

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF CUMBERLAND	)	
COUNTY WATER DISTRICT FOR AN	)	CASE NO.
ADJUSTMENT OF RATES PURSUANT TO 807	)	2025-00226
KAR 5:076	)	

NOTICE OF FILING OF COMMISSION STAFF'S REPORT

Notice is hereby given that, in accordance with the Commission's Order of July 17, 2025, as amended on October 20, 2025, the attached report containing the recommendations of Commission Staff (Staff) regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's July 17, 2025 Order as amended on October 20, 2025, Cumberland County Water District (Cumberland District) is required to file written comments regarding the recommendations of Staff no later than 14 days from the date of service of this report. The Commission directs Cumberland 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 NOV 7 2025

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).

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COMMISSION STAFF'S REPORT
ON CUMBERLAND COUNTY WATER DISTRICT

Cumberland County Water District (Cumberland 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 2,805 residential customers, 85 commercial customers, five industrial customers, and one public authority that reside in Cumberland County, Kentucky.¹

On June 26, 2025,² Cumberland District filed its application with the Public Service Commission (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 Cumberland District used the calendar year ended December 31, 2024, as the basis for its application. The application was filed pursuant to the Commission's Order in Case No.

¹ *Annual Report of Cumberland County Water District to the Public Service Commission for the Calendar Year Ended December 31, 2024* (2024 Annual Report) at 12 and 49.

² Cumberland District tendered its application on June 26, 2025. By letter dated July 2, 2025, the Commission found no filing deficiencies and the application is deemed filed on June 26, 2025.

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.

2025-00072⁴ which required Cumberland District to file an application for an adjustment of its base rates by August 31, 2026. Cumberland District's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2022-00291.⁵ Since that matter, Cumberland District has only adjusted its rates pursuant to purchased water adjustments. To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated July 17, 2025,⁶ as amended by Order dated October 20, 2025.⁷ Cumberland District timely responded to three requests for information⁸ and amended its response on October 2, 2025.

UNACCOUNTED-FOR WATER LOSS

Over the last five years Cumberland District reported an average water loss of 37.4336 percent,⁹ as shown in the following table:

⁴ Case No. 2025-00072, *Electronic Purchased Water Adjustment Filing of Cumberland County Water District* (Ky. PSC Apr. 14, 2025), final Order at 5, ordering paragraph 5.

⁵ See Case No. 2022-00291, *Electronic Application of Cumberland County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*.

⁶ Order (Ky. PSC July 17, 2025).

⁷ Order (Ky. PSC Oct. 20, 2025).

⁸ Cumberland District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Aug. 19, 2025); Cumberland District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Sept. 23, 2025); Cumberland District's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Oct. 28, 2025).

⁹ *Annual Report of Cumberland District to the Public Service Commission for the Calendar Year Ended December 31, 2020* (2020 Annual Report) at 57–58; *Annual Report of Cumberland District to the Public Service Commission for the Calendar Year Ended December 31, 2021* (2021 Annual Report) at 57–58; *Annual Report of Cumberland District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 57–58; *Annual Report of Cumberland District to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report) at 57; and 2024 Annual Report at 57–58.

Year	Water Loss Percentage
2020	40.6964%
2021	35.2088%
2022	39.0535%
2023	38.1290%
2024	34.0803%
Average	<u>37.4336%</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. Cumberland District reported test year purchased water expense of \$584,741.¹⁰ However, as discussed in the Purchased Water Expense adjustment, Staff adjusted the amount to current rates which resulted in a Purchased Water Expense of \$623,191. The table below shows that the 2024 total annual cost of water loss to Cumberland District is \$236,501 while the annual cost of water loss in excess of 15 percent is \$132,409.

Total Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 623,191	\$ 70,762	\$ 693,953
Water Loss Percent	34.0803%	34.0803%	34.0803%
Total Water Loss	<u>\$ 212,385</u>	<u>\$ 24,116</u>	<u>\$ 236,501</u>

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 623,191	\$ 70,762	\$ 693,953
Water Loss in Excess of 15%	19.0803%	19.0803%	19.0803%
Disallowed Water Loss	<u>\$ 118,907</u>	<u>\$ 13,502</u>	<u>\$ 132,409</u>

¹⁰ Application (filed June 26, 2025), Attachment #4, Schedule of Adjusted Operations.

DISCUSSION

Using its pro forma test-year operations, Cumberland District determined that a base rate revenue increase of \$481,753, or 24.61 percent, is necessary to achieve the revenue requirement.¹¹ Staff notes that Cumberland District excluded the Bad Debt expense in its calculation of total Operating Expenses in the amount \$24,501.¹² Including Bad Debt expense Cumberland District's Total Operating Expenses would be \$1,811,707 and Required Revenue Increase would be \$506,254 or 25.86 percent. The corrected revenue requirement table is present in the table below. Cumberland District used the Debt Service Coverage (DSC) method to calculate its revenue requirement.

Description	Cumberland County WD
Pro Forma Operating Expenses	
Total Operating Expenses	\$ 1,811,707
Depreciation and Taxes	283,820
Average Annual Principal and Interest Payments	334,406
Additional Working Capital at 20%	66,881
Total Revenue Requirement	<u>2,496,814</u>
Forfeited Discounts	0
Miscellaneous	0
Other Water Revenues	32,952
Total Other Income	98
Revenue Required From Water Sales	<u>2,463,764</u>
Revenue from Sales at Present Rates ()	<u>(1,957,511)</u>
Required Revenue Increase / (Decrease)	<u><u>\$ 506,254</u></u>
Percentage Increase / (Decrease)	<u><u>25.86%</u></u>

¹¹ Application, Attachment #4, Schedule of Revenue Requirements.

¹² Application, Attachment #4, Schedule of Adjusted Operations. Bad Debt is listed in the test year with no adjustment but is not included as a pro forma amount.

To determine the reasonableness of the rates requested by Cumberland District, Staff performed a limited review of Cumberland District's test-year operations. The scope of Staff's review was limited to determining whether operations reported for the test year were representative of normal operations. Known and measurable¹³ 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.

Staff's recommendations are summarized in this report. Vinay Raj Raju reviewed the calculation of Cumberland District's Overall Revenue Requirement, and Manuel Jerez Tamayo reviewed Cumberland District's reported revenues and rate design.

SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the DSC method, as generally accepted by the Commission, Staff found that Cumberland District requires \$2,282,646 in revenue from water sales to meet the Overall Revenue Requirement of \$2,321,566. This requires a revenue increase of \$325,135, or 16.61 percent, over pro forma present rate revenues to achieve the Overall Revenue Requirement.

