

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ESTILL)	CASE NO.
COUNTY WATER DISTRICT NO. 1 FOR A RATE)	2023-00371
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

ORDER

On December 15, 2023,¹ Estill District #1 (Estill District #1) 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 Estill District #1 used the calendar year ended December 31, 2022, as the basis for its application. Estill District #1's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2017-00176.³

In its application, Estill District #1 requested rates that would increase its annual water sales revenues by \$355,239 or 18.79 percent.⁴

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated December 22, 2023, as amended by Order dated

¹ Estill District #1 tendered its application on December 1, 2023. By letter dated December 6, 2023, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on December 15, 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. 2017-00176, *Electronic Application of Estill County Water District No. 1 for Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 20, 2017).

⁴ Application, Attachment 6, Revenue Requirement Calculation at 19.

April 25, 2024. Estill District #1 responded to three requests for information from Commission Staff.⁵

On May 14, 2024, Commission Staff issued its report (Commission Staff's Report) summarizing its recommendations regarding Estill District #1's requested rate adjustment. In Commission Staff's Report, Commission Staff recommended that Estill District #1's adjusted test-year operations support a total revenue requirement of \$2,291,381, and that an annual revenue increase of \$331,146 or 17.52 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.⁶ 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.

On May 17, 2024, Estill District #1 requested additional time to respond to the Commission Staff report, which was granted by the Commission by Order dated May 24, 2024. On June 4, 2024, Estill District #1 filed its response to Commission Staff's Report. In its written comments, Estill District #1 concurred with the Commission Staff's recommended revenue requirement and rates; it also waived its right to request a hearing or informal conference.⁷ Additionally, Estill District filed a motion to submit matter for

⁵ Estill District #1's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Jan. 24, 2024); Estill District #1's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Feb. 27, 2024); and Estill District's #1's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed May 3, 2024).

⁶ Commission Staff Report at 21.

⁷ Estill District #1 Response to Commission Staff's Report (filed June 4, 2024).

decision on June 6, 2024.⁸ The case now stands submitted for a decision by the Commission.

LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small utilities to use to request rate adjustments, with the process designed to be less costly to the utility and the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, the utility is allowed to charge its customers "only fair, just and reasonable rates."⁹ 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

Estill District #1 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 3,628 residential customers and 180 commercial customers who reside in Estill County, Kentucky.¹⁰ The application was filed pursuant to the Commission's Order in Case No. 2021-00064,¹¹ which required Estill District #1 to file an application for an

⁸ Estill District #1 Motion to Submit Matter for Decision (filed June 6, 2024) at 1.

⁹ *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).

¹⁰ *Annual Report of Estill District #1 Water Division to the Public Service Commission for the Calendar Year Ended (Annual Report) December 31, 2022*, at 49.

¹¹ Case No. 2021-00064, *Electronic Application of Estill County Water District No. 1 for Authorization to Enter into an Assistance Agreement with the Kentucky Infrastructure Authority, for a Certificate of Public Convenience to Construct Certain Water Improvements and Authorization to Use Water Loss Control Program Surcharge Proceeds* (Ky. PSC June 3, 2022), Order, ordering paragraph 1 (requiring the district to file within one year of the Order).

adjustment of its base rates by December 1, 2023.¹² Estill District #1's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2017-00176.¹³

Since that matter, Estill District #1 has only adjusted its rates pursuant to purchased water adjustments.¹⁴

UNACCOUNTED-FOR WATER LOSS

The Commission notes that in its 2022 Annual Report, Estill District #1 reported a water loss of 39.8996 percent.¹⁵ 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 Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission views excessive water loss as a potential warning sign of problems with the financial health and operational well-being of water utilities.¹⁶ The table below shows that the 2022 total annual cost of water loss to Estill District #1 is \$386,205 while the annual cost of water loss in excess of 15 percent is \$241,014.

¹² Case No. 2021-00064, July 12, 2023 Order (Extension to file application granted).

¹³ Case No. 2017-00176, Dec. 20, 2017 Order.

¹⁴ Case No. 2017-00377, *Electronic Purchased Water Adjustment of Estill County Water District No. 1*, (Ky. PSC Oct. 13, 2017), Order; and Case No. 2018-00276, *Electronic Purchased Water Adjustment of Estill County Water District No. 1* (Ky. PSC Sept. 5, 2018), Order.

¹⁵ 2022 Annual Report at 57.

¹⁶ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Mar. 12, 2019), Order.

Total Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 883,188	\$ 84,756	\$ 967,944
Water Loss Percent	39.8996%	39.8996%	39.8996%
Total Water Loss	<u>\$ 352,388</u>	<u>\$ 33,817</u>	<u>\$ 386,205</u>

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 883,188	\$ 84,756	\$ 967,944
Water Loss in Excess of 15%	24.8996%	24.8996%	24.8996%
Disallowed Water Loss	<u>\$ 219,910</u>	<u>\$ 21,104</u>	<u>\$ 241,014</u>

Estill District #1 was a party to the Commission’s 2019 investigation into excessive water loss.¹⁷ It was approved for a water loss surcharge in March 2020 and began spending surcharge funds in early 2024.¹⁸ Commission Staff’s Report noted that Estill District #1’s water loss changed minimally during the five years including and before the test year as shown in the table below. Estill District #1 stated in its response to Commission Staff’s Report that it experienced reduced water loss in 2023,¹⁹ the 2023 annual report reflects water loss of 25.9465 percent.²⁰ The Commission acknowledges the water loss reduction efforts and discusses the water loss surcharge and water loss in greater detail in the Order below.

¹⁷ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky’s Jurisdictional Water Utilities* (filed Mar. 15, 2019), Entry of Appearance.

¹⁸ Case No. 2019-00119, *Electronic Application of Estill County Water District No. 1 for a Surcharge to Finance Water Loss Control Efforts* (Ky. PSC Mar. 24, 2020), Order; (filed Feb. 15, 2024) January 2024 Activity Report.

¹⁹ Estill District #1’s Response to Staff’s Report at 1–2.

²⁰ 2023 Annual Report at 57.

