

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LETCHER)	
COUNTY WATER AND SEWER DISTRICT FOR A)	CASE NO.
RATE ADJUSTMENT PURSUANT TO 807 KAR)	2022-00431
5:076)	

ORDER

On January 17, 2023,¹ Letcher County Water District (Letcher District) filed its application with the Commission requesting an adjustment to its water rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,² Letcher District used the calendar year ended December 31, 2021, as the basis for its application. The application was filed pursuant to the Commission's Order in Case No. 2022-00081,³ which required Letcher District to file an application for an adjustment of its base rates within six months of the Commission's final Order in Case No. 2022-00081. The Commission notes that Letcher District tendered its application in this matter three days after the deadline provided by the Commission, and the application was deemed filed

¹ Letcher District tendered its application on December 24, 2022. By letter dated January 5, 2023, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on January 17, 2023.

² 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.

³ Case No. 2022-00081, *Electronic Application of Letcher County Water and Sewer District for Deviation from 807 KAR 5:006, Section 7* (Ky. PSC June 21, 2022), Order at 4, ordering paragraph 1.

approximately three weeks after the deadline established in Case No. 2022-00081.⁴ For these reasons, the Commission finds that Letcher District violated a Commission Order. Any future violation of a Commission Order by Letcher District may result in the Commission assessing civil penalties against Letcher District, its board, and manager as provided for in KRS 278.990.

Letcher District's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2017-00211.⁵ Since that matter, Letcher District has only adjusted its rates pursuant to a purchased water adjustment.

In its application, Letcher District requested a rate base revenue increase of \$581,730, or 35.58 percent. On May 15, 2023, in response to Staff's Second Request, Letcher District filed a revised Revenue Requirement Calculation and determined that an updated base rate revenue increase of \$521,922, or 35.00 percent, was necessary to achieve the revenue requirement as shown in the table below.⁶ The revised Revenue Requirement was based on Letcher District's filing a revised 2021 Annual Report on April 28, 2023. The revised 2021 Annual Report was filed to reflect the completion of the 2021 audit which was not complete when the application was filed,⁷ but was subsequently completed on April 28, 2023.

⁴ Case No. 2022-00081, ordering paragraph 2. See also, Letcher District's Notice of Acceptance of Conditions (filed June 24, 2022) in post-case correspondence.

⁵ Case No. 2017-00211, *Electronic Application of Letcher County Water and Sewer District for Alternative Rate Adjustment*.

⁶ Letcher District's Supplemental Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed May 15, 2023), LCWSD_Supplemental_DR2.xlsx, RevReq tab.

⁷ Letcher District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Mar. 20, 2023), Item 1c.

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated February 16, 2023. Letcher District responded to three requests for information from Commission Staff.⁸ On May 18, 2023, and again on June 1, 2023, the Commission, on its own motion, amended the procedural schedule revising the due date for Commission Staff's report. Pursuant to the June 1, 2023 amended procedural schedule, Commission Staff's report was due on July 28, 2023.⁹

On July 27, 2023, Commission Staff issued its report (Commission Staff's Report) summarizing its recommendations regarding Letcher District's requested rate adjustment. In the Commission Staff's Report, Commission Staff recommended that Letcher District's adjusted test-year operations support an overall revenue requirement of \$2,227,076, and that an annual revenue increase of \$391,970, or 22.46 percent, is necessary to generate the overall revenue requirement. In the absence of a cost of service study (COSS), Commission Staff allocated its recommended revenue increase evenly across the board to calculate its recommended water rates.

On August 10, 2023, Letcher District filed its response to Commission Staff's Report. Letcher District stated it disagreed with Commission Staff's adjustment for the removal of certain labor expenses from nonrecurring charges but did not wish to contest the adjustment in this case. Letcher District stated that it accepted the Commission Staff's recommended revenue required and proposed rates for the purpose of this proceeding. Letcher District further stated that it waived its right to request an informal conference or

⁸ See Letcher District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Mar. 20, 2023); Letcher District's Response to Commission Staff's Second Request for information (Staff's Second Request) (filed May 1, 2023); Letcher District's Response to Commission Staff's Third Request for information (Staff's Third Request) (filed June 23, 2023).

⁹ Procedural Schedule Amendment Order (Ky. PSC Jun. 1, 2023).

hearing in this case and concurred with the remainder of Commission Staff's recommendations.¹⁰

LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small utilities to use to request rate adjustments, with the process designed to be less costly to the utility and the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, the utility is allowed to charge its customers "only fair, just and reasonable rates."¹¹ Further, the utility bears the burden of proof to show that the proposed rate increase is just and reasonable under KRS 278.190(3).

BACKGROUND

Letcher 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 3,023 residential customers, 65 commercial customers, 18 public authorities, and 4 bulk loading stations that reside in Letcher County, Kentucky.¹²

¹⁰ Letcher District's Response to Commission Staff Report (filed Aug. 10, 2023).

¹¹ *City of Covington v. Public Service Commission*, 313 S.W.2d 391 (Ky. 1958); and *Public Service Comm'n v. Dewitt Water District*, 720 S.W.2d 725 (Ky. 1986).

¹² Annual Report of Letcher District to the Public Service Commission for the Calendar Year Ended December 31, 2021 (2021 Annual Report) at 12 and 49.

UNACCOUNTED-FOR WATER LOSS

The Commission notes that in Letcher District's 2021 Annual Report, a water loss of 17.5071 percent was reported.¹³ While performing the billing analysis, Letcher District discovered an error was that incorrectly reported water sold. Letcher District indicated that several meters had been installed incorrectly that resulted in negative water usage being reported.¹⁴ Letcher District stated that this issue has been corrected and meters are being reinstalled to report correct customer water usage. This error reduced water sold by 17,472,300 gallons for the test year. Actual water sold during the test year was 160,944,700 gallons resulting in an actual unaccounted-for water loss of 24.98 percent.¹⁵ Commission Staff also reviewed the 2017 through 2020¹⁶ and 2022¹⁷ water loss provided in the annual reports as shown below. Commission Staff did not assess whether similar issues exist with other reporting years.