¹³ 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).

2. Monthly Water Service Rates. In its application, Cumberland District proposed to increase its monthly water service rates by 24.61 percent to all its water customers evenly across the board.¹⁴ Cumberland District stated that it did not consider filing a cost-of-service study (COSS) at this time considering there has been no material changes in the water system that would cause a new COSS to be prepared.¹⁵ The Commission has previously found that the allocation of a revenue adjustment evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS.¹⁶ Finding no such evidence in this case, Staff allocated the \$325,135 revenue increase evenly across Cumberland District's monthly retail water service rates.

The rates recommended in Appendix B to this report are based upon the revenue requirement, as calculated by Staff, and will produce sufficient revenues from water sales to recover the \$2,282,646 revenue required from rates, an approximate 16.61 percent increase. The monthly water bill for a typical residential customer using approximately 3,551 gallons per month¹⁷ will increase from \$49.52 to \$57.74 for an increase of \$8.22 or approximately 16.60 percent. Cumberland District also charges a monthly water loss reduction surcharge, established in Case No. 2022-00291 of \$2.85 per month per

¹⁴ Application, Attachment 1, Customer Notice.

¹⁵ Cumberland District's Response to Staff's First Request, Item 13.

¹⁶ Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

¹⁷ Application, Attachment 1, Customer Notice. The average retail customer uses 3,551 gallons per month.

customer.¹⁸ This increases the typical residential customer's monthly water bill, including the surcharge, from \$52.37 to \$60.59, an increase of \$8.22, or 15.70 percent.

3. Nonrecurring Charges. Staff has reviewed Cumberland District's Nonrecurring Charges. As part of its review, Staff reviewed whether Cumberland District charges included expenses related to employee compensation during regular business hours or clerical expenses, which generally are incurred during regular business hours. Expenses related employee compensation during regular business hours are already recovered in base rates, thus do not represent a nominal cost of the service classified as a Nonrecurring Charge.¹⁹

Cumberland District provided updated cost justification information for the Nonrecurring Charges²⁰ as well as a list of the number of occurrences for each of its Nonrecurring Charges.²¹ Cumberland District's current Nonrecurring Charges do not include regular business hour labor or clerical expenses.²² Staff reviewed the cost justification information provided by Cumberland District, noted that the justification did include regular business hour labor and clerical expenses, thus adjusted these charges by removing the Field Labor Costs and the Office/Clerical Labor Costs from those charges

¹⁸ Case No. 2022-00291, (Ky. PSC Oct 5, 2023), Order.

¹⁹ Case No. 2023-00299, *Electronic Application of Magoffin County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 24, 2024); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 5, 2024); Case No. 2023-00258, *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. 2023-00220, *Electronic Application of East Casey County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 21, 2024).

²⁰ Cumberland District's Response to Staff's First Request, Item 16.

²¹ Cumberland District's Response to Staff's First Request, Item 15.

²² Case No. 2022-00291, final Order (Oct. 5, 2023) at 22.

that occur during normal business hours, as was done in Case No. 2022-00291. Staff also removed the Office/Clerical Labor Costs from the After-Hours Reconnection Charge, as office labor is typically performed during normal business hours. Field Collection Charge, Meter Re-Read Charge, Meter Test Charge, New Service Charge, and Service Call / Investigation all increased \$2, from \$18 to \$20, due to increasing costs for Office Supplies and Transportation. The Reconnection Charge increased \$4, from \$36 to \$40, due to increasing costs for Office Supplies and Transportation. The Returned Check Charge increased \$16.50, from \$8.50 to \$25, due to increasing costs on Office Supplies, Transportation and Bank Charges. After Hours Charge increased \$30, from \$50 to \$80, due to increasing costs on Field Labor, Office Supplies, and Transportation.²³ Staff recommends that the Commission accept the respective adjustments for the charges mentioned above, as these were supported by Cumberland District in the cost justification provided,²⁴ and the amounts meet the ratemaking criteria of being known and measurable. The cost justification information, shown in Appendix A, was provided by Cumberland District and supports the adjustments to the Nonrecurring Charges. The adjustments discussed above result in the following revised Nonrecurring Charges:

²³ Cumberland District's Response to Staff's First Request, Item 16.

²⁴ Cumberland District's Response to Staff's First Request, Item 16.

Charge	Current Charge	Revised Charge
Field Collection Charge	\$ 18.00	\$ 20.00
Meter Relocation Charge	Actual Cost	Actual Cost
Meter Re-Read Charge	\$ 18.00	\$ 20.00
Meter Test Charge	\$ 18.00	\$ 20.00
New Service Charge	\$ 18.00	\$ 20.00
Reconnection Charge	\$ 36.00	\$ 40.00
Returned Check Charge	\$ 8.50	\$ 25.00
Service Call / Investigation	\$ 18.00	\$ 20.00
After Hours Charge	\$ 50.00	\$ 80.00

The adjustments to the Nonrecurring Charges result in an increase in Other Water Revenues of \$1,221 as shown below.

Charge	Occurrences	Current Charge	Revised Charge	Adjustment	Pro Forma
Field Collection Charge	101	\$ 18.00	\$ 20.00	\$ 202	\$ 2,020
Meter Relocation Charge	7	Actual Cost	Actual Cost	-	2,450
Meter Re-Read Charge	0	\$ 18.00	\$ 20.00	-	-
Meter Test Charge	1	\$ 18.00	\$ 20.00	2	20
New Service Charge	202	\$ 18.00	\$ 20.00	404	4,040
Reconnection Charge	50	\$ 36.00	\$ 40.00	200	2,000
Returned Check Charge	21	\$ 8.50	\$ 25.00	347	525
Service Call / Investigation	3	\$ 18.00	\$ 20.00	6	60
After Hours Charge	2	\$ 50.00	\$ 80.00	60	160
Pro Forma				<u>\$ 1,221</u>	\$ 11,275
Test Year ()					(10,055)
Adjustment					<u>\$ 1,221</u>

Cumberland District provided an updated cost justification for its 5/8-Inch x 3/4-Inch Meter and 1-Inch Meter Connection/Tap-On Charge.²⁵ Staff reviewed the cost justification information provided by Cumberland District and notes it supports an increase in the 5/8-Inch x 3/4-Inch Meter and 1-Inch Meter Connection/Tap-On Charge. Staff

²⁵ Cumberland District's Response to Staff's First Request, Item 17, 17_Tap_Fee_Cost_Justification_Small. Cumberland District's Response to Staff's Second Request, Item 6, 2-6_Tap_Fee_1_Inch_Cost_Justification.

recommends that the Commission accept Cumberland District's supported increase for the Tap-On fee from \$1,300 to \$1,652 for the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge and from \$1,425 to \$2,173 for the 1-Inch Meter Connection/Tap-On Charge. Staff recommends increasing the tap on fees to meet the expenses supported by the cost justification provided by Cumberland District for both meter installs.

