

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF HARRISON	)	CASE NO.
COUNTY WATER ASSOCIATION, INC. FOR AN	)	2023-00154
ALTERNATIVE RATE ADJUSTMENT	)	

ORDER

On May 18, 2023,<sup>1</sup> Harrison County Water Association, Inc. (Harrison Water) filed its application with the Commission requesting an adjustment to its water rates pursuant to 807 KAR 5:076. The application was filed pursuant to the Commission’s Order in Case No. 2022-00354, which required Harrison Water to file an application for an adjustment of its base rates by May 22, 2023.<sup>2</sup>

In its application, Harrison Water requested rates that would increase its base rate revenue by \$656,321, or 20.73 percent to pro forma present rate water sale revenues.<sup>3</sup>

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated June 7, 2023. The procedural schedule was amended by Order dated September 8, 2023. The amended procedural schedule, among other things, required the Commission Staff to file a report containing its

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<sup>1</sup> Harrison Water tendered its application on May 11, 2023. By letters dated May 12, 2023, and May 16, 2023, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on May 18, 2023.

<sup>2</sup> Case No. 2022-00354, *Electronic Purchased Water Adjustment Filing of Harrison County Water Association, Inc.* (Ky. PSC Nov. 22, 2022), at 6, ordering paragraph 5.

<sup>3</sup> Application, Exhibit 6, Exhibit\_6\_Rev\_Req\_Calc-Debt\_Cov\_Method.pdf.

recommendations regarding Harrison Water's application. Harrison Water responded to two requests for information from Commission Staff.

Commission Staff issued its report<sup>4</sup> (Commission Staff's Report) on September 28, 2023, summarizing its findings and recommendations regarding Harrison Water's requested rate adjustment. In the Commission Staff's Report, Commission Staff found that Harrison Water's adjusted test-year operations support an overall revenue requirement of \$3,412,473 and a \$182,643 revenue increase, or 5.77 percent, to pro forma present rate revenues is necessary to generate the overall revenue requirement. Harrison Water filed its version of a cost of service study (COSS).<sup>5</sup> However, in the Commission Staff Report, Commission Staff stated that the document filed was more aligned to a billing analysis than a full COSS.<sup>6</sup> Harrison Water proposed to allocate its revenue increase evenly across its rate design, and Commission Staff found nothing in the data presented in the COSS to demonstrate that this allocation method is unreasonable.

On October 11, 2023, Harrison Water filed its response<sup>7</sup> to Commission Staff's Report with a motion for reconsideration of the Staff Report and recommendations.<sup>8</sup> By

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<sup>4</sup> Commission Staff's Report (Ky. PSC Sept. 28, 2023).

<sup>5</sup> Harrison Water's Response to Staff's First Request, Item 20(d), [https://psc.ky.gov/pscecf/2023-00154/jfpitts%40yahoo.com/07062023105854/Exhibit\\_%2820d%29\\_COSS-Excel\\_Sheet.xlsx](https://psc.ky.gov/pscecf/2023-00154/jfpitts%40yahoo.com/07062023105854/Exhibit_%2820d%29_COSS-Excel_Sheet.xlsx) See also: Harrison Water's Response to Staff's Second Request, Item 13(a), [https://psc.ky.gov/pscecf/2023-00154/jfpitts%40yahoo.com/08022023114211/Exhibit\\_13\\_Excel\\_of\\_Updated\\_COSS\\_by\\_Strand.xlsx](https://psc.ky.gov/pscecf/2023-00154/jfpitts%40yahoo.com/08022023114211/Exhibit_13_Excel_of_Updated_COSS_by_Strand.xlsx).

<sup>6</sup> Commission Staff's Report at 8.

<sup>7</sup> Harrison Water's Notice of HCWA Response to KY PSC Staff's Report and Recommendations to HCWA's ARF Application (filed Oct. 11, 2023).

<sup>8</sup> Harrison Water's Motion for KY PSC Staff to Reconsider its Staff Report and Recommendations Regarding HCWA Application for Alternative Rate Adjustment Pursuant to 807 KAR 5:001, as it relates to Depreciable Life(s) of Assets and the Single Health Insurance Plan Deduction (filed Oct. 11, 2023).

order entered on October 30, 2023,<sup>9</sup> the Commission denied Harrison Water's motion for reconsideration of the Commission Staff's Report and recommendations because Commission Staff's Report is only a recommendation, not a final determination made by the Commission. Therefore, Harrison Water's motion was treated as a supplemental written response to Commission Staff's Report.

In its response to Commission Staff's Report, several objections were made by Harrison Water relating to service lives for its capital assets, the reduction amount of single health insurance plan, amortization, and the methodology of removing regular labor and administrative costs from nonrecurring charges that accrue during normal business hours and days of operation. Harrison Water waived its right to a formal hearing but requested an "informal hearing" if Commission Staff deemed an "informal hearing" to be beneficial. No mention of an informal conference was made in Harrison Water's response to Commission Staff's Report. Harrison Water reserved the right to address the findings and recommendations of Commission Staff in future proceedings. Furthermore, Harrison Water stated it will accept the rate recommendations and Commission Staff's Report if the Commission determined that the reconsideration requested had no effect on the rate increase recommended or is denied.

On November 22, 2023, Harrison District filed a Notice updating the legal expense included in the rate case expense.<sup>10</sup> The case now stands submitted for a decision by the Commission.

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<sup>9</sup> Case No.2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Oct. 30, 2023), Order at 2.

<sup>10</sup> Notice of Filing of September 2023 Invoices Related to Alternative Rate Filing (filed Nov. 22, 2023), Exhibit\_A\_and\_Exhibit\_B.pdf.

## 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."<sup>11</sup> 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

Harrison Water is a water utility organized pursuant to KRS Chapter 273 that owns and operates a water distribution system through which it provides retail water service to approximately 5,567 residential customers and 348 commercial customers that reside in Bourbon, Harrison, Nicholas, Pendleton, and Scott counties, Kentucky.<sup>12</sup> Harrison Water does not produce any of its own water; rather, it purchases its water from city of Cynthiana, Kentucky American Water Company (KAWC), Nicholas County Water District; and KAWC Millersburg.<sup>13</sup> Harrison Water's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2015-00308.<sup>14</sup> Since

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<sup>11</sup> *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).

<sup>12</sup> *Annual Report of Harrison Water to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 12 and 49.

<sup>13</sup> 2022 Annual Report at 54.

<sup>14</sup> Case No. 2015-00308, *Alternative Rate Adjustment Filing of Harrison County Water Association* (Ky. PSC Feb. 12, 2016).

that matter, Harrison Water has only adjusted its rates pursuant to purchased water adjustments, financing approval, or in conjunction with an application for a Certificate of Public Convenience and Necessity.

UNACCOUNTED-FOR WATER LOSS

The Commission notes that in its 2022 Annual Report, Harrison Water reported a water loss of 20.8656 percent.<sup>15</sup> 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 2022 total annual cost of water loss to Harrison Water is \$377,137, while the annual cost of water loss in excess of 15 percent is \$106,019. The Commission reviewed the past 3 years of Harrison Water's unaccounted for water loss, and Harrison Water's Unaccounted for water loss is trending around 20 to 22 percent, as shown below.

Year	Unaccounted for Water Loss
2020	21.1717% <sup>16</sup>
2021	22.0300% <sup>17</sup>
2022	20.8656% <sup>18</sup>

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<sup>15</sup> 2022 Annual Report at 57.

<sup>16</sup> *Annual Report of Harrison Water to the Public Service Commission for the Calendar Year Ended December 31, 2020* (2020 Annual Report) at 57.

<sup>17</sup> *Annual Report of Harrison Water to the Public Service Commission for the Calendar Year Ended December 31, 2021* (2021 Annual Report) at 57.

<sup>18</sup> 2022 Annual Report at 57.

The Commission Staff is concerned about Harrison Water’s failure to reduce unaccounted for water loss and recommends that Harrison Water implement a process to work on reducing unaccounted-for water loss.

	<u>Purchased Water</u>	<u>Purchased Power</u>	<u>Total</u>
Pro Forma Expenses	\$ 1,720,398	\$ 87,064	\$ 1,807,462
Water Loss Percent	<u>20.8656%</u>	<u>20.8656%</u>	<u>20.8656%</u>
 Total Water Loss	 <u>\$ 358,971</u>	 <u>\$ 18,166</u>	 <u>\$ 377,137</u>
	 <u>Purchased Water</u>	 <u>Purchased Power</u>	 <u>Total</u>
Pro Forma Expenses	\$ 1,720,398	\$ 87,064	\$ 1,807,462
Water Loss in Excess of 15 Percent	<u>5.8656%</u>	<u>5.8656%</u>	<u>5.8656%</u>
 Disallowed Water Loss	 <u>\$ 100,912</u>	 <u>\$ 5,107</u>	 <u>\$ 106,019</u>

TEST PERIOD

The calendar year ended December 31, 2022, was used as the test year to determine the reasonableness of Harrison Water’s existing and proposed water rates as required by 807 KAR 5:076, Section 9.<sup>19</sup>

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<sup>19</sup> Application at 3.

## SUMMARY OF REVENUE AND EXPENSES

The Commission Staff's Report summarizes Harrison Water's pro forma income statement as follows.<sup>20</sup>

	<u>Commission Staff's Report</u>		
	<u>2022 Test Year</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
Total Operating Revenues	\$3,052,184	\$ 177,646	\$3,229,830
Utility Operating Expenses	3,137,127	202,627	3,339,754
Net Utility Operating Income	(84,943)	(24,981)	(109,924)
Gains (Losses) from Disposal of Utility Property	209,905	(209,905)	-
Interest Expense	33,721	-	33,721
Total Utility Operating Income	<u>\$ 91,241</u>	<u>(\$234,886)</u>	<u>\$ (143,645)</u>

### REVIEW AND MODIFICATIONS OF COMMISSION STAFF'S RECOMMENDATIONS

Harrison Water 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 items that require modification to Commission Staff's recommended adjustments: 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 determined that the current contribution rate is 21 percent for single health coverage<sup>21</sup> resulting in an increase to the Revenue Requirement of \$132.

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<sup>20</sup> Commission Staff Report at 12.

<sup>21</sup> Bureau of Labor Statistics, Healthcare Benefits, March 2023, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

In addition, Commission Staff determined that the Purchased Power adjustment in the Commission Staff Report was recorded incorrectly. The Commission Staff Report narrative explains that Purchased Power Expense should have been decreased by \$2,182. However, in the calculation for the Revenue Requirement it was decreased by \$5,480. Therefore, the Commission increased Purchased Power expense of \$3,298. The corrections result in a net increase to the Revenue Requirement of \$3,430.

On October 11, 2023, Harrison Water filed its response to Commission Staff's Report along with a motion for reconsideration of Staff Report Recommendations. In its written comments, Harrison Water requested the Commission adjust the Revenue Requirement by \$132 to account for the difference in the insurance contribution amount as discussed above and below in this Order.

Harrison Water also requested the Commission to update the Amortization Expense to include the most recent expenses incurred for this rate case, an increase to the Revenue Requirement of \$150. On November 22, 2023, Harrison District filed an additional update to the rate case expense increasing the Revenue Requirement by a further \$1,050, for a net increase of \$1,200. These updates are reflected in the table below.



