

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTH)	CASE NO.
MERCER WATER DISTRICT FOR A RATE)	2023-00185
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

ORDER

On December 27, 2023,¹ North Mercer Water District (North Mercer District) filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,² North Mercer District 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. 2021-00317, which required North Mercer District to file an application for an adjustment of its base rates by October 6, 2022.³ North Mercer District requested an extension of time to file for its base rates case and was denied.⁴ North Mercer District

¹ North Mercer District tendered its application on June 12, 2023. By letter dated June 28, 2023, the Commission rejected the application for filing deficiencies. North Mercer District requested a deviation from the test year requirement or, in the alternative, an extension of time to amend its application in a response filed on July 20, 2023. By Order dated September 12, 2023, North Mercer District’s request for deviation was denied and its request for extension of time to amend its application using the correct test year was granted. North Mercer District filed an amended application on December 14, 2023. By letter dated December 18, 2023, the Commission rejected the amended application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on December 27, 2023.

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

³ Case No. 2021-00317, *Electronic Application of North Mercer Water District for a Certificate of Public Convenience and Necessity* (Ky. PSC Oct. 6, 2021), Order.

⁴ Case No. 2021-00317, *Electronic Application of North Mercer Water District for a Certificate of Public Convenience and Necessity* (Ky. PSC Nov. 7, 2022), Order.

was ordered on November 7, 2022, to file an alternative rate filing (ARF) case as soon as possible.⁵

In its application, North Mercer District requested rates that would increase its annual water sales revenues by \$265,098, or an 8.97 percent increase to pro forma present rate water sale revenues.⁶

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated January 12, 2024,⁷ as amended by Orders entered April 10, 2024,⁸ and May 24, 2024.⁹ Commission Staff's First Request for Information was issued as an Appendix to the procedural schedule issued on January 12, 2024, with a response to Staff's First Request filed on February 14, 2024.¹⁰ Commission Staff's Second Request for Information was issued on February 29, 2024, with a response to Staff's Second Request filed on March 13, 2024.¹¹ An informal conference (IC) was held on April 18, 2024, to clarify certain responses to data requests. A memo summarizing the IC was filed in the record.¹² On April 24, 2024, North Mercer District filed into the

⁵ Case No. 2021-00317, *Electronic Application of North Mercer Water District for a Certificate of Public Convenience and Necessity* (Ky. PSC November 7, 2022), ordering paragraph 2.

⁶ Amended Application Attachment No. 2 (filed Dec. 14, 2023).

⁷ Order (Ky. PSC Jan. 12, 2024).

⁸ Order (Ky. PSC Apr. 10, 2024).

⁹ Order (Ky. PSC May 24, 2024).

¹⁰ North Mercer District's Response to Commission Staff's First Request (Staff's First Request) (filed Feb. 14, 2024).

¹¹ North Mercer District's Response to Commission Staff's Second Request (Staff's Second Request) (filed Mar. 13, 2024).

¹² IC Memo and Attendance Sheet (Ky. PSC Apr. 19, 2024).

record supplemental information requested during the IC.¹³ Upon further review of North Mercer District's response to Staff's Second Request, unredacted confidential information¹⁴ was discovered in the public record and the information was removed. North Mercer District refiled two redacted responses on May 16, 2024.¹⁵

Commission Staff issued its report (Commission Staff's Report) on June 13, 2024, summarizing its recommendations regarding North Mercer District's requested rate adjustment.¹⁶ The Commission Staff's Report noted that North Mercer District filed a corrected version of its Rate Study in its response to Staff's Second Request in which North Mercer District amended its proposed increase of its monthly retail water service rates by approximately 11.25 percent across the board to support a \$332,409 revenue increase.¹⁷ In contrast to North Mercer District's amended proposal, in the Commission Staff's Report, Commission Staff calculated that North Mercer District's adjusted test-year operations support an overall revenue requirement of \$3,386,673 and that a \$321,104, or 10.87 percent, revenue increase to pro forma present rate revenues is necessary to generate the overall revenue requirement.¹⁸

¹³ North Mercer District's Information Requested at Informal Conference (filed Apr. 24, 2024).

¹⁴ The filing of the confidential information was inadvertent by the utility. The information was not requested by Commission Staff.

¹⁵ Redacted Invoices for North Mercer District (filed May 16, 2024), Redacted Invoices May_16 (filed May 16, 2024).

¹⁶ Commission Staff's Report on North Mercer District (Commission Staff's Report) (Ky. PSC June 13, 2024).

¹⁷ North Mercer District's Response to Staff's Second Request, Item 7b.

¹⁸ Commission Staff's Report at 21, Revenue Requirement Determination Table.

On June 24, 2024, North Mercer District filed its response to Commission Staff's Report.¹⁹ In its written comments, North Mercer District did not agree with removal of certain labor expenses from nonrecurring charges but did not contest staff adjustments. Additionally, North Mercer District concurred with the findings presented in Commission Staff's Report and waived its right to request an informal conference or a hearing. On July 10, 2024, the Commission issued an Order requiring North Mercer District to renotice its proposed rate change pursuant to 807 KAR 5:076.²⁰ North Mercer District provided proof of publication of the revised notice reflecting the new rates from the Staff Report on August 13, 2024.²¹ The case now stands submitted for a decision by the Commission.

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."²² Further, the utility bears the burden of proof to show that the proposed rate increase is just and reasonable under KRS 278.190(3).

¹⁹ North Mercer District's Response to Staff Report (filed June 24, 2024).

²⁰ Order (Ky. PSC July 10, 2024) at 2. The recommended, and subsequently accepted, rate increase was 121.13% above North Mercer District's original proposed and noticed rates.

²¹ Affidavit of Required Public Notice (filed Aug. 13, 2024).

²² *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).