¹³ 2021 Annual Report at 57.

¹⁴ Letcher District's Response to Staff's First Request, Item 21b.

¹⁵ Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustments D & E.

¹⁶ *Annual Report of Letcher District to the Public Service Commission for the Calendar Year Ended December 31, 2017* (2017 Annual Report) at 56. *Annual Report of Letcher District to the Public Service Commission for the Calendar Year Ended December 31, 2018* (2018 Annual Report) at 57. *Annual Report of Letcher District to the Public Service Commission for the Calendar Year Ended December 31, 2019* (2019 Annual Report) at 57. *Annual Report of Letcher District to the Public Service Commission for the Calendar Year Ended December 31, 2020* (2020 Annual Report) at 57.

¹⁷ *Annual Report of Letcher District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 57.

Year	Water Loss
2017	18.82%
2018	12.09%
2019	10.36%
2020	12.90%
2022	18.45%

Commission regulation 807 KAR 5:066, Section 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 24.98 percent water loss, the 2021 total annual cost of water loss to Letcher District is \$208,855, while the annual cost of water loss in excess of 15 percent is \$83,434.

	Purchased Water	Purchased Power	Total
Purchased Water and Power expenses	\$ 784,615	\$ 51,528	\$ 836,143
Multiplied by: Test- Year Water Loss Percentage	24.98%	24.98%	24.98%
Total Cost of Water Loss	\$ 195,984	\$ 12,871	\$ 208,855
Purchased Water and Power expenses	\$ 784,615	\$ 51,528	\$ 836,143
Multiplied by: Water Loss in Excess of 15%	9.98%	9.98%	9.98%
Cost of Water Loss in Excess of the 15% Limit	\$ 78,292	\$ 5,142	\$ 83,434

TEST PERIOD

The calendar year ended December 31, 2021, was used as the test year to determine the reasonableness of Letcher District's existing and proposed wastewater rates as required by 807 KAR 5:076, Section 9.¹⁸

¹⁸ 807 KAR 5:076, Section 9 provides that the test period in an Alternative Rate Adjustment proceeding is a 12-month historical test period coinciding with the reporting period of the applicant's annual report for the immediate past year, adjusted for known and measurable changes.

SUMMARY OF REVENUE AND EXPENSES

The Commission Staff's Report summarizes Letcher District's pro forma income statement as follows:¹⁹

	<u>Commission Staff's Report</u>		
	<u>Test- Year Operations</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Operations</u>
Total Operating Revenues	\$1,607,729	\$226,147 ²⁰	\$1,833,876
Utility Operating Expenses	<u>2,274,882</u>	<u>(254,864)</u>	<u>2,020,018</u>
Net Utility Operating Income	(667,153)	481,011	(186,142)
Interest and Dividend Income	<u>1,230</u>	<u>-</u>	<u>1,230</u>
Total Utility Operating Income	<u>\$(665,923)</u>	<u>\$481,011</u>	<u>\$(184,912)</u>

REVIEW AND MODIFICATIONS OF COMMISSION STAFF'S RECOMMENDATIONS

Letcher District proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In the Commission Staff's Report, Commission Staff proposed additional adjustments. Upon review, the Commission discovered the following mistakes in Commission Staff's adjustments: Commission Staff mistakenly added \$2,000 to Salaries and Wages – Employees instead of reducing it by this amount, Commission Staff added \$960 to Employee Pensions and Benefits instead of reducing it by this amount, Commission Staff mistakenly added \$5,511 to Purchased Water instead of reducing it by \$4,961, and Commission Staff mistakenly added \$362 to Purchased Power Expense instead of reducing it by \$326. The corrections net a \$17,080

¹⁹ Commission Staff Report at 9.

²⁰ In Commission Staff's Report, the Commission Staff's Pro Forma Operation's Total Operating Revenue was mistakenly recorded as \$249,428; the Commission corrected this amount to \$226,147, it had no effect on the Final Pro Forma Operations.

decrease to the Revenue Requirement. Additionally, Letcher District provided support for its returned check charge in its response to Commission Staff's Report.²¹ Therefore, the Commission adjusted the return check charge from \$0 to \$32, this results in an increase to the revenue requirement of \$3,993. In addition, Commission Staff reduced Employee Pensions and Benefits – Insurance premiums by \$16,922 to reflect the reduction of Single Health Insurance premiums by a Bureau of Labor Statistics (BLS) contribution rate of 22 percent. The Commission has verified the current contribution rate is 21 percent for single coverage.²² This results in an increase to the Revenue Requirement of \$516. The following is the corrected Commission Staff's complete pro forma with the Commission's corrections:

²¹ Letcher District's Response to Commission Staff Report (file Aug. 10, 2023).

²² Bureau of Labor Statistics, Healthcare Benefits, March 2023, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

