

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------------------|---|------------|
| ELECTRONIC APPLICATION OF PEAKS MILL |) | CASE NO. |
| WATER DISTRICT FOR A RATE ADJUSTMENT |) | 2023-00401 |
| PURSUANT 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 December 21, 2023, as amended on April 15, 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 December 21, 2023 Order, as amended by Order dated April 15, 2024, Peaks Mill Water District (Peaks Mill 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 Peaks Mill 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 MAY 28 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 PEAKS MILL WATER DISTRICT

Peaks Mill Water District (Peaks Mill District) is a water utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system through which it provides retail water service to approximately 1,200 residential customers and 12 commercial customers, that reside in Franklin and Owen counties, Kentucky.²

On December 6, 2023,³ Peaks Mill District filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,⁴ Peaks Mill District used the calendar year ended December 31, 2022, as the basis for its application. Peaks Mill District's last base rate increase pursuant to the alternative rate filing procedure was in

² *Annual Report of Peaks Mill District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 12 and 49.

³ Peaks Mill District tendered its application on December 4, 2023. By letter dated December 6, 2023, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on December 06, 2023.

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.

Case No. 2012-00008.⁵ Since that matter, Peaks Mill District has only adjusted its rates pursuant to purchased water adjustments.

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated December 21, 2023⁶ and amended by Order dated April 15, 2024.⁷ Peaks Mill District responded to three rounds of discovery.⁸ Peaks Mill District timely filed its response to all rounds of discovery. An Informal Conference was held March 4, 2024 to discuss water loss efforts and Peaks Mill District's proposed surcharge.

UNACCOUNTED-FOR WATER LOSS

The Commission notes that in its 2022 Annual Report, Peaks Mill District reported a water loss of 28.1063 percent.⁹ 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 Peaks Mill District is \$96,454, while the annual cost of water loss in excess of 15 percent is \$44,977.

⁵ Case No 2012-00008, *Application of Peaks Mill Water District for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC May 1, 2012).

⁶ Order (Ky. PSC Dec. 21, 2023).

⁷ Order (Ky. PSC Apr. 15, 2024).

⁸ Peaks Mill District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Jan. 22, 2024); Peaks Mill District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Feb. 26, 2026). Peaks Mill District's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Apr. 26, 2024).

⁹ 2022 Annual Report at 57.

| Total Water Loss | Purchased Water | Purchased Power | Total |
|---------------------|-----------------|-----------------|------------|
| Pro Forma Purchases | \$ 330,623 | \$ 12,554 | \$ 343,177 |
| Water Loss Percent | 28.1063% | 28.1063% | 28.1063% |
| Total Water Loss | \$ 92,926 | \$ 3,528 | \$ 96,454 |

| Disallowed Water Loss | Purchased Water | Purchased Power | Total |
|-----------------------------|-----------------|-----------------|------------|
| Pro Forma Purchases | \$ 330,623 | \$ 12,554 | \$ 343,177 |
| Water Loss in Excess of 15% | 13.1063% | 13.1063% | 13.1063% |
| Disallowed Water Loss | \$ 43,332 | \$ 1,645 | \$ 44,977 |

DISCUSSION

To comply with the requirements of 807 KAR 5:076, Section 9,¹⁰ Peaks Mill District used the calendar year ended December 31, 2022, as the basis for its application. Using its pro forma test-year operations, Peaks Mill District determined that a base rate revenue increase of \$151,691, or 20.86 percent, was necessary to achieve the revenue requirement as shown in the table below.¹¹ Peaks Mill District also proposed a monthly water loss reduction surcharge of \$3.59 per customer.¹² The rates requested by Peaks Mill District would increase the residential monthly bill of typical residential customer using 4,000 gallons per month by \$10.53 from \$48.02 to \$58.55, or approximately 21.93 percent. The rates and surcharge requested by Peaks Mill District would increase the

¹⁰ 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.

¹¹ Application, Attachment 2, Reasons for Application at 12.

¹² Application, Attachment 3, Current and Proposed Rates at 14.

residential monthly bill of a typical residential customer using 4,000 gallons per month by \$14.12, from \$48.02 to \$62.14, or approximately 29.40 percent.¹³

| Description | Peaks Mill Water Application |
|--|------------------------------------|
| Pro Forma Operating Expenses | \$ 808,334 |
| Average Annual Principal and Interest Payments | 101,148 |
| Additional Working Capital | 20,230 |
| Overall Revenue Requirement | <u>929,712</u> |
| Forfeited Discounts () | (12,873) |
| Miscellaneous Service Revenue () | (36,252) |
| Interest Income () | (1,581) |
| Revenue Required from Rates | <u>879,006</u> |
| Pro Forma Present Rate Service Revenues () | <u>(727,315)</u> |
| Required Revenue Increase | <u><u>\$ 151,691</u></u> |
| Percentage Increase | <u><u>20.86%</u></u> |

To determine the reasonableness of the rates requested by Peaks Mill District, Commission Staff performed a limited financial review of Peaks Mill 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 measurable¹⁴ changes to test-year operations were identified, and adjustments were

¹³ Application, Attachment 1, Customer Notice at 9.

¹⁴ 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).

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 Peaks Mill District's Overall Revenue Requirement, and Jason Green reviewed Peaks Mill 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 Peaks Mill District's required revenue from water sales is \$924,912 to meet the Overall Revenue Requirement of \$976,326 and that a \$203,877 revenue increase, or 28.28 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

2. Water Loss Surcharge. In its application, Peaks Mill District requested to implement a water loss reduction surcharge of \$3.59 per customer per month.¹⁵ Peaks Mill District stated that it would evaluate the best use of funds and that a portion of the funds would be used to develop a strategy to reduce water loss. According to Peaks Mill District, specific initiatives under consideration include meter replacements, subzone metering, and main replacements were under consideration.¹⁶ The monthly amount of the proposed surcharge was based upon Peaks Mill District's calculation of purchased water expenses that are disallowed pursuant to 807 KAR 5:066, Section 3. Commission Staff recalculated the amount based on an adjusted water loss cost that is discussed in

¹⁵ Application, Attachment 3, Current and Proposed Rates at 14.

