

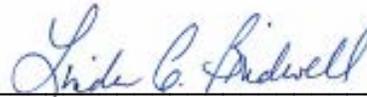
COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTHEAST )	
WOODFORD COUNTY WATER DISTRICT FOR A )	CASE NO.
RATE ADJUSTMENT PURSUANT TO 807 KAR )	2025-00347
5:076 )	

NOTICE OF FILING OF COMMISSION STAFF'S REPORT

Notice is hereby given that, in accordance with the Commission's Order of November 21, 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 November 21, 2025 Order, Northeast Woodford County Water District (Northeast Woodford 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 Northeast Woodford District to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>1</sup> regarding filings with the Commission.



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

DATED **MAR 09 2026**

cc: Parties of Record

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<sup>1</sup> 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 NORTHEAST WOODFORD COUNTY WATER DISTRICT

Northeast Woodford County Water District (Northeast Woodford District) is a water utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system through which it provides retail water service to approximately 1,024 residential customers and one commercial customer that reside in Woodford County, Kentucky.<sup>1</sup>

On October 30, 2025,<sup>2</sup> Northeast Woodford District filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,<sup>3</sup> Northeast Woodford District used the calendar year ended December 31, 2024, as the basis for its application. Northeast Woodford District's last base rate increase, filed pursuant to the

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<sup>1</sup> *Annual Report of Northeast Woodford District to the Public Service Commission for the Calendar Year Ended December 31, 2024* (2024 Annual Report) at 12 and 49.

<sup>2</sup> Northeast Woodford District tendered its application on October 20, 2025. By letter dated October 28, 2025, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on October 30, 2025.

<sup>3</sup> The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year.

alternative rate filing procedure, was in Case No. 2022-00221.<sup>4</sup> Since that matter, Northeast Woodford District has not adjusted its rates. To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated November 21, 2025.<sup>5</sup> Northeast Woodford District responded to three requests for information from Staff.<sup>6</sup>

### UNACCOUNTED FOR WATER LOSS

The Commission notes that in its 2024 Annual Report, Northeast Woodford District reported a water loss of 9.9425 percent.<sup>7</sup> In its 2023 Annual Report, Northeast Woodford District reported a water loss of 2.0384 percent.<sup>8</sup> In its 2022 Annual Report, Northeast Woodford District reported a water loss of 10.6960 percent.<sup>9</sup> Northeast Woodford District purchases 100 percent of its water<sup>10</sup> from the city of Versailles (Versailles) and the Frankfort Plant Board.<sup>11</sup> Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes, a utility's unaccounted for water loss shall not exceed 15 percent

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<sup>4</sup> Case No. 2022-00221, *Electronic Application of Northeast Woodford County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 20, 2023).

<sup>5</sup> Order (Ky. PSC Nov. 21, 2025).

<sup>6</sup> Northeast Woodford District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Dec. 22, 2025); Supplemental Responses to Staff's First Request were filed February 9, 2026 and February 20, 2026; Northeast Woodford District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Jan. 31, 2026); Northeast Woodford District's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Feb. 17, 2026).

<sup>7</sup> 2024 Annual Report at 57.

<sup>8</sup> *Annual Report of Northeast Woodford District to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report) at 57.

<sup>9</sup> *Annual Report of Northeast Woodford District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 58.

<sup>10</sup> 2024 Annual Report at 57.

<sup>11</sup> 2024 Annual Report at 54.

of total water produced and purchased, excluding water consumed by a utility in its own operations. The table below shows that the 2024 total annual cost of unaccounted for water loss to Northeast Woodford District is \$47,026.

Total Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 461,760	\$ 11,220	\$ 472,980
Water Loss Percent	9.9425%	9.9425%	9.9425%
Total Water Loss	\$ 45,910	\$ 1,116	\$ 47,026

### DISCUSSION

Using its pro forma test-year operations, Northeast Woodford District determined that a base rate revenue increase of \$102,506, or 13.07 percent, was necessary to achieve the revenue requirement as shown in the table below.<sup>12</sup>

Description	Northeast Woodford District
Pro Forma Operating Expenses	\$ 792,181
Divide Operating Ratio	88%
Subtotal	900,206
Average Annual Interest Expense	13,758
Total Revenue Requirement	913,964
Other Operating Revenue ( )	(25,814)
Interest Income ( )	(1,303)
Revenue Required from Rates	886,847
Normalized Revenues from Water Sales ( )	(784,341)
Required Revenue Increase	\$ 102,506
Percentage Increase	13.07%

To determine the reasonableness of the rates requested by Northeast Woodford District, Staff performed a limited review of Northeast Woodford District's test-year

<sup>12</sup> Application, Exhibit 5, 5\_Revenue\_Requirement.pdf, Revenue Requirement – Operating Ratio.

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 measurable<sup>13</sup> 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. William Foley reviewed the calculation of Northeast Woodford District's Overall Revenue Requirement, and Manuel Jerez Tamayo reviewed Northeast Woodford District's reported revenues and rate design.

### SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Operating Ratio (OR) methodology, which was requested by Northeast Woodford District and has been previously accepted by the Commission, Staff calculated Northeast Woodford District's required revenue from water sales is \$874,075 to meet the Overall Revenue Requirement of \$899,752, and that an \$89,734 revenue increase, or 11.44 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

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<sup>13</sup> 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. As discussed above, in its application, Northeast Woodford District proposed a 13.07 percent rate increase that would be allocated evenly across the board for all its water customers.<sup>14</sup> Northeast Woodford District has not performed a cost-of-service study (COSS).<sup>15</sup> Northeast Woodford District stated that it did not consider filing a COSS with the current rate application as there were no material changes in its system and that Northeast Woodford District would consider preparing a new COSS if material changes in customer usage patterns were to occur.<sup>16</sup> The Commission has previously found that the allocation of a revenue increase evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this methodology is unreasonable and in the absence of a COSS.<sup>17</sup> Finding no such evidence in this case and incorporating Staff's calculated pro forma revenue requirement, Staff allocated the \$89,734 revenue increase across the board to Northeast Woodford District's monthly retail water service rates. The rates set forth in Appendix B to this report are based upon the pro forma revenue requirement, as calculated by Staff, and will produce sufficient revenues from water sales to recover the \$874,075 revenue required from rates, an approximate 11.44 percent

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<sup>14</sup> Application, 5\_Revenue\_Requirement.pdf.

