

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BIG SANDY)	
WATER DISTRICT FOR AN ADJUSTMENT OF)	CASE NO.
ITS WATER RATES PURSUANT TO 807 KAR)	2022-00044
5:076)	

NOTICE OF FILING OF COMMISSION STAFF'S REPORT

Notice is hereby given that, in accordance with the Commission's Order of May 6, 2022, the attached report containing the recommendations 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 May 6, 2022 Order, Big Sandy Water District (Big Sandy 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 Big Sandy 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
Frankfort, KY 40602

DATED AUG 17 2022

cc: Parties of Record

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID19* (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).

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COMMISSION STAFF’S REPORT ON BIG SANDY WATER DISTRICT

Big Sandy Water District (Big Sandy District) is a water utility organized pursuant to KRS Chapter 74 that owns and operates a water distribution system through which it provides retail water service to approximately 4,715 residential customers, 70 commercial customers, and 23 industrial customers that reside in Boyd, Carter, Johnson, and Lawrence counties, Kentucky.¹ On March 25, 2022, Big Sandy District filed an application with the Commission requesting to adjust its water rates pursuant to 807 KAR 5:076. Big Sandy District’s last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2012-00152.² To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated May 6, 2022. Commission Staff issued its first round of formal discovery (Staff’s First Request) on May 17, 2022. On May 23, 2022, Big Sandy District filed a motion to substitute and supplement exhibits in the application (Motion to Substitute and Supplement) to correct errors that were discovered and to supplement the application with an additional exhibit

¹ *Annual Report of Big Sandy District to the Public Service Commission for the Calendar Year Ended December 31, 2020* (2020 Annual Report) at 12 and 49.

² Case No. 2012-00152, *Application of Big Sandy Water District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Mar. 8, 2013).

to provide documentation of its rate case expenses. In accordance with 807 KAR 5:001, Section 4(5), the Commission’s June 24, 2022 Order found that good cause existed to grant the motion in order to have a more complete and accurate record. Further, since no request was made to amend the rates proposed in the application, the procedural schedule remained unchanged. Big Sandy District filed its response to Staff’s First Request on June 8, 2022. Commission Staff issued its second round of formal discovery (Staff’s Second Request) on June 21, 2022, and Big Sandy District filed its response on July 6, 2022.

WATER LOSS

The Commission Staff notes that in its 2020 Annual Report, Big Sandy District reported a water loss of 44.3366 percent.³ Commission regulation 807 KAR 5:066(6)(3) states that for ratemaking purposes a utility’s water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. At a 44.3365 percent water loss, the annual cost of water loss in excess of 15.00 percent is \$369,638 and the total annual cost of water loss to Big Sandy District is \$557,922.⁴

³ 2020 Annual Report at 57.

⁴

	Purchased Water	Purchased Power *	Total
Pro Forma Purchases	\$ 1,158,790	\$ 99,591	\$ 1,258,381
Water Loss Percent	44.3365%	44.3365%	
Total Water Loss	\$ 513,767	\$ 44,155	\$ 557,922

* Test Year \$94,226 plus KY Power rate increases of \$7,856 minus \$2,491 = \$99,591.

	Water	Power	Total
Disallowed Water Loss (gallons)	121,487,570	121,487,570	
Cost Per 1,000 Gallons	\$ 2.802	\$ 0.241	
Water Loss In Excess of Allowed Amount	\$ 340,384	\$ 29,254	\$ 369,638

DISCUSSION

To comply with the requirements of 807 KAR 5:076, Section 9,⁵ Big Sandy District used the calendar year ended December 31, 2020, as the basis for its application. In its May 23, 2022 motion to supplement and substitute exhibits in its application, Big Sandy District provided revised exhibits to correct certain errors that materially affected Big Sandy District's calculation of the revenue requirement. Using its revised pro forma test-year operations, Big Sandy District determined that a base rate revenue increase of \$215,620, or 8.18 percent was necessary to achieve the revenue requirement as shown in the table below.⁶

Pro Forma Operating Expenses	\$ 2,564,456
Plus: Average Annual Principal and Interest Payments	333,529
Additional Working Capital	66,706
	<hr/>
Overall Revenue Requirement	2,964,691
Less: Other Operating Revenue	(110,949)
Interest Income	(751)
	<hr/>
Revenue Required from Rates	2,852,991
Less: Pro Forma Present Rate Service Revenues	(2,637,371)
	<hr/>
Required Revenue Increase	<u>\$ 215,620</u>
Percentage Increase	<u>8.18%</u>

To determine the reasonableness of the rates requested by Big Sandy District, Commission Staff performed a limited financial review of Big Sandy District's test-year

⁶ The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes that coincides with the reporting period of the applicant's annual report for the immediate past year.

⁶ Big Sandy District's Motion to Substitute and Supplement, Revised Exhibit D.

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 measurable⁷ changes to test-year operations were identified and adjustments 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. Ariel Miller and Jeff Abshire reviewed the calculation of Big Sandy District's Overall Revenue Requirement and Eddie Beavers reviewed Big Sandy District's reported revenues and rate design.

SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Debt Service Coverage (DSC) method, as generally accepted by the Commission, Commission Staff found that Big Sandy District's required revenue from water sales is \$2,834,555 to meet the Overall Revenue Requirement of \$2,919,714 and that a \$226,154 revenue increase, or 8.67 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

2. Monthly Water Service Rates. Big Sandy District proposed to increase all of its monthly retail and wholesale water service rates by approximately 8.18 percent across the board. Big Sandy District has not performed a cost of service study (COSS).

⁷ Commission regulation 807 KAR 5:076, Section 9 sets the standard for the determination of the reasonableness of proposed rates and states, in pertinent part, that the test period shall be "adjusted for known and measurable changes." See also Case No. 2001-00211, *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 Therefore; (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); and Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018).

