

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF POWELL'S)	CASE NO.
VALLEY WATER DISTRICT FOR A RATE)	2023-00387
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

NOTICE OF FILING OF COMMISSION STAFF'S REPORT

Notice is hereby given that, in accordance with the Commission's Order of February 5, 2024, and as amended by Order on May 21, 2024, and Order on June 14, 2024, the attached report containing the recommendations of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's June 14 Order, 2024, Powell's Valley Water District (Powell's Valley District) is required to file written comments regarding the recommendations of Commission Staff no later than 14 days from the date of service of this report. The Commission directs Powell's Valley District to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission.



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

DATED JUL 02 2024

cc: Parties of Record

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

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COMMISSION STAFF'S REPORT
ON POWELL'S VALLEY WATER DISTRICT

Powell's Valley Water District (Powell's Valley District) is a water and sewer utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system through which it provides retail water to approximately 2,302 residential customers and 143 commercial customers that reside in Estill, Montgomery, and Powell counties, Kentucky.¹ Powell's Valley District's provides sewer service to approximately 59 residential customers and 51 commercial customers in Powell County, Kentucky.²

On January 10, 2024,³ Powell's Valley District filed its application with the Commission requesting an adjustment to its water and sewer service rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,⁴ Powell's

¹ *Annual Report of Powell's Valley District Water Division to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Water Report) at 12, 49.

² *Annual Report of Powell's Valley District Sewer Division to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Sewer Report) at 9, 25.

³ Powell's Valley District tendered its application on January 10, 2024. The Commission granted a Deviation from 807 KAR 5:076, Section 5(2)(b)(3) by Order dated Jan. 24, 2024 (Ky. PSC, Jan 24, 2024, Order). The application was deemed filed on January 10, 2024.

⁴ 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.

Valley District used the calendar year ended December 31, 2022, as the basis for its application. The application was filed pursuant to the Commission's Order in Case No. 2023-00053⁵ which required Powell's Valley District to file an application for an adjustment of its base rates by June 30, 2024. Powell's Valley District's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2008-00512.⁶ Since that matter, Powell's Valley District has only adjusted its rates pursuant to purchased water adjustments or in conjunction with an application for a Certificate of Public Convenience and Necessity.

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated February 5, 2024⁷ and amended by Order dated May 21, 2024, and again on June 14, 2024.⁸ Powell's Valley District responded to three rounds of discovery.⁹ The Commission amended the procedural schedule as referenced above due to Powell's Valley District's supplemental response¹⁰ to Commission Staff's Third Request for Information (Staff's Third Request). As noted in the May 21, 2024 Order, Powell's Valley District did not timely file or respond sufficiently to Staff's Third Request. As a result of the last response being filed on May 16, 2024, the Commission

⁵ See Case No. 2023-00053, *Electronic Purchased Water Adjustment Filing of Powell's Valley Water District* (Ky. PSC Mar. 16, 2023).

⁶ See Case No. 2008-00512, *Application of Powell's Valley Water District for the Approval of the Proposed Increase in Rates for Water Service* (Ky. PSC Apr. 14, 2009).

⁷ Order (Ky. PSC Feb. 5, 2024).

⁸ Order (Ky. PSC May 21, 2024) and Order (Ky. PSC June 14, 2024).

⁹ Powell's Valley District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Mar. 6, 2024); Powell's Valley District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Apr. 2, 2024); Powell's Valley District's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Apr. 30, 2024).

¹⁰ Order (Ky. PSC May 21, 2024) at 2.

ordered the procedural schedule be amended again to allow Commission Staff adequate time to properly review the tardy responses.

WATER DIVISION

UNACCOUNTED-FOR WATER LOSS

Commission Staff notes that in its 2022 Annual Report, Powell's Valley District reported a water loss of 27.5869 percent.¹¹ 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 Powell's Valley District is \$147,138, while the annual cost of water loss in excess of 15 percent is \$67,134.

Description	Purchased Water	Power	Total
Pro Forma Purchases	\$ 442,259	\$ 91,101	\$ 533,360
Water Loss Percent	27.5869%	27.5869%	
Total Water Loss	<u>\$ 122,006</u>	<u>\$ 25,132</u>	<u>\$ 147,138</u>

Description	Purchased Water	Power	Total
Pro Forma Purchases	442,259	91,101	\$ 533,360
Water Loss in Excess of 15%	12.5869%	12.5869%	
Disallowed Water Loss	<u>\$ 55,667</u>	<u>\$ 11,467</u>	<u>\$ 67,134</u>

¹¹ 2022 Annual Water Report at 57.

DISCUSSION

To comply with the requirements of 807 KAR 5:076, Section 9,¹² Powell's Valley District used the calendar year ended December 31, 2022, as the basis for its application. Using its pro forma test-year operations, Powell's Valley District determined that a base rate revenue increase of \$135,686, or 11.20 percent, was necessary to achieve the revenue requirement as shown in the table below.¹³ Powell's Valley District also proposed a monthly water loss reduction surcharge of \$2.28 per customer.¹⁴ The rates requested by Powell's Valley District would increase the monthly bill of a typical residential customer using 4,000 gallons per month by \$5.20 from \$46.43 to \$51.63, or approximately 11.20 percent.¹⁵ The rates and surcharge requested by Powell's Valley District would increase the residential monthly bill of a typical residential customer using 4,000 gallons per month by \$7.48 from \$46.43 to \$53.91, or approximately 16.11 percent.¹⁶

¹² 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.

¹³ Application, Attachment 2, at 6.

¹⁴ Application, Attachment 1, at 3.

¹⁵ Application, Attachment 1, at 3.

¹⁶ Application, Attachment 1, at 3.

Description	Powell's Valley
Pro Forma Operating Expenses	\$ 1,229,413
Average Annual Principal and Interest Payments	137,253
Additional Working Capital	27,451
Overall Revenue Requirement	1,394,117
Other Operating Revenue	(45,226)
Other Operating Income	(1,381)
Interest Income	(853)
Revenue Required from Rates	1,346,657
Pro Forma Present Rate Service Revenues	(1,210,971)
Required Revenue Increase	<u>\$ 135,686</u>
Percentage Increase	<u>11.20%</u>

To determine the reasonableness of the rates requested by Powell's Valley District, Commission Staff performed a limited financial review of Powell's Valley District's test-year operations. The scope of Commission Staff's review was limited to determining whether operations reported for the test year were representative of normal operations. Known and measurable¹⁷ changes to test-year operations were identified, and adjustments were made when their effects were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

Commission Staff's recommendations are summarized in this report. William Pearce reviewed the calculation of Powell's Valley District's Overall Revenue

¹⁷ Commission regulation 807 KAR 5:076, Section 9, sets the standard for the determination of the reasonableness of proposed rates and states, in pertinent part, that the test period shall be "adjusted for known and measurable changes." See also Case No. 2001-00211, *Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness Therefore; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff* (Ky. PSC Mar. 1, 2002); Case No. 2002-00105, *Application of Northern Kentucky Water District for (A) an Adjustment of Rates; (B) a Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds* (Ky. PSC June 25, 2003); and Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018).

Requirement, and Jason Green reviewed Powell's Valley District's reported revenues and rate design.

SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Debt Service Coverage (DSC) method, as generally accepted by the Commission, Commission Staff found that Powell's Valley District required revenue from water sales is \$1,300,728 to meet the Overall Revenue Requirement of \$1,340,020 and that a \$75,196 revenue decrease, or 5.47 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement. Commission Staff notes that Powell's Valley District requested to use the Operating Ratio method in its supplemental response to Staff's Third Request¹⁸ after initially requesting to use the Debt Service Coverage method. Commission Staff finds that due to the large number of Debt Instruments utilized by Powell's Valley District that the Debt Service Coverage method is the appropriate method.

2. Water Loss Surcharge. In its application, the notice to customers, Powell's Valley District requested to implement a water loss reduction surcharge of \$2.28 per customer per month.¹⁹ The monthly amount of the proposed surcharge was based upon Powell's Valley District's calculation of purchased water expenses that are disallowed pursuant to 807 KAR 5:066, Section 3. The use of a surcharge is consistent with prior Commission action in cases involving water utilities with excessive unaccounted-for water

¹⁸ Supplemental Response to Staff's Third Request, Item 2, at 2 (filed May 16, 2024).