	Revised Test Year Operations	Commission Staff's Pro Forma Adjustments	Commission Staff's Pro Forma Operations	Commission Pro Forma Adjustment	Final Pro Forma Operations
Operating Revenues:					
Residential	\$ 1,433,103	\$ 253,933	\$ 1,687,036	\$ -	\$ 1,687,036
Commercial	56,815	-	56,815		56,815
Bulk Loading Stations	1,197		1,197		1,197
Revenues - Sales of Water	1,491,115	253,933	1,745,048		1,745,048
Miscellaneous Service Revenues	116,614	(4,505)			
		(23,281)	88,828	(3,993)	84,835
Total Operating Revenues	1,607,729	226,147	1,833,876	(3,993)	1,829,883
Operating Expenses:					
Operation and Maintenance:					
Salaries and Wages - Employees	232,191	59,496			
		(6,984)			
		2,000	286,702	(4,000)	282,703
Employee Pensions and Benefits	121,957	14,650		516	
		11,299			
		960	148,866	(1,919)	147,463
Purchased Water	784,615	(78,292)			
		5,511	711,834	(10,473)	701,361
Purchased Power	51,528	(5,142)			
		362	46,748	(688)	46,060
Materials and Supplies	106,088	(16,297)			
		(631)	89,160		89,160
Contractual Services	67,137	(472)	66,665		66,665
Rental Equip.	1,560	(11)	1,549		1,549
Transportation Expenses	33,671	(237)	33,434		33,434
Insurance	28,395	(199)	28,196		28,196
Advertising	380	(3)	377		377
Miscellaneous Expenses	13,055	(92)	12,963		12,963
Total Operation and Maintenance Expenses	1,440,577	(14,081)	1,426,496	(16,564)	1,409,932
Depreciation Expense	801,408	(242,523)			
		548	559,433		559,433
Amortization	15,910	(3,978)	11,932		11,932
Taxes Other Than Income	16,987	5,327			
		(157)	22,157		22,157
Total Operating Expenses	2,274,882	(254,864)	2,020,018	(16,564)	2,003,454
Net Utility Operating Income	(667,153)	481,012	(186,142)	12,571	(173,571)
Interest Income	1,230	-	1,230		1,230
Net Income before Contributions	\$ (665,923)	\$ 481,012	\$ (184,912)	\$ 12,571	\$ (172,341)

Billing Analysis. Letcher District provided usage data by meter size, listing the water usage and water sales revenue for the 12-month test year. Commission Staff calculated the data provided within a normalized billing analysis and determined that annual base rate revenues of \$1,745,048 for all retail customers is an accurate representation of the normalized test-year revenue from all water sales. In the

Commission's Staff Report, Commission Staff recommended an increase of \$253,933 to Letcher District's test-year Water Sales Revenue. The Commission finds that this adjustment is reasonable because an examination of Letcher District's billing analysis was completed by Commission Staff and a normalized revenue was based on the information provided.

Nonrecurring Charges. In the Commission Staff's Report, Commission Staff recommended the removal of estimated labor costs, previously included in determining the amount of Nonrecurring Charges, from the Nonrecurring Charges.²³ Letcher District provided updated cost justification information for the Nonrecurring Charges.²⁴ Commission Staff reviewed the cost justification information provided by Letcher District and adjusted these charges by removing the \$13 per hour Field Labor Costs and the \$28.25 per hour Office/Clerical Labor Costs from those charges that occur during normal business hours. The Commission continues to follow its previous decisions regarding Nonrecurring Charges: personnel are paid during normal business hours and their salaries are recovered through rates.²⁵ 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 or field technician to a nonrecurring service, such as the connection and reconnection of a meter during normal working hours. The Commission requires that charges be directly related to the actual cost incurred to provide the service. The Commission is aware of the strain placed on the daily work of small utilities when

²³ Commission Staff's Report at 7–8, Appendix A.

²⁴ Letcher District's Response to Staff's Second Request, Item 10.

²⁵ Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020).

employees are diverted from other duties to reconnect service. However, allowing a utility to recover the same labor expense twice is not fair, just and reasonable. Letcher District's field and office labor costs during regular working hours do not fluctuate based on the tasks its employees are performing. Therefore, estimated labor costs previously included in determining the amount of Nonrecurring Charges were eliminated from the charges, because they are already recovered in rates. This approach to ratemaking is entirely consistent with the Commission's history of ensuring that rates reflect, to a reasonable degree, the principle of cost causation while simultaneously taking into account the health of the utility, and the ability of the utility to provide the adequate, efficient, and reasonable provision of service.

Commission Staff reduced the Returned Check Fee to \$0.00 as Letcher District did not provide cost justification to support the proposed charge. In its response to the Staff Report, Letcher District provided cost justification in order to support its proposed Returned Check Charge of \$32.00. The Commission finds that Letcher District's proposed Returned Check Charge of \$32.00 is reasonable, as it reflects the cost assessed by its bank for each returned check that is issued.

The calculation of these adjustments to the Nonrecurring Charges and Commission Staff's proposed Nonrecurring Charges are included in a Table provided in Appendix B. The Commission finds that the revised Nonrecurring Charges set out in Appendix B to be reasonable and consistent with Commission precedent.²⁶ The revised

²⁶ 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).

Nonrecurring Charges result in a decrease to test year Other Water Revenues and an increase to the total revenue requirement of \$3,993 as calculated below:

	<u>Occurrences</u>	<u>Current Charge</u>	<u>Revised Charge</u>	<u>Adjustment</u>	<u>Pro Forma</u>
Reconnection Charge	155	\$ 45	\$ 18	\$ (4,185)	\$ 2,790
Returned Check Fee	<u>16</u>	20	32	<u>192</u>	<u>512</u>
Pro Forma NRC Revenue	<u>171</u>			<u>\$ (3,993)</u>	3,302
Less: Test Year NRC Revenue					<u>(7,295)</u>
Adjustment					<u>\$ (3,993)</u>

Miscellaneous Service Revenues – Water Tap Revenues. In the Supplemental Response Worksheet, Letcher District reported \$116,614 in Miscellaneous Service Revenues.²⁷ This amount is composed of \$23,281 Tap fees, \$35,281 Late Fees and \$58,272 Other Misc. Income.²⁸

The Commission Staff decreased Miscellaneous Service Revenues by \$23,281. According to the Uniformed System of Accounting (USoA), revenue generated from the installation of meters is not treated as revenue but is to be treated as Contributions in Aid of Construction²⁹ and credited to Account 271 – Contributions in Aid of Construction; and not included in Miscellaneous Service Revenues.

The Commission finds that Commission Staff’s recommendation is reasonable and Letcher District’s Miscellaneous Service Revenues should be decreased by \$23,281

²⁷ Letcher District’s Supplemental Response to Staff’s Second Request (filed May 15, 2023), LCWSD_Supplemental_DR2.xlsx, Proforma tab.

²⁸ Letcher District’s Response to Staff’s Second Request (filed May. 15, 2023), Item 5a.