	2022 Test Year	Total Proposed Adjustments	Commission Staff Proposed Pro Forma	Commission Pro Forma Adjustment	Commission Pro Forma Operations
<b>Operating Revenues</b>					
Total Metered Water Sales	\$ 2,981,501	\$ 183,904	\$ 3,165,405		\$ 3,165,405
<b>Other Water Revenues</b>					
Forfeited Discounts	43,893	-	43,893		43,893
Misc. Service Revenues	12,752	(6,759)	5,993		5,993
Other Water Revenues	14,038	(11,038)	3,000		3,000
Interest Income		11,539	11,539		11,539
<b>Total Other Water Revenues</b>	<b>70,683</b>	<b>(6,258)</b>	<b>64,425</b>	<b>-</b>	<b>64,425</b>
<b>Total Operating Revenues</b>	<b>3,052,184</b>	<b>177,646</b>	<b>3,229,830</b>	<b>-</b>	<b>3,229,830</b>
<b>Operating Expenses</b>					
<b>Operation and Maintenance Expenses</b>					
Salaries and Wages - Employees	557,565	(31,025)			
		126,513	653,053		653,053
Salaries and Wages - Officers	-	31,025			
		(11,225)	19,800		19,800
Employee Pensions and Benefits	223,832	(61,219)			
		(10,608)	152,005	132	152,137
Purchased Water	1,552,166	168,232			
		(100,912)	1,619,486		1,619,486
Purchased Power	89,246	(5,480)		3,298	
		(4,888)	78,878		82,176
Fuel for Power Production	-				
Chemicals	-				
Materials and Supplies	15,604		15,604		15,604
Contractual Services	12,508	(8,154)			
		43,732	48,086		48,086
Water Testing	-	8,154			
		1,401	9,555		9,555
Transportation Expenses	67,129	-	67,129		67,129
Insurance	38,941	-	38,941		38,941
Regulatory Commission Expenses	8,279	-	8,279		8,279
Bad Debt Expense	10,760	-	10,760		10,760
Miscellaneous Expense	1,939	(10)			
Office Supplies		77,659			
		4,473			
Repairs		81,233			
		-			
Telephone		14,220	179,514		179,514
<b>Total Operation and Maintenance Expenses</b>	<b>2,577,969</b>	<b>323,121</b>	<b>2,901,090</b>	<b>3,430</b>	<b>2,904,520</b>
Depreciation	515,698	-			
		(145,483)	370,215		370,215
Amortization		14,727	14,727	1,200	15,927
Taxes Other Than Income	43,460	10,262	53,722		53,722
<b>Utility Operating Expenses</b>	<b>3,137,127</b>	<b>202,627</b>	<b>3,339,754</b>	<b>4,630</b>	<b>3,344,384</b>
<b>Net Operating Income</b>	<b>(84,943)</b>	<b>(24,981)</b>	<b>(109,924)</b>	<b>(4,630)</b>	<b>(114,554)</b>
Gains (Losses) from Disposal of Utility Property	209,905	(209,905)	-		-
Interest Expense	33,721	-	33,721	-	33,721
<b>Income Available to Service Debt</b>	<b>\$ 91,241</b>	<b>\$ (234,886)</b>	<b>\$ (143,645)</b>	<b>\$ (4,630)</b>	<b>\$ (148,275)</b>

Billing Analysis. Harrison Water proposed an adjustment to its test-year revenues of \$183,904. Harrison Water increased test-year revenues to meet the revenues calculated in the billing analysis filed with the application.<sup>22</sup>

Commission Staff reviewed the billing analysis and agreed that the proposed adjustment is appropriate. The adjustment is primarily due to an increase in rates pursuant to purchase water adjustment in Case No. 2022-00354.<sup>23</sup> Commission Staff recommended that the Commission approve these adjustments based on the evidence filed into the record have been analyzed and evaluated by Commission Staff.<sup>24</sup>

The Commission finds that Commission Staff's recommended adjustment is reasonable as the evidence in the record have been analyzed and evaluated by Commission Staff and confirmed the increase resulting from a purchase water adjustment.

Miscellaneous Service Revenues. In its application, Harrison Water did not propose any adjustment to Miscellaneous Service Revenues that totaled \$12,752. In response to Staff's First Request, Harrison Water provided information to confirm the amount reported in the test year.<sup>25</sup> Additionally, Harrison Water provided updated cost justification sheets for the pro forma revenues.<sup>26</sup>

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<sup>22</sup> Application, Exhibit 5.

<sup>23</sup> Case No. 2022-00354, *Electronic Purchased Water Adjustment Filing of Harrison County Water Association, Inc.* (Ky. PSC Nov. 22, 2022).

<sup>24</sup> Commission Staff's Report at 13, Adjustment A.

<sup>25</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 24(a), located in "Distribution List" at 20.

<sup>26</sup> Harrison Water's Response to Staff's Second Request (filed Aug. 2, 2023), Item 3.

Commission Staff reviewed Harrison Water's responses to requests for information, the cost justification sheets, and the general ledger. Commission Staff noted that field labor costs incurred for work during normal business hours were included in the estimates used to determine the amount of Harrison Water's nonrecurring charges contrary to Commission precedent, and therefore recommended reducing certain nonrecurring charges as discussed in more detail below. Commission Staff recommended a corresponding adjustment decreasing Harrison Water's Miscellaneous Service Revenues by \$6,759 based on Staff's recommendation to remove field labor costs for work that is performed during normal office hours from nonrecurring charges. As noted above, the proposed adjustments made by Commission Staff result in a pro forma amount of \$5,993 for Miscellaneous Service Revenues.<sup>27</sup>

For the reasons discussed in more detail below, the Commission is accepting Commission Staff's proposed adjustments to nonrecurring charges. With those adjustments, the Commission finds that Commission Staff's recommended adjustment to Miscellaneous Service Revenues is reasonable based on the evidence filed into the record and Commission Staff's analysis of the effect of decreasing in the nonrecurring charges on Miscellaneous Service Revenues.

Other Water Revenues. In its application, Harrison Water did not propose any adjustment to Other Water Revenues, which totaled \$14,038. However, Harrison Water's 2022 Annual Report listed no Other Water Revenues. In response to Staff's First Request, Harrison Water stated that there were errors in the reporting of these

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<sup>27</sup> Commission Staff's Report at 13, Adjustment B.

revenues in its application.<sup>28</sup> Specifically, Interest Income that should have been reported as \$11,539 should be reclassified to Interest Income Revenue and the revenue for internet antenna on water towers should have been reported as \$3,000 in Other Water Revenues.<sup>29</sup> Commission Staff recommended that the Commission approve these adjustments.

The Commission finds that Harrison Water's proposed adjustments related to other revenue are reasonable based on Commission Staff's review and analysis, and therefore finds that the adjustments should be accepted.

Forfeited Discounts. In its application, Harrison Water reported Forfeited Discounts in Other Water Revenue in the amount of \$43,893. In response to requests for information, Harrison Water provided a listing of each month's Forfeited Discounts.<sup>30</sup> The Commission reviewed the information provided in the record and in Commission Staff's Report and the recommendation that the Commission accept Harrison Water's reported amount of Forfeited Discounts for the test year.<sup>31</sup>

The Commission finds that Harrison Water's proposed adjustments related to other revenue are reasonable based on Commission Staff's review and analysis, and therefore finds that the adjustments should be accepted.

Interest Income. In its application, Harrison Water reported Interest Income of \$14,038 and classified these revenues as Other Water Revenues. As noted, Harrison

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<sup>28</sup> Harrison Water's Response to Staff's First Request, Item 3(d), located in "Distribution List" at 9.

<sup>29</sup> Harrison Water's Response to Staff's First Request, Item 3(d), located in "Distribution List" at 9.

<sup>30</sup> Harrison Water's Response to Staff's First Request, Item 3(b), located in "Distribution List: at 8.

<sup>31</sup> Harrison Water's Response to Staff's First Request, Item 3(b), located in "Distribution List" at 8.

Water stated there were errors in the reporting of these revenues and the Interest Income should have been reported in the amount of \$11,539. Interest Income should have been classified as Interest Income Revenue.<sup>32</sup> The Commission finds that the adjustments and reclassifications are reasonable and Interest Income should be increased by \$11,539, as the information and evidence filed into the record is reasonable and should be approved.

Reclassify Salaries and Wages – Employees to Officers. In the application, Harrison Water reported Salaries and Wages of \$557,565.<sup>33</sup> Commission Staff reviewed the adjusted Trial Balance and determined that \$31,025 represents Salaries and Wages – Officers.<sup>34</sup> Therefore, Commission Staff proposed to decrease Salaries and Wages – Employees by \$31,025 and increase Salaries and Wages – Officers by \$31,025, to reclassify the salaries into the proper category.<sup>35</sup>

The Commission finds that Commission Staff's recommended adjustment is reasonable, and that Salaries and Wages – Employees should be reduced by \$31,025 while Salaries and Wages – Officers should be increased by \$31,025, because the evidence in the record shows the Officers' salaries were included in the Employees category such that they need to be reclassified in the correct expense category.

Salaries and Wages – Employees. In its application, Harrison Water proposed a net adjustment to increase test year Salaries and Wages - Employees expense by

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<sup>32</sup> Harrison Water's Response to Staff's First Request, Item 21(e) located in "Distribution List" at 19.

<sup>33</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf.

<sup>34</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 1a, Excel\_(1a)-2022\_Trial\_Bal.xlsx, account 6010 Salaries & Wages 6010-50 – Salaries & Wages – Directors.

<sup>35</sup> Commission Staff's Report at 15, Adjustment F.

\$125,542. The increase is comprised of two components. First, an increase of \$95,491 was proposed to account for increases in wage rates since the test year, the cost to normalize annual spending for its manager position, and a change in weekly hours worked. Second, an increase of \$30,051 was proposed to reflect a 4.6 percent national average wage increase.<sup>36</sup> Harrison Water provided its test year, current employee list, hours worked, and employee wages.<sup>37</sup> During March of the test year, the manager position became vacant and was not filled until September 2022.<sup>38</sup> In addition, the board of directors increased the normal hours worked during the week from 35 to 40 resulting in an increase in salaries.<sup>39</sup>

Commission Staff generally agreed with Harrison Water's adjustments to test year salaries and wages but disagreed with the reasons offered by Harrison Water. Specifically, Commission Staff disagreed with the proposed \$30,051 increase to Salaries and Wages – Employees expense proposed by Harrison Water based on a 4.6 percent increase in national average wages.<sup>40</sup> Among other things, Commission Staff noted that 807 KAR 5:076 and ARF Form 1, which is incorporated into the regulation by reference, allow for known and measurable changes to test-period revenue and expenses but require documentation specific to the revenue or expense items for which

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<sup>36</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 2a.

<sup>37</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 1d, (1d)\_Exhibit\_6- Employee\_Benefit\_and\_Salary.xlsx.

<sup>38</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 2.

<sup>39</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 1h at 7, 1st paragraph.

<sup>40</sup> Commission Staff's Report at 15–18, Adjustment G.

the adjustment is proposed. Commission Staff stated that the requirement that an applicant supply specific documentation indicates that known and measurable changes must be based on actual changes in costs or revenue, not simply projections made using a national average or index.<sup>41</sup> Commission Staff also noted that 807 KAR 5:001, Section 16(4), required specific information regarding known and measurable changes in applications for general rate adjustments, and similarly supported Commission Staff's interpretation of when known and measurable changes should be permitted. Thus, based upon past precedent<sup>42</sup> and the relevant regulations, Commission Staff recommended rejecting any adjustment to Harrison Water's expense for Salaries and Wages – Employees based on national average wage increases.<sup>43</sup>

However, Commission Staff did recommend normalizing the test year expense for Salaries and Wages – Employees using annualized hours worked, set at 2,080 hours,<sup>44</sup> and the current wage rates, including the expected salary and wages for the new manager.<sup>45</sup> Based on the normalized test year, Commission Staff increased Salaries and Wages – Employees to \$653,054, which is an increase of \$126,513 over the expense for Salaries and Wages – Employees during the test year and was \$971 more than what was proposed by Harrison Water, as shown below.

