


COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTH 641)	CASE NO.
WATER DISTRICT FOR A RATE ADJUSTMENT)	2023-00050
PURSUANT TO 807 KAR 5:076)	

NOTICE OF FILING OF COMMISSION STAFF'S REPORT

Notice is hereby given that, in accordance with the Commission's Order of March 9, 2023, as amended on July 11, 2023, the attached report containing the findings of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's March 9, 2023 Order, as amended on July 11, 2023, South 641 Water District (South 641 District) is required to file written comments regarding the findings of Commission Staff no later than 14 days from the date of service of this report. The Commission directs South 641 District to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission.



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED JUL 21 2023

cc: Parties of Record

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

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COMMISSION STAFF'S REPORT
ON SOUTH 641 WATER DISTRICT

South 641 Water District (South 641 District) is a water utility organized pursuant to KRS Chapter KRS 74 that owns and operates a water distribution system through which it provides retail water service to approximately 298 residential customers, 44 commercial customers, and 7 public authorities in Calloway County, Kentucky.¹

On February 14, 2023, South 641 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 South 641 District used the calendar year ended December 31, 2021,³ as the basis for its application. South 641 District's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2015-00278.⁴ Since that matter, South 641 District has only adjusted its rates pursuant to

¹ *Annual Report of South 641 District to the Public Service Commission for the Calendar Year Ended December 31, 2021* (2021 Annual Report) at 12 and 39.

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 Application, ARF Form-1, Item 9.

⁴ Case No. 2015-00278, *Application of South 641 Water District for Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Nov 24, 2015).

purchased water adjustments. To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated March 9, 2023.⁵ Commission Staff's First Request for Information (Staff's First Request) was issued as an Appendix to the procedural schedule issued on March 9, 2023, with a response due date of April 10, 2023.⁶ Commission Staff's Second Request for Information (Staff's Second Request) was issued on April 24, 2023, with a response due date of May 8, 2023.⁷ The Commission amended the procedural schedule by Order dated July 11, 2023, to adjust the issue date of the Commission Staff Report from July 11, 2023, to July 27, 2023.⁸

WATER LOSS

The Commission notes that in its 2021 Annual Report, South 641 District reported a water loss of 12.1786 percent.⁹ 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. The table below shows that the 2021 total annual cost of water loss to South 641 District is \$7,802.

	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 60,047	\$ 1,300	\$ 61,347
Water Loss Percent	12.7186%	12.7186%	
Total Water Loss	<u>\$ 7,637</u>	<u>\$ 165</u>	<u>\$ 7,802</u>

⁵ Order (Ky. PSC Mar. 9, 2023), Appendix A.

⁶ March 9, 2023 Order, Appendix B, Staff's First Request.

⁷ Staff's Second Request (Ky. PSC Apr. 24, 2023) at 1.

⁸ Order (Ky. PSC July 11, 2023) at 2.

⁹ 2021 Annual Report at 46.

DISCUSSION

Using its pro forma test-year operations, South 641 District determined that a base rate revenue increase of \$68,204, or 45.3 percent, was necessary to achieve the revenue requirement as shown in the table below.¹⁰

	<u>South 641 District (Water)</u>
Pro Forma Operating Expenses	\$ 199,030
Operating Ratio	88%
Total Revenue Requirement	<u>226,170</u>
Less: Other Operating Revenue	(3,916)
Interest Income	(3,494)
Revenue Required From Sewer Sales *	<u>218,759</u>
Less: Revenue from Sales with Present Rates	(150,555)
Required Revenue Increase	<u>\$ 68,204</u>
Percent Increase	<u>45.30%</u>

* amounts were not rounded to zero in South 641 District Column

To determine the reasonableness of the rates requested by South 641 District, Commission Staff performed a limited financial review of South 641 District's test-year operations. The scope of Commission Staff's review was limited to determining whether operations reported for the test year were representative of normal operations. Known

¹⁰ Application, Attachment #4 at 15.

and measurable¹¹ changes to test-year operations were identified and adjustments made when their effects were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

Commission Staff's findings are summarized in this report. Noah Abner reviewed the calculation of South 641 District's Overall Revenue Requirement, and Eddie Beavers reviewed South 641 District's reported revenues and rate design.

SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Operating Ratio method, as generally accepted by the Commission, Commission Staff found that South 641 District's required revenue from water sales is \$218,298 to meet the Overall Revenue Requirement of \$222,120 and that a \$67,743 revenue increase, or 45.00 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

2. Monthly Water Service Rates. South 641 District proposed to increase its monthly retail and bulk water service rates by approximately 45.30 percent across the board. South 641 District has not performed a cost-of-service study (COSS). South 641

¹¹ Commission regulation 807 KAR 5:076, Section 9 sets the standard for the determination of the reasonableness of proposed rates and states, in pertinent part, that the test period shall be "adjusted for known and measurable changes." See also Case No. 2001-00211, *Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness Therefore; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff* (Ky. PSC Mar. 1, 2002); Case No. 2002-00105, *Application of Northern Kentucky Water District for (A) an Adjustment of Rates; (B) a Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds* (Ky. PSC June 25, 2003); and Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018).

District stated that it did not complete a COSS at this time as there have been no material changes in the water system.¹²

The Commission has previously found that the allocation of a revenue increase evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS.¹³ Finding no such evidence in this case, Commission Staff followed the method previously accepted by the Commission and allocated the \$67,743 revenue increase evenly across the board to South 641 District's monthly retail and bulk water service rates.

The rates, which are set forth in the Appendix to this report, are based upon the revenue requirement, as calculated by Commission Staff, and will produce sufficient revenues from water sales to recover the \$218,298 Revenue Required from Rates. Given the amount of the rate increase, Commission Staff recommends a 3-year phase-in approach for South 641 District's and the Commission's consideration. The 3-year phase-in will not keep South 641 District from adequate full operation.

The rates in Phase 1, will increase a typical residential customer's monthly water bill from \$38.38 to \$44.13, an increase of \$5.75, or approximately 14.98 percent.¹⁴ The rates in Phase 2 will increase a typical residential customer's monthly water bill from Phase 1 rates of \$44.13 to \$49.89, an increase of \$5.76, or approximately 13.05 percent. The rates in Phase 3 will increase a typical residential customer's monthly water bill from

¹² South 641 District's Response to Staff's First Request, Item 13a.

¹³ Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022), Order at 7.

¹⁴ The typical residential customer uses approximately 4,000 gallons a month.

Phase 2 rates of \$49.89 to \$55.67, an increase of \$5.78, or approximately 11.59 percent.¹⁵

3. Nonrecurring Charges. Following the Commission's recent decisions,¹⁶ Commission Staff has reviewed South 641 District's nonrecurring charges. The Commission found that because district personnel 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. Commission Staff reviewed the cost justification information provided by South 641 District and adjusted these charges by removing Field Labor Costs of \$20.50 per hour and Office/Clerical Labor Costs of \$20 per hour from those charges which occur during normal business hours.¹⁷

¹⁵ Application, Attachment 1. The typical residential customer uses approximately 4,000 gallons per month.

¹⁶ Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020) and Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020), Case No. 2020-00196, *Electronic Application of West Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), and Case No. 2020-00195 *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment*, (Ky. PSC Dec. 30, 2020).

¹⁷ Application, Water_Nonrecurring_Charge_Cost_Justifications.PDF.

Nonrecurring Charges Adjustments		
Service Connection/Meter Investigation/Service Line Inspection and Investigation/Delinquent Charge		
	District Revised Charge	Staff Revised Charge
Field Labor \$20.50 at 1 hour	\$20.50	\$0.00
Office Supplies	\$3.00	\$3.00
Office Labor \$21.00 at 0.25 hour	\$10.00	\$0.00
Transportation	\$6.55	\$6.55
Total Revised Charge	\$40.05	*\$10.00
Current Rate	\$15.00	

Service Connection/Delinquent After Hours Charge		
	District Revised Charge	Staff Revised Charge
Field Labor \$30.75 at 1 hour	\$30.75	\$30.75
Office Supplies	\$3.00	\$3.00
Office Labor \$30.00 at .05 hour	\$15.00	\$0.00
Transportation	\$6.55	\$6.55
Total Revised Charge	\$55.30	*\$40.00
Current Rate	\$35.00	

