

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF GARRISON-)	
QUINCY-KY-O-HEIGHTS WATER DISTRICT FOR)	
AN ALTERNATIVE RATE FILING PURSUANT TO)	CASE NO.
807 KAR 5:076)	2023-00408

ORDER

On December 19, 2023,¹ Garrison-Quincy-KY-O-Heights Water District (Garrison-Quincy-KY-O-Heights District) filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076, Garrison-Quincy-KY-O-Heights District did not request an adjustment to its wastewater rates in the case. To comply with the requirements of 807 KAR 5:076, Section 9,² Garrison-Quincy-KY-O-Heights District used the calendar year ended December 31, 2022, as the basis for its application. Garrison-Quincy-KY-O-Heights District's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2021-00094.³ To ensure the orderly review of the application, the Commission established a procedural schedule by Order

¹ Garrison-Quincy-KY-O-Heights District tendered its application on December 11, 2023. By letter dated December 19, 2023, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on December 19, 2023.

² The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year.

³ Case No. 2021-00094, *Electronic Application of Garrison-Quincy-KY-O-Heights Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*.

dated January 10, 2024,⁴ which was subsequently amended by Order dated February 1, 2024.⁵ Garrison-Quincy-KY-O-Heights District responded to two information requests from Commission Staff and provided a supplemental response along with its response to Commission Staff's Report on May 8, 2024.⁶

Commission Staff issued its report (Commission Staff's Report) on April 30, 2024, summarizing its recommendations regarding Garrison-Quincy-KY-O-Heights District's requested rate adjustments. In the Commission Staff's Report, Commission Staff recommended that Garrison-Quincy-KY-O-Heights District's adjusted test year operations support an overall revenue requirement of \$690,564, and that a \$186,259 revenue increase, or 41.66 percent, to pro forma present rate revenues was necessary to generate the overall revenue requirement.⁷ Commission Staff's proposed increase was 10.07 percent higher than Garrison-Quincy-KY-O-Heights District's proposed increase.

On May 8, 2024, Garrison-Quincy-KY-O-Heights District filed its response to Commission Staff's Report.⁸ First, it requested that the late payment charge, which is

⁴ Case No. 2023-00408, *Electronic Application of Garrison-Quincy-KY-O-Heights Water District for an Alternative Rate Adjustment Rate Filing Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 10, 2024), Order.

⁵ Case No. 2023-00408, Feb. 1, 2024 Order.

⁶ Garrison-Quincy-KY-O-Heights District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Feb. 16, 2024); Garrison-Quincy-KY-O-Heights District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Mar. 15, 2024), Response to Staff's Telephone Request for Supplemental Information (filed Mar. 18, 2024).

⁷ Commission Staff's Report at 25.

⁸ Garrison-Quincy-KY-O-Heights District's Response to Commission Staff's Report (filed May 8, 2024).

currently listed as \$7,⁹ be changed to 10 percent and submitted a cost justification for the change.¹⁰ Second, Garrison-Quincy-KY-O-Heights District stated that it did not agree with the removal of certain labor expensed from nonrecurring charges, but it did not wish to contest that adjustment in this case.¹¹ Garrison-Quincy-KY-O-Heights District concurred with the remainder of the findings presented in Commission Staff's Report.¹² Garrison-Quincy-KY-O-Heights District waived its right to request an informal conference or formal hearing.¹³ Finally, Garrison-Quincy-KY-O-Heights District requested that the Commission consider implementing the rate increase over two years.¹⁴

Consistent with 807 KAR 5:076, Section 11(3)(f), Garrison-Quincy-KY-O-Heights District amended its application when it accepted Commission Staff's proposed rates that exceeded 110 percent of the total increase in revenues that Garrison-Quincy-KY-O-Heights District's proposed rates would produce. By Order entered July 2, 2024, the Commission accepted Garrison-Quincy-KY-O-Heights District's amended application and required Garrison-Quincy-KY-O-Heights District to notify its customers of the recommended rates calculated by Commission Staff. On July 22, 2024, Garrison-Quincy-KY-O-Heights District filed an affidavit with proof of public notice to its customers. The case now stands submitted for a decision by the Commission.

⁹ P.S.C. Ky. 2, Sheet No. 7 (issued Nov. 24, 2021), effective Nov. 24, 2021.

¹⁰ Garrison-Quincy-KY-O-Heights District's Response to Commission Staff's Report and Cost Justification for Late Payment Charge, [Late_Payment_Charge_Justification.pdf](#).

¹¹ Garrison-Quincy-KY-O-Heights District's Response to Commission Staff's Report, Item 2.

¹² Garrison-Quincy-KY-O-Heights District's Response to Commission Staff's Report, Item 3.

¹³ Garrison-Quincy-KY-O-Heights District's Response to Commission Staff's Report, Item 4.

¹⁴ Garrison-Quincy-KY-O-Heights District's Response to Commission Staff's Report, Item 5.

LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small utilities to use to request rate adjustments, with the process designed to be less costly to the utility and the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, the utility is allowed to charge its customers "only fair, just and reasonable rates."¹⁵ Further, the utility bears the burden of proof to show that the proposed rate increase is just and reasonable under KRS 278.190(3).

BACKGROUND

Garrison-Quincy-KY-O-Heights 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 service to approximately 1,038 residential customers, 39 commercial customers, 1 industrial customers and 1 public authority that reside in Lewis County, Kentucky.¹⁶ Garrison-Quincy-KY-O-Heights District's sewer division owns and operates sewage facilities in Lewis County, Kentucky, that serve approximately 283 residential customers and 18 commercial customers.¹⁷

¹⁵ *City of Covington v. Public Service Commission*, 313 S.W.2d 391 (Ky. 1958); and *Public Service Comm'n v. Dewitt Water District*, 720 S.W.2d 725 (Ky. 1986).

¹⁶ *Annual Report of Garrison-Quincy-KY-O-Heights District Water Division to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Water Division Annual Report), at 12 and 49.

¹⁷ *Annual Report of Garrison-Quincy-KY-O-Heights District Sewer Division to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Sewer Division Annual Report), at 25 and 27.

UNACCOUNTED-FOR WATER LOSS

The Commission notes that in its 2022 Water Division Annual Report, Garrison-Quincy-KY-O-Heights District reported a water loss of 26.2105 percent.¹⁸ 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. Garrison-Quincy-KY-O-Heights District both purchases and produces its water supply.¹⁹ Garrison-Quincy-KY-O-Heights District currently produces approximately 80 percent²⁰ of its water needs and purchases the remaining 20 percent²¹ from Vanceburg Electric Plant Board.²² The table below shows that the 2022 total annual cost of water loss to Garrison-Quincy-KY-O-Heights District is \$21,881, while the annual cost of water loss in excess of 15 percent is \$9,359.

Total Water Loss	Purchased Water	Purchased Power	Chemicals & Lab Testing	Total
Pro Forma Expenses	\$ 31,951	\$ 37,230	\$ 14,299	\$ 83,480
Water Loss Percent	26.2105%	26.2105%	26.2105%	26.2105%
Total Water Loss Expenses	<u>\$ 8,375</u>	<u>\$ 9,758</u>	<u>\$ 3,748</u>	<u>\$ 21,881</u>

Disallowed Water Loss	Purchased Water	Purchased Power	Chemicals & Lab Testing	Total
Pro Forma Expenses	\$ 31,951	\$ 37,230	\$ 14,299	\$ 83,480
Water Loss in Excess of 15 Percent	11.2105%	11.2105%	11.2105%	11.2105%
Disallowed Water Loss	<u>\$ 3,582</u>	<u>\$ 4,174</u>	<u>\$ 1,603</u>	<u>\$ 9,359</u>

¹⁸ 2022 Water Division Annual Report at 57.

¹⁹ 2022 Water Division Annual Report at 57.

²⁰ Water Produced 77,540,000 gallons divided by total Produced and Purchased 96,558,560 = 80.3%.

²¹ Water Purchased 19,018,560 gallons divided by total Produced and Purchased 96,558,560 = 19.7%.

²² 2022 Water Division Annual Report at 54.

TEST PERIOD

The calendar year ended December 31, 2022, was used as the test year to determine the reasonableness of Garrison-Quincy-KY-O-Heights District's existing and proposed wastewater rates as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

The Commission Staff's Report summarized Garrison-Quincy-KY-O-Heights District's pro forma income statement as follows.

Description	2022 Test Year	Total Proposed Adjustment	Commission Staff's Report Pro Forma
Total Operating Revenues	\$ 572,507	\$ (96,635)	\$ 475,872
Utility Operating Expenses ()	543,730	41,768	585,498
Net Utility Operating Income	28,777	(138,403)	(109,626)
Other Income - Phase II & III Surcharge	23,575	-	23,575
Interest and Dividend Income	38	-	38
Nonutility Income	4,820	-	4,820
Total Utility Operating Income	<u>\$ 57,210</u>	<u>\$ (138,403)</u>	<u>\$ (81,193)</u>

REVIEW OF COMMISSION STAFF'S RECOMMENDATIONS

Garrison-Quincy-KY-O-Heights District proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In the Commission Staff's Report, Commission Staff proposed additional adjustments. Upon review, the Commission discovered Commission Staff incorrectly calculated an adjustment for Depreciation Expense. Commission Staff calculated the Depreciation Expense for new meter taps as \$121²³ because it separated the labor and materials and depreciated each over different service lives with labor being depreciated over 45 years and materials over

²³ Commission Staff's Report at 22-23.

