

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF RATTLESNAKE)	CASE NO.
RIDGE WATER DISTRICT FOR A RATE)	2023-00338
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

ORDER

On December 1, 2023,¹ Rattlesnake Ridge Water District (Rattlesnake Ridge 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 Rattlesnake Ridge 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. 2021-00340,³ which required Rattlesnake Ridge District to file an application for an adjustment of its base rates by July 31, 2023. Rattlesnake Ridge District's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2013-00338.⁴ Since that matter, Rattlesnake Ridge District has only

¹ Rattlesnake Ridge District tendered its application on November 20, 2023. By letter dated November 21, 2023, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on December 1, 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. 2021-00340, *Electronic Investigation into the Financial and Operating Capacity of Rattlesnake Ridge Water District Including Rattlesnake Ridge Water District and Its Individual Commissioners, and Manager David Gifford for Alleged Failure to Comply With KRS 278.300 as Well as Possible Vacancies on the Board of Commissioners of Rattlesnake Ridge Water District* (Ky. PSC Oct. 18, 2021), opening Order.

⁴ Case No. 2013-00338, *Alternative Rate Adjustment Filing of Rattlesnake Ridge Water District*.

adjusted its rates pursuant to financing approval or in conjunction with an application for a Certificate of Public Convenience and Necessity pursuant to KRS 278.023.

In its application, Rattlesnake Ridge District requested rates that would increase its base rate revenue by \$535,183 or 18.84 percent to pro forma present rate water sale revenues.⁵ Rattlesnake Ridge District also proposed a monthly water loss reduction surcharge of \$5.84 per customer.⁶ The rates requested by Rattlesnake Ridge District would increase the residential monthly bill of a typical residential customer using 4,000 gallons per month by \$12.48 from \$66.26 to \$78.74, or approximately 18.84 percent.⁷ The residential monthly bill when the proposed surcharge is added would increase a typical residential customer using 4,000 gallons per month by \$18.32 from \$66.26 to \$84.58, or approximately 27.65 percent.⁸

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated December 21, 2023. The procedural schedule was amended by Orders entered February 8, 2024, and April 22, 2024. Rattlesnake Ridge District partially responded to two discovery requests⁹ from Commission Staff, and Commission Staff conducted one field review. On March 27, 2024, Rattlesnake Ridge District was ordered to respond to all outstanding responses to requests for information.

⁵ Application, Exhibit 4, Revenue Requirement table.

⁶ Application, Attachment 1, Customer Notice.

⁷ Rattlesnake Ridge District's Response to Deficiency Letter (filed Nov. 30, 2023), Attachment 3, Revised Customer Notice.

⁸ Rattlesnake Ridge District's Response to Deficiency Letter, Revised Customer Notice.

⁹ Rattlesnake Ridge District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Jan. 22, 2024); Rattlesnake Ridge District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Feb. 27, 2024).

Rattlesnake Ridge District provided supplemental responses on March 21, 2024, March 28, 2024, and April 1, 2024.

Commission Staff issued its report (Commission Staff's Report) on May 10, 2024, summarizing its findings and recommendations regarding Rattlesnake Ridge District's requested rate adjustment. In the Commission Staff's Report, Commission Staff found that Rattlesnake Ridge District's adjusted test-year operations support an overall revenue requirement of \$3,050,794, and that a \$172,023 revenue increase, or 6.05 percent, to pro forma present rate revenues was necessary to generate the overall revenue requirement.¹⁰ The Commission Staff's Report recommended a monthly water loss reduction surcharge of \$5.53 per customer.¹¹ In the absence of a cost of service study (COSS), Commission Staff allocated its recommended revenue increase evenly across the board to calculate its recommended water rates.¹²

On May 21, 2024, Rattlesnake Ridge District filed a response to Commission Staff's Report. Rattlesnake Ridge District stated that the Commission Staff's Report relied on the water loss reported in the District's 2022 Annual Report and does not reflect recent water loss reductions achieved by Rattlesnake Ridge District.¹³ Rattlesnake Ridge reported that its latest project approved in Case No. 2022-00426,¹⁴ it has already replaced

¹⁰ Commission Staff's Report (Ky. PSC May 10, 2024) at 7.

¹¹ Commission Staff's Report at 8.

¹² Commission Staff's Report at 9.

¹³ Rattlesnake Ridge District's Response to Commission Staff's Report (filed May 21, 2024).

¹⁴ Case No. 2022-00426, *Electronic Application of Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Feb. 17, 2023).

4,237 of its customer's meters, many of which were old and poorly functioning. Additionally, Rattlesnake Ridge stated it will install new zone meters in the system to assist with water loss reduction. This project, and additional efforts by Rattlesnake Ridge District has resulted in significant reduction to water loss.¹⁵ Rattlesnake Ridge District submitted its January, February, and March 2024 Monthly Water Use Reports that show water loss percentages of 26.9 percent, 20.1 percent, and 28.5 percent respectively.¹⁶ Rattlesnake Ridge District requested that the Commission take into consideration what it considered "the known and measurable" reduction in Rattlesnake Ridge District's percentage of water loss according to the submitted Water Use Reports, and adjust rates set out in the Commission Staff's Report, accordingly.¹⁷

Rattlesnake Ridge District also stated that it did not agree with Commission Staff's removal of certain labor expenses from the Nonrecurring Charges but did not wish to contest the adjustment.¹⁸ Rattlesnake Ridge District stated it concurs with the remainder of the findings presented in the Commission Staff's Report and waived the right to request an informal conference or hearing.¹⁹

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

¹⁵ Rattlesnake Ridge District's response to Commission Staff's Report (filed May 21, 2024).

¹⁶ Rattlesnake Ridge District's response to Commission Staff's Report, 2024_monthly_water_loss_reports.pdf.

¹⁷ Rattlesnake Ridge District's Response to Commission Staff's Report (filed May 21, 2024).

¹⁸ Rattlesnake Ridge District's Response to Commission Staff's Report (filed May 21, 2024).

¹⁹ Rattlesnake Ridge District's Response to Commission Staff's Report (filed May 21, 2024).

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."²⁰ Further, the utility bears the burden of proof to show that the proposed rate increase is just and reasonable under KRS 278.190(3).

BACKGROUND

Rattlesnake Ridge 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 4,213 residential customers and 15 commercial customers that reside in Carter, Elliott, Lawrence, Lewis, and Morgan counties, Kentucky.²¹

UNACCOUNTED-FOR WATER LOSS

The Commission notes that in its 2022 Annual Report, Rattlesnake Ridge District reported a water loss of 64.5211 percent.²² During the last five years, Rattlesnake Ridge District has consistently had water loss in excess of 50 percent²³ as shown in the following

²⁰ *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).

²¹ *Annual Report of Rattlesnake Ridge District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 12 and 49.

²² 2022 Annual Report at 57.

²³ *Annual Report of Rattlesnake Ridge District to the Public Service Commission for the Calendar Year Ended December 31, 2018* (2018 Annual Report) at 57; *Annual Report of Rattlesnake Ridge District to the Public Service Commission for the Calendar Year Ended December 31, 2019* (2019 Annual Report) at 57; *Annual Report of Rattlesnake Ridge District to the Public Service Commission for the Calendar Year Ended December 31, 2020* (2020 Annual Report) at 57; *Annual Report of Rattlesnake Ridge District to the Public Service Commission for the Calendar Year Ended December 31, 2021* (2021 Annual Report) at 57; and 2022 Annual Report at 57.

table. Rattlesnake Ridge District was a party to Commission’s investigation into excessive water loss.²⁴

Year	Loss	Percentage
2018	359,779	59.5251%
2019	397,286	63.1033%
2020	386,233	63.3080%
2021	410,770	64.2511%
2022	410,770	64.2511%

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 following table shows that the 2022 total annual cost of water loss to Rattlesnake Ridge District is \$366,142, while the annual cost of water loss in excess of 15 percent is \$280,662.

	Purchased Power Expense	Chemicals & Lab Testing	Total
Pro Forma Expenses	\$ 340,180	\$ 229,681	\$ 569,861
Multiply by: Total Water loss	64.2511%	64.2511%	64.2511%
Total Water Loss	\$ 218,569	\$ 147,573	\$ 366,142

	Purchased Power Expense	Chemicals & Lab Testing	Total
Pro Forma Expenses	\$ 340,180	\$ 229,681	\$ 569,861
Multiply by: Water loss in Excess of 15 Percent	49.2511%	49.2511%	49.2511%
Excess Cost	\$ 167,542	\$ 113,120	\$ 280,662

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold.²⁵ In recognition

²⁴ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky’s Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2021).

²⁵ See generally Commission Final Orders for Rate Applications from 2017-present for language explaining the greater emphasis on encouraging efforts to reduce water loss and including the approximate amount of money the lost water represented to the utility. Case No. 2017-00176, *Electronic Application of*

of this, Rattlesnake Ridge District requested to implement a water loss reduction surcharge in its application.²⁶ The Commission notes that current rate of water loss is unacceptable and the Commission expects Rattlesnake Ridge District to focus on, and prioritize combating, excessive water loss. The Commission strongly encouraged Rattlesnake Ridge District to study its system to identify the sources of unaccounted-for water loss.²⁷ This is the logical first step toward developing the comprehensive plan to improve Rattlesnake Ridge District's infrastructure and eliminate the identified sources of excessive water loss.

In addition, the Commission encourages Rattlesnake Ridge District to perform an annual a detailed analysis of its rates and revenues and to file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076 within three years of this Order.

TEST PERIOD

The calendar year ended December 31, 2022, was used as the test year to determine the reasonableness of Rattlesnake Ridge District's existing and proposed water rates as required by 807 KAR 5:076, Section 9.²⁸

Estill County Water District No. 1 for Rate Adjustment Pursuant to 807 KAR 5:076 (Ky. PSC Dec. 20, 2017), Order at 4.

²⁶ Application, Attachment 1, Customer Notice.

²⁷ Commission Staff's Report at 4.

²⁸ 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,

SUMMARY OF REVENUES AND EXPENSES

The Commission Staff's Report summarize Rattlesnake Ridge District's pro forma income statement as follows.²⁹

	2022 Test Year	Pro Forma Adjustments	Commission Staff Report Pro Forma
Total Operating Revenues	\$3,077,405	\$ (201,307)	\$2,876,098
Utility Operating Expenses	2,997,820	(621,020)	2,376,800
Net Utility Operating Income	79,585	419,713	499,298
Interest and Dividend Income	2,673	-	2,673
Nonutility Income	1,980	(1,980)	-
Total Utility Operating Income	<u>\$ 84,238</u>	<u>\$ 417,733</u>	<u>\$ 501,971</u>

REVIEW OF COMMISSION STAFF'S RECOMMENDATIONS

Rattlesnake Ridge District proposed adjustment to its revenues and expenses to reflect current and expected operating conditions. In the Commission Staff's Report, Commission Staff proposed additional adjustments. The Commission accepts the recommendations contained in the Commission Staff's Report. The Commission has no further modifications. The following is the Commission Staff's complete pro forma:

2003); and Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018).

²⁹ Commission Staff identified a formula error that excluded a proposed decrease of \$344,115 to Rattlesnake Ridge District's Pro Forma Miscellaneous Expense, which causes the Operating Expenses in its Schedule of Adjusted Operations to be overstated by \$344,115.²⁹ Commission Staff corrected the error in its revenue requirement recommendation. Rattlesnake Ridge District's proposed revenue requirement, inclusive of the error, is shown below, as well as Commission Staff's calculation of the Revenue Requirement after correcting the error.