Year	Water Loss Percentage
2018	39.63%
2019	37.46%
2020	31.05%
2021	39.88%
2022	39.90%

TEST PERIOD

The calendar year ended December 31, 2022, was used as the test year to determine the reasonableness of Estill District #1’s existing and proposed water rates as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

The Commission Staff’s Report and Commission Adjustment summarizes Estill District #1’s final pro forma income statement as follows:

Description	Commission Staff Pro Forma	Commission Adjustments	Final Pro Forma
Operating Revenues	\$ 1,959,489	\$ -	\$ 1,959,489
Operating Expenses	2,004,172	\$ 4,286	2,008,458
Total Utility Operating Income	<u>\$ (44,683)</u>	<u>\$ (4,286)</u>	<u>\$ (48,969)</u>

REVIEW OF COMMISSION STAFF’S RECOMMENDATIONS

Estill District #1 proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In Commission Staff’s Report, Commission Staff proposed additional adjustments. Upon review, the Commission discovered one necessary modification to Commission Staff’s Report. This adjustment was an increase of \$4,286 to Estill District #’1 amortization expense to represent the additional rate case

expenses incurred by Estill District #1 during the ARF process.²¹ The following is the Commission's complete pro forma.²²

Description	Test Year	Total Adjustments	(Ref.)	Commission Staff Report Pro Forma	Commission Adjustments	Pro Forma
Operating Revenues						
Sales of Water	\$ 1,917,600	\$ (27,103)	A	\$ 1,890,497	\$ -	\$ 1,890,497
Other Water Revenues	254,809	(160,553)	B			
		(25,264)	B	68,992	-	68,992
Total Operating Revenues	2,172,409	(212,920)		1,959,489	-	1,959,489
Operating Expenses						
Operation and Maintenance Expenses						
Salaries and Wages - Employees	332,108	127,768	C	459,876	-	459,876
Salaries and Wages - Officers	18,000	0		18,000	-	18,000
Employee Benefits - Medical	263,936	(136,359)	D1			
		(30,751)	D2			
		(18,675)	D3			
		(223)	D4			
		(7,019)	D5	70,909	-	70,909
Employee Benefits - Retirement (CERS)	0	154,191	D1			
		(46,215)	E1			
		(641)	E2	107,335	-	107,335
Purchased Water	890,552	(219,910)	F			
		(7,364)	F	663,278	-	663,278
Purchased Power for Pumping	84,756	(21,104)	G	63,652	-	63,652
Materials and Supplies	61,805	(21,304)	H	40,501	-	40,501
Contractual Services	62,262	0		62,262	-	62,262
Water Testing	5,285	0		5,285	-	5,285
Transportation Expense	24,928	0		24,928	-	24,928
Insurance	24,351	0		24,351	-	24,351
Regulatory Commission Expense	38	0		38	-	38
Miscellaneous Expense	56,583	0		56,583	-	56,583
Total Operation and Maintenance Expenses	1,824,604	(227,606)		1,596,998	-	1,596,998
Taxes Other Than Income - FICA	28,846	9,774	I	38,620	-	38,620
Depreciation	279,693	80,060	J	359,753	-	359,753
Amortization Expense	3,801	5,000	K	8,801	4,286	13,087
Total Operating Expenses	2,136,944	(132,772)		2,004,172	4,286	2,008,458
Net Operating Income	35,465	(80,148)		(44,683)	-	(44,683)
Interest Income	0	746		746	-	746
Income Available to Service Debt	\$ 35,465	\$ (79,402)		\$ (43,937)	\$ -	\$ (43,937)

²¹ Final Notice of Rate Case Expenses (filed June 6, 2024).

²² Commission Staff's Report at 10.

PRO FORMA OPERATING STATEMENT

Billing Analysis Adjustment. Estill District #1 provided a billing analysis listing the water usage and water sales revenue for the 12-month test year in its application.²³ It reported total metered water sales revenue of \$1,917,600 for the test year in its Schedule of Adjusted Operations.²⁴ Estill District #1 provided a billing analysis to calculate a normalized revenue amount based on the usage during the test year using the rates authorized in its current tariff to be \$1,890,497 and proposed an adjustment to decrease test-year water sales revenue by \$27,103 to reflect the revenues from water rates generated by the billing analysis.²⁵ Commission Staff recommended the Commission accept the adjustments because the amounts were known and measurable.²⁶

The Commission finds that the recommended adjustments and the normalized revenue are reasonable and approves the adjustments.

Other Water Revenues. A summary of Other Water Revenues and adjustments is presented in the table below. Estill District #1 reported a test year amount of \$254,809 and proposed a decrease of \$160,553 to eliminate revenue generated by the water loss surcharge, which is not a component of the revenue requirement.²⁷ Commission Staff made three additional adjustments, as shown in the chart below. First, Commission Staff reduced nonrecurring charges by \$6,814 (B1). This amount was comprised of a reduction for labor costs of \$14,064 which is partly offset by an increase of \$7,250 which represents

²³ Application, Attachment #7, Existing Billing Analysis at 21.

²⁴ Application, Attachment #5, Schedule of Adjusted Operations at 15.

²⁵ Application, Attachment #7, proposed Billing Analysis at 23.

²⁶ Commission Staff's Report at 11.

²⁷ Application, Attachment #5, Reference B at 17.

nonrecurring charges that were not properly classified.²⁸ Second, Commission Staff increased miscellaneous revenue components by \$7,167 (B2) to balance total Other Revenues to known amounts. Third, it decreased sales tax, utility gross receipts tax, and 911 Fees, all of which are pass through collections, by a net of \$11,283 (B3) to balance to collections and disbursements to zero. The net of the three adjustments decreases other revenues by \$25,264 resulting in pro forma Other Water Revenues of \$68,992. Commission Staff recommended the Commission accept the adjustments because the amounts were known and measurable.²⁹

²⁸ Commission Staff's Report at 11.

²⁹ Commission Staff's Report at 11.