40 years. The Commission considers new water taps as a single asset to be depreciated instead of a collection of separate pieces. The Commission determined the asset's depreciation should be calculated over a 42.5-year service life.²⁴ Correction for the difference in useful service lives rates results in an increase to the Revenue Requirement of \$4. The Commission finds that this correction to Depreciation Expense is appropriate in order to properly record the service lives for new meter taps.

In addition, since Commission's Staff Report was issued, the contribution rate for the County Employee Retirement System (CERS) was reduced from 23.34 percent to 19.71 percent²⁵, which results in a decrease to the Revenue Requirement of \$7,705. The following is the Commission's complete pro forma:

²⁴ The Average between the 45-year service life for Meter installation, and the 40-year service life for the physical meter is 42.5 years.

²⁵ Kentucky Public Pensions Authority, GASB Contribution Rates (<https://www.kyret.ky.gov/Employers/GASB/Pages/Contribution-Rates.aspx>).

PRO FORMA OPERATING STATEMENT

Description	2022 Test Year	Total Proposed Adjustment	Commission Staff's Report Pro Forma	Commission Adjustments	Commission Approved Pro Forma
Operating Revenues					
Metered Sales to Retail Customers	\$ 572,507	\$ (76,679) (7,950) (960) (88,505)	\$ 398,413	\$ -	\$ 398,413
Sales for Resale		48,660	48,660	-	48,660
Total Metered Water Sales	572,507	(125,434)	447,073	-	447,073
Other Water Revenues					
Forfeited Discounts		23,429	23,429	-	23,429
Misc. Service Revenues		4,590 780	5,370	-	5,370
Total Other Water Revenues	-	28,799	28,799	-	28,799
Total Operating Revenues	572,507	(96,635)	475,872	-	475,872
Operating Expenses					
Operation and Maintenance Expenses					
Salaries and Wages - Employees	189,192	(3,975) 27,031	212,248	-	212,248
Salaries and Wages - Officers	8,139	305	8,444	-	8,444
Employee Pensions (CERS)	36,181	(8,704) 22,062	49,539	(7,705)	41,834
Medical Insurance Stipend		19,991	19,991	-	19,991
Purchased Water	32,351	(400) (3,582)	28,369	-	28,369
Purchased Power	37,230	(4,174)	33,056	-	33,056
Chemicals	13,258	1,041 (1,603)	12,696	-	12,696
Materials and Supplies	25,980	(3,975)	22,005	-	22,005
Contractual Services	10,396	-	10,396	-	10,396
Transportation Expenses	10,812	-	10,812	-	10,812
Insurance - General Liability	11,264	-	11,264	-	11,264
Insurance - Other	17,794	(17,794)	-	-	-
Advertising Expenses	79	-	79	-	79
Miscellaneous Expense	32,007	-	32,007	-	32,007
Total Operation and Maintenance Expenses	424,683	26,223	450,906	(7,705)	443,201
Depreciation	101,505	16,083 121	117,709	4	117,713
Taxes Other Than Income	17,542	(3,864) 3,205	16,883	-	16,883
Utility Operating Expenses	543,730	41,768	585,498	(7,701)	577,797
Net Operating Income	28,777	(138,403)	(109,626)	7,701	(101,925)
Other Income - Phase II & III Surcharge	23,575	-	23,575	-	23,575
Interest and Dividend Income	38	-	38	-	38
Nonutility Income	4,820	-	4,820	-	4,820
Income Available to Service Debt	\$ 57,210	\$ (138,403)	\$ (81,193)	\$ 7,701	\$ (73,492)

Reclassify Other Water Revenues from Metered Water Sales. In its application, Garrison-Quincy-KY-O-Heights District proposed to reduce Metered Sales to Retail Customers by \$76,679 to reclassify revenues to their proper accounts.²⁶ Of the \$76,679 proposed, \$48,660 was reclassified as revenues from sales for resale, \$23,429 was reclassified as forfeited discounts, and \$4,590 was reclassified as miscellaneous service revenues.²⁷ Commission Staff agreed with these adjustments as these revenues were incorrectly reported as metered water sales and should be reported as revenues from the appropriate other water revenues categories.²⁸

The Commission finds that Garrison-Quincy-KY-O-Heights District's adjustment is reasonable and should be accepted. Garrison-Quincy-KY-O-Heights District's Metered Water Sales should be reduced by a total of \$76,679, to reflect the reclassification of different revenues into the correct revenue categories.

Remove Meter Tap Revenues. In its application, Garrison-Quincy-KY-O-Heights District proposed to decrease Metered Water Sales by \$7,950²⁹ to reflect the removal of meter tap fees,³⁰ During the test year, Garrison-Quincy-KY-O-Heights District reported

²⁶ Application, Garrison-Quincy-KY-O-Heights Water District, Schedule of Adjusted Operations Water Division, Reference A.

²⁷ Application, Garrison-Quincy-KY-O-Heights Water District, Schedule of Adjusted Operations Water Division, Reference A.

²⁸ Commission Staff's Report at 9–10.

²⁹ Application, Garrison-Quincy-KY-O-Heights Water District, Schedule of Adjusted Operations Water Division, Adjustment B.

³⁰ Application, Garrison-Quincy-KY-O-Heights Water District, Schedule of Adjusted Operations Water Division, Reference B.

\$7,950 as revenues from water sales³¹ that, according to the Uniformed System of Accounting (USoA), should be recorded as Contributions in Aid of Construction and credited to Account 271 – Contributions in Aid of Construction.³² Therefore, Commission Staff agreed with this adjustment as it should not have been reported as revenue from water sales.³³

The Commission finds that Garrison-Quincy-KY-O-Heights District's adjustment is reasonable and should be accepted. Garrison-Quincy-KY-O-Heights District's Metered Water Sales should be reduced by \$7,950 because the USoA requires that these fees be recorded as Contributions in Aid of Capital and not recorded as revenue.

Remove Sewer Connection Fees. In its application, Garrison-Quincy-KY-O-Heights District proposed an adjustment to decrease Metered Sales to Retail Customers by \$960³⁴ to reflect the reclassification of improperly recorded sewer connections fees.³⁵ Commission Staff agreed with the adjustment as the amount was incorrectly reported as revenue from water sales when it should have been reported as revenue from sewer connections.³⁶

³¹ Application, Garrison-Quincy-KY-O-Heights Water District, Schedule of Adjusted Operations Water Division, Reference B.

³² Uniform System of Accounts for Class A/B Water Companies, at 98, Section 334 Meters and Meter Installation, Note C.

³³ Commission Staff's Report at 10.

³⁴ Application, Schedule of Adjusted Operations Water Division, Water Division, Adjustment D.

³⁵ Application, Adjusted Operations, References, Adjustment D.

³⁶ Commission Staff's Report at 10–11.

The Commission finds that Garrison-Quincy-KY-O-Heights District's adjustment to reduce Metered Water Sales by \$960 for amounts that should have been recorded as Sewer Connection Fees is reasonable and should be accepted.

Billing Analysis Adjustment. Garrison-Quincy-KY-O-Heights District provided a billing analysis listing the water usage and water sales revenue for the 12-month test year in its application.³⁷ In the 2022 Water Division Annual Report, total metered water sales revenue reported for the test year is \$572,507.³⁸ The reclassification of the revenues described in previous adjustments results in revenue from water sales of \$535,578. Garrison-Quincy-KY-O-Heights District provided a billing analysis to calculate a normalized revenue amount based on the usage during the test year using the rates authorized in its current tariff to be \$447,073. Subsequently, Garrison-Quincy-KY-O-Heights District proposed to decrease test-year water sales revenue by \$88,505³⁹ to reflect the revenues from water rates generated by the billing analysis.⁴⁰ Commission Staff agreed with the proposed adjustment as the rates authorized by Garrison-Quincy-KY-O-Heights District's current tariff, when applied to its billing analysis, results in a pro forma revenue from Metered Water Sales of \$447,073,⁴¹ a decrease of \$88,505.

The Commission finds that Garrison-Quincy-KY-O-Heights District's recommended adjustment is reasonable and should be accepted. Garrison-Quincy-KY-

³⁷ Application, Garrison-Quincy-KY-O-Heights Water District, Current Billing Analysis.

³⁸ 2022 Water Division Annual Report at 49, Total Metered Sales \$572,507.

³⁹ Application, Garrison-Quincy-KY-O-Heights Water District, Schedule of Adjusted Operations Water Division, Adjustment C.

⁴⁰ Application, Garrison-Quincy-KY-O-Heights Water District, References, Adjustment C.

⁴¹ Commission Staff's Report at 11.

O-Heights District's Metered Retail Sales should be decreased by \$88,505, because the adjustment to Metered Sales to Retail Customers is a known and measurable change reflected in the evidence provided in the record.

