

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KNOX COUNTY)	CASE NO.
UTILITY COMMISSION FOR A RATE)	2023-00430
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

ORDER

On March 18, 2024,¹ Knox County Utility Commission (Knox County Commission) 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 Knox County Commission used the calendar year ended December 31, 2022, as the basis for its application.

In its application, Knox County Commission requested rates that would increase its annual water sales revenues by \$101,572, or a 6.19 percent increase to pro forma present rate water sale revenues.³ However, Knox County Commission realized it had not included the end of year adjustments in the test year amounts.⁴ When the corrections were incorporated into the Schedule of Adjusted Operations, Knox County Commission

¹ Knox County Commission tendered its application on February 27, 2024. By letters dated February 28, 2024, and March 13, 2024, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on March 18, 2024.

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 Knox County Commission's Response to Commission's Notice of Deficiencies, (filed Mar. 12, 2024), Item 2.

⁴ Knox County Commission's Response to Commission Staff's Second Request for Information (Response to Staff's Second Request) (filed June 5, 2024), Item 2m.

determined a corrected base rate revenue increase of \$102,127, or 6.22 percent, was necessary to achieve the revenue requirement as shown in the table below.⁵ The difference between the initial revenue increase and the corrected revenue increase is \$555 or 0.546 percent.

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated April 3, 2024.⁶ Knox County Commission responded to two requests for information from Commission Staff and filed two supplemental responses to requests for information from Commission Staff.⁷

Commission Staff issued its report (Commission Staff's Report) on July 9, 2024, summarizing its recommendations regarding Knox County Commission's requested rate adjustment.⁸ In the Commission Staff's Report, Commission Staff calculated that Knox County Commission's adjusted test-year operations support an overall revenue requirement of \$1,799,790 and that a \$92,359 revenue increase, or 5.63 percent, to pro forma present rate revenues is necessary to generate the overall revenue requirement.⁹ 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.

⁵ Knox County Commission's Response to Staff's Second Request, Attachments, Attachment 1, Revenue Requirement Calculation.

⁶ Order (Ky. PSC, Apr. 3, 2024).

⁷ Knox County Commission's Response to Commission Staff's First Request for Information (Staff's First Request) (filed May 10, 2024); Knox County Commission's Response to Staff's Second Request; Knox County Commission's Supplemental Response to Staff's Second Request (filed June 5, 2024); Knox County Commission's Supplemental Response to Staff's First Request (filed July 9, 2024).

⁸ Commission Staff's Report on Knox County Commission (Commission Staff's Report) (issued July 9, 2024).

⁹ Commission Staff's Report at 20, Revenue Requirement Determination Table.

On July 12, 2024, Knox County Commission filed its response to Commission Staff's Report.¹⁰ In its response, Knox County Commission accepted the rates stated in Commission Staff's Report and did not request an informal conference or a hearing.¹¹ 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."¹² 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

Knox County Commission 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 2,768 residential customers, 56 commercial customers, and 55 public authorities that reside in Bell, Knox, and Whitley counties, Kentucky.¹³ It also provides

¹⁰ Knox County Commission's Response to Staff Report (filed July 12, 2024).

¹¹ Knox County Commission's Response to Staff Report.

¹² *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).

¹³ *Annual Report of Knox County Commission to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report), at 12 and 49.

service to 17 wastewater customers.¹⁴ Knox County Commission’s last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2020-00003.¹⁵ Since that matter, Knox County Commission has not adjusted its rates.

UNACCOUNTED-FOR WATER LOSS

In its 2022 annual report, Knox County Commission reported a water loss of 14.2858 percent.¹⁶ Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes, a utility's water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. The table below shows that the 2022 total annual cost of water loss to Knox County Commission is \$55,867.

Description	Purchased Water	Purchased Power	Chemicals	Total
Pro Forma Expenses	256,366	\$ 67,605	\$ 67,097	\$ 391,068
Water Loss Percent	14.2858%	14.2858%	14.2858%	14.2858%
Total Water Loss	<u>\$ 36,624</u>	<u>\$ 9,658</u>	<u>\$ 9,585</u>	<u>\$ 55,867</u>

TEST PERIOD

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

¹⁴ *Annual Report (Sewer) of Knox County Commission to the Public Service Commission for the Calendar Year Ended December 31, 2022* at 25.

¹⁵ Case No. 2020-00020, *Alternative Rate Adjustment Filing of Knox County Utility Commission* (Ky. PSC July 7, 2020).

¹⁶ 2022 Annual Report at 57.

SUMMARY OF REVENUE AND EXPENSES

The Commission Staff's Report summarizes Knox County Commission's pro forma income statement as follows:

Description	Test Year	Total Adjustments	Commission Proposed Pro Forma
Total Operating Revenues	\$ 1,604,675	100098	\$ 1,704,773
Total Operating Expenses	1,565,789	54691	1,620,480
Net Operating Income	38,886	45,407	84,293
Interest and Dividend Income	2,658	-	2,658
Total Utility Operating Income	<u>\$ 41,544</u>	<u>\$ 45,407</u>	<u>\$ 86,951</u>

REVIEW OF COMMISSION STAFF'S RECOMMENDATIONS

Knox County Commission proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In the Commission Staff's Report, Commission Staff proposed additional adjustments. The Commission has no further modifications or adjustments. The following is the Commission's complete pro forma.

Description	Test Year	Total Adjustments	Commission Staff's Proposed Pro Forma	Commission Proposed Adjustment	Commission Approved Pro Forma
Operating Revenues					
Metered Water Sales	\$ 1,540,856	\$ 100,098	\$ 1,640,954	\$ -	\$ 1,640,954
Total Sales of Water	1,540,856	100,098	1,640,954	-	1,640,954
Other Water Revenues					
Miscellaneous Service Revenues	15,930	(6,142)	9,788	-	9,788
Other Water Revenues	47,889	(53)	47,836	-	47,836
Total Other Water Revenues	63,819	(6,195)	57,624	-	57,624
Total Operating Revenues	1,604,675	93,903	1,698,578	-	1,698,578
Operating Expenses					
Operation and Maintenance Expenses:					
Salaries and Wages - Employees	362,592	66,268			
		(8,640)	420,220	-	420,220
Salaries and Wages - Officers	14,400	-	14,400	-	14,400
Employee Benefits	145,433	(27,499)	117,934	-	117,934
Employee Pensions	98,380	(13,852)	84,528	-	84,528
Purchased Water	250,847	5,519	256,366	-	256,366
Purchased Power	67,605	-	67,605	-	67,605
Chemicals	67,097	-	67,097	-	67,097
Contractual Services	16,000	-	16,000	-	16,000
Contractual Services - Water Testing	10,074	-	10,074	-	10,074
Transportation	35,363	-	35,363	-	35,363
Insurance	41,429	-	41,429	-	41,429
Bad Debt	23,690	-	23,690	-	23,690
Miscellaneous Expense	162,658	(20,160)	142,498	-	142,498
Total Operation and Maintenance Expenses	1,295,568	1,636	1,297,204	-	1,297,204
Depreciation	239,386	5,567			
		394	245,347	-	245,347
Taxes Other Than Income	30,835	3,074	33,909	-	33,909
Total Operating Expenses	1,565,789	10,671	1,576,460	-	1,576,460
Net Operating Income	38,886	83,232	122,118	-	122,118
Interest and Dividend Income	2,658	-	2,658	-	2,658
Income Available to Service Debt	\$ 41,544	\$ 83,232	\$ 124,776	\$ -	\$ 124,776

