

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MOUNTAIN)	CASE NO.
WATER DISTRICT FOR A GENERAL)	2022-00367
ADJUSTMENT OF SEWER RATES)	

ORDER

On February 23, 2023, Mountain Water District (Mountain District) filed an application requesting to increase its rates pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001, Section 16(1)(b)(1).¹ The application was filed in compliance with the Commission’s Order of December 13, 2021, in Case No. 2021-00412.²

BACKGROUND

Mountain District is a jurisdictional utility that provides retail sewer service to approximately 2,314 customers in Pike County, Kentucky.³

In its application, Mountain District requested to implement its proposed rate increase in three phases. Upon final implementation, the requested proposed rates would

¹ Mountain District tendered the application on February 17, 2023. By Order dated February 20, 2023, the Commission rejected the application for filing due to filing deficiencies. Mountain District subsequently cured the filing deficiencies, and the application was deemed filed on February 23, 2023.

² Case No. 2021-00412, *Electronic Application of Mountain Water District to Issue Securities in the Approximate Principal Amount of \$5,930,000 for the Purpose of Refinancing Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Dec. 13, 2021). The Commission originally ordered that an application for rate adjustment be filed by December 28, 2022. By its Order of December 20, 2022, the Commission extended the time to file such application to January 27, 2023. Mountain District subsequently requested a second extension until February 27, 2023, which was granted by Order issued February 24, 2023.

³ *Annual Report of Mountain District Sewer Division to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2021* (2021 Annual Sewer Report) at 12.

result in an increase in operating revenues from base water rates of \$1,042,196 per year, or 49.73 percent, compared to the operating revenues for the historical test period under existing sewer rates.⁴ There are no intervenors in this matter.

By Order entered March 10, 2023, the Commission suspended the proposed rates up to and including August 24, 2023. Mountain District responded to three rounds of discovery. An evidentiary hearing was held on August 16, 2023. Mountain District responded to post-hearing requests for information and filed a post-hearing brief on September 7, 2023. This matter now stands submitted for a decision.

LEGAL STANDARD

Mountain District filed its application for an adjustment of rates pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001. The Commission's standard of review for a utility's request for a rate increase is whether the proposed rates are "fair, just and reasonable."⁵ Mountain District bears the burden of proof to show that the proposed rate is just and reasonable under the requirements of KRS 278.190(3).

ANALYSIS AND DETERMINATION

Test Period

Mountain District proposed to use as its historical test year the 12-month period ending June 30, 2022, as adjusted for known and measurable changes.⁶ The Commission finds that the use of this period is reasonable.

⁴ Application at 4.

⁵ KRS 278.030; *Pub. Serv. Comm'n v. Com. ex rel. Conway*, 324 S.W.3d 373, 377 (Ky. 2010).

⁶ Application at 2.

Operating Income Adjustments

Retail Sewer Sales. Mountain District proposed no adjustments to test-year sewer sales revenues. Upon review of the Billing Analysis,⁷ the Commission determined that adjustments should be made to the test-year sewer sales revenues. Flat rate customers' revenues should be adjusted with an increase of \$35,426 to reflect pro forma revenues of \$169,742, and measured customers' revenues should be adjusted with an increase of \$113,312 to reflect pro forma revenues of \$2,074,734, for a pro forma total of sewer sales revenues of \$2,244,476.

Other Operating Revenue. Mountain District proposed one adjustment to test-year Other Operating Revenues for the Sewer Connection Fees, which it stated was a capital contribution and are not operating revenues.⁸ Mountain District's Sewer Connection Fees during the test year was \$2,880, and it proposed a reduction of \$2,880 to remove the capital contribution from Other Operating Revenues. The revenues reported in the Schedule of Adjusted Operations of \$14,301 is made up of Miscellaneous Service Revenues of \$2,639 and a recurring amount of revenues from providing operations and maintenance services to other small sewage disposal systems in Pike County, Kentucky, of \$11,662.⁹ With the updated costs in the cost justifications, the adjustment is a decrease to the test-year revenues to Miscellaneous Service Revenues of \$1,287 for a pro forma

⁷ Mountain District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed May 8, 2023), Item 33, 009_CustomerBillAnalysis.xls.

⁸ Application, Exhibit 6,

⁹ Mountain District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed June 5, 2023), Item 11.

amount of \$1,204.¹⁰ The Commission finds the adjustment is reasonable and, therefore, accepts the adjustment.

Salaries and Wages – Employees: Current Wages. In its application, Mountain District proposed an adjustment to increase Salaries and Wages – Employees by \$12,704 to reflect current salaries and wages, while removing wages paid to a former employee.¹¹ Mountain District provided a complete list of test-year and current employees, test-year hours worked, and current wage rates.¹² Using the evidence of record, the Commission calculated Normalized Salaries and Wages – Employee for Mountain District of \$438,897. Therefore, the Commission agrees with Mountain District’s proposed increase of \$12,704, as shown below.

Name	Employee Number	Sewer Allocation Percent	Test Year Normal Hours	Current Wages Rate	Pro Forma Normal Wages	Test Year Overtime Hours	Current Overtime Wage Rate	Pro Forma Overtime Wages	Total Pro Forma Wages
Belcher, Ronnie K	112	100%	2,177.50	\$ 15.00	\$ 32,663	99.00	\$ 22.50	\$ 2,228	\$ 34,890
	78	19%	2,145.50	13.75	5,605	37.50	20.63	147	5,752
	17	100%	2,109.00	16.50	34,799	3.00	24.75	74	34,873
Hatfield, Carrie L	24	100%	2,080.00	Salary	45,112				45,112
	10	19%	2,080.00	Salary	13,040				13,040
	32	100%	2,080.00	Salary	74,300				74,300
Lockard, Jacob N	119	100%	2,218.00	13.00	28,834	180.00	19.50	3,510	32,345
	108	19%	2,180.50	14.00	5,800	137.00	21.00	547	6,347
	65	100%	2,136.50	16.77	35,829	39.50	25.16	994	36,823
Newsome, Trevor K	116	19%	1,875.00	13.50	4,809	216.00	20.25	831	5,640
	100	100%	2,216.00	13.75	30,470	194.00	20.63	4001	34,471
Sawyers, Roy B	9	19%	2,080.00	Salary	18,658				18,658
	45	100%	2,117.50	16.00	33,880	23.50	24.00	564	34,444
Stacy, Jamie	66	19%	2,136.50	16.04	6,511	149.50	24.06	683	7,195
	52	100%	2,120.00	16.00	33,920	38.50	24.00	924	34,844
Taylor, Brad E	76	19%	2,080.00	Salary	9,785	-	-	-	9,785
Wolford, Aaron D	62	19%	2,000.00	Salary	10,378	-	-	-	10,378
					<u>\$ 424,394</u>			<u>\$ 14,503</u>	
Pro Forma Salaries and Wages - Employees									\$ 438,897
Less: Test Year Salaries and Wages - Employees									(426,193)
Pro Forma Salaries and Wages Adjustment									<u>\$ 12,704</u>

