

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

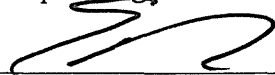
ELECTRONIC TARIFF FILING OF MOREHEAD)	
UTILITY PLANT BOARD TO REVISE ITS)	
WHOLESALE WATER RATES TO AND ENTER)	CASE NO.
INTO REVISED WATER PURCHASE)	2024-00193
AGREEMENTS WITH BATH COUNTY WATER)	
DISTRICT AND ROWAN WATER, INC.)	

RESPONSE OF MOREHEAD UTILITY PLANT BOARD
TO THE COMMISSION STAFF'S SECOND REQUEST FOR
INFORMATION DATED AUGUST 15, 2024

This 23rd day of August, 2024.

Respectfully submitted,

CAMPBELL ROGERS & STACY PLLC
ATTORNEYS AT LAW
154 FLEMINGSBURG ROAD
MOREHEAD, KY 40351
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(606) 784-8926 FAX
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BY: 
EARL ROGERS III
ATTORNEY FOR MOREHEAD UTILITY
PLANT BOARD

CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing was transmitted to the Kentucky Public Service Commission for filing on August 23rd, 2024; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; by virtue of the Commission's Order of July 22, 2021, in case number 2020-00085, no paper copies of this filing will be made. (

A handwritten signature in black ink, appearing to read "Earl Rogers III", is written over a horizontal line.

EARL ROGERS III
ATTORNEY FOR
MOREHEAD UTILITY PLANT BOARD

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF MOREHEAD)	
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DISTRICT AND ROWAN WATER, INC.)	

VERIFICATION OF ROBERT K. MILLER

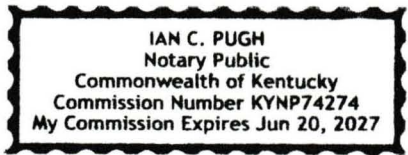
COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF JEFFERSON)

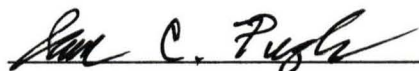
Robert K. Miller, Kentucky Rural Water Association on behalf of Morehead Utility Plant Board, states that he has supervised the preparation of certain responses to the Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



 Robert K. Miller

The foregoing Verification was signed, acknowledged and sworn to before me this 22nd day of August, 2024, by Robert K. Miller.





 Commission expiration: 06/20/2027

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

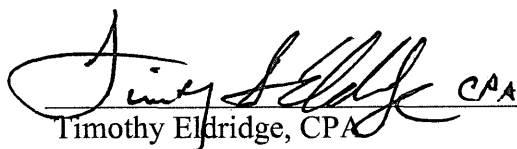
In the Matter of:

ELECTRONIC TARIFF FILING OF MOREHEAD)	
UTILITY PLANT BOARD TO REVISE ITS)	
WHOLESALE WATER RATES TO AND ENTER)	CASE NO.
INTO REVISED WATER PURCHASE)	2024-00193
AGREEMENTS WITH BATH COUNTY WATER)	
DISTRICT AND ROWAN WATER, INC.)	

VERIFICATION OF TIMOTHY ELDRIDGE, CPA

COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF ROWAN)

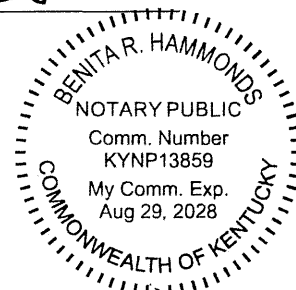
Timothy Eldridge, CPA, Baldwin CPAs, PLLC on behalf of Morehead Utility Plant Board, states that he has supervised the preparation of certain responses to the Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

 CPA
 Timothy Eldridge, CPA

The foregoing Verification was signed, acknowledged and sworn to before me this 20th day of August, 2024, by Timothy Eldridge, CPA.



