹¹⁷ 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;¹¹⁸ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

	Requested Rattlesnake Ridge Water District	Commission Staff	
Pro Forma Operating Expenses	\$ 2,754,919	\$ 2,376,800	
Plus: Avg. Annual Principal and Interest Payments	561,662	561,662	(1)
Additional Working Capital	112,332	112,332	(2)
Total Revenues Requirement	3,428,913	\$ 3,050,794	
Less: Other Operating Revenue	(47,858)	(34,879)	
Interest and Dividend Income	(2,673)	(2,673)	
Non-operating Revenue	(1,980)	-	
Revenue Required From Water Sales	3,376,402	3,013,242	
Revenue from Sales at Present Rates ()	(2,841,219)	(2,841,219)	
Required Revenue Increase	<u>\$ 535,183</u>	<u>\$ 172,023</u>	
Percentage Increase	<u>18.84%</u>	<u>6.05%</u>	

1. Average Annual Principal and Interest Payments. At the time of Commission Staff's review, Rattlesnake Ridge District had seven outstanding

¹¹⁷ Case No. 2022-00124, *Electronic Application of Elkhorn Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2022). Case No. 2021-00475, *Electronic Application of Carroll County Water District #1 for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC June 28, 2022).

¹¹⁸ 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).

Waterworks Revenue Bonds,¹¹⁹ one Refunding Revenue Bond,¹²⁰ and one Kentucky Rural Water Finance Corporation (KRWFC) loan.¹²¹ In its application, Rattlesnake Ridge District requested recovery of the average annual principal and interest on its indebtedness based on an average of the annual principal, and interest and fee payments for the five years following the test year, which is 2024 through 2028.¹²² Commission Staff calculated the average annual principal and interest on a five-year average for the years 2024 through 2028, and agrees with Rattlesnake Ridge District's proposed Average Annual Principal and Interest Payments. As shown below, Commission Staff calculated an Average Principal and Interest of \$561,662.

¹¹⁹ Case No. 2001-00015, *The Application of Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to the Provisions of KRS 278.023* (Ky. PSC Jan. 29, 2001). Case No. 2010-00458, *Application of Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023* (Ky. PSC Dec. 22, 2010). Case No. 2015-00040, *Application of the Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023* (Ky. PSC Mar. 6, 2015). Case No. 2018-00371, *Application of the Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023* (Ky. PSC Dec. 4, 2018). Case No. 2022-00426, *Electronic Application of Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Feb. 17, 2023).

¹²⁰ Case No. 95-575, *The Application of the Rattlesnake Ridge Water District to Issue Securities in the Approximate Principal Amount of \$ 865,000 for the Purpose of Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Jan. 17, 1996).

¹²¹ Case No. 2020-00086, *Electronic Application of the Rattlesnake Ridge Water District to Issue Securities in the Approximate Principal Amount of \$3,420,000 for the Purpose of Refunding Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC June 13, 2020).

¹²² Application, Attachment 4, Revenue Requirements Calculation, Table B, Debt Service Schedule.

Debt Issuance	2024		2025		2026		2027		2028		Total
	Principal	Interest & Fees									
91-22	\$ 23,500	\$ 17,802	\$ 24,000	\$ 17,030	\$ 25,000	\$ 16,234	\$ 25,500	\$ 15,413	\$ 26,500	\$ 14,568	\$ 205,547
91-26	1,500	1,775	1,600	1,706	1,600	1,634	1,800	1,557	1,800	1,476	16,448
91-36	27,000	21,740	28,000	21,190	28,500	20,625	29,500	20,045	30,000	19,450	246,050
91-39	24,000	18,390	25,000	17,900	25,500	17,395	26,000	16,880	26,500	16,355	213,920
91-42	3,500	2,700	3,500	2,648	3,500	2,595	3,500	2,543	3,500	2,490	30,476
91-45	39,000	55,207	40,000	54,269	41,000	53,307	42,500	52,315	43,500	51,294	472,392
91-47	36,062	26,208	36,557	25,712	37,060	25,209	37,570	24,699	38,086	24,183	311,345
1996 Refinance	50,000	3,931	60,000	1,387	-	-	-	-	-	-	115,318
KRWFC Series 2020	155,000	84,388	160,000	77,694	170,000	70,681	175,000	63,350	185,000	55,700	1,196,813
Total	\$359,562	\$232,141	\$378,657	\$219,536	\$332,160	\$207,680	\$341,370	\$196,802	\$354,886	\$185,516	2,808,309
Divide by: 5 years											5
Average Annual Principal and Interest Payments											<u>\$ 561,662</u>

2. Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. In its application, Rattlesnake Ridge District requested recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments for its KRWFC Bond at the time of its application for a total of \$112,332.¹²³

Following the Commission's historic practice, Commission Staff agrees with Rattlesnake Ridge District.¹²⁴ Therefore, as calculated below and shown in the table above, \$112,332 is included in the revenue requirement.

¹²³ Application, Attachment 4, Revenue Requirements Calculation, Referenced, Adjustment Q.

¹²⁴ 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).

Average Annual Principal and Interest	\$	561,662
Times: DSC Coverage Ratio		<u>120%</u>
Total Net Revenues Required		673,994
Less: Average Annual Principal and Interest Payments		<u>(561,662)</u>
Additional Working Capital	\$	<u><u>112,332</u></u>

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Signatures

/s/ William Foley

Prepared by: William Foley
Revenue Requirement Branch
Division of Financial Analysis

/s/ Eddie Beavers

Prepared by: Eddie Beavers
Rate Design Branch
Division of Financial Analysis

APPENDIX A

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00338 DATED MAY 10 2024

	Occurrences	Current Rate	Test Year Total	Revised Rate	Pro Forma Adjustment	Pro Forma Total
<u>Miscellaneous Service Revenues:</u>						
Meter Reread Charge	-	\$ 45	\$ -	\$ 27	\$ -	\$ -
Meter Test Charge	-	50	-	77	-	-
Miscellaneous Service Revenues:			19,038		(19,038)	-
Reconnect without a Meter Charge	39	45	1,755	27	(702)	1,053
Reconnect with a Meter Charge	-	-	-	310	-	-
Reconnect Charge After hours	1	-	55	72	17	72
Service Call/Investigation Charge	15	45	675	27	(270)	405
Service Call/Investigation Charge After Hours	1	55	55	72	17	72
Termination/Field Service Charge	584	45	26,280	37	(4,672)	21,608
Pro Forma Miscellaneous Service Revenues			<u>\$ 47,858</u>		<u>\$ (24,648)</u>	<u>\$ 23,210</u>

Nonrecurring Charges Adjustments

Meter Reread/Reconnection without Meter/Service Call-Investigation

	Rattlesnake Ridge Revised Charge	Staff Revised Charge
Field Labor at \$15 for 2.0 hour	\$30.00	\$0.00
Supplies	2.00	2.00
Office Labor	3.75	0.00
Transportation Expense	25.00	25.00
Total Nonrecurring Charge Expense	\$60.75	\$27.00
Rounded to	\$61.00	\$27.00
Current Rate	\$45.00	

Meter Test Charge

	Rattlesnake Ridge Revised Charge	Staff Revised Charge
Meter Charge	\$50.00	\$50.00
Field Labor at \$15 for 1.0 hour	\$15.00	0.00
Supplies	2.00	2.00
Office Labor	3.75	0.00
Transportation Expense	25.00	25.00
Total Nonrecurring Charge Expense	\$95.75	\$77.00
Rounded to	\$96.00	\$77.00
Current Rate	\$0.00	

Reconnection Charge with a Meter

	Rattlesnake Ridge Revised Charge	Staff Revised Charge
New Meter Charge	\$283.00	\$283.00
Field Labor at \$15 for 2.0 hour	\$30.00	0.00
Supplies	2.00	2.00
Office Labor	3.75	0.00
Transportation Expense	25.00	25.00
Total Nonrecurring Charge Expense	\$343.75	\$310.00
Rounded to	\$344.00	\$310.00
Current Rate	\$0.00	

Reconnection After Hours/ Service Call After Hours Charge

	Rattlesnake Ridge Revised Charge	Staff Revised Charge
Field Labor Overtime at \$22.50 for 2.0 hour	\$45.00	\$45.00
Supplies	2.00	2.00
Office Labor	3.75	0.00
Transportation Expense	25.00	25.00
Total Nonrecurring Charge Expense	\$75.75	\$72.00
Rounded to	\$76.00	\$72.00
Current Rate	\$55.00	