¹⁰ Miscellaneous Service Revenues Test Year revenues of \$2,639 - decrease adjustment of \$1,287 = a proforma amount of \$1,204.

¹¹ Application, Exhibit 6, References, Adjustment B.

¹² Application, Exhibit 6, Sewer Utility Wages (Test Year, Current, and Future) Table.

Salaries and Wages – Employees: Imminent Wages. In its application, Mountain District proposed an adjustment to increase Salaries and Wages – Employees by \$39,587¹³ to reflect a salaries and wages increase approved by its board of commissions (Board) for 2023, effective upon final action by the Commission on Mountain District's application.¹⁴ Mountain District reported it had been losing employees due to insufficient wages compared to other employers in the area.¹⁵

Witness testimony stated the imminent wages have not been put into effect.¹⁶ Since the proposed wage rates have not been put into effect, and are only projections and estimates at the time of this Order, they are not known and measurable. Additionally, Mountain District reported that depending on the result of the rate case they may not implement the full amount of imminent wages voted on by its Board.¹⁷ The Commission rejects the proposed adjustment since it is not a known and measurable adjustment. The Commission will order adjustments on known and measurable Board actions, but cannot act on anticipated or contingent actions.

Salaries and Wages – Officers. In its application, Mountain District reported the Salaries and Wages – Officers expense to be \$5,707.¹⁸ Mountain District supplied the names and compensation for the officers for the test year as well as subsequent years.¹⁹

¹³ Application, Exhibit 6, References, Adjustment C.

¹⁴ Application, Exhibit 6, References, Adjustment C.

¹⁵ Hearing Video Transcript (HVT) of the August 16, 2023 Hearing at 11:50:23.

¹⁶ HVT of the August 16, 2023 Hearing at 10:16:08.

¹⁷ HVT of the August 16, 2023 Hearing at 11:51:40.

¹⁸ Application, Exhibit 6, Schedule of Adjusted Operations.

¹⁹ Mountain District's Response to Staff's Second Request, Item 1e.

In addition Mountain District provided the fiscal court minutes authorizing the water commissioner’s appointment and compensation,²⁰ and evidence that all commissioners have completed their required training to receive their salaries.²¹ First, the Commission calculated the normalized Salaries and Wages – Officer based on the evidence provided, and determined a total normalized salaries of \$30,000. Then the Commission allocated the salaries based on the Test Year Operating Revenues, as shown below.

<u>Operating Unit</u>	<u>Test Year Operating Revenues</u>	<u>Percentage</u>
Water	8,535,165	80%
Sewer	2,135,227	20%
Total	<u>\$ 10,670,392</u>	<u>100.00%</u>

This resulted in a pro forma Salaries and Wages – Officers sewer division of \$6,000. Therefore, the Commission increased Salaries and Wages – Officers by \$293, as shown below.

<u>Commissioners</u>	<u>Pro Forma Salaries</u>
Randy Tackett	6,000
Johnny Denison	6,000
Myrtle Runyon	6,000
Paul Chaney	6,000
Gerald Justice	6,000
Total	<u>\$ 30,000</u>
Multiplied by: Allocation Percentage	<u>20%</u>
Allocated Salaries and Wages - Officers	6,000
Less: Test Year Salaries and Wages - Officers	<u>(5,707)</u>
Total Revenue Requirement Adjustment	<u>\$ 293</u>

²⁰ Mountain District’s Response to Staff’s Second Request, Item 1e (2).

²¹ Mountain District’s Response to Staff’s Second Request, Item 1e (1).

(A) Employee Pension and Benefits – Health Insurance. In its application, Mountain District proposed two adjustments to Employee Benefits. The first proposed adjustment is an increase of \$8,060 to reflect changes in the individual employee plans occurring after the test year;²² and the second proposed adjustment was a decrease of \$11,844, to reflect the increase in insurance premiums and the Commission’s limit on employer’s contribution to employee health costs.²³ Mountain District provided a copy of the most recent invoice for medical, dental, and vision insurance; also noting the allocation for the water and sewer divisions, which should account for any changes to employee plans, as well as the increase in premiums.²⁴ 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. The Commission has found that, in most cases, 100 percent of employer-funded health care does not meet those criteria.²⁵

While the Commission agrees with Mountain District’s methodology, it calculated a different amount and, therefore, disagrees with the proposed adjustments. The Commission reduced Mountain District’s single health insurance premiums by

²² Application, Exhibit 6, References, Item D.

²³ Application, Exhibit 6, References, Item E.

²⁴ Mountain District’s Response to Commission Staff’s Post-Hearing Request for Information (Staff’s Post-Hearing Request) (filed Aug. 25, 2023), Item 2.

²⁵ Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020); and Case No. 2020-00296, *Electronic Application of Allen County Water District for an Alternative Rate Adjustment* (Ky. PSC Feb. 3, 2021).

21 percent,²⁶ family insurance premiums by 33 percent,²⁷ and Dental insurance by 60 percent,²⁸ as shown in the calculation below. The Commission instead calculated a total pro forma premiums expense of \$78,972 and finds that a net adjustment is required to increase the test year amount by \$15,687, as shown below.