4. Water Loss Surcharge. Cumberland District currently charges a water loss reduction surcharge of \$2.85 per customer per month, authorized in Case No. 2022-00291.²⁶ It was authorized to assess a monthly surcharge of \$2.85 per customer for service rendered on and after November 1, 2023, and continuing for 48 months or until the total amount of surcharge assessed equals \$386,460 whichever occurs first.²⁷ In its application, Cumberland District proposed to increase its Water Loss Reduction Surcharge from \$2.85 to \$3.71.²⁸ It stated that the increase was to help lower system losses to a more acceptable level.²⁹ Staff recommends that the Commission deny the request. Although Staff recognizes that Cumberland District's purchased water cost has increased, the increase does not necessarily result in a corresponding increase in the original surcharge amount. The success of the original surcharge, which has been in place for approximately one year, will not be evaluated until completion of the surcharge

²⁶ Case No. 2022-00291, (Ky. PSC Oct 5, 2023), Order.

²⁷ Case No. 2022-00291, (Ky. PSC Oct. 5, 2023), Order at 25, ordering paragraph 10. The surcharge was renewed for an additional 48 months in Case No. 2023-00228, *Electronic Cumberland County Water District Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Oct. 5, 2023), Order.

²⁸ Application, Attachment #2, Reasons for Application.

²⁹ Application, Attachment #2, Reasons for Application.

case. Staff has concerns about long-term reliance on surcharges in the absence of a capital plan that includes the evaluation of financing alternatives.

PRO FORMA OPERATING STATEMENT

Cumberland District's Pro Forma Operating Statement for the test year ended December 31, 2024, as determined by Staff appears in the table below.

Description	2024 Test Year	Cumberland County WD Proposed Adjustments	Commission Staff Adjustments	Total Adjustments	(Ref)	Pro Forma
Operating Revenues						
Water Sales	\$ 1,920,541	\$ 36,970	0	\$ 36,970	A	\$ 1,957,511
Other Revenues						
Forfeited Discounts	0	0	24,344	24,344	B	24,344
Other Water Revenues	32,952	0	(18,474)	(18,474)	C	14,478
Total Operating Revenues	1,953,493	36,970	5,870	42,840		1,996,333
Operating Expenses						
Salaries and Wages - Employees	334,708	75,473	0	75,473	D	
		(17,550)	2,265	(15,285)	D1	394,896
Salaries and Wages - Directors	10,250	0	0	0		10,250
Employee Pensions and Benefits	54,940	49,816	(2,612)	47,204	E	102,144
Purchased Water	584,741	(111,570)	(7,337)	(118,907)	G	
			38,450	38,450	F	504,284
Purchased Power	70,762	(13,502)	0	(13,502)	G1	57,260
Materials and Supplies	225,205	(40,950)	5,285	(35,665)	H	
			(43,350)	(43,350)	H1	146,190
Contractual Services-Other	210,401	0	(156,288)	(156,288)	I	54,113
Transportation	63,420	0	0	0		63,420
Insurance	43,621	0	(13,533)	(13,533)	J	30,088
Rate Case Expenses	0	3,112	0	3,112	K	3,112
Bad Debt	24,501	0	0	0		24,501
Miscellaneous Expenses	244,330	0	0	0		244,330
Total	1,866,879	(55,171)	(177,120)	(232,291)		1,634,588
Depreciation	312,498	(60,057)	(939)	(60,996)	L	
			694	694		
			2,501	2,501		254,697
Taxes Other Than Income	24,515	6,864	(385)	6,479	M	30,994
Total Operating Expenses	2,203,892	(108,364)	(175,249)	(283,613)		1,920,279
Net Operating Income	(250,399)	145,334	181,119	326,453		76,054
Interest Income	98	0		0		98
Income Available to Service Debt	\$ (250,301)	\$ 145,334	\$ 181,119	\$ 326,453		\$ 76,152

(A) Billing Analysis. Cumberland District provided a billing analysis listing the water usage and water sales revenue for the 12-month test year in its application.³⁰

³⁰ Application, Attachment #5, Billing Analysis.

Cumberland District reported total metered water sales revenue of \$1,920,541 for the test year.³¹ Cumberland 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 to be \$1,957,511 and proposed an adjustment to increase test-year water sales revenue by \$36,970 to reflect the revenues from water rates generated by the billing analysis.³² As discussed in the Forfeited Discounts section below, because \$24,344 was embedded in metered sales in the Statement of Adjusted Operations (SAO), Staff recommends reclassifying \$24,344 from Metered Retail Sales to Forfeited Discounts. Staff recommends the Commission accept the adjustment because the amount meets the ratemaking criteria of being known and measurable.

(B) Forfeited Discounts. Cumberland District reported \$24,344 in late charges.³³ The revenue from late charges was reported as Water Sales in the 2024 Annual Report and in the test year of the Application.³⁴ As noted above, the amount of \$24,344 was embedded in the Billing Analysis proposed by Cumberland District. Staff recommends that Cumberland District record its revenues in the accounts prescribed by the Uniform System of Accounts (USoA) when filing its annual reports. Staff also recommends the Commission accept Staff's adjustment to increase Forfeited Discounts within Other Revenues by \$24,344 to reclassify revenues to their proper accounts. Staff recommends the Commission accept Staff's recommended adjustments to Forfeited

³¹ Application, Attachment #4, Schedule of Adjusted Operations.

³² Application, Attachment #5, Billing Analysis.

³³ Cumberland District's Response to Staff's Second Request, Item 4a.

³⁴ Cumberland District's Response to Staff's Second Request, Item 4b.

Discounts as these revenues were incorrectly reported as Water Sales and should be reported as revenues from the appropriate Other Revenues categories.

