

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MCCREARY)	CASE NO.
COUNTY WATER DISTRICT FOR AN)	2021-00300
ALTERNATIVE RATE ADJUSTMENT)	

NOTICE OF FILING OF COMMISSION STAFF REPORT

Notice is hereby given that, in accordance with the Commission's Order of January 6, 2022, the attached report containing the findings of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's January 6, 2022 Order, McCreary County Water District (McCreary District) is required to file written comments regarding the findings of Commission Staff no later than 14 days from the date of this report. The Commission directs McCreary District to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission.



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
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DATED MAR 11 2022

cc: Parties of Record

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

STAFF REPORT
ON
MCCREARY COUNTY WATER DISTRICT
CASE NO. 2021-00300

McCreary County Water District (McCreary District), a water district organized pursuant to KRS Chapter 74, provides sewer service to approximately 1,144 residential, commercial, industrial, and public authority customers in McCreary County, Kentucky.¹ In the final Order for Case No. 2020-00399,² McCreary District was ordered to file an application by June 25, 2021, for a general rate adjustment which includes financial data for both its sewer and water divisions pursuant to KRS 278.190 and 807 KAR 5:001, Section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076 to ensure that there is no cross subsidization of rates between the sewer and water operating divisions.

On September 24, 2021, McCreary District tendered its application to the Commission requesting to adjust its sewer rates pursuant to 807 KAR 5:076. By letter dated September 24, 2021, the Commission rejected the application for filing deficiencies. McCreary District's application was accepted as filed as of September 27, 2021; the date McCreary District's cured its filing deficiencies. To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated October

¹ *Annual Sewer Report of McCreary County Water District to the Public Service Commission for the Calendar Year Ended December 31, 2020* (2020 Annual Sewer Report) at 9 and 25.

² See Case No. 2020-00399, *Electronic Application of McCreary County Water District for Authorization to Execute an Assistance Agreement with the Kentucky Infrastructure Authority and for a Certificate of Public Convenience and Necessity to Construct the Sanitary Sewer Collection System Expansion Phase 1 Project* (Ky. PSC Mar. 11, 2021).

8, 2021. On November 11, 2021, McCreary District submitted its motion requesting an additional seven days in which to respond to Commission Staff's First Request for Information (Staff's First Request). By its Order dated November 23, 2021, the Commission granted McCreary District's motion and amended the procedural schedule to extend the remaining deadlines. On January 3, 2022, McCreary District submitted its motion requesting an additional seven days in which to respond to Commission Staff's Second Request for Information (Staff's Second Request), and indicating it waived its right to place the rate into effect prior to a final decision by the Commission. By its Order dated January 6, 2022, the Commission granted McCreary District's second motion for an extension of time and amended the procedural schedule to extend the issuance date of the Commission Staff Report.

To comply with the requirements of 807 KAR 5:076, Section 9, McCreary District based its requested rates on a historic test period that coincides with the reporting period shown in its most recent Annual Report on file with the Commission: the calendar year ended December 31, 2020.

Using the Debt Service Coverage (DSC) method and its pro forma test-year operations, McCreary District determined in its application that it could justify a revenue increase for its sewer division of \$634,851, or 49.13 percent.³ However, citing the projected additional revenues related to an industrial customer's plant expansion and the completion of Phase 1 of the Sanitary Sewer Collection System Expansion, and wishing to avoid placing a hardship of a 49.13 percent rate increase would place upon its

³ Application, Exhibit E, Revenue Requirement Calculation – Debt Service Coverage Method.

customers with incomes either at or below the federal poverty threshold, McCreary District limited its request to a revenue increase of \$211,617, or 16.38 percent.⁴

Pro Forma Operating Expenses	\$	1,730,449
Plus: Average Annual Debt Service		209,984
Debt Service Coverage		<u>41,997</u>
Overall Revenue Requirement		1,982,429
Less: Other Operating Revenues		(54,420)
Interest Income		<u>(830)</u>
Revenue Required from Water Sales		1,927,179
Less: Normalized Revenue - Sewer		<u>(1,292,285)</u>
Required Revenue Increase	\$	<u>634,851</u>
Percentage Increase		<u>49.13%</u>

McCreary District is requesting that the Commission authorize a three-year phase-in of its requested sewer rates. As shown in the table below for a typical residential customer using 4,000 gallons of water per month the requested phase-one sewer rates would increase the monthly bill by \$2.24, from \$41.07 to \$43.31, or approximately 5.45 percent. The requested phase-two rates would increase the monthly bill of a typical residential customer by \$2.24, from \$43.31 to \$45.55, or approximately 5.17 percent. The requested phase-three rates would increase the monthly bill of a typical residential customer by \$2.24, from \$45.55 to \$47.79, or approximately 4.92 percent.

⁴ \$211,617 (Requested Revenues Increase Sewer Division) ÷ \$1,292,285 (Normalized Operating Revenue) = 16.38%.

	Average Bill	Existing Rates		Phase 1		Phase 2		Phase 3	
		Rates	Bills	Rates	Bills	Rates	Bills	Rates	Bills
First (Min. Bill)	2,000	\$ 24.19	\$ 24.19	\$ 25.51	\$ 25.51	\$ 26.83	\$ 26.83	\$ 28.15	\$ 28.15
Next	18,000	\$ 0.00844	16.88	\$ 0.00890	17.80	\$ 0.00936	18.72	\$ 0.00982	19.64
Average Bills	<u>4,000</u>	<u>\$ 41.07</u>		<u>\$ 43.31</u>		<u>\$ 45.55</u>		<u>\$ 47.79</u>	
Increase in Average Bill				<u>\$ 2.24</u>		<u>\$ 2.24</u>		<u>\$ 2.24</u>	
Percentage				<u>5.45%</u>		<u>5.17%</u>		<u>4.92%</u>	

To determine the reasonableness of the sewer rates requested by McCreary District, Commission Staff performed a limited financial review of McCreary District's test-year operations. The scope of Commission Staff's review was limited to determining whether operations reported for the test year were representative of normal operations. Known and measurable changes to test-year operations were identified and adjustments were made when their effects were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

Commission Staff's findings are summarized in this report. Mark Frost reviewed McCreary District's Pro Forma Operating Expenses and its Overall Revenue Requirement. Eddie Beavers reviewed McCreary District's reported revenues and rate design.

SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the DSC method, as generally accepted by the Commission, Commission Staff found that McCreary District's sewer division required an Overall Revenue Requirement of \$1,899,186. To meet the Overall Revenue Requirement, McCreary District requires a \$552,322, or 42.76 percent, revenue increase to Pro Forma present rate revenues.

2. Monthly Sewer Service Rates. McCreary District proposed to increase all of its monthly retail sewer service rates by approximately 16.38 percent across the board over three phases. McCreary District has not performed a cost of service study (COSS). McCreary District stated that it did not complete a COSS at this time as the Commission Order requiring the filing of this rate case did not direct it to file a COSS.⁵ McCreary District further stated that it expects to have significant growth and changes in the sewer system over the next 24 to 36 months. McCreary District stated that it anticipates filing another rate case within 30 months once this application has been finalized and at that time a comprehensive COSS will be filed with the rate case.⁶

The Commission has previously found that the allocation of a revenue increase across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS. Finding no such evidence in this case, Commission Staff followed the method proposed by McCreary District and allocated the \$552,322 revenue increase across the board over a two year phase in to McCreary District's monthly sewer service rates. Commission Staff recommends a two year phase in due to McCreary District's intentions to file another rate application within the next 30 months.

The rates set forth in Appendix A to this report are based upon the revenue requirement, as calculated by Commission Staff, and will produce sufficient revenues from sewer service to recover the \$1,843,949 revenue required from rates, an approximate 42.76 percent increase. These rates will increase a typical residential

⁵ McCreary District's Response to Staff's First Request (filed Nov. 19, 2021), Item 30.

⁶ *Id.*

customer's monthly sewer bill for the McCreary District for Phase 1 from \$41.07 to \$49.89, an increase of \$8.79, or approximately 21.40 percent and Phase 2 from \$49.89 to \$58.63, an increase of \$8.77, or approximately 17.59 percent.⁷

(A) Nonrecurring Charges. Following the Commission's recent decisions,⁸ Commission Staff has reviewed McCreary District's other fees and charges for the sewer division. These charges are specific to its industrial customers and not its residential customers. Therefore, Commission Staff did not evaluate these charges for possible changes. Since McCreary District does not assess residential sewer nonrecurring charges specifically stated in its tariff, Commission Staff reviewed the application of its water nonrecurring charges as to how these charges impact residential sewer customers. Specifically, Commission Staff reviewed the application for the water division⁹ and the water nonrecurring charges for Late Payment Penalty and Returned Check Charges. McCreary District stated it does not assess a Late Payment Penalty¹⁰ but in regards to its Returned Check charge stated that a portion of the funds collected should be allocated to its sewer customers.¹¹

⁷ The typical residential customer uses approximately 4,000 gallons of water per month.

⁸ Case No. 2020-00141, *Electronic Application of McCreary County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020) and Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020), Case No. 2020-00196, *Electronic Application of West Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), and Case No. 2020-00195 *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020).

⁹ Case No. 2021-00301, *Electronic Application of McCreary County Water District for an Alternative Rate Adjustment* (filed Sept. 27, 2021), Application.

¹⁰ McCreary District's Response to Staff's First Request (filed Nov. 19, 2021), Item 5.

¹¹ McCreary District's Response to Staff's Second Request (filed Jan. 10, 2022), Item 1. Three of its sewer customers should be assessed one-half the fee collected for Returned Check Charge for an approximate amount of \$37.50.

The Commission found that as district personnel are currently paid during normal business hours, estimated labor costs previously included in determining the amount of Nonrecurring Charges should be eliminated from the charges. Commission Staff has reviewed the most recent cost justification information provided in the 2011 Tariff filing.¹² Commission Staff also notes that the Returned Check Charge is being allocated to its sewer customers that also receive water service, however, the sewer tariff has no mention of the Returned Check Charge or the manner in which customers may be charged in its sewer tariff. Commission Staff recommends that the Commission require McCreary District either include a policy statement on how McCreary District makes sewer allocations of this charge for ratemaking purposes or have McCreary District state a specific charge in the sewer tariff and explain how it is applied to a customer when there is a returned check charge applied to a customer's account. Removing labor results in the following revised nonrecurring charges:

	<u>Nonrecurring Charge</u>	
Return Check Charge		4.25

The adjustments to the Nonrecurring Charges results in a decrease in other operating revenue of \$12.75 as shown below.

	Number of Occurences	McCreary District Test Year	Pro Forma Adjustments	Pro Forma
Returned Check Charge	3	\$37.50	(12.75)	\$24.75
Total Other Operating Revenues		\$37.50	(12.75)	\$24.75

¹² TFS 2011-00680 (Commission Letter of Acceptance, Nov. 11, 2011).

Commission Staff did not differentiate the amount or manner in which McCreary District stated the fee should be allocated, instead Commission Staff recommends that the Commission have McCreary District make it clear in its tariff:

PRO FORMA OPERATING STATEMENT

McCreary District's Pro Forma Operating Statement for the test year ended December 31, 2020, as determined by Commission Staff, appears below.

	Test Year Actual	Pro Forma Adjustments	Ref.	Pro Forma Operations
Operating Revenues				
Measured Revenues	\$ 1,307,771	\$ (16,144)	A	\$ 1,291,627
Misc. Sewage Revenues	94,967	(94,967)	B	0
Total Sewage Service Revenues	1,402,738	(111,111)		1,291,627
Other Sewer Revenues		94,967	B	
		(75,000)	C	
		34,453	D	
		(13)	E	54,407
Total Operating Revenues	1,402,738	(56,704)		1,346,034
Operating Expenses				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	251,748	61,428	F	
		(75,000)	G	238,176
Salaries and Wages - Commissioners		4,264	H	4,264
Utility Service-Water		11,148	I	11,148
Purchased Power	140,049	1,836	J	141,885
Chemicals	124,891			124,891
Maint. - Pumping System and Other Plant	251,627	(130,313)	K	121,314
Agency Collection Fee		193	L	193
Internal Labor, Materials and Expenses		5,759	L	5,759
Uncollectable Accounts	12,720			12,720
Office Supplies and Other Exp.	65,511	(8,837)	I	56,674
Outside Services Employed	113,232	44,024	L	157,256
Insurance Expenses	66,948	(54,669)	M	12,279
Employee Pensions and Benefits	109,734	35,701	N	145,435
Regulatory Commission Expense		2,693	O	2,693
Transportation Expenses	24,112			24,112
Miscellaneous General Exp.	16,934	(5,581)	L	11,353
Total Operation and Maintenance Expenses	1,177,506	(107,354)		1,070,152
Depreciation	533,310	16,465	K	
		3,320	P	553,095
Taxes Other Than Income	17,521	6,437	Q	23,958
Total Operating Expenses	1,728,337	(81,132)		1,647,205
Income Available to Service Debt	\$ (325,599)	\$ 24,428		\$ (301,171)

(A) Billing Analysis. McCreary District proposed to decrease its test-year revenues from sewer services of \$1,307,771 by \$16,144 to reflect the current billing analysis provided by the district. McCreary District's proposed adjustment meets the ratemaking criteria of being known and measurable and accepts and based upon the filed billing analysis, Commission Staff agrees with the proposed adjustment.

