

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)	
MOUNTAIN WATER DISTRICT FOR A)	CASE NO. 2022-00366
GENERAL ADJUSTMENT OF WATER)	
RATES)	

APPLICATION FOR REHEARING

Mountain Water District (“Mountain District”) applies to the Public Service Commission (“the Commission”) for rehearing of the Commission’s Order of October 31, 2023 with respect to the implementation of the approved rate adjustment in three phases. It respectfully submits the Commission mistakenly found that Mountain District requested a phase-in of rates for water service and further submits that the ordered phased-in results in confiscatory rates in violation of KRS 278.030.

In its Order of October 31, 2023, the Commission found that Mountain District required revenue of **\$10,513,769** from water sales and an increase of **\$2,238,883** in revenue from proforma water sales of \$8,559,379 to meet this revenue requirement.¹ It ordered that the increase be phased in over a two-year period in three phases. To support its decision to implement the rate increase in three phases, the Commission refers to Mountain District Board of Commissioners Resolution 23-02-001² and states that Mountain District proposed such an implementation plan.³ This finding is clearly in error.

¹ Order of October 31, 2023 at 26.

² *Id.* at 38, fn. 120.

³ *Id.* at 38 (“The Commission instead finds that a rate design should be utilized that sets a customer charge and volumetric rate for each meter size and **to maintain Mountain District’s proposal to phase-in the rates over three-year.**”) (emphasis added).

In this proceeding, Mountain District **has not requested a phase-in of any water rates.** In the tariff sheets reflecting Mountain District's proposed water rates, which were an exhibit to its Application for Rate Adjustment⁴ and which are attached to this Application for Rehearing as **Exhibit A**, Mountain District requested that its proposed rates take effect immediately upon approval. No phase-in of rates was proposed. Only one set of rates was listed.

Resolution 23-02-001, a copy of which is attached as **Exhibit B** to this Application, does not mention any phase-in of Mountain District's proposed water rates. The Resolution authorizes an application for **proposed sewer rates to be implemented in three phases.** The Resolution provides in relevant part:

WHEREAS Mountain Water District's review of its sewer operations suggests that, under the methodology that Public Service Commission has historically used to establish rates for water districts its rates for sewer service should be increased to produce additional revenues of \$1,042,196, or approximately 49.73 percent over revenues for the period from July 1, 2021 to June 30, 2022 is required;

WHEREAS, given the magnitude of the required increase in rates for sewer service, such increase should be implemented in three phases;

As to the proposed increase in water service rates, the Resolution provides:

WHEREAS Mountain Water District's review of its water operations suggest that an increase in water rates sufficient to produce additional revenues of at least \$2,093,536, or approximately 25.28 percent over revenues from water rates for the period from July 1, 2021 to June 30, 2022 is required;

WHEREAS the rates for water service set forth in Exhibit A to this Resolution will produce the required increase in revenues for Mountain Water District's water operations;

The proposed rates for water service attached to the Resolution contain only one set of proposed rates. No phase-in of rates for water service is proposed or requested.

⁴ Application, Exhibit 2.

KRS 278.030(1) provides that “[e]very utility may demand, collect and receive fair, just and reasonable rates for the services rendered or to be rendered by it.” The Kentucky Supreme Court has found that a confiscatory rate is a rate that produces insufficient revenue to recover a utility’s operating expenses or capital costs, including service on debt, and depreciation expense.⁵ “A confiscatory rate is one that is unjust and unreasonable.”⁶ The “rates established by a regulatory agency must enable the utility to operate successfully and maintain its financial integrity in order to meet the just and reasonable nonconfiscatory tests.”⁷

The first and second phase rates are confiscatory rates. By the Commission’s own calculation, Mountain District requires revenues from water sales of **\$10,513,769** to meet its reasonable operating expenses, recover depreciation expense, meet the principal and interest payments of its long-term debts, and provide for working capital. Neither the approved Phase 1 rates nor Phase 2 rates will generate that level of revenue. The Phase 1 rates will generate only **\$9,029,141.42** in revenues from water sales and the Phase 2 rates will generate only **\$9,798,809.67**. (Exhibit C to this Application for Rehearing shows the annual revenues from water sales that each rate phase will produce.)⁸

⁵ *Com. ex rel. Stephens v. South Central Bell Telephone Co.*, 545 S.W.2d 927 (Ky. 1976); *Public Service Commission of Kentucky v. Dewitt Water District*, 720 S.W.2d 725 (Ky. 1986).