BACKGROUND

North Mercer District is a water utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system through which it provides retail water service to approximately 4,532 residential customers, 139 commercial customers, 12 public authorities, 67 multiple family dwellings, and 1 bulk loading station that reside in Anderson, Boyle, Mercer, and Washington counties, Kentucky.²³ North Mercer District's last base rate increase pursuant to the ARF procedure was in Case No. 2016-00325.²⁴ Since that matter, North Mercer District has only adjusted its rates pursuant to purchased water adjustments or in conjunction with an application for a Certificate of Public Convenience and Necessity (CPCN).

The application was filed pursuant to the Commission's Order in Case No. 2021-00317, which required North Mercer District to file an application for an adjustment of its base rates by October 6, 2022.²⁵ North Mercer District requested an extension of time to file for its base rates case and was denied.²⁶ North Mercer District was ordered on November 7, 2022, to file an ARF case as soon as possible.²⁷ As noted, North Mercer District's application was not deemed filed until December 27, 2023.

²³ *Annual Report of North Mercer District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 12 and 49.

²⁴ Case No. 2016-00325, *Electronic Application of North Mercer Water District for Rate Adjustment* (Ky. PSC May 19, 2017), final Order.

²⁵ Case No. 2021-00317, *Electronic Application of North Mercer Water District for a Certificate of Public Convenience and Necessity* (Ky. PSC Oct. 6, 2021), Order.

²⁶ Case No. 2021-00317, *Electronic Application of North Mercer Water District for a Certificate of Public Convenience and Necessity* (Ky. PSC Nov. 7, 2022), Order.

²⁷ Case No. 2021-00317, *Electronic Application of North Mercer Water District for a Certificate of Public Convenience and Necessity* (Ky. PSC Nov. 7, 2022), ordering paragraph 2.

UNACCOUNTED-FOR WATER LOSS

The Commission notes that in its 2022 Annual Report, North Mercer District reported a water loss of 18.9082 percent.²⁸ 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. North Mercer District's water loss for 2020 and 2021 was 18.8064 percent and 23.8601 percent, respectively.²⁹ The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission views excessive water loss as a potential warning sign of the financial health and operational well-being of water utilities.³⁰ The table below shows that the 2022 total annual cost of water loss to North Mercer District is \$205,712, while the annual cost of water loss in excess of 15 percent is \$42,519.

Total Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 1,052,492	\$ 35,460	\$ 1,087,952
Water Loss Percent	18.9082%	18.9082%	
Total Water Loss	<u>\$ 199,007</u>	<u>\$ 6,705</u>	<u>\$ 205,712</u>

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 1,052,492	\$ 35,460	\$ 1,087,952
Water Loss In Excess of 15%	3.9082%	3.9082%	
Disallowed Water Loss	<u>\$ 41,133</u>	<u>\$ 1,386</u>	<u>\$ 42,519</u>

²⁸ 2022 Annual Report at 57.

²⁹ Annual Report of North Mercer District to the Public Service Commission for the Calendar Year Ended December 31, 2020, at 57 and Annual Report of North Mercer District to the Public Service Commission for the Calendar Year Ended December 31, 2021 at 57.

³⁰ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (filed Mar. 12, 2019), Order.

TEST PERIOD

The calendar year ended December 31, 2022, was used as the test year to determine the reasonableness of North Mercer District's existing and proposed water rates as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

The Commission Staff's Report summarizes North Mercer District's pro forma income statement as follows:

	<u>Commission Staff's Report</u>		
	<u>Test-Year Operations</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Operations</u>
Operating Revenues	\$2,968,981	\$69,719	\$3,038,700
Operating Expenses	2,734,881	102,730	2,837,611
Net Utility Operating Income	234,100	(33,011)	201,089
Interest Income	28,745	(7,876)	20,869
Total Utility Operating Income	<u>\$262,845</u>	<u>(\$40,887)</u>	<u>\$221,958</u>

REVIEW OF COMMISSION STAFF'S RECOMMENDATIONS

North Mercer District's application proposed adjustments to its revenues and expenses intended to reflect current and expected operating conditions. In the Commission Staff's Report, Commission Staff proposed additional adjustments, later adopted by North Mercer District. The Commission has no further modifications or adjustments. The following is the Commission Staff's complete pro forma.³¹

³¹ Commission Staff's Report at 9.

<i>Water Division</i>	Commission					Pro Forma
	Test Year	Proposed Adjustment	Staff Adjustment	Total Adjustment (Ref.)		
Operating Revenues						
Total Metered Retail Sales	\$ 2,891,183	\$ 63,663		\$ 63,663 (A)		\$ 2,954,846
Other Water Revenues:						
Forfeited Discounts	30,838		2,212	2,212 (B)		33,050
Misc. Service Revenue	21,853		3,844	3,844 (B)		25,697
Other Water Revenue	25,107					25,107
Total Operating Revenues	2,968,981	63,663	6,056	69,719		3,038,700
Operating Expenses						
Operation and Maintenance Expenses						
Salaries and Wages - Employees	591,437	72,452	38,376	110,828 (C)		702,265
Salaries and Wages - Commissioners	29,602	398		398 (D)		30,000
Employee Pensions and Benefits	365,747	(43,944) (9,930)	41,878 (16,395)	(2,066) (26,325) (E)		337,356
Purchased Water	931,374	121,118 (36,400)	(4,733)	121,118 (41,133) (G)		1,011,359
Purchased Power	35,460	(1,386)		(1,386) (I)		34,074
Materials and Supplies	40,351					40,351
Contractual Services:						
Accounting	11,300					11,300
Legal	6,000					6,000
Water Testing	6,045					6,045
Other	40,028					40,028
Transportation Expenses	42,756					42,756
Insurance - Gen. Liab. & Workers Comp	29,282					29,282
Insurance - Worker's Compensation	6,792					6,792
Bad Debt	17,262					17,262
Miscellaneous Expenses	61,422					61,422
Total Operation and Maintenance Expenses	2,214,858	102,308	59,126	161,434		2,376,292
Depreciation Expense	466,529	(65,094)		(65,094) (J)		401,435
Taxes Other Than Income	53,494	3,454	2,936	6,390 (K)		59,884
Total Operating Expenses	2,734,881	40,668	62,062	102,730		2,837,611
Net Operating Income	234,100	22,995	(56,006)	(33,011)		201,089
Interest Income	28,745	(7,876)		(7,876) (L)		20,869
Income Available to Service Debt	\$ 262,845	\$ 15,119	\$ (56,006)	\$ (40,887)		\$ 221,958