PRO FORMA OPERATING STATEMENT

Billing Analysis. Knox County Commission provided a billing analysis listing the water usage and water sales revenue for the 12-month test year in its application.¹⁷ It reported total metered water sales revenue of \$1,540,856 for the test year in its Schedule

¹⁷ Application, Attachment #5, Current Billing Analysis at 20.

of Adjusted Operations.¹⁸ Knox County Commission 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 \$1,640,954 and proposed an adjustment to increase test-year water sales revenue by \$100,098 to reflect the revenues from water rates generated by the billing analysis.¹⁹

Commission Staff noted that a portion of the increase could be the result of some nonrecurring charges being embedded in Sales of Water.²⁰ Commission Staff recommended the Commission approve these adjustments.²¹ An examination of Knox County Commission's billing analysis was completed by Commission Staff and a normalized revenue was based on the information provided.

The Commission finds that, because the adjustment to Metered Sales to Retail Customers is a known and measurable change reflected in the evidence provided in the record, Knox County Commission's Metered Retail Sales should be increased by \$100,098,

Miscellaneous Service Revenues and Other Water Revenues. Knox County Commission provided the number of instances each nonrecurring charge was performed during the test period,²² as well as the cost justification sheets.²³ Commission Staff

¹⁸ Knox County Commission's Response to Staff's Second Request, Attachment #2, Updated Schedule of Adjusted Operations – Water Utility at 15.

¹⁹ Application, Attachment #6, Proposed Billing Analysis at 22.

²⁰ Commission Staff's Report at 9.

²¹ Commission Staff's Report at 9.

²² Knox County Commission's Response to Staff's First Request, Item 12a.

²³ Knox County Commission's Response to Staff's First Request, Item 12b.

reviewed the responses, the cost justification sheets, and the general ledger. Commission Staff followed the Commission's precedent in removing field labor and office/clerical labor costs.²⁴ Using this information, as well as the current nonrecurring charge amount listed in its current tariff, Commission Staff calculated a net test-period adjustment to revenue from Nonrecurring Charges of \$6,195. This results in a decrease to Miscellaneous Service Revenues of \$6,142 and Other Water Revenues of \$53. Therefore, Commission Staff recommended a total adjustment of \$6,195²⁵ as shown in the table below.

The Commission finds that the Commission Staff's recommendation is consistent with recent Commission decisions; labor expenses resulting from work performed during normal business hours should not be recovered through nonrecurring charges.²⁶ The Commission requires that charges be directly related to the actual cost incurred to provide the service. Only the marginal cost related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours. For the reasons discussed above, the estimated labor expenses previously included in

²⁴ 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).

²⁵ \$6,142 (Miscellaneous Service Revenues + \$53 (Other Water Revenues) = \$6,195.

²⁶ Case No. 2023-00090, *Electronic Application of Henry County Water District #2 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2023); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 4, 2024); Case No. 2023-00090, *Electronic Application of Kirksville Water Association Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00252, *Electronic Application of Oldham County Water District for an Alternative Rate Adjustment* (Ky. PSC June 18, 2024)

determining the amount of nonrecurring charges should be eliminated from the charges as proposed by Commission Staff. Thus, the Commission finds that Commission Staff's recommendation is reasonable, the revised nonrecurring charges as described in Appendix A to be reasonable and that Knox County Commission's Miscellaneous Service Revenue should be reduced by \$6,142 and Other Water Revenues reduced by \$53 because only the incremental cost related to the service should be recovered for service provided during normal business hours.

Salaries and Wages – Employees. In its application, Knox County Commission proposed an increase to Salaries and Wages – Employees by \$45,000,²⁷ to reflect employee raises over the past two years and changes in personnel.²⁸ Knox County Commission provided the test year employee list,²⁹ test year hours worked,³⁰ current wage rates,³¹ and a current employee list,³² as well as an explanation for changes to employees subsequent to the application being filed.³³

Commission Staff normalized current staffing to 2,080 hours.³⁴ In addition, subsequent to the test year, employees received an increase in wages.³⁵ Commission

²⁷ Knox County Commission's Response to Staff's Second Request, Attachment 2, Schedule of Adjusted Operations – Water Utility, at 15, Adjustment C.

²⁸ Knox County Commission's Response to Staff's Second Request, Attachment 2, References, Adjustment C.

²⁹ Knox County Commission's Response to Staff's First Request, Item 3, 2022 Table.

³⁰ Knox County Commission's Response to Staff's First Request, Item 3, 2022 Table.

³¹ Knox County Commission's Response to Staff's First Request, Item 3, 2024 Projected Table.

³² Knox County Commission's Response to Staff's First Request, Item 3, 2024 Projected Table.

³³ Knox County Commission's Response to Staff's Second Request, Item 6a and 6b.

³⁴ Commission Staff's Report at 10 – 11.

³⁵ Knox County Commission's Response to Staff's First Request, Item 3.

Staff calculated a Normalized Salaries and Wages – Employees amount of \$428,860; an increase of \$66,268.³⁶ Commission Staff’s proposed increase is \$21,268 more than Knox County Commission’s proposed \$45,000 increase, as shown in the following table.