	2022 Unadjusted Test Year	Total Proposed Adjustments	Pro Forma	Commission Proposed Adjustment	Commission Approved Pro Forma
Operating Revenues					
Metered Water Sales	\$ 3,077,405	\$ (47,858) (62,400) (125,928)	\$ 2,841,219	\$ -	\$ 2,841,219
Total Metered Water Sales	3,077,405	(236,186)	2,841,219	-	2,841,219
Misc Service Revenue					
Other Water Revenues					
Forfeited Discounts	-	11,669	11,669	-	11,669
Misc. Service Revenues	-	23,210	23,210	-	23,210
Other Water Revenues	-	-	-	-	-
Total Other Water Revenues	-	34,879	34,879	-	34,879
Total Operating Revenues	3,077,405	(201,307)	2,876,098	-	2,876,098
Operating Expenses					
Operation and Maintenance Expenses					
Salaries and Wages - Employees	667,593	24,714 (18,720)	673,587	-	673,587
Salaries and Wages - Officers	32,500	(2,500)	30,000	-	30,000
Employee Pensions	176,828	(20,516)	156,312	-	156,312
Employee Benefits	61,803	(53,557) (29,280)	(21,034)	-	(21,034)
Purchased Power	-	340,180 (167,542)	172,638	-	172,638
Chemicals	-	229,681 (113,120)	116,561	-	116,561
Materials and Supplies	-	76,482 (43,680)	32,802	-	32,802
Contractual Services	23,624	-	23,624	-	23,624
Contractual Services - Water Testing	-	13,972	13,972	-	13,972
Transportation Expenses	53,442	-	53,442	-	53,442
Advertising Expense	1,092	-	1,092	-	1,092
Insurance- Gen. Liab. & Workers Comp.	234,054	(178,441)	55,613	-	55,613
Miscellaneous Expense	853,327	(344,115) (229,681) (76,482) (13,972) 27,648	216,725	-	216,725
Total Operation and Maintenance Expenses	2,104,263	(578,929)	1,525,334	-	1,525,334
Amortization		2,750	2,750	-	2,750
Depreciation	840,000	(48,048)	793,460	-	793,460
Taxes Other Than Income	53,557	1,699	55,256	-	55,256
Utility Operating Expenses	2,997,820	(621,020)	2,376,800	-	2,376,800
Net Operating Income	79,585	419,713	499,298	-	499,298
Interest and Dividend Income	2,673	-	2,673	-	2,673
Nonutility Income	1,980	(1,980)	-	-	-
Income Available to Service Debt	\$ 84,238	\$ 417,733	\$ 501,971	\$ -	\$ 501,971

Commission Staff noted that it had concerns with the possibility that Rattlesnake Ridge District has been charging fees that are not included as part of its tariff.³⁰ Rattlesnake Ridge District had occurrences of return check fees, fee for reject/return invoice cloud, and reject/return payment from invoice cloud as shown in the table below.³¹ Commission Staff did not identify any reference to these charges in Rattlesnake Ridge District's current tariff and canceled tariff pages on file with the Commission. Rattlesnake Ridge District listed these charges as recurring.³² Therefore, Commission Staff recommended that Rattlesnake Ridge District's apparent failure to comply with its tariff be included in the open investigation in Case No. 2021-00340.³³ Commission Staff further recommended that Rattlesnake Ridge District file with the Commission a tariff sheet that complies with all requirements pursuant to 807 KAR 5:011, including all proper notice requirements, prior to charging customers any fees not currently included in the tariffs.³⁴

³⁰ Commission Staff's Report at 11.

³¹ Rattlesnake Ridge District's Response to filing deficiencies (filed Nov. 30, 2023), Revised_11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, Misc. service revenues Tab, Cells F21 and F22

³² Rattlesnake Ridge District's Response to Staff's Second Request, Item 27, 27_Misc_service_revenues.xlsx, Column K.

³³ Case No. 2021-00340, *Electronic Investigation into the Financial and Operating Capacity of Rattlesnake Ridge Water District Including Rattlesnake Ridge Water District and Its Individual Commissioners, and Manager David Gifford for Alleged Failure to Comply with KRS 278.300 as well as Possible Vacancies on the Board of Commissioners of Rattlesnake Ridge Water District*; Commission Staff's Report at 11-12.

³⁴ Commission Staff's Report at 12.

<u>Miscellaneous service revenues</u>	<u>Amount Collected</u>
Return Check Charge	\$ 959
Fee for reject/ return Invoice cloud	1,559
Reject/ Return pymt from Invoice cloud	<u>7,101</u>
Total	<u>\$ 9,619</u>

In addition, while Commission Staff reviewed Rattlesnake Ridge District’s Current Tariff, the price charged for 5/8-inch X 3/4-Inch Meter Connection Fees is listed as \$1,200, effective as of November 11, 2022.³⁵ However, the Water User Contract on file with the Commission states that Rattlesnake Ridge collects \$700 for the installation fee.³⁶ Commission Staff recommended that Rattlesnake Ridge submit an updated Water User Contract that reflects the updated connection Charge of \$1,325.³⁷

The Commission finds that, as discussed above, Rattlesnake Ridge District should file any tariff amendments or updates to accurately reflect its services and charges provided.

PRO FORMA OPERATING STATEMENT

Miscellaneous Service Revenues. During the test year, Rattlesnake Ridge District included Miscellaneous Service Revenues as part of Metered Water Sales. In its application, Rattlesnake Ridge District proposed an adjustment to decrease Metered Water Sales by \$47,858 and increase Miscellaneous Service Revenues by \$47,858.³⁸

³⁵ Rattlesnake Ridge District’s Current Tariff, Non-Recurring Charges, Sheet 3 at 5.

³⁶ Rattlesnake Ridge District’s Current Tariff at 19.

³⁷ Rattlesnake Ridge District’s Response to Staff’s First Request, Item 14_revised_tap_fee_charge.pdf.

³⁸ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment A.

The adjustment is to reflect that these revenues should be reclassified as Miscellaneous Service Revenues.³⁹ The calculations of these revised nonrecurring charges are in Appendix A and the revised charges are in Appendix B.

Additionally, during the test year, Rattlesnake Ridge District double recorded the Reconnection Fee Revenues. Rattlesnake Ridge District reported \$1,755 for Reconnections as part of Metered Water Sales.⁴⁰ The \$1,755 is part of the \$47,858 adjustment proposed by Rattlesnake Ridge District.⁴¹ Rattlesnake Ridge District also reported \$1,980 for Non-Operating Revenue.⁴² During its review of Rattlesnake Ridge District's Adjusted Trial Balance, Commission Staff noticed \$1,980 was reported for Reconnection Fee's unadjusted Balance.⁴³ Reconnection Fees should be reported as part of Miscellaneous Service Revenue and not part of Nonutility income. Therefore, Commission Staff reduced Nonutility Income by \$1,980 in order to remove the double counting of reconnection fees leaving it only as part of Miscellaneous Service Revenues.⁴⁴

³⁹ Application, Exhibit 4, References, Adjustment A.

⁴⁰ Rattlesnake Ridge District's Response to filing deficiencies, Attachment 11, Revised_11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, Misc. service revenues Tab, Cell F26.

⁴¹ Application, 11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, Misc. service revenues tab, Column F.

⁴² Rattlesnake Ridge District's Response to filing deficiencies, Attachment 11, Revised_11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, SOA Tab, Cell G65.

⁴³ Rattlesnake Ridge District's Response to Staff's First Request, Item 4; Commission Staff's Report at 14.

⁴⁴Commission Staff's Report at 14.

In response to Staff's First Request, Rattlesnake Ridge District provided cost justification sheets for the Nonrecurring Charges.⁴⁵ Commission Staff reviewed the responses to the information requests, the cost justification sheets, and the general ledger.⁴⁶ Commission Staff decreased Miscellaneous Service Revenues by \$24,648 by removing field labor and clerical/office labor to nonrecurring charges that are accomplished during normal office hours, as well as other charges misplaced into this category.⁴⁷ As noted above, the proposed adjustments made by Commission Staff result in a pro forma amount of \$23,210.⁴⁸

The Commission finds that Commission Staff's recommended adjustments are reasonable. The Commission agrees that Miscellaneous Service Revenues should be separately categorized from Metered Water Sales. The double counting of reconnection fee revenues would overstate Rattlesnake Ridge District's revenues. Finally, the Commission notes that the removal of field labor and office/clerical labor costs follow previous Commission precedent as discussed in the Commission Staff's Report.⁴⁹

⁴⁵ Rattlesnake Ridge District's Response to Staff's Second Request, Item 13.

⁴⁶ Commission Staff's Report at 15.

⁴⁷ Commission Staff's Report at 15.

⁴⁸ Commission Staff's Report at 15.

⁴⁹ 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).

Removal of Tap Fees. In its application, Rattlesnake Ridge District reported \$3,077,405 in Metered Water Sales.⁵⁰ Commission Staff determined, by reviewing the Trial Balance, that the total is composed of \$39,900 tap fees, \$28,035 termination fees, and \$3,009,470 of metered Water Sales.⁵¹ According to the Uniformed System of Accounts (USoA), funds received from the installation of meters should be recorded as Contributions in Aid of Construction⁵² and credited to Account 271 – Contributions in Aid of Construction, not revenues. In the application, Rattlesnake Ridge District reported 52 new service installation connections, 48 installations were recorded at the previous rate of \$700, while 4 installations were recorded at the current rate of \$1,200.⁵³ Commission Staff proposed that, going forward, all water connections will be recorded at the current \$1,200 rate, resulting in a Normalized Tap Fees collected amount of \$62,400.⁵⁴ Therefore, Commission Staff decreased Metered Water Sales by \$62,400, in order to remove the normalized tap fee revenue from Metered Water Sales.⁵⁵

The Commission finds that Commission Staff's recommended adjustments are reasonable and should be accepted. Rattlesnake Ridge District's Metered Water Sales should decrease by \$62,400 because, as stated, according to the USoA amounts

⁵⁰ Application, Rattlesnake Ridge District's Response to filing deficiencies (filed Nov. 30, 2023), Revised_11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx.

⁵¹ Rattlesnake Ridge District's Response to Staff's First Request, Item 1b, 1_b_2022_RRWD_Trial_Balance.xlsx; Commission Staff's Report at 15.

⁵² National Association of Regulatory Utility Commissioners (NARUC), USoA for Class A/B Water Companies at 98, Section 334 Meters and Meter Installation, Note C.

⁵³ Rattlesnake Ridge District's Response to Staff's First Request, Item 4.

⁵⁴ 55 new water connections * \$1,200 per connections = \$62,400 New Connections collected; Commission Staff's Report at 16.

⁵⁵ Commission Staff's Report at 16.

received from the installation of meters should not be recorded as revenue but should be recorded as Contributions in Aid of Construction⁵⁶ and credited to Account 271 – Contributions in Aid of Construction. Furthermore, using the USoA follows Commission precedent that has previously been adopted by the Commission.⁵⁷

Billing Analysis. In its Application, Rattlesnake Ridge District proposed an adjustment to decrease its test year general water sales revenues of \$3,077,405 by \$188,328,⁵⁸ to reflect the rate changes approved in Case No. 2022-00426.⁵⁹ On February 17, 2023, Rattlesnake Ridge District was granted a Certificate of Public Convenience and Necessity (CPCN) for a construction project which included a rate increase.⁶⁰ Commission Staff reviewed the billing analysis, and the rate increase approved in Case No. 2022-00426,⁶¹ and recommended a decrease to test-year general water sales revenues of \$125,928.⁶² Commission Staff adjusted the water sales revenue

⁵⁶ Uniform System of Accounts for Class A/B Water Companies at 98, Section 334, Meters and Meter Installation, Note C.