Commission expiration: 8/29/28



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

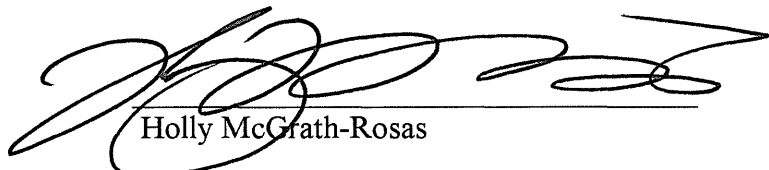
In the Matter of:

ELECTRONIC TARIFF FILING OF MOREHEAD)	
UTILITY PLANT BOARD TO REVISE ITS)	
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AGREEMENTS WITH BATH COUNTY WATER)	
DISTRICT AND ROWAN WATER, INC.)	

VERIFICATION OF HOLLY MCGRATH-ROSAS

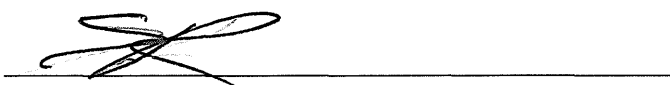
COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF ROWAN)

Holly McGrath-Rosas, General Manager of the Morehead Utility Plant Board, states that she has supervised the preparation of certain responses to the Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.



 Holly McGrath-Rosas

The foregoing Verification was signed, acknowledged and sworn to before me this 28th day of August, 2024, by Holly McGrath-Rosas.



Commission expiration: 1/18/25
KYWP 21929

Morehead Utility Plant Board
Case No. 2024-00193
Commission Staff's Second Request for Information

Witness: Timothy Eldridge, CPA

1. Refer to Morehead's response to Commission Staff's First Request for Information (Staff's First Request), Item 4 Attachments 4a and 4b.
 - a. Both Attachments reference a July 1, 2024, wholesale rate of \$2.34. However, the Commission-approved rate effective July 1, 2024, was \$2.284 per 1,000 gallons. Explain the discrepancy between the July 1, 2024, rate referenced in the Attachments and the rate approved by the Commission effective July 1, 2024.

Response: Please find attached a copy of revised Attachments 4a and 4b for both Bath and Rowan Water. The \$2.34 was the rate calculated in the initial cost of service study produced which was based on estimated amounts for the year ended June 30, 2023, however when that study was updated from final audited financial statements, the lower amount of \$2.284 was the recalculated number which was approved in the tariff submitted. I inadvertently used the initial worksheet that I had calculated to arrive at these reserve amounts and credits to be used. I apologize for any confusion in your analysis of these amounts.

Morehead Utility Plant Board
 Case No. 2024-00193
 Commission Staff's **Second** Request for Information
Revised Question 4a and 4b. Rowan Water attachment

Water Plant projected to go into service in October 2024. Planned step 1 of new rate should go into service in October, however instead of filing new tariff for \$3.61 to go into effect on October 1, there are two credits that are proposed to be used to keep the rate at the July 1, 2024 rate of \$**2.284** until the \$3.61 rate is implemented at July 1, 2025

4a. Capital charges that were scheduled to be removed in January 2024 and continued through June 2024 equals 6 months of extended payments on capital charges. Amounts are \$11,788.50 per month times 6 months equals **\$70,731**.

4b. Depreciation Reserve is Rowan Water portion (35.3671% of \$681,280) equals **\$240,949**

Total of two credits equals **\$311,680**. Based on October in service date, and the \$3.61 rate was put into effect at that time, the credits would be used up in less than 5 months as follows:

The increases in the monthly average water consumption for Rowan Water would be 58,121 thousands of gallons used at the rate differential of \$**1.326** (\$3.61 - \$**2.284**) equals \$73,814 per month

	Increased water cost	Credit available to offset	Shortfall
November 2024	\$ 77,068	\$ 77,068	
December 2024	77,068	77,068	
January 2025	77,068	77,068	
February 2025	77,068	77,068	
March 2025	77,068	3,408	\$ 73,660
April 2025	77,068	0	77,068
May 2025	77,068	0	77,068
June 2025	77,068	0	77,068

In good faith effort to minimize the rate increase to Rowan/Bath customers and support the transition of this interlocal agreement to the flat rate contract, this shortfall and any shortfall for the 3 year phase in, if any proposed to be absorbed by Morehead Utility Plant Board and credits would be utilized in full.