²⁹ USoA for Class A/B Water Companies at 98, Section 334 Meters and Meter Installation, Note C.

because the USoA requires that revenue generated from the installation of meters is to be treated as Contributions in Aid of Construction, not as revenue.

Salaries and Wages – Employees. Letcher District provided its test-year, and current list of employees, number of hours worked, and employee wages.³⁰ Letcher District provided the current salary paid to the General Manager.³¹ In addition, Letcher District increased employee wages subsequent to the test year.³²

Commission Staff normalized the test-year Salaries and Wages – Employees at current salaries and wage rates. Therefore, based on the normalized test year, Commission Staff increased Salaries and Wages – Employees by \$59,496 as shown below.

Position Title	Status	Test Year		Pro Forma Wage Rate	Pro Forma		Total
		Reg. Hrs	O. T. Hrs		Reg. Wages	O. T. Wages	
Accounts Clerk	Full-Time	2,080	0.48	\$ 10.70	22,256	8	22,264
Billing Clerk	Full-Time	2,080		9.93	20,654	0	20,654
O&M	Full-Time	2,080	32.18	16.20	33,696	782	34,478
O&M	Full-Time	2,080	100.47	11.55	24,024	1,741	25,765
Distribution Supervise	Full-Time	2,080	21.00	18.41	38,293	580	38,873
General Manager		Salary			81,901		81,901
O&M	Full-Time	2,080	32.00	10.50	67,248	504	67,752
Total Salaries and Wages					<u>\$ 288,072</u>	<u>\$ 3,615</u>	<u>\$ 291,687</u>
Normalized Employee Salaries & Wages							291,687
Less: Test-Year Employee Salaries & Wages							<u>(232,191)</u>
Salaries and Wages Adjustment							<u>\$ 59,496</u>

The Commission finds that Commission Staff’s recommendation is reasonable and Letcher District’s Salaries and Wages – Employees should be increased by \$59,496

³⁰ Letcher District’s Response to Staff’s First Request, Item 2, 2_LCWSD_Staffing_Records.xlsx.

³¹ Letcher District’s Response to Commission Staff’s Third Request for Information (Staff’s Third Request) (filed June 23, 2023), Item 6.

³² Letcher District’s Response to Staff’s First Request, Item 2, 2_LCWSD_Staffing_Records.xlsx.

because the adjustment is based on the normalization of changes in employee levels and wages, and is a known and measurable change.

Expenses Related to Meter Installations. During the test year, Letcher District installed 36 new water connections, all of which were 5/8- x 3/4-inch;³³ and collected \$23,281 in tap fees.³⁴ Letcher District included the labor and materials used for setting meters in the salaries and materials expense and did not keep a record of the amounts used to install new customer connections.³⁵

The Uniform System of Accounts (USoA) for Class A/B Water Systems requires that these costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.³⁶ Therefore, Commission Staff calculated that Salaries and Wages – Employees and Materials and Supplies should be reduced by \$6,984 and \$16,294 respectively, based upon the cost justification sheet,³⁷ as shown below. Additionally, Commission Staff capitalized the costs and made a corresponding adjustment to test-year depreciation.

³³ Letcher District's Response to Staff's Third Request, Item 3a.

³⁴ Letcher District's Response to Staff's First Request, Item 15b, 15b_LCWSD_Tap_Fee_Collected.pdf.

³⁵ Letcher District's Response to Staff's First Request, Item 15d.

³⁶ USoA, Accounting Instruction 19 and 33.

³⁷ Letcher District's Supplemental Response to Commission Staff's Second Request, Item 10, 10_LCWSD_Meter_Connection.pdf.

	Salaries and Wages Employees	Materials and Supplies
Test-Year Tap Fees Collected	\$ 23,281	\$ 23,281
Multiplied by: Allocation percent:	30%	70%
Total Proposed Adjustment	<u>\$ 6,984</u>	<u>\$ 16,297</u>

The Commission finds that Commission Staff’s recommendation of reducing Letcher District’s operating expenses as set forth above is reasonable and should be accepted because the USoA requires that labor costs associated with installation of capital assets are a part of the cost of the asset, and therefore should be capitalized as Utility Plant in Service and depreciated over the estimated useful lives of the assets.

Employee Pensions and Benefits – Insurance. In the Supplemental Response Worksheet, Letcher District proposed an adjustment to decrease Employee Pension and Benefits by \$40,440 to limit expenses associated with providing employees medical insurance.³⁸ All of Letcher District’s Employees have single-coverage health insurance.³⁹ Subsequent to the test year, insurance premiums have increased.⁴⁰ Letcher District currently pays 100 percent for full-time Employees’ health insurance plan, Retirement through the County Employee Retirement Services (CERS), Life Insurance, Flexible Spending account FEBCO card, and an HRA Account. The Commission continues to place greater emphasis on evaluating employees’ total compensation packages, including both salary and benefits programs, for market and geographic competitiveness

³⁸ Letcher District’s Supplemental Response to Commission Staff’s Second Request (May 15, 2023), LCWSD_Supplemental_DR2.xlsx, Proforma tab.

³⁹ Letcher District’s Response to Staff’s Third Request (filed Jun. 23, 2023), Item 7a.

⁴⁰ Letcher District’s Response to Staff’s Third Request (filed Jun. 23, 2023), Item 7b.

to ensure the development of a fair, just and reasonable rate. The Commission found that, in most cases, 100 percent of employer-funded health care does not meet those criteria.⁴¹

Commission Staff reviewed Letcher District's proposed adjustment and disagreed with its methodology. In its calculation, Letcher District first removed 22 percent of the monthly insurance premiums and then determined the remaining monthly premiums. Letcher District then multiplied the remaining insurance premiums by 12 months to determine the annual employer portion of insurance premiums of \$40,440.⁴² Letcher District proposed to remove the \$40,440 from Employee Pensions and Benefits.⁴³ Commission Staff disagreed with Letcher District's proposed adjustment. Instead, consistent with precedent,⁴⁴ Commission Staff proposed to reduce single health insurance premiums by 22 percent.⁴⁵ However, Commission Staff reviewed the General Ledger and determined the monthly premiums have increased for health and life insurance premiums subsequent to the test year,⁴⁶ resulting in a net increase to Employee Pensions and Benefits. Letcher District provided the most recent total monthly premiums

⁴¹ Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020); Case No. 2020-00296, *Electronic Application of Allen County Water District for an Alternative Rate Adjustment* (Ky. PSC Feb. 3, 2021).

