

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF FARMDALE)	CASE NO.
WATER DISTRICT FOR A RATE ADJUSTMENT)	2025-00192
PURSUANT TO 807 KAR 5:076)	

O R D E R

On June 17, 2025,¹ Farmdale Water District (Farmdale District) filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. This application was filed pursuant to the Commission's Order in Case No. 2022-00347,² which required Farmdale District to file an application for an adjustment of its base rates by August 31, 2025.³

In its application, Farmdale District requested rates that would increase its base rate revenue by \$360,954, or 23.65 percent to present rate water revenues.⁴ Farmdale District filed an amended Revenue Requirement calculation that revised the required revenue increase to \$263,399, or 17.26 percent.⁵ To comply with the requirements of

¹ Farmdale District tendered its application on June 16, 2025. By letter dated June 17, 2025, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on June 17, 2025.

² See Case No. 2022-00347, *Electronic Alleged Failure of Farmdale Water District, and Its Individual Commissioners Scottie Woolridge, Jon Dailey, and Eddie Harrod to Comply with KRS 278.030, 807 KAR 5:006, Section 4(4), 807 KAR 5:006, Section 26 and 807 KAR 5:066.*

³ Case No. 2022-00347, Order (Ky. PSC Sept. 4, 2024) at 20, ordering paragraph 14.

⁴ Application, Attachment #4, Revenue Requirement calculation at 16.

⁵ Corrected Schedule of Revenue Requirements (filed July 31, 2025).

807 KAR 5:076, Section 9,⁶ Farmdale District used the calendar year ended December 31, 2024, as the basis for its application.⁷

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated July 10, 2025,⁸ as amended by Order entered November 5, 2025,⁹ to afford Commission Staff (Staff) the necessary time to prepare and file Staff's Report. The application was amended following Farmdale District's July 31, 2025 filing¹⁰ of an amended Schedule of Adjusted Operations, amended Revenue Requirement, and corrected references. The effective date of the amendment is July 31, 2025, the date the amended documents were filed; the Commission accepted the amendment by Order dated September 2, 2025.¹¹ Farmdale District responded to two requests for information.¹² During the pendency of this case, two public comments¹³ were filed objecting to the proposed increase, asserting concerns with already high bills and numerous water cut offs.

⁶ 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.

⁷ Application, ARF Form 1, Item 9 at 3.

⁸ Order (Ky. PSC July 10, 2025).

⁹ Order (Ky. PSC Nov. 5, 2025).

¹⁰ Farmdale District's Submission of Amended Schedule of Adjusted Operations, Schedule of Revenue Requirements, and Corrected References (filed July 31, 2025).

¹¹ Order (Ky. PSC Sept. 2, 2025).

¹² Farmdale District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Aug. 13, 2025); Farmdale District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Sept. 18, 2025).

¹³ [View Public Comments for: 2025-00192](#)

Staff issued its report (Staff's Report) on November 12, 2025,¹⁴ summarizing its findings and recommendations regarding Farmdale District's requested rate adjustment. In Staff's Report, Staff found that Farmdale District's adjusted test-year operations support an overall revenue requirement of \$1,942,633 and that a \$247,180 revenue increase, or 16.20 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.¹⁵ In the absence of a cost of service study (COSS), Staff allocated its recommended revenue increase evenly across all customer classes to calculate its recommended water rates.¹⁶

Farmdale District submitted its response on November 20, 2025.¹⁷ Farmdale District provided three substantive written comments in response to Staff's Report but concurred with the remainder of Staff's Report findings and waived its right to an informal conference or hearing in this matter.¹⁸ First, Farmdale District did not agree with Staff's recommendation to deny Farmdale District's request for a \$2.73 per customer per month Water Loss Surcharge, in part, due to recently completed projects from which Farmdale District has yet to see the effects.¹⁹ Farmdale District further stated it did not wish to contest the recommendation in this case but requested the Commission include Staff's recommended language that Farmdale District may request a Water Loss Reduction

¹⁴ Staff's Report (filed Nov 12, 2025).

¹⁵ Staff's Report at 6.

¹⁶ Staff's Report at 6.

¹⁷ Farmdale District's Response to Staff's Report (Farmdale's Response) (filed Nov 20, 2025).

¹⁸ Farmdale's Response at 4, Items 4 and 5.

¹⁹ Farmdale's Response at 1, Item 1.

Surcharge in a future tariff filing.²⁰ Second, Farmdale District disagreed with Staff's removal of certain labor expenses from the nonrecurring charges but stated that it did not want to contest the adjustment in this case.²¹ Third, Farmdale District provided commentary about additional Staff comments regarding multiple residences receiving water through a single meter and the tariff language regarding its implementation, which will be discussed in more detail below.²² The case now stands submitted for a decision by the Commission.

LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small utilities to use to request rate adjustments, with the process designed to be less costly to the utility and the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, the utility is allowed to charge its customers "only fair, just and reasonable rates."²³ 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

Farmdale 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

²⁰ Farmdale's Response at 1, Item 1.

²¹ Farmdale's Response at 2, Item 2.

²² Farmdale's Response at 2–4, Item 3.

²³ *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 2,626 residential customers and 151 commercial customers²⁴ in Anderson, Franklin, and Shelby counties, Kentucky.²⁵ Farmdale District's last base rate increase, filed pursuant to the alternative rate filing procedure, was in Case No. 2020-00021.²⁶ Since that matter, Farmdale District has only adjusted its rates pursuant to a KRS 278.023 case, Case No. 2024-00223.²⁷

UNACCOUNTED-FOR WATER LOSS

Over the last five years Farmdale District reported an average water loss of 37.8687 percent,²⁸ as shown in the table below.

Year	Water Loss Percentage
2020	36.4105%
2021	38.7204%
2022	43.3603%
2023	42.1942%
2024	28.6584%
Average	<u>37.8687%</u>

²⁴ Annual Report of Farmdale District to the Public Service Commission for the Calendar Year Ended December 31, 2024 (2024 Annual Report) at 49.

²⁵ 2024 Annual Report at 12.

²⁶ See Case No. 2020-00021, *Electronic Alternative Rate Adjustment Filing of Farmdale Water District* (Ky. PSC July 7, 2025).

²⁷ See Case No. 2024-00223, *Electronic Application of The Farmdale Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023*.

²⁸ Annual Report of Farmdale District to the Public Service Commission for the Calendar Year Ended December 31, 2020 (2020 Annual Report) at 57; Annual Report of Farmdale District to the Public Service Commission for the Calendar Year Ended December 31, 2021 (2021 Annual Report) at 57; Annual Report of Farmdale District to the Public Service Commission for the Calendar Year Ended December 31, 2022 (2022 Annual Report) at 57; Annual Report of Farmdale District to the Public Service Commission for the Calendar Year Ended December 31, 2023 (2023 Annual Report) at 57; 2024 Annual Report at 57.