PRO FORMA OPERATING STATEMENT

Billing Analysis. North Mercer District proposed an adjustment to increase its test-year general water sales revenues of \$2,891,183 by \$63,663³² to a normalized amount

³² Application, Attachment 5, https://psc.ky.gov/pscecf/2023-00185/SReid312%40Outlook.com/12142023110529/Amended_Attachment_1_-_6_Mercer_List_of_attachments.pdf.

of \$2,954,846. Commission Staff reviewed the billing analysis and North Mercer District's reasoning behind this adjustment; it was made to match the revenue in the billing analysis,³³ and recommended that the Commission accept this adjustment.

Following a review of the billing analysis and list of water sales adjustments, Commission Staff agreed with North Mercer District that the proposed adjustment met the ratemaking criteria of being known and measurable and recommended that the Commission accept the adjustment.³⁴

The Commission finds that North Mercer District's proposed \$63,663 increase to revenues from sales is known and measurable. The Commission accepts the adjustment because it accurately reflects a normalized revenue amount for North Mercer District.

Miscellaneous Service Revenues. In its application, North Mercer District reported Miscellaneous Service Revenues of \$21,853 for the test year.³⁵ In response to Staff's First Request, North Mercer District provided an Excel worksheet that calculated the Miscellaneous Service Revenues of \$23,205.³⁶ In addition to the discussed calculation, North Mercer District provided cost justification sheets for the Nonrecurring Charges.³⁷

Commission Staff reviewed the responses to the information requests, the cost justification sheets, and the general ledger. Commission Staff recommended an increase

³³ Amended Application, Attachment 4, Schedule of Adjusted Operations, Reference A.

³⁴ Commission Staff's Report at 7.

³⁵ Amended Application, Attachment 4, Schedule of Adjusted Operations.

³⁶ North Mercer District's Response to Staff's First Request, Item 14, https://psc.ky.gov/pscecf/2023-00185/SReid312%40Outlook.com/02142024105221/14_NMWD_NON_RECURRING_CHARGES_2022_2023.xlsx.

³⁷ North Mercer District's Response to Staff's First Request, Item 15.

to Miscellaneous Service Revenues by \$1,352 to account for the difference in the test year amount of \$21,853 and the stated amount in the Miscellaneous Service Revenues of \$23,205. Commission Staff reviewed the cost justification sheets and adjusted the Miscellaneous Service Revenues with an increase of \$2,492 to the pro forma of \$25,697³⁸ for revised revenues based upon the cost justification sheets provided. Commission Staff reduced the nonrecurring charges by removing field labor and office/clerical labor to charges that are accomplished during normal office hours. As noted above, the proposed adjustments made by Commission Staff resulted in a pro forma amount of \$25,697. Commission Staff recommended that the Commission accept the adjustment as labor expenses, such as field labor and office/clerical labor, resulting from work during normal business hours should not be recovered through nonrecurring charges.³⁹

The Commission finds that the Commission Staff's Report is reasonable and consistent with recent Commission decisions, that labor expenses resulting from work during normal business hours should not be recovered through nonrecurring charges.⁴⁰ The Commission requires that charges be directly related to the actual cost incurred to

³⁸ North Mercer District's Response to Staff's First Request, Item 14, https://psc.ky.gov/pscecf/2023-00185/SReid312%40Outlook.com/02142024105221/14_NMWD_NON_RECURRING_CHARGES_2022_2023.xlsx.

³⁹ 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).

⁴⁰ 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).

provide the service. It is unreasonable to allocate an expense already incurred and recovered in customer rates 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 cost related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours.

Thus, the Commission finds that the revised nonrecurring charges as described in Appendix A are reasonable and should be accepted.

Salaries and Wages - Employees. In its application, North Mercer District proposed a \$72,452 increase to Salaries and Wages – Employees expense to reflect an increase in employee wage rates, turnover, and an additional employee.⁴¹ In response to Staff's Second Request, North Mercer District provided an updated calculation of its adjustment to Salaries and Wages – Employees expense to include a new employee that started on January 8, 2024, and updated wage rates.⁴² North Mercer District's revised Salaries and Wages – Employees expense adjustment is a \$110,828 total increase or a \$38,376 increase to the \$72,452 proposed adjustment from the application.⁴³ Commission Staff reviewed North Mercer District's revised Salaries and Wages – Employees expense adjustment calculation and agreed with the \$110,828 total increase. Commission Staff recommended the Commission accept North Mercer District's revised \$110,828 total increase to Salaries and Wages – Employees expense to reflect current

⁴¹ Amended Application, Attachment 4, Schedule of Adjusted Operations, Adjustment B.

⁴² North Mercer District's Response to Staff's Second Request, Item 7b.

⁴³ North Mercer District's Response to Staff's Second Request, Item 7b.

employee wage rates and current employee staffing levels and is known and measurable.⁴⁴

The Commission finds that North Mercer District's \$110,828 increase is known and measurable because it reflects current staffing levels and that the adjustment to pro forma Operating Expense is reasonable and should be accepted.