Miscellaneous Service Revenues – Nonrecurring Charges. Garrison-Quincy-KY-O-Heights District provided the number of instances each nonrecurring charge was performed during the test period.⁴² Using this information as well as the current nonrecurring charge amount listed in its current tariff, Commission Staff calculated test-period adjustment to revenue from Nonrecurring Charges of \$388. This results in an increase in the adjustment to Miscellaneous Service Revenues of \$780 in addition to the proposed increase of \$4,590 discussed in the Reclassify Other Water Revenues from Metered Water Sales adjustment. An additional adjustment to Nonrecurring Charges as discussed in the Nonrecurring Charges section below results in an increase to Miscellaneous Service Revenues of \$392. Therefore, Commission Staff recommended a total adjustment of \$780⁴³ to Miscellaneous Service Revenues for a final pro forma increase to Miscellaneous Service Revenues of \$5,370.⁴⁴

The Commission finds that the Commission Staff's recommendation is consistent with precedent, that labor expenses resulting from work performed during normal

⁴² Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 21, Item_21_Water.pdf.

⁴³ \$388 + \$392= \$780.

⁴⁴ Commission Staff's Report at 12.

business hours should not be recovered through nonrecurring charges.⁴⁵ The Commission requires that charges be directly related to the actual cost incurred to provide the service. Only the marginal cost related to the service should be recovered through a nonrecurring charge for service provided during normal working hours. Thus, the Commission finds that Commission Staff's recommendation is reasonable, the revised nonrecurring charges as described in Appendix A to be reasonable and that Garrison-Quincy-KY-O-Heights District's Miscellaneous Service Revenue should be reduced by \$780 because only the incremental cost related to the service should be recovered for service provided during normal business hours.

Expenses Related to Meter Installations. In its application, Garrison-Quincy-KY-O-Heights District proposed an adjustment to decrease Salaries and Wages – Employees by \$3,975, and Materials and Supplies by \$3,975,⁴⁶ to account for tap fee expenses that were included as part of these expenses during the test year.⁴⁷ During the test year, Garrison-Quincy-KY-O-Heights District installed six new water connections.⁴⁸ The USoA for Class A/B Water Systems requires that these costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.⁴⁹ Commission Staff agreed

⁴⁵ Case No. 2023-00090, *Electronic Application of Henry County Water District #2 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2023); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 4, 2024); Case No. 2023-00090, *Electronic Application of Kirksville Water Association Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00252, *Electronic Application of Oldham County Water District for an Alternative Rate Adjustment* (Ky. PSC June 18, 2024).

⁴⁶ Application, Schedule of Adjusted Operations Water Division, Adjustment E.

⁴⁷ Application, Adjusted Operations, References, Adjustment E.

⁴⁸ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 15a.

⁴⁹ USoA, Accounting Instruction 19 and 33.

with Garrison-Quincy-KY-O-Heights District’s proposed adjustment.⁵⁰ Additionally, Garrison-Quincy-KY-O-Heights District confirmed that it did not capitalize the water tap labor, and only capitalized the cost of the new meter.⁵¹ Therefore, Commission Staff capitalized the labor costs and materials expense, and proposed a corresponding adjustment to test-year depreciation as shown below.⁵²

Description	Salaries and Wages Employees	Materials and Supplies
Tap Fees Collected	\$ 7,950	\$ 7,950
Allocation Percent	50%	50%
Proposed Adjustment ()	(3,975)	(3,975)

The Commission finds that Garrison-Quincy-KY-O-Heights District’s adjustment is reasonable and should be accepted. Garrison-Quincy-KY-O-Heights District’s Salaries and Wages – Employees should be reduced by \$3,975, and Materials and Supplies should be reduced by \$3,975 because the USoA requires that costs be capitalized as utility plant in service and depreciated over their estimated useful lives.

Salaries and Wages – Employees. In the test year, Garrison-Quincy-KY-O-Heights District reported a test year Salaries and Wages – Employees of \$189,192.⁵³ As discussed above, Commission Staff recommended accepting Garrison-Quincy-KY-O-Heights District’s adjustment to reduce Salaries and Wages – Employees by \$3,975 to account for the removal of Meter Installation labor as seen in the table above. Garrison-

⁵⁰ Commission Staff’s Report at 12–13.

⁵¹ Garrison-Quincy-KY-O-Heights District’s Response to Staff’s First Request, Items 15b and 15c.

⁵² Commission Staff’s Report at 12–13.

⁵³ Application, Schedule of Adjusted Operations Water Division.

Quincy-KY-O-Heights District provided its test-year and current employee list,⁵⁴ test year hours worked, employee wage rates,⁵⁵ and current staff levels.⁵⁶ Subsequent to the test year, employees' salaries were increased.⁵⁷ During the test year, employee position 6 left employment; two replacements were hired and subsequently left during the test year before a third employee was hired who is still with Garrison-Quincy-KY-O-Heights District.⁵⁸ Commission Staff calculated the pro forma Salaries and Wages – Employee amount utilizing the current number of employees, the test-year hours worked and the current wage rates⁵⁹ and calculated a total salaries and wages of \$212,248. Commission Staff recommended an adjustment to increase Salaries and Wages – Employees by \$27,031, as shown in the following table.⁶⁰

⁵⁴ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 5, Item_5_2022_Water.xlsx and Item_5_20213_Water.xlsx.

⁵⁵ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 5, Item_5_2022_Water.xlsx, column F.

⁵⁶ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 5, Item_5_2023_Water.xlsx.

⁵⁷ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 5, Item_5_2023_Water.xlsx, column H and I.

⁵⁸ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 5, Item_5_2022_Water.xlsx, Row 22.

⁵⁹ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 5, Item_5_2023_Water.xlsx.

⁶⁰ Commission Staff's Report at 13–15.

Pro Forma Wage Calculation (Test Year Hours with Current Wages)								
Employee / Position #	Total Hours	Test Year Allocated Hours	Current Wages Rates	Pro Forma Normal Wages	Test Year Overtime Hours	Current Overtime Wage Rates	Pro Forma Overtime Wages	Total Pro Forma Wages
Office Employees								
1 Manager	1,735	1,735	\$ 33.32	\$ 57,810	-	\$ 49.98	\$ -	\$ 57,810
2 Accounting	1,739	1,739	21.00	36,519	-	31.50	-	36,519
3 Billing	1,711	1,711	15.75	26,940	-	23.63	-	26,940
Field Employees								
4 Operator	1,741	1,741	18.90	32,905	-	28.35	-	32,905
5 Operator	1,766	1,766	18.85	33,289	-	28.28	-	33,289
6 Operator	1,686	1,686	14.70	24,784	-	22.05	-	24,784
Total Salaries & Wages - Employees				<u>\$ 212,248</u>			<u>\$ -</u>	\$ 212,248
Less: Adjusted Test Year Salaries and Wages - Employees								(185,217)
Total Salaries & Wages Adjustment								27,031
Less: Garrison-Quincy-KY-O-Heights District's Proposed Adjustment								-
Commission Staff's Proposed Salaries & Wages Adjustment								<u>\$ 27,031</u>

The Commission finds that Commission Staff's recommended adjustments are reasonable and should be accepted. Garrison-Quincy-KY-O-Heights District's Salaries and Wages- Employees should be increased by \$27,031, because the adjustment to normalize Salaries and Wages – Employees is a known and measurable change reflected in the evidence provided in record.

Salaries and Wages – Officers. In the test year, Garrison-Quincy-KY-O-Heights District reported Salaries and Wages – Officers expense as \$8,139.⁶¹ Garrison-Quincy-KY-O-Heights District's Board consists of three commissioners. Garrison-Quincy-KY-O-Heights District submitted the Lewis County Fiscal Court minutes evidencing the commissioners were approved by the Fiscal Court and their salaries were established.⁶² The Lewis County Fiscal Court approved each commissioner to receive \$300 per month for an annual salary of \$3,600 which totals \$10,800 for the three Commissioners.

⁶¹ Application, Schedule of Adjusted Operations, Water Division.

⁶² Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Items 12a, 12b and 12c.

Garrison-Quincy-KY-O-Heights District allocates Commissioner salary expense between water and sewer based upon the number of customers.⁶³ Commission Staff calculated the allocations below, which result in a proposed increase of Salaries and Wages – Officers by \$305 as shown in the following table.⁶⁴

Description	Number of Customers	Percentage	Commissioner Pay
Water Division	1,079	78.19%	\$ 8,444
Sewer Division	301	21.81%	2,356
Total	<u>1,380</u>	<u>100.00%</u>	\$ 10,800
Remove Sewer Allocation ()			(2,356)
Test Year Pay ()			(8,139)
Commission Staff Adjustment			<u>\$ 305</u>

The Commission finds that Commission Staff’s recommended adjustment is reasonable and Garrison-Quincy-KY-O-Heights District’s Salaries and Wages – Officers should be increased by \$305 based on the evidence in the case record for commissioners’ salaries as well as allocation methodology between water and sewer divisions.

Employee Pensions - County Employee Retirement System (CERS). Garrison-Quincy-KY-O-Heights District participates in the CERS, which is administered by the Kentucky Public Pension Authority (KPPA). The KPPA 2024 fiscal year (July to June) contribution rate was 23.34 percent.⁶⁵ Garrison-Quincy-KY-O-Heights District reported retirement expense of \$58,243,⁶⁶ which is comprised of employer contributions of \$58,243

⁶³ Garrison-Quincy-KY-O-Heights District’s Response to Staff’s First Request, Item 14.