Type of Premium	Number of Employees	Employer Contributions	Average Employee Contribution Rate	Monthly Premium Adjustment	Pro Forma Monthly Premium
Single Health Insurance	38	\$ 5,271	21%	\$ (1,107)	\$ 4,164
Family Health Insurance	8	3,196	33%	(1,055)	2,141
Dental Insurance	27	403	60%	(242)	161
Vision Insurance	27	115	0%	-	115
	54				
Total Pro Forma Monthly Premium		\$ 8,984		(2,404)	6,581
Times: 12 Months		12		12	12
Total Annual Pro Forma Premium		\$ 107,813		\$ (28,844)	78,972
Less: Test Year					(63,285)
Employee Pension and Benefits Adjustment					\$ 15,687

Employee Pensions and Benefits – Pension. In its application, Mountain District proposed two adjustments to Employee Pensions. First was a decrease of \$13,627 to reflect a decrease to the County Employee Retirement System (CERS) Contribution percentage from 26.79 to 23.34, effective July, 2023.²⁹ The second was an increase of \$12,205 to reflect an increase to the Salaries and Wages for both the current an imminent

²⁶ Bureau of Labor Statistics, Healthcare Benefits, March 2020, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

²⁷ Bureau of Labor Statistics, Healthcare Benefits, March 2021, Table 4, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

²⁸ Case No. 2019-00268, *Application of Knott County Water and Sewer District for an Alternative Rate Adjustment* (Ky. PSC Mar. 24, 2020); Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Mar. 5, 2021); and Case No. 2020-00296, *Electronic Application of Allen County Water District for an Alternative Rate Adjustment* (Ky. PSC Feb. 3, 2021).

²⁹ Application, Exhibit 6, References, Item F.

wages.³⁰ Since the Commission calculated a different amount for the current Salaries and Wages, and rejected the proposed increase for the imminent Wages; the Commission rejects the proposed adjustment for pensions. The Commission calculated a pro forma CERS Employer contribution of \$102,438, and finds that an adjustment is required to decrease the test year expense of \$113,100 by \$10,662 as shown below.

Employee Pensions and Benefits	
Pro Forma Salaries and Wages- Employees	\$ 438,897
Multiplied by: Employer Contribution Rate Fiscal Year 2023	23.34%
Pro Forma CERS- Employer Contribution	102,438
Less: Test Year Pension & OPEB Expense	(113,100)
Employee Pensions and Benefits Adjustment	\$ (10,662)

Contractual Services – Rate Case Expense. In its application Mountain District proposed an adjustment to increase Rate Case Expense by \$3,356 to reflect only 19 percent of the \$53,000 total cost of the combined water and sewer rate study amortized over three years, Mountain District did not propose the recovery of any of the legal, accounting, consulting, or other expenses.³¹ The Commission disagrees with the proposed methodology and is of the opinion that all expenses related to the preparation of the rate case need to be accounted for including legal, accounting, consulting, and other expenses. Therefore the Commission had Mountain District provide the total cost incurred for the rate case expense. On September 8, 2023, Mountain District filed with

³⁰ Application, Exhibit 6, References, Item G.

³¹ Application, Exhibit 6, References, Item H

the Commission its final rate case expense report showing the total cost of rate case assistance of \$164,917 with \$50,599 allocated to the Sewer Division.³²

It is Commission precedent to amortize the cost of rate case assistance over three years in the absence of a different period requested by a utility.³³ Setting the amortization along the lines with the expected time between rate cases ensures regulatory assets are not over- or under-amortized. The Commission recommends utilities be subject to a rate and operations review every three years to ensure that revenue is adequate to properly operate the system over the long term.³⁴ Therefore, the Commission finds that an increase in pro forma contractual Services expense of \$16,866 is necessary to allow for the recovery of the cost of rate case assistance, as shown below.

	Total Amount	Allocated to Water Division	Allocated to Sewer Division
Accounting	\$ 18,975	\$ 16,758	\$ 2,217
Legal	82,793	45,598	37,195
Consultants	53,000	32,198	10,070
Other Expenses	10,149	9,033	1,116
Total	164,917	103,586	50,599
Amortize over Three Years	<u>3</u>	<u>3</u>	<u>3</u>
Annual Amortization Expense	<u>\$ 54,972</u>	<u>\$ 34,529</u>	<u>\$ 16,866</u>

Contractual Services – Temporary Employees. In its application for the water division, Mountain District proposed an adjustment to increase Contractual Services –

³² Mountain District's Fourth Supplemental Response to Staff's First Request (filed Sept 8, 2023), Item 7.

³³ 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 June 28, 2022), Order at 9–10.

³⁴ Case No. 2019-00041, *Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), Appendix L at 25.

Manpower by \$285,078 to account for the hiring of Temporary employees.³⁵ Mountain District provided a complete list of all temporary employees.³⁶ When the Commission reviewed the list of temporary employees it determined that one of the employee's, Belfry WW Utility Tech, labor was utilized by the wastewater division rather than the water division. Therefore, the Commission reclassified the expense to the sewage division and thus increased Contractual Services by \$43,264.

<u>Job Title</u>	<u>Hours Billed</u>	<u>Test Year Manpower Billing Rate</u>	<u>Annual Billing Rate</u>	<u>Pro Forma Manpower Billing Rate</u>	<u>Pro Forma Manpower Annual Billing</u>
Belfry WW Utility Tech	2,080	\$ 19.20	\$ 39,936	\$ 20.80	\$ 43,264
Pro Forma Contractual Services - Manpower					43,264
Less: Test Year Contractual Services - Manpower					-
Contractual Services - Manpower Adjustment					<u>\$ 43,264</u>

Pump Station/Lift Station Repair and Maintenance. In its application, Mountain District proposed an adjustment to increase Pump Station/Lift Station Repair & Maintenance by \$27,739 to reflect increased price in grinder pumps.³⁷ Mountain District stated that it purchases on average 20 grinder pumps monthly.³⁸ The Commission notes that Mountain District capitalized³⁹ the pumps purchased for the month of March.⁴⁰ The Commission rejects Mountain District's proposed adjustment. The Uniform System of

³⁵ Case No, 2022-00366, *Electronic Application of Mountain Water District for a General Adjustment of Water Rates* (filed Feb. 18, 2023), Application, Exhibit 6, References, Item F.

