

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	)	

NOTICE OF FILING OF COMMISSION STAFF'S REPORT

Notice is hereby given that, in accordance with the Commission's Order of June 7, 2023, the attached report containing the recommendations of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's June 7, 2023 Order, Harrison County Water Association (Harrison Water) is required to file written comments regarding the recommendations of Commission Staff no later than 14 days from the date of service of this report. The Commission directs Harrison Water to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>1</sup> regarding filings with the Commission.



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

DATED SEP 28 2023

cc: Parties of Record

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

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COMMISSION STAFF'S REPORT  
ON HARRISON COUNTY WATER ASSOCIATION, INC.

Harrison County Water Association, Inc. (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 5,866 residential customers and 331 commercial customers that reside in Bourbon, Harrison, Nicholas, Pendleton, and Scott counties, Kentucky.<sup>1</sup>

On May 18, 2023,<sup>2</sup> Harrison Water filed its application with the Commission requesting an adjustment to its water rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,<sup>3</sup> Harrison Water used the calendar year ended December 31, 2022, as the basis for its application. The application was filed pursuant to the Commission's Order in Case No. 2022-00354, which required Harrison

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<sup>1</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>2</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>3</sup> The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year.

Water to file an application for an adjustment of its base rates by May 22, 2023.<sup>4</sup> Harrison Water's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2015-00308.<sup>5</sup> Since 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. To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated June 7, 2023. Harrison Water responded to two discovery requests from Commission Staff.<sup>6</sup>

### WATER LOSS

The Commission notes that in its 2022 Annual Report, Harrison Water reported a water loss of 20.8656 percent.<sup>7</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.

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<sup>4</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>5</sup> Case No. 2015-00308, *Alternative Rate Adjustment Filing of Harrison County Water Association* (Ky. PSC Feb. 12, 2016).

<sup>6</sup> Harrison Water's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Jul. 5, 2023). Harrison Water's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Aug. 2, 2023).

<sup>7</sup> 2022 Annual Report at 57.

	<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>
 Excess Cost	 <u>\$ 100,912</u>	 <u>\$ 5,107</u>	 <u>\$ 106,019</u>

### DISCUSSION

Using its pro forma test year operations, Harrison Water determined that a base rate revenue increase of \$656,321, or 20.73 percent, was necessary to achieve the revenue requirement as shown in the table below.<sup>8</sup> The rates requested by Harrison Water would increase the residential monthly bill of a typical residential customer with a 3/4 x 5/8 inch meter using 4,384<sup>9</sup> gallons per month by \$8.12 from \$39.23 to \$47.35, or approximately 20.69 percent.

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<sup>8</sup> Application, Exhibit 6, Exhibit\_6\_Rev\_Req\_Calc-Debt\_Cov\_Method.pdf.

<sup>9</sup> Application, Attachment 1, Exhibit\_1\_Notice\_of\_Proposed\_Rates\_Increase.pdf at 4.

	<u>Harrison County Water Association</u>
Pro Forma Operating Expenses	\$ 3,822,769
Plus: Avg. Annual Principal and Interest Payments	58,033
Additional Working Capital	<u>11,607</u>
Total Revenues Requirement	3,892,409
Less: Other Operating Revenue	(43,893)
Non-Operating Revenue	(12,752)
Interest and Dividend Income	<u>(14,038)</u>
Revenue Required From Water Sales	3,821,726
Revenue from Sales at Present Rates	<u>(3,165,405)</u>
Required Revenue Increase	<u>\$ 656,321</u>
Percentage Increase	<u><u>20.73%</u></u>

To determine the reasonableness of the rates requested by Harrison Water, Commission Staff performed a limited review of Harrison Water’s test year operations. The scope of Commission Staff’s review was limited to determining whether operations reported for the test year were representative of normal operations. Known and measurable<sup>10</sup> changes to test year operations were identified, and adjustments were made when their effects were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

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<sup>10</sup> Commission regulation 807 KAR 5:076, Section 9, sets the standard for the determination of the reasonableness of proposed rates and states, in pertinent part, that the test period shall be “adjusted for known and measurable changes.” See also Case No. 2001-00211, *Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness Therefore; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff* (Ky. PSC Mar. 1, 2002); Case No. 2002-00105, *Application of Northern Kentucky Water District for (A) an Adjustment of Rates; (B) a Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds* (Ky. PSC June 25, 2003); and Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018).

Commission Staff's findings are summarized in this report. William Foley reviewed the calculation of Harrison Water's Overall Revenue Requirement, and Eddie Beavers reviewed Harrison Water's reported revenues and rate design.

### SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Debt Service Coverage (DSC) method, as generally accepted by the Commission, Commission Staff determined that Harrison Water's required revenue from water sales is \$3,348,048 to meet the Overall Revenue Requirement of \$3,412,473 and that a \$182,643 revenue increase, or 5.77 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

2. Water Loss Surcharge. In its application, Harrison Water requested to implement a water loss reduction surcharge to collect \$108,818, by incorporating its calculated excess water loss amount into depreciation pro forma adjustments, thus including the amount in base rates.<sup>11</sup> Commission Staff does not agree with placing a water loss surcharge into depreciation and removed it in the discussion of pro forma expense adjustments below. Harrison Water stated that the General Manager is in the process of completing a water loss plan to be presented and adopted by Harrison Water's board.<sup>12</sup>

Commission Staff recalculated the amount based on an adjusted water loss cost that is discussed in Adjustment "(M)" of the Pro Forma adjustments later in this report and the inclusion of purchased power for pumping which results in a monthly amount of \$1.42

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<sup>11</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, at 10, Depreciation Adjustment.