⁶ *South Central Bell Telephone Co.*, 545 S.W.2d at 930.

⁷ *DeWitt Water District*, 720 S.W. 2d at 730.

⁸ Exhibit C shows that the approved Phase 3 rates will produce revenues of \$10,532,173, or \$18,404 in excess of the Commission-determined revenue from water sales of \$10,513,769. This excess amount, however, is offset by an error in the Order’s Operating Income Adjustments. In the Order, the Commission increased test period retail sales by \$100,902 to normalize retail water sales. Order of October 31, 2023 at 5. In its application, Mountain District had proposed the adjustment to reflect an increase in Mountain District’s rates resulting from a purchased water adjustment that occurred on December 10, 2022. Application, Exhibit 6. Subsequently, Mountain District reported to the Commission that the adjustment was in error and that the retail water sales should only be increased by \$70,537. See Mountain Water District’s Response to Commission Staff’s Second Request for Information, Question 11. A copy of this response is attached to this Application for Rehearing as **Exhibit D**. The correction of this error increases the revenues required from proforma water sales by \$30,365.

Mountain District acknowledges that the Order of October 31, 2023 authorizes the collection of a water loss surcharge of \$1.72 per customer that the Commission estimates will generate \$341,129 annually for four years. The use of the proceeds from this surcharge, however, is restricted. The proceeds may be used only for water loss reduction purposes and their expenditure must receive prior Commission approval. They cannot be used for normal operating expenses or principal or interest payments on Mountain District's long-term debt.

If the Order of October 31, 2023 remains in its current form, the phase-in of approved water rates will adversely affect Mountain District's financial condition. The phase-in of rates deprives Mountain District of approximately **\$2,236,794 of critically needed revenue** during the next two years. As it has previously advised the Commission, Mountain District's financial position has been severely strained as a result of the flooding and other weather-related events that eastern Kentucky has experienced in the last year, as well as significant increases in the cost of parts and materials, electric power and fuel. It is experiencing difficulty in timely paying its vendors and has been considering extraordinary measures to continue operations. It requires the full amount of the approved increase now.

During the hearing in this matter, the Commission was critical of Mountain District's leadership for failing to request rate relief earlier in the face of several years of operating losses. Ironically, the Order of October 31, 2023 does exactly the same. It delays the full implementation of rates necessary to generate the revenue necessary to maintain Mountain District's financial integrity. For the very same reasons an application for rate adjustment should have been submitted earlier, the Phase 3 rates should be placed into effect now rather than two years from now.

WHEREFORE, Mountain District requests that the Commission promptly grant rehearing on its Order of October 31, 2023 and amend that Order to allow the Phase 3 rates for water service to become effective immediately.

Dated: November 9, 2023

Respectfully submitted,

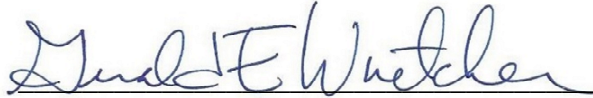


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Counsel for Mountain Water District

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8 and the Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was transmitted to the Public Service Commission on November 9, 2023 and that no parties have been excused from electronic filing procedures.



Counsel for Mountain Water District

EXHIBIT A

AREA Entire Service Territory

PSC KY NO. 3

4th Revised SHEET NO. 2

Mountain Water District

CANCELLING PSC KY NO. 3

3rd Revised SHEET NO. 2

RATES AND CHARGES

Monthly Water Rates

Residential

First 2,000 Gallons \$ 28.23 Minimum Bill (I)
Over 2,000 Gallons \$ 11.76 Per 1,000 Gallons (I)

Commercial

3/4-Inch Meter (First 2,000 Gallons) \$ 33.00 Minimum Bill (I)
1-Inch Meter (First 5,000 Gallons) \$ 63.09 Minimum Bill (I)
2-Inch Meter (First 16,000 Gallons) \$ 173.42 Minimum Bill (I)
3-Inch Meter (First 32,000 Gallons) \$ 333.90 Minimum Bill (I)
4-Inch Meter (First 50,000 Gallons) \$ 514.44 Minimum Bill (I)
6-Inch Meter (First 100,000 Gallons) \$1,015.94 Minimum Bill (I)
Over Minimum Bill Volume \$ 10.03 Per 1,000 Gallons (I)