(C) Other Water Revenues. In its application Cumberland District reported \$32,952 for Other Water Revenues.³⁵ Other Water Revenues include Miscellaneous Revenues of \$3,203, Miscellaneous Service Fees (Nonrecurring Charges) of \$13,613, Construction Aid Fees of \$5,557, and Miscellaneous of \$10,579.³⁶ Cumberland District provided the account where each Nonrecurring Charge was recorded.³⁷ An explanation of the adjustments to Other Water Revenues is presented below.

Nonrecurring Charges - As discussed in the Nonrecurring Charges section of the Summary of Recommendations above, Staff determined that pro forma Nonrecurring Charges should be \$11,275. Due to the nature of the general ledger account,³⁸ that showed most entries as water revenues, Staff was unable to reconcile the difference between the amount Cumberland District should have reported and the actual amount reported in the test year. Staff recommends a reduction of \$2,338 to reconcile the test year to match the pro forma amount.

Miscellaneous – Cumberland District reported \$10,579 in the test year. In review of the general ledger, Staff determined these amounts were a negative expense

³⁵ Application, Attachment #4, Schedule of Adjusted Operations.

³⁶ Cumberland District's Response to Staff's First Request, Item 4.

³⁷ Cumberland District's Response to Staff's Second Request, Item 5, 2-5_Nonrecurring_Charges_GL_Accounts.

³⁸ Cumberland District's Response to Staff's First Request, Item 1a, 2024 General Ledger, Account 4040, Miscellaneous Service Fee.

account.³⁹ Included in this account was revenue from Cumberland District's surcharge and other reimbursements. These amounts should not be included as recurring revenues as surcharge funds should be recorded as Capital Investments and reimbursements are not expected to be received every year. Staff removed the full amount, \$10,579, of the account from Cumberland District's Other Revenues as these are not expected to reoccur and are not a good representation of a test year.

Construction Aid Fees - The Construction Aid Fees of \$5,557 are contributions in aid of construction and should be deducted from Other Water Revenues. Cumberland District stated that Construction Aid Fees is not expected to recur and, therefore, should be removed from the test year.⁴⁰ Staff notes that contribution to Construction Aid Fees should not be included in Other Revenues and decreased Other Water Revenues by \$5,557.

The net effect of the above adjustments results in a Other Water Revenues of \$14,478, which is a pro forma decrease of \$18,474 from Cumberland District's test year amount, as shown in the table below. Staff recommends the Commission accept Staff's adjustment to Other Water Revenues because the amount meets the ratemaking criteria

³⁹ Cumberland District's Response to Staff's First Request, Item 1a, 2024 General Ledger, Account 7000, Miscellaneous.

⁴⁰ Cumberland District's Response to Staff's First Request, Item 4.

of being known and measurable and follows appropriate accounting principles.

Description	Test Year	Cumberland County WD Proposed Adjustments	Commission Staff Adjustments	Total Adjustments	Pro Forma
Other Revenues					
Miscellaneous Revenues	\$ 3,203	\$ -		\$ -	\$ 3,203
Nonrecurring Charges	13,613		(2,338)	(2,338)	11,275
Miscellaenous	10,579		(10,579)	(10,579)	0
Construction Aid Fees	5,557		(5,557)	(5,557)	0
Total	<u>\$ 32,952</u>	<u>\$ -</u>	<u>\$ (18,474)</u>	<u>\$ (18,474)</u>	<u>\$ 14,478</u>
Total	<u>\$ 32,952</u>	<u>\$ -</u>	<u>\$ 5,870</u>	<u>\$ 5,870</u>	<u>\$ 38,822</u>

(D) Salaries and Wages - Employees. Cumberland District reported \$334,708 of test year expenses related to Salaries and Wages – Employees and proposed two pro forma adjustments.⁴¹ First, Cumberland District increased expenses by \$75,473 to reflect the impact of changes in personnel and wage rates since the test year.⁴² Cumberland District provided the test year employee list, test year total hours worked,⁴³ current wage rate and current employee list.⁴⁴ During the test year Cumberland’s District General manager retired and was replaced by an existing employee.⁴⁵ Cumberland District currently has nine full time employees and anticipates that the two new positions will be filled at the beginning of the first quarter of 2026.⁴⁶ Cumberland District stated that the

⁴¹ Application, Attachment 4, Schedule of Adjusted Operations.

⁴² Application, Attachment 4, Schedule of Adjusted Operations.

⁴³ Cumberland District’s Response to Staff’s First Request, Item 5, Payroll_Summary_2024.

⁴⁴ Cumberland District’s Response to Staff’s First Request, Item 3, Rate Model Tab Wages.

⁴⁵ Cumberland District’s Response to Staff’s First Request, Item 5, Payroll_Summary_2024.

⁴⁶ Cumberland District’s Response to Staff’s Second Request, Item 9.

full time employees are scheduled to work 2,080 hours annually⁴⁷ and also stated that the each full-time employee is paid \$400 per year in “incentive pay”.⁴⁸ Staff reviewed the Cumberland District’s calculation and recommends Commission accept the Cumberland District’s proposed adjustment because it is known and measurable.

The second adjustment Cumberland District proposed was to decrease its Salaries and Employees – Wages by \$17,550 to account for uncapitalized tap-fee expenses during the test year.⁴⁹ In its response to Staff’s First Request, Cumberland District incorrectly reported 45 new tap installations. Cumberland District confirmed the correct number of new tap installations was 37 ¾-inch taps and 2 1-inch taps..⁵⁰ Using the correct number of tap installations, Staff recalculated the amount and recommends using test year capitalized wages of \$15,285, which is a decrease of \$2,265 from Cumberland District’s adjustment Staff recommends the Commission accept the Staff’s adjustment because it reflects the proper accounting for water connection expenses according to the USoA.

E. Employee Pensions and Benefits. Cumberland District reported \$54,940 of expenses related to Employee Pensions and Benefits and proposed an adjustment to increase its expenses by \$49,816.⁵¹ Cumberland District stated that the district pays 80 percent of its employees’ health insurance premiums.⁵² Cumberland District proposed a

⁴⁷ Cumberland District’s Response to Staff’s First Request, Item 5c.

⁴⁸ Cumberland District’s Response to Staff’s First Request, Item 5f.

⁴⁹ Application, Attachment 4, Schedule of Adjusted Operations.

⁵⁰ Cumberland District’s Response to Staff’s Second Request, Item 10.

⁵¹ Application, Attachment 4, Schedule of Adjusted Operations.