³⁶ Case No. 2022-00366, Mountain District's Response to Staff's Second Request, item 1h at 22.

³⁷ Application, Exhibit 6, References, Adjustment I.

³⁸ Application, Exhibit 6, References, Adjustment I.

³⁹ Application at 158, Exhibit 13, Asset Number 431 at 6 .

⁴⁰ Application at 53, Exhibit 6, Invoice.

Accounts for Class A/B Water Systems (USoA) requires that capital asset expenditures be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.⁴¹ The cost of the Grinder pumps are not expensed completely during the period they are purchased. The increased cost of the grinder pumps will be recovered over time through the depreciation of the pumps.

Insurance – Workers’ Compensation. In its application, Mountain District proposed an adjustment to increase Insurance – Workers Compensation by \$1,888 to account for an increase in premiums from August 31, 2022, to August 31, 2023.⁴²

Mountain District allocated Workers’ compensation expense based upon the number of employees who work 100 percent of the time for the water and sewer division.⁴³ The Commission agrees with the allocation method, since allocating an employment related expense based upon the number of employees is appropriate. Therefore, the Commission allocated 20 percent of the Worker’s Compensation expense to the sewer division, as shown below.

<u>Operating Unit</u>	<u>100 Percent Employee</u>	
	<u>Count</u>	<u>Percentage</u>
Mountain Water	41	80%
Mountain Sewer	10	20%
Total	<u>51</u>	<u>100%</u>

⁴¹ USoA, Accounting Instruction 19 and 33.

⁴² Application, Exhibit 6, References, Item J.

⁴³ Mountain District's Response to Staff's Second Request, Item 1h.

Mountain District provided both the annual invoices for the test year⁴⁴ and the most recent invoice for the current year.⁴⁵ The Commission agrees with Mountain District's proposed adjustment to increase Insurance – Workers Compensation by \$1,888 as shown below:

Installment Date	Test Year	Commission Approved	Difference
Pro Forma Workers' Compensation	\$ 59,655	\$ 69,096	\$ 9,441
Multiply by: Water Allocation percentage	20%	20%	0%
Allocated Workers' Compensation	<u>\$ 11,931</u>	<u>\$ 13,819</u>	<u>\$ 1,888</u>

Insurance – Property and Liability. In its application, Mountain District proposed an adjustment to increase Insurance – General Liability by \$4,717, to account for an increase in premiums from August 31, 2022, to August 31, 2023.⁴⁶ Mountain District submitted the most recent invoice it had for general liability⁴⁷ as well as the test-year invoice for general liability.⁴⁸ Mountain District reported it allocates 30 percent of general liability to the sewer division based upon test year depreciation.⁴⁹ The Commission reviewed the test-year depreciation expenses for both the water⁵⁰ and sewer⁵¹ divisions and agrees with the proposed allocation percentages, as shown below.

⁴⁴ Application at 64, Exhibit 6, Workers Compensation Policy Effective 10/30/21–10/30/22.

⁴⁵ Application at 63, Exhibit 6, Workers Compensation Policy Effective 10/30/22–10/30/23.

⁴⁶ Application, Exhibit 6, References, Item I.

⁴⁷ Application at 62, Exhibit 6.

⁴⁸ Application at 61, Exhibit 6.

⁴⁹ Mountain District's Response to Staff's Post-Hearing Request, Item 3.

⁵⁰ Case No. 2022-00366, Application (filed Feb. 17, 2023), Exhibit 6, Schedule of Adjusted Operations.

⁵¹ Application, Exhibit 6, Schedule of Adjusted Operations.

<u>Test Year Depreciation</u>		
	<u>Depreciation</u>	<u>Percentage</u>
Mountain Water	2,722,308	70%
Mountain Sewer	1,152,746	30%
 Total	 <u>3,875,054</u>	 <u>100%</u>

Therefore, the Commission reviewed the most recent invoice and calculated it increased by \$6,385⁵² calculated an adjustment to increase general liability insurance by \$1,916, as shown below. Therefore, the Commission rejects the proposed \$4,717 increase and increased General Liability Insurance by \$1,916.

	<u>Test Year</u>	<u>Commission Approved</u>	<u>Difference</u>
General Liability Insurance Premium	\$ 110,120	\$ 116,505	\$ 6,385
Multiplied by: Water Allocation Percentage	30%	30%	30%
 Total	 <u>\$ 34,952</u>	 <u>\$ 33,036</u>	 <u>\$ 1,916</u>

Commission Assessment Expense. During the test year, Mountain District proposed an adjustment to increase Regulatory Commission Expense by \$3,070 to account for a Commission assessment levied in June 2022, but not paid until July 2022.⁵³ The Assessment was incurred from the Department of Revenue per KRS 278.130(1):

For the purpose of maintaining the commission, including the payment of salaries and all other expenses, and the cost of regulation of the utilities subject to its jurisdiction, the Department of Revenue shall each year assess the utilities in proportion to their earnings or receipts derived from intrastate business in Kentucky for the preceding calendar year as modified by KRS 278.150, and shall notify each utility on or before July 1 of the amount assessed against it. The total amount so assessed shall not in any year exceed two (2) mills

⁵² Most Recent Invoice \$116,505 - Test Year Invoice \$110,120 = \$6,385

⁵³ Application, Exhibit 6, References, Adjustment L.

on intrastate receipts as so modified, which shall be deposited into the State Treasury to the credit of the general fund. The sum by each utility shall not be less than fifty dollars (\$50) in any one (1) year.

Mountain District calculated the annual assessment by multiplying the gross revenues for water operations of \$2,056,229 by \$1.493 mills per \$1.00 and determined an assessment of \$3,070.⁵⁴ Based on the evidence provided in the record, the Commission agrees with Mountain District's proposed adjustment to increase Regulatory Commission Expense by \$3,070, to make sure the assessment was recorded and charged to the appropriate year.