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. As discussed in more detail below, Farmdale District's excess water loss resulted in the Commission approval of a water loss surcharge in Case No. 2020-00021, which is currently monitored in Case No. 2020-00217.²⁹ The table below shows that the 2024 total annual cost of water loss to Farmdale District is \$188,190, while the annual cost of water loss in excess of 15 percent is \$89,690.³⁰

Total Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 634,607	\$ 22,061	\$ 656,668
Water Loss Percent	28.6584%	28.6584%	28.6584%
Total Water Loss	\$ 181,868	\$ 6,322	\$ 188,190

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 634,607	\$ 22,061	\$ 656,668
Water Loss in Excess of 15%	13.6584%	13.6584%	13.6584%
Disallowed Water Loss	\$ 86,677	\$ 3,013	\$ 89,690

TEST PERIOD

The calendar year ended December 31, 2024, was used as the test year to determine the reasonableness of Farmdale District's proposed water rates as required by 807 KAR 5:076, Section 9.

²⁹ See Case No. 2020-00217, *Electronic Farmdale Water District's Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring*.

³⁰ Based on updated pro forma purchased water cost of \$634,607 described in purchased water section below.

SUMMARY OF REVENUE AND EXPENSES

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

Description	Commission Staff's Report		
	Test Year Operations	Pro Forma Adjustment	Pro Forma Operations
Operating Revenues	\$ 1,648,744	\$ 21,576	\$ 1,670,320
Operating Expenses ()	(1,544,591)	(185,533)	(1,730,124)
Net Operating Income	104,153	(163,957)	(59,804)
Interest Income	8,631	0	8,631
Non-Utility Income	16,502	0	16,502
Income Available to Service Debt	<u>\$ 129,286</u>	<u>\$ (163,957)</u>	<u>\$ (34,671)</u>

REVIEW OF STAFF'S RECOMMENDATIONS

In its application, Farmdale District proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In Staff's Report, Staff recommended additional pro forma adjustments.³¹ The Commission accepts the recommendations contained in Staff's Report without modifications.

³¹ Corrected Schedule of Adjusted Operations (filed July 31, 2025).

PRO FORMA SCHEDULE OF ADJUSTED OPERATIONS

Description	Test Year	Staff Report Total Adjustments	Commission Adjustments	Commission Approved Pro Forma
Operating Revenues				
Water Sales	\$ 1,441,455	\$ 84,549		\$ 1,526,004
Other Revenues				
Forfeited Discounts	46,220	0		46,220
Miscellaneous	159,869	(62,973)		96,896
Rents from water property	1,200	0		1,200
Total Operating Revenues	<u>1,648,744</u>	<u>21,576</u>	<u>0</u>	<u>1,670,320</u>
Operation Expenses				
Salaries and Wages - Employees	243,031			
		143,905		386,936
Salaries and Wages - Directors	14,600	3,600		18,200
Employee Benefits - Medical	(4,884)	14,628		
		54,348		64,092
Employee Benefits - Retirement		(14,628)		
		32,842		
		53,833		72,047
Purchased Water	639,708	(5,101)		
		(86,677)		547,930
Purchased Power	22,061	(3,013)		19,048
Materials and Supplies	61,014	(20,602)		
		(26,815)		13,597
Contractual Services-Accounting	32,518	0		32,518
Contractual Services-Legal	114,127	0		114,127
Contractual Services-Water Testing	6,335	0		6,335
Transportation	14,256	0		14,256
Insurance-General Liability	25,802	5,634		31,436
Insurance-Workers Compensation	4,018	842		4,860
Advertising	875	0		875
Rate Case Expenses	0	10,000		10,000
Miscellaneous Expense	147,410	0		147,410
Total	<u>1,320,871</u>	<u>162,796</u>		<u>1,483,667</u>
Depreciation Expense	150,611	42,369		
		9,176		202,156
Taxes Other Than Income	73,109	(28,808)		44,301
Total Operating Expenses	<u>1,544,591</u>	<u>185,533</u>	<u>0</u>	<u>1,730,124</u>
Net Operating Income	104,153	(163,957)		(59,804)
Interest Income	8,631	0		8,631
Non-Utility Income	16,502	0		16,502
Income Available to Service Debt	<u>\$ 129,286</u>	<u>\$ (163,957)</u>	<u>\$ -</u>	<u>\$ (34,671)</u>

Water Sales. During the test year, Farmdale District reported \$1,441,455 in Water Sales.³² Farmdale District proposed one adjustment,³³ an increase of \$84,549 to match the amount indicated by the billing analysis to recognize unrealized revenues from a rate increase approved in Case No. 2024-00223.³⁴ Staff reviewed the billing analysis³⁵ and agreed with Farmdale District's proposed amount but notes that embedded in the adjustment are decreases for gross receipts taxes that should have been reported as tax collections payable per the Uniform System of Accounts for Class A/B Water Systems (USoA) as well as Nonrecurring Charge revenues.³⁶ Staff removed the corresponding tax payments of \$38,228 which is discussed in the Taxes Other Than Income section below.³⁷ Staff recommended accepting the proposed adjustment to Water Sales to normalize its revenues to the amounts indicated in its billing analysis.³⁸

The Commission agrees with Staff's removal of tax payments from Water Sales and accepts Farmdale District's adjustment to Water Sales to normalize Farmdale District's revenues to the amounts indicated in its billing analysis because the adjustment reflects verifiable usage and revenue data that were evaluated and normalized using the information provided in the record.

³² Amended Schedule of Adjusted Operations, Corrected Schedule of Adjusted Operations.

³³ Revised Application, Corrected References, Reference A.

³⁴ See Case No. 2024-00223, *Electronic Application of the Farmdale Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023*.

³⁵ Farmdale District's Response to Staff's First Request, Items 3 and 15, Water Rate Model Excel Document, Existing Billing Analysis Tab.

³⁶ Uniform System of Accounts for Class A/B Water Districts, Account 241 Tax Collections Payable.

³⁷ Staff's Report at 12.

³⁸ Staff's Report at 12.

Other Revenues. During the test year, Farmdale District reported \$159,869 in Miscellaneous Revenues.³⁹ Farmdale District initially proposed three adjustments to Miscellaneous Revenues in its original application.⁴⁰ Farmdale District filed a revised Schedule of Adjusted Operations that had only one adjustment of \$62,314 to remove surcharge revenues from test year operations.⁴¹ Staff agreed with Farmdale District's revised adjustment and proposed one additional decrease of \$659. As discussed in the Nonrecurring Charge section below, Farmdale District should recover pro forma revenues of \$2,037 from its Nonrecurring Charges. Staff was unable to determine the location of the remainder of Farmdale District's test year revenues from Nonrecurring Charges and determined it was embedded in the billing analysis adjustment discussed above. Staff recommended a reduction of \$659 to adjust the test year revenues to the \$2,037 pro forma amount calculated.⁴² The table below shows a breakdown of Farmdale District's Miscellaneous Revenues and total pro forma Miscellaneous Revenues of \$96,896.