¹⁹ Application, Attachment 1, at 3.

loss.²⁰ Powell’s Valley District has reported water loss above 25 percent the last three years.²¹ Further, the Commission has ordered surcharges even when a utility has not specifically requested a surcharge, and recently, the Commission has allowed water utilities with reported water loss above the 15 percent threshold to assess water loss reduction surcharges. Recognizing prior Commission precedent to allow the use of surcharges to assist utilities in obtaining the proper funding needed to address water loss, Commission Staff verified the amount based on the adjusted water loss cost that is discussed in the Pro Forma adjustments later in the report and confirmed Powell’s Valley District’s proposed surcharge as shown in the table below. Commission Staff recommends a water loss reduction surcharge of \$2.28 per month per customer for 48 months or upon billing \$267,581.

Description	Amount
Disallowed Water Loss	\$ 67,134
Months	12
Customers (2022)	2,445
Surcharge Per Customer Per Month	2.28
Surcharge Months	48
Grand Total Surcharge	267,581

²⁰ See Case No. 96-126, *An Investigation into the Operations and Management of Mountain Water District* (Ky. PSC Aug. 11, 1997); Case No. 2011-00217, *Application of Cannonsburg Water District for (1) Approval of Emergency Rate Relief and (2) Approval of the Increase in Nonrecurring Charges*, (Ky. PSC June 4, 2012); Case No. 2018-00017, *Application of Martin County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 5, 2018); Case No. 2018-00429, *Application of Graves County Water District for an Alternative Rate Adjustment* (Ky. PSC Sept. 30, 2019); Case No. 2019-00119, *Electronic Application of Estill County Water District No. 1 for a Surcharge to Finance Water Loss Control Efforts* (Ky. PSC Mar. 24, 2010); and Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020), Order at 11–13.

²¹ 2022 Annual Water Report at 57: 27.5869%, 2021 Annual Water Report at 57: 29.3088%, 2020 Annual Water Report at 57: 26.6142%.

In keeping with Commission practice, Commission Staff recommends that the Commission establish a separate proceeding to monitor the surcharge, place strict controls over the use of the funds that will be collected from the surcharge and require Powell's Valley District to develop a long-term Qualified Infrastructure Improvement Plan to combat water loss within 120 days of the final Order in this proceeding. Commission Staff does not consider the revenue generated from base rates in the amount above the justified revenue requirement to be adequate for the specific purpose that is established and monitored under the proposed separate proceeding.

3. Monthly Water Service Rates Based upon the revenue requirement, Powell's Valley District proposed to increase all of its monthly retail water service rates evenly across the board. Powell's Valley District did not perform a cost of service study (COSS). Powell's Valley District stated that it did not complete a COSS at this time, as there has not been any material change in the water system to warrant a COSS.²²

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 COSS. While Commission Staff found that a decrease in Powell's Valley District's rates is warranted, it acknowledges that utilities have experienced operational cost increases since calendar year 2021 due to the Covid pandemic, recent supply chain issues, and the current rate of inflation. Therefore, Commission Staff believes it to be unreasonable to require Powell's Valley District to reduce its water rates under the current economic environment. This results in the average residential customer's monthly water

²² Powell's Valley District Response to Staff's First Request, Item 18(a).

bill increasing only by the amount of the surcharge, or \$2.28, from \$46.43 to \$48.71, or 4.91 percent.

Powell's Valley proposed to implement rates with monthly minimum bills for its 1-inch and 2-inch meter customers. The proposed minimum bills for larger size meters follow the current rate design for its 5/8-inch meter customers and are revenue neutral for customers. Commission Staff reviewed this proposal and agrees with this methodology for calculating minimum bills for larger size meters.

4. Nonrecurring Charges. Following the Commission's recent decisions,²³ Commission Staff has reviewed Powell's Valley District's Nonrecurring Charges. The Commission 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. Powell's Valley District provided the cost justification for the nonrecurring charges.²⁴ Commission Staff reviewed the cost justification information provided by Powell's Valley District and have adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs. Commission Staff notes that the Broken Lock Charge increased due to the cost of the setting locks. The Connection/Turn-on Charge (After Hours) and Service Call/Investigation (After Hours) increase is due to the rising cost of field labor and

²³ 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).

²⁴ Powell's Valley District's Response to Staff's First Request, Item 21a.

transportation expense. Such adjustments result in the following revised Nonrecurring Charges:

<u>Nonrecurring Charges (Water)</u>		
	<u>Current Charge</u>	<u>Revised Charge</u>
Broken Lock Fee	\$100.00	\$240.00
Connection/Turn-on Charge	\$20.00	\$13.00
Connection/Turn-on Charge (After Hours)	\$30.00	\$47.00
Field Collection Charge	\$20.00	\$13.00
Meter Re-read Charge	\$20.00	\$13.00
Meter Test Charge	\$25.00	\$13.00
Reconnection Charge	\$40.00	\$13.00
Reconnection Charge (After Hours)	\$50.00	\$47.00
Returned Check Charge	\$20.00	\$13.00
Service Call/Investigation	\$20.00	\$13.00
Service Call/Investigation (After Hours)	\$30.00	\$47.00

The adjustments to the Nonrecurring Charges for the water division result in a decrease in Other Operating Revenue of \$10,990.

Powell's Valley District also provided cost justification information for its 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge for the water division.²⁵ Commission Staff reviewed the proposed expenses provided by Powell's Valley District and agreed with its proposed Meter Connection/tap-on fee Powell's Valley District's tap-on fee will remain unchanged at \$1,445.00.

PRO FORMA OPERATING STATEMENT

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

²⁵ Powell's Valley District's Response to Staff's First Request, Item 21b.

Description	Test Year	Proposed Adjustments	Commission Staff		Total Adjustments (Ref.)	Pro Forma
			Adjustments	Adjustments		
Operating Revenues						
Metered Sales to Retail Customers	\$ 1,069,672	\$ (62,232)			\$ (62,232) (A)	\$ 1,007,440
Sales to Commercial Customers	300,346	(99,953)	164,933		64,980 (A)	365,326
Sales for Resale		3,138			3,138 (A)	3,138
Other Water Revenues:						
Forfeited Discounts					0	0
Other Water Revenue	45,226		4,223		4,223 (B)	
			(10,990)		(10,990) (B)	38,459
Total Operating Revenues	1,415,244	(159,047)	158,166		(881)	1,414,363
Operating Expenses						
Operation and Maintenance Expenses						
Salaries and Wages - Employees	272,790	(85,173)			(85,173) (D)	
		(18,670)			(18,670) (D)	168,947
Salaries and Wages - Officers	9,522	814			814 (E)	
			(10,336)		(10,336) (E)	0
Employee Benefits - Medical	0	(89,132)	89,132		0 (F)	
			173,497		173,497 (F)	
			(41,035)		(41,035) (F)	
			(35,859)		(35,859) (F)	
			(11,888)		(11,888) (F)	84,715
Employee Benefits - Retirement	270,600		(270,600)		(270,600) (G)	
			97,103		97,103 (G)	
		(29,521)	29,521		0 (G)	
			(31,629)		(31,629) (G)	
			(24,280)		(24,280) (G)	
			(4,215)		(4,215) (G)	36,979
Purchased Water	408,141	(51,372)	(4,295)		(55,667) (H)	
			35,344		35,344 (H)	
			(1,226)		(1,226) (H)	386,592
Purchased Power for Pumping	4,405	(554)	554		0 (I)	
			(4,405)		(4,405) (I)	0
Fuel for Power Production	122,040	(15,361)	3,894		(11,467) (J)	
			(35,344)		(35,344) (J)	
			4,405		4,405 (J)	79,634
Materials and Supplies	141,258	(43,562)			(43,562) (K)	
			(20,771)		(20,771) (K)	
			4,154		4,154 (K)	81,079
Contractual Services - Acct.	5,375	(231)			(231) (C)	5,144
Contractual Services - Other	29,398				0	29,398
Rental of Equipment	34,700				0	34,700
Transportation Expense	19,502	(840)			(840) (C)	18,662
Insurance - General Liability & Other	12,992	(559)			(559) (C)	12,433
Insurance - Workers Comp	9,141	(394)			(394) (C)	8,747
Insurance - Other	9,913	(427)			(427) (C)	9,486
Advertising Expense	229				0	229
Miscellaneous Expense	29,505	(882)			(882) (C)	28,623
Total Operation and Maintenance Expenses	1,379,511	(335,864)	(58,279)		(394,143)	985,368
Depreciation Expense	269,980	(99,357)			(99,357) (L)	
			1,383		1,383 (O)	172,006
Taxes Other Than Income	15,211	(68)	68		0 (M)	
			(858)		(858) (M)	14,353
Amortization Expense		3,589			3,589 (N)	3,589
Total Operating Expenses	1,664,702	(431,700)	(57,686)		(489,386)	1,175,316
Net Operating Income	(249,458)	272,653	215,852		488,505	239,047
Income Available to Service Debt	\$ (249,458)	\$ 272,653	\$ 215,852		\$ 488,505	\$ 239,047