<sup>12</sup> Harrison Water's Response to Staff's First Request, Item 11.

per customer as shown below. Since Harrison Water included the proposed water loss in the base rates it did not request the surcharge for a specific period of time, Commission Staff recommends a 48 month limit. Also, since Harrison Water included the surcharge in base rates, if Harrison Water accepts Commission Staff’s proposed water loss surcharge it will result in a change in the rate structure for customers, Harrison Water will be required to re-notice its customers to reflect inclusion of the surcharge in the tariff. The monthly amount of the proposed surcharge is based upon the purchased water expense in excess of 15 percent which is disallowed pursuant to 807 KAR 5:066, Section 3, for ratemaking purposes.

Disallowed Water Loss	\$ 105,800
Number of Customers	<u>6,197</u>
Monthly Surcharge (rounded 00)	<u>\$ 1.42</u>
Annual Surcharge (Monthly x Customers x 12)	<u>\$ 105,597</u>
Total Surcharge (Monthly x Customers x 48)	<u><u>\$ 422,388</u></u>

The use of a surcharge is consistent with prior Commission action in cases involving water utilities with excessive unaccounted-for water loss.<sup>13</sup> The Commission

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<sup>13</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, 2010); Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020) Order at 11-13.

has approved the request of water utilities with reported water loss above the 15 percent threshold to assess water loss reduction surcharges.<sup>14</sup> Further, the Commission has ordered surcharges even when a utility has not specifically requested a surcharge,<sup>15</sup> Recognizing prior Commission precedent to allow the use of surcharges to assist utilities in obtaining the proper funding needed to combat water loss, Commission Staff recommends that the Commission approve Harrison Water's request for a surcharge and authorize Commission Staff's recalculated surcharge amount of \$1.42 per bill per month for a temporary period of 48 months, with a review of the necessity to continue the surcharge before the temporary period expires. Commission Staff also recommends that the Commission establish a separate proceeding to monitor the surcharge and place strict controls over the use of the funds that will be collected from the surcharge. In addition, Commission Staff recommends that Harrison Water be required to develop a long-term plan to address its aging infrastructure and combat water loss within 120 days of the final Order in this proceeding.

3. Monthly Water Service Rates. 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 cost-of-service study (COSS). The filed COSS was prepared by the engineering firm Strand Associates, Inc. (Strand). However, Commission Staff does not agree that what Harrison Water filed represents a valid COSS.<sup>16</sup> In

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<sup>14</sup> See Case No. 2021-00094, *Electronic Application of Garrison-Quincy-Ky-O-Heights Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Nov. 24, 2021).

<sup>15</sup> Case No. 2020-00311, *Electronic Application of Cawood Water District for an Alternative Rate Adjustment* (Ky. PSC Apr. 8, 2021), Order at 3.

<sup>16</sup> Application at 20.



Commission Staff's First Request for Information (Staff's First Request), Commission Staff requested a copy of the COSS. In response to Staff's First Request, Harrison Water filed additional information from Strand that discusses various items relating to sufficient revenues to meet anticipated expense. In the response, Strand discussed various projects, equipment, truck purchases, and the rate impact going forward.<sup>17</sup> Harrison Water filed a supplemental response to Staff's First Request, including an Excel file that was labeled COSS. The Excel file consisted of two tables: the first table is a comparison of revenues and expenses for Harrison Water over the last five years, and the second table was a listing of the impact of the revenue and expenses funded by loans and the impact on the revenues.<sup>18</sup>

In Harrison Water's response to Staff's Second Request, Harrison Water provided an Excel file that shows the revenue being collected via the current rates and the revenue that would be collected via the proposed rates. This response is more aligned to a billing analysis than a full COSS.<sup>19</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>17</sup> Harrison Water's Response to Staff's First Request, Item 20(d), [https://psc.ky.gov/pscecf/2023-00154/jfpitts%40yahoo.com/07052023025050/%2820d%29\\_June\\_27,\\_2023.pdf](https://psc.ky.gov/pscecf/2023-00154/jfpitts%40yahoo.com/07052023025050/%2820d%29_June_27,_2023.pdf).

<sup>18</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).

<sup>19</sup> 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).

the absence of a COSS.<sup>20</sup> Harrison Water proposed to allocate its revenue increase evenly across its rate design, and Commission Staff found nothing in the data presented as a COSS to demonstrate that this allocation method is unreasonable. Therefore, Commission Staff allocated the \$179,564 revenue increase evenly across the board to Harrison Water's monthly retail water service rates.

The rates, which are set forth in Appendix C to this report, are based upon the revenue requirement, as calculated by Commission Staff, and will produce sufficient revenues from water sales to recover the \$3,343,969 Revenue Required from Rates. The base rates will increase a typical residential customer's monthly water bill from \$39.23 to \$41.71, an increase of \$2.48, or 6.31 percent. The base rates including the monthly water loss surcharge will increase a typical residential customer's monthly water bill from \$39.48 to \$43.13, an increase of \$3.90, or 9.93 percent, of which \$1.42 or 3.62 percent is due to the water loss surcharge.<sup>21</sup>

4. Nonrecurring Charges. Following the Commission's recent decisions,<sup>22</sup> Commission Staff has reviewed Harrison Water's Nonrecurring Charges. The Commission found that because district personnel are currently paid during normal business hours and the labor costs are recovered in rates, estimated labor costs

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<sup>20</sup> Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

<sup>21</sup> The typical residential customer uses approximately 4,384 gallons per month. Application, Attachment 1.