¹⁶ Peaks Mill District's Response to Staff's Second Request, Item 10b.

reference (G) of the Pro Forma adjustments later in this report and the inclusion of purchased power for pumping which resulted in a monthly surcharge amount of \$3.09 per customer per month as shown below:

| Description | Amount |
|----------------------------------|------------|
| Disallowed Water Loss | \$ 44,977 |
| Months | 12 |
| Customers (2022) | 1,212 |
| Surcharge Per Customer Per Month | \$ 3.09 |
| Annual Surcharge Amount | \$ 44,941 |
| Grand Total Surcharge | \$ 179,764 |

The use of a surcharge is consistent with prior Commission action in cases involving water utilities with excessive unaccounted-for water loss.¹⁷ Further, the Commission has ordered surcharges even when a utility has not specifically requested a surcharge,¹⁸ and recently, the Commission has allowed water utilities with reported water loss above the 15 percent threshold to assess water loss reduction surcharges.¹⁹ Recognizing prior Commission precedent to allow the use of surcharges to assist utilities in obtaining the

¹⁷ 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); and Case No. 2019-00119, *Electronic Application of Estill County Water District No. 1 for a Surcharge to Finance Water Loss Control Efforts* (Ky. PSC Mar. 24, 2010); 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.

¹⁸ See Case No. 2020-00311, *Electronic Application of Cawood Water District for an Alternative Rate Adjustment* (Ky. PSC Apr. 8, 2021), Order at 3.

¹⁹ See Case No. 2021-00094, *Electronic Application of Garrison-Quincy-Ky-O-Heights Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Nov. 24, 2021).

proper funding needed to combat water loss, Commission Staff recommends that the Commission approve Peaks Mill District's request and authorize Commission Staff's recalculated surcharge amount of \$3.09 per bill per month for a temporary period of 48 months, with a review of the necessity to continue the surcharge before the temporary period expires. Commission Staff also recommends that the Commission establish a separate proceeding to monitor the surcharge and place strict controls over the use of the funds that will be collected from the surcharge. In addition, Commission Staff recommends that Peaks Mill District be required to develop a long-term plan to address its aging infrastructure and combat water loss within 120 days of the final Order in this proceeding.

3. Monthly Water Service Rates. Peaks Mill District proposed to increase its monthly retail and wholesale water service rates using a cost of service study (COSS) that it prepared in 2023.²⁰ The rates in the COSS were developed following the commodity-demand methodology that is recognized in the Manual M-1 published by the American Water Works Association. Through this method, Peaks Mill District allocated the overall revenue requirement to Peaks Mill District's customer classes in proportion to the cost of providing service to those customer classes. This method recognizes that a utility must meet peak demand requirements as well as the customer's average water use. Peaks Mill District has utilized the COSS to propose a new rate structure that differs from its current single rate for all customers and meter sizes.²¹ Peaks Mill District's proposed rate structure differentiates its rates based on the size of meter that is used to

²⁰ Peaks Mill District's Response to Staff's First Request, Item 6d.

²¹ Peaks Mill District's Response to Staff's First Request, Item 6b.

provide service to its customers.²² Peaks Mill District's proposed rate design adds rates for meter sizes larger than 5/8-inch x 3/4-inch and includes monthly minimums for 1-inch, 1 1/2-inch, 2-inch, 3-inch, and 4-inch customers.

Commission Staff agrees with the proposed methodology and utilized the COSS, provided by Peaks Mill District, to allocate the \$203,877 revenue increase to the monthly retail water 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 water sales to recover the \$924,912 Revenue Required from Rates. The rates will increase a typical residential customer's water bill from \$48.02 to \$61.22, an increase of \$13.20, or approximately 27.49 percent.²³ Additionally, including the Commission Staff's recommended surcharge of \$3.09, the rates will increase a typical residential customer's water bill from \$48.02 to \$64.31, an increase of \$16.29 or approximately 33.92 percent.²⁴

4. Nonrecurring Charges. Following the Commission's recent decisions,²⁵ Commission Staff has reviewed Peaks Mill District's nonrecurring charges. The

²² Peaks Mill District's Response to Staff's First Request, Item 6b.

²³ The typical residential customer uses approximately 4,000 gallons per month. Application, Attachment 1.

²⁴ The typical residential customer uses approximately 4,000 gallons per month. Application, Attachment 1.

²⁵ 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).

Commission found that because Peaks Mill District’s personnel are currently paid during normal business hours and those costs are recovered in rates, estimated labor costs previously included in determining the amount of Nonrecurring Charges should be eliminated. Commission Staff has reviewed the cost justification information provided by Peaks Mill District and have adjusted these charges by removing Office/Clerical Labor Costs from those charges that occur during normal business hours.²⁶ Peaks Mill District indicated that the cost of Field Labor is paid through contract and therefore should be included in the calculation of Nonrecurring Charges. Commission Staff agrees with this proposal and has kept the cost of Field Labor in the calculations of Peaks Mill District’s Nonrecurring Charges.

The revised nonrecurring charges result in an increase of \$294 to test-year Other Water Revenues and a corresponding increase to the total revenue requirement as explained in adjustment “C” below.

| | <u>Nonrecurring Charge</u> | |
|----------------------------|----------------------------|-----------------------|
| | <u>Current Charge</u> | <u>Revised Charge</u> |
| Transfer Fee | \$25.00 | \$42.00 |
| Reconnection Fee | \$50.00 | \$42.00 |
| Service Line Inspection | \$50.00 | \$59.00 |
| Service Call/Investigation | \$65.00 | \$59.00 |
| Returned Check Fee | \$25.00 | \$12.00 |
| Meter Test Fee | \$75.00 | \$159.00 |
| Meter Re-read Charge | \$25.00 | \$42.00 |
| Meter/Service Relocation | Actual Cost | Actual Cost |
| Tap-On Fee | \$1,160.00 | \$3,500.00 |

²⁶ Peaks Mill District’s Response to Staff’s First Request, Item 9.