⁴² Letcher District's Response to Staff's First Request, Item 10, 10_LCWSD_Adjustments.xlsx, Adj. C Tab.

⁴³ 9 Letcher District's Supplemental Response to Staff's Second Request (filed May 15, 2023), LCWSD_Supplemental_DR2.xlsx, Proforma tab.

⁴⁴ Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates* (Ky. PSC June 20, 2019) at 8–12.

⁴⁵ Bureau of Labor Statistics, Healthcare Benefits, March 2020, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

⁴⁶ Letcher District's Response to Staff's First Request, Item 1a, 1a_LCWSD- _General Ledger_2021.xlsx, Account 604.00 Pensions and Benefits.

per employee for each benefit⁴⁷ and the test-year amount reported for insurance premiums, including the increased premiums.⁴⁸ Accordingly, utilizing the most recent invoice amounts and the test-year amount from the General Ledger, Commission Staff recalculated the proposed adjustment and increased Employee Pension and Benefits Expense by \$14,650 as shown below.

Type of Premium	Number of Employees	Monthly Premium	Average Employee Contribution Rate	Monthly Premium Adjustment	Allowable Employer Premium
Employee Health Insurance	6	\$ 4,320	22%	\$ (950)	\$ 3,370
FEBCO	6	36	0%	-	36
HRA	6	798	0%	-	798
Life	7	28	0%	-	28
Total Pro Forma Monthly Premium		<u>\$ 5,182</u>		<u>\$ (950)</u>	4,232
Times: 12 Months					<u>12</u>
Total Pro Forma Annual Premiums					50,784
Less Test Year					<u>(36,134)</u>
Employee Pensions and Benefits Adjustment					<u>\$ 14,650</u>

However, as stated above, the Commission finds that Commission Staff's recommendation is not reasonable, since Commission Staff used the 2022 BLS contribution percentage of 22 percent rather than the current 2023 BLS contribution rate of 21 percent. Utilizing the current BLS contribution percentage of 21 percent contribution rate the Commission determined Letcher District's Employee Pensions and Benefits – Insurance should be increased by \$15,166 instead of \$14,650, as shown below.

⁴⁷ Letcher District's Response to Staff's Third Request, Item 7b.

⁴⁸ Letcher District's Response to Staff's First Request, Item 1a, 1a_LCWSD- _General Ledger_2021.xlsx, Account 604.00 Pensions and Benefits.

Type of Premium	Number of Employees	Monthly Premium	Average Employee Contribution Rate	Monthly Premium Adjustment	Allowable Employer Premium
Employee Health Insurance	6	\$ 4,320	21%	\$ (907)	\$ 3,413
FEBCO	6	36	0%	-	36
HRA	6	798	0%	-	798
Life	7	28	0%	-	28
Total Pro Forma Monthly Premium Times: 12 Months		<u>\$ 5,182</u>		<u>\$ (907)</u>	<u>4,275</u> <u>12</u>
Total Pro Forma Annual Premiums Less Test Year					<u>51,300</u> <u>(36,134)</u>
Employee Pensions and Benefits Adjustment Less : Commission Staff Proposed adjustment					<u>15,166</u> <u>(14,650)</u>
Revenue Requirement Adjustment					<u>\$ 516</u>

The adjustment results in an increase to the Revenue Requirement of \$516; and is consistent with past Commission precedent regarding premiums paid for health insurance. Therefore, the Commission finds that this increase is based on a known and measurable change, is reasonable, and should be accepted.

Employee Pensions and Benefits - CERS. During the test year, Letcher District participated in the CERS through the Letcher County Fiscal Court.⁴⁹ As explained above, Commission Staff increased Salaries and Wages – Employees by \$59,496 to \$291,687. Effective July 1, 2023, the contribution rate for nonhazardous employees is 23.34 percent.⁵⁰ Accounting for the revised Salaries and Wages, and the current contribution rate; Commission Staff calculated the pro forma CERS contribution of \$689,080.

⁴⁹ Letcher District's Response to Staff's Third Request, Item 9.

⁵⁰ Kentucky Public Pensions Authority, CERS Employer Contribution Rates, Contribution Rates – Kentucky Public Pensions Authority. (<https://www.kyret.ky.gov/Employers/Pages/Contribution-Rates.aspx>).

Therefore, Commission Staff increased Employee Pensions and Benefits by \$11,299 as shown below.

Pro Forma Salaries and Wages - Employees	\$ 291,687
Multiplied by: Employer Contribution Rate Fiscal Year 2024	<u>23.34%</u>
Pro Forma CERS- Employer Contribution	68,080
Less: Test Year CERS Contribution	<u>(56,781)</u>
Employee Pensions and Benefits Adjustment	<u><u>\$ 11,299</u></u>

The Commission finds that Commission Staff’s recommendation is reasonable and should be accepted and Letcher District’s Employee Pensions and Benefits – CERS should be increased by \$11,299 because the adjustment accounts for both the known and measurable changes in Salaries and Wages and the CERS required contribution percent.

Expenses Attributable to Water Loss. In the Supplemental Response Worksheet, Letcher District proposed adjustments to reduce Purchased Water Expense by \$78,292 and Purchased Power Expense by \$5,142 to reflect the removal of costs for water in excess of 15 percent.⁵¹ During the test year, Letcher District reported a revised water loss of 24.98 percent.⁵² In the Revised Statement of Adjusted Operations, Letcher District changed the adjustments to \$78,292 and \$5,142 respectively.⁵³

⁵¹ Letcher District’s Supplemental Response to Staff’s Second Request, LCWSD_Supplemental_DR2.xlsx, Proforma tab.

