



PRINCETON WATER & WASTEWATER

101 E. MARKET ST.
P.O. BOX 231
PRINCETON, KY 42445
PHONE 270-365-9301
FAX 270-365-4669

November 20, 2019

Gwen R. Pinson, Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602-0615

RE: City of Princeton Wholesale Water Increase

Dear Ms. Pinson;

I am enclosing information regarding the water rate increase which recently passed the second reading of the City of Princeton Water and Wastewater Commission. This increase will affect the members of the Caldwell County Water District and the Lyon County Water District; hence, the need for PSC involvement.

For the past several years, I have worked to understand the various rate structures used by utilities and most recently accepted help from the University of North Carolina Environmental Finance Center. An affordability study was completed which indicated our declining and aging population was considered vulnerable. This, coupled with little to no industrial growth and with a water treatment plant utilization of only 50% – 55%, led all parties to agree that it was time to ditch the declining block rate structure and move to a more fair and equitable method. We initiated phase one with our city water customers in August and switched entirely to a uniform flat rate with our sewer customers at the same time and our largest industrial customers saw their rates increase significantly. Our board made the decision that the largest users should no longer be subsidized by the smallest and most vulnerable.

We then took up the task of looking at the wholesale rates. A meeting was held with representatives from the respective water districts on October 22, 2019 in order to outline the facts which led to the need for the increase and to allow each district ample notice so that they could plan accordingly. At the meeting, our Commission Chairman, Bob Hayes, along with Superintendent James Noel and I, presented historical data on the expenses incurred at the water treatment facility and the method used to calculate the unit cost to produce and distribute 100 cubic feet of water. Since the last rate increase in 2014, the total cost of production has increased

almost \$327,000 while consumption trends lower. Current data indicates the cost to produce and distribute 1,000 gallons of water has risen to \$5.03, much higher than the \$3.95 we are requesting our wholesale customers pay. Records were also provided defining the increasing gap between the rate tiers representing the lowest and highest volume water users which led to our decision to take the first steps to replace the declining block structure. In this first step, we have narrowed the gap between our tiers and eliminated one of the previous four tiers. We believe this approach is fair and equitable to all. Copies of the aforementioned information were given to those in attendance and the formal notice of a rate increase was supplied the next day.

In speaking with Mr. Cayce from Lyon County, he stated they have no plans to request an intervention. However, I received word from Mrs. Fralick at Caldwell County and she stated her board "thought the increase was excessive" and they were going to discuss with the PSC. I understand that in terms of percentages a 30% increase sounds excessive; however, when \$0.90 per 1,000 gallons is added to the Caldwell County customers' minimum bill of \$25.17 it only results in a 3.6% increase. We have no control over why the water we sell to them at \$3.05 is marked-up 825% and we have even "floated" the idea of regionalization with them because we feel their customers could potentially realize a significant decrease in the cost of water if we were to merge. However, the management of Caldwell County is not interested in even researching this idea.

Ms. Pinson, I stand ready to share with you or with Caldwell County representatives any additional background data and audits that I have which supports the rate increase for which we are asking. I hope that the information I am providing will be sufficient for the Public Service Commission to approve the rate increase as presented. Should you require any additional information, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Tracy B. Musgove". The signature is fluid and cursive, with the first name "Tracy" being the most prominent.

Tracy B. Musgove
Director of Finance and Special Projects
Princeton Water and Wastewater Commission
101 East Market Street
P.O.Box 231
Princeton, KY 42445
Phone: (270) 365-9301
Cell: (270) 339-2178



PRINCETON WATER & WASTEWATER

101 E. MARKET ST.
P.O. BOX 231
PRINCETON, KY 42445
PHONE 270-365-9301
FAX 270-365-4669

October 22, 2019

Caldwell County Water District
ATTN: Jimmy Littlefield, Superintendent
118 West Market
Princeton, KY 42445

RE: Water Rate Increase

Dear Jimmy;

As promised from our meeting earlier today, I wanted to give you the official notification of our planned rate increase. The (City of) Princeton Water and Wastewater Commission ("PW&W") plans to file a revised tariff with the Kentucky Public Service Commission ("PSC") on or about November 6, 2019. This filing will increase the PW&W wholesale water rate \$0.68 (29.7%) from the existing \$2.29 per 100 cubic feet to the new rate of \$2.97 per 100 cubic feet. When converting this rate to gallons, the new rate per 1,000 gallons would be \$3.97. This is the same rate currently being paid by all city residents of PW&W once they reach a threshold of 2,000 cubic feet.