5. Tap Fees. Commission Staff has reviewed the Tap Fee cost justification information provided by Peaks Mill District in response to Staff's First Request.²⁷ Peaks Mill District revised the 5/8- x 3/4-Inch Meter Tap Fee cost justification with a supplemental filing for a 5/8- x 3/4-Inch Meter Tap Fee for short side cost justification and for a 5/8- x 3/4-Inch Meter Tap Fee long side cost justification.²⁸ The cost justification sheets for Tap Fees has the provision to account for the installation of taps on the main located on the road closest to the meter vault, the short side, and for the installation of taps on the main located on the road that is furthest to the meter vault, the long side.²⁹ Peaks Mill District explained that a service tap fee based on the average cost of short and long services may not be fair, just and reasonable.³⁰ Peaks Mill District argued that a review of the tapping during 2022 and 2023 shows that long-side services were significantly more expensive due to length, rock, boring, and terrain.³¹ Therefore, Peaks Mill District requests that the tapping fee of for 3/4-inch service taps be bifurcated into two different fees.³² Peaks Mill District did not provide notice of such request to customers nor did it request a deviation of the notice requirement for a tariff revision affecting rates or services.

Commission Staff notes that Peaks Mill District's current tariff contains specific language intended to recover actual costs in instances where length, rock, boring and

²⁷ Peaks Mill District's Response to Staff's First Request, Item 10.

²⁸ Peaks Mill District's Supplemental Response to Staff's First Request (filed Feb. 15, 2024), Items 10a and 10b.

²⁹ Peaks Mill District's Response to Staff's First Request, Item 10.

³⁰ Peaks Mill District's Supplemental Response to Staff's First Request (filed Feb. 15, 2024), Cover Letter.

³¹ Peaks Mill District's Supplemental Response to Staff's First Request, Cover Letter.

³² Peaks Mill District's Supplemental Response to Staff's First Request, Cover Letter.

terrain are encountered.³³ Therefore, Commission Staff recommends that the Commission deny the request to bifurcate its tap-fees into short side and long side installations due to the fact that, according to its current tariff, Peaks Mill District recovers the actual costs for instances where length, rock, boring and terrain are encountered anyway. Recovery of such costs in the tap-fees and recovery of actual costs, according to the tariff, would be imprudently incurred and result in recovery of unnecessary additional revenue. Commission Staff directs Peaks Mill District to its current tariff and recommends that if Peaks Mill District requests to bifurcate its tap-fees, then it should also remove the language for recovering the actual costs for instances where length, rock, boring and terrain are encountered.

PRO FORMA OPERATING STATEMENT

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

³³ Peaks Mill District's current tariff, Original Sheet No. 10, Connection Fee.

| Description | Test Year | Proposed Adjustments | Commission | Total Adjustments (Ref.) | Pro Forma |
|--|---------------------|-------------------------|----------------------|-----------------------------|--------------------|
| | | | Staff Adjustments | | |
| Operating Revenues | | | | | |
| Sales of Water | \$ 717,547 | \$ (7,627) | | \$ (7,627) (A) | |
| | | 17,395 | (17,395) | 0 (A) | |
| | | | 11,115 | 11,115 (A) | \$ 721,035 |
| Late Payment Penalties | 0 | 12,873 | | 12,873 (B) | 12,873 |
| Miscellaneous Service Revenues | 38,690 | (12,873) | | (12,873) (B) | |
| Elkhorn Mgmt Fee | | 9,235 | | 9,235 (C) | |
| Rental Income | | 1,200 | | 1,200 (C) | |
| | | | 294 | 294 (C) | 36,546 |
| Total Operating Revenues | 756,237 | 20,203 | (5,986) | 14,217 | 770,454 |
| Operating Expenses | | | | | |
| Operation and Maintenance Expenses | | | | | |
| Salaries and Wages - Employees | 77,434 | 7,559 | | 7,559 (D) | |
| | | (8,916) | | (8,916) (D) | |
| | | | (8,500) | (8,500) (D) | 67,577 |
| Salaries and Wages - Officers | 10,800 | | (10,800) | (10,800) (E) | |
| Employee Pensions and Benefits | 7,149 | (7,149) | | (7,149) (F) | 0 |
| Purchased Water | 380,510 | (10,142) | 386 | (9,756) (G1) | |
| | | (96,120) | 96,120 | 0 (G2) | |
| | | | (14,484) | (14,484) (G3) | |
| | | | (25,647) | (25,647) (G4) | |
| | | (49,871) | 6,539 | (43,332) (G5) | |
| | | | | 0 (G6) | 287,291 |
| Purchased Power | 12,554 | (1,645) | | (1,645) (H) | 10,909 |
| | | | | 0 | |
| Lab Testing | 4,150 | | (2,556) | (2,556) (I) | 1,594 |
| Contractual Services - Acct. | 9,308 | | | 0 | 9,308 |
| Contractual Services - Other | 301,284 | (18,785) | | (18,785) (J1) | |
| | | 30,000 | | 30,000 (J2) | |
| | | 78,000 | | 78,000 (J3) | |
| | | (125,551) | | (125,551) (J4) | 264,948 |
| Materials | 0 | 48,330 | | 48,330 (K) | |
| | | (8,400) | | (8,400) (K) | |
| | | (8,000) | | (8,000) (K) | 31,930 |
| Rental of Bldg/Real Property | 14,350 | 50 | | 50 (L) | 14,400 |
| Insurance - General Liability | 13,113 | | | 0 | 13,113 |
| Advertising Expenses | 217 | | | 0 | 217 |
| Miscellaneous Expense | 29,261 | (3,444) | | (3,444) (M) | |
| | | (2,556) | | (2,556) (M) | |
| | | | 2,556 | 2,556 (I) | 25,817 |
| Total Operation and Maintenance Expense | 860,130 | (176,640) | 43,614 | (133,026) | 727,104 |
| Depreciation | 153,731 | (37,027) | | (37,027) (N) | |
| | | (147) | | (147) (N) | 116,557 |
| Amortization Expense | 0 | 0 | 3,000 | 3,000 (O) | 3,000 |
| Taxes Other Than Income | 1,138 | 7,149 | | 7,149 (P) | 8,287 |
| Total Operating Expenses | 1,014,999 | (206,665) | 46,614 | (160,051) | 854,948 |
| Net Operating Income | (258,762) | 226,868 | (52,600) | 174,268 | (84,494) |
| Interest Income | 0 | | 1,995 | 1,995 (Q) | 1,995 |
| Income Available to Service Debt | \$ (258,762) | \$ 226,868 | \$ (50,605) | \$ 176,263 | \$ (82,499) |

(A) Total Retail Metered Sales. In its application, Peaks Mill District reported Total Retail Metered Sales as \$717,547.³⁴ Peaks Mill District proposed two adjustments. First, it proposed a decrease of \$7,627 to reconcile to amounts calculated by the Billing Analysis under current rates.³⁵ Commission Staff reviewed the calculations and confirmed the adjustment. Commission Staff recommends that the Commission accept the proposed adjustment.