Returned Check Charge		
	District Revised Charge	Staff Revised Charge
Office Labor \$20.00 at 1 hour	\$20.00	\$0.00
Bank Charges	\$30.00	\$30.00
Total Revised Charge	\$50.00	*\$30.00
Current Rate	\$25.00	

Meter Test Charge		
	District Revised Charge	Staff Revised Charge
Field Labor \$20.50 at 1 hour	\$20.50	
Office Supplies	\$3.00	\$3.00
Office Labor \$20.00 at 1 hour	\$20.00	\$0.00
Transportation	\$6.55	\$6.55
Meter Test Fee	\$10.00	\$10.00
Total Revised Charge	\$60.05	*\$20.00
Current Rate	\$35.00	

These adjustments result in the following revised nonrecurring charges:

Delinquent Service Charge	\$10.00
Delinquent Service Charge After Hours	\$40.00
Meter Investigation/Service Line Inspection and Investigation	\$10.00

Meter Test Charge	\$20.00
Returned Check Charge	\$30.00
Service Connection Charge	\$10.00
Service Connection Charge After Hours	\$40.00
5/8 x 3/4 Tap Fee	\$2,660.00
Customer Deposit Phase 1	\$88.00
Customer Deposit Phase 2	\$100.00
Customer Deposit Phase 3	\$110.00
Fire Department Use	\$50.00

The revised nonrecurring charges result in a decrease to test year Other Water Revenues and an increase to the total revenue requirement of \$270 as explained in adjustment (C) below:

Description	Current Rate	Total	Revised Rate	Adj	Pro Forma
<i>Miscellaneous Service Revenues *</i>					
Delinquent Service	\$15.00	\$ -	\$10.00	\$ -	\$ -
Delinquent Charge After hours	\$35.00	0	\$40.00	0	0
Meter Investigation / Service Line Inspection and Investigation	\$15.00	0	\$10.00	0	0
Meter Test Charge	\$15.00	0	\$20.00	0	0
Returned Check Charge	\$25.00	16	\$30.00	3	19
Service Connection Charge	\$15.00	819	\$10.00	(273)	546
Service Connection Charge After Hours	\$35.00	0	\$40.00	0	0
Total Miscellaneous Service Revenues		<u>\$ 835</u>		<u>\$ (270)</u>	<u>\$ 565</u>

* Number of occurrences are unavailable as South 641 District has stated this information is not tracked by their billing software.

PRO FORMA OPERATING STATEMENT

South 641 District's Pro Forma Operating Statement for the test year ended December 31, 2021, as determined by Commission Staff, appears in the table below.

	Test Year	District (Water) Proposed Adjustments	Commission Staff Adjustments	Total Adjustments	(Ref.)	Pro Forma
Operating Revenues						
Metered Sales to Retail Customers	\$ 150,555				(A)	\$ 150,555
Other Water Revenues	3,916		(3,916)	(3,916)	(B)	
Miscellaneous Service Revenues						
Forfeited Discounts			3,010	3,010	(B)	3,010
Non-Recurring Charges			565	565	(B)	565
Total Operating Revenues	154,471	0	(341)	(341)		154,130
Operating Expenses						
Operation and Maintenance Expenses						
Salaries and Wages - Employees	41,320	18,385	(3,874)	14,511	(C)	55,831
Purchased Water	60,047			0		60,047
Purchased Power	1,300	397		397	(D)	1,697
Materials and Supplies	9,867			0		9,867
Water Testing	630	15		15	(E)	645
Transportation Expense	4,928			0		4,928
Insurance	8,217			0		8,217
Miscellaneous Expense	13,223	(169)		(169)	(F)	13,054
Total Operation and Maintenance Expenses	139,532	18,628	(3,874)	14,754		154,286
Depreciation	34,113	2,796		2,796	(G)	36,909
Taxes Other Than Income - FICA	3,888	75	308	383	(H)	4,271
Total Operating Expenses	177,533	21,499	(3,566)	17,933		195,466
Net Operating Income	(23,062)	(21,499)	3,225	(18,274)		(41,336)
Interest Income	3,494		(3,247)	(3,247)	(1)	247
Income Available to Service Debt	\$ (19,568)	\$ (21,499)	\$ (22)	\$ (21,521)		\$ (41,089)