(B) Misclassified Revenues. McCreary District reported in its 2020 Annual Report Sewer Division Miscellaneous Sewage revenues of \$94,309. McCreary District proposed to reclassify its reported Miscellaneous Sewage revenues of \$94,309 to its Other Sewer revenues.¹³ In reviewing the 2020 General Ledger¹⁴ and the 2020 Trial Balance,¹⁵ Commission Staff determined that McCreary District's proposed adjustment is correct and recommends that it be accepted.

(C) Tap-on Fees. In its adjustment to reclassify Miscellaneous Sewage revenue, McCreary District explained that included in its Miscellaneous Sewage revenues are Tap-On fees of \$75,000.¹⁶ McCreary District proposed to reduce Other Sewer revenues by \$75,000 to remove the misclassified tap-on fees.¹⁷ The Uniform System of Accounts for sewer utilities requires tap-on fees collected by a sewer utility to be recorded in Account 271, Contributions in Aid of Construction. Accordingly, McCreary District's

¹³ Application, Exhibit C, Schedule of Adjusted Operations – Sewer Utility References, References, Ref. B.

¹⁴ McCreary District's Responses to Commission Staff's First Request, Item 11, Excel Workbook: Response_Q11_Sewer-GL-2020.xlsx2020.

¹⁵ *Id.*, Excel Workbook: Response_Q13_2020a_Sewer_Trial_Balance_to_Revenue.xlsx.

¹⁶ Application, Exhibit C, Schedule of Adjusted Operations – Sewer Utility References, References, Ref. B.

¹⁷ *Id.*

proposed adjustment is correct and, therefore, Commission Staff recommends it be accepted.

(D) Fibrotec. In its adjustment to reclassify Miscellaneous Sewage revenue, McCreary District explained that in the test-year it had recorded payments from Fibrotec of \$34,453 for testing and other costs related to the Utility's Industrial User Permit Program for its sewer operations under its water operations.¹⁸ McCreary District proposed to increase to increase Other Sewer revenue by the Fibrotec payments of \$34,453, stating that these payments are more properly recorded as revenue to the sewer division's operations.¹⁹ Commission Staff agrees that the payments should be recorded as revenues so that they offset costs that were incurred by the sewer division to provide industrial user permit services to Fibrotec. Accordingly, Commission Staff recommends McCreary District's proposed adjustment be accepted.²⁰

(E) Other Sewer Revenues. The decrease in the individual charges previously discussed causes a net adjustment to Other Sewer revenues of \$12.50.

(F) Salaries and Wages - Employees. McCreary District reported a total test-year Employee Salaries and Wages expense of \$1,129,234; the water division reported \$877,486²¹ and the sewer division reported \$251,748.²² McCreary District calculated its

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*, \$94,967 (Miscellaneous Sewage revenues) - \$75,000 (Misclassified Tap-on Fees) + \$34,453 (Fibrotec Payments) = \$54,420.

²¹ *Annual Water Report of McCreary County Water District to the Public Service Commission for the Calendar Year Ended December 31, 2020* (2020 Annual Water Report) at 50.

²² 2020 Annual Sewer Report at 27–28. \$47,786 (Collection - Labor, Materials and Expense) + \$203,962 (Administrative and General Salaries) = \$251,748.

proposed pro forma total Salaries and Wages expense of \$1,194,071²³ using the employee positions that were active as of June 30, 2021, the employee wage rates as of January 1, 2021, and the manager/superintendent salary contained in the revised employment contract.²⁴ By applying the Allocation Rules attached to its application,²⁵ McCreary District allocated \$253,532²⁶ of its total pro forma total Salaries and Wages expense resulting in a pro forma adjustment of \$1,784.²⁷

According to McCreary District the reported 2020 employee vacation hours included lump sum payments to employees for unused vacation hours which might have included accumulated leave from prior years.²⁸ Commission Staff requested McCreary District provide its written policy regarding vacation pay²⁹ and to explain if it requires its employees to use all of their vacation hours in the calendar year earned, if they are allowed to accrue any unused hours into the next calendar year, or if they receive a lump sum payment for any unused vacation hours at the end of the year.³⁰ McCreary District has failed to provide adequate documentation to show that its policy regarding the lump-sum payments to its employees for unused vacation time is reasonable or warranted.

²³ McCreary District's responses to Staff's First Request, Item 15, Excel Workbook: 2021-00300_Application_001_RateCalculationsSpreadsheet_Sewer.xlsx; Tab: Wages-Benefits.

²⁴ *Id.*, Sewer Operations and Maintenance Expenses References, Ref. C.

²⁵ *Id.*, Allocation Rules.

²⁶ *Id.*

²⁷ \$253,532 (Total Adjusted Wages Allocated to Water Division) - \$251,748 (Reported Employee Salaries and Wages expense) = \$1,784.

²⁸ McCreary District's Response to Staff's Second Request, Item 4.c.

²⁹ *Id.*, Item 7.a.

³⁰ *Id.*, Item 7.b.

Commission Staff is not including the lump sum payments in its calculation of pro forma Employee Salaries and Wages expense.

An adjustment to reflect the actual 2021 wage rates would meet the ratemaking criteria of being known and measurable.³¹ Using McCreary District's current staff level of 23 full-time employees, five part-time employees, the 2021 employee wage rates, 2,080 regular work hours for the full-time employees (Regular, Sick, Vacation, and Bereavement), and the actual hours worked for the part-time employees, Commission Staff calculated a total pro forma Employee Salaries and Wages expense for McCreary District of \$1,111,361. This method accounts for current wage rates and annualizes test-year wages paid to any employee hired during the test year. As shown in Appendix B attached hereto, Commission Staff applied McCreary District's allocation factors to the pro forma salary of each employee, to arrive at its allocated pro forma Salaries and Wages expense for the sewer division of \$313,176, which results in an increase of \$61,428.