Peaks Mill District also proposed an increase of \$17,395 to reflect an estimate of post-test year revenue increases that are anticipated because of an increase in customers as well as the changeout of older, under-registering meters with new, more accurate meters.³⁶ Peaks Mill District did not provide supporting documentation for the calculation or assumptions utilized to derive its proposed \$17,395 adjustment. Commission Staff recommends that the Commission deny this proposed adjustment because it is not known and measurable.

During the pendency of this application, Peaks Mill District filed a Purchased Water Adjustment in Case No. 2024-00102.³⁷ Commission Staff included this adjustment in this analysis and increased metered water sales by \$11,115 to account for the increased revenue. Commission Staff recommends that the Commission accept this proposed adjustment because it is known and measurable.

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

³⁵ Application, Attachment #4, Schedule of Adjusted Operations, Reference A.

³⁶ Explanation of Adjustment to Total Retail Metered Sales (filed Mar. 26, 2024).

³⁷ See Case No. 2024-00102, *Electronic Purchased Water Adjustment Filing of Peaks Mill Water District* (Ky. PSC May 8, 2024).

(B) Forfeited Discounts. In its application, Peaks Mill District proposed a \$12,873 reclassification of late fees from Misc. Service Revenues to Forfeited Discounts.³⁸ Commission Staff recommends accepting the reclassification.

(C) Miscellaneous Revenues. Peaks Mill District reported test-year miscellaneous revenues of \$38,690 and proposed two adjustments in addition to the removal of \$12,873 for the forfeited discounts reclassification above.³⁹ First, it proposed an increase of \$9,235 to reflect an increase in management fees to Elkhorn Water District.⁴⁰ Second, it increased revenues by \$1,200 to reflect a new income source for tower rental to a broadband provider.⁴¹ Additionally, Commission Staff proposes an increase of \$294 as a reconciliation from test year Nonrecurring Charge Revenue to Pro Forma Test Year Revenue as shown in the chart below. These adjustments result in a Pro Forma amount of \$36,546. Commission Staff recommends that the Commission accept this adjustment as Commission Staff followed the Commission's precedent in removing field labor and office/clerical labor costs and the other identified pro forma miscellaneous service revenue amounts are known and measurable.

³⁸ Application, Attachment #4, Schedule of Adjusted Operations, Reference B.

³⁹ Application, Attachment #4, Schedule of Adjusted Operations.

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

⁴¹ Application, Attachment #4, Schedule of Adjusted Operations, Reference K.

| | Occurrences | Current Charge | Revised Charge | Adjustment | Pro Forma |
|---------------------------------|-------------|----------------|----------------|------------|--------------|
| Transfer Fee | 62 | \$25.00 | \$42.00 | \$1,054 | \$2,604 |
| Reconnection Fee | 56 | \$50.00 | \$42.00 | -\$448 | \$2,352 |
| Service Line Inspection | 0 | \$50.00 | \$59.00 | \$0 | \$0 |
| Service Call/Investigation | 0 | \$65.00 | \$59.00 | \$0 | \$0 |
| Returned Check Fee | 24 | \$25.00 | \$12.00 | -\$312 | \$288 |
| Meter Test Fee | 0 | \$75.00 | \$159.00 | \$0 | \$0 |
| Meter Re-read Charge | 0 | \$25.00 | \$42.00 | \$0 | \$0 |
| Meter/Service Relocation | 0 | Actual Cost | Actual Cost | \$0 | \$0 |
| Pro Forma Test Year NRC Revenue | | | | | \$5,244 |
| Less: Test Year NRC Revenue | | | | | \$4,950 |
| Adjustment | | | | | <u>\$294</u> |

(D) Salaries and Wages - Employees. Peaks Mill District reported a test-year amount of \$77,434 for Salaries and Wages – Employees.⁴² During the test year, Peaks Mill District employed four part-time employees and one full-time employee.⁴³ Peaks Mill District proposed two adjustments. The first adjustment increased wages by \$7,559 for increases in wage rates.⁴⁴ The second adjustment decreased wages by \$8,916 due to a decision not to replace the full-time position when it was vacated at the end of May 2023.⁴⁵ This decision resulted in a net decrease of hours worked.⁴⁶ Additionally, Commission Staff recalculated the wage amount based on 2023 hours and pay rates and reduced wages by \$8,500 to reach the pro-forma wage amount as shown in the table below.

⁴² Application, Attachment #4, Schedule of Adjusted Operations.

⁴³ Response to Staff's First Request, Item 1f Jobs and Pay PDF (filed Jan. 22, 2024).

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

⁴⁵ Application, Attachment #4, Schedule of Adjusted Operations, Reference L.

⁴⁶ Peaks Mill District's Response to Staff's Second Request (filed Feb. 26, 2024), Item 4.