<sup>15</sup> Northeast Woodford District's Responses to Staff's First Request, Item 13.

<sup>16</sup> Northeast Woodford District's Responses to Staff's First Request, Item 13.

<sup>17</sup> Case No. 2024-00155, *Electronic Application of Cannonsburg Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Apr. 8, 2025); Case No. 2024-00242, *Electronic Application of Wood Creek Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 21, 2025); and Case No. 2024-00068, *Electronic Application of Simpson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 29, 2024), and Case No. 2024-00002, *Electronic Application of Nebo Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Aug. 2, 2024).

increase. These rates will increase a typical customer's monthly water bill using 13,919 gallons by \$8.05 from \$70.35 to \$78.40, an increase of approximately 11.44 percent.<sup>18</sup>

3. Nonrecurring Charges. Staff reviewed Northeast Woodford District's Nonrecurring Charges. Previously, the Commission has found that because district personnel are currently paid during normal business hours and the district recovers such expenses in base rates, already recovered estimated labor costs that are also included in determining the amount of Nonrecurring Charges should be eliminated from the charges.<sup>19</sup> Northeast Woodford District uses contracted personnel from Gatewood Water Service to perform all tasks related to Nonrecurring Charges.<sup>20</sup> While typically the Commission allows for utilities to recover the cost of the labor performed by contractors, the total expense for the contract with Gatewood Water Service was included as part of the Expenses when calculating the Revenue Requirement, thus, allowing Northeast Woodford District to also recover this amount in Nonrecurring Charges would result in a double recovery.

Northeast Woodford District provided cost justification information for the nonrecurring charges.<sup>21</sup> Staff reviewed the cost justification information provided by

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<sup>18</sup>  $\$78.25$  (Average Bill New Water Rates) -  $\$70.35$  (Average Bill Current Water Rates) =  $\$7.90$  (Total Difference in Customer Bill)  $\div$   $\$70.35$  (Average Bill Current Water Rates) = 11.23 percentage.

<sup>19</sup> 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).

<sup>20</sup> Northeast Woodford District's Responses to Staff's Third Request, Item 11.

<sup>21</sup> Northeast Woodford District's Responses to Staff's First Request, Item 17 or Current Tariff, unnumbered page 3.

Northeast Woodford District and adjusted the charges performed by contract personnel, by removing Field Labor Costs and Office/Clerical Labor Costs that occur during normal business hours from the charges as these are already recovered through Water Rates. Staff adjusted the mileage rate to the current standard mileage rate determined by the Internal Revenue Service (IRS) in the amount of \$0.725 per mile.<sup>22</sup> Staff removed labor expenses as outlined in the table below:

<u>Nonrecurring Charge</u>	<u>Current Charge</u>	<u>Revised Charge</u>
Late Payment Charge	10%	10%
Reconnection Charge	\$ 69	\$ 22
Returned Payment Charge	\$ 5	\$ 5
Meter Deposit per Service Address	\$ 27	\$ 27

PRO FORMA OPERATING STATEMENT

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

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<sup>22</sup> <https://www.irs.gov/newsroom/irs-sets-2026-business-standard-mileage-rate-at-725-cents-per-mile-up-25-cents>.

Description	Test Year	Northeast Woodford County		Commission Staff Adjustments	Total Adjustments	(Ref)	Pro Forma
		WD Proposed Adjustments					
<b>Operating Revenues</b>							
Total Retail Metered Sales	\$ 784,507	\$ (166)	\$ -	\$ (166)	(A)	\$ 784,341	
<b>Other Revenues</b>							
Other Water Revenues	25,814	-	(1,440)	(1,440)	(B)	24,374	
<b>Total Operating Revenues</b>	<b>810,321</b>	<b>(166)</b>	<b>(1,440)</b>	<b>(1,606)</b>		<b>808,715</b>	
<b>Operation and Maintenance</b>							
Salaries and Wages - Employees	16,696	(16,696)	-	(16,696)	(C)	-	
Salaries and Wages - Officers	-	16,696	-	16,696	(C)	-	
		1,504	(7,400)	(5,896)	(D)	10,800	
Purchased Water	461,760			-		461,760	
Purchased Power	11,220			-		11,220	
Materials and Supplies	48,651	(11,143)	(4,296)	(15,439)	(E)	33,212	
Contractual Services - Acct	12,920			-		12,920	
Contractual Services - Management	50,913			-		50,913	
Contractual Services - Other	57,167	20,688	-	20,688	(F)	-	
		-	8,412	8,412	(G)	86,267	
Insurance - General Liability	6,053			-		6,053	
Amortization - Rate Case	-	3,714	(602)	3,112	(H)	3,112	
Miscellaneous Expenses	11,403			-		11,403	
<b>Total</b>	<b>676,783</b>	<b>14,763</b>	<b>(3,886)</b>	<b>10,877</b>		<b>687,660</b>	
Amortization	-	8,482	-	8,482	(I)	8,482	
Depreciation Expense	84,186	4,873	(7,994)	(3,121)	(J)	-	
		279	107	386	(K)	81,451	
Taxes Other Than Income	2,536	-	(454)	(454)	(L)	2,082	
<b>Total Operating Expenses</b>	<b>763,505</b>	<b>28,397</b>	<b>(12,227)</b>	<b>16,170</b>		<b>779,675</b>	
Net Operating Income	46,816	(28,563)	10,787	(17,776)		29,040	
Gain (Losses) Sale of Utility Property	1,700	(1,700)	-	(1,700)	(M)	-	
Interest Income	1,303			-		1,303	
Non Utility Income	23,512	(23,512)	-	(23,512)	(N)	-	
Interest Expense	(21,533)			-		(21,533)	
<b>Income Available to Service Debt</b>	<b>\$ 51,798</b>	<b>\$ (53,775)</b>	<b>\$ 10,787</b>	<b>\$ (42,988)</b>		<b>\$ 8,810</b>	

(A) Billing Analysis. Northeast Woodford District provided a billing analysis listing the water usage and water sales revenue for the 12-month test year in its application.<sup>23</sup> Northeast Woodford District reported total metered water sales revenue of \$784,507 for the test year in its Schedule of Adjusted Operations (SAO).<sup>24</sup> Northeast Woodford District provided a billing analysis to calculate a normalized revenue amount based on the usage during the test year and using the rates authorized in its current tariff

<sup>23</sup> Application, Attachment 6, Billing Analysis Existing Rates.