Description	Test Year	Farmdale Water District Proposed Adjustments			Total Adjustments	Pro Forma
		Commission Staff Adjustments				
Nonrecurring Charges			2,696		2,696	
			(659)		(659)	2,037
Total Nonrecurring Charges	0	0	2,037		2,037	2,037
Miscellaneous Revenues						
Sewer Fees Income	94,859			0	94,859	
Water Loss Surcharge	62,314	(62,314)		(62,314)	0	
Reconnect Fees	2,696		(2,696)	(2,696)	0	
Sub-Total Miscellaneous Revenues	159,869	(62,314)	(2,696)	(65,010)	94,859	
Total Miscellaneous Revenues	\$ 159,869	\$ (62,314)	\$ (659)	\$ (62,973)	\$ 96,896	

³⁹ Amended Schedule of Adjusted Operations, Corrected Schedule of Adjusted Operations.

⁴⁰ Application, SAO, References.

⁴¹ Revised Application, Corrected References, Reference B.

⁴² Staff's Report at 13.

The Commission finds that Staff's adjustment to remove water loss surcharge funds from Other Revenues is reasonable and accepts the adjustment because it is consistent with USoA and to remove some test year nonrecurring revenue because it is known and measurable information in the case record.⁴³

Salaries and Wages – Employees. During the test year, Farmdale District reported \$243,031 in Salaries and Wages – Employees and proposed two adjustments.⁴⁴ First, Farmdale District proposed an increase of \$152,735 due to hiring new employees, promotions of current employees, and the increase of annual wages.⁴⁵ Farmdale District provided the board minutes approving these increases.⁴⁶ Staff reviewed Farmdale District's calculation and agreed with the proposed adjustment and recommended the Commission accept the proposed adjustment as it accurately reflects Farmdale District's current staffing and wage rates.⁴⁷

Farmdale District also proposed a decrease of \$8,830 due to the removal of labor fees for new tap installations performed in the test year.⁴⁸ Staff agreed with this adjustment as the USoA requires that these costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.⁴⁹ The proposed adjustment correctly

⁴³ Farmdale District should consider surcharge funds as Contributions in Aid of Construction, not as revenue.

⁴⁴ Amended Schedule of Adjusted Operations, Corrected Schedule of Adjusted Operations

⁴⁵ Revised Application, Corrected References, Reference E.

⁴⁶ Farmdale District's Response to Staff's First Request, Item 10a and 10b and Exhibit 1-10, 2023–2025 Board Minutes.

⁴⁷ Staff's Report at 14.

⁴⁸ Revised Application, Corrected References, Reference J.

⁴⁹ USoA, Accounting Instruction 19 and 33.

capitalizes the costs and requires a corresponding adjustment to test-year depreciation discussed in that section below. Staff recommended the Commission accept the proposed adjustment to correctly record costs as instructed by the USoA.⁵⁰

The Commission finds Farmdale District's proposed wage normalization adjustment is reasonable as the adjustments reflect known, approved staffing numbers and pay rates. The Commission further finds Farmdale District's proposed adjustment for tap fees is reasonable and should be accepted because it is consistent with accounting principles set forth in the USoA.

Salaries and Wages – Officers. Farmdale District reported a test-year amount of \$14,600 and did not propose any adjustments.⁵¹ Farmdale District's Board of Commissioners (Board) is comprised of three members who were each paid \$4,800 during the test year and an additional \$200 was paid to the treasurer of the Board, to comprise the total \$14,600. Farmdale District provided Fiscal Court minutes approving their appointments⁵² and pay,⁵³ which was increased to \$6,000 if the commissioner had attended training for that year. Farmdale District stated that all its commissioners will attend the December 2 and 3, 2025 training held by the Commission.⁵⁴ Farmdale District's commissioners did attend the training as described in Case No. 2025-00398.⁵⁵

⁵⁰ Staff's Report at 14.

⁵¹ Amended Schedule of Adjusted Operations, Corrected Schedule of Adjusted Operations.

⁵² Farmdale District's Response to Staff's First Request, Item 11b.

⁵³ Farmdale District's Response to Staff's First Request, Item 11b, starting on page 56, June 4 Franklin County Fiscal Court Meeting.

⁵⁴ Farmdale District's Response to Staff's First Request, Item 11c.

⁵⁵ Case No. 2025-00398, *Electronic Accreditation and Approval of a Public Service Commission Water Personnel Training Seminar as a Water District Commissioner Training Program* (Ky. PSC, Jan. 9, 2026).

Staff recommended an increase of \$3,400 to Salaries and Wages - Officers to account for Farmdale District's commissioners receiving the authorized \$6,000 yearly amount, as well as the additional \$200 in salary for the treasurer.⁵⁶ This results in a pro forma Salaries and Officers – Wages of \$18,200. Staff recommended the Commission include commissioners' salaries in the revenue requirement because the amounts are known and measurable and because Farmdale District provided all the required documentation, and its commissioners have completed the required training.⁵⁷

The Commission finds that Staff's adjustment to Farmdale District's commissioners' compensation is reasonable and should be accepted as Farmdale District provided all required documentation to allow recovery, its commissioners completed the required training, and because the amount is based on known and measurable information in the case record.

Employee Benefits - Medical. Staff determined that separation of the medical and related benefits costs from retirement benefits was appropriate to facilitate review of the respective adjustments and reclassified \$14,628 to Employee Benefits – Retirement resulting in an adjusted test-year cost of \$9,744.⁵⁸ Farmdale District proposed one adjustment to increase medical benefits by \$20,316.⁵⁹ Farmdale District stated it offers health insurance to its employees and pays 100 percent of the premium for employee only coverage, as well as offering term life and accidental death and dismemberment

⁵⁶ Staff's Report at 15.

⁵⁷ Staff's Report at 15.

⁵⁸ Staff's Report at 15.

⁵⁹ Revised Application, Corrected References, Reference G.

insurance benefits and paying 100 percent of the premium for these costs as well.⁶⁰ Farmdale District's submitted information in the record that indicated seven employees receiving insurance at the employee only level.⁶¹ Staff recalculated the cost per employee based on the 2025 invoice⁶² provided by Farmdale District which resulted in an additional increase of \$34,032, as shown in the table below. Staff recommended the Commission accept its proposed adjustment as the amounts are known and measurable.⁶³

Type of Premium	Number of Employees	Total Cost
Medical Insurance - Single	7	\$ 5,285
Life Insurance	7	51
Accidental Death and Dismemberment	7	4
Total Monthly Pro Forma Premium		5,341
Multiplied by: 12 Months		12
Total Annual Health Insurance Cost		\$ 64,092
Test Year Insurance Cost ()		(9,744)
Commission Staff's Adjustment		54,348
Farmdale Adjustment ()		(20,316)
Incremental Adjustment		<u><u>\$ 34,032</u></u>

The Commission finds Staff's recommended adjustment is reasonable and should be accepted as it is known and measurable and supported by the information in the case record.