⁵² Application, Attachment 4, References, Reference C.

further adjustment based on the Commission's recent findings⁵³ that expenses associated with this level of employer funded premiums be adjusted to be consistent with the Bureau of Labor Statistics (BLS) national average for an employer's share of health insurance premiums. During the pendency of this matter, Cumberland District confirmed that it would not propose the same adjustment to employee health insurance premiums based on BLS data, as it did in the Application, if the BLS adjustment by the Commission had not been set by precedent, as Cumberland District believed that the providing 80 percent of employee premiums to be an appropriate level in the overall employee compensation. Cumberland District also provided a revised calculation.⁵⁴ Based on the invoices⁵⁵ provided by the Cumberland District, Staff calculated a \$2,612 decrease resulting in a Pro Forma of \$102,144. Staff recommends the Commission accept the Staff's adjustment because it is known and measurable.

Type of Premium	Number of Employees	Total Cost	Current Employee Contribution Amount	Current Employer Contribution
Medical Insurance - Employee Only	10	\$ 8,793	\$ 1,758.70	\$ 7,034.63
Medical Insurance - Employee + Spouse	1	1,847	369.32	\$ 1,477.26
Total Medical Insurance	<u>11</u>	10,640	2,128	8,512
Multiplied by: 12 Months		12	12	12
Total Annual Gross Health Insurance Cost		\$ 127,680	\$ 25,536	\$ 102,144
Test Year Net Insurance Cost ()				(54,940)
Cumberland Pro Forma Adjustment ()				(49,816)
Commission Staff's Adjustment				<u>\$ (2,612)</u>

⁵³ Application, Attachment 4, References, Reference C.

⁵⁴ Cumberland District's Response to Staff's Third Request, Item 1, 3_1b_Rate_Model.

⁵⁵ Cumberland District Response to Staff's First Request, Item 6c, 6c_Medical_Invoice_Recent.

F. Purchased Water. Cumberland District purchases water from the city of Burkesville (Burkesville), Albany Water Works (Albany Water), and Columbia/Adair Utilities District (Columbia/Adair District).⁵⁶ Cumberland District reported \$584,741 in purchased water expenses and proposed no adjustments to purchased water cost.⁵⁷

Staff calculated Purchased Water Expense using the test year gallons purchased and the current rates resulting in a pro forma Purchased Water cost of \$623,191, as shown in the table below. Using the current wholesale rates of \$2.84 for Burkesville,⁵⁸ \$2.92 for Albany Water,⁵⁹ \$2.75 for Columbia/Adair District,⁶⁰ and proper documentation of gallons purchased during the test year, Staff calculated an increase to the Purchased Water expense of \$38,450 from the amount proposed by Cumberland District. Cumberland District filed an amended response to Staff's Second Request stating that the city of Albany (Albany) had increased its wholesale rate without submitting an updated tariff sheet to the Commission, adjusting the purchaser rate from \$2.10 to \$2.92.⁶¹ While the revenue requirement in this case was calculated based on the current wholesale rates being paid by Cumberland District based on the record, Staff recommends further investigation of this issue. Staff has been in contact with the Albany regarding their obligation to file its current wholesale water rate to Cumberland District and is awaiting

⁵⁶ 2024 Annual Report at 54.

⁵⁷ Application, Attachment 4, Schedule of Adjusted Operations.

⁵⁸ Burkesville current Tariff, 4th Revised Sheet, Page 1.

⁵⁹ Amended Response to Staff's Second Request (filed Oct. 2, 2025), Albany Billing System Wholesale Rates.

⁶⁰ TFS2025-00484, Electronic Tariff Filing of the Water Purchase Contract between Columbia-Adair Utilities and Cumberland County Water District (filed Oct. 31, 2025). Contract states "That Supplier will furnish water to Purchaser at a rate of \$2.75/1,000 gallons of water."

⁶¹ Amended Response to Staff's Second Request, Item 2b.

such filing. If Albany has not filed its current wholesale water rate to Cumberland District by the time a decision is reached in this proceeding, the Commission should revisit the inclusion of Albany's current wholesale water rates in Cumberland District's increased Purchased Water Expense and whether a separate investigation should be opened pursuant to KRS 278.160. Staff notes that Cumberland District should have notified the Commission regarding the higher rate being charged that is not in the tariff of Albany. Staff recommends the Commission accept Staff's adjustment as it is just and reasonable based on documentation of gallons purchased and actual wholesale rates being charged by the suppliers in the case record.

	City of Burkesville	City of Albany	Columbia / Adair Utilities District	Total
Gallons	168,398,200	48,821,600	865,880	218,085,680
Current Purchase Rate	\$ 2.84	\$ 2.92	\$ 2.75	\$ 2.8576
Pro Forma Cost	<u>\$ 478,251</u>	<u>\$ 142,559</u>	<u>\$ 2,381</u>	\$ 623,191
Test Year Purchase Cost				584,741
Increase in Purchase Cost				<u>\$ 38,450</u>

G. Excess Water Loss. In its application, Cumberland District proposed an adjustment to decrease Purchased Water Expense by \$111,570 and Purchased Power expense by \$13,502⁶² to reflect the disallowance of water loss expense in excess of 15 percent. During the test year, Cumberland District reported a water loss of 34.0803 percent.⁶³ Commission regulations state that for ratemaking purposes, expenses for water loss in excess of 15 percent shall not be included for ratemaking

⁶² Application, Attachment 4, Schedule of Adjusted Operations.

⁶³ 2024 Annual Report at 57 and 58.

purposes.⁶⁴ Cumberland District's test year indicated \$584,741 in Purchased Water Expenses and \$70,762 in Purchased Power Expenses.⁶⁵ In the table below, Staff adjusted Cumberland District's Purchased Water Expense to correlate to the current purchaser wholesale rates. Staff calculated a disallowed Purchased Water Expense of \$118,907 using the adjusted cost of \$623,191, which is a \$7,337 increase from Cumberland District's proposed adjustment of a \$111,570 decrease. Cumberland District proposed a decrease of \$13,502 (G1) to Purchased Power. Staff agrees with Cumberland District's adjustment to Purchased Power. The table below summarizes the disallowed Purchased Water and Purchased Power Expenses for Cumberland District. Staff recommends the Commission to accept the Staff's adjustment of a \$7,337 increase to Purchased Water Expense as it is known and measurable.