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

to be \$784,341. Northeast Woodford District then proposed an adjustment to decrease test-year water sales revenue by \$166 to reflect the revenues from water rates generated by the billing analysis.<sup>25</sup> Staff agrees with the proposed adjustment of \$166 to decrease Total Retail Metered Sales to normalize the revenue from the billing analysis based on the usage during the test year using the rates authorized in Northeast Woodford District's tariff.

Staff recommends the Commission accept Northeast Woodford District's proposed adjustment to decrease Total Retail Metered Sales by \$166 because the amount meets the rate making criteria of being known and measurable.

(B) Other Water Revenues. Northeast Woodford District listed test-year Other Water Revenues of \$25,814, which included \$16,401 of Late Payment Penalties,<sup>26</sup> \$2,100 of Reconnection fees,<sup>27</sup> and \$7,313<sup>28</sup> for fire hydrant installations, as shown in the following table. Northeast Woodford District provided information about the nonrecurring charges revenue,<sup>29</sup> and Staff calculated an adjustment to Other Water Revenue, removing labor costs as discussed above. The adjustment to Nonrecurring Charges results in a decrease to Other Water Revenue of \$1,440 from reconnection fees as shown in the table below.

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

<sup>26</sup> Northeast Woodford District's Response to Staff's Second Request, NWCWD\_\_Response\_RFI-2.pdf, Item 4.

<sup>27</sup> Northeast Woodford District's Response to Staff's Second Request, NWCWD\_\_Response\_RFI-2.pdf, Item 4.

<sup>28</sup> Northeast Woodford District's Response to Staff's Third Request, Item 10.

<sup>29</sup> Northeast Woodford District's Response to Staff's First Request, Item 13.

Description	Occurrences	Current Charge	Revised Charge	Test Year	Adjustment	Pro Forma
Late Payment Charge	-	10%	10%	\$ -	\$ -	\$ -
Reconnection Charge	30	\$69.00	\$22.00	2,070	(1,410)	660
Returned Payment Charge	-	\$ 5.00	\$ 5.00	-	-	-
Meter Deposit per Service Address	-	\$26.62	\$26.62	-	-	-
Nonrecurring Charges Sub-total				\$2,070	\$ (1,410)	660
Test Year ( )						(2,100)
Staff's Adjustment						\$ (1,440)

Staff recommends the Commission accept its proposed adjustment to decrease Other Water Revenues of \$1,440 since as discussed in the Nonrecurring charge section, Staff removed the field and office labor from Northeast Woodford District's cost justification documentation.

(C) Salaries and Wages – Employees. In its application, Northeast Woodford District proposed an adjustment to increase Salaries and Wages – Officers by \$16,696<sup>30</sup> and decrease Salaries and Wages – Employees by the same \$16,696.<sup>31</sup> The adjustment is to correct the misclassification of Northeast Woodford District's commissioners' salaries as Salaries and Wages – Employees.<sup>32</sup> The Uniform System of Accounts for Class A/B Water Systems (USoA) requires that these costs be accounted for in Salaries and Wages – Officers.<sup>33</sup> Staff agrees with Northeast Woodford District's proposed adjustment to report the expenses in the proper classification.

<sup>30</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment B.

<sup>31</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment B.

<sup>32</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment B.

<sup>33</sup> USoA, Water Operations and Maintenance Accounts, Account 603.

Staff recommends the Commission accept Northeast Woodford District's adjustment to decrease Salaries and Wages – Employees and increase Salaries and Wages – Officers by \$16,696 because it reflects the reclassification of the commissioners' salaries into the correct account classification.

(D) Salaries and Wages - Officers. In its application, Northeast Woodford District proposed to increase Salaries and Wages – Officers by \$1,504<sup>34</sup> to account for the annualization of commissioners' salaries. During the test year, Northeast Woodford District recorded its commissioners' salaries as part of Salaries and Wages – Employees.<sup>35</sup> As discussed in the Salaries and Wages – Employee adjustment, Staff agreed with Northeast Woodford District's adjustment to reclassify the salaries as Salaries and Wages – Officers. Northeast Woodford District's Board of Commissioners (Board) currently consists of three members - two are paid \$500 monthly and the treasurer is paid approximately \$517 monthly.<sup>36</sup> Northeast Woodford District provided the Woodford County Fiscal Court's minutes that authorized compensation for Board members.<sup>37</sup> Northeast Woodford District provided training records for its commissioners.<sup>38</sup> Staff reviewed the Fiscal Court minutes which indicated that the Fiscal

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<sup>34</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment C.

<sup>35</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment C.

<sup>36</sup> Northeast Woodford District's Response to Staff's First Request, Item 11a.

<sup>37</sup> Northeast Woodford District's Response to Staff's First Request, Item 11b, 11b\_Commissioner\_Compensation.pdf.

<sup>38</sup> Northeast Woodford District's Response to Staff's First Request, Item 11c, 11c\_Training\_Certificates.pdf.