Employee Benefits – Retirement. As discussed above, Staff recommended reclassifying \$14,628 from Employee Benefits - Medical to Employee Benefits –

⁶⁰ Farmdale District's Response to Staff's First Request, Item 7a.

⁶¹ Farmdale District's Response to Staff's First Request, Item 3, Rate Model, Medical Tab, Cell B9.

⁶² Farmdale District's Response to Staff's First Request, Item 7c at 27.

⁶³ Staff's Report at 15.

Retirement.⁶⁴ During the test year, Farmdale District reported income of \$4,884 in Employee Pensions and Benefits.⁶⁵ Farmdale District participates in the County Employee Retirement System (CERS), which is managed by the Kentucky Public Pension Authority (KPPA) and recently had a change in contribution rate, decreasing from 23.34 percent to 18.62 percent, effective July 1, 2025.⁶⁶ Farmdale District proposed two adjustments related retirement benefits.⁶⁷ First, Farmdale District proposed an increase of \$32,841 to exclude non-cash expenses accruals for Other Post Employment Benefits (OPEB) adjustments.⁶⁸ Second, Farmdale District proposed to increase its CERS payments by \$45,734 to account for the changes in salaries and wages as discussed in that sections above.⁶⁹ Staff agreed with the methodology proposed by Farmdale District but calculated an additional increase of \$8,099, as shown in the table below. Staff recommended the Commission accept Staff's proposed adjustment as the amount is known and measurable.⁷⁰

⁶⁴ Staff's Report at 16.

⁶⁵ Amended Schedule of Adjusted Operations, Corrected Schedule of Adjusted Operations.

⁶⁶ CERS Board of Trustees December 2, 2024 Meeting, Minutes, Page 2. CERS Contribution Rate in the test year was 23.34 percent and is 18.62 percent in the current year.

⁶⁷ Revised Application, Corrected References, Reference H.

⁶⁸ Revised Application, Corrected References, Reference F.

⁶⁹ Revised Application, Corrected References, Reference H.

⁷⁰ Staff's Report at 17.

Description	Amount
Pro Forma Wages	\$ 386,936
Contribution Rate	18.62%
Pro Forma Total Contributions	72,047
Test Year Amount	14,628
Farmdale Proposed Adjustments ()	(78,576)
Increase / (Decrease)	<u><u>\$ 8,099</u></u>

The Commission finds that Staff's calculated Employee Benefits – Pension amount is reasonable and should be accepted because the amount is properly calculated using actual contribution rates and pro forma wages and do not include non-cash accounting adjustments from GASB 68 and 75.

Purchased Water. During the test year, Farmdale District recorded \$639,708 in Purchased Water expenses and proposed no adjustments.⁷¹ Staff calculated Purchased Water Expense using the test year gallons purchased at the current rates resulting in a pro forma Purchased Water Expense of \$634,607, as shown in the table below. Using the current wholesale rate of \$2.55 from the Frankfort Plant Board and a Kentucky River Authority Withdrawal Fee of \$0.29 per 1,000 gallons,⁷² Staff calculated a decrease to the Purchased Water Expense of \$5,101 from the test-year amount given by Farmdale District.⁷³ Staff recommended the Commission accept Staff's adjustment as it is reasonable based on the documentation of gallons purchased and the current rates.⁷⁴

⁷¹ Amended Schedule of Adjusted Operations, Corrected Schedule of Adjusted Operations.

⁷² Frankfort Plant Board current Tariff, PSC KY No. 1, Frankfort Plant Board current KRA Fee, 3rd Revised Sheet No. 2.

⁷³ Staff's Report at 18.

⁷⁴ Staff's Report at 18.

Description	Frankfort Plant		Total
	Board		
Gallons		223,453,000	223,453,000
Current Purchase Rate	\$	2.5500	\$ 2.8400
KRA Fee	\$	0.2900	
Pro Forma Cost	\$	<u>634,607</u>	\$ 634,607
Test Year Purchase Cost			639,708
Increase in Purchase Cost			<u>\$ (5,101)</u>

The Commission finds Staff's recommended adjustment should be accepted as it is a known and measurable change that reflects the normalization of water purchased during the test year to current rates charged.

Unaccounted-for Water Loss. In its application, Farmdale District proposed an adjustment to decrease Purchased Water Expense by \$87,374 and Purchased Power Expense by \$3,013 to reflect the disallowance of water loss in excess of 15 percent.⁷⁵ During the test year, Farmdale District reported a water loss of 28.6584 percent.⁷⁶ Commission regulations state that for ratemaking purposes, expenses for water loss in excess of 15 percent shall not be included for ratemaking purposes.⁷⁷ As described above, Staff calculated a revised Purchased Water Expense of \$634,607.⁷⁸ Staff calculated a revised disallowed Purchased Water Expense of \$86,677 using the adjusted Purchased Water Expense of \$634,607 which is a \$697 decrease from Farmdale

⁷⁵ Amended Schedule of Adjusted Operations, Corrected Schedule of Adjusted Operations.

⁷⁶ 2024 Annual Report at 57.

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

⁷⁸ Staff's Report at 19.

District's proposed adjustment.⁷⁹ Staff agreed with Farmdale District's adjustment to Purchased Power Expense.⁸⁰ The table below summarizes the disallowed Purchased Water and Purchased Power Expenses. Staff recommended the Commission accept Staff's adjustment of a \$697 decrease to Farmdale District's adjustment to Purchased Water Expense.⁸¹

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 634,607	\$ 22,061	\$ 656,668
Water Loss in Excess of 15%	13.6584%	13.6584%	13.6584%
Disallowed Water Loss	<u>\$ 86,677</u>	<u>\$ 3,013</u>	<u>\$ 89,690</u>

The Commission finds Staff's adjustments are reasonable and approves the adjustments because it is supported by the evidence of purchased water and purchased power expense provided in the case record exceeding the 15 percent water loss threshold.

Materials and Supplies. During the test year, Farmdale District reported \$61,014 in Materials and Supplies.⁸² Farmdale District proposed one adjustment, a decrease of \$20,602 due to the exclusion of materials used on tap installations.⁸³ Farmdale District reported 26 new taps to its system and collected \$29,432 that should be capitalized.⁸⁴ Staff agreed with Farmdale District's adjustment to Materials and Supplies as the USoA

⁷⁹ Staff's Report at 19.