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<sup>41</sup> Commission Staff Report at 16–17.

<sup>42</sup> Case No. 2008-00563, *Application of Water Service Corporation of Kentucky for an Adjustment of Rates* (Ky. PSC Nov. 9, 2009) at 12.

<sup>43</sup> Commission Staff's Report at 15–18, Adjustment G.

<sup>44</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 2.

<sup>45</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 1d, (1d)\_Exhibit\_6 - Employee\_Benefit\_and\_Salary.xlsx.

Test Year hours with Current Wages								
Employee Position	Total Hours	Normalized Hours	Current Wages Rates	Pro Forma Normal Wages	Test Year Overtime Hours	Current Overtime Wage Rates	Pro Forma Overtime Wages	Total Pro Forma Wages
General Manager		Salary		\$ 90,000				\$ 90,000
Assistant Manager	2,305	2,080	31.63	65,790	225	47.45	\$ 10,651	76,442
Head Office Clerk	2,155	2,080	27.14	56,451	75	48.29	3,598	60,049
Water Quality Tech	2,126	2,080	29.54	61,443	46	44.31	2,016	63,459
Maintenance	2,092	2,080	27.14	56,451	12	40.71	489	56,940
Maintenance	2,292	2,080	26.03	54,142	212	39.05	8,258	62,400
Maintenance	2,255	2,080	23.11	48,069	175	34.67	6,075	54,144
Meter Reader/ Maintenance	2,200	2,080	22.58	46,966	120	33.86	4,064	51,030
Meter Reader/ Maintenance	2,144	2,080	21.92	45,594	64	32.88	2,088	47,681
Clerk	2,103	2,080	22.44	46,675	23	33.66	766	47,441
Clerk	2,089	2,080	20.77	43,202	9	31.16	265	43,466
				<u>\$ 614,784</u>			<u>38,269</u>	
				Total Salaries & Wages - Employees				653,053
				Less: Test Year Salaries and Wages - Employees				<u>(526,540)</u>
				Pro Forma Adjustment				126,513
				Less: Harrison Water's Proposed Adjustment				<u>(125,542)</u>
				Commission Staff Proposed Adjustment				<u>\$ 971</u>

The Commission agrees with Commission Staff that Harrison Water's salaries and wages should not be increased based on national average wage increases for the reasons provided by Commission Staff. However, as noted by Commission Staff, Harrison Water did provide specific evidence that its employee salaries increased during and subsequent to the test year such that a pro forma increase of \$126,513 is justified when those known and measurable changes are normalized based on 2,080 hours in the test year. Thus, the Commission finds that Commission Staff's recommended adjustment to Salaries and Wages – Employees is reasonable and should be accepted such that Harrison Water's Salaries and Wages - Employee expense in the test year should be increased by \$126,513 to \$653,053.

Salaries and Wages - Officers. In its application Harrison Water proposed an adjustment to increase Salaries and Wages – Officers by \$19,800 to reflect the inclusion of Harrison Water's officer salaries.<sup>46</sup> As discussed in the Reclassify Salaries

<sup>46</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 2.



and Wages – Employees to Officers section above, Harrison Water mistakenly included \$31,025 of Officers’ Salaries in Employee Salaries. Harrison Water provided the test year Commissioners and Commissioner’s Salaries.<sup>47</sup>

Commission Staff calculated the normalized test year Salaries and Wages - Officers to be \$19,800 as shown below. During the test year, Harrison Water hosted several additional meetings in order to determine the new office manager; therefore, the test year Salaries and Wages – Officers is atypical.<sup>48</sup> As discussed in the Reclassify Salaries and Wages – Employees to Officers section above, Commission Staff reclassified the \$31,025 in Salaries and Wages – Officers. Commission Staff agrees with Harrison Water’s proposal to normalize Salaries and Wages – Officers to \$19,800. However, Commission Staff determined that taking the Reclassify Salaries and Wages – Employees to Officers adjustment into account, Salaries and Wages – Officers required an \$11,225 decrease, which reduces the test year amount of \$31,025 to the pro forma amount of \$19,800, as shown below.

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<sup>47</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, at 14, ARF – Board Compensation.

<sup>48</sup> Harrison Water’s Second Supplemental Response to Staff’s First Request (filed Aug. 16, 2023), Item 1g.

<u>Commissioners</u>	<u>Pro Forma Salaries</u>
J. Frank Marsh	\$ 3,600
Rusell Gray	2,400
Lewis Furnish	3,600
Patty Hannah	3,000
Paul Wilson	2,400
Gary Carter	2,400
Lincoln Clifford	<u>2,400</u>
Total Salaries and Wages - Officers	19,800
Test Year Salaries and Wages - Officers	<u>(31,025)</u>
Salaries and Wages - Officers Adjustment	(11,225)
Harrison Water's Proposed Adjustment	<u>(19,800)</u>
Commission Staff Proposed Adjustment	<u><u>\$ (31,025)</u></u>

The Commission finds that Commission Staff's recommended adjustment is reasonable, including the previous adjustment, which reclassified the test year officers' salaries from Salaries and Wages – Employees to Salaries and Wages – Officers, and the decrease in Harrison Water's Salaries and Wages – Officers expense of \$11,225. Harrison Water provided sufficient evidence to normalize the Employee Salaries and Wages – Officers' expense to \$19,800<sup>49</sup> as shown in the preceding table, and that amount should be accepted.

Employee Pensions and Benefits – Insurance. In its application, Harrison Water proposed to decrease Employee Pensions and Benefits by \$49,451 to reflect the Commission's position on allowable employer coverage of employee benefits for health

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<sup>49</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, at 14, ARF – Board Compensation.

insurance.<sup>50</sup> Harrison Water currently pays 100 percent for full-time health insurance plans.<sup>51</sup> 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.<sup>52</sup>

Consistent with precedent,<sup>53</sup> Commission Staff agreed with Harrison Water's methodology but calculated a different amount. Commission Staff reduced Harrison Water's single health insurance premiums by 22 percent,<sup>54</sup> and family insurance premiums by 33 percent<sup>55</sup> in order to align with the Bureau of Labor Statistics' Employer contribution percentage as shown in the calculation below. Harrison Water provided the most recent copy of its health insurance invoices, accounting for any changes to insurance premiums,<sup>56</sup> and the test-year amount reported for insurance premiums.<sup>57</sup>

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<sup>50</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 4.

<sup>51</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 4.

<sup>52</sup> 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).

<sup>53</sup> 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.

<sup>54</sup> Bureau of Labor Statistics, Healthcare Benefits, March 2023, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

<sup>55</sup> Bureau of Labor Statistics, Healthcare Benefits, March 2023, Table 4, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

<sup>56</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 1e, (1e)\_-6\_pages\_Ins.\_and\_WC\_Invoices.

<sup>57</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 1d, (1d)\_-Exhibit\_6 -Employee\_Benefit\_and\_Salary.xlsx.

Accordingly, utilizing the most recent invoice amounts, Commission Staff recalculated the proposed adjustment and decreased Employee Pensions and Benefits by \$61,219, which is \$11,768 more than what Harrison Water initially proposed, 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	2	\$ 1,166	22%	\$ (256)	\$ 910
Family Health Insurance	9	13,680	33%	(4,514)	9,166
Total Pro Forma Monthly Premium Times: 12 Months	11	\$ 14,846		\$ (4,770)	10,076
		12		12	12
Total Annual Pro Forma Premium Less: Test Year		<u>\$ 178,151</u>		<u>\$ (57,240)</u>	120,912 <u>(182,131)</u>
Employee Pension and Benefits insurance Less: Harrison Water's Recommended Adjustment					(61,219) <u>49,451</u>
Final Employee Pensions and Benefits Adjustment					<u>\$ (11,768)</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 Harrison Water's Employee Pensions and Benefits – Insurance should be decreased by \$11,636 instead of \$11,768, 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	2	\$ 1,166	21%	\$ (245)	\$ 921
Family Health Insurance	9	13,680	33%	(4,514)	9,166
Total Pro Forma Monthly Premium Times: 12 Months	11	\$ 14,846 12		\$ (4,759) 12	10,087 12
Total Annual Pro Forma Premium Less: Test Year		\$ 178,151		\$ (57,108)	121,044 (182,131)
Employee Pension and Benefits insurance Less: Harrison Water's Recommended Adjustment					(61,087) 49,451
Final Employee Pensions and Benefits Adjustment Less: Commission Staff's Recommendation					(11,636) 11,768
Difference					\$ 132

The adjustment results in an increase to the Revenue Requirement of \$132, 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 – Pension. Harrison Water Currently matches its employees Individual Retirement Account (IRA) contributions, not to exceed 3 percent.<sup>58</sup> Commission Staff reviewed the general ledger for the test year and determined Harrison Water recorded \$30,200 for IRA matching.<sup>59</sup> However, as explained in the adjustment above, Commission Staff calculated pro forma Salaries and Wages – Employees of \$653,054. Therefore, Commission Staff calculated the revised 3 percent match and proposed an adjustment to decrease Employee Pensions and Benefits by \$10,608, as shown below.<sup>60</sup>

<sup>58</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 1e.

<sup>59</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 1a, Excel-(1a)-2022\_Genral\_Ledger.xlsx, Account 6055 – Employee Benefits.

<sup>60</sup> Commission Staff's Report at 21–22, Adjustment I.

Employee Pensions and Benefits	
Salaries and Wages - Employees	\$ 653,053
Multiplied by: Employer Contribution Rate	<u>3.00%</u>
Pro Forma Retirement- Employer Contribution	19,592
Less: Test Year Retirement Contribution	<u>(30,200)</u>
Employee Pensions and Benefits Adjustment	<u>\$ (10,608)</u>

The Commission finds that Commission Staff's recommended adjustment is reasonable, and Harrison Water's Pensions and Benefits should be decreased by \$10,608 because the adjustment is a direct result in the changes to salaries contribution compared to the test year contribution.

Purchased Water. In its application, Harrison Water proposed an adjustment to increase its purchased water expense by \$140,423 to account for an increase in wholesale rates.<sup>61</sup> Subsequent to the test year, Harrison Water reported an increase in the wholesale cost for purchased water.<sup>62</sup> Harrison Water filed and was approved for a purchase water adjustment in Case No. 2022-00354.<sup>63</sup> Harrison Water provided the total number of gallons and total charges for water purchased during the test year<sup>64</sup> and provided the current wholesale rate.<sup>65</sup>

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<sup>61</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, Adjustment 1.

<sup>62</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Item 1.

<sup>63</sup> Case No. 2022-00273, *Electronic Purchased Water Adjustment Filing of Harrison County Water Association, Inc.* (Ky. PSC Nov. 22, 2022).

<sup>64</sup> Harrison Water's Response to Staff's First Request (filed Jul. 5, 2023), Item 9, Exhibit\_9-waterusage.xlsx.

<sup>65</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 10, Distribution\_List.pdf.