Court set the Board’s compensation at \$3,600 annually.<sup>39</sup> Northeast Woodford District stated that at the last meeting the Woodford Fiscal Court was to make a decision to approve the increase in Board compensation. However, due to time constraints the issue was postponed to the next meeting, which is expected in February 2025.<sup>40</sup> Without the Fiscal Court minutes authorizing additional compensation, the evidence on in the record limits the compensation to \$3,600. If Northeast Woodford District can provide supporting documentation of approval of additional compensation prior to the final Order or with its response to Staff’s Report Staff recommends the Commission consider the additional amounts. Staff calculated a pro forma Salaries and Wages – Officers of \$10,800, a decrease of \$5,896 from the reclassified test year Salaries and Wages -Officers of \$16,696, and \$7,400 less than Northeast Woodford District’s proposed \$1,504 increase as shown in the following table.

Commissioners	Pro Forma Salaries
John S. Davis	\$ 3,600
Larry Moore	3,600
Megan Hoover	3,600
Total Salaries and Wages - Officers	10,800
Reclassified Test Year Salaries and Wages ( )	(16,696)
Total Adjustment	(5,896)
Northeast Woodford District's Adjustment ( )	(1,504)
Staff's Adjustment	<u>\$ (7,400)</u>

<sup>39</sup> Northeast Woodford District’s Response to Staff’s First Request, Item 11b, 11b\_Commissioner\_Compensation.pdf.

<sup>40</sup> Northeast Woodford District’s Response to Staff’s Second Request, Item 8. Staff believes this to be 2026 however there is no evidence to support this.

Staff recommends the Commission accept Staff's decrease of \$5,696 to Salaries and Wages – Officers, since that is the annualization of the Woodford County Fiscal Court's authorized salaries for the commissioners.

(E) Expenses Related to Meter Installations. In its application, Northeast Woodford District proposed a decrease to Materials and Supplies of \$11,143,<sup>41</sup> to account for the removal of labor used to install the new meters.<sup>42</sup> The USoA requires that costs, such as tap fee expenses, be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.<sup>43</sup> During the test year, Northeast Woodford District had its contractor install seven new connections, and replaced 12 existing malfunctioning meters.<sup>44</sup>

Using the current Tariff rate,<sup>45</sup> Staff calculated the labor cost for the installation of all 19 meters and agrees with Northeast Woodford District's calculation of \$11,143.

Staff made an additional adjustment to account for the full material cost of the installation of the new meters instead of only the cost of the physical meter. Northeast Woodford District provided the cost of the physical meters installed during the test year,<sup>46</sup> and has already capitalized the cost of the 19 physical meters installed during the test

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<sup>41</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment D.

<sup>42</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, References, Adjustment D.

<sup>43</sup> USoA, Accounting Instruction 19 and 33.

<sup>44</sup> Northeast Woodford District's Response to Staff's Third Request, Items 3 and 4.

<sup>45</sup> P.S.C. Ky, unnumbered Sheet, No. 3-4 (issued Jan. 20, 2023), effective Feb. 1, 2023.

<sup>46</sup> Northeast Woodford District's Response to Staff's Third Request, Items 3 and 4.

year.<sup>47</sup> Staff calculated the total material cost for the installation of the new meter connections of \$7,051 and the amount of the physical meter cost already capitalized is \$2,755.<sup>48</sup> Therefore, Staff calculated an additional decrease to Materials and Supplies Expense of \$4,296 to account for the remaining materials cost for the new meters installed. Both the Materials and Labor result in a net decrease to Materials and Supplies of \$15,439; as shown in the following table.

Description	Labor		Material	
	5/8-inch meter	1-inch meter	5/8-inch meter	1-inch meter
Meter Size				
Tariff Costs	\$ 599	\$ 565	\$ 768	\$ 1,103
Number of Replacement meters	10	2	-	-
Number of New Connections	2	5	2	5
Total Number of Meters Installed	12	7	2	5
Total Expenses per meter size	<u>\$ (7,188)</u>	<u>(3,955)</u>	<u>\$ (1,536)</u>	<u>(5,515)</u>
Total Capitalized Expenses		(11,143)		(7,051)
Amount Already Capitalized		-		2,755
Remaining Expense to be Capitalized		<u>\$ (11,143)</u>		<u>(4,296)</u>
Staff's Adjustment				(15,439)
Northeast Woodford District's Proposed Adjustment ( )				11,143
Difference				<u>\$ (4,296)</u>

Staff recommends the Commission accept Staff's proposed net decrease to Materials and Supplies of \$15,439 the adjustment reflects both the proper accounting for water connection labor and material expenses according to the USoA.

(F) Contractual Services – Other. In its application, Northeast Woodford District proposed an increase to Contractual Services – Other of \$20,688,<sup>49</sup> to account for the

<sup>47</sup> Northeast Woodford District's Response to Staff's Third Request, Items 3 and 4.

<sup>48</sup> Based on the information provided using the 5/8" had one cost. However, the 1" meters had two costs. The different was immaterial. Staff used two 1-inch meters at \$550 and three 1-inch meters at \$371 in its calculation of already Capitalized New Meters.

<sup>49</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachments.pdf, Schedule of Adjusted Operations, Adjustment E.

annualization of a new contract providing billing and collection services.<sup>50</sup> During the test year, in June of 2024, Northeast Woodford District signed a contract with United Systems Software to provide billing services. While the contract was signed during the test year, it was not until after the test year, in June 2025, that the United Systems Software was installed and Northeast Woodford District began to make payments in July 2025.<sup>51</sup> The length of the contract is 36 months.<sup>52</sup> The monthly application and service charge payments are \$1,724.<sup>53</sup> Staff agrees with Northeast Woodford District’s proposed increase to Contractual Services – Other of \$20,688 as shown in the following table.

Annual Fee	
Description	Amount
Monthly Billing & Collection - Contract Fee	\$ 1,724
Multiplied by: 12 Months	12
Annual Contract Fee	<u>\$ 20,688</u>

Staff recommends the Commission accept Northeast Wood District’s proposed increase to Contractual Services – Other of \$20,688, since that is the annualization of the new bookkeeping contract between United Systems Software and Northeast Woodford District.

(G) Contractual Services – Other. During the test year, Northeast Woodford District reported \$57,167 of Contractual Services – Other and did not propose an

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<sup>50</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, References, Adjustment E.