<sup>22</sup> Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020) and Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020), Case No. 2020-00196, *Electronic Application of West Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), and Case No. 2020-00195 *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment*, (Ky. PSC Dec. 30, 2020).

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. Harrison Water did not include any Office/Clerical Labor in calculating its nonrecurring charges.<sup>23</sup>

Harrison Water, in response to Staff's First Request, stated that it intends to eliminate its Field Collection Charge and will file a revised tariff after the conclusion of this case. 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 has included this charge in its calculations. The breakdown of cost for each nonrecurring charge and any Commission Staff adjustment can be found in Appendix B. These adjustments result in the following revised 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

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<sup>23</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).

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 explained in adjustment (B) below.

	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>

#### PRO FORMA OPERATING STATEMENT

Harrison Water's Pro Forma Operating Statement for the test year ended December 31, 2022, as determined by Staff appears in the table below.

	2022 Test Year	Harrison Water Proposed Adjustments	Commission Staff Proposed Adjustments	Total Proposed Adjustments	(Ref.)	Pro Forma
<b>Operating Revenues</b>						
Total Metered Water Sales	\$ 2,981,501	\$ 183,904	\$ -	\$ 183,904	(A)	\$ 3,165,405
<b>Other Water Revenues</b>						
Forfeited Discounts	43,893		-	-	(D)	43,893
Misc. Service Revenues	12,752		(6,759)	(6,759)	(B)	5,993
Other Water Revenues	14,038		(11,038)	(11,038)	(C)	3,000
Interest Income			11,539	11,539	(E)	11,539
<b>Total Other Water Revenues</b>	<b>70,683</b>		<b>(6,258)</b>	<b>(6,258)</b>		<b>64,425</b>
<b>Total Operating Revenues</b>	<b>3,052,184</b>	<b>183,904</b>	<b>(6,258)</b>	<b>177,646</b>		<b>3,229,830</b>
<b>Operating Expenses</b>						
<b>Operation and Maintenance Expenses</b>						
Salaries and Wages - Employees	557,565		(31,025)	(31,025)	(F)	
		125,542	971	126,513	(G)	653,053
Salaries and Wages - Officers	-		31,025	31,025	(F)	
		19,800	(31,025)	(11,225)	(H)	19,800
Employee Pensions and Benefits	223,832	(49,451)	(11,768)	(61,219)	(I)	152,005
Purchased Water	1,552,166	243,767	(75,535)	168,232	(K)	
		(103,582)	2,670	(100,912)	(M)	1,619,486
Purchased Power	89,246	3,124	(8,604)	(5,480)	(L)	
		(5,235)	347	(4,888)	(M)	78,878
Materials and Supplies	15,604					15,604
Contractual Services	12,508		(8,154)	(8,154)	(N)	
		45,017	(1,285)	43,732	(O)	48,086
Water Testing	-		8,154	8,154	(N)	
		12,000	(10,599)	1,401	(P)	9,555
Transportation Expenses	67,129			-		67,129
Insurance	38,941			-		38,941
Regulatory Commission Expenses	8,279			-		8,279
Bad Debt Expense	10,760			-		10,760
Miscellaneous Expense	1,939		(10)	(10)	(Q)	
Office Supplies		77,659	-	77,659	(Q)	
		4,473	-	4,473	(Q)	
Repairs		81,233	-	81,233	(Q)	
		60,925	(60,925)	-	(Q)	
Telephone		14,220	-	14,220	(Q)	179,514
<b>Total Operation and Maintenance Expenses</b>	<b>2,577,969</b>	<b>529,492</b>	<b>(206,371)</b>	<b>323,121</b>		<b>2,901,090</b>
Depreciation	515,698	131,318	(131,318)	-	(R)	
			(145,483)	(145,483)	(S)	370,215
Amortization		15,000	(273)	14,727	(T)	14,727
Taxes Other Than Income	43,460	9,604	658	10,262	(U)	53,722
<b>Utility Operating Expenses</b>	<b>3,137,127</b>	<b>685,414</b>	<b>(482,787)</b>	<b>202,627</b>		<b>3,339,754</b>
<b>Net Operating Income</b>	<b>(84,943)</b>	<b>(501,510)</b>	<b>476,529</b>	<b>(24,981)</b>		<b>(109,924)</b>
Gains (Losses) from Disposal of Utility Property	209,905		(209,905)	(209,905)	(V)	-
Interest Expense	33,721			-		33,721
<b>Income Available to Service Debt</b>	<b>\$ 91,241</b>	<b>\$ (501,510)</b>	<b>\$ 266,624</b>	<b>\$ (234,886)</b>		<b>\$ (143,645)</b>

(A) 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>24</sup> Commission Staff reviewed the billing analysis and agrees 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>25</sup> Commission Staff recommends that the Commission approve these adjustments.

(B) Miscellaneous Service Revenues. In its application, Harrison Water did not propose any adjustment to Miscellaneous Service Revenues which totaled \$12,752. In response to Staff's First Request, Harrison Water provided information to confirm the amount reported in the test year.<sup>26</sup> Additionally, Harrison Water provided updated cost justification sheets for the pro forma revenues.<sup>27</sup> Commission Staff reviewed the responses to the information requests, the cost justification sheets, and the general ledger. Commission Staff decreased Miscellaneous Service Revenues by \$6,759 by removing field labor to nonrecurring charges that are accomplished during normal office hours. As noted above, the proposed adjustments made by Commission Staff result in a pro forma amount of \$5,993. Commission Staff recommends that the Commission approve these adjustments.