Industrial

1-Inch Meter (First 5,000 Gallons) \$ 106.08 Minimum Bill (I)
2-Inch Meter (First 16,000 Gallons) \$ 229.39 Minimum Bill (I)
3-Inch Meter (First 32,000 Gallons) \$ 408.75 Minimum Bill (I)
4-Inch Meter (First 50,000 Gallons) \$ 610.53 Minimum Bill (I)
6-Inch Meter (First 100,000 Gallons) \$1,171.03 Minimum Bill (I)
Over Minimum Bill Volume \$ 11.21 Per 1,000 Gallons (I)

Public Authority

3/4-Inch Meter (First 2,000 Gallons) \$ 48.05 Minimum Bill (I)
1-Inch Meter (First 5,000 Gallons) \$ 77.00 Minimum Bill (I)
2-Inch Meter (First 16,000 Gallons) \$ 183.15 Minimum Bill (I)
3-Inch Meter (First 32,000 Gallons) \$ 337.55 Minimum Bill (I)
4-Inch Meter (First 50,000 Gallons) \$ 511.25 Minimum Bill (I)
6-Inch Meter (First 100,000 Gallons) \$ 993.75 Minimum Bill (I)
Over Minimum Bill Volume \$ 9.65 Per 1,000 Gallons (I)

Martin County Water District \$ 3.90 Per 1,000 Gallons (I)
Mingo County Public Service District \$ 5.83 Per 1,000 Gallons (I)
Jenkins Utilities
First 50,000 Gallons Per Day \$ 3.90 Per 1,000 Gallons (I)
Over 50,000 Gallons Per Day 4.40 Per 1,000 Gallons (I)

DATE OF ISSUE February 17, 2023
MONTH / DATE / YEAR

DATE EFFECTIVE March 20, 2023
MONTH / DATE / YEAR

ISSUED BY /s/Randy Tackett
SIGNATURE OF OFFICER

TITLE Chair

BY AUTHORITY OF ORDERS OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. _____ DATED _____

AREA Entire Service Territory

PSC KY NO. 3

Original SHEET NO. 2.1

Mountain Water District

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

RATES AND CHARGES

City of Elkhorn		
First 215,000 Gallons Per Day	\$ 3.67 Per 1,000 Gallons	(I)
Over 215,000 Gallons Per Day	3.90 Per 1,000 Gallons	(I)

Water withdrawn from a hydrant and water withdrawn for construction shall be charged at the lowest rate in the current rate schedule.

Customer Classifications: (N)

“Commercial sales” means sales to private schools, colleges, hospitals, private educational, cultural, social or religious organizations, business or manufacturing establishments if the water is not used principally in manufacturing or processing functions. (N)

“Industrial sales” means sales to manufacturing of processing establishments if the water is used principally in manufacturing or processing function (N)

“Residential Sales” means sales to single premise residences or to multiple premises residences in which each premises is served through a single meter and to multiple premises residences served through a single Meter if the usage is primary for residential purposes and to churches (N)

“Public Authority Sales” means sales to municipal, county, state or federal agencies (other than the sales of water for resale). Examples under this category are city buildings, public schools, public housing developments, libraries and hospitals, fire stations, county, state and federal buildings and agencies. (N)

DATE OF ISSUE February 17, 2023
MONTH / DATE / YEAR

DATE EFFECTIVE March 20, 2023
MONTH / DATE / YEAR

ISSUED BY /s/Randy Tackett
SIGNATURE OF OFFICER

TITLE Chair

BY AUTHORITY OF ORDERS OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. _____ DATED _____

AREA Entire Service Territory

PSC KY NO. 3

Original SHEET NO. 2.2

Mountain Water District

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

RATES AND CHARGES

Water Infrastructure Improvement Surcharge

Water Infrastructure Improvement Surcharge

\$5.61 Monthly Per Bill

Mountain Water District (“the District”) shall assess the Water Infrastructure Improvement Surcharge to all customers for service rendered on and after the effective date for a period of 36 months subject to the following conditions:

1. The District will deposit and maintain all surcharge proceeds in a separate, interest-bearing account.
2. Beginning the second month following the effective day and continuing for the next 35 months or until all surcharge proceeds are expended, whichever occurs later, the District shall file with the Commission a monthly activity report, which includes a statement of monthly surcharge billings and collections; a monthly surcharge bank statement; a list of each payment from the account, its payee and a description of its purpose; and invoices supporting each payment, no later than the 15th day of the following month.
3. Beginning for the month following the effective date and continuing for the next 35 months or until all surcharge proceeds are expended, whichever occurs later, the District file with the Commission a water loss report for the month no later than the 15th day of the following month.
4. Surcharge proceeds may not be used for expenses incurred prior to effective date.
5. The Surcharge shall be billed as a separate line item on all customer bills.
6. The District shall obtain Public Service Commission approval for the use of surcharge proceeds for a specific water infrastructure improvement and water loss control activity prior to the expenditure of surcharge proceeds for such improvement or activity.