(A) Billing Analysis Adjustment. South 641 District did not propose an adjustment to its test-year revenues of \$150,555. South 641 District stated that the rate analysis data produced from the billing system software was “unusable” due to large inexplicable differences.¹⁸ South 641 District, should consider seeking advice and assistance from their software provider concerning the issues and problems they are experiencing with their current billing system software. Commission Staff reviewed South 641 District’s analysis and agrees with the consultant’s view that because this billing system software does not provide reliable data in its rate analysis, then the billing analysis is not reliable.¹⁹ Commission Staff recommends that the Commission consider ordering

¹⁸ Application, Attachment #4, Schedule of Adjusted Operations (SAO), Item A.

¹⁹ South 641 District’s Response to Staff’s First Request, Item 14a.

South 641 District to report on its efforts to consult with the current software provider on a possible solution to the problems South 641 District is having with their current billing analysis.

(B) Miscellaneous Service Revenues and Other Water Revenues. In its application, South 641 District did not propose any adjustment to Miscellaneous Service Revenues and Other Water Revenues, which totaled \$3,916. In response to Staff's First Request, South 641 District stated that there were errors in the reporting of these revenues. Specifically, the Forfeited Discounts were reported in this category and should have been reported in its own category in the amount of \$3,010, the Service Fee revenues should have been stated as \$819, the Returned Check Fee should have been reported as an allocation between the water and sewer revenues with \$15 and \$10 reported in the sewer division Returned Check fee revenues, and finally, \$62 were Service Revenues incorrectly reported in the 2021 Revenues and should be removed and reported in 2022 Revenues. The sewer division's Returned Check Fee of \$10 and the incorrectly reported revenue of \$62 have been removed as they are not water division revenues.²⁰ Additionally, South 641 District provided updated cost justification sheets for the pro forma revenues.

Commission Staff reviewed the responses to the information requests, the cost justification sheets, and the General Ledger. In addition to the adjustments discussed above, Commission Staff decreased Miscellaneous Service Revenues by \$270 by removing field and office labor to charges that are accomplished during normal office hours. Office labor was removed in the after-hour charges as the office work on any of

²⁰ South 641 District's Response to Staff's First Request, Item 15.

these after-hours charges is accomplished during normal office hours. The field labor was left in the charge as the action taken is outside normal business hours. The proposed adjustments made by Commission Staff result in a pro forma amount of \$565 as shown previously. Commission Staff recommends that the Commission approve these adjustments.

(C) Salaries and Wages – Employees. South 641 District proposed an increase of \$18,385 in wages due to increases in wage rates and changes in personnel.²¹ In its response to Staff's First Request, South 641 District provided two separate total pro forma salary and wage amounts for its water and sewer operations. The first amount of \$101,459 was in South 641 District's Rate Study document²² and the second amount of \$90,118 was in South 641 District's Job Titles and FICA document.²³ Commission Staff noted that the pro forma salary and wage amount of \$101,459 erroneously did not include all seven employees. Commission Staff also noted that the \$90,118 pro forma salary and wage amount includes all employees but has lower wage rates. Commission Staff used the \$90,118 total salary and wages expense that included all employees in the calculation of its adjustment.

In its response to Staff's First Request, South 641 District provided an expense allocation of 61.95 percent to water and a test year salary and wages expense for water of \$44,472.²⁴ Commission Staff identified two amounts in accounts 00625-0101 and

²¹ Application, Attachment #4, Item B.

²² South 641 District's Response to Staff's First Request, Item 5, 5_Rate_Study.xlsx.

²³ South 641 District's Response to Staff's First Request, Item 2, 2_Job_Titles_and_FICA.xlsx.

²⁴ South 641 District's Response to Staff's First Request, Item 2, 2_Job_Titles_and_FICA.xlsx.

00625-0102 for \$2,554.77 and \$597.48, respectively, that South 641 District should not have included as test year wages because they represented employer’s FICA and medical contributions. Commission Staff recalculated the pro forma adjustment with the correct pro forma salary expense and test year to determine that the increase should be \$14,511. Therefore, Commission Staff decreased South 641 District’s proposed adjustment by \$3,874 as shown below.