Big Sandy District stated that it did not complete a COSS at this time as there has been no material changes in the water system.⁸

The Commission has previously found that the allocation of a revenue increase evenly 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 has followed the method previously accepted by the Commission and has allocated the \$226,154 revenue increase evenly across the board to Big Sandy District's monthly retail and wholesale water service rates.

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 water sales to recover the \$2,834,555 Revenue Required from Rates, an approximate 8.67 percent increase. These rates will increase a typical residential customer's monthly water bill from \$46.45 to \$50.49, an increase of \$4.04, or approximately 8.70 percent.⁹

3. Nonrecurring Charges. Following the Commission's recent decisions,¹⁰ Commission Staff has reviewed Big Sandy District's Nonrecurring Charges. The Commission found that as district personnel are currently paid during normal business

⁸ Big Sandy District's Response to Staff's First Request, Item 7.

⁹ The typical residential customer uses approximately 4,000 gallons per month.

¹⁰ Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020); 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).

hours, estimated labor costs previously included in determining the amount of Nonrecurring Charges should be eliminated from the charges. Commission Staff has reviewed the cost justification information provided by Big Sandy District and have adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs from those charges that occur during normal business hours.¹¹ Such adjustments result in the following revised nonrecurring charges:

Connection/Turn On Charge	\$23
Connection/Turn On Charge After Hours	\$68
Field Collection Charge	\$19
Meter Re-Read Charge	\$19
Meter Test Charge	\$19
Reconnection Charge	\$19
Reconnection Charge After Hours	\$65
Returned Check Charge	\$13
Service Call/Investigation	\$19
Service Call/Investigation After Hours	\$65
Service Line Inspection	\$19

Big Sandy District reported \$41,494 of other revenues in their application.¹² This amount excluded \$10,465 of revenue which was misclassified as Rents from Water Property and included \$12,172 of late fee revenue. Revising the nonrecurring charges results in a pro forma of \$26,754. The revised nonrecurring charges result in a decrease to test year Other Water Revenues and an increase to the total revenue requirement of \$3,651.

¹¹ Big Sandy District's Response to Commission Staff's First Request, Item 10.

¹² Application, Exhibit C. Sum of Miscellaneous Service Revenues of \$12,171 and Other Water Revenues of \$29,332.

Miscellaneous Service Revenue	Occurrences	Current Rate	Test Year Revenue ¹³	Revised Rate	Pro Forma Adjustment	Pro Forma
Connection/Turn on Charge	371	\$15	\$ 5,565	\$23	\$ 2,968	\$ 8,533
Connection/Turn on Charge – After Hours	0	\$50	\$ 0	\$68	\$ 0	\$ 0
Field Collection Charge	5	\$15	\$ 75	\$19	\$ 20	\$ 95
Meter Relocation Charge – Actual Cost	0		\$ 0		\$ 0	\$ 0
Meter Re-Read Charge	0	\$15	\$ 0	\$19	\$ 0	\$ 0
Meter Test Charge	2	\$40	\$ 58	\$19	\$ (20)	\$ 38
Reconnection Charge	163	\$30	\$ 4,890	\$19	\$(1,793)	\$ 3,097
Reconnection Charge – After Hours	3	\$50	\$ 150	\$65	\$ 45	\$ 195
Returned Check Charge	61	\$20	\$ 1,220	\$13	\$ (427)	\$ 793
Service Call/Investigation	121	\$15	\$ 1,815	\$19	\$ 484	\$ 2,299
Service Call/Investigation After Hours	13	\$50	\$ 650	\$65	\$ 195	\$ 845
Service Line Inspection	27	\$25	\$ 675	\$19	\$ (162)	\$ 513
Meter Lid Damage – Actual Cost			\$ 1,777		\$ 0	\$ 1,777
Reconnection Charge 3 Year Average	614	\$30	\$ 18,420	\$19	\$(6,754)	\$11,666
Less:						
Reconnection Charge Test Year	163	\$30	<u>\$ (4,890)</u>	\$19	<u>\$ 1,793</u>	<u>\$(3,097)</u>
Total			\$30,405		\$(3,651)	\$26,754

4. Surcharge. In its application, Big Sandy District requested to implement a water loss reduction surcharge of \$6.15 per customer per month for a period of 60 months.¹⁴ Big Sandy District explained that since 2010, it has been unable to account for 23 percent or more of its total purchased water.¹⁵ Big Sandy District further stated that this amount of water loss is a significant contributor to Big Sandy District's financial issues.¹⁶ To that end, Big Sandy District proposed this surcharge to enable it to achieve the funding required properly implement water loss control efforts. The monthly amount

¹³ Application, Exhibit R: Test Period Nonrecurring Charge Revenue.

¹⁴ Application at 1 and Exhibit N at 3.

¹⁵ Application, Exhibit N at 1.

¹⁶ Application, Exhibit N at 1.

of the proposed surcharge was based upon the sum of purchased water and purchased power expense normally disallowed pursuant to 807 KAR 5:066, Section 3. Big Sandy District also outlined a detailed financial plan with proposals on Commission oversight over the funds obtained from the surcharge.¹⁷ Commission Staff believes the proposed surcharge amount is a materially accurate representation of the customer impact on the actual annual cost of water loss above 15 percent. The use of a surcharge is consistent with prior Commission action in cases involving water utilities with excessive unaccounted-for water loss in excess of 30 percent.¹⁸ Further, the Commission has ordered surcharges even when a utility has not specifically requested a surcharge,¹⁹ and recently, the Commission has allowed water utilities with reported water loss above the 15 percent threshold to assess water loss reduction surcharges.²⁰ Recognizing prior Commission precedent to allow the use of surcharges to assist utilities in obtaining the proper funding needed to combat water loss, Commission Staff recommends the Commission approve Big Sandy District's request and authorize the surcharge for a temporary period of 60 months, with a review of the necessity to continue the surcharge

¹⁷ Application, Exhibit N at 3.