Description	Test Year	Estill District Adj	Commission Staff Adj	Pro Forma
Late Payment Penalties	\$53,275	\$0	\$0	\$53,275
<i>Non-Recurring Charges</i>				
Disconnection / Reconnection Charge	18,023		(10,163)	7,860
Returned Check Charge	1,000		(629)	371
Service Call / Investigation			880	880
Damage to Meter Setting or Lid			3,098	3,098
sub-total Non-Recurring	19,023	0	(6,814)	12,209
			(B1)	
<i>Miscellaneous</i>				
Fire Protection	3,508			3,508
Misc. Income	7,333		(7,333)	0
Customer Refunds	(166)		166	0
Surcharge-Residential	160,553	(160,553)		0
sub-total Non-Recurring	171,228	(160,553)	(7,167)	3,508
			(B2)	
<i>Tax Billing / Pass Throughs</i>				
Collections - Utility Tax	44,220			44,220
Taxes - Utility	(43,093)		(1,127)	(44,220)
Collections - Sales Tax	17,522			17,522
Taxes - Sales	(17,767)		245	(17,522)
911 Fee Assessed	365,395			365,395
911 Fee	(354,994)		(10,401)	(365,395)
sub-total Pass Through Items	11,283	0	(11,283)	0
			(B3)	
Total	\$254,809	(\$160,553)	(\$25,264)	\$68,992

The Commission finds the recommended adjustments and the other water revenues are reasonable and approves the adjustments. The adjustments reflect known and measurable amounts, including a reduction for amounts that are pass through collections.

Salaries and Wages - Employees. Estill District #1 reported test-year wages of \$332,108. In its application, Estill District #1 proposed an increase of \$127,768 to reflect changes in staffing, including the hiring of two new workers in 2023 and an increase in

pay rates.³⁰ Commission Staff reviewed Estill District #1's submission of 2022 and 2023 pay and benefit information and calculations and agreed with the proposed adjustment resulting in a pro forma amount of \$459,876.³¹ Commission Staff recommended the Commission accept the proposed adjustments because the amounts were known and measurable.³²

The Commission finds that this adjustment is based upon the current wage rates Estill District #1, and because it reflects the correct current wage amounts based on the current number of employees documented in the case record, it is reasonable and should be accepted.

Employee Pensions and Benefits - Medical. Estill District #1 reports benefits into five account classifications (Health Reimbursement Account; Payroll Expenses; and a combined Benefits category for each of Maintenance, Customer Service, and Administrative) as shown below. Unfortunately, the general ledger did not account for expenditures of each benefit type (medical, dental, life, retirement).

³⁰ Application, Attachment #5 – SAO, Reference C.

³¹ Estill District #1's Response to Staff's First Request, Item 1d, and Attachment 1d, OfficerAndEmployeePayAndBenefitInfo.

³² Commission Staff's Report at 13.

Description	Test Year
Health Reimbursement Account	\$ 12,302
Employee Pen & Ben/Maintenance	123,959
Employee Pen & Ben/Cust Service	91,778
Employee Pen & Ben/AD&G	57,272
Payroll Expenses	7,470
Total	292,781
Payroll Taxes (reclassified to Other Taxes)	(28,846)
Reported Benefits	\$ 263,935

Commission Staff identified costs by expense type by reviewing payroll and general ledger information that was provided by Estill District #1.³³ Commission Staff determined that separation of the medical and related benefits costs from retirement benefits would better facilitate discussion of the respective adjustments and reclassified \$136,359 (D1) to Employee Benefits – Retirement (CERS) in the Statement of Adjusted Operations (SAO) and in the table below. Estill District #1 did not propose any adjustments to medical and related benefits costs. Commission Staff made four additional adjustments. First, Commission Staff reduced medical insurance cost³⁴. Estill District #1 provided a copy of an invoice for \$5,253.24 medical coverage for December 2023 for eight employees and adjusted it to add one vacant position.³⁵ The annualized amount resulted in a decrease of \$30,751 (D2). The second and third adjustments Commission Staff made were related to Estill District #1's insurance contribution

³³ Estill District #1's Response to Staff's First Request, Item 1d, Attachment 1d, OfficerAndEmployeePayAndBenefitInfo, and Attachment 9, General Ledgers.

³⁴ Commission Staff's Report at 14.

³⁵ Estill District #1's Response to Staff's First Request, Item 5a, Attachment 5a, KACO Benefits Invoice, at 68 of 139. Commission Staff recalculated cost to add one person as follows: Invoice amount of \$5,253.24 divided by eight covered employees equals \$656.66 times nine employees at full staffing equals \$5,909.94. This amount times twelve months equals \$70,919.28.

amounts.³⁶ Estill District #1 provides medical and dental insurance coverage at no cost for employee(s) and employee child(ren). According to Estill District #1, if the employee requested family coverage, the employee is responsible for the incremental cost of the coverage.³⁷ Commission Staff noted that Estill District #1 did not make an adjustment to reflect the average employer contribution amount for health insurance premiums based on the Bureau of Labor Statistics' (BLS) national average for an employer's share of health insurance premiums³⁸ and the Willis Benchmarking Survey for national average for an employer's share of dental insurance that would be consistent with Commission precedent.³⁹ Commission Staff reviewed the costs of coverage and withholding amounts reported for test year payroll and calculated adjustments to reduce medical and dental costs by \$18,675 (D3), a 67 percent employer contribution percentage for family plans and a 79 percent employer contribution percentage for single plans and \$223 (D4), 40 percent employer contribution amount for dental, respectively. As the fourth adjustment, Commission Staff noted that Estill District #1 reported \$7,470 as Payroll Expense in account 66000 in its general ledger. Commission Staff reviewed the general ledger and determined that \$7,019 (D5) should be removed as it was for wage compensation that was adjusted previously to the calculated pro forma amount in Salaries and Wages -

³⁶ Commission Staff's Report at 14.

³⁷ Estill District #1's Response to Staff's First Request, Item 5 at 62 of 139.

³⁸ U.S. Bureau of Labor Statistics, Share of Premiums Paid by Employer and Employee for Single Coverage, March 2023 <https://www.bls.gov/news.release/ebs2.t03.htm>, U.S. Bureau of Labor Statistics, Share of Premiums Paid by Employer and Employee for Family Coverage, March 2023 <https://www.bls.gov/news.release/ebs2.t04.htm>.

³⁹ See Case No. 2016-00434, *Application of Shelby Energy Cooperative, Inc. for an Increase in its Retail Rates* (Ky. PSC July 31, 2017), final Order at 6-7. (https://www.willis.com/Documents/publications/Services/Employee_Benefits/20151230_2015WillisBenefitsBenchmarkingSurveyReport.pdf).

