

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ALLEN	)	CASE NO.
COUNTY WATER DISTRICT FOR A RATE	)	2025-00014
ADJUSTMENT PURSUANT TO 807 KAR 5:076	)	

ORDER

On January 29, 2025,<sup>1</sup> Allen County Water District (Allen 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,<sup>2</sup> Allen District used the calendar year ended December 31, 2023, as the basis for its application. The application was filed pursuant to the Commission's Order in Case No. 2021-00444<sup>3</sup> and Case No. 2024-00118,<sup>4</sup> which required Allen District to file an application for an adjustment of its base rates by January 28, 2025. Allen District's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2020-

---

<sup>1</sup> Allen District tendered its application on January 24, 2025. By letter dated January 27, 2025, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on January 29, 2025.

<sup>2</sup> 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.

<sup>3</sup> Case No. 2021-00444, *Electronic Application of Allen County Water District to Issue Securities In the Approximate Principal Amount of \$4,050,000 for the Purpose of Refinancing Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001*, (Ky. PSC Jan. 25, 2022), Order at 9, ordering paragraph 5.

<sup>4</sup> Case No. 2024-00118, *Electronic Application of The Allen County Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to the Provisions of KRS 278.300*, (Ky. PSC Dec. 6, 2024), *Nunc* Order at 3, ordering paragraph 3.

00296.<sup>5</sup> Since that matter, Allen District has only adjusted its rates pursuant to a purchased water adjustment.

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated February 21, 2025.<sup>6</sup> Allen District responded to two requests for information from Commission Staff.<sup>7</sup>

In its application, Allen District requested an overall revenue requirement of \$3,622,175 to increase its annual water sales revenue by \$383,245, or 12.35 percent.<sup>8</sup>

On June 4, 2025, Commission Staff issued its report (Commission Staff's Report)<sup>9</sup> summarizing its recommendations regarding Allen District's requested rate adjustment. In Commission Staff's Report, Commission Staff found that Allen District's adjusted test year operations support a total revenue requirement of \$3,631,206, an increase of \$385,296 or 12.70 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.<sup>10</sup> In the absence of a cost of service study (COSS), Commission Staff allocated its recommended revenue increase evenly across the board of retail customers to calculate its recommended water rates.<sup>11</sup>

---

<sup>5</sup> Case No. 2020-00296, *Electronic Application of Allen County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*.

<sup>6</sup> Order (Ky. PSC Feb. 21, 2025).

<sup>7</sup> Allen District's Response to Commission Staff's First Request for Information (Staff's First Request), (filed Mar. 27, 2025). Allen District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Apr. 23, 2025; Apr. 24, 2025).

<sup>8</sup> Application, Attachment 4, Revenue Requirements Table.

<sup>9</sup> Commission Staff's Report (issued June 4, 2025).

<sup>10</sup> Commission Staff's Report at 5.

<sup>11</sup> Commission Staff's Report at 5–6.

On June 11, 2025, Allen District filed its response to Commission Staff's Report.<sup>12</sup> In its written comments, Allen District stated that it did not agree with the removal of certain labor expenses from nonrecurring charges, but it did not wish to contest that adjustment.<sup>13</sup> Additionally, Allen District concurred with the remainder of the findings in Commission Staff's Report<sup>14</sup> and waived its right to request an informal conference or hearing.<sup>15</sup> The case now stands submitted for a decision.

### 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."<sup>16</sup> 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

Allen 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

---

<sup>12</sup> Allen District's Response to Staff Report (filed June 11, 2025).

<sup>13</sup> Allen District's Response to Staff Report, Item 1.

<sup>14</sup> Allen District's Response to Staff Report, Item 2.

<sup>15</sup> Allen District's Response to Staff Report, Item 3.

<sup>16</sup> *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).

approximately 5,807 residential customers, 451 commercial customers, 5 industrial customers and 1 public authority customer in Allen County, Kentucky.<sup>17</sup>

### UNACCOUNTED-FOR WATER LOSS

In its 2023 Annual Report, Allen District reported a water loss of 19.6108 percent.<sup>18</sup> In response to Staff's First Request, Allen District provided the calculation for water loss, which provided corrections to Allen District's Annual Report Data by reducing certain water sales amounts.<sup>19</sup> Allen District removed Church/Exempt Sales from water sales because they were previously included and removed Bulk Sales because they were "listed in error."<sup>20</sup> These adjustments had the effect of increasing Allen District's water loss calculation. With the change to the water loss calculation, Allen District's 2023 total Water Loss is 20.9248 percent. 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.<sup>21</sup> The table below shows that the 2023 total annual cost of water loss to Allen District was \$198,910 while the annual cost of water loss in excess of 15 percent was \$56,321.

---

<sup>17</sup> *Annual Report of Allen County Water District to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report) at 12 and 49.

<sup>18</sup> 2023 Annual Report at 58.

<sup>19</sup> Allen District's Response to Staff's First Request, Item 1d, 1d\_Rate\_Study, Purchase Tab, Water Loss calculation.

<sup>20</sup> Allen District's Response to Staff's First Request, Item 1d, 1d\_Rate\_Study, Purchase Tab, Water Loss calculation.

<sup>21</sup> 807 KAR 5:066, Section 6(3).

Total Water Loss	Purchased Water	Purchased Power	Total
Total Adjusted Expenses	\$ 878,894	\$ 71,700	\$ 950,594
Water Loss Percent	20.9248%	20.9248%	20.9248%
Total Water Loss	<u>\$ 183,907</u>	<u>\$ 15,003</u>	<u>\$ 198,910</u>

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Total Adjusted Expenses	\$ 878,894	\$ 71,700	\$ 950,594
Water Loss in Excess of 15%	5.9248%	5.9248%	5.9248%
Disallowed Water Loss	<u>\$ 52,073</u>	<u>\$ 4,248</u>	<u>\$ 56,321</u>

### TEST PERIOD

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

### SUMMARY OF REVENUE AND EXPENSES

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

Description	2023 Test Year	Total Proposed Adjustments	Commission Staff's Pro Forma
Total Other Water Revenues	\$ 3,204,966	\$ (10,616)	\$ 3,194,350
Total Operating Expenses ( )	(3,069,150)	44,092	(3,025,058)
Net Operating Income	135,816	33,476	169,292
Interest Income	121,796	-	121,796
Income Available to Service Debt	<u>\$ 257,612</u>	<u>\$ 33,476</u>	<u>\$ 291,088</u>

### REVIEW OF COMMISSION STAFF'S RECOMMENDATIONS

Allen District proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In the Commission Staff's Report, Commission Staff

recommended additional adjustments. As noted above, Allen District objected to certain adjustments set forth in Commission Staff's Report but did not wish to contest those adjustments. The Commission accepts the recommendations contained in the Commission Staff's Report with no further modifications. The following is the Commission's complete pro forma:

Description	Test Year	Total Adjustments	Commission Staff Pro Forma	Commission's Adjustments	Commission Approved Pro Forma
Operating Revenues					
Metered Retail Sales	\$ 3,071,545	\$ 31,359			
		(70,236)	\$ 3,032,668	\$ -	\$ 3,032,668
Sales for Resale		70,236	70,236	-	70,236
Total Metered Retail Sales	3,071,545	31,359	3,102,904	-	3,102,904
Other Water Revenues					
Forfeited Discounts	40,497	-	40,497	-	40,497
Miscellaneous Service Revenues	34,441	(17,233)	17,208	-	17,208
Other Water Revenues	58,483	(24,742)	33,741	-	33,741
Total Other Water Revenues	133,421	(41,975)	91,446	-	91,446
Total Operating Revenues	3,204,966	(10,616)	3,194,350	-	3,194,350
Operation and Maintenance					
Salaries and Wages - Employees	755,457	51,385			
		(51,048)	755,794	-	755,794
Salaries and Wages - Officers	30,000	-	30,000	-	30,000
Employee Benefits	163,940	(37,314)	126,626	-	126,626
Employee Pensions	53,764	23,825	77,589	-	77,589
Purchased Water	817,674	61,220			
		(52,073)	826,821	-	826,821
Purchased Power	71,700	(4,248)	67,452	-	67,452
Materials and Supplies	95,609	-	95,609	-	95,609
Contractual Services	207,623	-	207,623	-	207,623
Transportation Expense	106,837	-	106,837	-	106,837
Insurance - Gen. Liability & Workers Comp	27,509	-	27,509	-	27,509
Insurance - Other	14,052	-	14,052	-	14,052
Advertising Expense	2,035	-	2,035	-	2,035
Miscellaneous	16,409	-	16,409	-	16,409
Total	2,362,609	(8,253)	2,354,356	-	2,354,356
Depreciation Expense	680,676	(75,193)			
		1,201	606,684	-	606,684
Taxes Other Than Income	25,865	38,153	64,018	-	64,018
Total Operating Expenses	3,069,150	(44,092)	3,025,058	-	3,025,058
Net Operating Income	135,816	33,476	169,292	-	169,292
Interest Income	121,796	-	121,796	-	121,796
Income Available to Service Debt	\$ 257,612	\$ 33,476	\$ 291,088	\$ -	\$ 291,088

Metered Retail Sales. Allen District reported \$3,071,545 in revenues from metered water sales in its test year,<sup>22</sup> and proposed two adjustments to the account. Allen District provided a billing analysis to calculate a normalized revenue amount based on the usage during the test year using the rates authorized in its current tariff, and proposed an adjustment to increase metered water sales by \$31,359,<sup>23</sup> to normalize revenue.<sup>24</sup> Allen District proposed an additional adjustment to decrease metered sales by \$70,236 by reclassifying the amount as Sales for Resale, as discussed in Sales for Resale.<sup>25</sup> Following a review of the billing analysis and adjustments, Commission Staff agreed with Allen District that the proposed adjustments met the ratemaking criteria of being known and measurable.<sup>26</sup>

The Commission finds the recommended adjustments to Metered Retail Sales are known and measurable amounts, are reasonable and accepts the adjustments.

Sales for Resale. Allen District proposed an adjustment to reclassify \$70,236 in revenue by increasing Sales for Resale and decreasing Metered Retail Sales, as the Wholesale Water revenues of \$70,236 were included in total metered sales in the annual report for the test year.<sup>27</sup> Commission Staff recommended accepting the proposed adjustment to Sales for Resale as a known and measurable adjustment.<sup>28</sup>

---

<sup>22</sup> 2023 Annual Report at 49.

<sup>23</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment B.

<sup>24</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment B.

<sup>25</sup> Application, Attachment #4, Schedule of Adjusted Operations, Adjustment A.

<sup>26</sup> Commission Staff's Report at 9–10.

<sup>27</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment A.

<sup>28</sup> Commission Staff's Report at 10.

The Commission finds the recommended adjustment to Sales for Resale is a known and measurable amount, is reasonable and accepts the adjustment.

Other Water Revenues. Allen District reported \$58,483 in Other Water Revenues in its test year and proposed no adjustments.<sup>29</sup> Allen District provided a detailed breakdown of the items totaling \$58,483 in Other Water Revenues.<sup>30</sup> Allen District's reconciliation between the Annual Report and the Adjusted Trial Balance showed a \$155 difference between the two totals.<sup>31</sup>

Commission Staff reviewed the information provided by Allen District and determined that only \$33,741 that included Pumping Revenue-Scottsville \$33,265,<sup>32</sup> and \$476 of Bad Debt – Income,<sup>33</sup> reported as Other Water Revenues, should be classified as Other Water Revenues.<sup>34</sup> Additionally, Commission Staff calculated a decrease of \$24,742 to Other Water Revenues, to account for nonrecurring or unusual transactions that do not represent a typical year's expenses, or other transactions that are not considered Operating Revenues, as well as to reconcile the \$155 difference between the Adjusted Trial Balance and the Annual Report as shown in the following table.<sup>35</sup>

---

<sup>29</sup> 2023 Annual Report at 49.

<sup>30</sup> Allen District's Response to Staff's First Request, Item 1b, 1b\_Trial\_Balance\_2023.xlsx.

<sup>31</sup> Allen District's Response to Staff's First Request, Item 1c\_Cross\_Reference.xlsx.

<sup>32</sup> Allen District's Response to Staff's First Request, Item 1b, 1b\_Trial\_Balance\_2023.xlsx, Account 475 Pumping Revenue - Scottsville.

<sup>33</sup> Allen District's Response to Staff's First Request, Item 1b, 1b\_Trial\_Balance\_2023.xlsx, Account 670 Bad Debt – Income/Expense.

<sup>34</sup> Commission Staff's Report at 11–12.

<sup>35</sup> Commission Staff's Report at 10–13.



Description	Test Year	Commission Staff Adjustments	Pro Forma Other Water Revenues
Gain (Loss) Sale of Equipment	\$ 54,882	\$ (54,882)	\$ -
Insurance Recovery	3,343	(3,343)	-
Unrealized loss on Temp Investment	(29,173)	29,173	-
Assessment Tax	(4,155)	4,155	-
Pumping Revenue - Scottsville	33,265	-	33,265
Bad Debt - Income/ Expense	476		476
General Ledger Discrepancy	(155)	155	-
Other Water Revenue -Sub-Total	<u>\$ 58,483</u>	<u>\$ (24,742)</u>	<u>\$ 33,741</u>

The Commission finds that Commission Staff's \$24,742 recommended decrease to Other Water Revenues is approved because unusual transactions not expected to reoccur are not indicative of standard utility operations and should not be included in the Pro Forma – Other Water Revenues amount.

Miscellaneous Service Revenue. Allen District reported \$34,441 in Miscellaneous Service Revenue in its test year and proposed no adjustments. Allen District provided cost justification sheets<sup>36</sup> and the number of instances in which each nonrecurring charge was performed during the test period.<sup>37</sup> Commission Staff followed the Commission's precedent in removing field labor and office/clerical labor costs performed during regular business hours from the current nonrecurring charges.<sup>38</sup> Using this information, as well as the current nonrecurring charge amount listed in its current tariff, Commission Staff

---

<sup>36</sup> Commission Staff Report at 12.

<sup>37</sup> Allen District's Response to Staff's First Request, Item 24.

<sup>38</sup> 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).

calculated Pro Forma revenue from Nonrecurring Charges of \$17,208, which is a decrease of \$17,233, as shown in the following table.

Description	Occurrences	Current Charge	Revised Charge	Pro Forma
Meter Relocation Charge		Actual	Actual	\$2,400
Meter Re-Read Charge	2	\$25.50	\$7.00	\$14
Meter Test Charge	4	\$39.00	\$85.00	\$340
Connection/Turn-on Charge	0	\$42.50	\$10.00	\$0
Connection/Reconnection Charge	712	\$42.50	\$19.00	\$13,528
Connection/Reconnection Charge-After Hours	0	\$88.50	\$104.00	\$0
Service Investigation Charge	32	\$25.50	\$10.00	\$320
Service Investigation Charge-After Hours	2	\$71.50	\$93.00	\$186
Returned Payment Charge	60	\$10.25	\$7.00	\$420
Pro Forma Test Year NRC Revenue				\$ 17,208
Less: Test Year NRC Revenue ( )				(34,441)
Adjustment				<u>\$ (17,233)</u>

Commission Staff recommended a total decrease to Miscellaneous Service Revenue of \$17,233 because the amounts are known and measurable.<sup>39</sup>

The Commission finds that the Commission Staff's recommendation should be approved, as labor expenses resulting from work performed during normal business hours is already recovered as regular wages, thus should not be recovered through nonrecurring charges. As recoverable charges must be directly related to the actual cost incurred to provide the service, only the marginal cost related to the service should be recovered through a nonrecurring charge for any services provided by current employees during normal working hours. Thus, the Commission finds that Commission Staff's recommendation is reasonable, the revised nonrecurring charges as described in Appendix A to be reasonable, and that Allen District's Miscellaneous Service Revenues should be decreased by \$17,233 because only the incremental cost related to the service

---

<sup>39</sup> Commission Staff's Report at 10–13.

should be recovered for service provided by current employees during normal business hours.