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 623,191	\$ 70,762	\$ 693,953
Water Loss in Excess of 15%	19.0803%	19.0803%	19.0803%
Disallowed Water Loss	<u>\$ 118,907</u>	<u>\$ 13,502</u>	<u>\$ 132,409</u>

H. Materials and Supplies. Cumberland District reported a Materials and Supplies expense of \$225,205 and proposed one adjustment of \$40,950 for exclusion of materials used on tap installations.⁶⁶ In its Response to Staff's First Request, Cumberland District incorrectly reported 45 new tap installations. Cumberland District confirmed the corrected new tap installations was 37 ¾-inch taps and 2 1-inch taps.⁶⁷

⁶⁴ 807 KAR 5:066 (Water), Section 6(3) (Water Supply Management).

⁶⁵ Application, Attachment 4, Schedule of Adjusted Operations.

⁶⁶ Application, Attachment 4, Schedule of Adjusted Operation

⁶⁷ Cumberland District's Response to Staff's Second Request, Item 10.

Using the corrected number of tap installations provided by Cumberland District, Staff calculated a \$5,285 decrease to Materials used in tap fees.

During the test year, Cumberland District paid \$28,567.68⁶⁸ and \$14,783.43⁶⁹ to Fortiline for materials used for Butler Hollow and Crawley Road projects.⁷⁰ This cost was originally reported as a Materials and Supplies Expense. Cumberland District stated that this expense should have capitalized.⁷¹ Staff capitalized this cost and made a corresponding increase to test year depreciation of \$694. This results in a \$43,350 decrease to Materials and Supplies. Staff recommends the Commission accept the Staff's adjustment in Materials and Supplies Expense of \$146,190 because the adjustment applies appropriate accounting principles for capitalized maintenance.

I. Contractual Services - Other. Cumberland District reported a Contractual Services expense of \$210,401.⁷² Cumberland District had no adjustments to the test year amount. During the test year, Cumberland District paid \$130,070⁷³ to Stotts Construction Co, Inc and \$26,218.14⁷⁴ to Monarch Engineering, Inc. These expenses listed as Contractual Services were used for engineering and construction for the Warsaw Branch

⁶⁸ Cumberland District's Response to Staff's First Request, Item 1a, 2024 General Ledger, Account 6200, Materials and Supplies..

⁶⁹ Cumberland District's Response to Staff's First Request, Item 1a, 2024 General Ledger, Account 6200, Materials and Supplies..

⁷⁰ Cumberland District's Response to Staff's Second Request, Item 1b.

⁷¹ Cumberland District's Response to Staff's Second Request, Item 1b.

⁷² Application, Attachment 4, Schedule of Adjusted Operations.

⁷³ Cumberland District's Response to Staff's First Request, Item 1a, 2024 General Ledger, Account 6310, Contractual Service..

⁷⁴ Cumberland District's Response to Staff's First Request, Item 1a, 2024 General Ledger, Account 6310, Contractual Service.

Road Project, and Cumberland District stated that this should have been capitalized for depreciation.⁷⁵ Staff calculated a decrease of \$156,288 in Contractual Services, resulting in pro forma amount of \$63,420 and made corresponding increase to test year depreciation of \$2,501. Staff recommends the Commission accept the Staff's adjustment as it applies appropriate accounting principles for capitalized construction costs.

J. Insurance. Cumberland District reported \$43,621 of expenses related to Insurance and proposed no adjustments.⁷⁶ Staff reviewed Cumberland District's general ledger⁷⁷ and submitted invoices⁷⁸ and recalculated the expense based on the submitted invoices and recommends a decrease of \$13,532 to the test year amounts to match the most recent invoices. Staff recommends the Commission accept Staff's proposed adjustment because it is known and measurable.

K. Rate Case Amortization. In its application, Cumberland District did not report any test year expense related to rate case amortization but proposed an adjustment to increase Rate Case Amortization by \$3,112.⁷⁹ Cumberland District provided a copy of a Kentucky Rural Water Association quote for the preparation of the rate case that is not to exceed \$9,335.⁸⁰ Cumberland District proposed to amortize the rate case expense over three years, Staff agrees with Cumberland District's methodology

⁷⁵ Cumberland District's Response to Staff's Second Request, Item 10.

⁷⁶ Application, Attachment 4, Schedule of Adjusted Operations.

⁷⁷ Cumberland District's Response to Staff's First Request, Item 1a, 2024 General Ledger, Account Number 6560.6, 6560 and 6560.10.

⁷⁸ Cumberland District's Response to Staff's First Request, Item 9, Insurance Certificates and Cumberland District's Response to Staff's Second Request, Item 12, 2_12_WC_Insurance_Invoice_2025.

⁷⁹ Application, Attachment 4, Schedule of Adjusted Operations.

⁸⁰ Cumberland District's Response to Staff's First Request, Item 7b.

because utilities are expected to file for a rate case every three to five years. Staff recommends the Commission accept Cumberland District's proposed adjustment because it is known and measurable.

Descirption	Amount
Kentucky Rural Water Association	9,335
Amortization Years	3
Annual Rate Case Expense	<u>\$ 3,112</u>

L. Depreciation. Cumberland District reported \$312,498 of expenses related to Depreciation and proposed one adjustment.⁸¹ Cumberland District proposed a \$60,057 decrease to bring asset lives to the midpoint of the ranges recommended by the National Association of Regulatory Utility Commissioners (NARUC) in its publication "Depreciation for Small Utilities."⁸² To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the same NARUC study. When no evidence exists to support a specific life that is outside NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant. Staff reviewed and recalculated the Depreciation Schedule provided by Cumberland District using NARUC's midpoint ranges as shown below and recommends an adjustment of a \$60,996 decrease which is \$939 more than Cumberland District's proposed adjustment. Staff recommends the Commission accept Staff's adjustment to Depreciation because the amount is known and measurable.

⁸¹ Application, Attachment 4, Schedule of Adjusted Operations.

⁸² Application, Attachment 4, References, Reference F.