(G) Tap-on Fees. McCreary District proposed to remove from Employee Salary and Wages expense \$75,000 that is related to labor and material expenses for sewer connections and extensions (capital expenditures) that were performed during the test period.³² McCreary District's adjustment is reasonable and meets the ratemaking criteria

³¹ See 807 KAR 5:001, Section 16.1.(a).; Case No. 2001-00211, *The Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue Its Evidence of Indebtedness Therefor; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff* (Ky. PSC Mar. 1, 2002); Case No. 2002-00105, *Application of Northern Kentucky Water District for (A) an Adjustment of Rates; (B) a Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds* (Ky. PSC June 25, 2003); Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018); and Case No. 2019-00080, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of the City of Pikeville to Mountain Water District* (Ky. PSC Dec. 19, 2019).

³² Application, Exhibit C, Schedule of Adjusted Operations – Sewer Utility, Ref. A, and Sewer Operations and Maintenance Expenses References, Ref. A.

of being known and measurable. Therefore, Commission Staff recommends the adjustment be accepted.

(H) Salaries and Wages - Commissioners. McCreary District proposed to increase its test-year Operating expenses by \$4,264 for Salaries and Wages - Commissioners.³³ McCreary District's adjustment reflects allocation of the Salaries and Wages – Commissioner expense of \$27,000 between water and sewer operations based upon the number of customers each division served.³⁴ McCreary District's adjustment is reasonable and meets the ratemaking criteria of being known and measurable. Therefore, Commission Staff recommends that McCreary District's proposed Salaries and Wages – Commissioners expense of \$4,264 be accepted.

(I) Utility Service Water. During the test-year, McCreary District's sewer division paid the water division for metered water service that was used at its wastewater treatment plant.³⁵ However, McCreary District incorrectly recorded the cost of the water that was purchased for its sewer division in Account 921, Office Supplies and Other Expenses.³⁶ McCreary District is reducing Office Supplies and Other expenses by \$8,837 to remove the misclassified purchased water cost and is increasing Utility Service – Water expense by \$11,148³⁷ to reflect the increased cost of water resulting from the water

³³ *Id.*, Schedule of Adjusted Operations – Water Utility, Ref. A.

³⁴ *Id.*, \$27,000 (Commissioner Fees) x 15.45% (Ratio of Sewer Customers to Total Customers) = \$4,264.

³⁵ *Id.*, Sewer Operations and Maintenance Expenses References, Ref. C.

³⁶ *Id.*

³⁷ *Id.*, Schedule of Adjusted Operations – Sewer Utility, Ref. C, and Sewer Operations and Maintenance Expenses References, Ref. C.

division's February 22, 2021 rate adjustment.³⁸ McCreary District's adjustments are reasonable, and they meet the ratemaking criteria of being known and measurable. Therefore, Commission Staff recommends that McCreary District's proposed adjustments be accepted.

(J) Electricity – Office. In Case No. 2021-00301,³⁹ McCreary District proposed to reduce purchased power expense by \$1,836 to allocate the cost of its office electricity between the water and sewer divisions based upon the number of customers each division served.⁴⁰ However, McCreary District did not propose a similar allocation adjustment be made to the sewer division's purchased power expense. To be consistent with Case No. 2021-00301, Commission Staff recommends that the sewer division's Purchased Power expense of \$140,049 be increased by \$1,836.

(K) Maintenance. McCreary District reported test-year Maintenance – Pumping System and Other Plant expense of \$251,627.⁴¹ In its review of the 2020 general ledger and the test-year invoices, Commission Staff discovered that McCreary District had expensed the capital expenditures listed in the table below.⁴² The identified expenditures

³⁸ Case No. 2021-00021, *Electronic Application of McCreary County Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and An Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Feb. 22, 2021).

³⁹ Case No. 2021-00301, *Electronic Application of McCreary County Water District for an Alternative Rate Adjustment*. Application, Exhibit C, Schedule of Adjusted Operations – Water Utility, Ref. F and Schedule of Adjusted Operations References – Water Utility, Ref. F and Schedule of Adjusted Operations References – Water Utility, Ref. F.

⁴⁰ Application, Exhibit D, Schedule of Adjusted Operations References – Water Utility, Ref. F.

⁴¹ *Id.*, Schedule of Adjusted Operations – Sewer Utility. \$218,359 (Maintenance of Pumping System) + \$33,268 (Maintenance of Other Plant and Facilities) = \$251,627.

⁴² McCreary District's Responses to Commission Staff's First Request, Item 11, Excel Workbook: Response_Q11_Sewer-GL-2020.xlsx2020 and McCreary District's Responses to Commission Staff's Second Request, Item 11, Invoice Table.

are considered capital costs that should not be recorded as an expense in the year incurred, but rather depreciated over their estimated useful lives. Commission Staff is reducing test-year Maintenance – Pumping System and Other Plant expense by \$130,313 to remove the capital expenditures.

Check No.	Vendor	Description	Amount
11190	Dave Miller	Utility Trailer	\$ (5,900)
10871	Southern Sales Company	Sewer Pump and Parts	(4,607)
10932	Wascon	Sewer Pump and Parts	(3,771)
10965	Staffer Pump & Supply	Myers Pump	(4,950)
10996	Southern Sales Company	Grinder Pump	(2,772)
10996	Southern Sales Company	Pump	(1,756)
11009	City Electric Motor Co. of Lex.	Grinder Pump	(5,161)
11054	Southern Sales Company	Wet Well Washer	(7,690)
11118	Wascon	Grinder Pump Fiberglass Stations	(7,341)
11189	Southern Sales Company	Barnes Pump	(4,360)
11200	Southern Sales Company	Crane- Grinder Pump Package	(14,370)
11272	Wascon	Grinder Pump Fiberglass Stations	(6,816)
11312	Southern Sales Company	Crane Pump	(6,730)
11324	Wascon	Simplex Stations - Fiberglass & Pumps	(12,418)
11412	Wascon	Extreme E/One Pumps	(3,618)
11467	Wascon	Grinder Pump Fiberglass Stations	(10,202)
11545	Quality Electric Motor Repair	Myers Pump	(3,650)
11545	Quality Electric Motor Repair	Myers Pump	(3,390)
11564	Southern Sales Company	Crane Pump	(4,360)
11616	Southern Sales Company	Grinder Pump	(3,487)
11616	Southern Sales Company	Crane Pump	(1,875)
11273	Southern Sales Company	Gorman Rupp Pump	(9,520)
11544	USA Bluebook	Welch Vacuum Pump	(1,569)
Total Capital Items			<u>\$ (130,313)</u>

To evaluate the reasonableness of the depreciation practices of small sewer utilities, the Commission has historically relied upon the O&M Guide for the Support of Rural Water Wastewater Systems by the Commission for Rural Water, Chicago, Illinois, 1974 (O&M Guide). According to the O&M Guide, the depreciation lives for the identified capital expenditures are 4 years, 7 years, and 35 years. Commission Staff is increasing depreciation expense by \$16,465 as calculated in the table below.