Our board has already passed the first reading of this regulation and plans to have the second reading at the upcoming meeting scheduled November 5, 2019. The rate increase will be effective for water used beginning January 1, 2020 and billed during the February 2020 billing cycle. Once completed, this filing may be examined at the PW&W offices located at 101 East Market Street in Princeton, Kentucky. This filing may also be examined at the offices of the Kentucky Public Service Commission located at 211 Sower Boulevard in Frankfort, Kentucky, Monday – Friday from 8:00 am – 4:30 pm or on the PSC website at <http://psc.ky.gov>. Intervention may be requested by submitting a timely written request for intervention by mail to the Kentucky Public Service Commission, Post Office Box 615, Frankfort, KY 40602. Any request for intervention must establish the grounds for the request including the status and interest of the party.

Please let this letter serve as the official thirty (30) day notice of the rate increase. I am enclosing a copy of the existing regulation passed at our earlier board meeting. Should you or any of your board members have any questions regarding the information I presented to you and Mrs. Fralick this morning, please do not hesitate to contact me.

Sincerely,

Tracy B. Musgrave
Director of Finance and Special Projects

Encl

NOTICE

Princeton Water and Wastewater Commission has filed a proposed rate schedule which will increase by 29.7 percent the rate which it currently charges to Caldwell County Water District for water service. Princeton Water and Wastewater currently charges Caldwell County Water District \$2.29 per 100 cubic feet for water service. It proposes to charge Caldwell County Water District \$2.97 per 100 cubic feet for water service effective January 1, 2020 and billed February 2020.

The rates contained in this notice are the rates proposed by Princeton Water and Wastewater. The Public Service Commission, however, may order rates to be charged that differ from the proposed rates contained in this notice.

Any corporation, association, or person with a substantial interest in the matter may, by written request, within thirty (30) days after publication or mailed of this notice of the proposed rate changes request to intervene. Intervention may be granted beyond the thirty (30) day period for good cause shown.

Any person who has been granted intervention by the Public Service Commission may obtain copies of the rate application and any other filings made by Princeton Water and Wastewater Commission by contacting James A. Noel, Superintendent, P.O. Box 231, Princeton, KY 42445

Any person may examine Princeton Water and Wastewater's rate application and any other filings at its main office at 101 East Market Street, Princeton, Kentucky or at the Public Service Commission's Offices at 211 Sower Blvd, Frankfort, Kentucky 40601.



PRINCETON WATER & WASTEWATER

101 E. MARKET S
P.O. BOX 23
PRINCETON, KY 42444
PHONE 270-365-930
FAX 270-365-466

November 20, 2019

Caldwell County Water District
ATTN: Jimmy Littlefield, CEO
118 West Market
Princeton, KY 42445

RE: Amended Water Rate Increase

Dear Jimmy;

I had mentioned to all parties in our meeting on October 22nd that should an intervention take place that we would seek reimbursement of the rate case expenses. I inadvertently left this language out of the notice since I thought it only went on the Tariff sheet. Therefore, I wanted to send you the actual tariff being filed with the PSC and amend your notice with the appropriate language.

Our board did pass the second reading at our November 5, 2019 meeting. The rate increase will be effective for water used beginning January 1, 2020 and billed during the February 2020 billing cycle. Once completed, this filing may be examined at the PW&W offices located at 101 East Market Street in Princeton, Kentucky. This filing may also be examined at the offices of the Kentucky Public Service Commission located at 211 Sower Boulevard in Frankfort, Kentucky, Monday – Friday from 8:00 am – 4:30 pm or on the PSC website at <http://psc.ky.gov>. Intervention may be requested by submitting a timely written request for intervention by mail to the Kentucky Public Service Commission, Post Office Box 615, Frankfort, KY 40602. Any request for intervention must establish the grounds for the request including the status and interest of the party.

Please let this letter serve as the official thirty (30) day notice of the rate increase with the additional potential to collect rate case expense surcharges.

Sincerely,

Tracy B. Musgove
Director of Finance and Special Projects

Encl

NOTICE

Princeton Water and Wastewater Commission ("PWWC") has filed a proposed rate schedule which will increase by 29.7 percent the rate which it currently charges to Caldwell County Water District for water service. PWWC currently charges Caldwell County Water District \$2.29 per 100 cubic feet (\$3.05/1,000 gallons) for water service. It proposes to charge Caldwell County Water District \$2.97 per 100 cubic feet (\$3.95/1,000 gallons) for water service effective January 1, 2020 and billed February 2020.

PWWC also proposes a surcharge to recover all expenses it may incur to participate in and defend its proposed rates in any Public Service Commission proceeding that is initiated to investigate the reasonableness of those rates. PWWC proposes to recover the total amount of expenses associated with the increase in rates over a 36-month period from the party(ies) that initiates the investigation. If no proceeding is established, PWWC will not seek to recover any amount for Rate Case Expense Surcharge. The estimated cost of the rate case expenses is \$99,000; therefore, PWWC would seek to collect \$2,750 per month.