Job Title	Total Hours	Test Year (decimals omitted for hour and wage totals)		Regular Wages	Test Year Overtime	Overtime Wages	Test Year Overtime Pay	Total
		Current Regular Wages	Test Year Normal Hours					
Office Manager	2,177	\$27.46	2,080	\$ 57,117	97.00	\$41.19	\$ 3,995	\$ 61,112
Superintendent	3,430	Salary	3,265	73,944	-	\$0.00	-	73,944
Backhoe Operator	2,209	\$25.05	2,080	52,104	128.50	\$37.58	4,828	56,932
Distribution Laborer	2,109	\$20.55	2,064	42,415	44.50	\$30.83	1,372	43,787
Plant Operator	2,375	\$22.55	2,116	47,716	258.50	\$33.83	8,744	56,460
Distribution Laborer	2,307	\$19.55	2,077	40,596	230.00	\$29.33	6,745	47,340
Office Clerk (Part Time)	410	\$14.00	410	5,745	-	\$21.00	-	5,745
Office Clerk (Part Time)	410	\$14.00	410	5,745	-	\$21.00	-	5,745
Plant Operator	2,186	\$17.00	2,080	35,360	106.00	\$25.50	2,703	38,063
Plant Operator	2,464	\$15.00	2,093	31,395	370.50	\$22.50	8,336	39,731
Totals	<u>20,075</u>		<u>18,675</u>	<u>\$ 392,137</u>	<u>1,235.00</u>		<u>\$ 36,723</u>	<u>\$ 428,860</u>
Less: Test Year Salaries and Wages								(362,592)
Salaries and Wages Adjustment								66,268
Less: Proposed Salaries and Wages Adjustment								(45,000)
Commission Staff’s Adjustment								<u>\$ 21,268</u>

The Commission finds that Commission Staff’s recommended adjustments are reasonable and should be accepted. Knox County Commission’s Salaries and Wages-Employees should be increased by \$66,268, because the adjustment to normalize Salaries and Wages – Employees is a known and measurable change reflected in the evidence provided in the record.

Expenses Related to Meter Installations. The Uniform System of Accounts for Class A/B Water Systems (USoA) requires that these costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.³⁷ During the test year, Knox County Commission installed 36 new water connections³⁸ and therefore collected

³⁶ Commission Staff’s Report at 10 – 11.

³⁷ USoA, Accounting Instruction 19 and 33.

³⁸ Knox County Commission’s Response to Staff’s First Request, Item 8a.

\$28,800.³⁹ Knox County Commission records the Materials and Supplies used for new tap installations as part of the Miscellaneous sub-expense 00521-0000 Distribution.⁴⁰

Commission Staff decreased Salaries and Wages – Employees by \$8,640, and decreased Miscellaneous Expense by \$20,160, as shown in the following table.⁴¹

Description	Salaries and Wages Employees	Miscellaneous Expense
Tap Fees Collected	\$ 28,800	\$ 28,800
Times: Allocation Percent	30%	70%
Proposed Adjustment ()	\$ (8,640)	\$ (20,160)

The Commission finds that Commission Staff’s adjustment is reasonable and should be accepted. Knox County Commission’s Salaries and Wages – Employees should be reduced by \$8,640 and Miscellaneous Expense should be reduced by \$20,160; because the USoA requires that costs be capitalized as utility plant in service and depreciated over their estimated useful lives.

Employee Benefits – Insurance Premiums. In its application, Knox County Commission reported \$243,813⁴² for Employee Pensions and Benefits. Of this amount, \$145,433 is for medical benefits and disability insurance, and \$98,380 is for pension.⁴³ Knox County Commission currently withholds approximately 9.39 percent for single

³⁹ 36 Taps Installs * Tariff Tap Fee \$800 = \$28,800.

⁴⁰ Knox County Commission’s Response to Staff’s First Request, Item 8c.

⁴¹ Commission Staff’s Report at 13 – 14.

⁴² Knox County Commission’s Response to Staff’s Second Request, Attachment 2, Schedule of Adjusted Operations – Water Utility, at 15.

⁴³ Knox County Commission’s Response to Staff’s Second Request, Item 2m, EXHIBIT_6_2022_Trial_Balance_after_adjustments.xls. Accounts 00512-0000 Health Insurance \$140,559 and 00514-0000 Disability Insurance \$4,874 represent medical benefits. Accounts 00510-0000 Retirement Expense, net of \$30,130 credit for GASB 68 and GASB 75 adjustments represents retirement expense.

coverage premiums and approximately 29.70 percent for couples and family insurance premiums. Knox County Commission contributes the remaining 90.61 percent for single coverage premiums and 70.30 percent for couples and family insurance premiums,⁴⁴ as shown in the following table.⁴⁵

Insurance Type	Plan	Medical (Employer Contribution)	Percentage	Medical (Employee Contribution)	Percentage	Admin Provider Fee	Total
LivingWell PPO	Single	\$ 859.90	90.61%	\$ 89.14	9.39%	\$ 8.00	\$ 957.04
LivingWell PPO	Single	859.90	90.61%	89.14	9.39%	8.00	957
LivingWell PPO	Couple	1,409.86	71.15%	571.76	28.85%	8.00	1,990
LivingWell PPO	Couple	1,409.86	71.15%	571.76	28.85%	8.00	1,990
LivingWell PPO	Single	859.90	90.61%	89.14	9.39%	8.00	957
LivingWell PPO	Couple	1,409.86	71.15%	571.76	28.85%	8.00	1,990
LivingWell PPO	Couple	1,409.86	71.15%	571.76	28.85%	8.00	1,990
LivingWell PPO	Family	1,469.14	67.21%	716.64	32.79%	8.00	2,194
Total	8	\$ 9,688	77.95%	\$ 3,271	25.24%	\$ 64	\$ 13,023

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 ruled that if the employee contribution percentage is less than 12 percent, it would adjust the contribution percentage to the national average.⁴⁶ Since the current 9.39 percent single contribution rate is less than the 12 percent minimum recommended employee contribution amount, Commission Staff recommended a reduction in Knox County Commission's contribution amount to single health insurance premiums to align with the

⁴⁴ Knox County Commission's Supplemental Response to Staff's First Request, Item 4, Supplement_to_DR1_4.pdf.

⁴⁵ Commission Staff's Report at 12 – 14.

⁴⁶ 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 9.

21 percent national average.⁴⁷ Additionally, the determination is based on each coverage class, not in aggregate.⁴⁸ However, because the 29.7 percent current contribution amount for couples and families is greater than the minimum recommended percentage and is reasonably close to the BLS average of 33 percent, Commission Staff recommended the Commission accept Knox County Commission's contribution rate for couples and family insurance premiums, as shown in the table below.⁴⁹ Knox County Commission provided the most recent copy of its health invoices.⁵⁰ Accordingly, utilizing the current invoice amounts, Commission Staff calculated a total annual pro forma premium amount of \$113,060 which is \$27,499 less than the test year, as shown in the following table.