Commission Staff recommends that the Commission accept the proposed adjustments because the amounts are known and measurable.

| Position | Test Year Wages | Commission Staff Pro Forma Wages |
|---------------------------------------|------------------|----------------------------------|
| 1 | \$ 29,107 | \$ 31,230 |
| 2 | 10,642 | 14,123 |
| 3 | 11,851 | 12,812 |
| 4 | 22,660 | 0 |
| 5 | 3,175 | 9,413 |
| Rounding | (1) | (1) |
| Total | 77,434 | <u>\$ 67,577</u> |
| Wage Rate Increase | 7,559 | |
| Adjust Wages for Position Elimination | (8,916) | |
| | <u>76,077</u> | |
| Commission Staff Adjustment | (8,500) | |
| Pro Forma | <u>\$ 67,577</u> | |

(E) Salaries and Wages - Officers. Peaks Mill District reported a test-year amount of \$10,800 for Salaries and Wages – Officers and did not propose any adjustments.⁴⁷ Peaks Mill District stated that the fiscal court does not list salaries when a new commissioner is appointed or reappointed, and the chairman of the board of commissioners, who has been a commissioner since January 1, 2003, stated that he has always received \$300 per month.⁴⁸ Peaks Mill District stated the “Franklin County Fiscal Court Clerk was unable to locate minutes that authorize the annual compensation for each commissioner”.⁴⁹ 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

⁴⁷ Application, Attachment #4, Schedule of Adjusted Operations.

⁴⁸ Peaks Mill District’s Response to Staff First Request (filed Jan. 22, 2024), Item 1k

⁴⁹ Peaks Mill District’s Response to Staff First Request (filed Jan. 22, 2024), Item 1k.

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.”⁵⁰ Commission Staff recommends the Commission not include commissioner salaries and remove \$10,800 from the revenue requirement because Peaks Mill District did not provide evidence to support the compensation amounts as required by KRS 74.020(6).

(F) Employee Pension and Benefits. Peaks Mill District reported a test-year amount of \$7,149 for Employee Pension and Benefits. Peaks Mill District does not provide any Benefits offered as all its employees are part-time.⁵¹ As such, it proposed to reclassify the \$7,149 to Taxes Other Than Income as the amount represents the employer match for Social Security and Medicare taxes.⁵² Commission Staff recommends accepting the proposed reclassification given that Peak Mill District does not provide benefits to its employees.

(G) Purchased Water. Peaks Mill District reported a test year amount of \$380,510 Purchased Water Expense.⁵³ Peaks Mill District currently purchases water from the Frankfort Plant Board and from Kentucky American Water Company.⁵⁴ Peaks Mill District proposed three adjustments to purchased water. A summary chart of adjustments with cross references follows this discussion. First, it proposed a \$49,871

⁵⁰ KRS 74.020(6), Appointment of commissioners – Number – Terms – Removal – Vacancies – Organization – Bond – Compensation – Mandatory Training – Notice of Vacancy.

⁵¹ Peaks Mill District’s Response to Staff’s First Request (filed Jan. 22, 2024), Item 2.

⁵² Application, Attachment #4, Schedule of Adjusted Operations, Reference D.

⁵³ Application, Attachment #4, Schedule of Adjusted Operations.

⁵⁴ 2022 Annual Report at 54.

reduction (G1) for costs in excess of 15 percent water loss.⁵⁵ Second, it proposed a \$96,120 reduction (G2) “based on reduced leakage” and provided evidence of reduced purchase quantity for all of 2023.⁵⁶ Third, it proposed a \$10,142 reduction (G3) for the estimated impact of a contract adjustment with Frankfort Plant Board related to reduced flushing.⁵⁷

Commission Staff requested Peaks Mill District to clarify its assertion of reduced leakage in its first request for information. Peaks Mill District responded that “[t]he reduction of water purchases can be attributed to several factors, including a reduction in water flushing volumes, a reduction in water loss from repairs of leaks, replacement of under registering meters, decreasing the purchases from Kentucky American Water, and variation in water consumption by customers.”⁵⁸ Commission Staff subsequently initiated an informal conference (IC) with Peaks Mill District to obtain further clarity on usage reductions which resulted in Peaks Mill District providing supplemental water statistics information in the format that is reported in its Annual Reports that are filed with the Commission.⁵⁹

Commission Staff agrees that adjustments should be made for the cost of water loss in excess of 15 percent, for cost reductions that result from purchasing more water from Frankfort Plant Board and less from Kentucky American, the estimated flushing

⁵⁵ Application, Attachment #4, Schedule of Adjusted Operations, Reference E.

⁵⁶ Application, Attachment #4, Schedule of Adjusted Operations, Reference M.

⁵⁷ Application, Attachment #4, Schedule of Adjusted Operations, Reference N.

⁵⁸ Peaks Mill District’s Response to Staff’s First Request, Item 7c, [7c Response.pdf \(ky.gov\)](#).

⁵⁹ Peaks Mill District’s Informal Conference Response (filed Mar. 7, 2024), [Informal Conference Response on Water Loss Trends 3-6-24 GH.pdf](#).

credit from Frankfort Plant Board based on Peaks Mill District's agreement with the Frankfort Plant Board, and the Purchased Water adjustment from Case No. 2024-00102.⁶⁰ However, Commission Staff does not agree with Peaks Mill District's methodology because (1) it does not reduce the cost of water before applying the calculation for amounts in excess of 15 percent water loss; and (2) it did not properly account for the reduction in consumption in 2023 in its application because Peaks Mill District did not identify reduced flushing volume, changes in water loss performance, and customer sales volume changes, all of which have different cost effects for ratemaking purposes.

Commission Staff reviewed purchases for 2022 and 2023 to determine the average cost from each supplier and the change in percentage of purchases made from the two suppliers. In total, Commission Staff made five adjustments as shown in the table below. First, it reduced purchased water costs by \$386 (G3) for the revised amount proposed by Peaks Mill District for the flushing adjustment related to its contract with Frankfort Plant Board.⁶¹ Second, it reduced purchased water costs by \$14,484 (G4) for changes in the percentage of water purchased from the Frankfort Plant Board and Kentucky American, including adjustments for the increased purchased water costs from Kentucky American. Third, it reduced purchased water costs for the post-test-year performance improvement of \$25,647 (G5) due to reduced flushing volume based on preliminary water statistics for 2023 provided by Peaks Mill District. Fourth, Commission Staff increased purchased water costs by \$6,539 (G1) to adjust the costs associated with

⁶⁰ See Case No. 2024-00102, *Electronic Purchased Water Adjustment Filing of Peaks Mill Water District* (Ky PSC May 8, 2024), Order.