The rates contained in this notice are the rates proposed by Princeton Water and Wastewater. The Public Service Commission, however, may order rates to be charged that differ from the proposed rates contained in this notice.

Any corporation, association, or person with a substantial interest in the matter may, by written request, within thirty (30) days after publication or mailed of this notice of the proposed rate changes request to intervene. Intervention may be granted beyond the thirty (30) day period for good cause shown.

Any person who has been granted intervention by the Public Service Commission may obtain copies of the rate application and any other filings made by PWWC by contacting James A. Noel, Superintendent, P.O. Box 231, Princeton, KY 42445.

This filing may also be examined at the main office of PWWC located at 101 East Market Street, Princeton, Kentucky or at the Public Service Commission's Office located at 211 Sower Blvd, Frankfort, Kentucky, Monday through Friday from 8:00 am to 4:30 pm or through the PSC website at <http://psc.ky.gov>.

Comments regarding the filing may be submitted to the PSC through its website or by mail to Public Service Commission, P.O. Box 615, Frankfort, KY 40602.

A timely written request for intervention that establishes grounds for the request may also be submitted to the Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602. If the PSC does not receive a written request for intervention within thirty (30) days of the date notice was initially provided, the PSC may take final action on the filing.



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PHONE 270-365-9301
FAX 270-365-4669

October 22, 2019

Lyon County Water District
ATTN: Dixie Cayce, Superintendent
P.O. Box 489
Kuttawa, KY 42055

RE: Water Rate Increase

Dear Dixie;

As promised from our meeting earlier today, I wanted to give you the official notification of our planned rate increase. The (City of) Princeton Water and Wastewater Commission ("PW&W") plans to file a revised tariff with the Kentucky Public Service Commission ("PSC") on or about November 6, 2019. This filing will increase the PW&W wholesale water rate \$0.68 (29.7%) from the existing \$2.29 per 100 cubic feet to the new rate of \$2.97 per 100 cubic feet. When converting this rate to gallons, the new rate per 1,000 gallons would be \$3.97. This is the same rate currently being paid by all city residents of PW&W once they reach a threshold of 2,000 cubic feet.

Our board has already passed the first reading of this regulation and plans to have the second reading at the upcoming meeting scheduled November 5, 2019. The rate increase will be effective for water used beginning January 1, 2020 and billed during the February 2020 billing cycle. Once completed, the filing may be examined at the PW&W offices located at 101 East Market Street in Princeton, Kentucky or at the offices of the Kentucky Public Service Commission located at 211 Sower Boulevard in Frankfort, Kentucky, Monday – Friday from 8:00 am – 4:30 pm or on the PSC website at <http://psc.ky.gov>. Intervention may be requested by submitting a timely written request for intervention by mail to the Kentucky Public Service Commission, Post Office Box 615, Frankfort, KY 40602. Any request for intervention must establish the grounds for the request including the status and interest of the party.

Please let this letter serve as the official thirty (30) day notice of the rate increase. I am enclosing a copy of the existing regulation passed at our earlier board meeting. Dixie, I truly appreciate the interactions we had this morning from you and your board members. If I can help in your efforts to explain the situation further to your board or your customer base, please let me know.

Sincerely,

Tracy B. Musgove
Director of Finance and Special Projects

Encl

NOTICE

Princeton Water and Wastewater Commission has filed a proposed rate schedule which will increase by 29.7 percent the rate which it currently charges to Lyon County Water District for water service. Princeton Water and Wastewater currently charges Lyon County Water District \$2.29 per 100 cubic feet for water service. It proposes to charge Lyon County Water District \$2.97 per 100 cubic feet for water service effective January 1, 2020 and billed February 2020.

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November 20, 2019

Lyon County Water District
ATTN: Dixie Cayce, Superintendent
P.O. Box 489
Kuttawa, KY 42055

RE: Water Rate Increase

Dear Dixie;

I had mentioned to all parties in our meeting on October 22nd that should an intervention take place that we would seek reimbursement of the rate case expenses. I inadvertently left this language out of the notice since I thought it only went on the Tariff sheet. I realize that you feel your board will not ask for PSC intervention; however, I wanted to send you the actual tariff being filed with the PSC and amend your notice with the appropriate language that I supplied to Caldwell.

Our board did pass the second reading at the upcoming meeting scheduled November 5, 2019. The rate increase will be effective for water used beginning January 1, 2020 and billed during the February 2020 billing cycle. Once completed, the filing may be examined at the PW&W offices located at 101 East Market Street in Princeton, Kentucky or at the offices of the Kentucky Public Service Commission located at 211 Sower Boulevard in Frankfort, Kentucky, Monday – Friday from 8:00 am – 4:30 pm or on the PSC website at <http://psc.ky.gov>. Intervention may be requested by submitting a timely written request for intervention by mail to the Kentucky Public Service Commission, Post Office Box 615, Frankfort, KY 40602. Any request for intervention must establish the grounds for the request including the status and interest of the party.