Asset Class	Original Cost	NARUC Recommended Service Lives	Test Year Depreciation	Staff Calculated Depreciation	Depreciation Adjustment
Structures & Improvements	\$ 104,563	37.5	\$ 5,091	\$ 2,788	\$ (2,303)
Pumping Plant					
Construction 2007	19,130	20.0	957	957	-
Hydraulic Hammer for Mini Excavator	8,850	20.0	885	443	(443)
Pumping Station - Pittman Creek	29,588	20.0	2,959	1,479	(1,479)
Joe Scott Ridge Booster Pump Station	1,100,000	37.5	-	29,333	29,333
Transmission & Distribution Plant					
Transmission & Distribution Mains	10,232,859	62.5	270,320	163,726	(106,594)
Meter Installation	2,358	45.0	59	52	(7)
Dutch Ck & Gray Line	2,846	40.0	71	71	-
Meter Valve	785	40.0	39	20	(20)
Meter	5,335	40.0	267	133	(133)
Hersey Radio Read Meters	67,915	40.0	6,792	1,698	(5,094)
Hwy 1206 Master Meter	19,415	40.0	971	485	(485)
New Meters	36,624	40.0	916	916	-
New Meters	24,236	40.0	606	606	-
Pump Equipment	17,760	20.0	1,776	888	(888)
Services	60,884	40.0	1,522	1,522	(0)
Reservoirs & Tanks	63,500	45.0	1,602	1,411	(191)
Marrowbone Main Replacement	1,400,000	62.5	-	22,400	22,400
Transportation Equipment					
Entire Group	158,011	7.0	17,666	22,573	4,907
Total Depreciation			\$ 312,498	\$ 251,501	\$ (60,996)
Cumberland District's Proposed Adjustment ()					(60,057)
Difference Between Staff's and Cumberland District's Adjustment					(939)

As explained in Materials and Supplies and Contractual Services – Other, the expenses related to the materials used for Butler Hollow and Crawley Road projects are capital expenditures that should be capitalized as Utility plant in Service and depreciated over their estimated useful lives.⁸³ Cumberland District stated that the expenses related to the materials used for Butler Hollow and Crawley Road projects should have been capitalized.⁸⁴ Staff calculated the annual depreciation amount for the test year and depreciation expense of Materials and Supplies by \$694 and Contractual Services – Other by \$2,501. Staff recommends the Commission accept Staff's \$694 and \$2,501 increase to Depreciation Expense, because the USoA requires the assets to be depreciated over their estimated useful lives.

⁸³ Cumberland District's Response to Staff's Second Request, Item 1b.

⁸⁴ Cumberland District's Response to Staff's Second Request, Item 1b.

Asset Class	Original Cost	NARUC Recommended Service Lives	Test Year Depreciation	Staff Calculated Depreciation	Depreciation Adjustment
Fortiline	43,351	62.5	-	694	694
Stotts and Monarch	156,288	62.5	-	2,501	2,501
Total Depreciation			\$ -	\$ 3,194	\$ 3,195
Cumberland District's Proposed Adjustment ()					-
Difference Between Staff's and Cumberland District's Adjustment					<u>\$ 3,195</u>

M. Taxes Other Than Income. Cumberland District reported \$24,515 of expenses related to Taxes Other than Income and proposed an adjustment to increase by its expenses by \$6,864.⁸⁵ Due to the changes to Salaries and Wages – Employee Expense, Staff made an adjustment of \$6,479 which is a \$385 decrease from Cumberland District's proposed adjustment. The adjustment results in a pro forma test year amount of \$30,994. Staff recommends the Commission accept Staff's adjustment as it is known and measurable.

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 associations. This method allows for recovery of (1) cash-related pro forma operating expense; (2) recovery of depreciation expense, a non-cash item, to provide working capital;⁸⁶ (3) the average annual principal and interest payments on all long-term debts; and (4) working

⁸⁵ Application, Attachment 4, References, Reference E.

⁸⁶ 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, 725 (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).

capital that is in addition to depreciation expense. Staff notes that Cumberland District have included its Depreciation and Taxes expenses as an separate item however, Staff has included the Depreciation and Taxes expenses in Total Operating Expenses.

Description	Cumberland County WD	Commission Staff
Pro Forma Operating Expenses		
Total Operating Expenses	\$ 1,811,707	\$ 1,920,279
Depreciation and Taxes	283,820	0
Average Annual Principal and Interest Payments	334,406	334,406
Additional Working Capital at 20%	66,881	66,881
Total Revenue Requirement	2,496,814	2,321,566
Forfeited Discounts	0	24,344
Miscellaneous	0	0
Other Water Revenues	32,952	14,478
Total Other Income	98	98
Revenue Required From Water Sales	2,463,764	2,282,646
Revenue from Sales at Present Rates ()	(1,957,511)	(1,957,511)
Required Revenue Increase / (Decrease)	\$ 506,254	\$ 325,135
Percentage Increase / (Decrease)	25.86%	16.61%

Average Annual Principal and Interest Payments and Additional Working Capital

Cumberland District requested recovery of the average annual principal and interest on its indebtedness in the amount of \$334,406 based on a five-year average of the annual principal, interest, and fee payments for the loans listed in the table below for the years 2026 through 2030.⁸⁷ Staff agrees with the methodology Cumberland District proposed because it is reasonable and recommends the Commission accept Cumberland District's proposed amount. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net

⁸⁷ Application, Attachment 9, Debt Service Schedule.

revenues required by a district's lenders that are above its average annual debt payments. In its exhibits, Cumberland District requested recovery of an allowance for working capital that is equal to 20 percent of its average annual debt service, or \$66,881.⁸⁸ Following the Commission's historic practice of including additional working capital, Staff agrees with Cumberland District's proposed methodology and amount.

Description	Total Payment					Total
	2026	2027	2028	2029	2030	
2005 KRWFC	\$ 6,627	\$ 7,419	\$ 7,157	\$ 6,894	\$ 7,502	\$ 35,599
2011 USDA	39,404	39,409	39,403	39,385	39,356	196,957
2014 USDA	20,583	20,821	21,046	20,758	20,969	104,177
2016 KIA	47,874	47,875	47,876	47,874	48,661	240,160
2017 USDA	24,966	25,213	24,950	25,188	24,916	125,233
2018 USDA	15,771	15,659	16,046	15,928	16,310	79,714
2020 KRWFC	109,000	99,926	91,934	88,737	85,974	475,571
First and Farmers	73,316	0	0	0	0	73,316
First and Farmers	3,731	35,715	0	0	0	39,445
2025 KIA (Joe Scott Pump Station)	60,584	60,478	60,372	60,265	60,157	301,856
Total	<u>\$ 401,855</u>	<u>\$ 352,515</u>	<u>\$ 308,784</u>	<u>\$ 305,029</u>	<u>\$ 303,845</u>	<u>\$ 1,672,028</u>
Five Year Average						<u>\$ 334,406</u>
Additional Working Capital at 20 Percent						<u>\$ 66,881</u>

⁸⁸ Application, Attachment 4, Schedule of Adjusted Operations.