¹⁸ See Case No. 96-126, *An Investigation into the Operations and Management of Mountain Water District* (Ky. PSC Aug. 11, 1997); Case No. 2011-00217, *Application of Cannonsburg Water District for (1) Approval of Emergency Rate Relief and (2) Approval of the Increase in Nonrecurring Charges*, (Ky. PSC June 4, 2012); Case No. 2018-00017, *Application of Martin County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 5, 2018); Case No. 2018-00429, *Application of Graves County Water District for an Alternative Rate Adjustment* (Ky. PSC Sept. 30, 2019); Case No. 2019-00119, *Electronic Application of Estill County Water District No. 1 for a Surcharge to Finance Water Loss Control Efforts* (Ky. PSC Mar. 24, 2010); and Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020), Order at 11-13.

¹⁹ Case No. 2020-00311, *Electronic Application of Cawood Water District for an Alternative Rate Adjustment* (Ky. PSC Apr. 8, 2021), Order at 3.

²⁰ See Case No. 2021-00094, *Electronic Application of Garrison-Quincy-Ky-O-Heights Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Nov. 24, 2021).

before the temporary period expires. Commission Staff further recommends the Commission approve the surcharge plan outlined by Big Sandy District.

PRO FORMA OPERATING STATEMENT

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

	<u>Test Year</u>	<u>Adjustment</u>	<u>(Ref.)</u>	<u>Pro Forma</u>
Operating Revenues				
Sales of Water	\$ 2,637,371	\$ (28,970)	(A)	\$ 2,608,401
Late Payment Penalties	-	57,654	(B)	57,654
Other Water Revenues	41,494	(12,172)	(B)	
		10,465	(C)	
		(3,651)	(C)	
		(9,382)	(C)	26,754
Rents from Water Property	<u>10,465</u>	<u>(10,465)</u>	(C)	<u>-</u>
Total Operating Revenues	<u>2,689,330</u>	<u>3,479</u>		<u>2,692,809</u>
Operating Expenses				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	431,241	18,737	(D)	
		(12,445)	(E)	
		(2,700)	(F)	434,833
Salaries and Wages - Commissioners	28,000	2,000	(G)	30,000
Employee Pensions and Benefits	241,808	20,024	(H)	
		(39,914)	(I)	
		(7,904)	(E)	
		(728)	(F)	213,286
Purchased Water	1,105,518	(287,112)	(J)	818,406
Purchased Power for Pumping	94,226	(21,398)	(J)	72,828
Materials and Supplies	305,855	(99,192)	(E)	
		(22,962)	(K)	183,701
Contractual Services	166,634	(10,000)	(L)	
		(72,234)	(K)	84,400
Water Testing	14,158			14,158
Transportation Expense	36,425			36,425
Insurance	27,505	5,554	(M)	33,059
Regulatory Commission Expense	-	5,956	(N)	5,956
Bad Debt Expense	-	19,271	(O)	19,271
Miscellaneous Expense	<u>52,464</u>	<u>(4,967)</u>	(N)	<u>47,497</u>
Total Operation and Maintenance Expenses	2,503,834	(510,014)		1,993,820
Taxes Other Than Income - FICA	42,716	1,586	(P)	
		(207)	(F)	44,096
Amortization	497	5,448	(Q)	5,945
Depreciation	474,524	(859)	(R)	
		1,953	(S)	475,618
Total Operating Expenses	<u>3,021,571</u>	<u>(502,092)</u>		<u>2,519,479</u>
Net Operating Income	(332,241)	505,571		173,330
Interest Income	<u>751</u>			<u>751</u>
Income Available to Service Debt	<u>\$ (331,490)</u>	<u>\$ 505,571</u>		<u>\$ 174,081</u>

(A) Billing Analysis Adjustment. Big Sandy District proposed to decrease its test-year revenues from water sales of \$2,637,371 by \$28,970 to reflect the errors in the billing analysis in the application, specifically, errors in the 3-inch meter, 4-inch meter, and the omission of the Wholesale Customer revenue for the test year.²¹ Big Sandy District's adjustment meets the ratemaking criteria of being known and measurable, and Commission Staff included the adjustment in Pro Forma operations.

(B) Late Payment Penalties. Big Sandy District stated that due to the moratorium regarding the collection of late payment fees due to the COVID-19 pandemic the test year late payment penalties are not representative.²² Therefore, Big Sandy District calculated the average of the late payment penalties for the years 2017, 2018, and 2019 and applied a pro forma adjustment to Forfeited Discounts of \$57,654. Additionally, Big Sandy stated in its application that \$12,272 of late payment penalties was misclassified as Other Water Revenues and therefore reduced the reported late payment penalties in Other Water Revenues. Commission Staff agrees with applying a three-year average as it is consistent with Commission precedent²³ and therefore included Big Sandy District's proposed increase of \$57,654. Finally, Commission Staff agrees that the misclassified Late Payment Penalties should be removed from the Other Water Revenues.

²¹ Big Sandy District's Response to Staff's First Request, Item 9; Big Sandy District's Response to Staff's Second Request, Item 1, and Motion to Substitute and Supplement, Revised Exhibit E.

²² Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment A.

²³ Case No. 2021-00475, *Electronic Application of Carroll County Water District No. 1 for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC June 28, 2022)

(C) Other Water Revenues. Big Sandy District reported test year nonrecurring charge revenue of \$51,959.²⁴ In the application, Big Sandy District proposed pro forma adjustments with a net increase of \$1,336²⁵ to reflect its claim that reconnection fees were not typical of a normal year, to reclassify late payment penalties as described above, and to reclassify reported Rents from Water Property that Big Sandy District later determined were misclassified nonrecurring charge revenues. To determine the amount of its adjustment for reconnection fees, Big Sandy District utilized the reconnection fee amounts collected in 2017, 2018, and 2019, and an average of \$18,420 was calculated.²⁶ To finalize the adjustment, Big Sandy District removed the test-year amount of \$4,900 to eliminate the test year reconnection fees. Big Sandy District determined that the total pro forma adjusted Miscellaneous Service Revenues was \$29,776²⁷ and Other Water Revenues were \$23,519 for a total of \$53,295.