DATE OF ISSUE February 17, 2023
MONTH / DATE / YEAR

DATE EFFECTIVE March 20, 2023
MONTH / DATE / YEAR

ISSUED BY /s/Randy Tackett
SIGNATURE OF OFFICER

TITLE Chair

BY AUTHORITY OF ORDERS OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. _____ DATED _____

AREA Entire Service Territory

PSC KY NO. 3

Original SHEET NO. 2.3

Mountain Water District

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

RATES AND CHARGES

Water Infrastructure Improvement Surcharge

7. Each year following the effective date of the surcharge, the District shall submit to the Public Service Commission a schedule of the estimated and actual progress of its Water Infrastructure Improvement Program and the estimated and actual surcharge expenditures.

8. Should the District fail to reduce its unaccounted-for water loss level to fifteen (15) percent or less of total water produced and purchased, excluding water used by the District in its own operations within 36 months of the effective date, the District may request an extension of the period in which the surcharge may be assessed and collected.

DATE OF ISSUE February 17, 2023
MONTH / DATE / YEAR

DATE EFFECTIVE March 20, 2023
MONTH / DATE / YEAR

ISSUED BY /s/Randy Tackett
SIGNATURE OF OFFICER

TITLE Chair

BY AUTHORITY OF ORDERS OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. _____ DATED _____

AREA Entire Service Territory

PSC KY NO. 3

First Revised SHEET NO. 8

Mountain Water District

CANCELLING PSC KY NO. 8

Original SHEET NO. 8

CLASSIFICATION OF SERVICE

**Monthly Usage Charge for Special Service
Through A Multi-Unit Master Meter**

The monthly charge for customers who have requested water service through a master meter for multi-unit service shall be the amount based on the average gallons used per unit at the current rate schedule, times the number of units in the multiple-unit facility.

(T)

DATE OF ISSUE February 17, 2023
MONTH / DATE / YEAR

DATE EFFECTIVE March 20, 2023
MONTH / DATE / YEAR

ISSUED BY /s/Randy Tackett
SIGNATURE OF OFFICER

TITLE Chair

BY AUTHORITY OF ORDERS OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. _____ DATED _____

EXHIBIT B

RESOLUTION
23-02-001

**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF
MOUNTAIN WATER DISTRICT AUTHORIZING AN APPLICATION
TO THE KENTUCKY PUBLIC SERVICE COMMISSION FOR
AUTHORITY TO ADJUST RATES FOR WATER AND SEWER
SERVICE**

WHEREAS, Mountain Water District is a water district created pursuant to the provisions of KRS Chapter 74;

WHEREAS, pursuant to KRS 278.015, the Kentucky General Assembly has declared water districts to be public utilities and subject to the jurisdiction of the Kentucky Public Service Commission in the same manner and to the same extent as any other utility as defined in KRS 278.010;

WHEREAS, on December 13, 2021, in Case No. 2021-00412, the Kentucky Public Service Commission ordered Mountain Water District to file an application for rate adjustment no later than December 28, 2022;

WHEREAS, the Kentucky Public Service Commission subsequently granted Mountain Water District's request for an additional time to prepare and to submit its applications for rate adjustments;

WHEREAS, Mountain Water District has caused to be prepared rate reviews using the ratemaking methodology that the Kentucky Public Service Commission has historically employed for water districts to establish the appropriate level of revenue from its rates for water and sewer service and those reviews indicate that Mountain Water District's present rates for water and sewer service are producing less than the level of revenue required to meet Mountain Water District's operating expenses, service its debt obligations and provide for adequate working capital and that an adjustment of Mountain Water District's current rates for water and sewer services is necessary to ensure adequate and reliable service;

WHEREAS Mountain Water District's review of its water operations suggest that an increase in water rates sufficient to produce additional revenues of at least \$2,093,536, or approximately 25.28 percent over revenues from water rates for the period from July 1, 2021 to June 30, 2022 is required;