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<sup>24</sup> Application, Exhibit 5.

<sup>25</sup> Case No. 2022-00354, *Electronic Purchased Water Adjustment Filing of Harrison County Water Association, Inc.* (Ky. PSC Nov. 22, 2022).

<sup>26</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023) Item 24(a) located in "Distribution List" at 20.

<sup>27</sup> Harrison Water's Response to Staff's Second Request (filed Aug. 2, 2023), Item 3.

(C) 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 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 recommends that the Commission approve these adjustments.

(D) Forfeited Discounts. In its application, Harrison Water reported forfeited discounts of \$43,893. In Response to Staff's First Request, Harrison Water provided a listing of each month's Forfeited Discounts and confirmed the \$43,893 total that was reported in the test year.<sup>30</sup> Staff reviewed the information provided in this response and the information provided in the general ledger and agree with Harrison Water's reported amount.<sup>31</sup> Staff recommends that the Commission accept this level of Forfeited Discounts for the test year.

(E) Interest Income. In its application, Harrison Water reported its Interest Income of \$14,038 in Other Water Revenues. As noted in (C) above, Harrison Water stated that there were errors in the reporting of these revenues. These revenues were

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

<sup>29</sup> Harrison Water's Response to Staff's First Request, Item 24(b) located in "Distribution List" at 21.

<sup>30</sup> Harrison Water's Response to Staff's First Request, Item 21(d) located in "Distribution List: at 19.

<sup>31</sup> Harrison Water's Response to Staff's First Request Item 18 located in "Distribution List" at 17, and Item 1a, Excel-(1a)-2022\_Genral\_Ledger.xlsx, Account 4200 – Late Charges – Metered Sales.

Interest Income that should have been reported as \$11,539 and should have been classified as Interest Income Revenue.<sup>32</sup> Commission Staff recommends that the Commission approve these adjustments and reclassification.

(F) 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.

(G) Salaries and Wages – Employees. In its application, Harrison Water proposed a net adjustment to increase test year Salaries and Wages - Employees by \$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 to reflect a 4.6 percent national average of wage increase was proposed.<sup>35</sup> Harrison Water provided its test year, current employee list, hours worked, and employee wages.<sup>36</sup> During March of the test year, the manager

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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 (Jul. 5, 2023), Item 1a, Excel\_(1a)-2022\_Trial\_Bal.xlsx, account 6010 Salaries & Wages 6010-50 – Salaries & Wages – Directors.

<sup>35</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 2a.

<sup>36</sup> Harrison Water's Response to Staff's First Request (filed Jul. 5, 2023), Item 1d, (1d)\_Exhibit\_6-Employee\_Benefit\_and\_Salary.xlsx.



position became vacant and was not filled until September 2022.<sup>37</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>38</sup> Commission Staff normalized the Test Year Salaries and Wages – Employees, using an annualized hours worked, set at 2,080 hours,<sup>39</sup> and the current wage rates including the new manager.<sup>40</sup>

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076. Commission regulation 807 KAR 5:076, Section 9, requires the use of a 12-month historical test period, adjusted for known and measurable changes. Commission regulation 807 KAR 5:076, Section 18, incorporates, by reference, the “Application for Rate Adjustment Before the Public Service Commission,” more commonly known as “ARF Form 1.” The procedure for documenting and supporting known and measurable changes to revenue and expense items in an alternative rate filing (ARF) proceeding is presented on sheet three of five of ARF Form 1, at paragraph 10, which states that if the applicant “has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes,” then the applicant is to supply a “statement of the test period amount, expected changes,

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<sup>37</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 2.

<sup>38</sup> Harrison Water’s Response to Staff’s First Request (filed Jul. 5, 2023), Item 1h, at 7, 1<sup>st</sup> paragraph.

<sup>39</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 2.

<sup>40</sup> Harrison Water’s Response to Staff’s First Request (filed Jul. 5, 2023), Item 1d, (1d)\_Exhibit\_6 - Employee\_Benefit\_and\_Salary.xlsx.

and reasons for each expected change” set forth in an attachment titled “Statement of Adjusted Operations.” Further, the applicant is instructed to attach “any invoices, letters, contracts, receipts or other documents that support the expected change in costs.”<sup>41</sup> The requirement to supply documentation specific to the revenue or expense items for which the adjustment is proposed indicates that to be considered a known and measurable change, the proposed adjustment must be based on actual changes in costs or revenue, not simply projections made using a national average or index.

Additional insight into what evidence is required to support the proposition that an adjustment is based on a known and measurable change is found in Commission regulation 807 KAR 5:001, Section 16(4), which states, in regard to a general rate adjustment proceeding, that when an applicant bases its application upon a historical test period, it must provide a “complete description and quantified explanation for all proposed adjustments with proper support for any proposed changes in price or activity levels, and any other factors which may affect the adjustment.”<sup>42</sup> That support should, at a minimum, include some documentary evidence to demonstrate the certainty of some expected change or event.<sup>43</sup> Therefore, based upon past precedent,<sup>44</sup> Commission Staff disagrees with the proposed \$30,051 increase. Based on the normalized test year, Commission Staff increased Salaries and Wages – Employees by \$653,054, which is \$971 more than what was proposed by Harrison Water, as shown below.