Employees above. Commission Staff recommended that the Commission should not stray from its precedent.

In aggregate, Commission Staff recommended a reduction in benefit expenses by \$56,668 as shown below:

Description	Test Year	Estill District #1 Adjustments	Commission Staff Adjustments	Pro Forma	Ref
Dental	\$ 2,296.32			\$ 2,296.32	
Dental Withholding ()	(1,154.92)				
Dental Adjustment			(223.00)	(1,377.92)	D4
Medical	101,670.79		(30,751.00)		D2
Medical BLS			(18,675.00)	52,244.79	D3
Life	2,196.55			2,196.55	
Life Withholding ()	(735.82)			(735.82)	
Health Care Reimburse G/L Acct 604.1	12,302.00			12,302.00	
Payroll Expenses G/L Acct 66000	7,470.00		(7,019.00)	451.00	D5
Not Identified	3,531.17			3,531.17	
Total Medical, Dental, Life Retirement	\$ 127,576.09	\$ -	\$ (56,668.00)	\$ 70,908.09	
	136,358.91		(136,358.91)	0.00	D1
Test Year Total Benefits	<u>\$ 263,935.00</u>	<u>\$ -</u>	<u>\$ (193,026.91)</u>	<u>\$ 70,908.09</u>	

Whole dollar amounts are shown to tie to Estill Water #1's general ledger. Amounts reported in Schedule of Adjusted Operations are rounded to zero and may differ slightly.

The Commission finds these adjustments are reasonable and should be accepted as they are consistent with Commission precedent on health insurance premium expenses⁴⁰ and reflect the difference in test-year medical expenses and what Estill District #1 filed in its Schedule of Adjusted Operations. Estill District #1 did not provide any evidence of a wage study or comparative information in the record. As such, the Commission agrees with Commission Staff that the adjusted should align with the Commission precedent on the issue.

⁴⁰ See Case No. 2017-00263, *Electronic Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment* (Ky. PSC Dec. 22, 2017), at 9-10, and Bureau of Labor Statistics.

Employee Benefits – Retirement (CERS). Commission Staff reclassified \$136,359 (D1) from Medical Benefits to Retirement as discussed above. Estill District #1 participates in the County Employees Retirement System (CERS), which is managed by the Kentucky Public Pension Authority (KPPA).⁴¹ It proposed one adjustment of \$17,832 to increase retirement cost for increases in pro forma wages.⁴² Commission Staff agreed with Estill District #1's pro forma amount but did not agree with the test-year amount that Estill District #1 used in its calculations. Commission Staff calculated a test year amount of \$136,359 but Estill District #1 used \$89,503.⁴³ Commission Staff concluded that Estill District #1 excluded certain accounting adjustments for Pension and Other Post Employment Benefits (OPEB) related to GASB 68 and GASB 75 from its test year amount.

In Case No. 2016-00163,⁴⁴ Commission Staff discussed in detail how reporting requirements for GASB 68 would affect a utility's income statement and balance sheet. In that proceeding, the Commission found that the annual pension expense should be equal to the amount of a district's contributions to CERS. Consistent with Commission precedent,⁴⁵ Commission Staff removed the \$46,215 (E1) adjustment related to GASB 68 as well as GASB 75, which did not become effective until after GASB 68. Estill District

⁴¹ Estill District #1's Response to Staff's First Request, Item 5, Description of Benefits at 62.

⁴² Application, Attachment #5, Reference D at 17.

⁴³ Estill District #1's Response to Staff's First Request, Item 9, Attachment 9, Rate Case Workpapers, Salaries.

⁴⁴ Case No. 2016-00163, *Alternative Rate Adjustment Filing of Marion County Water District* (Ky. PSC Nov. 10, 2016), Order at 11–15.

⁴⁵ Case No. 2022-00044, *Electronic Application of Big Sandy Water District for an Adjustment of its Water Rates Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 13, 2022), Order at 11–12.

#1 implemented both during 2018.⁴⁶ Commission Staff reviewed general ledger entries for the test year and identified \$46,215 (\$27,147 plus \$19,068 below) in expense that should have been removed.⁴⁷ Commission Staff made a further reduction of \$641 (E2) to reconcile to Estill District #1's proposed amount. A summary of the recommended adjustments is shown in the table below.

Description	Test Year	Estill District #1 Adjustments	Commission Staff Adjustments (E1, E2)	Pro Forma
Retirement (from payroll)	\$ 90,143.91	\$ 17,832.00	\$ (641.00)	\$ 107,334.91
Pension / OPEB (row 13307 2022 G/L)	27,147.00		(27,147.00)	0.00
Pension / OPEB (row 13308 2022 G/L)	19,068.00		(19,068.00)	0.00
Total (note)	<u>\$ 136,358.91</u>	<u>\$ 17,832.00</u>	<u>\$ (46,856.00)</u>	<u>\$ 107,334.91</u>

Estill District #1 used \$89,503 as its test year amount which is \$46,586 less than the recorded amount.

The Commission finds that Commission Staff's recommended adjustments are reasonable and should be accepted. Estill District #1's Employee Pensions and Benefits should be decreased by \$29,024 because the adjustment used the evidence provided to adjust the contribution expense to account for the normalization of Salaries and Wages and the corresponding update to the required contribution percent by CERS and to conform to general accounting principles.

Purchased Water. Estill District #1 purchases water from Irvine Municipal Utilities and Jackson County Water Association. Estill District #1 reported a test-year amount of \$890,552 and proposed a decrease of \$221,744 for water loss above the allowed 15

⁴⁶ Estill County Water District #1 Audited Financial Statements for the Year Ended December 31, 2018 (filed Oct. 30, 2019), Note 7 at 13 and Note 8 at 18.

⁴⁷ Estill District #1's Response to Staff's First Request, Item 1a, Attachment 1a, 2022 General Ledger account 66000, row 13307 for \$27,147.00 and row 13308 for \$19,068.00.

percent.⁴⁸ Commission Staff calculated purchased water cost at current rates resulting in a reduction of \$7,364 as shown in the table below.