	South 641 District	Commission Staff	Difference
Water & Sewer Pro Forma Salaries & Wages	\$ 101,459	\$ 90,118	\$ (11,341)
Water Expense Allocation Percentage	61.95%	61.95%	0
Pro Forma Salaries & Wages Expense Water	62,856	55,831	(7,026)
Less: Test Year Salaries & Wages Expense Water	(44,472)	(41,320)	3,152
Total Adjustment	\$ 18,385	\$ 14,511	\$ (3,874)

(D) Purchased Power (includes natural gas). South 641 District proposed an increase of \$397 in purchased power due to an increase in natural gas costs.²⁵ Commission Staff reviewed South 641 District’s calculations and evidence²⁶ provided, and agrees that the proposed adjustment meets the ratemaking criteria of being known and measurable and Commission Staff included the increase in its pro forma operating expenses.

(E) Water Testing. South 641 District proposed an increase of \$15 in water testing due to an increase in costs. Commission Staff reviewed South 641 District’s calculations and evidence,²⁷ and agrees that the proposed adjustment meets the

²⁵ South 641 District’s Response to Staff’s First Request, Item 5, 5_Rate_Study.xlsx.

²⁶ South 641 District’s Response to Staff’s First Request, Item 1a and Item 5, 1a_2021_General_Ledger.pdf and 5_Rate_Study.xlsx.

²⁷ South 641 District’s Response to Staff’s First Request, Item 1a and Item 5, 1a_2021_General_Ledger.pdf and 5_Rate_Study.xlsx.

ratemaking criteria of being known and measurable and Commission Staff included the increase in its pro forma operating expenses.

(F) Miscellaneous Expense. South 641 District misclassified employee benefits costs in Miscellaneous Expenses. South 641 District stated in its application that the district pays 100 percent of its employee's single health and dental insurance premiums.²⁸ South 641 District reduced the amount of employer-funded premiums by \$169 to be consistent with the Bureau of Labor Statistics' national average for an employer's share of health insurance premiums. South 641 District reduced the premium cost to reflect a 79 percent employer contribution for single coverage as well as reducing the employer contribution for dental coverage to 60 percent. Commission Staff reviewed South 641 District's supporting calculations and evidence,²⁹ and agrees with its proposed adjustment with respect to its application to prior Commission precedent on this issue and the amount.

(G) Depreciation. South 641 District reported test year Depreciation Expenses of \$34,113 in its application.³⁰ South 641 District increased its test year depreciation by \$2,796 to reflect adjustments of asset service lives to the mid-point of service life ranges set forth in the National Association of Regulatory Utility Commissioners' (NARUC) publication titled "Depreciation Practices for Small Water Utilities" (NARUC Study).³¹ To evaluate the reasonableness of the depreciation practices of small water utilities, the

²⁸ Application, Attachment #4, Item E.

²⁹ South 641 District's Response to Staff's First Request, Item 5, 5_Rate_Study.xlsx.

³⁰ Application, Attachment #4 at 15.

³¹ Application, Attachment #4, Item F.

Commission has historically relied upon the NARUC Study. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant. In this proceeding, Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Therefore, Commission Staff agrees with South 641 District's proposed adjustment and increased pro forma Depreciation Expense by \$2,796.

(H) Taxes Other Than Income. South 641 District proposed an increase of \$75 to its Taxes Other Than Income to reflect the increases in wage rates and changes in personnel since 2021.³² Commission Staff recalculated the taxes based on the salary adjustments discussed above and determined that the total increase should be \$383, resulting in an additional Commission Staff increase of \$308 as shown below.

	South 641 District	Commission Staff	Difference
Pro Forma Taxes Other Than Income	\$ 3,963	\$ 4,271	\$ 308
Test Year Taxes Other Than Income ()	(3,888)	(3,888)	0
Totals	\$ 75	\$ 383	\$ 308

OVERALL REVENUE REQUIREMENT AND
REQUIRED REVENUE INCREASE

The operating ratio methodology is used when there is no basis for a rate of return determination, the cost of the utility has fully or largely been funded through contributions, or there is little or no outstanding long-term debt. South 641 District does not have any outstanding debt. Commission Staff finds the operating ratio method is appropriate for

³² Application, Attachment #4, Item F.