Commission Staff calculated a revised purchased water expense using the test-year gallons purchased and the current rates. This results in a purchased water expense of \$1,720,398. Therefore, Commission Staff increased purchased water expense by \$168,233, which is \$75,535 less than Harrison Water proposed, as shown Appendix A of the Commission Staff's Report<sup>66</sup> and Appendix C of this Order. This adjustment was made based on the normalization of the test-year gallon purchased at the current wholesale rates.<sup>67</sup>

The Commission finds that Commission Staff's recommended adjustment is reasonable and Harrison Water's purchased water expense should be increased by \$168,233 because the evidence on file showed an increase in the wholesale rate, and Commission Staff normalized the test year purchased water to the current wholesale rate.

Purchased Power. In its application, Harrison Water proposed an adjustment to increase purchased power expense by \$3,124 to account for a 3.5 percent increase in the national average for utilities wholesale rates.<sup>68</sup> Harrison Water purchases power from Blue Grass Energy Cooperative Corporation (Blue Grass Energy) and Kentucky Utilities Company (KU). Commission records show the last rate adjustment Bluegrass Energy had was in Case No. 2021-00105,<sup>69</sup> and KU's last rate adjustment was in Case

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<sup>66</sup> Commission Staff's Report at Appendix A.

<sup>67</sup> Commission Staff's Report at 22, Adjustment J.

<sup>68</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Item 5.

<sup>69</sup> Case No. 2021-00105, *Electronic Application of Blue Grass Energy Cooperative Corporation for Pass-Through of East Kentucky Power Cooperative, Inc. Wholesale Rate Adjustment* (Ky. PSC Sep. 30, 2021).

No. 2020-00349.<sup>70</sup> Therefore, no increase in energy rates has occurred either during, or subsequent to, the test year. Harrison Water also provided a complete list of each power utility's surcharges.<sup>71</sup>

Commission Staff reviewed the list and determined that the only alterations in purchased power rates are the various surcharges. As discussed in the purchased power adjustment above, the Commission does not accept adjustments based upon projections of future cost increases in a case with a historic test year. Harrison Water confirmed that during the test year, two meters receiving power from Blue Grass Energy were closed or sold, removing the need for purchased power for those accounts.<sup>72</sup> The only change to purchased power expense was a decrease to the KWhs purchased due to the two removed meters and Harrison Water provided the purchased test-year amount related to the meters.<sup>73</sup> Therefore, Commission Staff reduced Purchased Power expense by \$2,182.<sup>74</sup>

The Commission finds that Commission Staff's recommended adjustment is reasonable. However, in the calculation for the Revenue Requirement the Commission determined Commission Staff erroneously decreased Purchased Power Expense by

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<sup>70</sup> Case No. 2020-00349, *Electronic Application of Kentucky Utilities Company for an Adjustment of its Electric Rates, a Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit* (Ky. PSC Sept 24, 2021).

<sup>71</sup> Harrison Water's Second Supplemental Response to Staff's First Request (filed Aug. 16, 2023), Item 11a.

<sup>72</sup> Harrison Water's Second Supplemental Response to Staff's First Request (filed Aug. 16, 2023), Item 1c.

<sup>73</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 12, Exhibit\_12\_BGE.xlsx, Meters 7 and 16.

<sup>74</sup> Meter 7 \$1,954 + Meter 16 \$228 = \$2,182.



\$5,480.<sup>75</sup> Therefore, as discussed above, the adjustment should be \$2,182. The Commission increased purchased power expense by \$3,298, as shown below since the evidence in the record shows the only change to the purchased power being the removal of two meters.

Commission Correct Adjustment	\$ (2,182)
Less: Commission Staff Proposed adjustment	<u>5,480</u>
Revenue Requirement adjustment	<u><u>\$ 3,298</u></u>

Water Loss. In its application, Harrison Water included adjustments for Purchased Water and Purchased Power to account for cost of water loss in excess of 15 percent, representing 5.8656 percent, pursuant to 807 KAR 5:066, Section (6)(3).<sup>76</sup> The adjustment was a \$103,582 decrease to purchased water<sup>77</sup> and a \$5,235 decrease to purchased power,<sup>78</sup> to account for excess water loss.

Commission Staff agreed that Harrison Water properly applied the regulation. However, when previous adjustments are included in the water loss calculation, it results in a decrease to purchased water expense by \$100,912, which is \$2,670 less than Harrison Water’s proposal and a decrease to purchased power expense by \$5,107, which is \$128 less than Harrison Water’s proposal.<sup>79</sup> The adjustments result in

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<sup>75</sup> Commission Staff’s Report at 12.

<sup>76</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, Adjustments 1 and 5.

<sup>77</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Item 1, A.2.

<sup>78</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Item 5.

<sup>79</sup> Commission Staff’s Report at 23–25.

a net decrease of \$106,019 as shown in the table below. As discussed above, Harrison Water's total cost at 23.8656 percent water loss is \$376,439.

	Purchased Water	Purchased Power	Total
Pro Forma Expenses	\$ 1,720,398	\$ 87,064	\$ 1,807,462
Multiply by: Water loss in Excess of 15 Percent	<u>5.8656%</u>	<u>5.8656%</u>	<u>5.8656%</u>
Excess Cost	100,912	5,107	106,019
Less: Harrison Water's Proposed Adjustment	<u>(103,582)</u>	<u>(5,235)</u>	<u>(108,817)</u>
Commission Staff Proposed Adjustment	<u>\$ (2,670)</u>	<u>\$ (128)</u>	<u>\$ (2,798)</u>

The Commission finds Commission Staff's recommended adjustment is reasonable and purchased water costs should be reduced by \$100,912 and purchased power costs should be reduced by \$5,107 because 807 KAR 5:066, Section 6(3), limits water loss to 15 percent for ratemaking purposes.

Contractual Services – Laboratory Analysis Reclassification. During the test year, Harrison Water recorded \$8,154 for laboratory testing.<sup>80</sup> The laboratory analysis was recorded in the contractual services. Commission Staff recommended reclassifying the \$8,154 laboratory analysis to the water testing category for proper classification based on the provided expense categories. Therefore, Commission Staff reduced contractual services expense by \$8,154 and increased water testing by \$8,154.

The Commission finds that Commission Staff's recommended adjustment is reasonable and Harrison Water's Contractual Services should be decreased by \$8,154 and Water Testing expense be increased by \$8,154 to reflect the water testing

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<sup>80</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 1a, Excel\_(1a)-2022\_Trial\_Bal.xlsx, Account 6160-10 Laboratory Analysis.

expenses being reclassified as Water Testing Expense rather than Contractual Services Expense.

Contractual Services – Legal & Accounting. In the application, Harrison Water proposed an adjustment to increase Contractual Services Expense by \$45,017<sup>81</sup> to account for the inclusion of legal and accounting services.<sup>82</sup>

Commission Staff reviewed the trial balance and calculated the Contractual Services Expense at \$43,732, which includes the accounting, legal, and cleaning services.<sup>83</sup> As discussed in Adjustment (N) of the Commission Staff's Report,<sup>84</sup> \$8,154 was reclassified into Water Testing. Therefore, Commission Staff determined the reported test-year Contractual Services balance is \$4,354.<sup>85</sup> To reconcile the application and the trial balance, Commission Staff increased Contractual Services by \$43,732, which is \$1,285 less than the \$45,017 that Harrison Water proposed.<sup>86</sup>

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<sup>81</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, Adjustment 7.

<sup>82</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 7.

<sup>83</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 1a, Excel\_(1a)-2022\_Trial\_Bal.xlsx, Account 6100 Accounting & Audit Services, Account 6110 Legal Services, and Account 6160-20 Other Contract Services Cleaning.

<sup>84</sup> Commission Staff's Report at 25–26.

<sup>85</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, \$12,508 - \$8,154 Adjustment (N) = \$4,354.

<sup>86</sup> Commission Staff's Report at 25–26, Adjustment N.

<u>Contractual Services</u>	
6100 · Accounting & Audit Services	22,937
6110 · Legal Services	22,080
6160-20 Other Contractual Services - Cleaning	<u>3,069</u>
Total Contractual Services	48,086
Less: Test Year Contractual Services ( )	<u>(4,354)</u>
Total Contractual Services Adjustment	43,732
Less: Harrison Water Proposed Adjustment ( )	<u>(45,017)</u>
Commission Staff Proposed Adjustment	<u>\$ (1,285)</u>

The Commission finds that Commission Staff's recommended adjustment is reasonable and Harrison Water's Contractual Services should be increased by \$43,732 because Harrison Water provided evidence to support a contractual services expense of \$48,086 to reflect the inclusion of accounting, legal, and cleaning services.

Water Testing. In the application, Harrison Water proposed an adjustment to increase Water Testing Expense by \$12,000 to account for the inclusion of Water Testing expenses.<sup>87</sup> Harrison Water stated that it had to approximate the \$12,000 adjustment since Water Testing is not in an audit category. Harrison Water reported \$8,154 for Laboratory Analysis.<sup>88</sup> However, the application recorded \$0 for water testing. Harrison Water reported that it does not have a contract to perform water testing services and the service is performed as requested.<sup>89</sup> Harrison Water provided the types and total number of tests performed during the test year and total charges for

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<sup>87</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 8.

<sup>88</sup> Harrison Water's Response to Staff's First Request (July 5, 2023), Item 1a, Excel\_(1a)-2022\_Trial\_Bal.xlsx.

<sup>89</sup> Harrison Water's Response to Staff's First Request (July 5, 2023), Item 14.

each test performed.<sup>90</sup> Harrison Water also provided the most recent invoice for testing with the current testing rate.<sup>91</sup>

In order to annualize the water testing cost, Commission Staff calculated a revised pro forma Water Testing Expense using the test year testing levels and the current rates. This results in a water testing expense of \$9,555. However, as discussed in Adjustment (N) of the Commission Staff's Report,<sup>92</sup> \$8,154 was reclassified from Contractual Services. Therefore, the test-year amount for Water Testing is \$8,154. Accordingly, Commission Staff increased Water Testing Expense by \$1,401, which is \$10,599 less than Harrison Water proposed adjustment, as shown below.<sup>93</sup>

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<sup>90</sup> Harrison Water's Response to Staff's Second Request (filed Aug. 2, 2023), Item 12, Exhibit\_12- Water\_Testing\_Invoices\_for\_Testing\_Year\_(2022).

<sup>91</sup> Harrison Water's Response to Staff's Second Request (filed Aug. 2, 2023), Item 6, Exhibit\_6-Most\_Recent\_Water\_Testing\_Invoice.pdf.

<sup>92</sup> Commission Staff's Report at 25–26.

<sup>93</sup> Commission Staff's Report at 26–27, Adjustment O.