Dixie, I have enjoyed being able to bounce things off you and discuss the ins and outs of “water”. Who would have thought in 1976 that both of us would have careers in the same industry. Once again, please let me know when you would like for me to get something to the paper.

Sincerely,

Tracy B. Musgove
Director of Finance and Special Projects

Encl

NOTICE

Princeton Water and Wastewater Commission ("PWWC") has filed a proposed rate schedule which will increase by 29.7 percent the rate which it currently charges to Lyon County Water District for water service. PWWC currently charges Lyon County Water District \$2.29 per 100 cubic feet (\$3.05/1,000 gallons) for water service. It proposes to charge Lyon County Water District \$2.97 per 100 cubic feet (\$3.95/1,000 gallons) for water service effective January 1, 2020 and billed February 2020.

PWWC also proposes a surcharge to recover all expenses it may incur to participate in and defend its proposed rates in any Public Service Commission proceeding that is initiated to investigate the reasonableness of those rates. PWWC proposes to recover the total amount of expenses associated with the increase in rates over a 36-month period from the party(ies) that initiates the investigation. If no proceeding is established, PWWC will not seek to recover any amount for Rate Case Expense Surcharge. The estimated cost of the rate case expenses is \$99,000; therefore, PWWC would seek to collect \$2,750 per month in total.

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A timely written request for intervention that establishes grounds for the request may also be submitted to the Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602. If the PSC does not receive a written request for intervention within thirty (30) days of the date notice was initially provided, the PSC may take final action on the filing.

**CITY OF PRINCETON, KENTUCKY
WATER AND WASTEWATER COMMISSION
REGULATION NO. 07-02-2019**

**A REGULATION ESTABLISHING A NEW WHOLESALE WATER RATE
TO BE CHARGED BY THE WATER AND WASTEWATER COMMISSION
OF THE CITY OF PRINCETON, KENTUCKY FOR THE PUBLIC AND
PRIVATE USE OF THE MUNICIPAL WATER AND SEWER SYSTEM
EFFECTIVE JANUARY 1, 2020 AND BILLED FEBRUARY 2020**

WHEREAS, by ordinance No. 2-21-83 (4), the City Council of the City of Princeton granted the City of Princeton Water and Wastewater Commission (hereafter “Commission”) the authority to determine programs and make all plans and determinations as to improvements, rates, and financial practices, and to establish such rules and regulations as it deems necessary or appropriate to govern the furnishing of water and sewer services on behalf of the City of Princeton; and

WHEREAS, the Commission has conducted an evaluation of water rates required to provide adequate revenue to meet actual operation, maintenance, and replacement costs attributable to the system, to meet obligated indebtedness costs, and payments required by applicable bonds and other financial obligations; and

WHEREAS, the Commission continues to incur increases in electricity charges, state mandated retirement and pension funding increases, increased chemical costs and flushing costs associated with meeting numerous federal regulations, and decreased sales as households and industry have become more efficient and conservative; and

WHEREAS, in order to establish a more fair and equitable rate system and to be able to continue providing our customers with quality water both now and in the future and in order to recoup the actual costs incurred to produce and distribute services; and

WHEREAS, pursuant to the aforementioned rate analysis, water and sewer rate schedules have been prepared consistent with applicable Kentucky Division of Water requirements and policies;

WHEREFORE, the Princeton Water and Wastewater Commission hereby adopts the following regulation:

Section 1. The billing and rates for water service to the customers connected to the Commission’s water system within the corporate limits of the City of Princeton shall remain unchanged and continue as adopted at the June 7, 2019 meeting. The rates are as follows:

First	175 cubic ft. / month (min bill):	\$ 8.60
Next	1,825 cubic ft. / month	\$ 3.36 / 100 CF
Over	2,000 cubic ft. / month	\$ 2.97 / 100 CF

Section 2. The billing and rates for water service to customers connected to the Commission’s water system outside the corporate limits of the City of Princeton shall remain unchanged.

Section 3. Monthly rates for water service to wholesale customers of the Commission (other municipalities or rural water districts which take delivery at master water meters) shall be increased to the level now being charged the Commission's largest customers.

FLAT RATE – NO TIERS

\$ 2.97 / 100 CF

The Commission also proposes a surcharge to recover all expenses it may incur to participate in and defend its proposed rates in any Public Service Commission proceeding that is initiated to investigate the reasonableness of those rates. PWWC proposes to recover the total amount of expenses associated with the increase in rates over a 36-month period from the party(ies) that initiates the investigation. If no proceeding is established, PWWC will not seek to recover any amount for Rate Case Expense Surcharge. The estimated cost of the rate case expenses is \$99,000; therefore, PWWC would seek to collect \$2,750 per month in total.