Description	Irvine Municipal Utilities	Jackson County Water Association	Total
Gallons	274,575,000	258,000	274,833,000
Current Purchase Rate	\$ 3.2133	\$ 3.4729	\$ 3.2135
Pro Forma Cost	<u>\$ 882,292</u>	<u>\$ 896</u>	\$ 883,188
Test Year Purchase Cost			890,552
Increase in Purchase Cost			<u>\$ (7,364)</u>

This resulted in a purchased water cost of \$883,188. This reduction also lowered water loss above 15 percent by \$1,834. The new disallowed water loss was \$219,910, as shown in the table below, resulting in a pro forma purchased water cost of \$663,278. Commission Staff recommended accepting the changes proposed by Commission Staff as the amounts were known and measurable.⁴⁹

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 883,188	\$ 84,756	\$ 967,944
Water Loss in Excess of 15%	24.8996%	24.8996%	24.8996%
Disallowed Water Loss	<u>\$ 219,910</u>	<u>\$ 21,104</u>	<u>\$ 241,014</u>

The Commission finds the adjustments are reasonable and should be accepted because it reflects the current purchase water rates for Estill District #1 and as well as its actual test-year water loss.

⁴⁸ Application, Attachment #5, SAO and References.

⁴⁹ Commission Staff's Report at 17.

Purchased Power. Estill District #1 reported a test year amount of \$84,756 in purchased power expense and proposed a decrease of \$21,104 for water loss percentage above the allowed 15 percent for a pro forma purchase power cost of \$63,652.⁵⁰ Commission Staff reviewed Estill District #1's purchased power expense and agreed with its proposed adjustment as the amounts are known and measurable.⁵¹

Disallowed Water Loss	Purchased Power
Pro Forma Purchases	\$ 84,756
Water Loss in Excess of 15%	24.8996%
Disallowed Water Loss	<u>\$ 21,104</u>

The Commission finds Estill District #1's proposed adjustment reasonable and it should be accepted. It reflects the actual test-year water loss as well as reflecting the maximum allowable water loss expense collected for ratemaking purposes of 15 percent.

Materials and Supplies. Estill District #1 reported a test year amount of \$61,805 and proposed no changes.⁵² In Staff's Second Request, Commission Staff requested that Estill District #1 confirm whether each of the items in the table below should have been capitalized. Estill District #1 confirmed that all of the items should have been capitalized.⁵³ Commission Staff recommended a reduction of \$21,303.80 to correctly capitalize the expenditures and remove the expense from materials and supplies.

⁵⁰ Application, Attachment #5, SAO and References.

⁵¹ Commission Staff's Report at 18.

⁵² Application, Attachment #7, Schedule of Adjusted Operations at 15.

⁵³ Estill District #1's Response to Staff's Second Request, Item 1 at 4.

Commission Staff recommended accepting the proposed adjustment as reasonable resulting in a pro forma amount of \$40,501.20.⁵⁴

Date	Name	Memo	Amount
06/17/2022	CITCO WATER	PUMP END GRUNDFOS CR64-3-2	\$ 6,252.85
08/31/2022	CITCO WATER	GRUNFOS PUMP	3,484.00
10/03/2022	USA BLUE BOOK	VIPER MAG PIPE CABLE AND FERRO MAGNETIC LOCATOR	2,935.95
12/28/2022	TRUIST BANK UNITED SYSTEMS	REFLECTIVE SIGNS, AND STAND	2,641.00
06/14/2022	AND SOFTWARE, INC	2 ITRON LEAK DETECTO COMPLETE DLD SYSTEM	5,990.00
Total			<u>\$ 21,303.80</u>

The Commission finds Commission Staff’s adjustment reasonable to properly capitalize known and measurable expenses, and therefore accepts the adjustment as reasonable.

Taxes Other Than Income. Estill District #1 reported a test-year amount of \$28,846 and proposed an increase of \$9,774 due to increased taxes for increasing wages for employees.⁵⁵ Commission Staff recommended accepting the proposed adjustment resulting in a pro forma increase of \$38,620 for Taxes Other Than Income.⁵⁶

The Commission finds Estill District #1’s adjustment is reasonable and should be accepted, as the increase reflects an increase in salaries and wages and the resulting payroll taxes and Estill District #1 provided sufficient evidence to support the adjustment.

Depreciation Expense. Estill District #1 did not propose an adjustment based on National Association of Regulatory Authority Commissioners (NARUC) estimated asset lives. In Case No. 2017-00176, Estill District #1 was ordered to adopt NARUC depreciable lives to depreciate water plant assets for accounting purposes in all future

⁵⁴ Commission Staff’s Report at 18.

⁵⁵ Application, Attachment #5, SAO and References.

⁵⁶ Commission Staff’s Report at 19.

reporting periods.⁵⁷ Commission Staff reviewed Estill District #1's depreciation and agreed that no adjustment for NARUC lives was necessary. Commission Staff made three adjustments to increase depreciation expense by \$80,060 as described below. First, as noted in Materials and Supplies above, \$21,303.80 was removed from materials and supplies expense because it should have been capitalized. Commission Staff calculated additional depreciation expense of \$1,405 as shown in the table below (J1). Second, Commission Staff included \$165,056 for three vehicles that were purchased with water loss surcharge funds in early 2024⁵⁸ and added depreciation in the amount of \$23,580 (J2) based on a seven-year NARUC life for transportation equipment. Third, Commission Staff identified significant assets that were listed as construction in process in Estill District #1's test year fixed asset list that were subsequently placed in service as of May 19, 2023.⁵⁹ Estill District #1 provided the depreciation amount for these assets as well as other capital expenditures that were placed in service after the test year,⁶⁰ and Commission Staff included an additional \$55,075 (J3) adjustment. The table below summarizes the items. Commission Staff recommended the Commission approve the adjustment as the amounts are known and measurable.⁶¹

⁵⁷ Case No. 2017-00176, Dec. 20, 2017 Order at 8.

⁵⁸ Case No. 2019-00119, *Electronic Application of Estill County Water District No. 1 for a Surcharge to Finance Water Loss Control Efforts* (Ky. PSC Jan. 25, 2024), Order at 4.