Salaries and Wages - Commissioners. In its application, North Mercer District proposed a \$398 increase to Salaries and Wages – Commissioners expense to reflect the five current commissioners due to a vacancy in part of 2022.⁴⁵ Commission Staff reviewed Mercer County Fiscal Court minutes for approval of salaries⁴⁶ and training records of the current commissioners.⁴⁷ After its review, Commission Staff agreed with North Mercer District's proposed \$398 increase to Salaries and Wages – Commissioners as shown in the table below.

Commissioner	Completed 2023 Training	Pro Forma Monthly Wage	Pro Forma Yearly Wage
Sheperson	✓	\$ 500	\$ 6,000
Best	✓	500	6,000
Dennis	✓	500	6,000
Campbell	✓	500	6,000
Pinkston	✓	500	6,000
Total			30,000
Test Year ()			(29,602)
Adjustment			<u>\$ 398</u>

⁴⁴ Commission Staff's Report at 11-12.

⁴⁵ Amended Application, Attachment 4, Schedule of Adjusted Operations, Adjustment C.

⁴⁶ North Mercer District's Response to Staff's First Request, Item 9.

⁴⁷ North Mercer District's Response to Staff's First Request, Item 10.

Commission Staff recommended the Commission accept North Mercer District's proposed \$398 increase to Salaries and Wages – Commissioners expense to reflect a full year compensation for the commissioners for North Mercer District.⁴⁸

The Commission finds that North Mercer District's \$398 increase is known and measurable because it reflects full year compensation of commissioners for North Mercer District levels and that the adjustment to pro forma Operating Expense is reasonable and should be accepted.

Health and Dental Insurance. In its application, North Mercer District proposed a \$43,944 decrease to Employee Pensions and Benefits expense to reflect a reasonable percentage contribution amount for Health and Dental insurance.⁴⁹ In response to Staff's Second Request, North Mercer District provided updated benefits invoices for February 2024 along with a new benefits calculation including a new hire.⁵⁰

Commission Staff reviewed North Mercer District's revised calculation and noted that the district used a single coverage employer contribution of 78 percent, dental employer contribution rate of 60 percent, did not use updated insurance premiums, and used the incorrect test year amounts for Dental and Health insurance.⁵¹ Commission Staff also noted that North Mercer District, based on dental insurance invoices,⁵² is providing dental insurance to two active board members and one former board member

⁴⁸ Commission Staff's Report at 12–13.

⁴⁹ Amended Application, Attachment 4, Schedule of Adjusted Operations, Adjustment D.

⁵⁰ North Mercer District's Response to Staff's Second Request, Item 4, and Item 7b.

⁵¹ North Mercer District's Response to Staff's Second Request, Item 7b.

⁵² North Mercer District's Response to Staff's Second Request, Item 4.

who resigned in October of 2022.⁵³ In response to Staff's First Request, North Mercer District provided Mercer County Fiscal Court minutes that authorize board member compensation.⁵⁴ Providing benefits to North Mercer District board members is not mentioned in the Mercer County Fiscal Court minutes provided by the district.⁵⁵ Commission Staff noted that North Mercer District provides health, dental, life and disability insurance to full time employees.⁵⁶

The Commission has, in the past, relied on the current Bureau of Labor Statistics (BLS) national average for an employer's share of health insurance premiums to assist in calculating a reasonable employer contribution amount. The current BLS national average for an employer's share of health insurance premiums is a single coverage employer contribution rate of 79 percent and a family coverage employer contribution rate of 67 percent.⁵⁷ The Commission has, in the past, also used a dental employer contribution rate of 40 percent based on the Willis Benchmark Survey.⁵⁸

Commission Staff, using the tables below, recalculated North Mercer District's adjustment to Employee Pensions and Benefits expense with the additional employee,

⁵³ North Mercer District's Response to Staff's Second Request, Item 1, and Item 4.

⁵⁴ North Mercer District's Response to Staff's First Request, Item 9.

⁵⁵ North Mercer District's Response to Staff's First Request, Item 9.

⁵⁶ North Mercer District's Response to Staff's First Request, Item 3.

⁵⁷ See Case No. 2017-00263, *Electronic Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment* (Ky. PSC Dec. 22, 2017), at 9-10, and Bureau of Labor Statistics' Share of Premiums Paid by Employer and Employee for Single Coverage, 2023, (<https://www.bls.gov/news.release/ebs2.t03.htm>), and Bureau of Labor Statistics' Share of Premiums Paid by Employer and Employee for Family Coverage, 2023, (<https://www.bls.gov/news.release/ebs2.t04.htm>).

⁵⁸ See Case No. 2017-00263, *Electronic Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment* (Ky. PSC Dec. 22, 2017), at 9-10, and The Willis Benchmarking Survey, 2015, at 62-63. (<https://www.slideshare.net/annette010/2015-willis-benefits-benchmarking-survey-report>).

correct contribution rates, updated premiums, and removal of board commissioners' benefits, both past and present. Commission Staff calculated a total decrease of \$2,066 to Employee Pensions and Benefits expense or an increase of \$41,878 to North Mercer District's proposed \$43,944 decrease.