⁵⁷ Case No. 2022-00136, *Electronic Application of Breathitt County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 31, 2024) at 8–9; Uniform System of Accounts for Class A/B Water Companies at 1.

⁵⁸ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment B.

⁵⁹ Case No. 2022-00426, *Electronic Application of Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Feb. 17, 2023), final Order.

⁶⁰ Case No. 2022-00426, *Electronic Application of Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Feb. 17, 2023), final Order.

⁶¹ See Case No. 2022-00426, *Electronic Application of Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Feb. 17, 2023).

⁶² Commission Staff's Report at 16.

to account for the removal of certain charges and revenues previously discussed from the general water sales.⁶³ With these adjustments Commission Staff calculated a normalized test-year general water sales revenues of \$2,841,219. Commission Staff recommended that the Commission approve these adjustments.⁶⁴

An examination of Rattlesnake Ridge District's billing analysis was completed by Commission Staff and a normalized revenue was based on the information provided. The Commission finds that Commission Staff's recommended adjustments are reasonable and should be accepted.

Forfeited Discounts. Rattlesnake Ridge District provided information to Commission Staff indicating revenue of \$11,669 in late fees.⁶⁵ However, Rattlesnake Ridge District did not include the late fee revenues in the application or in its 2022 annual report.⁶⁶ Commission Staff recommended increasing Forfeited Discounts by \$11,669 in order to properly record the collection of the late fees.⁶⁷

The Commission finds that Commission Staff's recommended adjustments are reasonable and should be accepted in order to appropriately reflect the known and measurable late fee revenues.

⁶³ Commission Staff's Report at 15–16.

⁶⁴ Commission Staff's Report at 16.

⁶⁵ Rattlesnake Ridge District's Response to filing deficiencies, Attachment 11, Revised_11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, Misc. service revenues Tab, Cell G15.

⁶⁶ Rattlesnake Ridge District's Response to filing deficiencies, Attachment 11, Revised_11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, SAO Tab, Row 11.

⁶⁷ Commission Staff's Report at 17.

Salaries and Wages - Employees. In its application, Rattlesnake Ridge District proposed an adjustment to increase Salaries and Wages – Employees by \$48,052,⁶⁸ to reflect an increase to individual wage rates and an addition of a full-time employee.⁶⁹ Rattlesnake Ridge District provided the test-year employee list,⁷⁰ test-year hours worked,⁷¹ current wage rates,⁷² and a current employee list.⁷³ Comparing the test-year payroll register to the current payroll register revealed that, subsequent to the test year, Rattlesnake Ridge District hired three new employees and lost six employees. Commission Staff normalized the new employees' normal hours to 2,080 hours.⁷⁴ Therefore, the change of employees resulted in a net increase of 987 hours, as shown in the following table. In addition, subsequent to the test year, employees received an increase in wages.⁷⁵

⁶⁸ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment D.

⁶⁹ Application, Exhibit 4, References, Adjustment D.

⁷⁰ Rattlesnake Ridge District's Response to Staff's Second Request, Item 21, 26_Payroll_Register_Report_2022.pdf (filed Mar. 21, 2024).

⁷¹ Rattlesnake Ridge District's Response to Staff's Second Request, Item 21, 26_Payroll_Register_Report_2022.pdf (filed Mar. 21, 2024).

⁷² Rattlesnake Ridge District's Response to Staff's First Request, Item 2, 2_payroll_register.pdf.

⁷³ Rattlesnake Ridge District's Response to Staff's First Request, Item 2, 2_payroll_register.pdf.

⁷⁴ Commission Staff's Report at 17.

⁷⁵ Rattlesnake Ridge District's Response to Staff's First Request, Item 2, 2_payroll_register.pdf.

Employee Number	Total Hours Worked
112	(212)
133	(2,197)
137	(447)
128	(747)
136	(463)
138	(1,188)
139	2,080
140	2,080
141	2,080
Net Change of Hours Worked	<u>987</u>

In its application, Rattlesnake Ridge District included bonuses in the calculation for pro forma Salaries and Wages – Employees.⁷⁶ Rattlesnake Ridge District explained the bonuses were the Rattlesnake Ridge District’s board of commissioners (Board) way to show appreciation for the efforts of employees in reducing water loss and chemical production costs and was a one-time annual performance incentive.⁷⁷ Therefore, it is a nonrecurring transaction and should not be included in the pro forma calculation.⁷⁸

Commission Staff calculated a Normalized Salaries and Wages – Employees amount of \$692,307 before a reduction of \$18,720 for tap fee labor that should have been capitalized.⁷⁹ Commission Staff calculated an increase of \$24,714, which is \$23,338 less

⁷⁶ Rattlesnake Ridge District’s Response to filing deficiencies, Attachment 11, Exhibit 11, 11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, Wages Tab, Salaries and Wages and Associated Adjustments table, Column I, Bonuses.

⁷⁷ Rattlesnake Ridge District’s Response to Staff’s First Request, Item 6.

⁷⁸ Commission Staff’s Report at 18.

⁷⁹ Commission Staff’s Report at 18.

than Rattlesnake Ridge District's proposed \$48,052 increase, as shown in the following table.⁸⁰

Employee Title	Employee Number	Total Hours	Test Year Normal Hours	Current Wages Rates	Pro-Forma Normal Wages	Test Year Overtime Hours	Current Overtime Wage Rates	Pro-Forma Overtime Wages	Pro-Forma Total Wages
Utility Service Representatives	100	2,080	2,074	\$ 19.81	\$ 41,086	5.50	\$ 29.72	\$ 163	\$ 41,249
Part Time Plant operator	101	472	472	20.50	9,676		30.75	-	9,676
Class 3A Operator @ Plant	102	2,195	2,108	22.12	46,629	87.00	33.18	2,887	49,516
Plant Supervisor	103	2,248	2,080	25.57	53,186	168.00	38.36	6,444	59,629
Utility Service Representatives	140	2,080	2,080	12.00	24,960		18.00	-	24,960
Class 3A Operator @ Plant	109	2,137	2,108	19.79	41,717	29.00	29.69	861	42,578
Manager	110	2,254	2,080	34.18	71,094	173.50	51.27	8,895	79,990
Class II D-Distribution	127	2,330	2,080	19.15	39,832	249.50	28.73	7,167	46,999
Class 2A Operator	131	2,174	2,080	19.80	41,184	93.50	29.70	2,777	43,961
Utility Service Representatives	126	736	732	17.50	12,810	4.00	26.25	105	12,915
Laborer/Equipment Operator	135	2,329	2,080	20.50	42,640	248.50	30.75	7,641	50,281
Field Foreman/ Equipment Operator	134	2,412	2,080	22.50	46,800	332.00	33.75	11,205	58,005
Assistant Manager	115	2,143	2,106	24.81	52,237	37.00	37.22	1,377	53,614
Class 3A Operator @ Plant	120	2,159	2,080	21.93	45,614	79.00	32.90	2,599	48,213
Field Laborer/ Meter Reader	139	2,080	2,080	17.00	35,360	-	25.50	-	35,360
Field Laborer/ Meter Reader	141	2,080	2,080	17.00	35,360	-	25.50	-	35,360
Normalized Salaries & Wages - Employees		33,094			<u>\$ 656,716</u>			<u>\$ 52,121</u>	692,307
Less: Test Year Salaries and Wages - Employees									(667,593)
Total Salaries & Wages Adjustment									24,714
Less: Rattlesnake Ridge District's Proposed Adjustment									(48,052)
Commission Staff's Proposed Salaries & Wages Adjustment									<u>\$ (23,338)</u>

The Commission finds that Commission Staff's recommended adjustments are reasonable and should be accepted. Rattlesnake Ridge District's Salaries and Wages-Employees should be increased by \$24,714, because the adjustment to normalize Salaries and Wages – Employees is a known and measurable change reflected in the evidence provided in record.

Expenses Related to Meter Installations. In its application, Rattlesnake Ridge District proposed an adjustment to decrease test-year Materials and Supplies by \$26,880 and Salaries and Wages – Employees by \$11,520⁸¹ to account for tapping fees that were included as part of these expenses. During the test year, Rattlesnake Ridge District

⁸⁰ Commission Staff's Report at 19.

⁸¹ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment C.

installed 52 new water connections.⁸² The USoA for Class A/B Water Systems, as adopted and modified by the Commission in 2002, requires that these costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.⁸³ Commission Staff agreed with Rattlesnake Ridge District's proposed methodology.⁸⁴ However, as discussed in Miscellaneous Service Revenues Adjustment, in the application, Rattlesnake Ridge District reported of the 52 connections, 44 were recorded at the old rate of \$700, while 4 were recorded at the current rate of \$1,200.⁸⁵ Commission Staff recalculated the entire year at the current \$1,200 rate, resulting in a Normalized Tapping Fees collected amount of \$62,400.⁸⁶ Commission Staff allocated the decreased expense of \$62,400 to Materials and Supplies expense for \$43,680, which is \$16,800 more than Rattlesnake Ridge District proposed and a decrease to Salaries and Wages – Employees of \$18,720, which is \$7,200 more than Rattlesnake Ridge District's proposal as shown below.⁸⁷ Additionally, Commission Staff capitalized the costs and made a corresponding adjustment to test-year depreciation as shown in the Capitalization of Water Tap Expenses Adjustment.

⁸² Rattlesnake Ridge District's Response to Staff's First Request, Item 4.

⁸³ USoA, Accounting Instruction 19 and 33.

⁸⁴ Commission Staff's Report at 19.

⁸⁵ Rattlesnake Ridge District's Response to Staff's First Request, Item 4.

⁸⁶ 55 new water connections x \$1,200 per connections = \$62,400 New Connections collected; Commission Staff's Report at 20.

⁸⁷ Commission Staff's Report at 20.

	Salaries and Wages Employees	Materials and Supplies
Tap Fees	\$ 62,400	\$ 62,400
Times: Allocation Percent	30%	70%
Total Proposed Adjustment	(18,720)	(43,680)
Less: Rattlesnake Ridge District Proposed Adjustment	11,520	26,880
Commission Staff Proposed Adjustment	<u>\$ (7,200)</u>	<u>\$ (16,800)</u>

The Commission finds that Commission Staff's adjustment is reasonable and should be accepted. Rattlesnake Ridge District's Salaries and Wages – Employees should be reduced by \$18,720, and Materials and Supplies should be reduced by \$43,680 because the USoA requires that costs be capitalized as utility plant is service and depreciated over their estimated useful lives.

Salaries and Wages – Officers. In its application, Rattlesnake Ridge District proposed an adjustment to decrease Salaries and Wages – Officers,⁸⁸ the adjustment is to reflect a decrease to Commissioner Salaries due to a vacancy for part of 2022.⁸⁹ Rattlesnake Ridge District's Board consists of five members who are each paid \$500 per month.⁹⁰ Rattlesnake Ridge District provided the commissioners' salaries⁹¹ and Commission Staff calculated the annualized total of \$30,000 for Commissioners' salaries and agrees with Rattlesnake Ridge District's proposed adjustment.⁹²

⁸⁸ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment E.

⁸⁹ Application, Exhibit 4, References, Adjustment E.

⁹⁰ Rattlesnake Ridge District's Response to Staff's First Request, Item 1h, 1_h_commissioners_.pdf.

⁹¹ Rattlesnake Ridge District's Response to Staff's First Request, Item 1h, 1_h_commissioners_.pdf. The names of the Commissioners reflect persons holding the office at the time of the response.

⁹² Commission Staff's Report at 21.