Section 4. Monthly rates for sewer service to customers connected to the Commission's sewer system within the corporate limits of the City of Princeton shall remain at a flat rate of \$7.24 per 100 cubic feet. The structure, as adopted at the June 7, 2019 meeting is as follows:

First	150 cubic ft. / month (min bill):	\$ 10.86
Over	150 cubic ft	\$ 7.24 / 100 CF

Section 5. All customers connected to either the water and sewer system will continue to be charged a monthly customer service fee of \$6.00 per month per meter whether connected to one or both systems.

Section 6. Any regulation or portion thereof inconsistent with the terms of this Regulation is hereby repealed and any section of this Regulation adjudged invalid or unconstitutional shall not affect the validity of the Regulation as a whole or any other section or provision hereof.

Section 7. The change in the wholesale rates provided for herein shall become effective upon its adoption, approval and publication as provided by law with usage starting January 1, 2020 and billed in the February 2020 billing cycle.

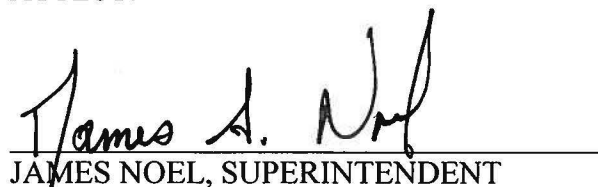
Given first reading on the 2nd day of July, 2019.

Given second reading and duly passed by the City of Princeton Water and Wastewater Commission on the 5th day of November 2019.