<sup>51</sup> Northeast Woodford District’s Response to Staff’s Third Request, Item 1.

<sup>52</sup> Northeast Woodford District’s Response to Staff’s Second Request, Item 1, 1\_Utility\_Process\_Management\_Agreement\_2025, Item 4, page 1.

<sup>53</sup> Northeast Woodford District’s Response to Staff’s Second Request, Item 1, 1\_Utility\_Process\_Management\_Agreement\_2025.

adjustment. This expense category included Telephone Expense as well as the service agreement with Gatewood Water Services<sup>54</sup> Northeast Woodford District provided a list of the services provided by Gatewood Water Service as part of the agreement,<sup>55</sup> as well as the services that were provided on an individual basis.<sup>56</sup> During the test year, Northeast Woodford District paid a monthly fee of \$4,675,<sup>57</sup> which increased to \$5,376 effective January 2026.<sup>58</sup> Prior to January 6, 2026, Gatewood Water Service and Northeast Woodford District did not have a written agreement for the services provided to Northeast Woodford District.<sup>59</sup> Staff calculated an increase to pro forma Contractual Services – Other of \$8,412 to account for the increase in the monthly fee from \$4,675 to \$5,376 as shown in the following table.

Description	Amount
Monthly Fee	\$ 5,376
Previous Monthly Fee ( )	(4,675)
Monthly Fee increase	701
Times 12 Months	12
Annual Increase	<u>\$ 8,412</u>

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<sup>54</sup> Northeast Woodford District's Response to Staff's First Request, Item 3c, 3c\_NWCWD\_TB\_Annual\_Report\_Reconciliatio.xlsx, Cell K44.

<sup>55</sup> Northeast Woodford District's Response to Staff's Third Request, Item 7 7\_Dale\_Gatewood\_Northeast\_Woodford\_Contract.pdf.

<sup>56</sup> Northeast Woodford District's Response to Staff's Third Request, Item 7, 7\_Dale\_Gatewood\_Northeast\_Woodford\_Contract.pdf.

<sup>57</sup> Northeast Woodford District's Response to Staff's Third Request, Item 7.

<sup>58</sup> Northeast Woodford District's Response to Staff's Third Request, Item 7.

<sup>59</sup> Northeast Woodford District's Response to Staff's Third Request, Item 7.

Staff recommends the Commission accept its Staff's increase of \$8,412 to Contractual Services – Other, since that is the annualization of the increase in the contracted monthly rate for services to Northeast Woodford District.

(H) Amortization – Rate Case Expense. In its application, Northeast Woodford District proposed an adjustment to increase Rate Case Expense by \$3,714<sup>60</sup> to reflect the amortization of current rate case expense over three years.<sup>61</sup>

Northeast Woodford District contracted with Kentucky Rural Water Association (KRWA) to assist with the application.<sup>62</sup> KRWA provided an estimated total cost of \$9,335, but not to exceed \$11,200 quote for consulting services to prepare the rate case.<sup>63</sup> Northeast Woodford District then proposed to amortize \$11,143 over three years for an annual amount of \$3,714.<sup>64</sup>

Staff agrees with the recovery of the costs over three years. Staff reviewed the rate study proposal; however, calculated a different amount, recommending adopting the estimated rate case expense of \$9,335 without additional evidence of rate case expense exceeding this amount. Accordingly, Staff determined an annual cost of \$3,112 is required to recover the full cost of the estimated expense, which is a decrease of \$602 from Northeast Woodford District's proposed adjustment, as shown below.

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<sup>60</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment F.

<sup>61</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, References, Adjustment F.

<sup>62</sup> Northeast Woodford District's Response to Staff's First Request, Item 19e.

<sup>63</sup> Northeast Woodford District's Response to Staff's First Request, Item 19, 19a\_KRWA\_Rate\_Study\_Proposal.pdf.

<sup>64</sup> Northeast Woodford District's Response to Staff's Second Request, Item 3, 3\_NWCWD\_Rate\_Model.xlsx.

Description	Amount
Estimated Rate Case Expense	\$ 9,335
Amortization Years	3
Annual Rate Case Expense	3,112
Northeast Woodford District's Adjustment ( )	(3,714)
Staff's Adjustment	<u>\$ (602)</u>

Staff recommends the Commission accept Staff's increase of \$3,112 to Amortization Expense to reflect the recovery of the estimated Rate Case Expense over a three-year period.

(l) Amortization – Billing Software. In its application, Northeast Woodford District proposed an adjustment to increase Amortization Expense by \$8,482<sup>65</sup> to reflect the three-year amortization of the initial installation costs for the billing system over the contract term.<sup>66</sup> During June 2024, Northeast Woodford District signed an agreement for the installation of new billing software with United Systems Software.<sup>67</sup> United System Software installed the customer billing May 2025.<sup>68</sup> Northeast Woodford District submitted the contract for the initial cost of the upgrades needed.<sup>69</sup> Reviewing the contract, Staff calculated a total initial expense of \$25,445. Northeast Woodford District

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<sup>65</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment E.

<sup>66</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, References, Adjustment E.

<sup>67</sup> Northeast Woodford District's Response to Staff's Second Request, Item 1, 1\_Utility\_Process\_Management\_Agreement\_2025.pdf.

<sup>68</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment E.

<sup>69</sup> Northeast Woodford District's Response to Staff's Second Request, Item 1, 1\_Utility\_Process\_Management\_Agreement\_2025.pdf.

proposed to amortize the initial upgrade expense over a three-year contract period.<sup>70</sup> Therefore, Staff agrees with Northeast Woodford District's proposed increase to Amortization Expense of \$8,482 for the cost of the initial billing software fees, as shown in the following table.