WHEREAS, the rates for water service set forth in Exhibit A to this Resolution will produce the required increase in revenues for Mountain Water District's water operations;

WHEREAS, Mountain Water District's review of its sewer operations suggests that, under the methodology that Public Service Commission has historically used to establish rates for water districts its rates for sewer service should be increased to produce additional revenues of \$1,042,196, or approximately 49.73 percent over revenues for the period from July 1, 2021 to June 30, 2022 is required;

WHEREAS, given the magnitude of the required increase in rates for sewer service, such increase should be implemented in three phases,

WHEREAS, the Phase 3 rates for sewer service set forth in Exhibit B to this Resolution will produce an increase in revenues of 1,042,196 for Mountain Water District's sewer operations, which will be adequate for the sewer operations to meet its operating expenses, service its debt obligations, and provide for adequate working capital;

WHEREAS, Mountain Water District experienced unaccounted-for water loss of 27.3 percent for the period from July 1, 2021 to June 30, 2022 and has consistently experienced higher levels of unaccounted-for in every prior year since 2010;

WHEREAS, Mountain Water District requires improvements to its water infrastructure to reduce its water loss and to contain and reduce its costs to produce and transport water to its customers;

WHEREAS, Mountain Water District finds that a water infrastructure improvement program should be implemented and that this program should be funded through a temporary surcharge of \$5.61 assessed monthly on all Mountain Water District water service customers for 36 months, and

WHEREAS, KRS 278.180 and 807 KAR 5:001 require Mountain District to serve notice of its proposed rate adjustments on and to make applications for rate adjustment to the Kentucky Public Service Commission;

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF MOUNTAIN WATER DISTRICT AS FOLLOWS:

Section 1. The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

Section 2. The Chairman is authorized and directed to take all actions reasonably necessary to apply to the Kentucky Public Service Commission, pursuant to KRS 278.180 and 807 KAR 5:001, for authority to adjust Mountain Water District's rates for water and sewer service to those set forth in Exhibits A and B to this Resolution.

Section 3. The Chairman, or his designated agent, is hereby authorized and directed to execute applications to the Kentucky Public Service Commission necessary to obtain an adjustment of rates for water and sewer service.

ADOPTED BY THE BOARD OF COMMISSIONERS OF MOUNTAIN WATER DISTRICT at a meeting held on February 13, 2023, signed by the Chairman, and attested by the Secretary.

Randy L. Tackett, PE
Chairman

ATTEST:

Paul Chaney
Secretary

EXHIBIT A

**EXHIBIT TO A RESOLUTION OF THE BOARD OF COMMISSIONERS
OF MOUNTAIN WATER DISTRICT DATED FEBRUARY 13, 2023**

Water Service Rates		
Residential		
First 2,000 Gallons	\$28.23 Minimum Bill	
Over 2,000 Gallons	\$11.76 Per 1,000 Gallons	
Commercial Customers		
Meter Size	Minimum Bill	Minimum Includes
5/8-Inch Meter	\$ 33.00	First 2,000 Gallons
1-Inch Meter	\$ 63.09	First 5,000 Gallons
2-Inch Meter	\$ 173.42	First 16,000 Gallons
3-Inch Meter	\$ 333.90	First 32,000 Gallons
4-Inch Meter	\$ 514.44	First 50,000 Gallons
6-Inch Meter	\$ 1,015.95	First 100,000 Gallons
Volume Rate	\$ 10.03 per 1,000 gallons	
Industrial Customers		
Meter Size	Minimum Bill	Minimum Includes
1-Inch Meter	\$ 106.08	First 5,000 Gallons
2-Inch Meter	\$ 229.39	First 16,000 Gallons
3-Inch Meter	\$ 408.75	First 32,000 Gallons
4-Inch Meter	\$ 610.53	First 50,000 Gallons
6-Inch Meter	\$1,171.03	First 100,000 Gallons
Volume Rate	\$ 11.21 per 1,000 gallons	
Public Authority Customers		
Meter Size	Minimum Bill	Minimum Includes
5/8-Inch Meter	\$ 48.05	First 2,000 Gallons
1-Inch Meter	\$ 77.00	First 5,000 Gallons
2-Inch Meter	\$ 183.15	First 16,000 Gallons
3-Inch Meter	\$ 337.55	First 32,000 Gallons
4-Inch Meter	\$ 511.25	First 50,000 Gallons
6-Inch Meter	\$ 993.75	First 100,000 Gallons
Volume Rate	\$ 9.65 per 1,000 gallons	
Wholesale Customers		
Martin County Water District	\$3.90 per 1,000 gallons	
Mingo County Public Service District	\$5.83 per 1,000 gallons	
City of Jenkins		
First 50,000 Gallons	\$3.90 per 1,000 gallons	
Over 50,000 Gallons	\$4.40 per 1,000 gallons	
City of Elkhorn		
First 215,000 Gallons	\$3.67 per 1,000 gallons	