⁸⁰ Staff's Report at 19.

⁸¹ Staff's Report at 19.

⁸² Amended Schedule of Adjusted Operations, Corrected Schedule of Adjusted Operations.

⁸³ Submission of Corrected References, Corrected References, Item J.

⁸⁴ Farmdale District's Response to Staff's First Request, Item 12.

for Class A/B Water Systems requires that these costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.⁸⁵ The table below provides a breakdown of tap fee expenses that should have been capitalized during the test year.

Description	Percent	Dollars
Labor	30%	8,830
Materials	70%	20,602
Total		<u><u>\$29,432</u></u>

During the test year, Farmdale District spent \$5,442.64 for 27 new single port transceivers, \$3,427.24 for 19 new 5/8 x 3/4 inch customer water meters, \$5,789.27 for 600 feet of 6-inch water line, and \$12,156 for a 2014 Ford F250 truck. In Farmdale District's Response to Staff's Second Request, it confirmed that these expenses should have been capitalized for depreciation purposes.⁸⁶ This results in a \$26,815 decrease to Materials and Supplies. Staff agreed with Farmdale District's conclusions and made a corresponding increase to test year depreciation of \$9,176, which is discussed below.⁸⁷ Staff recommended the Commission accept the Staff's adjustments resulting in the pro forma Supplies and Materials expense of \$13,597 because the amounts are known and measurable.⁸⁸

The Commission finds that Staff's adjustments are reasonable because they both are consistent with the USoA and therefore, should be accepted.

⁸⁵ USoA, Accounting Instruction 19 and 33.

⁸⁶ Farmdale District's Response to Staff's Second Request, Item 1.

⁸⁷ Staff's Report at 20.

⁸⁸ Staff's Report at 20.

Insurance. During the test year, Farmdale District reported \$25,802 and \$4,018 for its general liability and workers compensation insurance, respectively.⁸⁹ Staff reviewed the 2025 invoices⁹⁰ submitted by Farmdale District and calculated an increase of \$5,634 for general liability and \$842 for workers compensation to account for known and measurable increases to test year costs.⁹¹ Staff recommended the Commission accept Staff's proposed adjustments because the amounts are known and measurable.⁹²

The Commission finds Staff's adjustments are reasonable and approves the adjustments because it is supported by actual amounts set forth in invoices provided in evidence in the case record.

Rate Case Expenses. During the test year, Farmdale District reported \$0 in Rate Case Expenses.⁹³ Farmdale District proposed one adjustment, an increase of \$10,000 for rate case expenses being amortized over three years.⁹⁴ This increase is derived from \$15,000 KRWA expenses and \$15,000 Stoll Keenon Ogden (SKO) expenses related to the current case that will be amortized over three years, resulting in a \$10,000 adjustment. Staff agreed with Farmdale District's methodology for determining the amortization period because utilities are expected to file for a rate case every three to five years.⁹⁵ Staff reviewed the KRWA contract and the reasoning behind the SKO expenses and agreed

⁸⁹ Amended Schedule of Adjusted Operations, Corrected Schedule of Adjusted Operations.

⁹⁰ Farmdale District's Response to Staff's First Request, Item 8.

⁹¹ Staff's Report at 20-21.

⁹² Staff's Report at 21.

⁹³ Amended Schedule of Adjusted Operations, Corrected Schedule of Adjusted Operations.

⁹⁴ Submission of Corrected References, Corrected References, Item O.

⁹⁵ Staff's Report at 21.

with Farmdale District's adjustment.⁹⁶ Staff recommended the Commission accept Farmdale District's adjustments because the amounts are known and measurable.⁹⁷

Descriprion	Amount
KRWA	\$ 15,000
SKO	15,000
Total	<u>30,000</u>
Amortization Years	3
Annual Rate Case Expense	<u>\$ 10,000</u>

The Commission finds Farmdale District's proposed adjustment is reasonable and should be accepted because the amounts are supported by known and measurable information in the record.

Depreciation. During the test year, Farmdale District reported \$150,611 in Depreciation.⁹⁸ Farmdale District proposed one adjustment, an increase of \$51,900 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."⁹⁹ 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. In its application, Farmdale District provided a depreciation schedule of all fixed assets in

⁹⁶ Response to Staff's First Request, Item 4.

⁹⁷ Staff's Report at 21.

⁹⁸ Amended Schedule of Adjusted Operations, Corrected Schedule of Adjusted Operations.

⁹⁹ Submission of Corrected References, Corrected References, Item L.

use.¹⁰⁰ Staff reviewed and recalculated the depreciation schedules using NARUC's midpoint useful life ranges as shown in the table below. Staff calculated a \$42,369 increase in depreciation which is \$9,531 less than Farmdale District's proposed adjustment.¹⁰¹ Staff recommended the Commission accept Staff's adjustment as it is known and measurable.¹⁰²

Asset Class	Original Cost	NARUC Recommended Service Lives	Test Year Depreciation	Staff Calculated Depreciation	Depreciation Adjustment
General Plant					
Structures & Improvements	\$ 45,026	37.5	\$ 1,759	\$ 1,201	\$ (558)
Office Furniture & Equipment	133,082	23	4,243	5,915	1,672
Power Operated Equipment	88,994	13	14,630	7,120	(7,510)
Tools, Shop, & Garage Equipment					
Pumping Plant					
Pumping Equipment	31,480	10	899	3,148	2,249
Transmission & Distribution Plant					
Hydrants	41,067	50	821	821	-
Transmission & Distribution Mains	3,874,089	62.5	61,668	61,985	317
Meters	1,096,560	40	27,677	27,414	(263)
Meter Installations	169,216	45	4,486	3,760	(726)
Reservoirs & Tanks	1,149,590	45	25,736	25,546	(190)
Balance of A/C Project	1,778,784	62.5	-	28,461	28,461
Balance of Meter Project	413,744	20	-	20,687	20,687
Transportation Equipment					
Entire Group	48,711	7.0	8,729	6,959	(1,770)
Total Depreciation	\$ 8,870,343		\$ 150,648	\$ 193,017	\$ 42,369
Farmdale District's Proposed Adjustments					\$ 51,900
Difference Between Staff's and Farmdale District's Adjustments					\$ (9,531)

The Commission finds Staff's adjustments are reasonable and should be accepted as the adjustments were based on the NARUC study discussed above and because the amounts are known and measurable.

As explained in Materials and Supplies, Farmdale District recorded multiple expenditures that are capital and should have been capitalized as Utility Plant in Service and depreciated over their estimated useful lives. Staff calculated the annual depreciation

¹⁰⁰ Amended Application, Attachment 7, Depreciation Schedule, at 23.

