

***ANALYSIS AND RECOMMENDATIONS
FOR
WATER RATES***

JESSAMINE COUNTY WATER DISTRICT #1

April 5, 2024

Prepared by
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EXECUTIVE SUMMARY

Jessamine County Water District #1 requested that Kentucky Rural Water Association perform a water rate study and assist with an application to the Public Service Commission using Alternative Rate Filing procedures. The study is complete. A summary of the results is presented in this report.

In accordance with PSC regulations, the study is based on the most recent Annual Report on file with the Commission; in this case, the test period is calendar year 2022. The Schedule of Adjusted Operations (SAO) lists the revenues and expenses for 2022 and applies required adjustments. The adjustments are to recognize any changes in operations after the test year and include certain other items that are commonly required by the PSC. Total pro forma operating revenues for the district are \$2,688,659 and total pro forma operating expenses are \$2,225,210.

The SAO also shows the computations for Revenue Requirements. Utilizing the Operating Ratio method accepted by the PSC, the total Revenue Required from Sales of Water comes to \$2,494,925. This is \$83,493 below existing pro forma sales of \$2,578,418 and indicates the current rates are 3.24 percent above the Revenue Required from Sales of Water.

Computations for the specific adjustments for Jessamine County Water District #1 from this study are included in the SAO with details for each adjustment provided in the Reference page. Adjustments to depreciation expense are set out in Table A. The debt service and average interest expense is set out in Table B. Based on the study Jessamine County Water District #1 current rates are sufficient, the recommendation is that Jessamine County Water District #1 not request a rate adjustment at this time. Therefore, there is no calculation of the comparison of current and proposed rates.

SCHEDULE OF ADJUSTED OPERATIONS

Jessamine County Water District #1

2022

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Proforma</u>
<u>Operating Revenues</u>				
Total Metered Retail Sales	2,407,311	(28,810)	A	
		199,917	B	2,578,418
Other Water Revenues:				
Forfeited Discounts	30,645			30,645
Fire Protection		28,810	A	
		(5,800)	C	23,010
Other Water Revenues	<u>56,586</u>			<u>56,586</u>
Total Operating Revenues	<u>2,494,542</u>			<u>2,688,659</u>
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	105,560	21,120	D	126,680
Salaries and Wages - Officers	18,000			
Employee Pensions and Benefits	35,880	(2,704)	E	33,176
Insurance -Health, Gen. Liab. & Workers Comp.				
Purchased Water	1,075,232	68,419	F	1,143,651
Purchased Power				-
Materials and Supplies				
Contractual Services-Eng.	88,700			88,700
Contractual Services-Acct.	44,684			44,684
Contractual Services	166,963	6,280	G	173,243
Rental of Bld./Real Property	28,559			28,559
Water Testing	147,820			147,820
Insurance	23,915			23,915
Bad Debt	1,749			1,749
Miscellaneous Expenses	<u>125,699</u>			<u>125,699</u>
Total Operation and Maintenance Expense	1,862,761			1,955,876
Depreciation Expense	329,836	(77,603)	H	252,233
Taxes Other Than Income	12,735	1,616	I	14,351
Amortization		2,750	J	<u>2,750</u>
Total Operating Expenses	<u>2,205,332</u>			<u>2,225,210</u>
Total Utility Operating Income	289,210			463,449

REVENUE REQUIREMENTS

Operating Ratio Method

Pro Forma Operating Expenses				2,225,210
Divide Operating expenses by Operating Ratio of 88%			K	<u>88%</u>
				\$ 2,528,648
Plus Average interest expense				<u>81,252</u>
Total Revenue Requirement				2,609,899
Less: Other Operating Revenue				110,241
Private Fire Protection				-
Interest Income				<u>4,733</u>
Revenue Required From Sales of Water				2,494,925
Less: Revenue from Sales with Present Rates				<u>2,578,418</u>
Required Revenue Increase				(83,493)
Percent Decrease				-3.24%