Salaries and Wages - Employees. In the application, Allen District proposed an adjustment to decrease Salaries and Wages – Employees by \$627<sup>40</sup> to reflect salaries and wages expense reduced to projected amounts.<sup>41</sup> Allen District provided the test year employee list,<sup>42</sup> test year total hours worked,<sup>43</sup> current wage rates,<sup>44</sup> and a current employee list.<sup>45</sup> Allen District currently has 16 full-time hourly employees and three full-time salaried employees.<sup>46</sup> Commission Staff normalized new employees hired subsequent to the test year regular hours to 2,080, which Allen District considers full time.<sup>47</sup> Commission Staff also normalized an increase in wages as employees received an increase in wages since the test year.<sup>48</sup> In addition, Allen District has one employee who also performs janitorial duties to clean the shop in addition to their other responsibilities, which alter the employee's wages. The average weekly pay for the

---

<sup>40</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment C.

<sup>41</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment C.

<sup>42</sup> Allen District's Response to Staff's First Request, Item 6, 6\_Payroll\_2023.xlsx.

<sup>43</sup> Allen District's Response to Staff's First Request, Item 6, 6\_Payroll\_2023.xlsx.

<sup>44</sup> Allen District's Response to Staff's First Request, Item 6, 6\_Payroll\_2025.xlsx.

<sup>45</sup> Allen District's Response to Staff's First Request, Item 6, 6\_Payroll\_2025.xlsx.

<sup>46</sup> Allen District's Response to Staff's First Request, Item 6, 6\_Payroll\_2025.xlsx.

<sup>47</sup> Allen District's Response to Staff's Second Request, Item 4.

<sup>48</sup> Allen District's Response to Staff's First Request, Item 6, 6\_Payroll\_2025.xlsx.

janitorial duties before taxes is \$81.<sup>49</sup> Therefore, Commission Staff included \$4,212 in additional salary for this employee to account for 52 weeks paid.

Commission Staff calculated a Total Salaries and Wages – Employees of \$806,842, which is \$51,385 more than the test year Salaries and Wages – Employee of \$755,457, and \$52,012 more than Allen District's proposed adjustment, as shown in the table below.

Current Positions	Test Year Regular Hrs.	Current Wage Rate	Total Regular Wages	Janitorial Pay	Test Year Overtime Hours	Current Overtime Rate	Total Overtime Wages	Total Test Year Wages
General Manager	2,080	Salary	\$ 76,310	-	-	Salary	\$ -	\$ 76,310
Customer Service 3	2,064	\$ 21.00	43,334	-	39	\$ 31.50	1,236	44,570
Field Service 1	2,080	16.00	33,280	-	-	24.00	-	33,280
Finance/ Office Manager	2,080	Salary	61,360	-	80	Salary	-	61,360
Field Service 1	2,080	16.00	33,280	-	-	24.00	-	33,280
Customer Service 1	2,080	17.00	35,360	-	-	25.50	-	35,360
Field Service 3	2,200	24.00	52,800	-	76	36.00	2,736	55,536
Distribution Supervisor	2,120	26.00	55,120	-	256	39.00	9,984	65,104
Distribution/ Line Location	2,080	22.00	45,760	4,212	179	33.00	5,891	55,863
Operator/ Foreman	2,073	23.50	48,716	-	218	35.25	7,685	56,400
Field Service 2	2,120	21.00	44,520	-	245	31.50	7,702	52,222
Customer Service 2	2,080	18.00	37,440	-	-	27.00	-	37,440
Field Ops Manager	2,080	Salary	61,360	-	145	Salary	-	61,360
Field Service 2	2,080	19.50	40,560	-	141	29.25	4,124	44,684
Customer Service 3	2,068	23.50	48,586	-	76	35.25	2,661	51,248
Field Service 2	2,080	19.00	39,520	-	116	28.50	3,306	42,826
<b>Total</b>	<b>33,444</b>		<b>\$ 757,305</b>	<b>\$ 4,212</b>	<b>1,570</b>		<b>\$ 45,325</b>	<b>806,842</b>
Less: Test Year Salaries and Wages - Employees ( )								(755,457)
Commission Staff's Adjustment								51,385
Less: Allen District's Proposed Adjustment ( )								627
Difference between Commission Staff's and Allen District's Adjustments								<u>\$ 52,012</u>

Commission Staff recommended the Commission accept Commission Staff's adjustment of a \$51,385 increase to Salaries and Wages – Employees, as it is known and measurable changes because Commission Staff's adjustment reflects the normalized and test year hours at current wage rates with current employees.<sup>50</sup>

The Commission finds that Commission Staff's recommended adjustment should be approved. Allen District's Salaries and Wages- Employees should be increased by

<sup>49</sup> Janitorial Pay (filed Apr. 24, 2025), Janitor\_Pay.pdf.

<sup>50</sup> Commission Staff's Report at 13–14.

\$51,385 because the adjustment to Salaries and Wages – Employees described above is a known and measurable change reflected in the normalization of test year hours at current wages.

Expenses Related to Meter Installations. During the test year, Allen District reported \$177,951 in Tap On Fees.<sup>51</sup> 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.<sup>52</sup> During the test year, Allen District installed 176 new water connections.<sup>53</sup> In order to determine the amount of expenses that should be capitalized, Commission Staff used the current rate of \$960 for the 5/8" x 3/4" and \$1,200 for 1-inch meters to estimate the expenses related to new taps. Commission Staff calculated \$170,160 worth of Tap Fees expenses to be capitalized, as shown in the following table.

New Meter Connections	Number of Connections	Per unit Cost	Total Fees Collected
5/8" x 3/4" Meters	171	\$ 960	\$ 164,160
1" Meters	5	1,200	6,000
Total Fees Collected			<u>\$ 170,160</u>

Allen District records the material costs for the installation of the meters in account 334 Meters, an asset account, not in the Expense account Materials and Supplies.<sup>54</sup> There is no adjustment to the materials since the cost for the materials was not recorded

---

<sup>51</sup> Allen District's Response to Staff's First Request, Item 1b, 1b\_Trial\_Balance\_2023.xlsx, Account 432 Revenue-CapContrTap Fee.

<sup>52</sup> USoA, Accounting Instruction 19 and 33.

<sup>53</sup> Allen District's Response to Staff's First Request, Item 17a.

<sup>54</sup> Allen District's Response to Staff's First Request, Item 1a, 1a\_General\_Ledger\_2023.xlsx, Account 334 Meters.

as an expense. However, the labor costs are recorded as part of Salaries and Wages – Employee expense but should have been capitalized as Utility Plant in Service. Therefore, Commission Staff recommended a reduction to Salaries and Wages – Employees Expense of \$51,048, to remove the labor portion, as shown in the chart below, of 30 percent of the tap fees installed by Allen District, as shown in the following table.<sup>55</sup>

Description	Salaries and Wages
Tap Fees Collected	\$ 170,160
Allocated Percentage	30%
Total	<u>\$ (51,048)</u>

Since the material expenses were recorded as part of the Meters asset account, the material expenses have been included in the asset cost and subsequently depreciated. Commission Staff additionally capitalized the full labor costs and made a corresponding adjustment to test-year depreciation as shown in the Capitalization of Water Tap Labor Adjustment.