Type of Premium	Number of Employees	Current Employer Contributions	Average Employee Contribution Rate	Monthly Premium Adjustment	Pro Forma Monthly Premium
Single Health Insurance	6	\$ 4,654	21%	\$ (977)	\$ 3,677
Family Health Insurance	6	10,454	33%	(3,450)	7,004
Dental Insurance	11	330	60%	(198)	132
Board Member Dental	3	124	N/A	(124)	0
Total Pro Forma Monthly Premium		15,562		(4,749)	10,813
Times: 12 Months		12		12	12
Total Annual Pro Forma Premium		<u>\$ 186,739</u>		<u>\$ (56,989)</u>	129,750
Less: Test Year Health and Dental Employee Benefits Adjustment					(131,816)
					<u>\$ (2,066)</u>

Commission Staff recommended the Commission approve Commission Staff's proposed total decrease of \$2,066 to Employee Pensions and Benefits expense to reflect current premiums for North Mercer District's employees and the health insurance premium based on BLS national average for an employer's share of health insurance premiums and 40 percent for dental premiums.⁵⁹

The Commission continues to review compensation packages for employees as a whole. In this case, the Commission finds that Commission Staff's total decrease of \$2,066 is reasonable and should be accepted. The adjustment reflects Commission precedent on the health insurance premiums based on the BLS's national average for an employer's share of health insurance premiums. In addition, the Commission notes that

⁵⁹ Commission Staff's Report at 13-15.

both benefits and compensation for commissioners must be approved by the appropriate fiscal court.

County Employee Retirement System (CERS). North Mercer District participates in County Employees Retirement System (CERS), which is managed by the Kentucky Public Pension Authority (KPPA).⁶⁰ In its application, North Mercer District proposed a \$9,930 decrease to Employee Pensions and Benefits expense to reflect a decrease in pension benefit contribution rates and changes in salaries.⁶¹ In response to Staff's Second Request, North Mercer District provided an updated calculation of its adjustment to Employee Pensions and Benefits expense to include a new employee that started on January 8, 2024, and updated wage rates.⁶² Commission Staff reviewed North Mercer District's update calculation and agreed with its methodology, but noted that North Mercer District used a contribution percentage of 23.34 percent.

The CERS contribution rate starting July 1, 2024, is 19.71 percent.⁶³ Commission Staff followed the same methodology as North Mercer District and calculated a new adjustment below using the 19.71 percent contribution rate. Consistent with Commission precedent,⁶⁴ Commission Staff removed the \$58,544 adjustment related to GASB 68 as well as GASB 75, which did not become effective until after GASB 68. Commission Staff made a \$47,413 adjustment for the decrease in contribution rates and a \$21,087

⁶⁰ North Mercer District's Response to Staff's Second Request, Item 3.

⁶¹ Amended Application, Attachment 4, Schedule of Adjusted Operations, Adjustment E.

⁶² North Mercer District's Response to Staff's Second Request, Item 7b.

⁶³ Kentucky Public Pension Authority:
<https://www.kyret.ky.gov/Employers/Pages/ContributionRates.aspx>

⁶⁴ Case No. 2022-00044, *Electronic Application of Big Sandy Water District for an Adjustment of Its Water Rates Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 13, 2022), Order at 11–12.

adjustment for the increase in salary and wages expense. Commission Staff calculated a total decrease of \$26,325 or a \$16,395 decrease to North Mercer District proposed \$9,930 decrease.

SAO	Test Year	Adjustment	Pro Forma
Contributions	\$ 163,985	\$ (47,413)	
		21,087	\$ 137,660
GASB Components (expense)	58,544	(58,544)	0
Total	<u>\$ 222,529</u>	<u>\$ (84,869)</u>	<u>\$ 137,660</u>
<i>Retirement Calculations</i>			
Test Year Wages Applicable to CERS	591,437	106,988	698,425
Contribution Rate	26.50%		19.71%
Total	<u>\$ 163,985</u>	<u>\$ (26,325)</u>	<u>\$ 137,660</u>
<i>Adjustments</i>			
Contribution Rate			(47,413)
Increase in Wages			21,087
Total Adjustment			<u>\$ (26,325)</u>

Commission Staff recommended the Commission accept Commission Staff's \$26,325 total decrease to Employee Pensions and Benefits expense to reflect current employee wage rates, current employee staffing levels, and the CERS contribution rate effective on July 1, 2024.⁶⁵

The Commission finds that Commission Staff's \$26,325 total decrease to the CERS contribution expense is reasonable because it reflects the current CERS contribution rate and as such, the adjustment to pro forma Operating Expense should be accepted.

⁶⁵ Commission Staff's Report at 15–17.

Purchased Water. North Mercer District purchases its water from the city of Harrodsburg and South Anderson Water District.⁶⁶ In its application, North Mercer District proposed a \$121,118 increase to Purchased Water expense to reflect an increase due to a city of Harrodsburg rate increase.⁶⁷ In the adjustment reference, North Mercer District referred to Case No. 2023-00268, a Purchased Water Adjustment (PWA) filing.⁶⁸ Commission Staff noted that North Mercer District's proposed \$121,118 increase is directly from the final Order of Case No. 2023-00268.⁶⁹ Commission Staff agreed with North Mercer District's proposed \$121,118 increase as calculated in the PWA final Order to reflect current purchase water rates for the district.⁷⁰

The Commission finds that North Mercer District's \$121,118 increase is known and measurable because it reflects the current wholesale water rates and that the adjustment to pro forma Operating Expense should be accepted.

Water Loss. In its application, North Mercer District proposed a \$36,400 decrease to Purchased Water expense to account for North Mercer District's water loss in excess of 15 percent.⁷¹ Commission Staff reviewed North Mercer District's calculation of its proposed \$36,400 adjustment.⁷² Commission Staff noted that the district used the test-

⁶⁶ 2022 Annual Report at 54.

⁶⁷ Amended Application, Attachment 4, Schedule of Adjusted Operations, Adjustment G.

⁶⁸ Case No. 2023-00268, *Electronic Application of North Mercer Water District for a Purchased Water Adjustment* (Ky. PSC Sept. 15, 2023).

⁶⁹ Case No. 2023-00268, *Electronic Application of North Mercer Water District for a Purchased Water Adjustment* (Ky. PSC Sept. 15, 2023), final Order at 4.

⁷⁰ Commission Staff's Report at 17.