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<sup>41</sup> ARF Form 1, paragraph 10.

<sup>42</sup> 807 KAR 5:001, Section 16(4)(a)

<sup>43</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>44</sup> Case No. 2008-00563, *Application of Water Service Corporation of Kentucky for an Adjustment of Rates* (Ky. PSC Nov. 9, 2009) at 12.

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>

(H) 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>45</sup> As discussed in Adjustment (F) 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>46</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

<sup>45</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 2.

<sup>46</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, at 14, ARF – Board Compensation.

Salaries and Wages – Officers is atypical.<sup>47</sup> As discussed in Adjustment (F) 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 Adjustment (F) 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.

Commissioners	Pro Forma Salaries	Ref.
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	2,400	
Total Salaries and Wages - Officers	19,800	
Reclassification of Test Year Salaries	(31,025)	(F)
Pro Forma Officer's Salaries	19,800	
Adjustment	(11,225)	(H)

(I) Employee Pensions and Benefits – Insurance. In its application, Harrison Water proposed to decrease Employee Pensions and Benefits by \$49,451 to reflect the Commissions position on allowable employer coverage of employee benefits for health insurance.<sup>48</sup> Harrison Water currently pays 100 percent for full-time health insurance

<sup>47</sup> Harrison Water’s Second Supplemental Response to Staff’s First Request (filed Aug. 16, 2023), Item 1g.

<sup>48</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 4.

plans.<sup>49</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>50</sup>

Consistent with precedent,<sup>51</sup> Commission Staff agrees with Harrison Water's methodology but calculated a different amount. Commission Staff reduced Harrison Water's single health insurance premiums by 22 percent,<sup>52</sup> and family insurance premiums by 33 percent<sup>53</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>54</sup> and the test year amount reported for insurance premiums.<sup>55</sup> Accordingly, utilizing the most recent invoice amounts, Commission Staff recalculated the

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<sup>49</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 4.

<sup>50</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>51</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>52</sup> Bureau of Labor Statistics, Healthcare Benefits, March 2020, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

<sup>53</sup> Bureau of Labor Statistics, Healthcare Benefits, March 2021, Table 4, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

<sup>54</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 1e, (1e)\_-6\_pages\_Ins.\_and\_WC\_Invoices.

<sup>55</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 1d, (1d)\_- Exhibit\_6 -Employee\_Benefit\_and\_Salary.xlsx.

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 Pro Forma Employee Pensions and Benefits adjustment					<u>\$ (11,768)</u>

Employee Pensions and Benefits – Pension. Harrison Water Currently matches its employees IRA contributions, not to exceed 3 percent.<sup>56</sup> Commission Staff reviewed the general ledger for the test year and determined Harrison Water recorded \$30,200 for IRA Matching.<sup>57</sup> However, as explained in Adjustment (G) above, Commission Staff calculated pro forma Salaries and Wages – Employees of \$653,054. Therefore, Commission Staff calculated the revised 3 percent match. Therefore, Commission Staff proposed and adjustment to decrease Employee Pensions and Benefits by \$10,608, as shown below.

<sup>56</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 1e.

<sup>57</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.

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>

(J) 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>58</sup> Subsequent to the test year, Harrison Water reported an increase in the wholesale cost for purchased water.<sup>59</sup> Harrison Water filed and was approved for a purchase water adjustment in Case No. 2022-00354.<sup>60</sup> Harrison Water provided the total number of gallons and total charges for water purchased during the test year<sup>61</sup> and provided the current wholesale rate.<sup>62</sup> 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 to \$168,233, which is \$75,535 less than Harrison Water proposed, as shown Appendix A.

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<sup>58</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, Adjustment 1.

<sup>59</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Item 1.

<sup>60</sup> Case No. 2022-00273, *Electronic Purchased Water Adjustment Filing of Harrison County Water Association, Inc.* (Ky. PSC Nov. 22, 2022).

<sup>61</sup> Harrison Water's Response to Staff's First Request (filed Jul. 5, 2023), Item 9, Exhibit\_9-waterusage.xlsx.

<sup>62</sup> Harrison Water's Response to Staff's First Request (filed July 5, 2023), Item 10, Distribution\_List.pdf.

(K) 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>63</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 2021-00105<sup>64</sup> and KU's last rate adjustment was in case 2020-00349.<sup>65</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>66</sup> Commission Staff reviewed the list and determined that the only alterations in Purchased Power rates are the various surcharges.

As discussed in Adjustment (G) 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>67</sup>

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<sup>63</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Item 5.

<sup>64</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).

<sup>65</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 Sep. 24, 2021).

<sup>66</sup> Harrison Water's Second Supplemental Response to Staff's First Request (filed Aug. 16, 2023), Item 11a.

<sup>67</sup> Harrison Water's Second Supplemental Response to Staff's First Request (filed Aug. 16, 2023), Item 1c.



The only change to Purchased Power Expense was a decrease to the Kwh's purchased due to the two shut down meters, Harrison Water provided the test year amount purchased related to the meters.<sup>68</sup> Therefore, Commission Staff reduced Purchased Power expense by \$2,182.<sup>69</sup>

(L) 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, 5.8656 percent pursuant to 807 KAR 5:066, Section (6)(3).<sup>70</sup> The adjustment was a \$103,582 decrease to Purchased Water<sup>71</sup> and a \$5,235 decrease to Purchased Power,<sup>72</sup> to account for excess water loss.