Commission Staff recommended the Commission accept Commission Staff's adjustment to decrease Salaries and Wages – Employees by \$51,048 because it reflects the proper accounting for water connection expenses according to the USoA.<sup>56</sup>

The Commission finds that Commission Staff's adjustment is reasonable and should be approved. Allen District's Salaries and Wages – Employees should be reduced by \$51,048, with a corresponding adjustment to test-year depreciation as shown in

---

<sup>55</sup> Commission Staff's Report at 15–16.

<sup>56</sup> Commission Staff's Report at 15–16.

Capitalization of Water Tap Labor because the USoA requires that costs be capitalized as utility plant is service and depreciated over their estimated useful lives.

Employee Benefits – Insurance Premiums. Allen District provides Medical, Dental, and Life insurance, and pays 100 percent of the cost of the single plan for its employee(s) only.<sup>57</sup> In the application, Allen District proposed an adjustment to decrease Employee Benefits expense by \$33,828,<sup>58</sup> to reflect Commission precedent on paid medical and dental insurance premiums funded by water districts.<sup>59</sup> While not expressly stated, it appears that Allen District reviewed and adjusted their employee health benefit contribution to match the average employee contribution for private employer healthcare benefit set forth in the U.S. Bureau of Labor Statistics National Compensation Survey (BLS) for 2023.<sup>60</sup> Upon review of Allen District's proposed adjustment, Commission Staff agrees with Allen District's methodology but calculated a different amount following an adjustment. Commission Staff determined that for the employer contribution for medical benefits, Allen District used 79 percent, the average employer contribution percentage for 2023;<sup>61</sup> however, given that updated survey numbers for 2025 were published in September 2024, Commission Staff recognized that using an updated average of 80 percent would allow for Allen District's rates to reflect the most up to date average

---

<sup>57</sup> Allen District's Response to Staff's First Request, Item 4.

<sup>58</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment D.

<sup>59</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment D.

<sup>60</sup> Bureau of Labor Statistics, Healthcare Benefits, March 2023, Table 3, private industry workers. (<https://www.bls.gov/ebs/publications/employee-benefits-in-the-united-states-march-2023.htm>).

<sup>61</sup> Allen District's Response to Staff's First Request, Item 1d, 1d\_Rate\_Study, Med Tab, Row 6.

contribution amounts.<sup>62</sup> Accordingly, Commission Staff adjusted Allen District's single health insurance plan premiums' contribution expense to 80 percent.

In addition, Allen District proposed to reduce dental insurance premiums by 40 percent.<sup>63</sup> Commission Staff instead reduced Allen District's contribution to dental insurance by 60 percent, to align with the national average of the employer share of dental insurance premiums as set forth in the Willis Benchmarking Survey,<sup>64</sup> which is shown in the calculation below. Allen District provided the most recent copy of its health insurance invoice which includes medical, dental, and life insurance.<sup>65</sup> Accordingly, utilizing the most recent invoice amounts, Commission Staff recalculated the proposed adjustment and decreased Employee Benefits - Insurance by \$37,314, which is \$3,486 more than the \$33,828 proposed by Allen District, as shown below.

---

<sup>62</sup> Bureau of Labor Statistics, Healthcare Benefits, March 2024, Table 3, private industry workers. (<https://www.bls.gov/ebs/publications/employee-benefits-in-the-united-states-march-2024.htm#Overview>).

<sup>63</sup> Allen District's Response to Staff's First Request, Item 1d, 1d\_Rate\_Study, Med Tab, Row 8.0

<sup>64</sup> See Case No. 2017-00263, *Electronic Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment* (Ky. PSC Dec. 22, 2017), at 9-10, and The Willis Benchmarking Survey, 2015, at 62-63. (<https://www.slideshare.net/annette010/2015-willis-benefits-benchmarking-survey-report>).

<sup>65</sup> Allen District's Response to Staff's First Request, Item 5, 5\_Health\_Insurance\_Invoice.pdf.



Type of Premium	Number of Employees	Employer Contributions	Average Employee Contribution Rate	Monthly Premium Adjustment	Pro Forma Monthly Premium
Medical Insurance	16	\$ 12,824	20%	\$ (2,565)	\$ 10,259
Dental Insurance	16	315	60%	(189)	126
Vision Insurance	16	94	0%	-	94
Life Insurance	16	73	0%	-	73
Total Monthly Pro Forma Premium		13,306		(2,754)	10,552
Multiplied by: 12 Months		12		12	12
Total Annual Health Insurance Premium		<u>\$ 159,672</u>		<u>(33,046)</u>	126,626
Less: Test Year Insurance Premium ( )					(163,940)
Commission Staff's Adjustment					(37,314)
Less: Allen District's Proposed Adjustment					33,828
Difference between Commission Staff's Adjustment and Allen District's Adjustment					<u>\$ (3,486)</u>

Commission Staff recommended the Commission accept Commission Staff's adjustment of a \$37,314 decrease to Employee Benefits to reflect the reduction of employer contributions, as it conforms to benefit levels documented in published surveys of employee benefits and a lack of evidence that the employer contributions in excess of these amounts are appropriate or necessary to attract and retain employees as part of an overall benefit package.<sup>66</sup>

The Commission finds Commission Staff's recommended adjustment is approved. Allen District's Employee Benefits are decreased by \$37,314, because it is a known and measurable change consistent with averages of employees' total compensation packages for market and geographic competitiveness that ensure the development of a fair, just and reasonable rate.<sup>67</sup> In addition, it reflects the current expenses based on invoices contained in the record. There was nothing introduced in the record that

<sup>66</sup> Commission Staff's Report at 16–18.

<sup>67</sup> Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates* (Ky. PSC June 20, 2019), at 8–12.

indicates that 100% employer contribution amount is necessary or appropriate to retain employees as part of an overall benefit plan.

Employee Pensions. Allen District has two retirement benefit options. Allen District has a defined benefits retirement plan for two of its current employees. In 2015, Allen District closed entry into that plan.<sup>68</sup> Allen District provided a letter from its actuary that recommended a contribution of \$50,475 for 2025 in order to pay off the unfunded actuarial accrued liability in 20 years from January 1, 2024.<sup>69</sup> Therefore, Commission Staff agrees that the Pro forma Retirement amount should include \$50,475 to account for the two employees currently participating in the defined benefit retirement plan for 2025.

Allen District also has ten employees who have chosen to enroll in a 457b retirement plan. Allen District matches up to 5 percent of the employees' contribution for this plan.<sup>70</sup> Utilizing the \$542,276, wages of participating members, and Allen District's 5 percent contribution rate to the 457b, Commission Staff calculated an employer contribution expense of \$27,114. Combined with the defined benefit plan the total contribution is \$77,589, which is \$23,825 greater than the test year amount, as shown in the following table.

---

<sup>68</sup> Allen District's Response to Staff's First Request, Item 4.

<sup>69</sup> Allen District's Response to Staff's First Request, Item 5, 5\_Defined\_Benefit\_Retirement\_Invoice.pdf.

<sup>70</sup> Allen District's Response to Staff's First Request, Item 4.

Description	Test Year
Pro Forma - Full Time Contributing Employees	\$ 542,276
Multiplied by: Contribution Rate	5.00%
457b Contribution	27,114
Defined Benefit Program Contribution	50,475
Total Retirement Contribution	77,589
Less: Test Year Contribution	(53,764)
Commission Staff's Adjustment	<u>\$ 23,825</u>

Commission Staff recommended the Commission accept Commission Staff's adjustment of \$23,825 increase to Employee Pensions, because it reflects the increase of employee retirement expense due to changes in Salaries and Wages – Employees, as well as changes in the unfunded actuarial accrued liability.<sup>71</sup>

The Commission finds Commission Staff's recommended adjustments are reasonable and should be approved. Allen District's Employee Pensions should be increased by \$23,825 because the known and measurable change, described above, is a direct result of changes to Salaries and Wages – Employees, as well and projected actuarial accrued liabilities.