⁴⁷ Bureau of Labor Statistics, Healthcare Benefits, March 2023, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

⁴⁸ See Case No. 2022-00161, *Electronic Application of Northern Kentucky Water District for an Adjustment of Rates; Issuance of Bonds; Financing; and Tariff Revisions* (Ky. PSC Mar. 16, 2023), Order at 6. "The Commission clarifies that the 12 percent threshold applies to each class individually, and that all classes are to be adjusted if any class's contribution is below 12 percent."

⁴⁹ Commission Staff's Report at 12–14.

⁵⁰ Knox County Commission's Supplemental Response to Staff's First Request, Item 4, Supplement_to_DR1_4.pdf.

Coverage Type / Descr	Number of Employees	Gross Cost	Average Employee Contribution Rate	Monthly Employee Contribution Adjustment	Pro Forma
Single	3	\$ 2,847	21.00%	\$ (598)	\$ 2,249
Couple / Family (actual percent)	5	10,112	29.70%	(3,004)	7,109
Admin Provider Fee		64		-	64
Total Pro Forma Monthly Premium	8	\$ 13,023		\$ (3,602)	\$ 9,422
Times: 12 Months		12		12	12
Total Annual Pro Forma Premium		\$ 156,281		\$ (43,220)	113,060
Plus: Disability Insurance					4,874
Total Employee Benefits					117,934
Less: Test Year Net Cost ()					(145,433)
Commission Staff Adjustment					\$ (27,499)

Commission Staff recommended the Commission accept Commission Staff's \$27,499 decrease to Employee Benefits, which reflects the reduction of employer insurance contributions to the BLS average level for single health insurance and Knox County Commission's current couples and family's contribution levels.

The Commission finds that Commission Staff's recommended adjustments are reasonable. The gross increase in insurance premiums from the test year to a normalized year based on the current invoice would be \$15,722.⁵¹ Given the BLS contribution requirements, for single coverage insurance premiums the annual reduction would be \$7,176,⁵² while the couples and family premiums would be \$36,044.⁵³ For a total reduction to premiums of \$43,220. The Commission finds that the Knox County Commission's contribution to couples and family plans is reasonable and should be

⁵¹ Normalized Gross Cost \$156,281 – Test Year Cost (not including Disability Insurance) \$140,559 = \$15,722.

⁵² Monthly Single Insurance Contribution Adjustment \$598 x 12 months = Annual Single Insurance Contribution Adjustment \$7,176.

⁵³ Monthly Couples/ Family Insurance Contribution Adjustment \$3,004 x 12 months = Annual Couples/ Family Insurance Contribution Adjustment \$36,044.

approved. Therefore, the initial increase of \$15,722 and the reduction of \$43,220 results in a net reduction of \$27,499. Therefore, Knox County Commission's Employee Benefits – Insurance Premiums should be decreased by \$27,499, because it is consistent with the precedent established in previous cases regarding the evaluation of employees' total compensation packages for market and geographic competitiveness that ensure the development of a fair, just and reasonable rate.⁵⁴

Employee Pensions – County Employee Retirement System (CERS). Knox County Commission participates in the CERS, which is administered by the Kentucky Public Pensions Authority (KPPA).⁵⁵ During the test year, Knox County Commission reported Retirement Expenses of \$98,380 in its Statement of Adjusted Operations, which included a \$30,130 reduction in expense for GASB 68 and 75.⁵⁶ Commission Staff calculated a normalized Salaries and Wages – Employees' expense of \$428,860. In addition, on December 4, 2023, the KPPA Board approved a contribution rate for non-hazardous employees of 19.71 percent for the 2025 state fiscal year that begins July 1, 2024.⁵⁷ Using the full time Salaries and Wages – Employees, of \$428,860 and the current contribution rate, Commission Staff calculated a CERS contribution of \$84,528,⁵⁸ which

⁵⁴ 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.

⁵⁵ Knox County Commission's Response to Staff's First Request, Item 4, Exhibit 5.

⁵⁶ Knox County Commission's Response to Staff's First Request, Item 1d, Exhibit_3_2022_General_Ledger_-_SAO_Cross_Reference.xlsx, Row 38.

⁵⁷ December 4, 2023, CERS Board Meeting Minutes.pdf (ky.gov).

⁵⁸ Commission Staff's Report at 14–15.

is a decrease of \$13,852 to Knox County Commission’s test year pension contribution amount of \$98,380, as shown in the following table.⁵⁹

Decription	Commission Adjustment
Salaries and Wages - Employees	\$ 428,860
Multiplied by: Current CERS Contribution Rate	19.71%
CERS Retirement- Employer Expense	84,528
Less: Test Year Pension Expense ()	(98,380)
Employee Pensions and Benefits Adjustment	<u>\$ (13,852)</u>

The Commission finds Commission Staff’s recommended adjustment is reasonable and should be accepted. Knox County Commission’s Employee Benefits (CERS) should be decreased by \$13,852, because the known and measurable change is a direct result of changes to Salaries and Wages – Employees and the contribution rate set by the KPPA.

Normalize Purchased Water Expense. Knox County Commission proposed to increase Purchased Water Expense by \$9,691,⁶⁰ to reflect an increase in the wholesale rate for water purchased from the City of Pineville.⁶¹ Knox County Commission calculated the adjustment by multiplying the test year gallons purchased of 15,871,000 at the test year rate of \$2.96 for a total of \$46,978.⁶² Knox County Commission then calculated the projected 2024 gallons purchased of 18,399,000 at the current rate of \$3.08 for a total of

⁵⁹ Commission Staff’s Report at 14–15.

⁶⁰ Knox County Commission’s Response to Staff’s Second Request, Attachment 2, Schedule of Adjusted Operations, at 15, Adjustment C.

⁶¹ Knox County Commission’s Response to Staff’s Second Request, Attachment 2, References, Adjustment C.

⁶² Knox County Commission’s Response to Staff’s First Request, Item 2d.

\$56,669.⁶³ Knox County Commission then calculated the difference between the two and determined the adjustment of \$9,691.