⁷¹ Amended Application, Attachment 4, Schedule of Adjusted Operations, Adjustment F.

⁷² North Mercer District's Response to Staff's Second Request, Item 7b.

year Purchased Water expense of \$931,374 and not the pro forma Purchased Water expense of \$1,052,492, which includes the \$121,118 increase from above in its calculation. Commission Staff calculated a total \$41,133 decrease to Purchased Water expense or a \$4,733 decrease to North Mercer District’s proposed \$36,400 adjustment as shown in the table below.

<u>Disallowed Water Loss</u>	<u>Purchased Water</u>
Pro Forma Purchases	\$1,052,492
Water Loss In Excess of 15%	<u>3.9082%</u>
Disallowed Water Loss	<u>\$ 41,133</u>

Commission Staff recommended that the Commission accept Commission Staff’s \$41,133 decrease to Purchased Water expense to accurately reflect pro forma expense associated with water loss in excess of 15 percent.⁷³

The Commission finds that Commission Staff’s \$41,133 decrease is reasonable because it accurately reflects the Purchased Water expense associated with water loss in excess of 15 percent and that the adjustment to pro forma Operating Expense should be accepted. The Commission encourages North Mercer District to take steps to address its water loss, including evaluating its water system and prioritizing improvements to reduce the water loss percentage.

Purchased Power. In its application, North Mercer District proposed a \$1,386 decrease to Purchased Power expense to account for North Mercer District’s water loss

⁷³ Commission Staff’s Report at 17-18.

in excess of 15 percent.⁷⁴ Commission Staff reviewed North Mercer District’s calculation of its proposed \$1,386 adjustment and agrees.⁷⁵

Excess Water Loss	Power
Pro Forma Purchases	12,775
Water Loss in Excess of 15%	1.7207%
Water Loss In Excess of Allowed Amount	<u>\$ 220</u>

Commission Staff recommended that the Commission accept North Mercer District proposed \$1,386 decrease to Purchased Power expense to reflect Purchased Power expense associated with water loss in excess of 15 percent.⁷⁶

The Commission finds that Commission Staff’s \$1,386 decrease is reasonable because it accurately reflects the Purchased Power expense associated with water loss in excess of 15 percent and that the adjustment to pro forma Operating Expense should be accepted.

Depreciation. In its application, North Mercer District proposed a \$65,094 decrease to Depreciation Expense.⁷⁷ The adjustment was a decrease to reflect adjustments of asset service lives to the midpoint of the service life ranges set forth in the National Association of Regulatory Utility Commissioners (NARUC) publication titled, *Depreciation Practices for Small Water Utilities* (NARUC Study).⁷⁸

To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the NARUC Study. When no

⁷⁴ Amended Application, Attachment 4, Schedule of Adjusted Operations, Adjustment F.

⁷⁵ North Mercer District’s Response to Staff’s Second Request, Item 7b.

⁷⁶ Commission Staff’s Report at 18–19.

⁷⁷ Amended Application, Attachment 4, Schedule of Adjusted Operations, Adjustment H.

⁷⁸ Amended Application, Attachment 4, Schedule of Adjusted Operations, Adjustment H.

evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant. In this proceeding, Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Therefore, Commission Staff recommended that the Commission accept North Mercer District's proposed \$65,094 decrease to Depreciation Expense to reflect the midpoint of the service life ranges set forth in the NARUC Study.

The Commission finds that North Mercer District's \$65,094 decrease is reasonable and should be accepted because the adjustment aligns with the midpoint NARUC depreciation ranges.

Taxes Other Than Income. In its application, North Mercer District proposed a \$3,454 increase to Taxes Other Than Income to reflect increases in wages.⁷⁹ In response to Staff's Second Request, North Mercer District provided an updated calculation of its adjustment to Taxes Other Than Income to include a new employee that started on January 8, 2024, and updated wage rates.⁸⁰ North Mercer District's revised the Taxes Other Than Income adjustment to a \$6,390 total increase.⁸¹ Commission Staff reviewed North Mercer District's revised Taxes Other Than Income adjustment calculation and agreed with the \$6,390 total increase to reflect current employee wage rates and current employee staffing levels.⁸²

⁷⁹ Amended Application, Attachment 4, Schedule of Adjusted Operations, Adjustment I.

⁸⁰ North Mercer District's Response to Staff's Second Request, Item 7b.

⁸¹ North Mercer District's Response to Staff's Second Request, Item 7b.

⁸² Commission Staff's Report at 19–20.

The Commission finds that North Mercer District's \$6,390 total increase is known and measurable because it reflects the current wage rates and that the adjustment to pro forma Operating Expense and should be accepted.

Interest Income. In its application, North Mercer District proposed a \$7,876 decrease to Interest Income to reflect the removal of one-time interest earnings recognized on interim financing payoff.⁸³ Commission Staff agreed with the removal of the one-time interest earning because it will not recur. Commission Staff recommended the Commission accept North Mercer District's \$7,876 decrease to Interest Income to reflect current Interest Income for the district.⁸⁴

The Commission finds that North Mercer District's \$7,876 decrease to interest income is reasonable because it removes a one-time interest earning that will not recur, and that the adjustment to pro forma Operating Expense should be accepted.

OVERALL 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. 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;⁸⁵ (3) the

⁸³ Amended Application, Attachment 4, Schedule of Adjusted Operations, Adjustment L.

⁸⁴ Commission Staff's Report at 20.

