

MCKINNEY WATER DISTRICT

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NOVEMBER 13TH 2025

Ms. Linda Bridwell
Executive Director
Kentucky Public Service Commission
PO Box 615
Frankfort, Kentucky 40602

RE: Response to Staff Report filed in Case No. 2025-00145, Electronic Application of McKinney Water District for a Rate adjustment Pursuant to 807 KAR 5:076

Dear Ms. Bridwell:

McKinney Water District ("McKinney District") submits the following comments concerning the Commission Staff Report dated October 30, 2025.

1. Removal of Employee Wages from Non-recurring Charges. 807 KAR 5:006, Section 9, and 807 KAR 5:011, Section 10(2), allows all utilities to charge a nonrecurring charge to recover all costs directly related to a non-recurring service. Nonrecurring services include, but are not limited to: service turn-on, reconnection of service, termination of service, special field visits, and meter testing. Prior to Case No. 2022-00400, McKinney District's nonrecurring charges included recovery of all costs directly associated with providing nonrecurring services in accordance with the regulation.

In Case No. 2022-00400, the Commission removed employee wages for work performed during regular working hours from McKinney District's nonrecurring charges. This action decreased nonrecurring charges and increased general rates for water service

charged to all customers for the cost of regular wages. To support its action, the Commission referenced its November 6, 2020 Order in Case No. 2020-00141 where it found that “It is unreasonable to allocate an expense already incurred as a cost of maintaining a system, such as the salary of a distribution operator to a nonrecurring service such as the connection and reconnection of a meter during normal working hours.”

The Commission’s action in Case No. 2022-00141 is not only in direct violation of the regulation, it also defeats the purpose of the regulation. The regulation states that nonrecurring charges are appropriate to avoid “increased rates to other customers to whom no benefits accrue from the service provided or action taken.” In Case No. 2022-00400, the Commission’s action increased the general service rates to be assessed to all customers and reduced the amount paid by the recipient of the nonrecurring service.

In this proceeding, McKinney District requests that the Commission follow the regulation and recalculate McKinney District’s nonrecurring charges to include all costs to provide the nonrecurring services so that the beneficiary of the nonrecurring service pays the entire cost to provide the service.

2. Salaries and Wages - Officers. Staff recommended that the Commission disallow rate recovery of test-year wages paid to McKinney District board members because Lincoln County Fiscal Court could not locate the Commissioner’s compensation approval documents. After issuance of Staff report, the Lincoln County Fiscal Court prepared documents approving annual wages for each McKinney District board member as follows:

Board Chair	\$2,800
Non-Chair Commissioner	2,100

The Lincoln County Fiscal Court approval documents are attached to this response. McKinney District requests that the Commission allow rate recovery of the annual wages approved by the Lincoln County Fiscal Court for each McKinney District board member.

3. Requirements of Commission Order in Case No. 2025-00022. In its report, Staff notes that the Commission ordered McKinney District in Case No. 2025-00022 to file a rate review by June 30, 2026. Staff then recommended that the Commission not recognize the rate review provided in this proceeding as satisfactory completion of the Order's requirement. Staff did not state the reason for its recommendation.

The Commission's Order in Case No. 2025-00022 states "that McKinney District shall file an application for a general rate adjustment, an alternative rate adjustment, or tender a detailed explanation with supporting documentation to show cause why a rate adjustment is unnecessary, on or before June 30, 2026, to ensure that depreciation and debt service for Phases 1A and 1B are captured in McKinney District's rates" (See Commission Order dated May 14, 2025, Page 17).

The Application filed in this proceeding includes rate recovery of depreciation and debt service associated with the Phase 1A and Phase 1B construction projects. Depreciation to be accrued on these projects is included in the calculation of McKinney District's revenue requirements as provided for by Adjustment (M) shown in the Application at Exhibit 3, Schedule A, Pages 13 and 14. Likewise, debt service for the Rural Water Finance Corporation loan and the Kentucky Infrastructure Authority loan to be used to finance a portion of the

projects' cost is included in the calculation of the rates proposed in the Application as shown in Schedule B and Schedule C of the Application.

Because the Application submitted in this proceeding meets the requirements of the Commission's Order in Case No. 2025-00022 regarding rate recovery of depreciation and debt service related to the construction projects, McKinney District requests that the Commission not require the filing of additional documents concerning these matters on or before June 30, 2026. A requirement to file additional documents would impose an administrative burden and expense on McKinney District that is not necessary.

4. Procedural Matters. McKinney District reserves its right to contest specific recommendations listed in the Staff Report that are not specifically addressed in this response that may again arise in future Commission proceedings. McKinney District waives its right to request an informal conference or a hearing in this matter and requests that the case stand submitted to the Commission for decision based on the evidence of record.

Please contact our office for additional information if needed.

Very truly yours,

Board Chair
McKinney Water District