Commission Staff disagreed with this methodology.⁶⁴ By using the projected 2024 gallons purchased, Knox County Commission is not performing a direct comparison to the test year purchased water expense. The amount used in the second part of that calculation by Knox County Commission is speculative and not known and measurable. It is also outside of the test year. Instead, Commission Staff calculated Purchased Water Expense using the test year gallons purchased,⁶⁵ at the current wholesale rates,⁶⁶ and calculated a Purchased Water Expense of \$256,365.⁶⁷ Therefore, Commission Staff proposed an adjustment to increase the test year Purchased Water Expense by \$5,519, which \$4,172 less than the pro forma adjustment proposed by Knox County Commission, as shown in the following table.⁶⁸

⁶³ Knox County Commission's Response to Staff's First Request, Item 2d.

⁶⁴ Commission Staff's Report at 16–17.

⁶⁵ Knox County Commission's Response to Staff's Second Request, Item 15.

⁶⁶ Knox County Commission's Response to Staff's Second Request, Item 15.

⁶⁷ Commission Staff's Report at 16–17.

⁶⁸ Commission Staff's Report at 16–17.

Period	Test Year Gallons Purchased	Current Cost per Gallon	Monthly Service Charge	Total
Barbourville Utility Commission				
Artemus	2,642,900	\$0.00279	\$ 44	\$ 7,906
Bimble	319,640	0.00279	23	1,166
Pineville Water	15,871,000	0.00308		48,883
Corbin Utilities Commission	89,914,000	0.00220	50	198,411
Total	108,747,540			256,366
Less: Test Year Purchased Water ()				(250,847)
Purchased Water Adjustment				5,519
Less: Knox Water Commission Proposed Adjustment ()				(9,691)
Commission Staff's Proposed Adjustment				<u>\$ (4,172)</u>

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Knox County Commission's Purchased Water expense should be increased by \$5,519, because Commission Staff's calculation of Purchased Water Expense is based upon test year gallons usage and current rates.

Depreciation Expense. During the test year, Knox County Commission reported Depreciation Expense as \$239,386.⁶⁹ To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the National Association of Regulatory Utility Commissioners (NARUC) titled Depreciation Practices for Small Water Utilities (NARUC Study), published in 1979.⁷⁰ 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.

⁶⁹ Application, Attachment 4, Schedule of Adjusted Operations – Water Utility, at 15. Also, Knox County Commission's response to Staff's Second Request, Attachment 2, Schedule of Adjusted Operations – Water Utility, at 15.

⁷⁰ Application, Adjusted Operations, References, Water Division, Adjustment G.

Upon examination and using the NARUC ranges, Commission Staff recommended a pro forma depreciation expense of \$244,953. Knox County Commission provided no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. However, Commission Staff did identify certain assets that were capitalized during 2022 that only reflected a half year depreciation.⁷¹ Commission Staff increased pro forma depreciation by \$5,567 to reflect full year amounts.⁷²

Categories	Service Life Range	Test Year Depreciation	Depreciation Adjustment	Pro Forma Depreciation
Group 157: - Land	N/A	\$ -	\$ -	\$ -
Group 165: Structures & Impr	35 - 40	5,553	(43)	5,510
Group 170: Office Furniture	20 -25	3,965	(3,071)	894
Group 172: Other Equipment	15 - 20	8,463	(426)	8,037
Group 175: Pumping Equipment	20	11,801	(1,163)	10,637
Group 180: Meters & Installs	35 - 45	12,943	865	13,808
Group 181: Trans & Dist Mains	50 - 75	153,802	-	153,802
Group 182: New Service	30 - 40	10,311	466	10,777
Group 183: Hydrants	40 - 60	871	97	968
Group 184: Tanks	30 - 60	21,569	-	21,569
Group 185: Transportation Equipment	7	10,109	8,842	18,951
Total		<u>\$ 239,386</u>	5,567	244,953
Less: Reported Test year Depreciation Expense ()				(239,386)
Depreciation Expense Adjustment				<u>\$ 5,567</u>

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Knox County Commission's Depreciation Expense is increased by \$5,567, in order to set the depreciation expense at an amount reflecting when Knox County Commission's capital assets' useful lives are aligned with the NARUC recommended useful lives.

Capitalization of Water Tap Labor. As explained above, the expenses related to the installation of new water connections are capital expenditures that should be

⁷¹ Commission Staff's Report at 17–18.

⁷² Commission Staff's Report at 17–18.

capitalized as Utility Plant in Service and depreciated over their estimated useful lives. Knox County Commission confirmed that it has already capitalized \$6,602 for labor costs⁷³ and \$12,044 for materials cost.⁷⁴

Commission Staff calculated the annual depreciation amount for the test year and increased depreciation expense to account for the additional Tap Fee Labor Expense of \$203⁷⁵ and \$191⁷⁶ for the remaining Tap Fee Material Expense, for a total increase of \$394⁷⁷ as shown below:

Description	Labor Expense Amount	Miscellaneous Expense
Test Year Water Connections Labor Expense	\$ 8,640	\$ 20,160
Less: Expense Already Capitalized ()	(6,602)	(12,044)
Total Amount Capitalized	2,038	8,116
Divided by: NARUC Proposed Service Lives	42.5	42.5
Pro Forma Depreciation Adjustment	<u>\$ 203</u>	191
Total Capitalized Expense increase		<u>\$ 394</u>

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Knox County Commission's Depreciation Expense should be increased by \$394, because the USoA requires the assets to be depreciated over their estimated useful lives.

⁷³ Knox County Commission's Response to Staff's First Request, Item 8b.

⁷⁴ Knox County Commission's Response to Staff's First Request, Item 8c.

⁷⁵ Commission Staff's Report at 16–17.

⁷⁶ Commission Staff's Report at 16–17.

⁷⁷ Commission Staff's Report at 16–17.

Taxes other than Income – Payroll Taxes. During the test year, Knox County Commission reported \$30,835 in Taxes Other Than Income.⁷⁸ However, as explained above, Commission Staff calculated pro forma Salaries and Wages – Employees of \$428,860 and Knox County Commission reported Salaries and Wages – Officers of \$14,400.⁷⁹ Therefore, Commission Staff calculated an increase to Taxes Other Than Income of \$33,909;⁸⁰ which is an increase of \$3,074, as shown in the following table.⁸¹

Description	Commission Staff Adjustment
Salaries and Wages - Employees	\$ 428,860
Salaries and Wages - Officers	14,400
Total Pro Forma Salaries	443,260
Times: 7.65 Percent FICA Rate	7.65%
Total Pro Forma Taxes Other Than Income	33,909
Adjusted Test Year Taxes Other Than Income ()	(30,835)
Payroll Tax Adjustment	<u>\$ 3,074</u>

The Commission finds that Commission Staff's recommended adjustments are reasonable and should be accepted. Knox County Commission's Taxes other than Income should be increased by \$3,074 because the known and measurable change is a direct result of changes to Salaries and Wages – Employees.