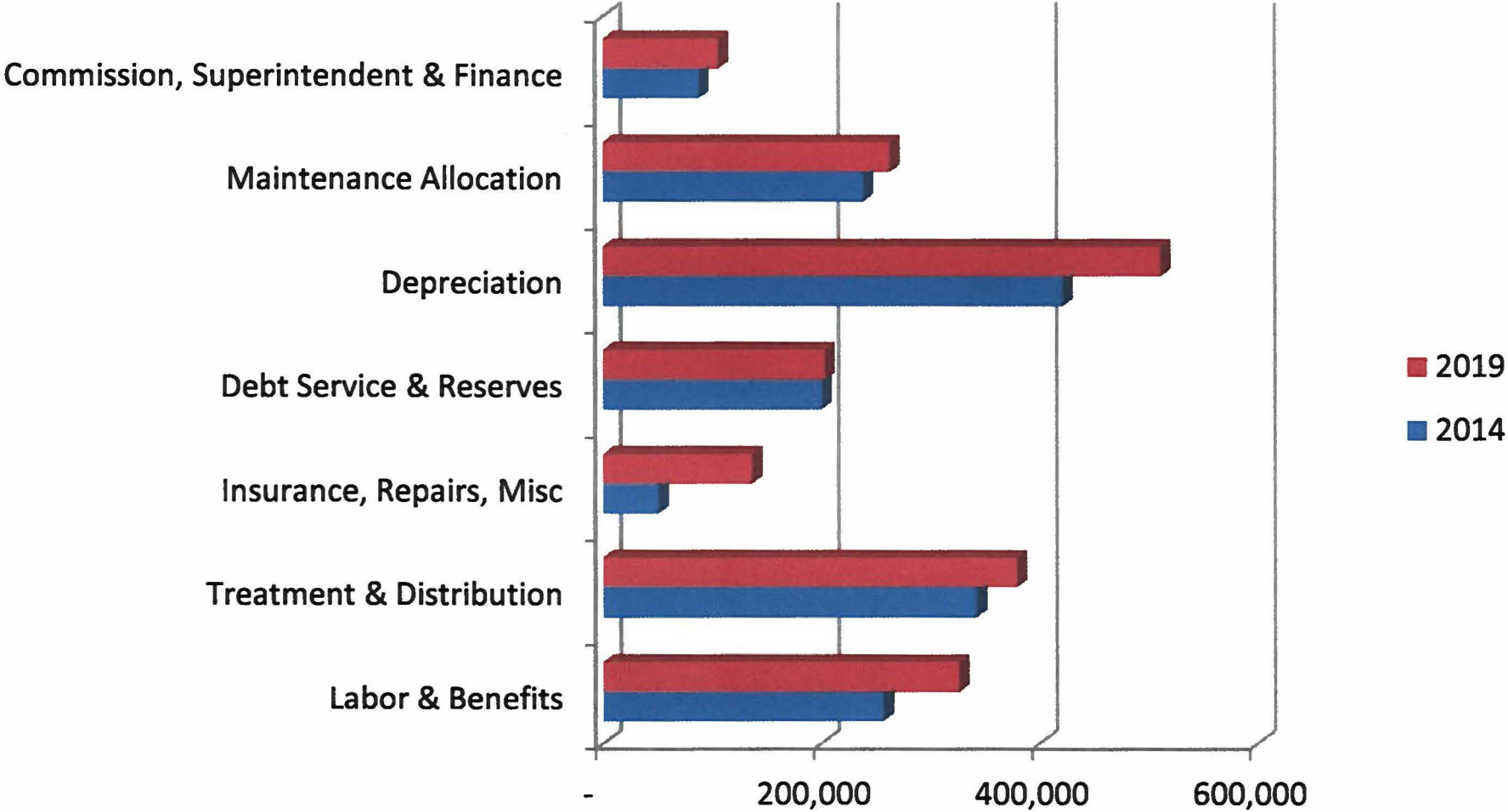
ROBERT L. HAYES, CHAIRMAN

ATTEST:



JAMES NOEL, SUPERINTENDENT

Production Costs 2014 vs 2019



Water Treatment Plant

	AUDITED ACTUAL 6/30/2014	AUDITED ACTUAL 6/30/2015	AUDITED ACTUAL 6/30/2016	AUDITED ACTUAL 6/30/2017	AUDITED ACTUAL 6/30/2018	AUDITED ACTUAL 6/30/2019
Salaries & Payroll Taxes	167,762	154,465	162,155	172,345	192,420	191,403
Employee Benefits	58,965	45,370	51,603	60,563	65,779	67,562
Uniforms & Training	1,178	243	1,751	2,311	2,308	888
Retirement	28,889	24,445	27,093	30,278	73,272	66,082
Utilities	170,803	171,772	165,849	164,469	175,461	179,933
Gas & Oil	4,947	1,093	864	2,457	731	786
Bldg & Equip Repair & Maint	20,870	21,637	52,652	44,430	66,314	90,935
Supplies & Chemicals	135,841	133,681	108,209	128,443	124,185	83,211
Insurance	19,042	19,523	33,776	38,811	28,738	41,523
Professional Services & Lab Fees	28,074	20,311	17,067	32,767	34,505	35,147
Consultant Fee	7,393	-	-	-	-	-
Rental & Lease Expense	1,800	6,581	-	11,398	-	-
Sludge Removal	-	62,524	-	55,143	-	56,266
All Other Miscellaneous	3,970	6,480	5,065	8,613	7,921	3,286
Total WTP Expenses	649,534	668,125	626,084	752,028	771,634	817,022
50% Unallocated Commission Expense	11,021	11,717	18,941	13,878	12,820	12,015
50% Superintendent & Finance	77,071	77,951	78,503	87,291	86,101	93,678
Interest Expense	87,841	83,236	79,213	74,640	73,346	113,419
Debt Service Principal Requirement	100,630	105,235	108,521	113,667	117,434	78,000
Repair & Maintenance Reserves	12,100	12,100	12,100	12,100	12,100	12,100
Depreciation	421,886	422,623	430,277	452,073	456,702	511,668
Maintenance Allocation	238,501	261,328	262,476	271,599	280,743	263,054
Chemical & Gas Inventory Adjustment						24,618
Total Cost of Production	1,598,583	1,642,313	1,616,114	1,777,276	1,810,880	1,925,573
Water Produced (Discharged) (cuft)	73,626,872	75,037,032	69,362,701	65,476,203	67,826,203	67,168,048
Less: Flushing, Fire Protection & Internal Use	3,109,162	3,630,893	3,654,667	5,713,243	9,155,349	6,966,881
NET Water Produced for Sale (cubic feet)	70,517,710	71,406,139	65,708,034	59,762,960	58,670,854	60,201,167
Cost with 15% Water Loss						
Unit Cost Per 100 Cubic Feet	\$ 2.67	\$ 2.71	\$ 2.89	\$ 3.50	\$ 3.63	\$ 3.76
Unit Cost per 1,000 Gallons	\$ 3.57	\$ 3.62	\$ 3.87	\$ 4.68	\$ 4.85	\$ 5.03

City of Princeton Water and Wastewater Commission Historical Background of Residential vs Wholesale Water Rates

Effective Dates	3/1/1983	11/1/2000	10/1/2002	11/1/2004	11/1/2006	1/1/2011	9/1/2014
First 150 (Minimum)	\$ 4.25	\$ 5.95	\$ 6.95	\$ 7.75	\$ 7.98	\$ 8.00	\$ 8.60
Per 100/cuft charge	\$ 2.83	\$ 3.97	\$ 4.63	\$ 5.17	\$ 5.32	\$ 5.33	\$ 5.73
Over 10,000 (> 10,000)	\$ 0.85	\$ 1.19	\$ 1.49	\$ 1.79	\$ 1.84	\$ 2.02	\$ 2.29
Wholesale per 100 cuft	\$ 0.77	\$ 1.07	\$ 1.34	\$ 1.79	\$ 1.84	\$ 2.02	\$ 2.29
Wholesale per 1000 gallons	\$ 1.02	\$ 1.43	\$ 1.79	\$ 2.39	\$ 2.46	\$ 2.71	\$ 3.06