⁸⁵ 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

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

Pro Forma Operating Expenses	\$ 2,837,611
Plus: Average Annual Principal and Interest Payments	457,552
Additional Working Capital	<u>91,510</u>
Total Revenue Requirement	3,386,673
Less: Other Operating Revenue	(83,854)
Income from Leased utility plant	(6,000)
Interest Income and Dividend Income	<u>(20,869)</u>
Revenue Required From Water Sales	3,275,950
Less: Revenue from Sales with Present Rates	<u>(2,954,846)</u>
Required Revenue Increase	<u><u>\$ 321,104</u></u>
Percent Increase	<u><u>10.87%</u></u>

Annual Principal and Interest Payments. At the time of Commission Staff’s review, North Mercer District had four outstanding Kentucky Rural Water Finance Corporation bonds and one Water Works Revenue Bond.⁸⁶ North Mercer District requested recovery of the average annual principal and interest on its indebtedness based on a five-year average of the annual principal, and interest and fee payments for the years 2024 through 2028.⁸⁷ Commission Staff agreed with the methodology North Mercer District proposed and recommended that \$457,552 be included in the revenue requirement calculation.⁸⁸

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).

⁸⁶ Amended Application, Attachment 10.

⁸⁷ Amended Application, Table B, Debt Service Schedule.

⁸⁸ Commission Staff’s Report at 21–22.

The Commission finds that North Mercer District’s requested recovery of the average interest expense on its indebtedness based on a five-year average of the annual interest expense for the years 2024 through 2028 of \$457,552 is known and measurable and should be included in the overall revenue requirement formula.

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. North Mercer District requested recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments for its long-term debt.⁸⁹ Following the Commission’s historic practice of including additional working capital, Commission Staff recommended \$91,510 be included in the revenue requirement.⁹⁰

Average Annual Principal and Interest	\$ 457,552
Times: DSC Coverage Ratio	<u>120%</u>
Total Net Revenues Required	549,062
Less: Average Annual Principal and Interest Payments	<u>(457,552)</u>
Additional Working Capital	<u><u>\$ 91,510</u></u>

The Commission finds North Mercer District’s requested recovery of the allowance for working capital that is equal to 120 percent of its average annual debt payments for its long-term debt reasonable and a part of Commission’s historic practice and should be included in the overall revenue requirement formula.

⁸⁹ Application, Revenue Requirements Using Debt Service Coverage Method.

⁹⁰ Commission Staff’s Report at 22.

RATE DESIGN

Monthly Water Service Rates. North Mercer District proposed to increase its monthly retail water service rates by approximately 8.97 percent across the board through its Rate Study.⁹¹ However, North Mercer District filed a corrected version of its Rate Study in its response to Staff's Second Request in which North Mercer District then proposed to increase its monthly retail water service rates by approximately 11.25 percent across the board.⁹² Commission Staff utilized the revised Rate Study provided by North Mercer District and allocated Commission Staff's recommended \$321,104, or 10.87 percent, revenue increase to the monthly retail water service rates.

While Commission Staff recommended a 10.87 percent revenue increase, it also noted that a 10.87 percent across the board increase to its water rates results in an approximate \$17,025 over-recovery, which would result in rates that are not fair, just and reasonable to North Mercer District's customers. Commission Staff noted that the rate study provided by North Mercer District, reflected a \$17,423 over-recovery of water rates.⁹³ Therefore, to properly meet the \$3,301,302 Revenue Requirement from Water Sales, Commission Staff increased recommended water rates by approximately 10.33 percent across the board to ensure that the discrepancy is minimized while providing fair, just and reasonable rates to North Mercer District's customers.

⁹¹ North Mercer District's Response to Staff's First Request, Item 19.

⁹² North Mercer District's Response to Staff's Second Request, Item 7b.

⁹³ North Mercer District's Response to Staff's First Request, Item 1d, https://psc.ky.gov/pscecf/2023-00185/SReid312%40Outlook.com/02142024105221/1_d_2022_TY_North_Mercer_Rate_Study.xlsx, tab PrBA, cell G11.

The Commission finds that the revised revenue requirement and rates in Appendix B are fair, just and reasonable. The rates, as calculated by Commission Staff, which are set forth in Appendix B to this Order, are based upon the revenue requirement, and will produce sufficient revenues from water sales to recover the \$3,275,950 Revenue Required from Rates, while minimizing over-recovery for the district. The rates will increase a typical residential customer's monthly water bill using 4,000 gallons a month from \$50.12 to \$55.30, an increase of \$5.18, or approximately 10.33 percent.

Nonrecurring Charges. Following the Commission's recent decisions,⁹⁴ Commission Staff has reviewed North Mercer District's nonrecurring charges. The Commission has found that because district personnel are currently paid during normal business hours and the labor costs are recovered in rates, estimated labor costs previously included in determining the amount of Nonrecurring Charges should be eliminated. Commission Staff reviewed the cost justification information provided by North Mercer District and adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs from those charges which occur during normal business hours.⁹⁵

⁹⁴ 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).

⁹⁵ North Mercer District's Response to Staff's First Request, Item 15.

Description	Num.	Current Rate	Total	Revised Rate	Adj	Pro Forma
Meter Reinstall	0	\$50	\$0	\$42	\$0	\$0
Meter Reread Charge	0	\$45	0	\$37	0	0
Meter Test Charge	0	\$75	0	\$40	0	0
Reconnect Charge	323	\$50	16,150	\$59	2,907	19,057
Returned Check Charge	83	\$25	2,075	\$6	(1,577)	498
Service Call Charge	166	\$30	4,980	\$37	1,162	6,142
Service Call After Hours Charge	0	\$50	0	\$153	0	0
Service Call and Unlock Charge	0	\$30	0	\$37	0	0
Total Miscellaneous Service Revenues			<u>\$23,205</u>		<u>\$2,492</u>	<u>\$25,697</u>

The calculation of these revised rates is displayed below and the table to show the calculations can be found in Appendix A of this Order.