Commission Staff agrees that Harrison District properly applied the regulation, but when Adjustments (K) and (L) 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. The adjustments result in 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.

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<sup>68</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>69</sup> Meter 7 \$1,954 + Meter 16 \$228 = \$2,182.

<sup>70</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, Adjustments 1 and 5.

<sup>71</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Item 1, A.2.

<sup>72</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Item 5.

	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	5.8656%	5.8656%	5.8656%
Excess Cost	100,912	5,107	106,019
Less: Harrison Water's Proposed Adjustment	(103,582)	(5,235)	(108,817)
Commission Staff Proposed Adjustment	\$ (2,670)	\$ (128)	\$ (2,798)

(M) Contractual Services – Laboratory Analysis Reclassification. During the test year, Harrison Water recorded \$8,154 for laboratory testing.<sup>73</sup> The Laboratory Analysis was recorded in the Contractual Services. Commission Staff recommends reclassifying the \$8,154 Laboratory Analysis to the Water Testing category for proper classification. Therefore, Commission Staff reduced Contractual Services Expense by \$8,154 and increased Water Testing by \$8,154.

(N) Contractual Services – Legal & Accounting. In the application, Harrison Water proposed an adjustment to increase Contractual Services Expense by \$45,017,<sup>74</sup> to account for the inclusion of legal and accounting services.<sup>75</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>76</sup> As discussed in adjustment (N) above, \$8,154 was reclassified into Water Testing; therefore, Commission Staff

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<sup>73</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.

<sup>74</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, Adjustment 7.

<sup>75</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 7.

<sup>76</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.

determined the reported test year Contractual Services balance is \$4,354.<sup>77</sup> To reconcile the application and the Trial Balance, Commission Staff increased Contractual Services \$43,732, which is \$1,285 less than the \$45,017 Harrison Water proposed.

<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>

(O) 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>78</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>79</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>80</sup> Harrison Water provided the types and total number of tests performed during the test year and total charges for each test

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<sup>77</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, \$12,508 - \$8,154 Adjustment (N) = \$4,354.

<sup>78</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Adjustment 8.

<sup>79</sup> Harrison Water's Response to Staff's First Request (July 5, 2023), Item 1a, Excel\_(1a)-2022\_Trial\_Bal.xlsx.

<sup>80</sup> Harrison Water's Response to Staff's First Request (July 5, 2023), Item 14.

performed.<sup>81</sup> Harrison Water also provided the most recent invoice for testing with the current testing rate.<sup>82</sup> In order to annualize the purchased water 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) above, \$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.

Invoice Date	HAA			TTHM			Coliform			Sample Pickup			Total
	Units	Unit Price	Subtotal	Units	Unit Price	Subtotal	Units	Unit Price	Subtotal	Units	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>

<sup>81</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>82</sup> Harrison Water's Response to Staff's Second Request (Aug. 2, 2023), Item 6, Exhibit\_6-Most\_Recent\_Water\_Testing\_Invoice.pdf.

(P) Miscellaneous Expense. In its application, Harrison Water proposed to increase Miscellaneous Expense by \$238,500<sup>83</sup> to account for adjustments in three expense categories. First is the inclusion of Office Supplies of \$77,659, Repairs of \$81,233, and Telephone expenses of \$14,220, which were mistakenly left out of the test year. Second is an increase in postage expenses of \$4,473 to account for an increase in postage costs,<sup>84</sup> and finally an increase of \$60,925 to reflect a projected increase in PVC pipe cost.<sup>85</sup> Commission Staff agrees 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>86</sup> at the current postage rate of \$0.66 from the United States Post Service (USPS).<sup>87</sup> Commission Staff agrees with Harrison Water's proposed increase of \$4,473 as shown below.

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<sup>83</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, Adjustment 13-(a-d).

<sup>84</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, at 7, Item 13a.

<sup>85</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, at 7, Item 13b.

<sup>86</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>87</sup> <https://www.usps.com/business/prices.htm>

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

Harrison Water also proposed a \$60,925 increase to Miscellaneous Expense to account for a projected increase in the cost of PVC pipe based upon a Spectrum News article which quoted one plumber's stated experience.<sup>88</sup> However, Harrison Water provided no evidence to show an increase in its PVC costs. As discussed in Adjustment (G) above, the Commission requires adjustments to be made 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, without documentation of an actual increase in Harrison Water's PVC pipe cost, Commission Staff disagrees with the proposed \$60,925 increase in repairs due to a projected increase in PVC pipe costs.

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>89</sup> which is the Uniform Expense. However, according to the Adjusted Trial Balance, the Uniform expense is \$1,929.<sup>90</sup> Commission Staff proposed a \$10 decrease to Miscellaneous Expense to correct the error.

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<sup>88</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, at 7, Item 13b.

<sup>89</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf.

<sup>90</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.

When all the adjustments are calculated Commission Staff proposed a net increase for Miscellaneous Expense of \$177,575, which is \$60,925 less than what was proposed by Harrison Water, accounting for not including the increase for PVC cost increases, this agrees with the amount reported in the Adjusted Trial Balance, as shown in the table below.