⁶⁴ Commission Staff’s Report at 15–16.

⁶⁵ Kentucky Public Pensions Authority, GASB Contribution Rates (<https://www.kyret.ky.gov/Employers/GASB/Pages/Contribution-Rates.aspx>).

⁶⁶ Application, Schedule of Adjusted Operations, Water Division.

and a reduction of expense of \$22,062 for certain accounting adjustments.⁶⁷ It did not propose any adjustments.

As discussed above, Commission Staff calculated a pro forma Salaries and Wages expense of \$212,248. Commission Staff recalculated the CERS contribution amount based on pro forma wages and the current contribution rate as shown in the table below.⁶⁸

Description	Commission Staff Adjustment
Salaries and Wages - Employees	\$ 212,248
Current CERS Contribution Rate	23.34%
CERS Retirement- Employer Contribution	49,539
Test Year Contribution ()	(58,243)
Employee Pensions and Benefits Adjustment	(8,704)
Garrison-Quincy-KY-O-Heights District's Proposed Adjustment ()	0
Commission Staff Proposed Adjustment	<u>\$ (8,704)</u>

The Commission finds that Commission Staff's recommendation should be modified since the contribution rate for CERS contribution was reduced from 23.34 percent to 19.71 percent effective July 1, 2024. Accounting for the current contribution percentage means Garrison-Quincy-KY-O-Heights District's CERS contribution should be decreased by \$16,409, which is \$7,705 more than Commission Staff recommended, as shown below.

⁶⁷ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 19, Rate_Study_Garrison_Quincy.xlsx, 1c Reconciliation AR to TB tab, cells H24 and H25.

⁶⁸ Commission Staff's Report at 16–17.

Description	Commission Adjustment
Salaries and Wages - Employees	\$ 212,248
Current CERS Contribution Rate	19.71%
CERS Retirement- Employer Contribution	41,834
Less: Test Year Expense ()	(58,243)
Employee Pensions and Benefits Adjustment	(16,409)
Less: Commission Staff Proposed Adjustment ()	8,704
Revenue Requirement Adjustment	<u>\$ (7,705)</u>

The adjustment results in a decrease to the Revenue Requirement of \$7,705 and is a known and measurable change based upon Employee Salaries and the current CERS contribution rate, is reasonable and should be accepted.

Employee Pensions – Governmental Accounting Standards Board (GASB) 68 and 75. In the application, Garrison-Quincy-KY-O-Heights District included in its calculation of Employee Pensions a decrease to Employee Pensions and Benefits expense by \$22,062 to conform to GASB 68 and 75 Standards.⁶⁹ In Case No. 2016-00163,⁷⁰ Commission Staff discussed in detail how reporting requirements for GASB 68 would affect a utility’s income statement and balance sheet. In that proceeding, Commission Staff noted that the annual pension expense should be equal to the amount of a district’s contributions to CERS, which historically have been fairly constant. Consistent with

⁶⁹ Garrison-Quincy-KY-O-Heights District’s Response to Staff’s First Request, Item 19, Rate_Study_Garrison_Quincy.xlsx, 1c Reconciliation AR to TB tab, cell H25.

⁷⁰ Case No. 2016-00163, *Alternative Rate Adjustment Filing of Marion County Water District (Ky. PSC Aug 11, 2016)*, Order at 4–7.

Commission's precedent,⁷¹ Commission Staff removed the \$22,062 adjustment related to GASB 68 and 75.⁷²

The Commission finds that Commission Staff's recommended adjustment is reasonable, and Garrison-Quincy-KY-O-Heights District's Employee Pensions should be increased by \$22,062 to reflect Commission precedent in recording adjustments related to GASB 68 and 75.

Employee Benefits – Health Insurance Stipend. Garrison-Quincy-KY-O-Heights District does not provide medical insurance to employees. Instead, it provides employees a \$350 per month reimbursement for health insurance.⁷³ In its application, Garrison-Quincy-KY-O-Heights District reported the reimbursement as Insurance – Other expense.⁷⁴ Since health insurance is considered an employee benefit, Commission Staff reclassified it from Insurance – Other to Medical Insurance Stipend.

Commission Staff calculated the annual reimbursement expense by multiplying the \$350 per month by six full-time employees, resulting in a total stipend amount of \$25,200.⁷⁵ Then, Commission Staff calculated the water division allocation. The allocation factor used was based on the amounts directly charged to water and sewer

⁷¹ Case No. 2020-00386, *Electronic Application of Morgan County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC June 9, 2021), Order at 17; 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.

⁷² Commission Staff's Report at 17.

⁷³ Garrison-Quincy-KY-O-Heights District's Response to Staff's Second Request, Item 13.

⁷⁴ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 19, Rate_Study_Garrison_Quincy.xlsx, 1c Reconciliation AR to TB tab, Rows 41 thru 43.

⁷⁵ (\$350 Stipend per month * six employee) * 12 month = \$25,200 total annual stipend.

division during the test year;⁷⁶ therefore, 79.33 percent of the total reimbursement is allocated to the water division and 20.67 percent to the sewer division, as shown in the following table:

Description	Test Year Amount	Allocation Percentage
Test Year Water Division Stipend	\$ 17,794	79.33%
Test Year Sewer Division Stipend	4,636	20.67%
Total	<u>\$ 22,430</u>	<u>100%</u>

Using the 79.33 percentage allocation factor, Commission Staff calculated \$19,991 to be allocated to the water division. Therefore, Commission Staff recommended increasing Medical Insurance Stipend by \$19,991.⁷⁷ Commission Staff also proposed to reduced Insurance – Other by the test year amount of \$17,794, in order to properly categorize the stipend as an employee benefit, as shown in the following table:⁷⁸

Description	Number of Employees	Pro Forma Amount
Health Insurance Stipend (\$350 per month per employee) Times: 12 Months	6	\$ 2,100 12
Total Annual Pro Forma Premium		<u>25,200</u>
Water Division Allocation Percentage		79.33%
Water Division's Allocated Health Insurance Stipend		<u>\$ 19,991</u>

The Commission finds that Commission Staff's recommended adjustments are reasonable and should be accepted. Garrison-Quincy-KY-O-Heights District's Insurance - Other should be reduced by \$17,794, to reflect the reclassification of health insurance

⁷⁶ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 19, Rate_Study_Garrison_Quincy.xlsx, 1c Reconciliation AR to TB tab, cells H43 and H106.

⁷⁷ Commission Staff's Report at 18–19.

⁷⁸ Commission Staff's Report at 18–19.

benefits to its correct category. In addition, Garrison-Quincy-KY-O-Heights District's Health Insurance Stipend should be increased by \$19,991, to reflect Garrison-Quincy-KY-O-Heights District's allocation methodology as well as current health insurance stipend amount, as evidenced in the case record.

Purchased Water Expense Normalization. During the test year, Garrison-Quincy-KY-O-Heights District reported a Purchased Water expense of \$32,351.⁷⁹ Commission Staff calculated the Purchased Water expense using the test year gallons purchased of 19,018,560,⁸⁰ at the current wholesale tariff rate of \$1.68 per 1,000 gallons,⁸¹ which results in a \$400 decrease to Purchased Water Expense as shown in the table below.⁸²

Description	Gallons Purchased	Dollars per Gallon	Total
Pro Forma Cost	19,018,560	\$ 0.00168	\$ 31,951
Test Year ()			(32,351)
Commission Staff Adjustment			\$ (400)

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Garrison-Quincy-KY-O-Heights District's Purchased Water expense should be decreased by \$400, because the adjustment is based on the test year gallons purchased at current rates.

⁷⁹ Application, Schedule of Adjusted Operations, Water Division.

⁸⁰ 2022 Water Division Annual Report at 57, line 3.

⁸¹ Garrison-Quincy-KY-O-Heights District's Tariff at 9, Sheet 8, Item E.

⁸² Commission Staff's Report at 19.

Chemical Expense Normalization. During the test year, Garrison-Quincy-KY-O-Heights District reported a Chemical Expense of \$13,258.⁸³ In order to normalize the Chemical costs, Commission Staff calculated a revised pro forma Chemical Expense using the test year volumes purchased,⁸⁴ multiplied by the current unit price paid for each chemical.⁸⁵ This resulted in a chemical expense of \$14,227. Therefore, Commission Staff proposed to increase Chemical Expense by \$1,041, as shown in the following table:⁸⁶

Period / Description	Potassium Permanganate Test Year Pails	Sodium Fluoride Test Year Bags	Phosphate Test Year Pails	Gas Chlorine Test Year Cylinders	Sodium Thiosulfate Test Year Drums	Total
Jan-22	2				2	
Feb-22	2	4				
Mar-22		2	6			
Apr-22						
May-22	2				2	
Jun-22	1		6			
Jul-22						
Aug-22	2	4			2	1
Sep-22			6			
Oct-22	2					
Nov-22	1	1				
Dec-22						
Total	12	11	18	6	1	
Unit Price	\$350	\$175	\$ 350	\$ 247	\$ 392	
Total Cost	\$ 4,200	\$ 1,925	\$ 6,300	\$ 1,482	\$ 392	\$ 14,299
Test Year ()						(13,258)
Commission Staff's Proposed Adjustment						\$ 1,041

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Garrison-Quincy-KY-O-Heights District's Chemical

⁸³ Application, Schedule of Adjusted Operations, Water Division.