Morehead Utility Plant Board
 Case No. 2024-00193
 Commission Staff's **Second** Request for Information
Revised Question 4a and 4b. Bath District attachment

Water Plant projected to go into service in October 2024. Planned step 1 of new rate should go into service in October, however instead of filing new tariff for \$3.61 to go into effect on October 1, there are two credits that are proposed to be used to keep the rate at the July 1, 2024 rate of **\$2.284** until the \$3.61 rate is implemented at July 1, 2025

4a. Capital charges that were scheduled to be removed in January 2024 and continued through June 2024 equals 6 months of extended payments on capital charges. Amounts are \$8,799.30 per month times 6 months equals **\$52,796**.

4b. Depreciation Reserve is Bath District portion (27.0323% of \$681,280) equals **\$184,166**

Total of two credits equals **\$236,962**. Based on October in service date, and the \$3.61 rate was put into effect at that time, the credits would be used up in less than 5 months as follows:

The increases in the monthly average water consumption for Bath District would be 38,201 thousands of gallons used at the rate differential of **\$1.326** (\$3.61 - **\$2.284**) equals **\$50,655** per month

	Increased water cost	Credit available to offset	Shortfall
November 2024	\$50,655	\$50,655	
December 2024	50,655	50,655	
January 2025	50,655	50,655	
February 2025	50,655	50,655	
March 2025	50,655	34,342	\$ 16,313
April 2025	50,655	0	50,655
May 2025	50,655	0	50,655
June 2025	50,655	0	50,655

In good faith effort to minimize the rate increase to Rowan/Bath customers and support the transition of this interlocal agreement to the flat rate contract, this shortfall and any shortfall for the 3 year phase in, if any proposed to be absorbed by Morehead Utility Plant Board and credits would be utilized in full.

Morehead Utility Plant Board
Case No. 2024-00193
Commission Staff's Second Request for Information

Witness: Timothy Eldridge CPA

1. Refer to Morehead's response to Commission Staff's First Request for Information (Staff's First Request), Item 4 Attachments 4a and 4b.
 - b. If the capital charges were scheduled to be removed January 2024, explain why these charges continued for an additional six months.

Response: The tariff that was approved effective for the year beginning July 1, 2023 included these capital charges and historically we have not refiled tariffs mid-year to effectuate similar changes. Due to the magnitude of the changes in costs due to the construction of the new water plant and anticipated in-service date of early fiscal year 2024-25, along with transitioning from the interlocal agreement to a water purchase contract, we (MUPB, Bath and Rowan) were looking for ways to allow as smooth of a transition as possible from the existing rates and structure to the new rates and structure. Agreeing to keep the January 2024 to June 2024 at the current tariff was one means of creating part of a buffer toward a mid-year in-service of the new water plant without filing for a considerably larger tariff increase mid-year 2024-2025. We would have better data for the July 1, 2025 tariff which should include definitive grant information since at this point, not all grants have been confirmed or received.

Morehead Utility Plant Board
Case No. 2024-00193
Commission Staff's Second Request for Information

Witness: Timothy Eldridge CPA and Holly McGrath-Rosas

1. Refer to Morehead's response to Commission Staff's First Request for Information (Staff's First Request), Item 4 Attachments 4a and 4b.
 - c. Confirm that Morehead would be charging Bath County Water District and Rowan Water, Inc., a higher rate than approved by the Commission for the months that Morehead uses the capital charge and depreciation reserve credits to offset the increased water cost.