	Rattlesnake Ridge Revised Charge	Staff Revised Charge
Termination Charge		
Lockout Pin and Cap	\$10.00	\$10.00
Field Labor at \$15.00 for 2.0 hour	\$30.00	0.00
Supplies	2.00	2.00
Office Labor	3.75	0.00
Transportation Expense	25.00	25.00
Total Nonrecurring Charge Expense	\$70.75	\$37.00
Rounded to	\$71.00	\$37.00
Current Rate	\$45.00	

APPENDIX B

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00338 DATED MAY 10 2024

The following rates and charges are recommended by Commission Staff based on the adjustments in Commission Staff's Report for the customers in the area served by Rattlesnake Ridge Water District. All other rates and charges not specifically mentioned herein shall remain the same.

Monthly Water Rates

5/8-Inch Meter

First	1,000 Gallons	\$21.72	Minimum Bill
Next	4,000 Gallons	0.01618	Per Gallon
Next	5,000 Gallons	0.01393	Per Gallon
Next	10,000 Gallons	0.01248	Per Gallon
Next	20,000 Gallons	0.00888	Per Gallon
Over	40,000 Gallons	0.00708	Per Gallon

3/4-Inch Meter

First	5,000 Gallons	\$86.47	Minimum Bill
Next	5,000 Gallons	0.01393	Per Gallon
Next	10,000 Gallons	0.01248	Per Gallon
Next	20,000 Gallons	0.00888	Per Gallon
Over	40,000 Gallons	0.00708	Per Gallon

1-Inch Meter

First	10,000 Gallons	\$156.15	Minimum Bill
Next	10,000 Gallons	0.01248	Per Gallon
Next	20,000 Gallons	0.00888	Per Gallon
Over	40,000 Gallons	0.00708	Per Gallon

1 1/2-Inch Meter

First	30,000 Gallons	\$369.67	Minimum Bill
Next	10,000 Gallons	0.00888	Per Gallon
Over	40,000 Gallons	0.00708	Per Gallon

2-Inch Meter

First	50,000 Gallons	\$529.33	Minimum Bill
Over	50,000 Gallons	0.00708	Per Gallon

3-Inch Meter

First	100,000 Gallons	\$883.40	Minimum Bill
Over	100,000 Gallons	0.00708	Per Gallon

4-Inch Meter

First	200,000 Gallons	\$1,591.53	Minimum Bill
Over	200,000 Gallons	0.00708	Per Gallon

6-Inch Meter

First	500,000 Gallons	\$3,715.94	Minimum Bill
Over	500,000 Gallons	0.00708	Per Gallon

Wholesale Customers

Big Sandy Water District	\$0.00484	Per Gallon
City of Grayson	\$0.00484	Per Gallon
City of Vanceburg	\$0.00429	Per Gallon

Wholesale Customers – Emergency Water Connection

City of Olive Hill	\$0.00484	Per Gallon
Kentucky Department of Parks	\$0.00521	Per Gallon
Sandy Hook Water District	\$0.00326	Per Gallon

<u>Water Loss Reduction Surcharge</u>	\$5.53	Per Customer
---------------------------------------	--------	--------------

Nonrecurring Charges

Miscellaneous Service Revenues:

Meter Reread Charge	\$27.00
Meter Test Charge	\$77.00
Reconnect Charge	\$27.00
Reconnect Charge After hours	\$72.00
Service Call/Investigation Charge	\$27.00
Service Call/Investigation Charge After Hours	\$72.00
Termination/Field Service Charge	\$37.00

*David Gifford
Rattlesnake Ridge Water District
5302 S State Hwy 7
P. O. Box 475
Grayson, KY 41143-0475

*Rattlesnake Ridge Water District
5302 S State Hwy 7
P. O. Box 475
Grayson, KY 41143-0475

*Rebecca Kitchen
Rattlesnake Ridge Water District
5302 S State Hwy 7
P. O. Box 475
Grayson, KY 41143-0475

*Sam Reid
Judy Water Association, Inc.
P. O. Box 781
Mt. Sterling, KY 40353-0781