⁵⁹ Case No. 2019-00119, (filed Aug. 31, 2023), Verified Motion for Authorization to Expend Surcharge Proceeds and to Continue Billing Surcharge Until December 31, 2025, Item 14 at 7.

⁶⁰ Estill District #1's Response to Staff's Third Request, Item 3-1C, Attachment 3-1C at 20.

⁶¹ Commission Staff's Report at 20.

Asset	Original Cost	NARUC Life	Adjusted Depreciation
<i>Reclassification of Items from Expense to Capital</i>			
Pump End Grundfos Cr64-3-2	\$ 6,252.85	20.00	\$ 313
Grunfos Pump	3,484.00	20.00	174
Viper Mag Pipe Cable And Ferro Magnetic Locator	2,935.95	17.50	168
Reflective Signs, And Stand	2,641.00	17.50	151
2 Itron Leak Detecto Complete Dld System	5,990.00	10.00	599
sub-total	<u>\$ 21,303.80</u>		<u>\$ 1,405</u> (J1)
<i>Trucks Purchased in Case No. 2019-00119</i>			
Ford F-150 Truck	\$ 53,128.00	7.00	7,590
Ford F-150 Truck	53,128.00	7.00	7,590
Chevrolet 2500 Truck	58,800.00	7.00	8,400
sub-total (J2)	<u>\$ 165,056.00</u>		<u>\$ 23,580</u> (J2)
<i>Assets Placed In Service After Test Year</i>			
Estill District #1's Response to Third Data Request (J3)	<u>\$ 2,927,171</u>	Various	<u>\$ 55,075</u> (J3)
Total (J)	<u>\$ 3,113,531</u>		<u>\$ 80,060</u>

The Commission has reviewed the information provided and confirmed that Estill District #1 properly used NARUC asset lives to depreciate its water plant assets. The Commission finds Commission Staff's adjustments to be reasonable and should be accepted because they are additional items that should be included in Estill District #1's depreciation and sufficient evidence exists to support the adjustment.

Amortization Expense. Estill District #1 reported a test year amount of \$3,801. Estill District #1 proposed an increase of \$5,000 for amortization of \$15,000 in legal fees related to this rate case to be amortized over three years.⁶² Commission Staff agreed with this methodology and recommended approving the proposed changes as the amounts are known and measurable.⁶³

⁶² Application, Attachment 5 – Schedule of Adjusted Operations, Reference F at 17.

⁶³ Commission Staff's Report at 20.

The Commission finds that Estill District #1’s proposed adjustment should be modified to represent the new rate case expense and made an adjustment of \$4,286⁶⁴ to account for the difference in estimated rate case expense and the amount Estill District #1 actually incurred, which was \$19,286⁶⁵.

SUMMARY OF ADJUSTMENTS

Based upon the Commission’s findings discussed above, the following table summarizes Estill District #1’s adjusted pro forma:

Description	Commission Staff Pro Forma	Commission Adjustments	Final Pro Forma
Operating Revenues	\$ 1,959,489	\$ -	\$ 1,959,489
Operating Expenses	2,004,172	\$ 4,286	2,008,458
Total Utility Operating Income	<u>\$ (44,683)</u>	<u>\$ (4,286)</u>	<u>\$ (48,969)</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. This method allows for recovery of (1) cash-related pro forma operating expenses; (2)

⁶⁴ \$19,286 - \$15,000 = \$4,286.

⁶⁵ Final Notice of Rate Case Expenses (filed June 6, 2024).

recovery of depreciation expense, a non-cash item, to provide working capital;⁶⁶ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

Description	Commission Staff Report	Commission Approved
Pro Forma Operating Expenses	\$ 2,004,172	\$ 2,008,458
Average Annual Principal and Interest Payments	235,769	235,769
Additional Working Capital	47,154	47,154
Overall Revenue Requirement	2,287,095	2,291,381
Other Operating Revenue ()	(68,992)	(68,992)
Interest Income ()	(746)	(746)
Revenue Required from Rates	2,217,357	2,221,643
Pro Forma Present Rate Service Revenues ()	(1,890,497)	(1,890,497)
Required Revenue Increase	<u>\$ 326,860</u>	<u>\$ 331,146</u>
Percentage Increase	<u>17.29%</u>	<u>17.52%</u>

Average Annual Principal and Interest Payments. Estill District #1 requested to recover debt service of \$238,556 on its loans from the United States Department of Agriculture Rural Development (RD), a loan payable to a local bank, and a loan payable to the Kentucky Infrastructure Authority (KIA) based on a three-year average of the annual principal, interest and fee payments for years 2024 through 2027.⁶⁷ Commission Staff

⁶⁶ The Kentucky Supreme Court has held that the Commission must permit a water district to recover its depreciation expense through its rates for service to provide internal funds for renewing and replacing assets. See *Public Serv. Comm'n of Kentucky v. Dewitt Water Dist.*, 720 S.W.2d 725, 728 (Ky. 1986). Although a water district's lenders require that a small portion of the depreciation funds be deposited annually into a debt reserve/depreciation fund until the account's balance accumulates to a required threshold, neither the Commission nor the Court requires that revenues collected for depreciation be accounted for separately from the water district's general funds or that depreciation funds be used only for asset renewal and replacement. The Commission has recognized that the working capital provided through recovery of depreciation expense may be used for purposes other than renewal and replacement of assets. See Case No. 2012-00309, *Application of Southern Water and Sewer District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 21, 2012).

⁶⁷ Application at 37.

calculated debt service based on the final KIA loan amount filed in the case record⁶⁸ resulting in average debt service of \$235,769.

Year	Amount
2024	\$ 236,697
2025	235,304
2026	235,305
Average	<u>\$ 235,769</u>

The Commission finds that including \$235,769 in the revenue requirement calculation for average annual principal, as well as interest and fee payments for debt obligations is a known and measurable amount. The Commission finds the amount to be reasonable and as such, accepts inclusion of the amount in the revenue requirement.

Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. In its exhibits, Estill District #1 requested recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments, or \$47,711.⁶⁹ Following the Commission's historic practice of including additional working capital,⁷⁰ Commission Staff agreed with inclusion of a working capital provision; however,

⁶⁸ Notice of Closing of KIA Loan F20-013 (filed May 1, 2024).