Over 215,000 Gallons	\$3.90 per 1,000 gallons
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ALL CUSTOMERS	
Water Infrastructure Improvement Surcharge	\$5.61 per customer bill for 36 months

EXHIBIT B

**EXHIBIT TO A RESOLUTION OF THE BOARD OF COMMISSIONERS
OF MOUNTAIN WATER DISTRICT DATED FEBRUARY 13, 2023**

Sewer Service	
Phase 1 – Effective on Approval	
Sewer Customers With Metered Water Service	
First 2,000 Gallons	\$ 43.39 Minimum Bill
Over 2,000 Gallons	0.01957 Per Gallon
Sewer Customers Without Metered Water Service	
Flat Rate	\$ 83.62 Per Month

Sewer Service	
Phase 2 – Effective One Year After Approval of Phase 1 Rates	
Sewer Customers With Metered Water Service	
First 2,000 Gallons	\$ 47.92 Minimum Bill
Over 2,000 Gallons	0.02215 Per Gallon
Sewer Customers Without Metered Water Service	
Flat Rate	\$ 87.80 Per Month

Sewer Service	
Phase 3 – Effective Two Years After Approval of Phase 1 Rates	
Sewer Customers With Metered Water Service	
First 2,000 Gallons	\$ 52.44 Minimum Bill
Over 2,000 Gallons	0.02474 Per Gallon
Sewer Customers Without Metered Water Service	
Flat Rate	\$ 90.44 Per Month

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Mountain Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of the Mountain Water District at a meeting duly held on January 26, 2023; that said official action appears as a matter of public record in Mountain Water District's official records or journal; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.823; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

WITNESS my hand this 13th day of February 2023.


Secretary

EXHIBIT C

REVENUE AT PHASE 1 RATES*			
3/4-Inch Meter			
		Rate	Revenue
Bills	201,594	\$ 8.99 Minimum Bill	\$ 1,812,330.06
Volumetric Rate (Gallons)	626,060,560	\$ 0.00907 Per Gallon	\$ 5,678,369.28
Total			\$ 7,490,699.34
1-Inch Meter			
		Rate	Revenue
Bills	700	\$ 12.59 Minimum Bill	\$ 8,813.00
Volumetric Rate (Gallons)	5,862,540	\$ 0.00907 Per Gallon	\$ 53,173.24
Total			\$ 61,986.24
2-Inch Meter			
		Rate	Revenue
Bills	460	\$ 26.07 Minimum Bill	\$ 11,992.20
Volumetric Rate (Gallons)	29,298,980	\$ 0.00907 Per Gallon	\$ 265,741.75
Total			\$ 277,733.95
3-Inch Meter			
		Rate	Revenue
Bills	111	\$ 98.89 Minimum Bill	\$ 10,976.79
Volumetric Rate (Gallons)	21,539,980	\$ 0.00907 Per Gallon	\$ 195,367.62
Total			\$ 206,344.41
4-Inch Meter			
		Rate	Revenue
Bills	97	\$125.86 Minimum Bill	\$ 12,208.42
Volumetric Rate (Gallons)	19,845,560	\$ 0.00907 Per Gallon	\$ 179,999.23
Total			\$ 192,207.65
6-Inch Meter			
		Rate	Revenue
Bills	49	\$188.79 Minimum Bill	\$ 9,250.71
Volumetric Rate (Gallons)	1,846,000	\$ 0.00907 Per Gallon	\$ 16,743.22
Total			\$ 25,993.93
Multiple Meters Billed at 3/4-Inch Meter			
		Rate	Revenue
Bills	8,012	\$ 8.99 Minimum Bill	\$ 72,027.88
Volumetric Rate (Gallons)	21,648,510	\$ 0.00907 Per Gallon	\$ 196,351.99
Total			\$ 268,379.87
Wholesale Customers			
		Rate	Revenue
Volumetric Rate (Gallons)	57,871,400	\$ 0.00874 Per Gallon	\$ 505,796.04
Total			\$ 9,029,141.42

*Exhibit 9 of Mountain Water District's Application for Rate Adjustment is the source for the number of bills and water usage for each billing classification shown.