⁷⁸ Knox County Commission's Response to Staff's Second Request, Item 2m, EXHIBIT_6_2022_Trial_Balance_after_adjustments.xls, Cell L168.

⁷⁹ Knox County Commission's Response to Staff's Second Request, Item 2m, EXHIBIT_6_2022_Trial_Balance_after_adjustments.xls, Cell L166.

⁸⁰ Commission Staff's Report at 19.

⁸¹ Commission Staff's Report at 19.

SUMMARY OF ADJUSTMENTS

Based upon the Commission's findings discussed above, the following table summarizes Knox Utility Commission's adjusted pro forma:

Description	Commission Staff Proposed Pro Forma	Commission Adjustment	Commission Approved Pro Forma
Total Operating Revenues	\$ 1,698,578	\$ -	\$ 1,698,578
Total Operating Expenses	1,576,460	-	1,576,460
Net Operating Income	122,118	-	122,118
Interest and Dividend Income	2,658	-	2,658
Total Utility Operating Income	<u>\$ 124,776</u>	<u>\$ -</u>	<u>\$ 124,776</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.⁸² 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;⁸³ (3) the average annual principal and interest payments on all long-term debts; and (4) working

⁸² 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).

⁸³ 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).

capital that is in addition to depreciation expense. The table below reflects Commission Staff's and the Commission approved calculated revenue requirement.

Description	Commission Staff	Commission Approved
Pro Forma Operating Expenses	\$ 1,576,460	\$ 1,576,460
Plus: Average Annual Principal and Interest Payments	186,108	186,108
Plus: Additional Working Capital	37,222	37,222
Total Revenue Requirement	1,799,790	1,799,790
Less: Other Operating Revenue ()	(62,519)	(62,519)
Less: Non-operating Revenue ()	(1,300)	(1,300)
Less: Interest Income ()	(2,658)	(2,658)
Revenue Required from Rates	1,733,313	1,733,313
Less: Pro Forma Present Rate Service Revenues ()	(1,640,954)	(1,640,954)
Required Revenue Increase	<u>\$ 92,359</u>	<u>\$ 92,359</u>
Percentage Increase	<u>5.63%</u>	<u>5.63%</u>

Average Annual Principal and Interest Payments. At the time of Commission Staff's review, Knox County Commission had one Kentucky Rural Water Finance Corporation (KRWFC) Revenue Bonds Series 2015B,⁸⁴ and one Kentucky Infrastructure Authority (KIA) loan.⁸⁵ In its application, Knox County Commission requested recovery of the average annual principal and interest on its indebtedness based on an average of the annual principal, and interest and fee payments for the three years following the test

⁸⁴ Case No. 2014-00442, *Application of Knox County Utility Commission to Issue Securities in the Approximate Principal Amount of \$2,490,000 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. 14, 2015).

⁸⁵ Case No. 2023-00003, *Electronic Application of Knox County Utility Commission for Authorization to Execute an Assistance Agreement with the Kentucky Infrastructure Authority and for a Certificate of Public Convenience and Necessity to Construct the Barbourville Connection-Ky 225 Project* (Ky. PSC Mar. 24, 2023).

year, which is 2024 through 2026.⁸⁶ Commission Staff calculated the average annual principal and interest on a five-year average for the years 2025 through 2027. As shown below, Commission Staff calculated an Average Principal and Interest expense of \$186,108.

Description	2025		2026		2027		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
Series 2015B	\$ 100,000	\$ 55,538	\$ 105,000	\$ 52,206	\$ 105,000	\$ 48,794	\$ 466,538
F22-017 (KIA)	29,232	1,364	29,305	1,291	29,378	1,217	\$ 91,786
Total	<u>\$ 129,232</u>	<u>\$ 56,901</u>	<u>\$ 134,305</u>	<u>\$ 53,497</u>	<u>\$ 134,378</u>	<u>\$ 50,011</u>	558,324
Divided by: 3 years							3
Average Annual Debt Principal and Interest Payments							<u>\$ 186,108</u>

The Commission agrees with Commission Staff's recommendation as a known and measurable adjustment since Knox County Commission provided the amortization schedule for its existing debt.⁸⁷

Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. In its application, Knox County Commission requested recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments for its bonds at the time of its application for a total of \$3,000.⁸⁸ Following the

⁸⁶ Response to Commissions March 13, 2024, Notice of Deficiency (filed Mar. 18, 2024), Case_No_2023-00430_NOD_Response.pdf, Item 2. Also, Application, Revenue Requirements Calculation, Table A, Debt Service Schedule.

⁸⁷ Application, Attachment 9, Amortization Schedules.

⁸⁸ Response to Commissions March 13, 2024, Notice of Deficiency, Item 2.

Commission’s historic practice,⁸⁹ Commission Staff agrees with Knox County Commission’s methodology. However, Commission Staff calculated a different amount, calculating the additional working capital equal to 120 percent of its average annual debt payments for its outstanding debt issuances at the time of its application for a total of \$37,222 as shown in the following table:

Description	Commission Staff	Commission Approved
Average Annual Principal and Interest	\$ 186,108	\$ 186,108
Times: DSC Coverage Ratio	120%	120%
Total Net Revenues Required	223,330	223,330
Less: Average Annual Principal and Interest Payments	(186,108)	(186,108)
Additional Working Capital	<u>\$ 37,222</u>	<u>\$ 37,222</u>

The Commission finds Commission Staff’s proposed Additional Working Capital of \$37,222 should be included in Knox County Commission’s Revenue Requirement, because the Additional Working Capital is a direct result of the calculated Annual Debt Principal and Interest payments.

RATE DESIGN

In its application, Knox County Commission proposed to increase all of its monthly retail water service rates evenly across the board by 6.8 percent.⁹⁰ Knox County Commission stated that it has never performed a cost-of-service study (COSS) and it did not consider having a COSS performed in conjunction with this application filing.⁹¹ The

⁸⁹ 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); and 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).

⁹⁰ Application, Attachment 1, Customer Notice.

⁹¹ Knox County Commission’s Response to Staff’s First Request, Item 9a and 9b.