⁵² Application, Attachment 4, References, Adjustments D & E.

⁵³ Letcher District’s Supplemental Response to Staff’s Second Request, LCWSD_Supplemental_DR2.xlsx, Proforma tab.

As previously mentioned, Commission regulations prohibit the recovery of expenses for water loss in excess of 15 percent. Commission Staff reviewed purchased Water Expense and Purchased Power Expense and agrees with Letcher District's revised proposed decrease of \$78,292 for Purchased Water expense and proposed decrease of \$5,142 for Purchased Power Expense for a net decrease of \$83,434 as shown in the table below.

Purchased Water and Power expenses	\$ 784,615	\$ 51,528	\$ 836,143
Multiplied by: Water Loss in Excess of 15%	<u>9.98%</u>	<u>9.98%</u>	<u>9.98%</u>
Cost of Water Loss in Excess of the 15% Limit	<u>\$ 78,292</u>	<u>\$ 5,142</u>	<u>\$ 83,434</u>

The Commission finds that Commission Staff's recommendation is reasonable and Letcher District's Purchased Water Expense should be decreased by \$78,292; and Purchased Power Expense decreased by \$5,142, for a net decrease of \$83,434 because the regulation 807 KAR 5:066, Section 6(3), limits water loss to 15 percent for ratemaking purposes.

Depreciation. In the Supplemental Response Worksheet, Letcher District proposed an adjustment increasing Depreciation Expense by \$215,181 to reflect the changing of useful service lives of assets.⁵⁴ Letcher District proposed to adjust the useful lives of assets to the recommended range based on common Commission practices.⁵⁵

The Commission has also historically relied upon the report published in 1979 by the National Association of Regulatory Utility Commissioners (NARUC) titled Depreciation Practices for Small Water Utilities (NARUC Study). When no evidence

⁵⁴ Letcher District's Supplemental Response to Staff's Second Request, LCWSD_Supplemental_DR2.xlsx, Proforma tab.

⁵⁵ Application, Attachment 4, 04_SAO_w_Attachment.pdf, References, Adjustment G.

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. Upon examination, Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Commission Staff agreed with Letcher District's depreciation methodology; however, when Commission Staff calculated the total depreciation expense, it calculated \$558,885 instead of the proposed \$589,706. Commission Staff decreased Letcher District's Depreciation Expense by a further \$27,342⁵⁶ to make a total adjustment of \$242,523 for an Adjusted Depreciation Expense inclusive of \$559,443 as shown below.

Catagories	Service Life Range	Test Year Depreciation	Depreciation Adjustment	Adjusted Depreciation
Meters	35 - 45	33,425	-	33,425
Transmission & Distribution Mains	50 - 75	665,715	(239,658)	426,058
Meters	35 - 45	5,000	-	5,000
Structures and Improvements	10 - 15	77,086	3,336	80,422
Tools, Shop & Garage Equipment	15 - 20	7,943	(4,766)	3,177
Power Operated Equipment	10 - 15	772	(308)	464
Communications Equipment	10	1,990	-	1,990
Office Furniture & Equipment	20- 25	655.60	(408)	247.22
Transportation Equipment	7	8,822	(720)	8,102
Sub-total		\$ 801,408	\$ (242,523)	\$ 558,885
Depreciation on Capitalized Tap Fees			548	548
Total			\$ (241,975)	\$ 559,433

The Commission finds that Commission Staff's recommendation is reasonable and Letcher District's Depreciation was decreased by a total of \$242,523 in order to align Letcher District's capital assets' useful lives with the midpoint of NARUC's recommended useful lives.

⁵⁶ Commission Staff's proposed adjustment \$242,523 – Letcher District's Proposed adjustment \$215,181 = \$27,342.

Capitalization of Test–Year Water Taps. As explained in the adjustment above, the expenses related to the installation of new water connections are capital expenditures that should be capitalized as Utility Plant in Service and depreciated over their estimated useful lives. Letcher District confirmed that it does not keep records of the dollar amounts of labor and materials used to install new customer taps.⁵⁷ Letcher District also records the tap fees as revenue rather than as a capital asset,⁵⁸ and a review of the depreciation schedule for the test year did not record any new meters added to the assets for the year.⁵⁹ Therefore, Commission Staff calculated the annual depreciation amount for the test year and increased depreciation expense by \$548 as shown below.

Test Year Water Connections Expenses	\$23,281
Divided by useful Life of 42.5 Years	<u>42.5</u>
Pro Forma Depreciation Adjustments	<u>\$ 548</u>

The Commission finds that Commission Staff’s recommendation is reasonable and Letcher District’s Capitalization of Test-Year Water Taps should increase the depreciation expense by \$548 since as stated above because the USoA requires the assets to be depreciated over their estimated useful lives.

Amortization. Letcher District proposed an adjustment to decrease Amortization Expense by \$3,978 to reflect a correction in the life of the Amortization of Blackey WTP’s

⁵⁷ Letcher District’s Response to Staff’s First Request, Item 15d.

⁵⁸ Letcher District’s Response to Staff’s First Request, Item 15c.

⁵⁹ Letcher District’s Response to Staff’s First Request, Item 19, 19_LCWSD_Depreciation.xlsx.

bonds.⁶⁰ During the test year, the Amortization of the Blackey WTP was recorded over a 30-year service life.

Commission Staff reviewed the loan for city of Blackey and determined it had a 40-year payment life. Commission Staff agrees with the proposed adjustment for the amortization of the Blackey WTP and decreased Amortization by \$3,978 to \$11,932.