⁶⁹ Application, Attachment #6, Revenue Requirement Calculation at 19.

⁷⁰ 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).

it calculated the amount at \$47,154 based on the final KIA loan debt service filed in the case record.⁷¹ .

Average Annual Principal and Interest	\$ 235,769
Times: DSC Coverage Ratio	<u>120%</u>
Total Net Revenues Required	282,923
Less: Average Annual Principal and Interest Payments	<u>(235,769)</u>
Additional Working Capital	<u><u>\$ 47,154</u></u>

The Commission finds that including additional working capital of \$47,154 in the revenue requirement calculation is reasonable and should be accepted.

RATE DESIGN

In its application, Estill District #1 proposed to allocate its increase across the board. The Commission has previously found that the allocation of a revenue adjustment 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 Cost of Service Study (COSS).⁷²

The Commission agrees with Estill District’s #1 allocation method and used it to allocate its recommended \$331,146 increase, the \$326,860 increase included in Commission Staff’s Report⁷³ and the \$4,286 modification. The rates set forth in Appendix B to this Order are based upon the total revenue requirement of \$2,291,381 and will produce sufficient revenues from water sales to recover the \$2,221,643 Revenue

⁷¹ Notice of Closing of KIA Loan F20-013.

⁷² See Case No. 2017-00309, *Application of Cawood Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 14, 2017), final Order at 5.

⁷³ Commission Staff’s Report at 5.

Required from Rates. The rates will increase an average residential customer using 3,075 gallons monthly water bill from \$32.90 to \$38.62, an increase of \$5.72, or approximately 17.40 percent.⁷⁴ Estill District #1 also charges a monthly water loss control program surcharge, established in Case No. 2019-00119 of \$3.54 per month per customer.⁷⁵ This increases the typical residential customer's monthly water bill, including the surcharge, from \$36.44 to \$42.16, an increase of \$5.72, or 15.71 percent.

The Commission finds that the evidence provided in the record and the analysis shows that the revenue requirement and the allocation methodology requested by Estill District #1 and recommended by Commission Staff are fair, just and reasonable and should be approved.

Nonrecurring Charges. Following the Commission's recent decisions,⁷⁶ Commission Staff reviewed Estill District #1's Nonrecurring Charges. The Commission has found that because district personnel are currently paid during normal business hours, estimated labor costs, previously included in determining the amount of Nonrecurring Charges should be eliminated from the charges. Estill District #1 provided the cost justification for the nonrecurring charges.⁷⁷ Commission Staff reviewed the cost

⁷⁴ The average retail customer uses approximately 3,075 gallons per month as used by Estill District #1 in its deficiency cured notice at 39.

⁷⁵ Case No. 2019-00119, *Electronic Application of Estill County Water District No. 1 for a Surcharge to Finance Water Loss Control Efforts* (filed Aug. 1, 2019).

⁷⁶ 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).

⁷⁷ Estill District #1's Response to Staff's First Request, Item 15.

justification information provided by Estill District #1 and adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs. Such adjustments⁷⁸ resulted in the following recommended revised Nonrecurring Charges:

Description	Current Charge	Revised Charge
Disconnection/Reconnection Charge	\$50.00	\$20.00
Returned Check Charge	\$25.00	\$7.00
Service Call/Investigation	\$50.00	\$20.00
Meter Test Charge	\$80.00	\$90.00
Damage to Meter Setting or Lid	Actual Cost	Actual Cost
Meter Relocation Fee	Actual Cost	Actual Cost

The recommended adjustments to the Nonrecurring Charges result in a decrease in Other Operating Revenue of \$14,064 as shown below.

Description	Occurrences	Current Charge	Revised Charge	Adjustment	Pro Forma
Disconnection/Reconnection Charge	393	\$50.00	\$20.00	\$ (11,790)	\$ 7,860
Returned Check Charge	53	\$25.00	\$7.00	(954)	371
Service Call/Investigation	44	\$50.00	\$20.00	(1,320)	880
Meter Test Charge	0	\$80.00	\$90.00	0	0
Damage to Meter Setting or Lid	13	Actual Cost	Actual Cost	0	3,098
Meter Relocation Fee	0	Actual Cost	Actual Cost	0	0
Pro Forma Test Year NRC Revenue				<u>\$ (14,064)</u>	\$ 12,209
Less: Test Year NRC Revenue ()					(26,273)
Adjustment					<u>\$ (14,064)</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.⁷⁹ The

⁷⁸ Commission Staff's Report, Appendix A.

⁷⁹ 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.

Commission requires that charges be directly related to the actual cost incurred to provide the service. It is unreasonable to allocate an expense already incurred as a day-to-day cost of maintaining a system, such as the salary of a distribution operator, to a nonrecurring service such as the connection and reconnection of a meter during normal working hours. Only the marginal costs related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours.⁸⁰ Thus, the Commission finds that the revised nonrecurring charges recommended by Commission Staff are reasonable and should be accepted.

Estill District #1 also provided updated cost justification information for its 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge.⁸¹ Commission Staff reviewed the proposed expenses provided by Estill District #1 and agreed with its proposed increase⁸². Estill District #1's tap-on fee will increase from \$1,277⁸³ to \$1,850⁸⁴.

The Commission finds that the increased tap-fee is reasonable and should be accepted because the proposed amount is supported by increased costs reflected in the record.⁸⁵

Water Loss Surcharge

⁸⁰ 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.

⁸¹ Estill District #1's Response to Staff's First Request, Item 15.

⁸² Commission Staff's Report at 8.

⁸³ Estill District #1's Tariff Effective Nov 17, 2019, PSC KY No. 4, Original Sheet No. 2.

⁸⁴ Estill District #1's Response to Staff's First Request, Attachment 15 at 130.

⁸⁵ Case No. 2020-00141, Nov. 6, 2020 Order; 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).