(A) Metered Water Sales. Powell's Valley District proposed three changes to the test year amount of \$1,370,018.²⁶ The first change was an adjustment of \$62,232 to remove tap fee revenue that was included in metered sales.²⁷ The second adjustment was to include water sales to the city of Stanton that were not included in the 2022 annual report in the amount of \$3,138.²⁸ The third was an adjustment of test year metered water sales revenue to the test year Billing Analysis, resulting in a decrease in the amount of \$99,953.²⁹ Commission Staff identified the Billing Analysis adjustment as larger than expected and requested Powell's Valley District to provide support for the adjustment. Powell's Valley District provided an updated Billing Analysis that generated test year revenues from metered water sales of \$1,372,766.³⁰ This results in an adjustment of \$64,980 to test year revenue from metered water sales. Commission Staff accepted Powell's Valley District's revised Billing Analysis and agrees with its adjustment of \$64,980. The adjustments result in Pro Forma Metered Water Sales of \$1,375,904. Commission Staff recommends accepting the proposed adjustments as the amounts are known and measurable.

(B) Other Water Revenue. Powell's Valley District reported a test year amount of \$45,226 and proposed no changes.³¹ Commission Staff identified Miscellaneous Sales

²⁶ Application, Attachment #4, Schedule of Adjusted Operations.

²⁷ Application, Attachment #4, Schedule of Adjusted Operations, Reference A at 12.

²⁸ Application, Attachment #4, Schedule of Adjusted Operations, Reference C at 12.

²⁹ Application, Attachment #4, Schedule of Adjusted Operations, Reference B at 12.

³⁰ Powell's Valley District's Supplemental Response to Staff's Third Request, Revised Rate Study, Existing Billing Analysis Tab.

³¹ Application, Attachment #4, Schedule of Adjusted Operations.

of \$3,404, Miscellaneous Income of \$425, and Other Income of \$394 not included in the test year amount and proposed an increase of \$4,223 to Other Water Revenue. Commission Staff also proposed to remove \$10,990 from Other Water Revenue for Pro Forma adjustments to the Test Year NRC as shown in the table below. This results in a Pro Forma amount of \$38,459. Commission Staff recommends accepting the proposed adjustments as the amounts are known and measurable.

Description	Occurrences	Current Charge	Revised Charge	Adjustment	Pro Forma	Test Year
Broken Lock Fee	7	\$ 100.00	\$ 240.00	\$ 980.00	\$ 1,680.00	\$ 700.00
Connection/Turn-on Charge	230	\$ 20.00	\$ 13.00	\$ (1,610.00)	\$ 2,990.00	\$ 4,600.00
Connection/Turn-on Charge (After Hours)	0	\$ 30.00	\$ 47.00	\$ -	\$ -	\$ -
Field Collection Charge	0	\$ 20.00	\$ 13.00	\$ -	\$ -	\$ -
Meter Relocation Charge	0	Actual Cost	Actual Cost	\$ -	\$ -	\$ -
Meter Re-read Charge	0	\$ 20.00	\$ 13.00	\$ -	\$ -	\$ -
Meter Test Charge	2	\$ 25.00	\$ 13.00	\$ (24.00)	\$ 26.00	\$ 50.00
Reconnection Charge	383	\$ 40.00	\$ 13.00	\$ (10,341.00)	\$ 4,979.00	\$ 15,320.00
Reconnection Charge (After Hours)	0	\$ 50.00	\$ 47.00	\$ -	\$ -	\$ -
Returned Check Charge	9	\$ 20.00	\$ 13.00	\$ (63.00)	\$ 117.00	\$ 180.00
Service Call/Investigation	0	\$ 20.00	\$ 13.00	\$ -	\$ -	\$ -
Service Call/Investigation (After Hours)	4	\$ 30.00	\$ 47.00	\$ 68.00	\$ 188.00	\$ 120.00
Pro Forma Test Year NRC Revenue					\$ 9,980.00	
Less: Test Year NRC Revenue					\$ 20,970.00	
Adjustment					<u>\$(10,990.00)</u>	

(C) Cost Allocation to Sewer. Powell's Valley District stated that it reported expenses in the Schedule of Adjusted Operations (SAO) for water that included a portion that should have been allocated to sewer.³² Powell's Valley District used the number of customers for the water and sewer divisions to determine the cost allocation, 95.7 percent for water and 4.3 percent for sewer.³³ The amounts allocated out of each water expense to transfer to the sewer division are shown in the table below. Commission Staff accepts Powell's Valley District's proposed methodology. Powell's Valley District also included

³² Powell's Valley District's Response to Staff's Second Request, Items 1 and 2.

³³ Application, Attachment #11_2, Powell's Valley Rate Study, Adj. Tab.

cost allocations for employee wages and benefits, which will be discussed in its respective sections below.

Description	Test Year Expense	Allocated to Water	Allocated to Sewer
Contractual services - Acct	5,375	5,144	231
Postage	12,503	11,965	538
Telephone	7,973	7,630	343
Transportation Expense	19,502	18,662	840
Insurance - General Liability & Other	12,992	12,433	559
Insurance - Workers Comp	9,141	8,747	394
Insurance - Other	9,913	9,486	427
Total		<u>\$74,067</u>	<u>\$3,332</u>

(D) Salaries and Wages – Employees. Powell’s Valley District reported a Test Year amount of \$272,790 and proposed two changes.³⁴ First, Powell’s Valley District proposed a reduction of \$85,173 made up of two parts.³⁵ This adjustment included a \$21,385 reclassification to the sewer division and a reconciliation of test year wages to the general ledger of \$63,788. Second, it proposed a reduction of \$18,670 for removal of tap fees for wage expense resulting in a Pro Forma amount of \$168,947.³⁶ 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 Commission Staff capitalized the costs and make a corresponding adjustment to test-year depreciation as shown in Adjustment (O). Commission Staff reviewed Powell’s

³⁴ Application, Attachment #4, Schedule of Adjusted Operations.

³⁵ Application, Attachment #4, Schedule of Adjusted Operations, Reference D at 12.

³⁶ Application, Attachment #4, Schedule of Adjusted Operations, Reference E at 12.

³⁷ USoA, Accounting Instruction 19 and 33.

Valley District's general ledger³⁸ and submitted pay information³⁹ and agreed with the proposed adjustments. Commission Staff recommends the Commission accept the proposed changes as the amounts are known and measurable.

(E) Salaries and Wages - Officers. Powell's Valley District reported a test year amount of \$9,522 for Commissioners wages and proposed one change.⁴⁰ This change was an increase to represent a vacancy for part of the test year, in the amount of \$814.⁴¹ Commission Staff asked Powell's Valley District to file documentation from the Fiscal Court that authorizes each Board of Commission member's compensation. Powell's Valley District responded that it would supplement the response when the requested information was available⁴² but never filed any documentation. KRS 74.020(6) states that "[e]ach commissioner shall receive an annual salary of not more than thirty-six hundred dollars (\$3,600)" and that "[i]n fixing and approving the salary of the commissioners, the county judge/executive and the fiscal court shall take into consideration the financial condition of the district and its ability to meet its obligations as they mature."⁴³ Commission Staff recommends the Commission exclude commissioners' salaries and remove \$10,800 from the revenue requirement because Powell's Valley District did not provide evidence to support the compensation amounts as required by KRS 74.020(6).

³⁸ Powell's Valley District Supplemental Response to Staff's First Request, general ledger files.

³⁹ Application, Attachment #11-2, Rate Study, Wages Sheet.

⁴⁰ Application, Attachment #4, Schedule of Adjusted Operations.

⁴¹ Application, Attachment #4, Schedule of Adjusted Operations, Reference F at 12.