Property Description	Capital Expenditures	Commission for Rural Water O&M Guide Depreciation Lives			Depreciation Capital Items
		Floor	Celling	Mid-Point	
Utility Trailer	\$ 5,900	3.0	5.0	4.0	\$ 1,475
Sewer Pumps	92,364	7.0	7.0	7.0	13,195
Wet Well Washer - Equipment	7,690	7.0	7.0	7.0	1,099
Grinder Pump Fiberglass Stations	24,359	20.0	50.0	35.0	696
Depreciations - Capital Expenditures	<u>\$ 130,313</u>				<u>\$ 16,465</u>

(L) Operating Expense - Allocations. McCreary District's proposed adjustments contained in the table below to allocate common costs to its sewer division based upon number of customers served by each division and reassigns costs from the water division that were incurred solely for the sewer division.⁴³

Agency Collection Fee	\$ 193
Internal Labor, Materials and Expenses	\$ 5,759
Outside Services Employed	\$ 44,024
Miscellaneous General Exp.	\$ (5,581)

McCreary District's adjustments are reasonable and meet the ratemaking criteria of being known and measurable. Therefore, Commission Staff recommends that McCreary District's proposed adjustments be accepted.

(M) Insurance. McCreary District proposed to decrease its test-year Insurance expense of \$66,948 by \$55,065 to a pro forma expense level of \$11,883.⁴⁴ McCreary District's proposed adjustment reflects allocating its workers compensation insurance premium between the water and sewer divisions based upon the adjusted payroll of each division and allocates the general liability premium between the two divisions based upon

⁴³ Application, Exhibit D, Sewer Operations and Maintenance Expenses References, Ref. F, Ref G, Ref J and Ref N and Sewer Operations and Maintenance Expenses References, Ref. F, Ref G, Ref J and Ref N.

⁴⁴ *Id.*, Sewer Operations and Maintenance Expenses, Ref. K and Sewer Operations and Maintenance Expenses References, Ref. K.

the normalized operating revenues of each division.⁴⁵ Using the insurance allocations proposed McCreary District, Commission Staff calculated an Insurance expense adjustment of \$54,697 as shown in the table below.

	<u>Amount</u>	<u>Ratio</u>
Pro Forma Emp. Salaries & Wags - Water	\$ 798,185	71.82%
Pro Forma Emp. Salaries & Wags - Sewer	313,176	28.18%
Pro Forma Emp. Salaries & Wags - Total	<u>\$ 1,111,361</u>	<u>100.00%</u>
Normalized Operating Revenue - Water	\$ 4,269,334	76.02%
Normalized Operating Revenue - Sewer	1,346,705	23.98%
Normalized Operating Revenue - Total	<u>\$ 5,616,039</u>	<u>100.00%</u>
Worker Compensation Ins.	12,987	
Multiplied by: Payroll Allocation Water Factor	<u>28.18%</u>	3,660
Test-Year Gen. Liability Ins.	35,944	
Multiplied by: Payroll Allocation Water Factor	<u>23.98%</u>	8,619
Gen. Liability Ins. - Water		12,279
Total Pro Forma Insurance - Water		<u>(66,948)</u>
Less Reported Insurance		
Pro Forma Adjustment		<u>\$ (54,669)</u>

(N) Employee Pensions and Benefits. McCreary District proposed to increase its test year Employee Pensions and Benefits expense of \$109,734 by \$8,708 to \$118,442.⁴⁶ McCreary District's proposed adjustment reflects the current premiums for employee health, dental, and vision insurance allocated between the water and sewer divisions, and the Commission's limitations on the recovery of employer-paid health insurance and dental insurance premiums. McCreary District's proposed adjustment also

⁴⁵ *Id.*

⁴⁶ *Id.*, Sewer Operations and Maintenance Expenses, Ref. L and Sewer Operations and Maintenance Expenses References, Ref. L.

reflects the current County Employee Retirement System (CERS) employer contribution rate of 26.95 percent.

Commission Staff notes that the Commission has consistently made ratemaking adjustments to reduce the cost of employee benefit packages paid by some utilities when certain aspects of those benefit packages were found to be unreasonable based on a review of total salaries and fringe benefits. The Commission continues to place greater emphasis on evaluating employees' total compensation packages, including both salary and benefits programs, for market and geographic competitiveness to ensure the development of a fair, just and reasonable rate. It has found that, in most cases, 100 percent of employer-funded health care does not meet those criteria.

Consistent with past precedent, in which the Commission has reduced benefit expenses for utilities that pay 100 percent of an employee's health insurance coverage; Commission Staff reduced McCreary District's single health insurance premiums by 22 percent for individual health insurance, 34 percent for family/parent plus insurance,⁴⁷ and by 60 percent dental insurance, the national average employee contribution rate.⁴⁸ Factoring in the past Commission precedent, applying the CERS employer contribution rate to pro forma Salaries and Wages, and using McCreary District's salary allocation factors, Commission Staff increased Employee Pensions And Benefits expense by \$35,701, as calculated in Appendix C attached hereto.

⁴⁷ Bureau of Labor Statistics, Healthcare Benefits, March 2020, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>)

⁴⁸ The Willis Benchmarking Survey, 2015, at 62–63. (https://www.willis.com/Documents/publications/Services/Employee_Benefits/20151230_2015WillisBenefitsBenchmarkingSurveyReport.pdf).

(O) Public Service Commission (PSC) Assessment. In the test-Year, McCreary District reported 100 percent of the PSC Assessment as an operating expense of the water division.⁴⁹ McCreary District proposed to increase Regulatory Commission expense by \$2,693 to reflect the PSC Assessment for only the gross operating revenues of the sewer division.⁵⁰ McCreary District's adjustment is reasonable and meets the ratemaking criteria of being known and measurable. Therefore, Commission Staff recommends that McCreary District's proposed adjustment be accepted.