⁶¹ Peaks Mill District's Response to Staff's First Request, Item 7d, [7d Response.pdf \(ky.gov\)](#).

test-year water loss in excess of 15 percent, which is not permitted for ratemaking purposes. The total disallowed purchased water costs for the amount in excess of 15 percent is \$44,977. Commission Staff notes that, based on preliminary data, water loss appears to have improved some in 2023.

| Description | Peaks Mill District | Commission Staff | Difference | Reference |
|--|---------------------|-------------------|------------------|-----------|
| Test Year Water Purchases | \$ 380,510 | \$ 380,510 | \$ - | |
| Peaks Mill District's Net Cost and Water Loss Adjustment | (96,120) | n/a | 96,120 | G2 |
| Calculated Flush Credit Test Volume | (10,142) | (9,756) | 386 | G3 |
| Purchase Mix Impact at Revised KY American Cost | | (14,484) | (14,484) | G4 |
| Reduction in Flush Volume - Process Improvements | | (25,647) | (25,647) | G5 |
| Cost Net of Adjustment Impacts | 274,248 | 330,623 | 56,375 | |
| Water Loss Costs in Excess of 15% | (49,871) | (43,332) | 6,539 | G1 |
| Pro Forma | <u>\$ 224,377</u> | <u>\$ 287,291</u> | <u>\$ 62,914</u> | |

| Disallowed Water Loss | Purchased Water | Purchased Power | Total |
|-----------------------------|------------------|-----------------|------------------|
| Pro Forma Purchases | \$ 330,623 | \$ 12,554 | \$ 343,177 |
| Water Loss in Excess of 15% | 13.1063% | 13.1063% | 13.1063% |
| Disallowed Water Loss | <u>\$ 43,332</u> | <u>\$ 1,645</u> | <u>\$ 44,977</u> |

(H) Purchased Power. Peaks Mill District reported a test-year amount of \$12,554 for Purchased Power and proposed a decrease of \$1,645 for water loss above 15 percent.⁶² Commission Staff recommends approval of the adjustment because it is consistent with Commission regulation 807 KAR 5:066, Section 6(3), which 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.

(I) Lab Testing. Peaks Mill District reported a test-year amount of \$4,150 (misabeled as Chemicals) and proposed no adjustments to the account.⁶³ However,

⁶² Application, Attachment #4, Schedule of Adjusted Operations, Reference E.

⁶³ Application, Attachment #4, Schedule of Adjusted Operations.

Peaks Mill district proposed a reduction of \$2,556 to Miscellaneous Expense and noted that it was to reflect reduced laboratory costs.⁶⁴ Commission Staff reclassified the proposed adjustment to reduce lab testing costs and negate Peaks Mill District's adjustment to Miscellaneous Expenses. Commission Staff recommends the Commission accept the adjustment.

(J) Contractual Services - Other. Peaks Mill District reported a test-year amount of \$301,284 for Contractual Services – Other.⁶⁵ Peaks Mill District proposed four adjustments for a net decrease of \$36,336, which results in a pro forma amount of \$264,948 as shown in the table below. Peaks Mill District proposed a decrease of \$18,785 (J1) for removal of new service tap fees and a decrease of \$125,551 (J4) for reducing usage and eliminating materials costs from contractual services.⁶⁶ Additionally, it proposed an increase of \$30,000 (J2) for BlueWater Kentucky engineering and consulting services, and an increase of \$78,000 (J3) for a licensed operator contractor.⁶⁷ Commission Staff recommends the Commission accept the adjustments because the amounts are known and measurable.

⁶⁴ Application, Attachment #4, Schedule of Adjusted Operations, Reference W.

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

⁶⁶ Application, Attachment #4, Schedule of Adjusted Operations, References F and Q.

⁶⁷ Application, Attachment #4, Schedule of Adjusted Operations, References O and P.

| Description | Amount |
|--|-------------------|
| Test Year | \$ 301,284 |
| Capitalize Tap Fees () | (18,785) |
| Lower Usage and Reduction in Materials | (125,551) |
| BlueWater Kentucky (engineering and management services) | 30,000 |
| C&L Consulting (O&M, licensed operator) | 78,000 |
| Pro Forma | <u>\$ 264,948</u> |

(K) Materials. Peaks Mill District reported a test-year amount of \$0 for Materials⁶⁸ but proposed three adjustments to the account for a net increase of \$31,930. Peaks Mill District proposed an increase of \$48,330 to the cost of Materials included in Contractual Services.⁶⁹ This amount is embedded in the decrease of \$125,551 (J4) discussed previously. Peaks Mill District also proposed a decrease of \$8,400 to reflect the lower cost of materials used in service installations and a decrease of \$8,000 for of the value of initial inventory buildup during the test year.⁷⁰ Commission Staff reviewed the general ledger and found no issues with these adjustments. Commission Staff recommends the Commission accept the adjustments because the amounts are known and measurable.

(L) Rental of Bldg/Real Property. Peaks Mill District reported a test-year amount of \$14,350 for Rental of Bldg/Real Property.⁷¹ It proposed one adjustment to the account for an increase of \$50 due to increased lease costs.⁷² Commission Staff

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

⁶⁹ Application, Attachment #4, Schedule of Adjusted Operations, Reference R.

⁷⁰ Application, Attachment #4, Schedule of Adjusted Operations, References S and T.

⁷¹ Application, Attachment #4, Schedule of Adjusted Operations.

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

recommends the Commission accepted the proposed adjustment as the amounts are known and measurable.

(M) Miscellaneous Expenses. Peaks Mill District reported a test-year amount of \$29,261 for Miscellaneous Expenses.⁷³ It proposed two decreases totaling \$6,000. The first proposed adjustment was to decrease telephone and internet costs by \$3,444 for lower phone and internet costs.⁷⁴ The second proposed adjustment reduced lab costs by \$2,556.⁷⁵ Commission Staff reclassified to Lab Testing as discussed in Adjustment (I) above. Commission Staff recommends the Commission accept the first proposed adjustment and reject the second adjustment as the amount was reclassified to Lab Testing.

(N) Depreciation Expense. Peaks Mill District reported a test-year amount of \$153,731 for Depreciation Expense.⁷⁶ It proposed two adjustments. First, Peaks Mill District proposed a decrease of \$37,027 for asset lives that fall outside ranges recommended by National Association of Regulatory Utility Commissioners.⁷⁷ Second, it proposed a \$147 decrease to reconcile the Annual Report to the Depreciation Register.⁷⁸ Commission Staff recommends accepting the proposed adjustments as the amounts are known and measurable.