⁸⁴ Garrison-Quincy-KY-O-Heights District's Response to Staff's Telephone Request for Supplemental Information on Question #1 of Request for Information #2.

⁸⁵ Garrison-Quincy-KY-O-Heights District's Response to Staff's Second Request, Item 2, 2_Current_Rate_for_Chemicals.xlsx.

⁸⁶ Commission Staff's Report at 19–20.

expense should be increased by \$1,041, because the adjustment is based on the test year volumes purchased at current rates.

Excess Water Loss. In its application, Garrison-Quincy-KY-O-Heights District proposed adjustments to decrease Purchased Water expense by \$3,627, Purchased Power expense by \$4,174, and Chemicals expense by \$1,486.⁸⁷ The adjustments are to reflect the expense for water loss in excess of 15 percent.⁸⁸ During the test year, Garrison-Quincy-KY-O-Heights District reported water loss of 26.2105 percent.⁸⁹ As noted earlier, Commission regulations prohibit the recovery of expenses for water loss in excess of 15 percent. Commission Staff calculated a net decrease of \$3,582 to Purchased Water expense, which is \$45 less than proposed by Garrison-Quincy-KY-O-Heights District.⁹⁰ Garrison-Quincy-KY-O-Heights District reduced Purchased Power Expense by \$4,174 and Commission Staff agreed with the adjustment.⁹¹ Commission Staff proposed to reduce Chemical Expense by \$1,603, which is \$117 more than proposed by Garrison-Quincy-KY-O-Heights District, as shown in following table:⁹²

⁸⁷ Application, Adjusted Operations, References, Adjustment F.

⁸⁸ Application, Schedule of Adjusted Operations Water Division, Adjustment F.

⁸⁹ 2022 Water Division Annual Report at 57.

⁹⁰ Commission Staff's Report at 20–21.

⁹¹ Commission Staff's Report at 20–21.

⁹² Commission Staff's Report at 20–21.

Description	Purchased Water	Purchased Power	Chemicals & Lab Testing	Total
Pro Forma Expenses	\$ 31,951	\$ 37,230	\$ 14,299	\$ 83,480
Water loss in Excess of 15 Percent	11.21%	11.21%	11.21%	11.21%
Excess Cost	(3,582)	(4,174)	(1,603)	(9,359)
Proposed Adjustment ()	3,627	4,174	1,486	9,287
Commission Staff Adjustment	\$ 45	\$ -	\$ (117)	\$ (72)

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Garrison-Quincy-KY-O-Heights District's Purchased Water expense should be decreased by \$3,582, Purchased Power expense decreased by \$4,174, and Chemical Expense should be decreased by \$1,603 since Commission regulation 807 KAR 5:066, Section 6(3), limits water loss to 15 percent for ratemaking purposes.

Depreciation Expense. Garrison-Quincy-KY-O-Heights District proposed an increase in Depreciation Expense by \$9,854⁹³ to adjust the service lives of assets using the National Association of Regulatory Utility Commissioners (NARUC) titled *Depreciation Practices for Small Water Utilities* (NARUC Study).⁹⁴ To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the same NARUC Study published in 1979. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant. Upon examination, Commission Staff agreed with Garrison-Quincy-KY-O-Heights District's methodology to adjust depreciation expense.⁹⁵ However, Commission Staff calculated a

⁹³ Application, Schedule of Adjusted Operations, Water Division, Adjustment G.

⁹⁴ Application, Adjusted Operations, References, Water Division, Adjustment G.

⁹⁵ Commission Staff's Report at 21–22.

depreciation expense of \$117,588. Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Therefore, Commission Staff proposed to increase Garrison-Quincy-KY-O-Heights District's Depreciation Expense by \$16,083, which is \$6,229 more than proposed by Garrison-Quincy-KY-O-Heights District, as shown in the following table.⁹⁶

Categories	Service Life Range	Test Year Depreciation	Depreciation Adjustment	Pro Forma Depreciation
Land & Easements - Water	N/A	\$ -	\$ -	\$ -
Structure and Improvements	35 - 40	8,793	1,668	10,461
Power Operated Equipment	10 - 15	2,862	(2,175)	687
Communication Equipments	10	892	1,596	2,488
Wells & Springs	25 - 35	21,301	10,652	31,952
Reservoirs and Tanks	30 - 60	946	-	946
Pumping Equipment	20	2,629	816	3,445
Transmission & Distribution	50 - 75	65,008	2,600	67,608
Total		<u>\$ 102,431</u>	<u>\$ 15,157</u>	\$ 117,588
Less: Garrison-Quincy-KY-O-Heights District's Application Depreciation ()				(101,505)
Commission Staff's Proposed adjustment				16,083
Less: Garrison-Quincy-KY-O-Heights District's Proposed Adjustment ()				(9,854)
Total Depreciation Expense Adjustment				<u>\$ 6,229</u>

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Garrison-Quincy-KY-O-Heights District's Depreciation Expense should be increased by \$16,083, in order to align Garrison-Quincy-KY-O-Heights District's capital assets' useful lives with the NARUC recommended useful lives.

Capitalization of Tap Labor Expenses. As explained in the expenses related to meter installations adjustment, the expenses related to the installation of new water connections are capital expenditures that should be capitalized as Utility Plant in Service

⁹⁶ Commission Staff's Report at 22-24.

and depreciated over their estimated useful lives. Garrison-Quincy-KY-O-Heights District confirmed that it already capitalized \$444 for the cost of the new meters,⁹⁷ but did not capitalize the labor costs or the remaining materials used.⁹⁸ Therefore, \$2,663 is already capitalized as part of Pumping Equipment.⁹⁹ Garrison-Quincy-KY-O-Heights District confirmed that it did not include the amount capitalized for either labor or materials in the proposed adjustment to Depreciation Expense.¹⁰⁰ As such, Commission Staff calculated the annual depreciation amount for the test year and increased depreciation expense by \$88 to account for the Tap Fee Labor Expense and \$33 for the remaining Tap Fee Material Expense, for a total increase of \$121 as shown below:¹⁰¹

Description	Labor Expense Amount	Materials and Supplies
Test Year Water Connections Labor Expense	\$ 3,975	\$ 3,975
Less: Expense Already Capitalized ()	-	(2,663)
Total Amount Capitalized	3,975	1,312
Divided by: NARUC Proposed Service Lives	45.0	40.0
Pro Forma Depreciation Adjustment	<u>\$ 88</u>	<u>33</u>
Total Commission Approved Depreciation Adjustment		<u><u>\$ 121</u></u>

⁹⁷ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 15c.

⁹⁸ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 15b.

⁹⁹ \$444 Capitalized meter Cost * 6 New Meter Taps installed = \$2,663.

¹⁰⁰ Garrison-Quincy-KY-O-Heights District's Response to Staff's Second Request, Item 4.

¹⁰¹ Commission Staff's Report at 22–23.

However, as stated above, the Commission finds Commission Staff's recommended adjustment is incorrect and should be modified since Commission Staff used separate service lives for separate portions of new meter taps; 45 years for the labor and 40 years for the materials rather than treating the new taps as a single asset to be depreciated over the NARUC Study's recommended 42.5 years. Depreciating the new taps over the single 42.5 years the Commission determined Garrison-Quincy-KY-O-Heights District's Depreciation Expense should be increased by \$125 instead of \$121, as shown below.

Description	Labor Expense Amount	Materials and Supplies
Test Year Water Connections Labor Expense	\$ 3,975	\$ 3,975
Less: Expense Already Capitalized ()	-	(2,663)
Total Amount Capitalized	3,975	1,312
Divided by: NARUC Proposed Service Lives	42.5	42.5
Pro Forma Depreciation Adjustment	<u>\$ 94</u>	<u>\$ 31</u>
Total Commission Approved Depreciation Adjustment		125
Less: Commission Staff's Proposed Adjustment		(121)
Revenue Requirement Adjustment		<u><u>\$ 4</u></u>

The adjustment results in an increase to the Revenue Requirement of \$4 and is consistent with past precedent regarding depreciating new Water Taps over a 42.5-year service life in their entirety.¹⁰² Therefore, the Commission finds that this adjustment is based on a known and measurable change, is reasonable and should be accepted.

¹⁰² Case No. 2022-00431, *Electronic Application of Letcher County Water and Sewer District for a Rate Adjustment Pursuant to 807 KAR 5:07*, (Ky. PSC Nov. 17, 2023). Case No. 2024-00002, *Electronic Application of Nebo Water District for an Alternative Rate Filing Pursuant to 807 KAR 5:076* (Ky. PSC Aug. 2, 2024).

Taxes Other Than Income – Reclassification of Sewer. Garrison-Quincy-KY-O-Heights District proposed an adjustment to decrease Taxes Other Than Income by \$3,864¹⁰³ to account for the reclassification of Payroll Taxes attributable to salaries paid for the sewer division.¹⁰⁴ Commission Staff agreed the sewer division's expenses need to be included in the sewer expenses instead of the water division expenses.¹⁰⁵ Garrison-Quincy-KY-O-Heights District calculated the amount of Payroll taxes incurred during the test year¹⁰⁶ by the sewer division and proposed to remove from the total Taxes Other Than Income. Therefore, Commission Staff agreed with Garrison-Quincy-KY-O-Heights District's proposed adjustment and decreased Taxes Other Than Income by \$3,864.¹⁰⁷

The Commission finds that Garrison-Quincy-KY-O-Heights District's adjustment is reasonable and should be accepted. Garrison-Quincy-KY-O-Heights District's Taxes other than Income should be reduced by \$3,864. The adjustment is to remove the Sewer payroll taxes from the Garrison-Quincy-KY-O-Heights District's Water Division's records.