Purchased Water. In its application, Allen District proposed an adjustment to increase its Purchased Water Expense by \$26,811,<sup>72</sup> to reflect a recent purchased water adjustment.<sup>73</sup> Allen District purchases water from the city of Scottsville and the city of Glasgow.<sup>74</sup> Effective November 30, 2024, the city of Glasgow increased its wholesale

---

<sup>71</sup> Commission Staff Report at 18–19.

<sup>72</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment F.

<sup>73</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment F.

<sup>74</sup> 2023 Annual Report at 54.

rate to Allen District to \$0.00201 per gallon.<sup>75</sup> Allen District provided the current rate charged by each of its water vendors,<sup>76</sup> as well as the gallons purchased from each vendor throughout the test year.<sup>77</sup> Commission Staff calculated Purchased Water Expense using the test-year gallons purchased and the current rates, resulting in a pro forma Purchased Water Expense of \$878,894 as shown in the following table. Commission Staff calculated an increase to Purchased Water Expense of \$61,220, which is \$34,409 more than proposed by Allen District.

Description	Glasgow Water		City of Scottsville		Total
	Gallons	Base Price	Gallons	Base Price	
January	32,924,860	\$ 0.00201	904,385	\$ 0.00376	\$ 69,579
February	29,119,800	0.00201	808,475	0.00376	61,571
March	30,834,400	0.00201	561,560	0.00376	64,089
April	32,768,800	0.00201	566,920	0.00376	67,997
May	37,732,800	0.00201	611,375	0.00376	78,142
June	39,470,700	0.00201	793,150	0.00376	82,318
July	39,156,600	0.00201	578,710	0.00376	80,881
August	38,058,600	0.00201	644,835	0.00376	78,922
September	37,359,000	0.00201	724,560	0.00376	77,816
October	36,403,900	0.00201	599,190	0.00376	75,425
November	34,002,400	0.00201	667,595	0.00376	70,855
December	34,404,100	0.00201	570,980	0.00376	71,299
Total	<u>422,235,960</u>		<u>8,031,735</u>		878,894
Test Year Purchase Water ( )					(817,674)
Increase in Purchase Cost					61,220
Allen District Proposed Adjustment ( )					(26,811)
Difference between Commission Staff's and Allen District's Adjustment					<u>\$ 34,409</u>

<sup>75</sup> Case 2024-00367, *Electronic Purchased Water Adjustment Filing of Allen County Water District, Application* (filed Nov. 20, 2024), Application, Exhibit A, EXHIBIT\_A\_Glasgow\_Notice\_of\_Wholesale\_rate\_Increase.pdf.

<sup>76</sup> Allen District's Response to Staff's First Request, Item 19.

<sup>77</sup> Allen District's Response to Staff's First Request, Item 18, 18\_Glasgow\_Water\_Purchases.pdf. And 18\_Scottsville\_Water\_Purchases.pdf.

Commission Staff recommended the Commission accept Commission Staff's adjustment of a \$61,220 increase to Purchase Water Expense, as this is a known and measurable change that reflects the normalization of water purchased during the test year to current rates charged.<sup>78</sup>

The Commission finds that Commission Staff's recommended adjustments is approved. Allen District's Purchased Water Expense should be increased by \$61,220 given the cities of Glasgow increased their water rates, as a known and measurable change that reflects the normalization of water purchased during the test year to current rates charges.

Excess Water Loss. In its application, Allen District proposed adjustments to decrease Purchased Water Expense by \$48,445<sup>79</sup> and Purchased Power Expense by \$4,248.<sup>80</sup> The adjustments are to reflect removal of expenses related to water loss in excess of 15 percent.<sup>81</sup> During the test year, Allen District had water loss of 20.9248 percent.<sup>82</sup> As noted earlier in the report, Commission regulations state that for ratemaking purposes, expenses for water loss in excess of 15 percent shall not be included for ratemaking purposes. As discussed in the Purchased Water adjustment above, Commission Staff determined a Purchased Water Expense of \$878,894. Therefore, Commission Staff decreased Purchased Water Expense by \$52,073, which is \$3,628

---

<sup>78</sup> Commission Staff's Report at 20–21.

<sup>79</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment E.

<sup>80</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment G.

<sup>81</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustments E & G.

<sup>82</sup> Allen District's Response to Staff's First Request, Item 20d, 1d\_Rate\_Study, Purchase Tab, Water Loss calculation.

more than proposed by Allen District, as shown in the following table. Additionally, Allen District proposed to reduce Purchased Power Expense by \$4,248, which Commission Staff agreed with both adjustments, as shown in the following table.

Description	Purchased Water	Purchased Power	Total
Total Adjusted Expenses	\$ 878,894	\$ 71,700	\$ 950,594
Water Loss in Excess of 15%	5.9248%	5.9248%	5.9248%
Commission Staff's Adjustment	52,073	4,248	56,321
Allen District's Proposed Adjustment	(48,445)	(4,248)	(52,693)
Difference Between Commission Staff's and Allen District's Adjustments	\$ 3,628	\$ -	\$ 3,628

Commission Staff recommended the Commission accept Commission Staff's adjustment of a \$52,073 decrease to Purchase Water Expense and a \$4,248 decrease to Purchased Power Expense, since commission regulation limits recovery in rates as a result of excess water loss to 15 percent.<sup>83</sup>

The Commission finds Commission Staff's adjustments should be accepted. Allen District's Purchased Water Expense should be decreased by \$52,073 and its Purchased Power Expense should be decreased by \$4,248 because of Commission regulation 807 KAR 5:066, Section 6(3), limits water loss to 15 percent for ratemaking purposes.

Depreciation Expense. In its application, Allen District proposed an adjustment to reduce Depreciation Expense by \$24,665<sup>84</sup> to adjust the service lives of assets using the National Association of Regulatory Utility Commissioners (NARUC) titled *Depreciation Practices for Small Utilities* (NARUC Study).<sup>85</sup> To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon

<sup>83</sup> Commission Staff's Report at 21–22.

<sup>84</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment H.

<sup>85</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment H.

the NARUC study. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant.<sup>86</sup> Upon examination, Commission Staff agrees with Allen District's methodology to adjust depreciation expense. However, Commission Staff calculated amounts differed from Allen District in three sub-categories: Radio Read Meters, Power Automated Equipment, and Communication and Computer Equipment.

When Allen District calculated the Depreciation Expense for Communication and Computer Equipment, it did not record the original costs correctly in the calculation, a presumed typographical error. Asset number 247 United Systems Software – Computer Systems, Original Cost is \$16,688;<sup>87</sup> however, in its calculation, Allen District reported it as \$11,688.<sup>88</sup> Allen District made a similar mistake in its calculation of Power Automated Equipment, Asset number 323 Ski Steer, Original Cost is \$52,096;<sup>89</sup> however, in its calculation, Allen District reported it as \$53,096.<sup>90</sup> Additionally, Allen District proposed a service life for Radio Read meters of 15 years. Unless evidence is supplied to justify a different useful life, in the past radio read meters will be depreciated over a 20-year

---

<sup>86</sup> 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.

<sup>87</sup> Allen District's Response to Staff's First Request, Item 2, 2\_Fixed\_Asset\_Detail.xls, Cell E188.

<sup>88</sup> Allen District's Response to Staff's First Request, Item 1d, 1d\_Rate\_Study.xlsx, Depr Tab, Communication & Computer Eqmt, Cell F13.

<sup>89</sup> Allen District's Response to Staff's First Request, Item 2, 2\_Fixed\_Asset\_Detail.xls, Cell E227.

<sup>90</sup> Allen District's Response to Staff's First Request, Item 1d, 1d\_Rate\_Study.xlsx, Depr Tab, Communication& Computer Eqmt, Cell F15.

service life.<sup>91</sup> Although Allen District proposed a 15-year service life, it provided technical specifications for the meters, indicating the battery life of up to 20 years and did not provide any other information to justify the proposed 15-year service life.<sup>92</sup> Therefore, Commission Staff calculated depreciation for the meters over a 20-year service life.