<u>Catagories</u>	<u>Adjusted Loan Life</u>	<u>Test Year Amortization</u>	<u>Amortization Adjustment</u>	<u>Pro Forma Amortization</u>
Amortization of Blackey WTP	40	15,910	(3,979)	11,932
Total Amortization		<u>\$ 15,910</u>	<u>\$ (3,979)</u>	<u>\$ 11,932</u>

The Commission finds that Commission Staff’s recommendation is reasonable and Letcher District’s Amortization should be decreased by \$3,978 in order to properly align the amortization of the Blackey WTP’s bonds with the proposed life of the loan.

Taxes Other Than Income – FICA. Letcher District recorded Payroll Taxes of \$16,987.⁶¹ However, as explained above, Commission Staff calculated a pro forma Salaries and Wages – Employees expense of \$291,687. Letcher District does not provide compensation to board members.⁶² Commission Staff calculated Payroll Taxes of \$22,314, an increase of \$5,327 as shown below.

⁶⁰ Letcher District’s Supplemental Response to Commission Staff’s Second Request (May 15, 2023), LCWSD_Supplemental_DR2.xlsx, Proforma tab.

⁶¹ Letcher District’s Response to Staff’s First Request, Item 1c, 1c_LCWSD_wtb_adjustments_2021.xlsx, Account 408.30 Payroll Tax.

⁶² Letcher District’s Response to Staff’s First Request, Item 9b, 9b_LCWSD_Board_Members.pdf.

Pro Forma Salaries and Wages Expense	\$ 291,687
Times: 7.65 Percent FICA Rate	<u>7.65%</u>
FICA Payroll Taxes	22,314
Less: Test Year Payroll Taxes	<u>(16,987)</u>
FICA Tax Adjustment (Adjustment K)	<u><u>\$ 5,327</u></u>

The Commission finds that Commission Staff’s recommendation is reasonable and that Letcher District’s Taxes Other Than Income – FICA should be increased by \$5,327 because the change is a direct result of changes to Salaries and Wages – Employees.

Allocation of expenses to Sewer Division. During the test year, Letcher District operated both a water and sewer division. Letcher District did not allocate expenses incurred during the test year between the water and wastewater operations.⁶³ However, Letcher District does separate its assets used to calculate Depreciation Expense between water assets and wastewater assets.⁶⁴

Therefore, Commission Staff proposed to allocate a portion of the expenses from the water division to the sewer division. Commission Staff calculated an allocation percentage based upon the proportion of the number of customers for both the water and wastewater divisions.

<u>Division</u>	<u>Number of Customers</u>	<u>Percentage</u>
Water Customers	3,110	99.30%
Sewer Customers	<u>22</u>	<u>0.70%</u>
Total Customer Count	<u><u>3,132</u></u>	<u><u>100%</u></u>

⁶³ Letcher District’s Response to Staff’s First Request, Item 1b.

⁶⁴ Letcher District’s Response to Staff’s First Request, Item 19, 19_LCWSD_Depreciation.XLSX.

Taking the previous adjustments into account, Commission Staff multiplied Salaries and Wages – Employees; Employee Pensions and Benefits; Purchased Water; Purchased Power; Materials and Supplies; Contractual Services; Rental Equipment; Transportation Expenses; Insurance Advertising Expenses; Miscellaneous Expenses; and Taxes Other Than Income by the allocation percentage for the wastewater division calculated above; then removed the wastewater portion of the expenses. Therefore, Commission Staff proposes several adjustments to expenses for a net decrease of \$10,047.

<u>Expenses</u>	<u>Post-adjustment Amounts</u>	<u>Allocation Percentage</u>	<u>Allocation Adjustment</u>
Salaries and Wages - Employees	\$ 284,703	0.70%	\$ 2,000
Employee Pensions and Benefits	136,607	0.70%	960
Purchased Water	706,323	0.70%	4,961
Purchased Power	46,386	0.70%	326
Materials and Supplies	89,791	0.70%	631
Contractual Services	67,137	0.70%	472
Rental Equip.	1,560	0.70%	11
Transportation Expenses	33,671	0.70%	237
Insurance	28,395	0.70%	199
Advertising	380	0.70%	3
Miscellaneous Expenses	13,055	0.70%	92
Taxes Other Than Income	22,314	0.70%	157
Total Allocation Adjustment	<u>\$ 1,430,322</u>	<u>0.70%</u>	<u>\$ 10,047</u>

The Commission finds in order to correct an error in Commission Staff's Report; Letcher District's Salaries and Wages – Employees requires a \$4,000 decrease to reflect a net reclassification of \$2,000 to the sewer division, Employee Pensions and Benefits requires a \$1,920 decrease to reflect a net decrease of \$960, Purchased Water expense requires a \$10,472 decrease to reflect a net decrease of \$4,961, and Purchased Power

expense requires a \$688 decrease to reflect a net decrease of \$631; in order to reflect the allocation adjustment calculated in the table above. However, the Commission agrees with Commission Staff's proposed adjustment that Materials and Supplies, Contractual Services, Rental Equipment, Transportation Expenses, Insurance Advertising Expenses, Miscellaneous Expenses, and Taxes Other Than Income expenses should be reduced because a portion of each expense should be allocated to the sewer division in order to properly account for cost incurred operating the sewer division. The Commission's corrections result in a net decrease to the revenue requirement of \$17,080.⁶⁵

Based upon the Commission's findings discussed above, the following table summarizes Letcher District's adjusted pro forma:

	Commission Staff Report Pro Forma	Commission Adjustments	Final Pro Forma
Total Operating Revenues	\$ 1,833,876	\$ (3,993)	\$1,829,883
Utility Operating Expenses	<u>2,020,018</u>	<u>(16,564)</u>	<u>2,003,454</u>
Utility Operating Income	(186,142)	12,571	(173,571)
Interest and Dividend Income	<u>1,230</u>	<u>-</u>	<u>1,230</u>
Income Available for Debt Service	<u>\$ (184,912)</u>	<u>\$ 12,571</u>	<u>\$ (172,341)</u>

REVENUE REQUIREMENT

The Commission has historically applied a Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations.⁶⁶

⁶⁵ \$4,000 + \$1,920 + \$10,472 + \$668 = \$17,080.