<u>Description</u>	<u>Current Rate</u>	<u>Revised Rate</u>
Meter Reinstall	\$50	\$42
Meter Reread Charge	\$45	\$37
Meter Test Charge	\$75	\$40
Reconnect Charge	\$50	\$59
Returned Check Charge	\$25	\$6
Service Call Charge	\$30	\$37
Service Call After Hours Charge	\$50	\$153
Service Call and Unlock Charge	\$30	\$37

The Commission finds that the adjustments removing field labor and office/clerical labor costs,⁹⁶ and rounding to the nearest dollar for administrative ease are reasonable

⁹⁶ 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).

with the evidence in the record and for reasons set forth in the Miscellaneous Service Revenues section above.

Tap Fee. North Mercer District did not request revisions to its current Tap Fee of \$1,400. The Commission finds that the current Tap Fee of \$1,400 is reasonable based on the updated expenses contained in North Mercer District's updated cost justification sheets.⁹⁷

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, are supported by the evidence of record and are reasonable. By applying the Debt Service Coverage method to North Mercer District's pro forma operations results in an Overall Revenue Requirement of \$3,386,673 and that a \$321,104 revenue increase, or 10.87 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement. The rates in Appendix B are based upon the revised revenue requirement and will assist in minimizing over-recovery for the district.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Commission Staff's Report, are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water service rates proposed by North Mercer District are denied.
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by North Mercer District on or after date of service of this Order.

⁹⁷ North Mercer District's Response to Staff's First Request, Item 16.

4. Within 20 days of the date of service of this Order, North Mercer District 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.

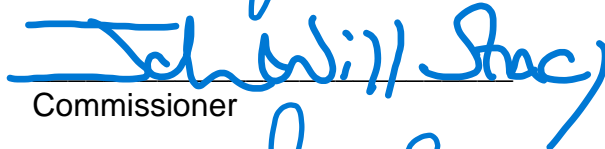
5. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00185 DATED OCT 08 2024

Nonrecurring Charges Adjustments

Service Call and Unlock Charge/Service
Call Charge

	North Mercer Revised Charge	Staff Revised Charge
Field Materials	\$12.75	\$12.75
Field Labor	77.25	0.00
Supplies	5.98	5.98
Office Labor	10.50	0.00
Transportation Expense	2.97	2.97
Other	15.56	15.56
Total Nonrecurring Charge Expense	\$125.01	\$37.26
Rounded to	\$125.00	\$37.00
Current Rate	\$30.00	

Meter Reinstall Charge

	North Mercer Revised Charge	Staff Revised Charge
Field Materials	\$17.89	\$17.89
Field Labor	77.25	0.00
Supplies	5.98	5.98
Office Labor	10.50	0.00
Transportation Expense	2.97	2.97
Other	15.56	15.56
Total Nonrecurring Charge Expense	\$130.15	\$42.40
Rounded to	\$130.00	\$42.00
Current Rate	\$50.00	

Meter Test Charge

	North Mercer Revised Charge	Staff Revised Charge
Field Materials	\$15.20	\$15.20
Field Labor	77.25	0.00
Supplies	5.98	5.98
Office Labor	10.50	0.00
Transportation Expense	2.97	2.97
Other	15.56	15.56
Total Nonrecurring Charge Expense	\$127.46	\$39.71
Rounded to	\$127.00	\$40.00
Current Rate	\$75.00	

Meter Reread Charge

	North Mercer Revised Charge	Staff Revised Charge
Field Materials	\$12.75	\$12.75
Field Labor	77.25	0.00
Supplies	5.98	5.98
Office Labor	10.50	0.00
Transportation Expense	2.97	2.97
Other	15.56	15.56
Total Nonrecurring Charge Expense	\$125.01	\$37.26
Rounded to	\$125.00	\$37.00
Current Rate	\$45.00	

Reconnect Charge

	North Mercer Revised Charge	Staff Revised Charge
Field Materials	\$15.20	\$15.20
Field Labor	109.43	0.00
Supplies	5.98	5.98
Office Labor	10.50	0.00
Transportation Expense	2.97	2.97
Other	2.50	2.50
Insurance	0.75	0.75
Gas	31.12	31.12
Total Nonrecurring Charge Expense	\$175.00	\$58.52
Rounded to	\$175.00	\$59.00
Current Rate	\$50.00	

Returned Check Charge

	North Mercer Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor	\$0.00	\$0.00
Supplies	5.98	5.98
Office Labor	19.02	0.00
Transportation Expense	0.00	0.00
Total Nonrecurring Charge Expense	\$25.00	\$6.00
Rounded to	\$25.00	\$6.00
Current Rate	\$25.00	

Service Call Charge After Hours

	North Mercer Revised Charge	Staff Revised Charge
Field Materials	\$12.75	\$12.75
Field Labor	115.88	115.88
Supplies	5.98	5.98
Office Labor	10.50	0.00
Transportation Expense	2.97	2.97
Other	15.56	15.56
Total Nonrecurring Charge Expense	\$163.54	\$153.14
Rounded to	\$164.00	\$153.00
Current Rate	\$50.00	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00185 DATED OCT 08 2024

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

Monthly Water Rates

5/8-Inch Meter

First	1,000 Gallons	\$22.60	Minimum Bill
Over	1,000 Gallons	0.01090	Per Gallon

1-Inch Meter

First	2,500 Gallons	\$40.49	Minimum Bill
Over	2,500 Gallons	0.01090	Per Gallon

2-Inch Meter

First	10,000 Gallons	\$121.14	Minimum Bill
Over	10,000 Gallons	0.01090	Per Gallon

Bulk Rate

0.00743	Per Gallon
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Nonrecurring Charges

Meter Reinstall	\$42
Meter Reread Charge	\$37
Meter Test Charge	\$40
Reconnect Charge	\$59
Returned Check Charge	\$6
Service Call Charge	\$37
Service Call After Hours Charge	\$153
Service Call and Unlock Charge	\$37

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