REFERENCES

- A Reclassify Fire Protection revenues included in metered sales
- B Adjust metered sales to test year billing analysis
- C Decrease reported Fire Protection revenues \$5,800 contractor tap fee included in revenues
- D Since 2022, there have been increase in wage rates, and an additional employee, resulting in an annual wage increase of \$21,120.
- E Net decrease in allowable health insurance expense reflecting PSC policy and premium increase.
- F The utility's wholesale water supplier increased its rate to the utility resulting in an annual increase of \$68,419 in purchased water expense.
- G Increase due to contractor fee increases, meter reading \$3,322, Hydrant flushing \$2500, lab trips \$280, water samples \$98, Meter data report \$80.
- H The PSC requires adjustments to a water utility's depreciation expense when asset lives fall outside the ranges recommended by NARUC in its publication titled "Depreciation Practices for small utilities". Therefore, adjustments are included to bring asset lives to the midpoint of the recommended ranges, depreciation expense was reduced by \$77,603. See Table A.
- I Increased salaries results in increased payroll taxes of \$1,616.
- J Amortization of rate case expense \$8,250 over three years
- K Revenue requirement is computed using the Operating Ratio Method. This method is used when systems have little or no debt.

TABLE A
DEPRECIATION EXPENSE ADJUSTMENTS
Jessamine County Water District #1

<u>Asset</u>	<u>Date in Service</u>	<u>Original Cost *</u>	<u>Reported Life</u>	<u>Depr. Exp.</u>	<u>Proforma Life</u>	<u>Depr. Exp.</u>	<u>Depreciation Expense Adjustment</u>
<u>General Plant</u>							
Structures & Improvements	various	\$ 517,157	40	12,931	37.5	13,791	860
<u>Pumping Plant</u>							
Structures & Improvements		\$ 169,477	40	4,237	37.5	4,519	282
Telemetry**		\$ (25,009)	10	(2,501)	10.0	(2,501)	0
<u>Transmission & Distribution Plant</u>							
Hydrants	various	\$ 27,000	40	676	50.0	540	(136)
Transmission & Distribution Mains	various	\$ 3,620,696	40	96,410	62.5	57,931	(38,479)
Meter Change-outs	various	\$ 779,395	10	77,941	15.0	51,960	(25,981)
Services	various	\$ 511,723	40	12,792	40.0	12,793	1
Reservoirs & Tanks	various	\$ 5,094,014	40	127,350	45.0	113,200	(14,150)
<u>Transportation Equipment</u>							
Entire Group	various		varies		7.0	-	-
TOTALS		\$ 10,694,452		\$ 329,836		\$ 252,233	\$ (77,603)

* Includes only costs associated with assets that contributed to depreciation expense in the test year.

** Obsolete equipment discarded

TABLE B
DEBT SERVICE SCHEDULE
Jessamine County Water District #1
CY 2024 - 2028

	CY 2024		CY 2025		CY 2026		CY 2027		CY 2028		TOTALS
	Interest		Interest		Interest		Interest		Interest		
	Principal	& Fees	Principal	& Fees	Principal	& Fees	Principal	& Fees	Principal	& Fees	
Oct 1, 2016 Loan 91-07	6,500	8,538	6,500	8,384	7,000	8,218	7,000	8,051	7,500	7,873	75,564
Oct 1, 2016 Loan 91-06	15,500	20,116	16,000	19,736	16,500	19,344	17,000	18,941	17,500	18,525	179,162
Series B 91-05	8,100	9,570	8,500	9,165	8,900	8,740	9,400	8,295	9,800	7,825	88,295
Series 2001	12,000	322									12,322
Series 2012 E	35,000	26,705	35,000	25,585	40,000	24,465	40,000	23,185	40,000	21,905	311,845
CPAP Bond	16,000	21,250	16,000	20,910	17,000	20,570	17,000	20,200	18,000	19,840	186,770
TOTALS	93,100	86,501	82,000	83,780	89,400	81,337	90,400	78,672	92,800	75,968	853,958
5 YR Average Annual Principal & Interest											\$ 170,792
5 YR Average Annual Coverage											\$ 34,158
5 year Average interest& Fees											\$ 81,252