Commission Staff agrees with the determination made by Big Sandy District that the test year reconnection revenue of \$4,890,²⁸ is not indicative of a normal year as it was the amount collected during the COVID-19 pandemic and when the moratorium on

²⁴ This includes the other revenue of \$41,494 and the misclassified rents from water property of \$10,465.

²⁵ Application, Exhibit C, Statement of Adjusted Operations, Adjustments B–D.

²⁶ Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment B.

²⁷ Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment B, Big Sandy District's calculation 2017 (\$17,780), 2018 (\$17,540) and 2019 (\$19,905); $\$17,780 + \$17,540 + \$19,905 = \$55,225/3 = \$18,408$. Big Sandy District's Pro Forma Other Water Revenue calculation: Total Other Water Revenues for the Test Year \$16,268 - Test Year Reported Reconnection Fees (\$4,900) + revised Reconnection Fee from three-year average \$18,408 = Big Sandy District's Pro Forma Other Water Revenues \$29,776.

²⁸ Although Big Sandy District used \$4,900 for the test year reconnection fees in their calculation, Staff used the adjustment found in the Application, Exhibit R: Test Period Nonrecurring Charge Revenue of \$4,890.

disconnections was in place.²⁹ Commission Staff further agrees that a three-year average is an appropriate proxy as the use of the three-year average has been accepted by the Commission for late payment penalties adjustment as these were also suspended under the COVID-19 moratorium. Commission Staff applied the same reasoning, and applied the three-year average number of reconnections to the revised reconnection fee to determine the appropriate pro forma total of \$11,666.³⁰ After reclassifying the late payment penalties of \$12,172 as described in adjustment (B) above, further decreases of \$3,651³¹ and \$9,382³² were necessary to reflect pro forma Other Water Revenues of \$26,754 as calculated by Commission Staff in its adjustments to the nonrecurring charges described in Item 3 above.

(D) Salaries and Wages - Employees. In its application, Big Sandy District proposed an increase of \$6,292 to Salaries and Wages – Employees expense to reflect the net effect of two payroll items described in this adjustment and adjustment (E) below. The first adjustment was to increase Salaries and Wages – Employees expense by \$18,737 to reflect the net effect of vacancies, new hires and authorized wage increases

²⁹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus Covid-19* (Ky. PSC, Mar. 16, 2020).

³⁰ Three-year average revenue of \$18,408 divided by reconnection fee of \$30 equals 614 average reconnections per year. 614 average reconnections per year multiplied by the revised reconnection fee of \$19 equals a pro forma amount of \$11,666.

³¹ Adjustment to reflect revised nonrecurring charges calculated by Commission Staff and shown above.

³² Big Sandy District's test year total revenues were \$2,689,330. Upon examination of the trial balance, Commission Staff could not reconcile the difference between the amounts reported in the annual report categories for Water Sales, Other Water Revenue, and Rents from Water Property and the categories in the trial balance. After Commission Staff's billing analysis adjustment which would properly restate Water Sales, Other Water Revenues would remain overstated by the unreconciled difference in the test year revenue. Therefore, an additional adjustment of \$9,382 is necessary to correct the overstatement in test year Other Water Revenues.

after the test year.³³ Commission Staff reviewed Big Sandy District’s calculations and determined the proposed adjustments are an accurate representation of the increase in the annual labor expense to Big Sandy District. Accordingly, Commission Staff increased Salaries and Wages \$18,737.

(E) Capitalization of Cost of Customer Taps. Big Sandy District proposed to decrease test year Salaries and Wages – Employees expense by \$12,445, Employee Pensions and Benefits by \$7,904, and Materials and Supplies \$42,670 to reflect the total cost of meter taps installed in the test year. Big Sandy District also proposed to decrease Materials and Supplies \$54,400 for costs associated with meters purchased and installed throughout the year. The total of all proposed capitalization adjustments results in a decrease to pro forma expenses of \$119,541.

During the test year, Big Sandy District installed 47 regular meter connections and 6 second meter connections.³⁴ Big Sandy District provided cost information and reduced salaries, fringe benefits, and materials and supplies for the cost of the connections as follows:

	Regular Meter Connections	Second Meter Connections	Total
Average Labor Cost	\$ 257.23	\$ 59.19	
Number of Connections	47	6	
Capitalized Labor	<u>\$ 12,089.81</u>	<u>\$ 355.14</u>	<u>\$ 12,444.95</u>
Average Fringe Cost	\$ 163.85	\$ 33.90	
Number of Connections	47	6	
Capitalized Fringes	<u>\$ 7,700.95</u>	<u>\$ 203.40</u>	<u>\$ 7,904.35</u>
Materials	\$ 812.62	\$ 746.21	
Number of Connections	47	6	
Capitalized Materials	<u>\$ 38,193.14</u>	<u>\$ 4,477.26</u>	<u>\$ 42,670.40</u>
Materials and Supplies Expense Cost of Meters Purchased and Installed			<u>\$ 54,400.00</u>

³³ Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment E.

³⁴ Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment E.

Commission Staff reviewed the documentation submitted by Big Sandy District and agrees that the proposed reduction represents, in all material respects, the proper reduction of expenses associated with the installation of customer taps and installed meters. Accordingly, Commission Staff decreased pro forma expenses \$119,541 and ensured the corresponding capitalization on these items was included in the pro forma adjustment to depreciation described in adjustment (R) below.