(P) Depreciation. McCreary District proposed to increase its test year Depreciation expense of \$533,310 by \$7,852 for a pro forma Depreciation expense of \$541,162.⁵¹ McCreary District's adjustment reflects an allocation of the depreciation on the shared office structure and depreciation calculated on assets that were incorrectly reported as expenses.⁵²

To evaluate the reasonableness of the depreciation practices of small sewer utilities, the Commission has historically relied upon the O&M Guide Study. When no evidence exists to support a specific life that is inside or outside the O&M Guide Study ranges, the Commission has historically used the midpoint of the O&M Guide Study ranges to depreciate a utility plant.

In responding to a Commission Staff interrogatory, McCreary District calculated a pro forma Depreciation expense of \$536,630 for its sewer division by applying the

⁴⁹ Application, Exhibit D, Sewer Operations and Maintenance Expenses References, Ref. M.

⁵⁰ *Id.*

⁵¹ *Id.*, Exhibit C, Schedule of Adjusted Operations – Sewer Utility, Ref. E.

⁵² *Id.*, Schedule of Adjusted Operations – Sewer Utility References, References, Ref. E.

midpoint depreciation life of the average service life ranges in the O&M Guide Study for each asset category reported in its depreciation schedule. Upon its review of McCreary District's revised depreciation schedule, Commission Staff notes that McCreary District's adjusted depreciation is reasonable and the lives used are at the midpoint of the O&M Guide Study range for each asset category. Commission Staff is increasing McCreary District's depreciation by \$3,320.⁵³

(Q) Payroll Taxes. McCreary District proposed to increase its test year Payroll Tax expense of \$17,521 by \$3,516 to a pro forma level of \$21,037 to reflect adjusted test period wages and to reflect the payment of Federal Insurance Contributions Act (FICA) taxes on water district commissioner salaries.⁵⁴ Commissioners are not employees of district, but rather they are classified as independent contractors. As an independent contractor the Commissioners are responsible to pay 100 percent of their Self-Employment Tax (SE tax)⁵⁵ and are not subject to income tax (federal, state, or local) withholdings from their fees. Accordingly, Commission Staff did not include McCreary District's Commissioner fees in its calculation of the pro forma FICA expense.

Using the pro forma Employee Salaries and Wages expense for the sewer division of \$313,176 and the current FICA rate of 7.65 percent, Commission Staff calculated a pro

⁵³ \$1,071,396 (Recalculated Depreciation expense) - \$1,092,601 (Test-Year Depreciation expense)= \$21,205.

⁵⁴ Application, Exhibit C, Schedule of Adjusted Operations – Sewer Utility, Ref. F and Schedule of Adjusted Operations – Sewer Utility References, Ref. F.

⁵⁵ SE tax is similar to the FICA taxes. With FICA taxes, half of the taxes are withheld from the employee paycheck and the other half is paid by the employer. But with SE tax, the Commissioner is responsible to pay the entire tax.

forma FICA expense of \$23,958.⁵⁶ Accordingly, Commission Staff increased McCreary District’s payroll tax expense by \$6,437.⁵⁷

OVERALL REVENUE REQUIREMENT AND
REQUIRED REVENUE INCREASE

The Commission has historically applied a DSC method to calculate the revenue requirement of water districts and water associations.⁵⁸ This method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a non-cash item, to provide working capital; (3) the average annual principal and interest payments on all long-term debts, and (4) working capital that is in addition to depreciation expense.

A comparison of McCreary District’s and Commission Staff’s calculations of the overall revenue requirement and the required revenue increase using the DSC method is shown below:

	<u>McCreary District</u>	<u>Commission Staff</u>
Pro Forma Operating Expenses	\$ 1,730,449	\$ 1,647,205
Plus: Average Annual Debt Service	209,984	209,984
Debt Service Coverage	<u>41,997</u>	<u>41,997</u>
Overall Revenue Requirement	1,982,429	1,899,186
Less: Other Operating Revenues	(54,420)	(54,407)
Interest Income	<u>(830)</u>	<u>(830)</u>
Revenue Required from Water Sales	1,927,179	1,843,949
Less: Normalized Revenue - Sewer	<u>(1,292,285)</u>	<u>(1,291,627)</u>
Required Revenue Increase	<u>\$ 634,851</u>	<u>\$ 552,322</u>
Percentage Increase	<u>49.13%</u>	<u>42.76%</u>

⁵⁶ \$313,176 (Pro Forma Employee Salaries and Wages expense) x 7.65% (FICA Rate) = \$23,958.

⁵⁷ \$23,958 (Pro Forma Payroll Tax) - \$17,521 (Reported Test-Year Payroll Tax) = \$6,437.

⁵⁸ See Case No. 2019-00424, *Electronic Application of Grant County Sanitary Sewer District for an Alternate Rate Adjustment* (Ky. PSC May 6, 2020); see also Case No. 2019-00268, *Application of Knott County Water and Sewer District for an Alternative Rate Adjustment* (Ky. PSC Jan. 31, 2020).

Average Annual Principal and Interest Payments.

At the time of Commission Staff's review, McCreary District had two outstanding loans from the Kentucky Rural Water Finance Corporation (KRWFC),⁵⁹ and an outstanding loan from the Kentucky Infrastructure Authority (KIA),⁶⁰ and one outstanding bond issuance from the U.S. Department of Agriculture's Rural Development (RD).⁶¹ In calculating its revenue requirement, McCreary District used an average annual debt service of \$209,984 and a 0.2 DSC of \$41,997.⁶² Upon its review of McCreary District's debt amortization schedules, Commission Staff verified that McCreary District's calculations are correct.

⁵⁹ See KRWFC Series 2012D - Case No. 2012-00172, *Application Of McCreary County Water District To Issue Securities in the Approximate Principal Amount of \$4,790,000 for the Purpose of Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC May 5, 2012); and KRWFC Series 2020E – Case No. 2020-00151, *Electronic Application of the McCreary County Water District to Issue Securities in the Approximate Principal Amount of \$1,702,000 for the Purpose of Refunding Certain Outstanding Obligations of the District and Refinancing of a Short Term Obligation Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC June 26, 2020).