⁶⁶ Case No. 2022-00124, Electronic Application of Elkhorn Water District for a Rate Adjustment Pursuant to 807 KAR 5:076 (Ky. PSC Oct. 24, 2022). Case No. 2021-00475, Electronic Application of

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;⁶⁷ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

Based upon the Commission's findings and determinations in this Order, the Commission determined that Letcher District's required revenue from water sales is \$2,124,448 to meet the Overall Revenue Requirement of \$2,210,513 and that a \$379,400 revenue increase, or 21.74 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

Carroll County Water District #1 for an Adjustment of Rates Pursuant to 807 KAR 5:076 (Ky. PSC June 28, 2022).

⁶⁷ 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).

	<u>Commission Approved</u>
Pro Forma Operating Expenses	\$ 2,003,454
Plus: Average Annual Debt Service	172,549
Debt Service Coverage Requirement	<u>34,510</u>
Overall Revenue Requirement	2,210,513
Less: Other Operating Revenue	(84,835)
Interest Income	<u>(1,230)</u>
Revenue Required from Water Sales	2,124,448
Less: Normalized Revenues from Water Sales	<u>(1,745,048)</u>
Required Revenue Increase/(Decrease)	<u>\$ 379,400</u>
Percentage Increase	<u>21.74%</u>

RATE DESIGN

Letcher District proposed to increase all its monthly retail water service rates evenly across the board by approximately 35.58 percent. Letcher District has not performed a cost of service study (COSS). Letcher District stated that it did not consider filing a COSS because there have not been any material changes in customer usage patterns to warrant it.

In the Commission Staff's Report, Commission Staff followed the method proposed by Letcher District and allocated Commission Staff's calculated revenue increase across the board to Letcher District's monthly retail water service rates. The Commission finds that in the absence of a COSS, the proposed across-the-board method is an appropriate and equitable method to allocate the increased cost to Letcher District's customers.

The rates set forth in Appendix A to this Order are based upon the revenue requirement the Commission has found to be fair, just and reasonable, and will produce

sufficient revenues to recover the required revenue of \$2,124,448 from water sales, an approximate 21.74 percent over normalized test-year water sales of \$1,745,048.

These rates will increase a typical retail residential customer's monthly water bill from \$39.77 to \$48.41, an increase of \$8.64, or approximately 21.73 percent.⁶⁸ These rates will increase the monthly wholesale rate from \$0.00389 per gallon to \$0.00473 per gallon, an increase of \$0.00084, or approximately 21.59 percent.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Commission Staff's Report as corrected and modified here are supported by the evidence of record and are reasonable. The Commission has historically used a DSC method to calculate the revenue requirement for water districts or associations with outstanding long-term debt. Therefore, applying the DSC method to Letcher District's pro forma operations results in an Overall Revenue Requirement of \$2,210,513, a required revenue from water sales of \$2,124,448, and an increase in revenue from water sales of \$379,400, or 21.74 percent.

The Commission finds that allocating the calculated revenue increase across the board to Letcher District's monthly water service rates is fair, just and reasonable.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Commission's Staff's Report are adopted as modified in this Order and incorporated by reference into this Order.
2. The water service rates proposed by Letcher District are denied.

⁶⁸ The typical residential customer uses approximately 3,500 gallons per month.

3. The rates set forth in the Appendix to this Order are approved for service rendered by Letcher District on and after November 16, 2023.

4. The Nonrecurring Charges set forth in the Appendix to this Order are approved for service rendered by Letcher District on and after November 16, 2023.

5. Within 20 days of the date of service of this Order, Letcher District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved by this Order and the effective date of November 16, 2023, and stating that the rates and charges were authorized by this Order.

6. Letcher District shall use the midpoint of the depreciable lives of the NARUC Study ranges, as recommended by Commission Staff, to depreciate water plant assets for accounting purposes in all future reporting periods. Letcher District shall not make adjustments to accumulated depreciation or retained earnings to account for this change in the accounting estimate.

7. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
NOV 17 2023 bsb
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00431 DATED NOV 17 2023

The following rates and charges are prescribed for the customers in the area served by Letcher County Water and Sewer 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

All Meter Sizes

First	2,000 Gallons	\$34.18 Minimum Bill
Over	2,000 Gallons	0.00949 Per Gallon

<u>Wholesale Rate</u>	\$0.00473 Per Gallon
-----------------------	----------------------

Nonrecurring Charges

Service Reconnection Charge	\$18.00
Returned Check Charge	\$32.00

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00431 DATED NOV 17 2023

* Denotes Rounding

Nonrecurring Charges Adjustments

Reconnection Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor (\$13.00 at 1 hours)	\$ 13.00	\$ -	
Office Supplies	\$ -	\$ -	
Office Labor (\$28.25 at 1 hours)	\$ 28.25	\$ -	
Transportation	\$ 17.60	\$ 17.60	
Misc.			
Total Revised Charge*	\$ 58.85	\$ 18.00	
Current Rate	\$ 45.00		
Returned Check Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor (\$13.00 at 0 hours)	\$ -	\$ -	
Office Supplies	\$ -	\$ -	
Office Labor (\$28.25 at 0 hours)	\$ -	\$ -	
Transportation	\$ -	\$ -	
Misc.	\$ -	\$ 32.00	
Total Revised Charge	\$ 32.00	\$ 32.00	
Current Rate	\$ 20.00		

*David P. Foster
Rural Community Assistance Partnership
101 Burch Court
Frankfort, KENTUCKY 40601

*Letcher County Water and Sewer District
3443 US 119 North
Mayking, KY 41837

*Letcher County Water and Sewer District
3443 US 119 North
Mayking, KY 41837

*Mark Lewis
General Manager
Letcher County Water and Sewer District
3443 US 119 North
Mayking, KY 41837

*Stephanie Bolling
Letcher County Water and Sewer District
3443 US 119 North
Mayking, KY 41837