Invoice Date	HAA			TTHM			Coliform			Sample Pickup			Total
	Units	Current Unit Price	Subtotal	Units	Current Unit Price	Subtotal	Units	Current Unit Price	Subtotal	Units	Current Unit Price	Subtotal	
12/28/21	4	\$ 150	\$ 600	5	\$ 45	\$ 225							\$ 825
12/28/21							7	\$ 20	\$ 140	1	\$ 30	\$ 30	170
01/28/22							15	20	300	2	30	60	360
02/11/22							8	20	160	1	30	30	190
03/04/22							15	20	300	1	30	30	330
03/11/22							10	20	200	1	30	30	230
04/04/22	4	150	600	4	45	180	7	20	140	2	30	60	980
04/22/22							8	20	160	1	30	30	190
04/29/22							7	20	140	1	30	30	170
05/15/22							8	20	160	1	30	30	190
05/29/22							9	20	180	1	30	30	210
06/19/22							19	20	380	2	30	60	440
07/01/22	4	150	600	4	45	180							780
07/24/22							12	20	240	1	30	30	270
07/30/22							7	20	140	1	30	30	170
08/27/22							17	20	340	2	30	60	400
09/02/22							3	20	60	1	30	30	90
09/02/22	4	150	600	4	45	180							780
09/25/22							12	20	240	1	30	30	270
10/12/22							15	20	300	1	30	30	330
11/04/22							21	20	420	1	30	30	450
11/30/22	4	150	600	4	45	180	19	20	380	1	30	30	1,190
12/27/22							17	20	340	2	30	60	400
01/13/23							7	20	140				140
Total Water Testing Expense			<u>\$ 3,000</u>			<u>\$ 945</u>			<u>\$4,860</u>			<u>\$ 750</u>	9,555
Adjusted Test Year Water Testing Expense ( )												<u>(8,154)</u>	
Total Water Testing Adjustment												1,401	
Harrison Water Proposed Adjustment ( )												<u>(12,000)</u>	
Commission Staff Proposed Adjustment												<u>\$ (10,599)</u>	

The Commission finds that Commission Staff's recommended adjustment is reasonable and Harrison Water's water testing expense should be increased by \$1,401 because Harrison Water provided evidence to support an annual water testing expense of \$9,555<sup>94</sup> and did not provide any evidence to support a \$12,000 annual water testing expense.

Miscellaneous Expense. In its application, Harrison Water proposed to increase Miscellaneous Expense by net change of \$238,500<sup>95</sup> to account for several adjustments in Miscellaneous Expense. First, Harrison Water proposed including expenses for

<sup>94</sup> Harrison Water's Response to Staff's Second Request (filed Aug. 2, 2023), Item 6, Exhibit\_6-Most\_Recent\_Water\_Testing\_Invoice.pdf.

<sup>95</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, Adjustment 13-(a-d).

Office Supplies of \$77,659, Repairs of \$81,233, and Telephone expenses of \$14,220, which Harrison Water indicated it omitted from the test year.<sup>96</sup> Second, Harrison Water proposed an additional increase to Office Supplies of \$4,473 to reflect an increase in postage costs.<sup>97</sup> Finally, Harrison Water proposed an additional increase in its repair expenses of \$60,925 to reflect a projected increase in PVC pipe cost.<sup>98</sup>

Commission Staff agreed with Harrison Water's proposal to include Office Supplies, Repairs and Telephone expenses in the Miscellaneous Expense category because they were expenses incurred during the test year but were mistakenly not included in the application's test year. Commission Staff calculated a normalized postage expense of \$49,199 using the test-year number of bills sent of 74,544<sup>99</sup> at the current postage rate of \$0.66 from the United States Post Service (USPS).<sup>100</sup> Commission Staff agrees with Harrison Water's proposed increase of \$4,473 as shown below.<sup>101</sup>

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<sup>96</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, at 7, Item 13a, 13b, and 13d.

<sup>97</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, at 7, Item 13a.

<sup>98</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, at 7, Item 13b.

<sup>99</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, at 7, Item 13a, 6,212 meters times 12 months = 74,544 annual bills.

<sup>100</sup> <https://www.usps.com/business/prices.htm>

<sup>101</sup> Commission Staff's Report at 28–29, Adjustment P.

<u>Annual Postage Expense</u>	
Current Postage Rate of \$0.66	\$ 49,199
Test Year Postage	<u>(44,726)</u>
Increase in Postage Expense	4,473
Less: Proposed Increase	<u>(4,473)</u>
Commission Staff's Proposed Adjustment	<u>\$ -</u>

Commission Staff disagreed with Harrison Water's proposed increase of \$60,925 to reflect a projected increase in PVC pipe cost. Commission Staff noted that Harrison Water proposed the adjustment based upon a Spectrum News article that quoted one plumber's stated experience regarding PVC costs.<sup>102</sup> Commission Staff stated that Harrison Water provided no evidence to show an increase in its PVC costs. Further, Commission Staff noted that the Commission requires adjustments to be made based on known and measurable changes in costs and does not accept adjustments based solely upon projections of future cost increases in a case with a historic test year. Therefore, Commission Staff disagreed with Harrison Water's proposed \$60,925 increase in repairs due to a projected increase in PVC pipe costs.<sup>103</sup>

In addition to Harrison Water's three proposed adjustments, Commission Staff also identified a \$10 error in the application. In the application, Harrison Water reported Miscellaneous Expenses of \$1,939,<sup>104</sup> which is only the Uniform Expense. However,

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<sup>102</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, at 7, Item 13b.

<sup>103</sup> Commission Staff's Report at 29, Adjustment P.

<sup>104</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf.



the adjusted trial balance, reflects Uniform Expense of \$1,929.<sup>105</sup> Commission Staff proposed a \$10 decrease to Miscellaneous Expense to correct the error.<sup>106</sup> When all the adjustments are calculated, Commission Staff proposed total Miscellaneous expense of \$175,041, which results in a net increase for Miscellaneous Expense of \$177,575,<sup>107</sup> which is \$60,925 less than what was proposed by Harrison Water, as shown in the following table.

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<sup>105</sup> Harrison Water's Response to Staff's First Request (July 5, 2023), Item 1a, Excel\_(1a)-2022\_Trial\_Bal.xlsx, Account 6200 – Miscellaneous Expense: 6200-70 Uniform Expense.

<sup>106</sup> Commission Staff's Report at 29, Adjustment P.

<sup>107</sup> \$77,659 Office Supplies + \$81,233 Repairs + \$14,220 Telephone Expense + \$4,473 increase in Telephone expense + (\$10) Uniform Expense correction = \$177,575.

Miscellaneous Expenses

6056 · Software - Distribution System	\$ 850
6065 · Transportation Expenses:6065-10 · Fuel	6,775
6060 · Office Expenses:6060-10 · Postage	48,363
6060 · Office Expenses:6060-20 · Office Supplies & Exp.	14,321
6070 · Repairs	7,186
6070 · Repairs:6070-10 · Repair Material	49,540
6070-20 Contract Services - Repairs	14,201
6160-30 Other Contract Services - Office	3,150
6170 · Telephone Expense	14,220
6200 · Miscellaneous Expense:6200-30 · Miscellaneous - Other	(3,436)
6200 · Miscellaneous Expense:6200-40 · 811 Fees	2,022
6200 · Miscellaneous Expense:6200-50 · Return Check Fee	(73)
6200 · Miscellaneous Expense:6200-60 · Continuing Education and Travel	6,105
6200 · Miscellaneous Expense:6200-70 · Uniform Expense	1,929
6200 · Miscellaneous Expense:6200-90 · Dues Registrations & Subs	5,720
6200 · Miscellaneous Expense:6200-99 · Donation	-
6500 · Advertising Expense	<u>4,168</u>
 Total Miscellaneous Expenses	 175,041
Less: Test Year Miscellaneous Expense	<u>(1,939)</u>
 Miscellaneous Expense Adjustment	 173,102
Plus: Increase in Postage Expense	<u>4,473</u>
 Total Miscellaneous Expense Adjustment	 177,575
Less: Harrison Water's Proposed Adjustment	<u>(238,500)</u>
 Net Miscellaneous Expense Adjustment	 <u><u>\$ (60,925)</u></u>

The Commission finds that Harrison Water's proposed adjustments to Miscellaneous Expense, which Commission Staff recommended accepting, are reasonable and Harrison Water's miscellaneous expense should be increased by a net adjustment of \$177,575, because Harrison Water provided evidence that those expenses were not properly recorded in the test year, and that postage costs increased. However, the Commission agrees with Commission Staff's recommendation to exclude the adjustment for the increase in PVC cost, because the Commission does not make

adjustments based on a possible increase in expenses but rather requires a known and measurable change to occur before it can accept an adjustment a historic test period.

Depreciation – Water Loss Surcharge. In its application, Harrison Water proposed a net adjustment to increase Depreciation Expense by \$131,318<sup>108</sup> to account for the inclusion of \$108,818 for a water loss surcharge to be included in depreciation expense, and the inclusion of \$22,500 for 1,000 meters that need to be replaced.<sup>109</sup>

Commission Staff disagreed with the inclusion of the \$108,818 that is represented as water loss surcharge in depreciation expense and removed it in favor of establishing a separate tariffed surcharge as described below in the Rate Design section of the Order, because it is not appropriate to classify expense costs that are not related to the depreciation of Harrison Water’s capital assets. Additionally, Commission Staff stated that depreciation expense only assists in the recovery of existing asset costs and is not an appropriate classification of projected capital expenditures. Because the meters have not been purchased, Commission Staff removed the proposed increase to Depreciation of \$22,500. Both adjustments recommended by Commission Staff result in a net decrease to Harrison Water’s adjustment of \$131,318, which eliminates Harrison Water’s adjustment to depreciation expense.<sup>110</sup>

The Commission finds that Commission Staff’s recommended adjustment is reasonable, and Harrison Water’s adjustment increasing Depreciation Expense by \$131,318 should be eliminated because Depreciation Expense is not the appropriate

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<sup>108</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, Unnumbered Adjustment.

<sup>109</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Unnumbered Adjustment, at 9.

<sup>110</sup> Commission Staff’s Report at 30 -31, Adjustment Q.

classification for a water loss surcharge and it is not appropriate to classify projected capital expenditures as an expense. Further, as discussed in the next section, the Commission is also reducing Harrison Water's test-year depreciation expense based on the expected depreciable lives recommended by Commission Staff.

Depreciation. To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the National Association of Regulatory Commissioners (NARUC) Study published in 1979. 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.<sup>111</sup>

Commission Staff reviewed the depreciation schedule<sup>112</sup> and calculated a Depreciation Expense of \$370,215. Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Therefore, Commission Staff decreased Harrison Water's Depreciation Expense by \$145,483 because the Commission has relied upon the midpoint of the 1979 NARUC studies estimated useful lives, which results in a pro forma amount of \$370,215 as shown in the following table.<sup>113</sup>

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<sup>111</sup> See Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), Order.

<sup>112</sup> Application, Exhibit 7, Exhibit\_7\_Depreciation\_Schedule.pdf.

<sup>113</sup> Commission Staff's Report at 31–32, Adjustment R.

Catagories	Test Year Depreciation	Depreciation Adjustment	Pro Forma Depreciation
Land & Land Rights	\$ -	\$ -	\$ -
Structures & Improvements	59,898	(41,072)	18,826
Other Pumping Equipment	3,542	-	3,542
Reservoir & Stand Pipes	29,331	(9,777)	19,554
Transmission & Distribution Mai	266,860	(53,396)	213,463
Meters	32,958	(4,120)	28,838
Meter Installation	215	(24)	191
Hydrants	1,804	(361)	1,443
Other Transmission & Distributi	2,101	(256)	1,844
Office Furniture & Equipment	28,134	(18,229)	9,905
Communications Equipment	1,002	(301)	702
Transportation Equipment	39,696	-	39,696
Oddville Pump Station	22,860	(10,668)	12,192
Office Building	27,296	(7,279)	20,017
<b>Total Depreciation</b>	<b>\$ 515,695</b>	<b>\$ (145,483)</b>	<b>\$ 370,212</b>

In its response to Commission Staff's Report, Harrison Water requested that the Commission reconsider the useful lives for some of the assets in the depreciation list.<sup>114</sup> Harrison Water proposed the use of the minimum useful service life from the 1979 NARUC study, based upon a previously decided case, Case No. 2015-00308.<sup>115</sup> In addition, it requested that the Commission allow for the use of a ten-year service life for the meters and meter installation asset category, instead of the midpoint for 40 and 45 years.<sup>116</sup>

With the exception of the adjustment to depreciation expense for meters, Harrison Water did not object to Commission Staff's proposed adjustments to

<sup>114</sup> Harrison Water's Response to Commission Staff's Report (filed Oct. 11, 2023), Notice\_of\_Response\_to\_KY\_PSC\_Staff\_Report.pdf, at 7-11.