¹⁰¹ Staff's Report at 22.

¹⁰² Staff's Report at 22.

amount of these items to be a \$9,176 increase to Depreciation expenses.¹⁰³ Staff recommended the Commission accept Staff's proposed adjustments of a \$42,369 increase to adjust lives to those recommended in the NARUC study and a \$9,176 increase to account for the test year capital expenditures, bringing the Pro Forma to \$202,156, because the UsoA requires the assets to be depreciated over their estimated useful lives.¹⁰⁴

The Commission finds that Staff's adjustments to include depreciation expense of tap fees is reasonable because it is consistent with the USoA and therefore, should be accepted.

Taxes Other Than Income. During the test period, Farmdale District reported \$73,109 in Taxes Other Than Income.¹⁰⁵ Farmdale District reported an increase of \$8,703 due to higher payroll taxes from the increase in salaries and wages.¹⁰⁶ Staff calculated an additional increase of \$717 in payroll taxes was needed as shown in table below.¹⁰⁷

¹⁰³ Staff's Report at 23.

¹⁰⁴ Staff's Report at 23.

¹⁰⁵ Amended Schedule of Adjusted Operations, Corrected Schedule of Adjusted Operations.

¹⁰⁶ Revised Application, Corrected References, Reference I.

¹⁰⁷ Staff's Report at 23.

Description	Amount
Salaries and Wages	\$ 405,136
Tax Rate	7.65%
Total Taxes	30,993
Test Year ()	(21,573)
Farmdale Adjustment ()	(8,703)
Staff Adjustment	<u>\$ 717</u>

Staff also determined a reduction of \$38,228 was needed to remove school tax expenses from Taxes Other Than Income.¹⁰⁸ As discussed above in the Water Sales section above, the offsetting revenues for this expense are embedded in the billing analysis adjustment and because the tax is a pass-through cost, it should not be recovered through rates, Staff's combined proposed adjustments result in a decrease of \$37,526, as shown in the table below. Staff recommended the Commission accept Staff's proposed adjustments because the amounts are known and reasonable.¹⁰⁹

Description	Test Year	Farmdale Adjustment	Commission		
			Staff Adjustment	Pro Forma	
FICA / SUTA / FUTA	\$ 21,573	\$ 8,703	\$ 717	\$ 30,993	
PSC	2,550			2,550	
Sales Tax Expense	9,486			9,486	
School Tax	38,228		(38,228)		0
Other Taxes and license	772			772	
SPGE Fees	500			500	
Total	\$ 73,109	\$ 8,703	\$ (37,511)	\$ 44,301	

¹⁰⁸ Staff's Report at 23.

¹⁰⁹ Staff's Report at 24.

The Commission finds that Staff's adjustments related to Taxes Other Than Income are reasonable and should be accepted because the amounts are known and measurable.

REVENUE REQUIREMENT

In its application, Farmdale District proposed using the Debt Service Coverage Method.¹¹⁰ The Commission has historically applied a Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations. This method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a non-cash item, to provide working capital;¹¹¹ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

¹¹⁰ Application, Attachment 4, Schedule of Revenue Requirements.

¹¹¹ 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	Farmdale Water District	Commission Staff Recommended	Commission Approved
Pro Forma Expenses Operating Expenses			
Total Operating Expenses	\$ 1,747,002	\$ 1,730,124	\$ 1,730,124
Average Annual Principal and Interest Payments	177,091	177,091	177,091
Additional Working Capital at 20%	35,418	35,418	35,418
Total Revenue Requirement	1,959,511	1,942,633	1,942,633
Forfeited Discounts	46,220	46,220	46,220
Miscellaneous	97,555	96,896	96,896
Rents from water property	1,200	1,200	1,200
Total Other Income	25,133	25,133	25,133
Revenue Required From Water Sales	1,789,403	1,773,184	1,773,184
Revenue from Sales at Present Rates ()	(1,526,004)	(1,526,004)	(1,526,004)
Required Revenue Increase / (Decrease)	\$ 263,399	\$ 247,180	\$ 247,180
Percentage Increase / (Decrease)	17.26%	16.20%	16.20%

Average Annual Principal and Interest Payments and Additional Working Capital.

Farmdale District requested recovery of the average annual principal and interest on its indebtedness in the amount \$177,091 based on a five-year average of the annual principal, interest, and fee payments for the years 2026 through 2030.¹¹² Staff reviewed the debt schedule provided¹¹³ and amortization schedules¹¹⁴ and agreed with the methodology and amount Farmdale District proposed. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. In its exhibits, Farmdale District requested recovery of an allowance for working capital that is equal to 20 percent of its average annual debt service, or \$35,418.¹¹⁵ Following the Commission's historic practice of including

¹¹² Revised Application, Corrected References, Reference M.

¹¹³ Farmdale District's Response to Staff's First Request, Items 3 and 21, Water Rate Model Excel Document, Debt Service Tab.

¹¹⁴ Application, Attachment 9.

¹¹⁵ Revised Application, Corrected References, Reference N.

additional working capital, Staff agreed with Farmdale District's proposed methodology and amount.¹¹⁶

Description	2026	2027	2028	2029	2030	Total
USDA Loan 2016	\$ 80,688	\$ 81,125	\$ 81,516	\$ 81,859	\$ 82,156	\$ 407,344
USDA Loan 2025	95,475	95,572	95,646	95,696	95,722	478,111
Total	<u>\$ 176,163</u>	<u>\$ 176,697</u>	<u>\$ 177,162</u>	<u>\$ 177,555</u>	<u>\$ 177,878</u>	<u>\$ 885,455</u>
5 Year Average Principal and Interest Payments						<u>\$ 177,091</u>
Additional Working Capital at 20 percent						<u>\$ 35,418</u>

The Commission finds that using the DSC method is appropriate and that including \$177,091 in the revenue requirement calculation for average annual principal, as well as interest and fee payments for debt obligations is a known and measurable amount. The Commission finds the amount to be reasonable and as such, accepts inclusion of the amount in the revenue requirement. The Commission further finds that including additional working capital of \$35,418 in the revenue requirement calculation is reasonable and should be accepted.

RATE DESIGN

In its revised application, Farmdale District proposed a 17.26 percent rate increase that would be allocated evenly across the board for all its water customers. Farmdale District stated that it last performed a cost of service study (COSS) as part of Case No. 2020-00021¹¹⁷ and did not consider filing a COSS with the current rate application because of the recent nature of the previous study and that there were no material changes since then.¹¹⁸ The Commission has previously found that the allocation of a

¹¹⁶ Staff's Report at 26.

¹¹⁷ See Case No. 2020-00021, Application, Section 4.

¹¹⁸ Farmdale District's Response to Staff's First Request, Item 14.