Taxes Other Than Income- FICA. In the application, Garrison-Quincy-KY-O-Heights District reported \$20,083 for Taxes Other Than Income but revised it to \$17,542.¹⁰⁸ As discussed above, Commission Staff reduced Taxes Other Than Income by \$3,864. Commission Staff recalculated the payroll taxes, accounting for the

¹⁰³ Application, Schedule of Adjusted Operations, Water Division, Adjustment H.

¹⁰⁴ Application, Adjusted Operations, Adjusted Operations, References, Adjustment H.

¹⁰⁵ Commission Staff's Report at 23–24.

¹⁰⁶ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 19, Rate_Study_Garrison_Quincy.xlsx, Allocation Tab, Cell C7.

¹⁰⁷ Commission Staff's Report at 23–24.

¹⁰⁸ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 19, Rate_Study_Garrison_Quincy.xlsx, SAOW Tab, Cell D35.

adjustments to Salaries mentioned above, Commission Staff calculated pro forma salaries and wages – Employees of \$212,248 and allocated Salaries and Wages – Officers of \$8,444. Therefore, Commission Staff calculated a pro forma Taxes Other Than Income of \$16,883, which is an increase of \$3,205,¹⁰⁹ as shown in the following table:

Description	Commission Staff Adjustment
Salaries and Wages - Employees	\$ 212,248
Allocated Salaries and Wages - Officers	8,444
Total Pro Forma Salaries	220,692
Times: 7.65 Percent FICA Rate	7.65%
Total Pro Forma Taxes Other Than Income	16,883
Adjusted Test Year Taxes Other Than Income ()	(13,678)
Payroll Tax Adjustment	3,205
Garrison-Quincy-KY-O-Heights District's Proposed Adjustment ()	-
Commission Staff's Proposed Adjustment	<u>\$ 3,205</u>

The Commission finds that Commission Staff's recommended adjustments are reasonable and should be accepted. Garrison-Quincy-KY-O-Heights District's Taxes other than Income should be increased by \$3,205 because the known and measurable change is a direct result of changes to Salaries and Wages – Employees and Salaries and Wages – Officers.

SUMMARY OF ADJUSTMENTS

Based upon the Commission's findings discussed above, the following table summarizes Garrison Quincy-KY-O-Heights' adjusted pro forma:

¹⁰⁹ Commission Staff's Report at 24.

Description	Commission		Final Pro Forma
	Staff's Report Pro Forma	Commission Adjustments	
Total Operating Revenues	\$ 475,872	\$ -	\$475,872
Utility Operating Expenses	585,498	(7,701)	577,797
Utility Operating Income	(109,626)	7,701	(101,925)
Other Income - Phase II & III Surcharge	23,575	-	23,575
Interest and Dividend Income	38	-	38
Nonutility Income	4,820	-	4,820
Income Available for Debt Service	<u>\$ (81,193)</u>	<u>\$ 7,701</u>	<u>\$ (73,492)</u>

OVERALL REVENUE REQUIREMENT AND REQUIRED REVENUE INCREASE

The Commission has historically applied a Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations.¹¹⁰ 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;¹¹¹ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

¹¹⁰ Case No. 2022-00124, *Electronic Application of Elkhorn Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2022). Case No. 2021-00475, *Electronic Application of Carroll County Water District #1 for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC June 28, 2022).

¹¹¹ 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).

Description	Commission Staff's Report	Commission Approved
Pro Forma Operating Expenses	\$ 585,498	\$ 577,797
Plus: Avg. Annual Principal and Interest Payments	87,555	87,555
Plus: Additional Working Capital	17,511	\$ 17,511
Total Revenues Requirement	690,564	682,863
Less: Other Operating Revenue	(28,799)	(28,799)
Less: Other Income - Phase II & III Surcharge	(23,575)	(23,575)
Less: Nonutility Income	(4,820)	(4,820)
Less: Interest and Dividend Income	(38)	(38)
Revenue Required From Water Sales	633,332	625,631
Revenue from Sales at Present Rates	(447,073)	(447,073)
Required Revenue Increase	<u>\$ 186,259</u>	<u>\$ 178,558</u>
Percentage Increase	<u>41.66%</u>	<u>39.94%</u>

1. Average Annual Principal and Interest Payments. At the time of Commission Staff's review, Garrison-Quincy-KY-O-Heights District had four U.S. Department of Agriculture's Rural Development (RD) Bonds¹¹² and one Kentucky Infrastructure Authority (KIA) loan.¹¹³ In its application, Garrison-Quincy-KY-O-Heights District requested recovery of the average annual principal and interest on its indebtedness based on an average of the annual principal, and interest and fee payments for the five years following the test year, which is 2023 through 2027.¹¹⁴ However,

¹¹² Case No. 19009658, *The Application of the Garrison-Quincy-Ky-O-Heights Water District of Lewis County, Kentucky for Approval of Construction, Financing and Increased Water Rates* (Ky. PSC Apr. 2, 1987); Case No. 1996-285, *The Application of Garrison-Quincy-Ky-O- Heights Water District of Lewis County Kentucky for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to the Provisions of KRS 278.023* (Ky. PSC Aug. 16, 1996); Case No. 2002-00181, *The Application of Garrison-Quincy-Ky-O Heights Water District of Lewis County, Kentucky, for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023* (Ky. PSC June 25, 2002).

¹¹³ Case No. 2015-00052, *Application of Garrison-Quincy-Ky-O-Heights Water District for Approval of a Certificate of Public Convenience and Necessity and Approval of Financing* (Ky. PSC Apr. 2, 2015).

¹¹⁴ Application, Revenue Requirements Calculation, Table B, Debt Service Schedule.

because the statutory date for a final Order to be issued in this proceeding is October 19, 2024, the 2023 debt service payments will be recovered through Garrison-Quincy-KY-O-Heights District’s existing rates. Therefore, only the debt service payments that will be made after the new rates are placed into effect should be considered in determining Garrison-Quincy-KY-O-Heights District’s Annual Principal and Interest Expense. Commission Staff calculated the average annual principal and interest on a five-year average for the years 2024 through 2028. As shown below, Commission Staff calculated an Average Principal and Interest expense of \$87,555.

Debt Issuance	2024		2025		2026		2027		2028		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
Series 2002	\$ 9,000	\$10,913	\$ 9,000	\$10,508	\$ 9,000	\$10,103	\$10,000	\$ 9,675	\$10,000	\$ 9,225	\$ 97,423
Series 1987A	15,000	3,793	16,000	2,805	17,000	1,753	19,000	606	-	-	75,957
Series 1987B	2,600	605	2,800	447	3,000	276	3,200	94	-	-	13,022
Series 1996	9,500	6,964	9,500	6,536	10,000	6,098	10,500	5,636	11,000	5,153	80,886
KIA Loan 2015	30,215	4,035	30,442	3,732	30,671	3,427	30,901	3,120	31,134	2,810	170,486
Total	\$66,315	\$26,309	\$67,742	\$24,027	\$69,671	\$21,656	\$73,601	\$19,131	\$52,134	\$17,188	437,773
Divide by: 5 years											5
Average Annual Principal and Interest Payments											<u><u>\$ 87,555</u></u>

The Commission finds Commission Staff’s proposed Average Interest and Principal Payments of \$87,555 should be included in Garrison-Quincy-KY-O-Heights District’s Revenue Requirement because the Debt Service Coverage methodology allows for the recovery of the principal and interest payments.

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 application, Garrison-Quincy-KY-O-Heights District requested

recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments for its Bonds at the time of its application for a total of \$18,401.¹¹⁵

Following the Commission’s historic practice,¹¹⁶ Commission Staff agreed with Garrison-Quincy-KY-O-Heights District’s methodology. Therefore, when the change from 2023 through 2027 to 2024 through 2028 is taken into account, \$17,511 is included in the revenue requirement as shown in the following table:

Average Annual Principal and Interest	\$ 87,555
Times: DSC Coverage Ratio	120%
Total Net Revenues Required	<u>105,066</u>
Less: Average Annual Principal and Interest Payments	(87,555)
Additional Working Capital	<u>\$ 17,511</u>

The Commission finds Commission Staff’s proposed Additional Working Capital of \$17,511 should be included in Garrison-Quincy-KY-O-Heights District’s Revenue Requirement because the Additional Working Capital is a direct result of the calculated Annual Debt Principal and Interest payments.

RATE DESIGN

Garrison-Quincy-KY-O-Heights District proposed to allocate its increase across the board. Garrison-Quincy-KY-O-Heights District applied this across the board increase as no cost-of-service study (COSS) was performed. Garrison-Quincy-KY-O-Heights

¹¹⁵ Garrison-Quincy-KY-O-Heights District’s Response to Staff’s First Request, Item 19, Rate_Study_Garrison_Quincy.xlsx, Debt Service Tab, Cell M21.