<sup>115</sup> Case No 2015-00308, *Alternative Rate Adjustment Filing of Harrison County Water Association* (Ky. PSC Feb. 12, 2016), Appendix C.

<sup>116</sup> Harrison Water's Response to Commission Staff's Report (filed Oct. 11, 2023) at 8, Item R.

depreciation expense. Further, as noted by Commission Staff, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant when no evidence exists to support a specific life that is outside the NARUC ranges, and Harrison Water provided no evidence to support lives outside the NARUC ranges for any utility plant other than meters. Thus, the Commission finds that Commission Staff's recommended adjustment to depreciation expense for utility plant other than meters is reasonable, and therefore that depreciation expense for all assets other than meters should be decreased by \$141,339, as shown above.

With respect to the proposed adjustment to depreciation expense for Meters and Meter installation, Harrison Water requested in response to Commission Staff's Report, the Commission depreciate the meters and meter installations by a ten-year useful service life. The Commission disagrees with Harrison Water's requested adjustment. The burden of proof for a different service life lies with Harrison Water. Harrison Water provided a sworn affidavit stating it replaces meters every ten years.<sup>117</sup> However, Harrison Water also submitted an engineering report that show the accuracy of its meters could justify several useful service lives, ranging from 15 to 30 years depending on accuracy levels.<sup>118</sup> Since Harrison did not provided sufficient evidence to justify the ten-year replacement schedule reported in the affidavit, the Commission has no evidence to establish a useful service life for the meters that deviate from the NARUC Study. Therefore, the Commission finds that Commission Staff's recommended adjustment is reasonable, and that Harrison Water's test-year Depreciation Expense

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<sup>117</sup> Notice of HCWA Response to KY Staff Report (filed Oct. 11, 2023), Affidavit-Meter\_Replacement.pdf.

<sup>118</sup> Harrison Water's Response to Commission Staff's Report (filed Oct. 11, 2023), Exhibit D, Exhibit\_D\_Determining\_the\_Economic\_Optimum\_Life.pdf, at 6 and 7.

should be further reduced by \$4,144 for a total depreciation expense reduction of \$145,483, as indicated in the table above, and pro forma Depreciation Expense of \$370,212.

Amortization. In the application, Harrison Water proposed an adjustment to increase Amortization Expense by \$15,000,<sup>119</sup> to account for the inclusion of the legal, COSS, accounting, and advertising costs for the rate case.<sup>120</sup> Harrison Water projected a total cost of \$45,000 amortized over a three-year period. Harrison Water supplied the most recent list of expenses for the rate case and has incurred \$44,181.<sup>121</sup>

Commission Staff calculated the annual amortization of the \$44,181 over a three-year period to be \$14,727. Therefore, Commission Staff increased Amortization Expense by \$14,727, which is \$273 less than Harrison Water's proposed adjustment, as shown below.

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<sup>119</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, Unnumbered Adjustment.

<sup>120</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Unnumbered Adjustment, at 8.

<sup>121</sup> Notice of Filing of August 2023 Invoices Related to Alternative Rate Filing (Aug. 31, 2023), Exhibit\_A\_Jessie\_Melcher\_Law\_Office-August2023invoices\_for\_HCWA.xlsx, and Exhibit\_B\_Strand\_Assoc.,\_Inv.\_8-11-23-Invoice.pdf.

	Commission Staff Report	Commission Pro Forma	Difference
1 Accounting	\$ 1,763	\$ 1,763	\$ -
2 Engineering	13,477	13,477	-
3 Legal	18,150	21,750	3,600
4 Consultant	-	-	-
5 Other Expenses	10,791	10,791	-
	<u>44,181</u>	<u>47,781</u>	<u>3,600</u>
Current Rate Case Expense Divided by Three Years	<u>3</u>	<u>3</u>	<u>3</u>
Annual Amortization of Rate Case Expense	14,727	15,927	1,200
Less: Harrison District Proposed Annual Amortization	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Commission Staff Proposed Adjustment	<u>\$ (273)</u>	<u>\$ 927</u>	<u>\$ 1,200</u>

The Commission finds that Commission Staff's recommended adjustment is reasonable; however, in response to Commission Staff's report, Harrison Water provided an update to the costs incurred for the preparation of the rate case<sup>122</sup> and filed an additional update to the rate case expense.<sup>123</sup> In response to the filing, the Commission has updated Harrison Water's Amortization Expense. As shown above, the Commission calculated an annual amortization expense of \$15,927, and increased the revenue requirement by a further \$1,200 because Harrison District supplied sufficient evidence to justify the rate case expense of \$15,927.

Taxes Other Than Income – FICA Taxes. In its application, Harrison Water proposed an adjustment to increase Taxes Other Than Income by \$9,604<sup>124</sup> to account

<sup>122</sup> Harrison Water's Notice of Filing of September 2023 Invoices Related to Alternative Rate Filing, (Filed, Oct. 11, 2023), Exhibit\_A\_Jesse\_Melcher\_Law\_Office-September2023invoice\_for\_HCWA.xlsx.

<sup>123</sup> Notice of Filing of September 2023 Invoices Related to Alternative Rate Filing (filed Nov.22, 2023), Exhibit\_A\_and\_Exhibit\_B.pdf.

<sup>124</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, Unnumbered Adjustment.



for an increase in payroll taxes due to the proposed increase to Salaries and Wages Expense.<sup>125</sup>

Commission Staff reviewed Taxes Other Than Income and determined it was composed of three separate accounts.<sup>126</sup> However, as explained in the above Adjustments,<sup>127</sup> Commission Staff calculated pro forma Salaries and Wages – Employees of \$653,053 and Officers of \$19,800. Therefore, Commission Staff calculated a pro forma FICA tax of \$51,473 and an increase to Taxes Other Than Income of \$10,262, which is \$658 more than Harrison Water’s proposed adjustment, as shown below.

	Commission Staff Pro Forma
Salaries and Wages - Employees	\$ 653,053
Salaries and Wages - Officers	19,800
<b>Total Pro Forma Salaries</b>	<b>\$ 672,853</b>
Times: 7.65 Percent FICA Rate	7.65%
<b>Total Pro Forma Payroll Taxes</b>	<b>51,473</b>
Less: Test Year FICA Taxes	(41,211)
<b>Payroll Tax Adjustment</b>	<b>10,262</b>
Less: Harrison District's Proposed Adjustment	(9,604)
<b>Total Payroll Tax Adjustment</b>	<b>\$ 658</b>

<sup>125</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, at 4, Item 3.

<sup>126</sup> Harrison Water’s Response to Staff’s First Request (filed July 5, 2023), Item 1a, Excel\_(1a)-2022\_Trial\_Bal.xlsx, Accounts 6050-10 FICA-E/R Share of \$41,211, 6050-20 KY Unemployment Tax of \$1,523, and 6050-30 Federal Unemployment Tax of \$726.

<sup>127</sup> Commission Staff’s Report at 15–19.

The Commission finds that Commission Staff's recommended adjustment is reasonable and Harrison Water's Taxes Other Than Income should be increased by \$10,262 because the change is a direct result of adjustments to Salaries and Wages Expense.

Gains (Losses) from the Disposal of Utility Property. During the test year, Harrison Water reported \$209,905 in Gains (Losses) from Disposition of Utility Property.<sup>128</sup> Harrison Water reported the gain was the result of the sale of an office building and other realty.<sup>129</sup>

Harrison Water confirmed that the transaction was a one-time transaction.<sup>130</sup> Therefore, it is not a routine transaction in the normal course of business and should be removed from the test year. Commission Staff made an adjustment to decrease gains on the disposition of property of \$209,905 to remove the effects of this extraordinary transaction.<sup>131</sup>

The Commission finds that Commission Staff's recommended adjustment is reasonable and Harrison Water's Gains (Losses) from the Disposition of Utility Property is decreased by \$209,905 because the disposal of equipment is an isolated occurrence, since they periodically occur but there is no basis for forecasting the frequency of occurrences. The Commission finds that a reduction of \$209,905 is required since non-routine transactions should be removed from the Revenue Requirement calculation.

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<sup>128</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 1a, Excel-(1a)-2022\_Trial\_Bal.xlsx, Accounts 4300-80 Sale of Building, 4300-81 Gain on Sale of Land, and 4300-90 Cost of Building Sold.

<sup>129</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 5a.

<sup>130</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 5b.

<sup>131</sup> Commission Staff's Report at 34–35, Adjustment U.

Based upon the Commission’s findings discussed and modified above, the following table summarizes Harrison Water’s adjusted pro forma income statement:

	Commission Staff Report Pro Forma	Commission Adjustments	Final Pro Forma
Total Operating Revenues	\$3,229,830	\$ -	\$3,229,830
Utility Operating Expenses	<u>3,339,754</u>	<u>4,630</u>	<u>3,344,384</u>
Utility Operating Income	(109,924)	(4,630)	(114,554)
Gains (Losses) from Disposal of Utility Property		-	
Interest Expense	<u>33,721</u>	<u>-</u>	<u>33,721</u>
Income Available for Debt Service	<u>\$ (76,203)</u>	<u>\$ (4,630)</u>	<u>\$ (148,275)</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.<sup>132</sup> 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;<sup>133</sup> (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

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<sup>132</sup> 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 Carroll County Water District #1 for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC June 28, 2022).

<sup>133</sup> 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

	<u>Commission Approved</u>
Pro Forma Operating Expenses	\$ 3,344,384
Plus: Avg. Annual Principal and Interest Payments	58,033
Additional Working Capital	<u>11,607</u>
 Total Revenues Requirement	 3,414,024
Less: Other Operating Revenue	(43,893)
Non-Operating Revenue	(8,993)
Interest and Dividend Income	<u>(11,539)</u>
 Revenue Required From Water Sales	 3,349,599
Revenue from Sales at Present Rates	<u>(3,165,405)</u>
 Required Revenue Increase	 <u>\$ 184,194</u>
 Percentage Increase	 <u>5.82%</u>

Average Annual Principal and Interest Payments. At the time of Commission Staff's review, Harrison Water had one outstanding United States Department of Agriculture, Rural Development (RD) waterworks revenue bond<sup>134</sup> and one outstanding RD promissory note.<sup>135</sup> In its application, Harrison Water requested recovery of the average annual principal and interest on its indebtedness based on an average of the annual principal, and interest and fee payments for the three years following the test

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for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities (Ky. PSC Dec. 21, 2012).

<sup>134</sup> Case No. 2010-00289, *Application of the Harrison County Water Association, Inc. of Harrison County, Kentucky for a Certificate of Public Convenience and Necessity to Construct and Finance a Project* (Ky. PSC Aug. 6, 2010), Order at 2, ordering paragraph 3.