Initial Set-up Fee	
Description	Amount
Initial UPM Setup Fee	\$ 1,500
Alliance Remote & Onsite Setup and Technical Services	13,700
Networking Remote & Onsite Setup and Technical Services	9,425
Utility Data Conversion with 2-Years of History	5,510
Original Software Purchase Credit	(4,690)
Total Initial Contract Fees	<u>25,445</u>
Divide by: Contract Period 3-Years	3
Annual Amortization - Setup Fee	<u><u>\$ 8,482</u></u>

Staff recommends the Commission accept Northeast Woodford District's \$8,482 increase to Amortization Expense as well as the three-year period to reflect the amortization of the Billing Software upgrades over a three-year contract term.

(J) Depreciation Expense. In its application, Northeast Woodford District proposed an adjustment to increase Depreciation Expense by \$4,873<sup>71</sup> to adjust the service lives of assets using the National Association of Regulatory Utility Commissioners (NARUC) titled *Depreciation Practices for Small Utilities* (NARUC Study).<sup>72</sup> To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission

<sup>70</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment E.

<sup>71</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment G.

<sup>72</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, References, Adjustment G.

has historically relied upon the NARUC study. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant.<sup>73</sup> Upon examination, Staff agrees with Northeast Woodford District's methodology to adjust Depreciation Expense. However, Staff utilized different service lives from Northeast Woodford District in three sub-categories: Structures and Improvements, Tank Painting, and Computer and Communication Equipment.

Northeast Woodford District calculated the Depreciation Expense for Structures and Improvements and proposed to depreciate them over 40 years.<sup>74</sup> Staff used a 37.5-year service life for Structures and Improvements based on the NARUC study. Northeast Woodford District calculated the Depreciation Expense on Tank Painting utilizing 10-year useful life. In its previous rate case, the Commission found that Northeast Woodford District's tank painting should have a service life of 15 years.<sup>75</sup> Therefore, Staff used the same 15-year service life for tank painting in this case. Finally, Northeast Woodford District calculated the Depreciation Expense on Computer and Communication Equipment over a period of seven years.<sup>76</sup> The NARUC Study recommends a 10-year mid-point service life for Structures and Improvements.

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<sup>73</sup> See Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), Order; Case 2023-00134, *Electronic Application of North Marshall Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC, Dec. 22, 2023), Order at 30; Case 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), Order at 36.

<sup>74</sup> Northeast Woodford District's Response to Staff's First Request, Item 3d, 3d\_NWCWD\_Depreciation\_Schedule\_2024.xlsx.

<sup>75</sup> Case No. 2022-00221, *Electronic Application of Northeast Woodford County Water District for A Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan 4, 2025).

<sup>76</sup> Northeast Woodford District's Response to Staff's First Request, Item 3d, 3d\_NWCWD\_Depreciation\_Schedule\_2024.xlsx.

Staff calculated a Depreciation Expense of \$81,065, as shown in the following table, which is \$3,121 less than the reported test year amount of \$84,186 and \$7,994 less than Northeast Woodford District's proposed \$4,873 increase to Depreciation Expense.

Asset Class	NARUC		Depreciation Adjustment	Pro Forma Depreciation
	Recommended Service Lives	Test Year Depreciation		
Structures and Improvements	35 - 40	\$ 2,101	\$ 5,325	\$ 7,426
Reservoirs & Tanks	30 - 60	24,391	-	24,391
Tank Painting	15	19,915	(6,638)	13,277
Transmission & Distribution Mains	50 - 75	25,709	(827)	24,882
Meters	35 - 45	8,451	49	8,500
Hydrants	40 - 60	32	46	78
Office Furniture and Equipment	20 - 25	-	-	-
Computer and Communication Equipment	10	3,587	(1,076)	2,511
Total Depreciation Expense		<u>\$ 84,186</u>	(3,121)	<u>\$ 81,065</u>
Northeast Woodford District's Adjustment ( )			(4,873)	
Difference			<u>\$ (7,994)</u>	

Staff recommends the Commission accept Staff's \$3,121 decrease to Depreciation Expense because it is a known and measurable change to reflect Depreciation Expense at the recommended NARUC midpoint service lives. Staff recommends the Commission remind the district to review Commission Orders and maintain its accounting and expenses in accordance with those Orders.

(K) Capitalization of Tap Expenses. In the application, Northeast Woodford District proposed to increase Depreciation Expense by \$279<sup>77</sup> to account for the depreciation of \$11,143 in meter installation labor costs in 2024.<sup>78</sup> As discussed in the expenses related to water installations adjustment above, the expenses associated with

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<sup>77</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment H.

<sup>78</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, References, Adjustment H.

the installation of new water connections are capital expenditures that should be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.<sup>79</sup> As stated, during the test year Northeast Woodford District installed 19 new meters, however only seven of the meters, two 5/8-inch meters and seven 1-inch meters, were new connections; the remaining 12 meters were replacements for malfunctioning meters.<sup>80</sup>

Staff agrees with Northeast Woodford District’s calculation for the depreciation of capitalized labor. Northeast Woodford District capitalized the \$6,386 material cost for the new physical meters installed.<sup>81</sup>

Description	Cost Per Meter	Number of Meters	Total
5/8-inch meter	\$ 271	10	\$ 2,710
1-inch meter	371	1	371
1-inch meter	550	1	550
Total		12	\$ 3,631

However, as also discussed in the Expenses related to Meter Installations adjustment above, Staff calculated the full material cost for the new connections and included that in the adjustment to Depreciation Expense. Staff calculated the full material cost for the new meters as \$7,051 and the cost for the replacement meters is \$3,631 for a total of \$10,682 less the \$6,386 already included in the test year depreciation calculation for an increase of \$4,296. Staff then calculated that Depreciation Expense should be

<sup>79</sup> USoA, Accounting Instruction 19 and 33.

<sup>80</sup> Northeast Woodford District's Response to Staff's Third Request, Items 3 and 4.

<sup>81</sup> Northeast Woodford District's Response to Staff's First Request, Item 3d, 3d\_NWCWD\_Depreciation\_Schedule\_2024.xls, Row 62

increased by \$386, which is \$107 more than Northeast Woodford District's proposed \$279 adjustment shown in the following table.