In the 1980s, the population of Princeton was 13.4% higher and the retail base of downtown was thriving as was the industrial sector (Grinnell, Federal Mogul, Arvin Industries, Princeton Hosiery Mills, the shirt factory etc.). Declining or decreasing block rate structures were popular as a tool for small cities to use to attract industry and also were appropriate for utilities operating at or near capacity where economies of scale could be realized. Rates were left untouched through the 1990s until 2000, when the plant and tank capacities were expanded to allow for growth within Caldwell and Lyon County customer bases. Afterwards, PWWC found itself with a much higher debt load, increasing expenditures, and decreasing usage and revenues due to declining population, industry and the loss of the City of Eddyville. Rather than place the burden on those for whom the system improvements benefited, a 40% across the board increase was implemented. Residential customers saw an increase of \$1.14/100 cft while the largest users only increased \$0.34 (\$0.30 for wholesale). Those who drove the need for additional capacity, were now paying only 27% of what the smaller residential customer was paying. Similar across the board increases have followed with the gap between the lowest tiers and highest tiers now widening to \$3.44.

Since October 2019, the Commission has been working with the University of North Carolina Environmental Finance Center to perform financial, affordability and rate studies. From a financial perspective, all of the ratios were favorable with the exception of age of assets where data indicated that > 56% of our fixed assets were fully depreciated. Regarding affordability, data indicates that we have a vulnerable population with 39.4% on Social Security; 20.2% of people having income below the poverty level; and 17.8% of citizens receiving food stamp/SNAP benefits. All of these measurements were worse than the state and national averages and should be considered with any future rate increases. After reviewing the billing information, it became apparent that the smaller users were subsidizing the larger users and the residential user can no longer be expected to shoulder the burden of maintaining a system where the largest users pay the least amount for the product.

Audits and departmental data were analyzed to determine fixed versus volumetric charges and reviews were made of the base rate charges and the rate structure itself. The conclusion was made that most of the costs incurred to treat the water are fixed with very few charges being variable or tied to volumes. After reviewing the billing information, it became apparent that the smaller users were subsidizing the larger users (a hallmark of a declining block rate system). Costs to treat and distribute clean water continue to rise due to many external factors that are out of control of the Commission. Steps have been taken to bid services, eliminate redundancy in the processes, streamline processes and implement technology to take the place of labor, and basically "think out of the box". The conclusion was made that the declining block rate structure was no longer a good fit for Princeton. Full cost pricing is simple, fair and equitable and promotes conservation.

Based on 6/30/19 data, the cost to produce water while providing adequate debt service and reserves for the future is \$3.76 per 100 cuft when considering a water loss ratio of 15%. With no water loss the cost declines to \$3.20 per 100 cuft.