Commissioners	Pro Forma Salaries
Jason Carroll	6,000
Mike Copley	6,000
Bill Gilbert	6,000
Steve Ison	6,000
Randall Steagall	6,000
Total Salaries and Wages - Officers	30,000
Less: Test Year Salaries and Wages - Officers	(32,500)
Salaries and Wages - Officers Adjustment	<u>\$ (2,500)</u>

The Commission finds that Rattlesnake Ridge District’s recommended adjustments are reasonable and should be accepted. The vacancy is a known and measurable change reflected in the evidence provided in the record.

Employee Pensions – County Employee Retirement System (CERS). In its application, Rattlesnake Ridge District proposed to decrease Employee Pensions and Benefits by \$18,273,⁹³ to reflect a decrease in pension benefits due to the decrease in contribution rate effective July 1, 2023.⁹⁴ Rattlesnake Ridge District participates in the CERS, which is administered by the Kentucky Public Pension Authority (KPPA). Commission Staff agreed with Rattlesnake Ridge District’s methodology; however, as discussed in Adjustment (E), Commission Staff calculated a Salaries and Wages – Employees’ expense of \$692,307, of which \$669,716 of the expense are full-time employees who qualify for retirement benefits.⁹⁵ In addition, the KPPA fiscal year 2024

⁹³ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment F.

⁹⁴ Application, Exhibit 4, References, Adjustment F.

⁹⁵ Commission Staff’s Report at 22.

contribution rate is 23.34 percent.⁹⁶ Using the full-time employees Salaries and Wages – Employees, of \$669,716 and the current contribution rate, Commission Staff calculated a CERS contribution of \$156,312, which is a decrease of \$20,516 from Rattlesnake Ridge District’s test-year pension contribution amount of \$176,828.⁹⁷ The adjustment is \$2,243 more than Rattlesnake Ridge District’s proposed decrease of \$18,273, as shown in the following table.⁹⁸

Decription	Commission Staff's Adjustment
Salaries and Wages applicable to CERS Payments	\$ 669,716
Multiplied by: Current CERS Contribution Rate	23.34%
CERS Retirement- Employer Contribution	156,312
Less: Test Year Pension & OPEB Expense ()	(176,828)
Employee Pensions and Benefits Adjustment	(20,516)
Less: Rattlesnake Ridge District Proposed Adjustment	18,273
Commission Staff Proposed Adjustment	<u>\$ (2,243)</u>

The Commission finds Commission Staff’s recommended adjustment is reasonable and should be accepted. Rattlesnake Ridge District’s Employee Pensions should be decreased by \$25,205, because the adjustment, as modified by Commission Staff, is a known and measurable change.

Employee Pensions and Benefits – Remove Double Counting of FICA Expense.

In its application, Rattlesnake Ridge District reported \$238,630 for employee pensions and benefits of which \$176,828 was reported for retirement expense and the remaining

⁹⁶ KPPA, GASB Contribution Rates (<https://www.kyret.ky.gov/Employers/GASB/Pages/Contribution-Rates.aspx>).

⁹⁷ Commission Staff’s Report at 22.

⁹⁸ Commission Staff’s Report at 22.

\$61,802 for other benefits, including \$53,557 for Federal Insurance Contributions Act (FICA) and Medicare Expense (MC).⁹⁹

<u>2022 Employee Pension and Benefits Email from Lori Dearfield</u>	
FICA and Medicare expense	\$ 53,557
Other Payroll Expense	5,365
Training Expense	1,098
Employee Benefits	1,782
Retirement Expense	176,828
Employee Pensions and Benefits 2022	<u>\$ 238,631</u>

Upon review, Commission Staff determined that, in addition to being recorded in Employee Pensions and Benefits, the same \$53,557 was also recorded in Taxes Other Than Income.¹⁰⁰ Commission Staff reduced Employee Benefits by \$53,557 to remove the double counting.¹⁰¹

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Rattlesnake Ridge District's Employee Pensions should be decreased by \$53,557, because the adjustment removes the double accounting of FICA and MC expenses.

Employee Benefits – Insurance. Commission Staff reclassified \$178,441 for employee medical insurance coverage from General Liability and Workers Compensation.¹⁰² In its application, Rattlesnake Ridge District proposed an adjustment

⁹⁹ Rattlesnake Ridge District's Response to filing deficiencies, Attachment 11, Exhibit 11, 11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, Wages Tab, 2022 Emp. P&B Email from Lori Dearfield table.

¹⁰⁰ Rattlesnake Ridge District's Response to filing deficiencies, Attachment 11, Exhibit 11, 11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, SAO Tab, Cell D51; Commission Staff's Report at 23.

¹⁰¹ Commission Staff's Report at 23.

¹⁰² Rattlesnake Ridge District's Response to Staff's First Request, Item 7, 7_July_17_23_LDearfield.pdf; Commission Staff's Report at 23.

to reduce Employee Benefits Expenses by \$65,702¹⁰³ to decrease health insurance to the allowable employer share.¹⁰⁴ Rattlesnake Ridge District currently provides 100 percent of each full-time employee's health insurance premiums.¹⁰⁵ While Commission Staff agreed Rattlesnake Ridge District needed to reduce the medical insurance expense, it disagreed with the proposed adjustment.

Rattlesnake Ridge District provided health insurance for 12 of its current employees, with two employees being part-time, and therefore not qualifying, and two opting out of receiving coverage.¹⁰⁶ The Commission continues to review 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.¹⁰⁷ Consistent with precedent,¹⁰⁸ Commission Staff reduced Rattlesnake Ridge District's contribution amount to single health insurance

¹⁰³ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment G.

¹⁰⁴ Application, Exhibit 4, References, Adjustment G.

¹⁰⁵ Rattlesnake Ridge District's Response to Staff's First Request, Item 1g.

¹⁰⁶ Rattlesnake Ridge District's Supplemental information (filed Apr. 1, 2024), Health_Insurance_information_2024.pdf.

¹⁰⁷ 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).

¹⁰⁸ Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates* (Ky. PSC June 20, 2019), Order at 8–12.

premiums by 21 percent,¹⁰⁹ and to family insurance premiums by 33 percent¹¹⁰ as shown in the calculation below.¹¹¹ Rattlesnake Ridge District provided the most recent copy of its health invoices.¹¹² Accordingly, utilizing the most recent invoice amounts, Commission Staff recalculated the proposed adjustment and decreased Employee Pension and Benefits by \$29,280, which is \$36,422 less than proposed by Rattlesnake Ridge District, as shown below.¹¹³

Description	Number of Employees	Monthly Employer Contributions	Average Employee Contribution Rate	Monthly Premium Adjustment	Pro Forma Monthly Premium
Single Health Insurance	5	\$ 4,745	21%	\$ (996)	\$ 3,749
Family Health Insurance	7	12,957	33%	(4,276)	8,681
Total Pro Forma Monthly Premium		17,702		(5,272)	12,430
Times: 12 Months		12		12	12
Total Annual Pro Forma Premium		<u>\$ 212,429</u>		<u>\$ (63,268)</u>	149,161
Less: Reclassified Health Insurance Expense ()					(178,441)
Employee Insurance Adjustment					(29,280)
Less: Rattlesnake Ridge District's Recommended Adjustment ()					65,702
Final Employee Pensions and Benefits Adjustment					<u>\$ 36,422</u>

The Commission finds that Commission Staff's recommended adjustments are reasonable. Rattlesnake Ridge District's Employee Pensions and Benefits – Insurance should be decreased by \$29,280 because it is consistent with the precedent established in previous cases regarding the evaluation of employees' total compensation packages

¹⁰⁹ Bureau of Labor Statistics, Healthcare Benefits, March 2023, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>)

¹¹⁰ Bureau of Labor Statistics, Healthcare Benefits, March 2023, Table 4, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>)

¹¹¹ Commission Staff's Report at 24.

¹¹² Rattlesnake Ridge District's Supplemental information (filed Apr. 1, 2024), Health_Insurance_information_2024.pdf.

¹¹³ Commission Staff's Report at 25.

for market and geographic competitiveness that ensure the development of a fair, just and reasonable rate.¹¹⁴ The Commission notes that Rattlesnake Ridge District did not provide a compensation study or other information in support of its wage and benefits structure.

Purchased Power – Reclassify from Miscellaneous Expense. In its application, Rattlesnake Ridge District proposed an adjustment to increase Purchased Power Expense by \$344,115 and decrease Miscellaneous Expense by the same \$344,115.¹¹⁵ The adjustment reclassified purchased power expense from Miscellaneous Expense.¹¹⁶ Commission Staff agreed with Rattlesnake Ridge District’s proposed methodology to report the expenses into the proper classification.¹¹⁷ However, Commission Staff determined a different adjustment amount.¹¹⁸ Commission Staff reviewed the test-year adjusted trial balance¹¹⁹ and determined the year end adjusting entry for Account #8943 Utilities Expense,¹²⁰ which is the account purchased power was recorded into, was not included in the account balance in Rattlesnake Ridge District’s application.¹²¹ The \$344,115 reported for Utilities Expense is the unadjusted balance amount, the adjusted

¹¹⁴ 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.

¹¹⁵ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment H.

¹¹⁶ Application, Exhibit 4, References, Adjustment H.

¹¹⁷ Commission Staff’s Report at 25.

¹¹⁸ Commission Staff’s Report at 25.

¹¹⁹ Rattlesnake Ridge District’s Response to Staff’s First Request, Item 1b, 1_b_2022_RRWD_Adjusted_TB.xlsx.

¹²⁰ Rattlesnake Ridge District’s Response to Staff’s First Request, Item 1b, 1_b_2022_RRWD_Adjusted_TB.xlsx, Row 164.

¹²¹ Commission Staff’s Report at 25–26.

amount for Utilities Expense is \$340,180.¹²² Commission Staff proposed to increase Purchased Power Expense by the adjusted balance.¹²³ Therefore, Commission Staff reduced Miscellaneous Expense by \$344,115 and increased Purchased Power Expense by \$340,180, which is \$3,935 less than Rattlesnake Ridge District's proposed \$344,115.¹²⁴

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Rattlesnake Ridge District's Purchased Power Expense should be increased by \$340,180, and Rattlesnake Ridge District's Miscellaneous Expense should be decreased by \$344,115. The adjustment is to reclassify the Purchased Power Expense into the appropriate expense category and account for the year end adjusting entry.

Chemicals – Reclassify from Miscellaneous Expense. In its application, Rattlesnake Ridge District proposed an adjustment to increase Chemical Expense by \$255,589 and decrease Miscellaneous Expense by the same \$255,589.¹²⁵ The adjustment was to reclassify chemical expense from Miscellaneous Expense.¹²⁶ Commission Staff agreed with Rattlesnake Ridge District's proposed adjustment to report the expenses into the proper classification.¹²⁷ However, the chemical expense

¹²² Rattlesnake Ridge District's Response to Staff's First Request, Item 1b, 1_b_2022_RRWD_Adjusted_TB.xlsx, Cell K164.

¹²³ Commission Staff's Report at 26.

¹²⁴ Commission Staff's Report at 26.

¹²⁵ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment J.

¹²⁶ Application, Exhibit 4, References, Adjustment J.