Description	All Meters Labor	New Meter Materials
Test Year Connections Expenses	\$ 11,143	\$ 7,051
New Meter Cost for Replacement Meters		3,631
	11,143	10,682
Already Capitalized ( )	-	(6,386)
	11,143	\$ 4,296
Additional Expense to be Capitalized Divided by Recommended Useful Life	40	40
Adjustment to Depreciation	\$ 279	107
Total Adjustment		386
Northeast Woodford District's Proposed Adjustment ( )		(279)
Staff's Adjustment		\$ 107

Staff recommends the Commission accept Staff's \$386 increase to Depreciation Expense, to account for the proper accounting methodology, for the capitalization of labor costs and the full material costs for meter installations, since the USoA requires the assets to be depreciated over their estimated useful lives.

(L) Taxes Other Than Income – Federal Insurance Contribution Act (FICA).

During the test year, Northeast Woodford District recorded Taxes Other Than Income of \$2,536,<sup>82</sup> which is composed of \$1,280 payroll taxes and \$1,256 PSC Assessments.<sup>83</sup> As explained above, Staff calculated Northeast Woodford District's total Salaries and Wages – Officers of \$10,800. Staff calculated a pro forma Taxes Other Than Income of

<sup>82</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations.

<sup>83</sup> Northeast Woodford District's Response to Staff's First Request, Item 3c, 3c\_NWCWD\_TB\_Annual\_Report\_Reconciliatio.xlsx, Cells K72 and K73.

\$826, which is \$454 less than the \$1,280 test year recorded by Northeast Woodford District, as shown in the following table:

Description	Amount
Total Salaries and Wages	\$ 10,800
Times: 7.65 Percent FICA Rate	7.65%
Pro Forma Payroll Taxes	826
Test Year Payroll Taxes ( )	(1,280)
Total Staff's Adjustment	<u>\$ (454)</u>

Staff recommends the Commission approve its calculated decrease of \$454 to Taxes Other Than Income, because it is a known and measurable change that is a direct result of changes to Salaries and Wages – Officers.

(M) Gain on Sale of Assets. In its application, Northeast Woodford District proposed to decrease Gain/Loss on Sale of Equipment by \$1,700<sup>84</sup> to account for the gain on the sale of assets during the test year.<sup>85</sup> Staff agrees with the proposed adjustment since the sale of equipment is a non-recurring transaction, in the normal course of business and, therefore, should be removed from the test year.

Staff recommends the Commission accept Northeast Woodford District's \$1,700 decrease to Gain/Loss on Sale of Equipment since the sale of equipment will not recur and is, therefore, not representative of the normal course of business.

(N) Nonutility Operating Income – Unrecognized Gain. In its application, Northeast Woodford District proposed to decrease Nonutility Operating Income by

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<sup>84</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment I.

<sup>85</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, References, Adjustment I.

\$23,512<sup>86</sup> to reflect a removal of unrecognized gains on investments as a result of a transition to Edward Jones financial software and explained that these gains are not a recurring event.<sup>87</sup> In 2024, Northeast Woodford District switched to Edward Jones financial software, Edward Jones recognized the value of the investment on the date it is installed, including any unrecognized gains.<sup>88</sup> On December 31, 2024 the fair market value of its investments was \$498,648 and the prior year's value was \$475,128 resulting in an unrecognized gain of \$23,512.<sup>89</sup>

The recognition of unrecognized gains or losses is a non-cash item and is made to adjust the proper balance to the asset account on the balance sheet and is neither an expense nor a revenue to Northeast Woodford District. These amounts should not be included in Nonutility Income for ratemaking purposes. Therefore, Staff agrees with Northeast Woodford District's decrease to Nonutility Income Operating Income of \$23,512, since unrecognized gains or losses do not involve actual transactions involving incomes or expenses and are simply bookkeeping transactions until the gain becomes recognized.

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<sup>86</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment J.

<sup>87</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, References, Adjustment J.

<sup>88</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment I.

<sup>89</sup> Application, Attachment 4, 4\_\_SAO\_-With\_Attachents.pdf, Schedule of Adjusted Operations, Adjustment I.

OVERALL REVENUE REQUIREMENT

In the application, Northeast Woodford District proposed to calculate the Revenue Requirement using the OR methodology.<sup>90</sup> The OR methodology<sup>91</sup> is used when there is no basis for a rate of return determination, the cost of the utility has fully or largely been funded through contributions, or there is little or no outstanding long-term debt. The OR methodology is used to provide the utility with the necessary working capital to operate effectively. Staff has historically used an OR of 88 percent to calculate the additional working capital. If the Commission used the Debt Service Recovery methodology, Northeast Woodford District would recover \$73,408 for the Debt Service and Additional Working Capital, as shown in the following table.

Description	Amounts
Average Annual Principal and Interest	\$ 61,173
Additional Working Capital	12,235
Total Additional Working Capital	<u>\$ 73,408</u>

In contrast, the OR methodology provides \$106,319 additional working capital.<sup>92</sup> Due to Northeast Woodford District’s calculated debt service requirement, the Additional Working Capital from the debt service recovery methodology would not provide Northeast Woodford District with sufficient working capital to operate effectively to provide adequate,

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<sup>90</sup> Application, Attachment 5, 5\_Revenue\_Requirement.pdf, Revenue Requirement – Operating Ratio.

<sup>91</sup> Operating Ratio is defined as the ratio of expenses, including depreciation and taxes, to gross revenues. It is illustrated by the following equation:

$$\text{Operating Ratio} = \frac{\text{Operating Expenses} + \text{Depreciation} + \text{Taxes}}{\text{Gross Revenues}}$$

<sup>92</sup> Pro Forma Operating Expenses \$2,244,604 / 88 Operating Ratio Percent = \$2,550,686 Sub-Total. Sub-Total \$2,550,686 – Pro Forma Operating Expenses \$2,244,604 = \$306,082 Additional Working Capital.

efficient, and reasonable service. Therefore, Staff used the OR methodology to calculate the revenue requirement for Northeast Woodford District.