⁷³ Application, Attachment #4, Schedule of Adjusted Operations.

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

⁷⁵ Application, Attachment #4, Schedule of Adjusted Operations, Reference W.

⁷⁶ Application, Attachment #4, Schedule of Adjusted Operations.

⁷⁷ Application, Attachment #4, Schedule of Adjusted Operations, Reference G.

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

(O) Amortization Expense. Subsequent to the application filing, Peaks Mill District requested the \$9,000 cost of the rate study for this case to be amortized over three years and included as a contractual services expense.⁷⁹ The cost of the rate study was \$9,000, and the proposed amortization period of three years results in an increase of \$3,000 per year. Commission Staff recommends accepting the proposed adjustment, but classified it as amortization expense, as the amount is known and measurable.

(P) Taxes Other Than Income. Peaks Mill District reported a test-year amount of \$1,138 for Taxes Other Than Income and proposed one adjustment to reclassify \$7,149 from benefits to taxes as previously discussed in (F) above.⁸⁰ Commission Staff recommends the Commission accept the proposed adjustment as the amount is known and measurable based on the discussion in (F).

(Q) Interest Income. Peaks Mill District reported interest income of \$1,581 in its application Revenue Requirement⁸¹ but did not show an amount on its Statement of Adjusted Operations (SAO). Commission Staff identified interest income of \$1,995 in Peaks Mill District's Trial Balance during its review.⁸² Commission Staff made an adjustment of \$414 to correct the test-year amount to the \$1,995 amount in the Trial Balance. Commission Staff recommends the Commission accept Commission Staff's proposed adjustment because that amount is the correct value.

⁷⁹ Peaks Mill District's Request to include Cost of Rate Study in Revenue Requirement (filed Jan. 22, 2024), [Request to Include Cost of Rate Study in Revenue Requirement.pdf \(ky.gov\)](#).

⁸⁰ Application, Attachment #4, Schedule of Adjusted Operations, Reference D.

⁸¹ Application, Attachment #4, Revenue Requirements.

⁸² Peaks Mill District's Response to Staff's First Request, Attachment 1a_Trial_Balances.

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

| Description | Peaks Mill Water Application | Commission Staff |
|--|------------------------------------|---------------------|
| Pro Forma Operating Expenses | \$ 808,334 | \$ 854,948 |
| Average Annual Principal and Interest Payments | 101,148 | 101,148 |
| Additional Working Capital | 20,230 | 20,230 |
| Overall Revenue Requirement | 929,712 | 976,326 |
| Forfeited Discounts () | (12,873) | (12,873) |
| Miscellaneous Service Revenue () | (36,252) | (31,766) |
| Interest Income () | (1,581) | (1,995) |
| Revenue Required from Rates | 879,006 | 929,692 |
| Pro Forma Present Rate Service Revenues () | (727,315) | (721,035) |
| Required Revenue Increase | <u>\$ 151,691</u> | <u>\$ 208,657</u> |
| Percentage Increase | <u>20.86%</u> | <u>28.94%</u> |

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).

1. Average Annual Principal and Interest Payments. At the time of Commission Staff’s review, Peaks Mill District reported two bonds and one Kentucky Infrastructure Authority (KIA) note outstanding. Peaks Mill 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 2028.⁸⁴ Commission Staff agrees with the methodology Peaks Mill District proposed and included \$101,148 in the calculation of the revenue requirement.

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, Peaks Mill District requested recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments, or \$20,230.⁸⁵ Following the Commission’s historic practice of including additional working capital, Commission Staff agrees with Peaks Mill District’s proposed \$20,230 working capital adjustment and included it in the revenue requirement.

| | |
|---|--------------------------|
| Average Annual Principal and Interest | \$ 101,148 |
| Times: DSC Coverage Ratio | <u>120%</u> |
| Total Net Revenues Required | 121,378 |
| Less: Average Annual Principal and Interest Payment | <u>(101,148)</u> |
| Additional Working Capital | <u><u>20,230</u></u> |

⁸⁴ Application, Attachment #4, Revenue Requirements Form.

⁸⁵ Application, Attachment #4, Revenue Requirements Form.

Signatures

/s/ William Pearce

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

/s/ Jason Green

Prepared by: Jason 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. 2023-00401 DATED MAY 28 2024

* Denotes Rounding

Nonrecurring Charges Adjustments

| | Transfer Fee | |
|------------------------------|------------------------|----------------------|
| | Utility Revised Charge | Staff Revised Charge |
| Field Materials | | |
| Field Labor | \$ 35.00 | \$ 35.00 |
| Office Supplies | \$ - | \$ - |
| Office Labor | \$ 12.13 | \$ - |
| Transportation | \$ 6.70 | \$ 6.70 |
| Misc. | \$ - | \$ - |
| Total Revised Charge* | \$ 53.83 | \$ 42.00 |
| Current Rate | \$25.00 | |

| | Reconnection Fee | |
|------------------------------|------------------------|----------------------|
| | Utility Revised Charge | Staff Revised Charge |
| Field Materials | | |
| Field Labor (1hr at \$18/hr) | \$ 35.00 | \$ 35.00 |
| Office Supplies | \$ - | \$ - |
| Office Labor | \$ 12.13 | \$ - |
| Transportation | \$ 6.70 | \$ 6.70 |
| Misc. (Mileage Roundtrip) | \$ - | \$ - |
| Total Revised Charge* | \$ 53.83 | \$ 42.00 |
| Current Rate | \$50.00 | |

| | Service Line Inspection | |
|-----------------------------------|-------------------------|----------------------|
| | Utility Revised Charge | Staff Revised Charge |
| Field Materials | \$ - | \$ - |
| Field Labor (2hrs min at \$18/hr) | \$ 52.50 | \$ 52.50 |
| Office Supplies | \$ - | \$ - |
| Office Labor | \$ 12.13 | \$ - |
| Transportation | \$ 6.70 | \$ 6.70 |
| Misc. (Mileage) | \$ - | \$ - |
| Total Revised Charge | \$ 71.33 | \$ 59.00 |
| Current Rate | \$50.00 | |