⁴² Powell's Valley District Response to Staff's First Request, Item 12, at 7.

⁴³ KRS 74.020(6), Appointment of commissioners – Number – Terms – Removal – Vacancies – Organization – Bond – Compensation – Mandatory Training – Notice of Vacancy.

(F) Employee Benefits - Medical. Powell's Valley District reported a combined Medical and Pension Benefits of \$270,600.⁴⁴ Commission Staff identified all costs by expense type by reviewing payroll and general ledger information that was provided by Powell's Valley District.⁴⁵ Commission Staff determined that separation of the medical and related benefit costs from retirement benefits would better facilitate discussion of their respective adjustments and reclassified \$173,497 to Employee Benefits - Medical in the SAO as reported in Powell's Valley District's Trial Balance.⁴⁶ Powell's Valley District proposed an adjustment for decreasing health insurance by \$89,132 to the employer contribution percentage the Commission generally allows to be recovered in the rates as well as an allocation to the sewer division..⁴⁷ Commission Staff determined that breaking up the costs would better facilitate discussion and made the following adjustments. First, Commission Staff made a \$41,035 decrease to reflect the allowable health insurance premium based on the Bureau of Labor Statistics' (BLS) national average for an employer's share of health insurance premiums as shown in the table below.⁴⁸ Powell's Valley District did include an adjustment for allowable employer share but Commission Staff recalculated the amount separate from other adjustments.

⁴⁴ Application, Attachment #4, Schedule of Adjusted Operations.

⁴⁵ Powell's Valley District Supplemental Response to Staff's First Request, general ledger files.

⁴⁶ Powell's Valley District 2022 Trial Balance Account Number 00656-0001.

⁴⁷ Application, Attachment #4, Schedule of Adjusted Operations, Reference H at 12.

⁴⁸ 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>.

<u>EMPLOYEE</u>	<u>DISTRICT'S MONTHLY PREMIUM</u>	<u>DISTRICT'S ANNUAL PREMIUM</u>	<u>Employer Share</u>	<u>Employer Premium</u>
1	\$ 1,026	\$ 12,311	79%	\$ 9,726
2	\$ 3,542	\$ 42,506	67%	\$ 28,479
3	\$ 513	\$ 6,156	79%	\$ 4,863
4	\$ 2,300	\$ 27,597	67%	\$ 18,490
5	\$ 1,506	\$ 18,076	79%	\$ 14,280
6	\$ 2,583	\$ 30,992	67%	\$ 20,765
		<u>\$ 137,638</u>		<u>\$ 96,602</u>
	<u>BLS Adjustment</u>			<u>\$ 41,035</u>

Second, an allocation to sewer in the amount of \$11,888 included an allocation of authorized premium of 4.3 percent from office employees, based on customer counts, and 20 percent⁴⁹ from field employees, Powell's Valley District's Manager, Kendell Knox confirmed that sewer costs were incurred at a higher percentage of the total for field expenses than other expenses. Third, a decrease of \$35,859 was made to adjust for the proper contribution amount for Health Insurance of \$84,715 as shown in the table below. Commission Staff recommends denying Powell's Valley District's proposed adjustment and accepting Commission Staff's proposed adjustments to reflect Commission precedent on the health insurance premium based on the BLS's national average for an employer's share of health insurance premiums.⁵⁰ Powell's Valley District did not provide any evidence of a wage study or comparative information in the record. Commission Staff recommends that, without that additional evidence to support Powell's Valley District's proposal, the Commission should not stray from its precedent.

⁴⁹ Powell's Valley District's Submitted Rate Study, Wages Tab.

⁵⁰ See Case No. 2017-00263 *Electronic Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment* (Ky. PSC Dec. 22, 2017), at 9-10, and The Willis Benchmarking Survey, 2015, at 62-63. (https://www.willis.com/Documents/publications/Services/Employee_Benefits/20151230_2015WillisBenefitsBenchmarkingSurveyReport.pdf).

Description	Water	Sewer	Totals
Customers	2,445	110	2,555
Percentage	95.7%	4.3%	100%
Office Clerk	\$ 9,307.18	\$ 418.73	\$ 9,725.91
Bookkeeper	\$ 4,653.59	\$ 209.36	\$ 4,862.96
Office Clerk	\$ 17,693.71	\$ 796.04	\$ 18,489.75
Superintendent	\$ 13,665.21	\$ 614.79	\$ 14,280.01
	\$ 45,319.70	\$ 2,038.92	\$ 47,358.62
	80%	20%	100%
Distribution Operator	\$ 22,783.17	\$ 5,695.79	\$ 28,478.97
Distribution Operator	\$ 16,611.86	\$ 4,152.97	\$ 20,764.83
	\$ 39,395.04	\$ 9,848.76	\$ 49,243.79
	Water	Sewer	
Total	\$ 84,715.00	\$ 11,888.00	\$ 96,603.00

(G) Employee Benefits - Retirement. Powell's Valley District reported a combined Medical and Pension Benefits of \$270,600.⁵¹ Commission Staff identified all costs by expense type by reviewing payroll⁵² and general ledger⁵³ information that was provided by Powell's Valley District. It determined that separation of the medical and related benefit costs from retirement benefits would better facilitate discussion of their respective adjustments and reclassified \$97,103 to Employee Benefits - Retirement in the SAO as reported in Powell's Valley District's Trial Balance.⁵⁴ Powell's Valley District proposed an adjustment for decreasing pension benefits by \$29,521 to reflect a decrease in contribution rates and an allocation to sewer.⁵⁵ First, Commission Staff made an

⁵¹ Application, Attachment #4, Schedule of Adjusted Operations.

⁵² Application, Attachment #11-2, Rate Study, Wages Sheet.

⁵³ Powell's Valley District Supplemental Response to Staff's First Request, General Ledger files

⁵⁴ 2022 Trial Balance Account 00604-0001, minus one adjustment of \$11,557 for misclassified wages.

⁵⁵ Application, Attachment #4, Schedule of Adjusted Operations, Reference G at 12.

adjustment of \$4,215⁵⁶ to allocate the appropriate cost to the sewer division. Second, Commission Staff made an adjustment of \$31,629 to account for the decrease in employee wages paid and for a change in the contribution percent.⁵⁷ Third, Commission Staff concluded that Powell’s Valley District 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. 2016-00163,⁵⁸ 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,⁵⁹ Commission Staff proposed a GASB adjustment for a decrease of \$24,280. The above adjustments result in a Pro Forma amount of \$36,979 as shown in the table below. Commission Staff recommends denying Powell’s Valley District’s proposed adjustment and accepting Commission Staff’s proposed adjustments as the amounts are known and measurable.

Description	Water	Sewer	Total
Wages applicable to CERS payments	\$ 187,617	\$ 21,385	\$ 209,002
Times: Percent Pension Contribution	19.71%	19.71%	19.71%
Total Pro Forma Pension Contribution	36,979	4,215	41,194

⁵⁶ \$41,194 * 4.3% = \$4,215

⁵⁷ CERS Board of Trustees December 4, 2023 Meeting, Minutes, Page 2.

⁵⁸ Case No. 2016-00163, *Alternative Rate Adjustment Filing of Marion County Water District* (Ky. PSC Nov. 10, 2016), Order at 11–15.

⁵⁹ 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.

(H) Purchased Water. Powell's Valley District purchases water from Beechfork Water Commission.⁶⁰ Powell's Valley District's water loss for 2022 was 27.5869 percent.⁶¹ Powell's Valley District reported a test year amount of \$408,141 and proposed a decrease of \$51,372.⁶² Commission Staff identified a reclassification item⁶³ from Fuel for Power Production Expense when reviewing Powell's Valley District's General Ledger, resulting in an increase in purchased water cost of \$35,344.⁶⁴ Commission Staff calculated purchased water cost at current rates including the reclassification from purchased power, resulting in a reduction of \$1,226. Water loss above 15 percent was increased to \$55,667 resulting in an increase of \$4,295 to Powell's Valley District's proposed adjustment. Commission Staff recommends accepting the changes proposed by Commission Staff as the amounts are known and measurable.