¹¹⁶ Case No. 2022-00431, *Electronic Application of Letcher County Water and Sewer District for a Rate Adjustment Pursuant To 807 KAR 5:076* (Ky. PSC Nov. 17, 2023); Case No. 2023-00154, *Electronic Application of Harrison County Water Association, Inc. For An Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024); Case No. 2023-00182, *Electronic Application of Western Mason County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 4, 2024).

District stated that a COSS was not completed as there had not been any material change in its water system to warrant a COSS.¹¹⁷ Commission Staff agreed with this allocation method and used it to allocate its recommended \$186,263 increase.

The Commission find that the allocation of a revenue increase evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS. In the Commission Staff's Report, Commission Staff followed the method proposed by Garrison-Quincy-KY-O-Heights District and allocated Commission Staff's calculated revenue increase across the board to Garrison-Quincy-KY-O-Heights District's monthly retail water service rates.

In its response to Commission Staff's Report, Garrison-Quincy-KY-O-Heights District requested that the Commission implement a two-year phase-in of the overall increase.¹¹⁸ Having considered the evidence and the percentage of rate increase, the Commission agrees with a two-year phase-in implementation to reduce the impact of the increase on Garrison-Quincy-KY-O-Heights District's customers.

The rates, as calculated by Commission Staff, which are set forth in Appendix B to this report, are based upon the total revenue requirement of \$682,863 and will produce sufficient revenues from water sales to recover the \$625,631 Revenue Required from Water Sales. The rates in phase 1 will increase an average residential customer using 3,000 gallons monthly water bill from \$32.20 to \$38.92, an increase of \$6.72, or

¹¹⁷ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 11.

¹¹⁸ Garrison-Quincy-KY-O-Heights District's Response to Commission Staff's Report.

approximately 20.86 percent.¹¹⁹ The rates in phase 2 will increase an average residential customer using 3,000 gallons monthly water bill of the phase 1 rates from \$38.92 to \$45.06, an increase of \$6.14, or approximately 15.78 percent.

Nonrecurring Charges. Following the Commission's recent decisions,¹²⁰ Commission Staff has reviewed Garrison-Quincy-KY-O-Heights District's Nonrecurring Charges. In Commission Staff's report, Staff noted that, while Garrison-Quincy-KY-O-Heights District did not request to revise the nonrecurring charges for its sewer division, it did provide updated cost justification sheets for each nonrecurring charge.¹²¹ Commission Staff reviewed the cost justification sheets and made revisions to the charges for Garrison-Quincy-KY-O-Heights District's sewer division.

The Commission has found that, because district personnel are currently paid during normal business hours, estimated labor costs previously included in determining the amount of Nonrecurring Charges should be eliminated from the charges. Commission Staff reviewed the cost justification information provided by Garrison-Quincy-KY-O-Heights District and have adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs. Such adjustments result in the Nonrecurring Charges shown in Appendix A.

¹¹⁹ The average retail customer uses approximately 3,000 gallons per month as used by Garrison-Quincy-KY-O-Heights District in its Application, Customer Notice at 7.

¹²⁰ 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).

¹²¹ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 22.

In its response to Commission Staff’s Report, Garrison-Quincy-KY-O-Heights District stated that its current tariff provides for a Late Payment Charge of \$7. Garrison-Quincy-KY-O-Heights District proposed to revise this charge to 10 percent as allowed by the Commission.¹²² The Commission agrees with this proposal and finds that it should be approved considering the 10 percent Late Payment Penalty is supported by statute.¹²³

The adjustments to the Nonrecurring Charges result in an increase in Miscellaneous Service Revenue of \$392 as shown below. The Commission finds that the revised nonrecurring charges recommended by Commission Staff are approved because they are supported by the expenses contained in the cost justification sheets.

Description	Occurrences	Current Charge	Revised Charge	Adjustment	Pro Forma
Connection Charge	100	\$11.00	\$12.00	\$100	\$1,200
Connection Charge (After Hours)	0	\$41.00	\$48.00	0	0
Field Collection Charge	56	\$11.00	\$12.00	56	672
Meter Test Charge	0	\$36.00	\$45.00	0	0
Reconnection Charge	142	\$22.00	\$24.00	284	3,408
Reconnection Charge (After Hours)	0	\$52.00	\$60.00	0	0
Returned Check Charge	6	\$23.00	\$15.00	(48)	90
Service Call	0	\$11.00	\$12.00	0	0
Service Call (After Hours)	0	\$41.00	\$58.00	0	0
Seasonal Reconnect	0	\$11.00	\$12.00	0	0
Pro Forma Test Year NRC Revenue				<u>\$392</u>	\$5,370
Test Year NRC Revenue ()					<u>(4,978)</u>
Adjustment					<u>\$392</u>

In addition to its nonrecurring charges, Garrison-Quincy-KY-O-Heights District proposed to increase its Meter Tap-On Fees for all meter sizes from \$1,325 to \$1,420.

¹²² Garrison-Quincy-KY-O-Heights District’s Response to Commission Staff’s Report.

¹²³ KRS 278.154.

Commission Staff reviewed the cost justification sheets¹²⁴ provided by Garrison-Quincy-KY-O-Heights District and agreed with the proposed Meter Tap-On Fee increase. Commission Staff recommended increasing the tap on fees to meet the expenses presented in the updated cost justification provided by Garrison-Quincy-KY-O-Heights District. The Commission finds that the increase is approved as it is supported by the expenses contained in the cost justification sheets.

Garrison-Quincy-KY-O-Heights District proposed to decrease its Meter Tap-On Fees for all meter sizes within the Sewer Division from \$4,725 to \$4,688. Commission Staff reviewed the cost justification sheets¹²⁵ provided by Garrison-Quincy-KY-O-Heights District and agreed with the proposed Meter Tap-On Fee decrease. Commission Staff recommended decreasing the tap on fees to meet the expenses presented in the updated cost justification provided by Garrison-Quincy-KY-O-Heights District within the Sewer Division. Although this adjustment does not impact the revenue requirement for the utility, the Commission finds that the decrease is approved as it is supported by the expenses contained in the cost justification sheets.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Commission Staff's Report, along with the above stated modifications, are supported by the evidence of record and are reasonable. By applying the DSC Method to Garrison-Quincy-KY-O-

¹²⁴ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 22, Item_22_Water.pdf.

¹²⁵ Garrison-Quincy-KY-O-Heights District's Response to Staff's First Request, Item 23, Item_23_Water.pdf.

Heights District pro forma operations results in an Overall Revenue Requirement of \$682,863 and that a \$178,558 revenue increase, or 39.94 percent, to pro forma present revenues is necessary to generate the Overall Revenue Requirement.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Commission Staff's Report, as modified above, are adopted and incorporated by reference into this Order as if fully set out herein.

2. The water service rates proposed by Garrison-Quincy-KY-O-Heights District are denied.

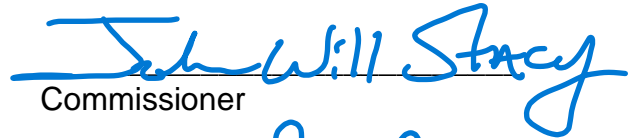
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Garrison-Quincy-KY-O-Heights District on or after the date of service of this Order.

4. Within 20 days of the date of service of this Order, Garrison-Quincy-KY-O-Heights District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.

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

PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ENTERED
SEP 17 2024
rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00408 DATED SEP 17 2024

* Denotes Rounding

Nonrecurring Charges Adjustments (Water)

	Meter Test 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.	\$45.00	\$45.00
Total Revised Charge*	\$45.00	\$45.00
Current Rate	\$36.00	

	Field Collection Charge Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hr. at \$18/hr.)	\$18.00	\$0.00
Office Supplies	\$0.60	\$0.60
Office Labor	\$3.25	\$0.00
Transportation	\$2.89	\$2.89
Misc. (Mileage Roundtrip)	\$9.17	\$9.17
Total Revised Charge*	\$33.91	\$12.00
Current Rate	\$11.00	

	Connection Charges (After Hours) Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (2 hrs. min at \$18/hr.)	\$36.00	\$36.00
Office Supplies	\$0.00	\$0.00
Office Labor	\$0.00	\$0.00
Transportation	\$2.89	\$2.89
Misc. (Mileage)	\$9.17	\$9.17
Total Revised Charge	\$48.06	\$48.00

Current Rate		\$41.00
	Returned Checks Charge	
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor	\$0.00	\$0.00
Office Supplies	\$2.75	\$2.75
Office Labor	\$3.25	\$0.00
Transportation	\$0.00	\$0.00
Misc. (Bank service charge)	\$12.00	\$12.00
Total Revised Charge	<u>\$18.00</u>	<u>\$15.00</u>
Current Rate		\$23.00

	Connection Charges	
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (30 min at \$18/hr.)	\$9.00	\$0.00
Office Supplies	\$0.10	\$0.10
Office Labor	\$3.25	\$0.00
Transportation	\$2.89	\$2.89
Misc. (Mileage Roundtrip)	\$9.17	\$9.17
Total Revised Charge	<u>\$24.41</u>	<u>\$12.00</u>
Current Rate		\$11.00