Response: Using the assumption that the new water treatment plant would go into service in October 2024, in fact Morehead would normally file for a new tariff reflecting the in-service date upon which debt service and depreciation of the new plant would begin. However in reference to Item 1b, we (MUPB, Bath and Rowan) were looking for ways to allow as smooth of a transition as possible from the existing rates and structure (inter-local pre water plant construction) to the new rates and structure (water purchase contract and new water plant in-service), and therefore in lieu of filing a new higher tariff, the referenced credits would be available to allow the current approved tariff of \$2.284 to remain in place until July 1, 2025 when a new tariff would be filed. There was no requirement in the interlocal that these depreciation funds be utilized as a credit toward future payments, however in Morehead's discretion these funds could be used to fund replacement or maintenance of the water treatment plant. By using the credits created from the January to June existing tariff (where the interlocal would have discontinued certain portions of the capital costs) and the accumulated portion of depreciation funds related to the interlocal agreement it allows the July 1, 2024 to remain in place without extreme harm to Morehead and defer the increased tariff anticipated after the in service date to July 1, 2025.

The mutual agreement to use a portion of the payments from the July 1, 2023 approved tariff and agreement to allow accumulated depreciation funds that were available for other purposes could be interpreted that Morehead would be charging Bath and Rowan a higher rate than approved by the Commission, however I think the documentation will reflect that Morehead charged the approved tariff for the full fiscal year beginning July 1, 2023 and Morehead will continue to charge the approved tariff of a flat \$2.284 per thousand gallons beginning July 1, 2024 to continue throughout the full fiscal year. Underlying these rates are the mutual agreements between Morehead, Rowan and Bath related to the conclusion of the interlocal agreement and the initiation of the flat rate water purchase contract and allowing the in-service date of the new water plant to effectively be July 1, 2025 for rate purposes.

Morehead Utility Plant Board
Case No. 2024-00193
Commission Staff's Second Request for Information

Witness: Robert K. Miller

2. Refer to Morehead's responses to Staff's First Request, Items 1b and 5. Both responses refer to grant funding that was approved after the Wholesale Water Rate Study Report was written. Response 5 states "after the new grants are factored into the cost-of-service study along with actual full year operational costs, we expect the maximum \$4.74 rate to be reduced considerably . . ." Provide a calculation of the reduction impact of the grant funding on the calculated \$4.74 rate.

Response: The Regional Water Treatment Plant Construction project has been awarded a total of \$22,000,000 in grant funds. As a result, the expected maximum rate has been reduced from \$4.740 per thousand gallons to \$4.001 per thousand gallons as shown in these attached documents:

- **Original Cost of Service Study Table G.2**
- **Cost of Service Study Updated with Grant Funds Table G.2**

See attached file Water_Wholesale_Rate_Model_Updated_with_Grants.xlsx

Original Cost of Service Study Table G.2

WHOLESALE RATE COMPUTATION

**Phase 2 Rate (Existing Assets and New Regional Water Treatment Plant)
Morehead Utility Plant Board**

	<u>Total</u>	<u>Allocation Factors</u>		<u>Wholesale</u>	<u>Retail</u>
		<u>Type</u>	<u>Factor</u>	<u>Allocation</u>	<u>Allocation</u>
Salaries & Wages					
Water Production	\$ 566,596	WPF	0.7150	\$ 405,104	\$ 161,492
Trans./Distribution	341,781	PTF	0.4917	168,056	173,725
Employee Benefits + Taxes					
Water Production	\$ 380,220	WPF	0.7150	271,849	108,371
Trans./Distribution	241,102	PTF	0.4917	118,552	122,550
Contractual Services					
Water Production	\$ 191,684	WPF	0.7150	137,050	54,634
Trans./Distribution	145,465	PTF	0.4917	71,526	73,939
Utilities	433,779	WPF	0.7150	310,143	123,636
Chemicals	382,843	WPF	0.7150	273,725	109,118
Operating Supplies					
Water Production	\$ 12,329	WPF	0.7150	8,815	3,514
Trans./Distribution	37,695	PTF	0.4917	18,535	19,160
Insurance					
Water Production	\$ -	WPF	0.7150	-	-
Trans./Distribution	-	PTF	0.4917	-	-
General Expenses					
Admin & General	\$ 26,836	PTF	0.4917	13,195	13,640
Customer	26,836		-	-	26,836
Total Operating Expenses	2,787,166			1,796,551	990,615
Depreciation Expense					
Water Production	1,881,154	WPF	0.7150	1,344,985	536,168
Trans. / Distribution	187,760	PTF	0.4917	92,323	95,437
Storage Tanks	186,633	UF	0.7354	137,254	49,379
Admin & General	29,046	PTF	0.4917	14,282	14,764
Customer	121,866		-	-	121,866
Total Depreciation Expense	2,406,459			1,588,845	817,614
Debt Service & Coverage					
Water Production	2,642,570	WPF	0.7150	1,889,382	753,188
Trans. / Distribution	142,597	PTF	0.4917	70,116	72,481
Storage Tanks	127,880	UF	0.7354	94,046	33,834
Total Debt Service & Coverage	2,913,046			2,053,544	859,503
Total Revenue Required	8,106,671			5,438,940	2,667,731
Wholesale Gallons Sold (x 1,000)				1,147,547	
Computed Phase 2 Wholesale Rate per 1,000 Gallons				\$ 4.740	
Previous Revenue				\$ 2,620,997	
Difference in Revenue Required				\$ 2,817,942	
Percent Change in Revenue Required				107.51%	