Description	Test Year	Powell's Valley Adjustments	Commission Staff Adjustments	Pro Forma
Purchased Water Cost	408,141		(1,226)	406,915
Purchased Power Reclassification			35,344	35,344
Total Purchased Water Cost				<u>442,259</u>
Disallowed Water Loss		(51,372)	(4,295)	<u>(55,667)</u>
Pro Forma Purchased Water Cost				386,592

(I) Purchased Power Expense. Powell's Valley District reported a test year amount of \$4,405 and proposed a decrease of \$554 for water loss above the allowed

⁶⁰ 2022 Annual Water Report at 54

⁶¹ 2022 Annual Water Report at 57.

⁶² Application, Attachment #4, Schedule of Adjusted Operations, Reference I at 12.

⁶³ Refer to 2022 General Ledger, 00615-0001, December 31, 2022, EOY Closing Entries.

⁶⁴ Powell's Valley District's Supplemental Response to Staff's First Request, General Ledger Acct. 00615-0001, Dec. 31, 2022 Closing Entry.

15 percent.⁶⁵ Commission Staff reviewed Powell’s Valley District’s general ledger Purchased Power Expense and determined it should have been included with the fuel for power production and proposed to make an adjustment of \$4,405 to reclassify the entire expense. Commission Staff recommends the Commission deny Powell’s Valley District’s proposed adjustment and accept Commission Staff’s proposed adjustment.

(J) Fuel for Power Production. Powell’s Valley District reported a test year amount of \$122,040 and proposed a decrease of \$15,361 for water loss above the allowed 15 percent.⁶⁶ Powell’s Valley District’s water loss for 2022 was 27.5869 percent.⁶⁷ Commission Staff proposed the two reclassifications above be included in the expense. First, Commission Staff removed \$35,344 as the expense was reclassified to Purchased Water. Second, Commission Staff added the reclassified Purchased Power Expense in the amount of \$4,405. These adjustments resulted in a \$3,894 decrease in Powell’s Valley District’s Purchased Power expense for water loss above the allowed 15 percent resulting in a Pro Forma amount of \$79,634 as shown in the table below. Commission Staff recommends the Commission accept the proposed adjustments as the amounts are known and measurable.

Description	Test Year	Adjustments	Adjustments	Pro Forma
Purchased Water Cost	122,040			122,040
Purchased Power Reclassification			(35,344)	(35,344)
Fuel for Purchased Power Production Reclassification			4,405	4,405
Total Fuel for Purchased Power Expense				91,101
Water Loss Above 15%		(15,361)	3,894	(11,467)
Pro Forma Fuel for Purchased Power Expense				79,634

⁶⁵ Application, Attachment #4, Schedule of Adjusted Operations.

⁶⁶ Application, Attachment #4, Schedule of Adjusted Operations, Reference I at 12.

⁶⁷ 2022 Annual Water Report at 57.

(K) Materials and Supplies. Powell's Valley District reported a test year amount of \$141,258 and proposed one adjustment.⁶⁸ This adjustment was to remove tap fees in the amount of \$43,562.⁶⁹ 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.⁷⁰ Commission Staff capitalized the costs and make a corresponding adjustment to test-year depreciation as shown in adjustment (O). Commission Staff also identified other possible capital expenditures in Powell's Valley District's general ledger, when Commission Staff asked Powell's Valley District its classification, it responded that they believed the expenses were not capital.⁷¹ Commission Staff found Powell's Valley District's explanation that the expenditures were not capital acceptable, but also determined the expenditures were not a yearly expense. Commission Staff proposed to remove the identified expenditures and to amortize the expense over five years as shown in the table below. This resulted in a Pro Forma amount of \$81,079. Commission Staff recommends the Commission accept the proposed adjustments as the amounts are known and reasonable.

⁶⁸ Application, Attachment #4, Schedule of Adjusted Operations.

⁶⁹ Application, Attachment #4, Schedule of Adjusted Operations, Reference E at 12.

⁷⁰ USoA, Accounting Instruction 19 and 33.

⁷¹ Powell's Valley District Response to Staff's Third Request, Item 3.

Description	Reference Number	Transaction Date	Amount
389 14024 Whitaker Bank, Inc	Draft 8/25/2	8/25/2022	3,056.61
411 13993 Marty's Refrigeration, I	CK# 18468	8/30/2022	2,250.00
410 14170 Ditch Witch Mid-States	CK# 18517	10/12/2022	5,383.39
72 14300 Kentucky Auto Parts Sale	CK# 18562	11/14/2022	4,566.94
389 14372 Whitaker Bank, Inc	Draft 11/25/	11/25/2022	5,514.00
Total Adjustment			<u>(20,770.94)</u>
Amortized Over 5 years			<u>4,154.19</u>

(L) Depreciation Expense. Powell's Valley District reported a test year amount of \$269,980 and proposed one adjustment.⁷² This adjustment was included to bring asset lives to the midpoint set forth in the National Association of Regulatory Utility Commissioners (NARUC) publication titled "Depreciation Practices for small utilities".⁷³ To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the NARUC study. When no evidence exists to support a specific life that is outside the NARC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant. Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Therefore, Commission Staff recommends that the Commission accept Powell's Valley District's adjustment of \$99,357, which results in a Pro Forma amount of \$170,623. This adjustment does not require an allocation to sewer as Powell's Valley District already properly included their depreciation expense for both divisions.

⁷² Application, Attachment #4, Schedule of Adjusted Operations.

⁷³ Application, Attachment #4, Schedule of Adjusted Operations, Reference K at 12.

(M) Taxes Other Than Income. Powell's Valley District reported a test year amount of \$15,211 and proposed one adjustment.⁷⁴ This adjustment in the amount of \$68 was to reflect a decrease in payroll taxes paid due to the allocation of a portion of the wages to the sewer department.⁷⁵ Commission Staff recalculated this amount after removing the Board Member's salaries from the wage calculation, which resulted in new Pro Forma payroll taxes of \$14,353.⁷⁶ Commission Staff proposed a decrease of \$858 to reflect the new amount.⁷⁷ Commission Staff recommends rejecting Powell's Valley District's adjustment and accepting Commission Staff's adjustment as the amounts are known and measurable.

(N) Amortization Expense. Powell's Valley District did not report a test year amount but proposed one adjustment.⁷⁸ Powell's Valley District proposed an increase of \$3,589 for amortization of \$10,766 in Rate Case Expense over three years.⁷⁹ Commission Staff reviewed the proposed Rate Case Expense and agrees with Powell's Valley District recovery of Rate Case Expense but requests that Powell's Valley District file an updated invoice of actual expenditures. Commission Staff recommends the Commission make this adjustment based on the updated invoices for actual rate case expense.

⁷⁴ Application, Attachment #4, Schedule of Adjusted Operations.

⁷⁵ Application, Attachment #4, Schedule of Adjusted Operations, Reference L at 12.

⁷⁶ Based on 7.65% FICA Rate.

⁷⁷ \$15,211-\$14,353 = \$858.

⁷⁸ Application, Attachment #4, Schedule of Adjusted Operations.

⁷⁹ Application, Attachment #4, Schedule of Adjusted Operations, Reference M at 12.

(O) Capitalization of Water Tap Expenses. As explained in Adjustments (D) and (K) above, the expenses related to the installation of new water connections are capital expenditures that should be capitalized as Utility Plant in Service and depreciated over their estimated useful lives. Commission Staff calculated the annual depreciation amount for the test year and increased Depreciation Expense by \$1,383 as shown below.

Asset	Test Year Cost	NARUC Service Life	Adjusted Depreciation
Tap Fees	\$ 62,232	45.00	\$ 1,383

OVERALL REVENUE REQUIREMENT

The Commission has historically applied a Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations. This method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a non-cash item, to provide working capital;⁸⁰ (3) the

⁸⁰ 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).

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

Description	Powell's Valley	Commission Staff
Pro Forma Operating Expenses	\$ 1,229,413	\$ 1,175,316
Average Annual Principal and Interest Payments	137,253	137,253
Additional Working Capital	27,451	27,451
Overall Revenue Requirement	1,394,117	1,340,020
Other Operating Revenue	(45,226)	(38,459)
Other Operating Income	(1,381)	0
Interest Income	(853)	(853)
Revenue Required from Rates	1,346,657	1,300,708
Pro Forma Present Rate Service Revenues	(1,210,971)	(1,375,904)
Required Revenue Increase	<u>\$ 135,686</u>	<u>\$ (75,196)</u>
Percentage Increase	<u>11.20%</u>	<u>-5.47%</u>

1. Average Annual Principal and Interest Payments. At the time of Commission Staff's Review, Powell's Valley District reported eight outstanding Rural Development Bonds, six of which are for the water division. Powell's Valley District requested recovery of the average annual principal and interest on its indebtedness based on a five-year average of the annual principal, interest, and fee payments for the years 2024 through 2028.⁸¹ Commission Staff agrees with the methodology Powell's Valley District proposed and included \$137,253 in the calculation of the revenue requirement.