Commission Staff calculated a Depreciation Expense of \$605,483, as shown in the following table, which is \$75,193 less than the reported test year amount of \$680,676 and \$50,528 less than Allen District's proposed \$24,665 decrease to Depreciation Expense. Additionally, Commission Staff made an adjustment to depreciate the labor costs related to water installations, as discussed below.

Asset Class	NARUC		Depreciation Adjustment	Pro Forma Depreciation
	Recommended Service Lives	Test Year Depreciation		
General Plant: Structures and Improvements	35 - 40	\$ 19,354	\$ (4,051)	\$ 15,303
Communication and Computer Equipment	10	8,753	(2,654)	6,099
Office Furniture and Equipment	20 - 25	1,081	(578)	503
Power Operated Equipment	10 - 15	61,818	(52,940)	8,878
Tools, Shop, & Garage Equipment	15 - 20	5,720	(2,486)	3,234
Pumping Plant: Structures and Improvements	35 - 40	29,162	9,721	38,882
Pumping Equipment	20	14,403	22,468	36,871
Hydrants	40 - 60	877	-	877
Transmission & Distribution Mains	50 - 75	260,876	(52,013)	208,863
Radio Read Meters	20	132,584	18,836	151,420
Services	30 - 50	9,100	2,275	11,375
Reservoirs and Tanks	30 - 60	79,170	(2,008)	77,162
Transportation Equipment	7	57,778	(11,762)	46,016
Total		<u>\$ 680,676</u>	<u>(75,193)</u>	<u>\$ 605,483</u>
Allen County's Proposed Adjustment ( )			24,665	
Difference between Allen District's Adjustment and Commission Staff's			<u>\$ (50,528)</u>	

Commission Staff recommended the Commission accept Commission Staff's \$75,193 decrease to Depreciation Expense to reflect the annualization of Depreciation

<sup>91</sup> Case No. 2024-00061, *Electronic Application of Butler County Water System, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Nov. 1, 2024), Order at 19–20. Case No. 2024-00068, *Electronic Application of Simpson County Water District for a Rate Adjustment Pursuant To 807 KAR 5:076* (Ky. PSC Oct. 29, 2024), Order at 21–22.

<sup>92</sup> Allen District's Response to Staff's First Request, Item 8, 8\_Diehl\_Meter\_Information.



expense at the recommended NARUC midpoint service lives for capital assets with a remaining book value.<sup>93</sup>

The Commission finds that Commission Staff's recommended adjustments and should be accepted. Allen District's Depreciation Expense should be decreased by \$75,193 because the known and measurable change is a direct result of aligning Allen District's capital asset's useful lives with the NARUC Study's recommended useful lives, correcting the typographical errors in the original asset costs, as well as setting the Service lives for the radio-read meters at 20 years.

Capitalization of Water Tap Labor. As discusses in the Expenses related to Water Installations adjustment 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. Allen District confirmed that it had not capitalized the labor cost.<sup>94</sup> Although Allen District reported that materials used in new tap installations were not capitalized,<sup>95</sup> since the material expenses were recorded as part of the Meters asset account, it is already included in the asset cost and depreciated as discussed above. Therefore, Commission Staff calculated the annual depreciation amount for the test year and increased depreciation expense by \$1,201 to account for the Tap Fee labor expense as shown below:

---

<sup>93</sup> Commission Staff's Report at 22–25.

<sup>94</sup> Allen District's Response to Staff's First Request, Item 17b.

<sup>95</sup> Allen District's Response to Staff's First Request, Item 17c.

Description	Labor Expenses
Test Year Water Connections Expense	\$ 51,048
Divided by: NARUC Proposed Service Lives	42.5
Total Capitalized Expense Increase	<u>\$ 1,201</u>

Commission Staff recommended the Commission accept Commission Staff's \$1,201 increase to Depreciation Expense, because the USoA requires the assets to be depreciated over their estimated useful lives.<sup>96</sup>

The Commission finds that Commission Staff's recommended adjustments should be approved. Allen District's Depreciation Expense should be increased by \$1,201 because the known and measurable amount reflects USoA requirement for assets to be depreciated over their estimated useful lives.

Taxes Other Than Income – Federal Insurance Contribution Act (FICA). In its application, Allen District proposed an adjustment to increase Taxes Other Than Income by \$31,879,<sup>97</sup> to reflect pro forma FICA<sup>98</sup> tax amounts.<sup>99</sup> As explained in the Salaries and Wages – Employees adjustment above, Commission Staff calculated Allen District's pro forma Salaries and Wages – Employees as \$806,842 and Salaries and Wages – Officers of \$30,000. Therefore, Commission Staff calculated an increase of \$38,153 to Taxes Other Than Income, which is \$6,274 more than proposed by Allen District, as shown in the following table.

---

<sup>96</sup> Commission Staff's Report at 25–26.

<sup>97</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment I.

<sup>98</sup> Federal Insurance Contributions Act.

<sup>99</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment I.

Description	Amount
Salaries and Wages - Employees	\$ 806,842
Salaries and Wages - Officers	30,000
Total Salaries and Wages	836,842
Times: 7.65 Percent FICA Rate	7.65%
Total Pro Forma Payroll Taxes	64,018
Test Year Payroll Taxes ( )	(25,865)
Commission Staff's Taxes Other Than Income Adjustment	38,153
Allen District's Proposed Adjustment ( )	(31,879)
Difference between Commission Staff's and Allen District's Adjustment	\$ 6,274

Commission Staff recommended the Commission approve Commission Staff's adjustment to increase Taxes other than Income by \$38,153, because it is a known and measurable change that is a direct result from changes to Salaries and Wages – Employees.<sup>100</sup>

The Commission finds that Commission Staff's adjustment should be accepted. Allen District's Taxes Other Than Income should be increased by \$6,274 because the known and measurable change is a direct result of changes to Salaries and Wages – Employees.

#### SUMMARY OF ADJUSTMENTS

Based upon the Commission's findings discussed above, the following table summarizes Allen District's adjusted pro forma:

---

<sup>100</sup> Commission Staff's Report at 26–27.

Description	Commission Staff's Pro Forma	Commission's Adjustments	Commission Approved Pro Forma
Total Operating Revenues	\$ 3,194,350	\$ -	\$ 3,194,350
Total Operating Expenses ( )	(3,025,058)	-	(3,025,058)
Net Operating Income	169,292	-	169,292
Interest Income	121,796	-	121,796
Income Available to Service Debt	\$ 291,088	\$ -	\$ 291,088

### REVENUE REQUIREMENT

The Commission has historically applied the Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations.<sup>101</sup> This method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a noncash item, to provide working capital;<sup>102</sup> (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

---

<sup>101</sup> 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).

<sup>102</sup> 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	Commission Staff	Commission Approved
Pro Forma Operating Expenses	\$ 3,025,058	\$ 3,025,058
Average Annual Principal and Interest Payments	505,123	505,123
Additional Working Capital at 20%	101,025	101,025
Total Revenue Requirement	3,631,206	3,631,206
Less: Other Revenue ( )	(91,446)	(91,446)
Interest Income ( )	(121,796)	(121,796)
Revenue Required From Water Sales	3,417,964	3,417,964
Revenue from Sales at Present Rates ( )	(3,032,668)	(3,032,668)
Required Revenue Increase / (Decrease)	\$ 385,296	\$ 385,296
Percentage Increase / (Decrease)	12.70%	12.70%

1. Average Annual Principal and Interest Payments and Additional Working Capital. At the time of Commission Staff's review, Allen District had two loans with the Kentucky Infrastructure Authority (KIA),<sup>103</sup> one loan with the Kentucky Rural Water Finance Corporation (KRWFC).<sup>104</sup> and two outstanding KRWFC bonds.<sup>105</sup> In its application, Allen 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

<sup>103</sup> Case No. 2019-00398, *Application of Allen County Water District for the Issuance of a Certificate of Public Convenience and Necessity to Construct a Water System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to the Provisions of KRS 278.020, KRS 278.300, and 807 KAR 5:001*, (Ky. PSC Dec. 19, 2019). Case No. 2024-00118, *Electronic Application of the Allen County Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to the Provisions of KRS 278.300* (Ky. PSC Dec 6, 2024).