REVENUE AT PHASE 2 RATES*			
3/4-Inch Meter			
		Rate	Revenue
Bills	201,594	\$ 8.99 Minimum Bill	\$ 1,812,330.06
Volumetric Rate (Gallons)	626,060,560	\$ 0.01013 Per Gallon	\$ 6,341,993.47
Total			\$ 8,154,323.53
1-Inch Meter			
		Rate	Revenue
Bills	700	\$ 12.59 Minimum Bill	\$ 8,813.00
Volumetric Rate (Gallons)	5,862,540	\$ 0.01013 Per Gallon	\$ 59,387.53
Total			\$ 68,200.53
2-Inch Meter			
		Rate	Revenue
Bills	460	\$ 26.07 Minimum Bill	\$ 11,992.20
Volumetric Rate (Gallons)	29,298,980	\$ 0.01013 Per Gallon	\$ 296,798.67
Total			\$ 308,790.87
3-Inch Meter			
		Rate	Revenue
Bills	111	\$ 98.89 Minimum Bill	\$ 10,976.79
Volumetric Rate (Gallons)	21,539,980	\$ 0.01013 Per Gallon	\$ 218,200.00
Total			\$ 229,176.79
4-Inch Meter			
		Rate	Revenue
Bills	97	\$125.86 Minimum Bill	\$ 12,208.42
Volumetric Rate (Gallons)	19,845,560	\$ 0.01013 Per Gallon	\$ 201,035.52
Total			\$ 213,243.94
6-Inch Meter			
		Rate	Revenue
Bills	49	\$188.79 Minimum Bill	\$ 9,250.71
Volumetric Rate (Gallons)	1,846,000	\$ 0.01013 Per Gallon	\$ 18,699.98
Total			\$ 27,950.69
Multiple Meters Billed at 3/4-Inch Meter			
		Rate	Revenue
Bills	8,012	\$ 8.99 Minimum Bill	\$ 72,027.88
Volumetric Rate (Gallons)	21,648,510	\$ 0.01013 Per Gallon	\$ 219,299.41
Total			\$ 291,327.29
Wholesale Customers			
		Rate	Revenue
Volumetric Rate (Gallons)	57,871,400	\$ 0.01013 Per Gallon	\$ 505,796.04
Total			\$ 9,798,809.67

*Exhibit 9 of Mountain Water District's Application for Rate Adjustment is the source for the number of bills and water usage for each billing classification shown.

REVENUE AT PHASE 3 RATES*			
3/4-Inch Meter			
		Rate	Revenue
Bills	201,594	\$ 8.99 Minimum Bill	\$ 1,812,330.06
Volumetric Rate (Gallons)	626,060,560	\$ 0.01114 Per Gallon	\$ 6,974,314.64
Total			\$ 8,786,644.70
1-Inch Meter			
		Rate	Revenue
Bills	700	\$ 12.59 Minimum Bill	\$ 8,813.00
Volumetric Rate (Gallons)	5,862,540	\$ 0.01114 Per Gallon	\$ 65,308.70
Total			\$ 74,121.70
2-Inch Meter			
		Rate	Revenue
Bills	460	\$ 26.07 Minimum Bill	\$ 11,992.20
Volumetric Rate (Gallons)	29,298,980	\$ 0.01114 Per Gallon	\$ 326,390.64
Total			\$ 338,382.84
3-Inch Meter			
		Rate	Revenue
Bills	111	\$ 98.89 Minimum Bill	\$ 10,976.79
Volumetric Rate (Gallons)	21,539,980	\$ 0.01114 Per Gallon	\$ 239,955.38
Total			\$ 250,932.17
4-Inch Meter			
		Rate	Revenue
Bills	97	\$125.86 Minimum Bill	\$ 12,208.42
Volumetric Rate (Gallons)	19,845,560	\$ 0.01114 Per Gallon	\$ 221,079.54
Total			\$ 233,287.96
6-Inch Meter			
		Rate	Revenue
Bills	49	\$188.79 Minimum Bill	\$ 9,250.71
Volumetric Rate (Gallons)	1,846,000	\$ 0.01114 Per Gallon	\$ 20,564.44
Total			\$ 29,815.15
Multiple Meters Billed at 3/4-Inch Meter			
		Rate	Revenue
Bills	8,012	\$ 8.99 Minimum Bill	\$ 72,027.88
Volumetric Rate (Gallons)	21,648,510	\$ 0.01114 Per Gallon	\$ 241,164.40
Total			\$ 313,192.28
Wholesale Customers			
		Rate	Revenue
Volumetric Rate (Gallons)	57,871,400	\$ 0.01114 Per Gallon	\$ 505,796.04
Total			\$10,532,172.82

*Exhibit 9 of Mountain Water District's Application for Rate Adjustment is the source for the number of bills and water usage for each billing classification shown.