⁸¹ Application, Attachment #4, Schedule of Adjusted Operations, Reference N at 12.

Year	Total Principal	Total Interest	Total Payments
2024	81,000	59,064	140,064
2025	84,500	55,399	139,899
2026	89,000	51,554	140,554
2027	92,000	47,541	139,541
2028	82,500	43,709	126,209
Total	429,000	257,267	686,267
Average Annual Principal and Interest Payment			<u>137,253</u>

2. Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. In its exhibits, Powell's Valley District requested recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments, or \$27,451.⁸² Following the Commission's historic practice of including additional working capital, Commission Staff agrees with Powell's Valley District's proposed \$27,451 working capital adjustment and include it in the revenue requirement.

Description	Amount
Average Annual Principal and Interest	\$ 137,253
Times: DSC Coverage Ratio	<u>120%</u>
Total Net Revenues Required	164,704
Less: Average Annual Principal and Interest Payments	<u>(137,253)</u>
Additional Working Capital	<u>\$ 27,451</u>

⁸² Application, Attachment #4, Schedule of Adjusted Operations, Reference O at 12.

SEWER DIVISION

DISCUSSION

To comply with the requirements of 807 KAR 5:076, Section 9,⁸³ Powell's Valley District used the calendar year ended December 31, 2022, as the basis for its application. Using its pro forma test-year operations, Powell's Valley District determined that a base rate revenue increase of \$7,452 or 5.95 percent, was necessary to achieve the revenue requirement as shown in the table below.⁸⁴ The rates requested by Powell's Valley District would increase the monthly bill of a typical residential customer using 4,000 gallons per month by \$3.28 from \$55.13 to \$58.41, or approximately 5.95 percent.⁸⁵

<u>Description</u>	<u>Powell's Valley</u>
Pro Forma Operating Expenses	\$ 115,572
Average Annual Principal and Interest Payments	16,359
Additional Working Capital	3,272
Overall Revenue Requirement	135,203
Other Operating Revenue	(1,982)
Interest Income	(472)
Revenue Required from Rates	132,749
Pro Forma Present Rate Service Revenues	(125,297)
Required Revenue Increase	<u>\$ 7,452</u>
Percentage Increase	<u>5.95%</u>

To determine the reasonableness of the rates requested by Powell's Valley District, Commission Staff performed a limited financial review of Powell's Valley test-year

⁸³ 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.

⁸⁴ Application, Attachment #4, Revenue Requirement, at 11.

⁸⁵ Application, Attachment 1, at 3.

operations. The scope of Commission Staff's review was limited to determining whether operations reported for the test year were representative of normal operations. Known and measurable⁸⁶ changes to test-year operations were identified and adjustments made when their effects were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

Commission Staff's findings are summarized in this report. William Pearce reviewed the calculation of Powell's Valley District Overall Revenue Requirement and Jason Green reviewed Powell's Valley District reported revenues and rate design.

SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Operating Ratio method, as generally accepted by the Commission, Commission Staff found that Powell's Valley District required revenue from sewer sales is \$133,705 to meet the Overall Revenue Requirement of \$136,159 and that a \$8,408 revenue increase, or 6.71 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

2. Monthly Sewer Service Rates. Based upon the revenue requirement, Powell's Valley District proposed to increase all of its monthly retail water service rates

⁸⁶ Commission regulation 807 KAR 5:076, Section 9, sets the standard for the determination of the reasonableness of proposed rates and states, in pertinent part, that the test period shall be "adjusted for known and measurable changes." See also Case No. 2001-00211, *Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness Therefore; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff* (Ky. PSC Mar. 1, 2002); Case No. 2002-00105, *Application of Northern Kentucky Water District for (A) an Adjustment of Rates; (B) a Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds* (Ky. PSC June 25, 2003); and Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018).

evenly across the board. Powell's Valley District did not perform a cost of service study (COSS). Powell's Valley District stated that it did not complete a COSS at this time, as there has not been any material change in the water system to warrant a COSS.⁸⁷

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 COSS. Finding no such evidence in this case, Commission Staff followed the method proposed by Powell's Valley District and allocated the \$8,408 revenue increase across the board to Powell's Valley District's monthly retail sewer service rates.

The rates, as calculated by Commission Staff, which are set forth in Appendix B to this report, are based upon Commission Staff's recommended revenue requirement and will produce sufficient revenues from sewer sales to recover the \$133,705 Revenue Required from Rates. The rates will increase a typical residential customer's sewer bill from \$55.13 to \$61.82, an increase of \$6.69, or approximately 12.14 percent.⁸⁸ For those customers who receive a flat monthly sewer bill, the increase will be \$1.85, from \$27.57 to \$29.42, or approximately 6.71 percent.

3. Nonrecurring Charges. Commission Staff reviewed the cost justification information provided by Powell's Valley District sewer division,⁸⁹ where Powell's Valley District proposed the reduction of the following charges to zero, as a result Commission

⁸⁷ Powell's Valley District's Response to Staff's First Request, Item 18.

⁸⁸ The average residential customer uses approximately 4,000 gallons per month.

⁸⁹ Powell's Valley District's Response to Staff's First Request, Item 22a.

Staff recommends the charges listed below to be removed from Powell's Valley District's current tariff.

	<u>Current</u>	<u>Revised</u>
	<u>Charge</u>	<u>Charge</u>
Disconnection Charge	\$20.00	\$0.00
Reconnection Charge	\$20.00	\$0.00
Returned Check Charge	\$20.00	\$0.00

There were no changes to Other Operating Revenue as a result of the adjustments to Nonrecurring Charges for Powell's Valley District sewer division.

Powell's Valley District did not provide cost justification information for its Meter Connection/Tap-On Charge for the sewer division. Powell's Valley District's tap-on fee will remain unchanged at \$1,010.50.

PRO FORMA OPERATING STATEMENT

Powell's Valley District's Pro Forma Operating Statement for the test year ended December 31, 2022, as determined by Commission Staff, appears in the table on the next page.

Description	Test Year	Proposed Adjustments	Commission Staff Adjustments	Total Adjustments (Ref.)	Pro Forma
Operating Revenues					
Total Sewer Sales	187,246	(1,982)		(1,982) (A)	
		(65,966)		(65,966) (A)	
		5,999		5,999 (A)	125,297
Other Sewer Revenues		1,982		1,982 (B)	1,982
Total Operating Revenues	187,246	(59,967)	0	(59,967)	127,279
Operating Expenses					
Operation Expenses					
Collection - Labor, Materials and Expenses					
Salaries and Wages - Employees		21,385		21,385 (D)	
		(19,790)		(19,790) (D)	1,595
Salaries and Wages - Commissioners		464	(464)	0 (E)	0
Employee Pensions and Benefits		4,991	(776)	4,215 (F)	
		11,872	16	11,888 (F)	16,103
Pumping - Labor, Materials and Expenses					
Power for Pumping and Treatment	22,503			0 (G)	22,503
Chemicals					
Miscellaneous Supplies and Expenses					
Treatment & Disposal					
Maintenance Expenses					
Maintenance of Collection Sewer System					
Maintenance of Pumping System					
Maintenance of Treatment and Disposal Plant					
Administrative and General Expenses					
Salaries and Wages - Officers					
Office Supplies and Other Expenses	76,739	(46,176)		(46,176) (H)	30,563
Outside Services Employed	6,200			0 (I)	6,200
Contractual services - Acct.		231		231 (C)	231
Postage		538		538 (C)	538
Telephone		343		343 (C)	343
Transportation Expense		840		840 (C)	840
Insurance - General Liability & Other		559		559 (C)	559
Insurance - Workers Comp		394		394 (C)	394
Insurance - Other		427		427 (C)	427
Total Sewer Operation and Maintenance Expenses	105,442	(27,023)	(1,224)	(28,247)	80,296
Depreciation Expense	19,610	13,073		13,073 (J)	32,683
Taxes Other Than Income		1,671	(35)	1,636 (K)	1,636
Amortization Expense		161		161 (L)	161
Total Operating Expenses	125,052	(12,118)	(1,259)	(13,377)	114,776
Net Operating Income	62,194	(47,849)	1,259	(46,590)	12,503
Income Available to Service Debt	62,194	(47,849)	1,259	(46,590)	12,503

(A) Total Sewer Sales. Powell's Valley District reported a test year amount of \$187,246 and proposed 3 changes.⁹⁰ First, Powell's Valley District made a reclassification of other revenues that were included in metered sewer sales in the

⁹⁰ Application, Attachment #4, Schedule of Adjusted Operations.

amount of \$1,982.⁹¹ Second, Powell’s Valley District decreased revenues for revenue from tapping fees included in metered sewer sales in the amount of \$65,966.⁹² Third, Powell’s Valley District made an adjustment of \$5,999 to adjust sewer revenues to the test year billing analysis.⁹³ This results in a Pro Forma amount of \$125,297. Commission Staff recommends accepting the proposed changes as the amounts are known and measurable.