⁶⁰ See KIA Loan A20-047 – Case No. 2020-00399, *Electronic Application of McCreary County Water District for Authorization to Execute an Assistance Agreement with the Kentucky Infrastructure Authority and for a Certificate of Public Convenience and Necessity to Construct the Sanitary Sewer Collection System Expansion Phase 1 Project* (Ky. PSC March 24, 2021).

⁶¹ See RD 2020 Series A Bonds, Case No. 2019-00246, *Application of the McCreary County Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant To KRS 278.023* (Ky. PSC Aug. 2, 2019).

⁶² Application, Exhibit E, Revenue Requirement Calculation Debt Service Coverage Method.

Signatures

/s/ Mark Frost

Prepared by: Mark Frost
Revenue Requirements Branch
Division of Financial Analysis

/s/ Eddie Beavers

Prepared by: Eddie Beavers
Rate Design Branch
Division of Financial Analysis

APPENDIX A

APPENDIX TO A STAFF REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00300 DATED MAR 11 2022

The following rates and charges are prescribed for the customers in the area served by McCreary County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Sewer Rates

Phase 1

Residential & Non-Residential Meter

First	2,000 Gallons	\$	29.36	Minimum Bill
Next	18,000 Gallons		.01025	Per Gallon
Over	20,000 Gallons		.00911	Per Gallon

Federal Correctional Facility

First	1,300,000 Gallons	\$	11,777.50	Minimum Bill
Over	1,300,000 Gallons		.01025	Per Gallon

Phase 2

Residential & Non-Residential Meter

First	2,000 Gallons	\$	34.53	Minimum Bill
Next	18,000 Gallons		.01205	Per Gallon
Over	20,000 Gallons		.01071	Per Gallon

Federal Correctional Facility

First	1,300,000 Gallons	\$	13,852.00	Minimum Bill
Over	1,300,000 Gallons		.01205	Per Gallon

Nonrecurring Charges

<u>Returned Check Charge</u>	\$	4.25
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APPENDIX B

APPENDIX TO A STAFF REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00300 DATED MAR 11 2022

Pro Forma Employee Salaries and Wages

Emp. No.	Allocations		Status	Job Title	2021 Regular Wage Rates	2020 Hours			Total	Employee Salary Allocations	
	Water	Sewer				Regular	Holiday	Overtime		Water	Sewer
1	100.00%	0.00%	FT	Dist Lineman	\$ 11.80	2,080.00	80.00	148.00	\$ 28,108	\$ 28,108	\$ -
2	100.00%	0.00%	FT	Dist Lineman	\$ 13.80	2,080.00	80.00	138.00	32,665	32,665	0
4	100.00%	0.00%	FT	Dist Supervisor/Machine Op	\$ 20.80	2,080.00	80.00	159.50	49,904	49,904	0
5	100.00%	0.00%	PT	Dist Lineman	\$ 10.00	40.00	0.00		400	400	0
6	98.10%	1.90%	FT	Dist Lineman	\$ 15.85	2,080.00	80.00	151.50	37,838	37,119	719
7	98.20%	1.80%	FT	Meter Reader/Dist Lineman	\$ 12.00	2,080.00	64.00	49.50	26,619	26,140	479
8	84.55%	15.45%	PT	Office Customer Service	\$ 12.30	1,567.00	72.00		20,160	17,045	3,115
9	84.55%	15.45%	PT	Office Customer Service	\$ 9.50	293.50	40.00		3,168	2,679	489
10	100.00%	0.00%	FT	Water Treatment Plant Op	\$ 22.27	2,080.00	80.00	106.50	51,662	51,662	0
12	84.55%	15.45%	FT	Office Customer Service	\$ 20.63	2,080.00	80.00	31.50	45,535	38,500	7,035
13	100.00%	0.00%	FT	Water Treatment Plant Op	\$ 11.80	2,080.00	80.00	153.50	28,205	28,205	0
14	100.00%	0.00%	FT	Water Treatment Plant Op	\$ 22.80	2,080.00	80.00	340.00	60,876	60,876	0
15	100.00%	0.00%	FT	Dist Lineman/Mechanic	\$ 13.80	2,080.00	80.00	206.50	34,083	34,083	0
16	100.00%	0.00%	PT	Water Treatment Plant Op	\$ 16.30	425.50	80.00		8,240	8,240	0
18	84.55%	15.45%	FT	Office Customer Service	\$ 13.30	2,080.00	80.00	1.00	28,748	24,306	4,442
19	84.55%	15.45%	FT	Administrative Assistant	\$ 22.92	2,080.00	80.00	7.50	49,766	42,077	7,689
21	90.00%	10.00%	FT	Dist Lineman	\$ 25.93	2,080.00	80.00	145.00	61,648	55,483	6,165
22	84.55%	15.45%	FT	Office Manager	\$ 24.68	2,080.00	80.00	301.00	64,451	54,493	9,958
23	71.82%	28.18%	FT	Manager/Supt					116,258	83,496	32,762
24	100.00%	0.00%	FT	Dist Lineman	\$ 15.80	2,080.00	64.00	54.00	35,155	35,155	0
26	100.00%	0.00%	PT	Dist Lineman	\$ 11.00	845.50	48.00	34.50	10,398	10,398	0
27	100.00%	0.00%	FT	Water Treatment Plant Op	\$ 20.45	2,080.00	80.00	181.50	49,740	49,740	0
28	0.00%	100.00%	FT	Water Treatment Plant Op	\$ 13.80	2,080.00	80.00	119.00	32,271	0	32,271
29	0.00%	100.00%	FT	Wastewater Treatment Op	\$ 22.26	2,080.00	80.00	156.00	53,291	0	53,291
30	0.00%	100.00%	FT	Wastewater Treatment/Col	\$ 22.26	2,080.00	80.00	64.00	50,219	0	50,219
31	50.00%	50.00%	FT	Wastewater Supervisor	\$ 23.95	2,080.00	80.00	86.00	54,822	27,411	27,411
32	0.00%	100.00%	FT	Wastewater Collection	\$ 15.30	2,080.00	72.00	37.50	33,787	0	33,787
33	0.00%	100.00%	FT	Wastewater Collection	\$ 19.35	2,080.00	64.00	64.00	43,344	0	43,344
Totals									\$ 1,111,361	\$ 798,185	\$ 313,176
Pro Forma Employee Salaries & Wages expense - Water									\$ 798,185	\$ 313,176	
Less: Test-Year Employee Salaries & Wages expense - Water									(877,486)	(251,748)	
Pro Forma Adjustment									\$ (79,301)	\$ 61,428	