EXHIBIT D

MOUNTAIN WATER DISTRICT

**Response to Commission Staff’s Second Request for Information
Case No. 2022-00366**

Question No. 11

Responding Witness: Kevin Lowe

Q-11. Refer to the Application, Exhibit 6, Schedule of Adjusted Operations (SAO), Reference A and Exhibit 9, Statement of Usage and Revenues at Present and Proposed Rates.

- a. Reconcile the adjustment to water sales of \$100,902 for a total of \$8,274,887 in the SAO, Reference A with the total revenue stated in Exhibit 9 of \$8,511,273.**
- b. Provide an itemization of all revenues included in the Miscellaneous Service Revenues of \$175,147 and Other Water Revenues of \$26,760.**
- c. If there are miscellaneous revenues included in the two categories, explain what may be included in these amounts.**

A-11. a. The adjustment to water sales shown in Exhibit 6 intended only to reflect the increase revenue due to the rate increase that occurred in December 2022 to passthrough the increase in the City of Pikeville’ wholesale rate. The amount of this adjustment was incorrectly calculated. The erroneous adjustment was not discovered and communicated to Ms. Allen before completion of her cost-of-service study. The rate adjustment that occurred in December 2022 is expected to produce additional annual revenues of \$70,537 (\$8,581,810 - \$8,511,273). The adjustment shown on Exhibit 6 should be \$70,537, not \$100,902.

Based upon the amounts reported in the general ledger, total test period revenues from water sales are \$8,537,150.45. As reported in the general ledger, the sources of this revenue are:

Metered Sales – Residential	\$7,120,243.53
Metered Sales – Commercial	\$ 645,163.63
Metered Sales – Industrial	\$ 63,568.62
Metered Sales – Public Authority	\$ 407,722.39
Metered Sales – Multi-Family	\$ 300,452.28
Total	\$8,537,150.45

Because the test period records are not audited, test period billing as recorded in the general ledger was also reviewed. The general ledger shows that Mountain Water District billed its customers \$8,308,005.42 The table on the next page provides a breakdown of this billing. The general ledger further shows that billing

adjustments of \$129,984.32 for the test period. After these adjustments, the total amount billed would be \$8,178,021.11.

Sales	Reported Billed	Bill Adjustments	Final
Metered Sales – Residential	\$6,885,183.80	\$107,476.75	\$6,777,707.05
Metered Sales – Commercial	\$ 650,013.55	\$ 21,442.78	\$ 628,570.77
Metered Sales – Industrial	\$ 63,568.62	\$ 0.00	\$ 63,568.62
Metered Sales – Public Authority	\$ 408,787.17	\$ 1,064.78	\$ 407,722.39
Metered Sales – Multi-Family	\$ 300,452.28	\$ 0.00	\$ 300,452.28
Total	\$8,308,005.42	\$129,984.31	\$8,178,021.11

As the difference between the general ledger billed amount and projected revenue using test period rates shown in Exhibit 9 is less than 2.4 percent. Mountain Water District believes that reported test period revenue is within an acceptable range and no adjustment, other than for the December 2022 rate adjustment, is necessary.

- b. Other Water Revenues represents the assessment of fees assessed to recover the cost to repair or replace customer damaged equipment. The charges included in Miscellaneous Service Revenues are listed below.

Charge	Amount Collected (\$)
Water Disconnection Fee	54,693.00
Water Reconnection Fee	59,230.00
Connection Charge	55,080.00
Connection Charge (After Hours)	4,150.00
Meter Re-read Charge	810.00
Meter Test Charge	300.00
Returned Check	6,600.00
Service Investigation Charge	180.00
Turn On Charge	26,130.00
Unauthorized Investigation Charge (After Hours)	6,525.00
Total	213,698.00

- c. All miscellaneous service revenues are listed in the response to Question 11b.