(B) Other Sewer Revenues. Powell’s Valley District reported no Other Sewer Revenues but proposed one change to the account.⁹⁴ The adjustment was the reclassification from Total Sewer Sales above in the amount of \$1,982. Commission Staff recommends accepting the proposed adjustment as the amounts are known and measurable.

(C) Cost Allocation from Water Division. As described in the Water Division Cost Allocation section described above, Powell’s Valley District did not allocate some of its sewer expenses properly resulting in the adjustments shown in the chart below.

Description	Test Year Expense	Allocated to Water	Allocated to Sewer
Contractual services - Acct	5,375	5,144	231
Postage	12,503	11,965	538
Telephone	7,973	7,630	343
Transportation Expense	19,502	18,662	840
Insurance - General Liability & Other	12,992	12,433	559
Insurance - Workers Comp	9,141	8,747	394
Insurance - Other	9,913	9,486	427
Total		<u>\$74,067</u>	<u>\$3,332</u>

⁹¹ Application, Attachment #4, Schedule of Adjusted Operations, Reference P at 12.

⁹² Application, Attachment #4, Schedule of Adjusted Operations, Reference Q at 12.

⁹³ Application, Attachment #4, Schedule of Adjusted Operations, Reference R at 12.

⁹⁴ Application, Attachment #4, Schedule of Adjusted Operations.

(D) Salaries and Wages – Employees. Powell’s Valley District reported no test year salaries and wages – employees’ expense. Powell’s Valley District proposed two changes to the account. First, it increased the expense by \$21,385 for the allocation of expenses to sewer as explained in the water division discussion above. Second, it made an adjustment to remove tap fees in the amount of \$19,790, or 30 percent of sewer tap fees for the labor portion of the tap fees expense,⁹⁵ resulting in a Pro Forma amount of \$1,595. Commission Staff recommends accepting the proposed adjustments as the amounts are known and measurable.

(E) Salaries and Wages – Commissioners. Powell’s Valley District reported no test year amount for salaries and wages for Commissioners. It proposed one change to the account.⁹⁶ Powell’s Valley District’s adjustment was to allocate an amount of \$464 for commissioner pay to the sewer division. As noted in the Salaries and Wages – Commissioners section above, Powell’s Valley District did not file documentation for Fiscal Court approval for Board Member compensation. Commission Staff recommends the Commission not include commissioner salaries and remove \$464 from the revenue requirement because Powell’s Valley District did not provide evidence to support the compensation amounts as required by KRS 74.020(6).

(F) Employee Pension and Benefits. Powell’s Valley District reported no test year amount for employee pension and benefits and proposed two adjustments to the account. First, it proposed to increase the pension expense by \$4,991 to allocate the

⁹⁵ Application, Attachment #4, Schedule of Adjusted Operations, Reference T at 12.

⁹⁶ Application, Attachment #4, Schedule of Adjusted Operations, Reference U at 12.

appropriate expense amount to the sewer division.⁹⁷ Second, it proposed to increase the health insurance expense by \$11,872 to allocate the appropriate expense amount to the sewer division.⁹⁸ Commission Staff agrees that the two allocation adjustments should be made; however, the adjustments should be made in accordance with the discussion in the Benefits section of the water division discussion to properly report the allocation. First, Commission Staff proposes a change of \$776 for pension benefits resulting in a changed adjustment of \$4,215. Second, Commission Staff proposes a change of \$16 for health insurance benefits resulting a changed adjustment of \$11,888. This results in a new Pro Forma amount of \$16,863. Commission Staff recommends accepting the proposed adjustments as the amounts are known and measurable.

(G) Power for Pumping and Treatment. Powell's Valley District reported a test year amount of \$22,503 and proposed no changes.⁹⁹ Commission Staff reviewed Powell's Valley District's purchased power expense and agrees with the proposed amount.

(H) Office Supplies and Other Expenses. Powell's Valley District reported a test year amount of \$76,739 and proposed one change to the account.¹⁰⁰ This adjustment was to remove the remaining 70 percent of sewer tap fees that were included in employee salaries above.¹⁰¹ This results in a decrease of \$46,176 and a Pro Forma amount of

⁹⁷ Application, Attachment #4, Schedule of Adjusted Operations, Reference V at 12.

⁹⁸ Application, Attachment #4, Schedule of Adjusted Operations, Reference W at 12.

⁹⁹ Application, Attachment #4, Schedule of Adjusted Operations.

¹⁰⁰ Application, Attachment #4, Schedule of Adjusted Operations.

¹⁰¹ Application, Attachment #4, Schedule of Adjusted Operations, Reference T at 12.

\$30,563. Commission Staff recommends accepting the proposed adjustment as the amounts are known and measurable.

(I) Outside Services Employed. Powell's Valley District reported a test year amount of \$6,200 and proposed no changes to the account.¹⁰² Commission Staff reviewed Powell's Valley District's general ledger and agrees with the proposed amount.

(J) Depreciation Expense. Powell's Valley District reported a test year amount of \$19,610 and proposed one change.¹⁰³ This adjustment was an increase in order to align with the Commission precedent related to a sewer utility's depreciation expense when asset lives fall outside the ranges recommended by NARUC in its publication titled "Depreciation Practices for small utilities". The adjustment was made to bring asset lives to the midpoint of the recommended ranges, increasing depreciation expense by \$13,073.¹⁰⁴ This results in a Pro Forma amount of \$32,683. Commission Staff recommends accepting the proposed adjustment as the amounts are known and measurable.

(K) Taxes Other Than Income. Powell's Valley District reported no test year amount but proposed one change.¹⁰⁵ This adjustment was an increase of \$1,671. Commission Staff proposed an adjustment to reflect the removal of Board Member's Salaries in payroll taxes. This adjustment is a decrease of \$35 to reflect the Pro Forma

¹⁰² Application, Attachment #4, Schedule of Adjusted Operations.

¹⁰³ Application, Attachment #4, Schedule of Adjusted Operations.

¹⁰⁴ Application, Attachment #4, Schedule of Adjusted Operations, Reference X at 12.

¹⁰⁵ Application, Attachment #4, Schedule of Adjusted Operations.

amount of \$1,636.¹⁰⁶ Commission Staff recommends accepting the proposed adjustments as the amounts are known and measurable.

(L) Amortization Expense. Powell's Valley District reported no test year amount but proposed one change.¹⁰⁷ This adjustment was an increase of \$161 for amortization of the \$434 of Rate Case expense allocated to the sewer division amortized over three years. Commission Staff reviewed the proposed Rate Case Expense and agrees with Powell's Valley District recovery of Rate Case Expense but requests that Powell's Valley District file an updated invoice of actual expenditures.

OVERALL REVENUE REQUIREMENT

The Commission has historically applied a Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations. This method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a non-cash item, to provide working capital;¹⁰⁸ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

¹⁰⁶ Based on FICA Taxes of 7.65%.

¹⁰⁷ Application, Attachment #4, Schedule of Adjusted Operations, Reference Y at 12.

¹⁰⁸The 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).