<sup>135</sup> Case No. 2017-00330, *Electronic Application of the Harrison County Water Association, Inc. for a Certificate of Public Convenience and Necessity to Construct and Finance a Project Pursuant to KRS 278.023* (Ky. PSC Sep. 20, 2017), Order at 3, ordering paragraph 2.

year, which is 2023 through 2025.<sup>136</sup> However, because the statutory date for a final Order to be issued in this proceeding is March 18, 2024, the 2023 payments will be recovered through Harrison Water’s existing rates. Therefore, only Debt Service payments that will be made after the new rates are placed into effect should be considered in determining Harrison Water’s Annual Interest and Fees expense. Commission Staff calculated the average annual principal and interest on a three-year average for the years 2024 through 2026. As shown below, Commission Staff calculated an Average Principal and Interest of \$58,033. The Commission agrees with Commission Staff’s recommendation since Harrison Water provided the amortization schedule for its existing debt.<sup>137</sup>

Debt Service Schedule						
Year	91-21 USDA Revenue Bond Principal	Interest	91-23 USDA Series Loan Principal	Interest	Total	
2024	\$ 17,710	\$ 21,638	\$ 8,183	\$ 10,502	\$ 58,033	
2025	18,151	21,197	8,390	10,295	58,033	
2026	18,789	20,559	8,602	10,083	58,033	
Total	<u>\$ 54,650</u>	<u>\$ 63,394</u>	<u>\$ 25,175</u>	<u>\$ 30,880</u>	174,099	
	Divide by: 3 years					<u>3</u>
Average Annual Interest Payment					<u>\$ 58,033</u>	

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

<sup>136</sup> Application, Exhibit 6, Exhibit\_6\_Rev\_Req\_Calc-Debt\_Cov\_Method.pdf, Revenue Requirement Calculation – Debt Coverage Method.

<sup>137</sup> Response to Alternative Rate Adjustment, Attachment 15, Exhibit\_15\_USDA\_Loans\_Payment\_Schedule.xls.

debt payments. In its application, Harrison Water 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 RD Note at the time of its application.

Following the Commission’s historic practice, Commission Staff agrees with Harrison Water. Therefore, as calculated below and shown in the table above, \$11,607 is included in the revenue requirement. The Commission agrees with the Commission Staff’s recommendation since it is a direct result of the Average Principal and Interest Payments.

Average Annual Principal and Interest	\$ 58,033
Times: DSC Coverage Ratio	<u>120%</u>
Total Net Revenues Required	69,640
Less: Average Annual Principal and Interest Payments	<u>(58,033)</u>
Additional Working Capital	<u><u>\$ 11,607</u></u>

RATE DESIGN

Harrison Water proposed to increase its monthly retail water service rates by approximately 20.73 percent across the board. Harrison Water filed its version of a COSS. The filed COSS was prepared by the engineering firm Strand Associates, Inc. (Strand).<sup>138</sup>

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

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<sup>138</sup> North Marshall District’s Response to Staff’s First Request, Item 14.

the absence of a COSS.<sup>139</sup> Finding no such evidence in this case, Commission Staff followed the method previously accepted by the Commission and allocated the \$184,194 revenue increase evenly across the board to Harrison Water's monthly retail and wholesale water service rates.

The rates, which are set forth in Appendix B to this Order, are based upon the revenue requirement, as calculated by Commission Staff, and will produce sufficient revenues from water sales to recover the \$3,349,599 Revenue Required from Rates. The rates will increase a typical residential customer's monthly water bill from \$39.48 to \$41.77, an increase of \$2.29, or approximately 5.82 percent.<sup>140</sup> The typical residential customer's monthly water bill including the Water Loss Surcharge will increase from \$39.48 to \$43.20, an increase of \$3.72, or approximately 9.47 percent.

The Commission finds that the evidence provided in the record and the analysis shows that the revenue requirement and the method used by Commission Staff follows Commission precedent and should be accepted.

In response to Commission Staff's First Request, Harrison Water stated the 12th of the month would be appropriate for the effective date. The Commission therefore finds that the effective date for all general water service rates and all the nonrecurring charges should be effective on the 12th day of the month.<sup>141</sup>

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<sup>139</sup> Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

<sup>140</sup> The typical residential customer uses approximately 4,384 gallons monthly. Application, Attachment 1.

<sup>141</sup> Harrison Water's Response to Commission Staff's First Request, Item 19(b).

Nonrecurring Charges. Commission Staff reviewed Harrison Water's Nonrecurring Charges. Citing the Commission's recent decisions,<sup>142</sup> Commission Staff indicated that because water 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 Harrison Water and adjusted these labor costs by removing Field Labor costs of \$25.00 per hour. Commission Staff noted that Harrison Water did not include any Office/Clerical Labor in calculating its nonrecurring charges.<sup>143</sup> Commission Staff provided a breakdown of cost for each nonrecurring charge and any Commission Staff adjustment in Appendix B of the Commission Staff Report. Following its adjustments to remove the Field Labor costs, Commission Staff recommended the following revised Nonrecurring Charges.<sup>144</sup>

Field Collection Charge	\$19.65
Meter Cut Lock	\$19.65
Meter Test Charge	\$19.65
Reconnection Charge	\$19.65

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<sup>142</sup> 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).

<sup>143</sup> Harrison Water's Response to Staff's First Request, [https://psc.ky.gov/pscecf/2023-00101/bob.miller%40straightlineky.com/06052023050816/3\\_Nonrecurring\\_Charge\\_Cost\\_Justifications.pdf](https://psc.ky.gov/pscecf/2023-00101/bob.miller%40straightlineky.com/06052023050816/3_Nonrecurring_Charge_Cost_Justifications.pdf).

<sup>144</sup> Harrison Water's Response to Staff's First Request, Item 22. Commission Staff noted that Harrison Water, in response to request for information, stated that it intends to eliminate its Field Collection Charge and will file a revised tariff after the conclusion of this case. However, since Harrison Water is not asking to eliminate the charge in this case and has not filed a revised tariff at this time, Commission Staff included this charge in its calculations.



5/8- x 3/4-Inch Tap Fee	\$1,648.86
1-Inch Tap Fee	\$2,200.00
1 1/2 - Inch Tap Fee	\$5,470.23
2-Inch Tap Fee	\$5,500.00

The Commission agrees with the Commission Staff's Report, which is consistent with recent Commission decisions, that labor expenses paid for work during normal business hours should not be recovered through nonrecurring charges.<sup>145</sup> 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.<sup>146</sup> Thus, the Commission finds that the revised nonrecurring charges recommended by Commission Staff are reasonable and should be accepted. The revised nonrecurring charges result in a decrease to test-year Other Water Revenues and an increase to the total revenue requirement of \$6,759, as discussed above and further explained in Appendix A attached to this Order.

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<sup>145</sup> See Case No.2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020), Order at 19–20.

<sup>146</sup> Case No. 2022-00221, *Electronic Application of Northeast Woodford County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 20, 2023), Order 6–8.

## WATER LOSS SURCHARGE

In the Commission Staff's Report, Commission Staff recommended the Commission approve Harrison Water's Water Loss Reduction Surcharge at the recalculated amount of \$1.42 per customer per month for 48 months to help lower system losses to more acceptable levels.<sup>147</sup> The surcharge would produce approximately \$105,597<sup>148</sup> annually and \$422,388 in total collections over the 48 month period.<sup>149</sup>

The annual surcharge collection reflects the amount disallowed for excessive water loss pursuant to 807 KAR 5:066, Section 6(3). The use of a surcharge is consistent with prior Commission action in cases involving water utilities with excessive unaccounted-for water loss.<sup>150</sup> In establishing water-loss surcharges, the Commission recognized that the adjustments required to comply with the 15 percent line-loss limitation in 807 KAR 5:066, Section 6(3), could severely restrict cash flow and could impair a water association's ability to take the necessary action to focus on its leak detection and repair. Using a surcharge to fund a water utility's water loss reduction efforts allows the Commission to place strict controls governing the surcharge proceeds to ensure their effective use, public acceptance of the surcharge and public confidence

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<sup>147</sup> Commission Staff's Report at 5–7, Summary of Findings paragraph 2.

<sup>148</sup> \$1.42 x 6,197 customers x 12 months = \$105,597.

<sup>149</sup> \$105,597 annual revenues X 4 years (48 months) = \$422,388.

<sup>150</sup> See Case No. 96-126, *An Investigation into the Operations and Management of Mountain Water District* (Ky. PSC Aug. 11, 1997); Case No. 2011-00217, *Application of Cannonsburg Water District for (1) Approval of Emergency Rate Relief and (2) Approval of the Increase in Nonrecurring Charges* (Ky. PSC June 4, 2012); Case No. 2018-00017, *Application of Martin County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 5, 2018); Case No. 2018-00429, *Application of Graves County Water District for an Alternative Rate Adjustment* (Ky. PSC Sept. 30, 2019); and Case No. 2019-00119, *Electronic Application of Estill County Water District No. 1 for a Surcharge to Finance Water Loss Control Efforts* (Ky. PSC Mar. 24, 2020).

in the water utility's use of those funds. In its report titled *Confronting the Problems Plaguing Kentucky's Water Utilities: An Investigative Report by the Kentucky Public Service Commission November 2019* that was fully incorporated in the final Order in Case No. 2019-00041, Appendix L, the Commission recommended more frequent rate cases and pursuing qualified infrastructure improvement surcharges, the proceeds of which will be devoted exclusively to infrastructure improvement and replacement.<sup>151</sup>

In Commission Staff's Report, the water loss surcharge was calculated with a disallowed water loss of \$105,800. However, as discussed in the modification to purchased power expense above, the Commission increased the purchased power expense by \$3,298. The adjustment results in the disallowable water loss \$106,019 as shown below.

	Commission Staff Proposed	Commission Approved
Disallowed Water Loss	\$ 105,800	\$ 106,019
Number of Customers	6,197	6,197
Monthly Surcharge	1.42	1.43
Annual Surcharge (Monthly x Customers x 12)	105,597	106,341
Total Surcharge (Monthly x Customers x 48)	<u>\$ 422,388</u>	<u>\$ 425,362</u>

Therefore, the Commission finds that a monthly surcharge is a reasonable means for Harrison Water to recover the cost for its water leak detection efforts and

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<sup>151</sup> Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), Appendix L, *Confronting the Problems Plaguing Kentucky's Water Utilities: An Investigative Report by the Kentucky Public Service Commission November 2019* at 24–25.

repairs in order to reduce the increased expense and lost revenue from unaccounted-for water loss. Utilizing the \$106,019 disallowed water loss, the Commission finds that a monthly water loss reduction surcharge of \$1.43 per customer over 48 months, or until \$425,362 has been assessed, whichever occurs first, should be approved subject to the below conditions:

1. Within 120 days of the date of service of this Order, Harrison Water should file into the record of Case No. 2023-00355, a Qualified Infrastructure Improvement Plan (QIIP), including a comprehensive unaccounted-for water loss reduction plan that establishes priorities and a time schedule for eliminating each source of unaccounted-for water loss and provides a detailed spending plan for the proceeds of a surcharge.

2. Harrison Water shall deposit surcharge collections in a separate interest-bearing account.

3. On the 15th day of each month for 48 months from the date of this Order or until all surcharge proceeds are expended, Harrison Water should file into the record of Case No. 2023-00355, a monthly activity report that includes a statement of monthly surcharge billings and collections using the format in the Surcharge Reporting form located on the Commission's website, a monthly surcharge bank statement, and a list of all payments made for the month from the surcharge account that includes the following for each payment: the payee, a description of the purpose, and the supporting invoice.

4. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, Harrison Water should file a monthly water loss report, using the format in the Water Use & Loss Calculations form located on the Commission's website, into the record of Case No. 2023-00355.

5. Harrison Water should not use any surcharge proceeds for reimbursement of unaccounted-for water loss reduction expenses without prior Commission authorization.

6. Harrison Water should file all requests to use surcharge proceeds in the record of Case No. 2023-00355. A request shall include a complete description of the equipment, project, or service for which approval is sought; bids, invoices, or price quotes as applicable; and a statement describing how the proposed purchase, project, or service is related to the QIIP and the goal of reducing unaccounted-for water loss.