Depreciation Expense. In its application, Mountain District proposed an adjustment to increase Depreciation expense by \$23,174, to account for the addition of Phelps pumping stations that were placed into service as of October 1, 2022.⁵⁵ Mountain District submitted a depreciation schedule.⁵⁶

To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the National Association of Regulatory Utility Commissioners (NARUC) titled *Depreciation Practices for Small Water Utilities* (NARUC Study) published in 1979.⁵⁷ Mountain District proposed to depreciate the Transmission and Distribution lines over a 55-year service life instead of the midpoint of 62.5 years, based on the recommendation of American Water Works (AWWA);⁵⁸ In

⁵⁴ Mountain District's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed July 14, 2023), Item 3.

⁵⁵ Application, Exhibit 6, References, Item M.

⁵⁶ Application, Exhibit 13, Mountain Water District Sewer Assets Depreciation Schedule.

⁵⁷ Application, Attachment 4, Adjustment L.

⁵⁸ Mountain District's Post-Hearing Brief, (filed Sept. 7, 2023).

addition, Mountain testified that the service life for transmission pipes is less than 55 years.⁵⁹ Mountain District had no account information and was unable to report what is the actual useful life for Transmission mains.⁶⁰ When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has used the midpoint of the NARUC ranges to depreciate the utility plant. Upon examination, including the new Phelps pumping stations and the adjustment to the useful service lives, the Commission calculated a depreciation expense of \$1,479,313. Therefore, the Commission rejects Mountain District's proposed adjustment and made an adjustment to increase Depreciation Expense by \$326,567, as shown below.

	<u>NARUC Asset Lives</u>	<u>Pro Forma Depreciation</u>
Structures and Improvements	35 - 40	\$ 293,531
Transmission & Distribution Mains	50 -75	292,300
Collection Systems	30 - 75	
Lift Station, Structures	20 - 50	276,202
Lift Station, Pumps	7	565,350
Power Operated Equipment	10 - 15	7,354
Services	40	13,129
Meter Installations	35 - 45	19,754
Office Furniture and Equipment	20 - 25	901
Transportation Equipment	7	3,409
Laboratory Equipment	15 - 20	4,452
Tools, Shop, and Garage Equipment	15 - 20	<u>2,931</u>
Total		<u>1,479,313</u>
Less: Test Year Depreciation Depreciation		<u>(1,152,746)</u>
Depreciation Expense Adjustment		<u>\$ 326,567</u>

⁵⁹ HVT of August 16, 2023 Hearing at 14:25:15.

⁶⁰ HVT of August 16, 2023 Hearing at 14:26:45.

Taxes Other Than Income. In its application, Mountain District proposed an adjustment to increase Taxes Other Than Income by \$4,000 to reflect increased employer payroll taxes resulting from adjustment to salaries and Wages – Employees for the current and imminent wages.⁶¹ However, as explained above, the Commission calculated pro forma Salaries and Wages – Employees of \$438,897, rejected the proposed imminent wage adjustment, and Officers’ salaries of \$6,000. The Commission calculated a pro forma Taxes Other Than Income of \$34,035. Therefore, the Commission rejects the proposed adjustment and instead made an adjustment to decrease Taxes Other Than Income of \$847, as shown below.

	<u>Commission Pro Forma</u>
Proforma Salaries & Wages - Employees	\$ 438,897
Proforma Salaries & Wages - Officers	<u>6,000</u>
Total Pro Forma Salaries & Wages	\$ 444,897
Times: 7.65 Percent FICA Rate	<u>7.65%</u>
Total Pro Forma Payroll Taxes	34,035
Less: Test Year Payroll Taxes	<u>(34,882)</u>
Payroll Tax Adjustment	<u><u>\$ (847)</u></u>

Summary of Adjustments to Operating Expense and Revenue

The following schedule is a summary of Mountain District’s test-year operating revenues and expenses, including appropriate adjustments found reasonable herein. The chart in Appendix C, attached to this Order, is a detailed pro forma Income Statement that shows the proposed and accepted adjustments of Mountain District:

⁶¹ Application, Exhibit 6, Reference, Adjustment N.

	<u>Mountain District Test Year</u>	<u>Commission Adjustments</u>	<u>Final Pro Forma</u>
Total Operating Revenues	\$ 2,135,227	\$ 144,422	\$2,279,649
Utility Operating Expenses	<u>2,524,213</u>	<u>410,746</u>	<u>2,934,959</u>
Utility Operating Income	(388,986)	(266,324)	(655,310)
Interest and Dividend Income	<u>715</u>	<u>-</u>	<u>715</u>
Income Available for Debt Service	<u>\$ (388,271)</u>	<u>\$ (266,324)</u>	<u>\$ (654,595)</u>

Debt Service Coverage

Mountain District proposed the use of the Debt Service Coverage (DSC) method to calculate its revenue requirement. However, Mountain District proposed to exclude principal and interest payments on leased equipment.⁶² The Commission has historically applied a 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 noncash item, to provide working capital;⁶³ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense. The

⁶² Application, Exhibit 10, Revenue Requirement Calculation.

⁶³ 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 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).

Commission finds that the Debt Service Coverage method to be appropriate given the debt currently held by Mountain District. The Commission is of the opinion that Mountain District will need to recover the principal payments made upon all its debt issuances. Therefore, the Commission finds that the three year Principal and Interest method of Debt Service Coverage method to be appropriate given the debt currently held by Mountain District. This will allow for the adequate and appropriate funding of Mountain District's debt service obligations. The Commission reviewed the Debt issuances Mountain District currently carries and calculated an Average Annual Debt Service Payment of \$434,548, as shown below.

AUTHORIZED INCREASE

Based upon the Commission's findings and determinations in this Order, Mountain District requires an increase in revenues of \$1,176,904, or 52.39 percent above pro forma present rate revenues, as shown below.