Description	Powell's Valley	Commission Staff
Pro Forma Operating Expenses	\$ 115,572	\$ 114,776
Average Annual Principal and Interest Payments	16,359	\$ 17,819
Additional Working Capital	3,272	\$ 3,564
Overall Revenue Requirement	135,203	\$ 136,159
Other Operating Revenue	(1,982)	\$ (1,982)
Interest Income	(472)	\$ (472)
Revenue Required from Rates	132,749	\$ 133,705
Pro Forma Present Rate Service Revenues	(125,297)	\$ (125,297)
Required Revenue Increase	\$ 7,452	\$ 8,408
Percentage Increase	5.95%	6.71%

1. Average Annual Principal and Interest Payments. At the time of Commission Staff's review, Powell's Valley District reported eight Rural Development Bonds outstanding, two of which are for the sewer division.¹⁰⁹ Powell's Valley District requested recovery of the average annual principal and interest on its indebtedness based on a five-year average of the annual principal, interest, and fee payments for the years 2024 through 2028.¹¹⁰ Commission Staff agrees with the methodology Powell's Valley District proposed but calculated a different value than proposed by Powell's Valley District. Powell's Valley District requested recovery of \$16,359 but Commission Staff found the average annual principal and interest to be 17,819 and included it in the calculation of the revenue requirement.

¹⁰⁹ Application, Rate Study Excel Document, Debt Sch. Tab.

¹¹⁰ Application, Attachment #4, Schedule of Adjusted Operations, Reference Z at 12.

Year	Principal	Interest	Total Payment
2024	7,600	10,141	17,741
2025	8,100	9,787	17,887
2026	8,600	9,413	18,013
2027	8,600	9,027	17,627
2028	9,200	8,626	17,826
Total	42,100	46,994	89,094
Average	8,420	9,399	17,819

2. Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. In its exhibits, Powell's Valley District requested recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments, or \$3,272.¹¹¹ Following the Commission's historic practice of including additional working capital, Commission Staff agrees with Powell's Valley District's proposed method but calculated a new value of \$3,564 based upon the increase in average annual principal and interest and included it in the revenue requirement.

Average Annual Principal and Interest	\$ 17,819
Times: DSC Coverage Ratio	\$ 1
Total Net Revenues Required	\$ 21,383
Less: Average Annual Principal and Interest Payments	\$ (17,819)
Additional Working Capital	\$ 3,564

¹¹¹ Application, Attachment #4, Schedule of Adjusted Operations, Reference AA at 12.

Signatures

/s/ William Pearce

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

/s/ Jason L. Green

Prepared by: Jason L. Green
Rate Design Branch
Division of Financial Analysis

APPENDIX A

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00387 DATED JUL 02 2024

* Denotes Rounding

Nonrecurring Charges Adjustments (Water Division)

	Broken Lock Fee	
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$227.00	\$227.00
Field Labor (2 men 1 hour @22.41)	\$22.41	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$12.45	\$0.00
Transportation (20-mile average trip @.67 per mile)	\$13.40	\$13.40
Misc.	\$0.00	\$0.00
Total Revised Charge*	\$275.26	\$240.00
Current Rate	\$100.00	

	Connection/Turn-on Charge	
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hour @22.41)	\$22.41	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$0.00	\$0.00
Transportation (@20 mile average .67 per mile)	\$13.40	\$13.40
Misc.	\$0.00	\$0.00
Total Revised Charge	\$35.81	\$13.00
Current Rate	\$20.00	

	Connection/Turn-on Charge (After Hours)	
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hr overtime @ 33.61)	\$33.61	\$33.61
Office Supplies	\$0.00	\$0.00
Office Labor	\$0.00	\$0.00
Transportation (@20 mile average trip @.67 per mile)	\$13.40	\$13.40
Misc.	\$0.00	\$0.00
Total Revised Charge*	\$47.01	\$47.00

Current Rate \$30.00

Field Collection Charge		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hr @ 22.41)	\$22.41	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$0.00	\$0.00
Transportation (20 mile average trip @.67 per mile)	\$13.40	\$13.40
Misc.	\$0.00	\$0.00
Total Revised Charge	<u>\$35.81</u>	<u>\$13.00</u>
Current Rate	\$20.00	

Meter Relocation Charge		
	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 Re-read Charge		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hr @22.41)	\$22.41	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$0.00	\$0.00
Transportation (20 mile average trip @.67 per mile)	\$13.40	\$13.40
Misc.	\$0.00	\$0.00
Total Revised Charge	<u>\$35.81</u>	<u>\$13.00</u>
Current Rate	\$20.00	

Meter Test Charge		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00

Field Labor (1 hr @22.41)	\$22.41	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$12.45	\$0.00
Transportation (20 mile average trip @.67 per mile)	\$13.40	\$13.40
Misc.	\$0.00	\$0.00
Total Revised Charge	<u>\$48.26</u>	<u>\$13.00</u>
Current Rate	\$25.00	

Reconnection Charge

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 ½ hr @ 22.41)	\$22.41	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$12.45	\$0.00
Transportation (20 mile average trip @.67 per mile)	\$13.40	\$13.40
Misc.	\$0.00	\$0.00
Total Revised Charge	<u>\$48.26</u>	<u>\$13.00</u>
Current Rate	\$40.00	

Reconnection Charge (After Hours)

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 ½ hr Overtime @ 33.61)	\$33.61	\$33.61
Office Supplies	\$0.00	\$0.00
Office Labor	\$12.45	\$0.00
Transportation (20 mile average trip @.67 per mile)	\$13.40	\$13.40
Misc.	\$0.00	\$0.00
Total Revised Charge	<u>\$59.46</u>	<u>\$47.00</u>
Current Rate	\$50.00	

Returned Check Charge

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hr @22.41)	\$22.41	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$12.45	\$0.00

Transportation (20 mile average trip @.67 per mile)	\$13.40	\$13.40
Misc.	\$0.00	\$0.00
Total Revised Charge	<u>\$48.26</u>	<u>\$13.00</u>
Current Rate	\$20.00	

	Service Call/Investigation	
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hr @22.41)	\$22.41	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$0.00	\$0.00
Transportation (20 mile average trip @.67 per mile)	\$13.40	\$13.40
Misc.	\$0.00	\$0.00
Total Revised Charge	<u>\$35.81</u>	<u>\$13.00</u>
Current Rate	\$20.00	

	Service Call/Investigation (After Hours)	
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hr Overtime @ 33.61)	\$33.61	\$33.61
Office Supplies	\$0.00	\$0.00
Office Labor	\$0.00	\$0.00
Transportation (20 mile average trip @.67 per mile)	\$13.40	\$13.40
Misc.	\$0.00	\$0.00
Total Revised Charge	<u>\$47.01</u>	<u>\$47.00</u>
Current Rate	\$30.00	

APPENDIX B

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00387 DATED JUL 02 2024

The following rates and charges are recommended by Commission Staff for the customers in the area served by Powell's Valley Water District. All other rates and charges not specifically mentioned are recommended to remain the same as those in effect under the authority of the Commission.

Monthly Retail Rates – Water Division

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

First	2,000 Gallons	\$	24.77	Minimum Bill
Next	2,000 Gallons		0.01083	per Gallon
Next	2,000 Gallons		0.00984	per Gallon
Over	6,000 Gallons		0.00925	per Gallon

1-Inch Meter

First	4,000 Gallons	\$	46.43	Minimum Bill
Next	2,000 Gallons	\$	0.00984	per Gallon
Over	6,000 Gallons	\$	0.00925	per Gallon

2-Inch Meter

First	6,000 Gallons	\$	66.11	Minimum Bill
Over	6,000 Gallons	\$	0.00925	per Gallon

Wholesale Rate

\$	0.00350	per Gallon
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Nonrecurring Charges (Water)

Broken Lock Fee	\$240.00
Connection/Turn-on Charge	\$13.00
Connection/Turn-on Charge (After Hours)	\$47.00
Field Collection Charge	\$13.00
Meter Relocation Charge	Actual Cost
Meter Re-read Charge	\$13.00
Meter Test Charge	\$13.00
Reconnection Charge	\$13.00
Reconnection Charge (After Hours)	\$47.00
Returned Check Charge	\$13.00
Service Call/Investigation	\$13.00
Service Call/Investigation (After Hours)	\$47.00

Monthly Retail Rates – Sewer Division

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

First 2,000 Gallons	\$ 29.42	Minimum Bill
Over 2,000 Gallons	0.01470	per Gallon
Flat Rate Customers	\$29.42	Per Month

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P. O. Box 550
Clay City, KY 40312

*Ashley Hood
Chairman
Powell's Valley Water District
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*Kendell Knox
Manager
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*Sam Reid