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.¹¹⁹

The rates recommended in Appendix B are based upon the revenue requirement, as calculated by Staff, and will produce sufficient revenues from water sales to recover the \$1,773,184 required from rates, an approximate 16.20 percent increase. The rate increase will increase the monthly water bill for a typical residential customer using approximately 3,751 gallons per month from \$30.43 to \$35.36 for an increase of \$4.93, or approximately 16.20 percent.

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

Nonrecurring Charges. Following the Commission's previous decisions,¹²⁰ Staff reviewed Farmdale District's Nonrecurring Charges. The Commission previously found that because district personnel are paid during normal business hours, estimated labor costs previously included in determining the amount of the Nonrecurring Charges should be eliminated from the charges considering those expenses are recovered as part of salaries and wages expense. Farmdale District provided the cost justification for the

¹¹⁹ Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

¹²⁰ 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).

nonrecurring charges.¹²¹ Farmdale District provided a list of the number of occurrences for each of its nonrecurring charges.¹²² Staff reviewed the cost justification information provided by Farmdale District and adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs that occurred during normal business hours, as normal business hour expenses are already recovered in base rates, as well as removed the Office/Clerical Labor Costs from the After-Hours Reconnection Charge, as office labor is typically performed during normal business hours. The Meter Test Request increased \$10.00, from \$80.00 to \$90.00 due to increased transportation costs and Frankfort Plant Board expenses, as shown in the cost justification provided.¹²³ The cost justification information, shown in Appendix A, was provided by Farmdale District and supports Staff's adjustments to the Nonrecurring Charges. The adjustments discussed above result in the following revised Nonrecurring Charges:

Charge	Current Charge	Revised Charge
Connection Charge	\$ 50.00	\$ 21.00
Disconnection Charge	\$ 50.00	\$ 21.00
Reconnection Charge	\$ 50.00	\$ 21.00
Reconnection Charge After-Hours	\$ 70.00	\$ 51.00
Returned Payment Charge	\$ 20.00	\$ 7.00
Service Call / Investigation	\$ 50.00	\$ 21.00
Service Call / Investigation After-Hours	\$ 70.00	\$ 51.00
Meter Test Request	\$ 80.00	\$ 90.00

The recommended adjustment to the Nonrecurring Charges results in a pro forma Nonrecurring Charge Revenues of \$2,037 as shown below. Staff noted that it was unable

¹²¹ Farmdale District's Response to Staff's First Request, Item 19.

¹²² Farmdale District's Response to Staff's First Request, Item 18.

¹²³ Farmdale District's Response to Staff's First Request, Item 19.

to determine the general ledger classification of all Farmdale District's Nonrecurring Charge revenues in the test year and recommended adjusting the reported amounts to the pro forma revenues.

Charge	Occurrences	Revised		Pro Forma
		Charge		
Connection Charge	6	\$ 21.00	\$ 126	
Disconnection Charge	43	\$ 21.00		903
Reconnection Charge	43	\$ 21.00		903
Reconnection Charge After-Hours	0	\$ 51.00		-
Returned Payment Charge	15	\$ 7.00		105
Service Call / Investigation	0	\$ 21.00		-
Service Call / Investigation After-Hours	0	\$ 51.00		-
Meter Test Request	0	\$ 90.00		-
Pro Forma				<u>\$ 2,037</u>

The Commission finds that the Staff's recommended adjustments to the Nonrecurring Charges are appropriate considering the provided cost justification, and that the amounts meet the ratemaking criteria of being known and measurable. The Commission agrees with the Staff recommendation of adjusting the reported amounts to the pro forma revenues as this is the only verifiable amount of Nonrecurring Charges that Farmdale District had during the test year. The Commission further finds that Staff's recommendation is reasonable, and the revised Nonrecurring Charges as described above and in Appendix B should be accepted.

Tap-On Fee. Farmdale District provided an updated cost justification for its 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge.¹²⁴ Staff reviewed the cost justification information provided by Farmdale District and noted it supports an increase in the 5/8-

¹²⁴ Farmdale District's Response to Staff's First Request, Item 20.

Inch x 3/4-Inch Meter Connection/Tap-On Charge. Staff recommended that the Commission accept Farmdale District's supported increase for the Tap-On Charge from \$1,132 to \$1,502 for the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge. Staff recommended increasing the tap on Charges to enable the utility to recover the amount supported by the updated cost justification provided by Farmdale District for its meter installs.

The Commission agrees with Staff's recommendation to increase the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge to \$1,502, to reflect the current expenses incurred when performing this service and to prevent any under recovery for the tap fee. Increasing the tap fee rates in line with Farmdale District's actual cost will result in a fair, just and reasonable rate. In addition, over time, under recovery of a particular charge may result in degradation of the utility's financial condition.

ADDITIONAL FINDINGS

Water Loss Reduction Surcharge. In Staff's Report,¹²⁵ Staff recommended that the Commission deny Farmdale District's request for a Water Loss Reduction Surcharge in this alternative rate filing and instead require any request related to a water loss surcharge to be filed in the ongoing surcharge monitoring case, Case No. 2020-00217.¹²⁶ Staff further recommended that Farmdale District may request a Water Loss Reduction Surcharge in a future tariff filing upon demonstration that such a surcharge is appropriate.¹²⁷

¹²⁵ Staff's Report at 10.

¹²⁶ See Case No. 2020-00217, *Electronic Farmdale Water District's Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring.*

¹²⁷ Staff's Report at 10.

As stated above, Farmdale District did not agree with Staff's recommendation to deny Farmdale District's request for a \$2.73 per customer per month Water Loss Surcharge, but did not wish to contest the recommendation in this case. Farmdale District did request the Commission include Staff's recommended language that Farmdale District may request a Water Loss Reduction Surcharge in a future tariff filing.¹²⁸ The Commission agrees with Staff's recommendation and finds it reasonable.

Multiple Residences on One Meter. In Staff's Report, Staff provided additional comments outlining possible tariff concerns regarding multiple residencies on one meter.¹²⁹ Staff's concerns were related to an omission of language previously recommended to Farmdale District in its last ARF case¹³⁰ and whether the bills for these customers (only eight remaining) were being applied properly. In its response, Farmdale District agreed that it should include the following language in its tariff, Section II. Rules and Regulations, Subsection C-5-f.¹³¹

When a premises covered by this exception changes ownership, the customer will be required to purchase sufficient meters to individually meter each residence previously served by a single meter.

The Commission finds the language included above is reasonable and should be included in Farmdale District's tariff on file with the Commission when it submits the tariff filing from this case.

¹²⁸ Farmdale's Response at 1, Item 1.

¹²⁹ Staff's Report at 26–28.

¹³⁰ Case No. 2020-00021, Staff's Report (filed April 27, 2020), Appendix D at 36 and final Order (Ky. PSC July 7, 2020), ordering paragraph 1 at 10.