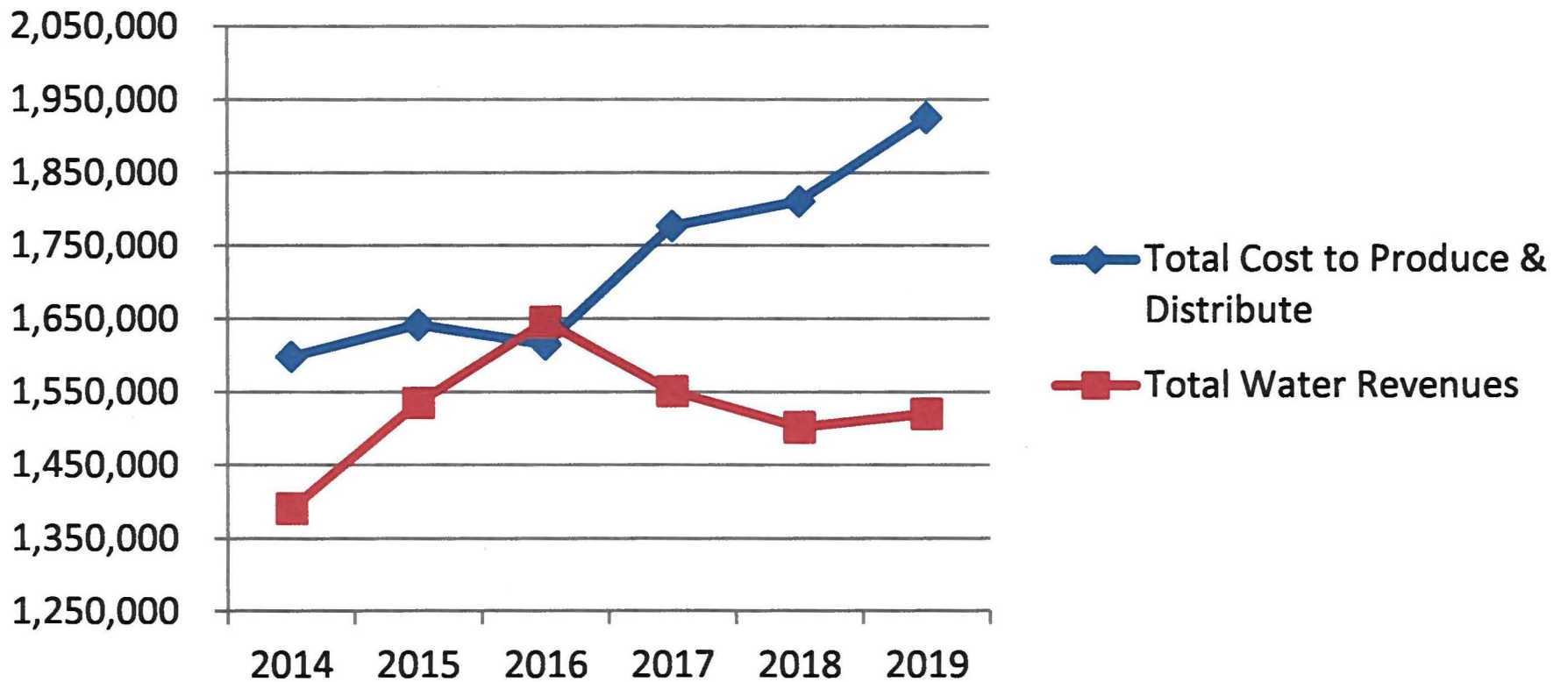
Previous Water Rates	<i>per 100 cuft</i>	New Water Rates Effective August 2019	<i>per 100 cuft</i>
First 150	\$ 5.73	First 175	\$ 4.91
Next 950	\$ 3.07	Next 1,825	\$ 3.36
Next 8,900	\$ 2.67	Over 2,000	\$ 2.97
Over 10,000	\$ 2.29		

\$3.44 difference between top and bottom tiers. Smallest user pays 2.5x what larger user pays

Increase minimum to 175 cuft to address inequity and affordability. Lower difference to \$1.94 & eliminate largest tiers.

Even at \$ 2.97, the largest user is still only paying 79% of the full cost

Cost of Production vs Revenues



FOR Princeton, Kentucky
Name of Municipality

P.S.C. KY. NO. 1

7th Revised SHEET NO. 1

CANCELLING P.S.C. KY. NO. 1

6th Revised SHEET NO. 1

City of Princeton Water & Wastewater Commission
(Name of Municipal Utility)

RATES AND CHARGES

Caldwell County Water District

Monthly Customer Service Charge	\$6.00 per meter
All Usage	\$2.97 per 100 cubic feet
Rate Case Expense Surcharge **	

Lyon County Water District

Monthly Customer Service Charge	\$6.00 per meter
All Usage	\$2.97 per 100 cubic feet
Rate Case Expense Surcharge **	

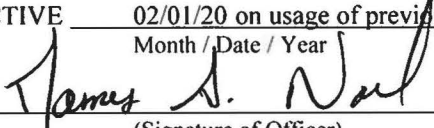
** - PWWC also proposes a surcharge to recover all expenses it may incur to participate in and defend its proposed rates in any Public Service Commission proceeding that is initiated to investigate the reasonableness of those rates. PWWC proposes to recover the total amount of expenses associated with the increase in rates over a 36-month period from the party(ies) that initiates the investigation. If no proceeding is established, PWWC will not seek to recover any amount for Rate Case Expense Surcharge. The estimated cost of the rate case expenses is \$99,000; therefore, PWWC would seek to collect \$2,750 per month in total.

These rates/fees were approved by the City of Princeton Water and Sewer Commission in Regulation No. 07-02-2019, given first reading on July 2, 2019 and given second reading and passed on November 5, 2019 per authority granted by the City Council of the City of Princeton by Ordinance No. 2-21-83 (4).

Water Purchase Contracts between the City of Princeton and Caldwell County Water District entered into on the 16th day of October 2002, and between the City of Princeton and the Lyon County Water District entered into on the 15th day of December 2016, are on file at the Kentucky Public Service Commission.

DATE OF ISSUE 11/20/19
Month / Date / Year

DATE EFFECTIVE 02/01/20 on usage of previous month
Month / Date / Year

ISSUED BY 
(Signature of Officer)

TITLE Superintendent

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