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 COSS. Finding no such evidence in this case, Commission Staff followed the proposed allocation methodology by Knox County Commission and allocated Commission Staff's revenue increase of \$92,359 across the board to Knox County Commission's monthly retail water service rates.

The Commission accepts Commission Staff's recommendation and finds that this allocation is reasonable. The rates set forth in Appendix B to this report are based upon the revenue requirement the Commission has found to be fair, just, and reasonable, and will produce sufficient revenues from water sales to recover the \$1,733,313 Revenue Required from Water Sales, an approximate 5.63 percent increase. These rates will increase a typical residential customer's monthly water bill, using approximately 3,000 gallons per month, from \$41.87 to \$44.23, an increase of \$2.36, or approximately 5.63 percent.⁹²

Nonrecurring Charges. The Commission finds that the Commission Staff's Report is consistent with recent Commission decisions, that labor expenses resulting from work performed during normal business hours should not be recovered through nonrecurring charges.⁹³ The Commission requires that charges be directly related to the actual cost

⁹² Commission Staff's Report at 5–6.

⁹³ Case No. 2023-00090, *Electronic Application of Henry County Water District #2 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2023); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 4, 2024); Case No. 2023-00090, *Electronic Application of Kirksville Water Association Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00252, *Electronic Application of Oldham County Water District for an Alternative Rate Adjustment* (Ky. PSC June 18, 2024).

incurred to provide the service. Only the marginal cost related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours. For the reasons discussed above, the estimated labor expenses previously included in determining the amount of nonrecurring charges should be eliminated from the charges, as proposed by Commission Staff.

Thus, the Commission finds that Commission Staff's recommendation is reasonable; the revised nonrecurring charges as described in Appendix A to be reasonable; and that Knox County Commission's Miscellaneous Service Revenue should be adjusted by \$6,142 and Other Water Revenues by \$53 because only the incremental cost related to the service should be recovered for service provided during normal business hours. As further discussed above, the Commission adjusted Nonrecurring Charges by \$6,195 also shown in the following table.

Description	Occurrences	Current Charge	Revised Charge	Adjustment	Pro Forma
<u>Miscellaneous Service Revenues</u>					
Connection/Turn-on Charge	334	\$15.00	\$14.00	\$ (334)	\$4,676
Connection/Turn-on Charge (After Hours)	0	\$30.00	\$42.00	-	-
Re-connection Charge	363	\$30.00	\$14.00	(5,808)	5,082
Re-connection Charge (After Hours)	0	\$50.00	\$42.00	-	-
<u>Other Water Revenues</u>					
Field Collection Charge	8	\$15.00	\$14.00	(8)	112
Meter Relocation Charge	1	Actual Cost	Actual Cost	-	448
Meter Re-read Charge	0	\$15.00	\$14.00	-	-
Meter Test Charge	2	\$40.00	\$90.00	100	180
Returned Check Charge	8	\$25.00	\$7.00	(144)	56
Service Call/Investigation	1	\$15.00	\$14.00	(1)	14
Service Call/Investigation (After Hours)	0	\$25.00	\$42.00	-	-
Service Line Inspection	0	\$40.00	\$14.00	-	-
Field Apparatus Penalty	2	Estimate	Estimate	-	470
Pro Forma Test Year NRC Revenue				<u>\$ (6,195)</u>	11,038
Less: Test Year NRC Revenue ()					(17,233)
Adjustment					<u>\$ (6,195)</u>

Knox County Commission provided the cost justification for the nonrecurring charges.⁹⁴ Commission Staff reviewed the cost justification information provided by Knox County Commission and adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs. The breakdown of cost for each nonrecurring charge and any Commission Staff adjustment can be found in Appendix A.

	Current Charge	Revised Charge
Connection/Turn-on Charge	\$15.00	\$14.00
Connection/Turn-on Charge (After Hours)	\$30.00	\$42.00
Re-connection Charge	\$30.00	\$14.00
Re-connection Charge (After Hours)	\$50.00	\$42.00
Field Collection Charge	\$15.00	\$14.00
Meter Re-read Charge	\$15.00	\$14.00
Meter Test Charge	\$40.00	\$90.00
Returned Check Charge	\$25.00	\$7.00
Service Call/Investigation	\$15.00	\$14.00
Service Call/Investigation (After Hours)	\$25.00	\$42.00
Service Line Inspection	\$40.00	\$14.00

Additionally, Knox County Commission also provided updated cost justification information for its 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge.⁹⁵ Commission Staff reviewed Knox County Commission’s proposal of keeping the tap-on fees unchanged at \$800. However, the cost justification sheet showed a total connection expense of \$1,452. Commission Staff recommended increasing the tap on fees to meet the expenses presented in the updated cost justification provided by Knox County Commission to avoid under recovering \$652.00 per tap fee.⁹⁶

⁹⁴ Knox County Commission Response to Staff’s First Request, Item 12b, Item_22_Water.pdf.

⁹⁵ Knox County Commission’s Response to Staff’s Second Request, Attachment 6 at 35.

⁹⁶ Commission Staff’s Report at 6–8.

The Commission agrees with Commission Staff's recommendation to increase the Tap-on fee to \$1,452, to reflect the current expenses incurred to install new taps, in order to prevent an under recovery of \$652 per tap fee. Although the Commission is cognizant of a utility's desire to keep rates affordable, not increasing the tap fee rate in line with the utility's actual cost does not result in a fair, just or reasonable rate.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Commission Staff's Report are supported by the evidence of record and are reasonable. By applying the Debt Service Coverage method to Knox County Commission's pro forma operations results in a Revenue Requirement from Rates of \$1,733,313 and that a \$92,359 revenue increase, or 5.63 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement of \$1,799,790.

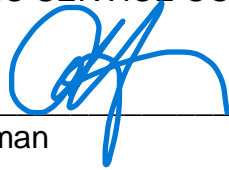
IT IS THEREFORE ORDERED that:

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 Knox County Commission are denied.
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Knox County Commission on or after the date of this Order.
4. Within 20 days of the date of service of this Order, Knox County Commission shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.