Revenue Requirement Determination- Debt Service Coverage			
	Mountain Water District - Sewer	Commission Approved	
Pro Forma Operating Expenses	\$ 2,639,243	\$ 2,934,959	
Plus: Avg. Annual Principal and Interest Payments	448,587	434,548	(1)
Additional Working Capital	87,450	86,910	(2)
Total Revenues Requirement	3,175,279	3,456,417	
Less: Non-Operating Revenue	(36,609)	(35,322)	
Interest Income	(715)	(715)	
Revenue Required From WasteWater Sales	3,137,934	3,420,380	
Revenue from Sales at Present Rates	(2,095,738)	(2,244,476)	
Required Revenue Increase	\$ 1,042,196	\$ 1,175,904	
Percentage Increase	49.73%	52.39%	

1. Average Annual Principal and Interest Payments. Mountain District reported one outstanding System Revenue Bond,⁶⁴ four outstanding KIA Loan,⁶⁵ and 15 percent of one Kentucky Rural Water Finance Corporation (KRWFC) bond.⁶⁶ The Commission calculated the average annual principal and interest on a three-year average for the years 2023 through 2025. As shown below, the Commission calculated an average interest and fees of \$434,548.

⁶⁴ Case No. 2018-00400, *Application of the Mountain Water District for a Certificate of Public Convenience and Necessity to Construct a Sewer Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Dec. 21, 2018).

⁶⁵ Case No. 2003-00282, *The Application of the Mountain Water District for a Certificate of Public Convenience and Necessity to Construct a Sewer Improvements Project and to Issue Securities in the Approximate Amount of \$226,780 to Finance a Portion of Said Project Pursuant to KRS 278.020, 278.300 and 807 KAR 5:001* (Ky. PSC Nov. 6, 2003); Case No. 2009-00541, *Application of Mountain Water District for a Certificate of Public Convenience and Necessity to Construct a Sewer Improvements Project and to Issue Securities in the Approximate Amount of \$750,000 to Finance a Portion of Said Project Pursuant to KRS 278.020, 278.300 and 807 KAR 5:001* (Ky. PSC Jan. 29, 2010); Case No. 2016-00356, *Application of Mountain Water District for the Issuance of a Certificate of Public Convenience and Necessity to Construct and Finance a System Improvements Project Pursuant to the Provisions of KRS 278.020, KRS 278.300 and 807 KAR 5:001* (Ky. PSC Jan. 31, 2017); and Case No. 2017-00150, *Application of the Mountain Water District for the Issuance of a Certificate of Public Convenience and Necessity to Construct and Finance a Sewer System Improvements Project Pursuant to the Provisions of KRS 278.020, KRS 278.300, 807 KAR 5:001 And 807 KAR 5:071* (Ky. PSC July 11, 2017).

⁶⁶ Case No. 2021-00412, *Electronic Application of Mountain Water District to Issue Securities in the Approximate Principal Amount of \$5,930,000 for the Purpose of Refinancing Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Dec. 13, 2021).

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
KRWFC- 15% Sewer				
Principal	\$ 39,750.00	\$ 43,500.00	\$ 45,750.00	\$ 129,000.00
Interest	31,146.75	28,982.25	26,661.75	86,790.75
KIA A03-06				
Principal	10,035.29	10,135.86	-	20,171.15
Interest	176.69	76.08	-	252.77
KIA A09-32				
Principal	18,697.97	18,885.42	19,074.75	56,658.14
Interest	1,603.75	1,416.30	1,226.97	4,247.02
KIA A15-077				
Principal	166,744.38	167,997.32	169,259.67	504,001.37
Interest	20,865.44	19,612.50	18,350.15	58,828.09
KIA A16-079				
Principal	14,489.61	14,598.48	14,708.18	43,796.27
Interest	1,691.56	1,582.68	1,472.99	4,747.23
RD- Belfry				
Principal	69,500.00	71,000.00	72,000.00	212,500.00
Interest	<u>62,120.63</u>	<u>60,891.25</u>	<u>59,640.00</u>	<u>182,651.88</u>
	<u>\$ 436,822</u>	<u>\$ 438,678</u>	<u>\$ 428,144</u>	
Total				1,303,645
Divide by: 3 years				<u>3</u>
3 yr. Average Annual Debt Principal Payment				112,506
3 yr. Average Interest Payment				<u>322,042</u>
Total Average Principal and Interest Payment				<u>\$ 434,548</u>

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 application, Mountain District requested recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments for its Waterworks Revenue Bonds and KIA Loan at the time of its application.

Following its historic practice, the Commission agrees with Mountain District. Therefore, as calculated below and shown in the table above, \$86,910 is included in the revenue requirement.

Average Annual Principal and Interest	\$ 434,548
Times: DSC Coverage Ratio	<u>120%</u>
Total Net Revenues Required	521,458
Less: Average Annual Principal and Interest Payments	<u>(434,548)</u>
Additional Working Capital	<u>\$ 86,910</u>

RATE DESIGN

Mountain District's proposed rates are based on the rate design currently applied to Mountain District's current customers. The proposed rates consisted of a minimum bill with a volumetric allowance and a second step sewage usage charge (based on water usage) and a flat rate for unmetered customers.

Mountain District proposed to increase the monthly metered customer rates and the flat rate customers over a three-year phase in.⁶⁷ The Commission accepts Mountain District's proposed rate design and its proposed phase in of the rate increase over three years. The Commission finds that, with the adjustments to the total Revenue Requirement, the rates in Appendix B are fair, just and reasonable.

The monthly bill of a typical residential customer for Phase 1 using 4,134 gallons⁶⁸ of water will increase from \$72.24 to \$84.97, an increase of \$12.74, or 17.63 percent. The monthly bill of a typical residential customer for Phase 2 Rates will increase from \$84.97 to \$97.90, an increase of \$12.92, or 15.21 percent. The monthly bill of a typical residential customer for Phase 3 Rates will increase from \$97.90 to \$110.90, an increase of \$13.01, or 13.31 percent.

⁶⁷ Mountain District proposed the Flat Rate Customers increase be limited to approximately 15 percent see Exhibit 10.