(F) Salaries and Wages – Bonus Payment. Big Sandy District included in the calculation of its pro forma salaries and wages \$2,700 for a \$300 bonus payment to each of its nine full-time employees.³⁵

Historically, Commission Staff has not included bonuses or incentive compensation in the calculation of pro forma salaries and wages expense in Commission Staff Reports.³⁶ Additionally, Commission Staff has previously removed expenses for items that would be considered a fringe benefit such as a Christmas dinner or Christmas gift baskets.³⁷ The Attorney General has stated that a water district may only make expenditures that are consistent with its statutory purpose to furnish a water supply.

³⁵ Application, Exhibit W at 486; Application, Exhibit X, “01_RateCalculationsWorkbook.xlsx” Wage-Benefits worksheet.

³⁶ See Case No. 2021-00475, *Electronic Application of Carroll County Water District #1 for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC May 17, 2022), Staff Report at 11-12; Case No. 2021-00191, *Electronic Application of Grayson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 06, 2021), Staff Report at 10.

³⁷ Case No. 2018-00346, *Application of Muhlenberg County Water District #3 for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 22, 2019), Staff Report at 11-12.

As a creature of statute, a water district create pursuant to KRS Chapter 74 may expend funds only in keeping with its statutory purpose, or express statutory authorization.³⁸

To expense any part of the funds arising from fees for water services for any purpose other than those for which the district was created is to contravene the provisions contained in sections 171 and 180, State Constitution, and to do so, is illegal. The officer making such illegal expenditure subjects himself to the obligation upon the demand of any citizen who pays fees for water services to either recover from the person to whom the illegal sum was donated or to reimburse the district for the amount of the illegal donation.³⁹

Consistent with prior treatment of the calculation of pro forma Salaries and Wages and the Attorney General’s opinion, Commission Staff excluded in pro forma operations the bonus payments and corresponding payroll taxes and benefits totaling \$3,635 as shown in the calculation below:

Number of Full Time Employees		9
Holiday Bonus Per Employee		\$ 300
Total Salaries and Wages		<u>\$ 2,700</u>
Benefits (Pension)	26.950%	728
Taxes Other Than Income (FICA)	7.650%	207
Total Cost		<u><u>\$ 3,635</u></u>

(G) Salaries and Wages – Officers. In the test year, Big Sandy District reported \$28,000 for Salaries and Wages – Officer Expense. In its application, Big Sandy District proposed an adjustment to increase test-year Salaries and Wages – Officer Expense \$2,000.⁴⁰ Big Sandy District stated there was a period during the test year in which a newly appointed commissioner had not yet completed the mandatory training and was

³⁸ OAG 92-43 (Mar. 19, 1992).

³⁹ 1956 OAG 36,219.

⁴⁰ Application, Exhibit C, Statement of Adjusted Operations, Adjustment F.

therefore paid a lower rate.⁴¹ The training was subsequently completed in December 2019, and the commissioner intends to complete the required training going forward. Commission Staff agrees that the proposed adjustment is known and measurable and has included it in pro forma operations.

(H) Employee Benefits. In its application, Big Sandy District proposed a net decrease of \$27,794 which included three proposed adjustments.⁴² First, as described in adjustment (E), Big Sandy District reduced Employee Pensions and Benefits \$7,904 to capitalize costs associated with customer taps. Second, Big Sandy District proposed to decrease Employee Pensions and Benefits \$39,914 to reflect adjustments to contributions to the County Employees' Retirement System (CERS) as described in adjustment (I) below. The remaining adjustment proposed an increase of \$20,024⁴³ to reflect the current number of employees and the current employer sponsored share of health, dental and life insurance, and to adjust the employer sponsored portion of dental insurance premiums. Commission Staff included Big Sandy District's proposed increase of \$20,024 in pro forma operations based on the discussion below.

Big Sandy District requires its employees to contribute 12 percent of the cost of their health insurance coverage.⁴⁴ In its Order of June 20, 2019 in Case No. 2019-

⁴¹ Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment F.

⁴² Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment G.

⁴³ Big Sandy District proposed to increase premiums for Medical Insurance \$22,962 to reflect updated premiums, reduce Dental Insurance \$(2,765) to reduce the employer sponsored portion of Dental coverage for its Board of Commissioners and to reduce premiums based on the national average, and reduce Life Insurance by \$(173) to reflect updated premiums. The calculations for adjusted premiums can be located in Big Sandy District's Motion to Substitute and Supplement in the excel spreadsheet labeled "01_RateCalculationsWorkbook_Revised.xlsx."

⁴⁴ Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment G.

00053,⁴⁵ the Commission found that as long as the employee contribution rate for health insurance is at least 12 percent, it will not make a further adjustment to the national average. Big Sandy District submitted that no adjustment to employee health insurance expense is necessary to align that expense with the national average employer contribution rate. Commission Staff agrees with Big Sandy District's interpretation of the Commission's findings in Case No. 2019-00053 and did not make an adjustment to reduce employer sponsored health insurance premiums to the national average.

Big Sandy provides dental coverage to all its employees at no cost.⁴⁶ As part of the net increase of \$20,024, Big Sandy proposed to reduce employee dental insurance to reflect the Commission's policy of prohibiting rate recovery of any employer contribution for dental insurance that exceeds 40 percent of the cost of the coverage. Commission Staff reviewed Big Sandy District's supporting calculations and agrees with Big Sandy District's proposed adjustment with respect to its application to prior Commission precedent on this issue and the amount.

Big Sandy District's proposed adjustment also removed \$1,485 of dental insurance premiums that were paid on behalf of three of Big Sandy District's commissioners.⁴⁷ In Case No. 2019-00268,⁴⁸ the Commission found that:

⁴⁵ Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates* (Ky. PSC June 20, 2019), Order at 9.

⁴⁶ Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment G.

⁴⁷ Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment G.

⁴⁸ Case No. 2019-00268, *Application of Knott County Water and Sewer District for an Alternative Rate Adjustment* (Ky. PSC Jan. 31, 2020).