¹²⁷ Commission Staff's Report at 26.

transactions are recorded as part of the Miscellaneous Expense subaccount #8933 Supplies expense, instead of being recorded as a separate expense.¹²⁸ Therefore, Commission Staff reviewed Rattlesnake Ridge District's test-year General Ledger to ensure the proper chemical expense transactions were reclassified.¹²⁹ In addition, Rattlesnake Ridge District provided the complete list of invoices for chemicals purchased during the test year.¹³⁰ Commission Staff recalculated the total expense incurred for chemicals purchased and determined a pro forma chemical expense of \$229,681.¹³¹ Therefore, Commission Staff reduced Miscellaneous Expense by \$229,681 and increased Chemical Expense by \$229,681, which is \$25,908 less than Rattlesnake Ridge District proposed, as shown in the following table.¹³²

¹²⁸ Commission Staff's Report at 26.

¹²⁹ Rattlesnake Ridge District's Response to Staff's First Request, Item 1a, 1_a_2022_RRWD_Ledger_Analysis.xlsx, Rows 7,489 thru 7,708; Commission Staff's Report at 26.

¹³⁰ Rattlesnake Ridge District's Supplemental Response filing to Staff's Second Request, Item 10.

¹³¹ Commission Staff's Report at 27.

¹³² Commission Staff's Report at 27.

8933 Supplies Expense

Date	Ref #	Description	Amount	Date	Ref #	Description	Amount
01/25/2022	S100174063.001	CITCO WATER	1,939	07/14/2022	S100189333.001	CITCO WATER	12,680
01/28/2022	S100174063.002	CITCO WATER	6,238	07/28/2022	S100186381.001	CITCO WATER	7,325
02/17/2022	S100175893	CITCO WATER	1,825	07/28/2022	S100190404.002	CITCO WATER	12,250
02/24/2022	S100176495.001	CITCO WATER	4,357	08/04/2022	S100191109.001	CITCO WATER	200
03/07/2022	S100174668.001	CITCO WATER	4,586	08/11/2022	S100192351.001	CITCO WATER	5,307
03/11/2022	S100175212.001	CITCO WATER	2,124	08/18/2022	S100193037.001	CITCO WATER	7,703
03/11/2022	S100177198.001	CITCO WATER	8,921	10/07/2022	S100193892.001	CITCO WATER	6,716
03/11/2022	S100177198.002	CITCO WATER	1,047	10/07/2022	S100194537.001	CITCO WATER	5,453
03/31/2022	S100179657.001	CITCO WATER	4,736	10/07/2022	S100194537.002	CITCO WATER	2,216
05/06/2022	S100177198.002	CITCO WATER	890	10/07/2022	S100195310.001	CITCO WATER	6,246
05/06/2022	S100178213.001	CITCO WATER	6,815	10/17/2022	S100196193.001	CITCO WATER	5,530
05/06/2022	S10018118.001	CITCO WATER	8,671	11/11/2022	S100197722.003	CITCO WATER	7,706
05/06/2022	S100181467.001	CITCO WATER	1,084	11/11/2022	S100197722.004	CITCO WATER	2,072
05/06/2022	S100181836.001	CITCO WATER	3,037	11/11/2022	S100199662.001	CITCO WATER	15,821
05/06/2022	S100182176.001	CITCO WATER	4,002	11/23/2022	S100200906.001	CITCO WATER	9,287
05/27/2022	S100183722.001	CITCO WATER	11,178	12/16/2022	S100199397.001	CITCO WATER	6,057
05/27/2022	S100183722.002	CITCO WATER	364	12/16/2022	S100199662.003	CITCO WATER	6,776
05/27/2022	S100184996.001	CITCO WATER	2,504	12/16/2022	S100202376.001	CITCO WATER	1,771
06/02/2022	S1001894996.002	CITCO WATER	7,896	12/22/2022	S100204475.001	CITCO WATER	5,010
06/15/2022	S100185843.001	CITCO WATER	3,000	12/22/2022	S100204475.002	CITCO WATER	564
06/24/2022	S100187646.001	CITCO WATER	8,551	12/30/2022	S100204816.001	CITCO WATER	1,125
				12/30/2022	S100204816.002	CITCO WATER	8,102
Total							229,681
Less: Rattlesnake Ridge's Proposed Adjustment							(255,589)
Commission Staff's Additional Adjustment							\$ (25,908)

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. The adjustment is to reclassify the Chemical Expense from Miscellaneous Expense into the correct expense category.

Water Loss in Excess of 15 Percent. In its application, Rattlesnake Ridge District proposed a decrease of \$169,480 to Purchased Power expense and a decrease of \$125,880 to Chemicals expense.¹³³ This adjustment is to account for purchased power and chemicals above the 15 percent allowable water loss limit.¹³⁴ During the test year, Rattlesnake Ridge District reported water loss of 64.2511 percent.¹³⁵ As mentioned

¹³³ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment I.

¹³⁴ Application, Exhibit 4, References, Adjustment I.

¹³⁵ 2022 Annual Report at 57.

earlier in the report, Commission regulations states that for ratemaking purposes, expenses for water loss in excess of 15 percent shall not be included. This results in a net decrease to Purchased Power Expense of \$167,542, which is \$1,938 less than proposed by Rattlesnake Ridge District, and Chemicals Expense of \$113,120, which is \$12,760 less than proposed by Rattlesnake Ridge District, as shown in following table.

	Purchased Power Expense	Chemicals & Lab Testing	Total
Pro Forma Expenses	\$ 340,180	\$ 229,681	\$ 569,861
Multiply by: Water loss in Excess of 15 Percent	-49.2511%	-49.2511%	-49.2511%
Excess Cost	(167,542)	(113,120)	(280,662)
Less Rattlesnake Ridge Proposed Adjustment	169,480	125,880	295,360
Commission Staff Proposed Adjustment	\$ 1,938	\$ 12,760	\$ 14,698

Rattlesnake Ridge District stated that the Staff Report relies on the water loss reported in the District’s 2022 Annual Report and does not reflect the recent reductions achieved by Rattlesnake Ridge District.¹³⁶ Rattlesnake Ridge reported that in its latest project, Case No. 2022-00426,¹³⁷ it has already replaced 4,237 of its customer’s meters, many of which were old and poorly functioning; and will install new zone meters in the system to assist with water loss reduction. This project, and additional efforts by Rattlesnake Ridge District has resulted in significant reduction to water loss.¹³⁸ Rattlesnake Ridge District also provided the Monthly Water Use Reports for January, February, and March 2024, which included the monthly water loss amounts. Rattlesnake

¹³⁶ Rattlesnake Ridge District’s Response to Commission Staff’s Report (filed May 21, 2024).

¹³⁷ Case No. 2022-00426, *Electronic Application of Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Feb. 17, 2023).

¹³⁸ Rattlesnake Ridge District’s response to Commission Staff’s Report (filed May 21, 2024).

Ridge District requested “the Commission take into consideration the known and measurable reduction in the District’s percentage of water loss and adjust rates set out in the Staff Report accordingly.”¹³⁹

The Commission finds Commission Staff’s recommended adjustment is reasonable and should be accepted. The Commission acknowledges the efforts Rattlesnake Ridge District appears to be making toward water loss. However, water loss fluctuates throughout the year, and as such, the Commission finds that supplying three months of water loss reports is not sufficient evidence to deviate from the test year’s reported water loss.

Materials and Supplies - Reclassify from Miscellaneous Expense. In its application, Rattlesnake Ridge District proposed an adjustment to increase Materials and Supplies Expense by \$76,482 and decrease Miscellaneous Expense by the same \$76,482.¹⁴⁰ The adjustment was to reclassify Purchased Power Expense from Miscellaneous Expense.¹⁴¹ Commission Staff agreed with Rattlesnake Ridge District’s proposed adjustment to report the expenses into the proper classification.¹⁴² Therefore, Commission Staff reduced Miscellaneous Expense by \$76,482 and increased Materials and Supplies by \$76,482.¹⁴³

¹³⁹ Rattlesnake Ridge District’s Response to Commission Staff’s Report (filed May 21, 2024).

¹⁴⁰ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment H.

¹⁴¹ Application, Exhibit 4, References, Adjustment H.

¹⁴² Commission Staff’s Report at 28.

¹⁴³ Commission Staff’s Report at 28.

The Commission finds Rattlesnake Ridge District's proposed adjustment is reasonable and should be accepted. The adjustment is to reclassify the Materials and Supplies Expense from Miscellaneous Expense into the correct expense category.

Water Testing Expense – Reclassify from Miscellaneous Expense. In its application, Rattlesnake Ridge District proposed an adjustment to increase Contractual Services – Water Testing Expense by \$13,972 and decrease Miscellaneous Expense by the same \$13,972.¹⁴⁴ The adjustment reclassified water testing expense from Miscellaneous Expense.¹⁴⁵ Commission Staff agreed with Rattlesnake Ridge District's proposed adjustment to report the expenses in the proper classification.¹⁴⁶ Therefore, Commission Staff reduced Miscellaneous Expense by \$13,972 and increased Contractual Services – Water Testing Expense by \$13,972.¹⁴⁷

The Commission finds Rattlesnake Ridge District's proposed adjustment is reasonable and should be accepted. The adjustment is to reclassify the Materials and Supplies Expense from Miscellaneous Expense into the correct expense category.

Miscellaneous Expense.¹⁴⁸ In its application, Rattlesnake Ridge District reported Miscellaneous Expense of \$853,327, four adjustments that totaled a reduction of \$690,158 and Pro Forma Miscellaneous Expense of \$507,284. Rattlesnake Ridge District's Schedule of Adjusted Operations (SAO) reflected a formula error that resulted

¹⁴⁴ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment L.

¹⁴⁵ Application, Exhibit 4, References, Adjustment L.

¹⁴⁶ Commission Staff's Report at 29.

¹⁴⁷ Commission Staff's Report at 29.

¹⁴⁸ Application, Exhibit 4, Schedule of Adjusted Operations, Miscellaneous Expense.

in not capturing an adjustment to reduce Miscellaneous Expenses by \$344,115. Commission Staff’s proposed SAO reflects the corrected pro forma amount.¹⁴⁹ As previously discussed, Rattlesnake Ridge District proposed adjustments to reclassify several expenses that were mistakenly recorded in Miscellaneous Expense, including purchased power, chemicals, materials and supplies, and water testing expenses, resulting in an Adjusted Test Year Miscellaneous Expense of \$189,077, as shown in the following table.

Description	Amount
Test Year Miscellaneous Expense	\$ 853,327
Less: Testing Expense	(344,115)
Less: Shop Supplies	(229,681)
Less: Supplies Expense	(76,482)
Less: Utilities Expense	(13,972)
Adjusted Test Year Miscellaneous Expense	<u>\$ 189,077</u>

Commission Staff reviewed the adjusted trial balance¹⁵⁰ and the remaining Miscellaneous Expense subaccounts and determined a total pro forma Miscellaneous Expense of \$216,725.¹⁵¹ Therefore, Commission Staff proposed an increase to Miscellaneous Expense of \$27,648, as shown in the following table.¹⁵²

¹⁴⁹ Commission Staff’s Report at 29.

¹⁵⁰ Rattlesnake Ridge District’s Response to Staff’s First Request, Item 1b, 1_b_2022_RRWD_Adjusted_TB.xlsx.

¹⁵¹ Commission Staff’s Report at 29–30.

¹⁵² Commission Staff’s Report at 30.