¹³¹ Farmdale's Response at 2, Item 3.

Farmdale District also provided explanation for its current billing process for these customers and asserted its current billing process was designed to reduce incentives for these arrangements to continue.¹³² The Commission finds the current billing process to be reasonable and therefore finds there should not be any changes as contemplated in Staff's comments.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in Staff's Report are supported by the evidence of record and are reasonable. Applying the DSC method to Farmdale District's pro forma operations, results in an Overall Revenue Requirement of \$1,942,633 and indicate a \$247,180 revenue increase, or 16.20 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in 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 Farmdale District are denied.
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Farmdale District on or after the date of this order.
4. Within 20 days of the date of service of this Order, Farmdale 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

¹³² Farmdale's Response at 2, Item 3.

stating that the rates and charges were authorized by this Order, including the additional multiple meters on one residence language included above.

5. The Commission denies the Water Loss Reduction Surcharge proposed in this proceeding; however, Farmdale District may request a Water Loss Reduction Surcharge in a future tariff filing or other appropriate proceeding, consistent with the recommendations contained in Staff's Report.

6. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

Chairman



Commissioner



Commissioner

ATTEST:



Linda Bridwell *RP*
Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00192 DATED JAN 29 2026

* Denotes Rounding

Nonrecurring Charges Adjustments

Connection Charge		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$ -	\$ -
Field Labor (1 hr @ 19.42/hr)	\$ 19.42	\$ -
Office Supplies	\$ -	\$ -
Office Labor	\$ 22.60	\$ -
Transportation (\$0.70x 30 miles)	\$ 21.00	\$ 21.00
Misc.	\$ -	\$ -
Total Revised Charge*	\$ 63.02	\$ 21.00
Current Rate	\$50.00	
Disconnection Charge		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$ -	\$ -
Field Labor (1 hr @ 19.42/hr)	\$ 19.42	\$ -
Office Supplies	\$ -	\$ -
Office Labor	\$ 22.60	\$ -
Transportation (\$0.70x 30 miles)	\$ 21.00	\$ 21.00
Misc.	\$ -	\$ -
Total Revised Charge*	\$ 63.02	\$ 21.00
Current Rate	\$50.00	
Reconnection Charge		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$ -	\$ -
Field Labor (1 hr @ 19.42/hr)	\$ 19.42	\$ -
Office Supplies	\$ -	\$ -
Office Labor	\$ 22.60	\$ -
Transportation (\$0.70x 30 miles)	\$ 21.00	\$ 21.00
Misc.	\$ -	\$ -
Total Revised Charge*	\$ 63.02	\$ 21.00
Current Rate	\$50.00	

Reconnection Charge After-Hours			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor (1 hr @ 29.13/hr)	\$ 29.13	\$ 29.13	
Office Supplies	\$ -	\$ -	
Office Labor	\$ 22.60	\$ -	
Transportation (\$0.70x 30 miles)	\$ 21.00	\$ 21.00	
Misc.	\$ -	\$ -	
Total Revised Charge*	\$ 72.73	\$ 51.00	
Current Rate	\$70.00		
Returned Payment Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor	\$ -	\$ -	
Office Supplies	\$ 1.50	\$ 1.50	
Office Labor	\$ 2.55	\$ -	
Transportation	\$ -	\$ -	
Misc. (Bank Fee)	\$ 5.00	\$ 5.00	
Total Revised Charge*	\$ 9.05	\$ 7.00	
Current Rate	\$20.00		
Service Call / Investigation			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor (1 hr @ 19.42/hr)	\$ 19.42	\$ -	
Office Supplies	\$ -	\$ -	
Office Labor	\$ 22.60	\$ -	
Transportation (\$0.70x 30 miles)	\$ 21.00	\$ 21.00	
Misc.	\$ -	\$ -	
Total Revised Charge*	\$ 63.02	\$ 21.00	
Current Rate	\$50.00		
Service Call / Investigation After-Hours			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor (1 hr @ 29.13/hr)	\$ 29.13	\$ 29.13	
Office Supplies	\$ -	\$ -	
Office Labor	\$ 22.60	\$ -	
Transportation (\$0.70x 30 miles)	\$ 21.00	\$ 21.00	
Misc.	\$ -	\$ -	
Total Revised Charge*	\$ 72.73	\$ 51.00	
Current Rate	\$70.00		

Meter Test Request			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor (1.5 hrs @ 19.42/hr)	\$ 29.13	\$ -	
Office Supplies	\$ -	\$ -	
Office Labor	\$ -	\$ -	
Transportation (\$0.70 x 56.56 miles)	\$ 39.62	\$ 39.62	
Misc. (Frankfort Plant Board)	\$ 50.00	\$ 50.00	
Total Revised Charge*	\$ 118.75	\$ 90.00	
Current Rate	\$80.00		

5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge			
	Utility Revised Charge	Staff Revised Charge	
Materials Expense	\$ 852.25	\$ 852.25	
Service Pipe Expense	\$ 13.13	\$ 13.13	
Installation Labor Expense	\$ 303.98	\$ 303.98	
Installation Equipment Expense	\$ 262.50	\$ 262.50	
Installation Miscellaneous Expense	\$ 19.48	\$ 19.48	
Overhead Expense	\$ 14.51	\$ 14.51	
Administrative Expense	\$ 35.16	\$ 35.16	
Total Revised Charge*	\$ 1,501.01	\$ 1,502.00	
Current Rate	\$ 1,132.00		

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00192 DATED JAN 29 2026

Monthly Water Rates

5/8- x 3/4-Inch Meter

First	2,000 Gallons	\$ 27.81	Minimum Bill
Next	3,000 Gallons	0.01006	Per Gallon
Next	5,000 Gallons	0.00891	Per Gallon
Over	10,000 Gallons	0.00776	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$ 57.98	Minimum Bill
Next	5,000 Gallons	0.01006	Per Gallon
Next	140,000 Gallons	0.00891	Per Gallon
Over	150,000 Gallons	0.00776	Per Gallon

4-Inch Meter

First	50,000 Gallons	\$ 464.81	Minimum Bill
Next	100,000 Gallons	0.00891	Per Gallon
Over	150,000 Gallons	0.00776	Per Gallon

Charge	Revised Charge
Connection Charge	\$ 21.00
Disconnection Charge	\$ 21.00
Reconnection Charge	\$ 21.00
Reconnection Charge After-Hours	\$ 51.00
Returned Payment Charge	\$ 7.00
Service Call / Investigation	\$ 21.00
Service Call / Investigation After-Hours	\$ 51.00
Meter Test Request	\$ 90.00

Meter Connection/Tap-On Charges

5/8 Inch X 3/4 Inch Meter \$ 1,502.00

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