Cost of Service Study Updated with Grant Funds Table G.2

WHOLESALE RATE COMPUTATION

**Phase 2 Rate (Existing Assets and New Regional Water Treatment Plant)
Morehead Utility Plant Board**

	<u>Total</u>	<u>Allocation Factors</u>		<u>Wholesale</u>	<u>Retail</u>
		<u>Type</u>	<u>Factor</u>	<u>Allocation</u>	<u>Allocation</u>
Salaries & Wages					
Water Production	\$ 566,596	WPF	0.7150	\$ 405,104	\$ 161,492
Trans./Distribution	341,781	PTF	0.4917	168,056	173,725
Employee Benefits + Taxes					
Water Production	\$ 380,220	WPF	0.7150	271,849	108,371
Trans./Distribution	241,102	PTF	0.4917	118,552	122,550
Contractual Services					
Water Production	\$ 191,684	WPF	0.7150	137,050	54,634
Trans./Distribution	145,465	PTF	0.4917	71,526	73,939
Utilities	433,779	WPF	0.7150	310,143	123,636
Chemicals	382,843	WPF	0.7150	273,725	109,118
Operating Supplies					
Water Production	\$ 12,329	WPF	0.7150	8,815	3,514
Trans./Distribution	37,695	PTF	0.4917	18,535	19,160
Insurance					
Water Production	\$ -	WPF	0.7150	-	-
Trans./Distribution	-	PTF	0.4917	-	-
General Expenses					
Admin & General	\$ 26,836	PTF	0.4917	13,195	13,640
Customer	26,836		-	-	26,836
Total Operating Expenses	2,787,166			1,796,551	990,615
Depreciation Expense					
Water Production	1,881,154	WPF	0.7150	1,344,985	536,168
Trans. / Distribution	189,768	PTF	0.4917	93,310	96,458
Storage Tanks	184,625	UF	0.7354	135,777	48,847
Admin & General	27,764	PTF	0.4917	13,652	14,112
Customer	122,727		-	-	122,727
Total Depreciation Expense	2,406,038			1,587,725	818,313
Debt Service & Coverage					
Water Production	1,561,482	WPF	0.7150	1,116,427	445,055
Trans. / Distribution	82,536	PTF	0.4917	40,584	41,953
Storage Tanks	67,819	UF	0.7354	49,876	17,943
Total Debt Service & Coverage	1,711,838			1,206,887	504,951
Total Revenue Required	6,905,041			4,591,163	2,313,879
Wholesale Gallons Sold (x 1,000)				1,147,547	
Computed Phase 2 Wholesale Rate per 1,000 Gallons				\$ 4.001	
Previous Revenue				\$ 2,619,850	
Difference in Revenue Required				\$ 1,971,313	
Percent Change in Revenue Required				75.25%	