Account Number	Account Name	Amount
7704	Labor	\$ 371
8860	Bank Fees	14,291
8870	De Minimis Equipment Expense	159
8880	Dues & Subscriptions	510
8881	Donations	125
8885	Extra Help	2,700
8892	Meals & Entertainment	1,202
8894	Travel Expense	332
8910	Taxes & License	4,523
8911	Utility & Sales Tax Expense	82,759
8912	Property Taxes	3,493
8916	Miscellaneous Expense	4,437
8917	Office Supplies Expense	5,039
8918	Computer Expense	7,724
8919	Postage Expense	31,578
8928	Rent Expense	80
8930	Repairs & Maintenance Expense	32,121
8933	Adjusted Supplies Expense	8,994
8935	Uniform Expense	1,299
8941	Telephone Expense	13,245
8944	Sanitation Expense	1,743
Total Pro Forma Miscellaneous Expenses		216,725
Less: Adjusted Test Year Miscellaneous Expenses ()		(189,077)
Pro Forma Miscellaneous Expense Adjustment		<u>\$ 27,648</u>

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Rattlesnake Ridge District's Miscellaneous Expense should be increased by \$27,648. The adjustment is necessary to reconcile the adjusted Miscellaneous Expense from Rattlesnake Ridge District's Application to the Adjusted Trial Balance subaccount total for Miscellaneous Expense.

Amortization of Rate Case Expense. In its application, Rattlesnake Ridge District proposed an adjustment to increase Amortization Expense by \$2,750¹⁵³ to reflect a three-year amortization of an estimated \$8,250 in water rate case expenses.¹⁵⁴ Rattlesnake Ridge District supplied the proposed rate study with the proposed cost.¹⁵⁵ Rattlesnake

¹⁵³ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment M.

¹⁵⁴ Application, Exhibit 4, References, Adjustment M.

¹⁵⁵ Application, Exhibit 11, 11_4_RRWD_ARF_Assistance_Acceptance.pdf.

Ridge District confirmed the \$8,250 is the only rate case expense recovery it was seeking.¹⁵⁶ Commission Staff agreed that the rate case expense should be amortized over a three-year period.¹⁵⁷ Therefore, the proposed increase in Amortization Expense of \$2,750 is appropriate to allow for the recovery of the proposed rate case expense, as shown in the following table.¹⁵⁸

Description	Amount
Estimated cost for preparation of Rate Study	\$ 8,250
Divided by: Three Year Amortization	3
Annual Amortization amount	<u>\$ 2,750</u>

The Commission finds that Rattlesnake Ridge District’s proposed adjustment is reasonable and should be accepted. Rattlesnake Ridge District’s Amortization Expense should be increased by \$2,750, because Rattlesnake Ridge District supplied sufficient evidence to justify the rate case expense of \$8,250.¹⁵⁹ The Commission also accepts the recommendation of a three-year amortization for the rate case expense. The amortization period will allow for the utility to recover a reasonable, known expense over time and lessen the immediate impact to the rate payer.

Depreciation Expense. In the application, Rattlesnake Ridge District proposed a decrease in Depreciation Expense by \$221,067¹⁶⁰ to adjust the service lives of assets using the NARUC titled *Depreciation Practices for Small Water Utilities* (NARUC

¹⁵⁶ Rattlesnake Ridge District’s Response to Staff’s First Request, Item 8a.

¹⁵⁷ Commission Staff’s Report at 31.

¹⁵⁸ Commission Staff’s Report at 31.

¹⁵⁹ Rattlesnake Ridge District’s Response to Staff’s First Request, Item 8a.

¹⁶⁰ Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment N.

Study).¹⁶¹ To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the same NARUC Study published in 1979.¹⁶² 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.¹⁶³ Upon examination, Commission Staff agreed with Rattlesnake Ridge District's methodology to adjust depreciation expense.¹⁶⁴ However, Commission Staff calculated a depreciation expense of \$791,952.¹⁶⁵ Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Therefore, Commission Staff decreased Rattlesnake Ridge District's Depreciation Expense by \$48,048, which is \$173,019 less than proposed by Rattlesnake Ridge District, as shown in the following table.¹⁶⁶

¹⁶¹ Application, Exhibit 4, References, Adjustment N.

¹⁶² Case 2023-00134, *Electronic Application of North Marshall Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 22, 2023), Order at 30. Case 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), Order at 36.

¹⁶³ See Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), Order. Case 2023-00134, *Electronic Application of North Marshall Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 22, 2023), Order at 30. Case 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), Order at 36.

¹⁶⁴ Commission Staff's Report at 32.

¹⁶⁵ Commission Staff's Report at 32.

¹⁶⁶ Commission Staff's Report at 32.

Capital Asset Class	Service Life Range	Test Year Depreciation	Depreciation Adjustment	Pro Forma Depreciation
Structures and Improvements	35 - 40	\$ 2,662	\$ (426)	\$ 2,236
Communication Equipment	10	1,604	(481)	1,123
Power Operated Equipment	10 - 15	10,591	(5,762)	4,829
Tools, Shop, & Garage Equipment	15 - 20	332	47	380
Tank Repairs & Painting	15 - 20	1,259	(485)	774
Transportation Equipment	20 - 25	20,933	(5,981)	14,952
Communication Equipment	10	89	89	178
Pumping Equipment	20	4,299	(2,134)	2,164
Transmission & Distribution Mains	50 - 75	638,916	(230,010)	408,906
Meters	35 - 45	1,188	(594)	594
Reservoirs & Tanks	30 - 60	44,920	(4,979)	39,941
Structures and Improvements	35 - 40	53,936	3,596	57,532
Water Treatment Equipment	20 - 35	190,162	68,182	258,343
Total		\$ 970,891	\$ (178,938)	791,952
Less: Reported Test Year Depreciation Expense				(840,000)
Total Proposed Depreciation Adjustment				(48,048)
Less: Rattlesnake Ridge District's Proposed Adjustment				221,067
Commission Staff's Proposed Adjustment				\$ 173,019

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Rattlesnake Ridge District's Depreciation expense is decreased by \$48,048, in order to align Rattlesnake Ridge District's capital assets' useful lives with the NARUC recommended useful lives.

Capitalization of Water Tap Expenses. As explained in Expenses Related to Meter Installations above, the expenses related to the installation of new water connections are capital expenditures that should be capitalized as Utility Plant in Service and depreciated over their estimated useful lives. A review of the depreciation schedule for the test year did not record any new meters added to the assets for the test year.¹⁶⁷ Therefore, Commission Staff calculated the annual depreciation amount for the test year and increased Depreciation Expense by \$1,508.¹⁶⁸

¹⁶⁷ Application, Attachment 7, 7_Depreciation_Schedule_12.31.22.pdf.

¹⁶⁸ Commission Staff's Report at 33.

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. The USoA requires the assets to be depreciated over their estimated useful lives.

Taxes Other Than Income – Federal Insurance Contributions Act (FICA). In its application, Rattlesnake Ridge District proposed an adjustment to increase Taxes Other Than Income by \$3,485¹⁶⁹ to account for an increase in payroll taxes due to the proposed increase in Salaries and Wages Expense.¹⁷⁰ However, as explained above, Commission Staff calculated pro forma Salaries and Wages – Employees of \$692,307 and Salaries and Wages – Officers of \$30,000.¹⁷¹ Therefore, Commission Staff calculated a decrease to Taxes Other Than Income of \$1,699, which is \$1,786 less than proposed by Rattlesnake Ridge District, as shown in the following table.¹⁷²

Description	Commission Staff's
Salaries and Wages - Employees	\$ 692,307
Salaries and Wages - Officers	30,000
Total Pro Forma Salaries	<u>722,307</u>
Times: 7.65 Percent FICA Rate	7.65%
Total Pro Forma Payroll Taxes	<u>55,256</u>
Less: Test Year Payroll Taxes	(53,557)
Payroll Tax Adjustment	<u>1,699</u>
Less: Proposed Adjustment	(3,485)
Commission Staff's Proposed Adjustment	<u><u>\$ (1,786)</u></u>

¹⁶⁹ Application, Attachment \$, Schedule of Adjusted Operations, Adjustment O.

¹⁷⁰ Application, Exhibit 4, References, Adjustment O.

¹⁷¹ Commission Staff's Report at 34.

¹⁷² Commission Staff's Report at 34.

The Commission finds that Commission Staff's recommended adjustments are reasonable and should be accepted. Rattlesnake Ridge District's Taxes Other Than Income should be increased by \$1,699 because the known and measurable change is a direct result of changes to Salaries and Wages – Employees.

	Commission Staff Report Pro Forma	Commission Adjustments	Final Pro Forma
Total Operating Revenues	\$2,876,098	\$ -	\$2,876,098
Utility Operating Expenses	2,376,800	-	2,376,800
Utility Operating Income	499,298	-	499,298
Interest and Dividend Income	2,673	-	2,673
Nonutility Income	-	-	-
Income Available for Debt Service	<u>\$ 501,971</u>	<u>\$ -</u>	<u>\$ 501,971</u>

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

¹⁷³ 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).

¹⁷⁴ 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

	Commission Staff's Report	Commission Approved
Pro Forma Operating Expenses	\$ 2,376,800	\$ 2,376,800
Plus: Avg. Annual Principal and Interest Payments	561,662	561,662
Additional Working Capital	112,332	112,332
Total Revenues Requirement	3,050,794	\$ 3,050,794
Less: Other Operating Revenue	(34,879)	(34,879)
Interest and Dividend Income	(2,673)	(2,673)
Non-operating Revenue	-	-
Revenue Required From Water Sales	3,013,242	3,013,242
Revenue from Sales at Present Rates ()	(2,841,219)	(2,841,219)
Required Revenue Increase	\$ 172,023	\$ 172,023
Percentage Increase	6.05%	6.05%

1. Average Annual Principal and Interest Payments. At the time of Commission Staff's review, Rattlesnake Ridge District had seven outstanding Waterworks Revenue Bonds,¹⁷⁵ one Refunding Revenue Bond,¹⁷⁶ and one Kentucky

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).

¹⁷⁵ Case No. 2001-00015, *The Application of Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to the Provisions of KRS 278.023* (Ky. PSC Jan. 29, 2001). Case No. 2010-00458, *Application of Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023* (Ky. PSC Dec. 22, 2010). Case No. 2015-00040, *Application of the Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023* (Ky. PSC Mar. 6, 2015). Case No. 2018-00371, *Application of the Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023* (Ky. PSC Dec. 4, 2018). Case No. 2022-00426, *Electronic Application of Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Feb. 17, 2023).

¹⁷⁶ Case No. 95-575, *The Application of the Rattlesnake Ridge Water District to Issue Securities in the Approximate Principal Amount of \$ 865,000 for the Purpose of Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Jan. 17, 1996).

Rural Water Finance Corporation (KRWFC) loan.¹⁷⁷ In its application, Rattlesnake Ridge District 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 five years following the test year, which is 2024 through 2028.¹⁷⁸ Commission Staff calculated the average annual principal and interest on a five-year average for the years 2024 through 2028, and agrees with Rattlesnake Ridge District's proposed Average Annual Principal and Interest Payments.¹⁷⁹ As shown below, Commission Staff calculated an Average Principal and Interest of \$561,662.¹⁸⁰

Debt Issuance	2024		2025		2026		2027		2028		Total
	Principal	Interest & Fees	Principal	Interest & Fees	Principal	Interest & Fees	Principal	Interest & Fees	Principal	Interest & Fees	
91-22	\$ 23,500	\$ 17,802	\$ 24,000	\$ 17,030	\$ 25,000	\$ 16,234	\$ 25,500	\$ 15,413	\$ 26,500	\$ 14,568	\$ 205,547
91-26	1,500	1,775	1,600	1,706	1,600	1,634	1,800	1,557	1,800	1,476	16,448
91-36	27,000	21,740	28,000	21,190	28,500	20,625	29,500	20,045	30,000	19,450	246,050
91-39	24,000	18,390	25,000	17,900	25,500	17,395	26,000	16,880	26,500	16,355	213,920
91-42	3,500	2,700	3,500	2,648	3,500	2,595	3,500	2,543	3,500	2,490	30,476
91-45	39,000	55,207	40,000	54,269	41,000	53,307	42,500	52,315	43,500	51,294	472,392
91-47	36,062	26,208	36,557	25,712	37,060	25,209	37,570	24,699	38,086	24,183	311,345
1996 Refinance	50,000	3,931	60,000	1,387	-	-	-	-	-	-	115,318
KRWFC Series 2020	155,000	84,388	160,000	77,694	170,000	70,681	175,000	63,350	185,000	55,700	1,196,813
Total	\$359,562	\$232,141	\$378,657	\$219,536	\$332,160	\$207,680	\$341,370	\$196,802	\$354,886	\$185,516	2,808,309
Divide by: 5 years											5
Average Annual Principal and Interest Payments											<u>\$ 561,662</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

¹⁷⁷ Case No. 2020-00086, *Electronic Application of the Rattlesnake Ridge Water District to Issue Securities in the Approximate Principal Amount of \$3,420,000 for the Purpose of Refunding Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC June 13, 2020).