⁶⁸ Application, Exhibit 4.

The monthly bill of a flat rate customer for Phase 1 will increase from \$78.15 to \$82.42, an increase of \$4.27, or 5.46 percent. The monthly bill of a flat rate customer for Phase 2 Rates will increase from \$82.42 to \$87.80, an increase of \$5.38, or 6.53 percent. The monthly bill of a flat rate customer for Phase 3 Rates will increase from \$87.80 to \$107.58, an increase of \$19.78, or 22.53 percent.

Nonrecurring Charges. Mountain District provided updated cost justification pages in response to Commission Staff's requests for information.⁶⁹ The Commission has been requesting that water utilities provide revised cost justifications of these charges. The Commission has been re-evaluating the expenses related to these nonrecurring charges, more specifically, the labor expense and other related expenses such as transportation and miscellaneous expenses.

The Commission continues to follow its previous decisions regarding nonrecurring charges: personnel are paid during normal business hours and their salaries are recovered through base rates. The Commission requires that charges be directly related to the actual cost incurred to provide the service. It is unreasonable to allocate an expense already incurred as a day-to-day cost of maintaining a system, such as the salary of a distribution operator, to a nonrecurring service such as the connection and reconnection of a meter during normal working hours. Only the marginal costs related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours.

The Commission has reviewed Mountain District's nonrecurring charges (Miscellaneous Operating Fees). The Commission found that because district personnel

⁶⁹ Mountain District's Response to Staff's First Request, Item 35.

are currently paid during normal business hours and the labor costs are recovered in rates, estimated labor costs previously included in determining the amount of Nonrecurring Charges should be eliminated to avoid double recovery of the same expense. The Commission Staff the cost justification information provided by Mountain District and adjusted these charges by an average of the hourly rate, removing Field Labor Costs of approximately \$22.57 per hour and Office/Clerical Labor Costs by an average of the hourly rate, from those charges which occur during normal business hours.

Mountain District provided the number of occurrences and revenues of nonrecurring charges during the test year for each of the Miscellaneous Service Revenues in response to Commission Staff's requests for information.⁷⁰

The revenues reported in the Schedule of Adjusted Operations of \$14,301 made up of Miscellaneous Service Revenues of \$2,639 and a recurring amount of revenues from providing operations and maintenance services to other small sewage disposal systems in Pike County, Kentucky, of \$11,662.⁷¹ With the updated costs in the cost justifications, the adjustment is a decrease to the test-year revenues to Miscellaneous Service Revenues of \$1,287 for a pro forma amount of \$1,204.⁷²

The tables in Appendix A show the calculation of the adjustment of the decrease to the test-year nonrecurring charges and how each nonrecurring charge was adjusted. Therefore, the Commission finds that nonrecurring charges should each be reduced by the estimated labor costs stated in the cost justification sheets. The Commission

⁷⁰ Mountain District's Response to Staff's First Request, Item 36.

⁷¹ Mountain District's Response to Staff's Second Request, Item 11.

⁷² Miscellaneous Service Revenues Test Year revenues of \$2,639 - decrease adjustment of \$1,287 = a proforma amount of \$1,1204.

accordingly finds the revised nonrecurring charges set out in Appendix B are reasonable and should be accepted, and as discussed above, that an adjustment of \$1,287 (Miscellaneous Service Revenues) to Other Water Revenues is reasonable to account for revised test year revenues and the decrease of the nonrecurring charges.

Meter Connections/Tap-On Fee. Mountain District provided updated cost justification sheets for their Standard Residential Gravity Sewer Connection with an increase of \$2,488 from \$750 to \$3,238 and for their Standard Residential Pressure Sewer Connection with an increase of \$2,232 from \$2,600 to \$4,832.⁷³ The Commission finds these increases to Mountain District's Service Connection Fees to be reasonable and that they should be approved.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the adjustments, as discussed above, are supported by the evidence of record and are fair, just and reasonable. The Commission has historically used a DSC method to calculate the revenue requirement for water districts or associations with outstanding long-term debt. Applying the DSC method to Mountain District's pro forma operations results in an Overall Revenue Requirement of \$3,456,417 and, based upon pro forma present rate service revenues of \$2,244,476, a revenue increase of \$1,175,904 from wastewater service rates is necessary to generate the overall revenue requirement.

⁷³ Mountain District's Response to Staff's First Request, Item 36.

IT IS THEREFORE ORDERED that:

1. Mountain District's application for an adjustment of its rates is denied as proposed.
2. The rates and charges set forth in Appendix A of this Order are approved for the sewer service that Mountain District renders on and after the date of service of this Order.
3. Within 20 days of the date of entry of this Order, Mountain District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rate approved herein and reflecting that it was approved pursuant to this Order.
4. Within 20 day of the date of entry of this Order, Mountain District shall file through the Commission's Electronic Tariff Filing system new nonrecurring charges reflecting the marginal cost of each nonrecurring service.
5. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00367 DATED OCT 31 2023

2022-00367	Num.	Current Rate	Total	Revised Rate	Adj	Pro Forma
Miscellaneous Service Revenues:						
Connection Charge	0	\$30.00	\$0.00	\$14.50	\$0.00	\$0.00
Disconnection/Termination Charge	39	\$30.00	\$1,170.00	\$14.50	(\$604.50)	\$565.50
Investigation Charge	0	\$30.00	\$0.00	\$14.50	\$0.00	\$0.00
Investigation Charge AH	0	\$75.00	\$0.00	\$90.00	\$0.00	\$0.00
Investigation Charge (when unauthorized usage is discovered)	0	\$75.00	\$0.00	\$48.00	\$0.00	\$0.00
Miscellaneous Revenues: Undefined			\$149.00			
Reconnection Charge	44	\$30.00	\$1,320.00	\$14.50	(\$682.00)	\$638.00
Total Miscellaneous Service Revenues			\$2,639		(\$1,287)	\$1,204

Nonrecurring Charges Adjustments

Connection Charge, Disconnection Charge,
Investigation Charge, Reconnection Charge