Since water district commissioners are vested with all relevant powers to manage and oversee water districts,⁴⁹ except for the power to fix their salary authorized by KRS 74.020(6), which is assigned to the county judge executive and fiscal court,⁵⁰ a water district would be unable to provide its commissioners health insurance and other similar benefits without an official action by the water district commissioners.⁵¹ Thus, by prohibiting water district commissions from participating in official actions that directly benefit themselves financially, the General Assembly effectively prohibited water districts from receiving additional benefits to compensate them for their work on the board, which further indicates the General Assembly's intent to limit the total compensation of water district commissions to amounts specifically authorized by statute. The Commission finds that the General Assembly intended to limit the water districts' total compensation to commissioners for their service on a water district's board to amounts specifically authorized by KRS Chapter 74. Therefore, the Commission finds that Knott District may not offer benefits to the Commissioners on the Knott District Board of Commissioners pursuant to KRS Chapter 74 and should cease doing so immediately.

The Commission has found that members of a water district's board of commissioners are not entitled to receive any compensation other than that specifically authorized under KRS Chapter 74. Therefore, Commission Staff agrees with Big Sandy District's proposed adjustment. In addition to disallowing the expenses, Commission

⁴⁹ KRS 74.020(1) ("A water district shall be administered by a board of commissioners which shall control and manage the affairs of the district."); KRS 74.070 ("All corporate powers of the water district shall be exercised by, or under the authority of, its commission.") See also KRS 65A.080(1) (requiring the governing body of each "special purpose government entity" to adopt a budget and prohibiting any "special purpose government entity" from expending funds in a manner inconsistent with their budget and any amendment thereto.).

⁵⁰ See KRS 74.020(6).

⁵¹ KRS 74.020(6) presumably gives the county judge executive and fiscal court the authority to fix the salary of the water district commissioners to avoid just this issue. Further, while KRS 74.050 authorizes the water district board to establish the additional compensation, if any, to be paid to the treasurer of the board, the treasurer could avoid violating the prohibition against taking official actions that benefit him financially by properly recusing himself from such an action. Conversely, there would be no viable way for water district commissioners to provide themselves insurance benefits without involving themselves in the decision to do so.

Staff recommends that the Commission order Big Sandy District to discontinue providing the water district commissioners any additional compensation aside from the maximum allowable pursuant to KRS 74.020(6).⁵²

(l) County Employees' Retirement System. Regular, full-time, employees of Big Sandy District are provided with retirement benefits through the County Employees' Retirement System (CERS) which is administered by the Kentucky Public Pensions Authority. As part of CERS, Big Sandy District makes contributions to employee's retirement account based on annual salaries and wages. The CERS pension expense Big Sandy District reported in the test year conformed to the requirements of the Governmental Accounting Standards Board Statement No. 68 and No. 75 (GASB 68 and 75). In its application, Big Sandy District proposed to decrease Employee Pensions and Benefits by \$39,914 to normalize expenses related to CERS contributions to the amount actually paid by Big Sandy District in the test period and to remove the effects of the journal entries made to conform to the requirements of GASB 68 and 75.⁵³

In Case No. 2016-00163,⁵⁴ Staff discussed in detail how reporting requirements for GASB 68 would affect a utility's income statement and balance sheet. In that

⁵² KRS 74.020(6). Each commissioner shall receive an annual salary of not more than thirty-six hundred dollars (\$3,600), which shall be paid out of the water district fund, except that beginning January 1, 1999, and subject to subsection (9) of this section, each commissioner who completes during an educational year a minimum of six (6) instructional hours of water district management training approved by the Public Service Commission may receive an annual salary of not more than six thousand dollars (\$6,000) to be paid out of the water district fund. An educational year shall begin on January 1 and end on the following December 31. In the case of single-county districts, which shall be deemed to include districts described in subsection (1)(c) of this section, the salary shall be fixed by the county judges/executive with the approval of the fiscal court; in multicounty districts, it shall be fixed by the agreement between the county judges/executive with the approval of their fiscal courts. In fixing and approving the salary of the commissioners, the county judge/executive and the fiscal court shall take into consideration the financial condition of the district and its ability to meet its obligations as they mature.

⁵³ Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment G.

⁵⁴ Case No. 2016-00163, Aug 11, 2016 Staff Report on Marion County Water District at 11–27.

proceeding, Staff found that the annual pension expense should be equal to the amount of a district's contributions to CERS, which historically have been fairly constant.⁵⁵ Consistent with Staff's previous practice, Staff agrees with Big Sandy District's proposed adjustment to reduce expenses related to GASB 68 and 75 and reduced Employee Pensions and Benefits expense by \$39,914.

(J) Water Loss. In its application, Big Sandy District proposed adjustments to Purchased Water Expense of \$324,736 to account for the district's water loss in excess of 15 percent.⁵⁶ In addition, Big Sandy District proposed a net decrease of \$21,398 to Purchased Power expense to reflect an increase in rates from Kentucky Power Company and to reflect the disallowance of Purchase Power Expense attributable to water loss above 15 percent.⁵⁷ Commission Staff discovered in its review of the general ledger,⁵⁸ that Big Sandy Water District's total purchased water expense for the test period was understated by \$53,272 due to an audit adjustment that did not affect the actual gallons purchased but affected the amount of reported expense on the annual report. Therefore, Big Sandy's actual purchased water cost for 2020 was \$1,158,790. The average cost of purchased water using the corrected amounts is \$2.80 per thousand gallons.⁵⁹ Using the corrected average, total disallowed purchased water due to water loss would be

⁵⁵ Case No. 2016-00163, Aug 11, 2016 Staff Report on Marion County Water District at 26.

⁵⁶ Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment H.

⁵⁷ Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment I.

⁵⁸ Application, Exhibit O-1, 2020 General Ledger.