¹⁷⁸ Application, Attachment 4, Revenue Requirements Calculation, Table B, Debt Service Schedule.

¹⁷⁹ Commission Staff's Report at 36.

¹⁸⁰ Commission Staff's Report at 36.

debt payments. In its application, Rattlesnake Ridge District requested recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments for its KRWFC Bond at the time of its application for a total of \$112,332.¹⁸¹

Following the Commission’s historic practice, Commission Staff agreed with Rattlesnake Ridge District.¹⁸² Therefore, as calculated below and shown in the table above, \$112,332 is included in the revenue requirement.

Average Annual Principal and Interest	\$ 561,662
Times: DSC Coverage Ratio	<u>120%</u>
Total Net Revenues Required	673,994
Less: Average Annual Principal and Interest Payments	<u>(561,662)</u>
Additional Working Capital	<u>\$ 112,332</u>

RATE DESIGN

Monthly Water Service Rates. In its application, Rattlesnake Ridge District proposed to increase its monthly retail and wholesale water service rates by approximately 18.84 percent across the board.¹⁸³ Rattlesnake Ridge District stated that it did not complete a cost of service study (COSS) at this time considering there have been no material changes in the water system.¹⁸⁴

¹⁸¹ Application, Attachment 4, Revenue Requirements Calculation, Referenced, Adjustment Q.

¹⁸² Case No. 2022-00431, *Electronic Application of Letcher County Water and Sewer District for a Rate Adjustment Pursuant To 807 KAR 5:076* (Ky. PSC Nov. 17, 2023). Case No. 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024). Case No. 2023-00182, *Electronic Application of Western Mason County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 4, 2024).

¹⁸³ Rattlesnake Ridge District’s Response to filing deficiencies, Revised Notice, Revised_RRWD_PUBLIC_NOTICE.pdf.

¹⁸⁴ Rattlesnake Ridge District’s Response to Staff’s First Request, Item 10.

The Commission has previously found that the allocation of a revenue increase evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS.¹⁸⁵ Finding no such evidence in this case, Commission Staff followed the method previously accepted by the Commission and allocated the recommended \$172,023 revenue increase evenly across the board to Rattlesnake Ridge District's monthly retail and wholesale water service rates.¹⁸⁶

The rates, as calculated by Commission Staff, which are set forth in the Appendix B 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 \$3,013,242 revenue required from rates.¹⁸⁷ The rates will increase a typical residential customer's monthly water bill using 3,000 gallons, from \$51.00 to \$54.08, an increase of \$3.08, or approximately 6.04 percent.¹⁸⁸ The rates will increase a typical residential customer's monthly water bill using 3,000 gallons¹⁸⁹ including the \$5.53 per month Water

¹⁸⁵ Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

¹⁸⁶ Commission Staff's Report at 9.

¹⁸⁷ Commission Staff's Report at 35.

¹⁸⁸ 3,000 gallons for an average user's bill = $(\$20.48 + (2,000 \text{ gallons} \times .01526)) = \51.00 . 3,000 gallons for an average user's bill = $(\$21.72 + (2,000 \text{ gallons} \times .01618)) = \54.08 . $\$54.08$ minus $\$51.00 = \3.08 divided by $\$51.00 = 6.04$ percent.

¹⁸⁹ The calculation for the typical residential customer uses approximately 3,000 gallons per month, Application, Attachment 1, see footnote 26.

Loss Surcharge described below, from \$51.00 to \$59.61, an increase of \$8.61, or approximately 16.88 percent.¹⁹⁰

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

Nonrecurring Charges. Following the Commission's recent decisions,¹⁹¹ Commission Staff has reviewed Rattlesnake Ridge District's nonrecurring charges. The Commission has previously 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. Rattlesnake Ridge District provided the cost justification for the nonrecurring charges.¹⁹² Commission Staff reviewed the cost justification information provided and adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs from those charges which occur during normal business hours.¹⁹³ The breakdown of cost

¹⁹⁰ 3,000 gallons for an average user's bill + monthly water loss reduction surcharge = $(\$21.72 + (2,000 \text{ gallons} \times .01618) + \$5.53) = \$59.61$. $\$59.61$ minus $\$51.00 = \8.61 divided by $\$51.00 = 16.88$ percent.

¹⁹¹ 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).

¹⁹² Rattlesnake Ridge District's Response to Staff's Second Request, Item 13.

¹⁹³ Rattlesnake Ridge District's Response to Staff's First Request, Item 5; Commission Staff's Report 9-10.

for each nonrecurring charge and any Commission Staff adjustment can be found in Appendix A.¹⁹⁴

The adjustments to the Nonrecurring Charges result in a decrease in Miscellaneous Service Revenues of \$24,652 as shown below.

Miscellaneous Service Revenues:	Occurrences	Current Charge	Revised Charge	Pro-Forma Total
Termination Charge / Field Service	584	\$45.00	\$ 37.00	\$ 21,608
Reconnect Charge	39	45.00	27.00	1,053
After Hours Reconnection	1	55.00	72.00	72
Meter Test	-	50.00	77.00	-
Service Investigation	15	45.00	27.00	405
After Hours Service Investigation	1	55.00	72.00	72
Meter Reading Recheck Charge	-	45.00	27.00	-
Pro-Forma Test Year				23,210
Revised Test Year Miscellaneous Service Revenues ()				(47,858)
Miscellaneous Service Charge Adjustment				<u>\$ (24,648)</u>

The Commission agrees with the Commission Staff's Report, which is consistent with recent Commission decisions that labor expenses paid for work during normal business hours should not be recovered through nonrecurring charges.¹⁹⁵ The Commission requires that charges be directly related to the actual cost incurred to provide the service. It is unreasonable to allocate an expense already incurred as a day-to-day cost of maintaining a system, such as the salary of a distribution operator, to a nonrecurring service such as the connection and reconnection of a meter during normal working hours. Only the marginal costs related to the service should be recovered through a special nonrecurring charge for service provided during normal working

¹⁹⁴ Commission Staff's Report at 11.

¹⁹⁵ See Case No.2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020), Order at 19–20.

hours.¹⁹⁶ Thus, the Commission finds that the revised nonrecurring charges recommended by Commission Staff are reasonable and should be accepted. The revised nonrecurring charges result in a decrease to test-year Miscellaneous Service Revenues and an increase to the total Revenue Requirement of \$24,648, as discussed above and further explained in Appendix A attached to this Order.

WATER LOSS SURCHARGE

In its application, Rattlesnake Ridge District requested to implement a water loss reduction surcharge of \$5.84 per customer per month. Commission Staff recalculated the amount based on an adjusted water loss cost that is discussed in Water Loss in Excess of 15 percent of the pro forma adjustments later in this report and the inclusion of purchased power for pumping which results in a monthly amount of \$5.53 per customer as shown in the following table.

	Commission Staff Proposed
Disallowed Water Loss	\$ 280,662
Number of Annual Bills	50,736
Monthly Surcharge	\$ 5.53
Annual Surcharge (Monthly x Customers x 12)	\$ 280,570
Total Surcharge (Monthly x Customers x 48)	\$ 1,122,280

In the Commission Staff's Report, Staff recommended the Commission approve Rattlesnake's Water Loss Reduction Surcharge at the recalculated amount of \$5.53 per

¹⁹⁶ Case No. 2022-00221, *Electronic Application of Northeast Woodford County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 20, 2023), Order 6–8.

customer per month for 48 months to help lower system losses to more acceptable levels. The surcharge would produce approximately \$280,570 annually, and \$1,122,280 in total collections over the 48 month period.

The annual surcharge collection reflects the amount disallowed for excessive water loss pursuant to 807 KAR 5:066, Section 6(3). The use of a surcharge is consistent with prior Commission action in cases involving water utilities with excessive unaccounted-for water loss.¹⁹⁷ In establishing water-loss surcharges, the Commission recognized that the adjustments required to comply with the 15 percent line-loss limitation in 807 KAR 5:066, Section 6(3), could severely restrict cash flow and could impair a water utility's ability to take the necessary action to focus on its leak detection and repair. Using a surcharge to fund a water utility's water loss reduction efforts allows the Commission to place strict controls governing the surcharge proceeds to ensure their effective use, public acceptance of the surcharge and public confidence in the water utility's use of those funds. In its report titled *Confronting the Problems Plaguing Kentucky's Water Utilities: An Investigative Report* by the Kentucky Public Service Commission November 2019 that was fully incorporated in the final Order in Case No. 2019-00041, Appendix L, the Commission recommended more frequent rate cases and pursuing qualified

¹⁹⁷ See Case No. 1996-00126, *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); and 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.

infrastructure improvement surcharges, the proceeds of which will be devoted exclusively to infrastructure improvement and replacement.¹⁹⁸

Therefore, the Commission finds that a monthly surcharge is a reasonable means for Rattlesnake Ridge District to recover the cost for its water leak detection efforts and repairs in order to reduce the increased expense and lost revenue from unaccounted-for water loss. Utilizing the \$280,662 disallowed water loss, the Commission finds that a monthly water loss reduction surcharge of \$5.53 per customer over 48 months, or until \$1,122,280 has been assessed, whichever occurs first, should be approved subject to the following conditions:

1. Within 120 days of the date of service of this Order, Rattlesnake Ridge District should file into the record of Case No. 2024-00176,¹⁹⁹ a Qualified Infrastructure Improvement Plan (QIIP), including a comprehensive unaccounted-for water loss reduction plan that establishes priorities and a time schedule for eliminating each source of unaccounted-for water loss and provides a detailed spending plan for the proceeds of a surcharge.

2. Rattlesnake Ridge District shall deposit surcharge collections in a separate interest-bearing account.

3. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, Rattlesnake Ridge District should

¹⁹⁸ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), Appendix L, *Confronting the Problems Plaguing Kentucky's Water Utilities: An Investigative Report by the Kentucky Public Service Commission November 2019* at 24–25.

¹⁹⁹ Case No. 2024-00176, *Electronic Rattlesnake Ridge Water District Unaccounted for Water Loss Reduction Plan, Surcharge and Monitoring*.

file into the record of Case No. 2024-00176, a monthly activity report that includes a statement of monthly surcharge billings and collections using the format in the Surcharge Reporting form located on the Commission's website, a monthly surcharge bank statement, and a list of all payments made for the month from the surcharge account that includes the following for each payment: the payee, a description of the purpose, and the supporting invoice.

4. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, Rattlesnake Ridge District should file a monthly water loss report, using the format in the Water Use & Loss Calculations form located on the Commission's website,²⁰⁰ into the record of Case No. 2024-00176.