Signatures

/s/ Vinay Raj Raju

Prepared by: Vinay Raj Raju
Revenue Requirement Branch
Division of Financial Analysis

/s/ Manuel Jerez Tamayo

Prepared by: Manuel Jerez Tamayo
Rate Design Branch
Division of Financial Analysis

APPENDIX A

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00226 DATED NOV 7 2025

* Denotes Rounding

Nonrecurring Charges Adjustments

Field Collection Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor	\$ -	\$ -	
Office Supplies	\$ 1.58	\$ 1.58	
Office Labor	\$ -	\$ -	
Transportation	\$ 18.42	\$ 18.42	
Misc.	\$ -	\$ -	
Total Revised Charge*	\$ 20.00	\$ 20.00	
Current Rate	\$ 18.00		
Meter Relocation Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor	\$ -	\$ -	
Office Supplies	\$ -	\$ -	
Office Labor	\$ -	\$ -	
Transportation	\$ -	\$ -	
Misc.	\$ -	\$ -	
Total Revised Charge	\$ -	\$ -	
Current Rate	Actual Cost	Actual Cost	
Meter Re-Read Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor	\$ -	\$ -	
Office Supplies	\$ 1.58	\$ 1.58	
Office Labor	\$ -	\$ -	
Transportation	\$ 18.42	\$ 18.42	
Misc.	\$ -	\$ -	
Total Revised Charge*	\$ 20.00	\$ 20.00	
Current Rate	\$ 18.00		

Meter Test Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$	-
Field Labor	\$ -	\$	-
Office Supplies	\$ 1.58	\$	1.58
Office Labor	\$ -	\$	-
Transportation	\$ 18.42	\$	18.42
Misc.	\$ -	\$	-
Total Revised Charge	<u>\$ 20.00</u>	<u>\$</u>	<u>20.00</u>
Current Rate	\$ 18.00		

New Service Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$	-
Field Labor	\$ -	\$	-
Office Supplies	\$ 1.58	\$	1.58
Office Labor	\$ -	\$	-
Transportation	\$ 18.42	\$	18.42
Misc.	\$ -	\$	-
Total Revised Charge	<u>\$ 20.00</u>	<u>\$</u>	<u>20.00</u>
Current Rate	\$ 18.00		

Reconnection Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$	-
Field Labor	\$ -	\$	-
Office Supplies	\$ 3.16	\$	3.16
Office Labor	\$ -	\$	-
Transportation	\$ 36.84	\$	36.84
Misc.	\$ -	\$	-
Total Revised Charge	<u>\$ 40.00</u>	<u>\$</u>	<u>40.00</u>
Current Rate	\$ 36.00		

Returned Check Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$	-
Field Labor	\$ -	\$	-
Office Supplies	\$ 1.58	\$	1.58
Office Labor	\$ -	\$	-
Transportation	\$ 18.42	\$	18.42
Misc. (Bank Charges)	\$ 5.00	\$	5.00
Total Revised Charge	<u>\$ 25.00</u>	<u>\$</u>	<u>25.00</u>
Current Rate	\$ 8.50		

Service Call / Investigation			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$	-
Field Labor	\$ -	\$	-
Office Supplies	\$ 1.58	\$	1.58
Office Labor	\$ -	\$	-
Transportation	\$ 18.42	\$	18.42
Misc.	\$ -	\$	-
Total Revised Charge	\$ 20.00	\$	20.00
Current Rate	\$ 18.00		

After Hours Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$	-
Field Labor (2 Hours at \$20/hour x 1.5 Rate of Pay)	\$ 60.00	\$	60.00
Office Supplies	\$ 1.58	\$	1.58
Office Labor	\$ -	\$	-
Transportation	\$ 18.42	\$	18.42
Misc.	\$ -	\$	-
Total Revised Charge	\$ 80.00	\$	80.00
Current Rate	\$ 50.00		

5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge			
	Utility Revised Charge	Staff Revised Charge	
Materials Expense	\$ 876.05	\$	876.05
Service Pipe Expense	\$ 33.75	\$	33.75
Installation Labor Expense	\$ 150.00	\$	150.00
Installation Equipment Expense	\$ 312.50	\$	312.50
Installation Miscellaneous Expense	\$ 259.00	\$	259.00
Overhead Expense	\$ -	\$	-
Administrative Expense	\$ 20.00	\$	20.00
Total Revised Charge*	\$ 1,651.30	\$	1,652.00
Current Rate	\$ 1,300.00		

1 Inch Meter Connection/Tap-On Charge			
	Utility Revised Charge	Staff Revised Charge	
Materials Expense	\$ 1,374.32	\$	1,374.32
Service Pipe Expense	\$ 56.25	\$	56.25
Installation Labor Expense	\$ 150.00	\$	150.00
Installation Equipment Expense	\$ 312.50	\$	312.50
Installation Miscellaneous Expense	\$ 259.00	\$	259.00
Overhead Expense	\$ -	\$	-
Administrative Expense	\$ 20.00	\$	20.00
Total Revised Charge*	\$ 2,172.07	\$	2,173.00
Current Rate	\$ 1,425.00		

APPENDIX B

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00226 DATED NOV 7 2025

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

Monthly Water Rates

5/8- x 3/4-Inch Meter

First 2,000 Gallons	\$ 40.38	Minimum Bill
Next 3,000 Gallons	0.01119	Per Gallon
Next 5,000 Gallons	0.00990	Per Gallon
Over 10,000 Gallons	0.00857	Per Gallon

1-Inch Meter

First 5,000 Gallons	\$ 74.37	Minimum Bill
Next 5,000 Gallons	0.00990	Per Gallon
Over 10,000 Gallons	0.00857	Per Gallon

1 1/2-Inch Meter

First 12,500 Gallons	\$ 144.85	Minimum Bill
Over 12,500 Gallons	0.00857	Per Gallon

2-Inch Meter

First 25,000 Gallons	\$ 252.05	Minimum Bill
Over 25,000 Gallons	0.00857	Per Gallon

Dale Hollow State Park

First 300,000 Gallons	\$2,610.38	Minimum Bill
Over 300,000 Gallons	0.00857	Per Gallon

Charge	Revised Charge
Field Collection Charge	\$ 20.00
Meter Relocation Charge	Actual Cost
Meter Re-Read Charge	\$ 20.00
Meter Test Charge	\$ 20.00
New Service Charge	\$ 20.00
Reconnection Charge	\$ 40.00
Returned Check Charge	\$ 25.00
Service Call / Investigation	\$ 20.00
After Hours Charge	\$ 80.00

Meter Connection/Tap-On Charges

5/8 Inch X 3/4 Inch Meter	\$1,652.00
1 Inch Meter	\$2,173.00

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