⁵⁹ Test Year Purchased Power Expense \$1,158,790 / Gallons Purchased in Test Period 413,582.2 = Average Cost per 1,000 gallons \$2.80

\$340,384.⁶⁰ Commission Staff corrected the purchased water amounts to reflect the proper purchased water cost, while also correcting the amount of disallowed purchased water and decreased purchased water \$287,112.⁶¹ Commission Staff agrees that Big Sandy District's proposed adjustment to Purchased Power is reasonable in all material respects and decreased Purchased Power expense \$21,398.

(K) Capital Expenditures. Commission Staff reviewed Big Sandy District's 2020 general ledger⁶² and identified two purchases for \$12,630 and \$10,332 that were charged to Materials and Supplies that should have been capitalized. Additionally, Commission Staff identified one purchase totaling \$72,234 that was charged to Contractual Services that should have been capitalized. Commission Staff reduced the respective expense categories by a total of \$95,196 and included corresponding depreciation on these capital items as discussed in adjustment (T) below.

(L) Contractual Services. In its application, Big Sandy District proposed to remove \$10,000 for consulting services under an expired agreement that will not continue.⁶³ Commission Staff agrees with Big Sandy District's proposed treatment of this discontinued expense and reduced pro forma expenses \$10,000.

(M) Insurance. In its Application, Big Sandy District proposed an increase of \$5,554 to reflect increased premiums for general liability and workers compensation.⁶⁴

⁶⁰ Disallowed Water Loss Gallons 121,487.57 x Average Cost per 1,000 gallons \$2.80 = Disallowed Purchased Water \$340,384

⁶¹ Reported Purchased Power Expense \$1,105,518 – Net Allowable Purchased Water \$818,406 = Pro Forma Adjustment \$287,112

⁶² Application, Exhibit O-1, 2020 General Ledger.

⁶³ Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment K.

⁶⁴ Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment L.

Commission Staff agrees with Big Sandy District's proposed adjustment and included an increase of \$5,554 in pro forma operations.

(N) Regulatory Commission Expense. In its application, Big Sandy District proposed to reclassify test year Regulatory Commission Expense of \$4,967 from Miscellaneous Expenses to Taxes Other Than Income. Additionally, Big Sandy District proposed an increase in Regulatory Commission Expense of \$530 based on pro forma present rate service revenues. Commission Staff agrees with Big Sandy District's proposed adjustments, but further recommends an increase of \$459 based on the impact of the preliminary required revenue increase calculated in this report.⁶⁵ Accordingly, Commission Staff decreased Miscellaneous Expense by \$4,957 and increased Regulatory Commission Expense by \$5,956 to reflect Big Sandy District's proposed adjustments and Commission Staff's recommended increase.

(O) Bad Debt Expense. Big Sandy District recorded no bad debt expense during the test year. In its application, Big Sandy District proposed an increase of \$15,416 to bad debt expense to reflect the annual average bad debt expense for the last five years (2017 – 2021). Commission Staff excluded the calendar year 2020 from the calculation because no bad debts were written off in this annual period, is an outlier, and materially impacts the calculation of the average. Commission Staff calculated the bad debt adjustment and increased pro forma expenses \$19,271 as shown below:

⁶⁵ Preliminary Required Revenue Increase \$229,451 x Regulatory Assessment Fee .002 = \$459

Year	Big Sandy District	Commission Staff Calculation
2017	14,970	
2018	18,737	
2019	11,294	
2020	0	
2021	32,083	
Total	77,084	77,084
Divisor	5	4
Big Sandy Proposed Adjustment	\$ 15,417	\$ 19,271

(P) Taxes other than Income - FICA. Big Sandy District proposed to increase Taxes Other than Income \$1,353 to reflect increased FICA taxes on pro forma wage increases including commissioner salaries. Commission Staff agrees with Big Sandy District’s proposal to adjust Taxes Other than Income based on pro forma amounts but disagrees with Big Sandy District’s calculation. Commission Staff recalculated FICA taxes based on pro forma wage increases of \$18,737 and increased commissioner salaries of \$2,000. Accordingly, Commission Staff increased Taxes Other than Income \$1,586.⁶⁶

(Q) Amortization. In its application, Big Sandy District estimated rate case expense of \$15,000 and proposed an adjustment of \$3,000 to Amortization based on a five-year recovery period.⁶⁷ Big Sandy District provided updated actual rate case expenses of \$27,239 and revised its proposed adjustment to Amortization expense to \$5,448.⁶⁸ Commission Staff agrees that Big Sandy District’s revised adjustment is reasonable and included the increase of \$5,448 in pro forma operations.

⁶⁶ Increased Salaries \$20,737 x FICA Tax Rate .0765 = \$1,586.

⁶⁷ Application, Exhibit C, Statement of Adjusted Operations, References, Adjustment P.

⁶⁸ Big Sandy District’s Motion to Substitute and Supplement, Exhibit Y.

(R) Depreciation Expense. In its application, Big Sandy District reported test year Depreciation Expense of \$474,524.⁶⁹ Big Sandy District decreased its test year depreciation by \$859 to reflect additions to plant in service since December 31, 2020, as well as adjustments of asset service lives to the midpoint of service life range set forth in the National Association of Regulatory Utility Commissioners' (NARUC) 1979 publication entitled *Depreciation Practices for Small Water Utilities* (NARUC Study). To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon NARUC Study. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant. In this proceeding, Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Therefore, Commission Staff agrees with Big Sandy District's proposed adjustment and decreased pro forma Depreciation Expense \$859 accordingly.

(S) Depreciation – Adjustment for Capitalized Adjustments. Commission Staff identified capital items described in adjustment (K) above which are summarized in the table below. Commission Staff calculated depreciation expense related to these items totaling \$1,953 and increased Depreciation Expense accordingly.

Asset	Original Cost	Staff Life	Adjusted Depreciation
Water System Improvements Phase V	\$ 72,234	62.50	\$ 1,156
Meter boxes and antenna	12,630	20.00	632
Water System Improvements Phase V	10,332	62.50	165
			\$ 1,953

⁶⁹ Application, ARF-SAO.pdf.