South 641 District. Commission Staff is of the opinion that an operating ratio of 88 percent will allow South 641 District sufficient revenues to cover its operating expenses and provide for reasonable equity growth.

By applying the operating ratio method, Commission Staff determined South 641 District's Overall Revenue Requirement to be \$222,120. Commission Staff calculated a revenue increase of \$67,743, or 45 percent, is necessary to generate the Overall Revenue Requirement. Commission Staff's calculation of the Overall Revenue Requirement and the Required Revenue Increase using the operating ratio method is shown below.

	<u>South 641 District (Water)</u>	<u>Commission Staff</u>
Pro Forma Operating Expenses	\$ 199,030	\$ 195,466
Operating Ratio	88%	88%
Total Revenue Requirement	<u>226,170</u>	<u>222,120</u>
Less: Other Operating Revenue	(3,916)	(3,575)
Interest Income	(3,494)	(247) (1)
Revenue Required From Water Sales *	<u>218,759</u>	<u>218,298</u>
Less: Revenue from Sales with Present Rates	(150,555)	(150,555)
Required Revenue Increase	<u>\$ 68,204</u>	<u>\$ 67,743</u>
Percent Increase	<u>45.30%</u>	<u>45.00%</u>

* amounts were not rounded to zero in South 641 District Column

1. Interest Income. Commission Staff noted interest income of \$247 during its review of South 641 District's 2021 Annual Report.³³ Commission Staff decreased interest income by \$3,247 to correct South 641 District's interest income to what was reported in the test year.

³³ 2021 Annual Report at 18.

Signatures

/s/ Noah Abner

Prepared by: Noah Abner
Revenue Requirement Branch
Division of Financial Analysis

/s/Eddie Beavers

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

APPENDIX

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00050 DATED JUL 21 2023

The following rates and charges are prescribed for the customers in the area served by South 641 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

All Meter Sizes

First	2,000 Gallons	\$24.63	Minimum Bill
Next	3,000 Gallons	0.00975	Per Gallon
Next	5,000 Gallons	0.00871	Per Gallon
Over	10,000 Gallons	0.00768	Per Gallon
Bulk Sales		\$0.00768	Per Gallon

Monthly Water Rates

Phase 2

All Meter Sizes

First	2,000 Gallons	\$27.85	Minimum Bill
Next	3,000 Gallons	0.01102	Per Gallon
Next	5,000 Gallons	0.00984	Per Gallon
Over	10,000 Gallons	0.00868	Per Gallon
Bulk Sales		\$0.00868	Per Gallon

Monthly Water Rates

Phase 3

All Meter Sizes

First	2,000 Gallons	\$31.07	Minimum Bill
Next	3,000 Gallons	0.01230	Per Gallon
Next	5,000 Gallons	0.01098	Per Gallon
Over	10,000 Gallons	0.00969	Per Gallon
Bulk Sales		\$0.00969	Per Gallon

Delinquent Service Charge	\$10.00
Delinquent Service Charge After Hours	\$40.00
Meter Investigation/Service Line Inspection and Investigation	\$10.00
Meter Test Charge	\$20.00
Returned Check Charge**	\$30.00
Service Connection Charge	\$10.00
Service Connection Charge After Hours	\$40.00
5/8 x 3/4 Tap Fee	\$2,660.00
Customer Deposit Phase 1	\$88.00
Customer Deposit Phase 2	\$100.00
Customer Deposit Phase 3	\$110.00
Fire Department Use	\$50.00

NOTE:** US South 641 District allocates the Returned Check Charge for Customers of both the Water and the Wastewater Division.

*Robert K. Miller
Straightline Kentucky LLC
113 North Birchwood Ave.
Louisville, KENTUCKY 40206

*South 641 Water District
207 Main Street
P. O. Box 126
Hazel, KY 42049

*Ricky Walls
Chairman
South 641 Water District
P. O. Box 126
Hazel, KY 42047