7. Harrison Water should consider all surcharge collections as contributions and should account for them in the manner that the Uniform System of Accounts for Class A and B Water Districts and Associations prescribes.

8. Harrison Water should debit monthly billings for the surcharge to customers' accounts received and credit the contribution account.

9. When Harrison Water collects the surcharge from the customers, it should debit special funds and credit the customer account.

10. No later than April 30 of each year, Harrison Water should file in Case No. 2023-00355, a report of surcharge activity and water loss improvement progress based on the preceding year ended December 31 with reported annual surcharge billings and expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and Harrison Water's audited financial statements. Cumulative surcharge billings and expenditures shall also be reported. A schedule of the estimated and actual progress of the program, actual expenditures made with surcharge proceeds, and encumbered amounts of future

surcharge proceeds for the purpose of evaluating whether adjustments to the program or to the surcharge amount shall be provided.

11. Harrison Water should respond to any requests for information propounded by Commission Staff, by the date set forth in the request, as a result of the required filings regarding the surcharge as provided in those requests.

12. Harrison Water's failure to comply with any conditions attached to its assessment of the surcharge should result in termination of the surcharge and the refund of collected surcharge proceeds disbursed on expenses or projects outside the scope of the expenses and projects approved by the Commission.

#### 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, along with the above stated modifications to the Commission Staff's Report are supported by the evidence of record and are reasonable. By applying the Debt Service Coverage method to Harrison Water's pro forma operations results in an Overall Revenue Requirement of \$3,344,384 and that a \$184,194 revenue increase, or 5.82 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Commission Staff's Report, as modified above, are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water service rates proposed by Harrison Water are denied.

3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Harrison Water on or after January 12, 2024.

4. Within 20 days of the date of service of this Order, Harrison Water shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.

5. The Commission shall open a separate proceeding, Case No. 2023-00355, to monitor the surcharge proceeds collection and expenses. subject to the following conditions:

a. Within 120 days of the date of service of this Order, Harrison Water shall file into the record of Case No. 2023-00355, a QIIP, including a comprehensive unaccounted-for water loss reduction plan that establishes priorities and a time schedule for eliminating each source of unaccounted-for water loss and provides a detailed spending plan for the proceeds of a surcharge.

b. Harrison Water shall deposit surcharge collections in a separate interest-bearing account.

c. On the 15th day of each month for 48 months from the date of this Order or until all surcharge proceeds are expended, Harrison Water shall file, into the record of Case No. 2023-00355, a monthly activity report that includes a statement of monthly surcharge billings and collections using the format in the Surcharge Reporting form located on the Commission's website, a monthly surcharge bank statement, and a list of all payments made for the month from the surcharge account that includes the following for each payment: the payee, a description of the purpose, and the supporting

invoice. and a list of all payments made for the month from the surcharge account that includes the following for each payment: the payee, a description of the purpose, and the supporting invoice.

d. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, Harrison Water shall file into the record of Case No. 2023-00355 a monthly water loss report, using the format in the Water Use & Loss Calculations form located on the Commission's website, with the Commission.

e. Harrison Water shall not use any surcharge proceeds for reimbursement of unaccounted-for water loss reduction expenses without prior Commission authorization.

f. Harrison Water shall file all requests to use surcharge proceeds in the record of Case No. 2023-00154. A request shall include a complete description of the equipment, project, or service for which approval is sought; bids, invoices, or price quotes as applicable; and a statement describing how the proposed purchase, project, or service is related to the QIIP and the goal of reducing unaccounted-for water loss.

g. Harrison Water shall consider all surcharge collections as contributions and shall account for them in the manner that the Uniform System of Accounts for Class A and B Water Districts and Associations prescribes.

h. Harrison Water shall debit monthly billings for the surcharge to customers' accounts received and credit the contribution account.

i. When Harrison Water collects the surcharge from the customers, it shall debit special funds and credit the customer account



j. No later than April 30 of each year, Harrison Water shall file in Case No. 2023-00355, a report of surcharge activity and water loss improvement progress based on the preceding year ended December 31 with reported annual surcharge billings and expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and Harrison Water's audited financial statements. Cumulative surcharge billings and expenditures shall also be reported. A schedule of the estimated and actual progress of the program, actual expenditures made with surcharge proceeds, and encumbered amounts of future surcharge proceeds for the purpose of evaluating whether adjustments to the program or to the surcharge amount shall be provided.

k. Harrison Water shall respond to any requests for information propounded by Commission Staff, by the date set forth in the request, as a result of the required filings regarding the surcharge as provided in those requests.


l. Harrison Water's failure to comply with any conditions attached to its assessment of the surcharge shall result in termination of the surcharge and the refund of collected surcharge proceeds disbursed on expenses or projects outside the scope of expenses and projects approved by the Commission.

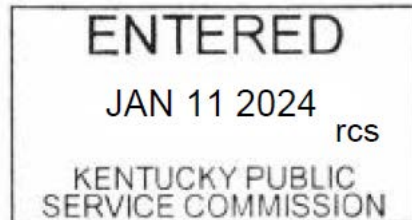
6. This case is closed and removed from the Commission's docket.

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. 2023-00154 DATED JAN 11 2024

	Num.	Current Rate	Total	Revised Rate	Adj	Pro Forma
Miscellaneous Service Revenues:						
Field Collection Charge	3	\$0.00	66	\$19.65	(\$7)	\$59
Meter Cut Lock	2	\$43.00	86	\$19.65	(\$47)	\$39
Reconnection Charge	300	\$42.00	<u>12,600</u>	\$19.65	<u>(\$6,705)</u>	<u>\$5,895</u>
Total Miscellaneous Service Revenues			<u>\$12,752</u>		<u>(\$6,759)</u>	<u>\$5,993</u>

**Nonrecurring Charges Adjustments**

Field Collection Charge, Meter Cut Lock Charge, Reconnection Charge			
		District Revised Charge	Staff Revised Charge
Field Labor \$25.00 at 1.0 hour		\$25.00	\$ 0.00
Office Labor \$0.00 at 0.0 hour		\$ 0.00	\$ 0.00
Transportation		\$19.65	\$19.65
Total Revised Charge		<u>\$44.65</u>	<u>\$19.65</u>
Current Rate		\$66.00	

Meter Test Charge			
		District Revised Charge	Staff Revised Charge
Field Labor \$25.00 at 3.0 hour		\$75.00	\$ 0.00
Office Labor \$0.00 at 0.0 hour		\$ 0.00	\$ 0.00
Transportation		\$19.65	\$19.65
Total Revised Charge		<u>\$94.65</u>	<u>\$19.65</u>
Current Rate		\$42.00	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2023-00154 DATED JAN 11 2024

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

Monthly Water Rates

5/8- x 3/4-Inch Meter

First	2,000 Gallons	\$21.72	Minimum Bill
Next	1,000 Gallons	0.00841	Per Gallon
Next	2,000 Gallons	0.00822	Per Gallon
Next	45,000 Gallons	0.00766	Per Gallon
Over	50,000 Gallons	0.00668	Per Gallon

3/4-Inch Meter

First	3,000 Gallons	\$36.38	Minimum Bill
Next	2,000 Gallons	0.00822	Per Gallon
Next	45,000 Gallons	0.00766	Per Gallon
Over	50,000 Gallons	0.00668	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$46.58	Minimum Bill
Next	45,000 Gallons	0.00766	Per Gallon
Over	50,000 Gallons	0.00668	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$84.83	Minimum Bill
Next	40,000 Gallons	0.00766	Per Gallon
Over	50,000 Gallons	0.00668	Per Gallon

2-Inch Meter

First	15,000 Gallons	\$110.04	Minimum Bill
Next	35,000 Gallons	0.00766	Per Gallon
Over	50,000 Gallons	0.00668	Per Gallon

Water Loss Surcharge

\$1.43	Per Meter
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Nonrecurring Charges

Field Collection Charge	\$19.65
Meter Cut Lock	\$19.65
Meter Test Charge	\$19.65
Reconnection Charge	\$19.65
5/8- x 3/4-Inch Tap Fee	\$1,648.86
1-Inch Tap Fee	\$2,200.00
1 1/2-Inch Tap Fee	\$5,470.23
2-Inch Tap Fee	\$5,500.00

## APPENDIX C

### APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00154 DATED JAN 11 2024

	City of Cynthiana			Millersburg				Kentucky American Water				Nickolas County Water				
Period	Gallons Purchased	Current Purchase Rate	Sub Total	Gallons Purchased	Dollars per Gallon	Sub Total	4.49% QIP Surcharge	Gallons Purchased	Dollars per Gallon	Sub Total	4.49% QIP Surcharge	KRWA Withdrawal fee	Gallons Purchased	Dollars per Gallon	Sub Total	Total
Jan-2022	28,223,880	\$ 0.00361	\$ 101,888	1,080,284	0.00225	\$ 2,431	\$ 109	3,964,600	0.004236	\$ 16,794	\$ 754	\$ 1,051	661,800	\$0.00383	\$ 2,535	\$ 125,561
Feb-2022	36,356,310	0.00361	131,246	1,389,400	0.00225	3,126	140	3,209,700	0.004236	13,596	610	851	610,300	0.00383	2,337	151,908
Mar-2022	29,454,260	0.00361	106,330	1,266,400	0.00225	2,849	128	3,169,100	0.004236	13,424	603	840	516,500	0.00383	1,978	126,152
Apr-2022	31,287,220	0.00361	112,947	1,108,400	0.00225	2,494	112	2,799,300	0.004236	11,858	532	742	580,100	0.00383	2,222	130,907
May-2022	33,405,560	0.00361	120,594	1,677,500	0.00225	3,774	169	3,396,900	0.004236	14,389	646	900	118,300	0.00383	453	140,927
Jun-2022	39,322,780	0.00361	141,955	1,746,600	0.00225	3,930	176	4,083,100	0.004236	17,296	777	1,082	469,000	0.00383	1,796	167,012
Jul-2022	38,810,710	0.00361	140,107	1,439,600	0.00225	3,239	145	3,632,000	0.004236	15,385	691	962	-	0.00383	-	160,530
Aug-2022	37,768,460	0.00361	136,344	1,649,900	0.00225	3,712	167	3,532,300	0.004236	14,963	672	936	-	0.00383	-	156,794
Sep-2022	33,494,590	0.00361	120,915	1,688,200	0.00225	3,798	171	3,105,100	0.004236	13,153	591	823	-	0.00383	-	139,451
Oct-2022	34,014,790	0.00361	122,793	1,641,100	0.00225	3,692	166	3,324,700	0.004236	14,083	632	881	-	0.00383	-	142,248
Nov-2022	32,938,790	0.00361	118,909	1,535,500	0.00225	3,455	155	3,285,000	0.004236	13,915	625	871	-	0.00383	-	137,930
Dec-2022	32,739,020	0.00361	118,188	2,341,700	0.00225	5,269	237	3,684,700	0.004236	15,608	701	976	-	0.00383	-	140,979
<b>Total</b>	<b>407,816,370</b>		<b>\$ 1,472,217</b>	<b>18,564,584</b>		<b>\$ 41,770</b>	<b>\$ 1,875</b>	<b>41,186,500</b>		<b>\$ 174,466</b>	<b>\$ 7,834</b>	<b>\$ 10,914</b>	<b>2,956,000</b>		<b>\$ 11,321</b>	
																1,720,398
																<u>(1,552,166)</u>
																168,232
																<u>(243,767)</u>
																<u>\$ (75,535)</u>

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