OVERALL REVENUE REQUIREMENT AND
REQUIRED REVENUE INCREASE

The Commission has historically applied the DSC method to calculate the Overall Revenue Requirement of water districts and water associations. 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;⁷⁰ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

	Big Sandy District	Commission Staff	
Pro Forma Operating Expenses	\$ 2,564,456	\$ 2,519,479	
Plus: Average Annual Principal and Interest Payments	333,529	333,529	(1)
Additional Working Capital	66,706	66,706	(2)
	<hr/>	<hr/>	
Overall Revenue Requirement	2,964,691	2,919,714	
Less: Other Operating Revenue	(110,949)	(84,408)	
Interest Income	(751)	(751)	
	<hr/>	<hr/>	
Revenue Required from Rates	2,852,991	2,834,555	
Less: Pro Forma Present Rate Service Revenues	(2,637,371)	(2,608,401)	
	<hr/>	<hr/>	
Required Revenue Increase	<u>\$ 215,620</u>	<u>\$ 226,154</u>	
Percentage Increase	<u>8.18%</u>	<u>8.67%</u>	

⁷⁰ The Kentucky Supreme Court has held that the Commission must permit a water district to recover its depreciation expense through its rates for service to provide internal funds for renewing and replacing assets. See *Public Serv. Comm'n of Kentucky v. Dewitt Water Dist.*, 720 S.W.2d 725, 728 (Ky. 1986). Although a water district's lenders require that a small portion of the depreciation funds be deposited annually into a debt reserve/depreciation fund until the account's balance accumulates to a required threshold, neither the Commission nor the Court requires that revenues collected for depreciation be accounted for separately from the water district's general funds or that depreciation funds be used only for asset renewal and replacement. The Commission has recognized that the working capital provided through recovery of depreciation expense may be used for purposes other than renewal and replacement of assets. See Case No. 2012-00309, *Application of Southern Water and Sewer District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 21, 2012).

1. Average Annual Principal and Interest Payments. At the time of Commission Staff's review, Big Sandy District had four outstanding loans from the United States Department of Agriculture Rural Development (RD) and three outstanding loans from the National Rural Water Association (NRWA).⁷¹ In its revised exhibits, Big Sandy District requested recovery of the average annual principal and interest on its indebtedness based on a five-year average of the annual principal, and interest and fee payments for the years 2022 through 2026.⁷² Commission Staff agrees with the methodology Big Sandy District proposed and included \$333,529 in the calculation of the revenue requirement.

2. Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. In its revised exhibits, Big Sandy District requested recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments for its long-term debt with the RD and NRWA at the time of its application.⁷³ RD requires that Big Sandy District charge rates that produce net revenues that are at least 120 percent of its average annual debt payments. Following the Commission's historic practice of including additional working capital, \$66,706 is included in the revenue requirement.

⁷¹ Case 2016-00255, *Application of Big Sandy Water District for a Certificate of Public Convenience and Necessity and to Incur Indebtedness of \$100,000 for the Purchase of Metering System* (Ky. PSC Mar. 9, 2017).

⁷² Big Sandy District's Motion to Substitute and Supplement, Revised Exhibit D.

⁷³ Big Sandy District's Motion to Substitute and Supplement, Revised Exhibit D.

Signatures

 /s/ Ariel Miller
Prepared by: Ariel Miller
Revenue Requirement Branch
Division of Financial Analysis

 /s/ Jeff Abshire
Prepared by: Jeff Abshire
Revenue Requirement Branch
Division of Financial Analysis

 /s/ Eddie Beavers
Prepared by: Eddie Beavers
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Division of Financial Analysis

APPENDIX

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2022-00044 DATED AUG 17 2022

The following rates and charges are prescribed for the customers in the area served by Big Sandy 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 Water Rates

5/8- x 3/4-Inch Meter

First	1,000 Gallons	\$19.83	Minimum Bill
Next	9,000 Gallons	0.01022	Per Gallon
Next	10,000 Gallons	0.00696	Per Gallon
Next	20,000 Gallons	0.00647	Per Gallon
Over	40,000 Gallons	0.00619	Per Gallon

1-Inch Meter

First	10,000 Gallons	\$111.77	Minimum Bill
Next	10,000 Gallons	0.00696	Per Gallon
Next	20,000 Gallons	0.00647	Per Gallon
Over	40,000 Gallons	0.00619	Per Gallon

1 1/2-Inch Meter

First	20,000 Gallons	\$181.32	Minimum Bill
Next	20,000 Gallons	0.00647	Per Gallon
Over	40,000 Gallons	0.00619	Per Gallon

2-Inch Meter

First	40,000 Gallons	\$310.63	Minimum Bill
Over	40,000 Gallons	0.00619	Per Gallon

3-Inch Meter

First	100,000 Gallons	\$682.29	Minimum Bill
Over	100,000 Gallons	0.00619	Per Gallon

4-Inch Meter

First	200,000 Gallons	\$1,301.70	Minimum Bill
Over	200,000 Gallons	0.00619	Per Gallon

Wholesale Customers

\$0.00619 Per Gallon

Water Loss Reduction Surcharge

\$6.15 Per Customer

(To be collected per Customer per month not to exceed 60 months)

Nonrecurring Charges

Connection/Turn On Charge	\$23
Connection/Turn On Charge After Hours	\$68
Field Collection Charge	\$19
Meter Re-Read Charge	\$19
Meter Test Charge	\$19
Reconnection Charge	\$19
Reconnection Charge After Hours	\$65
Returned Check Charge	\$13
Service Call/Investigation	\$19
Service Call/Investigation After Hours	\$65
Service Line Inspection	\$19
5/8-Inch Service Connection Fee/Tap Fee	\$1,590
5/8-Inch Second Tap Service Connection Fee	\$970

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