By applying the OR methodology, Staff calculated Northeast Woodford District's revenue requirement to be \$874,075. A revenue increase of \$89,734, or 11.44 percent, is necessary to generate the overall revenue requirement of \$899,752.

Description	Northeast Woodford District	Commission Staff
Pro Forma Operating Expenses	\$ 792,181	\$ 779,675
Divide Operating Ratio	88%	88%
Subtotal	900,206	885,994
Average Annual Interest Expense	13,758	13,758
Total Revenue Requirement	913,964	899,752
Other Operating Revenue ( )	(25,814)	(24,374)
Interest Income ( )	(1,303)	(1,303)
Revenue Required from Rates	886,847	874,075
Normalized Revenues from Water Sales ( )	(784,341)	(784,341)
Required Revenue Increase	<u>\$ 102,506</u>	<u>\$ 89,734</u>
Percentage Increase	<u>13.07%</u>	<u>11.44%</u>

1. Average Annual Interest and Fees Payments. As discussed above, at the time of Staff's review, Northeast Woodford District had one outstanding RD loan<sup>93</sup> and one outstanding KIA loan.<sup>94</sup> Northeast Woodford District provided the amortization schedules for its outstanding debt.<sup>95</sup> Using the amortization tables, Staff calculated the

<sup>93</sup> Case No. 1995-00149, *In the Matter of the Application of Northeast Woodford County Water District of Woodford County, Kentucky, for a Certificate of Public Convenience and Necessity to Construct, Finance, and Increase Rates Pursuant to KRS 278.023* (Ky. PSC May 17, 1995).

<sup>94</sup> Case No. 2018-00351, *Electronic Application of The Northeast Woodford County Water District for a Certificate of Public Convenience and Necessity for Proposed Waterworks Improvements and for Authorization to Execute an Assistance Agreement with the Kentucky Infrastructure Authority to Finance Those Improvements* (Ky. PSC Nov. 6, 2018).

<sup>95</sup> Application, Attachment 10, 10\_Debt\_Amortization\_Schedule.pdf.

average annual interest on a five-year average for the years 2026 through 2030. Staff calculated an average Interest Expense of \$13,758 as shown in the following table.

Debt	2026	2027	2028	2029	2030	Total
RD Bond	\$ 11,471	\$ 10,091	\$ 8,625	\$ 7,073	\$ 5,405	\$ 42,665
KIA Loan	5,866	5,551	5,231	4,904	4,572	26,124
Totals	<u>\$ 17,337</u>	<u>\$ 15,642</u>	<u>\$ 13,856</u>	<u>\$ 11,977</u>	<u>\$ 9,977</u>	<u>\$ 68,789</u>
Divided by 5 Years						5
Average Annual Interest Payments						<u>\$ 13,758</u>

Staff recommends the Commission accept Northeast Woodford District inclusion of \$13,758 to the Revenue Requirement to account for the average annual interest payments because the OR methodology allows for the recovery of Interest payments.

#### STAFF COMMENTS

1. In its review of Northeast Woodford District’s tariff Staff identified no tariff rate for the 1-inch meter connection<sup>96</sup> or a 2-inch Tap-on fee.<sup>97</sup> In response to Staff’s Report Northeast Woodford District should confirm if any of its customers receive service from 1-inch meters, or if any customers have had a 2-inch meter connected. If confirmed, Northeast Woodford District should propose any necessary amendments to the applicable portions of its tariff.

2. In Northeast Woodford District’s Customer Notice the average monthly usage listed for a 3/4-Inch by 5/8-Inch Meter was 13,919 gallons.<sup>98</sup> In response to Staff’s inquiry about the higher usage in this meter class, Northeast Woodford District responded

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<sup>96</sup> P.S.C. unnumbered Ky No, Sheet No. 3, 4<sup>th</sup> Revision.

<sup>97</sup> P.S.C. unnumbered Ky No, Sheet No. 3, 4<sup>th</sup> Revision.

<sup>98</sup> Application, 1\_Customer Notice.pdf.

that customers using the 3/4-Inch by 5/8-Inch Meter included several horse farms.<sup>99</sup> Staff recommends that Northeast Woodford District amend its rate design to include a separate rate class for horse farms, such as Commercial, as a farm is essentially a business and not residential. Adding a Commercial rate class would clarify the revenue impact and identify specific revenue streams.

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<sup>99</sup> Northeast Woodford District's Response to Staff's Third Request, Item 2a.

Signatures

/s/ William Foley

Prepared by: William M. Foley  
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. 2025-00347 DATED MAR 09 2026

\* Denotes Rounding

**Nonrecurring Charges Adjustments**

	Reconnection Fee/Service Charge Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$42.00 at .833 hours)	\$35.00	
Office Supplies	\$0.60	\$0.60
Office Labor	\$15.00	
Transportation	\$15.00	\$22.00
Misc.		
Total Revised Charge*	<u>\$65.60</u>	<u>\$22.00</u>
Current Rate	\$69.00	
	Returned Check Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor		
Office Supplies	\$5.00	\$5.00
Office Labor	\$25.00	
Transportation		
Misc.		
Total Revised Charge	<u>\$30.00</u>	<u>\$5.00</u>
Current Rate	\$5.00	

APPENDIX B

APPENDIX TO STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00347 DATED MAR 09 2026

The following rates and charges are recommended by Staff based on the adjustments in Staff's Report for the customers in the area served by Northeast Woodford 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	\$	16.88 Minimum Bill
Next	2,000 Gallons		0.00558 Per Gallon
Next	6,000 Gallons		0.00518 Per Gallon
Over	10,000 Gallons		0.00492 Per Gallon

2-Inch Meter

First	20,000 Gallons	\$	109.08 Minimum Bill
Over	20,000 Gallons		0.00492 Per Gallon

Connection Fee

5/8- x 3/4-Inch Water Tap On	\$1,366.96
1-Inch Water Tap On	\$1,668.10

Nonrecurring Charges

Reconnection Fee/Service Charge	\$22.00
Returned Check Charge	\$5.00
Meter Deposit per Service Address	\$26.62

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