<sup>104</sup> Case No. 2021-00444, *Electronic Application of Allen County Water District to Issue Securities in the Approximate Principal Amount of \$4,050,000 for the Purpose of Refinancing Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Jan. 25, 2022).

<sup>105</sup> Case No. 2006-00115, *The Application of Allen County Water District of Allen County, Kentucky for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to the Provisions of KRS 278.023* (Ky. PSC Mar. 29, 2006). Case No. 2012-00144, *Application of Allen County Water District to Issue Securities in the Approximate Principal Amount of \$2,940,000 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 May 21, 2012).

payments for the five years following the test year, which is 2025 through 2029.<sup>106</sup> Commission Staff calculated the average annual principal and interest, and agrees with Allen District's proposed Average Annual Principal and Interest Payments of \$505,123, as shown in the following table.

The DSC method, as historically applied by the Commission, also 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, Allen District requested recovery of an allowance for working capital that is equal to 120 percent of its average annual principal and debt payments at the time of its application for a total of \$101,025.<sup>107</sup>

Following the Commission's practice,<sup>108</sup> Commission Staff agreed with Allen District's methodology. Therefore, when the average Annual Principal and Interest Payments of \$505,123 is included, \$101,025 is included in the revenue requirement as shown in the following table.

---

<sup>106</sup> Application, Attachment 4, Revenue Requirements Calculation, Table B, Debt Service Schedule.

<sup>107</sup> Application, Attachment 4, Revenue Requirements Calculation, Table B, Debt Service Schedule.

<sup>108</sup> 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).

Loan	2025		2026		2027		2028		2029		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
KIA Loan F19-025	\$ 106,931	\$ 47,586	\$ 109,080	\$ 45,171	\$ 111,273	\$ 42,705	\$ 113,509	\$ 40,189	\$ 115,791	\$ 37,622	\$ 769,857
Series 2006 Bonds	34,000	54,652	35,500	53,089	37,000	51,457	39,000	49,748	40,500	47,959	442,905
Series 2012 Bonds	15,500	19,718	16,000	19,245	16,500	18,758	17,000	18,255	17,500	17,737	176,213
KRWFC Loan	120,000	66,854	125,000	62,444	130,000	57,789	135,000	52,885	140,000	47,799	937,771
KIA Loan B24-005	31,024	8,750	31,412	8,362	31,805	7,970	32,202	7,572	32,605	7,169	198,871
Totals	\$ 307,455	\$ 197,560	\$ 316,992	\$ 188,311	\$ 326,578	\$ 178,679	\$ 336,711	\$ 168,649	\$ 346,396	\$ 158,286	2,525,617
Divided by: 5 years											5
Average Annual Interest and Fees											505,123
Additional Working Capital at 20%											\$ 101,025

Commission Staff recommended the Commission approve Allen District's proposed inclusion of \$505,123 and \$101,025 to the Revenue Requirement to account for the average annual principal and interest payments, and the additional working capital, because DSC methodology allows for the recovery of Principal and Interest payments and the Additional Working Capital is a direct result of the calculated Annual Debt Principal and Interest payments.

The Commission finds Commission Staff's calculated Average Principal and Interest payments of \$505,123 and Additional Working Capital of \$101,025 should be included in Allen District's Revenue Requirement because the DSC methodology allows for the recovery of the principal and interest payments and the Additional Working Capital is a direct result of the calculated Annual Debt Principal and Interest payments.

2. Interest Income. In its application, Allen District reported test year Interest Income of \$2,605.<sup>109</sup> Commission Staff reviewed the Trial Balance and Interest Income was reported as \$121,796.<sup>110</sup> Allen District stated that the \$2,605 was incorrect and the

<sup>109</sup> Application, Attachment 4, Schedule of Adjusted Operations, Revenue Requirement Table,

<sup>110</sup> Allen District's Response to Staff's First Request, Item 1b, 1b\_Trial\_Balance\_2023.xlsx, Account 419 Interest & Dividend Income.

test year Interest Income should have been \$121,796.<sup>111</sup> Therefore, Commission Staff used the correct \$121,796 in its calculation of Revenue Requirement.

Commission Staff recommended the Commission approve Commission Staff's exclusion of \$121,796 from the Revenue Requirement to account for the Interest Income, because the \$121,796 is the corrected amount of Interest Income Allen District recorded during the test year according to the evidence in record.<sup>112</sup>

The Commission finds Commission Staff's calculated Interest Income of \$121,796 should be excluded from Allen District's Revenue Requirement because the calculation of \$121,796 is the correct Interest Income for the test year.

### RATE DESIGN

Allen District proposed to increase its monthly retail and wholesale water service rates by approximately 12.35 percent across the board. Allen District provided a rate study in response to Staff's First Request that was not filed in the application. Allen District stated that it "performed a cost-of-service study (COSS) to review the appropriateness of its current rates and rate design." However, the COSS does not include a separate breakdown of the wholesale rate class, nor does the COSS use Allen District's current rate design. Despite providing a COSS, Allen District does not utilize the information contained within the study, instead choosing to continue using its current rate design and increasing rates across the board. Commission Staff followed the across-the-board method proposed by Allen District, using its current rate design and applying

---

<sup>111</sup> Allen District's Response to Staff's Second Request, Item 1.

<sup>112</sup> Commission Staffs Report at 30–31.



the necessary increase across the board. Commission Staff allocated the \$385,296 revenue increase across the board to Allen District's monthly retail water service rates.

The Commission accepts Commission Staff's recommendation and finds that the allocation is reasonable. 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 \$3,418,119 Revenue Required from Water Sales, an approximate 12.72 percent increase. These rates will increase the monthly water bill of a typical residential customer using 4,000 gallons from \$39.49 to \$44.43, an increase of \$4.94, or approximately 12.51 percent.

Nonrecurring Charges and Meter Connection Charges. The Commission finds that the Commission Staff's recommendations are consistent with recent Commission decisions that charges being related to actual costs. Here, focusing upon labor expenses resulting from work performed during normal business hours, which does not result in actual additional expenses, not be recovered through nonrecurring charges.<sup>113</sup> To be recovered, charges should be directly related to the actual cost incurred to provide the service. Only the marginal cost related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours. For the reasons discussed above, the estimated labor expenses previously included in

---

<sup>113</sup> Case No. 2023-00090, *Electronic Application of Henry County Water District #2 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2023); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 4, 2024); Case No. 2023-00090, *Electronic Application of Kirksville Water Association Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00252, *Electronic Application of Oldham County Water District for an Alternative Rate Adjustment* (Ky. PSC June 18, 2024).

determining the amount of nonrecurring charges should be eliminated from the charges, as proposed by Commission Staff.

Thus, the Commission finds that Commission Staff's recommendation is reasonable; the revised nonrecurring charges as described in Appendix A to be reasonable; Commission Staff's calculated Pro Forma revenue from Nonrecurring Charges of \$17,208 as shown in the table in the Miscellaneous Service Revenue section above, as well as Commission Staff's proposed adjustment of \$17,233 to Miscellaneous Service Revenues to match the test year to the Pro Forma amount of \$17,208 previously mentioned are reasonable, because only the incremental cost related to the service should be recovered for service provided during normal business hours.

The cost justification information<sup>114</sup> shown in Appendix A was provided by Allen District and supports the adjustments. The table below shows the current and revised nonrecurring charges.