	District Revised Charge	Staff Revised Charge
Field Labor \$22.57 at 1.0 hour	\$22.57	\$0.00
Office Labor \$11.12 at 1.0 hour	11.12	0.00
Supplies	1.40	1.40
Transportation	13.10	13.10
Total Revised Charge	\$48.00	\$14.50
Current Rate	\$30.00	

Nonrecurring Charges Adjustments

Return Check Charge

	District Revised Charge	Staff Revised Charge
Field Labor \$0.00 at 1.0 hour	\$0.00	\$0.00
Office Labor \$22.23 at 1.0 hour	22.23	0.00
Supplies	1.40	1.40
Transportation	0.00	0.00
Total Revised Charge	\$24.00	\$1.50

Current Rate \$25.00

Nonrecurring Charges Adjustments

Investigation Charge After Hours

	District Revised Charge	Staff Revised Charge
Field Labor \$25.73 at 3.0 hour	\$77.20	\$77.20
Office Labor \$17.43 at 1.0 hour	17.43	0.00
Supplies	1.40	1.40
Transportation	13.10	13.10
Total Revised Charge	\$109.00	\$90.00

Current Rate \$75.00

Nonrecurring Charges Adjustments

Investigation Charge (when unauthorized usage is discovered)

	District Revised Charge	Staff Revised Charge
Field Expense - Plug	\$33.85	\$33.85
Field Labor \$23.60 at 2.0 hour	47.20	0.00
Office Labor \$13.89 at 1.0 hour	13.89	0.00
Supplies	1.50	1.50
Transportation	\$13.10	\$13.10
Total Revised Charge	\$111.00	\$48.00

Current Rate \$75.00

APPENDIX B

The following rates and charges are prescribed for the customers in the area served by Mountain 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

Phase 1 Rates

First	2,000 Gallons	\$44.32 Minimum Bill
Over	2,000 Gallons	0.01905 Per Gallon
Flat Rate Customers		\$82.42 Per Month

Phase 2 Rates

First	2,000 Gallons	\$50.99 Minimum Bill
Over	2,000 Gallons	0.02198 Per Gallon
Flat Rate Customers		\$87.80 Per Month

Phase 3 Rates

First	2,000 Gallons	\$57.70 Minimum Bill
Over	2,000 Gallons	0.02494 Per Gallon
Flat Rate Customers		\$107.58 Per Month

Nonrecurring Charges

Connection Charge	\$14.50
Disconnection/Termination Charge	\$14.50
Investigation Charge	\$14.50
Investigation Charge AH	\$92.00
Investigation Charge (when unauthorized usage is discovered)	\$48.50
Reconnection Charge	\$14.50
Returned Check Charge	\$1.50

TAP FEES

Standard Residential Gravity Sewer Connection	\$3,238
Standard Residential Pressure Sewer Connection	\$4,832

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2022-00367 DATED OCT 31 2023

	Test Year	Mountain Water District Proposed Adjustments	Commission Adjustments	Pro Forma
Operating Revenues				
Sewage Service Revenues				
Flat Rate Revenues	\$ 134,316		35,426	\$ 169,742
Measured Revenues	<u>1,961,422</u>		<u>113,312</u>	<u>2,074,734</u>
Total Service Revenues	<u>2,095,738</u>		<u>148,738</u>	<u>2,244,476</u>
Other Operating Revenues				
Forfeited Discounts	22,308			22,308
Sewer Connection Fees	2,880	(2,880)	(2,880)	-
Miscellaneous Operating Fees	14,301		(1,287)	13,014
Total Other Operating Revenues	<u>39,489</u>	<u>(2,880)</u>	<u>(4,167)</u>	<u>35,322</u>
Total Operating Revenues	<u>2,135,227</u>	<u>(2,880)</u>	<u>144,571</u>	<u>2,279,798</u>
Operaton Expenses				
Operation and Maintenance Expenses				
Salareis and Wages - Employees	426,193	12,704	12,704	
		39,587	-	438,897
Salaries and Wages - Officers	5,707		293	6,000
Employee Pensions and Benefits - Health Ins.	63,285	8,060		
		(11,844)	15,687	78,972
Employee Pensions and Benefits - Other Ins	4,319.00			4,319.00
Employee Pensions and Benefits - Pension	113,100	(13,627)	(13,627)	
		12,205	2,965	102,438
Purchased Water	-			
Purchased Power	229,937			229,937
Chemicals	58,352			58,352
Materials and Supplies	30,774			30,774
Contractual Services	67,168		16,866	
			43,264	127,298
Tools and Heavy Equipment	5,617			5,617
Pump Station/Lift Station Repair Maintenance	117,508	27,739	-	117,508
General Repair & Maintenance	23,584			23,584
CollectionSystem- Sewage Disposal	65,182			65,182
Insurance				
Workers' Compensation	11,266	1,888	1,888	13,154
Property and Liability	47,567	4,717	1,916	49,483
Vehicle Expense	1,755			1,755
Telephone/ Internet	4,347			4,347
Education, Dues, and Subscription	10,757			10,757
Regulatory Commission Expense	-	3,070	3,070	3,070
Bad Debt Expense	19,894			19,894
Miscellaneous Expenses	30,273			30,273
Total Sewer Operation and Maintenance Expenses	<u>1,336,585</u>	<u>84,499</u>	<u>85,026</u>	<u>1,421,611</u>
Depreciation	1,152,746	23,174	326,567	1,479,313
Taxes Other Than Income	<u>34,882</u>	<u>4,000</u>	<u>(847)</u>	<u>34,035</u>
Total Operating Expenses	<u>2,524,213</u>	<u>111,673</u>	<u>410,746</u>	<u>2,934,959</u>
Utility Operating Income	(388,986)	(114,553)	(266,175)	(655,161)
Interest and Dividend Income	<u>715</u>			<u>715</u>
Income Available to Service Debt	<u>\$ (388,271)</u>	<u>\$ (114,553)</u>	<u>\$ (266,175)</u>	<u>\$ (654,446)</u>

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