	Reconnection Charge	
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hr. at \$18/hr.)	\$18.00	\$0.00
Office Supplies	\$0.10	\$0.10
Office Labor	\$3.25	\$0.00
Transportation	\$5.78	\$5.78
Misc. (Mileage)	\$18.34	\$18.34
Total Revised Charge*	<u>\$45.47</u>	<u>\$24.00</u>
Current Rate		\$22.00

	Reconnection Charge (After Hours)	
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (2 hr. min at \$18/hr.)	\$36.00	\$36.00
Office Supplies	\$0.10	\$0.10

Office Labor	\$3.25	\$0.00
Transportation	\$5.78	\$5.78
Misc. (Mileage)	\$18.34	\$18.34
Total Revised Charge*	<u>\$63.47</u>	<u>\$60.00</u>
Current Rate	\$52.00	

	Seasonal Reconnect Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (30 min at \$18/hr.)	\$9.00	\$0.00
Office Supplies	\$0.10	\$0.10
Office Labor	\$3.25	\$0.00
Transportation	\$2.89	\$2.89
Misc. (Mileage)	\$9.17	\$9.17
Total Revised Charge*	<u>\$24.41</u>	<u>\$12.00</u>
Current Rate	\$11.00	

	Service Call Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1 hr. at \$18/hr.)	\$18.00	\$0.00
Office Supplies	\$0.10	\$0.10
Office Labor	\$3.25	\$0.00
Transportation	\$2.89	\$2.89
Misc. (Mileage)	\$9.17	\$9.17
Total Revised Charge*	<u>\$33.41</u>	<u>\$12.00</u>
Current Rate	\$11.00	

	Service Call After Hours Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (2 hr. min at \$18/hr.)	\$36.00	\$36.00
Office Supplies	\$0.10	\$10.00
Office Labor	\$3.25	\$0.00
Transportation	\$2.89	\$2.89
Misc. (Mileage)	\$9.17	\$9.17
Total Revised Charge*	<u>\$51.41</u>	<u>\$58.00</u>
Current Rate	\$41.00	

* Denotes Rounding

Nonrecurring Charges Adjustments (Sewer)

	Connection Charges Utility Revised Charge	Staff Revised Charge
Field Materials (Tests - Electrical)	\$2.00	\$2.00
Field Labor (30 min at \$18/hr.)	\$9.00	\$0.00
Office Supplies	\$0.10	\$0.10
Office Labor	\$3.25	\$0.00
Transportation	\$2.89	\$2.89
Misc. (Mileage)	\$2.62	\$2.62
Total Revised Charge*	<u>\$19.86</u>	<u>\$8.00</u>
Current Rate	\$7.00	

	Connection Charges After Hours Utility Revised Charge	Staff Revised Charge
Field Materials (Electrical Tester)	\$2.00	\$2.00
Field Labor (2 hr. min at \$18/hr.)	\$36.00	\$36.00
Office Supplies	\$0.10	\$0.10
Office Labor	\$3.25	\$0.00
Transportation	\$2.89	\$2.89
Misc. (Milage)	\$2.62	\$2.62
Total Revised Charge	<u>\$46.86</u>	<u>\$44.00</u>
Current Rate	\$38.00	

	Field Collection Charge Utility Revised Charge	Staff Revised Charge
Field Materials (door hanger)	\$0.50	\$0.50
Field Labor (1 hr. at \$18/hr.)	\$18.00	\$0.00
Office Supplies	\$0.10	\$0.10
Office Labor	\$3.25	\$0.00
Transportation	\$2.89	\$2.89
Misc. (Mileage)	\$2.62	\$2.62
Total Revised Charge*	<u>\$27.36</u>	<u>\$6.00</u>
Current Rate	\$6.00	

	Reconnection Charge Utility Revised Charge	Staff Revised Charge
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Field Materials	\$0.00	\$0.00
Field Labor (1 hr. at \$18/hr.)	\$18.00	\$0.00
Office Supplies	\$0.10	\$0.10
Office Labor	\$3.25	\$0.00
Transportation	\$5.78	\$5.78
Misc. (Mileage)	\$5.24	\$5.24
Total Revised Charge	<u>\$32.37</u>	<u>\$11.00</u>
Current Rate	\$10.00	

	Reconnection Charge After Hours Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (2 hr. min at \$18/hr.)	\$36.00	\$36.00
Office Supplies	\$0.10	\$0.10
Office Labor	\$3.25	\$0.00
Transportation	\$5.78	\$2.89
Misc. (Mileage Roundtrip)	\$5.24	\$5.24
Total Revised Charge	<u>\$50.37</u>	<u>\$44.00</u>
Current Rate	\$41.00	

	Returned Checks Charge Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor	\$0.00	\$0.00
Office Supplies	\$2.75	\$2.75
Office Labor	\$7.50	\$0.00
Transportation	\$0.00	\$0.00
Misc. (Bank service charge)	\$12.00	\$12.00
Total Revised Charge*	<u>\$22.25</u>	<u>\$15.00</u>
Current Rate	\$23.00	

	Service Call Charge Utility Revised Charge	Staff Revised Charge
Field Materials (Electrical tests)	\$2.00	\$2.00
Field Labor (1 hr. at \$18/hr.)	\$18.00	\$0.00
Office Supplies	\$0.10	\$0.10
Office Labor	\$3.25	\$0.00
Transportation	\$2.89	\$2.89
Misc. (Mileage)	\$2.62	\$2.62
Total Revised Charge*	<u>\$28.86</u>	<u>\$8.00</u>

Current Rate \$7.00

	Service Call Charge After Hours Utility Revised Charge	Staff Revised Charge
Field Materials (Electrical tests)	\$2.00	\$2.00
Field Labor (2 hr. min at \$18/hr.)	\$36.00	\$36.00
Office Supplies	\$0.10	\$0.10
Office Labor	\$3.25	\$0.00
Transportation	\$2.89	\$2.89
Misc. (Mileage)	\$2.62	\$2.62
Total Revised Charge*	<u>\$46.86</u>	<u>\$44.00</u>
Current Rate	\$38.00	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00408 DATED SEP 17 2024

The following rates and charges are recommended by Commission Staff based on the adjustments in Commission Staff's Report for the customers in the area served by Garrison-Quincy-O-Heights Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Retail Water Rates
Phase 1

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

First	2,000 Gallons	\$ 27.95	Minimum Bill
Next	3,000 Gallons	0.01097	per Gallon
Next	5,000 Gallons	0.00917	per Gallon
Over	10,000 Gallons	0.00725	per Gallon

1-Inch Meter

First	10,000 Gallons	\$ 106.73	Minimum Bill
Over	10,000 Gallons	\$ 0.00725	per Gallon

2-Inch Meter

First	50,000 Gallons	\$ 396.70	Minimum Bill
Over	50,000 Gallons	\$ 0.00725	per Gallon

Wholesale – City of South Shore

First	1,000,000 Gallons	\$ 2,416.62	Minimum Bill
Next	2,000,000 Gallons	\$ 0.00242	per Gallon
Over	3,000,000 Gallons	\$ 0.00266	per Gallon

Bulk Water

All Purchases		\$ 0.01183	per Gallon
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Monthly Retail Water Rates
Phase 2 (To Be Implemented 1 Year After Phase 1 Rates)

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

First	2,000 Gallons	\$ 32.35	Minimum Bill
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Next 3,000 Gallons	0.01271	per Gallon
Next 5,000 Gallons	0.01062	per Gallon
Over 10,000 Gallons	0.00841	per Gallon

1-Inch Meter

First 10,000 Gallons	\$ 123.61	Minimum Bill
Over 10,000 Gallons	\$ 0.00841	per Gallon

2-Inch Meter

First 50,000 Gallons	\$ 459.44	Minimum Bill
Over 50,000 Gallons	\$ 0.00841	per Gallon

Wholesale – City of South Shore

First 1,000,000 Gallons	\$ 2,798.80	Minimum Bill
Next 2,000,000 Gallons	\$ 0.00280	per Gallon
Over 3,000,000 Gallons	\$ 0.00308	per Gallon

Bulk Water

All Purchases	\$ 0.01370	per Gallon
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Tap-On Fee (Water)

5/8-Inch x 3/4-Inch Meter	\$ 1,420.00
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Tap-On Fee (Sewer)

5/8-Inch x 3/4-Inch Meter	\$ 4,688.00
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Nonrecurring Charges (Water)

Meter Test Charge	\$ 45.00
Field Collection Charge	12.00
Connection Charge	12.00
Connection Charge (After Hours)	48.00
Reconnection Charge	24.00
Reconnection Charge (After Hours)	60.00
Seasonal Reconnection Charge	12.00
Service Call	12.00
Service Call (After Hours)	58.00
Returned Check Charge	15.00
Late Payment Penalty	10 Percent

Nonrecurring Charges (Sewer)

Connection Charge	\$ 8.00
Connection Charge (After Hours)	44.00
Field Collection Charge	6.00
Reconnection Charge	11.00

Reconnection Charge (After Hours)	44.00
Returned Check Charge	15.00
Service Call	8.00
Service Call (After Hours)	44.00

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*Robert K. Miller
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*Garrison-Quincy-Ky-O-Heights Water District
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*Trent Underwood
Garrison-Quincy-Ky-O-Heights Water District
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