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

6. Rattlesnake Ridge District should file all requests to use surcharge proceeds in the record of Case No. 2024-00176. A request shall include a complete description of the equipment, project, or service for which approval is sought; bids, invoices, or price quotes as applicable; and a statement describing how the proposed purchase, project, or service is related to the QIIP and the goal of reducing unaccounted-for water loss.

²⁰⁰ Water Use & Loss Calculations are located on the Kentucky Public Service Commission's website at <https://psc.ky.gov/Home/UtilForms> under Water Specific Forms.

7. Rattlesnake Ridge District should consider all surcharge collections as contributions and should account for them in the manner that the USoA for Class A and B Water Districts and Associations prescribes.

8. Rattlesnake Ridge District should debit monthly billings for the surcharge to customers' accounts received and credit the contribution account.

9. When Rattlesnake Ridge District collects the surcharge from the customers, it should debit special funds and credit the customer account.

10. No later than April 30 of each year, Rattlesnake Ridge District should file in Case No. 2024-00176, a report of surcharge activity and water loss improvement progress based on the preceding year ended December 31 with reported annual surcharge billings and expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and Rattlesnake Ridge District's audited financial statements. Cumulative surcharge billings and expenditures shall also be reported. A schedule of the estimated and actual progress of the program, actual expenditures made with surcharge proceeds, and encumbered amounts of future surcharge proceeds for the purpose of evaluating whether adjustments to the program or to the surcharge amount shall be provided.

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

12. Rattlesnake Ridge District's failure to comply with any conditions attached to its assessment of the surcharge should result in termination of the surcharge and the

refund of collected surcharge proceeds disbursed on expenses or projects outside the scope of the expenses and projects approved by the Commission.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Commission Staff's Report are supported by the evidence of record, are reasonable and should be accepted. By applying the DSC method to Rattlesnake Ridge District's pro forma operations results in an Overall Revenue Requirement of \$3,050,794 and that a \$172,023 revenue increase, or 6.05 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Commission Staff's Report, are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water service rates proposed by Rattlesnake Ridge District are denied.
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Rattlesnake Ridge District on or after July 12, 2024.
4. Within 20 days of the date of service of this Order, Rattlesnake Ridge 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. Within 20 days of the date of service of this Order, Rattlesnake Ridge District shall file updated tariff sheets reflecting accurate charges and services as discussed in the Order.

6. The Commission shall open a separate proceeding, Case No. 2024-00176, to monitor the surcharge proceeds collection and expenses subject to the following conditions:

a. Within 120 days of the date of service of this Order, Rattlesnake Ridge District shall file into the record of Case No. 2024-00176 a QIIP, including a comprehensive unaccounted-for water loss reduction plan that establishes priorities and a time schedule for eliminating each source of unaccounted-for water loss and provides a detailed spending plan for the proceeds of a surcharge.

b. Rattlesnake Ridge District shall deposit surcharge collections in a separate interest-bearing account.

c. On the 15th day of each month for 48 months from the date of this Order or until all surcharge proceeds are expended, Rattlesnake Ridge District shall file into the record of Case No. 2024-00176 a monthly activity report that includes a statement of monthly surcharge billings and collections using the format in the Surcharge Reporting form located on the Commission's website, a monthly surcharge bank statement, and a list of all payments made for the month from the surcharge account that includes the following for each payment: the payee, a description of the purpose, and the supporting invoice.

d. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, Rattlesnake Ridge District shall file into the record of Case No. 2024-00176 a monthly water loss report, using the format in the Water Use & Loss Calculations form located on the Commission's website, with the Commission.

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

f. Rattlesnake Ridge District shall file all requests to use surcharge proceeds in the record of Case No. 2024-00176. A request shall include a complete description of the equipment, project, or service for which approval is sought; bids, invoices, or price quotes as applicable; and a statement describing how the proposed purchase, project, or service is related to the qualified infrastructure improvement plan and the goal of reducing unaccounted-for water loss.

g. Rattlesnake Ridge District shall consider all surcharge collections as contributions and shall account for them in the manner that the USoA for Class A and B Water Districts and Associations prescribes.

h. Rattlesnake Ridge District shall debit monthly billings for the surcharge to customers' accounts received and credit the contribution account.

i. When Rattlesnake Ridge District collects the surcharge from the customers, it shall debit special funds and credit the customer account.

j. No later than April 30 of each year, Rattlesnake Ridge District shall file in Case No. 2024-00176, a report of surcharge activity and water loss improvement progress based on the preceding year ended December 31 with reported annual surcharge billings and expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and Rattlesnake Ridge District's audited financial statements. Cumulative surcharge billings and expenditures shall also be reported. A schedule of the estimated and actual progress of

the program, actual expenditures made with surcharge proceeds, and encumbered amounts of future surcharge proceeds for the purpose of evaluating whether adjustments to the program or to the surcharge amount shall be provided.

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

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

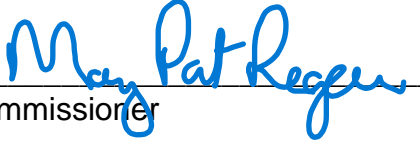
7. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

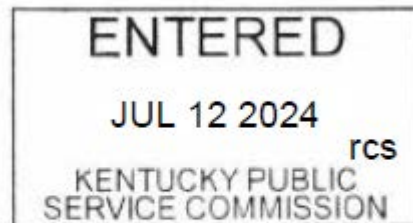
Chairman



Vice Chairman



Commissioner



ATTEST:

 For

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00338 DATED JUL 12 2024

	Occurences	Current Rate	Test Year Total	Revised Rate	Pro Forma Adjustment	Pro Forma Total
<u>Miscellaneous Service Revenues:</u>						
Meter Reread Charge	-	\$ 45	\$ -	\$ 27	\$ -	\$ -
Meter Test Charge	-	50	-	77	-	-
Miscellaneous Service Revenues:			19,038		(19,038)	-
Reconnect without a Meter Charge	39	45	1,755	27	(702)	1,053
Reconnect with a Meter Charge	-	-	-	310	-	-
Reconnect Charge After hours	1	-	55	72	17	72
Service Call/Investigation Charge	15	45	675	27	(270)	405
Service Call/Investigation Charge After Hours	1	55	55	72	17	72
Termination/Field Service Charge	584	45	26,280	37	(4,672)	21,608
Pro Forma Miscellaneous Service Revenues			<u>\$ 47,858</u>		<u>\$ (24,648)</u>	<u>\$ 23,210</u>

Nonrecurring Charges Adjustments

Meter Reread/Reconnection without Meter/Service Call-Investigation

	Rattlesnake Ridge Revised Charge	Staff Revised Charge
Field Labor at \$15 for 2.0 hour	\$30.00	\$0.00
Supplies	2.00	2.00
Office Labor	3.75	0.00
Transportation Expense	25.00	25.00
Total Nonrecurring Charge Expense	\$60.75	\$27.00
Rounded to	\$61.00	\$27.00
Current Rate	\$45.00	

Meter Test Charge

	Rattlesnake Ridge Revised Charge	Staff Revised Charge
Meter Charge	\$50.00	\$50.00
Field Labor at \$15 for 1.0 hour	\$15.00	0.00
Supplies	2.00	2.00
Office Labor	3.75	0.00
Transportation Expense	25.00	25.00
Total Nonrecurring Charge Expense	\$95.75	\$77.00
Rounded to	\$96.00	\$77.00
Current Rate	\$0.00	

Reconnection Charge with a Meter

	Rattlesnake Ridge Revised Charge	Staff Revised Charge
New Meter Charge	\$283.00	\$283.00
Field Labor at \$15 for 2.0 hour	\$30.00	0.00
Supplies	2.00	2.00
Office Labor	3.75	0.00
Transportation Expense	25.00	25.00
Total Nonrecurring Charge Expense	\$343.75	\$310.00
Rounded to	\$344.00	\$310.00
Current Rate	\$0.00	

Reconnection After Hours/ Service Call After Hours Charge

	Rattlesnake Ridge Revised Charge	Staff Revised Charge
Field Labor Overtime at \$22.50 for 2.0 hour	\$45.00	\$45.00
Supplies	2.00	2.00
Office Labor	3.75	0.00
Transportation Expense	25.00	25.00
Total Nonrecurring Charge Expense	\$75.75	\$72.00
Rounded to	\$76.00	\$72.00
Current Rate	\$55.00	

	Rattlesnake Ridge Revised Charge	Staff Revised Charge
Termination Charge		
Lockout Pin and Cap	\$10.00	\$10.00
Field Labor at \$15.00 for 2.0 hour	\$30.00	0.00
Supplies	2.00	2.00
Office Labor	3.75	0.00
Transportation Expense	25.00	25.00
Total Nonrecurring Charge Expense	\$70.75	\$37.00
Rounded to	\$71.00	\$37.00
Current Rate	\$45.00	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00338 DATED JUL 12 2024

The following rates and charges are prescribed for the customers in the area served by Rattlesnake Ridge 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	\$21.72	Minimum Bill
Next	4,000 Gallons	0.01618	Per Gallon
Next	5,000 Gallons	0.01393	Per Gallon
Next	10,000 Gallons	0.01248	Per Gallon
Next	20,000 Gallons	0.00888	Per Gallon
Over	40,000 Gallons	0.00708	Per Gallon

3/4-Inch Meter

First	5,000 Gallons	\$86.47	Minimum Bill
Next	5,000 Gallons	0.01393	Per Gallon
Next	10,000 Gallons	0.01248	Per Gallon
Next	20,000 Gallons	0.00888	Per Gallon
Over	40,000 Gallons	0.00708	Per Gallon

1-Inch Meter

First	10,000 Gallons	\$156.15	Minimum Bill
Next	10,000 Gallons	0.01248	Per Gallon
Next	20,000 Gallons	0.00888	Per Gallon
Over	40,000 Gallons	0.00708	Per Gallon

1 1/2-Inch Meter

First	30,000 Gallons	\$369.67	Minimum Bill
Next	10,000 Gallons	0.00888	Per Gallon
Over	40,000 Gallons	0.00708	Per Gallon

2-Inch Meter

First	50,000 Gallons	\$529.33	Minimum Bill
Over	50,000 Gallons	0.00708	Per Gallon

3-Inch Meter

First	100,000 Gallons	\$883.40	Minimum Bill
Over	100,000 Gallons	0.00708	Per Gallon

4-Inch Meter

First	200,000 Gallons	\$1,591.53	Minimum Bill
Over	200,000 Gallons	0.00708	Per Gallon

6-Inch Meter

First	500,000 Gallons	\$3,715.94	Minimum Bill
Over	500,000 Gallons	0.00708	Per Gallon

Wholesale Customers

Big Sandy Water District	\$0.00484	Per Gallon
City of Grayson	\$0.00484	Per Gallon
City of Vanceburg	\$0.00429	Per Gallon

Wholesale Customers – Emergency Water Connection

City of Olive Hill	\$0.00484	Per Gallon
Kentucky Department of Parks	\$0.00521	Per Gallon
Sandy Hook Water District	\$0.00326	Per Gallon

<u>Water Loss Reduction Surcharge</u>	\$5.53	Per Customer
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Nonrecurring Charges

Miscellaneous Service Revenues:

Meter Reread Charge	\$27.00
Meter Test Charge	\$77.00
Reconnect Charge	\$27.00
Reconnect Charge After hours	\$72.00
Service Call/Investigation Charge	\$27.00
Service Call/Investigation Charge After Hours	\$72.00
Termination/Field Service Charge	\$37.00

Connection Fees

5/8 x 3/4 Meter	\$1,325
All Larger Meters	Actual Cost

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*Sam Reid