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	4,168
<b>Total Miscellaneous Expenses</b>	<b>175,041</b>
Less: Test Year Miscellaneous Expense	(1,939)
<b>Miscellaneous Expense Adjustment</b>	<b>173,102</b>
Plus: Increase in Postage Expense	4,473
<b>Total Miscellaneous Expense Adjustment</b>	<b>177,575</b>
Less: Harrison Water's Proposed Adjustment	(238,500)
<b>Net Miscellaneous Expense Adjustment</b>	<b>\$ (60,925)</b>

(Q) Depreciation – Water Loss Surcharge. In its application, Harrison Water proposed a net adjustment to increase Depreciation Expense by \$131,318,<sup>91</sup> to account for the inclusion \$108,818 for a water loss surcharge to be included in depreciation

<sup>91</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, Unnumbered Adjustment.

expense, and the inclusion of \$22,500 for 1,000 meters that need to be replaced.<sup>92</sup> Commission Staff disagrees 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 in Item 2, Water Loss Surcharge under the Summary of Findings section. Additionally, Depreciation Expense only assists in the recovery of existing asset costs and is not able to be used to recover projected purchases. Because the meters have not been purchased, Commission Staff removed the proposed increase to Depreciation of \$22,500. Both adjustments result in a net decrease to Harrison Water's adjustment of \$131,318.

(R) 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. Commission Staff reviewed the depreciation schedule<sup>93</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 which results in a pro forma amount of \$370,215.

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<sup>92</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Unnumbered Adjustment, at 9.

<sup>93</sup> Application, Exhibit 7, Exhibit\_7\_Depreciation\_Schedule.pdf.



Categories	Service Life Range	Test Year Depreciation	Depreciation Adjustment	Pro Forma Depreciation
Land & Land Rights	Land	\$ -	\$ -	\$ -
Structures & Improvements	35 - 40	59,898	(41,072)	18,826
Other Pumping Equipment	20	3,542	-	3,542
Reservoir & Stand Pipes	30 - 60	29,332	(9,777)	19,555
Transmission & Distribution Mains	50 - 75	266,860	(53,396)	213,463
Meters	35 - 45	32,958	(4,120)	28,838
Meter Installation	40 - 50	215	(24)	191
Hydrants	40 - 60	1,804	(361)	1,443
Other Transmission & Distribution Plan	50 - 75	2,101	(256)	1,844
Office Furniture & Equipment	20 - 25	28,135	(18,229)	9,906
Communications Equipment	10	1,002	(301)	702
Transportation Equipment	7	39,696	-	39,696
Oddville Pump Station	35 - 40	22,861	(10,668)	12,193
Office Building	35 - 40	27,296	(7,279)	20,017
Total Depreciation		<u>\$ 515,698</u>	<u>\$ (145,483)</u>	<u>\$ 370,215</u>

(S) Amortization. In the application, Harrison Water proposed an adjustment to increase Amortization Expense by \$15,000,<sup>94</sup> to account for the inclusion of the legal, Cost of Service Study, accounting, and advertising costs for the rate case.<sup>95</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 \$39,089.<sup>96</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.

<sup>94</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, Unnumbered Adjustment.

<sup>95</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, Unnumbered Adjustment, at 8.

<sup>96</sup> Harrison Water's Response to Staff's Second Request (Aug. 7, 2023), Item 5.

	<u>Current Expense</u>
1 Accounting	\$ 1,763
2 Engineering	13,477
3 Legal	18,150
4 Consultant	-
5 Other Expenses	<u>10,791</u>
Current Rate Case Expense	44,181
Divided by three years	<u>3</u>
Annual Amortization of Rate Case Expense	14,727
Less: Harrison District Proposed annual Ammortization	<u>(15,000)</u>
Commission Staff Proposed Adjustment	<u><u>\$ (273)</u></u>

(T) Taxes other than Income – FICA Taxes. In its application, Harrison Water proposed an adjustment to increase Taxes other than Income by \$9,604<sup>97</sup> to account for an increase in payroll taxes due to the proposed increase to Salaries and Wages Expense.<sup>98</sup> Commission Staff reviewed Taxes other than Income and determined it was composed of three separate accounts.<sup>99</sup> However, as explained in Adjustments (F), (G) and (H) above, Commission Staff calculated pro forma Salaries and Wages – Employees of \$653,053 and Officers of \$19,800. Therefore, Commission Staff calculated a pro forma

<sup>97</sup> Application, Exhibit 4, Exhibit\_4\_Schedule\_of\_Adjusted\_Operations.pdf, Unnumbered Adjustment.

<sup>98</sup> Application, Exhibit 4a, Exhibit\_4a-ARF\_Supplementation\_to\_Schedule\_of\_Adjustments.pdf, at 4, Item 3.

<sup>99</sup> Harrison Water's Response to Staff's First Request (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.

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
<hr/>	
Total Pro Forma Salaries	672,853
Times: 7.65 Percent FICA Rate	7.65%
<hr/>	
Total Pro Forma FICA Taxes	51,473
Plus: 6050 · Payroll Taxes:6050-20 · KY Unemployment Tax	1,523
Plus: 6050 · Payroll Taxes:6050-30 · Federal Unemployment Tax	726
<hr/>	
Total Taxes other than Income	53,722
Less: Test Year Taxes other than Income	(43,460)
<hr/>	
Payroll Tax Adjustment	10,262
Less: Harrison District's Proposed Adjustment	(9,604)
<hr/>	
Total Payroll Tax Adjustment	<u>\$ 658</u>

(U) 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>100</sup> Harrison Water reported the gain was the result of the sale of an office building and other realty.<sup>101</sup> Harrison Water confirmed that the transaction was a one-time transaction.<sup>102</sup> Therefore, it is not a routine transaction in the normal course of business

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<sup>100</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>101</sup> Harrison Water’s Response to Staff’s First Request (filed July 5, 2023), Item 5a.