| | Service Call/Investigation | |
|-----------------------------|----------------------------|----------------------|
| | Utility Revised Charge | Staff Revised Charge |
| Field Materials | \$ - | \$ - |
| Field Labor | \$ 52.50 | \$ 52.50 |
| Office Supplies | \$ - | \$ - |
| Office Labor | \$ 12.13 | \$ - |
| Transportation | \$ 6.70 | \$ 6.70 |
| Misc. (Bank service charge) | \$ - | \$ - |
| Total Revised Charge | \$ 71.33 | \$ 59.00 |
| Current Rate | \$ 65.00 | |

| Returned Check Fee | | |
|---------------------------------|------------------------|----------------------|
| | Utility Revised Charge | Staff Revised Charge |
| Field Materials | \$ - | \$ - |
| Field Labor (30 min at \$18/hr) | \$ - | \$ - |
| Office Supplies | \$ - | \$ - |
| Office Labor | \$ 12.13 | \$ - |
| Transportation | \$ - | \$ - |
| Misc. (Bank Charge) | \$ 12.00 | \$ 12.00 |
| Total Revised Charge | <u>\$ 24.13</u> | <u>\$12.00</u> |
| Current Rate | \$ 25.00 | |

| Meter Test Charge | | |
|------------------------------|------------------------|----------------------|
| | Utility Revised Charge | Staff Revised Charge |
| Field Materials | \$ - | |
| Field Labor (1hr at \$18/hr) | \$ 85.00 | \$ 85.00 |
| Office Supplies | \$ - | \$ - |
| Office Labor | \$ 12.13 | \$ - |
| Transportation | \$ 6.70 | \$ 6.70 |
| Misc. (Mileage) | \$ 120.90 | \$ 67.00 |
| Total Revised Charge* | <u>\$ 224.73</u> | <u>\$ 159.00</u> |
| Current Rate | \$75.00 | |

| Meter Re-read Charge | | |
|----------------------------------|------------------------|----------------------|
| | Utility Revised Charge | Staff Revised Charge |
| Field Materials | \$ - | |
| Field Labor (2hr min at \$18/hr) | \$ 35.00 | \$ 35.00 |
| Office Supplies | \$ - | \$ - |
| Office Labor | \$ 12.13 | \$ - |
| Transportation | \$ 6.70 | \$ 6.70 |
| Misc. (Mileage) | \$ - | \$ - |
| Total Revised Charge* | <u>\$ 53.83</u> | <u>\$ 42.00</u> |
| Current Rate | \$52.00 | |

| Meter/Service Relocation Fee | | |
|--------------------------------|------------------------|----------------------|
| | Utility Revised Charge | Staff Revised Charge |
| Field Materials | \$ - | \$ - |
| Field Labor (30min at \$18/hr) | \$ - | \$ - |
| Office Supplies | \$ - | \$ - |
| Office Labor | \$ - | \$ - |
| Transportation | \$ - | \$ - |
| Misc. (Mileage) | \$ - | \$ - |
| Total Revised Charge* | <u>Actual Cost</u> | <u>Actual Cost</u> |
| Current Rate | Actual Cost | |

APPENDIX B

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00401 DATED MAY 28 2024

The following rates and charges are recommended by Commission Staff for the customers in the area served by Peaks Mill Water District. All other rates and charges not specifically mentioned herein are proposed to remain the same.

Monthly Retail Rates

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

| | | | | |
|-------|-----------------|----|---------|--------------|
| First | 2,000 Gallons | \$ | 35.78 | Minimum Bill |
| Next | 8,000 Gallons | | 0.01272 | Per Gallon |
| Next | 90,000 Gallons | | 0.01081 | Per Gallon |
| Over | 100,000 Gallons | | 0.00892 | Per Gallon |

1-Inch Meter

| | | | | |
|-------|-----------------|----|---------|--------------|
| First | 2,000 Gallons | \$ | 35.78 | Minimum Bill |
| Next | 8,000 Gallons | | 0.01272 | Per Gallon |
| Next | 90,000 Gallons | | 0.01081 | Per Gallon |
| Over | 100,000 Gallons | | 0.00892 | Per Gallon |

1 1/2-Inch Meter

| | | | | |
|-------|-----------------|----|---------|--------------|
| First | 10,000 Gallons | \$ | 141.74 | Minimum Bill |
| Next | 90,000 Gallons | | 0.01081 | Per Gallon |
| Over | 100,000 Gallons | | 0.00892 | Per Gallon |

2-Inch Meter

| | | | | |
|-------|-----------------|----|---------|--------------|
| First | 15,000 Gallons | \$ | 201.58 | Minimum Bill |
| Next | 85,000 Gallons | | 0.01081 | Per Gallon |
| Over | 100,000 Gallons | | 0.00892 | Per Gallon |

3-Inch Meter

| | | | | |
|-------|-----------------|----|---------|--------------|
| First | 20,000 Gallons | \$ | 298.21 | Minimum Bill |
| Next | 80,000 Gallons | | 0.01081 | Per Gallon |
| Over | 100,000 Gallons | | 0.00892 | Per Gallon |

4-Inch Meter

| | | | | |
|-------|-----------------|----|---------|--------------|
| First | 30,000 Gallons | \$ | 422.08 | Minimum Bill |
| Next | 70,000 Gallons | | 0.01081 | Per Gallon |
| Over | 100,000 Gallons | | 0.00892 | Per Gallon |

Tap-On Fee

5/8-Inch x 3/4-Inch Meter
All Larger Meters

\$ 3,500.00
Actual Cost

Nonrecurring Charges

| | | |
|----------------------------|----|-------------|
| Transfer Fee | \$ | 42.00 |
| Reconnection Fee | | 42.00 |
| Service Line Inspection | | 59.00 |
| Service Call/Investigation | | 59.00 |
| Meter Test Fee | | 159.00 |
| Meter Re-Read Charge | | 42.00 |
| Meter/Service Relocation | | Actual Cost |
| Returned Check Fee | | 12.00 |

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