Description	Current Charge	Revised Charge
Meter Relocation Charge	Actual Cost	Actual Cost
Meter Reread Charge	\$25.50	\$7.00
Meter Test Charge	\$39.00	\$85.00
Connection/Turn-on Charge	\$42.50	\$10.00
Reconnection Charge	\$42.50	\$19.00
Connection/Reconnection (After Hours)	\$88.50	\$104.00
Service Investigation	\$25.50	\$10.00
Service Investigation (After Hours)	\$71.50	\$93.00
Returned Payment Charge	\$10.25	\$7.00
Equipment Damage	Actual Cost	Actual Cost
Late Payment Fee	10%	10%

---

<sup>114</sup> Allen District's Response to Staff's First Request, Item 25\_Nonrecurring\_Charges\_Cost\_Justifications.pdf.

Additionally, Allen District provided updated cost justification information for the Meter Connection Charges.<sup>115</sup> Commission Staff reviewed the information provided by Allen District and recommends that the Commission increase the Tap On charges as shown in the table below, because the higher rates are based on known and measurable adjustments provided in the supporting documentation.

<u>Meter Connection/Tap On Charges</u>	<u>Current Charge</u>	<u>Revised Charge</u>
5/8 inch x 3/4 inch meter	\$ 960.00	\$1,238.00
1-inch meter	\$ 1,200.00	\$1,751.00
2-inch meter	\$ 3,200.00	\$3,370.00
Larger than 2-inch meter	Actual Cost	Actual Cost

The Commission agrees with Commission Staff's recommendation to increase the Meter Connection/Tap On Charges as shown above, to reflect the current expenses incurred to install new taps, in order to prevent under recovery of tap fee charges.

### 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. Application of the DSC method to Allen District's pro forma operations results in an Overall Revenue Requirement of \$3,631,206 and a \$385,296 revenue increase, or 12.70 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement. The rates contained in Appendix B to this order are fair, just and reasonable based on the evidence in the record.

---


<sup>115</sup> Allen District's Response to Staff's First Request, Item 26\_Tap\_Fee\_Cost\_Justifications.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Commission Staff's Report, are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water service rates proposed by Allen District are denied.
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Allen District on or after the date of this Order.
4. Within 20 days of the date of service of this Order, Allen District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.
5. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

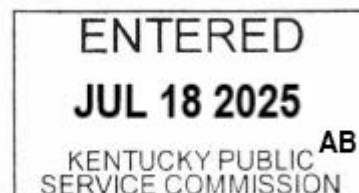
  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

  
Executive Director



# APPENDIX A

## APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00014 DATED JUL 18 2025

\* Denotes Rounding

### Nonrecurring Charges Adjustments

	Meter Re-read Charge Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$20.75 at 0.75 hours)	\$9.34	
Office Supplies	\$1.50	\$1.50
Office Labor (\$20 at 0.25 hours)	\$3.00	
Transportation	\$5.70	\$5.70
Misc.		
Total Revised Charge*	<u>\$19.54</u>	<u>\$7.00</u>
Current Rate	\$25.50	

	Meter Test Charge Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$20.75 at 2 hours)	\$41.50	
Office Supplies	\$1.50	\$1.50
Office Labor (\$20 at 1 hours)	\$20.00	
Transportation	\$5.70	\$5.70
Shipping and Testing	\$78.20	\$78.20
Total Revised Charge*	<u>\$141.20</u>	<u>\$85.00</u>
Current Rate	\$39.00	

	Connection/Turn-on Charge Utility Revised Charge	Staff Revised Charge
Field Materials	\$10.89	
Field Labor (\$20.75 at 0.50 hours)	\$10.37	
Office Supplies	\$1.50	\$1.50
Office Labor (\$20 at 0.50 hours)	\$10.00	
Transportation	\$8.55	\$8.55
Misc.		

Total Revised Charge*	<u>\$41.31</u>	<u>\$10.00</u>
Current Rate	\$42.50	

	Reconnection Charge Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$20.75 at 1 hours)	\$20.75	
Office Supplies	\$1.50	\$1.50
Office Labor (\$20 at 0.50 hours)	\$10.00	
Transportation	\$17.10	\$17.10
Misc.		
Total Revised Charge*	<u>\$49.35</u>	<u>\$19.00</u>
Current Rate	\$42.50	

	Connection / Reconnection Charge-After Hours Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$42.50 at 2 hours)	\$85.00	\$85.00
Office Supplies	\$1.50	\$1.50
Office Labor (\$40 at 0.50 hours)	\$20.00	
Transportation	\$17.10	\$17.10
Misc.		
Total Revised Charge*	<u>\$123.60</u>	<u>\$104.00</u>
Current Rate	\$88.50	

	Service Investigation Charge Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$20.75 at 1 hours)	\$20.75	
Office Supplies	\$1.50	\$1.50
Office Labor (\$20 at 0.25 hours)	\$5.00	
Transportation	\$8.55	\$8.55
Misc.		
Total Revised Charge*	<u>\$35.80</u>	<u>\$10.00</u>
Current Rate	\$25.50	

	Service Investigation Charge-After Hours Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$41.50 at 2 hours)	\$83.00	\$83.00

Office Supplies	\$1.50	\$1.50
Office Labor (\$40 at 0.50 hours)	\$20.00	
Transportation	\$8.55	\$8.55
Misc.		
Total Revised Charge*	<u>\$113.05</u>	<u>\$93.00</u>
Current Rate	\$71.50	
<hr/>		
	Return Check Fee	
	Utility Revised	Staff Revised
	Charge	Charge
Field Materials		
Field Labor		
Office Supplies	\$1.73	\$1.73
Office Labor (\$20 at 0.50 hours)	\$10.00	
Transportation		
Bank Charge	\$5.00	\$5.00
Total Revised Charge*	<u>\$16.73</u>	<u>\$7.00</u>
Current Rate	\$10.25	



## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00014 DATED JUL 18 2025

The following rates and charges are prescribed for the customers in the area served by Allen County 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

##### General Customers

First	2,000 Gallons	\$24.87	Minimum Bill
Next	3,000 Gallons	0.00978	Per Gallon
Next	5,000 Gallons	0.00829	Per Gallon
Next	60,000 Gallons	0.00757	Per Gallon
Over	70,000 Gallons	0.00695	Per Gallon

##### U.S. Corp of Engineers

First	55,000 Gallons	\$473.06	Minimum Bill
Next	15,000 Gallons	0.00757	Per Gallon
Over	70,000 Gallons	0.00695	Per Gallon

##### Mobile Home Parks

First	10,000 Gallons	\$87.55	Minimum Bill
Next	60,000 Gallons	0.00757	Per Gallon
Over	70,000 Gallons	0.00695	Per Gallon

##### Wholesale Rate

0.00431 Per Gallon

##### Leak Adjustment Rate

0.00292 Per Gallon

## Nonrecurring Charges

Meter Relocation Charge	Actual Cost
Meter Reread Charge	\$7.00
Meter Test Charge	\$85.00
Connection/ Turn-on Charge	\$10.00
Reconnection Charge	\$19.00
Connection/Reconnection (After Hours)	\$104.00
Service Investigation	\$10.00
Service Investigation (After Hours)	\$93.00
Returned Payment Charge	\$7.00
Equipment Damage	Actual Cost
Late Payment Fee	10%

Meter Connection/Tap On Charges	
5/8 inch x 3/4 inch meter	\$1,238.00
1-inch meter	\$1,751.00
2-inch meter	\$3,370.00
Larger than 2-inch meter	Actual Cost

\*Allen County Water District  
330 New Gallatin Road  
Scottsville, KY 42164

\*Keri Hill  
Allen County Water District  
330 New Gallatin Road  
Scottsville, KY 42164

\*Robert K. Miller  
Straightline Kentucky LLC  
113 North Birchwood Ave.  
Louisville, KY 40206