<sup>102</sup> Harrison Water’s Response to Staff’s First Request (filed July 5, 2023), Item 5b.

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.

OVERALL REVENUE REQUIREMENT AND  
REQUIRED REVENUE INCREASE

The Commission has historically applied a Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations.<sup>103</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>104</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>103</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>104</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 for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 21, 2012).

Revenue Requirement Determination- Debt Service Coverage

	Harrison County Water Association	Commission Staff	
Pro Forma Operating Expenses	\$ 3,822,769	\$ 3,342,833	
Plus: Avg. Annual Principal and Interest Payments	58,033	58,033	(1)
Additional Working Capital	11,607	11,607	(2)
	<hr/>	<hr/>	
Total Revenues Requirement	3,892,409	\$ 3,412,473	
Less: Other Operating Revenue	(43,893)	(43,893)	
Non-Operating Revenue	(12,752)	(8,993)	
Interest and Dividend Income	(14,038)	(11,539)	
	<hr/>	<hr/>	
Revenue Required From Water Sales	3,821,726	3,348,048	
Revenue from Sales at Present Rates	(3,165,405)	(3,165,405)	
	<hr/>	<hr/>	
Required Revenue Increase	\$ 656,321	\$ 182,643	
	<hr/>	<hr/>	
Percentage Increase	20.73%	5.77%	

1. 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>105</sup> and one outstanding RD promissory note.<sup>106</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 year, which is 2023 through 2025.<sup>107</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

<sup>105</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>106</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.

<sup>107</sup> Application, Exhibit 6, Exhibit\_6\_Rev\_Req\_Calc-Debt\_Cov\_Method.pdf, Revenue Requirement Calculation – Debt Coverage Method.

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.

Debt Service Schedule					
Year	USDA Revenue Bond		USDA Series Loan		Total
	Principal	Interest	Principal	Interest	
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>

2. Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district’s lenders that are above its average annual debt payments. In its application, 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.

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

3. Interest and Dividend Income. In the application, Harrison Water proposed to reduce the Total Revenues Requirement by \$14,038 to account for Interest and Dividend income.<sup>108</sup> Commission Staff reviewed Harrison Water’s Adjusted Trial Balance and determined that Harrison Water had \$11,548 in Interest and Dividend Income.<sup>109</sup> Therefore, Commission Staff reduced the Overall Revenue Requirement by only \$11,548.

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<sup>108</sup> Application, Exhibit 6, Exhibit\_6\_Rev\_Req\_Calc-Debt\_Cov\_Method.pdf.

<sup>109</sup> Harrison Water’s Response to Staff’s First Request (Jul. 5, 2023), Item 1a, Excel-(1a)-2022\_Trial\_Bal.xlsx, Account 7030 Interest Income.

Signatures

/s/ William Coston for William Foley

Prepared by: William Foley  
Revenue Requirement Branch  
Division of Financial Analysis

/s/ Eddie Beavers

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



## APPENDIX A

### APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00154 DATED SEP 28 2023

	City of Cynthiaiana			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>					
																Total Purchased Water Expense	1,720,398			
																	Less: Test Year Purchased Water	(1,552,166)		
																		Total Purchased Water Adjustment	168,232	
																		Less: Harrison Water's Proposed Adjustment	(243,767)	
																			Commission Staff's Proposed Adjustment	\$ (75,535)

APPENDIX B

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00154 DATED SEP 28 2023

**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	\$44.65	\$19.65
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	\$94.65	\$19.65
Current Rate	\$42.00	

## APPENDIX C

### APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00154 DATED SEP 28 2023

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	\$21.71	Minimum Bill
Next	1,000 Gallons	0.00841	Per Gallon
Next	2,000 Gallons	0.00822	Per Gallon
Next	45,000 Gallons	0.00765	Per Gallon
Over	50,000 Gallons	0.00667	Per Gallon

##### 3/4-Inch Meter

First	3,000 Gallons	\$36.36	Minimum Bill
Next	2,000 Gallons	0.00841	Per Gallon
Next	45,000 Gallons	0.00765	Per Gallon
Over	50,000 Gallons	0.00667	Per Gallon

##### 1-Inch Meter

First	5,000 Gallons	\$46.56	Minimum Bill
Next	45,000 Gallons	0.00765	Per Gallon
Over	50,000 Gallons	0.00667	Per Gallon

##### 1 1/2-Inch Meter

First	10,000 Gallons	\$84.79	Minimum Bill
Next	40,000 Gallons	0.00765	Per Gallon
Over	50,000 Gallons	0.00667	Per Gallon

##### 2-Inch Meter

First	15,000 Gallons	\$109.99	Minimum Bill
Next	35,000 Gallons	0.00765	Per Gallon
Over	50,000 Gallons	0.00665	Per Gallon

<u>Water Loss Surcharge</u>	\$1.42	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

\*Janell Pitts  
Jesse Melcher Law Office, PLLC  
127 N. Main St.  
P.O. Box 345  
Mount Olivet, KENTUCKY 41064

\*Jesse Melcher  
Jesse Melcher Law Office, PLLC  
127 N. Main St.  
P.O. Box 345  
Mount Olivet, KENTUCKY 41064

\*Harrison County Water Association, Inc.  
433 SeaBiscuit Way  
Cynthiana, KY 41031