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

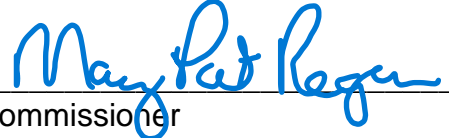
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PUBLIC SERVICE COMMISSION



Chairman

Vice Chairman



Commissioner

ENTERED
SEP 04 2024
rCS
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00430 DATED SEP 04 2024

* Denotes Rounding

Nonrecurring Charges Adjustments

	Connection/Turn-on Charge Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hour round trip @ 18.95/hour average)	\$18.95	\$0.00
Office Supplies	\$1.20	\$1.20
Office Labor	\$18.98	\$0.00
Transportation (2 times 14 miles @ .45/mile)	\$12.60	\$12.60
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$51.73</u>	<u>\$14.00</u>
Current Rate	\$15.00	

	Connection/Turn-on Charge (After Hours) Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hour round trip @ 28.43/hour average)	\$28.43	\$28.43
Office Supplies	\$1.20	\$1.20
Office Labor	\$28.47	\$0.00
Transportation (2 times 14 miles @ .45/mile)	\$12.60	\$12.60
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$70.70</u>	<u>\$42.00</u>
Current Rate	\$30.00	

	Field Collection Charge Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hour round trip @ 18.95/hour average)	\$18.95	\$0.00
Office Supplies	\$1.20	\$1.20
Office Labor	\$18.98	\$0.00
Transportation (2 times 14 miles @ .45/mile)	\$12.60	\$12.60
Misc.	\$0.00	\$0.00

Total Revised Charge*	\$51.73	\$14.00
Current Rate	\$15.00	

Meter Relocation Charge		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (3 empl 4 hours @ 18.95/hour average)	\$0.00	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$0.00	\$0.00
Transportation (2 times 14 miles @ .45/mile)	\$0.00	\$0.00
Misc. (Backhoe 4 hours @ 100/hour)	\$0.00	\$0.00
Total Revised Charge*	\$0.00	\$0.00
Current Rate	Actual Charge	Actual Charge

Meter Re-read Charge		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hour round trip @ 18.95/hour average)	\$18.95	\$0.00
Office Supplies	\$1.20	\$1.20
Office Labor	\$18.98	\$0.00
Transportation (2 times 14 miles @ .45/mile)	\$12.60	\$12.60
Misc.	\$0.00	\$0.00
Total Revised Charge*	\$51.73	\$14.00
Current Rate	\$15.00	

Meter Test Charge		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hour round trip @ 18.95/hour average)	\$18.95	\$0.00
Office Supplies	\$1.20	\$1.20
Office Labor	\$18.98	\$0.00
Transportation (2 times 14 miles @ .45/mile)	\$12.60	\$12.60
Misc.(Shipping/Citgo Water-Meter Test Fee)	\$76.13	\$76.13
Total Revised Charge*	\$127.86	\$90.00
Current Rate	\$40.00	

Re-connection Charge

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hour round trip @ 18.95/hour average)	\$18.95	\$0.00
Office Supplies	\$1.20	\$1.20
Office Labor	\$18.98	\$0.00
Transportation (2 times 14 miles @ .45/mile)	\$12.60	\$12.60
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$51.73</u>	<u>\$14.00</u>
Current Rate	\$30.00	

Re-connection Charge (After Hours)

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hour round trip @ 28.43/hour average)	\$28.43	\$28.43
Office Supplies	\$1.20	\$1.20
Office Labor	\$28.47	\$0.00
Transportation (2 times 14 miles @ .45/mile)	\$12.60	\$12.60
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$70.70</u>	<u>\$42.00</u>
Current Rate	\$50.00	

Returned Check Charge

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor	\$0.00	\$0.00
Office Supplies	\$2.08	\$2.08
Office Labor	\$18.98	\$0.00
Transportation (2 times 5 miles @ .45/mile)	\$4.50	\$4.50
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$25.56</u>	<u>\$7.00</u>
Current Rate	\$25.00	

Service Call/Investigation

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hour round trip @ 18.95/hour average)	\$18.95	\$0.00
Office Supplies	\$1.20	\$1.20

Office Labor	\$18.98	\$0.00
Transportation (2 times 14 miles @ .45/mile)	\$12.60	\$12.60
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$51.73</u>	<u>\$14.00</u>
Current Rate	\$15.00	

Service Call/Investigation (After Hours)

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hour round trip @ 28.43/hour average)	\$28.43	\$28.43
Office Supplies	\$1.20	\$1.20
Office Labor	\$28.47	\$0.00
Transportation (2 times 14 miles @ .45/mile)	\$12.60	\$12.60
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$70.70</u>	<u>\$42.00</u>
Current Rate	\$25.00	

Service Line Inspection

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hour round trip @ 18.95/hour average)	\$18.95	\$0.00
Office Supplies	\$1.20	\$1.20
Office Labor	\$18.98	\$0.00
Transportation (2 times 14 miles @ .45/mile)	\$12.60	\$12.60
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$51.73</u>	<u>\$14.00</u>
Current Rate	\$40.00	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00430 DATED SEP 04 2024

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

Monthly Service Rates

5/8- x 3/4-Inch Meter

First 1,000 Gallons	\$22.26	Minimum Bill
Over 1,000 Gallons	\$0.00879	Per Gallon

1-Inch Meter

First 5,000 Gallons	\$57.42	Minimum Bill
Over 5,000 Gallons	\$0.00879	Per Gallon

2-Inch Meter

First 20,000 Gallons	\$189.28	Minimum Bill
Over 20,000 Gallons	\$0.00879	Per Gallon

3-Inch Meter

First 30,000 Gallons	\$277.19	Minimum Bill
Over 30,000 Gallons	\$0.00879	Per Gallon

4-Inch Meter

First 50,000 Gallons	\$453.00	Minimum Bill
Over 50,000 Gallons	\$0.00879	Per Gallon

Nonrecurring Charges

Connection/Turn-on Charge	\$14.00
Connection/Turn-on Charge (After Hours)	\$42.00
Re-connection Charge	\$14.00
Re-connection Charge (After Hours)	\$42.00
Field Collection Charge	\$14.00
Meter Re-read Charge	\$14.00
Meter Test Charge	\$90.00
Returned Check Charge	\$7.00
Service Call/Investigation	\$14.00
Service Call/Investigation (After Hours)	\$42.00
Service Line Inspection	\$14.00

Meter Connection/ Tap-On Charges

5/8" X 3/4"	\$ 1,452
All Larger Meters	Actual Cost

*Knox County Utility Commission
1905 Highway 930
Barbourville, KY 40906

*Michelle Stewart
Knox County Utility Commission
P. O. Box 1630
Barbourville, KY 40906

*Mr. Kenneth Taylor
Kenvirons, Inc.
452 Versailles Road
Frankfort, KENTUCKY 40602