APPENDIX C

APPENDIX TO A STAFF REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00300 DATED MAR 11 2022

Pro Forma Employee Pensions and Benefits

Emp. No.	Allocations		Job Title	Health Plan	Annual Emp. Health & Dental Prem.		Allowable Employee Benefit Premiums and Employer CERS Contributions				Employee Pension & Benefit Allocations			Pro Forma Salaries & Wages	CERS 26.95%	Allocated CRS		Pro Forma Emp. Benefits sewer
	Water	Sewer			2021 Health Ins. Prem.	Dental Ins. Prem.	Parent Plus	Dental	Vision	Life	Total	Water	Sewer			Water	Sewer	
							Couple	60%										
1	100.00%	0.00%	Dist Lineman	Couple	\$ 12,875	\$ 490	\$ 8,498	\$ 294	\$ 157	\$ 66	\$ 9,015	\$ 9,015	\$ -	\$ 28,108	\$ 7,575	\$ 7,575	\$ -	\$ -
2	100.00%	0.00%	Dist Lineman	Family	17,780	952	11,735	571	243	66	12,615	12,615	0	32,665	8,803	8,803	0	0
4	100.00%	0.00%	Dist Supervisor/Machine Op	Parent Plus	11,036	475	7,284	285	165	66	7,800	7,800	0	49,904	13,449	13,449	0	0
5	100.00%	0.00%	Dist Lineman	NONE	0	0	0	0	0	0	0	0	0	400	108	108	0	0
6	98.10%	1.90%	Dist Lineman	Single	6,131	233	4,782	140	83	66	5,071	4,975	96	37,838	10,197	10,003	194	290
7	98.20%	1.80%	Meter Reader/Dist Lineman	Single	6,131	233	4,782	140	83	66	5,071	4,980	91	26,619	7,174	7,045	129	220
8	84.55%	15.45%	Office Customer Service	NONE	0	0	0	0	0	0	0	0	0	20,160	5,433	4,594	839	839
9	84.55%	15.45%	Office Customer Service	NONE	0	0	0	0	0	0	0	0	0	3,168	854	722	132	132
10	100.00%	0.00%	Water Treatment Plant Op	Family	17,780	952	11,735	571	243	66	12,615	12,615	0	51,662	13,923	13,923	0	0
12	84.55%	15.45%	Office Customer Service	NONE	0	233	0	140	83	66	289	244	45	45,535	12,272	10,376	1,896	1,941
13	100.00%	0.00%	Water Treatment Plant Op	SINGLE	6,131	233	4,782	140	83	66	5,071	5,071	0	28,205	7,601	7,601	0	0
14	100.00%	0.00%	Water Treatment Plant Op	Family	17,780	952	11,735	571	243	66	12,615	12,615	0	60,876	16,406	16,406	0	0
15	100.00%	0.00%	Dist Lineman/Mechanic	Single	6,131	233	4,782	140	83	66	5,071	5,071	0	34,083	9,185	9,185	0	0
16	100.00%	0.00%	Water Treatment Plant Op	NONE	0	0	0	0	0	0	0	0	0	8,240	2,221	2,221	0	0
18	84.55%	15.45%	Office Customer Service	Family	17,780	952	11,735	571	243	66	12,615	10,666	1,949	28,748	7,748	6,551	1,197	3,146
19	84.55%	15.45%	Administrative Assistant	Couple	12,875	490	8,498	294	157	66	9,015	7,622	1,393	49,766	13,412	11,340	2,072	3,465
21	90.00%	10.00%	Dist Lineman	Couple	12,875	490	8,498	294	157	66	9,015	8,114	902	61,648	16,614	14,953	1,661	2,563
22	84.55%	15.45%	Office Manager	Single	6,131	233	4,782	140	83	66	5,071	4,288	783	64,451	17,370	14,686	2,684	3,467
23	71.15%	28.85%	Manager/Supt	Family	17,780	475	11,735	285	165	66	12,251	8,717	3,534	116,258	31,332	22,293	9,039	12,573
24	100.00%	0.00%	Dist Lineman	Single	6,131	233	4,782	140	83	66	5,071	5,071	0	35,155	9,474	9,474	0	0
26	100.00%	0.00%	Dist Lineman	NONE	0	0	0	0	0	0	0	0	0	10,398	2,802	2,802	0	0
27	100.00%	0.00%	Water Treatment Plant Op	Family	17,780	952	11,735	571	243	66	12,615	12,615	0	49,740	13,405	13,405	0	0
28	0.00%	100.00%	Water Treatment Plant Op	Single	6,131	233	4,782	140	83	66	5,071	0	5,071	32,271	8,697	0	8,697	13,768
29	0.00%	100.00%	Wastewater Treatment Op	Single	6,131	233	4,782	140	83	66	5,071	0	5,071	53,291	14,362	0	14,362	19,433
30	0.00%	100.00%	Wastewater Treatment/Col	Family	17,780	952	11,735	571	243	66	12,615	0	12,615	50,219	13,534	0	13,534	26,149
31	0.00%	100.00%	Wastewater Supervisor	Parent Plus	11,036	475	7,284	285	165	66	7,800	0	7,800	54,822	14,775	0	14,775	22,575
32	0.00%	100.00%	Wastewater Collection	Single	6,131	233	4,782	140	83	66	5,071	0	5,071	33,787	9,106	0	9,106	14,177
33	0.00%	100.00%	Wastewater Collection	Couple	12,875	490	8,498	294	157	66	9,015	0	9,015	43,344	11,681	0	11,681	20,696
					<u>\$ 253,211</u>	<u>\$ 11,427</u>	<u>\$ 165,245</u>	<u>\$ 6,857</u>	<u>\$ 3,411</u>	<u>\$ 1,518</u>	<u>\$ 185,529</u>	<u>\$ 132,094</u>	<u>\$ 53,436</u>	<u>\$ 1,111,361</u>	<u>\$ 299,513</u>	<u>\$ 207,515</u>	<u>\$ 91,998</u>	<u>\$ 145,434</u>
Pro Forma Employee Pension & Benefit Expense - Water													\$ 132,094		\$ 207,515		\$ 145,434	
Less: Test- Year Employee Pension & Benefit Expense - Water													(190,329)		(446,193)		(109,734)	
Pro Forma Adjustment													<u>\$ (58,235)</u>		<u>\$ (238,678)</u>		<u>\$ 35,700</u>	

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