In Case No 2019-00119, Estill District #1 was approved for a water loss surcharge of \$3.54 per customer per month.⁸⁶ On August 31, 2023, Estill District #1 requested that the surcharge be permitted to continue until December 31, 2025.⁸⁷ Commission Staff reviewed the surcharge collections and approved expenditures and did not identify a necessity for the surcharge to be continued after the requested date. Commission Staff recommended that an order be issued in Case No. 2019-00119, the water loss control program surcharge case, concurrent with the final Order in this case, to permit termination of the surcharge on the requested date and that the order strongly encourage Estill District #1 to develop a long-term capital plan that includes its water loss minimization plans.⁸⁸

Commission Staff also recommended that Estill District #1 file an alternative rate filing no later than July 1, 2027, based on a 2026 test year to ensure that its post surcharge operating costs are appropriately included in its rate structure.⁸⁹

The Commission agrees with Commission Staff's recommendations. Estill District #1 has had a reduction in its overall water loss percentage. The Commission finds that the surcharge should terminate in December of 2025 and will be issuing an Order in accordance with the recommendation in that matter. However, the Commission does have concern as to the impact this will have both on Estill District #1's water loss as well as its financial wellness. By the end of 2026, Estill District #1 will then have operated a full year without the water loss surcharge. By requiring an alternative rate filing no later

⁸⁶ Case No. 2019-00119, Aug. 29, 2019 Order at 3-4.

⁸⁷ Case No. 2019-00119, (filed Aug. 31, 2023) Verified Motion for Authorization to Expend Surcharge Proceeds and to Continue Billing Surcharge Until December 31, 2025, Item 26 at 13.

⁸⁸ Commission Staff's Report at 8.

⁸⁹ Commission Staff's Report at 9.

than July 1, 2027, Estill District #1 should be able to fully reflect the impact of the termination of the water loss surcharge in the financial statements and operations. The Commission generally will accept rate sufficiency analyses if a utility is otherwise financially stable, but in this case, the Commission fully expects Estill District #1 to file its rate application pursuant to 807 KAR 5:076 and to do so within the deadline set in this Order.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations, as modified herein, contained in the Commission Staff's Report, are supported by the evidence of record and are reasonable. By applying the Debt Service Coverage (DSC) method, as generally accepted by the Commission, Commission Staff found that Estill District #1's required revenue from water sales is \$2,221,643 to meet the Overall Revenue Requirement of \$2,291,381 and thus a \$331,146, or 17.52 percent, revenue increase 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, as amended, and incorporated by reference into this Order as if fully set out herein.
2. The water service rates proposed by Estill District #1 are denied.
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Estill District #1 on or after the date of service of this Order.


4. Within 20 days of the date of service of this Order, Estill District #1 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. Estill District #1 shall file an application for alternative rate adjustment pursuant to 807 KAR 5:076 or an application for a rate adjustment pursuant to KRS 278.190 on or before July 1, 2027, based on a 2026 test year.

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


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PUBLIC SERVICE COMMISSION



Chairman

Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00371 DATED AUG 30 2024

* Denotes Rounding

Nonrecurring Charges Adjustments

	Disconnection/Reconnection Charge Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (\$23.17 at 1 hours)	\$23.17	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$16.50	\$0.00
Transportation	\$20.10	\$20.10
Misc.	\$0.00	\$0.00
Total Revised Charge*	\$59.77	\$20.00
Current Rate	\$50.00	

	Returned Payment Charge Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (\$23.17 at 1 hours)	\$0.00	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$16.50	\$0.00
Transportation	\$0.00	\$0.00
Misc.	\$7.00	\$7.00
Total Revised Charge	\$23.50	\$7.00
Current Rate	\$25.00	

	Service Call/Investigation Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (\$23.17 at 1 hours)	\$23.17	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$16.50	\$0.00
Transportation	\$20.10	\$20.10
Misc.	\$0.00	\$0.00
Total Revised Charge*	\$59.77	\$20.00
Current Rate	\$50.00	

Meter Test Request		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor	\$0.00	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$0.00	\$0.00
Transportation	\$0.00	\$0.00
Misc.	\$90.00	\$90.00
Total Revised Charge	<u>\$90.00</u>	<u>\$90.00</u>
Current Rate	\$80.00	

Damage to Meter Setting or Lid		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor	\$0.00	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$0.00	\$0.00
Transportation	\$0.00	\$0.00
Misc.	\$0.00	\$0.00
Total Revised Charge	<u>\$0.00</u>	<u>\$0.00</u>
Current Rate	Actual Charge	Actual Charge

Meter Relocation Fee		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor	\$0.00	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$0.00	\$0.00
Transportation	\$0.00	\$0.00
Misc.	\$0.00	\$0.00
Total Revised Charge	<u>\$0.00</u>	<u>\$0.00</u>
Current Rate	Actual Charge	Actual Charge

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00371 DATED AUG 30 2024

The following rates and charges are prescribed for the customers in the area served by Estill County Water District #1. 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 Retail Rates

5/8-Inch x 3/4-Inch Meter

First	2,000 Gallons	\$	25.33	Minimum Bill
Next	3,000 Gallons		0.01236	per Gallon
Next	5,000 Gallons		0.01212	per Gallon
Over	10,000 Gallons		0.00964	per Gallon

1-Inch Meter

First	5,000 Gallons	\$	62.50	Minimum Bill
Next	5,000 Gallons	\$	0.01212	per Gallon
Over	10,000 Gallons	\$	0.00964	per Gallon

2-Inch Meter

First	16,000 Gallons	\$	180.92	Minimum Bill
Over	16,000 Gallons	\$	0.00964	per Gallon

Bulk Loading Station	\$	0.00857	per Gallon
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Wholesale Rates

Powell's Valley Water District	\$	0.00485	per Gallon
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Tap-On Fee

5/8-Inch x 3/4-Inch Meter	\$	1,850.00	
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Nonrecurring Charges

Disconnection/Reconnection Charge	\$20.00
Returned Payment Charge	7.00
Service Call/Investigation	20.00
Meter Test Request	90.00
Damage to Meter Setting or Lid	Actual Cost
Meter Relocation Charge	Actual Cost

*Estill County Water District #1
76 Cedar Grove Road
Irvine, KY 40336

*Audrea Miller
Office Manager
Estill County Water District #1
76 Cedar Grove Road
Irvine, KY 40336

*David P. Foster
Rural Community Assistance Partnership
101 Burch Court
Frankfort, KENTUCKY 40601

*Gerald E Wuetcher
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801